



Business Confidence Index

Associated Industries of Massachusetts

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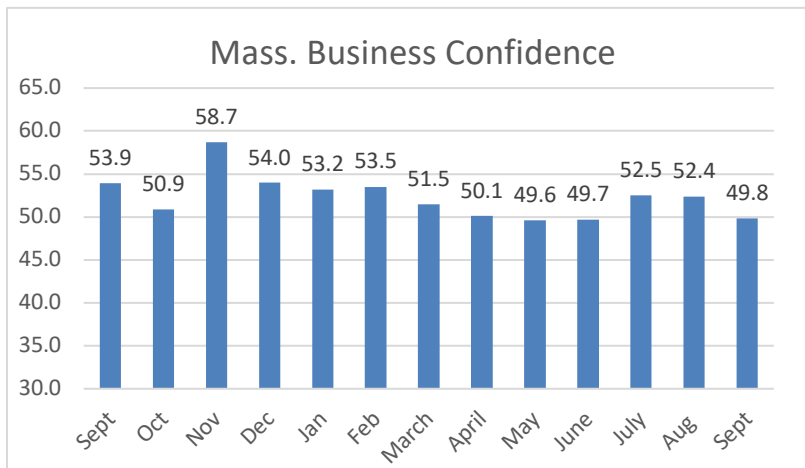
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Business Confidence Falls in September

Confidence among Massachusetts businesses fell back into pessimistic territory during September as employers faced concerns over slowing orders and the increased economic stress faced by their employees.



The Associated Industries of Massachusetts Business Confidence Index (BCI) fell 2.6 points to end the month at 49.8, just under the 50 mark that separates optimistic from pessimistic outlooks.

Employer sentiment was 4.1 points lower than a year ago.

The decline was driven by weakening views of both the

Massachusetts and US economies. The US Index measuring conditions throughout the country fell 6.5 points as Congress drew the nation within hours of a government shutdown.

The weakness mirrored that of financial markets, which grew restive in September as the Federal Reserve continued its effort to engineer a soft landing. For the quarter, the S&P 500 fell about 3.6%, the Dow lost 2.6%, the Nasdaq shed 4.1%. In September, the S&P 500 dropped 4.9%, the Dow fell 3.5%, and the Nasdaq declined 5.8%.

And though unemployment in Massachusetts remains near historic lows at 2.6 percent, there is a sense from employers on the ground that the economy may be slowing and the job market loosening. This sentiment is reflected in the Labor Department's Tuesday report that showed job-opening levels and

rates falling in Massachusetts during July for the third consecutive month, in contrast to the nationwide numbers trending up from their June values.

“The good news is that the personal consumption expenditures (PCE) price index, excluding the volatile food and energy components, increased 3.9% on an annual basis for August, the first time in more than two years it had fallen below 4%,” said Sara Johnson, Chair of the Board of Economic Advisors.

Participants in the Business Confidence Index Survey see changes in the business landscape.

“Economic stress is hurting our employees, deeply. As a company, I'd say our performance is flat, but despite that, we gave a 5 percent salary increase a couple of months ago, yet employees are still not able to make ends meet due to inflation of fuel, groceries, medical and other expenses,” wrote one employer.

Another commented: “Mounting debt both public and private is concerning. Our company is lowering spending and expansion to maintain cash flow. I expect others are doing so as well. We are seeing the drop off with our corporate customers where projects are being put on hold and/or moved out in time. The challenge of hiring and retaining workers remains significant.”

The Central Massachusetts Business Confidence Index, conducted with the Worcester Regional Chamber of Commerce, fell from 50.9 to 46.9. The North Shore Confidence Index, conducted with the North Shore Chamber of Commerce, slid slightly from 53.9 to 53.5. The Western Massachusetts Business Confidence Index, developed in collaboration with the Springfield Regional Chamber of Commerce lost 3.1 points to 52.5.

Constituent Indicators

The constituent indicators that make up the Index were mostly lower during September.

The confidence employers have in their own companies lost 1.1 points to 51.7, ending the month 3.2 points less than in September 2022.

Index	Sept 23	Aug 23	Monthly Change	Aug 22	Yearly Change
Business Confidence	49.8	52.4	-2.6	53.9	-4.1
Company Index	51.7	52.8	-1.1	54.9	-3.2
Massachusetts Index	50.4	53.5	-3.1	47.5	2.9
U. S. Index	43.5	50.0	-6.5	57.1	-13.6
Current Index	50.9	53.0	-2.1	55.0	-4.1
Future Index	48.6	51.8	-3.2	52.7	-4.1
Employment Index	51.9	51.2	0.7	54.1	-2.2
Manufacturing Index	49.7	47.7	2.0	49.1	-0.6

The Massachusetts Index assessing business conditions within the Commonwealth fell 3.1 points to 50.4, leaving it up 2.9 points from a year earlier. The US Index measuring conditions throughout the country ended the month at 43.5 - 13.6 points lower than a year ago.

The Current Index, which assesses overall business conditions at the time of the survey, decreased 2.1 points to 50.9. The Future Index, measuring projections for the economy six months from now, slid 3.2 points into pessimistic territory at 48.6.

The Manufacturing Index was one of the few bright spots, gaining 2.0 points to 49.7, just 0.6 point off its level of a year ago. Confidence among non-manufacturing companies was down 6.2 points at 49.8.

The Employment Index gained 0.7 point to 51.9.

Large companies (55.2) were more optimistic than medium-sized companies (48.7) and small companies (45.8).

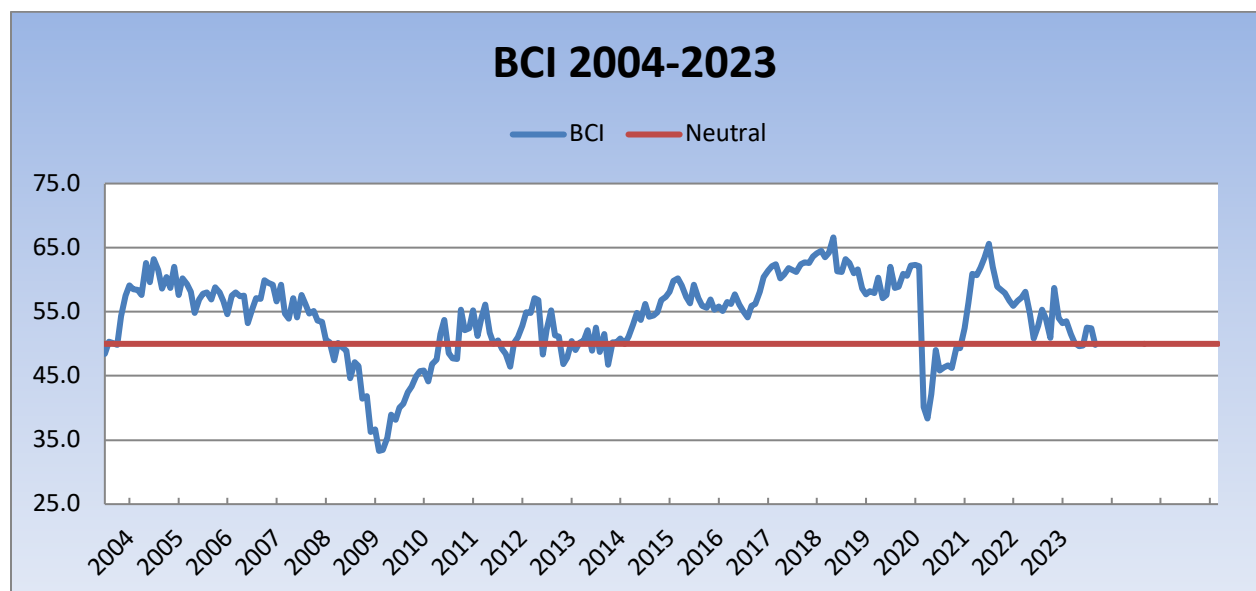
Simona Mocuta, Chief Economist at State Street Global Advisors and a BEA member, said employers find themselves caught in the middle as the Fed attempts to cool the economy without pushing it into recession.

“The battle against inflation is not yet won, so the Fed must remain vigilant. At the same time, there is a better balance between supply and demand across the board, in goods, services and labor markets. This helps the ongoing disinflation process,” Mocuta said.

Wage Equity

AIM President Brooke Thomson, also a BEA member, said the compromise wage and transparency bill passed last week by the state House of Representatives will help Massachusetts employers compete to attract the talent they need to grow their businesses.

“This bill sends a clear message that Massachusetts is committed to leading the way on pay equity and, in turn, attracting and retaining a workforce that will allow our businesses and economy to thrive,” Thomson said.



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. Several component sub-indices are derived by analyzing responses to selected questions or those of groups of respondents.

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