

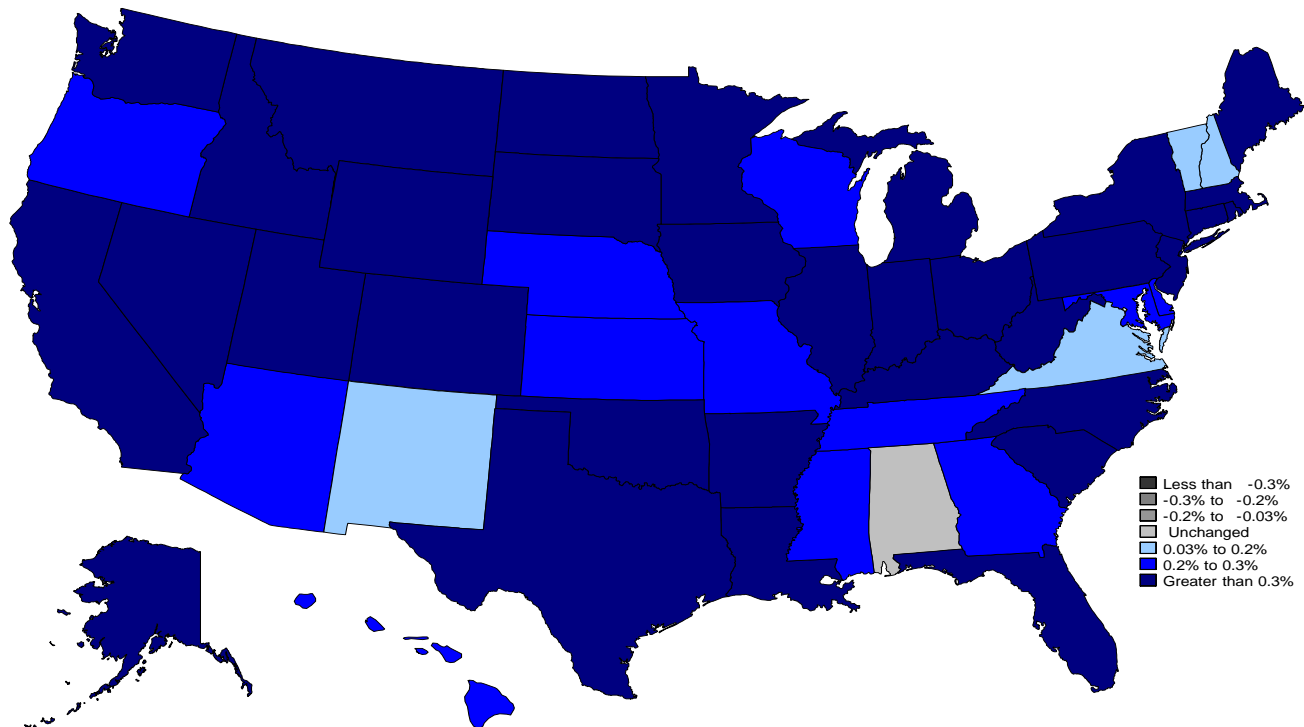
## Regional Analysis

# State Activity Indexes: June 2014

Boyd Nash-Stacey

- State output increased in 47 states and remained unchanged in 3 states. In addition, the pace of expansion accelerated in 22 states, decelerated in 22 and was unchanged in 6.
- Higher business confidence and improving consumer expectations supported above average activity in transportation and wholesale trade sectors in several states.
- For Alabama and New Mexico, Federal spending cuts and reduction in government payrolls continue to offset gains in the private sector.
- The fact that a majority of industries, in a majority of states are growing positively supports our expectations for acceleration in state-level activity in 2H14.
- However, ongoing geopolitical instability and sluggish global growth are creating headwinds in export dependent states, counteracting positive domestic trends.

Chart 1  
Activity Indexes, June 2014, 1-Month % Change



Source: BBVA Research

The state monthly activity indexes incorporate the latest sector-level employment data, exports, building permits and home price data for each state along with regional existing home sales. The value of the index corresponds to economic output where Jan-1996=100. A positive growth rate indicates economic expansion, and a negative value indicates contraction.

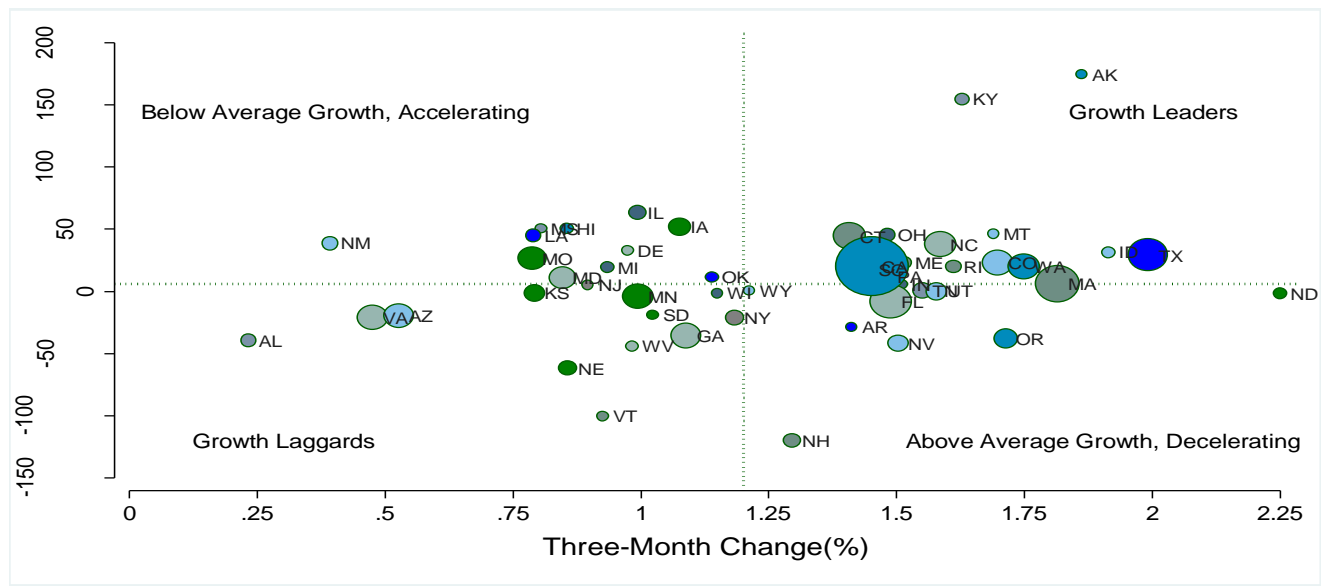
Table 1  
**Across the U.S., Selected Indexes**

June 2014		Avg. Annualized Growth Rate (%)			BBVA Forecasts*			Activity Rank
State	Index	3 Mo.	6 Mo.	12 Mo.	Housing	Emp.	GDP	3 mma
Alabama	156	0.9	1.7	2.8	4.6	0.6	1.9	50
Arizona	188	2.1	2.5	2.9	13.2	2.8	2.1	47
California	192	5.9	5.5	5.8	6.4	2.8	2.4	21
Colorado	196	7.0	6.5	6.0	7.6	3.5	3.3	8
Florida	170	6.1	6.3	6.4	9.9	2.3	3.8	18
New Mexico	181	1.6	0.9	2.3	4.9	1.0	1.1	49
North Dakota	288	10.6	10.6	10.0	7.9	5.7	11.8	1
Oregon	250	7.1	7.9	8.1	9.2	2.7	3.4	7
Texas	214	8.2	7.6	6.7	6.3	3.4	3.9	2
Utah	216	6.5	6.5	5.8	4.8	4.4	3.8	13
US	173	5.3	5.1	5.0	5.9	1.6	2.0	
Sunbelt	192	6.2	5.9	5.9	7.7	2.9	3.3	
Excluding Sunbelt	165	5.0	4.4	4.5	5.2	1.6	2.2	

Source: BBVA Research, BLS

\*6-month ahead annualized forecast ; GDP=2014 Growth Rate; Housing= FHFA Purchase Only Home Price Index & Emp.= BLS Nonfarm Payroll Employment

Chart 2  
**State Monthly Activity Growth & Acceleration Matrix**



Source: BBVA Research, BLS

Notes: Median= dotted green line; Size of circle based on share of total U.S. GDP; shading indicates Census geographic region

\*North Dakota top-coded for scaling purposes

## Bottom Line

In June, many states were still experiencing the residual effects of the unseasonably cold winter, cutbacks in Federal spending and a sag in residential housing demand. The most acutely impacted states, Alabama, New Mexico and Virginia, lost 7K Federal jobs, year-to-date. Compounding a loss in government payrolls was weak global demand that weighed on export growth, and lackluster residential investment. In the Midwest, however, substantial improvements in key residential housing indicators such as existing home sales, prices and construction, and the addition of nontrivial share of jobs in high-skilled sectors boosted activity in June and underlie a stronger 2H14 for these states. In fact, Illinois' financial sector expanded for the first time since October 2013. Going forward, due to significant weakness in 1Q14 and higher than expected levels of geopolitical uncertainty it will be difficult for 2014 aggregate growth to significantly exceed the newly revised estimate for 2013 of 2.2%. Nevertheless, there are enough positive domestic trends in a majority of states to support our baseline of 2.0%– 3.1% QoQa average growth in 2H14.

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