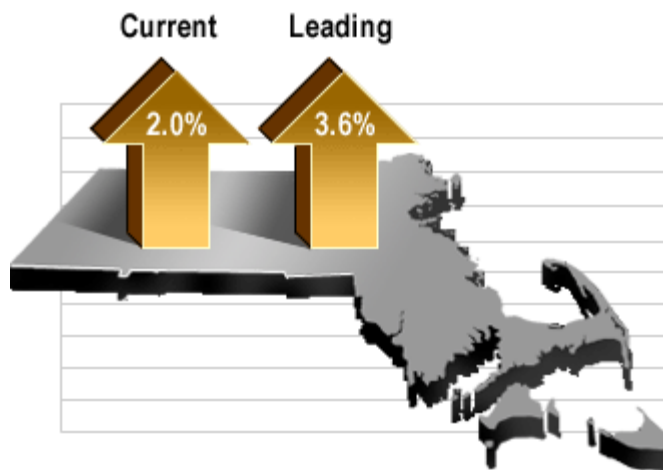




## State economic growth moderates in Q3, UMass journal reports

*Fundamentals remain strong following torrid pace of growth in Q2*



Massachusetts real gross domestic product grew at an estimated annual rate of 2.0 percent, in the third 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 1.5 percent according to the advance estimate of the U.S. Bureau of Economic Analysis. Based on the latest available information, we now estimate

that Massachusetts expanded at a 7.1 percent annualized rate in the second quarter while the nation grew at a 3.9 percent rate. In the first quarter of 2015, the Massachusetts economy grew at a 3.2 percent rate as compared to 0.6 percent for the U.S.

The pace of the state's economic growth moderated significantly in the third quarter following an exceptionally strong second quarter. The rate of growth in the U.S. economy also slowed in the third quarter. Much of the decline in the pace of growth was due to slower productivity growth rather than a weakening in the fundamental underlying strength of the regional economy. Although Massachusetts payroll employment fell by an estimated 7,100 jobs in September, the state job market remains strong. Over the entire third quarter, the state's payroll employment grew at a 2.2 percent annual rate, down from 3.0 percent in the second quarter. In contrast, U.S. payroll employment grew at a 1.7 annual rate in the third quarter, the same pace as in the second quarter.

The state's unemployment rate dropped one notch from 4.7 percent in June to 4.6 percent in September, while the U.S. unemployment rate fell from 5.3 percent to 5.1 percent during the same period. "In the third quarter, the number of initial unemployment claims in the state continued to trend downward," noted 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. "In September, on a seasonally-adjusted basis, the number of new unemployment claims in the state was the lowest on record — which dates back to January, 1973," Clayton-Matthews added.

Based on withholding tax revenues, Massachusetts wage and salary income growth increased significantly in the third quarter, growing at an estimated 7.3 percent annual rate. This follows growth of 4.1 percent in the second quarter. On a year-over-year basis, Massachusetts wage and salary income in the third quarter was up 5.8 percent. Nationally, wage and salary income is on track to grow at a 5.0 percent annualized rate in the third quarter, double the 2.5 percent rate experienced in the second quarter.

Consumer and business spending, as measured by spending on items subject to the state regular sales tax and the motor vehicle sales tax, declined in the third quarter at a 3.4 percent annual rate. However, this does not appear to reflect strained household budgets or weak consumer confidence, but rather a return to reality following an unsustainable 15.8 percent annualized rate of growth in the second quarter. Notably, this measure of state consumer spending was 4.9 percent higher in the third quarter of 2015 than it was in the third quarter of 2014.

The *MassBenchmarks* Leading Economic Index suggests that the state's solid economic performance will continue through the rest of the year and into the next. It is projecting real state gross product growth will rise to 3.6 percent in the fourth quarter of this year and the first quarter of next year. But considerable global downside risks persist. A sluggish European economy and slowing growth in China have lowered expectations of future growth below what they were before the August shock in financial markets, and both continue to weigh heavily on the economic outlook.

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*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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