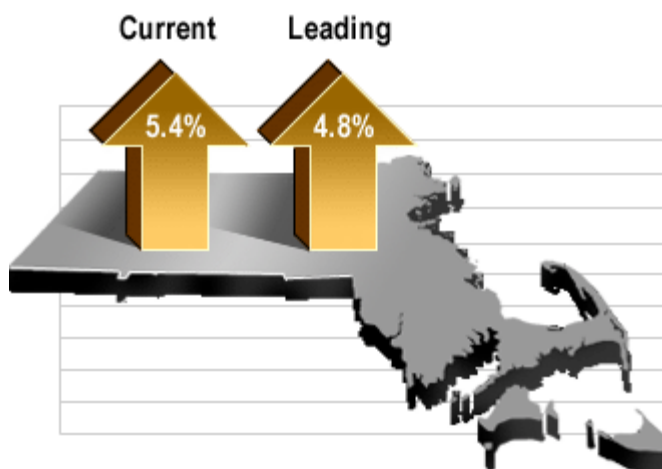


State economy expands robustly in Q2, UMass journal reports

Strong job and spending growth cause for optimism, international threats remain



Massachusetts real gross domestic product grew at an estimated annual rate of 5.4 percent, in the second quarter of 2015 according to the *MassBenchmarks Current Economic Index*, released today by *MassBenchmarks*, the journal of the Massachusetts economy published by the UMass Donahue Institute in collaboration with the Federal Reserve Bank of Boston. U.S. real gross domestic product grew at an annual rate of 2.3 percent according to the advance estimate of the U.S. Bureau of Economic Analysis. Based on the latest available information, we now estimate that

in the first quarter of 2015, the state economy expanded at a 2.1 percent annualized rate while the nation grew at a 0.6 percent annualized rate.

In the second quarter, the state's economy rebounded strongly from the weather-induced slowdown of the first quarter, with robust growth in employment and spending. Massachusetts payroll employment expanded at a 3.1 percent annual rate in the second quarter, nearly twice as fast as in the first quarter when employment grew at a 1.7 percent annualized rate. Nationally, payroll employment grew at a 1.7 annual rate in the second quarter, down from 2.2 percent in the first quarter. The state's unemployment rate fell from 4.8 percent in March to 4.6 percent in June, while the U.S. unemployment rate fell from 5.5 percent to 5.3 percent during the same period. The state's unemployment rate has reached pre-recession levels.

"The rising tide appears to finally be lifting the boats of the long-term unemployed, even though conditions for these workers remain difficult", noted Dr. Alan Clayton-Matthews, *MassBenchmarks* Senior Contributing Editor and Associate Professor of Economics and Public Policy at Northeastern University, who compiles and analyzes the Current and Leading Indexes. The broader U-6 measure of unemployment – which includes part-time workers who want full-time work and those who are unemployed but marginally attached to the labor force declined significantly in the second quarter. "For the 12-month period ending in

June, the Massachusetts U-6 rate fell to 10.4 percent, a 0.6 percentage point drop from the 12-month period ending in March. In June, Current Population Survey-based estimates put the Massachusetts U-6 rate at 9.7 percent. The corresponding U.S. rate in June was 10.5 percent," Clayton-Matthews added.

Massachusetts income and spending growth was also very strong in the second quarter. Based on withholding tax revenues, we estimate that state wage and salary income in the second quarter grew at a 4.8 percent annual rate, following growth of 4.8 percent in the first quarter. Consumer and business spending on goods subject to the state's regular sales and motor vehicle sales tax increased dramatically in the aftermath of the snowiest winter on record. In the second quarter, spending grew at a whopping 19.3 percent annual rate, following 1.8 percent growth in the first quarter. The ability and willingness of households and businesses to spend reflects the underlying strength of the state economy and bodes well for future growth.

The *MassBenchmarks* Leading Economic Index for June is 4.8 percent, and the three-month average for April through June is 5.0 percent. The leading index is a forecast of the growth in the current index over the next six months, expressed at an annual rate. Thus, it indicates that the economy is expected to grow at an annualized rate of 4.8 percent over the next six months (through December 2015), suggesting that the state's solid economic performance will continue through the rest of the year. It is projecting real state gross product growth of 5.1 percent in the third quarter and 4.8 percent in the fourth quarter.

But while the state economy appears to be in the midst of a solid economic expansion that positions the Commonwealth for solid future growth, risks to the outlook remain. Weak international economic conditions and geopolitical uncertainty continue to weigh heavily on the economic outlook for the Commonwealth and the nation. The strong dollar combined with sluggish growth in Europe and slowing growth in China has had a significant impact on state and national exports. For the first five months of this year, Massachusetts merchandise exports are down 14.0 percent as compared to the first five months of 2014, while U.S. merchandise exports are down 5.2 percent during the same period of time.

MassBenchmarks is published by the University of Massachusetts Donahue Institute in cooperation with the Federal Reserve Bank of Boston. The Donahue Institute is the public service, outreach, and economic development unit of the University of Massachusetts Office of the President. The Current and Leading Indexes are compiled and analyzed by Dr. Clayton-Matthews, Associate Professor of Economics and Public Policy at Northeastern University and released quarterly by *MassBenchmarks*.

For a full breakdown of the latest indexes, [click here](#). A comprehensive analysis of the state of the Massachusetts economy can be found in the most recent issue of [MassBenchmarks](#).

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