



# The Economic Outlook

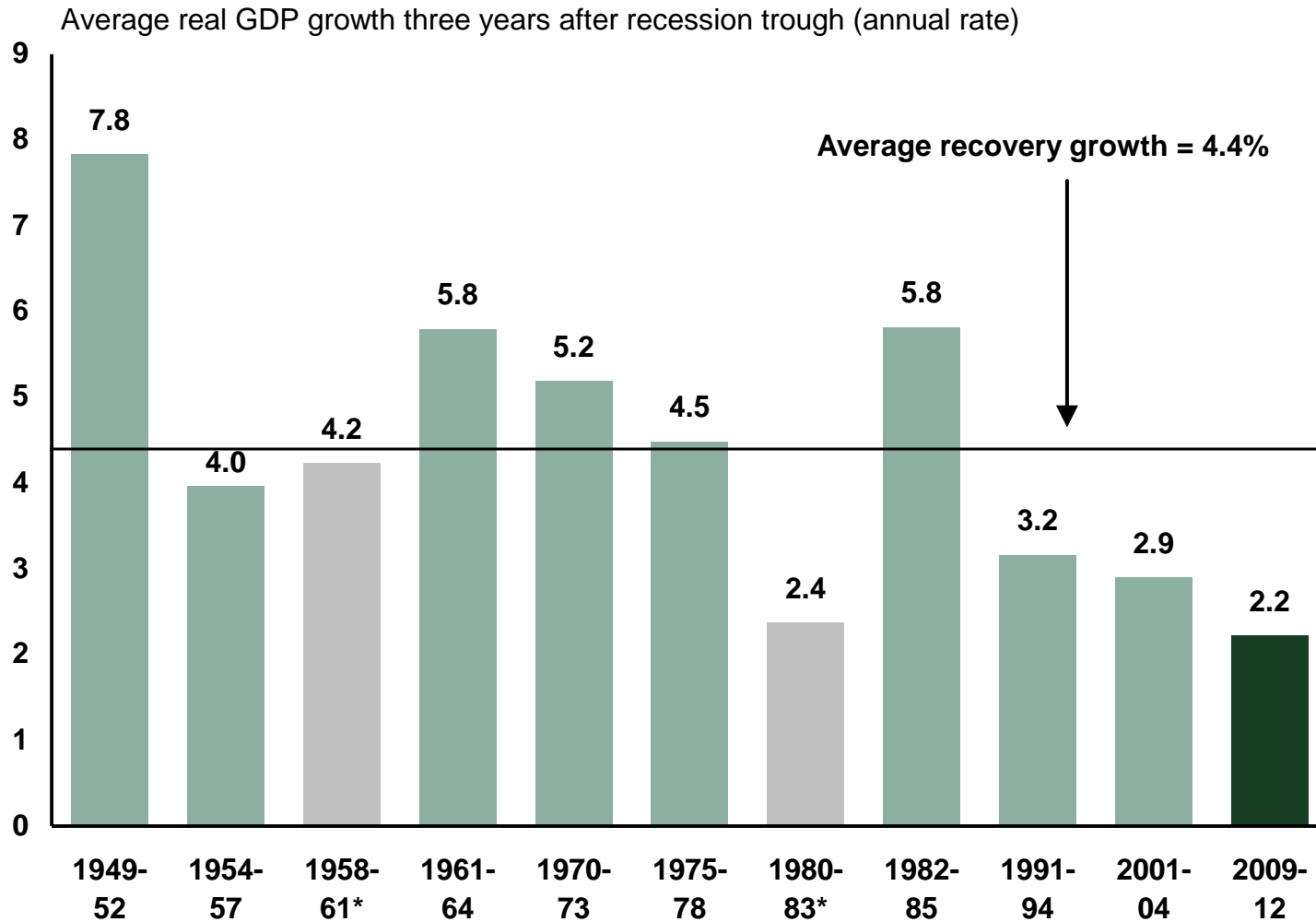
James Marple, Senior Economist

TD Economics

June 10, 2013

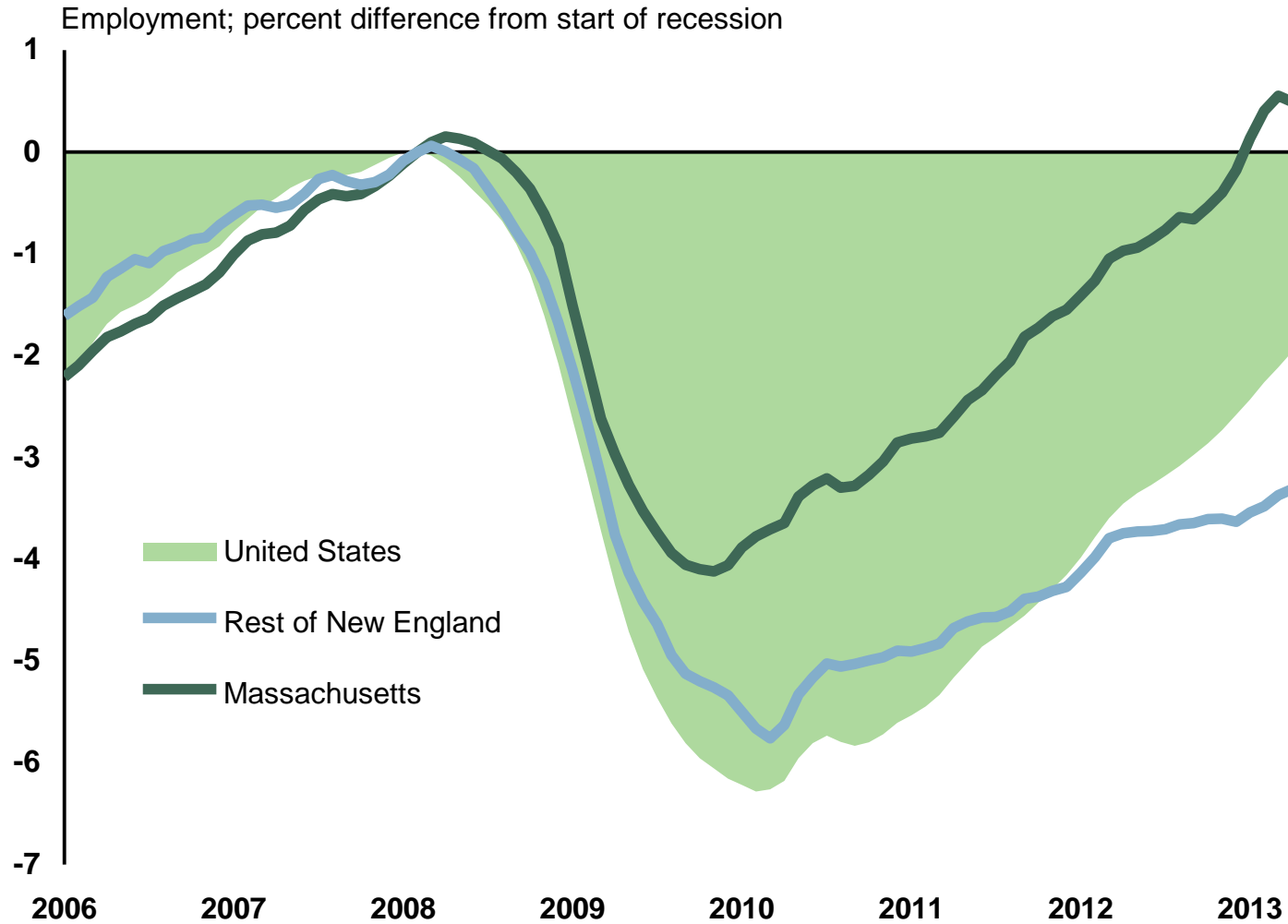


# This time is different



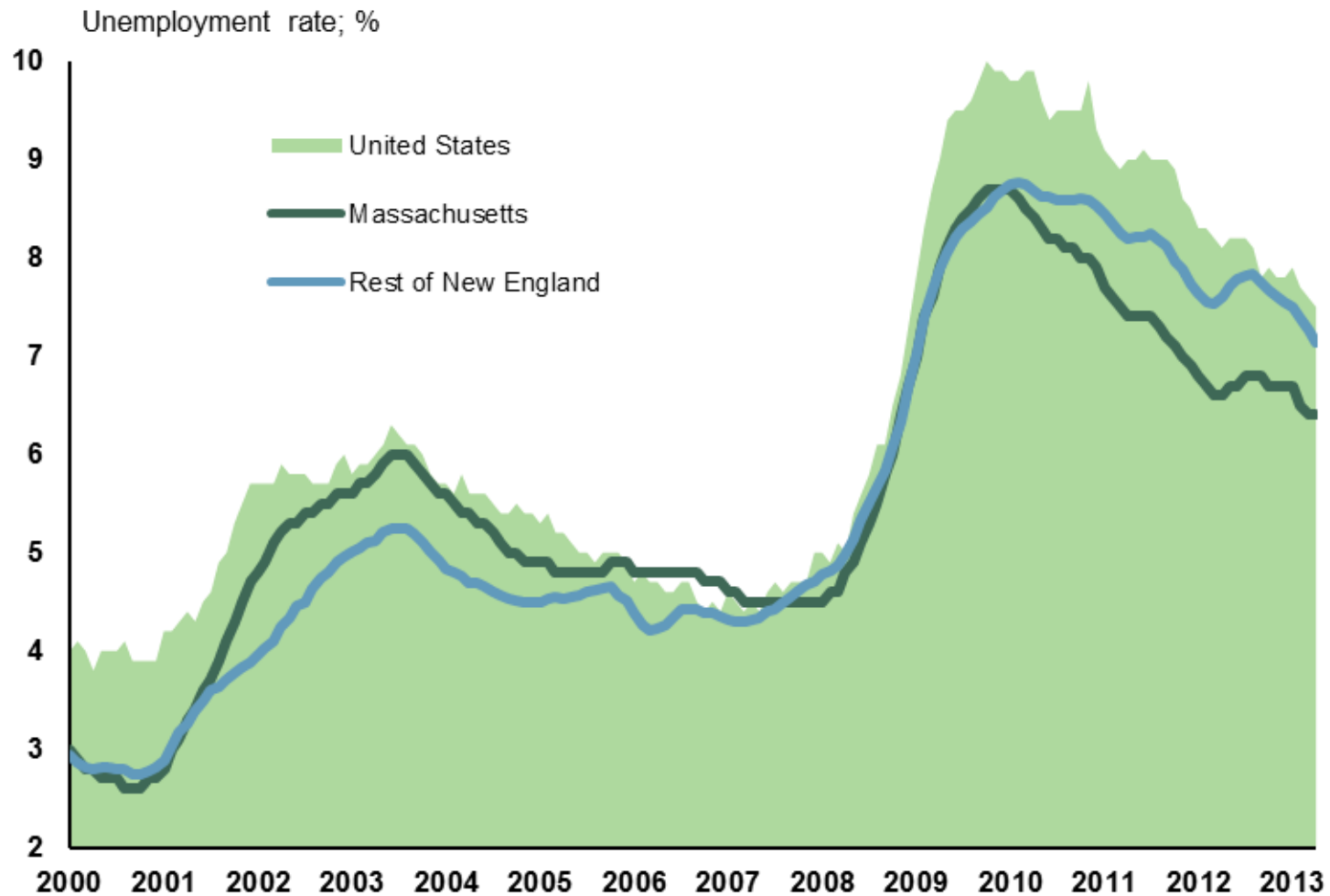
\*Recessions contained within period. Source: Bureau of Economic Analysis

# Massachusetts did not fall as far as the rest of the country



Sources: Bureau of Labor Statistics, TD Economics

# ...but jobless rate is still elevated...



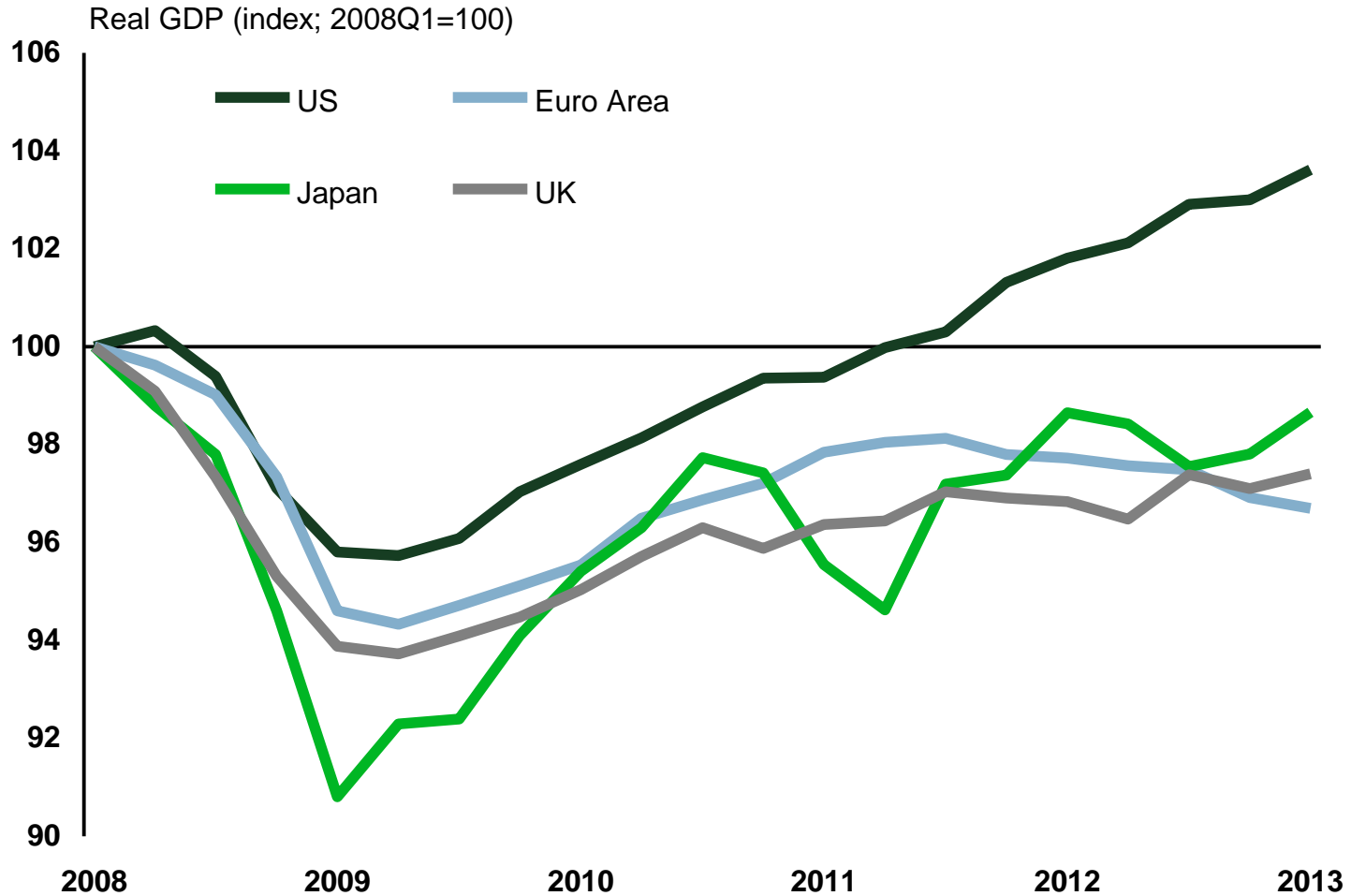
Sources: Bureau of Labor Statistics, TD Economics

# What's in store for the economy?



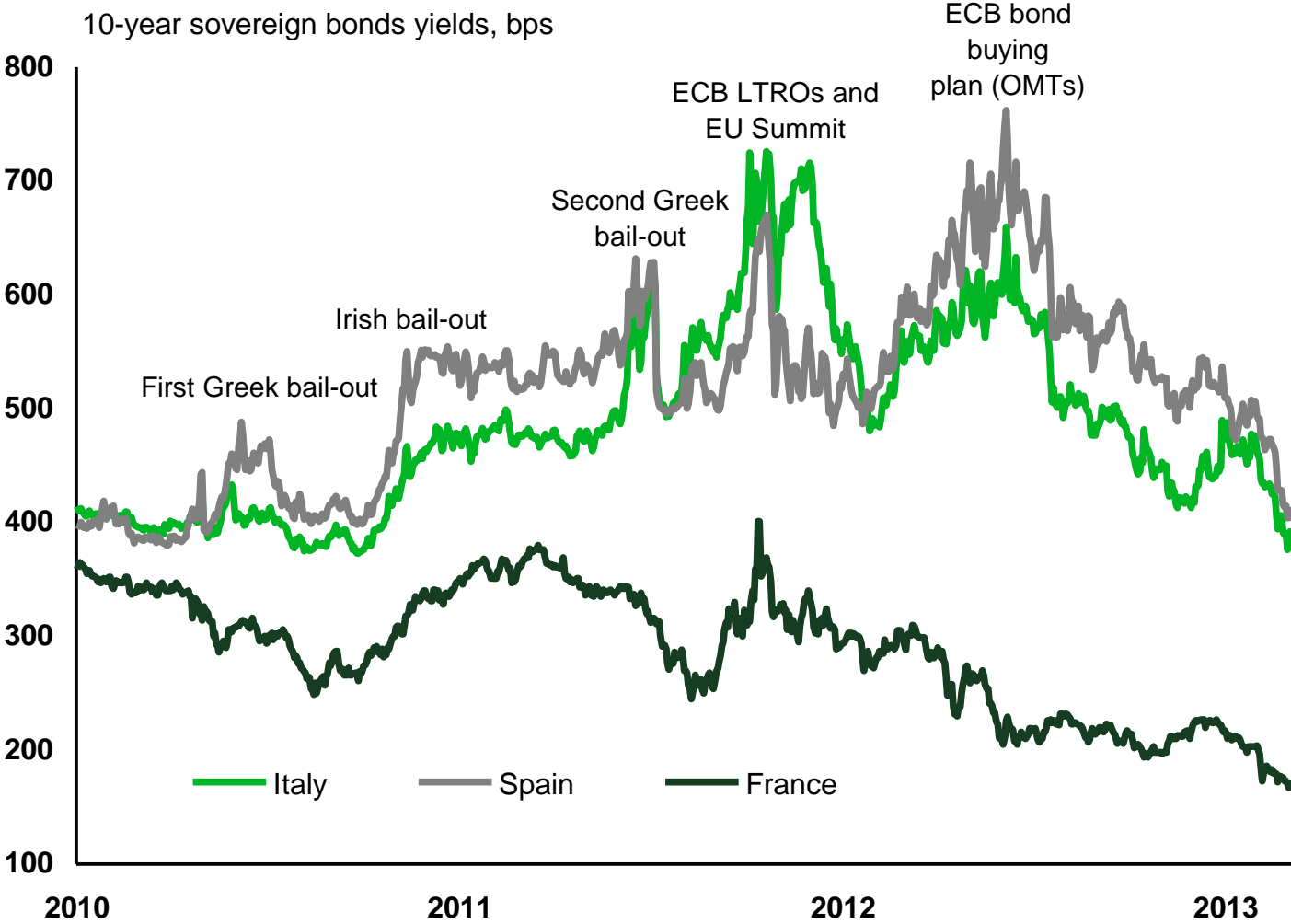
- Lots of upside potential:
    - Housing
    - Consumer spending
    - Investment & job creation
  - Weighing on growth:
    - Fiscal drag – tax hikes, sequestration...
    - Global prospects & risks
-

# U.S. leads its peers by a wide margin



Source: Bureau of Economic Analysis, Statistical Office of the European Communities, Office for National Statistics, Cabinet Office of Japan, TD Economics

# Europe still a risk, but market fears have diminished

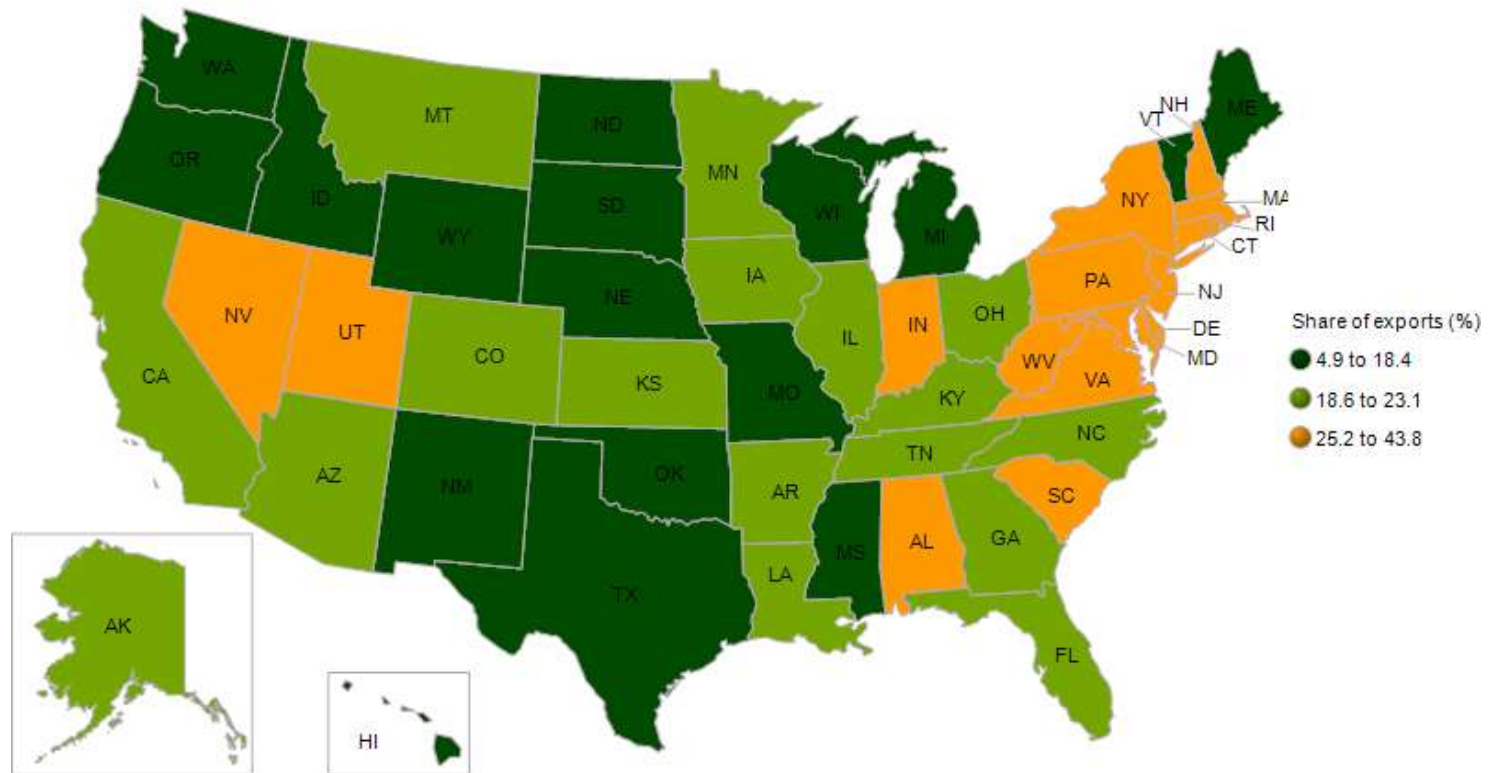


Source: Bloomberg. As of May 7th 2013.

# Massachusetts relatively more exposed to Europe

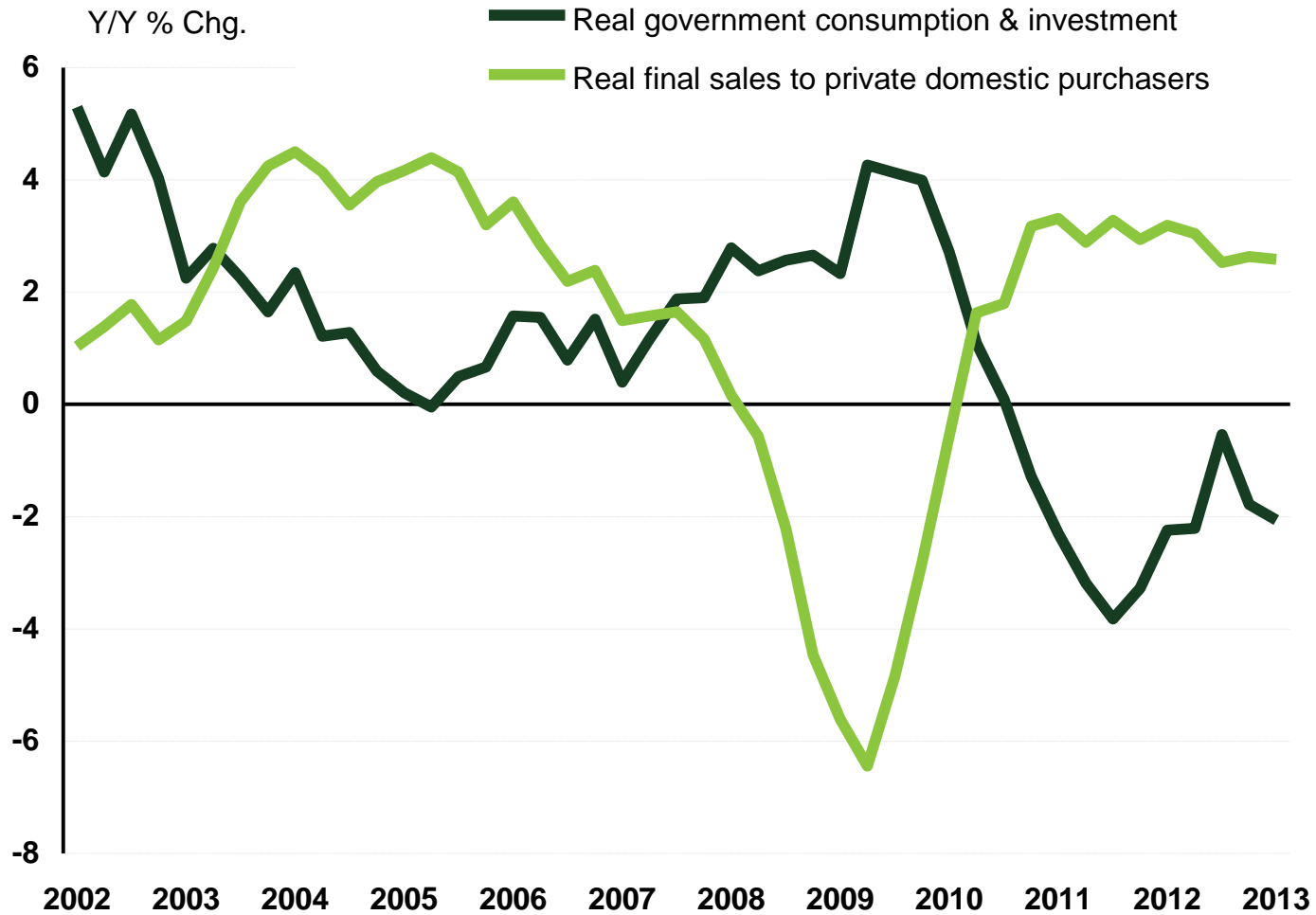


EXPORT EXPOSURE TO EUROPE



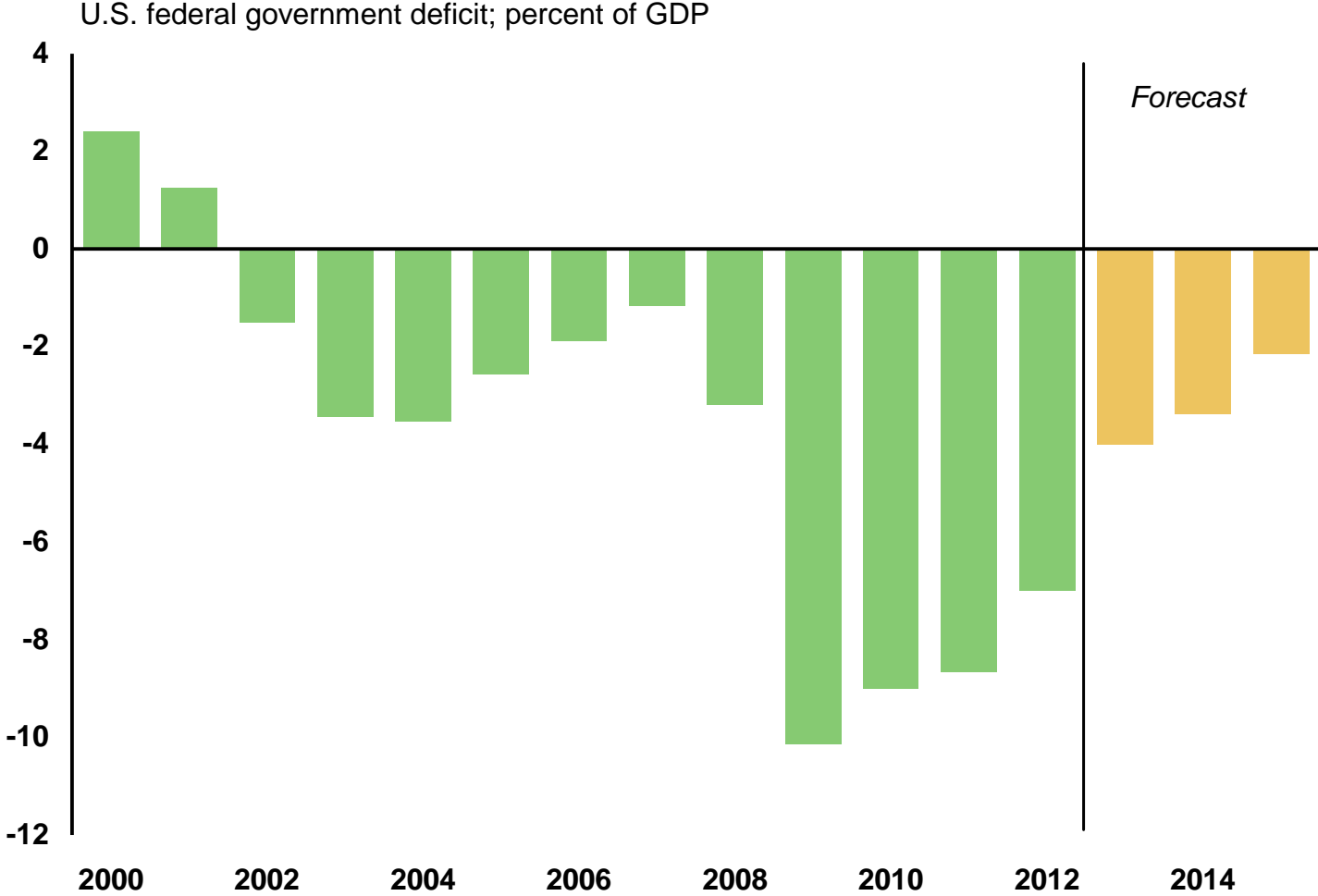


# Governments in retreat



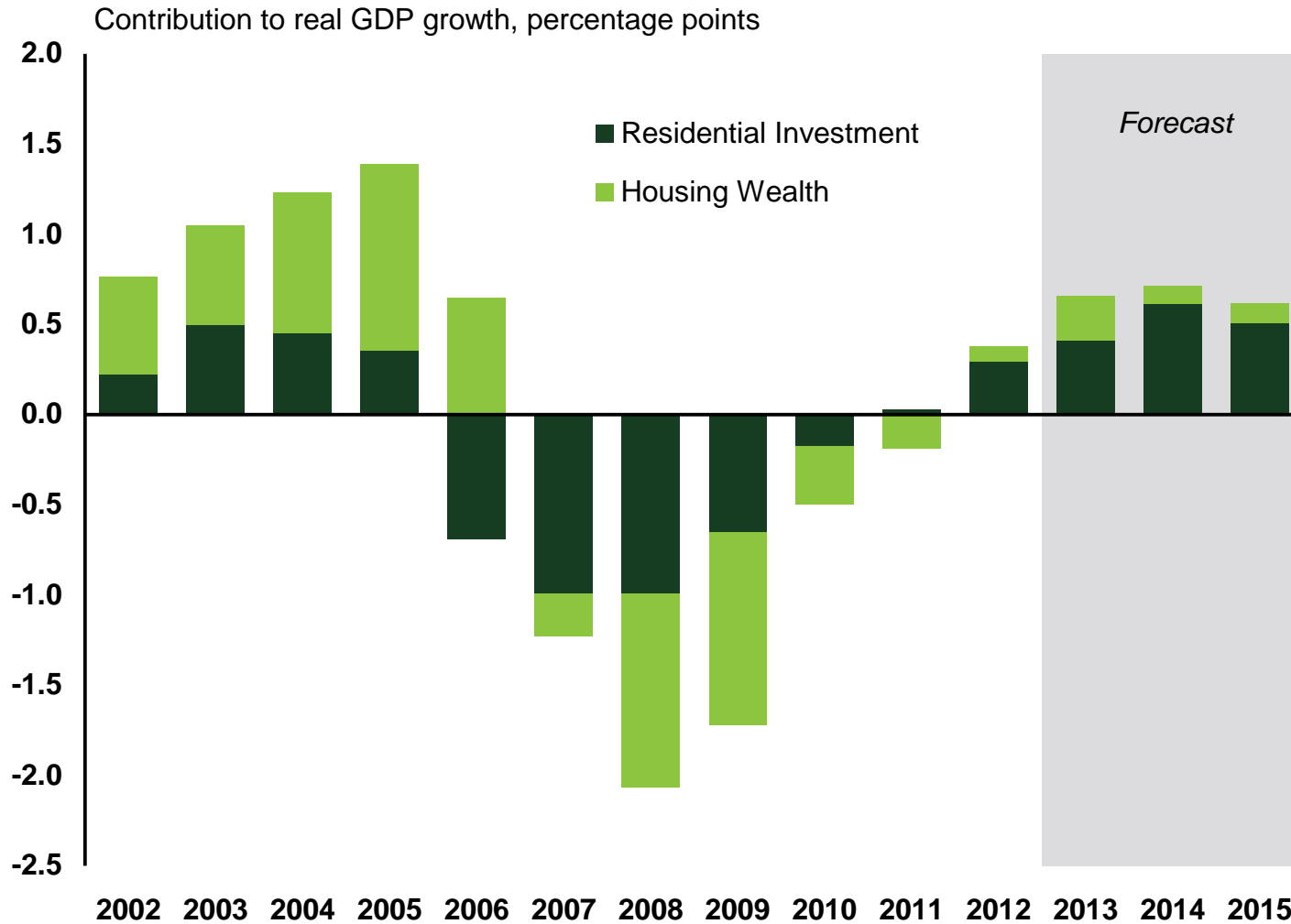
Source: Bureau of Economic Analysis, Haver Analytics

# The federal deficit is falling rapidly...



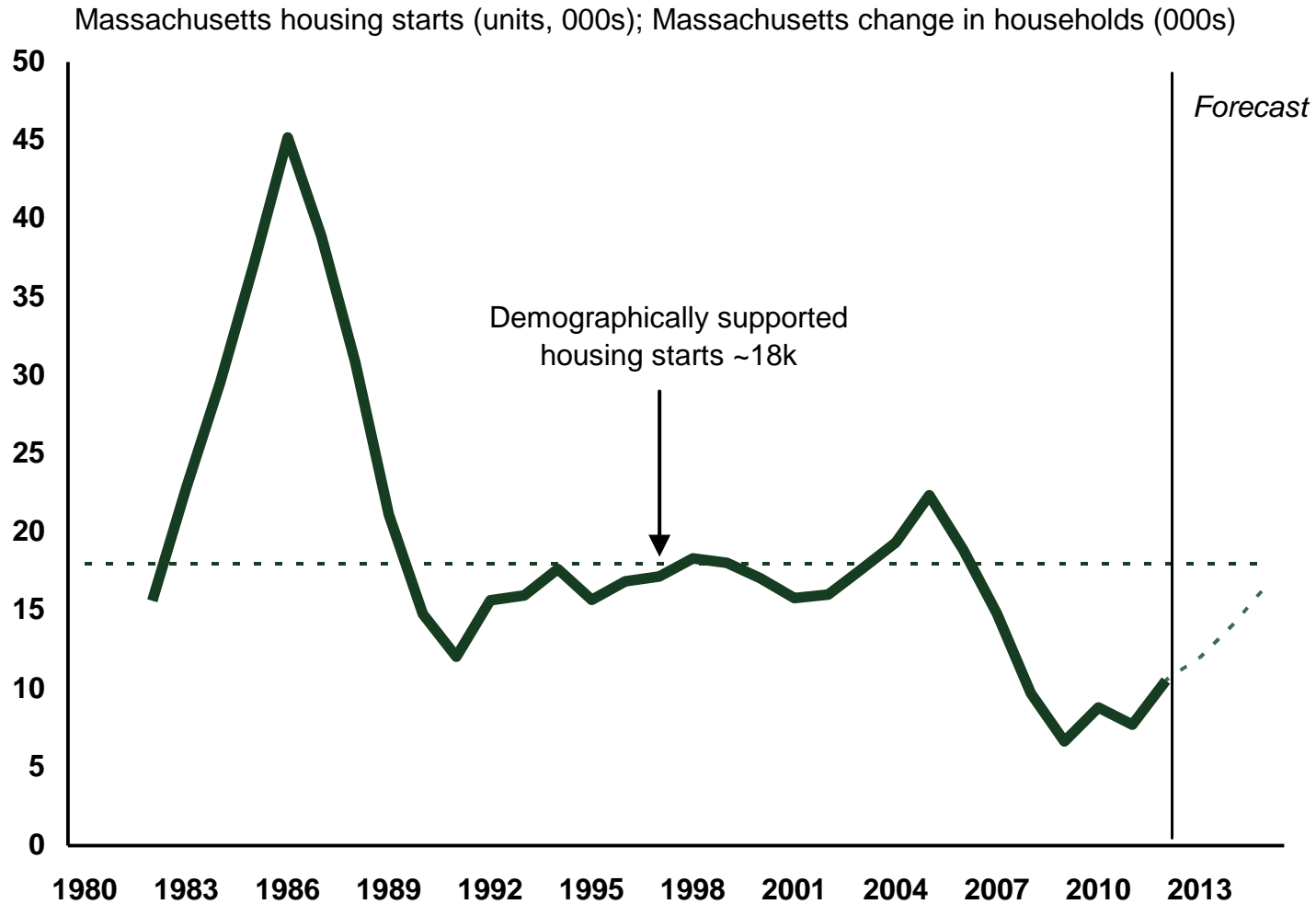
Source: Congressional Budget Office May 2013 Forecast Update

# Housing becoming a growth leader



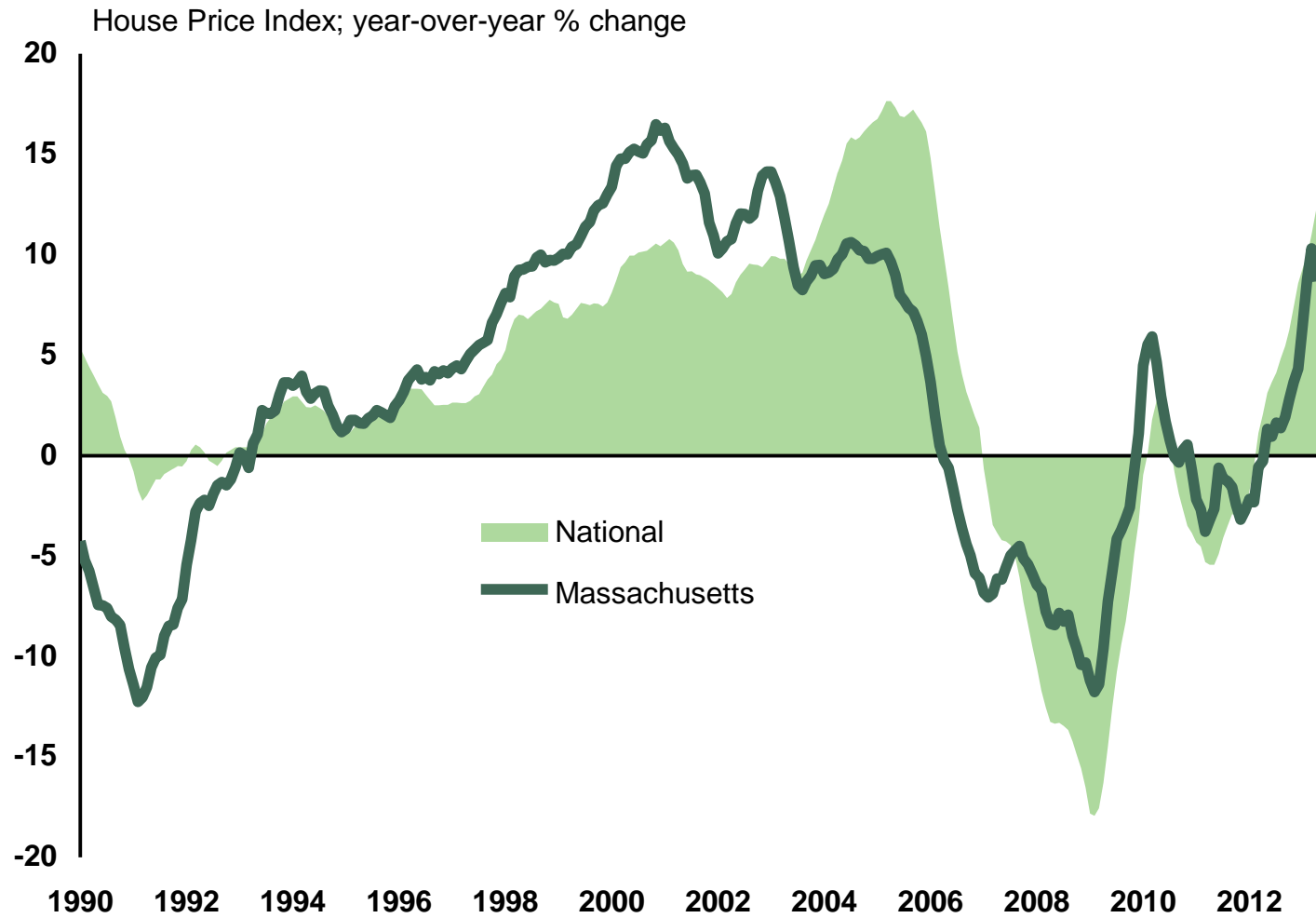
Housing wealth estimates by TD Economics. Source: Bureau of Economic Analysis

# Can only under build for so long



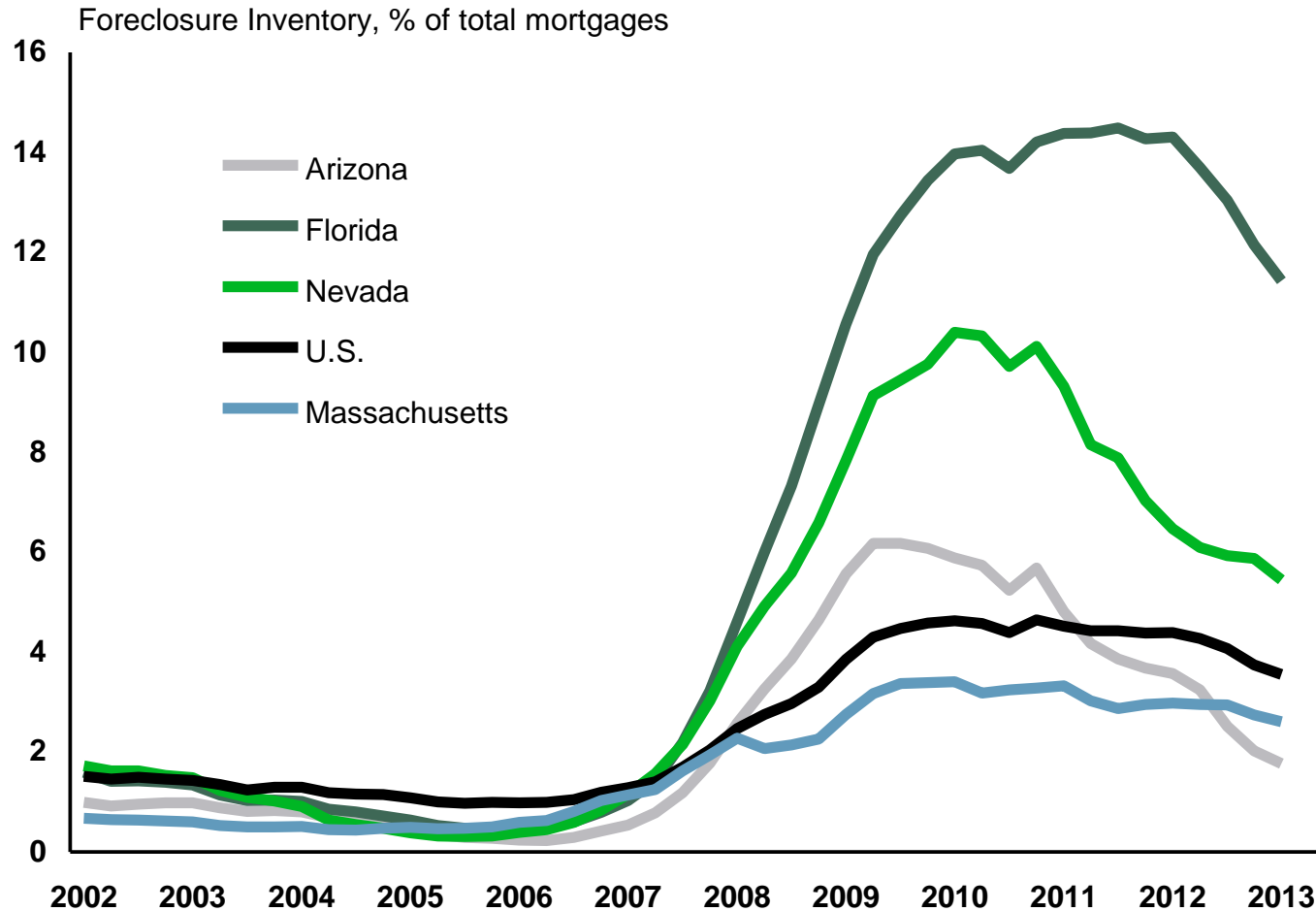
Source: U.S. Census Bureau, TD Economics

# Home prices recovering



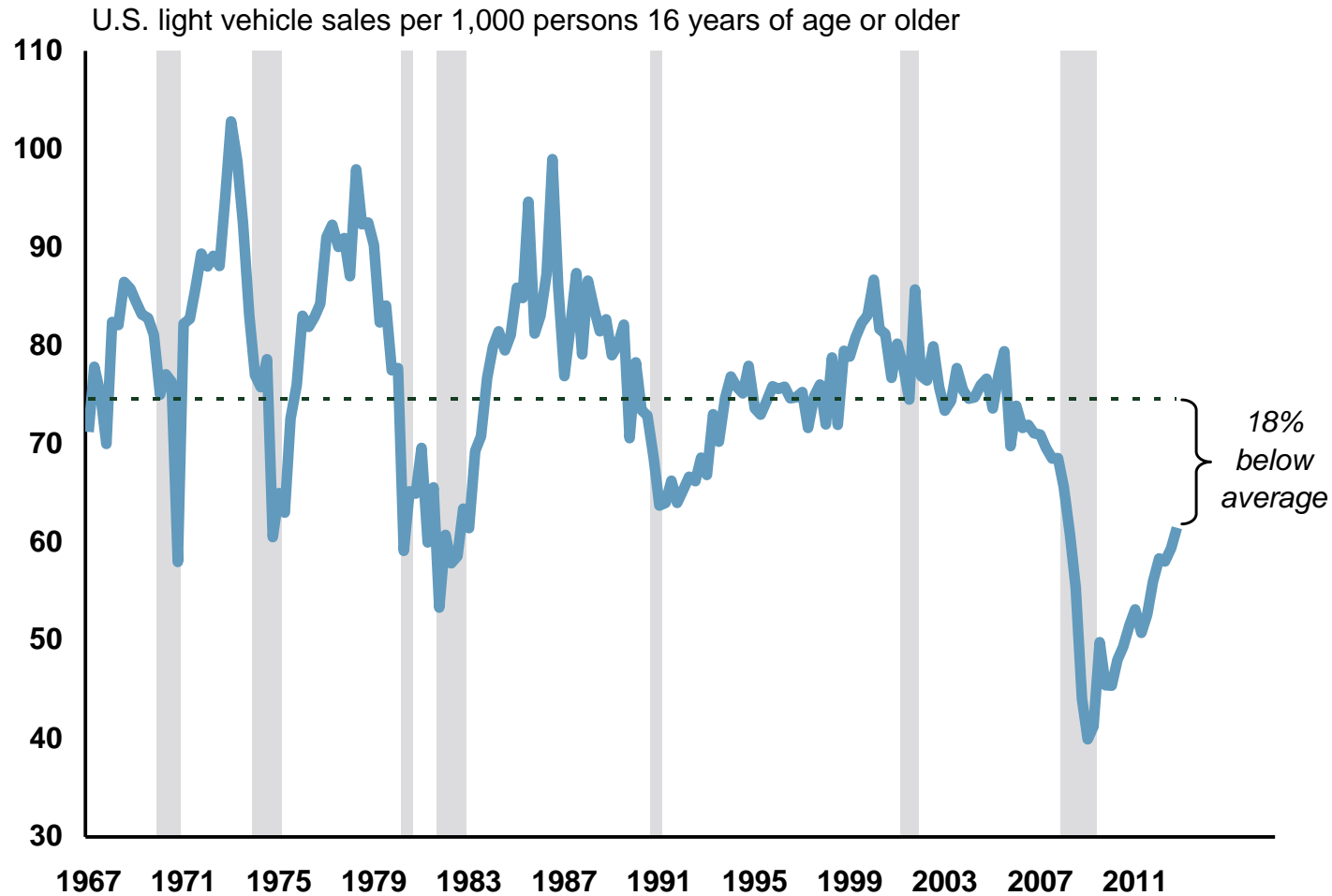
Source: CoreLogic

# Foreclosures are falling across most of the country



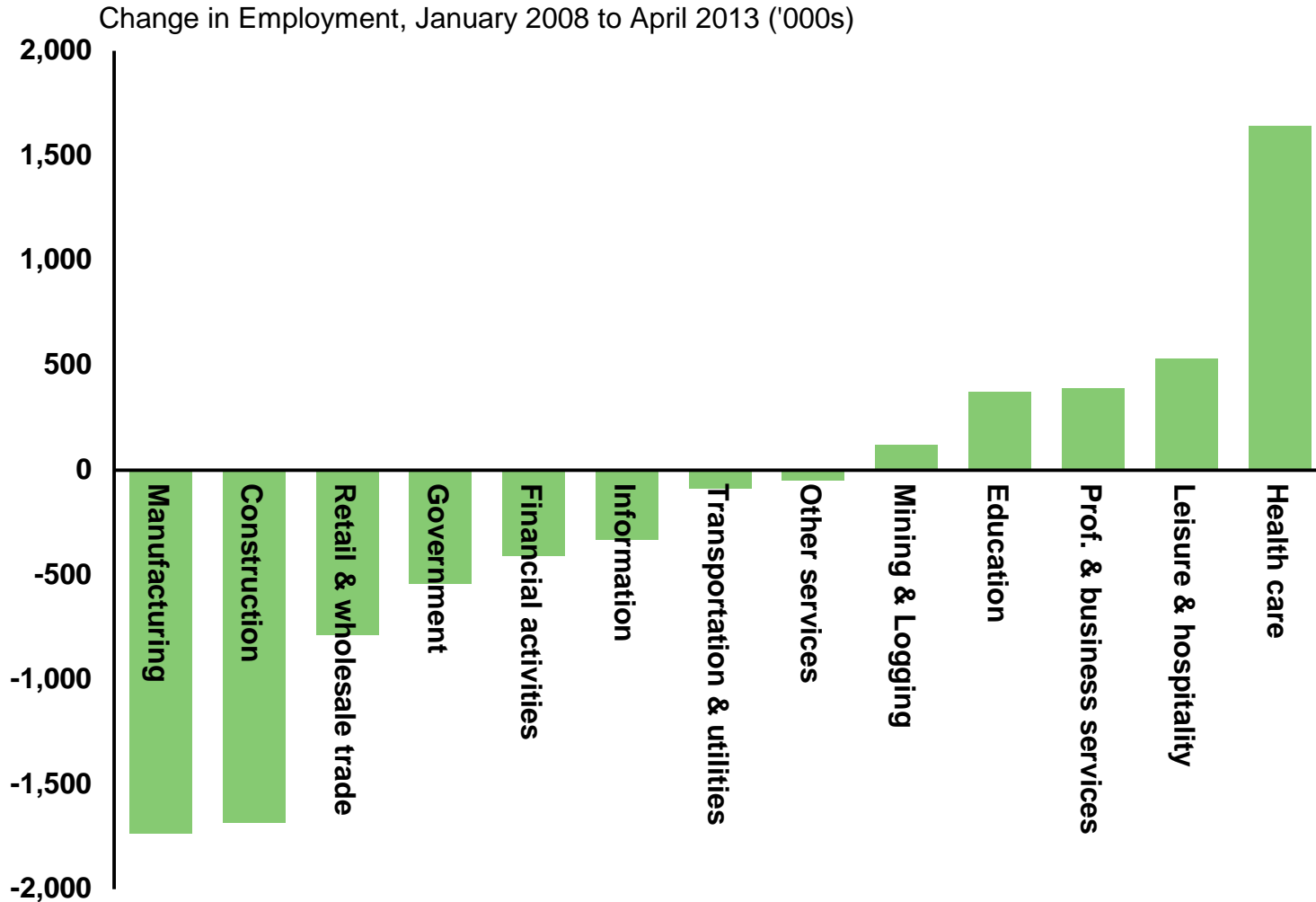
Source: MBA, Economy.com. As of Q1 2013.

# Housing rebound also supports consumer spending



Source: Bureau of Economic Analysis, TD Economics

# Job market will benefit from housing & consumer led recovery



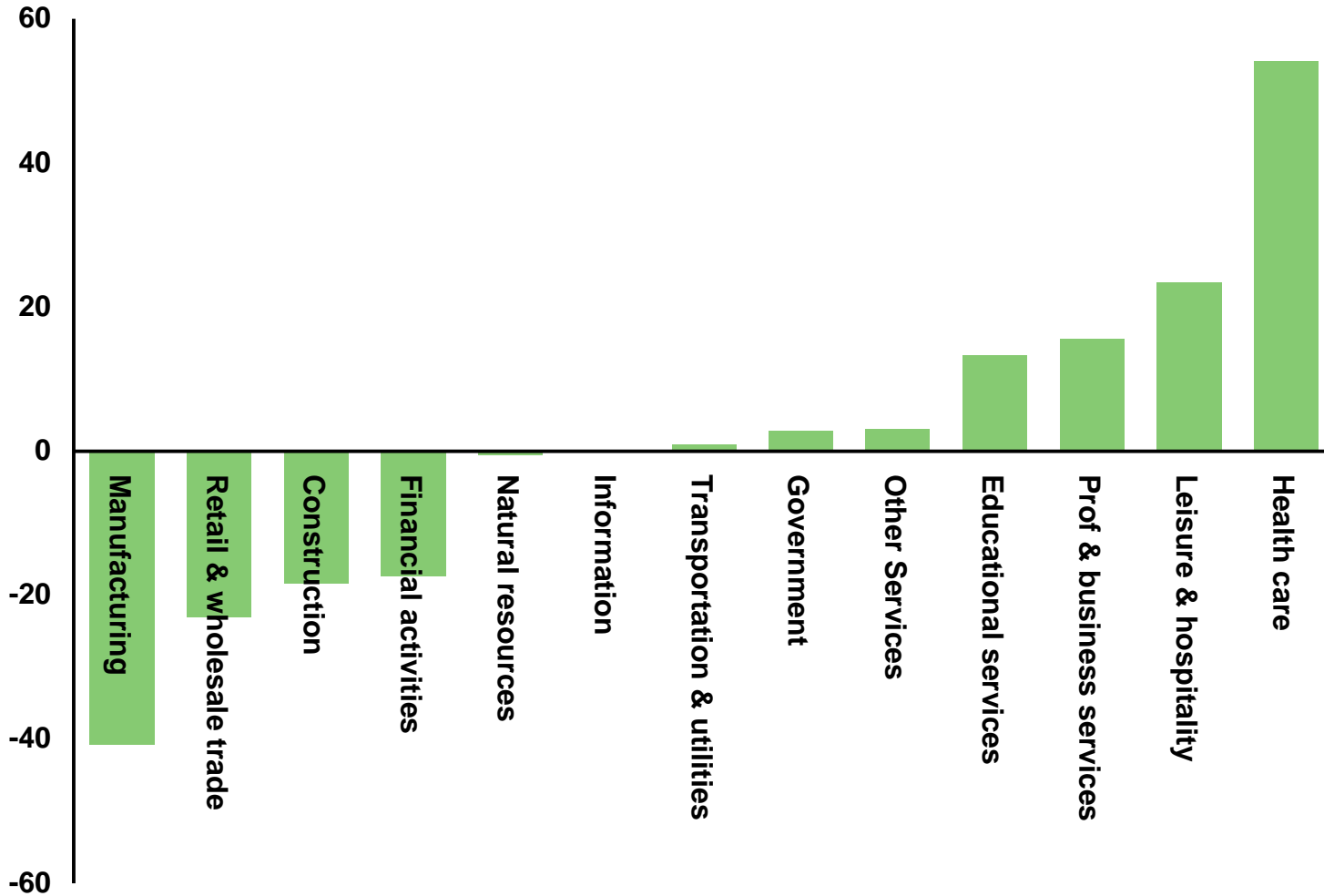
Source: Bureau of Labor Statistics



# Healthcare will continue to add jobs

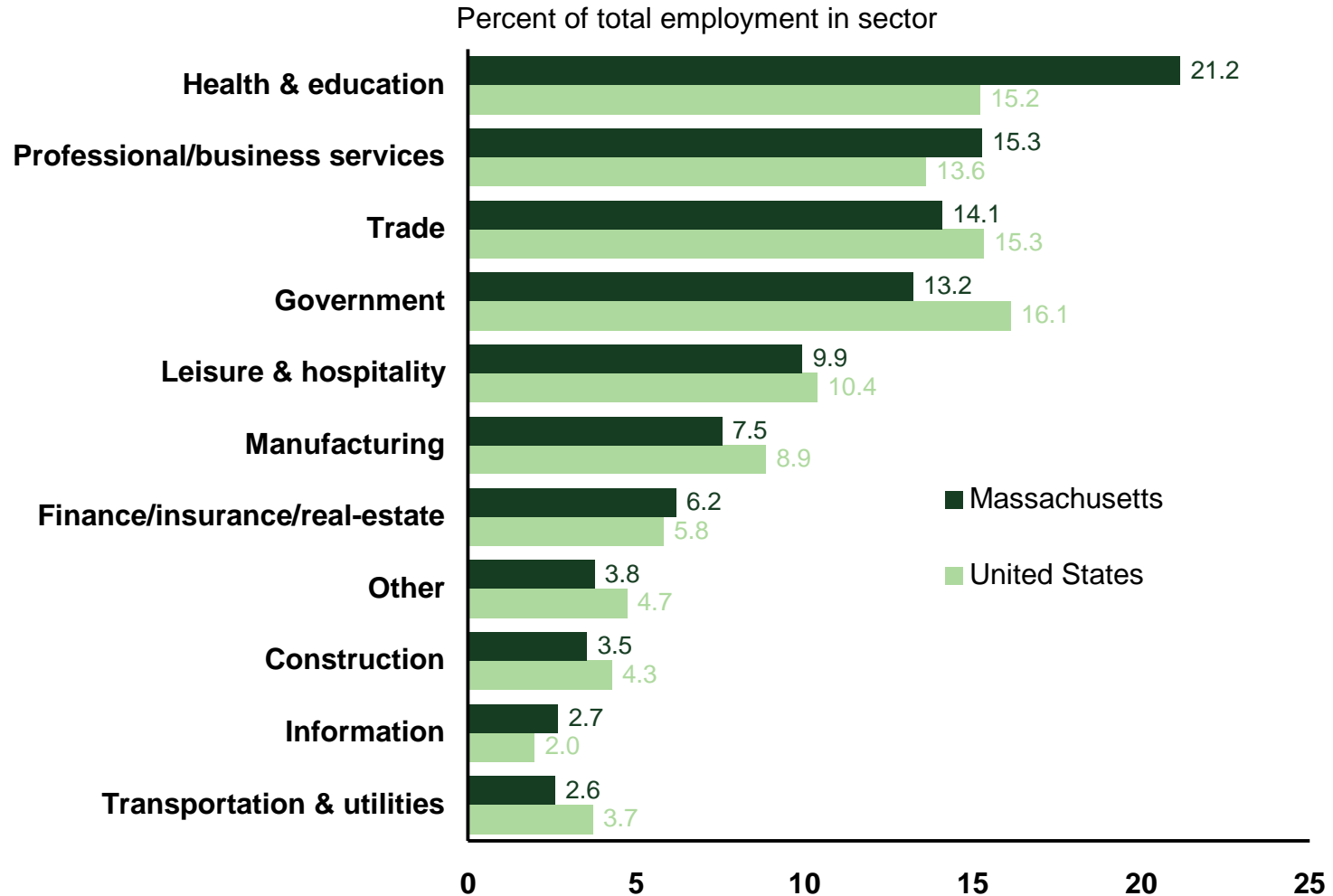


Change in Massachusetts employment, January 2008 to April 2013



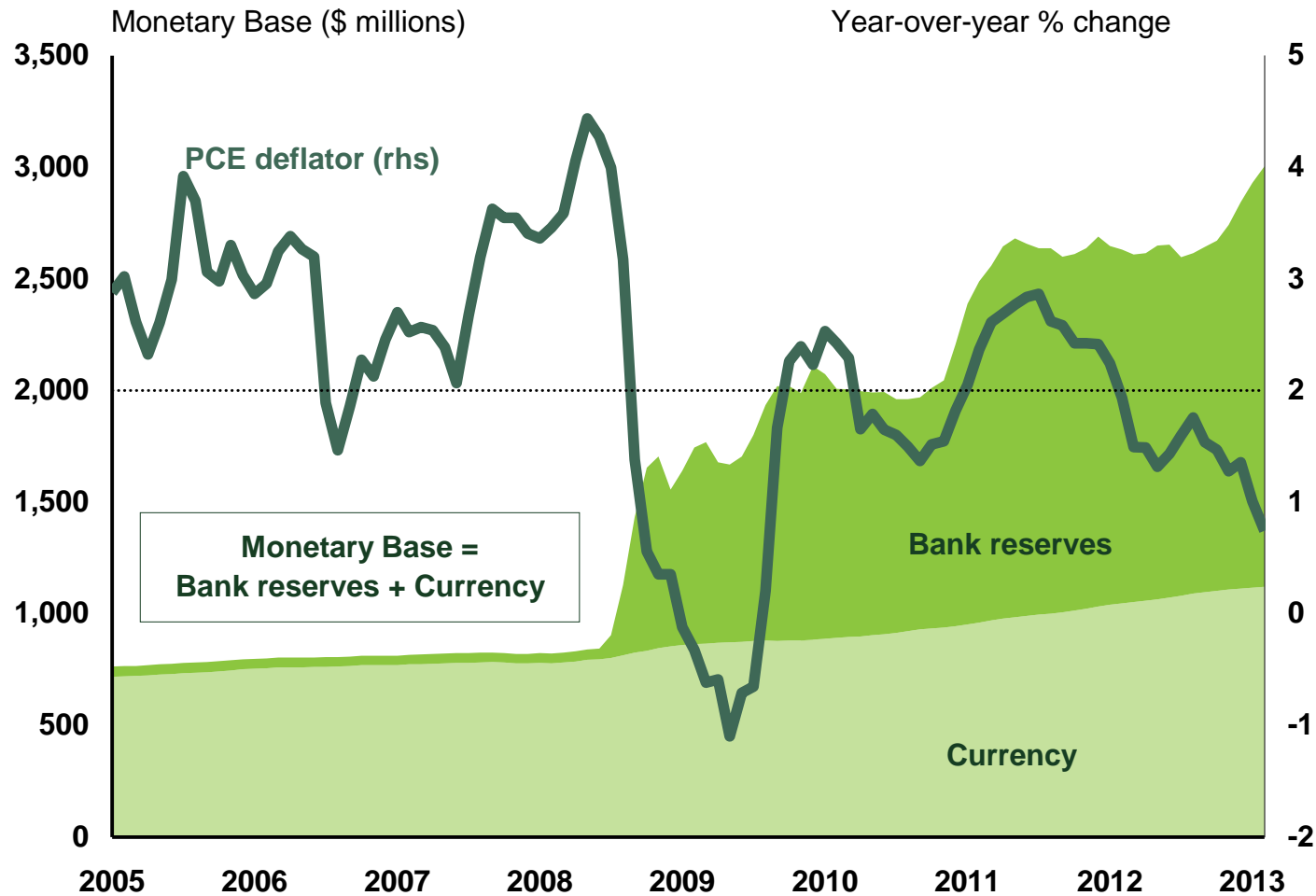
Source: Bureau of Labor Statistics, TD Economics

# Positioning in growth sectors benefits Massachusetts



Source: Bureau of Labor Statistics

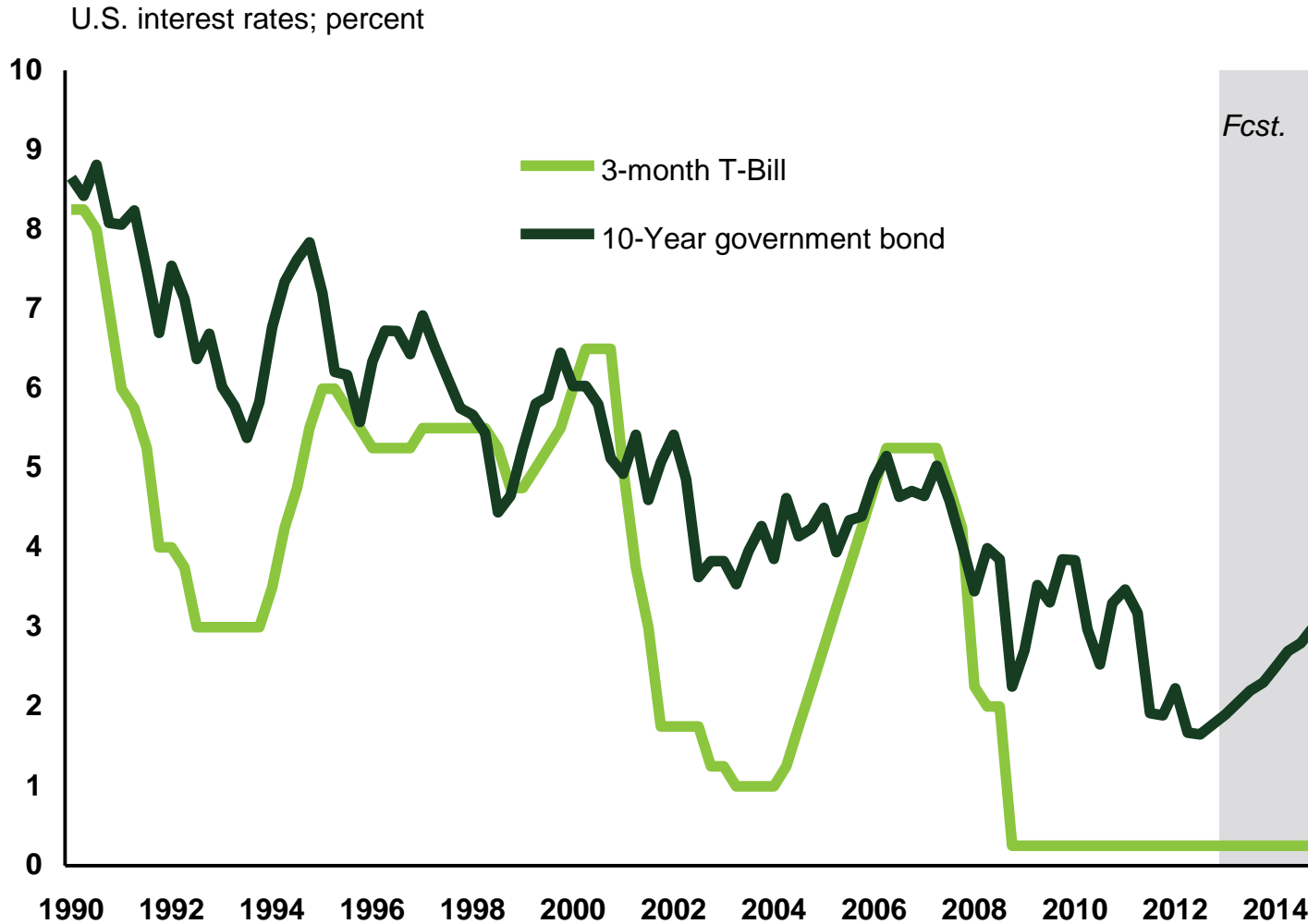
# Fed to remain accommodative...



Notes: Last data point for March 2013.

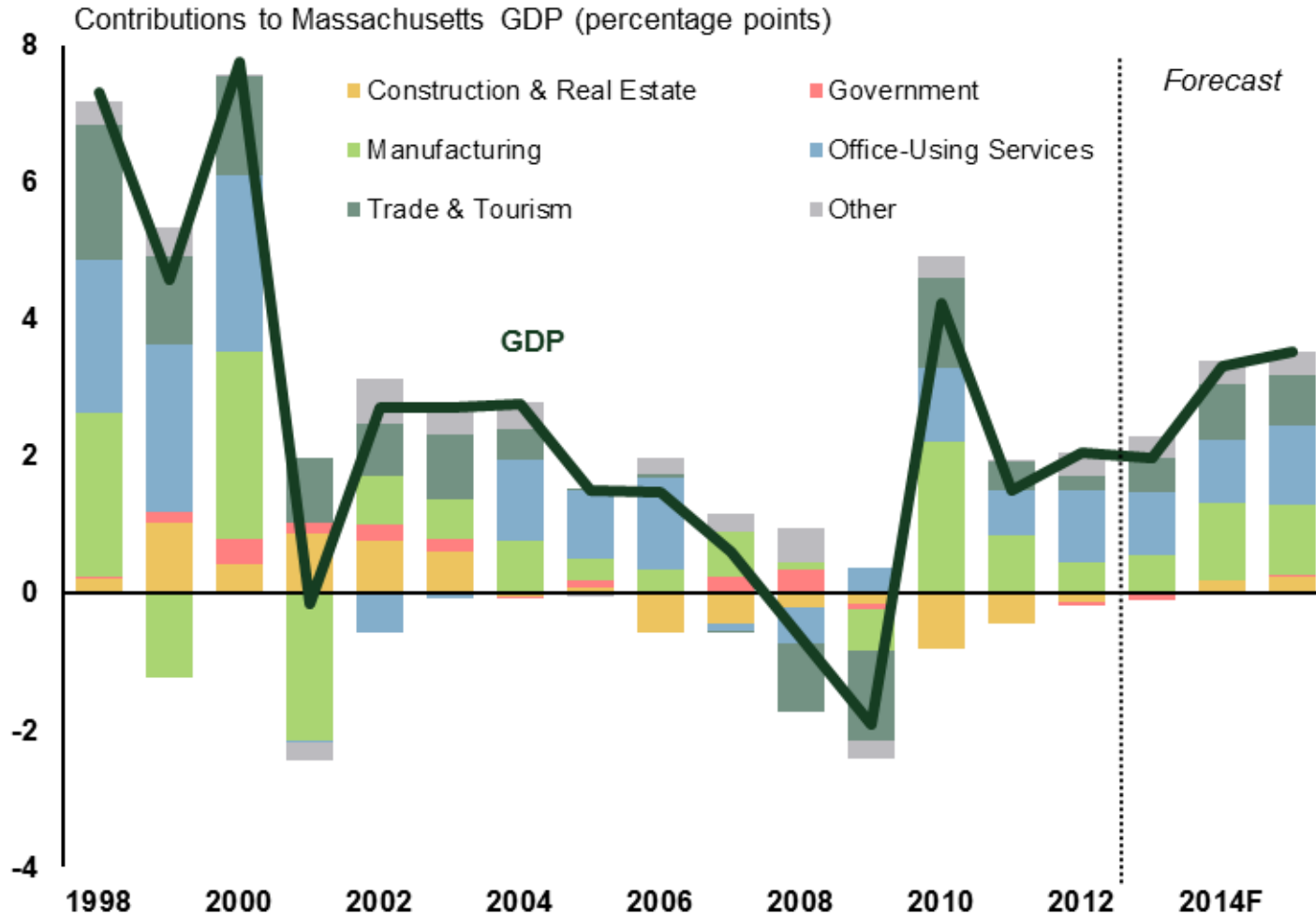
Sources: Federal Reserve Board, Bureau of Economic Analysis, TD Economics

# Interest rates to rise gradually with economic recovery



Source: Federal Reserve Board; Forecast by TD Economics at September 2012

# Massachusetts economy to gain speed over next year

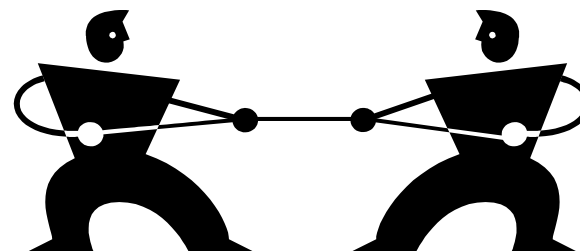


Source: Bureau of Economic Analysis, TD Economics. Forecast as of March 2013.

# The bottom line



- Tug-of-war within economy
- Tax hikes & spending cuts are a drag
- Global growth weighs, but gradually improving
- Housing recovery is in its early stages
- Fed to remain stimulative
- Real GDP growth of ~2.2% in 2013, ~3.4% in 2014





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