



RBC Consumer Outlook Index Findings

November 2012

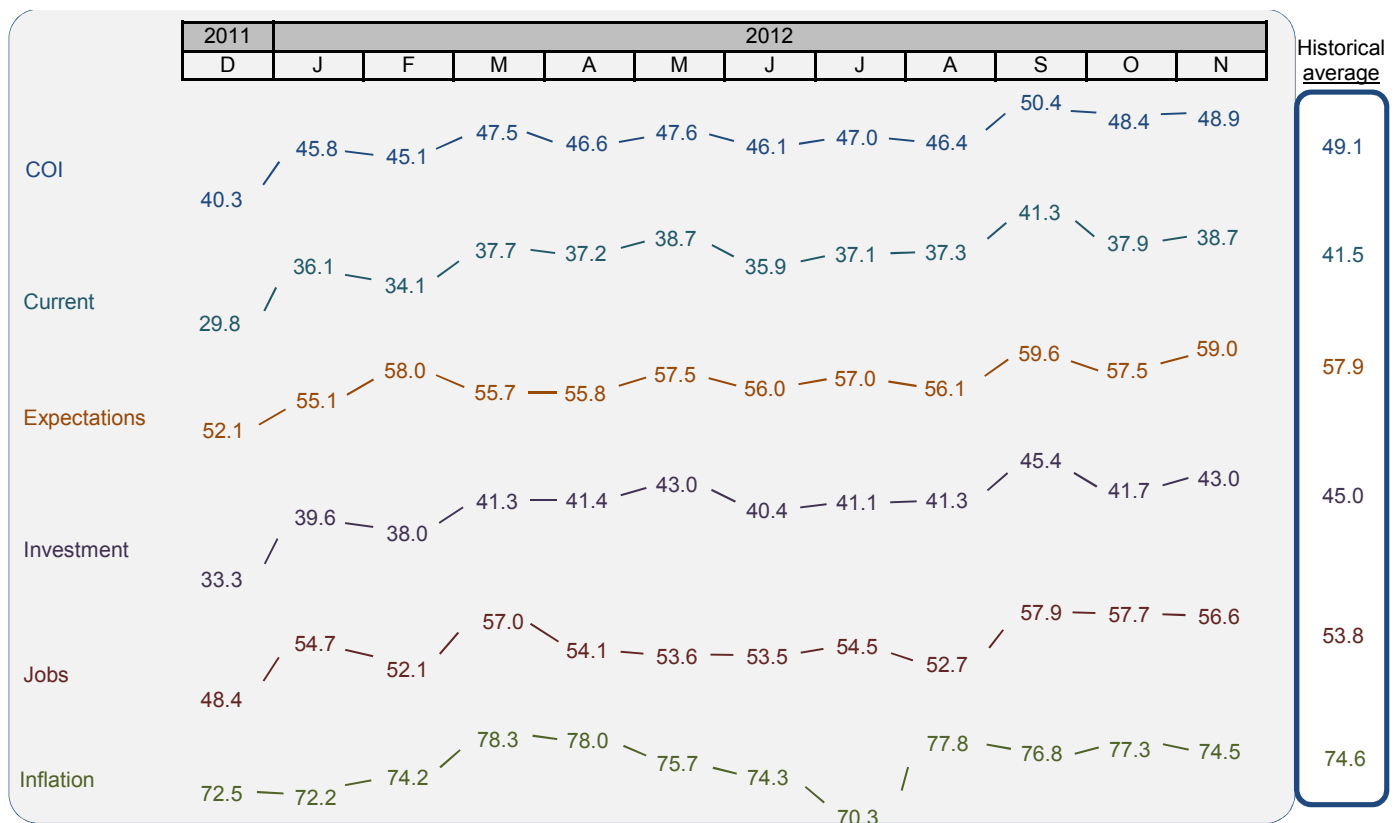


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Consumer Confidence Remains Strong and Steady

- November's data sees consumer confidence remaining steady following the boost reported in September. The 2012 trend remains broadly positive.
- The overall *RBC Consumer Outlook Index* has improved very slightly this month, increasing 0.5 to 48.9. This underlines the sustained improvement in optimism first measured in September, with this month's figure among the highest measured in 2012.
 - Consumers are slightly more optimistic about the situation looking forward, with the *RBC Expectations Index* showing positive movement this month, up 1.5 points to 59.0
 - Reflecting the more positive overall picture, the *RBC Inflation Index* has dropped 2.8 points to 74.5.
 - The *RBC Investment Index* has also seen improvement, up 1.3 points to 43.0
 - The *RBC Jobs Index* is the only measure that has seen decline since last month, down 1.1 points to 56.6. While this rating has dropped slightly the last two months, it still remains higher than recent months have seen, and higher than the historical average of 53.8.
 - The current situation appears slightly improved for consumers: the *RBC Current Conditions Index* posts a slight improvement of 0.8 to 38.7, although this still represents a drop from September's high rating of 41.3.

RBC Consumer Outlook Index and Sub-Indices December 2011 – November 2012





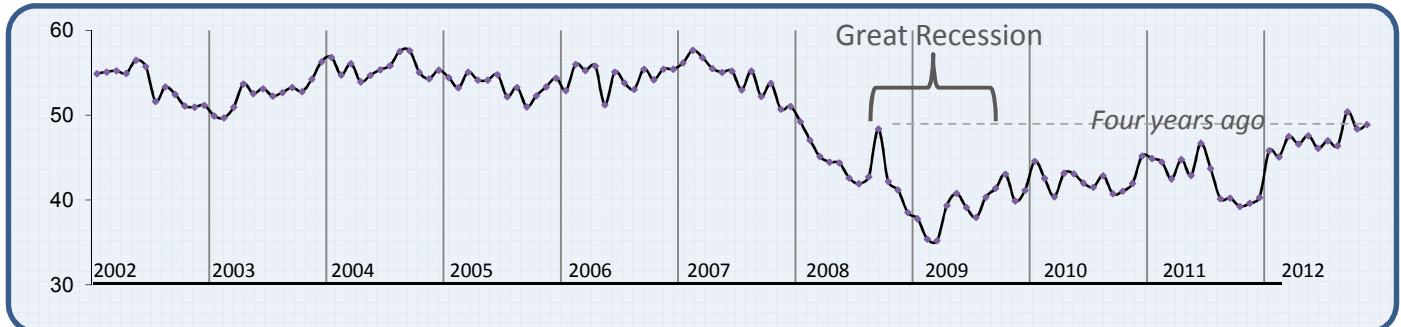
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Consumer Outlook Index Trend

Graph 1: COI 2002-2012



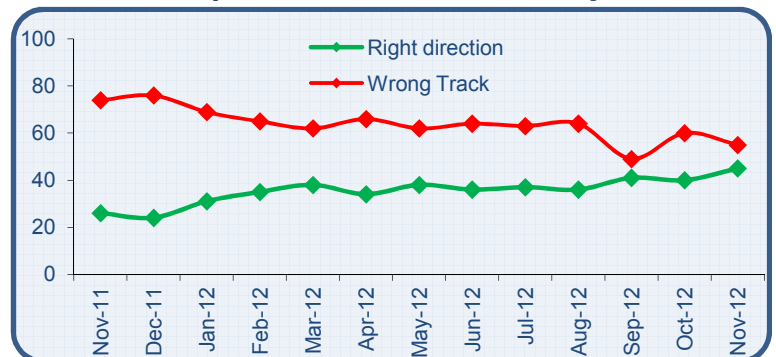
- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and what we can now call steady improvement overall over the course of 2012. Overall the trend since Q1 2009 has been for fitful improvement of consumer confidence.

Detailed Findings of the Consumer Outlook Survey

- The context for the Indices and analysis of Consumer Outlook are critical, and the 'direction of country' question is tracked for exactly this reason. Graph 2 illustrates clearly that public optimism about the direction of the country is improving

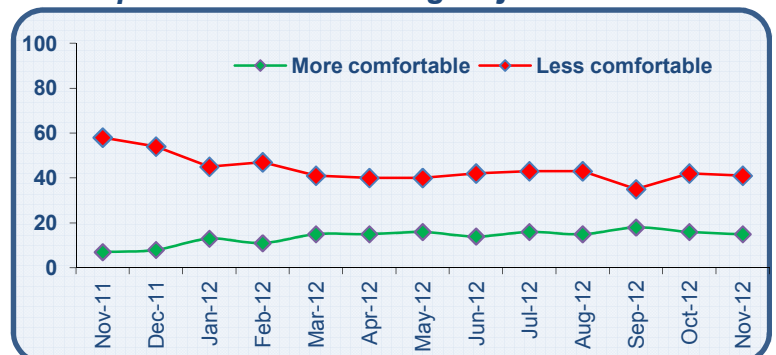
- This month, 45% believe things are going in the 'right direction', an increase of 5 points since October
- While over half (55%) believe things are on the 'wrong track', this figure has come down significantly from a high of 76% measured in 2011

Graph 2: Direction of Country



- There has been no change at all in the public's confidence about job security, although there has been a small up-tick in the proportion who report that they or someone in their close circle has lost a job because of economic conditions (now 35% from 32% last month)
- Across the board, there has been little change in terms of consumer decisions around purchasing behaviors.
- Graph 3 illustrates the steadiness of this trend over time, and this is also reflected in purchasing behavior for other products, such as smaller purchases for the home.

Graph 3: Comfort Making Major Purchases





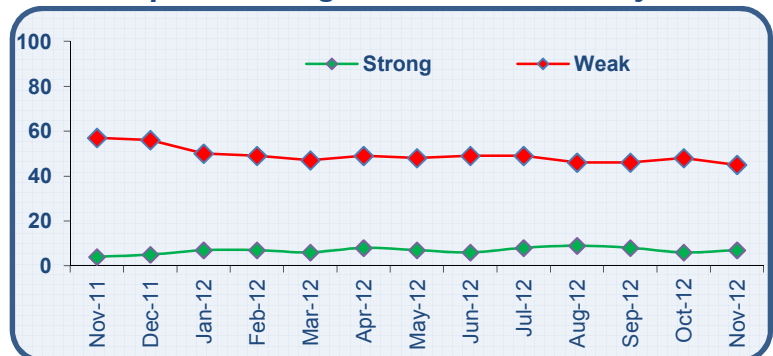
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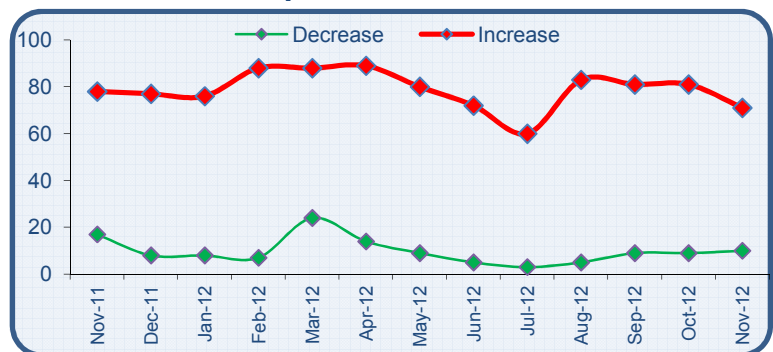
Detailed Findings of the Consumer Outlook Survey, cont.

Graph 4: Strength of Local Economy

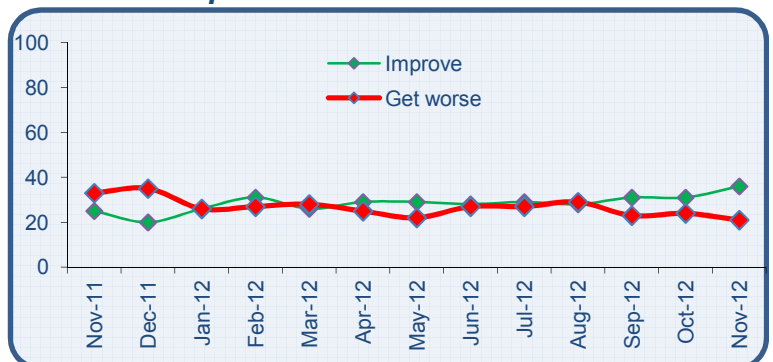


- When asked about the strength of the local economy, only a very small proportion (7%) rate it as strong, but the proportion rating it 'weak' has declined 3 points (to 45%), underlining a very slow but steady drop in the latter measure since November 2011 (Graph 4).
- Indeed, there is optimism about the local economy looking forward, with a jump of 5 points (from 23% to 27%) in consumers who believe it will be stronger in the next six months.
- This month's improvement to the *Expectations Index* in part reflects consumer optimism about diminished pricing pressure at the pump.
 - This month, 71% of consumers expect fuel prices to rise which – while high – is down from 81% last month and 89% in April (Graph 5). Particularly noteworthy, the percent expecting a "major" increase dropped 8 points, from 44% to 36%.
 - Likewise, 78% of consumers expect an increase in food or grocery prices, down from 84% last month.
- The improvement seen in this month's overall COI as well as the improvement in the *Expectations Index* is underpinned in large part by an improvement in the number of consumers who generally feel that the US economy and their own financial situation will improve in the next year or so, up 5 points to 36% (Graph 6). This marks the highest rating for this metric since the Index early 2010.
- This month, in advance of the election next week, the public were asked about the issues most important to them when deciding how to vote. Economic issues top the list, with jobs and employment (37%) the leader, but taxation and the deficit also deemed important (Graph 7).

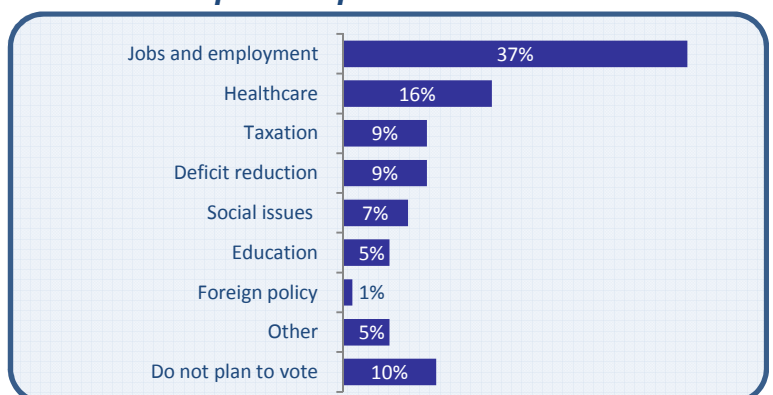
Graph 5: Gas Prices



Graph 6: Outlook for Next Year



Graph 7: Top Issues for Voters





RBC Consumer Outlook Index Findings

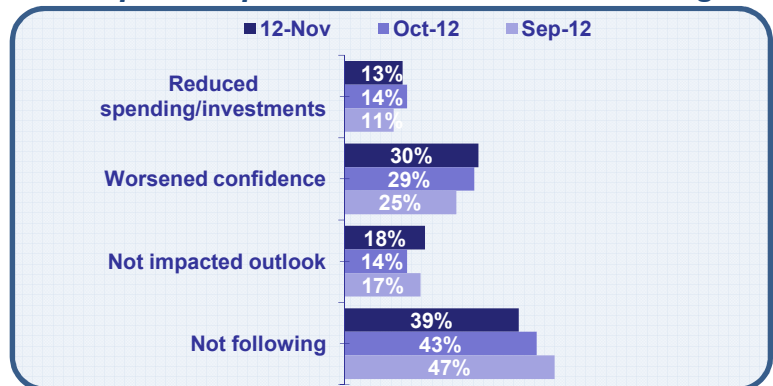
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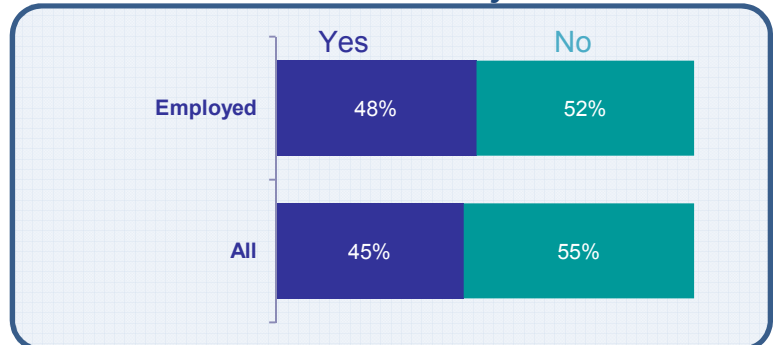
Detailed Findings of the RBC Custom Questions

- Public awareness of the “fiscal cliff” continues to improve. For the past three months that we have tracked this issue, the proportion of the public unaware of the “fiscal cliff” declines, and it is now at just two in five (39%).
 - The figures are starker among stock owners, with just one in five (20%) who now say they have not been paying attention or following the “fiscal cliff” issue closely, down from 26% last month, 32% in September, and 44% in June.
- Three in ten overall now report it has worsened their confidence in the US recovery, and 13% that it has impacted their spending and investments (Graph 8).
- Almost one in five (18%) indicate that the fiscal cliff has not impacted on their outlook, up four points (to 18%) since last month.
- About equal numbers of employed Americans are aware and unaware that the fiscal cliff means it is likely their take-home pay will decrease by 2% in 2013, with just over half (52%) unaware of this issue (Graph 9).
- When it comes to changing spending plans in anticipation of the fiscal cliff, it is clear that consumers are adjusting their planned spending habits. A majority of consumers (56%) have significantly or slightly decreased their current spending, and more (57%) plan to decrease their holiday spending (Graph 10).
- Very few will be increasing their spending (7% are doing so currently and 10% plan to for the holidays), and around a third will not be making adjustments to their spending in anticipation of the fiscal cliff.

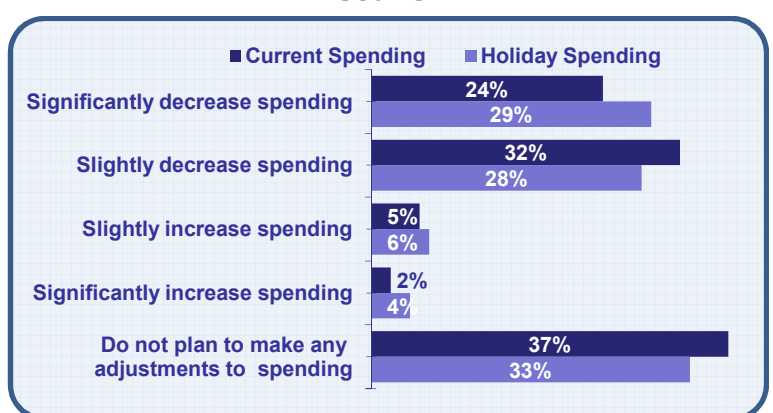
Graph 8: Impact of Fiscal Cliff on Investing



Graph 9: Awareness of Fiscal Cliff's Impact on Take-Home Pay



Graph 10: Spending Adjustments ahead of the Fiscal Cliff



The RBC Consumer Outlook Survey and Index are conducted and calculated by Ipsos Public Affairs. The information contained herein has not been independently verified by RBC Capital Markets.

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