

Economic Watch

US

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Economic Analysis

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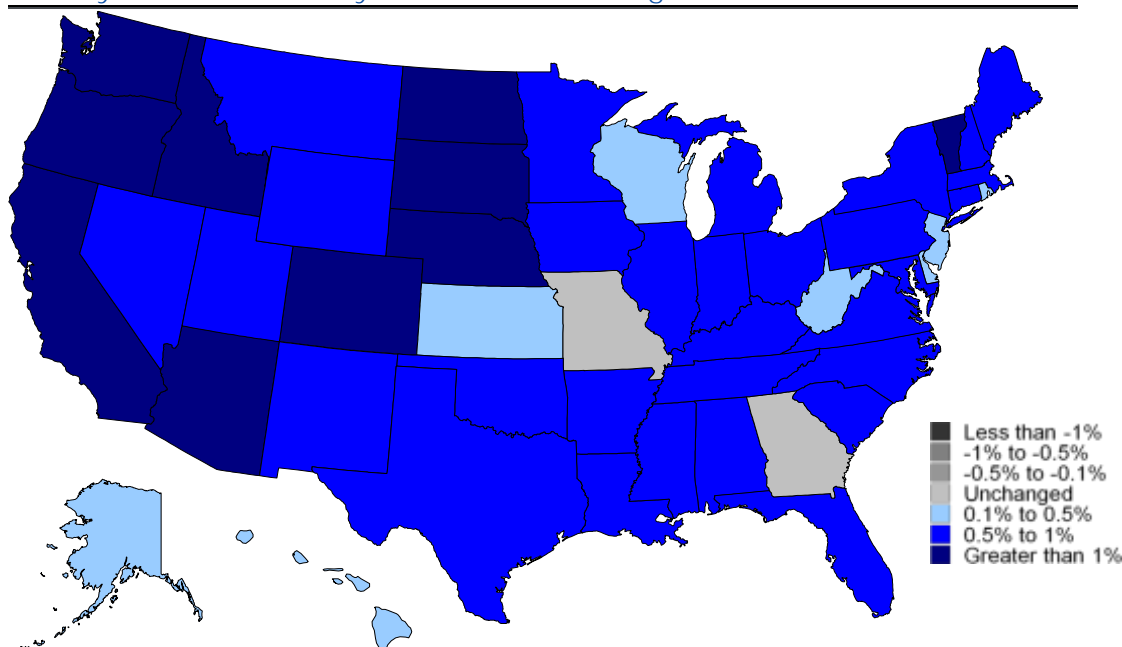
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State Activity Indexes February 2011

- Growth took hold in January as all states have expanded over the past two months.
- In February, 48 states experienced growth, 2 remained stable, and no state contracted. The three-month average pace of growth eased for two states and increased in the remaining 48.
- Oregon and California exhibited the fastest expansion over the past three months, followed by Arizona and Idaho.
- The Sunbelt continues to expand ahead of the U.S.: the rebound in Colorado and Florida is picking **up** while **Texas' growth remains consistent**.

Chart 1

Activity Indexes, February 2011, 3-Month Change



Source: BBVA Research

The state monthly activity indexes incorporate the latest sector-level employment data, exports, building permits, home prices and existing home sales data for each state along with forecasts for unavailable statistics. The blue color tones (positive index values) indicate expansion, while grey colors (negative index values) indicate contraction. Light grey (in the middle of the range) indicates no growth. The intensity of the colors represents the magnitude of the change.

Table 1
Across the U.S., Selected Indexes

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February 2011		Avg. Annualized Growth Rate			Percent Change in Index		
State	Index	3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.
Alabama	133.3	3.2	2.2	2.4	0.3	0.8	1.1
Arizona	184.1	6.5	4.8	3.9	0.6	1.6	2.4
California	161.1	7.3	5.4	4.7	0.7	1.8	2.7
Colorado	165.4	4.1	3.3	3.5	0.3	1.0	1.6
Florida	150.9	4.1	2.5	2.6	0.4	1.0	1.2
Illinois	124.8	2.8	2.3	2.5	0.1	0.7	1.1
New Mexico	144.2	2.8	2.0	2.0	0.1	0.7	1.0
New York	137.3	2.8	2.4	3.0	0.2	0.7	1.2
Ohio	115.3	4.5	2.5	2.5	0.4	1.1	1.3
Pennsylvania	126.8	3.3	2.6	2.8	0.3	0.8	1.3
Texas	156.1	3.7	3.4	3.6	0.3	0.9	1.7
US	142.0	3.5	3.1	2.9	0.3	0.9	1.5
Sunbelt	157.9	5.2	4.1	3.8	0.5	1.3	2.0

The value of the index corresponds to economic output where Jan-1997=100. A positive growth rate indicates economic expansion, and a negative value indicates contraction. The 3-month moving average of growth comprises the current and prior 2 months' values of the index. This statistic helps to reduce volatility and identify a stable path; hence, it is a primary gauge of economic activity. Source: BBVA Research.

Chart 2
Three-month Diffusion Indexes

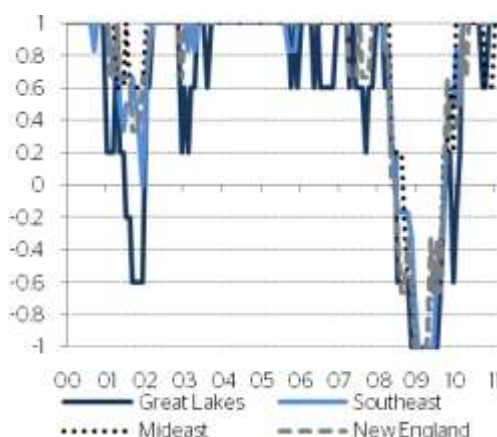
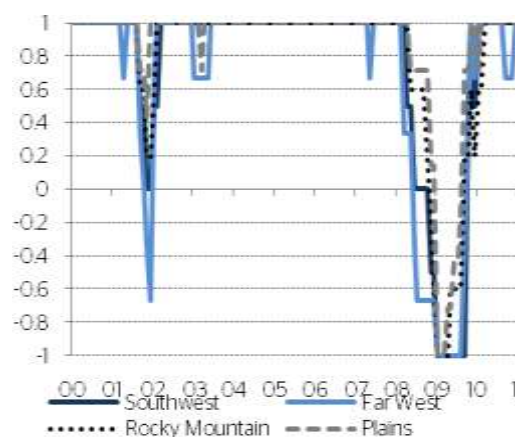


Chart 3
Three-month Diffusion Indexes



The diffusion indexes reflect the number of states in each BEA-defined region that are expanding versus those contracting. A value of 1 means that all states in the region are expanding that month, while a value of -1 means that all states are contracting. Negative values indicate that a majority of states in the region are contracting. Source: BBVA Research

Bottom Line

All states expanded in January and February and the pace of growth picked up in early 2011. This partly reflects national job creation, and as we expect the private sector to continue adding workers, all states should continue to expand going forward.

California and Oregon experienced significant employment gains in the construction, mining, and professional services sectors. For California, February's job gains marked its first significant and widespread increase since the start of the recession. Although Arizona and Florida appear to have registered relatively high growth, employment gains have been unimpressive, and economic indicators continue to point toward risks related to construction and residential real estate. Colorado's welcome employment gains across professional and business, and trade, transportation and utilities sectors could indicate a turning point in its nascent recovery.

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