

FDIC State Profile

WINTER 2003

Mississippi

The Mississippi economy undermined by job losses in manufacturing.

- Employment levels in Mississippi have been held back by nearly three years of job losses in manufacturing (see Chart 1).
- On a year-over-year basis, payroll employment fell 0.5 percent in third quarter 2003, the second consecutive quarterly decrease.¹
- The manufacturing sector in Mississippi lost over 10,000 jobs in third quarter 2003, the largest decline in over a year.
- Many of the state's manufacturing industries contributed to the downward trend (see Chart 2).
- Some jobs lost in the manufacturing sector result from structural changes (textiles and apparel), including outsourcing to foreign countries, as such, these losses should be considered permanent.
- Recent national surveys forecasted improved prospects for manufacturing, although without significant employment gains in the near term.²

The gaming industry reaches a mature stage.

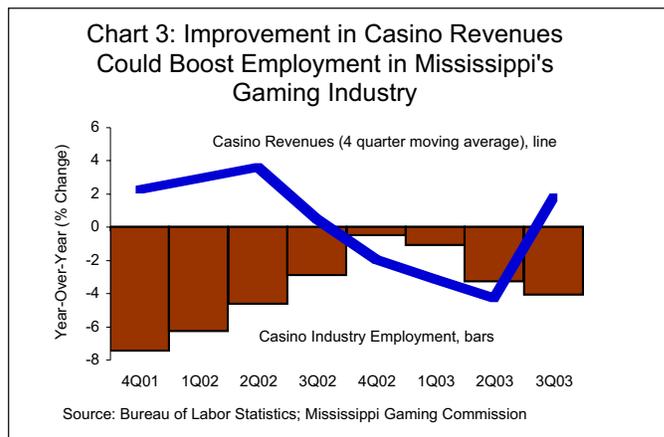
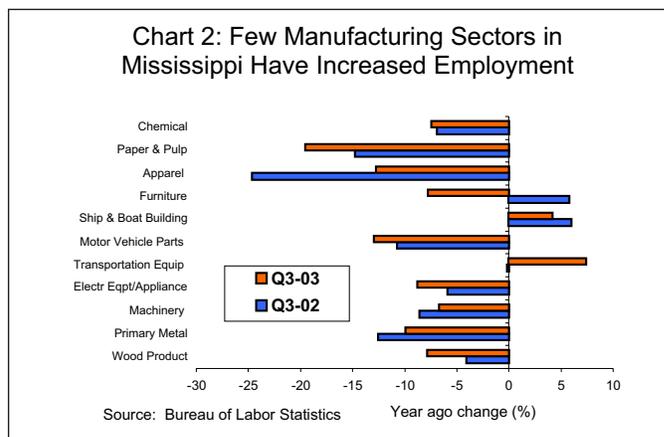
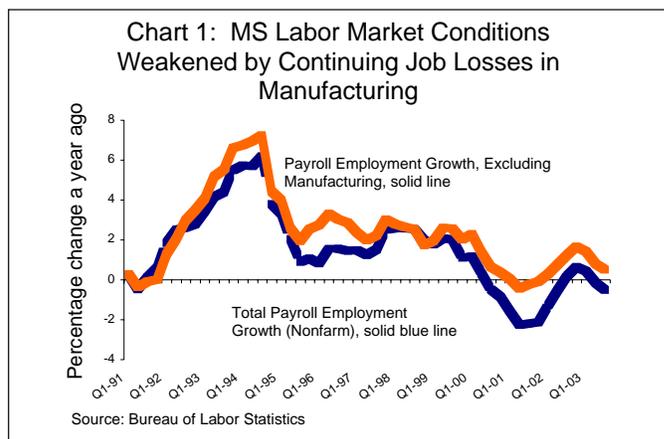
- The introduction of the casino gaming industry in 1992 and subsequent substantial expansion stimulated the state economy through much of the 1990s. By 1999 the state's 29 casinos employed 34,000 workers and generated nearly \$2 billion in annual revenue. However, the industry is now mature, without any new entrants during the past 2 years.³
- Employment in gaming (casinos and casino hotels) declined to approximately 31,000 employees by the end of 2002, still a 2.7 percent share of total state employment.⁴

¹ Mississippi manufacturing employment declined by 49,000 between the start of the 2001 national recession and third quarter 2003.

² The Institute for Supply Management conducts monthly surveys of conditions and expectations for the manufacturing industry. In October 2003, the Institute reported the sixth consecutive favorable reading of the new orders component, and the 37th consecutive unfavorable reading for the employment component.

³ Information is from the Mississippi Gaming Commission and excludes operations covered by the Indian Gaming Act (IGA). The Mississippi Band of Choctaw Indians operates two casinos and hotels in Philadelphia, MS under the IGA. They opened the Golden Moon casino during Summer 2002.

⁴ Employment figures do not include a reported 7,000 employed at casinos and hotels operated by The Mississippi Band of Choctaw Indians, Philadelphia, MS.



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- On a year-over-year basis, gaming revenues rose 1.8 percent in third quarter 2003, following three consecutive quarterly declines (see Chart 3).

Row crop prices rise, but catfish prices remain weak.

- Favorable yields and rising prices should benefit 2003 net farm income for most row crop producers.
- Mississippi leads the nation in water surface acreage devoted to catfish production. Producers remained challenged by the third consecutive year of weak prices, which averaged 56 cents per pound during the first nine months of 2003, nearly 25 percent below the ten-year average of 74 cents.
- Weak lumber prices continued to undermine employment in wood, paper and pulp segments.

Although consumer credit quality issues remain, past-due loan levels among insured institutions based in Mississippi declined.

- Financial stress among Mississippi consumers was evidenced by a personal bankruptcy filing rate 140 percent of the national figure.
- In addition, insured institutions headquartered in Mississippi reported the highest median past-due consumer loan level of any state (see Table 1).
- Overall median past-due loan levels rose during 2001 to levels not reported since 1992, but the figures improved through the second half of 2003.
- The number of insured institutions reporting relatively high-past dues of 5 percent or more of total loans also declined (see Chart 4).⁵

Net interest margins compressed in first half of 2003 and may be further pressured.

- The quarterly median net interest margin (NIM) reported by established insured institutions headquartered in Mississippi peaked at 4.46 percent in third quarter 2002, but declined to 4.17 percent in second quarter 2003 (see Chart 5).
- The decline in NIMs occurred despite favorable interest rate spreads. The decline was attributable in part to a general decline in loans, which typically offer higher returns than alternative investments, and rising competition.
- As the national economy gains momentum, interest rates are expected to rise. An increase in interest rates, particularly if accompanied by a shrinking of

Table 1: Consumer Credit Quality Is a Major Concern for Banks and Thrifts in Mississippi

Area	Consumer past-due loans to total consumer loans (median, %)*			2Q03 National Rank
	2Q02	1Q03	2Q03	
Arkansas	3.16	3.23	3.14	3
Louisiana	2.44	2.72	2.54	11
Mississippi	3.78	3.96	3.97	1
Tennessee	3.36	3.33	3.26	2
Nation	2.11	2.22	2.19	

*States with at least 10 established community banks
Source: Bank and Thrift Call Reports

Chart 4: Credit Problems Appear To Have Abated in the Second Half of 2003 for Insured Institutions in Mississippi

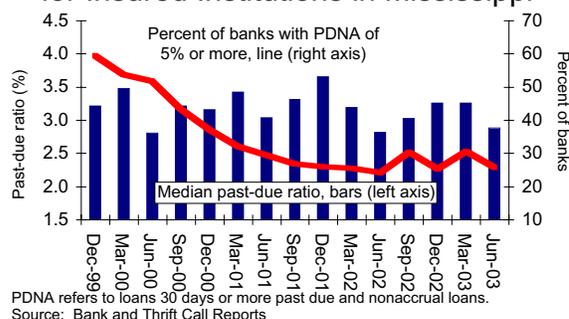
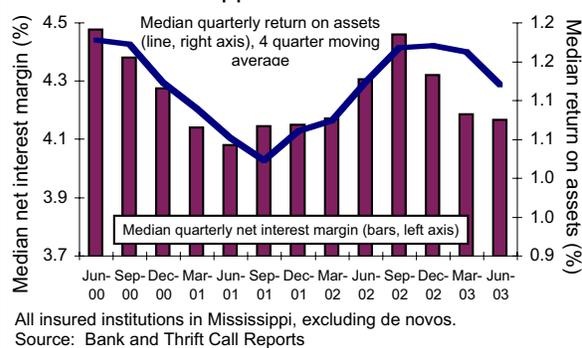


Chart 5: Traditional Earnings Measures Among Banks in Mississippi Declined from 2002 Levels



currently high spreads between short- and long-term rates, could place significant downward pressure on NIMs.

- Improved economic growth should bolster the financial condition of many borrowers. However, some borrowers may experience deteriorating financial positions, because their funding costs or sales revenues are rate sensitive.

⁵ The median past-due ratio reached 3.66 percent at year-end 2001; the ratio was 2.89 percent in second quarter 2003. Nearly 60 percent of all banks held past-dues at 5 percent of total loans at year-end 1999, but decreased to 25.7 percent in mid-2003.

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Mississippi at a Glance

General Information	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Institutions (#)	105	106	109	107	109
Total Assets (in thousands)	39,755,131	37,311,092	36,177,661	31,487,741	29,415,392
New Institutions (# < 3 years)	5	8	12	9	7
New Institutions (# < 9 years)	16	17	16	12	10
Capital	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Tier 1 Leverage (median)	9.96	9.89	9.94	10.28	10.05
Asset Quality	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Past-Due and Nonaccrual (median %)	2.89%	2.82%	3.04%	2.82%	3.15%
Past-Due and Nonaccrual > = 5%	27	24	28	20	22
ALLL/Total Loans (median %)	1.52%	1.42%	1.36%	1.37%	1.40%
ALLL/Noncurrent Loans (median multiple)	1.61	1.78	1.71	1.84	1.82
Net Loan Losses/Loans (aggregate)	0.31%	0.36%	0.36%	0.36%	0.26%
Earnings	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Unprofitable Institutions (#)	5	5	13	7	6
Percent Unprofitable	4.76%	4.72%	11.93%	6.54%	5.50%
Return on Assets (median %)	1.06	1.13	1.04	1.20	1.25
25th Percentile	0.77	0.80	0.60	0.86	0.91
Net Interest Margin (median %)	4.20%	4.23%	4.05%	4.43%	4.30%
Yield on Earning Assets (median)	6.06%	6.78%	8.14%	8.21%	7.86%
Cost of Funding Earning Assets (median)	1.92%	2.56%	4.21%	3.91%	3.61%
Provisions to Avg. Assets (median)	0.16%	0.17%	0.18%	0.17%	0.15%
Noninterest Income to Avg. Assets (median)	0.91%	0.85%	0.90%	0.84%	0.79%
Overhead to Avg. Assets (median)	3.09%	3.07%	3.07%	2.95%	2.97%
Liquidity/Sensitivity	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
Loans to Deposits (median %)	73.19%	73.04%	73.33%	75.66%	71.03%
Loans to Assets (median %)	60.40%	60.71%	61.41%	63.19%	60.41%
Brokered Deposits (# of Institutions)	11	12	9	10	6
Bro. Deps./Assets (median for above inst.)	2.56%	2.76%	5.31%	4.02%	3.02%
Noncore Funding to Assets (median)	21.53%	21.57%	21.16%	20.76%	18.33%
Core Funding to Assets (median)	66.85%	67.30%	66.36%	68.26%	70.18%
Bank Class	Jun-03	Jun-02	Jun-01	Jun-00	Jun-99
State Nonmember	76	77	80	79	78
National	20	20	20	19	20
State Member	1	1	1	1	1
S&L	4	4	4	4	5
Savings Bank	3	3	3	3	4
Mutually Insured	1	1	1	1	1
MSA Distribution		# of Inst.	Assets	% Inst.	% Assets
No MSA		90	28,150,641	85.71%	70.81%
Jackson MS		7	7,521,336	6.67%	18.92%
Biloxi-Gulfport-Pascagoula MS		5	3,773,232	4.76%	9.49%
Hattiesburg MS		2	166,164	1.90%	0.42%
Memphis TN-AR-MS		1	143,758	0.95%	0.36%