



RBC CASH Index: U.S. Consumer Confidence Weakens On The Heels Of Stock Market Tumble

Washington, DC, March 9, 2007 — Unable to shrug off the effects of the recent sharp drop in the stock market, consumer confidence weakened in March, 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 earlier this week. Softening of consumer confidence was evident across the board as assessments of current conditions, future expectations, investing and job security all declined this month. As a result, the RBC CASH Index, released today by RBC Financial Group, decreased nearly 11 points to 92.3, compared to 103.0 in February.

"Consumer confidence still remains relatively high by historical standards, but is being weighed down by the combination of the housing slowdown, the shock to the stock market in late-February, a slight "untightening" of the labor market and rising gasoline prices," said T.J. Marta, Economic and Fixed Income Strategist for RBC Capital Markets. "The key questions going forward are whether housing really is beginning to stabilize, whether stock market volatility abates and the extent to which the job market remains robust. RBC believes consumer confidence and the economy will soften in the next few months but then regain steam in the second half of 2007."

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 1,000 U. S. adults polled from March 5-7, 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' confidence in the future waned considerably as the **RBC Expectations Index** dropped nearly 20 points this month to 49.3, down from 69.2 in February. While one in four consumers (24 per cent) believe their local economy will be stronger six months from now (compared to 22 per cent in February), perceptions that the local economy will be weaker six months from now nearly doubled, from one in ten (11 per cent) last month to nearly two in ten (17 per cent) in March.
- However, consumer expectations regarding personal financial situations remained statistically unchanged in March, with nearly four in ten respondents (39 per cent) saying they expected improvements in personal financial strength six months from now, compared to 36 percent in February. This shift is within the survey margin of error, and was not a substantial enough shift to offset the increase in pessimism regarding future conditions for local economies.
- The **RBC Current Conditions Index** for March stands at 107.5, compared to the 114.0 observed last month. While evaluations of the current local economy held steady this month, with more than one in five (23 per cent) rating their local economy as strong (compared to 25 per cent in February), ratings of current personal finances weakened. Currently, one-quarter (26 per cent) of Americans rate their current personal finances as strong, compared to three in ten (29 per cent) rating personal finances similarly in February. Although this shift is within the statistical margin of error for the survey, the difference in opinion was strong enough to produce a downward shift in the **RBC Current Conditions Index**.
- The **RBC Investment Index** stands at 96.5, down from 102.4 in February. Americans' comfort in making household purchases held steady this month with 35 per cent of consumers reporting they are more comfortable making a major purchase like a home or car, compared to 32 per cent in February. However, in the wake of the drop in the stock market, attitudes regarding investing in the stock market are more sharply negative. Consumers reporting that the next month will be a good time to invest in the stock market dropped to 41 per cent from 46 per



cent in February. In addition, half of consumers (52 per cent) believe the next 30 days will be a bad time to invest in the stock market, compared to only 42 per cent in February.

- Consumer confidence regarding job security remained the strongest facet of consumer sentiment this month, experiencing only a slight overall decline as the **RBC Jobs Index** for March stands at 128.4, compared to 131.9 in February. Consumers appear of two minds regarding job security: While almost half (47 per cent) report they are more confident about personal job security than they were six months ago (compared to 43 per cent in February), one in five (18 per cent) report it is likely that they (or someone they know personally) will lose their job as the result of economic conditions in the next six months, up five points since February. Personal job loss experience held steady, with 29 per cent reporting that they or someone they know personally have lost their job as the result of economic conditions, compared to 26 per cent last month.

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

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