



RBC Consumer Outlook Index: Consumers expect financial reform efforts in Congress to have positive impact on U.S. economy, stability of U.S. financial system

Americans divided on impact on their spending

New York, NY, July 15, 2010 - As the year-long effort in Congress to pass sweeping financial reform legislation draws closer to final passage, U.S. consumers familiar with the legislation expect both the U.S. economy and the country's financial system to benefit from the final measure. According to this month's RBC Consumer Outlook Index, four-in-ten Americans familiar with the legislation expect the final legislation to have a positive impact on the economy (41 per cent) as well as the stability of the U.S. financial system (42 per cent). However, the majority of Americans are not confident in their knowledge of the bill: two-thirds say they don't know enough about the legislation to offer an opinion.

While Americans are positive overall about financial reform, they worry it will have a negative impact on profits for both Wall Street (41 per cent negative impact vs. 30 per cent positive) and Main Street (36 per cent negative impact vs. 31 per cent positive). However, consumers are split on how the final legislation will affect their own bottom line. Twenty-nine per cent of consumers who are aware of the legislation say it will have a negative impact on their personal spending habits, while 26 per cent say it will have a positive impact.

"Consumers following financial reform legislation appear to expect the final results to have more of an impact on Wall Street and business, which means, perhaps, the potential effect on consumers' wallets is not yet resonating with them," said Marc Harris, co-head of Global Research at RBC Capital Markets. "Americans are very cautious about making any changes in their own spending habits as they continue to expect a bumpy, drawn-out recovery."

Driven by renewed concerns about job security and the outlook for the U.S. economy, consumer confidence as measured by the RBC Consumer Outlook Index dropped more than 11 points, to 47.2 this month from 58.4 in June.

The share of consumers reporting that someone in their immediate circle lost a job due to economic conditions increased three points this month to 48 per cent, reversing a five-month downward trend. Fears about employment security in their own households also increased, as one-third of Americans say they are worried that someone in their household will be laid off, up from 28 per cent last month.

Looking ahead, 44 per cent of Americans say the national economy will get worse in the next three months, up from 38 per cent in June, and 30 per cent say that both the U.S. economy and their own finances will get worse over the next year, a three per cent increase since June.

Despite jitters about the future, most consumers view their own near-term finances as stable, with 55 per cent saying their ability to pay bills will remain the same over the next three months (compared to 57 per cent in June) and 50 per cent reporting their debt level will remain the same (compared to 53 per cent last month). Moreover, more than one-third (36 per



cent) say that the country is headed in the right direction, basically unchanged from last month (35 per cent).

The recent stock market rally helped to temper consumers' worries about investing in the next month. Americans reporting that the next 30 days will be a bad time to invest in the stock market dropped to 34 per cent, down from 43 per cent last month. Consumers already owning stock or bonds were also more optimistic - with only 28 per cent saying the next month would be a bad time to invest in the stock market, compared to 40 per cent in June. In addition, consumers who believe the next month will be a good time to buy real estate increased to 31 per cent from 29 per cent in June.

"Despite the post-Independence Day stock market bounce, many Americans remain cautious about investing, buying real estate and other big financial decisions," said Harris. "After the shock of the financial crisis, the housing crash and the recession, it is likely to take many Americans awhile before they regain their natural confidence about investing for the future."

The RBC U.S. Consumer Outlook Index provides the most up-to-date and comprehensive outlook of U.S. consumers based on data collected from interviews with a nationally representative sample of more than 1,000 U.S. adults conducted over a multi-day polling period each month by Ipsos, the world's second-largest market and opinion research firm. The results in this news release reflect some of the findings of the Ipsos poll conducted July 8-11, 2010. The RBC Consumer Outlook Index is released within 36 hours after the U.S. online panel members are interviewed. Weighting is employed to balance demographics and ensure that the survey sample's composition reflects that of the U.S. adult population according to Census data and to provide results intended to approximate the sample universe.

The entire RBC Consumer Outlook Index report can be viewed at:
<http://www.rbc.com/newsroom/rbc-consumer-outlook-index-releases.html>

For more information on this release, please contact:

Michael Gross, Ph.D.
Director
Ipsos Public Affairs
(202) 463-7300
publicaffairs@ipsos-na.com

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Media contacts:

Kevin Foster, RBC, (212) 428-6902

Kait Conetta, RBC, (212) 428-6409