

**Dillard College of Business Administration
Bureau of Business and Government Research**

Wichita Falls Regional Economic Outlook Report

Featuring the Wichita Falls Consumer Confidence Index

1st Quarter, 2014





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Volume 9 Number 1 1st Quarter, 2014

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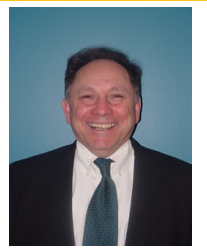
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Analysis Report - First Quarter, 2014

by John E. Martinez

For the First Quarter of 2014, the Bureau of Business and Government Research (BBGR) surveyed just over 3,000 local households residing in the Greater Wichita Falls area.¹ The results of that survey are reported in this quarterly edition of the ECONOMIC OUTLOOK REPORT. The WFCCI measures overall consumer confidence via an index of the present situation and an index of expectations, surveying both consumers' short-run and long-run expectations. With regard to the WFCCI, three essential findings are presented:

- Local residents' overall confidence in the health of the local economy
- Local residents' overall confidence in the health of the national economy
- Local residents' overall confidence in their personal financial well-being

The following analysis provides some revealing insights about the local economic outlook for First Quarter business conditions at both the national and local levels.²

Local consumer confidence is shaped by a confluence of many factors, one of which is how well the national economy is faring. This seems to be especially true when it comes to recent events concerning the U.S. budget picture. Weak national employment and output numbers over the past quarter has probably been responsible for generating a more pessimistic outlook in local consumer attitudes.

At the time of this survey, national politics was less consumed with issues of the debt ceiling as previously. Apparently, the possibility of government deadlock causing a humiliating default has lessened. Changes in public confidence are built upon such narratives, because the human mind is very receptive to them.

As indicated by Figure 1 below, the current economic outlook for Q1/14 rose significantly from last quarter's value. The WFCCI increased from **66.1** for the last quarter (Q4/13) to **80.6** for the current quarter (Q1/14).³

¹The sampled population is statistically representative of all households in 'Greater Wichita Falls,' an area approximated by the Wichita Falls Trade Area. Specifically, the survey area includes all potential households residing in a 40-mile concentric circle from the center of Wichita Falls. The area includes zip codes areas 76301 to 76399 in Texas and all zip codes beginning with 735 (designated in 735XX in this Report) codes in Oklahoma. Every quarter we send out 3000 mailed surveys with an average of about 300 returned as 'undeliverable' to the original address. Of the remaining 2,700 surveys delivered, the return rate has consistently been in the range of fifteen to twenty percent. A fuller description of the survey methodology can be obtained from the Bureau of Business and Government Research.

²Kathy McGowan has been indispensable for making this Report possible. She has been involved in every phase of this Report - from implementation, to editing and formatting design, and ultimately through its final stage of production and distribution.

³A proportion known as the 'relative value' is calculated for each of the 12 questions by subtracting the percentage of negative from the percentage of positive responses and then adding 100. When the number of positive responses to any question is offset by an equal number of negative responses, the relative value for that question would be 100. An index score of 100 represents a mixed outlook, neither pessimistic nor optimistic. A higher percent of positive to negative responses results in an index value that is greater than 100. The higher an index value is from 100, the more positive is the outlook. Conversely, a lower ratio of positive to negative responses results in an index value less than 100. The smaller the value, the more pessimistic is the outlook. The index values for all of the 12 questions are then averaged together to form the WFCCI. One-third of the questions comprise the Present Situation Index, while the other two-thirds forms the Expectations Index. The WFCCI is constructed as a weighted average of these two indices.



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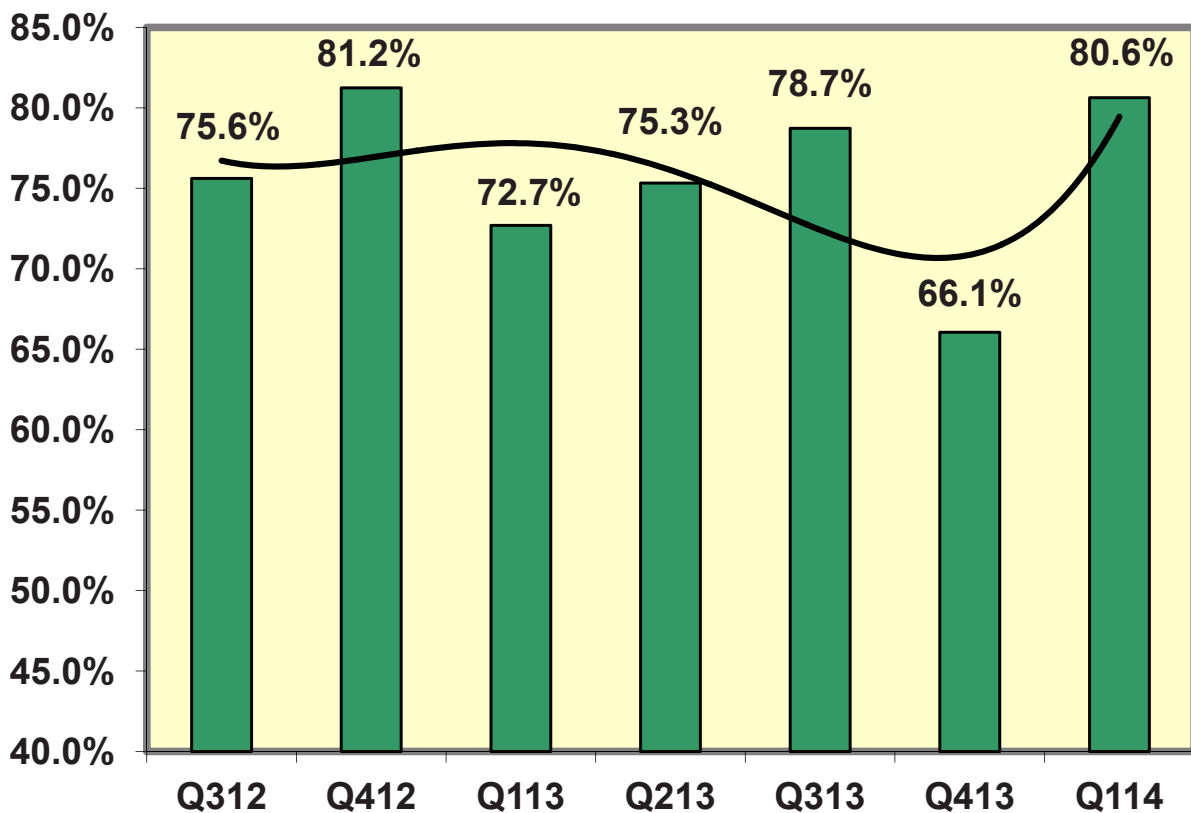
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Figure 1- Wichita Falls Consumer Confidence Index by Quarter



In addition to the average overall index value for Q1/14, a detailed look at the data in Table 1 reveals a rather consistent increase in relative values from the previous quarter for all dimensions of the WFCCI. Interestingly, respondents were more optimistic concerning the availability of local area jobs and about present business conditions in the local area. The increased confidence in the future component of the index is probably due to their increasingly optimistic employment outlook for the national economy.

Table 1			
Relative Index Values for Individual Questions Comprising the WFCCI by Quarter			
	Survey Question	Q4/13	Q1/14
	How does your current household financial condition compare to a year ago? Better? Worse?	72.1	81.4
	Household's financial condition-what will it be a year from now? Better off? Worse off?	69.7	79.6
	As for Business conditions in the country-what do you expect during the next 12 months? Good times? Bad times?	53.8	78.9
	Are current business conditions in the country better or worse compared to a year ago? Better? Worse?	56.3	85.3
	A year from now, what do you expect about business conditions for the country? Better? Worse?	50.0	78.6
	Looking ahead, which would you say is more likely for the country as a whole? Good times? Bad Times?	55.7	71.9
	For the country as a whole, how many people will be out of work during the coming 12 months? Fewer? More?	59.0	83.0
	How would you rate present business conditions in the local area? Good? Bad?	81.1	88.4
	What would you say about the current availability of local area jobs? Plentiful? Hard to get?	75.7	78.6
	A year from now, what do you think that local business conditions will be? Better? Worse?	71.3	82.7
	A year from now, do you think there will be more jobs in the local area? More? Fewer?	71.3	77.8
	What would you guess your total household income to be one year from now? Higher? Lower?	76.5	81.2
	Overall Consumer Confidence Index	66.1	80.6

Further analysis based on responses to specific questions allows us to investigate the various components which account for the change in overall sentiment. A cursory glance at Table 2 on page 6 reveals that the overall WFCCI value masks a great deal of variation in its specific components.

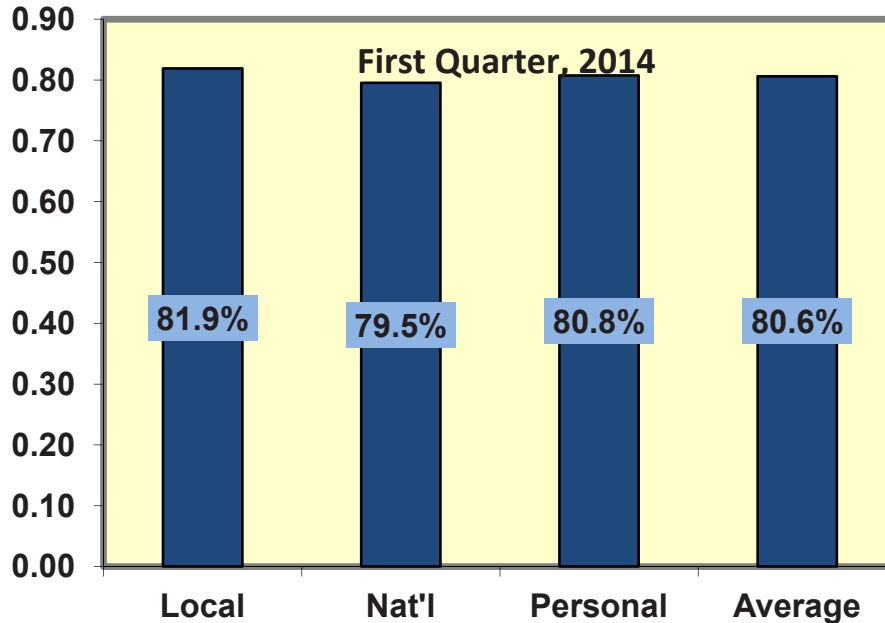
Confidence measuring both the future state of the economy at all geographic levels rose significantly this quarter. In addition to the local and national component, the manner in which individuals viewed their own personal finances also registered increases in the future dimension.

Respondents were more optimistic regarding the current state of the local economy but the expectations component of the index also increased, suggesting that residents are more optimistic about the near-term outlook of national and local economy.

Figure 2 below further highlight the variation in the different components for Q1/14. As with their more favorable outlook about the national economy, area consumers are more optimistic concerning the present state of the local economy.

As Figure 2 reveals, respondents are more positive about the local (**81.9**) economy than they are about national economic prospects (**79.5**), but only minimally so.

Figure 2 - Wichita Falls Consumer Confidence Index by Area



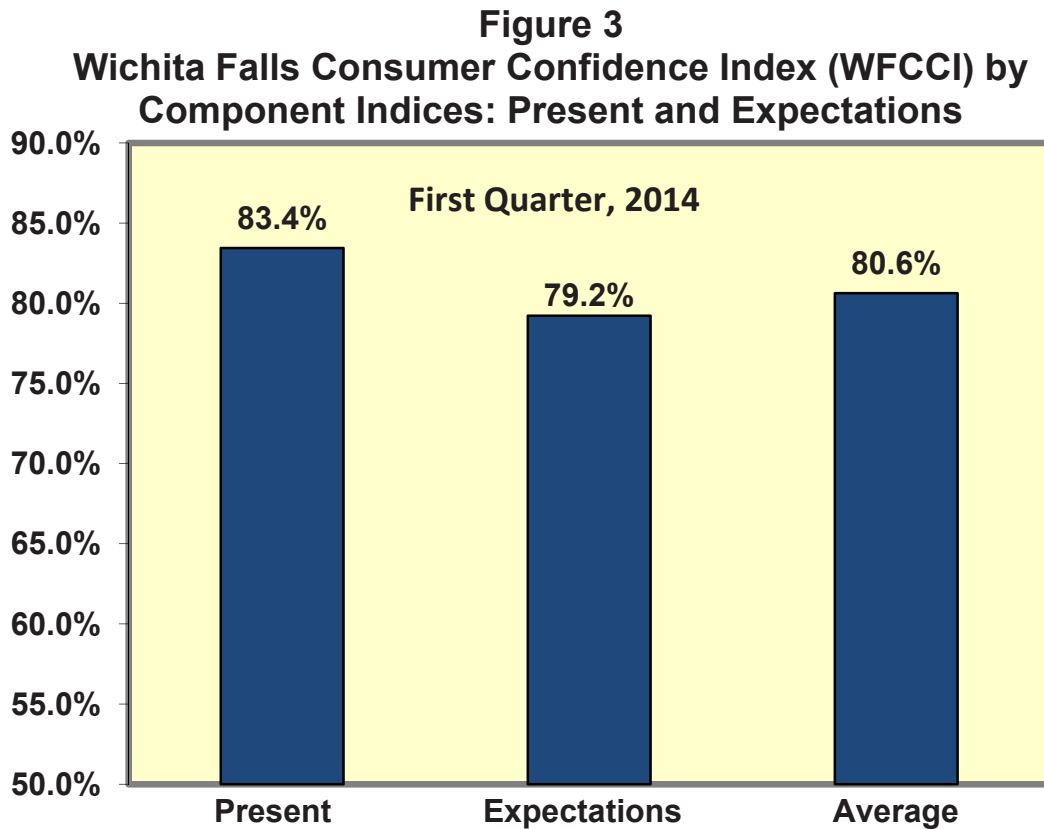
Interestingly, when the discussion turns to the future, at least in relation to the present, respondents' mood is higher on all dimensions. From Table 2, we note that the Present component pertaining to local business conditions is **83.5%** but the Expectations component is only slightly lower at **80.3%**. The various expectations components reflect a considerable improvement from last quarter's reading.

Table 2 - Index Relatives for the WFCCI by Component Indices

	Local		National		Personal		Average	
	Q4/13	Q1/14	Q4/13	Q1/14	Q4/13	Q1/14	Q4/13	Q1/14
Present	78.4%	83.5%	56.3%	85.3%	72.1%	81.4%	71.3%	83.4%
Expectations	71.3%	80.3%	54.6%	78.1%	73.1%	80.4%	63.4%	79.2%
Average	74.9%	81.9%	55.0%	79.5%	72.8%	80.8%	66.1%	80.6%

Column averages are weighted ratios of the Present and Expectations Indices

Figure 3 reveals that the Expectations Index is significantly below the Present Index suggesting that local respondents believe that both the local and national economy could be in for rough sledding ahead. In contrast previous quarters of the WFCCI, local residents are less hopeful about the future than the present. For the First Quarter of 2014, the Present Index stands at **83.4**, while the Expectations Index is lower at **79.2**.





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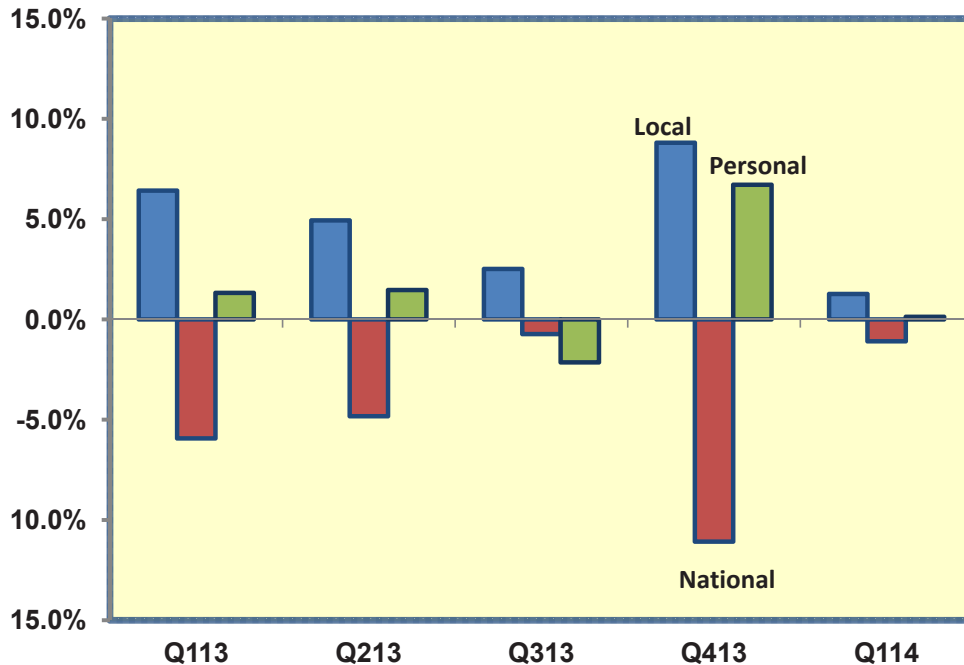
The Local Economy – A Trend Perspective

How one perceives his/her own personal situation is, in large part, dependent on their outlook about local economic conditions which, in turn, is a confluence of many factors. The Personal index is shaped not only by the local business environment but also by perceptions about how well the national economy is faring.

The WFCCI enlists a number of questions designed to capture consumers' sentiment in each of these separate dimensions. Over the past several years, the prolonged slump in the national economy has adversely impacted local consumer sentiment. While that negative influence seems to have abated over the past two quarters, its influence came back strong for the current quarter. And, as the risk of a budget impasse continues to dominate national news outlets, national economic conditions will continue to exert a downward influence on the other components of the index.

Obviously, local confidence levels are not immune from national trends. As Figure 4 illustrates, the national outlook over the past year has consistently been below the average index values for the WFCCI.

Figure 4 - WFCCI Quarterly Component Indices
Percentage Point Difference from Quarterly Index Average



In turn, lower levels of confidence in both local and national conditions can exert a negative influence on the way local residents have seen their own personal finances. Nonetheless, the personal component of the WFCCI has always been generally higher than the average index value. What is noteworthy about this quarter is the relative increase of the national component, especially when compared with the last quarter. For the current quarter, both the local and personal finance components are above the average with the national component only slightly below the average index value.


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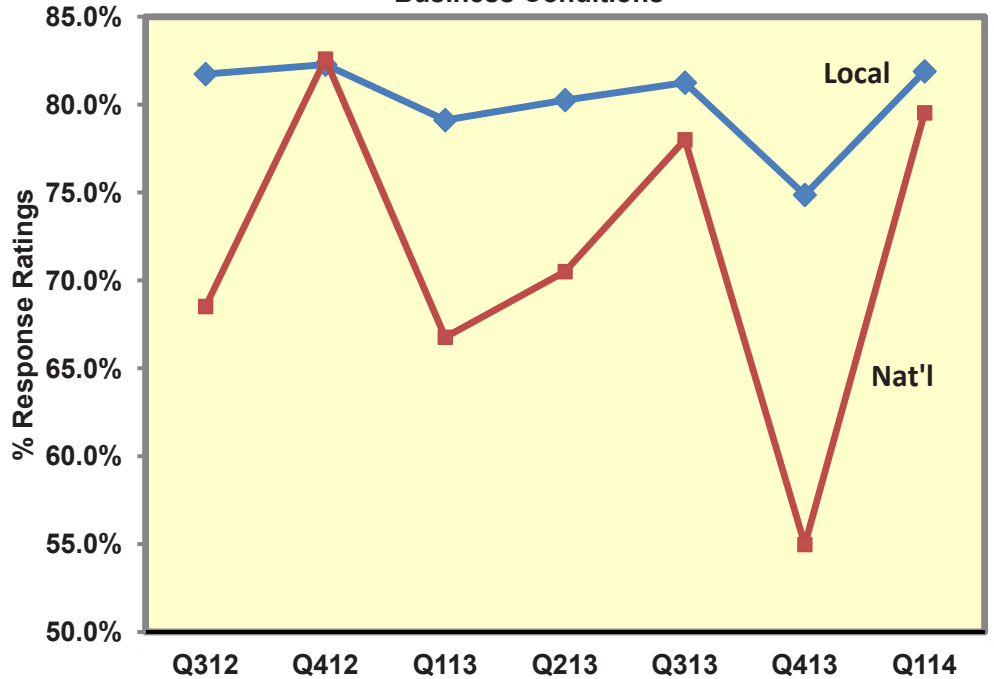
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Continuing the trend from previous quarters, area residents are less optimistic in their outlook for the national economy than for the local economy (see Figure 5) but the gap narrowed significantly. In the past, local area residents have consistently rated overall business conditions better at the local than at the national level. As Figure 5 reveals, the National component which had been exerting a drag on the local component, dramatically reversed itself last quarter.

Figure 5 - WFCCI Quarterly Indices - Local and National Business Conditions



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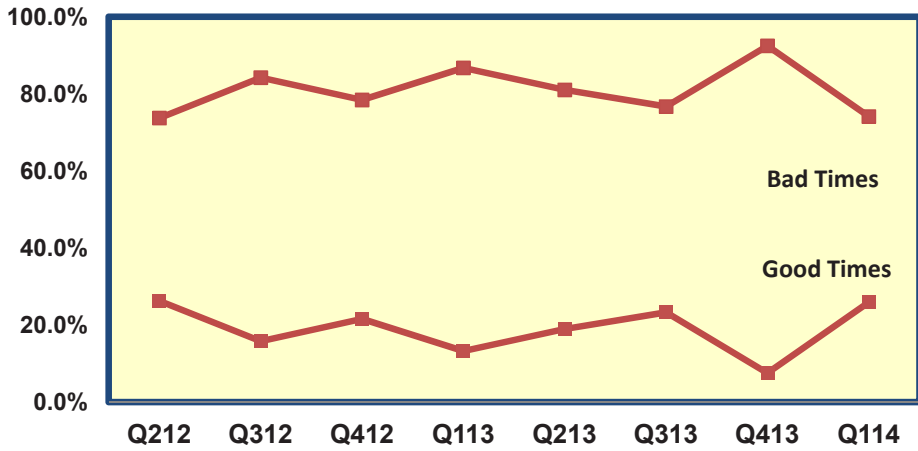
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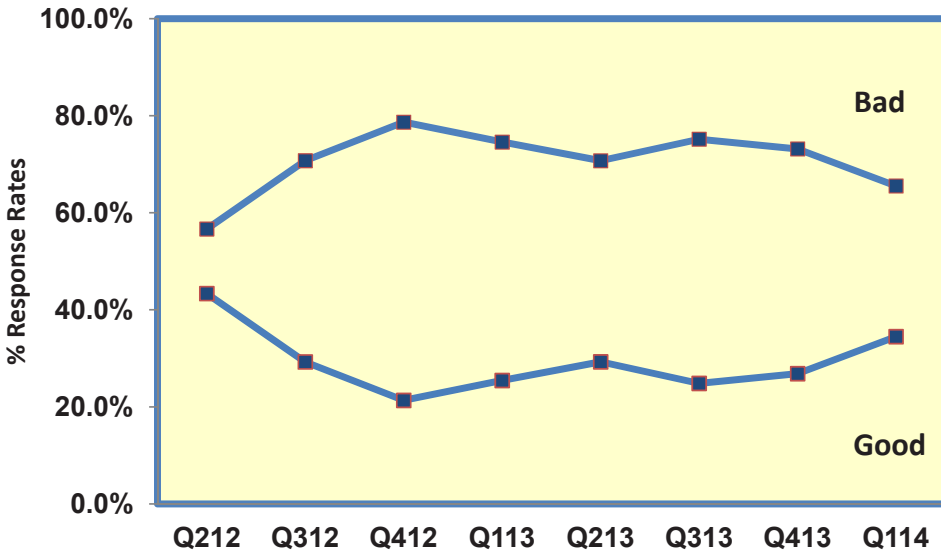
Figure 6 - Local Quarterly Consumer Ratings, Percentage Who See Good or Bad Times Ahead for the National Economy



When asked about the future, a large percentage of local respondents increasingly see 'bad times' ahead for the national economy (see Figure 6). When asked about the future prospects for the national economy, the percentage of local residents responding negatively has outpaced those with a positive outlook for the past eight quarters. As clearly reflected in Figure 6, the gap narrowed in the current quarter after widening in the previous quarter.

As Figure 7 reveals, area residents have more consistently seen 'bad times' ahead for the local business than they have 'good times' ahead. There has been a significant gap in confidence with the percent seeing 'bad times' ahead outpacing the percent seeing 'good times' ahead when it comes to the outlook for the local economy, though that trend narrowed significantly in the current quarter. But, even with the gap narrowing, more respondents continued to see 'bad times' ahead compared to those reporting 'good times' in their outlook for the local economy. As the figure 7 reveals, the gap significantly narrowed in the current quarter.

Percent Who See Local Economic Conditions as Good or Bad



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Past Holiday Spending

Relative to the previous season, how did the 2013 holiday season shape up? In response to the question in Table 3, the 2013 holiday season did not appear to bring much cheer. Just less than 15.0% of respondents said they spent more in the 2013 season and almost one-half of all respondents said they spent less.

Table 3 – Compared to last season, did you spend more or less this 2013 holiday season?				
Response rates to the above question				
% of row	<i>More</i>	<i>About the same</i>	<i>Less</i>	<i>Undecided</i>
Q114	14.8%	36.4%	48.5%	0.3%

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Summary and Conclusions

Compared to the previous quarter (Q4/13), consumer confidence as measured by the WFCCI for Q1/14 is significantly more positive. With a rise in confidence for the current quarter, consumers are thus more likely to boost future spending. Thus, the near term outlook appears to be somewhat upbeat.

The WFCCI enlists a number of questions designed to capture consumers' sentiment in each of these separate dimensions. Over the past several years, the prolonged slump in the national economy has adversely impacted local consumer sentiment. While that negative influence was strong last quarter, its influence was considerably weakened in the current quarter. And, as the risk of a budget impasse subsides, national media reports are not likely to continue exerting their downward influence on the other components of the index.

Based on confidence level estimates for the First Quarter 2014, local consumer spending is more likely to increase in the coming months. And, as local consumers become increasingly optimistic about national conditions, they should be more optimistic in their outlook about their own personal finances and the future prospects for the local economy as well. It is therefore our belief that the longer term performance of the regional economy will continue to be recover for the remainder of 2014.



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