



Business Confidence Index

Associated Industries of Massachusetts

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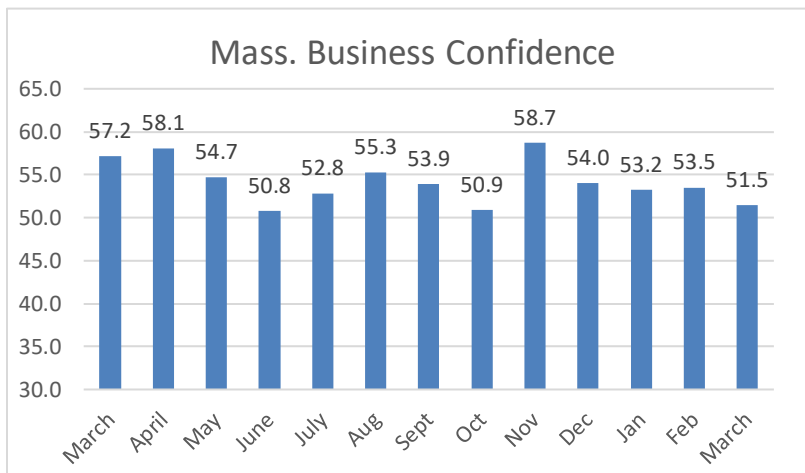
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Business Confidence Weakens in March

Business confidence fell precariously close to pessimistic territory during March as Massachusetts employers managed challenges ranging from inflation to rising interest rates to banking disruptions.



The Associated Industries of Massachusetts Business Confidence Index (BCI) lost 2.0 points to 51.5 last month, its lowest level since October. The confidence level was 5.7 points lower than a year ago and just marginally higher than the 50 mark that separates optimistic from pessimistic.

Employer sentiment continues to be driven by mixed economic signals. While the outlook for U.S.

real economic growth has improved over the past three months on some stronger-than-expected early 2023 data, including strong demand for labor, most economists still expect growth to decelerate as the Federal Reserve continues to raise interest rates to moderate inflation.

“At the global level, we see recession averted, thanks to solid growth in mainland China and the emerging markets of Asia Pacific. The US economy had a strong start to 2023, but tightening financial conditions could undermine growth over the remainder of the year. Labor market conditions remain tight, keeping inflation above central bank targets in the US and Western Europe,” said Sara L. Johnson, Chair of the AIM Board of Economic Advisors.

Participants in the Business Confidence Index Survey expressed a wide range of concerns.

“Economic conditions are slowing. The banking crisis and rapid increase in rates are starting to shake overall confidence,” wrote one employer.

Another employer added: “Inflation for consumers and small businesses continues to threaten our outlooks. If the banking sector worsens, it appears we are in for a very rough ride ahead.”

The AIM Index, based on a survey of more than 140 Massachusetts employers, has appeared monthly since July 1991. It is calculated on a 100-point scale, with 50 as neutral; a reading above 50 is positive, while below 50 is negative. The Index reached its historic high of 68.5 on two occasions in 1997-98, and its all-time low of 33.3 in February 2009.

The new Western Massachusetts Business Confidence Index, developed in collaboration with the Springfield Regional Chamber of Commerce, debuted at 50.0. The Central Massachusetts Business Confidence Index, conducted with the Worcester Regional Chamber of Commerce, was unchanged at 52.1 while the North Shore Confidence Index, conducted with the North Shore Chamber of Commerce, was also unchanged at 54.9.

Constituent Indicators

The constituent indicators that make up the Index were all lower in March.

The confidence employers have in their own companies fell 0.1 points to 55.6, ending the month 4.6 points below March 2022.

Index	Mar 23	Feb 23	Monthly Change	Mar 22	Yearly Change
Business Confidence	51.5	53.5	-2.0	57.2	-5.7
Company Index	55.6	55.7	-0.1	60.2	-4.6
Massachusetts Index	49.3	53.4	-4.1	55.6	-6.3
U. S. Index	41.0	47.1	-6.1	49.9	-8.9
Current Index	52.9	54.5	-1.6	56.6	-3.7
Future Index	50.0	52.5	-2.5	57.7	-7.7
Employment Index	54.8	55.1	-0.3	56.3	-1.5
Manufacturing Index	48.9	49.5	-0.6	55.6	-6.7

The Massachusetts Index assessing business conditions within the Commonwealth lost 4.1 points to 49.3, down 6.3 from a year earlier. The US Index measuring conditions throughout the country declined 6.1 points to 41.0 for its sixth consecutive month in pessimistic

territory.

The Current Index, which assesses overall business conditions at the time of the survey, fell 1.6 points to 52.9. The Future Index, measuring projections for the economy six months from now, lost 2.5 points to end the month at the neutral mark of 50.0.

The Manufacturing Index slid 0.6 points to 49.5. Confidence among non-manufacturing companies was down 2.8 points to 53.3.

The Employment Index edged down 0.3 points to 54.8 as companies continued to scour a tight labor market for qualified workers.

Large companies (53.0) were slightly more optimistic than small companies (52.4) or medium-sized companies (50.4).

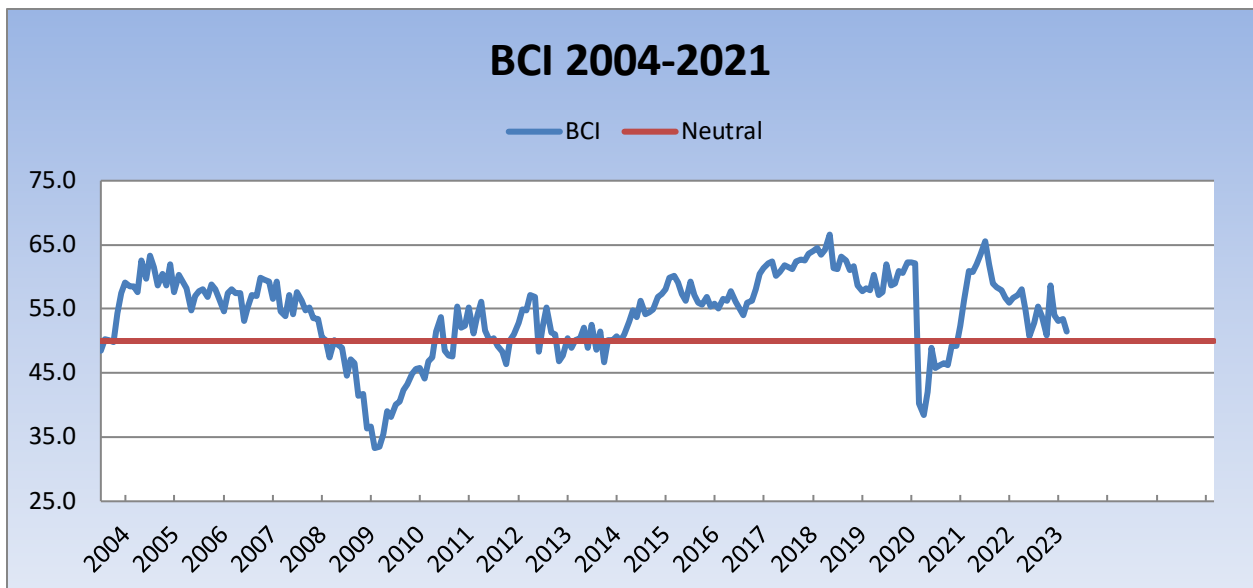
Suzanne Dwyer, President, Massachusetts Capital Resource Company and a BEA member, said rapid action by regulators in the United States and Europe to limit the damage from the failures of Silicon Valley Bank, Signature Bank and Credit Suisse appears to have stabilized the financial markets.

“The action by the Federal Reserve to insure all deposits at Silicon Valley Bank was particularly important here in Massachusetts, where significant numbers of technology and bioscience companies did business with SVB,” Dwyer said.

Diversity Leads to Growth

AIM President and CEO John R. Regan, also a BEA member, said supplier diversity is an important element to ensuring continued economic growth in Massachusetts. AIM Business Connect, the association’s initiative to link minority owned businesses with companies seeking to diversify their supply spends, has already brokered a dozen business relationships.

“I was warned early on that it is hard work, and that has proven to be prophetic,” AIM chief executive John Regan said. “But that doesn’t mean you don’t do the work. ... We tried to emphasize that they don’t have to be extremely large contracts. They could be simple, [like] catering, developing marketing material, landscaping or janitorial, things that are the day-to-day needs of a business.”



The monthly Business Confidence Index, initiated by AIM's Board of Economic Advisors in July 1991, is based on a survey of AIM member companies across Massachusetts, asking questions about current and prospective business conditions in the state and nation, as well as for respondents' own operations. On the Index's 100-point scale, a reading above 50 indicates that the state's employer community is predominantly optimistic, while a reading below 50 points to a negative assessment of business conditions. A number of component sub-indices are derived by analyzing responses to selected questions or those of groups of respondents.

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