

# October 2024 THE MAINSTREET ECONOMIC REPORT

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

## Rural Mainstreet Economy Fell to Pandemic Low

>40% of Farmers Expected to Lose Money in 2024

>The Rural Mainstreet Index plummeted to its lowest level since the beginning of the pandemic and fell below growth neutral for the 13<sup>th</sup> straight month.

- For the fourth time in the past five months, farmland prices sank.

- On average, bank CEOs expect farmland prices to fall by 5.2% in the next year with almost one-fourth anticipating price declines between 10% and 20%.

- Farm equipment sales sank for the 14<sup>th</sup> straight month.

- On average, bankers expect almost 40% of farmers in the region to experience negative 2024 farm income.

- According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were up by \$57.0 million (0.8%) from the same period in 2023.

- (Results on next page)



Welcome to Creighton's October Bank CEO Report covering September survey results. The September overall reading from bank CEOs and bank executives in 10 Rural Mainstreet States fell below growth neutral for an 13<sup>th</sup> straight month, and with farmland prices dropping below growth neutral for the fourth time in the past five months. Thank you for your input. Ernie Goss

## Buy, Sell, or Hold Gold?

### Harris' Taxes and Trump's Debt Are 2025 Keys

On February 24, 2022, Russia invaded Ukraine. Since that time, the price of gold has soared by 38.5%, while stocks, as measured by the S&P 500, expanded by a strong 30.9%. During this 32-month period, inflation as captured by the consumer price index, climbed by 10.4%, and federal government spending rose by 14.5%. What's the connection between these factors?

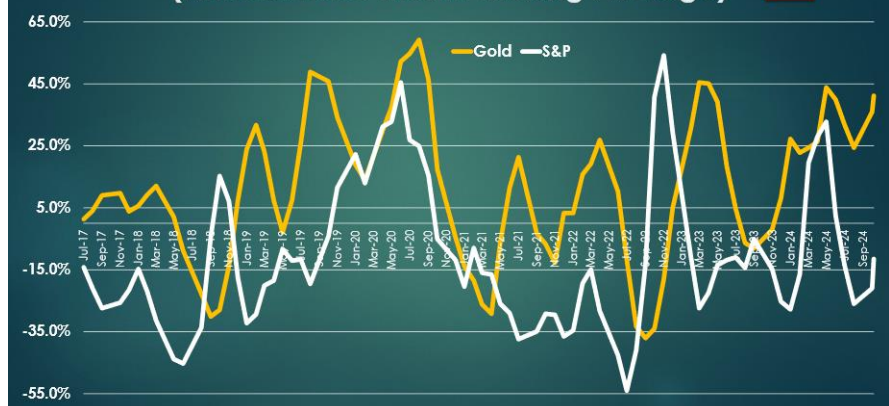
Contrary to stocks, which are generally priced according to the earnings and dividends paid by the corporation, gold does not have earnings, nor does it pay dividends. Instead, Gold is primarily influenced by risks factors such as war and inflation. When tensions and risks rise, investors buy safe haven assets such as gold and silver. Likewise, when inflation expands, investors seek assets that appreciate

with higher prices such as hard assets such as gold, silver, and platinum.

Another very important factor pushing gold prices has been the unprecedented central bank buying of precious metals, primarily gold. The World Gold Council reported that central banks, such as the Peoples Bank of China (PBOC) and the European Central Bank (ECB), have purchased a record high 374.1 tons of gold this year due to fears of the falling value of international currencies (fiat) such as the U.S. dollar. Figure 1 below tracks gold and stock prices, (S&P 500) between 2017 and 2024.

So, what do the U.S. elections have to do with the price of gold? Candidate Harris has effectively promised higher federal spending backed by higher taxes. On the other hand, Candidate Trump has essentially vowed higher federal spending supported by higher deficits. Thus, gold prices should expand at a higher pace under a President Trump than a President Harris, other factors unchanged. Ernie Goss.

Figure 1: Growth in Gold & S&P Stocks, 2017-24  
(Annualized 3-Month Moving Average)



**BULLISH NEWS**

- The U.S. economy added 254,000 jobs for September (manufacturing lost 7,000 jobs, government added 31,000), and the unemployment rate fell to 4.1%.
- Average September hourly earnings climbed by a strong 0.4%.
- U.S. job openings rose to 8,000,000 in August.
- According to the latest Case-Shiller home price index home prices jumped 5.0% year-over-year, in July to an all time high.

**.BEARISH NEWS**

- U.S. budget deficit for fiscal 2024 stands at \$1.9 trillion with one month to go.
- After the jobs report on Oct. 4, the yield on the 10-year U.S. Treasury bond rose to 3.98%, its highest level since Aug. 8, due to inflation fears.
- Corporate bankruptcies have risen by 8% over the past 12 months.
- The delinquency ratio for commercial real estate (CRE) loans across US banks rose 16 basis points in the second quarter to 1.40%.

**Main\$Street on Your \$Street**

**Overall:** Weak agriculture commodity prices, sinking agriculture equipment sales and elevated input costs pushed the overall reading below growth neutral for the 13th straight month.

Jim Eckert, CEO of Anchor State Bank in Anchor, Illinois, said, “Harvest has not really started in our area, but a couple of farmers (who always have to be first) have combined some early corn varieties, and the results suggest that the crop will be good but down from 2022 and 2023.”

Other comments from bankers for September:

- Terry Engelken, Vice President of Washington State Bank in Washington, Iowa, reported that “Early yields for both corn and soybeans are very good.”
- Jeff Bonnett, CEO of Havana National Bank in Havana, Illinois, said, “The question regarding what percent of our area farmers will have a net loss for 2024 is interesting. Based upon current corn and soybean prices of about \$1.50 to \$2.00 below break even, I believe this will be a high percentage.”

**Farming and ranching land prices:** For the fourth time in the past five months, farmland prices sank. The region’s farmland index fell to 43.8 from August’s 45.5. “Only 4.2% of bank CEOs reported that farmland prices expanded from August levels.

On average, bank CEOs expect farmland prices to decline by 5.3% in the next 12 months. Of greater concern, approximately one-fourth of bankers anticipate a 10% to 20% downturn in farmland prices over the next year.

According to trade data from the International Trade Association, regional exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$57.0 million (0.8%) from the same period in 2023.

**Farm equipment sales:** The farm equipment sales index for September increased to 19.0 from 16.7. “This is the 14<sup>th</sup> straight month that the index has fallen below growth neutral. Higher borrowing costs, tighter credit



conditions and negative farm income are having a negative impact on the purchases of farm equipment,” said Goss.

Across the region, bankers expect approximately 39.1% of farmers to experience negative 2024 farm income.

**Banking:** The September loan volume index slipped to a still strong 68.8 from 75.0. The checking deposit index climbed to a weak 41.3 from 34.1 in August. The index for certificates of deposits and other savings instruments climbed to 56.5 from 52.3 in August. The Federal Reserve’s higher interest rate policies have boosted CD purchases above growth neutral for 22 straight months.

**Hiring:** The new hiring index for September dropped to 43.5 from 45.5 in August.

**Confidence:** Rural bankers remain very pessimistic about economic growth for their area over the next six months. The September confidence index slumped to 22.9, its lowest level since November of last year, and down from 27.3 in August. “Weak agriculture commodity prices, negative farm cash flow, combined with downturns in farm equipment sales over the past several months, continued to constrain banker confidence,” said Goss.

**Home and retail sales:** After August’s growth neutral reading for home sales, the home sales index fell to 43.8. Likewise, retail sales in the region, much like that for the nation, were very weak with a September index of 30.4, the lowest since June 2020, and down from 38.6 in August.

Below are the state reports:

**Colorado:** The state’s Rural Mainstreet Index (RMI) for September increased to 61.6 from August’s 51.1. The farmland and ranchland price index for September rose to 60.0

# GOSS EGGS

## RECENT DUMB Economic Political Actions

President Biden's 2021 \$1.2 trillion infrastructure bill included \$42.5 billion for states to pursue broadband access to "unserved" mostly rural communities. Thus far, ground has not been broken on a single project.

According to the Wallstreet Journal (WSJ), the Administration's demand that broadband providers hire unrepresented groups---prisoners, older workers, racial/religious minorities and LGBTQ persons, has guaranteed failure. Good luck with recruiting in rural Wyoming with those demands.

Furthermore, states must identify future climate risks and how the project avoids or reduces the risks.

As part of the plan, Rhode Island sought to provide subsidized and duplicate high-speed coverage to wealthy homeowners in Newport, including to Taylor Swift's \$17 million home.

According to the WSJ, Cox Communications is suing to stop this government gift to the wealthy. I guess Taylor Swift will just have to live on a budget like the rest of us.

4 OF 5 GOSS EGGS



from 51.2 in August. The state's new hiring index climbed to 63.3 from 50.2 in August. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$152.7 million or 206.5% from the same period in 2023.

**Illinois:** The state's September RMI sank to 43.9 from August's 44.5. The farmland price index dropped to 45.7 from 45.9 in August. The state's new hiring index fell to 45.2 from 45.9 in August. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$139.0 million or 5.1% from the same period in 2023. According to Jeff Bonnett, CEO of Havana National Bank in Havana, "Thankfully on the east side of the Illinois River (irrigated ground), our farm producers can raise seed corn, popcorn, green beans, potatoes, pumpkins and other contracted vegetables to manage their profitability. Going into harvest, this is a reality, and utilizing options was not as advantageous this year either."

**Iowa:** September's RMI for the state decreased slightly to 44.0 from 44.2 in August. Iowa's farmland price index for September sank to 45.7 from 53.4 in August. Iowa's new hiring index for September rose to 52.4 from August's 51.6. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$8.1 million or 0.8% from the same period in 2023.

**Kansas:** The Kansas RMI for September dipped to 34.1 from 34.2 in August. The state's farmland price index fell to 42.3 from 43.0 in August. The new hiring index for Kansas sank to 39.6 from 42.3 in August. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$49.0 million or 6.7% from the same period in 2023.

**Minnesota:** The September RMI for Minnesota dipped to 48.1 from August's 49.3. Minnesota's farmland price index dropped to 42.2 from 47.3 last month. The new hiring index for September decreased to 43.2 from 47.6 in August. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **down** by \$30.8 million or 4.5% from the same period in 2023.

**Missouri:** The state's September RMI sank to 53.5 from August's 55.6. The farmland price index for September rose to 63.8 from 53.9 last month. The state's new hiring gauge for September expanded to 63.8 from August'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 \$164.6 million or 23.3% from the same period in 2023.

**Nebraska:** The Nebraska RMI for September slumped to 35.1 from 36.5 in August. The state's farmland price index for September dropped to 42.7 from 43.6 in August. Nebraska's September new-hiring index sank to 42.7 from 43.1 last month. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$140.1 million or 37.8% from the same period in 2023.

**North Dakota:** North Dakota's RMI for September increased to 41.3 from 40.3 in August. The state's farmland price index climbed to 45.0 from 44.7 in August. The state's new hiring index declined to 41.4 from 44.7 in August. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$56.1 million or 10.4% from the same period in 2023.

**South Dakota:** The September RMI for South Dakota increased to 46.0 from 44.6 in August. The state's farmland price index rose to 46.3 from 46.0 in August. South Dakota's September new hiring index climbed to 46.5 from 42.4. According to trade data from the International Trade Association, exports of agriculture goods and livestock for 2024 year-to-date were **up** by \$3.3 million or 4.2% from the same period in 2023.

**Wyoming:** The September RMI for Wyoming sank 34.8 from 35.3 in August. The September farmland and ranchland price index dropped to 41.6 from August's 43.3. Wyoming's new hiring index fell to 40.6 from 42.7 in August. 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 46.7% 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, November 21.



## KEEP AN EYE ON

Keep an eye on the yield on the 10-yr U.S. Treasury bond. It has climbed above 4.0% due to concerns over higher inflation.

**Consumer price index (CPI).** On Oct. 10 and Nov. 13, the U.S. BLS releases its CPI for September and October. An upturn could thwart a December Fed rate cut.

**GDP for 3<sup>rd</sup> quarter.**

On October 30, the U.S. BEA releases Q3 GDP. A reading above 3.5% could scuddle a December rate cut.

**Employment Report for October.** On Nov. 1<sup>st</sup> the U.S. BLS releases its job estimates for October. Another blowout reading will take a 50 basis Fed rate cut off the table on Nov. 6/7 and make a December cut less likely.

## THE OUTLOOK

*National Association of Business Economics (September 2024). NABE Panelists See Fed's Rate Cut as Improving the Outlook for the Economy, but Risks Shift to the Downside.* **SUMMARY:** "More than half of the NABE Outlook Survey panelists believe the risks to their forecasts over the next 12 months are weighted to the downside," said **NABE President Ellen Zentner**, chief economic strategist and global head of Thematic and Macro Investing, Morgan Stanley Wealth Management. "A monetary policy mistake is cited as the greatest downside risk by 39% of panelists, followed by the outcome of the U.S. presidential election noted by 23% of panelists, and the broadening of conflicts in the Middle East or Ukraine, also by 23%. Panelists have revised their economic growth forecasts higher for 2024, and lowered their forecasts for 2025. Forecasts for the unemployment rate have also been revised upward from the previous survey, to 4.1% in 2024 and 4.4% in 2025. "Just over one third of survey panelists indicates that the fed funds rate should be between 4.75% and 4.99%, in line with the Federal Reserve's Federal Open Market Committee decision to cut rates by 50 basis points at the September 17-18 meeting," added **NABE Outlook Survey Chair Mervin Jebaraj**, director, Center for Business and Economic Research at the University of Arkansas".

<https://tinyurl.com/4mwha5zs>

## BANKER READING ROOM

**Public Banks: Postal Banking, Fed Accounts, and State-Owned Banks**CBA. ICBA: \*opposes the provisioning of deposit services and the allocation of credit to consumers, businesses, non-profits, or governmental entities by the United States Postal Service (USPS), the Federal Reserve, or any other federal, state, or quasi-federal or state instrumentality. \*\*The financially challenged USPS has virtually no expertise in providing financial services to consumers in a cost-effective manner. Greater entry by the USPS into financial services introduces another tax-advantaged and lightly regulated entity with limited expertise into the marketplace, akin to credit unions and the Farm Credit System.\*\*Accounts offered by the

Federal Reserve (FedAccounts) would directly compete with community banks, diverting deposits from local communities and create undue taxpayer risk. Requirements for cost recovery under the Monetary Control Act put into question the legality and feasibility of FedAccounts.\*\*ICBA opposition extends to the creation of special purpose banks to service the cannabis industry or a National Infrastructure Bank.\*\*Community banks offer affordable accounts for unbanked and underbanked consumers, raising questions about the need for FedAccounts and their ability to attract consumers. Financial services are best provided in a competitive, private, and free marketplace that openly and efficiently benefits customers. <https://tinyurl.com/bd4m4jbt>

## STATISTIC(S) OF THE MONTH

### 2,800 tons

Over the last 2 years, according to Bloomberg, China's Peoples Bank of China (PBOC) purchased 2,800 tons of gold from overseas, or one-third the total holdings of the U.S. Federal Reserve.

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

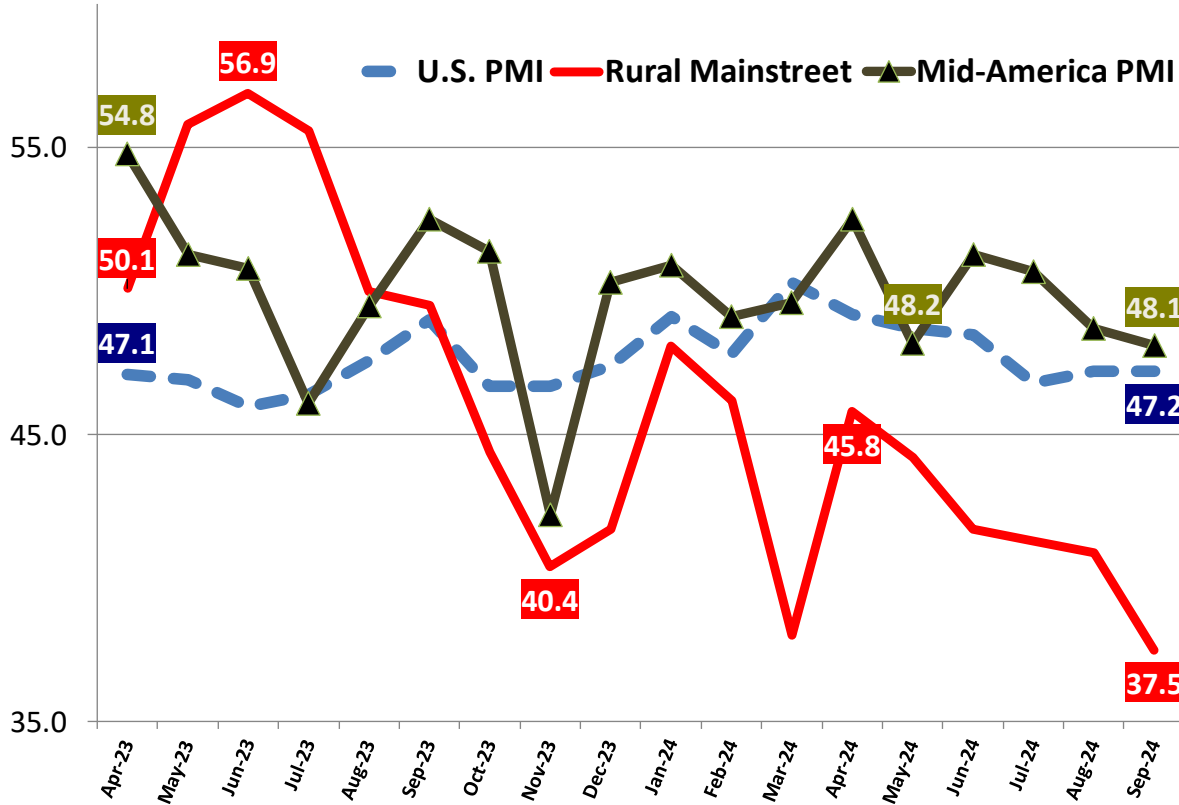
For ongoing commentary on recent economic developments, visit:

Goss monthly interview at: <https://bit.ly/MidAmericaBCISeptember2024YouTube>

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)**

	September 2023	August 2024	September 2024
Area Economic Index	49.5	40.9	37.5
Loan Volume	70.3	75.0	68.8
Checking Deposits	35.2	34.1	41.3
Certificates of Deposit and Savings Instruments	59.3	52.3	58.5
Farmland Prices	65.4	45.5	43.8
Farm Equipment Sales	44.0	16.7	19.0
Home Sales	37.0	50.0	43.8
Hiring	49.2	45.5	43.5
Retail Business	48.1	38.6	30.4
Confidence Index (area economy six months out)	28.8	27.3	22.9

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

	Percentage of Bankers Reporting				
	None or less than 1%	1% to 9%	10% to 24%	25% to 50%	More than 50%
What percent of farmers in your area do you estimate will have negative net income for 2024?	4.2%	16.7%	24.8%	12.5%	41.7%
	Percentage of Bankers Reporting				
	Other factors	Lower agriculture commodity prices	Higher input costs		
Which of the following represents the greatest threat to farm income ahead?	0.0%	91.7%	8.3%		
	Percentage of Bankers Reporting				
	Down 10% to 20%	Down 5% to 9%	Down 1% to 4%	No change	Up 1% to 4%
Compared to this year, what are your expectations for farmland prices in your area in 2025?	24.8%	16.7%	25.2%	25.0%	8.3%