Q2 2021 - Community Bankers Stay Positive on Economy; Reg Burden and Monetary Policy Concerns Continue

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Washington, D.C.?– Community bankers' assessment about future economic and financial conditions continues to indicate a positive economic outlook, according to the most recent Community Bank Sentiment Index (CBSI).

The Conference of State Bank Supervisors (CSBS) released the second quarter 2021 CBSI results today, collecting data from community banks across the nation during the month of June. The results showed a sentiment index of 115 points, the same as the first quarter.

"Community bankers expect future business conditions to improve and profitability to be higher," said CSBS Senior Economist Tom Siems. "On the flipside, community bankers remain concerned about potential burdensome regulation and anticipating the Fed's monetary policy decisions might cause more economic harm than good."

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 second quarter 2021 results include:

- At 115, the Q2 2021 CBSI is the same as last quarter but 25 points higher than a year ago.
- The monetary policy component changed the most from the previous quarter, falling seven points from 96 to 89, suggesting that the Federal Reserve's monetary policy decisions are more negatively impacting community banker outlooks in the coming year.
- Regulatory burden remains the greatest concern for community bankers. The current value of 26 signals community banker anxiety that bank regulation could be more heavy-handed in the future; however, this reading improved by 5 points from last quarter's historic low of 21.
- The franchise value component also increased by 5 points to 155, returning to the average quarterly level recorded in 2019 and significantly above the low of 98 computed one year ago during the depths of the 2020 recession.

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

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

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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