PRESS RELEASES

Community Bankers' Economic Outlook Continues Downward Slide

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Washington, D.C. – Community bankers nationwide shared a dismal outlook on economic conditions in the latest **Community Bank Sentiment Index (CBSI)**, released today by the Conference of State Bank Supervisors (CSBS). The quarterly survey dropped to 83, falling two points from the previous quarter and to its lowest level since the survey began in 2019.

Five of the seven components that comprise the CBSI decreased from the previous quarterly survey. Responding to two special questions, 94% of community bankers believe the U.S. economy is currently in a recession and rated the following as their top concerns for 2023: government regulation, inflation, cyberattacks and the cost/availability of labor.

"The fragile health of the economy coupled with multiple interest rate increases have been a drag on the CBSI for the past year. Interestingly, government regulation is creeping up as the top concern," said CSBS Chief Economist Tom Siems.

The CBSI surveys community bankers on seven economic components in the last month of each quarter. 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.

At 82, the profitability component had the greatest quarterly decline for the second consecutive quarter, falling 18 points. At 22 points, the regulatory burden component remains the lowest, dropping four points from last quarter and remaining below 28 for nine straight quarters.

Expectations that the Federal Reserve's monetary policy decisions will negatively impact market conditions continues to hold the overall index down but increased slightly to 39. While the outlook for future business conditions continues to weigh down the overall index, it rose from 37 points to 51.

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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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