

# Economic Watch

US

September 28, 2011

Economic Analysis

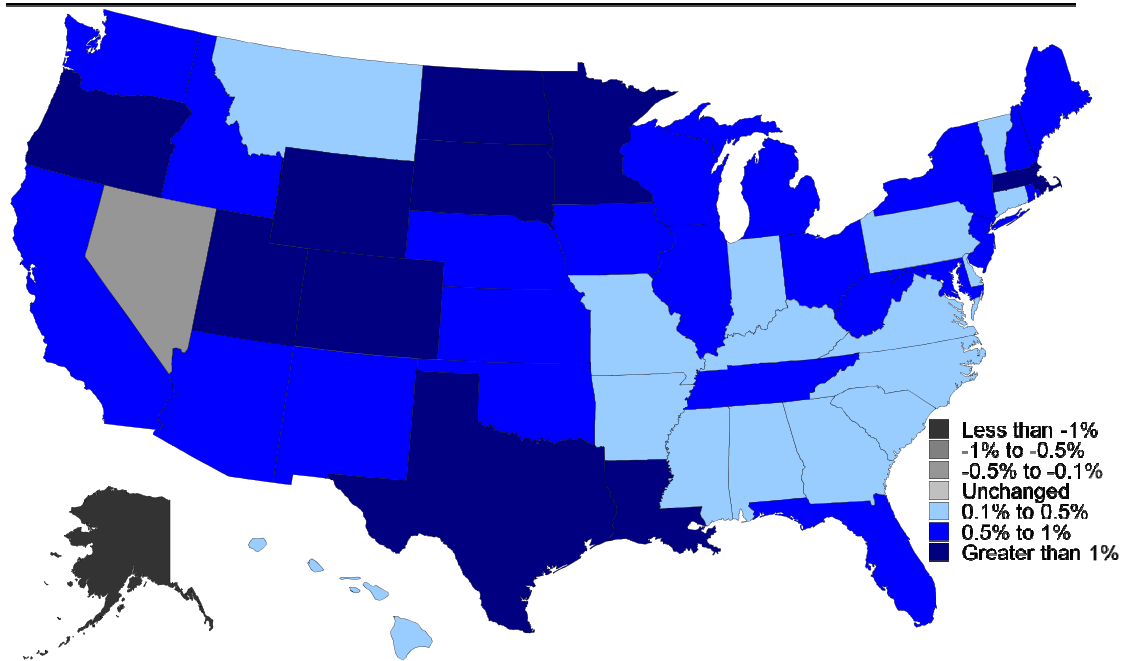
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## State Activity Indexes August 2011

- The three-month moving average indicates expansion in 48 states and further contraction in Nevada as employment gains are failing to materialize.
- From July, the pace of growth accelerated in 23 states, eased in 22 states, and remained essentially unchanged in 5 states.
- In the BBVA Compass Sunbelt, activity slowed in four of seven states, as private sector hiring remains tepid and state and local government layoffs continue.
- Energy-rich states are experiencing sustained better-than-average growth as elevated and stable oil prices bolster exploration activity.

Chart 1  
Activity Indexes, August 2011, 3-Month Change



Source: BBVA Research

The state monthly activity indexes incorporate the latest sector-level employment data, exports, building permits, home prices and existing home sales data for each state along with forecasts for unavailable statistics. The blue color tones (positive index values) indicate expansion, while grey colors (negative index values) indicate contraction. Light grey (in the middle of the range) indicates no growth. The intensity of the colors represents the magnitude of the change.

Table 1  
Across the U.S., Selected Indexes

BBVA Compass

State	August 2011 Index	Avg. Annualized Growth Rate			Percent Change in Index		
		3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.
Alabama	131.8	1.7	2.3	1.9	0.2	0.4	1.2
Arizona	166.7	3.0	3.2	2.7	0.3	0.8	1.6
California	157.4	3.1	3.8	4.0	0.3	0.8	1.9
Colorado	164.6	4.2	3.9	3.4	0.3	1.0	2.0
Florida	149.7	3.1	3.5	2.6	0.2	0.8	1.7
<b>New Mexico</b>	151.7	4.0	4.0	3.1	0.4	1.0	2.0
Nevada	165.4	-1.0	-0.4	0.1	0.1	-0.2	-0.2
Ohio	113.6	2.6	3.2	2.5	0.1	0.7	1.6
<b>Texas</b>	161.4	5.1	4.8	4.1	0.4	1.3	2.4
United States	142.3	2.7	3.2	3.1	0.2	0.7	1.6
Sunbelt	157.2	3.9	4.2	3.8	0.3	1.0	2.1
Ex-Sunbelt	136.2	2.6	3.2	2.8	0.2	0.7	1.6

The value of the index corresponds to economic output where Jan-1997=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  
Three-month Diffusion Indexes

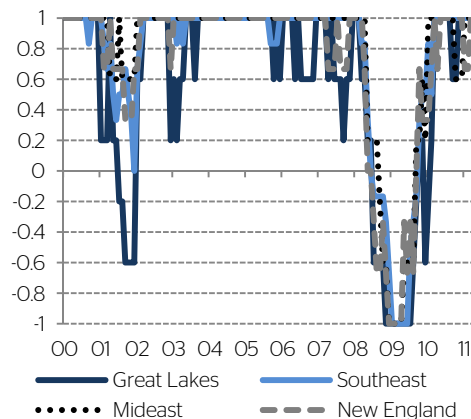
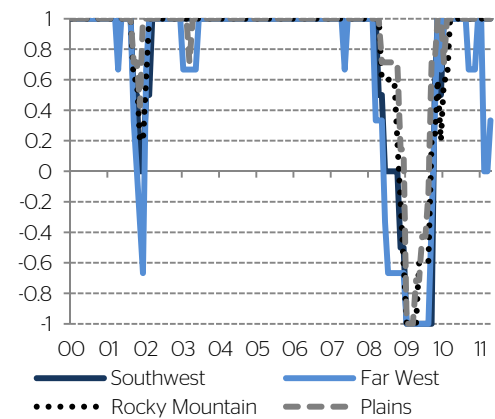


Chart 3  
Three-month Diffusion Indexes



The diffusion indexes reflect the number of states in each BEA-defined region that are expanding versus those contracting. A value of 1 means that all states in the region are expanding that month, while a value of -1 means that all states are contracting. Negative values indicate that a majority of states in the region are contracting. Source: BBVA Research

### Bottom Line

According to the SMAI, in the past three months, economic growth strengthened in nearly half of the states in spite of a challenging global macroeconomic environment. In the remaining states, activity cooled slightly as exports moderated and commodity prices have stabilized. The overall picture is consistent with weak construction activity and a slowdown in industrial production, as deceleration occurred throughout the rust belt and energy rich states of North Dakota and Wyoming. Deceleration in the southeast is partially related to natural disasters. Therefore, reconstruction efforts may have a positive impact in the coming months. Excluding Colorado, New Mexico and Texas, economic activity in the BBVA Compass sunbelt decelerated over the past three months. Employment in Alabama and Florida contracted during the three-month period, and during the past two months, California's employment has also declined. State and local government budget cuts are contributing to these layoffs. Texas continues to grow in spite of the worst one-year drought in history, although August's employment data revealed a net reduction in nonfarm employment that may foreshadow a moderation of activity.

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