

Economic Watch

US

State Activity Indexes March 2011

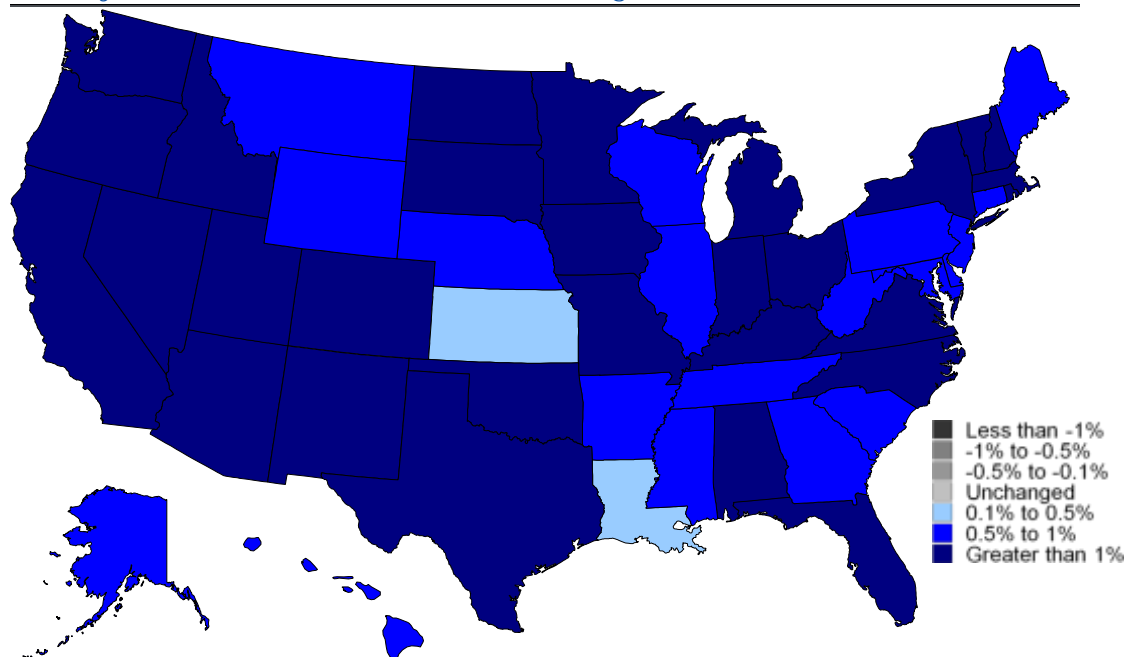
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Economic Analysis

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- All states continue to expand in line with our baseline scenario of sustained but moderating growth through 2011
- Economic growth accelerated over the previous month in every state except Louisiana
- The BBVA Compass Sunbelt Region is expanding above the national average led by Texas and California
- California experienced the largest annualized growth in our region due to a surge in private sector hiring and specialized manufacturing

Chart 1
Activity Indexes, March 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



State	March 2011 Index	Avg. Annualized Growth Rate			Percent Change in Index		
		3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.
Alabama	133.6	4.5	2.9	2.4	0.3	1.1	1.5
Arizona	184.8	5.8	5.3	3.9	0.4	1.5	2.7
California	161.5	6.2	5.2	4.4	0.2	1.5	2.6
Colorado	165.9	4.5	3.7	3.6	0.4	1.1	1.9
Florida	151.3	4.6	3.0	2.7	0.3	1.1	1.5
New Mexico	144.5	5.8	3.4	2.6	0.6	1.4	1.7
Texas	156.5	4.3	3.7	3.6	0.5	1.1	1.9
Oregon	176.4	8.0	6.8	5.2	0.4	2.0	3.4
Louisiana	119.7	1.5	1.2	1.6	-0.1	0.4	0.6
U.S.	142.3	3.6	3.4	3.1	0.4	0.9	1.7
Sunbelt	158.3	5.3	4.4	3.8	0.4	1.3	2.2
Excluding Sunbelt	135.8	4.1	3.0	2.9	0.3	1.0	1.5

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

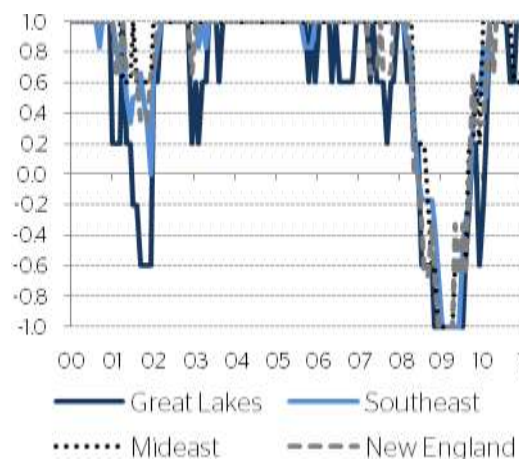
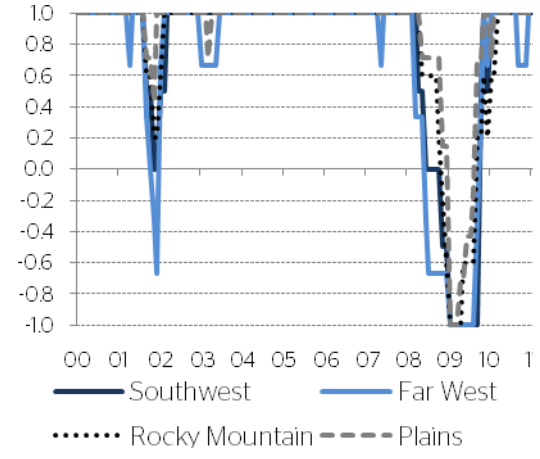


Chart 3
Three-month Diffusion Indexes



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

The State Monthly Activity index remains in positive territory and shows widespread expansion across all states. This is consistent with our baseline scenario of sustained but moderating growth in 2011. The recent upsurge in commodity prices has boosted mining activity and contributed positively to economic growth in Oregon (which experienced the highest growth rate in the U.S.), Texas and New Mexico among others. From February to March, economic growth accelerated in all the states except Louisiana. The BBVA Compass Sunbelt Region continues to expand at a faster rate than the national average. Monthly job creation accelerated in Texas, which continues to be the most dynamic state in the region; however, it decelerated or remained flat in California, Colorado, New Mexico, Alabama and Florida. The latest national employment report indicates that strong growth should remain through April. However, we are paying attention to possible downside risks from a weak housing market and a slowdown in exports.

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