

June  
2025

# THE MAINSTREET ECONOMIC REPORT

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

## Rural Mainstreet Economy Remains Weak 95% of Bankers Support Continuing 2017 Tax Cuts

### May-at-a-Glance:

- The overall Rural Mainstreet index fell below growth neutral 50.0 for the 20th time in the past 21 months.

- For the 12th time in the past 13 months, farmland prices sank below growth neutral.

- Farm equipment sales dropped below growth neutral for the 21st straight month.

- Federal Reserve interest rate policies have boosted CD purchases above growth neutral for 30 straight months.

- Approximately 68% named lower ag commodity prices as the top farming threat, while 23.5% indicated higher tariffs as the top risk factor.

- According to trade data from the International Trade Association (ITA), regional exports of agriculture goods and live-stock for the first quarter of 2025, compared to the same 2024 period, fell from \$3.4 billion in 2024 to \$2.7 billion in 2025 for a decline of 19.3%.

- For Q1, 2025, Mexico was the top destination for regional ag exports, accounting for 50.6% of total regional agriculture and livestock exports.

(Continued next page)



Welcome to Creighton's June Bank CEO Report covering May 2025 survey results. The overall May reading from bank CEOs and bank executives in 10 Rural Mainstreet States dropped into a range indicating that the Rural Mainstreet economy continues to struggle with falling farmland prices and ag equipment sales. Thank you for your input for our May survey. Ernie Goss

## CBO: Trump's 2025 Tax Bill Is Big—But Risky Without Spending Controls

The nonpartisan Congressional Budget Office (CBO), using static scoring methods, has estimated that President Trump's proposed 2025 tax bill would increase federal deficits by \$2.4 trillion over the next decade. This follows the CBO's 2017 projection that Trump's Tax Cuts and Jobs Act (TCJA) would add \$1.1 trillion to the federal debt, primarily due to reduced personal and corporate income taxes.

However, actual post-TCJA performance suggests the policy had more dynamic effects than originally projected. In the years following the TCJA's enactment, income tax revenues, both individual and corporate, rose and GDP growth accelerated, even as marginal tax rates fell. Table 1 below presents compound annual growth rates (CAGR) for four key metrics—economic growth, personal and corporate income tax collections, and federal debt—for the 4 years before and after the TCJA.

These data show that following the TCJA, economic growth improved,

and tax revenue increased, particularly corporate income taxes, which reversed a multi-year decline. Annual corporate receipts grew by 10.2% compared to a decline of 5.4% in the 4 years prior. Personal income tax collections also outpaced previous years, rising 8.1% annually. These increases challenge the static assumption that rate reductions necessarily reduce federal revenue.

However, these gains were offset by a dramatic rise in federal spending. From FY2017-FY2020, federal outlays increased from \$4.0 trillion to \$6.5 trillion, driven in part by the \$2.2 trillion COVID-19 stimulus. Even excluding this stimulus, debt rose at a historically high rate of 7.5% annually.

This surge in debt led to a sharp rise in interest payments, which grew from \$507.6 billion in Trump's first budget year to over \$1.07 trillion by the end of his final budget year. In contrast, under Obama's second term, interest costs rose from approximately \$220 billion to \$481.5 billion.

In conclusion, if Congress extends the TCJA in 2025, it must also implement serious spending controls to avoid repeating the pattern of rapid debt growth. Failing to do so will not only increase interest costs, but also undermine long-term economic growth and fiscal flexibility.

Table 1: Compound annual growth (CAGR), four years pre and post 2017 tax cuts (not inflation adjusted) (source of data- U.S. Bureau of Economic Analysis BEA)

	Economic growth	Personal income tax collections	Corporate income tax collections	U.S. federal debt
4 years prior to 2017 tax cut (Obama)	3.9%	5.5%	-5.4%	4.5%
4 years after 2017 tax cut (Trump)	5.5%	8.1%	10.2%	10.4%

## **BULLISH NEWS**

- The U.S. economy added 139,000 jobs in May and the unemployment rate remained steady at a low 4.2%.
- The U.S. trade deficit narrowed by 55% in April.
- The Case-Shiller home price index jumped 4.1% in March compared to March 2024. New York again reported the highest annual gain with an 8% increase followed by Chicago and Cleveland. Tampa posted the lowest return, falling 2.2%.

## **BEARISH NEWS**

- The first time claims for unemployment insurance has climbed by 89,000 over the last 12 months.
- Continuing claims for unemployment insurance rose by 100,000 over the past 12 months.
- U.S. manufacturing employment has fallen by 88,000 over the past 12 months.
- Bankruptcy filings have increased by 13.1% in the past year ending March 31, 2025.
- Interest payments for 2024 on the U.S. debt nearly tripled since 2020 and is exceeded only by Social Security.
- U.S. consumer spending adjusted for inflation rose only 0.1% in April.

# Main\$tre\$et on Your \$tre\$et

**Overall:** The region's overall reading for May increased to 44.0 from April's 40.0. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

The economic outlook for 2025 farm income remains weak according to bank CEOs. Almost one in four bankers rate tariff retaliation from trading partners as the top risk facing farmers in 2025 while 68.0% ranked lower farm commodity prices as the major risk factor for farmers.

Regarding the tax deliberations going on in Congress, a majority, or 54.2%, argue for extending the tax cuts as passed in 2017.

On the other hand, Terry Engelken, Vice President of Washington State Bank in Washington, Iowa said, "I think the SALT (state and local tax) limit should be raised to \$25,000 from \$10,000 and no tax on tips and Social Security." He argued that overtime should still be taxed.

### **Other comments from bankers in May:**

>Jeffrey Gerhart, former Chairman of the Bank of Newman Grove in Newman Grove, Nebraska said, "As a former agricultural banker, I've never been a fan of tariffs. I'm even less of a fan of the present tariffs that the administration is pursuing. My concern is that it won't end well for our farm economy and our rural communities. Congress needs to step up and do their job and not leave it all up to the administration."

>Jim Eckert, Executive VP and Trust Officer of Anchor State Bank in Anchor, Illinois reported that, "Planting is nearly complete in our area of Central Illinois (except for the usual 'stragglers'). Our farmers who have been in southern Illinois say the further south you get the less has been planted due to very wet conditions."

**Farming and ranch land prices:** For the 12<sup>th</sup> time in the past 13 months, farmland prices slumped below growth neutral. The region's farmland price index dropped to 39.6 from 41.7 in April. Elevated interest rates, higher input costs and volatility from tariffs have put downward pressure on ag land prices. Only 8.0% of bank CEOs are bullish on farmland prices for 2025.

When asked to name the top risk factor for farming in 2025, 68% named lower ag commodity prices as the number-one 2025 concern, while



23.5% indicated higher tariffs as the top risk factor.

According to trade data from the International Trade Association (ITA), regional exports of agriculture goods and livestock for the first quarter of 2025, compared to the same 2024 period, fell from \$3.4 billion in 2024 to \$2.7 billion in 2025 for a decline of 19.3%. For Q1, 2025, Mexico was the top destination for regional ag exports, accounting for 50.6% of total regional agriculture and livestock exports.

**Farm equipment sales:** The farm equipment sales index increased to a very weak 23.9 from 17.4 in April. This is the 21<sup>st</sup> straight month that the index has fallen below growth neutral. High input prices, tighter credit conditions, low farm commodity prices and market volatility are having a negative impact on farm equipment purchases.

**Banking:** The May loan volume index advanced to 75.0 from 70.8 in April. The checking deposit index fell to 45.8 from April's 58.7. The index for certificates of deposits (CDs) and other savings instruments rose to 60.4 from 58.3 in April. Federal Reserve interest rate policies have boosted CD purchases above growth neutral for 30 straight months.

**Hiring:** The new hiring index for May improved to 52.1 from April's 43.8. Job gains for non-farm employers have been weak for the last several months.

**Confidence:** Rural bankers remain pessimistic about economic growth for their area over the next six months. The May confidence index slumped to 30.0 from 36.0 in April. Weak grain prices, negative farm cash flows, combined with tariff retaliation concerns pushed banker confidence lower.

**Home and retail sales:** Home sales remained soft with a May reading of 47.9 from 45.8 in April. Regional retail sales remained very weak with an index of 41.7, but up from April's even weaker 39.6.



# GOSS EGGS

RECENT DUMB  
Economic Political  
Actions or Inactions

## Retirement Foibles

### Social Security

According to the CBO, Social Security Trust funds will be exhausted in 2033 just when the youngest baby boomers have enjoyed just two years of retirement.

What can and should be done to delay the calamity?

1. Copy Denmark and raise the retirement age from 67 to 70.
2. Adjust the age of retirement as the age of expected death rises and falls.
3. Reduce the yearly inflation adjustment to benefits by one percentage point.
4. Raise the Social Security tax rate.
5. Do not uncapped the taxable base for Social Security taxes. According to the CBO, "The Social Security program is progressive in that lifetime benefits tend to be larger relative to lifetime payroll taxes for people with lower earnings than for people with higher earnings." In other words, do not turn Social Security into another welfare program by removing the cap.

**California Hallucinating**  
Prior to California's 2013 reform, public safety workers could retire at age 50 with an annual pension of \$187,500.

After the reforms, for every \$10,000 of earnings, the state contributed \$5,000 for fire fighters and \$7,000 for public safety employees.

California Legislators are seeking to roll back 2013 reforms such that these same workers at the age of 50 and receiving 90% of their pre-retirement pay.

4 OF 5 GOSS EGGS



Below are the state reports:

**Colorado:** The state's Rural Mainstreet Index (RMI) for May increased to 47.9 from 45.0 in April. The farmland and ranchland price index for May fell to a weak 40.8 from 42.7 in April. The state's new hiring index increased to 52.3 from April's 44.8. According to trade data from ITA, Colorado exports of agriculture goods and livestock for the first quarter of 2025 compared to the same period in 2024, rose by \$21.9 million for a 21.6% gain. South Africa was the top destination to begin 2025, accounting for 30.9% of 2025 state ag & livestock exports.

**Illinois:** The state's May RMI increased to 37.6 from April's 34.6. The farmland price index for May sank to 37.9 from 39.8 in April. The state's new hiring index climbed to 48.6 from 41.2 in April. According to trade data from ITA, Illinois exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$544.3 million for a decline of 41.1%. China was the top destination to begin 2025, accounting for 24.0% of state ag & livestock exports.

**Iowa:** May's RMI for the state improved to a weak 46.8 from 39.8 in April. Iowa's farmland price index for May increased to 41.6 from 36.8 in April. Iowa's new hiring index for May increased to 44.9 from April's 37.5. According to trade data from ITA, Iowa exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$23.0 million for a decline of 4.7%. Mexico was the top destination for Q1, 2025, accounting for 70.9% of 2025 Iowa agriculture and livestock exports.

**Kansas:** The Kansas RMI for May sank to 36.8 from April's 37.5. The state's farmland price index declined to 31.6 from 33.5 in April. The new hiring index for Kansas rose to 40.9 from 33.5 in April. According to trade data from ITA, Kansas exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$25.0 million for a decline of 6.8%. Mexico was the top destination for Q1, 2025, accounting for 75.9% of 2025 Kansas agriculture and livestock exports.

**Minnesota:** The May RMI for Minnesota increased to 48.2 from 46.7 in April. Minnesota's farmland price index sank to 40.9 from 42.8 in April. The new hiring index for May rose to 52.4 from 42.8 in April. According to trade data from ITA, Minnesota exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$61.7 million for a decline of 23.4%. Mexico was the top destination for Q1, 2025,

accounting for 34.9% of 2025 Minnesota farm & livestock exports.

**Missouri:** The state's May RMI slumped to 40.1 from 46.7 in April. The farmland price index for May dropped to 33.8 from April's 35.7. The state's new hiring gauge for May increased to 43.6 from April's 35.7. According to trade data from ITA, Missouri exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$50.3 million for a decline of 19.2%. Mexico was the top destination for Q1, 2025, accounting for 86.0% of '25 Missouri farm & livestock exports.

**Nebraska:** The Nebraska RMI for May increased to 35.8 from 32.8 in April. The state's farmland price index for May fell to 37.3 from April's 39.3. Nebraska's new hiring index climbed to 48.0 from 40.6 in April. According to trade data from ITA, Nebraska exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, expanded by \$28.5 million for a gain of 9.6%. Mexico was the top destination for Q1, 2025, accounting for 57.8% of 2025 Nebraska agriculture and livestock exports.

**North Dakota:** The state's May RMI increased to 42.0 from 39.1 in April. The state's farmland price index slumped to 39.1 from April's 41.0. The state's new hiring index rose to 50.2 from 41.0 in April. According to trade data from ITA, North Dakota exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, sank by \$26.7 million for a decline of 11.2%. Mexico was the top destination for Q1, 2025, accounting for 42.4% of 2025 North Dakota farm & livestock exports.

**South Dakota:** May's RMI for the state increased to 40.8 from April's 37.9. The state's farmland price index sank to 38.8 from April's 40.7. South Dakota's May new hiring index climbed to 49.8 from April's 42.3. According to trade data from ITA, State exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, expanded by \$26.6 million for a gain of 87.9%. Mexico was the top destination for Q1, 2025, accounting for 82.2% of 2025 South Dakota agriculture and livestock exports.

**Wyoming:** The May RMI for Wyoming increased to 45.0 from 42.1 in April. The May farmland and ranchland price index sank to 40.0 from April's 41.9. Wyoming's new hiring index rose to 51.3 from 43.8 in April. According to trade data from ITA, Wyoming exports of agriculture goods and livestock for the first quarter of 2025, compared to the same period in 2024, expanded by \$2.3 million for a gain of 372.9%. Canada was the top destination for Q1, 2025, accounting for 59.4% of 2025 Wyoming agriculture and livestock exports.

**KEEP AN EYE ON**

Keep an eye on the yield on the 10-yr U.S. Treasury bond. Higher yields could foreshadow expanding inflation and international investors dumping U.S. Treasury bonds. Rates above 4.8% or rapid increases will be a problem for mortgages.

Consumer price index (CPI). On July 15, the U.S. BLS releases its CPI estimate for June. Rising inflation—bad for mortgage rates. I expect moderation instead due to a slowing U.S. economy.

Employment Report for May. On July 3, the U.S. BLS releases its job report for June. A significant uptick in the unemployment rate will support a Fed rate cut.

Federal Reserve interest rate meetings (FOMC) on June 16/17 will be important. I expect no change in rates. Fed is caught between inflation and potential recession/slowdown.

### STATISTIC(S) OF THE MONTH **\$21,400**

According to a new Bank-rate study, the cost of owning & maintaining a home is \$21,400 not including mortgage payments.

**THE OUTLOOK.** The Conference Board Economic Forecast for the US Economy. **“Tariff Inflation to Temper Growth Despite Trade Deal Cheers.”** We estimate sizable shocks to growth, inflation, and employment in the coming months, even as the U.S. administration reached an agreement to significantly reduce tariffs on imports from China. The Conference Board estimates tariffs may substantially lower GDP growth, raise inflation, weaken the labor market, and prompt Fed rate cuts. The latest developments also suggest the Fed may cut rates only twice this year.

The Conference Board Employment Trends Index™ (ETI) decreased in May to 107.49, from an upwardly revised 108.00 in April. The Employment Trends Index is a leading composite index for payroll employment. When the Index increases, employment is likely to grow as well, and vice versa. Turning points in the Index indicate that a change in the trend of job gains or losses is about to occur in the coming months. <https://tinyurl.com/2jnryzk4>

## BANKER READING ROOM

### The Use of AI in Banking

The banking sector, in particular, is increasingly relying on the advantages of AI technologies to remain competitive. Customers want seamless digital banking experiences: apps that anticipate their needs and the ability to interact with people or virtual assistants depending on the complexity of their issue.

Companies need to improve the user experience to keep those customers happy. Adopting and deploying generative AI solutions,

coupled with effective data management, is a key step toward that goal.

An AI agent is capable of autonomous decision-making and, for example, can guide a loan application from start to finish. It can interact with the customer, verify documents, check creditworthiness against internal and external databases and flag compliance issues. It adapts to changing information and makes decisions in real time instead of just following preset rules, all with minimal human intervention.

<https://tinyurl.com/44jsdvct>

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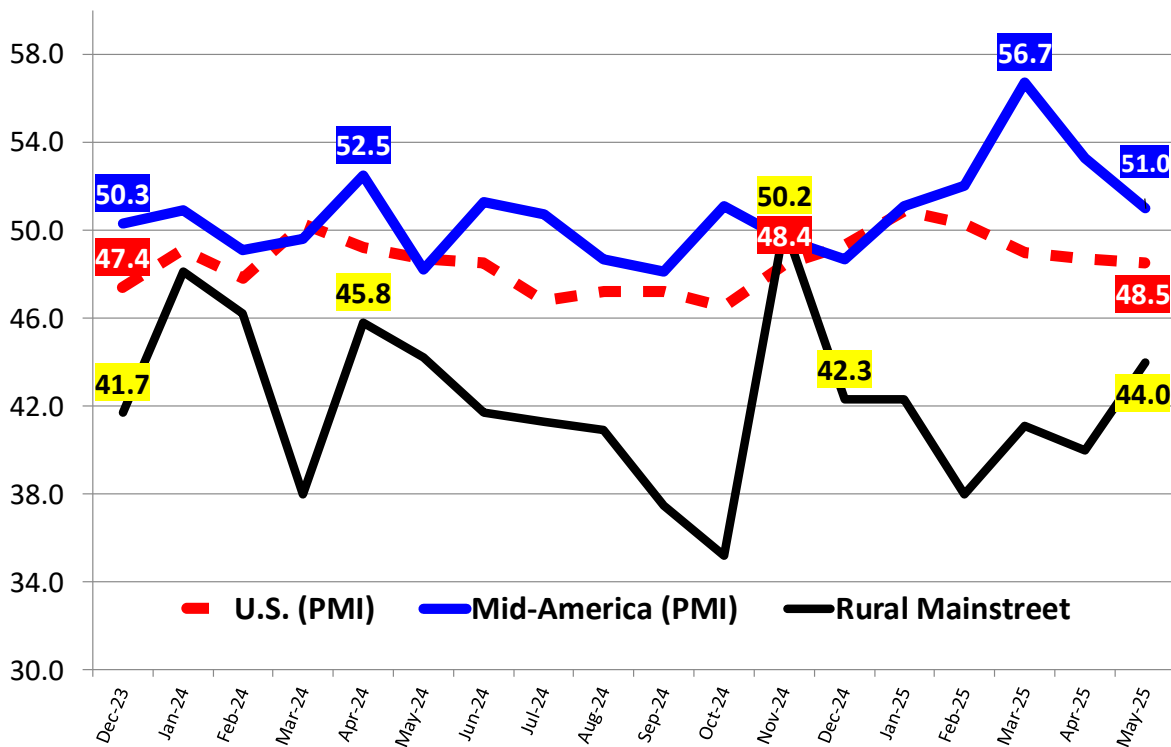
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This month's survey results will be released on the third Thursday of the month.

### The Rural Mainstreet Economic Report June 2025

## Economic Indicators for U.S., Rural Mainstreet, & Mid-America

Creighton & U.S. PMIs, last 18 months (50.0 = Growth Neutral)





## Summary of May Survey

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

	May 2024	April 2025	May 2025
Area Economic Index	44.2	40.0	44.0
Loan Volume	82.0	70.8	75.0
Checking Deposits	44.0	58.7	45.8
Certificates of Deposit and Savings Instruments	62.0	58.3	60.4
Farmland Prices	47.9	41.7	39.6
Farm Equipment Sales	34.0	17.4	23.9
Home Sales	46.0	45.8	47.9
Hiring	50.0	43.8	52.1
Retail Business	46.1	39.6	41.7
Confidence Index (area economy six months out)	28.8	36.0	30.0

**Table 2: The Rural Mainstreet Economy, May 2025**

	Percentage of Bankers Reporting				
	Allow to ex- pire	Continue 2017 tax cuts “as is”	Continue 2017 tax cuts & eliminate tax on tips & overtime	Continue 2017 tax cuts & eliminate tax on tips, overtime	
Regarding the 2017 Trump tax cuts that expire at the end of 2025. Congress & President should:	4.2%	54.2%	16.7%	25.0%	
	Percentage of Bankers Reporting				
	Farmland	Gold & silver	U.S. Treasury bonds	U.S. equities	Cash
Which of the following assets are you most bullish on for 2025:	8.0%	12.0%	16.0%	24.0%	40.0%
	Percentage of Bankers Reporting				
	Tariff retaliation on U.S. ex- ports		Higher input prices	Low ag commodity prices	
Which of the following 2025 risks is the greatest for farmers in your area:	23.5%		8.5%	68.0%	