

Business Sentiment Shows Optimism in Retreat

Business confidence took the second-steepest dive ahead of Q2 2025, resting at the third-lowest level in the 23-year history of the Leeds Business Confidence Index (LBCI). The reason for the pessimism can largely be summarized due to the uncertainty surrounding new federal policies. Reversing gains measured in Q1 2025, all components of the LBCI posted year-over-year and over-the-quarter declines ahead of Q2 2025. The new administration, tariffs, and economic uncertainty 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 declined from 50 reported last quarter to 31.9 in the current survey (50=neutral), and confidence remained muted looking out further to Q3 2025. All of the six components of the index decreased ahead of the second quarter. Looking out to Q3 2025, two categories notched modest quarter-over-quarter increases, but all six remain well-below neutral. A total of 218 panelists responded to the survey from March 3 through March 20, 2025.

Leeds Business Confidence Index

Component	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Quarterly Change	Annual Change
Industry Sales	57.9	54.7	48.0	53.4	37.3	▼	▼
Industry Profits	56.6	52.0	46.3	50.4	35.2	▼	▼
Industry Hiring	50.1	48.0	44.6	48.1	32.6	▼	▼
Capital Expenditures	52.3	50.9	46.6	47.7	32.5	▼	▼
State Economy	54.1	51.2	49.0	50.1	28.1	▼	▼
National Economy	51.0	46.8	45.8	50.3	25.9	▼	▼
LBCI	53.7	50.6	46.7	50.0	31.9	▼	▼

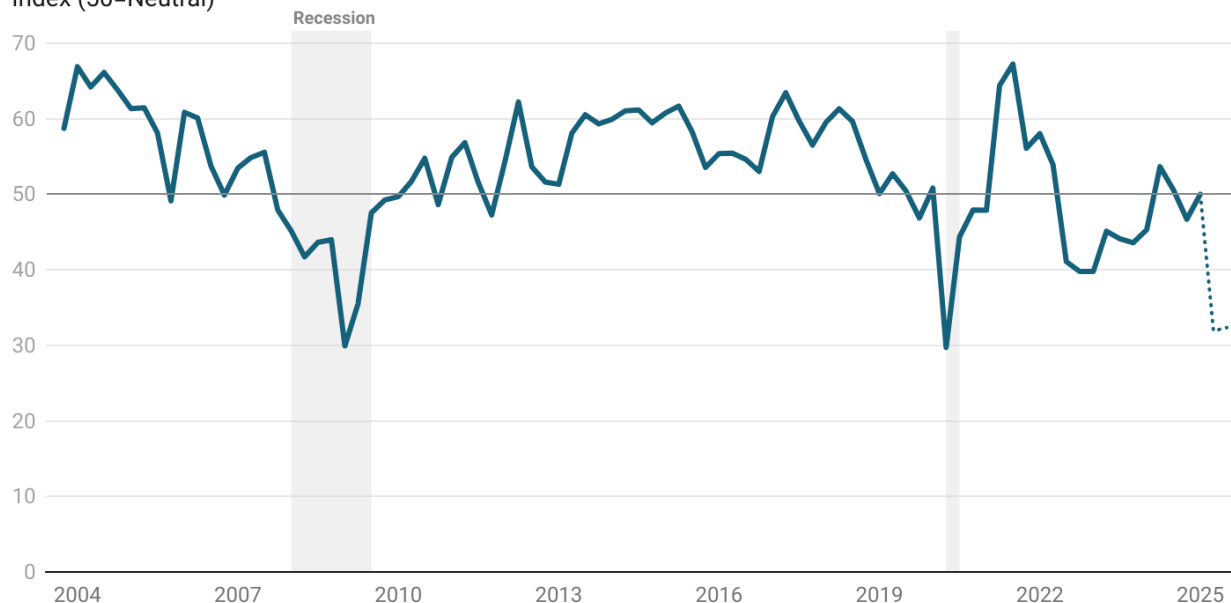
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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q2 2025. The index was highest for the industry sales and lowest for the national economy.
- The new administration, tariffs, and economic uncertainty were the three most noted reasons for panelists' sentiments headed into Q2 2025, cited by 35.8%, 24.2%, and 14.7% of respondents, respectively.
- A majority of business leaders expressed negative expectations about federal policy ahead of Q2, with the most negative expectations about trade policy (tariffs), federal contracts and grants, health care policy, immigration policy, and foreign policy.
- The Consumer Price Index (i.e., inflation) rose 2.3% in the Denver-Aurora-Lakewood region year-over-year in January versus 3% nationally during the same period.

- Employment growth was nearly flat (0.02%) year-over-year in February 2025, ranking Colorado 45th. Full-year employment growth in Colorado was revised to 1.1% (33,500 additional jobs), ranking Colorado 22nd for job growth for the year.
- Colorado's personal income increased 4% year-over-year in Q4 2024, ranking the state 41st. Per capita personal income increased 3.1% year-over-year, ranking Colorado 45th.
- National real gross domestic product (GDP) increased at an annualized rate of 3.1% in Q3 2024, and 2.5% in Q4 2024. Colorado's GDP increased at an annualized rate of 2.4% from Q3 to Q4 and a year-over-year rate of 1.7%, ranking the state 27th and 36th, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



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Leeds Business Confidence Index

Component	Q2 2025	Quarterly Change	Annual Change	Q3 2025	Quarterly Change	Annual Change
Industry Sales	37.3	▼	▼	37.0	▼	▼
Industry Profits	35.2	▼	▼	34.7	▼	▼
Industry Hiring	32.6	▼	▼	31.8	▼	▼
Capital Expenditures	32.5	▼	▼	32.5	-	▼
State Economy	28.1	▼	▼	28.9	▲	▼
National Economy	25.9	▼	▼	29.1	▲	▼
LBCI	31.9	▼	▼	32.3	▲	▼

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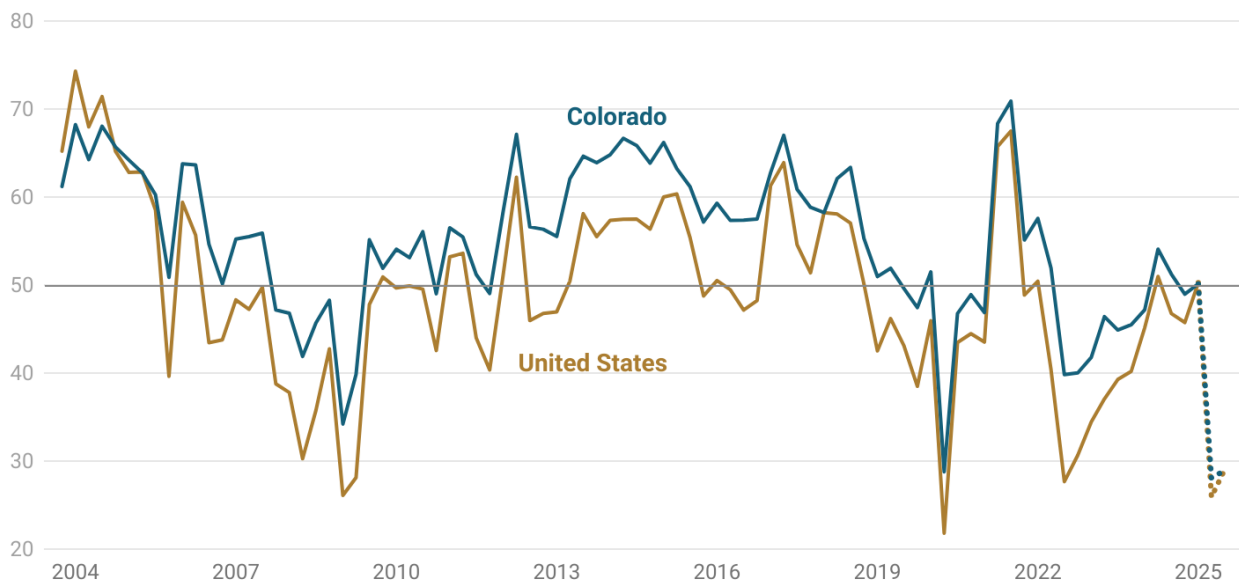
National and State Economies — Pessimism Resurfaced

State and national economic expectations decreased sharply ahead of Q2. State expectations decreased from 50.1 in Q1 2025 to 28.1 ahead of Q2 2025 and 28.9 looking out further to Q3 2025. The national index decreased from 50.3 in Q1 2025 to 25.9 ahead of Q2 2025 and 29.1 looking further out to Q3 2025. State expectations were above national expectations by 2.2 points.

For the state economy, 77.5% of respondents are negative on the outlook, while 7.3% expect a moderate-to-strong increase and 15.1% are neutral. On the national level, 77% are negative on the outlook, 13.3% expect an increase, and 9.6% are neutral.

National and State Expectations

Index (50=Neutral)



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National real (inflation-adjusted) GDP increased at a 2.5% seasonally adjusted annual rate (SAAR) in Q4 2024 according to the third estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures increased 4%, gross private domestic investment fell 5.6%, and government expenditures increased 3.1% (annualized rates). Net exports, which detract from GDP growth because imports exceed exports, shrank by an annualized \$16.6 billion from Q3 to Q4.

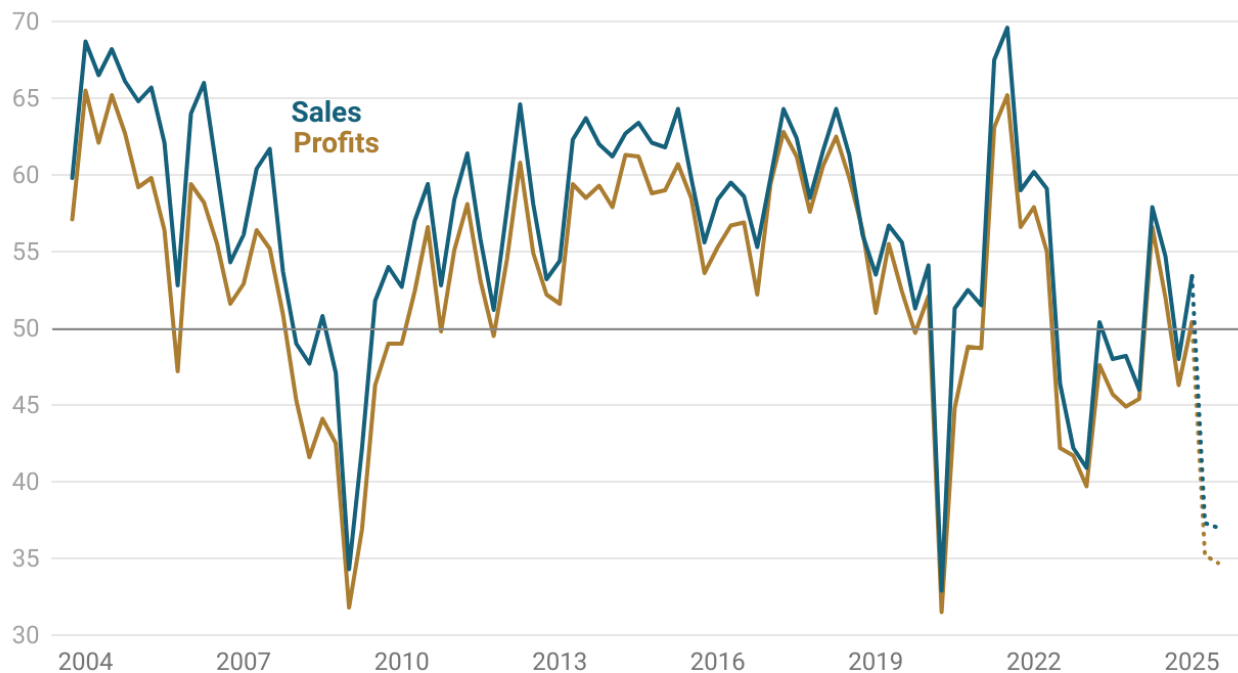
Colorado's real GDP increased at a SAAR of 2.4% for the quarter and at 1.7% year-over-year in Q4, ranking Colorado 27th and 36th, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Arts, Entertainment, and Recreation (11.7%); Management of Companies and Enterprises (10.5%); and Agriculture (6.1%). The largest losses were in Mining (-6.9%); Administrative and Support and Waste Management and Remediation Services (-4%), and Educational Services (-3%).

Sales and Profits — Expectations Sank Heading into Q2

Sales and profits expectations decreased sharply ahead of Q2 before leveling in Q3. The sales index decreased from 53.4 ahead of Q1 2025 to 37.3 in Q2 2025 and 37 looking further out to Q3. The profits index decreased from 50.4 in Q1 2025 to 35.2 ahead of Q2 2025 and 34.7 looking out to Q3 2025. Individuals with a negative sales outlook (61.5%) outweighed those with positive perceptions (21.1%), while 17.4% remained neutral ahead of Q2. Profits expectations were tilted similarly—the negative perceptions outweighed the positive, 61.4% to 15.2% (23.4% 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 4% quarter-over-quarter in Q4 2024 and 3.1% 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 (3%) were similar to the rate of growth in goods (3.4%), but goods recorded the faster quarterly growth from Q3 to Q4. The series is also published monthly—February nominal consumption grew 5.3% year-over-year. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 3.1% year-over-year in February and 0.2% month-over-month. Colorado Department of Revenue data show state taxable retail sales increased 1% in 2024 and 3.7% in December, year-over-year.

Business-to-business sales are also a signal both for sales volume and profits. Wholesale trade sales, in nominal dollars, increased 3.5% year-over-year in January 2025. Durable goods posted a

year-over-year increase of 4.7% while non-durable goods were up 2.4%. Wholesale inventories were up 1.2% over the year and 0.8% from the prior month.

In the fourth quarter of 2024, national personal income continued to climb, increasing 5% year-over-year, and the monthly data showed continued growth of 4.6% in February. Colorado personal income rose 4% year-over-year and at an annualized rate of 4.3% quarter-over-quarter in Q4 2024, ranking the state 41st and 36th nationally, for the respective metrics. Colorado had the 9th-highest per capita personal income in Q4 2024, at \$83,374; the state ranked 45th for per capita personal income growth year-over-year (3.1%) and 36th for quarter-over-quarter annualized growth (3.6%).

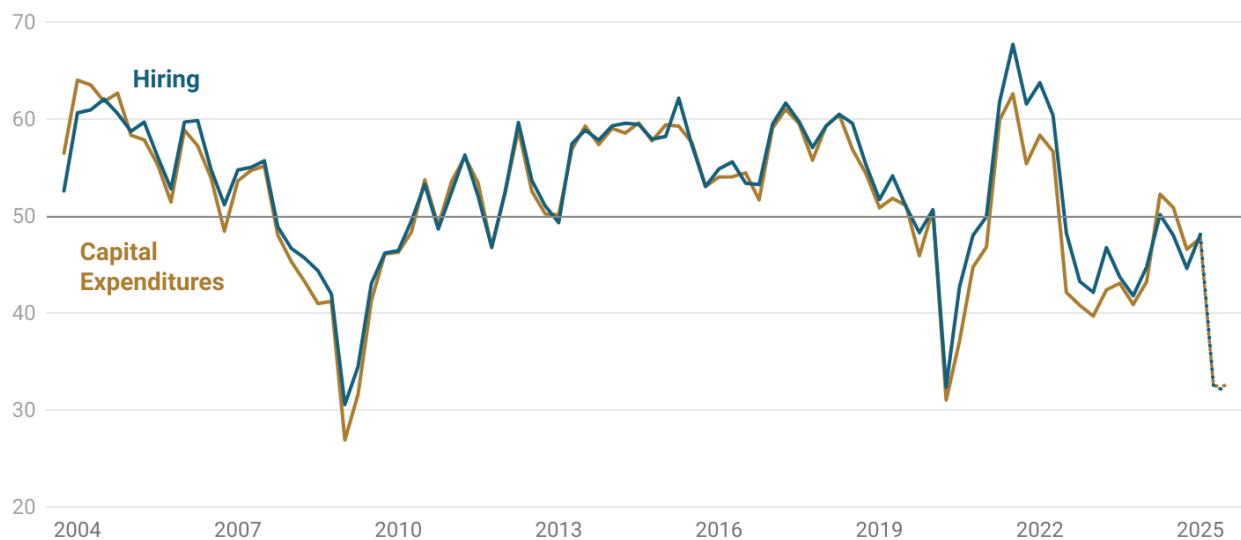
Capital Expenditures and Hiring Expectations Tilt Negative

Signaling a response to uncertainty, businesses indicated a wait-and-see approach to hiring and investment in the near-term. The labor market has shown signs of loosening, evidenced by fewer job openings and softer job growth. Local hiring expectations decreased from 48.1 in Q1 2025 to 32.6 ahead of Q2 and 31.8 looking out to Q3. The outlook for capital expenditures decreased from 47.7 ahead Q1 to 32.5 ahead of both Q2 and Q3.

Ahead of Q2 2025, 61% of respondents were negative on hiring while 13.3% expected an increase and 25.7% remained neutral. Regarding capital expenditures, 58.3% were negative, 10.5% expected an increase and 31.2% remained neutral.

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 13.3% in 2024 and 13.8% year-to-date in February 2025 (residential, -12%; nonresidential -4.5%; and nonbuilding -30.1%). According to the U.S. Census Bureau, the total value of construction put in place for the nation

increased 3.3% year-over-year in January; residential increased 3.2% and nonresidential increased 3.4%. The BEA reported U.S. nonresidential fixed business investment decreased 3.2% quarter-over-quarter in Q4 2024 (SAAR) but increased 0.6% year-over-year. Investment in structures increased 1.1% over the quarter and increased 0.6% over the year. Residential fixed investment increased 5.4% for the quarter.

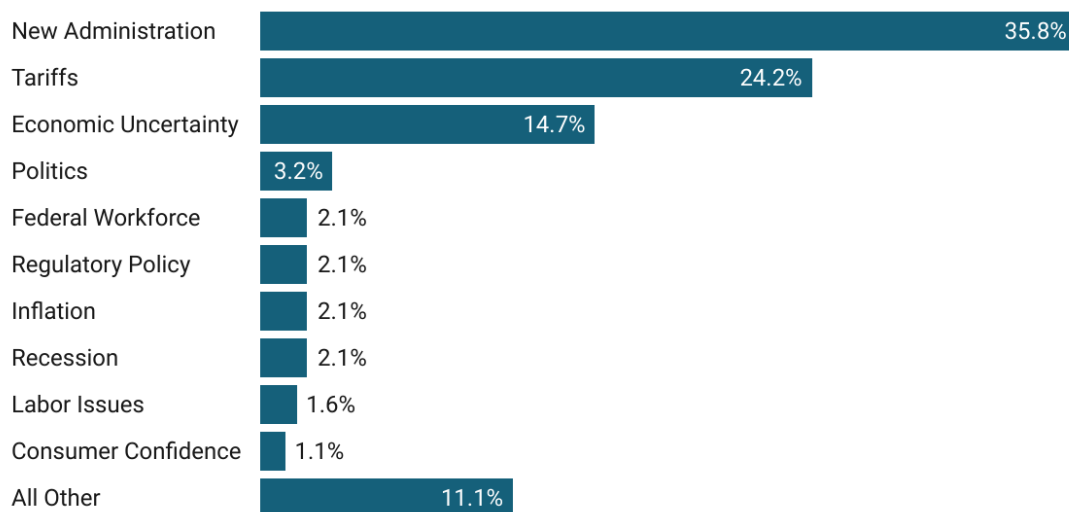
National employment growth continues to post gains, albeit at a slower pace of growth. The Bureau of Labor Statistics reported total nonfarm employment in February 2025 increased 1.2% year-over-year, adding 1.9 million jobs. The month-over-month jobs added summed to 151,000. The unemployment rate nationally increased by 1/10th of a percent to 4.1% in February.

Colorado's February 2025 nonfarm employment grew 0.02% (500 jobs) year-over-year. Colorado's February unemployment rate was 4.7%—the highest rate since September 2021, and 0.6 percentage points above the national average for the same month, placing Colorado 6th-highest (tied with three other states) in the country. The state had the 6th-highest labor force participation rate in February (67.9%). The jobs opening rate was 4.6% in January, ranking Colorado 32nd (tied). There were 0.9 job openings for every unemployed individual in the state in January.

Reasons for Survey Responses

Panelists were asked to provide reasons for their expectations. Among the 190 respondents who gave open-ended explanations, the most frequently cited reasons were related to the new federal administration, tariffs, and general economic uncertainty.

Reasons for Responses



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For the second time, panelists were asked to reflect on proposed policies that may have an impact on the economy in 2025. Last quarter, 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. Asked again ahead of Q2, business sentiment about the policy changes shifted more negative as policy parameters came into focus, with trade policy (tariffs), federal contracts and grants, health care policy, and immigration policy recording the greatest negative sentiment.¹

The question was phrased,

Last quarter we asked about your preliminary perception of proposed federal policy changes. Now that many of those policies are starting to take shape, we would appreciate your industry-specific perspective.

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

Q2 2025 Expected Impact of Proposed Policy Changes

	Negative	Neutral	Positive	Positive Minus Negative
Trade Policy (Tariffs)	66.2%	22.1%	8.5%	-57.7%
Immigration Policy	48.4%	31.9%	16.4%	-31.9%
Energy Policy	37.1%	33.8%	26.3%	-10.8%
Health Care Policy	46.0%	37.6%	13.1%	-32.9%
Foreign Policy	46.9%	32.4%	16.4%	-30.5%
Regulatory Policy	42.7%	20.2%	33.8%	-8.9%
Size of Federal Government	54.0%	16.0%	27.2%	-26.8%
Federal Contracts and Grants	59.4%	22.6%	14.3%	-45.1%

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For comparison, the question and results from last quarter are provided below.

¹ Note: The question about federal contracts and grants was not present in the survey for Q1, but was added to the survey in Q2.

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?

Q1 2025 (Prior Survey) 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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Additionally, panelists were asked about their expectations for the producer price index in 2025 and 2026.

The question was phrased,

The Producer Price Index (PPI) commodity data for final demand, published by the BLS, increased 2.3% in 2024. What are your business inflation expectations (producer price index) for 2025 and 2026?

Approximately 42% of panelists expected PPI to increase 3% or more in 2025, and 29% of panelists expected an increase of 1% to 3%. In 2026, expectations of an increase of 3% or more moderated to 27%, but 63% of panelists still expected PPI to increase by more than 1%.

Business Inflation Expectations

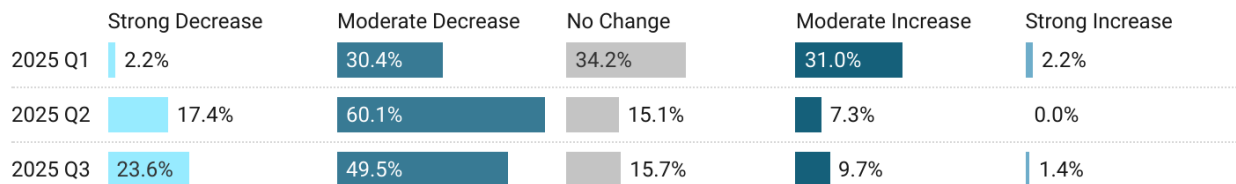
	2025	2026
Decrease of 3% or more	3.3%	4.6%
Decrease of 1% to 3%	7.5%	11.9%
Flat (plus or minus 1%)	15.5%	20.6%
Increase of 1% to 3%	28.6%	35.6%
Increase of 3% or more	42.3%	27.3%
I don't know	2.8%	0.0%

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Distribution of Expectations in Q1 2025, Q2 2025, and Q3 2025

State Expectations

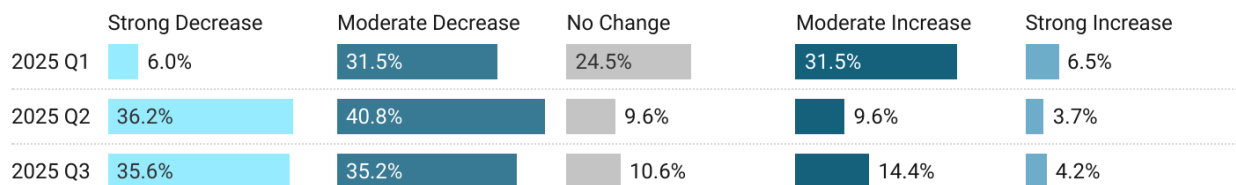
50.1 in Q1 2025, 28.1 in Q2 2025, and 28.9 in Q3 2025



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National Expectations

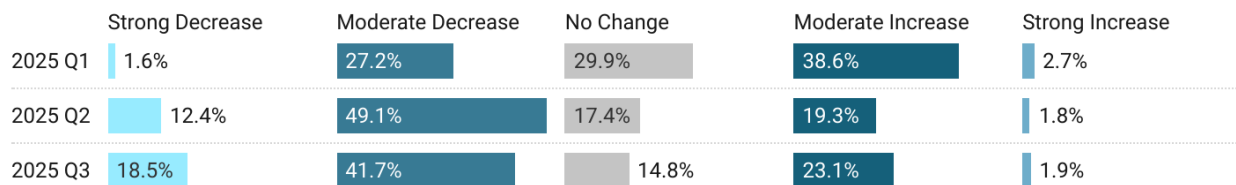
50.3 in Q1 2025, 25.9 in Q2 2025, and 29.1 in Q3 2025



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Sales Expectations

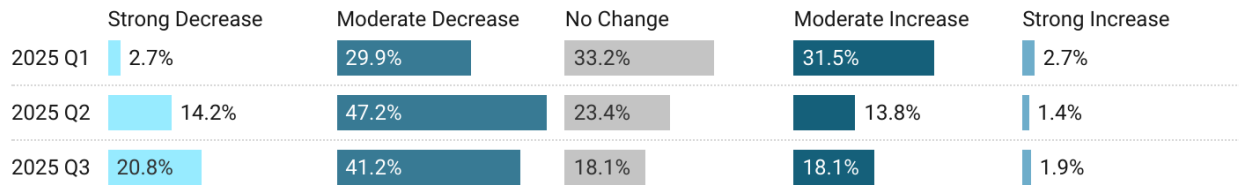
53.4 in Q1 2025, 37.3 in Q2 2025, and 37.0 in Q3 2025



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Profit Expectations

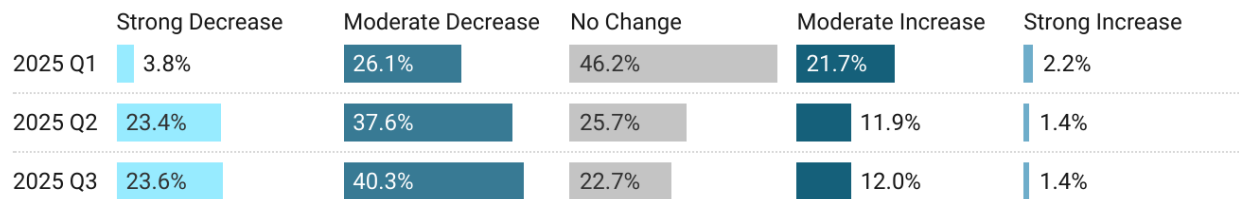
50.4 in Q1 2025, 35.2 in Q2 2025, and 34.7 in Q3 2025



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Hiring Expectations

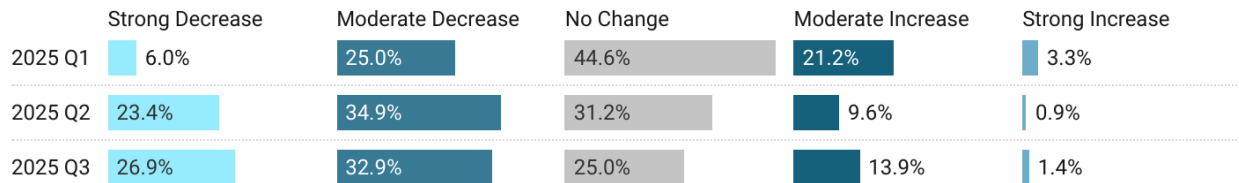
48.1 in Q1 2025, 32.6 in Q2 2025, and 31.8 in Q3 2025



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Capital Expenditures Expectations

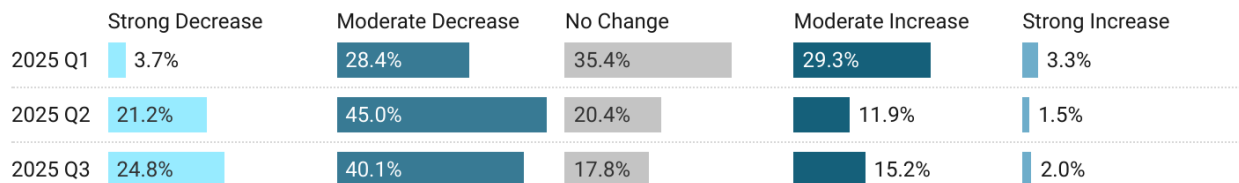
47.7 in Q1 2025, 32.5 in Q2 2025, and 32.5 in Q3 2025



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Overall Index Expectations

50.0 in Q1 2025, 31.9 in Q2 2025, and 32.3 in Q3 2025



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