



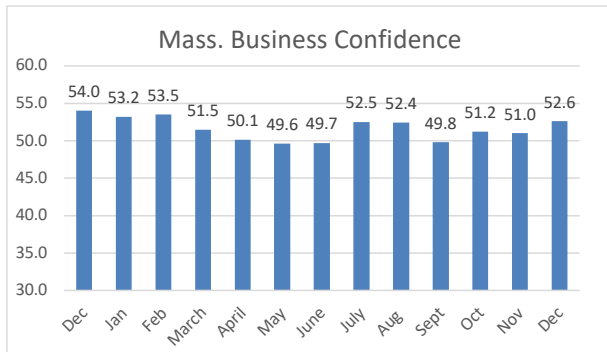
# Business Confidence Index

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## Business Confidence Rises as 2023 Comes to a Close

Brightening prospects for an economic “soft landing” bolstered confidence among Massachusetts employers as an unpredictable 2023 drew to a close.



The Associated Industries of Massachusetts Business Confidence Index (BCI) gained 1.6 points to 52.6 in December, hitting a nine-month high that left it in optimistic territory at year-end. The Index was 1.4 points lower than the same time last year.

The strengthening of business confidence came amid strong signals that inflation continues to moderate at a 3.1 percent annual

rate. Federal Reserve Chair Jerome Powell said on December 13 that interest-rate increases appear to be over for now and that there may be three reductions in interest rates during 2024.

“The good news is that the pace of inflation has slowed noticeably since mid-2022. This should give the Fed some confidence that tighter monetary policy is working without widespread job losses,” said Sara Johnson, Chair of the AIM Board of Economic Advisors.

**Deleted:** . Thus far, it has done so

Participants in the Business Confidence Index Survey confirmed that the economy is assuming a more deliberate pace.

“RFQ’s for new work are a bit soft right now. There’s plenty of backlog but this current soft quoting condition will manifest itself in lower revenue 6-8 months down the line for us,” wrote one BCI survey participant.

Another wrote: “Higher interest rates have definitely slowed activity. At the same time, wage inflation appears to be in check and not skyrocketing as it has in the past two years.”

The Central Massachusetts Business Confidence Index, conducted with the Worcester Regional Chamber of Commerce, rose from 49.6 to 50.0. The North Shore Confidence Index, conducted with the North Shore Chamber of Commerce, remained essentially flat at 52.1. The Western Massachusetts Business Confidence Index, developed in collaboration with the Springfield Regional Chamber of Commerce, fell from 51.8 to 48.9.

### Constituent Indicators

The constituent indicators that make up the Index all strengthened during December.

The confidence employers have in their own companies gained 0.8 point to 52.8, ending the month 4.4 points less than in December 2022.

Index	Dec 23	Nov 23	Monthly Change	Dec 22	Yearly Change
Business Confidence	52.6	51.0	1.6	54.0	-1.4
Company Index	52.8	52.0	0.8	57.2	-4.4
Massachusetts Index	54.6	52.6	2.0	52.6	2.0
U. S. Index	49.9	46.4	3.5	46.2	3.7
Current Index	51.2	50.6	0.6	55.7	-4.5
Future Index	54.0	51.4	2.6	52.4	-1.6
Employment Index	52.5	48.7	3.8	55.7	-3.2
Manufacturing Index	49.8	47.9	1.9	55.3	-5.5

The Massachusetts Index assessing business conditions within the Commonwealth increased 2 points to 54.6, leaving it 2 points higher than a year earlier. The US Index measuring conditions throughout the country ended the month at 49.9 – 3.7 points better than a year

ago.

The Current Index, which assesses overall business conditions at the time of the survey, climbed 0.6 point to 51.2. The Future Index gained 2.6 points to 54.0 as employers saw improvement ahead in the first half of 2024.

The Manufacturing Index gained 1.9 points to 49.8, still 5.5 points below its level of a year ago. Confidence among non-manufacturing companies was up 1.1 points to 54.0.

The highlight of the December results was the Employment Index, which surged 3.8 points to 52.5.

Large companies (54.2) were more optimistic than small companies (52.2) and medium-sized companies (50.7).

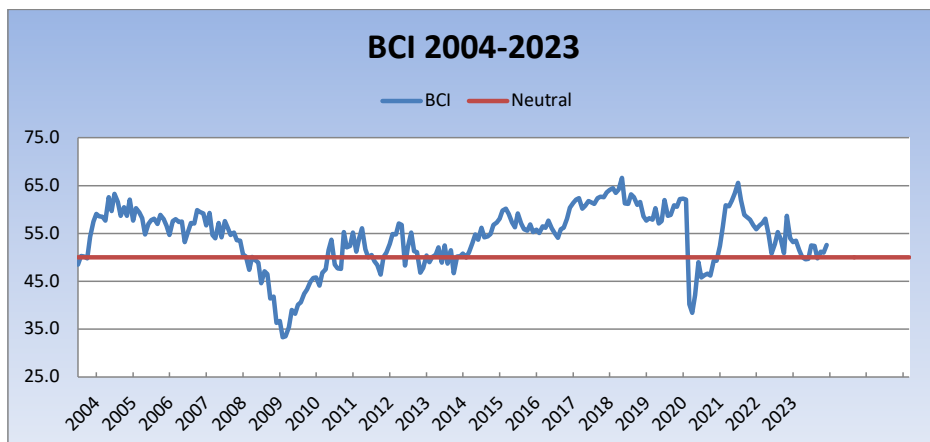
Nada Sanders, Distinguished Professor of Supply Chain Management at Northeastern University and a BEA member, said the easing of the product shortages and supply chain disruptions that marked the immediate post-pandemic years has played an important role in moderating inflation.

“The Federal Reserve believes that supply constraints explain half of the increase in inflation during 2021-2022 and that tight capacity served to amplify the impact of loose monetary policy in 2021. The resolution of those supply constraints is one reason that inflation eased so dramatically in 2023,” Sanders said.

## Competitiveness and Affordability

AIM President Brooke Thomson, also a BEA member, suggested that Massachusetts needs a new, far-reaching approach to economic development, one that seamlessly melds competitiveness for the business community with affordability for the residents who work in our companies and live in the commonwealth.

“Make no mistake, we must continue to prioritize the traditional pillars of economic development like advantageous tax rates, streamlined regulation and efficient permitting. But economic development must also address the soaring cost of everything from housing to childcare to health care, which is driving some of our best and brightest employees to less expensive regions of the country,” 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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