



U.S. Consumer Confidence Increases As Expectations Soar At Start Of New Year, According To RBC CASH Index

New York, NY, January 12, 2007 — At the start of the new year, Americans are feeling much more optimistic about their economic future than they were at the close of 2006, according to the most recent results of the RBC CASH (Consumer Attitudes and Spending by Household) Index, which measured the attitudes of 1,002 Americans this week. Overall consumer sentiment increased more than eight points this month, driven by a 29 point jump in assessments of future conditions. Opinions regarding current conditions dipped slightly, feelings about job security held steady and confidence in investing rose slightly. As a result, the RBC CASH Index for January released today by RBC Financial Group, stands at 95.3, compared to 86.9 in December and 78.2 one year ago.

"The significant increase in the expectations subcomponent of the CASH Index, which reached 83.8, the highest since October 2004, drove the rise in the overall Index. This increase is likely derived in substantial part from the takeover of the new Congress," said T.J. Marta, Economic and Fixed Income Strategist for RBC Capital Markets. "However, the rise in the CASH Index also likely stems from the continued tight labor conditions, evidenced by the current low unemployment rate of 4.5 per cent, and the fact that the jobs subcomponent remains near its high since the Index began in 2002."

The RBC CASH Index is a monthly national survey of consumer attitudes on the current and future state of local economies, personal finance situations, savings and confidence to make large investments. The Index is composed of four sub-indices: RBC Current Conditions Index; RBC Expectations Index; RBC Investment Index; and, RBC Jobs Index. The Index is benchmarked to a baseline of 100 assigned at its introduction in January 2002. This month's findings are based on a representative nationwide sample of 1,002 U.S. adults polled from January 8 - 10, 2007, by survey-based research company Ipsos Public Affairs. The margin of error was plus or minus 3.1 per cent. Highlights of the survey results include:

- Consumers' economic outlook has skyrocketed during the past month, as seen in the **RBC Expectations Index**, which stood at 83.8 in January, a dramatic increase from December's 55.0. This month's index score represents the strongest level of optimism for future conditions in more than two years (in October 2004, the Expectations Index stood at 95.3). The primary factor driving consumers' renewed optimism for future conditions is the perception that the economy as a whole will be stronger six months from now. Currently, one-third (31 per cent) of Americans believe their local economy will be stronger six months from now, up from 24 per cent in December. The strong gain in expectations among consumers was largely responsible for the 8-point increase in the overall **RBC CASH Index**.
- While expectations for the economy as a whole improved, expectations for personal finances remained unchanged from December. Again this month, four in ten (40 per cent) Americans said they believe their personal finances will be stronger six months from now.
- Consumers' evaluations of the current local conditions softened slightly during the past month, producing a one-point drop in the **RBC Current Conditions Index**, bringing it to 94.3 in January. Currently, one in five Americans (21 per cent) rate their local economy as strong (down from 26 per cent in December). While evaluations of the current economy as 'strong' decreased, the January results do not represent an increase in the number of 'weak' evaluations. Rather, consumers are more ambivalent, with a majority (55 per cent) rating the local economy as a 4 or 5 (on a 1-7 scale, with '7' representing a 'very strong economy').



- Americans' attitudes toward investing held steady this month, with the individual indicators comprising the investment index remaining statistically unchanged. The **RBC Investment Index** for January stands at 83.2, a nearly one-point increase from the 82.5 level in December. Currently, 32 per cent of consumers report they are more comfortable making a major purchase like a home or car, compared to 31 per cent last month. Confidence in their ability to invest in the future also remained statistically unchanged, with 43 per cent of consumers reporting greater confidence, compared to 41 per cent in December.
- Consumer sentiment regarding near-term investments also held steady in January, with four in ten (38 per cent) Americans reporting they believe the next 30 days will be a good time to invest in real estate, compared to 36 per cent in December. More than four in ten (44 per cent) Americans believe the next 30 days will be a good time to invest in the stock market, a slight increase from the 41 per cent level in December.
- Confidence in job security remained stable. The **RBC Jobs Index** for January stands at 126.3, compared to 126.5 in December. All three indicators of job security held steady this month – four in ten (43 per cent) consumers report they are more confident about current job security than six months ago (compared to 44 per cent in December 2006). Personal job loss experience remained unchanged, with one-third (32 per cent) reporting that they or someone they know personally have lost their job as the result of economic conditions (compared to 31 per cent last month). Additionally, expectations regarding future job loss remained low this month, with fewer than one in five (16 per cent) reporting that future job loss is likely (unchanged from December).

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

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