

THANKSGIVING

by [Steve Brown](#)

Despite current industry woes, this Thanksgiving Day we have a tremendous amount to be thankful for. In addition to health, family, friends and freedom; we also have capitalism. While slightly out of vogue, this tarnished system is still the best one going and its concepts are heavily ingrained in our collective history. Take Thanksgiving for example.

When the pilgrims tripped over Plymouth Rock in 1620, they brought with them the concept of "farming in common." Here, as a community, farmers tilled the land together and shared equally in its harvest. This would make for a nice grade school lesson in sharing, except it didn't work. As any red-blooded American banker can surmise, thrifty individuals that worked hard resented those that did not. Discontentment and underproduction reigned, until finally, after 3 winters of near-starvation and the loss of half the colony, a new experiment was tried.

The mayor of Plymouth drew up a map and gave each family a plot of land to call its own. Of course, production increased by a factor of 5 the first year. As was noted at the time, "Private land made all hands industrious" and "Each family, attempting to better its standing in the community, increased the hours worked on each plot." After the first spring of this experiment, by the fall of 1623, families had enough extra crop production to share in a "day of thanksgiving," "proclaimed to thank God for good fortune." The following year, families specialized even more and produced such a bountiful harvest that, in addition to having the traditional feast, they started trading excess corn and wheat for furs, spices and goods. Commerce flourished and the concept of private land (and nascent capitalism) was solidified in American tradition.

On this Thanksgiving Day, we are thankful for our health, those around us (including our readership) and for our good fortune. We also acknowledge our most basic desire to get ahead in life, which helps create much of the bounty we enjoy. Like the Pilgrims back in 1623, sometimes harvests are simply a matter of putting in place the proper incentives.

BANK NEWS

Troubled

The FDIC's problem banks list climbed to 552 during the 3Q, up 32% from the end of 2Q. The DIF is feeling the pinch, falling to \$18.6B, with \$21.7B available for additional future failures.

Banks 3Q

The FDIC reported the industry turned a \$2.8B profit in the 3Q, largely driven by the biggest banks. Lending fell by 2.8% to \$7.4T, marking the largest drop in 25Y. Meanwhile, the volume of C&D loans fell 8.1%, C&I by 6.5% and residential by 4.2%. Non-current loans climbed 10.5% to about 5% of all loans, a 26Y high. Finally, chargeoffs moved 15bp higher to 2.71%, a 25Y high.

Debt Due

With many investors focused on the asset side, little light has been shed on liabilities as if late. According to Moody's, nearly \$7T in bank debt will mature by 2012 and \$10T will do so by 2015. On average, the maturity of bank debt has dropped from 7.8Y to 3.2Y over the previous 5Ys.

Fed Forecasts

During this month's FOMC meeting, the Fed predicted a slightly cheerier forecast than in Jun., with GDP projected to grow 2.5% to 3.5% and unemployment fall to 9.3% to 9.7% in 2010.

Restaurants

Research by NPD Group finds the number of people visiting restaurants in the 3Q dropped for the 4th consecutive quarter. This is the weakest and longest period of softness for the industry in 33Ys.

Cost of Stuffin'

To underscore deflation, this year's average Thanksgiving meal will cost \$42.91, around 4% less than last year. The decline comes largely from a 24% drop in milk prices and a 2% drop in turkey prices.

Black Friday

Accenture's annual Holiday Spending Survey finds 52% of consumers will shop on Black Friday, compared to 42% last year.

Multifamily

With nearly 75% of multifamily renters age 18Y to 35Y, the real estate sector is reeling. A Pew Research study finds 10% of those 18 to 35Y of age have moved back into their parent's home as a result of the recession.

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