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Economic Watch

United States

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Economic Analysis

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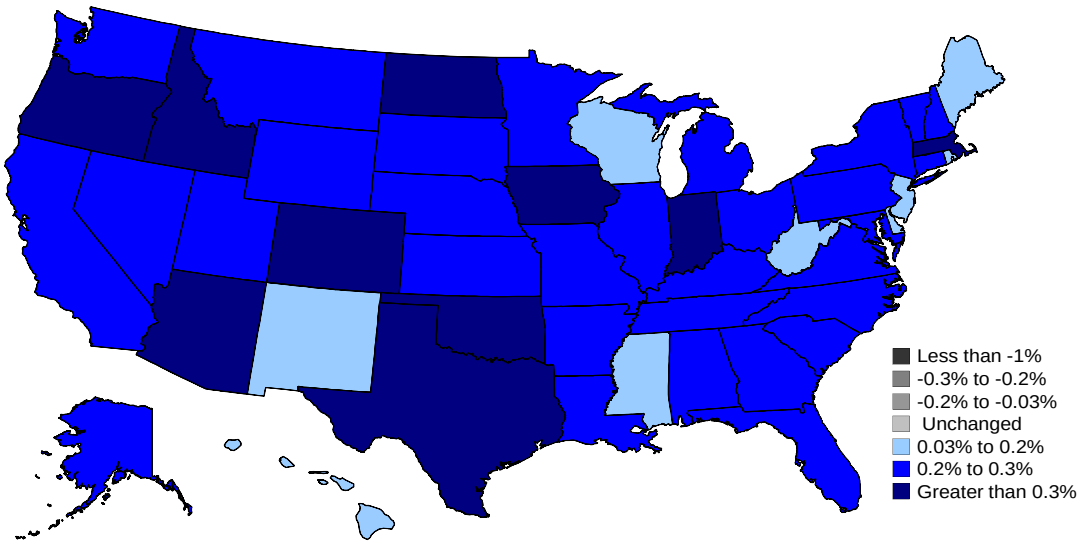
State Activity Indexes
March 2012

- In March, state activity in the majority of the country was either average or above average. Moreover, Nevada, which saw a month-over-month decline in February returned to positive activity in March. Although growth was positive in all 50 states, it slowed in a majority of the country as 35 states decelerated.
- Texas and North Dakota, which are energy rich states, were again leaders in terms of activity growth, ranking 9th and 1st respectively. Strong trade growth in Massachusetts and Colorado (MA: Retail CO: Wholesale) and construction in Arizona buoyed each state's activity.
- The three-month-moving average indicates Colorado and Texas state activity remains superlative with 5.7% and 5.6% annualized growth, respectively. New Mexico and Alabama showed below average activity for the region. California remains steady, Arizona accelerated, and Florida slowed over this period.
- The Sunbelt continues to outperform the rest of the country. The Sunbelt's three-month pace is an annualized 4.6% as opposed to 3.6% elsewhere. The sharp upward correction in building permits (12-month high) helped boost the region.

Chart 1
Activity Indexes, March 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

March 2012		Avg. Annualized Growth Rate (%)			Percent Change in Index			Growth Rank
State	Index	3 Mo.	6 Mo.	12 Mo.	1 Mo.	3 Mo.	6 Mo.	MoM
Alabama	136.9	2.7	2.8	2.2	0.2	0.7	1.4	30
Arizona	177.9	4.1	3.4	3.0	0.4	1.0	1.7	6
California	165.2	4.3	4.3	3.8	0.3	1.1	2.1	20
Colorado	174.7	5.7	4.6	4.4	0.4	1.4	2.3	4
Florida	158.7	3.4	3.7	3.3	0.3	0.8	1.8	16
New Mexico	161.6	2.5	2.4	3.0	0.2	0.6	1.2	44
Massachusetts	153.4	4.7	4.2	3.7	0.4	1.2	2.1	3
Texas	172.9	5.6	5.2	4.8	0.4	1.4	2.6	9
North Dakota	179.0	12.2	11.1	9.4	0.9	2.9	5.4	1
Nevada	182.9	1.7	2.9	2.6	0.2	0.4	1.4	40
US	148.6	3.5	3.5	3.3	0.3	0.9	1.7	
Sunbelt	166.5	4.6	4.5	4.1	0.3	1.1	2.2	
Excluding	142.5	3.6	3.2	2.8	0.3	0.9	1.6	

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)

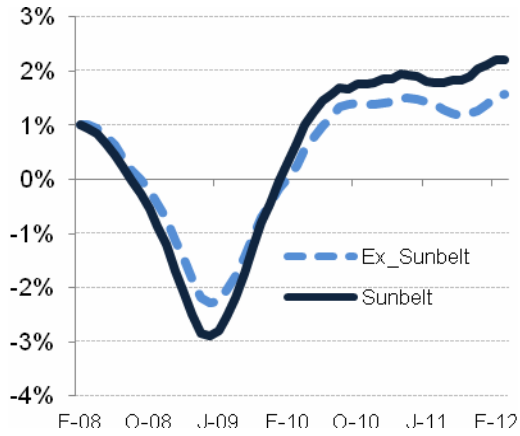
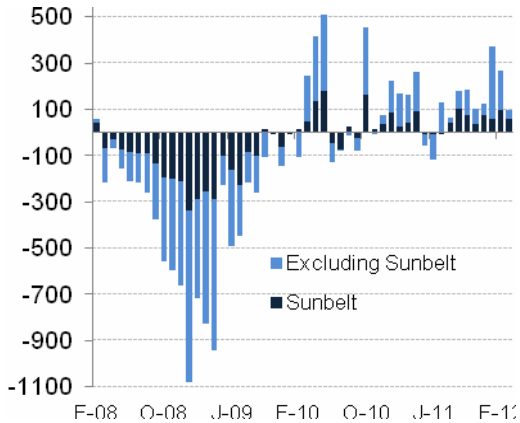


Chart 3

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

State activity remained strong in March, although there was a general deceleration. Nevada, which contracted in February, rebounded to a growth rate of 0.2% MoM. In addition, Texas and North Dakota remained above average contributors, and ranked 9th and 1st in terms of month-over-month growth, respectively. The national slowdown in job creation in March, however, offset improvements in home prices and building permits. Nonetheless, states such as Colorado and Massachusetts saw non-mining related employment growth boost activity. In 1Q12, the pace of expansion was certainly higher than that of late 2011; however, regional activity has slowed from its January highs, and points to a moderating rate of growth in the coming months. While the pace of growth has shown a steadily downward trend throughout 1Q12, job creation in the Sunbelt remains strong. It slowed substantially in non-Sunbelt states last month. A slowing pace of manufacturing and export activity adds downward pressure to non-Sunbelt job creation, as this region's recovery has been supported by strong foreign demand and an inventory re-build cycle.

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