



RBC Consumer Outlook Index Findings

January 2012

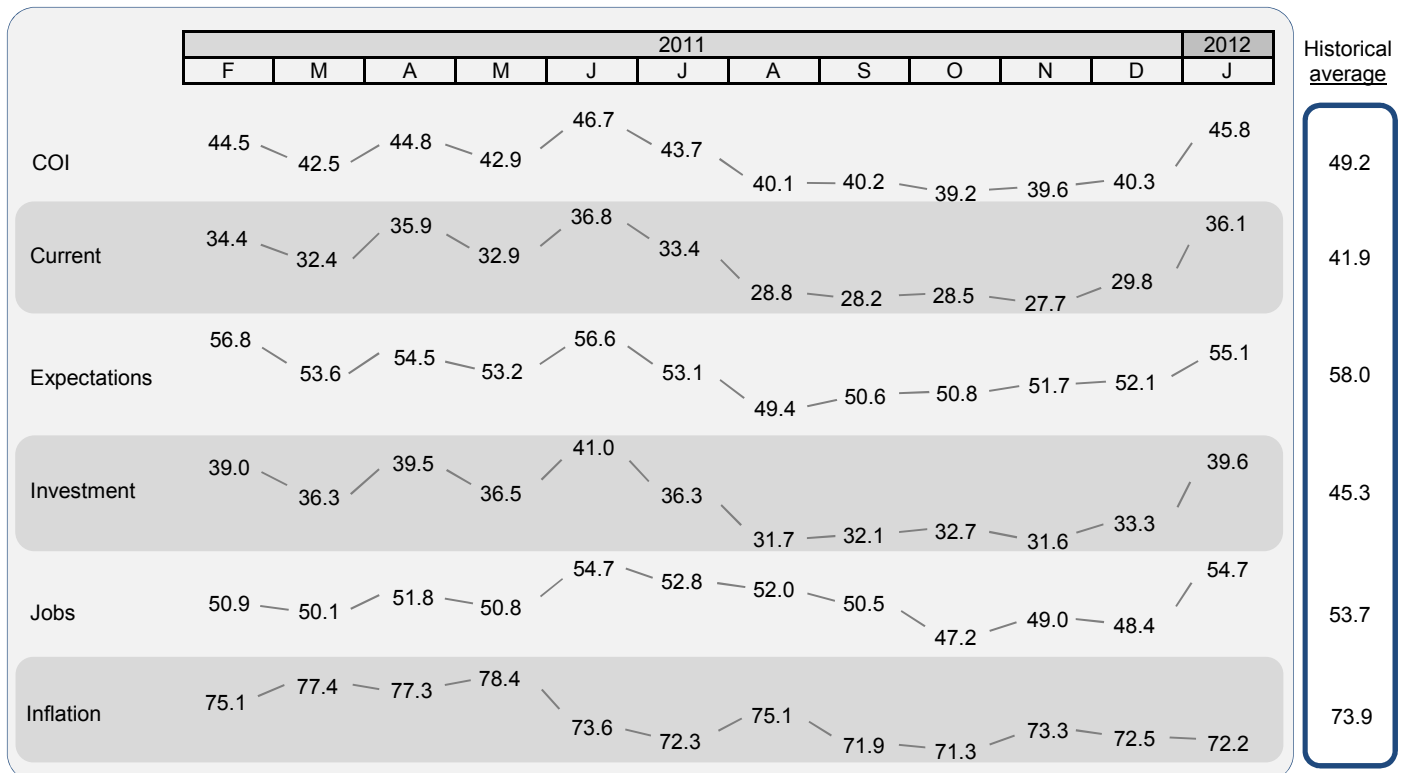


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs* Indices are calculated from the aggregate responses and are based on 0-100 point scales.

Consumer Confidence Builds for January 2012

- Happy New Year. Americans appear to have included a “better attitude” on their list of New Year’s resolutions. Consumer confidence is up significantly this month and at the highest level observed since early last summer.
- The overall *RBC Consumer Outlook Index* is up significantly – 5.5 points – for January 2012, to stand at 45.8. This is the strongest mark for consumer confidence since June 2011 (46.7). Confidence is up across all sub-indices marking a general improvement in economic outlook.
 - The *RBC Current Conditions Index* indicates that consumers’ personal finances are up decisively. The *Current Conditions Index* is up 6.3 points from December’s 29.8 to stand at 36.1.
 - Paralleling the improvement in *Current Conditions*, the *RBC Investment Index* improved this month, up 6.6 points from December to stand at 39.6.
 - The *RBC Jobs Index* reversed its recent slides and improved to match the best showing in 2011. Currently the *RBC Jobs Index* stands at 54.7, up 6.3 points. This is the best mark since an equivalent score (54.7) in June 2011.
 - The *RBC Expectation Index* shows less movement. The Index currently stands at 55.1, up 3.0 points from last month.
 - Finally, the *RBC Inflation Index* indicates pricing pressures are holding steady through the holidays. The inflation index shows negligible movement, down 0.3 points to stand at 72.2.

RBC Consumer Outlook Index and Sub-Indices February 2011 – January 2012





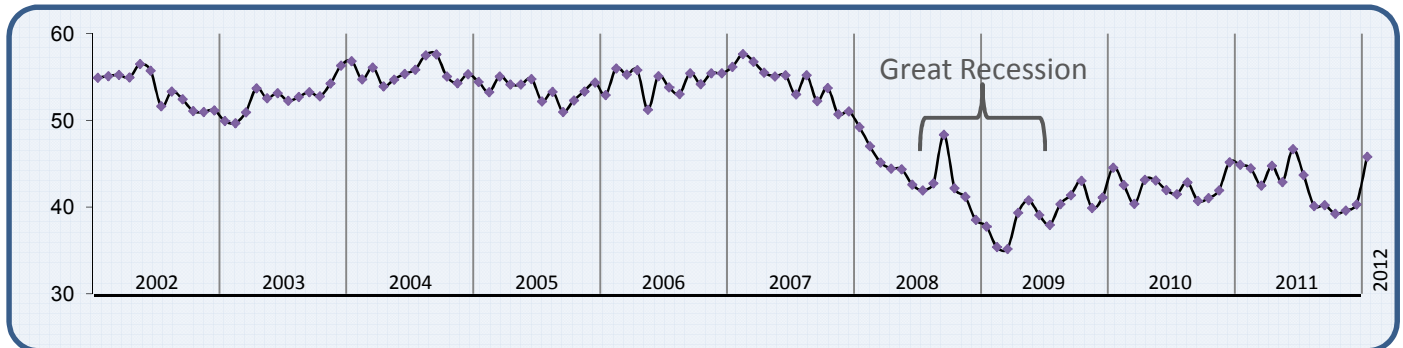
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Consumer Outlook Index Trend

Graph 1: COI 2002-2011

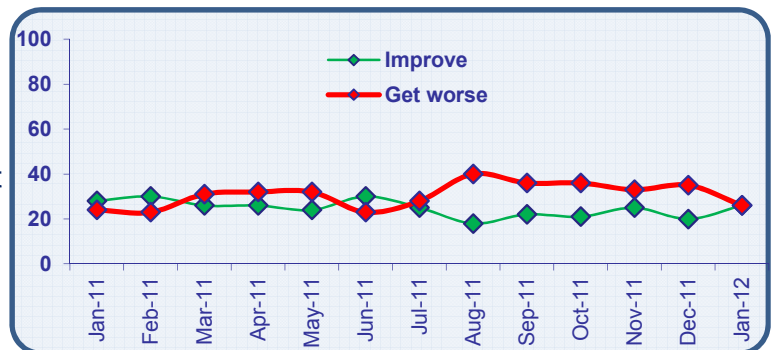


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The biggest story is the collapse in consumer confidence preceding and during the Great Recession. Starting in mid 2007, consumer confidence fell from about 53 to about 40 – losing one quarter of its strength. Following the recession, consumer confidence slowly improved until the last half of 2011, when it bottomed out again.

Detailed Findings of the Consumer Outlook Survey

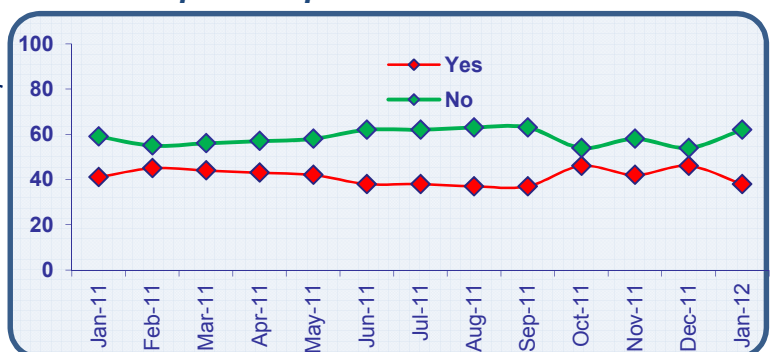
- Illustrating the (hopeful) end of the mini-recession, a higher number of Americans believe the economy will improve in the next year this month (Graph 2). This was not the case from July through December 2011 when more Americans expected things to get worse.

Graph 2: Expectations for the Next Year



- However, most Americans remain very pessimistic about the health of the economy in their community. Currently, 50% of consumers rate their local area economy as weak. While this is down from 56% last month, it remains high.
- Personal experience with job loss is a primary indicator of economic health. In January 2012, 38% of consumers say they or someone they are close to has lost a job in the last six months, down 8 points from last month (Graph 3).
- Correspondingly, fewer consumers are currently fearful of being laid off (29%) this month than we've seen over the last two quarters (average 31%).

Graph 3: Experience with Job Loss





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Detailed Findings of the Consumer Outlook Survey, cont.

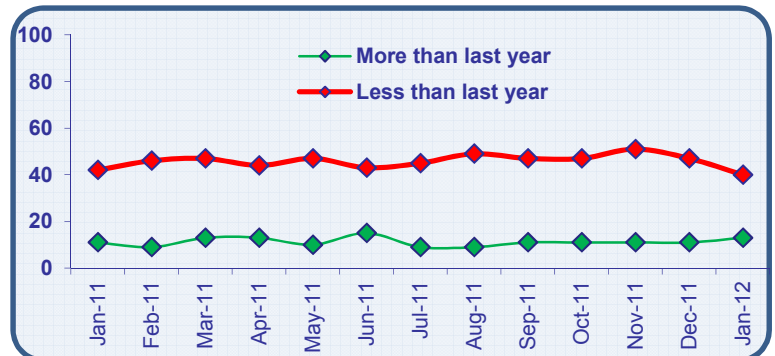
Graph 4: Household Purchase Comfort

- Much of the improvement in consumer confidence this month stems from the increases in positive attitudes about consumers' current financial health.
 - An increased number of consumers say they are more confident now with their ability to make household purchases than we have observed over the last few months (Graph 4).
 - Likewise, an increased number of consumers are reporting that their personal financial health is strong. This month 60% say their finances are strong or moderate, up from 49% last month.
 - Consumer intent to make major purchases is also improved. When asked about the next six months, 13% say they expect to spend more than last year, up from 11% last month (Graph 5). The number saying they will spend less has fallen, 47% to 40%.

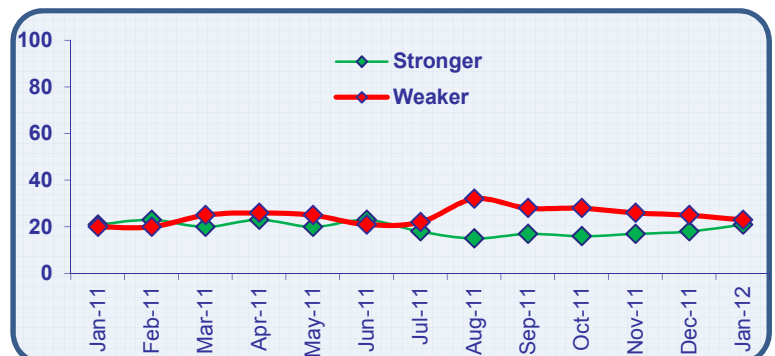


Graph 5: Major Purchase Intent

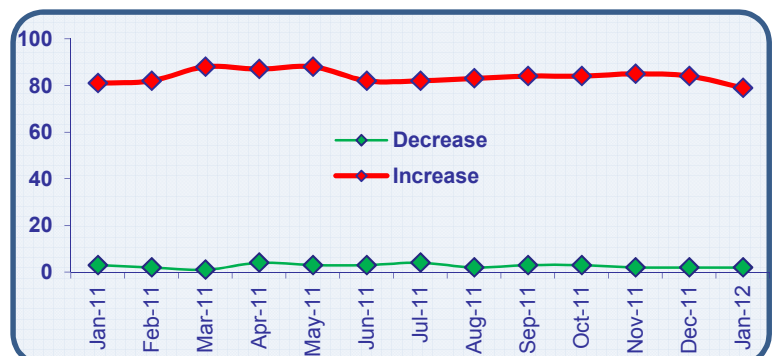
- Despite the improved current conditions, consumers remain skeptical of the recovery. Only 21% currently say they expect the economy in their area to improve in the next six months. While this is better than last month, it remains low (Graph 6).
- The *RBC Inflation Index* is mostly unchanged for January 2012. The biggest mover within the Inflation Index is food prices, where slightly fewer consumers are expecting increases in the next 12 months (Graph 7).
 - Consumers continue to expect deals and sales in the post-holiday environment with 44% saying consumer electronic prices will increase, down from 47% last month.
 - Price pressures are stable in other quadrants like housing, fuel and durable goods.



Graph 6: Local Economic Expectations



Graph 7: Expectation for Food Costs





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Detailed Findings of the RBC Custom Questions

- This month, we asked respondents how their holiday shopping budgets fared this year. A plurality of respondents say that they were on budget with their holiday shopping (48%). 14% say they are under budget while a quarter (24%) were over budget (Graph 8).

- People with children were most likely to go over budget (33%).
- Households with income below \$25k/year are most likely to say they made no holiday spending (30%).

- Related to budgeting, 63% of consumers say they only bought the gifts items on their list and did not make any impulse purchases for themselves.

- 18-29 year olds were most likely to make impulse purchases for themselves (30%)

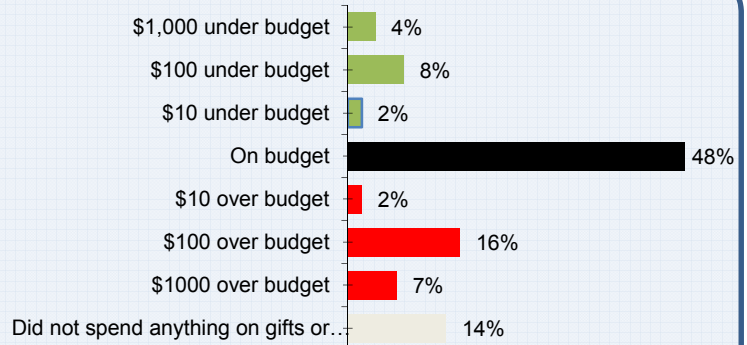
- On the subject of gifts, most recipients of gift cards plan to spend them within the next six months (68%) and many plan to use them within the next month (43%). However, compared to last year, more consumers do not have plans to use their gift cards (19%) (Graph 9).

- Young people (18-34) are most likely to use their gift cards in the next month (53%).

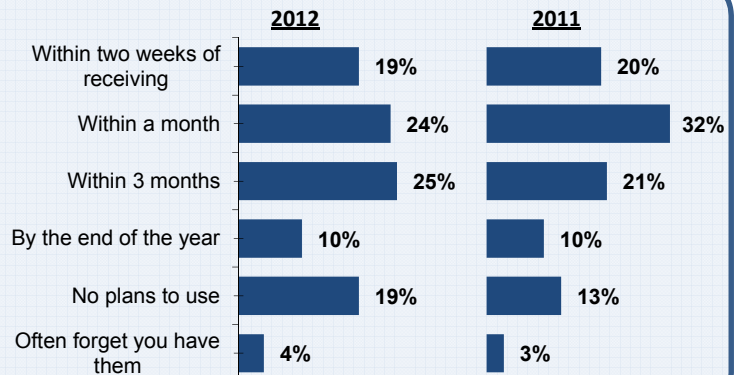
- We also asked respondents how important a problem the gap between high income and low/middle income workers. A majority (68%) say that it is a serious problem. Only 26% say that it is a small problem (Graph 10).

- Consumers with low-moderate household income (less than \$75k) are more likely to say it is a serious problem (75%). Upper income respondents (\$75k+) are less likely to see income inequality as a problem (57%).

Graph 8: Holiday Shopping Budget



Graph 9: Plan to Spend Gift Cards



Graph 10: Importance of Income Inequality

