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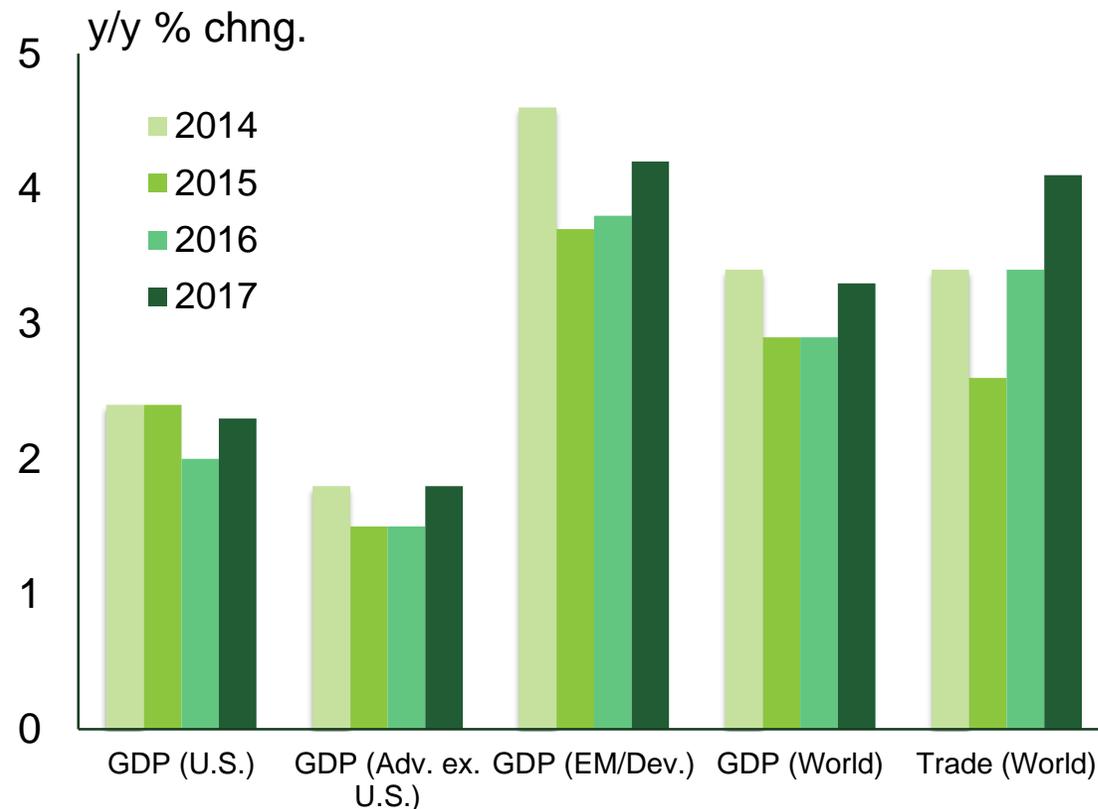
June 2016



Global growth improving after rough patch, but risks remain



- Global growth is tepid, but accelerating
- Chinese economy slowing, as it rotates
- EMEs adjusting to lower commodity prices
- AEs continuing stimulative monetary policy
- Trade to increase with economic activity
 - Would benefit from trade deals (TPP, TTIP)
 - Rising protectionism remains a risk
- U.S. growth robust in relative terms, lifting dollar and weighing on exports

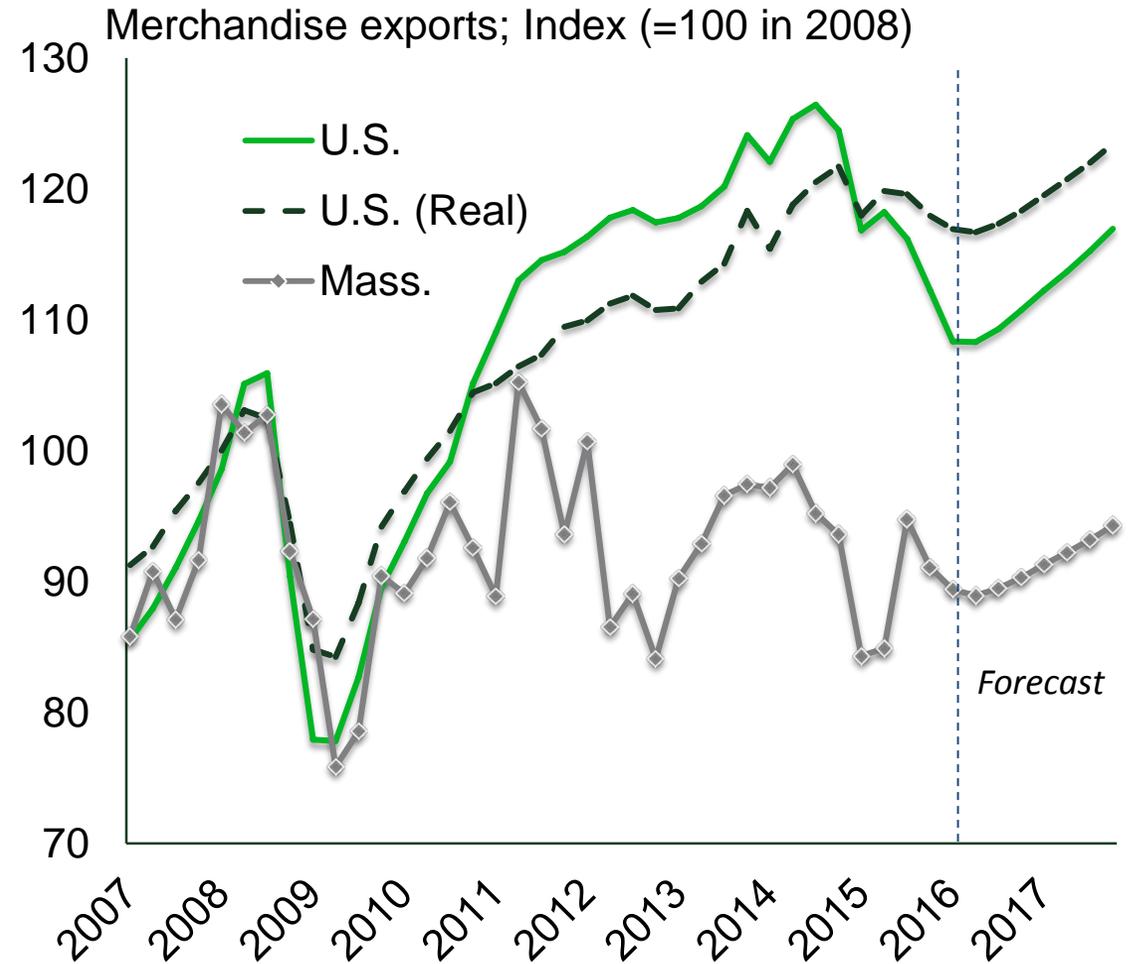


Source: IMF, TD Economics

Goods exports weakened, but state less exposed



- Mass. goods exports not immune to recent slowdown, down 8% last year, but faring better recently up 6% in Q1 from a year ago
- State exported \$25.2bn in goods in 2015, or 6% of GDP and lower than 10.5% nationally
 - Middlesex (\$9.1bn), Essex (\$6.4bn), and Norfolk (\$4.0bn) account for more than 2/3rd of all goods exports from the state
- Mass. goods exports lagged during recovery
 - Destination: Europe (40%) and Pacific Rim (30%) are top export markets
 - Industries: low exposure to auto, oil, etc.
 - Price effects: gold, IT products, etc.



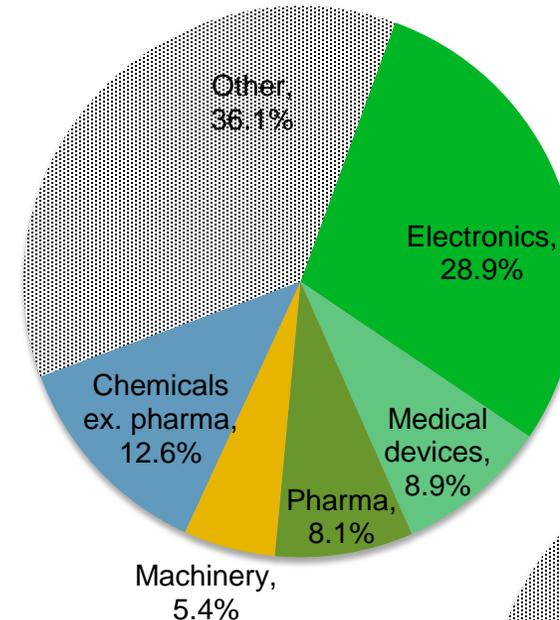
Source: BEA, Census Bureau, TD Economics

Export outlook better for higher value-added goods

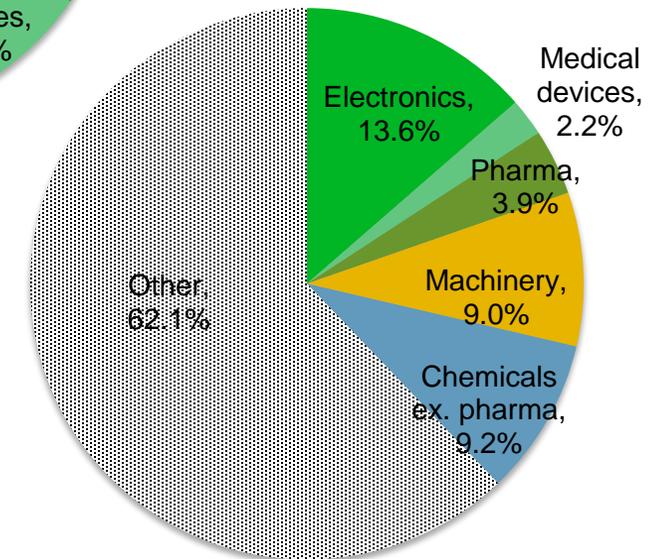


- Despite relatively small share, Mass. goods exports hugely beneficial on high value-add
 - High-tech: electronics and computers (30%)
 - Health care: pharmaceuticals and medical devices (17%)
 - Machinery and chemicals (18%)
- U.S., and Mass. in particular, tend to have competitive advantage in many high-value added goods given human capital, strong IP protections, etc.
- Outlook for higher value-added goods (pharma, electronics, machinery, aerospace) is bright and Mass. stands to capitalize

Massachusetts goods exports



U.S. goods exports

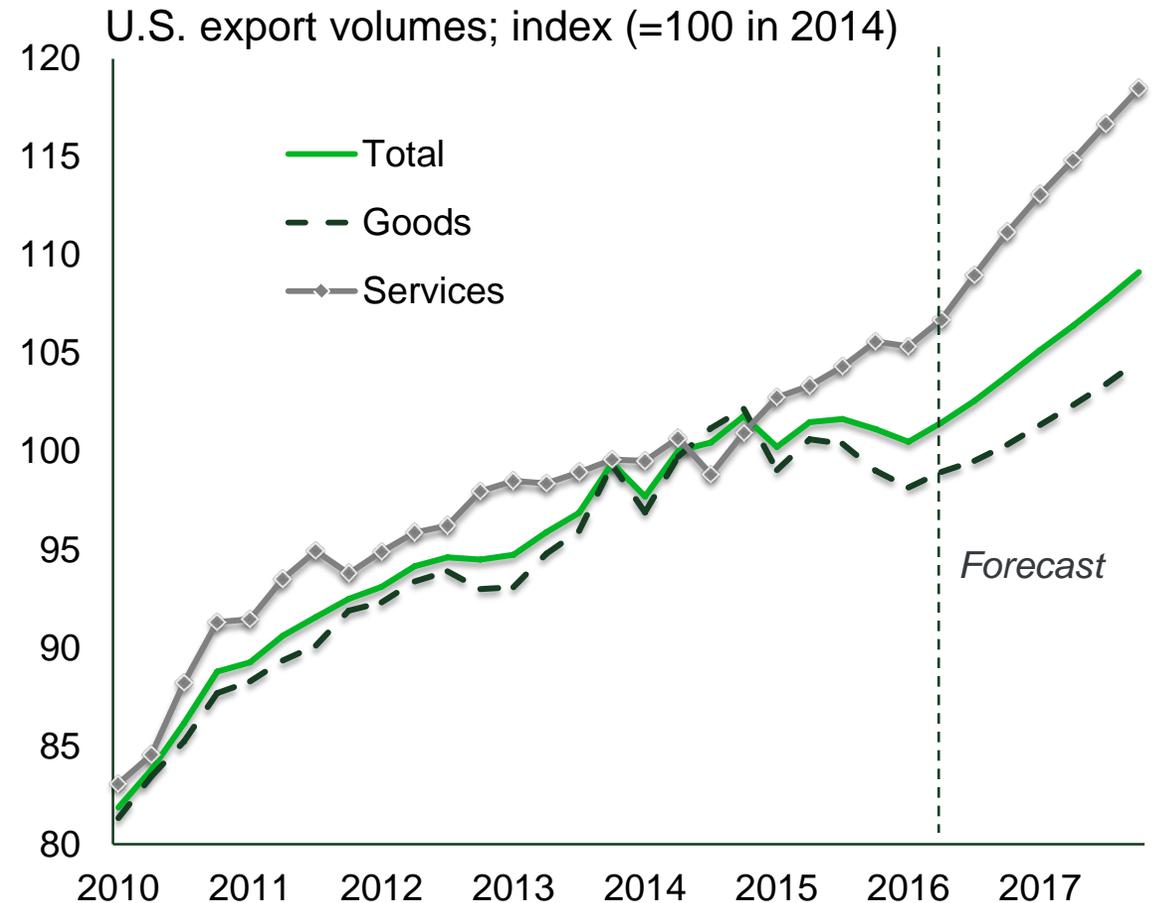


Source: Census Bureau, TD

Service exports resilient and outlook very bright



- Unlike goods, services exports continued to expand despite the global slowdown and sky-high U.S. dollar
- Value of service exports doubled since 2005
- This is particularly important for Mass. which is highly-exposed to services exports
 - Estimates suggest that Mass. exported more than \$25bn in services last year, exceeding value of int'l merchandise shipments
 - Nationally, service exports make up only 1/3rd
- Outlook for services exports is especially bright, given the evolving global economy

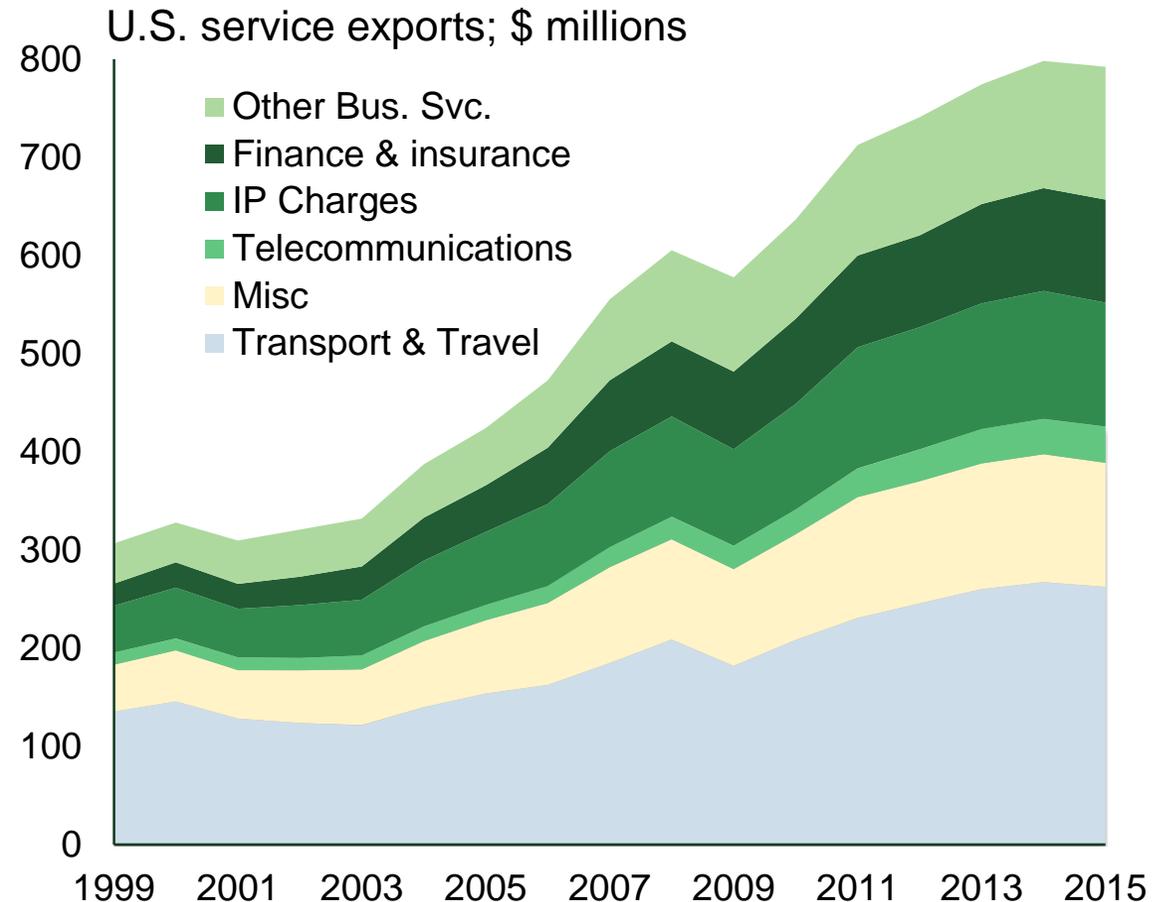


Source: BEA, TD Economics

Mass. stands to benefit from future trade agreements



- Currently FTAs with 20 countries, covering 47% U.S. and 31% Mass. goods exports
 - Exports to FTA countries outpacing those to non-FTA nations
- TTIP and TPP deals currently negotiated could extend free market access to additional 15% of U.S. and 33% of Mass. goods exports, removing sizeable tariffs
- These trade agreements would also benefit Mass. by removing barriers to services trade, improving regulation and setting standards for trade in services



Source BEA, TD Economics



Thank you

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