

Welcome to Creighton's November Bank CEO Report. October's results from bank CEOs in 10 Rural Mainstreet States climbed higher from September's reading, and well above May's record low, with stabilizing farmland prices and lower farm equipment sales. Ernie

Economic Lockdowns, Economic Performance, and the Presidential Elections

Since the onset of Covid-19 in March of this year, a Wallstreet Journal analysis (<https://tinyurl.com/w72gtua>), concluded that five states maintained the most restrictive economic lockdowns, 16 states upheld some restrictions, and 30 states either lifted, or never enacted economic restrictions to limit Covid-19 health impacts. Assigning all economic losses to Covid-19, the accompanying table lists the economic, health and political impacts from Covid-19 between March and September of this year.

Covid-19 deaths. As listed, states with the lowest degree of economic restrictions, as expected, suffered the highest Covid-19 deaths per one million in population at a median of 556. At the other extreme, states with the most restrictive economic lockdowns experienced a median 516 Covid-19 deaths per million in population. The states with restrictions between the two extremes experienced Covid-19 deaths per million in population between the two limits at a median 537. Of course, this analysis does not account for the deaths that may have been incurred resulting from suicides, and delayed medical exams stemming from the lockdowns.

Economic impacts. Data in the accompanying table show that, as expected, economic lockdowns inflicted much more severe economic losses on states according to the degree of the lockdown. The 30 states that either lifted, or never enacted restrictions, suffered the least economic damage with median job losses at 2.8%, median increase in joblessness at 2.3%, and lowest median overall economic loss (GDP) at 2.2%.

On the other hand, the 5 states that enacted the most restrictive lockdowns endured the greatest economic damage with median job losses at 5.11%, median boost in joblessness at 3.2%, and highest median overall economic loss at 4.81%. The 16 states that enacted and maintained some restrictions suffered median losses of 6.53% in jobs, 3.35% surge in joblessness, and 3.85% fall in the overall economy (GDP).

Political impacts. It has been assumed, or asserted, that Covid-19 was at least partially responsible for the election of Vice-President Biden. If one assumes that states with populations most concerned about Covid-19 enacted and/or maintained lockdowns, then data support this linkage. Biden won only 20% of the states that either never enacted or lifted lockdowns, but 100% of states with the most restrictive lockdowns, and 87.5% of the states with economic restrictions between the two extremes.

Table 1: Estimated impacts from economic lockdowns by state, March – September 2020

State lockdown status	Deaths per Million in Population	Median % change in unemployment rates	Median % job losses	Percent of states Won by Biden	Median GDP loss
Lifted restrictions or never enacted	556	2.30%	-2.80%	20.0%	-2.20%
Most restrictive	516	3.20%	-5.11%	100.0%	-4.81%
Some restrictions	537	3.35%	-6.53%	87.5%	-3.85%

Data sources: Unemployment/job losses (U.S. BLS); GDP loss (U.S. BEA); Biden wins (Associated Press); Covid-19 deaths (<https://www.worldometers.info/coronavirus/>)

See individual state data at:

<http://economytrends.blogspot.com>

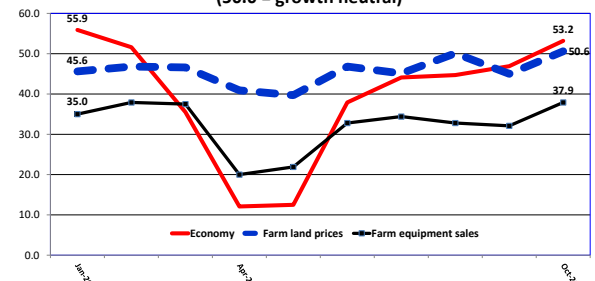
MAINSTREET RESULTS

Rural Mainstreet Index Climbs to Pre-Pandemic Levels: More Than One-Third of Bankers Report Area Recession

October Survey Results at a Glance:

- Overall index advanced for a sixth straight month to its highest level since January of this year.
- More than eight of 10 bank CEOs identified restaurants/bars as experiencing the greatest negative impact from Covid-19.
- Only 3% of bankers named farmers as experiencing the greatest negative Covid-19 impacts.
- For only the third time in the past 82 months, the farmland price index advanced above growth neutral.
- Bank CEOs estimated that farm equipment sales will fall by an additional 3.1% over the next 12 months.
- More than one-third, or 35.5%, of bank CEOs reported that their local economies were experiencing recessionary economic conditions.

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



Tables 2 and 3 summarize the survey findings. Next month's survey results will be released on the third Thursday of the month, November 19.

Table 2: The Mainstreet Economy	Oct.-19	Sept.-20	Oct.-20
Area economic index	51.4	46.9	53.2
Loan volume	68.9	60.9	46.8
Checking deposits	60.8	76.6	66.1
Certificates of deposit and savings instruments	50.0	35.9	38.7
Farmland prices	40.3	45.0	50.0
Farm equipment sales	39.7	32.1	37.9
Home sales	54.2	75.0	72.6
Hiring	59.7	54.8	54.8
Retail business	47.2	43.8	46.8
Confidence index (area economy six months out)	36.5	50.0	51.6

Table 3: The Rural Mainstreet Economy, October, 2020

How would you describe the economy in your area?	Percentage of bankers reporting				
	Deep Downturn	Modest Downturn	Little or No Growth	Modest Upturn	Strong Upturn
	0.0%	35.5%	38.7%	25.8%	0.0%
In terms of agriculture equipment sales for dealers in your area for the next 12 months, what do you expect:	Percentage of bankers reporting				
	Significant Reduction	Modest Reduction	No Change	Modest Increase	Significant Increase
	6.5%	32.3%	51.6%	9.7%	0.0%
In your local economy, which of the following has been hit the hardest for COVID-19, economically speaking: (choose only one)	Percentage of bankers reporting				
	Farmers	Medical Care Nursing homes	Retailers	Hourly Workers	Restaurants and Bars
	3.0%	3.4%	6.3%	6.7%	80.6%

MAINSTREET ON YOUR STREET

Since falling to a record low in April of this year, the Creighton University Rural Mainstreet Index (RMI) has increased for six straight months. According to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy, the index rose to its highest level since January, prior to the onset of Covid-19.

Overall: The overall index for October climbed above growth neutral 50.0 to 53.2 from September's 46.9. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral.

Recent improvements in agriculture commodity prices, federal farm support, and Federal Reserve's record low interest rates have underpinned the Rural Mainstreet Economy. Still, more than one-third, or 35.5%, of bank CEOs reported that their local economies were experiencing recessionary economic conditions.

Farming and ranching: For only the third time in the past 82 months, the farmland price index advanced above growth neutral for October. The October reading jumped to 50.6 from September's 45.0.

The October farm equipment-sales index increased to 37.9 from 32.1 in September. This marks the 85th straight month the reading has remained below growth neutral 50.0. Bank CEOs estimated that farm equipment sales will fall by an additional 3.1% over the next 12 months.

Banking: For the first time since January of this year, banks reduced the volume of loans. The borrowing index slumped to 46.8 from September's 60.9. The checking-deposit index declined to 66.1 from 76.6 in September, while the index for certificates of deposit, and other savings instruments increased to 38.7 from 35.9 in September.

Bankers, as expected, expressed concerns about Covid-19 and its impact on the economy. As stated by Lonnie Clark, president of the State Bank of Chandler, in Chandler, Minnesota, "Our worst problem right now is that so much anti-covid-19 vaccine information has been spread for political reasons that about half the people I talk to say they won't take the vaccine when it is available. That will hurt our hopes for an economic recovery looking forward."

Hiring: The new hiring index was unchanged from September's 54.8. Even so, data from the U.S. Bureau of Labor Statistics indicate that non-farm employment levels for the Rural Mainstreet economy are down by 169,000 (non-seasonally adjusted), or 3.9% 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, improved to 51.6 from September's 50.0. Covid-19 related farm support payments and improving gain prices have boosted confidence offsetting pessimism from the impact of the pandemic.

Home and retail sales: The home-sales index slipped to a strong 72.6 from 75.0 in September. The retail -sales index for October increased to a frail 46.8 from September's 43.8. Higher unemployment and business closures linked to Covid-19 continue to harm the region's retailers.

According to *Jim Brown, CEO Hardin County Savings Bank, Eldora, Iowa*, "The Paycheck Protection Program (PPP) loans have helped most of our retail outlets do relatively well the last few months."

This month, bankers were asked to identify the industry in their area most harmed by the pandemic. More than eight of ten, or 80.6%, named restaurants/bars as experiencing the greatest negative impacts from Covid-19. Others reported as being biggest impacts were: 3.0% identified farmers, 3.4% medical care, 6.3% retailers, and 6.7% hourly workers.

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.

Below are the state reports:

Colorado: Colorado's Rural Mainstreet Index (RMI) for October increased to 44.7 from September's 38.1. The farmland and ranchland-price index rose to 46.8 from 38.6 in September. Colorado's hiring index for October soared to 51.1 from 21.2 in September. Compared to the same time last year, Colorado's Rural Mainstreet economy has lost 11.6% of its non-farm employment representing 39,400 jobs.

Illinois: The October RMI for Illinois advanced to 53.4 from 43.6 in September. The farmland-price index climbed to 51.2 from September's 41.3. The state's new-hiring index improved to 55.4 from 43.1 in September. Compared to the same time last year, Illinois' Rural Mainstreet economy has lost 7.6% of its non-farm employment representing 364,000 jobs.

Iowa: The October RMI for Iowa climbed to 52.3 from September's 46.5. Iowa's farmland-price index rose to 50.6 from 42.8 in September. Iowa's new-hiring index for October inched up to 54.9 from 54.7 in September. Compared to the same month last year, Iowa's Rural Mainstreet economy has lost 6.4% of its non-farm employment representing 43,000 jobs. According to Jim Brown CEO Hardin County Savings Bank, Eldora, "Current commodity prices and subsidies are making the ag economy look better, but the drought has significantly reduced corn yields in some of our trade territory."

Kansas: The Kansas RMI for October increased to 57.5 from September's 50.9. The state's farmland-price index advanced to 53.2 from 45.0 in September. The new-hiring index for Kansas fell to 57.5 from 72.4 in September. Compared to the same month last year, Kansas's Rural Mainstreet economy has lost 5.3% of its non-farm employment representing 22,000 jobs.

Minnesota: The October RMI for Minnesota increased to 49.3 from September's 42.2. Minnesota's farmland-price index advanced to 49.2 from 40.7 in September. The new-hiring index for October rose to 53.4 from September's 37.7. Compared to the same month last year, Minnesota's Rural Mainstreet economy has lost 8.1% of its non-farm employment representing 43,000 jobs.

Missouri: The October RMI for Missouri jumped to 55.1 from 42.3 in August. The farmland-price index expanded to 52.0 from 40.7 in September. The state's hiring gauge climbed to 56.3 from 38.1 in September.

Compared to the same month last year, Missouri's Rural Mainstreet non-farm economy has lost 3.7% of its employment representing 11,500 jobs.

Nebraska: The Nebraska RMI for October rose to 58.6 from 53.4 in September. The state's farmland-price index improved to 53.8 from last month's 46.2. Nebraska's new-hiring index fell to a still strong 58.0 from 82.3 in September. Compared to the same month last year, Nebraska's Rural Mainstreet economy has lost 4.6% of its non-farm employment representing 13,000 jobs.

North Dakota: The North Dakota RMI for October dropped to 42.7 from September's 43.3. The state's farmland-price index improved to 45.8 from 41.2 in September. The state's new-hiring index increased to 50.1 from September's 41.9. Compared to the same month last year, North Dakota's Rural Mainstreet economy has lost 12.2% of its non-farm employment representing 21,000 jobs.

South Dakota: The October Rural Mainstreet Index (RMI) for South Dakota climbed to 59.6 from September's 53.9. The state's farmland-price index expanded to 54.3 from September's 46.1. South Dakota's October hiring index dropped to a still strong 58.5 from 81.0 in September. Compared to the same month last year, South Dakota's Rural Mainstreet economy has lost 3.7% of its non-farm employment representing 7,800 jobs.

Wyoming: The October RMI for Wyoming advanced to 52.6 from September's 47.7. The October farmland and ranchland-price index climbed to 50.8 from 43.4 in September. Wyoming's new-hiring index fell to 55.0 from September's 59.5. Compared to the same month last year, Wyoming's Rural Mainstreet economy has lost 7.6% of its non-farm employment representing 16,000 jobs.

THE BULLISH NEWS

- U.S. GDP accelerated at a 33.1% annualized pace in Q3, 2020, the strongest quarterly growth since the end of World War II.
- The nation added 638,000 jobs in October and the unemployment rate fell to 5.9%.
- U.S. retail sales rose in September at the fastest pace in three months. The value of overall sales increased 1.9% from the prior month after a 0.6% gain in August.
- Purchasing management indices (PMI) for both ISM's national survey and Creighton's Mid-America were in a range indicating healthy manufacturing growth.

THE BEARISH NEWS

- Year-to-date, the U.S. trade deficit jumped \$38.5 billion, or 8.6%, to \$485.6 billion. The total deficit for goods and services for the same period in 2019 was \$447.1 billion.
- The six biggest U.S. airlines suffered losses from the post-pandemic double that experienced post 9/11.
- The U.S. budget deficit soared to \$3.1 trillion in the fiscal year that ended Sept. 30, by far the biggest one-year gap in U.S. history.

THE OUTLOOK

National Association of Business Economics (NABE). For the first time since April 2019, a majority of respondents' firms reports increased sales at their firms, with 52% indicating rising sales during Q3. The Net Rising Index (NRI) for sales—the percentage of panelists reporting rising sales minus the percentage reporting falling sales—surged upward, increasing 47 points to 33, up from -14 in July. The forward-looking NRI for anticipated sales over the next three months also rose, adding to the sharp increase reported in the July survey. The NRI for anticipated sales increased 13 points, from 18 in July to 31, with positive readings in three of the four industry sectors. Hiring at respondents' firms remains depressed. The third-quarter NRI for employment levels over the last three months is -17, compared to -19 in the July survey. Even as the NRI improved, the share of respondents indicating there was decline in employment at their firms rose to 27% from 24% in the July survey.

FROM GOSS (November 2020): **The yield on U.S. long-term Treasury bonds, along with mortgage rates, to climb by another ¼ % (25 basis points) by the end of 2020. **The November job additions will be healthy but somewhat disappointing in comparison to October's. **Annualized and seasonally adjusted Q4 2020 GDP will range between 10% to 13%.

KEEP AN EYE ON

- **U.S. Retail Sales report.** On Nov. 17 and Dec. 16, the U.S. Census Bureau releases retail and food services sales for October and November, respectively. Look for weaker reports to signal a buying pullback by the U.S. consumer.
- **ISM's Creighton's Mid-America PMIs.** On December 1, ISM and Creighton release manufacturing survey results for November. Partial reversals of previous gains could be very bearish.
- **Creighton's Rural Mainstreet report.** On November 19th, Creighton releases its November survey of bank CEOs in rural areas of 10 states in the Rocky Mountains and Plains states. The rural economy has been performing at a pace below urban areas.

STATISTIC(S) OF THE MONTH

41%. Delta Airlines, which blocks the use of middle seats due to Covid-19, has a load factor of 41% compared to 59% for American Airlines which fills the middle seat. Last year at this time, load factors were 86% for American and 88% for Delta.

BANKER READING ROOM

ICBA Policy Resolution. "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. **ICBA 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.**ICBA implores Congress to use their 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. **ICBA 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 (Read more at: <https://tinyurl.com/y626v6gl>).

GOSS EGGS (Recent Dumb Economic Moves)

French President Macron announced a second national economic lockdown to begin Oct. 30 and reassessed on Dec. 1. Under his new measure, the nation's 46 million individuals would only be allowed to leave home for essential work or medical reasons.

Sweden has taken a more economically and medically sensible path. Sweden advised older people to exercise greater caution, but it left individual decisions to the individuals affected by those decisions. France's Covid-19 infection rate is 89.1% higher than Sweden's, and its Covid-19 death rate is four percent higher than Sweden's.

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