

# FDIC State Profile

Spring 2004

## New Mexico

Composition of New Mexico's employment base allowed for stable job growth compared to the nation despite lingering effects of the 2001 recession.

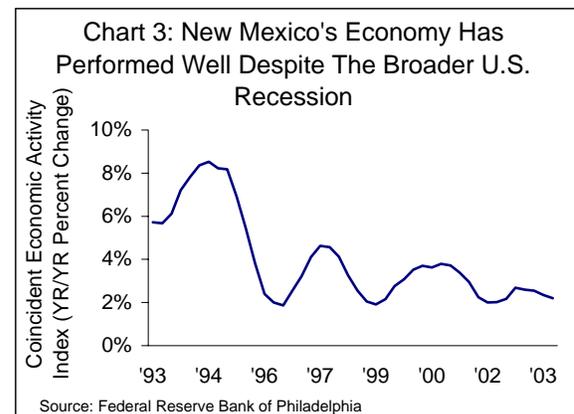
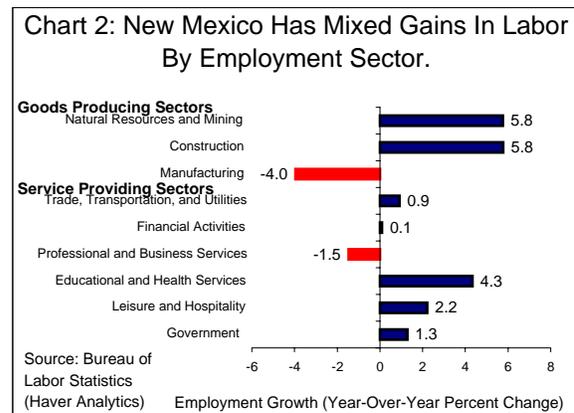
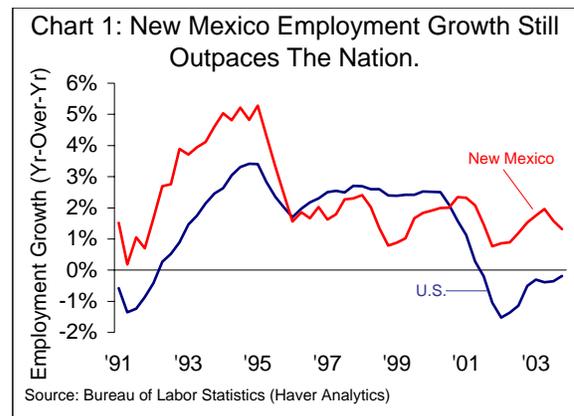
- New Mexico employment growth has exceeded the nation since the end of 2000 and was ranked fifth in the nation in job growth for 2003 (See Chart 1).
- Strong government employment, and the relative lack of cyclical sectors such as manufacturing, has helped New Mexico sustain steady job growth and stable economic performance.

Job growth in New Mexico has been uneven among the state's major industry sectors.

- Education/health services, construction and natural resources and mining and have been the fastest growing sectors, led by an influx of retirees, low mortgage interest rates, and increasing raw material prices (See Chart 2).
- Job losses were concentrated in manufacturing and professional/business services.

The New Mexico economy is poised for continued expansion in 2004.

- The Coincident Index of Economic Activity<sup>1</sup> indicates that the New Mexico economy is expected to perform well during 2004 (See Chart 3).
- The **Albuquerque** MSA achieved a new employment peak in 2003, led by strength in industries related to defense, retirement, and leisure activities.
- A favorable climate and relatively low living costs have attracted an influx of retirees, which will continue to increase demand for residential construction, public infrastructure, and health services.



<sup>1</sup>Coincident Economic Activity includes four indicators: non-farm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for the state's index is set to match that of gross state product.

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Consumer fundamentals continue to exhibit some signs of weakness, but this has not affected insured institution asset quality

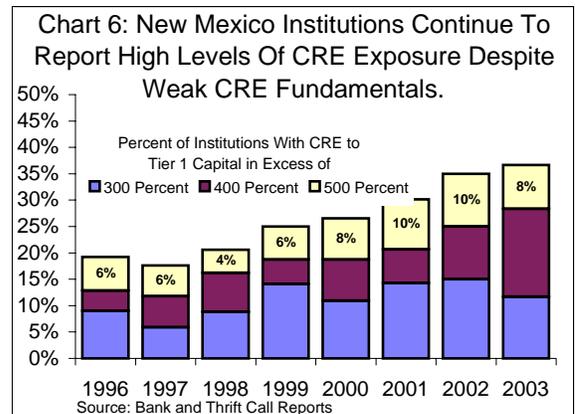
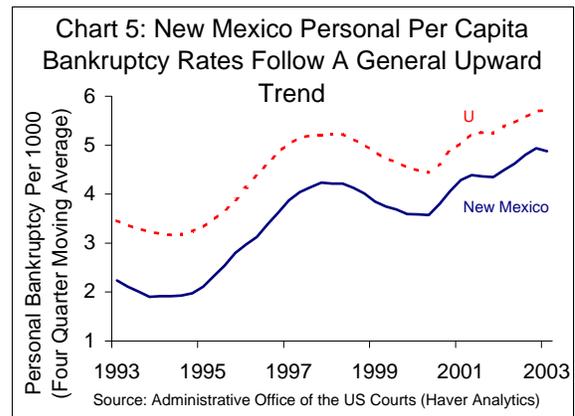
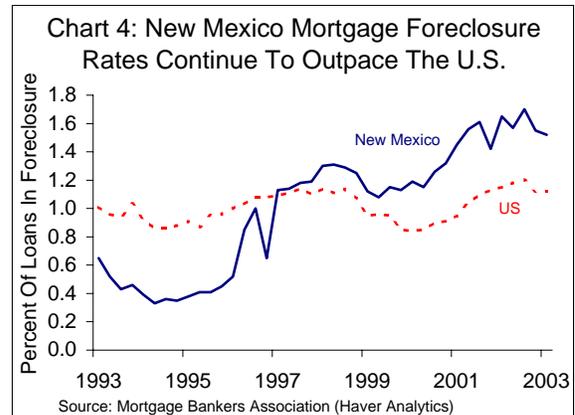
- New Mexico residential real estate continues to show signs of stress as single-family mortgage foreclosures remain among the highest levels in a decade (See Chart 4).
- However, New Mexico insured institutions reported an average residential mortgage past-due rate of 1.70 percent at year-end 2003, the lowest level reported in four years and significantly below national averages.

Increasing consumer bankruptcy rates highlight the vulnerability of personal balance sheets.

- Bankruptcy filings continue to rise in New Mexico to the highest level in a decade (See Chart 5).
- While consumer past-due loan rates among New Mexico insured institutions have fallen over the past several years, the upward trend in consumer debt service burdens and bankruptcy filings suggests that credit quality could weaken going forward.

Despite weakness in commercial real estate (CRE) markets, lenders have not experienced significant deterioration in their portfolios.<sup>2</sup>

- The Albuquerque MSA reported an office vacancy rate of 18.4 percent as of year-end 2003, the highest level in 10 years. Positive job growth along with slowing office construction should translate into lower vacancy rates over the next several years.
- The availability rate for Albuquerque's industrial market is also at 10-year highs as weak demand continues to offset slowing construction.
- Despite general weakness in the commercial real estate sector, New Mexico insured institutions have increased CRE exposure to the highest level in a decade (See Chart 6).
- Even with this heightened exposure, CRE loan past-due and charge-off rates have been stable over the past five years.



<sup>2</sup>Commercial real estate is defined as non-residential real estate, multi-family, and construction and development loans.

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### New Mexico at a Glance

<b>General Information</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Institutions (#)	60	60	63	64	64
Total Assets (in thousands)	20,534,061	18,845,943	18,694,825	18,568,561	18,823,179
New Institutions (# < 3 years)	1	6	7	8	6
New Institutions (# < 9 years)	12	12	12	12	8
<b>Capital</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Tier 1 Leverage (median)	8.52	8.67	8.50	8.74	8.44
<b>Asset Quality</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Past-Due and Nonaccrual (median %)	1.58%	1.82%	2.75%	2.53%	1.74%
Past-Due and Nonaccrual >= 5%	4	8	9	8	7
ALLL/Total Loans (median %)	1.32%	1.41%	1.29%	1.23%	1.32%
ALLL/Noncurrent Loans (median multiple)	1.64	1.41	1.33	1.23	1.89
Net Loan Losses/Loans (aggregate)	0.29%	0.39%	0.52%	0.51%	0.38%
<b>Earnings</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Unprofitable Institutions (#)	4	8	7	8	5
Percent Unprofitable	6.67%	13.33%	11.11%	12.50%	7.81%
Return on Assets (median %)	1.11	1.15	1.08	1.22	1.21
25th Percentile	0.79	0.70	0.49	0.67	0.69
Net Interest Margin (median %)	4.49%	4.70%	4.88%	5.24%	5.17%
Yield on Earning Assets (median)	6.07%	6.77%	7.97%	8.46%	8.18%
Cost of Funding Earning Assets (median)	1.39%	1.88%	3.09%	3.51%	3.18%
Provisions to Avg. Assets (median)	0.14%	0.28%	0.29%	0.18%	0.13%
Noninterest Income to Avg. Assets (median)	0.90%	0.82%	0.75%	0.78%	0.80%
Overhead to Avg. Assets (median)	3.42%	3.42%	3.47%	3.70%	3.51%
<b>Liquidity/Sensitivity</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
Loans to Deposits (median %)	72.34%	70.59%	68.57%	69.55%	70.21%
Loans to Assets (median %)	58.54%	59.16%	57.06%	60.53%	60.91%
Brokered Deposits (# of Institutions)	9	9	8	4	7
Bro. Deps./Assets (median for above inst.)	1.33%	2.37%	2.43%	4.32%	1.27%
Noncore Funding to Assets (median)	19.97%	19.71%	20.39%	20.28%	20.45%
Core Funding to Assets (median)	68.78%	68.98%	69.86%	66.95%	68.67%
<b>Bank Class</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-99</b>
State Nonmember	32	32	34	35	31
National	15	15	15	16	19
State Member	4	4	4	3	4
S&L	4	4	5	5	5
Savings Bank	5	5	5	5	5
Stock and Mutual SB	0	0	0	0	0
<b>MSA Distribution</b>		<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>
No MSA		42	9,940,435	70.00%	48.41%
Albuquerque NM		11	7,674,664	18.33%	37.38%
Santa Fe NM		4	2,582,481	6.67%	12.58%
Las Cruces NM		3	336,481	5.00%	1.64%