

# February **THE MAINSTREET ECONOMIC REPORT**

2024 A monthly survey of community bank CEOs, and chief loan officers

## Rural Mainstreet Economy Slumps into Negative Territory for Fifth Straight Month: Farm Equipment Sales Fall as Farmland Prices Expand

Survey Results at a Glance:  
\*For a fifth straight month, the overall Rural Mainstreet Index sank below growth neutral.

\*Farmland prices expanded for the month. The last time the farmland price index fell below growth neutral was November 2019.

\*Higher borrowing costs, tighter credit conditions and weaker grain prices pushed the farm equipment sales index below growth neutral for the seventh time in the past eight months.

\*Of those farmers transitioning in the next decade, bank CEOs expect 53.8% to transfer ownership to heirs, and 42.3% anticipate the sale to other farmers in the area.

\*Economic confidence remained very weak.

(Continued next page)



Welcome to Creighton's February Bank CEO Report covering January survey results. The December overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for a fifth straight months but with solid farmland price growth, and falling farm equipment sales. Ernie Goss

## Housing Prices Skyrocket: Affordability Declines to Record Low in 2023

Over the past three years, the combination of rising mortgage rates and escalating housing prices have pushed many home buyers into renting rather than buying.

The 30-year mortgage rate has spiked to 7.04% in Q3, 2023 from 3.5% in Q1, 2020 and the median price of a U.S. single family home soared from \$300,200 to \$406,900 during this same time-period. As a result, the national housing affordability fell to a record low 91.7 in the third quarter of 2023 according to the National Association of Realtors (NAR).

A lack of housing inventory, driven by existing homeowners resisting leaving their low interest rates, pushed the affordability index

from 169.9 in 2020 to August's record low 91.7 just three years later.

Table 1 below shows how prices and monthly payments have swollen for metropolitan areas in Creighton's Rural Mainstreet States.

Fully 78%, or 39, states experienced increases in seasonally adjusted unemployment rates between June and December of 2023. Only DE, HI, KS, MD, MN, NV, ND, PA, SC, TX, and WY recorded reductions in, or steady, unemployment rates over the past six months.

Furthermore, home foreclosures for 2023 were up 10% compared to 2022, and 136% higher than 2021, but down nearly 30% from pre-covid 2019 levels.

This data point to much lower prices, but with foreclosure rates moving only slightly higher for 2024. Ernie Goss.

Table 1: Median single family home prices & monthly payments by metro area, 2020 and 2023

	Median home price		Monthly payment*		
	2020-Q1	2023-Q3	2020-Q1	2023-Q3	Growth
Sioux Falls	\$282,800	\$376,100	\$749	\$2,114	182.4%
Kansas City	\$287,600	\$365,100	\$752	\$2,083	177.0%
Denver	\$492,700	\$673,000	\$1,561	\$4,264	173.2%
Omaha	\$229,600	\$297,600	\$699	\$1,887	170.0%
Cheyenne	\$237,400	\$328,800	\$896	\$2,383	166.0%
Des Moines	\$315,200	\$387,900	\$727	\$1,886	159.2%
Wichita	\$174,800	\$251,300	\$554	\$1,421	156.3%
Chicago	\$220,600	\$297,800	\$911	\$2,313	153.9%
Minneapolis	\$236,300	\$333,600	\$999	\$2,458	146.1%
Bismarck	\$175,000	\$224,300	\$828	\$1,856	124.2%

Note: \*30-year mortgage rate with 10% down payment. Monthly payments do not include property taxes or insurance. Sources: NAR and St. Louis Federal Reserve

**BULLISH NEWS**

- The U.S. trade deficit was essentially unchanged between Nov. and Dec. of 2023.
- The U.S. Q4 GDP expanded by a solid 3.3% and well above expectations.
- The U.S. consumer price index climbed by only 0.4% over the last 3 months of 2023. However, core CPI which excludes food and energy rose by a much higher 0.8% over the same time period.
- Falling imports reduced the November U.S. trade deficit by 2%.

**.BEARISH NEWS**

- After 9 months of rising, the Case-Shiller Home Price index fell by 0.2% in November.
- Compared to 2022, the U.S. budget deficit increased 23% for fiscal 2023.
- Business bankruptcies surged 58% in 2023.

## Main\$street on Your \$street

**Overall:** . For a fifth straight month, the overall Rural Mainstreet Index (RMI) sank below growth neutral, according to the January 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 January rose to 48.1 from 41.7 in December. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

Higher interest rates, weaker agriculture commodity prices and a credit squeeze are having a significant and negative impact on Rural Mainstreet businesses and on Rural Mainstreet farmers. Jim Eckert, CEO of Anchor State Bank in Anchor, Ill. indicated that unless crop prices improve, 2024 will not be a good year for area farmers.

**Farming and ranching land prices:** The region's farmland price index fell to a still strong 64.0 from December's 67.2. The farmland price index has remained above growth neutral for every month since November 2019.

Creighton's survey continues to point to solid, but slowing, growth in farmland prices. Approximately, 28.0% of bankers reported that farmland prices expanded from December levels.

**Farm equipment sales:** The farm equipment-sales index for January sank to 47.9 from December's weak 49.5. This is the seventh time in the past eight 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.

Jim Eckert, CEO of Anchor State Bank in Anchor, Ill., said, "Input prices for 2024 are somewhat reduced from 2023, but cash rents are level."

For a fourth consecutive month, several bankers voiced concerns over economic losses by pork producers in their area. Terry Engelken, Vice



President of Washington State Bank in Washington, Iowa, reported that, "Hog finishers are still facing financial challenges."

When asked about the share of farm clients facing generational transition, on average, bankers estimate that approximately 25% will face transition issues in the next decade. Furthermore, 19.2% expected transitioning farm clients to pose an economic opportunity for their banking operations with 65.4% expecting both opportunities and threats from this transitioning.

Of those transitioning, bank CEOs expected 53.8% to transfer ownership to heirs, and 42.3% anticipate the sale to other farmers in the area. Bankers expect virtually no sales to farmers outside the area, including foreign buyers.

**Banking:** The January loan volume index declined to a still strong 71.9 from 80.9 in December. The checking deposit index expanded to 62.0 from December's very weak 41.4. The index for certificates of deposits and other savings instruments slipped to a still strong 62.0 from 65.5 in December.

**Hiring:** The new hiring index for January increased to growth neutral, 50.0, from December's 49.0. Almost 100% of bankers reported no change in hiring from December's hiring activity.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The January confidence index sank to 38.5 from December's 43.3. Falling agriculture commodity prices and higher interest rates continued to constrain business confidence.

**Home and retail sales:** Both home sales and retail sales sank below growth neutral for the last three months. The January home-sales index slumped to 38.0 from 43.3 in December.

# GOSS EGGS

## RECENT DUMB ECONOMIC MOVES

The Biden Administration announced last month a pause on every new and pending permits for liquefied natural gas export.

According to the Wallstreet Journal, letter from Senator Kennedy of Louisiana, "There is no environmental justification for killing these jobs. Natural gas is the reason America leads the world in carbon-emission reductions. From 2005 through 2019 natural gas drove a 32% reduction in American carbon emissions while creating 1.4 million manufacturing jobs and ensuring that families paid half as much to heat their homes."

Unfortunately, China's CO2 emissions increased last year by twice as much as U.S. emissions declined. By blocking new LNG export projects Biden's actions won't reduce global emissions, but will reward America's adversaries and metaphorically slap the face of European economy.



4 OF 5 GOSS EGGS

Elevated mortgage rates and limited supplies of homes are sinking the home sales index below growth neutral in rural areas.

The retail-sales index for January fell to 46.0 from 46.6 in December. High consumer debt and elevated interest rates are cutting into retail sales in rural areas of the region..

### Below are the state reports:

**Colorado:** Colorado's RMI for January soared to 73.7 from December's 52.4. The farmland and ranchland price index for January dropped to 69.7 from December's 74.1. The state's new hiring index declined to 57.5 from 59.4 in December. U.S. Bureau of Labor Statistics (BLS) data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 5.6%, while the state's urban areas grew employment by a much lower 0.6%.

**Illinois:** The January RMI for Illinois climbed to 50.0 from December's 46.5. The farmland price index declined to 63.0 from 66.3 in December. The state's new hiring index dipped to 49.1 from December's 49.7. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 1.7%, while the state's urban areas grew employment by a much lower 0.8%.

**Iowa:** January's RMI for the state decreased to 44.3 from 45.5 in December. Iowa's farmland price index for January declined to 61.4 from December's 64.0. Iowa's new hiring index for January increased to 45.1 from 46.9 in December. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 1.1%, while the state's urban areas grew employment by a much lower 0.3%.

**Kansas:** The Kansas RMI for January rose to 41.9 from December's 38.3. The state's farmland price index fell to 60.7 from 64.0 in December. The new hiring index for Kansas dipped to 46.3 from December's 46.8. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 0.7%, while the state's urban areas grew employment by a much higher 1.5%.

**Minnesota:** The January RMI for Minnesota improved to a weak 44.1 from December's 36.0. Minnesota's farmland price index decreased to 61.3 from 63.3 in December. The new hiring index for January increased to 47.1

from December's 46.0. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 1.6%, while the state's urban areas grew employment by an identical 1.6%.

**Missouri:** The state's January RMI sank to a regional low of 31.6 from December's 41.2. The farmland price index declined to 57.7 from 59.6 in December. The state's new hiring gauge rose to 42.7 from 41.3 in December. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 1.0%, while the state's urban areas grew employment by a higher 1.5%.

**Nebraska:** The Nebraska RMI for January increased to 39.5 from 37.3 in December. The state's farmland price index for January declined to 60.0 from 63.7 in December. Nebraska's January new-hiring index slumped to 45.5 from December's 46.5. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 0.3%, while the state's urban areas grew employment by 1.3%.

**North Dakota:** North Dakota's RMI for January climbed to 64.3 from 52.3 in December. The state's farmland price index declined to 67.0 from 69.7 in December. The state's new hiring index expanded to 54.2 from December's 53.8. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 4.1%, while the state's urban areas grew employment by a much lower 0.7%.

**South Dakota:** The January RMI for South Dakota improved to 50.5 from 46.1 in December. The state's farmland price index dropped to 63.1 from 66.2 in December. South Dakota's January new hiring index slipped to 49.3 from 49.5 in December. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 2.6%, while the state's urban areas grew employment by an identical 2.6%.

**Wyoming:** The state's January RMI increased to 56.9 from December's 49.9. January ranchland price index sank to 64.9 from 67.3 in December. Wyoming's new hiring index rose slightly to 51.6 from December's 50.8. U.S. BLS data indicate that over the past 12 months, the state's Rural Mainstreet economy expanded employment by 3.7%, while the state's urban areas grew employment by a much lower 1.2%.

Tables 1 and 2 summarize the survey findings. This month's survey results will be released on the third Thursday of the month, Feb. 15, 2024.



## 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.

**GDP for Q1, 2024.** The Atlanta Fed issues its GDPNow in real time. Current estimate is 3.7%. This growth is too strong for the Fed to consider a rate cut at its March meeting.

**Employment Report for Feb.** On March 1, the U.S. BLS releases its estimate for February employment. Another strong reading (above 190,000) which I do not expect will be bad for bond prices as yields begin to rise again dashing investors hopes for Fed rate cuts.

## THE OUTLOOK

**The Conference Board (Feb. 7, 2024).** “The US economy started 2024 on strong footing. Various indicators of business activity, labor markets, sentiment, and inflation are moving in a favorable direction. However, headwinds including rising consumer debt and elevated interest rates will weigh on economic growth.”

“With these factors in mind, The Conference Board is upgrading its US forecast for the year. While we no longer forecast a recession, we do expect the consumer spending growth to cool and for overall GDP growth to slow to under 1% in Q2 and Q3 2024. Thereafter, inflation and interest rates should normalize and quarterly annualized GDP growth should converge toward its potential of near 2 percent in 2025.” <https://www.conference-board.org/research/us-forecast>

## BANKER READING ROOM

### “Community Banks Serve Rural America”

Community banks are four times more likely to operate offices in rural counties and remain the only bank-ing presence in over one-third of all U.S. counties. There are over 1100 agricultural banks (25 percent of portfolios in agriculture). While community banks hold 25 percent of total banking

industry assets, they make nearly 90 percent of the banking industry’s farm loans. In 2021, agricultural loans were extended by over 4,000 banks while 67 FCS institutions held agricultural loans. However, the FCS now holds 22 percent more farm loans than banks due to their rapid growth in tax-free real estate lending.

<http://tinyurl.com/mssvb5rz>

## STATISTIC(S) OF THE MONTH

34%

Harvard’s acceptance rate for legacy applications was 34% compared to 6% for everyone else, 2009-15.

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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:

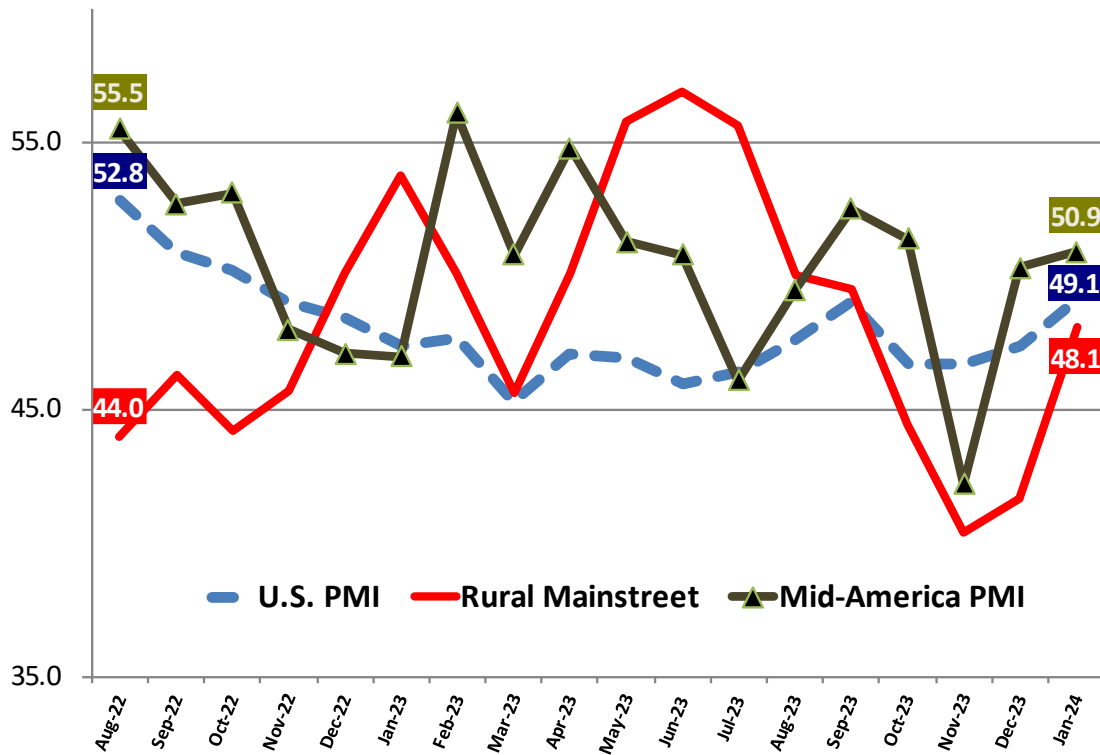
<https://bit.ly/MidAmericaBCIJanuary2024YouTube>

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

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



	Jan. 2023	Dec. 2023	Jan. 2024
Area Economic Index	53.8	41.7	48.1
Loan Volume	58.0	80.9	71.9
Checking Deposits	70.0	41.4	62.0
Certificates of Deposit and Savings Instruments	72.0	65.5	62.0
Farmland Prices	66.0	67.2	64.0
Farm Equipment Sales	61.4	49.5	47.9
Home Sales	38.5	43.3	38.0
Hiring	53.9	49.0	50.0
Retail Business	51.9	46.6	46.0
Confidence Index (area economy six months out)	40.4	43.3	38.5

	Percentage of Bankers Reporting				
	6% to 10%	11% to 15%	16% to 20%	21% to 30%	31% to 40%
What percentage of your farm clients do you expect to face a generational transition during the next decade?	11.5%	19.2%	11.5%	23.1%	34.7%
	Percentage of Bankers Reporting				
	Threat	Opportunity		Both Threat and Opportunity	
Do you view generational transitions on the farm as a threat or opportunity for your bank?	0%	19.2%		65.4%	
	Heirs	Farmers in Area	Farmers Outside Area	Corporate Buyers	International Buyers
	53.8%	42.3%	0.0%	0.0%	0.0%