



Business Confidence Index

Associated Industries of Massachusetts

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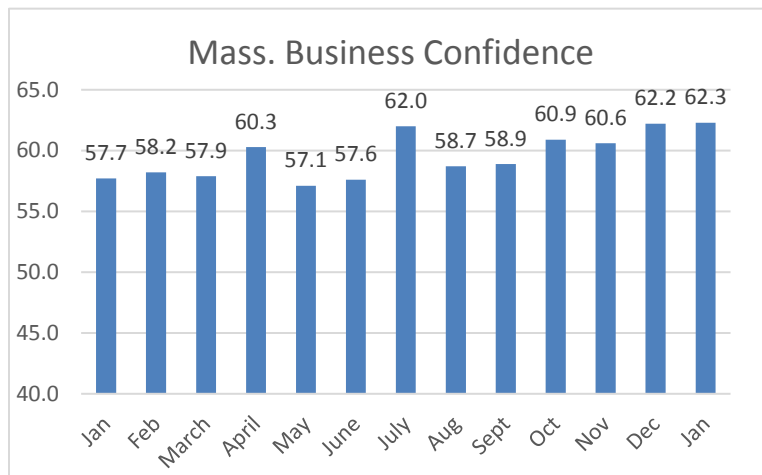
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For Immediate Release

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Employer Confidence Remains Solid During January

Massachusetts employers began 2020 on an optimistic note as business confidence held steady during the first month of the New Year.



The Associated Industries of Massachusetts Business Confidence Index (BCI) remained essentially flat during January, rising 0.1 points to 62.3. That reading was comfortably within optimistic territory and 3.6 points higher than a year ago.

January confidence was buoyed by strong gains in the outlook for employment. The Massachusetts jobless rate remained at 2.9 percent in December as employers added some 50,000 jobs.

Meanwhile, economists at MassBenchmarks reported last week that the Massachusetts economy expanded at a 1.3 percent annualized rate in the fourth quarter of 2019, compared to a 2.1 percent fourth quarter growth rate for the national economy. The national economy is expected to grow by 2.2 percent during 2020, largely because of continued strength in consumer spending and a rebound in business fixed investment.

“The US and Massachusetts economies continue to expand at a modest and predictable rate while the uncertainties of tariffs and trade conflicts appear to have abated for the moment,” said Raymond G. Torto, professor at the Harvard Graduate School of Design Chair of AIM's Board of Economic Advisors (BEA).

“Those factors should pave the way for solid economic growth and payroll gains in 2020.”

The AIM Index, based on a survey of more than 100 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 Index has remained above 50 since October 2013.

Constituent Indicators

The constituent indicators that make up the Business Confidence Index were mixed during January.

Index	Jan 20	Dec 19	Monthly Change	Jan 19	Yearly Change
Business Confidence	62.3	62.2	0.1	57.7	4.6
Company Index	61.5	61.0	0.5	59.5	2.0
Massachusetts Index	66.2	65.2	1.0	57.4	8.8
U. S. Index	60.8	62.8	-2.0	52.7	8.1
Current Index	61.9	62.8	-0.9	58.2	3.7
Future Index	62.8	61.6	1.2	57.3	5.5
Employment Index	57.4	55.4	3.0	55.5	1.9
Manufacturing Index	62.1	61.4	0.7	57.8	4.3

The Massachusetts Index assessing business conditions within the commonwealth rose 1 point to 66.2, leaving it 8.8 points higher than in January 2019. The US Index declined 2 points during January but remained 8.1 points ahead of where it was 12 months ago.

The Future Index, measuring expectations for six months out, gained 1.2 points to 62.8, a year-over-year gain of 5.5 points. The Current Index, which assesses overall business conditions at the time of the survey, fell 0.9 points to 61.9.

The Employment Index was up 3.0 points in January and 1.9 points for the year. The Employment Index has trailed the overall business confidence reading amid a persistent shortage of workers that may become worse as large number of baby boomers retire.

Non-manufacturers (62.7) were slightly more confident than manufacturing companies (62.1). Large companies (65.7) were more optimistic than small (63.0) or medium-sized (60.4) companies. Companies in western Massachusetts (62.7) were more optimistic than those in the east (62.0).

Northeastern University Professor Alan Clayton-Matthews, a BEA member, said increased employer confidence about hiring is a good sign, but employers will continue to be challenged finding qualified employees as large numbers of baby boomers leave the work force.

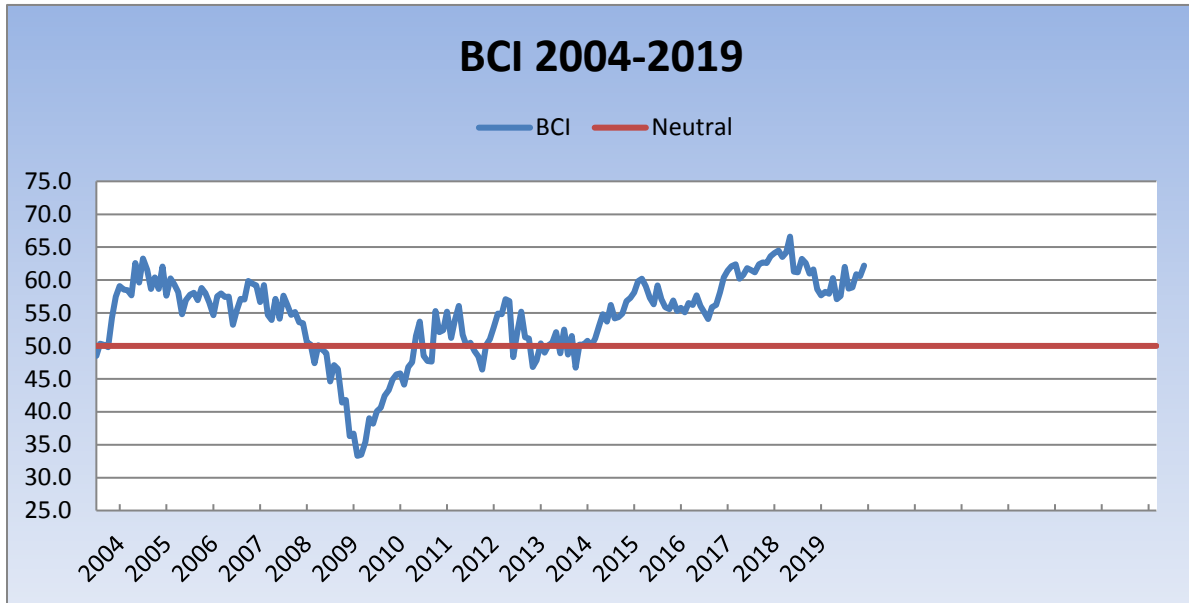
“Massachusetts has an older population than the nation as a whole and the aging of the workforce will inevitably exert a drag on growth. Those factors underscore the importance of providing education and skills to the broadest possible population of our citizens,” Clayton-Matthews said.

Economic Competitiveness

AIM President and CEO John R. Regan, also BEA member, said employers report an uptick in solicitations from states such as Tennessee, Texas and North Carolina to move operations out of Massachusetts. The commonwealth cannot lose sight of economic competitiveness, Regan said, as lawmakers contemplate significant transportation, housing, taxes and other issues.

“The combined effect of the new paid family and medical leave law, escalating health-insurance rates the potential costs of a transportation initiative and the specter of a graduated income tax on the state

ballot add up to a significant threat for the ability of Massachusetts to maintain its economic vibrancy,” Regan 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. A number of component sub-indices are derived by analyzing responses to selected questions or those of particular groups of respondents.

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