

Trump Carried 85 Percent of U.S. Counties: Single Mothers, College Graduates, and Foreign Born Supported Clinton

The 2016 U.S. presidential elections shamed pollsters and pundits and once again validated the split in the American electorate. Clinton won the popular vote taking 48% of ballots compared to Trump's 46.0%. However, Trump won a landslide of counties taking 85 percent of the nation's 3,142 counties. Digging beneath the surface, voting behavior provides a distinct profile of the two camps.

For example, single mothers with children, college graduates, welfare recipients, and foreign born were more likely to support Clinton. On the other the hand, married voters, high school graduates, and those living in a different state in 2015 were more likely to vote for Trump. The most important factor explaining Clinton vote totals was the share of the county with a bachelor's degree or above. The most significant characteristic explaining Trump county wins was the percentage of the county that was married.

Holmes County, Ohio with \$392 per capita welfare benefits, 70% married, 4% unmarried mothers, 1% foreign born and 7.8% college graduates was the county with the population profile least likely to support Clinton. New York County, New York with \$1,300 per capita welfare benefits, 26% married, 12% unmarried Mothers, 29% foreign born, and 60% college graduates was the county with the population profile least likely to vote for Trump. American writer, Gore Vidal once said, "Half of the American people have never read a newspaper. Half never voted for President. One hopes it is the same half." Ernie Goss.

MAINSTREET RESULTS

Rural Mainstreet Index Highest in Six Months: Bankers Expect Weak Holiday Sales Growth on Mainstreet

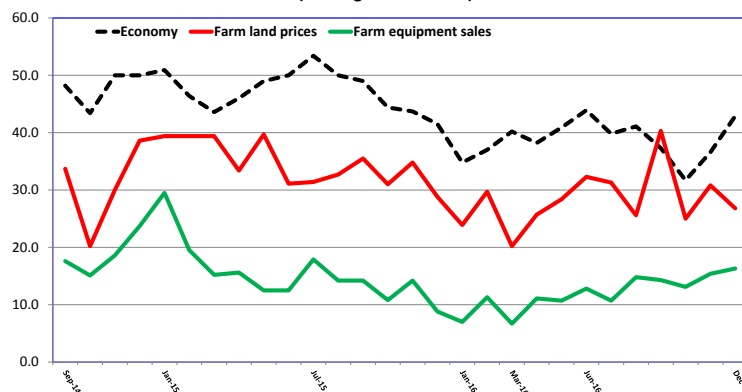
Table 1: The Mainstreet Economy	Dec 2015	Nov 2016	Dec 2016
Area Economic Index	41.5	36.6	42.9
Loan volume	61.0	52.4	78.5
Checking deposits	64.7	67.1	57.1
Certificate of deposits	46.4	46.4	38.1
Farm land prices	28.8	30.8	26.8
Farm equipment area sales	8.8	15.4	16.3
Home sales	55.0	58.8	46.4
Hiring in the area	54.9	52.5	51.2
Retail Business	51.2	37.8	45.1

Survey Results at a Glance:

- For a 16th straight month, the Rural Mainstreet Index remained below growth neutral though the index advanced to its highest level since June 2016.
- Farmland prices declined for the 37th straight month.
- Bank CEOs expect loan defaults to rise by 5.6 percent over the next 12 months. This estimate is up slightly from 5.4 percent recorded in July of this year.
- Bankers expect holiday sales for Rural Mainstreet retailers to expand by a scant 0.4 percent over 2015 levels.
- States with December Rural Mainstreet expansions: Iowa, Nebraska, and South Dakota; States with De-

clines: Colorado, Kansas, Illinois, Missouri, North Dakota and Wyoming, and Minnesota.

Rural Mainstreet, Economic Indicators, Sept. 2014 – Dec. 2016 (50.0 = growth neutral)



The Creighton University Rural Mainstreet Index remained weak with a reading below growth neutral for the 16th straight month, according to the monthly survey of bank CEOs in rural areas of a 10-state region dependent on agriculture and/or energy.

Overall: The index, which ranges between 0 and 100 rose to 42.9, its highest level since June of this year, and up from November's 36.6.

Weak farm commodity prices continue to slam Rural Mainstreet economies. Over the past 12 months, livestock commodity prices have tumbled by 19.0 percent and grain commodity prices have slumped by 11.5 percent. The economic fallout from this price weakness continues to push growth into negative territory for seven of the 10 states in the region.

States trending higher: Iowa, Nebraska, and South Dakota; States trending lower: Colorado, Kansas, Illinois, Minnesota, Missouri, North Dakota and Wyoming.

Farming and ranching: The farmland and ranchland-price index for December fell to a frail 26.8 from November's 30.8. This is the 37th straight month the index has languished below growth neutral 50.0. The December farm equipment-sales index increased to 16.3 from 15.4 in November.

Since July 2013, weakness in farm income and low agricultural commodity prices continue to restrain the sale of agricultural equipment across the region. This is having a significant and negative impact on both farm equipment dealers and agricultural equipment manufacturers across the region.

Banking: Borrowing by farmers remains strong as the December loan-volume index jumped to 78.5 from last month's 52.4. The checking-deposit index declined to a still solid 57.1 from 67.1 in November, while the index for certificates of deposit and other savings instruments sank to 38.1 from 46.4 in November.

This month bankers were asked to estimate farm loan default rates. Bankers expect loan defaults to expand by 5.6 percent over the next 12 months. Expected loan default rates have changed little during 2016.

Hiring: The job gauge dipped to 51.2 from November's 52.5.

For the region, Rural Mainstreet employment is down by 0.6 percent over the past 12 months. Over the same period of time, urban employment for the region expanded by 1.2 percent.

Confidence: The confidence index, which reflects expectations for the economy six months out, rose to 43.9 from 39.0 in November indicating a continued pessimistic outlook among bankers. Until agricultural commodity prices begin to trend higher, I expect banker's economic outlook to remain weak.

Home and retail sales: Home sales moved lower for the Rural Mainstreet economy for December with a reading of 46.4 from November's healthy 58.8. The December retail-sales index increased to 45.1 from November's 37.8.

Bank CEOs expect lackluster holiday sales growth. On average, Rural Mainstreet bankers expect a 0.4 percent increase from 2015 holiday retail sales levels.

Each month, community bank presidents and CEOs in nonurban agriculturally and energy-dependent portions of a 10-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, Nebraska, North Dakota, South Dakota and Wyoming are included. The survey is supported by a grant from Security State Bank in Ansley, Neb.

This survey represents an early snapshot of the economy of rural agriculturally and energy-dependent portions of the nation. The Rural Mainstreet Index (RMI) is a unique index covering 10 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. Goss and Bill McQuillan, former chairman of the Independent Community Banks of America, created the monthly economic survey in 2005.

MAINSTREET ON YOUR STREET

COLORADO

Colorado's Rural Mainstreet Index (RMI) plummeted to 24.9 from 51.2 in November. The farmland and ranchland-price index fell to 25.5 from November's 48.5. Colorado's hiring index for December rose to 55.2 from November's 53.9. Colorado job growth over the last 12 months; Colorado Rural Mainstreet, -1.2 percent; Urban Colorado, +3 percent.

ILLINOIS

The December RMI for Illinois improved 34.2 from 26.6 in November. The farmland-price index sank to a frail 17.9 from November's 26.8. The state's new-hiring index climbed to 52.4 from last month's 51.5. Illinois job growth over the last 12 months; Illinois Rural Mainstreet, -0.6 percent; Urban Illinois +0.7 percent.

IOWA

The December RMI for Iowa fell to 63.5, a regional high, from 72.1 in November, also a regional high. Iowa's farmland-price index for December slumped to 49.3 from 56.6 in November. Iowa's new-hiring index for December slipped to a still strong 63.9 from November's 66.2. Iowa job growth over the last 12 months; Iowa Rural Mainstreet, +1.4 percent; Urban Iowa, +0.9 percent.

KANSAS

The Kansas RMI for December slumped to 16.0 from November's 22.5. The state's farmland-price index increased to a weak 41.2 from 25.6 in November. The new-hiring index for Kansas slipped

to 47.9 from 49.1 in December. Kansas job growth over the last 12 months; Kansas Rural Mainstreet, -1.8 percent; Urban Kansas, +0.2 percent.

MINNESOTA

The December RMI for Minnesota expanded to a weak 41.7 from November's 24.4. Minnesota's farmland-price index dipped to 24.0 from 27.7 in November. The new-hiring index for the state slipped to a still solid 54.7 from last month's 55.7. Minnesota job growth over the last 12 months; Minnesota Rural Mainstreet, -0.1 percent; Urban Minnesota +1.3 percent.

MISSOURI

The December RMI for Missouri decreased to 27.1 from 27.6 in November. The farmland-price index increased to 37.9 from November's 20.9. Missouri's new-hiring index rose to 39.6 from 29.1 in November. Missouri job growth over the last 12 months; Missouri Rural Mainstreet, -1.1 percent; Urban Missouri +2 percent.

NEBRASKA

The Nebraska RMI for December advanced to 51.4 from November's 37.9. The state's farmland-price index tumbled to 29.6 from November's 45.5. Nebraska's new-hiring index declined to a healthy 56.7 from 59.5 in November. Nebraska job growth over the last 12 months; Nebraska Rural Mainstreet, no change; Urban Nebraska, +0.4 percent.

NORTH DAKOTA

The North Dakota RMI for November expanded to a very frail 28.9 from October's 20.2. The farmland-price index increased to 27.3 from October's 18.2. North Dakota's new-hiring index improved to 30.7 from 19.2 in October. North Dakota job growth over the last 12 months; North Dakota Rural Mainstreet, -5.1 percent; Urban North Dakota, 0.8 percent.

SOUTH DAKOTA

The December RMI for South Dakota soared to 60.5 from November's 47.1. The farmland-price index sank to 39.7 from November's 45.5. South Dakota's new-hiring index slipped to a healthy 60.4 from November's even stronger 62.2. South Dakota job growth over the last 12 months; South Dakota Rural Mainstreet, +1.2 percent; Urban South Dakota, +3.4 percent.

WYOMING

The December RMI for Wyoming increased to a feeble 30.6 from 19.8 in November. The December farmland and ranchland-price index increased to 35.6 from November's 23.8. Wyoming's new-hiring index slipped to 43.0 from November's 45.4. Wyoming job growth over the last 12 months; Wyoming Rural Mainstreet, -3.2 percent; Urban Wyoming, -4.5 percent.

THE BULLISH NEWS

- In December 2016, average hourly earnings increased by 2.9% from 12 months earlier. This is the fastest pace since December 2009.
- Both Creighton's and the ISM's manufacturing index (PMI) rose sharply for December.
- US home prices are now back above where they were pre-crash with October 2016 prices up by 5.6% over October 2015.

THE BEARISH NEWS

- The U.S. economy added a less than stellar 156,000 jobs in December and the unemployment rate ticked up to 4.7% from 4.6%.
- The November U.S. trade deficit rose to \$45.2 billion, its highest level in 9 months.
- The U.S. dollar rose to its highest level since 2002 making it more difficult for exporters to sell their products abroad.

WHAT TO WATCH

- **4th Quarter GDP Estimate :** On Jan. 29, the Bureau of Economic Analysis will release this important indicator. The market is expecting an annualized increase of 1.9%. Any significant deviation from this, particularly on the upside, will move bond markets.
- **CPI:** On Jan. 18, the Bureau of Labor Statistics will release the consumer price indices for December. The inflation rate has been trending upward. A large advance (e.g. +0.4% for Dec.) could scare bondholders into dumping bonds with the result of a large increase in interest rates.
- **10-Year U.S. Treasury yield:** Since the Presidential election, the yield on the 10-year U.S. Treasury bond has risen by 0.54% (54 basis points). If inflationary expectations continue to expand, so will the 10-year bond yield and mortgage rates.

THE OUTLOOK

FROM GOSS:

- **I put the likelihood of a Federal Reserve rate hike in Q1, 2017 at 60%. **I expect short term and long term interest rates to continue to move higher through the first quarter of 2017, albeit at a slower pace than the last quarter of 2017. **I expect wages to continue to grow, but at a faster pace approaching 3.5% annualized.

OTHER FORECASTS:

- **The Conference Board:** "The global economy has now entered its sixth year of stagnation, and the growth outlook for 2017 shows a continuation of this trend. A projected stabilization in energy and commodity prices may provide a small tailwind for resource rich economies in 2017, but the medium-term trend continues to be dominated by weaker growth in key inputs, notably investment and labor supply. Modest positive signals emerge from the base scenario showing some strengthening in qualitative growth factors, such as more advanced technology, improved labor force skills, and greater productivity. But those potentially favorable factors are under pressure from ongoing political, policy, and economic uncertainties around the world. This risks further inertia caused by a wait-and-see attitude among corporates and governments. Businesses have to prepare for more disruptions from geopolitical tensions, policy uncertainty, financial market volatility, and rapid changes in technology, but they also need to stay focused on leveraging the qualitative

sources of growth with investment in technology and business productivity even—or especially—in times of stagnation."

GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

- In order to keep the lights on, Venezuela's government just issued \$5 billion in new bonds carrying a 6.5% interest rate. They pledged 50% stake in Citgo (which they don't really own). Who has the courage, or stupidity to buy these bonds? As Venezuela's President Maduro might say, "I don't have a credit problem. The people I owe money to have a credit problem!" In reality they sold to themselves. Sound familiar??

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This month's survey results will be released on the third Thursday of the month, Dec. 15.