



## **RBC Consumer Outlook Index: U.S. Consumer Confidence Sags as Fuel Price Worries Mount**

### ***Half of Americans Have Cut Back or Cancelled Vacation Plans Due to High Gas Prices***

**New York, NY, May 5, 2011** — With the summer vacation season fast approaching, almost half of Americans (47 per cent) say they have already cut back or cancelled vacation plans due to high gas prices and 20 per cent have scaled back their plans because of high air fares, according to this month's RBC Consumer Outlook Index. The Index for May fell to 42.9, down 1.9 points from April's 44.8 reading.

Soaring gas prices have already caused three-in-10 consumers to reduce their discretionary spending, according to the survey. With the current average price per gallon of gas at \$3.90 nationally when this poll was conducted from April 28-May 1\*, another 41 per cent said they would reduce spending when gas prices climbed above \$4.50 per gallon and one-in-five said their pain threshold was \$5.00 per gallon or more. Asked the same question in March, when the average price for gas was about \$3.20 per gallon, half of consumers (50 per cent) reported that their threshold for scaling back spending was below \$4.00 per gallon and 20 per cent said it was \$4.50 per gallon.

"With gasoline price increases showing little sign of abating, this month we asked once again how this impacts discretionary spending," said Tom Porcelli, chief US economist at RBC Capital Markets. "The results highlight the psychological element involved with rising gasoline prices, as people revise their pain threshold according to the reality of what is happening at the pump. This suggests that, despite what is likely to be a continued drift higher in gasoline prices given supply and demand dynamics, spending is very likely to hold up."

This month's decline in the RBC Consumer Outlook Index is driven by all four sub-indices. The **Expectations Sub-Index** declined to 53.2, down 1.3 points, reaching the lowest point this year, and the **Current Conditions Sub-Index**, declined three points to 32.9 from 35.9 in April. Seven-in-10 Americans say the country is on the wrong track, compared to 30 per cent who say it is headed in the right direction. The "wrong track" number is at the highest level observed since 2009.

The **Investments Sub-Index** dropped three points to 36.5 this month. Despite the generally positive performance of the stock market during the past few months, 34 per cent of consumers believe that it is a bad time to invest in the market and 50 per cent are unsure about investing in the market.

Although the **Jobs Sub-Index** edged down one point to 50.8 this month, overall employment confidence remains stronger than observed throughout 2010. Only 28 per cent of Americans say that someone in their immediate circle is currently worried about losing a job and just four-in-10 (40 per cent) report that someone in their immediate circle has lost a job in the past six months, basically unchanged from April.

"Consumer confidence remains fragile, as evidenced by the broad-based decline in the RBC Consumer Outlook Index - indeed, all sub-indices posted declines this month," added Porcelli. "But what a consumer says can sometimes be at odds with what a consumer does. Confidence



fell, but weekly measures of consumer spending remain fairly buoyant and, from our perspective, the second quarter is looking very much like the first quarter. In other words, consumption is not losing momentum."

#### **About The RBC Consumer Outlook Index**

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 1,011 U.S. adults conducted April 28 - May 1, 2011. 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 survey was completed immediately before the news on Osama bin Laden, and therefore does not reflect the impact of that news.*

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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