

August
2025

THE MAINSTREET ECONOMIC REPORT

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

Rural Mainstreet Economy Expands Again: Four of Ten Bankers Expect Tariff Negatives

July-at-a-Glance:

- The overall Mid-America Business Conditions Index declined below growth neutral for the month.
- Employment losses occurred for the fourth straight month.
- The regional inflation yardstick moved into a range indicating that inflationary pressures are moving higher at the wholesale level.
- Only 6.7% of supply managers reported that tariffs caused their firms to move input purchases from international providers to domestic suppliers.
- According to U.S. International Trade Administration (ITA) data, the regional economy exported \$38.9 billion in manufactured goods for the first five months of 2025, compared to \$40.8 billion for the same period in 2024, for a 4.7% decline.
- In terms of 2025 export gainers, North Dakota registered the top percentage gain with a 42.6% addition, and South Dakota recorded the largest percentage loss with a 19.9% reduction in the export of manufactured goods.

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(Tables on final page)



Welcome to Creighton's August Bank CEO Report covering July 2025 survey results. The overall July reading from bank CEOs and bank executives in 10 Rural Mainstreet States climbed into a range indicating that the Rural Mainstreet economy is improving slightly, but with falling farmland prices and ag equipment sales. Thank you for your input for our July survey. Ernie Goss

U.S. Employment Data: Lies, Damn Lies, or Statistics?

The U.S. Bureau of Labor Statistics (BLS) released its July 2025 jobs report on August 1, showing a gain of only 33,000 jobs for the month. The report also included steep downward revisions to prior estimates—May was cut by 119,000 jobs and June by 133,000. President Trump dismissed the report as “rigged,” claiming that the monthly revisions were “concocted,” and subsequently fired BLS Commissioner Erika McEntarfer, alleging political bias. Before evaluating either the accuracy of the data or Trump’s assertion, several statistical realities must be considered.

Each month, the BLS surveys about 121,000 businesses and government agencies, covering approximately 631,000 worksites. Because this is a sample—not a full census—the results carry a margin of error that has ranged from $\pm 100,000$ jobs in 2020 to $\pm 207,000$ jobs in 2023.

One major reason for this widening range is declining participation: the response rate fell from 63% in March 2017 to 42.5% in March 2024. Lower response rates increase sampling error, and if non-responding businesses

experience different employment changes than responders, the estimates will also be biased.

Beyond monthly adjustments, the BLS also makes an annual benchmark revision each February using the Quarterly Census of Employment and Wages (QCEW). The QCEW covers roughly 11.5 million establishments—about 95% of all U.S. jobs—and is based on administrative payroll records rather than a sample, meaning it has no margin of error.

As shown in Table 1, the average error between initial and revised monthly figures was greater under Trump (16.0%) than under Biden (4.6%). When the margin of error is applied, 14 of Biden’s 48 monthly releases fell outside the margin of error. For Trump, 10 of 51 releases were outside of the margin of error. These initial results appear more favorable to Biden with surveys more likely to undercount Trump’s job gains.

Across all 99 months examined, the BLS’s initial release was within the margin of error 75 times. The data suggest that the significant revisions have more to do with statistics, not fraud, or politically meddling. However, politicians and economists have a good argument that the BLS should adopt more statistically sound methodologies that reduce the margins of error.

As stated by British Prime Minister Benjamin Disraeli and popularized by Mark Twain, “There are three kind of lies: lies, damn lies and statistics.”

Table 1: Monthly job data from CES survey and QCEW, 2017- Feb. 2025

	Months	Total Initial release	Revised net job additions	Under count	Under count	Months outside margin of error
Trump	51	13,874,000	16,097,000	2,223,000	16.0%	10
Biden	48	15,679,000	16,394,000	715,000	4.6%	24

Source: Goss calculations based on U.S. BLS CES & QCEW data, 2017-2025 (Q1)

BULLISH NEWS

- The U.S. trade deficit hits a nearly 2-year low in June.
- The Case-Shiller home price index move higher in May with prices for the 20 city index 2.8% higher than May 2024.
- The CPI increased 0.3% in June suggesting that tariffs are beginning to increase prices to consumers.
- The U.S. unemployment rate for July stood at a very positive 4.2%.

BEARISH NEWS

- The U.S. trade deficit rose to \$71.5 billion for May.
- Continuing claims for unemployment insurance hit highest level since November 2021.
- Both the Creighton regional and ISM national survey of manufacturers sank below growth neutral for July.
- The U.S. economy added only 19,000 jobs for May, 14,000 jobs for June, and 73,000 jobs for July. The monthly increase should be above 150,000.
- U.S. consumer spending fell by 0.1% in May from the previous month.
- Household debt (including mortgages, credit cards, auto loans & student loans) rose to \$18.4 trillion in Q2, '25.

Main\$tre\$ on Your \$tre\$

The overall Rural Mainstreet Index (RMI) climbed above the 50.0 growth neutral reading in July, marking the second time since July 2023 that the index has moved above growth neutral for two straight months, according to the monthly survey of bank CEOs in rural areas of a 10-state region.

Overall: The region's overall reading for July slipped to 50.6 from June's 51.9. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

This is the first time since July and August of 2023 that the survey has registered two consecutive months of above growth neutral readings.

According to Jeff Bonnett, President of Havana National Bank in Havana, ILL, "Until ag commodity prices move to above break even, especially for corn & soybeans, I will continue in my bearish outlook for our 100% Ag dependent local economy here in West Central Illinois."

This month, bankers were asked to rank the greatest threat to farm income for the next year. More than three of four, or 76.1%, named low farm commodity prices as the top threat, while 19.9%, or almost one of five, identified tariffs as the top risk for the farm economy over the next 12 months. The remaining 4.0% assessed rising input costs as the greatest hazard over the next 12 months.

Other comments from bankers in July:

>Jim Eckert, Executive VP and Trust Officer of Anchor State Bank in Anchor, Ill. said, "Crops (corn & soybeans) in our area look great, but we are badly in need of rain. A few "pop-up" showers here and there, but no general rains since mid-June."

>Brian Nicklason, CEO of Woodland Bank in Grand Rapids, Minn. Said, "The impact of Minnesota's new Marijuana Laws is just now starting to take shape. We expect strong job growth in our local area which will lead to continued housing issues and day care issues. But overall, a net positive for the local economy."

Farming and ranch land prices: For the 14th time in the past 15 months, farmland prices slumped below growth neutral. The region's farmland price increased slightly to a weak 47.9 from 40.9 in June. Elevated interest rates,



higher input costs and volatility from tariffs have put downward pressure on farmland prices. On average, bankers expect farmland prices to fall by 2.9% over the next 12 months.

According to trade data from the International Trade Association (ITA), regional exports of agriculture goods & livestock for the first five months of 2025, compared to the same 2024 period, fell from \$5.3 billion in 2024 to \$4.5 billion in 2025 for a decline of 14.8%. For the first five months of 2025, Mexico was the top destination for regional ag exports, accounting for 56.5% of total regional ag & livestock exports.

Bank CEOs were asked the expected impact from President Trump's tariff actions. Approximately 4 of 10 expected higher tariffs to result in retaliation among trading partners thus lowering farm income. The remaining 6 of 10 indicated that it was too early to assess potential impacts of the President's tariff negotiations.

Farm equipment sales: The farm equipment sales index slumped to a very weak 16.7 from 22.7 in June. This is the 23rd straight month that the index has fallen below growth neutral. High input costs, tighter credit conditions, low farm commodity prices and market volatility from tariffs are having a negative impact on the purchases of farm equipment.

Banking: The July loan volume index soared to a record high 87.5 from 73.1 in June. The checking deposit index increased to 45.8 from June's 40.4. The index for certificates of deposits (CDs) and other savings instruments rose to 56.3 from 50.2. Federal Reserve interest rate policies have boosted CD purchases above growth neutral for 32 straight months.

Hiring: The new hiring index for July sank to 50.0 from June's 52.0. Job gains for non-farm employers have been positive, but soft for the last several months.

Confidence: Rural bankers remain pessimistic about economic growth for their area over the next six months. The July confidence index declined to 36.0 from June's frail 37.0. Weak

GOSS EGGS

RECENT DUMB

Economic Steps, Inactions, and/or Lies

U.S. Debt Funding

Biden's Treasury Secretary, Janet Yellen, chose to fund the U.S. budget deficit by borrowing short term (i.e. she issued bonds with an average duration of 5.4 years.

This meant she was able to obtain lower interest cost during her tenure. In the first year of the Biden Administration, the average interest rate on the debt was 1.6%, with yearly interest expense of \$562 billion. Average interest rates rose to 3.4% in the first year of Trump's second term with yearly interest expense of \$1,100 billion.

It also meant that the incoming Trump Secretary of Treasury, Scott Bessent, is faced with \$11 trillion of maturing debt in the next 12 months which now must be refinanced at significantly higher rates with consequent escalating interest expense even with no change in \$37 trillion debt.

Yellen, a Berkley Macroeconomist, was either clairvoyant and saw the upcoming Trump victory or she foolishly estimated that rates would return to their 2020 lows. Either way, it was a whooper of a mistake as rates remained elevated and are expected to persist that way well into the future. Little wonder Trump is pushing for Fed rate cuts.

4 OF 5 GOSS EGGS



grain prices and negative farm cash flows, combined with tariff retaliation concerns, pushed banker confidence lower.

Home and retail sales: Home sales weakened to 50.0 from June's 51.9. Regional retail sales, much like national retail sales for July were fragile 47.8 from 44.2. Much like the nation, housing indices are falling and retail sales are slumping.

Below are the state reports:

Colorado: The state's Rural Mainstreet Index (RMI) for improved to 53.2 from 50.9 in June. The farmland price index for July increased to 53.3 from June's 42.0. The state's new hiring index dipped to 50.8 from June's 52.2. According to ITA trade data, Colorado exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, rose by \$6.1 million for a 2.6% gain. South Africa has been the top destination for 2025 exports, accounting for 23.3% of 2025 Colorado agriculture and livestock exports.

Illinois: The July Rural Mainstreet Index (RMI) dropped to 51.4 from June's 52.7. The state's farmland price index for July increased to 49.3 from 42.3 in June and the July new hiring index fell to 46.8 from 53.8 in June. According to ITA trade data, Illinois exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, sank by \$0.9 billion for a decline of 41.0%. Mexico was the top destination for state exports, accounting for 30% of 2025 state ag & livestock exports.

Iowa: July's Iowa RMI declined to 49.7 from 51.0 in June. Iowa's farmland price index for July increased to 46.3 from 39.3 in June. Iowa's new hiring index for July dipped to 43.0 from June's 44.8. According to ITA trade data, Iowa exports of ag goods and livestock for the first five months of 2025, compared to the same period in 2024, climbed by \$89.5 million for an expansion of 12.0%. Mexico was the top destination for state exports, accounting for 74.5% of 2025 Iowa ag & livestock exports.

Kansas: Kansas's July RMI dropped to 47.8 from June's 49.1. The state's farmland price index moved to 43.1 from 36.1 in June and the new hiring index fell to 39.0 from 46.0 in June. According to ITA trade data, Kansas exports of ag & livestock for the first five months of 2025, compared to the same period in 2024, expanded by \$19.9 million for growth of 3.3%. Mexico was the top export destination, accounting for 79.0% of 2025 Kansas ag and livestock exports.

Minnesota: The July RMI for Minnesota declined to 51.2 from 54.5 in June. Minnesota's farmland price index increased to 49.6 from 45.2 in June and the new hiring index fell to 50.5 from 57.5 in June. According to ITA trade data, Minnesota exports of ag goods and livestock for the

first five months of 2025, compared to the same period in 2024, sank by \$94.1 million for a decline of 20.9%. Mexico was the top destination for state exports, accounting for 37.0% of 2025 Minnesota agriculture and livestock exports.

Missouri: The July RMI declined to 49.0 from 50.3 in June. The farmland price index for July increased to 45.2 from June's 38.2. The state's new hiring gauge for July fell to 41.7 from June's 48.7. According to trade data from ITA, Missouri exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, fell by \$60.8 million for a decline of 16.0%. Mexico was the top destination for state exports, accounting for 86.0% of 2025 Missouri agriculture and livestock exports.

Nebraska: The July RMI declined to 51.1 from 52.4 in June. The state's farmland price index for July increased to 48.8 from 41.8 in June and the new hiring index sank to 46.1 from June's 53.1. According to ITA trade data, Nebraska exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, rose by \$106.9 million for a 24.5% gain. Mexico was the top destination to begin 2025, accounting for 67.4% of 2025 Nebraska agriculture and livestock exports.

North Dakota: The state's overall RMI for July declined to 52.2 from June's 53.5. The state's farmland price index increased to 46.8 from June's 43.6. The state's new hiring index fell to 48.3 from 55.3 in June. According to ITA trade data, ND exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, fell by \$19.8 million for a decline of 5.0%. Mexico was the top destination for state exports, accounting for 51% of 2025 state agriculture & livestock exports.

South Dakota: The July RMI declined to 52.0 from 52.3 in June. The state's farmland price index increased to 50.2 from 43.2 in June and the new hiring index sank to 47.9 from June's 54.9. According to trade data from the ITA, South Dakota exports of agriculture goods and livestock for the first five months of 2025, compared to the same period in 2024, rose by \$11.1 million for a 20.2% gain. Mexico was the top destination for 2025, accounting for 77.4% of 2025 South Dakota agriculture and livestock exports.

Wyoming: The July RMI fell to 52.7 from 54.0 in June. The July ranchland price index increased to 51.4 from June's 44.4 while the new hiring index fell to 49.4 from 56.4 in June. According to ITA trade data, exports of ag goods and livestock for the first five months of 2025, compared to the same period in 2024, rose by \$2.5 million for a 149.1% gain. Canada has been the top 2025 destination, accounting for 64.5% of Wyoming ag & livestock exports.



THE OUTLOOK. Specific Forecasts:

Congressional Budget Office (CBO): Projects federal deficits of \$20 trillion over the 2025-2034 period, with debt reaching 116% of GDP and real GDP growth slowing to 1.9% in 2025 and 1.8% in 2026.

The Conference Board: GDP growth projections for 2025 and 2026 have been revised downward. The U.S. is now expected to grow by 2.0% in 2025 and 1.7% in 2026, reflecting concerns over trade tensions and inflation. The Conference Board also anticipates that the Federal Reserve will implement three rate cuts in 2025 to support the economy,

J.P. Morgan: After modest growth in 2025, J.P. Morgan projects real GDP to accelerate—pushing toward or above 2.0% growth by the fourth quarter of 2026, supported by tax-cut stimulus activating at the start of the year, Expected below-trend GDP growth in the third and fourth quarters of 2024, with a potential uptick in inflation before cooling to the Fed's target.

OECD Projects global growth slowing from 3.3% in 2024 to 2.9% in both 2025 and 2026, with the slowdown concentrated in the US, Canada, Mexico, and China.

Deloitte: Forecasts 1.25% U.S. GDP growth in 2025 and estimates a 30% probability of a U.S. recession, according to Money/US News. Economic Forecast for the US Economy

BANKER READING ROOM

“AI for Banks: A Starter Guide for Community and Regional Institutions.”
“66% of banks have discussed allocating budget or resources to AI.[i] To stand out, you’ll need a clear, well-defined vision for AI. Define Your Business Goals and Vision. Before diving into AI adoption, you need to understand the fundamentals (Generative AI vs. Large Language Models vs. Machine Learning and so on). And – perhaps most importantly – you need to understand why you’re pursuing it.

Start identifying how AI can support your business objectives by asking yourself: Are you looking to improve efficiency, freeing up time for your staff to engage more deeply with customers? Do you want to grow deposits or better manage risk? Are you aiming to offer more personalized financial solutions, helping customers achieve financial health? AI isn’t just about technology. It impacts people, processes, and change management across organizations.”

<https://tinyurl.com/6kmvt42w>

KEEP AN EYE ON

Keep an eye on the yield on the 10-yr U.S Treasury bond. Higher yields foreshadow expanding inflation and international investors dumping U.S. Treasury bonds. Rates below 4.1% point to a slowing economy.

Consumer price index (CPI). On Sept. 11, the U.S. BLS releases its CPI estimate for August. Rising inflation—bad for mortgage rates. I expect moderation instead due to a slowing U.S. economy.

Employment Report for August. On September 5, the U.S. BLS releases its job report for August. A significant uptick in the unemployment rate will support a Fed rate cut in September.

Federal Reserve interest rate meetings (FOMC) on Sept. 16/17 will be important. Fed is caught between inflation and potential recession/slowdown. I expect a 25 basis point cut.

STATISTIC(S) OF THE MONTH -2.5%

Average GDP growth for the 10 Rural Mainstreet states sank by an annualized 2.5% from Q4, 2024 to Q1, 2025 compared to a decline by 0.5% for the nation.

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

For ongoing commentary on recent economic developments, visit:

Goss monthly interview at: <https://bit.ly/MidAmericaBCIJuly2025YouTube>

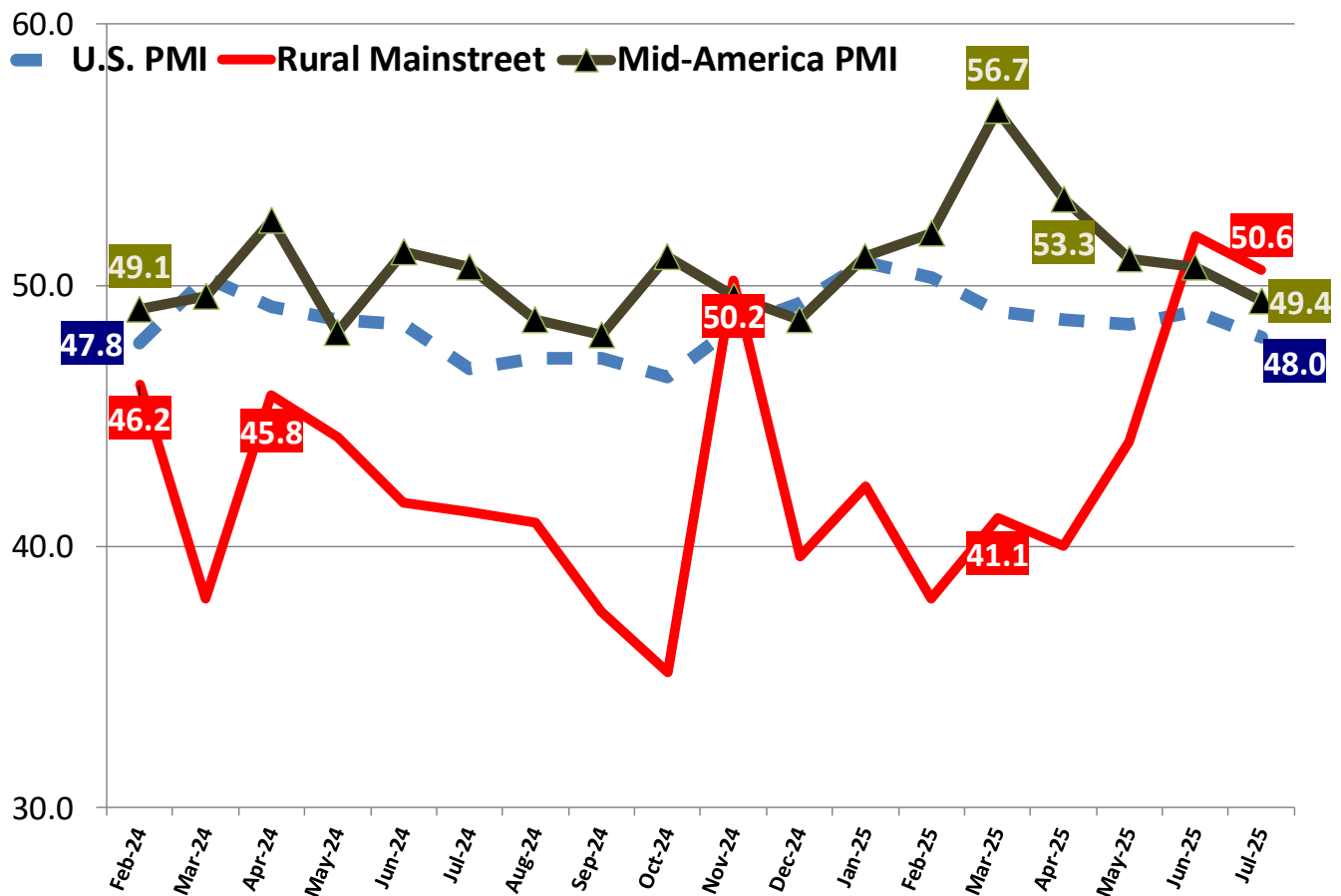
News media assets & headshots: <https://bit.ly/MidAmericaBCIJuly2025NewsAssets>

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

The Rural Mainstreet Economic Report August 2025

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

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



SURVEY RESULTS

Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion)			
	July 2024	June 2025	July 2025
Area Economic Index	41.3	51.9	50.6
Loan Volume	67.4	73.1	87.5
Checking Deposits	45.5	40.4	45.8
Certificates of Deposit and Savings Instruments	65.9	50.2	56.3
Farmland Prices	52.2	40.9	47.9
Farm Equipment Sales	19.0	22.7	16.7
Home Sales	33.3	51.9	48.0
Hiring	50.0	52.0	50.0
Retail Business	39.1	44.2	47.8
Confidence Index (area economy six months out)	28.3	37.0	36.0

Table 2: The Rural Mainstreet Economy, July 2025

	Percentage of Bankers Reporting		
	Rising farm input costs	Low crop prices	Trade tariffs
Which of the following represents your biggest concern regarding farm profitability in the next 12 months?	4.0%	76.1%	19.9%
	Percentage of Bankers Reporting		
	Little or no change	Down 1% - 4%	Down 5% - 9%
Over the next 12 months, what are your expectations for farmland prices in your area?	40.0%	28.2%	31.8%
	Percentage of Bankers Reporting		
	On balance, tariffs increases will negatively affect <u>Rural</u> Mainstreet economy	It is unclear how the tariff increases will affect Rural Mainstreet economy	
Which of the following most closely represents your expectations regarding President Trump's tariff program:	40.5%	59.5%	