

For More Information Contact:
[Ernie Goss, Ph.D. \(402\) 280-4757](mailto:ernieg@creighton.edu)
ernieg@creighton.edu
Bill McQuillan, (308) 428-3925
bmcq@cnbgreeley.com
Cindy Workman (402) 280-2969
cworkman@creighton.edu

**Rural Mainstreet Hiring Slows to Another Record Low:
Few Banks Expect to Take Part in Treasury Plan**

November Survey Results at a Glance:

- Less than 13 percent of bankers indicate that they will participate in the latest U.S. Treasury preferred stock “buyout” plan.
- Farmland price growth turns negative for first time since survey began in 2005.
- Rural Mainstreet Economy slows to record low.
- Bank indicators remain very healthy.

For Immediate Release: Nov. 20, 2008

OMAHA, Neb. – The Rural Mainstreet Economy continues to move lower with significant pullbacks in hiring according to the November survey of bank CEOs in an 11-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, plunged to a record low for the fourth consecutive month to 22.1 from October’s 34.4 and September’s 38.5. “The national recession and the global economic slowdown have begun to take a toll on the Rural Mainstreet Economy. Last November, the RMI stood at a much healthier 54.1, well above growth neutral 50.0,” said Creighton University economist Ernie Goss. Goss and Bill McQuillan, CEO of City National Bank in Greeley, Neb., created the monthly economic survey.

“As agricultural-commodity prices have tumbled, farmland price growth has now moved into negative territory for the first time since we began the survey in 2005. After peaking at 81.0 in January of this year, the index declined to 45.2 for November, a record low, and well below October’s 60.5,” said Goss.

For a third straight month, the confidence index, which tracks the expectations for the

economy six months out, nose-dived to a record low. November's 13.0 is the lowest reading recorded by the survey, and down dramatically from October's anemic 27.2, reflecting concern among bank CEOs of the impact from the current financial crisis and the national recession.

Despite improving crop conditions, solid farm income and little fallout from the national financial crisis, the new-hiring index for November stood at a record low 23.6, which was down significantly from 35.8 in October. "This is the eleventh consecutive month that the index has been below growth neutral, due in part to a national economy that is negatively affecting growth for Rural Mainstreet," said Goss.

This month, bankers were asked for their opinions on the U.S. Treasury's latest rescue plan to buy preferred stock in banks. Fewer than one in eight or 12.1 percent of the bankers indicated that they would participate in the plan with 63.8 reporting they would not take part. The remaining 24.1 percent were uncertain whether they would participate.

Of course, some of the uncertainty is expected. As indicated by Jim Stanosheck, CEO of State Bank in Odell, Neb. "Rules for Subchapter S banks have not been established (by the Treasury Department) and we will review at that time whether or not to participate." Additional concerns were expressed by Kent Siltman, president of Citizens First State Bank in Walnut, Ill., that the "Treasury needs to modify some of the language in the agreement to restrict them from selling the stock or warrants to whomever they (the Treasury) please. Jim Shafer, president of the First National Bank in Tremont, Ill., has similar concerns noting the contract terms are a moving target.

As a result of a slowing Rural Mainstreet economy, the farm-equipment sales index dropped below growth neutral for the second straight month to 43.4 from 47.2 in October. "The trend we are seeing is definitely in the direction of caution when it comes to making commitments to purchase capital equipment," said Goss.

Like much of the nation, retail sales were very weak for the month with a November retail-sales index of 18.6, a record low, and down from October's 28.3. Lower fuel prices failed to ignite retail sales. As reported by Brian Nicklason, president of Woodland Bank in Remer, Minn., "We had hoped that the lower gas prices would bring more tourists and hunters to our area this fall. But, in talking to our retail merchants, we are seeing lower overall lower sales. We are also seeing higher vacancy rates with our motels, hotels and resorts. It might be a very cold winter."

Just like the national housing market, the Rural Mainstreet home-sales index dipped to a very weak 20.6 from 29.0 in October and September's 32.0.

With agriculture commodity prices falling dramatically over the past several months, farmers have been reluctant, as expected, to lock in or pre-price their inputs. According to John Schmaderer, president of Tri-County Bank in Stuart, Neb., "Many producers are hesitant to lock in input prices at this time. We do expect some movement in that area after crops is in and the end of the year gets closer."

Despite the economic weakness sweeping Rural Mainstreet, banks on Rural Mainstreet report very strong conditions for their banks even as the national banking sector approaches a crisis state.

Bank indicators for November were mixed but showed no signals of distress. The loan-

volume index slipped again to 46.4, due to seasonal factors, from 50.8 in October, and checking deposits advanced to 69.1 from October's 59.8 and September's 54.0. The index for certificates of deposit and other savings instruments dipped to 60.9 from October's 65.0, down dramatically from last year's monthly reading of 85.7.

"Prudent, common-sense lending has never gone out of style and we have never stopped making loans in our community. Community banks are a strong and vibrant cornerstone of their community's economic well-being," said Jeffrey Gerhart, CEO of the Bank of Newman Grove, in Newman Grove, Neb.

Each month, community bank presidents and CEOs in nonurban, agriculturally and resource-dependent portions of an 11-state area are surveyed regarding current economic conditions in their communities and their projected economic outlooks six months down the road. Bankers from Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota and Wyoming are included. The average community-population size covered by the survey is approximately 1,300 with almost 200 communities represented in the survey.

Below are reports for the separate states.

Colorado: Colorado's non-metropolitan areas are being negatively affected by the pullback in energy prices and tourism. Colorado's Rural Mainstreet Index nose-dived to 11.1 from 33.3 in October and 56.3 in September.

Illinois: Reports from bankers across rural Illinois continue to be negative, even as farm income remains healthy. The Rural Mainstreet Index rose to a weak 26.5 from October's 25.0. As detailed by Jim Caspary, president of First Trust Holdings in Watseka, "Although there is much trepidation on the economy, there has not been much movement on the local economy. Farmers are regretting not selling more of their crops last summer, and are concerned on the input costs for the coming year."

Iowa: Declining agriculture commodity prices and concerns related to corn-based ethanol production have negatively affected the Iowa's rural economy. The November Rural Mainstreet Index dipped to 24.3 from October's 25.2 and September's 38.3. However, all reports from bankers were not negative. According to Jim Brown, CEO of Hardin County Savings Bank in Eldora, "I think the local economies in rural Iowa are relatively strong. There will still be a relatively strong earnings year for most farmers and that will continue to be reflected in local retail sales and farm-equipment sales. Next year could be a difficult year for agriculture with higher input costs and lower commodity prices."

Kansas: The Kansas Rural Mainstreet economy slowed again for November. The Rural Mainstreet Index slipped to 31.6 from 33.8 in October and 47.0 in September. However, all reports were not negative. Joe Kennedy, CEO of the First National Bank in Frankfort, indicated that the Rural Mainstreet economy was "OK" and he expect farmers to be selling a lot more grain in 2009. Furthermore, despite recent weakness, farmland price growth was healthy for some areas of Kansas. Michael Johnson, CEO of Swedish American Bank in Courtland Kansas, said, "Farmland prices continue to be strong. There was a land sale last night in Jewell County. The three tracts averaged \$1,881 an acre for the cultivated dryland ground."

Minnesota: The Rural Mainstreet Economy in Minnesota was the weakest in the region with a November reading of 8.9 which was down significantly from October's 31.3. According to David Knopick, president of Saint Stevens State Bank in St. Cloud, "The performance of the St. Cloud area economy has weakened over the last several months as area firms continue to face a variety of challenges in adjusting to uneven and uncertain business conditions. Pete Haddeland, CEO of the First National Bank in Mahanomen reported that a high proportion of 2008 crops had yet to be harvested.

Missouri: Bankers in Missouri's rural areas continue to report very weak economic conditions. The Rural Mainstreet Index for November was 25.0 and down from October's 33.3.

Montana: While strong commodity- and energy-price growth helped offset weaker conditions for ranchers in Montana, the Rural Mainstreet Index for November inched lower to 25.0 from October's 25.4 and September's much stronger 53.2.

Nebraska: The November Rural Mainstreet Index for Nebraska inched lower to 40.0 from 40.9 in October and well down from September's reading of 71.6. The recent bankruptcy of ethanol-producer VeraSun in Sioux Falls, S.D., has had some negative impacts. Bill Anderson, CEO of First State Bank in Hordville, said, "The uncertainty surrounding the ethanol plants in our area is a concern to our local grain farmers."

North Dakota: Despite the national recession, North Dakota's Rural Mainstreet economy expanded for November. The RMI stood at 52.8, but was well down from October's 75.0. North and South Dakota were the only states with an RMI above growth neutral for November.

South Dakota: South Dakota was one of only two states to experience growth for its Rural Mainstreet economy for the month. The November RMI expanded to 52.8 from October's growth neutral 50.0.

Wyoming: Wyoming's Rural Mainstreet Index moved below growth neutral for the first time since the survey began in 2005. Lower energy prices helped push the state's RMI to 37.5 from 50.1 for October.

Tables 1 and 2 below summarize findings from the October survey with an index above 50.0 indicating growth and an index below 50.0 signifying weakness. Next month's survey results will be released on the third Thursday of the month, Dec. 18.

Table 1: Rural Mainstreet Economy for Last Two Months and One Year Ago: (index > 50 indicates expansion)			
	Nov-07	Oct-08	Nov-08
Area economic index	54.1	34.4	22.1
Loan volume	48.2	50.8	46.4
Checking deposits	59.5	59.8	69.1
Certificates of deposit	85.7	65.0	60.9
Farmland prices	68.8	60.5	45.2
Farm-equipment area sales	60.1	47.2	43.4
Home sales	29.8	29.0	20.6
Hiring	50.0	35.8	23.6
Retail business	44.6	28.3	18.6
Confidence index (area economy six months out)	47.6	27.2	13.0

Table 2: The Rural Mainstreet Economy

	<u>Yes</u>	<u>Maybe</u>	<u>No</u>
1. As a private community bank, if it is authorized, will you participate and issue preferred stock to the Treasury to help facilitate loans for your local community?	12.1%	24.1%	63.8%
	<u>Less Than 25%</u>	<u>25% - 50%</u>	<u>Greater Than 50%</u>
2. What percent of the corn harvest is finished in your area?	5.6%	13.0%	81.5%
	<u>Less Than 25%</u>	<u>25% - 50%</u>	<u>Greater Than 50%</u>
3. Have grain producers indicated they are going to pre-purchase inputs for 2009 crops? If so, what percent?	31.5%	44.4%	24.1%

-30-

For historical data and forecasts, visit our website at:

<http://www2.creighton.edu/business/economicoutlook/>

For ongoing commentary on recent economic developments, visit our blog at:

www.economicstrends.blogspot.com