

Charting a New Course: Economic Update 2008

Ten County Budget Conference

September 18, 2008

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Economic Update
2008**

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National Economic Influences

- ◆ Slower GDP growth, 2.0% in 2007 and 1.5% in 2008
- ◆ Fed Funds rate decreased three times in 2007, four times so far in 2008; currently 2.0%
- ◆ Inflation 2.8% in 2007, 4.1% in 2008
- ◆ Slower job growth, 1.1% in 2007 and 0.2% in 2008
- ◆ Personal income growth 6.1% in 2007, 5% in 2008
- ◆ Real retail sales increased 1.2% in 2007, -1.1% in '08
- ◆ Median home price -1.8% in 2007, -6.4% in 2008

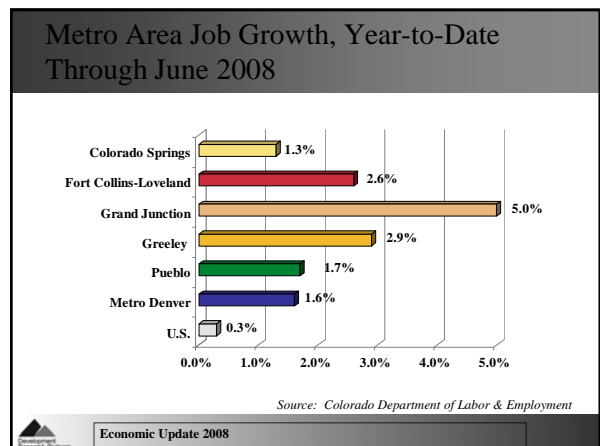
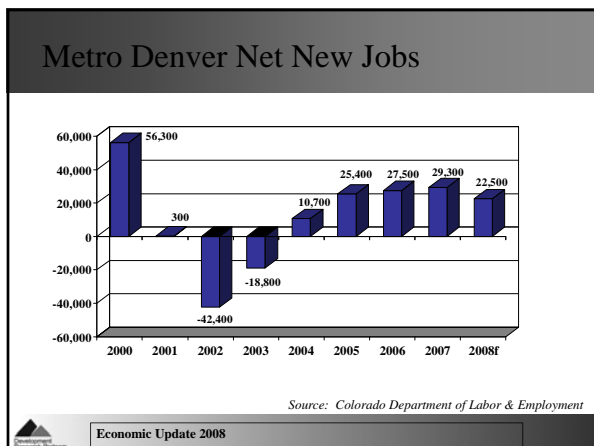
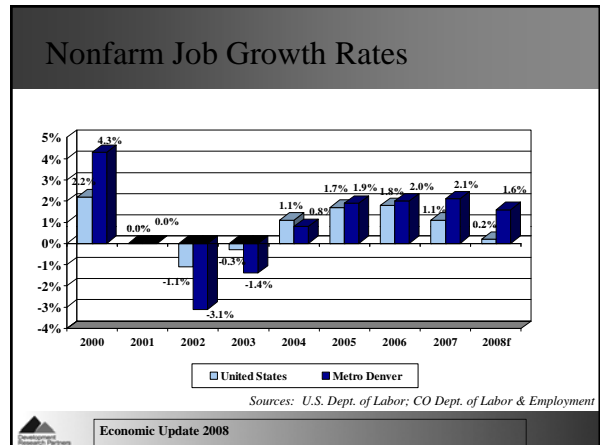
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Colorado vs United States

| | Colorado | United States |
|---------------------------------------|-----------|---------------|
| Employment Growth Rate (2008) | 1.6% | 0.2% |
| Unemployment Rate (2008) | 4.7% | 5.3% |
| Real Retail Trade Sales Growth (2008) | 0.2% | -1.1% |
| Median Home Price* (2008) | \$233,100 | \$204,000 |
| Home Appreciation Rate* (2008) | -5.0% | -6.4% |
| Inflation Rate* (2008) | 3.6% | 4.1% |
| Per Capita Personal Income (2007) | \$41,000 | \$38,600 |
| Total Personal Inc Growth Rate (2008) | 5.4% | 5.0% |

*Data for Metro Denver

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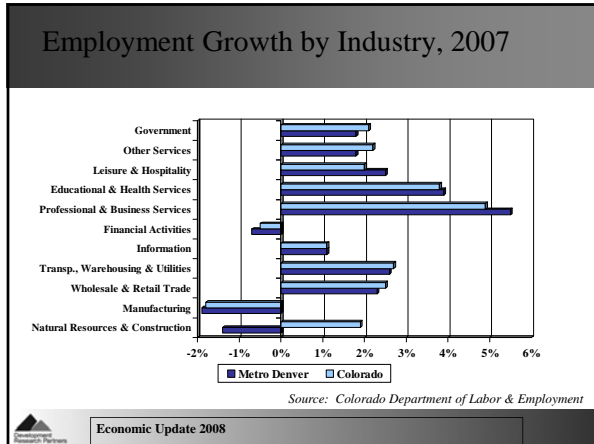


Emily Stuart, Research Economist • Development Research Partners, Inc. •
Emily@DevelopmentResearch.net

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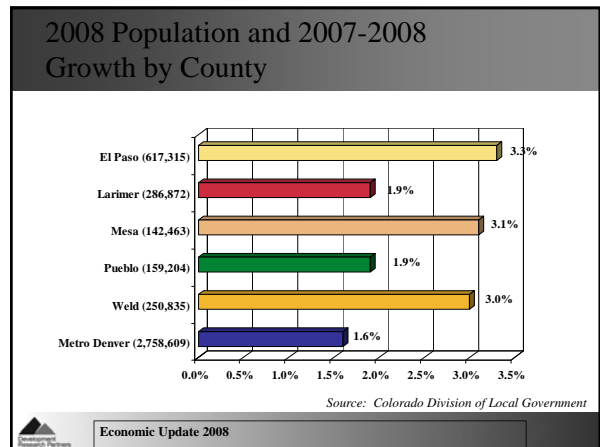
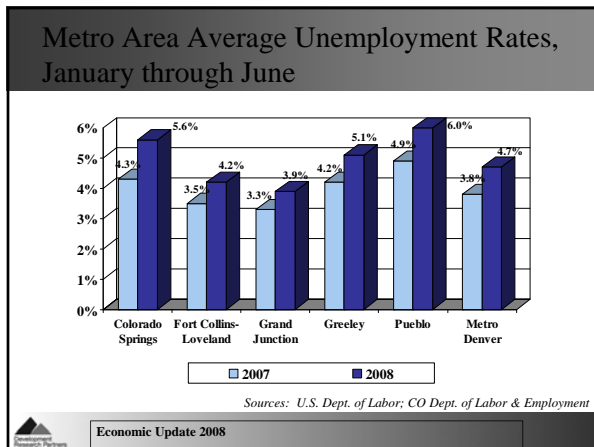
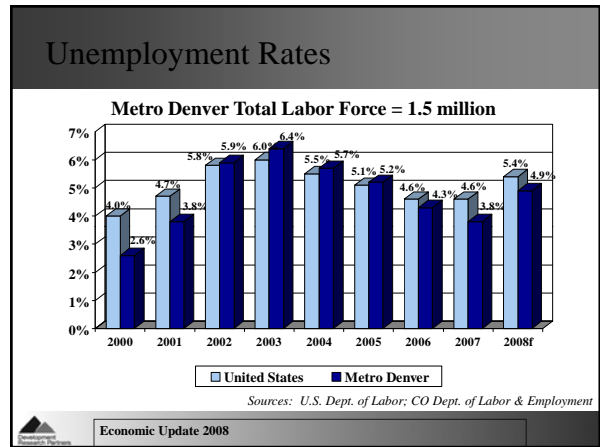
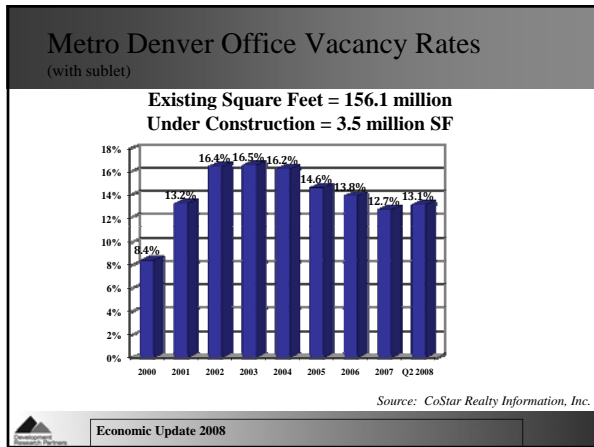
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Key Metro Denver Industry Clusters

| Industry | Employment | 2006-2007 Job Growth | Absolute Ranking (50 largest metros) |
|------------------------------------|------------|----------------------|--------------------------------------|
| Aerospace | 20,500 | 12.6% | 1 |
| Bioscience | | | |
| Pharmaceuticals and Biotechnology | 5,500 | 2.1% | 16 |
| Medical Devices and Instruments | 10,000 | 6.7% | 7 |
| Energy | | | |
| Fossil Energy | 14,600 | 2.0% | 2 |
| Renewable Energy & Energy Research | 13,900 | 3.0% | 6 |
| IT/Software | 45,800 | 1.4% | 11 |
| Aviation | 14,200 | 1.3% | 8 |
| Financial Services | | | |
| Banking & Finance | 44,500 | -0.1% | 9 |
| Investments | 23,400 | -0.9% | 10 |
| Insurance | 28,000 | 0.7% | 12 |



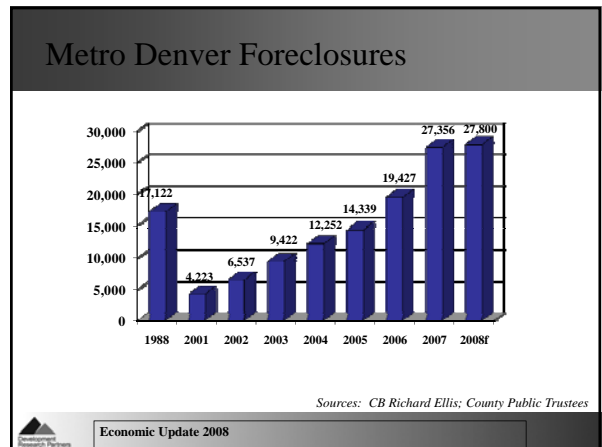
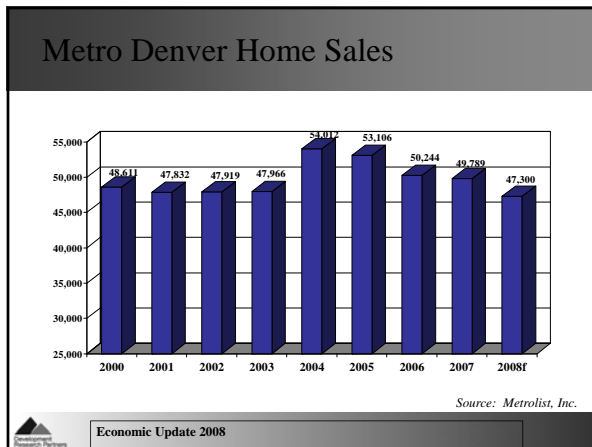
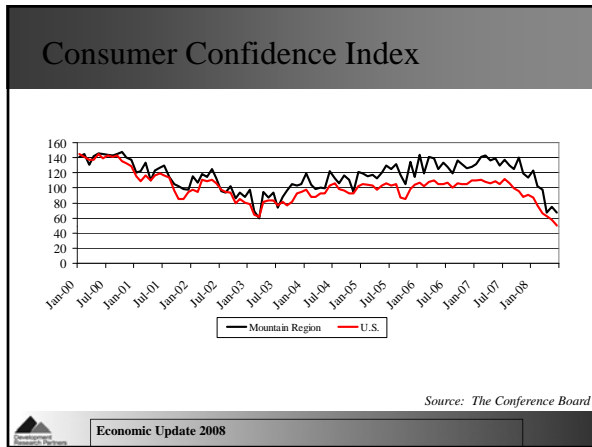
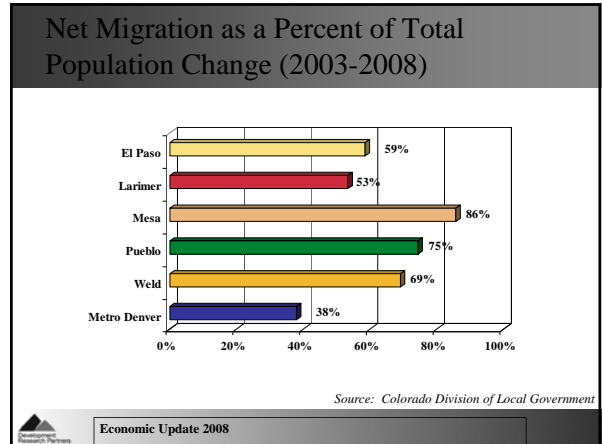
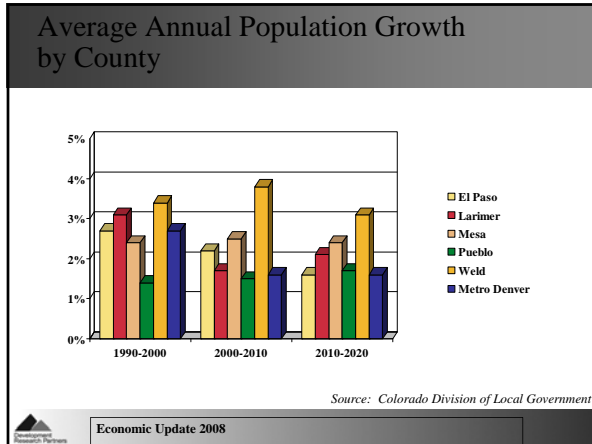
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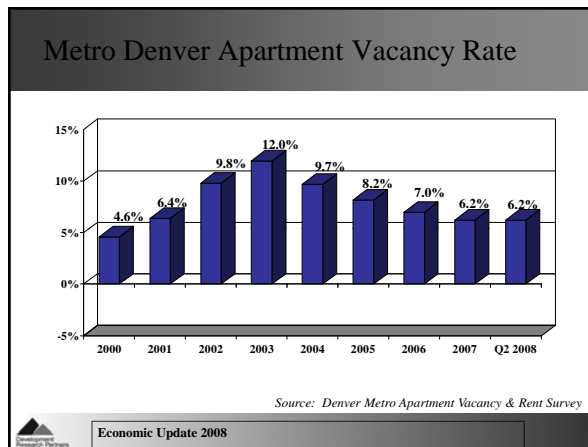
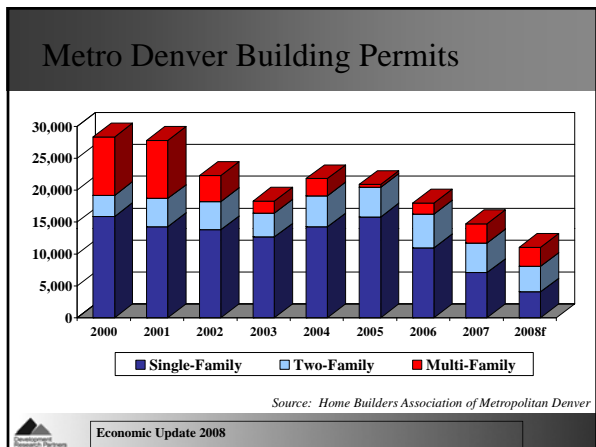
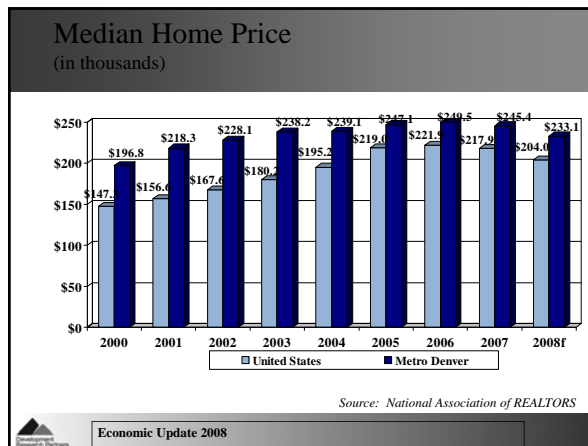
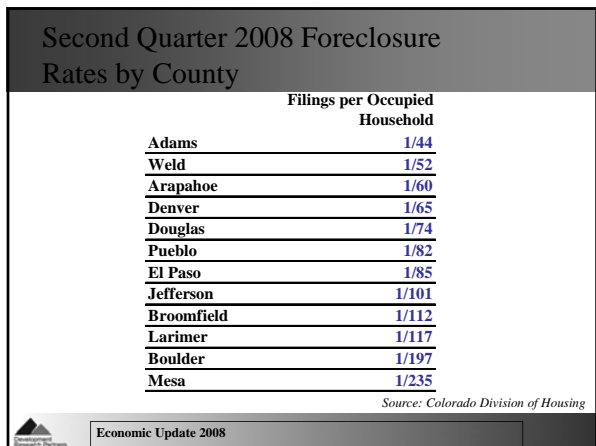
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Charting a New Course...

- ▲ **Governments face new challenges**
 - Declining tax revenues from auto sales, other retail
 - Declining property tax revenues – lower property values and/or residents unable to pay
- ▲ **Basics matter**
 - Business plans – may change to increase efficiency, profitability
 - Lending practices – new emphasis on sound financial underwriting, but reassessment of risk takes time
 - Household budgets – painful adjustments to new price levels and priorities
- ▲ **The darkest hour is just before dawn**

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Development Research Partners

10184 West Belleview Avenue, Suite 100
Littleton, Colorado 80127
(303) 991-0070
www.DevelopmentResearch.net

Emily Stuart, Research Economist
Emily@DevelopmentResearch.net

Development Research Partners