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## **Bloomberg ® Consumer Comfort Index™ Weekly Analysis**

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Economic pessimism hit a five-month high this week, with the sharpest gap since November between the number of Americans who say the national economy is improving compared with those who say it's getting worse.

In a sign of weakness in the still-fragile recovery, 37 percent in the latest Bloomberg consumer survey say the economy is worsening – up 6 points in the last month alone – vs. 23 percent who say it's getting better. That 14-point gap compares with 4 points last month, and a 7-point average from December to April.

Separately, the weekly Bloomberg Consumer Comfort Index, based on views of current economic conditions, continued its slump, now at 34.1 on its scale of 0 to 100. It's lost 3.8 points in the past three weeks, erasing a spring rally that had lifted it, as of April 27, to its second-best since early 2008.

The Consumer Price Index for April showed its largest increase in nearly a year, with food prices rising for a fourth consecutive month and energy costs up as well – factors that may be contributing to the retrenchment in consumer attitudes.

The CCI, produced by Langer Research Associates, is based on Americans' ratings of the national economy, their personal finances and whether or not they see this as a good time to spend money. Among them:

- The personal finances subindex, the best of the three, steadied at 50.8 this week after losing 3.2 points the week before. The only subindex above its midpoint of 50.0, it's now 4.5 points from its 28-year average.
- The buying climate subindex, at 30.9, has dropped 4.1 points in the past three weeks to its lowest since early April, now 4.8 points off its long-term average.
- The weakest of the three, the national economy subindex, stands at 20.6, down 4.4 points in the past four weeks. It's now its lowest since early February, 13.6 points below its average since late 1985.

Consumer expectations – whether the economy is getting better, worse or staying the same – are measured monthly, independently of the Consumer Comfort Index. “Getting better” and “getting worse” responses are now their lowest and highest since November and December, respectively, with a plurality, 39 percent, saying the economy is staying the same – not good news, since for most “the same” is a negative assessment.

Economic pessimism increased disproportionately, by more than 10 percentage points in the last month, among married adults, those who have been to college, seniors and renters.

The CCI, for its part, has fallen by 9.4 points in the past four weeks to its lowest since early February in its strongest group, those with household incomes of \$100,000 or more. Despite the recent robust performance of the stock market, the index now stands at 52.9 in this group, well below its levels in the mid- to high 60s in the years prior to the recession.

Among those earning between \$50,000 and \$100,000, it’s 43.4, and falls sharply, to 24.0, among those with incomes less than \$50,000 – its lowest for this group since early February.

Two other groups reached notable lows: The index among those with at least a college degree, at 39.1, is its lowest in four months. And among those in the Northeast, at 28.1, it’s its lowest even farther back – since late October 2012.

In partisan views, the index is numerically better among Republicans, 37.7, than Democrats, 37.0, for the first time since late October – a period in which Democrats exceeded Republicans by an average of 4.9 points. Among political independents, it drops to 31.9.

There’s a similar partisan divide in economic expectations. More than twice as many Democrats as Republicans say the economy’s improving, 32 vs. 15 percent. Twenty-one percent of independents agree, closer to Republicans – underscoring the Democrats’ challenge in the midterm elections this fall.

The CCI was rescaled earlier this month to a 0-100 basis for ease of interpretation; the change has no impact on its underlying values or relationships among variables. It does mean the index will move in a tighter frame; a 4-point movement in the old scale is equivalent to a 2-point shift in the new one. See details [here](#).

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