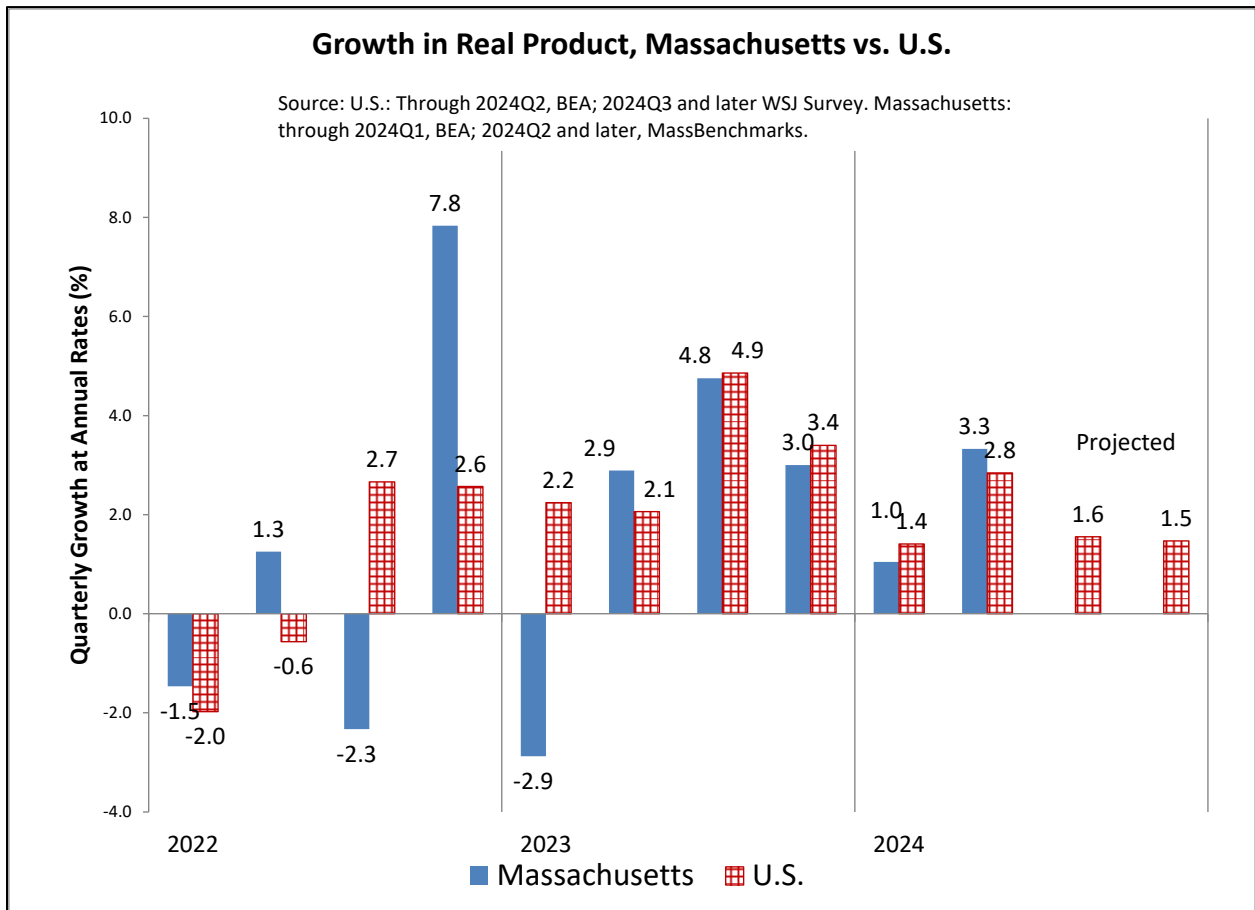


Massachusetts Current and Leading Economic Indices

The Massachusetts Current Economic Index for June was 245.4, up 7.8 percent from May (at annual rates), and up 3.1 percent from June 2023. 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 1978–2023 period.



In the second quarter of 2024, Massachusetts real gross state product (GDP) increased at an annual rate of 3.3 percent, according to MassBenchmarks, while U.S. GDP increased at an annual rate of 2.8 percent, according to the U.S. Bureau of Economic Analysis (BEA). According to the BEA, in the first quarter, Massachusetts GDP grew at an annual rate of 1.0 percent while U.S. GDP grew at a 1.4 percent rate.

The higher-than expected boost in second quarter growth rates was a surprise from the disappointing performance of the first quarter. In Massachusetts, this increase in growth was supported by moderate payroll employment growth, high withholding and sales taxes – which imply high wage and salary income and spending growth, low unemployment rates, and a growing labor force.

Labor market indicators, while giving mixed signals, were mostly positive in the second quarter. Payroll employment growth was moderate, growing at a 0.6 percent annual rate in Massachusetts in the second quarter versus 1.5 percent in the U.S. In the first quarter, payroll employment grew at a 2.0 percent annual rate in both Massachusetts and the U.S. Relative to the second quarter of last year, employment was up 0.7 percent in Massachusetts and 1.7 percent in the U.S.

Employment and Earnings Growth at Annual Rates, Massachusetts and the U.S.				
	Payroll Employment		Wage and Salary Income /1	
	MA	US	MA	US
2024q2	0.6%	1.5%	16.2%	5.3%
2022q1	2.0%	2.0%	5.2%	5.6%
23q2 to '24q2	0.7%	1.7%	5.1%	4.8%
Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; MassBenchmarks.				
1. Massachusetts wage and salary income for 2024q2 is estimated by MassBenchmarks from state withholding tax revenue.				

The moderate employment growth in the payroll survey may be overstating growth somewhat in Massachusetts. The growth in Massachusetts was boosted by a gain of 19,000 employees in June, but 8,700 of that gain was in state government. June is month that is subject to large seasonal-adjustment errors depending on when state employees in education finish the school year, so it is probable that the actual employment gain in June was actually closer to 10,000. To put the magnitude of these numbers in perspective, the average monthly employment growth in the last 12 months in Massachusetts was 3,350.

Indicators of unemployment and labor force participation were mixed. On the positive side, the unemployment rate was low, at 3.2 percent in Massachusetts in June versus 4.1 percent in the U.S. This represents a slight rise from March, from 2.9 percent in Massachusetts and 3.8 percent in the U.S. In June 2023, the unemployment rate was 3.3 percent in Massachusetts and 3.6 percent in the U.S.

Unemployment Rates, Massachusetts and the U.S.				
	U-3 Rate		U-6 Rate	
	MA	US	MA	US
Jun-24	3.2%	4.1%	7.5%	7.4%
Mar-24	2.9%	3.8%	7.1%	7.3%
Jun-23	3.3%	3.6%	5.9%	6.9%
Sources: U.S. Bureau of Labor Statistics/ MassBenchmarks.				

Initial unemployment claims, as measured by the number of persons receiving a first week of payments, fell markedly in the second quarter by a third to a near-historic low.

The state’s labor force and participation rate increased in the second quarter, with the labor force growing at a 3.7 percent annual rate. The labor force participation rate rose from 64.9 percent in March to 66.7

percent in June. In June 2023, the state’s labor force participation rate was 65.1 percent.

On the negative side, the Massachusetts U-6 unemployment rate – a broader measure of unemployment that includes persons who are working part-time but who want a full-time job and persons who have given up looking for work (the marginally-attached), rose from 7.1 percent in March to 7.5 percent in June. In the U.S. the corresponding rate rose from 7.3 percent in March to 7.4 percent in June. In June 2023, the rate was 5.9 percent in Massachusetts and 6.9 percent in the U.S. In Massachusetts, the trends in the number of involuntary part-time workers and the number of marginally-attached workers both rose in the second quarter.

State tax revenues in the second quarter indicate strong growth in wage and salary income and in spending on items subject to the state regular sales and motor vehicle taxes. Based on personal withholding taxes, nominal Massachusetts wage and salary income grew at a 16.2 percent annual rate in the second quarter. Withholding taxes can fluctuate markedly from quarter to quarter, so the actual growth was probably substantially smaller than this. Nevertheless, it is likely that income growth was strong. The BEA reports that U.S. wage and salary income grew at a 5.3 percent annual rate in the first quarter. In the second quarter, the BEA estimates that wage and salary income grew at a 5.2 percent rate in Massachusetts and 5.6 percent in the U.S. Relative to the second quarter of last year, wage and salary income was up 5.1 percent in Massachusetts and 4.8 percent in the U.S.

Nominal spending on items subject to the state regular sales and motor vehicle taxes grew at a 17.5 percent annual rate in the second quarter, after rising at a 3.0 percent rate in the first quarter. Relative to the second quarter of last year, such spending was up 2.8 percent.

CPI-U Inflation, Boston Metro and the U.S.				
	All Items		Core	
	BOS	US	BOS	US
2024q2	7.3%	2.8%	8.5%	3.2%
2022q1	5.4%	3.8%	7.0%	4.2%
23q2 to 24q2	4.0%	3.2%	4.7%	3.4%

Sources: U.S. Bureau of Labor Statistics, CPI-U; Core inflation excludes food and energy. For Boston, the CPI is available for odd months only -- January, March, etc. Even months are interpolated. Boston seasonally adjusted by MassBenchmarks.

Massachusetts continues to have a cost-of-living problem. According to the Bureau of Labor Statistics (BLS), the Boston metro area CPI rose at a 7.3 percent annual rate in the second quarter, relative to 2.8 percent for the U.S. Rents and housing costs were an important factor in the higher inflation readings for the Boston area. Core prices, which exclude food and energy, showed a similar pattern, rising 8.5 percent in the second quarter in Boston area versus 3.2

percent for the U.S. Relative to the second quarter of last year, the overall CPI was up 4.0 percent in the Boston metro area versus 3.2 percent for the U.S. The corresponding rates of growth for core prices was 4.7 percent in Boston and 3.4 percent for the U.S.

The outlook over the rest of the year is for GDP to continue to grow, but at a slower rate than in the second quarter. The Wall Street Journal survey of economists taken in early July is projecting GDP growth at annual rates of 1.6 percent in the third quarter and 1.5 percent in the fourth quarter, based on the average of the roughly 60 economists surveyed. Weak consumer expectations and high interest rates are expected to weigh on economic growth, especially as excess

COVID-era savings are depleted, credit card debt is rising, and some slack is beginning to appear in the labor market.

The current and historic quarterly estimates for state domestic product growth include adjustments for changes in productivity growth. These adjustments are estimates of the quarterly deviations from the 1978-2023 trend in the growth of the ratio of output to employment. In the second quarter of 2024, these adjustments subtracted 0.5 percentage points from growth. In the first quarter, these adjustments subtracted 2.4 percentage points from 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 of 2024, these adjustments subtracted 0.3 percentage points from growth. In the first quarter, these adjustments subtracted 0.2 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.

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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