

The Transitioning Massachusetts Economy

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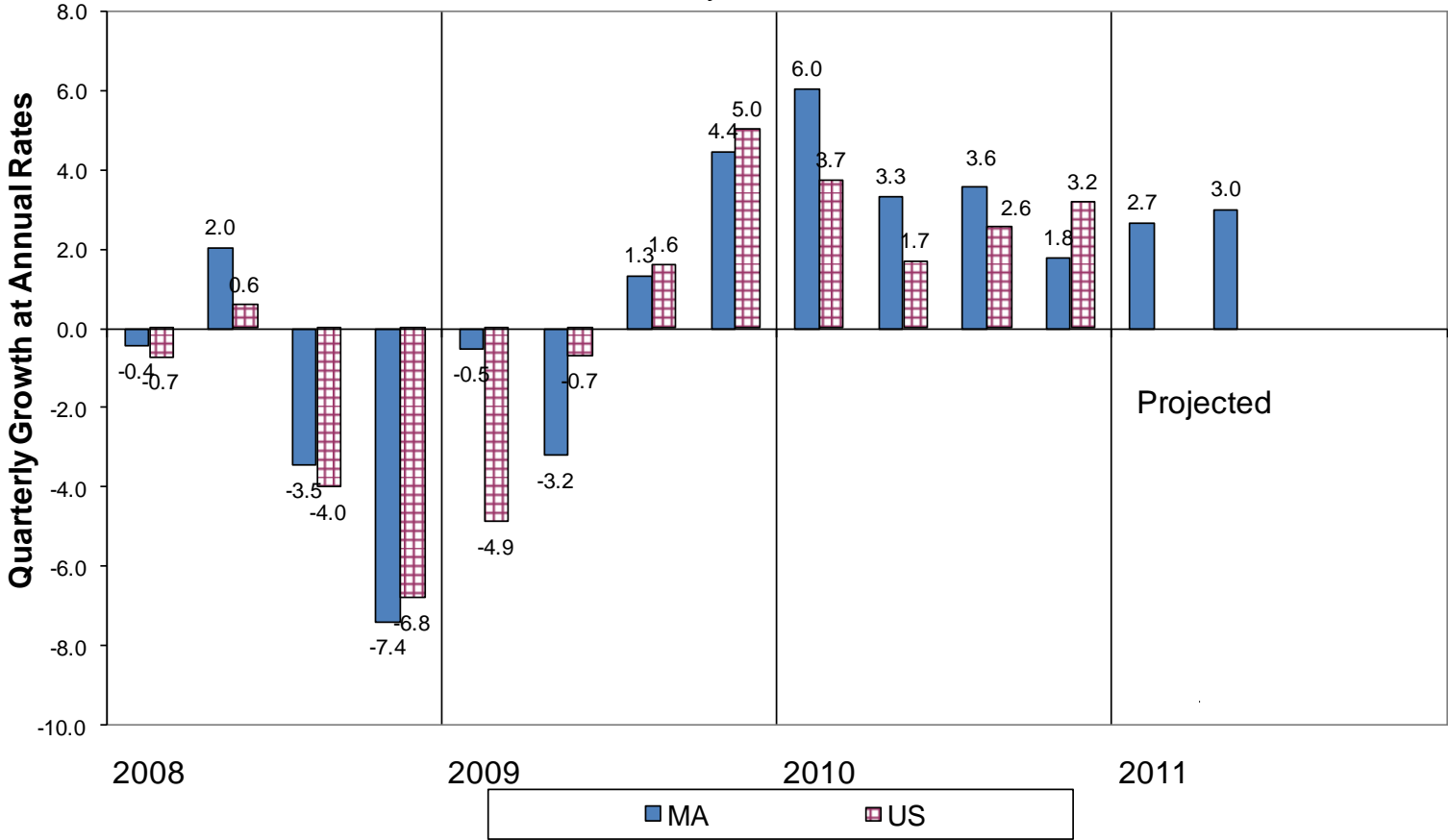
February 4, 2011

MassEcon Members Meeting

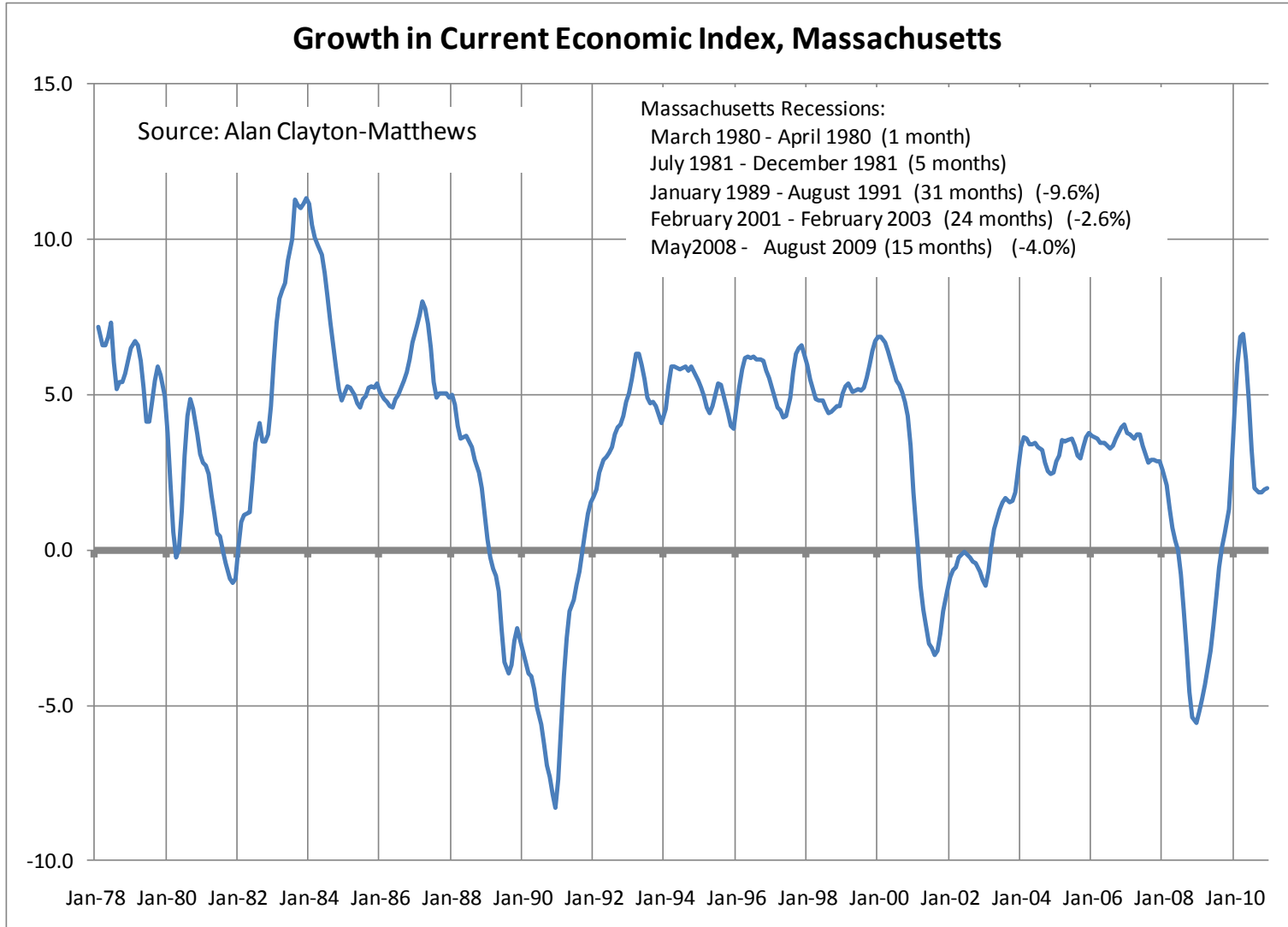
The Massachusetts economy pauses to catch its breath.

Growth in Real Product, Massachusetts Current Economic Index vs. U.S. GDP

Source: U.S., Bureau of Economic Analysis; Massachusetts, Massachusetts Benchmarks



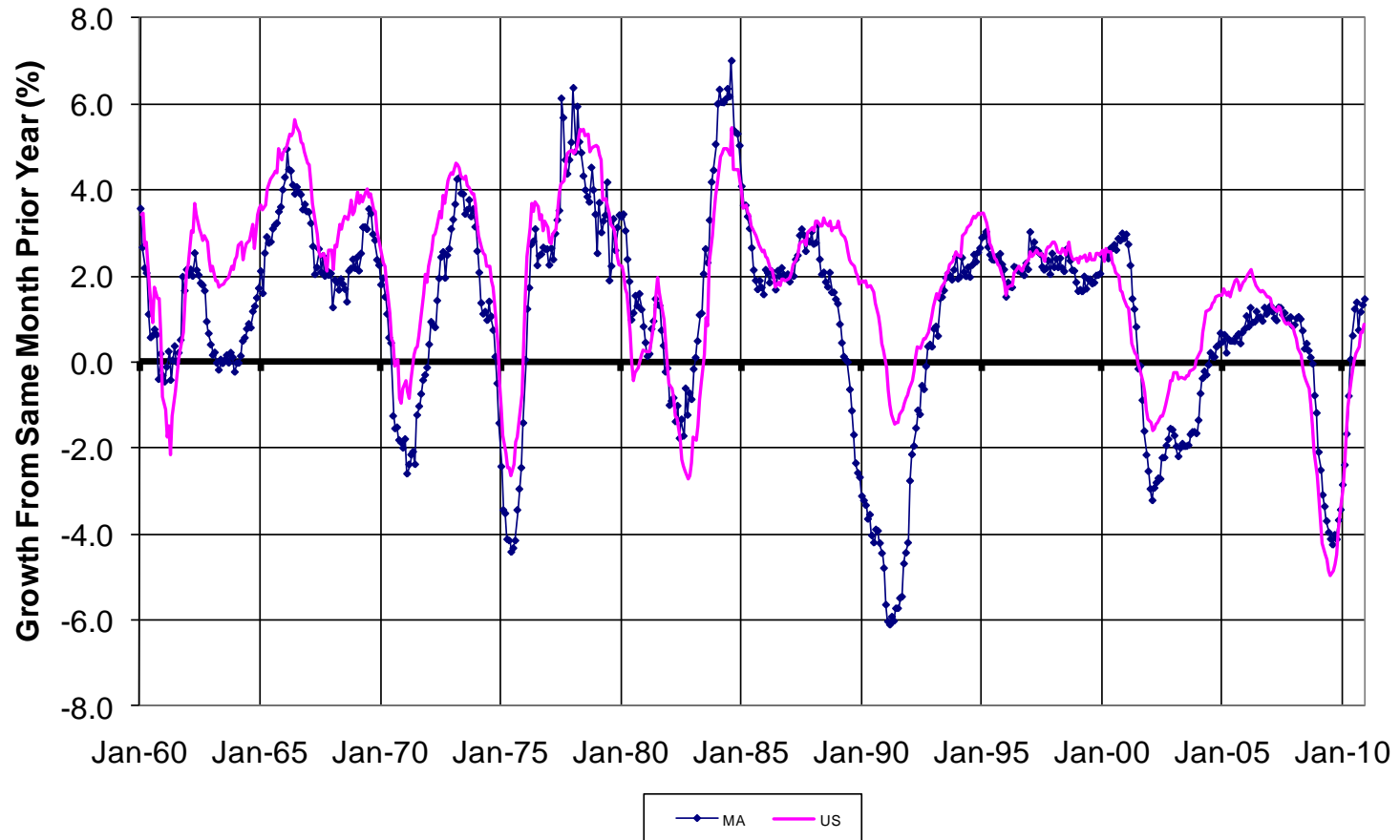
The state has had worse recessions.



This recession was not like the prior two.

Massachusetts and U.S. Payroll Employment Growth

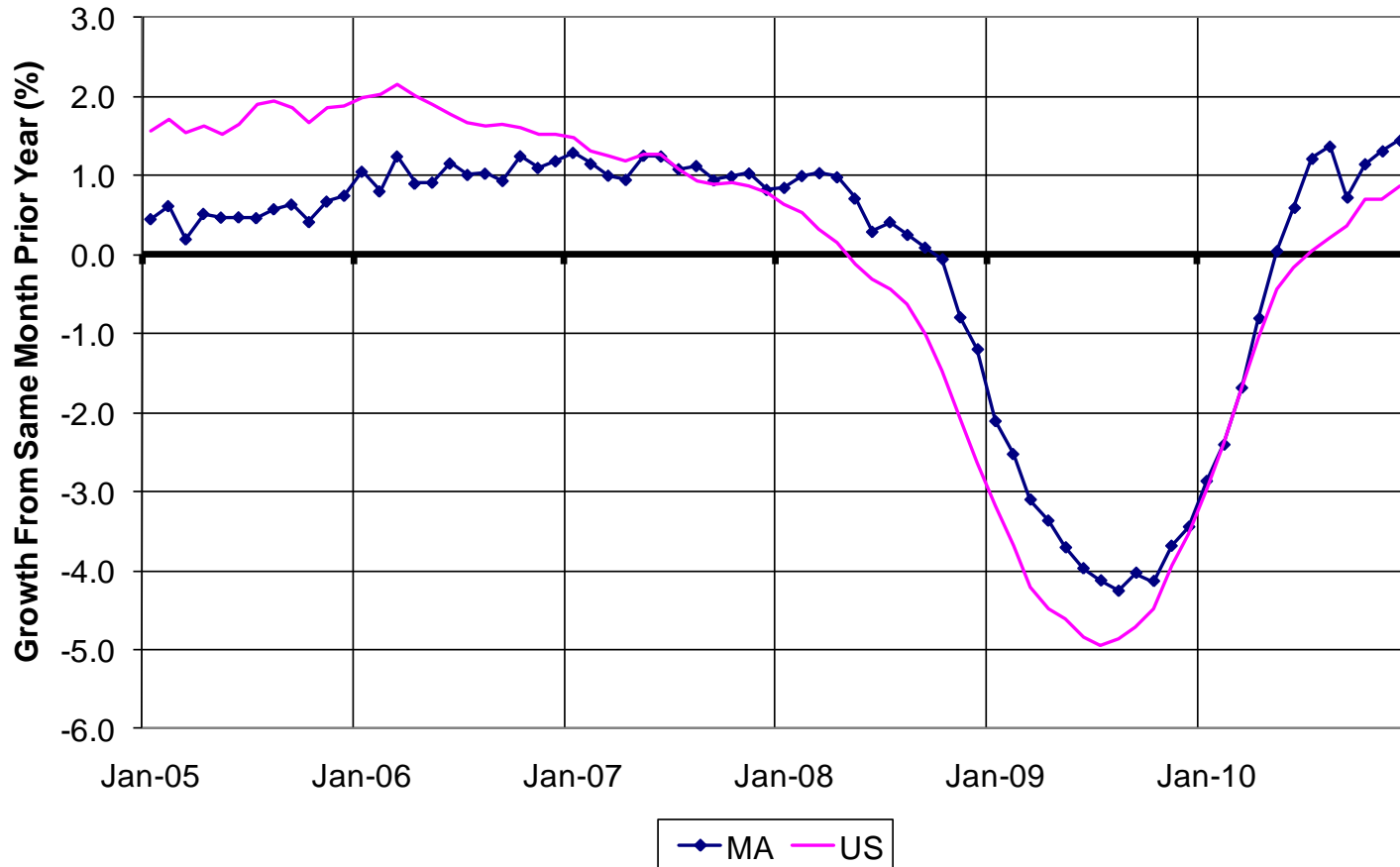
Source: U.S. Bureau of Labor Statistics



Massachusetts suffered less than the U.S.

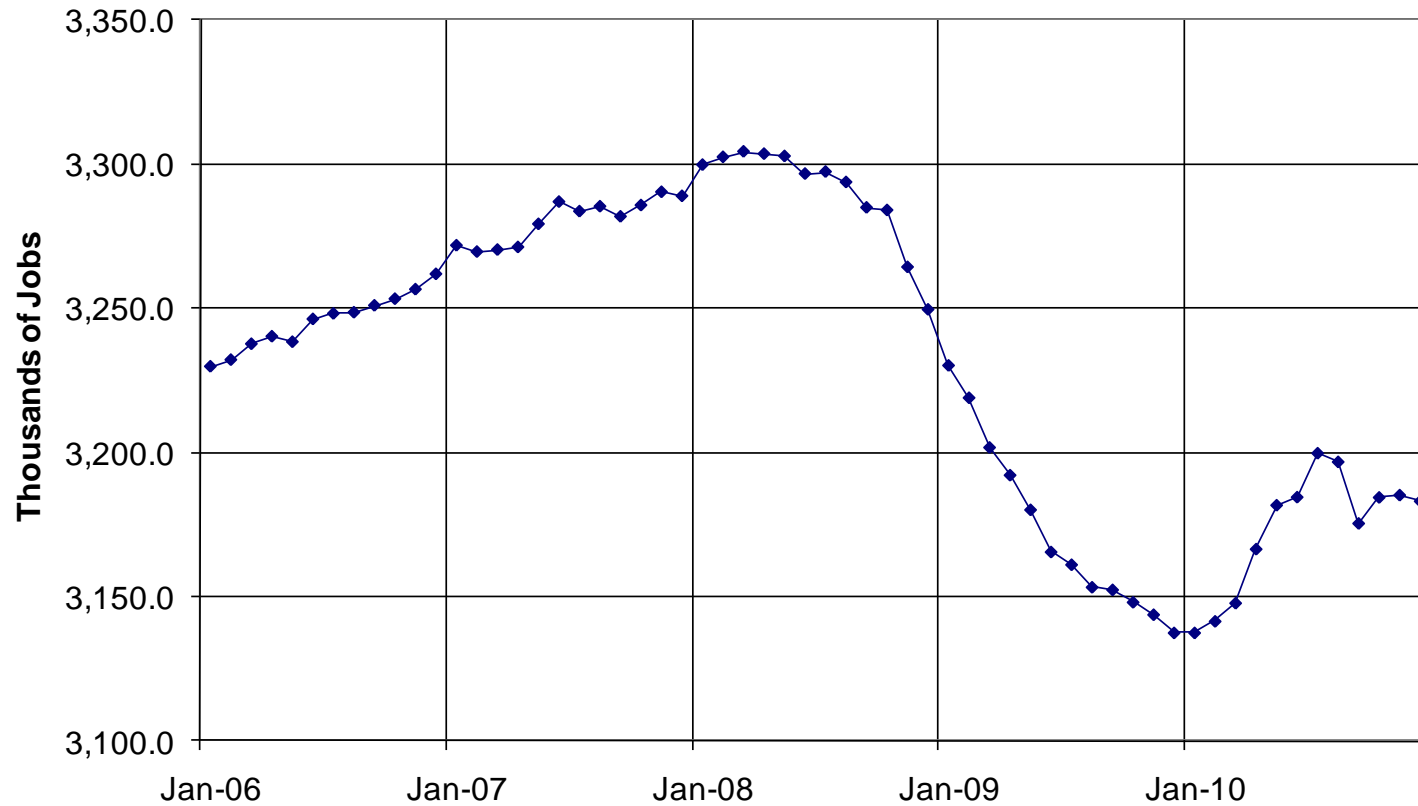
Massachusetts and U.S. Payroll Employment Growth

Source: U.S. Bureau of Labor Statistics



Strong job gains in the first half of 2010 followed by no growth in the second half.

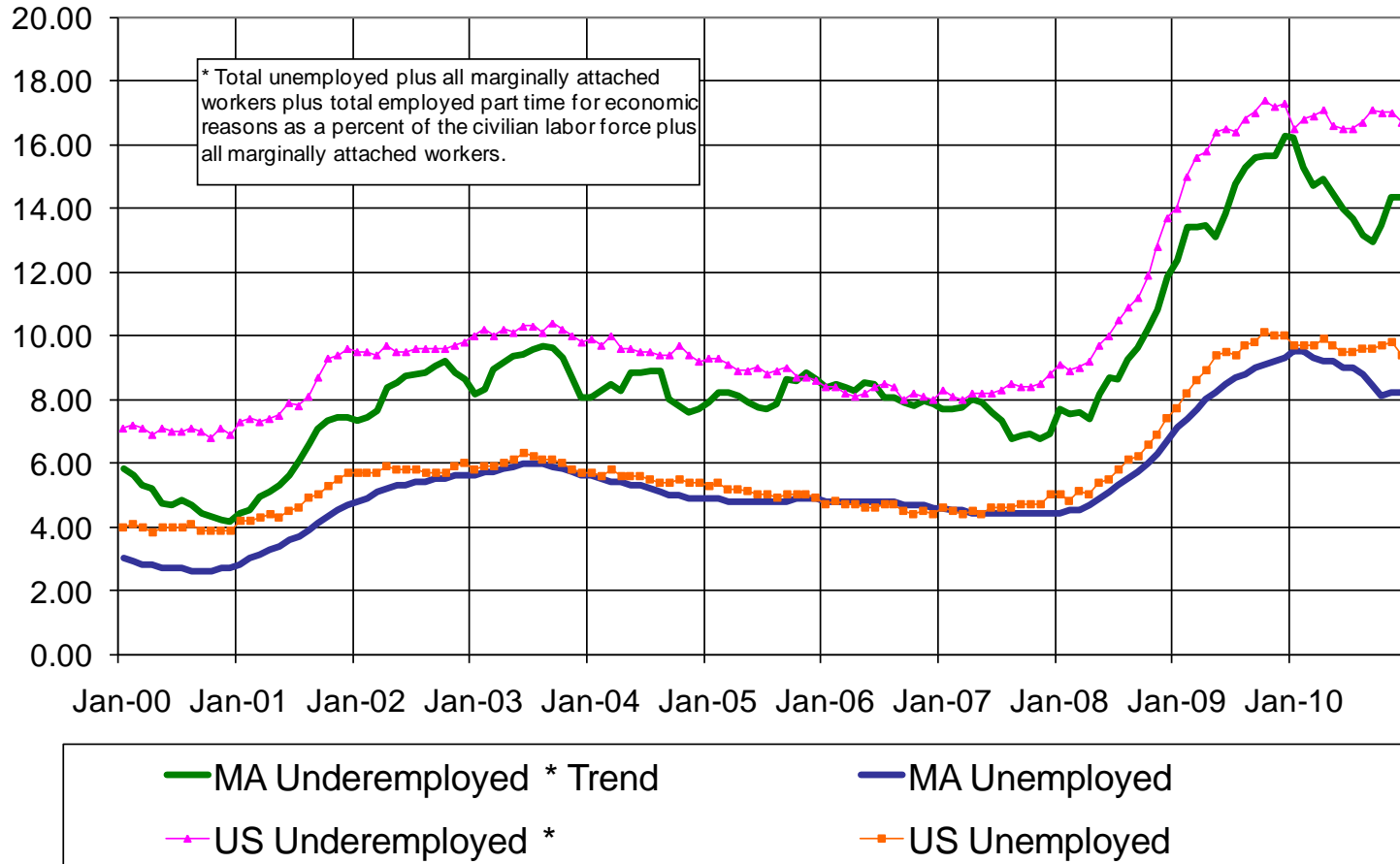
Payroll Employment, Massachusetts



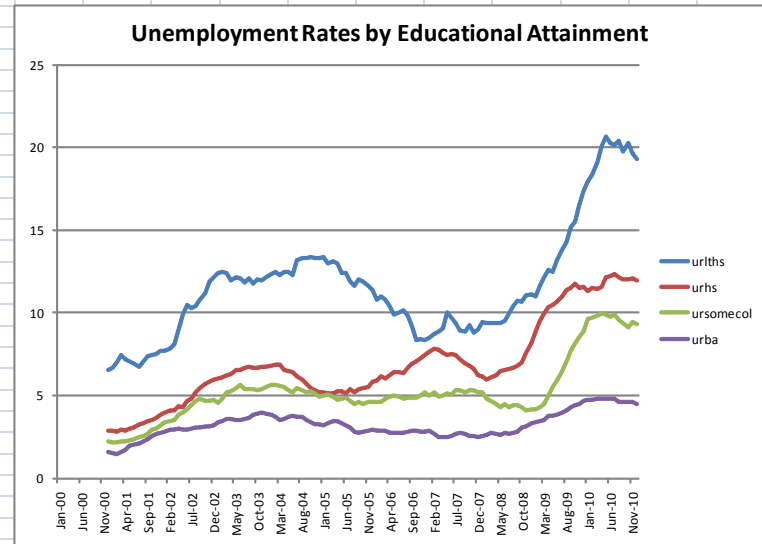
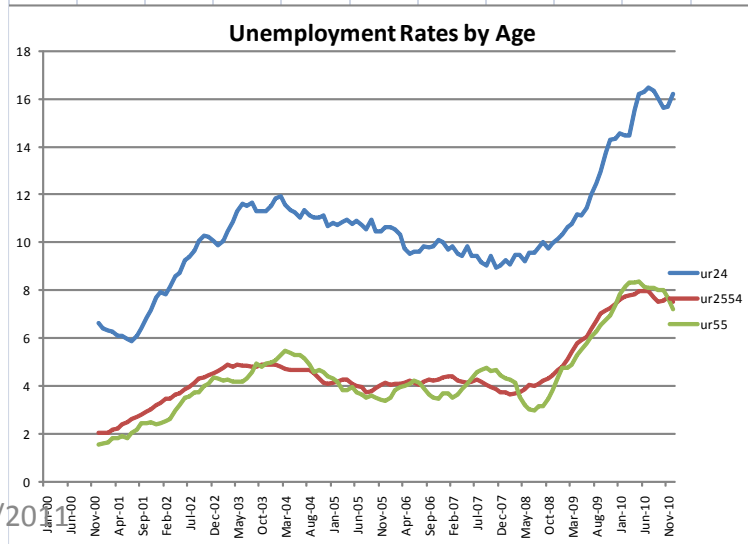
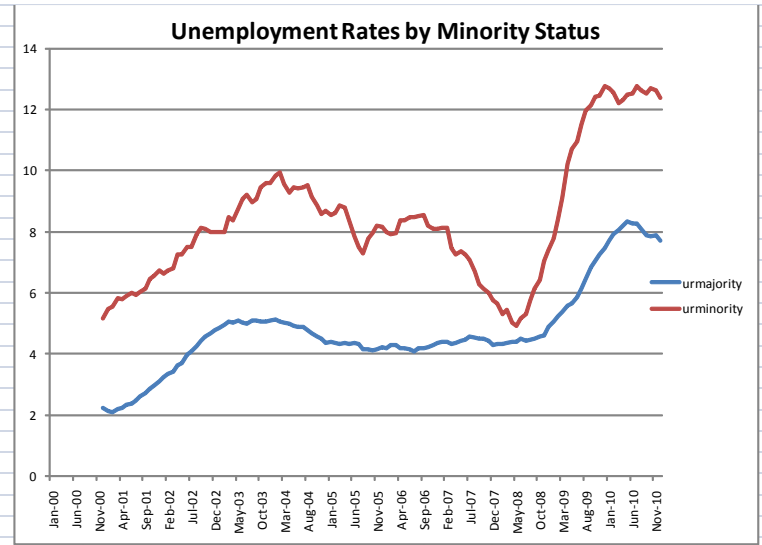
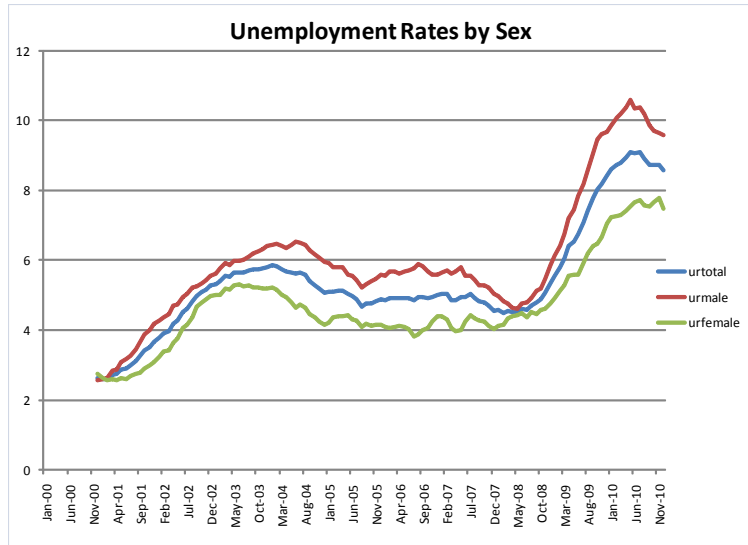
State unemployment has fallen significantly, but is still high.

Unemployment and Underemployment Rate

Source: U.S. Bureau of Labor Statistics. The unemployment rate is the official unemployment rate as released by the BLS. The underemployment rate is from the monthly CPS surveys. The Massachusetts underemployment rate is seasonally adjusted and smoothed.



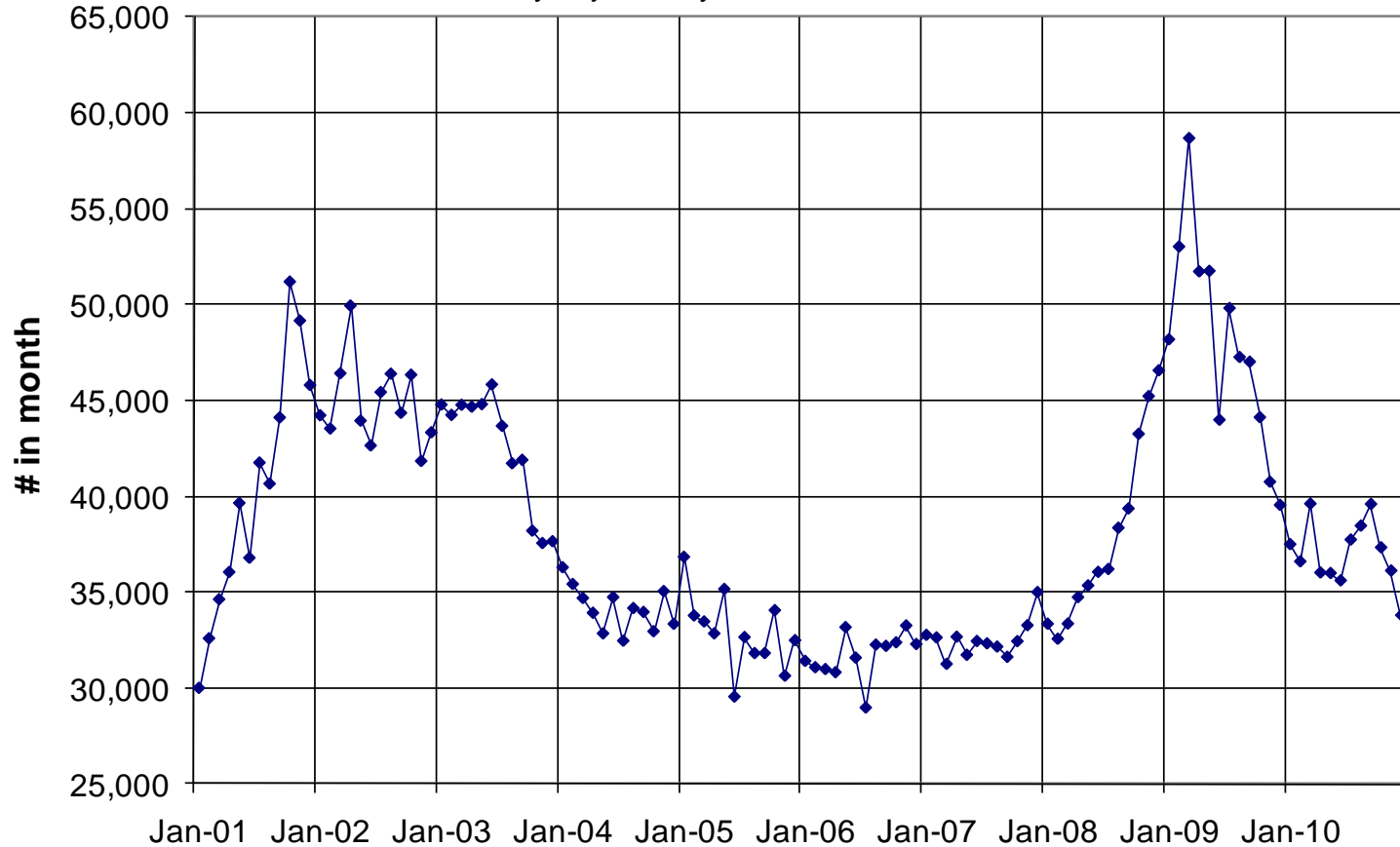
Massachusetts unemployment rates by demographics.



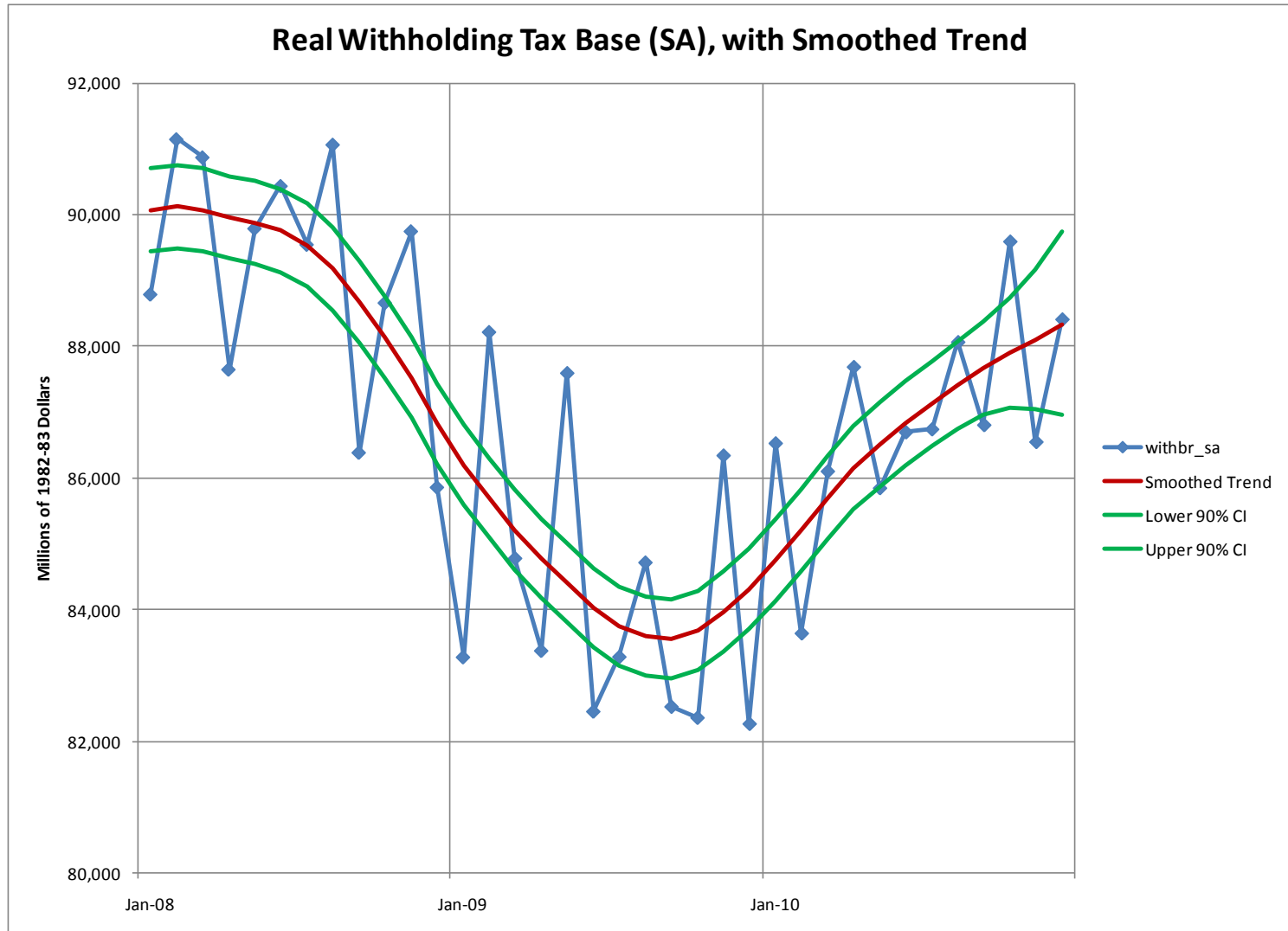
The problem is slow hiring, not layoffs.

Initial Unemployment Claims, Massachusetts

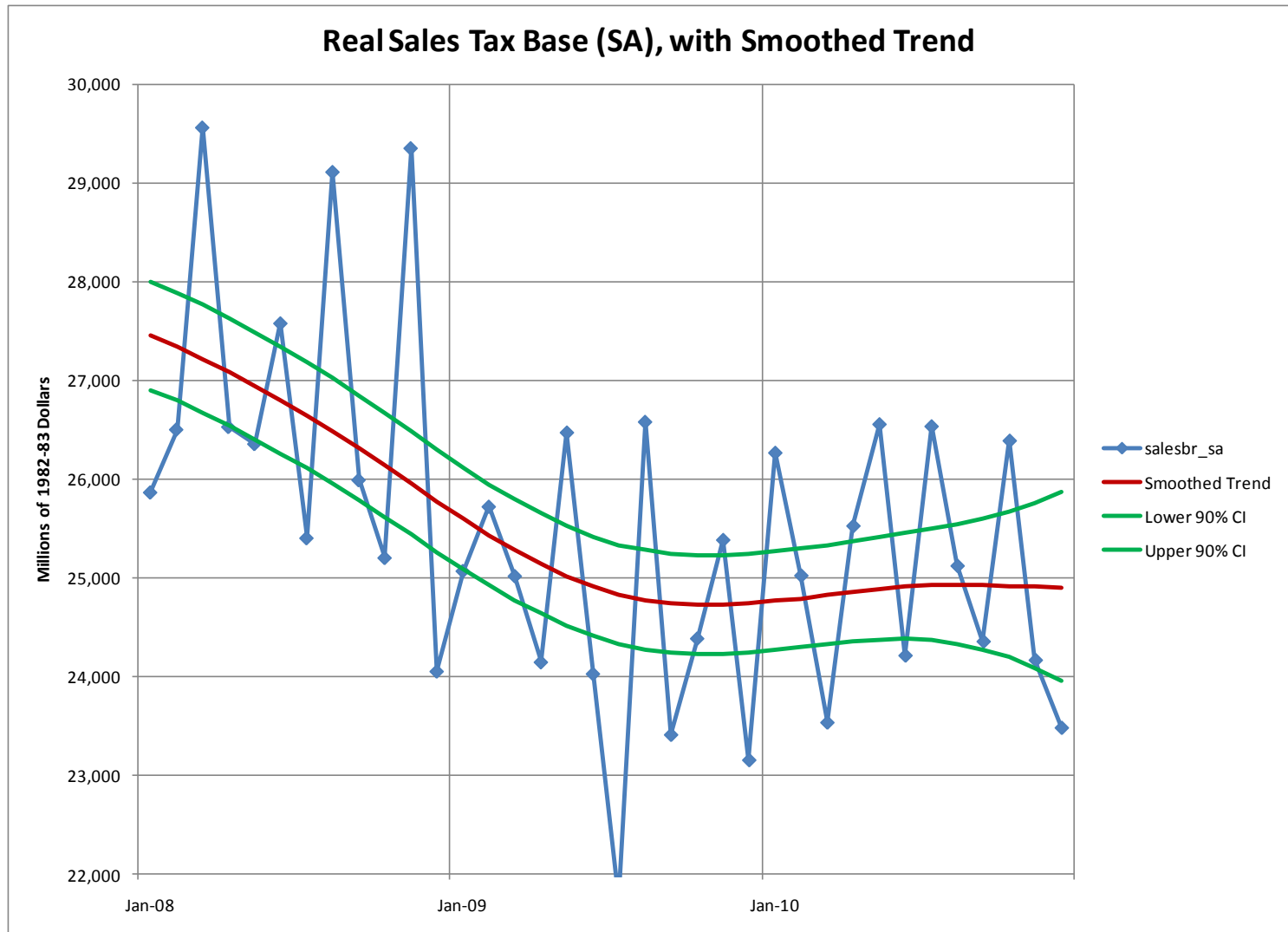
Source: DUA, seasonally adjusted by author



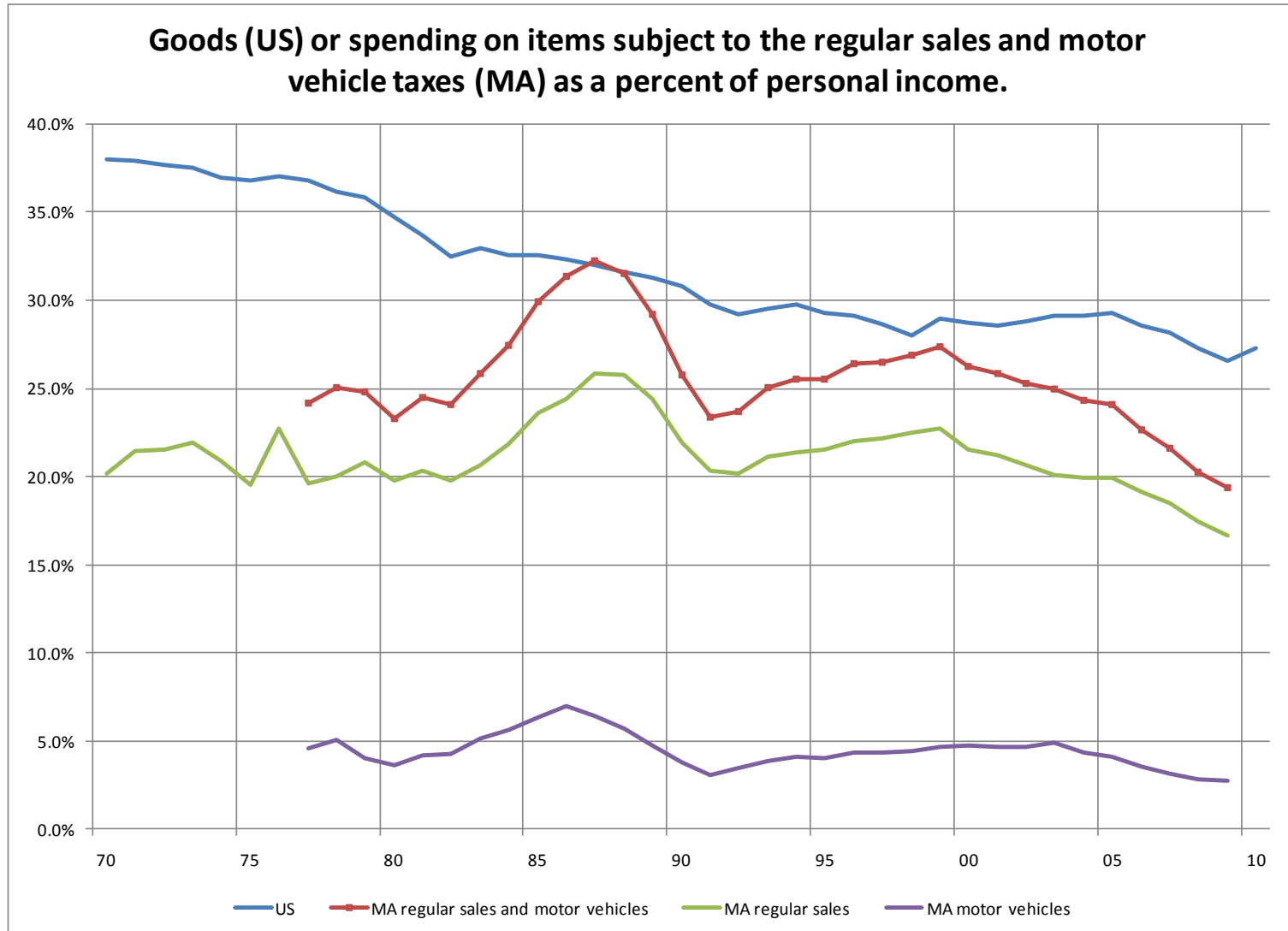
State wage and salary growth has slowed, but is still solid.



Spending on items subject to the regular sales tax is flat, but that is consistent with growth.



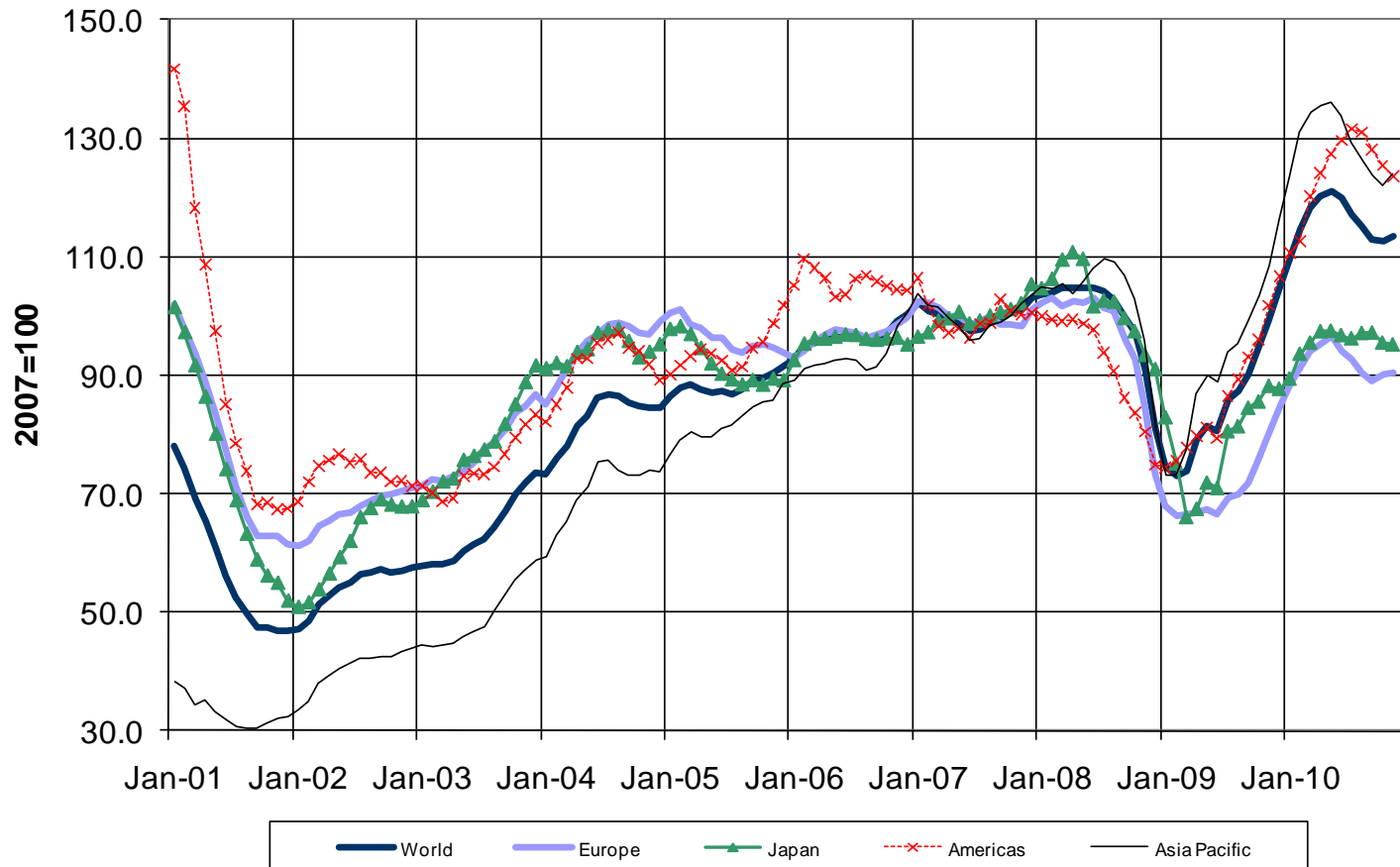
Spending on taxable sales items has been declining as a percent of personal income.



A V-shaped recession and recovery in information technology.

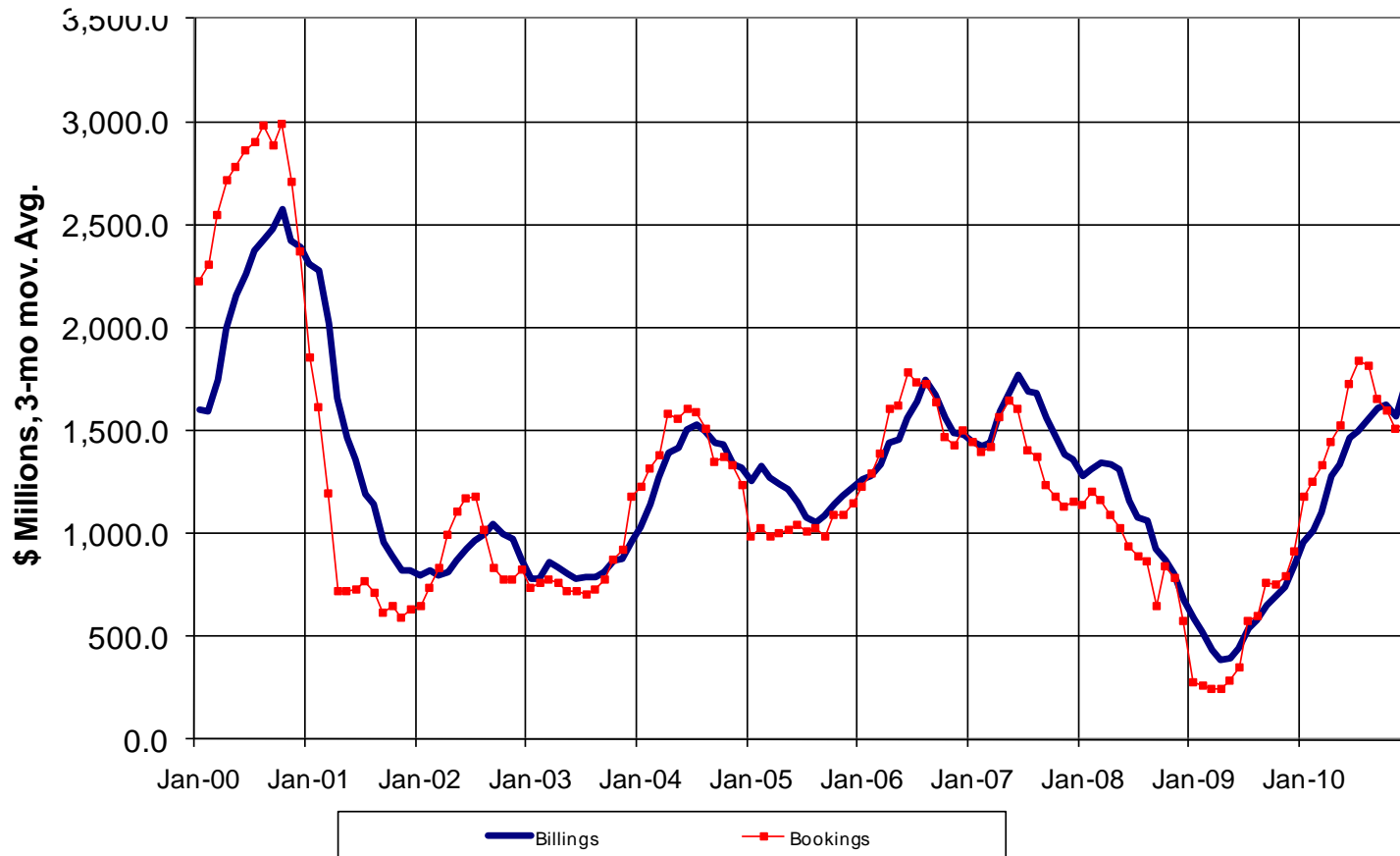
Semiconductor Billings

Source: Semiconductor Industry Association, seasonally adjusted



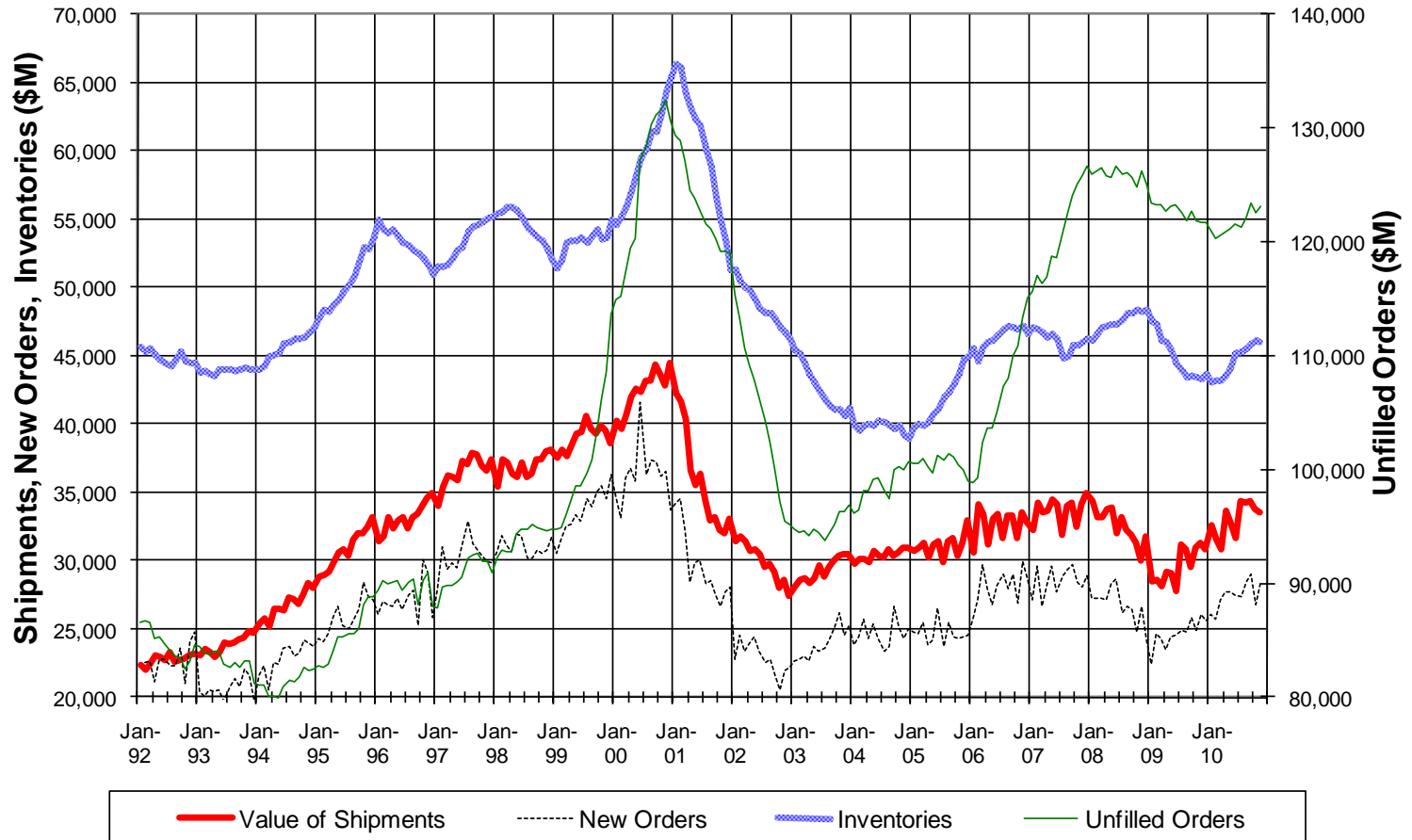
Worldwide Semiconductor Equipment Billings and Bookings

Source: Semiconductor Equipment and Materials International



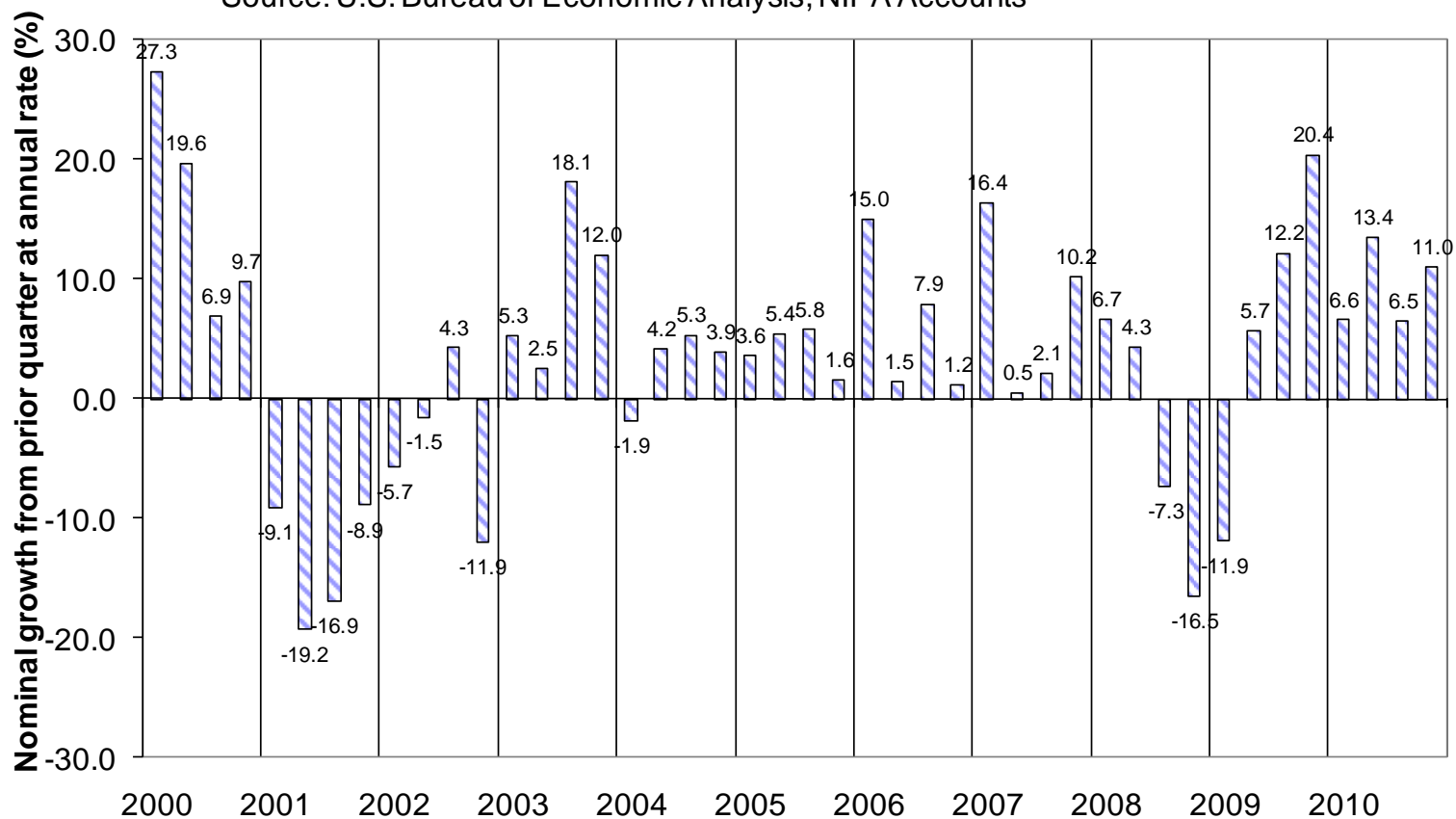
Computers and Electronic Products, U.S.

Source: Census Bureau



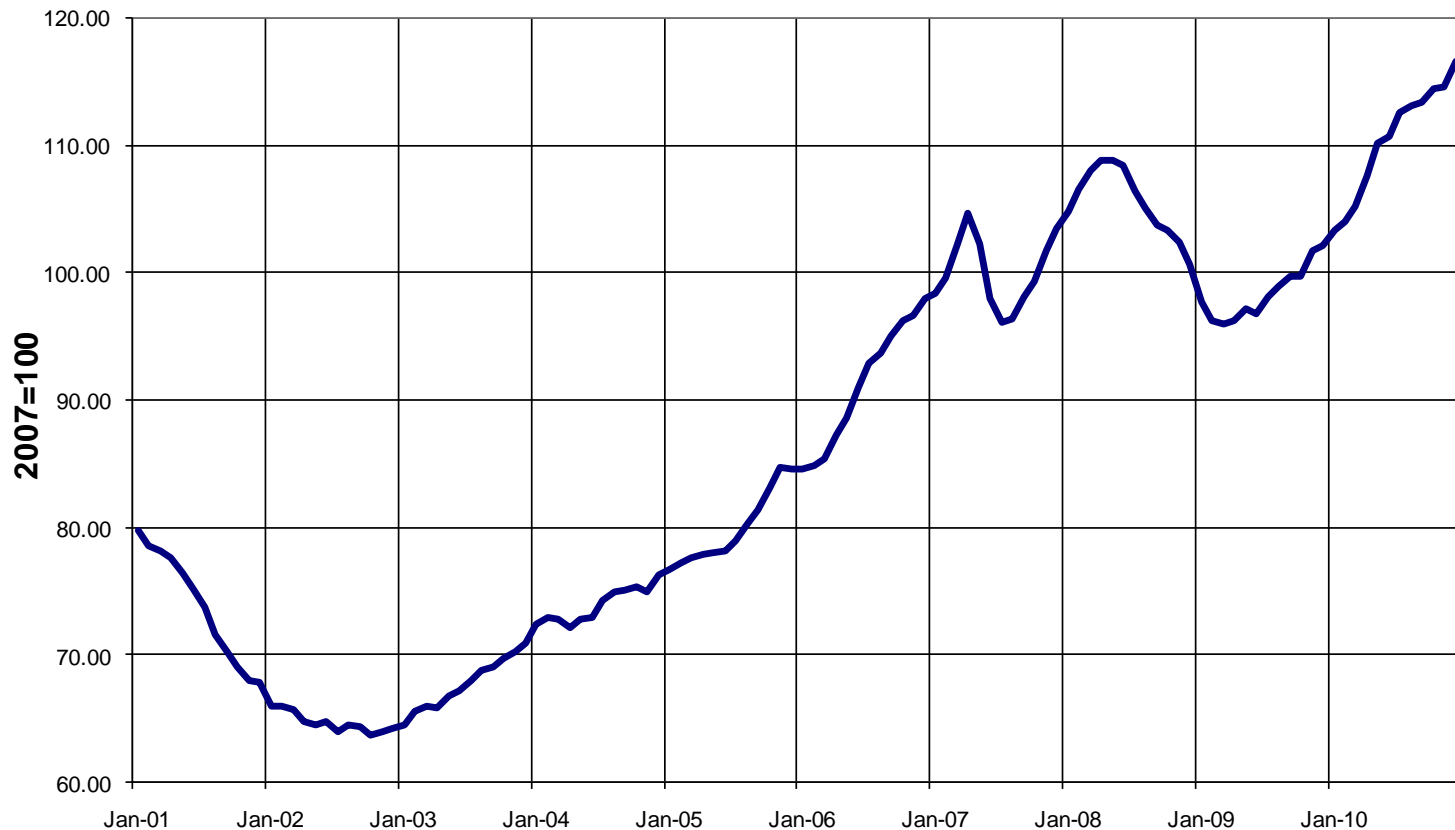
U.S. Investment in Information and Processing Equipment and Software

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



Output levels are at or are higher than pre-recession levels.

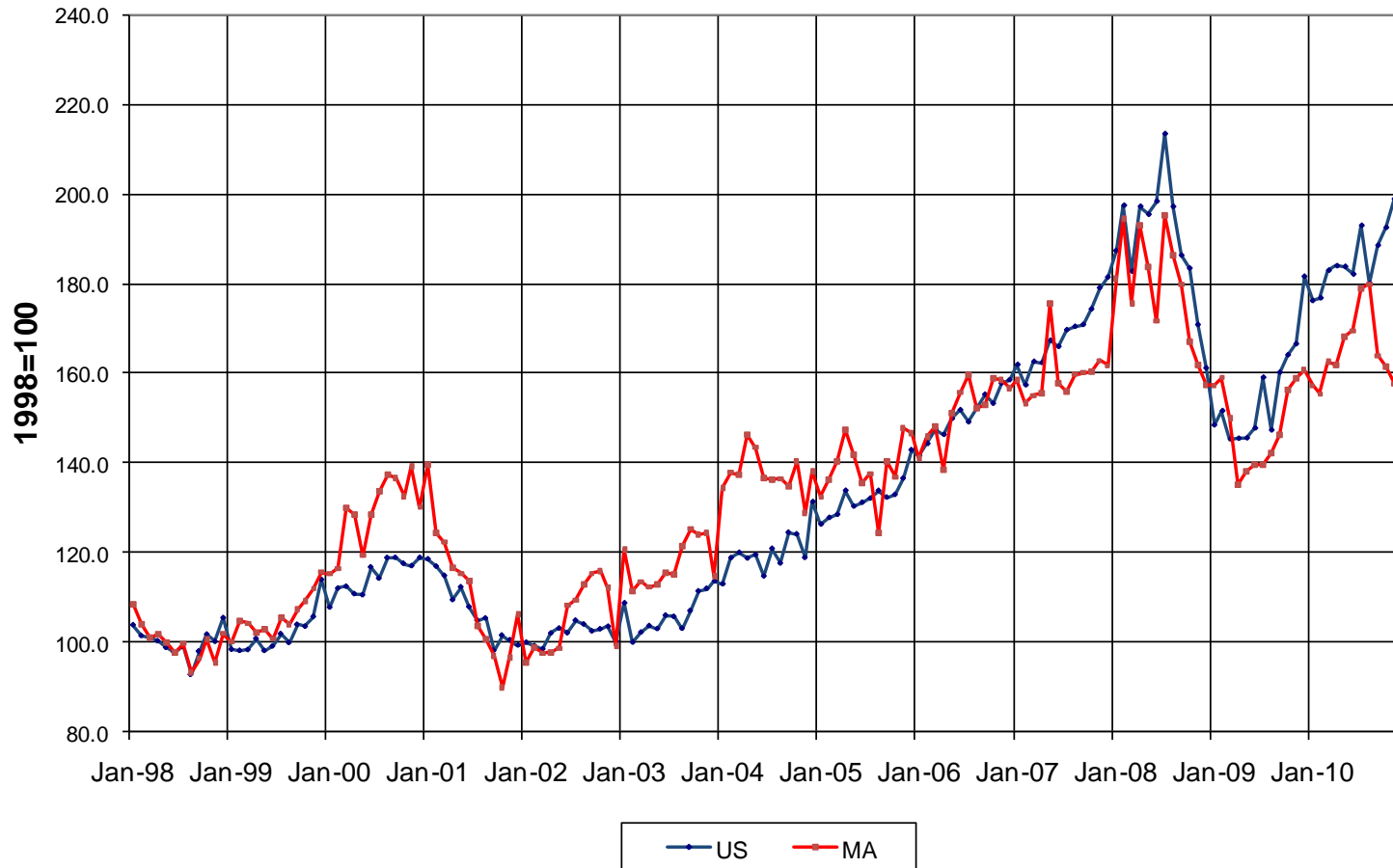
Industrial Production: Information Processing Equipment, U.S.



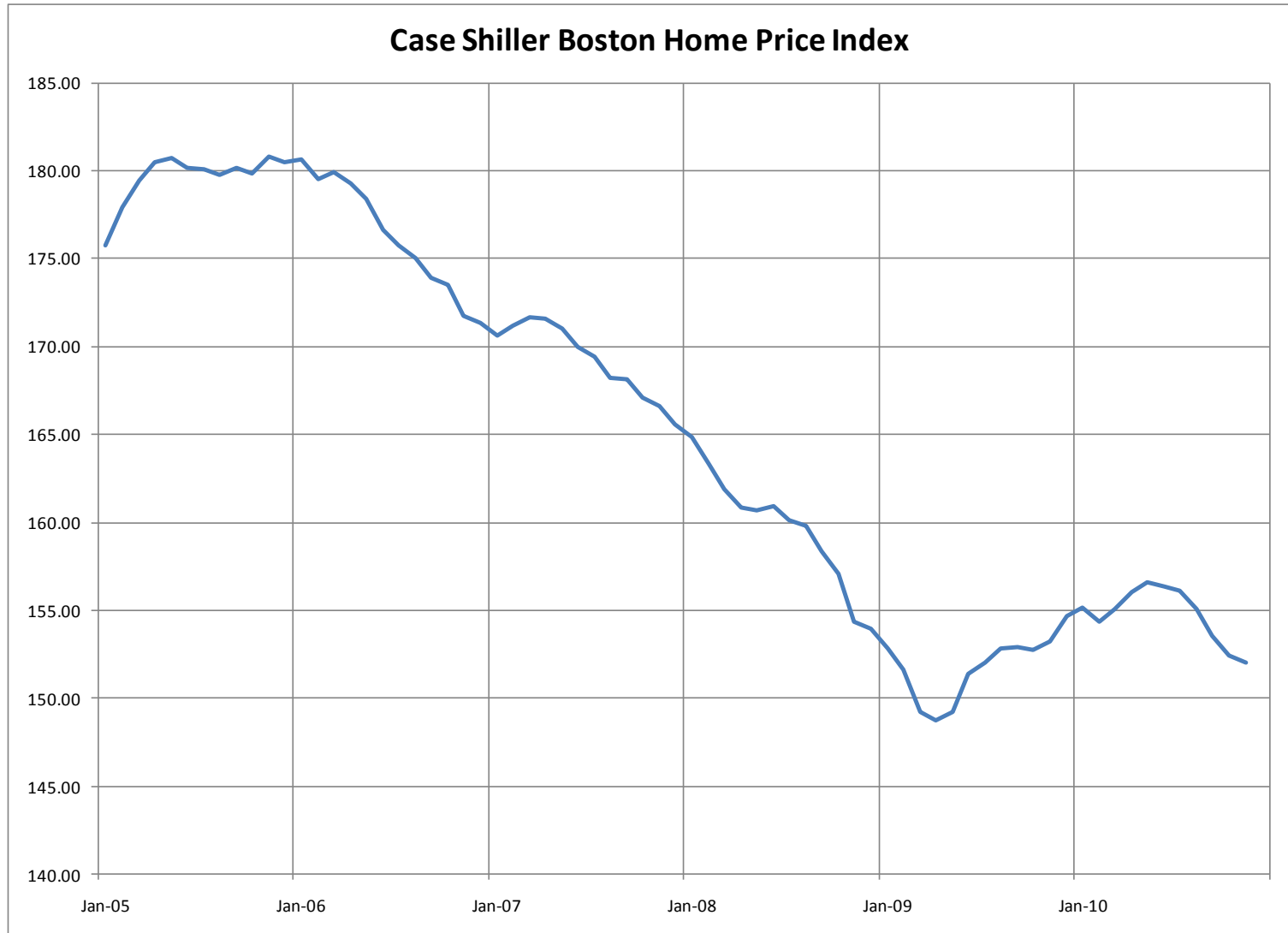
State exports weakened in the fall.

Merchandise Exports, Seasonally Adjusted

Source: WISER, seasonally adjusted by NU.



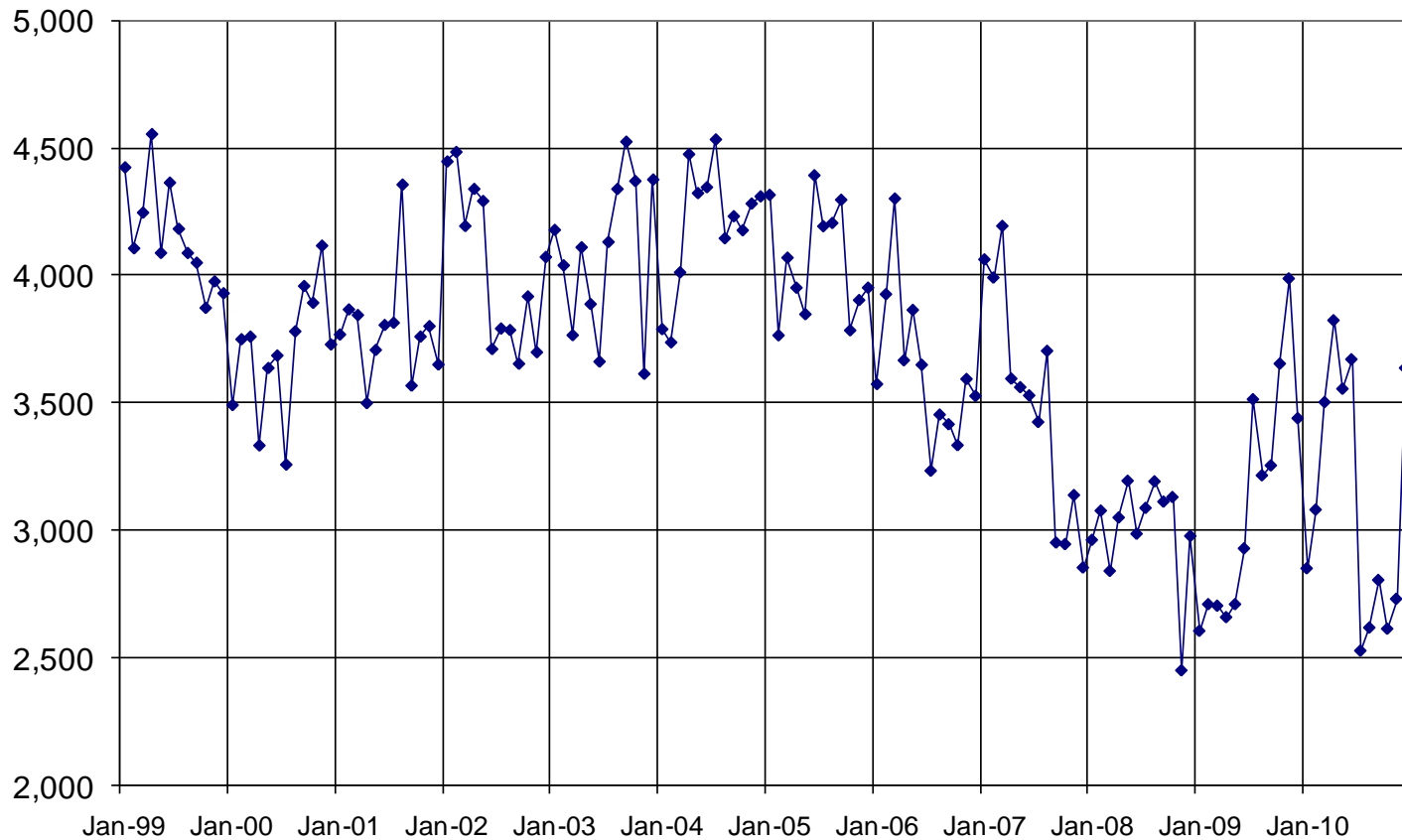
High unemployment extends the housing slump.



A recovery in sales?

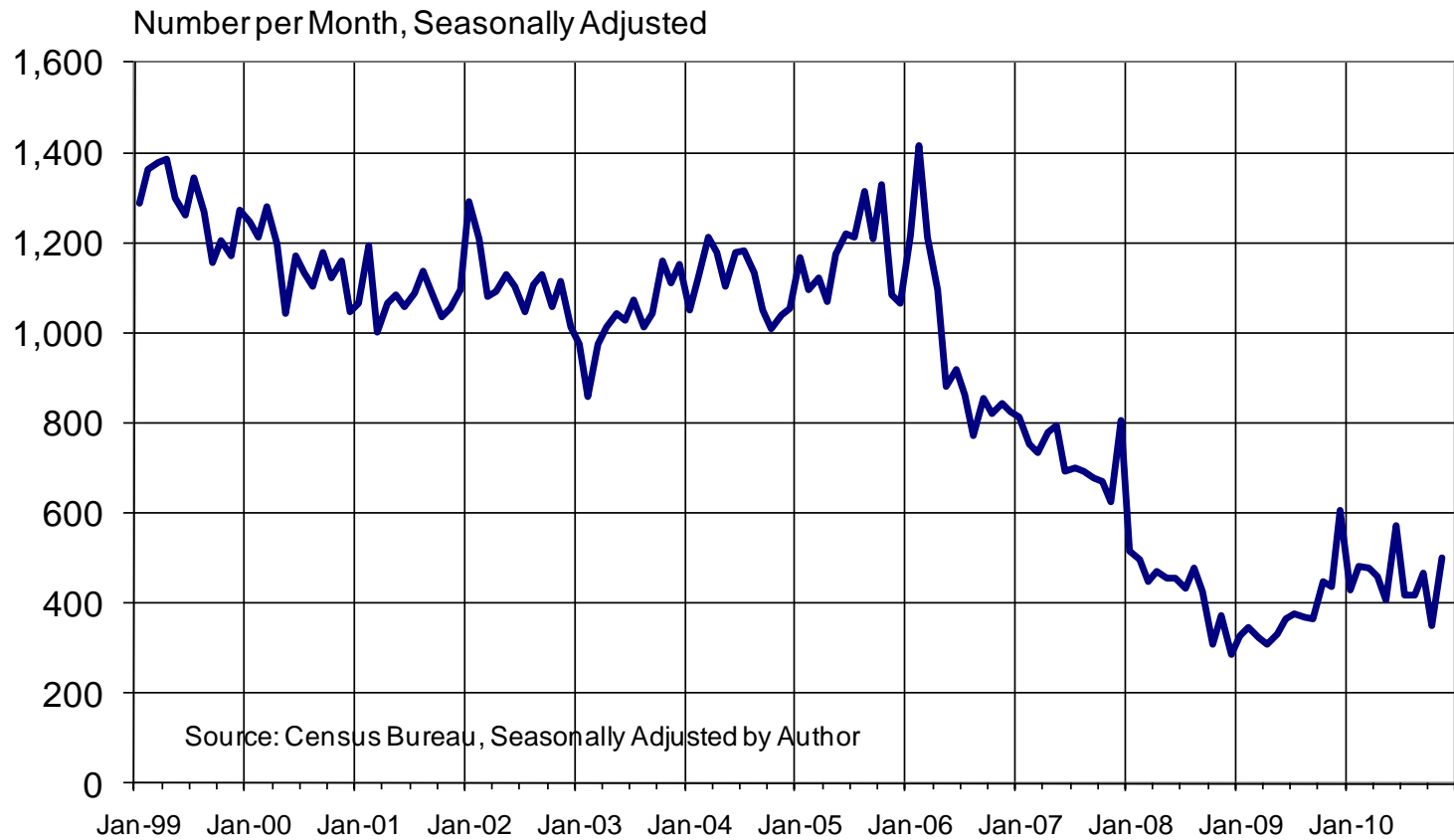
Massachusetts Single Family Home Sales

Source: Mass. Assoc. of Realtors, Seasonally Adjusted by NU



Waiting for a sales recovery...

Massachusetts Single Family Housing Permits



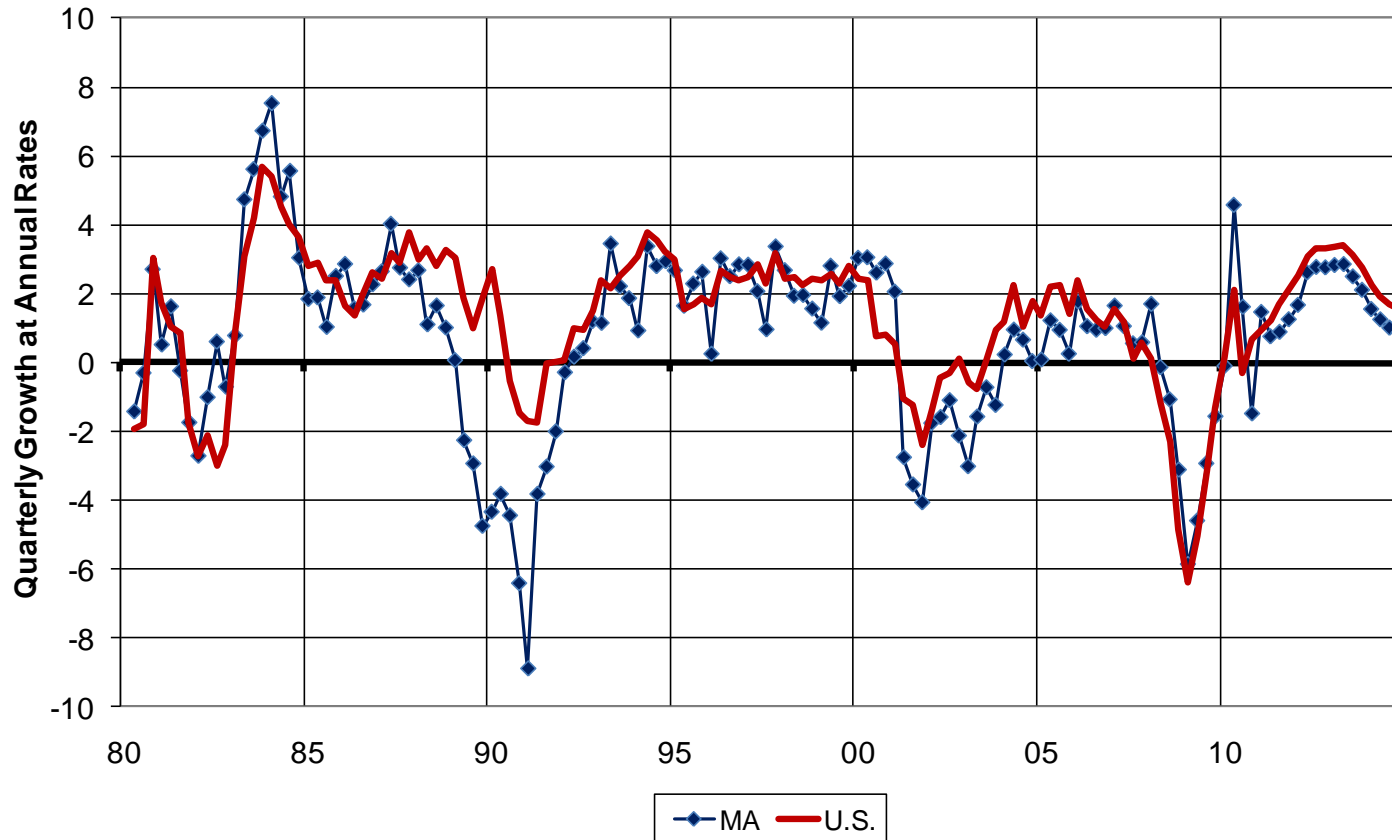
Average Annual Growth

	09	10	11	12	13-14	Forecast Period
Payroll Employment	-3.8	1.1	1.1	2.4	1.9	1.6
Wage and Salary Disbursements (WSD)	-4.4	2.7	5.0	8.1	6.5	5.9
Personal Income	-1.2	2.9	4.7	7.2	6.0	5.5
WSD per Payroll Worker	-0.7	1.5	3.9	5.5	4.6	4.3
Population	0.7	0.4	0.5	0.5	0.5	0.5
Income Deflator (PCE U.S.)	1.5	1.2	1.5	2.0	1.8	1.7
Real						
Gross State Product	-2.5	4.3	4.3	4.9	2.4	3.5
Personal Income	-2.6	1.7	3.2	5.1	4.1	3.7
Per Capita Personal Income	-3.3	1.3	2.7	4.5	3.6	3.2
WSD per Payroll Worker	-2.1	0.3	2.4	3.4	2.7	2.5
Growth in each period is the annualized growth rate over the following quarters:						
09: 2008Q4 to 2009Q4						
10: 2009Q4 to 2010Q4						
11: 2010Q4 to 2011Q4						
12: 2011Q4 to 2012Q4						
13-14: 2012Q4 to 2014Q4						
Forecast Period: 2010Q2 to 2014Q4						

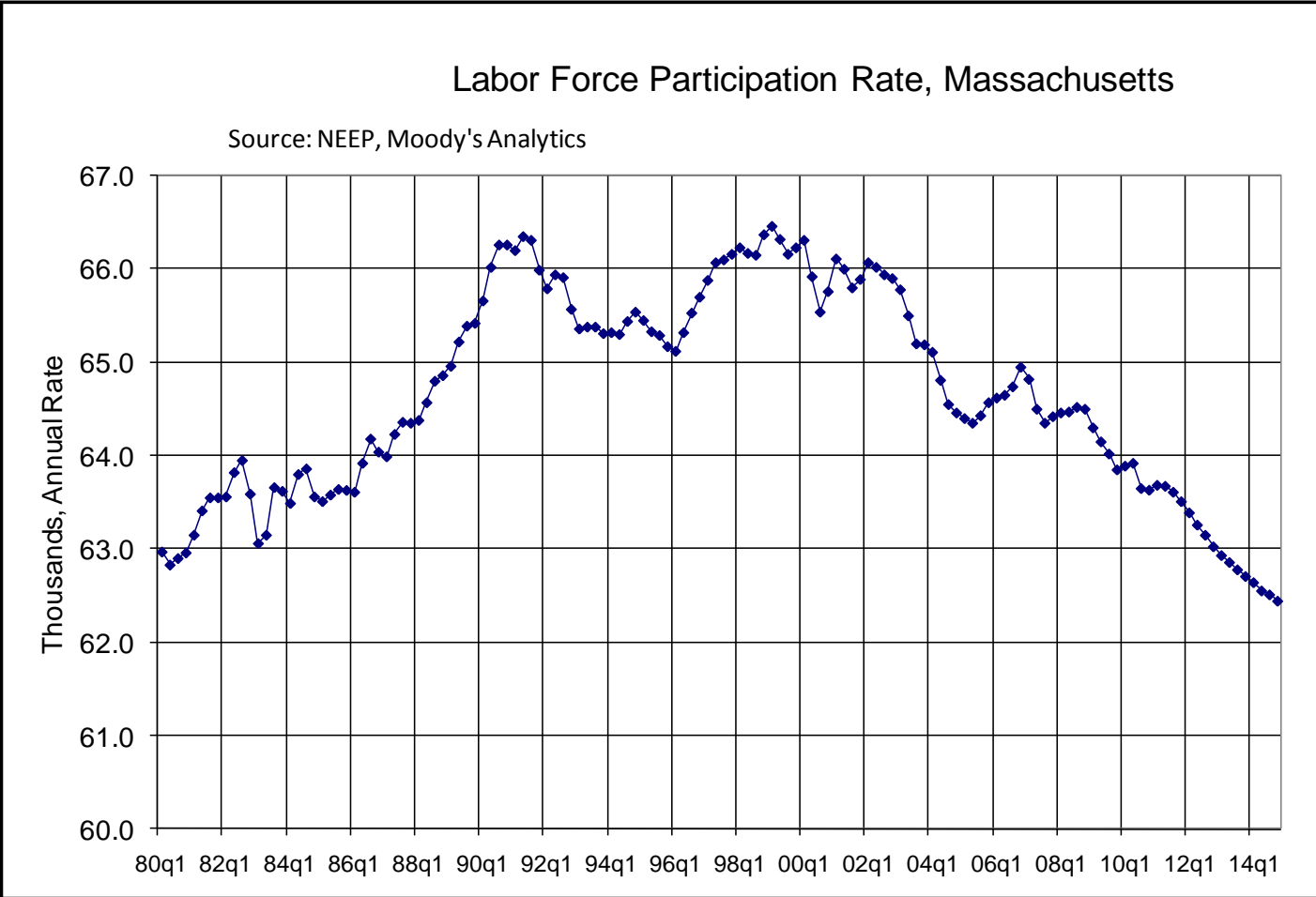
Employment growth will be stronger than in the last expansion, but will still trail the U.S., partly because...

Employment Growth, Massachusetts vs. U.S.

Sources: NEEP, Moody's Analytics



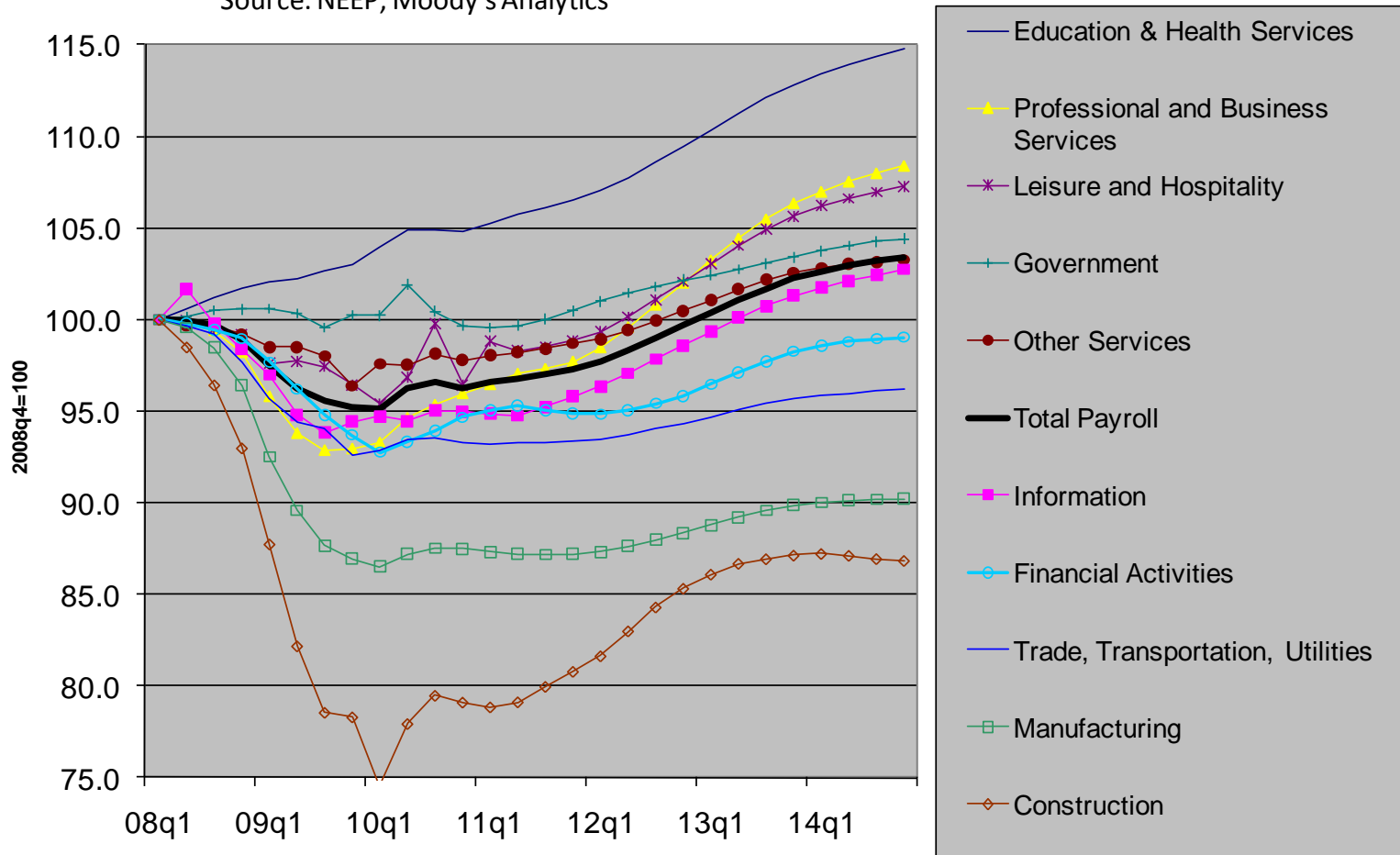
The state's aging population will slow labor force growth.



Employment will reach its pre-recession level in early 2013.

Payroll Employment, Massachusetts

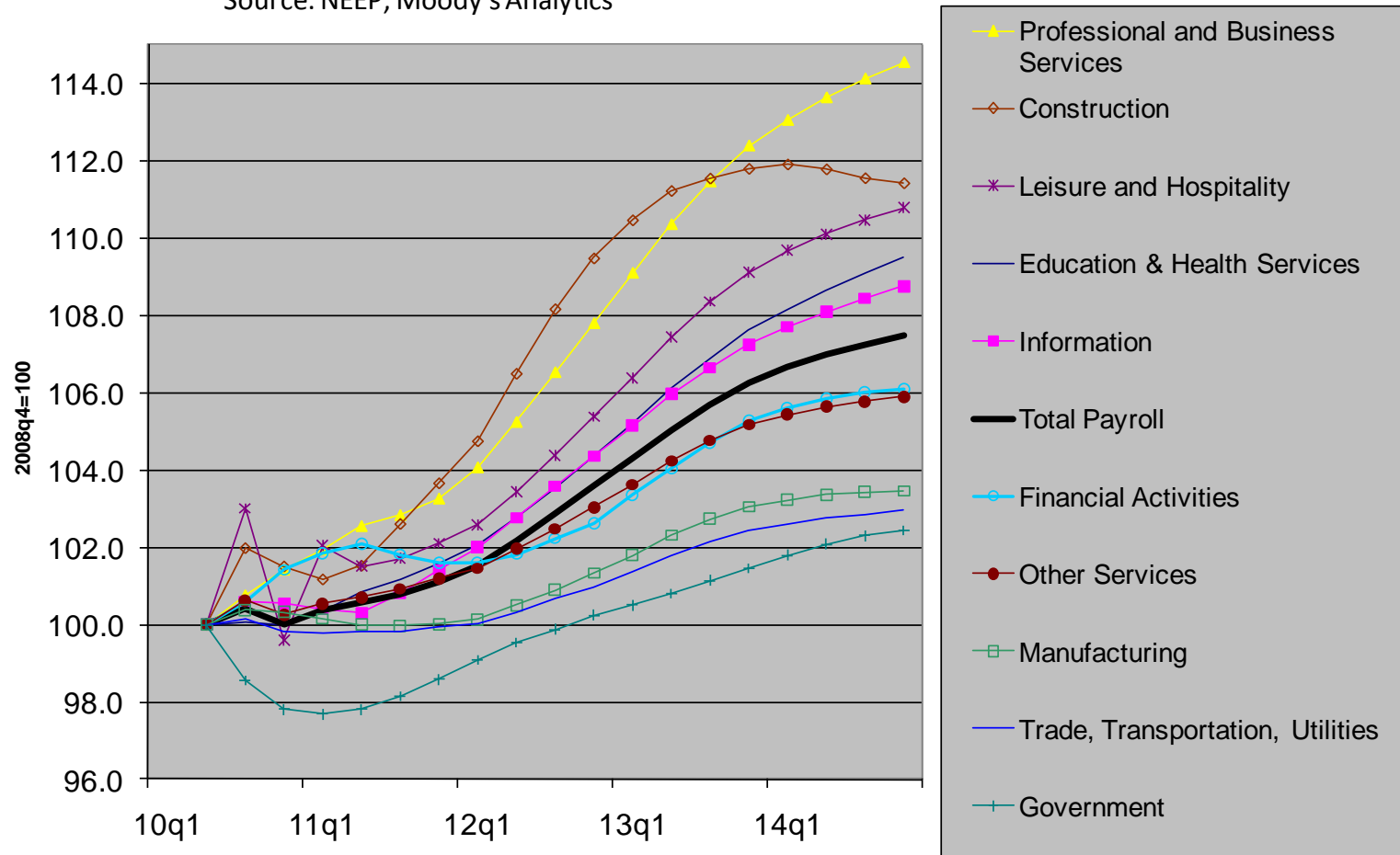
Source: NEEP, Moody's Analytics



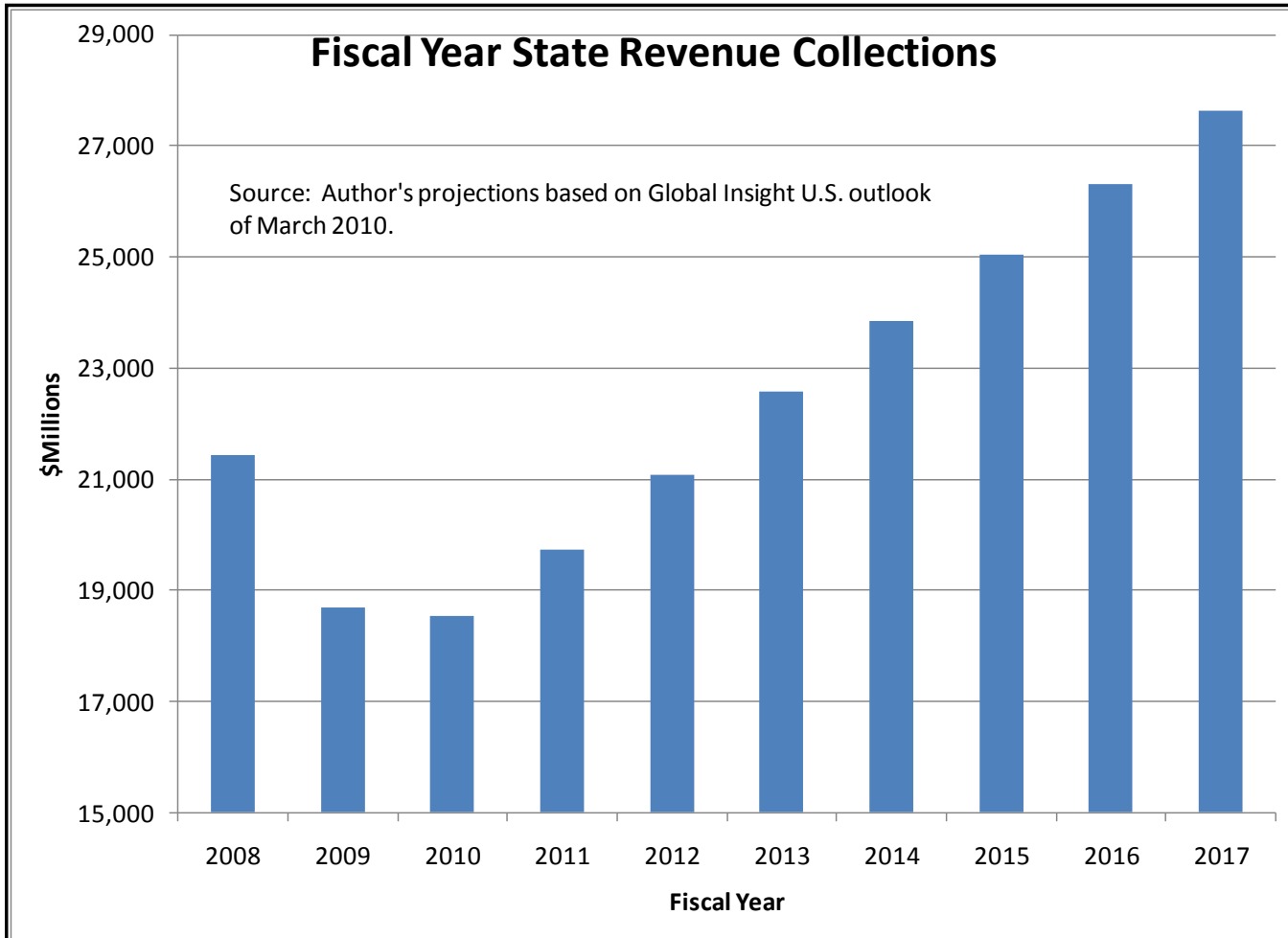
Relative sector growth in jobs reflects the state's position in the global economy.

Payroll Employment, Massachusetts

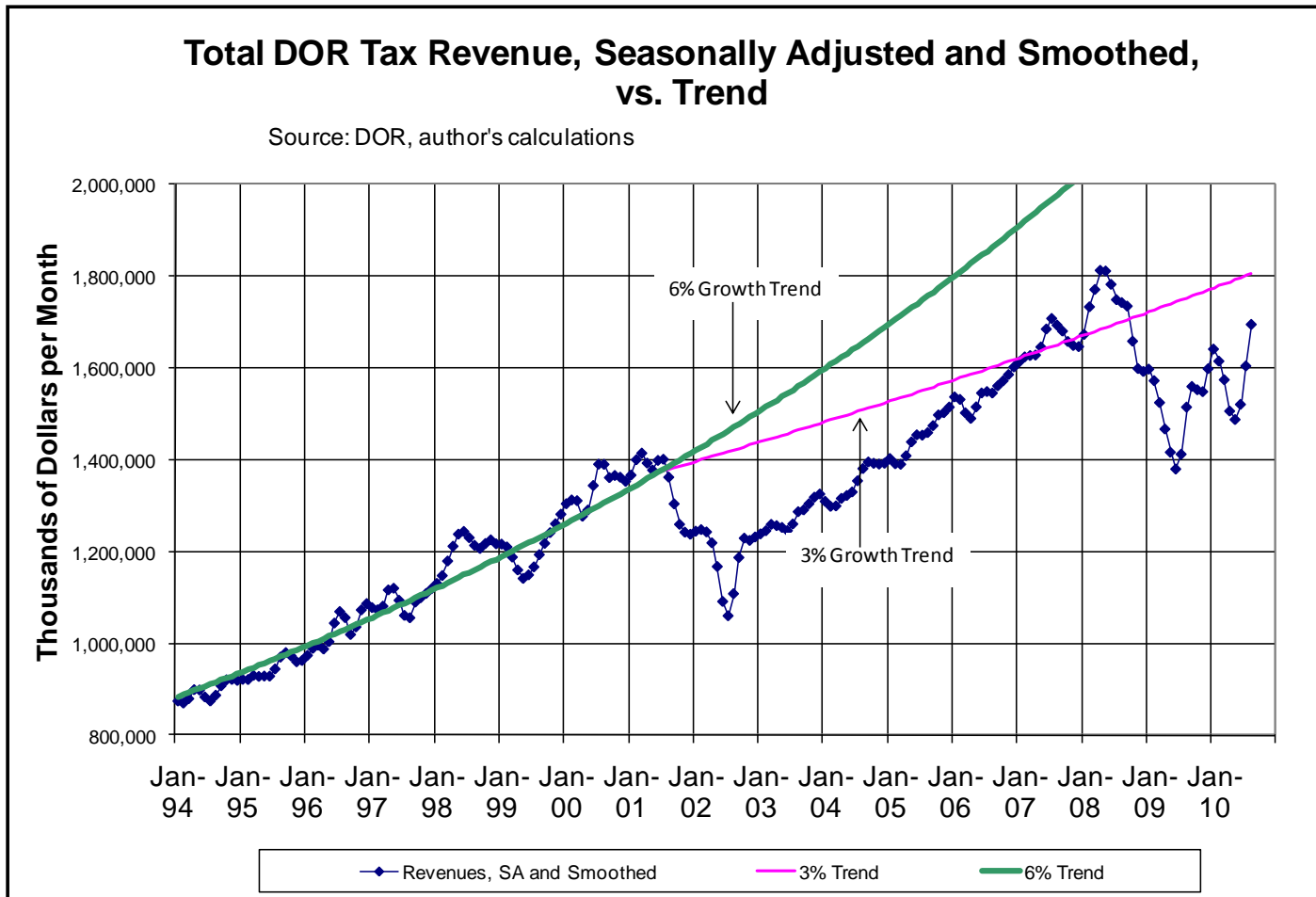
Source: NEEP, Moody's Analytics



State revenues will recover, but...

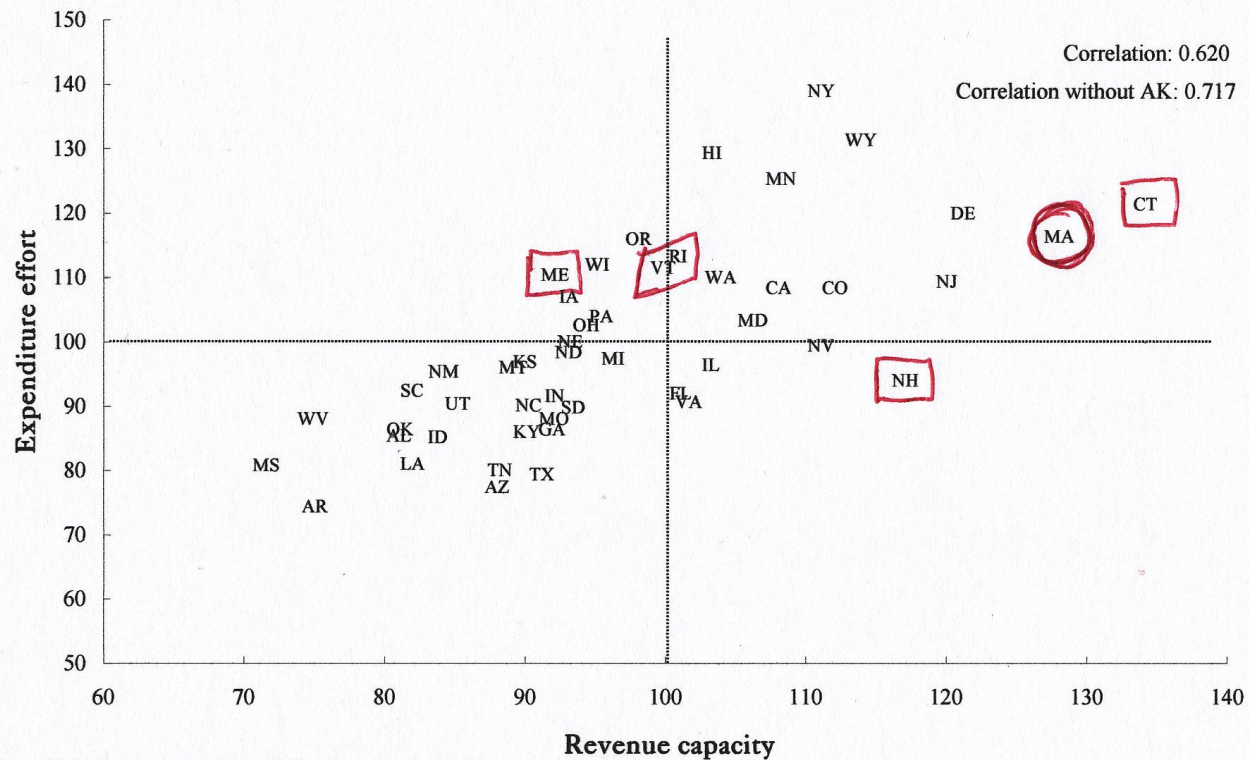


...the structural deficit is too big to fill by growth alone.



Wealthy states tend to choose higher levels of public goods and services.

Figure 5. Relationship between expenditure effort and revenue capacity, FY 2002



Note: Alaska is an extreme outlier and does not appear in this figure.