

July
2024

THE MAINSTREET ECONOMIC REPORT

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

**Rural Mainstreet Economy in Negative Territory Again
Farmland Prices Fall for Second Time in Almost Five Years**

June 2024 Survey Results at a Glance:

- For a 10th straight month, the overall Rural Mainstreet Index sank below growth neutral.
- For a second straight month, the farmland price index dropped below growth neutral after 53 straight months above the 50.0 threshold.
- Farm equipment sales sank below growth neutral for 12th time in the past 13 months.
- Delinquency rates for farm and business loans on Rural Mainstreet have remained virtually unchanged over the past six months according to bank CEOs.
- According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were down 4.1% from the same period in 2023.
- (Results on next page)



Welcome to Creighton's July Bank CEO Report covering June survey results. The June overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 10th straight month, and with farmland prices falling below growth neutral for a 2nd straight month after 53 straight months above the neutral threshold. Thank you for your input. Ernie Goss

Eliminating Coal from U.S. Electricity Generation: Who Will Pay for the Switch?

In December 2015, the United States, along with 194 other nations, signed on to the legally binding Paris Agreement on climate change. To accomplish the CO2 reduction goal, the U.S. reduced coal electricity by 33.1% between 2016 and 2022. In 2024, the U.S. generated only 20% of electricity from coal.

The Paris Agreement requires a coal phase-out by 2030 in the OECD countries, including the U.S., and by 2050 in the rest of the world. Table 1 below lists electricity prices for the 50 states and D.C. along with the percent of electricity derived from the principal sources.

Calculation of correlation coefficients between state electricity prices and generation source listed in Table 2 show strong negative values for coal at -0.47, and wind at -0.30 with smaller but positive values for solar at +0.36, natural gas at +0.20, and nuclear at 0.00.

Next, I model in a multiple variable framework to determine how much replacing coal with each of the sources in Table 1. The statistical results are available on my blog <https://economictrends.blogspot.com/>

According to the statistical modeling of 2024, each of the factors, except percent solar, had a statistically significant impact on electricity prices per KWH. These results indicate that reducing the percent of coal usage to 0% and replacing with:

>natural gas increase prices by 7.3%; >solar increase prices by 63.8% (note variable is not statistically significant), >nuclear increase prices by 5.0%; >>wind **reduce**, prices by 6.7%.

The latest U.S. BLS data show that a family of four with yearly earnings of under \$30,000 pays 7.2% of after-tax income on electricity while the same family earning more than \$100,000 pays only 1.3% of earnings on electricity.

Thus, unless the reduction is achieved with the expansion of wind production, the economic burden of the reduction of coal production in the U.S. will fall differentially on low-income families. Ernie Goss

Table 1: Electricity prices and source of electricity generation, 2024

	Median price	% Coal	% Natural gas	% Solar	% Wind	% Nuclear
Cheapest one-fifth	8.9	33.0%	31.2%	0.3%	23.5%	0.0%
2nd cheapest quintile	10.6	17.2%	17.3%	0.6%	7.2%	11.3%
3rd cheapest quintile	11.4	21.4%	41.0%	0.6%	3.1%	6.0%
4th cheapest quintile	12.8	13.4%	41.1%	1.5%	1.4%	26.7%
Most expensive one-fifth	22.5	0.0%	54.9%	3.2%	3.9%	0.0%
Avg. 50 states % D.C.	11.4	20.8%	38.9%	2.1%	10.4%	14.2%

Note: Electricity prices stated in cents per Kilowatt Hour. Other minor sources such as hydro are not listed. Source: U.S. Energy Information Agency

Table 2: Correlation coefficients between price per KWH and electricity generation source, 2024

Coal	Wind	Natural gas	Solar	Nuclear
-0.47	-0.30	+0.20	+0.36	0.00

Correlation coefficients vary from -1.0 indicating perfect and strong negative relationship between the two factors, and +1.0 indicating a perfect and strong positive relationship between the two factors. Zero indicates neither positive, nor negative association.

BULLISH NEWS

- Two surveys with different results for 12-month job gains: establishment=2.9 million; household=0.2 million.
- Over the past 12 months, hourly wage growth was 3.9% while consumer prices climbed by 3.3%.
- According to the latest Case-Shiller home price index home prices jumped 6.3% year-over-year, in April. Watch for much more weakness in home prices in months ahead.

.BEARISH NEWS

- Over past 12 months, the unemployment rate rose from 3.6% to 4.1%.
- Government job additions accounted for 30% of job gains over the past 12 months.
- Interest on the federal debt accounted for 13% of federal spending in May 2024, exceeded only by Social Security & Medicare.
- Retail fell 0.1% over the past 2 months.
- Over the past 12 months, the inventory of housing units for sale has risen by 18.5%. Keep an eye on this indicator. The dominos are falling in Florida and Texas. Is your state next?

Main\$street on Your \$street

Overall: Higher interest rates, weaker agriculture commodity prices and sinking agriculture equipment sales pushed the overall reading below growth neutral for the tenth straight month to 41.7 from 45.8 in May.

According to James Brown, president of Hardin County Savings Bank in Eldora, Iowa, “Farm operating loans are up 20% in total volume compared to last year, a sign that cash flow and cash (balances) are down from last year.”

Farming and ranching land prices: After rising above the growth neutral threshold for 53 straight months, the region’s farmland slumped below growth neutral for a second consecutive month to 49.9, but up from May’s 47.9. Only 4.3% of bank CEOs reported that farmland prices expanded from May levels.

According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were **down** 4.1% from the same period in 2023.

Farm equipment sales: The farm equipment sales index for June dropped to 31.8 from 34.0 in May. This is the 12th time in the past 13 months 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 June loan volume index stood at a very strong 79.2, but down from 82.0 in May from April’s record high 85.4. The checking deposit index sank to 34.8 from May’s 44.0. The index for certificates of deposits and other savings instruments rose to 62.5 from 62.0 in May.

Jeff Bonnett, CEO of Havana National Bank in Havana, Ill., reported that, “As an Ag bank we would like to see at least one



interest rate cut by year end. This will help boost commodity prices, which our farm customers so desperately need coming off such weak prices for their 2023 harvest.”

Delinquency rates for farm and business loans on Rural Mainstreet have remained virtually unchanged over the past six months according to bank CEOs. Furthermore, only 8.7% of bankers have increased their farm loan rejection rates, while approximately 13.0% and 4.3%, respectively, reported restructuring or reducing the loan-to-value ratios.

Hiring: The new hiring index for June decreased to 47.7 from May’s 50.0. This is the lowest reading for the hiring gauge since January 2021. Only 4.5% of bankers reported an increase in hiring from the previous month. This is down from 7.7% in May and 13.6% in April.

Confidence: Rural bankers remain very pessimistic about economic growth for their area over the next six months. The June confidence index increased to a very weak 29.2 from May’s 28.8. 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 seven straight months of below growth neutral readings, the home sales unexpectedly expanded to 62.5 from 46.1 in May sales. On the other hand, retail sales continued to fall with a June index of 41.3 which was down from 46.0 in May. High consumer debt, elevated interest rates and weaker

GOSS EGGS

RECENT DUMB ECONOMIC MOVES

High Tax States Lose: Low Tax States Gain

According to IRS data, high income tax states lost 2022 AGI (adjusted gross income) while low income tax states gained.

Losers were: California \$23.8 billion, New York \$14.2 billion, Illinois \$9.8 billion, New Jersey \$5.3 billion, and Massachusetts \$3.9 billion.

Gainers were: Florida \$36 billion, Texas \$10.1 billion, South Carolina \$4.8 billion, Tennessee \$4.7 billion, and North Carolina \$4.6 billion.

Connecticut, by enacting a 1% capital gains tax on top of its 6.99% income tax rate, will join the big losers in 2025.

Little wonder that politicians from these high tax states want to remove the \$10,000 cap on state & local tax deductibility on federal tax returns that were a part of the 2017 tax reform bill. This portion of the 2017 tax reform bill **MUST** be retained.

Ernie Goss.

4 OF 5 GOSS EGGS



farm income are cutting into retail sales for the Rural Mainstreet Economy.

Below are the state reports:

Colorado: The state's RMI for June dropped to 56.7 from May's 61.5. The farmland and ranchland price index for June rose to 61.5 from 58.2 in May. The state's new hiring index sank to 54.3 from 62.5 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 197.6% from the same period in 2023.

Illinois: The state's June RMI rose to 42.7 from May's 39.6. The farmland price index increased to 49.4 from 46.0 in May. The state's new hiring index fell to 47.1 from 47.4 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 18.0% from the same period in 2023. Jim Eckert, CEO of Anchor State Bank in Anchor, reported that, "Crops are mostly planted in this area of Illinois, although areas south have been much wetter and planting is incomplete."

Iowa: June's RMI for the state increased to 48.0 from May's 40.6. Iowa's farmland price index for June declined to 50.9 from 52.2 in May. Iowa's new hiring index for June increased to 49.0 from 47.7 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 20.3% from the same period in 2023.

Kansas: The Kansas RMI for June sank to 34.6 from May's 35.4. The state's farmland price index slumped to 47.1 from 49.2 in May. The new hiring index for Kansas fell to 44.3 from 45.9 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 4.4% from the same period in 2023.

Minnesota: The June RMI for Minnesota slipped to 50.2 from 51.0 in May. Minnesota's farmland price index rose to 51.5 from 49.3 in May. The new hiring index for June was unchanged from May's 55.3. According to trade data from the

International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 12.2% from the same period in 2023.

Missouri: The state's June RMI climbed to 54.3 from May's 51.2. The farmland price index expanded to 53.2 from 51.3 in May. The state's new hiring gauge plummeted to 52.1 from May's 65.2. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 17.6% from the same period in 2023.

Nebraska: The Nebraska RMI for June sank to 39.5 from 41.8 in May. The state's farmland price index for June increased to 48.5 from 46.7 in May. Nebraska's June new-hiring index sank to 46.0 from 48.2 in May. According to trade data from the International Trade Association, exports of agriculture goods & livestock for 2024 year-to-date were up 33.8% from the same period in 2023.

North Dakota: North Dakota's RMI for June slumped to 36.3 from 41.2 in May. The state's farmland price index rose to 47.5 from 46.5 in May. The state's new hiring index sank to 44.9 from 48.0 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 7.3% from the same period in 2023.

South Dakota: The June RMI for South Dakota slumped to 45.5 from May's 47.9. The state's farmland price index rose to 50.1 from 48.4 in May. South Dakota's June new hiring index declined to 48.1 from 50.3 in May. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 24.5% from the same period in 2023.

Wyoming: The June RMI for Wyoming sank to 37.5 from 39.3 in May. The June farmland and ranchland price index increased to 47.9 from 45.9 in May. Wyoming's new hiring index fell to 45.3 from May's 47.3. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 66.8% from the same period in 2023.

.Tables 1 and 2 (final page) summarize the survey findings. Next month's survey results will be released on the third Thursday of the month, July 18, 2024.



KEEP AN EYE ON

Retail sales for June

On July 15 and August 15, the U.S. Census Bureau releases retail sales for June, and July, respectively. Continuing negative inflation-adjusted values 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 7th, 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.

THE OUTLOOK

Conference Board June 12, 2024. SUMMARY: “The US economy started 2024 on a softer note than anticipated as elevated inflation and interest rates continued to weigh on the economy. While we do not forecast a recession in 2024, we do expect consumer spending growth to cool further and for overall GDP growth to slow to under 1% over the Q2 to Q3 2024 period. Thereafter, inflation should gradually normalize to the Fed’s 2-percent target in 2025 as quarterly annualized GDP growth rises toward its potential of near 2%. Interest rates should fall starting in late 2024 but may stabilize at levels exceeding the pre-pandemic average.

“US consumer spending held up remarkably well in 2023 despite numerous headwinds. However, this trend has begun to wane. Real consumer spending growth is in retreat and consumer’s expectations about the future suggest a downturn is likely. Gains in real disposable personal income growth are softening, pandemic savings have been exhausted, and household debt is increasing rapidly. Consumers are spending more of their income to service debt, and auto loan and credit card delinquencies are rising quickly. Thus, we forecast that overall consumer spending growth will continue to slow in Q2 and Q3 2024 as households struggle to find a new equilibrium between income, debt, savings, and spending.” <https://tinyurl.com/yzypmrmj>

BANKER READING ROOM

“CDs & Treasuries are offering sky-high yields: Here’s how to decide what’s best for you,”

“When investing, there’s often a trade-off between risk and reward. Safer investments—like bonds, money market funds, and certificates of deposits (CDs)—tend to offer measly returns, at least in comparison to stocks.”

“Now that prices are lower, the Fed is signaling potential rate cuts later this year. Investors who want to take advantage of stellar interest rates should

consider locking in those rates soon, and they can do so with CDs or Treasury bonds, bills, or notes (collectively known as Treasuries).”

“While CDs and Treasuries are considered safe investments, providing yields that track the federal funds rate, the two have significant differences. Before you invest, you’ll want to consider your investment horizon and the yield you’re looking for.”

<https://tinyurl.com/4s2tfkd7>

STATISTIC(S) OF THE MONTH

-24%

JP Morgan Bank’s current research view is that the S&P 500 stock index will plummet by 24% by the end of 2024. This is after a 17% gain since January 1, 2024.



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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/MidAmericaBCIJune2024YouTube>

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)

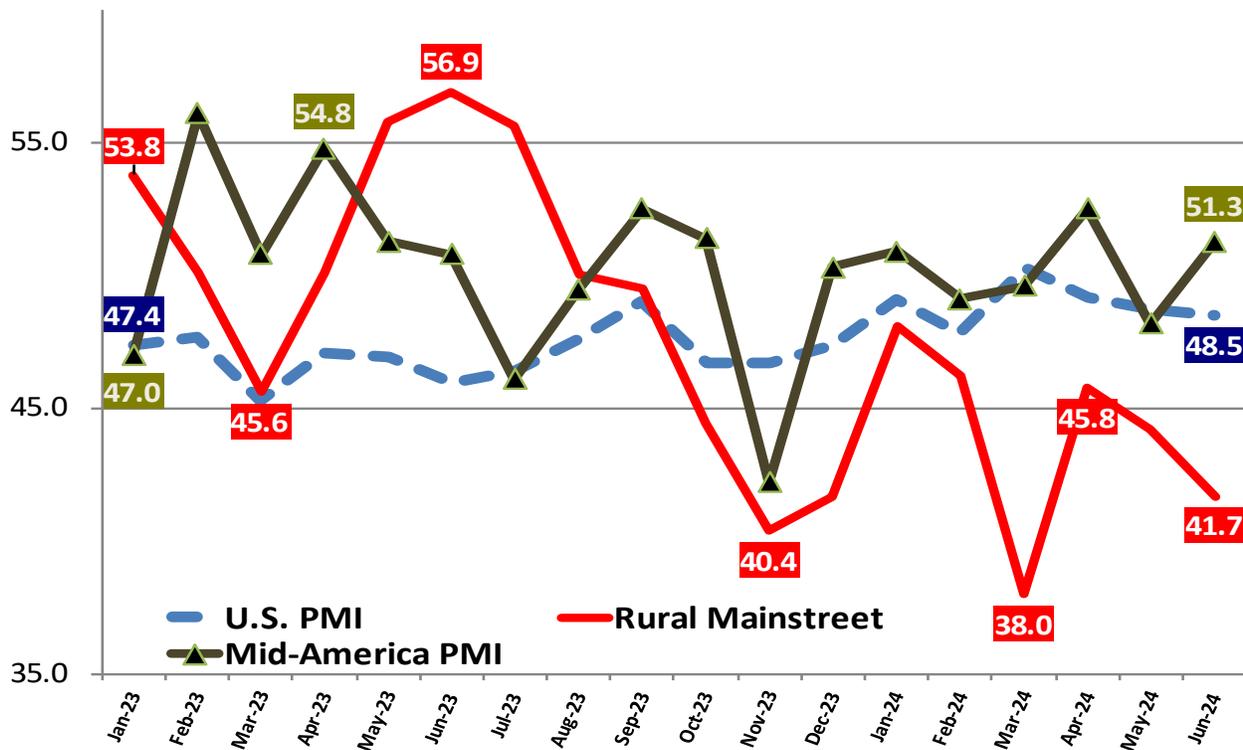


Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion)			
	June 2023	May 2024	June 2024
Area Economic Index	56.9	44.2	41.7
Loan Volume	79.2	82.0	79.2
Checking Deposits	37.5	44.0	34.8
Certificates of Deposit and Savings Instruments	76.8	62.0	63.0
Farmland Prices	59.3	47.9	49.9
Farm Equipment Sales	48.3	34.0	31.8
Home Sales	48.2	46.0	62.5
Hiring	58.9	50.0	47.7
Retail Business	56.9	46.1	41.3
Confidence Index (area economy six months out)	43.1	28.8	29.2

Table 2: The Rural Mainstreet Economy, June 2024

	Percentage of Bankers Reporting		
	Little or no change	1% to 4% Higher	More than 5% higher
Farm loan delinquency rates over the past six months are:	82.6%	17.4%	0%
	Percentage of Bankers Reporting		

	Down 1% to 4%	Little or no change	1% to 4% Higher	More than 5% higher
Non-Farm loan delinquency rates over the past six months are:	4.2%	78.3%	17.5%	0%

	Percentage of Bankers Reporting			
	Made no changes	Restructured a higher % of farm loans	Reduced the loan to value ratio	Rejected a higher percent of applications
In terms of farm operating loans which of the following actions has your bank recently taken:	73.9%	13.0%	4.3%	8.8%