

The logo for MassBenchmarks, featuring the text "MassBenchmarks" in a serif font.**EXCERPTS FROM THE BOARD**Commentary on the state of the state economy by the *MassBenchmarks* Editorial Board**The Bay State is on a "moderate growth track,"  
declares *MassBenchmarks* Editorial Board***Sluggish world growth and geopolitical conflicts concern leading regional economists*

Both Massachusetts and the nation are on track to experience solid growth for the balance of 2014 and through the first quarter of 2015. Since the state recovery began in the summer of 2009, employment and economic activity have grown steadily and consumer spending as measured by state sales tax receipts has been strongly positive in recent quarters. The state's innovation economy, composed of a diverse array of high-technology and knowledge-intensive industries, continues to be a growth driver, fueled in part by strategic public investments and the Commonwealth's highly educated labor force.

But serious challenges remain. Long-term unemployment remains high and the rising tide of the state's labor market recovery has yet to lift the boats of tens of thousands of workers who continue to be unable to find work. Growth in the innovation economy continues to be largely concentrated in the dynamic metro Boston region and the benefits of this growth have yet to be felt in many areas, especially urban communities commonly referred to as the Gateway Cities. A number of these communities continue to experience difficult economic conditions, including unemployment rates approaching double-digits, stagnant incomes, and significant fiscal challenges.

Notwithstanding these continued regional imbalances, the economic outlook for the state remains positive. But there continue to be significant risks to the downside. Most notably, the Middle East and Eastern Europe continue to be highly volatile and constitute major sources of geopolitical and economic risk. The Eurozone economy has yet to fully recover and its near-term prospects are not good. And the Chinese economy is growing more slowly than in recent history. All of these developments are exerting downward pressure on global growth and represent serious risks to the global, national, and Massachusetts economy. And the apparent decoupling of U.S. and world growth patterns also has significant implications for how we assess the state's economic performance.

Along these lines, one issue that received considerable attention by the Board concerns the state's recent international export performance. Since the end of the recession, state exports to destinations outside the U.S. have not grown as fast as those of the nation as a whole. Even when we exclude energy and automobile exports, which have played a large role in recent U.S. performance, and consider the influence of service exports, the nation still appears to be outpacing the state. Given the ongoing struggles of some of the Commonwealth's most important trading partners, there is reason to believe that out-of-state domestic markets, shipments to which are not captured in the available export data, may be gaining importance.

Overall, the Board remains cautiously optimistic about the near-term future of the state economy. The consensus view is that barring unforeseen developments, the Massachusetts economy has enough momentum to continue on a moderate growth track for the foreseeable future.

This summary reflects the discussion of the members of the Editorial Board of *MassBenchmarks* at its meeting on September 26, 2014. It was prepared by Executive Editor Robert Nakosteen and was reviewed and edited by the members of the Editorial Board. While discussion among the Board members was spirited and individual Board members hold a wide variety of views on current economic conditions, this summary reflects the consensus view of the Board regarding the current state of the Massachusetts economy.

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