

June  
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 First Time in Almost Five Years**

**May 2024 Survey Results at a Glance:**

- For a ninth straight month, the overall Rural Mainstreet Index sank below growth neutral.
- 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 the 11<sup>th</sup> time in the past 12 months.
- Bankers registered average yearly cash rents of \$245 per acre for non-irrigated crop land in the region.
- According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were down 9.5% from the same period in 2023.

(Continued next page; summary on final page)



Welcome to Creighton’s June Bank CEO Report covering May survey results. The May overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 9<sup>th</sup> straight month, but with farmland price falling below growth neutral after 53 months above the neutral threshold. Ernie

**2022 CHIPS Act Provides Corporate Giveaways to the Few:  
The Rest Face Tax Hike**

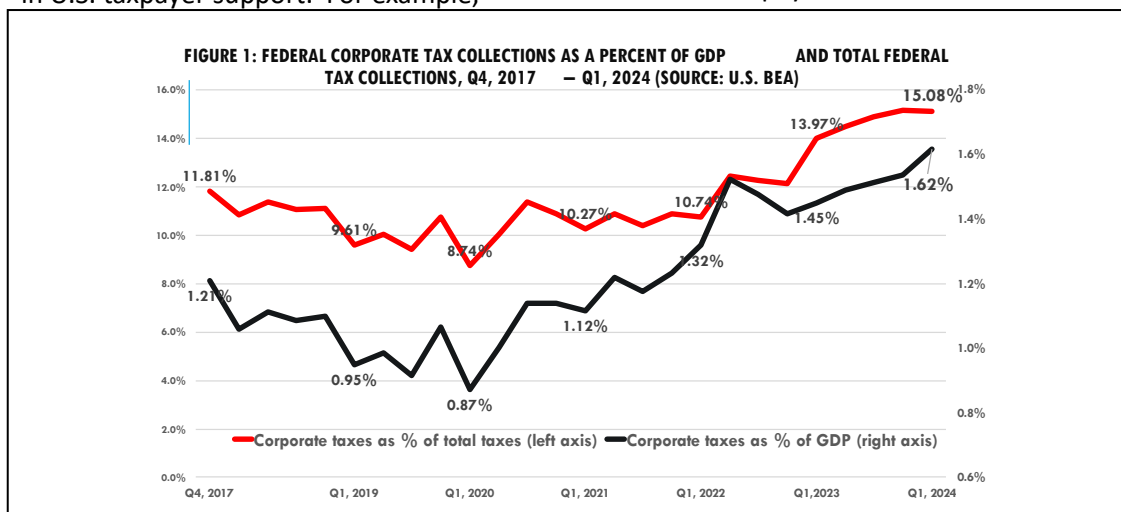
President Biden’s most recent budget proposal seeks to raise the corporate tax rate from the current 21% to 28% arguing incorrectly that Trump’s December 2017 corporate tax cut was costly for taxpayers. Figure 1 below shows that in Q4, 2017 when Trump’s corporate tax rate fell from 35% to 21%, corporate tax collections were \$242.4 billion, or 1.21% of GDP.

Since then, corporate tax collections have surged to \$457.0 billion for Q1, 2024, or 1.62% of GDP. During the same period-of-time, corporate taxes as a percent of total federal tax collections expanded from 11.8% in Q4, 2017 to 15.1% in Q1, 2024.

Instead of lower corporate taxes for all incorporated businesses, Biden is “cherry picking” large corporation to the tune of billions of dollars in U.S. taxpayer support. For example,

in a preliminary memorandum of terms (PMT), the Biden Administration reached an agreement with Intel to provide \$8.5 billion in direct funding under the CHIPS Act. For the last 12 months, Intel experienced \$55.2 billion in revenue and \$713.0 million in operating income. In addition to Intel, Biden’s Administration has provided grants (gifts) of: \$6.6 billion to TSMC, \$6.4 billion to Samsung, \$6.1 billion to Micron, \$1.5 billion to GlobalFoundries, and a measly \$162.0 million to Microchip. The Congressional Budget Office estimates that the CHIPS Act of 2022 will provide \$50.5 billion in incentives to manufacturers to produce semiconductors between 2022 and 2031.

Data presented in this essay challenge the Biden Administration’s assertion that the Trump corporate tax cut in 2017 were a drain on the U.S. taxpayer. Instead, the 2024 corporate grants and giveaways are more likely to cost the nation’s taxpayers. Ernie Goss



**BULLISH NEWS**

- The New York Fed estimates Q2, 2024 GDP growth at 1.9% (not great, but not bad).
- The U.S. economy added a strong 272,000 jobs (establishment survey) in May and the unemployment rate rose to 4.0%.
- According to the latest Case-Shiller home price index home prices jumped 6.5% year over year, a record high March (YOY).

**.BEARISH NEWS**

- Federal government spending for April rose 23% from April of last year.
- Biden indicated that he will keep Trump's China tariffs and add new ones on electric vehicles. Both actions are wrong.
- The U.S. household survey indicated that instead of adding jobs, the U.S. lost 408,000 jobs in May. This continues a disconnect between the two monthly BLS surveys.

**Main\$street on Your \$street**

**Overall:** Higher interest rates, weaker agriculture commodity prices and higher grain storage costs pushed the overall reading below growth neutral for the ninth straight month.

**Farming and ranching land prices:** After rising above the growth neutral threshold for 53 straight months, the region's farmland prices slumped to 47.9 from April's 56.5.

For the first time in more than four years, Creighton's survey is detecting weakening farmland price growth. Only 4.2% of bankers reported that farmland prices expanded from previous levels.

Bankers registered average yearly cash rents for non-irrigated crop land in the region of \$245 per acre.

According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were **down** 9.5% from the same period in 2023.

**Farm equipment sales:** The farm equipment sales index for May dropped to 34.0 from 47.7 in April. This is the 11<sup>th</sup> time in the past 12 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.

**Banking:** The May loan volume index declined to a very strong 82.0 from April's record high 85.4. The checking deposit index sank to 44.0 from April's 52.2. The index for certificates of deposits and other savings instruments fell to a still healthy 62.0 from 71.7 in April.

This month bankers were asked about their banks' average interest rates on farm operating loans and farmland loans. On average, bankers reported an average interest rate of 8.6% on farm operating loans and 7.4% on farmland loans.

Jeff Bonnett, CEO of Havana National Bank in Havana, Ill., reported that, "We all need to be aware of the hidden impact of Buy Now, Pay



Later (BNPL) that is sweeping across the nation."

Bonnett also indicated that the top three BNPL organizations DO NOT report to the credit bureaus! He argues that the estimated figures of this unreported BNPL consumer credit are astronomical and are hidden from lenders trying to make accurate credit decisions for auto, housing and other consumer debt approvals.

**Hiring:** The new hiring index for May decreased to 50.0 from April's 56.8. Approximately 7.7% of bankers reported an increase in hiring from the previous month. This is down from 13.6% in April. Over the past 12 months, U.S. Bureau of Labor Statistics data indicate that the regional Rural Mainstreet Economy boosted jobs by 3.2%, compared to 0.9% for urban areas of the same states.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The May confidence index slumped to 28.8, the lowest since November of last year, and down from April's 37.5. 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:** Both home sales and retail sales sank below growth neutral for the last seven months. The May home sales index increased to a weak 46.0 from 34.8 in April. Elevated mortgage rates and a limited supply of homes are sinking the home-sales index below growth neutral in rural areas.

The retail-sales index for May increased to a frail 46.1 from April's 41.3. High consumer debt, elevated interest rates and weaker farm income are cutting into retail sales for the Rural Mainstreet Economy.

# GOSS EGGS

## RECENT DUMB ECONOMIC MOVES

Aloha Litigation,  
A Hui Hou Cheaper Fuels

The city and county of Honolulu are suing oil and gas companies (Sunoco v. City & County of Honolulu) for creating a “public nuisance” by contributing to climate change. The suit alleges billions of dollars in damages from oil and gas companies selling products on the island. Their argument is that CO2 emissions from fossil fuel usage from gasoline powered vehicles by visitors to, and residents of, the Island of Oahu generate harm to Hawaiians.

Allowing state courts to dictate U.S. energy policy and usage such as this jeopardizes interstate commerce by allowing one state to inflict economic damages on the remaining states. The U.S. Supreme Court opened Pandora’s box by recently allowing California to essentially dictate the size of hog lots for pork producers across the nation.

Unless the U.S. Supreme Court intervenes in Honolulu’s case, the current flood of lawsuits against opioid & gun manufacturers and social media will explode and swamp private enterprise across our impending “nanny state.” Aloha Litigation, and the Nanny State. Ernie Goss.



The survey represents an early snapshot of the economy of rural agriculturally- and energy-dependent portions of the nation. The Rural Mainstreet Index is a unique index covering 10 regional states, focusing on approximately 200 rural communities with an average population of 1,300. The index provides the most current real-time analysis of the rural economy. Goss and Bill McQuillan, former Chairman of the Independent Community Banks of America, created the monthly economic survey and launched it in January 2006.

Below are the state reports:

**Colorado:** The state’s RMI for May dropped to 61.5 from April’s 74.2. The farmland and ranchland price index for May fell to 58.2 from 63.4 in April. The state’s new hiring index sank to 62.5 from 65.2 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 190.4% from the same period in 2023.

**Illinois:** The state’s May RMI rose to 39.6 from April’s 38.0. The farmland price index declined to 46.0 from 53.1 in April. The state’s new hiring index fell to 47.4 from 52.6 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 22.8% from the same period in 2023. Jim Eckert, CEO of Anchor State Bank in Anchor, Ill., reported that, “In our area we have had excessive rain, and most farmers are behind on planting. What was planted early (before the rainy period) looks very good.”

**Iowa:** May’s RMI for the state increased to 40.6 from April’s 36.7. Iowa’s farmland price index for May improved to 52.2 from 52.1 in April. Iowa’s new hiring index for May declined to 47.7 from 52.1 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 6.4% from the same period in 2023. Terry Engelken, past president of Washington State Bank in Washington, Iowa, reported that, “We have plenty of moisture and could use a few dry days to finish planting.”

**Kansas:** The Kansas RMI for May sank to 35.4 from April’s 36.0. The state’s farmland price index slumped to 49.2 from 52.6 in April. The new hiring index for Kansas fell to 45.9 from 51.9 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 3.7% from the same period in 2023.

**Minnesota:** The May RMI for Minnesota rose to 51.0 from 48.1 in April. Minnesota’s farmland price index declined to 49.3 from 54.2 in April. The new hiring index for May improved to 55.3 from 54.2 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 18.9% from the same period in 2023.

**Missouri:** The state’s May RMI plummeted to 51.2 from April’s 75.8. The farmland price index fell to 51.3 from 63.9 in April. The state’s new hiring gauge slipped to 65.2 from April’s 65.8. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 17.1% from the same period in 2023.

**Nebraska:** The Nebraska RMI for May sank to 41.8 from 42.7 in April. The state’s farmland price index for May dropped to 46.7 from 54.5 in April. Nebraska’s May new-hiring index sank to 48.2. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 19.4% from the same period in 2023.

**North Dakota:** North Dakota’s RMI for May slipped to 41.2 from 42.3 in April. The state’s farmland price index declined to 46.5 from 54.1 in April. The state’s new hiring index declined to 48.0 from 54.1 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up 3.5% from the same period in 2023.

**South Dakota:** The May RMI for South Dakota sank to 47.9 from April’s 49.6. The state’s farmland price index decreased to 48.4 from 56.5 in April. South Dakota’s May new hiring index declined to 50.3 from 56.6 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 24.5% from the same period in 2023.

**Wyoming:** The May RMI for Wyoming sank to 39.3 from 41.3 in April. The May farmland and ranchland price index sank to 45.9 from 54.1 in April. Wyoming’s new hiring index fell to 47.3 from 53.7 in April. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down 72.6% 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, June 20, 2024.



## KEEP AN EYE ON

**Yield on 10-year U.S. Treasury bond.** This indicator which is released in almost “real time” declined to 4.4%. Moving outside the range of 3.9% and 4.7% is a warning signal. Below 3.9%-recession, above 4.7%-higher inflation.

**Consumer price index (CPI).** On July 11<sup>th</sup> the U.S. BLS releases its CPI for June. Another monthly moderation will support a Fed rate cut in September.

**Employment Report for May.** On July 5<sup>th</sup>, the U.S. BLS releases its job estimates for employment. Compare the establishment survey to the household survey. Which one is accurate. I consider both surveys to be inaccurate.

## THE OUTLOOK

**National Association of Business Economics (NABE) May 2024. SUMMARY:** “The NABE Outlook Survey panel expects inflation to remain a concern throughout 2024,” said **NABE President Ellen Zentner**, chief U.S. economist, Morgan Stanley. “The May forecast calls for inflation to remain elevated at 2.6%, half a percentage point higher than the forecast in the February 2024 survey. With the higher inflation expectations, panelists now anticipate the Federal Reserve’s Open Market Committee will cut rates by half a percentage point—down from three-quarters of a point and to occur later in the year than previously expected. The yield on 10-year Treasury notes at the end of 2024 is forecasted to be 4.2%, up from 3.8% in the February outlook.”

“Following the stronger employment growth in the first quarter of the year, panelists now forecast average employment growth to gradually slow through 2024 to 125,000 jobs per month in the fourth quarter of 2024,” added **NABE Outlook Survey Chair Mervin Jebaraj**, director, Center for Business and Economic Research at the University of Arkansas. “Panelists still anticipate stronger economic growth in 2024 than in previous NABE Outlook surveys, and 90% of them expect a soft landing in 2024. Economic growth projections are more pessimistic than the Federal Reserve’s economic projections published in March which forecasted weaker economic growth and higher headline inflation in 2024.” <https://tinyurl.com/4ps2aynn>

## BANKER READING ROOM

### “ICBA’s Position on Tax -Exempt Credit Unions,”

Positions: “ICBA and community banks are particularly alarmed by the recent trend of credit unions acquiring banks – effectively “weaponizing” their tax subsidy and lax regulatory standards. Larger, out-of-market credit unions are displacing smaller, locally based community banks and other credit unions, creating an environment that is less competitive, has more systemic risk, and offers fewer choices for consumers and small businesses.

Credit unions used their tax exemption

to avoid paying nearly \$4 billion in federal income taxes in 2022 while holding \$2.2 trillion in tax-free assets. Credit unions use this tax exemption to inflate the purchase price of banks to one-and-a-half times book value.

Credit union acquisitions of community banks and their branches have accelerated rapidly, with the last five years seeing approximately a 400 percent increase over the previous five years. NCUA has significantly deregulated field of membership (FOM) protections over that same time period. <https://tinyurl.com/ctm2pjd2>

## STATISTIC(S) OF THE MONTH

**\$34,000**

In 2022, the University of California raised the annual pay for student employees to \$34,000. Not bad for a 9-month part-time job. That is higher than many of UC’s adjunct professors. Tuition expanded by 40% for the two years since the raise.



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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:

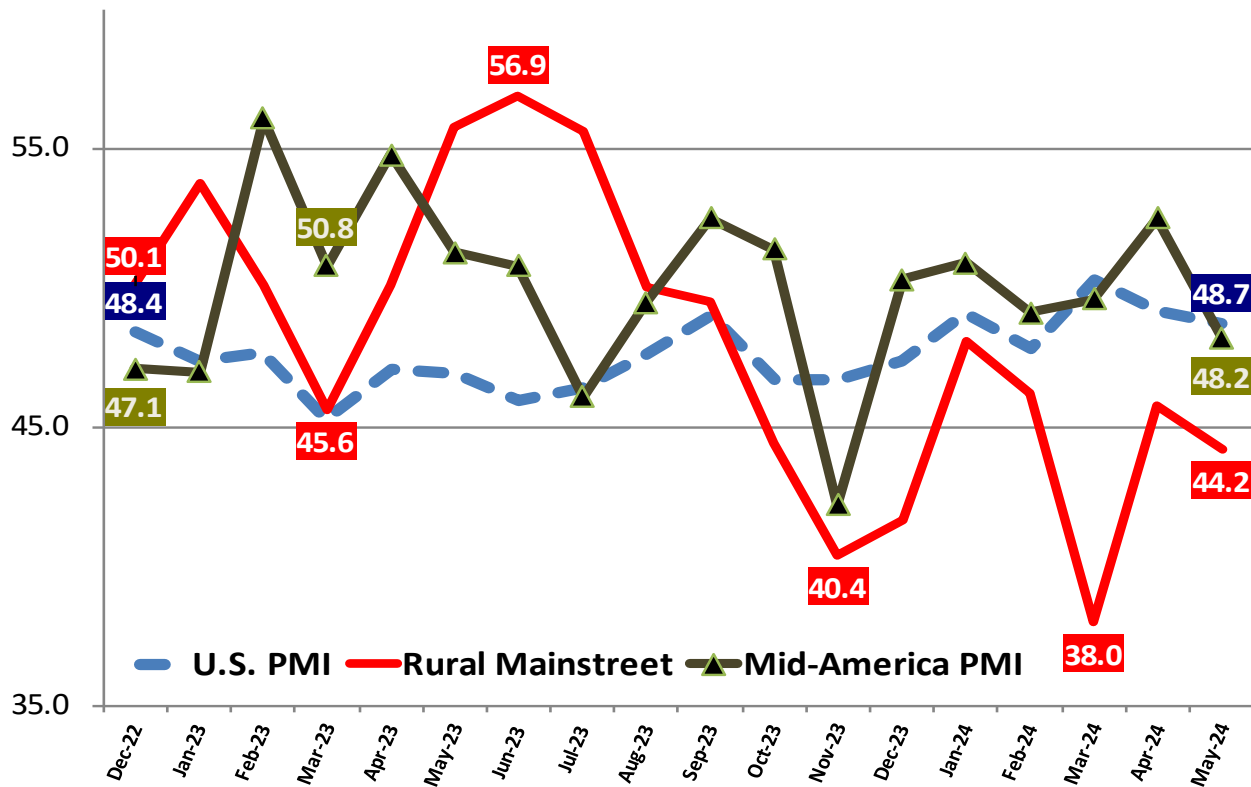
<https://www.linkedin.com/in/ernie-goss-6a284732/>

Goss monthly interview at:

<https://bit.ly/MidAmericaBCIMay2024YouTube>

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)**

	May 2023	April 2024	May 2024
Area Economic Index	55.8	45.8	44.2
Loan Volume	75.0	85.4	82.0
Checking Deposits	22.0	52.2	44.0
Certificates of Deposit and Savings Instruments	70.0	71.7	62.0
Farmland Prices	58.3	58.5	47.9
Farm Equipment Sales	50.2	47.7	34.0
Home Sales	55.8	34.8	46.0
Hiring	58.0	58.8	50.0
Retail Business	58.0	41.3	46.1
Confidence Index (area economy six months out)	38.5	37.5	28.8

**Table 2: The Rural Mainstreet Economy, May 2024**

	Percentage of Bankers Reporting				
	Below \$150	\$150 - \$199	\$200 - \$249	\$250 - \$299	\$300 - \$349
What is the current average yearly rental price per acre for farmland in your area (grain, non-irrigated)?	8%	24%	8%	28%	32%
	Percentage of Bankers Reporting				
	6.0% to 7.9%		8.0% to 9.9%		
What is the average current interest rate (fixed) on farm operating (new) loans for farmers in your area?	18.0%		84.0%		
	Percentage of Bankers Reporting				
	6.0% to 7.9%		8.0% to 9.9%		
What is the average current interest rate (fixed) on farm operating (new) loans for farmers in your area?	80.0%		20.0%		