

FDIC State Profile

SUMMER 2003

Mississippi

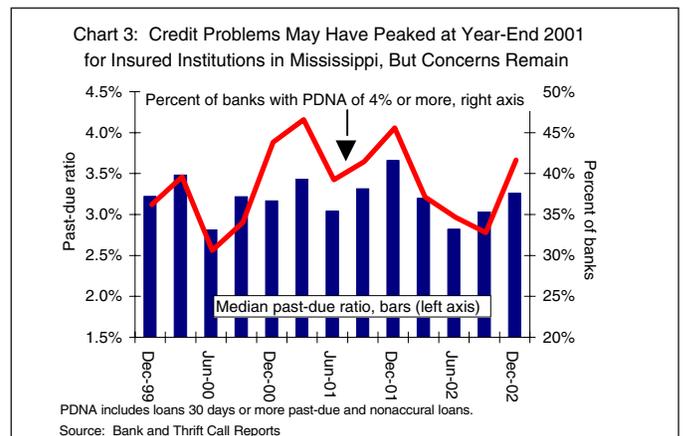
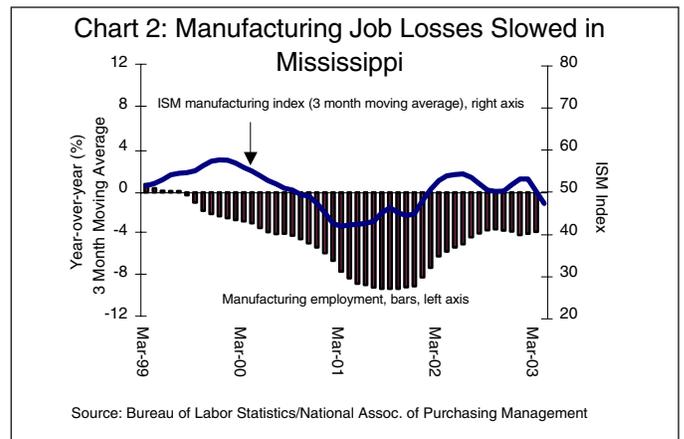
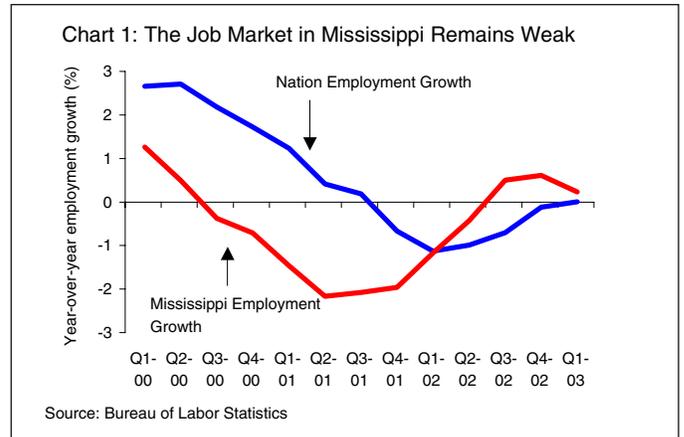
Employment conditions in Mississippi have improved but remain weak.

- Mississippi's economy could be moving in the direction of an economic recovery from the manufacturing-led downturn. On a year-over-year basis, payroll employment growth increased 0.1 percent in first quarter 2003, in stark contrast to a decline of 1.3 percent a year ago. The growth in employment was the third consecutive quarterly increase. (see Chart 1).
- The manufacturing sector has been losing jobs since early 1995, but the pace of job losses has eased, as manufacturing plants reach the minimum staffing levels needed to continue operations. In addition, many jobs in areas subject to sectoral declines (textile and apparel jobs lost to foreign operations) have already been lost. (see Chart 2).¹ Nationally, the prospect for ongoing improvement is uncertain, according to recent surveys of manufacturing conditions.²
- Mississippi's manufacturing sector could get a major boost from the scheduled mid-2003 opening of a \$1.4 billion Nissan auto plant near Jackson. The plant is expected to hire between 4,000 and 5,300 workers. Additional jobs may accrue from major parts suppliers, several of whom have announced plans to locate near the plant.
- Increased spending on national defense could boost employment in southern Mississippi, which is home to Northrop Grumman's Ship System division, Keesler Air Force Base, and the Stennis Space Center.³
- The weaknesses in manufacturing have contributed to stress in other sectors, most notably retail, transportation and public utilities. In addition, the hotel and lodging sector has weakened considerably after 9/11. Despite the weak economic environment, employment in business services

¹ Employment in the manufacturing sector totaled 183,400 at the end of first quarter 2003 and represented 16.3 percent of total employment. According to the Mississippi Development Authority, Mississippi has at least one manufacturing plant in every county in the state.

² The Institute for Supply Management conducts monthly surveys of conditions and expectations for the manufacturing industry. For the two months ending in April 2003, the survey index was below 50. An index of 50 or higher indicates that the manufacturing sector is expected to expand.

³ According to Economy.com, Keesler Air Force Base and Northrop Grumman are the largest employers in the metro Biloxi/Gulfport area with combined employment exceeding 24,000. The Stennis Space Center employs an additional 4,500.



and government sectors grew moderately in first quarter 2003.

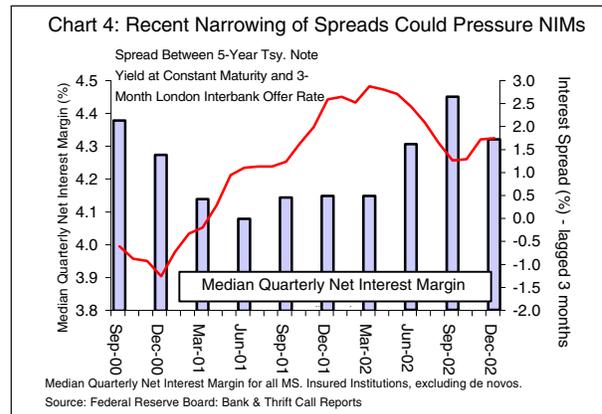
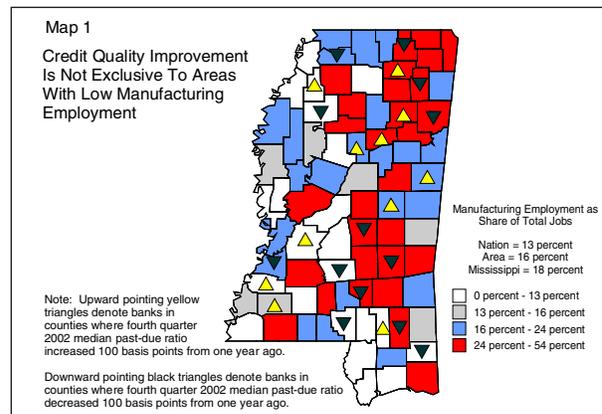
- The birth of the casino gaming industry in 1992 stimulated the state's economy during the early and mid-1990s. The industry had almost 31,000 employees by the end of 2002, a 2.7 percent share of total state employment. However, the industry has reached a point of maturity with no new entrants in the past 2 years and gaming revenues virtually unchanged during 2002.
- Mississippi like many other states has experienced weak growth in tax revenues during 2002 and has used budget cuts in order meet mandatory balanced budget requirements. The May 2003 passage of a \$20 billion federal aid package for the states may help to mitigate some of the adversity that would otherwise accrue from action designed to balance the budget. State and local government employment in Mississippi represented 19.6 percent of total employment in first quarter 2003.
- A slowing economy contributed to a record number of personal bankruptcy filings for the state and the nation during 2002. However, the growth rate for filings declined markedly in Mississippi, while remaining virtually unchanged for the nation.

Credit quality remains a concern among insured institutions in Mississippi.

- Median reported past-due loan ratios appear to have reached a cyclical peak at 3.66 percent in fourth quarter 2001 among insured institutions headquartered in Mississippi. Although past-due loan levels showed improvement at year-end 2002 from one year ago, concern remains as the median past-due ratio has increased from prior quarters⁴ (see Chart 3).
- Among insured institutions in areas dependent on the manufacturing sector, median past-due levels reached an apparent cyclical peak at 3.78 percent of total loans at year-end 2001. Some improvement in the ratio occurred by fourth quarter 2002. However, the past-due ratio remained above levels reported one quarter ago and remained above those by insured institutions in non-manufacturing areas⁵ (see Map 1).

Favorable interest rates and lower provisions boost returns.

- Although slightly down from the previous quarter, the median net interest margin (NIM) for insured institutions headquartered in Mississippi reached 4.32 percent in fourth quarter 2002 (see Chart 4). The figure was 4.15 percent in fourth quarter 2001. The improvement in 2002 is primarily attributed to the wide spread between short- and long-term interest rates. The margin improvement occurred across



Median Return on Assets (%)	4Q02	3Q02	4Q01
Mississippi	1.10	1.19	1.02
MidSouth	1.07	1.14	0.97
Nation	1.07	1.12	0.99

Source: Bank and Thrift Call Reports

- various institutions types and sizes, as well as varied geographic locations.
- Median return on asset (ROA) levels for insured institutions headquartered in Mississippi rose to 1.10 percent in fourth quarter 2002, up from 1.02 percent one-year ago (see Table 1). Lower provisions for loan losses combined with improved NIMs to boost ROAs. The decline in interest rate spreads, which began in late 2002, could pressure future NIMs.

⁴The median past-due ratio was 3.26 percent in fourth quarter 2002, up from 3.03 percent and up from 2.82 percent in third and second quarters 2002, respectively. Additionally, 41 percent of all banks in the state reported a past-due ratio of 4 percent or more, up from 32.1 percent in third quarter 2002.

⁵ Among insured institutions in areas dependent on the manufacturing sector, median past-due loans were 3.51 percent in fourth quarter 2002, up from 3.14 percent in third quarter 2002. In other areas, median past-due loans were 2.44 percent of total loans, down from 2.75 percent one quarter ago.

State Profile

Mississippi at a Glance

General Information	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Institutions (#)	105	107	109	107	108
Total Assets (in thousands)	38,218,366	36,414,650	35,053,208	30,352,920	28,255,386
New Institutions (# < 3 years)	6	10	13	8	5
New Institutions (# < 9 years)	16	16	16	11	8
Capital	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Tier 1 Leverage (median)	9.69	9.83	9.94	9.98	9.74
Asset Quality	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Past-Due and Nonaccrual (median %)	3.26%	3.66%	3.17%	3.22%	3.23%
Past-Due and Nonaccrual >= 5%	28	33	29	19	25
ALLL/Total Loans (median %)	1.43%	1.42%	1.39%	1.37%	1.43%
ALLL/Noncurrent Loans (median multiple)	1.60	1.72	1.50	2.44	2.11
Net Loan Losses/Loans (aggregate)	0.40%	0.42%	0.40%	0.29%	0.27%
Earnings	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Unprofitable Institutions (#)	3	10	10	7	4
Percent Unprofitable	2.86%	9.35%	9.17%	6.54%	3.70%
Return on Assets (median %)	1.09	1.02	1.04	1.10	1.17
25th Percentile	0.86	0.67	0.69	0.79	0.91
Net Interest Margin (median %)	4.29%	4.06%	4.29%	4.41%	4.43%
Yield on Earning Assets (median)	6.74%	7.88%	8.38%	7.98%	8.22%
Cost of Funding Earning Assets (median)	2.44%	3.87%	4.14%	3.67%	3.84%
Provisions to Avg. Assets (median)	0.22%	0.24%	0.24%	0.22%	0.19%
Noninterest Income to Avg. Assets (median)	0.92%	0.88%	0.85%	0.82%	0.78%
Overhead to Avg. Assets (median)	3.19%	3.12%	3.05%	3.11%	3.05%
Liquidity/Sensitivity	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
Loans to Deposits (median %)	72.20%	72.73%	75.08%	73.20%	69.13%
Loans to Assets (median %)	61.11%	61.32%	63.46%	61.72%	59.11%
Brokered Deposits (# of Institutions)	10	11	12	9	7
Bro. Deps./Assets (median for above inst.)	3.66%	3.53%	4.31%	4.78%	3.21%
Noncore Funding to Assets (median)	21.44%	21.19%	20.91%	20.23%	17.90%
Core Funding to Assets (median)	67.24%	67.25%	66.95%	68.98%	70.97%
Bank Class	Dec-02	Dec-01	Dec-00	Dec-99	Dec-98
State Nonmember	76	78	80	78	77
National	20	20	20	20	18
State Member	1	1	1	1	1
S&L	4	4	4	4	6
Savings Bank	3	3	3	3	5
Mutually Insured	1	1	1	1	1
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		90	27,072,160	85.71%	70.84%
Jackson MS		7	7,252,233	6.67%	18.98%
Biloxi-Gulfport-Pascagoula MS		5	3,611,895	4.76%	9.45%
Hattiesburg MS		2	152,080	1.90%	0.40%
Memphis TN-AR-MS		1	129,998	0.95%	0.34%