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Bloomberg ® Consumer Comfort Index ™ Weekly Analysis

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A month after reaching one of its highest levels in six years, consumer sentiment extended its late-spring retreat this week, with the Bloomberg Consumer Comfort Index slouching to its lowest in six months. Ratings of the buying climate and personal finances continued to weaken.

The CCI has lost a substantial 4.6 points in four weeks, falling to 33.3 on its scale of 0 to 100. That turns around an advance to 37.9 on April 27, the index's second-best since early 2008, surpassed only by a 38.3 reading early last August.

Americans' ratings of the buying climate and their personal finances have led the current decline, with these subindices losing 6.0 and 4.7 points, respectively. Views of the national economy, still the most negative of the index's three components, are down by 3.1 points.

Nearly halfway into the year, the index has averaged 35.1 in 2014 – not substantively different than its 34.3 in all of 2013, albeit on pace for its best first half since 2007. That said, the CCI remains a substantial 8.4 points off its long-term average in weekly data since late 1985, and 12.0 points off its pre-downturn average.

Among the three subindices of the CCI, produced by Langer Research Associates:

- The national economy subindex stands at 21.4 on its 0 to 100 scale, 12.8 points off its long-term average – as noted, stubbornly weak, as the nation's long run of high unemployment and underemployment, and flat wages, would suggest.

- The personal finances subindex, at 49.5, has slipped under the 50.0 midpoint for the first time since early April. It's 5.8 points from its average.

- At 29.0, the buying climate subindex is its lowest since mid-February, 6.7 points from its average. Reflecting its recent troubles, 26 percent of Americans call this a "poor" time to buy things they want or need, the most since early December.

Consumer sentiment can serve as an early warning for other economic indicators, particularly those experienced by the American public in real time. The recent downturn in sentiment preceded last week's sharp rise in initial jobless claims, to 326,000. Unemployment is a strong negative correlate of consumer attitudes.

While the index's recent losses are broadly based, the CCI continues to be particularly weak among economically disadvantaged groups. It's its lowest since mid-November among those working full-time (36.5), but worse among part-time workers (28.9, its lowest since early November) and those not employed for pay (31.1, a nearly two-month low).

Additionally, the index is its lowest since mid-January among Americans who have been to college (38.8), but still much lower among high-school graduates (28.5). Similarly, it's its worst since early April, 37.2, among homeowners, but just 26.6 among renters.

Customary gaps by marital status also are evident; the CCI is 36.9 among married adults, its worst in eight weeks, vs. 31.2 among singles, matching its lowest since mid-February, the largest division between these groups in that period. It's even lower among adults who are separated, widowed or divorced, 25.5, matching its lowest since mid-January in this group.

In terms of gender, the CCI matches its lowest among men since early November (34.2), and it's similar, 32.5, among women, matching the smallest gap since early December.

Differences by income also are sizable, as usual. The CCI is 57.0 among those earning $100,000 or more annually, better than the midpoint for the 69th week in a row. That compares with 47.1 among those who are in the broader, $50,000-plus income bracket, and barely half that, 22.5, among those who earn less, its lowest in nearly seven months. Among those in the $15,000 to $25,000 bracket it's 12.1, its worst in two years.

The index is numerically higher among Democrats (37.8) than Republicans (35.0) again, after last week's switch broke a 29-week streak. That current +2.8-point Democratic gap compares with a long-term average +12.9-point Republican advantage. Most important in political terms, it's much worse among potentially swing-voting independents, 30.8, a low since mid-November.

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, and see our recent paper on the CCI's relationship with personal expenditures and stock market prices here.

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