

April
2024

THE MAINSTREET ECONOMIC REPORT

A monthly survey of community bank CEOs, and chief loan officers

Rural Mainstreet Economy Weakest Since June 2020

One in Three Banks Tightened Farm Credit Standards

March 2024 Survey Results at a Glance:

- For a seventh straight month, the overall Rural Mainstreet Index sank below growth neutral to its lowest level since June 2020.
- Approximately three-fourths of bank CEOs indicated that their local economy was in a recession, or would enter a recession in the first half of 2024.
- Almost one in three bankers indicated that their bank had tightened credit standards on farm loans.
- Only 1.1% of bankers reported higher farm delinquency rates over the past six months.
- For the 52nd straight month, farmland prices expanded.
- The farm equipment sales index slumped below growth neutral for the ninth time in the past ten months to its lowest level since May 2020.

(Continued page 2)



Welcome to Creighton's April Bank CEO Report covering March survey results. The March overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States sank below growth neutral for a seventh straight month but with solid farmland price growth, and falling farm equipment sales. Ernie Goss

U.S. Wealthy Pay More Than a "Fair Share" of Income Taxes

In his State of the Union Address, President Biden called for income tax increases specifically calling for the wealthy to pay their "fair share." But what is a fair share?

The most recently released IRS data show that the top 1% of earners netted just over 26% of adjusted gross income, but paid almost 46% of total federal income tax collections. Furthermore, the highest 10% of earners paid almost 76% of collected federal income taxes.

On the other side of the equation, the bottom half of earners, or roughly 76.8 million taxpayers, paid only 2.3% of total income tax collections and shelled out an average tax rate of only 3.4%.

Did punishing the top earners with higher rates and rewarding bottom earners with lower rates reduce income inequality? Decidedly not! Between 2001 and 2021, the share of taxes paid by the top 1% rose from 34% to 46% while the bottom half of earners declined from 5% to 2.3%. During this same period-of-time the degree of income inequality as measured by the U.S. Census Bureau Gini Coefficient increased from 44.6 to 0.49.4 (a higher index indicates greater income inequality).

Thus, not only has shifting the burden of income taxes from low income to high income households failed to reduce income inequality. But it has reduced the incentive to increase earnings via education/training, higher hours worked or other work activities that benefit both the household and society. Ernie Goss

BULLISH NEWS

- The U.S. economy added a strong 303,000 jobs in March and the unemployment rate fell to 3.8%.
- Since Jan. 1, 2024, the large cap S&P 500 expanded by 9.7% while smaller cap Russell 2000 rose by only 1.7%.

BEARISH NEWS

- Consumer prices rose by 0.4% in March following 0.7% growth in the previous two months. Much too higher for 3 rate cuts this year.
- The number employed part-time for economic reasons was 4.3 million in March.
- U.S. number of unemployed is up 760,000 since Dec. 2022 and the rate jumped to 3.9% in February.
- The number of long-term unemployed (greater than 27 weeks) rose by 200,000 over the past 12 months.

Main\$street on Your \$street

Overall: For a seventh straight month, the overall Rural Mainstreet Index sank below growth neutral to 38.0 from 46.2 in February.

Overall: The region's overall reading for March fell to 38.0, its lowest level since June 2020, and down from 46.2 in February. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

Higher interest rates, weaker agriculture commodity prices and higher grain storage costs pushed the overall reading to its lowest level since the early months of the pandemic.

As reported by Jeff Bonnett, CEO of Havana National Bank in Havana, Ill., "Our farm operators, like their peers across the cornbelt, are still storing 2023 crop awaiting at least break-even pricing. Without an upward push in commodity prices, the 2024 crop projections mirror 2023."

Farming and ranching land prices: The region's farmland price index fell to a still solid 56.0 from February's 57.7. The farmland price index has remained above growth neutral for 52 consecutive months. Creighton's survey continues to point to solid, but slowing, growth in farmland prices. Approximately 16.0% of bankers reported that farmland prices expanded from February levels.

Jeff Bonnett, CEO of Havana National Bank in Havana, Ill., reported that, "With the extremely low market prices for both corn and beans, our bank's typical Ag operating loan cycle is now three, and in some cases four months behind the norm."

Even so, only approximately 1.1% of bankers reported an upturn in farm loan delinquencies over the past six months. This is only one percentage point higher than



reported three months ago when the same question was asked.

As a result of weaker agriculture commodity prices, approximately one in three bankers, or 29.2%, indicated that their bank had tightened credit standards.

Farm equipment sales: The farm equipment sales index for March plummeted to 30.4, the lowest reading since May 2020, from February's 49.5. This is the ninth time in the past ten months that the index has fallen below growth neutral. Higher borrowing costs, tighter credit conditions and weaker grain prices are having a negative impact on the purchases of farm equipment.

Banking: The March loan volume index soared to a strong 79.2 from 66.0 in February. The checking deposit index jumped to 62.5 from February's 48.0. The index for certificates of deposits and other savings instruments advanced to a vigorous 72.9 from 60.0 in February.

Hiring: The new hiring index for March rose to 52.2 from February's 49.0. Approximately 87% of bankers reported no change in hiring from February's hiring activity. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the regional Rural Mainstreet Economy added jobs by 1.7%, compared to 0.7% for urban areas of the same states.

Confidence: Rural bankers remain very pessimistic about economic growth for their area over the next six months. The March confidence index sank to 36.0 from February's 40.4. Weak and falling agriculture commodity prices and higher interest rates over the past several months continued to constrain banker confidence.

GOSS EGGS

RECENT DUMB ECONOMIC MOVES

Too Much Spending

The unacceptably high inflation reading for March released on April 10 was a deafening shot at the Biden Administration's out-of-control federal spending. The CBO estimated that the budget deficit for the first half of fiscal year was \$1.1 trillion.

Despite a 7% increase in total tax collections, a 6% jump in income tax receipts, and a 35% upturn in corporate tax gains, the Biden Administration has managed to expand spending as a share of gross domestic product to its highest level since World War II. That is, the U.S. now has a war time deficit in a peace time economy.

As a result, the nation's interest on the public debt soared by \$133 billion which is a 43% boost since Biden took office. Interest payments on the nation's debt is now greater than military spending. As Nixon's chief economist shouted in 1971, "If something cannot go on forever, it will stop." It will stop with three negative outcomes: higher inflation, soaring taxes, and unacceptably high interest rates. Keep an eye on 10-year U.S. Treasury bonds for early warnings.



4 OF 5 GOSS EGGS

Home and retail sales: Both home sales and retail sales sank below growth neutral for the last five months. The March home-sales index increased to a very weak 41.7 from 35.4 in February. Elevated mortgage rates and a limited supply of homes are sinking the home sales index below growth neutral in rural areas.

The retail-sales index for March fell to 39.6 from 44.0 in February. High consumer debt, elevated interest rates and weaker farm income are cutting into retail sales on the Rural Mainstreet Economy.

Below are the state reports:

Colorado: Colorado's RMI for March declined to 68.3 from February's 70.0. The farmland and ranchland price index for March dropped to 62.9 from February's 63.3. The state's new hiring index rose to 61.0 from 56.6 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy added jobs by 6.3%, compared to 0.7% for urban areas of the state.

Illinois: The March RMI for Illinois sank to 30.7 from February's 45.6. The farmland price index declined to 52.3 from 56.3 in February. The state's new hiring index dipped to 47.9 from 48.1 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy lost 0.1% of its jobs, compared to a 0.2% loss for urban areas of the state. Jim Eckert, CEO of Anchor State Bank in Anchor, "The winter here has been the mildest I've seen in my 56 years of banking. Almost no snow and occasional rains. Moisture is sufficient to get a crop in the ground, but timely rains will be necessary to get satisfactory yields."

Iowa: March's RMI for the state decreased to 34.5 from 38.8 in February. Iowa's farmland price index for March declined to 51.4 from 54.4 in February. Iowa's new hiring index for March increased to 46.8 from 45.7 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 1.1% compared to 0.7% for urban areas of the state.

Kansas: The Kansas RMI for March sank to 30.2 from February's 37.9. The state's farmland price index fell to 52.1 from 54.1 in February. The new hiring index for Kansas increased to 47.7 from 45.4 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural

Mainstreet Economy lost 0.3% of its jobs compared to a gain of 0.8% for urban areas of the state.

Minnesota: The March RMI for Minnesota declined to 42.2 from 42.9 in February. Minnesota's farmland price index slipped to 55.5 from 55.6 in February. The new hiring index for March increased to 51.9 from 47.2 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy added jobs by 3.1% compared to a gain of 0.5% for urban areas of the state.

Missouri: The state's March RMI increased to 51.7 from February's 37.3. The farmland price index climbed to 58.2 from 54.0 in February. The state's new hiring gauge jumped to 55.2 from 45.2 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 4.6% compared to 1.2% for urban areas of the state.

Nebraska: The Nebraska RMI for March rose to 38.0 from 34.4 in February. The state's farmland price index for March climbed to 54.3 from 53.1 in February. Nebraska's March new-hiring index increased to 50.4 from 44.2 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 2.2% compared to 1.4% for urban areas of the state.

North Dakota: North Dakota's RMI for March plummeted to 38.9 from 63.5 in February. The state's farmland price index declined to 54.6 from 61.4 in February. The state's new hiring index slumped to 50.7 from February's 54.4. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 1.3% compared to 2.0% for urban areas of the state.

South Dakota: The March RMI for South Dakota slumped to 43.0 from 50.9 in February. The state's farmland price index dropped to 55.7 from 57.8 in February. South Dakota's March new hiring index increased to 52.2 from 49.9 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 2.0% compared to 2.0% for urban areas of the state.

Wyoming: The March RMI for Wyoming slumped to 38.9 from 58.0 in February. The March farmland and ranchland price index climbed to 64.5 from 59.8 in February. Wyoming's new hiring index slipped to 50.6 from 52.5 in February. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the state Rural Mainstreet Economy experienced a job gain of 1.3% compared to 1.5% for urban areas of the state.

Tables 1 and 2 (page 6) summarize the survey findings.



KEEP AN EYE ON

Yield on 10-year U.S. Treasury bond.

This indicator which is released in almost “real time” has become the most watched financial indicator. Moving outside the range of 3.9% and 4.6% is a warning signal of higher inflation.

PMIs. On May 1, the ISM and Creighton releases purchasing management indices (PMI) for April for the U.S. and for Mid-America. Upturns in both readings will push interest rates higher.

Employment Report for April. On May 3, the U.S. BLS releases its estimate for April employment. Another reading above 300,000 may push the Fed to hold on rate cuts until after the November elections.

THE OUTLOOK

The Conference Board (April 11, 2024): “The US economy entered 2024 on strong footing, but headwinds including rising consumer debt and elevated interest rates will weigh on economic growth. While we do not forecast a recession in 2024, we do expect consumer spending growth to cool and for overall GDP growth to slow to under 1% over Q2 and Q3 2024. Thereafter, inflation and interest rates should gradually normalize and quarterly annualized GDP growth should converge toward its potential of near 2% in 2025.”

“On inflation, much progress was made over the course of 2023 but more recent data show that momentum has slowed. Emerging trends in energy markets and among certain services industries are serving as a headwind, but support from cooling rental prices remains in the pipeline. Given these trends, we are pushing our 2% inflation forecast back one quarter to Q4 2024. While we are maintaining our call for a cut to the Fed Funds rate in June, more progress on inflation will need to be made between now and then. Assuming this happens, we anticipate four 25 bp cuts this year (100bps in total) and an additional four 25 bp cuts in 2025 (100bps in total).”

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

BANKER READING ROOM

“ICBA’s Position on AI”

Positions:

- Banks, as early adopters, have effectively integrated AI and machine learning into their operations, prioritizing safety and soundness.
- ICBA holds that banking regulators currently possess the necessary tools to oversee AI usage in community banks.
- ICBA believes that regulations that currently apply to the banking sector

should be extended to other industries to provide similar protections to consumer data and privacy.

- ICBA opposes laws, regulations or guidance that could lead to the commoditization of lending and other services and products offered by community banks.
- ICBA opposes excessively prescriptive regulations from the CFPB that could potentially impede the use of AI in developing more equitable lending models. <https://tinyurl.com/mv9incc8>

STATISTIC(S) OF THE MONTH

\$60,000

The IRS is hiring new agents with average salaries of \$125,000 plus \$60,000 of student loan forgiveness. About 63% of IRS audits last year targeted middle-income tax payers.

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For historical data and forecasts, visit our website:

<https://www.creighton.edu/economicoutlook/>

For ongoing commentary on recent economic developments, visit:

<https://www.linkedin.com/in/ernie-goss-6a284732/>

Goss monthly interview at:

<https://bit.ly/MidAmericaBCIMarch2024YouTube>

This month's survey results will be released on the third Thursday of the month,



Economic Indicators for last 18 months: U.S., Rural Mainstreet & Mid-America

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

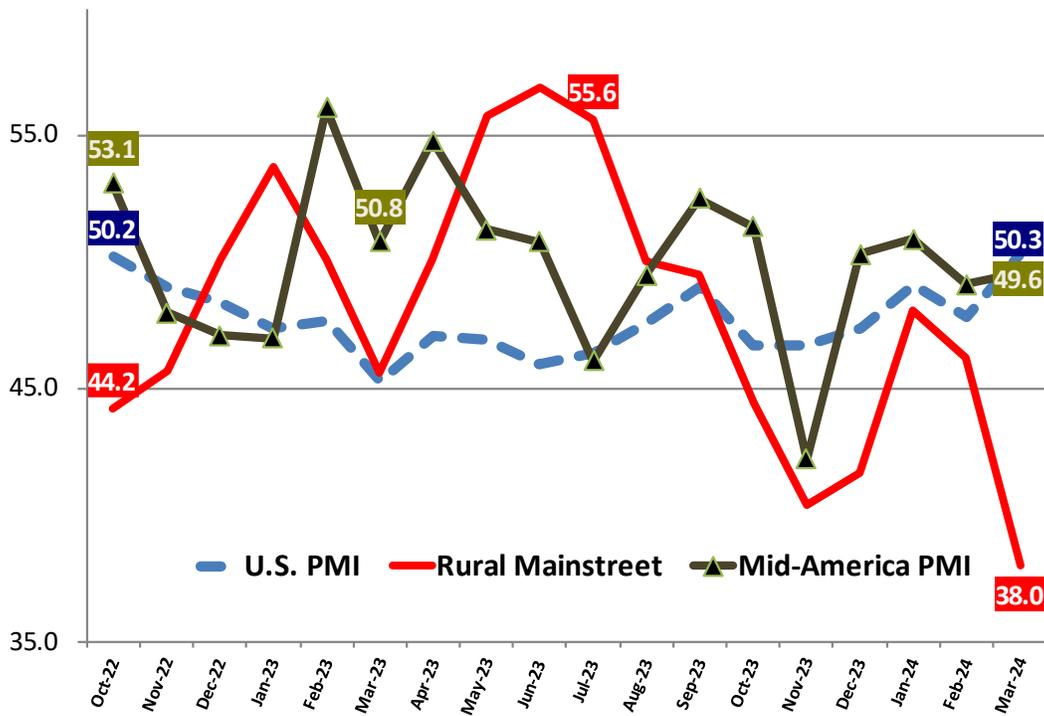


Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion)

	March 2023	Feb. 2024	March 2024
Area Economic Index	45.6	46.2	38.0
Loan Volume	63.0	66.0	79.2
Checking Deposits	40.9	48.0	62.5
Certificates of Deposit and Savings Instruments	75.0	60.0	72.9
Farmland Prices	63.0	57.7	56.0
Farm Equipment Sales	59.5	49.5	30.4
Home Sales	36.4	35.4	41.7
Hiring	45.5	49.0	52.2
Retail Business	41.3	44.0	39.6
Confidence Index (area economy six months out)	39.1	40.4	36.0

Table 2: The Rural Mainstreet Economy, March 2024

	Percentage of Bankers Reporting		
	Significantly Tightened	Tightened	No change
Which of the following best describes your latest farm loans regarding credit standards:	0.0%	29.2%	70.8%
	Percentage of Bankers Reporting		
	5% - 10%	1% - 4%	0% - 0.9%
Farm loan delinquency rates over the past six months are:	4.2%	16.7%	79.2%
	Percentage of Bankers Reporting		
	Current Recession	OK but expect recession 1 st half 2024	Solid growth & no recession ahead
Which of the following best describes the economy in your area:	17.4%	56.5%	37.1%