



Consumer Sentiment Drops in Louisiana, Slips Below Nation

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**Sponsored by:
The Reilly Center for Media and Public Affairs
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Louisiana State University**

**FOR FURTHER INFORMATION
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LSU

Public Policy Research Lab

About the Reilly Center for Media and Public Affairs

The Reilly Center for Media & Public Affairs, an integral part of Louisiana State University's Manship School of Mass Communication, uses the intellectual muscle of the school's faculty to help solve practical problems and advance good government initiatives. The Reilly Center's mission is to generate thoughtful programs, dialogue, and research about mass communication and its many faceted relationships with social, economic, and political issues. Evident in everything the Center does is its commitment to strengthen and advance the Manship School's national leadership in media and politics.

The Center's agenda is diverse and fluid – from the annual John Breaux Symposium, which brings in national experts to discuss a topic that has received little or no attention, to conducting the annual Louisiana Survey, a vital resource for policymakers, which tracks advancements and regressions of citizen attitudes about state services. It takes seriously its role, within the Flagship University, to respond quickly in times of crisis to help state governance, such as during Hurricanes Katrina and Rita and the 2010 Deepwater Horizon oil spill. Its action-oriented and partnership-driven philosophy underscores the Reilly Center's dedication to tackling ideas and issues that explore the relationship of media and the public in democratic society.

About the Public Policy Research Lab

Louisiana State University's Public Policy Research Lab (PPRL) is a research center dedicated to high quality, state-of-the-art data collection and analytics, with a special emphasis on survey research. PPRL is a joint effort of the Manship School of Mass Communication's Reilly Center for Media and Public Affairs and the College of Humanities and Social Sciences.

PPRL provides a variety of services including survey research, 'big data' analytics, social media tracking, and focus group interviews. The Lab is primarily known for its telephone survey work. PPRL has 52 computer-assisted telephone interview call stations and a corps of highly-trained, well-supervised professional callers. It is one of the largest phone survey data collection facilities in the Southeastern Conference.

The Lab is dedicated to meeting the unique goals and objectives for each project by working closely with those seeking data, research expertise, or analysis. PPRL's clients have included: the federal Center for Disease Control and Prevention, the Louisiana Department of Health and Hospitals, the Louisiana Department of Labor, Louisiana Public Broadcasting, the Mississippi-Alabama Sea Grant Consortium, and the Baton Rouge Area Foundation.

The Public Policy Research Lab is a non-partisan center for survey research and data analysis. The lab does not take candidates or political parties as clients. While the lab occasionally asks about approval and favorability toward public officials in the state of Louisiana, we do not ask "horserace" or "trial heat" questions about elections in Louisiana – that is, questions about whom respondents plan to vote for.

More information on previous surveys may be found at: www.survey.lsu.edu

For more information about PPRL, please contact:

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Executive Summary

Consumer sentiment in Louisiana fell by about six points from the end of the third quarter of 2014 to the end of the first quarter of 2015, as measured by a standard index of attitudes and expectations about the economy. Additional findings from an analysis of recent consumer sentiment trends in the state show that:

- Consumer sentiment in Louisiana is below national consumer sentiment for the first time since late 2012. By the end of the first quarter of 2015, the national Index of Consumer Sentiment stood nearly ten points higher a similar index for Louisiana.
- Within the state, consumer sentiment is most positive in Baton Rouge area, which stands even with consumer sentiment nationwide. Sentiment is weakest in the New Orleans area as well as western regions of the state.

Consumer Sentiment Drops in Louisiana, Falls Below Nation

In Louisiana, consumer sentiment – a statistical measure of consumers’ confidence in the economy – fell over late 2014 and early 2015. Since 2012, Louisiana State University’s Public Policy Research Lab (PPRL) has tracked consumer sentiment in the state in the same way as the national Index of Consumer Sentiment (ICS) developed by the University of Michigan’s Survey Research Center (SRC).

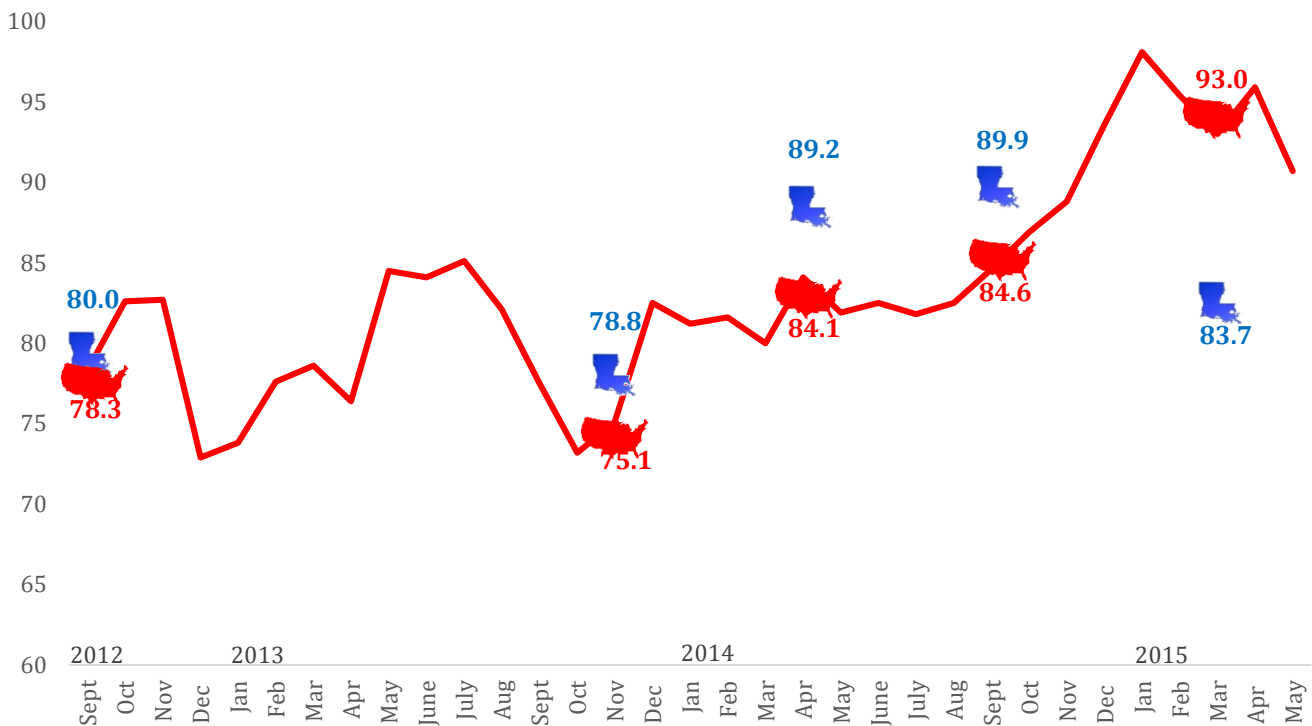
The ICS is a widely recognized indicator of economic health, tracking consumer spending and historically predicting economic expansion or contraction. Nationally, the ICS is derived from SRC’s monthly *Survey of Consumers*, which measures consumer attitudes and expectations about economic conditions. Over the past three years, PPRL has asked similar questions to

samples of Louisiana residents, measuring consumer confidence in the state. Whereas the ICS asks a national sample about “the country as a whole”, the Louisiana Consumer Sentiment Index (LCSI) is based on a state sample considering “the state of Louisiana as a whole”. For further details see Index Construction (page 9).

The LCSI fell by about six points from the end of the third quarter of 2014 to the end of the first quarter of 2015 (Figure 1). At the same time, the ICS improved. In fact, for the first time since PPRL began measuring the LCSI, the state has slipped below the nation. Prior to 2015, survey estimates of consumer sentiment in Louisiana exceeded the nation, though the difference remained within the margin of error. But by the end of March this year, consumer sentiment in the state sat nearly ten points below the nation – a difference that easily exceeds the margin of error.

Figure 1: Consumer Sentiment in Louisiana Slips Below Nation

Index of Consumer Sentiment



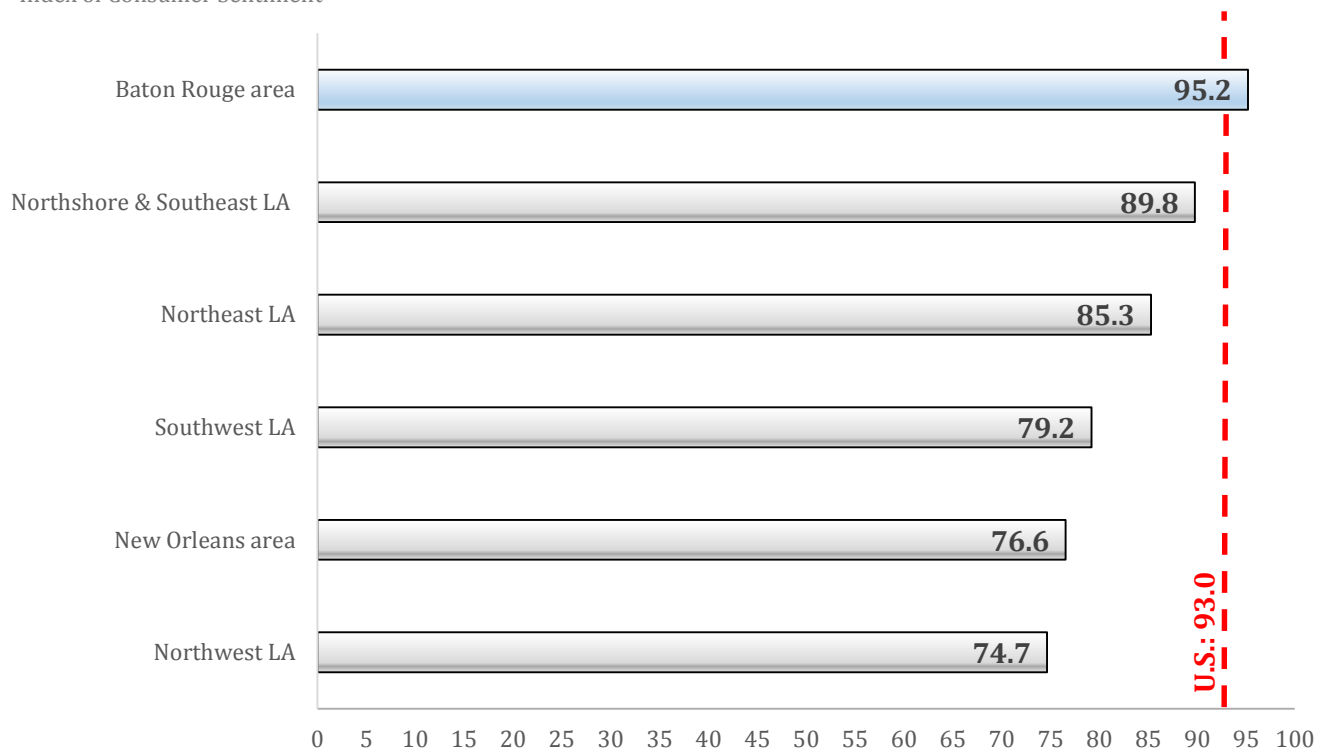
State data from LSU Public Policy Research Lab surveys. National data from University of Michigan's *Surveys of Consumers*.



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Figure 2: Consumer Sentiment across the State

Index of Consumer Sentiment



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The LCS I varies widely across the state. The highest numbers come from the Baton Rouge area (95.2), which is on par with the nation. In this respect, the consumer sentiment index fall in line with data from other surveys of Louisiana residents' economic attitudes (see [The Louisiana Survey 2015: Full Report](#)) as well as consumer spending data . The estimates for other regions of the state fall below the national ICS for March 2015. The northwest and southwest regions of

the state, as well as the New Orleans area, fall significantly below the national estimate.

Readers should keep two caveats in mind. First, consumer sentiment indices are just one measure of economic health, albeit an important one. Second, the LCS I data presented here end with the first quarter of 2015. As such, they reveal nothing about how economic attitudes in the state may have shifted over the course of the second quarter, from March to June.

Survey Methodology

Data for Louisiana in this report are from randomly selected, statewide representative groups of adult residents of Louisiana. Data were collected via telephone interviews conducted in September 2012, November 2013, April 2014, September 2014, and March 2015. Each survey includes a traditional landline telephone survey combined with a survey of Louisiana cell phone users. The design of the landline sample ensures representation of both listed and unlisted numbers by use of random digit dialing. The cell phone sample is randomly drawn from known, available phone number banks dedicated to wireless service.

The combined landline and cell phone samples for each survey is weighted using an iterative procedure that matches race, education, household income, gender and age to known profiles for Louisiana found in the Census Bureau's American Community Survey. The sample is also weighted for population density by parish using parameters from United States Census data. The specific factors used for weighting are: parish of residence, gender, age, household income, education, and race.

Weighting cannot eliminate every source of nonresponse bias. However, proper conduction of random sampling combined with accepted weighting techniques has a strong record of yielding unbiased results. The margin of error and tests for statistical significance take this weighting into account.

The margins of error for the consumer sentiment index in the five surveys of Louisiana adult residents are +/- 3.41 in September 2012, +/- 2.45 in November 2013, +/- 2.45 in April 2014, +/- 2.70 in September 2014, and +/- 4.17 in March 2015. The margins of error for the regional subsamples in the 2015 survey are larger and can be found in Regional Definitions (page8).

In addition to sampling error, as accounted for through the margin of error, readers should recognize that questions wording and practical difficulties in conducting surveys can introduce error or bias into the findings of opinion polls.

Please direct any questions concerning survey methodology to:

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Regional Definitions

Respondents to the March 2015 survey are divided into six regional groups based on parish of residence using the following classifications:

New Orleans Area: Jefferson, Orleans, Plaquemines, St. Bernard
 [173 respondents with +/- 9.9 margin of error for index of consumer sentiment]

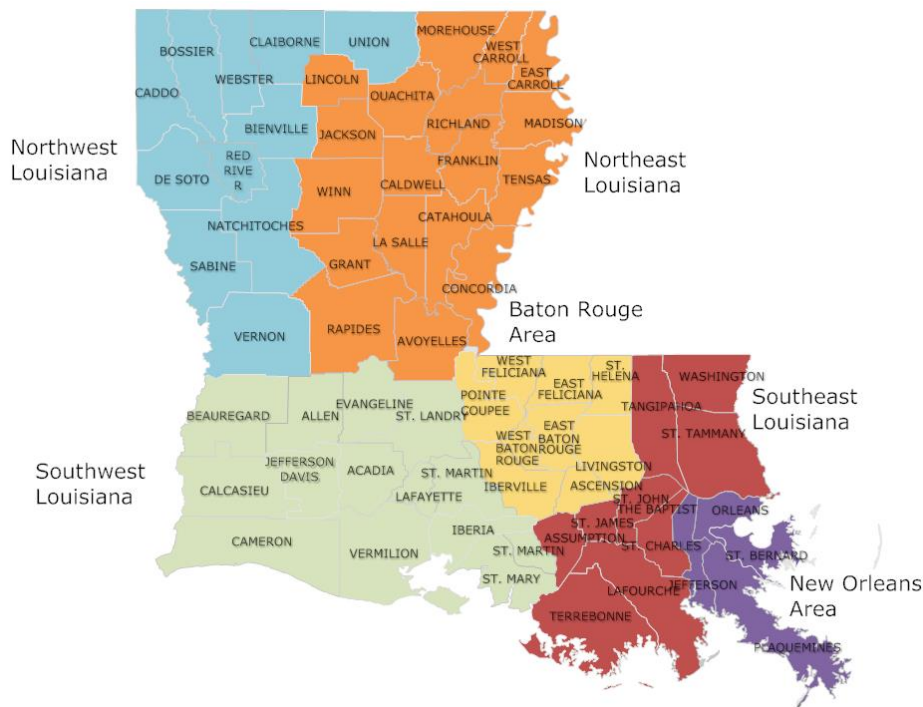
Baton Rouge Area: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Point Coupee, St. Helena, West Baton Rouge, West Feliciana
 [215 respondents with +/- 10.6 margin of error for index of consumer sentiment]

Northwest Louisiana: Bienville, Bossier, Caddo, Claiborne, De Soto, Natchitoches, Red River, Sabine, Union, Vernon, Webster
 [140 respondents with +/- 8.6 margin of error for index of consumer sentiment]

Northeast Louisiana: Avoyelles, Caldwell, Catahoula, Concordia, East Carroll, Franklin, Grant, Jackson, La Salle, Lincoln, Madison, Morehouse, Ouachita, Rapides, Richland, Tensas, West Carroll, Winn
 [148 respondents with +/- 7.6 margin of error for index of consumer sentiment]

Southwest Louisiana: Acadia, Allen, Beauregard, Calcasieu, Cameron, Evangeline, Iberia, Jefferson Davis, Lafayette, St. Landry, St. Martin, St. Mary, Vermilion
 [199 respondents with +/- 6.7 margin of error for index of consumer sentiment]

Southeast Louisiana (excluding New Orleans Area and Baton Rouge Area): Assumption, Lafourche, St. Charles, St. James, St. John the Baptist, St. Tammany, Tangipahoa, Terrebonne, Washington
 [170 respondents with +/- 8.6 margin of error for index of consumer sentiment]



Index Construction

The national ICS is constructed from the following five question asked of a nationally representative sample of United States adults in the SCR's *Surveys of Consumers*:

Q1. We are interested in how people are getting along financially these days. Would you say that you (and your family living there) are better off or worse financially than you were a year ago?

- Better off
- Same
- Worse off

Q2. Now, looking ahead -- do you think that a year from now you (and your family living there) will be better off financially, or worse off, or just about the same as now ?

- Better off
- Same
- Worse off

Q3. Now turning to business conditions in the country as a whole -- do you think that during the next 12 months we'll have good times financially, or bad times, or what?

- Good times
- Good with qualifications
- Uncertain/Good and Bad
- Bad with qualifications
- Bad times

Q4. Looking ahead, which would you say is more likely - that in the country as a whole we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?

- Good times
- Good with qualifications
- Uncertain/Good and Bad
- Bad with qualifications
- Bad times

Q5. About the big things people buy for their homes -- such as furniture, a refrigerator, stove, television, and things like that. Generally speaking, do you think now is a good or a bad time for people to buy major household items?

- Good time
- Uncertain/Good and bad
- Bad time

Then, a relative score (R) is computed for each question. This relative score is calculated by subtracting the percent of respondents who provide a negative answer from the percent of respondents providing a

positive answer and adding 100. These five relative scores are then combined into the ICS using the following formula:

$$ICS = \frac{R_{Q1} + R_{Q2} + R_{Q3} + R_{Q4} + R_{Q5}}{6.7558} + 2$$

Dividing by 6.7558 normalizes the ICS so that a score of 100 represents the equivalent of consumer sentiment in February 1966. Thus, the ICS provides relative information about how consumer sentiment at one point in time compares to other points in time rather than absolute information about the health of information at a single moment. Mathematically, the ICS can take on any value from 2 to 150. In practice, however, values have ranged from a low of 51.7 in May 1980 to a high of 112.0 in January 2000. The average since the SRC began calculating the ICS in 1952 is 85.8. Over the past decade the average is 77.2.

Since 1987, the SRC's monthly *Surveys of Consumers* tend to have approximately 500 respondents per survey. The margin of error for each monthly ICS in recent years tends to be about +/- 5.0. More information is available at: <http://www.sca.isr.umich.edu/>

The PPRL index is calculated in the same way as the national ICS but with modifications to two of the questions so they tap sentiment about the Louisiana economy specifically:

Q3b. Now turning to business conditions in the state of Louisiana as a whole -- do you think that during the next 12 months we'll have good times financially, or bad times, or what?

- Good times
- Good with qualifications
- Uncertain/Good and Bad
- Bad with qualifications
- Bad times

Q4b. Looking ahead, which would you say is more likely - that in the state of Louisiana we'll have continuous good times during the next five years or so, or that we will have periods of widespread unemployment or depression, or what?

- Good times
- Good with qualifications
- Uncertain/Good and Bad
- Bad with qualifications
- Bad times