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 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.}

**MAIN STREET RESULTS**

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

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

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-
The December RMI for Minnesota 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 47.1 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, -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, -0.8 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 report. 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 send 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 2016.** **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 weak 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

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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For historical data on economic developments, visit our website: http://www2.creighton.edu/business/economicoutlook/
For ongoing commentary on recent economic developments, visit our blog at: www.economictrends.blogspot.com
This month’s survey results will be released on the third Thursday of the month, Dec. 15.

THE MAINSTREET ECONOMY REPORT

“A monthly survey of community bank CEOs”

January 2017

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