LBCI LEEDS BUSINESS CONFIDENCE INDEX

Third Quarter 2026
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Business Sentiment Subpar

Business leader confidence remained pessimistic heading into Q3 2026. Panelists were asked to provide reasons for their expectations ahead of Q3 2026. The most frequently cited reason was inflation, interest rates, and general cost pressures, mentioned by 35% of panelists. This was followed by political and policy instability (34%) and geopolitical events and global conflict (23%). Many of these concerns are closely interconnected. Inflation, geopolitical conflict, and broader economic uncertainty reinforce one another, contributing to continued business pessimism.

Current economic conditions and geopolitical developments continue to shape respondents' expectations. When explicitly asked if the balance of risks to their 2026 outlook, 63% believed the balance of risks remained tilted to the downside.

The Leeds Business Confidence Index (LBCI) captures Colorado business leaders' expectations for the national and state economy, industry sales, profits, hiring, and capital expenditures. The index increased 1.3 points from Q2 2026 to Q3 2026. All six components of the index increased from Q2 to Q3, and all components were up when compared to Q3 2025. Although every component improved from the previous quarter, each remained below the neutral value of 50, indicating that business leaders continue to hold pessimistic expectations despite modest gains. The largest increases in the index from Q2 to Q3 2026 were in the national and state economies, while the highest index levels were recorded in sales and profits. The index increased from 41.9 reported last quarter to 43.2 in the current survey while confidence remained essentially unchanged looking ahead to Q4 2026. A total of 214 panelists responded to the survey from June 1 to June 19, 2026.

Leeds Business Confidence Index

Component	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Quarterly Change	Annual Change
Industry Sales	42.7	41.7	48.1	48.9	49.6	▲	▲
Industry Profits	39.6	39.2	44.9	46.0	46.3	▲	▲
Industry Hiring	38.4	34.8	40.0	41.2	42.3	▲	▲
Capital Expenditures	36.9	38.3	44.2	45.1	45.6	▲	▲
State Economy	34.0	31.0	39.9	34.7	36.9	▲	▲
National Economy	35.6	31.1	41.3	35.4	38.6	▲	▲
LBCI	**37.9**	**36.0**	**43.1**	**41.9**	**43.2**	▲	▲

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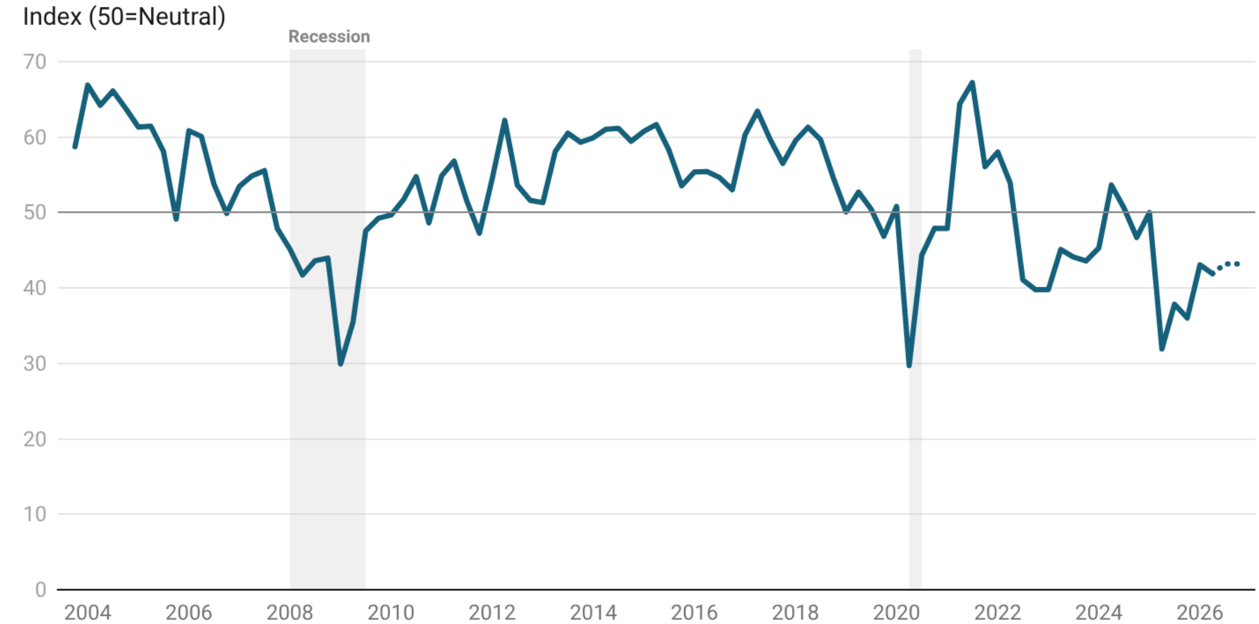
- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q3 2026. The index was highest for the industry sales and lowest for the state economy.
- After ranking among the top two components for most (66%) of the index's 23-year history, the state component has fallen to last place for five consecutive quarters.

- The Consumer Price Index (i.e., inflation) rose 5% in the Denver-Aurora-Centennial region year-over-year in May compared to 4.2% growth nationally during the same period.
- Colorado's employment growth was nearly flat year-over-year in May 2026, placing the state 31st nationally in terms of job growth (month-over-month growth ranked 40th).
- Colorado's personal income increased 3.6% year-over-year in Q1 2026, ranking the state 27th. Per capita personal income increased 3.3% year-over-year, ranking Colorado 24th.
- National real gross domestic product (GDP) increased at an annualized rate of 0.5% in Q4 2025 and 2.1% in Q1 2026. Colorado's GDP increased at an annualized rate of 1.4% both in Q4 2025 and in Q1 2026, ranking the state 9th and 27th, respectively.

Leeds Business Confidence Index



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Leeds Business Confidence Index

Component	Q3 2026	Quarterly Change	Annual Change	Q4 2026	Quarterly Change	Annual Change
Industry Sales	49.6	▲	▲	47.7	▼	▲
Industry Profits	46.3	▲	▲	46.3	-	▲
Industry Hiring	42.3	▲	▲	41.9	▼	▲
Capital Expenditures	45.6	▲	▲	44.7	▼	▲
State Economy	36.9	▲	▲	37.7	▲	▲
National Economy	38.6	▲	▲	40.9	▲	▲
LBCI	**43.2**	▲	▲	**43.2**	**-**	▲

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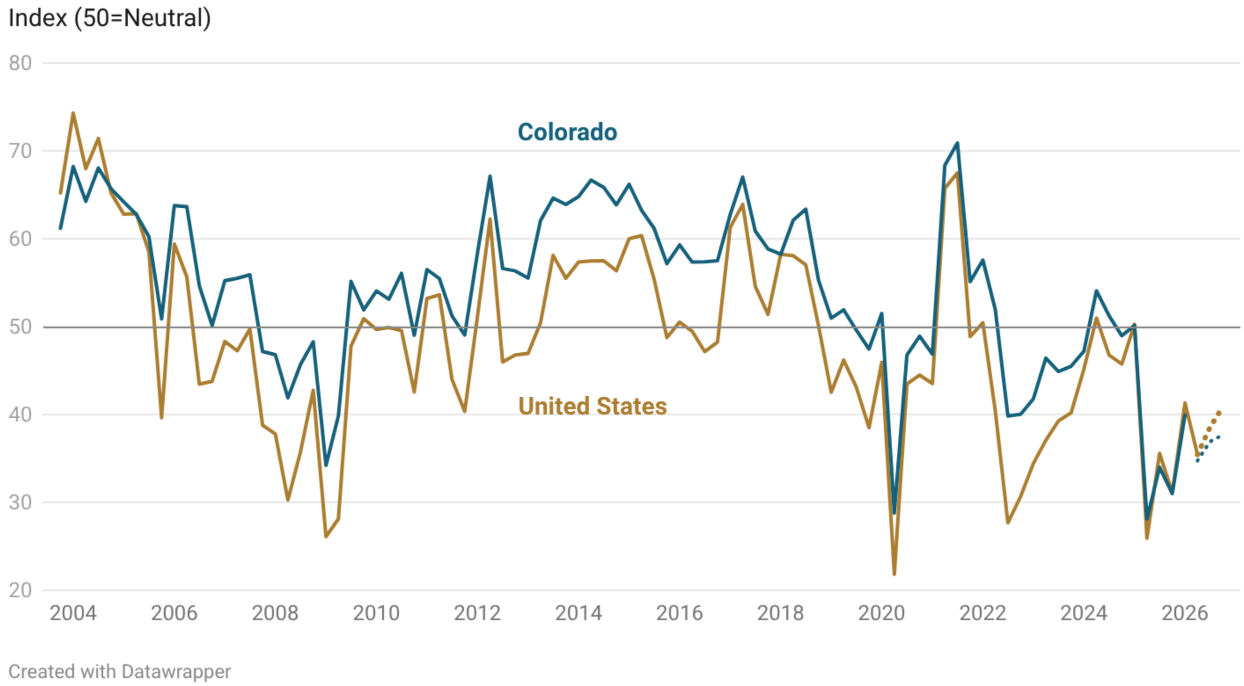
National and State Economies — Increased for the Quarter

National and state economic expectations improved by the largest margins in the index ahead of Q3. State expectations increased from 34.7 in Q2 to 36.9 in Q3 and 37.7 looking out to Q4 2026. The national index posted the largest increase from Q2 to Q3, increasing from 35.4 in Q2 to 38.6 ahead of Q3 and 40.9 looking further to Q4 2026. State economic expectations remained below national expectations—a relatively new pattern not observed in the index since 2005.

Responses became somewhat less polarized in Q3, with more respondents selecting neutral expectations. For the state economy, 56.1% of respondents are negative, 12.6% expect a moderate-to-strong increase, and 31.3% are neutral. On the national level, 57.9% are negative on the outlook, 18.2% expect an increase, and 23.8% are neutral.

National and State Expectations



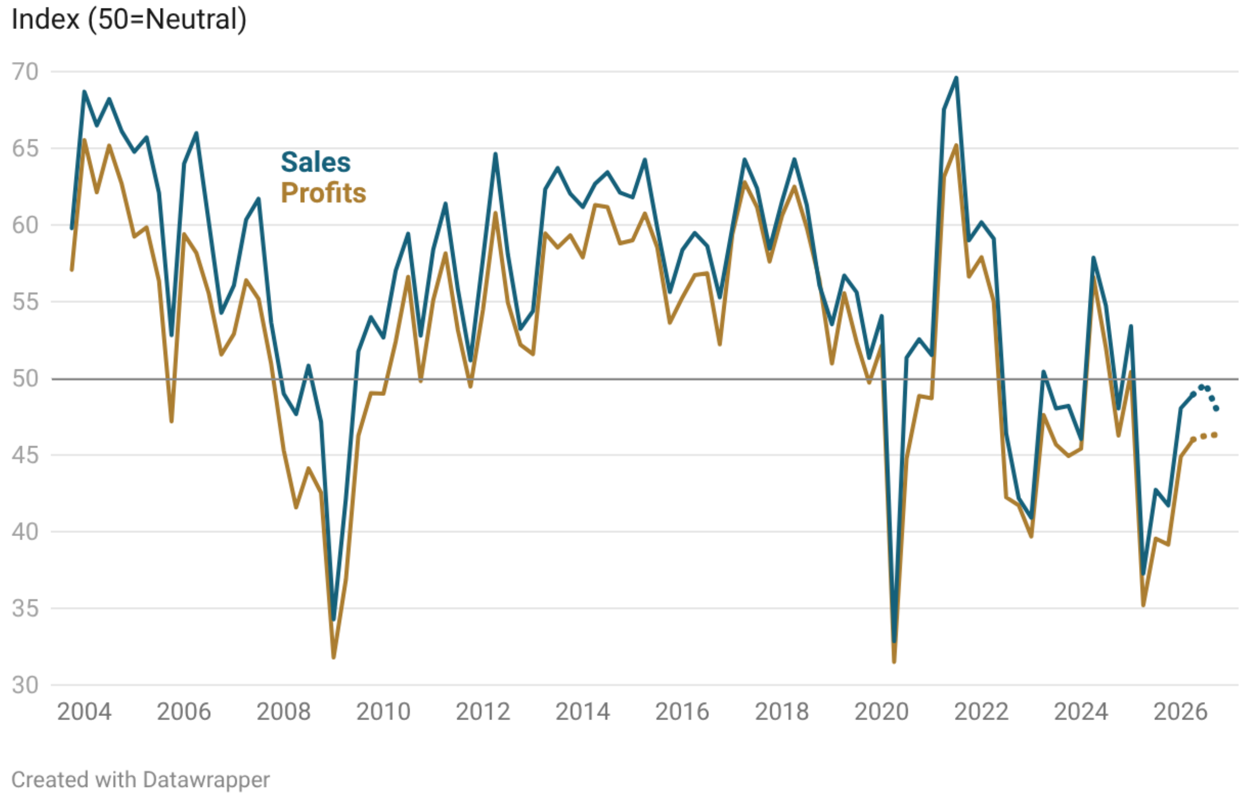
National real (inflation-adjusted) GDP increased 2.1% (seasonally adjusted annual rate, SAAR) in Q1 2026 according to the third estimate from the Bureau of Economic Analysis (BEA). In Q1 2026, personal consumption expenditures increased 0.5%, gross private domestic investment increased 7.9%, and government consumption expenditures and gross investment increased 4.4%. Net exports declined by $33 billion from Q4 2025 to Q1 2026, as import growth outpaced export growth, widening the trade deficit.

Colorado's real GDP increased at a SAAR of 1.4% in Q1 2026 and 2.7% year-over-year, ranking Colorado 27th and 17th, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture, forestry, fishing, and hunting (27.7%); Information (10.6%); and Mining (8.9%). The largest losses were in Retail (-0.7%); Administrative, support, waste management and remediation services (-0.6%); and Government (-0.6%).

Sales and Profits — Rising Expectations

Sales and profits expectations increased ahead of Q3, with sales remaining the highest-rated component and profits the second highest. The sales index increased from 48.9 ahead of Q2 to 49.6 in Q3 2026 but stepped back to 47.7 looking further out to Q4. The profits index increased from 46 in Q2 to 46.3 ahead of Q3 and Q4 2026. Individuals with a negative sales outlook (33.6%) slightly outweighed those with positive perceptions (31.3%), while 35% remained neutral ahead of Q3. Profits expectations showed a similar pattern with negative perceptions outweighing the positive, 41.6% to 27.1% (31.3% remained neutral).

Sales and Profits Expectations



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 1.4% quarter-over-quarter in Q1 2026, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in goods (0.4%) lagged the rate of growth in services (1.8%). Corporate profits after tax, without inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), increased 17.4% year-over-year in Q1, the strongest pace of growth since 2021.

Consumption is also published monthly. Real personal consumption expenditures increased 0.1% month-over-month and 2.1% year-over-year (nominal, 0.5% month-over-month and 5.9% year-over-year). According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales were up 0.9% month-over-month and 6.9% year-over-year in May. Year-to-date, sales grew 4.3%. The Colorado Department of Revenue Sales Report showed taxable retail sales in the state increased 0.7% in March, year-over-year, and 2.3% year-to-date.

Business-to-business sales also serve as an indicator of both sales volume and profitability. Wholesale trade sales reported by the U.S. Census Bureau, in nominal dollars, increased 13.3% year-over-year in April 2026 (real, inflation-adjusted growth was 4.4%). Durable goods posted a year-over-year increase in sales of 13.1% (6.5% real) while non-durable goods sales were up 13.5% (2.3% real). Wholesale inventories were up 3.6% over the year and 0.6% from the prior month in April 2026.

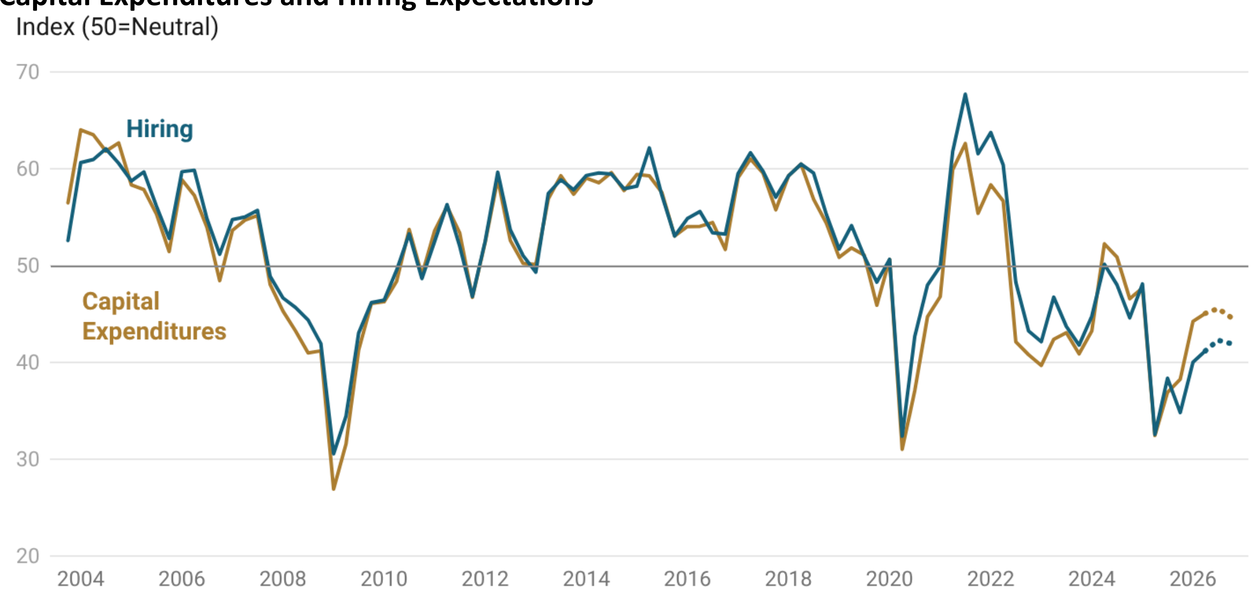
National personal income continued to climb in May 2026, according to the BEA, up 3.8% over May 2025 and 0.7% from April 2026. Colorado personal income rose 3.6% year-over-year and at an annualized rate of 3.7% quarter-over-quarter (SAAR) in Q1 2026, ranking the state 27th and 21st nationally, for the respective metrics. Colorado had the 9th-highest per capita personal income in Q1 2026, at $87,956. The state ranked 24th for per capita personal income growth year-over-year (3.3%) and 18th for quarter-over-quarter annualized growth (3.6%).

Capital Expenditures and Hiring Expectations Improving

Expectations for capital expenditures and hiring improved ahead of Q3 2026. Hiring expectations increased from 41.2 in Q2 2026 to 42.3 ahead of Q3 but pulled back to 41.9 ahead of Q4. The outlook for capital expenditure increased from 45.1 ahead of Q2 to 45.6 in Q3 but decreased to 44.7 in Q4 2026.

Ahead of Q3 2026, 39.7% of respondents were negative on hiring while 14.5% expected a moderate increase and 45.8% remained neutral. Regarding capital expenditures, 35.5% reported negative expectations, 22% expected an increase and 42.5% remained neutral.

Capital Expenditures and Hiring Expectations



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A key indicator of capital expenditure expenses is construction trends. According to the U.S. Census Bureau, the national total value of construction put in place increased 0.9% year-over-year in April, with residential up 1.7% and nonresidential up 0.3%. The BEA reported U.S. nonresidential fixed business investment increased at an annualized rate of 10.1% from Q4 2025 to Q1 2026, but investment in structures decreased 5.4%. Residential fixed investment decreased 6.2% over the quarter. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado increased 4% year-to-date through May 2026, with strength in nonbuilding (infrastructure) and weakness in residential and nonresidential building.

National employment growth accelerated in 2026 after muted growth in 2025. According to the Bureau of Labor Statistics, total nonfarm employment increased at a rate of 9,700 jobs per month in 2025, but growth averaged 113,800 for the first five months of 2026. Colorado's May 2026 nonfarm employment was nearly unchanged (100 jobs) year-over-year, ranking the state 31st for the pace of job growth. The unemployment rate held steady at 3.9% (compared to 4.2% in May 2025), ranking Colorado 24th in the country, and lower than the national rate. The state tied for 8th-highest labor force participation rate in May 2026. At 65.9%, this was the 4th-lowest rate in the data that dates back to 1976.

Survey Response Questions

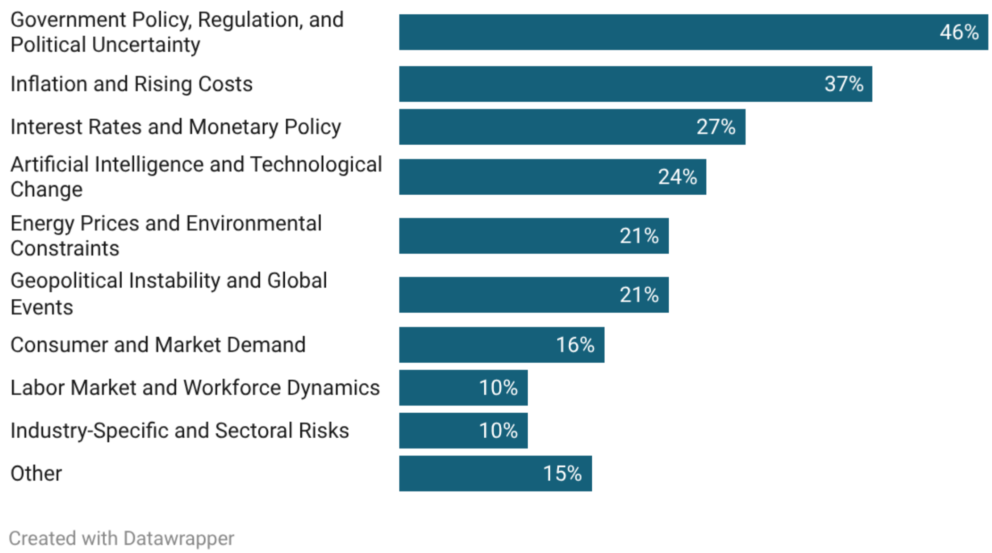
For the Q2 2026 survey, the Business Research Division partnered with Blendification for analysis of the open-ended questions. Blendification views the open-ended questions as conversations. The AI-powered research platform transforms conversations into trusted, decision-ready insights. Using its Curious 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.

Open-ended responses reinforced the survey findings. Inflation, political uncertainty, and geopolitical conflict remained the dominant drivers of pessimism. Respondents also identified government regulation, inflation, and monetary policy as the most significant emerging risks over the next six months.

Primary Reason for Near-Term Sentiment

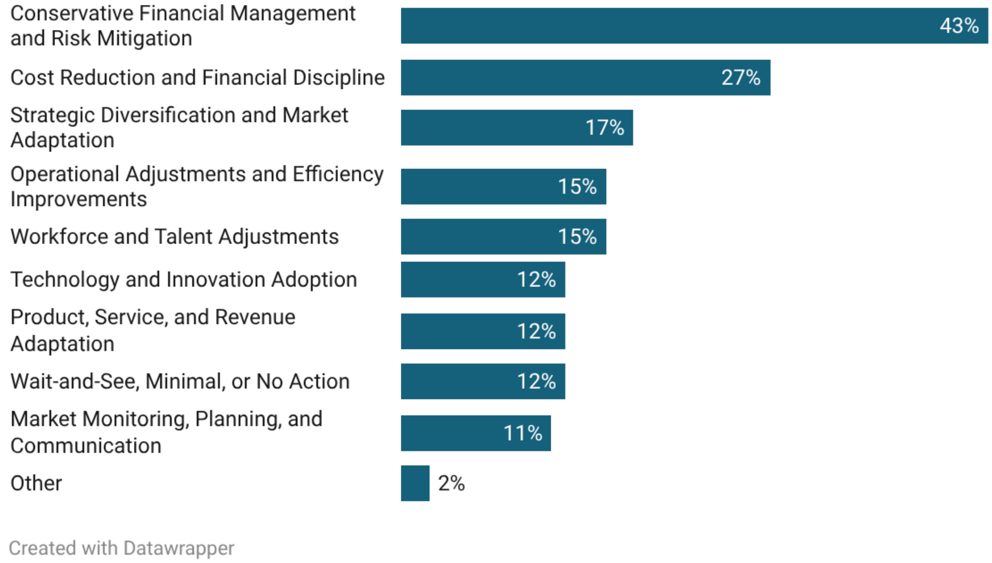
Question: What are the primary reasons for your sentiments (optimistic or pessimistic) about Q3 2026?

Emerging Economic Factors (Risks and Trends)



Question: What emerging economic factors (risks or trends) do you believe will have the most significant impact on your industry in the next 6 months?

Adaptation Strategies for Emerging Risks and Trends

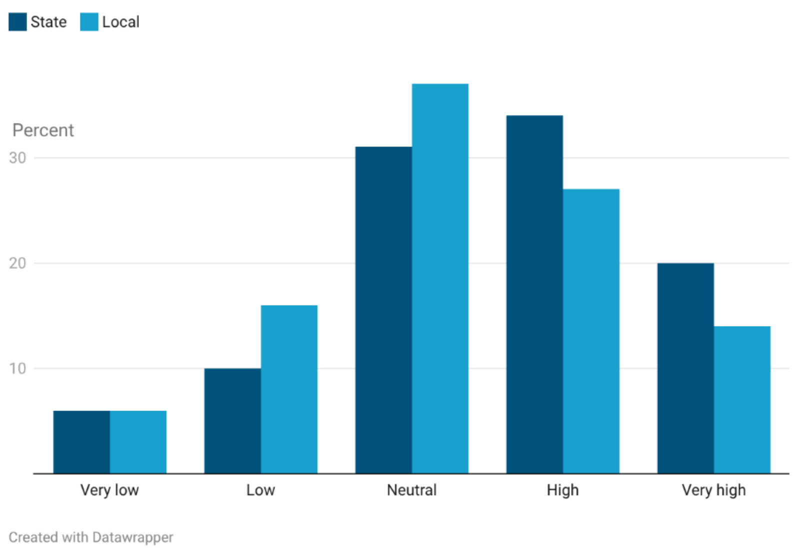


Question: How are you preparing to address the risks or trends?

Regulation

A new question in the survey asked about state and local government regulations, both generally, and the perception of regulations compared to neighboring states. A minority of respondents rated state regulation low while 54% viewed state regulation as high (31% were neutral). Local regulations fared slightly better as 22% rated local regulations low, 41% high, and 37% were neutral.

Regulatory Burden on Companies

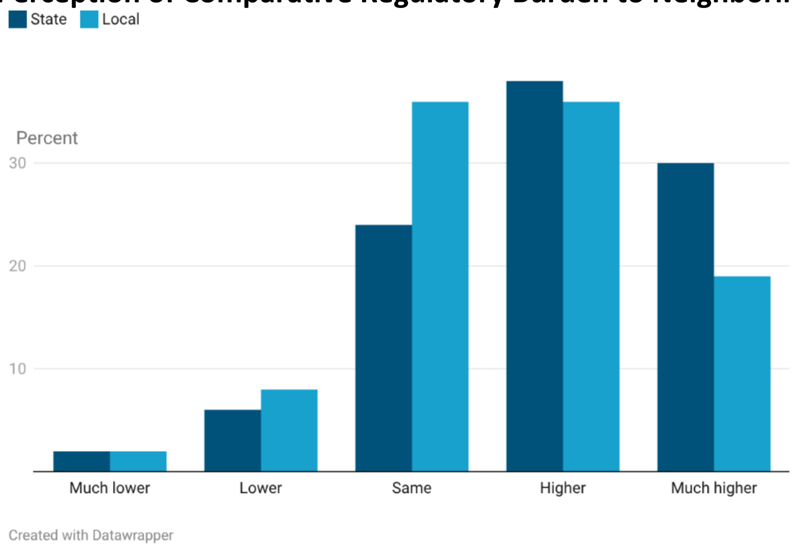


Question: How do you rate Colorado's [state & local] regulatory burden on your company?

In a second question, respondents were asked about state and local government regulation in Colorado compared to neighboring states, which provided insight into the perception of comparative regulation. By this measure, only 8% of respondents perceive state government regulation lower than neighboring states, while 68% perceive regulation to be higher (24%

same). For local regulation, 9% perceive local government regulation to be lower, 55% higher, and 36% the same.

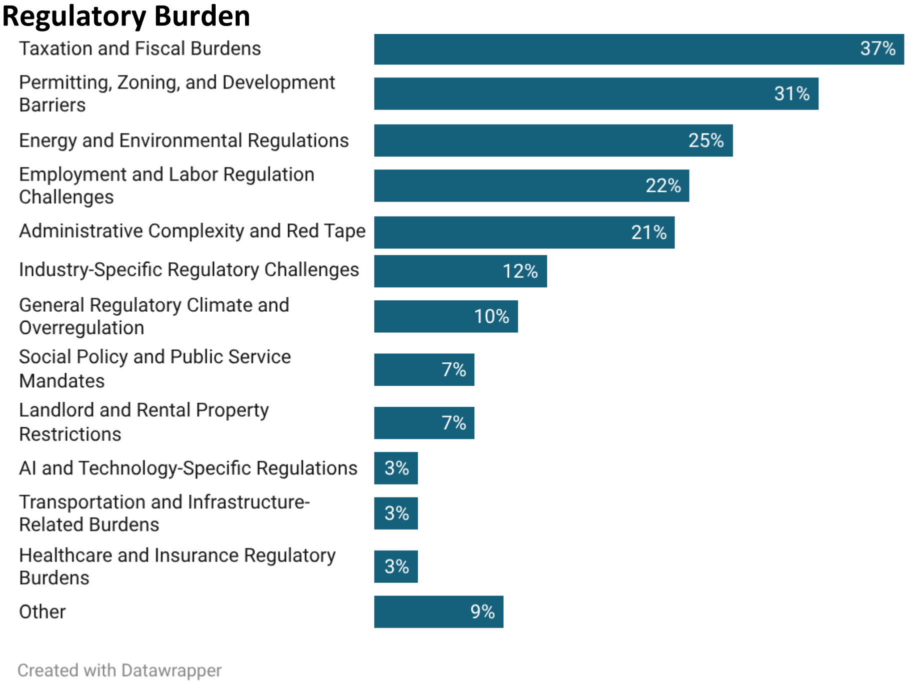
Perception of Comparative Regulatory Burden to Neighboring States



Question: What is your perception of the regulatory burden in Colorado compared to neighboring states?

Panelists were asked to provide the top regulatory burdens on their companies. The top three cited were taxation and fiscal burdens (37%), permitting, zoning, and development barriers (31%), and energy and environmental regulations (25%).

Regulatory Burden



Question: What are the top 3 Colorado regulatory burdens for your company?

Distribution of Expectations in Q2 2026, Q3 2026, and Q4 2026

State Expectations

34.7 in Q2 2026, 36.9 in Q3 2026, and 37.7 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	8.9%	57.3%	19.7%	14.1%	0.0%
2026 Q3	9.8%	46.3%	31.3%	11.7%	0.9%
2026 Q4	11.4%	41.2%	33.6%	12.8%	0.9%

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National Expectations

35.4 in Q2 2026, 38.6 in Q3 2026, and 40.9 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	13.6%	52.1%	16.0%	15.5%	2.8%
2026 Q3	9.8%	48.1%	23.8%	14.5%	3.7%
2026 Q4	12.3%	37.4%	28.9%	17.1%	4.3%

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Sales Expectations

48.9 in Q2 2026, 49.6 in Q3 2026, and 47.7 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	4.7%	31.9%	30.0%	29.6%	3.8%
2026 Q3	4.2%	29.4%	35.0%	26.2%	5.1%
2026 Q4	7.1%	28.9%	33.2%	27.5%	3.3%

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Profits Expectations

46.0 in Q2 2026, 46.3 in Q3 2026, and 46.3 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	4.2%	36.6%	32.4%	24.4%	2.3%
2026 Q3	4.2%	37.4%	31.3%	23.4%	3.7%
2026 Q4	6.6%	33.6%	30.8%	25.6%	3.3%

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Hiring Expectations

41.2 in Q2 2026, 42.3 in Q3 2026, and 41.9 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	10.3%	30.5%	43.7%	15.0%	0.5%
2026 Q3	7.5%	32.2%	45.8%	12.6%	1.9%
2026 Q4	10.9%	30.8%	39.8%	16.6%	1.9%

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Capital Expenditures Expectations

45.1 in Q2 2026, 45.6 in Q3 2026, and 44.7 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	6.1%	33.3%	37.1%	21.1%	2.3%
2026 Q3	7.0%	28.5%	42.5%	19.2%	2.8%
2026 Q4	7.6%	31.3%	38.4%	20.4%	2.4%

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Overall Index Expectations

41.9 in Q2 2026, 43.2 in Q3 2026, and 43.2 in Q4 2026

	Strong Decrease	Moderate Decrease	No Change	Moderate Increase	Strong Increase
2026 Q2	8.0%	40.3%	29.8%	20.0%	2.0%
2026 Q3	7.1%	37.0%	35.0%	17.9%	3.0%
2026 Q4	9.3%	33.9%	34.1%	20.0%	2.7%

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