

Mass. rides out economic slump relatively unscathed

By MARK JEWELL

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BOSTON (AP) - The technology sector that hurt Massachusetts' economy last time a recession hit is helping the state ride out the current slump in better shape than the nation as a whole.

The recession that took hold in 2001 after Internet startup firms began collapsing in droves cut deeper and persisted longer in Massachusetts than nationwide in part because of the state's dependence on technology jobs, which are usually more prone to boom-and-bust cycles than the broader economy.

But as the nation's economy threatens to fall into recession again, the triggers this time aren't Internet firms, but a housing slump, a credit crisis and rising gas prices. Those problems have done relatively little damage to areas of the economy where Massachusetts is strongest, economists say.

Despite job losses in retail and construction, Massachusetts has so far managed to avoid deep troubles because of its clout in fields such as computer software and medical technology, combined with the state's strength in health care and higher education -- sectors that tend to stay insulated from economic turmoil. Meanwhile, the state's exports to foreign customers have remained robust.

"It's our industry mix in Massachusetts that's helping us," said Alan Clayton-Matthews, a public policy professor at the University of Massachusetts' McCormack Graduate School of Policy Studies. "We have a lot smaller proportion of our work force involved in the sectors that aren't doing well -- housing construction and auto manufacturing, for example -- and we've got a high proportion in sectors that are doing well."

Gross product -- the value of products and services, and the broadest measure of economic performance -- rose about 2.9 percent in this year's first three months in Massachusetts, compared with just 0.6 percent growth for the nation as a whole, Clayton-Matthews said.

The Bay State's unemployment rate has remained below the nation's jobless figure since June 2007 and fell to 4.1 percent in April, compared with 5 percent for the nation. Massachusetts' unemployment rate is the lowest since September 2001 and down from a high of 5.9 percent in mid-2003. Meanwhile, the state has posted job gains in six of the past seven months.

The weakness of the U.S. dollar relative to other currencies -- a symptom of the nation's economic troubles -- also is providing an opportunity for states like Massachusetts that rely heavily on overseas customers. The dollar's weakness makes U.S. goods less expensive for foreign buyers, which has boosted sales of everything from data storage products made by Hopkinton-based [EMC Corp.](#) to drugs from Cambridge-based [Genzyme Corp.](#)

Evidence of [Genzyme](#)'s insulation from the economic downturn is visible at three Boston-area sites where the biotechnology company is constructing new manufacturing and research facilities.

[Genzyme](#), which specializes in medications to treat rare diseases, expanded its Massachusetts work force by about 500 jobs last year, and expects to add another 500 at the new facilities, spokesman Bo Piela said. The company has offices in 40 countries and sells products in nearly 100 countries.

"The real driver of our growth is the global demand for our products," said Piela, whose company employs about 4,500 of its 10,000 workers in Massachusetts.

Another big Massachusetts employer, EMC, with 9,000 employees in the state, saw its overseas revenue grow 23 percent in this year's first quarter.

But Massachusetts is hardly immune from a slowdown that threatens to derail the nation's economy from its current anemic growth to a recession. The state has lost 3,400 construction jobs over the last six months and shed 3,200 manufacturing jobs over the last year, according to state economic data released this month.

The retail sector -- which includes restaurants as well as merchandise sellers -- has lost 3,100 jobs over the past year.

"We feel it first in the checkout lines and in the restaurants," said Jon Hurst, president of the Retailers Association of Massachusetts. "The higher energy prices and falling home values are really having an impact on disposable income."

For teenagers and others looking for summer jobs in restaurants and retail stores, the outlook is grim, Hurst said.

"It will be far worse this summer than it was last summer," he said.

Clayton-Matthews, the UMass professor, said he expects the state's recent run of job gains will soon end as the national slump begins to hurt the state. And he said much of the state's growth has been limited to the Boston area's cluster of technology firms, while rural areas continue to lag.

But the state as a whole is still expected to perform better than the nation because of its strengths in key areas.

"Our strength in life sciences and health care is clearly an advantage, and our role in higher education with all of our colleges and universities is also helping," said William Guenther, president of Boston-based Mass Insight Corp., a public policy and economic development consulting firm.