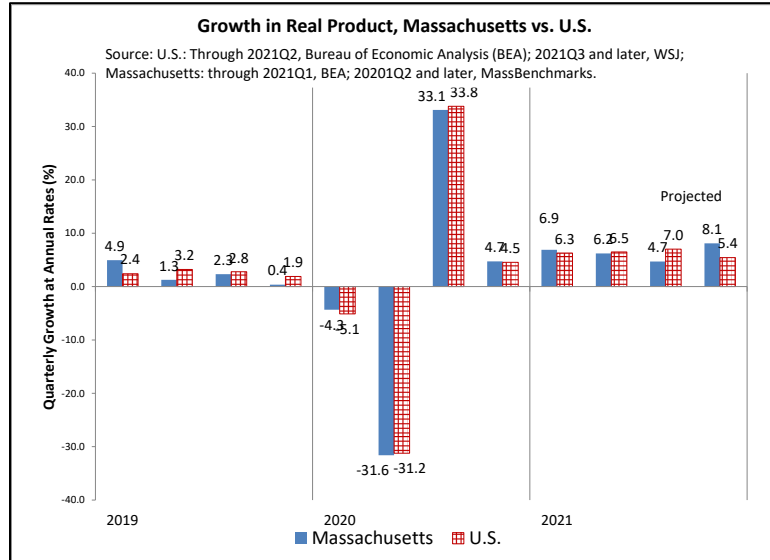


Massachusetts Current and Leading Economic Indices

The Massachusetts Current Economic Index for June was 211.2, down 5.8 percent from May (at annual rates), and up 18.3 percent from June 2020. The current index is normalized to 100 in July 1987 and is calibrated to grow at the same rate as Massachusetts real gross domestic product over the 1978–2020 period.



In the second quarter of 2021, Massachusetts real gross domestic product (GDP) increased at a 6.2 percent annualized rate, according to MassBenchmarks, while U.S. GDP increased at a 6.5 percent rate according to the U.S. Bureau of Economic Analysis (BEA). In the first quarter of 2021, Massachusetts real gross domestic product (GDP) increased at a 6.9 percent annualized rate of growth, while U.S. GDP increased at a 6.3 percent rate according to the BEA.

Employment and Earnings Growth at Annual Rates, Massachusetts and the U.S.				
	Payroll Employment		Wage and Salary Income /1	
	MA	US	MA	US
2021Q2	4.3%	4.7%	2.8%	11.5%
2021Q1	6.9%	2.1%	5.6%	8.7%
20Q2 to '21Q2	11.3%	8.5%	15.4%	14.3%

Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; MassBenchmarks.

1. Massachusetts and U.S. wage and salary income for 2021Q2 is estimated by MassBenchmarks.

This strong economic performance in both the state and the nation reflects the strong demand spurred by the American Rescue Plan, both for spending by consumers and hiring by employers, an expansionary monetary policy, and the opening of the economy aided by vaccinations.

Payroll employment in Massachusetts grew at 4.3 percent annual rate in the second quarter, slightly slower than the 4.7 percent rate for the U.S. In the first quarter of this year, Massachusetts employment grew at a 6.9 percent rate versus a 2.1 percent rate for the U.S. Relative to the second quarter of last year – in the

depths of the pandemic shutdown – payroll employment in the second quarter was up by 11.3 percent in Massachusetts and 8.5 percent for the U.S. The larger growth for Massachusetts relative to the nation reflects the deeper hole that the state was in due to a more stringent shutdown. At the same time, the state has farther to go to get back to pre-pandemic levels of employment. Massachusetts payroll employment in June was still 7.4 percent below the February 2020 peak, while in the U.S., the gap was only 4.4 percent.

Unemployment Rates, Massachusetts and the U.S.				
	U-3 Rate		U-6 Rate	
	MA	US	MA	US
Jun-21	4.9%	5.9%	8.9%	9.8%
Mar-21	6.7%	6.0%	9.4%	10.7%
Jun-20	14.8%	11.1%	20.1%	18.0%

Sources: U.S. Bureau of Labor Statistics/ MassBenchmarks.

Labor market conditions continued to improve for workers in the second quarter, with the Massachusetts unemployment rate falling to 4.9 percent in June from 6.7 percent in March and 14.8 percent in June of last year. For the U.S., the unemployment rate was 5.9 percent in June, down from 6.0 percent in March and 11.1 percent in June of last year. The U-6 unemployment

rate in June – which includes persons working part-time but who want full-time work and persons who want work but have not looked for work in the last four weeks (the “marginally attached workforce”) – was 8.9 percent in Massachusetts and 9.8 percent in the U.S. These two components of underemployment have fallen sharply in recent months in Massachusetts and are near pre-pandemic levels.

Massachusetts wage and salary income in the second quarter, estimated from state withholding taxes net of unemployment insurance withholding, grew at a 2.8 percent annual rate from the same measure in the first quarter. This understates the strength of workers’ earnings in the second quarter because the comparison in the first quarter was almost certainly boosted by a strong bonus season in the financial sector. Relative to the second quarter of last year, state wage and salary income in the second quarter was up by 15.4 percent. MassBenchmarks estimates that U.S. wage and salary income grew at an 11.5 percent annual rate in the second quarter, up 14.3 percent from the second quarter of last year. The BEA reported that wage and salary income the first quarter of this grew at an annual rate of 5.6 percent in Massachusetts and 8.7 percent in the U.S.

The main fuel for the economic engine in the second quarter was consumer spending. For the U.S., real personal consumption expenditures grew at an 11.8 percent annual rate in the second quarter. The BEA does not provide a comparable quarterly measure for states. MassBenchmarks estimates spending subject to the regular state sales taxes and motor vehicle sales taxes, which reflects primarily spending on goods by consumers and businesses. This spending in Massachusetts rose by 23.1 percent in the second quarter over the first quarter, an annualized rate of 129.8 percent, 54.5 percent higher than the second quarter of last year, during the depths of the state’s shutdown. Combined with supply bottlenecks and worker shortages, this surge in spending has boosted inflation. The U.S. consumer price index rose at an 8.1 percent annual rate in the second quarter.

Economic growth is expected to remain strong in the second half of the year. The Massachusetts leading index is projecting state GDP growth of 4.7 percent in the third quarter and 8.1 percent in the fourth quarter. Economists surveyed by the Wall Street Journal in July on average expect U.S. GDP growth of 7.0 percent in the third quarter and 5.4 percent in the fourth quarter. These projections have not taken into account the recent uptick in COVID-19 cases related to the Delta variant, and the worrying trend of slower vaccination uptake, which threaten the continued rise in

consumer spending and employment. Another constraint on sustained strong economic growth is the shortage of workers. Nationally the growth in the working age population – the population 16 years and older – has slowed, and in Massachusetts the working age population has been declining since the fall of last year according to the U.S. Bureau of Labor Statistics.

The current and historical quarterly estimates for state domestic product growth include adjustments for changes in productivity growth. These adjustments are estimates of the quarterly deviations from the 1978-2020 trend in the growth of the ratio of output to employment. In the second quarter these adjustments subtracted 0.9 percentage points from growth. In the first quarter these adjustments added 1.5 percentage points to growth.

The current and historical quarterly estimates also include “cyclical” adjustments, as the relationship between the growth in the current indicators and that of gross domestic product changes over the course of the business cycle. In the second quarter these adjustments subtracted 3.6 percentage points from growth. In the first quarter these adjustments subtracted 6.0 percentage points from growth.

Several recent months of the current index are revised each release. These revisions are a result of the statistical method used to create the index, as well as revisions in the underlying indicators.

All the indicators in the current index refer to Massachusetts. The current index is composed of four indicators: nonagricultural employment, withholding taxes, sales taxes, and the unemployment rate. Withholding taxes and sales taxes are deflated by the U.S. consumer price index for all urban consumers, excluding food and energy. Information on employment and the unemployment rate are through June. State tax data are through May and are projected through June by MassBenchmarks.

For a description of the methodology used to construct this index, see: Alan Clayton-Matthews and James H. Stock, “An application of the Stock/Watson index methodology to the Massachusetts economy”, *Journal of Economic and Social Measurement*, vol. 25 (1998/1999), pp. 183-233.

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July 29, 2021