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REGIONAL FINANCE REPORT

Fall/Winter 2010

Issue 1

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LOCAL BANKS STILL STRUGGLE

Despite some moderate improvement with credit quality metrics in third-quarter earnings, the nation’s economic condition is wreaking havoc on the performance of local community banks. Among local community banks that exceed $1 billion in assets, a median of 2.04 percent of their loans are still nonperforming, according to data from SNL Financial.

While that’s down from the 2.49 percent in the second quarter and is the lowest number since third-quarter 2009, the data do not include Royal Bancshares of Pennsylvania and First Chester County Corp. — both of which have experienced elevated loan losses during the recession. It is still twice as high as the 1.02 percent from fourth-quarter 2008, when the recession first hit full speed.

The median net charge-off ratio — net charge-offs as a percentage of total loans — for those banks was 1.43 percent in the third quarter, up from 0.96 percent in the second quarter and 0.49 percent in fourth-quarter 2008.

The percentage of early-stage delinquencies — loans 30 to 89 days past due that are still in accrual — was 0.81 percent of total loans. While not as high as it has been since the onset of the financial crisis, it is still an increase from the second quarter (0.71 percent) and about twice as high as it would be in normal times. Based on third-quarter performance, Boenning & Scattergood is adjusting its forecast for a return to normalized earnings from mid-2011 to fourth-quarter 2011 at the earliest.

Janney Montgomery Scott analyst Richard Weiss said banks are a reflection of the economy and most bankers were more optimistic earlier this year than now. “Some of this is borrower fatigue,” Weiss said. “People are trying to hold on as long as they can, but if the economy doesn’t get any better, problems will continue. It’s all about jobs and doubt. The economy is dependent on consumer spending and they are not spending and they probably shouldn’t be.”

Source: Philadelphia Business Journal

NEW JERSEY RECOVERY WILL LAG THE NATION

While U.S. private-sector employment continues to slowly improve, job recovery in New Jersey will be more prolonged, in part because of the state’s budget woes, according to one economist. Private-sector employment rose nationally by 93,000 in November, according to the most recent ADP National Employment Report. The increase was the largest in three years and represented the 10th consecutive month of job gains, which have averaged 47,000 during that period.

The Garden State’s employment picture, however, looked less promising according to Joel Naroff, president and chief economist at Naroff Economic Advisors. “New Jersey is probably more of a basket case than other states,” said Naroff. Facing a significant budget crisis, the state is “moving aggressively by having local governments lay off workers." Those cuts drag down employment growth in the short term, he said.

The state's reduction of unemployment benefits from 99 weeks to 26 weeks will worsen the jobs picture, Naroff added. "That's money that's not going to be in the hands of the unemployed to spend," he said. "There's less money going into the economy, there's less spending, and as a rule, growth will slow."

In terms of longer-term job growth, "New Jersey is likely to lag the nation going forward," Naroff said. The state is not likely to see the kind of robust home construction it once had, and has "allowed a key sector - pharmaceuticals - to wither." That industry not only generated many direct jobs at pharmaceutical firms, but employment from ancillary, spin-off businesses as well, he said. "I don't see any place where New Jersey is particularly special, and where it will create lots of job gains," he said.

Source: NJBiz

MOODY'S DOWNGRADES PHILADELPHIA'S CREDIT RATING

Moody's Investors Service has downgraded the credit rating for the city of Philadelphia, according to several reports. The move could make it more expensive for the city to borrow money as investors see the city's debt as a bit more risky. Moody's lowered the city's rating from A1 to A2, citing "little budgetary margin over its five-year plan which includes significant repayment of deferred pension contributions in 2013 and 2014," according to a Bloomberg report.

In the same report, Philadelphia Budget Director Rebecca Rhynhart said the city, which has raised property and local sales taxes, had "turned the corner" with an operating surplus in the most recent fiscal year and stabilizing tax revenue. Rhynhart said the downgrade may not affect the prices of bonds the city plans to issue in November.

Source: Philadelphia Business Journal

NEW JERSEY ECONOMY CONTINUES TO DECLINE

New Jersey's economy is still struggling despite gains made in New York City and New York State, according to figures released Monday by the New York Federal Reserve Bank. The bank's Index of Coincident Economic Indicators for New Jersey declined in October, the bank said. The gauge for New York City rose by 0.2 percent, and New York State's index rose a tiny fraction.

The index for New Jersey has fallen continuously since February 2008, except for a slight uptick in December and January. The gauge is at its lowest level since March 1999. The bank calculates the monthly measurement based on employment, the jobless rate, the number of hours of manufacturing completed, and the wages and salary earned.

New Jersey's decline was so small that the index is effectively flat, said Jason Bram, a senior economist at the bank. Still, he added, the drop continues the pattern of the state lagging behind its neighbors. "It definitely suggests that New Jersey is struggling," he said.

Source: The Record

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