

# BANKER UPDATE

*"Banking that is building Iowa"*

**Don't forget you still have time to register for convention,  
July 14-16, Okoboji, Iowa [www.cbionline.org](http://www.cbionline.org)**

**As we prepare for convention, we do not want you to miss out on your  
monthly Mainstreet Economic Survey.**

## **Mainstreet Economic Survey**

### **Rural Mainstreet Index Above Growth Neutral for June: Farmland Prices Growing Rapidly Again**

#### **June Survey Results at a Glance:**

- Rural Mainstreet index advances above growth neutral for second straight month
- Farm and ranch land index expands above growth neutral for fifth straight month
- Farm equipment sales expand for a third consecutive month
- More than one-third of the banks reduced loan volumes over the past six months
- Approximately 6 of 10 bankers expect the new financial reform bill to limit their ability to make real estate loans



*Ernie Goss*

For the first time in more than two years, the overall index for the Rural Mainstreet economy was above growth neutral 50.0 for two consecutive months, according to the latest surveys of bank CEOs in a 10-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, dipped to 52.6 for June from May's 54.3.

Creighton University economist Ernie Goss said, "After 26 consecutive months of below growth neutral readings, the overall index has now moved above growth neutral for two consecutive months." However, some bankers remain cautious. Larry Rogers, president of First Bank of Utica, in Utica, Nebraska, said, "I don't think we are out of the woods yet. I feel we could see another serious downturn in the economy. Home loans and student loans are going to come back to haunt us."

The farmland-price index moved above growth neutral for a fifth straight month to 54.7 from May's 52.7. "Even as the rising value of the dollar has put downward pressures on estimated 2010 farm income, farmland prices are being bid up significantly in the region," said Goss.

The farm equipment-sales index expanded to 53.1 from May's 50.9. "In addition to an expanding rural economy, we are tracking significant improvements in farm and ranch land prices and farm equipment sales.

For a fourth straight month, all bank indicators were

above growth neutral. The loan-volumes index rose to 57.9 from 54.4 in May. For June, the checking-deposit index sank to 53.5 from May's 67.0. The index for certificates of deposit and other savings instruments climbed to 51.8 from May's 50.0.

This month, bank CEOs were asked about lending over the past six months. More than one-third, or 35 percent, reported that lending had declined during this period while 48 percent indicated lending was up over the past six months. Likewise, 60 percent of bankers are concerned that the new financial regulatory bill will reduce long-term real estate loans.

After declining below growth neutral for 28 consecutive months, the new-hiring index has now moved above 50.0 for two straight months. The June hiring index slipped to 50.9 from May's 56.1 but was well up from April's 46.7 and March's 45.7," said Goss.

Retail sales continue to improve for Rural Mainstreet with a June reading of 52.6, up from 49.2 in May. The recovering rural economy kept bankers' economic outlook or business confidence above growth neutral with a June reading of 56.1, though it was down from May's 63.0. "European economic problems and the Gulf oil crisis clearly have had an impact on confidence," said Goss.

Despite the end of the first-time buyer tax credit, the home-sales index rose above growth neutral for a third

straight month for Rural Mainstreet. The index dipped to 56.1 from May's 58.8.

Following are the survey results from community bank presidents and CEOs in nonurban, agriculturally and resource-dependent regions:

**Illinois:** For a second straight month, Illinois' RMI advanced above growth neutral. The June reading was 54.6 up from May's 53.8. For a fifth straight month, farmland prices advanced above growth neutral with a June reading of 57.2, up from May's 54.0. Farm-equipment sales for June climbed to 54.6 from May's 51.2. The rate of job **gains** for Rural Mainstreet Illinois over the past 12 months was 0.8 percent.

**Iowa:** Iowa's RMI once again climbed above growth neutral with a June index of 54.2, down slightly from May's 54.8. The farmland price index rose to a healthy 57.0 from 54.4 in May. The state's farm-equipment sales index grew to 54.4 from 51.6 in May. **Dale Torpey, president Federation Bank in Washington,** reported, "We have had a lot of rain in the last week or 10 days but the crops look great in most areas. If we can shut the rain off to just normal and get some heat we are going to have some

great crops." The rate of job **losses** for Rural Mainstreet Iowa over the past 12 months was 0.2 percent.

**Minnesota:** The RMI for Minnesota moved higher to 57.0 from May's 56.8. Minnesota's farmland-price index climbed to 58.4 from May's 55.7. The June agricultural equipment-sales index stood advanced to 55.8 from 52.9 in May. The rate of job **gains** for Rural Mainstreet Minnesota over the past 12 months was 1.3 percent.

**Missouri:** Missouri's RMI dipped slightly to 51.6 from May's 51.9. The June farmland-price index for Missouri grew to 55.7 from May's 52.4. The June farm-equipment sales index expanded to 53.1 from 49.6 in May. The rate of job **losses** for Rural Mainstreet Missouri over the past 12 months was 0.7 percent.

**Nebraska:** The June RMI for Nebraska dipped slightly to 55.3 from 55.7 in June. The farmland-price index for June advanced to 57.6 from May's 52.2. The state's farm-equipment sales index climbed to 55.0 from 52.2 in May, but down from April's 58.3. The rate of job **gains** for Rural Mainstreet Nebraska over the past 12 months was 0.5 percent.

	June 2009	May 2010	June 2010
Area economic index	34.0	54.3	52.6
Loan volume	56.1	54.4	57.9
Checking deposits	54.2	67.0	53.5
Certificates of deposit and savings instruments	54.1	50.0	51.8
Farmland prices	45.7	52.7	54.7
Farm-equipment area sales	33.3	50.9	53.1
Home sales	45.9	58.8	56.3
Hiring	29.0	56.1	50.9
Retail business	33.7	49.2	52.6
Confidence index (area economy six months out)	52.2	63.0	56.1

	Increased by 21% - 40%	Increased by 0% - 20%	Unchanged	Decreased by
How does your current loan volume compare to six months ago?	4%	44%	18%	
	Yes	Unsure or not applicable		
Are you concerned that the new financial reform bill will limit your ability to make long-term portfolio real estate loans?	60%	17%		23%
	Less than 10%	11% - 30%		31% - 50%
What percentage of your current long-term real estate loans are match funded with FHLB advances?	62%	36%		2%