

Economic Watch

United States

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Economic Analysis

Jason Frederick
jason.frederick@bbvacompass.com

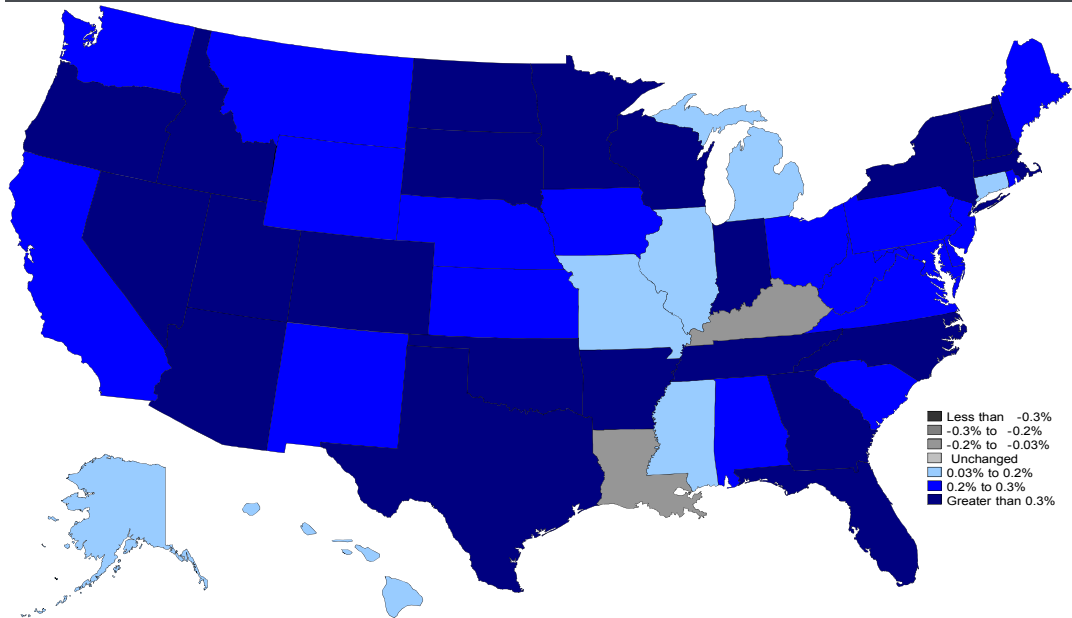
Boyd Nash-Stacey
boyd.stacey@bbvacompass.com

State Activity Indexes January 2014

- In spite of seasonal headwinds, activity increased in over 80% of states in January.
- State activity increased in 41 states and remained unchanged in 9. In addition, the pace of activity improved in 22 states, slowed in 22 and was unchanged in 6.
- A surprising decline in nonfarm payroll across states underlies much of January's deceleration. Although weather factored into many states' construction activity, other idiosyncratic shocks such as layoffs in California's entertainment sector aided in the slowdown. Glimpses into February's payrolls point to upside in 1Q14 and beyond for a handful of states.
- Improvements in the housing sector, acceleration in the goods producing sector and a more balanced external risk environment will allow more states to benefit from the recovery.
- Looking forward, positive economic growth in Europe and higher consumer confidence suggests strong, and less disparate, growth in 1H14.

Chart 1

Activity Indexes, January 2014, 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.

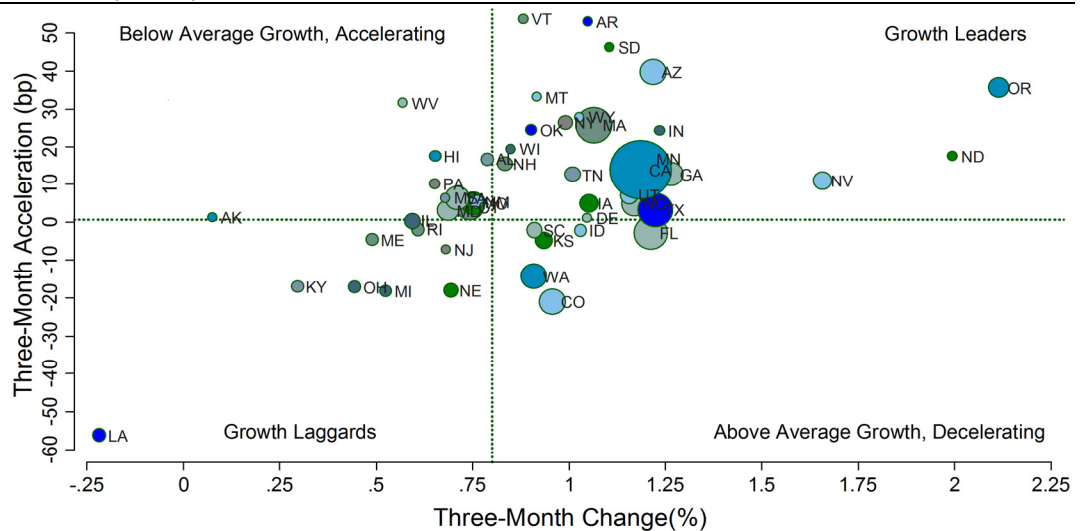
Table 1
Across the U.S., Selected Indexes

State	January 2014 Index	Avg. Annualized Growth Rate (%)			BBVA Forecasts*			Activity Rank
		3 Mo.	6 Mo.	12 Mo.	Housing	Emp.	GDP	
Alabama	140	3.2	2.9	2.7	4.2	0.3	2.0	32
Arizona	174	5.0	4.1	3.9	10.9	2.5	3.4	7
California	167	4.8	4.5	5.0	13.1	1.8	3.2	10
Colorado	178	3.9	4.3	4.9	6.7	1.0	2.6	22
Florida	158	4.9	5.0	4.8	9.8	2.1	3.8	8
New Mexico	155	3.1	3.0	2.7	4.9	1.2	2.4	33
North Dakota	228	8.2	7.9	7.0	6.7	3.2	7.8	2
Oregon	234	8.7	8.0	8.1	8.9	1.8	5.2	1
Texas	190	5.0	4.9	4.9	5.7	2.9	3.4	6
Utah	192	4.7	4.6	4.8	5.5	3.9	3.3	12
US	152	3.4	3.3	3.4	6.2	1.9	2.5	
Sunbelt	172	4.5	4.4	4.6	9.3	2.1	3.3	
Excluding	146	3.1	3.0	2.9	5.7	1.2	2.2	

Source: BBVA Research, BLS

*6-month ahead annualized forecast ; GDP=2014 Growth Rate; Housing= FHFA Purchase Only Home Price Index & Emp.= BLS Nonfarm Payroll Employment

Chart 2
State Monthly Activity Growth & Acceleration Matrix



Source: BBVA Research, BLS

Notes: Median= dotted green line; Size of circle based on share of total U.S. GDP; shading indicates Census geographic region

Bottom Line

In spite of seasonal headwinds, over 80% of states grew in January. Improvements in the housing sector, acceleration in the goods producing sector and a more balanced external risk environment are allowing for more states to benefit from the recovery. In Arizona, California, Florida and Nevada, strong employment growth and rapid home price appreciation is reigniting the construction sector and creating much needed jobs in states most acutely impacted by the housing crisis. Moreover, the upside to the West Coast continues to strengthen as a non-trivial amount of high-skilled workers relocate to these areas for job opportunities. While the retail sector was decimated in states such as Ohio, New York and Massachusetts, the goods-producing sectors in these areas are recovering as expected. A balanced risk environment, positive growth in Europe and higher consumer confidence suggests strong, and less disparate, growth in 1H14.

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