

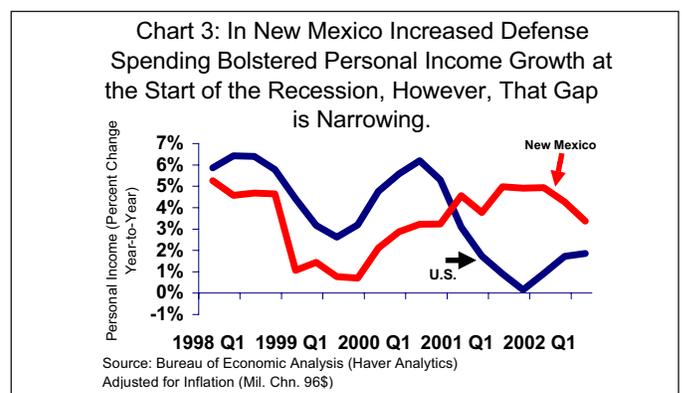
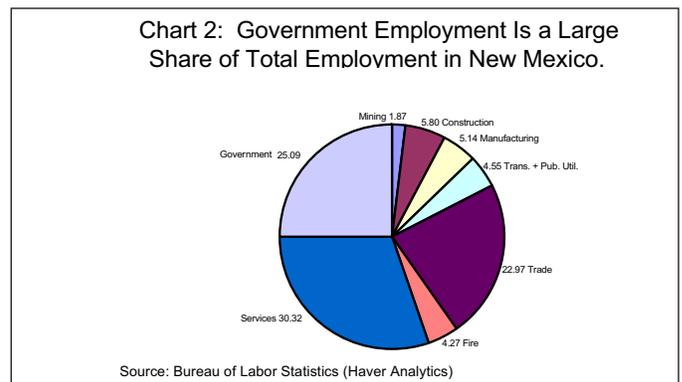
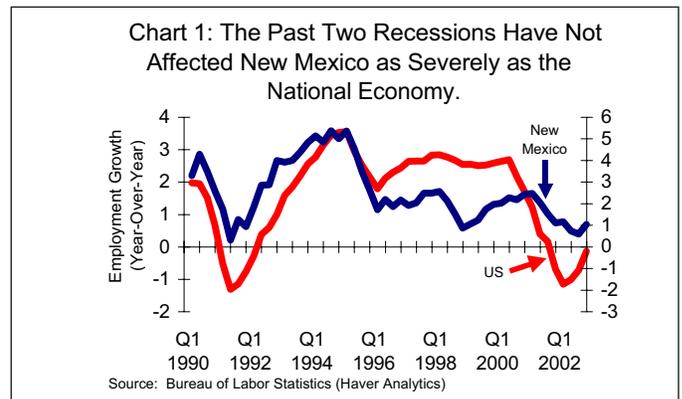
# FDIC State Profile

SPRING 2003

## New Mexico

Employment growth in New Mexico outpaced the U.S. average as of December 2002. Moderate growth in the services, trade, and government sectors continues to offset job losses in mining, manufacturing, and construction.

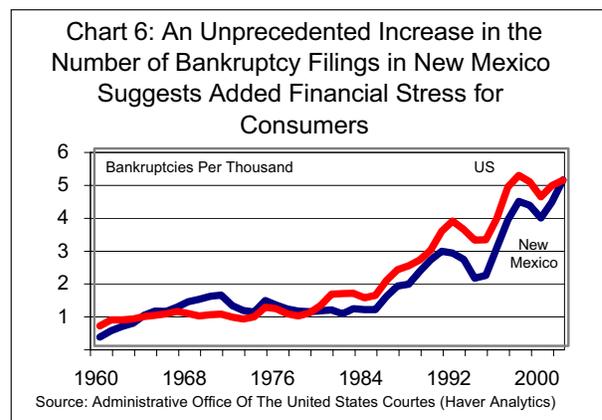
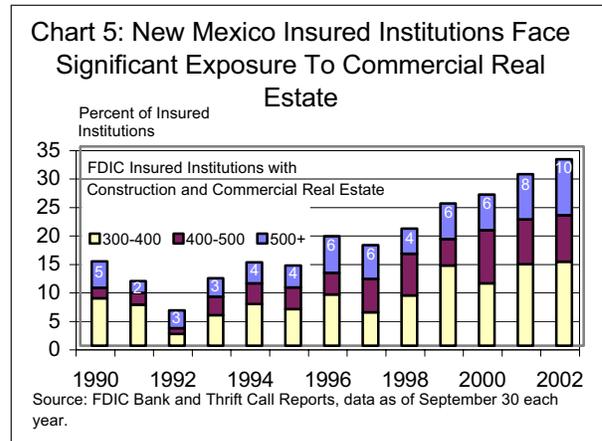
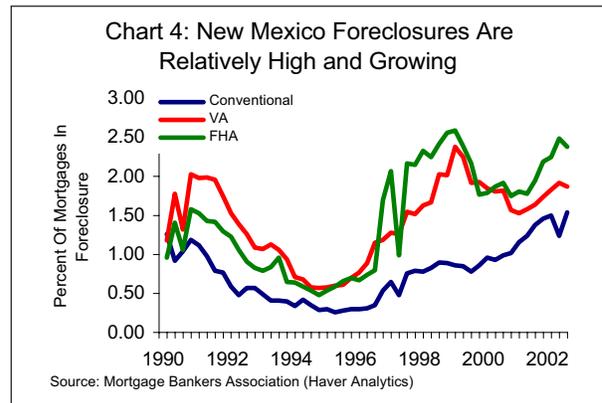
- Job losses have not occurred in the New Mexico economy during the past two recessions (see **Chart 1**). The government sector represents a large share of total employment and a major source of job growth for the state (see **Chart 2**). The government sector added 3,500 jobs in the year ending fourth quarter 2002—more than half the 6,600 jobs created during the period. The federal government employs over 30,000 workers in the state. The New Mexico economy may benefit from increased national defense spending. Five of the top 20 employers in New Mexico are tied to the national defense industry.
- Personal income growth in New Mexico surpassed the U.S. as of first quarter 2001 for the first time since the early 1990s (see **Chart 3**). The New Mexico economy does not have significant employment concentrations in the manufacturing and telecom industries which has helped insulate the state from the effects of the high-tech downturn and recession. However, the sluggish national economy is beginning to adversely affect personal income growth in the state.
- The mining sector in New Mexico has been hurt more than any other industry during the recent recession and has shed 10 percent of the workforce since the recession began. The majority of these job losses have occurred in smaller, rural communities in New Mexico. Recently, Phelps Dodge closed the **Chino** mine and smelters in **Hurley** and **Santa Rita**; these facilities represented dominant sources of employment for these two communities.
- Severe drought conditions continue to hurt New Mexico agricultural and livestock producers. The lack of rainfall and snow melt is adversely affecting water supplies needed to irrigate crops and sustain livestock. A \$3.1 billion dollar aid package was enacted to help drought-stricken producers across the U.S. However, little money is destined for New Mexico because the bulk of the payments historically go to crop producers, and 80 percent of the state's agricultural industry is concentrated in the livestock sector. Agricultural producers and lenders are taking steps to mitigate the effects of the drought, including refinancing or restructuring loans, changing the mix of



commodities produced, voluntarily liquidating some assets, and scaling back farming or ranching operations.

## Weakness in the commercial and residential real estate sectors could challenge credit quality among insured institutions headquartered in New Mexico.

- Sixty-one insured institutions were headquartered in New Mexico as of September 30, 2002. The average return on assets for these banks and thrifts was 1.20 percent, up 42 basis points from a year ago. Cost of funding continues to be advantageous, averaging 1.98 percent of earning assets, the lowest level in a decade. Past-due rates declined to 2.70 percent, down from 3.80 percent a year earlier.
- Residential real estate in New Mexico is showing some signs of stress as evidenced by rising home foreclosure rates (see **Chart 4**). Moreover, deterioration in FHA and VA mortgages has been significant. Conventional mortgage foreclosure rates are at a decade high in the state. New Mexico insured institution past-due rates have remained relatively low at 2.10 percent suggesting insured banks and thrifts may have tightened underwriting standards and benefited from the established sales and securitization markets.
- The commercial real estate (CRE) sector has weakened nationwide during the recent recession. The office vacancy rate in the *Albuquerque* MSA as of September 30, 2002, was 14.5 percent, up 80 basis points from 3 years ago. Despite the overall weakness in the CRE sector, insured institutions headquartered in New Mexico have increased CRE exposure to the highest level on record (see **Chart 5**). While CRE (excluding construction) past-due rates are in line with national averages, construction loan past-due rates have increased to 4.3 percent, the highest level in a decade.
- New Mexico per capita bankruptcy rates are at a thirty-year high (see **Chart 6**). However, insured institutions headquartered in the state are reporting consumer past-due and charge-off rates within levels reported during the past several years. Going forward, should consumer debt levels continue to rise, bankruptcy rates likely will follow, placing additional pressure on insured institution consumer credit quality.



## State Profile

### New Mexico at a Glance

<b>General Information</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Institutions (#)	61	62	61	65	66
Total Assets (in thousands)	18,103,559	18,114,767	18,215,999	18,481,055	13,847,882
New Institutions (# < 3 years)	6	7	6	7	4
New Institutions (# < 9 years)	12	11	9	8	5
<b>Capital</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Tier 1 Leverage (median)	9.06	8.67	8.72	8.65	8.72
<b>Asset Quality</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Past-Due and Nonaccrual (median %)	2.10%	2.36%	2.02%	1.77%	2.28%
Past-Due and Nonaccrual ≥ 5%	9	8	6	5	8
ALLL/Total Loans (median %)	1.37%	1.28%	1.26%	1.30%	1.30%
ALLL/Noncurrent Loans (median multiple)	1.54	1.24	1.57	1.91	1.66
Net Loan Losses/Loans (aggregate)	0.40%	0.49%	0.41%	0.36%	0.31%
<b>Earnings</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Unprofitable Institutions (#)	6	5	6	5	5
Percent Unprofitable	9.84%	8.06%	9.84%	7.69%	7.58%
Return on Assets (median %)	1.10	1.08	1.25	1.27	1.29
25th Percentile	0.66	0.58	0.67	0.76	0.82
Net Interest Margin (median %)	4.71%	4.87%	5.28%	5.15%	5.18%
Yield on Earning Assets (median)	6.89%	8.11%	8.46%	8.11%	8.58%
Cost of Funding Earning Assets (median)	1.90%	3.35%	3.53%	3.13%	3.50%
Provisions to Avg. Assets (median)	0.25%	0.23%	0.15%	0.13%	0.16%
Noninterest Income to Avg. Assets (median)	0.81%	0.76%	0.78%	0.80%	0.89%
Overhead to Avg. Assets (median)	3.41%	3.50%	3.61%	3.46%	3.53%
<b>Liquidity/Sensitivity</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
Loans to Deposits (median %)	71.44%	69.66%	75.09%	70.63%	68.73%
Loans to Assets (median %)	60.52%	59.10%	63.46%	60.68%	59.91%
Brokered Deposits (# of institutions)	9	8	4	7	5
Bro. Deps./Assets (median for above inst.)	2.43%	2.51%	6.64%	2.87%	1.76%
Noncore Funding to Assets (median)	21.56%	19.90%	19.72%	20.90%	17.72%
Core Funding to Assets (median)	67.85%	67.52%	68.28%	68.11%	71.18%
<b>Bank Class</b>	<b>Sep-02</b>	<b>Sep-01</b>	<b>Sep-00</b>	<b>Sep-99</b>	<b>Sep-98</b>
State Nonmember	33	33	32	31	32
National	15	15	16	20	19
State Member	4	4	3	4	5
S&L	4	5	5	5	5
Savings Bank	5	5	5	5	5
Mutually Insured	0	0	0	0	0
<b>MSA Distribution</b>	<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>	
No MSA	43	8,989,991	70.49%	49.66%	
Albuquerque NM	11	6,594,075	18.03%	36.42%	
Santa Fe NM	4	2,214,570	6.56%	12.23%	
Las Cruces NM	3	304,923	4.92%	1.68%	