

Business Confidence Stable

Business confidence was tempered but positive in Colorado ahead of Q3. All components of the Leeds Business Confidence Index (LBCI) posted year-over-year gains ahead of Q3 2024, but all components slipped from Q2 to Q3. Across the array of reasons given to explain their outlook, interest rates, election uncertainty, and sentiment were commonly cited as the most pressing factors.

The LBCI captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures. The index remained above 50 in the current survey (50=neutral) for the second-consecutive month, but fell below the long-term average. The index decreased from 53.7 in Q2 2024 to 50.6 ahead of Q3 2024 and 49.9 looking out further to Q4. All of the six components of the index decreased ahead of the third quarter. Looking out to Q4, three of the six indicators remained in positive territory, and two components increased quarter-over-quarter. A total of 201 qualified panelists responded to the survey from June 1 through June 20, 2024.

Leeds Business Confidence Index

Component	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Quarterly Change	Annual Change
State Economy	44.9	45.5	47.2	54.1	51.2	▼	▲
National Economy	39.3	40.2	45.2	51.0	46.8	▼	▲
Industry Sales	48.0	48.2	46.0	57.9	54.7	▼	▲
Industry Profits	45.7	44.9	45.4	56.6	52.0	▼	▲
Industry Hiring	43.7	41.8	44.8	50.1	48.0	▼	▲
Capital Expenditures	43.1	40.9	43.2	52.2	50.9	▼	▲
LBCI	44.1	43.6	45.3	53.7	50.6	▼	▲

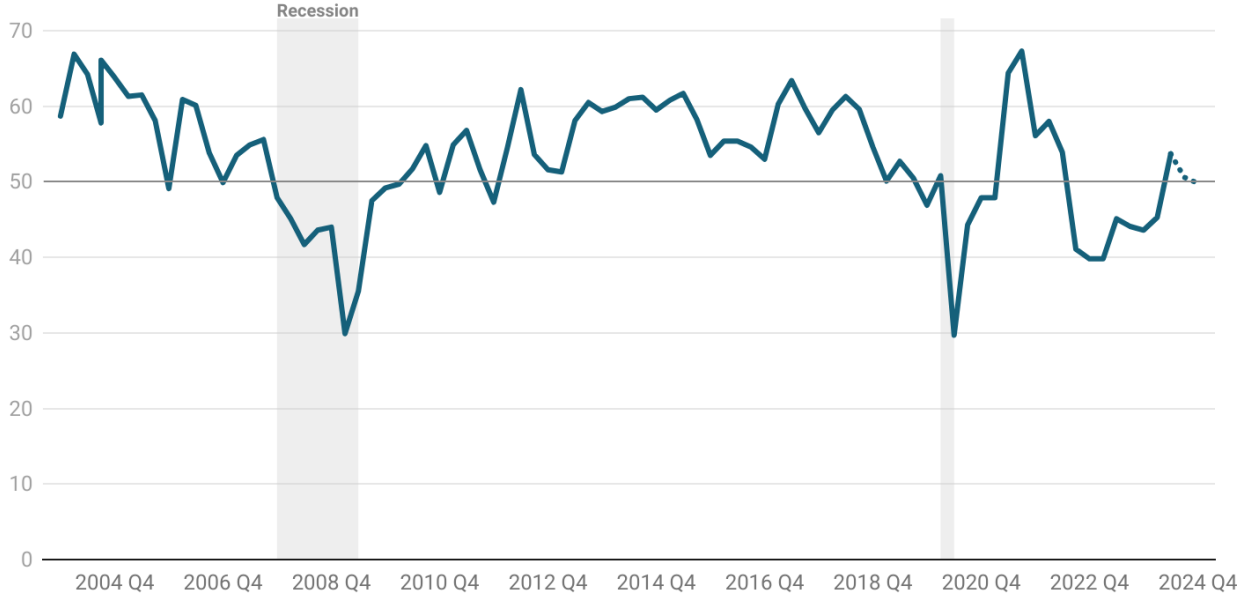
Created with Datawrapper

- Four individual components of the LBCI recorded positive perceptions (above an index value of 50) ahead of Q3 2024. The index was highest for industry sales and lowest for the national economy.
- Interest rates, election uncertainty, and sentiment were the three most noted reasons for panelists' sentiments headed into Q3 2024, cited by 26%, 21%, and 17% of respondents, respectively.
- Inflation in the Denver-Aurora-Lakewood MSA improved to 2.6% in May 2024 (compared to 3.3% for the U.S. city average).
- Year-over-year employment growth in Colorado increased 1.9%, or 55,400 jobs in May 2024, ranking the state 15th.

- Colorado’s personal income increased 4.8% year-over-year in Q1 2024, ranking the state 14th. Per capita personal income increased 4.2% year-over-year, ranking Colorado 16th.
- National real gross domestic product (GDP) increased at an annualized rate of 1.4% in Q1 2024 and 2.9% year-over-year. Colorado’s GDP increased at an annualized rate of 2.3% in Q1 and 3.3% year-over-year, ranking the state 18th and 13th, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



Created with Datawrapper

Leeds Business Confidence Index

Component	Q3 2024	Quarterly Change	Annual Change	Q4 2024	Quarterly Change	Annual Change
State Economy	51.2	▼	▲	50.4	▼	▲
National Economy	46.8	▼	▲	48.1	▲	▲
Industry Sales	54.7	▼	▲	53.0	▼	▲
Industry Profits	52.0	▼	▲	52.3	▲	▲
Industry Hiring	48.0	▼	▲	45.8	▼	▲
Capital Expenditures	50.9	▼	▲	49.9	▼	▲
LBCI	50.6	▼	▲	49.9	▼	▲

Created with Datawrapper

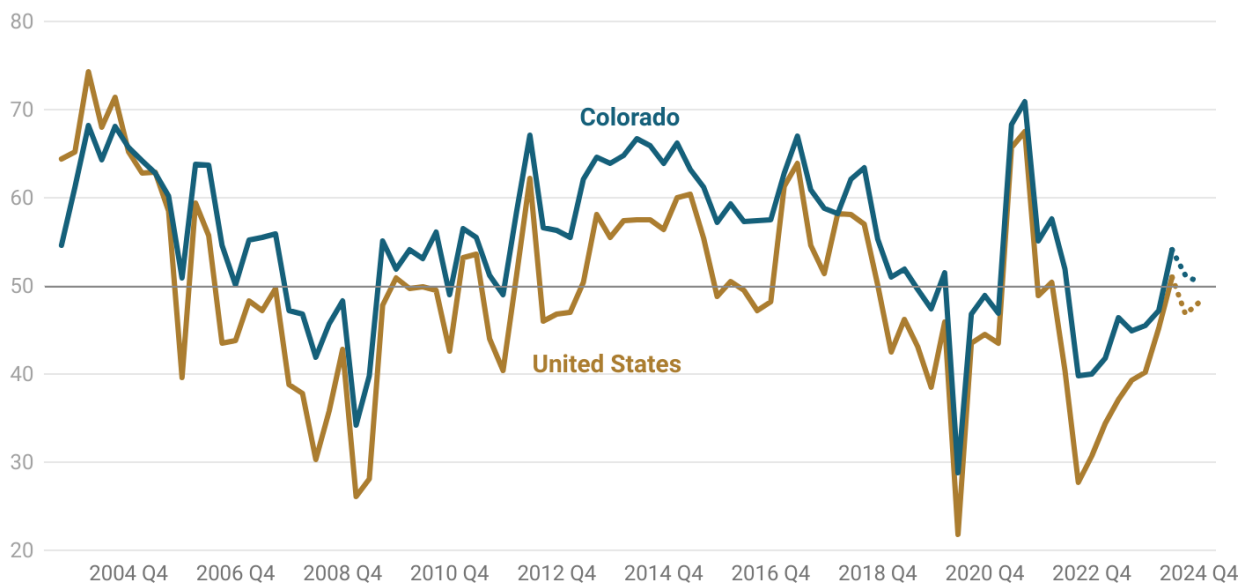
National and State Economies — Mixed Outlook

State and national economic expectations pulled back ahead of Q3. State expectations decreased from 54.1 in Q2 2024 to 51.2 ahead of Q3 2024 and settled at 50.4 looking out further to Q4 2024. The national index slid from 51 in Q2 2024 to 46.8 ahead of Q3 2024 and 48.1 looking further out to Q4 2024. The gap between the state outlook and national outlook widened ahead for Q3 2024, still indicating business leaders' confidence that the state will outperform the nation.

For the state economy, 40.8% of respondents are neutral on the outlook, while 33.3% expect a moderate-to-strong increase and 25.9% expect a decrease. On the national level, 38.8% are neutral on the outlook, 25.4% expect an increase, and 35.8% project a decrease.

National and State Expectations

Index (50=Neutral)



Created with Datawrapper

National real (inflation-adjusted) GDP increased at a 1.4% seasonally adjusted annual rate (SAAR) in Q1 2024 according to the third estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures increased 1.5%, gross private domestic investment increased 4.4%, and government expenditures increased 1.8%. Net exports, which detract from GDP growth because imports exceed exports, grew by -\$41.7 billion from Q4 to Q1.

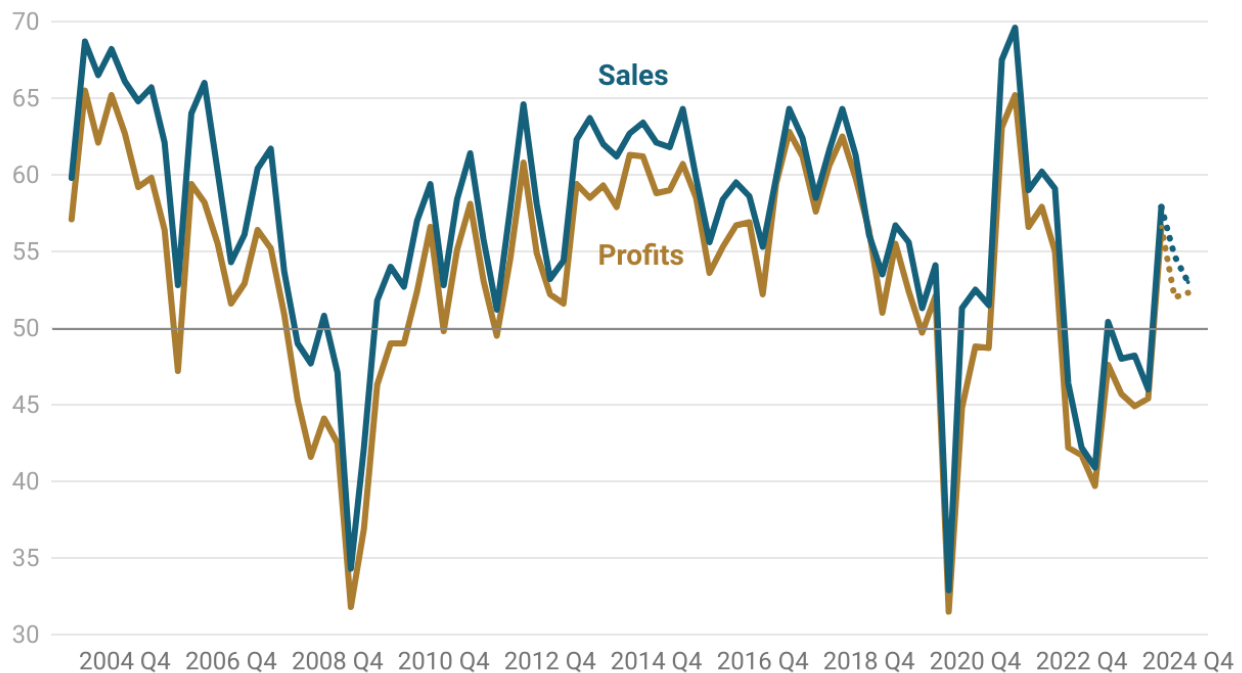
Colorado's real GDP increased at a SAAR of 2.3% for the quarter and at 3.3% year-over-year in Q1. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture (68.3%); Mining, Quarrying, and Oil and Gas Extraction (13.2%); and Retail Trade (8.0%). The largest losses were in Wholesale Trade (-4.8%), Other Services (-2.6%), and Administrative and Support and Waste Management and Remediation Services (-1.1%).

Sales and Profits — Expectations Moderated

Sales and profits expectations pulled back ahead of Q3, but still recorded the highest optimism ahead of the third quarter of 2024. The sales index decreased from 57.9 ahead of Q2 2024 to 54.7 ahead of Q3 2024 and settled at 53 looking further out to Q4 2024. The profits index decreased from 56.6 in Q2 2024 to 52 ahead of Q3 2024 and 52.3 looking out to Q4 2024. Individuals with a positive sales outlook (40.8%) outweighed those with negative perceptions (22.4%), while 36.8% remained neutral ahead of Q3. Profits expectations were similar with more individuals in the neutral camp—the positive perceptions outweighed the negative, 32.3% to 24.9% (42.8% remained neutral).

Sales and Profit Expectations

Index (50=Neutral)



Created with Datawrapper

National economic growth is heavily influenced by growth in personal consumption expenditures as consumption makes up about 69% of national gross domestic product. Industry sales and profits are impacted by consumption. Nationally, personal consumption expenditures increased at an annualized rate of 1.5% quarter-over-quarter in Q1 2024 and 2.2% year-over-year, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Year-over-year growth in services (driven by healthcare) exceeded the rate of growth in goods (driven by recreational goods and vehicles). The series is also published monthly, and the April data grew at an inflation-adjusted rate of 2.6% year-over-year. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 2.3% year-over-year in May and 0.1% month-over-month. Colorado Department of Revenue data show state retail trade increased 0.7% year-over-year in March 2024.

Business-to-business sales are also a signal for sales and profits. Wholesale trade sales increased 1.4% year-over-year in April 2024. Durable goods posted a year-over-year increase of 2.1% and

non-durable goods increased 0.9%. Wholesale inventories decreased 1.7% over the year but increased 0.1% from the prior month.

In the first quarter of 2024, national personal income continued to climb, increasing 4.5% year-over-year, and the monthly data showed continued growth of 4.5% in April. Colorado personal income rose 4.8% year-over-year and 1.6% quarter-over-quarter in Q1 2024, ranking the state 14th and 30th nationally, for the respective metrics. Colorado had the 7th-highest per capita personal income in Q1 2024, at \$81,072; the state ranked 16th for per capita personal income growth year-over-year (4.2%) and 31st for quarter-over-quarter growth (1.5%).

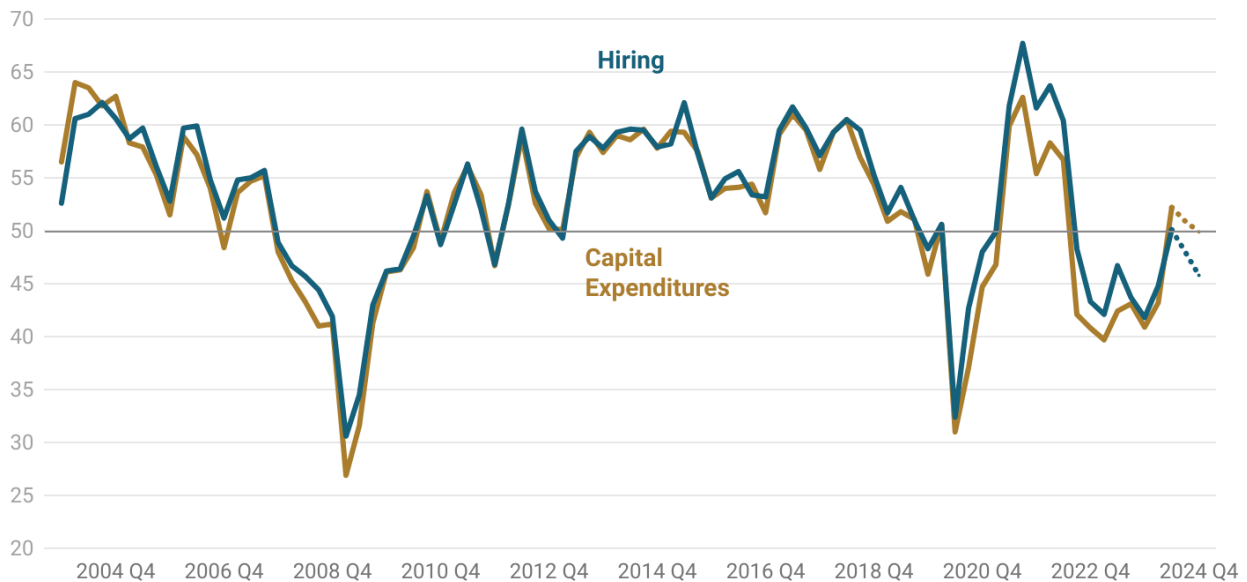
Capital Expenditures and Hiring Expectations Mixed

The tight labor market continues to present headwinds for companies. Local hiring expectations decreased from 50.1 in Q2 2024 to 48 ahead of Q3 and 45.8 looking out to Q4 2024. The outlook for capital expenditures decreased from 52.2 ahead Q2 to 50.9 in Q3 2024 and 49.9 looking out to Q4.

Ahead of Q3 2024, 25.9% of respondents expect hiring to grow versus 29.4% who expected a decrease while 44.8% indicated no change. Regarding capital expenditures, 27.4% of respondents expect growth versus 22.4% who remained pessimistic and 50.2% who remained neutral. The general consensus among respondents expressing pessimistic sentiment about capital expenditures points to high interest rates, which have reportedly slowed growth and deterred investment. However, respondents with a positive outlook anticipate increased capital investment as interest rates stabilize over time.

Capital Expenditures and Hiring Expectations

Index (50=Neutral)



Created with Datawrapper

An indicator of capital expenditures is construction. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado decreased 10% in 2023 and 0.2% year-to-date in May 2024. In 2023, declines were recorded in residential (-20%), but gains were recorded in

nonresidential (0.4%) and nonbuilding (2.7%). Residential and nonbuilding posted year-over-year gains in the first five months of 2024, but nonresidential activity declined sharply. According to the U.S. Census Bureau, the total value of construction put in place for the nation increased 10.9% year-to-date in April 2024; residential increased 5.8% and nonresidential increased 15.1%, with increases in all product types except conservation and development. The BEA reported U.S. nonresidential fixed business investment increased 4.4% quarter-over-quarter in Q1 2024 (SAAR) and increased 4.3% year-over-year. Investment in structures grew 0.8% over the quarter and 10.3% over the year. Residential fixed investment increased 3.8% for the quarter, posting gains for three consecutive quarters.

National employment growth continues to post strong gains. The Bureau of Labor Statistics reported total nonfarm employment in May 2024 increased 1.8% year-over-year, adding 272,000 jobs. The unemployment rate nationally increased to 4% in May. Colorado's May nonfarm employment grew 1.9% (55,400 jobs) year-over-year. The BRD expects the state to add 47,200 jobs (1.6%) in 2024. Colorado's May unemployment rate was 3.8%, 0.2 percentage points below the national average, tying Colorado 32nd in the country. The state had the 5th-highest labor force participation rate in May (67.9%). The jobs opening rate remained at 6.3% in April, the 2nd-highest rate in the country. There were 1.7 job openings for every unemployed individual in the state in April.

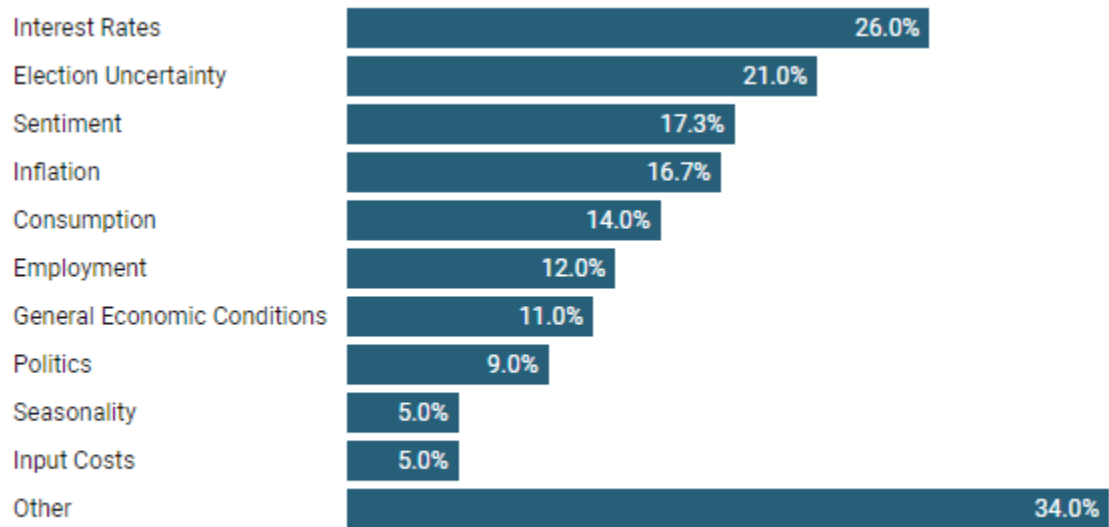
Reasons for Survey Responses

Panelists were asked to provide reasons for their expectations. Among the 150 respondents who gave open-ended explanations, the most frequently cited reasons were interest rates (26% of respondents), election uncertainty (21%), and sentiment (17%). While the general political discourse primarily focused on the upcoming election, there was also some discussion about government regulation, fiscal policy, and the current geopolitical climate. The general outlook among respondents was slightly positive, with 10% expressing optimism for the future and 7% expressing pessimism. Many attributed their sentiment to consumer confidence and demand, swaying in both positive and negative directions.

Although some respondents (11%) expressed a pessimistic outlook for inflation, year-ahead expectations among consumers were at 3.3%, slightly above the pre-pandemic range of 2.3-3.0%, according to the University of Michigan's Index of Consumer Sentiment in June. The Consumer Confidence Survey fell to 100.4 in June, down slightly from 101.3 in May. This decline was driven by mixed feelings, with consumers expressing an uptick in sentiment about the current labor market, but cooling on their assessment of current business conditions. Additionally, the Expectations Index, reflecting short-term outlooks for income, business, and labor market conditions, fell to 73 from 74.9 the previous month.

Despite increasingly positive sentiment among consumers, some respondents expressed negative expectations due to concerns about repressed demand resulting from tightening monetary policy and inflationary shocks. However, worries about a recession were minimal. Optimistic respondents highlighted increasing price stability (5%) and economic growth (9%) as positive signs for the future.

Reasons for Response

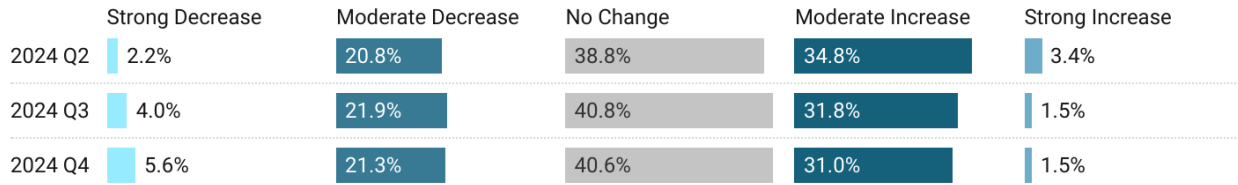


Created with [Datawrapper](#)

Distribution of Expectations in Q2 2024, Q3 2024, and Q4 2024

State Expectations

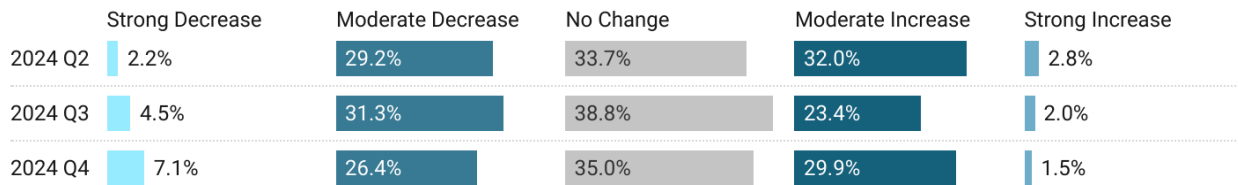
54.1 in Q2 2024, 51.2 in Q3 2024, and 50.4 in Q4 2024



Created with Datawrapper

National Expectations

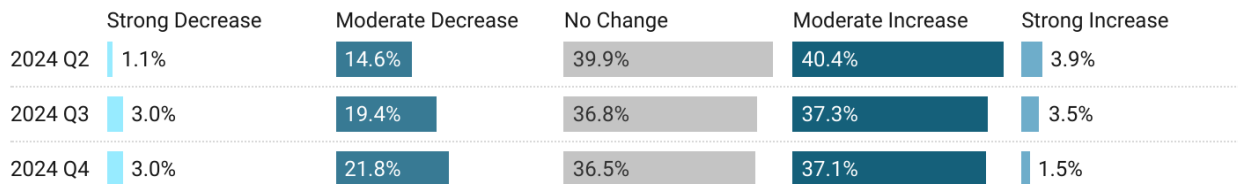
51.0 in Q2 2024, 46.8 in Q3 2024, and 48.1 in Q4 2024



Created with Datawrapper

Sales Expectations

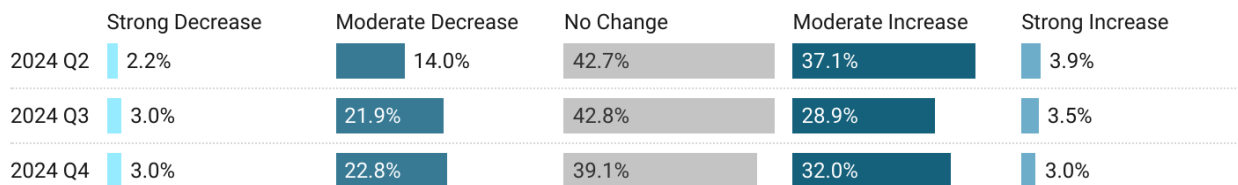
57.9 in Q2 2024, 54.7 in Q3 2024, and 53.0 in Q4 2024



Created with Datawrapper

Profit Expectations

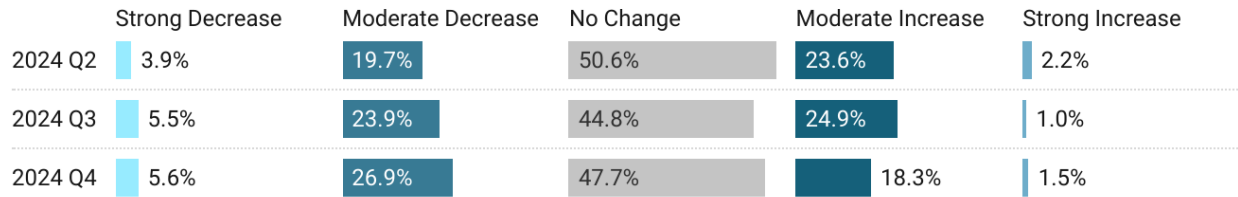
56.6 in Q2 2024, 52.0 in Q3 2024, and 52.3 in Q4 2024



Created with Datawrapper

Hiring Expectations

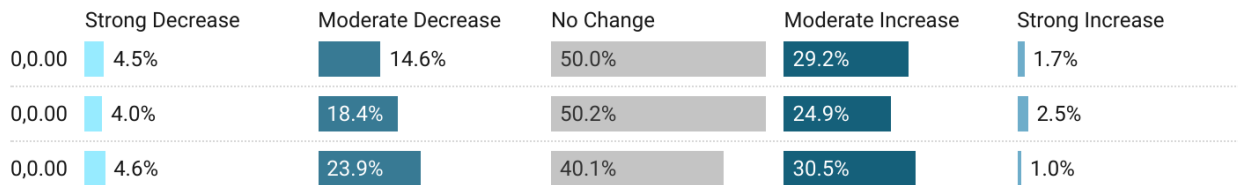
50.1 in Q2 2024, 48.0 in Q3 2024, and 45.8 in Q4 2024



Created with Datawrapper

Capital Expenditures Expectations

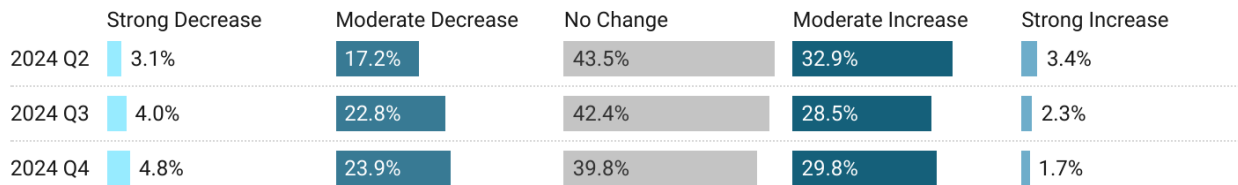
52.2 in Q2 2024, 50.9 in Q3 2024, and 49.9 in Q4 2024



Created with Datawrapper

Overall Index Expectations

53.7 in Q2 2024, 50.6 in Q3 2024, and 49.9 in Q4 2024



Created with Datawrapper

###

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