



# RBC Consumer Outlook Index Findings

July 2012

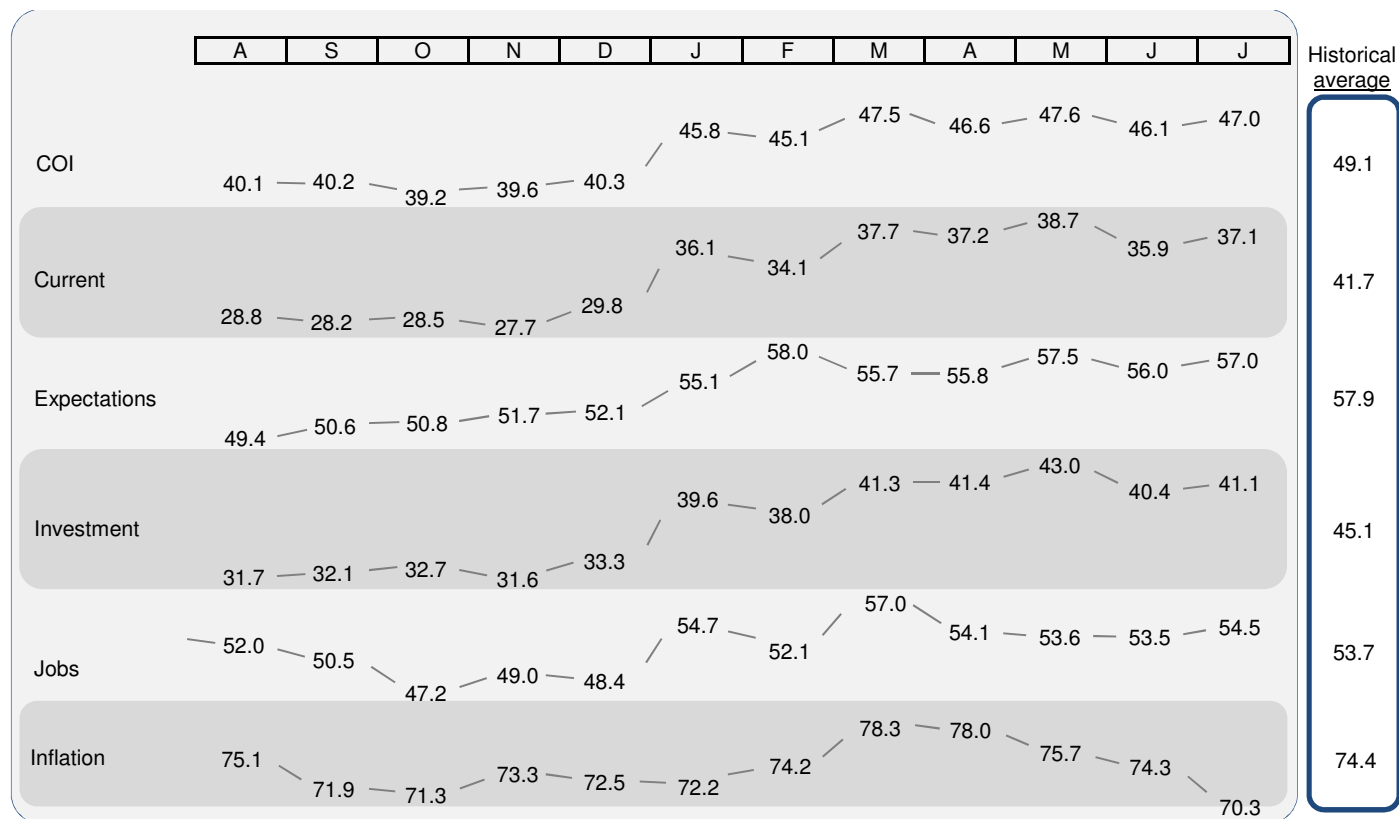


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

## American Consumer Confidence Posts Small Gains for July 2012

- Consumer sentiment remains essentially unchanged, posting small gains this month but remaining at the level observed throughout 2012. The overall confidence trend since January 2012 has been one of stasis as Americans wait for unambiguous signals that the economy is improving. Falling gas prices continue to help consumer stretch their dollars ameliorating some of the other pain-points. All this reflects the continued economic uncertainty facing American consumers.
- The overall *RBC Consumer Outlook Index* now stands at 47.0 points. The COI has maintained a level near 46.5 for all of 2012 so far.
  - The *RBC Current Conditions Index* shows a small increase of 1.1 points from last month's 35.9 to presently stand at 37.1.
  - *RBC Expectations Index* posts a minor gain, up by 1.0 points from last month's score of 56.0 to stand at 57.0.
  - The *RBC Jobs Index* has shown small positive movement this month, up one point to 54.5.
  - The *RBC Investment Index*, which now stands at 41.1, also displays a small increase of 0.7 points from last month.
  - The *RBC Inflation Index* continues to decline, down 4.0 points to stand at 70.3 as fuel price pressures continue to weaken.

## RBC Consumer Outlook Index and Sub-Indices August 2011 – July 2012





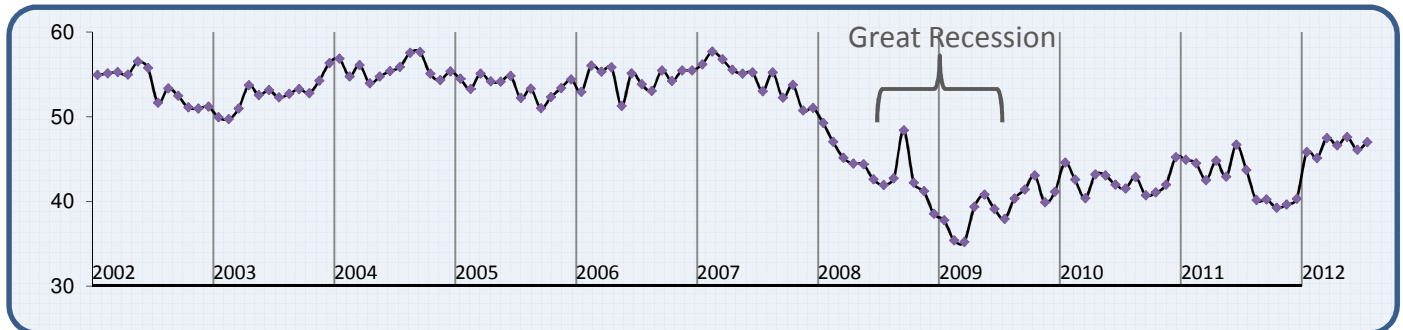
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## Consumer Outlook Index Trend

Graph 1: COI 2002-2012

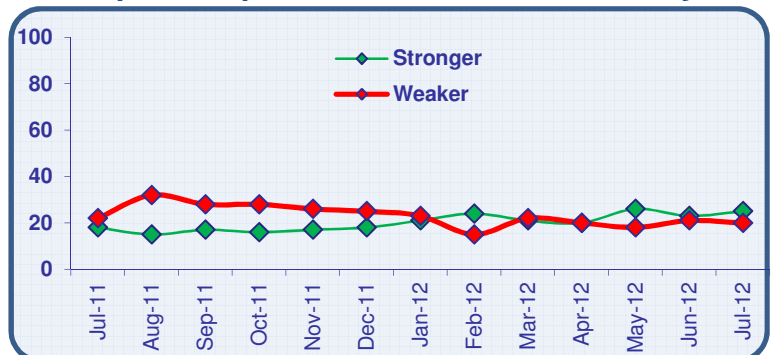


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. We have had a fitful recovery since the great recession (2008 through now). Particularly of note is the brief crash in confidence observed Q3-Q4 of 2011, corresponding with the debt crisis in Washington and the Euro financial crisis. We observed a brief rally in the 1<sup>st</sup> quarter of 2012, but that rally has stalled in Q2 as weakening employment figures and the Euro crisis throttle the recovery.

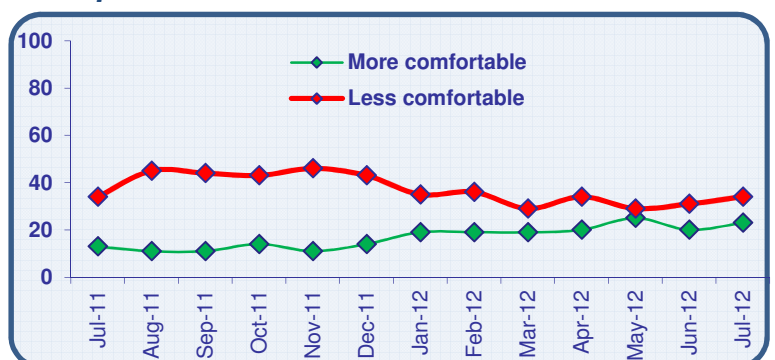
## Detailed Findings of the Consumer Outlook Survey

- This month's small gain in overall consumer confidence is driven by broad based increases in all sectors. However, no sector posts major gains, indicative of an unsettled climate.
  - When asked of their expectations for the strength of their local economy in the next 6 months, 25% of consumers believe it will be stronger while 20% believe it will be weaker (Graph 1).
  - Similarly, 31% of consumers say that they expect their personal finances to be stronger in six months. This is unchanged from last month.
- Along with the improved expectations, consumers are feeling slightly better about their ability to make ends meet.
  - 16% of respondents say they are more comfortable than they were 6 months ago with their ability to make major purchases.
  - 23% of respondents say they feel better about their ability to afford household purchases compared to six months ago. This is 3% higher than last month (Graph 2).

Graph 1: Expectations for Local Economy



Graph 2: Comfort with Household Purchases





# RBC Consumer Outlook Index Findings

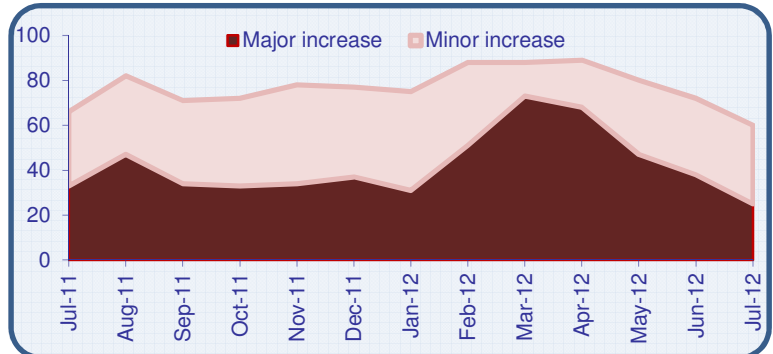
July 2012



## Detailed Findings of the Consumer Outlook Survey, cont.

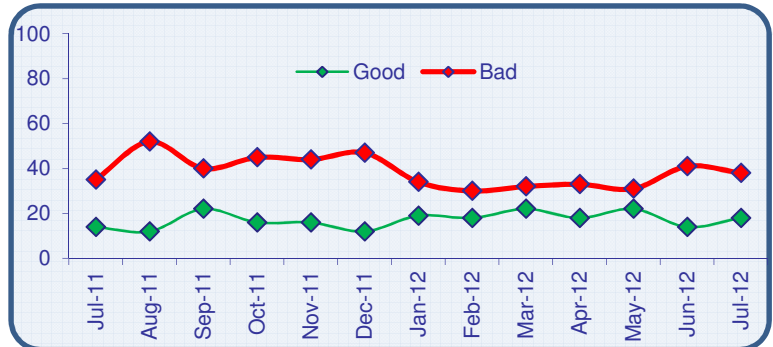
**Graph 3: Gasoline Price Expectations**

- Tempering some of the pain consumers are feeling, they are reporting that they feel significantly diminished pricing pressures.
  - This month, 60% of consumers expect fuel prices to rise. This is down from 72% last month and 89% in April. Particularly noteworthy, the percent expecting a “major” increase is down an additional 12% (Graph 3).
  - Likewise, 74% of consumers expect an increase in food or grocery prices, down from 77% last month.



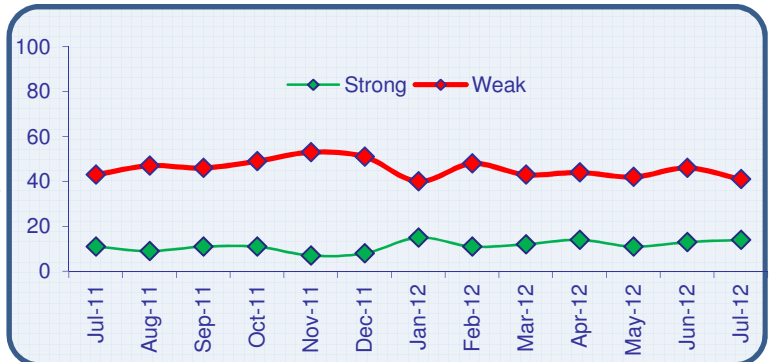
**Graph 4: Invest in the Stock Market**

- However Americans remain very cautious about investing.
  - This month, 18% of respondents say it is a good time to invest in the stock market, down from 22% in April (Graph 4).
  - Additionally, about a third of Americans (34%) say it is a good time to invest in real estate, mostly unchanged from the last few months.



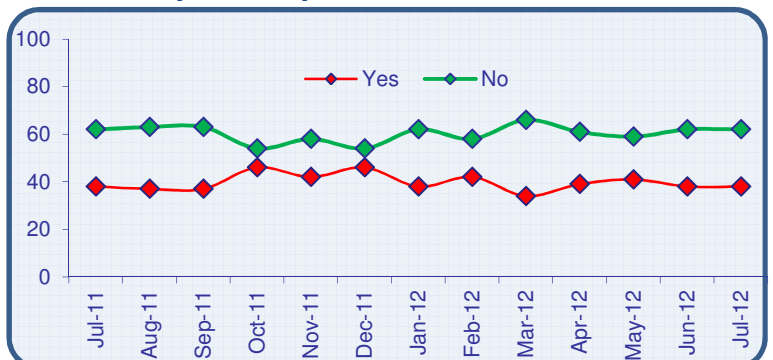
**Graph 5: Personal Financial Health**

- Consumers remain very uneasy about their general financial health.
  - Currently only 14% of consumers rate their personal finances as “strong” while 41% say their personal finances are “weak” (Graph 5).
  - Likewise, only 8% say their communities are financially strong while 49% characterize their local economy as weak.



**Graph 6: Experience with Job Loss**

- Despite the weak unemployment figures, our employment metric has stabilized this month.
  - After two months of increased experience with job loss, July saw stability in direct job-loss experience. This month 38% of Americans continue to report that they or someone in their close circle has lost a job because of economic conditions (Graph 6).





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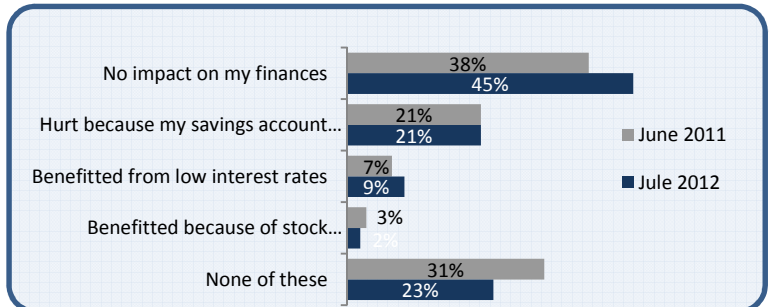
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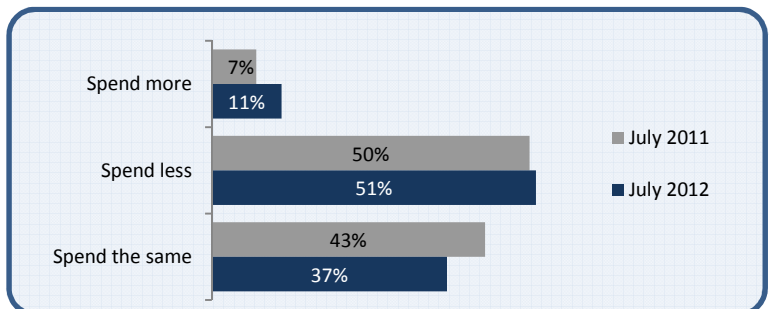
## Detailed Findings of the RBC Custom Questions

- The US Federal Reserve continues to provide support to the economy, most recently with the continuation of “Operation Twist”.
  - However, most Americans (45% no impact, 23% none of these) are not recognizing any impact from these actions by the Fed (Graph 7).
- As the recovery continues in fits and starts, Americans are starting, slowly, to commit to spending more.
  - 11% of Americans say they plan to spend more over the next year, up from 7% in 2011 (Graph 8).
  - In parallel, when asked about the future of the recovery, 25% expect economic prospects to improve, up from 16% in Dec. 2011.
- A dark cloud on the horizon for most consumers is the sunset of the Bush tax cuts.
  - Over half or respondents (61%) say that tax increases would force them to cut back on spending, either to protect savings (37%) or because they have no savings (24%).
  - An additional 8% say they will use debt to subsidize their spending levels (Graph 9).
- However, the continued decline in gas prices certainly help. We again asked consumers how they were spending the money they were saving.
  - Most (49%) say they are putting that money towards other living expenses.
  - Fewer are using it to pay down debts (15%), build up their savings (15%) or spend on other expenses like travel or entertainment (12%) (Graph 10).

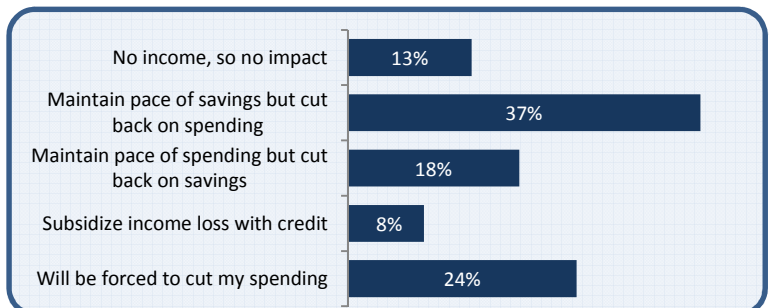
**Graph 7: Impact of “Operation Twist”**



**Graph 8: Spending Plans for the Next Year**



**Graph 9: Impact of Potential Tax Hikes**



**Graph 10: Gas Savings Going Towards:**

