PRESS RELEASES

Community Bankers Have Bleak Economic Outlook

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Nearly 100% Believe U.S. Economy is in a Recession

Washington, D.C. – Community bankers are starting the year with a negative economic outlook and largely believe the nation is in a recession, according to the most recent quarterly **Community Bank Sentiment Index (CBSI)**, released today by the Conference of State Bank Supervisors (CSBS).

The CBSI fell six points to 85 in the fourth quarter of 2022, with community bankers noting particular concern about regulatory burden, monetary policy and future business conditions. While community banker sentiment was pessimistic throughout the year, the CBSI is back to near its lowest recorded level of 84 in the second quarter of 2022.

“The nation’s community bankers have a gloomy economic outlook and expect a tough year ahead. And because they have a good sense of consumer and business confidence at the local level, community bankers might be the best leading indicator for assessing future economic conditions,” said CSBS Chief Economist Tom Siems.

The CBSI captures what community bankers nationwide think about the future and is included in the Federal Reserve Economic Data, the online database maintained by the Federal Reserve Bank of St. Louis known informally as the FRED. An index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

An overwhelming majority, 96% of respondents, said they believe the U.S. economy is in a recession and cited inflation, government regulation, labor challenges and cyberattacks as their top concerns for the year ahead.

Six of the seven components that comprise the CBSI fell from the previous quarter. Expectations that the Federal Reserve’s monetary policy decisions will negatively impact market conditions continues to hold the overall index down, decreasing two points to 33.?The outlook for future business conditions also continues to weigh down the overall index, falling five points to 37.

The regulatory burden component remains the lowest among the seven components at 26 points, rising five points from last quarter but remaining below 28 for eight straight quarters.

At 99, the profitability component had the greatest quarterly decline, falling 22 points, and returned near its level of 101 recorded in Q2 2022.

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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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