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**RECORD-LOW INTEREST RATES HELP COLORADO'S SMALL BUSINESSES  
IN WEAK ECONOMY**

*– Vectra Bank Colorado Small Business Index drops due to job climate –*

**DENVER** -- The Vectra Bank Colorado Small Business Index for Colorado measured 71.0 in September, down from a revised 74.7 in August, due primarily to changes in the employment climate in the state.

"The Colorado SBI fell last month due to the combined impact of a drop in the unemployment rate—partially the result of a decline in the labor force—and increasing job losses," said Jeff Thredgold, corporate economist for Vectra Bank Colorado.

Colorado's unemployment rate was estimated at 7.3 percent in the latest month, down from the prior month's 7.8 percent rate. Total employment fell by 109,400 jobs during the past 12 months.

"While signs of a turnaround are emerging, Colorado will likely suffer several more months of sub-par economic activity," Thredgold cautioned. "However, extremely low borrowing costs will help small businesses endure the continued downturn, as the Federal Reserve shows no immediate signs of an interest rate boost."

The U.S. economy lost an estimated 263,000 net jobs in September, more than the 180,000 decline expected. Job losses in July and August were revised to show 13,000 more positions eliminated. The U.S. unemployment rate rose to 9.8 percent in September, a 26-year high, from 9.7 percent in August.

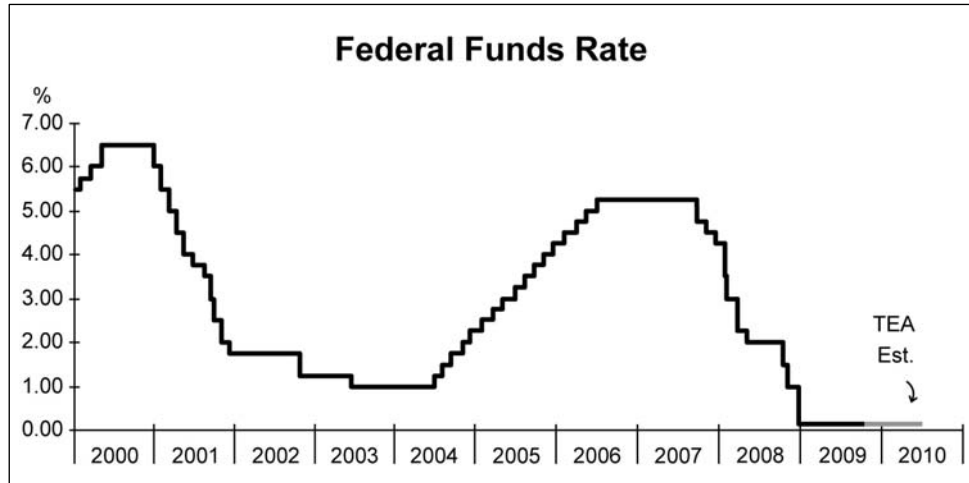
**FINANCING COSTS TO REMAIN LOW FOR "AN EXTENDED PERIOD"**

The Federal Reserve, the nation's central bank, reported Sept. 23 that it plans to keep its key short-term interest rate—the federal funds rate—at a record low target level of 0.00 percent to 0.25 percent for "an extended period" in order to help the U.S. economy and financial markets stabilize. The rate first reached the current record low during mid-December 2008, the last in a series of interest rate cuts which began in September 2007.

Forecasting economists expect the rate to remain at current levels well into 2010. Some economists suggest the federal funds rate could remain unchanged during all of next year.

In addition, the Fed noted that it will continue to purchase mortgage-backed securities through March 2010 as a means of helping long-term mortgage rates remain low. Such purchases have been successful as 30-year fixed-rate mortgages for conventional loans have averaged 5.00 percent during the past three weeks, a six-month low.

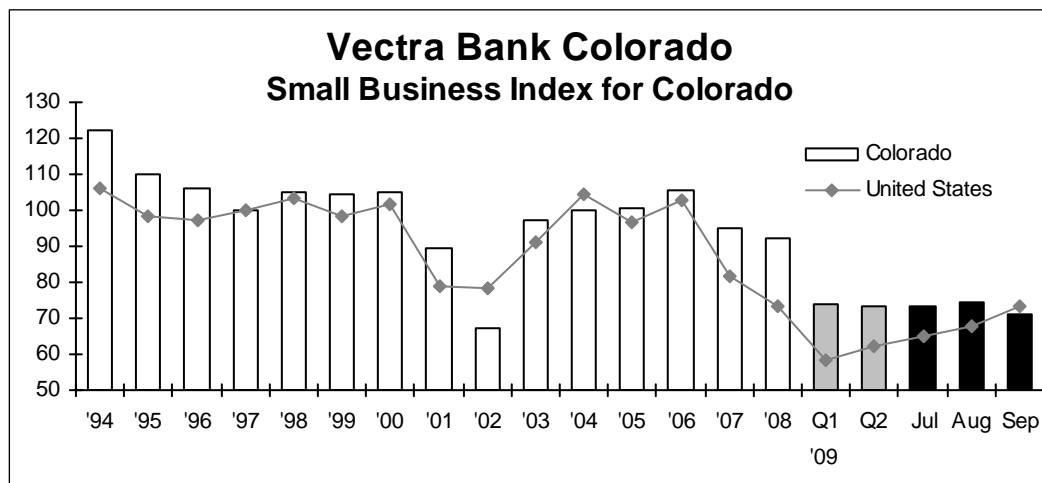
Federal Reserve  
Chairman Ben Bernanke  
also acknowledged in  
recent days that the Fed  
will be diligent in  
“exiting” its  
unprecedented monetary  
stimulus during the next  
few years in order to keep



inflation pressures under control. Many Fed critics believe the institution's massive expansion of money creation, combined with mind-boggling budget deficits, will lead to a huge increase in inflation in coming years.

Financing costs are a component of the Vectra Bank Colorado Small Business Index, with an assumption that most small businesses are net borrowers. As a result, extremely low financing costs are a positive contributor to the Index.

The Vectra Bank Colorado Small Business Index for Colorado was 71.0 in September, down from a revised 74.7 in August. The Index measures business conditions from the viewpoint of the Colorado small business



owner or manager.

A lower Index number is associated with less favorable business “conditions” for Colorado’s small

businesses. The Index uses 100.0 for calendar year 1997 as its base year. The Index also includes revisions to various historical and new forecast components as they become available.

The U.S. Small Business Index was 73.3 in September, up notably from a revised 67.8 in August. This increase came from several improving data points, particularly retail, which indicate that the nation is on the road to recovery, Thredgold said.

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## **IN COLORADO**

The Colorado unemployment rate—the most heavily weighted component of the Vectra Bank Colorado Small Business Index for Colorado—was estimated at 7.3 percent in the most recent month, down from the 7.8 percent rate of the prior month. The 7.3 percent rate compares to the 4.9 percent rate of 12 months ago. A higher Colorado jobless rate is a positive contributor to the Index, as it suggests greater access to labor for small businesses.

The state's unemployment rate averaged 4.9 percent in 2008, 3.9 percent in 2007, 4.4 percent in 2006, 5.1 percent in 2005, and 5.3 percent during the period 2001-2004. The Colorado unemployment rate averaged 2.7 percent during calendar year 2000, the lowest average annual rate on record. Colorado's unemployment rate averaged 3.3 percent during 1997-99 and 4.8 percent during the period 1990-1996.

The last 12 months have seen an estimated decline in Colorado employment of 109,400 jobs (down 4.6 percent), which compares to a revised loss of 101,600 jobs in the prior year-over-year period. Colorado added 18,000 jobs in 2008, added an average of 44,600 jobs annually during 2004 to 2007, lost an average of 37,000 jobs in both 2002 and 2003, and gained 13,100 jobs in 2001.

These job totals compare to gains averaging 77,000 new jobs annually during the 1993-2000 period. More recently, job declines, leading to slower income creation and weaker retail sales, have a negative impact upon Colorado small businesses.

## **NATIONAL EMPLOYMENT**

The U.S. Department of Labor reported a net loss of 263,000 jobs in September, the 21<sup>st</sup> monthly decline in a row, and more than the estimated loss near 180,000 jobs. Previously reported job losses during July and August were revised to show the net loss of 13,000 more jobs. The U.S. economy has now lost 7.2 million

jobs since the “Great Recession” began in December 2007, with more than half of the losses during 2009’s first nine months.

The U.S. unemployment rate rose to 9.8 percent in September, a 26-year high, versus 9.7 percent in August. The current 9.8 percent jobless rate compares to the 6.2 percent rate of one year ago and is more than double the 4.7 percent rate of September 2007. The average hourly wage rose 0.1 percent (one cent) to \$18.67 hourly, a rise of 2.5 percent during the past 12 months.

Goods-producing employment continued to decline in September, with a net loss of 116,000 jobs. Manufacturing employment fell by 51,000 positions, while construction lost another 64,000 jobs.

Service-providing employment also declined in September by 147,000 positions. The professional & business services sector lost 8,000 jobs, while the retail trade sector lost 39,000 jobs in September. The government sector lost 53,000 jobs, while the education & health services sector added 3,000 positions in September.

The net decline of 3.1 million jobs during 2008 was the worst year since 1945. The loss of 4.1 million jobs during 2009’s first nine months has already surpassed the 2008 total. The net decline of 7.2 million jobs is a painful contrast to the average gain of 1.9 million net new jobs annually during 2005 to 2007. Job losses are expected to lessen in coming months as the U.S. economy likely continues to emerge from the worst recession in the post-Depression period. Most forecasters see the recession now concluding, with a consensus view that positive GDP will be achieved during 2009’s second half and throughout 2010.

With assets of \$2.78 billion, Vectra Bank Colorado is a proactive, customer-focused organization dedicated to real relationship banking. Part of the Zions Bancorporation family of banks, Vectra serves Colorado's small, middle-market and corporate business clients with 39 locations throughout Colorado, and one in Farmington, New Mexico.

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