



RBC Consumer Outlook Index: Consumers expect home sale prices to decline, say construction and home builder sector weaker than a year ago

However, Americans more positive about their personal financial health

New York, NY, September 2, 2010 - The barrage of negative housing data in the past month has taken a toll on U.S. consumers, with 40 percent saying they expect the sale prices of homes in their neighborhood to decrease over the next year, compared to 31 percent who said this in August, according to the monthly RBC Consumer Outlook Index. Only one-quarter of Americans expect the sale prices of houses in their neighborhood to increase in the next 12 months.

Concerns about home prices are spilling over into consumers' perceptions of the financial stability of the entire construction and homebuilder sector, with 59 percent saying they think the sector is financially weaker than it was a year ago and only 14 percent saying it is stronger. In fact, pluralities of Americans think that businesses have gotten weaker across the board, believing that retail stores (47 percent saying they are weaker); Wall Street banks (44 percent); restaurants (43 percent); auto manufacturers (41 percent); and community banks (38 percent) all are financially less stable than they were a year ago. Since some of these sectors, such as Wall Street, have reported strong profits this year, but current consumer perceptions may be shaded by broader concerns about the overall economy.

In fact, consumer confidence as measured by the RBC Consumer Outlook Index sank to its lowest level in six months, dropping to 45.9, compared to 63.9 in August. The plunge in confidence is being driven by falling expectations for the economy and fears about job security. Nearly one-third of Americans (32 percent) are worried about losing their job and nearly half (47 percent) personally know someone who already has lost a job due to economic conditions.

"As long as Americans are worried about their jobs, consumers' outlooks will remain volatile," said Marc Harris, Co-Head of Global Research at RBC Capital Markets. "Despite assurances that the Federal Reserve will intervene if necessary to support the economy, consumers continue to be wary about the direction of the economy and the country more generally. Until they see concrete evidence of a solid, long-term rebound, consumers will likely remain jittery."

On a positive note, Americans are somewhat more optimistic about their own financial outlook. More than a quarter of Americans (27 percent) feel that their personal financial situation will be stronger in six months than it is currently, compared to 21 percent who feel they will be worse off six months from now.

The hopefulness may be tied to increased personal saving rates as Americans try to pay down debt. Nearly a quarter of consumers (24 percent) said they expect their debt levels to improve in the next three months, compared to only 21 percent who said this in August.



"With economic growth stagnating and housing sales tailing off, consumers are cautious about spending. In fact, similar to banks themselves, Americans appear to be in the process of 'deleveraging' and paying down their credit and debt," said Harris

Overall, two-thirds of Americans (67 percent) feel that the country is on the wrong track, the highest level this year and up from last month when only 63 percent felt that way. Just 33 percent say the country is headed in the right direction, down from 37 percent last month and also a low for the year.

Contributing to this sense that the country is headed in the wrong direction, 45 percent of Americans think the U.S. economy will get worse in the next three months, and only 12 percent feel it will improve. Fifty-nine percent of consumers said the economy in their local community is weak, up from 54 percent last month.

With continued volatility in the stock markets, consumers also remain cautious about investing in equities. Forty-one percent of Americans say that now is a bad time to invest in stocks, and only 13 percent see this time as a good opportunity to invest in the equity markets.

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 of 1,009 U.S. adults conducted August 26 - August 30, 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>

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