PRESS RELEASES

Community Bankers’ Outlook is Sunniest in Nearly Three Years

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Washington, D.C. - Community bankers nationwide have a brighter outlook, despite continued concerns about regulatory burden. The Community Bank Sentiment Index (CBSI) moved past neutral, signaling an improved sentiment for the first time in more than three years, the Conference of State Bank Supervisors (CSBS) announced today.

The third quarter 2024 CBSI moved up 11 points to 110, the first time it has surpassed the neutral level of 100 since the fourth quarter of 2021. While five of the seven components surveyed improved, two indicators continue to drag.

The profitability, franchise value, and monetary policy components increased significantly, with all three indicating a positive outlook. While the business conditions component increased five points from the previous quarter to 80, it continues to suggest a weaker economic outlook. The regulatory burden component remains at 20 points and has been below 30 for 15 straight quarters.

“With the yield curve inverted since late 2022, recent monetary policy decisions appear to have contributed most to raising community banker sentiment,” said CSBS Chief Economist Tom Siems. “However, concerns about future business conditions and heavier regulatory burden continue to put significant downward pressure on overall community banker sentiment. The lagged effects from monetary policy tightening in 2022-2023 and the volume of federal banking proposals and rules may be taking a toll.”

A large majority of respondents said their outlook could change depending on the national election outcomes in November.

More than 300 community bankers from 46 states and the District of Columbia responded to the CBSI, which 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.?

Despite a rosier economic outlook, 79% of community bankers believe the U.S. economy is at the start of, or already in, a recession, representing a slight increase from last quarter. Community bankers rated their top

concerns as government regulation, cyberattacks, the federal debt/deficit, and the cost/availability of labor.

Contact: Susanna Barnett, 202-680-3143,?sbarnett@csbs.org

X: @CSBSNews

The Conference of State Bank Supervisors is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% 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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