

Economic Watch

United States

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Economic Analysis

Jason Frederick
jason.frederick@bbvacompass.com

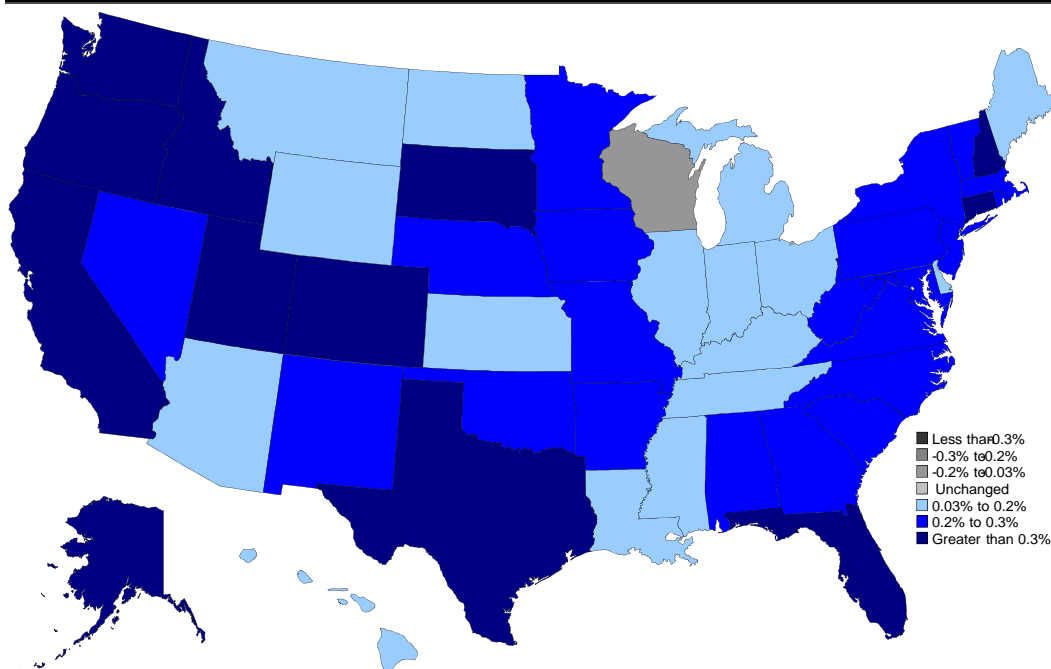
Boyd Nash-Stacey
boyd.stacey@bbvacompass.com

State Activity Indexes April 2013

- In April, state activity¹ increased in 32 states, decreased in 17 states and remained unchanged in 17 states.
- The growth trend² in April picked up in 34 states, slowed in 15 states and was unchanged in 1 state.
- Strong housing markets, continued increases in durables consumption and higher loan demand drive activity in Texas and the West Coast.
- In the Sunbelt, Alabama emerges from a slower growth phase, ranking highly in our activity index in April. Conversely, Arizona's activity tilts to the downside as furloughs associated with defense-related cuts weigh on manufacturing employment.

Chart 1

Activity Indexes, April 2013, 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.

¹MoM% Change

²ΔMoM% Change

Table 1
Across the U.S., Selected Indexes

BBVA Compass

April 2013		Avg. Annualized Growth Rate (%)			Percent Change in Index (MoM)			Growth Rank*
State	Index	3 Mo.	6 Mo.	12 Mo.	Current	3MMA	6MMA	MoM
Alabama	134	1.8	1.9	1.9	0.2	0.2	0.2	43
Arizona	175	2.2	3.5	3.7	0.1	0.2	0.3	12
California	169	4.9	5.1	4.6	0.4	0.4	0.4	8
Colorado	175	4.6	5.1	4.9	0.4	0.4	0.4	6
Florida	156	3.5	3.8	3.9	0.4	0.3	0.3	11
New Mexico	156	2.4	2.7	2.5	0.3	0.2	0.2	32
North Dakota	202	2.8	4.4	7.0	0.1	0.2	0.4	1
Oregon	236	8.1	7.3	6.6	0.6	0.7	0.6	2
Texas	182	4.6	4.7	4.9	0.4	0.4	0.4	7
Utah	188	5.9	5.5	5.4	0.4	0.5	0.4	4
US	149	3.1	3.5	3.2	0.1	0.3	0.3	
Sunbelt	169	4.0	4.2	4.4	0.4	0.3	0.3	
Excluding	143	2.6	2.9	2.6	0.2	0.2	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. **Bold denotes BBVA Compass sunbelt state.** Source: BBVA Research.

*Growth Rank= 12-month average annualized growth

Chart 2
Diffusion Index

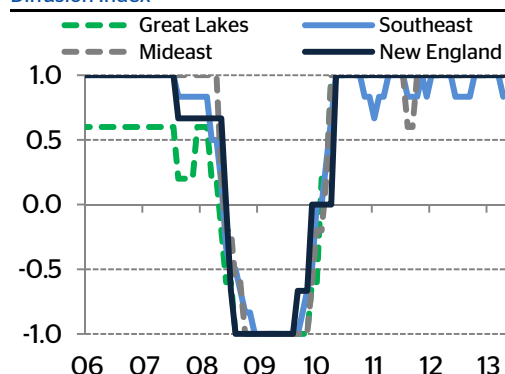
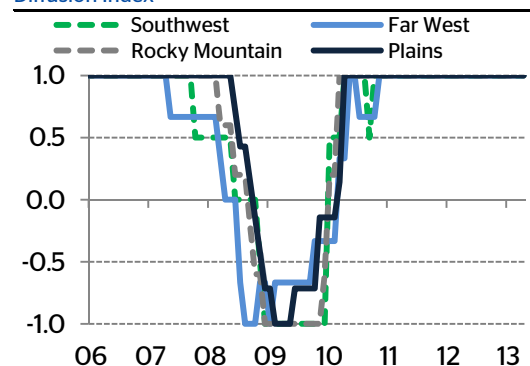


Chart 3
Diffusion Index



Source: BBVA Research, BLS / Haver Analytics.

Diffusion Index: Reports the number of states that grew in the past month as a fraction of the total number of states in that region. For example, a value of one indicates that all states within the region grew, zero suggests half the states expanded, and -1 suggests all the states in that region contracted.

Bottom Line

Although seasonal weather patterns impacted a broad swath of states surrounding the Mississippi, areas in the Sunbelt performed well. Signs of strengthening housing markets at the beginning of the year have transitioned into an observable boost in state activity. Better employment prospects and less-household leverage in California, Texas, Colorado and Alabama added to the demand narrative as the consumer credit grew in automotive and housing sectors. In turn, construction activity is starting to recover as high housing demand has drained much of the existing housing inventories. To the downside, slower activity as a result of reduced federal spending emerged in states such as Arizona, resulting in furloughs in defense-related manufacturing.

The momentum behind state activity suggests that, while external risks remain, the underlying fundamentals are strong. Anecdotal evidence also suggests upside to credit and construction sectors, which lagged in the recovery cycle. Assuming transitory shocks to certain regions dissipate, and the American consumer remains resilient, upside bias could emerge in 2H13, inline with our baseline scenario of stronger growth in 2H13.

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