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Bloomberg® Consumer Comfort Index™ Weekly Analysis

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**Contact: Langer Research Associates, 212 456-2621
info@langerresearch.com**

Economic optimism hit a nearly two-year high this week, with the number of Americans who say the national economy is improving exceeding the number who say it's getting worse for the first time since November 2012.

Thirty-two percent in the latest Bloomberg consumer survey say the economy is getting better—up 12 percentage points in the last month, the largest one-month gain in nearly six years. Thirty percent say it's getting worse, tying the fewest in almost four years. The +2-point gap in expectations is a shift from -18 points last month and an average -11 the past year.

Separately, the weekly Bloomberg Consumer Comfort Index, based on views of current economic conditions, held essentially steady this week at 36.2 on its scale of 0 to 100. It's the second week straight that it's back in the narrow, 1.5-point band, 36.2 to 37.7, it had held from mid-June to mid-September, before slipping late last month.

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, while the best of the three, is its lowest since late May, 50.0 this week. That's 5.2 points from its nearly 29-year average.

The buying climate subindex, at 33.0, is 2.6 points off its long-term average, while the national economy subindex, the weakest of the three, stands at 25.7 – its best since late August, although 8.3 points below its average since late 1985.

The overall index, for its part, is 5.4 points off its long-term average, 41.6.

The CCI's struggles align with other mixed economic indicators. Last week's jobless claims report marked the fourth straight week with fewer than 300,000 initial claims, the longest such streak since 2006. Yet the Fed's report on August consumer credit – a key correlate of economic growth – showed its slowest pace of growth in nine months. And the stock market last week sustained its largest one-week decline in more than two years.

Consumer expectations – whether the economy is getting better, worse or staying the same – are measured monthly, independently of the Consumer Comfort Index. “Getting better” responses,

as noted, are now their highest in nearly two years, while “getting worse” responses tie their lowest since February 2011. A plurality, 38 percent, says the economy is staying the same – not especially helpful, since for most “the same” is a negative assessment.

Economic optimism increased disproportionately, by more than 15 points in the last month, among residents of the Northeast, younger adults (ages 18-44), those earning \$50,000 or more, Democrats and never-married adults.

The CCI, for its part, has gained 8.0 points in the past five weeks to 62.1, its best since mid-April, among those with household incomes of \$100,000 or more. It’s 41.9 among those earning \$50,000 to \$100,000, and falls to 25.0 among those with incomes less than \$50,000.

For the second week straight, the index among whites is 38.1, tying its best in more than fourteen months; among blacks, it’s 28.7.

In partisan terms, the index has been numerically higher among Democrats than Republicans for nearly a year (save one week in May). This week continues that trend – it’s 43.6 among Democrats and 39.9 among Republicans, dropping to 30.3 among political independents.

There’s a similar partisan divide in economic expectations. Nearly four times as many Democrats as Republicans say the economy’s improving, 50 vs. 14 percent. Twenty-nine percent of independents agree, a view somewhat closer to Republicans’ – underscoring the Democrats’ challenge in the midterm elections next month.

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