

Economic Watch

U.S.

January 4, 2012

Economic Analysis

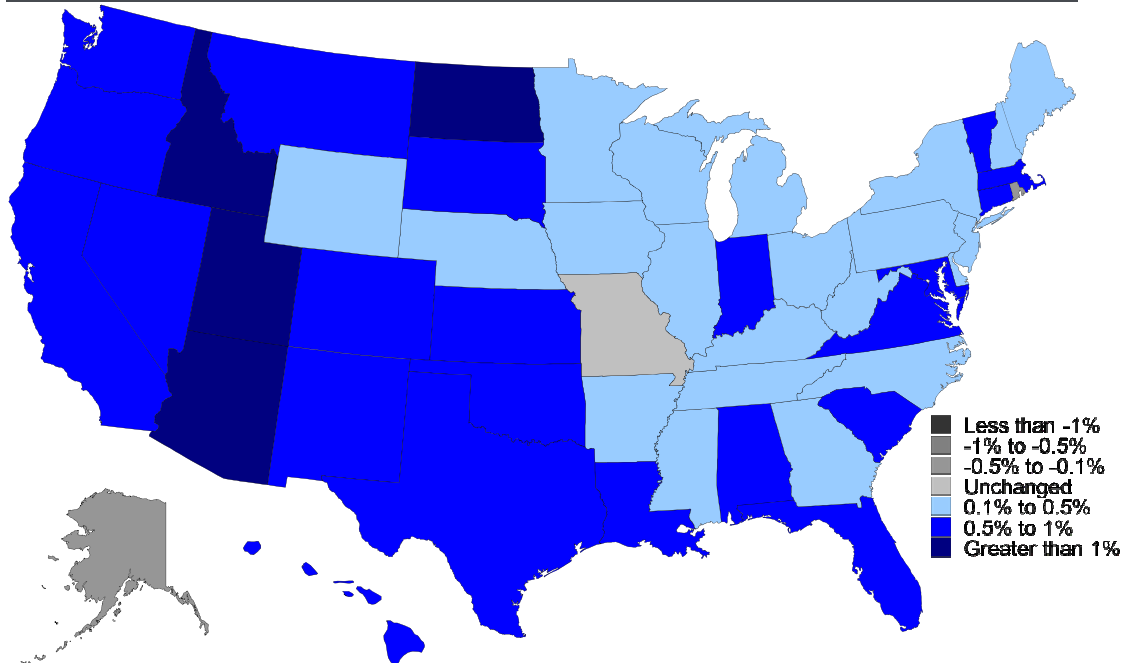
Jason Frederick
jason.frederick@bbvacompass.com

State Activity Indexes November 2011

- In November, the indexes revealed accelerating growth across the U.S. They increased in 47 states, remained unchanged in 1, and declined in 2.
- The three-month average pace of growth rose in a majority of states; in November the pace accelerated in 26, declined in 17 was unchanged in 7 states.
- Activity in the BBVA Compass Sunbelt region remains positive; however, the pace of expansion slid in 4 of the 7 states.
- Alabama, Arizona and Florida registered increases in their 3-month average pace of growth. Declines in construction and local government employment continue to weigh on growth.

Chart 1

Activity Indexes, November 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



State	November 2011 Index	Avg. Annualized Growth Rate			Percent Change in Index		
		3 Mo.	6 Mo.	12 Mo.	Δ1 Mo.	Δ3 Mo.	Δ6 Mo.
Alabama	132.4	2.9	2.4	2.4	0.3	0.7	1.2
Arizona	167.8	4.1	3.6	3.5	0.3	1.0	1.8
California	158.6	3.7	3.5	4.2	0.3	0.9	1.8
Colorado	166.0	3.7	4.1	3.8	0.3	0.9	2.1
Florida	150.7	3.8	3.4	3.1	0.4	0.9	1.7
New Mexico	152.7	2.7	3.4	3.4	0.2	0.7	1.7
Nevada	166.9	3.6	1.2	1.0	0.4	0.9	0.6
New York	144.2	1.8	2.7	3.2	0.2	0.4	1.4
Texas	162.7	3.8	4.4	4.2	0.3	0.9	2.2
US	143.1	3.1	2.9	3.2	0.3	0.8	1.4
Sunbelt	158.4	4.1	4.1	4.1	0.3	1.0	2.1
Excluding Sunbelt	137.0	2.2	2.5	2.8	0.2	0.6	1.3

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

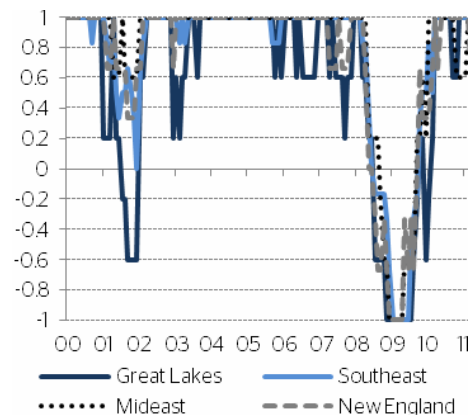
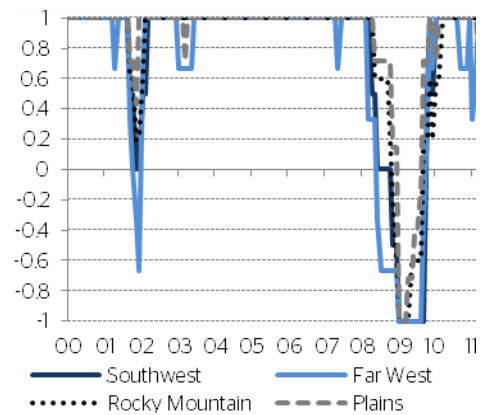


Chart 3
Three-month Diffusion Indexes



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

The end of 2011 signals widespread growth throughout the U.S. An acceleration of growth occurred in a majority of states for the first time since April and reinforces our scenario of slow but stable growth ahead. We expect December's indexes to reveal further expansion. Although the pace of expansion eased in 4 of the 7 Sunbelt states, employment growth was positive in a majority of sectors in 6 of the 7 states; in Colorado, November's payroll report exhibited contraction in nearly all sectors. Going forward, the Sunbelt is pulling ahead of the rest of the U.S. as the service sector strengthens and consumer spending remains resilient. In recent weeks, consumer sentiment has improved along with nationwide manufacturing activity.

As we move into 2012, improvements in manufacturing activity and sustained exports will benefit many metropolitan areas that are comparatively more dependent on the manufacturing sector. Furthermore, sustained demand for U.S. petrochemical products is unleashing a wave of investment throughout the country. While risks remain, improvements in local housing markets will also support growth as construction activity returns slowly in some areas.

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