



RBC Consumer Outlook Index : U.S. Consumer Confidence Hovers Near Post-Recession Peak as New Year Begins

Consumers Expect to Spend Most of the Social Security Tax Cut

New York, NY, January 6, 2011 - Raising hopes for higher consumer spending over the course of 2011, nearly three-quarters of Americans (74 per cent) plan to spend at least some of the extra money they will receive through the one-year Social Security payroll-tax reduction that became effective January 1, 2011, including 42 per cent who expect to spend all or most of it, according to the monthly RBC Consumer Outlook Index. Only one-in-four Americans (26 per cent) said they plan to save all of their extra take-home pay from the tax cut.

Consumer confidence in January as measured by the RBC Consumer Outlook Index is at 44.9, hovering just below last month's 45.2 level, the post-recession peak. The slight dip in the overall Index was countered by continued gains in employment confidence, with the RBC Consumer Outlook Jobs sub-index edging up to 52.1 from 51.8 in December and up 10 points (24 per cent) from a year ago when it sat at 42.0.

"After rising for three straight months, confidence has taken a little breather here in January," said RBC Capital Markets Chief U.S. economist Tom Porcelli. "But even with the modest pullback, we are still seeing a better backdrop of consumer confidence as we start the New Year. The jobs measure bucked the broader trend and posted a surprising rise - even in the face of weaker overall confidence and an unemployment rate that rose in December."

Additionally, pessimism about respondents' local economies is at the lowest level seen in more than a year. Fewer than half (47 per cent) of consumers currently rate their local economy as weak, down from 51 per cent last month and 59 per cent in September 2010.

The findings from the new survey were not uniformly positive. While the Jobs sub-index improved this month, the other sub-indexes all eased somewhat. The Current Conditions sub-index ticked down to 35.0, from 35.6 last month. The Expectations sub-index decreased to 55.3, from 56.1 last month. The Investment sub-index slipped to 38.9, from 40.0 last month.

Nearly two-thirds of Americans (64 per cent) said the country was on the wrong track, compared to 36 per cent who said it was headed in the right direction. The "wrong track" number was up from 61 per cent last month and remained above the 60 per cent level for the ninth consecutive month.

Other survey findings support the notion that Americans remain wary about the overall direction of the economy. Almost as many of the survey respondents believe the country's economy will worsen in the next year (24 per cent) as those who believe it will get better (28 per cent), and nearly half (48 per cent) think that the nation will continue struggling along in much the same condition as in the recent past.

"The consumer is right to be cautious," said Porcelli. "The recently enacted tax legislation will certainly provide a boost to spending over the course of the year, but we remain in an environment where job growth is modest, home prices are stagnant at best and access to credit



remains limited. The bottom line is the path back to more normal levels of confidence will not be a straight line."

With gift cards a popular holiday present, survey respondents were asked how quickly they expect to use any gift cards they receive. Half of the respondents (52 per cent) expected to use any cards received within a month, and three-quarters (73 per cent) within three months. Notably, one-in-seven respondents (16 per cent) either has no plans to use their gift cards or "often forgets about them."

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 1,007 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 1,007 U.S. adults conducted December 27-30, 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>

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 contact:

Kait Conetta, RBC, (212) 428-6409