Community Bank Optimism on Local Economic Health Ticks Up Slightly but Concerns Remain

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Washington, D.C. – Community bankers are feeling slightly better about the health of their local economies but still far short of their pre-pandemic level of confidence, the most recent Community Bank Sentiment Index (CBSI) reveals.

The Conference of State Bank Supervisors publicly released the third quarter results today, collecting data from 334 community banks across the nation during the month of September. The results showed a sentiment index of 97 points, up from 90 in the second quarter. Prior to the pandemic, the sentiment index hovered in the low 120s.

The CBSI captures on a quarterly basis what community bankers nationwide think about the future. 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.

Key findings from the third quarter 2020 results include:

- The regulatory burden component is at 57, the same as for Q2, and again at a record low.
- Regulatory burden drove the uncertainty category to its highest at 44 points, up from 32 in 2Q.
- Bankers reported an improved outlook in business conditions, up to 103 points from 93 in the last quarter, and franchise value, up to 116 points from 98 in the same period.
- Their profitability outlook remains a concern, despite showing a 13-point increase to a value of 68 in the third quarter.

“The slight increase of community bankers’ overall optimism is notable; however, the fallout of the pandemic continues to create uncertainty for local communities,” said CSBS President and CEO John Ryan. “Policymakers should note their concern about future profitability and regulatory burden.”

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The Conference of State Bank Supervisors (CSBS) is the national organization of bank regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and are the primary supervisor of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.

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