How Concerned Are Community Banks in These 11 Areas?

Dec 10

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We are currently collecting data from community banks to populate the fourth quarter Community Bank Sentiment Index. The index gauges how community bankers are feeling about the economy based on seven questions dealing with business conditions, monetary policy, profitability, regulatory burden and expansion.

While the seven questions are hardwired in the survey, each quarter we ask a few other questions to provide some additional context to the issues on bankers’ minds. This quarter, we are asking about their level of concern over 11 critical areas:

1. Quality of your loan portfolio
2. Loan growth in your market
3. Local economic growth
4. State economic growth
5. National economic growth
6. Taxes
7. Competition
8. Cyber attacks
9. Personal/business bankruptcies
10. Federal debt/deficit
11. COVID-19/economic lockdowns

Based on the early submissions, there is no surprise that bankers are worried about everything! That probably stands to reason since they are in the risk management business and many risks are outside of a banker’s control.
Drilling a little deeper in the responses, the two areas that bankers are “extremely concerned” about are related – taxes and the federal debt. Interestingly, number three on the list is COVID-19/economic lockdowns, which is certainly adding to the federal fiscal problems. The issues speak for themselves, so we will avoid any political land mines by refraining from any additional commentary.

The areas of least concern are competition and bankruptcies. The area definitely worth watching over time is the quality of the loan portfolio. Currently, 51% of respondents rate it a slight concern, and 39% a moderate concern. While that seems promising, the common comment you hear from bankers is that it is just too soon to tell.

The sentiment index survey is open until December 31. If you are a community banker, you can access the survey at https://www.questionpro.com/t/ALKEAZjxep. We would really like to see your insights. The survey will take 5 minutes! Results will be released on January 6.