Our election “nowcast” predicts what would happen if the election were held “now.” (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 February 2012 nowcast holds symbolic importance, for it is the first time in the extending time series that the majority two-party presidential popular vote has gone against Obama. Of course, statistically, it is still “too close to call.” However, as a possible precursor of a trend, it should not be lightly dismissed. Below is the calculation for the February nowcast.

\[
\text{Popular Vote}_{\text{feb2012}} = 51.67 + .09 \text{ NBI }_{-6} + e \\
= 51.67 + .09 (-23) + e \\
= 49.6 \text{ percent for Obama,}
\]

where NBI = the percentage of respondents who say “business conditions are better” minus the percentage of respondents who say “business conditions are worse,” as measured in the national University of Michigan Survey of Consumers.

The NBI changed dramatically this month: 34% thought economy was better and 57% thought it was worse, yielding an NBI = -23. To see how important this change in assessment
of national business conditions is, compare the current NBI to the others in the full NBI series thus far: November 2011 = -8, December 2011 = +2, January 2012 = -6, **February 2012 = -23**. Thus, we observe a noteworthy deterioration in the overall evaluation of the economy, in comparison to previous months. If the presidential election were held now, the model predicts a bare loss in the popular vote for Obama. Of course, this could change, since the election is not being held “now.” However, supposing this negative shift continues, it spells more trouble for Obama’s re-election bid. Look for a March update of this nowcast in next month’s Monkey Cage.

**SOME NEW CROSS-VALIDATIONS OF OUR NOWCAST PREDICTOR AND PREDICTIONS**

We offer different cross-validators of our nowcast predictor, the NBI measure. First, Gallup has a similar indicator, the Gallup Economic Confidence Index. While our NBI is monthly, the Gallup is weekly. However, we do not use a version of the Gallup measure, since it is only available since 2008 (whereas NBI is available beginning in 1980). Nevertheless, it is worth comparing the two series, for their overlapping time period. We calculated a monthly average, based on the four or five relevant weekly results, from January 2008 to July 2011. That monthly Gallup number yields an $r = .80$, when correlated with our NBI number. Thus, the Gallup Economic Confidence Index offers independent validation of the NBI measure.

Second, note we always measure the NBI approximately six months before the current month, because it yields the best fit theoretically and statistically. Here this means the February 2012 NBI measure comes from July 2011. It is worth recalling details of the economic news for July 2011, as offered by Dow Jones (http://know.dowjones.com/esi/?p=99> August 1st, 2011). They saw a risk of return to recession, as their Economic Sentiment
Indicator fell to 41.5 in July, from 44 in June, making for the biggest two-month decline since autumn 2008. The issues they pointed to concerned the national debt ceiling, extensive post office closings, weak housing sales, and high oil prices. According to our model, these negative economic conditions have by now become part of the electoral calculus of the American people, and if they voted today Obama would most likely suffer a narrow loss of the popular vote.

In addition to validating the NBI measure, we have some external validation of the forecast itself, upon consideration of a USA Today/Gallup Swing States poll released January 30, 2012, indicating that in a head-to-head race of Romney against Obama, the president would trail in the popular vote by one percentage point (48 percent to 47 percent, respectively). This result, with Obama trailing narrowly, is in line with our current nowcast.

**CONCLUSION**

We see that opinion has begun to change a little, with more American voters taking to heart the notion that the economy is worsening, and that the White House is to be blamed. Even so, it does not appear to have “worsened enough” to make it anything but a very close race, were the contest to be held today. Of course, since the actual election is still something like eight months away, things could change, with Obama ultimately back on top. Watch for our next nowcast on these pages, to see how things are shaping up.