



Community Banker Optimism Surges at End of Year

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Community bankers are feeling upbeat about the economic future. The Conference of State Bank Supervisors' (CSBS) fourth quarter 2024 [CSBS Community Bank Sentiment Index \(CBSI\)](#) surged 17 points to 127 compared to last quarter's survey, reaching its highest mark since the survey began in 2019.

The overall index was driven higher mostly on expectations of a more-balanced regulatory burden and better expected business conditions in the coming year, which CSBS Chief Economist Tom Siems attributed to the outcome of the 2024 election.

"Over the past four years, the majority of community bankers have been concerned with the possibility of a more burdensome regulatory environment," Siems said. "Post-election, community bankers are evenly split on whether regulatory burden over the next year will be lighter or heavier. And for the first time since the Fed began the most recent monetary policy tightening cycle in early 2022, community bankers expect better future business conditions."

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.

More than 250 community bankers from 42 states responded to the fourth quarter 2024 CBSI survey. The CBSI has advanced for six consecutive quarters from its nadir of 73 in mid-2023 following the failures of some regional banks. However, the 2024 fourth quarter results marks the first time all seven components are over the neutral level of 100 points.

The regulatory burden component had the greatest quarterly improvement, gaining an unprecedented 80 points from the third quarter survey, and at its highest level since the survey began in 2019. This is the first time the regulatory burden indicator has been above 30 since the first quarter of 2021. Likewise, the business conditions indicator

gained 37 points from 80 last quarter to 117 in the fourth quarter and is above 100 for the first time since the fourth quarter of 2021.

While many community bankers said they are optimistic that regulatory burden for smaller institutions will improve, they noted it would take time.

Community bankers rated their top concerns as: cyberattacks, bank fraud, the federal debt/deficit, and government regulation. This is the first time that “bank fraud” was included as an option.

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The Conference of State Bank Supervisors (CSBS) 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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