

Business Sentiment Stuck Below Neutral

Business leader confidence reiterated a perception of pessimism heading into Q4 2026. Panelists were asked to provide reasons for their expectations ahead of Q4 2026. The most frequently cited reason was political and government influences, mentioned by 46% of panelists. This was followed by inflation and cost of living concerns (39%) and interest rates and financial market conditions conflict (31%). Many of the leading concerns are mutually reinforcing, with the political environment, cost of living, and financial market conditions 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 outlook, 72% 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 decreased 2.5 points from Q3 2026 to Q4 2026. All six components of the index decreased from Q3 to Q4, but all components were up when compared to Q4 2025. Each component remained below the neutral value of 50, indicating that business leaders continue to hold pessimistic expectations. While industry sales recorded the highest index level in Q4, industry sales also recorded the largest decrease in the index from Q3 to Q4 2026. The overall index decreased from 43.2 reported last quarter to 40.7 in the current survey, and confidence improved marginally looking ahead to Q1 2027. A total of 205 panelists responded to the survey from September 1 to September 21, 2026.

Leeds Business Confidence Index

Component	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	Quarterly Change	Annual Change
Industry Sales	41.7	48.1	48.9	49.6	45.2	▼	▲
Industry Profits	39.2	44.9	46.0	46.3	42.8	▼	▲
Industry Hiring	34.8	40.0	41.2	42.3	42.0	▼	▲
Capital Expenditures	38.3	44.2	45.1	45.6	42.1	▼	▲
State Economy	31.0	39.9	34.7	36.9	35.2	▼	▲
National Economy	31.1	41.3	35.4	38.6	37.1	▼	▲
LBCI	36.0	43.1	41.9	43.2	40.7	▼	▲

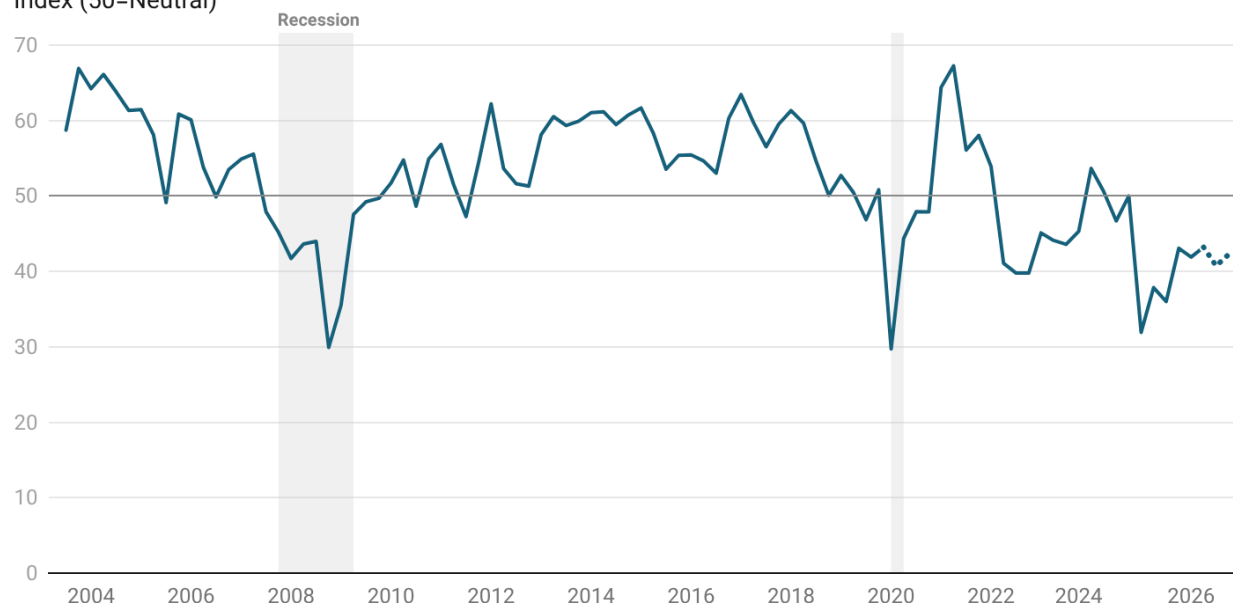
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- All components of the LBCI recorded negative perceptions (below an index value of 50) in Q4 2026. The index was highest for the industry sales and lowest for the state economy.
- After ranking among the top two components for most (66%) of the index's 24-year history, the state component has fallen to last place for six consecutive quarters.

- The Consumer Price Index (i.e., inflation) increased 3.9% year-over-year in the Denver-Aurora-Lakewood region in July compared to 2.1% during the same period in 2025.
- Colorado's employment growth saw a slight increase year-over-year in August 2026, placing the state 29th nationally in terms of job growth.
- 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 2.2% in Q2 2026 and also grew 2.2% year-over-year. Colorado's real GDP increased 2.4% year-over-year and at an annualized rate of 1% quarter-over-quarter in Q2 2026, ranking the state 35th and 9th, respectively.

Leeds Business Confidence Index

Index (50=Neutral)



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Leeds Business Confidence Index

Component	Q4 2026	Quarterly Change	Annual Change	Q1 2027	Quarterly Change	Annual Change
Industry Sales	45.2	▼	▲	46.8	▲	▼
Industry Profits	42.8	▼	▲	43.9	▲	▼
Industry Hiring	42.0	▼	▲	43.0	▲	▲
Capital Expenditures	42.1	▼	▲	43.2	▲	▼
State Economy	35.2	▼	▲	36.7	▲	▼
National Economy	37.1	▼	▲	40.0	▲	▼
LBCI	40.7	▼	▲	42.3	▲	▼

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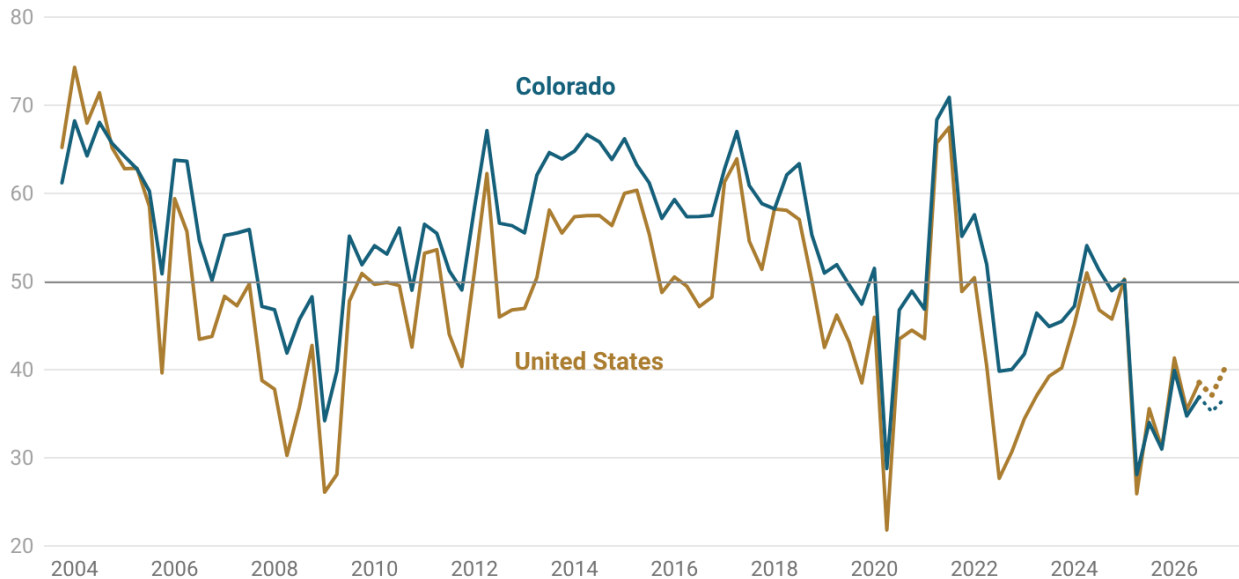
National and State Economies — Decreased for the Quarter

National and state economic expectations both decreased ahead of Q4, but the components both increased looking out further to Q1 2027. State expectations decreased from 36.9 in Q3 to 35.2 in Q4 and increased slightly to 36.7 looking out to Q1 2027. The national index decreased from 38.6 in Q3 to 37.1 in Q4, but increased to 40 looking further to Q1 2027. State economic expectations remained below national expectations—a relatively new pattern that started in 2025.

Responses for the state and national economy tilted negative ahead of Q4. For the state economy, 62.4% of respondents expected a moderate or strong decrease in Q4, 11.7% expected a moderate-to-strong increase, and 25.9% were neutral. On the national level, 59% expect a moderate or strong decrease, 20% expect an increase, and 21% are neutral.

National and State Expectations

Index (50=Neutral)



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National real (inflation-adjusted) GDP increased 2.2% (seasonally adjusted annual rate, SAAR) in Q2 2026 according to the third estimate from the Bureau of Economic Analysis (BEA). In Q2 2026, personal consumption expenditures increased 3.8%, gross private domestic investment increased 4.6%, and government consumption expenditures and gross investment decreased 0.1%. Net exports declined by \$79.8 billion from Q1 2026 to Q2 2026, as import growth continued to outpace export growth, widening the trade deficit.

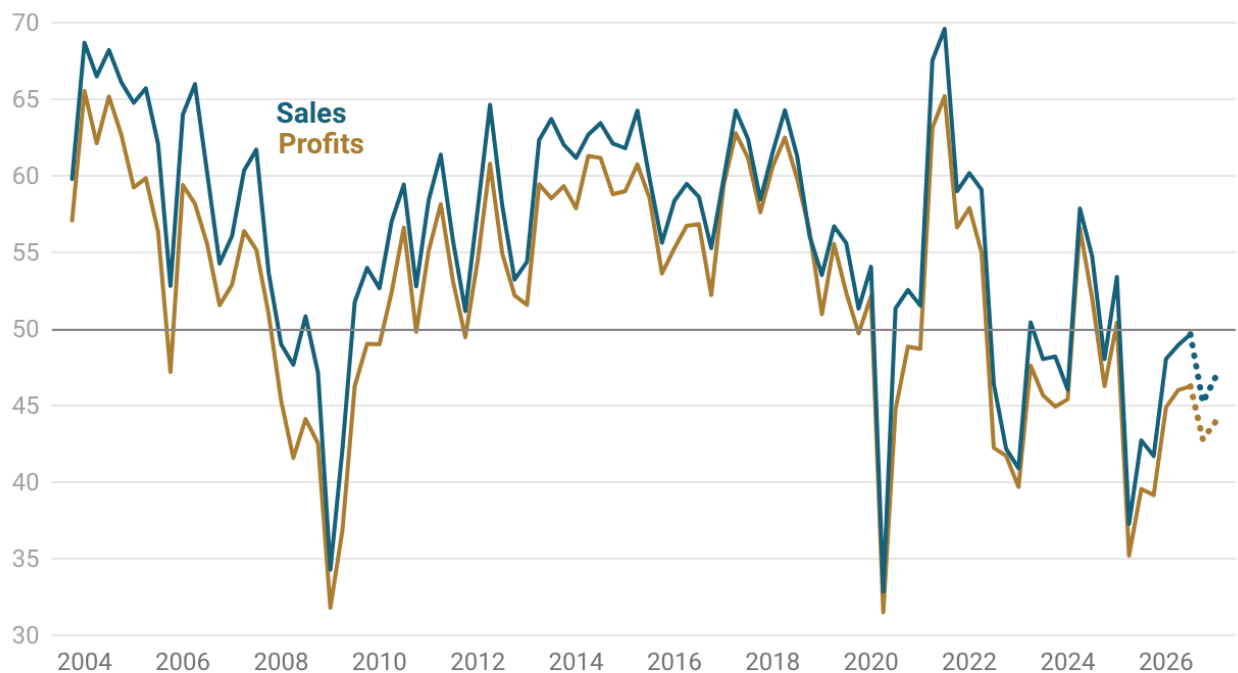
Colorado's real GDP increased 2.4% year-over-year and at an annualized rate of 1% in Q2 2026, ranking Colorado 9th and 35th, respectively. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture, forestry, fishing, and hunting (31.2%); Information (10%); and Professional, scientific, and technical services (6.5%). The largest losses were in Transportation and warehousing (-5.1%); Administrative, support, waste management and remediation services (-1.9%); and Government (-1.9%).

Sales and Profits — Falling Expectations

Sales and profits expectations decreased ahead of Q4, with sales remaining the highest-rated component and profits the second highest. The sales index decreased from 49.6 ahead of Q3 to 45.2 in Q4 2026 but stepped up to 46.8 looking further out to Q1 2027. The profits index decreased from 46.3 in Q3 to 42.8 in Q4 but increased to 43.9 ahead of Q1 2027. Individuals with a negative sales outlook (42.9%) outweighed those with positive perceptions (25.4%), while 31.7% remained neutral ahead of Q4. Profits expectations showed a similar pattern with negative perceptions outweighing the positive, 48.3% to 23.4% (28.3% remained neutral).

Sales and Profits Expectations

Index (50=Neutral)



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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 largely impacted by consumption. Nationally, personal consumption expenditures increased at an annualized rate of 3.8% quarter-over-quarter in Q2 2026, based on data published by the U.S. Department of Commerce's Bureau of Economic Analysis. Quarterly growth in services (3.4%) lagged the rate of growth in goods (4.5%). Corporate profits after tax, without inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), increased 26.6% year-over-year in Q2.

Consumption is also published monthly. Nominal personal consumption expenditures increased 6.1% year-over-year in August, and real (inflation adjusted) personal consumption expenditures increased 2.6% year-over-year. According to the U.S. Census Bureau, nominal seasonally adjusted retail and food services sales were up 1.2% month-over-month and 6% year-over-year in August.

Year-to-date, sales grew 5.2%. The Colorado Department of Revenue Sales Report showed taxable retail sales in the state increased 7.7% in June, year-over-year, and 3.1% 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% year-over-year in July 2026 (real, inflation-adjusted growth was 4.3%). Durable goods posted a year-over-year increase in sales of 16.9% (9.3% real) while non-durable goods sales were up 9.4% (-0.3% real). Wholesale inventories were 5.7% over the year and 1.3% from the prior month in July 2026.

National personal income continued to climb in August 2026, according to the BEA, up 4.3% over August 2025 and 0.2% from July 2026. Colorado personal income rose 4.8% year-over-year and at an annualized rate of 4.1% quarter-over-quarter (SAAR) in Q2 2026, ranking the state 10th and 27th, for the respective metrics. Colorado had the 9th-highest per capita personal income in Q2 2026, at \$90,033. The state ranked 9th for per capita personal income growth year-over-year (4.6%) and 26th for quarter-over-quarter annualized growth (4.1%).

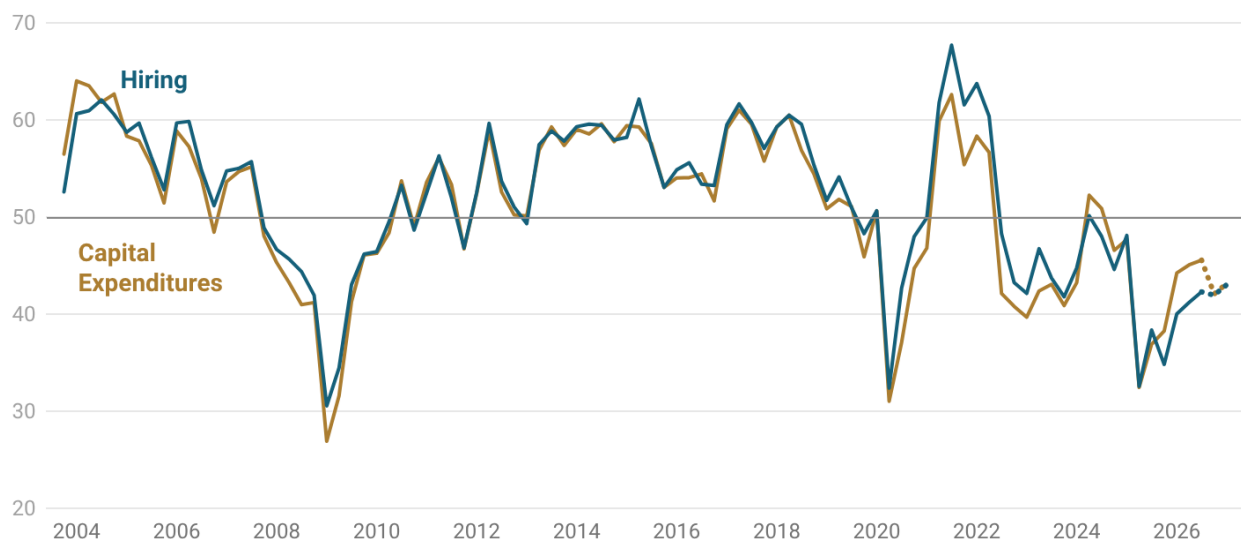
Capital Expenditures and Hiring Expectations Slightly Decreasing

Expectations for capital expenditures and hiring slightly decreased ahead of Q4 2026. Hiring expectations decreased from 42.3 in Q3 2026 to 42.0 ahead of Q4 but increased to 43.0 ahead of Q1 2027. The outlook for capital expenditure decreased from 45.6 ahead of Q3 to 42.1 in Q4 but slightly increased to 43.2 in Q1 2027.

Ahead of Q4 2026, 42% of respondents were negative on hiring while 15.1% expected a moderate or strong increase and 42.9% remained neutral. Regarding capital expenditures, 42.9% reported negative expectations, 18% expected an increase and 39% 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 the U.S. Census Bureau, the national total value of construction put in place decreased 3.5% year-to-date through July, with residential down 4.1% and nonresidential down 3.1%. The BEA reported U.S. nonresidential fixed business investment increased at an annualized rate of 9% from Q1 2026 to Q2 2026, and investment in structures increased 0.1%. Residential fixed investment increased 2.8% over the quarter. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado increased 10.9% year-to-date through August 2026, with strength in nonbuilding (infrastructure) and weakness in residential and nonresidential buildings.

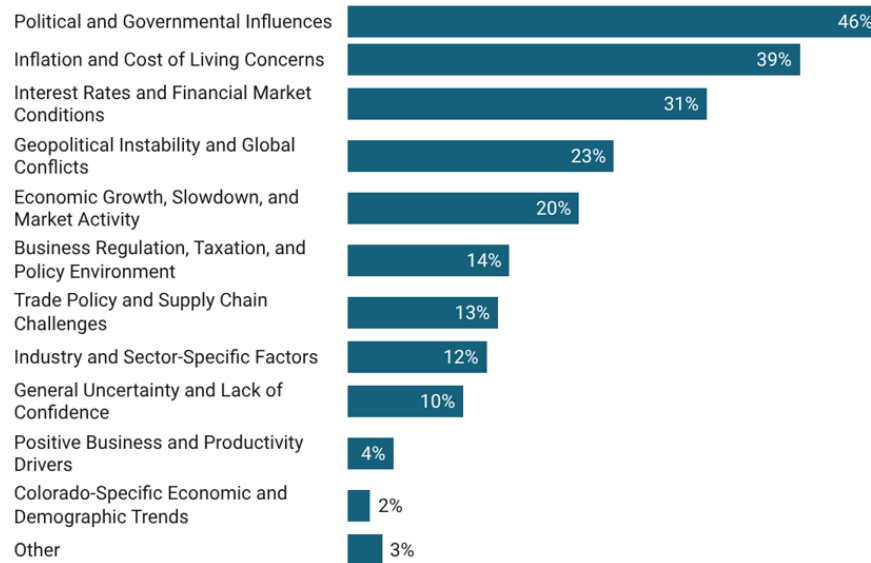
National employment growth accelerated in 2026 after muted growth in 2025. According to the Bureau of Labor Statistics, total nonfarm employment increased at a rate of 9,700 jobs per month in 2025, but growth has averaged 80,400 over the first eight months in 2026. Colorado's August 2026 nonfarm employment grew 6,600 year-over-year, ranking the state 29th for the pace of job growth. The unemployment rate was 4% as of August 2026, ranking Colorado 27th in the country, and just below the national rate of 4.1%. The state had the 9th-highest labor force participation rate in August 2026. At 65.3%, this was the lowest rate in the data that dates back to 1976.

Survey Response Questions

For the Q4 2026 survey, the Business Research Division partnered with Blendification for analysis of the open-ended questions. Blendification views the open-ended questions as conversations using inferential categorization. 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. Political and governmental influences, inflation, interest rates, and geopolitical conflict remained the dominant drivers of pessimism. Respondents also identified interest rates, inflation, geopolitical instability, and consumer and labor market conditions among most significant emerging risks over the next six months, with broad strategies cited for managing risks, including cost control measures, managing operations, and strengthening financial positions ranking high.

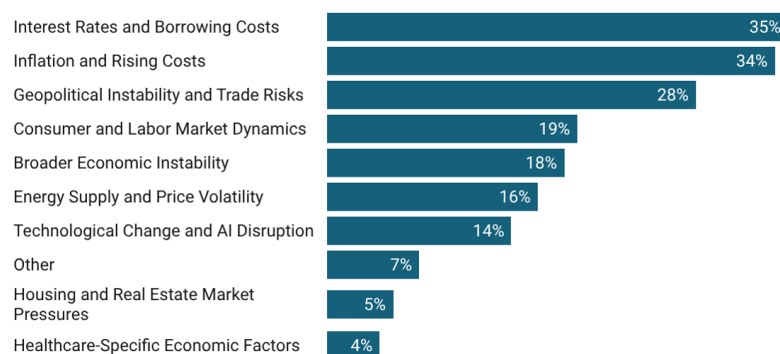
Primary Reason for Near-Term Sentiment



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Question: What are the primary reasons for your sentiments (optimistic or pessimistic) about Q4 2026?

Emerging Economic Factors (Risks and Trends)



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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



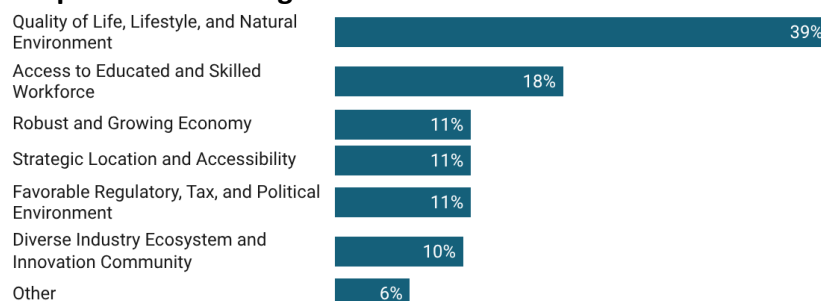
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Question: How are you preparing to address the risks or trends?

Competitive Advantage and Disadvantage

A new question in the survey asked respondents to identify Colorado's largest competitive advantage. Quality of life, lifestyle, and the natural environment stood out as the leading advantage, cited by 39% of respondents. Access to an educated and skilled workforce followed at 18%, while 11% identified a robust and growing economy, strategic location and accessibility, and a favorable regulatory, tax, and political environment.

Competitive Advantage

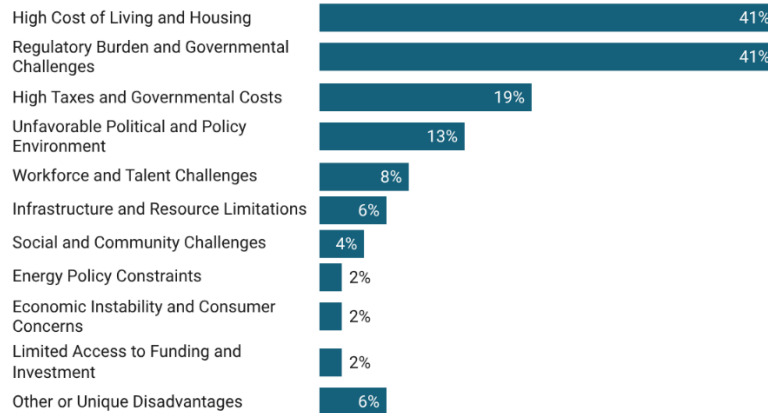


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Question: What is the single biggest competitive disadvantage Colorado offers your company.

In a second question, respondents were also asked to identify Colorado's largest competitive disadvantage. High cost of living and housing and regulatory burden and governmental challenges were the most commonly cited, each identified by 41% of respondents. High taxes and governmental costs followed at 19%, while 13% cited an unfavorable political and policy environment.

Competitive Disadvantage

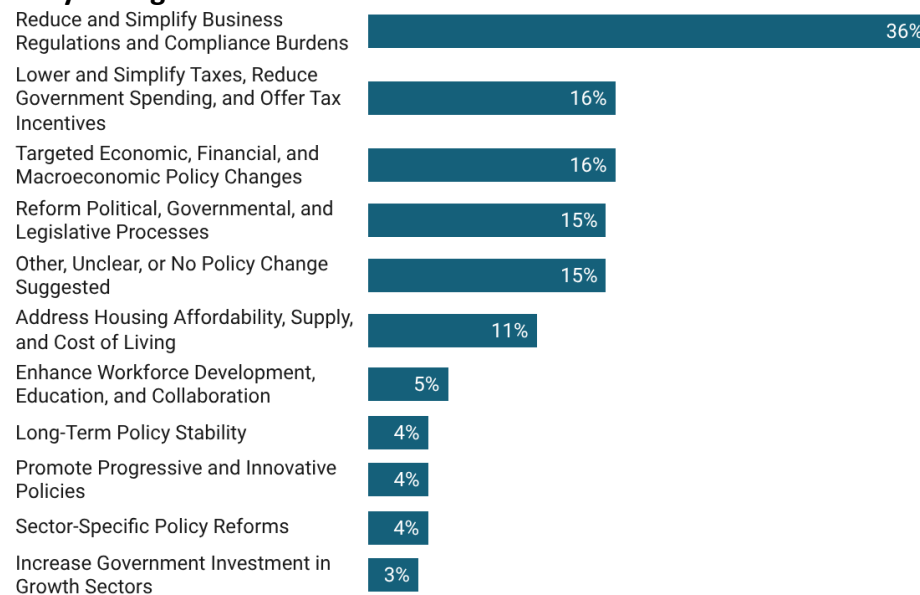


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Question: What is the single biggest competitive disadvantage Colorado offers your company?

Panelists were asked to identify the policy change that would most improve their company's competitive position in Colorado. The most commonly discussed changes focused on reducing and simplifying business regulations and compliance burdens, cited by 36% of respondents. A variety of other policy changes fell in the categories of taxes, economic, governmental, affordability, and workforce.

Policy Changes



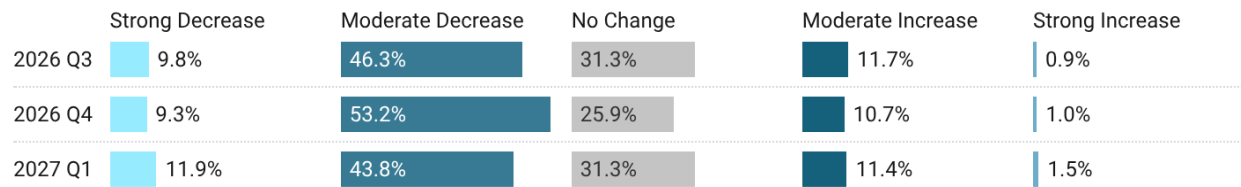
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Question: What single policy change would most improve your company's competitive position in Colorado?

Distribution of Expectations in Q3 2026, Q4 2026, and Q1 2027

State Expectations

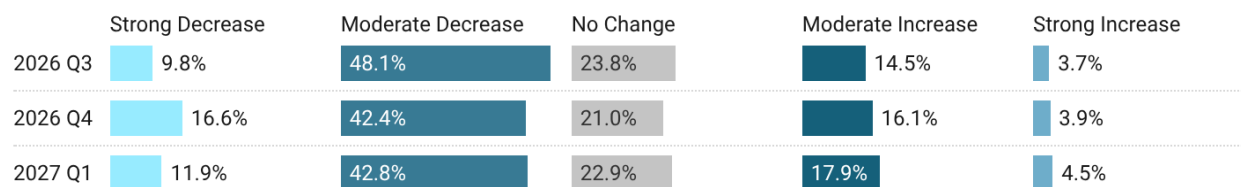
36.9 in Q3 2026, 35.2 in Q4 2026, and 36.7 in Q1 2027



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National Expectations

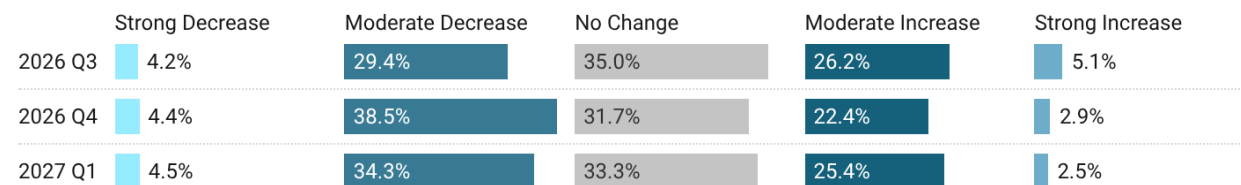
38.6 in Q3 2026, 37.1 in Q4 2026, and 40.0 in Q1 2027



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Sales Expectations

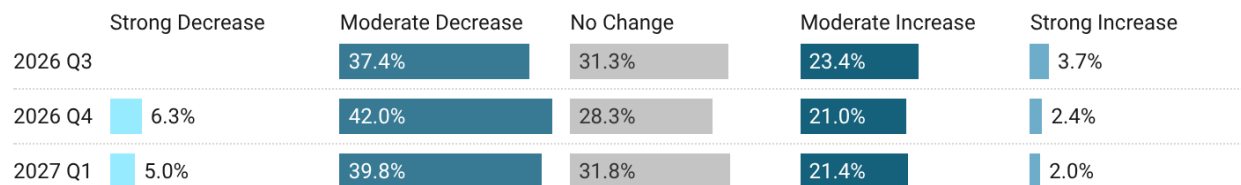
49.6 in Q3 2026, 45.2 in Q4 2026, and 46.8 in Q1 2027



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Profits Expectations

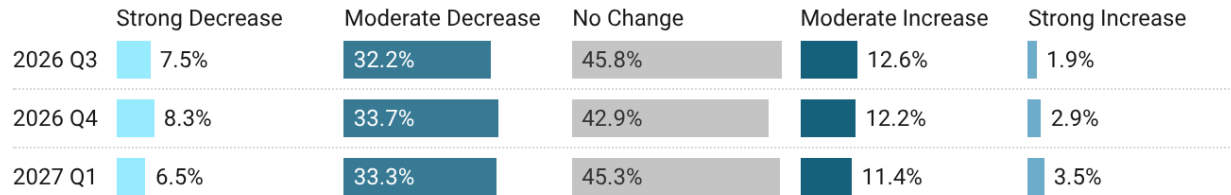
46.3 in Q3 2026, 42.8 in Q4 2026, and 43.9 in Q1 2027



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Hiring Expectations

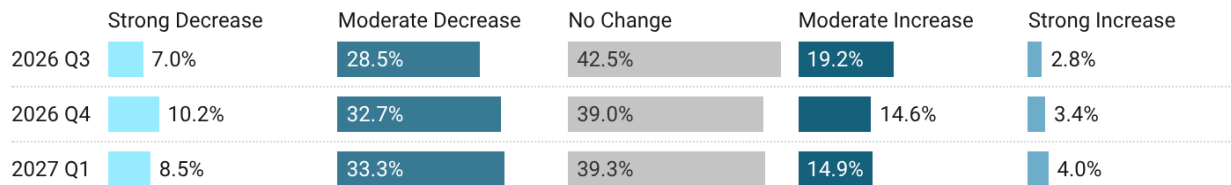
42.3 in Q3 2026, 42.0 in Q4 2026, and 43.0 in Q1 2027



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Capital Expenditures Expectations

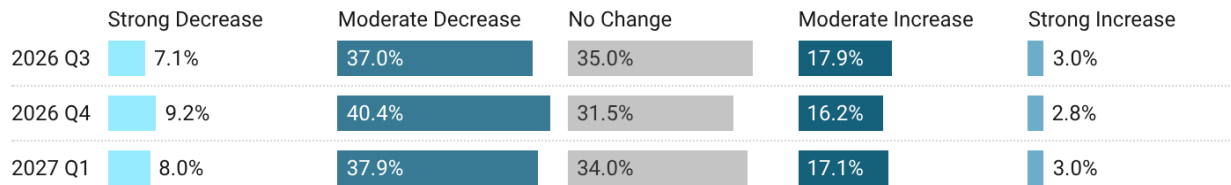
45.6 in Q3 2026, 42.1 in Q4 2026, and 43.2 in Q1 2027



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Overall Index Expectations

43.2 in Q3 2026, 40.7 in Q4 2026, and 42.3 in Q1 2027



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www.colorado.edu/business/brd