

Welcome to Creighton's November Bank CEO Report covering October survey results. October's overall reading from bank CEOs in 10 Rural Mainstreet States declined below growth neutral for a fifth straight month with solid farmland prices, and expanding farm equipment sales. Ernie

### MAINSTREET RESULTS

#### Rural Mainstreet Economic Index Falls Below Growth Neutral Again: Fifth Straight Month of Deterioration

#### October Survey Results at a Glance:

- The overall index fell below growth neutral for the fifth straight month.
- Farm equipment sales dropped for the second time in the past three months.
- Economic confidence index plummeted to its lowest level since May 2020.
- On average, bank CEOs expect 2022 Christmas and holiday buying to expand by less than 1%, or 0.8%, from last year.
- Almost one fourth of bankers reported that their local economy was currently in a recession.
- Approximately three of four bankers expect a recession to begin in 2023.
- Bank CEOs project 2022 farm equity to be 3.4% above 2021 levels. This compares to the USDA's 4.2% estimate for the nation's

### Was There a 2022 Recession? GDP, Labor Productivity and Participation Say Yes

According to the National Bureau of Economic Research (NBER), the official organization delineating U.S. recessions, the U.S. has suffered 12 recessions since 1950. The shortest economic downturn of two months began in March 2020, and the longest recession of 18 months started in December 2007. Furthermore, except for the economic downturn of the first half of 2022, the NBER has labeled every two straight quarters of negative GDP growth as a recession. Why did the NBER not identify the two straight quarters of falling GDP in 2022 as a recession?

The NBER argued that the labor market was too strong to label it a recession. Despite the job market adding an average of approximately 500,000 jobs per month and an unemployment rate of 3.7%, the productivity of workers took its biggest fall since 1947 in the first half of 2022. That is, worker output per hour declined to a record low -10.0% in the first half of 2022 compared to the 75-year average of +4.7%, and more than doubling the previous record low productivity decline of -4.3% for the first half of 1979.

In addition to the worst labor productivity growth in more than almost 80 years, U.S. labor force participation in the first half of 2022 was 62.3% compared to 63.3% prior to the pandemic. In other words, approximately 1.6 million workers chose to leave the workforce rather than working, or looking for work in the first half of 2022.

Not only does the economic data support the argument of a 2022 recession, the recession outlook for 2023 is equally gloomy. According to a National Association of Business Economics October 2022 survey of economists "More than five out of 10 panelists indicate that the U.S. economy has a more-than-even likelihood of entering a recession in the next 12 months. Eleven percent believe the U.S. economy is already in a recession." On top of that, in a Creighton October 2022 survey of bank CEOs, almost 100% reported that the economy is already in a recession, or will enter a recession in 2023.

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	Oct. 2021	Sept. 2022	Oct. 2022
Area economic index	66.1	46.3	44.2
Loan volume	53.6	79.5	76.8
Checking deposits	66.1	46.3	34.0
Certificates of deposit and savings instruments	32.1	34.6	46.2
Farmland prices	81.5	61.1	58.0
Farm equipment sales	64.8	58.0	47.8
Home sales	73.2	46.2	36.0
Hiring	71.4	49.2	49.2
Retail business	55.4	46.0	50.0
Confidence index (area economy six months out)	51.8	40.7	30.8

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

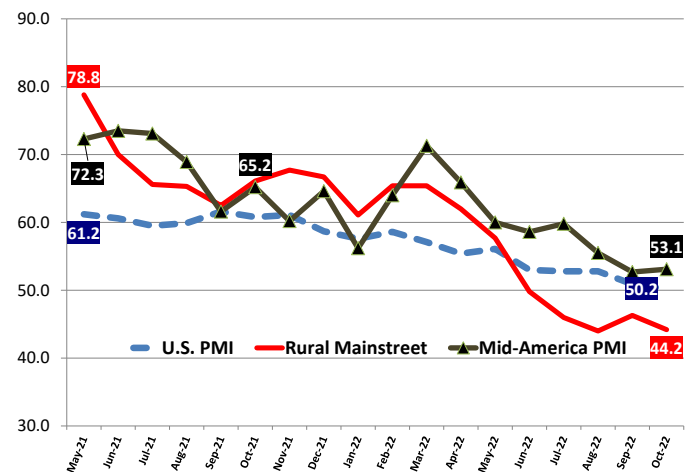


Table 2: The Rural Mainstreet Economy, October 2022

	Percentage of bankers reporting				
	No recession now or 2023	Only a Modest Recession	High Probability	Significant recession	Already in Recession
What is your U.S. recession assessment for 2023?	0.2%	19.0%	15.4%	42.3%	23.1%
	Percentage of bankers reporting				
	1% to 6.9% Decrease	No Change	1% to 6.9% Increase	7% to 9.9% Increase	Over 10% Increase
Projected 2022 farm sector equity is projected to increase by 4.2% over 2021 equity. For farmers in your area, what is your 2022 projected change in equity from 2021?	11.5%	19.2%	50.1%	15.4%	3.8%
	Percentage of bankers reporting				
	1% to 6.9% Decrease	No Change	1% to 3.9% Increase	4% to 9.9% Increase	Over 10% Increase
In terms of holiday and Christmas sales for retailers in your area, what change from 2021 do you expect?	30.8%	26.9%	30.8%	7.7%	3.9%

### MAINSTREET ON YOUR STREET

The Creighton University Rural Mainstreet Index (RMI) fell for the sixth time in the past seven months, sinking below growth neutral for a fifth consecutive 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 October once again sank below growth neutral to 44.2 from 46.3 in September. The index ranges between 0 and 100 with a reading of 50.0 representing growth neutral. This was the fifth consecutive month the overall reading has fallen below growth neutral.

The Rural Mainstreet economy is now experiencing a downturn in economic activity. Almost one in four bankers, or 23.1%, reported that the economy was already in a recession. Approximately, three of four bankers expect a recession to begin in 2023.

**Farming and ranching:** The region's farmland price index for October declined to 58.0 from September's 61.1 but moved above growth neutral for the 25th straight month.

Jim Rothermich of the Land Talker reported on farmland sales auctions in Iowa between October 8-14: "Plymouth County takes top honors this week with a sale at \$26,250/acre (55.6 acres), breaking the last state record of \$26,000/acre set in Sioux County on August 31, 2022."

Jim Eckert, president of Anchor State Bank in Anchor, Ill., reported that, "Corn yields are about the same as 2021. Early reports indicate soybean yields are a little lower than 2021."

This month, bankers were asked to estimate the increase in farm equity for 2022. On average, bankers forecast a 3.4% boost in farm equity from 2021 levels. This compares to a 4.2% projection from the USDA for the nation's farmers.

**Farm equipment sales:** For the second time in the past three months, the farm equipment-sales index slumped below growth neutral to 47.8 from September's 58.0. The index has risen above growth neutral for 21 of the last 23 months.

**Banking:** The October loan volume index dropped to a still strong 76.8 from 79.5 in September. The checking-deposit index fell to 34.0 from September's 46.3, while the index for certificates of deposit and other savings instruments rose to 46.2 from 34.6 in September. "Higher farm input costs and drought conditions in portions of the region supported stronger borrowing from farmers," said Goss.

**Hiring:** The new hiring index for October was unchanged from September's 49.2. Labor shortages continue to be a significant issue constraining growth for Rural Mainstreet businesses. Despite labor shortages, Rural Mainstreet expanded non-farm employment by 2.9% over the past 12 months. This compares to 3.0% growth for urban areas of the same 10 states for the same period of time.

**Confidence:** The slowing economy, strong energy prices, higher borrowing costs and elevated agriculture input costs pushed the business confidence index down to 30.8 from 40.7 in September. "This is the lowest reading for the confidence index since May 2020," said Goss.

**Home and retail sales:** The home-sales index sank to a very weak 36.0 from September's 46.2. The retail-sales index for October improved to 50.0 from September's 46.0. Despite October's higher reading, bankers were not optimistic about the Christmas and holiday buying season as they expect growth at less than 1.0%, or 0.8%, from the 2021 season.

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 October dipped to 59.7 from September's 59.8. The farmland- and ranchland-price index expanded to 66.4 from 60.1 in September. Colorado's hiring index for October increased to 59.2 from September's 58.4. Over the past 12 months, U.S. Bureau of Labor Statistics (BLS) data show that Colorado's Rural Mainstreet Economy experienced a 7.1% increase in non-farm employment, while urban areas in the state gained 3.3% in non-farm employment.

**Illinois:** The October RMI for Illinois was unchanged from September's 42.5. The farmland-price index fell to 59.1 from 62.2 in September. The state's new-hiring index slumped to 50.3 from September's 50.4. Said Jim Eckert, president of Anchor State Bank: "Area harvest is well under way." Over the past 12 months, BLS data show that Illinois' Rural Mainstreet Economy experienced a 2.2% increase in non-farm employment, while urban areas in the state gained 4.5% in non-farm employment.

**Iowa:** Iowa's October RMI slumped to 45.6 from 48.0 in September. Iowa's farmland-price index descended to 60.4 from September's 63.7. Iowa's new-hiring index for October dropped to 51.8 from September's 52.3. Over the past 12 months, BLS data show that Iowa's Rural Mainstreet Economy experienced a 3.7% increase in non-farm employment, while urban areas in the state gained 1.6% in non-farm employment.

**Kansas:** The Kansas RMI for October slipped to 39.3 from 40.8 in September. The state's farmland-price index declined to 57.7 from September's 60.6. The new-hiring index for Kansas rose slightly to 48.5 from 48.4 in September. Over the past 12 months, BLS data show that Kansas' Rural Mainstreet Economy experienced a 1.0% increase in non-farm employment, while urban areas in the state gained 1.1% in non-farm employment.

**Minnesota:** The October RMI for Minnesota sank to 35.7 from September's 37.2. Minnesota's farmland-price index dropped to 56.2 from 59.1 in September. The new-hiring index for October increased slightly to 46.6 from 46.5 in September. Over the past 12 months, BLS data show that Minnesota's Rural Mainstreet Economy experienced a 0.8% increase in non-farm employment, while urban areas in the state gained 2.9% in non-farm employment.

**Missouri:** Missouri's October RMI climbed to 63.6 from 57.3 in September. The farmland-price index fell to 68.0 from September's 71.1. The state's hiring gauge sank to 50.1 from 61.3 in September. Over the past 12 months, BLS data show that Missouri's Rural Mainstreet Economy experienced a 7.3% increase in non-farm employment, while urban areas in the state gained 1.6% in non-farm employment.

**Nebraska:** The Nebraska RMI for October once again dropped below growth neutral to 40.1 from September's 49.3. The state's farmland-price index fell to 55.2 from last month's 64.3. Nebraska's October new-hiring index rose to 51.5 from 48.3 in September. Over the past 12 months, BLS data show that Nebraska's Rural Mainstreet Economy experienced a 1.9% increase in non-farm employment, while urban areas in the state gained 1.5% in non-farm employment.

**North Dakota:** The North Dakota's RMI for October dipped to 49.7 from September's 50.0. The state's farmland-price index declined to 62.1 from 64.8 in September. The state's new-hiring index rose to 54.0 from September's 53.6. Over the past 12 months, BLS data show that North Dakota's Rural Mainstreet Economy experienced a 3.4% increase in non-farm employment, while urban areas in the state gained 2.9% in non-farm employment.

**South Dakota:** The October RMI for South Dakota dropped to 38.8 from 39.7 in September. The state's farmland-price index declined to 57.5 from 58.2 in September. South Dakota's October hiring index measured 48.2 compared to 47.9 in September. Over the past 12 months, BLS data show that South Dakota's Rural Mainstreet Economy experienced a 1.2% increase in non-farm employment, while urban areas in the state gained 4.0% in non-farm employment.

**Wyoming:** The October RMI for Wyoming increased slightly to 44.5 from 44.2 in September. The October farmland- and ranchland-price index fell to 53.4 from 62.1 in September. Wyoming's new-hiring index increased to 51.2 from September's 50.3. Over the past 12 months, BLS data show that Wyoming's Rural Mainstreet Economy experienced a 3.6% increase in non-farm employment, while urban areas in the state gained 1.2% in non-farm employment.

### KEEP AN EYE ON

- **U.S. Jobs Report.** On December 2, the U.S. Bureau of Labor Statistics releases its overall job report for November. Another very positive reading (above 250,000 jobs) will "seal the deal" for another Federal Reserve rate hike of 75 basis points (0.75%) at their Fed's December meeting.
- **Yield on 10-year U.S. Treasury Bond.** Available instantaneously on Yahoo.com. U.S. mortgage rates are closely linked to this yield. That yield has risen by 2.4 percentage points this calendar year while the 30-year mortgage rate has soared by from 3.1% to 7.0%.
- **Jay Powell and Federal Reserve Governors. Listen to them.** They are trying to tap down expectations of a cessation of interest rate increases. Fed head Powell is getting visibly irritated that investors, reporters and economists keep ignoring their warnings of higher rates to come.
- **Rail Strike Vote.** On December 3 rail workers vote on the new labor agreement. A strike would do what rate hikes have failed to do---slow job growth and increase the unemployment rate.

### THE BULLISH NEWS

- The U.S. job market added 261,000 jobs in October as the unemployment rate rose to 3.7% from 3.5%.
- Hourly wages for U.S. workers rose 0.4% in October. Not bad, but below the rate of inflation.
- Inflation adjusted quarter III, GDP increased by 2.6% which was above expectations and well above declines for quarters I and II.

### THE BEARISH NEWS

- The federal government spent \$718 billion on interest costs on the public debt in fiscal year 2022, up 29% from the year before.
- Housing prices dropped 1.1% in August from one month earlier according to the Case-Shiller home price reading.
- The drop in occupancy of apartment units in the U.S. between August 2021 and August 2022 was the largest since 2009.
- The average ACT scores for U.S. high school seniors fell for the fifth straight year. More than 40% of the seniors failed to meet the ACT's benchmarks for college readiness.

### THE OUTLOOK

**Oxford Economics Forecasts (Nov./Dec. 2022). SUMMARY:** "US consumer spending depends on continued savings drawdown," Revisions to personal income and spending data suggest US households accumulated a smaller stock of excess savings and have depleted that faster than assumed – spending \$553 billion, or twice as much as previously estimated. Our baseline forecast assumes households will draw down \$425 billion supporting 5% of consumer spending, but then move to a slower pace in 2023, albeit still financing 4% of household spending." <https://tinyurl.com/ycxpwbfid>

**GOSS (November 2022):** I expect \*\*\*\*the inflation rate to continue to cool (but not fast enough for the Fed) for the rest of 2022. \*\*\*Job additions for November to move below 150,000 with the unemployment rate rising to 4.0% in November. \*\*\*The average 30-year mortgage rate to rise by another one-half of one percentage point by the end of Q4, 2022. \*\*\*The prime interest rate to rise from current 7.0% to 7.5% on December 15 or one day after the Fed's rate setting committee (FOMC) meeting on December 14.

### STATISTIC(S) OF THE MONTH

**1,637,530** One month after Covid-19 struck the U.S. population, 5.8 million Americans left the workforce as the nation's participation rate plummeted from 63.1% to 60.8%.

Despite an expanding economy there are still **1,637,530** Americans that remain out of the workforce due to 1) lack of affordable childcare, 2) fear of Covid-19, 3) overly generous government benefits payments, and 3) baby boomer retirements.

### BANKER READING ROOM

[Reform and Refocus the Farm Credit System](#), “Farm Credit System (FCS) lenders enjoy unfair competitive advantages over rural community banks, leveraging their tax and funding advantages as government sponsored enterprises (GSEs) to siphon the best loans from community banks’ loan portfolios. The FCS’s abusive tactic of undercutting market pricing to obtain the best loans jeopardizes the viability of many community banks and the economic strength of the thousands of rural communities they serve. ICBA strenuously opposes the Farm Credit Administration’s (FCA’s) initiative to allow FCS to engage in non-farm financing labeled as investments or investment bonds. This initiative is a successor to the “Rural Community Investments” proposal, which was withdrawn in November 2013.” <https://tinyurl.com/bdzdzppf>

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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, Nov. 17, 2022.

### GOSS EGGS (Recent Dumb Economic Moves)

Despite a faltering economy, soaring inflation, a choking federal debt, and the highest mortgage rates in more than 20 years, President Biden told Americans he would change no policies for the rest of his term. **5 Goss eggs**



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**5 of 5 Goss eggs.**