

Business Sentiment Rebounded Slightly Ahead of Q3

Business confidence improved ahead of Q3 2025, but remained squarely in negative territory as uncertainty and tariffs weighed on sentiment. The Leeds Business Confidence Index (LBCI) ticked up 5.9 points from Q2 to Q3, improving to the 5th-lowest number on record. Panelists cited uncertainty, tariffs, and other federal policies for the primary reasons for their outlook. All six components of the index increased from Q2 to Q3, but the components all remained well-below levels measured a year ago.

The LBCI captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures. The index increased from 31.9 reported last quarter to 37.9 in the current survey (50=neutral), and confidence remained muted looking out further to Q4 2025. A total of 189 panelists responded to the survey from June 1 through June 20, 2025.

Leeds Business Confidence Index

Component	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Quarterly Change	Annual Change
Industry Sales	54.7	48.0	53.4	37.3	42.7	▲	▼
Industry Profits	52.0	46.3	50.4	35.2	39.6	▲	▼
Industry Hiring	48.0	44.6	48.1	32.6	38.4	▲	▼
Capital Expenditures	50.9	46.6	47.7	32.5	36.9	▲	▼
State Economy	51.2	49.0	50.1	28.1	34.0	▲	▼
National Economy	46.8	45.8	50.3	25.9	35.6	▲	▼
LBCI	50.6	46.7	50.0	31.9	37.9	▲	▼

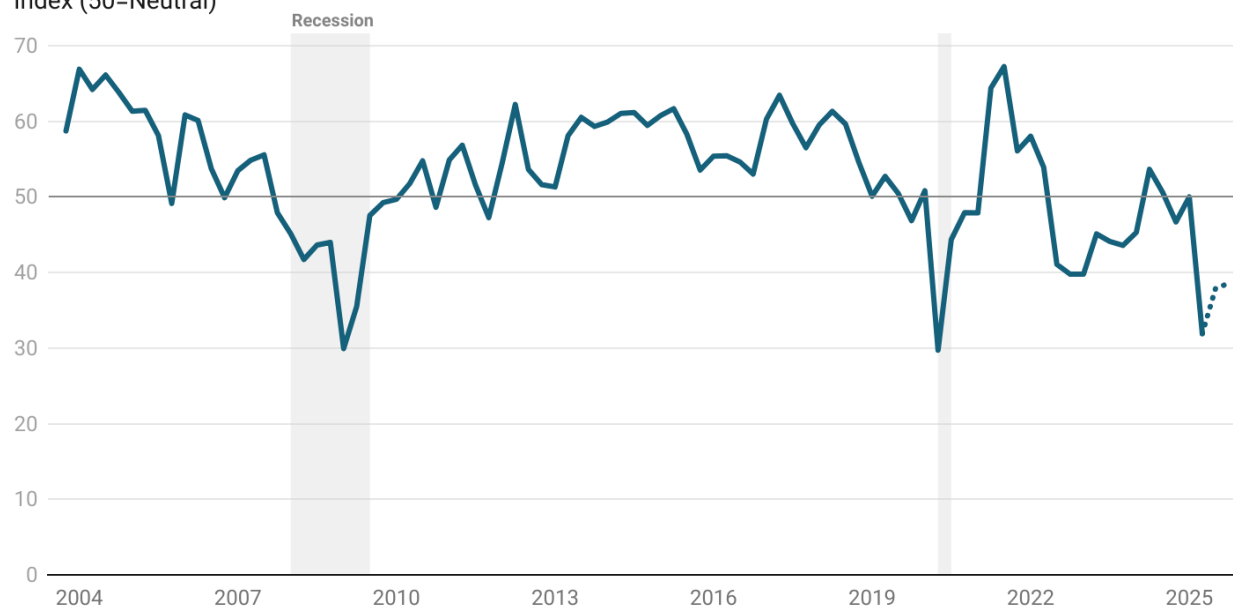
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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q3 2025. The index was highest for the industry sales and lowest for the state economy. The modest improvement largely came from individuals moving from a state of negative perceptions to a more neutral outlook (versus positive perceptions).
- The uncertainty, tariffs, and a group of federal policies were the three most noted reasons for panelists' sentiments headed into Q3 2025, cited by 51%, 40%, and 30% of respondents, respectively.
- A majority of business leaders expressed negative expectations about federal policy ahead of Q3, with the most negative expectations about trade policy (tariffs), federal contracts and grants, immigration policy, and health care policy.
- The Consumer Price Index (i.e., inflation) rose 2.2% in the Denver-Aurora-Lakewood region year-over-year in May versus 2.4% nationally during the same period.

- Colorado's employment grew by 0.7% year-over-year in May 2025, placing the state 33rd nationally in terms of job growth (month-over-month growth ranked 19th).
- Colorado's personal income increased 4.3% year-over-year in Q1 2025, ranking the state 30th. Per capita personal income increased 3.5% year-over-year, ranking Colorado 31st.
- National real gross domestic product (GDP) decreased at an annualized rate of 0.5% in Q1 2025. Colorado's GDP fell at an annualized rate of 0.4% from Q4 to Q1, but grew 2% year-over-year, ranking the state 19th and 23rd, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



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Leeds Business Confidence Index

Component	Q3 2025	Quarterly Change	Annual Change	Q4 2025	Quarterly Change	Annual Change
Industry Sales	42.7	▲	▼	42.5	▼	▼
Industry Profits	39.6	▲	▼	40.5	▲	▼
Industry Hiring	38.4	▲	▼	39.1	▲	▼
Capital Expenditures	36.9	▲	▼	38.7	▲	▼
State Economy	34.0	▲	▼	33.5	▼	▼
National Economy	35.6	▲	▼	37.4	▲	▼
LBCI	37.9	▲	▼	38.6	▲	▼

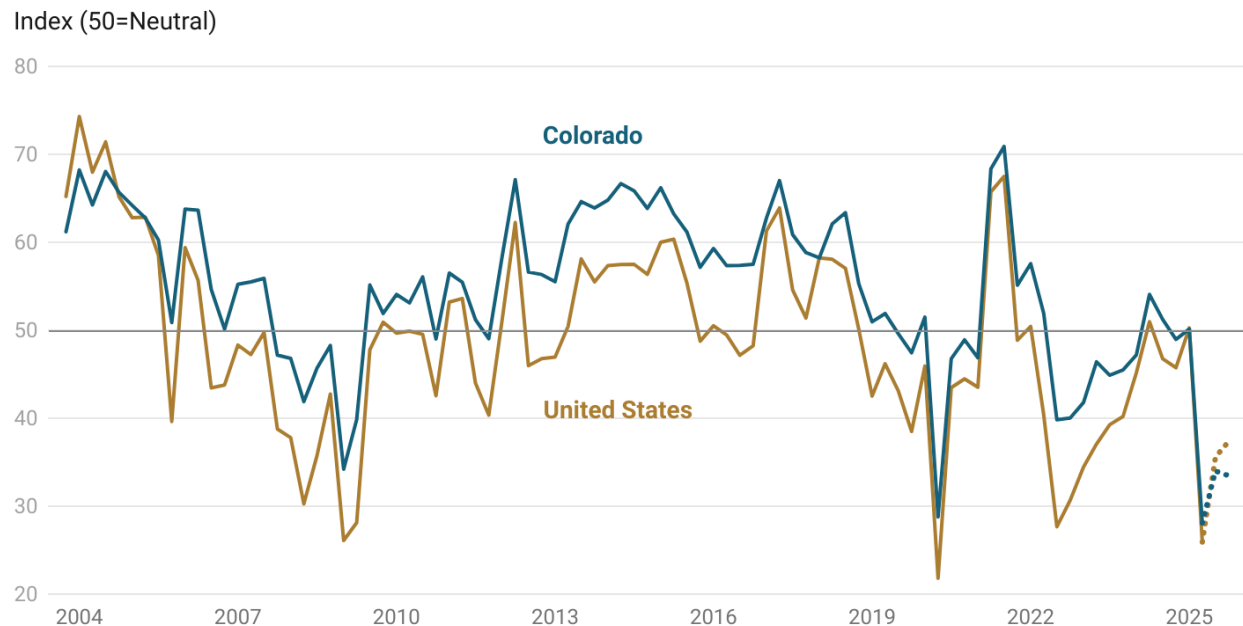
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National and State Economies — A Modest Improvement

State and national economic expectations increased ahead of Q3. State expectations improved from 28.1 in Q2 2025 to 34 in Q3 and remained nearly flat (33.5) looking out further to Q4. The national index increased from 25.9 in Q2 2025 to 35.6 ahead of Q3 2025 and 37.4 looking further out to Q4 2025. State expectations were below national expectations by 1.6 points.

For the state economy, 66.1% of respondents are negative on the outlook, while 8.5% expect a moderate-to-strong increase and 25.4% are neutral. On the national level, 62.4% are negative on the outlook, 19% expect an increase, and 18.5% are neutral.

National and State Expectations



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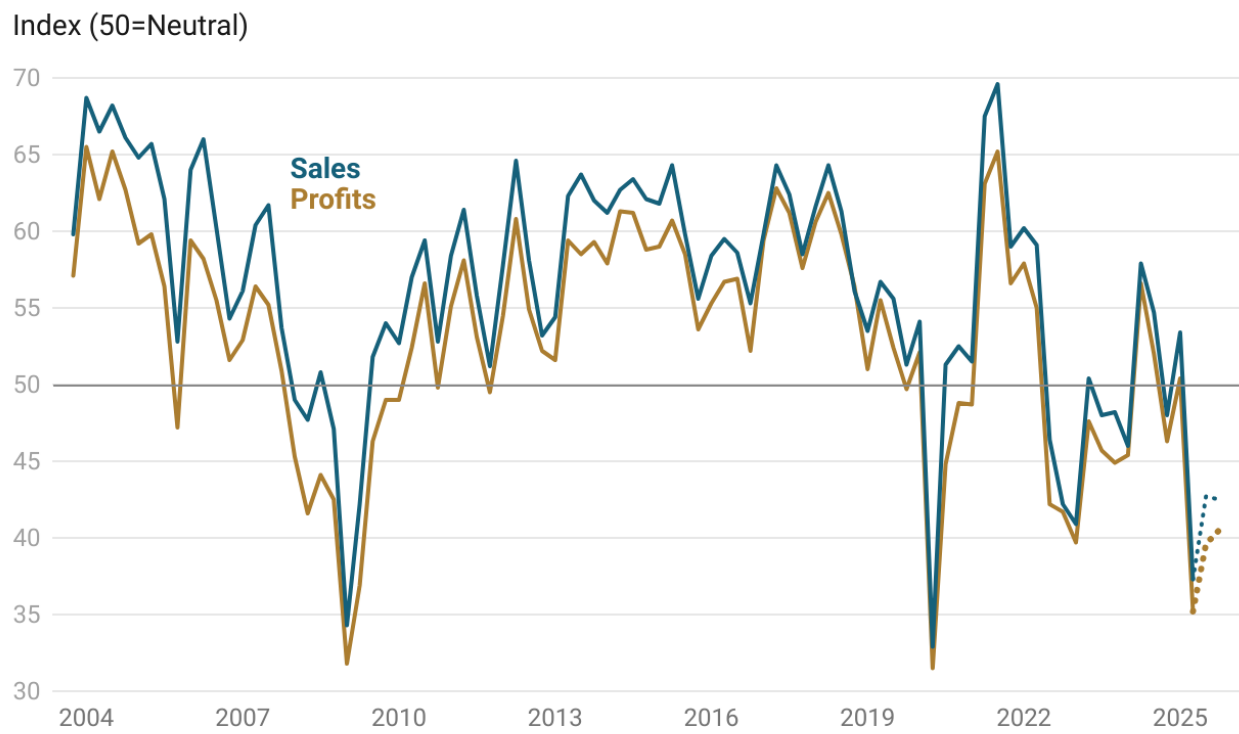
National real (inflation-adjusted) GDP decreased 0.5% (seasonally adjusted annual rate, SAAR) in Q1 2025 according to the third estimate from the Bureau of Economic Analysis (BEA). In Q1 2025, personal consumption expenditures increased 0.5%, gross private domestic investment increased 23.8% in Q1 2025, and government expenditures decreased 0.6%. Net exports, which subtract from GDP as imports exceed exports, increased (worsened) by \$306 billion from Q4 2024 to Q1 2025.

Colorado's real GDP decreased at a SAAR of 0.4% for the quarter, but increased 2% year-over-year in Q1, ranking Colorado 19th and 23rd, respectively in Q1 2025. Overall, the largest year-over-year percentage gains in Colorado were recorded in Information (5%); Manufacturing (4.5%); and Professional, scientific, and technical services (4.2%). The largest losses were in Other Services (-4.1%); Educational Services (-4.1%), and Administrative and Support and Waste Management and Remediation Services (-3.9%).

Sales and Profits — Higher End of Expectations

Sales and profits expectations increased ahead of Q3, recording the highest and second-highest levels in the index for the third quarter. The sales index increased from 37.3 ahead of Q2 2025 to 42.7 in Q3 2025 and settled at 42.5 looking further out to Q4. The profits index increased from 35.2 in Q2 2025 to 39.6 ahead of Q3 2025 and 40.5 looking out to Q4 2025. Individuals with a negative sales outlook (47.6%) outweighed those with positive perceptions (21.7%), while 30.7% remained neutral ahead of Q3. Profits expectations were tilted similarly—the negative perceptions outweighed the positive, 52.9% to 16.4% (30.7% remained neutral).

Sales and Profit Expectations



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National economic growth is heavily influenced by growth in personal consumption expenditures as consumption makes up about 68% of national gross domestic product. Industry sales and profits are impacted by consumption. Nationally, personal consumption expenditures increased at an annualized rate of 0.5% quarter-over-quarter in Q1 2025 (the slowest rate since Q2 2020), and 2.7% year-over-year in Q1 2025, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in services (0.6%) exceeded the rate of growth in goods (0.1%).

The series is also published monthly—May nominal consumption grew 4.5% year-over-year, but month-over-month growth slowed to 0.2% in April and decreased 0.1% in May. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 3.3% year-over-year in May, but decreased 0.9% month-over-month (the second-consecutive monthly

decline). Colorado Department of Revenue data show state taxable retail sales increased 4.2% in March, year-over-year.

Business-to-business sales are also a signal both for sales volume and profits. Wholesale trade sales, in nominal dollars, increased 6% year-over-year in April 2025. Durable goods posted a year-over-year increase of 8.4% while non-durable goods were up 3.8%. Wholesale inventories were up 2.3% over the year and 0.2% from the prior month.

In the first quarter of 2025, national personal income continued to climb, increasing 4.5% from Q4 2024, and the monthly data showed year-over-year growth of 4.5% in May. Colorado personal income rose 4.3% year-over-year and at an annualized rate of 7.6% quarter-over-quarter in Q1 2025, ranking the state 30th and 16th nationally, for the respective metrics. Colorado had the 8th-highest per capita personal income in Q1 2025, at \$85,002; the state ranked 31st for per capita personal income growth year-over-year (3.5%) and 17th for quarter-over-quarter annualized growth (7.1%).

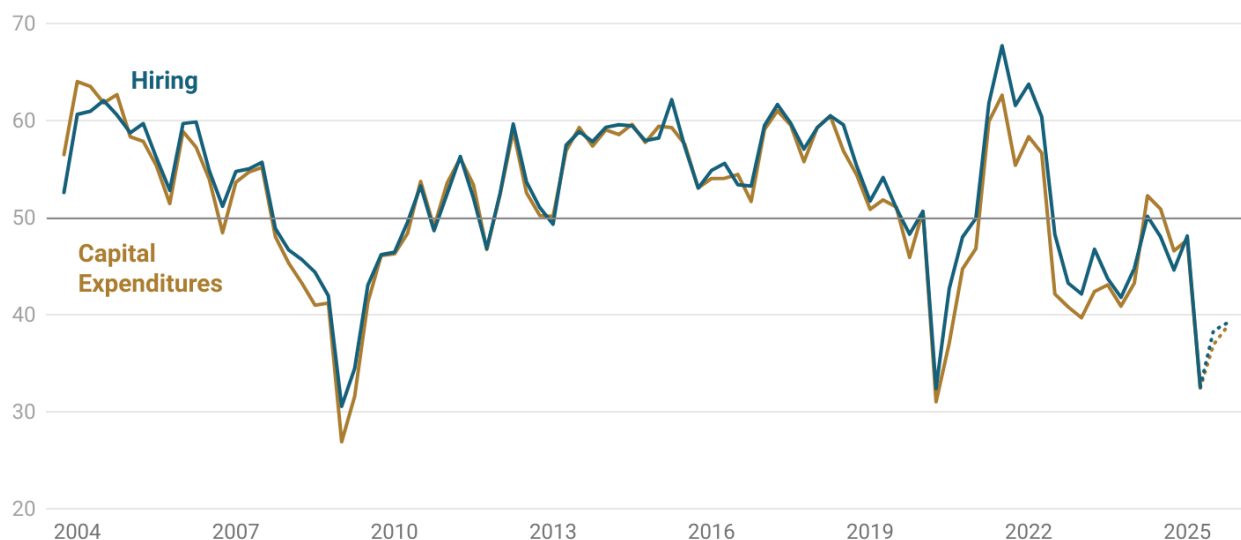
Capital Expenditures and Hiring Expectations Improved

While perceptions remained in negative territory, expectations for capital expenditures and hiring both improved over the next two quarters. Local hiring expectations increased from 32.6 in Q2 2025 to 38.4 ahead of Q3 and 39.1 looking out to Q4. The outlook for capital expenditures increased from 32.5 ahead Q2 to 36.9 in Q3 and 38.7 in Q4.

Ahead of Q3 2025, 51.3% of respondents were negative on hiring while 14.3% expected an increase and 34.4% remained neutral. Regarding capital expenditures, 51.9% were negative, 13.2% expected an increase and 34.9% 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 12.9% in 2024 and 9.7% year-to-date in May 2025 (residential -10.8%, nonresidential +13.9%, and nonbuilding -31.7%).

According to the U.S. Census Bureau, the total value of construction put in place for the nation decreased 0.5% year-over-year in April; residential decreased 4.7% and nonresidential increased 2.8%. The BEA reported U.S. nonresidential fixed business investment increased 10.3% quarter-over-quarter in Q1 2025 (SAAR) and 3.7% year-over-year. Investment in structures decreased 2.4% quarter-over-quarter and 1.1% over the year. Residential fixed investment decreased 1.3% quarter-over-quarter and 0.8% over the year.

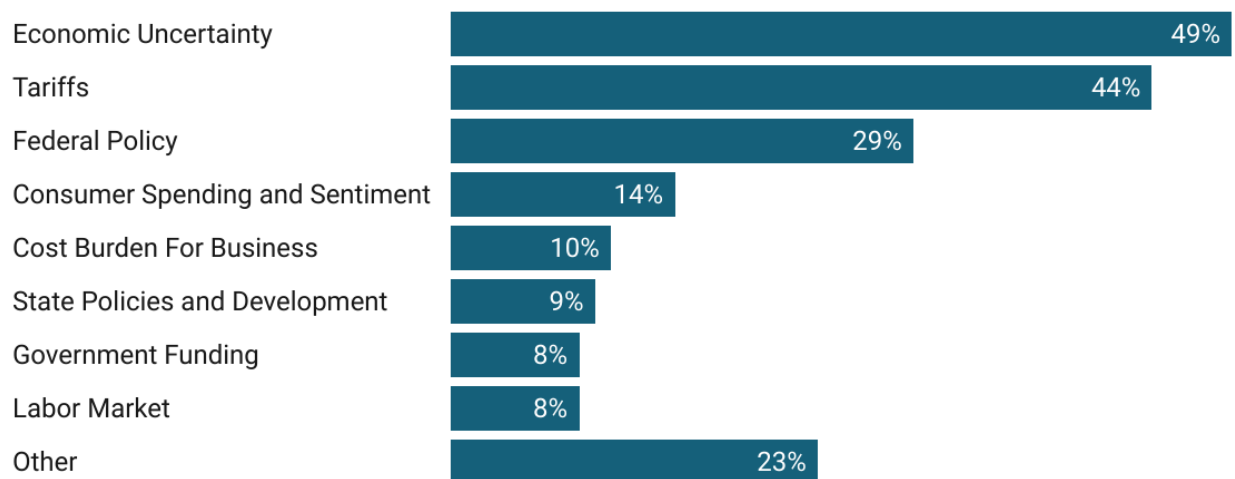
National employment continues to grow, though at a more moderate pace. According to the Bureau of Labor Statistics, total nonfarm employment increased 1.1% year-over-year in May 2025, adding 1.7 million jobs. Job openings rose by 191,000 from March to April. The national unemployment rate remained at 4.2% in May.

Colorado's May 2025 nonfarm employment grew 0.7% (22,200 jobs) year-over-year. Colorado's May unemployment rate was 4.8%, ranking Colorado 7th-highest (tied with five other states) in the country, and higher than the national rate. The state had the 6th-highest labor force participation rate in May (67.7%). The job opening rate was 4.7% in April, ranking Colorado 23rd (tied with 4 other states). There were 0.9 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 related to economic uncertainty, tariffs, and federal policy.

Reasons for Responses



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For the third consecutive quarter, panelists were asked to reflect on proposed policies that may have an impact on the economy in 2025. Ahead of Q3, business sentiment about the policy changes shifted more negative as policy parameters came into focus, with trade policy (tariffs), federal contracts and grants, immigration policy, and health care policy recording the greatest negative sentiment.¹

The question was phrased,

For the past two quarters, 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?

Q3 2025 Expected Impact of Proposed Policy Changes

	Negative	Neutral	Positive	Positive Minus Negative
Trade Policy (Tariffs)	67.6%	22.7%	7.0%	-60.5%
Immigration Policy	47.6%	35.1%	13.0%	-34.6%
Energy Policy	34.1%	36.8%	25.9%	-8.1%
Health Care Policy	43.2%	40.5%	13.5%	-29.7%
Foreign Policy	40.5%	37.3%	15.7%	-24.9%
Regulatory Policy	38.9%	27.0%	31.9%	-7.0%
Size of Federal Government	42.7%	31.4%	22.7%	-20.0%
Federal Contracts and Grants	56.8%	28.6%	8.6%	-48.1%
Other	29.0%	30.1%	36.1%	7.1%

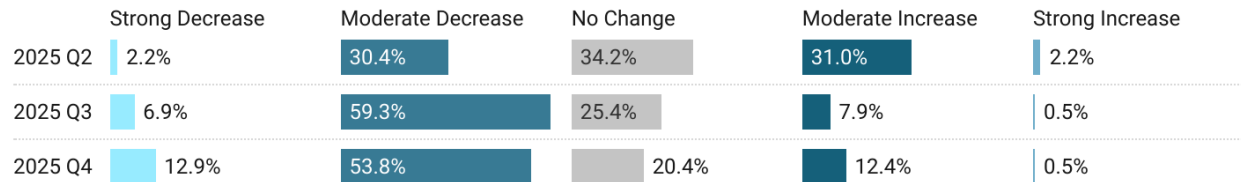
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¹ Note: The question about federal contracts and grants was not present in the survey for Q1, but was added to the survey beginning in Q2.

Distribution of Expectations in Q2 2025, Q3 2025, and Q4 2025

State Expectations

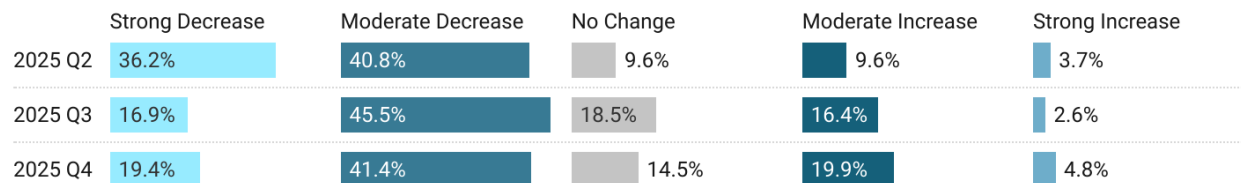
28.1 in Q2 2025, 34.0 in Q3 2025, and 33.5 in Q4 2025



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National Expectations

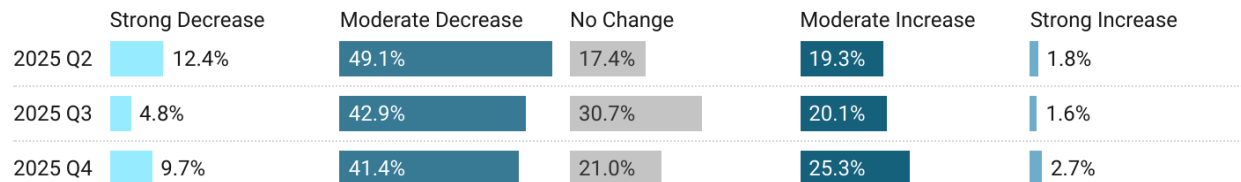
25.9 in Q2 2025, 35.6 in Q3 2025, and 37.4 in Q4 2025



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Sales Expectations

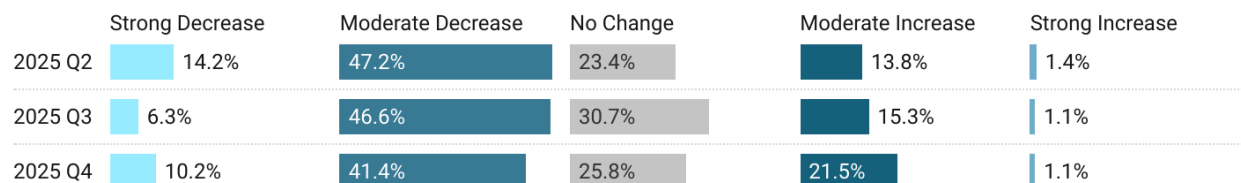
37.3 in Q2 2025, 42.7 in Q3 2025, and 42.5 in Q4 2025



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Profit Expectations

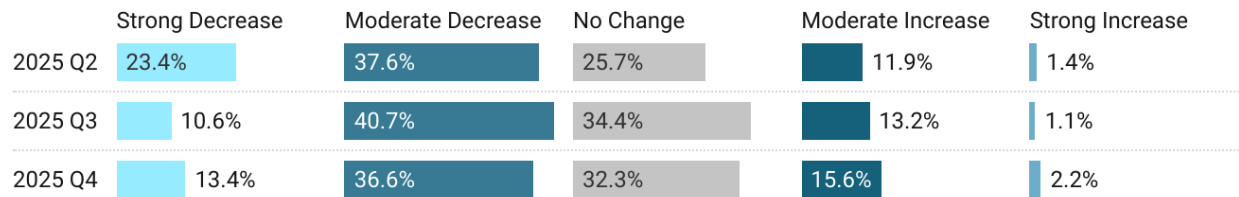
35.2 in Q2 2025, 39.6 in Q3 2025, and 40.5 in Q4 2025



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Hiring Expectations

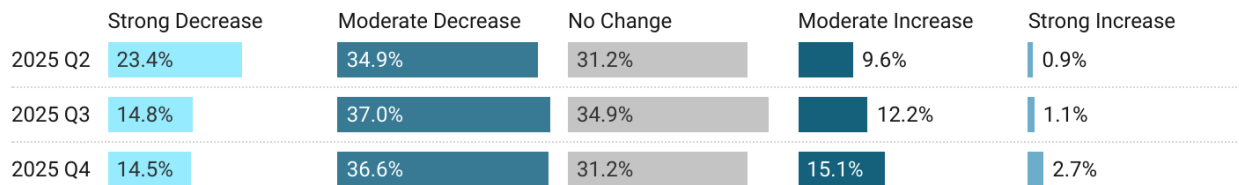
32.6 in Q2 2025, 38.4 in Q3 2025, and 39.1 in Q4 2025



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Capital Expenditures Expectations

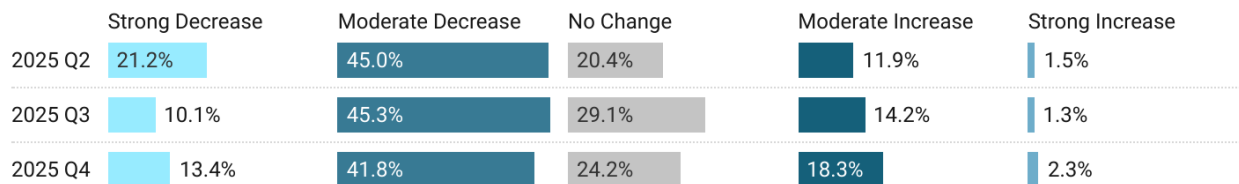
32.5 in Q2 2025, 36.9 in Q3 2025, and 38.7 in Q4 2025



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Overall Index Expectations

31.9 in Q2 2025, 37.9 in Q3 2025, and 38.6 in Q4 2025



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www.colorado.edu/business/brd