

Economic Watch

United States

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Economic Analysis

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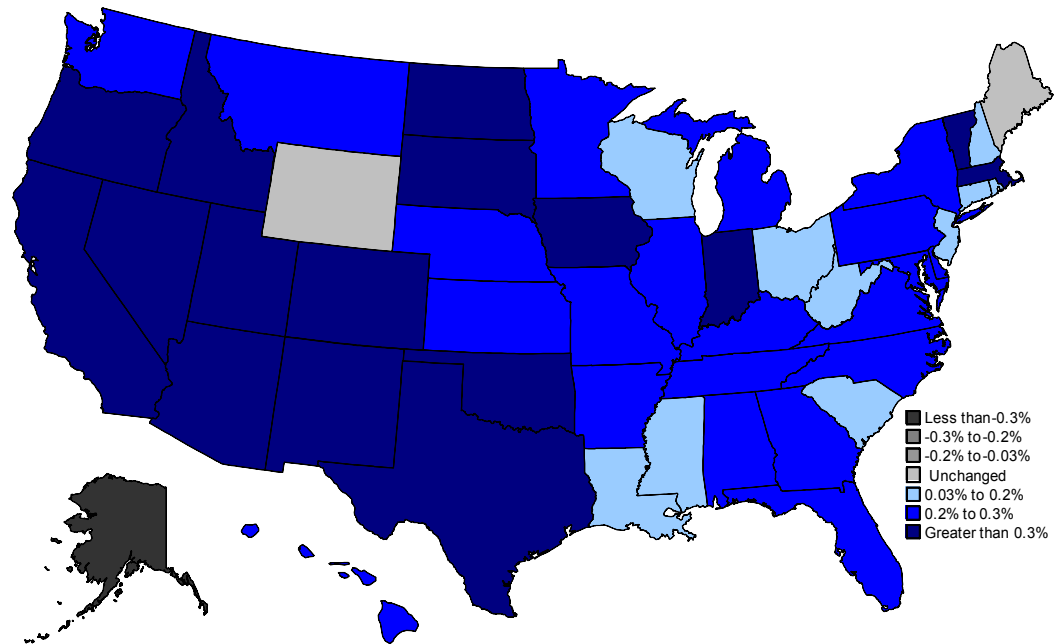
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State Activity Indexes April 2012

- Regional MoM growth in the South and Southwest was robust in April, while other smaller and less populous states such as Maine, Alaska, and Wyoming slowed.
- In April, the pace of growth increased in 16 states, remains unchanged in 9, and decreased in 25. This compares with 17 increasing states in March.
- Ohio, which experienced above average growth in 1Q12, slowed in April to rank 41st in state activity. North Dakota, on the other hand, remains the growth leader with a 3-month annualized pace of 11.5% – up from 11.2% in March.
- According to our state rankings five Sunbelt states ranked in the top 20, while Florida and Alabama ranked in the next 10. Texas, Colorado and California, however, have exceptional growth prospects and increased 4.9%, 4.8% and 4.8 %, respectively on a 3-month annualized basis, which continues to buoy the region’s laggards of Alabama and Florida.

Chart 1

Activity Indexes, April 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

| April 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 | 137.9 | 3.2 | 2.7 | 2.4 | 0.3 | 0.2 | 0.3 | 28 |
| Arizona | 179.4 | 4.8 | 4.0 | 3.3 | 0.5 | 0.4 | 0.3 | 4 |
| California | 166.7 | 4.5 | 4.5 | 3.9 | 0.4 | 0.4 | 0.4 | 15 |
| Colorado | 176.7 | 4.8 | 4.6 | 4.4 | 0.3 | 0.6 | 0.3 | 16 |
| Florida | 160.0 | 3.8 | 3.8 | 3.4 | 0.3 | 0.3 | 0.3 | 24 |
| New Mexico | 162.6 | 3.7 | 3.1 | 3.3 | 0.4 | 0.3 | 0.2 | 12 |
| Massachusetts | 155.0 | 4.8 | 4.3 | 3.7 | 0.4 | 0.4 | 0.3 | 11 |
| Texas | 174.9 | 4.9 | 5.2 | 4.7 | 0.4 | 0.5 | 0.4 | 13 |
| North Dakota | 183.1 | 11.5 | 11.2 | 9.5 | 0.8 | 0.9 | 0.7 | 1 |
| Nevada | 183.6 | 2.6 | 3.5 | 3.1 | 0.4 | 0.4 | 0.3 | 10 |
| US | 149.8 | 3.4 | 3.6 | 3.3 | 0.3 | 0.3 | 0.2 | |
| Sunbelt | 168.2 | 4.5 | 4.5 | 4.1 | 0.3 | 0.4 | 0.4 | |
| Excluding | 143.5 | 3.3 | 3.3 | 2.8 | 0.3 | 0.3 | 0.2 | |

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 (12-month % change)

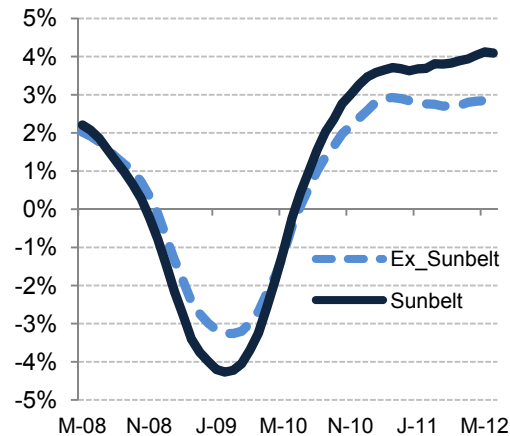
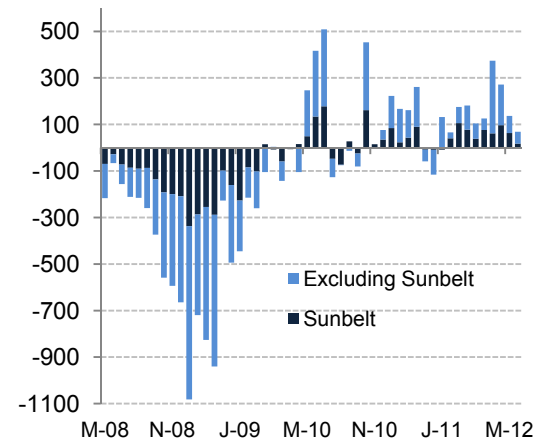


Chart 3
Change in Nonfarm Payrolls (k)*



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

After a surge of activity in 1Q12, April experienced a slight slowdown in line with slower national employment growth. Areas such as Louisiana and Maine remained unchanged, while Alaska contracted significantly. The growth pause suggests that increasing uncertainty regarding taxes, fiscal policy, jobs, foreign demand and Europe could be weighing on hiring, the housing market and manufacturing. Along with China's lower growth, Ohio slowed from 1Q12.

Although overall growth was less robust than the previous quarter, the slight pullback given the heightened levels of market uncertainty is not ominous. For example, the regional divergence and industry specialization suggests high potential areas will continue to grow, while other less competitive regions will slow in the short-run. In early 2012 mining activity has slowed while manufacturing related to the housing sector uptick and auto production expanded. For more detail, please see our 1Q12 [U.S. Outlook](#). Although we anticipate the recovery to progress slowly at the national level, the exogenous risks appear heightened and thus the easing in April is consistent with macro level trends.

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