

For More Information Contact:

[Ernie Goss, Ph.D. \(402\) 280-4757](mailto:Ernie.Goss@creighton.edu)  
[ernieg@creighton.edu](mailto:ernieg@creighton.edu)

Bill McQuillan, (308) 428-3925  
[bmcq@cnbgreeley.com](mailto:bmcq@cnbgreeley.com)

Cindy Workman (402) 280-2969  
[cworkman@creighton.edu](mailto:cworkman@creighton.edu)

## **No Economic Recovery For Rural Mainstreet: Bankers Expect Drop In Holiday Sales**

- The Rural Mainstreet Index advanced for a second straight month.
- Bank CEOs expect holiday retail sales to shrink by 1.5 percent from last year.
- Farm equipment sales decline again.
- Over three-fourths of bankers support an extension and/or expansion of the tax credit for first-time homebuyers.
- Six of ten bankers report their FDIC premiums are up more than 250 percent from last year.

For Immediate Release: Oct. 15, 2009

OMAHA, Neb. – For a second straight month, the overall index for the Rural Mainstreet economy expanded but continued to indicate significant economic weakness, according to the October survey of bank CEOs in an 11-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, advanced to 37.5 from 36.5 in September. A reading of 50.0 is considered growth neutral.

“The RMI has remained below growth neutral for 20 consecutive months. The decline in farm income continues to weigh on the rural, agriculturally dependent economy with few signals that the economic downturn is coming to an end,” said Creighton University economist Ernie Goss. Goss and Bill McQuillan, CEO of City National Bank in Greeley, Neb., created the monthly economic survey in 2005.

The downturn in farm income has negatively affected both farmland prices and sales of farm equipment. The October farmland price index rose to a weak 43.0 from September's 41.1. This was the 12th straight month that the index moved below growth neutral. The farm equipment-sales index slipped to 36.7 from September's 38.6.

However, there are pockets of very strong farmland sales. As reported by Larry Rogers, CEO of the First Bank of Utica in Utica, Neb., farmland in his area recently sold for \$6,650 per acre, indicating a very strong market for farmland.

Recent positive national economic news and record low interest rates propelled the confidence index, which tracks bankers' economic outlook six months from now, to 58.7 from 43.5 in September.

Hiring in rural areas remains frail. The new-hiring index rose to 35.6 from September's 27.0. This is the 22nd consecutive month that the index has been below growth neutral, due in part to the national and global recessions and weakening farm income from much lower agricultural commodity prices. "Over the past 12 months, rural areas of the region have lost more than 5 percent of their jobs. This compares to a loss of 3.6 percent for urban areas of the region," said Goss, the Jack A. MacAllister Chair in Regional Economics at Creighton.

Like much of the nation, retail sales were less than healthy for the month, with an October retail-sales index of 36.7 from 32.8 in September. This month bankers shared their expectations for holiday sales. On average, bankers forecast holiday sales to decline by 1.5 percent from last year's weak sales. Brian Nicklason, president of Woodland Bank in Remer, Minn., said, "I have talked to several local retailers and hospitality businesses, and they are very concerned about business prospects over the upcoming winter months."

Despite an improving national housing market, the Rural Mainstreet home-sales index stood at a frail 46.7, which was up from 42.7 in September. Bank CEOs were asked about their support for the federal home tax subsidy with 68 percent endorsing a continuation of the \$8,000 tax credit for first-time homebuyers and 9 percent backing an increase in the tax credit. Only 23 percent supported an end to the program.

This month bank CEOs were also asked how much their Federal Deposit Insurance Commission (FDIC) fees had increased from last year. Fifty-two percent of bankers reported that FDIC premiums had grown by more than 250 percent. On average, bankers reported an increase of 320 percent from last year. "This increase is undermining the profitability of community banks; the FDIC's recent proposal for banks to pre-pay their 2010-2012 premiums is especially troubling," said Goss.

Rural Mainstreet bankers reported mixed banking numbers for the month. The loan-volume index declined to 42.4, its lowest level since November 2006, down from September's 49.3. According to Frank Sullentrop, president of Legacy Bank in Colwich, Kan., there is a good explanation for this. "Regulatory oversight has had a significant impact on reducing lending activity.

For October, checking-deposit growth dipped to 61.0 from 61.9 in September. The index for certificates of deposit and other savings instruments inched higher to 51.7 from September's 50.1.

Each month, community bank presidents and CEOs in nonurban, agriculturally and resource-dependent portions of an 11-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wyoming are included.

This survey represents an early snapshot of the economy of rural, agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 11 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

**Colorado:** Colorado's RMI climbed to 35.3 from September's 28.7. The October ranch- and farmland-price index rose to 40.8 from 33.3 in September. The state's Rural Mainstreet October retail-sales index was 34.5.

**Illinois:** The Illinois RMI once again moved below growth neutral. The RMI for October advanced to 34.4 from September's 27.3. Farmland prices continue to show weakness with an October index of 39.9, which was higher than September's 36.2. The October retail sales index was 33.6, reflecting a weak retail environment.

**Iowa:** Iowa's RMI remained below growth neutral, according to the monthly survey of bank CEOs. The RMI for October climbed to 37.1 from 32.3 in September. The farmland-price index was also below growth neutral with an October reading of 42.6, up from 36.9 in September. October's retail sales index was a frail 36.3.

**Kansas:** The Kansas RMI, like much of the region, was below growth neutral 50.0. The October RMI expanded to 35.7 from September's 20.2. The farmland-price index advanced to 41.2 from September's 24.8. The October retail-sales index was 34.9.

**Minnesota:** Minnesota's RMI climbed to 36.1 from September's 23.6. The state's farmland-price index expanded to 41.6 from 28.2 in September. The October retail-sales index stood at 35.3. According to Pete Haddeland, CEO of the First National Bank in Mahanomen, "crops are being harvested late and, home sales in rural areas are slow."

**Missouri:** Missouri's RMI advanced to 39.2 from September's 38.5. The state's October farmland-price index inched to 44.7 from 43.1 in September. The retail-sales index was 38.4.

**Montana:** There were too few responses to produce a reliable index.

**Nebraska:** As in past months, Nebraska’s RMI remained below growth neutral. The October RMI declined to 38.7 from 40.4 in September. The Nebraska farmland-price index for October dipped to 44.2 from September’s 45.0. The October retail sales index was 37.9.

**North Dakota:** For a fifth straight month, North Dakota’s RMI was the highest in the region. The October RMI sank to 55.2 from September’s 71.0. The state’s October farmland-price index slipped to a still strong 60.7 from September’s 75.6. The retail-sales index stood at 54.4.

**South Dakota:** South Dakota’s RMI remained below growth neutral with an October reading of 39.9 which was down from 48.6 in September. The state’s farmland-price index slumped to 45.4 from 53.2 in September. October’s retail sales index was a weak 39.1.

**Wyoming:** The Wyoming RMI plunged to 37.9 from September’s much healthier 55.8. The October ranch- and farmland-price index tumbled to 43.4 from 60.4 in September. The October retail sales index was 37.1.

Table 1 and 2 summarize survey findings. Next month’s survey results will be released on the third Thursday of the month, Nov. 19.

Table 1: Rural Mainstreet Economy for Last Two Months and One Year Ago: (index > 50 indicates expansion)			
	Oct-2008	Sept. 2009	Oct. 2009
Area economic index	34.4	36.5	37.5
Loan volume	50.8	49.3	42.4
Checking deposits	59.8	61.9	61.0
Certificates of deposit & savings instruments	65.0	50.1	51.7
Farmland prices	60.5	41.1	43.0
Farm-equipment area sales	47.2	38.6	36.7
Home sales	29.0	42.7	46.7
Hiring	35.8	27.0	35.6
Retail business	28.3	32.8	36.7
Confidence index (area economy six months out)	27.2	43.5	58.7

Table 2: The Rural Mainstreet Economy			
	<u>Up by 1% to 9%</u>	<u>Unchanged</u>	<u>Down by 1% to 9%</u>
<b>1. Holiday retail sales this year compared to last will be</b>	23%	16%	61%
<b>2. Regarding the tax credit for first-time home buyers, you support</b>	<u>Allow to expire Dec. 1, 2009</u>	<u>Continue \$8,000 for another 6 months</u>	<u>Increase credit and extend for 6 months</u>
	23%	68%	9%

	<b><u>Over 250%</u></b>	<b><u>150% to 249%</u></b>	<b><u>50% to 149%</u></b>
<b>3. Over the past year, your FDIC premiums increased by</b>	52%	18%	30%

Follow Ernie Goss on Twitter [www.twitter.com/erniegoss](http://www.twitter.com/erniegoss)

For historical data and forecasts, visit our website at:  
<http://www2.creighton.edu/business/economicoutlook/>

For ongoing commentary on recent economic developments, visit our blog at:  
[www.economicstrends.blogspot.com](http://www.economicstrends.blogspot.com)