

Business Sentiment Oscillating around Neutral

Business confidence took one of the most neutral looks in the history of the LBCI as panelists weigh new looming policy. All components of the Leeds Business Confidence Index (LBCI) posted year-over-year and over-the-quarter gains ahead of Q1 2025. The new presidential administration, tariffs, and interest rates were commonly cited as the primary reason for panelists' responses.

The LBCI captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures. The index rose to 50 in the current survey (50=neutral). The index increased from 46.7 in Q4 2024 to 50 ahead of Q1 2025, then settled at 49.9 in Q2 2025. All of the six components of the index increased ahead of the first quarter, and four of the six turned positive. Looking out to Q2 2025, two categories decreased, and three of the six indicators remained positive territory. A total of 184 qualified panelists responded to the survey from December 2 through December 20, 2024.

Leeds Business Confidence Index

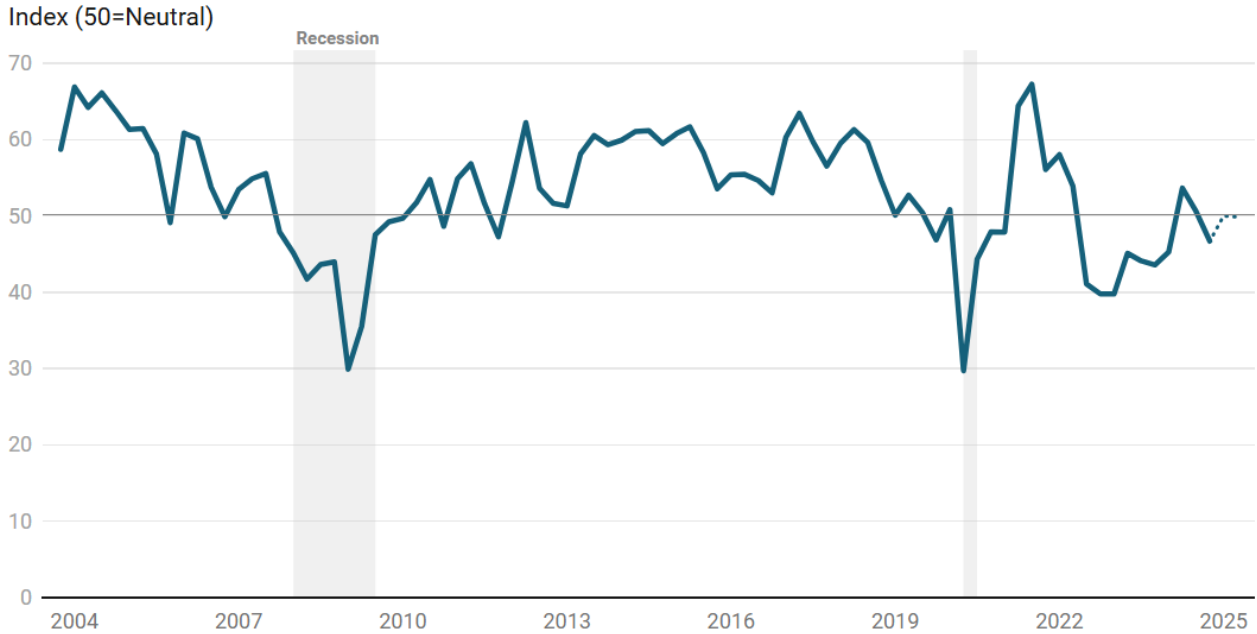
Component	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Quarterly Change	Annual Change
Industry Sales	46.0	57.9	54.7	48.0	53.4	▲	▲
Industry Profits	45.4	56.6	52.0	46.3	50.4	▲	▲
Industry Hiring	44.8	50.1	48.0	44.6	48.1	▲	▲
Capital Expenditures	43.2	52.2	50.9	46.6	47.7	▲	▲
State Economy	47.2	54.1	51.2	49.0	50.1	▲	▲
National Economy	45.2	51.0	46.8	45.7	50.3	▲	▲
LBCI	45.3	53.7	50.6	46.7	50.0	▲	▲

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- Most components of the LBCI recorded positive perceptions (above an index value of 50) in Q1 2024. The index was highest for the industry sales and lowest for capital expenditures.
- The new presidential administration, tariffs, and interest rates were the three most noted reasons for panelists' sentiments headed into Q1 2025, cited by 49%, 13%, and 6% of respondents, respectively.
- Business leaders expressed optimism about proposed regulatory and energy policy changes and concerns about tariffs, immigration policy, foreign policy, and health care policy changes
- The Consumer Price Index (i.e., inflation) rose 2% in the Denver-Aurora-Lakewood region year-over-year in November versus 2.7% nationally.
- Year-over-year employment growth in Colorado increased 1.8%, or 52,900 jobs in November 2024, ranking the state 14th for the pace of job growth.

- Colorado’s personal income increased 4.8% year-over-year in Q3 2024, ranking the state 19th. Per capita personal income increased 4.2% year-over-year, ranking Colorado 35th.
- National real gross domestic product (GDP) increased at an annualized rate of 3.1% in Q3 2024. Colorado’s GDP increased at an annualized rate of 3.4% from Q2 to Q3 and a year-over-year rate of 1.7%, ranking the state 20th and 38th, respectively.

Leeds Business Confidence Index



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Leeds Business Confidence Index

Component	Q1 2025	Quarterly Change	Annual Change	Q2 2025	Quarterly Change	Annual Change
Industry Sales	53.4	▲	▲	53.0	▼	▼
Industry Profits	50.4	▲	▲	50.6	▲	▼
Industry Hiring	48.1	▲	▲	48.9	▲	▼
Capital Expenditures	47.7	▲	▲	48.3	▲	▼
State Economy	50.1	▲	▲	47.9	▼	▼
National Economy	50.3	▲	▲	50.4	▲	▼
LBCI	50.0	▲	▲	49.9	▼	▼

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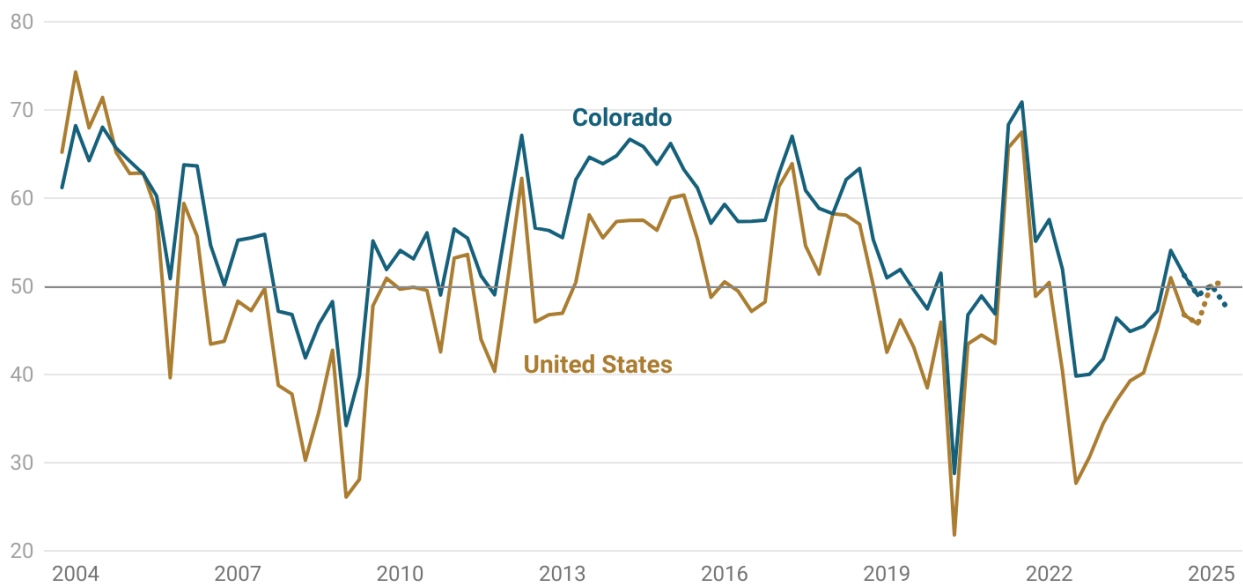
National and State Economies — Mostly Improved

State and national economic expectations increased ahead of Q1. State expectations increased from 49.0 in Q4 2024 to 50.1 ahead of Q1 2025, but notched down to 47.9 looking out further to Q2 2025. The national index increased from 45.7 in Q4 2024 to 50.3 ahead of Q1 2025 and 50.4 looking further out to Q2 2025. National expectations are rarely higher than state expectations, but business leaders' expectations of local conditions lagged the nation in the current survey for the first time since 2005. Looking out to Q2, the gap widened further to 2.5 points.

For the state economy, 34.2% of respondents are neutral on the outlook, while 33.2% expect a moderate-to-strong increase and 32.6% expect a decrease. On the national level, 24.5% are neutral on the outlook, 38% expect an increase, and 37.5% project a decrease.

National and State Expectations

Index (50=Neutral)



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National real (inflation-adjusted) GDP increased at a 3.1% seasonally adjusted annual rate (SAAR) in Q3 2024 according to the final estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures increased 3.7%, gross private domestic investment increased 0.8%, and government expenditures increased 5.1%. Net exports, which detract from GDP growth because imports exceed exports, grew by an annualized \$33.6 billion from Q2 to Q3.

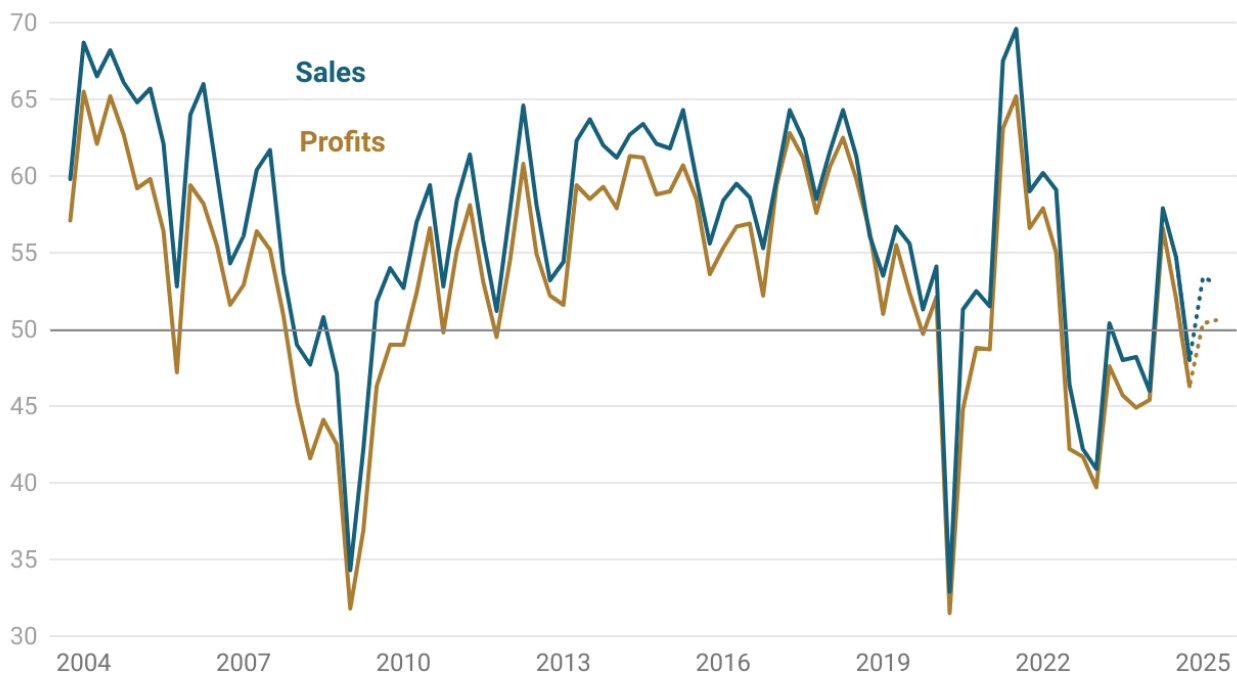
Colorado's real GDP increased at a SAAR of 3.4% for the quarter and at 1.7% year-over-year in Q3, ranking Colorado 20th and 38th, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Retail Trade (8.6%); Transportation and Warehousing (7.8%), and Arts, Entertainment, and Recreation (7.6%). The largest losses were in Information (-4.1%), Administrative and Support and Waste Management and Remediation Services (-3.3%), and Educational Services (-2.4%).

Sales and Profits — Expectations Rise Heading into 2025

Sales and profits expectations rose sharply ahead of Q1 before leveling in Q2. The sales index increased from 48 ahead of Q4 2024 to 53.4 ahead of Q1 2025 and 53 looking further out to Q2. The profits index increased from 46.3 in Q4 2024 to 50.4 ahead of Q1 2025 and 50.6 looking out to Q2 2025. Individuals with a positive sales outlook (41.3%) outweighed those with negative perceptions (28.8%), while 29.9% remained neutral ahead of Q1. Profits expectations were tilted slightly more neutral—the positive perceptions outweighed the negative, 34.2% to 32.6% (33.2% remained neutral).

Sales and Profit Expectations

Index (50=Neutral)



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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 3.7% quarter-over-quarter in Q3 2024 and 3% 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 exceeded the rate of growth in goods, but goods recorded the faster quarterly growth from Q2 to Q3. The series is also published monthly—November nominal consumption grew at 5.5% year-over-year, and real consumption grew 3.1%. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 3.8% year-over-year in November and 0.7% month-over-month. Colorado Department of Revenue data show state retail trade decreased modestly year-over-year.

Business-to-business sales are also a signal both for sales volume and profits. Wholesale trade sales, in nominal dollars, increased 0.9% year-over-year in October 2024. Durable goods posted a

year-over-year increase of 4.5% while non-durable goods fell 2.2%. Wholesale inventories were up 0.9% over the year and 0.2% from the prior month.

In the third quarter of 2024, national personal income continued to climb, increasing 4.7% year-over-year, and the monthly data showed continued growth of 5.3% in November. Colorado personal income rose 4.8% year-over-year and 0.8% quarter-over-quarter in Q3 2024, ranking the state 19th and 33rd nationally, for the respective metrics. Colorado had the 8th-highest per capita personal income in Q3 2024, at \$83,635; the state ranked 35th for per capita personal income growth year-over-year (4.2%) and 26th for quarter-over-quarter growth (0.6%).

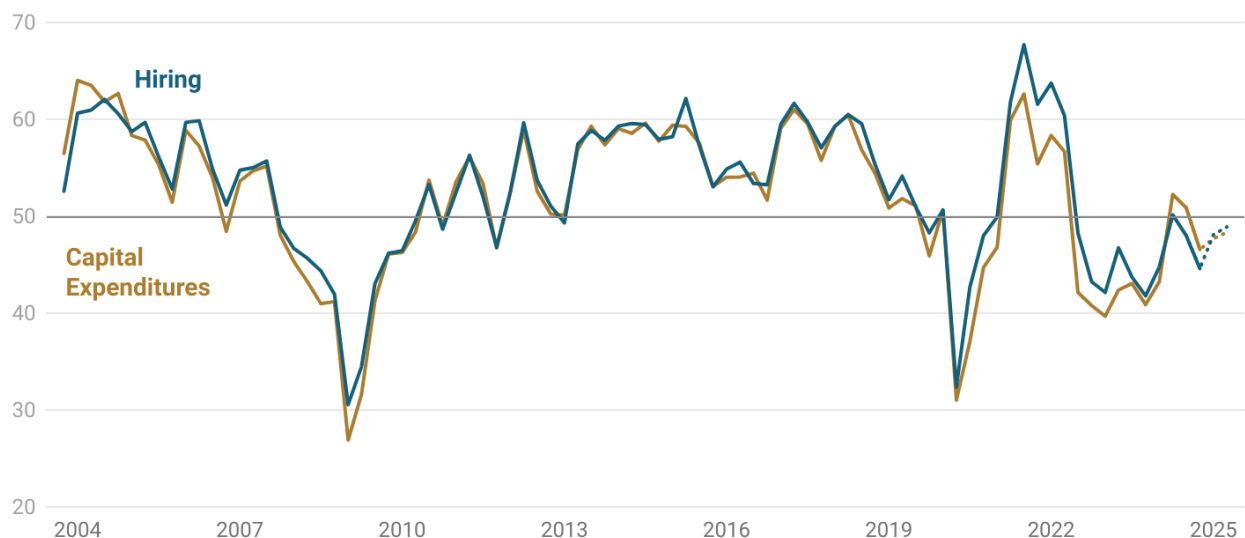
Capital Expenditures and Hiring Expectations Still Digging Out

The labor market has shown signs of loosening, evidenced by fewer job openings and softer job growth. Local hiring expectations increased from 44.6 in Q4 2024 to 48.1 ahead of Q1 2025 and 48.9 looking out to Q2 2025. The outlook for capital expenditures increased from 46.6 ahead Q4 to 47.7 in Q1 2025 and 48.3 looking out to Q2.

Ahead of Q1 2025, 46.2% of respondents were neutral on hiring while 23.9% expected an increase and 29.9% expected a decrease. Regarding capital expenditures, 44.6% remained neutral, 24.5% expected an increase and 31.0% a decrease.

Capital Expenditures and Hiring Expectations

Index (50=Neutral)



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An indicator of capital expenditures is construction. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado decreased 17.4% year-to-date in October 2024. Through October, declines were recorded in residential (4.3%), nonresidential (35.5%), and nonbuilding (20.1%). According to the U.S. Census Bureau, the total value of construction put in place for the nation increased 7.2% year-to-date in October 2024; residential increased 6.9% and nonresidential increased 7.4%, with increases in all product types except lodging and commercial. The BEA reported U.S. nonresidential fixed business investment increased 4%

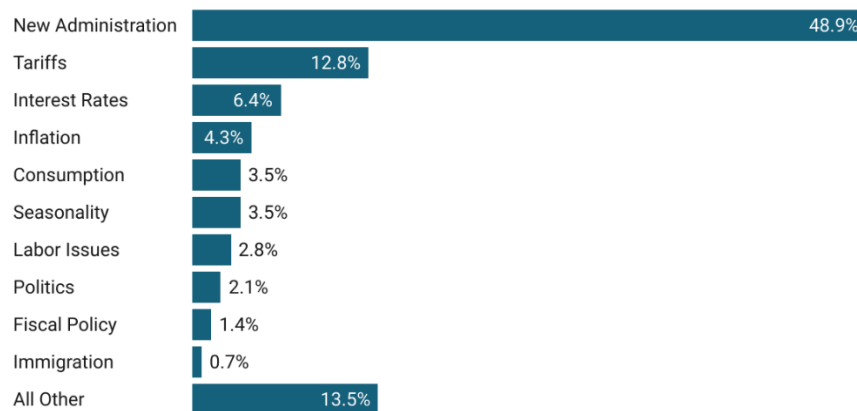
quarter-over-quarter in Q3 2024 (SAAR) and increased 4.1% year-over-year. Investment in structures fell 5% over the quarter but increased 1.9% over the year. Residential fixed investment decreased 4.3% for the quarter.

National employment growth continues to post gains, albeit at a slower pace of growth. The Bureau of Labor Statistics reported total nonfarm employment in November 2024 increased 1.4% year-over-year, adding 2.3 million jobs. The month-over-month jobs added summed to 227,000. The unemployment rate nationally increased by 1/10th of a percent to 4.2% in November. Colorado's November nonfarm employment grew 1.8% (52,900 jobs) year-over-year. Colorado's November unemployment rate was 4.3%—the highest rate since November 2021, and 0.1 percentage points above the national average, tying Colorado 35th in the country. The state had the 4th-highest labor force participation rate in November (67.9%). The jobs opening rate increased to 8.8% in October, the highest rate in the country. There were 2.2 job openings for every unemployed individual in the state in October.

Reasons for Survey Responses

Panelists were asked to provide reasons for their expectations. Among the 141 respondents who gave open-ended explanations, the most frequently cited reasons were the new presidential administration (49% of respondents), tariffs (13%), and interest rates (6%). Sentiment around the election results and the upcoming administration included uncertainty, angst, and optimism. Most comments about tariffs reflected general uncertainty about the effectiveness of such a policy, while some believed it is a political ploy to gain concessions from trade partners. Interest rates were also commonly cited, with some respondents noting the positive impacts of further rate cuts. While outside the top three, other notable reasons emerged from the open-ended questions, including seasonal effects on business sales, continued inflation, and slowing consumption.

Reasons for Responses



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Panelists were asked to reflect on proposed policies that may have an impact on the economy in 2025. Business leaders in Colorado generally expressed an expectation that regulatory and energy policy changes discussed during the election would have a positive impact on their industry, while tariffs, immigration policy, foreign policy, and health care policy changes would lead to negative outcomes for their industry. Additional responses included cuts to education, shifts in environmental policy, rising insurance costs, and uncertainty in global relations. Panelists remained fairly split on the impact of reeling in the size of the federal government. The question was phrased,

Many policy changes were discussed during the presidential election. While we don't know the specifics of these policies, we would appreciate your industry-specific perspective.

How is your industry likely to be impacted by proposed high-level policy changes?

Expected Impact of Proposed Policy Changes

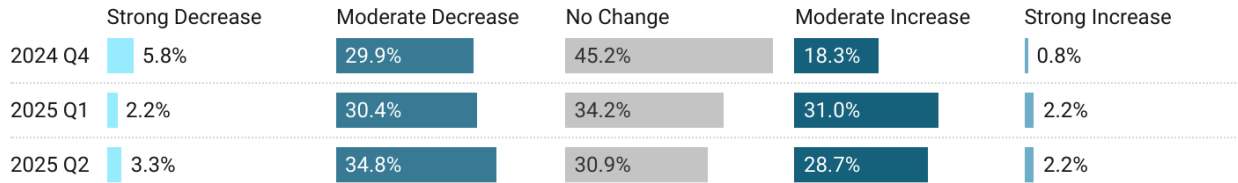
	Negative	Neutral	Positive	Positive Minus Negative
Trade Policy (i.e., Tariffs)	50.3%	29.8%	15.5%	-34.8%
Immigration Policy	43.6%	34.8%	16.6%	-27.1%
Energy Policy	28.7%	36.5%	33.1%	4.4%
Health Care Policy	34.8%	43.1%	18.8%	-16.0%
Foreign Policy	37.0%	41.4%	17.7%	-19.3%
Regulatory Policy	28.7%	20.4%	49.2%	20.4%
Size of Federal Government	35.9%	27.1%	34.8%	-1.1%

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Distribution of Expectations in Q4 2024, Q1 2024, and Q2 2025

State Expectations

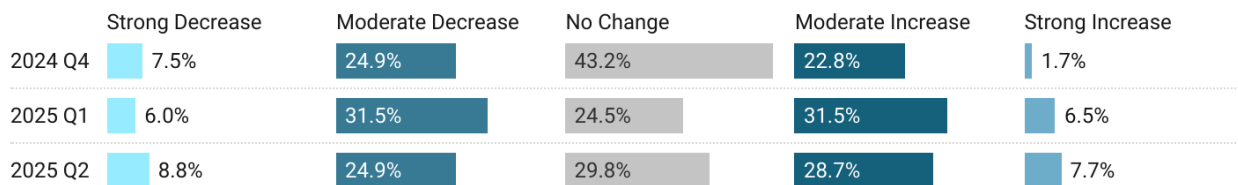
49.0 in Q4 2024, 50.1 in Q1 2025, and 47.9 in Q2 2025



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National Expectations

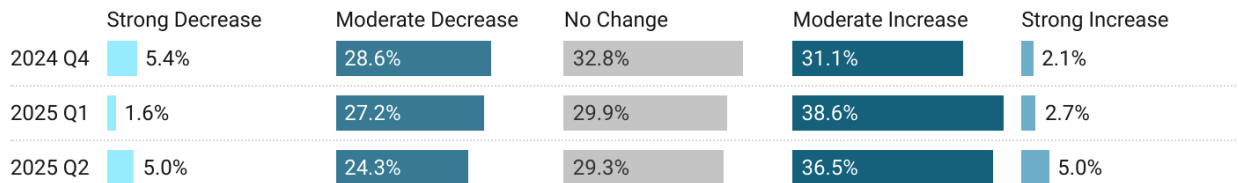
45.7 in Q4 2024, 50.3 in Q1 2025, and 50.4 in Q2 2025



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Sales Expectations

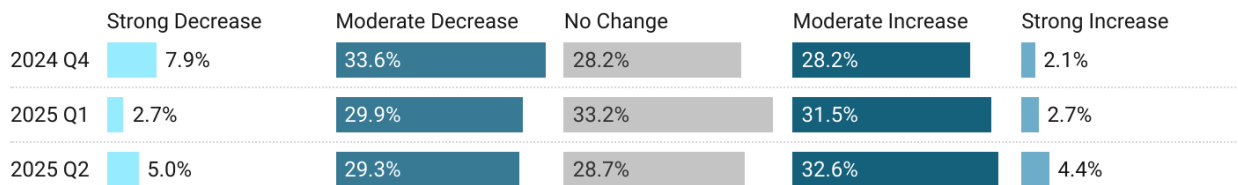
48.0 in Q4 2024, 53.4 in Q1 2025, and 53.0 in Q2 2025



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Profit Expectations

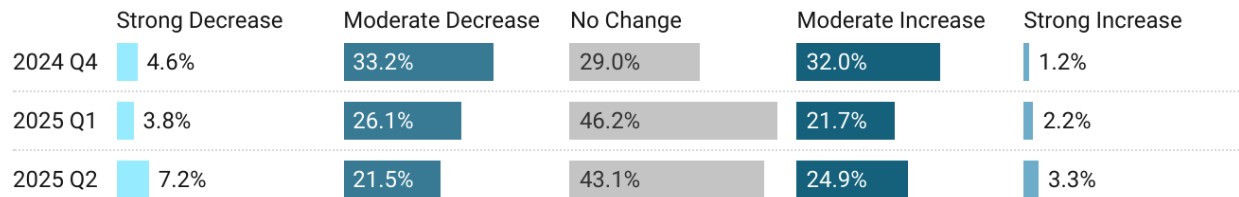
46.3 in Q4 2024, 50.4 in Q1 2025, and 50.6 in Q2 2025



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Hiring Expectations

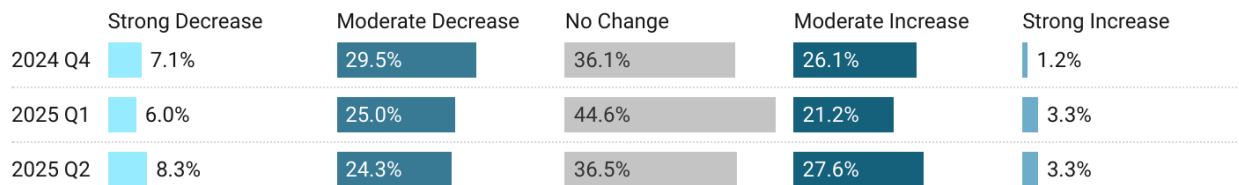
44.6 in Q4 2024, 48.1 in Q1 2025, and 48.9 in Q2 2025



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Capital Expenditures Expectations

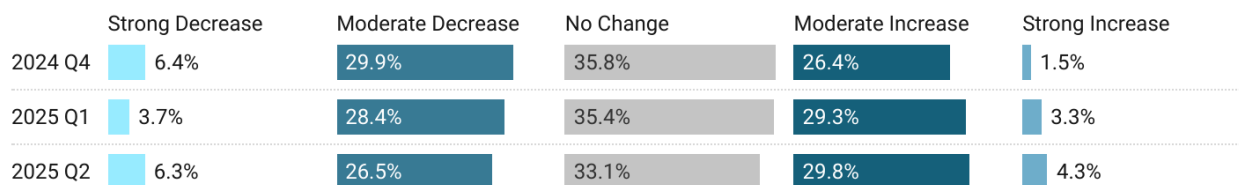
46.6 in Q4 2024, 47.7 in Q1 2025, and 48.3 in Q2 2025



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Overall Index Expectations

46.7 in Q4 2024, 50.0 in Q1 2025, and 49.9 in Q2 2025



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www.colorado.edu/business/brd