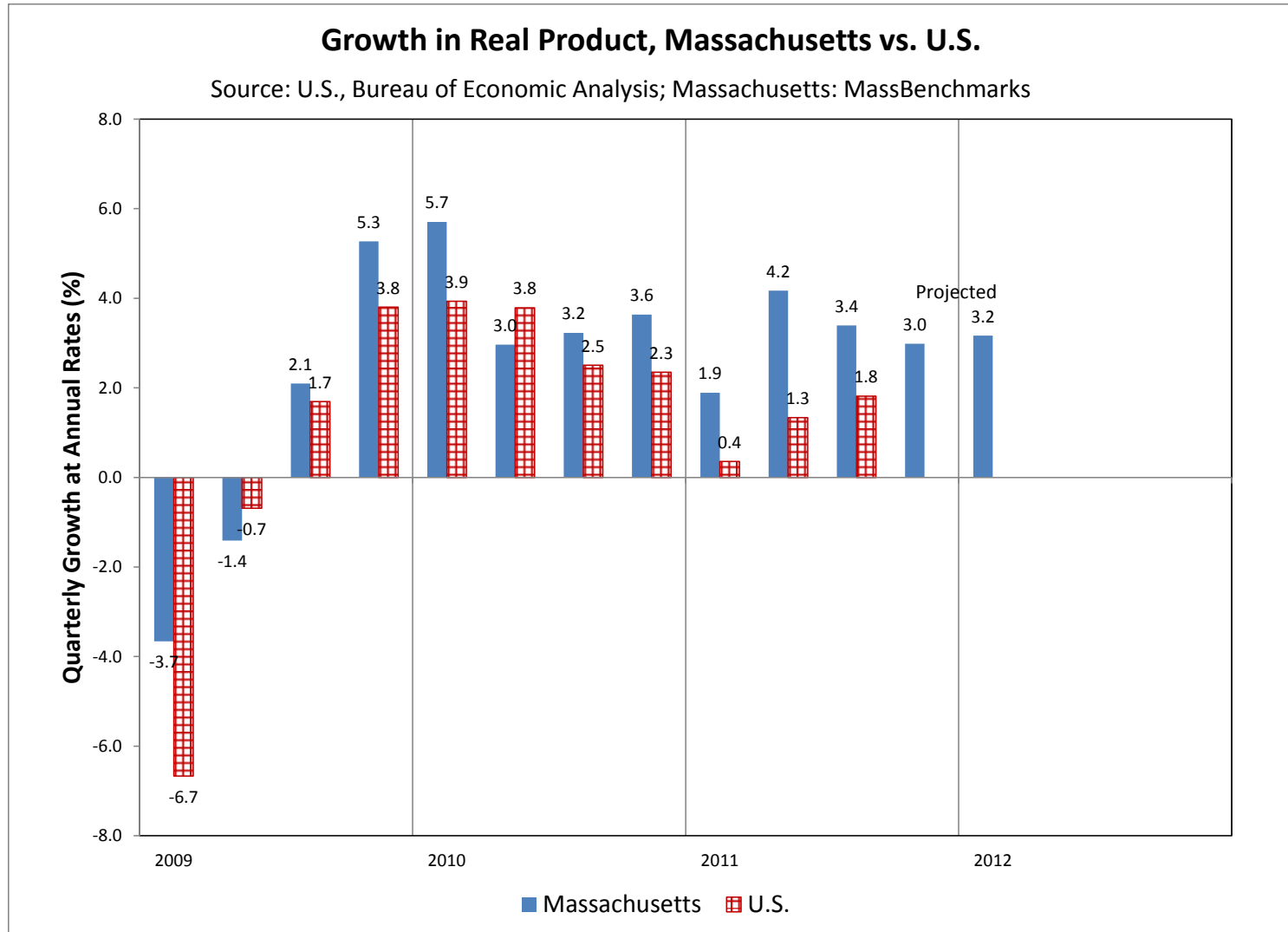


The Massachusetts Economy: Downshifting into Second Gear?

Alan Clayton-Matthews
School of Public Policy and Urban Affairs
Northeastern University
Presented to MassEcon
January 20, 2012

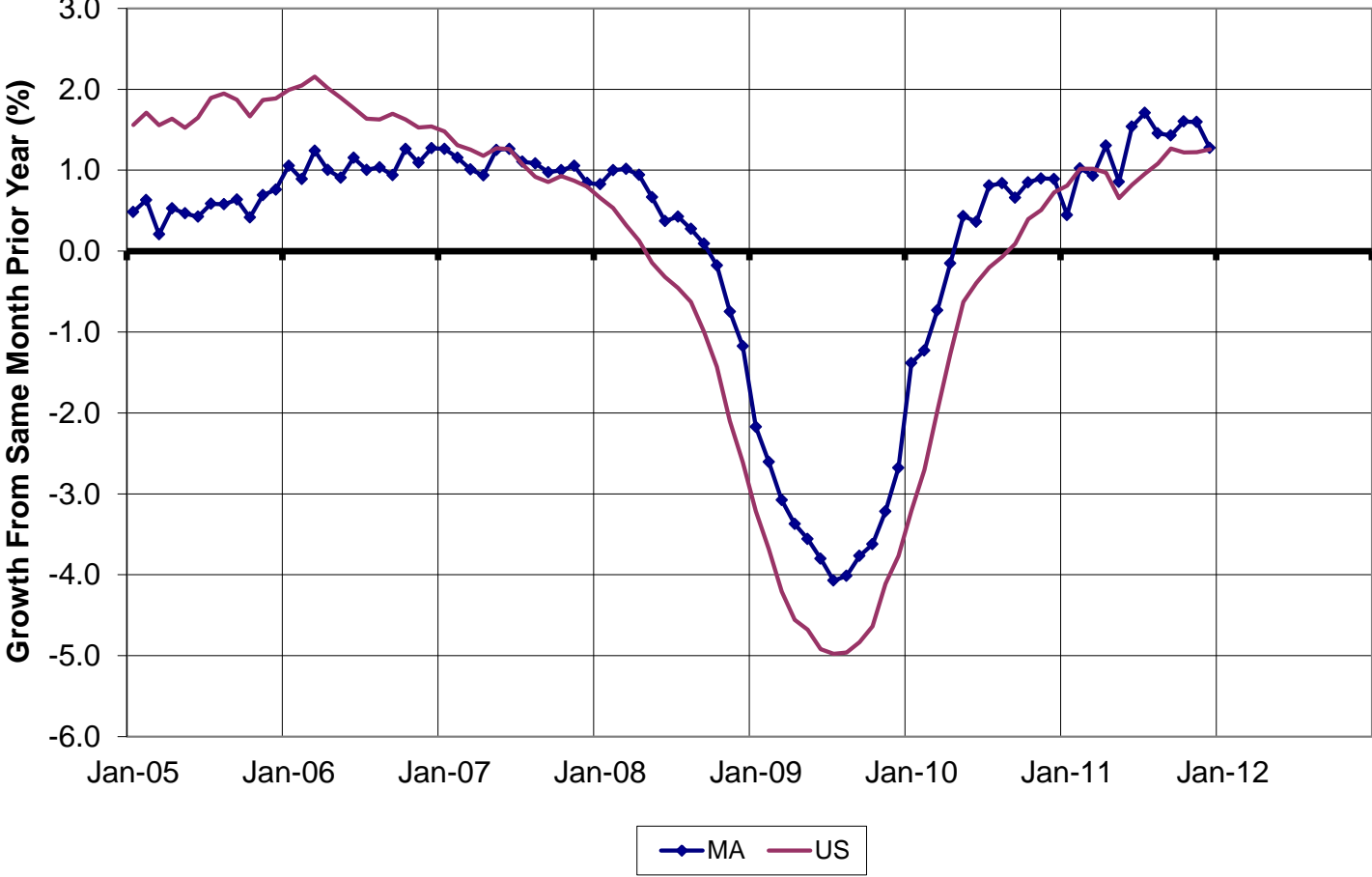
Massachusetts has had a stronger recovery than the U.S., but that may change.



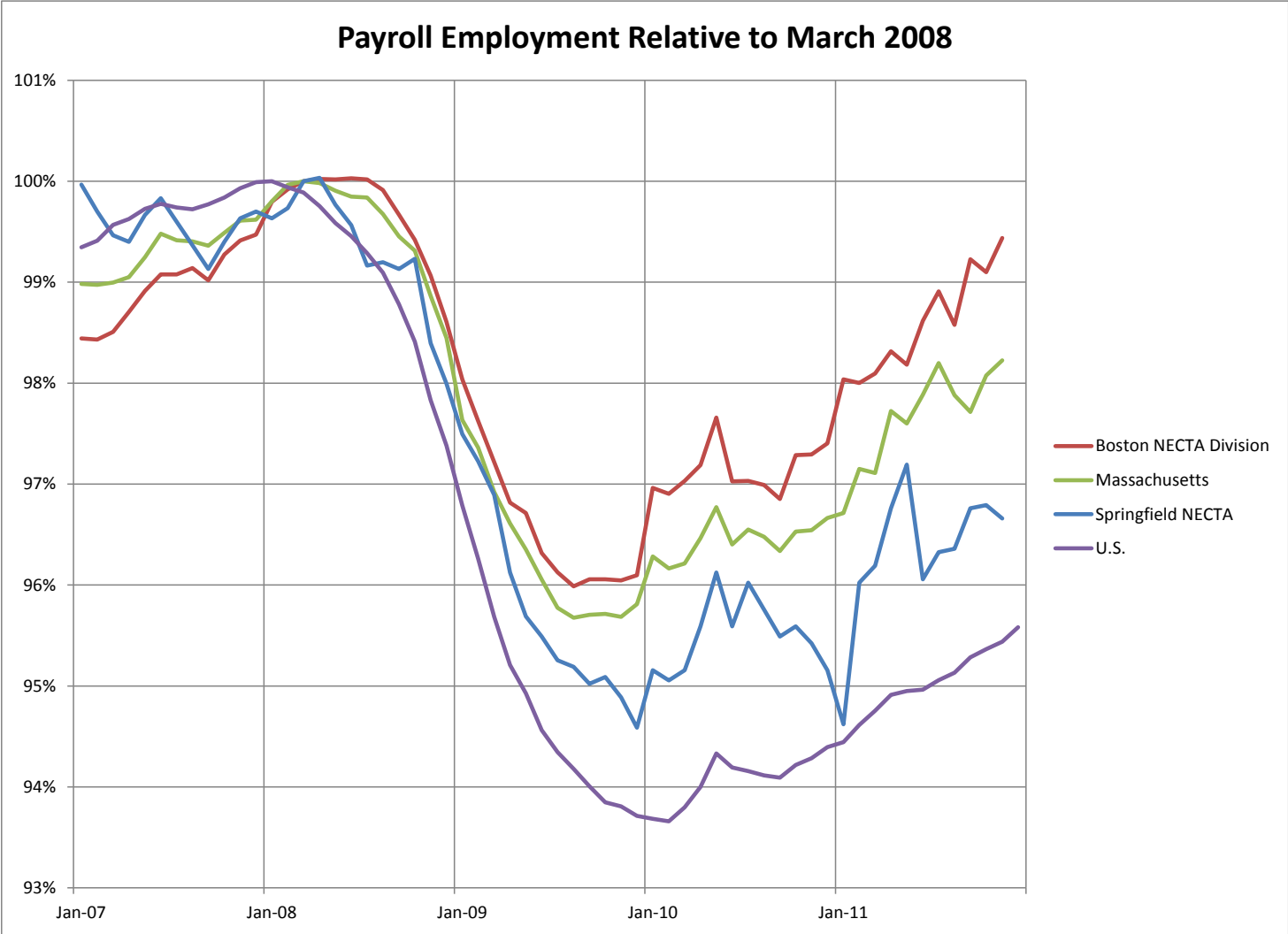
Growth rates are converging.

Massachusetts and U.S. Payroll Employment Growth

Source: U.S. Bureau of Labor Statistics



The strength of the recovery depends on where you live.



There is a wide disparity in economic health across the Commonwealth.

Unemployment Rates for Selected Municipalities, November 2011

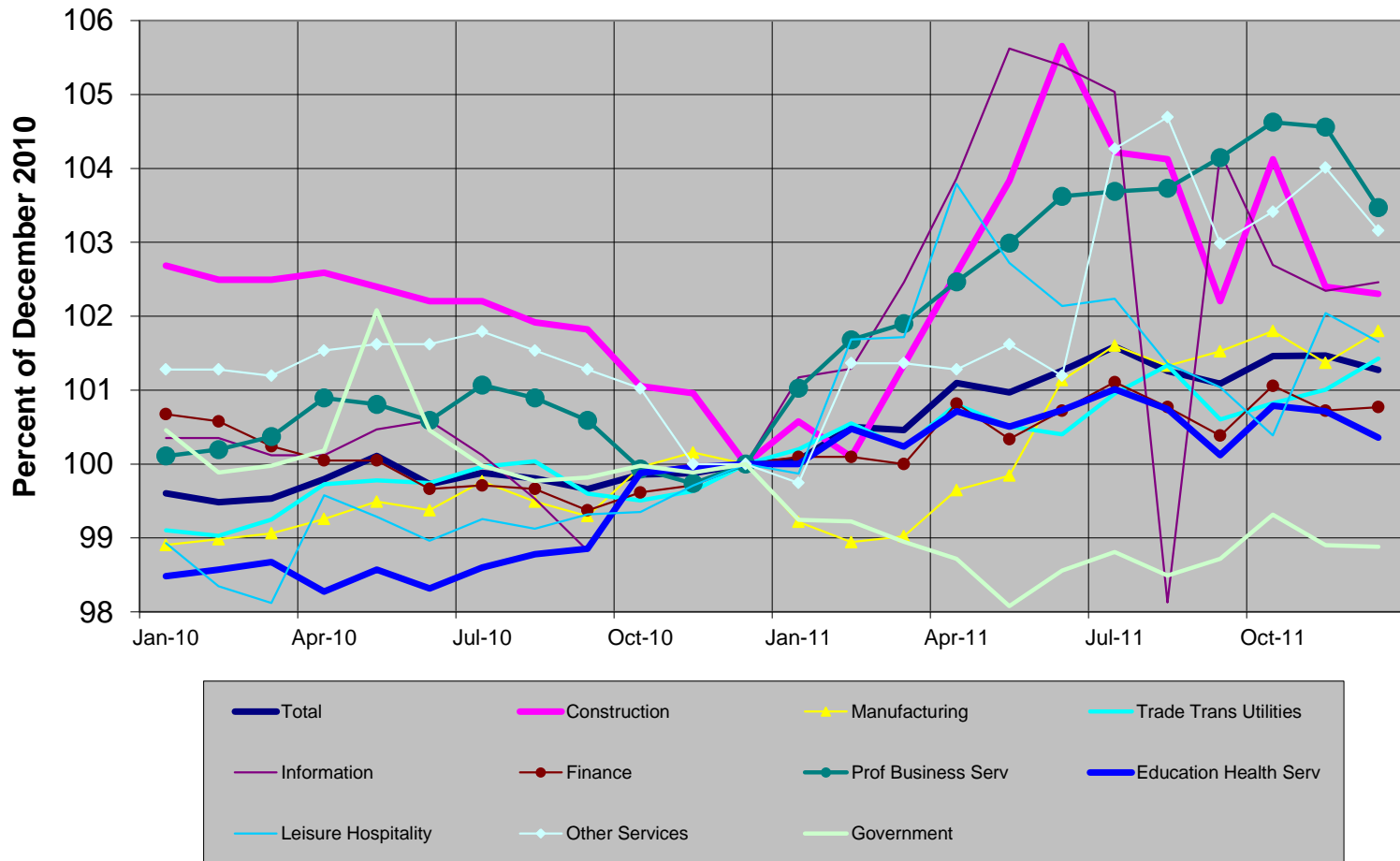
Lawrence	14.4
Fall River	11.8
New Bedford	11.7
Springfield	10.4
Attleborough	8.8
Brockton	8.8
Lowell	8.7
Leominster	8.2
Chicopee	8

Marlborough	4.8
Framingham	4.6
Waltham	4.6
Watertown	4.6
Somerville	4.5
Arlington	4.3
Cambridge	4.1
Newton	4.1
Amherst	3.7
Brookline	3.4

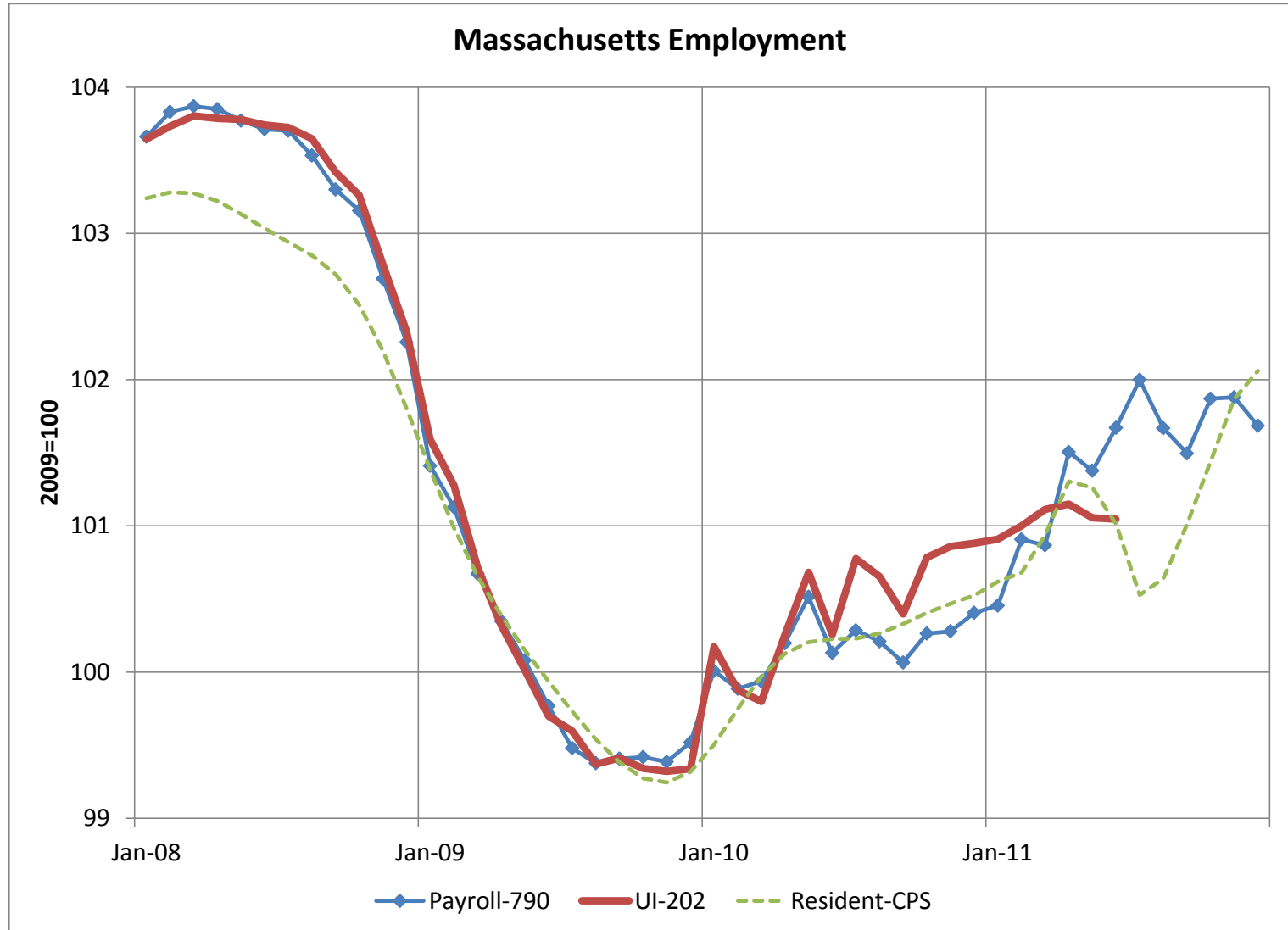
Weston	3.3
Mount	3.1
Leyden	3
Whately	3
Dover	2.9

Technology and manufacturing supported the state's economy this year.

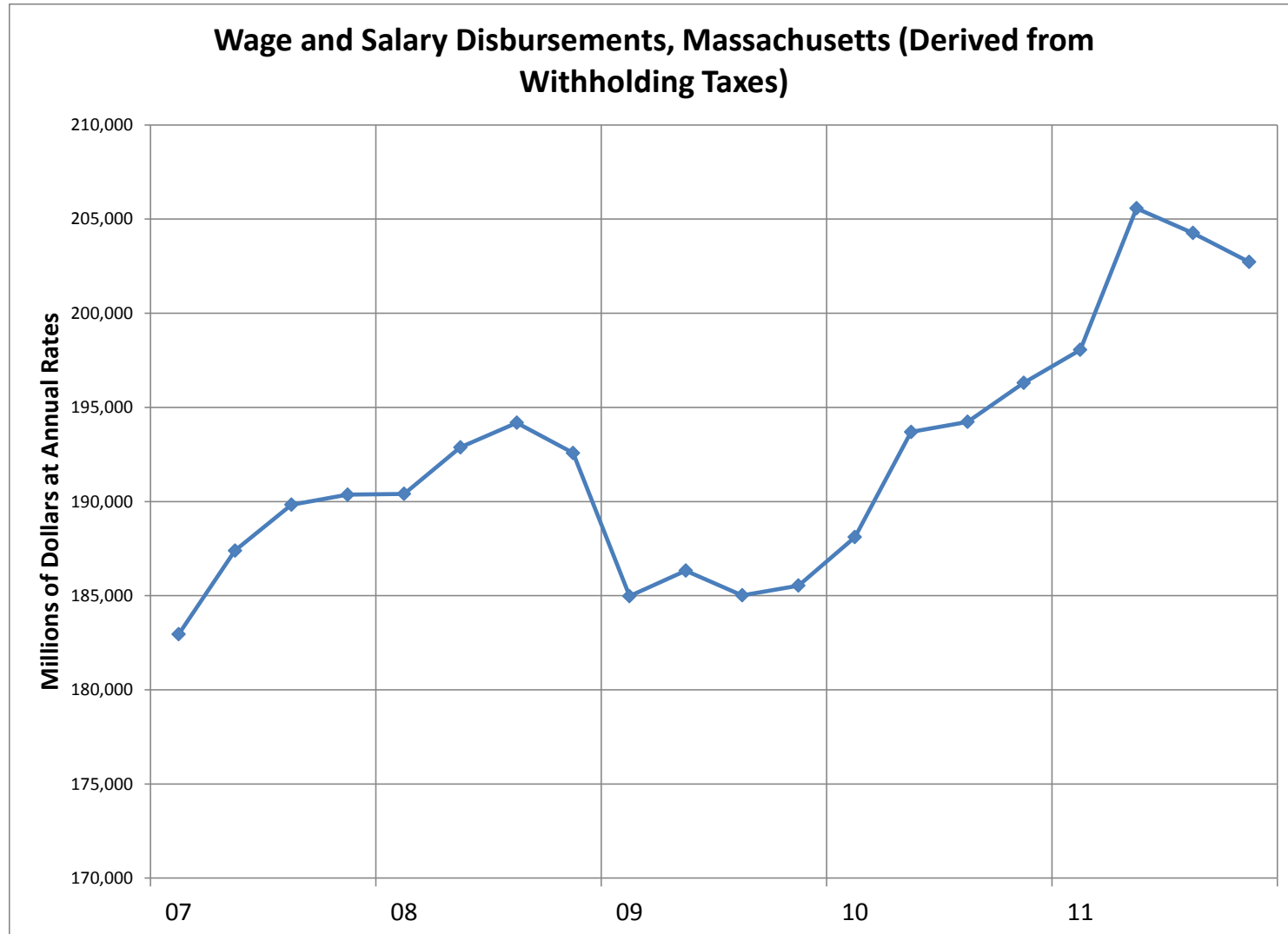
Employment Growth by Supersector, Massachusetts



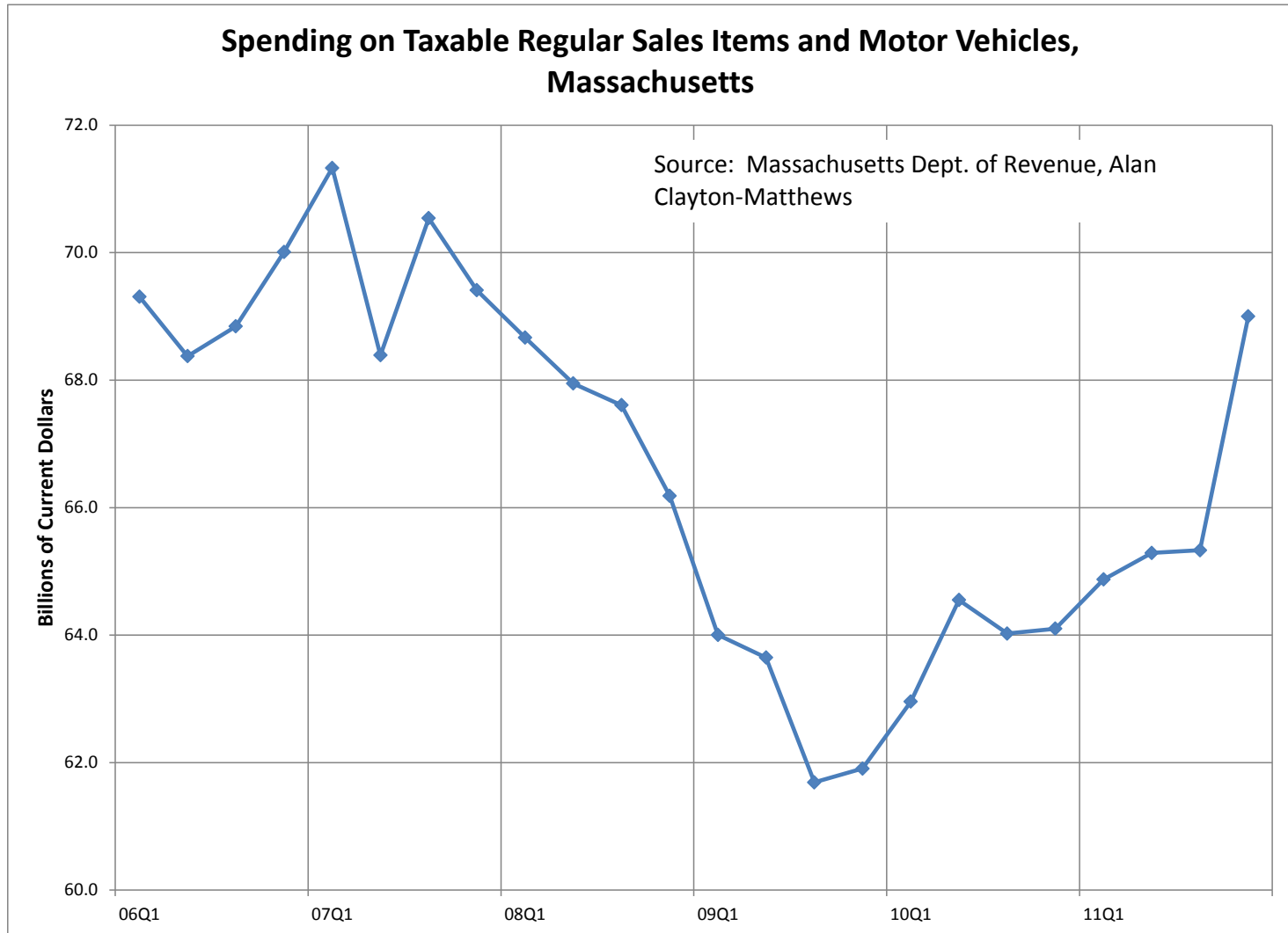
Which story is to be believed?



Withholding tax revenues are consistent with strong growth in the first half of 2011, and slowing growth in the second half of 2011.



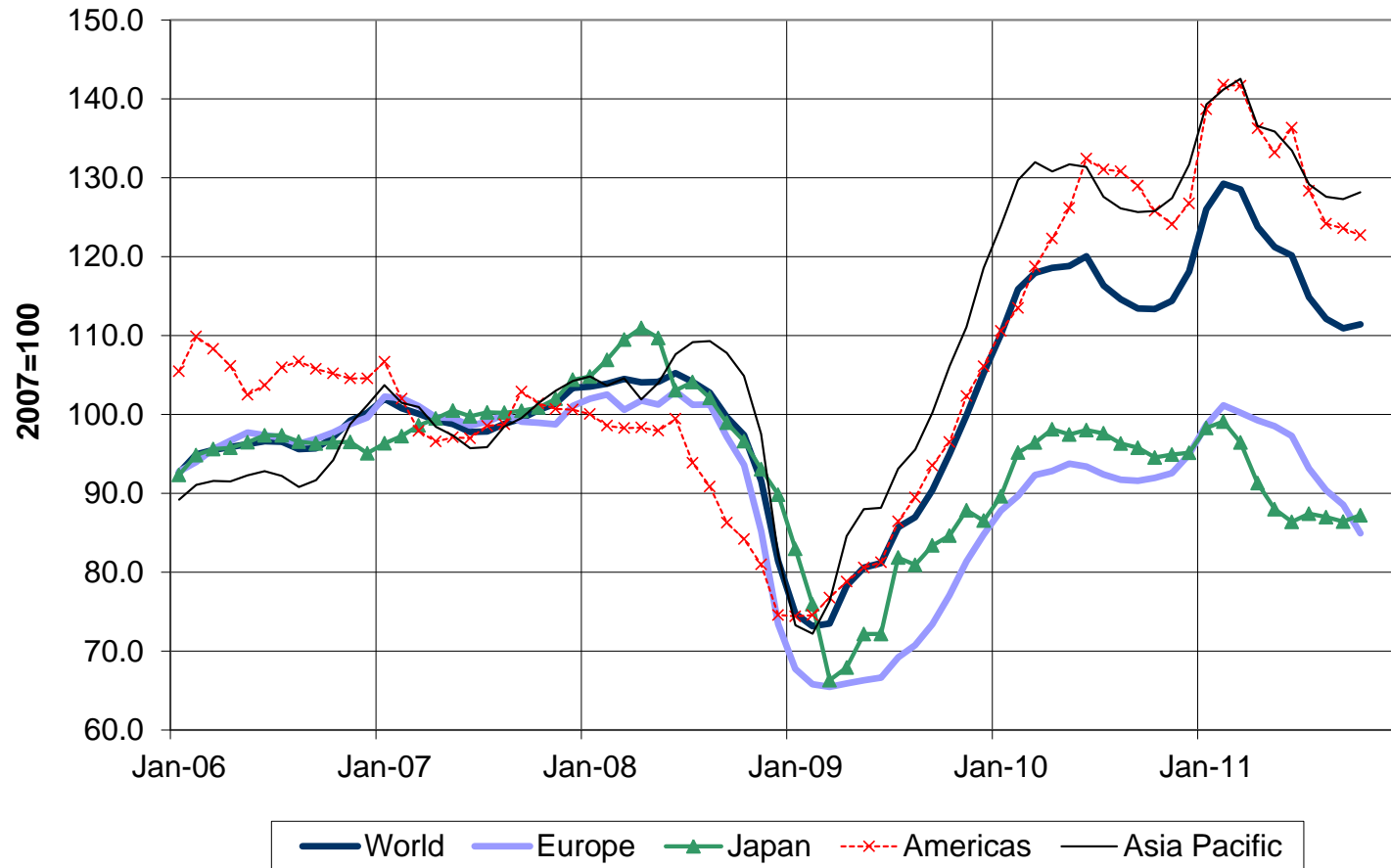
Consumers stepped up spending at the end of the year. Will it continue?



Demand in information technology markets has peaked – at least temporarily.

Semiconductor Billings

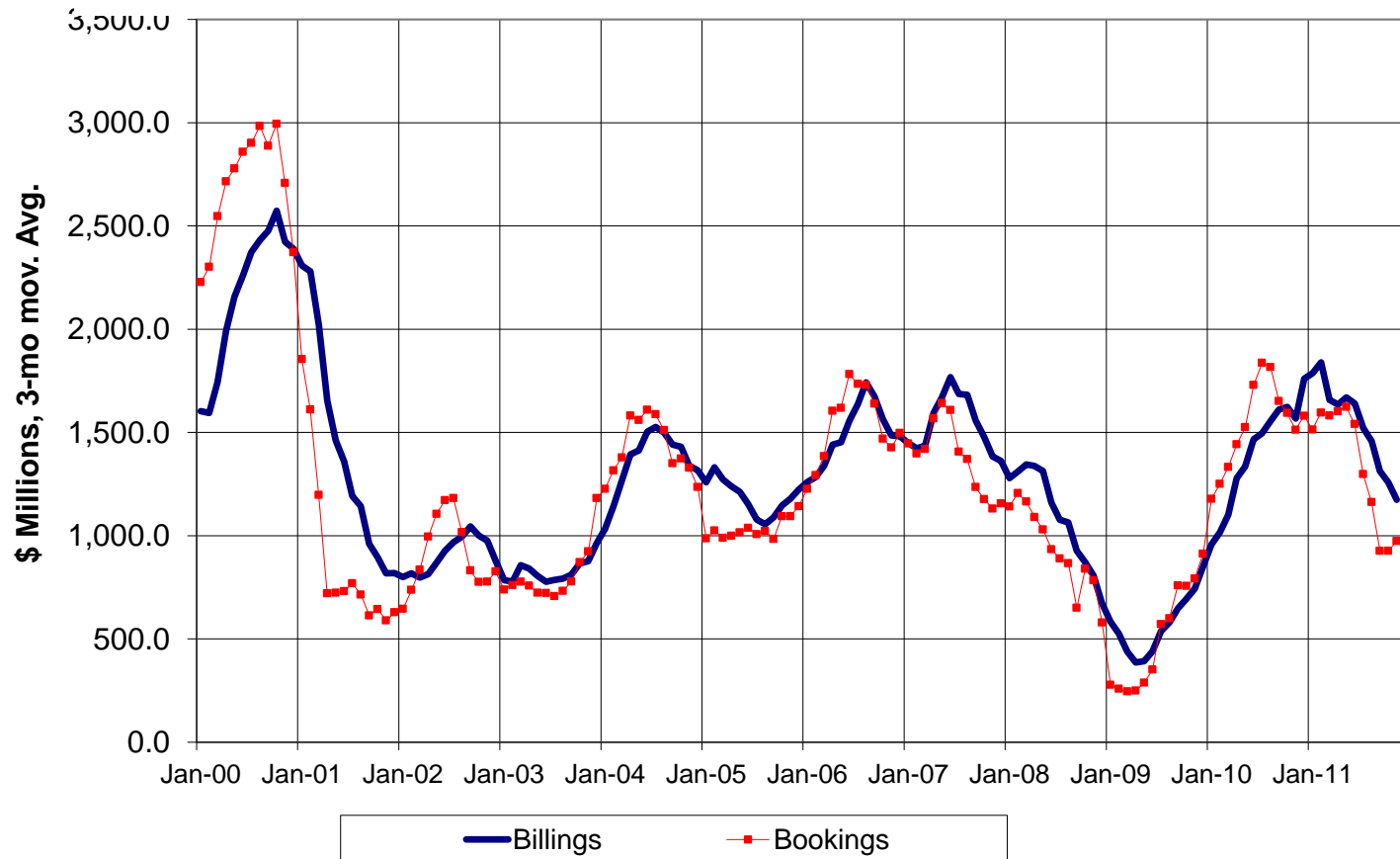
Source: Semiconductor Industry Association, seasonally adjusted



Semiconductor equipment is an important manufacturing sector for Massachusetts.

Worldwide Semiconductor Equipment Billings and Bookings

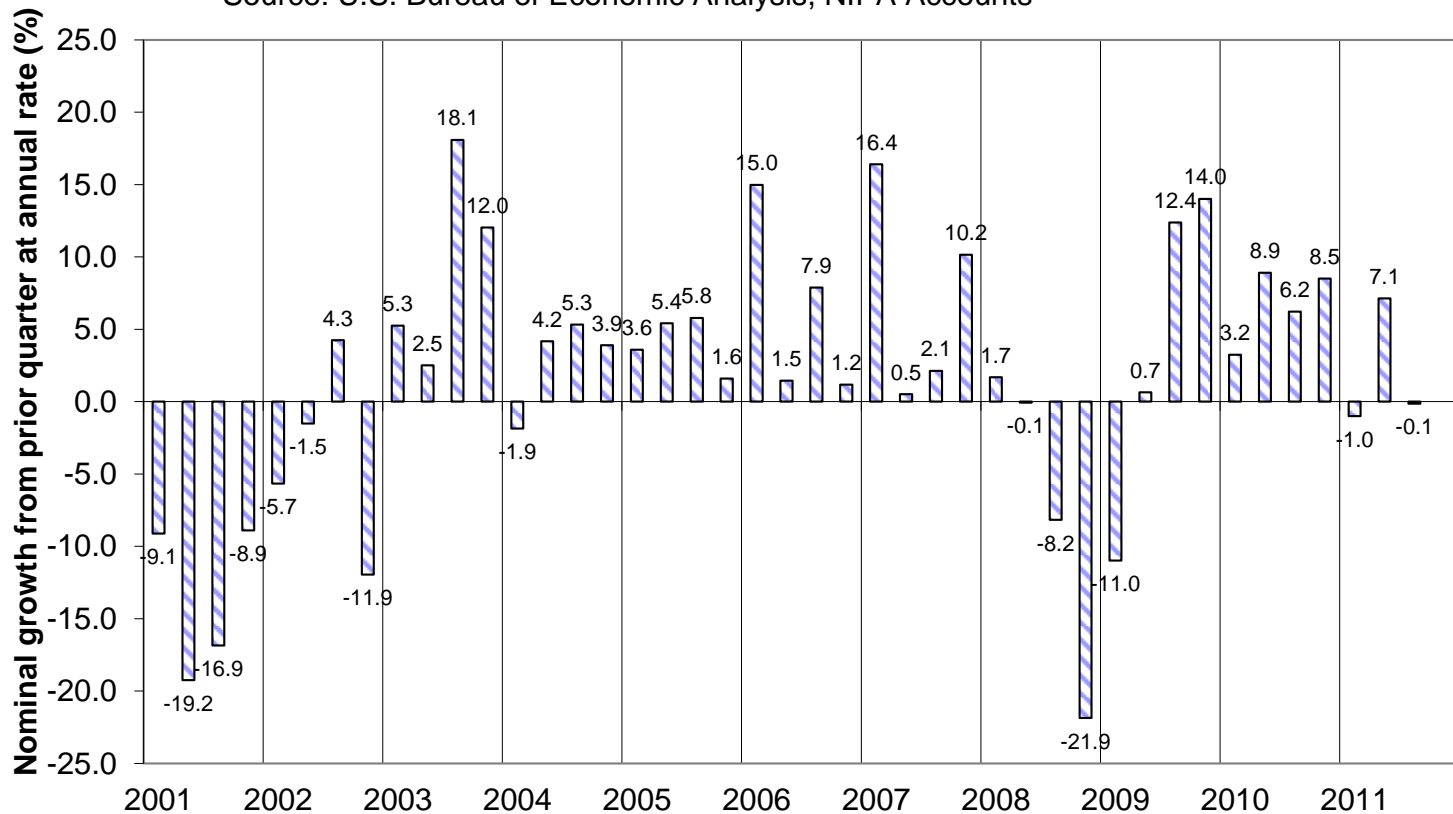
Source: Semiconductor Equipment and Materials International



The third quarter was a dud for investment demand for info tech.

U.S. Investment in Information and Processing Equipment and Software

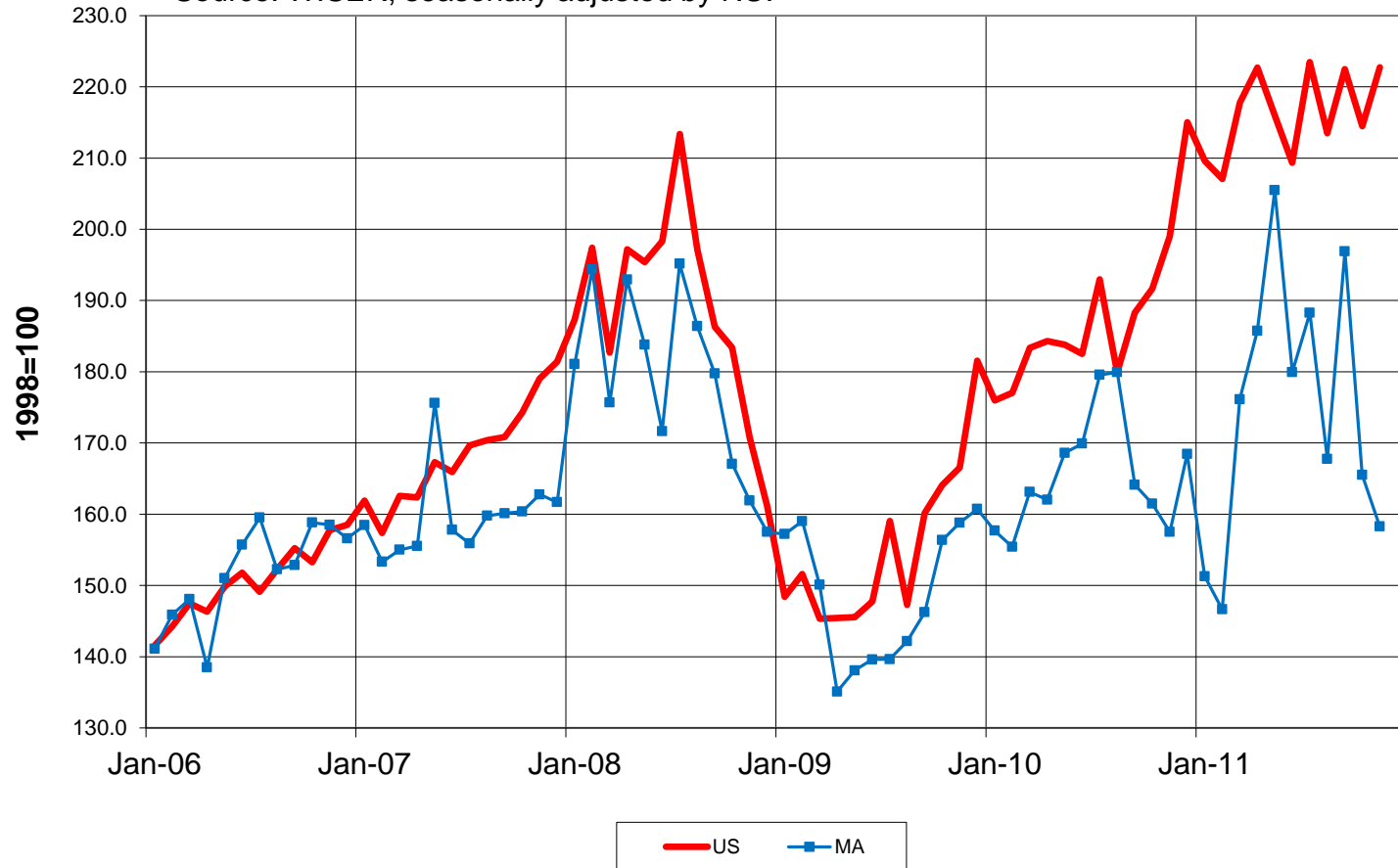
Source: U.S. Bureau of Economic Analysis, NIPA Accounts



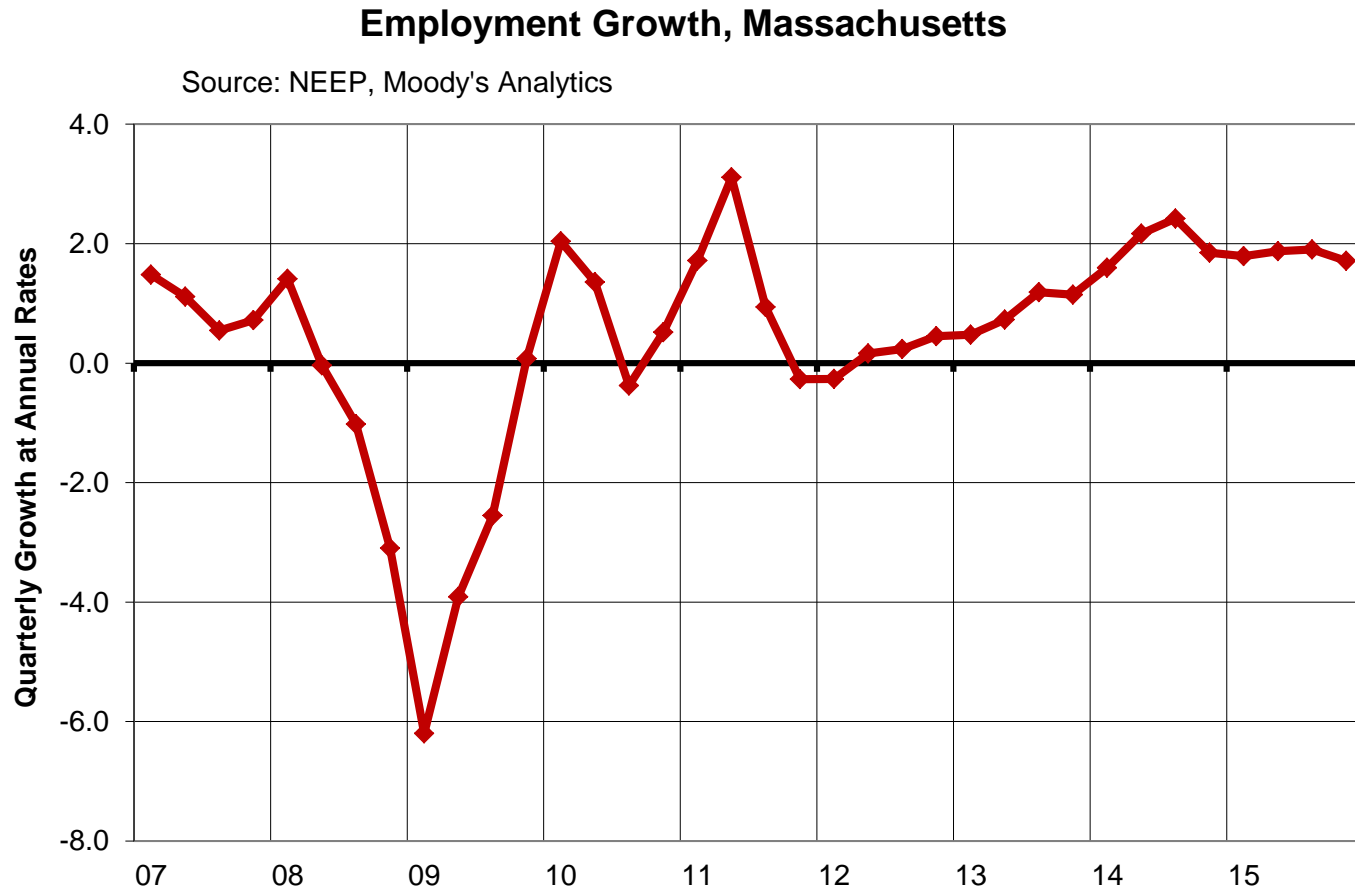
A fall in exports to Europe could cut 0.5% to 0.75% from state growth in 2012.

Merchandise Exports, Seasonally Adjusted

Source: WISER, seasonally adjusted by NU.



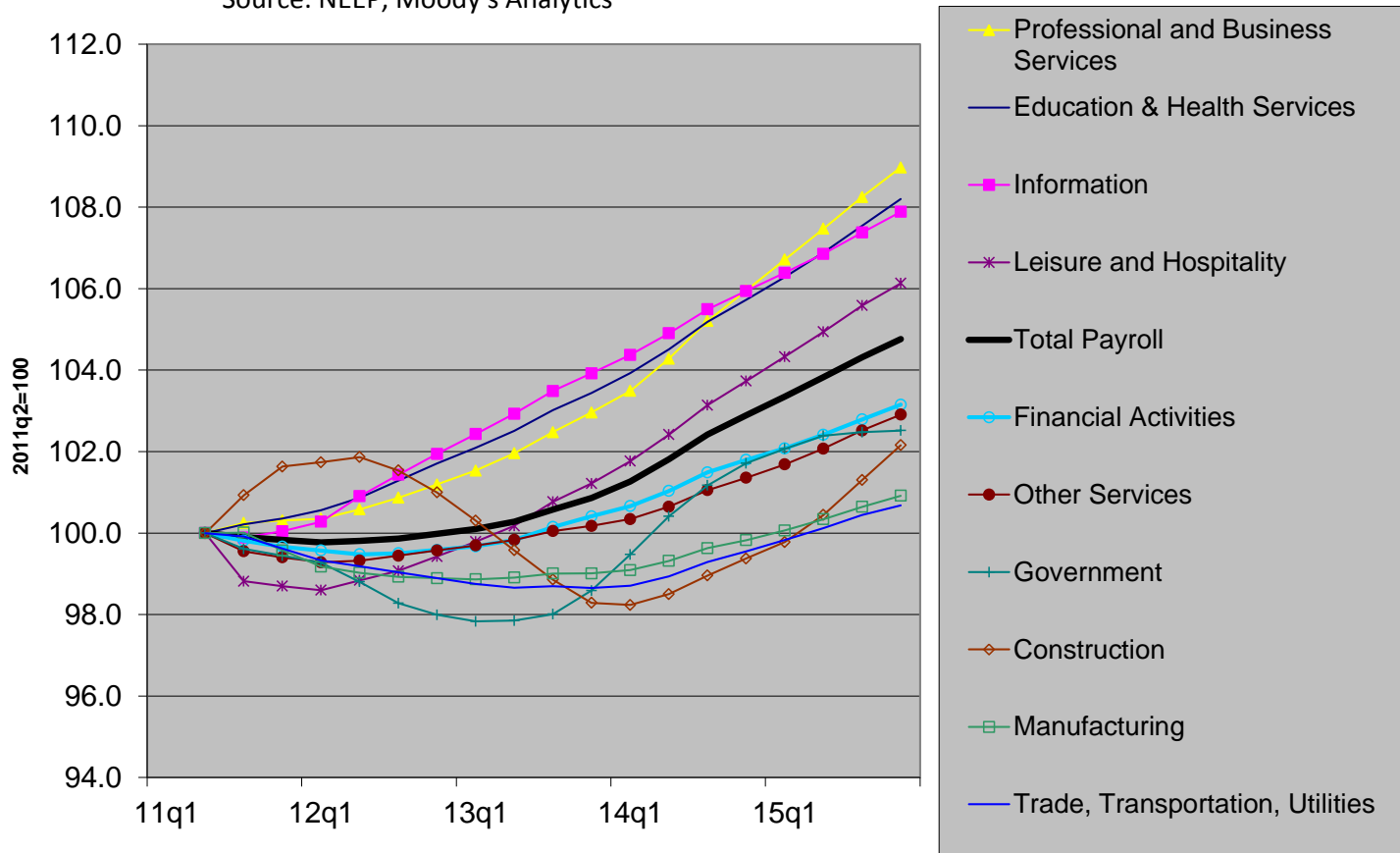
Growth will be weak through the first half of 2013.



Professional Business Services, Education and Health Services, and Information will have the fastest job growth.

Payroll Employment Trends Over the Forecast, Massachusetts

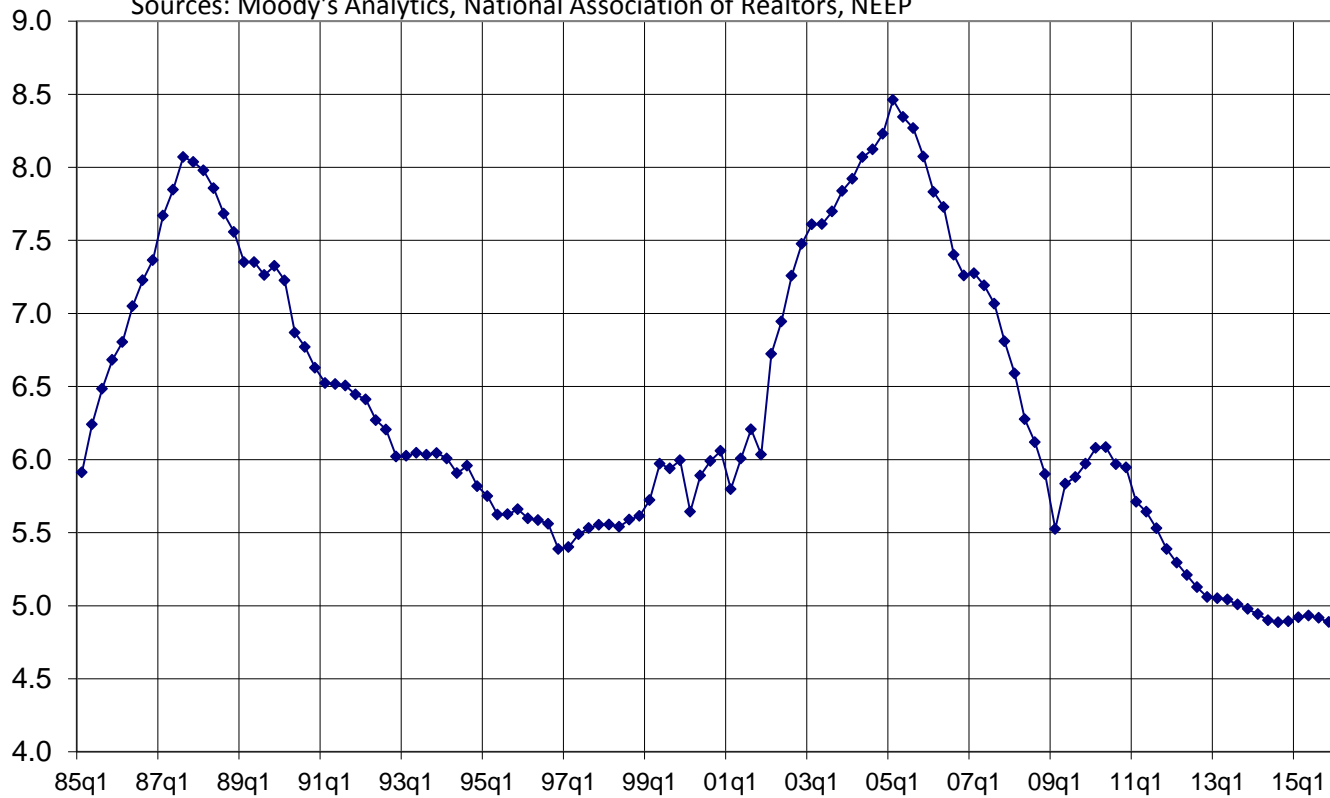
Source: NEEP, Moody's Analytics



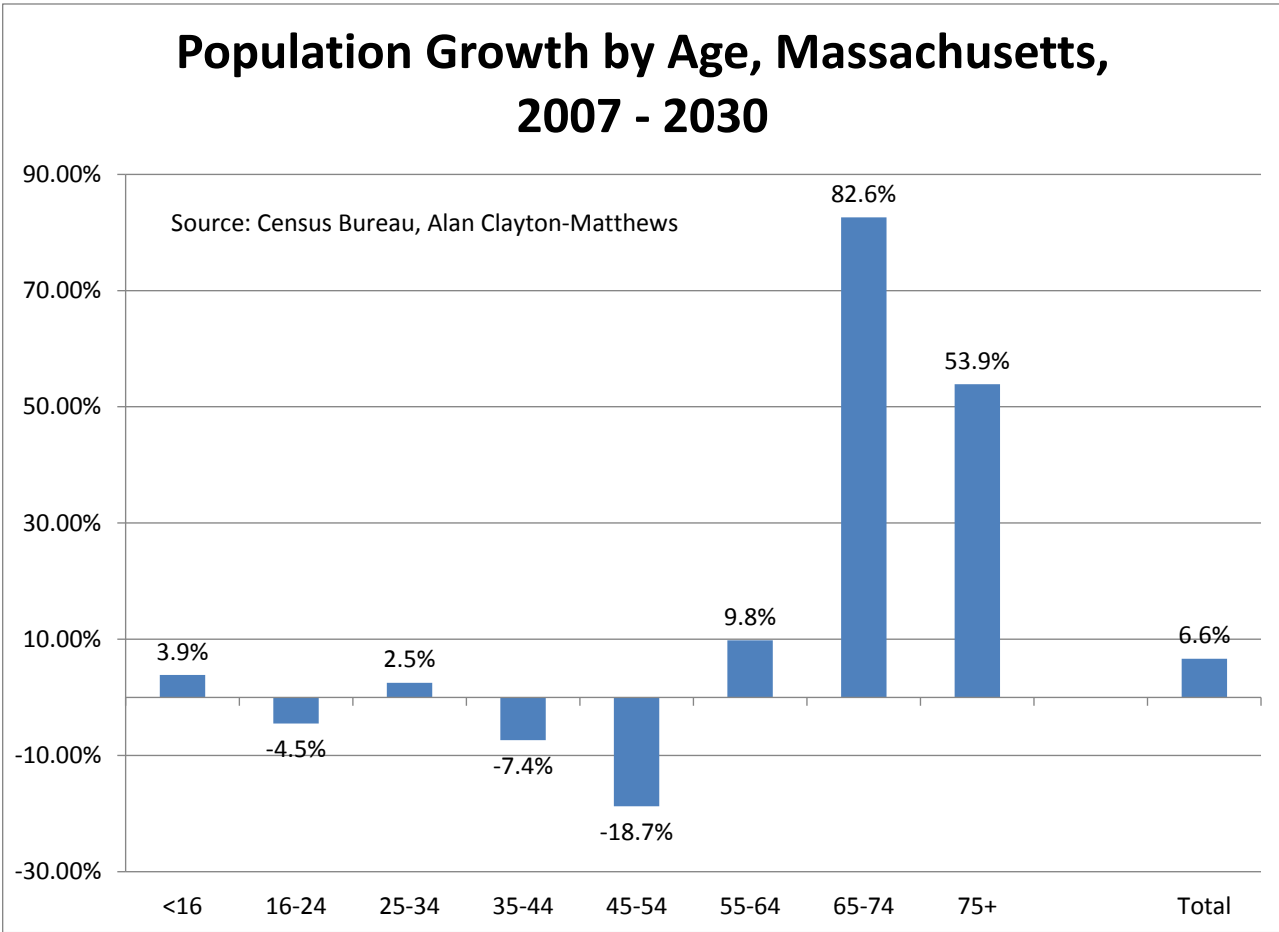
The slow real estate market has an upside: more affordable housing.

Median House Price to Per Capita Income Ratio, Massachusetts

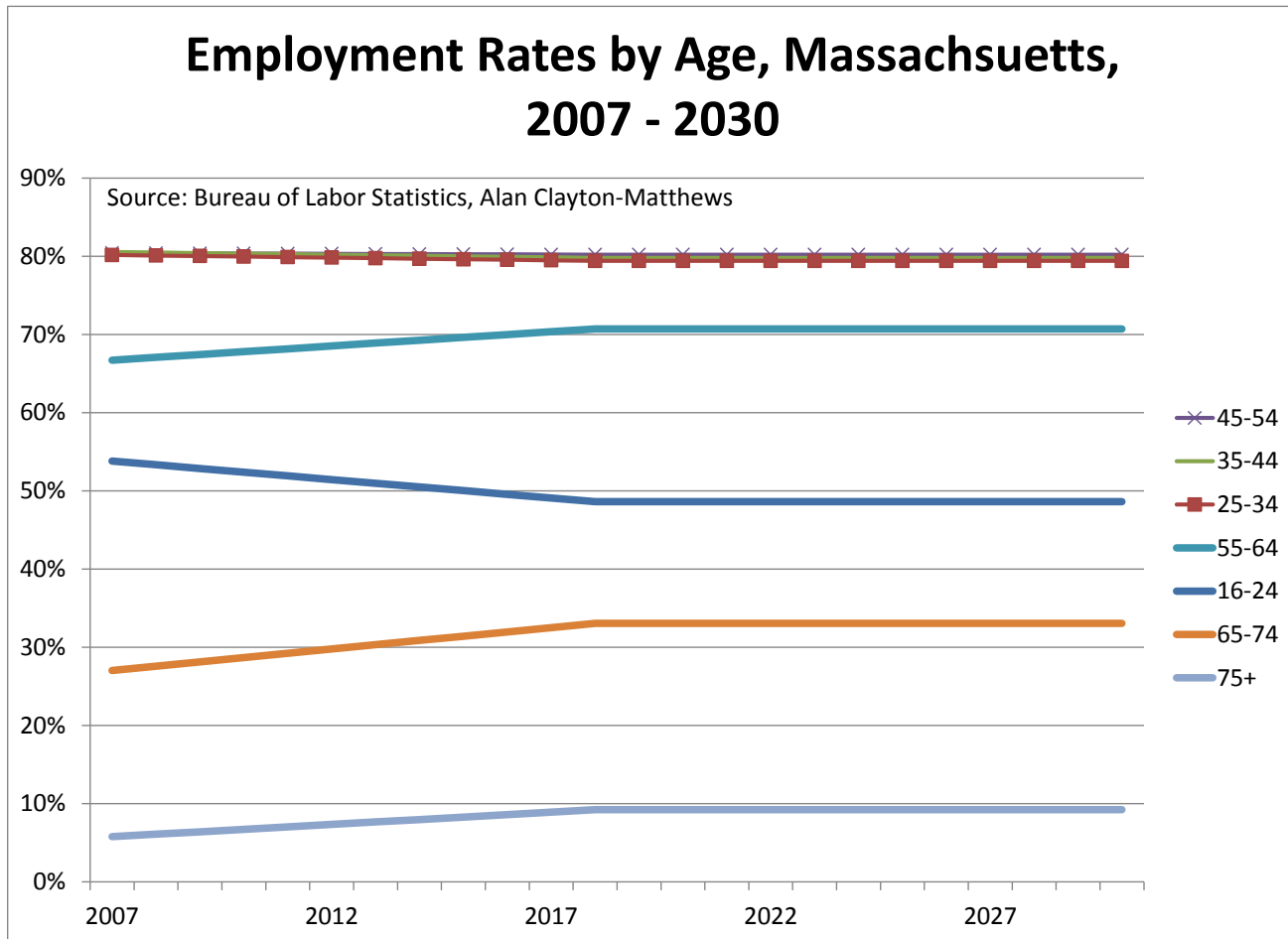
Sources: Moody's Analytics, National Association of Realtors, NEEP



Aging Baby Boomers leave a hole that the Millennials may only partially fill.



Baby Boomers are aging into lower participation rate categories.



The level of full employment may peak about 2018 and then decline. Is this destiny?

