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State business confidence improves, still pessimistic

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Halfway into the year, business confidence across Colorado has improved but is still negative, a new report found.

The Leeds Business Confidence Index, a measurement of how business leaders across Colorado feel about the future of the national and state economy, increased by one point to a score of 43, according to a report released by the University of Colorado Boulder on Thursday.

“It’s getting modestly better,” said Brian Lewandowski, an economist at CU Boulder during a media call.

The survey of 214 business leaders across the state spanned between June 1 and June 19.

Businesses in the state are facing multiple headwinds including changing federal and tariff policies, the war in Iran, rising fuel prices and technological shifts with artificial intelligence.

About 35% of business leaders said in the survey they were concerned about inflation, interest rates and cost pressures (35%), political and policy instability (34%) and geopolitical conflicts (23%), the report said. About 9% of respondents cited Colorado-specific economic factors and 8% cited impacts caused by AI.

“All of these things are sort of reinforcing each other and all contributing to business pessimism,” Lewandowski said.

The Denver-Aurora-Lakewood metro area recorded a 5% rise in prices in the last year in May, according to the most recent data from the Bureau of Labor Statistics, the highest level seen since 2023. It was trending above the national annual average of 4.2%.

It was largely driven by the rapid rise in fuel prices following the U.S.-Israel war against Iran. Colorado had lower fuel prices before the war and saw the cost of gasoline rise 100% in the heat of the surge, Lewandowski said.

It has since tempered as the average cost per gallon in Colorado fell from \$4.30 to \$3.70 in the last month, according to AAA. But it’s still higher than 22% compared to a year ago.

Sentiment improved across every category the report tracks: industry sales, profits, hiring, capital expenditures, state and national economy.

The index is also notably more positive than it was last year, when the score dived from a neutral baseline of 50 to nearly 32 (as uncertainty over tariffs and federal contract cuts triggered the third-lowest score after the 2008 recession and the COVID-19 pandemic). As businesses have gotten used to some of the uncertainty, their sentiments have improved.

The most pessimism can be seen in the state economy.

The confidence index for Colorado’s economy was at a score of nearly 37, followed by the national economy at 39. Sentiment for Colorado had typically been ahead of the national economy but has flipped in the last two years. The economists at CU Boulder have stated that Colorado had a huge boom follow-

ing the Great Recession but has slowed down and fallen in national rankings as other states are still playing catch up in maturing their economies.

"We grew up early and we grew fast. And now we're leveling perhaps a little bit ahead of many other states," Lewandowski said. *Note*

The survey asked business leaders for the first time about their perceptions of local and state regulations — as concerns over Colorado's regulatory environment and businesses leaving have sparked state leaders to reexamine its rules this year.

A majority of respondents said state regulations were high or very high, about 54%. About 31% said they felt neutral about Colorado's regulations. In another question, about 68% of respondents felt Colorado's regulatory burdens were higher than neighboring states. *Note*

The top burdens cited by business leaders were taxation and fiscal burdens (37%), permitting, zoning and development barriers (31%) and energy and environmental regulations (25%). *Note*

Lewandowski explained a lot of the biggest concerns were very industry-specific, such as permitting and energy regulations impacting those working in real estate development. Meanwhile, broader issues like minimum wage and family leave are also on the minds of businesses.

Regulation can mean different things to different types of businesses, Lewandowski said.

"We know their perceptions, but it's really hard to measure this and to go out and sort of fact-check that, because there's not really a great regulatory barometer," he said.