PRESS RELEASE
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Nation's Strongest Economic and Banking Conditions Remain Concentrated in Coastal Regions

FDIC analysts review banking and economic conditions across the nation, including initial assessment of impact of Hurricanes Katrina and Rita

The nation's strongest labor, credit, and residential real estate conditions remain solidly concentrated in the West, Northeast, areas of the South such as Florida and Virginia, and bank industry performance is also strongest in most of these regions, according to Federal Deposit Insurance Corporation (FDIC) analysts. In contrast, the Midwest continues to lag the rest of the nation in terms of economic performance.

FDIC's *State Profiles* and a new companion publication, *FDIC Regional Profile*, respectively, provide quarterly state-by-state and regional snapshots of economic and banking trends. The Fall 2005 edition of FDIC *State Profiles* and FDIC *Regional Profile* highlight trends through the second quarter of 2005 and provide an initial assessment of the impact of Hurricanes Katrina and Rita on local economies as well as the state of the housing boom in local markets.

According to the *Profile*, the strongest economies in the West and South are also characterized by sustained, vigorous residential and commercial real estate activity, reflecting the effects of low long-term interest rates and a proliferation of innovative mortgage products, particularly in areas experiencing the most rapid rates of home price appreciation. However, signs of economic and housing moderation could be emerging, and year-over-year job growth in even the strongest regions leveled off in the second quarter.

"Bank growth and performance posted the strongest results in the areas of the country experiencing the most vibrant economies, such as in the West and areas of the South," said Barbara Ryan, head of regional operations for the FDIC's Division of Insurance and Research. "Institutions in these regions also are reporting the highest concentrations of construction and development real estate lending, reflecting vigorous housing activity," she added.

"Loan losses remain extremely low at banks across the nation, but could increase in future quarters due to rising interest rates and higher energy costs. In terms of the recent hurricanes, patterns following previous natural disasters suggest that past-due loan levels could rise for a period at banks operating in regions directly affected by the hurricanes. Although the full force of the impact of Hurricanes Katrina and Rita will not be fully known for some time, it is clear that the scope of the devastation is unprecedented for the local economies, and is projected to slow U.S. economic activity in the third and fourth quarters." Banks and thrifts across the country also are susceptible to potential net interest margin pressures from higher short-term interest rates and a flattening of the yield curve, she noted.

FDIC Regional Profile:

http://www.fdic.gov/bank/analytical/stateprofile/RegionalProfile_fall05.pdf

FDIC State Profiles:

http://www.fdic.gov/bank/analytical/stateprofile/index.html