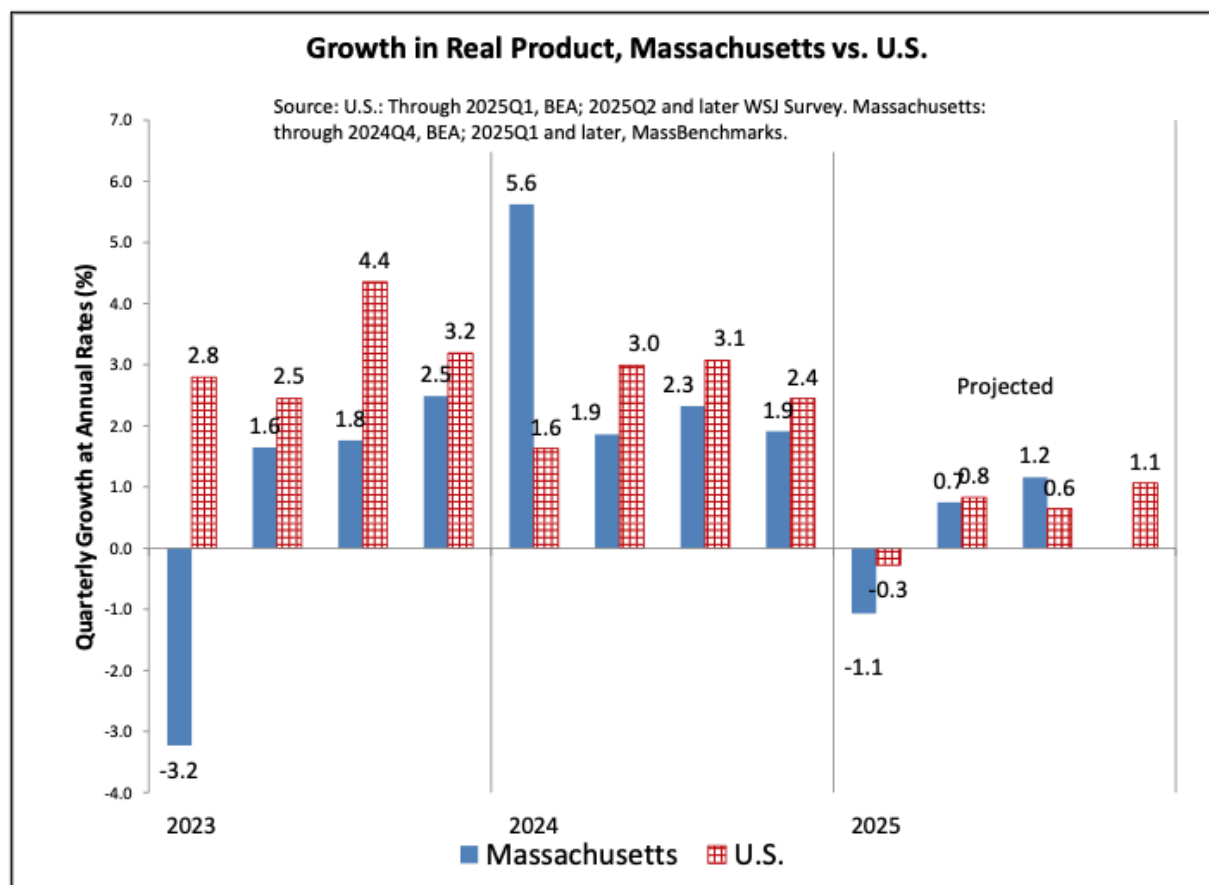


# Massachusetts Current and Leading Economic Indices

The Massachusetts Current Economic Index for March was 249.2, up 0.1 percent from February (at annual rates), and up 1.4 percent from March 2024. The current index is normalized to 100 in July 1987 and is calibrated to grow at the same rate as Massachusetts real gross domestic product over the 1978–2024 period.



[Access the text-based description of this figure on Google Docs.](#)

In the first quarter of 2025, Massachusetts real gross state product (GDP) decreased at an annual rate of 1.1 percent, according to MassBenchmarks, while U.S. GDP decreased at an annual rate of 0.3 percent, according to the U.S. Bureau of Economic Analysis (BEA). In the fourth quarter of 2024, Massachusetts GDP and U.S. GDP increased at annual rates of 1.9 percent and 2.4 percent respectively, according to the BEA.

Economic growth slowed in the first quarter of this year, primarily due to a surge in imports and a weakening in consumer spending. Businesses stocked up on pre-tariff goods while consumers acted with

caution reflecting a fall in confidence in future conditions. Whether or not consumer spending will further weaken remains unclear. Since the beginning of February, there has been a barrage of tariff announcements, threats, and postponements. This had a negative impact on both consumer and business confidence throughout the quarter and may have contributed to soft consumer spending in the first quarter. Financial markets were hit with declines and increased volatility, beginning in the last week of February. Aside from a possible dampening effect on consumer spending, these expectational shocks did not have enough time to have a substantial impact on economic activity in the first quarter. Despite all the talk of tariffs, there were only two tariff increases in the first quarter: on February 4, 10 percent tariffs were made effective on China, and on March 12, steel and aluminum tariffs went into effect. The so-called “Liberation Day” tariffs were not announced until April 2, the beginning of the second quarter.

**Employment and Earnings Growth at Annual Rates, Massachusetts and the U.S.**

Quarter	Payroll Employment MA	Payroll Employment U.S.	Wage and Salary Income <sup>1</sup> MA	Wage and Salary Income <sup>1</sup> U.S.
2025q1	-0.1%	1.4%	26.8%	4.6%
2024q4	0.1%	1.3%	4.7%	5.1%
24q1 to '25q1	-0.2%	1.2%	9.1%	3.7%

Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; MassBenchmarks.

<sup>1</sup> Massachusetts wage and salary income for 2025q1 is estimated by MassBenchmarks from state withholding tax revenue.

Labor markets in the first quarter were little changed from last year. Massachusetts continued to see little change in the number of jobs and trails the nation in job growth. State payroll employment declined at a 0.1 percent annual rate in the first quarter, little changed from a growth of 0.1 percent in the fourth quarter of last year, and a decline of 0.2 percent from the first quarter of 2024. U.S. employment, in contrast, grew at a 1.4 percent annual rate in the first quarter, following growth of 1.3 percent in the fourth quarter of last year, and 1.2 percent growth from the first quarter of 2024. This difference in job growth is the main reason Massachusetts has trailed the nation in GDP growth in the first quarter and most of last year.

**Unemployment Rates, Massachusetts and the U.S.**

Month	U-3 Rate MA	U-3 Rate U.S.	U-6 Rate MA	U-6 Rate U.S.
Mar-25	4.4%	4.2%	7.9%	7.9%

Dec-24	4.1%	4.1%	6.9%	7.5%
Mar-24	3.8%	3.9%	7.0%	7.3%

Sources: U.S. Bureau of Labor Statistics/ MassBenchmarks.

The unemployment rate in Massachusetts in March was 4.4 percent, exceeding the 4.2 percent rate in the U.S. Given the state’s demographics, with a higher proportion of college-educated adults, the state’s unemployment rate is typically lower than the nation’s. This suggests that the labor market may be weaker in Massachusetts. However, initial unemployment claims in the state, as measured by the number of first payments, are low, and have not been rising, even though the unemployment rate in the state rose 0.6 percentage points from March of 2024.

**Massachusetts Resident Labor Market**

Quarter	Working Age Population	Labor Force	Employment	Unemployment
2025q1	0.4%	1.4%	0.9%	15.9%
2024q4	0.6%	0.3%	0.2%	1.3%
24q1 to 25	0.8%	1.6%	1.0%	15.6%

Growth at annual rates.

Sources: U.S. Bureau of Labor Statistics/ MassBenchmarks.

The rise in the unemployment rate has been accompanied by a rise in the labor force and in the working-age population – persons 16 years of age or older. The labor force grew 1.6 percent from the first quarter of 2024 to the first quarter of this year, while the working-age population grew 0.8 percent over the same period. This suggests the increase in the unemployment rate was the result of an increase in labor supply, rather than a decrease in labor demand.

Another possibility is that the rise in the unemployment rate is not real but rather is the result of a measurement problem with the Current Population Survey (CPS), on which the labor force and unemployment measures are based. The annual re-benchmarking of the labor force data resulted in increasing estimates of the state’s working-age population in the last few years, with that increase amounting to about 100,000 persons by the end of 2024. The bulk of this increase is attributed to increased estimates of recent immigration. This increase is effectuated by changing the person weights on the CPS, with increases concentrated on persons with demographics like recent immigrants. Furthermore, the Census Bureau’s method for distributing immigration estimates across the states is another potential source of error. This is a difficult imputation given the lack of good state-level information on immigration. According to the Massachusetts CPS, there has been a sharp rise in the

unemployment rate of non-Whites or Hispanics since the fall of 2024. So it may be that the increase in the state’s unemployment rate largely reflects a revision in the weights of persons with demographics like recent immigrants.

The broader U-6 unemployment rate, which includes part-time workers who want full-time work and persons who have looked for work in the past year but not the most recent four weeks as unemployed, was 7.9 percent in Massachusetts in March, according to MassBenchmarks, equal to that of the U.S. In December, these unemployment rates were 6.9 percent in Massachusetts and 7.5 percent in the U.S. In March of 2024, the Massachusetts and U.S. rates were 7.0 percent and 7.3 percent respectively.

Wage and salary income in Massachusetts, based on income withholding tax revenue, rose at an annual rate of 26.8 percent in the first quarter. In the fourth quarter of last year, the BEA estimates that state wage and salary income grew at 4.7 percent annual rate. Relative to the first quarter of 2024, the tax-based estimate of wage and salary income rose 9.1 percent. These tax-based measures reflect withholding on bonuses, which tend to be received in the fourth and first quarters of the calendar year. Because the data are seasonally adjusted, the large growth in the first quarter reflects better-than-average bonuses. The S&P stock index, for example, rose about 20% during 2024. The state’s new surtax on incomes over one million dollars, in force since January 2023, also makes withholding tax revenue more volatile. Fluctuations in tax revenues from bonus income for high-income recipients are larger, and fluctuations on withholding tax revenues on high-income earners are also magnified by the surtax.

U.S. wage and salary income rose at a 4.6 percent annual rate in the first quarter, according to the BEA. In the fourth quarter of last year, U.S. wage and salary income rose at a 5.1 percent rate. First quarter U.S. wage and salary income was 3.7 percent higher than in the first quarter of 2024.

Spending on items subject to the Massachusetts regular and motor vehicle sales taxes rose at a 1.3 percent annual rate in the first quarter, after falling by a 2.3 percent annual rate in the fourth quarter of last year. In the first quarter, this spending rose by 3.3 percent from the first quarter of 2024. These estimates are seasonally adjusted but are not adjusted for inflation and are concentrated in spending on goods. Services are essentially not taxed. Inflation for goods and especially durable goods has tended to be substantially lower than overall inflation in the last two years. For example, in the 12-month period ending in February 2025, the Personal Consumption Expenditure (PCE) price index for durable goods fell 1.6 percent. However, tariffs are expected to change this relationship. The PCE inflation rate for durable goods in the first two months of this year have already exceeded the PCE for all expenditures.

**CPI-U Inflation, Boston Metro and the U.S.**

Quarter	All Items - BOS	All Items - U.S.	Core - BOS	Core - U.S.
2025q1	5.0%	3.8%	5.9%	3.5%

2024q4	1.9%	3.0%	1.8%	3.4%
24q1 to 25q1	3.2%	2.7%	3.6%	3.1%

Sources: U.S. Bureau of Labor Statistics, CPI-U; Core inflation excludes food and energy. For Boston, the CPI is available for odd months only -- January, March, etc. Even months are interpolated. Boston seasonally adjusted by MassBenchmarks.

Inflation in the Boston metropolitan area has been somewhat higher than that of all U.S. metro areas, according the BLS's CPI-U headline measure. In the first quarter of this year, the CPI rose at a 5.0 percent annual rate in Boston versus 3.8 percent for the U.S. For the core index, which excludes food and energy, Boston's CPI rose 5.9 percent versus 3.5 percent for the U.S. Relative to the first quarter of last year, the overall index was up 3.2 percent in Boston versus 2.7 percent for the U.S., while the core index was up 3.6 percent in Boston versus 3.1 percent for the U.S.

The leading index is projecting that the rate of growth in Massachusetts GDP will continue to be slow, at an annual rate of 0.7 percent in the second quarter and 1.2 percent in the third quarter. The average growth projections for U.S. GDP from the Wall Street Journal survey of economists in early April is projecting annual rates of 0.8 percent for the second quarter and 0.6 percent for the third quarter.

These projections are tentative and could change abruptly depending on the course of U.S. tariff policy. The real effects of increased tariffs on economic growth – as opposed to the effects on expectations or financial markets, will develop with a lag and so impacts on employment and output are likely to be revealed later this year, perhaps by the fourth quarter.

The current and historic quarterly estimates for state domestic product growth include adjustments for changes in productivity growth. These adjustments are estimates of the quarterly deviations from the 1978-2024 trend in the growth of the ratio of output to employment. In the first quarter of 2025, these adjustments subtracted 3.4 percentage points from growth. In the fourth quarter of 2024, these adjustments subtracted 0.5 percentage points from growth. In the second and third quarters of 2025, these adjustments are expected to subtract 1.2 and 1.3 percentage points from growth respectively.

The current and historical quarterly estimates also include “cyclical” adjustments, as the relationship between the growth in the current indicators and that of gross domestic product changes over the course of the business cycle. In the first quarter of 2025, these adjustments added 0.4 percentage points to growth. In the fourth quarter of 2024, these adjustments added 0.4 percentage points to growth. In the second and third quarters of 2025, these adjustments are expected to add 0.5 and 0.3 percentage points to growth respectively.

Several recent months of the current index are revised each release. These revisions are a result of the statistical method used to create the index, as well as revisions in the underlying indicators.

All the indicators in the current index refer to Massachusetts. The current index is composed of four indicators: nonagricultural employment, withholding taxes, sales taxes, and the unemployment rate. Withholding taxes and sales taxes are deflated by the U.S. consumer price index for all urban consumers, excluding food and energy. The leading index is composed of the four

current indicators and five indicators that lead the economy: the number of first payments of unemployment insurance, motor vehicle sales taxes, the S&P 500 stock index, the Conference Board's Consumer Confidence index, and the Associated Industries of Massachusetts Business Confidence index. Motor vehicle sales taxes and the S&P 500 stock index are deflated by the U.S. consumer price index for all urban consumers, excluding food and energy.

For a description of the methodology used to construct the current index, see: Alan Clayton-Matthews and James H. Stock, "An application of the Stock/Watson index methodology to the Massachusetts economy", *Journal of Economic and Social Measurement*, vol. 25 (1998/1999), pp. 183-233.

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