[Community Bankers' Economic Outlook Sinks to New Low]

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Washington, D.C. – Community bankers' outlook on economic conditions has dropped to a new low in the most recent Community Bank Sentiment Index, released today by the Conference of State Bank Supervisors. Concerns about regulatory burden, monetary policy, future business conditions and future profitability dropped the CBSI to 73, falling 10 points from the previous quarter and to the lowest recorded level since the survey began in 2019.

In a special question, 95% of community bankers believe the U.S. economy is currently in a recession.

"Community banker sentiment has been pessimistic for six straight quarters. They are navigating the effects of higher interest rates that have stressed liquidity, lending growth and fixed-rate securities portfolios. Moreover, following the high-profile bank failures earlier this year, community bankers are more concerned about regulatory overreach," said CSBS Chief Economist Tom Siems.

The CBSI surveys community bankers nationwide in the last month of each quarter to capture their thoughts on future economic conditions in seven areas. An index reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment. Quarterly results are included in the Federal Reserve Economic Data, the online database maintained by the Federal Reserve Bank of St. Louis known informally as the FRED.

All seven components that comprise the CBSI decreased from the previous quarterly survey. At 68, the profitability component had the greatest quarterly decline for the third consecutive quarter, falling 14 points from Q1 2023 and down 33 points from one year ago. The regulatory burden component remains the lowest at 18 points, dropping 4 points from last quarter to its lowest recorded level.?

Expectations that the Federal Reserve's monetary policy decisions will negatively impact market conditions continue to push the overall index down, decreasing 6 points to 33 in Q2 2023 and tied at its lowest recorded level. The outlook for future business conditions declined 8 points to 43 in Q2 2023 from 51 in Q1 2023.

In another special question, community bankers rated the following as their top concerns for 2023: government regulation, cyberattacks, inflation, federal debt/deficit and the cost/availability of labor. These concerns have been rated amongst the highest five concerns since the beginning of 2021.

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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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