

Hesitation ahead of Q4, Optimism for Q1

Business confidence took a step back ahead of Q4 as panelists process uncertainty, notably around the election. Confidence rebounded to positive territory looking an additional quarter out to Q1 2025. All components of the Leeds Business Confidence Index (LBCI) posted year-over-year gains ahead of Q4 2024, but all components slipped quarter-over-quarter. The upcoming election, interest rates, and inflation 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 fell below 50 in the current survey (50=neutral), resting below the long-term average. The index decreased from 50.6 in Q3 2024 to 46.7 ahead of Q4 2024, then rose to 51.3 in Q1 2025. All of the six components of the index decreased ahead of the fourth quarter. Looking out to Q1 2025, five of the six indicators returned to positive territory, and all components increased quarter-over-quarter. A total of 234 qualified panelists responded to the survey from September 2 through September 20, 2024.

Leeds Business Confidence Index

Component	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Quarterly Change	Annual Change
State Economy	45.5	47.2	54.1	51.2	49.0	▼	▲
National Economy	40.2	45.2	51.0	46.8	45.7	▼	▲
Industry Sales	48.2	46.0	57.9	54.7	48.0	▼	▲
Industry Profits	44.9	45.4	56.6	52.0	46.3	▼	▲
Industry Hiring	41.8	44.8	50.1	48.0	44.6	▼	▲
Capital Expenditures	40.9	43.2	52.2	50.9	46.6	▼	▲
LBCI	43.6	45.3	53.7	50.6	46.7	▼	▲

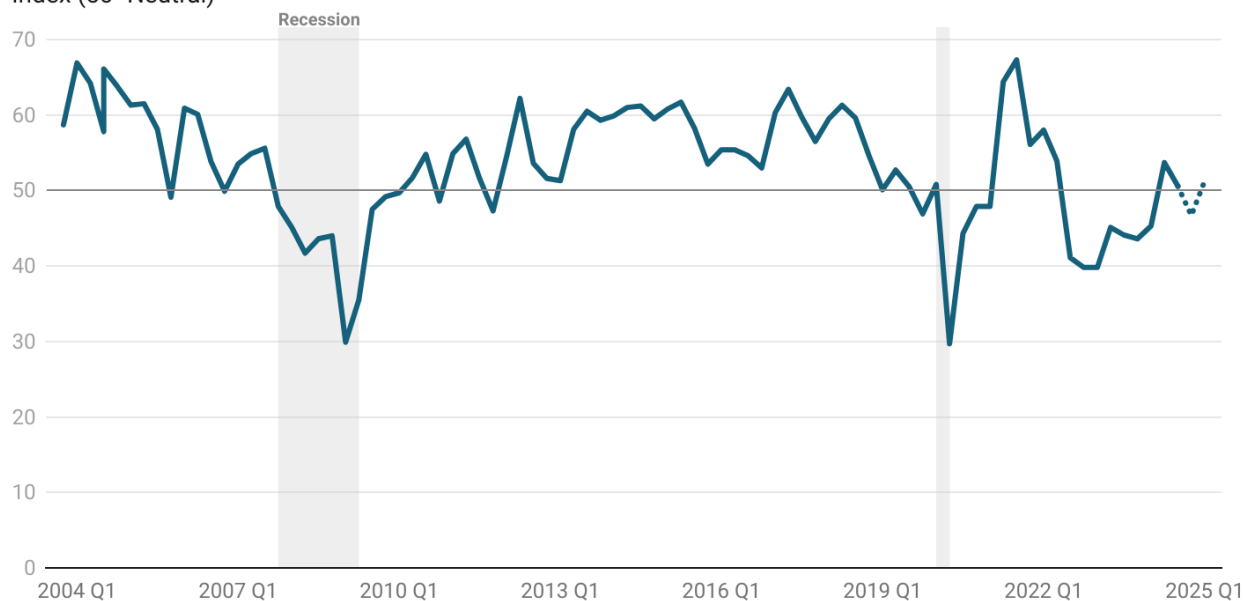
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- All components of the LBCI recorded negative perceptions (below an index value of 50) for Q4 2024. The index was highest for the state economy and lowest for hiring.
- The election, interest rates, and inflation were the three most noted reasons for panelists' sentiments headed into Q4 2024, cited by 40%, 28%, and 15% of respondents, respectively.
- Inflation in the Denver-Aurora-Lakewood MSA improved to 1.9% in July 2024; national inflation decelerated to 2.5% in August.
- Year-over-year employment growth in Colorado increased 1.4%, or 41,900 jobs in August 2024, ranking the state 27th for the pace of job growth.
- Colorado's personal income increased 5.1% year-over-year in Q2 2024, ranking the state 39th. Per capita personal income increased 4.4% year-over-year, ranking Colorado 39th.

- National real gross domestic product (GDP) increased at an annualized rate of 3% in Q2 2024. Colorado's GDP increased at an annualized rate of 2.7% in Q2 and 1.6% year-over-year, ranking the state 31st and 41st, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



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Leeds Business Confidence Index

Component	Q4 2024	Quarterly Change	Annual Change	Q1 2025	Quarterly Change	Annual Change
State Economy	49.0	▼	▲	52.0	▲	▲
National Economy	45.7	▼	▲	50.6	▲	▲
Industry Sales	48.0	▼	▼	53.5	▲	▲
Industry Profits	46.3	▼	▲	51.1	▲	▲
Industry Hiring	44.6	▼	▲	49.5	▲	▲
Capital Expenditures	46.6	▼	▲	51.1	▲	▲
LBCI	46.7	▼	▲	51.3	▲	▲

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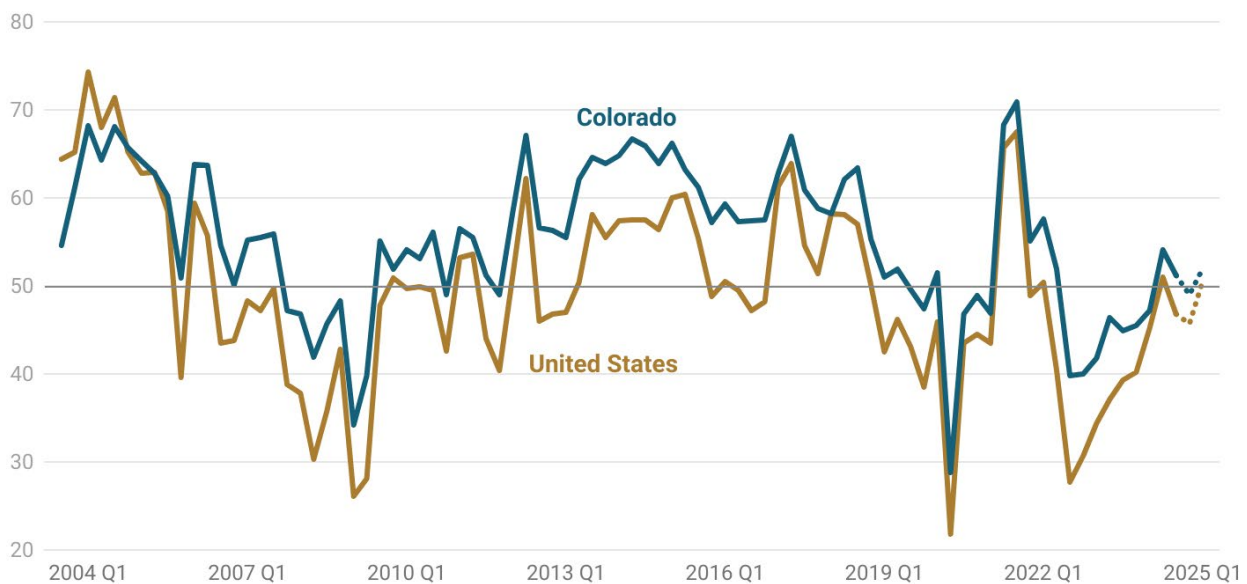
National and State Economies — Mixed Outlook

State and national economic expectations pulled back ahead of Q4. State expectations decreased from 51.2 in Q3 2024 to 49.0 ahead of Q4 2024 and notched up to 52.0 looking out further to Q1 2025. The national index fell from 46.8 in Q3 2024 to 45.7 ahead of Q4 2024 and increased to 50.6 looking further out to Q1 2025. The gap between the state outlook and national outlook narrowed ahead of Q4 2024, still indicating business leaders' confidence that the state will outperform the nation. Looking out to Q1, the gap narrowed further to 1.4 points—the smallest gap since 2018, signaling an expectation that Colorado's economy may appear more average in early 2025.

For the state economy, 32.8% of respondents are neutral on the outlook, while 33.2% expect a moderate-to-strong increase and 34% expect a decrease. On the national level, 28.2% are neutral on the outlook, 30.3% expect an increase, and 41.5% project a decrease.

National and State Expectations

Index (50=Neutral)



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National real (inflation-adjusted) GDP increased at a 3% seasonally adjusted annual rate (SAAR) in Q2 2024 according to the final estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures increased 2.8%, gross private domestic investment increased 8.3%, and government expenditures increased 3.1%. Net exports, which detract from GDP growth because imports exceed exports, grew by an annualized \$58.7 billion from Q1 to Q2.

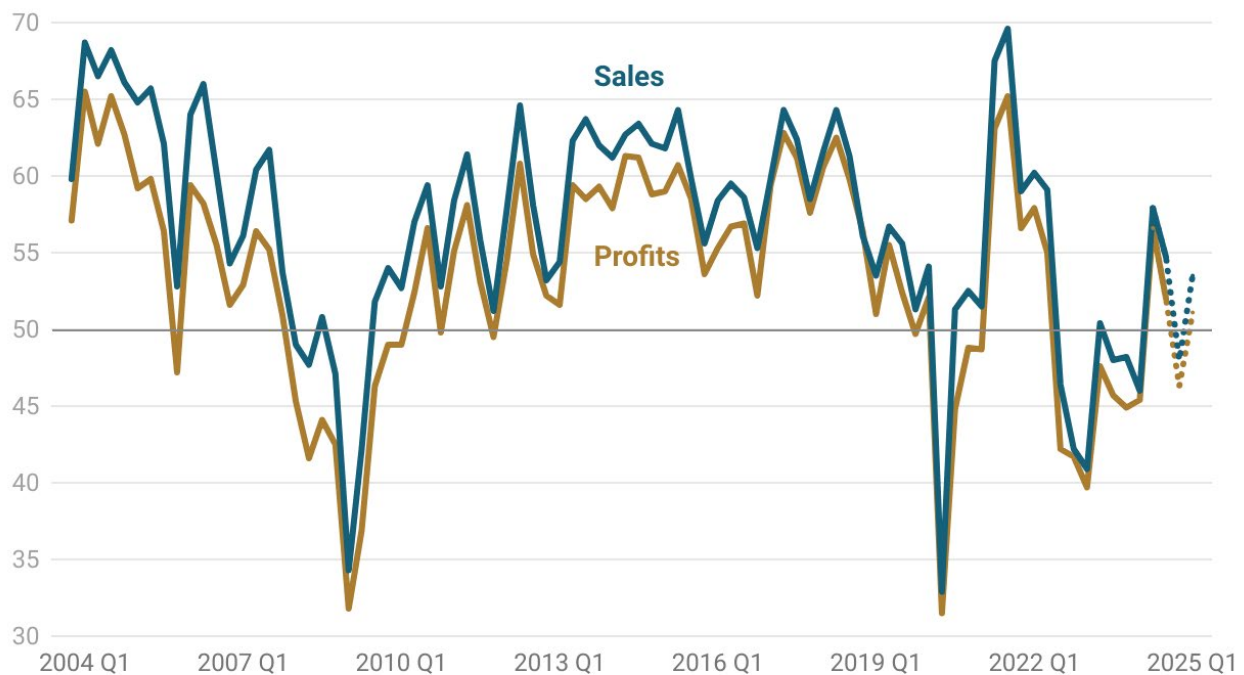
Colorado's real GDP increased at a SAAR of 2.7% for the quarter and at 1.6% year-over-year in Q2. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture (20.8%); Retail Trade (8.6%); and Arts, Entertainment, and Recreation (7.5%). The largest losses were in Mining, Quarrying, and Oil and Gas Extraction (-12.9%), Utilities (-9.6%), and Accommodation and Food Services (-1.7%).

Sales and Profits — Expectations Muted ahead of Q4

Sales and profits expectations pulled back ahead of Q4 before rebounded ahead of Q1. The sales index decreased from 54.7 ahead of Q3 2024 to 48.0 ahead of Q4 2024 and increased to 53.5 looking further out to Q1 2025. The profits index decreased from 52.0 in Q3 2024 to 46.3 ahead of Q4 2024 and increased to 51.1 looking out to Q1 2025. Individuals with a negative sales outlook (37.8%) outweighed those with positive perceptions (33.2%), while 29% remained neutral ahead of Q4. Profits expectations were similar with more individuals in the neutral camp—the negative perceptions outweighed the positive, 36.5% to 27.4% (36.1% 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 2.8% quarter-over-quarter in Q2 2024 and 2.7% 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 Q1 to Q2. The series is also published monthly, and the July data grew at 5.3% year-over-year. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 2.1% year-over-year in August and 0.1% month-over-month. Colorado Department of Revenue data show state retail trade increased 0.9% year-over-year in June 2024.

Business-to-business sales are also a signal both for sales volume and profits. Wholesale trade sales increased 2.2% year-over-year in July 2024. Durable goods posted a year-over-year increase

of 1.9% and non-durable goods increased 2.4%. Wholesale inventories were flat over the year but increased 0.3% from the prior month.

In the second quarter of 2024, national personal income continued to climb, increasing 5.9% year-over-year, and the monthly data showed continued growth of 5.6% in August. Colorado personal income rose 5.1% year-over-year and 1.2% quarter-over-quarter in Q2 2024, ranking the state 27th and 39th nationally, for the respective metrics. Colorado had the 9th-highest per capita personal income in Q2 2024, at \$83,379; the state ranked 39th for per capita personal income growth year-over-year (4.4%) and 30th for quarter-over-quarter growth (1.1%).

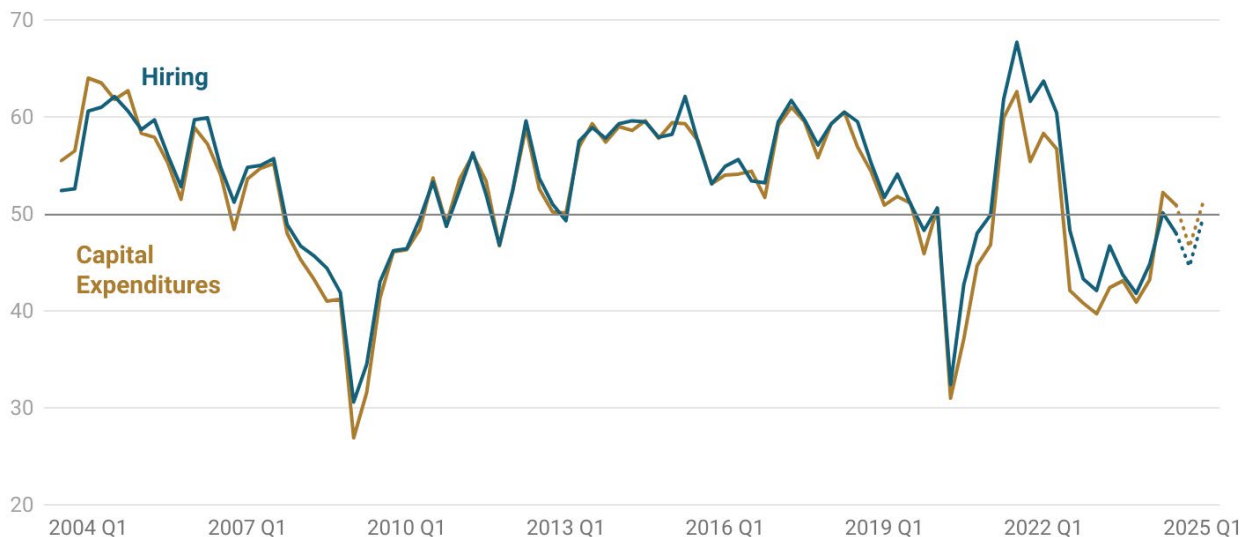
Capital Expenditures and Hiring Expectations Mixed

The labor market has shown signs of loosening, evidenced by fewer job openings and softer job growth. Local hiring expectations decreased from 48.0 in Q3 2024 to 44.6 ahead of Q4 and 49.5 looking out to Q1 2025. The outlook for capital expenditures decreased from 50.9 ahead Q3 to 46.6 in Q4 2024 and 51.1 looking out to Q1.

Ahead of Q4 2024, 45.2% of respondents were neutral on hiring while 19.5% expected an increase and 35.7% expected a decrease. Regarding capital expenditures, 43.2% remained neutral, 24.5% expected an increase and 32.4% a decrease. Respondents generally expressed optimism in the Fed rate cuts that could ease costs and spur growth. Some respondents noted a softer labor market and slower hiring heading into Q4.

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 13.2% year-to-date in August 2024. Through August, declines were recorded in residential (0.8%), nonresidential (22.2%), and nonbuilding (27.5%). According to the U.S. Census Bureau, the total value of construction put in place for the nation increased 8.8% year-to-date in July 2024; residential increased 9.4% and

nonresidential increased 8.3%, with increases in all product types except lodging and commercial. The BEA reported U.S. nonresidential fixed business investment increased 4.6% quarter-over-quarter in Q2 2024 (SAAR) and increased 3.5% year-over-year. Investment in structures fell 1.6% over the quarter but increased 5.8% over the year. Residential fixed investment decreased 2% for the quarter.

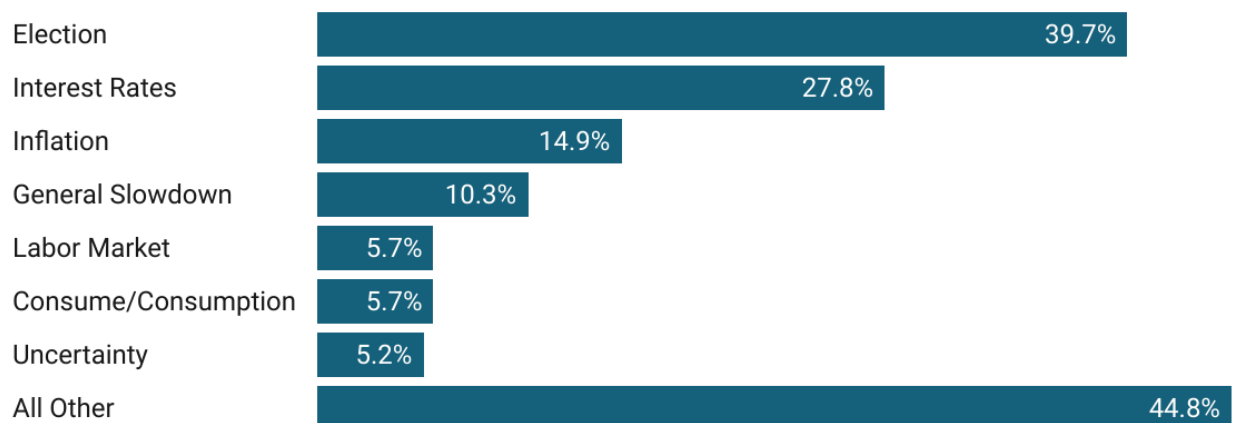
National employment growth continues to post gains, albeit at a slower pace of growth. The Bureau of Labor Statistics reported total nonfarm employment in August 2024 increased 1.5% year-over-year, adding 2.4 million jobs. The month-over-month jobs added summed to 142,000. The unemployment rate nationally decreased by 1/10th of a percent to 4.2% in August. Colorado's August nonfarm employment grew 1.4% (41,900 jobs) year-over-year. Colorado's August unemployment rate was 4%—the highest rate since January 2022, and 0.2 percentage points below the national average, tying Colorado 32nd in the country. The state had the 4th-highest labor force participation rate in August (67.9%). The jobs opening rate remained at 6.1% in July, the 4th-highest rate in the country. There were 1.6 job openings for every unemployed individual in the state in July.

Reasons for Survey Responses

Panelists were asked to provide reasons for their expectations. Among the 194 respondents who gave open-ended explanations, the most frequently cited reasons were the election (40% of respondents), interest rates (28%), and inflation (15%). Sentiment around the upcoming election included uncertainty, optimism, and angst. Most comments about interest rates celebrated the pending rate cuts, but some individuals noted that high interest rates remain a drag on growth. Inflation was noted as a headwind due to high prices, but it was also celebrated as there has been improvement on price growth.

While outside the top three, other notable reasons emerged from the open-ended questions, including a general observation or feeling about a slowdown in industry activity or the greater economy, a perception of generally slower industry or economic growth, and a slowdown in the labor market.

Reasons for Response

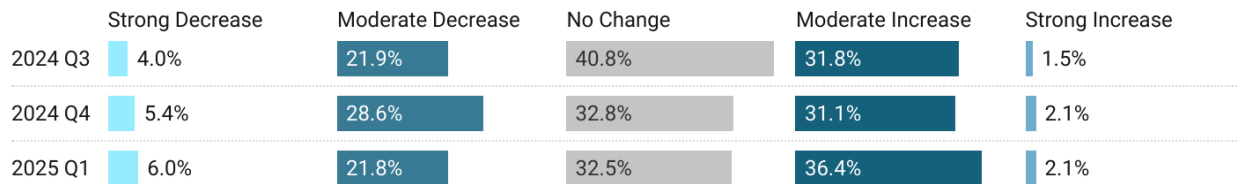


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Distribution of Expectations in Q3 2024, Q4 2024, and Q1 2025

State Expectations

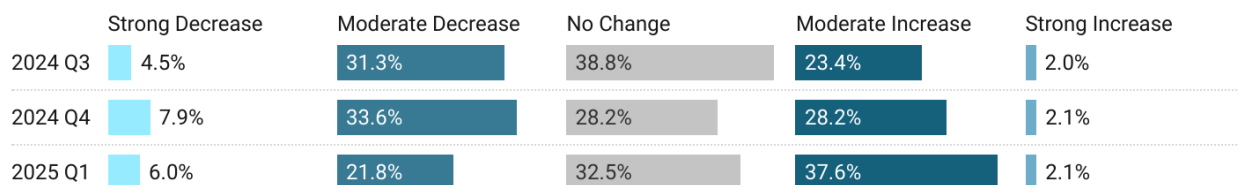
51.2 in Q3 2024, 49. in Q4 2024, and 52.0 in Q1 2025



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National Expectations

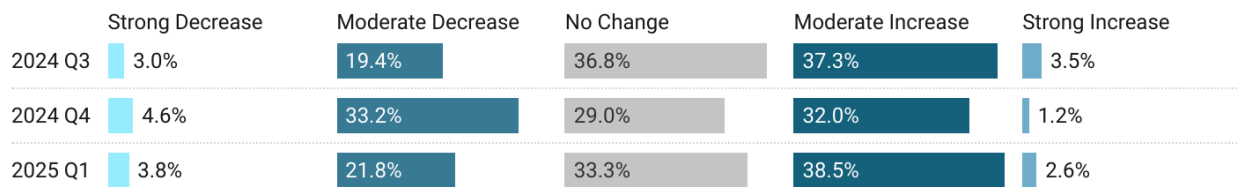
46.8 in Q3 2024, 45.7 in Q4 2024, and 50.6 in Q1 2025



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Sales Expectations

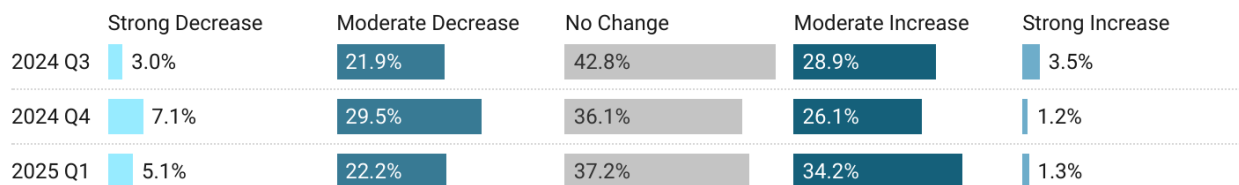
54.7 in Q3 2024, 48. in Q4 2024, and 53.5 in Q1 2025



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Profit Expectations

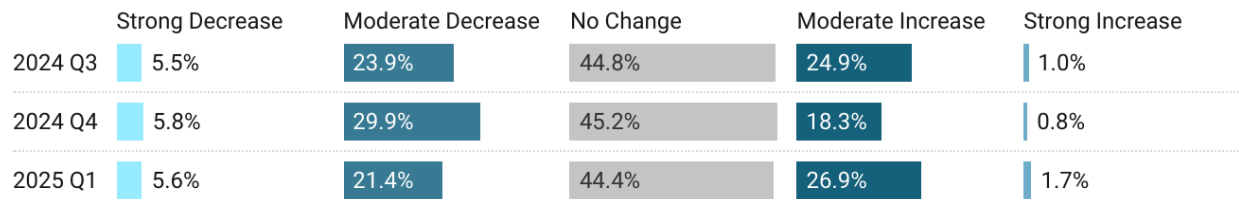
52.0 in Q3 2024, 46.3 in Q4 2024, and 51.1 in Q1 2025



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Hiring Expectations

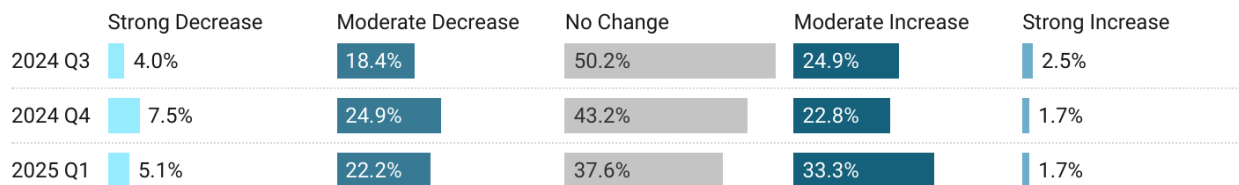
48.0 in Q3 2024, 44.6 in Q4 2024, and 49.5 in Q1 2025



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Capital Expenditures Expectations

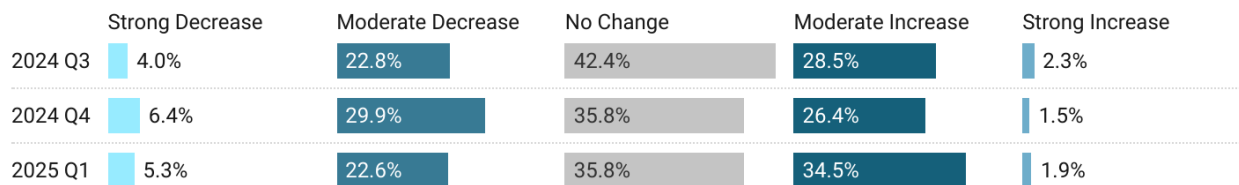
50.9 in Q3 2024, 46.6 in Q4 2024, and 51.1 in Q1 2025



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Overall Index Expectations

50.6 in Q3 2024, 46.7 in Q4 2024, and 51.3 in Q1 2025



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www.colorado.edu/business/brd