

## Massachusetts Companies Wary of Economic Downturn

Posted by [Christopher Geehern](#) on Oct 7, 2019 8:30:00 AM

Two-thirds of Massachusetts employers surveyed by Associated Industries of Massachusetts anticipate an economic contraction before the end of 2020.



Many of those companies are taking defensive measures ranging from hiring fewer people to paying down debt to limiting capital expenditures.

The survey results are based on responses from 111 Massachusetts companies representing almost every sector of the state economy. AIM collected the information as part of its monthly Business Confidence Index survey.

The sobering economic news comes as the Massachusetts Legislature debates billions of dollars in new spending on education, transportation and tax measures.

“A possible take-away from the survey for state policymakers as they begin considering billions of dollars in new spending is this could be a difficult time ahead for the state economy,” said John Regan, President and Chief Executive Officer of AIM.

“Businesses are assuming a defensive posture and significant tax increases - beyond the \$1 billion for the new paid family and medical leave system - even for worthwhile causes, could harm the overall economy, most especially the manufacturing sector.”

Seventy-five companies that participated in the survey expect a contraction before the end of next year and 36 do not.

The companies that see a recession on the horizon are carefully managing payrolls, reducing expenses and developing relationships with customers insulated against downturns.

Comments include:

- Scaling back on hiring plans. Slowing down certain capital expense/equipment purchases until we get a clearer picture of what the next six months will bring.
- We have temporarily eliminated overtime work that was formerly unlimited.
- Diversifying our service offerings.
- Being a small manufacturing company, we can react quickly to changes in the business climate. Also, we will only invest in capital projects that significantly improve efficiencies and process with a payback of 18 months or less.
- Concentrating on expense reduction - evaluating closely the need to replace positions as all employment related costs continue to increase - using methods such as combining roles in the short-term, hiring part-time as a replacement, reducing headcount by attrition or reorganizing an area.

- Our workforce has already dropped ... Conditions have been very volatile for us, one month were up two or three months were down, next two months are up, two months after that were down considerably, next month moderate.
- We have hired an outside firm to pursue sales opportunities.
- We have cut our work force of temps and are currently on work-share. As we supply many markets, the two most impacted are agricultural equipment and trucking. The latter is a canary in the coal mine and has always been ahead of the economy. The agricultural industry is suffering from the cut in exports and the loss of markets due to tariffs. The continued list of tariff exemptions on imports for products we make also has a depressive affect.

Other companies believe they will ride out a downturn.

- We think we'll be immune from the contraction.
- Our industry is counter-cyclical. When the economy contracts, our industry usually receives a boost.

The Massachusetts economy has continued to expand throughout 2019, though at a moderating pace as the year has progressed. Economic growth slowed from 2.7 percent in the first quarter to 1.4 percent in the second, according to MassBenchmarks.

The AIM Business Confidence Index has likewise remained in optimistic territory during the year but has lost 3.7 points during the past 12 months.

Conversely, the Massachusetts unemployment rate remains at 2.9 percent and private employers created 6,700 jobs between August 2018 and August 2019.

"The AIM survey ultimately argues for economic prudence and fiscal caution in the short term to allow the recent legislative and regulatory changes that have occurred over the last two sessions to take effect," said Brooke M. Thomson, Executive Vice President of Government Affairs at AIM.

"Massachusetts is flourishing in many ways, and in the wake of such recent changes, we need policies and practices that will ensure the economy remains strong and that creates economic stability and regulatory certainty for employers."