

Welcome to Creighton's June Bank CEO Report covering May survey results. May's overall reading from bank CEOs in 10 Rural Mainstreet States declined to a still solid reading with very healthy farmland prices, and expanding farm equipment sales. Ernie

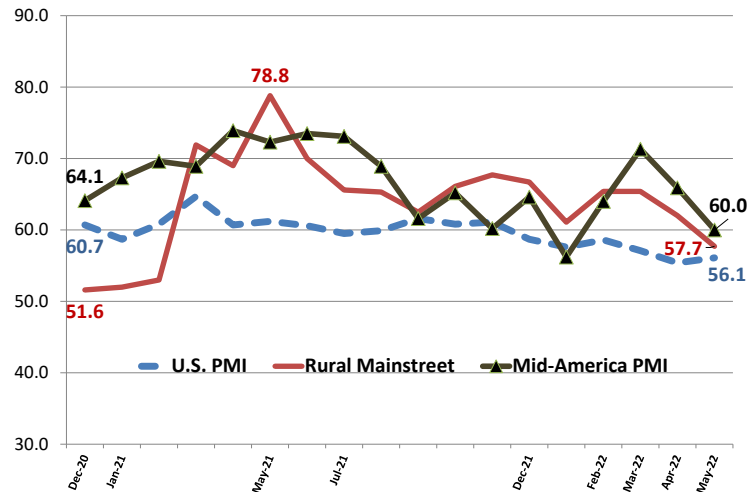
## MAINSTREET RESULTS

**Rural Mainstreet Economic Index Cools for May: Cash Rents Climbed by Almost 10% over the Past 12 Months**

### May Survey Results at a Glance:

- The overall index moved above growth neutral for the 17th. The overall index fell to its lowest level since February 2021 but remained above growth neutral for the 18th straight month.
- Escalating costs of farm inputs pushed borrowing up to its highest reading since May 2020.
- On average, cash rents have risen by 9.6% to \$250 per acre for non-irrigated crop land over the past 12 months.
- Approximately 40% of bankers expect 2022 farm income to be greater than 2021 farm income, while 25.9% of bankers expect 2022 farm income to be less than last year's farm income.
- The depreciation of the U.S. dollar against the Mexican peso has been a stimulus to exports to Mexico, the top destination for the region's farm products.

Leading Economic Indicators, last 18 months (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, June 16, 2022.

## Labor Shortages Killing Many Industries: Government Social Programs, Affordable Childcare, and Covid at Fault

In May 2022 after 70 years of operations, the nation's last Howard Johnson restaurant closed its doors in Albany, New York. Across the nation, restaurants, much like Ho Jo, are failing at a rapid pace with 110,000 restaurants shuttering operations in 2020 alone. One of the prime factors accounting for the failure is the inability to find and hire workers. In April 2022, there were 1.5 million job openings in the leisure and hospitality industry which was up from 1.2 million one year earlier. Across all U.S. industries there were 1.5 job openings for every one unemployed. What are the causes?

While the lack of affordable child-care, and the fear of Covid-19 infection were, and are, clearly important factors, this essay will focus on government social benefit payments that narrowed the gap between the pay for working, and not working. After the onset of the pandemic in March 2020, federal, state, and local government agencies launched or expanded the following social programs: \*Rental assistance, and eviction moratoriums, \*Mortgage relief, \*Child care assistance, \*Food stamps, \*Homeless services, \*Help paying for internet services, \*Funeral assistance, and \*Student loan forbearance. Each of these programs reduced benefits for each dollar of earnings, and encouraged workers to leave the workforce.

According to the U.S. Bureau of Economic Analysis, federal and state social benefits soared from \$3.12 trillion in Q4, 2019 to \$3.83 trillion in Q1, 2022, or an increase of \$711.3 billion (annualized and seasonally adjusted). Thus, for every U.S. worker that remained out of the workforce in Q1, 2022, the federal and state social service agencies spent \$405,000 (annualized). This calculation ignores the fact that a not insignificant portion of the benefits is paid to employed workers in the workforce. (e.g. extended unemployment benefits).

Not only is this support for remaining out of the workforce a concern, but during each U.S. recession, government support has expanded as a share of GDP, not to return to its previous level. For example, since Q1, 1989, the overall U.S. economy (GDP) expanded by 342.4%, but social spending soared by 653.6%. Given that the U.S. recession ended in Q2, 2020, the 2020-21 escalation of government support for non-work should concern both policymakers and non-policymakers for the future. Ernie Goss.

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	May 2021	April 2022	May 2022
Area economic index	78.8	62.0	57.7
Loan volume	59.0	51.9	73.0
Checking deposits	87.9	66.0	54.0
Certificates of deposit and savings instruments	43.9	35.4	38.0
Farmland prices	78.1	80.0	72.0
Farm equipment sales	67.9	67.6	66.9
Home sales	83.3	70.0	61.5
Hiring	72.7	64.0	61.5
Retail business	71.2	54.0	50.0
Confidence index (area economy six months out)	78.8	39.1	40.4

	Percentage of bankers reporting				
The Federal Reserve Open Market Committee meets June 14-15. At the meeting the FOMC should:	Raise rates by 0.25%	Raise rates by 0.50%	Raise rates by 0.75%	Raise rates by 1.0%	
	18.5%	70.4%	7.4%	3.7%	
What is your estimate of the average per acre cash rent for non-irrigated crop land (not pasture) in your area for 2022:	Percentage of bankers reporting				
	Below \$100	\$150 - \$199	\$200 - \$249	\$250 - \$299	Over \$300
	7.7%	19.2%	23.1%	15.4%	34.6%
How will 2022 net farm income compare to 2021 net farm income:	Percentage of bankers reporting				
	2022 less than 2021	2022 about the same as 2021	2022 somewhat higher than 2021	2022 much higher than 2021	
	25.9%	37.0%	33.4%	3.7%	

### MAINSTREET ON YOUR STREET

The Creighton University Rural Mainstreet Index (RMI) fell from April's healthy reading and remained above growth neutral for the 18th straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

**Overall:** The region's overall reading for May declined to 57.7, its lowest level since February 2021, and down from April's 62.0. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

Much like the nation, the growth in the Rural Mainstreet economy is slowing. Supply chain disruptions from transportation bottlenecks and labor shortages continue to constrain growth. Farmers and bankers are bracing for escalating interest rates — both long-term and short-term.

**Farming and ranching:** The region's farmland price index for May sank to a still strong 72.0 from 80.0 in April, marking the 20th straight month that the index has moved above growth neutral. Over the past several months, the Creighton survey has registered the most consistent and strongest growth in farmland prices since the survey was launched in 2006.

On average, cash rents have risen by 9.6% to \$250 per acre for non-irrigated crop land over the past 12 months, according to bankers.

In 2021, the 10-state region exported \$10.6 billion of farm commodities, including livestock. Approximately 57.2% of those exports went to Mexico. Despite the rapid rise in the dollar against most currencies, the dollar has depreciated by almost 17% against the Mexican peso. This has made Rural Mainstreet agriculture products more competitively priced in Mexico.

Jim Eckert, president of Anchor State Bank in Anchor, Illinois, reported that "wet weather has our area farmers way behind, but it's been a bit drier the last week or so. Some soybeans and almost no corn have been planted so far."

**Farm equipment sales:** The May farm equipment-sales index declined to 66.9 from April's 67.6. This was the 18th straight month that the index has advanced above growth neutral. Readings over the past several months are the strongest string of monthly readings recorded since the beginning of the survey in 2006.

**Banking:** The May loan volume index soared to 73.0 from April's 51.9. The checking-deposit index slumped to 54.0 from April's 66.0, while the index for certificates of deposit and other savings instruments increased to 40.4 from 39.1 in April. Escalating costs of farm inputs pushed borrowing up to its highest reading since May 2020.

More than one of ten bankers expect the Federal Reserve to raise rates by 0.75% (75 basis points) at its June meetings. Approximately 70% of bankers anticipate a 0.50% (50 basis points) rate hike at that Fed meeting.

**Hiring:** The new hiring index dipped to 61.5 from 64.0 in April. Labor shortages continue to be a significant issue constraining growth for Rural Mainstreet businesses.

**Confidence:** Russia's invasion of Ukraine, along with accompanying global trade tensions and surging inflation, constrained the business confidence index to 40.4, which was up from 39.1, its lowest level since the beginning of the pandemic in Spring 2020. This marks the lowest back-to-back readings since the beginning of the pandemic in April and May of 2020.

**Home and retail sales:** The home-sales index dropped to a healthy 61.5 from April's 70.0. The retail-sales index for May decreased to growth-neutral 50.0 from April's 54.0. Healthy farm commodity prices accompanying strong farm income continue to have positive impacts on Rural Mainstreet retail sales and home sales.

The survey represents an early snapshot of the economy of rural agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It provides 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 and launched it in January 2006.

### Below are the state reports:

**Colorado:** Colorado's Rural Mainstreet Index for May fell to 72.8 from April's 76.0. The farmland- and ranchland-price index dropped to 79.5 from 81.5 in April. Colorado's hiring index for May declined to 70.4 from April's 72.7. For 2021, the Colorado export of farm commodities to Mexico represented 47.8% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Illinois:** The May RMI for Illinois sank to 68.9 from 72.1 in April. The farmland-price index moved down to 78.1 from 85.7 in April. The state's new-hiring index decreased to 68.5 from April's 70.8. For 2021, the Illinois export of farm commodities to Mexico represented 38.3% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Iowa:** The May RMI for Iowa rose to 56.7 from 53.4 in April. Iowa's farmland-price index declined to 71.0 from April's 78.5. Iowa's new-hiring index for May climbed to 69.8 from 62.1 in April. For 2021, the Iowa export of farm commodities to Mexico represented 61.5% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Kansas:** The Kansas RMI for May increased to 54.4 from April's regional-low 49.0. The state's farmland-price index fell to 69.4 from April's 77.0. The new-hiring index for Kansas dropped to 57.8 from 60.1 in April. For 2021, the Kansas export of farm commodities to Mexico represented 63.0% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Minnesota:** The May RMI for Minnesota sank to 49.4 from 52.6 in April. Minnesota's farmland-price index declined to 70.7 from April's 78.3. The new-hiring index for May declined to 59.4 from April's 61.7. For 2021, the Minnesota export of farm commodities to Mexico represented 28.9% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Missouri:** The May RMI for Missouri decreased but remained a regional-high 91.0, down from 94.2 in April. The farmland-price index increased to 86.4 from 81.1 in April. The state's hiring gauge decreased to 78.8 from April's 81.1. For 2021, the Missouri export of farm commodities to Mexico represented 84.6% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Nebraska:** The Nebraska RMI for May declined to 59.7 from April's 62.9. The state's farmland-price index rose to 74.6 from last month's 62.2. Nebraska's new-hiring index sank to 64.2 from 66.5 in April. For 2021, the Nebraska export of farm commodities to Mexico represented 84.0% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**North Dakota:** The North Dakota RMI for May sank to 60.8 from 64.0 in April. The state's farmland-price index slumped to 75.0 from 82.6 in April. The state's new-hiring index dropped to 64.8 from April's 67.1. For 2021, the North Dakota export of farm commodities to Mexico represented 35.5% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**South Dakota:** The May RMI for South Dakota climbed to 52.3 from April's 51.8. The state's farmland-price index fell to 70.4 from 78.0 in April. South Dakota's May hiring index declined to 59.0 from 61.3 in April. For 2021, the South Dakota export of farm commodities to Mexico represented 43.6% of all farm commodity exports. The depreciation of the dollar to the peso was very supportive of these exports in 2021.

**Wyoming:** The May RMI for Wyoming sank to 59.0 from 62.2 in April. The April farmland- and ranchland-price decreased to 74.3 from April's 81.9. Wyoming's new-hiring index declined to 63.9 from April's 66.2. For 2021, the Wyoming export of farm commodities to Mexico were a negligible share of all farm commodity exports. China was the top export market for Wyoming's farm commodities.

### KEEP AN EYE ON

- **U.S. Jobs Report.** On July 8, the U.S. Bureau of Labor Statistics releases its jobs report for June. I have expected job additions to fall significantly in the coming months. So far, I have been mistaken. Was I wrong, or just early?
- **Consumer Price Index.** On July 13, the U.S. Bureau of Labor Statistics releases the CPI for the month of June. The inflation gauge is expected to weaken to a still too high 7.0% to 7.5% year-over-year. Anything higher than that will be bad for bonds.
- **Yield on 10-Year U.S. Treasury Bond.** Available continuously at <https://finance.yahoo.com> Available continuously at <https://finance.yahoo.com/> Current yield of 3.00% is up from 2.92% from one month earlier. As inflation ticks upward, the yield will move higher. But as the likelihood of a recession rises, the yield will fall.

### STATISTIC(S) OF THE MONTH

**2.2** At the start of the pandemic, there were only **2.2** workers for every Social Security retiree in the U.S. This compares to 42.0 workers for every SS retiree in 1935. Little wonder that on June 1, 2022, the Social Security Administration announced that, without Congressional changes, it cannot pay benefits after 2035.

### THE BULLISH NEWS

- Total nonfarm payroll employment rose by 390,000 in May, and the unemployment rate remained at 3.6%.
- The U.S. trade deficit narrowed sharply in April due to a decline in imports and growth in exports.
- The U.S. budget deficit shrank by approximately \$1.57 trillion so far this fiscal year, due primarily to higher tax receipts.
- According to the Case-Shiller home price index, the nation's home prices climbed by 20.% in March 2021 from 12-months earlier.

### THE BEARISH NEWS

- Employers continue to have difficulty finding and hiring workers with the number of April job openings across the U.S. expanding by 2,135,000 from 12 months earlier (105,000 for financial firms).
- April consumer prices (CPI) climbed by 8.2% from a year earlier. Between February and April of 2022, the CPI rose by 9.5% annualized.
- April wholesale prices (PPI) climbed by 21.5% from a year earlier. Between February and April of 2022, the PPI rose by 28.9% annualized.
- April prices processed foods and feeds price climbed by 13.9% from a year earlier. Between February and April of 2022, those prices rose by 25.428.9% annualized.
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### THE OUTLOOK

The National Association of Business Economics. May 2022. SUMMARY: "NABE Outlook Survey panelists continue to ratchet up their expectations for inflation rates in both 2022 and 2023," said NABE President David Altig, executive vice president and director of research, Federal Reserve Bank of Atlanta. "While the panel sees inflation peaking in 2022, projections for the core personal consumption price index have been revised upward by a full percentage point this year." Seventy-seven percent of the panelists indicate the risks to U.S. economic growth are tilted to the downside this year, with monetary policy missteps representing the greatest downside risk," added Survey Chair Yelena Shulyatyeva, senior U.S. economist, Bloomberg. "More than half of respondents estimate the odds of a recession within the next 12 months are greater than 25 percent."

**GOSS (June 2022):** I expect \*\*\*the inflation rate to cool a bit in the third quarter of 2022. However, the YOY rate will remain above 7.0%. \*\*\*Monthly job additions to fall below 100,000 in Q3 2022. \*\*\*The average 30-year mortgage rate to rise from its current value 5.34% to 6.0% by the end of Q3, 2022.



## BANKER READING ROOM

"Purdue Ag Barometer: Farmer Sentiment Plummetts as Production Costs Skyrocket," When it comes to the economy and production costs, a lot of farmers don't have a positive outlook for the future. According to a recent phone survey among 400 farmers and ag producers in the U.S., their perceptions regarding current conditions on their farms, as well as their future expectations, were both down sharply from April to May. That survey is from the Purdue University/CME Group Ag Economy Barometer for May 2022. The number dropped to its lowest level in more than two years – down 22 points in May to a reading of 99. The Index of Current Conditions dipped 26 points to a reading of 94, and the Index of Future Expectations fell 21 points to a reading of 101. The Ag Economy Barometer is calculated each month from 400 U.S. agricultural producers' responses to a telephone survey. This month's survey was conducted May 16-20." <https://tinyurl.com/yc522f33>

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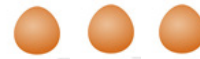
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Goss monthly interview at: <https://bit.ly/MidAmericaBCIMarch2022YouTube>

## GOSS EGGS (Recent Dumb Economic Moves)

Biden recently delayed a decision on a student loan forgiveness plan. No shock here, given that 35% of voters in a recent Morning Consult-Politico survey said that no student debt should be forgiven. The President's vacillation on this issue has undermined the program insuring rising delinquencies and non-payments from debtors. To paraphrase Arkansas Senator Tom Cotton, "They borrowed it. They pay it back." **3 of 5 Goss Eggs.**



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**3 of 5 Goss eggs.**