

## Business Confidence Improving

Business confidence is on the rise in Colorado. Every component of the Leeds Business Confidence Index (LBCI) increased ahead of Q2 2024, and all components moved into positive territory. Across the array of reasons given to explain their outlook, general economic conditions, politics, and interest rates were commonly cited as the most pressing factors.

The LBCI captures Colorado business leaders' expectations for the national economy, state economy, industry sales, profits, hiring plans, and capital expenditures. The index moved above 50 in the current survey (50=neutral) for the first time in two years, and also moved above the long-term average. The index increased from 45.3 in Q1 2024 to 53.7 ahead of Q2 2024 and 53.0 looking out further to Q3. All of the six components of the index increased ahead of the second quarter. Looking out to Q3, all six components increased year-over-year and remained in positive territory, but most components moderated from Q2 levels. A total of 178 qualified panelists responded to the survey from March 1 through March 20, 2024.

## Leeds Business Confidence Index

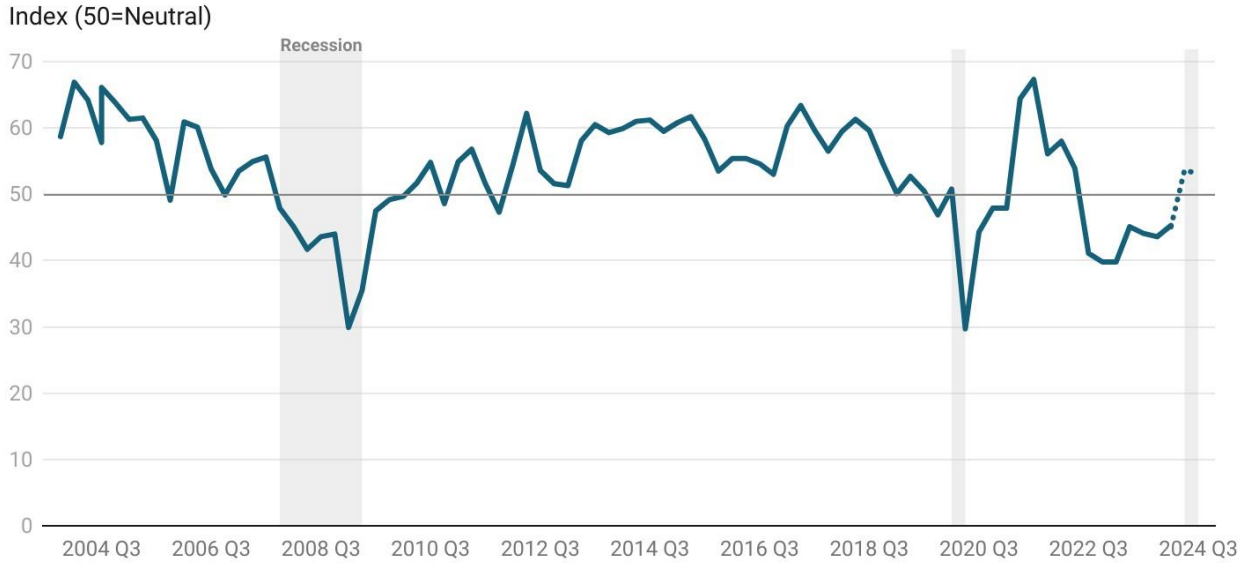
Component	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Quarterly Change	Annual Change
State Economy	46.4	44.9	45.5	47.2	54.1	▲	▲
National Economy	37.1	39.3	40.2	45.2	51.0	▲	▲
Industry Sales	50.4	48.0	48.2	46.0	57.9	▲	▲
Industry Profits	47.6	45.7	44.9	45.4	56.6	▲	▲
Industry Hiring	46.7	43.7	41.8	44.8	50.1	▲	▲
Capital Expenditures	42.4	43.1	40.9	43.2	52.2	▲	▲
<b>LBCI</b>	<b>45.1</b>	<b>44.1</b>	<b>43.6</b>	<b>45.3</b>	<b>53.7</b>	▲	▲

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- All 6 individual components of the LBCI recorded positive perceptions (above an index value of 50) ahead of Q2 2024. The index was highest for industry sales and lowest for hiring.
- General economic conditions, politics, and interest rates were the three most noted reasons for panelists' sentiments headed into Q2 2024, cited by 32%, 31%, and 27% of respondents, respectively.
- Inflation in the Denver-Aurora-Lakewood MSA improved to 3.5% in January 2024 (compared to 3.1% for the U.S. city average). Inflation is projected to remain above 3% in the Denver-Aurora-Lakewood region in 2024, according to the Business Research Division's (BRD) forecasting model.
- Year-over-year employment growth in Colorado increased 2.5%, or 72,700 jobs in 2023. Growth continued into 2024—Colorado added 60,300 jobs in February 2024, growing 2.1% year-over-year.

- Colorado’s personal income increased 4.8% year-over-year in Q4 2023, ranking the state 21st. Per capita personal income increased 4.2% year-over-year, ranking Colorado 7th.
- National real gross domestic product (GDP) increased at an annualized rate of 3.4% in Q4 2023 and 3.1% year-over-year. Colorado’s GDP increased at an annualized rate of 2.7% in Q4 and 3.2% year-over-year, ranking the state 36th and 22nd, respectively.

**Leeds Business Confidence Index**



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**Leeds Business Confidence Index**

Component	Q2 2024	Quarterly Change	Annual Change	Q3 2024	Quarterly Change	Annual Change
State Economy	54.1	▲	▲	54.2	▲	▲
National Economy	51.0	▲	▲	51.4	▲	▲
Industry Sales	57.9	▲	▲	55.9	▼	▲
Industry Profits	56.6	▲	▲	55.9	▼	▲
Industry Hiring	50.1	▲	▲	50.1	-	▲
Capital Expenditures	52.2	▲	▲	50.3	▼	▲
<b>LBCI</b>	<b>53.7</b>	<b>▲</b>	<b>▲</b>	<b>53.0</b>	<b>▼</b>	<b>▲</b>

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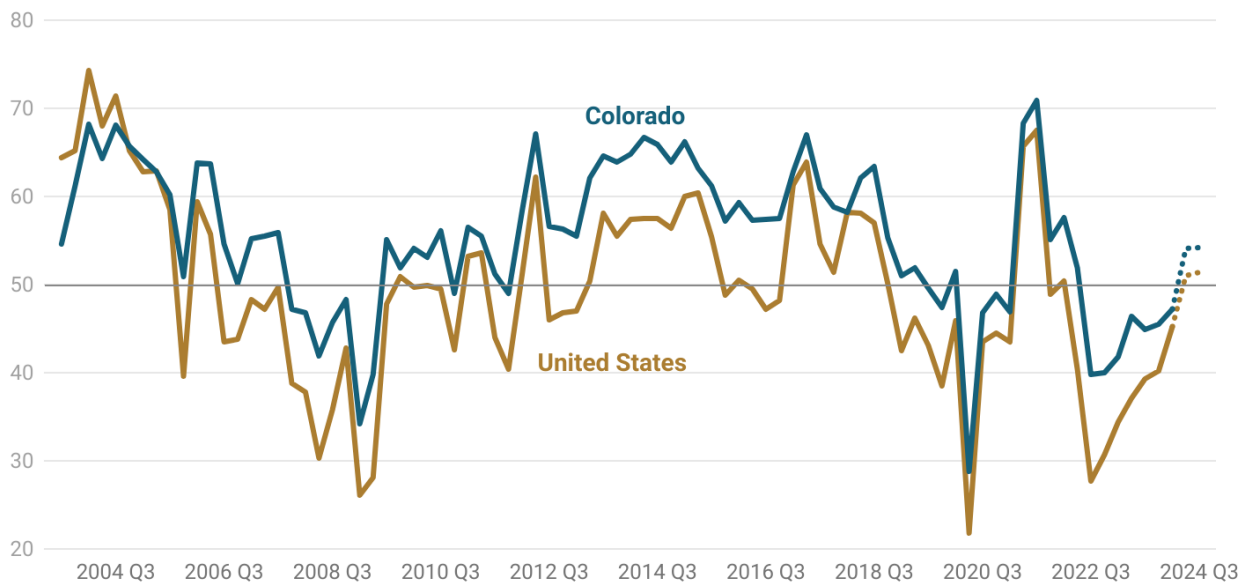
## National and State Economies — Rising Outlook

State and national economic expectations improved in the current survey. State expectations increased from 47.2 in Q1 2024 to 54.1 ahead of Q2 2024 and settled at 54.2 looking out further to Q3 2024. The national index rose from 45.2 in Q1 2024 to 51.0 ahead of Q2 2024 and 51.4 looking further out to Q3 2024. National expectations increased for the 8th-consecutive quarter. The gap between the state outlook and national outlook widened ahead for Q2 2024, still indicating business leaders' confidence that the state will outperform the nation.

For the state economy, 38.8% of respondents are neutral on the outlook, while 38.2% expect a moderate-to-strong increase and 23% expect a decrease. On the national level, 34.8% expect an increase versus 31.5% projecting a decrease (33.7% remained neutral).

### National and State Expectations

Index (50=Neutral)



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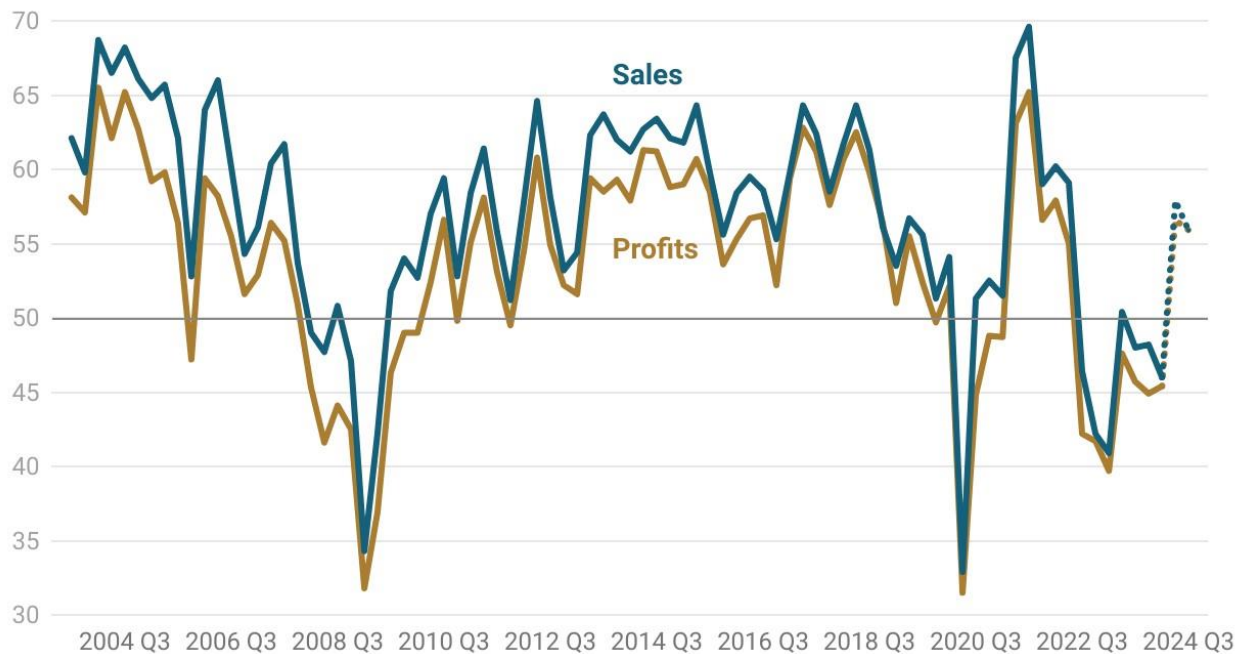
National real (inflation-adjusted) GDP increased at a 3.4% seasonally adjusted annual rate (SAAR) in Q4 2023 according to the third estimate from the Bureau of Economic Analysis (BEA). Personal consumption expenditures increased 3.3%, gross private domestic investment increased 0.7%, and government expenditures increased 4.6%. Net exports, which detract from GDP growth, decreased (improved) \$12.1 billion from Q3 to Q4. As of March, Consensus Forecasts reported expectations for real GDP growth expectations at 2.2% for 2024.

Colorado's real GDP increased at a SAAR of 2.7% for the quarter and at 3.2% year-over-year in Q4. Overall, the largest year-over-year percentage gains in Colorado were recorded in Agriculture (72.9%); Mining, Quarrying, and Oil and Gas Extraction (10.6%); and Professional, Scientific, and Technical Services (9.2%). The largest losses were in Wholesale Trade (-6.3%), Administrative and Waste Management (-4.6%), and Other Services (-3%).

## Sales and Profits — Expectations Spiked

Sales and profits expectations recorded the greatest change and garnered the highest optimism ahead of the second quarter of 2024. The sales index increased from 46 ahead of Q1 2024 to 57.9 ahead of Q2 2024 and settled at 55.9 looking further out to Q3 2024. The profits index increased from 45.4 in Q1 2024 to 56.6 ahead of Q2 2024 and 55.9 looking out to Q3 2024. Individuals with a positive sales outlook (44.4%) outweighed those with negative perceptions (15.7%), while 39.9% remained neutral ahead of Q2. Profits expectations had a similar distribution—the positive perceptions outweighed the negative, 41% to 16.3% (42.7% remained neutral).

### Sales and Profit Expectations



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The strength of the consumer is a key component in the trajectory of sales and profits. Nationally, personal consumption expenditures increased at an annualized rate of 3.3% quarter-over-quarter in Q4 2023 and 2.7% year-over-year. Year-over-year growth in goods exceeded the rate of growth in services. According to the U.S. Census Bureau, seasonally adjusted retail and food services sales increased 1.5% year-over-year in February and 0.6% month-over-month.

Business-to-business sales are also a signal for sales and profits. Wholesale trade sales decreased 2.1% year-over-year in January 2024. Annual sales were down 1.5% in 2023. In January, durable goods posted a year-over-year decline of 0.4% and non-durable goods fell 3.5%. Wholesale inventories decreased 2.2% over the year and decreased 0.2% from the prior month.

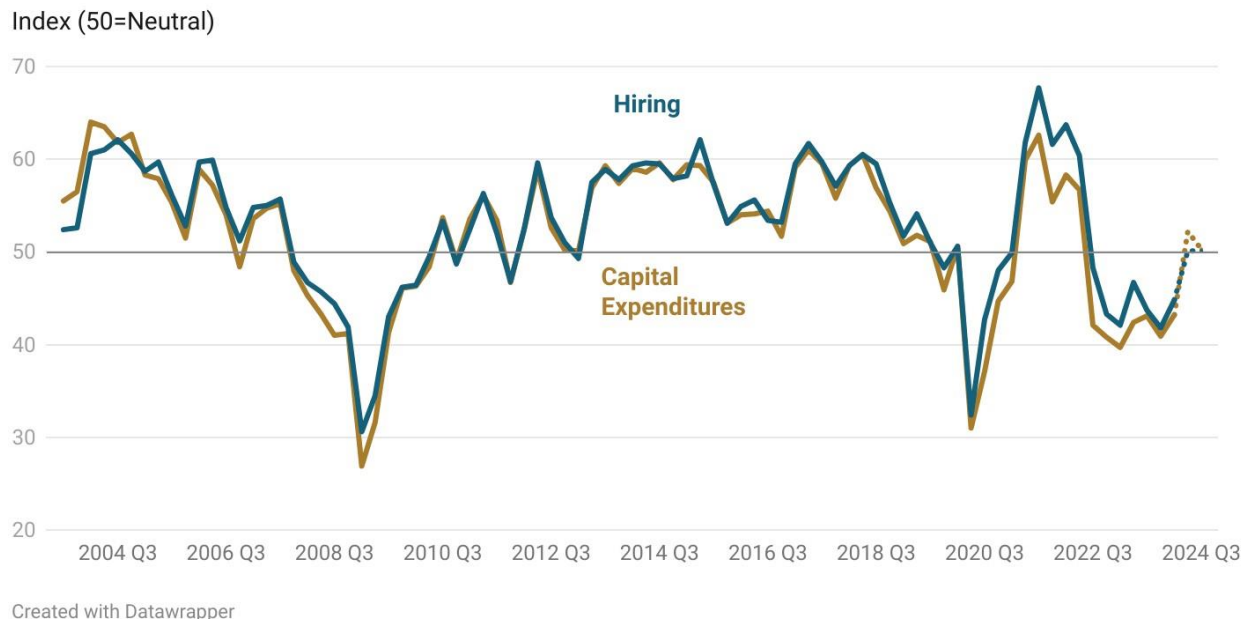
In the fourth quarter of 2023, national personal income continued to climb, increasing 4.7% year-over-year and at an annualized rate of 4% over the prior quarter. Colorado personal income rose 4.8% year-over-year and 1.1% quarter-over-quarter in Q4 2023, ranking the state 21st and 18th

nationally, for the respective metrics. Colorado had the 7th-highest per capita personal income in Q4 2023, at \$79,835; the state ranked 24th for per capita personal income growth year-over-year (4.2%) and 22nd for quarter-over-quarter growth (0.9%).

### Capital Expenditures and Hiring Expenditures Post Slim Positive Outlook

With the backdrop of resilient hiring nationally, local hiring expectations increased from 44.8 in Q1 2024 to 50.1 ahead of Q2 and Q3 2024. The outlook for capital expenditures increased from 43.2 ahead Q1 to 52.2 in Q2 2024 and 50.3 looking out to Q3.

#### Capital Expenditures and Hiring Expectations



Ahead of Q2 2024, 25.8% of respondents expect hiring to grow versus 23.6% who expected a decrease while a majority (50.6%) indicated no change. Regarding capital expenditures, 30.9% of respondents expect growth versus 19.1% who remained pessimistic and 50% who remained neutral.

An indicator of capital expenditures is construction. According to Dodge Data and Analytics, the nominal value of construction starts in Colorado decreased 11.2% in 2023 but increased 18.7% year-over-year in February 2024. In 2023, declines were recorded across residential (-20.8%) and nonresidential (-1.3%), but nonbuilding increased 1.6%. Residential and nonresidential posted year-over-year gains in February. According to the U.S. Census Bureau, the total value of construction put in place for the nation increased 11.7% in January 2024 year-over-year; residential increased 5.4% and nonresidential increased 17.1%, with increases in all product types. The BEA reported U.S. nonresidential fixed business investment increased 3.7% quarter-over-quarter in Q3 2023 (SAAR) and increased 4.6% year-over-year. Investment in structures grew 10.9% over the quarter and 16.9% over the year. Residential fixed investment increased 2.8% for the quarter, posting gains for two consecutive quarters.

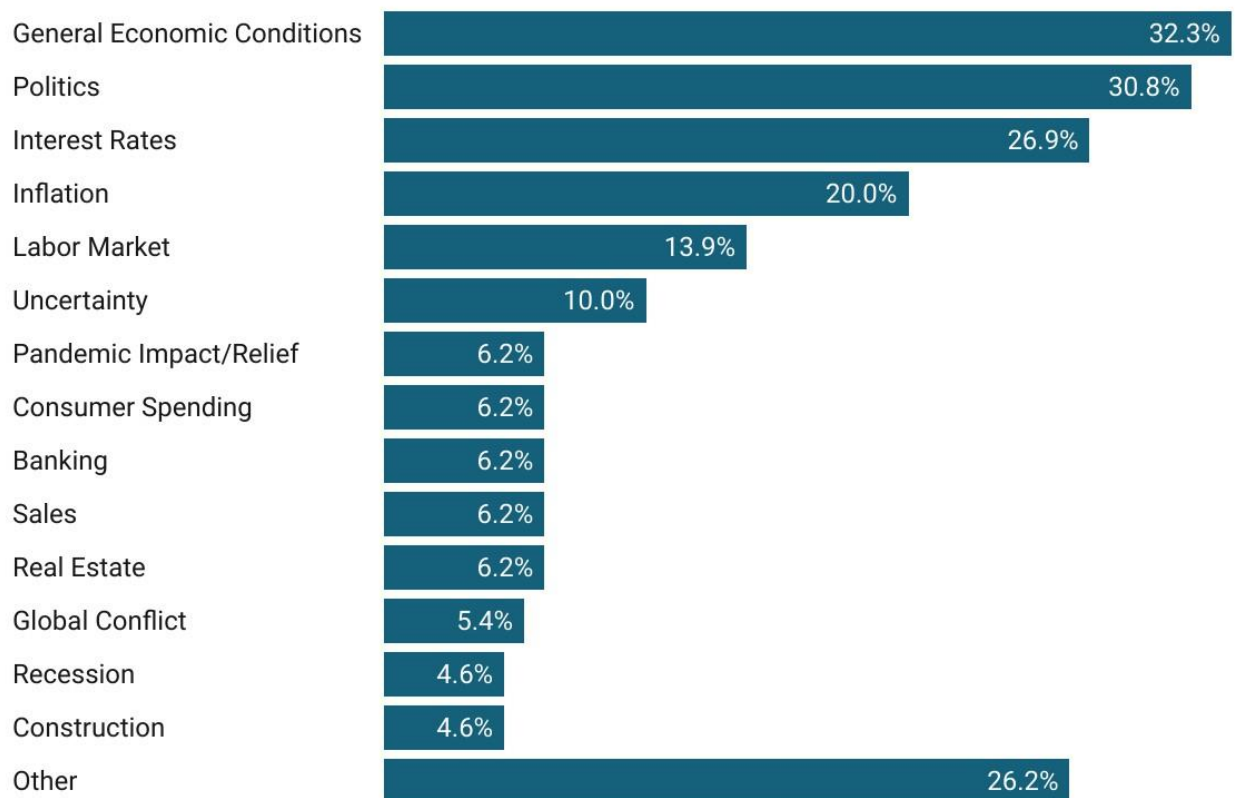
National employment growth continues to post strong but slowing gains. Total nonfarm employment in February 2024 increased 1.8% year-over-year, adding 275,000 jobs. The unemployment rate nationally increased to 3.9% in February.

Colorado’s February nonfarm employment grew 2.1% (60,300 jobs) year-over-year. The BRD expects the state to add 41,900 jobs (1.4%) in 2024. Colorado’s February unemployment rate was 3.5%, 0.4 percentage points below the national average, tying Colorado 27th in the country. The state had the 4th-highest labor force participation rate in February (68.1%).

### Reasons for Survey Responses

Panelists were asked to give reasons for their expectations. Of the 130 respondents who provided open-ended explanations, general economic conditions were most often cited as a concern (32% of respondents), followed by politics (31%), and interest rates (27%). The discussion of politics was predominantly related to the upcoming election and its potential impacts, but it also included perspectives on a variety of government policies. Responses on inflation, interest rates, and general economic conditions had a relatively even distribution of positive and negative sentiments, and the increase of responses related to uncertainty (10%) were mostly connected to the election, but also considered global conflicts, inflation, and interest rates. Responses on recessionary concerns (5%) were minimal, underlining the trend of diminishing fear related to a potential recessionary period.

### Reasons for Response

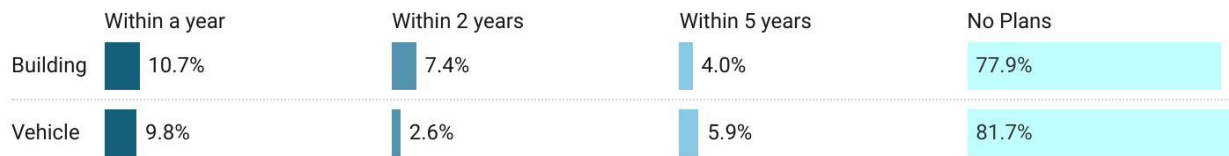


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## Plans for Building and Vehicle Electrification

Panelists were asked about the timeframe their company plans on additional or new building electrification and additional or new vehicle fleet electrification. Most individuals indicated no plans for building electrification (77.9%) or vehicle electrification (81.7%). Those panelists who signaled electrification indicated near-term electrification plans (within 1 or 2 years). Reliability and affordability were the top priorities for electrification, followed by climate resiliency, renewable generation, environmental justice, and other.

### Plans for Building or Vehicle Electrification

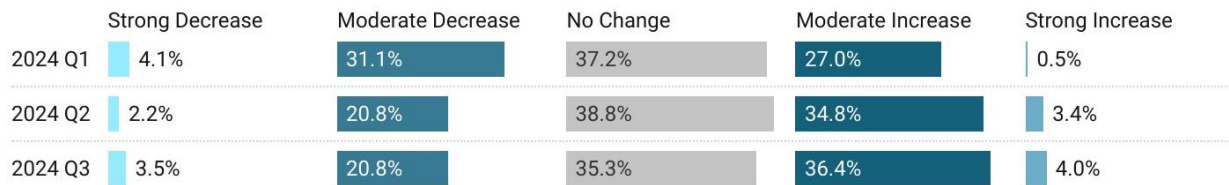


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## Distribution of Expectations in Q1 2024, Q2 2024, and Q3 2024

### State Expectations

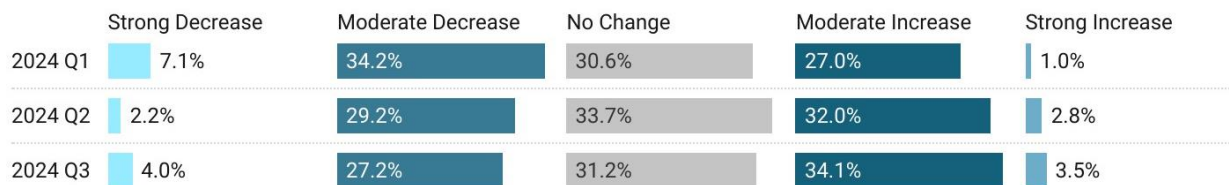
47.2 in Q1 2024, 54.1 in Q2 2024, and 54.2 in Q3 2024



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### National Expectations

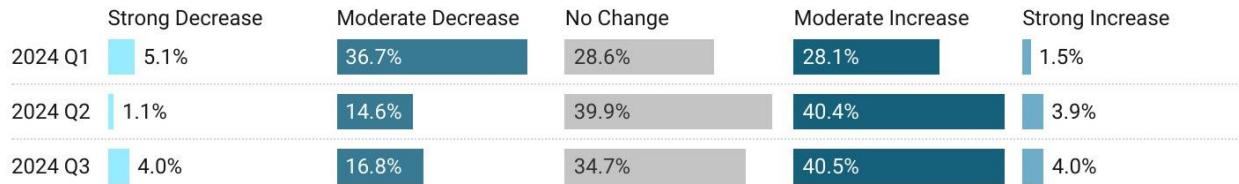
45.2 in Q1 2024, 51 in Q2 2024, and 51.4 in Q3 2024



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## Sales Expectations

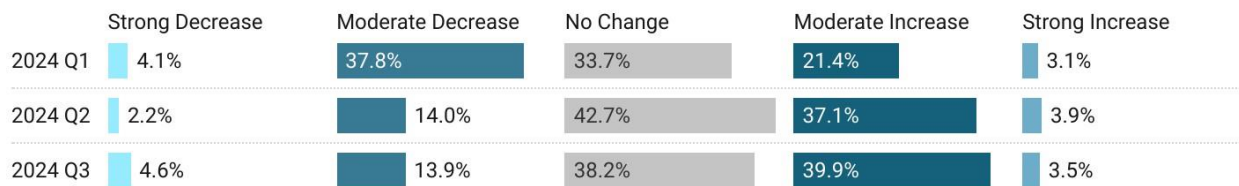
46 in Q1 2024, 57.9 in Q2 2024, and 55.9 in Q3 2024



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## Profit Expectations

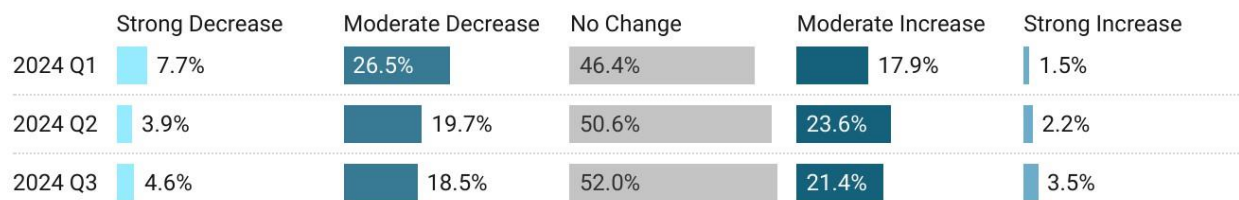
45.4 in Q1 2024, 56.6 in Q2 2024, and 55.9 in Q3 2024



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## Hiring Expectations

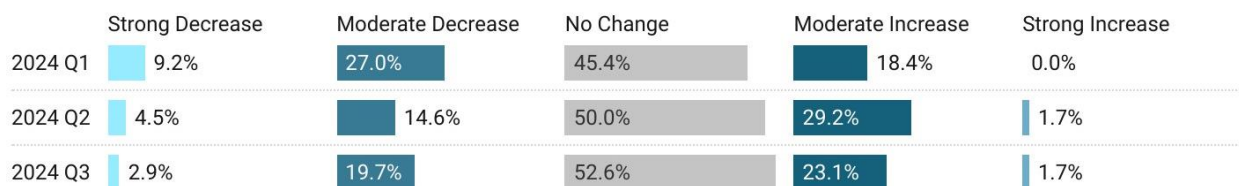
44.8 in Q1 2024, 50.1 in Q2 2024, and 50.1 in Q3 2024



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## Capital Expenditures Expectations

43.2 in Q1 2024, 52.2 in Q2 2024, and 50.3 in Q3 2024

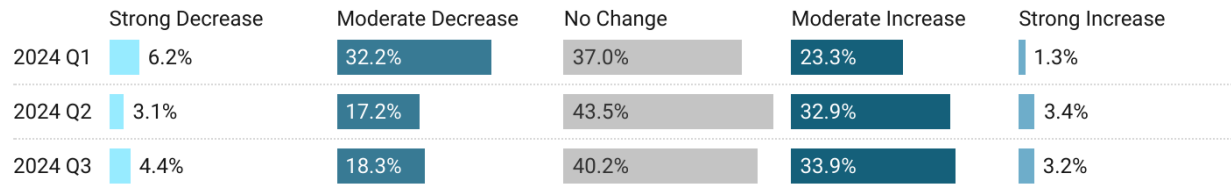


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## Overall Index Expectations

45.3 in Q1 2024, 53.7 in Q2 2024, and 53 in Q3 2024



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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)*