



RBC Consumer Outlook Index: Half of Americans Plan to Spend Less this Year than Last on Holiday Shopping

Two-thirds of Americans Say Nation Headed in the Wrong Direction

New York, NY, November 4, 2010 - In a reflection of continuing concern about the U.S. economy, 46 per cent of Americans plan to spend less this year than last on holiday shopping, and an additional eight per cent plan to spend nothing at all. Even half (50 per cent) of families with children at home plan to spend less, with an additional six per cent of these families planning to spend nothing at all, according to data from the monthly RBC Consumer Outlook Index. In a worrisome sign for retailers, just seven per cent of Americans overall, and nine per cent of families with children, expect to spend more this holiday season than last.

The survey, conducted immediately before this week's U.S. midterm elections, showed that the number of consumers who believe the country is headed in the right direction slipped to 35 per cent, down from 37 per cent in October. The number who believe the country is on the wrong track edged up two points, to 65 per cent. In addition, 69 per cent of Americans think the U.S. economy and their own financial situation will stay the same or worsen over the coming year.

"Even in the face of soft consumer confidence, spending accelerated in the third quarter. This disconnect will have to be resolved, and the first real test is upon us with the beginning of the holiday shopping season," said Marc Harris, co-head of Global Research at RBC Capital Markets. "If it turns out that the spending last quarter was simply the result of pent-up demand and consumers are returning to frugality just in time for the holidays, this will not come as good news for retailers."

Americans' reluctance to increase or even maintain their holiday spending is consistent with the continued weak consumer confidence reflected in the results of the latest RBC Consumer Outlook Index, which edged up this month to 42.0 on a scale of 0-100. This month's score was only slightly higher than the 41.0 in October and the 39.9 of November 2009. The consumer confidence barometer has been essentially flat since a surge in the middle of last year.

The scores of the RBC Consumer Outlook Index's sub-indices for November, all on a scale of 0-100, were also slightly higher, noting small improvements for the Current Conditions (31.6 this month vs. 30.8 in October); Expectations (54.1 this month vs. 53.5 in October); Investments (35.9 this month vs. 35.3 in October); and Jobs (49.4 this month vs. 47.5 in October) sub-indices.

This month's index reflects the analysis of data from a survey of 1,032 U.S. adults taken October 29-November 1, 2010.



"The RBC Consumer Outlook Index saw a modest improvement this month but remains stuck in the same range that it has been in since the middle of last year," said Harris. "Confidence is effectively shackled by continued uncertainty around a weak economic recovery that has produced the second-fewest number of jobs at this point in a post-war recovery. The real indicator of where consumer confidence is headed will come in the next few weeks, as Americans digest the results of the midterm elections."

Additional highlights from the November 2010 RBC Consumer Outlook Index:

- **Consumers are in holding pattern when it comes to investing.** Consumers unsure about whether the next 30 days would be a good time to invest in real estate property increased to 29 per cent, up from 24 per cent last month. Again this month, 42 per cent of Americans report no change in their comfort level in making general household purchases and 48 per cent say that they are unsure if it is a good time to invest in the stock market - including 40 per cent of those who already own stocks.
- **Confidence in job security increasing.** The RBC Jobs Index climbed to 49.4 this month, up from the October level of 47.5. The nearly two-point increase is the strongest month-over-month improvement in the Jobs Index since February. The positive movement in the Index is driven by the significant increase in the number of Americans who think it is unlikely that anyone in their inner circle will lose their job in the next six months, which jumped five points in November to 43 per cent, a high mark for the year. In addition, the portion of consumers who say they do not know anyone who has lost their job in the past six months increased to 54 per cent, up from 52 per cent in October.
- **Consumers split on the direction of housing prices in their neighborhood.** During the next 12 months, 29 per cent of Americans believe the prices of homes in their neighborhood will increase, while 28 per cent expect home prices to fall. Not surprisingly, the share of Americans who say they are in the market for a new home is only nine per cent, unchanged from last month.
- **Americans' willingness to make major purchases improving.** Consumers are warming to the idea of opening their wallets for a major purchase such as a car, household appliance or a vacation in the next six months. Consumers who said they expect to spend more on major purchases in the next six months increased to 11 per cent this month from eight per cent in October, and those who said they would spend less on such purchases dropped to 44 per cent, down from 48 per cent in October.

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 1,032 U.S. adults



conducted October 29-November 1, 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.

Effective this month, the RBC Consumer Outlook Index has been re-scaled to correspond with a 0-100 scale in order to maximize the interpretability of month-to-month and year-over-year changes in consumer outlook. The Consumer Outlook Index is still based on the same set of underlying questions and continues to capture the same sense of American consumer confidence. The new bounded range for the RBC Consumer Outlook Index produces more controlled monthly fluctuations, which enables greater ability to diagnose meaningful changes across the time series. Re-scaled scores have been calculated retroactively for all historical data. The historical mean for the rescaled Consumer Outlook Index COI is 50. This indicates that a score over 50 represents above-average consumer confidence and a score below 50 represents below-average consumer confidence.

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

About Ipsos

Ipsos is a leading global survey-based market research company, owned and managed by research professionals. Ipsos helps interpret, simulate, and anticipate the needs and responses of consumers, customers, and citizens around the world.

Member companies assess market potential and interpret market trends. They develop and build brands. They help clients build long-term relationships with their customers. They test advertising and study audience responses to various media. They measure public opinion around the globe.

Ipsos member companies offer expertise in advertising, customer loyalty, marketing, media, and public affairs research, as well as forecasting, modeling, and consulting. Ipsos has a full line of custom, syndicated, omnibus, panel, and online research products and services, guided by industry experts and bolstered by advanced analytics and methodologies. The company was founded in 1975 and has been publicly traded since 1999.



In 2009, Ipsos generated global revenues of €943.7 million (\$1.31 billion U.S.).

Visit www.ipsos.com to learn more about Ipsos' offerings and capabilities.

About RBC Financial Group

Royal Bank of Canada (TSX, NYSE: RY) uses the initials RBC as a prefix for its businesses and operating subsidiaries, which operate under the master brand name of RBC Financial Group. Royal Bank of Canada is Canada's largest bank as measured by assets, and is one of North America's leading diversified financial services companies. It provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, and transaction processing services on a global basis. The company employs approximately 60,000 people who serve more than 14 million personal, business and public sector clients through offices in North America and some 30 countries around the world. For more information, please visit www.rbc.com.

Media contact:

Kait Conetta, RBC, (212) 428-6409