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Bloomberg ® Consumer Comfort Index ™ Weekly Analysis

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The Bloomberg Consumer Comfort Index was steady this week, maintaining its recent holding pattern in the face of economic crosswinds.

At 36.8 on its 0-100 scale, the CCI has ranged narrowly, from 36.2 to 37.6, for two months. The high end is near its best since the start of the Great Recession – but, after climbing from a 2014 low, 33.3, in late May, progress has stalled, particularly in the past three weeks.

Consumer confidence has been on a path of painfully slow improvement, one that aligns with the views expressed earlier this week by the Fed's vice chair, Stanley Fischer, who said growth was proceeding, albeit at a "disappointing" rate.

Much the same can be said for consumer sentiment – improved overall, but still far from good. The index's average in Q2 this year, 35.8, was its best since Q4 of 2007 (40.8), and it's averaged 37.0 so far this quarter. But that's still well off its pre-2008 average, 45.3.

The CCI, produced by Langer Research Associates, is based on Americans' ratings of the national economy, the buying climate and their personal finances, collected weekly since late 1985. Among them:

- The personal finances subindex, at 51.3, has been above its midpoint, 50.0, for 11 weeks straight and 17 of the past 18 weeks. It now matches its 2014 average, but is 3.9 points off its long-term average since CCI's inception.

- The buying climate subindex, 32.3, is very near its average this year (31.6), while 3.4 points off its long-term average.

- At 26.8, the national economy subindex remains the weakest of the three components. It's 2.8 points higher than its average for 2014 – the best of the three subindices in this comparison – but 7.3 points below its 28-year average.

The overall CCI is very near its average for the year (35.7), but 4.9 points off its long-term average, 41.7. At the same time, it's better than 35.0 for the 11th week straight, its longest streak at that level since late 2007 and early 2008.

Among other factors, the CCI correlates strongly with employment, an indicator in which some recent trends have diverged. On the one hand, July was the sixth straight month with more than 200,000 jobs added. On the other, labor force participation is now 62.9 percent, near its low since 1978 – with many discouraged workers among the dropouts, as Fischer noted this week.

Another challenge is the impact of income on consumer sentiment, given the growing wealth gap: The index stands at 51.4 among those with annual household incomes of $50,000 or more, its best in more than three months, compared with 27.1 among those earning less. Among top earners – with incomes of $100,000 or more – the index, at 60.0, exceeds the 50s for the first time in five weeks.

Employment shows a similar effect: The index among full-time workers is 44.6, very near its long-term average. It falls to 34.3 among those who work part time, 4.8 points below its long-term average, while among those not employed for pay, it's 28.8, 6.9 points off its average.

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