

Economic Watch

US

May 27, 2011
Economic Analysis

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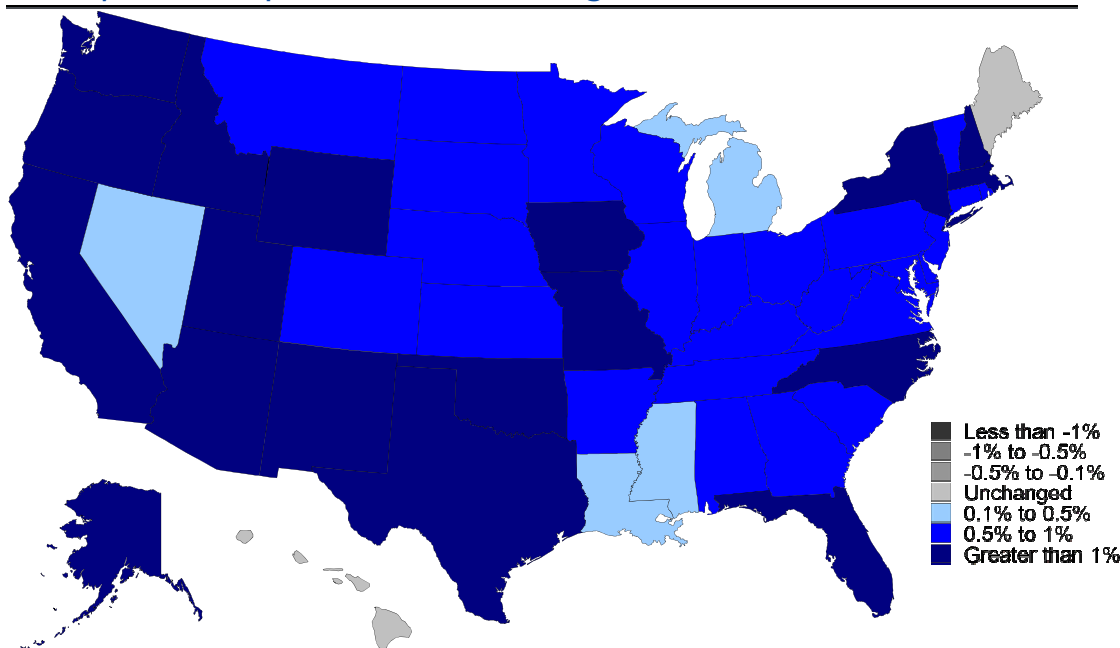
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State Activity Indexes April 2011

- The three-month moving average indicates expansion in 47 states, a contraction in 1 state (Maine), and stable activity in 2 states. This compares with 49 growing, 0 contracting and 1 stable state in March.
- The pace of growth decelerated in 36 states, picked up significantly in 6 and modestly in the remaining 8. The fastest acceleration occurred in energy-producing states, while modest acceleration was concentrated in the northeast.
- This nationwide moderation of growth is consistent with our baseline scenario of slow growth throughout the remainder of the year.
- Overall, growth in the Sunbelt remains solidly above the U.S. average; however, the three-month average pace rose in only Arizona and Texas.

Chart 1

Activity Indexes, April 2011, 3-Month Change



Source: BBVA Research

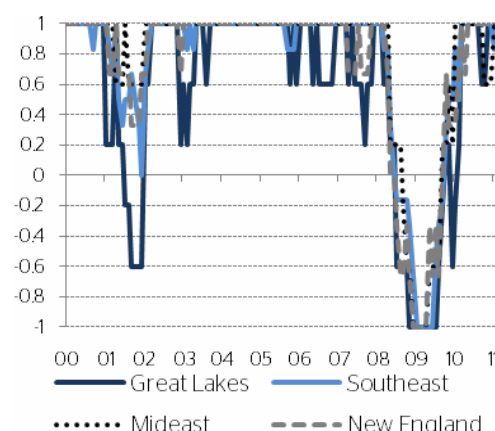
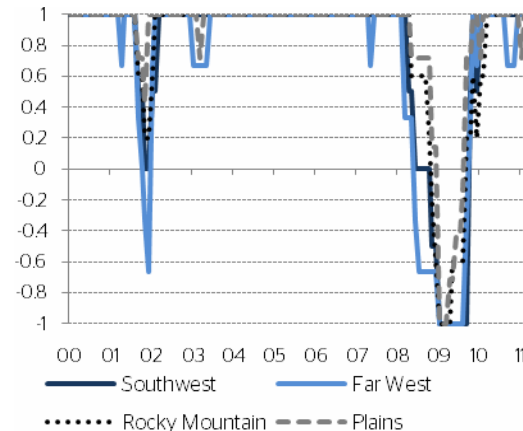
The state monthly activity indexes incorporate the latest sector-level employment data, exports, building permits, home prices and existing home sales data for each state along with forecasts for unavailable statistics. The blue color tones (positive index values) indicate expansion, while grey colors (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

BBVA Compass

| April 2011 | | Avg. Annualized Growth Rate | | | Percent Change in Index | | |
|-------------------|-------|-----------------------------|-------|--------|-------------------------|--------|--------|
| State | Index | 3 Mo. | 6 Mo. | 12 Mo. | Δ1 Mo. | Δ3 Mo. | Δ6 Mo. |
| Alabama | 132.2 | 3.0 | 2.4 | 2.2 | 0.1 | 0.8 | 1.2 |
| Arizona | 183.7 | 6.5 | 5.2 | 4.0 | 0.7 | 1.6 | 2.6 |
| California | 161.7 | 5.0 | 5.1 | 4.2 | 0.4 | 1.3 | 2.6 |
| Colorado | 166.6 | 3.8 | 3.6 | 3.3 | 0.3 | 0.9 | 1.8 |
| Florida | 149.8 | 4.2 | 3.1 | 2.5 | 0.4 | 1.1 | 1.6 |
| Maine | 130.3 | -0.3 | 1.8 | 1.9 | 0.0 | -0.1 | 0.9 |
| New Mexico | 146.3 | 5.1 | 3.9 | 2.7 | 0.4 | 1. | 2.0 |
| Nevada | 170.3 | 1.0 | 1.7 | 1.2 | -0.3 | 0.3 | 0.9 |
| Oklahoma | 158.2 | 6.8 | 5.5 | 4.3 | 0.8 | 1.7 | 2.7 |
| Texas | 159.0 | 5.2 | 4.1 | 3.8 | 0.6 | 1.3 | 2.1 |
| US | 141.1 | 3.8 | 3.5 | 3.0 | 0.3 | 0.9 | 1.8 |
| Sunbelt | 158.7 | 5.2 | 4.5 | 3.8 | 0.5 | 1.3 | 2.2 |
| Excluding Sunbelt | 133.9 | 3.7 | 3.0 | 2.7 | 0.3 | 0.9 | 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

New releases of first quarter data along with recent revisions reveal a weaker picture of state-level growth than previous estimates. Indeed, in April, we observed a widespread moderation of growth in 36 states. This softer pace of growth is due to minimal employment gains, and less-than-positive developments in the housing market. In the first quarter, the year-over-year rate of growth in FHFA Home Price Purchase Indexes remained negative in 47 states, and the rate of decline accelerated in 36 states. Evidently, the housing market remains weak and continues to weigh on construction activity and state-level growth. It is too early to assess whether these trends are transitory, yet housing inventories remain elevated.

In the BBVA Compass Sunbelt, April employment ticked up in 5 of 7 states, while state and local government layoffs impeded progress in Alabama and Colorado. Colorado continues to lag, as losses in the construction sector were pronounced in April. While New York led the nation in job creation with 45K positions, Texas remained second with 31K jobs, and the Sunbelt as a whole created 73K jobs last month.

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