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**For Second Straight Month Rural Mainstreet Index Declines:
Bankers See Few Impacts from 2009 Stimulus Spending**

July Survey Results at a Glance:

- The Rural Mainstreet Index declined for July.
- Bankers economic outlook deteriorates to lowest level since March of this year.
- One-third of the bank CEOs expect crop income for 2009 to be down significantly from last year.
- None of the bankers report large or material impacts from the 2009 federal stimulus plan.
- Almost 69 percent of bankers reject raising taxes on the “wealthy” to pay for health insurance for the uninsured.

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OMAHA, Neb. – For a second straight month, the overall index for the Rural Mainstreet economy declined, and continues to indicate significant economic weakness, according to the July survey of bank CEOs in an 11-state region.

The Rural Mainstreet Index (RMI), which ranges between 0 and 100, slipped to a weak 32.6, from 34.0 in June and 36.2 in May, but was up significantly from February’s record low of 16.9. A reading of 50.0 is considered growth neutral.

“The RMI has remained below growth neutral for 17 consecutive months. After appearing to bottom out earlier in the year, the index, which gauges overall economic activity, is now trending downward,” said Creighton University economist Ernie Goss. Goss and Bill McQuillan, CEO of City National Bank in Greeley, Neb., created the monthly economic survey in 2005.

The weak global economy has affected the farm sector significantly. With net farm income under pressure, both land prices and sales of farm equipment have weakened over the past several months. “This month we asked bankers their expectations for 2009 crop income. Only 6.3 percent of the bankers forecast an increase in farm income over 2008 levels. Fully one-third expect crop income in 2009 to be lower than 2008,” said Goss.

The problem with farm income is crop prices, not yields, according to the Rural Mainstreet CEOs. “It appears that yields will be 10-15 percent higher than last year, however, prices will be down close to 25 percent,” said Bradley Robson, CEO of First State Bank in Belmond, Iowa. Echoing Robson’s sentiment, Joe Kennedy, CEO of First National Bank in Frankfort, Kan., reported, “We have had very good rains in the past 10 days or so. The crop yields should be better than the past three years.”

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Reflecting this weakness the farmland-price index moved below growth neutral for the ninth straight month and the farm-equipment-sales index dropped below growth neutral for the 10th consecutive month.

The farm-equipment sales index climbed to 36.2 from June's 33.3 and May's record low 28.3. The farmland-price index declined to 41.4 for July, down slightly from June's weak 45.7. After peaking at 81.0 in January 2008, the farmland-price index declined to a record low 33.1 in March of this year.

Perhaps as an early warning of a muted economic recovery, the confidence index, which tracks expectations for the Rural Mainstreet economy six months out, tumbled to 44.6, from June's 52.2 and May's 56.0.

This month bank CEOs also were asked whether they supported an increase in taxes on workers earning more than \$280,000 annually to support providing health insurance for the uninsured. "The bank CEOs clearly do not support such a program. More than two-thirds, or 68.8 percent, responded that they definitely did not support such a program. Only 2.1 percent supported the tax increase," said Goss.

Dan Coup, CEO of First National Bank in Hope, Kan., amplified the thinking of many bankers when he said, "No one source can be expected to cover the costs. There has to be a combination of reduction in expenses and increased revenue. The medical field is a lot like banking in that the costs of regulating each have become a big part of the problem." Coup's bank currently pays 100 percent of the cost of a family plan for health insurance. As of Aug. 1, 2009, that cost will be more than \$1,000 per month per employee.

Hiring in the rural areas remains very weak for the Rural Mainstreet Economy. The new-hiring index for July was 25.0, its lowest level since April of this year, and down from June's frail 29.0. This is the 19th consecutive month that the index has been below growth neutral, due in part to the national and global recession and weakening farm and energy commodity prices. Over the past 12 months, rural areas of the region have lost almost 5.0 percent of their jobs. July's survey indicates that these job losses are likely to continue in the months ahead," said Goss.

Like much of the nation, retail sales were less than healthy for the month with a July retail-sales index of 29.5, its lowest level since April 2009, and down from June's 33.7.

For a second straight month, the Rural Mainstreet home-sales index declined. The July reading slipped to 40.0, its lowest level since April 2009, from June's 45.9 and May's 48.7. "Real estate is selling very slowly," said Pete Haddeland, CEO of First National Bank in Mahanomen, Minn. Ken Walsh, CEO of Ruby Valley Bank in Twin Bridges, Mont., indicated that real estate prices have softened somewhat, and that activity had slowed considerably. "The real estate agents tell me that the inquiries have picked up recently, so maybe the transactions will be forthcoming."

Rural Mainstreet reported slippage in healthy banking numbers for the month. The loan-volume index slumped to 43.1, its lowest level since November 2006, and down from June's 56.1. For July, checking deposits expanded to 58.5 from 54.2 in June. The index for certificates of deposit and other savings instruments dipped to a 53.8 from 54.1 in June.

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In July's survey, bankers were asked their assessment of the impact of the 2009 federal stimulus package on the Mainstreet Rural economy. None of the bankers reported that the impacts had been large and meaningful while 37.5 percent indicated that the impacts were zero. Slightly over 60 percent, or 62.5 percent reported that the impacts were "very little or small."

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.

This survey represents an early snapshot of the economy of the rural, agriculturally and energy dependent portions of the nation. The Rural Mainstreet Index is a unique index covering 11 regional states, focusing on approximately 200 rural communities with an average population of 1,300. It gives the most current real-time analysis of the rural economy.

Below are reports for each state:

Colorado: Colorado's Rural Mainstreet economy continued its downward trend. The Rural Mainstreet Index (RMI) sank to 18.6, a regional low, from June's 20.0. The July ranch- and farmland-price index declined to 27.4 from 31.8 in June and 37.9 in May. July's home-sales index decreased to 26.0 from June's 31.9 and May's 47.4.

Illinois: The Illinois RMI once again remained below growth neutral. The RMI for July declined to 30.5 from June's 32.0. Farmland prices continue to show weakness with a July reading of 39.4, which is down from June's 43.8, but up significantly from May's 23.2. July's home-sales index slumped to 38.0 from 43.9 in June. However, as in other parts of the region, crop yields are expected to be strong. According to Kent Siltman, president of Citizens First State Bank in Walnut, "Our crops in northwest Illinois look good at this point. We have more than enough moisture right now, but could use some warmer weather to move everything along as we are about two weeks behind where we would normally be due to late planting. As for the stimulus package we have seen some road work going on in the area which is nice."

Iowa: Iowa's RMI once again slipped below growth neutral according to the monthly survey of bank CEOs. The RMI for July dipped to 30.6 from June's 32.0 and May's 37.2. The farmland-price index was also below growth neutral with a July reading of 39.4, down from June's index of 43.7. July's home-sales index slipped to 38.0 from 43.9 in June and 49.7 in May. Farm income for 2009 is expected to be off 2008 levels. According to Steven Lane, CEO of Security Savings Bank in Farnhamville, "Even though prices are down I'm seeing some of the best looking corn in the last ten years."

Kansas: The Kansas RMI, like much of the region, was below growth neutral 50.0. The July RMI slumped to 25.1 from June's 26.6. The farmland-price index dipped to 34.0 from June's 38.3 and May's 39.5. July's home-sales index stood at 32.6, which was down from 38.5 in June. "Wheat looks very good and harvest time is here. However, the economy is not improving to-date and I don't see much on the horizon for improvement," said Dale Bradley CEO of Citizens State Bank in Miltonvale.

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Minnesota: Minnesota's RMI sank to 22.2 from 23.7 in June and 25.9 in May. The farmland-price index declined to 31.1 from June's 35.4. July's home-sales index stood at 29.7, which was down from June's 35.6. According to Pete Haddeland, CEO of First National Bank in Mahanomen, "Crop income will be down from last years record crop income."

Missouri: Missouri's RMI slipped to 28.9 from June's 30.4. The July farmland-price index decreased to 37.8 from June's 42.1. July's home-sales index stood at 36.6, down from June's 45.1.

Montana: Montana's RMI stood at a weak 33.5. Ken Walsh, CEO of Ruby Valley Bank in Twin Bridges, reported weak farm income with cattle prices down significantly. However, he added, "The plus is that tourism seems to be holding steady, with the fishing outfitters even or ahead of 2008."

Nebraska: As in past months, Nebraska's RMI remained below growth neutral. The July RMI sank to 35.6 from June's 37.0 and May's 40.6. The Nebraska farmland-price index for July slipped to 44.4 from June's 48.8. July's home-sales index was 43.0, down from 48.9 in June.

North Dakota: For a second straight month, North Dakota's RMI was the highest in the region. The July RMI of 57.6 was down slightly from June's 59.0. The July farmland-price index for the state slipped to 66.4 from June's 70.9. July's homes-sales index was a very healthy 65.0, though down from June's 70.8.

South Dakota: South Dakota's RMI remained below growth neutral with a July reading of 40.5, down from June's 41.9. The state's farmland-price index dipped slightly below growth neutral to 49.3 from June's 53.7. July's home-sales index was 47.9 compared to June's 53.9.

Wyoming: Once again, Wyoming and North Dakota were the only states with RMIs above growth neutral. Wyoming's RMI declined to 51.8 from June's 53.2 and May's much higher 64.1. The June ranch- and farmland-price index was also a very healthy 60.6, but was lower than June's 65.0. The July home-sales index stood at 59.2 which was lower than June's 65.2.

Tables 1 and 2 below summarize findings from the June 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, Aug. 20.

	Jul-08	Jun-09	Jul-09
Area economic index	41.4	34.0	32.6
Loan volume	56.1	56.1	43.1
Checking deposits	53.5	54.2	58.5
Certificates of deposit	43.0	54.1	53.8
Farmland prices	61.6	45.7	41.4
Farm-equipment area sales	62.3	33.3	36.2
Home sales	25.4	45.9	40.0
Hiring	42.9	29.0	25.0
Retail business	35.1	33.7	29.5
Confidence index (area economy six months out)	31.8	52.2	44.6

	<u>Definitely Not</u>	<u>Not Sure</u>	<u>Definitely Yes</u>
1. As part of the 2009 Healthcare Bill, should expanded health insurance to the insured be funded by increasing taxes on workers making more than \$280,000 per year?	68.8%	29.2%	2.1%
	<u>None</u>	<u>Very little or Small</u>	<u>Large & Meaningful</u>
2. The impacts from the 2009 stimulus package on your area Mainstreet Economy have been	37.5%	62.5%	0.0%
	<u>Significantly less than last year</u>	<u>About the same as last year</u>	<u>Significantly Greater than last year</u>
3. Comparing likely farm income from crops this year to last, what do you anticipate?	33.3%	60.4%	6.3%

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