

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**State economy growing robustly
declares *MassBenchmarks* Editorial Board***Slowing global economy, "troubling imbalances" are major issues of concern
to leading regional economists*

By all indications, the Massachusetts economy is continuing its robust expansion. Employment is growing at rates not seen since the late 1990s. Gross state product growth has consistently exceeded national growth this year. While residential construction remains below pre-recession levels, building activity is increasing and office rents are rising, both strong signals of a growing regional economy. But while these developments are most welcome, a number of risk factors continue to weigh heavily on the state's economic outlook.

Recent job growth in the state has been impressive, with year over year payroll employment increasing by over 90,000 (through August). The technology and knowledge-intensive sectors of the economy continue to lead the way. In particular, jobs in the "professional, scientific, and technical services" industry have grown by more than 5 percent in the past year. This sector includes legal, accounting, architectural, engineering, and specialized design services; computer services; consulting services; and research services, among others. The health services and products sector has been another employment growth driver. This sector includes pharmaceutical and medical device firms, as well as the state's world-renowned hospitals and other health care providers. The Commonwealth's knowledge-intensive industry mix continues to drive the state's economic growth and, to an extent, helps to immunize the state against some of the issues that are weighing heavily on the national and global economic outlook.

But several dark clouds have been forming globally. Of particular concern is the apparent decline in the rate of growth of the Chinese economy. Slowing Chinese growth is already affecting nations that rely on China as a destination for their commodity exports, including Canada, Australia, and Brazil, and oil exporters. While the Massachusetts economy is somewhat buffered from these developments, thanks to its relatively smaller reliance on manufacturing exports, they can be expected to exert downward pressure on state export activity. And the Bay State's professional business services sector, an important source of recent job growth, is exposed to this weakness to the extent it affects their international clients. While the state is relatively well positioned to manage these risks, it is by no means immune from the effects of continued global economic weakness.

The overall strong performance of the state economy continues to mask troubling imbalances across the Commonwealth. To date, the growth and prosperity associated with the state's dynamic technology and innovation sectors has been concentrated in the Greater Boston region, though there appear to have been some positive spillover effects in some other areas of the state. While labor markets in many of the "Gateway Cities" have been improving, in some cases rapidly, their economic performance continues to lag and it is difficult to see this changing anytime soon. Even in the Greater Boston area, income growth has been concentrated at the top of the distribution, and this troubling pattern appears to be continuing. Housing prices and residential rents are rising fast, and putting increasing pressure on the state's working families, many of whom have had to cope with both stagnant incomes and increasingly unaffordable

housing options.

Notwithstanding these issues, Massachusetts appears poised to continue its robust economic expansion, at least into next year.

This summary reflects the discussion of the members of the Editorial Board of *MassBenchmarks* at its meeting on September 18, 2015. 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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