Community Bankers Begin Year with Dim Economic Outlook

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Washington, D.C. – Community bankers have a pessimistic view of the economy driven by diminished expectations of future business conditions, according to the most recent Community Bank Sentiment Index (CBSI).

The Conference of State Bank Supervisors (CSBS) released the first quarter 2022 CBSI results today, collecting data from community banks across the nation during the month of March. The results showed a negative sentiment index of 97 points, dropping four points from the last quarter and in stark contrast from 115 points one year ago.

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.

In an open-ended question in the first quarter CBSI, community bankers expressed concern over rising inflation, mounting geopolitical tensions and government regulations that could slow domestic economic growth.

“Community bankers are concerned about rising inflation and negative economic consequences from escalating geopolitical risks.” said CSBS Chief Economist Tom Siems. “Higher oil and gas prices and concern about regulatory burdens are adding to the apprehension.”

Key findings from the first quarter 2022 results include:

- The CBSI dropped to 97, four points lower than the level of 101 recorded in the fourth quarter of 2021 and 18 points lower than Q1 2021.
- Community bankers have become pessimistic about future business conditions, as that indicator dropped to 83 points, down 27 points below its level last quarter and 61 points below its reading from one year ago.
• The profitability component had the greatest quarterly improvement, rising 17 points to 68 points from its nadir of 51 in Q4 2021; however, it still remains below the neutral level of 100.
• The regulatory burden component (28 points) remains the lowest among the seven components, although it improved 6 points from 22 recorded in Q4 2021.

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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