

TIDE CONTINUING OUT: OBAMA DOWN MORE IN MARCH NOWCAST

-- IF THE US PRESIDENTIAL ELECTION WERE HELD NOW, OBAMA COULD EASILY LOSE : THE CURRENT (MARCH) NOWCAST = 47.4% FOR OBAMA. *

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Our election “nowcast” predicts what would happen if the election were held “now”—March, 2012. (See our full explanation in the initial Monkey Cage posting of December 15, 2011). The nowcast acts as an invaluable early warning device, signaling what will come to pass unless things change. We have been issuing monthly US presidential election nowcasts since November, as follows: the November 2011 nowcast = 51.0 percent for Obama, the December 2011 nowcast = 51.9 percent for Obama; the January 2012 nowcast = 51.1 percent for Obama; the February 2012 nowcast = 49.6 % for Obama; the **March 2012 nowcast = 47.4% for Obama.**

The March 2012 nowcast holds a double importance. First, it concurs with the February 2012 nowcast of an Obama defeat (when for the first time in the nowcast time series the majority two-party presidential popular vote went against Obama). Second, even if the March nowcast underestimates Obama strength by the average overall model error (MAE = 2.2), it still generates a nowcast of an Obama defeat (of $47.4 + 2.2 = 49.6\%$). Below is the calculation for the March nowcast.

$$\begin{aligned}\text{Popular Vote}_{\text{mar2012}} &= 51.67 + .09 \text{NBI}_{t-6} + e \\ &= 51.67 + .09 (-47) + e \\ &= 44.44 \text{ percent for Obama,}\end{aligned}$$

where NBI = the percentage of respondents who say “business conditions are better at the present time than they were a year ago” minus the percentage of respondents who say “business

conditions are worse,” as measured in the national University of Michigan Survey of Consumers at $t-6$ (six months before).

The NBI_{t-6} measure here again dropped dramatically : 22% thought economy was better and 69% thought it was worse, yielding an $NBI_{t-6} = -47$. To see how important this change in assessment of national business conditions is, compare this most recently reported NBI_{t-6} to the others in the full NBI_{t-6} series thus far: November 2011 = -8, December 2011 = +2, January 2012 = -6, February 2012 = - 23; **March 2012 = -47**. (Recall that these numbers are consistently calculated at a six-month lag, e.g., the March nowcast is based on “better-worse” calculated from August 2011). Thus, we observe a continuing deterioration in the overall evaluation of the economy, exceeding that of the previous month.

CONCLUSION

We see a trend of more and more American voters taking to heart the notion that the economy is worsening, and apparently punishing the White House. If the election were held in March, then our nowcast predicts that punishment would be rather harsh, with Obama soundly defeated at the ballot box. Of course, since the actual election is still something like seven months away, things could change. However, it seems important for this change to occur soon, if it is to help Obama, at least according to our Nowcast model. That is, voters do not respond instantaneously, with the economic news today changing them today. Instead, they process the economy and its related elements over time, pausing well before they react by their vote. Indeed, by our best estimate, that pause takes about six months. Hence, we must look “back” that distance to see what will happen “now.” Watch for our next nowcast on these pages, to see what would happen if the election were held in April.