Q3 2021 - Community Bankers' Economic Outlook Dips

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Washington, D.C. – Community bankers are less optimistic about future business conditions and the economic outlook than they were earlier this year, according to the most recent Community Bank Sentiment Index (CBSI).

The Conference of State Bank Supervisors (CSBS) released the third quarter 2021 CBSI results today, collecting data from community banks across the nation during the month of September. The results showed a neutral sentiment index of 100 points.

"It appears that declining expectations regarding future profitability is the main driver behind the 15-point drop in this quarter's CBSI," said **CSBS Senior Economist Tom Siems**. "Community bankers are clearly more concerned about future profitability and the business conditions outlook than they were earlier this year."

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 2021 results include:

- The CBSI is 15 points below the level recorded in both the first and second quarters of 2021 but three points higher than a year ago.
- While all seven components that comprise the CBSI declined from the previous quarterly survey, three in particular contributed to 89% of the overall decline: profitability, business conditions and franchise value.
- The 41-point quarterly drop in the profitability component is the largest quarterly decline since the 43-point drop from Q4 2019 to Q1 2020 at the start of the COVID-19 pandemic and subsequent economic lockdowns, settling at the same level (66 points) as in Q1 2020.
- The business conditions component fell 32 points from the previous quarter, but at 111 it remains above the neutral level of 100 and is 8 points above the year-ago level.
- The regulatory burden component (21 points) remains the greatest concern among community bankers and is down 35 points when compared to year-ago levels.

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

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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 roughly three-quarters of all U.S. banks and a variety 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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