

Banker Optimism Remains Strong

Oct 03

By CSBS Senior Executive Vice President Michael L. Stevens

The September CSBS Community Bank Sentiment Index came in at 121. This is a very small decline from the very strong initial reading of 122 in the last quarter.

The index is calculated based on community banker expectations in seven key areas:

- Business conditions
- Monetary policy
- Regulatory burden
- Capital expenditures
- Operations expansion
- Profitability
- Franchise value

Bankers lowered their expectations for future profits and overall business conditions. In both areas, there was a shift from expecting “better” to expecting “the same.” Given the generally positive economic environment and performance of community banks, even being the same is good news.

Community bankers expect monetary policy to continue to be more accommodative. Comments in the press started suggesting a cut in the federal funds rate during the survey period for the national survey, which includes the index questions. The first-rate cut occurred after the survey closed, with a second cut during the data collection for the current index. Overall, bankers expect this environment to continue.

Even as the September index is being released, there seems to be growing concern that contraction in economies outside the United States are now impacting the United States. Our hope is the data collected from community bankers to calculate this index will provide insight to what is actually happening at the local level as bankers talk to consumers, farmers and business people who live and work in the real economy. Currently, their optimism remains. Let's see if that holds.

The next data collection will kick-off on December 2. Any bankers interested in participating in this five-minute survey should email index@csbs.org.

