

Economic Watch

United States

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Economic Analysis

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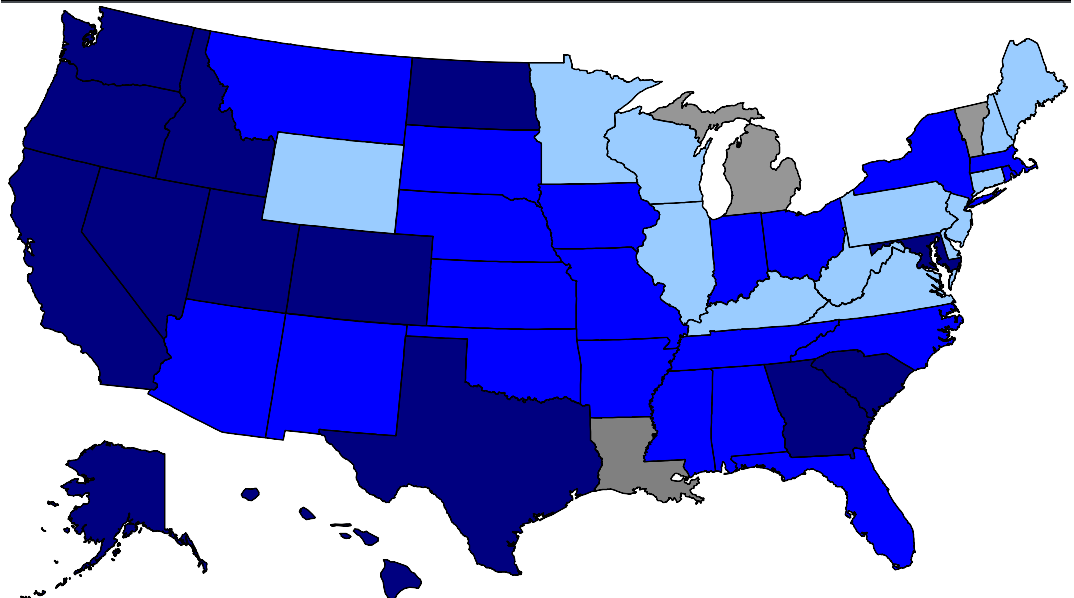
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State Activity Indexes October 2012

- In October, state activity increased in 36 states, was unchanged in 13 states and declined in 1 state.
- Moreover, 35 states accelerated in October, 6 decelerated and 9 remained stable
- Softening export activity weighs on statewide expansion. Texas, North Dakota, Massachusetts and much of the West Coast are less dependent on manufacturing and agriculture, and thus their growth remains strong.
- Upside potential remains for much of the Sunbelt in 4Q12. Strong employment growth in Texas, housing market improvements in Arizona and Florida and a rebound in Alabama activity open the gap between the Sunbelt and the rest of the country.

Chart 1

Activity Indexes, October 2012, 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.

Table 1
Across the U.S., Selected Indexes

October 2012		Avg. Annualized Growth Rate (%)			Percent Change in Index (MoM)			Growth Rank*
State	Index	3 Mo.	6 Mo.	12 Mo.	Current	3MMA	6MMA	MoM
Alabama	132.7	2.4	1.8	2.3	0.2	0.2	0.2	37
Arizona	173.0	3.3	4.2	4.1	0.2	0.3	0.3	10
California	164.2	4.4	4.8	4.6	0.4	0.4	0.4	6
Colorado	172.5	3.8	3.8	4.1	0.4	0.3	0.3	8
Florida	154.3	3.4	3.2	3.4	0.3	0.3	0.3	18
New Mexico	154.2	1.5	2.5	2.9	0.3	0.1	0.2	26
Oregon	229.7	5.5	7.0	6.5	0.4	0.4	0.6	2
Texas	178.7	4.5	4.2	4.8	0.4	0.4	0.3	4
North Dakota	197.1	6.8	7.7	9.3	0.4	0.5	0.6	1
Louisiana	132.4	0.5	1.3	1.7	-0.2	0.0	0.1	44
US	147.6	2.9	2.8	3.2	0.2	0.2	0.2	
Sunbelt	166.3	4.1	4.0	4.2	0.4	0.3	0.3	
Excluding	141.4	2.2	2.4	2.8	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

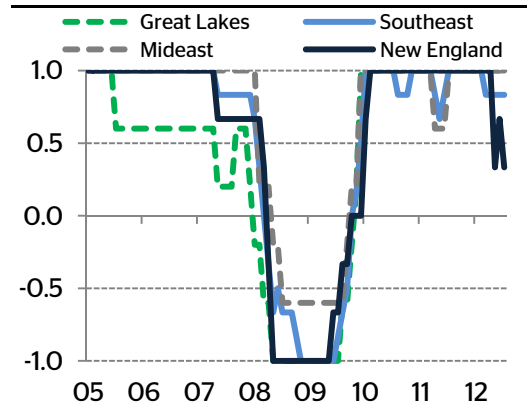
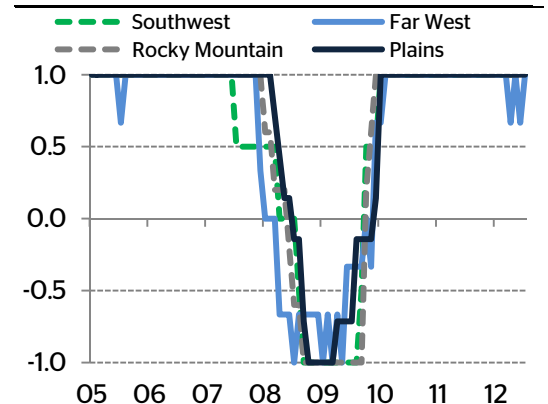


Chart 3
Diffusion Index



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

The drag on state activity brought on by extreme drought conditions in central U.S. eased in October. The disparate growth of 3Q12 has transitioned into a more robust activity as more than half of the states increased during the month. Energy and High Tech clusters continue to be the focal point of robust statewide growth. For others, October proved more promising, as battered housing markets bounced back from 2011 lows, due partly to improvements in consumer confidence, employment and affordability.

The upward trend in consumer optimism should translate into a more uniform growth outlook for the country. Much of the rhetoric heading into the 2012 presidential election suggested that firms would scale back hiring in anticipation of numerous policy changes and increased regulatory costs. The overhang from such uncertainty could present risks to growth in 1H13. However, this pessimism is not likely to weigh on activity in the short-run given the decreasing headwinds in emerging markets and the reawakening of the American consumer. These underlying trends support more a moderate growth outlook for the country in 4Q12 with upside growth potential for states with higher concentrations of less labor intensive high-value added industries.

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