



PRESS RELEASE

Federal Deposit Insurance Corporation

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FDIC State Profiles Highlight Generally Positive Economic Picture Amid Signs of Housing Slowdown

Job market conditions remained generally positive in most of the U.S. through the first quarter of 2006, with some pockets of weakness along the Louisiana Gulf Coast and the auto-dependent upper Midwest. FDIC-insured institutions also continue to record strong earnings, supported by low credit losses and growth in both real estate and commercial lending. However, many states show signs of an emerging slowdown in housing market activity. These and other state-level economic and banking trends are summarized in the Summer 2006 edition of **FDIC State Profiles** released today.

"Most regions are seeing solid job growth and strong economic activity, which are helping to support loan demand," said FDIC Chief Economist Richard A. Brown. "We also see housing market activity slowing in a number of regions, as affordability continues to be a challenge. It appears that housing will probably not be a leading sector for the U.S. economy in the second half of the year."

Home sales activity appears to be slowing across many areas of the country, and inventories of unsold homes are increasing. FDIC regional analysts note that affordability continues to be a challenge for homebuyers, particularly in the Middle Atlantic and Western states. Recent data show that rates of home price appreciation have recently decelerated in many states, although prices have declined outright in only a few metropolitan areas. Meanwhile, rising energy costs continue to pressure consumer finances, particularly among lower-income households.

The banking industry reported a fifth consecutive year of record earnings in 2005, and this strong financial performance has continued into 2006. However, rising short-term interest rates, a flattened yield curve, and growing dependence on non-core funding sources are pressuring net interest margins, particularly among mortgage lending specialists.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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FDIC analysts note that margin compression has been offset to some extent by strong loan growth, notably in the construction and development (C&D) segment of the commercial real estate (CRE) portfolio. Concentrations of C&D and CRE loans are rising, particularly among institutions in states in the Mid-Atlantic, Southeast, and West. Loan performance currently remains favorable across all loan categories, including farm-related credits held by agricultural banks.

FDIC State Profiles are quarterly state-by-state snapshots of economic and banking trends. The current round of **State Profiles** highlights trends through the first quarter of 2006 and features:

- analyses of recent job growth by Census region,
- an overview of activity in regional housing markets,
- an assessment of the effects of narrowing net interest margins on insured institution profitability, and
- an overview of insured institution loan growth and credit quality across the country.

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Attachment:

[FDIC State Profiles - Summer 2006](#)