

Economic Watch

United States

April 4, 2012

Economic Analysis

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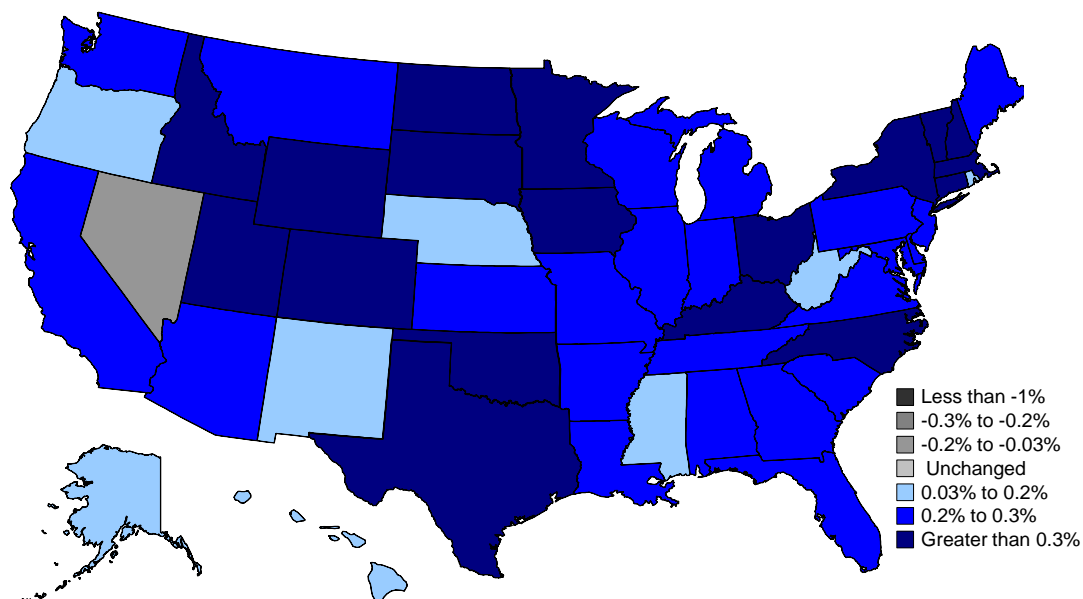
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State Activity Indexes February 2012

- The BBVA State Activity Indexes showed broader growth activity in early 2012 after regional breakouts in late 2011. 49 states expanded, while Nevada declined.
- While nearly all of the states experienced stable to high growth in February, the pace of expansion decelerated in 29 states, accelerated in 13 and was unchanged in 8. The energy-rich states of North Dakota, Colorado, Ohio, Texas and Pennsylvania saw a significant expansion in jobs. These robust employment gains across a swath of the United States suggests broad-based activity in 2012
- The Sunbelt region was an above average contributor to domestic growth (0.3%MoM) in February. Outside the Sunbelt, the pace of growth has strengthened in the past three months.
- Economic conditions were strong in Texas while in Florida and Arizona remained steady. New Mexico's activity slowed.

Chart 1

Activity Indexes, February 2012, 1-Month % Change



Source: BBVA Research

The state monthly activity indexes incorporate the latest sector-level employment data, exports, building permits and home price data for each state along with regional existing home sales.

Table 1

Across the U.S., Selected Indexes

BBVA Compass

February 2012		Avg. Annualized Growth Rate (%)			Percent Change in Index			Growth Rank
State	Index	3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.	MoM
Alabama	136.8	2.7	2.7	2.1	0.3	0.7	1.3	27
Arizona	177.5	3.3	3.4	2.8	0.3	0.8	1.7	29
California	164.7	4.3	4.3	3.7	0.3	1.1	2.1	21
Colorado	173.9	5.2	4.4	4.4	0.4	1.3	2.2	7
Florida	158.4	3.5	3.5	3.2	0.2	0.9	1.7	39
New Mexico	161.0	2.0	2.5	3.1	0.2	0.7	1.3	42
Oregon	206.4	4.6	4.8	5.1	0.2	1.1	2.3	44
Texas	172.1	5.9	5.3	4.8	0.5	1.4	2.6	4
Utah	175.2	4.5	4.4	4.4	0.4	1.1	2.2	10
US	148.2	3.8	3.5	3.4	0.3	0.9	1.7	
Sunbelt	166.1	4.5	4.4	4.0	0.3	1.1	2.2	
Excluding	142.1	3.5	3.1	2.8	0.3	0.9	1.5	

The value of the index corresponds to economic output where Jan-1996=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

Regional Growth Activity (6-month % change)

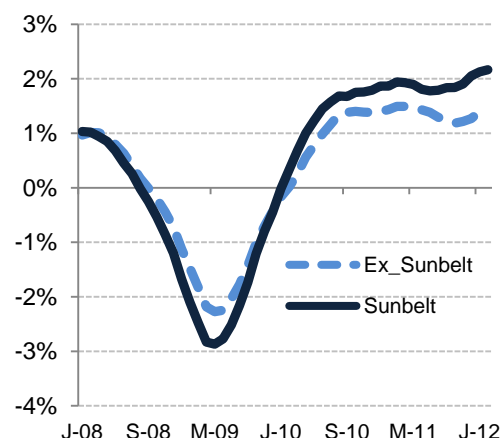
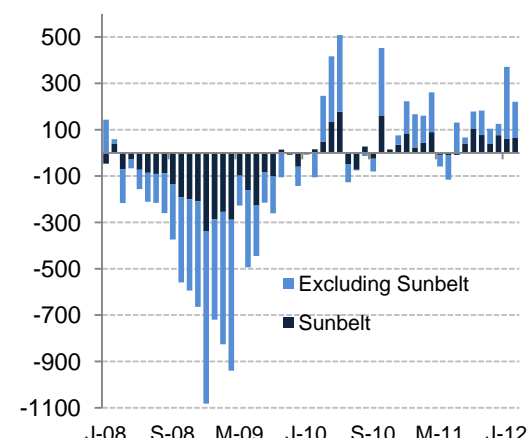


Chart 3

Change in Nonfarm Payrolls (k)*



Source: BBVA Research, BLS / Haver Analytics. Note: due to different surveys, the regional change in total nonfarm payrolls may not equal the national statistic.

Bottom Line

In total, the regional activity mirrors that at the national: stable growth, positive employment gains, and more broadly, indications that conditions are improving. In January and February, employment in the Sunbelt increased by 61.6K and 64.5K and outside the Sunbelt by 309.7K and 156.0K. Mining and construction were key drivers of this state level activity, although some states benefited from rising government employment. In addition, the Midwest and South experienced statistically significant declines in their unemployment rates of 0.2%.

The strong job creation and declining regional unemployment are reflective of increasing energy exploration and the decline of external risk perception in early 2012. However, external risks appear to be increasing and the glut of natural gas and the collapse in prices could threaten job creation in this sector. We expect sustained growth ahead; however, a struggling housing market or softening manufacturing activity could challenge the recent upward momentum.

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