

# Maine Directors College

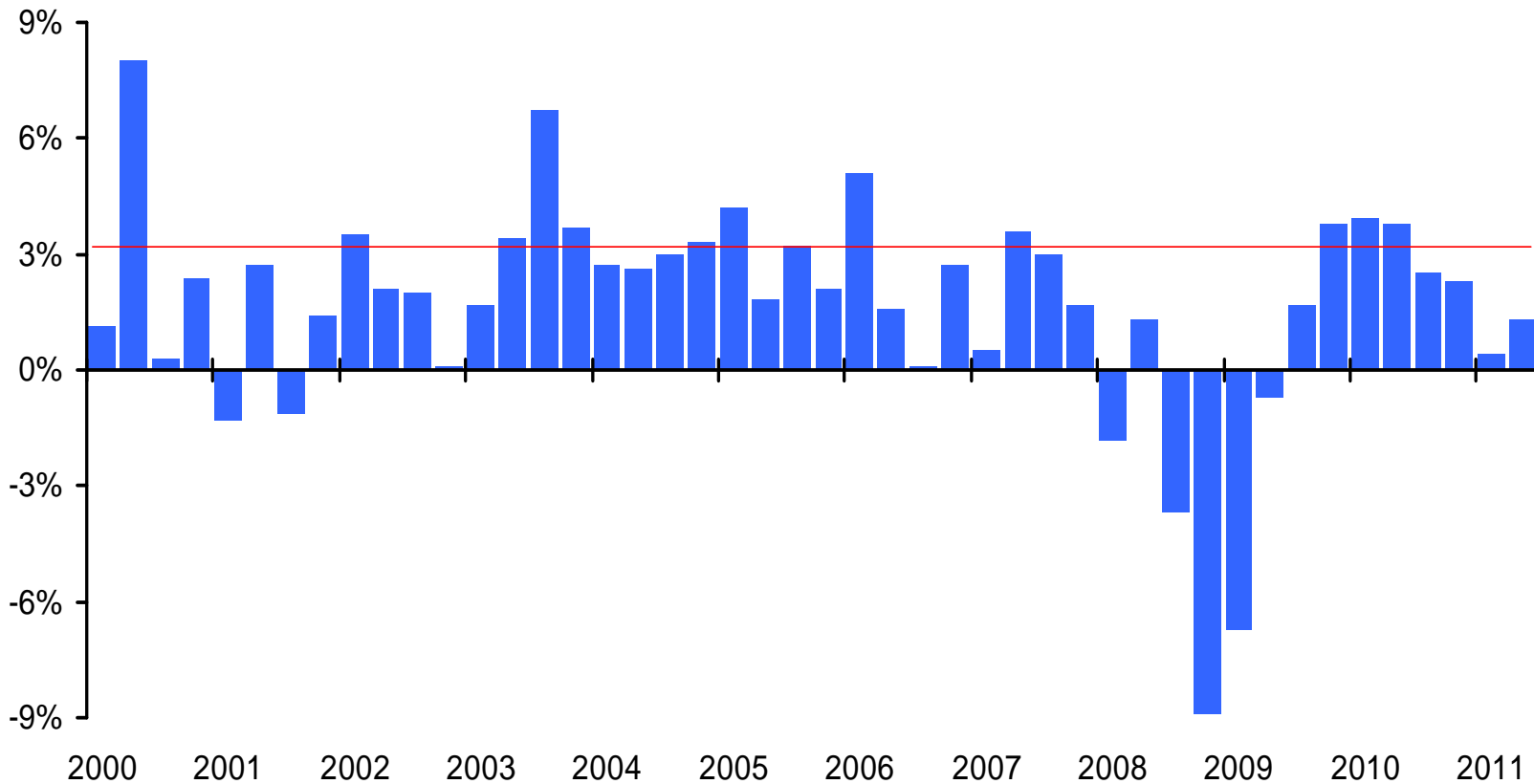


**October 21, 2011**

## GDP has been weak the past four quarters.

### Gross Domestic Product

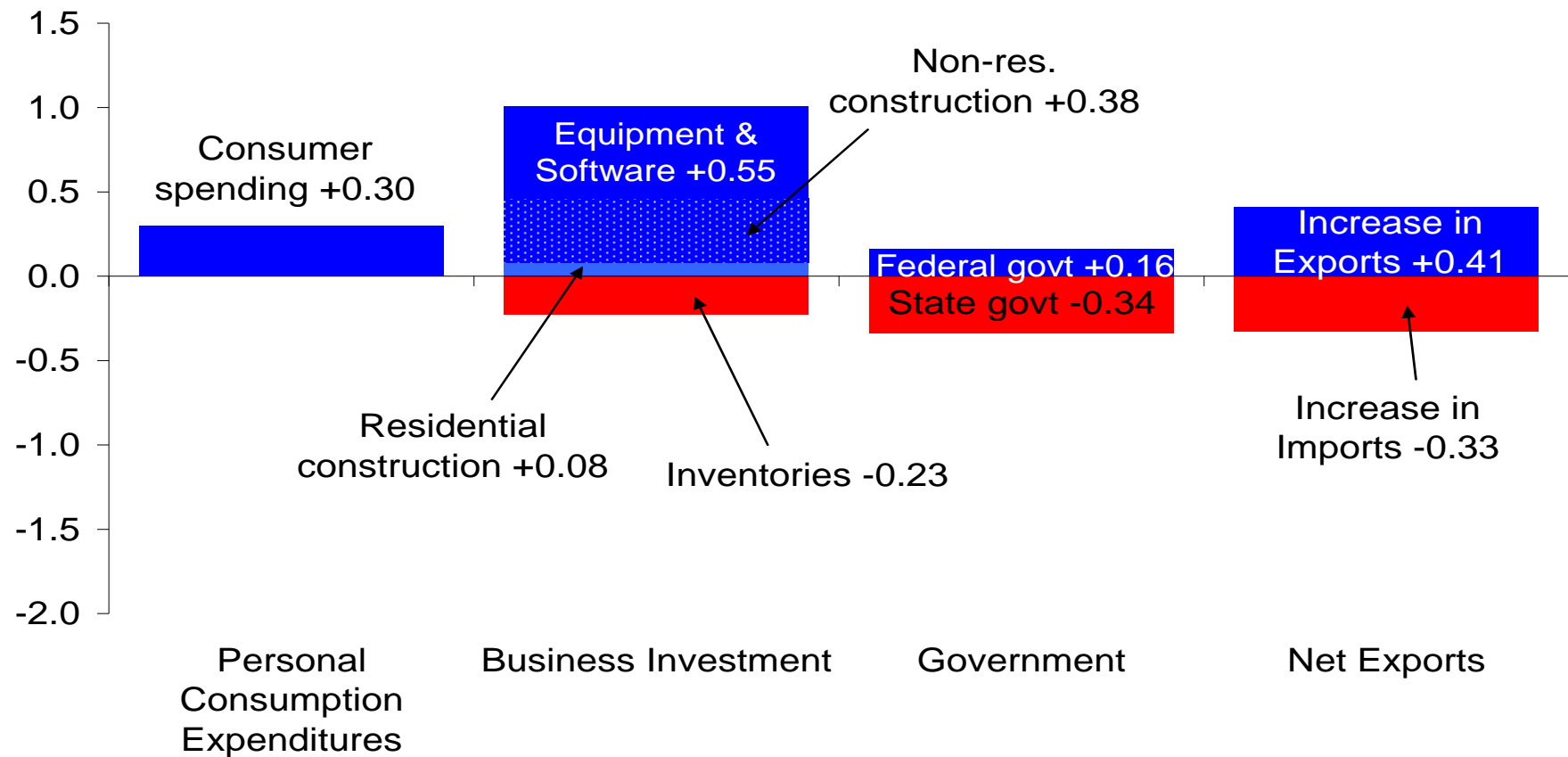
Quarterly Percent Change, SAAR



Source: Bureau of Economic Analysis and Haver Analytics.

## Equipment and software investment along with exports helped grow GDP in second quarter 2011.

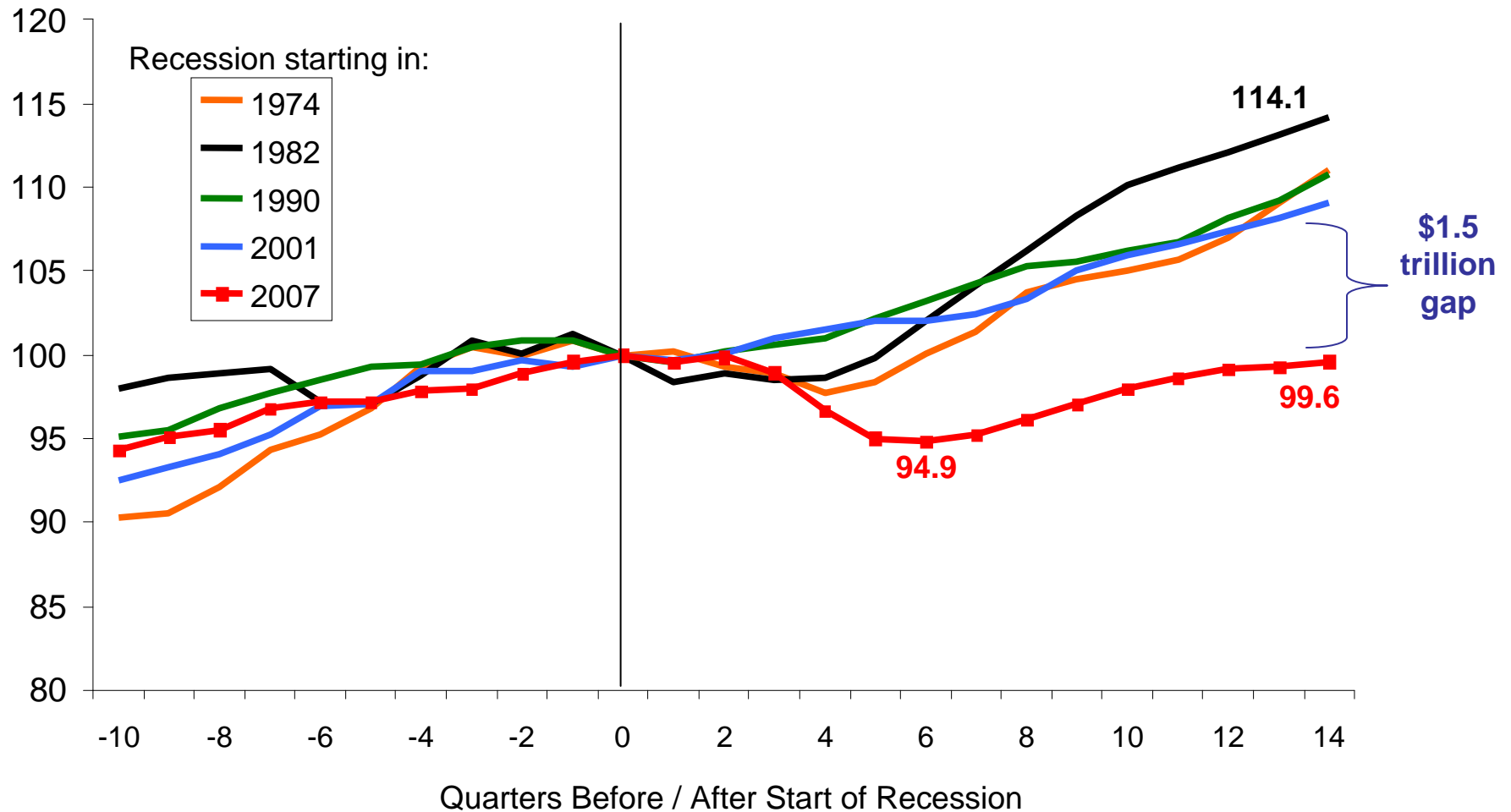
Contribution to Real Net GDP Growth (Percentage Points)



Source: Bureau of Economic Analysis

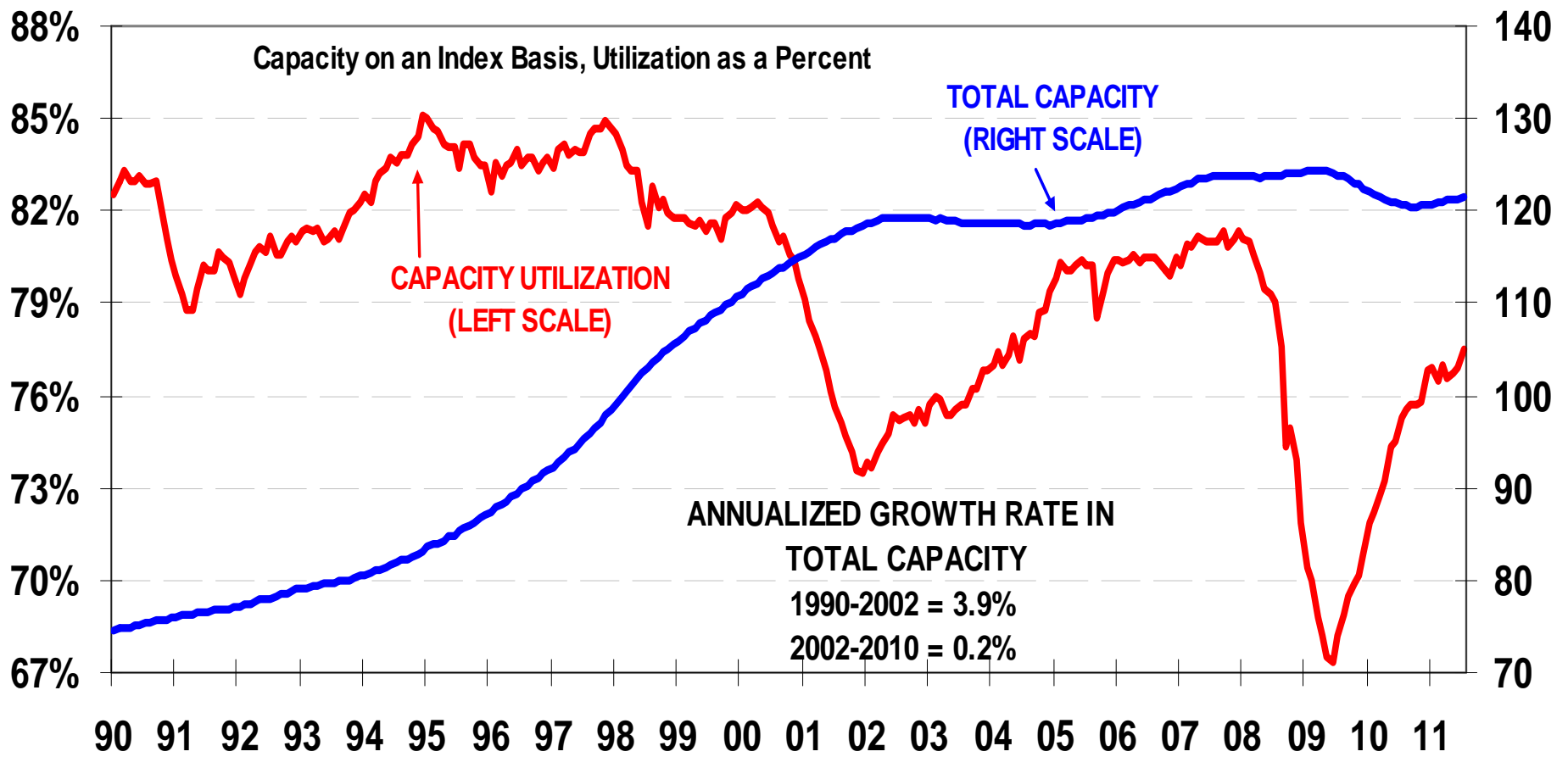
# Real GDP growth has been the slowest in recent memory.

Real Gross Domestic Product (Start of Recession = 100)



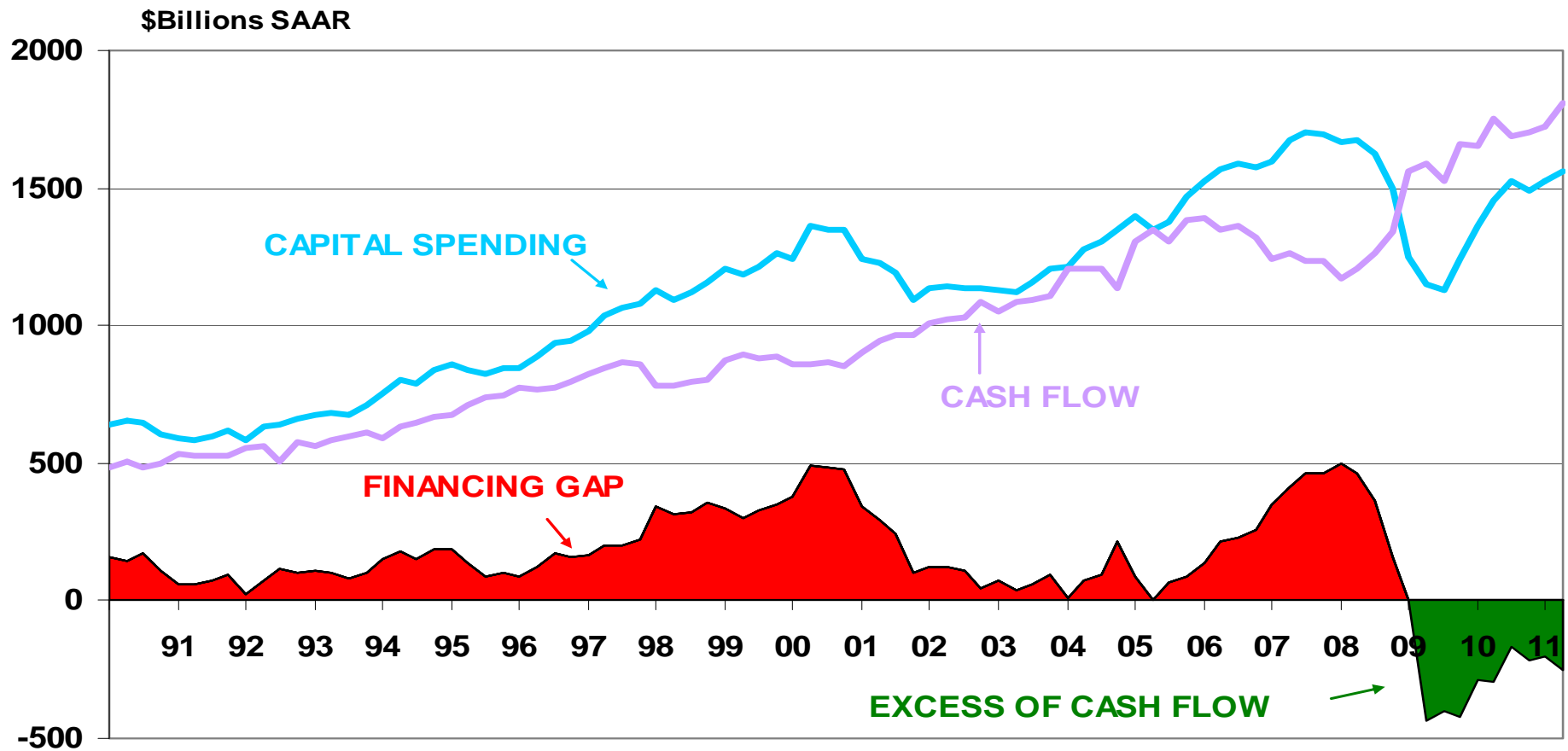
Source: FDIC calculations based on data from the Bureau of Economic Analysis / Haver Analytics

# The business sector has little reason to expand capacity.



Source: Federal Reserve Board, Haver Analytics

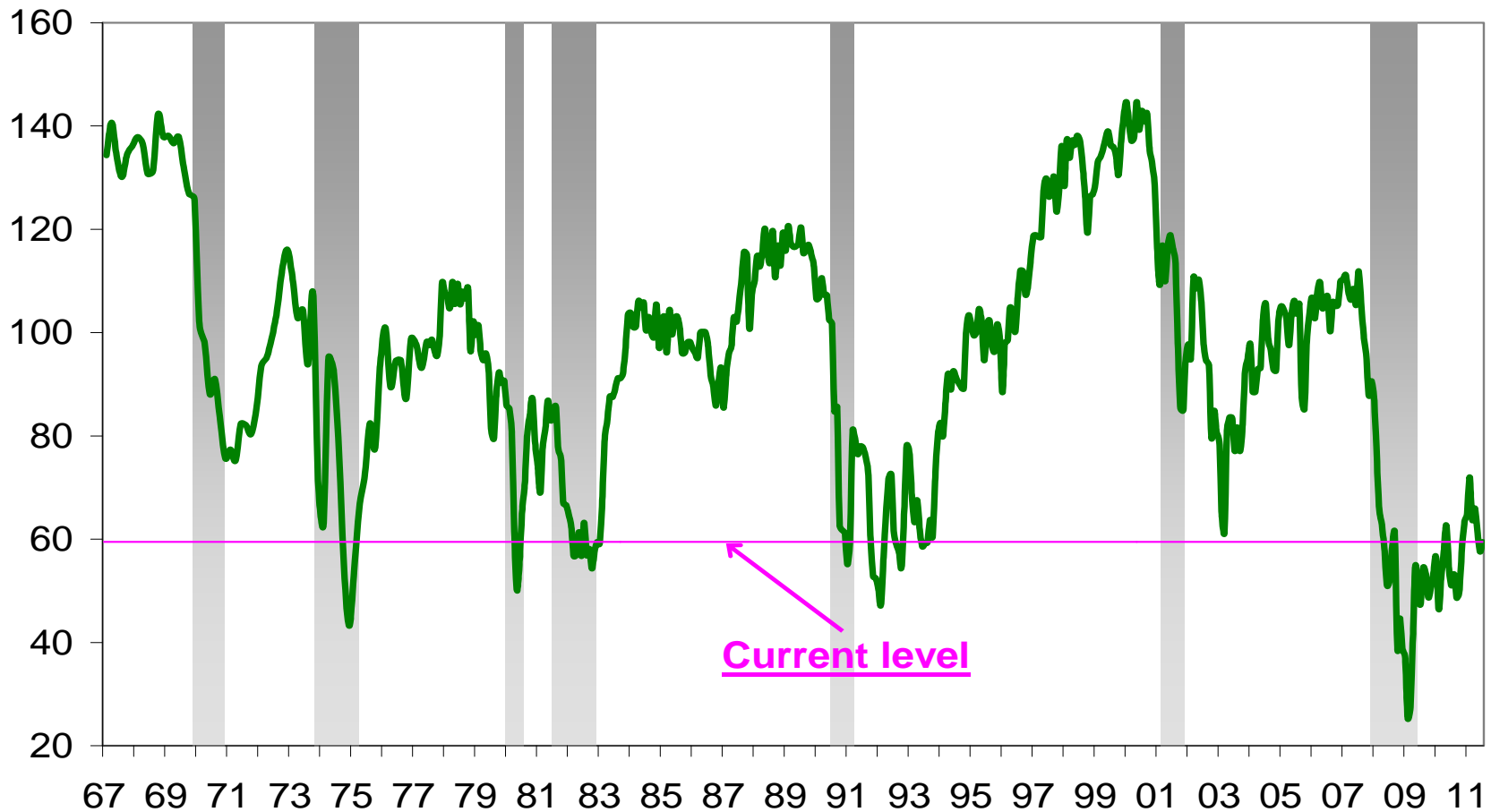
... but they have plenty of cash sitting on the sidelines.



Sources: Bureau of Economic Analysis, Haver Analytics

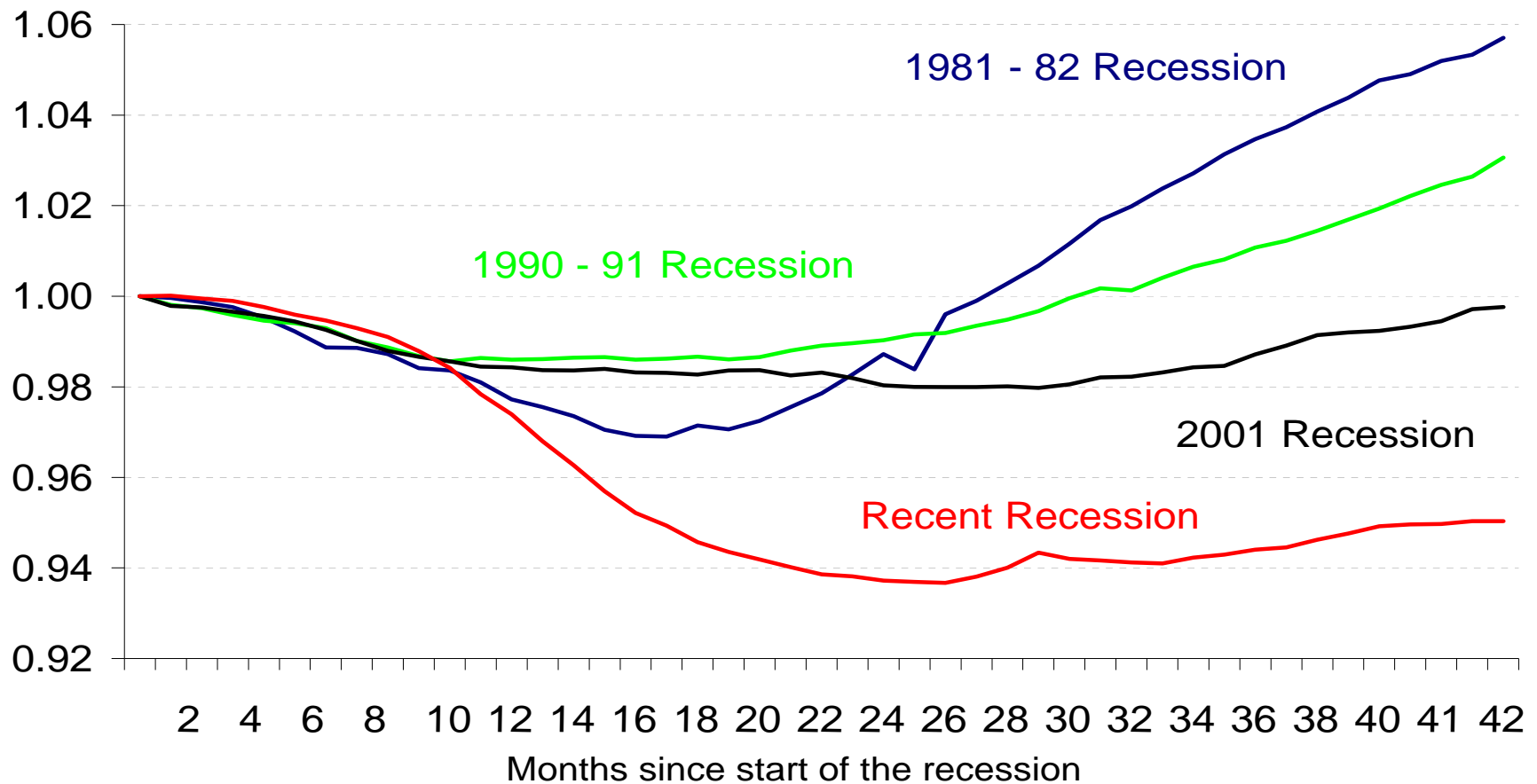
## Consumer confidence remains at recessionary levels.

Conference Board Consumer Confidence Index  
1985 = 100



## Employment has been very weak during this recovery.

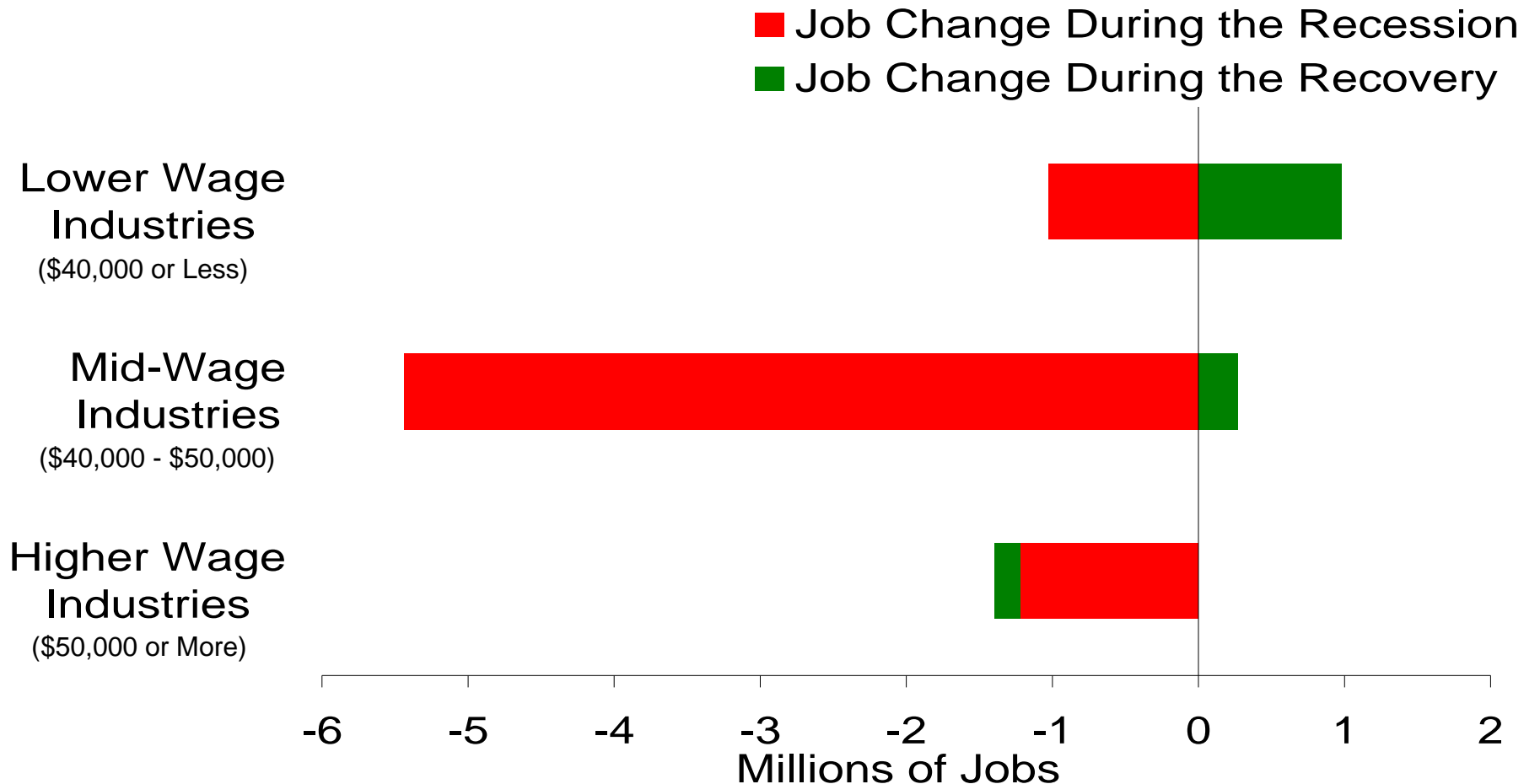
Non-farm Employment  
Indexed to the beginning of the recession



Source: Bureau of Labor Statistics, Haver Analytics. Data through August, 2011.

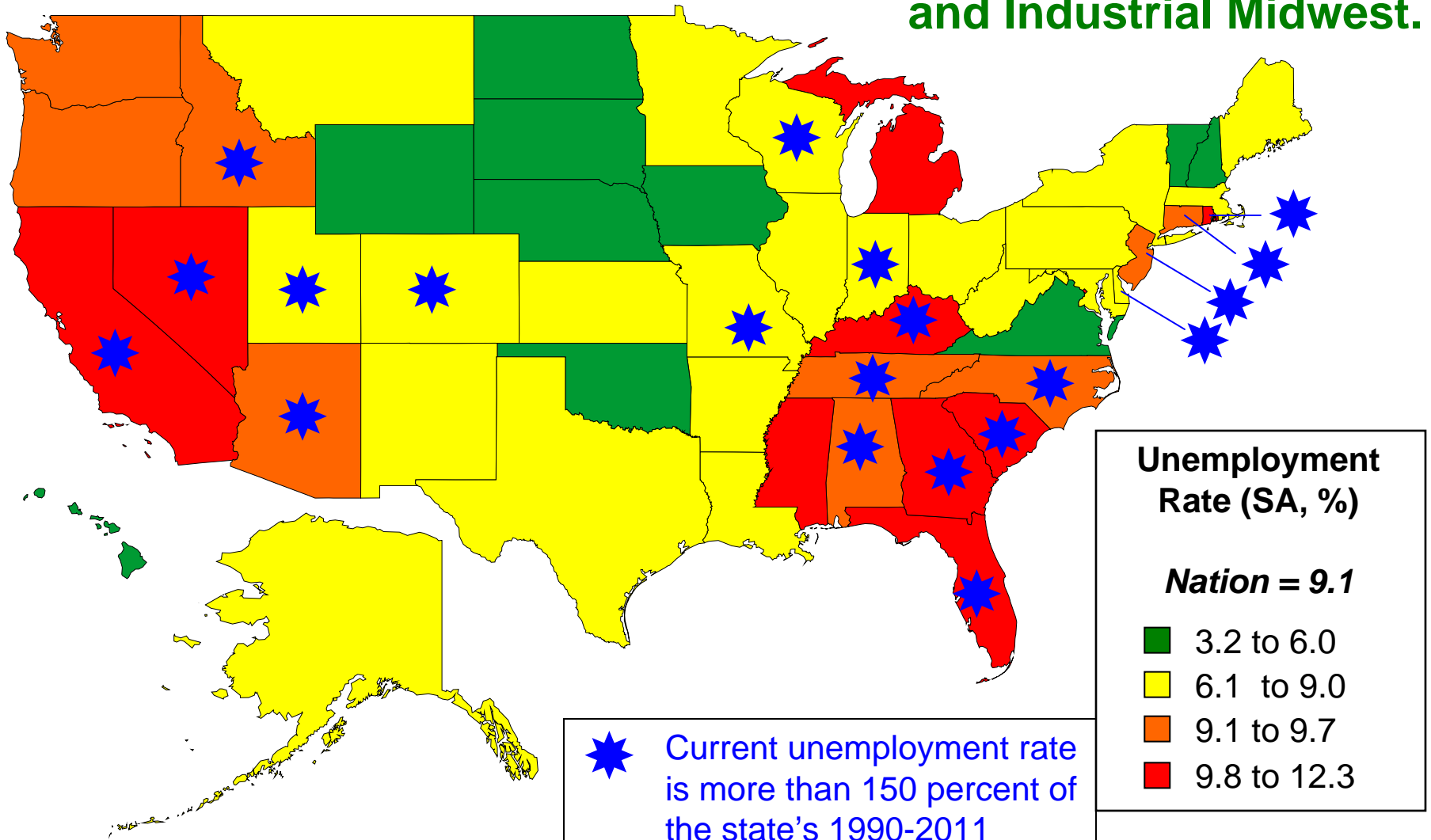


## Nationally, lower wage jobs account for most of the gains.



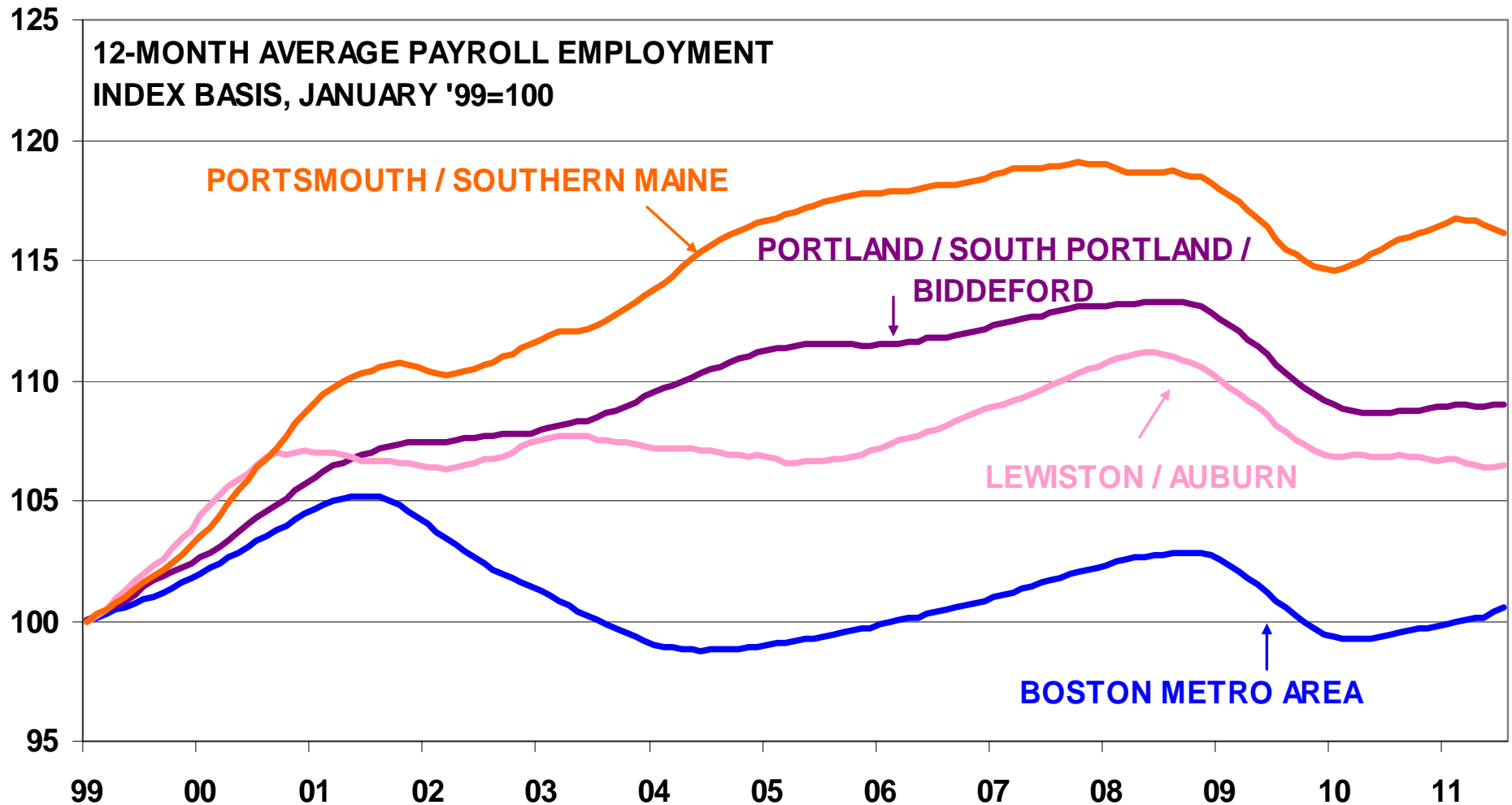
Source: Bureau of Labor Statistics, FDIC. Note: Lower Wage Industries include Leisure and Hospitality, Retail Trade, Education, Health and Other Services; Mid-Wage includes Business Services, Transportation and Utilities, Manufacturing and Construction, Higher Wage includes Wholesale Trade, Financial, Information and Natural Resources and Mining.

# Unemployment rates remain persistently high in the South, West, and Industrial Midwest.



Source: Bureau of Labor Statistics.  
 Note: Map shows second quarter 2011 data.

## Southern Maine had the strongest payroll growth.



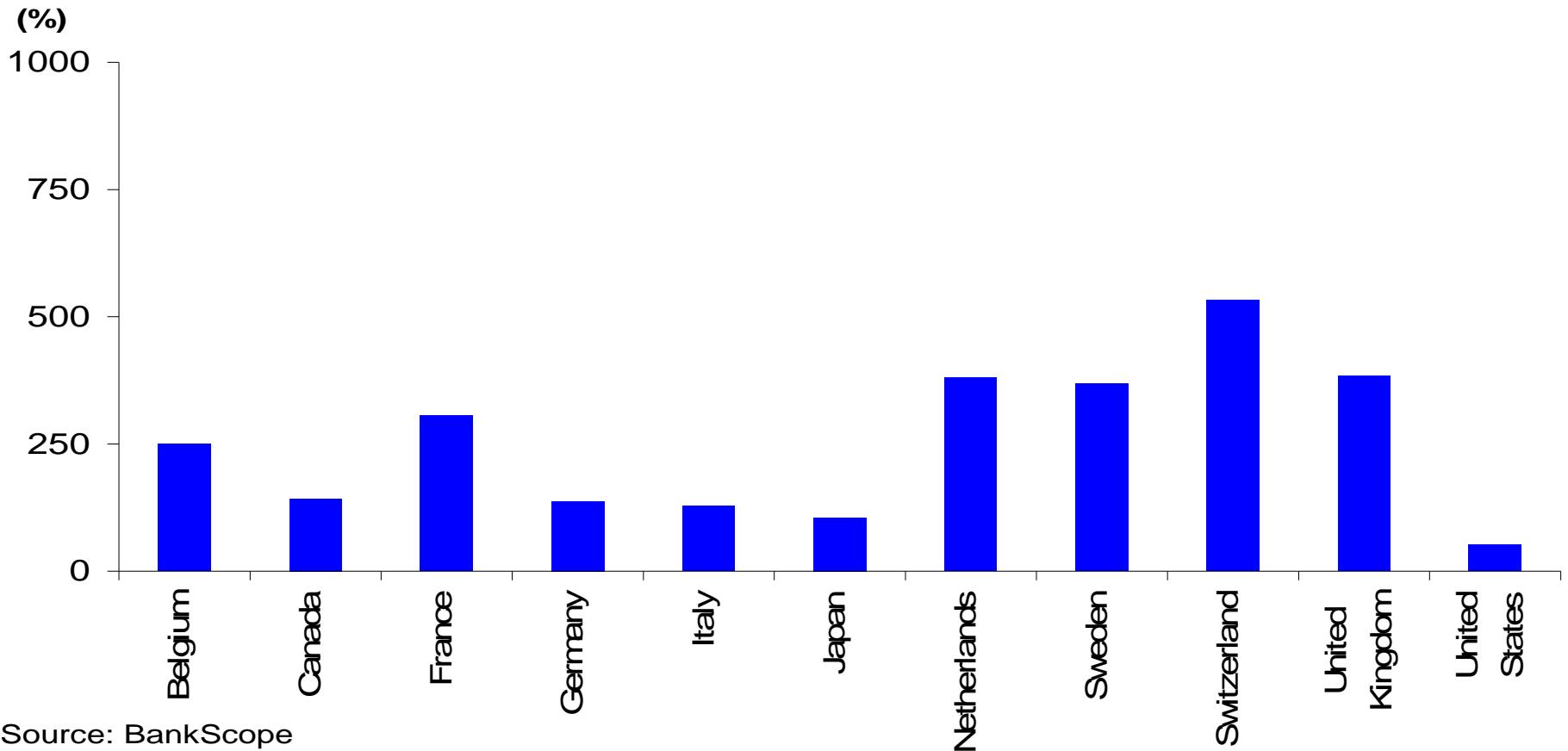
Sources: Bureau of Labor Statistics, Haver Analytics

# European Fiscal and Banking Problems



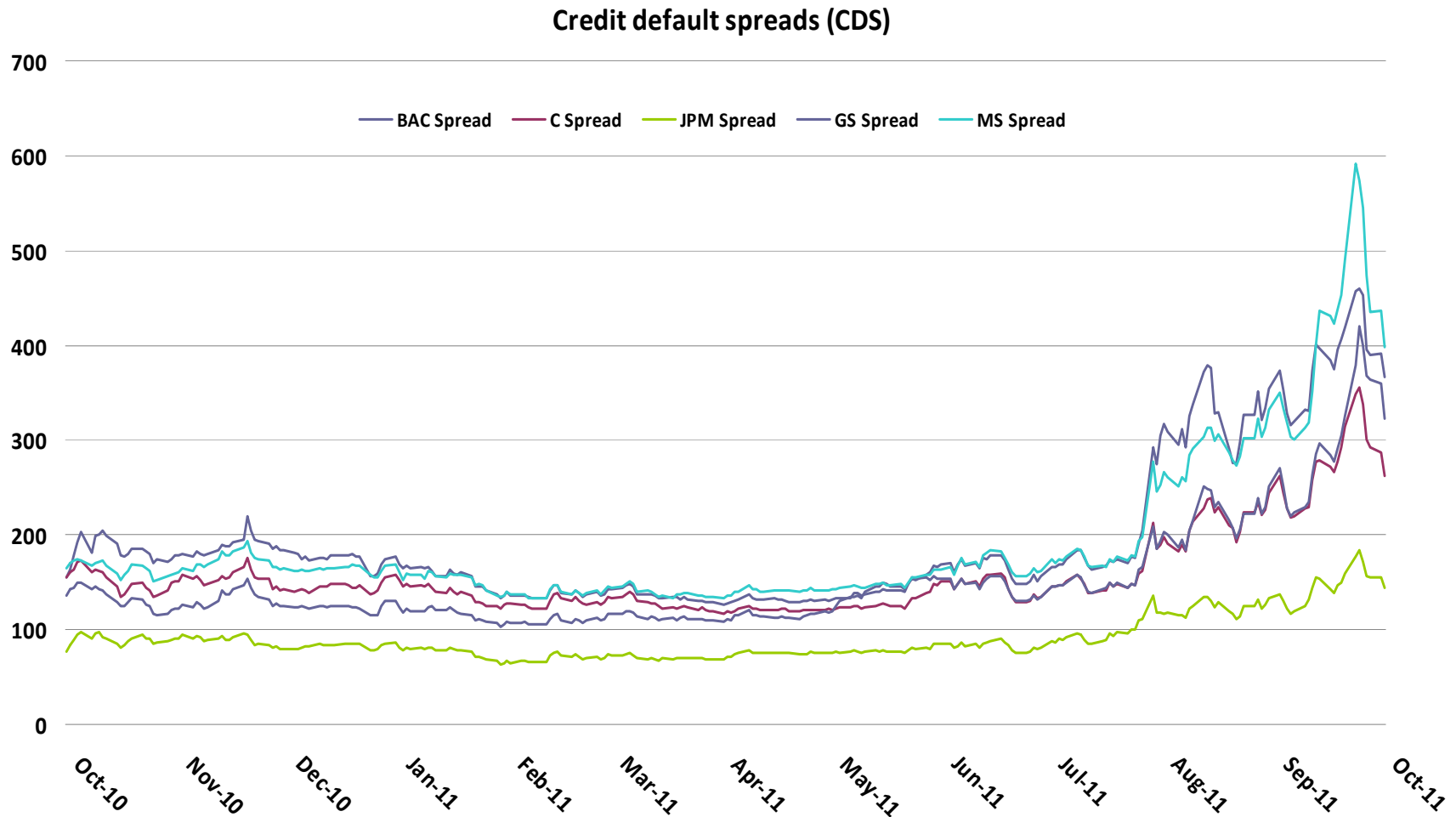
## Many European countries have banks with assets that are several times larger than their economies.

Total domestic and foreign assets of the four largest banks in G-10 Countries as a share of country GDP at year-end 2010



Source: BankScope

## Credit default spreads have widened in response to the European debt crisis.

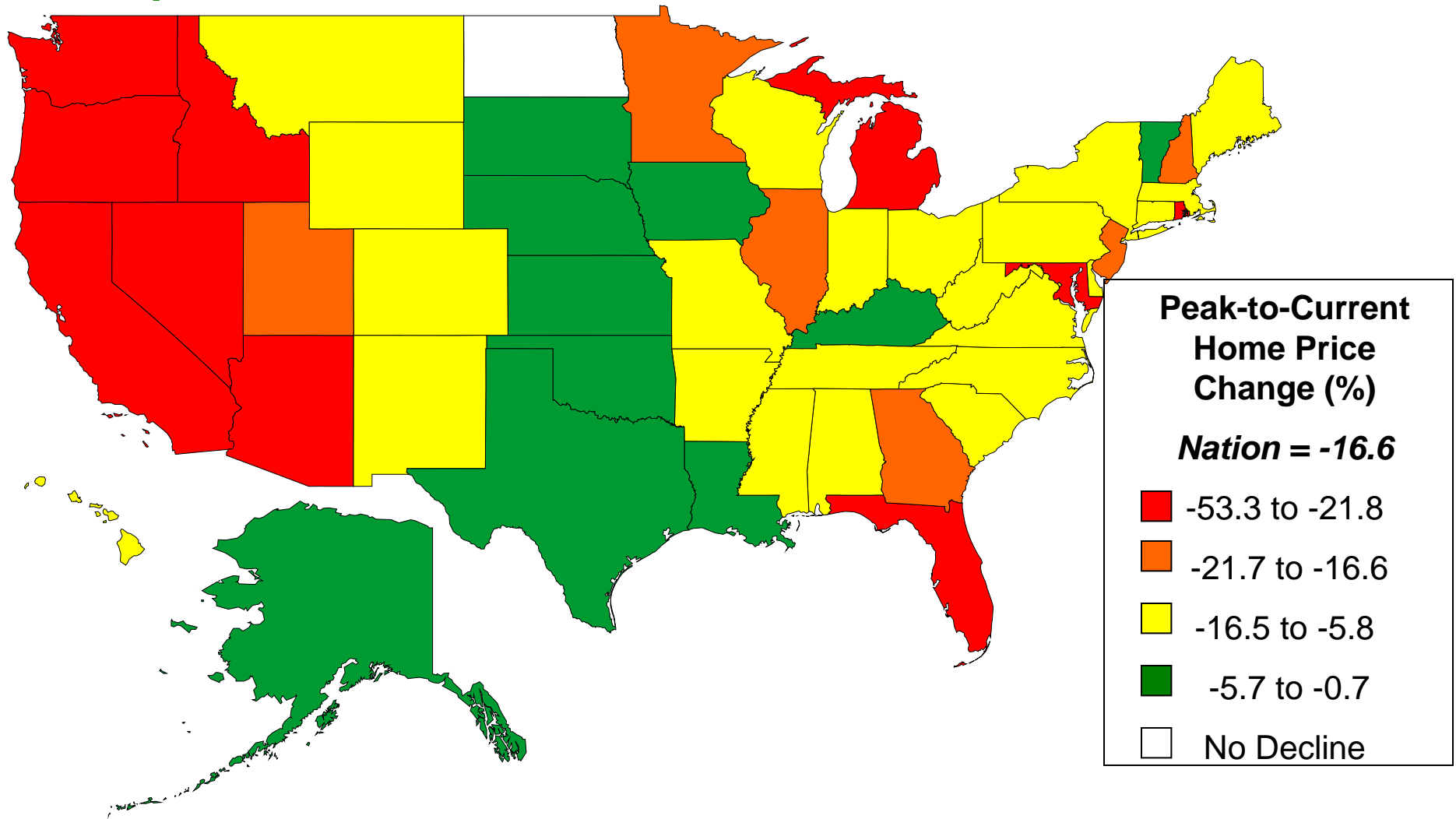


Source: Markit

## Housing and Mortgage Markets are Undergoing a Correction



## Home price declines are most severe in the West and South.

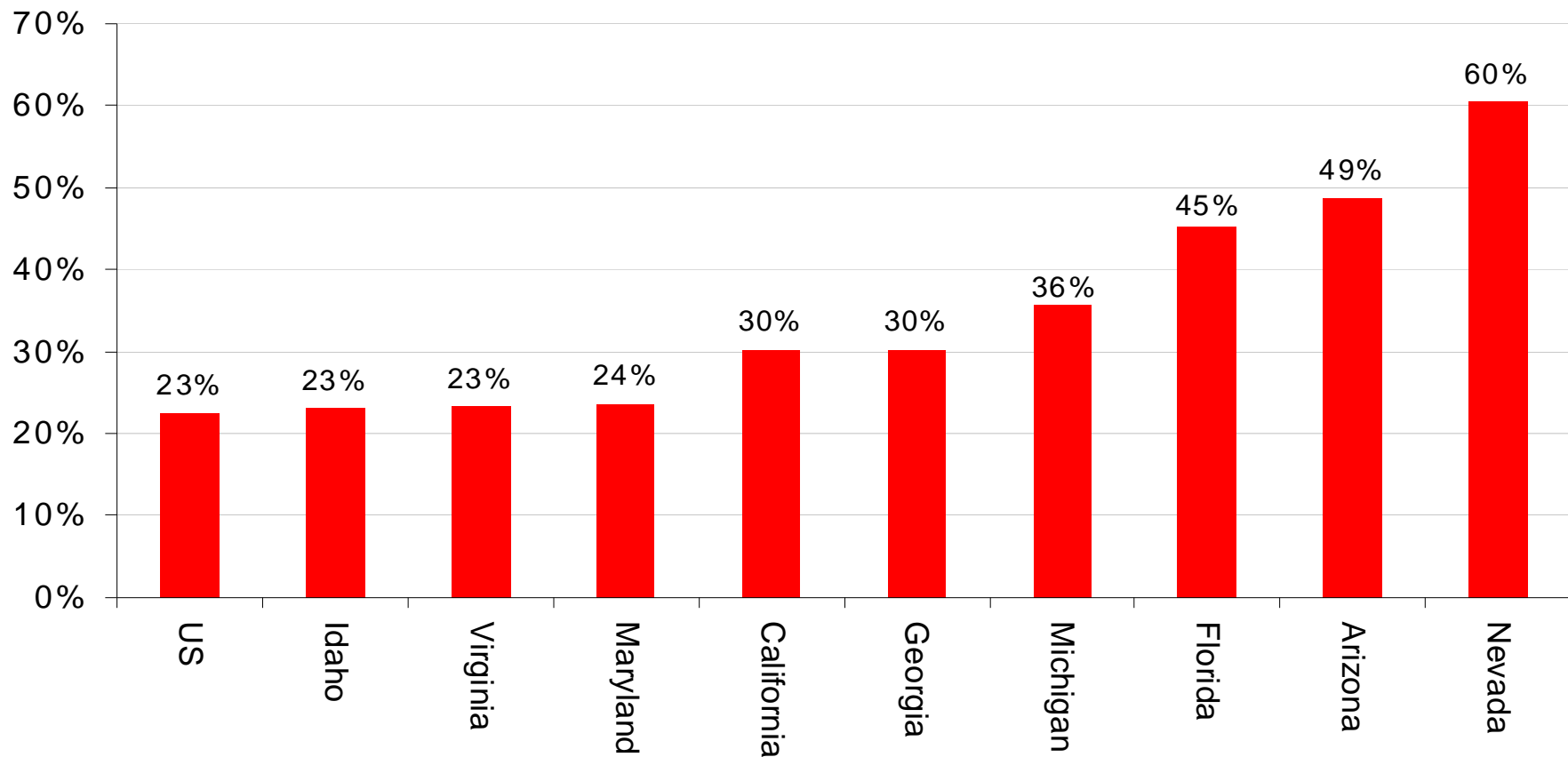


Source: Federal Housing Finance Agency (data as of second quarter 2011).

Note: Peak-to-current data are calculated as the percent change between the recent home price peaks and the current home prices.

## More than one-fifth of the nation's residential mortgage loans are underwater.

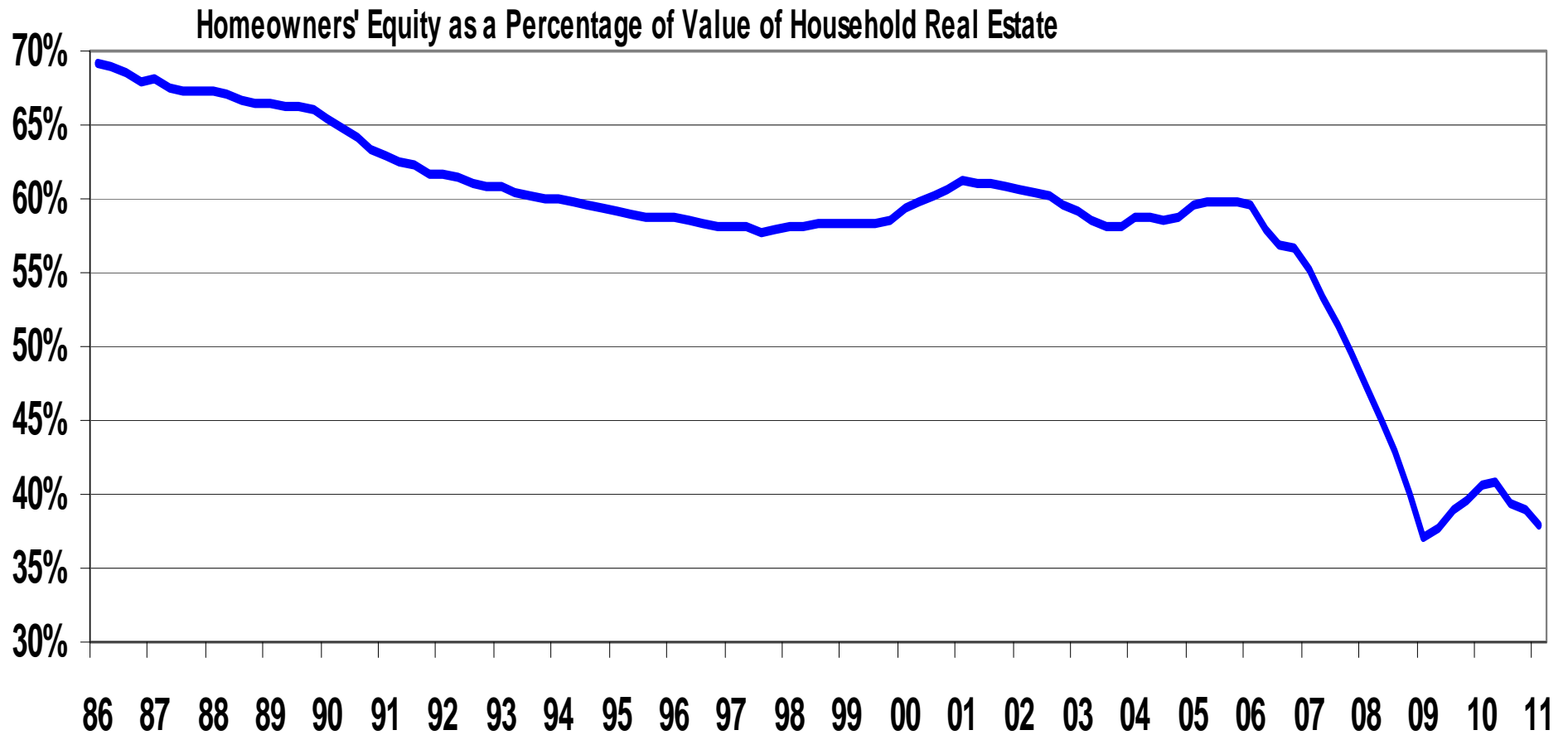
Percentage of Mortgages With Negative Equity



Source: CoreLogic. Data as of second quarter 2011.

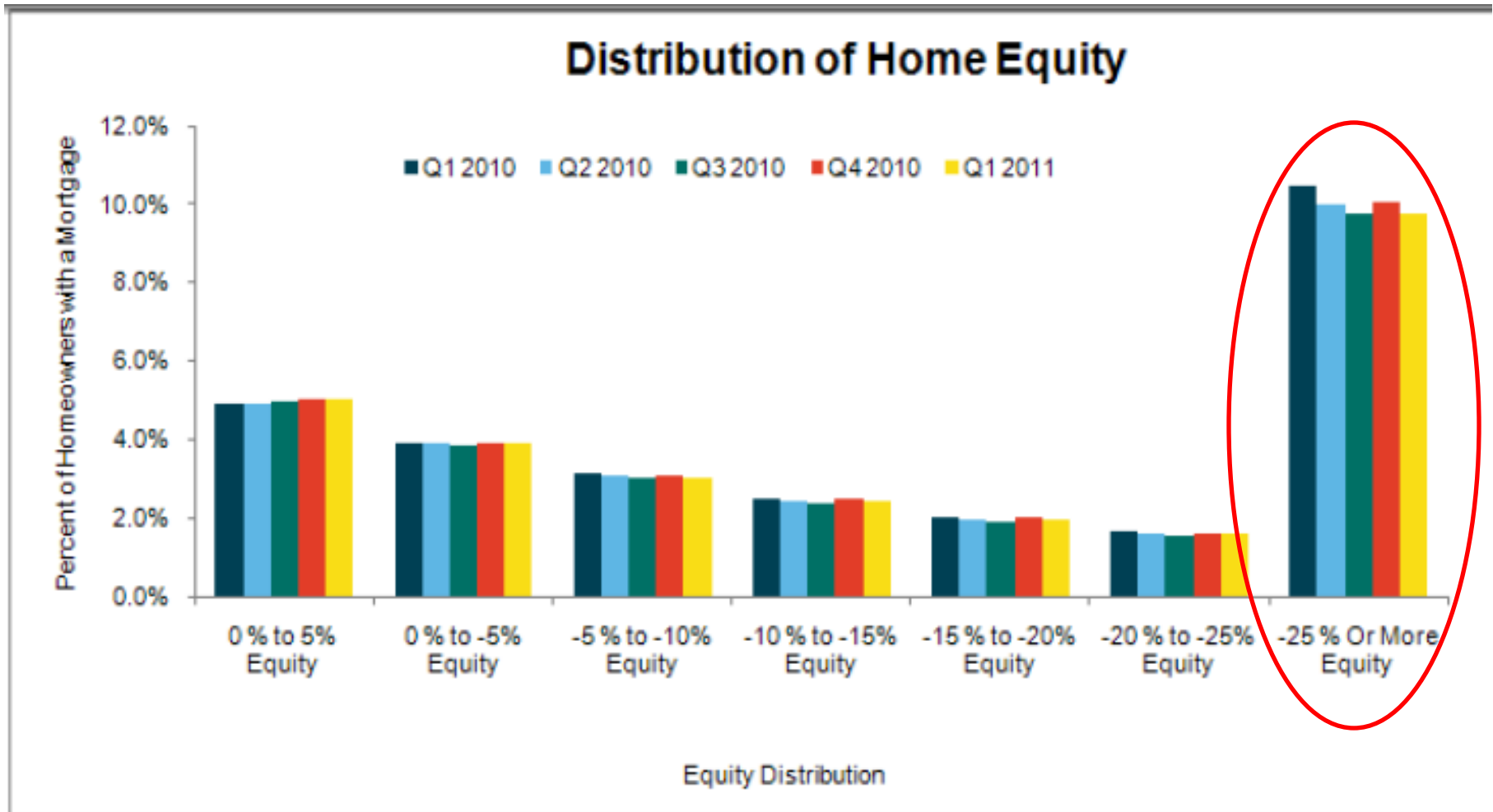
Note: Data for LA, ME, MS, SD, VT, WV and WY unavailable. There are 48 million mortgages in the US.

## Homeowners are more Accurately “Home Owers”



Source: Federal Reserve Board, Haver Analytics

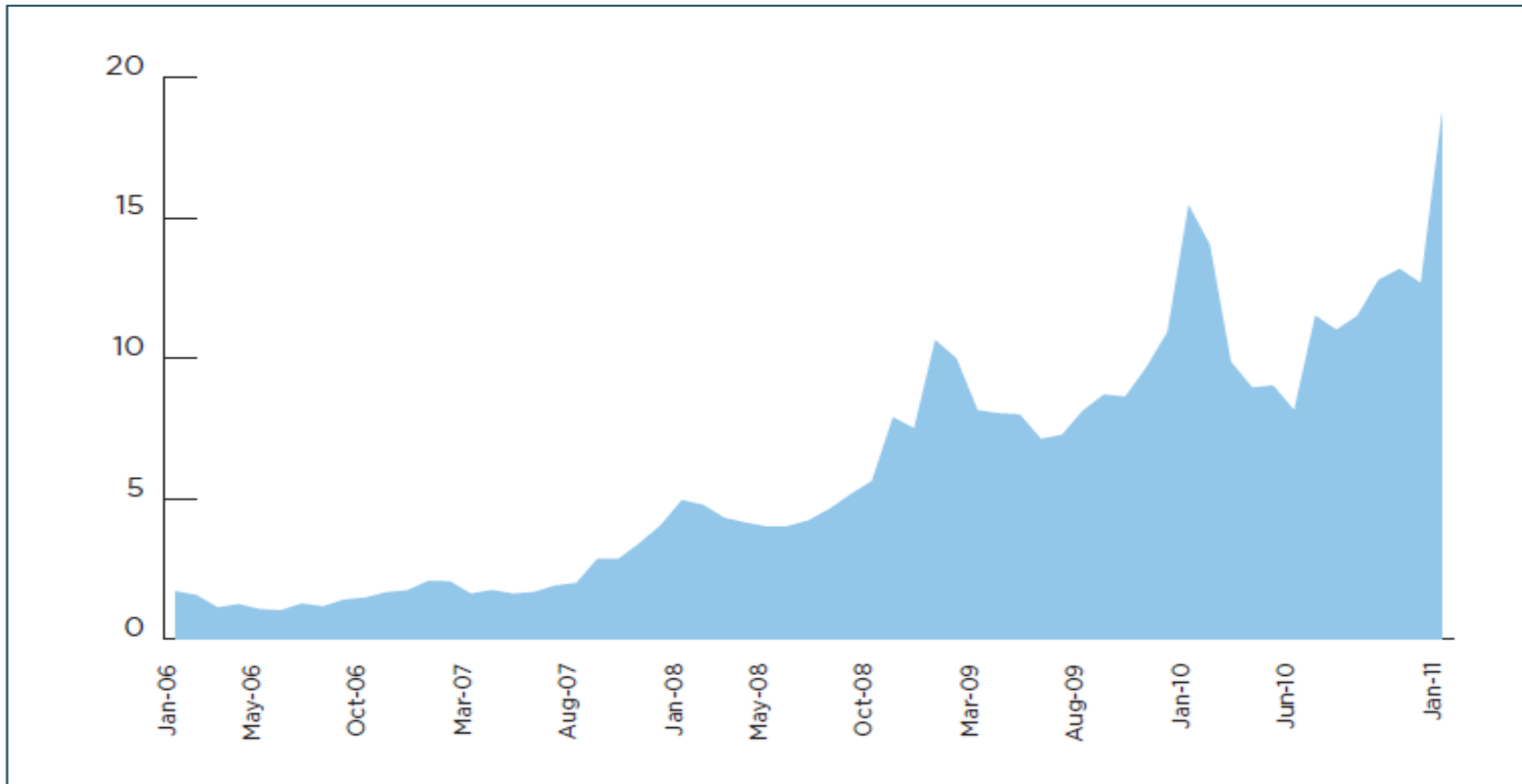
## Homes with negative equity takes a toll on the recovery.



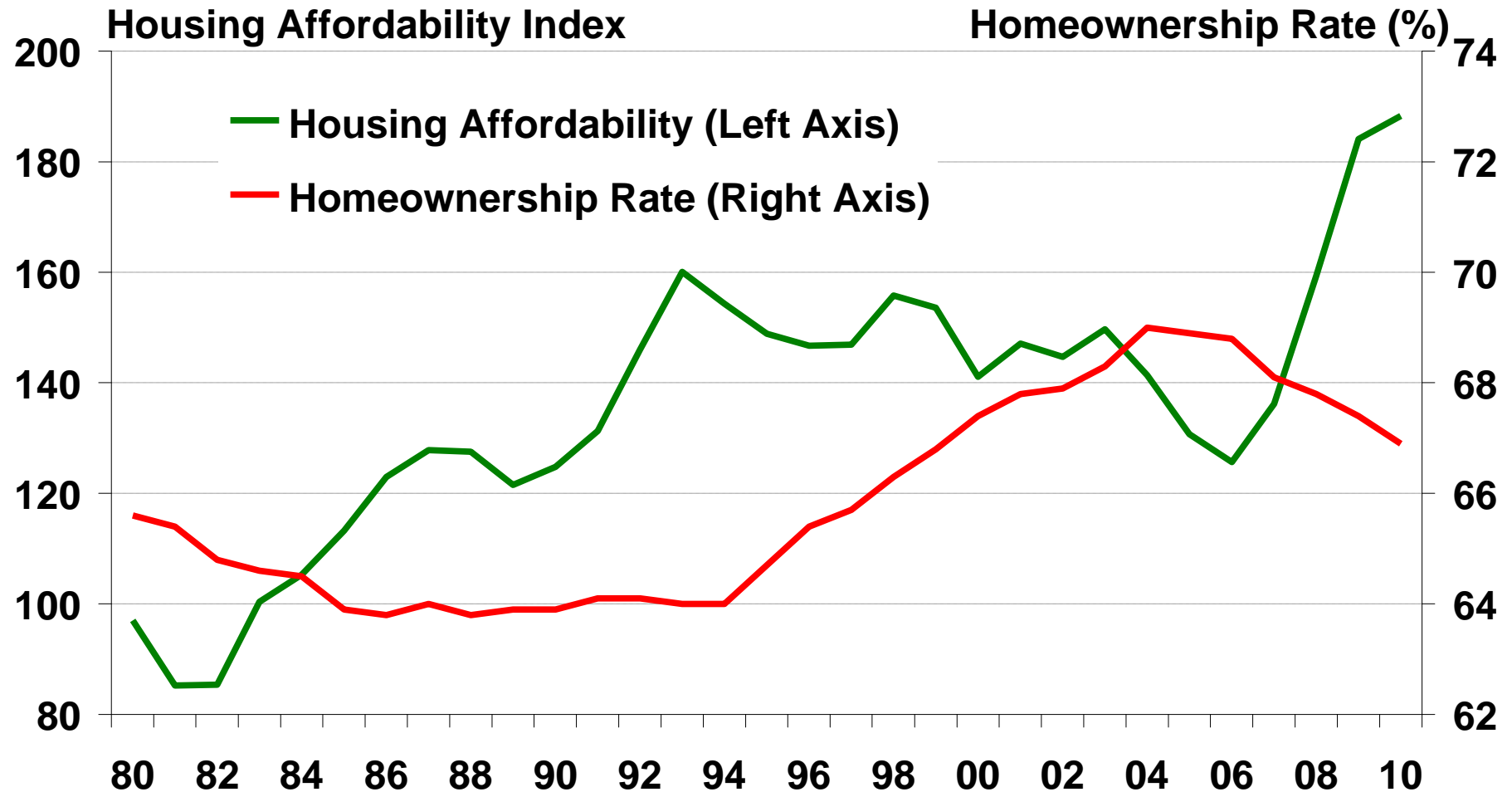
Source: CoreLogic

## No housing recovery until this backlog gets worked off.

### MONTHS SUPPLY DISTRESSED HOMES



## Homes are more affordable now but fewer are buying.



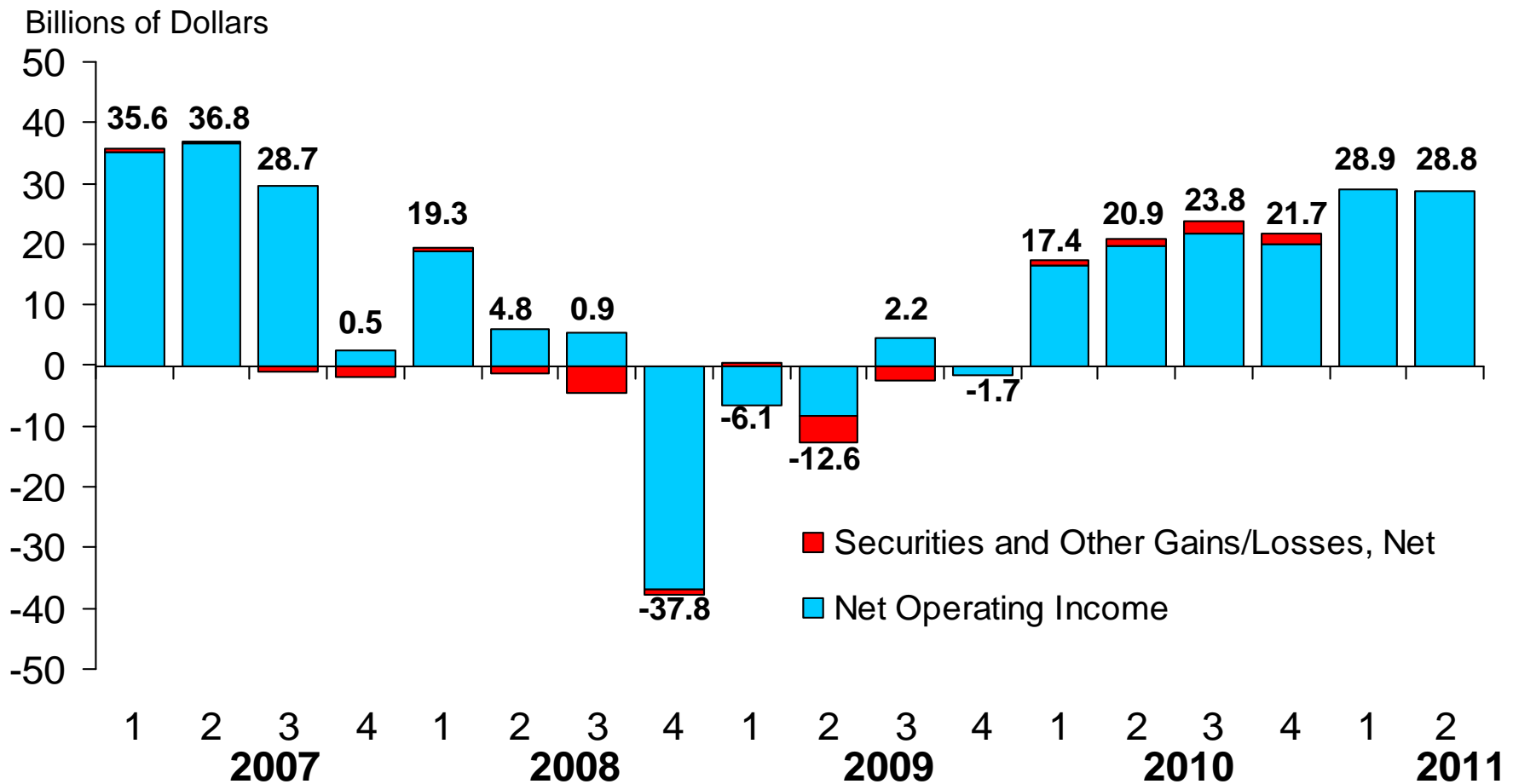
Sources: Moody's Analytics and U.S. Census Bureau (annual data through 2010).

## Banking Conditions



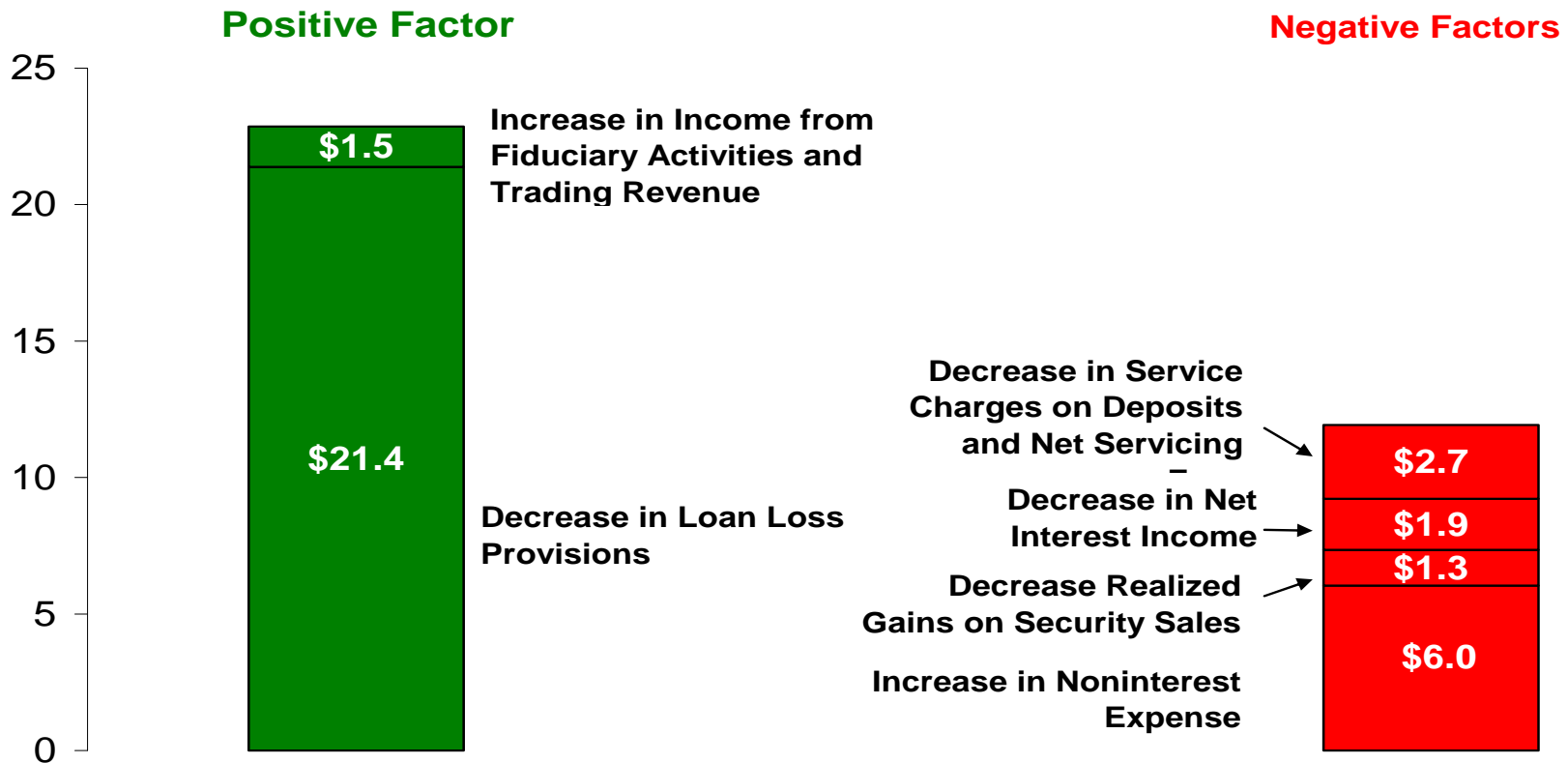
The industry posted a profit in each of the past six quarters.

### Quarterly Net Income



# Lower loan loss provisions were a key factor in earnings growth.

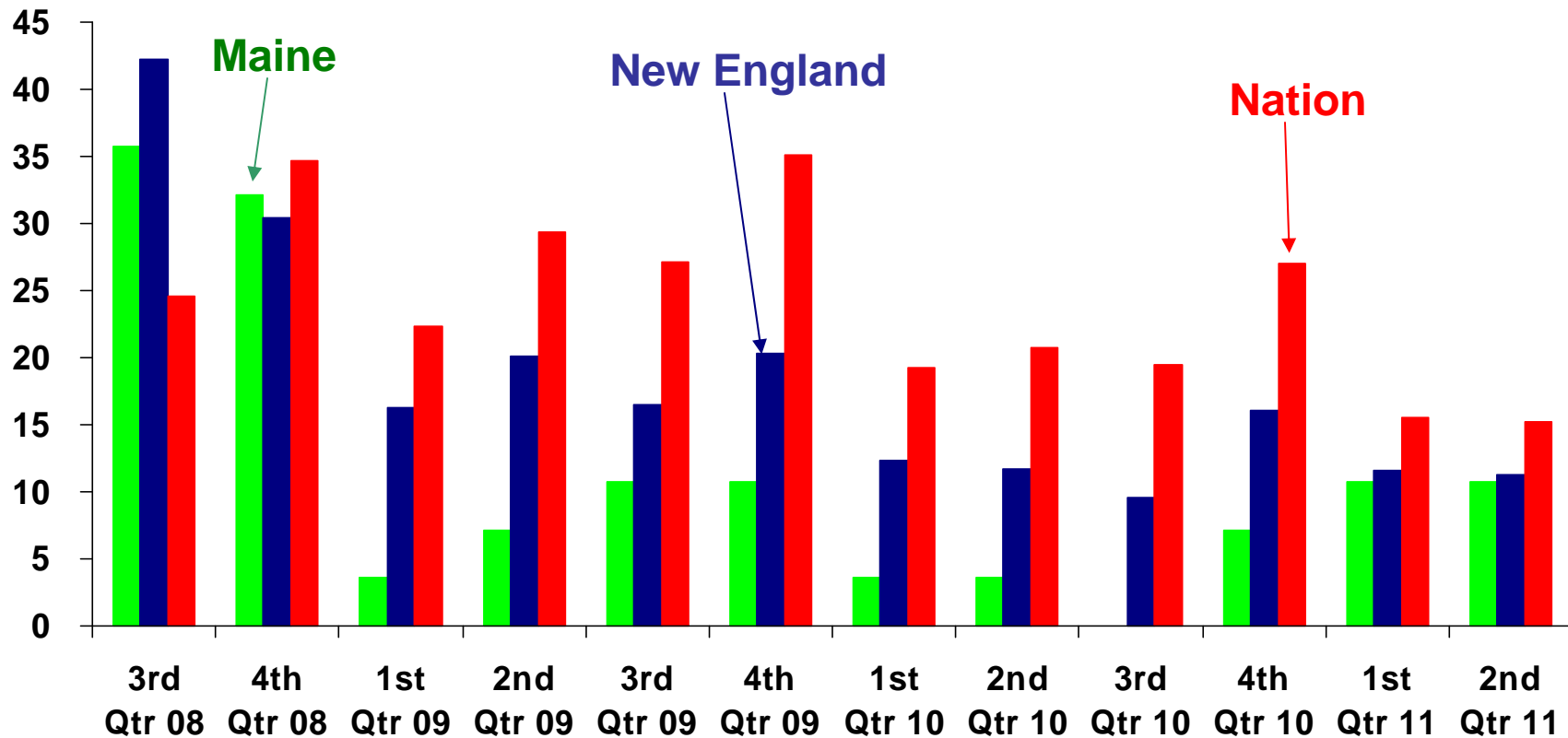
2nd Quarter 2010 vs. 2nd Quarter 2011  
\$ Billions



Source: FDIC

**The percentage of insured institutions posting losses is higher nationally than in New England or Maine.**

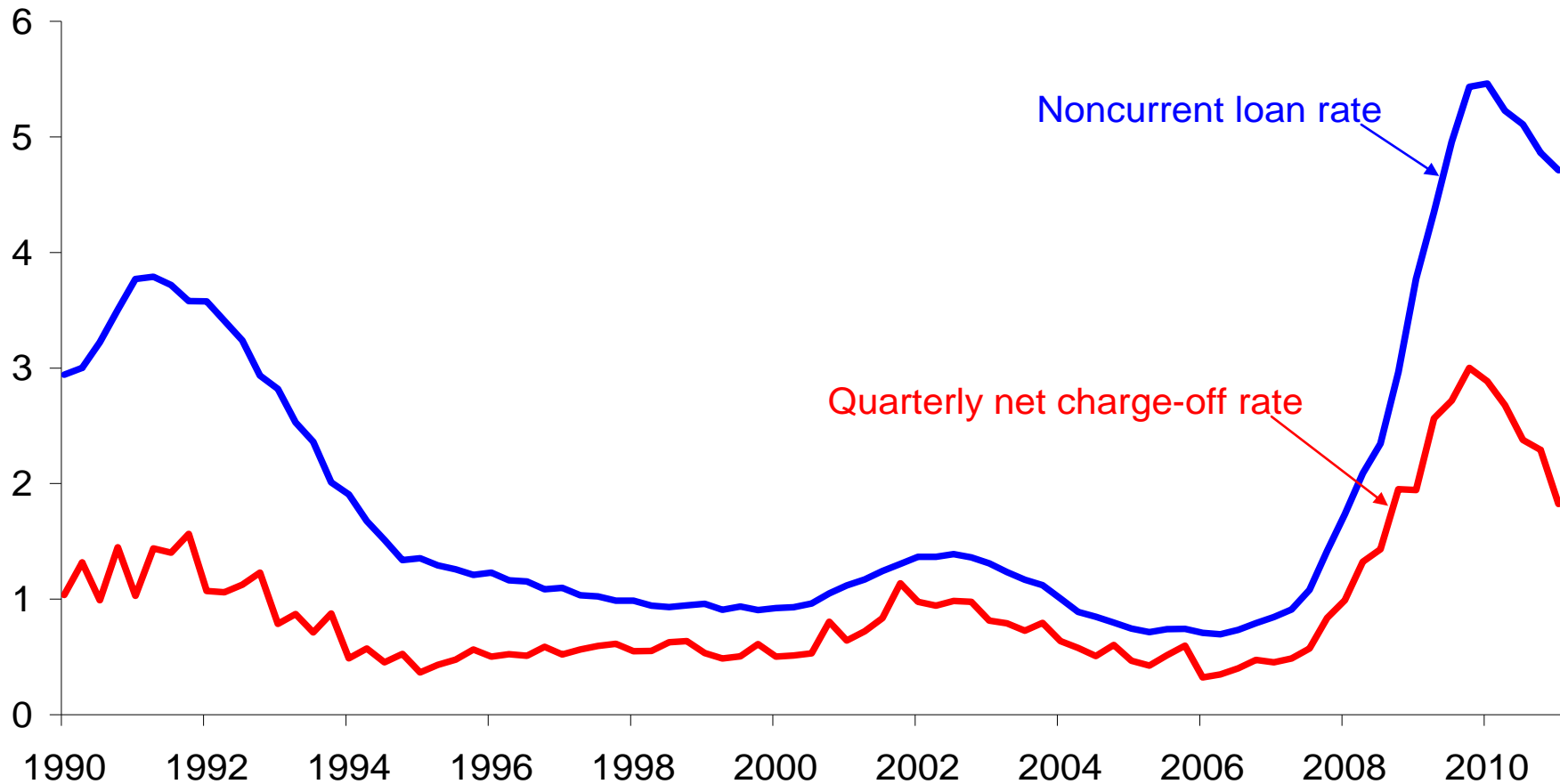
Percent of institutions



Source: FDIC. Data as of June 30, 2011.

## Nationwide credit quality deterioration has slowed, but delinquency and charge-off rates remain elevated.

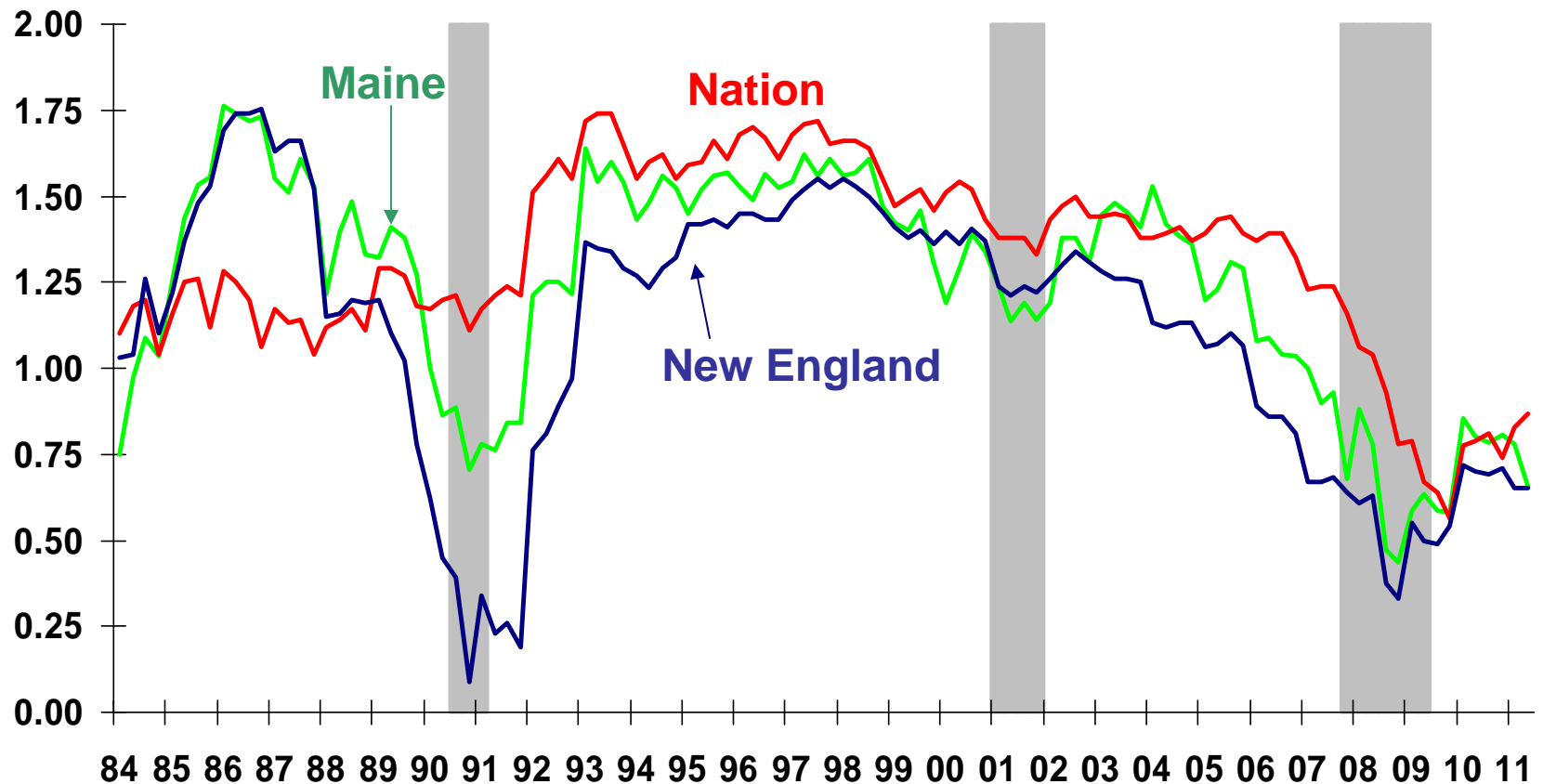
Percent of total loans & leases



Source: FDIC

## Earnings were hit harder in recent recession nationally and in Maine than in previous recessions.

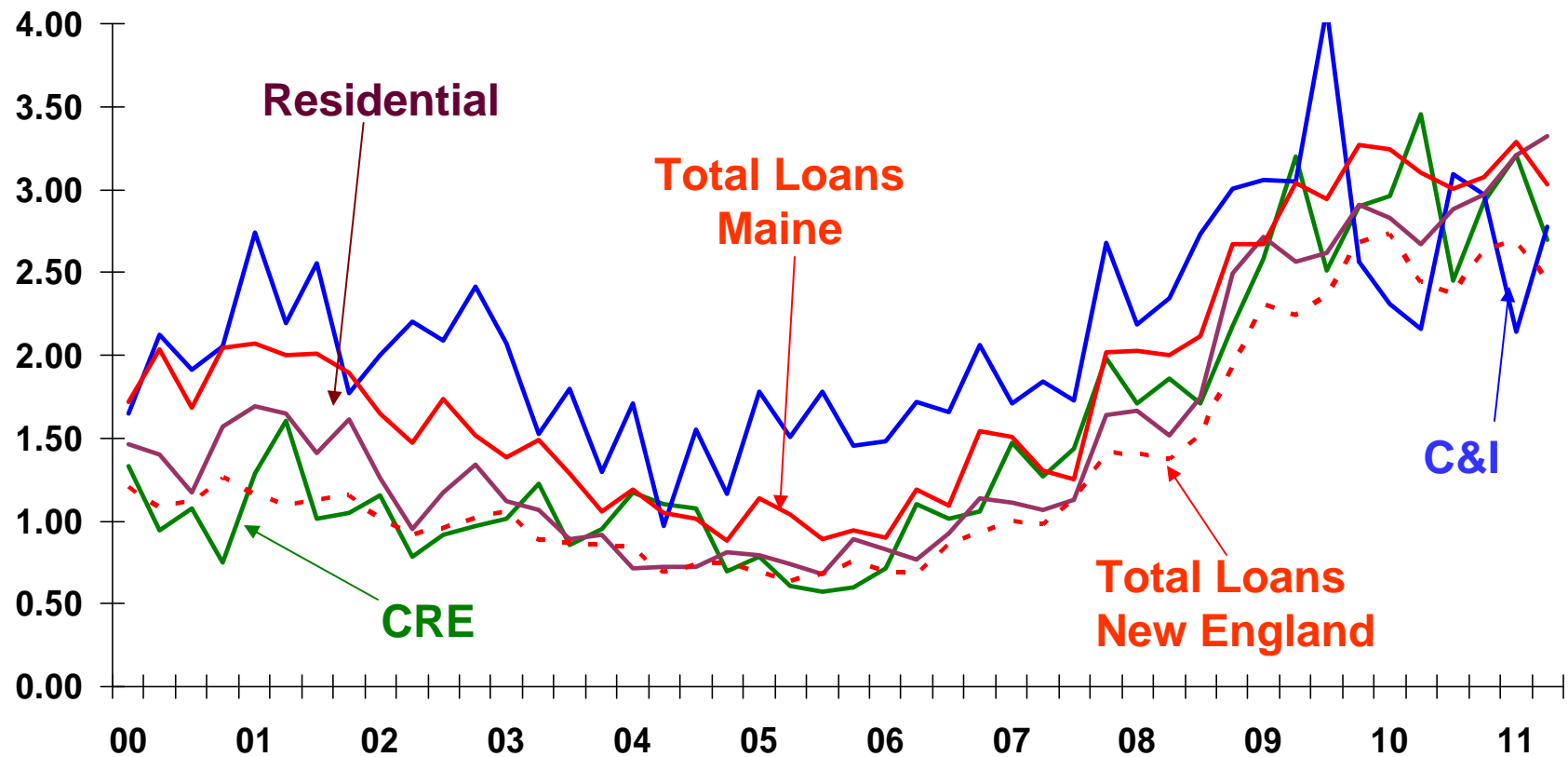
Pre-tax ROA (median %)



Source: FDIC. National Bureau of Economic Research/Haver Analytics.  
Data as of June 30, 2011. Maine data excludes TD Bank.

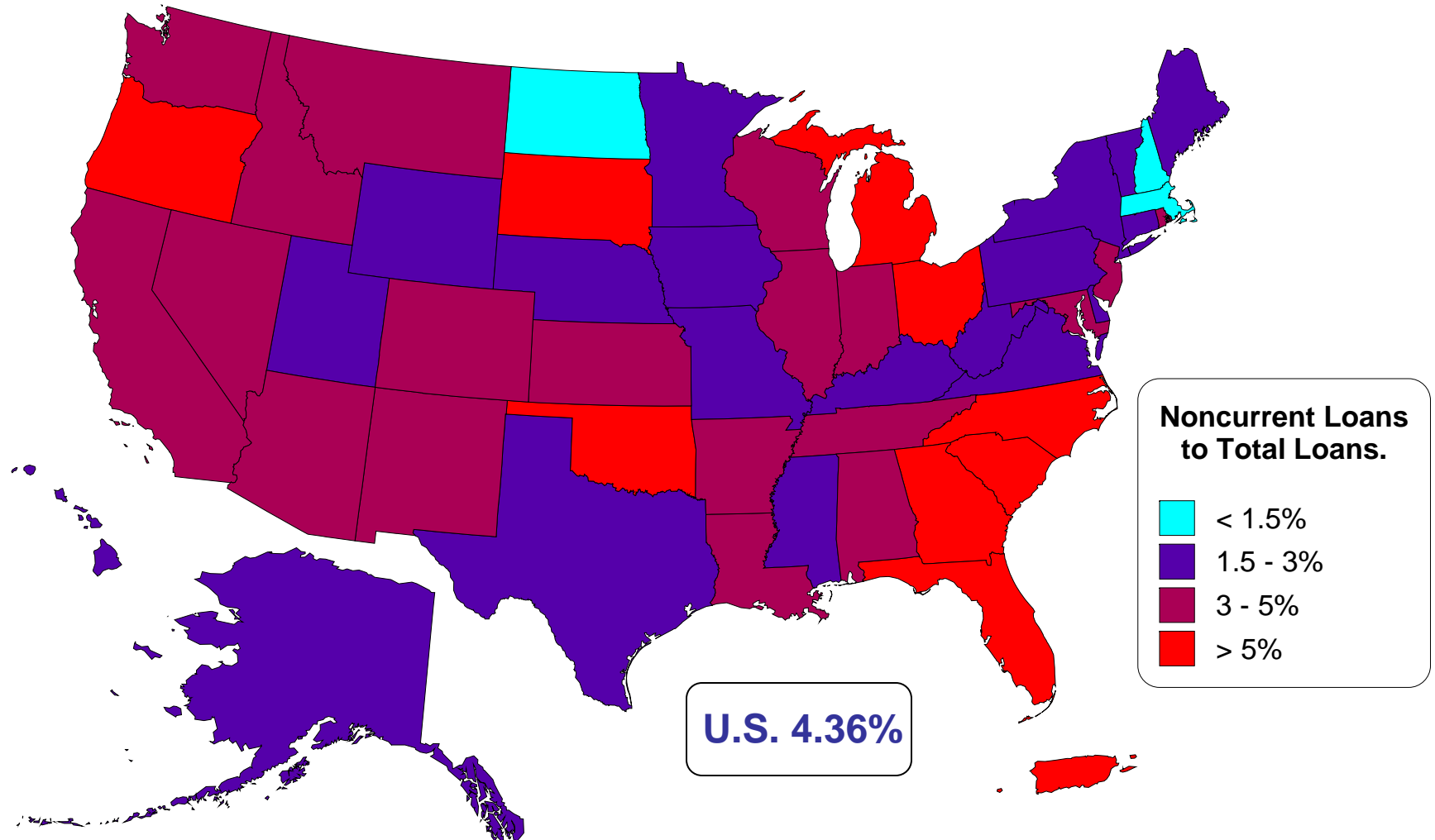
## Credit quality still shows signs of stress in Maine.

Past Due Loans (median %)



Source: FDIC. Data as of June 30, 2011.

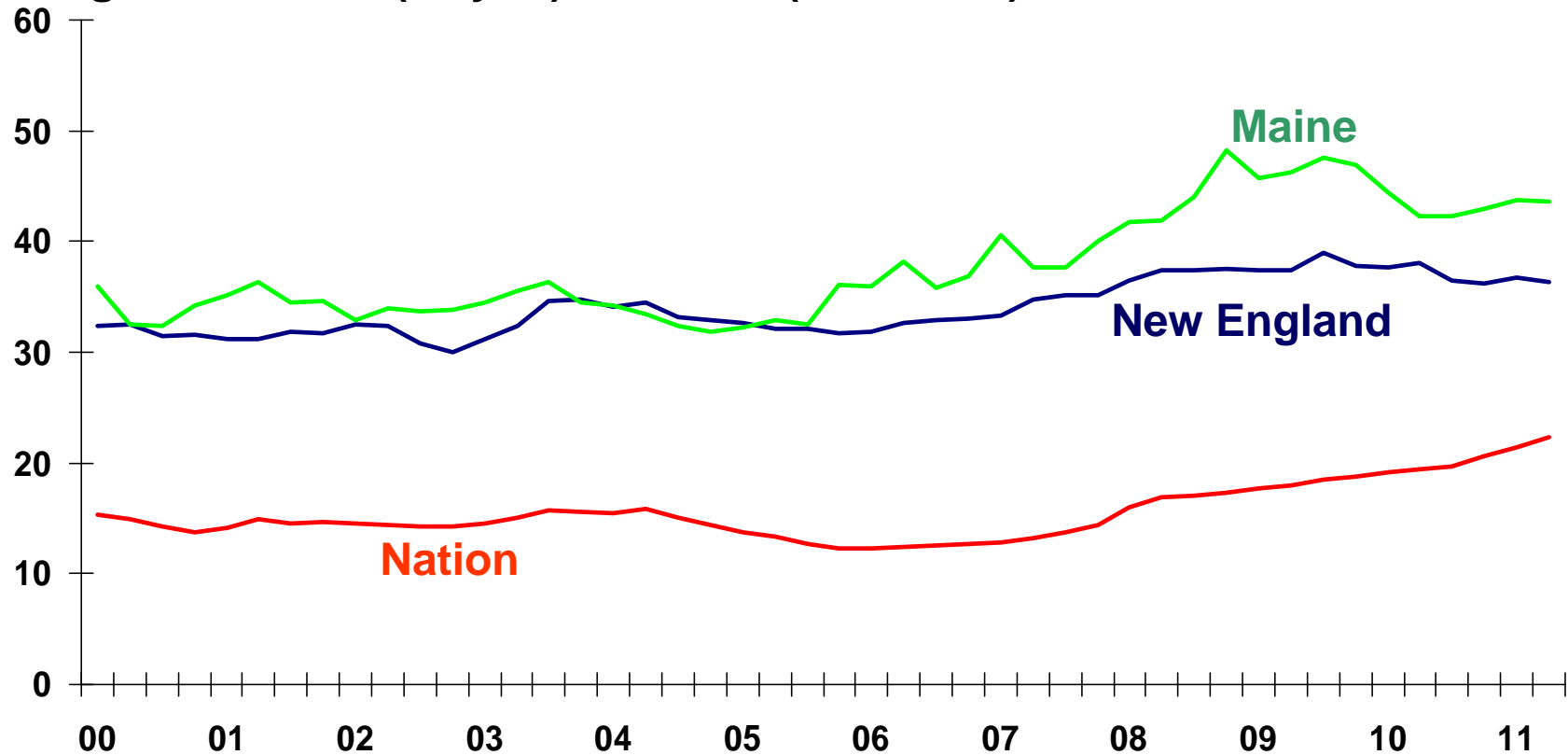
## Noncurrent loan ratios in the Northeast are lower than other parts of the country.



Source: FDIC. Aggregate data as of June 30, 2011.

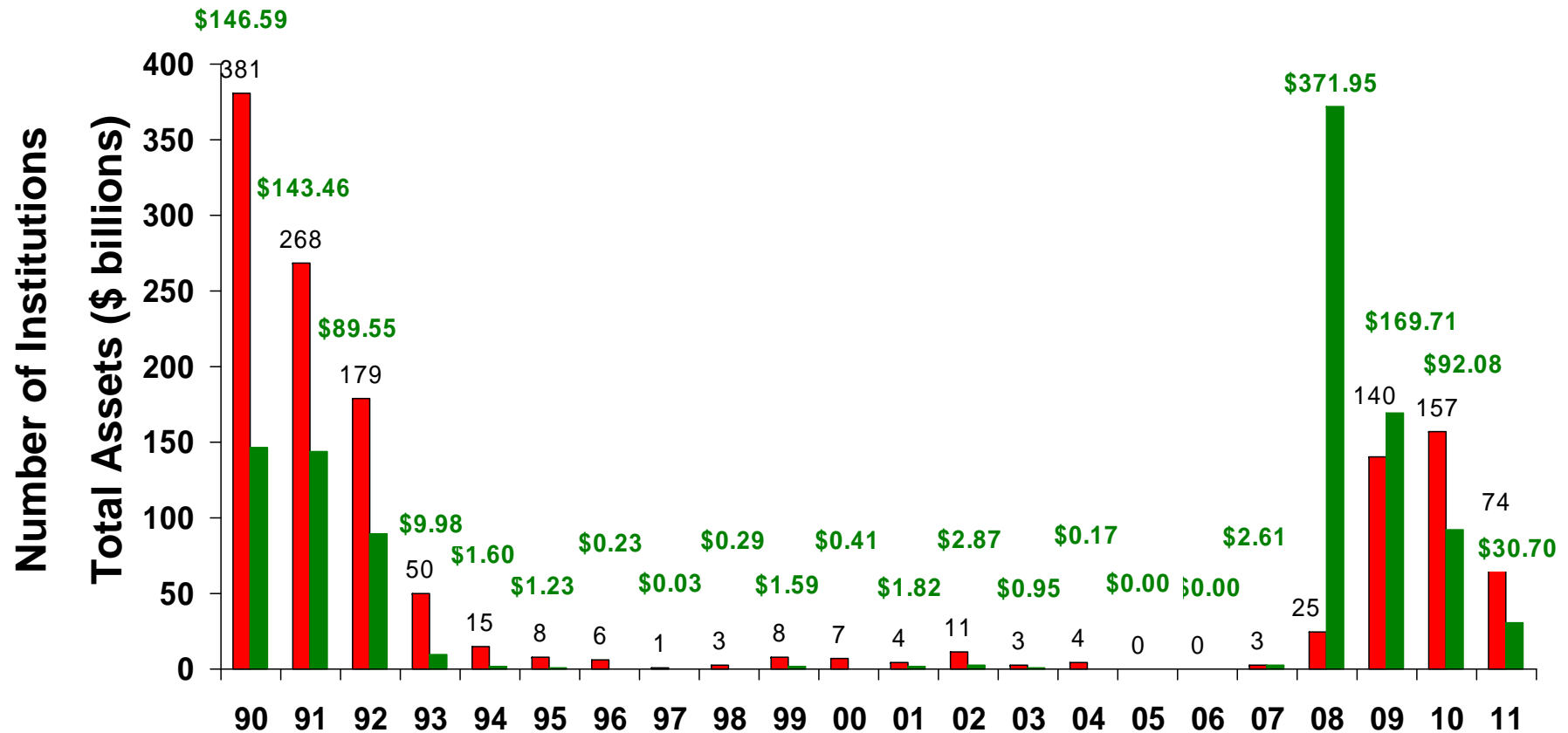
## While deposits are short-term, long-term assets are much higher in Maine and New England.

Long-term assets (>5 yrs.) to assets (median %)



Source: FDIC. Call filers. Data as of June 30, 2011.

## The pace of bank failures is slowing in 2011.



Source: FDIC. Insured institutions. National data. Dollar values in billions.

Data through September 30, 2011.

## ***Disclaimer***

*The views expressed in this presentation are those of the presenter and do not necessarily reflect official positions of the FDIC. Some of the information used in the preparation of this presentation was obtained from publicly available sources that are considered reliable. However, the use of this information does not constitute an endorsement of its accuracy by the FDIC.*

**Questions?**

**Contact Paul Driscoll at [pdriscoll@fdic.gov](mailto:pdriscoll@fdic.gov)**