

# September 2024 THE MAINSTREET ECONOMIC REPORT

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

## Rural Mainstreet Economy Down to a 2024 Low: Farmland Prices Pullback for third time in four months

### August 2024 Survey Results at a Glance:

- For a 12<sup>th</sup> straight month, the overall Rural Mainstreet Index sank below growth neutral.
- Farmland prices sank for the third time in the past four months.
- Over the past six months, farm loan delinquencies rose by only 1.1%.
- Farm equipment sales sank below growth neutral for 13<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 \$78.9 million, or 1.3%, compared to the same period in 2023.
- (Results on next page)



Welcome to Creighton's September Bank CEO Report covering August survey results. The August overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 12<sup>th</sup> straight month, and with farmland prices dropping below growth neutral for the third time in the past four months. Thank you for your input. Ernie Goss

## Top U.S. Economic Presidents, 1929-2024: Wages, Profits, GDP and National Debt

Table 1 below ranks U.S. presidents in terms of compound annual growth rates (CAGR) in wages per full-time workers, corporate profits, the overall economy and the national debt. All data are adjusted for inflation.

**Wages.** In terms of CAGR in wages per full-time worker, Eisenhower was tops expanding inflation adjusted wages by 3.1% over his presidency of eight years, while Kennedy at 2.5% CAGR and Roosevelt at 2.4% rounded out the leading three. The bottom three presidencies in terms of CAGR were Carter at -1.6%, Biden at -1.5% and Bush Sr at 0.0%.

**Corporate Profits.** In terms of CAGR in corporate profits, Kennedy excelled expanding inflation adjusted profits by 11.0% over his presidency of two years, while Ford at 9.6% CAGR and Johnson at 4.9% ranked two and

three. The bottom three presidencies in terms of growth were Carter at -3.0%, followed by Nixon at 2.3%, and Biden at -1.5% .

**Gross Domestic Product.** In terms of CAGR in GDP, Johnson was tops expanding yearly inflation adjusted GDP profits by 5.3% over his presidency of five years, while Kennedy at 5.2% CAGR and Roosevelt at a CAGR of 4.7% rounded out the top three. The bottom three presidencies in terms of growth were Trump at 1.4%, followed by Truman at 1.5%, and Obama at 1.7%.

**National Debt.** In terms of lowest CAGR, Nixon was tops expanding inflation adjusted debt by -0.4% over his presidency of six years, followed by Carter at -0.4% CAGR and Clinton at 1.8%. The bottom three presidencies in terms of growth in debt were Reagan at 9.1%, Obama at 7.0%, and Bush Sr. at 7.1% .

Over the 95 years examined, Democrat presidents experienced an average 0.9% wage gain, and a 4.2% profit expansion. This compares to an average 1.1% wage increase, and profit boost of 2.4% for Republicans.

Table 1: Presidential economic performance (CAGR) 1929-2024 (data adjusted for inflation)

Served	President	Per capita wages		Corporate Profits		Gross Domestic Product		National Debt	
		Growth	Rank	CAGR	Rank	CAGR	Rank	CAGR	Rank
1929-45	Roosevelt	2.4%	3	3.8%	8	4.7%	3	n.a.	n.a.
1946-52	Truman	0.9%	8	4.0%	7	1.5%	14	n.a.	n.a.
1953-60	Eisenhower	3.1%	1	2.8%	11	3.3%	6	n.a.	n.a.
1961-63	Kennedy	2.5%	2	11.0%	1	5.2%	2	n.a.	n.a.
1964-68	Johnson	2.1%	5	4.9%	3	5.3%	1	n.a.	n.a.
1969-74	Nixon	0.8%	9	-2.3%	14	2.8%	9	-0.6%	1
1975-76	Ford	0.1%	12	9.6%	2	2.6%	10	6.4%	7
1977-80	Carter	-1.6%	15	-3.0%	15	3.2%	7	-0.4%	2
1981-88	Reagan	0.9%	7	3.3%	10	3.5%	5	9.1%	10
1989-92	Bush Sr.	0.0%	13	-0.6%	13	2.2%	11	7.1%	8
1993-00	Clinton	1.3%	6	4.3%	5	3.9%	4	1.8%	3
2001-08	Bush Jr.	0.6%	11	3.4%	9	2.2%	12	4.2%	5
2009-16	Obama	0.8%	10	4.6%	4	1.7%	13	7.4%	9
2017-20	Trump	2.2%	4	0.8%	12	1.4%	15	5.5%	6
2021-24	Biden	-1.5%	14	4.2%	6	3.2%	8	2.2%	4

Source of data: U.S. Bureau of Economic Analysis. U.S. debt not available before 1965

**BULLISH NEWS**

- The U.S. economy added 142,000 jobs for August (manufacturing lost 24,000 jobs, government added 24,000), and the unemployment rate fell to 4.2%. But wait for a heavy revisions next month.
- Average August hourly earnings climbed by a strong 0.4%.
- The price of crude oil fell to its lowest level since August 2021 at \$68.
- According to the latest Case-Shiller home price index home prices jumped 5.4% year-over-year, in June.

**.BEARISH NEWS**

- U.S. employment gains for June & July were revised down 86,000. The BLS's initial job data are entering the Twilight Zone.
- The Congressional Budget Office (CBO) estimates that U.S. will lose \$65.2 billion on risky loans next year (e.g. student loans).
- Job openings hit a 42 month low in July.
- The CBO estimates that this year's budget deficit will top \$2.0 trillion.
- The July U.S. trade deficit widened to \$78.8 billion, its highest level in two years.

**Main\$treest 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 12th straight month.

Jim Eckert, CEO of Anchor State Bank in Anchor, Ill. said, "The sad part is that most of our farmers will lose money or just break even due to poor commodity prices."

Other comments from bankers for August:

• Terry Engelken, Vice President of Washington State Bank in Washington, Iowa, reported that, "Turkey producers are feeling the pressure from lower prices."

• Jeff Bonnett, CEO of Havana National Bank in Havana, Ill. said, "Although year-over-year inflation is moving the right direction, the overall increase to inflation since pre-COVID days is taking a toll on rural America. I saw a study that the same items from a pre-COVID grocery receipt purchased here in 2024 went from \$125 to over \$400 now. By the time working folks in our area pay their utilities, groceries and fill the tank up as needed each month, there is little disposable income left for dining out, entertainment, and small business and crafts shopping."

• Larry Winum, CEO of Glenwood State Bank in Glenwood, Iowa, reported that, "Interesting how the federal debt now exceeds \$35 trillion and neither presidential candidate or political party has proposed a plan to solve the problem. Very disappointing and alarming."

This month, bankers were asked to compare the current business environment in their area to that prior to Covid-19. Approximately 22.8% reported business conditions were worse while 18.2% indicated business conditions were improved compared to pre-Covid. The remaining 59.0% indicated little had changed.

Jeff Bonnett, CEO of Havana National Bank in Havana, Ill. said, "In talking with our small business owners on Main Street, they are struggling."

**Farming and ranching land prices:** For the third time in the past four months, farmland prices sank. The region's farmland index fell to 45.5 from July's 52.2. Only 9.1% of bank CEOs



reported that farmland prices expanded from July levels.

According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were down \$78.9 million, or 1.3%, from the same period in 2023.

**Farm equipment sales:** The farm equipment sales index for August slumped to 16.7, its lowest level since January 2017, and down from July's 19.0. This is the 13th 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 August loan volume index rose to a very strong 75.0 and was up from July's 67.4. The checking deposit index slumped to 34.1 from 45.5 in July. The index for certificates of deposits and other savings instruments dropped to 52.3 from 65.9 in July.

Despite falling farm commodity prices and farm income, bankers, on average, reported loan delinquency rates had increased by only 1.1% over the past six months.

Bankers were asked to identify the greatest threat to regional banking operations over the next 12 months. Approximately 60.9% named falling farm commodity prices; 17.6% identified the Fed's too high interest rates; 8.1% reported rising regulatory costs; 6.4% named low loan demand; and the remaining 7% identified other factors.

**Hiring:** The new hiring index for August dropped to 45.5 from 50.0 for July.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The August confidence index slumped to 27.3 from 28.3 in July. Weak agriculture commodity prices and farm

# GOSS EGGS

## RECENT DUMB Presidential Proposals

**Harris:**  
\$25,000 credit for first-time home buyers. This will push prices of unaffordable house even higher.

28% corporate tax rate from current 20%. This action would place the U.S.'s rate well above the 23.4% rate among 181 competing nations. The result will be exodus of U.S. firms to lower tax nations.

28% capital gains tax rate from current 20%. This will move investment out of the U.S.

Allow 2017 tax cuts to expire. Harris contends that this is only for those making more than \$400,000. This is not within her powers. This must be passed by Congress & signed by her. It won't happen.

**Trump:**  
10% tariff on imported goods. This action will produce retaliation. Do we really want to raise bananas in Iowa. No we trade Iowa soybeans for Costa Rican bananas.

Cutting the corporate tax rate to 15% or 20% from current 21%. This would place the U.S. below the median for 38 OEC nations and increase the federal debt.

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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 and then rebounded to 50.0 in August. Likewise, retail sales in the region, much like that for the nation, were very weak with an August retail index of 38.6, the lowest reading since November 2020 and down from 39.1 in July. 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 August dropped to 51.1 from July's 52.3. The farmland and ranchland price index for August fell to 51.2 from 54.6 in July. The state's new hiring index sank to 50.2 from 53.1 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up by \$131.2 million, or 212.7% from the same period in 2023.

**Illinois:** The state's August RMI sank to 44.5 from July's 44.8. The farmland price index dropped to 45.9 from 52.1 in July. The state's new hiring index fell to 45.9 from 50.0 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$176.0 million, or 7.0% from the same period in 2023. Jim Eckert CEO of Anchor State Bank in Anchor reported that "In our part of Central Illinois the crops are looking good."

**Iowa:** August's RMI for the state slumped to 44.2 from 49.5 in July. Iowa's farmland price index for August improved to 53.4 from 47.2 in July. Iowa's new hiring index for August rose to 51.6 from 47.3 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$12.6 million, or 1.4% from the same period in 2023.

**Kansas:** The Kansas RMI for August declined to 34.2 from July's 34.4. The state's farmland price index decreased to 43.0 from 49.1 in July. The new hiring index for Kansas sank to 42.3 from 46.3 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up by \$24.3 million, or 3.7% from the same period in 2023.

**Minnesota:** The August RMI for Minnesota dipped to 49.3 from 50.7 in July. Minnesota's farmland price index dropped to 47.3 from 53.7 in July. The new hiring index for August decreased to 47.6 from 52.1 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$50.5 million, or 8.6% from the same 2023 period.

**Missouri:** The state's August RMI climbed to 55.6 from July's 51.2. The farmland price index for August rose to 53.9 from 53.2 in July. The state's new hiring gauge for August was unchanged from July's 55.9. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$158.7 million, or 25.3% from the same 2023 period.

**Nebraska:** The Nebraska RMI for August sank to 36.5 from 38.6 in July. The state's farmland price index for August slumped to 43.6 from 50.3 in July. Nebraska's August new-hiring index sank to 43.1 from 47.8 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up by \$136.8 million, or 39.3% from the same period in 2023.

**North Dakota:** North Dakota's RMI for August increased to 40.3 from 38.1 in July. The state's farmland price index declined to 44.7 from 46.5 in July. The state's new hiring index declined to 44.7 from 50.2 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were up by \$33.0 million, or 7.3% from the same period in 2023.

**South Dakota:** The August RMI for South Dakota decreased to 44.6 from July's 45.7. The state's farmland price index dropped to 46.0 from 52.3 in July. South Dakota's August new hiring index dropped to 42.4 from 50.3 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$4.4 million, or 6.1% from same 2023 period.

**Wyoming:** The August RMI for Wyoming slumped to 35.3 from 38.2 in July. The August farmland and ranchland price index dropped to 43.3 from 50.2 in July. Wyoming's new hiring index sank to 42.7 from 47.7 in July. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were down by \$1.7 million, or 48.2% 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, October 17.



## 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 (current 3.69%).

On Oct. 17, the U.S. Census Bureau re-releases retail sales for Sept. Continuing negative inflation-adjusted values growth rates are a significant problem.

**Consumer price index (CPI).** On Oct. 10, the U.S. BLS releases its CPI for September. Another monthly moderation will support a Fed rate cut on Nov. 7 (which I expect).

**Employment Report for May.** On Oct. 4<sup>th</sup>, the U.S. BLS releases its job estimates for Sept. employment. I expect softer job growth and an uptick in the nation's unemployment rate making a November rate cut much more likely.

**STATISTIC(S) OF THE MONTH**  
39.6%

Over the last 2 years, according to Bureau of Labor Statistics, the cost of automobile insurance has soared by 39.6%.

## THE OUTLOOK

**The Conference Board.** August 14, 2024. "GDP Growth to Slow, Not Plunge, in 2024. Recent financial market gyrations notwithstanding, the US is likely not on the cusp of recession. Nonetheless, the economy is expected to lose momentum in H2 2024 as high prices and elevated interest rates sap domestic demand. Real GDP growth rose by an unexpected 2.8 percent quarterly annualized in Q2 2024 (from 1.4 percent in Q1 2024), led by stronger domestic demand and a surge in inventories. But there were some signs of weakness, especially as consumers dialed back on services spending, which has been a key contributor to real GDP growth over the last two years. Consumers and businesses are likely to continue cutting spending and investments ahead, suggesting economic growth decelerated to 0.6 percent annualized in Q3 2024."

"GDP growth probably will be lackluster in Q4 2024, expanding at a tepid pace of about 1 percent annualized. The slightly faster pace relative to Q3 reflects some expectation that falling mortgage rates might stoke modest increases in home sales, and a cheaper US dollar supports slightly faster exports growth. However, growth should rise slightly above 2 percent by the end of 2025, reflecting achievement of the Fed's 2-percent inflation target, and lower interest rates."

<https://www.conference-board.org/research/us-forecast>

## BANKER READING ROOM

ICBA. Position on Accounting & Auditing.

>ICBA opposes any prohibitions on the ability of community banks to classify mortgage loans and investment securities at amortized cost when the bank's intent is to collect contractual cash flows over the life of the investment.

>ICBA supports the work of the Financial Accounting Foundation's Private Company Council to seek recognition, measurement, and disclosure alternatives for smaller private companies including non-public community banks.

>When accounting standards are developed, provisions should be made for smaller financial institutions and businesses regardless of their financial statement reporting requirements so that the cost of implementing standards does not outweigh their benefit to financial statement users.

>As community banks become larger in size and more complex, FASB should not penalize their business models through more burdensome accounting policies and reporting requirements if their core business activities have not changed.

<https://tinyurl.com/2ne9t2up>

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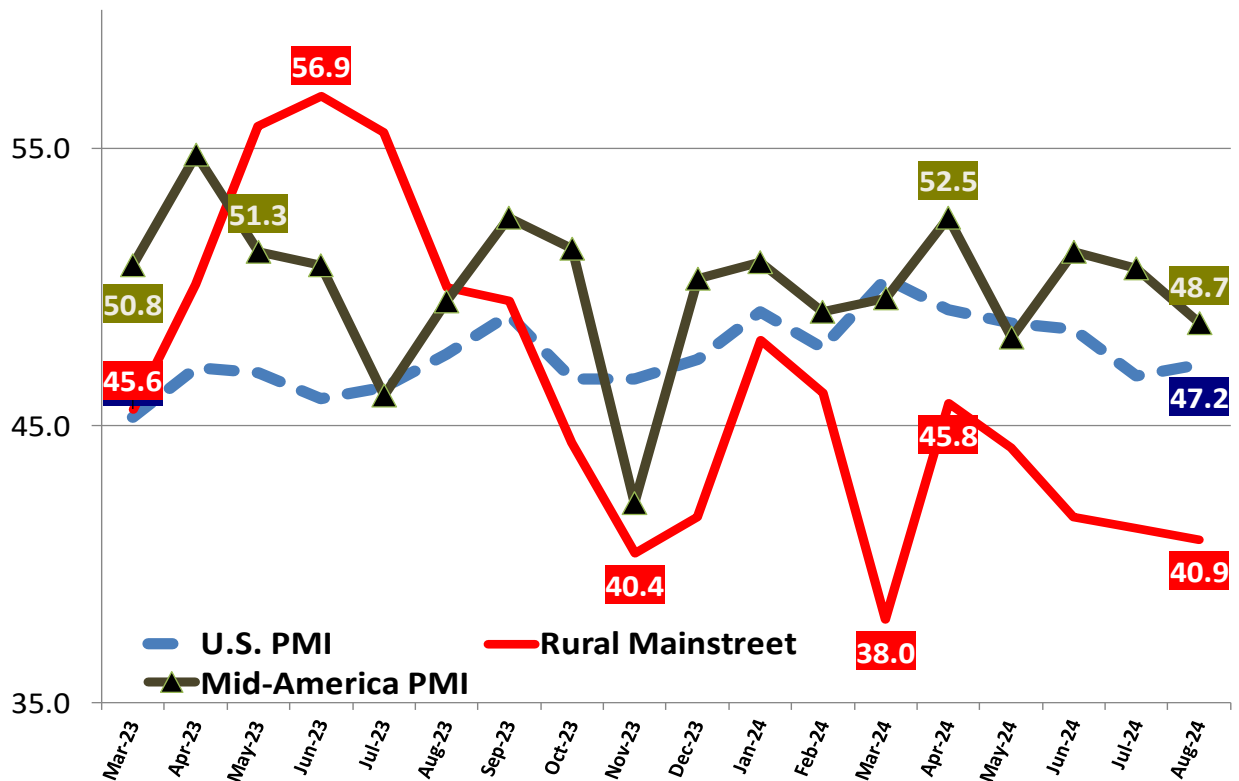
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For ongoing commentary on recent economic developments, visit:

Goss monthly interview at: <https://bit.ly/MidAmericaBCIAugust2024YouTube>

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)



	August 2023	July 2024	August 2024
Area Economic Index	50.0	41.3	40.9
Loan Volume	75.0	67.4	75.0
Checking Deposits	30.8	45.5	34.1
Certificates of Deposit and Savings Instruments	69.2	65.9	52.3
Farmland Prices	60.0	52.2	45.5
Farm Equipment Sales	46.0	19.0	16.7
Home Sales	59.3	33.3	50.0
Hiring	51.9	50.0	45.5
Retail Business	51.9	39.1	38.6
Confidence Index (area economy six months out)	38.9	28.3	27.3

	Percentage of Bankers Reporting				
	Much worse off	Worse off	No change	Better off	Much better off
Compared to pre-Covid, financially are businesses in your area	4.6%	18.2%	59.0%	18.2%	0.0%
	Percentage of Bankers Reporting				
	Little change 0% to 1%		Moderately higher 1% to 4%		Higher 5% to 10%
Farm loan delinquency rates over the past six months are:	77.3%		18.2%		4.5%
	Percentage of Bankers Reporting				
	Other	Low loan demand	Rising regulatory costs	Fed keeping rates too high	Falling farm commodity prices
Which of the following represents the greatest threat to regional banking operations over the next 12 months:	8.6%	4.4%	8.7%	17.4%	60.9%