



2006

AUTUMN  
STATEWIDE ECONOMIC  
REVIEW





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## OVERVIEW SECOND QUARTER 2006

Population, income and poverty data for 2005 recently released by the U.S. Census Bureau's American Community Survey indicates that real median household income in the U.S. declined 5.9 percent from 2000 through 2004, before rising modestly in 2005 by 1.1 percent. Median household income also rose in New York State and New York City between 2004 and 2005, but varied widely across other major cities in the State. Overall, those areas with stronger economic growth since 2000 experienced larger gains in median income, together with declines in poverty rates. Cities with more rapid population growth and healthy diversified economies tended to experience more significant declines in poverty rates. Altogether, 36 counties in the State gained population from 2000 through 2005, while 26 lost residents.

A number of indicators have pointed to a slowing in both the U.S. and New York State economies during the second quarter 2006 relative to second quarter 2005, as the pace of over-the-year new non-farm job growth has slowed from first quarter year-over-year rates. A noticeable decline in consumer confidence, as measured by current and future outlook, occurred from 2Q 2005 to 2Q 2006 in the U.S., and in both upstate and downstate areas of New York State. Rising costs of transportation, heating fuel and gasoline were major forces in the acceleration of consumer prices overall. The rate of growth in the online help wanted index slowed considerably from first quarter rates, and there was a noticeable slowdown in average weekly earnings growth during second quarter 2006. Changes in business and non-business bankruptcy filing activity from 1Q 2006 through 2Q 2006 also suggest signs of a slowing economy. After declining significantly over the year both nationally and statewide, non-business filings rose 34 percent nationally and by even higher rates in all four New York State bankruptcy districts from the first to second quarter 2006. Business bankruptcy filings also rose nationwide and in three of the State's four districts over the same period.

Several measures of business performance also exhibited signs of slowing in some sectors. The Empire State Manufacturing Index suggested a continuation of optimism about overall business conditions based on current outlook. However, the future outlook reveals expectations of slowing rate of growth in employment and an expected slower rate of growth in business activity. Over-the-year changes in office vacancy rates also revealed a mix of trends. Rates continued to decline in both midtown and downtown Manhattan, but rose in some of the City's surrounding suburbs, including Westchester County and northern and mid-New Jersey. Long Island's rate remained unchanged over the year. The Bloomberg Economic Performance Index, a price-weighted index of companies that are either headquartered in or have a large presence within the State's four major metropolitan statistical areas (MSAs) – Rochester, Buffalo, Syracuse and New York City - measures economic strength based upon the performance of these firms. The average quarterly percent change in these indexes for 2Q 2006 was below that of 2Q 2005 and had registered slightly negative in all four MSAs.

Several housing market indicators showed perhaps the most significant signs of weakening in 2Q 2006 from 2Q 2005. The number of seasonally adjusted housing permits declined 19.7 percent in New York State and by 10.3 percent in the U.S. during the year. Sales of new and existing homes either peaked or leveled off in 2Q 2005 and then dropped off sharply through 2Q 2006. Rising mortgage interest rates coupled with minimal downward movement in home prices contributed to the weakening housing market.

The percentage of all residential mortgages that were seriously delinquent – defined as loans more than 90 days past due or in the process of foreclosure – changed only slightly from 2Q 2005 through 2Q 2006. Delinquency rates for prime loans remained well below one percent in both the State and the nation. However, there was a noticeable increase in the rate of serious delinquency on subprime and Federal Housing Administration (FHA) loans nationwide in second quarter 2006 over

the same period a year ago. In New York State, delinquency rates on FHA loans fell slightly but rose 0.43 percent on subprime loans.

Deposits in New York State-headquartered banks increased 12.3 percent from June 2005 through June 2006, and by 4.2 percent from March to June 2006. Small business lending in New York State increased during the year as well. Commercial, agricultural and real estate loans of \$1,000,000 or less to small businesses increased by 6.1 percent in volume and 12.4 percent in value from 2Q 2005 through 2Q 2006. The greatest number of loans reported by New York – headquartered banks at 2Q 2006 was in commercial and industrial (C&I) loans of \$100,000 or less; the greatest part of the total value was in commercial real estate (CRE) loans between \$250,000 and \$1,000,000. The number of credit unions in New York State declined from 2Q 2005 through 2Q 2006; however, credit union assets increased by 2.6 percent, and total net worth by 6.8 percent over the year. At the same time, delinquency rates on loans – primarily first mortgages and new and used car loans - remained relatively unchanged at New York State-headquartered credit unions.

## CURRENT ECONOMIC CONDITIONS

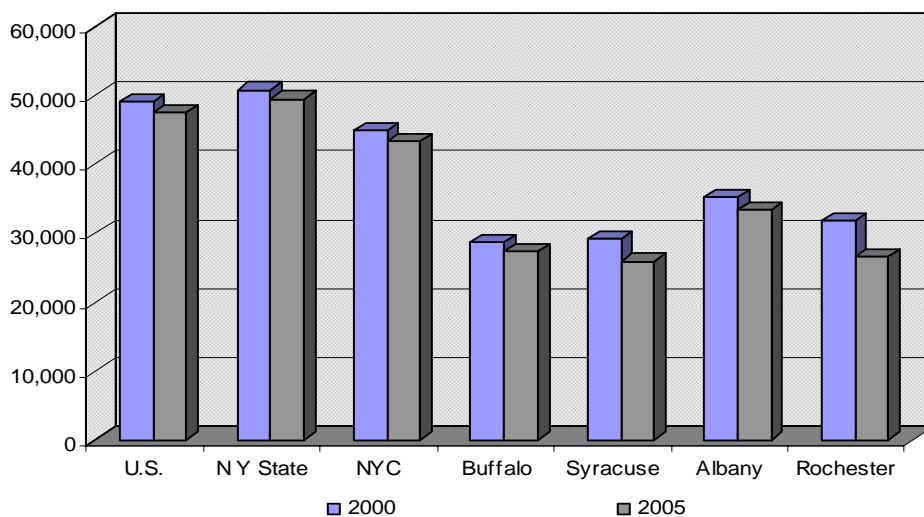
In August 2006, the U.S. Census Bureau released the 2005 American Community Survey, which included new estimates of population, poverty rates and changes in median household income for states, counties and the nation as a whole.<sup>1</sup>

### MEDIAN HOUSEHOLD INCOME, POVERTY AND POPULATION: 2000 - 2005

In the U.S., real median household income declined 5.9 percent from 2000 through 2004 before rising a modest 1.1 percent from \$45,817 in 2004 to \$46,326 in 2005. Real median income gains over the 2000 - 2005 period were greatest among single male headed households (2.71 percent), those of Asian descent (3.42 percent), those between the ages of 15 and 24 (3.14 percent), and those residing in the northeast (2.9 percent). Households in the northeast region had the highest real median household income at \$50,882, or 9.8 percent above the national average.<sup>2</sup>

The distribution of national aggregate income still varied widely across income groups nationwide in 2005, revealing the corresponding growth of the income gap between the lowest and the highest income households. In 2005, the share of total income received by the lowest quintile was 3.4 percent, while the share received by the highest quintile was 50.4 percent. Overall, median household income rose in New York State and New York City, although the extent of the change varied across other major cities in the state, including Albany, Syracuse, Rochester and Buffalo.

Chart 1. Change in Real Median Household Income: 2000 – 2005\*



Source: U.S. Census Bureau, American Community Survey. \*Income data in 2005 dollars.

The U.S. poverty rate increased one percent to 13.3 percent from 2000 to 2005, although it declined 0.1 percent from 2004 to 2005. Over the same five-year period, New York State's rate declined from 14.6 percent to 13.8 percent. New York City's poverty rate edged down slightly to 19.1 percent, though rates in several other major cities in the State rose significantly between 2000 and 2005.

In most instances, there appears to be a relationship between population and poverty rate trends. The regions of the State that have benefited the most from increased economic diversification and growth, generating a range of new jobs, have experienced faster rates of population growth, while those that have experienced a net loss of jobs have also lost residents at a greater rate or have seen relatively little change over the five-year period. Many of the regions in the northern and western parts of the state whose economies have been particularly affected by the loss of manufacturing

jobs have experienced the largest population declines. There are some counties within these regions that are exceptions to this trend, that have gained new residents, and that have begun to benefit from the attraction of new industries and jobs.

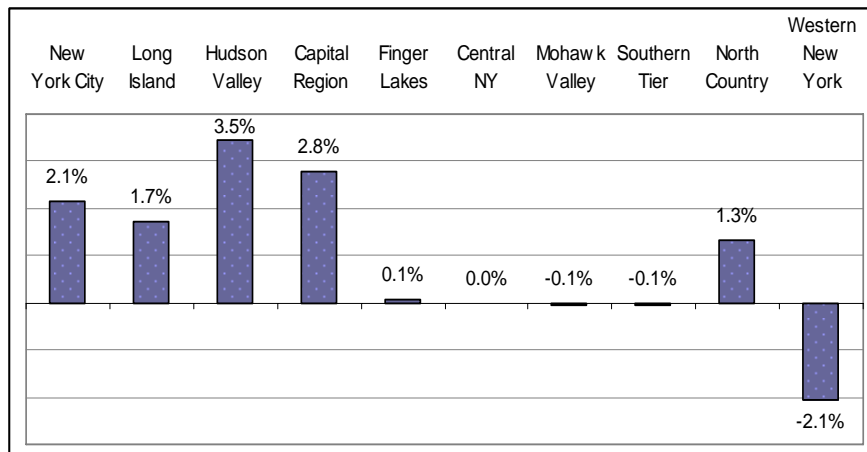
Between 2000 and 2005, New York City’s poverty rate declined two percentage points and the City gained 125,220 new residents – a growth rate of 2.1 percent. By contrast, major cities located in many upstate regions had higher rates of poverty in 2005 than in 2000 and in many cases those cities and regions experienced either significant population losses or little population change. Again, there are exceptions. While the poverty rate in the city of Albany has risen, the Capital Region (of which Albany is a part) has experienced vibrant economic and population growth since 2000.

Table 1. Change in Poverty Rates

	2000	2005	change
U.S.	12.4	13.3	0.9
N Y State	14.6	13.8	-0.8
New York City	21.2	19.1	-2.1
Buffalo	26.6	26.9	0.3
Syracuse	27.3	31.3	4.0
Albany	21.7	26.5	4.8
Rochester	25.9	30	4.1

Source: U.S. Census Bureau.

Chart 2. Percent Change in Population – New York State Regions, 2000 - 2005



Source: U.S. Census Bureau.

Estimates of population change from the Census Bureau’s American Factfinder show that New York State’s population grew by 255,741 or 1.3 percent from July 2000 to July 2005<sup>3</sup>. The regions and counties that experienced the largest population growth over these five years have primarily been those that have undergone the strongest economic expansion over the same period. The ten counties within the State that have gained the largest number of new residents are mainly concentrated in New York City, Long Island, the Hudson Valley, and parts of the Capital Region. Even more significantly, the five boroughs of New York City, which had experienced population declines throughout the 1990s, were among the State’s top ten counties in population growth. These ten counties accounted for 79.6 percent of the State’s new residents from 2000 through 2005.

By contrast, many of the counties that have lost the largest numbers of residents are primarily concentrated in regions that have experienced some of the State’s largest job losses since 2000. Nine of the ten counties that lost the largest number of residents from 2000 through 2005 experienced either large declines or little significant change in non-farm jobs since 2000 based on

annual average data.<sup>4</sup> Altogether, a total of 36 counties gained population and 26 lost population between 2000 and 2005.

Table 2. New York State Counties with Largest Population Growth and Largest Population Loss Since 2000

County	2005	2000	% change	pop. change	County	2005	2000	% change	pop. change
New York	1,593,200	1,539,558	3.5%	53,642	Genesee	59,257	60,336	-1.8%	-1,079
Suffolk	1,474,927	1,424,196	3.6%	50,731	Oneida	234,105	235,242	-0.5%	-1,137
Orange	372,893	343,100	8.7%	29,793	Cattaraugus	82,502	83,919	-1.7%	-1,417
Bronx	1,357,589	1,334,801	1.7%	22,788	Chemung	89,512	91,049	-1.7%	-1,537
Kings	2,486,235	2,466,784	0.8%	19,451	Monroe	733,366	735,697	-0.3%	-2,331
Richmond	464,573	445,525	4.3%	19,048	Niagara	217,008	219,602	-1.2%	-2,594
Westchester	940,807	925,934	1.6%	14,873	Chautauqua	136,409	139,599	-2.3%	-3,190
Dutchess	294,849	280,892	5.0%	13,957	Nassau	1,333,137	1,336,454	-0.2%	-3,317
Saratoga	214,859	201,494	6.6%	13,365	Broome	196,947	200,266	-1.7%	-3,319
Queens	2,241,600	2,231,312	0.5%	10,288	Erie	930,703	949,325	-2.0%	-18,622
<b>New York State</b>	<b>19,254,630</b>	<b>18,998,889</b>	<b>1.3%</b>	<b>255,741</b>					

Source: U.S. Census Bureau.

### CONSUMER CONFIDENCE

Consumer confidence, as measured by current outlook, declined significantly from first quarter 2006 through second quarter 2006 in the U.S., New York State, New York City and upstate areas. In all cases, current outlook declined by more than 5 points from 1Q 2006 through 2Q 2006.

A significant, though comparatively smaller decline occurred from second quarter 2005 through second quarter 2006. Current outlook declined 4.6 points nationwide and 3.8 points in New York State, and fell 3.5 and 4.3 points, respectively, in New York City and upstate areas. This trend appears to coincide with weakness and slowed growth in other areas of the economy, most notably the housing market and persistently high inflation. Both have contributed to a deceleration in consumer spending and erosion in consumer outlook.

The 2Q 2006 decline in future outlook has been even steeper for the nation as a whole, where future confidence declined 7.7 points from 2Q 2005, and 5 points from 1Q 2006. In New York City, the index of future confidence dropped 4.6 points from 2Q 2005, but 6.4 points from 1Q 2006. In fact, the City's 1Q 2006 future confidence index peaked at 83.4 in March.

Chart 3. Current Outlook

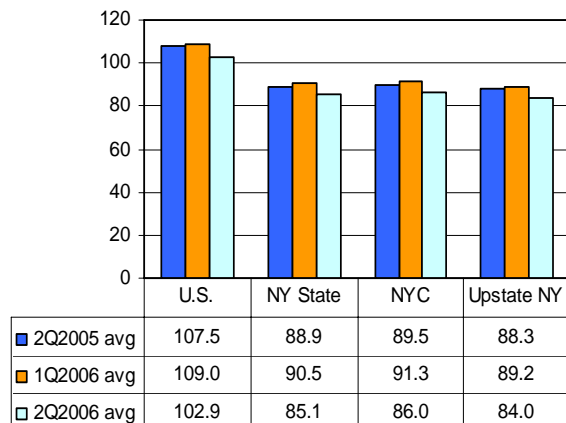
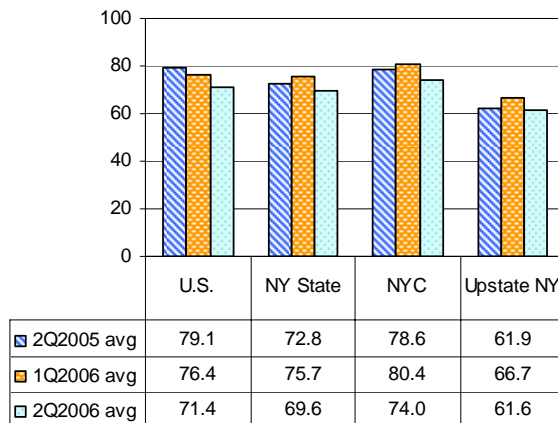


Chart 4. Future Outlook



Source: Siena Research Institute of Siena College.

## HELP WANTED INDEX

The online help wanted advertising index, as measured by the Conference Board showed significant signs of slowing during second quarter 2006, after more robust growth during the first quarter. Nationally, online help wanted advertising growth remained strong through first quarter 2006, rising more than 47 percent from December 2005, despite a slight dip in February 2006. The index dipped again in April, recovered somewhat in May and then leveled off in June – the end of the second quarter 2006. The trends within the major metropolitan areas of New York State for which the index is tracked reveal a very similar pattern. In New York City, online help wanted advertising peaked in March 2006 and began to level off toward the end of the second quarter. Buffalo's index and Rochester's index also appeared to peak in March and remained relatively unchanged throughout the second quarter 2006. The similarities provide further evidence of a slowing economy both nationally and within New York State during second quarter 2006.

Table 3. Percent Change in Online Help Wanted Index: 1Q 2006 and 2Q 2006

	<i>Average % Change 1Q 2006</i>	<i>Average % Change 2Q 2006</i>
U.S.	11.1%	8.9%
New York City	11.4%	6.8%
Rochester	23.4%	7.3%
Buffalo	10.5%	-1.2%

Source: Conference Board.

## CONSUMER PRICE INDEX (CPI)

There is a clear pattern of acceleration in monthly consumer price growth in 2Q 2006, both in the U.S. and in New York State. With a few exceptions, consumer price increases have been higher in New York State than in the nation during the past year. Persistently higher energy costs, combined with rapidly rising housing costs, most notably in the rental market, have contributed to higher costs in the New York City – New Jersey – Long Island metropolitan area. Transportation, heating fuel and gasoline costs have also been a major factor in consumer price growth. U.S. city average and New York City area data point to significant increased costs of these items, which account for 17 percent, 4.5 percent, and slightly more than 4 percent, respectively, of growth in consumer prices. Bureau of Labor Statistics data suggest that rising housing and gasoline costs have hit the New York City area somewhat harder than the nation as a whole. Between March and June of 2006, year-over-year increases in consumer prices in the New York City area jumped from 2.7 percent to 5.6 percent, while prices rose nationally at a slower pace, from 3.4 percent in March 2006 to 4.3 percent in June 2006.

Table 4. Percent Change in Consumer Prices: May 2005 – May 2006

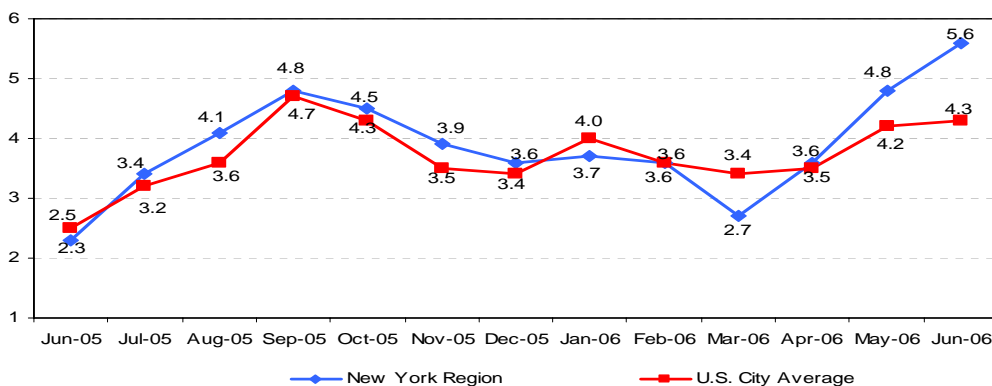
<i>New York-Northern NJ-LI Metropolitan Area</i>	<i>Percent change</i>	<i>U.S. City Average</i>	<i>Percent change</i>
Housing	6.0%	Housing	4.0%
- Fuels (housing related)	12.4%	- Fuels (housing related)	13.5%
Transportation	8.5%	Transportation	9.0%
- Gasoline (all types)	36.6%	- Gasoline (all types)	33.4%

Source: U.S. Bureau of Labor Statistics.

Housing costs account for an estimated 31.5 percent of overall CPI<sup>5</sup>, and have contributed to accelerating inflation rates, particularly since first quarter 2006, despite the cooling of the housing market. As home purchases in the second quarter have slowed significantly due to rising mortgage rates and persistently high home prices, there has been a rapid growth in rental demand and rental prices in a relatively short period of time. In the New York City metropolitan area, including Long Island and Northern New Jersey, annual rent increases exceeded 5 percent in the last six months of 2005, and are expected to continue rising through 2006. Rents across the U.S., however, rose an average of 3.5 percent from June of 2005 to June 2006. Adding to the pressure on rents is the

diminishing supply of rental housing in the New York City market, where vacancy rates have dipped to 0.8 percent Citywide and even lower in some neighborhoods. New construction of rental housing in New York was well below the national average over the last five years<sup>6</sup>.

Chart 5. 12-month Year-over-Year Percent Change in CPI, New York region and U.S.



Source: U.S. Bureau of Labor Statistics.

### AVERAGE WEEKLY EARNINGS AND AVERAGE WEEKLY HOURS

Nationally, year-over-year changes in second quarter 2006 average weekly earnings and average weekly hours suggest a divergence from first quarter 2006 trends. Average weekly hours of production workers rose 0.6 percent in June 2006 from June 2005, after maintaining a steady 0.3 percent rate of growth year-over-year in the months January through May 2006. In contrast, average weekly earnings of production and non-supervisory workers actually declined 0.2 percent in May 2006 from May 2005, after rising 0.4 percent in April 2006 over April 2005, and in the previous two months of 1Q 2006 over 1Q 2005. The change in June 2006 earnings was virtually unchanged from a year earlier. These trends coincide with a notable decline in 2Q 2006 productivity growth to 1.6 percent, a significant drop from the 1Q 2006 growth rate of 4.3 percent and from the 2Q 2005 productivity growth rate of 2.3 percent. Rising productivity – or output per hour per worker – generally coincides with rising earnings and often, increased hours of work.

Table 5. Average Real Weekly Earnings and Hours of Production Non-Supervisory Workers

<b>Average Weekly Earnings (1982 dollars)</b>				
Year	April	May	June	
2005	276.2	276.18	276.87	276.42 (2Q 2005 Avg)
2006	277.38	275.51	276.94	276.61 (2Q 2006 Avg)
Change over year	0.4%	-0.2%	0.0%	0.07%
<b>Average Weekly Hours (Seasonally Adjusted)</b>				
Year	April	May	June	
2005	33.8	33.7	33.7	33.7 (2Q 2005 Avg)
2006	33.9	33.8	33.9 (p)	33.9 (2Q 2006 Avg)
Change over year	0.3%	0.3%	0.6%	0.6%
<b>Productivity Growth Rates</b>				
Q1 2005	Q2 2005		Q1 2006	Q2 2006
3.6	2.3		4.3	1.6

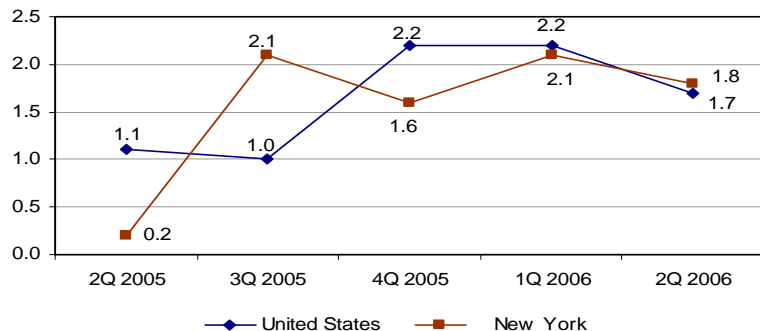
Source: U.S. Bureau of Labor Statistics.

### PERSONAL INCOME GROWTH

Personal income data for the U.S. were revised by the Bureau of Economic Analysis through 2Q 2006 for both the U.S. and New York State, resulting in some changes from the data presented in the 1Q 2006 Statewide Review. The sharp decline in U.S. personal income noted in first quarter 2006 has been revised upward, suggesting the decline was not as significant as initially reported.

The rebound in U.S. personal income in 4Q 2005 was also stronger than originally reported, and that estimate remained unchanged through 1Q 2006. The pronounced discrepancies in the direction of U.S. and State personal income through 4Q 2005 diminished in 1Q 2006, as both state and national income trends began to move similarly. There was a noticeable decline in personal income for the State and the nation from 1Q 2006 through 2Q 2006.<sup>7</sup>

Chart 6. Personal Income Growth Percent Change from Previous Quarter

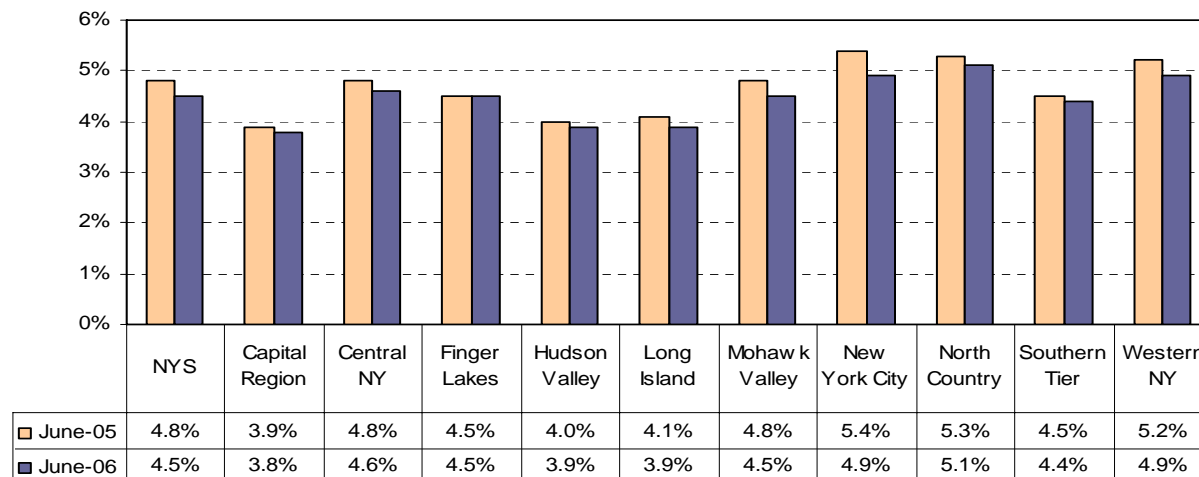


Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## LABOR FORCE AND UNEMPLOYMENT RATES

The labor force measures the number of New York State residents who are working – either within New York State or in bordering states. June 2006 resident unemployment rates were down or unchanged from June 2005 rates in all regions of the State, while the employed labor force reached new June records in all regions except two – the Finger Lakes and Southern Tier. The unemployment rate in New York State overall declined from 4.8 percent to 4.5 percent, the lowest June rate since 2001. At the same time, the State’s total employed labor force set a new record high for June, with 9,190,300 employed residents.

Chart 7. June 2005 and 2006 Unemployment Rates: New York State and Regions



Source: New York State Department of Labor.

## NON-FARM EMPLOYMENT

Non-farm employment growth measured from 2Q 2005 through 2Q 2006 has slowed somewhat from first quarter over-the-year growth. Non-farm employment measures the total number of payroll jobs within New York State. Total statewide non-farm employment expanded at a rate of 0.9 percent, with a net increase of 73,600 jobs, compared to 1.0 percent, or 85,500 jobs added in the first quarter. U.S. non-farm job expansion also slowed to 1.4 percent in the second quarter from 1.5

percent in the first quarter. The average jobs added in the U.S. declined from 2.028 million in 2Q 2005 to 1.888 million in 2Q 2006.

Table 6. Employment Change: 2Q 2005 – 2Q 2006 (thousands)

<i>Region</i>	<i>2Q 2006 Avg</i>	<i>2Q 2005 Avg</i>	<i>Employment change (thousands)</i>	<i>Percent change (employment)</i>
<b>U.S.</b>	<b>135,767.0</b>	<b>133,878.7</b>	<b>1,888.3</b>	<b>1.4%</b>
<b>NY State total</b>	<b>8,633.1</b>	<b>8,559.4</b>	<b>73.6</b>	<b>0.9%</b>
Capital Region	542.0	539.0	3.0	0.6%
Central NY	372.4	367.6	4.8	1.3%
Finger Lakes	568.0	573.9	-5.9	-1.0%
Hudson Valley	924.2	916.2	8.0	0.9%
Long Island	1,255.9	1,249.6	6.3	0.5%
Mohawk Valley	172.7	172.0	0.7	0.4%
New York City	3,656.3	3,600.9	55.5	1.5%
North Country	162.7	162.2	0.5	0.3%
Southern Tier	321.6	321.3	0.3	0.1%
Western NY	657.2	656.8	0.4	0.1%

Source: New York State Department of Labor and U.S. Bureau of Labor Statistics. (non-seasonally adjusted)

## BUSINESS AND NON-BUSINESS BANKRUPTCY RATES

Although the number of business and non-business bankruptcy filings fell between 2Q 2005 and 2Q 2006, increases in filings from the first to second quarters of 2006 appear to provide further evidence of weakening economic activity in the State<sup>9</sup>. Business bankruptcy filing activity in the U.S. declined 44.4 percent over the year from 2Q 2005 through 2Q 2006. Within New York State, filing activity varied over the year across the four bankruptcy districts, declining in the Northern and Western districts by 38.6 percent and 41.1 percent over the year, respectively, and increasing somewhat in the Eastern and Southern districts. Trends changed significantly from first to second quarter 2006 as business bankruptcy filings rose in the U.S., and in three of the State's four bankruptcy districts. The exception was the Southern district, where filings declined by 41.9 percent over 2Q 2006.

Non-business bankruptcy filings (those of individuals and households) declined sharply both nationwide and across all four New York State bankruptcy districts from June 2005 through June 2006, with the largest percent declines occurring in the Eastern and Southern districts. However, filings rose 34 percent nationally and by even higher percentages in all four State districts between the first and second quarters of 2006. This may suggest some weakening within the consumer sector during second quarter 2006, consistent with several other indicators of a slowing economy over this period. Acceleration in consumer prices and declining real earnings can turn just getting by to falling behind for many households.

Chart 8. Business Bankruptcy Filings

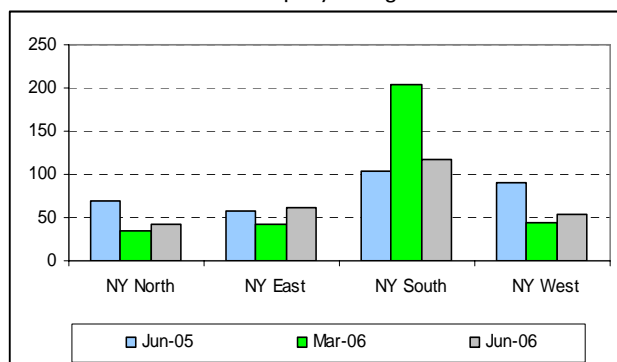
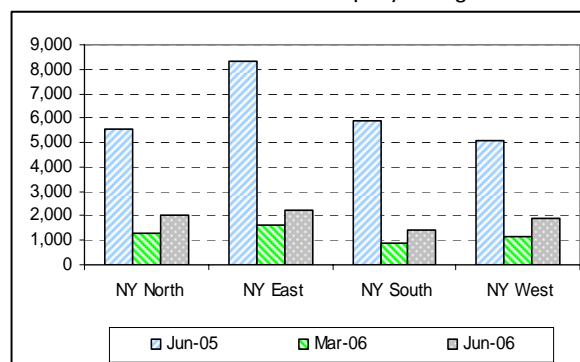


Chart 9. Non-Business Bankruptcy Filings



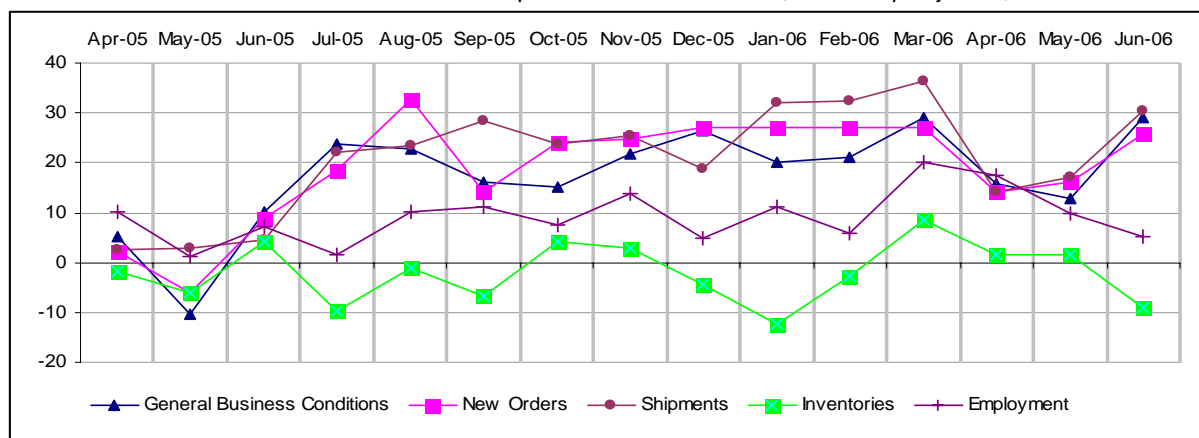
Source: U.S. Bankruptcy Courts.

## BUSINESS ACTIVITY

### EMPIRE STATE MANUFACTURING SURVEY

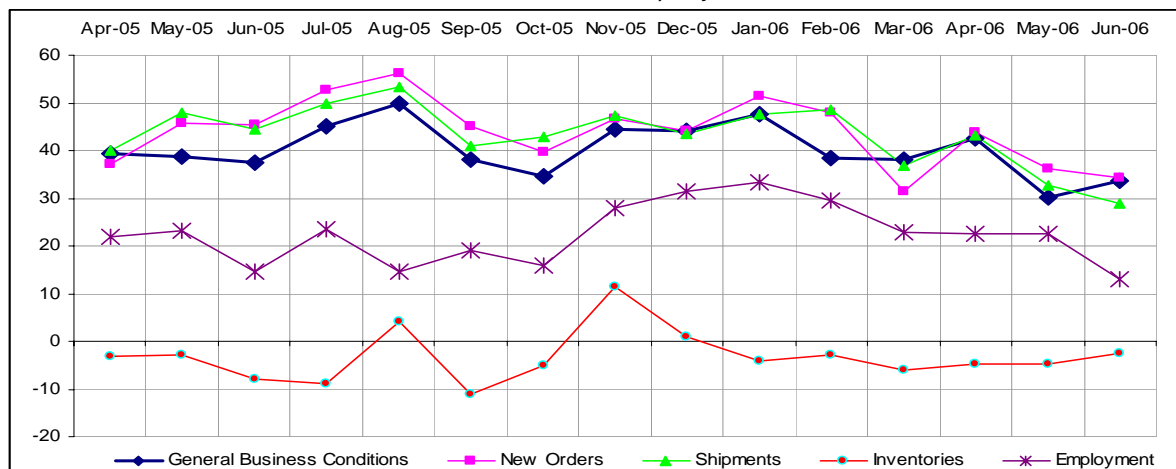
The Empire State Manufacturing Survey<sup>9</sup>, conducted monthly by the Federal Reserve Bank of New York, is sent to approximately 200 manufacturing executives throughout New York State. Results of the 2Q 2006 survey suggest continued business optimism about overall business conditions, although separate indices showed some pessimism compared to 1Q 2006.

Chart 10. Federal Reserve Diffusion Indexes April 2005 – June 2006 (seasonally adjusted)



Second quarter 2006 survey results showed a continuation of respondents' 1Q 2006 optimistic outlook with regard to general business conditions, new orders, and shipments. The June 2006 general business conditions diffusion index was 29.01, the second highest value in the past year. On the other hand, the employment diffusion index showed consistently decreasing levels of optimism during second quarter 2006, dropping to 5.12 in June 2006 from 20.06 in March 2006. The Inventories Diffusion Index was negative in June 2006 after reaching its 12-month-peak in March 2006. Six-months-ahead diffusion indexes showed optimism about future general business conditions, new orders, and shipments slowing in 2Q 2006 compared to the same period in 2005. Expectations of increases in employment also declined to levels similar to those observed during second quarter 2005. Expectations of decreases in inventories show a small improvement relative to expectations in second quarter 2005. These results continue the trend of expected slower growth in business performance, similar to first quarter 2005 trends in outlook.

Chart 11. Diffusion Indexes, Six Months Ahead (seasonally adjusted)



Source Chart 10 and Chart 11: Federal Reserve Bank of New York

## OFFICE VACANCY RATES – MAJOR METROPOLITAN MARKETS

Office vacancy rates in four of the New York City area markets continued to decline in 2Q 2006 over 2Q 2005. These declines occurred in midtown and downtown Manhattan, Stamford, CT. and Philadelphia, PA. The most significant over-the-year declines were in downtown and midtown Manhattan, where vacancy rates declined by 2.7 and 2 percentage points, respectively. Stamford and Philadelphia experienced smaller declines. In contrast, a number of suburban areas that had experienced steadily declining vacancy rates over the past several quarters, particularly Westchester and Northern New Jersey, showed significant increases in 2Q 2006, possibly an indicator of economic slowing in those areas. It may also suggest that some Manhattan-based firms, which relocated at least some space and staff out of the City after September 11, 2001, to suburban areas, may be returning and/or expanding within New York City. The continued vacancy rate declines within New York City may also reflect the acceleration of commercial real estate investment over the past year.

Table 7. 2Q 2006 Office Vacancy Rates: Change from 2Q 2005

Area	2Q 2006	2Q 2005	change
Average U.S. downtown area	12.2	13.4	-1.2
Manhattan downtown	9.5	12.2	-2.7
Manhattan midtown	5.7	7.7	-2.0
Westchester	11.7	10.8	0.9
Long Island	10.6	10.6	0.0
Northern New Jersey	14.3	13.6	0.7
Mid-Jersey	15.7	15.6	0.1
Stamford, CT	13.1	14	-0.9
Philadelphia, PA	11.8	12.6	-0.8

Source: CB Richard Ellis.

## ECONOMIC PERFORMANCE INDEXES FOR METROPOLITAN AREAS

The Bloomberg Economic Performance Indexes<sup>10</sup> measure movements in the economies of four New York State urban areas: Rochester, Buffalo, Syracuse and New York City. The Bloomberg New York and the Bloomberg Rochester indexes include companies that are either headquartered within each city or have a major presence in the area. The indexes for Buffalo and Syracuse include firms with a major presence in the area. The weekly values of the four indexes were averaged for each of the three months during the second quarter of 2005 and 2006 to allow for comparison of year-over-year trends.

Table 8. Indexes of Economic Performance, Major Cities of New York State, 2Q 2005 and 2Q 2006

2Q 2005 Monthly Average	Rochester	Buffalo	Syracuse	New York City
April	112.10	217.12	200.00	284.36
May	112.09	220.30	204.45	283.15
June	113.50	225.91	206.64	289.16
% change over the quarter	1.25%	4.05%	3.32%	1.69%
2Q 2006 Monthly Average	Rochester	Buffalo	Syracuse	New York City
April	119.10	244.39	229.53	330.95
May	119.86	247.23	231.19	322.43
June	117.48	243.19	223.89	314.27
% change over the quarter	-1.36%	-0.49%	-2.46%	-5.04%

Source: Bloomberg.com.

The quarterly percentage change (measured as the change in the average value of the index from April to June for the second quarter in both 2005 and 2006) rose over the quarter in 2005 but declined and experienced a negative percent change over the quarter in 2006. This decline is a further suggestion of economic slowdown during 2Q 2006. The April-June decline was most

pronounced in New York City and least evident in Buffalo, which in the second quarter of 2005 were the economies with the second-lowest and the highest increase, respectively. Despite the quarterly decline, the average values of the four indexes in 2006 are higher than the corresponding values during 2005, reflecting the growth rate of the U.S. economy. The decline of the Bloomberg indexes in all four major urban areas during 2Q 2006 may indicate that a peak of the State's business cycle has been reached.

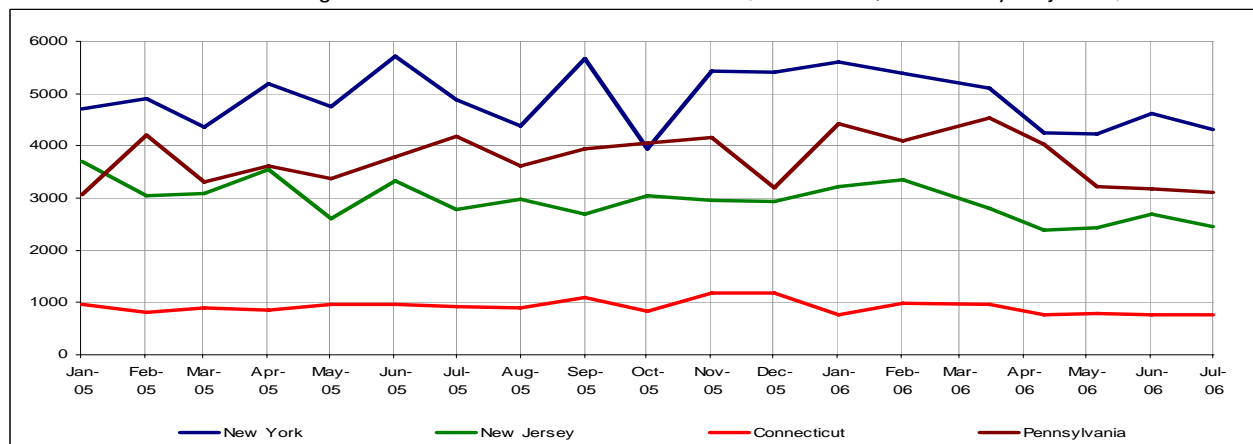
## HOUSING

The most significant signs of economic weakness in 2Q 2006 over 2Q 2005 have occurred in the nation's housing market. The number of new housing permits declined in New York State and the nation, while sales of both new and existing homes plummeted. Home price increases moderated and rates of appreciation clearly slowed during 2Q 2006. The percentage of mortgage loans considered seriously delinquent was relatively unchanged for prime loans, but showed noticeable signs of increase in subprime loans.

### HOUSING PERMITS

The number of housing permits<sup>11</sup> approved is one of the ten components of the Index of Leading Economic Indicators computed by the Conference Board. It usually predicts housing construction, which is itself a leading indicator, and is closely tied to consumer confidence. Between 1Q 2006 and 2Q 2006, the number of seasonally adjusted<sup>12</sup> residential permits approved in New York State declined by 19.7 percent. At the same time, the number of seasonally adjusted housing permits approved in New Jersey, Pennsylvania, and the entire Northeast also declined by 19.7, 20.2, and 16.9 percent, respectively. The Census Bureau reported a 10.3 percent second quarter 2006 decline in seasonally adjusted housing permits nationwide.

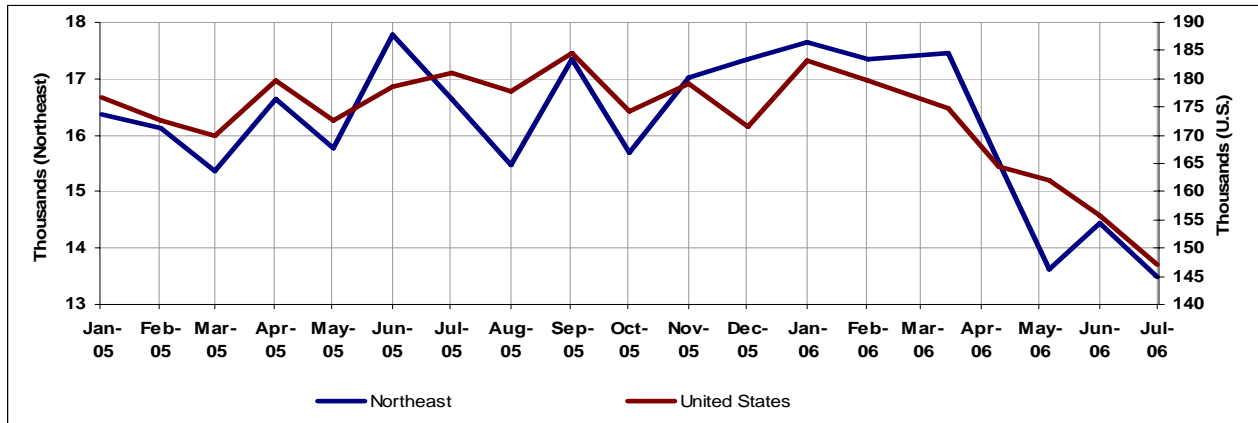
Chart 12. Number of Housing Permits in Four Northeastern States (Total Units, Seasonally Adjusted)



Source: U.S. Census Bureau.

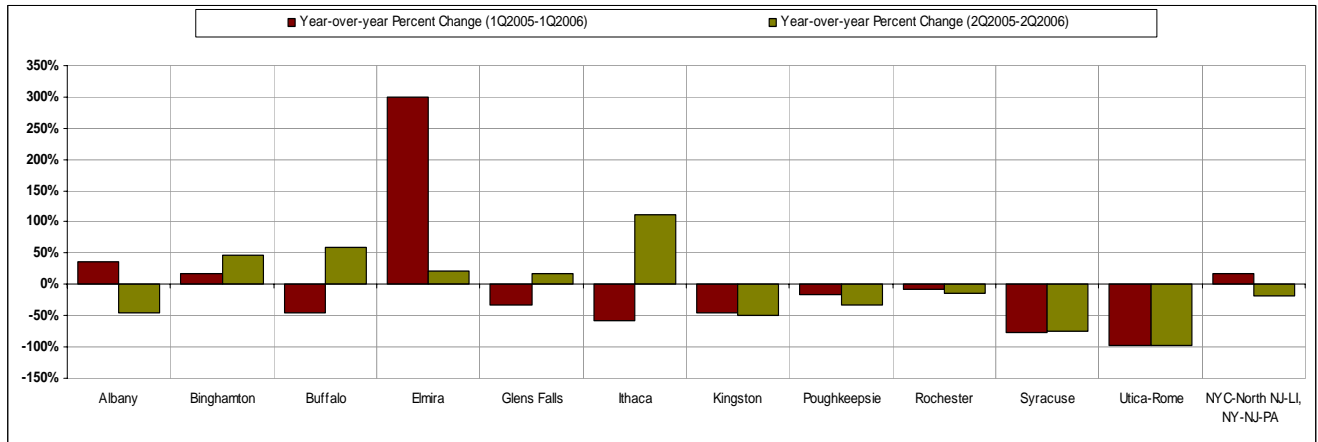
The growth rate of housing permit approval across New York State MSAs was not uniform. Binghamton, Buffalo-Niagara Falls, Glens Falls, Elmira, and Ithaca experienced some positive year-over-year growth in the number of approved housing permits. New York City-Northern New Jersey-Long Island, Utica-Rome, Poughkeepsie-Newburgh-Middletown, Albany-Schenectady-Troy, Rochester, Syracuse, and Kingston, on the other hand, were among those MSAs where permits declined.

Chart 13. Number of Housing Permits in the U.S. and Northeast (Totals, Seasonally Adjusted)



Source: U.S. Census Bureau.

Chart 14. Year-over-Year Percent Change in Housing Permits (Total Units, Not Seasonally Adjusted)



Source: U.S. Census Bureau.

## HOME SALES

The number of houses sold is an economic indicator that is closely related to long-term consumer sentiment and is a primary indicator of the strength of the demand for housing. Data provided by the National Association of Realtors (NAR) indicate that even though seasonally adjusted quarterly sales of existing homes during 2Q 2006 increased by 0.82 percent from 1Q 2006 in New York State, they declined by 4.81 percent from 2Q 2005. Sales of existing homes in the entire Northeast exhibited somewhat similar dynamics.

The Census Bureau provides seasonally adjusted data on new single-family houses sold and for sale. The number of new, single-family houses sold in the Northeast between 2Q 2005 and 2Q 2006 declined by 34.8 percent, with 6.25 percent of that decline documented in 2Q 2006. Even though second quarter seasonally adjusted sales of new single-family houses nationwide were up 1.08 percent from 1Q 2006, these were down 12.46 percent compared to 2Q 2005. Data on previously owned and new houses sold are quite indicative of the continued recent diminishing demand for housing in New York, the Northeast, and nationwide.

Charts 15 - 18. NAR Existing Single-Family, Condominiums and Co-op Sales (seasonally adj. in thousands)

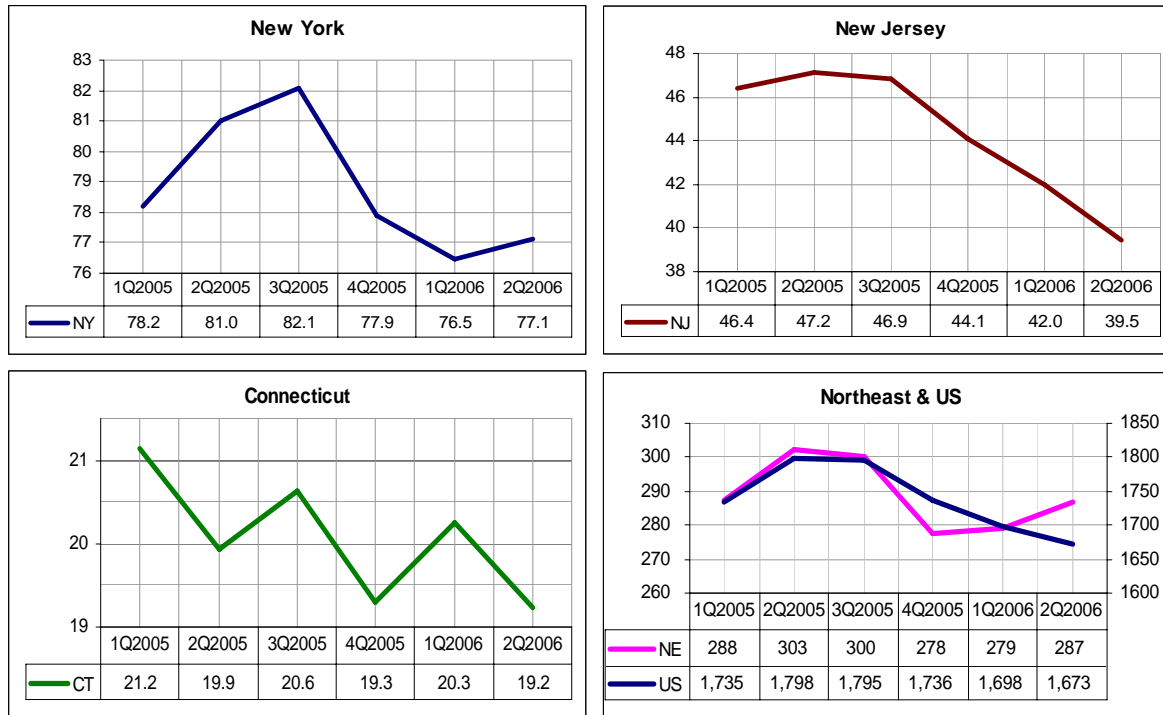
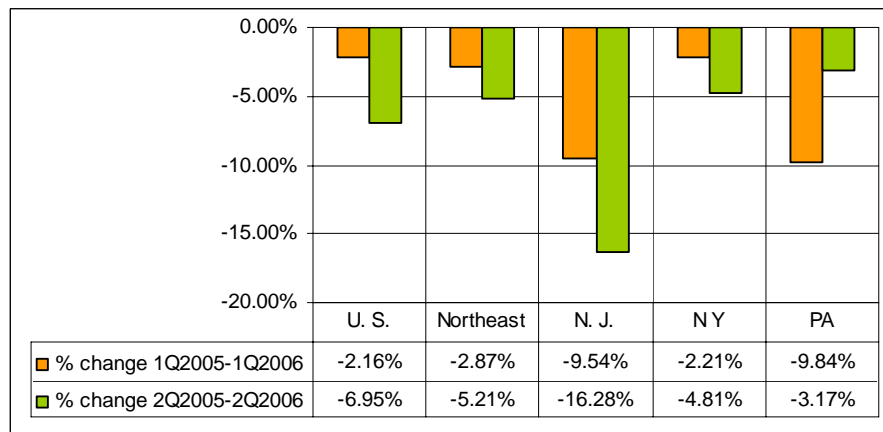
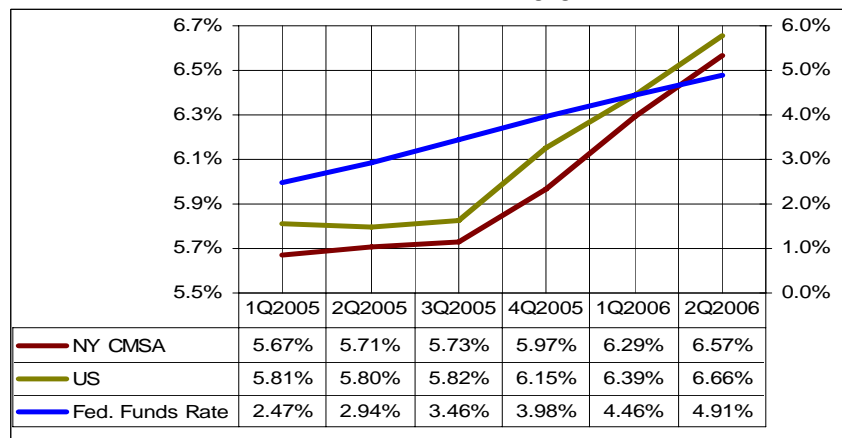


Chart 19. Year-over-Year Percent Change in Existing Home Sales (Single-Family, Condominiums & Coops)



Source Charts 15 - 19: National Association of Realtors

Chart 20. Effective Rates on Conventional Mortgages and the Federal Funds Rate

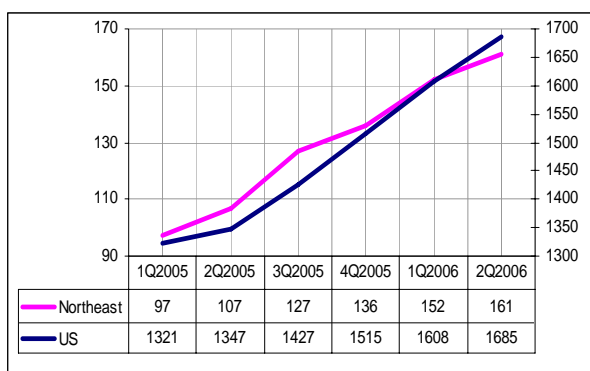


Source: FHFB, Federal Reserve

The interaction of two important forces, changes in actual and expected future mortgage rates, drives aggregate data on sales of new and existing homes. It is generally expected that sales of new and existing homes decrease when current mortgage rates are increasing and/or future rates are expected to decline. Even though the effective rate on conventional mortgages in the New York City consolidated metropolitan area<sup>13</sup> remained about 10 basis points below that of the nation, it continued to rise in 2Q 2006, which, perhaps, was the leading force in driving down sales of new and existing homes in New York City since 3Q 2005.

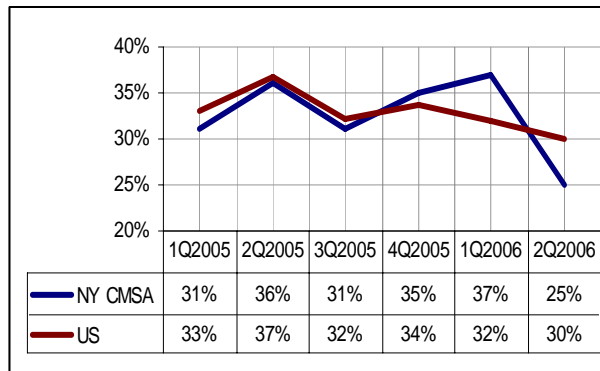
Factors that reflect expectations about future mortgage rates, on the other hand, indicated that during 2Q 2006, homebuyers expected future mortgage rates to rise and remain high. The percentage of all mortgages that were adjustable-rate mortgages (ARMs) in the New York City consolidated metropolitan area declined from 37 percent in 1Q 2006 to 25 percent in 2Q 2006. Such a dramatic second quarter drop in the percentage of ARMs implies that homebuyers on average were expecting an increase in future mortgage rates, and it is likely that these expectations were the leading factor that drove up 2Q 2006 sales of new and existing homes in the New York City CMSA.

Chart 21. New Single Family Home Sales, U.S., NE



Source: U.S. Census Bureau (not seas. adj., in thousands).

Chart 22. Percent Adjustable Rate Mortgages (ARMs)



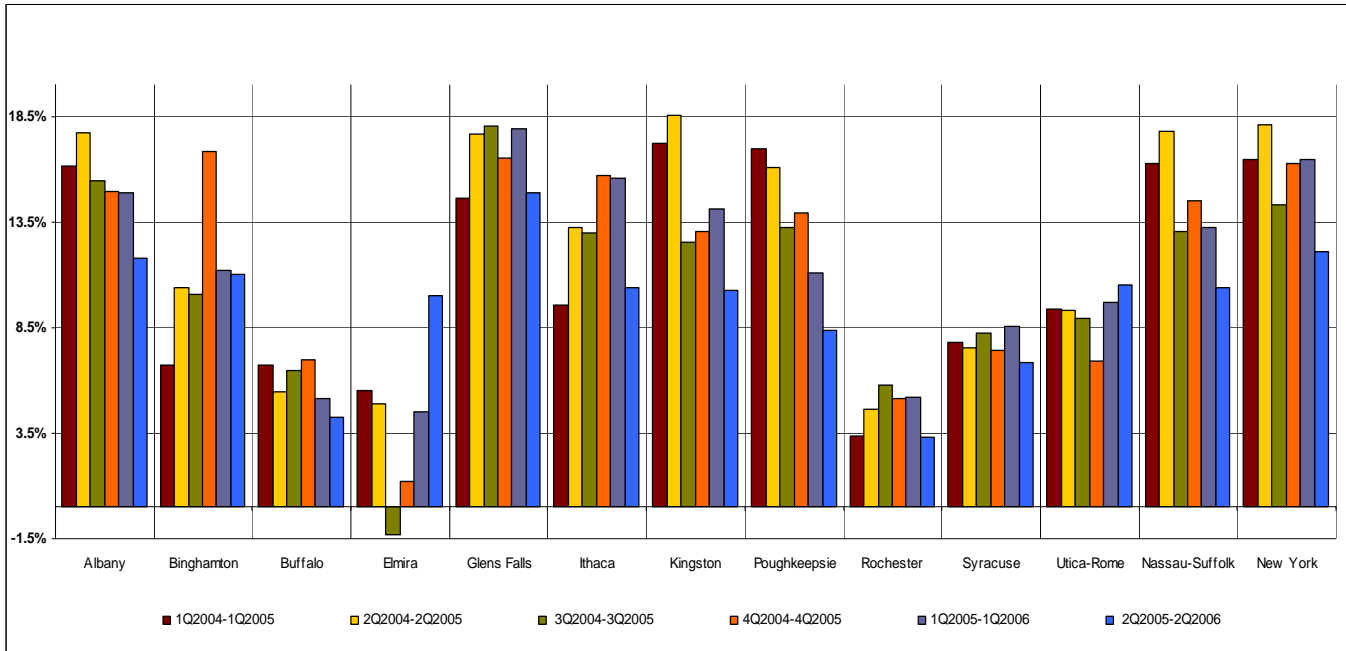
Source: Federal Housing Finance Board.

As a complement to study of the demand side of the housing market, an analysis of the supply side of the housing market during the second quarter of 2006 reveals a significant rise in homes on the market since 2Q 2005. According to the Census Bureau, the number of new single-family homes for sale in the Northeast reached 161,000 during 2Q 2006. This number increased consistently from at least 1Q 2005, and represents a 50.47 percent increase from 2Q 2005 to 2Q 2006.

## HOME PRICES

According to housing data provided by the Office of Federal Housing Enterprise Oversight (OFHEO) and the National Association of Realtors (NAR), housing price inflation continued to soften during second quarter 2006, and the rate at which housing prices appreciated declined dramatically over the first quarter. In 2Q 2006, the housing price index (HPI)<sup>14</sup> computed for the entire nation was 10.06 percent higher than in 2Q 2005. In comparison, housing prices grew 12.76 percent between 1Q 2005 and 1Q 2006. Median US single-family home prices in 2Q 2006 were 3.69 percent higher and median prices of cooperative and condominium apartments were 0.3 percent lower than in 2Q 2005.<sup>15</sup> These second quarter 2006 year-over-year percent changes are noticeably lower than first quarter changes. The most likely causes of such sluggish second quarter appreciation (or even depreciation) of housing prices were higher interest rates and increasing inventories of new and existing homes on the market.

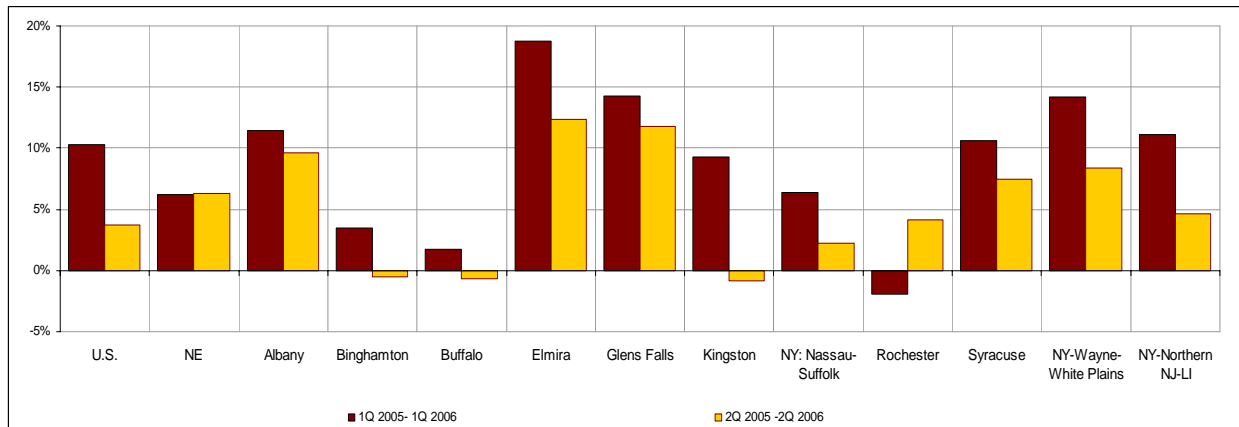
Chart 23. Year-over-Year Percent Change in House Price Index



Source: Office of Federal Housing Enterprise Oversight.

Second quarter 2006 housing-price figures for New York State MSAs nearly mimicked those for the nation overall. Second quarter 2006 year-over-year appreciation of median single-family home prices in ten of the State's eleven MSAs was considerably slower than during first quarter 2005. From 2Q 2005 through 2Q 2006, median single-family house prices in the Binghamton, Buffalo-Niagara Falls, and Kingston MSAs even declined. Rochester, where a median house price depreciation of 1.95 percent in first quarter 2006 was followed by 4.16 percent appreciation in second quarter 2006, was the only exception. On average, 2Q 2006 HPI appreciation across New York State MSAs moderated considerably from 1Q 2006 and from 4Q 2005 measures. The only exceptions were the Elmira and Utica-Rome MSAs.

Chart 24. Year-over-year Percent Change in Median Prices of Single-Family Homes



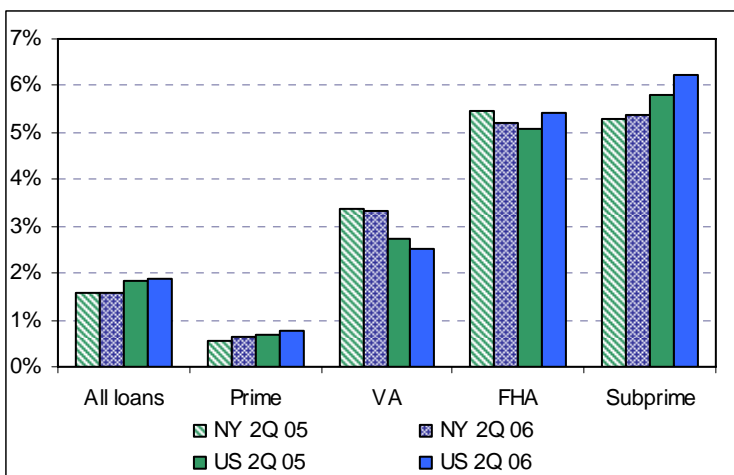
Source: National Association of Realtors.

### MORTGAGE DELINQUENCY

According to the Mortgage Bankers' Association's National Delinquency Survey, the percentage of residential mortgages that were seriously delinquent – defined as more than 90 days past due or in the process of foreclosure – showed little change from 2Q 2005 through 2Q 2006 in both New

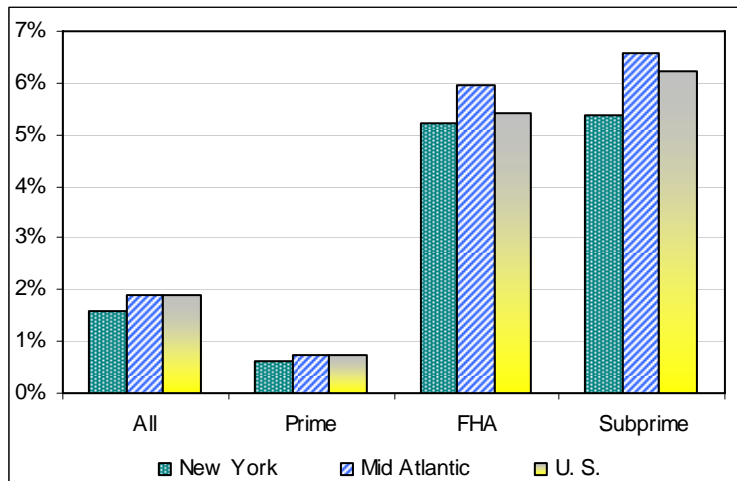
York State and the nation. However, the percentage of loans seriously delinquent varied by mortgage product. Seriously delinquent rates for prime loans remained below one percent in both the U.S. and New York State during the year, but significant increases in delinquency occurred in subprime loans, and to a lesser extent, Federal Housing Authority (FHA) loans, within the U.S. from 2Q 2005 through 2Q 2006. Rates of serious delinquency on FHA loans rose from 5.07 percent to 5.4 percent, while the increase for subprime loans was even greater, from 5.81 to 6.24 percent by the end of the second quarter. Mortgage bankers in New York State, in contrast, reported that delinquency rates for FHA loans actually declined by 0.25 points to 5.21 percent, and rose just slightly for subprime loans from 5.28 to 5.39 percent.

Chart 25. Percentage of Loans Seriously Delinquent, New York State and U.S.



Source: Mortgage Bankers Association, National Delinquency Survey.

Chart 26. Percentage of Loans Seriously Delinquent – 2Q 2006

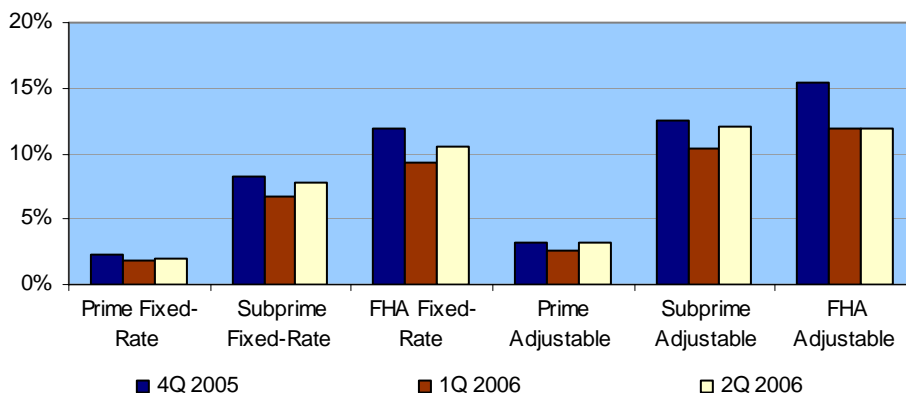


Source: Mortgage Bankers Association, National Delinquency Survey.

A broader geographic examination of rates of seriously delinquent mortgage loans in second quarter 2006 suggests that the picture for mid-Atlantic states overall is considerably weaker than it is for New York State. Rates for the Mid-Atlantic states exceeded the average for the U.S., particularly in FHA and subprime loans. New York’s rates of serious delinquency were lower across all categories of loans taken together in 2Q 2006, suggesting that the State remained in a comparatively strong economic position, despite several indicators of slowing, through 2Q 2006. However, the percentage of loans with payments past due at least 30 days continued to be higher for adjustable rate loans than fixed-rate loans in New York State, across all loan types.

There was no change in the percentage of loans reported in foreclosure in New York State at the end of 2Q 2006 from a year ago, although the number of loans in foreclosure dropped .02 percent from 1Q 2006. Foreclosures begun in 2Q 2006 increased by 6.7 percent over the year, but declined by 11.1 percent from 1Q 2006. In 2Q 2006, subprime mortgage loans had the highest delinquency rates reported by mortgage bankers both across the U.S. and in New York State. These loans represented 13.7 percent of loans covered by the survey, while prime loans had the lowest rate of delinquency and represented most - 79.0 percent - of loans included in the survey, for both the nation and the State. Delinquency rates were lower in New York State than in the nation over the quarter, except for Veterans Administration (VA) loans, which showed higher delinquency rates in the State.

Chart 27. Percent of New York State Mortgages with Amounts Past Due



Source: Mortgage Bankers Association of America; National Delinquency Survey.

## BANKS, THRIFTS AND CREDIT UNIONS

### STATEWIDE BANKING ACTIVITY

Table 9. New York Headquartered Banks at June 30, 2006

Bank Size	Total	Federal Charter	State Charter	Commercial Banks	Savings Institutions
\$1B in assets and less	156	73	83	103	53
Over \$1B in assets	47	21	26	30	17
<b>Total</b>	<b>203</b>	<b>94</b>	<b>109</b>	<b>133</b>	<b>70</b>

Source: FDIC Statistics on Depository Institutions.

### Performance

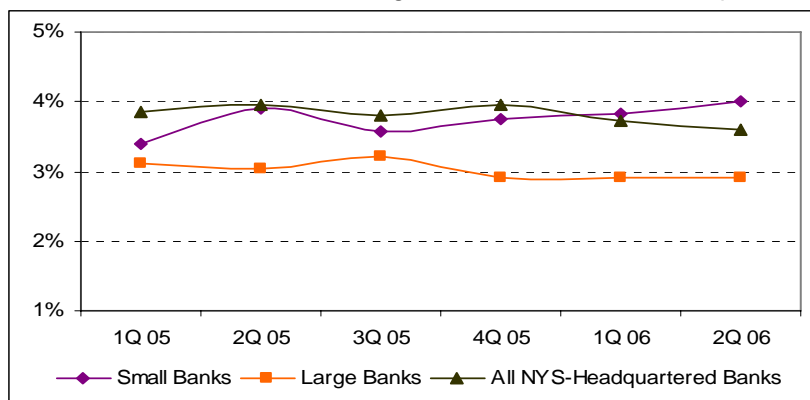
Banks and savings institutions with head offices in New York State reported total assets of \$1.9 trillion at June 30, 2006, a growth rate of 9.1 percent from a year ago and 3.9 percent from first quarter of 2006. Large banks – those with more than \$1 billion in assets, held 96.6 percent of this total; one large bank, whose assets expanded 10.3 percent during the year, held 59 percent of total assets among large banks.

Total net income of institutions with New York State headquarters grew by 16.4 percent from one year ago and by 7.1 percent from 1Q 2006. Net income was \$3.5 billion at the end of 2Q 2005, and rose to \$4.1 billion at the end of 2Q 2006. This growth in income was a likely contributor to an increase in the number of banks that reported earnings gains over the year: 55.9 percent of institutions active in 2Q 2006 reported gains in earnings, compared to 46 percent in 2Q 2005. However, the percentage of institutions that were profitable – or reported year-to-date non-negative income – fell from 94.3 percent in 2Q 2005 to 89.2 percent in 2Q 2006. Institutions with assets of \$1 billion or less (small banks) were less profitable than large banks at 2Q 2006, with 87 percent of

small banks reporting non-negative net income compared to 95.7 percent of the large banks. More small banks, though, reported earning gains, which reflect both income growth and reduction in losses, than large banks, indicating that some small banks had reduced losses over the year.

Median annualized net interest margin for all New York State banks and savings institutions declined from 3.9 percent in 2Q 2005 to 3.6 percent in 2Q 2006. The spread between median net interest margin for small banks and large banks was almost one percentage point at 4Q 2005. Since then, median net interest margin for small banks has continued to rise, while the median large bank net interest margin has stayed flat. Net interest margin at New York State–headquartered banks was impacted by continued increases in short term interest rates throughout 2Q 2006; interest expense grew by 52.3 percent from one year ago, while interest income grew by 23.9 percent.

Chart 28. Median Net Interest Margin at New York State–Headquartered Banks



Source: FDIC Statistics on Depository Institutions.

### Deposits

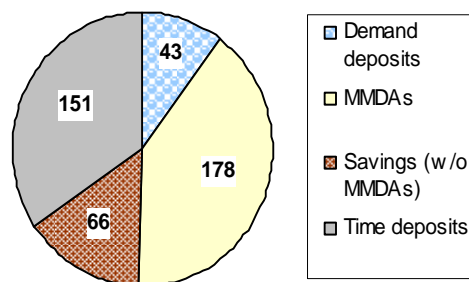
New York State–headquartered banks reported \$446.7 billion in deposits in domestic offices at the end of 2Q 2006, up 9.2 percent from deposits reported at 2Q 2005, and 3.1 percent from the 1Q 2006. A little over 91 percent of the domestic deposits were in commercial and savings banks, while 8.4 percent were in savings and loan associations. Money market deposit accounts (MMDAs) represented 39.7 percent of deposits at the end of 2Q 2006, while time deposits accounted for 33.7 percent, other savings deposits (excluding MMDAs) accounted for 14.7 percent, and demand deposits represented 9.7 percent of total deposits in domestic offices of New York State–headquartered banks.

Table 10. Deposit Accounts in Commercial and Savings Banks, June 30, 2006

Account Type	Amount (\$000s)	Number of Accounts
Deposit accounts of \$100,000 or less	162,354,668	23,590,226
Deposit accounts of more than \$100,000	238,019,929	423,001
Retirement Accounts of \$250,000 or less	12,499,474	1,525,562
Retirement Accounts of more than \$250,000	649,330	1,556

Source: FFIEC Call and Thrift Reports.

Chart 29. Domestic Deposits of NYS Institutions, June 30, 2006 (\$ Billions)

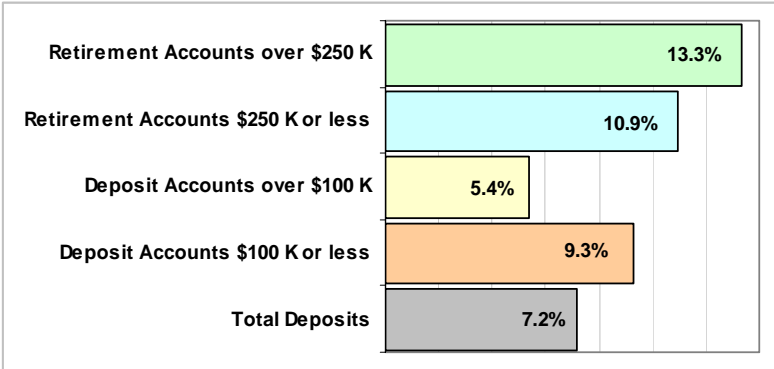


More than half of these deposits were in accounts valued at more than \$100,000. Although New York State–headquartered banks and savings institutions held 50 times as many small accounts

(each \$100,000 or less) as large accounts, small deposit accounts represented only about 40 percent of their domestic deposits in value.

June 2006 marked the first time the Federal Financial Institutions Examination Council (FFIEC) Call Report required commercial and savings banks to report the breakdown of deposits in retirement accounts by size. (Savings and loan associations, which file Thrift Financial Reports, did not report this breakdown at 2Q 2006.) Retirement accounts represented 3.2 percent of total deposits by value for New York headquartered commercial and savings banks. Although banks with assets of \$1 billion and less held only 7.2 percent of the total deposits in domestic offices of commercial and savings banks headquartered in New York, these small banks as a group held varying shares of value of different deposit products. Commercial and savings banks with assets of \$1 billion or less had a slightly greater share of large retirement accounts than other account types.

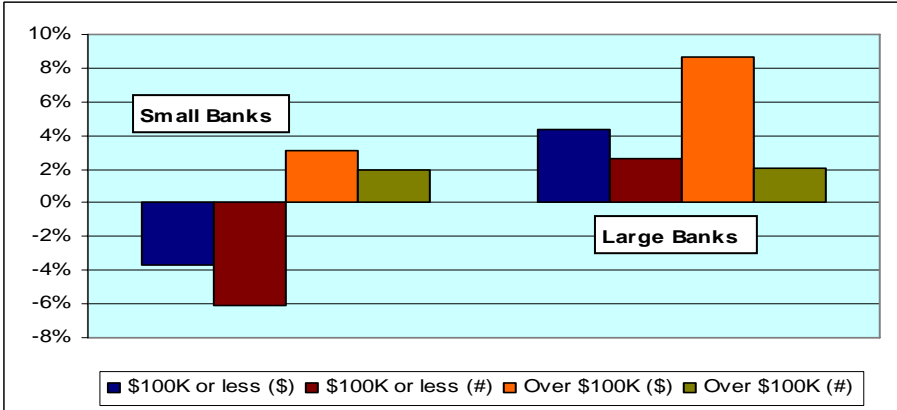
Chart 30. Small Bank Share of Account Value, 6/30/06



Source: FFIEC Call and Thrift Reports.

Banks of all sizes increased both the number and value of large deposit accounts over \$100,000 between 2Q 2005 and 2Q 2006. However, small deposit accounts of \$100,000 or less decreased, both in number and value, at banks with \$1 billion or less in assets, while these account types increased at large banks. The greatest growth in value during the year was in large deposit accounts at large banks. The rate of growth in the number of large accounts was slightly higher at small banks than it was at banks with assets over \$1 billion.

Chart 31. Growth in Number and Value of Deposit Accounts, 6/30/05 – 6/30/06



Source: FFIEC Call and Thrift Reports.

**Non-current Loans and Leases**

Aggregate non-current loans reported by banks and savings institutions headquartered in New York State declined by 31 percent between 2Q 2005 and 1Q 2006, and then increased by slightly more

than 1 percent in 2Q 2006, registering an over-the-year decline of 29.6 percent. However, as aggregate loan levels grew at New York State–headquartered institutions the ratio of non-current loans and leases to net loans and leases declined from 1.18 percent in 2Q 2005 to 0.77 percent in 1Q 2006 and then to 0.74 percent in 2Q 2006. Assets in non-accrual status accounted for 63.9 percent of non-current loans and leases in 2Q 2006, representing a decline from 70.7 percent in 2Q 2005 but an increase from 61.5 percent in 1Q 2006. Assets past due 90 or more days declined by 12.9 percent from a year ago and by 4.2 percent from 1Q 2006. Loans secured by residential real estate accounted for 11.9 percent of non-current loans and leases; commercial and industrial (C&I) loans constituted 20 percent; and loans to individuals represented 45.8 percent. Residential real estate loans represented a greater share of non-current loans as of 2Q 2006 than 2Q 2005, while loans to individuals and C & I loans made up a smaller share of non-current loans than a year previously.

### *Small Business Loans*

Commercial banks, savings banks, and savings and loan associations report annually the total number and amount of small business and farm loans on the 2Q Call and Thrift Reports. Small business loans are defined as C & I loans and non-farm non-residential real estate (CRE) loans under \$1 million, and small farm loans are loans to farmers and loans secured by farmland less than \$500,000 in value. At 2Q 2006, New York State–headquartered banks and savings institutions reported a 12.4 percent increase in small business and farm loans compared with 2Q 2005 levels. Loan amounts increased in all categories except loans to farmers, which dropped 8.2 percent. The value of loans secured by farmland, although the smallest exposure, showed the most growth during the year.

Table 11. Small Business and Farm Loans Reported by New York– Headquartered Banks (\$000s)

	2005	2006	% Change
Commercial & industrial loans under \$1 million	15,677,010	18,115,170	15.6%
Commercial real estate loans under \$1 million	12,768,309	13,892,189	8.8%
Loans to farmers under \$500,000	199,694	183,245	-8.2%
Loans secured by farmland under \$500,000	103,043	135,992	32.0%
<b>Total Small Business Loans</b>	<b>28,748,056</b>	<b>32,326,596</b>	<b>12.4%</b>

Source: FFIEC Call and Thrift Reports.

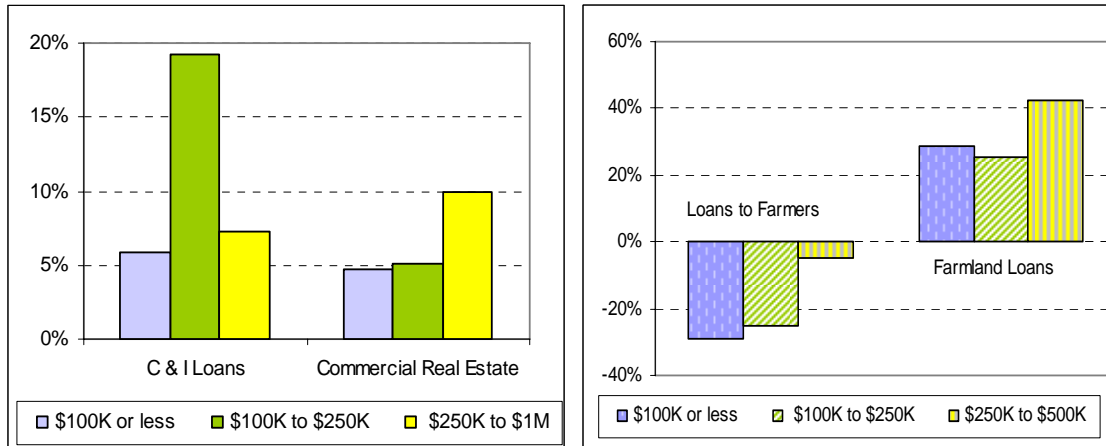
New York State–headquartered banks and savings associations reported the greatest number of loans as C&I loans of \$100,000 or less. However, C&I loans between \$100,000 and \$250,000 in value showed a greater increase in volume. Although loans secured by farmland showed the

Table 12. Small Business and Farm Loan Volume, 6/30/05 - 6/30/06

<b>Small Business Loans</b>	<b>C &amp; I Loans (6/30/05)</b>	<b>C &amp; I Loans (6/30/06)</b>	<b>Commercial RE (6/30/05)</b>	<b>Commercial RE (6/30/06)</b>
\$100K or less	339,230	358,908	11,161	11,694
More than \$100K to \$250K	25,309	30,170	17,056	17,919
More than \$250K to \$1M	19,626	21,057	23,050	25,346
<b>Small Farm Loans</b>	<b>Loans to Farmers (6/30/05)</b>	<b>Farmers (6/30/06)</b>	<b>Farmland Loans (6/30/05)</b>	<b>Farmland Loans (6/30/06)</b>
\$100K or less	8,967	6,369	858	1,105
More than \$100K to \$250K	982	736	496	623
More than \$250K to \$500K	235	223	148	211

Source: FFIEC Call and Thrift Reports.

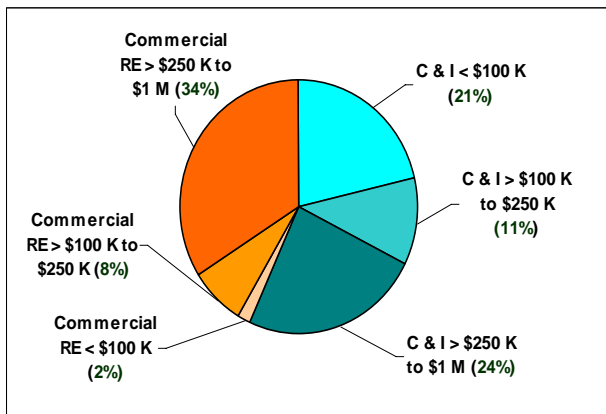
Chart 32 - 33. Growth in Small Business and Farm Loans, 6/30/05 – 6/30/06



Source: FFIEC Call and Thrift Reports.

greatest growth in volume of all the categories, these loans numbered only 211 at 6/30/06. The number of loans to farmers of all sizes dropped over the year, with the smallest loans showing the greatest decline. Higher-value commercial loans – both C&I loans and CRE (commercial real estate) loans – represented the greatest shares of total small business loan value. Although less than a tenth of the number of C&I loans were in the largest size category, almost half of the commercial real estate loans were over \$250,000. The large CRE loans represented the greatest share of aggregate business loan value.

Chart 34. Share of Total Small Business Loan Value



Source: FFIEC Call and Thrift Reports.

As a group, New York State-headquartered banks with \$1 billion in assets or less reported roughly two-thirds of the value of their small business and farm loans in commercial real estate loans, and about a third of small business and farm loan value in commercial and industrial loans. This breakdown was the reverse for banks with assets over \$1 billion. Large banks as a group reported less than 40 percent of the value of their small business and farm loans in commercial real estate loans, and about 60 percent of small business and farm loan value in commercial and industrial loans. Smaller banks also generally reported higher average loan amounts than larger banks, except for loans to farmers and commercial real estate loans, where the two groups reported close to the same average loan size.

Table 13. Average Loan Size for Small and Large Banks

<b>Small Business Loans</b>	<b>C &amp; I Loans (6/30/05)</b>	<b>C &amp; I Loans (6/30/06)</b>	<b>Commercial RE (6/30/05)</b>	<b>Commercial RE (6/30/06)</b>
Banks with \$1B in assets and less	66,208	70,735	232,528	252,053
Banks with over \$1B in assets	38,780	42,151	255,386	253,030
<b>Small Farm Loans</b>	<b>Loans to Farmers (6/30/05)</b>	<b>Loans to Farmers (6/30/06)</b>	<b>Farmland Loans (6/30/05)</b>	<b>Farmland Loans (6/30/06)</b>
Banks with \$1B in assets and less	19,586	50,319	112,535	117,901
Banks with over \$1B in assets	19,631	20,526	60,823	63,611

Source: FFIEC Call and Thrift Reports.

## CREDIT UNIONS

The number of credit unions headquartered in New York State declined steadily from the second quarter of 2005 through the second quarter of 2006, going from 551 federally insured credit unions to 523. In spite of this decline, total assets grew by \$953.9 million (2.6 percent) over the year, and by \$362.1 million (1 percent) from first quarter 2006. Total loans grew by \$1.84 billion (8.4 percent) from a year ago and by \$640.8 million (2.8 percent) from 1Q 2006. The distribution of loans among asset categories remained virtually unchanged from 2Q 2005. First-lien mortgage loans constituted the largest share at 36.3 percent in 2Q 2005 and 35.2 percent in 2Q 2006. New- and used-auto loans were the second largest category of loans at 22.55 percent and 23.0 percent in 2Q 2005 and 2Q 2006, respectively.

Credit unions' net worth grew 6.8 percent over the year, and by 1.7 percent from 1Q 2006. The total number of shares increased by \$920 million (2.97 percent) from 2Q 2005 to 2Q 2006 and by \$397 million over the second quarter. Income from loans grew by \$46.9 million over the year, while income from investments grew by \$15.2 million. Total interest expense grew by \$60 million between 2Q 2005 and 2Q 2006, and provisions for loan and lease losses declined by \$3.1 million. These factors contributed to an overall decline of \$9.7 million in net income over the year. However, return on average assets for New York credit unions increased from 1.54 percent to 1.89 percent in this period.

Table 14. Loan Distribution, June 2005 and June 2006.

<b>Loan Category</b>	<b>Total Loans 6/30/2005 (Millions)</b>	<b>% Total Loans 6/30/05</b>	<b>Total Loans 6/30/2006 (Millions)</b>	<b>% Total Loans 6/30/06</b>	<b>Growth (Millions)</b>	<b>Growth Rate</b>
Unsecured Credit Card Loans	\$1,037	4.70%	\$1,108	4.64%	\$71	6.83%
All Other Unsecured Loans	\$1,765	8.01%	\$1,820	7.62%	\$55	3.10%
New Auto Loans	\$2,439	11.06%	\$2,810	11.76%	\$371	15.19%
Used Auto Loans	\$2,532	11.48%	\$2,693	11.27%	\$161	6.35%
1st Mortgage Real Estate Loans	\$8,000	36.29%	\$8,408	35.20%	\$409	5.11%
Other Real Estate Loans	\$4,213	19.11%	\$4,925	20.62%	\$712	16.90%
Leases Receivable & All Other	\$2,060	9.35%	\$2,124	8.89%	\$64	3.10%
<b>Total Loans</b>	<b>\$22,046</b>	<b>100.00%</b>	<b>\$23,887</b>	<b>100.00%</b>	<b>\$1,842</b>	<b>8.35%</b>

Source: National Credit Union Administration.

Credit unions' cost of funds increased 42.7 percent from 2Q 2005, while interest income increased 14.1 percent. Net interest margin, however, increased by just two basis points. The delinquency rate on loans was virtually unchanged from the 2Q 2005 level, although there were fluctuations in the intervening quarters. Loan growth outpaced share growth, resulting in an increase of the loan-to-share ratio from 71.1 to 74.8 percent over the year.

Chart 35. Loan and Share Growth 09-2005 to 06- 2006

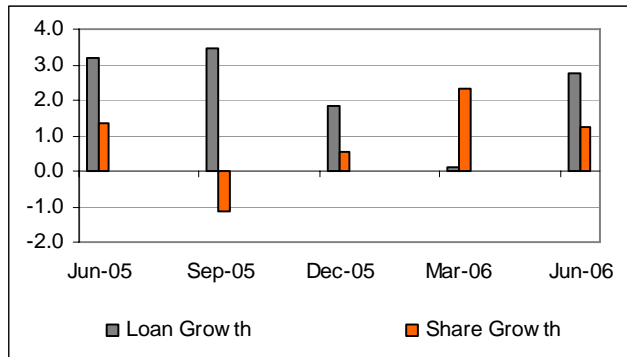
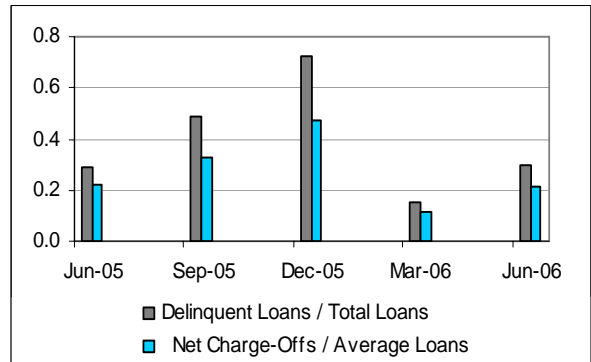


Chart 36. Delinquent Loans and Net Charge Offs

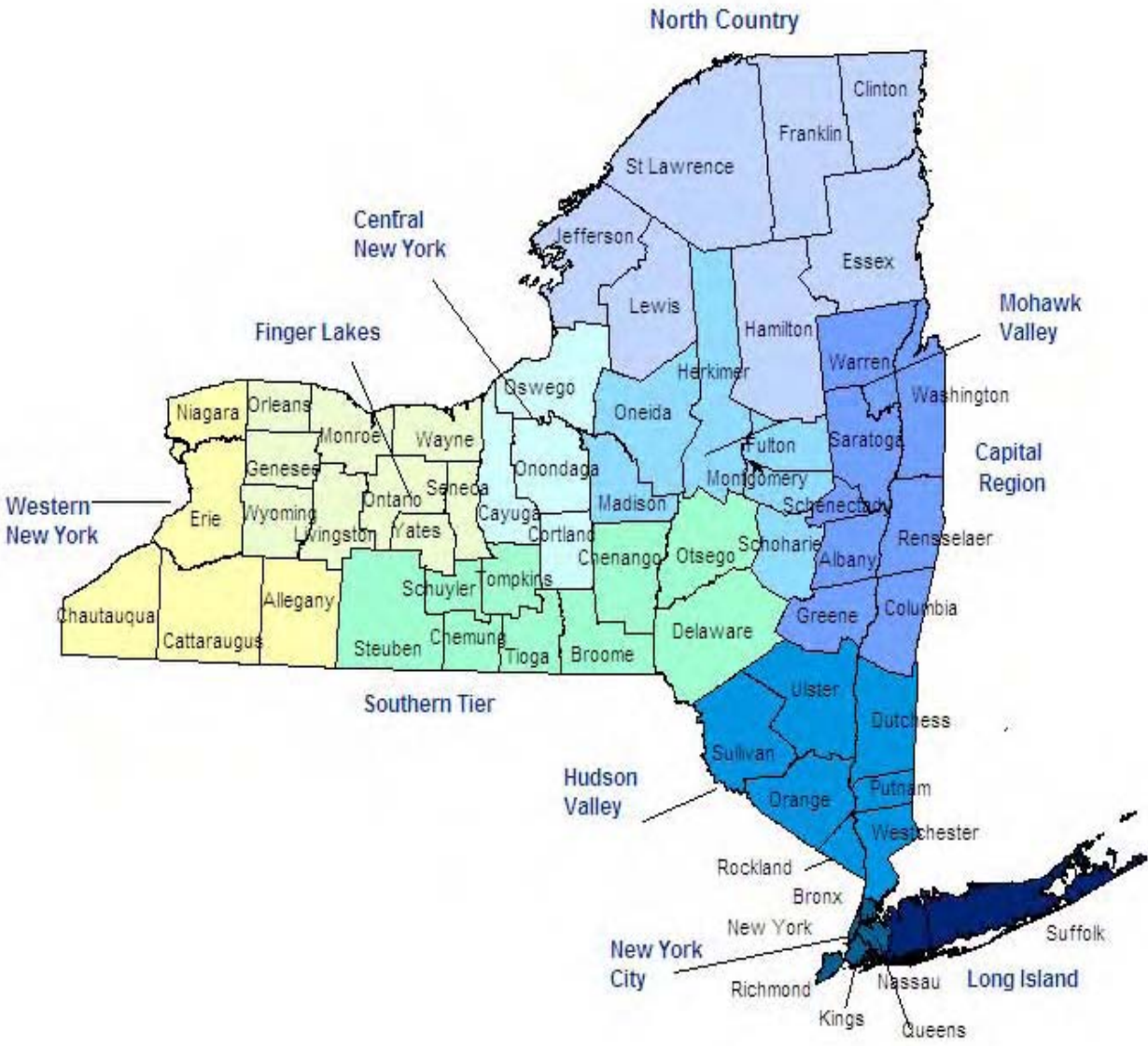


Source: National Credit Union Administration.

## ENDNOTES

1. Median household income and poverty rate data from the 2000 Census are not strictly comparable to that released with the 2005 American Community Survey, since there are some variations in the reference period. Thus, these limitations should be taken into consideration when making comparisons of household income and poverty rates in 2000 and 2005. The primary reference period for the ACS income survey and poverty income determination and the corresponding inflation adjustment covers a period of up to 23 months, compared to the 12 month period covered by the 2000 Census, the data are not strictly comparable. (*U.S. Bureau of the Census, American Community Survey*).
2. While the changes in real median income from 2004 to 2005 were not statistically significant across income quintiles based upon the Census Bureau's estimates, there were significant differences based on data for the ten-year period from 1995 to 2005, during which real median income in the nation rose 6.9 percent. At the 90<sup>th</sup> percentile (top 10 percent of income earners), the gain was 13 percent, while at the 10<sup>th</sup> percentile (lowest 10 percent of income earners) the gain was 2.3 percent. (*U.S. Census Bureau, American Community Survey, 2005*).
3. U.S. Census Bureau, American Factfinder, 2005
4. New York State Department of Labor.
5. U.S. Bureau of Labor Statistics, Table 51, Housing Tenure and Type of Area: Shares of Average Annual Expenditures and Source of Income, Consumer Expenditure Survey, 2004.
6. Porter, Eduardo and Vikas Bajaj, "Rents are Rising Rapidly after a Long Lull," *New York Times*, August 19, 2006.
7. U.S. Commerce Department, Bureau of Economic Analysis.
8. Bankruptcy filings in New York State are reported by the U.S. Bankruptcy Court in four Bankruptcy Court Districts, the Northern, Western, Southern, and Eastern districts. See page 25 for a description of bankruptcy districts in the State.
9. The Empire State Manufacturing Survey collects data relating to expectations about several business performance indicators during the current month and six months into the future. The survey diffusion indexes measure the relative weights of responses indicating improvement, deterioration or no change in business performance indicators for the current month and six months into the future. The indexes range between -100 and +100, negative numbers indicating deterioration, positive numbers indicating improvement, and 0 representing no change.
10. All indexes are price-weighted. The indexes are updated weekly and had a base value of one hundred at inception.
11. Data on monthly non-seasonally adjusted housing permits are from the U.S. Census Bureau.
12. In order to seasonally adjust data for individual northeastern states, seasonal adjustment factors for monthly housing permits in Northeast (provided by the Census Bureau) were used.
13. Reported by the Federal Housing Finance Board (FHFB).
14. OFHEO
15. National Association of Realtors.

County and Regional Map of New York



Counties and Regions of New York State			
Region	County	MSAs	Bankruptcy Districts
Capital Region	Albany	Albany-Schenectady-Troy MSA	Northern
	Schenectady		
	Saratoga		
	Rensselaer		
	Warren	Glens Falls MSA	
	Washington		
	Columbia		
	Greene		
Onondaga	Syracuse MSA	Northern	
Oswego			
Central N.Y.	Cayuga		
	Cortland		
Finger Lakes	Livingston	Rochester MSA	
	Monroe		
	Ontario		
	Orleans		
	Wayne		
	Genesee		Western
	Seneca		
	Wyoming		
	Yates		
Hudson Valley	Dutchess	Poughkeepsie-Newburgh-Middletown MSA	
	Orange		
	Putnam		
	Rockland	Putnam-Rockland-Westchester MSA	Southern
	Westchester		
Sullivan	Kingston MSA	Northern	
Ulster			
New York City	Bronx	New York City-White Plains-Wayne NY-NJ Metropolitan Division*	Southern
	New York		
	Kings		
	Queens		
	Richmond		
Long Island	Nassau	Nassau-Suffolk MSA	Eastern
	Suffolk		
Mohawk Valley	Herkimer	Utica-Rome MSA	Northern
	Madison		
	Oneida		
	Schoharie		
	Fulton		
	Montgomery		
North Country	Clinton	Binghamton MSA	Northern
	Essex		
	Franklin		
	Hamilton		
	Jefferson		
	Lewis		
	St. Lawrence		
Southern Tier	Broome	Ithaca MSA	
	Tioga		
	Tompkins	Elmira MSA	Northern
	Chenango		
	Delaware		
	Otsego		
Western New York	Chemung	Buffalo-Niagara Falls MSA	Western
	Schuyler		
	Steuben		
	Erie		
	Niagara		
Western New York	Allegany		Western
	Cattaraugus		
	Chautauqua		

\*Includes Bergen, Passaic and Hudson Counties in NJ and Putnam, Rockland and Westchester counties in New York.

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