

# FDIC State Profile

Fall 2004

## Mississippi

### Employment grows with assistance from manufacturing.

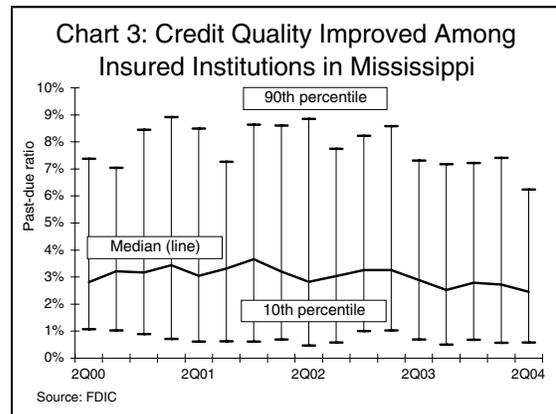
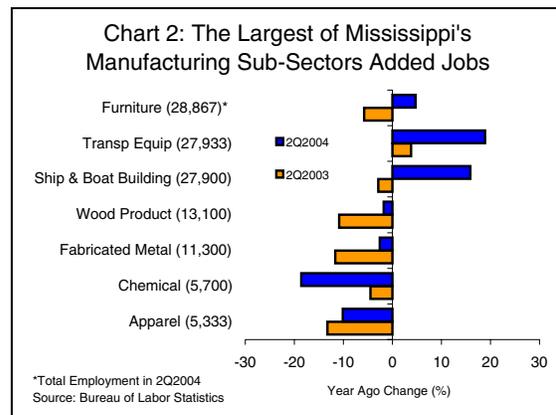
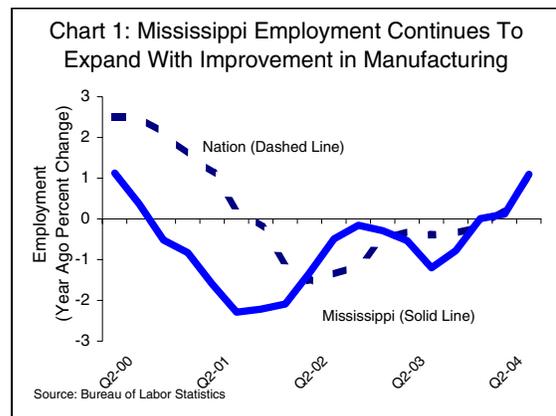
- Mississippi employment grew in second quarter 2004, for the second consecutive quarter, suggesting a possible end to the quarterly declines that began in third quarter 2000 and lasted for three years (See Chart 1).
- The business services, education and health, local and state government, and manufacturing sectors posted year-over-year employment gains during the quarter. In contrast, job losses occurred in the leisure and hospitality sector, while construction remained flat.

### Manufacturing job gains are first in more than four years.

- The Mississippi manufacturing sector gained more than 1,400 jobs in second quarter 2004, the first quarterly job improvement on a year-over-year basis in more than four years. The improvement was led by strong job growth in the automotive segment, ship and boat building, and furniture sub-sectors (See Chart 2). Several auto parts manufacturers, such as Transpro, Tecumseh, and SportRack, announced expansion plans and hiring across the state in recent months, underscoring the ongoing stimulation provided by the spring 2003 opening of Nissan's automotive assembly plant in **Canton**.
- A recent survey of manufacturing conditions suggests overall improvement will continue.<sup>1</sup> Locally, one sign of improving near-term prospects was contained in Nissan's late August announcement that work hours would increase through December to meet demand for the new line of Titan trucks.

### Second quarter gaming revenues were disappointing.

- Gaming revenues in second quarter 2004 were unexpectedly flat on a year-over-year basis, following three consecutive quarterly increases.<sup>2</sup> Industry analysts cited strong competition, rising fuel costs, and a tepid recovery as reasons for the slowdown. Employment in the



<sup>1</sup>The Institute for Supply Management monthly ISM index rose in July 2004 to 62.0, the fifteenth consecutive monthly increase above 50, which signals an expansion.

<sup>2</sup>Mississippi's gaming revenues rose only 0.1 percent in second quarter 2004 on a year-over-year basis.

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industry has declined since first quarter 2001, falling to 29,334 jobs in second quarter 2004.<sup>3</sup>

- Prospects for the gaming industry through 2005 will be boosted by the addition of new casinos in each of the three geographic markets, the Coast, North and South Rivers. In addition, several casinos have announced or recently begun the addition of new rooms and amenities.

### Farm income could improve in 2004.

- Trends in general commodity prices have been good and could suggest improvement in farm income for 2004; however, prices for cotton have remained weak in recent months primarily because of high global production.
- Catfish producers, who have suffered from prices falling short of breakeven levels for much of the past two-and-a-half years, should benefit from a positive price trend. July 2004 prices averaged \$0.68 per pound.<sup>4</sup>

### Trade Agreements could hurt cotton.

- The World Trade Organization (WTO) talks held in July 2004 produced a framework that, if adopted, would eventually eliminate billions of dollars of farm subsidies for developed nations by reducing or eliminating import barriers, export subsidies, and domestic support programs. The implementation of such an agreement may adversely affect local cotton producers and lenders and have far-reaching implications for other agricultural commodities and future trade agreements. A recent survey of bankers suggested the elimination of subsidies could adversely affect land values in areas like the Delta where cotton is a dominant crop.

### The active hurricane season could negatively affect the state's economy.

- Third quarter gaming revenues will be adversely affected by Hurricane Ivan, which forced the 12 Gulf Coast casinos to close for three days. Additionally, customers may be reluctant to visit for the near future because of weather-related uncertainty. Fortunately, the casinos experienced no major structural damage.

### Loan data reflect bank participation in renewed economic growth.

- Along with improved employment conditions, insured institutions headquartered in Mississippi increased their small loans to businesses by slightly more than 1 percent for the year ending second quarter 2004. The increase

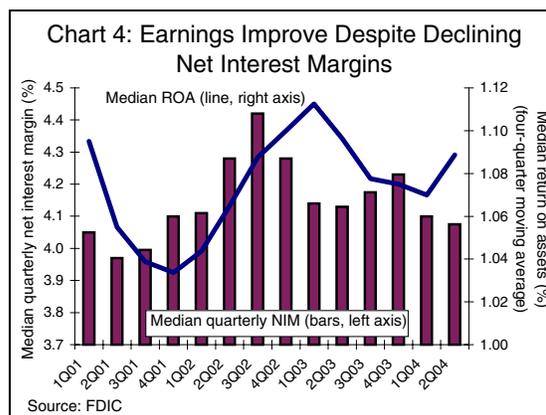
ended a three year period of decline. Moreover, insured institutions in the state reached the highest median loans-to-assets level for the second quarter since 2000.

### Although improved, credit quality remains an area of concern.

- The median past-due ratio among insured institutions in Mississippi was 2.5 percent in second quarter 2004, a 43 basis point improvement from one year ago (See Chart 3). However, concern remains as the median past-due ratio ranks first nationally.
- Financial stress among Mississippi consumers was evidenced by a past-due consumer loan ratio greatly exceeding that of the nation, a high personal bankruptcy filing rate, and a high number of foreclosures. The median past-due consumer loan ratio was the highest in the nation, while the state ranked tenth nationally in personal bankruptcy filings and third nationally in mortgage foreclosures.<sup>5</sup>

### Second quarter 2004 earning results were mixed.

- The median return on assets (ROA) was 1.14 percent in second quarter 2004, up from 1.06 percent one year ago. (See Chart 4). The increase in the median ROA was primarily attributable to declines in noninterest expenses and loan-loss provisions.
- The median quarterly net interest margin was 4.08 percent in second quarter 2004, down from 4.13 percent one year ago and 35 basis points below the most recent peak in third quarter 2003. The decrease occurred despite favorable market interest rate spreads over the timeframe and was attributable in part to increased competition and a general decline in loan yields.



<sup>3</sup>By the end of 1999, the 29 casinos, excluding two operated by the Choctaw Native Americans, reached a peak employment of more than 34,000 employees, and generated nearly \$2 billion in annual revenue.

<sup>4</sup>While below the 10-year average of \$0.74 per pound, the current price is \$0.10 above levels one year earlier.

<sup>5</sup>The median past-due consumer loan ratio was 3.2 percent in second quarter 2004 compared with the national median of 1.8 percent. The per capita personal bankruptcy filing rate was 7.4 percent in second quarter 2004 (national rate at 5.6) and mortgage foreclosures were 2.9 percent, compared with 1.7 percent for the nation.

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### Mississippi at a Glance

<b>General Information</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Institutions (#)	102	105	106	109	107
Total Assets (in thousands)	41,641,351	39,754,930	37,311,092	36,177,661	31,487,741
New Institutions (# < 3 years)	1	5	8	12	9
New Institutions (# < 9 years)	15	16	17	16	12
<b>Capital</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Tier 1 Leverage (median)	9.90	9.96	9.89	9.94	10.28
<b>Asset Quality</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Past-Due and Nonaccrual (median %)	2.46%	2.89%	2.82%	3.04%	2.82%
Past-Due and Nonaccrual >= 5%	19	27	24	28	20
ALLL/Total Loans (median %)	1.51%	1.52%	1.42%	1.36%	1.37%
ALLL/Noncurrent Loans (median multiple)	2.12	1.61	1.78	1.71	1.84
Net Loan Losses/Loans (aggregate)	0.28%	0.30%	0.36%	0.36%	0.36%
<b>Earnings</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Unprofitable Institutions (#)	6	5	5	13	7
Percent Unprofitable	5.88%	4.76%	4.72%	11.93%	6.54%
Return on Assets (median %)	1.14	1.06	1.13	1.04	1.20
25th Percentile	0.82	0.77	0.80	0.60	0.86
Net Interest Margin (median %)	4.10%	4.20%	4.23%	4.05%	4.43%
Yield on Earning Assets (median)	5.66%	6.06%	6.78%	8.14%	8.21%
Cost of Funding Earning Assets (median)	1.54%	1.92%	2.56%	4.21%	3.91%
Provisions to Avg. Assets (median)	0.13%	0.16%	0.17%	0.18%	0.17%
Noninterest Income to Avg. Assets (median)	0.96%	0.91%	0.85%	0.90%	0.84%
Overhead to Avg. Assets (median)	3.16%	3.09%	3.07%	3.07%	2.95%
<b>Liquidity/Sensitivity</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
Loans to Deposits (median %)	74.00%	73.19%	73.04%	73.33%	75.66%
Loans to Assets (median %)	61.74%	60.40%	60.71%	61.41%	63.19%
Brokered Deposits (# of Institutions)	14	11	12	9	10
Bro. Deps./Assets (median for above inst.)	2.09%	2.56%	2.76%	5.31%	4.02%
Noncore Funding to Assets (median)	21.86%	21.53%	21.57%	21.16%	20.76%
Core Funding to Assets (median)	66.46%	66.85%	67.30%	66.36%	68.26%
<b>Bank Class</b>	<b>Jun-04</b>	<b>Jun-03</b>	<b>Jun-02</b>	<b>Jun-01</b>	<b>Jun-00</b>
State Nonmember	74	76	77	80	79
National	19	20	20	20	19
State Member	1	1	1	1	1
S&L	4	4	4	4	4
Savings Bank	3	3	3	3	3
Stock and Mutual SB	1	1	1	1	1
<b>MSA Distribution</b>		<b># of Inst.</b>	<b>Assets</b>	<b>% Inst.</b>	<b>% Assets</b>
No MSA		88	28,884,552	86.27%	69.37%
Jackson MS		6	8,400,319	5.88%	20.17%
Biloxi-Gulfport-Pascagoula MS		5	3,962,085	4.90%	9.51%
Hattiesburg MS		2	225,361	1.96%	0.54%
Memphis TN-AR-MS		1	169,034	0.98%	0.41%