



Business Confidence Index

Associated Industries of Massachusetts

617-262-1180 | Fax: 617-536-6785

One Beacon Street, 16th Floor, Boston, MA 02108

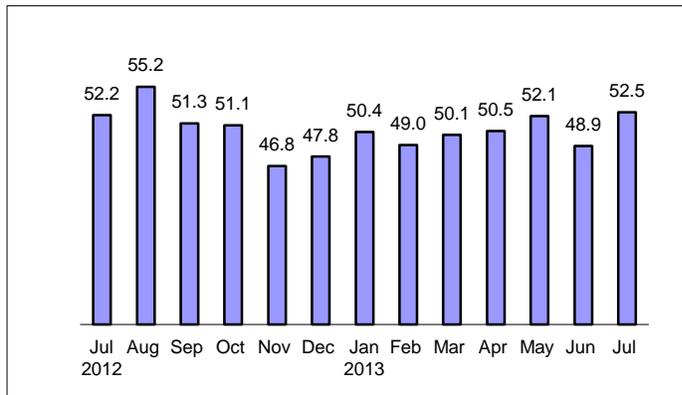
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For Immediate Release

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Massachusetts Business Confidence Rebounded in July

The Associated Industries of Massachusetts Business Confidence Index rose 3.6 points in July to 52.5, recouping June's loss and moving back into positive territory above 50. "The economy has become more



stable if not more dynamic, and business confidence is more resilient," noted Raymond G. Torto, Chairman at CB Richard Ellis Group, Inc., the chair of AIM's Board of Economic Advisors (BEA). "We've seen midyear drops in each of the last four years, but the brief dip in 2013 contrasts favorably with the more prolonged declines in 2010 and 2011."

"At the same time," Torto added, "employers' fear of uncertainty remains greater than it was before the recession –

and uncertainty is particularly damaging to confidence because it is unpredictable and generally unmanageable. Much of the recent fluctuation in the Index traces back to the survey questions relating to respondents' own operations, as businesses face new (or renewed) concerns and adjust their practices and expectations. The persistent pattern of halting growth and policy frustration, though now familiar, continues to weigh down on business confidence."

AIM's Business Confidence Index has been issued monthly since July 1991 under the oversight of the Board of Economic Advisors. Presented on a scale on which 50 is neutral, its historical high was 68.5, attained in 1997 and 1998; its all-time low was 33.3 in February 2009.

Current, Future Conditions Rate More Favorably

The sub-indices based on selected questions or respondent characteristics all rose in July after falling in June; most were close to their levels of July 2012. The Current Index, tracking employers' assessment of existing business conditions, and the Future Index, measuring expectations for the next six months, each added 3.6 points, to 51.9 and 53.1 respectively. "Both of these indicators have moved back above 50, and the Future Index is ahead of the Current Index, so the results are positive and point to

improvement," said Michael A. Tyler, Chief Investment Officer, Eastern Bank Wealth Management, a BEA member. "The numbers are, however, just about the same as a year ago."

The U.S. Index of business conditions prevailing nationally gained 2.4 points in July to 46.0, and the

Index	Jul 13	Jun 13	Monthly Change	Jul 12	Yearly Change
Business Confidence	52.5	48.9	+3.6	52.2	+0.3
Company Index	55.7	51.1	+4.6	56.7	-1.0
Massachusetts Index	49.4	47.9	+1.5	49.2	+0.2
U. S. Index	46.0	43.6	+2.4	41.9	+4.1
Current Index	51.9	48.3	+3.6	51.9	n/c
Future Index	53.1	49.5	+3.6	52.5	+0.6
Employment Index	53.2	50.7	+2.5	53.9	-0.7
Manufacturing Index	51.2	48.7	+2.5	53.2	-2.0

Massachusetts Index of conditions within the Commonwealth rose 1.5 to 49.4. "While the state index has held above its national counterpart throughout this cycle, economic growth estimates and employment trends do indicate convergence of state and national conditions," Tyler noted. "On the policy side, July saw some progress towards breaking the

deadlock in Washington, at least with regard to presidential appointments; while the tax increase in Massachusetts, though limited, weighed negatively for many employers."

Companies' Situations Seen More Positive; Employment Prospects Brighten

The Company Index, which measures survey respondents' overall confidence in the situations of their own operations, added 4.6 points in July to 55.7. The Sales Index gained 5.5 to 55.5, while the Employment Index added 2.5 to 53.2. "Employers were significantly more positive about their own positions in July, especially those with more than 100 employees," said BEA member Sara L. Johnson, Senior Research Director of Global Economics at IHS Global Insight, "but few rate general business conditions in the state and nation as 'good'. Employers who report adding staff in the past six months outnumber those with reductions by fifty percent (24% - 16%), and the expected ratio for the next six months is better (27% - 12%) – not particularly strong numbers, but the best we have seen in several months."

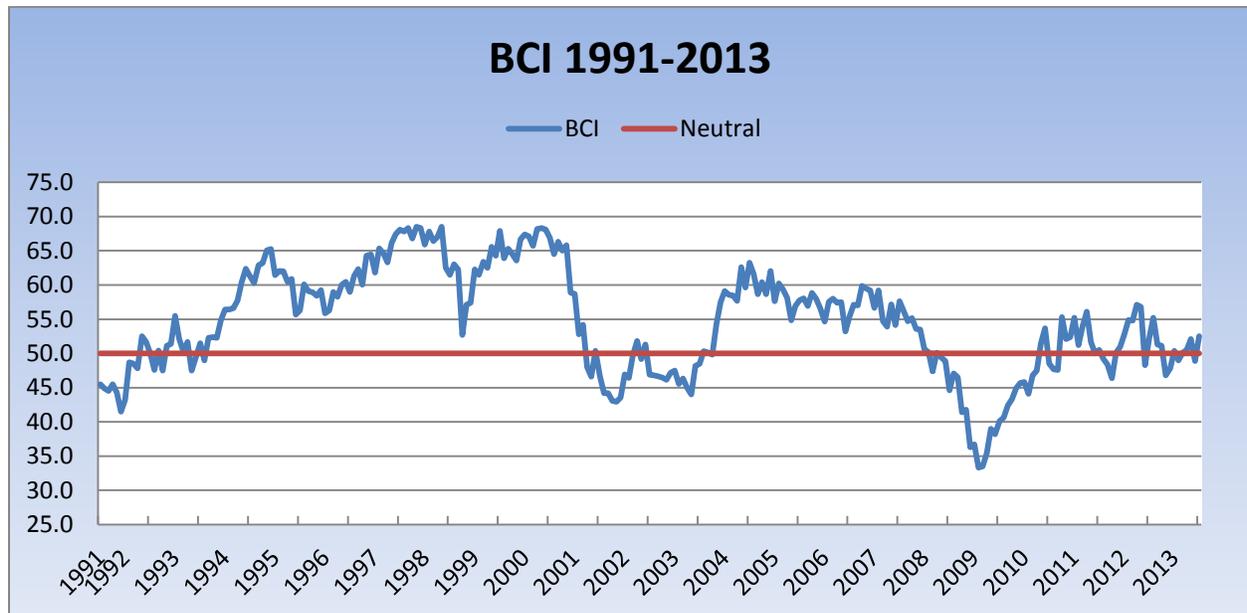
Confidence was up in July among manufacturers (51.2, +2.5), and more strongly among other employers (54.2, +5.1). "Manufacturers were less positive than other employers about their own situations, reporting softer sales, but offered equal assessment of Massachusetts conditions, and they were more upbeat about national conditions," Johnson added. Confidence was stronger within Greater Boston (53.2, +4.2) than elsewhere in the state (50.9, +2.1) where the manufacturing sector is a larger component of the economy.

Nation's Progress Poses Challenge for Massachusetts

"AIM's Business Confidence Index is entering its 23rd year about where it began its 22nd," said Richard C. Lord, AIM's President and CEO, a BEA member. "The biggest difference between the results of our July 2013 survey and those of a year before is a significant improvement in the assessment of national conditions, as the U.S. Index is up from 41.9 to 46.0. This gain in part reflects a rebuilding economy, but also bespeaks an apparent diminution, however slight, of the partisan conflict that has undercut confidence in the effectiveness of national policy responses to economic issues."

Lord noted, however, that the assessment of business conditions within Massachusetts had barely budged (+0.2) since last July. "One of the most striking aspects of the recent history of the Index, for

those of us who have followed it from its inception, is the fact that throughout this cycle of recession and recovery the Massachusetts Index has run ahead of the U.S. Index, in sharp contrast to past cycles," he said. "Last week's second quarter growth estimates, showing that Massachusetts fared significantly worse than the nation over that period, remind us that our success in this cycle is partly luck – we suffered less than most states from, for example, the meltdown of the automotive and construction industries, and are now are benefiting less from their resurgence. Our Administration and Legislature, which responded effectively to crisis, must recognize that a time of slow recovery is one in which our state is particularly vulnerable to the effects of uncompetitive costs and policies."



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.

Media Contacts:

Raymond G. Torto, Ph.D., CB Richard Ellis Group, Inc. (617) 912-5225

Fred Breimyer, Regional Economist, FDIC (781) 794-5675

Sara L. Johnson, Senior Research Director, Global Economics, IHS Global Insight (781) 301-9115

Alan Clayton-Matthews, Ph.D., School of Public Policy & Urban Affairs, Northeastern University (617) 373-2909

Elliot Winer, Chief Economist, Northeast Economic Analysis Group LLC (978)443-3130

Michael Goodman, Professor, University of Massachusetts, Dartmouth, (508)910-6986

Katherine A. Kiel, Ph.D., Professor of Economics, College of the Holy Cross (508) 793-2743

Michael A. Tyler, CFA, Chief Investment Officer, Eastern Bank Wealth Management (617) 897-1122

Richard C. Lord, President, Associated Industries of Massachusetts (617) 262-1180

André Mayer, Senior Advisor, Associated Industries of Massachusetts (617) 262-1180

Christopher Geehern, Executive Vice President, Marketing and Communication, Associated Industries of Massachusetts (617) 834-4414, @aimbusinessnews

