Community Bankers' Outlook Plummets

PRESS RELEASES

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Washington, D.C.— Community bankers' collective view of future business conditions and the economy plummeted in the last quarter, according to the **Community Bank Sentiment Index (CBSI)**, released today.

While the start of the year showed some concerns, the second-quarter 2022 CBSI dove to 84 points, down 13 points from the last quarter. The current value is its lowest level since the Conference of State Bank Supervisors started the index in 2019, driven by concerns about monetary policy, business conditions and regulatory burden. Expectations that the Federal Reserve's monetary policy decisions will impact market conditions declined the most, dropping 62 points from 95 in Q1 2022 to 33 in Q2 2022.

"Community bankers are mostly concerned about rising inflation, particularly energy and commodity prices, the impact of rapid interest rate increases and slower economic growth," said CSBS Chief Economist Tom Siems.

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.

The outlook for future business conditions also declined significantly in the most recent CBSI, falling 45 points from 83 in Q1 2022 to 38 in Q2 2022. The regulatory burden component (19 points) remains the lowest among the seven components, tumbling another 9 points from last quarter to its lowest historical level.

However, at 101, the profitability component had the greatest quarterly improvement for the second straight survey, rising 33 points from 68 in Q1 2022 and above the neutral level of 100 for the first time since Q2 2021.

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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 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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