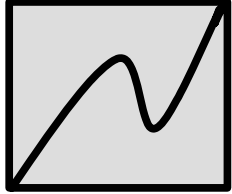


Peer into the future before it becomes the present



Summit Economics LLC

Dave Bamberger
Tucker Hart Adams
Mike Anderson
Tom Binnings
Paul Rochette

Applied Economics www.summiteconomics.com

Southern Colorado Economic Conditions

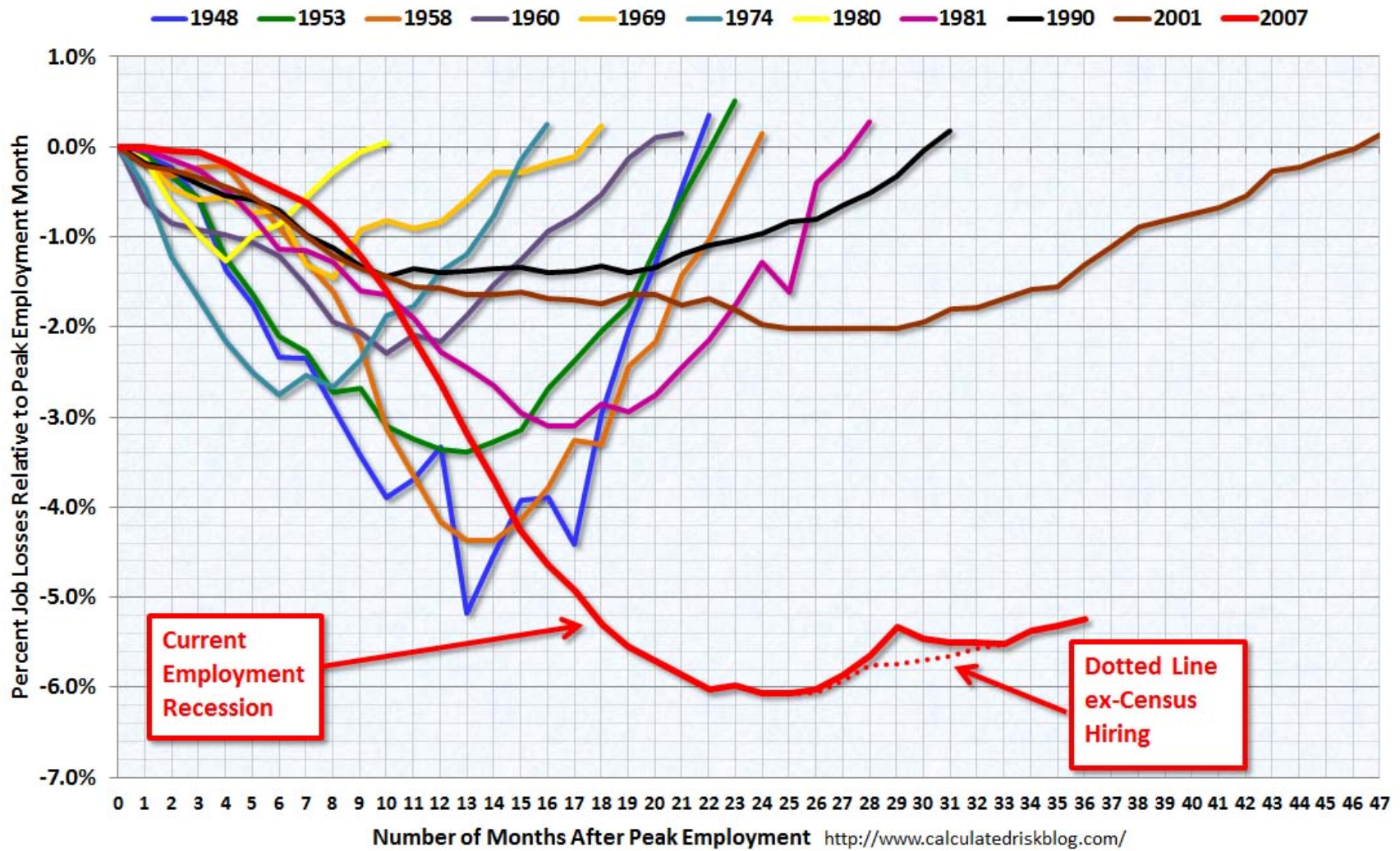
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March 18, 2011

Presented by Paul Rochette

www.summiteconomics.com

Percent Job Losses in Post WWII Recessions



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Global trends that may affect Southern Colorado

- Value of the US dollar
- Japanese earthquake, tsunami and nuclear crisis
- Political turmoil in mid-east
- Euro bond crisis
- Food price inflation
- Continued growth of China and other Eagles

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**National events that may affect Southern
Colorado**

- Pace of US economic recovery
- Fed policy.
- Okun's Law +
- New "full employment" assumption
- Consumer confidence

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Looking ahead.... The Federal Reserve Bank predicts the US economy will see a slow recovery over the next several years. The ranges of the Feds latest high and low forecasts are shown below:

	<u>2011</u>	<u>2012</u>
• GDP	3.5% to 4.2%	3.5% to 4.5%
• Inflation	1.1% to 1.6%	1.7% to 2.0%
• Unemployment	7.2% to 8.8%	6.1% to 7.6%

Other economists are not as optimistic as the Fed. A recent poll of economists by the Associated Press shows GDP at growing 2.7%, inflation at 1.7% and the unemployment rate at 9% for 2011.

Currently: 4th Qtr 2010 GDP growing at a 3.2% rate, inflation is running at 2.1% / yr and the unemployment rate at 8.9% for Feb 2011.

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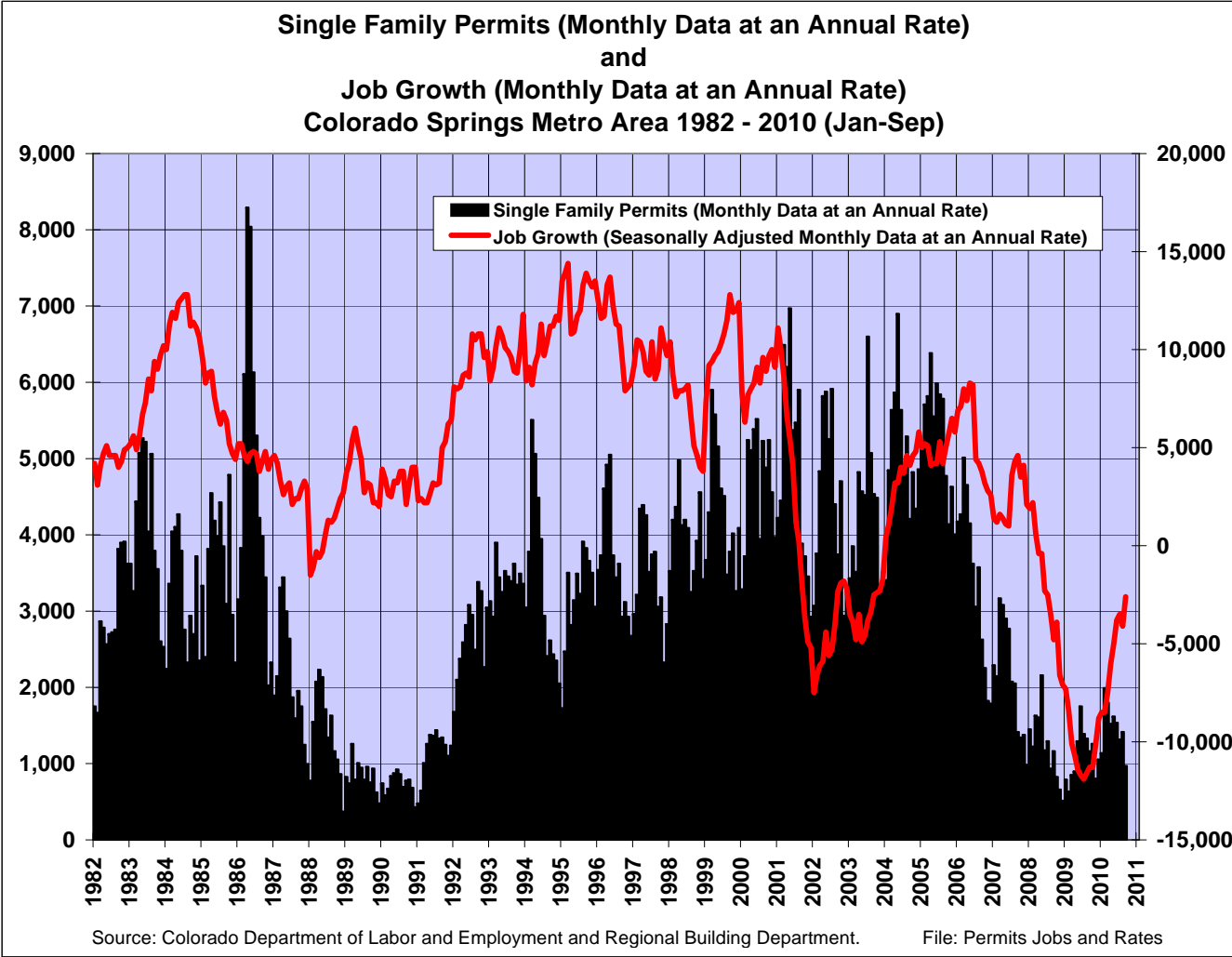
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Local/regional events that may affect Southern Colorado economy

- Change in government employment
- Recovery of housing market
- Political winds in El Paso County
- Continued downward trend of high tech manufacturing and other basic sectors

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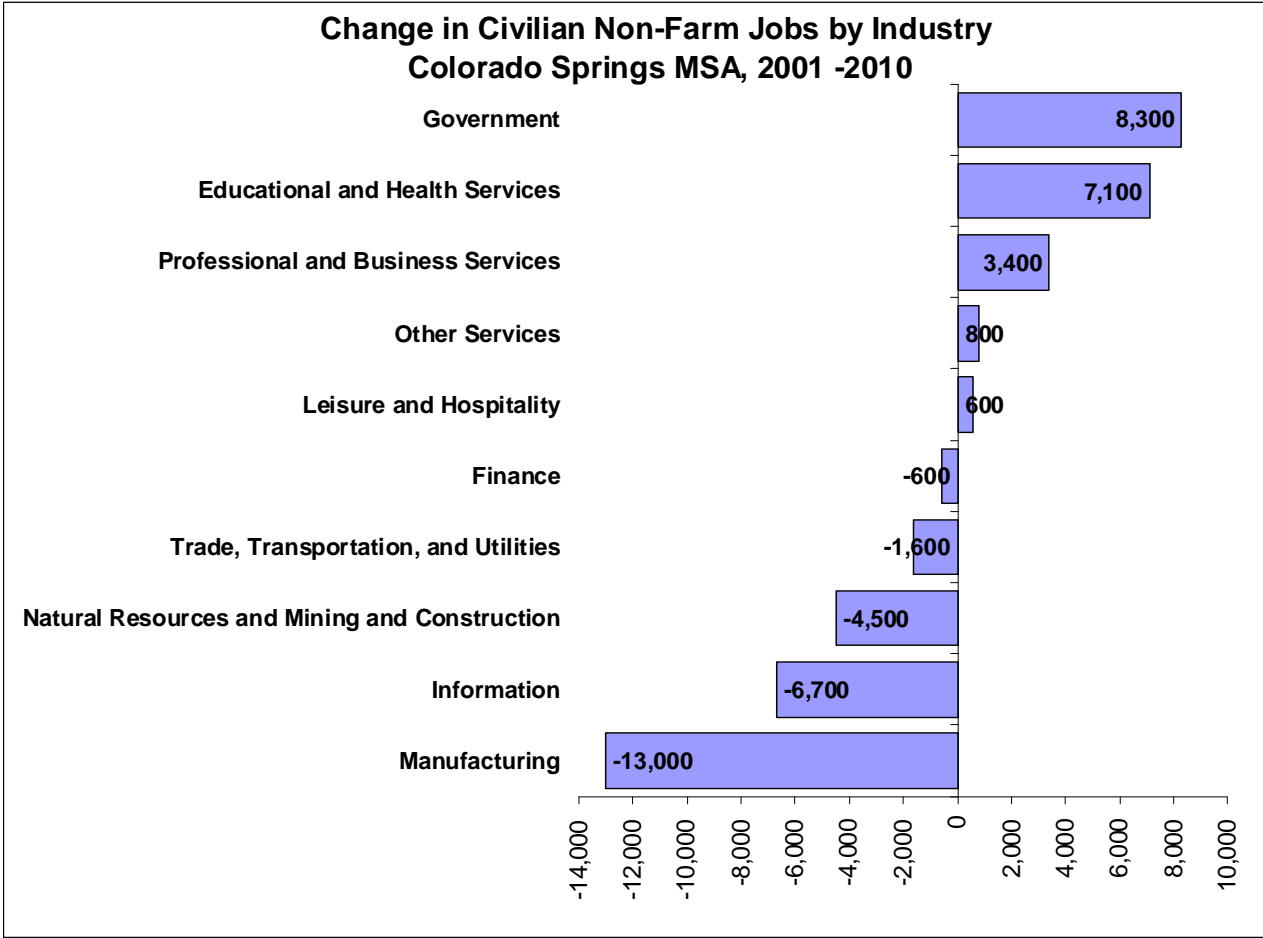
Civilian Employment by Industry, Colorado Springs MSA, 2001-2009

Series Code	Title	2001	2010	Change	% Change
30000000	Manufacturing	25,500	12,500	-13,000	-51%
50000000	Information	13,700	7,000	-6,700	-49%
15000000	Natural Resources and Mining and Construction	16,600	12,100	-4,500	-27%
55000000	Trade, Transportation, and Utilities	39,200	37,600	-1,600	-4%
80000000	Finance	16,000	15,400	-600	-4%
40000000	Leisure and Hospitality	29,100	29,700	600	2%
70000000	Other Services	13,800	14,600	800	6%
60000000	Professional and Business Services	36,400	39,800	3,400	9%
65000000	Educational and Health Services	22,100	29,200	7,100	32%
90000000	Government	39,900	48,200	8,300	21%
Total		252,300	246,100	-6,200	-2%

Source: Colorado Department of Labor and Employment

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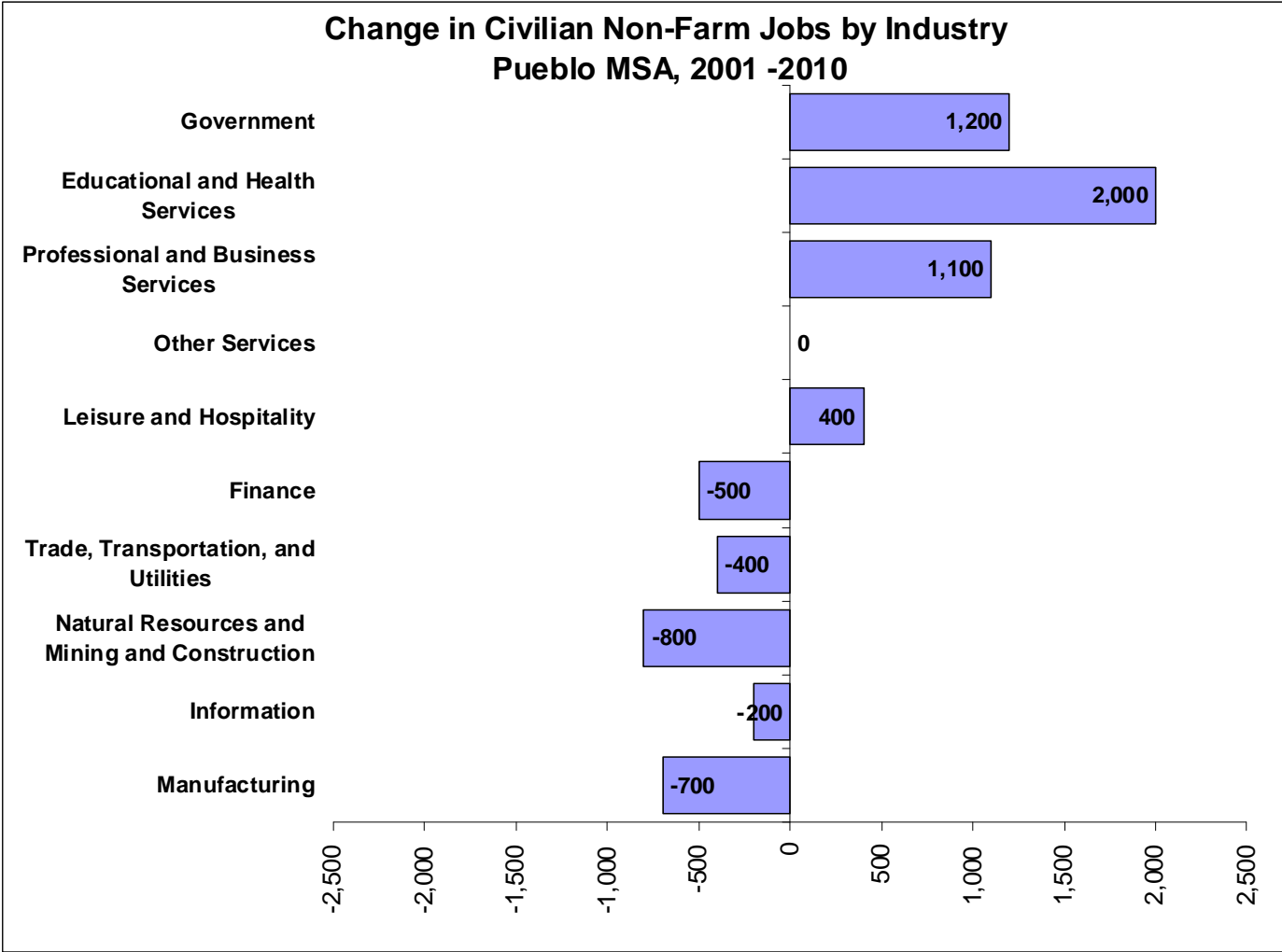
Civilian Employment by Industry, Pueblo MSA, 2001-2009

Series Code	Title	2001	2010	Change	% Change
30000000	Manufacturing	4,700	4,000	-700	-15%
50000000	Information	900	700	-200	-22%
15000000	Natural Resources and Mining and Construction	3,900	3,100	-800	-21%
55000000	Trade, Transportation, and Utilities	10,700	10,300	-400	-4%
80000000	Finance	2,500	2,000	-500	-20%
40000000	Leisure and Hospitality	5,900	6,300	400	7%
70000000	Other Services	2,000	2,000	0	0%
60000000	Professional and Business Services	4,600	5,700	1,100	24%
65000000	Educational and Health Services	8,600	10,600	2,000	23%
90000000	Government	11,400	12,600	1,200	11%
Total		55,200	57,300	2,100	4%

Source: Colorado Department of Labor and Employment

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Source: Summit Economics and Colorado Department of Labor and Employment

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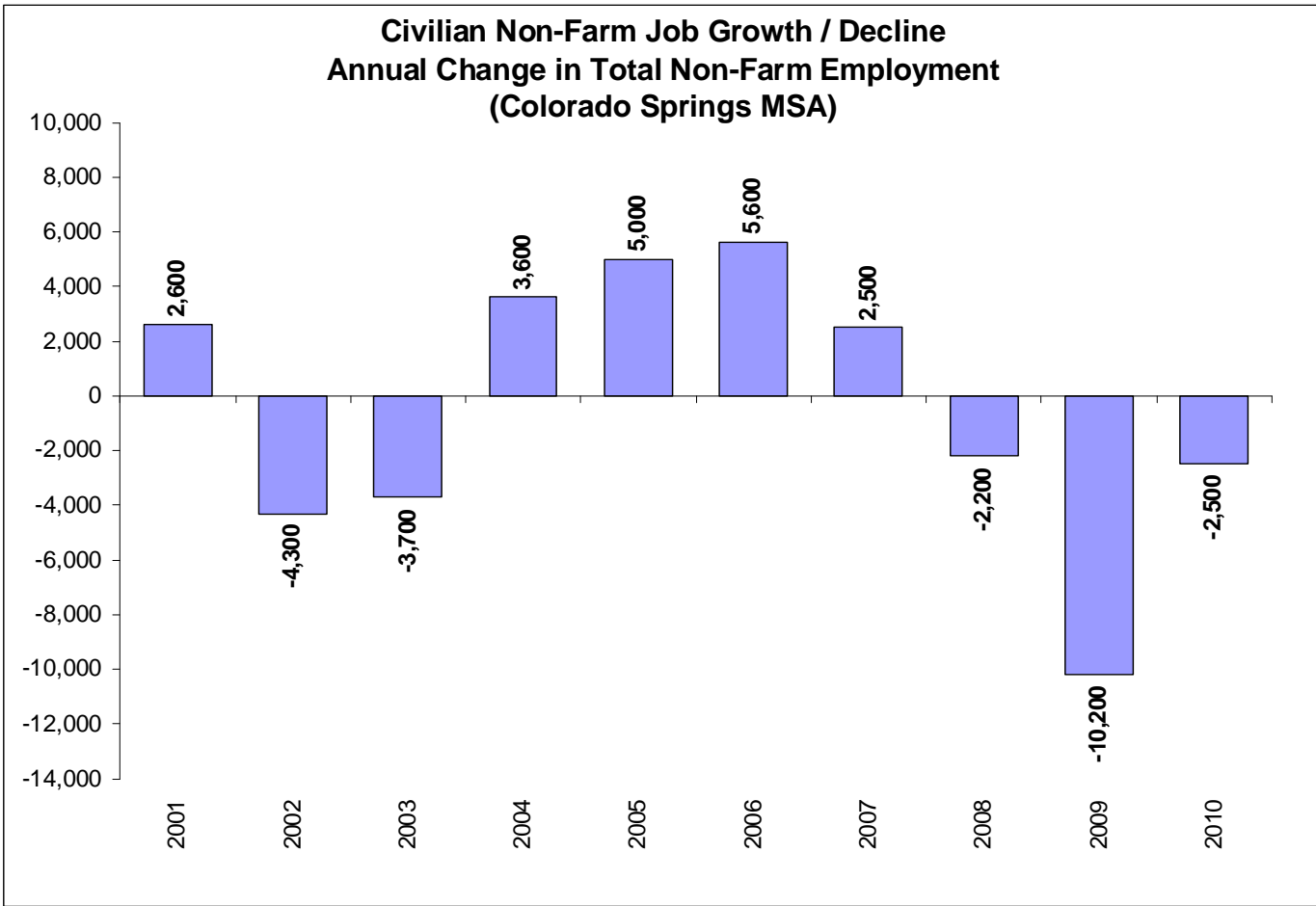
Annual Change in Total Non-Farm Employment Colorado Springs MSA, 2001-2010

Year	Colorado Springs MSA Non Farm Empl	Pueblo MSA Non Farm Empl	Colorado Springs Change	Colorado Springs % Change	Pueblo Change	Pueblo % Change
2000	249,700	55,500	-		-	
2001	252,300	55,100	2,600	1%	-400	-1%
2002	248,000	54,600	-4,300	-2%	-500	-1%
2003	244,300	55,200	-3,700	-1%	600	1%
2004	247,900	54,800	3,600	1%	-400	-1%
2005	252,900	55,400	5,000	2%	600	1%
2006	258,500	56,700	5,600	2%	1,300	2%
2007	261,000	58,500	2,500	1%	1,800	3%
2008	258,800	58,800	-2,200	-1%	300	1%
2009	248,600	57,400	-10,200	-4%	-1,400	-2%
2010	246,100	57,400	-2,500	-1%	0	0%

Source: Colorado Department of Labor and Employment

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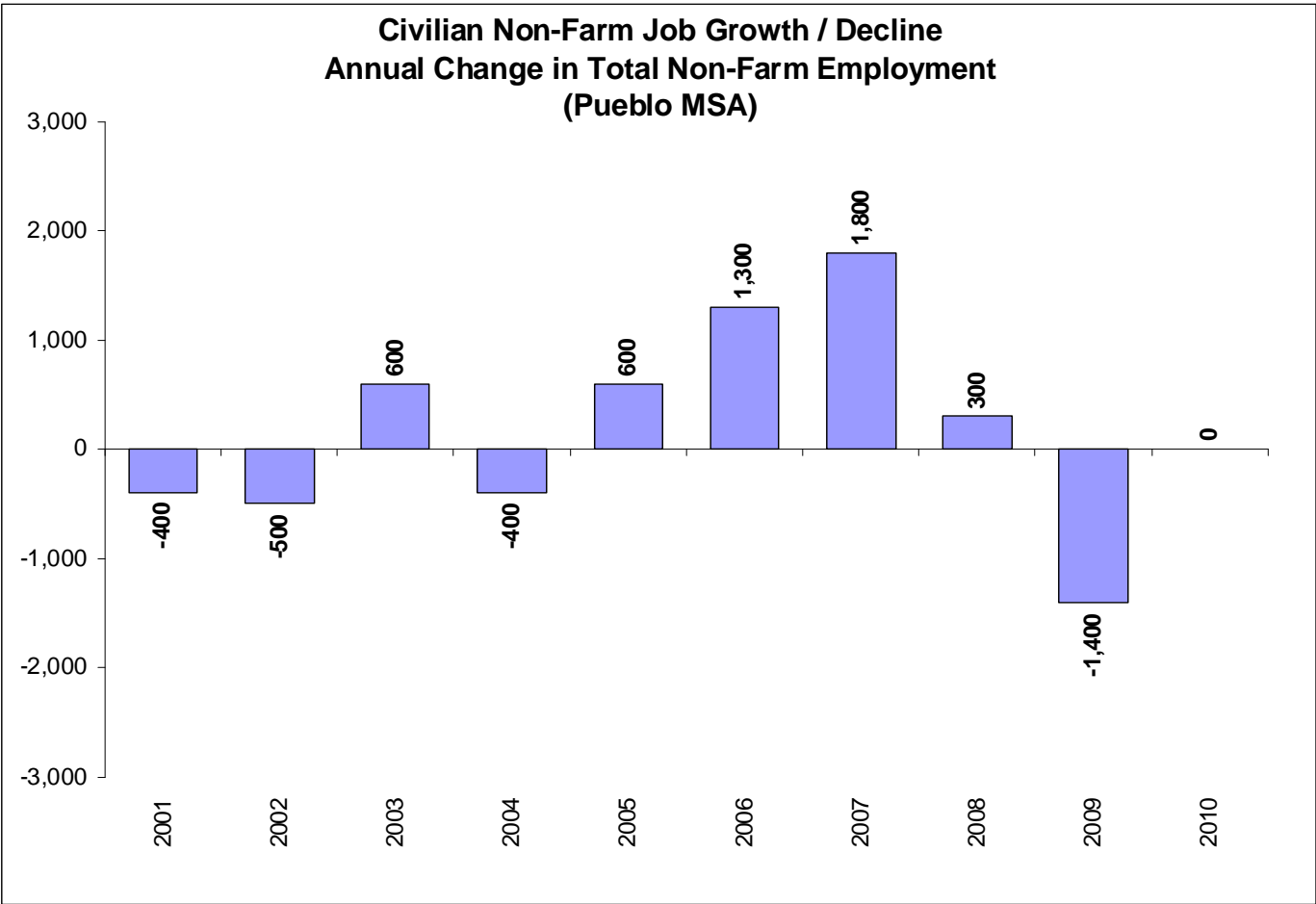
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Source: Summit Economics and Colorado Department of Labor and Employment

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Source: Summit Economics and Colorado Department of Labor and Employment

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Annual Change in Total Non-Farm Employment Colorado, 2001-2010

Year	Total Colorado Non-Farm Employment	Change	% Change - Colorado	% Change - Colorado Springs MSA	% Change - Pueblo MSA
2000	2,213,800	-			
2001	2,226,900	13,100	1%	1%	-1%
2002	2,184,200	-42,700	-2%	-2%	-1%
2003	2,152,800	-31,400	-1%	-1%	1%
2004	2,179,700	26,900	1%	1%	-1%
2005	2,226,000	46,300	2%	2%	1%
2006	2,279,100	53,100	2%	2%	2%
2007	2,331,300	52,200	2%	1%	3%
2008	2,350,300	19,000	1%	-1%	1%
2009	2,245,600	-104,700	-4%	-4%	-2%
2010	2,220,100	-25,500	-1%	-1%	0%

Source: Colorado Department of Labor and Employment

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- **March 8, 2011** – Colorado Springs, CO MSA employers expect to hire at a moderate pace during Quarter 2 2011, according to the Manpower Employment Outlook Survey. Among survey participants, the Colorado Springs, CO MSA employment outlook is one of the weakest in the nation.
- From April to June, **13%** of the companies interviewed plan to **hire more** employees, while **10% expect to cut staff**. Another 74% expect to maintain their current staff levels and 3% are not certain of their hiring plans. This yields a Net Employment Outlook* of 3%.
- “Employers are more confident about hiring plans for the second quarter of 2011 compared to Quarter 1 when the Net Employment Outlook was -3%,” said Manpower spokesperson Jewel Souza. “Employers foresee much weaker staffing plans compared with one year ago, when the Net Employment Outlook was 13%.
- **A year ago, 19% planned to increase, 6% decrease, and 72% maintain, for a net of 13%**

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Trade Flows within 5 County Region, and Exports Out of Region, in \$ millions, 2009

El Paso County Local Commodity and Supply Use (\$M)

From El Paso To:	El Paso	Fremont	Otero	Pueblo	Teller	Out of Region Exports	Total Indust
Agriculture	\$17.3	\$0.4	\$0.3	\$1.2	\$0.3	\$82.2	\$101.7
Mining	\$2.8	\$1.0	\$1.0	\$0.6	\$0.1	\$245.3	\$250.9
Construction	\$1,712.3	\$0.0	\$0.0	\$0.0	\$0.1	\$814.6	\$2,527.0
Manufacturing	\$339.3	\$14.2	\$2.8	\$56.3	\$7.9	\$4,675.2	\$5,095.6
TIPU	\$1,488.9	\$13.0	\$0.2	\$71.1	\$14.1	\$605.2	\$2,192.4
Trade	\$2,556.0	\$6.0	\$0.8	\$75.0	\$24.9	\$325.9	\$2,988.6
Service	\$21,325.4	\$78.7	\$12.1	\$286.8	\$57.1	\$6,188.1	\$27,948.2
Government	\$7,584.0	\$0.2	\$0.1	\$0.6	\$0.5	\$1,636.9	\$9,222.3
Sub Total	\$35,026.0	\$113.6	\$17.3	\$491.6	\$104.9	\$14,573.4	\$50,326.7

Source: Summit Economics and Minnesota Implan Group

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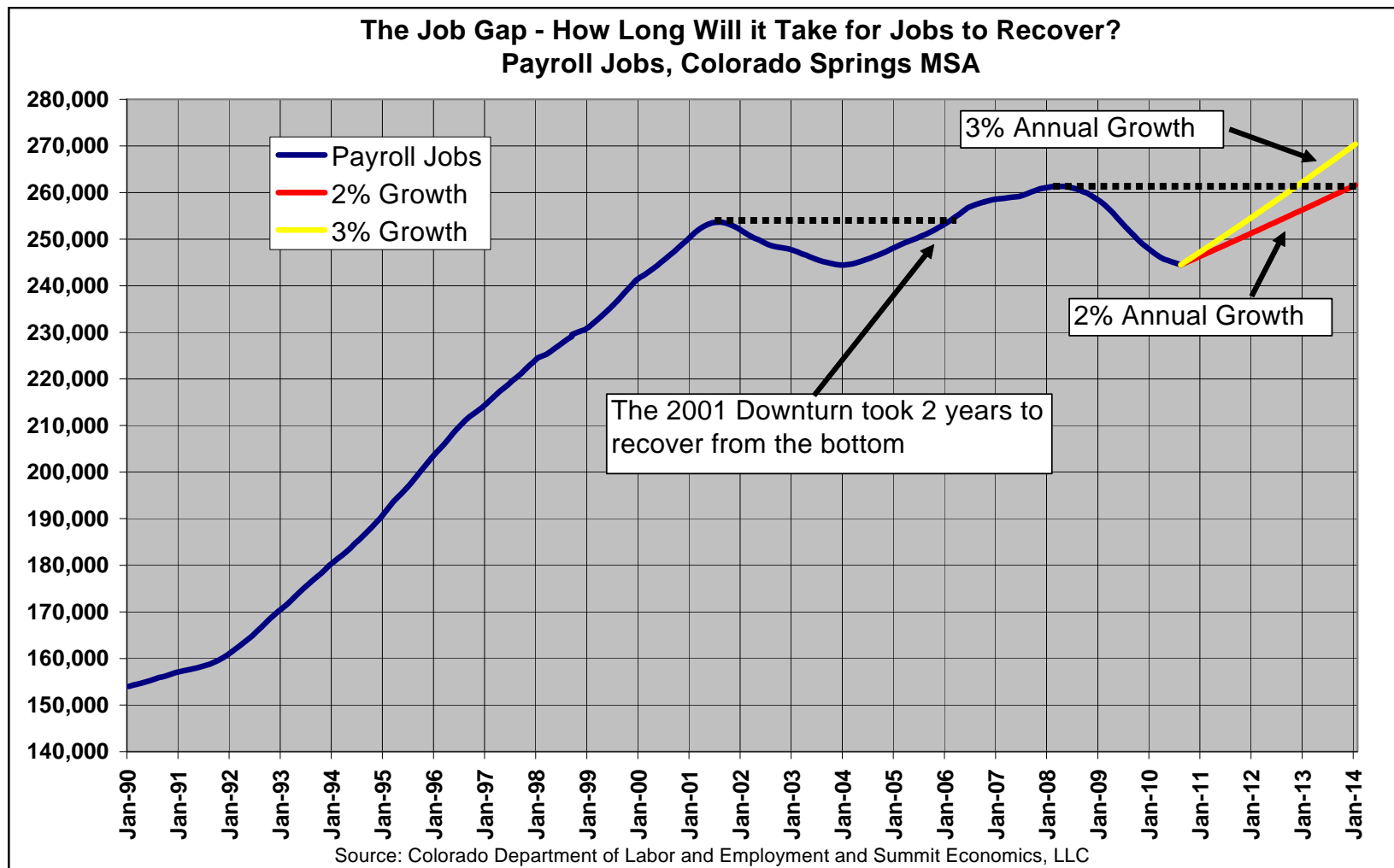
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State Trade Flows From Arkansas-Pikes Peak Region		
From Region To:	Denver Metro	Colorado
Agriculture	\$47.8	\$60.8
Mining	\$48.7	\$80.3
Construction	\$9.4	\$11.2
Manufacturing	\$598.9	\$1,011.5
TIPU	\$464.3	\$550.2
Trade	\$260.0	\$280.9
Service	\$661.4	\$996.3
Government	\$14.8	\$32.4
2009 Total	\$2,105.3	\$3,023.5
State Trade Flows To Arkansas-Pikes Peak Region		
To Region From:	Denver Metro	Colorado
Agriculture	\$16.4	\$60.4
Mining	\$100.4	\$161.5
Construction	\$0.0	\$0.3
Manufacturing	\$853.4	\$1,312.5
TIPU	\$340.6	\$540.4
Trade	\$494.7	\$1,012.7
Service	\$3,487.7	\$4,543.7
Government	\$0.0	\$0.2
2009 Total	\$5,293.3	\$7,631.7

Source: Summit
Economics and
Minnesota Implan
Group

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Conclusion –

- This will end up as the longest and most severe recession since the Great Depression, however we see a number of opportunities and assets that will lead us to a recovery, making this recession just a bad memory
- The region is much more strongly linked to the rest of the world than it has been in the past
- The presence of an educated workforce will assist in the long term recovery
- The natural beauty will continue to serve as an attractor
- The availability of relatively inexpensive utilities and low costs of doing business will serve the region well

January 2011 Local Economic Indicators

Since the beginning of the recession at the end of 2007, the Colorado Springs economy has lost about 17,000 payroll jobs. Pueblo gained 2,100 jobs in 2007 and 2008, then lost 1,400 jobs in 2009.

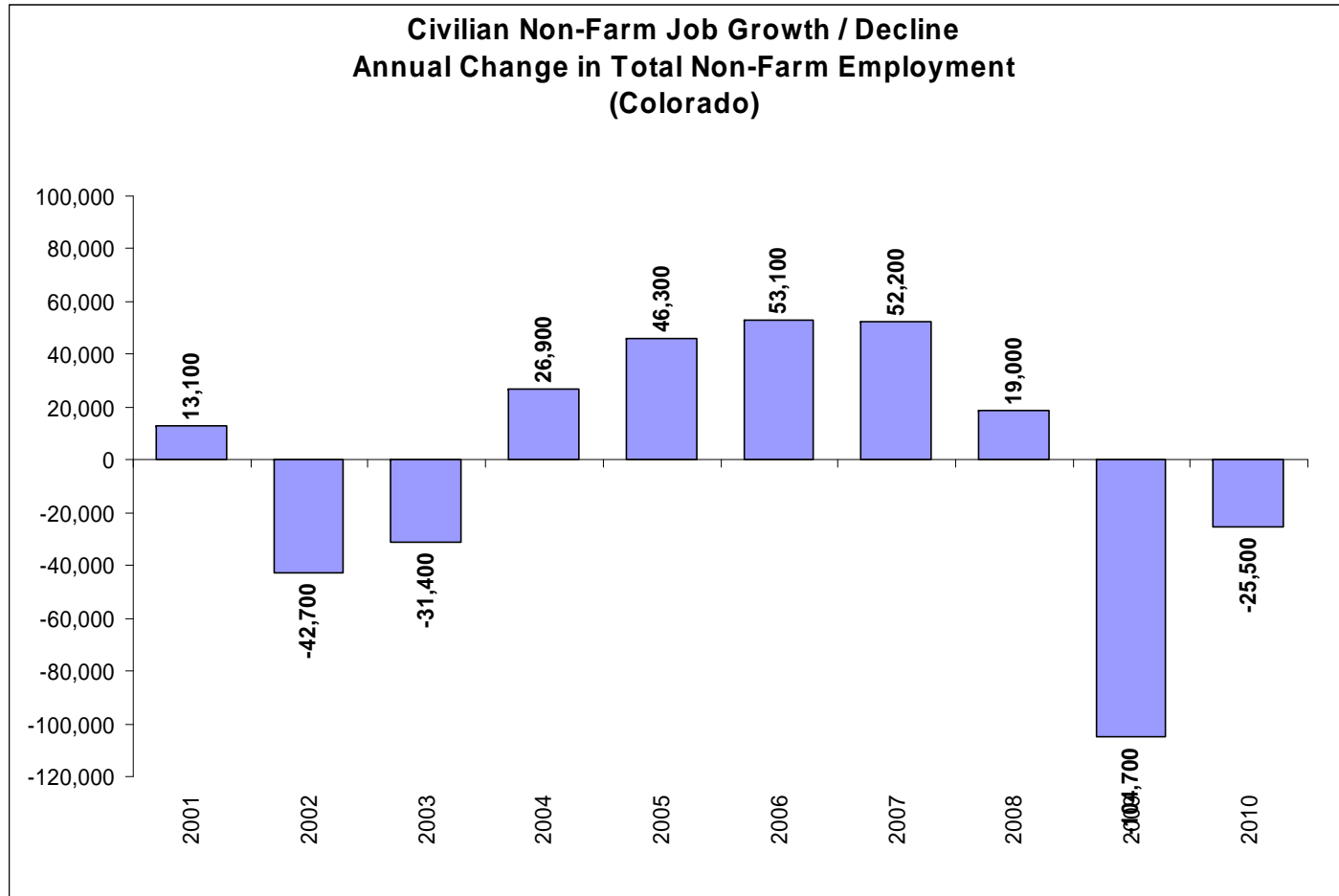
Monthly Economic Indicators Summary - January 2011 Colorado Springs Metro Area

Monthly Indicator	Jan-10	Jan-11	Change	% Change	Good News Bad News
Wage and Salary Jobs	240,900	240,400	-500	-0.2%	Bad News
Initial Claims for Unemployment	563	540	-23	-4.1%	Good News
Unemployment Rate	10.2%	10.7%	0.5%	4.9%	Bad News
Single Family Home Permits (units)	95	81	-14	-14.7%	Bad News
New Auto and Truck Registrations	1,230	1,316	86	7.0%	Good News
Taxable Retail Sales (in millions)	\$554.8	\$570.2	\$15.4	2.8%	Good News
Hotel Occupancy Rate	44.0%	43.4%	-0.6%	-1.4%	Bad News
Foreclosure Filings	365	411	46	12.6%	Bad News

Source: Various published sources.

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Source: Summit Economics and Colorado Department of Labor and Employment

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Distribution of Trade Flows within 5 County Region, and Exports Out of Region,

El Paso County Local Commodity and Supply Use (\$M)

From El Paso To	El Paso	Fremont	Otero	Pueblo	Teller	Out of Region Exports	Total Industry
Agriculture	17%	0%	0%	1%	0%	81%	100%
Mining	1%	0%	0%	0%	0%	98%	100%
Construction	68%	0%	0%	0%	0%	32%	100%
Manufacturing	7%	0%	0%	1%	0%	92%	100%
TIPU	68%	1%	0%	3%	1%	28%	100%
Trade	86%	0%	0%	3%	1%	11%	100%
Service	76%	0%	0%	1%	0%	22%	100%
Government	82%	0%	0%	0%	0%	18%	100%
Sub Total	70%	0%	0%	1%	0%	29%	100%

Source: Summit Economics and Minnesota Implan Group

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Pueblo County Local Commodity and Supply Use (\$M)

From Pueblo To:	El Paso	Fremont	Otero	Pueblo	Teller	Out of Region Exports	Total Indust
Agriculture	\$14.3	\$1.2	\$0.3	\$8.2	\$0.0	\$45.0	\$69.1
Mining	\$0.8	\$0.1	\$0.1	\$0.3	\$0.0	\$44.7	\$46.0
Construction	\$0.3	\$0.0	\$1.4	\$427.6	\$0.0	\$206.5	\$635.9
Manufacturing	\$112.0	\$11.2	\$6.5	\$192.0	\$2.5	\$1,671.5	\$1,995.6
TIPU	\$211.8	\$41.2	\$0.2	\$188.1	\$2.4	\$119.2	\$562.9
Trade	\$69.9	\$13.2	\$1.4	\$462.8	\$2.1	\$82.6	\$632.0
Service	\$124.7	\$79.2	\$11.4	\$3,218.3	\$8.0	\$1,779.3	\$5,220.9
Government	\$0.2	\$5.5	\$0.0	\$713.3	\$0.2	\$209.9	\$929.0
Sub Total	\$533.9	\$151.6	\$21.3	\$5,210.5	\$15.4	\$4,158.6	\$10,091.3

Source: Summit Economics and Minnesota
Implan Group

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Pueblo County Local Commodity and Supply Use (\$M)

From Pueblo To	El Paso	Fremont	Otero	Pueblo	Teller	Out of Region Exports	Total Industry
Agriculture	21%	2%	0%	12%	0%	65%	100%
Mining	2%	0%	0%	1%	0%	97%	100%
Construction	0%	0%	0%	67%	0%	32%	100%
Manufacturing	6%	1%	0%	10%	0%	84%	100%
TIPU	38%	7%	0%	33%	0%	21%	100%
Trade	11%	2%	0%	73%	0%	13%	100%
Service	2%	2%	0%	62%	0%	34%	100%
Government	0%	1%	0%	77%	0%	23%	100%
Sub Total	5%	2%	0%	52%	0%	41%	100%

Source: Summit Economics and Minnesota
Implan Group