

WEIRD AND JARRING DATA OF INTEREST

by [Steve Brown](#)

There are certainly lots of weird things in the banking industry, but there are even stranger ones going on in the human body that you might not have known. As you prepare for lunch trivia battle today, consider that your brain requires 20% of the oxygen and calories your body uses each day, yet it only makes up 2% of your body weight. Consider as well, that doctors remind people to remain hydrated for many reasons, but one of them is probably the fact that the brain is 80% water so it needs to be rehydrated regularly. Speaking of weird facts and figures, consider the unemployment rate (household survey). We bring this up because bankers want to know when the Fed might raise interest rates, so this metric is a key one to monitor (despite all its issues). The unemployment rate has been over 7% for 38 months in a row (back to Dec 2008) and greater than 8% for 36 months running. The simple fact is that the Fed is likely to start raising interest rates once the unemployment rate falls to around 6% or so. Given the number of unemployed people is currently 12.8mm and the unemployment rate most recently came in at 8.3%, that could still take some time - another reason why the Fed also keeps saying interest rates will remain low "for an extended period of time." That is interesting certainly, but the way the rate is calculated may also be of interest to you. Consider that the unemployment rate is determined by taking the number of people seeking jobs and dividing it by the total work force. The rate excludes those who have stopped looking for work because they believe no jobs are available (discouraged workers) and those who are underutilized (discouraged workers not counted as unemployed). Discouraged workers are those people that are of legal working age, who have looked for a job in the past 12 months, but who are no longer looking. They want to work and are available to do so, but see present employment opportunities as poor. The top 5 reasons people may fall into the discouraged category (according to the BLS) include: the worker thinks no work is available; they could not find work; they lack schooling or training; they are viewed as too young or too old by the prospective employer or they are the target of various types of discrimination. Underutilized workers are another group excluded from the rate. These people are seeking full time work, but could not find it so they usually have accepted a part time job. They may also be significantly overqualified for the position they hold (such as people with college degrees tending bar or driving a taxi). One problem with this unemployment measure is that the rate drops when people stop looking for work and drop out of the workforce because they shift into one of the two categories of discouraged or underutilized. This can also skew the data. Another key issue with the unemployment rate is even more technical in nature. It is a survey that produces an estimate and it has a large sample size. That can produce a month to month margin of error that is statistically significant of about 400,000. Finally, consider how long it takes to find a job once you are unemployed. Here the data show the average duration in weeks (seasonally adjusted) has risen from 37.4 in Feb 2011 to 40.0 a year later. Even worse, those who have looked for a job for 27 weeks or longer have held at roughly the same level for the past year (43.9% vs. 42.6%). To put all of this in perspective, consider that from 1948 until early 2009 (when the rate went above 8%), the average duration of unemployment was 13.6 months. At the current level of 40.0, we are running almost 300% longer than historical levels and the duration has been going up. As we project loan and economic growth, the potential for future loan losses and the strength of business activity, looking beyond the headline number can be important at times - even if the data gets stranger and stranger the more you look. Speaking of strange, you may not know it, but a sneeze can exceed 100 mph and

a cough can hit 60mph. As with the unemployment data we have discussed, both can also be jarring to your mind and body.

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BANK NEWS

M&A

Iberiabank (\$12B, LA) will purchase Florida Gulf Bancorp (\$350mm, FL) for up to \$48.1mm in stock and cash (mostly stock), or roughly 1.6x tangible book.

Statement Property

The FDIC issued an FIL yesterday to remind banks that it is a breach of fiduciary duty and a possible act that violates laws to make copies of supervisory records and remove them from the bank for personal use (such as defending against potential FDIC litigation).

Bank of NASCAR

BofA, in an effort to reduce cost, has discontinued its sponsorship at 9 NASCAR tracks/events.

Housing Sector

RealtyTrac is reporting the number of delinquency notices on homes climbed 1% from Jan. to Feb., but remained 7% lower than Feb. 2011. Meanwhile, default notices fell 2% in Feb. and are down 8% from Feb. 2011. On the bad news side, 12 states saw increases of 20% or > YOY.

CPP Report

The GAO indicates 366 banks have not yet repaid CPP and owe a combined \$16.7B. Also, as of Dec. 2011, 130 of these banks were on the FDIC's problem bank list and 158 missed quarterly interest and dividend payments. The largest amounts still owed and outstanding are Regions Financial (\$3.5B); CIT Group (\$2.33B); Zions Bancorporation (\$1.4B); Synovus Financial (\$968mm); and Popular (\$935mm).

Security

The Anti-Phishing Working Group estimates 39% of all computers are infected with financial malware.

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