

Welcome to Creighton's April Bank CEO Report covering March survey results. March's overall reading from bank CEOs in 10 Rural Mainstreet States soared to a record high with the strongest farmland price growth since 2012, and rapidly expanding farm equipment sales. Ernie

### Biden Taxes: Reduces Global Competition, Punishes Success, Slows the Economy

Since taking office, the Biden Administration has passed a \$1.9 trillion stimulus bill to fuel an economy that was already expanding at a very healthy pace. Now President Biden is advancing a so-called \$2.0 trillion "infrastructure" bill. To pay for a portion of this exploding spending, the president has called for an increase in the corporate income tax rate from 21% to 28%, and a boost in the income tax rate on households making more than \$400,000. The added corporate tax rate is on top of the rate of 44 states and D.C. that have corporate income taxes on the books ranging from North Carolina's single rate of 2.5% to a top marginal rate of 11.5% in New Jersey.

An increase in the federal corporate tax rate to 28% would raise the U.S. federal-state combined tax rate to an average of almost 34% and would be the highest among the 37 OECD nations which have an average corporate rate of 22% with lowest rates for Ireland at 12.5%, and Switzerland at 8.5%. The increase would harm U.S. economic competitiveness and increase the cost of U.S. firms. The Tax Foundation estimated that the hike would reduce long-run GDP growth by approximately one-fourth, eliminate 159,000 jobs, and reduce wages by 0.7%.

But instead of engaging in global competition, the Biden Administration is attempting to coerce OECD members into raising their rates. To quote ex-academic economist, Federal Reserve Chairman, and current U.S. Treasury Secretary Janet Yellen, "Destructive tax competition will only end when enough major economies stop undercutting one another and agree to a global minimum tax." I guess she only believed in market-based economics when she was teaching macroeconomics at the University of California-Berkeley. Welcome to the 21st Century Dr. Yellen. The U.S. must compete in the global economy, not attempt to fix prices. This is not legal for companies in the U.S., and should be verboten for OECD nations. Ernie Goss

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Table 1: The Rural Mainstreet Economy, March 2021

	Percentage of bankers reporting				
	Less than 5%	5% to 9%	10% to 19%	20% to 32%	33% to 50%
What percent of farm land purchases in your area do you estimate are cash sales (not financed)?	37.5%	18.8%	25.0%	9.5%	9.2%
	Percentage of bankers reporting				
	Recession or downturn	Little or no growth	A modest Economic gain	Strong economic growth	
How would you describe the economy in your area?	0.0%	31.3%	62.5%	6.3%	
	Percentage of bankers reporting				
	Leave as is	One	Two	Four	
How many rate increases of 0.25% should the Federal Reserve undertake for the next 12 months?	17.2%	48.3%	24.1%	10.4%	

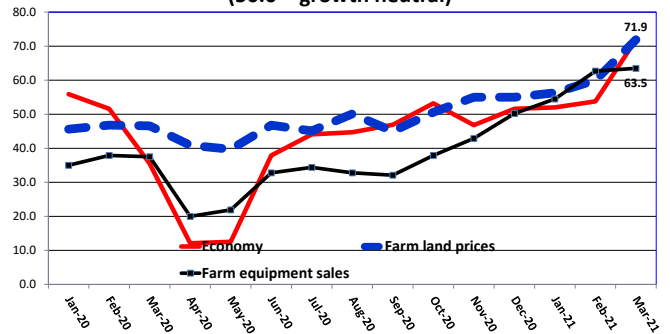
## MAINSTREET RESULTS

### Rural Mainstreet Index Rockets to Record High: More Than Two-Thirds of Bankers Reported Expanding Economy

#### March Survey Results at a Glance:

- Overall index rocketed to a record high.
- Approximately, 68.8% of bank CEOs reported an expanding local economy, while the remaining 31.2% indicated little or no growth.
- The farmland price index advanced its highest level since November 2012.
- The farm equipment-sales index rose to its highest reading since February 2013.
- Approximately 82.8% of bank CEOs recommended that the Federal Reserve raise interest rates by at least one-fourth of one percentage point in the next 12 months.
- Despite recent job gains, the region's nonfarm employment level remains 218,600 jobs below its pre-COVID-19 level.

Rural Mainstreet, Economic Indicators, January 2020 – March 2021 (50.0 = growth neutral)



Tables 1 and 2 summarize the survey findings. Next month's survey results will be released on the third Thursday of the month, April 15.

Table 2: The Mainstreet Economy

	Mar. - 20	Mar. - 21	Mar. - 21
Area economic index	35.5	53.8	71.9
Loan volume	66.1	46.1	60.8
Checking deposits	69.4	88.5	84.4
Certificates of deposit and savings instruments	45.2	46.2	46.9
Farmland prices	46.6	60.0	72.6
Farm equipment sales	37.5	62.7	63.5
Home sales	56.5	69.2	76.6
Hiring	48.3	51.9	71.9
Retail business	37.1	46.2	57.8
Confidence index (area economy six months out)	28.3	64.0	76.7

### MAINSTREET ON YOUR STREET

For the fifth time in the past six months, the Creighton University Rural Mainstreet Index (RMI) climbed above growth neutral. According to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy, the index increased to its highest level since launching the survey in January 2006.

**Overall:** The overall index for March soared to a record high 71.9 from February's solid 53.8. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

Approximately, 68.8% of bank CEOs reported that their local economy was expanding, while the remaining 31.2% indicated little or no growth.

Sharp gains in grain prices, federal farm support, and the Federal Reserve's record-low interest rates have underpinned the Rural Mainstreet Economy. Only 3.1% of bank CEOs indicated economic conditions worsened from the previous month. Even so, current rural economic activity remains below pre-pandemic levels.

**Farming and ranching:** For a sixth straight month, the farmland price index advanced above growth neutral. The March reading climbed to 71.9, its highest level since November 2012, and up from 60.0 in February. This is first time since 2013 that Creighton's survey has recorded six straight months of farmland prices above growth neutral.

Bankers reported that approximately 12.3% of farmland sales were cash sales, which is down from 17.3% recorded in February 2020.

The March farm equipment-sales index rose to 63.5, its highest reading since February 2013, and up from 62.7 in February. After 86 straight months of readings below growth neutral, farm equipment bounced into growth territory for the last four months.

**Banking:** For the first time since September of last year, bankers reported an expansion in loan volumes. The March loan volume index increased to 60.9 from February's 46.1. The checking-deposit index sank from February's record high 88.5 to 84.4, while the index for certificates of deposit, and other savings instruments, increased to 46.9 from 46.2 in February.

This month, 82.8% of bankers said the support at least one interest rate hike in the next 12 months.

**Hiring:** The new hiring index rocketed to 72.9 from 51.9 in February. Despite recent solid job gains for the region, data from the U.S. Bureau of Labor Statistics indicate that nonfarm employment levels for the Rural Mainstreet economy are down by 218,600 (non-seasonally adjusted), or 5.0%, compared to pre-COVID-19 levels.

It will take many months of above growth neutral readings to get back to pre-COVID-19 employment levels for the region.

**Confidence:** The confidence index, which reflects bank CEO expectations for the economy six months out, rose to a very healthy 76.7 and up from 64.0. Looming federal farm support payments, improving grain prices, and advancing exports have supported confidence offsetting negatives from pandemic ravaged retail and leisure and hospitality companies in the rural economy.

**Home and retail sales:** The home-sales index climbed to 76.6 from 69.2 in February. The retail-sales index for March increased to healthy 57.8, highest reading since March 2013, from 46.2 in February. Creighton's survey will have to record many months above growth neutral retail numbers before it can be concluded that Rural Mainstreet retailers are truly rebounding.

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 10-state area are surveyed regarding current economic conditions in their communities, and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included.

This survey represents an early snapshot of the economy of rural agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy. Goss and Bill McQuillan, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005 and launched in January 2006.

#### Below are the state reports:

**Colorado:** Colorado's Rural Mainstreet Index (RMI) for March jumped to 70.0 from 35.6 in February. The farmland and ranchland-price index increased to 71.7 from February's 50.9. Colorado's hiring index for March soared to 72.0 from February's 43.8. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Colorado's Rural Mainstreet economy has lost 19,000 nonfarm jobs, or 5.6%, of its nonfarm employment.

**Illinois:** The March RMI for Illinois advanced to 68.6 from 52.8 in February. The farmland-price index jumped to 71.0 from 59.4 in February. The state's new-hiring index climbed to 71.3 from 52.3 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Illinois' Rural Mainstreet economy has lost 93,100 nonfarm jobs, or 7.0%, of its nonfarm employment.

**Iowa:** The March RMI for Iowa bounced to 71.6 from February's 54.0. Iowa's farmland-price index rose to 72.4 from 60.1 in February. Iowa's new-hiring index for March advanced to 72.7 from 53.0 in Iowa. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Iowa's Rural Mainstreet economy has lost 25,800 nonfarm jobs, or 3.9%, of its nonfarm employment.

**Kansas:** The Kansas RMI for March rocketed to 74.5 from 55.9 in February. The state's farmland-price index increased to 73.9 from February's 61.0. The new-hiring index for Kansas climbed to 74.2 from 53.9 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Kansas' Rural Mainstreet economy has lost 16,000 nonfarm jobs, or 3.8%, of its nonfarm employment.

**Minnesota:** The March RMI for Minnesota soared to 69.2 from 48.5 in February. Minnesota's farmland-price index climbed to 71.2 from 57.3 in February. The new-hiring index for March jumped to 71.5 from 50.2 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Minnesota's Rural Mainstreet economy has lost 26,700 nonfarm jobs, or 5.3%, of its nonfarm employment. Lonnie Clark, president of the State Bank of Chandler reported, "Higher grain prices will increase land prices and cash rent, but these long-term decisions are based on short term conditions that can change and undermine the cashflow."

**Missouri:** The March RMI for Missouri climbed to 79.7 from February's 66.2. The farmland-price index expanded to 76.5 from February's 61.3. The state's hiring gauge soared to 76,8 from 59.1 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Missouri's Rural Mainstreet economy has gained 200 nonfarm jobs, or 0.1%, of its nonfarm employment. Missouri is the only Rural Mainstreet state to have returned to pre-COVID-19 levels of non-farm employment.

**Nebraska:** The Nebraska RMI for March soared to 78.8 from February's 58.4. The state's farmland-price index climbed to 76.1 from last month's 62.3. Nebraska's new-hiring index advanced to 78.4 from 55.2 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Nebraska's Rural Mainstreet economy has lost 3,400 nonfarm jobs, or 1.2%, of its nonfarm employment. Jim Stanosheck, CEO of State Bank of Odell in Odell reported, "A farm sale last week of 700 acres saw dry land farm sell between \$3,750 and \$5,575 an acre.

**North Dakota:** The North Dakota RMI for March increased to 57.0 from February's 41.2. The state's farmland-price index expanded to 65.2 from 53.7 in February. The state's new-hiring index expanded to 65.5 from February's 40.3. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that North Dakota's Rural Mainstreet economy has lost 18,300 nonfarm jobs, or 11.3% (largest share in the region), of its nonfarm employment.

**South Dakota:** The March RMI for South Dakota advanced to 76.6 from February's 59.6. The state's farmland-price index climbed to 74.9 from 62.9 in February. South Dakota's March hiring index rose to 75.2 from 55.8 in February. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that South Dakota's Rural Mainstreet economy has lost 5,600 nonfarm jobs, or 2.7%, of its nonfarm employment.

**Wyoming:** The March RMI for Wyoming soared to 81.9 from February's 54.9. The March farmland and ranchland-price index expanded to 77.6 from 60.5 in February. Wyoming's new-hiring index rocketed to 77.9 from February's 53.4. Compared to pre-COVID-19 levels, U.S. Bureau of Labor Statistics, non-seasonally adjusted data, indicate that Wyoming's Rural Mainstreet economy has lost 10,900 nonfarm jobs, or 5.6%, of its nonfarm employment.

### THE BULLISH NEWS

- Total non-farm employment rose by a whopping 916,000 in March as the unemployment rate fell to 6.0%.
- March's Purchasing management indices (PMI) of supply managers for both ISM's national survey and Creighton's Mid-America approached record highs indicating very strong manufacturing growth.
- Over the past 12 months, according to the Case-Shiller national home price index, housing prices expanded by 11.2% in January (one of the highest on record).

### THE BEARISH NEWS

- The downward trend in claims for unemployment compensation has reversed with two straight weeks of rising first-time claims (over 700,000 each week).
- The U.S. **trade** deficit rose to a record high \$71.1 billion in March.
- The U.S. **budget** deficit soared to \$1 trillion between October 2020 and February 2021. Spending rocketed 25% and tax collections jumped 5% during the period.

### THE OUTLOOK

The Conference Board (March 10, 2021): "The Conference Board forecasts that US Real GDP growth will rise to 3.0 percent (annualized rate) in Q1 21 and 5.5 percent (year-over-year) in 2021.\* Following a lull in the economic recovery in November and December, growth has improved. We expect real GDP growth to accelerate further over the coming quarters as new COVID-19 infection rates steadily decline, the vaccination program expands, and an additional large fiscal support program is deployed. Following a robust recovery in 2021, we forecast economic growth of 3.5 percent (year-over-year) in 2022."

"While the economy has already partially rebounded from the deep contraction in the first half of 2020, a variety of factors will determine the way forward. Key variables include: a) the spread of the virus itself, b) the deployment and effectiveness of COVID-19 vaccines, c) the size and timing of fiscal support, and d) the status of labor markets and household consumption; and (e) the pace at which mobility and travel restrictions are lifted. While there are many possible outcomes for these factors, The Conference Board has generated three potential recovery scenarios based on specific sets of assumptions."

**FROM GOSS (APRIL 2021):** \*\*Since the presidential elections, the yield on U.S. long-term Treasury bonds has expanded from 0.83% to 1.64%. I expect that yield to climb by another ¼ % (25 basis points) by the end of Q2, 2021. Mortgage rates, which have expanded by 0.41% (41 basis points), will rise by another 25 basis points by the end of Q2, 2021. \*\*Annualized and seasonally adjusted Q1 2021 GDP growth will range between 7% to 8%.

### KEEP AN EYE ON

- **U.S. Inflation Report.** On May 12, the U.S. Bureau of Labor Statistics releases its consumer price index (CPI) for April. Recent readings are signaling higher interest rates ahead.
- **U.S. Jobs Report.** On May 7, the U.S. Bureau of Labor Statistics releases its job numbers for April. Another strong report will put upward pressure on long-term interest rates.
- **Gross Domestic Product.** On April 19, the U.S. Bureau of Economic Analysis releases its Q1 GDP estimate. The New York Federal Reserve is estimating between 6% and 7% (annualized). I think it is going to come in stronger than this, thus placing upward pressure on expected inflation and interest rates.

### STATISTIC(S) OF THE MONTH

**\$24,000.** According to the National Association of Home Builders, "unprecedented spikes in lumber prices have added more than \$24,000 to the price of the average new single-family home" in the U.S. A large share of this price growth can be attributed to the 20% tariff on Canadian lumber (cut to 9% in December, but likely to be raised again by the Biden Administration).

### BANKER READING ROOM

ICBA: Our Position: Tax-Exempt Credit Unions. ICBA: "Urges Congress to end the unwarranted federal tax subsidy of the credit union industry and/or promote increased tax parity between credit unions and community banks. \*\*\*"staunchly opposes credit unions exploiting their tax subsidy and lax regulatory environment to purchase community banks. These acquisitions are inconsistent with Congressional intent behind credit unions' tax exemption and warrants Congressional scrutiny." \*\*\*implores Congress to use its oversight authority to investigate the National Credit Union Administration's alarming failure to regulate and oversee the industry. The NCUA stands in stark contrast to the other banking agencies. \*\*\*opposes expanded powers for credit unions—so long as they remain tax-exempt—whether pursued by legislation or regulation, such as acquisitions of community banks, commercial lending, field of membership, and supplemental capital powers. \*\*\*supports applying Community Reinvestment Act requirements to credit unions comparable to and with the same asset size distinctions as banks and thrifts. (continued at: <https://tinyurl.com/cmjn99n5>).

### GOSS EGGS (Recent Dumb Economic Moves)

Jamie Dimon, CEO of JP Morgan, showed just how aligned BIG business is with BIG government when he asserted that "taxes are going to have to go up: you can't run a 10% to 15% (budget) deficit forever." I guess trimming federal spending is not in the playbook for a CEO hoping for a plum position in the Biden Administration.

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