

# Economic Watch

US

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## Economic Analysis

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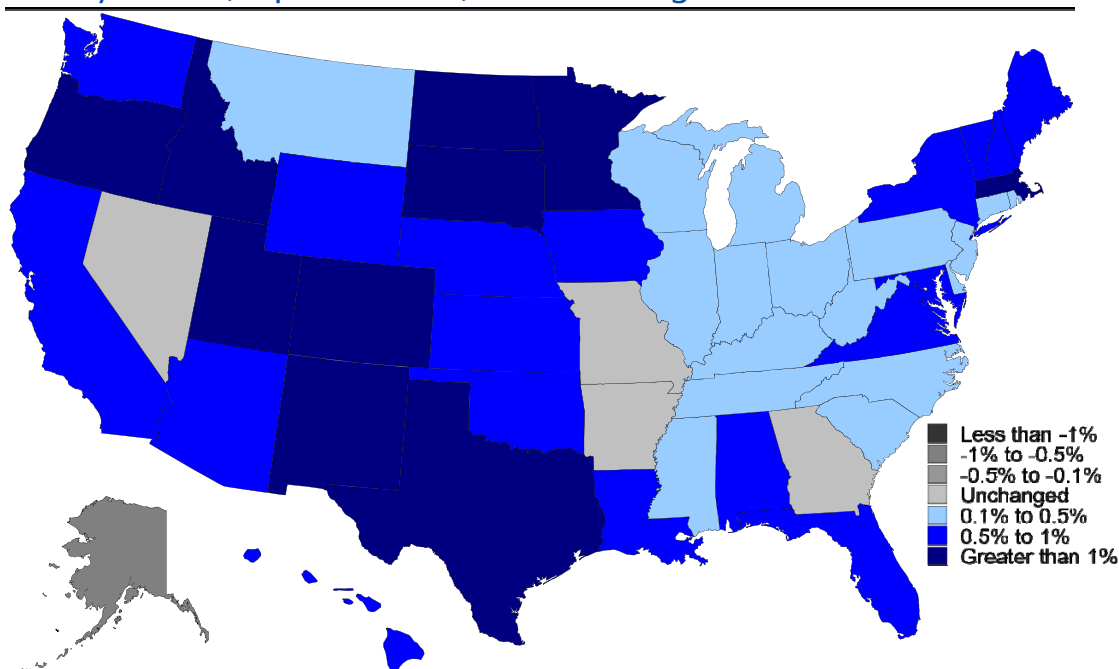
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## State Activity Indexes September 2011

- The three-month moving average indicates a softer nationwide pace of expansion. The indexes increased in 45 states, remained unchanged in 4, and declined in 1.
- From August, the pace of growth eased in 32 states, accelerated in 14 states and was unchanged in 4 states.
- Activity in the BBVA Compass Sunbelt strengthened on average, although the labor market weakened in Colorado.
- The indexes underscore our baseline scenario of slow, but stable growth for 2011 as job creation remains low.

Chart 1

### Activity Indexes, September 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

September 2011		Avg. Annualized Growth Rate			Percent Change in Index		
State	Index	3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.
Alabama	132.0	2.0	1.9	2.0	0.2	0.5	0.9
Arizona	167.1	2.9	3.0	2.9	0.3	0.7	1.5
California	157.8	3.4	3.4	4.1	0.3	0.9	1.7
Colorado	165.1	4.0	3.9	3.4	0.3	1.0	1.9
Florida	150.0	2.9	3.2	2.6	0.2	0.7	1.6
New Mexico	152.0	4.1	3.8	3.2	0.3	1.0	1.9
Nevada	165.9	0.2	-0.7	0.1	0.1	0.1	-0.3
Ohio	113.7	1.5	2.4	2.4	0.0	0.4	1.2
Texas	161.8	4.6	4.7	4.1	0.3	1.1	2.4
United States	142.6	2.6	3.0	3.1	0.2	0.6	1.5
Sunbelt	157.6	3.8	4.0	3.9	0.3	1.0	2.0
Ex-Sunbelt	136.5	2.2	2.7	2.7	0.1	0.5	1.3

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

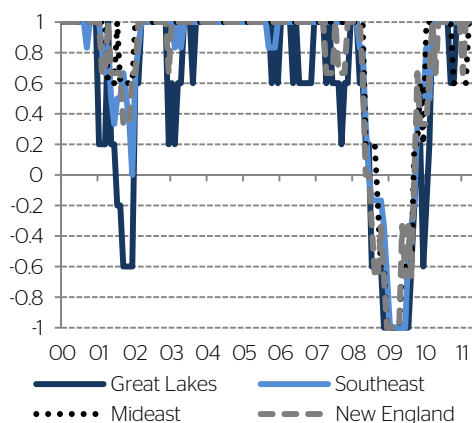
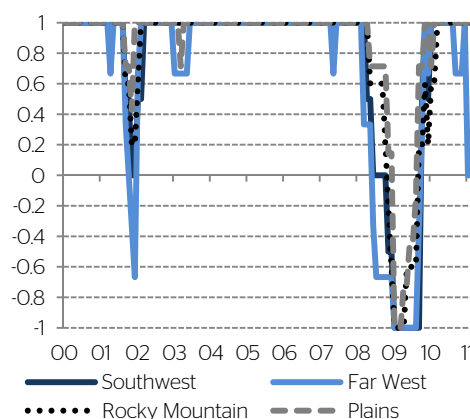


Chart 3  
Three-month Diffusion Indexes



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

Nationwide, the state monthly activity indexes confirm our scenario of slow but stable growth. Although GDP expanded at 2.5%, hiring activity moderated in 3Q11 as private payroll growth eased and state and local governments continued to reduce their workforces. California, Arizona and New Mexico showed signs of strengthening, while Alabama, Colorado and Florida struggle to gain traction. Revisions to August's national payroll data reflect upward revisions to California's public sector, as the state added more jobs in August than previously anticipated. Activity in Texas dipped in the latest reading, as local government layoffs weighed on activity. Exports continue to drive growth throughout the Sunbelt. Weak construction activity continues to weight on most states; however, September's construction hiring was strong in six of the seven Sunbelt states and may reflect a turning point. Although manufacturing led the recovery, its subsequent slowdown is leading to lower activity and hiring in many states: activity in the industrial rust belt has slowed considerably in recent months.

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