

THE MASSACHUSETTS ECONOMIC OUTLOOK

What's Next in 2020?



- I. Welcome
- II. Economic Outlook Presentation: Dr. Michael Goodman
- III. Q &A
- IV. Panel Discussion
- V. Q&A



***Bringing the public and private sectors together,
MassEcon champions Massachusetts as the best
place to start, grow, or locate a business.***



This is what we do. MassEcon . . .

Markets Massachusetts beyond its borders,

Provides statewide **location services** on behalf of the Commonwealth and maintains the ReadyMass 100 properties list,

Develops **business intelligence research** to support public partners, inform members, and develop lead prospects,

Brings member **expertise** to support locational decision making,

Annually **recognizes** businesses that have made the decision to grow in Massachusetts.

Events

UPCOMING

Massachusetts Reception

Wednesday, February 5th –
Hakkasan Restaurant
San Francisco, CA

Attendees to include:

- San Francisco-based Site Selection Advisors
- Corporate real estate representatives
- Photonics company representatives



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MassEcon Regional Spotlight & Reception Series:

The Southeast



Gillette Stadium, Foxboro

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What do we tell the world about the advantages of business locations in Southeast Massachusetts?

Plus, a special presentation on Quarter Point at Patriot Place

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Our host



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Executive Search Group, LLC



The Economic Outlook for Massachusetts in Uncertain Times

Michael D. Goodman, Ph.D.

Professor of Public Policy

Executive Director, the Public Policy Center (PPC)

University of Massachusetts Dartmouth

Co-Editor, *MassBenchmarks*

Twitter: @Mike_Goodman



Unemployment is at historically low levels thanks to the longest economic expansion in US history

Figure 1. Unemployment Rates by Educational Attainment, 1992–2019



Source: Bureau of Labor Statistics.
Note: Shading denotes a recession.



The pace of economic growth has been slowing nationally

Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates



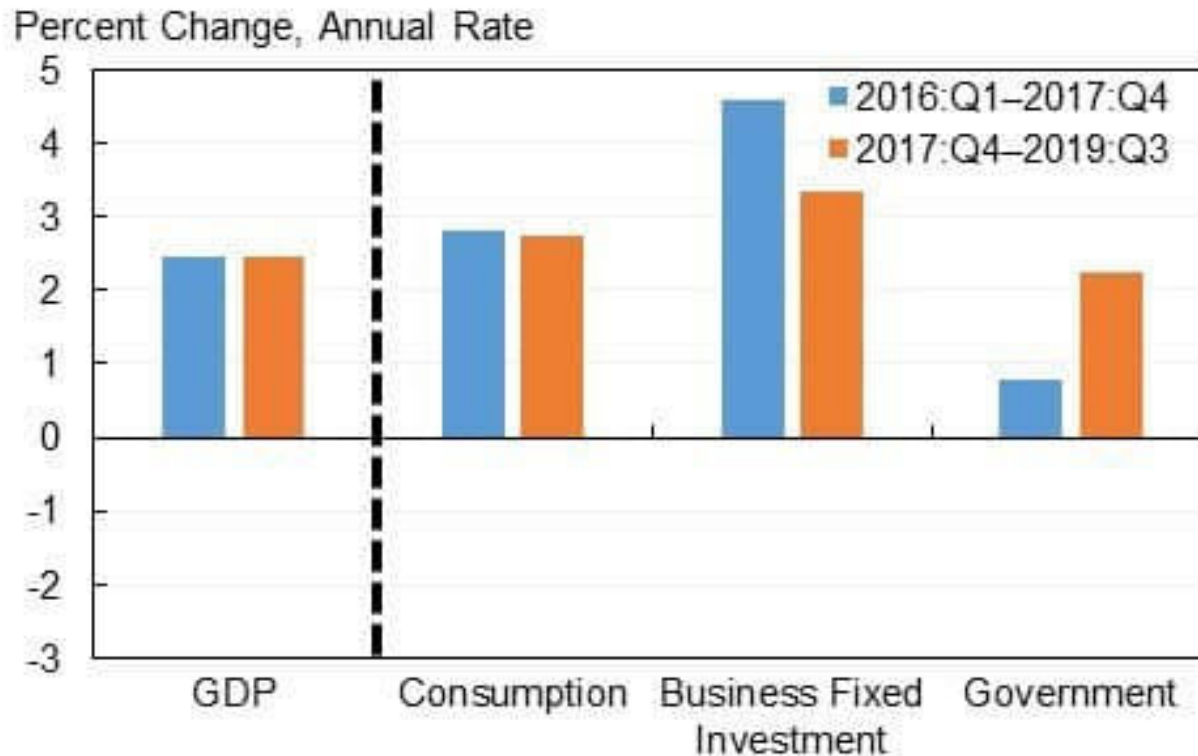
Global economic growth has also been slowing





The business investment some expected to follow federal tax cuts has not materialized

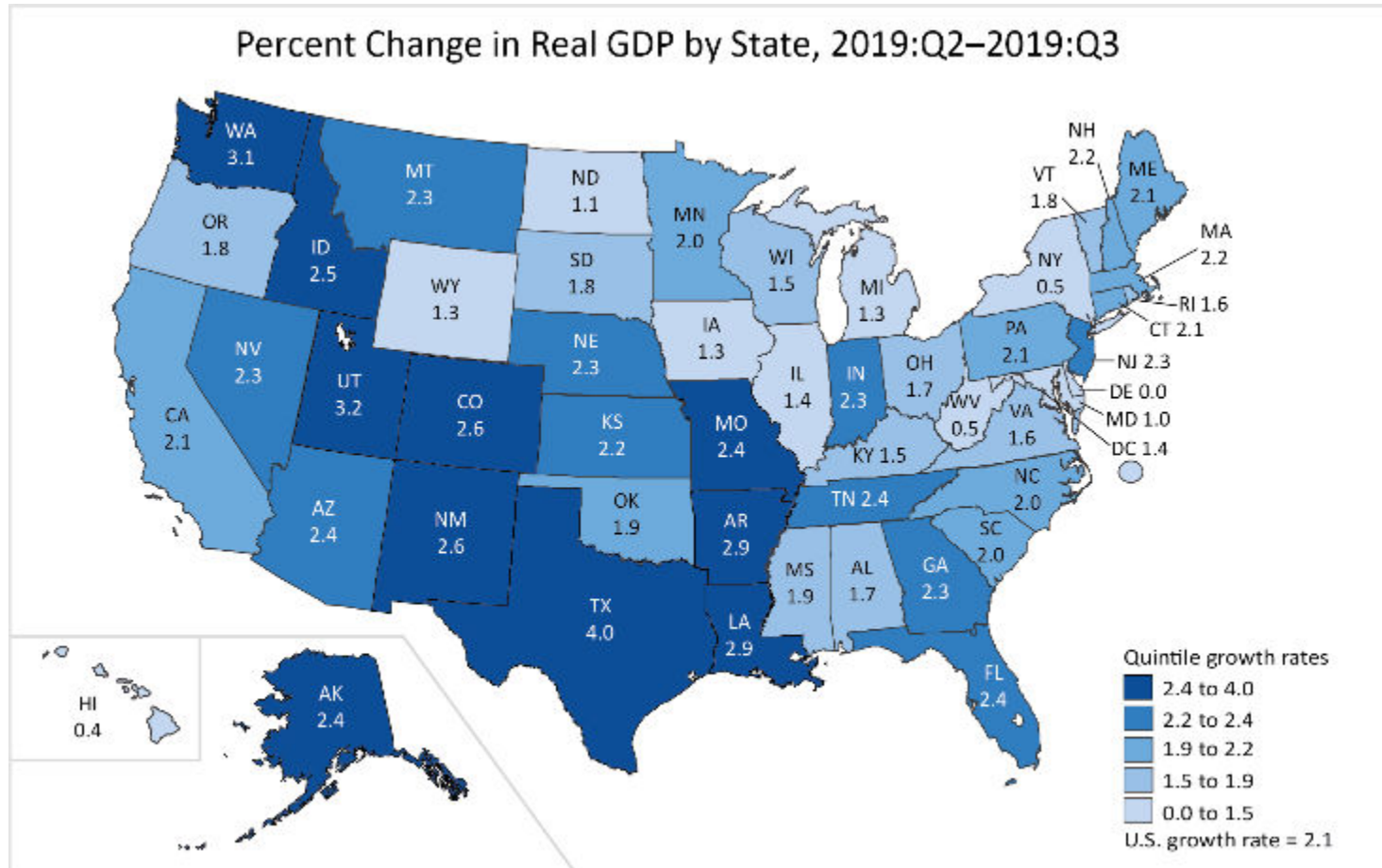
GDP Growth Before and After Passage of 2017 Tax Law



Source: Bureau of Economic Analysis; author's calculations.



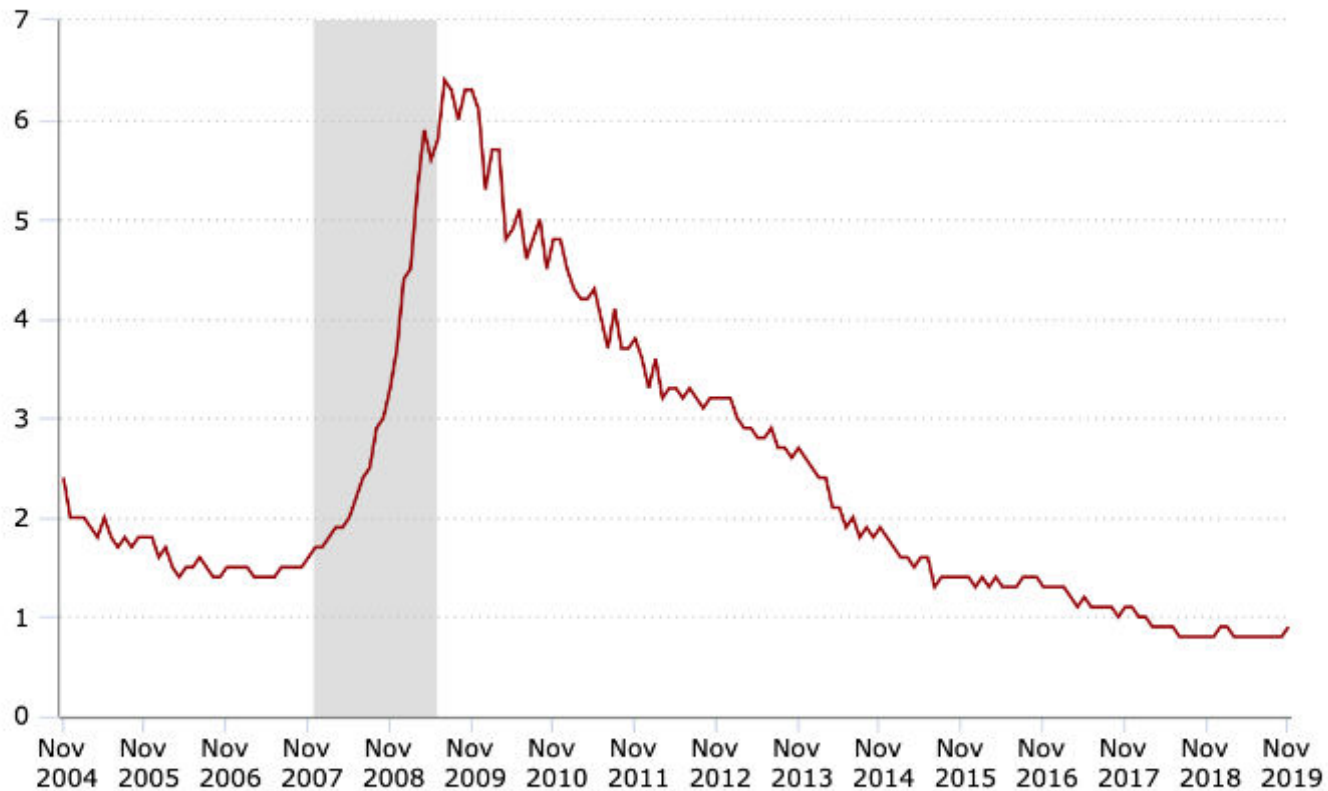
Revised data reveal state growth in the 2nd half of 2019 was stronger than first reported





The labor market is extremely tight

Number of unemployed persons per job opening, seasonally adjusted



Hover over chart to view data.

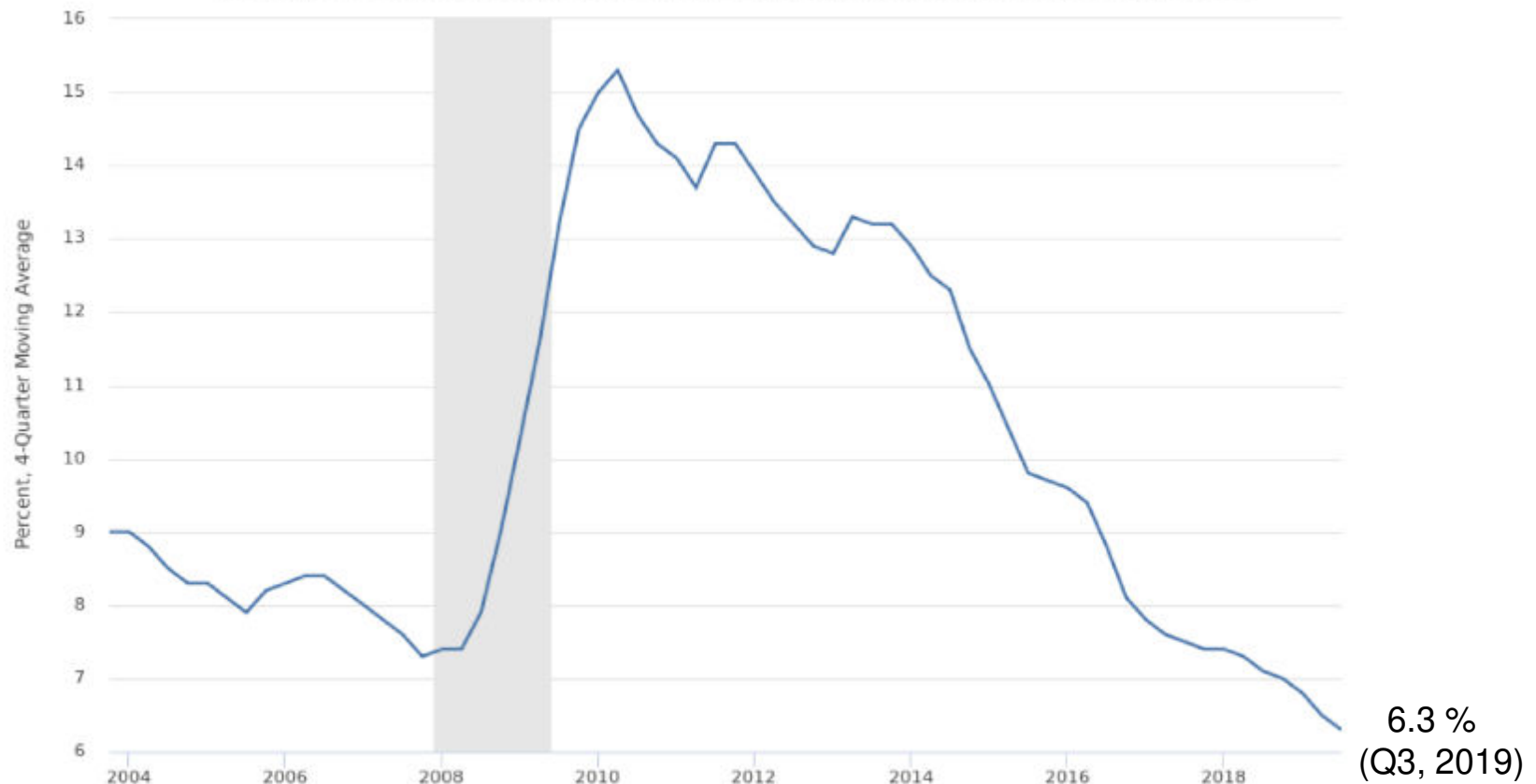
Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.



There is a bit of “slack” in the labor market but, notable skills gaps in select occupations

FRED — Total Unemployed, Plus All Marginally Attached Workers, Plus Total Employed Part Time for Economic Reasons, as a Percent of the Civilian Labor Force Plus All Marginally Attached Workers for Massachusetts



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

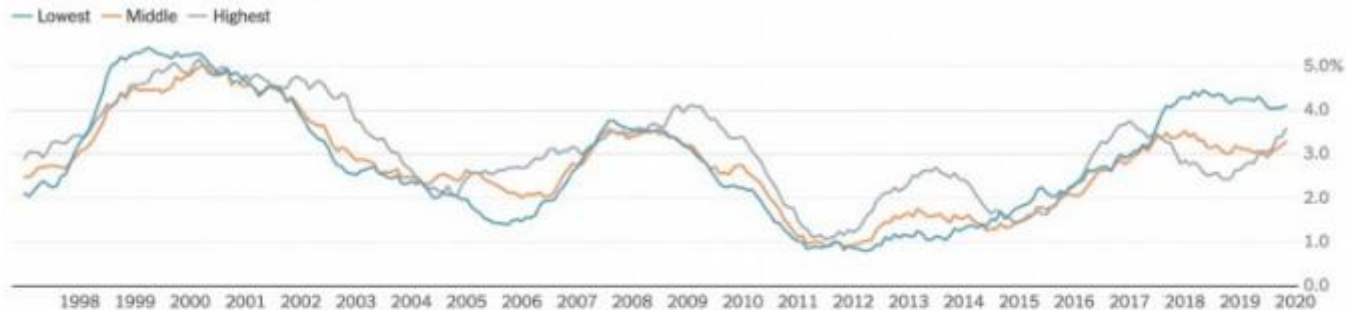
myf.red/g/q1oO



Pay is rising fastest for low-income workers

A Lift for Wages at the Bottom

Growth in average hourly earnings for private nonfarm wage and salary workers in the Current Population Survey, by wage tercile.

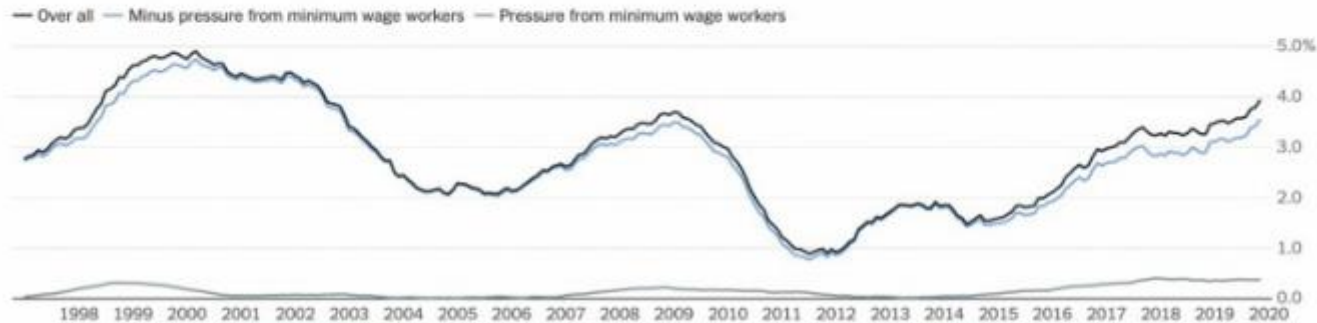


Year-on-year percent growth, 24-month moving average

Source: Author's analysis of the Current Population Survey • By The New York Times

Minimum Wage Workers Add to Overall Wage Increase

Growth in average hourly earnings for private nonfarm wage and salary workers.

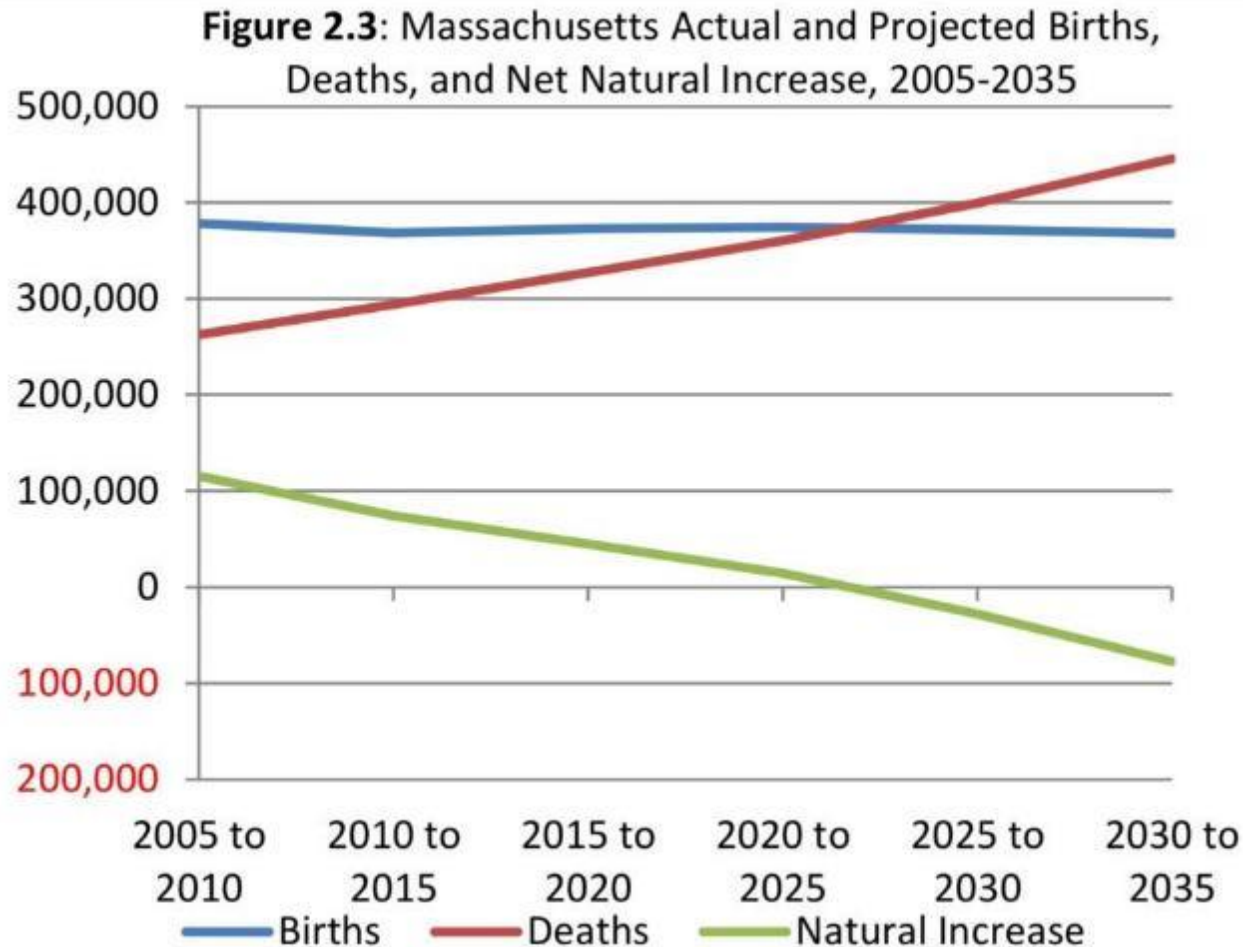


Year-on-year percent growth; 24-month moving average

Source: Author analysis of Current Population Survey; Berkeley Center for Labor Research and Education; Kavya Vaghul and Ben Zipperer (2016); Economic Policy Institute
• By The New York Times

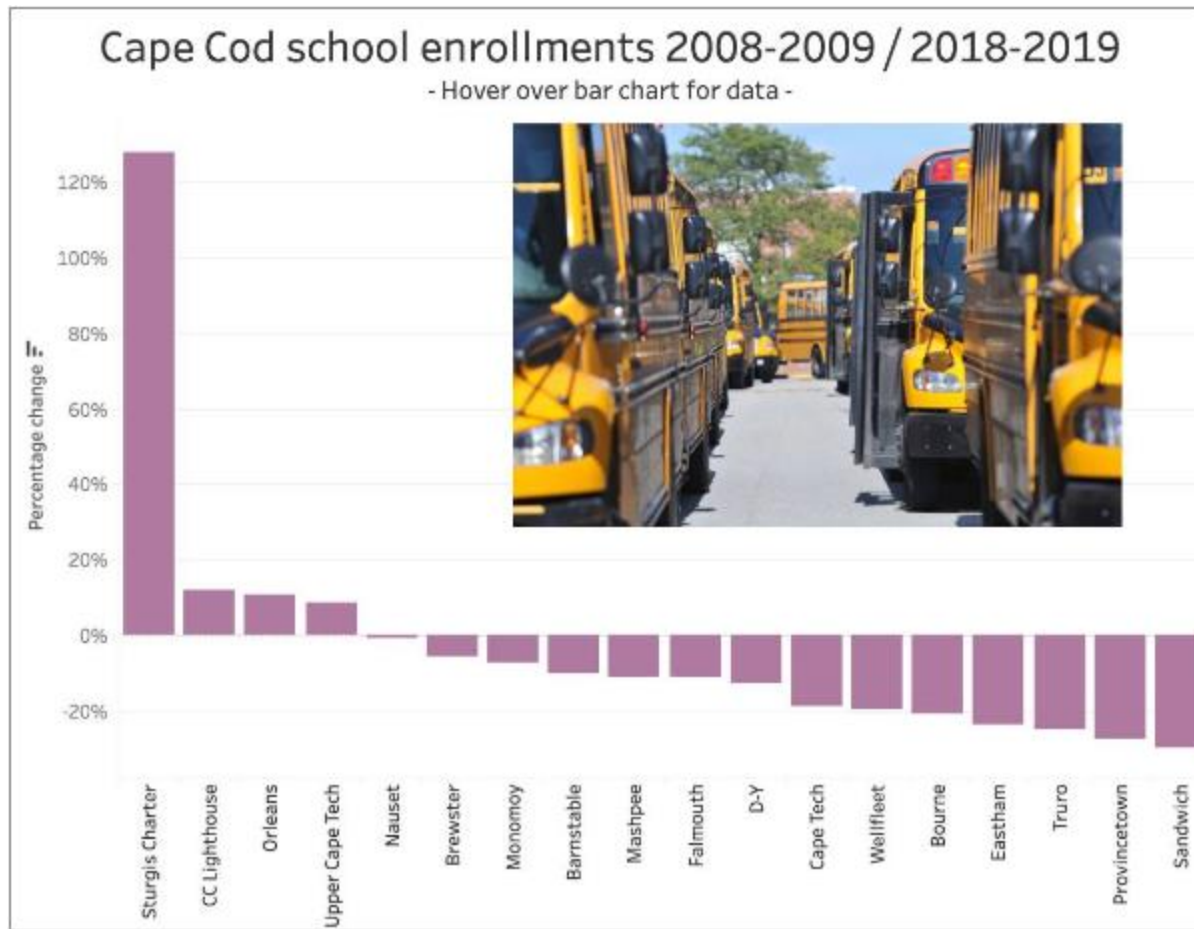


Our population isn't growing fast enough the old-fashioned way...





...with some predictable consequences



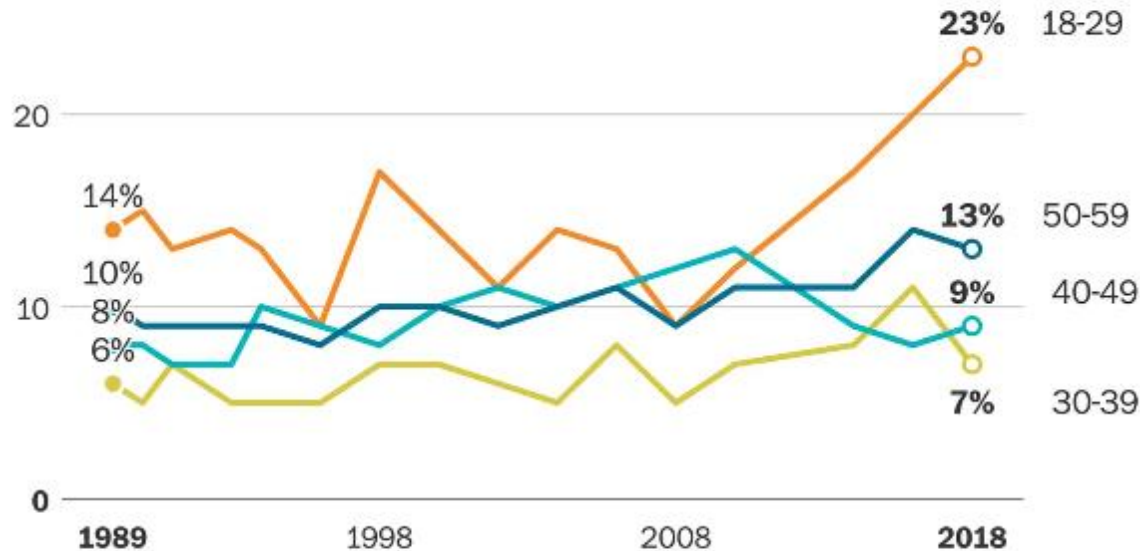
Source: Department of Elementary and Secondary Education | Chart: Gregory Bryant and Photo: Steve Heaslip/Cape Cod Times file



It appears low fertility rates will be around for a while

Lack of sex is driven mainly by the young

Percent reporting no sex in the past year, by age



Note: Rates of no sex among adults over age 60 have consistently hovered around 50 percent and are not shown here.

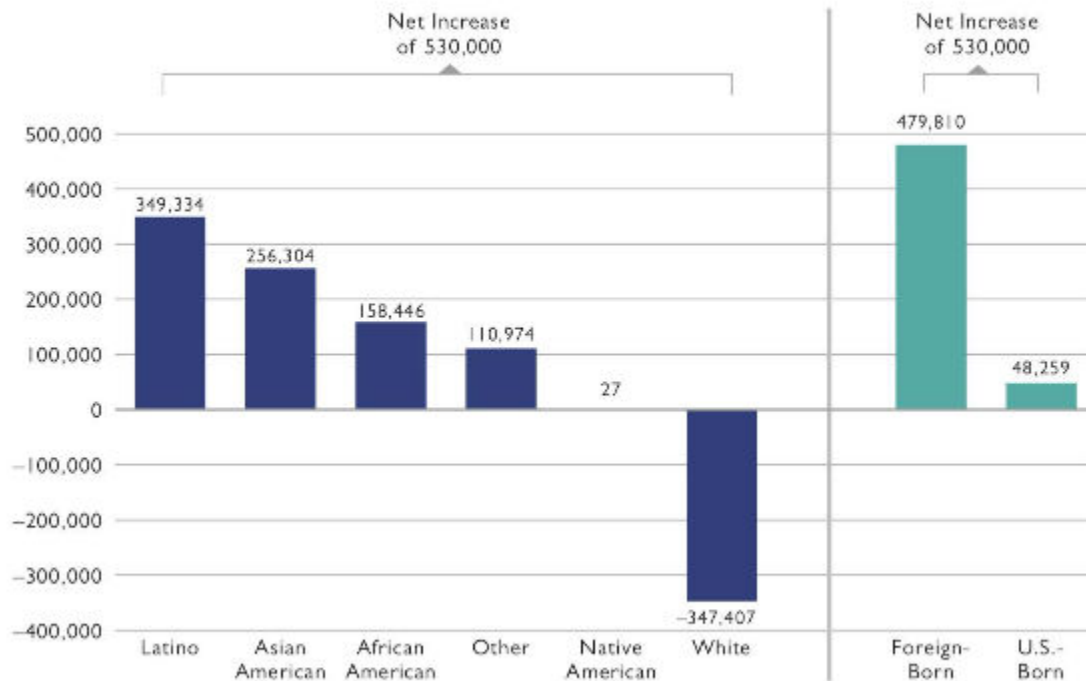
Source: General Social Survey

THE WASHINGTON POST



Demographic conditions leave the state and the nation highly reliant on foreign-born workers

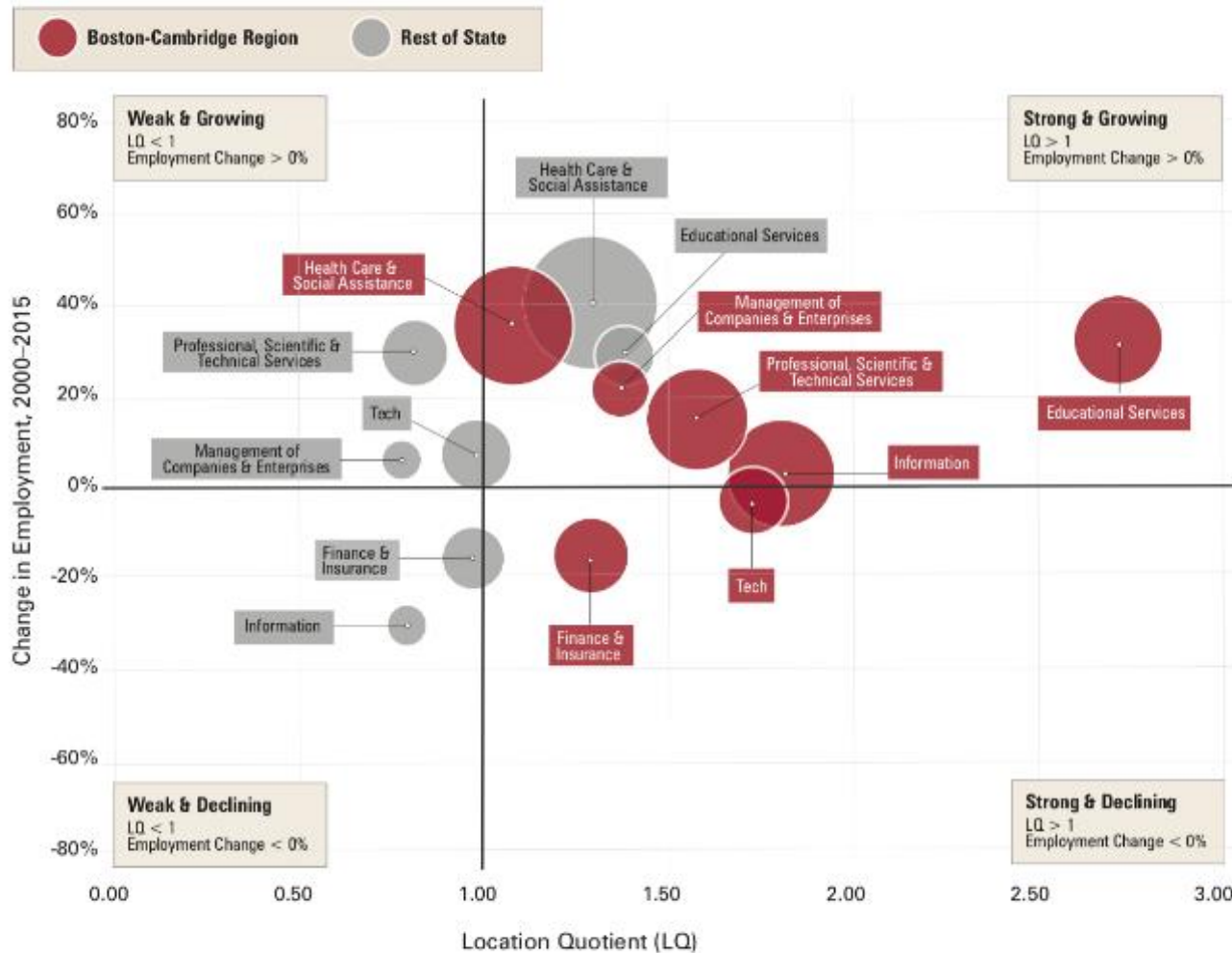
FIGURE I.4
Greater Boston's population growth is driven by immigrants of color.
Net population change, Greater Boston, 1990-2017.



Note: "Other" includes "Two or More Races," which was not an option in 1990, and "Some Other Race Alone."
Source: 1990 U.S. Census, 2017 1-year American Community Survey, except 2013-2017 5-year for Native Americans, due to small sample sizes.



Figure 7. Sector Concentrations by Region, 2015
Sector strength in the Boston-Cambridge region and the rest of the state



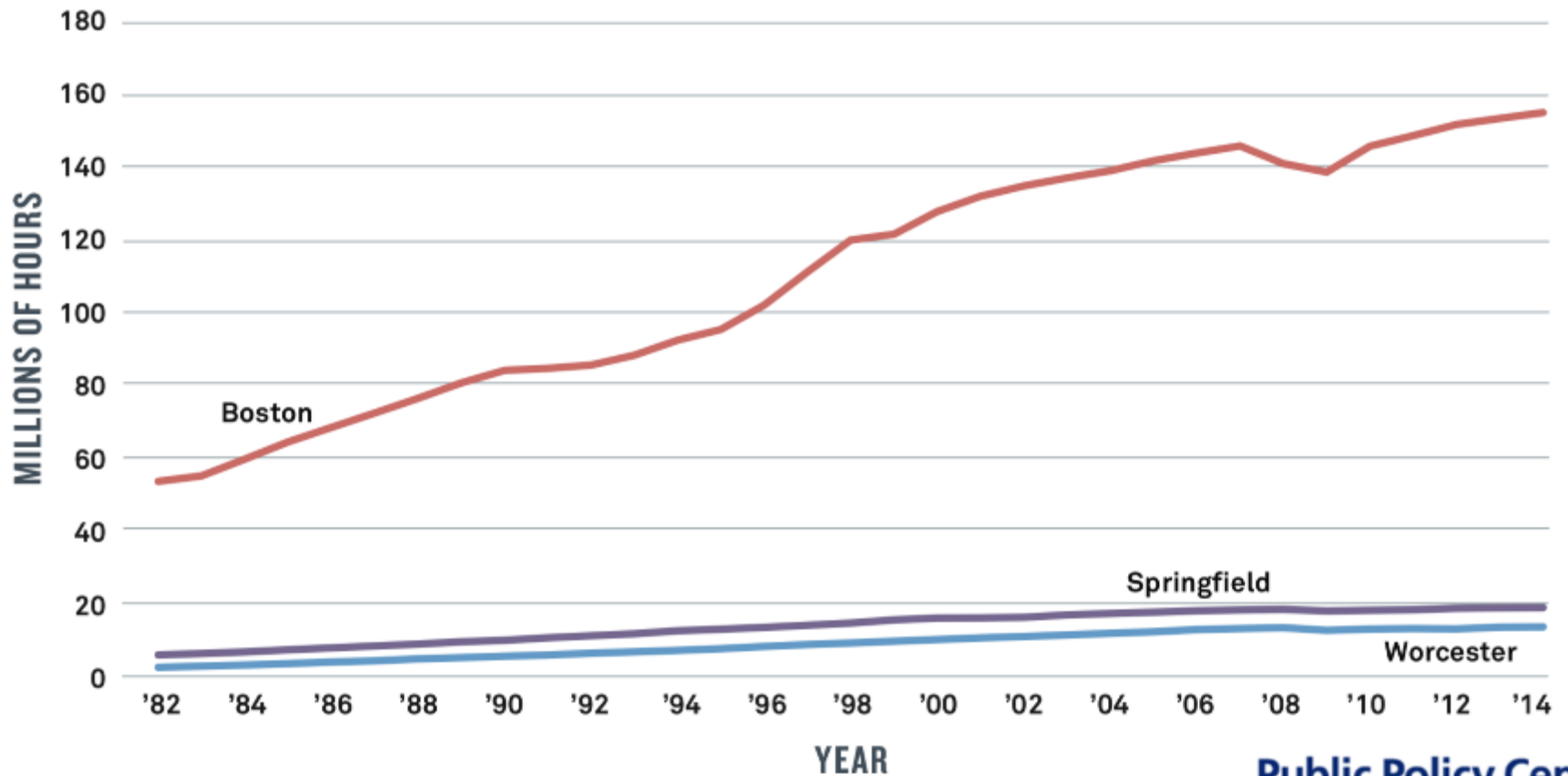
Economic activity & opportunity remains heavily concentrated in Greater Boston

Source: U.S. Census, County Business Patterns; UMDI analysis. Circle size represents the share of that industry's employment relative to the total employment in that geography in 2015. The concept for the identification of clusters was adapted from PlanSmart NJ's report *What Will It Take to Support New Jersey's Industry Clusters?* (April 2013), p. 18. http://www.plansmartnj.org/wp-content/uploads/2013/05/IndustryClusterFinalReport4_30.pdf



Imbalanced growth and poor infrastructure conditions are limiting our growth capacity

FIGURE 4.5: Total Annual Delay in Massachusetts, by Metropolitan Area, 1982–2014





Imbalanced growth and congestion are hitting us where we live

Full-time workers feeling strain, especially those on transit and with long commutes.

Q: (Among full-time employees) In the past few months, have delays on the roads or public transportation caused you to... Major differences highlighted.

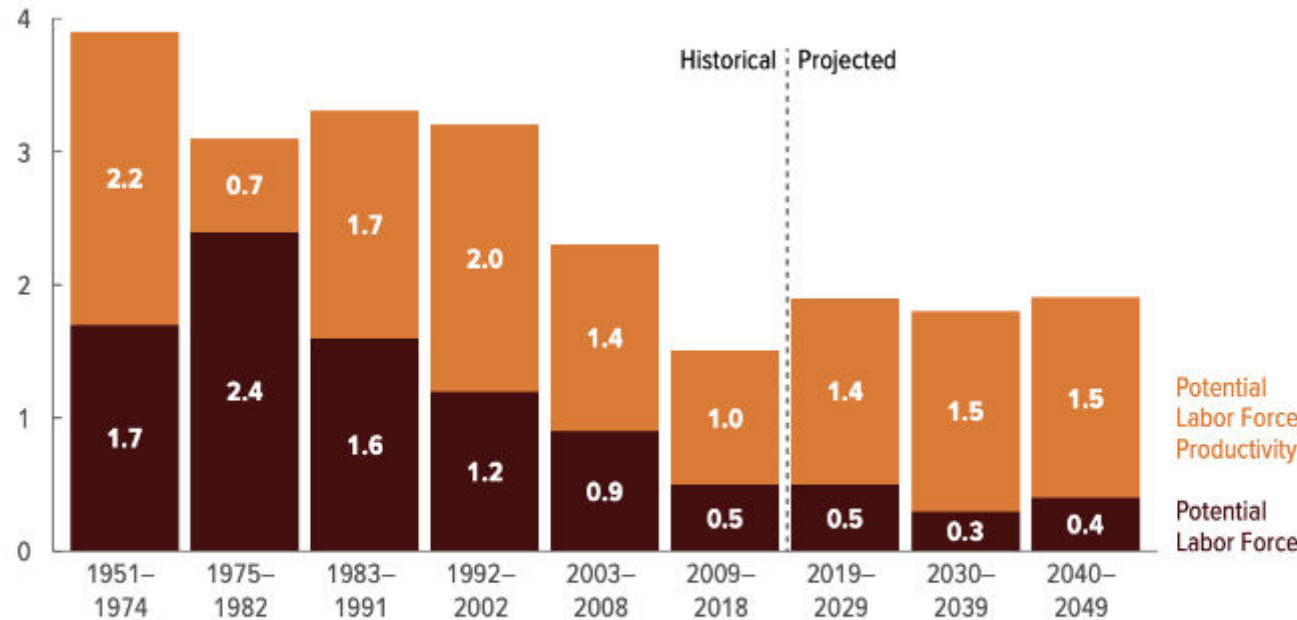
	All FTEs	Commute Mode		Morning Commute Length			
		Drive	Transit	15 or <	>15-30	>30-45	>45
Become stressed, angry or frustrated	72%	73%	78%	62%	70%	76%	80%
Leave earlier or later to avoid the busiest times	72%	71%	82%	50%	74%	78%	86%
Be late for work	52%	52%	63%	32%	48%	61%	71%
Be late for appointments	47%	47%	53%	34%	40%	53%	62%
Consider changing jobs to get a better commute	30%	30%	37%	19%	20%	34%	51%
Consider moving out of your area altogether	23%	24%	29%	16%	19%	29%	30%



The economic outlook is for slow growth nationally and even slower growth in Massachusetts

Average Annual Growth of Real Potential GDP

Percent



Growth in potential GDP is projected to be slower than it has been in the past. That slowdown is driven mostly by slower growth of the labor force.

Source: Congressional Budget Office.

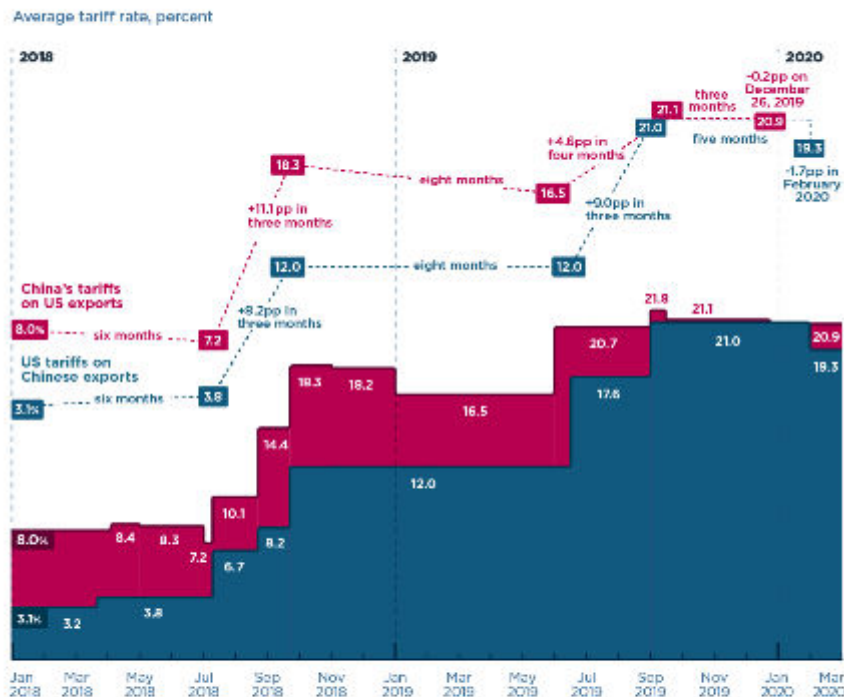
Real potential GDP is the maximum sustainable output of the economy, adjusted to remove the effects of inflation. The two contributing factors are the potential labor force and potential labor force productivity. The potential labor force is the labor force (that is, the number of people in the civilian noninstitutionalized population who are age 16 or older and who are either working or actively seeking work) adjusted to remove the effects of fluctuations in the business cycle. Potential labor force productivity is the ratio of potential GDP to the potential labor force.

GDP = gross domestic product.



Steep tariffs appear to be the new normal

Figure 1
Phase one deal only slightly reduces average US tariff on imports from China



LEADING PLACES OF ORIGIN FOR INTERNATIONAL STUDENTS IN THE STATE

Rank	Place of Origin	% Total
1	China	35.6
2	India	17.7
3	South Korea	4.2
4	Canada	3.6
5	Vietnam	2.2

INSTITUTIONS WITH THE HIGHEST NUMBER OF INTERNATIONAL STUDENTS

Institution	City	Total
Northeastern University - Boston	Boston	16,075
Boston University	Boston	10,598
Harvard University	Cambridge	6,222
Massachusetts Institute of Technology	Cambridge	5,068
University of Massachusetts - Amherst	Amherst	4,153



pp = percentage point

Note: Trade-weighted average tariffs computed from product-level (6-digit Harmonized System) tariff and trade data, weighted by exporting country's exports to the world in 2017.

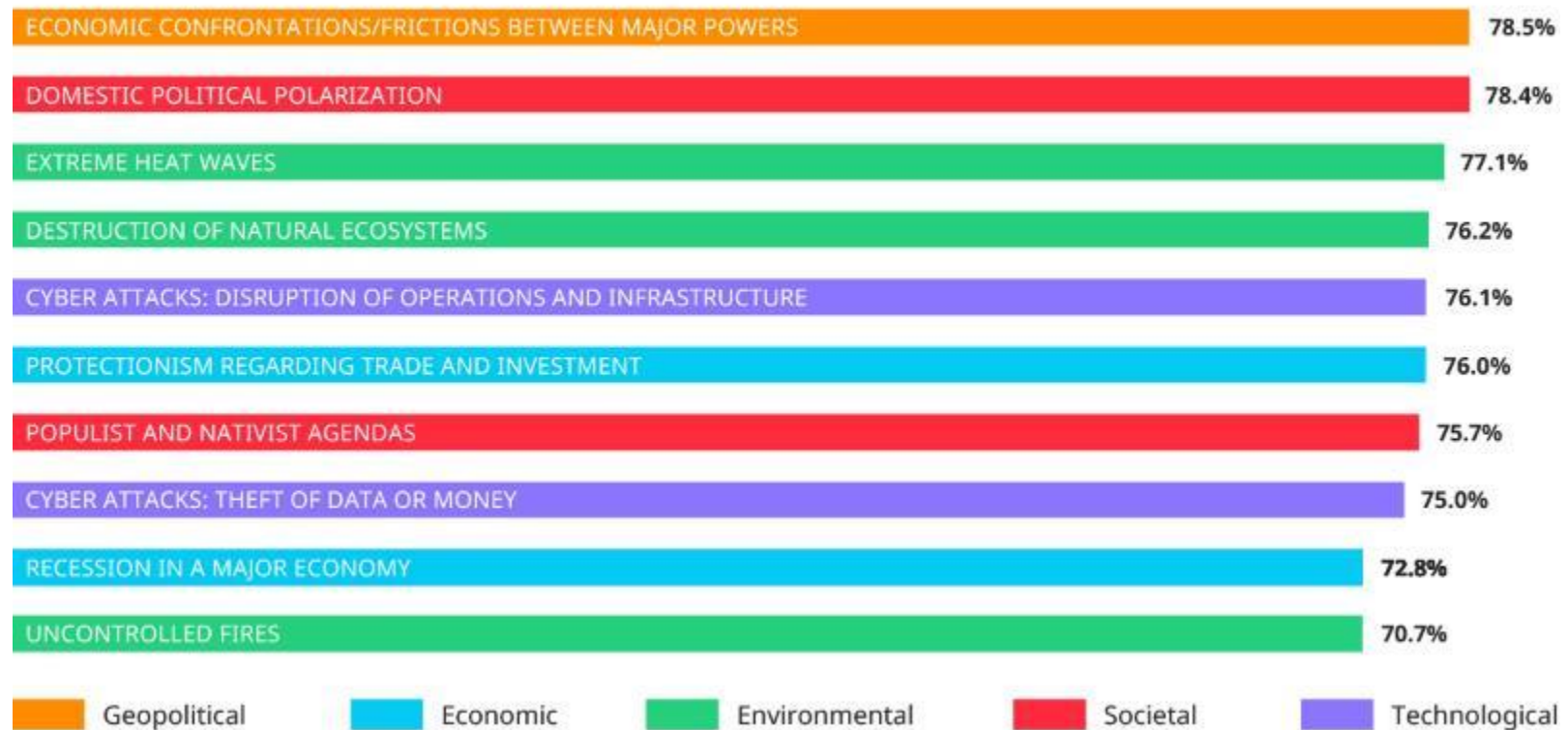
Source: Updated on December 19, 2019, from Bown (2019). Constructed by the author with data from Trade Map and Market Access Map (International Trade Centre, marketanalysis.intracen.org) and US Trade Representative announcement.



Uncertainty and risk abound

TOP RISKS EXPECTED TO INCREASE IN 2020

Respondents to Global Risks Perception Survey (%)



Source: World Economic Forum, Global Risks Report 2020



Winter is coming



Boston, MA January 2018 -- Source: @Libjammin

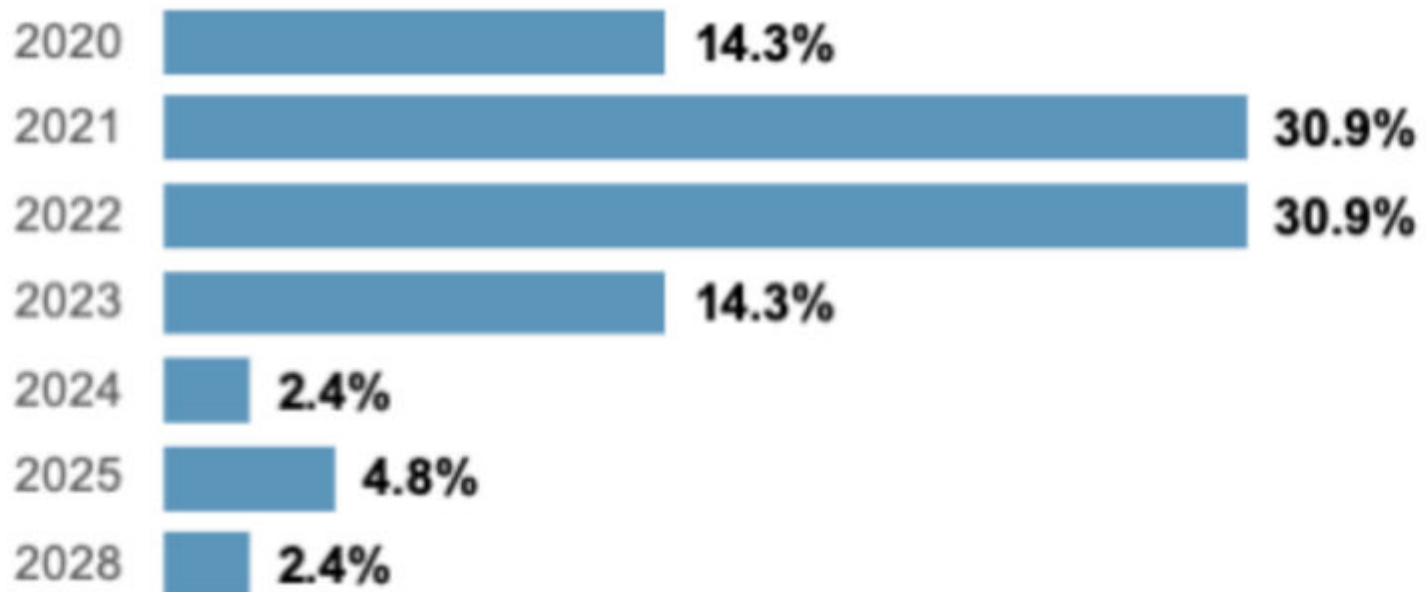


Scituate MA Winter 2015 -- Source: Michael Dwyer/AP



Q&A: Forecasting the Next Downturn

When do you expect the next recession to start?



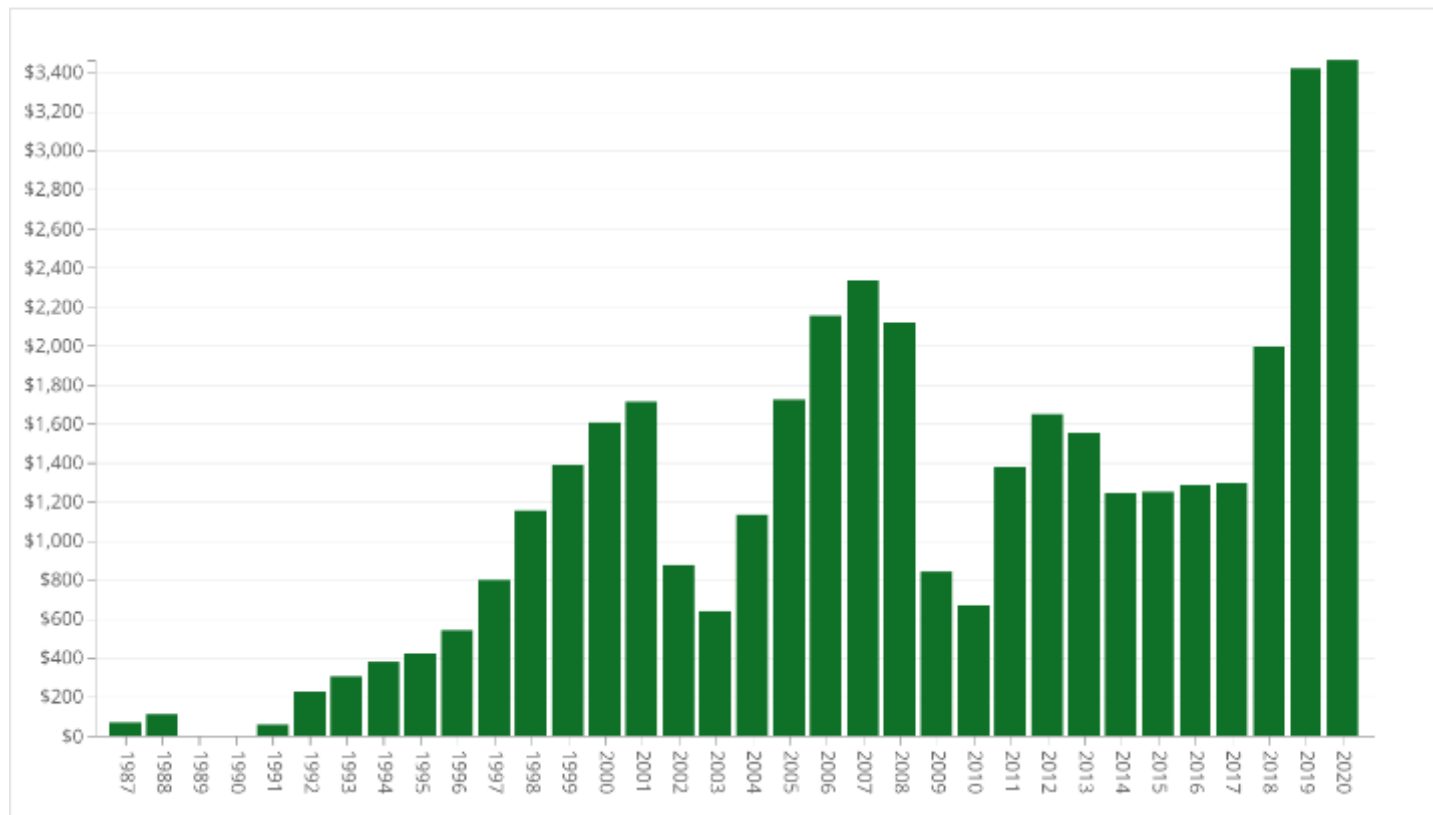
Source: Wall Street Journal Economic Forecasting Survey, January 2020



The Commonwealth is fiscally well positioned in the event of a downturn

Fiscal Year-End and Current Stabilization Fund Balances (In \$ Millions)

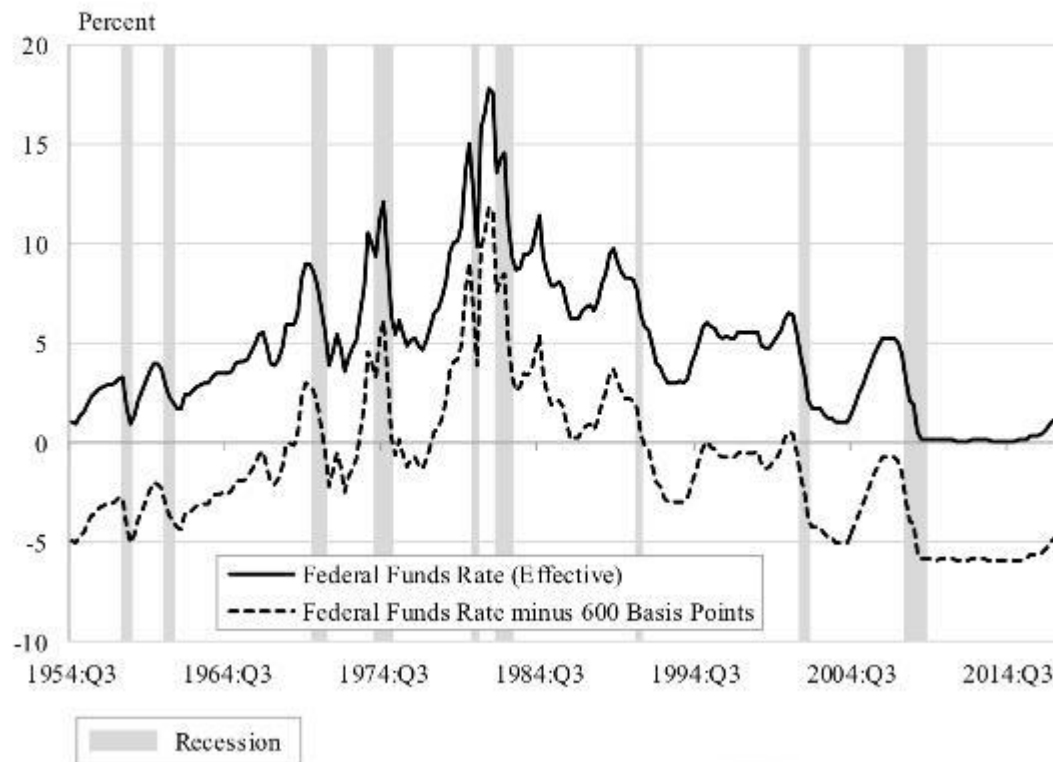
(FY2020 Balance is as of January 6, 2020)





Our policy options in the next recession will be highly limited

Figure 4: The Federal Funds Rate, 1954:Q3 – 2018:Q2



Source: “Some Unpleasant Stabilization Arithmetic”, J. Peek, E. Rosengren, and G. Tootell, Federal Reserve Bank of Boston (2018)



In many respects Massachusetts is as well positioned as any state in the nation to ride out whatever comes next





Q & A

The Economic Outlook for Massachusetts in Uncertain Times

Michael D. Goodman, Ph.D.



For more information:

The Public Policy Center at UMass Dartmouth:

www.umassd.edu/ppc

MassBenchmarks, the Journal of the Massachusetts
Economy: www.massbenchmarks.org

Twitter:

@Mike_Goodman

@PublicPolicyCtr

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Greg Buscone

Executive Vice President / Senior Commercial Banking Officer, **Eastern Bank**

Rose Noritake

Director of Global Markets, **Citizens Financial Group**

Aaron Jodka

Managing Director, **Colliers International**

Michael Goodman

Executive Director, Public Policy Center, **University of Massachusetts Dartmouth**

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MassEcon

Location is everything.

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YOU!

learn more about us at

www.massecon.com

Joint Meeting

Programming & Events Committee

Membership & Marketing

MassEcon Regional Spotlight & Reception Series:

The Southeast



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Invitees:

Past Awardees, Members, Area Partners, Leading Employers

AGENDA

- I. Welcome
- II. Southeast Economic Snapshot
- III. Panel: Why the southeast works as a business location
- IV. Since Our Award – The DePuy Spine Story
- V. Quarter Point at Patriot Place
- VI. Reception

Proposed

Among Other Goals . . .

Affirm MassEcon as an essential economic development partner in Massachusetts.

1. Communicate all programming opportunities and successes to partners.
2. Deliver valued services to partner-members
3. Obtain favorable testimonials from partners
4. Generate positive news/social media mentions of MassEcon

Grow MassEcon revenue to ensure its is able to deliver essential programming.

1. **Grow MassEcon membership** revenue by \$80 K by July of 2021, by \$40 K by July, 2020.
2. Maximize event revenue, keep costs contained.
3. Explore new revenue sources, including foundation and government grants.
4. **Boost member satisfaction/Reduce membership attrition.**

Regional Spotlight series (2 events in 2020)

Derive at least 5 member leads from each event and secure 1 new corporate member

Ongoing

Target new organizations for membership

- CEO letters
- Best contact emails
- 2 recruitment meetings per month
- Individual membership targets

Share with Membership/Programming Comm for connections

Utilize D&B Hoovers for vetting contacts

New member categories to the website

Each Board member must arrange 1 recruitment meeting per year

For Membership & Events

Involve in qualitative development of member event, actively involved in new member outreach.

Create greater synergies between events and membership development.