

Welcome to Creighton's March Bank CEO Report covering February survey results. For a third straight month the overall reading from bank CEOs and executives in 10 Rural Mainstreet States climbed above growth neutral with solid farmland price growth, and expanding farm equipment sales. Ernie

Raising the Debt Ceiling: Tax More, Spend Less, or Grow Faster?

In February 2023, the U.S. federal debt hit its statutory ceiling of \$31.4 trillion, or 123.4% of the nation's income (GDP), which is up from just 55.6% of GDP in 2000. The debt ceiling was created under the Second Liberty Bond Act of 1917 and has been boosted by Congress 78 times since 1960. Figure 1 shows the change in the ratio of debt-to-GDP since 1950 under each U.S. president.

As listed, the debt-to-GDP exploded under the Obama Administration by 37.9% and actually shrank by 18.2% under Eisenhower leadership. Furthermore, the figure shows just how "passing the buck" to another generation has become a tradition since 1980, or the Reagan Administration. Between Eisenhower and the first year of Reagan, the deficit, as a percent of GDP, fell from 72.6% to 32.6%, but soared from 32.6% to 123.4% in the second year of the Biden presidency.

In June of this year, expect Congress and the Biden Administration to once again raise the debt ceiling. Absent such action would be calamitous to the economy resulting in soaring interest rates, devastating spending cuts in spending, and ruinous tax hikes. Taking no action to cut spending will be ruinous in the long run. As Nixon's Chief Economic Advisor Herb Stein once said, "If something can't go on forever, it will stop."

Ignoring this sage warning, President Biden proposed this month to boost spending and raise taxes by trillions knowing full well that the spending will slide through, but the tax hikes will not. What does it mean for younger generations in decades ahead--higher inflation, soaring interest rates, and ultimately paying the piper with rocketing taxes. Baby boomers must say NO and leave a little economic meat on the bones! Start by ending, even before it begins, Biden's corporate giveaway called the CHIPS Act, which provides \$280 billion to the semiconductor industry.

President	Change in debt To GDP ratio
Obama	+37.9%
Trump	+23.0%
Reagan	+18.1%
Bush Jr.	+11.9%
Bush Sr.	+11.8%
Ford	+2.6%
Carter	-2.7%
Kennedy	-4.2%
Biden	-5.0%
Clinton	-6.7%
Nixon	-8.4%
Johnson	-9.1%
Eisenhower	-18.2%
Pre-Reagan	-40.0%
Post-Reagan	90.8%

Source: Goss based on U.S. BEA data

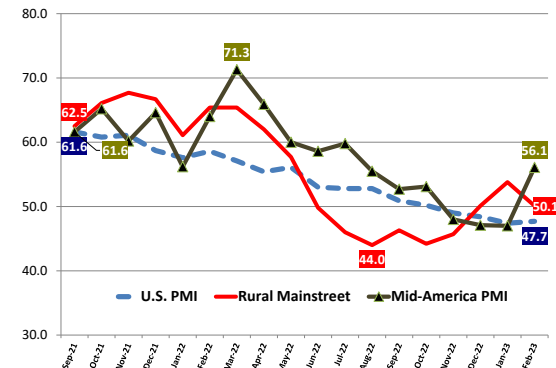
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MAINSTREET RESULTS

Rural Mainstreet Economy Records Slow Growth for February: Nine of Ten Bankers Gauge Ethanol as Important to Economy February 2023 Survey Results at a Glance:

- For a third straight month, the region's overall economic reading hovered slightly above growth neutral, indicating slow growth.
- Farmland prices have now advanced for 29 straight months.
- Farmers have expanded their purchases of farm equipment for 25 of the past 27 months.
- In 2022, the 10-state region accounted for approximately three-fourths of all U.S. ethanol production.
 - Roughly 91.3% of bankers with an ethanol plant in their economy indicated that it was an important industry for their local economy.
 - Only 7.7% of bankers with an ethanol plant in their economy ranked it as a relatively unimportant industry in their area.
- Approximately 63.0% of bank CEOs support capture and sequestration of CO2 from ethanol plants in their area provided farmers receive adequate compensation for pipelines crossing their farmland.

Leading Economic Indicators, last 18 months (50.0 = Growth Neutral)



	Feb. 2022	Jan. 2023	Feb. 2023
Area economic index	61.5	53.8	50.1
Loan volume	40.4	58.0	48.1
Checking deposits	80.8	70.0	38.5
Certificates of deposit and savings instruments	34.6	72.0	57.7
Farmland prices	78.8	66.0	63.5
Farm equipment sales	72.0	61.4	52.1
Home sales	63.5	38.5	37.0
Hiring	61.5	53.9	48.1
Retail business	57.7	51.9	50.0
Confidence index (area economy 6 mos. out)	51.9	40.4	44.4

MAINSTREET ON YOUR STREET

For a third straight month, the Creighton University Rural Mainstreet Index (RMI) climbed above the growth neutral threshold, 50.0, according to the latest monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: Overall: The region's overall reading in February remained above the growth neutral threshold. The February index declined to 50.1 from 53.8 in January. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

The Rural Mainstreet economy continues to experience slow economic growth. Only 7.4% of bankers reported improving economic conditions for the month with 85.2% indicating no change in economic conditions from January's slow growth.

Farming and ranching: The region's farmland price index decreased to 63.5 from January's 66.0. This was the 29th straight month that the index has advanced above 50.0.

Farm equipment sales: As a result of solid farm financial conditions, the farm equipment-sales index stood at 52.1, which was down significantly from January's much stronger 61.4. The index has risen above growth neutral for 25 of the last 27 months.

Banking: The February loan volume index declined to a much weaker 48.1 from 58.0 in January. The checking-deposit index fell to 38.5 from January's 70.0, while the index for certificates of deposit and other savings instruments stood at a solid 57.7, but down significantly from January's record high 72.0.

Hiring: The new hiring index for February slumped to 48.1 from January's 53.9. Labor shortages continue to be a significant issue constraining growth for Rural Mainstreet businesses. Despite labor shortages, Rural Mainstreet expanded non-farm employment by 3.4% over the past 12 months. This compares to 2.6% growth for urban areas of the same 10 states for the same period of time.

Ethanol: Not surprisingly, ethanol represents an important industry for the region, which contains 72.9% of the nation's ethanol plants and accounted for 75.8% of U.S. ethanol capacity in 2022. Approximately 88.4% of bank CEOs reported having ethanol plants in their rural area. Roughly 91.3% of bankers with an ethanol plant in their economy indicated that it was an important industry for their local economy.

To meet President Biden's CO2 reduction goal contained in his Inflation and Deficit Reduction Act, ethanol plants would be required to reduce their CO2 emissions by 40% by 2030. This will likely mean the capture and sequestration of the CO2 or the closure of a high share of the plants.

Bankers were asked for their position on the delivery of CO2 via pipelines for sequestration. Regarding the capture and sequestration of CO2 from ethanol plants in their area, approximately 63.0% of bankers support this process assuming adequate compensation to farms over which the pipelines cross. Approximately 23.1% of bankers expect that the use of imminent domain will be required to allow underground pipelines to cross farmland in their area.

Jim Eckert, CEO of Anchor State Bank in Anchor, Illinois, reflected the stance of a share of the bankers stating that, "My opinion is that CO2 storage is another 'green' scam. CO2 is not a greenhouse gas. Plants like and need it!"

Confidence: The slowing economy, higher borrowing costs and labor shortages continued to constrain the business confidence index to a weak 44.4, but up from 40.4 in January. Over the past 11 months, the regional confidence index has fallen to levels indicating a very negative outlook.

Home and retail sales: The home-sales index sank to a weak 37.0 from January's 38.5. This is the ninth straight month that the home-sales index has fallen below growth neutral. An almost doubling of the 30-year mortgage rate over the past year and low inventory levels slowed home sales in the region over that time period.

The retail-sales index for February slipped to 50.0 from January's 51.9. Even so, bankers were pessimistic regarding the economic outlook with downward pressure on retail sales for the first quarter of 2023.

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. The index 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 (RMI) for February fell to 60.6 from 69.4 in January. The farmland- and ranchland-price index dropped to 62.6 from 76.2 in January. Colorado, with 1.6% of the nation's ethanol plants, accounted for 0.8% of U.S. ethanol capacity, and ranked ninth in the 10-state region in 2022 ethanol production.

Illinois: The February RMI for Illinois sank to 31.0 from January's 45.8. The farmland-price index sank to 55.2 from 66.2 in January. The state's new-hiring index slumped to 38.3 from January's 49.5. Illinois, with 6.8% of the nation's ethanol plants, accounted for 10.0% of U.S. ethanol capacity, and ranked third in the 10-state region in 2022 ethanol production.

Iowa: Iowa's February RMI increased to 56.9 from 56.3 in January. Iowa's farmland-price index fell to 63.7 from January's 70.6. Iowa's new-hiring index for February moved down to 48.8 from January's 55.1. Iowa, with 21.4% of the nation's ethanol plants, accounted for 27.0% of U.S. ethanol capacity, and ranked first in the 10-state region in 2022 ethanol production.

Kansas: The Kansas RMI for February dropped to 53.5 from January's 54.1. The state's farmland-price index climbed to 70.1 from January's 69.7. The new-hiring index for Kansas plummeted to 50.2 from 63.9 in January. Kansas, with 6.3% of the nation's ethanol plants, accounted for 3.5% of U.S. ethanol capacity, and ranked sixth in the 10-state region in 2022 ethanol production.

Minnesota: The February RMI for Minnesota slipped to 43.4 from January's 44.5. Minnesota's farmland-price index declined to 60.5 from 65.6 in January. The new-hiring index for February slumped to 44.8 from 48.9 in January. Minnesota, with 9.9% of the nation's ethanol plants, accounted for 8.2% of U.S. ethanol capacity, and ranked fifth in the 10-state region in 2022 ethanol production.

Missouri: Missouri's February RMI dropped to 49.8 from 59.2 in January. The farmland-price index fell to 63.2 from January's 71.9. The state's new hiring gauge shrank to 48.2 from 56.6 in January. Missouri, with 3.1% of the nation's ethanol plants, accounted for 1.9% of U.S. ethanol capacity, and ranked eighth in the 10-state region in 2022 ethanol production.

Nebraska: The Nebraska Rural Mainstreet Index moved above growth neutral to 53.1 in February from 53.6 in January. The state's farmland-price index for February declined to 64.6 from 69.5 in January. Nebraska's February new-hiring index slumped to 49.9 from 53.7 in January. Nebraska, with 12.5% of the nation's ethanol plants, accounted for 12.9% of U.S. ethanol capacity, and ranked second in the 10-state region in 2022 ethanol production.

North Dakota: North Dakota's RMI for February plummeted to 50.4 from January's 58.9. The state's farmland-price index sank to 63.5 from 71.7 in January. The state's new-hiring index declined to 48.5 from 56.4 in January. North Dakota, with 3.1% of the nation's ethanol plants, accounted for 3.1% of U.S. ethanol capacity, and ranked seventh in the 10-state region in 2022 ethanol production.

South Dakota: The February RMI for South Dakota increased to 44.8 from 43.3 in January. The state's farmland-price index decreased to 59.6 from January's 65.1. South Dakota's February hiring index fell to 43.7 from 48.3 in January. South Dakota, with 8.3% of the nation's ethanol plants, accounted for 8.3% of U.S. ethanol capacity, and ranked fourth in the 10-state region in 2022 ethanol production.

Wyoming: The February RMI for Wyoming slumped to 42.8 from 47.7 in January. The February farmland- and ranchland-price index decreased to 60.2 from 67.0 in January. Wyoming's new-hiring index sank to 44.5 from January's 50.5. Wyoming, with 0.0% of the nation's ethanol plants, accounted for 0.0% of U.S. ethanol capacity, and ranked 10th in the 10-state region in 2022 ethanol production.

KEEP AN EYE ON

- **Consumer Price Index (CPI).** On March 14 and April 12, the U.S. Bureau of Labor Statistics releases its readings for consumer price growth for February and March, respectively. A lack of falling price pressures (annualized rates below 4.5%) will be bearish for interest rates, both long and short.
- **Case-Shiller Home Price Index.** On Tuesday March 28, S&P Corelogic releases its Case-Shiller home price index for January. A seventh straight month of declining prices will be very bearish for residential housing, and foreshadow even more price declines ahead.
- **10-year U.S. Treasury bond yields.** Available concurrently, the current yield is 3.91% indicating the long-term inflation expectations are fairly muted. Any sharp movements upward would mean higher and higher long term interest rates, including mortgage rates.

THE BULLISH NEWS

- U.S. unfilled jobs at the end of January totaled 10.82 million and the number of layoffs and discharges picked to a still low 1.72 million.

THE BEARISH NEWS

- For fiscal 2023, interest payments on the federal debt are estimated to total \$395.5 billion, or 6.8%, of all federal outlays. That's more than federal spending on elementary & secondary education. According to the Case-Shiller Price Index, U.S. home prices fell in December for the sixth straight month.
- As an indicator of movement to a cashless society, the number of U.S. ATMs declined from a high of 470,000 in 2019 to 453,500 at the end of 2022.
- The Consumer Price Index for January rose by 0.5%, and producer price index (wholesale prices) soared by 0.7% for January.

THE OUTLOOK

National Association of Business Economics (February 2023): SUMMARY: "Results of the February 2023 NABE Outlook survey continue to reflect significant divergence regarding the outlook for the U.S. economy," said **NABE President Julia Coronado, president and founder, MacroPolicy Perspectives LLC.** "Estimates of inflation-adjusted gross domestic product or real GDP, inflation, labor market indicators, and interest rates are all widely diffused, likely reflecting a variety of opinions on the fate of the economy—ranging from recession to soft landing to robust growth. Panelists' views are split regarding how high the Federal Reserve may raise interest rates, how long rates might stay at the peak, when cuts would begin, and what would signal the central bank's actions on each of these fronts," added **Dana M. Peterson, NABE Outlook Survey chair, and chief economist, The Conference Board.** "Respondents are also highly concerned but divided in their opinions regarding the consequences of other matters that might affect the U.S. economy, including the impact of China's reopening on global inflation and the looming debt ceiling."

Goss (March 2023): I expect: ***The Federal Reserve Open Market Committee to increase short-term interest rates by 50 basis points (0.50%) at their next meetings on March 21/22 with the prime interest rate to rise from current 7.75% to 8.25% on March 23. Too much spending in the pipeline for a smaller increase. ***Most of Biden's tax hike proposals to fizzle in Congress, but his spending plans to be upheld. Thus, budget deficits and the debt to rise even more rapidly.

According to the Case-Shiller Price Index, U.S. home prices fell in November for the seventh straight month.

BANKER READING ROOM

ICBA Best Practices for Community Bank Core Processors...is designed to highlight some of the most important aspects of the core processor and community bank relationship. Together with ICBA Community Bank Best Practices for Managing Core Processor Relationships, these best practices offer a framework to help community banks manage this critical and complex technology investment and set the stage for a successful strategic partnership between community banks and core processors.

<https://tinyurl.com/36zxarvk>

STATISTIC(S) OF THE MONTH

50%. Data from security firm Kastle Systems showed average office occupancy in 10 major U.S. cities was approximately **50%** in the week of February 20, 2023 compared to 40% one year ago, but down from almost 100% pre-pandemic.

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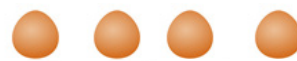
Goss monthly interview at:
<https://bit.ly/MidAmericaBCIMarch2022YouTube>

Next month's survey results will be released on the third Thursday of the month, April 20, 2023.

GOSS EGGS (Recent Dumb Economic Moves)

Goss Eggs (for recent dumb economic moves)

Despite the fact that the nation's highest income earners are paying more and more of the nation's income taxes, President Biden proposes massive tax hikes on the nation's entrepreneurs and higher income earners. The latest IRS data show that the top 1% of income earners paid a two-decade high of 42.3% of the nation's income taxes while the bottom 50% paid 2.3% of income taxes. In his recently released budget proposal, Mr. Biden proposed raising the top individual tax rate to 39.6% from 37%, raising the corporate tax rate to 28% from 21%, and taxing top earners' capital gains at higher rates (e.g. as regular income). **4 of 5 Goss eggs**



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