

# FDIC State Profile

Spring 2004

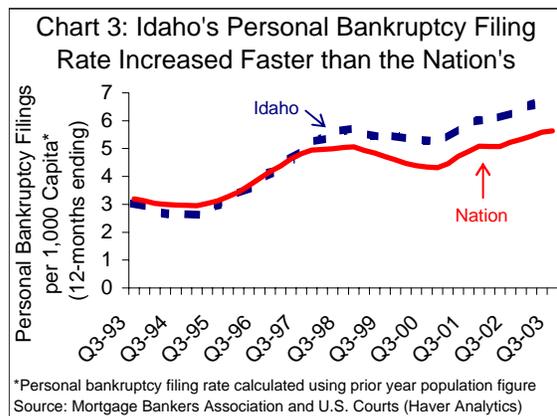
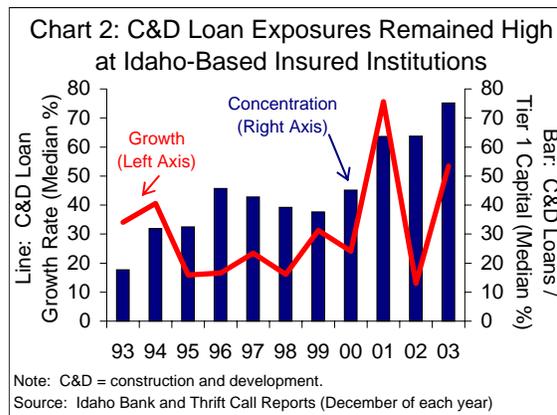
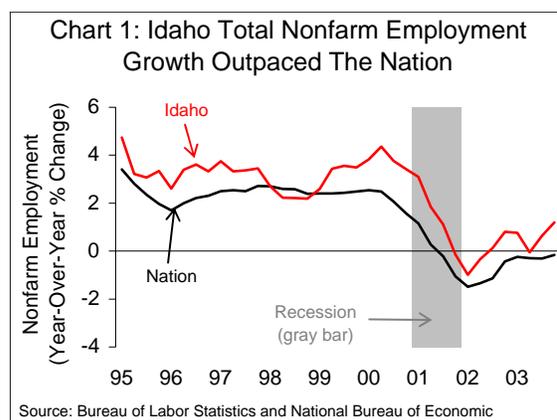
## Idaho

Strength in the finance and services sectors boosted Idaho's nonfarm employment in the fourth quarter of 2003.

- Idaho's nonfarm employment grew 1.2 percent year-over-year as of the fourth quarter of 2003, far outpacing national employment, which remained flat at a negative 0.15 percent (See Chart 1). Fourth quarter 2003 employment grew most rapidly in the finance and professional and business services sectors, posting year-over-year increases of approximately 8 percent and 6 percent, respectively.
- Gains in these sectors offset a manufacturing employment decline of 5 percent year-over-year as of the fourth quarter 2003, the highest job loss among major sectors. However, going forward, several market research firms have forecast strong demand in 2004 for computer chips.<sup>1</sup> In addition, Micron, Idaho's largest private employer and the world's second largest manufacturer of computer memory chips, reported a 25 percent quarter-over-quarter increase in sales for the first quarter fiscal year 2004.

Construction employment is forecast to decrease, while construction and development (C&D) loan concentrations remained at a high level among Idaho-based insured institutions.

- The construction sector is not forecast to share in Idaho's strong nonfarm employment growth. Idaho's population growth slowed from 3.5 percent year-over-year in 1993 to 1.7 percent year-over-year in 2003. As a result, housing starts and construction employment are forecast to slightly contract over the next four years, although still remaining above their mid-1990's levels.<sup>2</sup>
- Despite the negative outlook for Idaho's construction sector, insured institutions based in Idaho continued expanding C&D lending. The median C&D loan-to-Tier 1 capital ratio reported by insured institutions headquartered in Idaho increased significantly during the past eleven years, and increased from 64 percent to 75



<sup>1</sup>Yi, Matthew. "Outlook for Chip Growth", San Francisco Chronicle, January 13, 2004.  
<sup>2</sup>Division of Financial Management, State of Idaho, Idaho Economic Forecast, January 2004, pages 14-19.

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percent, year-over-year as of the fourth quarter 2003 (See Chart 2).

### Idaho continued to report some of the nation's highest bankruptcy and foreclosure rates.

- Contrary to the positive trends in nonfarm employment, Idaho's personal bankruptcy rate rose 9 percent year-over-year as of third quarter 2003; the state filing rate was 40 percent higher than the national average (See Chart 3). Bankruptcy trends contributed to an above-average foreclosure start rate in the state. The third quarter 2003 Idaho foreclosure start rate, according to the **Mortgage Bankers Association (MBA)**, was 0.38 percent of all mortgages, down from the third quarter 2002 level of 0.41 percent.
- Underscoring the state's high bankruptcy and foreclosure rates, Idaho's home price appreciation trailed the nation. According to the **Office of Federal Housing Enterprise Oversight**, Idaho ranked 35th out of the 50 states and the District of Columbia in home price appreciation as of third quarter 2003, with a one-year appreciation rate of 3.89 percent.
- Much of Idaho has experienced drought conditions over the previous four years. As a result of recent snowfall, improved moisture conditions have been forecast; however, the drought has not been fully alleviated, especially in the hard-hit southeastern corner of the state.<sup>3</sup>
- Potato prices fell 12 percent year-over-year during 2003 reducing the value of the state's production (See Chart 4).<sup>4</sup> Additionally, farmers faced falling demand for potatoes, especially frozen potatoes. In part to offset reduced demand, farmers planted 4 percent fewer acres in 2003 than in 2002.<sup>5</sup>

### Past-due loan ratios were higher at institutions based in Idaho's rural areas.

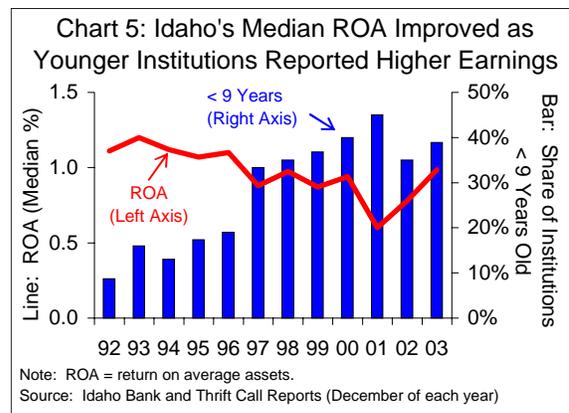
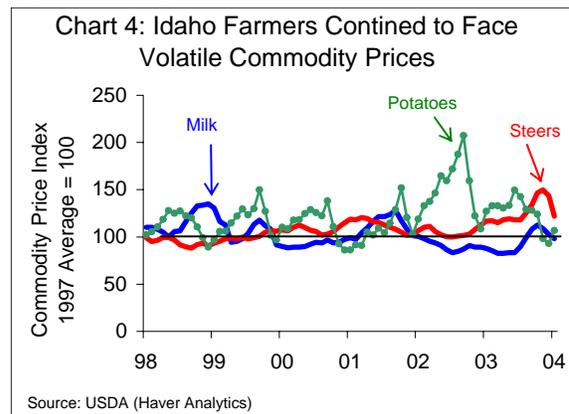
- The median overall past-due loan ratio reported by insured institutions headquartered in Idaho increased slightly from 0.98 percent to 1.04 percent year-over-year as of fourth quarter 2003. However, rural institutions reported a past-due ratio of 1.35 percent compared to 0.84 percent for institutions based in the Idaho's two Metropolitan Statistical Areas (MSA), Boise City and Pocatello.
- Institutions based in rural areas were more heavily invested in agricultural loans, with a median concentration in agricultural credit of 118 percent of Tier

1 capital. This compares to only 5 percent of Tier 1 capital for Idaho-based insured institutions headquartered in an MSA. Metro area employment growth has been stronger due to growth in the finance and professional and business service areas.

- Higher median past-due ratios among rural-based institutions were also noted in the commercial and industrial, consumer and single family mortgage loan categories.

### Idaho-based insured institutions reported significantly higher profits for fourth quarter 2003, driven by stronger performance by younger institutions.

- The median return on average assets (ROA) for fourth quarter 2003 improved to 0.99 percent from 0.78 percent one-year earlier, and slightly below the 1.02 percent ROA reported by insured institutions nationwide. Controlled overhead expenses and a reduction in provision expenses combined to boost earnings performance.
- The state's large proportion of younger institutions (in operation less than 9 years) helped boost median performance as they are maturing into their business plans (See Chart 5).



<sup>3</sup>Dey, Ken, "Water Year Off to a Good Start", The Idaho Statesman, January 21, 2004.

<sup>4</sup>Idaho Agricultural Statistics Service, Agriculture in Idaho: 2003 Crop Production, February 19, 2004.

<sup>5</sup>Fick, Bob, "Smaller Potato Harvest Ups Optimism", Salt Lake Tribune, November 14, 2003.

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### Idaho 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-00</b>
Institutions (#)	18	20	20	20	19
Total Assets (in thousands)	4,727,900	4,214,159	3,648,114	3,097,451	2,618,539
New Institutions (# < 3 years)	1	2	2	1	4
New Institutions (# < 9 years)	7	7	9	8	7
<b>Capital</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-00</b>
Tier 1 Leverage (median)	8.44	8.32	8.65	9.14	9.70
<b>Asset Quality</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-00</b>
Past-Due and Nonaccrual (median %)	1.04%	0.98%	1.68%	1.37%	1.61%
Past-Due and Nonaccrual >= 5%	0	1	0	0	1
ALLL/Total Loans (median %)	1.36%	1.46%	1.30%	1.31%	1.30%
ALLL/Noncurrent Loans (median multiple)	3.49	3.65	2.22	3.43	3.52
Net Loan Losses/Loans (aggregate)	0.14%	0.22%	0.30%	0.23%	0.15%
<b>Earnings</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-00</b>
Unprofitable Institutions (#)	2	3	3	1	
Percent Unprofitable	0.00%	10.00%	15.00%	15.00%	5.26%
Return on Assets (median %)	0.99	0.78	0.60	0.94	0.87
25th Percentile	0.77	0.51	0.36	0.36	0.52
Net Interest Margin (median %)	4.65%	4.75%	4.58%	5.17%	5.14%
Yield on Earning Assets (median)	6.23%	6.71%	8.16%	9.17%	8.45%
Cost of Funding Earning Assets (median)	1.56%	2.18%	3.59%	3.99%	3.39%
Provisions to Avg. Assets (median)	0.26%	0.35%	0.32%	0.37%	0.26%
Noninterest Income to Avg. Assets (median)	1.25%	1.27%	1.02%	0.97%	1.03%
Overhead to Avg. Assets (median)	4.01%	4.31%	4.28%	4.10%	4.33%
<b>Liquidity/Sensitivity</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-00</b>
Loans to Deposits (median %)	84.78%	83.69%	82.96%	83.49%	81.62%
Loans to Assets (median %)	71.74%	71.37%	71.58%	69.86%	69.63%
Brokered Deposits (# of Institutions)	7	4	4	4	3
Bro. Deps./Assets (median for above inst.)	3.63%	4.90%	6.61%	3.64%	5.71%
Noncore Funding to Assets (median)	18.06%	18.17%	20.08%	21.20%	20.16%
Core Funding to Assets (median)	67.86%	67.97%	68.26%	68.57%	67.97%
<b>Bank Class</b>	<b>Dec-03</b>	<b>Dec-02</b>	<b>Dec-01</b>	<b>Dec-00</b>	<b>Dec-00</b>
State Nonmember	13	14	14	15	14
National	1	1	1	1	1
State Member	1	2	2	2	2
S&L	1	1	1	1	1
Savings Bank	2	2	2	1	1
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		13	3,543,666	72.22%	74.95%
Boise City ID		4	1,092,328	22.22%	23.10%
Pocatello ID		1	91,906	5.56%	1.94%