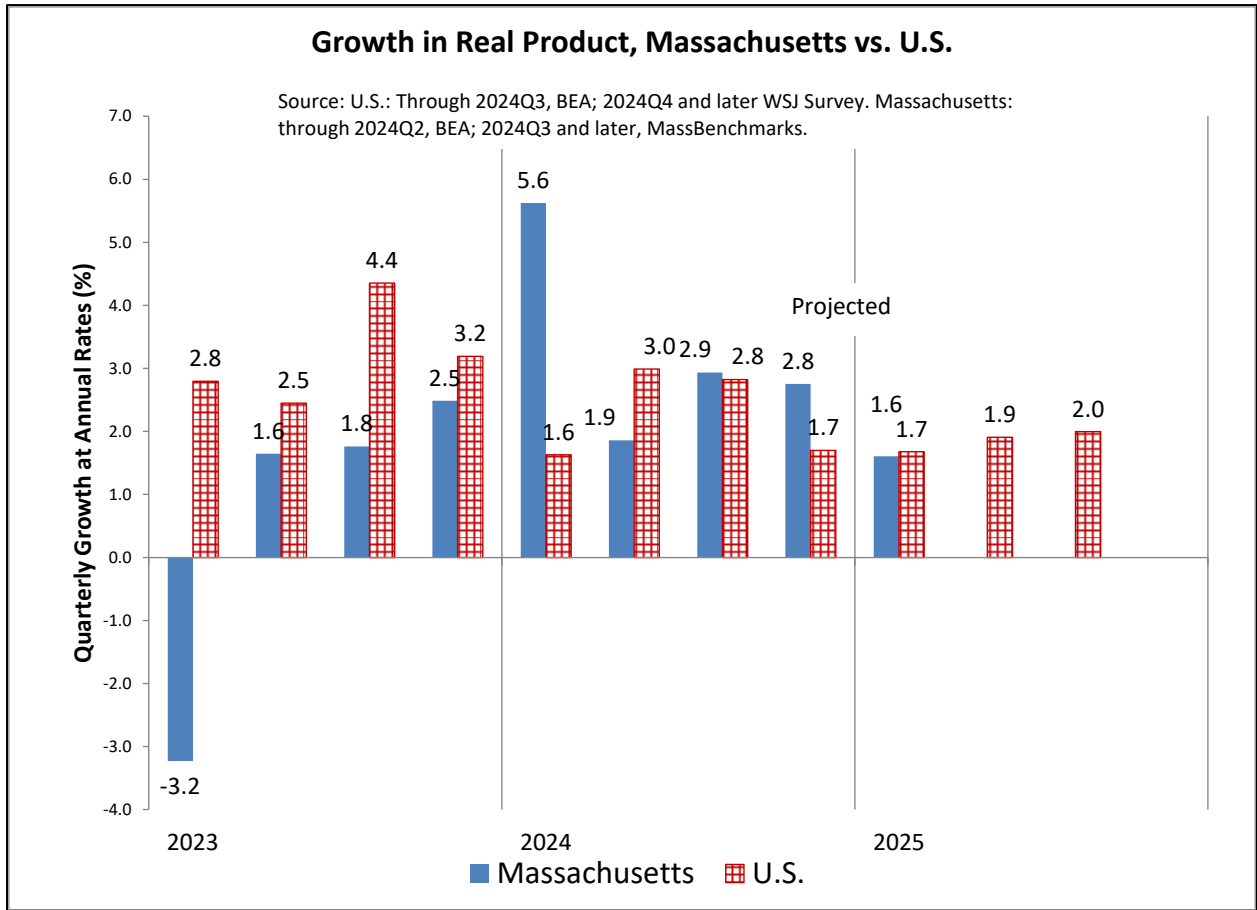


Massachusetts Current and Leading Economic Indices

The Massachusetts Current Economic Index for September was 246.0, up 3.4 percent from August (at annual rates), and up 3.0 percent from September 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 third quarter of 2024, Massachusetts real gross state product (GDP) increased at an annual rate of 2.9 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 second quarter of this year Massachusetts GDP grew at a 1.9 percent annual rate while U.S. GDP grew at a 3.0 percent rate; and in the first quarter Massachusetts GDP grew at an annual rate of 5.6 percent while U.S. GDP grew at a 1.6 percent rate.

Real output of both the Massachusetts and the U.S. economies continued to grow at healthy rates while at the same time employment growth appears to be slowing and inflation rates declining, outcomes that are consistent with a “soft landing”. A boost in productivity in the third quarter and robust consumer spending – at least at the national level – have been supporting strong GDP growth while labor markets are softening.

Employment and Earnings Growth at Annual Rates, Massachusetts and the U.S.				
	Payroll Employment		Wage and Salary Income /1	
	MA	US	MA	US
2024q3	0.7%	1.1%	-0.3%	4.9%
2024q2	0.5%	1.5%	2.7%	6.1%
23q3 to '24q3	1.0%	1.6%	5.8%	6.4%

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

1. Massachusetts wage and salary income for 2024q3 is estimated by MassBenchmarks from state withholding tax revenue.

Payroll employment growth in Massachusetts in the third quarter was a moderate 0.7 percent at an annual rate, weaker than the 1.1 percent growth for the U.S. This continued a trend of slower employment growth in Massachusetts relative to the U.S. In the second quarter, as state payrolls grew at a 0.5 percent annual rate versus 1.5 percent for the U.S. Relative to the third quarter of last year, payroll employment was up 1.0 percent in Massachusetts versus 1.6 percent for the U.S. The slower employment growth in the state has been partially offset by faster productivity growth, which recently has been running at a

quarter of percentage point higher per year in Massachusetts than the U.S., based on the ratio of GDP to payroll employment.

Unemployment Rates, Massachusetts and the U.S.				
	U-3 Rate		U-6 Rate	
	MA	US	MA	US
Sep-24	3.8%	4.1%	7.4%	7.7%
Jun-24	3.2%	4.1%	7.2%	7.4%
Sep-23	3.3%	3.8%	6.1%	7.0%

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

Unemployment rates in Massachusetts have continued to be lower than in the U.S., although the gap has narrowed. The headline (U-3) unemployment rate for Massachusetts in September 2024 was 3.8 percent, up from 3.2 percent in June and from 3.3 percent in September 2023. The headline unemployment rate for the U.S. was 4.1 percent in September 2024, unchanged from June and up from 3.8

percent in September of 2023.

The U-6 unemployed rate, which counts as unemployed part-time workers who want full-time jobs and workers who have not looked in the past four weeks but who sought work in the past year, followed a similar pattern. The U-6 rate was 7.4 percent in Massachusetts in September, up from 7.2 percent in June and 6.1 percent in September 2023. For the U.S., the U-6 rate in September was 7.7 percent, up from 7.4 percent in June and 7.0 percent in September 2023.

The reason that these unemployment rates rose more in Massachusetts than the U.S. does not appear to be due a more rapidly weakening labor market, but rather to a faster growing labor force

in Massachusetts in recent quarters – a “healthy” rise in the unemployment rate that allows more room for employment growth. The Massachusetts labor force in the third quarter of this year was up an annualized 5.9 percent from the second quarter and up 2.4 percent from the third quarter of last year. In contrast, the U.S. labor force in the third quarter was up a more modest annualized 1.6 percent from the second quarter and up 0.6 percent from the third quarter of last year.

Wage and salary income in Massachusetts appears to have been stagnant in the third quarter. Based on state withholding taxes on personal income, this income declined at a 0.3 percent annual rate (a nominal rate – not adjusted for inflation) in the third quarter. In the second quarter, the BEA estimated that state wage and salary income grew at a 2.7 percent annual rate. This growth was substantially slower than that for the U.S. over the same period. For the U.S., the BEA estimates that wage and salary income grew at a 4.9 percent annual rate in the third quarter and a 6.1 percent rate in the second quarter. It is too soon to make definitive conclusions from these data. State withholding taxes often fluctuate noisily from month to month or quarter to quarter, depending on timing and filing issues. On a year-over year basis, the difference between Massachusetts and the U.S. is in line with relative rates of employment growth. Relative to the third quarter of last year, the withholding tax-based estimate of wage and salary income growth was up 5.8 percent in Massachusetts versus BLS’s estimate of 6.4 percent in the U.S.

Massachusetts spending on items subject to regular and motor vehicle sales taxes, which is concentrated on expenditures for goods, was also weak in the third quarter, declining at a 3.3 percent annual rate in nominal terms. This is also subject to significant monthly and quarterly fluctuations, and that is a likely explanation for the weak performance in the third quarter. In the second quarter, this spending grew at a 15.7 percent annual rate; and from the third quarter of last year to the third quarter of this year, this spending was up by 4.5 percent. Although not strictly comparable, nominal U.S. consumer spending on goods grew at a 4.3 percent annual rate in the third quarter, 3.7 percent in the second quarter, and was up 2.0 percent from the third quarter of 2023.

	All Items		Core	
	BOS	US	BOS	US
2024q3	-0.2%	1.2%	-0.1%	2.2%
2024q2	6.2%	2.8%	7.2%	3.2%
23q2 to 24q2	3.4%	2.6%	3.9%	3.2%

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.

The rate of inflation went in the right direction in the third quarter. The CPI-U of the Bureau of Labor Statistics (BLS), which is an index of prices paid by urban consumers, was essentially flat in the third quarter decreasing at a 0.2 percent annual rate in the Boston Metropolitan area and rising at only a 1.2 percent rate for the U.S. region consisting of all metro areas measured. However, for Boston this followed a sharp rate of inflation in the second quarter of 6.2 percent.

Relative to the third quarter of last year, prices were up 3.4 percent in Boston and 2.6 percent in the

U.S. Core price inflation rates, which exclude food and energy, were higher on a year-over-year basis, up 3.9 percent in Boston from the third quarter of 2023, and up 3.2 percent for the U.S.

The leading index for Massachusetts is projecting that the solid GDP growth in third quarter of this year will continue into the fourth quarter, at an annual rate of 2.8 percent, and then slow to a 1.6 percent annual rate in the first quarter of next year. The average projection of economists who participated in the Wall Street Journal survey of early October is for U.S. GDP growth of 1.7 percent in the fourth quarter and 1.7 percent in the first quarter of next year. Both these projections are consistent with the desired soft landing.

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 third quarter of 2024, these adjustments subtracted 0.1 percentage points from growth. In the second quarter of 2024, these adjustments subtracted 0.3 percentage points from growth. In the first quarter, these adjustments subtracted 2.2 percentage points from growth. In the fourth quarter of 2024 and the first quarter of 2025, these adjustments are expected to subtract 1.1 percent 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 third quarter of 2024, these adjustments added 0.1 percentage points to growth. In the second quarter of 2024, these adjustments added 0.3 percentage points to growth. In the first quarter, these adjustments subtracted 0.2 percentage points from growth. In the fourth quarter of 2024, these adjustments are expected to subtract 0.4 percentage points from growth. In the first quarter of 2025, these adjustments are expected 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. The leading index is composed of the four current indicators and five indicators that lead the economy: the number of first payments of unemployment insurance, motor vehicle sales taxes, the S&P 500 stock index, the Conference Board’s Consumer Confidence index, and the Associated Industries of Massachusetts Business Confidence index. Motor vehicle sales taxes and the S&P 500 stock index 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 the current 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.

Alan Clayton-Matthews
MassBenchmarks
Associate Professor Emeritus
School of Public Policy and Urban Affairs and the Department of Economics
Northeastern University

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