Several months ago, the International Association of Machinists (IAM) brought a complaint to the National Labor Relations Review Board (NLRB) against Boeing Aircraft contending that the builder of the 787 Dreamliner engaged in unfair labor practices by announcing that, due to past work stoppages in Washington state, Boeing had decided to produce their newest plane in South Carolina, a right-to-work state. That is, Boeing’s South Carolina workers are not compelled to join a union and/or pay union dues as they are in Washington. The union is petitioning the NLRB to close the $750 million South Carolina plant and force Boeing to manufacture the aircraft at their Washington facility. From a societal point-of-view, how would a decision in favor of the union likely affect U.S. economic growth? Comparing economic growth rates between the 22 right-to-work states and all other states would provide some insight into this matter. U.S. Bureau of Economic data show that between 1990 and 2010, right-to-work states experienced much higher median economic performance with 1) Employment growth of 25.9 percent for right-to-work states versus 7.9 percent for all other states. 2) Per capita income growth of 117.8 percent vs. 104.3 percent. 3) Population growth of, 29.0 percent vs. 23.6 percent, 4) Manufacturing employment growth of 84.0 percent vs. 19.4 percent, 5) Manufacturing wage per worker growth of 108.7 percent vs. 96.1 percent. Thus on every economic dimension examined, right-to-work states experienced significantly greater economic performance than non-right-to-work states. While certainly not definitive, comparative economic growth rates indicate that an NLRB decision to force Boeing to move production from South Carolina to Washington would, other factors unchanged, reduce overall U.S. economic growth. Ernie Goss

For a second straight month, Rural Mainstreet Index (RMI) increased. November’s reading from a monthly survey of bank CEOs in agriculturally dependent areas in a 10-state region rocketed to its highest level since June 2007. Overall: The Rural Mainstreet Index (RMI), which ranges between 0 and 100, advanced to 58.4 from 52.9 in October. After softening for several months, the Rural Mainstreet economy appears to be once again growing at a very healthy pace. The farm economy is clearly outpacing the nonfarm economy.

Farming: The farmland price index rose to its highest level since April 2011. The index for November climbed to 75.4 from October’s robust 66.9. This is the 22nd straight month the index has been above growth neutral. The farm equipment sales index expanded to 68.4 from October’s 63.1. After losing a bit of its economic steam, farmers and investors are once again driving up the price of farmland at a rapid pace. Likewise, farmers are continuing to purchase farm equipment at a swift pace.

This month bankers were asked to identify the biggest threat to the Rural Mainstreet economy for 2012. Almost half, 49 percent, indicated that low agriculture commodity prices posed the greatest peril for their local economies. Another 18 percent see the bursting of the farmland price bubble as the biggest risk for the agriculturally dependent economy, while 16 percent identified changes in federal alternative energy policies as the potentially greatest hazard for the 2012 economy. No other factor rose above signal digits in terms of threats identified by bankers.

Banking: The loan volume index for November sank to 44.2 from 57.3 in October. The checking deposit index soared to 81.7 from October’s 71.7, while the index for certificates of deposit and other savings instruments dipped to a weak 41.7 from 44.9 last month. Bank CEOs also were asked what factors were limiting their lending. With a strong farm economy, 40 percent said the lack of demand from potential borrowers was the number one factor inhibiting greater lending. Another 38 percent indicated that they were lending as usual while 16 percent pointed to regulatory concerns limiting their lending ability. No other factor rose above single digits in terms of restraining lending. One banker reported that due to an early harvest, farmers were paying down their loans early.

Hiring: November’s shirking index dipped to 53.4 from 56.4 in October. Year over year job growth for Rural Mainstreet communities is almost twice that of metropolitan areas of the region. Even with the recent strength, employment for Rural Mainstreet communities is down approximately 2.8 percent from pre-recession levels.

Confidence: The economic confidence index, which reflects expectations for the economy six months out, climbed to 57.5 from October’s growth neutral 50.0. Home and retail sales: For a fourth straight month, the Rural Mainstreet home sales index dropped below growth neutral to 46.7 from October’s 49.3. The retail sales index for November advanced to 53.3 from October’s anemic 49.3. On Rural Mainstreet, bankers are telling us that retail sales are looking much better as a result of very healthy farm income. For example, Larry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Area Economic Index</td>
<td>53.3</td>
<td>52.9</td>
<td>58.4</td>
</tr>
<tr>
<td>Loan volume</td>
<td>53.3</td>
<td>57.3</td>
<td>44.2</td>
</tr>
<tr>
<td>Checking deposits</td>
<td>76.3</td>
<td>71.7</td>
<td>81.7</td>
</tr>
<tr>
<td>Certificate of deposits</td>
<td>55.8</td>
<td>44.9</td>
<td>41.7</td>
</tr>
<tr>
<td>Farm land prices</td>
<td>68.1</td>
<td>66.9</td>
<td>75.4</td>
</tr>
<tr>
<td>Farm equipment area sales</td>
<td>68.7</td>
<td>63.1</td>
<td>68.4</td>
</tr>
<tr>
<td>Home sales</td>
<td>45.1</td>
<td>49.3</td>
<td>46.7</td>
</tr>
<tr>
<td>Hiring in the area</td>
<td>46.8</td>
<td>56.4</td>
<td>53.4</td>
</tr>
<tr>
<td>Retail Business</td>
<td>50.1</td>
<td>49.3</td>
<td>53.3</td>
</tr>
<tr>
<td>Economy 6 months from now</td>
<td>63.8</td>
<td>50</td>
<td>57.5</td>
</tr>
</tbody>
</table>

- Rural Mainstreet Index soars to highest level since June 2007.
- Farmland price growth continues its rapid pace.
- Almost half the bankers indicated that low agriculture commodity prices posed the greatest peril for the 2012 Rural Mainstreet economy.
- Loan demand remains weak due to strong cash balances for farmers.

Rural Mainstreet, Jan. ‘07 – Nov. ‘11
Rogers, president of First Bank of Utica, Neb., reported, “Stores had deep discounts and they were very busy with some long lines at the checkout counters. It looks positive for retail sales.”

## MAINSTREET ON YOUR STREET

### COLORADO
For the 11th straight month, Colorado’s Rural Mainstreet Index (RMI) remained above growth neutral. The index for November rose to 70.4 from 54.3 in October. The farmland and ranchland price index climbed to 81.4 from October’s 67.1. Colorado’s hiring index for November was a strong 63.8. Colorado’s Rural Mainstreet employment was down 7.7 percent since the recession began in Dec. 2007.

### ILLINOIS
The RMI for Illinois remained above growth neutral for the 19th straight month. The November index advanced to 56.3 from October’s 53.7. Farmland prices remained significantly above growth neutral with a reading of 77.5 from 67.0 in October. The state’s new hiring index advanced to 56.9 from September’s 51.9. Illinois’ Rural Mainstreet employment was down 2.9 percent since the recession began in Dec. 2007.

### IOWA
The RMI for Iowa slipped to 51.7 from 54.6 in October. The farmland price index increased slightly to 69.3 from 69.2 in October. Iowa’s new hiring index for November declined to 52.5 from October’s healthy 57.5. Iowa’s Rural Mainstreet employment was up 0.8 percent since the recession began in Dec. 2007.

### KANSAS
After increasing for two straight months, the RMI for Kansas declined to a weak 49.1 from October’s 52.9. The farmland price index was unchanged from October’s 64.5. The state’s new hiring index dropped to 50.1 from 56.4 in October. Dale Bradley, CEO of Citizens State Bank in Miltonvale, reported, “The farm economy is still holding up well in our area of Kansas.” Kansas’ Rural Mainstreet employment was down 4.6 percent since the recession began in Dec. 2007.

### MINNESOTA
The November RMI for Minnesota dipped to 52.8 from October’s 53.4. Minnesota’s farmland price index climbed to 71.2 from 68.2 in October. The state’s new hiring index declined to 53.5 from October’s 56.7. Pete Haddeland, CEO of First National Bank in Mahnomen, said, “It has been a great fall harvest for our farmers.” Minnesota’s Rural Mainstreet employment was down 0.6 percent since the recession began in Dec. 2007.

### MISSOURI
The RMI for Missouri slumped to 35.8 from October’s 52.6. The farmland price index for Missouri declined to 41.1 from October’s 66.8. The state’s new hiring index dropped to 38.4 from 56.2 in October. Don Reynolds, president of Regional Missouri Bank in Salisbury, reported, “Though crop yields were below last year they were better than expected, and with strong prices income appears to be good.” Missouri’s Rural Mainstreet employment was down 10.8 percent since the recession began in Dec. 2007.

### NEBRASKA
The November RMI for Nebraska expanded to 55.7 from 53.5 in October. The farmland price index rocketed to 76.3 from 65.3 in October. The state’s new hiring index slipped to a still healthy 56.0 from 56.8 in October. Kathy Thuman, president of Farmers State Bank in Maywood, reported, “Southwest Nebraska had mixed corn yields with the lack of pollination, a problem in some areas. Overall, yields were close to the same as in 2010.” Nebraska’s Rural Mainstreet employment was down 0.6 percent since the recession began in Dec. 2007.

### NORTH DAKOTA
The North Dakota RMI climbed to a regional high of 88.8 from October’s 55.8, also a regional high. The farmland price index increased to 93.1 from 71.2 in October. The state’s new hiring index soared to 85.5 from 58.3 in October. North Dakota’s Rural Mainstreet employment was up 23.4 percent since recession began in Dec. 2007.

### SOUTH DAKOTA
The November RMI for South Dakota slipped to 51.5 from October’s 53.3. The farmland price index rose to 68.8 from 67.0 in October. South Dakota’s new hiring index for November declined to 52.3 from October’s 56.6. South Dakota’s Rural Mainstreet employment was up 1 percent since the recession began in Dec. 2007.

### WYOMING
The November RMI for Wyoming rose to 62.1 from 53.9 in October. The November farmland and ranchland price index soared to 87.7 from 66.7 in October. The state’s new hiring index expanded to 61.7 from October’s 57.1. Wyoming Rural Mainstreet employment was up 3.9 percent since the recession began in Dec. 2007.

### THE BULLISH NEWS
- Non-farm payrolls continued to trend upward with 120,000 jobs added for November and a jobless rate dipping from 9.0% to 8.6%. However, a portion of the decline in the unemployment rate was due to 315,000 individuals got discouraged and quite looking for a job. Discouraged workers are not counted as unemployed.
- Total retail spending between November 1st and December 2nd is up 15% over 2010 to $18.7 billion and Cyber Week spending also grew 15% to approximately $6 billion.
- Gasoline prices fell for the third straight month.
- West Texas Intermediate light sweet crude oil contract for January delivery fell 41 cents to $100.87. The downward move was caused by disappointing remarks made anonymously by a German official about what the markets should expect out of this weekend’s summit of EU leaders, and a surprising 1.3 million barrel crude stockpile build, to 336.1 million last week.
- Boring, consistent dividend-paying stocks have held up comparatively well, and “vice” stocks — particularly tobacco and some alcoholic beverage stocks — have had a phenomenal year.

### THE BEARISH NEWS
- Data through September 2011 show that nationally home prices did not register a significant change in the third quarter of 2011, with the U.S. National Home Price Index up by only 0.1% from its second quarter level. The national index posted an annual decline of 3.9%. Nationally, home prices are back to their first quarter of 2003 levels.
- The impending Greek default on its sovereign debt is increasing interest rates across the 17 nation Eurozone. It’s also causing investors to seek the safe haven of U.S. bonds thus driving up the value of the U.S. dollar and pushing agriculture commodity prices down.

Visit our website at http://economicoutlook.creighton.edu
Third quarter GDP was reduced from initial estimates of 2.5% to 2.0% (need 3.5% - 4.0%)

The U.S. and our Mid-America PMIs remain in a range indicating weak growth ahead.

WHAT TO WATCH

EuroZone: Keep a close eye on 1) Greek default on its sovereign debt or withdrawal from EU. 2) Actions by the European Central Bank to deflate the value of Euro by lowering interest rates and boosting liquidity.

Jobs: On Friday Jan. 6, the U.S. BLS releases its employment report for December. A gain of more than 150,000 jobs will be viewed very positively by investors.

Retail sales: On Jan. 12, the U.S. Census Bureau will release advance retail sales for December. This will be a very important measure of the holiday buying season along with a gauge of U.S consumer confidence.

THE OUTLOOK

FROM GOSS:

Due to investors seeking “safe havens” for their investments, I expect the Eurozone problems to continue to dominate currency markets resulting in an increasing in the value of the U.S. dollar, low U.S. interest rates and rising Eurozone interest rates.

I expect the EU problems to continue to push gold prices higher until a resolution (Greek default or EU exit) is found sometime in the first quarter of 2012.

U.S. job growth to continue to be positive but weak in the months ahead.

OTHER FORECASTS:

The International Air Transport Association predicts that global aviation earnings will likely decline to $3.5 billion in 2012 but those could turn into steep losses exceeding $8.3 billion if the Eurozone crisis veers toward catastrophe.

Michael Purves, of BGC Partners expects gold prices to soar to $2,000 per ounce by March of 2012.

Charles Sizemore, Marketwatch, In my view, this means implementing a dividend-focused strategy. Buy companies that survived the 2008 meltdown intact and actually raised their dividends that year. At current prices, your risk of long-term or permanent loss may be lessened. And if Europe’s economy blows up, you can be reasonably certain that your dividend checks won’t bounce. For a good list of potential candidates, investors might want to take a look at the holdings of the Vanguard Dividend Appreciation ETF(ARCX:VIG - News) Every stock in the portfolio has raised its dividend for a minimum of 10 consecutive years — including the Armageddon years of 2008 and 2009.

Conference Board: In the U.S., CEOs say government regulation is the most critical challenge they face, second to business growth. CEOs are viewing the growing degree of regulation as both an obstruction for growth and an incentive to force innovation and create opportunity. European CEOs cite cost optimization as the key issue, second to growth, amid generally slower emergence from the global recession and structural issues surrounding markets and labor. Among Asian CEOs, the most critical challenge they face is talent — attracting it, retaining it and rewarding it – in a time of rapid economic development and change.

The National Association for Business Economics Nov. 2011 Survey Results: A 2.5 percent pace is expected during the fourth quarter of 2011, followed by a 2.4 percent growth rate in 2012, with GDP in the second half of 2012 slightly stronger than in the first half. The odds of a second recession are low. Only two of 42 forecasters predicted a decline in real GDP over the nearterm. As a group, the panelists saw a recession as the least likely scenario. Forecast confidence has improved, but remains low. The NABE Outlook panel expects employment will improve, albeit very slowly. Monthly job gains are expected to rise steadily over the forecast horizon, from an average of 100,000 during the fourth quarter of 2011 to 130,000 by the end of next year. The jobless rate will decline from 9.1 percent to 8.9 percent in 2012, but despite a majority view of modest labor market improvement, NABE economists still identified “excessive unemployment” as their single greatest concern going forward. Housing starts are expected to increase 10 percent in 2012. The economists participating in the survey expect housing starts to reach 600,000 units in 2011, just slightly above the 2010 total and a small upward revision from the September Outlook Survey forecast.

GOSS EGGS (RECENT DUMB ECONOMIC MOVES)

Occupy protesters across the country are reclaiming foreclosed homes and boarded-up properties, signaling a tactical shift for the movement against wealth inequality. These actions will only punish the poor and middle class as foreclosed properties remain unsold driving down the value of housing in these already wounded neighborhoods.

BANKER READING ROOM

“Farmers, bankers fear rising farmland prices.” Home values continue to fall in Minnesota, but the value of farmland has rapidly grown, spurred by very profitable grain prices. Vigorous debate abounds over whether agricultural land is another real estate bubble waiting to be burst. http://www.agweek.com/event/article/id/19381/

FOLLOW ERNIE

Follow Ernie Goss on Twitter www.twitter.com/erniegoss
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.economictrends.blogspot.com