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Bloomberg ® Consumer Comfort Index ™ Weekly Analysis

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Consumer sentiment took a double whammy this week, with views that the economy is worsening reaching their highest since late 2013, while current economic sentiment bottomed out at its lowest of the year in the ongoing Bloomberg Consumer Comfort survey.

Thirty-nine percent of Americans now say the economy's getting worse, up sharply from 30 percent last month to the most since October 2013. Just 27 percent see things as improving; that 12-point gap between optimists and pessimists is its largest since September.

The separate, weekly Bloomberg Consumer Comfort Index, based on views of the current national economy, personal finances and the buying climate, hit 42.4 on its scale of 0 to 100, down 5.5 points in six weeks and well off from its nearly eight-year high in early April.

Despite positive employment and housing reports, consumer concerns may reflect still-stagnant wages as well as sharp divisions between higher and lower income groups in economic views.

The CCI remains better than it's been, hanging on to more than half of the impressive gains last fall and early winter that finally brought it to pre-recession levels. But the latest stumble makes clear that economic travails continue for many Americans.

The index, produced by Langer Research Associates, now trails its 2015 average, 44.8. It's also slipped below its pre-recession average, 45.3, and has dropped back near its full average, 41.7 in weekly polling since late 1985.

Among the CCI's components, the economy subindex, now 32.8, has faltered the most, down 4.5 points in three weeks and 9.5 points from late January to its highest since the start of the recession. That reverses a four-month run in which it nearly doubled, serving as the main driver in the overall CCI's sharp Q4 gain. It's now 4.7 points behind its 2015 average.

That said, the buying climate subindex suffered the most this week, dropping by 2.3 points to 38.1, its lowest since the beginning of February. This subindex has lost 5.7 points since reaching an eight-and-a-half-year high of 43.8 six weeks ago. It's 1.6 points below its average this year, although 2.4 points better than its long-term average.

At 56.3, the personal finances index is by far the highest – and most stable – of the three gauges. It's numerically its highest in five weeks, staying near its 2015 and full averages alike.

Disparities by income remain considerable, even with a drop among the highest income earners. The CCI among those with $100,000-plus incomes lost 6.4 points this week and 12.7 points in the last month, from what was a pre-recession high to its lowest in six months, 61.4. The index among those in the lowest income bracket, 22.0, is still vastly lower, but flat vs. a month ago.

The CCI is its lowest of the year in a range of groups, including three generally higher-income categories – college graduates (48.9), homeowners (46.1) and married adults (43.6). It's also at lows for the year among women (39.8) and Southerners (37.8).

Views of the economy's future are measured separately, on a monthly basis. The increase in negative expectations occurred among a disparate collection of groups, indicating a generalized retrenchment.

Click <u>here</u> for CCI details.

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