



RBC Consumer Outlook Index Findings

May 2012

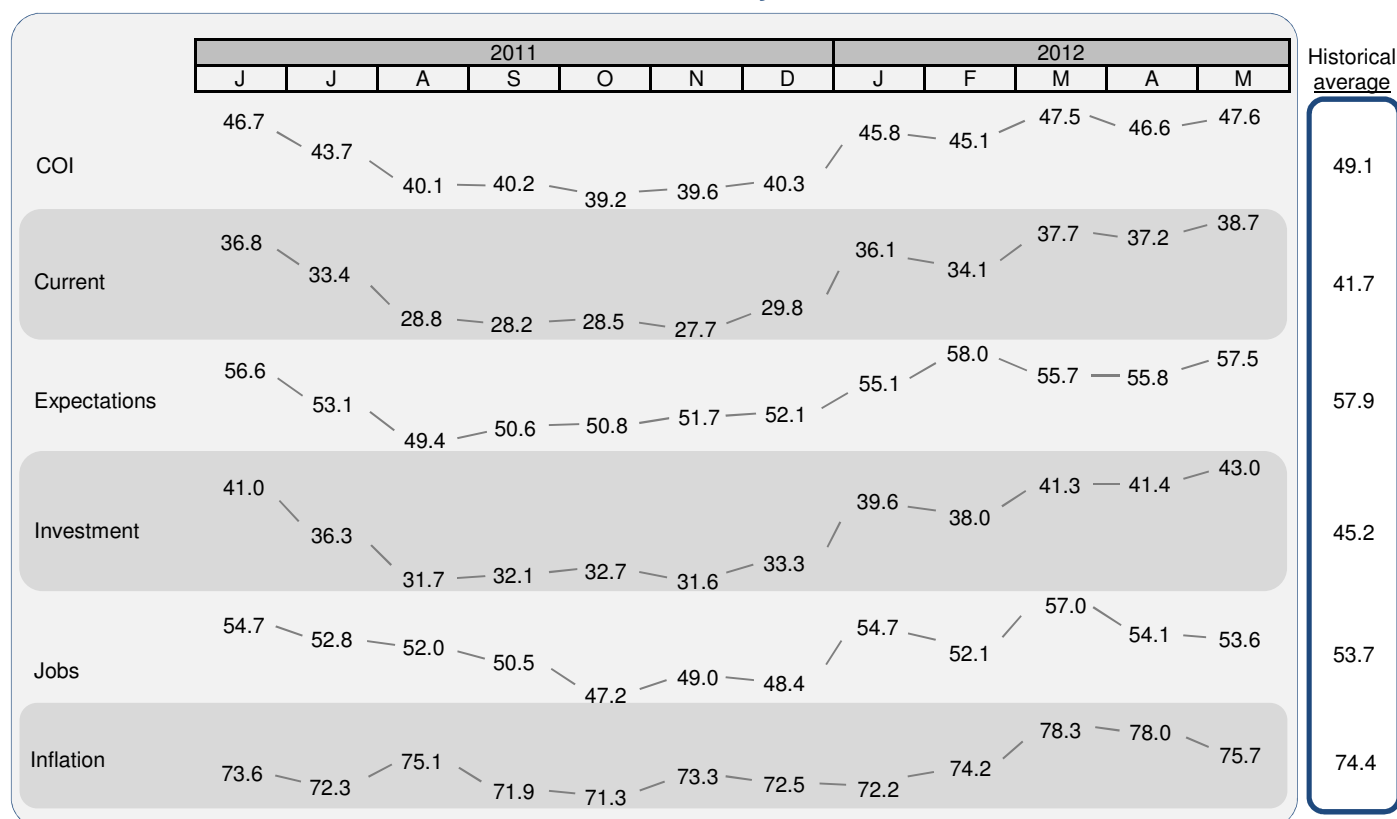


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Consumer Confidence Up Slightly in May 2012

- Consumer sentiment remains unclear in May as easing of fuel price pressures counteract warning signs about employment and consumer spending. While consumers are incrementally more optimistic about the local economy and their ability to make ends meet, concerns about job security continue to increase this month. All this reflects the continued economic uncertainty facing American consumers.
- The overall *RBC Consumer Outlook Index* now stands at 47.6 points. This increase marks a new high (barely) for the COI over the previous high of 47.5 set in March.
 - *RBC Expectations Index* posts the largest, albeit minor, increase, up by 1.7 points from last month's score of 55.8 to stand at 57.5.
 - The *RBC Investment Index*, which now stands at 43.0, also displays a small increase of 1.6 points from last month.
 - The *RBC Current Conditions Index* shows a minor increase of 1.5 points from last month's 37.2 to presently stand at 38.7
 - The *RBC Jobs Index* continues to post declines, losing half a point since last month to now stand at 53.6.
 - The *RBC Inflation Index* declines 2.3 points to stand at 75.7 as fuel price pressures have weakened.

RBC Consumer Outlook Index and Sub-Indices June 2011 – May 2012





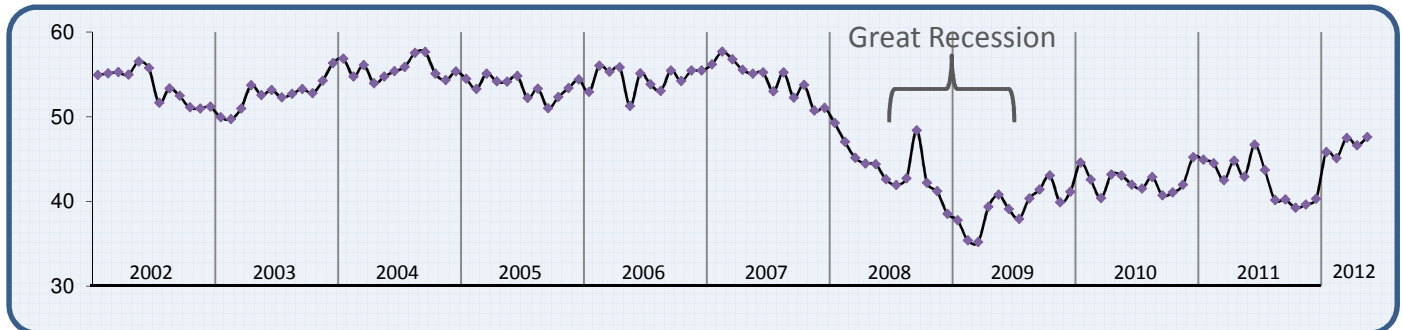
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Consumer Outlook Index Trend

Graph 1: COI 2002-2012



- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. We have had a fitful recovery since the great recession (2008 through now). Particularly of note is the brief crash in confidence observed Q3-Q4 of 2011, corresponding with the debt crisis in Washington and the Euro financial crisis. We observed a brief rally in the 1st quarter of 2012, but that rally has stalled in April and May as high gas prices and weakening employment figures throttle the recovery.

Detailed Findings of the Consumer Outlook Survey

- Several improving indicators are driving the overall minor gains in consumer confidence. Expectations for the local economy, in particular, continues to increase.

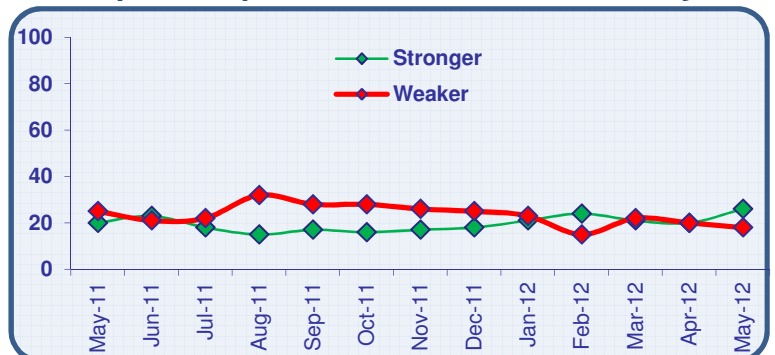
- When asked of their expectations for the strength of their local economy in the next 6 months, 26% of consumers believe it will be stronger while only 18% believe it will be weaker (Graph 1).

- Similarly, 33% of consumers say that they expect their personal finances to be stronger in six months. This is the highest we have seen since December of 2010.

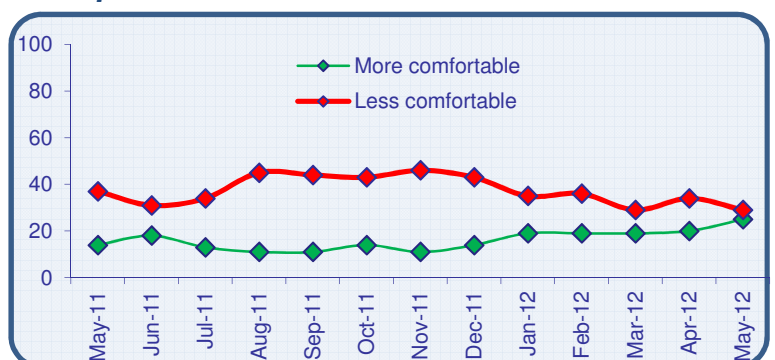
- Along with the strengthening expectations, consumers are feeling better about their ability to make ends meet.

- A quarter (25%) of respondents say they feel better about their ability to afford household purchases compared to six months ago. This is the strongest rate seen in over two years (Graph 2).

Graph 1: Expectations for Local Economy



Graph 2: Comfort with Household Purchases





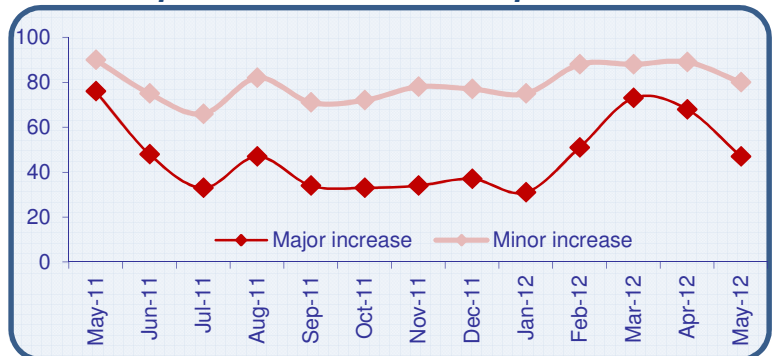
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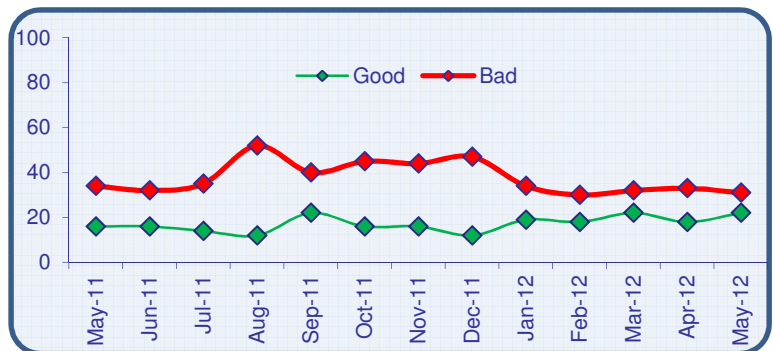
Detailed Findings of the Consumer Outlook Survey, cont.

Graph 3: Gasoline Price Expectations

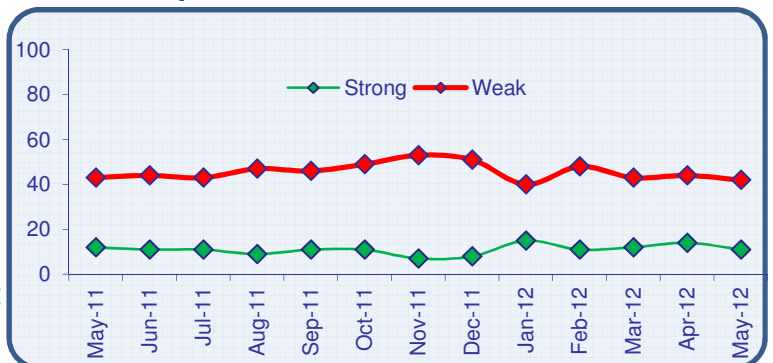


- Triggering some of this rise in confidence, consumers are reporting that they feel slightly diminished pricing pressures.
 - This month, 80% of consumer expect fuel prices to rise. This is down from 89% last month. Particularly noteworthy, the percent expecting a “major” increase is down by over 20 percentage points (Graph 3).
 - Likewise, 81% of consumers expect an increase in food or grocery prices, down from 85% last month.
- Perhaps because they feel like they have money to invest, more Americans are reporting optimism about the market.
 - This month, 22% of respondents say it is a good time to invest in the stock market, up from 18% last month (Graph 4).
 - Additionally, about a third of Americans (32%) say it is a good time to invest in real estate, mostly unchanged from the last two months.
- However, despite the extra money, consumer remain very uneasy about their general financial health.
 - Currently only 11% of consumers rate their personal finances as “strong”. This is down from 14% last month and about the level observed for most of the last year (Graph 5).
- This unease with financial health most likely stems from continued softening in the employment picture.
 - After hitting a two-year low in March, direct experience with job loss continues to increase. This month 41% are reporting someone in their immediate circle has lost a job in the last six months due to economic conditions (Graph 6).

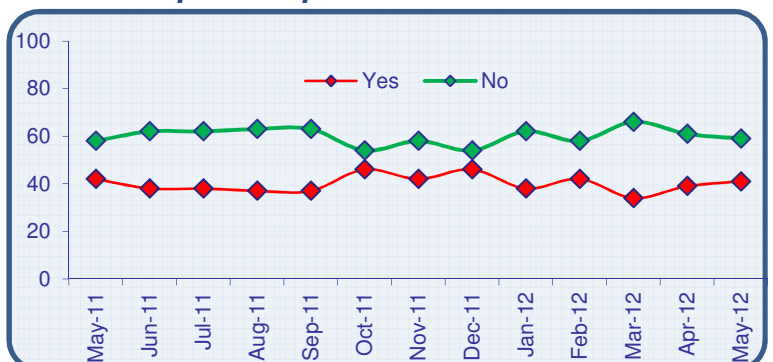
Graph 4: Invest in the Stock Market



Graph 5: Personal Financial Health



Graph 6: Experience with Job Loss





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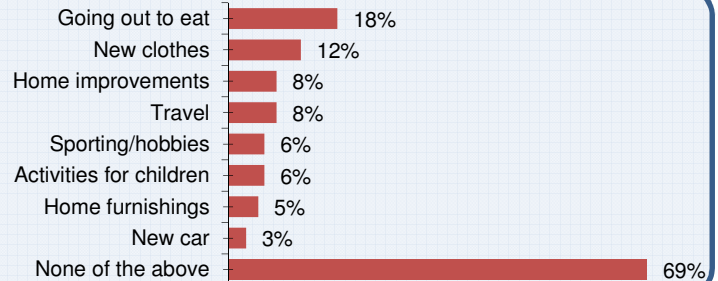
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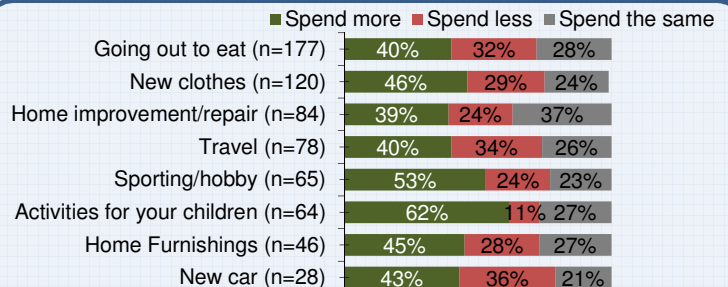
Detailed Findings of the RBC Custom Questions

- Several analysts have predicted the warmer than usual winter has caused consumers to “move up” spending that normally would happen in the spring or summer. We find some evidence of this when we ask consumer directly.
 - A third of Americans (31%) say they spent more money this winter than they would have if it were colder. The leading items were dining out and new clothing (Graph 7).
- Several analysts also predicted that this seasonally shifted spending would result in less spending in the spring and summer.
 - Among our respondents, the plurality say they plan to keep to the same rate or increase spending levels on a number of items, especially hobbies and activities for kids (Graph 8).
- In good news, this summer travel season looks to be better than observed the last few years.
 - This year, 17% say they are likely to take an international trip, up from only 12% in 2010.
 - Likewise, 34% say they are likely to take a domestic flight this summer, up from 26% two years ago. 67% plan to take a road trip, up from 59% in 2010 (Graph 9).
- However, despite overall increased travel, travel costs continue to cause consumers to cut back.
 - This year, airfare costs are an increasingly major factor, as 30% reports airplane ticket costs are causing them to cut back vacation plans. Fuel prices look to have the same impact this year as in 2011 (Graph 10).

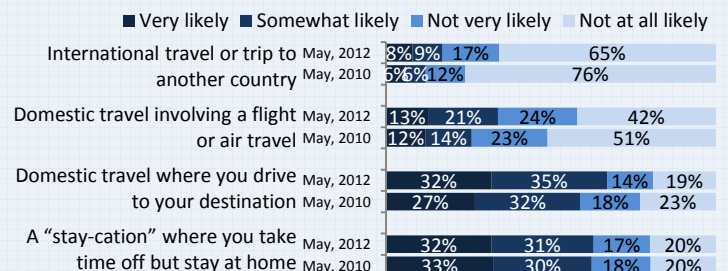
Graph 7: Seasonally Adjusted Spending



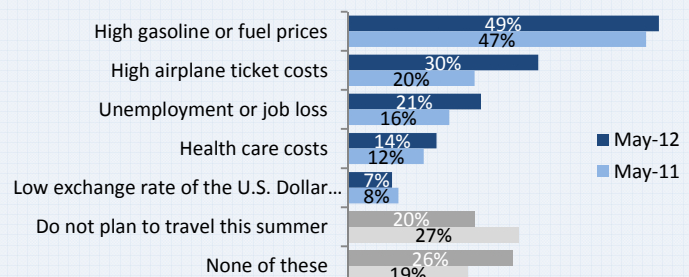
Graph 8: Spring and Summer Spending



Graph 9: Summer Travel Plans



Graph 10: Summer Travel Pains



The RBC Consumer Outlook Survey and Index are conducted and calculated by Ipsos Public Affairs.

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