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The State of the State Economy: Current Conditions and the Outlook for 2022

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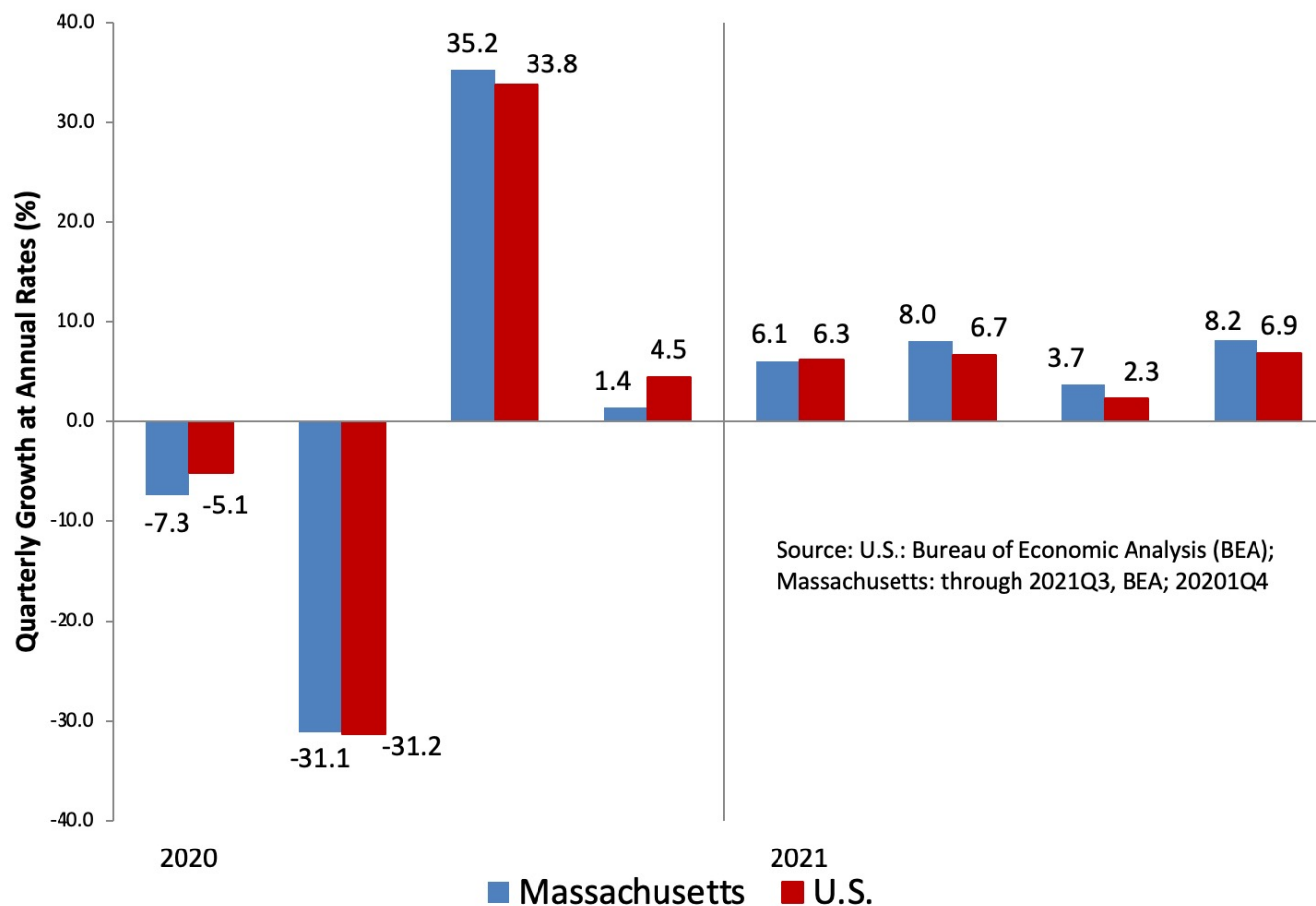
February 18, 2022

The following reflects my personal and professional assessment of the available evidence. It does not necessarily represent the views of my employer.



The Massachusetts economy is well on the road to a full recovery from the pandemic induced recession of 2020

Growth in Real Product, Massachusetts vs. U.S.



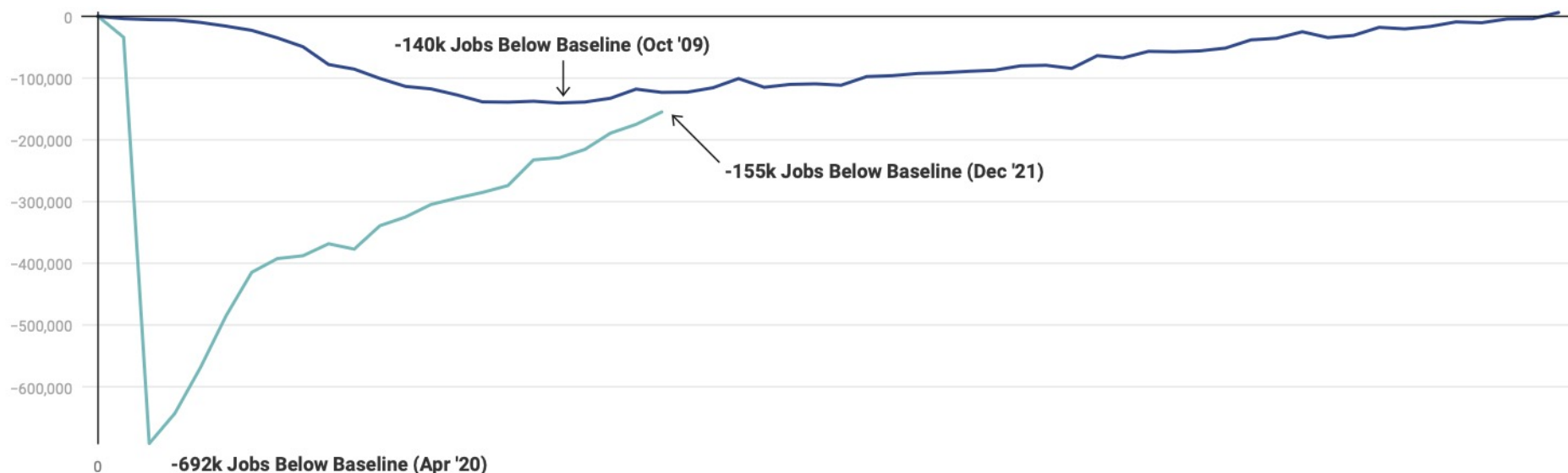


Despite record levels of job vacancies, we remain well below our pre-recession employment peak

Pandemic job loss nears Great Recession job loss.

Change in seasonally adjusted nonfarm jobs, by months after the pre-recession peak. Massachusetts.

— Great Recession — COVID-19 Recession



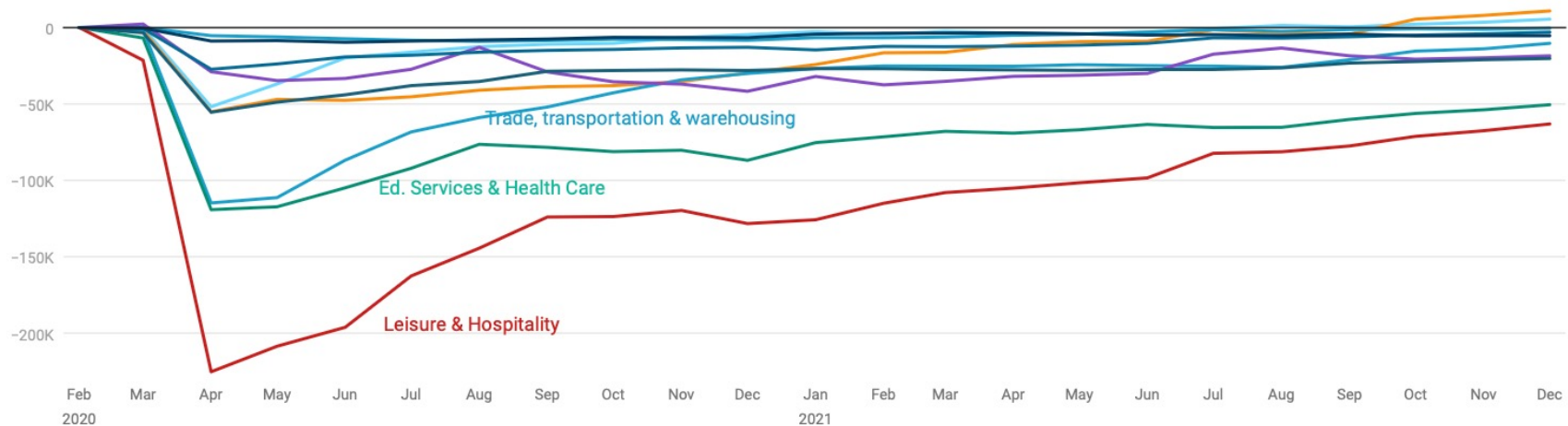
Pre-recession baseline for the Great Recession is April 2008; pre-recession baseline for COVID-19 Recession is Feb. 2020. State labor estimates from 1990-2021 were revised by BLS on March 12, 2021.



Frontline job vacancies remain very challenging to fill

Service jobs have been hardest hit and their rebound has been slow.

Change in seasonally adjusted labor force from a pre-pandemic baseline (Feb. 2020). Massachusetts.



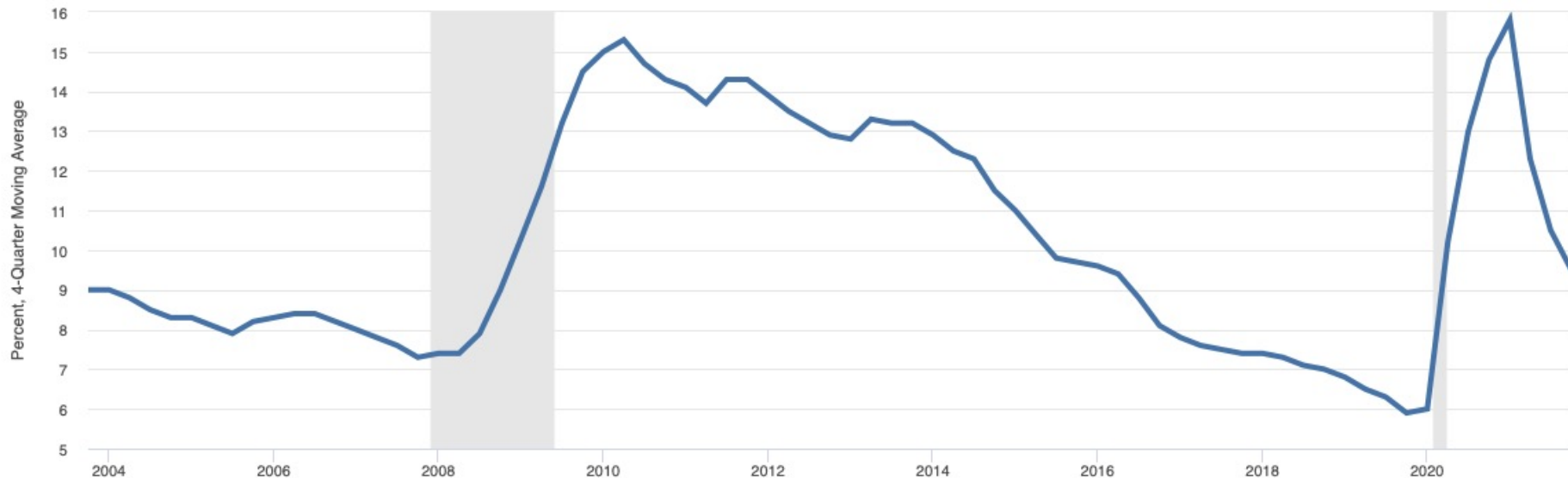
Source: [Bureau of Labor Statistics](#) • [Get the data](#) • Created with [Datawrapper](#)

Source: Boston Indicators, The Boston Foundation



Labor force participation remains well below pre-pandemic levels

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.

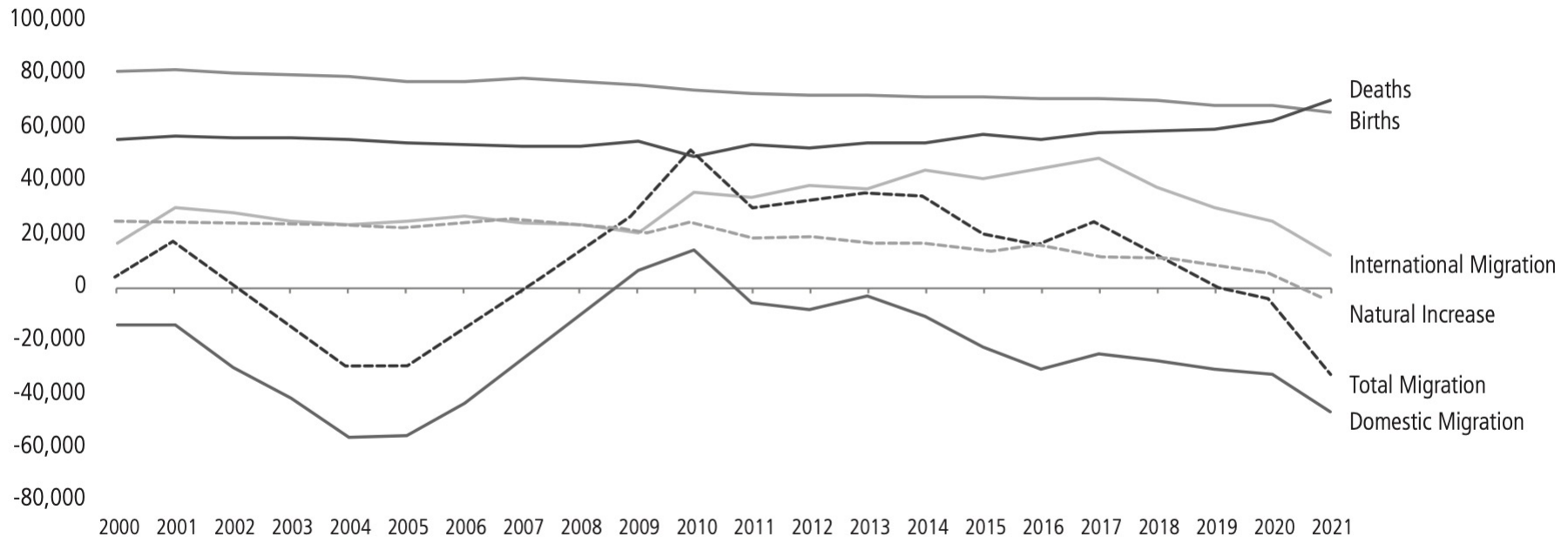
Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org



State demographic trends are not encouraging

■ Figure 7. Massachusetts Estimated Components of Population Change, 2000-2021



■ Source: U.S. Census Bureau Population Division, ST-2000-7, CO-EST2020-ALLDATA, and NST-EST-2018-ALLDATA; UMDI analysis

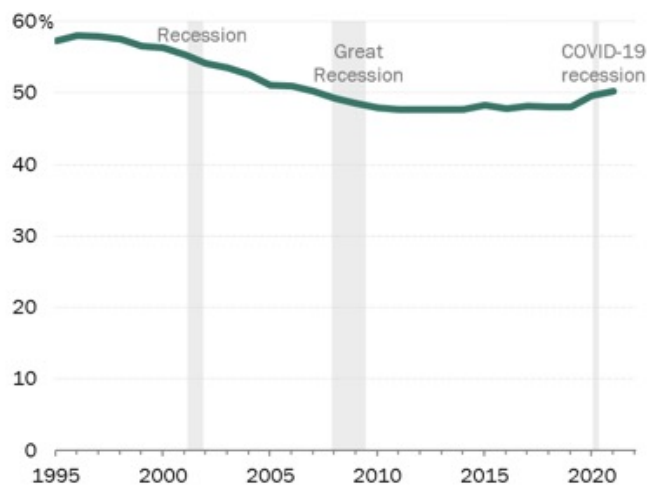
Source: MassBenchmarks, UMass Donahue Institute



The aging of the workforce also helps explain the current labor supply gap

Unlike in other recent recessions, the pandemic has increased retirement among older adults

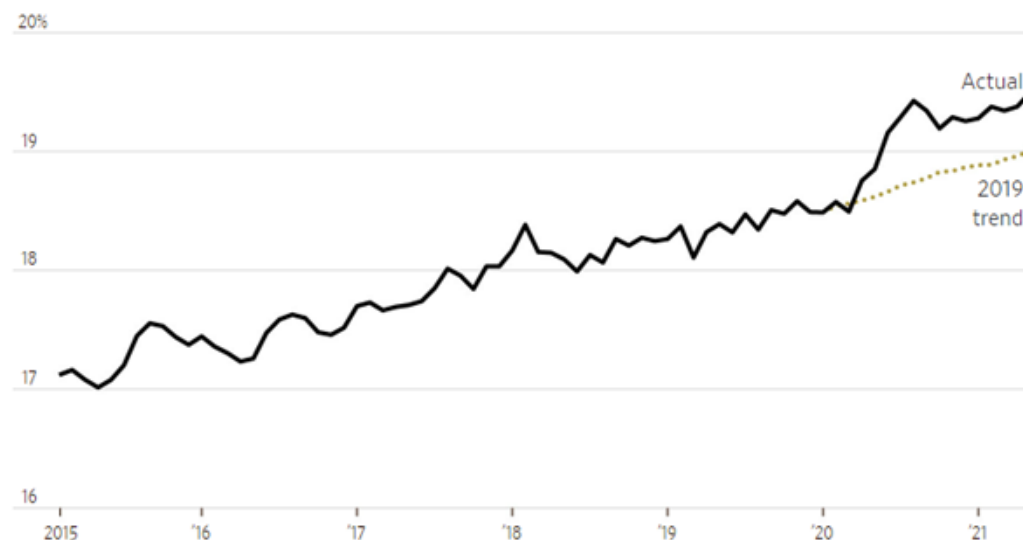
% of U.S. adults ages 55 and older who are retired



Note: "Retired" refers to those not in the labor force due to retirement. The COVID-19 recession began February 2020 and ended April 2020.
Source: Pew Research Center analysis of July, August and September Current Population Survey monthly files (IPUMS).

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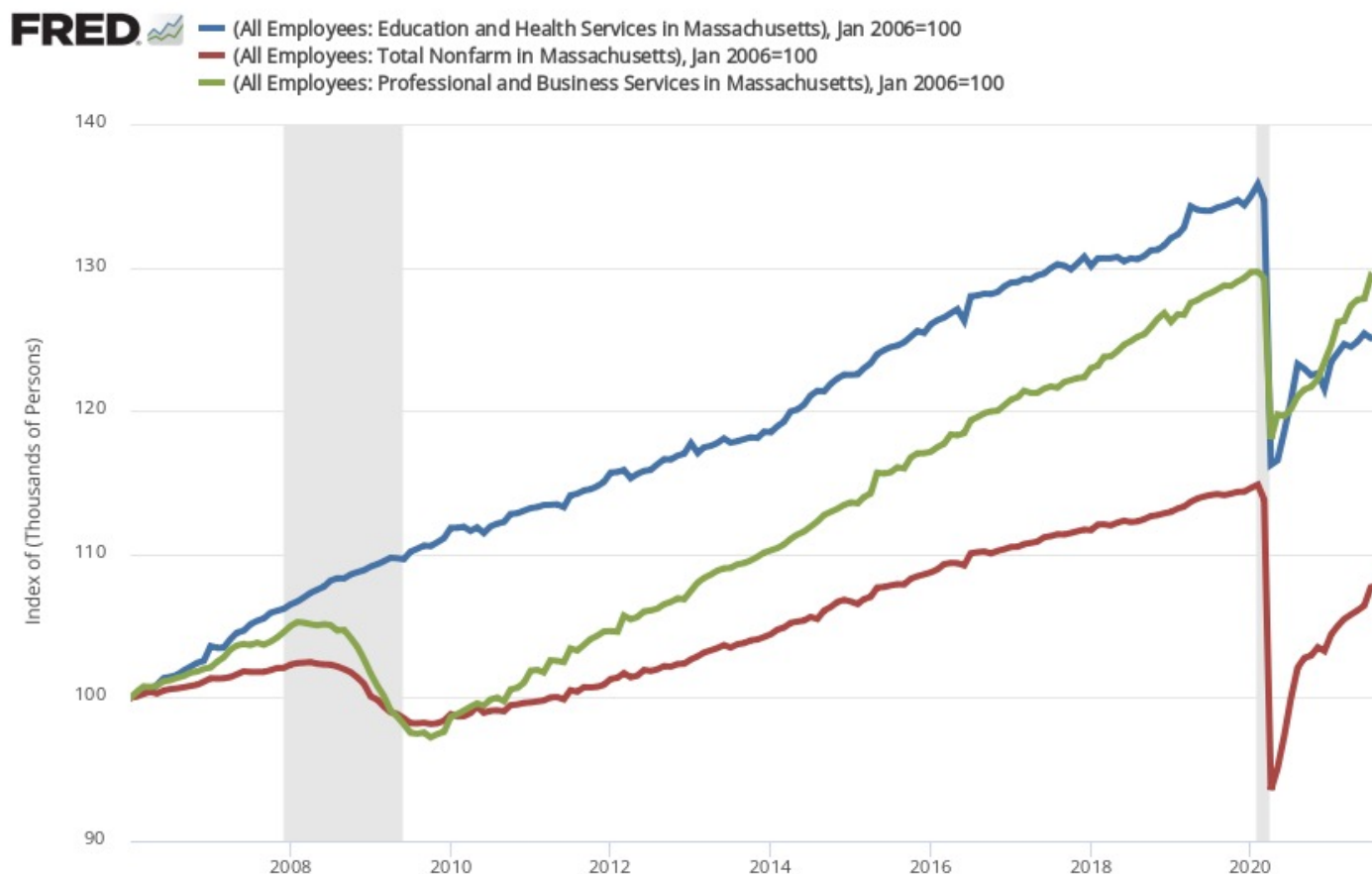
Share of U.S. population retired



Source: IPUMS-CPS, University of Minnesota via Federal Reserve Bank of Dallas



Health care & higher education have not been the stable and countercyclical employers we typically rely upon



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

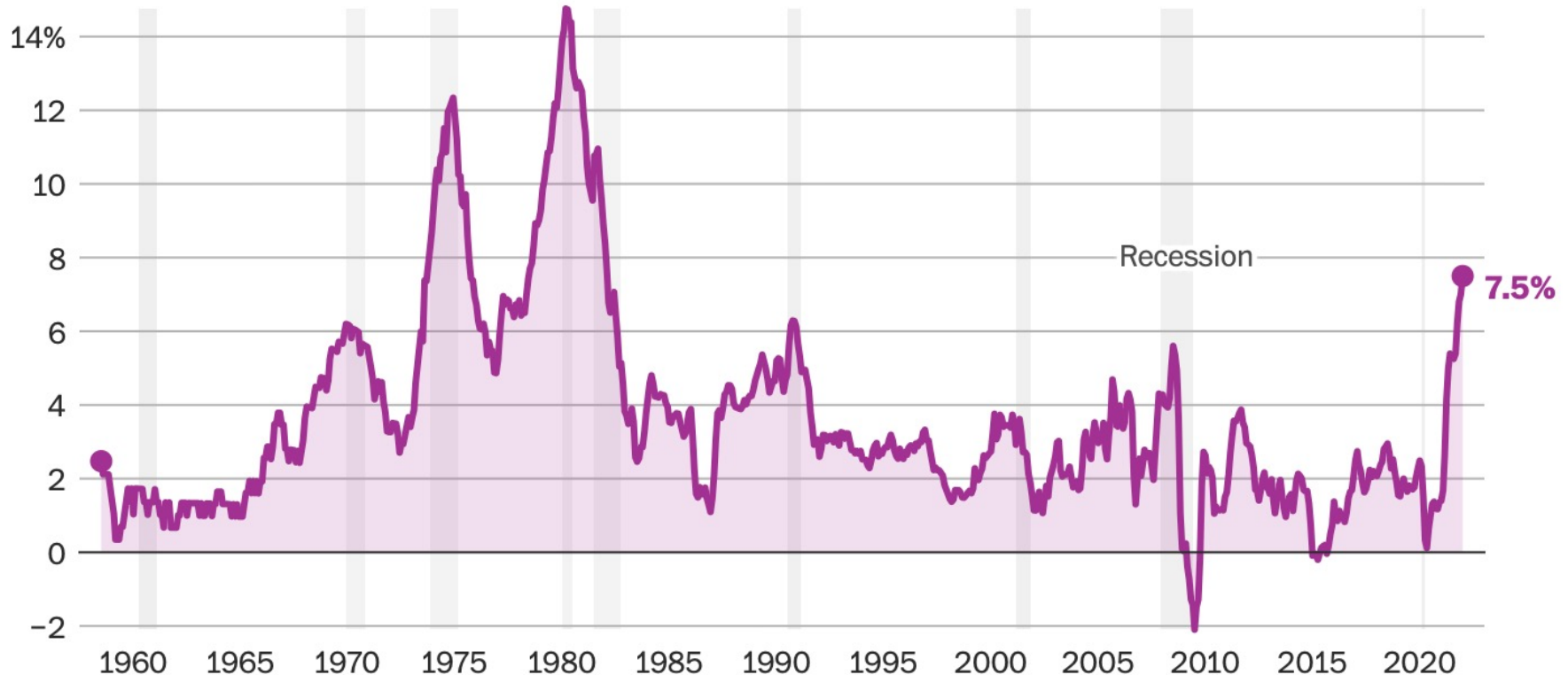
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Prices have been rising

Inflation hits highest level in decades

Consumer price index, change from a year earlier





About half of the inflation reported in December was due to energy, vehicles, and pandemic impacts

Amid U.S. inflation surge, which prices are rising the most? Fuels, used cars and lodging lead the way

Biggest % increases in consumer prices, December 2020-December 2021

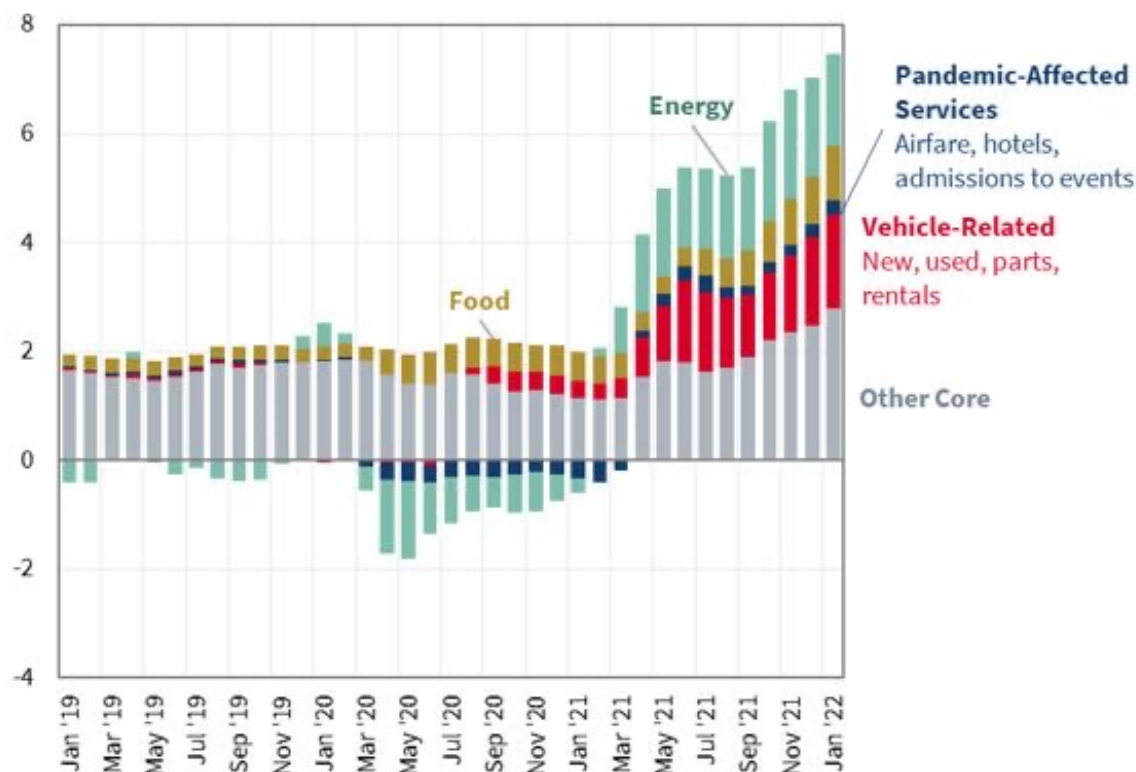
50.8%	Gasoline, unleaded regular
44.5	Gasoline, unleaded midgrade
41.9	Gasoline, unleaded premium
41.0	Fuel oil
37.3	Used cars and trucks
36.0	Car and truck rentals
33.8	Propane, kerosene and firewood
27.6	Other lodging away from home, including hotels and motels
24.1	Utility (piped) gas service
22.1	Uncooked beef roasts
21.4	Uncooked beef steaks
18.6	Bacon and related products
17.3	Living room, kitchen and dining room furniture
13.0	Uncooked ground beef
12.9	Window coverings

Note: Certain nonspecific "catchall" categories not shown.
Source: U.S. Bureau of Labor Statistics

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Contributions to Year-over-Year Headline CPI Inflation

Percentage points, year-over-year



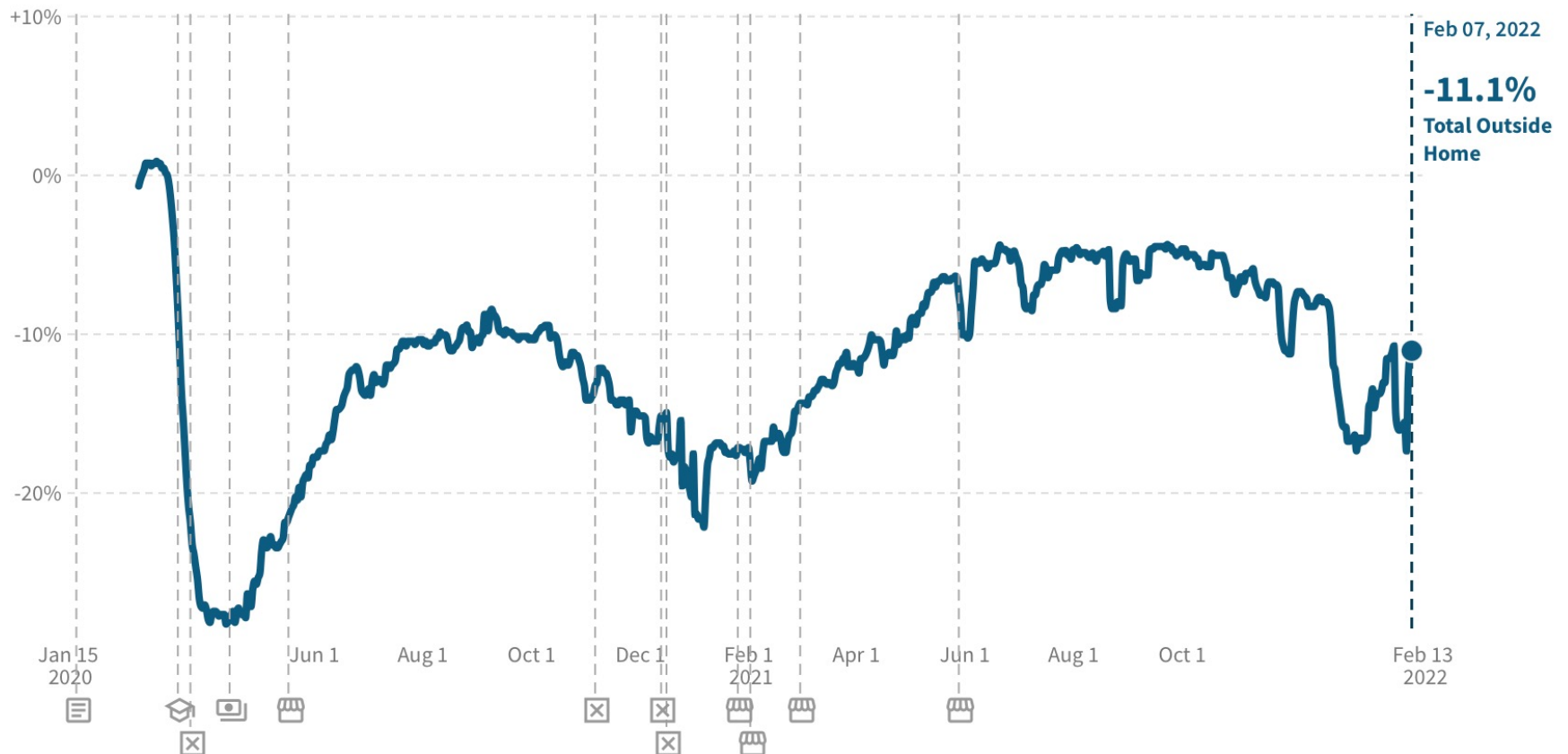
Source: BLS, CEA analysis.



Main Street businesses that require face to face interactions continue to struggle

In **Massachusetts**, as of February 07 2022, total time spent away from home decreased by **11.1%** compared to January 2020.

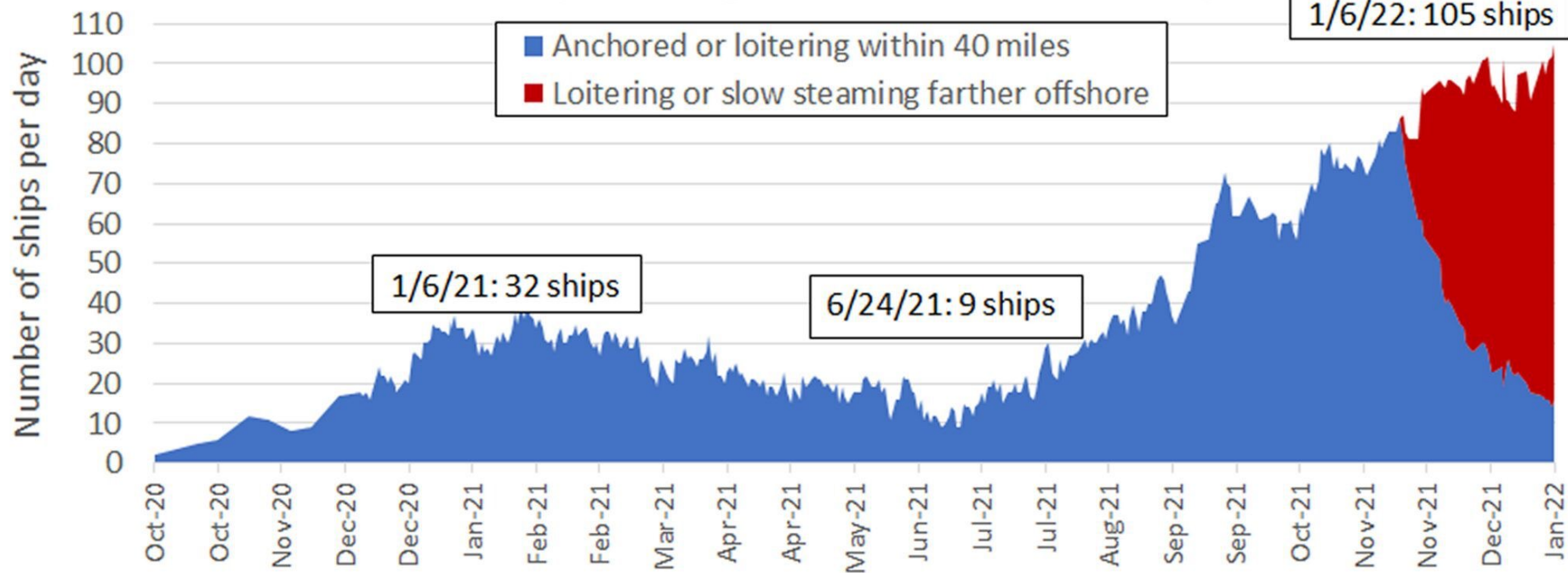
DOWNLOAD CHART 





Pandemic related kinks in the global supply chain are weighing heavily on our economic outlook

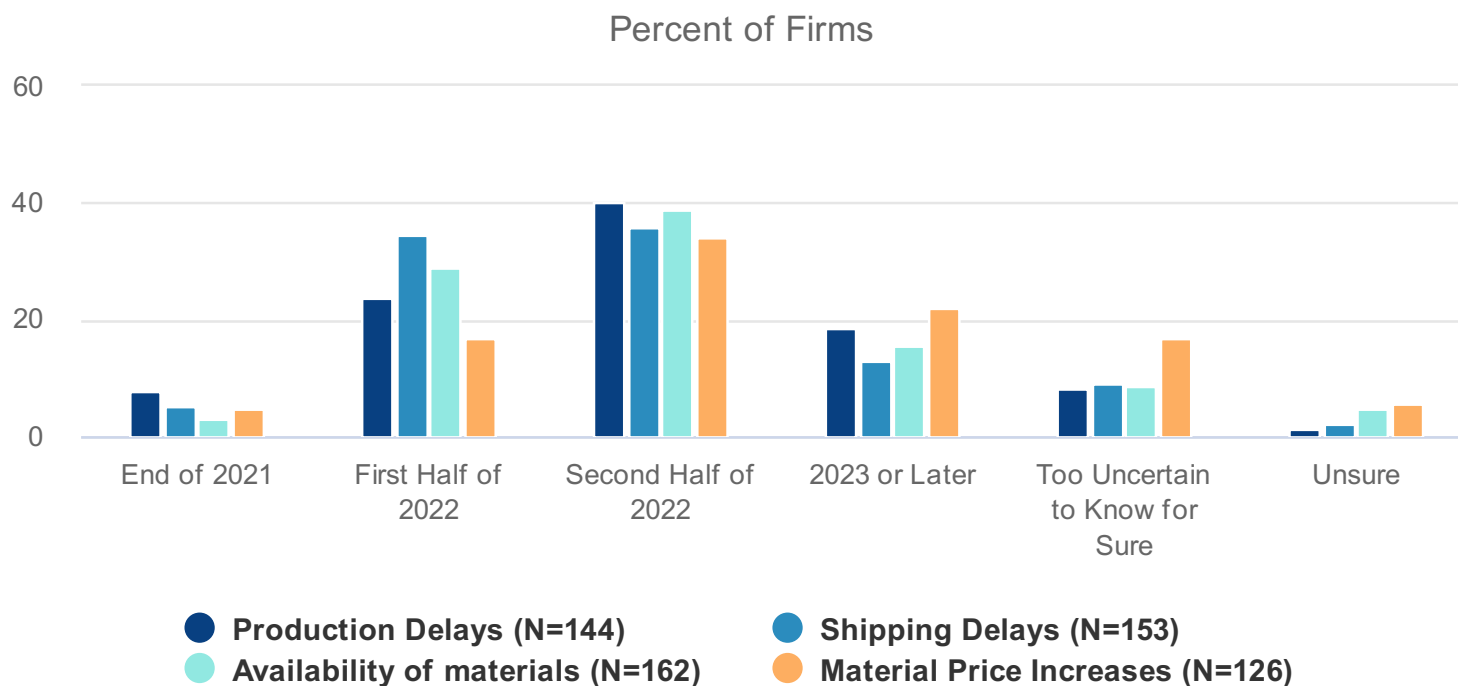
Container ships waiting in Pacific for berths in LA/LB





A national survey of CFOs suggests supply chain disruptions are likely to persist for some time

When do you anticipate these areas of supply chain disruptions will be resolved?



Note: Chart shows responses from firms that indicated they are experiencing supply chain disruptions. The "Other" category for nature of disruptions is not shown due to a low number of responses.

Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q3 2021 (September 20 to October 1, 2021)



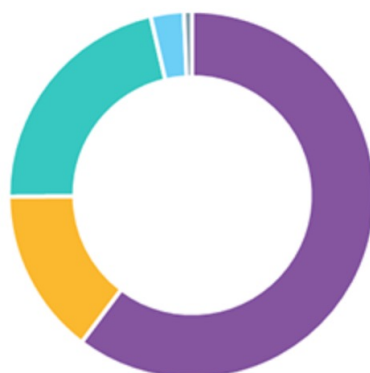
State climate goals are beginning to transform the regional power grid

By State

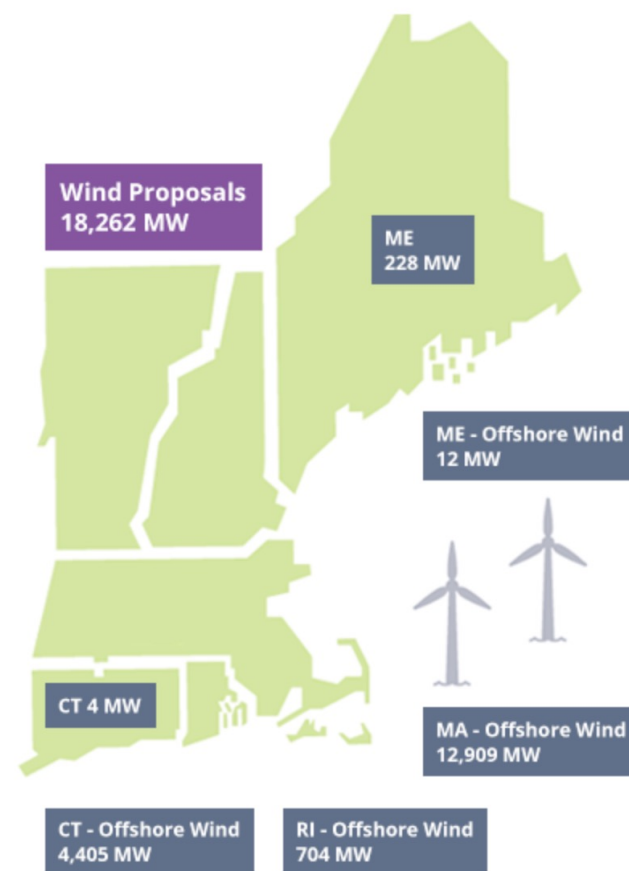


- 61% MA (18,154 MW)
- 23% CT (7,003 MW)
- 8% ME (2,320 MW)
- 5% RI (1,655 MW)
- 2% NH (699 MW)
- <1% VT (105 MW)

By Type



- 60% Wind (18,262 MW)
- 15% Solar (4,421 MW)
- 21% Battery Storage (6,510 MW)
- 3% Natural Gas (884 MW)
- <1% Other (130 MW Hydro, 52 MW Fuel Cell, 37 MW Nuclear Uprate)



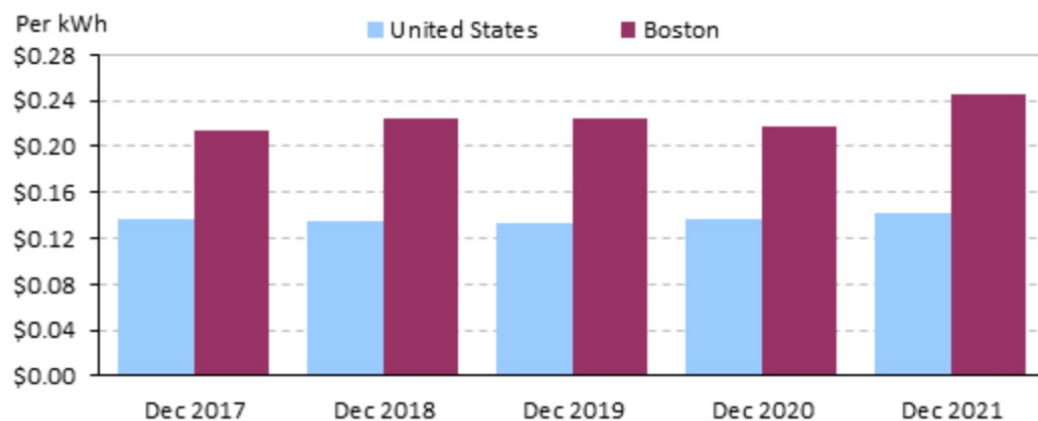
Source: ISO Generator Interconnection Queue (January 2022); FERC and Non-FERC Jurisdictional Proposals; Nameplate Capacity Ratings

Note: Some natural gas proposals include dual-fuel units (with oil backup). Some natural gas, wind, and solar proposals include battery storage.



Renewable sources of energy are expected to help both decarbonize our energy system & reduce our high electricity costs

Chart 2. Average prices for electricity, the United States and Boston-Cambridge-Newton, MA-NH, 2017–21 (as of December)



Source: U.S. Bureau of Labor Statistics.

		Average Retail Price of Electricity to Residential Sector (cents/kWh)	
Rank	State		
1	Hawaii	34.28	
2	Alaska	23.21	
3	Connecticut	22.85	
4	Massachusetts	22.59	
5	Rhode Island	22.39	
6	California	22.00	
7	New Hampshire	21.06	
8	New York	20.59	
9	Vermont	20.55	
10	Maine	18.18	

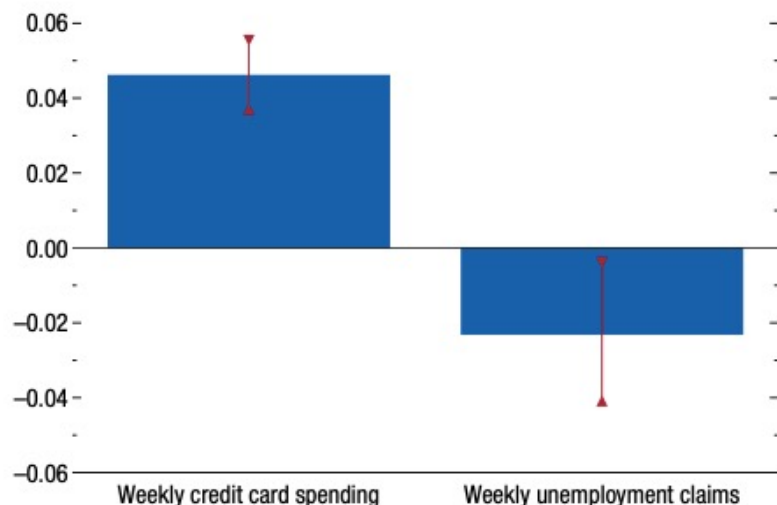


Our economic trajectory remains tied to pandemic and public health conditions

Figure 1.19. COVID-19 Vaccinations and Economic Activity in US Counties

(Percent change, year over year, relative to pre-pandemic levels)

Counties in the United States that had increased vaccination rates saw higher spending and reduced unemployment.

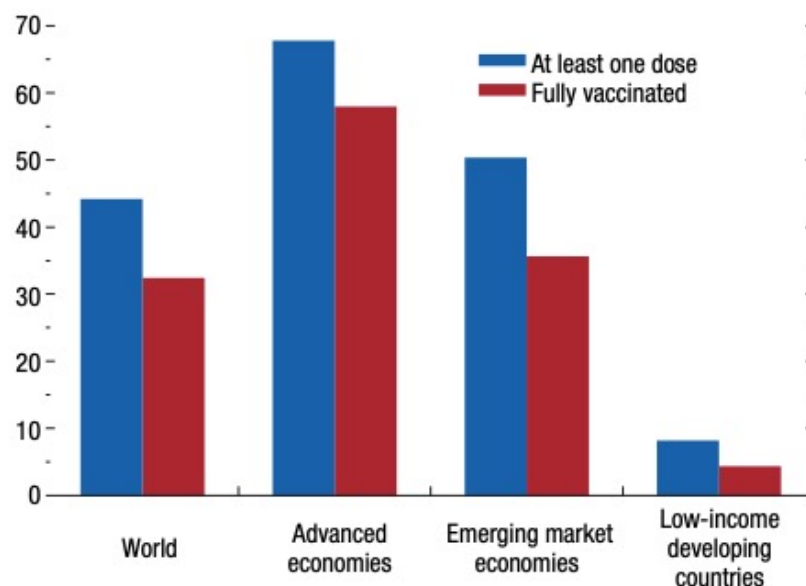


Sources: Centers for Disease Control and Prevention; Opportunity Insights Economic Tracker; and IMF staff calculations.

Note: The figure shows the average effect of a 10-percentage-point rise in the fully vaccinated population share. For spending, the estimation sample covers 1,608 counties in weeks 12–21 in 2021. For unemployment claims, the estimation sample covers 378 counties in weeks 12–24 in 2021. Credit card spending is the year-over-year change as percent of the January 2020 level. Unemployment claims are expressed as percent of the 2019 labor force. Regressions control for county and state time fixed effects.

Figure 1.4. The Great Vaccination Divide
(Percent of population)

Progress in vaccinations against COVID-19 remains highly unequal across the world.



Sources: Our World in Data; and IMF staff calculations.

Note: Data as of September 22, 2021. "Fully vaccinated" are people who received all the doses prescribed for a full vaccination cycle (typically two, but one for Johnson&Johnson and CanSino). In a few cases, the recorded one-dose numbers are smaller than "fully vaccinated" numbers because of reporting lags. For these cases, we make a minimal consistency adjustment, setting one-dose numbers equal to "fully vaccinated" numbers.

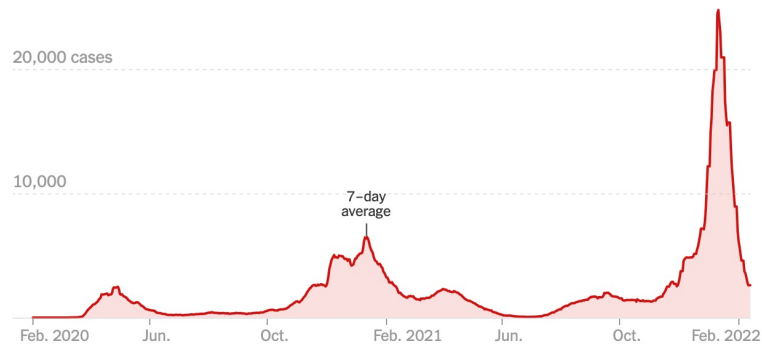


Current conditions are cause for cautious optimism

How trends have changed in Massachusetts

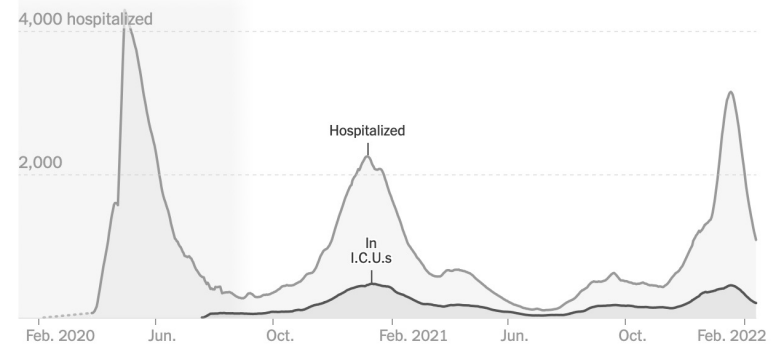
All time Last 90 days

New reported cases by day

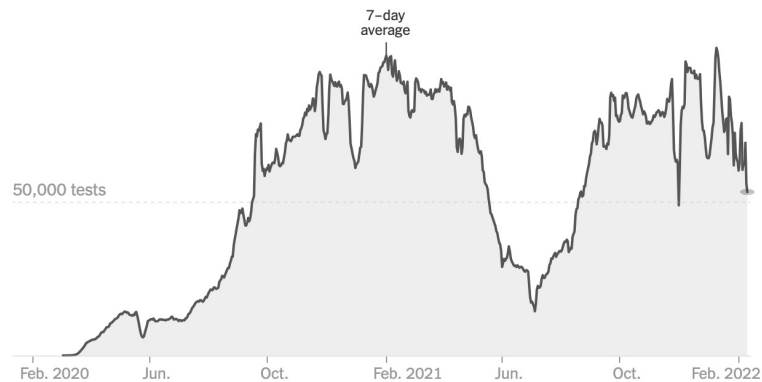


Covid patients in hospitals and I.C.U.s

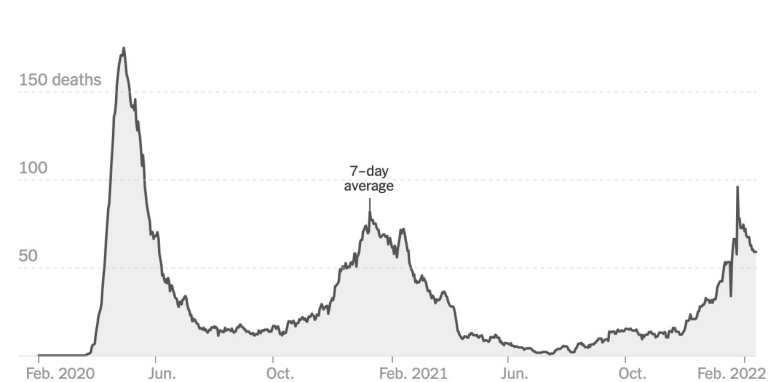
Early data may be incomplete.



Tests by day



New reported deaths by day



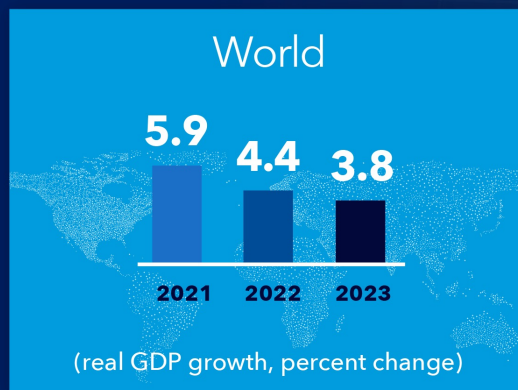


The outlook for 2022 is for moderating growth, assuming pandemic conditions continue to improve

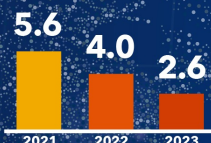
WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2022

GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



UNITED STATES



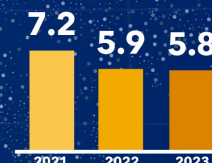
EURO AREA



MIDDLE EAST AND CENTRAL ASIA



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