



## Economic Recovery? Rural Mainstreet bankers aren't sure

By Deborah D. Thornton

Creighton University in Omaha, Nebraska, has surveyed community bankers in the 11-state Midwest-plains area each month since 2005 on the status of their local economies. Dr. Ernie Goss, professor of Economics at Creighton, then uses this information and generates the Rural Mainstreet Index (RMI). The average size of the 200 communities included is 1,300, and the survey includes the states of Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wyoming. This unique index, with potential scores ranging from 0-100, is considered the most current "real-time" analysis of the regional rural economy. A score of 50 is considered "growth neutral," with above 50 being positive economic growth and below indicating declining economies.<sup>1</sup>

While pundits and officials in Washington, D.C., talk about "Main Street" versus "Wall Street" these bankers are working the real Main Street, making decisions impacting the economic status of their communities. They directly influence and control buying, saving, lending, and investing in the Midwest-Plains states, while seeing the results of national actions on their customers.

Guess what? Though the economy isn't as bad as a year ago, the bankers are not convinced the much-touted national economic recovery is real. The April 2010 RMI was 44.2, a negative growth score, and down from the March 2010 result of 47.4. These scores are not good, but not that bad, considering they are twice the April 2009 score of 21.7. For additional perspective, the 24-month low was in February 2009 at 16.9, and the March 2010 score (47.4) was a two year high. At this time the RMI has been below growth neutral (50) for 26 consecutive months.<sup>2</sup> There are no projections as to when the RMI might move above 50.

On a national level, according to the National Bureau of Economic Research (NBER), the recession officially began in December 2007. The economists of NBER declared December 2007 as the start of the recession based on deterioration in the labor market beginning at that time.<sup>3</sup> The Midwest bankers still do not see much improvement in the labor market, with only 10 percent indicating that hiring in April was up from March. Retail sales reflected this weak labor market.

In Iowa specifically, the April 2010 RMI score was 43.0, slightly lower than the overall regional outlook and down from the March score of 48.0, which was also a two-year high for Iowa. Iowa-specific scores tend to track the regional numbers closely. Within the overall score the Iowa farm equipment sales index for April 2010 was well up in positive growth territory, at 57.2 and the farmland-price index also climbed to a healthy 61.0. This bodes well for the agriculture-specific economy, indicating that agriculture is beginning to grow out of the recession. Farmland, according to bankers, is currently selling at record highs, with one 146-acre parcel in Nebraska recently selling at over \$8,000 per acre.<sup>4</sup> For the eleventh month in a row, North Dakota had the highest RMI, at 47.3. The lowest was Colorado at 38.4, a significant drop from April's 44.3.

The chart on the next page shows the regional RMI numbers, as well as the Iowa-specific results, for the last 24 months. The overall picture is much better than spring 2009, but no one is having a party yet.

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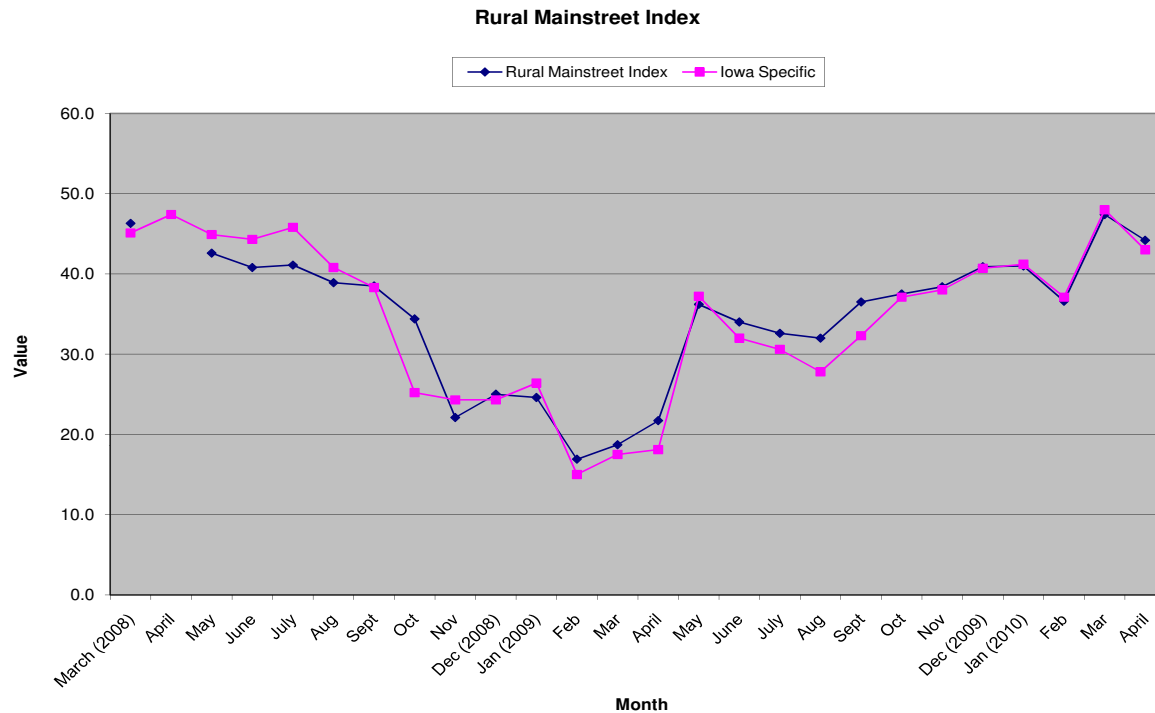
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Several sub-components of the April RMI, including checking account deposits (62.7) and loan volumes (61.1) were in positive territory. Savings indexes declined slightly (52.5 from 54.4 in March). The major negative index was hiring, at 46.7, up 1 point from 45.7 in March 2010 and up significantly from the 15.8 of April 2009, but still below growth-positive 50. On the home-sales side, the index rose above growth neutral for the first time since June 2007, and increased significantly to 52.5 from 37.5 in February 2010.<sup>5</sup>

Each month the survey includes questions of current interest. In general community bankers appear to take a free-market, limited-government approach to business and the economy. For example, when asked about implementing “too-big-to-fail” national banking policies, 57 percent said that they were opposed and that the “market should determine” successes and failures. However, in April Goss also solicited opinions on the extension of the 45-cent-per-gallon blender tax credit question for ethanol production beyond December of 2010. The result, unsurprisingly for heavy corn-growing Midwestern-Plains states, was a resounding 82 percent support.<sup>6</sup>

Amid the hype and hoopla coming from Washington, D.C., about everything from the war in Afghanistan to the newest Supreme Court nominee, it’s refreshing to see practical research coming from the heartland, for the business owners, farmers, and workers of the heartland. The monthly RMI reports, with additional commentary from Dr. Goss may be found at [www.creighton.edu/business/economicoutlook](http://www.creighton.edu/business/economicoutlook), generally by the sixteenth of each month.

(Endnotes)

<sup>1</sup> “Rural Mainstreet Economy Stalls for April: Farm and Ranch Land Prices Head Higher,” *Creighton University Business: Economic Outlook*, April 16, 2010, <<http://www.creighton.edu/business/economicoutlook/mainstreet/index.php>> (May 5, 2010).

<sup>2</sup> Ibid.

<sup>3</sup> Chris Isidore, “It’s Official: Recession since Dec. 07,” *CNNMoney.com*, December 1, 2008, <<http://money.cnn.com/2008/12/01/news/economy/recession/index.htm>> (May 7, 2010).

<sup>4</sup> “Rural Mainstreet Economy Stalls for April.”

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

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