

Economic Watch

United States

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Economic Analysis

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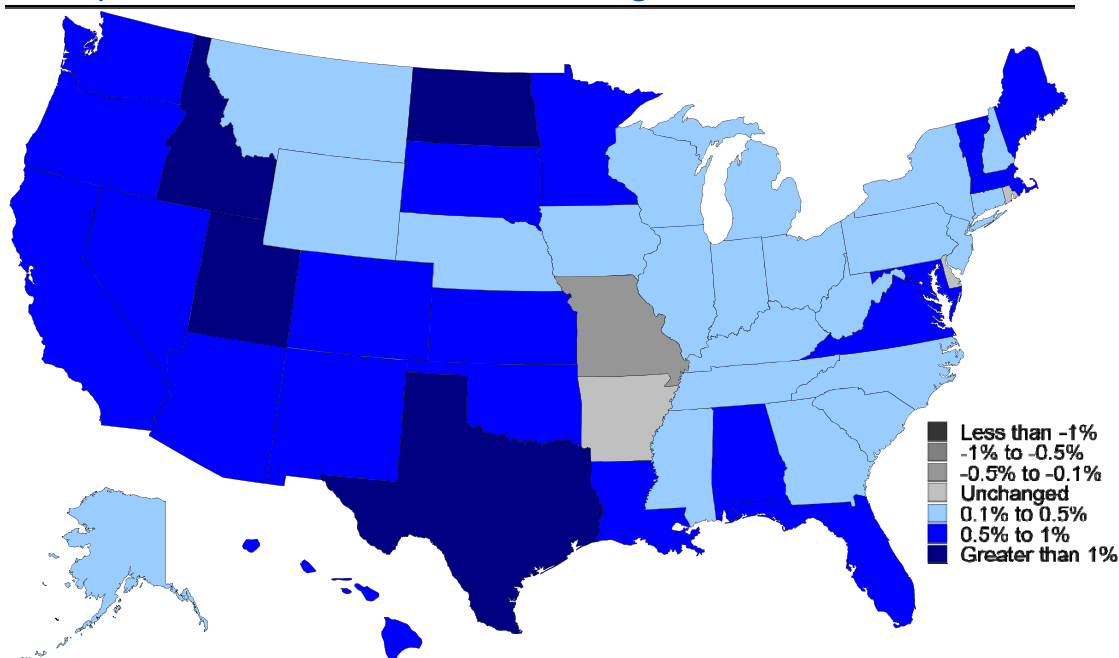
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State Activity Indexes October 2011

- The indexes indicate widespread, continued expansion. In October, the indexes increased in 43 states, remained unchanged in 5, and declined in 2.
- The three-month average pace of growth further moderated from September as growth eased in 31 states, accelerated in 15 states and was unchanged in 4 states.
- Activity in the BBVA Compass Sunbelt displayed a solid upturn, as five of the seven states were among the top quartile of performers.
- The indexes reinforce our scenario of strengthening and stable growth for 2H11, but the slow pace of job creation is hindering a rapid turnaround.

Chart 1

Activity Indexes, October 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

October 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	2.3	1.9	2.1	0.2	0.6	0.9
Arizona	167.5	3.2	3.1	3.1	0.3	0.8	1.6
California	158.2	3.7	3.3	4.1	0.3	0.9	1.6
Colorado	165.6	3.9	4.0	3.5	0.3	1.0	2.0
Florida	150.4	3.2	3.3	2.9	0.3	0.8	1.6
Missouri	121.6	-0.6	1.1	1.2	-0.1	-0.1	0.5
New Mexico	152.4	3.8	3.6	3.4	0.2	1.0	1.8
New York	143.9	1.7	3.1	3.3	0.0	0.4	1.5
Texas	162.3	4.2	4.6	4.1	0.3	1.0	2.3
United States	142.8	2.7	2.9	3.1	0.2	0.7	1.4
Sunbelt	158.0	3.8	3.9	3.9	0.3	1.0	1.9
Ex-Sunbelt	136.7	1.9	2.4	2.7	0.1	0.5	1.2

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

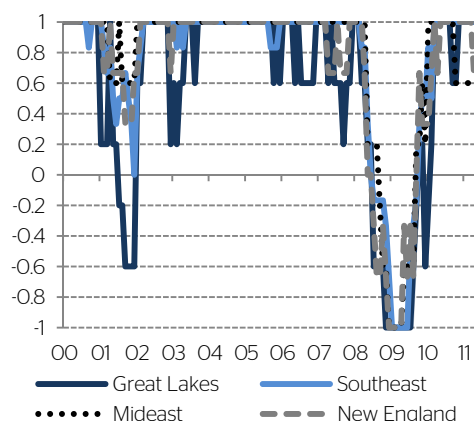
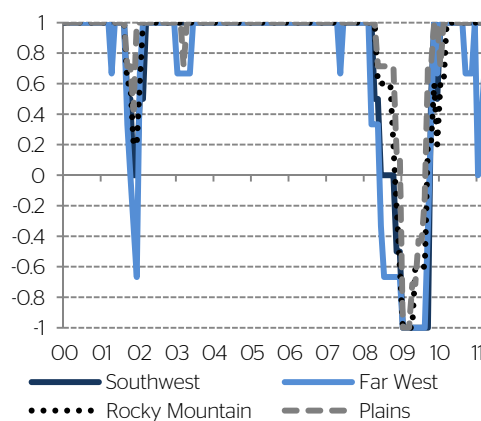


Chart 3
Three-month Diffusion Indexes



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 State Monthly Activity Indexes underscore our baseline scenario of continued growth ahead. Activity is strengthening in some of the states where the housing adjustment was most severe such as California, Arizona and Florida. California's private sector job creation in services continues to strengthen, while Arizona's construction employment has picked up steadily over the past three months. Alabama is expanding solidly again after a double-blow from tornadoes and a disruption to the global auto supply chain. Colorado registered a strong uptick in employment figures as construction and professional services underlie expansion. Further local government layoffs in Texas and a double-digit drop in construction employment weighed on the state's monthly activity; nevertheless, the state edged out a slight gain. Manufacturing indicators cooled over the past months, thus many manufacturing-led state economies slowed in October. Recent national manufacturing indicators picked up in November and exports have remained strong. We thus expect further growth in November's indexes.

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