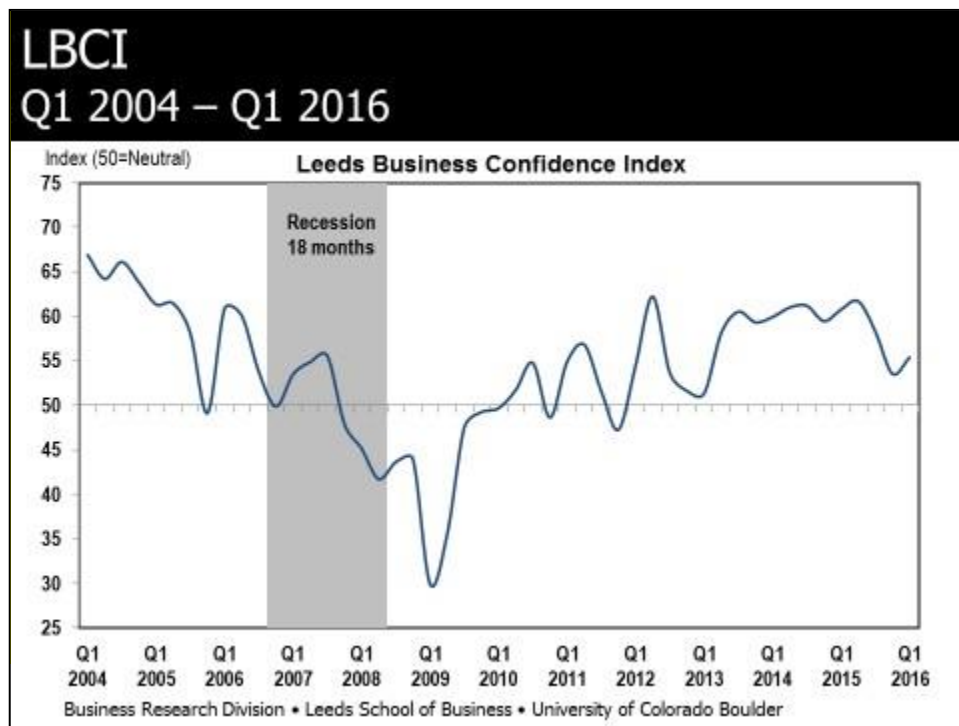


Summary — Pessimism Abates Ahead of Q1

The panel of business leaders surveyed in the Leeds Business Confidence Index (LBCI) reported modestly increased optimism ahead of Q1 2016 after two consecutive quarters of decreased confidence. The index is in positive territory (above 50) for all metrics in the index. The state economic outlook recorded the greatest optimism, and the national index the least optimism. According to the Bureau of Economic Analysis (BEA), the United States recorded real GDP growth of 3.9% (seasonally adjusted annual rate) in Q2 2015 and 2% in Q3 2015. In the relatively new state quarterly real GDP series, Colorado recorded year-over-year GDP growth of 4.8%—the fastest growth nationally.

Business leaders discussed their greatest concerns heading into 2016. The most frequent concerns identified by respondents included interest rates and fed policy, followed by the availability of a talented workforce, global and domestic economic growth, election-year politics, the regulatory environment, and the cost of housing.

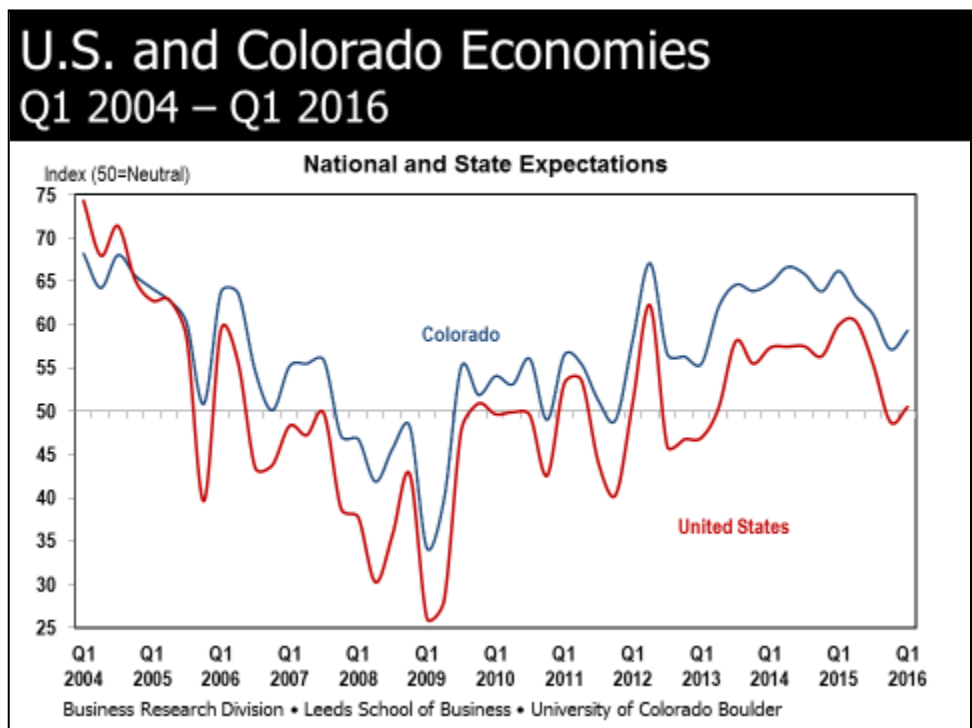
The LBCI, which captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures, is at 55.4 for Q1 2016 compared to 53.5 ahead of Q4 2015. The LBCI is down 5.7 points from one year ago and up 1.5 points from last quarter. A total of 242 panelists responded to the Q1 2016 survey.



National and State Economies — Business Leaders Still Positive

Expectations about the national economy and the state economy both increased ahead of Q1. In particular, national expectations notched above the neutral mark after sinking below 50 last quarter. Expectations about the state increased 1.9 points, and the national economy increased by 1.7 points. Business leaders remained more positive about the state economy than the national economy.

The pace of GDP growth decreased but continued on a positive growth path in Q3, expanding by 2% following growth of 3.9% in Q2 2015. Despite decreasing national employment growth in 2015, the unemployment rate has stabilized at 5%. The United States averaged growth of 210,000 jobs per month year-to-date through November 2015 compared to 253,000 for the same period in 2014. November 2015 alone recorded 211,000 additional jobs.



Overall expectations for the state economy increased from 57.2 in Q4 2015 to 59.3 in Q1 2016. Nearly 46% of panelists expect the state economy to expand, and 41.7% of respondents are neutral. Five percent of respondents expect a strong increase in the state economy, and less than 1% of respondents anticipate a strong decrease.

Confidence in the national economy increased ahead of Q1, from 48.8 to 50.5 in Q1 2016. Optimists outnumbered pessimists 29% to 26%.

According to the third estimate from the BEA, U.S. GDP in Q3 2015 experienced a 2% increase. The BEA reported:

The deceleration in real GDP in the third quarter primarily reflected a downturn in private inventory investment and decelerations in exports, in PCE, in nonresidential fixed investment, and in state and local government spending that were partly offset by a deceleration in imports.

Total year-over-year employment growth has continued to slow in Colorado, dropping from 3.1% in November 2014 to 1.8% in November 2015, the lowest percentage growth since 2011. Jobs decreased by 2,100 from October 2015 to November 2015 in the unadjusted release, a 0.1% month-over-month decrease (seasonally adjusted). Year-over-year, the state added 44,200 jobs.

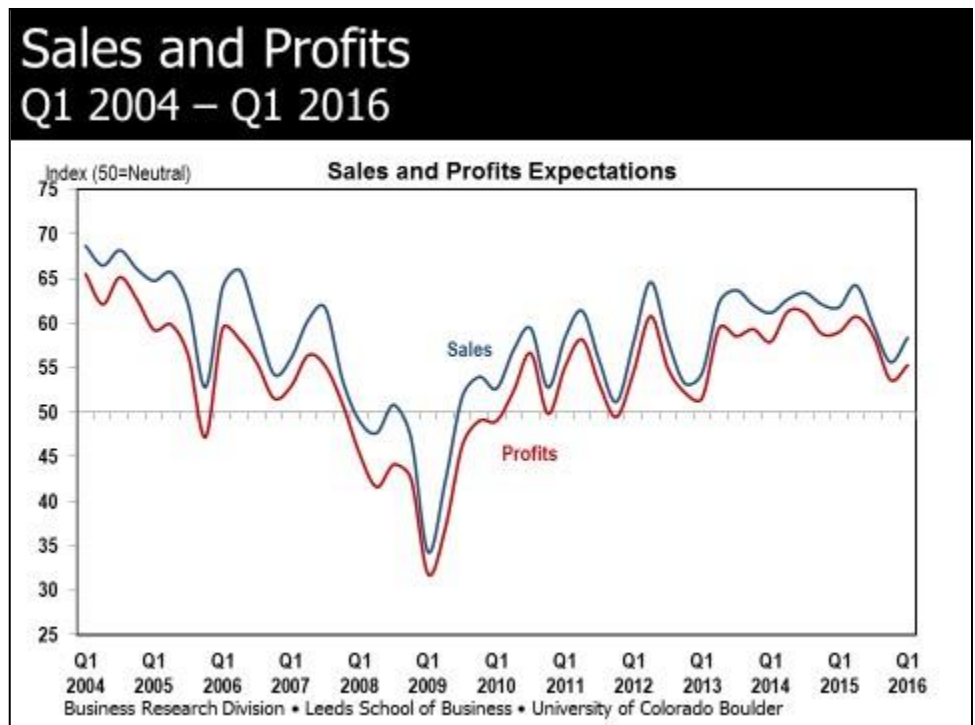
Sales and Profits — Expectations Stabilize Ahead of Q1

Profits and sales expectations rose ahead of Q1 2016. The profits index recorded a 1.6-point increase, from 53.6 in Q4 2015 to 55.3 in the Q1 2016 survey. Sales expectations increased from 55.6 to 58.4.

The positive profits index was sustained by 44% of respondents who anticipate an increase in sales in Q1 versus 20% who expect a decline; 36% are neutral. Of the respondents on the extreme tails, less than 1% expect a strong increase and 3% anticipate a strong decrease.

The sales index increased to 58.4 in Q1 2016, with those expecting growth in sales (52%) outweighing those anticipating declines (19%). Less than one-third remain neutral.

According to the BEA, state personal income rose 1.1% from the preceding quarter in Q3 2015 and 5.3% year-over-year, ranking the state 39th and 7th, respectively, for these metrics. Per capita personal income rose 3.7% year-over-year in Q3. Inflation in the first half of the year (all items index) increased 1% for the year-over-year in the Denver-Boulder-Greeley MSA. Core inflation increased 3.2%, and shelter increased 5.5% for the year.



According to the Federal Housing Finance Agency (FHFA) purchase only home price index, between the third quarter of 2014 and the third quarter of 2015, home prices rose in every state but West Virginia. House prices rose 1.2% nationally—the 17th-consecutive quarter to show an increase. Colorado ranked second in the nation—behind Washington DC—in home price appreciation in Q3 2015, with a year-over-year increase of 12.7% and a 3% gain over the previous quarter.

According to the Institute for Supply Management, the manufacturing index declined to 48.6 in November 2015, the first reading below 50 since 2012. The November 2015 Purchasing Managers Index (PMI) posted a decrease of 1.5% from the previous month.

Capital Expenditures and Hiring Plans — Realignment

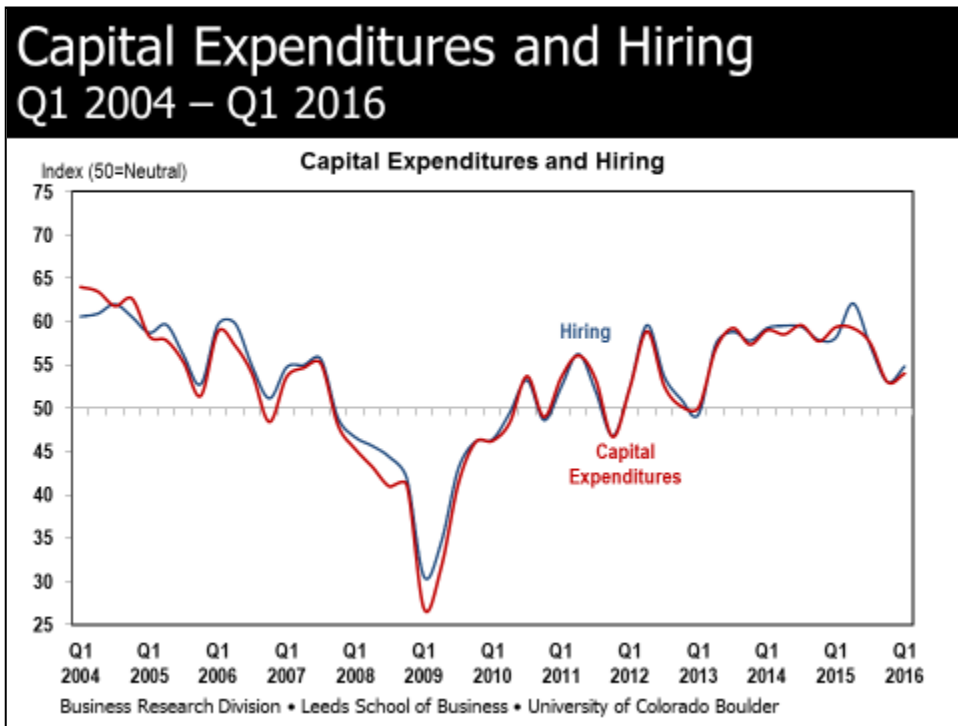
Capital expenditures track hiring expectations ahead of Q1. Both metrics increased this quarter—hiring expectations were up 1.8 points, and capital expenditures expectations increased 1 point.

While 43.4% of respondents are neutral, 36% expect a boost in capital expenditures. A total of 5.1% respondents expect a strong increase compared to 3.3% who anticipate a strong decrease in capital expenditures. Hiring expectations increased as well in the Q1 2016 survey, from 53.1 to 54.9. About 42% of respondents are neutral on hiring. Another 39.3% of panelists note positive expectations, and 19% are negative, indicating employment in Colorado continues to have upward growth potential.

The unemployment rate in Colorado decreased to 3.8% in October 2015, which compares to

the national unemployment rate of 5%. Employment growth was recorded year-over-year in most metropolitan areas around the state, with the Fort Collins-Loveland MSA and the Greeley MSA both growing at a rate of 3.9% in November 2015, followed by the Denver-Aurora-Lakewood (2%), Boulder (0.8%), Pueblo (0.7%), Colorado Springs (0.5%), and Grand Junction (flat) MSAs. Growth from October to November decreased in four of the seven MSAs.

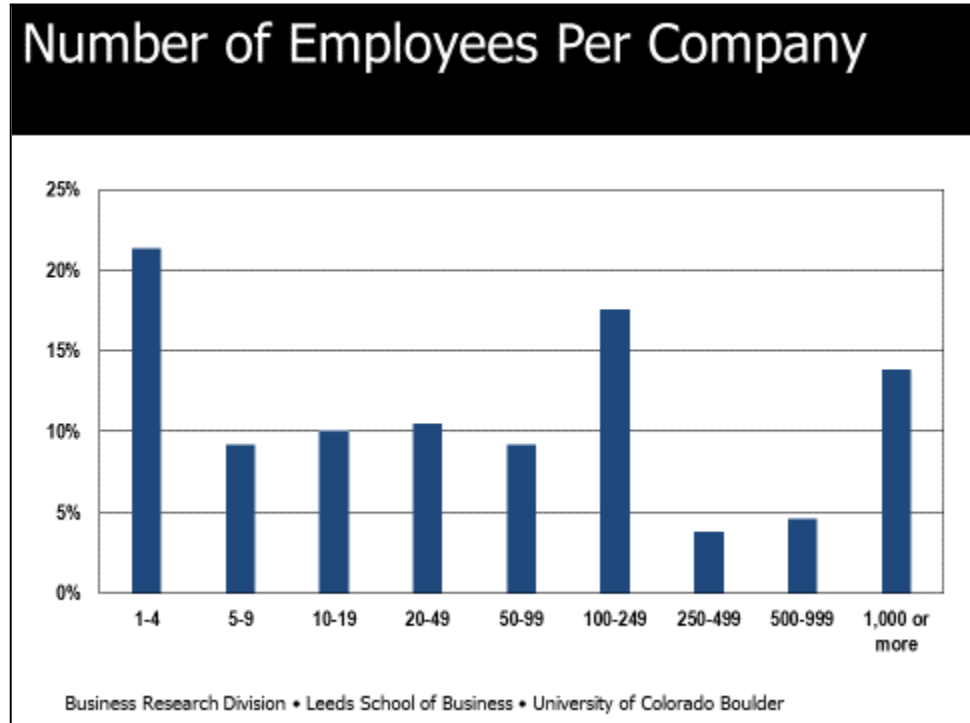
Across the state, the greatest year-over-year percentage gains in employment were in Construction (8.3%), Leisure and Hospitality (4.9%), and Education and Health Services (4%). The weakest sectors for growth continue included Mining and Logging (-3.9%), Information (-2.9%), and Other Services (-0.4%).



About the Panel — Company Size and Length of Time in Business

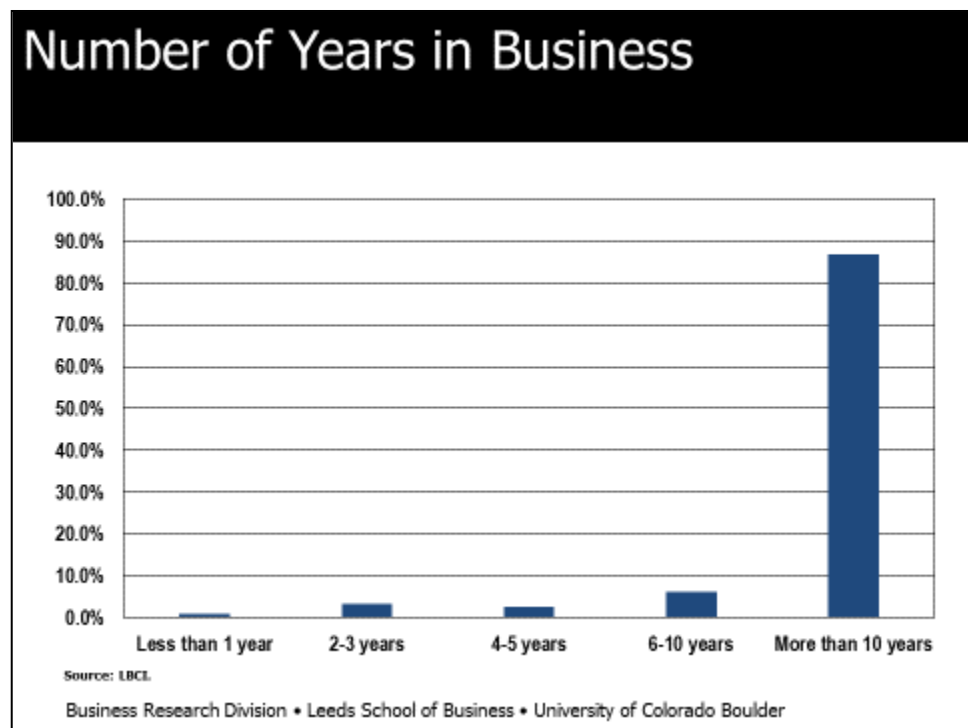
Panelists were asked two additional questions, one about the size of their company and the other about how long their company has been in business. More than half (51%) of survey respondents work for companies with fewer than 50 employees, and 49% work for companies with 50 or more employees.

The four largest groups were represented by companies with 1–4 employees (21.3%), 100–249 employees (17.6%), 1,000 or more employees (13.8%), and 20–49 employees (10.5%).



Small employers' expectations increased 2 points ahead of Q1 while large employers' expectations increased 1.2 points. While remaining above the neutral threshold, small employers (fewer than 50 employees) were notably less optimistic than large employers. The overall index for small employers increased to 52.9 versus 57.9 for large employers.

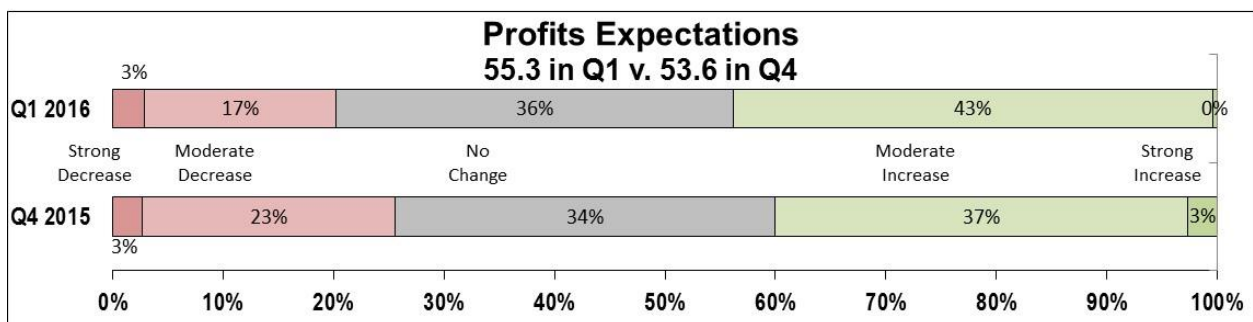
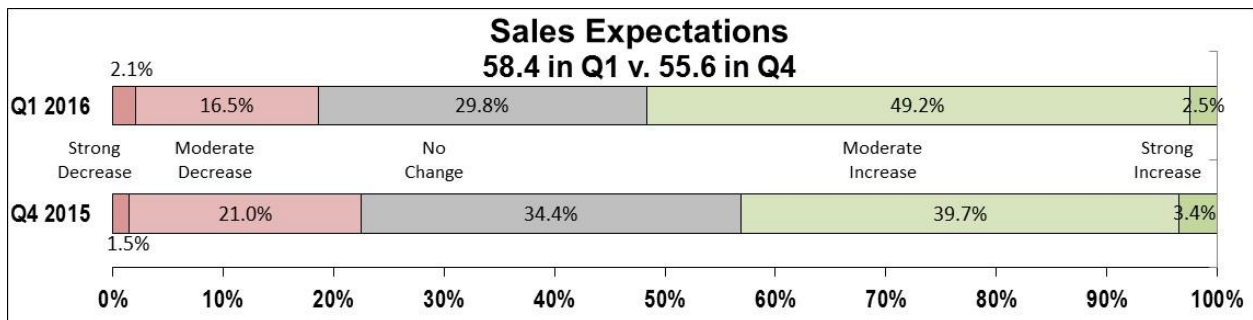
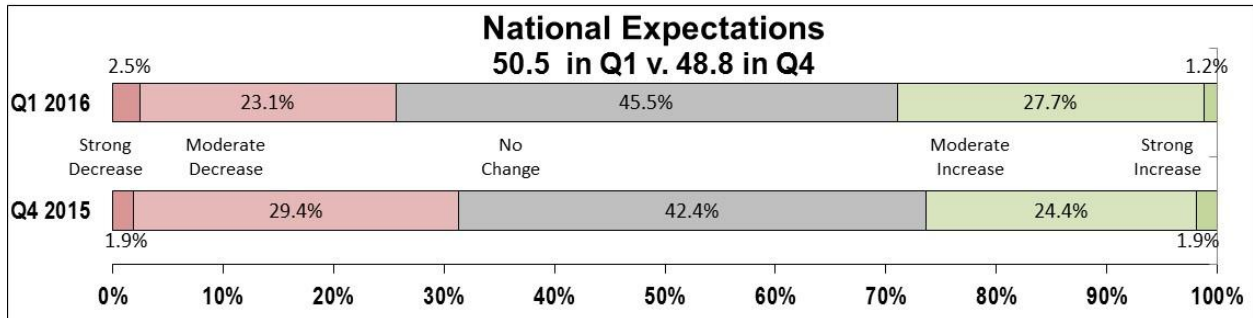
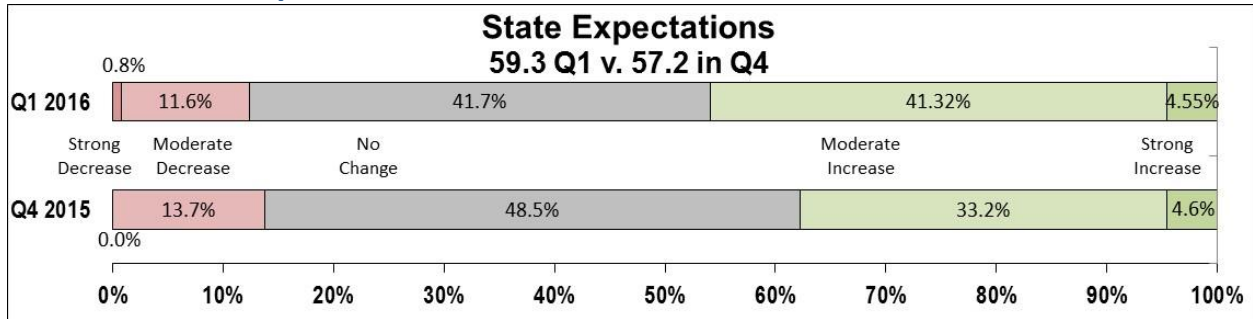
Large employers were more bullish than small employers in every category. The greatest differential (9 points) was in hiring plans, with small employers recording a reading of 50.4 compared to large employers' reading of 59.4.

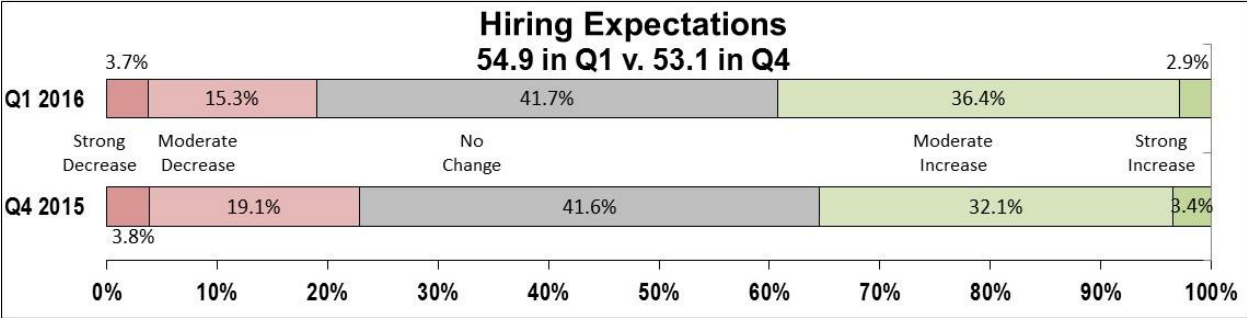
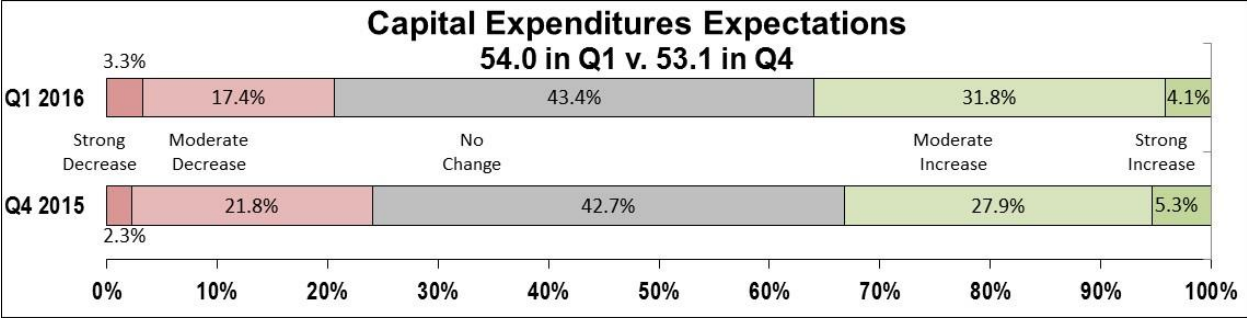


About 87% of survey respondents work at a long-standing company that has been in business for more than 10 years. Long-standing companies were more bullish than newer companies. The index by firm tenure (how long it has been in business) was higher for firms in business more than 10 years (56) than for firms in business fewer than 10 years (51).

While responding panelists represent nearly every industry in the state, the largest percentage of respondents to the Q1 survey work in three sectors: Professional and Technical Services (29.5%), Finance and Insurance (15.8%), and Real Estate and Rental and Leasing (12.6%).

Distribution of Expectations





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For more information about the LBCI and to become a panelist, go to:
www.colorado.edu/business/brd