

Community Bank Optimism Slips as Economic Uncertainty Grows

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Washington, D.C. – Community banker outlook on future conditions remained positive despite dropping for the fourth consecutive quarter, according to the 2026 third quarter results of the [Community Bank Sentiment Index \(CBSI\)](#), released by the Conference of State Bank Supervisors (CSBS) today. The nine-point drop from the prior quarter marked one of the largest in the survey’s seven-year history.

“Community bankers remain optimistic about the year ahead, but that optimism is clearly being tested. Persistent inflation, higher interest rates and growing concerns about the economic outlook are weighing increasingly on banker sentiment,” said CSBS Chief Economist Tom Siems.

The CBSI surveys community bankers nationwide in the final month of each quarter to gauge their views on future economic conditions across seven areas. A reading of 100 indicates a neutral sentiment. Anything above 100 indicates a positive sentiment, and anything below 100 indicates a negative sentiment.

All but one of the seven CBSI components declined from last quarter. The sharpest drops occurred in monetary policy, which fell 26 points to 70, and future business conditions, which dropped 16 points to 83. Both are now below the neutral level, signaling concern over persistently higher-than-anticipated inflation and interest rates. Optimism around regulatory burden also continued to fade, falling seven points to 106 and down 24 points from its peak one year ago.

Nearly half of surveyed bankers said they believe that the U.S. economy is at the start of, or already in, a recession, a slight increase from last quarter. In open-ended comments, bankers cited top concerns as inflationary pressures due to geopolitical conflict, persistently high oil prices, and how these uncertainties might weaken the U.S. economy. They also expressed concern over the size of the federal debt, how the midterm elections might change the political climate in Washington, and how to deal with growing fraud.

A total of 248 community bankers from 38 states and the District of Columbia responded to the third quarter 2026 survey.

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The Conference of State Bank Supervisors (CSBS) is a nationwide organization that supports a network 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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