

Welcome to Creighton's November Bank CEO Report covering October survey results. October's overall reading from bank CEOs in 10 Rural Mainstreet States rose into a very healthy range with improving farmland prices, and expanding farm equipment sale (best of both since 2012-13). Ernie

State Misery Indices (Updated): New York Most Miserable (Again), Utah Least Miserable

In the 1970s, Economist Arthur Okun created the Misery Index to calculate how the average U.S. resident was suffering economically speaking. It was calculated by adding the unemployment rate to the annual inflation rate. In the accompanying table, a Misery Index is calculated by adding each state's current Covid-19 deaths per 1,000,000 to the state's most recent percentage of job loss since one month prior to the pandemic, February 2020. In the table, lower rankings indicate a higher degree of misery in the state.

As in the March 2021 edition of Economic Trends Misery Index, New Yorkers, once again, endured the highest degree of misery, while Utah residents experienced the lowest level of misery. In terms of employment, Hawaii experienced the greatest job misery with a loss of 13.0% of nonfarm jobs, while Utah suffered the least job misery with a job shortfall of 3.0%. In terms of Covid-19 death misery, Mississippi suffered the greatest misery with the Covid-19 death rate at 3.4% of each 10 in population, while Vermont suffered the least covid-19 death misery at 0.6% deaths per population of 10.

Surprisingly, the 25 states with the greatest degree of misery had a higher full vaccination rate of 56.3%, or slightly lower than the full vaccination rate of 57.3% for the 26 least miserable states.

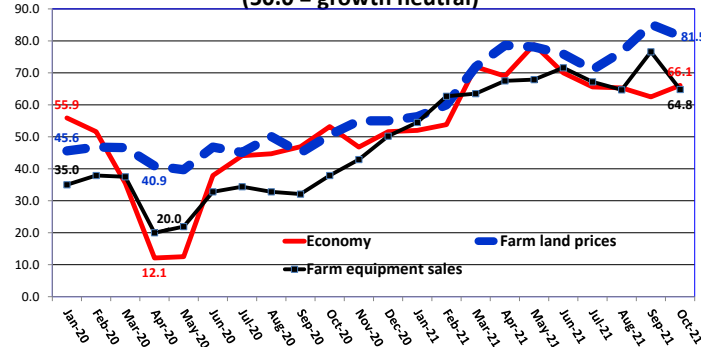
MAINSTREET RESULTS

Farm Exports Boost Rural Mainstreet Economy: 8 of 10 Bankers Report Farmers in Solid Cash Position

October Survey Results at a Glance:

- Overall index moved above growth neutral for the 11th straight month indicating healthy growth for the region.
- Almost one-third of bankers reported congestion at transportation hubs represented the greatest challenge to farmers.
- More than 8 of 10 bank CEOs reported farmers in their area were in solid cash position.
- Farmland prices continue to accelerate at a very strong pace.
- Economic confidence declined for a fourth straight month.
- Agriculture exports continue to boost commodity prices and farm income in the region

Rural Mainstreet, Economic Indicators, Jan. 2020 – Oct. 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, Nov. 18.

Overall Misery	State	Misery rank	Job	Covid	Vaccine Rate	Overall Misery	State	Misery rank	Job	Covid	Vaccine Rate
1	New York	2	5	67.1%	26	South Carolina	39	13	50.3%		
2	Louisiana	3	4	47.9%	27	Georgia	43	9	48.6%		
3	New Jersey	15	3	66.7%	28	Delaware	24	30	60.2%		
4	Massachusetts	11	10	70.0%	29	Arizona	49	6	53.4%		
5	Nevada	5	17	53.3%	30	Iowa	31	27	55.8%		
6	Pennsylvania	9	19	61.0%	31	Kentucky	29	29	51.0%		
7	Rhode Island	17	12	71.3%	32	Vermont	8	51	71.6%		
8	Michigan	7	23	53.7%	33	Kansas	33	28	53.5%		
9	New Mexico	10	21	62.4%	34	South Dakota	47	14	53.3%		
10	Connecticut	18	20	71.0%	35	Maryland	27	36	66.2%		
11	North Dakota	14	24	47.8%	36	Minnesota	22	41	61.5%		
12	Illinois	16	25	60.8%	37	Wisconsin	23	40	58.6%		
13	Mississippi	40	1	46.0%	38	Tennessee	42	22	48.0%		
14	Oklahoma	32	11	50.4%	39	Virginia	26	39	63.5%		
15	Alabama	41	2	45.0%	40	Oregon	19	46	63.2%		
16	Wyoming	12	31	44.4%	41	Texas	48	18	53.6%		
17	West Virginia	28	15	41.1%	42	Missouri	35	33	50.0%		
18	DC	6	38	63.0%	43	New Hampshire	25	44	63.3%		
19	Florida	36	8	60.0%	44	Maine	21	49	71.0%		
20	Indiana	30	16	50.0%	45	Montana	46	26	50.8%		
21	California	13	35	61.7%	46	North Carolina	37	37	53.1%		
22	Hawaii	1	50	60.1%	47	Colorado	34	43	62.0%		
23	Arkansas	44	7	48.3%	48	Washington	38	45	63.9%		
24	Alaska	4	48	53.0%	49	Idaho	50	34	50.5%		
25	Ohio	20	32	52.1%	50	Nebraska	45	42	56.5%		
					51	Utah	51	47	54.1%		
Average vaccination rate		Most Miserable		56.3%	Least miserable				57.3%		

Sources: U.S. Bureau of Labor Statistics and Worldometer <https://www.worldometers.info/coronavirus/>

	Oct. - 20	Sept. - 21	Oct. - 21
Area economic index	53.2	62.5	66.1
Loan volume	46.8	58.8	53.6
Checking deposits	66.1	58.9	66.1
Certificates of deposit and savings instruments	38.7	37.5	32.1
Farmland prices	50.0	85.2	81.5
Farm equipment sales	37.9	66.2	64.8
Home sales	72.6	71.4	73.2
Hiring	54.8	67.9	71.4
Retail business	46.8	58.9	55.4
Confidence index (area economy six months out)	51.6	65.4	51.8

Table 2: The Rural Mainstreet Economy, October 2021

	Percentage of bankers reporting				
	Significant financial stress	Financial Stress	Borrowing demand & Cash position much like past	Solid cash position with little borrowing needs	
Which of the following represents farmers' current financial condition in your area?	0.0%	0.0%	17.9%	82.1%	
	Percentage of bankers reporting				
	Congestion at export hubs	Delays in equipment purchases	Delays in soft input purchases (e.g. fertilizer)	Bottlenecks at processors	Congestion at domestic transportation hubs
Which of the following account for the greatest farm supply chain disruptions?	14.3%	17.2%	18.1%	18.3%	32.1%

MAINSTREET ON YOUR STREET

For the 11th straight month, the Creighton University Rural Mainstreet Index (RMI) remained 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.

Overall: The region's overall reading for October rose to 66.1 from September's healthy 62.5. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

Solid grain prices, the Federal Reserve's record-low interest rates, and growing exports have underpinned the Rural Mainstreet Economy. USDA data show that 2021 year-to-date agriculture exports are more than 25.4% above that for the same period in 2020. This has been an important factor supporting the Rural Mainstreet economy.

Farming and ranching: The region's farmland price index slid to a very strong 81.5 from September's record high 85.2. October's reading represented the 14th straight month that the index has moved above growth neutral.

The October farm equipment-sales index slipped to a strong 64.8 from 66.0 in September. Readings over the last several months represent the strongest consistent growth since 2012.

Bank CEOs indicated that congestion at domestic transportation hubs represented the greatest supply chain disruption for farmers.

Banking: The October loan volume index fell to 53.6 from September's 58.9. The checking-deposit index advanced to 66.1 from September's 58.8, while the index for certificates of deposit, and other savings instruments slumped to 32.1 from a weak 37.5 in September.

More than eight of 10, or 82.1%, of bankers indicated farmers in their area were in solid cash position with little need for borrowing. The remaining 17.9% of bankers reported farmer cash positions little changed from past years.

However, Steve Simon, CEO of South Story Bank in Slater-Huxley, Iowa said, "Year-end borrowing as farmers look to pre-pay rising input costs."

Hiring: The new hiring index improved to a very strong 71.4 from 67.9 in September. Despite solid economic growth, regional nonfarm employment levels remain below pre-covid levels. Labor shortages continue to be a significant issue for Rural Mainstreet businesses.

Confidence: The confidence index, which reflects bank CEO expectations for the economy six months out sank for the fourth straight month to 51.8, its lowest level since November of last year, and down from September's much stronger 65.4.

Home and retail sales: The home-sales index rose to 73.2 from September's 71.4. The retail-sales index for October declined to 55.4 from 58.9 in September. Healthy farm prices and federal stimulus spending are having very 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 (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 October declined to 65.7 from September's 68.7. The farmland and ranchland-price index fell to 82.0 from 88.3 in September. Colorado's hiring index for October expanded to 70.3 from 69.8 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Colorado's Rural Mainstreet has lost 15,700, or 4.6% of its nonfarm employment (non-seasonally adjusted).

Illinois: The October RMI for Illinois dipped to 68.6 from 68.9 in September. The farmland-price index fell to 82.8 from 88.2 in September. The state's new-hiring index climbed to 71.1 from September's 69.7. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Illinois' Rural Mainstreet has lost 16,400, or 1.2% of its nonfarm employment (non-seasonally adjusted). Jim Eckert, president of Anchor State Bank in Anchor, reported that, "Grain harvest was well underway until recent rains. Corn yields are down a bit from 2020 and soybean yields are about the same."

Iowa: The October RMI for Iowa improved slightly to 65.4 from 65.3 in September. Iowa's farmland-price index dropped to 81.9 from September's 87.1. Iowa's new-hiring index for October expanded to 70.2 from 68.6 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Iowa's Rural Mainstreet has lost 8,000, or 1.2% of its nonfarm employment (non-seasonally adjusted).

Kansas: The Kansas RMI for October advanced to 59.0 from 55.5 in September. The state's farmland-price index sank to 80.1 from September's 84.5. The new-hiring index for Kansas expanded to 68.4 from 66.0 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Kansas' Rural Mainstreet has lost 9,700, or 2.3% of its nonfarm employment (non-seasonally adjusted).

Minnesota: The October RMI for Minnesota rose to 73.6 from 71.0 in September. Minnesota's farmland-price index dropped to 83.7 from September's 89.0. The new-hiring index for October climbed to 72.0 from 70.5 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Minnesota's Rural Mainstreet has lost 14,800, or 3.0% of its nonfarm employment (non-seasonally adjusted).

Missouri: The October RMI for Missouri increased to 48.2, a regional low from September's 47.3, also a regional low. The farmland-price index declined to 77.0 from September's 81.1. The state's hiring gauge climbed to 65.3 from September's 62.6. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Missouri's Rural Mainstreet has lost 2,200, or 0.7% of its nonfarm employment (non-seasonally adjusted).

Nebraska: The Nebraska RMI for October rose to 66.8 from September's 65.3. The state's farmland-price index climbed to 87.3 from last month's 86.2. Nebraska's new-hiring index improved to 70.6 from 67.7 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Nebraska's Rural Mainstreet has lost 11,700, or 4.2% of its nonfarm employment (non-seasonally adjusted).

North Dakota: The North Dakota RMI for October climbed to 59.1 from September's 57.6. The state's farmland-price index dropped to 80.1 from 83.8 in September. The state's new-hiring index advanced to 68.4 from September's 65.4. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, North Dakota's Rural Mainstreet has lost 7,400, or 4.6% of its nonfarm employment (non-seasonally adjusted).

South Dakota: The October RMI for South Dakota expanded to 66.3 from 65.0 in September. The state's farmland-price index decreased to 82.2 from 87.0 in September. South Dakota's October hiring index climbed to 70.5 from 68.5 in September. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, South Dakota's Rural Mainstreet has gained 2,200, or 1.1% of its nonfarm employment (non-seasonally adjusted).

Wyoming: The October RMI for Wyoming sank to 60.7 from September's 62.1. The October farmland and ranchland-price fell to 80.6 from 84.7 in September. Wyoming's new-hiring index climbed to 68.9 from September's 66.3. U.S. Bureau of Labor Statistics data indicate that compared to its pre-covid-19 level, Wyoming's Rural Mainstreet has lost 5,600, or 2.9% of its nonfarm employment (non-seasonally adjusted).

KEEP AN EYE ON

U.S. Inflation Report. On Dec. 10, the U.S. Bureau of Labor Statistics releases its consumer price index (CPI) for November. We may see a slight slowing in the rate of growth. Very good for Fed. Chair Jerome Powell.

U.S. Jobs Report. On Dec. 3, the U.S. Bureau of Labor Statistics releases its job numbers for November. A weak reading may be in the offing as some workers quit due to vaccination mandates.

Retail Sales. On Nov. 16, the U.S. Census Bureau releases its retail sales for October. You should expect a healthy increase from October of 2020 (above 8.5%) with all of that stimulus money sloshing around.

STATISTIC(S) OF THE MONTH

-1.63%. Since January 2021, U.S. nonfarm worker wages expanded at a healthy compound annual growth rate of 4.47%. However, consumer prices advanced at an even stronger compound annual growth rate of 6.10% producing an inflation adjusted hourly wage loss of 1.63%.

THE BULLISH NEWS

- Total non-farm employment climbed by 531,000 in November as the unemployment rate sank to 4.6%, its lowest level since the beginning of pandemic.
- February's Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating very healthy manufacturing growth.
- For the first time in more than one year, the Case-Shiller national home price index cooled to a still strong growth of 19.7% for the 12 months ending in August.

THE BEARISH NEWS

- Creighton's wholesale inflation gauge from the June Mid-Surging food costs, energy, and rent pushed the U.S. inflation rate, as measured by the October CPI, to 6.2%, its highest level in 30 years.
- Third quarter, annualized and seasonally adjusted U.S. gross domestic product slowed to 2%, its slowest pace since the beginning of the pandemic.
- The U.S. trade deficit struck an all time high of \$80.9 billion in September as imports rose 0.5% and exports sank by 3.0%.
- The 2021 U.S. budget deficit hit \$2.8 trillion, its second highest on record.

THE OUTLOOK

Christmas and Holiday Sales Outlook Strong. "Despite consumer and retailer concerns about pandemic-related supply issues, 2021 U.S. holiday retail sales are expected to vault over last year's total, potentially growing by double digits. The National Retail Federation (NRF) projects November/December retail sales of \$843.4 billion to \$859 billion, up 8.5% to 10.5% from 2020 results. NRF said its forecast — excluding automobile dealers, gas stations and restaurants and covering Nov. 1 to Dec. 31— tops the previous high of \$777.3 billion, up 8.2%, in 2020 as well as the average gain of 4.4% over the past five years. Likewise, business consultancy Deloitte forecasts significantly higher holiday sales for 2021, estimating growth of 7% to 9% to between \$1.28 and \$1.3 trillion during the November-to-January time span. That's well over Deloitte's 1% to 1.5% projection for 2020 and the U.S. Census Bureau's November 2020-to-January 2021 sales growth measure of 5.8% to \$1.19 trillion (seasonally adjusted, excluding autos and fuel)." <https://www.supermarketnews.com/consumer-trends/us-holiday-retail-sales-outlook-brings-good-tidings>

GOSS (November 2021): **Since the presidential elections, the yield on U.S. long-term Treasury bonds has expanded from 0.83% to 1.50%. I expect that yield to climb by another ¼ % (25 basis points) by the end of 2021. Mortgage rates, which have expanded only marginally will rise by another 25 basis points by the end of Q1, 2021. **Annualized and seasonally adjusted Q1 2022 GDP growth will range between 1% to 2%.

BANKER READING ROOM

Data Security and Fraud, “*All participants in the payments and financial sector ecosystem, including but not limited to merchants, aggregators, technology companies, and entities with access to customer financial information, should be subject to Gramm-Leach-Bliley Act (GLBA) like data security standards. *ICBA supports national data security standards, including customer incident/breach notifications, to replace the current patchwork of state laws. *Community banks should be notified by impacted entities of a potential and/or actual breach as expeditiously as possible in order to mitigate losses. *The costs of data breaches should ultimately be borne by the party that incurs the breach. Barring a shift in liability to the breached entity, community banks should have continued access to various cost-recovery options, including account recovery programs and litigation. *All stakeholders must continue to freely innovate to effectively protect consumer data and consumer confidence. *ICBA supports stronger data security standards and practices for law enforcement, regulatory agencies, and other governmental departments and staff.

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GOSS EGGS (Recent Dumb Economic Moves)

Biden's multi-trillion dollar “Build Back Better Plan” would raise the cap on state and local tax deductions from its current \$10,000 to \$80,000. This has the impact of assisting the well-to-do since, according to TurboTax, only approximately 10% of U.S. taxpayers (mostly high income) itemized deductions in 2020. Furthermore, high tax states such as New York and New Jersey can shift a portion of their higher taxes onto the lower tax states such as Florida and Texas. 4 of 5 Goss eggs.



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4 of 5 Goss eggs.