

Regional Analysis

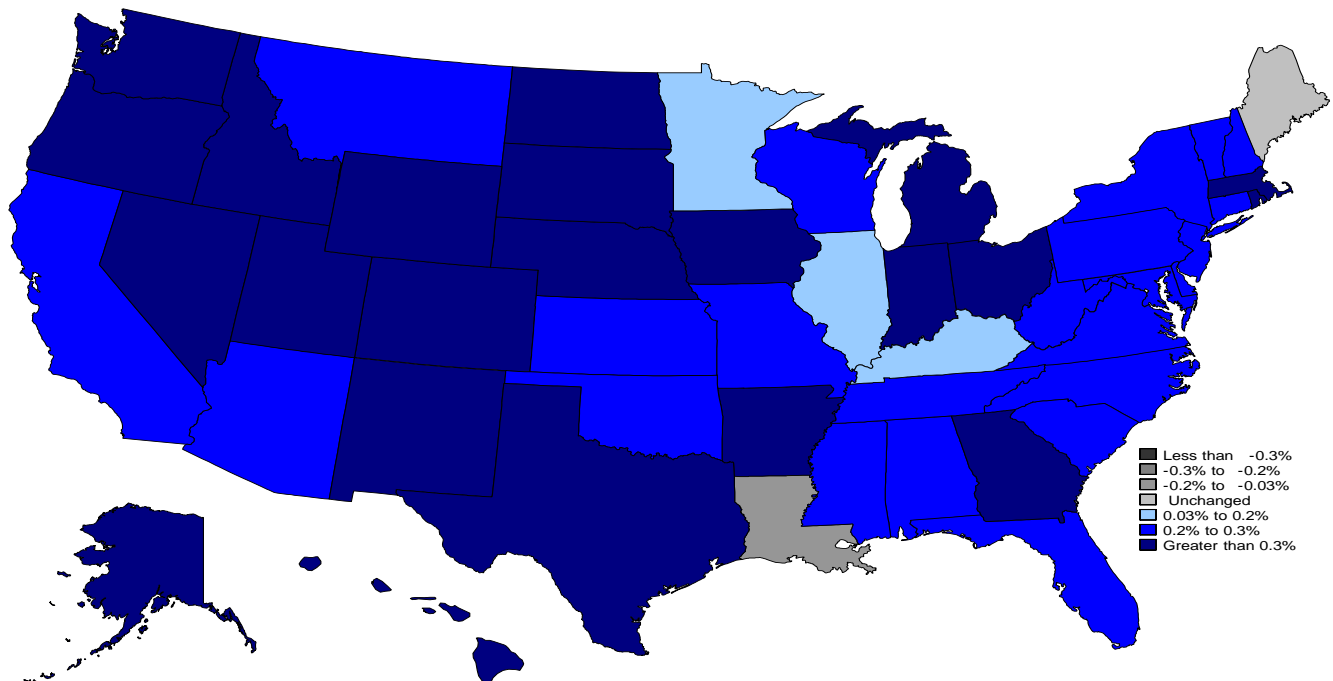
State Monthly Activity Indexes

Amanda Augustine / Boyd Nash-Stacey

Majority of States Can Expect Pickup in 1Q15

- In January, activity increased in nearly every state, despite the effects of exceptionally harsh winter weather in the Northeast and Southeast
- Ohio, Mississippi, and Hawaii experienced large gains in retail trade, as consumers' disposable income increased 0.4%
- Financial activities, transportation, and utilities increased above trend in the greatest majority of states
- Texas experienced a pickup in information, retail trade, and wholesale trade activity, but there are signs that the low oil price environment and strong dollar are creating headwinds for its economy
- Although mining activity in the Sunbelt has declined relative to the rest of the nation, the region's construction and transportation industries have been on the rise

Chart 1
Activity Indexes, January 2015, 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. 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.

Chart 2

Across the U.S., Selected Indexes

January 2015		Avg. Annualized Growth Rate (%)			BBVA Forecasts*			Activity Rank
State	Index	3 Mo.	6 Mo.	12 Mo.	Housing	Employment	GDP	3 mma
Alabama	145	3.5	3.4	2.9	2.5	1.8	2.6	27
Arizona	169	4.0	3.4	2.8	3.8	2.5	3.1	17
California	174	2.8	2.6	2.7	3.1	3.5	3.4	39
Colorado	180	4.2	4.7	5.2	5.1	3.7	3.2	14
Florida	153	4.3	4.5	4.5	5.9	2.5	4.1	13
New México	152	4.5	4.0	3.3	2.8	0.6	0.4	12
North Dakota	270	7.9	8.0	7.9	7.1	2.7	1.0	2
Oregon	239	8.9	7.6	7.0	4.3	3.9	4.6	1
Texas	202	5.4	5.3	5.3	3.3	1.7	1.9	7
Utah	208	6.5	5.8	5.1	2.4	3.8	2.4	3
US	156	4.0	3.8	3.7	6.1	1.9	2.9	
Sunbelt	176	4.8	4.8	4.7	4.4	2.6	3.0	
Ex. Sunbelt	149	3.2	3.0	3.0	2.5	1.6	2.7	

Source: BBVA Research

*6-month ahead annualized forecast ; GDP=2015 Growth Rate; Housing= FHFA Purchase Only Home Price Index & Emp.= BLS Nonfarm Payroll Employment

Bottom Line

In January, activity across the Sunbelt was mixed, with solid expansion in the construction, information, and leisure industries, and a large decline in the mining industry. Texas held strong in the top ten for highest growth nationwide, but saw weakness in some indicators because of the lower oil prices and decreased rig activity. Despite its declining retail and wholesale trade figures, Alabama's professional, financial, and information sectors surged. In the Midwest, greater disposable income led to strong activity in Indiana and Ohio. Slower growth in Europe and a strengthening dollar, coupled with declining oil prices, contributed to lower exports in the U.S., with the coastal states being the hardest hit. In addition, the housing sector is visibly struggling, as existing home sales declined in all regions, but a stronger employment outlook going forward suggests that the housing market will improve throughout the year. Similar to 2014, stronger growth in the remainder of the year will offset weakness in 1Q15, reaffirming our baseline of 2.9% in 2015.

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.