Q4 2020 - Community Bankers Positive on Business Conditions; Concerned About Reg Burden and Profitability

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Washington, D.C. – Community bankers' assessment about future economic and financial conditions improved at the end of 2020 but still indicates a marginally negative outlook that falls well below confidence levels before the COVID-19 pandemic and economic lockdowns, according to the most recent Community Bank Sentiment Index (CBSI).

The Conference of State Bank Supervisors publicly released the fourth quarter CBSI results today, collecting data from 284 community banks across the nation during the month of December. The results showed a sentiment index of 98 points, up from 97 in the third quarter and the low 90s in the first half of 2020. Prior to the pandemic, the sentiment index hovered in the low 120s.

"Community bankers see significant issues in the future with profitability and regulatory burden," said CSBS President and CEO John Ryan. "The silver lining may be their generally positive view of the business environment as we emerge from the pandemic. The banking industry is a critical component to our economic recovery, and it appears to be well positioned to do that."

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 fourth quarter 2020 results include:

- Four of the seven components in the CBSI indicating positive sentiment increased from the previous survey; the other three components indicating negative sentiment dropped further.
- Bankers' outlook for future business conditions improved the most, rising to 120 from 103 in the previous quarter.
- The regulatory burden component dropped 17 points to an historic low of 40, indicating greater concern that bank regulation will be more heavy-handed in the future.
- Bankers' outlook on future profitability remains a concern, falling to 62 from 68 in the third quarter and closer to the record low of 55 in the second quarter of 2020.

For more on the CBSI, visit www.csbs.org/cbindex.

Media Contact: Susanna Barnett, 202-407-7156, sbarnett@csbs.org

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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