Community Bankers' Economic Outlook: Still Gloomy but Slightly Improved

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Washington, D.C. – Community bankers nationwide continue to have a fairly pessimistic view of the economy, but their outlook ticked up slightly in the third quarter, according to the Community Bank Sentiment Index (CBSI) released today by the Conference of State Bank Supervisors (CSBS).

The third quarter 2022 CBSI rebounded seven points from its all-time low of 84 experienced in the previous quarter, with an increase in all seven components. However, at 91 points, community banker sentiment remains fairly gloomy.

"Community bankers' ongoing concerns over high inflation, tepid economic growth and a potentially more burdensome regulatory environment continue to weigh heavily on overall sentiment," said CSBS Chief Economist Tom Siems. "The good news is that all seven components that comprise the CBSI rose from the previous survey, with the profitability outlook markedly higher."

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 current value is nine points lower than a year ago and has been below 100 throughout 2022. Expectations that the Federal Reserve's monetary policy decisions will negatively impact market conditions continues to hold the overall index down, increasing two points to 35 in Q3 2022.

However, sentiment on the individual components increased from last quarter. At 121, the profitability component had the greatest quarterly improvement for the third straight survey, rising 20 points from Q2 2022 and 70 points higher than the Q4 2021 reading.

The regulatory burden component, at 21 points, remains the lowest among the seven components, rising two points from last quarter and remaining below 28 for seven straight quarters since Q1 2021. The outlook for future business conditions also continues to weigh down the overall index, rising four points from 38 in Q2 2022 to 42 in Q3 2022.

The CBSI is now included in the Federal Reserve Economic Data, the online database maintained by the Federal Reserve Bank of St. Louis informally known as the FRED.

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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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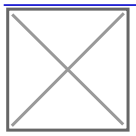

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