October 2025

THE MAINSTREET ECONOMIC REPORT

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

Welcome to Creighton's October Bank CEO Report covering September 2025 survey results. The overall September reading from bank CEOs and bank executives in 10 Rural Mainstreet States sank into a range indicating that the Rural Mainstreet economy weakened significant with falling farmland prices and declining ag equipment sales. Thank you for your input for our/your September survey. Ernie.

Rural Mainstreet Economy Falls into Negative Territory: Almost 75% of Bankers Report Negative Tariff Impacts

September-at-a-Glance:

- **For the seventh time in 2025, the overall regional economic index sank below growth neutral.**
- **For the 16th time in the past 17 months, farmland prices sank below growth neutral.**
- **Approximately three of four bank CEOs reported that tariff increases have had a negative impact on farm operations.**
- **Farm equipment sales dropped below growth neutral for the 25th straight month.**
- **Almost three of four bank CEOs indicated that falling agriculture commodity prices represented the greatest threat to banking operations over the next 12 months**
- **According to the USDA data, the 10-state region produced 36.9% of U.S. 2024 agriculture output.**

(Continued next page)

(Tables on final page)

Bailouts, Budgets, and Bubbles: Is the Stock Market Too Big to Fail?

In March 2023, U.S. Treasury Secretary Janet Yellen and Federal Reserve (Fed) Chair Powell arranged a bailout of Silicon Valley Bank, Signature Bank and First Republican Bank, ostensibly to curb financial contagion. As stated by Yellen, "Our intervention was necessary to protect the broader U.S. banking system."

Earlier in September 2008, then Fed Chair Ben Bernanke ushered in this bailout mentality with the introduction of what was and is termed Quantitative Easing (QE) whereby the semi-public Federal Reserve purchases U.S. government debt issued to support rocketing federal spending, maintain low interest rates, and stabilize a volatile stock market.

In Q3, 2008, mortgage rates stood at 6.0% when the Fed began its bond buying binge (BBB) holding, in retrospect, a low $926 million in U.S. Treasury bonds. When the Fed completed its U.S. debt buying in Q4, 2020, mortgage rates had sunk to 2.66% and the Fed held $7.33 trillion in U.S. Treasury bonds (and mortgage-backed securities). During this period, the federal government deficit soared from $9.8 billion to $3,132.4 billion as federal spending more than doubled.

This unprecedented increase in federal spending, with the Federal Reserve's assistance, boosted U.S. stock prices as a share of the U.S. economy (i.e. Buffett indicator) to record highs.

Just as the Fed established a record of limiting failure among individual businesses and banks, investors now expect the Fed to prevent any stock market correction (a Greenspan "put"), or bear market. Thus, almost weekly the stock market climbs to record levels against the size of the economy (e.g. record Buffett indicators), investors are comforted by federal spending supported by actual Fed bond buying, or the threat of Fed bond buying. The correlation coefficients listed in Table 1 below indicate a strong positive relationship between Fed bond buying and federal government spending and between Fed bond buying and the Buffett indicator. Ernie Goss.

Table 1: Correlation coefficients between Buffett indicator and the balance sheet, federal spending & risk premium

	Buffett indicator
Balance sheet	+0.86
Federal spending	+0.66

A correlation coefficient is a statistical measure between -1 and 1 that quantifies the strength and direction of a linear relationship between two variables. A value of +1 indicates a perfect positive linear relationship, -1 indicates a perfect negative linear relationship, and 0 suggests no linear relationship. Any value above +0.50 is considered as a strong association.

A multi-variate analysis (provided upon request), indicate that a 10% increase in federal spending (approximately $650 billion) supported by equal Fed bond buying would increase the Buffett indicator or stock prices by 2.8%, assuming no change in GDP.

BULLISH NEWS

- The Atlanta Federal Reserve Bank estimates a Q3 GDP growth of 3.9%.
- Consumer spending advanced by a solid 0.6% in August after rising by 0.5% in July.
- The yield on the 10-year U.S. Treasury is trading in a range of 4.0% to 4.15%. This will mean that mortgage rates will move sideways to a bit down.

BEARISH NEWS

- ADP data indicated that private employers in the U.S. recorded a loss of 32,000 jobs in September.
- From January to April of 2025, the U.S. imported $78.2 billion in agriculture goods while exporting just $58.5 billion. This is a record deficit ever recorded for the first months of the year.
- The U.S. budget deficit expanded by $92 billion to almost $2 trillion in the first 11 months of fiscal 2025.
- Both Creighton's regional and ISM's national survey of manufacturers remained weak in September.
- The price of gold is approaching a record $4,000 per ounce as investors seek a safe haven for their dollars.
- The Case-Shiller home price index fell for the fifth straight month.

Main$treet on Your $treet

For the seventh time in 2025, the overall Rural Mainstreet Index (RMI) sank below growth neutral 50.0, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The region's overall reading for September fell to 38.5 from 48.1 in August. The index ranges between 0 and 100, with a reading of 50.0 representing growth neutral.

Weak agriculture commodity prices for grain producers continue to dampen economic activity in the 10-state region. Almost three of four bank CEOs and chief loan officers indicated that falling agriculture commodity prices represented the greatest threat to banking operations over the next 12 months.

Approximately three of four bank CEOs reported that tariff increases have had a negative impact on farm operations.

Farming and ranch land prices: For the 16th time in the past 17 months, farmland prices slumped below growth neutral. The region's farmland price dropped to 45.8 from 46.2 in August. Elevated interest rates, higher input costs and below breakeven grain prices put downward pressure on farmland prices.

According to the USDA data, the 10-state region produced 36.9% of U.S. 2024 agriculture output.

Jim Eckert, Executive VP and Trust Officer of Anchor State Bank in Anchor, Ill. said, "Harvest has just begun in our area of Central Illinois. Few soybeans have been combined, but initial corn indications are that corn crop will not be as good as 2024."

Terry Engelken, Vice-President at Washington State Bank in Washington, Iowa, agreed with Eckert stating that, "The recent dry weather appears to have lowered the yields expectations for both corn and soybeans."

Farm equipment sales: The farm equipment sales index improved slightly to a very weak 15.2 from August's 14.6. This is the 25th straight month that the index has fallen below growth neutral. High input costs, tighter credit conditions, low farm commodity prices and market volatility from tariffs are

having negative impacts on the purchases of farm equipment.

Banking: The September loan volume index declined to 70.0 from August's 82.7. The checking deposit index fell to 54.0 from August's 63.5. The index for certificates of deposits (CDs) and other savings instruments rose to 60.0 from 59.6 in August. Federal Reserve interest rate policies have boosted CD purchases above growth neutral for 34 straight months.

Hiring: The new hiring index for September slumped to 48.0 from August's 56.0. Job gains for non-farm employers have very soft for the last several months. Approximately 92.2% of bankers indicated that the economy is in an economic slowdown.

Confidence: Rural bankers remain pessimistic about economic growth for their area over the next six months. The September confidence index increased to a very weak 32.7 from 27.8. Weak grain prices and negative farm cash flows, combined with tariff retaliation concerns, pushed banker confidence lower.

Home and retail sales: The home sales index was unchanged from 48.0 in August. Regional retail sales for September were fragile with a reading of 34.8, down from 46.2 in August.

Below are the state reports:

Colorado: The state's Rural Mainstreet Index (RMI) for September increased slightly to 39.5 from 39.4 in August. The farmland and ranchland price index for September rose to 45.9 from August's 39.1. The state's new hiring index dropped to 48.8 from 49.6 in August. According to USDA 2024 data, Colorado produced $9.6 billion of farm commodities accounting for 1.9% of the U.S. total. The top two commodities and their U.S. shares were cattle at 4.8% and dairy products at 2.4%.

GOSS EGGS

RECENT DUMB Economic Steps, Inactions, and/or Lies

EV Charging Stations: Taxpayer Gets Zapped!

In 2021 President Biden pushed through Congress the *Infrastructure Investment and Jobs Act*. This Act provided $7.5 billion to build a national network of electric vehicle (EV) charging stations.

The U.S. GAO (General Accountability Office) reported that as of April 2025, only 384 electric charging ports in 68 stations had been built. That amounts to approximately $19.5 million for each port.

For that amount of spending, the federal government could have mailed every EV owner in Iowa, Nebraska, South Dakota and North Dakota a check for $311,000.

In order to accommodate the expected expansion in EVs, Ford and GM geared up their EV production with Ford losing an estimated $9.8 billion in 2023 and 2024 and GM reporting that the company's 2025 EV loses had narrowed to $2.5 billion.

Mercifully, the Transportation Department, under President Donald Trump, suspended the EV program and rescinded approval of state plans pending a review.

5 OF 5 GOSS EGGS

Illinois: The state's September Rural Mainstreet Index (RMI) dropped to 24.8 from 38.8 in August. The farmland price index for September increased to 45.3 from 38.6 in August. The state's new hiring index for September fell to 36.8 from 49.6 in August. According to USDA 2024 data, Illinois produced $22,5 billion of farm commodities accounting for 4.4% of the U.S. total. The top two commodities and their U.S. shares were corn at 15.2% and soybeans at 16.3%.

Iowa: September's RMI for the state declined to 30.3 from 35.5 in August. Iowa's farmland price index for September climbed to 45.5 from 35.4 in August. Iowa's new hiring index for September sank to 41.2 from 46.6 in August. According to USDA 2024 data, Iowa produced $37.6 billion of farm commodities accounting for 7.4% of the U.S. total. The top two commodities and their U.S. shares were corn at 17.5% and hogs at 33.0%.

Kansas: The Kansas RMI for September dropped to 44.6 from 39.9 in August. The state's farmland price index increased to 45.6 from 39.6 in August. The new hiring index for Kansas slumped to 43.8 from 50.7 in August. According to USDA 2024 data, Kansas produced $23.4 billion of farm commodities accounting for 4.7% of the U.S. total. The top two commodities and their U.S. shares were cattle at 13.2% and corn at 4.6%.

Minnesota: The September RMI for Minnesota plummeted to 36.7 from 51.4 in August. Minnesota's farmland price index dropped to 45.1 from 50.7 in August. The new hiring index for September slumped to 32.6 from 61.3. According to trade data from ITA, According to USDA 2024 data, Minnesota produced $22.2 billion of farm commodities accounting for 4.3% of the U.S. total. The top two commodities and their U.S. shares were corn at 9.2% and soybeans at 7.5%.

Missouri: The September RMI for the state sank to 44.8 from 53.5 in August. The farmland price index for September slumped to 46.1 from 52.7 in August. The state's new hiring gauge for September declined to 53.2 from 63.2 in August. According to USDA 2024 data, Missouri produced $13.6 billion of farm commodities accounting for 2.7% of the U.S. total. The top two commodities and their U.S. shares were cattle at 2.9% and soybeans at 6.2%.

Nebraska: The Nebraska Rural Mainstreet Index for September sank to 38.5 from August's 43.2. The state's farmland price index for September rose to 45.8 from 42.8 in August. Nebraska's new hiring index fell to 48.0 from 53.7 in August. According to USDA 2024 data, Nebraska produced $32.0 billion of farm commodities accounting for 6.3% of the U.S. total. The top two commodities and their U.S. shares were cattle at 15.9% and corn at 12.1%.

North Dakota: The state's overall RMI for September rose to 52.2 from August's 50.4. The state's farmland price index slumped to 46.4 from 49.7 in August. The state's new hiring index declined to 59.4 from 60.3 in August. According to USDA 2024 data, North Dakota produced $11.1 billion of farm commodities accounting for 2.2% of the U.S. total. The top two commodities and their U.S. shares were soybean at 5.1% and hogs 3.3%.

South Dakota: The September RMI for South Dakota dropped to 44.4 from 52.6 in August. The state's farmland price index fell to 46.1 from 51.8 in August. South Dakota's September new hiring index declined to 52.9 from August's 62.4. According to USDA 2024 data, South Dakota produced $13.1 billion of farm commodities accounting for 2.6% of the U.S. total. The top two commodities and their U.S. shares were corn at 3.5% and corn at 5.3%. .

Wyoming: The September overall RMI for Wyoming plummeted to 36.4 from 56.4 in August. The September farmland and ranchland price index sank to 45.8 from 55.5 in August. Wyoming's new hiring index slumped to 46.3 from 65.9 in August. According to USDA 2024 data, Iowa produced $2.0 billion of farm commodities accounting for 0.4% of the U.S. total. The top two commodities and their U.S. shares were cattle at 1.3% and hay 2.0%.

Tables 1 and 2 on the final page summarize the survey findings. Next month's survey results will be released on the third Thursday of the month, November 20, 2025.

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THE OUTLOOK. Vanguard Sept. 8, 2025. "The subdued job creation observed in recent labor market reports has shifted monetary policy sentiment toward a renewed focus on the employment side of the Federal Reserve's dual mandate of ensuring price stability and promoting maximum sustainable employment. We expect mandate tensions to be a continuing factor as inflation accelerates amid tariff-related pass-through to consumer prices."

"The number of monthly job creations required to keep the unemployment rate steady, or the breakeven rate, has shifted downward from roughly 150,000 a year ago toward a level we anticipate being near 50,000 by year-end. Domestic demographics and a slowdown in immigration continue to be headwinds to labor force growth. We expect the unemployment rate to soften to 4.5% by year-end. More broadly in the economy, we continue to see growth slowing but still maintaining healthy momentum.

"In this environment, markets are virtually unanimous in pricing in at least a 25-basis-point interest rate cut at the Fed's September 17 meeting. (A basis point is one-hundredth of a percentage point.) However, we expect the Fed will remain cautious. We don't expect a preset course of sequential rate cuts to be communicated, given a great deal of uncertainty and a desire to be data-dependent. Overall, we see the economy tracking in-line with our expectations of a softening labor market, with 1.4% GDP growth and 3.1% core inflation by year-end.

BANKER READING ROOM

"How Financial Services Can Tackle AI-Powered Fraud," Christer Holloman, Forbes May 2025. Summary: This recent Forbes article examines how artificial intelligence is reshaping fraud prevention in the banking industry. It highlights new research showing that online fraud is surging – criminals are increasingly leveraging generative AI to create hyper-realistic deepfakes, synthetic identities, and AI-driven phishing scams

Banks and financial institutions, recognizing that fraud has become a core business risk (not just a compliance issue), are ramping up their AI defenses. Roughly 90% of banks now use AI-based fraud detection tools enabling them to analyze vast numbers of transactions in real time and spot anomalies far faster than traditional methods. These AI systems have become essential as fraud losses mount (online merchants currently lose an average of $10.6 million per year to fraud)

The article notes that adopting cutting-edge AI isn't without challenges – high implementation costs and legacy systems can be barriers – and it emphasizes that human expertise still plays a crucial role. For instance, AI may flag suspicious activities at scale, but human investigators are needed to review high-stakes cases and provide judgment where needed.

https://www.forbes.com/sites/christerholloman/2025/05/22/how-financial-services-can-tackle-ai-powered-fraud/

KEEP AN EYE ON

Keep an eye on the yield on the 10-yr U.S Treasury bond. Higher yields foreshadow expanding inflation and international investors dumping U.S. Treasury bonds. Rates below 4.1% point to a slowing economy. Over the last month, the yield has fallen by almost 25 basis points (¼%) signaling a slowdown or even recession.

<u>Case-Shiller Home Price Index:</u> On October 28 this index will be released. I expect a sixth straight declin e in the monthly index which signals real problems in the residential housing market.

<u>ADP Private Employment Report:</u> On November 5 ADP releases its private employment report. A negative reading for October would sink interest rates and point to another rate cut from the Fed.

STATISTIC(S) OF THE MONTH

-800,000,000 bushels

U.S. export of soybeans to China plummeted by 800,000,000 bushels for the first 8 months of 2025 compared to the same period in 2024.

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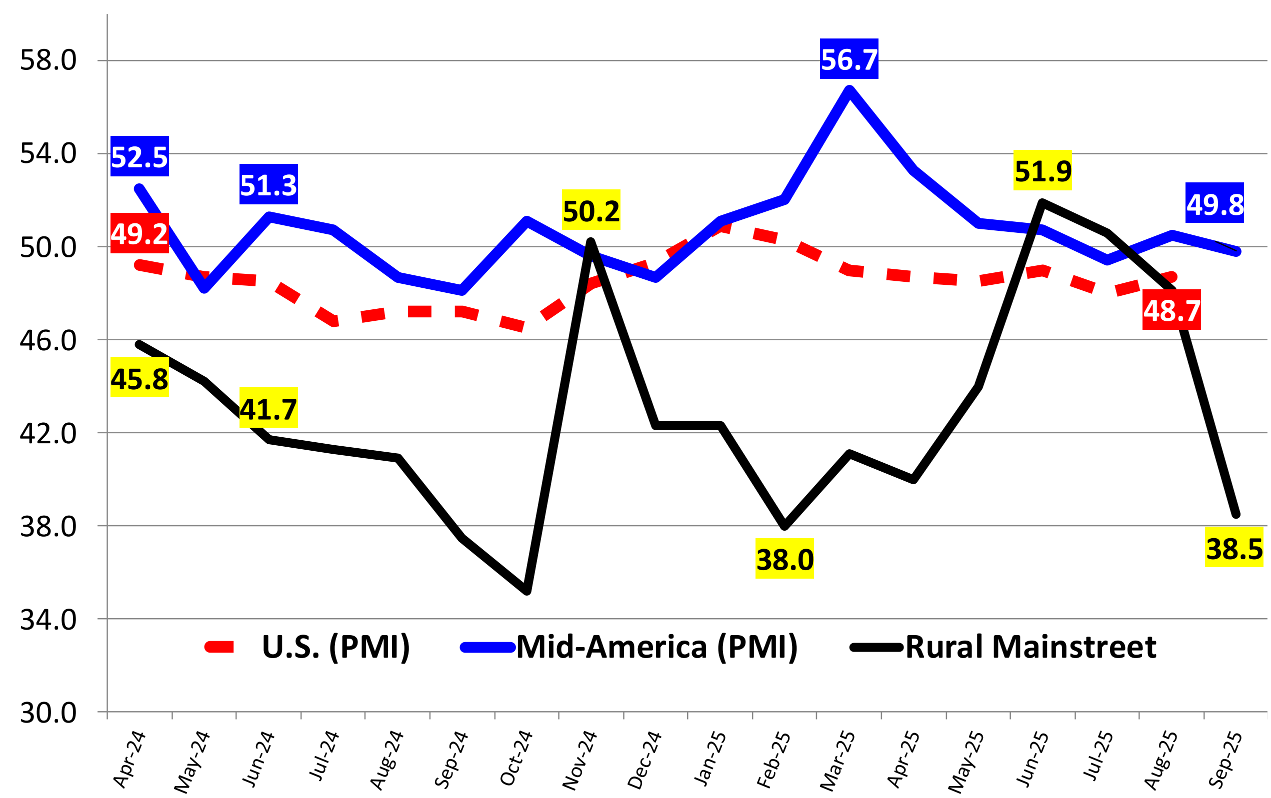
This month's survey results will be released on the third Thursday of the month.

The Rural Mainstreet Economic Report October 2025

Economic Indicators for U.S., Rural Mainstreet, & Mid-America

Creighton & U.S. PMIs, last 18 months (50.0 = Growth Neutral)



SURVEY RESULTS

Table 1: Rural Mainstreet Economy Last 2 Months & One Year Ago: (index > 50 indicates expansion)			
	August 2024	July 2025	August 2025
Area Economic Index	40.9	50.6	48.1
Loan Volume	75.0	87.5	82.7
Checking Deposits	34.1	45.8	63.5
Certificates of Deposit and Savings Instruments	52.3	56.3	59.6
Farmland Prices	45.5	47.9	46.2
Farm Equipment Sales	16.7	16.7	14.6
Home Sales	50.0	48.0	48.1
Hiring	45.5	50.0	56.0
Retail Business	38.6	47.8	46.2
Confidence Index (area economy six months	27.3	36.0	27.8

Table 2: The Rural Mainstreet Economy, September 2025				
	Percentage of Bankers Reporting			
	A recession	An economic slowdown		An expansion
The U.S. economy is currently in"	3.8%	92.2%		4.0%
	Percentage of Bankers Reporting			
	Labor shortages	Regulatory costs	Farm loan defaults	Falling farm commodity prices
What represents the greatest threat to regional banking operations over the next 12 months:	.7.6%	7.8%	11.5%	73.1%
	Percentage of Bankers Reporting			
	Significant negative	Modest negative	Little or no impact	Modest positive impact
What has been the impact of the 2025 tariffs on agriculture operations	26.9%	46.4%	23.1%	3.6%