

August  
2024

# THE MAINSTREET ECONOMIC REPORT

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

## Rural Mainstreet Economy Down Again: Bankers Expect Farmland Prices to Fall

### July 2024 Survey Results at a Glance:

- For a 11<sup>th</sup> straight month, the overall Rural Mainstreet Index sank below growth neutral.
- After two straight months of below growth neutral, the farmland price index climbed slightly above the threshold.
- On average, bankers expect farmland prices to drop by 3.4% over the next 12 months.
- Farm equipment sales sank below growth neutral for 12<sup>th</sup> straight month.
- Almost half of bank CEOs advocate for two Federal Reserve rate cuts for the rest of 2023.
- According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were down \$198 million, or 3.6%.
- (Results on next page)



Welcome to Creighton's August Bank CEO Report covering July survey results. The June overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 11<sup>th</sup> straight month, and with farmland prices climbing above growth neutral after two straight month below the threshold. Thank you for your input. Ernie Goss

## U.S. Housing Affordability Falls to Record Low in 2024? Is U.S. Housing Set for a Downturn?

For the first time since 2008-09, the U.S. housing market is sending worrying signals of a potential economic downturn? According to the National Association of Home Builders, median price of a **new** single-family home in the first quarter of 2024 was \$495,750, but with approximately 77% of all U.S. households unable to afford this median-priced new home.

This has not stopped some economists from crowing about the strength of residential real estate. Lawrence Yun, Chief Economist for the National Association of Realtors (NAR) recently stated that "Prices will remain firm and will not decline on a national level." Good luck on that outlook!

NAR data over the last 12 months, show that the inventory of U.S. housing units for sale rose

36.7%, and the units sold fell for the fourth straight month in June by 5.4% over the same period of time. Additionally, the sale of existing homes of all types – single-family houses, townhomes, condos, and co-ops sank to 3.89 million units the 3<sup>rd</sup> lowest sales volume since the depth of the housing bust in 2010.

According to the U.S. Federal Reserve (Fed), the May 2019 median payment, including taxes and insurance was \$1,591, but rocketed to \$2,977 in May 2024 for a 90% increase. Not surprisingly, the Atlanta Fed's home ownership affordability index soared to a record high in May 2024.

Table 1 lists the share of income needed to own the median priced home for selected regional metropolitan areas. As listed in terms of the percent of income needed to purchase the median priced home, Des Moines at 28.8% was the most affordable, while Denver at 48.9% was the least affordable.

Table 1: Home affordability index by regional city (U.S. = 43.9, normal = 30.0)

City	Index	City	Index	City	Index
Bismarck, ND	33.5	Des Monines, IA	28.8	Oklahoma City, OK	34.9
Cheyenne, Wy	39.6	Kansas City, MO	38.3	Omaha, NE	34.2
Chicago, IL	46.5	Little Rock, AR	34.2	Sioux Falls, SD	41.0
Denver, CO	48.9	Minneapolis, MN	34.5	Wichita, KS.	34.6

Note: Index is the percent of income needed to make monthly payment on median priced home (includes, insurance and interest); Normal is less than 30%. Source: Federal Reserve Bank of Atlanta

## BULLISH NEWS

- U.S. GDP growth was 2.8% (annualized) for the 2<sup>nd</sup> Quarter. Not bad!
- The price index from the GDP release was 2.6% (annualized). Now that is improving.
- Over the past 12 months, hourly wage growth was 3.9% while consumer prices climbed by 3.3%.
- The U.S. trade deficit decreased from \$951.2 billion in 2022 to \$773.4 billion in 2023.
- According to the latest Case-Shiller home price index home prices jumped 5.9% year-over-year, in May. Watch for weaker increases in home prices in months ahead.

## BEARISH NEWS

- Over past 12 months, the unemployment rate rose from 3.5% to 4.3%.
- Over the past 12 months, the household survey indicated an addition of 558,000 part-term jobs, and 67,000 workers discouraged workers left the labor-force.
- The 10-year U.S. Treasury bond yield plummeted to below 3.9% last week indicating financial risks moved significantly higher.

## Main\$street on Your \$street

**Overall:** Weak agriculture commodity prices, sinking agriculture equipment sales and declining farm exports pushed the overall reading below growth neutral for the 11th straight month.

**Farming and ranching land prices:** After falling below growth neutral for two straight months, farmland prices rose above the growth neutral threshold for July. The region's farmland increased to 52.2 from June's 49.9. Only 8.7% of bank CEOs reported that farmland prices expanded from June levels.

Bankers were asked to project farmland prices for the next 12 months. On average, bankers expect farmland prices to drop by 3.4% over the next 12 months.

According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were **down** \$198 million, or 3.6%, from the same period in 2023.

**Farm equipment sales:** The farm equipment sales index for July plummeted to 19.0, its lowest level in more than seven years, and down from June's 31.8. This is the 12<sup>th</sup> straight month that the index has fallen below growth neutral. Higher borrowing costs, tighter credit conditions and weak grain prices are having a negative impact on the purchases of farm equipment.

**Banking:** The July loan volume index stood at a very strong 67.4, but down from June's 79.2. The checking deposit index increased to a weak 45.5 from June's 34.8. The index for certificates of deposits and other savings instruments rose to 65.9 from 63.0 in June.

Bankers were asked their recommendations for Federal Reserve interest rate actions for the rest of 2024. Almost half, or 47.8%, advocate for two rate cuts of one-quarter of one percentage point, or one-half of one percentage point.



Don Reynolds, Chair of Regional Missouri Bank, in Marceline, Missouri, said that the nation is "at a major crossroads between risking the creation of a major recession by keeping interest rates in this range too long just to reach a target inflation number." He argues that interest rates should be reduced 50-75 bps (½% - ¾%) .

**Hiring:** The new hiring index for July improved to 50.0 from June's 47.7. In terms of economic risks for the region for the next 12 months, over half, or 52.2%, indicated a recession as the greatest risk, 26.0% named an upturn in inflation, 17.4% identified a debt crisis and 4.4% specified little or no economic risks for the next 12 months.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The July confidence index slumped to 28.3, its lowest level in 2024, and down from June's 29.2. Weak agriculture commodity prices and farm exports, combined with downturns in farm equipment sales over the past several months, continued to constrain banker confidence.

**Home and retail sales:** After expanding to a strong 62.5 in June, the home sales index tumbled to July's 33.3. Likewise, retail sales in the region, much like that for the nation, were very weak with a July retail index of 39.1, down from 41.3 in June. High consumer debt, elevated interest rates and weaker farm income are cutting into retail sales for the Rural Mainstreet Economy.

Below are the state reports:

**Colorado:** The state's RMI for July dropped to 52.3 from June's 56.7. The farmland and ranchland price index for July fell to 54.6 from 61.5 in June. The state's new hiring

# GOSS EGGS

## RECENT DUMB ECONOMIC MOVES

### LA Times Headline:

“Chevron is leaving California: Too bad it isn’t leaving the planet.”

This headline typifies California’s anti-business attitude as Chevron announced that, due to stifling regulations, it was leaving the not so golden state for the friendlier regulatory environment of Texas.

After 150 years of headquarter operations in California, Chevron is joining other former ex-pats such as Elon Musk’s Tesla and Charles Swab.

In addition to heavy-handed regulations, California imposes a corporate profits tax of 9% versus Texas’ 0%.

Little wonder that over the past 12 months, California has lost 94,000 jobs while Texas has gained 206,000 jobs.

Robert DeNiro is just fine with the state’s job losses as he relaxes watching re-runs of his “Dirty Grandpa.”

### 5 OF 5 GOSS EGGS



index sank to 53.1 from 54.3 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$105.7 million, or 197.9%, from the same period in 2023.

**Illinois:** The state’s July RMI rose to 44.8 from June’s 42.7. The farmland price index climbed to 52.1 from 49.4 in June. The state’s new hiring index increased to 50.0 from 47.1 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$266.2 million, or 11.7%, from the same period in 2023.

**Iowa:** July’s RMI for the state increased to 49.5 from June’s 48.0. Iowa’s farmland price index for July improved to 53.4 from 50.9 in June. Iowa’s new hiring index for July rose to 51.6 from 49.0 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$11.3 million, or 1.5%, from the same period in 2023.

**Kansas:** The Kansas RMI for July declined to 34.4 from June’s 34.6. The state’s farmland price index increased to 49.1 from 47.1 in June. The new hiring index for Kansas increased to 46.3 from 44.3 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$1.0 million, or 0.2%, from the same period in 2023.

**Minnesota:** The July RMI for Minnesota rose to 50.7 from 50.2 in June. Minnesota’s farmland price index climbed to 53.7 from 51.5 in June. The new hiring index for July decreased to 52.1 from 55.3 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$73.3 million, or 14.0%, from the same period in 2023.

**Missouri:** The state’s July RMI fell to 51.2 from June’s 54.2. The farmland price index for July was unchanged from 53.2 in June. The state’s new hiring gauge climbed to 55.9 from June’s 52.1. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$107 million, or 20.5%, from the same period in 2023.

**Nebraska:** The Nebraska RMI for July sank to 38.6 from 39.5 in June. The state’s farmland price index for July rose to 50.3 from 48.5 in June. Nebraska’s July new-hiring index sank to 47.8 from 48.2 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$115.1 million, or 36.0%, from the same period in 2023.

**North Dakota:** North Dakota’s RMI for July increased to 38.1 from 36.3 in June. The state’s farmland price index declined to 46.5 from 47.5 in June. The state’s new hiring index rose to 50.2 from 44.9 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$22.0 million, or 5.9%, from the same period in 2023.

**South Dakota:** The July RMI for South Dakota climbed to 45.7 from June’s 45.5. The state’s farmland price index increased to 52.3 from 50.1 in June. South Dakota’s July new hiring index improved to 50.3 from 48.1 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$5.6 million dollars, or 9.3%, from the same period in 2023.

**Wyoming:** The July RMI for Wyoming rose to 38.2 from 37.5 in June. The June farmland and ranchland price index climbed to 50.2 from 47.9 in June. Wyoming’s new hiring index increased to 47.7 from 45.3 in June. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$1.6 million dollars, or 49.1%, from the same period in 2023.

Tables 1 and 2 summarize the survey findings. Next month’s survey results will be released on the third Thursday of the month, August 15, 2024.

**Only 8.7% of bank CEOs reported that farmland prices expanded from June levels.**

**Bankers were asked to project farmland prices for the next 12 months. On average, bankers expect farmland prices to drop by 3.4% over the next 12 months.**



## KEEP AN EYE ON

Keep an eye on the yield on the 10-yr U.S. Treasury bond. It is falling due to soaring risks. Yields below 3.6% signal recession risks much higher.

On August 15, the U.S. Census Bureau releases retail sales for July. Continuing negative inflation-adjusted values growth rates are a significant problem.

Consumer price index (CPI). On August 14, the U.S. BLS releases its CPI for July. Another monthly moderation will support a Fed rate cut in September (which I expect).

Employment Report for May. On August 7<sup>th</sup>, the U.S. BLS releases its job estimates for July employment. I expect another uptick in the nation's unemployment rate making a September rate cut much more likely.

**STATISTIC(S) OF THE MONTH**  
**+42%**

According to Edmunds, EV compact SUVs cost 42% more than comparable gasoline powered models, but maintenance costs for EVs are 6.1 cents/mile versus 10.1 cents/mile for gasoline powered vehicles.

## THE OUTLOOK

“Record Share of NABE Panelists Reports Their Firms Raised Prices in Q2 2024; Profit Margins and Sales Moderated,” “The July 2024 Business Conditions Survey results reveal a record share of respondents reporting that their firms raised prices in the second quarter of 2024,” said **NABE President Ellen Zentner, chief U.S. economist, Morgan Stanley**. “In addition, results reflect a moderation in sales and profit growth, with fewer respondents than in the April survey reporting rising sales and profit margins in the previous three months.”

“While many of the results in this quarter’s survey suggest improvement, the labor market appears uncertain,” added **NABE Business Conditions Survey Analyst Michael Uhrich**, founder and chief economist, Seventh Point Analytic Consulting. “The share of respondents seeing rising employment in their firms and industries is the highest it’s been in four quarters, yet more than 20% of respondents say layoffs in their firms and industries will be more likely during the second half of the year.” <https://tinyurl.com/muwnwm35>

## BANKER READING ROOM

“Legislative Update: Safe Harbor for Cannabis Banking,”

“The SAFE Banking Act would prohibit federal banking regulators from threatening or limiting a bank’s deposit insurance, downgrading a loan, forcing a depository institution to end a customer relationship, or taking any other prejudicial action in a state where cannabis is legal, solely because the customer is a cannabis-related business.”

“The conflict between state and federal law has created significant legal and compliance concerns for banks that

wish to provide banking services to cannabis-related businesses. • ICBA supports the SAFE Banking Act, which would create an effective “safe harbor” from federal sanctions for banks that choose to do business with cannabis-related businesses in states where cannabis is legal. • This safe harbor would extend to banks that serve “ancillary businesses” such as landlords, accountants, utility providers, and other businesses that may be paid in funds ultimately derived from cannabis sales.”

<https://tinyurl.com/yc6v4acf>

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Goss monthly interview at:

<https://bit.ly/MidAmericaBCIJuly2024YouTube>

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

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

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

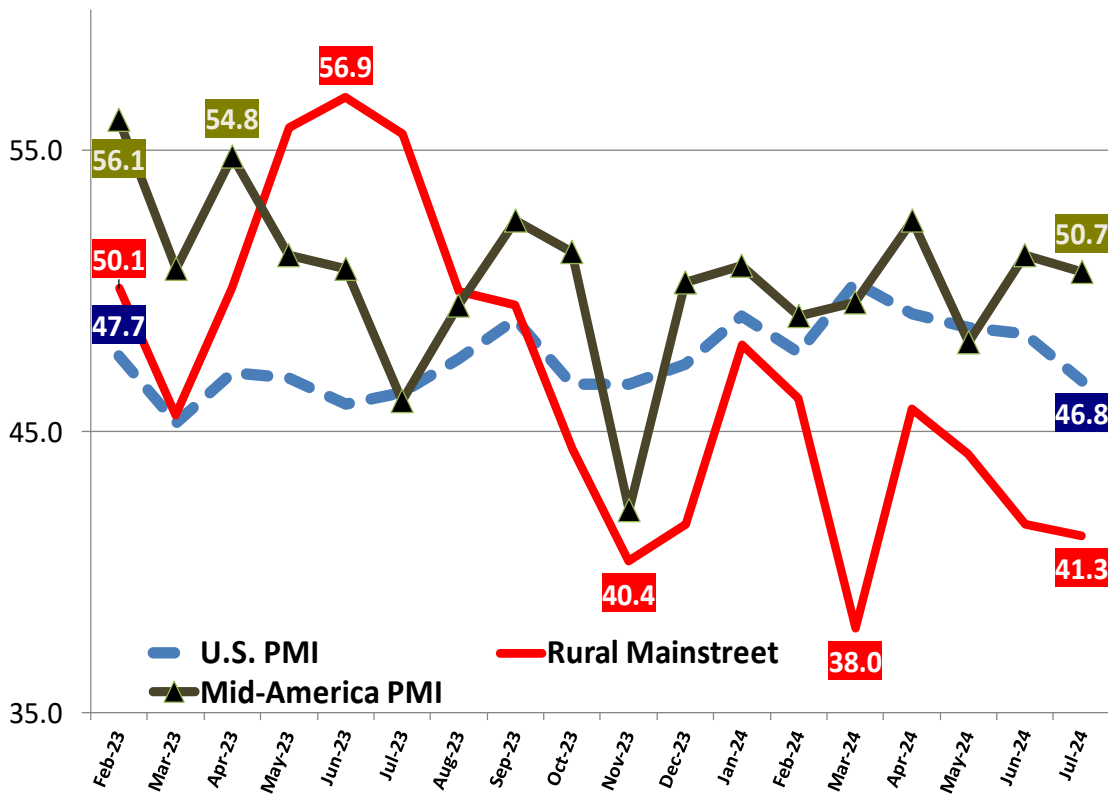


Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion)			
	July 2023	June 2024	July 2024
Area Economic Index	55.6	41.7	41.3
Loan Volume	75.9	79.2	67.4
Checking Deposits	32.7	34.8	45.5
Certificates of Deposit and Savings Instruments	71.2	63.0	65.9
Farmland Prices	64.6	49.9	52.2
Farm Equipment Sales	50.0	31.8	19.0
Home Sales	55.8	62.5	33.3
Hiring	59.3	47.7	50.0
Retail Business	59.6	41.3	39.1
Confidence Index (area economy six months out)	44.4	29.2	28.3

Table 2: The Rural Mainstreet Economy, July 2024					
	Percentage of Bankers Reporting				
	Increase 1% to 5%	No change	Decrease 1% to 5%	Decrease 6% to 8%	Decrease 10% to 15%
In terms of farmland prices in your area, how much of a change do you expect for next 12 months	13.6%	31.6%	27.3%	9.1%	18.2%
	Percentage of Bankers Reporting				
	See little or no risks	An economic slowdown or recession	A debt crisis	An upturn in inflation	
Which of the following is the greatest risk to the U.S. economy for the next 12 months:	4.4%	52.2%	17.4%	26.0%	
	Percentage of Bankers Reporting				
	Keep current Rates	Reduce rates by once (¼%)	Reduce rates twice (½%)	Reduce rates three times (¾%)	
Regarding interest rates, what actions should the Fed undertake for the rest of 2024?	26.2%	21.7%	47.8%	4.5%	