

## Business Sentiment Subdued

Business leaders’ confidence remained subdued ahead of Q2. Respondents noted geopolitical conflicts and global instability, domestic political and policy risks, macroeconomic volatility and downturn potential, and commodity and energy price volatility weighing on their 2026 outlook. The Leeds Business Confidence Index (LBCI) decreased 1.2 points from Q1 2026 to Q2 2026. Four components of the index increased from Q1 to Q2, and all six components were up when compared to Q2 2025. The largest increases in the index were hiring plans and profits, 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 decreased from 43.1 reported last quarter to 41.9 in the current survey (50=neutral), and confidence improved looking out to Q3 2026. A total of 213 panelists responded to the survey from March 2 to March 20, 2026, a period that included the war in Iran.

## Leeds Business Confidence Index

Component	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Quarterly Change	Annual Change
Industry Sales	37.3	42.7	41.7	48.1	48.9	▲	▲
Industry Profits	35.2	39.6	39.2	44.9	46.0	▲	▲
Industry Hiring	32.6	38.4	34.8	40.0	41.2	▲	▲
Capital Expenditures	32.5	36.9	38.3	44.2	45.1	▲	▲
State Economy	28.1	34.0	31.0	39.9	34.7	▼	▲
National Economy	25.9	35.6	31.1	41.3	35.4	▼	▲
<b>LBCI</b>	<b>31.9</b>	<b>37.9</b>	<b>36.0</b>	<b>43.1</b>	<b>41.9</b>	<b>▼</b>	<b>▲</b>

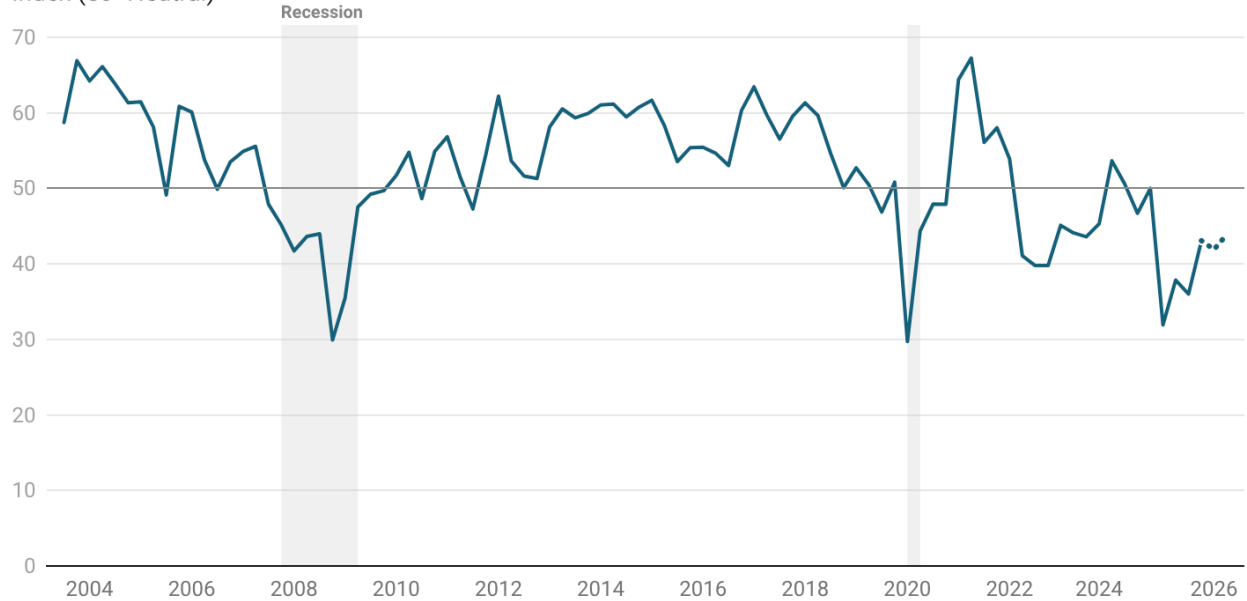
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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q2 2026. The index was highest for the industry sales and lowest for the state economy.
- The state component of the index ranked among the top two components for most quarters in the 23-year history, but ranked lowest for the past four consecutive quarters (the only occurrences in the index history).
- The Consumer Price Index (i.e., inflation) rose 2.6% in the Denver-Aurora-Lakewood region year-over-year in January compared to 2.4% growth nationally during the same period.
- Colorado’s employment grew by 0.8% year-over-year in December 2025, placing the state 18th nationally in terms of job growth (month-over-month growth ranked 19th).
- Colorado’s personal income increased 4.5% year-over-year in Q3 2025, ranking the state 39th. Per capita personal income increased 3.9% year-over-year, ranking Colorado 36th.

- National real gross domestic product (GDP) increased at an annualized rate of 0.7% in Q4 2025. Colorado’s GDP increased at an annualized rate of 4.6% in Q3 and 2.3% year-over-year, ranking the state 22nd and 18th, respectively.

### Leeds Business Confidence Index

Index (50=Neutral)



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### Leeds Business Confidence Index

Component	Q2 2026	Quarterly Change	Annual Change	Q3 2026	Quarterly Change	Annual Change
Industry Sales	48.9	▲	▲	50.2	▲	▲
Industry Profits	46.0	▲	▲	47.9	▲	▲
Industry Hiring	41.2	▲	▲	42.4	▲	▲
Capital Expenditures	45.1	▲	▲	45.0	▼	▲
State Economy	34.7	▼	▲	37.7	▲	▲
National Economy	35.4	▼	▲	40.1	▲	▲
<b>LBCI</b>	<b>41.9</b>	<b>▼</b>	<b>▲</b>	<b>43.9</b>	<b>▲</b>	<b>▲</b>

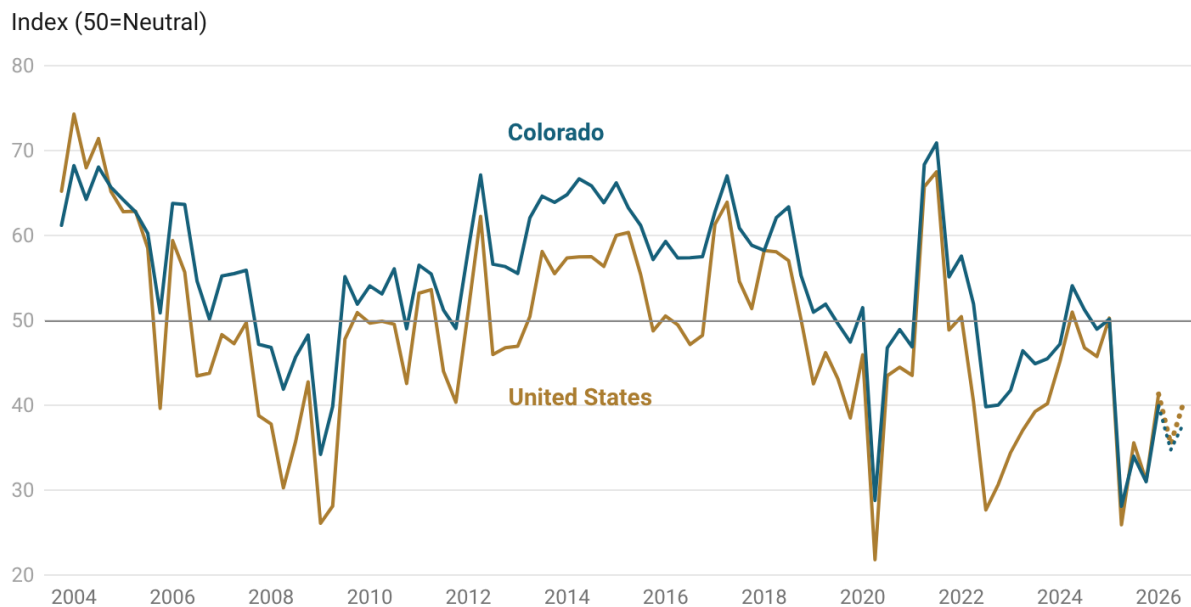
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## National and State Economies — Decreased for the Quarter

State and national economic expectations declined ahead of Q2. State expectations decreased from 39.9 in Q1 2026 to 34.7 in Q2 but improved to 37.7 looking out to Q3 2026. The national index posted the largest decline from Q1 to Q2, decreasing from 41.3 in Q1 2026 to 35.4 ahead of Q2 2026 but rebounded to 40.1 looking further to Q3 2026. State expectations stayed below national expectations, a recent phenomenon not depicted in the index since 2005.

For the state economy, 66.2% of respondents are negative on the outlook, 14.1% expect a moderate-to-strong increase, and 19.7% are neutral. On the national level, 65.7% are negative on the outlook, 18.3% expect an increase, and 16% are neutral.

### National and State Expectations



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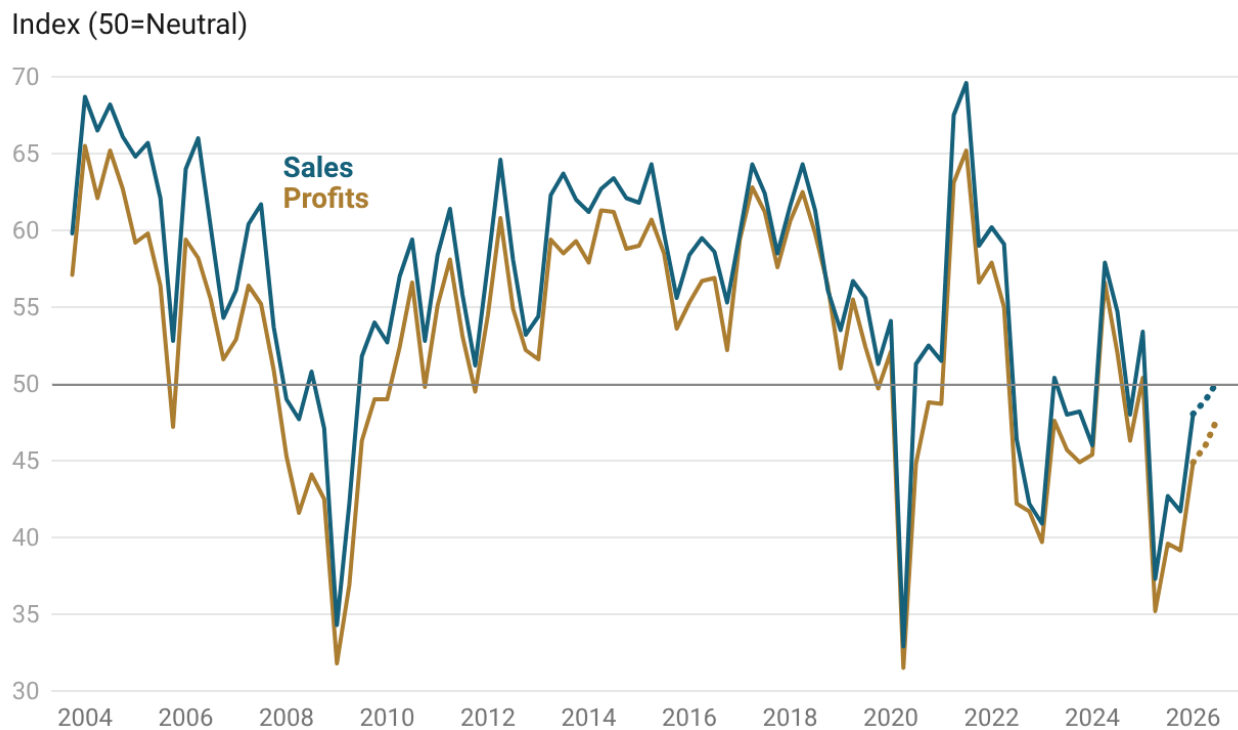
National real (inflation-adjusted) GDP increased 0.7% (seasonally adjusted annual rate, SAAR) in Q4 2025 according to the second estimate from the Bureau of Economic Analysis (BEA). In Q4 2025, personal consumption expenditures increased 2%, gross private domestic investment increased 3.3%, and government expenditures decreased 5.8%. Net exports, which negatively affect GDP when imports exceed exports, declined by \$12.7 billion from Q3 to Q4 2025, indicating a slight increase in the trade deficit.

Colorado's real GDP increased at a SAAR of 4.6% for Q3 2025 (latest available) and 2.3% year-over-year, ranking Colorado 22nd and 18th, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture, forestry, fishing, and hunting (12.9%); Arts, entertainment, and recreation (9.7%); Health care and social assistance (7.5%); and Professional, scientific, and technical services (6.3%). The largest losses were in Educational services (-2.3%); Retail trade (-2.2%); and Administrative, support, waste management and remediation services (-1.8%).

## Sales and Profits — Rising Expectations

Sales and profit expectations increased ahead of Q2, recording the highest and second-highest levels in the index by component in the second quarter. The sales index increased from 48.1 ahead of Q1 2026 to 48.9 in Q2 2026 and 50.2 looking further out to Q3 (the only indicator to break 50). The profits index increased from 44.9 in Q1 2026 to 46 ahead of Q2 2026 and 47.9 in Q3 2026. Individuals with a negative sales outlook (36.6%) slightly outweighed those with positive perceptions (33.3%), while 30% remained neutral ahead of Q2. Profits expectations were tilted similarly with negative perceptions outweighing the positive, 40.8% to 26.8% (32.4% remained neutral).

### Sales and Profit Expectations



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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 approximately 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% quarter-over-quarter in Q4 2025, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in goods (0.3%) lagged the rate of growth in services (2.7%). Corporate profits, before inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), decreased year-over-year in Q1 and Q2, but increased 4.3% year-over-year in Q3 2025.

Consumption is also published monthly. January’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 down 0.2% month-over-month but grew 3.2% year-over-year in January. Colorado Department of Revenue data show taxable retail sales in the state increased 2.5% in December, 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 7.5% year-over-year in January 2026. Durable goods posted a year-over-year increase in sales of 11.2% while non-durable goods sales were up 4.2%. Wholesale inventories were up 1% over the year and down 0.5% from the prior month in January 2026.

National personal income continued to climb in January 2026, up 4.4% over January 2025 and 0.4% over December 2025. Colorado personal income rose 4.5% year-over-year and at a rate of 2.2% quarter-over-quarter in Q3 2025, ranking the state 39th and 41st nationally, for the respective metrics. Colorado had the 9th-highest per capita personal income in Q3 2025, at \$86,559. The state ranked 36th for per capita personal income growth year-over-year (3.9%) and 41st for quarter-over-quarter annualized growth (1.6%).

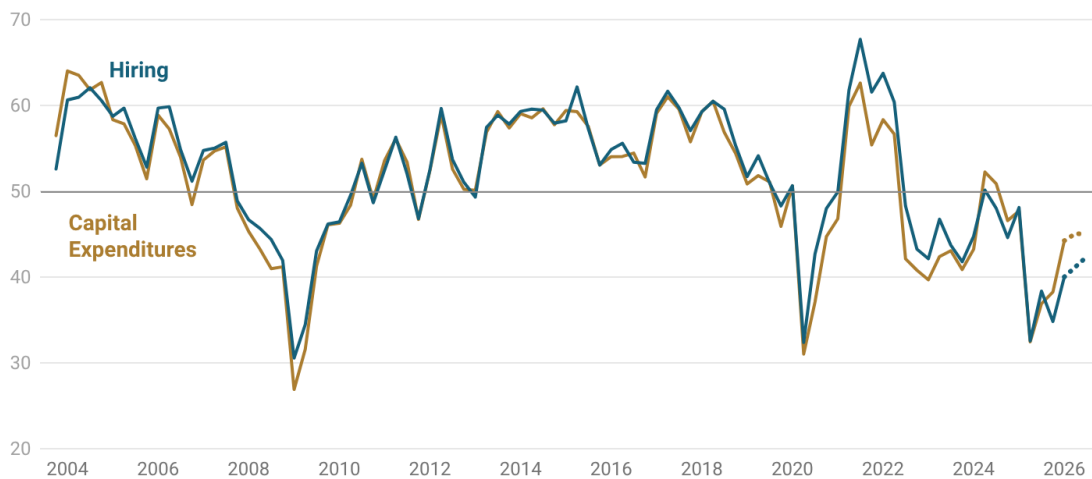
### Capital Expenditures and Hiring Expectations Improving

Expectations for capital expenditures and hiring improved ahead of Q2 2026. Hiring expectations increased from 40 in Q1 2026 to 41.2 ahead of Q2 and 42.4 projecting into Q3 2026. The outlook for capital expenditure increased from 44.2 ahead of Q1 to 45.1 in Q2 and 45 in Q3 2026.

Ahead of Q2 2026, 40.8% of respondents were negative on hiring while 15.5% expected a moderate increase and 43.7% remained neutral. Regarding capital expenditures, 39.4% were negative, 23.5% expected an increase and 37.1% 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 13.7% in 2025, and the first estimate from the January data suggest continued downward pressure on construction in early 2026.

According to the U.S. Census Bureau, the national total value of construction put in place increased 1% year-over-year in January, with residential up 2.3% and nonresidential down 0.1%. In 2025, this metric decreased 1.2%. Residential construction decreased 2.2% and non-residential construction decreased 0.5% in 2025. The BEA reported U.S. nonresidential fixed business investment increased at an annualized rate of 2.2% from Q3 to Q4 2025, but investment in structures decreased 7.1%. Residential fixed investment decreased 0.5% over the quarter.

National employment growth slowed in 2025 and in early 2026. According to the Bureau of Labor Statistics, total nonfarm employment increased at a rate of 9,700 jobs per month in 2025. The jobs count declined 92,000 month-over-month February 2026, but was up 156,000 (0.1%) year-over-year.

Colorado's December 2025 nonfarm employment grew 0.8% (23,000 jobs) year-over-year while the unemployment rate was 3.8% (compared to 4.6% in December 2024), ranking Colorado 21<sup>st</sup> in the country, and lower than the national rate. The state had the 8<sup>th</sup>-highest labor force participation rate in December 2025. At 66.9%, this was the lowest rate since October 2020.

## Survey Response Questions

For the Q2 2026 survey, the Business Research Division partnered with Blendification for analysis of the open-ended questions. Blendification views the open-ended questions as conversations. The AI-powered research platform transforms conversations into trusted, decision-ready insights. Using its Curious AI engine, it conducts adaptive, real-time conversations that ask better, goal-driven questions, while Fusion Analytics structures those responses into interactive, traceable data maps that reveal patterns, signals, and deeper meaning. Blendification partners closely with organizations to design and deploy rigorous conversational research, ensuring high-quality data, full transparency, and insights that can be confidently used for strategic decisions.

Panelists were asked to provide reasons for their expectations ahead of Q2 2026. Among the 212 respondents who gave open-ended explanations, the most frequently cited reasons were related to geopolitical conflicts and global instability, domestic political and policy risks, macroeconomic volatility and downturn potential, and commodity and energy price volatility. Respondents provided strategies for mitigating risks, including financial cost controls, deploying AI, risk monitoring and scenario planning, revenue diversification.

## Geopolitical and Economic Factors Posing Risks to Industry/Business Outlook

Response	Percentage
Geopolitical Conflicts and Global Instability	48%
Domestic Political and Policy Risks	38%
Macroeconomic Volatility and Downturn Potential	28%
Commodity and Energy Price Volatility	20%
Trade Barriers, Tariff Risks, and Supply Chain Disruptions	18%
Inflation and Elevated Costs	18%
Labor Market and Workforce Pressures	13%
Interest Rate and Monetary Policy Uncertainty	13%
Consumer Confidence and Demand Uncertainty	10%
Local and Region-Specific Risks	9%
Technological Disruption and AI-Driven Economic Risks	9%
Other or Negligible Perceived Risks	6%
Environmental and Resource-Driven Economic Risks	3%
Sector-Specific Economic Sensitivities	2%

Source: LBCI and Blendification. • Created with Datawrapper

## Adaptation Strategies for Economic Conditions and Risks

Response	Percentage
Conservative Financial Management and Rigorous Cost Controls	39%
Accelerating AI and Technology Integration for Efficiency and Risk Management	31%
Active Risk Monitoring, Scenario Planning, and Opportunistic Response	31%
Strategic Revenue Diversification and Market Reorientation	16%
No or Minimal Organizational Adaptation Measures	13%
Workforce Restructuring and Skills Development	10%
Proactive Supply Chain and Local Ecosystem Strengthening	4%
Client Engagement and Service Optimization	4%
Operational and Structural Adjustments for Regulatory and Regional Risk	4%
Emphasis on Core Values and Organizational Culture	1%

Source: LBCI and Blendification. • Created with Datawrapper

Current economic trends and global events shape respondents' expectations for the future. When explicitly asked if the balance of risks to their 2026 outlook tilted more to the upside or the downside, 76% viewed the risks tilted to the downside. This is consistent with the analysis of open-ended comments, where a majority of respondents (73%) described current conditions posing downside risks that reflect general pessimism, with a third of respondents describing

strategic adaptations and caution. A third of respondents (32%) described risks to the upside and reflect on conditions with optimism.

### Current and Anticipated Economic Trends and Global Events Shaping Expectations

Response	Percentage
Prevailing Downside Risk and Pessimism	73%
Strategic Adaptations and Cautious Business Responses	35%
Pockets of Optimism and Upside Risk	32%
Geopolitical Conflict and Global Instability as Core Economic Risks	30%
Political, Policy, and Regulatory Uncertainty	22%
Inflation, Costs, and Interest Rates as Central Economic Concerns	21%
Technology, AI, and Industry-Specific Shifts	11%
Sector-Specific and Microeconomic Impacts	6%
Other and Isolated Factors	1%

Source: LBCI and Blendification. • Created with Datawrapper

Many panelists reflected on current workforce conditions. Just over 43% of respondents discussed how economic pressures are reshaping the workforce, and 40% described AI and automation as having an impact on workforce demand and worker roles. A quarter of respondents discussed the policy and regulatory environment impacting workforce availability.

### Workforce Availability Affecting Industry and Organizations

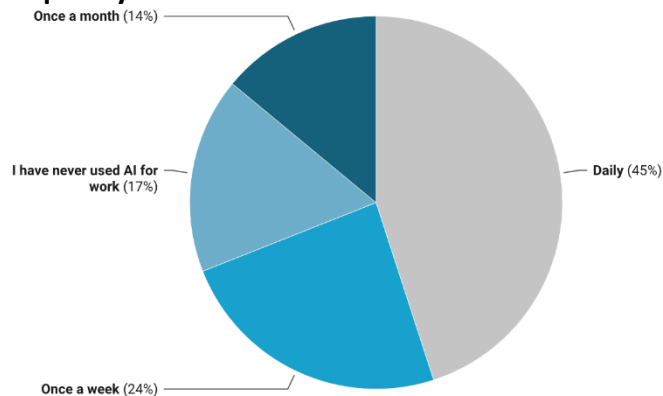
Response	Percentage
Economic Pressures Reshaping Workforce Size and Cost	43%
AI and Automation Transforming Workforce Demand and Roles	40%
Policy and Regulatory Constraints Affecting Workforce Availability	25%
Immediate and Sensitive Impact of Workforce Fluctuations	24%
Organizational Adaptation: Structural and Procedural Responses	15%
Talent Outflow and Challenges Competing for Skilled Labor	15%
Minimal or No Observable Impact	6%
Sector-Specific Labor Shortages and Vulnerabilities	3%

Source: LBCI and Blendification. • Created with Datawrapper

AI continues to emerge as a major potential business disruptor. Nearly half of respondents (45%) reported using AI daily, and four-out-of-five respondents reported using AI at least once a month.

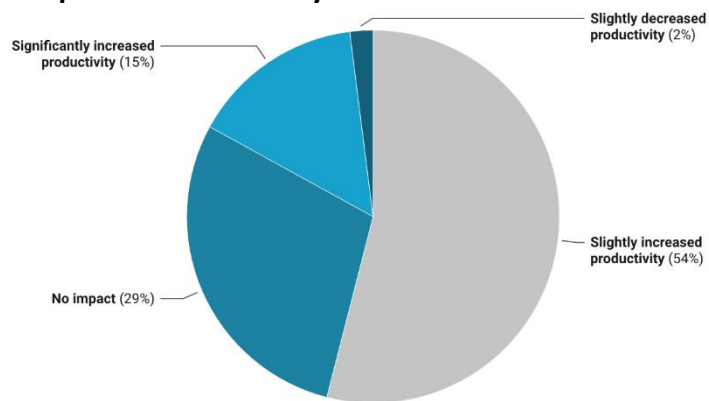
Most respondents (69%) reported a slight-to-strong increase in productivity, while 29% reported no change.

### Frequency of AI Use for Work



Source: LBCI and Blendification. • Created with Datawrapper

### AI Impact on Productivity



Source: LBCI and Blendification. • Created with Datawrapper

When pressed on the productivity gains in an open-ended question, 55% described slight gains from routine AI use, and 16% cited significant gains from frequent or specialized use and 10% for research, analysis and administrative support. Others cited little to no impact from AI with 32% noting limited or no AI use. Panelists anticipate continued future adoption.

## Extent AI Tools and Technologies are Being Integrated into Daily Work Tasks and Processes

Response	Percentage
Slight but Consistent Productivity Increases from Routine AI Use	55%
No Impact on Productivity Due to Limited or No AI Use	32%
Anticipated Future Productivity Gains from Expanded AI Adoption	33%
Significant Productivity Gains from Frequent or Specialized AI Applications	16%
AI Used Primarily for Research, Analysis, and Administrative Support	10%
Barriers and Limitations Affecting AI's Productivity Impact	8%
AI-Driven Efficiency Gains at the Team or Organizational Level	1%
Negative or No Value Perceived from AI at Organizational Level	0%

Source: LBCI and Blendification. • Created with Datawrapper

## Expected Use of AI Use in the Workplace in the Near Future

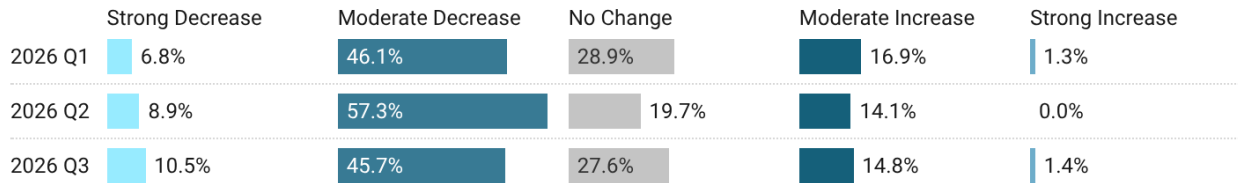
Response	Percentage
Widespread Increase in Workplace AI Usage	49%
Stable or Minimal Change in AI Usage	25%
Targeted and Specialized Expansion of AI Applications	20%
Conditional, Cautious, or Gradual Increase in AI Adoption	15%
Active Focus on AI Training, Upskilling, and Accessibility	6%
Risks, Concerns, and Impacts of Expanded AI Usage	5%
External, Contextual, and Sector-Specific Influences	6%
Uncertainty or Indeterminate AI Usage Trajectory	4%

Source: LBCI and Blendification. • Created with Datawrapper

## Distribution of Expectations in Q1 2026, Q2 2026, and Q3 2026

### State Expectations

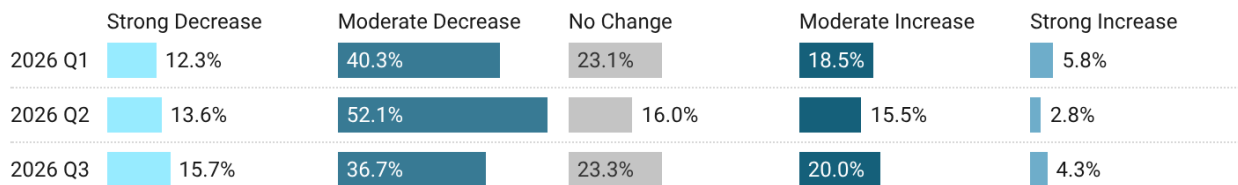
39.9 in Q1 2026, 34.7 in Q2 2026, and 37.7 in Q3 2026



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### National Expectations

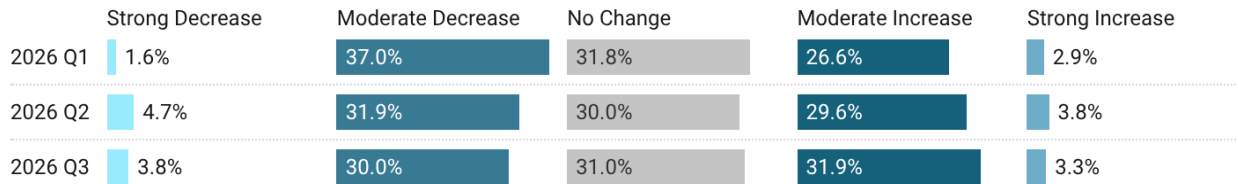
41.3 in Q1 2026, 35.4 in Q2 2026, and 40.1 in Q3 2026



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### Sales Expectations

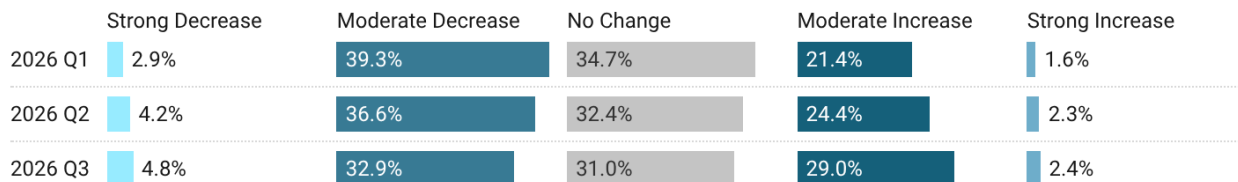
48.1 in Q1 2026, 48.9 in Q2 2026, and 50.2 in Q3 2026



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### Profit Expectations

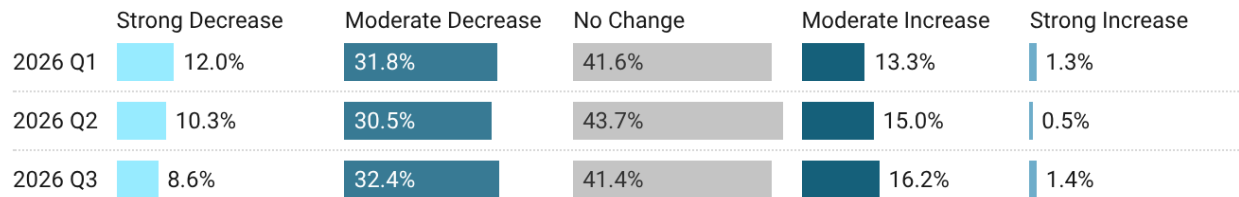
44.9 in Q1 2026, 46.0 in Q2 2026, and 47.9 in Q3 2026



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## Hiring Expectations

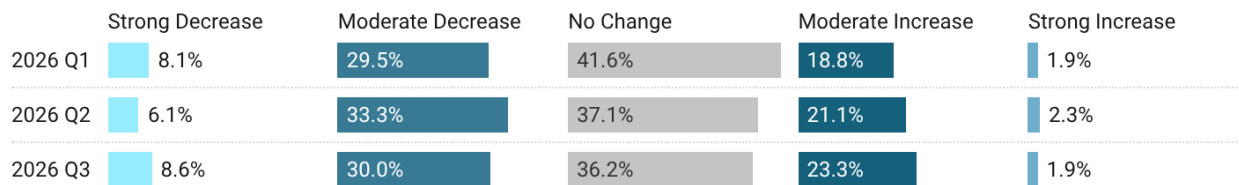
40.0 in Q1 2026, 41.2 in Q2 2026, and 42.4 in Q3 2026



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## Capital Expenditures Expectations

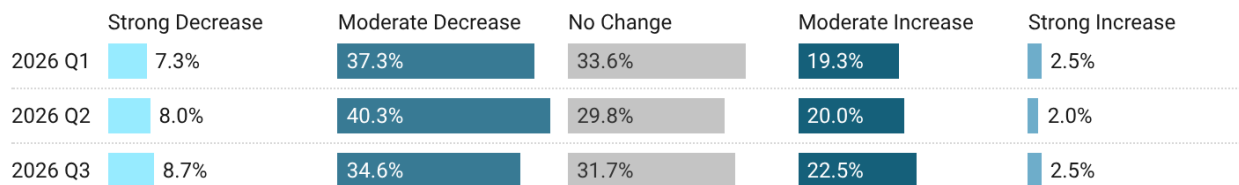
44.2 in Q1 2026, 45.1 in Q2 2026, and 45.0 in Q3 2026



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## Overall Index Expectations

43.1 in Q1 2026, 41.9 in Q2 2026, and 43.9 in Q3 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)