

Regional Analysis

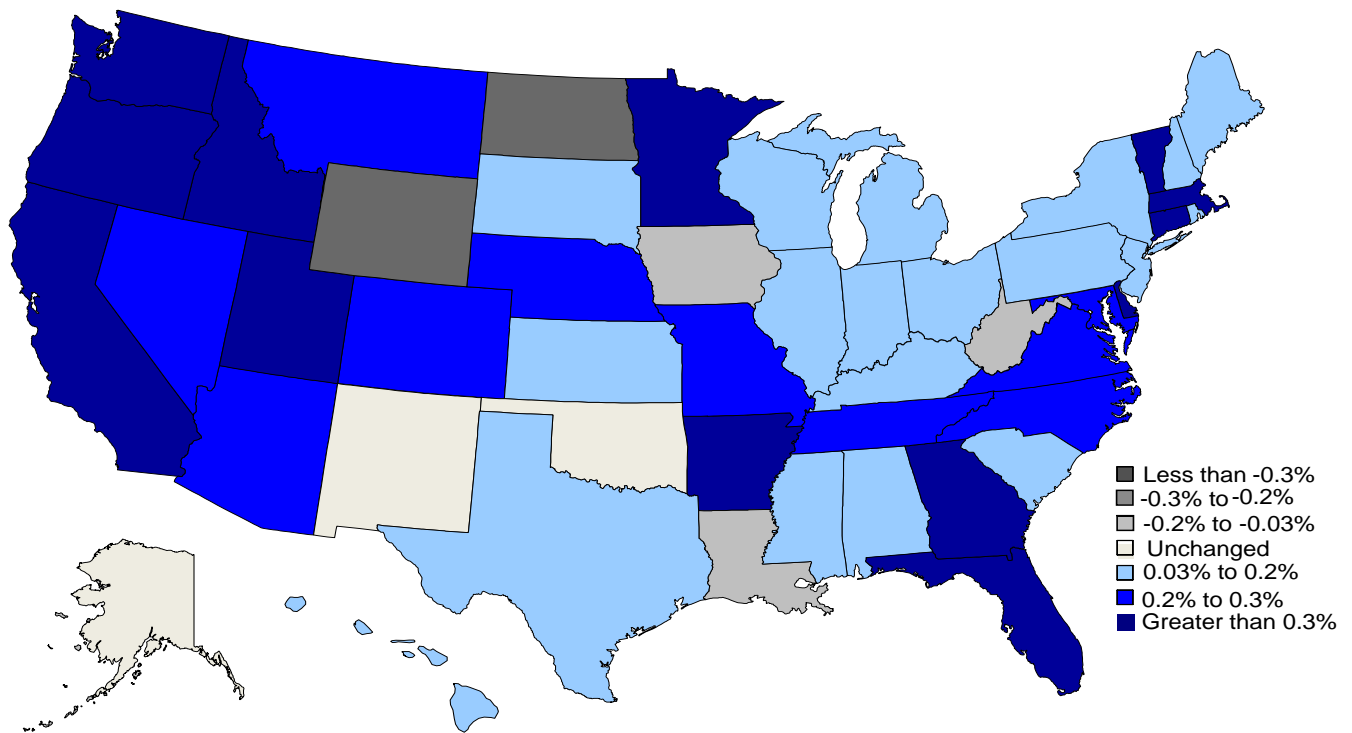
State Monthly Activity Indexes

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Domestic rebalancing to continue in 2Q16

- In April, activity increased in 42 states, but the pace of expansion decelerated nationwide
- Activity decelerated in the Sunbelt, with the largest declines in the mining, information, and leisure sectors
- As anticipated, East and West Coast states experienced the strongest pick-up in activity
- Further gains in manufacturing activity and export growth will aid the recovery of states such as TX and AL
- Increasing oil prices suggest that oil-producing states are likely to regain their footing

Chart 1
Activity Indexes, April 2016, 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

April 2016		Avg. Annualized Growth Rate (%)			BBVA Forecasts*			Activity Rank
State	Index	3 Mo.	6 Mo.	12 Mo.	Housing	Employment	GDP	
Alabama	147	1.9	2.3	2.3	0.9	1.2	1.8	35
Arizona	170	3.1	3.9	4.0	3.1	2.0	2.5	21
California	180	4.4	4.3	4.5	4.3	2.4	3.2	7
Colorado	186	3.7	4.1	4.1	3.9	3.4	1.4	15
Florida	158	3.7	3.7	4.1	4.5	3.2	3.4	14
Idaho	149	-0.3	-0.6	0.0	-4.2	-0.5	-2.1	45
New Mexico	269	-9.1	-6.8	-4.9	6.4	-1.4	-3.5	50
North Dakota	228	7.6	7.3	6.7	4.7	3.7	3.2	1
Oregon	214	1.9	2.7	2.9	-1.0	-0.7	-0.3	36
Texas	201	4.1	4.1	4.2	2.1	3.9	3.6	10
US	157	0.5	1.8	2.3	4.7	1.7	2.5	
Sunbelt	182	3.1	3.4	3.6	3.8	0.9	2.0	
Ex. Sunbelt	149	2.5	2.5	2.5	2.7	1.2	1.9	

Source: BBVA Research

*6-month ahead annualized forecast ; GDP=2016 Growth Rate; Housing= FHFA Purchase Only Home Price Index & Emp.= BLS Nonfarm Payroll Employment

Bottom Line

In April, activity increased in the majority of states. Idaho topped the country in terms of activity gains, with significant increases in its construction and natural resource mining activities, which can be attributed to recent urban growth and the resulting demand for construction materials, such as cement, sand and gravel. In line with our expectations, the West Coast and the Southeast saw significant pick-ups in activity and are poised to be the brightest spots of the economy in 2016. Eight of the top ten states for activity growth in April were on the coasts, including Oregon, California, Georgia and Florida. Consumers in these states are still benefitting from low oil prices, as all of these states saw gains in retail sales activity. Nationwide, housing also remains upbeat with increasing demand and strong gains in home prices. With the months' supply of new single family homes trending at 14-month lows, there is a high probability that construction activity continues to improve throughout the remainder of 2016.

Throughout the country, activity was above trend in industries such as professional services, education and health services, transportation and manufacturing. In particular, manufacturing activity rebounded and was up in the majority of states, including Alabama, California and Florida, due to the weaker dollar and stronger foreign demand. For Alabama, the upward trend in employment and solid footing in the manufacturing sector will support growth for the remainder of the year. California and Florida are also seeing steady inflows back into the labor force and unemployment rates that currently stand at nine-year lows. For Texas, pick-ups in education and health services, retail trade, transportation, and professional services are auspicious signs. Continued gains in oil prices seem to suggest that Texas already has or is close to reaching the bottom, notwithstanding another downturn in prices. Despite the rocky start to 2016 and drag from slower growth oil-producing areas, we continue to expect growth of 3.6% for 2H16.

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