



Consumer Confidence Drops Due to Darkening Expectations, According to RBC Cash Index

New York, NY, March 10, 2006 — After an upturn in February 2006, consumer confidence dropped in March, reflecting the uncertainty American consumers have about future economic conditions, according to the most recent results of the RBC CASH (Consumer Attitudes and Spending by Household) Index, which measured the attitudes of 1,000 Americans this week. Issued today by RBC Financial Group, the RBC CASH Index for March stands at 86.2, a considerable decrease from 96.1 in February.

"Higher interest rates are beginning to take a toll on how people view their finances. Mortgage rates are nearly as high as they have been over the past three years, and the slowdown in the housing market is becoming more apparent," said Vincent Boberski, director of Fixed Income Research for RBC Dain Rauscher. "The jobs picture is encouraging, though, and higher incomes should help offset the negatives as we move into the spring and summer."

Regarding the long-term outlook, Boberski added, "While growth is likely to slow during the second half of the year, the economy still has a good deal of momentum and we should see continued evidence of that over the coming months."

RBC's CASH Index is a monthly national survey of consumer attitudes on the current and future state of local economies, personal financial situations, savings, and confidence to make large investments. The Index, which is comprised of four sub-indexes: RBC Current Conditions Index, RBC Expectations Index, RBC Investment Index and RBC Jobs Index, is benchmarked to the 100 reading assigned in January 2002 when it was first introduced. This month's findings are based on a representative sample of 1,000 adults polled nationwide between March 6-8, 2006, by survey-based research company Ipsos Public Affairs. Highlights of the survey results include:

- The *RBC Current Conditions* Index for March 2006 stands at 103.9, down from 111.6 in February 2006, with more than one quarter (27 per cent) rating their current local economy as weak (compared to 24 per cent in February 2006). While those rating their current financial situation as strong held steady (28 per cent strong in February 2006; 26 per cent strong in March 2006), the net difference (total strong minus total weak) has narrowed from +6 in February 2006 to +3 in March 2006. The March drop in confidence regarding current conditions represents the first significant drop since July 2005.
- Expectations for local economies have worsened. The *RBC Expectations Index* for March dropped significantly from 59.4 in February to 40.7. Currently, one in five respondents (18 per cent) feels their local economy will be weaker. This compares to only 14 per cent in February.
- The *RBC Investment Index* for March 2006 stands at 98.6 down from a sixteen-month high of 101.5 in February. This cooling of the overall investment climate is also a contributor to the overall decline in consumer confidence. Fewer than four in ten Americans believe the next month will be a good time to invest in the stock market – down substantially from the 46 per cent who were confident in February. However, the decline in confidence regarding investing in the stock market is not pervasive. Confidence remains relatively high among those who currently invest in the stock market (among investors, 52 per cent feel now is a good time to invest, while only 37 per cent feel now is a bad time for investment).
- Opinions regarding purchases remain stable with 38 per cent of those surveyed reporting they are more confident in making a major purchase like a home or a car and 45 per cent stating they are comfortable making other household purchases.
- Confidence in job security is traditionally one of the most robust and resilient indicators of consumer confidence. Currently, concerns over job security do not appear pervasive in the American public. Confidence in job security has



remained basically stable with 41 per cent of Americans reporting they are more confident about their job security than six months ago. As a result, the *RBC Jobs Index* for March stands at 118.5 – virtually unchanged from 119.3 in February.

The entire RBC CASH Index report can be viewed at www.rbc.com/newsroom/rbc-cash-index.html.

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