

THE STATE OF MASSACHUSETTS' ECONOMY



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Massachusetts' economic forecast

ECONOMIC OUTLOOK

	2005	2006	2007	2008	2009	2010	2011	2012
United States								
Real GDP								
\$ billions (fourth quarter)	\$12,736	\$13,038	\$13,326	\$12,884	\$12,814	\$13,216	\$13,474	\$13,954
% change over the four quarters	2.8%	2.4%	2.2%	-3.3%	-0.5%	3.1%	2.0%	3.6%
Nonfarm employment								
Job count (fourth quarter)	134,596,333	136,702,667	137,884,667	135,063,000	129,425,000	130,127,667	131,626,011	132,686,635
% change over the four quarters	1.8%	1.6%	0.9%	-2.0%	-4.2%	0.5%	1.2%	0.8%
Average monthly change	199,056	175,528	98,500	-235,139	-469,833	58,556	124,862	88,385
Massachusetts								
Real GDP								
\$ billions (fourth quarter)	\$323	\$328	\$334	\$340	\$328	\$342	\$350	\$362
% change over the four quarters	1.3%	1.6%	1.8%	-0.3%	-0.6%	3.5%	2.7%	3.8%
Nonfarm employment								
Job count (fourth quarter)	3,219,500	3,258,433	3,289,867	3,266,833	3,163,133	3,190,967	3,246,879	3,278,060
% change over the four quarters	0.6%	1.2%	1.0%	-0.7%	-3.2%	0.9%	1.8%	1.0%
Average monthly change	1,658	3,244	2,619	-1,919	-8,642	2,319	4,659	2,598

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual figures and bold figures represent forecasts.

Sources: US Department of Commerce; US Department of Labor

What the table shows ...

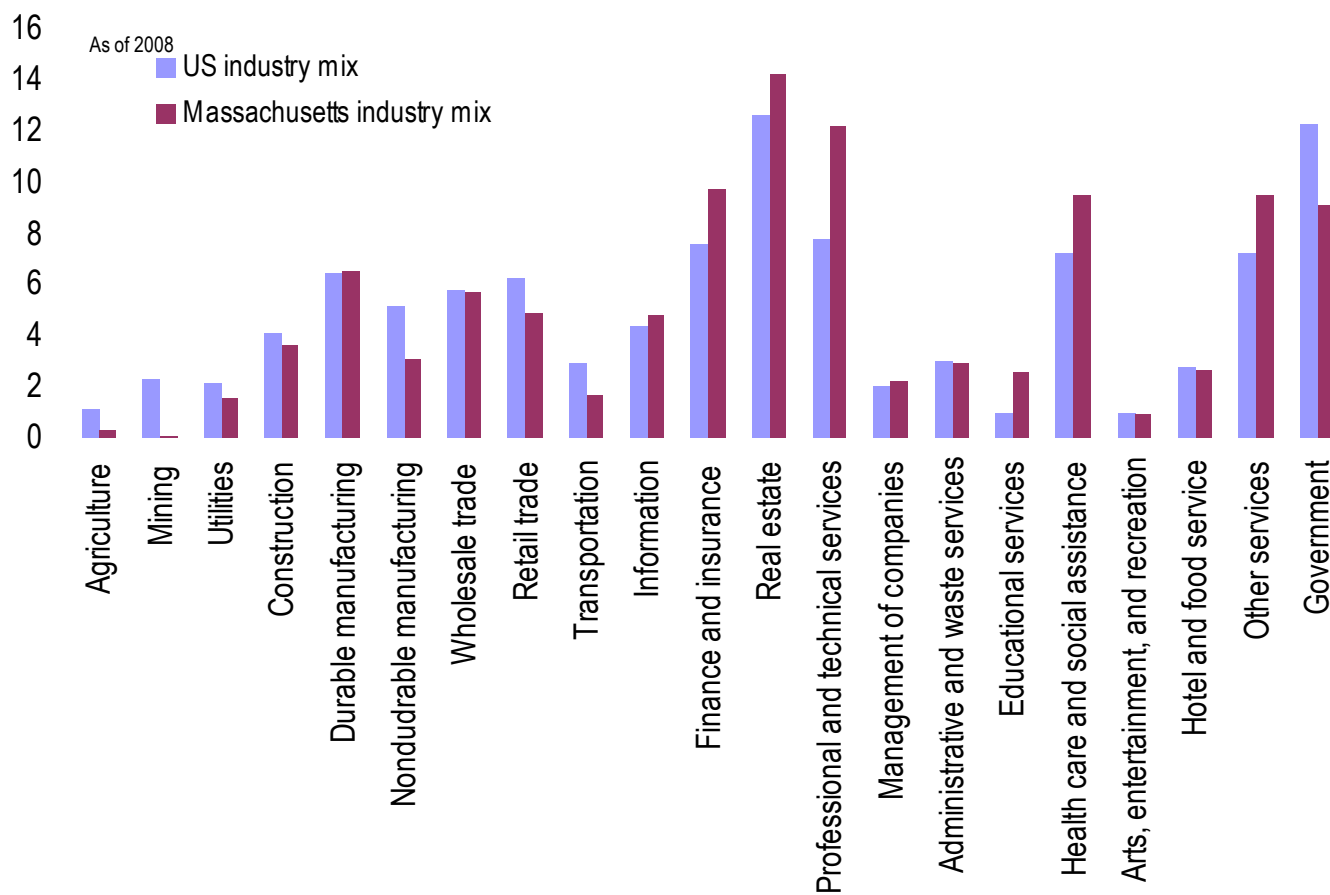
- Top-down-based growth and employment forecasts. The forecasts take as a starting point forecasts for aggregate national output and employment that is then distributed to each of the 50 states, based on the state's employment share of the economy, and, in some cases, idiosyncratic factors affecting each state. As a result, forecast misses will reflect surprises in the aggregate forecast as well as any deviation in the state's GDP share from the assumed share.
- Massachusetts' economy began to expand in 2010 and employment rose slightly more quickly than the national employment pace.

Key messages ...

- This year is likely to see a repeat performance, with similar, if very moderate, trends as 2010.

Sizing up Massachusetts' economy

Real GDP by industry, Massachusetts' vs the national economy (% of nominal GDP)



What the chart shows ...

- The percentage of private-sector real GDP produced by each industry, compared with the national footprint of each industry.
- Many of Massachusetts' important industries are on the front lines of the recession, including real estate, finance, and durable goods manufacturing.
- The state enjoys some stability from the outsized footprint in a number of services and technology.

Key messages ...

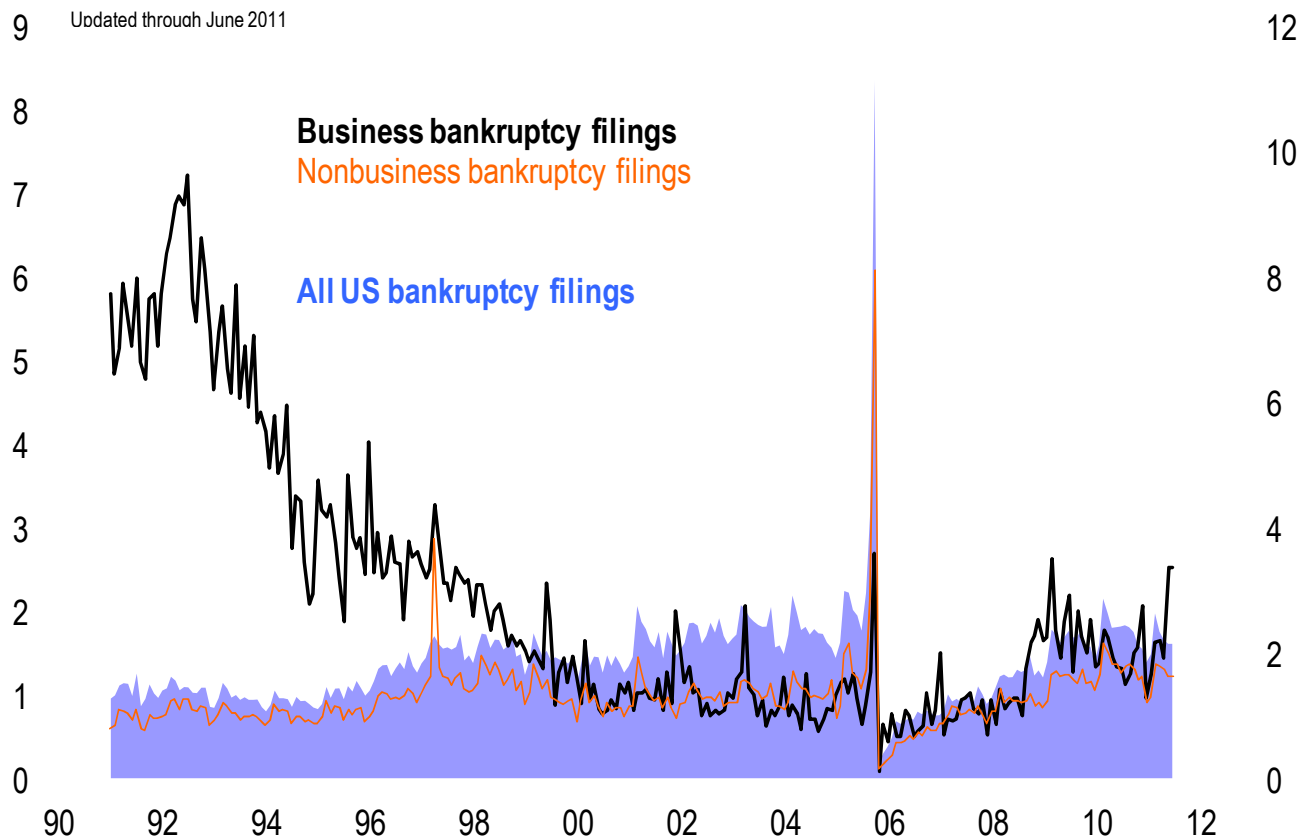
- The booming technology sector is a plus for Massachusetts.

Source: US Department of Commerce

Timely economic indicators

Financial stress

Bankruptcy filings (ratio to 2007 Q4 level)



What the chart shows ...

- The ratio of bankruptcy filing by businesses and persons to filings in 2007 Q4.
- Bankruptcy filings are relatively low.

Key messages ...

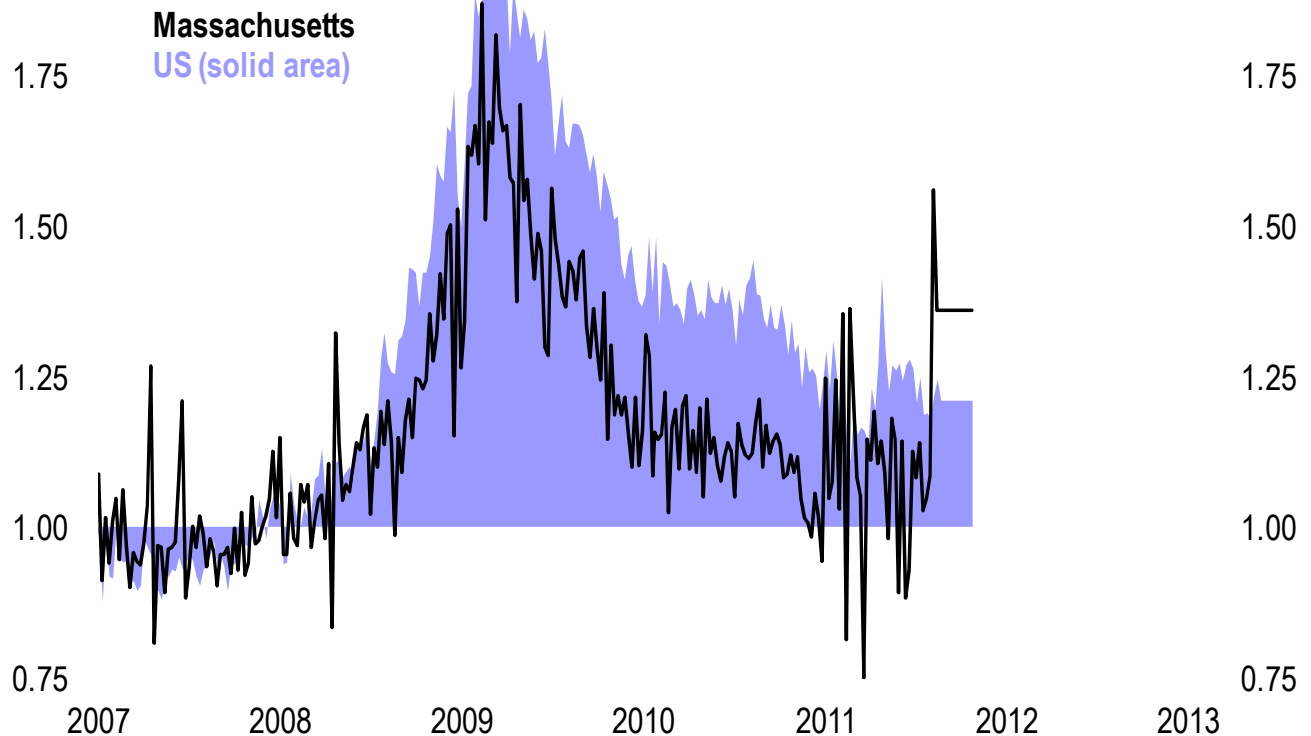
- Indicators of financial stress are a useful coincident indication of economic distress.
- Financial stress is somewhat muted in the local business community, judging by the level of bankruptcy filings.

Sources: Administrative Office of the U.S. Courts; Haver Analytics

Layoffs

Ratio of jobless claims to the 2007 Q4 level

2.00 Updated through September 3, 2011 (US) and August 27, 2011 (state)



What the chart shows ...

- Applications for unemployment insurance, a tracking of new layoffs, in Massachusetts versus the nation.
- The level of layoffs is normalized to the level prior to the recession—that is, they are calculated as a ratio to the level of layoffs in the fourth quarter of 2007, the peak of the previous business expansion.
- Layoffs have come down a fair amount, and were resting around pre-recession levels until late summer. The recent spikes like are a result of hurricane damage.

Key messages ...

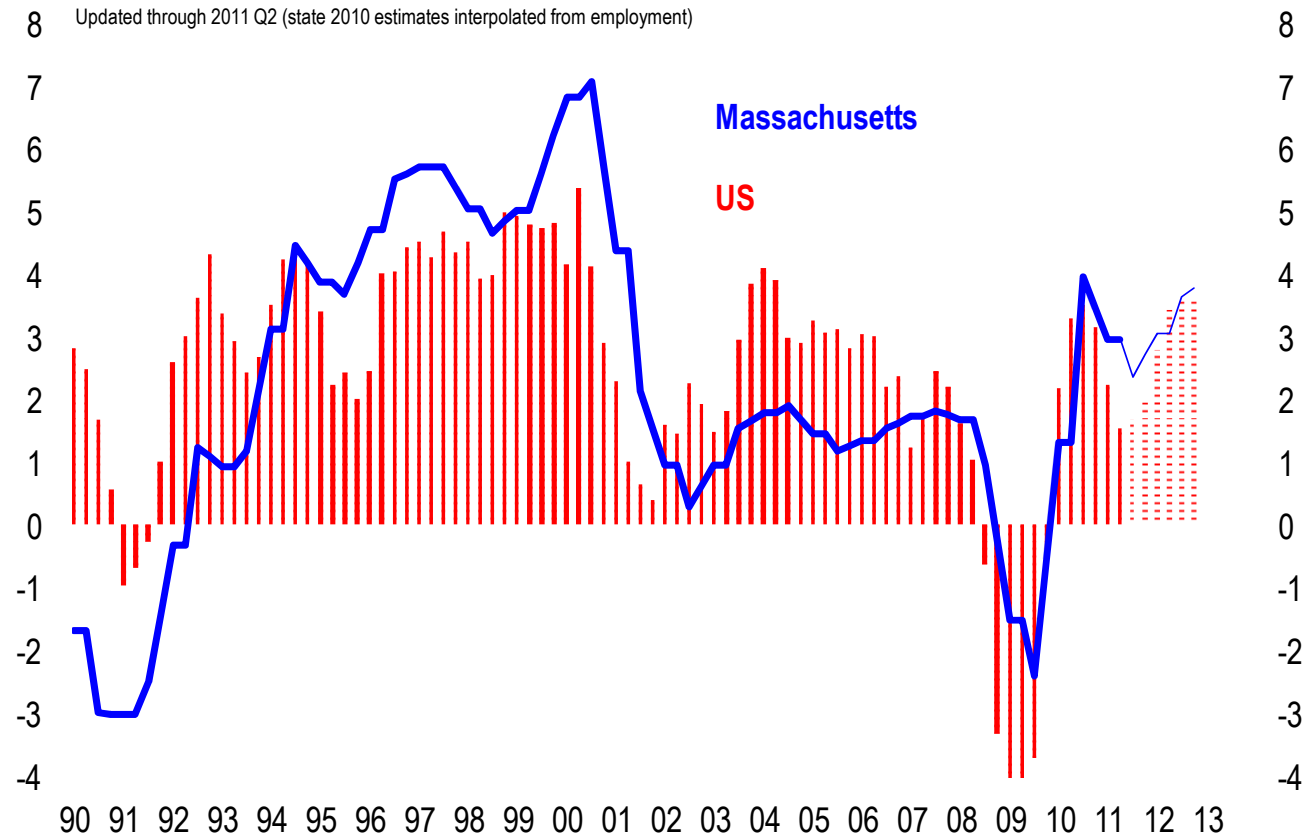
- Low layoffs are a sign the labor market is gaining strength.

Source: US Department of Labor

State of Massachusetts' economy

Economic growth

Real GDP (% change from four quarters earlier, thin lines or altered shading are forecasts)



What the chart shows ...

- GDP growth in Massachusetts compared with the US.
- The local economy has slowed from the 2% average annualized pace earlier in this decade, but not as sharply as the national economy.
- The state's economy did not contract as sharply as the national economy in 2009

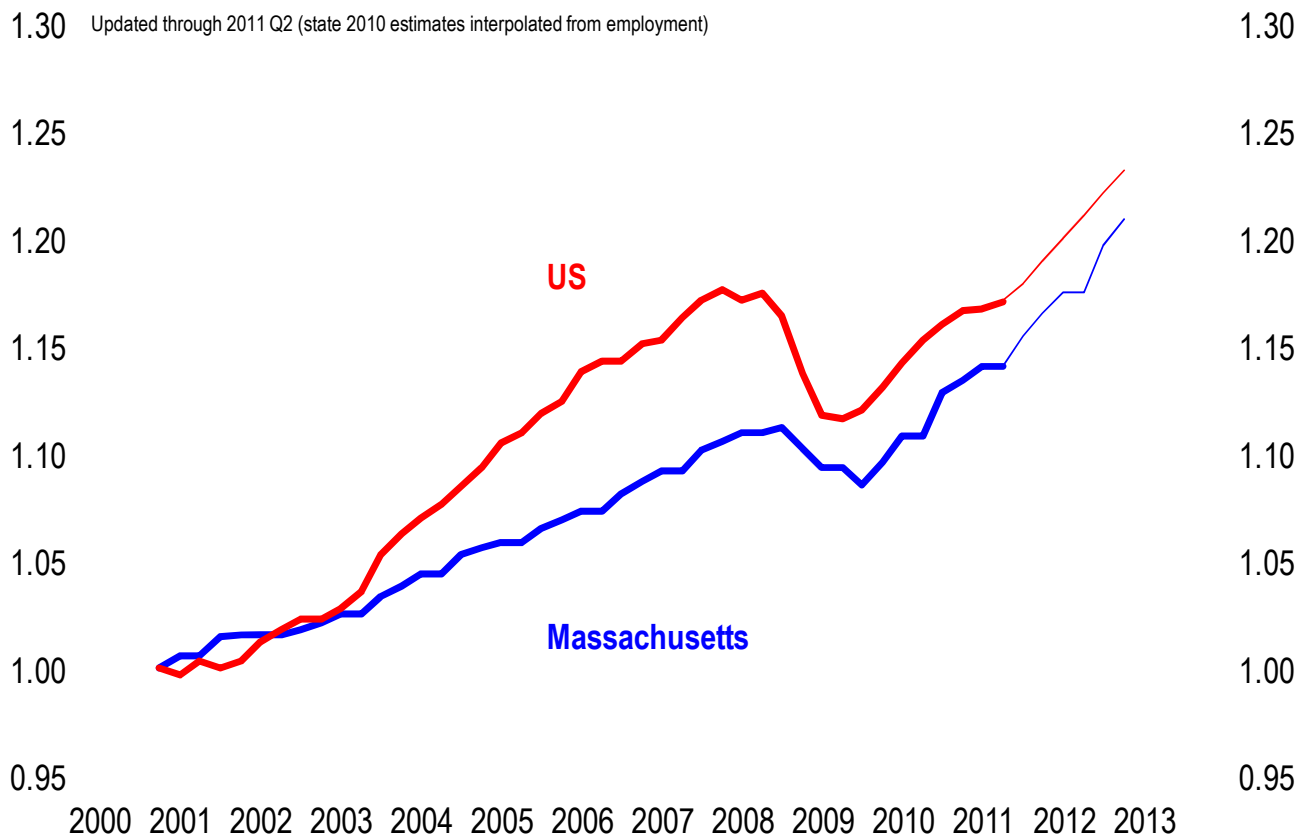
Key messages ...

- Massachusetts' economy is forecast to fare well into 2012.

Source: US Department of Commerce

Economic output

Real GDP (ratio to the 2000 Q4 level)



What the chart shows ...

- Cumulative gains in real GDP since 2000 Q4, the peak of the last business expansion.
- Massachusetts did not keep pace with the national economy in the business expansion that began in 2001, but, absent many of the real estate excesses that plagued the West and Florida, did not contract as sharply either.

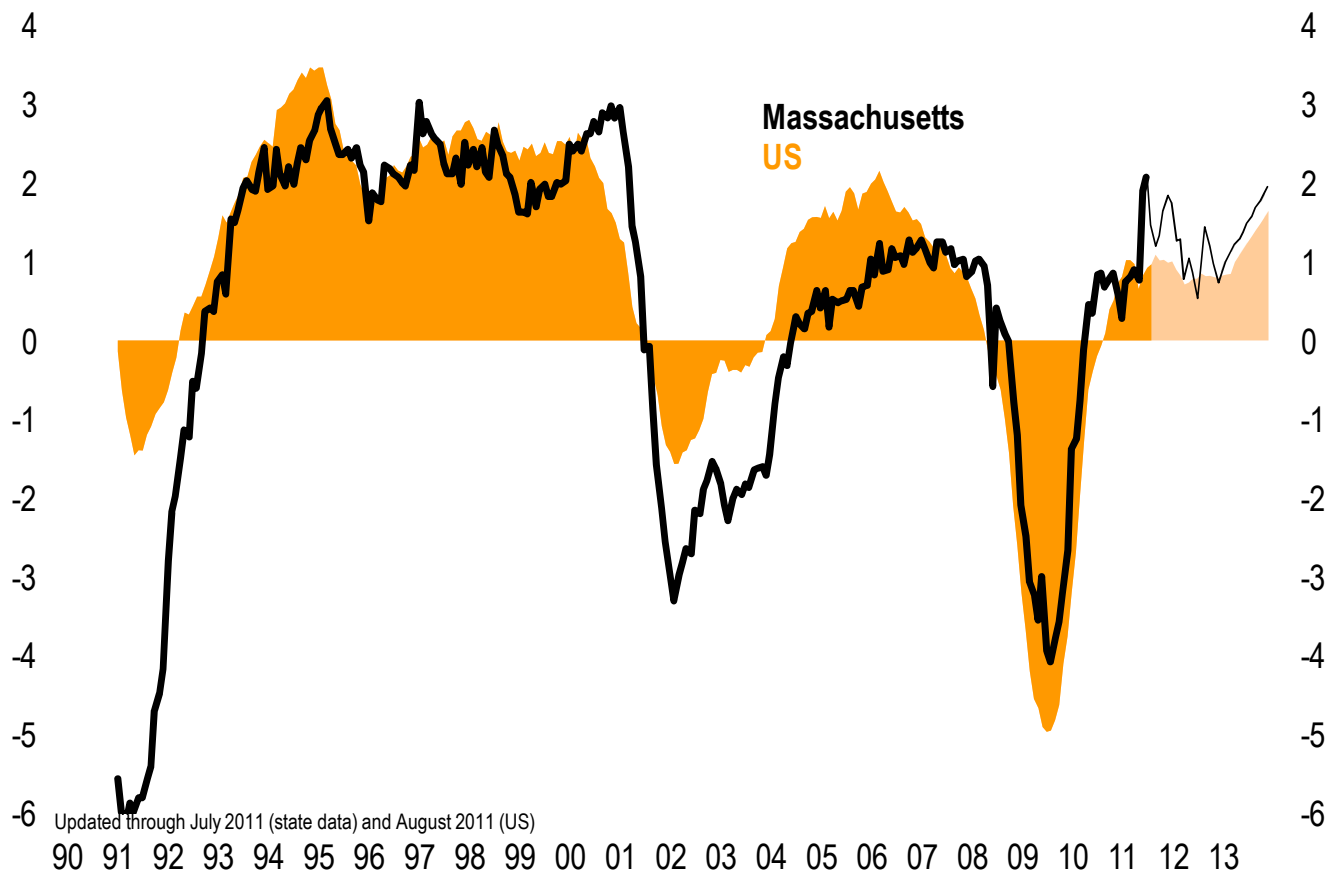
Key messages ...

- Massachusetts' economy appears to be on the rebound.

Source: US Department of Commerce

Employment growth

Employment (percent change from 12 months earlier)



What the chart shows ...

- Job growth in Massachusetts, compared with the national trend.
- The labor market in Massachusetts has tumbled, just like that in the national economy.
- Employment now is on the rise.

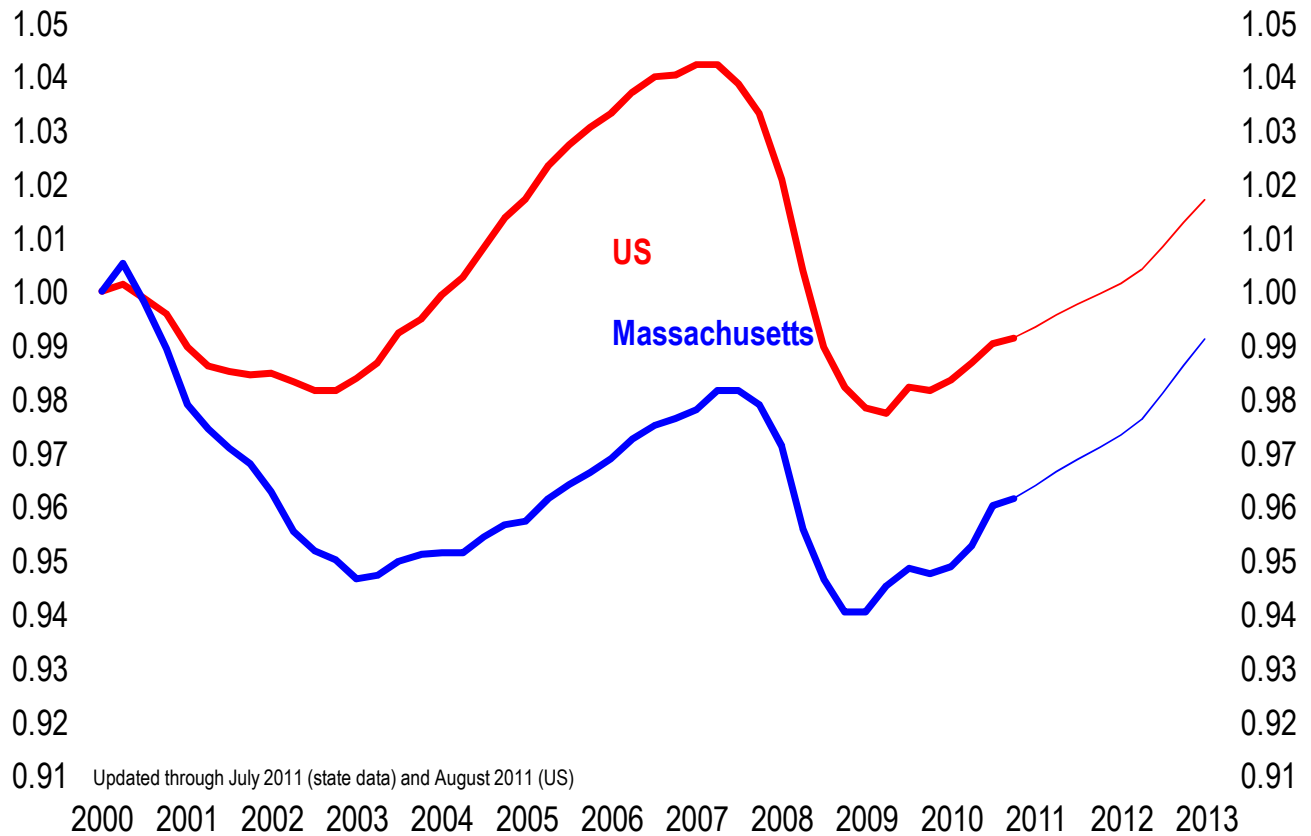
Key messages ...

- The state's job performance is improving.

Source: US Department of Labor

Employment

Employment (ratio to the 2000 Q4 level)



What the chart shows ...

- The cumulative change in the level of employment since the final quarter of 2000, the peak of the previous business expansion.
- Massachusetts payroll count never returned to the peak level reached at the end of 2000 and now is 5% below that level almost a decade ago.

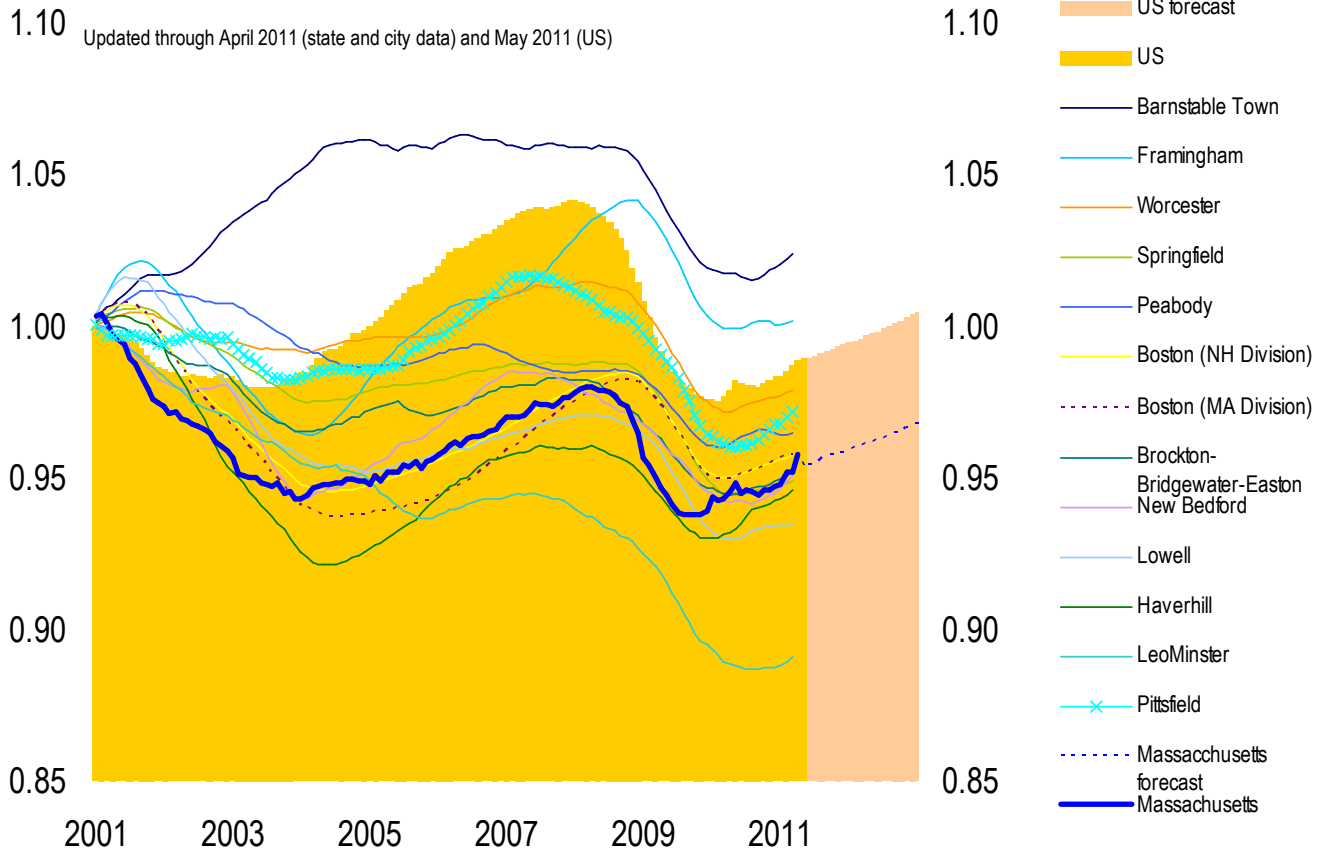
Key messages ...

- The economy is likely to fare better in 2011.

Source: US Department of Labor

Intrastate employment trends

Employment (ratio to the December 2000 level)



What the chart shows ...

- Job trends in local communities within the state.
- Massachusetts has seen a wide diversity of economic performance across the state, but the trends are largely up.

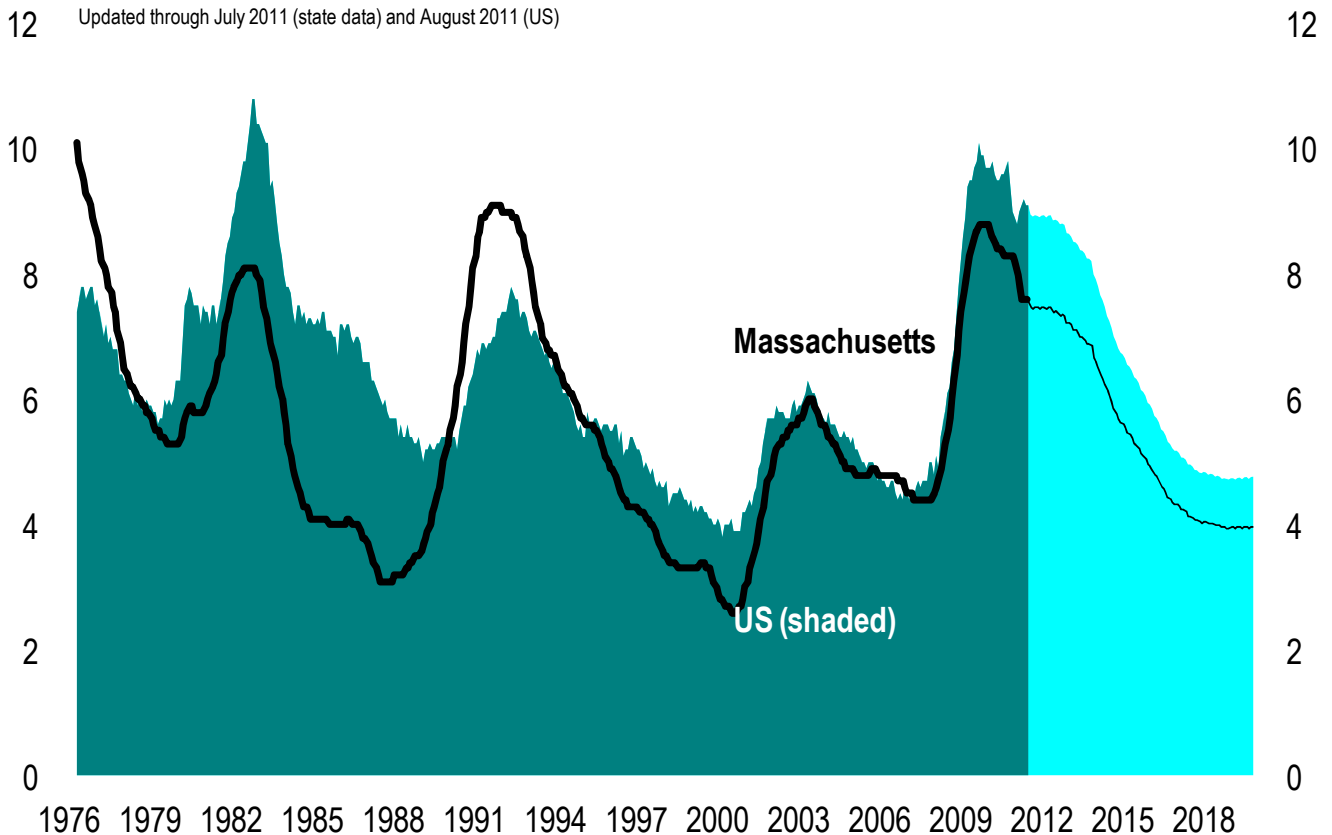
Key messages ...

- Massachusetts' slowdown will likely be cushioned by its strengths in education, health care, and technology.

Source: US Department of Labor

Unemployment

Unemployment rate (percent of the labor force)



What the chart shows ...

- Unemployment rate trends in Massachusetts, compared with the national average.
- The state's rise in unemployment has been tracking the national trends closely.
- Unemployment has fallen back to 8%.

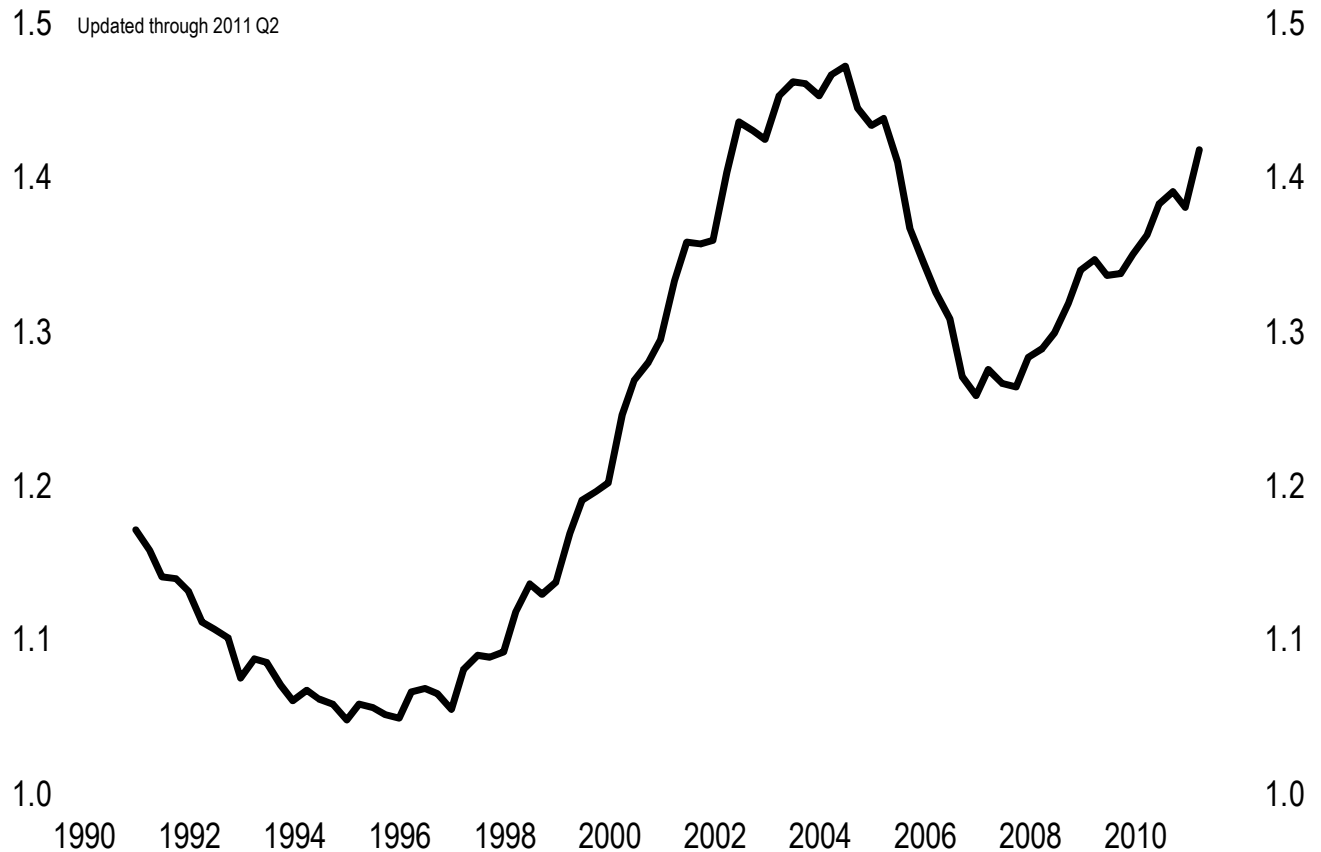
Key messages ...

- The unemployment rate is the single best indicator of the relative economic performance of a region and by this standard the local economy is stabilizing.
- Recovery is under way, judging by the receding unemployment rate.

Source: US Department of Labor

Relative house prices

Ratio of Massachusetts' house price index to the index of national prices (1995 Q4 = 1.0)



What the chart shows ...

- Real estate values in Massachusetts compared with the national trend in house prices.
- Inflated real estate conditions generally were found in states whose house prices matched national trends (the line in the figure would hold steady) or rose faster than the national average (the line in the figure rises). States that did not suffer from speculative conditions would be identified by a decline in the relative price of houses in this last decade.
- The state's housing market suffered from speculative conditions too.

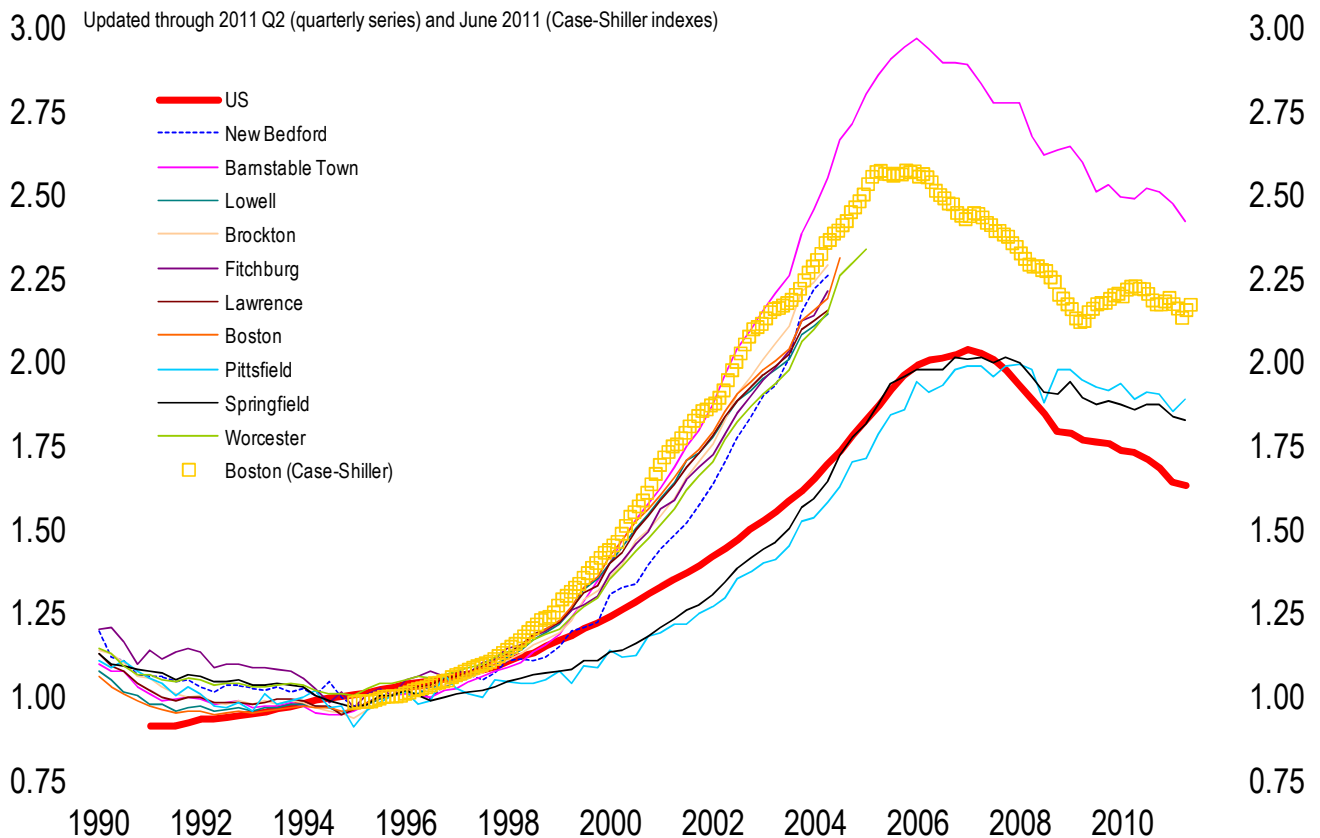
Key messages ...

- House prices in Massachusetts still have risen 30% more than the national average since 1995.

Source: FHFA

Real estate markets

House prices in selected towns versus the US average (ratio to the 1995 Q4 level)



What the chart shows ...

- The cumulative percentage deviation since 1995 Q4 in local house prices.
- House prices in many areas far outstripped the rise in the national measure of house prices.
- Boston’s housing markets are stabilizing, helped in part by the robust high tech sector.

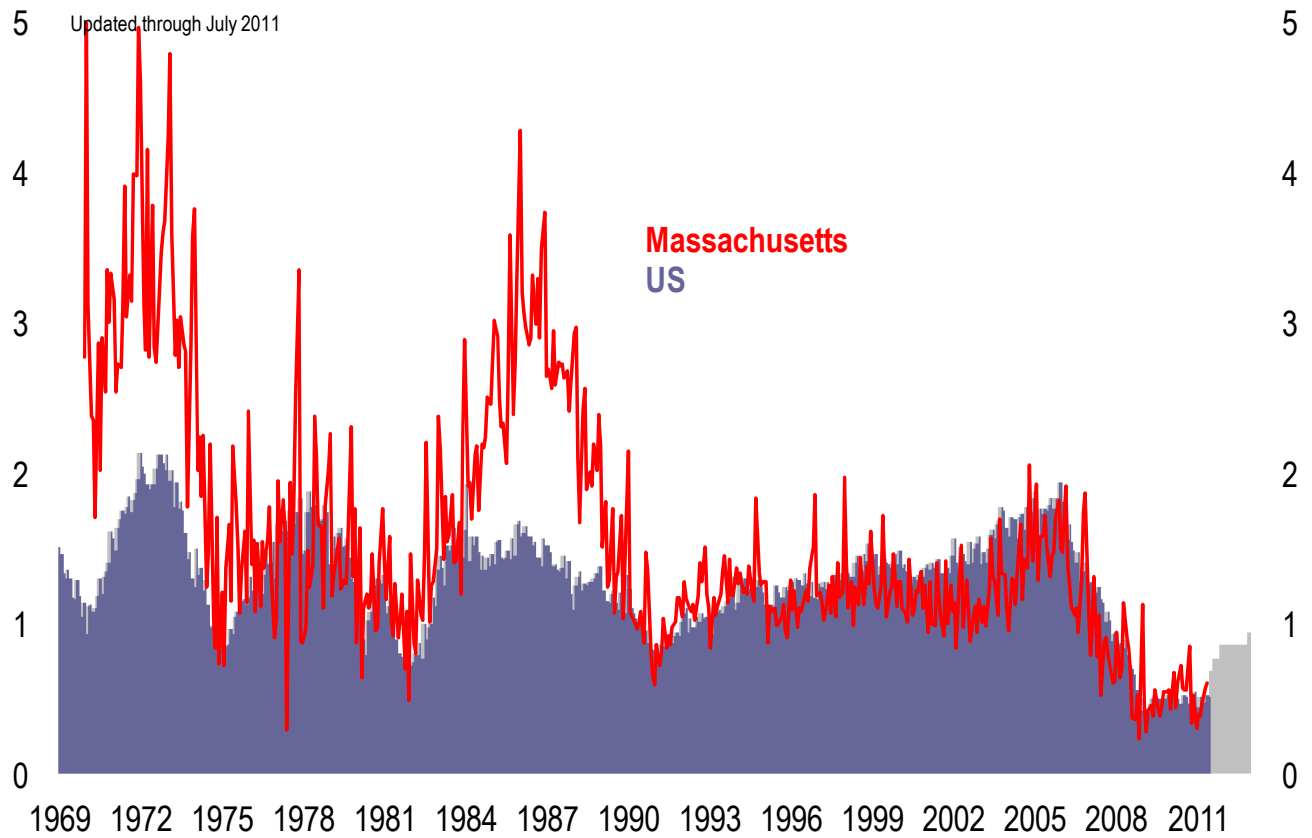
Key messages ...

- What goes up too much will correct.

Sources: Standard & Poor’s; FHFA

New home building

Housing starts (ratio to the July 1990 level)



What the chart shows ...

- The pace of new home building in Massachusetts, compared with the national average.
- New home construction has declined as much as the national trend in proportionate terms.

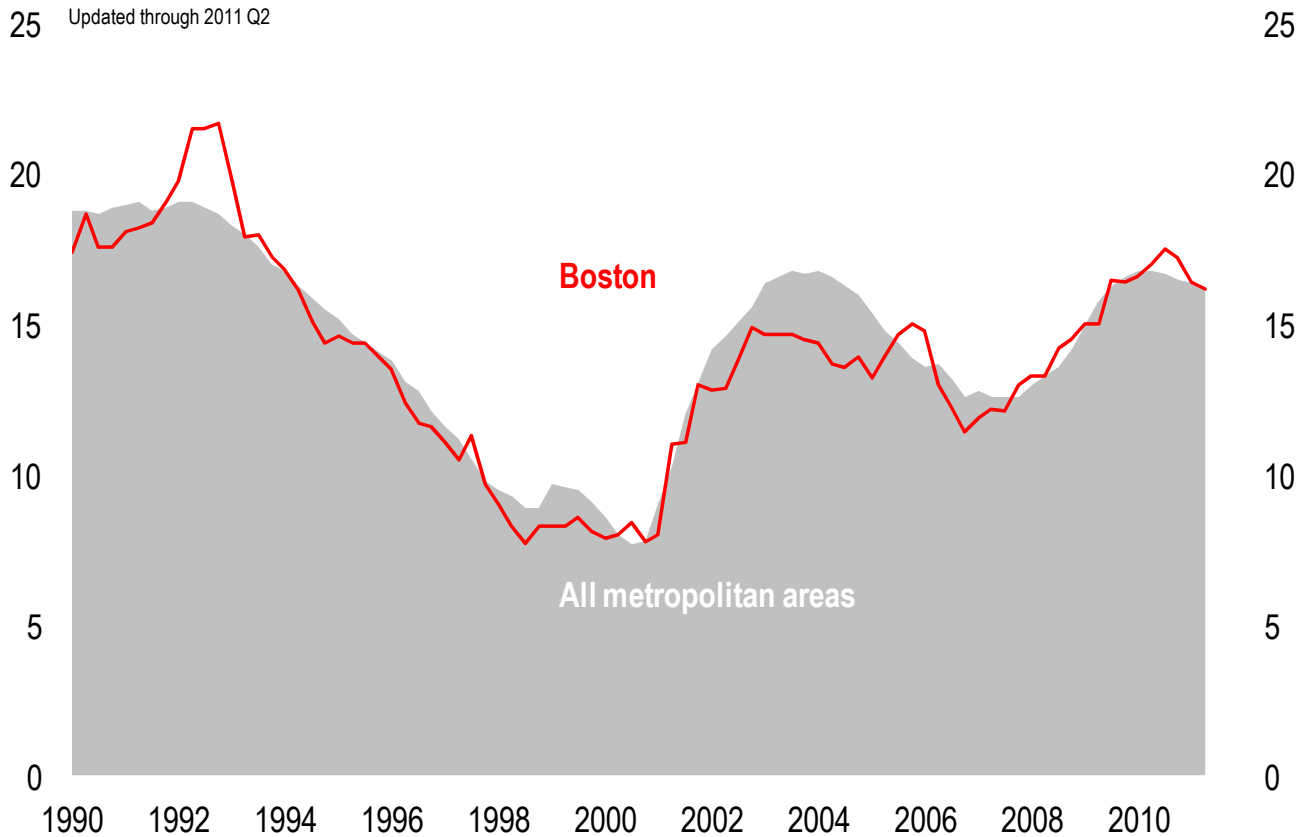
Key messages ...

- Home building remains dormant.

Source: US Census Department

Office markets

Office vacancy rate (percent)



What the chart shows ...

- Trends in the office vacancy rate in Boston, compared with the national average.
- Office vacancy rates are stabilizing in Boston.

Key messages ...

- The office market echo the strength of the local economy and stable conditions for commercial property markets are promising.

Source: US Department of Commerce

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