

THE BUZZ, BUZZ ON ALL THINGS GROSS

by [Steve Brown](#)

We don't know anyone that likes to hang around flies. That is probably because flies are nasty, gross little critters that do disgusting things, so we won't talk about them anymore this morning to avoid potential issues with your breakfast. Instead, we point out that beyond flies, many other things in life can be gross, like for instance, the gross domestic product at times (didn't see that one coming, did you?). Many may wonder exactly why a community bank needs to care much about what is going on in another country, when there is plenty to do just down the street, so today we tie it all together. For background, we pulled some really interesting data together and analyzed gross domestic product (GDP) from a global viewpoint. The U.S. emerges as the top country by itself at 23.4% of global GDP, but slips to 2nd place when the European Union (EU) is lumped in (at 25.9%). Rounding out the rest of the top 5 we have China (9.3%), Japan (8.7%) and Germany (5.2%). Sure, Germany is inside the EU, but it is important to know how the country stacks up standing by itself, since its coffers seem to be supporting much of the restructuring going on in that region. For additional fun, consider that the U.S. produces more economic growth than China, Japan and German combined. That is pretty good, so as we can see, the world is happy when they see the U.S. growing and the U.S. is happy when we see the EU growing (as they are a key group of our trading partners). Looking at the impact of various U.S. states, we find CA at the top with 13.2% of the U.S. GDP. CA is followed in order by TX (8.2%); NY (7.9%); FL (5.1%) and IL (4.4%). All told, this group of U.S. states accounts for 38.8% of total U.S. economic activity and the top 10 (which includes PA, NJ, OH, VA and NC) pushes things to 55%. On an individual basis, if CA were a country it would fall into the #9 slot, just behind Italy and just ahead of India. Meanwhile, our top 5 states equal the GDP of China. Our top 2 states are slightly smaller than Italy and Spain, just so you have that perspective as well (while TX and NY combined are about the same as the U.K.). In the EU, it takes only the top 5 countries to reach 71% of total GDP for the region, while in the U.S. to reach that level would take about 18 states. Greece and Portugal are about the GDP of PA (at #6 for the U.S.), so imagine the impact to our country if a crisis so significant were to occur like what we are witnessing overseas. Then, toss Spain and Italy into the mix and you have about the same impact as our top 3 U.S. states going bust all at once. When you think about it that way, it is much clearer as to why Fed Chair Bernanke and others wring their hands in worry about the potential spillover effect. As for some other notables we thought you might find interesting, as will community banking, the GDP of the bottom 5 states (VT, ND, MT, WY and SD) adds up to about the same as the state of AL, or somewhere between the countries of Romania and Hungary. Meanwhile, the bottom 5 states are about 11x smaller than the largest state of CA. Finally, the top 5 countries in the world account for 51% of global GDP; but the EU, U.S., China and Japan are 67% of the world's GDP. We hope this provides insight as to why all the buzzing around problems in Europe could have a profound impact on community bankers only doing business in the U.S. If nothing happens and the issues overseas are worked out, at least you enjoyed the buzz around the gross data just provided.

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BANK NEWS

Earnings

Bank of America 1Q net income fell 68% to \$653mm. Despite improving credit quality, the drop was a result of 17% lower total revenue, NPAs on HELOCS due to regulatory changes and restructuring charges related to asset sales and dispositions. KeyCorp produced \$200mm in 1Q profit, down 32% due to increased loan loss provisions. Loan growth was flat and credit quality was slightly worse. BB&T saw 1Q earnings jump 92% on higher commercial loan growth (up 8%) and lower credit provisions. Total profit was \$431mm on 15% higher revenue. Fifth Third had a 1Q profit gain of 62%, but most of it was associated with the spin-out and IPO of Vantiv (former payment processor). Profit was \$430mm on lower charge offs plus provisions and 14% higher revenue.

Board Election

We are not sure what is in the water in CT, but in keeping with the trend of better board governance in America, both Webster (\$19B, MA) and Peoples (\$27B, CT) Banks will declassify their boards and make the entire slate stand for reelection - an event that will now take place annually.

Fake BofA

The Bank just can't catch a break as www.yourbofa.com was rolled out by an unknown group that spoofed the BofA site and mocked the Bank for many of their problems. Google has banned the parody website.

Mobile Capture

eTrade is the latest financial institution to launch retail check capture via smartphone .

Card Suit

The State of HI sued 7 major card issuers including Capital One, Chase, Citi and BofA over alleged deceptive marketing practices with payment protection plans.

Customer Opportunity

Banks should know that 95% of customers with a net worth of \$1mm+ give to charity every year and 98% of clients with a net worth of \$5mm+ also do so.

Cash Hoard

Moody's reports U.S. companies held \$1.2T in cash at the end of 2011. Perhaps even more interesting, Bloomberg analysis indicates about 25% of the total is held by just five companies (Apple, Microsoft, Cisco, Google and Pfizer). Further, more than 50% of the total is held overseas, as companies seek to avoid high corporate taxes.

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