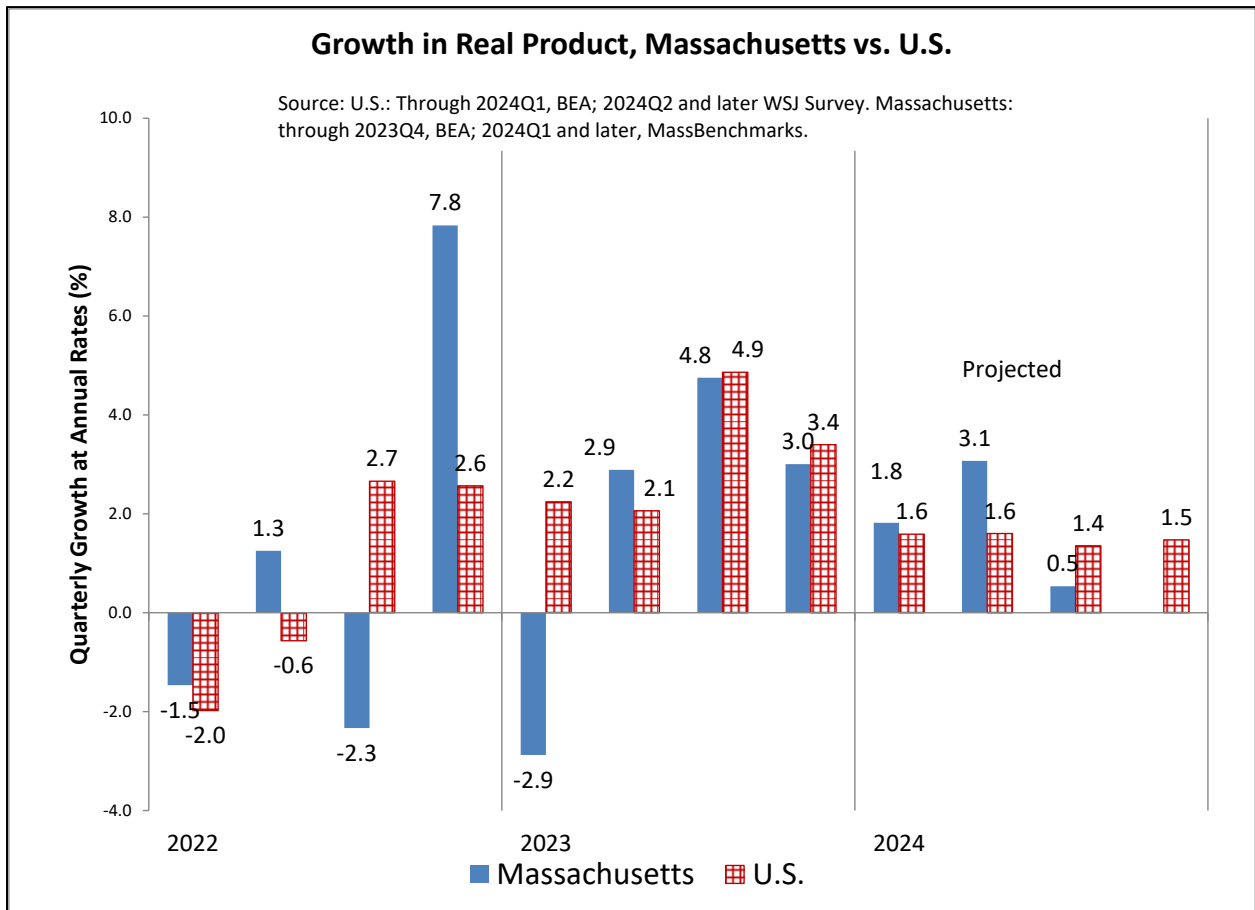


## Massachusetts Current and Leading Economic Indices

The Massachusetts Current Economic Index for March was 242.7, up 28.8 percent from February (at annual rates), and up 3.7 percent from March 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 first quarter of 2024, Massachusetts real gross state product (GDP) increased at an annual rate of 1.8 percent, according to MassBenchmarks, while U.S. GDP increased at an annual rate 1.6 percent, according to the U.S. Bureau of Economic Analysis (BEA). According the BEA, in the fourth quarter of last year, Massachusetts GDP grew at an annual rate of 3.0 percent while U.S. GDP grew at a 3.4 percent rate.

Massachusetts grew at about the same rate as the U.S. in the first quarter of this year, but the annual benchmark revisions to payroll employment paint a different picture for recent state versus national growth. For the last year, December 2022 to December 2023, the BLS revisions lowered Massachusetts job growth from 1.9 percent prior to the revisions to 0.7 percent after the revisions. U.S. job growth for last year was 2.0 percent.

Consistent with these revisions, the Bureau of Economic Analysis' (BEA) estimate of output growth for last year showed slower GDP growth for Massachusetts relative to the U.S. From the fourth quarter of 2022 to the fourth quarter of 2023, Massachusetts GDP grew 1.9 percent while U.S. GDP grew 3.1 percent. Although the state and the nation grew about the same in the first quarter, this represents a slowdown for the U.S. but a continuation of slower growth for Massachusetts.

Employment and Earnings Growth at Annual Rates, Massachusetts and the U.S.				
	Payroll Employment		Wage and Salary Income /1	
	MA	US	MA	US
2024q1	2.2%	2.0%	12.3%	6.4%
2023q4	0.7%	1.6%	3.6%	4.5%
23q1 to '24q1	0.6%	1.8%	10.1%	5.8%
Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; MassBenchmarks.				
1. Massachusetts wage and salary income for 2024q1 is estimated by MassBenchmarks from state withholding tax revenue.				

Nevertheless, the indicators for the first quarter show that the state's economy seems to be healthy. Payroll employment grew at a 2.2 percent on an annualized basis in the first quarter of this year, just above the national growth of 2.0 percent. If the payroll survey is accurate, this represents a pickup for Massachusetts. In the fourth quarter of last year, the number of jobs grew at the substantially slower annual rate of 0.7 percent. Relative to the first quarter of last year, the number of jobs was only 0.6 percent higher. For the U.S., job growth in the fourth quarter was 1.6 percent, and the number of jobs in the first quarter of this year was 1.8 percent higher

than the first quarter of last year.

State tax revenues point to good income growth and robust spending. Based on seasonally adjusted personal withholding taxes, wage and salary income grew at a strong annual rate of 12.3 percent in the first quarter and was 10.1 percent higher than in the first quarter of last year. Month-to-month and even quarter-to-quarter in recent years, withholding tax revenues are volatile. A large part of the strong figures for the first quarter are due to the quarters being compared; withholding taxes in both the fourth quarter of last year and the first quarter of last year were weak, so the low denominators "artificially" boost the calculations. The level of withholding tax revenues in the first quarter of this year is consistent with a continuation of the trend of income growth in the state. The BEA estimates that Massachusetts wage and salary income grew 3.6 percent in the fourth quarter of last year.

U.S. wage and salary income also continued to grow robustly in the first quarter, at a 6.4 percent annualized rate. In the fourth quarter of last, this income grew 4.5 percent, and growth from the first quarter of last year to the first quarter of this year was 5.8 percent.

Spending on items subject to regular and motor vehicle sales taxes grew at a robust 8.6 percent annual rate in the first quarter, after growing 12.7 percent in the fourth quarter of last year. Relative

to the first quarter of last year, such spending was up only 0.1 percent. This spending largely reflects spending on durable goods.

Unemployment Rates, Massachusetts and the U.S.				
	U-3 Rate		U-6 Rate	
	MA	US	MA	US
Mar-24	2.9%	3.8%	8.0%	7.3%
Dec-23	3.2%	3.7%	6.8%	7.1%
Mar-23	3.5%	3.5%	6.2%	6.7%

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

The labor market continues to look strong, with low unemployment rates and low initial unemployment claims. The headline (U-3) unemployment rate in Massachusetts in March was 2.9 percent, relative to 3.8 percent in the U.S. The lower rate for Massachusetts largely reflects demographics. Educational attainment is higher in Massachusetts relative to the U.S., and unemployment rates tend to be inversely related to education. One

indicator suggests a potential softening in the labor market. The U-6 unemployment rate in Massachusetts ticked up to 8.0 percent in March from 6.8 percent in December and 6.2 percent in March of last year. This measure counts more people as unemployed than the U-3 measure by including those who only have part-time work but want full-time work, and those who have given up looking for work but want work. In Massachusetts, the rise reflects an increase in this latter group. For the U.S., the U-6 rate in March was 7.3 percent, up from 6.7 percent in March 2023.

CPI-U Inflation, Boston Metro and the U.S.				
	All Items		Core	
	BOS	US	BOS	US
2024q1	4.3%	3.8%	6.4%	4.2%
2023q4	3.7%	2.7%	2.8%	3.4%
23q1 to 24q1	2.7%	3.2%	3.7%	3.8%

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.

Inflation remains stubbornly high in the Boston metro area. According to the BLS' headline consumer price index (CPI-U), prices rose at a 4.3 percent rate in the first quarter of this year relative to the fourth quarter of last year, with core prices – those that exclude food and energy – up 6.4 percent in the first quarter. This represents an acceleration in inflation from the fourth quarter. From the first quarter of last year, prices were up 2.7 percent for all items, and up 3.7

percent for core items. The U.S. shows a similar pattern in the acceleration of inflation, though in the first quarter, U.S. inflation was lower than in Boston: 3.8 percent for all items, and 4.2 percent for core items.

The outlook is for continued steady but slow growth in the state in the next two quarters. The Massachusetts leading index is suggesting annualized growth of 3.1 percent in the second quarter and 0.5 percent in the third quarter of this year. Economists surveyed by the Wall Street Journal in early April have an average expectation of U.S. growth in the second quarter of 1.6 percent and in the third quarter of 1.4 percent.

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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 first quarter of 2024, these adjustments subtracted 2.9 percentage points from growth. In the fourth quarter of 2023, these adjustments subtracted 0.7 percent from growth. In the second and third quarters of 2024, these adjustments are expected to subtract 2.9 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 first quarter of 2024, these adjustments subtracted 1.3 percentage points from growth. In the fourth quarter of 2023, these adjustments added 2.1 percentage points to growth. In the second quarter of 2024 these adjustments are expected to subtract to subtract 2.9 percentage points from growth, and in the third quarter of 2024 to add 0.3 percentage points to 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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