

# November 2024 THE MAINSTREET ECONOMIC REPORT

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

## Rural Mainstreet Economy Fell for 14th Straight Month

- The Rural Mainstreet Index plummeted to its lowest level since the beginning of the pandemic and fell below growth neutral for the 14<sup>th</sup> straight month.
- Approximately, 85.2% of bankers indicated that former President Donald Trump would be the most supportive of the rural economy with 3.7% indicating Vice-President Kamala Harris and the remaining 11.1% naming another candidate.
- For the fifth time in the past six months, farmland prices sank.
- Farm equipment sales sank for the 15<sup>th</sup> straight month.
- Approximately, 61.5% of bankers indicated that the financial position of farmers in their service area had deteriorated over the past six months.
- According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date climbed to \$7.8 billion from \$7.7 billion from the same period in 2023, for growth of 1.2%.

(Continued next page; summary on final page)



Welcome to Creighton's November Bank CEO Report covering October survey results. The October overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 14<sup>th</sup> straight month, and with farmland prices dropping below growth neutral for the fifth time in the past six months. Thank you for your input. Ernie Goss

## Higher Inflation Ahead- Will Fed Tolerate Higher Prices to Please D.C.?

The Federal Reserve has reduced interest rates by 0.75% over the past two months. Jerome Powell, head of the Federal Reserve, indicated that due to U.S. inflation's fall into a more acceptable range, he was confident it was time to begin cutting rates back to what he considers to be the long-term equilibrium, or Goldilocks territory (not too hot and not too cool).

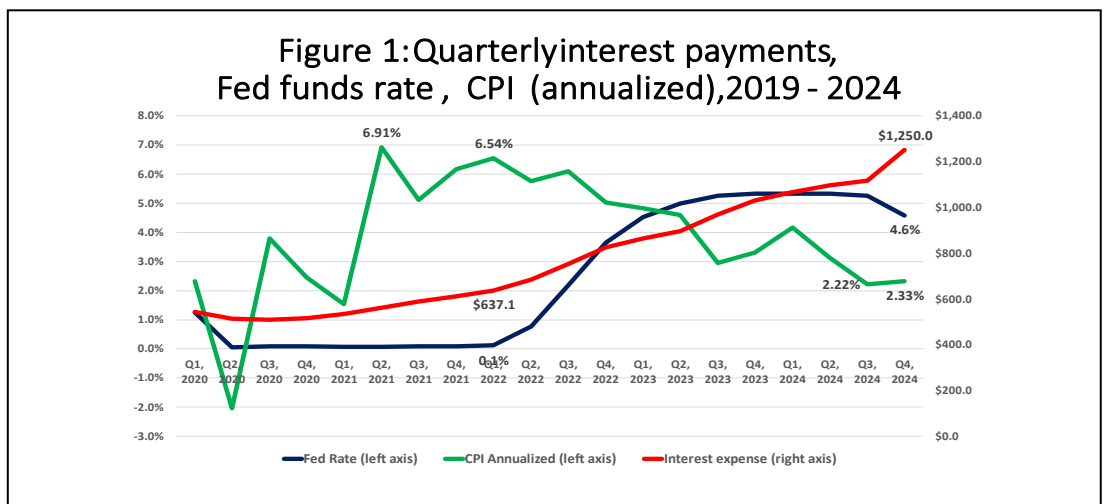
However, bond investors, (i.e. vigilantes) voted with their dollars by selling long-term bonds pushing prices lower and yields higher.

Since the Fed's first interest rate cut on September 18, the yield (i.e. interest rate) on the 10-year U.S. Treasury bond has risen from 3.8% to 4.4% on November 13. Furthermore, November's release of the consumer price index (CPI) indicated that inflation

remains sticky at 2.33% and above the Fed's target of 2.0%.

There are two potential explanations for this. First, investors doubt that the Fed has conquered inflation and do not wish to hold and/or buy long-term bonds that pay interest that sinks in value as inflation expands or remains too high. Second, Chair Powell and his colleagues on the Federal Reserve Open Market Committee (FOMC) that sets **short-term** interest rates wish to relieve the federal government's burden of soaring interest rates on a debt and deficit that are out-of-control. -War time spending in a peace-time economy- This, of course, pleases the D.C. political class.

Figure 1 profiles: 1) interest payments on the federal debt, \$1,250.0 million in 2024, 2) inflation as measured by the consumer price index (CPI), now 2.33%, and 3) the Fed interest (funds) rate now at 4.6%. These data should raise alarm bells that the Fed may have given up on checking inflation in order to accommodate an expanding U.S. Treasury debt.



**BULLISH NEWS**

- The New York Federal Reserve's estimate for U.S. GDP growth for Q4, 2024 is 2.1% which is solid but not great.
- Over the past 12 months, average hourly earnings of all workers rose 4.0%.
- According to the latest Case-Shiller home price index home prices jumped 4.2% year-over-year, in August to a record high.

**BEARISH NEWS**

- U.S. budget deficit for October 2024 jumped four-fold to \$257 billion.
- The U.S. economy added only 12,000 jobs (government +40,000) for October with the unemployment rate remaining at a healthy 4.1%.
- The New York Fed just reported that U.S. household debt increased by \$147 billion (0.8%) in Q3, 2024 to \$17.94 trillion.
- Aggregate loan delinquency rates edged up with 3.5% of outstanding debt in some state of delinquency.

## Main\$treest on Your \$street

**Overall:** Weak agriculture commodity prices, sinking agriculture equipment sales elevated input costs and falling farmland prices pushed the overall reading below growth neutral for the 14th straight month to 35.2 from 37.5 in September.

Bank CEOs were asked which presidential candidate would be the most supportive of the Rural Mainstreet Economy. Approximately, 85.2% indicated former President Trump would be the most supportive of the rural economy with 3.7% naming Vice-President Harris and the remaining 11.1% identifying another candidate.

Approximately, 61.5% of bankers indicated that the financial position of farmers in their service area had deteriorated over the past six months. The remaining 38.5% reported that farmers' financial position was unchanged over the past six months.

Jeff Bonnett, CEO of Havana National Bank in Havana, Illinois, said, "Not to sound like a broken record, but even with above average yields on corn and soybeans, most local farm producers will still cash flow at less than break-even prices."

Other comments from bankers for October:

- Terry Engelken, Vice President of Washington State Bank in Washington, Iowa, reported that "Corn and soybean yields are excellent."
- Jim Eckert, CEO of Anchor State Bank in Anchor, Illinois, said, "Yields are surprisingly good in our area, considering the dry conditions we had most of the late growing season. Field and combine fires are very common, due to continued dry conditions."
- Anonymous banker/farmer, "We cannot survive doing grains at these price levels. Cattle helps, but few have cow/calf operations where there are good margins. I am not so optimistic about these markets."

**Farming and ranching land prices:** For the fifth time in the past six months, farmland prices sank. The region's farmland index fell to 38.5, a six-year low, from September's 43.8. Elevated interest rates and higher input



costs along with below breakeven grain prices have significantly reduced farmer demand for ag land.

On average, bank CEOs reported that over the past six months, only 18.1% of farmland buyers were non-farmer investors.

According to trade data from the International Trade Association (ITA), regional exports of agriculture/livestock for 2024 year-to-date rose to \$7.8 billion from \$7.7 billion from the same period in 2023, a 1.2% gain.

**Farm equipment sales:** The farm equipment sales index for October slumped to 18.8 from 19.0 in September. This is the 15<sup>th</sup> straight month that the index has fallen below growth neutral. Higher borrowing costs, tighter credit conditions and farm income losses are having a negative impact on the purchases of farm equipment.

**Banking:** The October loan volume index expanded to a strong 73.1 from 68.8 in September. The checking deposit index soared to 63.7 from 41.3 in September. The index for certificates of deposits and other savings instruments climbed to 63.5 from 56.5 in September. The Federal Reserve's higher interest rate policies have boosted CD purchases above growth neutral for 23 straight months.

**Hiring:** The new hiring index for October expanded to 50.0 from 43.5 in September.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The October confidence index increased to a weak 29.6 from September's 22.9. Weak agriculture commodity prices and negative farm cash flow, combined with downturns in farm equipment sales over the past several



# GOSS EGGS

## RECENT DUMB Economic Political Actions

### Are North Dakota “Hot House” Bananas Next?

Too many politicians support the immediate implementation of across-the-board U.S. tariff increases. These mistaken politicians argue that the higher tariffs will either raise significant tax collections, or force production from foreign shores to the U.S.

Unfortunately, bad politics generally defeats good economics. There are few economic policies that economists support with few or no exceptions. Free trade is one of the policies that 99.9% of economists back.

David Ricardo a 19th Century British economist. argued against the belief that trade was merely to accumulate gold or silver. With "comparative advantage" Ricardo argued in favor of industry specialization and free trade. He suggested that industry specialization by a nation combined with free international trade always produced positive results.

Across-the-board tariff boosts will result in: 1) higher prices and inflation for U.S. consumers, 2) retaliation by current U.S. trading partners damaging U.S. exporters especially farmers, manufacturers, and transportation firms, 3) Slower U.S. economic growth, 4) Fewer choices for U.S. consumers. Forget that French wine! Welcome Montana Merlot!

Instead of growing hot house bananas, the U.S. must grow corn and exchange for bananas from Guatemala.

Ernie Goss.

5 OF 5 GOSS EGGS



months, continued to constrain banker confidence.

**Home and retail sales:** Home sales rose to a weak 46.3 from 43.8 in September. Likewise, retail sales in the region, much like that for the nation, were very weak with an October index of 36.0, up from 30.4.

High consumer debt, elevated interest rates and weaker farm income are cutting into retail sales for the Rural Mainstreet Economy.

#### Below are state reports:

**Colorado:** The state's Rural Mainstreet Index (RMI) for October fell to 51.6 from 61.6 in September. The farmland and ranchland price index for October sank to 52.3 from 60.0 in September. The state's new hiring index climbed to 65.9 from 63.3 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date rose to \$255.1 million from \$108.3 million from the same period in 2023, or a 135.5% gain.

**Illinois:** The state's October RMI sank to 38.1 from September 43.9. The farmland price index dropped to 38.8 from 45.7 in September. The state's new hiring index fell to 45.1 from 45.2 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date sank to \$2.9 billion from \$3.0 billion from the same period in 2023, or a 2.8% reduction.

**Iowa:** September's RMI for the state decreased to 37.1 from 44.0 in September. Iowa's farmland price index for October sank to 38.6 from 45.7 in September. Iowa's new hiring index for October rose to 52.8 from September's 52.4. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date sank to \$1.0 billion from \$1.1 billion from the same period in 2023, or a 2.3% reduction.

**Kansas:** The Kansas RMI for October dipped to 33.4 and 34.1 in September. The state's farmland price index fell to 37.5 from 42.3 in September. The new hiring index for Kansas expanded to 47.6 from 39.6 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date rose to \$881.2 million from \$842.9 from the same period in 2023, or a 4.5% gain.

**Minnesota:** The October RMI for Minnesota increased to 49.8 from 48.1 in September. Minnesota's farmland price index dropped to

42.1 from 42.2 last month. The new hiring index for October climbed to 53.3 from 43.2 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date fell to \$751.4 million from \$821.7 million from the same period in 2023, or an 8.6% reduction.

**Missouri:** The state's October RMI sank to 52.4 from September's 53.5. The farmland price index for October fell to 57.2 from 63.8 last month. The state's new hiring gauge for October expanded to 71.9 from 63.8 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date sank to \$605.8 million from \$782.0 million from the same period in 2023, or a 22.5% reduction.

**Nebraska:** The Nebraska RMI for October slumped to 33.5 from 35.1 in September. The state's farmland price index for October dropped to 36.9 from 42.7 in September. Nebraska's October new hiring index increased to 45.8 from 42.7. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date expanded to \$571.8 million from \$395.3 million from the same period in 2023, or a 44.6% gain.

**North Dakota:** North Dakota's RMI for October sank to 39.2 from 41.3 in September. The state's farmland price index sank to 39.3 from 45.0 in September. The state's new hiring index rose to 49.8 in October from 41.4 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date rose to \$706.3 million from \$628.2 million from the same period in 2023, or a 12.4% gain.

**South Dakota:** The October RMI dropped to 41.8 for South Dakota from 46.0 in September. The state's farmland price index fell to 39.9 from 46.3 in September. South Dakota's October new hiring index climbed to 50.5 from October's 46.5. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date climbed to \$98.2 million from \$91.0 million from the same period in 2023, or a 7.9% gain.

**Wyoming:** The October RMI for Wyoming sank 34.2 from 34.8 in September. The October farmland and ranchland price index dropped to 33.3 from September's 41.6. Wyoming's new hiring index increased to 42.1 from 40.6 in September. According to trade data from the ITA, regional exports of agriculture goods and livestock for 2024 year-to-date sank to \$2.1 million from \$3.9 million from the same period in 2023, or a 45.6% reduction.



**KEEP AN EYE ON**

Keep an eye on the yield on the 10-yr U.S Treasury bond. It has climbed above 4.4% due to concerns over higher inflation.

Consumer price index (CPI). On Dec. 11, the U.S. BLS releases its CPI for November. An upturn will kill a December Fed rate cut.

Employment Report for November. On Dec. 11<sup>th</sup> the U.S. BLS releases its job estimates for November. Another weak reading (below 50,000) push the Fed to cut rates by 25 basis points on Dec. 18.

Jerome Powell's press conference post the FOMC's interest rate decision on Dec. 18. Listen for hints on future rate changes.

**STATISTIC(S) OF THE MONTH**  
**28.75%**

The average credit card interest rate is 28.75%, according to Forbes Advisor's weekly credit card rates report.

**THE OUTLOOK**

**“How Trump’s election is forecast to affect US stocks.” Goldman Sachs (Nov. 8, 2024).** “Goldman Sachs Research’s forecast for the S&P 500 Index of stocks is broadly the same as it was before Donald Trump won the US presidential election. Beneath the surface, however, the outlook has changed substantially for some sectors.

“The S&P 500 is still projected to climb some 9% to 6300 in the next 12 months, David Kostin, chief US equity strategist at Goldman Sachs Research, writes in the team’s report. Our researchers forecast growth in earnings-per-share of 11% in 2025 and 7% the year after, though Kostin points out that those estimates may change as more about the new administration's policy agenda is revealed. “Robust earnings growth should drive continued equity market appreciation into next year,” he writes.

“A sharp increase in 10-year Treasury yields, which would increase borrowing costs and impact valuations, would probably limit the magnitude of any potential rally in stock prices. Ten-year yields have risen to about 4.4% from a low this year of 3.6%. Kostin points out that such an increase in interest rates would usually be accompanied by a decline in equity prices. But in this case, stocks have been unperturbed by the rise in yields because it has mostly been driven by better economic data in the US.”

<https://tinyurl.com/2z99abee>

**BANKER READING ROOM**

**Effective Cyber Security Solutions for Banks.”** To combat these threats, banks must implement a combination of technological solutions and best practices. Here are five effective cyber security solutions for banks: 1. Multi-Factor Authentication (MFA). MFA adds an extra layer of security beyond just passwords, requiring users to verify their identity with additional methods, such as biometrics or one-time passcodes. This drastically reduces the risk of unauthorized access. 2. End-to-End Encryption. Data encryption ensures that even if cybercriminals intercept sensitive data, they cannot read or use it. Banks must use strong encryption methods for data at rest and in transit. 3. AI-Powered Threat Detection. Artificial intelligence (AI) can help

detect and respond to threats in real-time by analyzing vast amounts of data for abnormal patterns. AI is particularly effective at mitigating phishing and fraud attacks. 4. Zero Trust Architecture. The Zero Trust model assumes that all users, devices, and networks are inherently untrustworthy. Banks can prevent unauthorized access and data breaches by requiring verification at every stage. To implement such a model effectively, having a strong network security architecture is crucial, ensuring that every access point and connection within the system is secure. 5. Security Incident and Event Management (SIEM) Systems. SIEM systems gather and analyze security data from multiple sources to provide real-time alerts on potential threats. <https://tinyurl.com/3bxtxhhr>

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

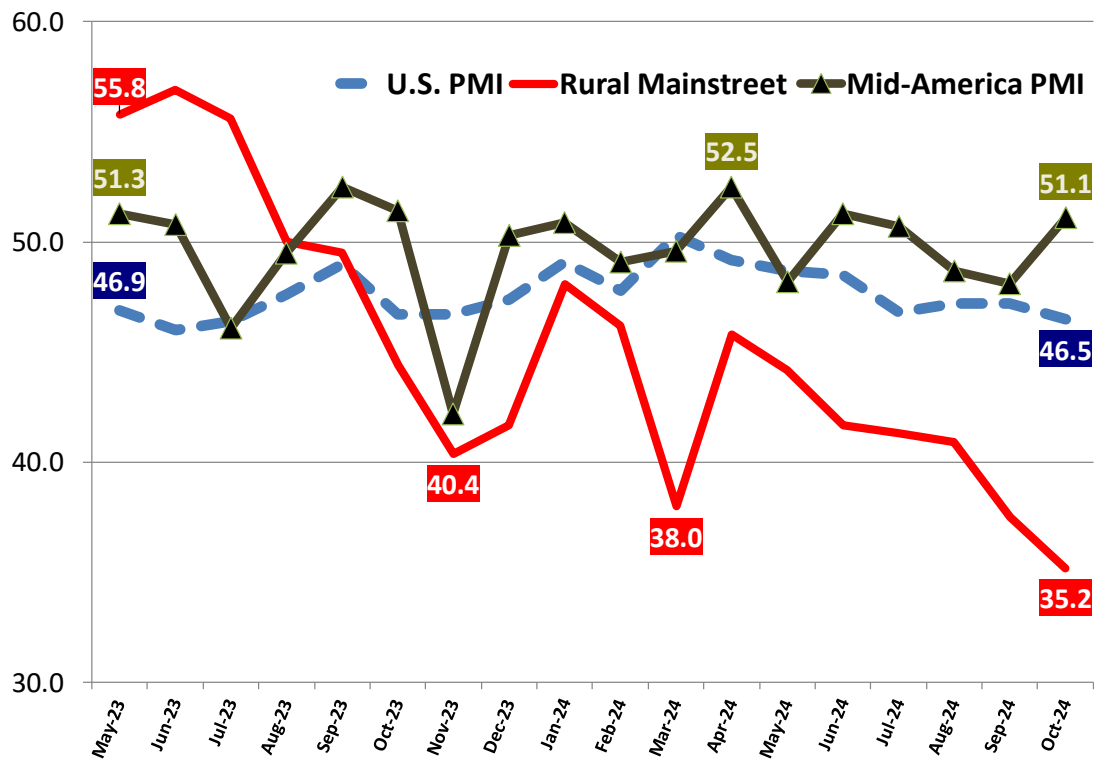
For ongoing commentary on recent economic developments, visit:

Goss monthly interview at: <https://bit.ly/MidAmericaBCIOct2024YouTube>

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)





## Summary of October Survey

<b>Table 1: Rural Mainstreet Economy Last 2 Months &amp; One Year Ago: (index &gt; 50 indicates expansion)</b>			
	Oct. 2023	Sept. 2024	Oct. 2024
Area Economic Index	44.4	37.5	35.2
Loan Volume	77.7	68.8	73.1
Checking Deposits	26.9	41.3	63.7
Certificates of Deposit and Savings Instruments	59.6	56.5	63.5
Farmland Prices	55.6	43.8	38.5
Farm Equipment Sales	48.0	19.0	18.8
Home Sales	40.4	43.8	46.3
Hiring	49.2	43.5	50.0
Retail Business	46.3	30.4	36.0
Confidence Index (area economy six months out)	24.1	22.9	29.6



<b>Table 2: The Rural Mainstreet Economy, October 2024</b>					
	Percentage of Bankers Reporting				
	Vice-President Kamala Harris	Former President Donald Trump		Other Candidates	
Which presidential candidate would be the most supportive of the Rural Mainstreet Economy:	3.7%	85.2%		11.1%	
	Percentage of Bankers Reporting				
	Gotten Worse	Changed Little		Improved	
Over the last 6 months, what has been the change in farmer financial positions in your area:	61.5%	38.5%		0.0%	
	Percentage of Bankers Reporting				
	Less than 10%	10% to 19%	20% to 32%	33% to 50%	Over 50%
What percent of agriculture land sales in your area over the past 6 months has been made to non-farmer investors?	50.0%	15.4%	11.5%	19.2%	3.8%