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The State of the State Economy

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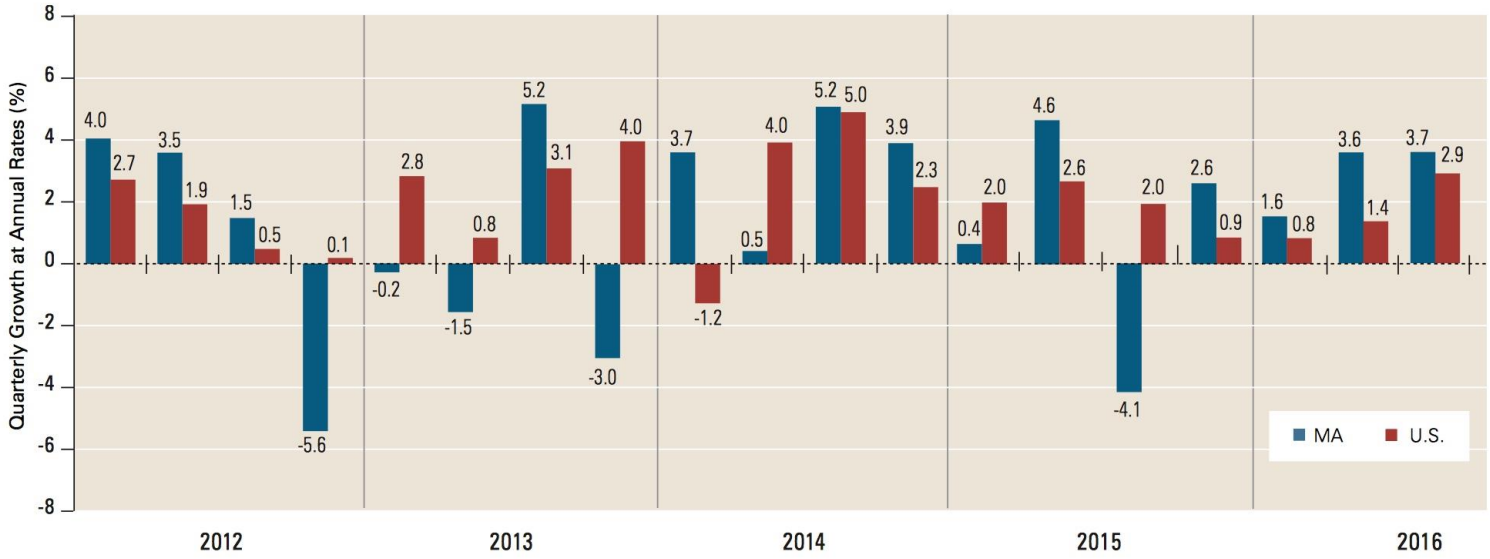
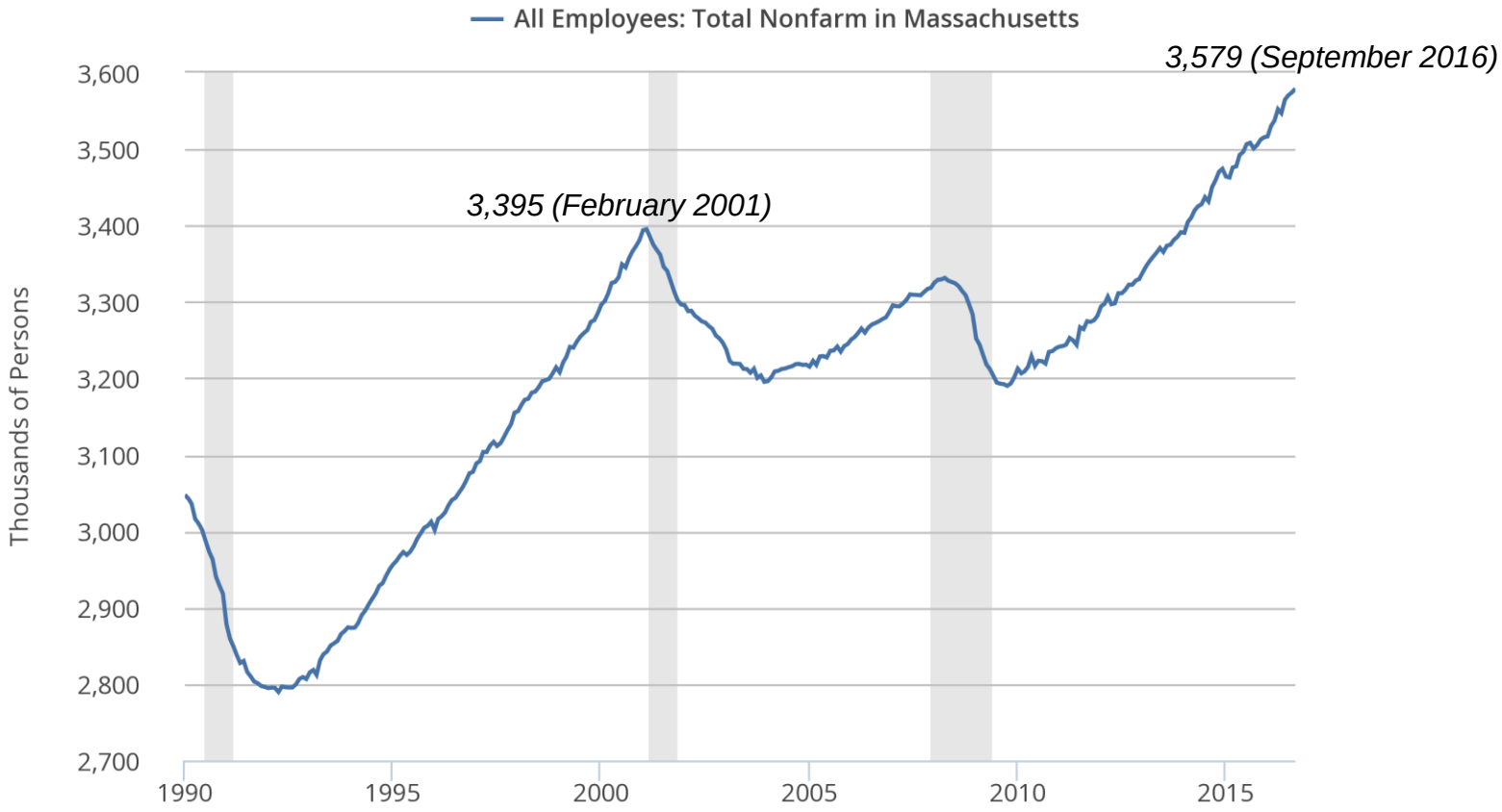
The state economy has been consistently growing faster than the nation for several years

Figure 1. Growth in Real Product
Massachusetts and United States
2012 Q1–2016 Q3



Source: U.S. data from the U.S. Bureau of Economic Analysis (BEA); Massachusetts data from *Mass*Benchmarks; calculations by Alan Clayton-Matthews

The Commonwealth is in the midst of its most sustained economic expansion this century



Source: US. Bureau of Labor Statistics

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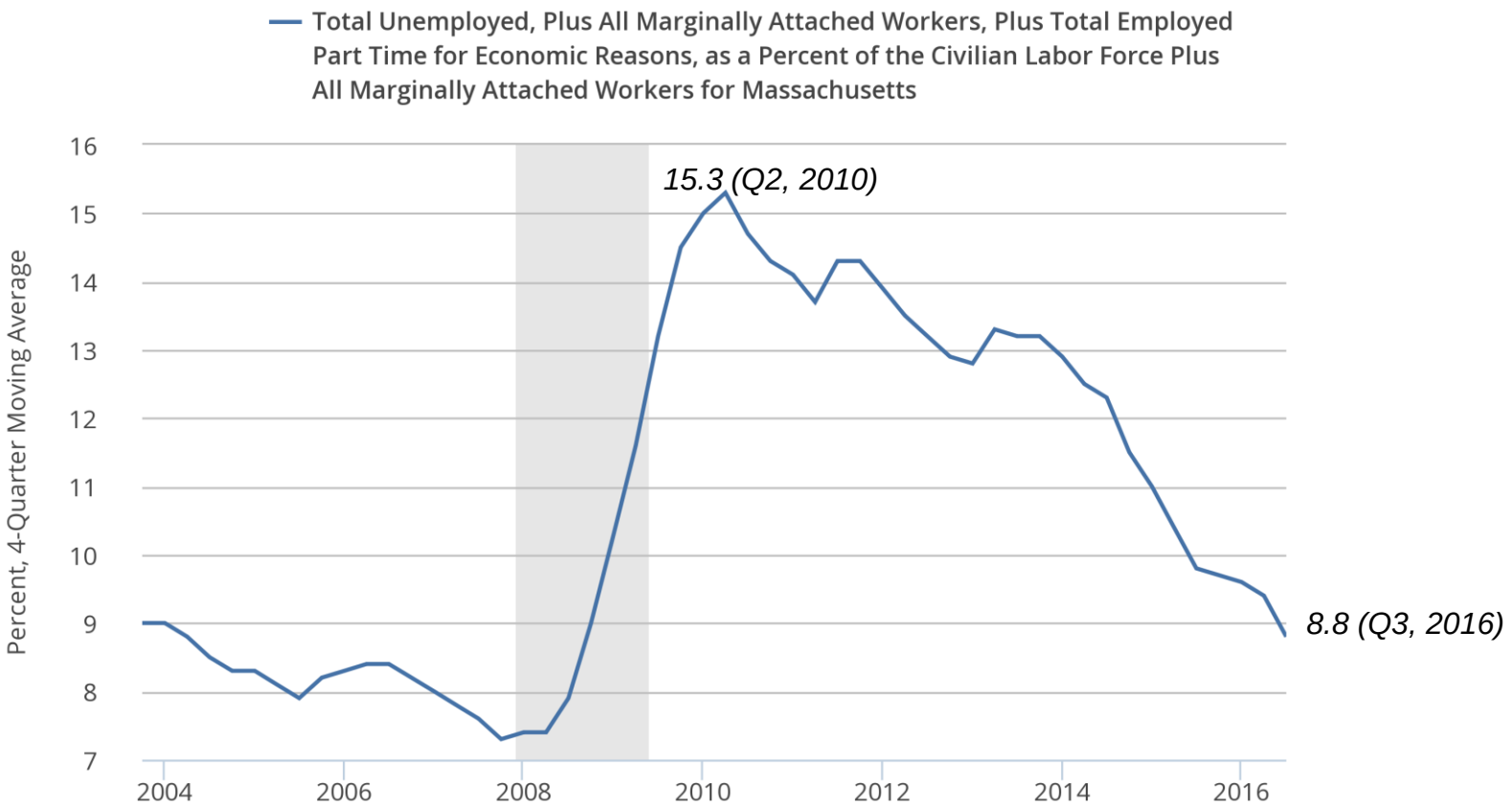
State employment growth has been broad-based

Industry Super Sectors	Employment at Beginning of Recovery (October 2009)	Employment in Most Recent Month (September 2016)	Employment Change	Employment Percentage Change
Natural Resources & Mining	1,300	1,100	-200	-15.4%
Construction	106,700	149,500	42,800	40.1%
Manufacturing	253,300	250,900	-2,400	-0.9%
Trade, Transportation & Utilities	539,300	572,100	32,800	6.1%
Information	86,100	87,000	900	1.0%
Financial Activities	217,200	223,600	6,400	2.9%
Professional & Business Services	452,100	551,900	99,800	22.1%
Education & Health Services	678,900	790,600	111,700	16.5%
Leisure & Hospitality	299,400	363,000	63,600	21.2%
Other Services, Excluding Public Administration	118,500	134,000	15,500	13.1%
Public Administration	437,300	455,500	18,200	4.2%
Total, All Industries	**3,190,100**	**3,579,200**	**389,100**	**12.2%**

Source: Massachusetts Executive Office of Workforce and Labor Development (EOWLD), Current Employment Statistics (CES-790); Calculations by the authors.

Conditions remain difficult for the young, the poorly educated, and the long-term unemployed



Source: US. Bureau of Labor Statistics
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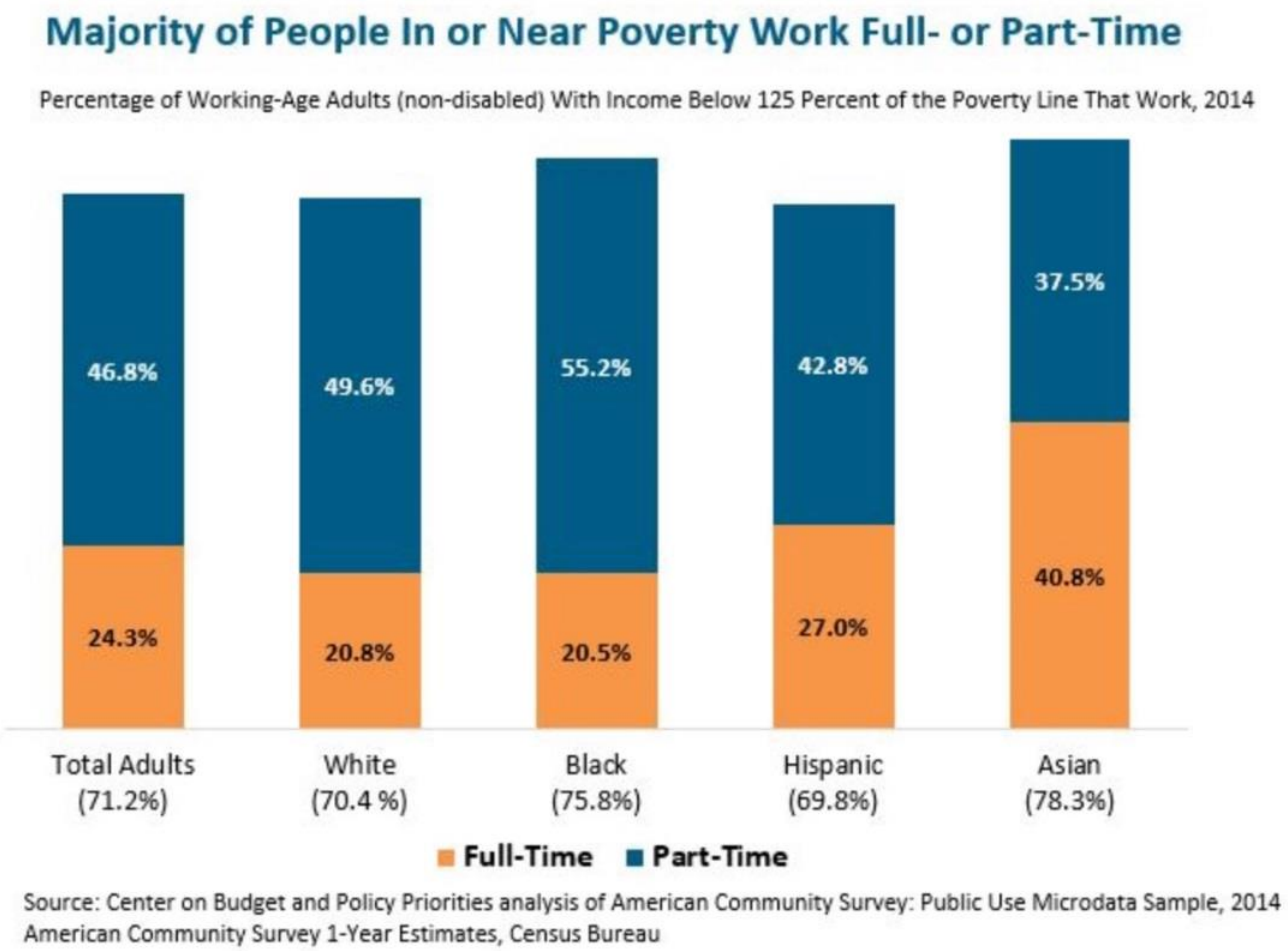
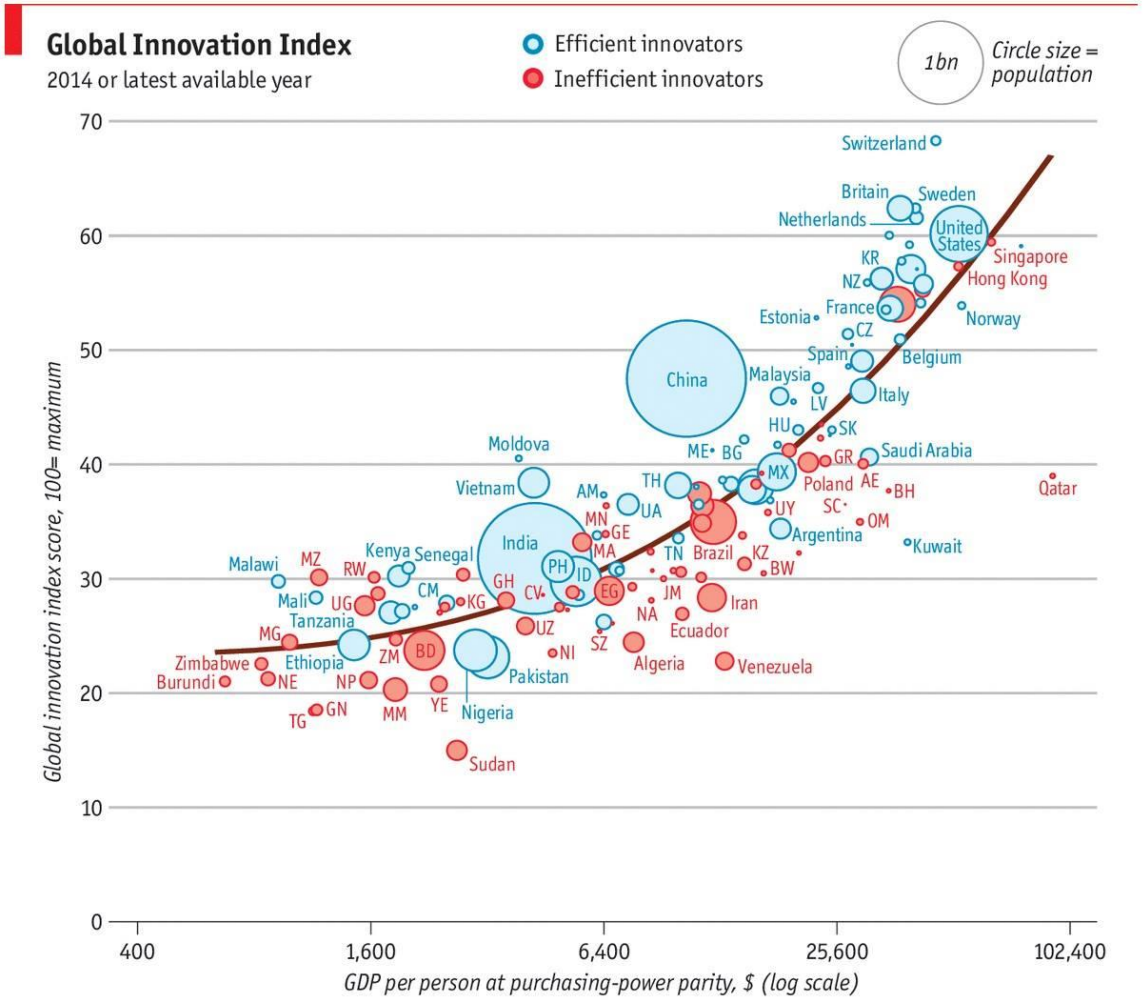
Most low income households are working



Source: MassBudget

Innovation is the growth driver for the Massachusetts economy



Source: Global Innovation Index, 2015

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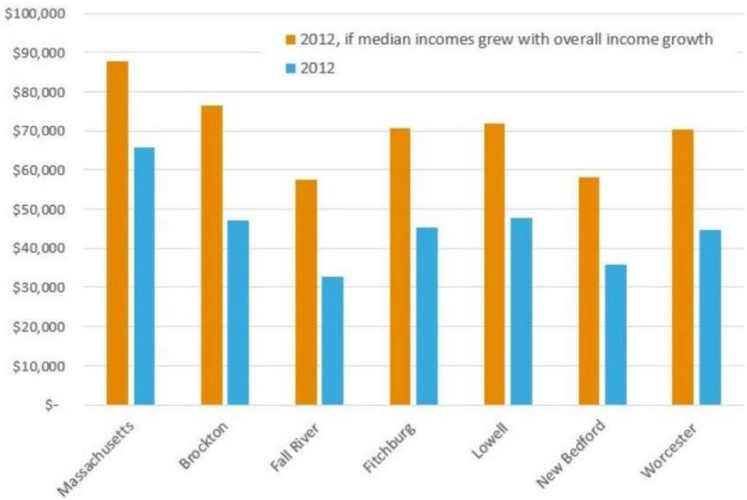
Widening income inequality is hitting some households and regions hard

Incomes Would Have Been Much Higher in Gateways Cities if Pattern of Incomes Rising Together Had Continued

Median household income in sample Gateway Cities, US Census Bureau. Adjusted for inflation, 2012



NOTE: 1979 incomes are from the 1980 decennial Census and 2012 incomes are from the American Community Survey. Census Bureau officials confirm that due to slight timing differences in data collection, these data sources are comparable, althought not perfectly identical.

Median Household Income in Gateway Cities

	2012	2012, if median incomes grew with overall income growth		2012	2012, if median incomes grew with overall income growth
Attleboro	$63,177	$88,666	Lynn	$45,772	$71,687
Barnstable	$57,157	$81,386	Malden	$53,849	$79,521
Brockton	$47,105	$76,382	Methuen	$66,520	$94,529
Chelsea	$45,865	$55,886	New Bedford	$35,703	$58,047
Chicopee	$45,851	$77,096	Peabody	$60,358	$103,215
Everett	$49,517	$77,729	Pittsfield	$42,178	$79,103
Fall River	$32,745	$57,409	Quincy	$60,820	$86,696
Fitchburg	$45,222	$70,544	Revere	$49,366	$75,630
Haverhill	$59,363	$75,060	Salem	$57,264	$75,590
Holyoke	$34,478	$61,614	Springfield	$33,684	$66,404
Lawrence	$33,456	$59,774	Taunton	$50,651	$78,339
Leominster	$57,477	$82,559	Westfield	$59,011	$89,774
Lowell	$47,682	$71,923	Worcester	$44,715	$70,430
Average of Gateway Cities	*$49,192*	*$75,577*			
Massachusetts	*$65,801*	*$87,689*			

Note: 2012 median household income from 5-year ACS estimates, 2010-2014 (adjusted to 2012 $)

Source: MassBudget

The returns to education and skill are rising and those without them are increasingly being left behind

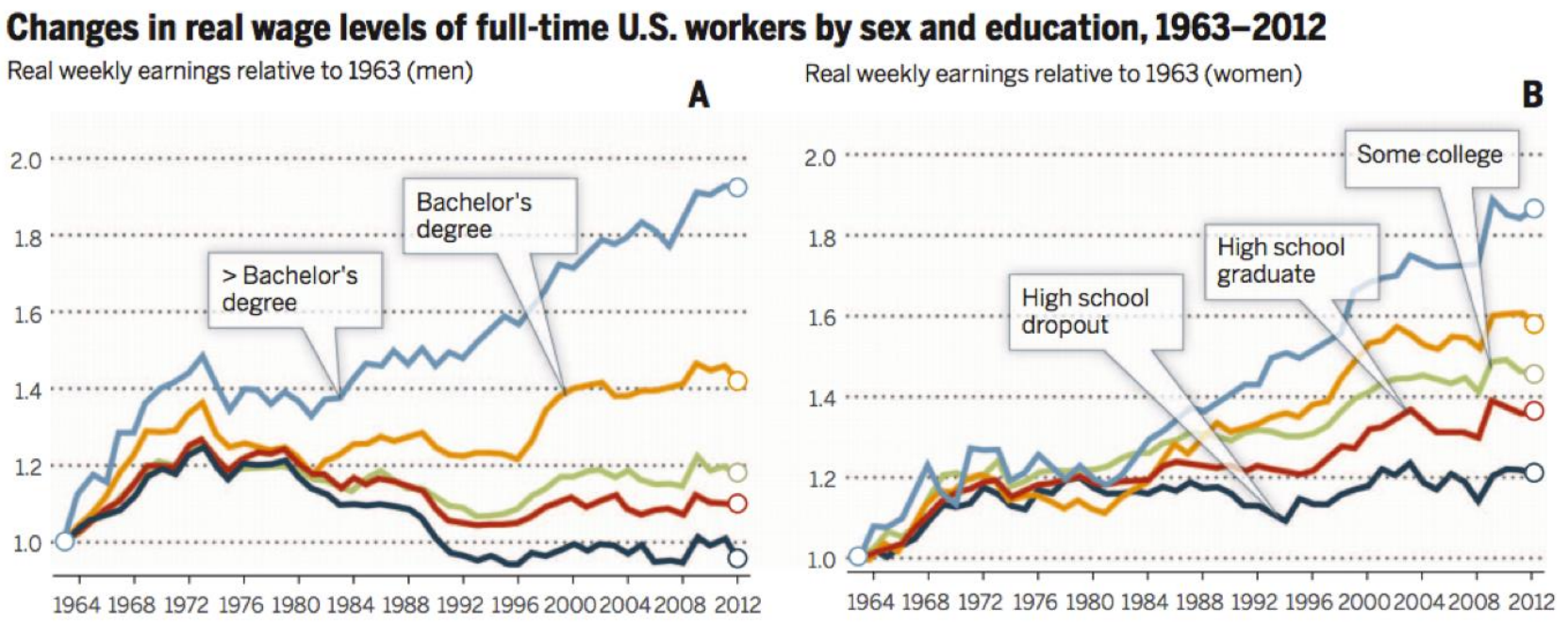
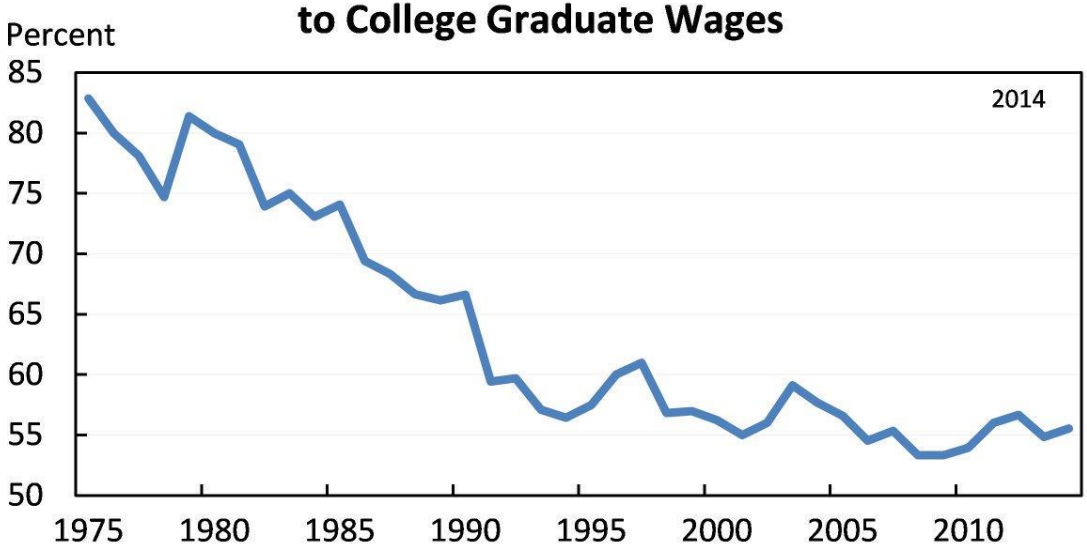


Fig. 6. Change in real wage levels of full-time workers by education, 1963–2012. (**A**) Male workers, (**B**) female workers. Data and sample construction are as in Fig. 3.

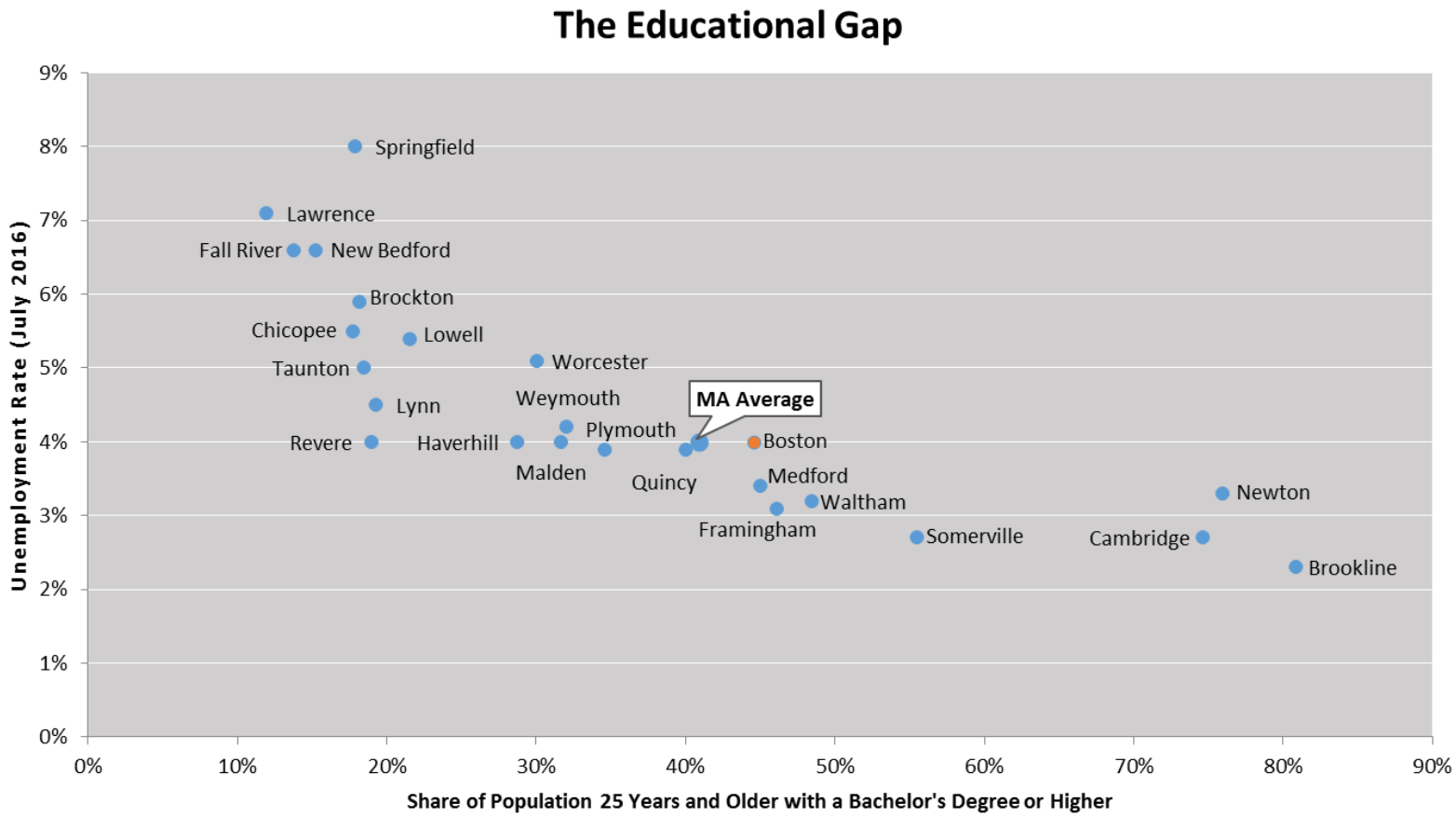
Globalization, trade policy, and the decline of traditional manufacturing have disadvantaged the less well educated

Figure 20: Ratio of High School Graduate Wages to College Graduate Wages



Note: The earnings ratio compares the median full-time, full-year worker over age 25 with just a high school degree to the same type of worker with at least a bachelor's degree. Prior to 1992, bachelor's degree is defined as four years of college.
Source: Bureau of Labor Statistics, Current Population Survey (Annual Social and Economic Supplement); CEA calculations.

The educational achievement gap explains much of the lagging economic performance of our urban communities

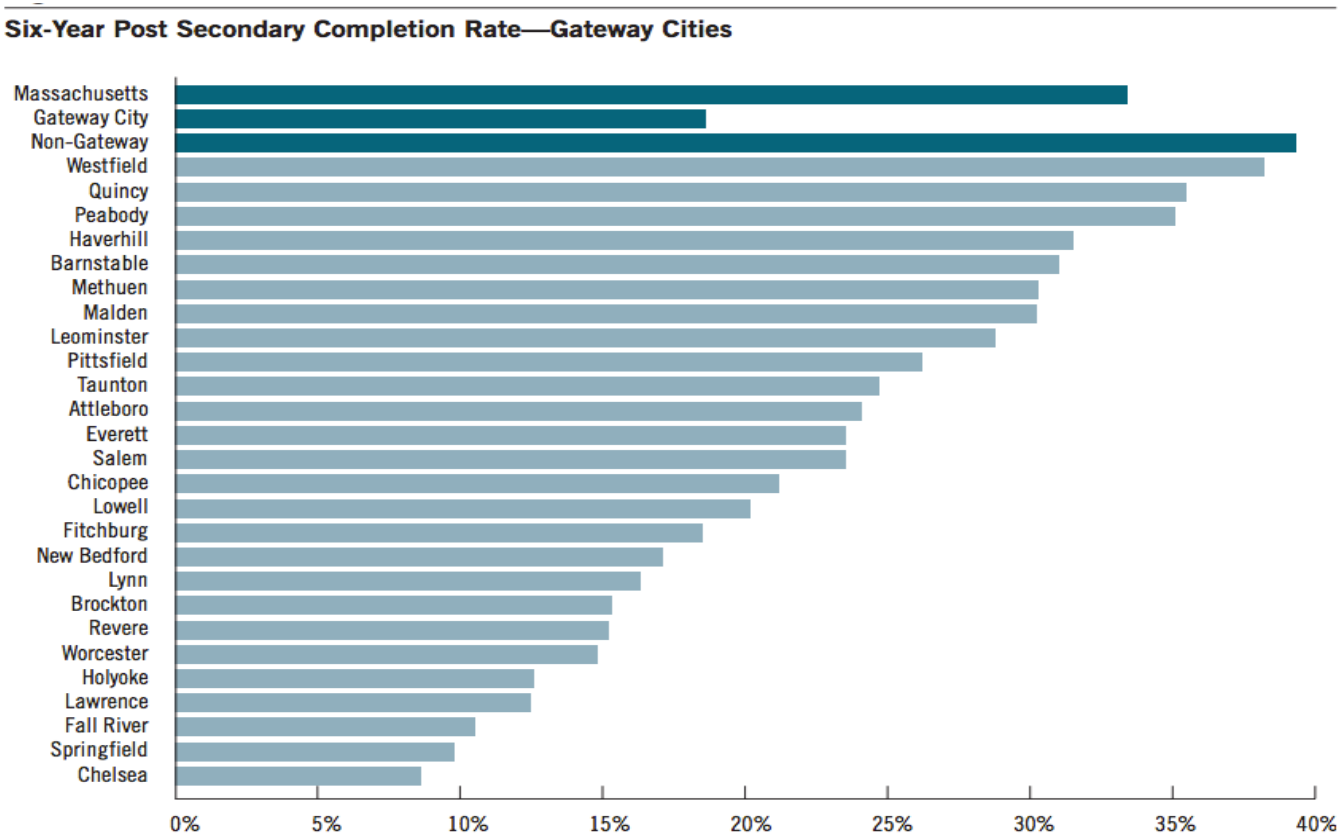


Sources: American Community Survey 2010-2014 5-year estimates; Executive Office of Labor and Workforce Development

The Urban Post-Secondary Achievement Gap

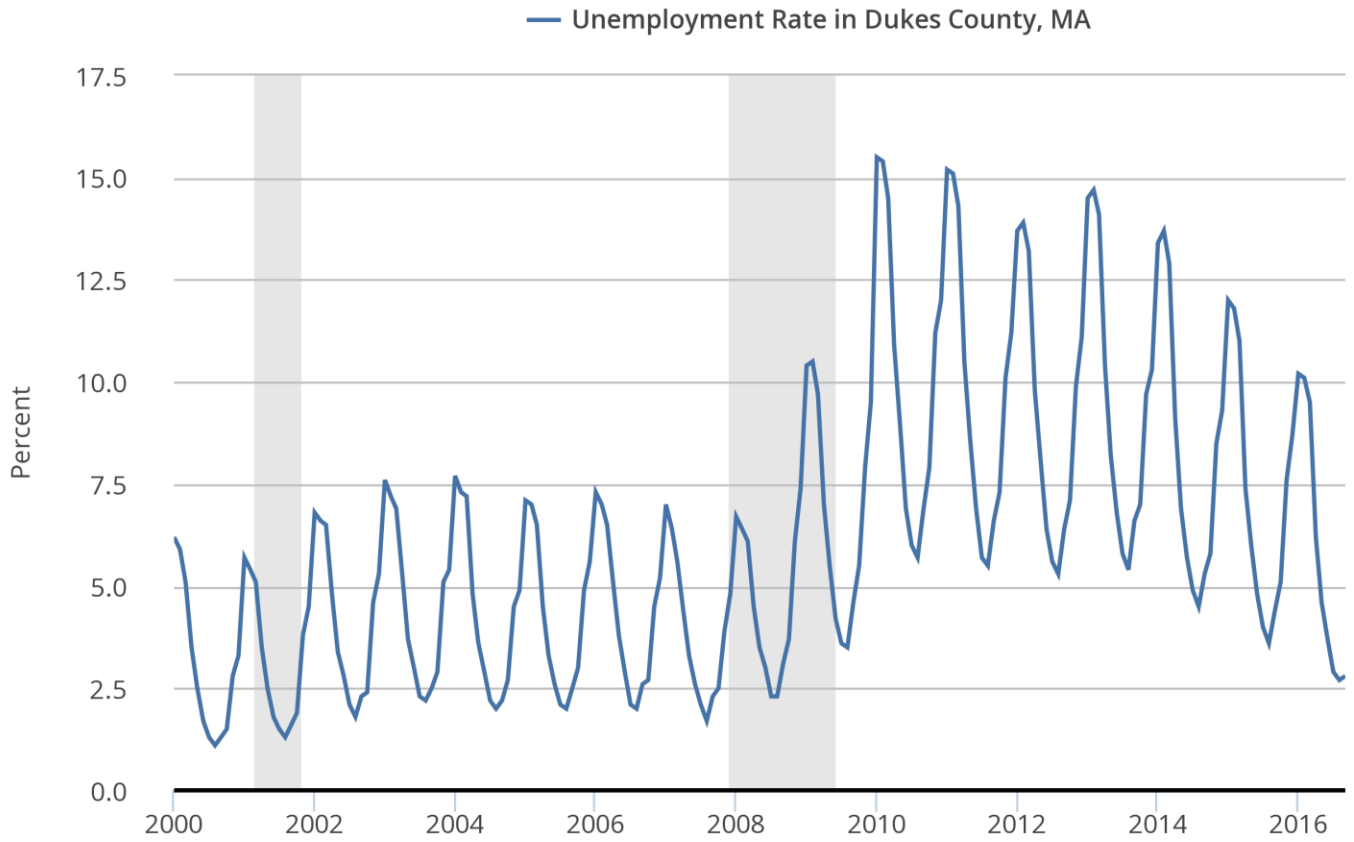
"These data show the percent of a 9th grade cohort that graduates high school, enrolls in a post-secondary institution, and completes post-secondary education within six years."

Source:
UMass Donahue Institute and MassINC



Source: MassINC Completion Rate Data

Closer to home, the local economy remains highly seasonal



Source: US. Bureau of Labor Statistics

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Local employers rely heavily on imported labor

Dukes County Labor Flows	2014	
	Count	Share
Employed in Dukes County	6,744	100.0%
Employed and Living in Dukes County	4,781	70.9%
Employed in Dukes County but Living Outside Dukes County	1,963	29.1%

Reliance on off island labor	2014	
	Count	Share
Dukes County Jobs Filled by Non Dukes County Residents	1,963	100.0%
Workers Aged 29 or younger	486	24.8%
Workers Aged 30 to 54	972	49.5%
Workers Aged 55 or older	505	25.7%
Workers Earning $1,250 per month or less	516	26.3%
Workers Earning $1,251 to $3,333 per month	557	28.4%
Workers Earning More than $3,333 per month	890	45.3%

Source: U.S. Census Bureau, On The Map Application and LEHD Origin-Destination Employment Statistics (Beginning of Quarter Employment, 2nd Quarter of 2014).

Dukes County is home to several export-oriented sectors

Dukes County export sectors include:

- Natural Resources and Mining (a sector that includes commercial fishing)
- Construction (includes residential, commercial, and renovations)
- Trade Transportation and Utilities (which includes wholesale and retail trade)
- Leisure and Hospitality (tourism, accommodations, food services)
- Other Services (includes personal and household repair services)

Location Quotients calculated from Quarterly Census of Employment and Wages Data

Industry	Dukes County, Massachusetts
Base Industry: Total, all industries	1.00
Natural resources and mining	5.11
Construction	2.28
Manufacturing	0.19
Trade, transportation, and utilities	1.29
Information	0.67
Financial activities	0.78
Professional and business services	0.53
Education and health services	0.49
Leisure and hospitality	2.34
Other services	1.52
Unclassified	NC

Footnotes:
(NC) Not Calculable, the data does not exist or it is zero

Location Quotient: Ratio of analysis-industry employment in the analysis area to base-industry employment in the analysis area divided by the ratio of analysis-industry employment in the base area to base-industry employment in the base area.

Source: Bureau of Labor Statistics - http://www.bls.gov/cew/cewlq.htm

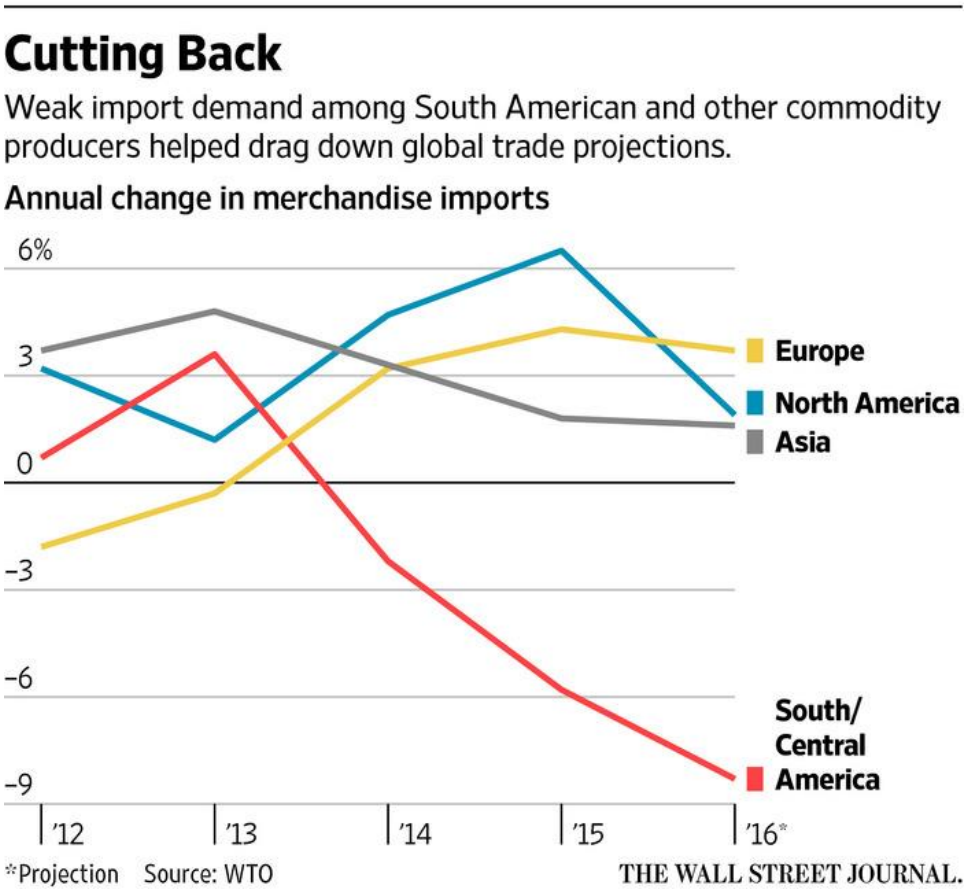
Uncertainty and conditions in the slow growing global economy are weighing heavily on our economic outlook

Table 2. Massachusetts Merchandise Exports Change from September 2014–August 2016

Partner Country	Percentage Change
Canada	-9.1%
Mexico	7.8%
Switzerland	376.6%
China	-10.6%
Germany	-7.8%
Japan	-12.2%
Netherlands	-3.1%
United Kingdom	4.1%
Ireland	21.6%
Korea, Republic Of	-8.8%
Total (Top Five)	**-0.05%**
Total (Top Ten)	**3.3%**
Total (All Exports)	**3.5%**

Source: WISERTrade, calculations by the authors. Dollar values have been adjusted for inflation ($2015).

Note: The increase in exports to Switzerland was driven by increases in Agricultural products, Textile mill products and Scrap metal.



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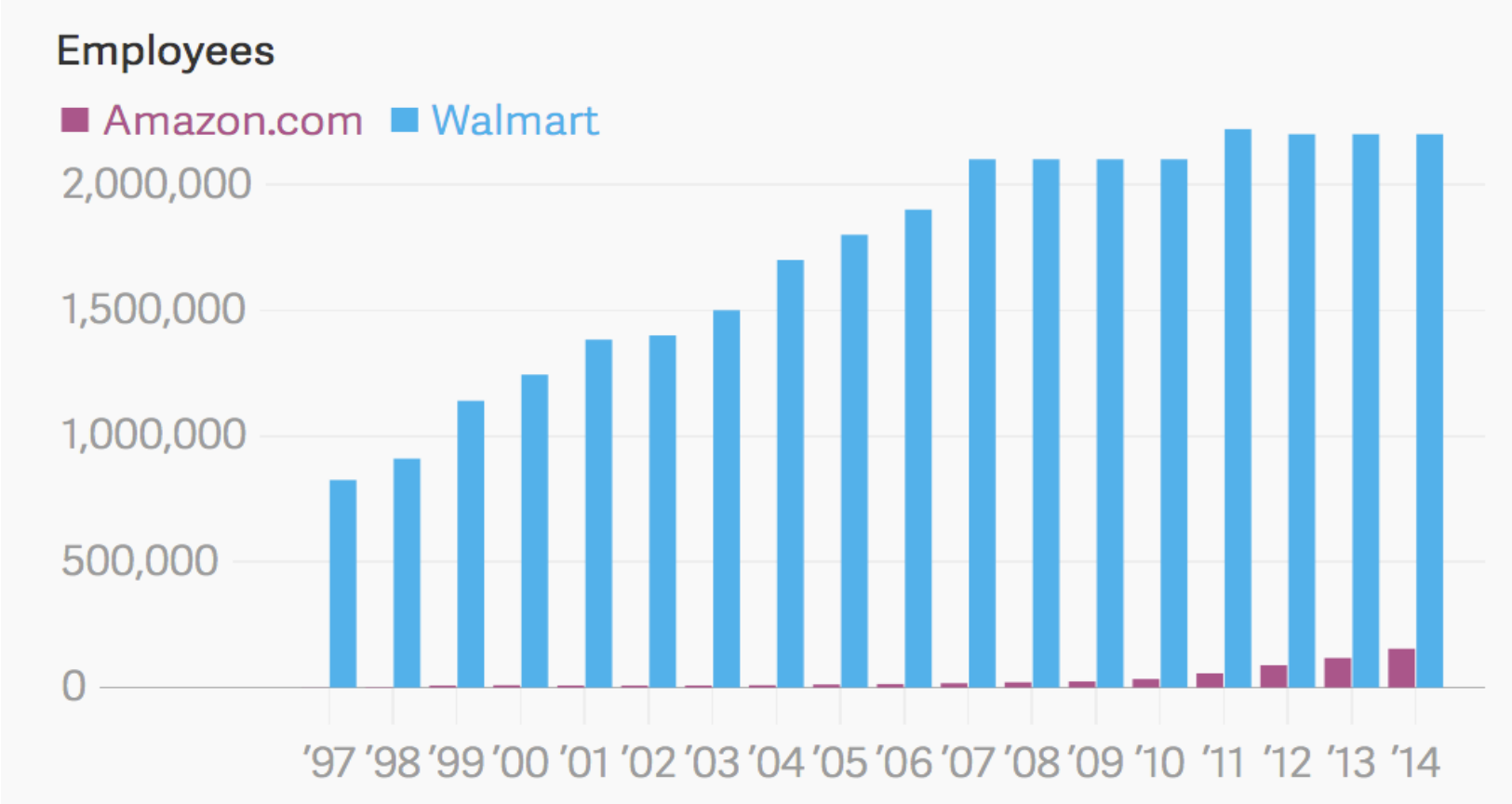
Technology and globalization are changing the relationship between investment, employment, and market value

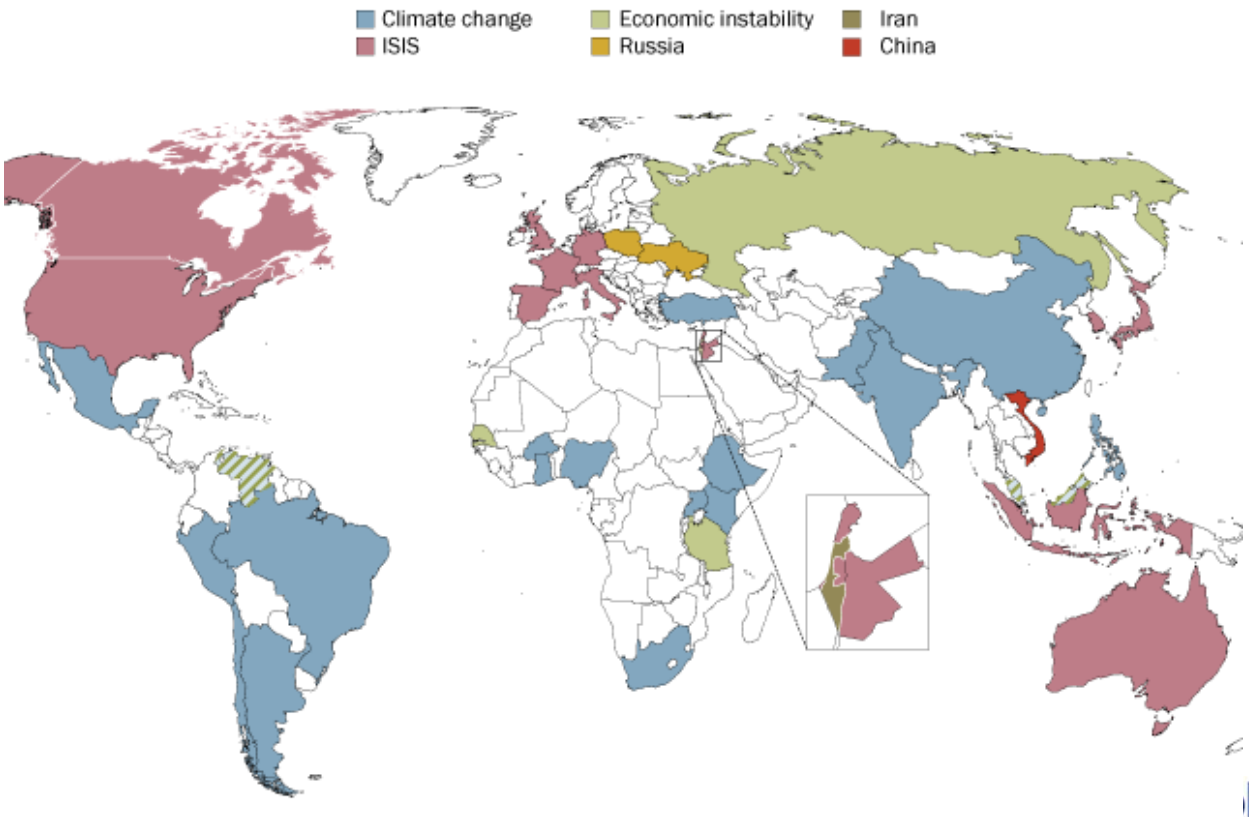


Source: http://qz.com/462605/amazon-is-now-bigger-than-walmart/

Geopolitical conflicts, economic instability, and climate change represent large downside risks to global stability

Greatest Threats around the World

Top concern



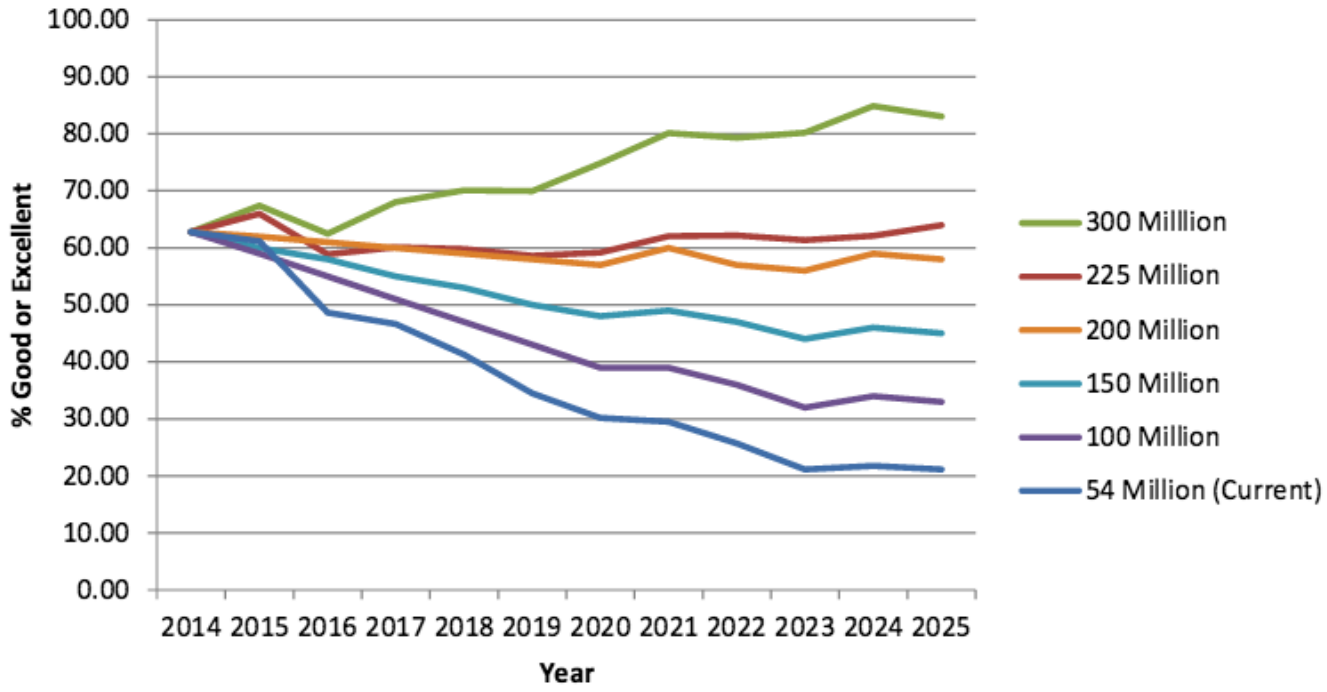
Note: In Malaysia and Venezuela, both climate change and economic instability are top concerns.

Source: Pew Research Center

We are not investing in the maintenance of our basic physical infrastructure

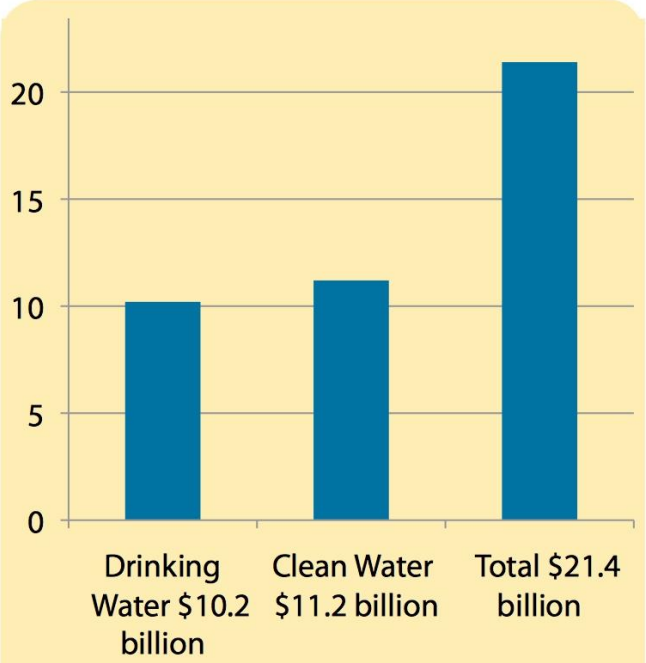
Nobody rides for free

Figure 11 - Non-Interstate Pavement Network Performance Outcomes Given Varying Investment Levels (December 2015 Model, 2014 Pavement Data)

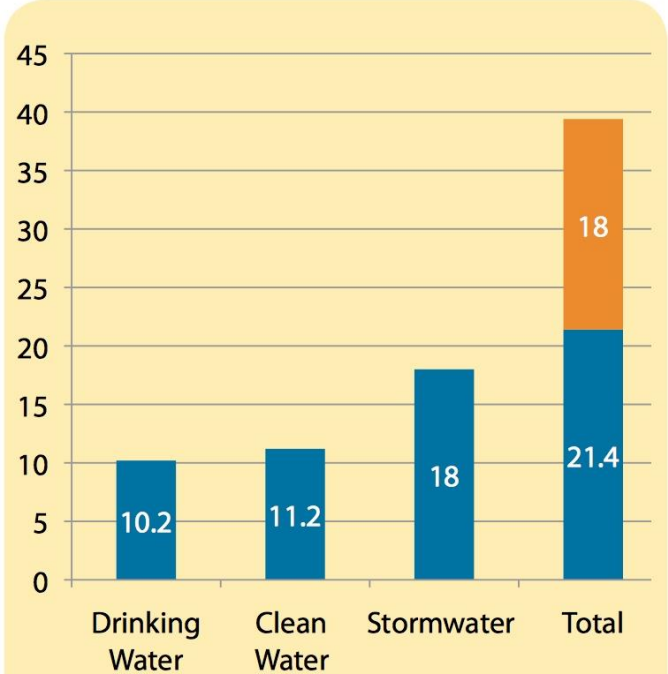


Source: Massachusetts Department of Transportation

Decades of inadequate investment and deferred maintenance has left us with huge unmet needs



Estimated Gap in water and clean water investments over the next 20 years (in billions of dollars)

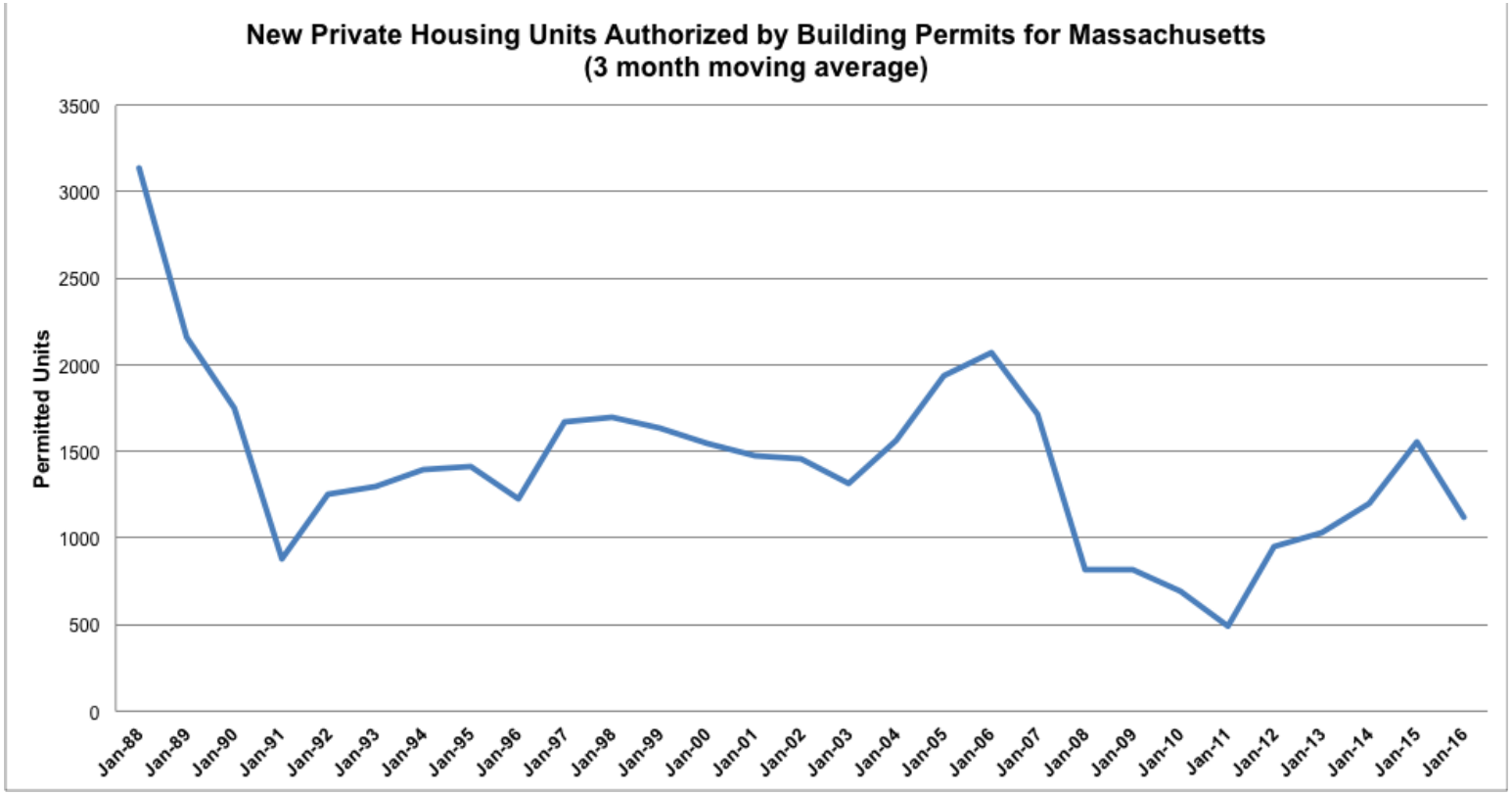


The Gap could nearly double if stormwater mitigation estimates are included (in billions of dollars)

Source: "Massachusetts's Water Infrastructure: Toward Financial Sustainability", Water Infrastructure Finance Commission

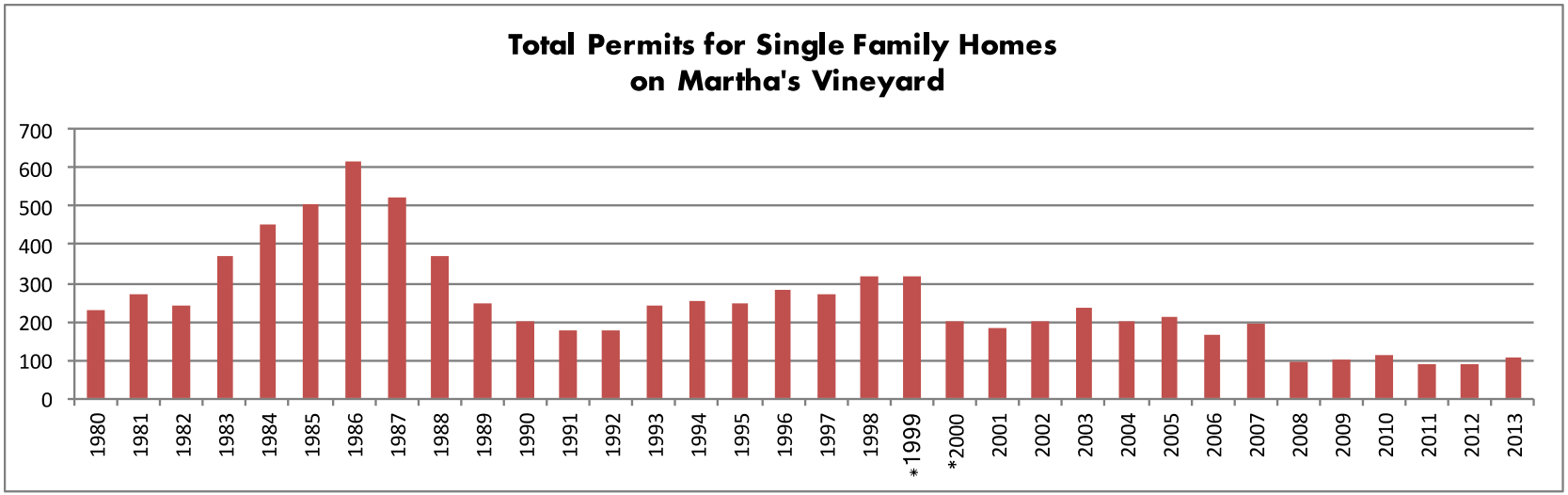
The Commonwealth is not producing enough housing…

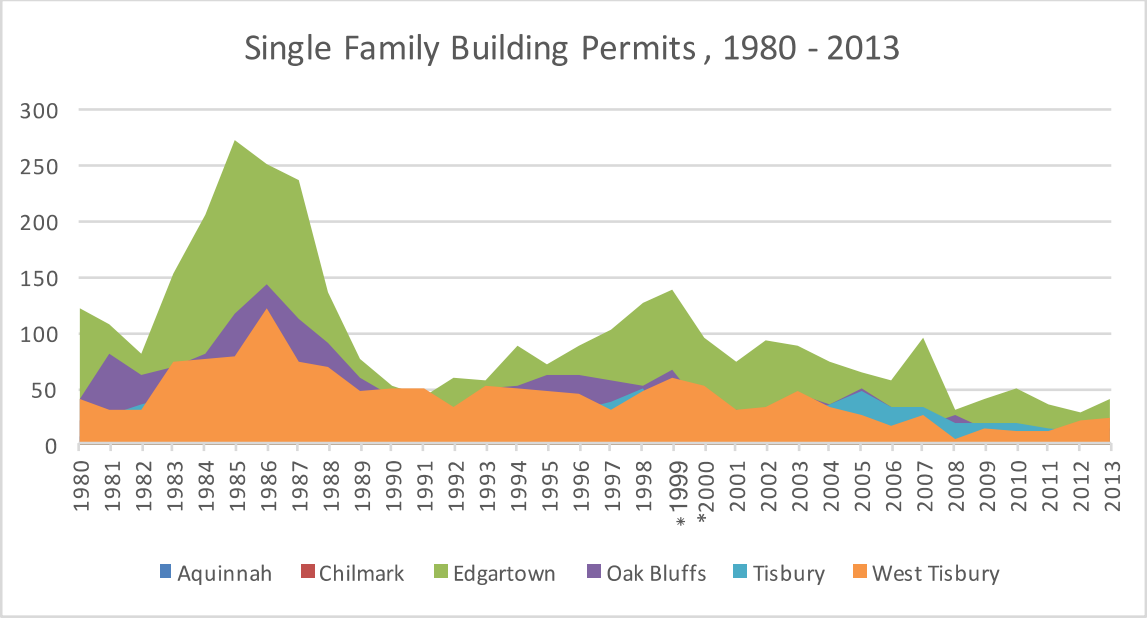
Undersupply exacerbates affordability problems



Source: Us Census Bureau; Federal Reserve Bank of St. Louis

… neither is Martha's Vineyard





Source: Martha's Vineyard Commission

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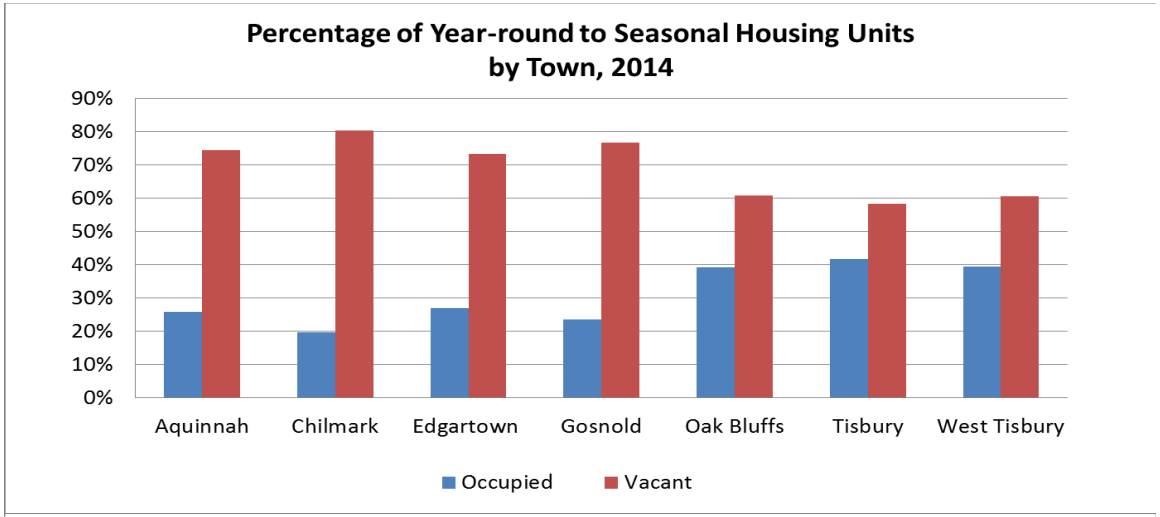
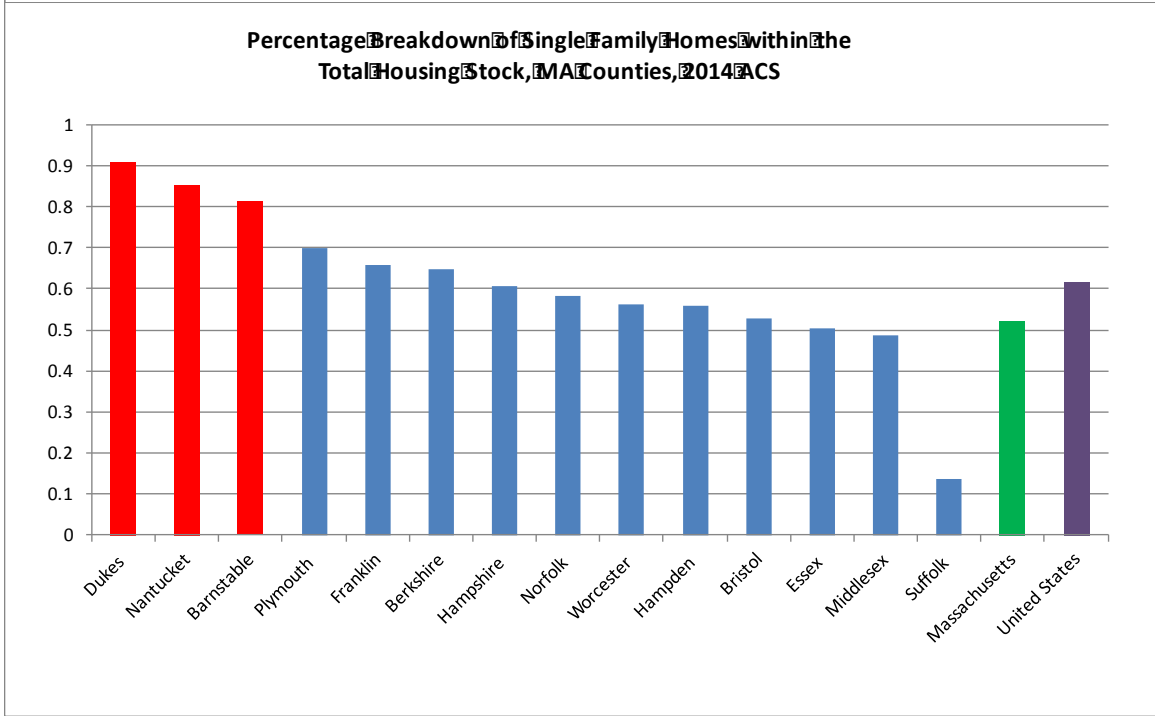
Seasonality & the sheer lack of multifamily housing options leaves affordable housing in short supply and helps to explain why so many local workers reside off island.





Source: Martha's Vineyard Commission

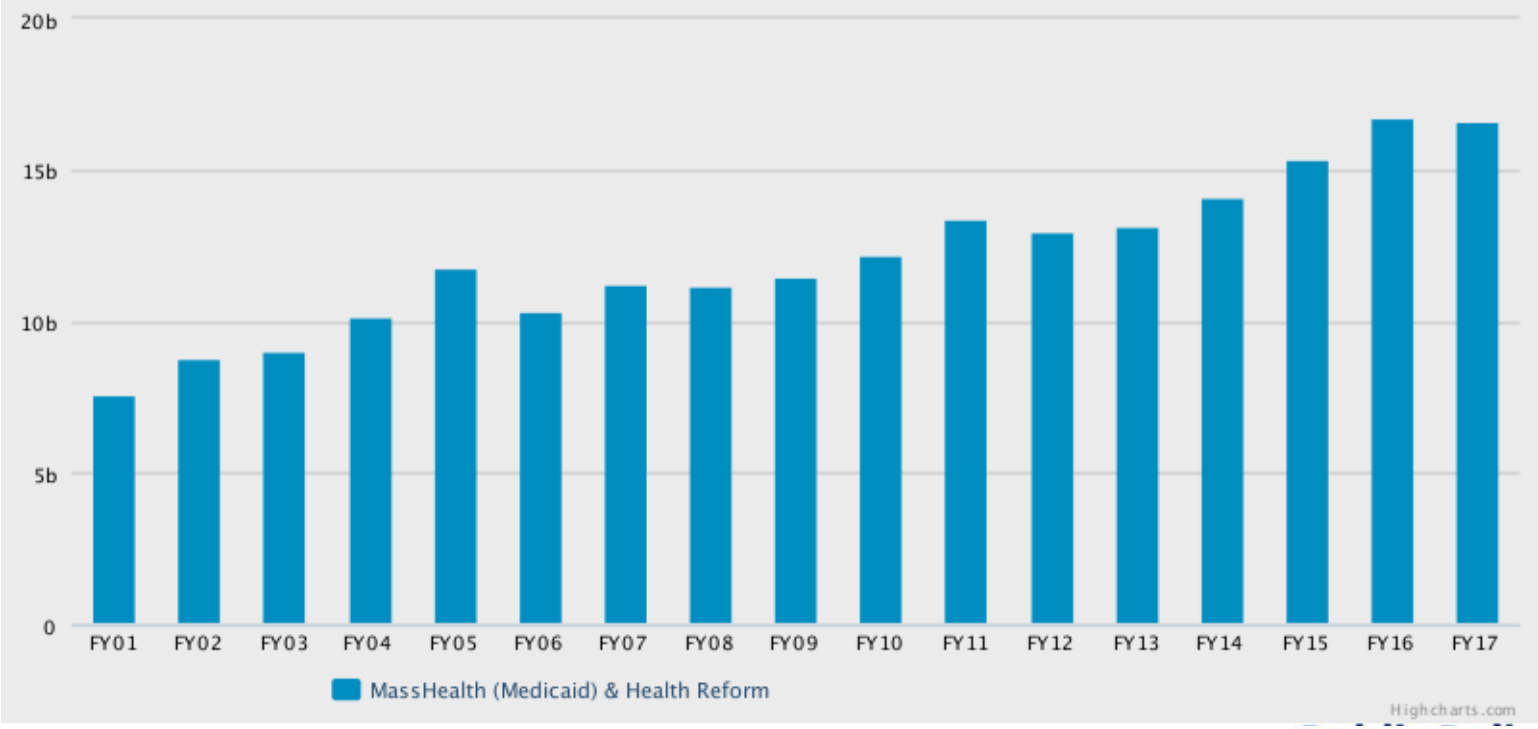
Climate change/sea level rise impacts are real and need to be dealt with sooner rather than later

Scituate MA Winter 2015 -- Source: Michael Dwyer/AP

Meanwhile in our nation's capital…

The financial stakes for MA in the event of a repeal of the Affordable Care Act are very large

"While total (gross) MassHealth and health reform spending grew 8.6 percent between FY 2014 and FY 2015, federal revenue helping to pay for MassHealth and health reform spending grew even faster – growing by 15.0 percent between FY 2014 and FY 2015. Net of federal revenue, MassHealth and health reform spending grew just 2.2 percent between FY 2014 and FY 2015."



Sources: MassBudget http://bit.ly/2fIEVG7

For more information:

The Public Policy Center at UMass Dartmouth:

www.umassd.edu/ppc

*Mass*Benchmarks, the Journal of the MA Economy:

www.massbenchmarks.org

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