

### Business Sentiment Remained Subdued Ahead of Q4

Business leaders doubled down on their cautious outlook ahead of Q4 2025, as politics, tariffs, and uncertainty weighed down the business outlook. The Leeds Business Confidence Index (LBCI) decreased 1.9 points from Q3 to Q4, remaining at the 5th-lowest level on record. Five of the six components of the index decreased from Q3 to Q4. Industry capital expenditures marked the only increase over the quarter. All components remained well-below levels measured a year ago. Panelists expressed the most pessimism about the state and national economies, and the least pessimism about industry sales.

The LBCI captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures. The index decreased from 37.9 reported last quarter to 36 in the current survey (50=neutral), and confidence remained muted looking out further to Q1 2026. A total of 196 panelists responded to the survey from September 2 through September 19, 2025.

### Leeds Business Confidence Index

| Component            | Q4<br>2024  | Q1<br>2025  | Q2<br>2025  | Q3<br>2025  | Q4<br>2025  | Quarterly<br>Change | Annual<br>Change |
|----------------------|-------------|-------------|-------------|-------------|-------------|---------------------|------------------|
| Industry Sales       | 48.0        | 53.4        | 37.3        | 42.7        | 41.7        | ▼                   | ▼                |
| Industry Profits     | 46.3        | 50.4        | 35.2        | 39.6        | 39.2        | ▼                   | ▼                |
| Industry Hiring      | 44.6        | 48.1        | 32.6        | 38.4        | 34.8        | ▼                   | ▼                |
| Capital Expenditures | 46.6        | 47.7        | 32.5        | 36.9        | 38.3        | ▲                   | ▼                |
| State Economy        | 49.0        | 50.1        | 28.1        | 34.0        | 31.0        | ▼                   | ▼                |
| National Economy     | 45.8        | 50.3        | 25.9        | 35.6        | 31.1        | ▼                   | ▼                |
| <b>LBCI</b>          | <b>46.7</b> | <b>50.0</b> | <b>31.9</b> | <b>37.9</b> | <b>36.0</b> | ▼                   | ▼                |

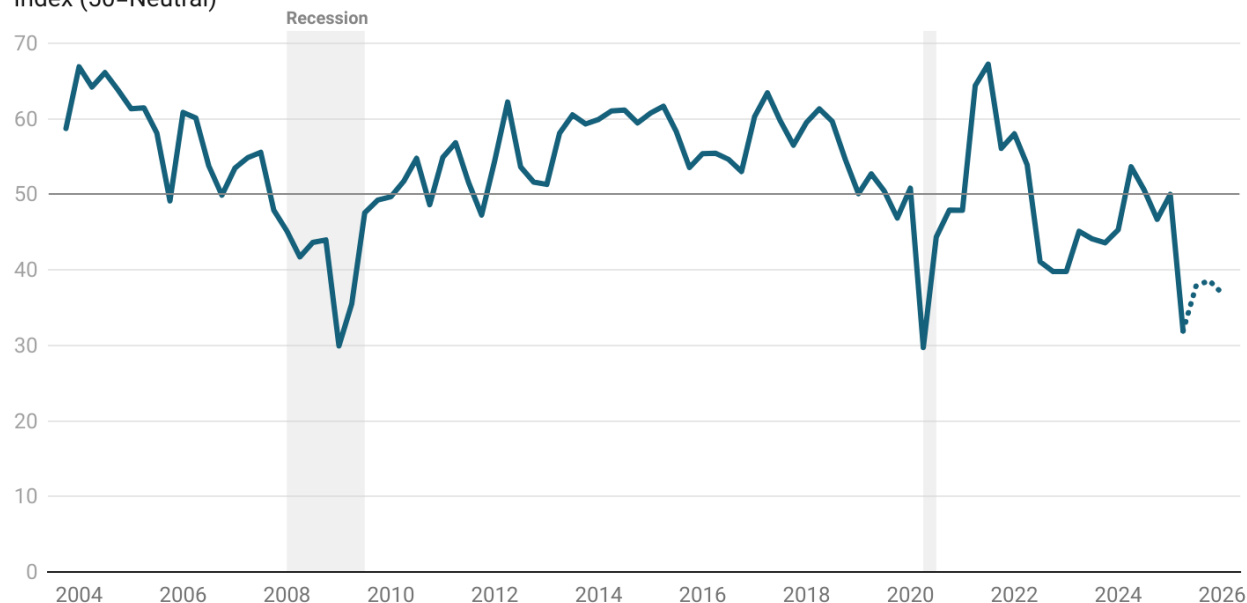
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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q4 2025. The index was highest for the industry sales and lowest for the state economy.
- Politics, tariffs, uncertainty, and the labor market were cited as the top reasons for panelists' sentiments headed into Q4 2025.
- The Consumer Price Index (i.e., inflation) rose 2.1% in the Denver-Aurora-Lakewood region year-over-year in July (Denver MSA inflation is reported every other month). National inflation rose 2.7% in July and 2.9% in August.
- Colorado's employment grew by 0.6% year-over-year in August 2025, placing the state 34th nationally in terms of job growth (month-over-month growth ranked 21st).
- 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 3.8% in Q2 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            | Q4 2025     | Quarterly Change | Annual Change | Q1 2026     | Quarterly Change | Annual Change |
|----------------------|-------------|------------------|---------------|-------------|------------------|---------------|
| Industry Sales       | 41.7        | ▼                | ▼             | 40.7        | ▼                | ▼             |
| Industry Profits     | 39.2        | ▼                | ▼             | 39.9        | ▲                | ▼             |
| Industry Hiring      | 34.8        | ▼                | ▼             | 35.9        | ▲                | ▼             |
| Capital Expenditures | 38.3        | ▲                | ▼             | 37.8        | ▼                | ▼             |
| State Economy        | 31.0        | ▼                | ▼             | 33.8        | ▲                | ▼             |
| National Economy     | 31.1        | ▼                | ▼             | 33.2        | ▲                | ▼             |
| <b>LBCI</b>          | <b>36.0</b> | ▼                | ▼             | <b>36.9</b> | ▲                | ▼             |

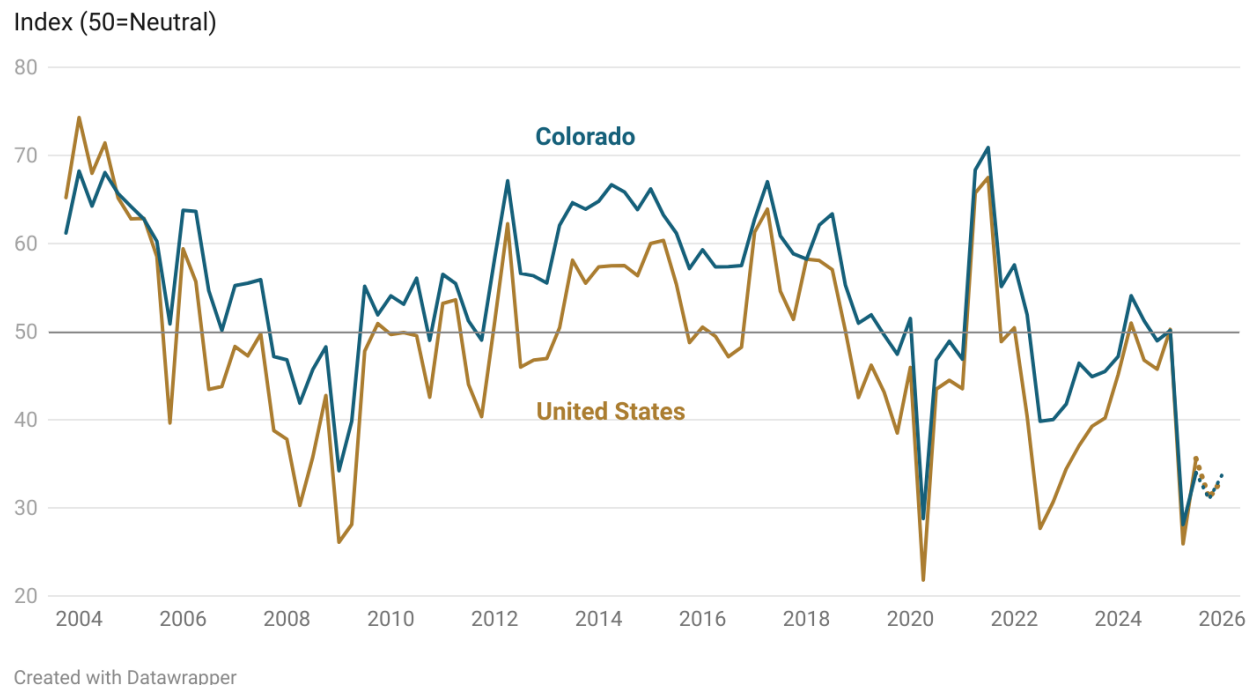
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## National and State Economies — Decreased for the Quarter

State and national economic expectations declined ahead of Q4, driven primarily by individuals who shifted from neutral to negative compared to the previous quarter. State expectations decreased from 34.0 in Q3 2025 to 31.0 in Q4 and rebounded slightly to 33.8 looking out to Q1 2026. The national index decreased from 35.6 in Q3 2025 to 31.1 ahead of Q4 2025 and 33.2 looking out further to Q1 2026. State expectations were nearly matched with national expectations.

For the state economy, 71.4% of respondents are negative on the outlook, while 8.7% expect a moderate-to-strong increase and 19.9% are neutral. On the national level, 70.9% are negative on the outlook, 16.3% expect an increase, and 12.8% are neutral.

### National and State Expectations



National real (inflation-adjusted) GDP increased 3.8% (seasonally adjusted annual rate, SAAR) in Q2 2025 according to the second estimate from the Bureau of Economic Analysis (BEA). In Q2 2025, personal consumption expenditures increased 2.5%, gross private domestic investment decreased 13.7%, and government expenditures decreased 0.1%. Net exports, which negatively affect GDP when imports exceed exports, improved by \$323 billion from Q1 to Q2 2025, indicating a narrowing of the trade deficit.

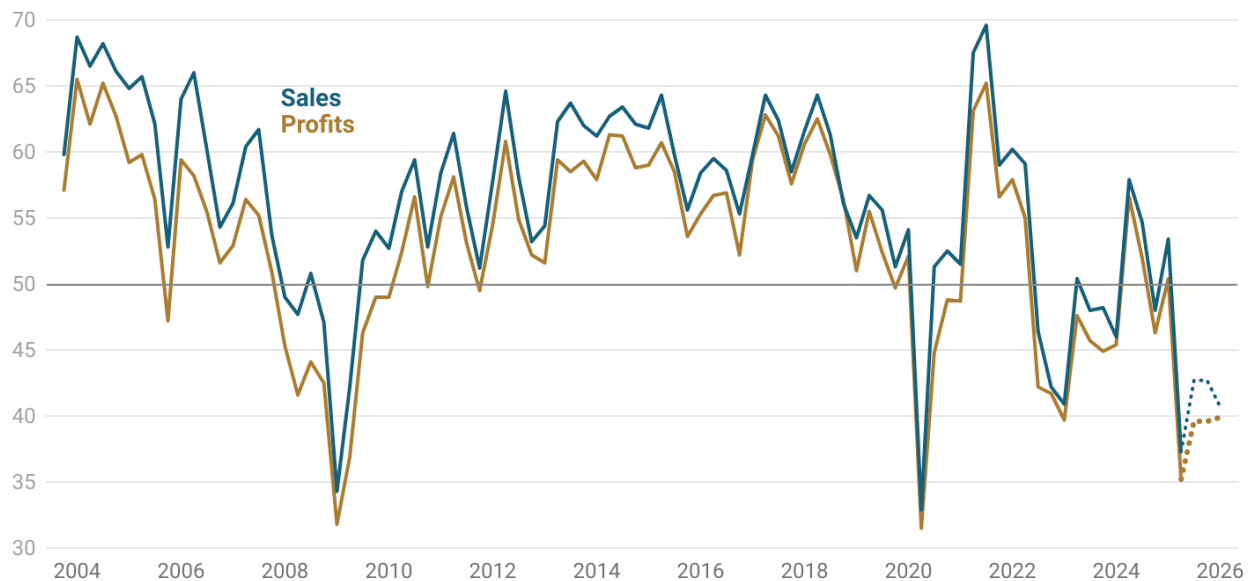
Colorado's real GDP increased at a SAAR of 3.5% for the quarter and 1.8% year-over-year in Q2, ranking Colorado 26th and 22nd, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Arts, Entertainment, and Recreation (8%); Professional, Scientific, and Technical Services (6.5%); and Health Care and Social Assistance (5.6%). The largest losses were in Utilities (-8.3%), Administrative and Support and Waste Management and Remediation Services (-4%), and private-sector Educational Services (-2.5%).

## Sales and Profits — Losing Steam

Sales and profit expectations decreased ahead of Q4, after recording the highest and second-highest levels in the index for the third quarter. The sales index decreased from 42.7 ahead of Q3 2025 to 41.7 in Q4 2025 and settled at 40.7 looking further out to Q4. The profits index decreased from 39.6 in Q3 2025 to 39.2 ahead of Q4 2025 and 39.9 heading into Q1 2026. Individuals with a negative sales outlook (49.5%) outweighed those with positive perceptions (21.7%), while 27.6% remained neutral ahead of Q4. Profits expectations were tilted similarly with negative perceptions outweighing the positive, 55.1% to 19.4% (25.5% 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 1.6% quarter-over-quarter in Q2 2025, rebounding slightly after the slowest rate since Q2 2020 in the previous quarter, and 2.4% year-over-year in Q2 2025, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in goods (2.4%) exceeded the rate of growth in services (1.2%).

The series is also published monthly. July's nominal consumption grew 4.7% year-over-year. Recently, month-over-month growth has slowed, with an average increase of 0.3% through July 2025. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales increased 5.0% year-over-year in August and 0.6% month-over-month. Colorado Department of Revenue data show taxable retail sales in the state increased 3.6% in June, 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 6.2% year-over-year in June 2025. Durable

goods posted a year-over-year increase of 8.6% while non-durable goods were up 4.1%. Wholesale inventories were up 1.3% over the year and 0.1% from the prior month in July 2025.

In the second quarter of 2025, national personal income continued to climb, increasing 5.5% from Q1 2025, and the monthly data showed year-over-year growth of 5% in July. Colorado personal income rose 5% year-over-year and at an annualized rate of 5.1% quarter-over-quarter in Q2 2025, ranking the state 29th and 30th nationally, for the respective metrics. Colorado had the 9th-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 (4.6%).

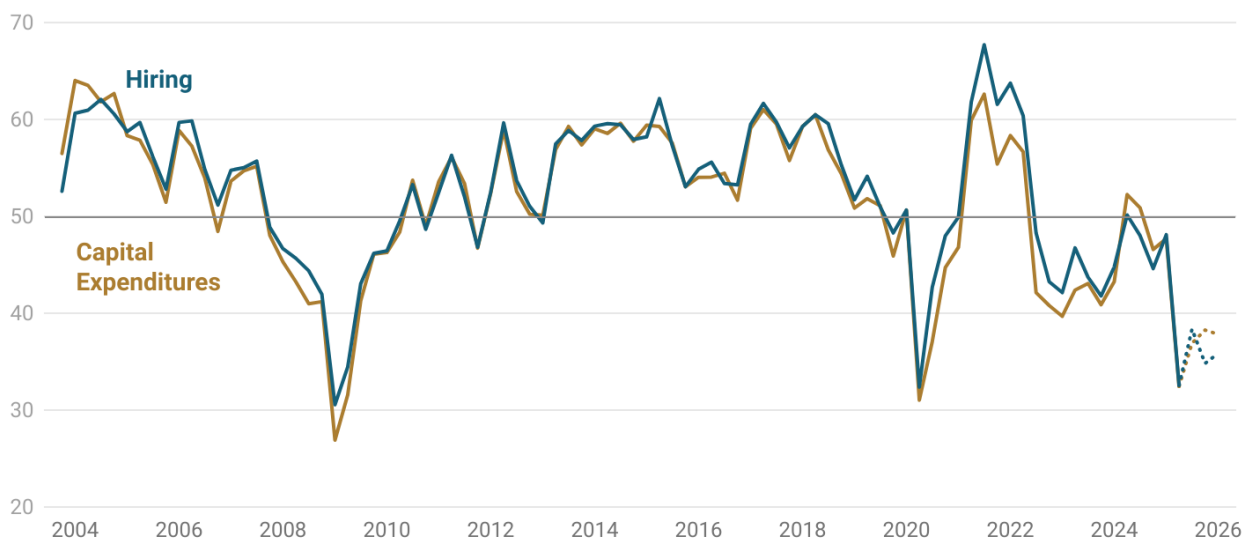
## Capital Expenditures and Hiring Expectations Muted

Expectations for capital expenditure and hiring improved throughout Q3. Hiring expectations decreased from 38.4 in Q2 2025 to 34.8 ahead of Q4 and 35.9 projecting into Q1 2026. The outlook for capital expenditure increased from 36.9 ahead of Q3 to 38.3 in Q4 and settled at 37.8 in Q1 2026.

Ahead of Q4 2025, 57.6% of respondents were negative on hiring while 12.8% expected a moderate increase and 29.6% remained neutral. Regarding capital expenditures, 48.4% were negative, 16.8% expected an increase and 34.7% 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 12.9% in 2024 and 0.4% year-to-date in August 2025 (residential -6.7%, nonresidential +25.3%, and nonbuilding -12.9%).

According to the U.S. Census Bureau, the national total value of construction put in place decreased 2.8% year-over-year in July. Residential construction decreased 5.1% and nonresidential decreased 1.1%. The BEA reported U.S. nonresidential fixed business investment increased 7.3% quarter-over-quarter in Q2 2025 (SAAR) and 4.0% year-over-year. Investment in structures decreased 7.5% quarter-over-quarter and 5.2% over the year. Residential fixed investment decreased 5.1% quarter-over-quarter and 1.7% over the year.

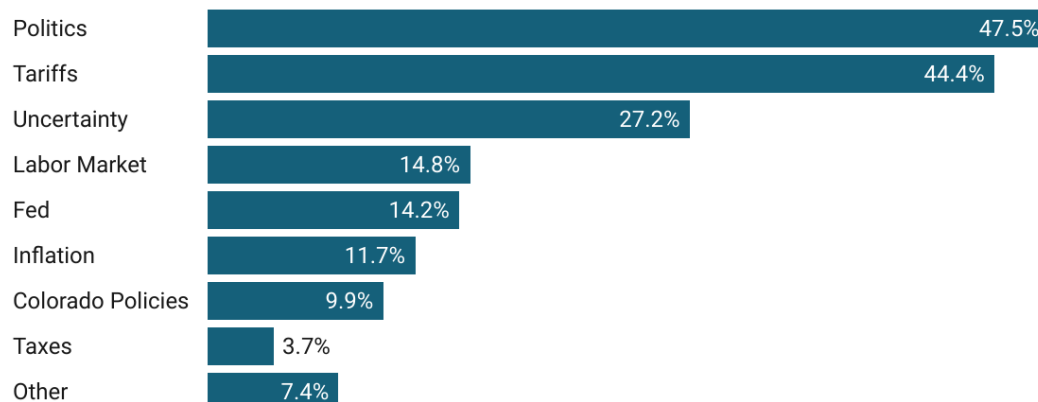
National employment was not as strong as previously perceived and continued to be a slowing trend in 2025. According to the Bureau of Labor Statistics, total nonfarm employment increased 0.9% year-over-year in August 2025. Average jobs added year-to-date in 2025 are 74,800 per month, compared to 143,000 per month during the same period in 2024. Job openings decreased 4.3% year-over-year in July 2025, with one job opening for every unemployed person. The national unemployment rate increased to 4.3% in August.

Colorado's August 2025 nonfarm employment grew 0.6% (18,300 jobs) year-over-year. Colorado's August unemployment rate was 4.2%, ranking Colorado 16<sup>th</sup>-highest in the country, but lower than the national rate. The state had the 7th-highest labor force participation rate in August (67.4%). The job opening rate was 3.9% in July, ranking Colorado 46th. There were 0.8 job openings for every unemployed individual in the state in July.

## Survey Response Questions

Panelists were asked to provide reasons for their expectations ahead of Q4 2025. Among the 162 respondents who gave open-ended explanations, the most frequently cited reasons were related to politics, tariffs, and uncertainty.

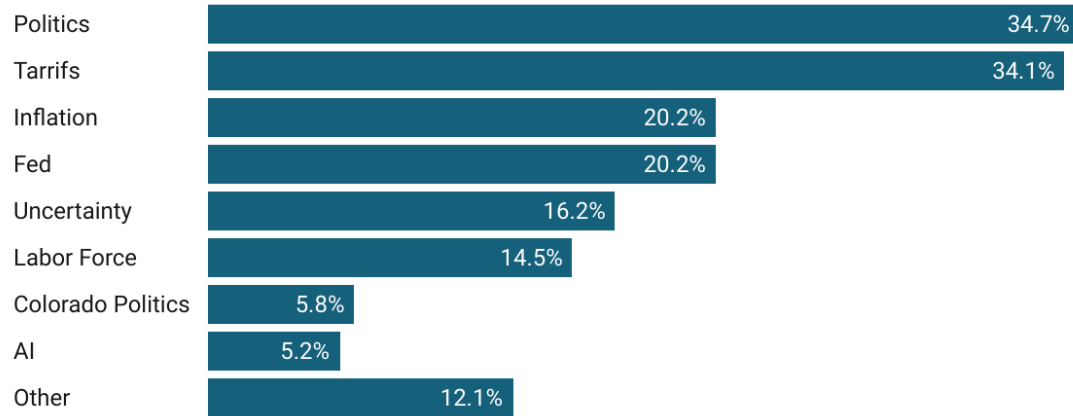
### Reasons for Responses



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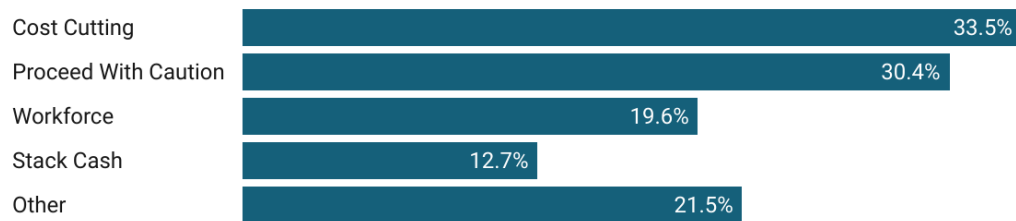
Panelists were also asked about emerging economic trends or risks that they think will have a significant impact on their industry in the next 6 months, and how they are preparing to address the risks. The respondents also noted that the four biggest potential risks to their business are politics, tariffs, inflation, and fed policy. The most common ways risks are being addressed are cost cutting, proceeding with caution, and making changes to their workforce.

## Emerging Risks



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## How Risks Are Addressed

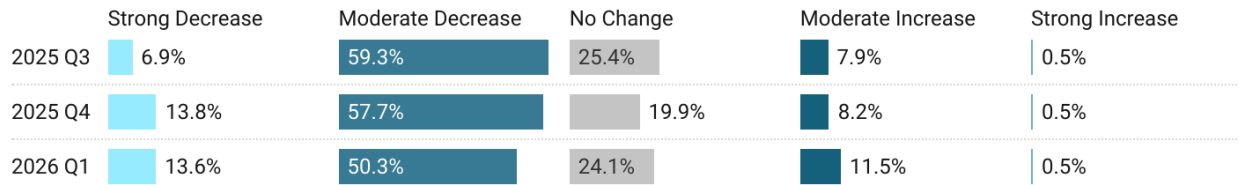


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## Distribution of Expectations in Q3 2025, Q4 2025, and Q1 2026

### State Expectations

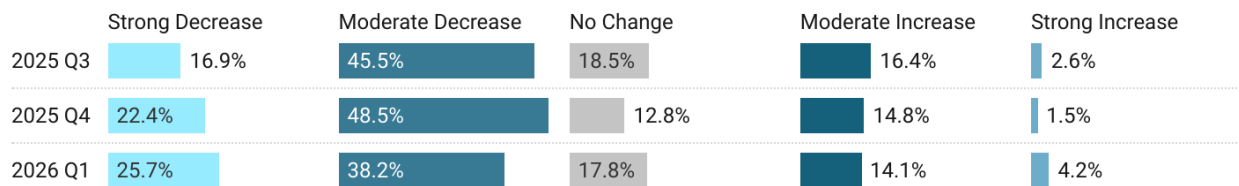
34.0 in Q3 2025, 31.0 in Q4 2025, and 33.8 in Q1 2026



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### National Expectations

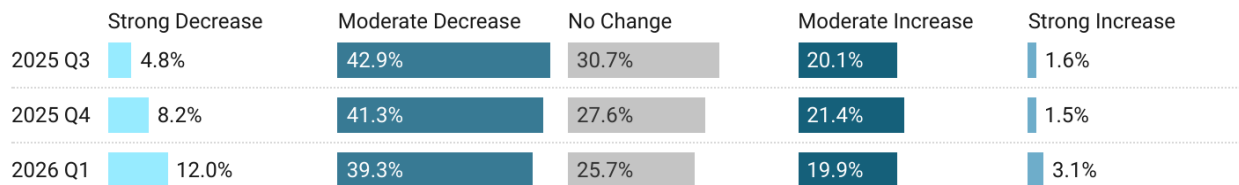
35.6 in Q3 2025, 31.1 in Q4 2025, and 33.2 in Q1 2026



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### Sales Expectations

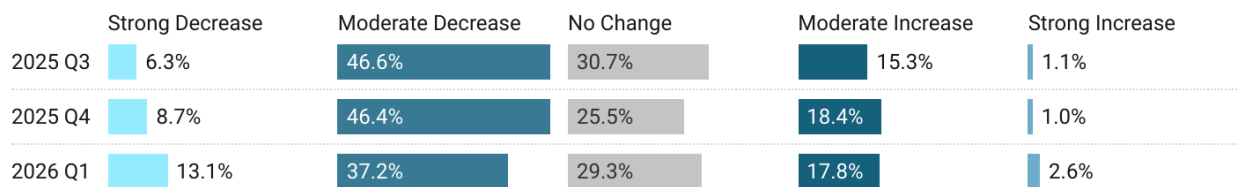
42.7 in Q3 2025, 41.7 in Q4 2025, and 40.7 in Q1 2026



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### Profit Expectations

39.6 in Q3 2025, 39.2 in Q4 2025, and 39.9 in Q1 2026

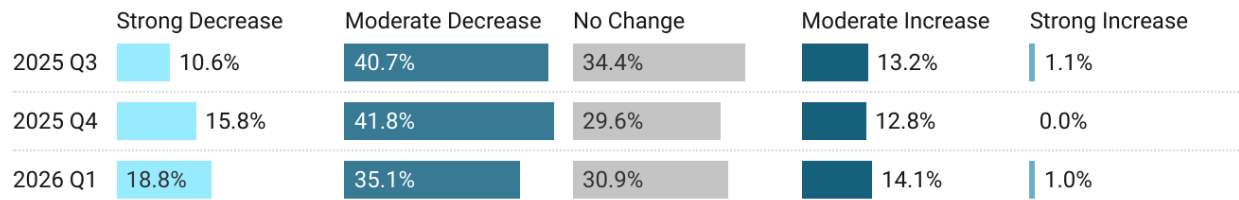


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## Hiring Expectations

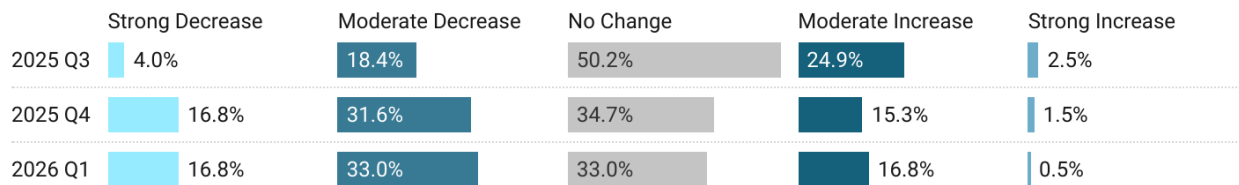
38.4 in Q3 2025, 34.8 in Q4 2025, and 35.9 in Q1 2026



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## Capital Expenditures Expectations

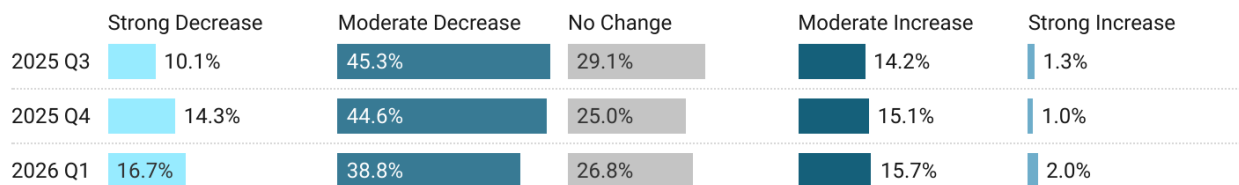
36.9 in Q3 2025, 38.3 in Q4 2025, and 37.8 in Q1 2026



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## Overall Index Expectations

37.9 in Q3 2025, 36.0 in Q4 2025, and 36.9 in Q1 2026



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