

Community Bank Sentiment Index Shows Community Banks are Positive About the Economy as Profit Concerns Emerge

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Community bankers continued to be positive about the economy at the end of 2019 despite emerging concerns about future profits, according to the [CSBS Community Bank Sentiment Index \(CBSI\)](#).

The CBSI captures on a quarterly basis what community bankers nationwide think about the future on seven key areas: business conditions, monetary policy, regulatory burden, capital expenditures, operations expansion, profitability and franchise value. It is a direct result of the work CSBS has done with the Federal Reserve and FDIC on the Community Banking Research and Policy Conference held each year in October.

“This local perspective is an important indicator of economic activity for policymakers, bankers and the market,” said CSBS Senior Executive Vice President Michael L. Stevens.

Participant answers are analyzed and compiled into a single number; an index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

The fourth quarter 2019 results show a slight uptick to 123, reflecting an overall positive outlook for the economy and community banks. The survey provided a broad geographic mix, with 208 participating bankers in 43 states.

Key findings from the fourth quarter results include:

- 85% of bankers believe business conditions will be the same or better, up from 71% in the previous survey
- 77% of banks expect the same or better profits, down from 80%
- 61% of banks believe they will see an increase in franchise value, up from 52%
- 32% of bankers project a heavier regulatory burden, down from 34%

The index has fluctuated between 121 and 123 since it was first calculated in the second quarter of 2019.

“Absent a significant economic shock, we expect modest changes to the overall index from quarter to quarter,” said Stevens said. “The real story lies in the change of the components and variances around the country.”

For more detail on the CBSI results, visit our [CBSI web page](#) and [analysis](#).

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