Second Quarter 2016
Volume 9, number 2
colorado.edu/business/brd

Summary – Stable Expectations

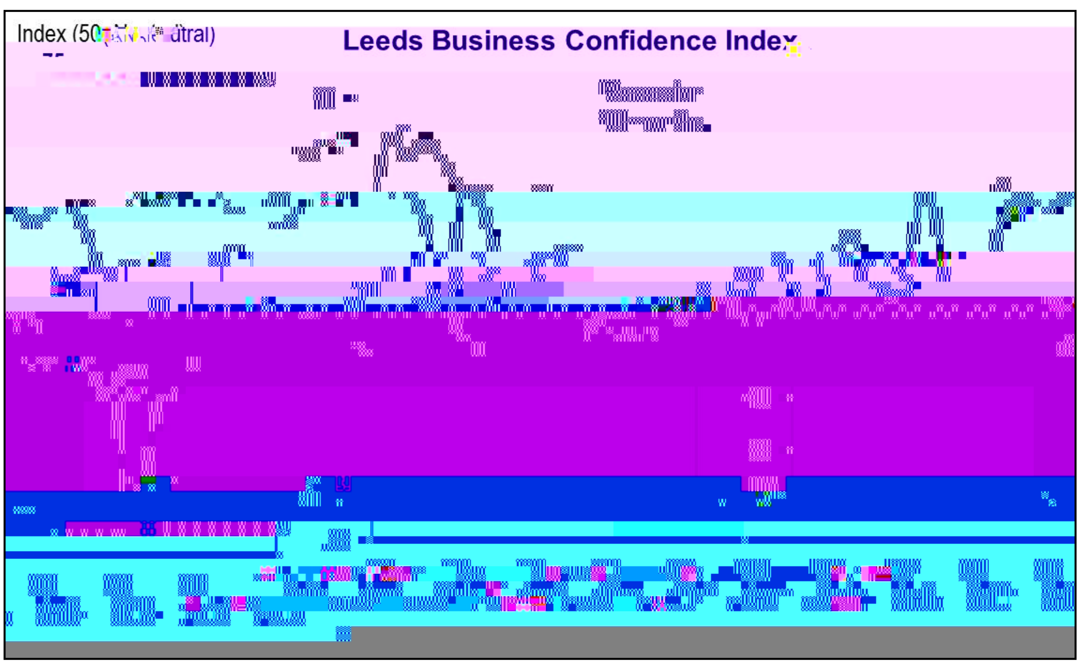
The panel of business leaders surveyed in the Leeds Business Confidence Index (LBCI) expected steady optimism ahead of Q2 2016, but expectations were lower for Q3 2016. The index is in positive territory (above 50) for all metrics in the index save for the national outlook. Sales expectations topped the outlook, and national expectations were least optimistic.

According to the Bureau of Economic Analysis (BEA), the United States recorded real GDP growth of 2.4% (seasonally adjusted annual rate) in 2015. Quarterly growth peaked in Q2 2015 (3.9%), followed by 2% and 1.4% in Q3 and Q4, respectively. Colorado recorded GDP growth of 2.4% in Q3 2015, ranking the state 18th fastest growth nationally. The Rocky Mountain region grew at 2.6%.

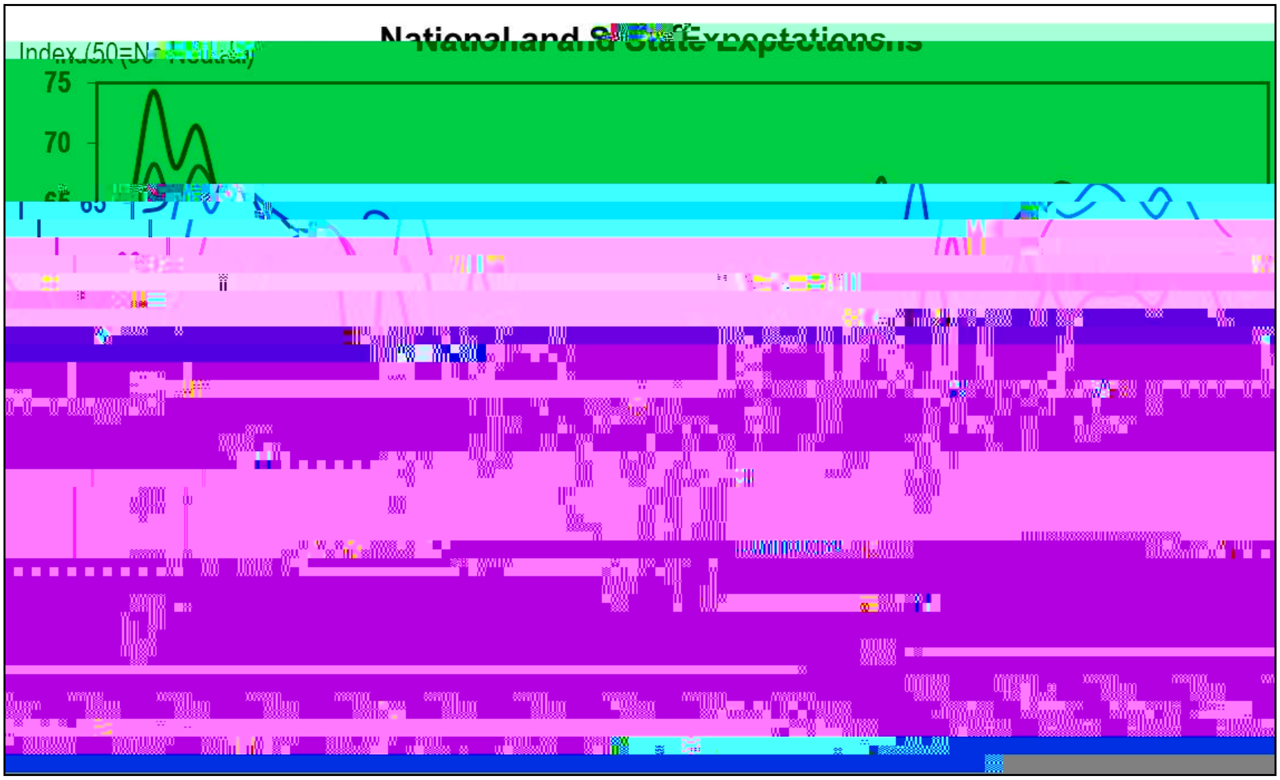
Business leaders discussed their greatest concerns two quarters out. The top concerns identified by respondents included the pending election, the impact of commodity prices (notably, oil and gas prices), the global economy, the political climate, interest rates and Fed policy, the U.S. business cycle, government regulation, and slower job growth. Examining the top three concerns, respondents most frequently noted the pending election, the impact of commodity prices, and the global economy as their greatest concerns (see appendix).

Additionally, a little more than half of respondents (52%) indicated the presence of a talent shortage in Colorado. Most often, panelists described the shortage as leading to higher salaries/wages, lower retention, slower business growth, and higher project costs. As well, panelists described a longer recruiting process and the need to recruit from out-of-state.

dZ > /U ÁZ] Z ‰šµŒ • }o}Œ } µ•]v •• o Œ•[Æ‰ š š]}v•
state economy, industry sales, profits, hiring plans, and capital expenditures, is at 55.4 for Q2 2016 (unchanged from Q1) and 54.4 for Q3 2016. Expectations fell compared to a year ago for both Q2 (-6.3 points) and Q3 (-3.9 points). A total of 327 panelists responded to the survey.



decrease in private inventory investment, a downturn in imports, and an acceleration in federal government spending.



National employment growth exhibited strength, averaging 252,000 jobs over the five months ending in February, and the unemployment rate remained at 4.9% for the second consecutive month in February.

Total year-over-year employment growth has continued to slow in Colorado for the second consecutive month in February with the pace of growth at 2.5%. After 21 uninterrupted months of +3% job growth from November 2013 through July 2015, job growth has expanded in the 2% range for 7 months. The state recorded 52 consecutive months of job growth. Year-over-year, the state added 63,000 jobs.

Sales and Profits Expectations Stabilize Ahead of Q1

Profits and sales expectations rose ahead of Q2 2016, but sales expectations decelerated for Q3. The profits index recorded

While half of respondents are neutral, 33% expect a boost in capital expenditures, with the overall index increasing slightly to 54.1 in Q2 2016. Capital expenditure expectations decrease for Q3, to 52.1. A total of 4.3% respondents expect a strong increase compared to 3.4% who anticipate a strong decrease in capital expenditures.

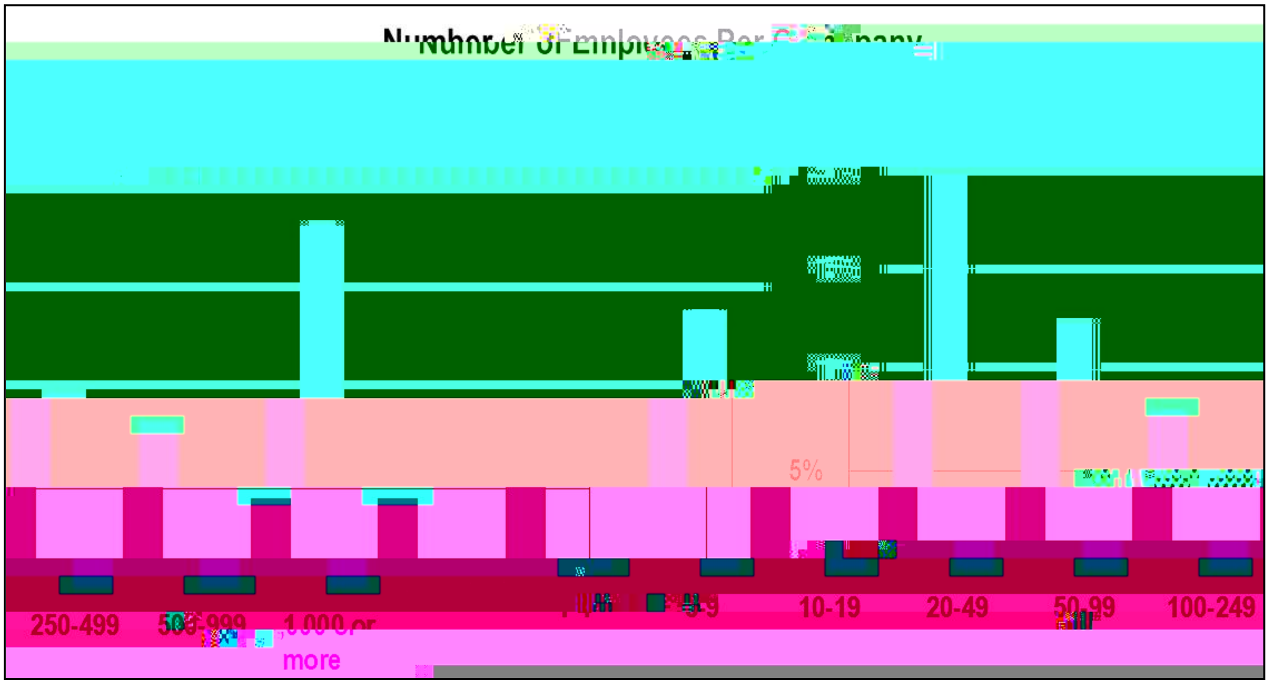
Hiring expectations increased as well in the Q2 2016 survey, from 54.9 to 55.6, but decreased, to 53, for Q3. About 49% of respondents are neutral on hiring, and another 37% of panelists note positive expectations, indicating employment in Colorado continues to have upward growth potential.

The unemployment rate in Colorado decreased to 3% in February 2016, which compares to the national unemployment rate of 4.9%. Employment growth was recorded year-over-year in most metropolitan areas around the state, with the Fort Collins-Loveland MSA and the Colorado Springs MSA recording the fastest growth, 3.8% and 2.7% year-over-year, respectively. The Denver-Aurora-Broomfield (2.5%), Boulder (1.8%), Pueblo (1.5%), and Grand Junction (0.2%) MSAs also recorded employment growth, while the Greeley MSA recorded a sixth-consecutive month of year-over-year declines (-0.6%).

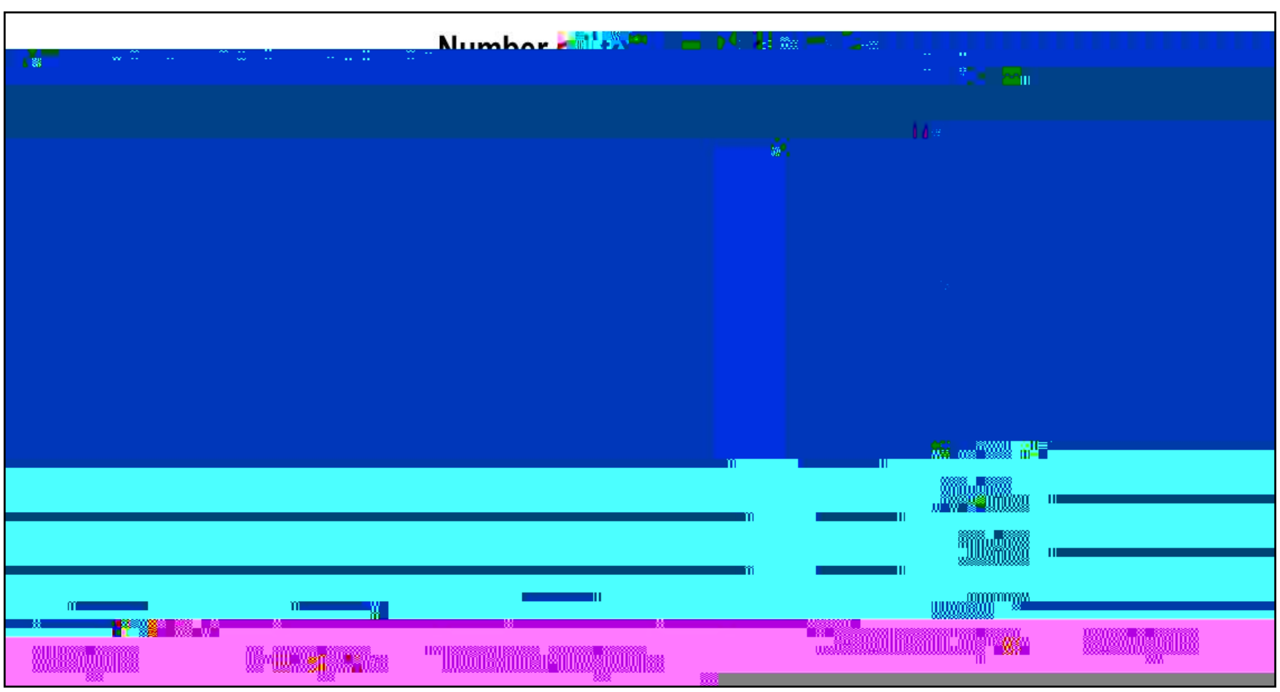
Across the state, the greatest year-over-year percentage gains in employment were in Leisure and Hospitality (6.3%), Construction (4.3%), and Education and Health Services (4%). The weakest sector for growth was Mining and Logging (-19.1%).

About the Panel – Company Size and Length of Time in Business

Panelists were asked two additional questions, one about the size of their company and the other about how long their company has been in business. About half (49.5%) of survey respondents work for companies with fewer than 50 employees. The four largest groups were represented by companies with 1 to 4 employees (19.6%), 100 to 249 employees (18%), 1,000 or more employees (13.8%), and 5 to 9 employees (12.2%).



Small employers' expectations increased 1.2 points ahead of Q2 while large employers' expectations decreased 0.8 points. While remaining above the neutral threshold, small employers (fewer than 50 employees) were notably less optimistic than large employers. The

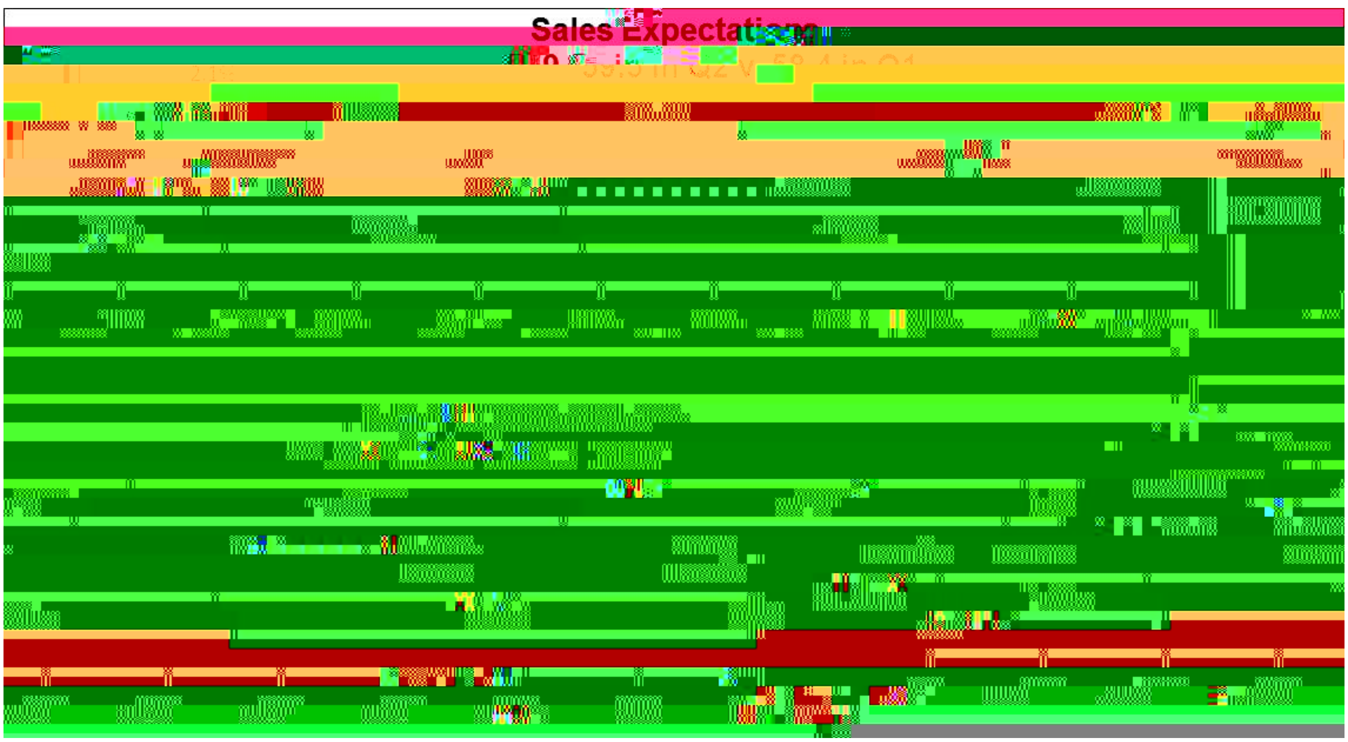


overall index for small employers increased to 54.1 versus 57.2 for large employers. Large employers were more bullish than small employers in every category. The greatest differential (6.5 points) was in hiring plans, with small employers recording a reading of 52.7 compared to large employers [reading of 59.2.

More than 87% of survey respondents work at a long-standing company that has been in business for more than 10 years. Newer companies were more bullish than long-standing companies. The index by firm tenure (how long it has been in business) was higher for firms in business less than 10 years (58.1) than for firms in business more than 10 years (55.1).

While responding panelists represent nearly every industry in the state, the largest percentage of respondents to the Q2

Distribution of Expectations



Appendix: Overall Concerns Looking Ahead to Q3 2016

Concern	1	2