

Business Sentiment Less Pessimistic Ahead of the New Year

Business leaders’ confidence was notably less pessimistic ahead of Q1, but still remained in negative territory. Respondents noted politics, tariffs, and uncertainty weighing on their outlook ahead of 2026. The Leeds Business Confidence Index (LBCI) increased 7.1 points from Q4 2025 to Q1 2026, rising from near-record lows. All six components of the index increased from Q4 to Q1, but all six components were down when compared to Q1 2025. The largest increases in the index were the national outlook and state outlook, while the highest index levels were recorded in sales and profits.

The LBCI captures Colorado business leaders’ expectations for the national economy, state economy, industry sales, profits, hiring, and capital expenditures. The index increased from 36 reported last quarter to 43.1 in the current survey (50=neutral), and confidence improved further looking out to Q2 2026. A total of 308 panelists responded to the survey from December 1 through December 19, 2025.

Leeds Business Confidence Index

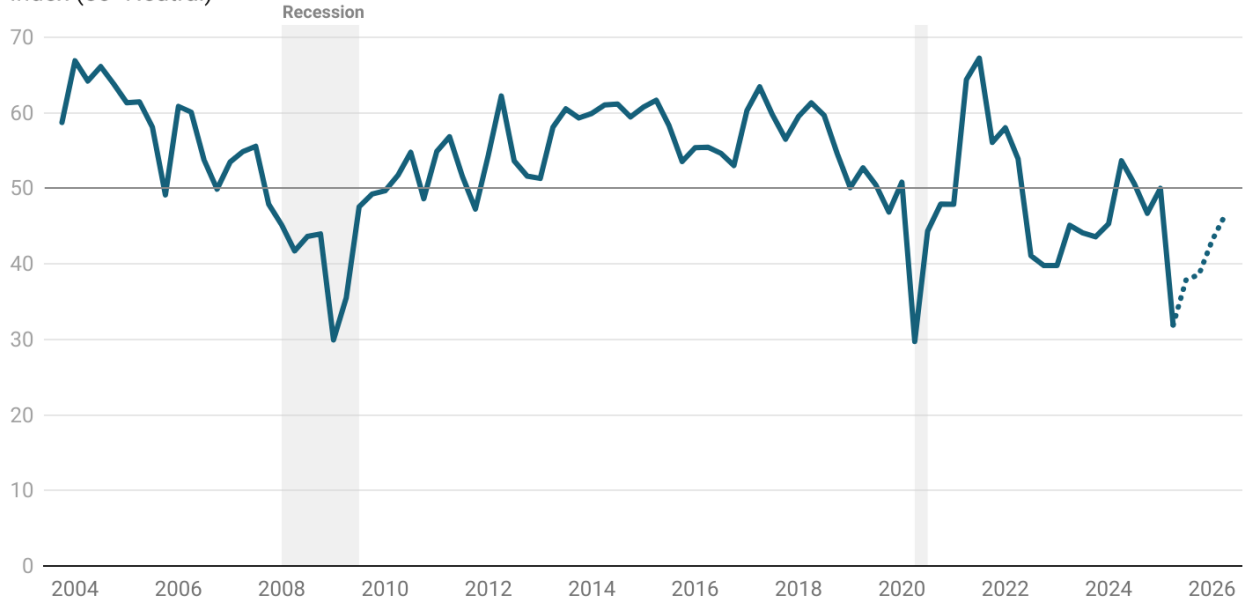
Component	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Quarterly Change	Annual Change
Industry Sales	53.4	37.3	42.7	41.7	48.1	▲	▼
Industry Profits	50.4	35.2	39.6	39.2	44.9	▲	▼
Industry Hiring	48.1	32.6	38.4	34.8	40.0	▲	▼
Capital Expenditures	47.7	32.5	36.9	38.3	44.2	▲	▼
State Economy	50.1	28.1	34.0	31.0	39.9	▲	▼
National Economy	50.3	25.9	35.6	31.1	41.3	▲	▼
LBCI	50.0	31.9	37.9	36.0	43.1	▲	▼

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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q1 2026. The index was highest for the industry sales and lowest for the state economy.
- The Consumer Price Index (i.e., inflation) rose 2.2% in the Denver-Aurora-Lakewood region year-over-year in November compared to 2.7% growth nationally.
- Colorado’s employment grew by 0.6% year-over-year in September 2025, placing the state 30th nationally in terms of job growth (month-over-month growth ranked 28th).
- Colorado’s personal income increased 5% year-over-year in Q2 2025, ranking the state 29th. Per capita personal income increased 4.3% year-over-year, ranking Colorado 33rd.
- National real gross domestic product (GDP) increased at an annualized rate of 4.3% in Q3 2025. Colorado’s GDP increased at an annualized rate of 3.5% from Q1 to Q2 and 1.8% year-over-year, ranking the state 26th and 22nd, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



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Leeds Business Confidence Index

Component	Q1 2026	Quarterly Change	Annual Change	Q2 2026	Quarterly Change	Annual Change
Industry Sales	48.1	▲	▼	52.1	▲	▲
Industry Profits	44.9	▲	▼	49.0	▲	▲
Industry Hiring	40.0	▲	▼	43.8	▲	▲
Capital Expenditures	44.2	▲	▼	47.2	▲	▲
State Economy	39.9	▲	▼	42.0	▲	▲
National Economy	41.3	▲	▼	44.2	▲	▲
LBCI	43.1	▲	▼	46.4	▲	▲

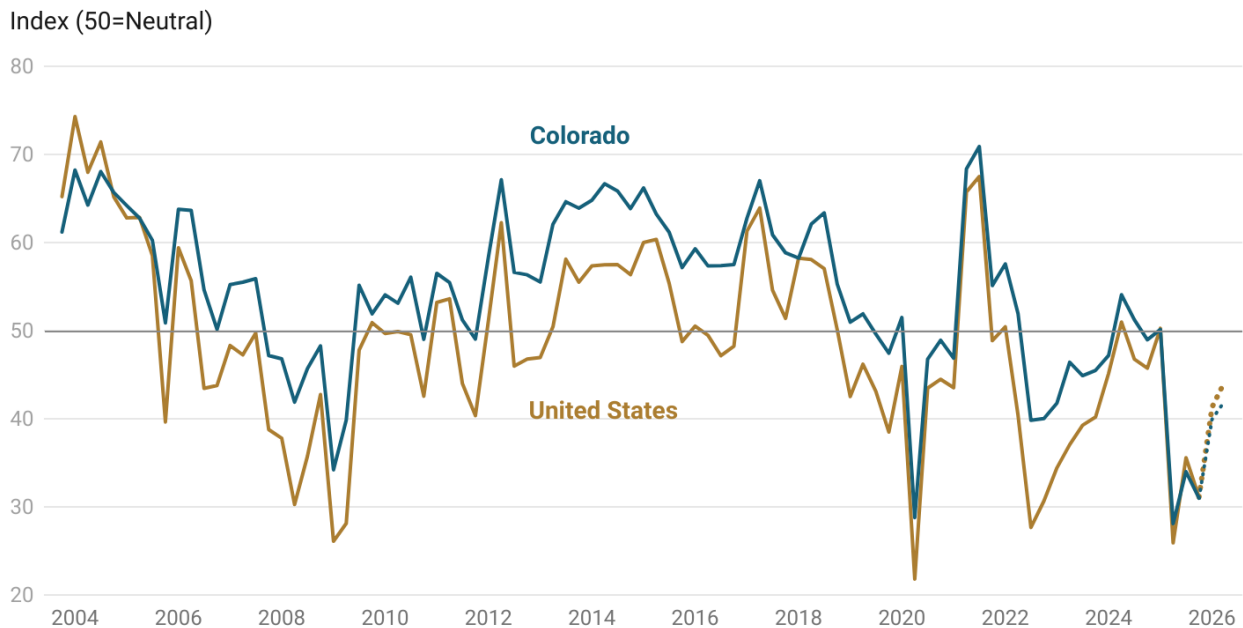
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National and State Economies — Increased for the Quarter

State and national economic expectations improved ahead of Q1. State expectations increased from 31 in Q4 2025 to 39.9 in Q1 and improved further to 42 looking out to Q2 2026. The national index posted the largest improvement from Q4 to Q1, increasing from 31.1 in Q4 2025 to 41.3 ahead of Q1 2026 and 44.2 looking out further to Q2 2026. State expectations stayed below national expectations—a recent phenomenon not depicted in the index since 2005.

For the state economy, 52.9% of respondents are negative on the outlook, 18.2% expect a moderate-to-strong increase, and 28.9% are neutral. On the national level, 52.6% are negative on the outlook, 24.4% expect an increase, and 23.1% are neutral.

National and State Expectations



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National real (inflation-adjusted) GDP increased 4.3% (seasonally adjusted annual rate, SAAR) in Q3 2025 according to the initial estimate from the Bureau of Economic Analysis (BEA). In Q3 2025, personal consumption expenditures increased 3.5%, gross private domestic investment decreased 0.3%, and government expenditures increased 2.2%. Net exports, which negatively affect GDP when imports exceed exports, improved by \$100.8 billion from Q2 to Q3 2025, indicating a narrowing of the trade deficit.

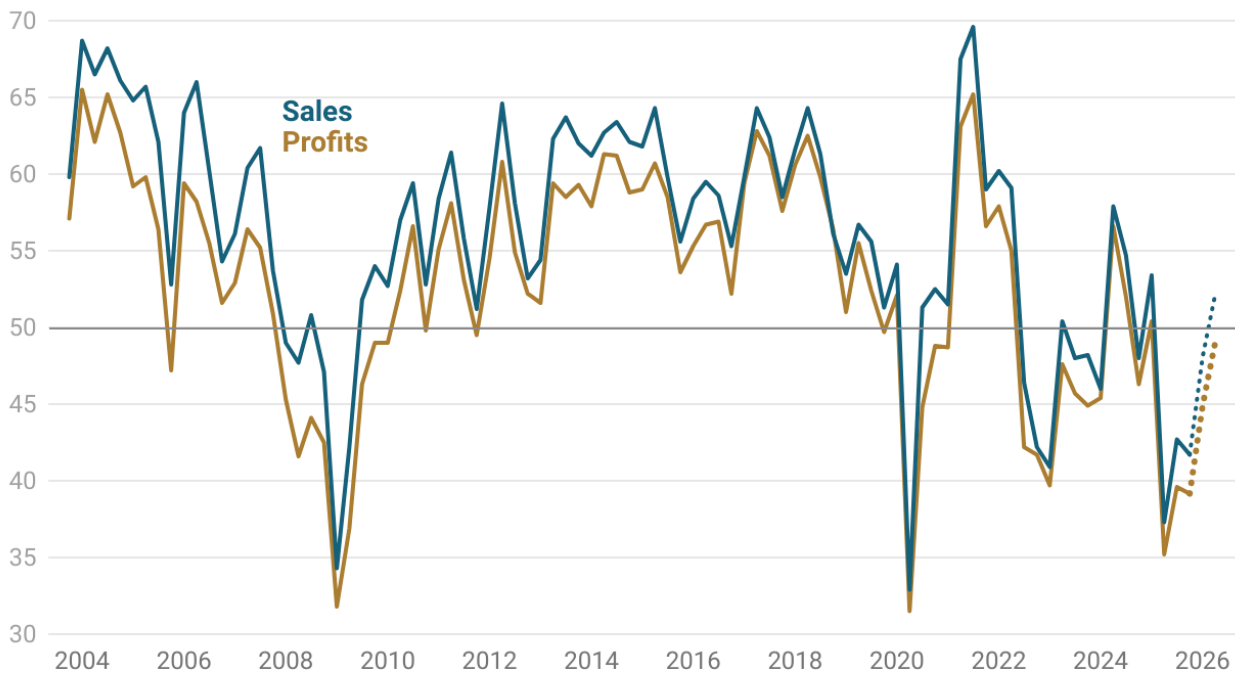
Colorado's real GDP increased at a SAAR of 0.9% for the quarter and 1.8% year-over-year in Q2, ranking Colorado 26th and 22nd, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Arts, Entertainment, and Recreation (13.4%); Wholesale trade (9.9%); Agriculture, forestry, fishing, and hunting (9.8%); and Health care and social assistance (8.5%). The largest losses were in Mining, quarrying, and oil and gas extraction (-7.4%); Utilities (-4.6%); and Manufacturing (-2.4%).

Sales and Profits — Rising Expectations

Sales and profit expectations increased ahead of Q1, recording the highest and second-highest levels in the index for the first quarter. The sales index decreased from 41.7 ahead of Q4 2025 to 48.1 in Q1 2026 and 52.1 looking further out to Q2 (the only indicator to break 50). The profits index increased from 39.2 in Q4 2025 to 44.9 ahead of Q1 2026 and 49 in Q2 2026. Individuals with a negative sales outlook (38.6%) outweighed those with positive perceptions (29.5%), while 31.8% remained neutral ahead of Q1. Profits expectations were tilted similarly with negative perceptions outweighing the positive, 42.2% to 23.1% (34.7% remained neutral).

Sales and Profit Expectations

Index (50=Neutral)



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While sentiment is cautious, the underlying fundamentals of consumption provide a more resilient backdrop. 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 3.5% quarter-over-quarter in Q3 2025, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in goods (3.1%) lagged the rate of growth in services (3.7%). Corporate profits, without inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), decreased year-over-year in Q1 and Q2, but increased 4.2% year-over-year in Q3 2025.

Consumption is also published monthly. September's nominal consumption increased 0.4% month-over-month and 5.3% year-over-year. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales were flat month-over-month and increased

3.5% year-over-year in October. Colorado Department of Revenue data show taxable retail sales in the state increased 2.6% in September, year-over-year.

Business-to-business sales also serve as an indicator of both sales volume and profitability. Wholesale trade sales, in nominal dollars, increased 4.8% year-over-year in September 2025. Durable goods posted a year-over-year increase of 5.5% while non-durable goods were up 4.1%. Wholesale inventories were up 1.8% over the year and down 0.1% from the prior month in September 2025.

National personal income continued to climb in September 2025, up 4.8% over September 2024 and 0.4% over August 2025. Colorado personal income rose 5% year-over-year and at a rate of 1.2% quarter-over-quarter in Q2 2025, ranking the state 29th and 30th nationally, for the respective metrics. Colorado had the 10th-highest per capita personal income in Q2 2025, at \$86,526. The state ranked 33rd for per capita personal income growth year-over-year (4.3%) and 35th for quarter-over-quarter annualized growth (1.1%).

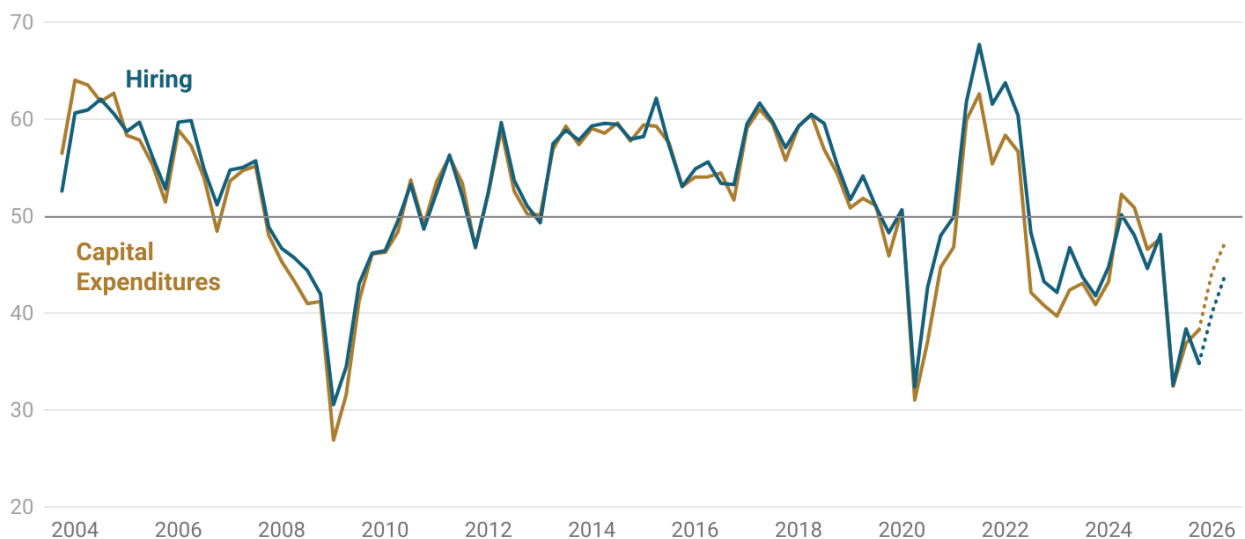
Capital Expenditures and Hiring Expectations Muted

Expectations for capital expenditure and hiring improved entering 2026. Hiring expectations increased from 34.8 in Q4 2025 to 40 ahead of Q1 and 43.8 projecting into Q2 2026. The outlook for capital expenditure increased from 38.3 ahead of Q4 to 44.2 in Q1 and 47.2 in Q2 2026.

Ahead of Q1 2026, 43.8% of respondents were negative on hiring while 14.6% expected a moderate increase and 41.6% remained neutral. Regarding capital expenditures, 37.7% were negative, 20.8% expected an increase and 41.6% remained neutral.

Capital Expenditures and Hiring Expectations

Index (50=Neutral)



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A key indicator of capital expenditure expenses is construction trends. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado decreased 12.4% in 2024 and

increased 10.5% year-to-date in November 2025 (residential -4.1%, nonresidential +42.7%, and nonbuilding 10.1%).

According to the U.S. Census Bureau, the national total value of construction put in place decreased 1.6% year-over-year in August. Residential construction decreased 1.8% and nonresidential decreased 1.5%. The BEA reported U.S. nonresidential fixed business investment increased 3.9% year-over-year in Q3 2025, but investment in structures decreased 6.3% over the year. Residential fixed investment decreased 1.8% over 2024.

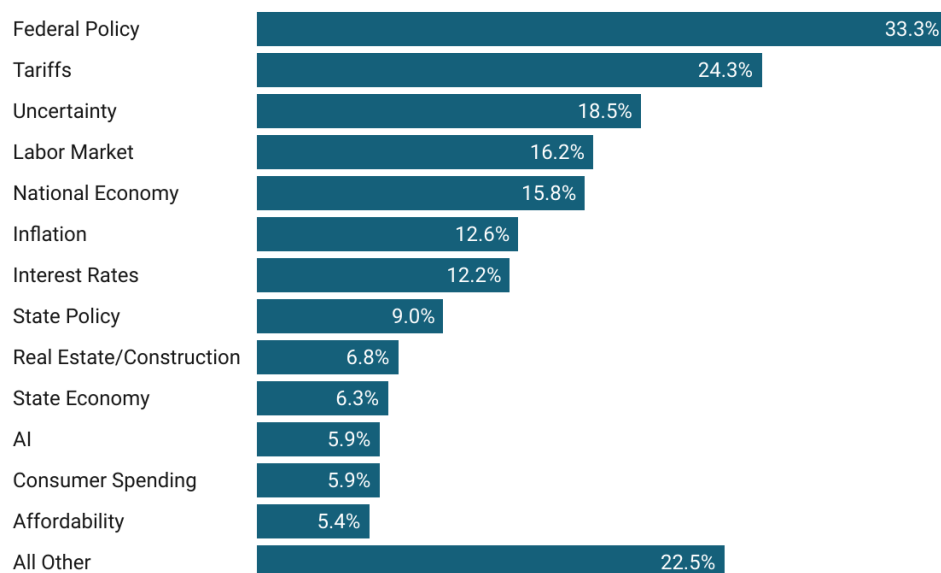
National employment growth slowed in 2025. According to the Bureau of Labor Statistics, total nonfarm employment increased 0.6% year-over-year in November 2025. Average jobs added year-to-date in 2025 are 55,500 per month, compared to 153,500 per month during the same period in 2024. The job openings rate in October was flat month-over-month and year-over-year at 4.6%.

Colorado's September 2025 nonfarm employment grew 0.6% (18,100 jobs) year-over-year while the unemployment rate was 4.1% (compared to 4.5% in September 2024), ranking Colorado 18th-highest in the country, but lower than the national rate (4.4%). The state had the 7th-highest labor force participation rate in September (67.3%). The job opening rate was 4% in October 2025, ranking Colorado 46th. There was one job opening for every unemployed individual in the state in October.

Survey Response Questions

Panelists were asked to provide reasons for their expectations ahead of Q1 2026. Among the 222 respondents who gave open-ended explanations, the most frequently cited reasons were related to federal policy, tariffs, and uncertainty.

Reasons for Responses

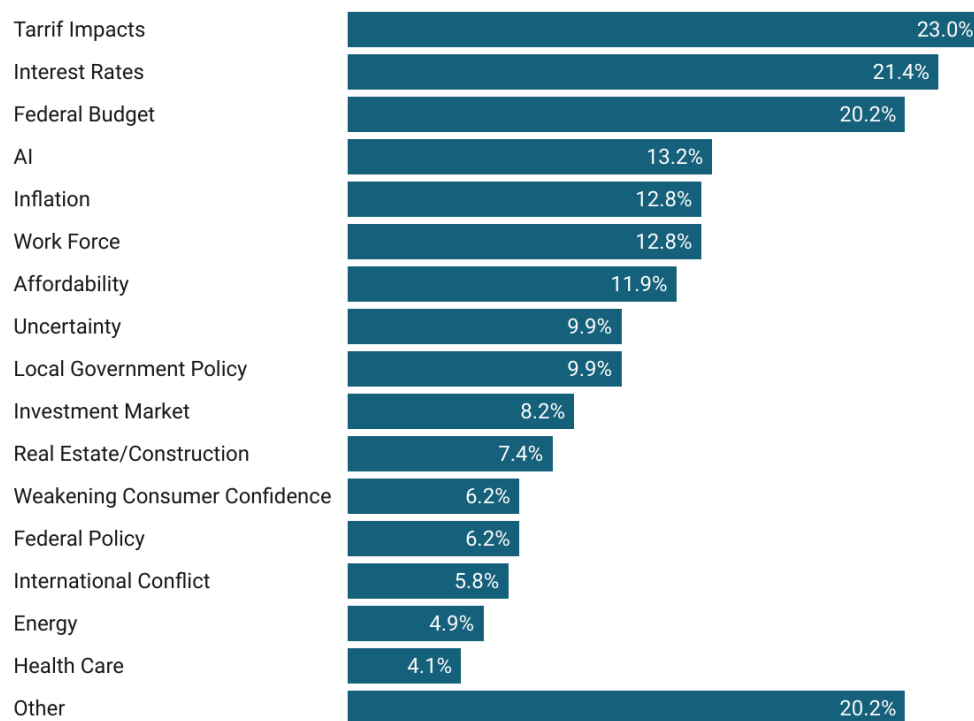


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Panelists were also asked about emerging economic trends or risks that they think will have a significant impact on their industry in the next 6 months, and how they are preparing to address the risks. The respondents noted that the four biggest emerging risks to their business are tariffs, interest rates, the federal budget, and AI. Most panelists (70%) weighted the risks to the downside versus 30% who noted upside risks.

Mitigation strategies cited were diverse, ranging from simply proceeding with caution (20.6%) and holding cash (14.8%) to changing their workforce (12.1%), diversifying business reach (11.7%), and cutting costs (10.8%).

Emerging Risks

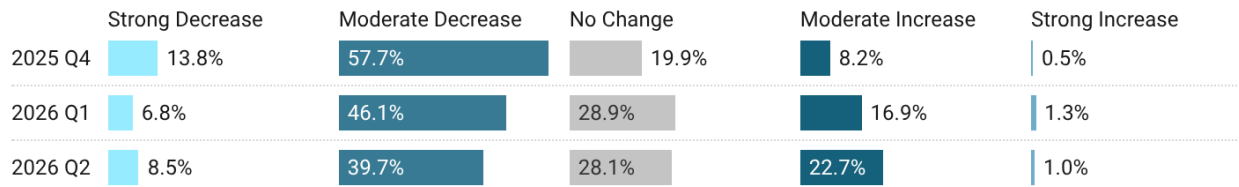


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Distribution of Expectations in Q4 2025, Q1 2026, and Q2 2026

State Expectations

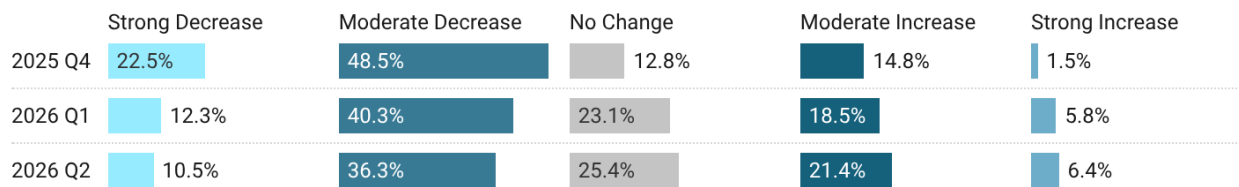
31.0 in Q4 2025, 39.9 in Q1 2026, and 42.0 in Q2 2026



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National Expectations

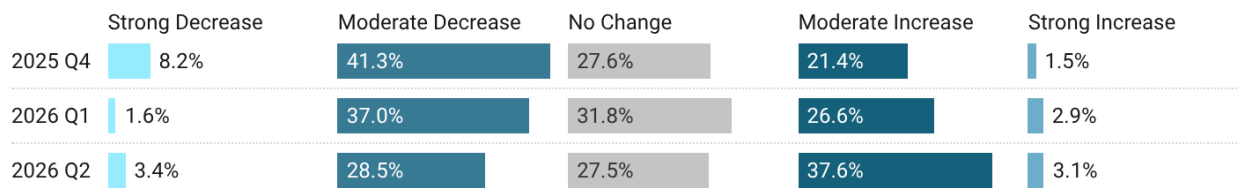
31.1 in Q4 2025, 41.3 in Q1 2026, and 44.2 in Q2 2026



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Sales Expectations

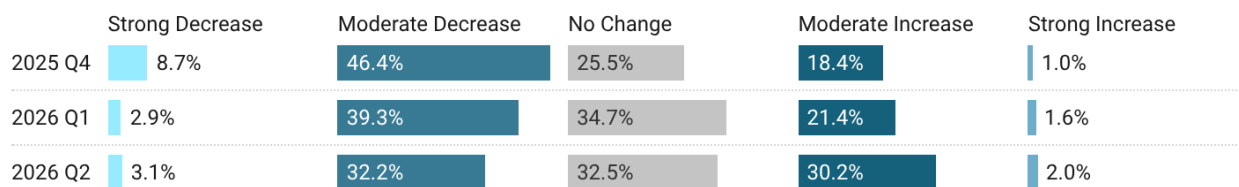
41.7 in Q4 2025, 48.1 in Q1 2026, and 52.1 in Q2 2026



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Profit Expectations

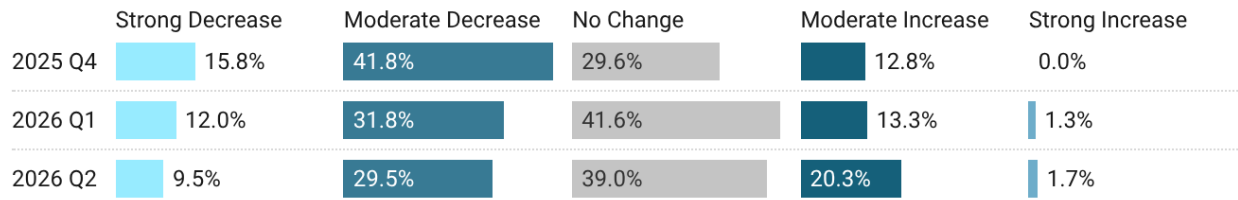
39.2 in Q4 2025, 44.9 in Q1 2026, and 49.0 in Q2 2026



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Hiring Expectations

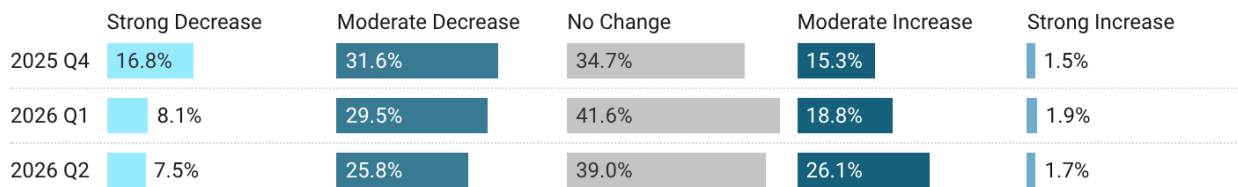
34.8 in Q4 2025, 40.0 in Q1 2026, and 43.8 in Q2 2026



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Capital Expenditures Expectations

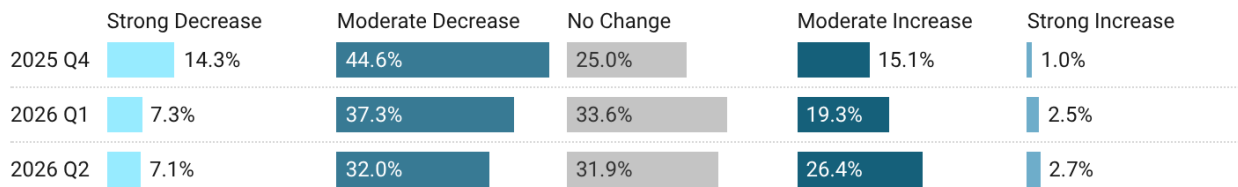
38.3 in Q4 2025, 44.2 in Q1 2026, and 47.2 in Q2 2026



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Overall Index Expectations

36.0 in Q4 2025, 43.1 in Q1 2026, and 46.4 in Q2 2026



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