

Economic Watch

US

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Economic Analysis

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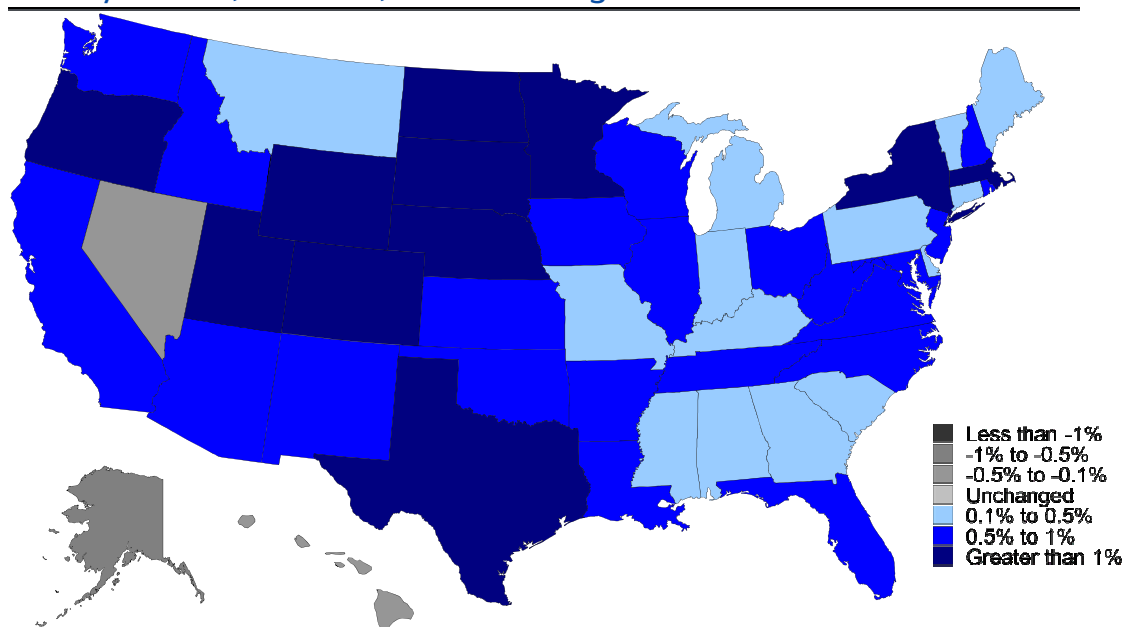
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State Activity Indexes June 2011: Further Cooling

- The three-month moving average indicates expansion in 47 states, contraction in Nevada, Hawaii and Alaska. This compares with a revised 48 expanding states in May and 49 expanding states in April.
- The pace of growth eased downward in 28 states and increased in 18. Louisiana, Maine, Minnesota and Ohio registered significant expansion.
- The slowing of growth is consistent with weak national payroll growth, and reflects the downwardly revised GDP growth through the first half of the year.
- Growth in the Sunbelt remains above the U.S. average; the pace of growth declined in Alabama, Arizona, Florida and New Mexico, while it picked up in California, Colorado and Texas.

Chart 1

Activity Indexes, June 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

June 2011		Avg. Annualized Growth Rate			Percent Change in Index		
State	Index	3 Mo.	6 Mo.	12 Mo.	$\Delta 1$ Mo.	$\Delta 3$ Mo.	$\Delta 6$ Mo.
Alabama	131.4	1.2	2.8	1.9	0.2	0.3	1.4
Arizona	165.8	3.2	3.5	2.6	0.1	0.8	1.7
California	156.6	2.8	4.3	3.9	0.2	0.7	2.2
Colorado	163.7	4.3	4.0	3.4	0.5	1.1	2.0
Florida	149.0	3.3	3.7	2.5	0.2	0.8	1.8
New Mexico	150.9	3.6	4.3	2.9	0.3	0.9	2.1
Nevada	164.5	-1.8	0.8	0.5	-0.1	-0.4	0.4
Ohio	113.5	3.6	4.1	2.5	0.4	0.9	2.0
Texas	160.5	5.0	4.5	3.9	0.5	1.3	2.2
United States	141.8	2.9	3.3	3.0	0.2	0.7	1.6
Sunbelt	156.4	3.9	4.4	3.7	0.3	1.0	2.2
Ex-Sunbelt	135.8	2.9	3.5	2.8	0.2	0.7	1.7

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. **Bold denotes BBVA Compass sunbelt state.** Source: BBVA Research.

Chart 2
Three-month Diffusion Indexes

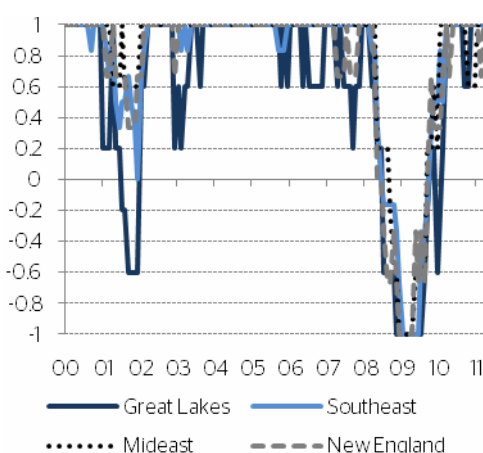
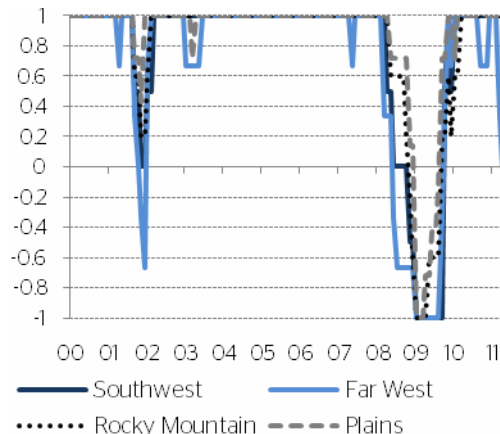


Chart 3
Three-month Diffusion Indexes



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 June indexes reveal a further moderation of economic activity across the U.S. This slowdown is consistent with the recently revised U.S. GDP estimates that indicate a very slow first half of the year. Furthermore, they reflect June's lack of appreciable job creation throughout the country. The pace of growth remains strongest in natural resource-intensive states due to growing global demand for energy commodities, and in states with exposure to high-tech and exports. The weakening indexes also reflect tepid activity in the services sector. Alabama's weak turnout is the result of shocks to auto production and sales, along with severe tornadoes that stalled activity. Nevada is the first state to solidly re-enter contraction territory, as widespread job losses continue, and housing prices continue to slide. On the other hand, Texas is poised to add the most jobs this year across all states, and California's private sector job creation has strengthened.

July's downward revisions to U.S. GDP paint a stark picture of economic activity in 1H2011 due partly to an ongoing de-leverage process and cautious hiring. While we expect a further weakening of the state indexes in July, overall economic growth should pick up in 2H11.

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