

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

### MAINSTREET RESULTS

#### Rural Mainstreet Economic Index Remains Healthy: Only 4 of 10 Bankers Expect Positive Outcome from Ethanol Change

##### April Survey Results at a Glance

- The overall index moved above growth neutral for the 17th straight month indicating healthy, consistent growth for the region.
- Farmland prices continue to grow at the fastest pace since the 2006 launch of Creighton's Bank CEO survey.
- Regarding President Biden's emergency waiver of summer ethanol E-15, fewer than 4 of 10 bankers, or 39.1%, expect the move to have a positive impact.
- On average, bank CEOs estimated that 2.3% of farmers have been involved in cryptocurrency transactions in the past 12 months.
- More than 9 of 10 bankers expect the Federal Reserve to raise short-term interest rates by one-half of one percentage point at its May 3-4 meetings.
- Farm equipment sales continue to expand at a robust pace.

### Did Your Home Earn More than You Did in the Past Year?

According to the U.S. Bureau of Labor Statistics, average hourly wages rose from \$30.02 in April of last year to \$34.95 in April of this year—a gain of 5.8%. Over that span of time, the average worker's wage/salary increased from \$54,807 to \$57,484 after accounting for hours worked. Unfortunately, this wage/salary gain was well below the 8.3% increase in consumer prices. Not only did the average worker suffer a 2.5% loss in inflation-adjusted wages, the worker lost ground to the homeowner.

Take two individuals for example. Karen Walker is a retail manager living in a rented apartment, and Jack Stone is an unemployed homeowner. According to the Case-Shiller Home Price Index, the median price of a U.S. home soared from \$313,272 in February, 2021 to \$375,300 one year later. Thus, Jack Stone, who stayed home and tended to normal home maintenance, earned \$62,028 without leaving the comforts of home, except to cut the grass, and visit his bank to tap his home equity for living expenses.

On the other hand, Karen Walker, the U.S renter with no automobile, trekked to work via public transportation and earned the U.S. average of \$57,484, or \$11,000 less than Stone who stayed home and spent the day watching re-runs of Seinfeld.

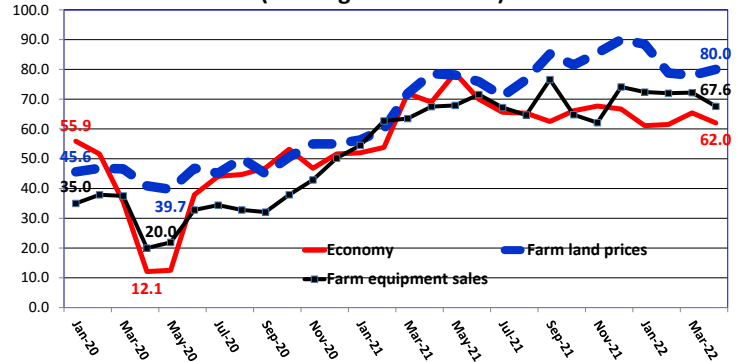
Adding to Walker's relative misery, Stone, owner of a three-year-old Chevy Trailblazer, experienced a 2021-22 gain of roughly \$6,000 as the resale value of his vehicle jumped from \$27,804 to \$34,449. Thus, the unemployed Stone, via home and automobile ownership, was \$18,000 wealthier at the end of the year than Walker, who worked the full year, but owned neither home nor auto.

These income profiles show clearly how the easy money policies of the Federal Reserve, and the heavy federal spending during the pandemic, widened the wealth gap between asset owners and non-owners.

Ernie Goss

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Rural Mainstreet, Economic Indicators, Jan. 2020 – April 2022 (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, May 19, 2022.

	April 2021	March 2022	April 2022
Area economic index	69.0	65.4	62.0
Loan volume	58.5	61.9	51.9
Checking deposits	89.3	78.8	66.0
Certificates of deposit and savings instruments	44.6	40.4	35.4
Farmland prices	78.6	78.0	80.0
Farm equipment sales	67.5	72.2	67.6
Home sales	78.6	69.2	70.0
Hiring	62.5	63.5	64.0
Retail business	62.1	51.9	54.0
Confidence index (area economy six months out)	72.4	54.0	39.1

	Percentage of bankers reporting			
	No change (0%)	Raise funds rate by 0.25%	Raise funds rate by 0.50%	
At the next meeting of the Federal Reserve's Open Market Committee (FOMC), they will raise interest rates by:	0.0%	8.3%	91.7%	
What will be the impact on the farm economy of President Biden's decision to issue an emergency waiver on the sale of 15% ethanol this summer?	Percentage of bankers reporting			
	Negative	Little or no impact	Positive	Significant positive
	4.4%	56.5%	39.1%	0.0%
What percent of farmers in your area do you estimate has transacted in a cryptocurrency in the past year?	Percentage of bankers reporting			
	0%	1% - 5%	6% - 10%	11% - 20%
	54.2%	33.3%	8.3%	4.2%

### MAINSTREET ON YOUR STREET

The Creighton University Rural Mainstreet Index (RMI) fell from March's healthy reading and remained above growth neutral for the 17th 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 April declined to 62.0 from March's 65.4. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

The region recorded a 34% gain in farm commodity prices over the past 12 months, but low short-term interest rates and healthy farm income have underpinned the Rural Mainstreet Economy.

This month bankers were asked to forecast the impact of President Biden's emergency waiver on the summer production of E-15 ethanol. Fewer than 4 of 10 bankers, or 39.1%, expect the move to have a positive impact. More than half, or 56.5%, expect the waiver to have little or no impact, with the remaining 4.4% anticipating a negative impact.

**Farming and ranching:** The region's farmland price index for April climbed to a strong 80.0 from 78.0 in March, marking the 19th 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.

**Farm equipment sales:** The April farm equipment-sales index declined to 67.6 from 72.2 in March. This was the 17th 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 April loan volume index plummeted to 51.9 from March's 61.9. The checking-deposit index slumped to 66.0 from March's 78.8, while the index for certificates of deposit and other savings instruments slipped to 39.1 from 40.4 in March. Strong farmer cash positions pushed the borrowing index much lower than I anticipated.

On average, bank CEOs estimated that 2.3% of farmers have been involved in cryptocurrency transactions in the past 12 months.

More than 9 of 10 bankers, or 91.7%, expect the Federal Reserve interest rate setting committee to raise short-term interest rates by one-half of one percentage point at its next meeting on May 3-4.

Jeffrey Gerhart, Chairman of the Bank of Newman Grove in Newman Grove, Neb., said, "The Federal Reserve has been behind in raising interest rates."

**Hiring:** The new hiring index expanded to 64.0 from 63.5 in March. Labor shortages continue to be a significant issue constraining growth for Rural Mainstreet businesses.

Even with significant labor constraints, U.S. Bureau of Labor Statistics data indicate that over the last 12 months, the Rural Mainstreet region has experienced a solid 4.5% gain in nonfarm employment (non-seasonally adjusted) compared to a lower 3.1% expansion for urban areas in the 10-state region.

**Confidence:** Russia's invasion of Ukraine, along with accompanying global trade tensions and surging inflation, pushed the business confidence index to its lowest level since the beginning of the pandemic in Spring 2020. The index, which reflects bank CEO expectations for the economy six months out, plummeted to 39.1 from 54.0 for March.

**Home and retail sales:** The home-sales index rose to a very strong 70.0 from March's 69.2. The retail-sales index for April improved to 54.0 from March's 51.9. 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 March soared to Colorado: Colorado's Rural Mainstreet Index for April fell to 76.0 from March's 86.6. The farmland- and ranchland-price index rose to 81.5 from 76.2 in March. Colorado's hiring index for April was unchanged from March's 72.7. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Colorado's Rural Mainstreet has experienced a strong 6.6% gain in nonfarm employment (non-seasonally adjusted) compared to a lower 5.3% for urban areas of the state.

**Illinois:** The April RMI for Illinois climbed to 72.1 from 65.2 in March. The farmland-price index moved to 85.7 from 79.1 in March. The state's new-hiring index increased to 70.8 from March's 64.6. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Illinois' Rural Mainstreet has experienced a strong 7.2% gain in nonfarm employment (non-seasonally adjusted) compared to a 3.4% expansion for urban areas of the state.

**Iowa:** The April RMI for Iowa rose to 53.4 from 52.0 in March. Iowa's farmland-price index declined to 78.5 from March's 80.3. Iowa's new-hiring index for April climbed to 62.1 from 59.6 in March. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Iowa's Rural Mainstreet has experienced a solid 1.9% gain in nonfarm employment (non-seasonally adjusted) compared to a higher expansion of 2.3% for urban areas of the state.

**Kansas:** The Kansas RMI for April increased to a regional-low 49.0 from 47.5, also a regional low. The state's farmland-price index advanced to 77.0 from March's 73.6. The new-hiring index for Kansas climbed to 60.1 from 57.8 in March. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Kansas' Rural Mainstreet has experienced a weak 0.2% gain in nonfarm employment (non-seasonally adjusted) compared to a solid 2.3% gain for urban areas of the state.

**Minnesota:** The April RMI for Minnesota plummeted to 52.6 from 59.6 in March. Minnesota's farmland-price index rose to 78.3 from March's 77.4. The new-hiring index for April declined to 61.7 from 62.5 in March. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Minnesota's Rural Mainstreet has experienced a weak 0.8% gain in nonfarm employment (non-seasonally adjusted) compared to a higher 2.8% expansion for urban areas of the state.

**Missouri:** The April RMI for Missouri soared to 94.2 from 86.0 in March. The farmland-price index increased to 81.1 from 80.1 in March. The state's hiring gauge expanded to 81.1 from March's 72.5. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Missouri's Rural Mainstreet has experienced a strong 11.4% gain in nonfarm employment (non-seasonally adjusted) compared to a lower expansion of 1.9% for urban areas of the state.

**Nebraska:** The Nebraska RMI for April increased to 62.9 from March's 62.3. The state's farmland-price index fell to 62.2 from last month's 78.2. Nebraska's new-hiring index rose to 66.5 from 63.5 in March. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Nebraska's Rural Mainstreet has experienced a solid 3.5% gain in nonfarm employment (non-seasonally adjusted) compared to a lower expansion of 2.1% for urban areas of the state.

**North Dakota:** The North Dakota RMI for April slipped to 64.0 from 65.7 in March. The state's farmland-price index advanced to 82.6 from 79.3 in March. The state's new-hiring index climbed to 67.1 from March's 64.8. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, North Dakota's Rural Mainstreet has experienced a healthy 3.6% gain in nonfarm employment (non-seasonally adjusted) compared to a lower expansion of 3.1% for urban areas of the state.

**South Dakota:** The April RMI for South Dakota dipped to 51.8 from 52.1 in March. The state's farmland-price index advanced to 78.0 from 75.0 in March. South Dakota's April hiring index improved to 61.3 from 59.6 in March. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, South Dakota's Rural Mainstreet has experienced a 1.5% gain in nonfarm employment (non-seasonally adjusted) compared to a solid expansion of 3.1% for urban areas of the state.

**Wyoming:** The April RMI for Wyoming sank to 62.2 from 64.8 in March. The April farmland- and ranchland-price rose to 81.9 from 79.0 in March. Wyoming's new-hiring index increased to 66.2 from March's 64.4. U.S. Bureau of Labor Statistics data indicate that over the last 12 months, Wyoming's Rural Mainstreet has experienced a solid 2.9% gain in nonfarm employment (non-seasonally adjusted) compared to a higher 3.3% expansion for urban areas of the state.

### KEEP AN EYE ON

- **U.S. Jobs Report.** On June 3, the U.S. Bureau of Labor Statistics releases its jobs report for April 2022. 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 June 10, the U.S. Bureau of Labor Statistics releases the CPI for the month of May. Higher than expected inflation (greater than 8.5%) will not be good for equity markets which are already being challenged.
- **Yield on 10-Year U.S. Treasury Bond.** Available continuously at <https://finance.yahoo.com/> Current yield of 2.92% is up from 2.72% 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.

### THE BULLISH NEWS

- In April the nation added a very strong 428,000 jobs, and the unemployment rate remained at a low 3.6%.
- For April, U.S. job openings were 11,550,000 with 2 openings for every unemployed worker. A record 4.5 million Americans quit their jobs in March.
- The Case Shiller Home Price Index rose by 19.8% in February from 12 months earlier.

### THE BEARISH NEWS

- Private sector average hourly wage growth over the past 12 months was 5.8% and well below the 8.3% growth in consumer prices.
- Q1, 2022 GDP declined by an annualized and seasonally adjusted 1.4%.
- The U.S. trade deficit hit a record high in March to \$109.8 billion. Net exports subtracted 3.2 percentage points from Q1, 2022 GDP.
- The U.S. April 2022 consumer price index dipped slightly to an unacceptably high 8.3% from 12 months earlier.

### THE OUTLOOK

The Conference Board, May 2022. "The Conference Board forecasts that US Real GDP growth will rise to 2.1 percent (quarter-over-quarter, annualized rate) in Q2 2022, vs. -1.4 percent growth in Q1 2022. Annual growth in 2022 should come in at 2.3 percent (year-over-year) and we expect growth of 2.1 percent (year-over-year) in 2023. These are downgrades from our previous forecast and are the result of weak GDP data reported for the first quarter of this year.

<https://www.conference-board.org/research/us-forecast>

**GOSS (May 2022):** I expect \*\*\*the inflation rate to cool in the third quarter of 2022. However, the YOY rate will remain above 7.4%. \*\*\*Job growth to approach zero in Q3 2022. \*\*\*The value of the U.S. dollar to continue to rise as the Russia-Ukraine war marches on.

### STATISTIC(S) OF THE MONTH

**-7.5%.** U.S. Quarter 1 worker productivity plunged by 7.5%-the largest decline since 1947. Because of this decline, labor costs soared by 11.6%. As a result of weak and negative productivity growth, labor costs climbed by 7.3% over the previous four quarters. Weak productivity will show up in higher inflation and negative inflation-adjusted wage growth for the rest of 2022.

### BANKER READING ROOM

"Farmers Feel Less Need to Borrow Money from the Bank," Successful Farmer, January 2022. "The nationwide survey of farm bankers found that the average size of a non-real estate loan, roughly \$83,000, was more than 20% smaller in October, November, and December 2021 than in the fourth quarter of 2020. Operating loans, at an average of \$55,500, were more than 30% smaller." "Broadly, conditions in the agricultural economy remained strong through 2021 and continued to support farm finances," said the Kansas City Fed. The USDA estimated net farm income, a broad measure of profits, at \$116.8 billion in 2021, the highest since 2013 and aided by \$27 billion in direct federal payments. Analysts expect farm income to decline this year because of rising production costs, a softening of commodity prices, and the expiration of pandemic relief programs. <https://tinyurl.com/mry9tzme>

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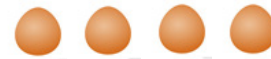
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### GOSS EGGS (Recent Dumb Economic Moves)

Biden's new budget has 36 tax hikes, and 11 new taxes on energy. Biden's new tax proposals increase the cost of home heating oil, electricity, and gasoline. Raising taxes in a period of economic weakness or recession does not fit into any rational economic model including that of Keynesians, monetarists, supply siders, or even modern monetary theorists. To collect these taxes, Biden proposes hiring an additional 87,000 IRS agents costing a mere \$80 billion. Remember the Pirates of the Caribbean—Up Is Down.

**4 of 5 Goss Eggs.**



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