Community Bankers Feel Slow Economy at Local Level

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Washington, D.C. – The nation's sluggish economy is being felt at the local level. Community bankers across the nation ranked net interest margins, economic conditions and loan demand as their highest external risks in the CSBS 2022 **National Survey of Community Banks**, released today.

State regulators canvassed about 500 community banks nationwide for its ninth annual survey. Respondents' concerns mirror the nation's economic uncertainties, with a lagging economy, high interest rates and geopolitical issues, all while the pandemic lingered. Meanwhile, cybersecurity ranked highest among internal risks, while staffing issues rose 10% from a year prior.

"Strong headwinds from stagnating economic growth, high inflation and rapidly rising interest rates have created another difficult economic environment for consumers and businesses," said CSBS Chief Economist Tom Siems. "But just like during the pandemic and economic lockdowns that started in 2020, community bankers across the nation will again show their value as relationship lenders that can be trusted to help their customers get through tough times."

Other key findings from the 2022 survey include:

- Inflation was described as a persistent but manageable challenge.
- Community bankers expect relationship-based lending to expand more than transactional lending
- The percentage of bankers who said adoption of new technologies doubled over the past three years; however, high costs related to technology continue to be a concern.
- Compliance costs at community banks continued at levels that have persisted for several years.
- In-house provision of core processing services, compared with services provided externally, was viewed by bankers as cheaper but less secure.

CSBS released the results today at Community Banking Research Conference, sponsored by CSBS, the Federal Reserve System and the Federal Deposit Insurance Corporation. The conference brings together community bankers, academics, policymakers and bank regulators to discuss the latest research on community banking.

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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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