



RBC Consumer Outlook Index Findings

December 2012

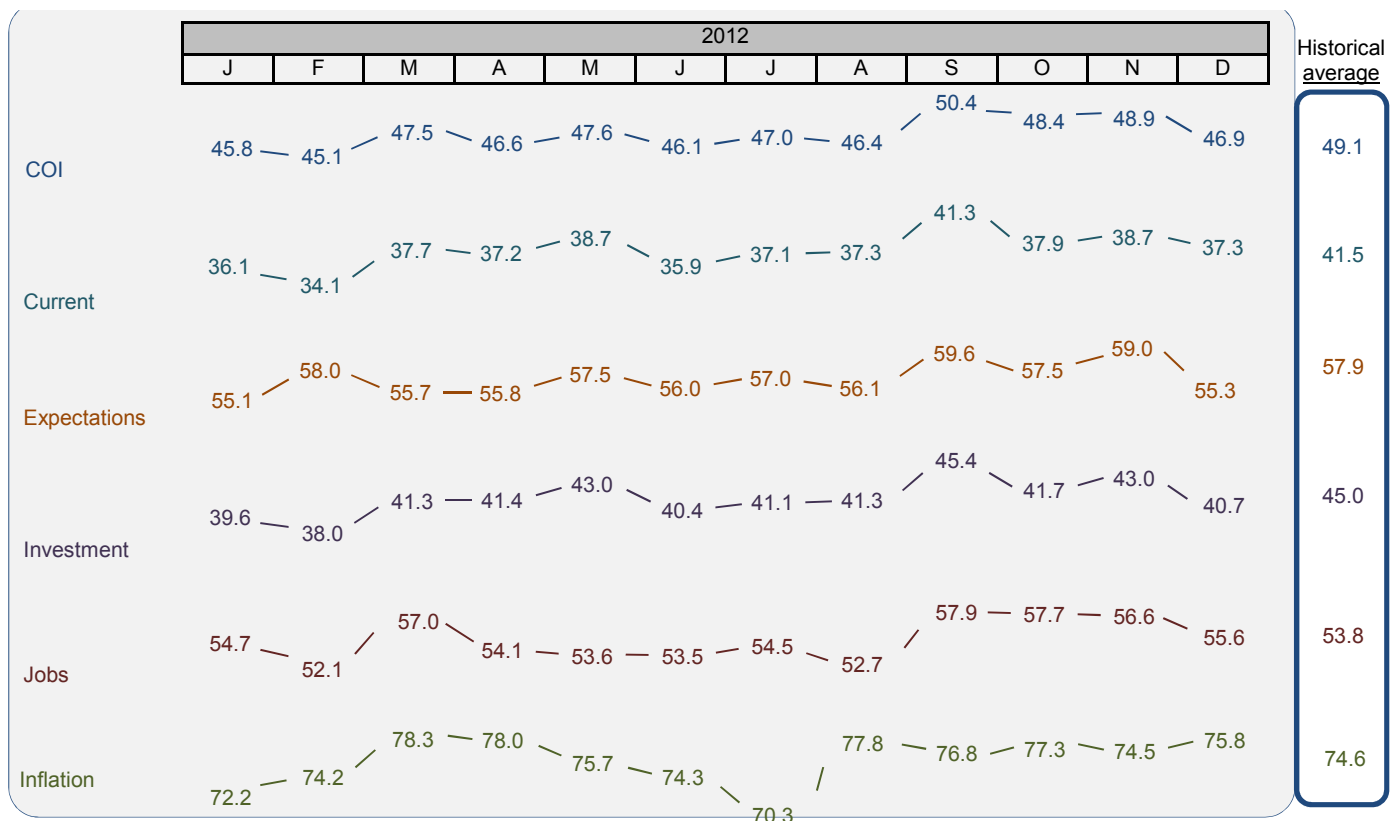


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Consumer Confidence Dips as Fiscal Cliff Nears

- December's data shows a down-tick in consumer outlook as we enter the holiday season and near the fiscal cliff. This appears to be driven in large part by pessimism in terms of the broad economic outlook for the next 6-12 months; people anticipate being able to spend less, are less confident about their personal finances, and are less optimistic about the US economy. Increased press coverage of the fiscal cliff and upcoming decisions by lawmakers are likely to play a role in shifting public attitudes and declining public confidence as well.
- The overall *RBC Consumer Outlook Index* sees consumer confidence down two points from last month, a substantial drop from the high recorded in September. The COI now sits at 46.9, in line with findings from July and August this year.
 - The *RBC Expectations Index* shows the largest drop, from 59.0 to 55.3, a significant 3.7 point decline. This reflects public wariness about the next 6-12 months and an increasing concern about both personal and local area finances.
 - The *RBC Investment Index* has also declined significantly, down 2.3 points to 40.7.
 - The *RBC Jobs Index* has dropped one point to 55.6, reflecting a down-tick in the recently more steady measure.
 - The *RBC Current Conditions Index* posts a decline of 1.4 points to 37.3
 - Similarly, the *RBC Inflation Index* has increased 1.3 points to 75.8.

RBC Consumer Outlook Index and Sub-Indices January 2012 – December 2012





RBC Consumer Outlook Index Findings

December 2012



Consumer Outlook Index Trend

Graph 1: COI 2002-2012

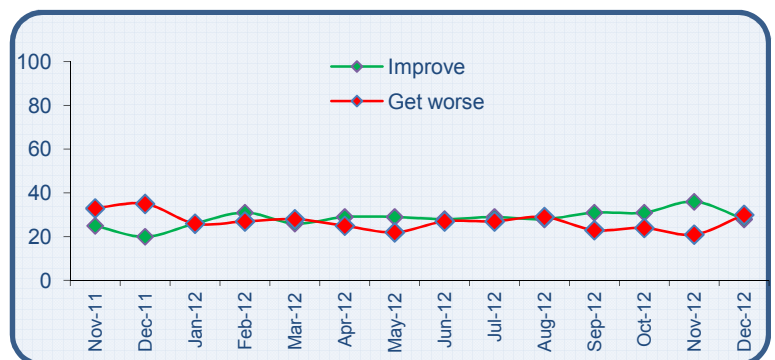


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement over the course of 2012, which now appears to be declining again as we near the fiscal cliff. Overall the trend since Q1 2009 has been for fitful improvement of consumer confidence.

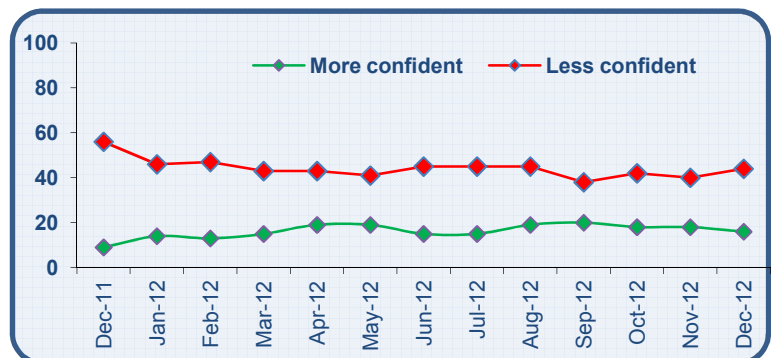
Detailed Findings of the Consumer Outlook Survey

- Overall, this month sees increasing pessimism across the board when looking towards the future. This is exemplified by responses to the question asking broadly about personal and US optimism for the next year, which sees an increase of 9 points (21% to 30%) in the proportion who feel things are getting worse (see Graph 2).
- This theme is reflected throughout this month's report and in this month's drop in the *Expectations Index*; consumers have ticked back in a negative direction when it comes to their own economic future.
 - 44% (up from 40% last month) now say they are 'less confident' about their ability to invest in the future (see Graph 3)
- There is less change since last month, however, in consumer attitudes to current purchases, and no significant change in consumer confidence about job security.
- This month sees a small increase (from 28% to 31%) in the proportion of consumers currently worried about losing their job
- The December survey sees little change in current ratings of personal financial situations and local area economy.

Graph 2: Outlook for Next Year



Graph 3: Confident in Ability to Invest in Future





RBC Consumer Outlook Index Findings

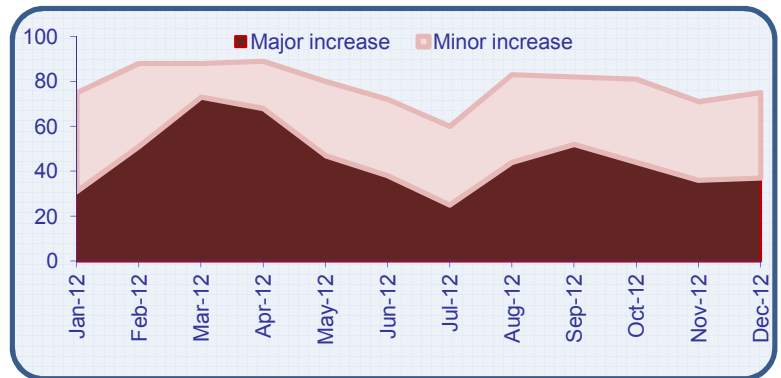
December 2012



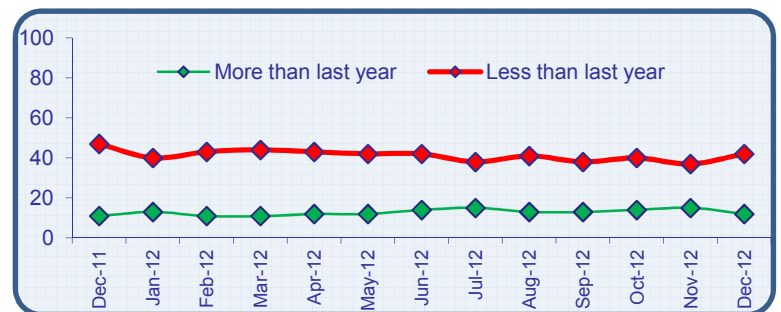
Detailed Findings of the Consumer Outlook Survey, cont.

- There has been no significant change in consumer views on whether it is a good or bad time to invest in stocks or real estate.
- Similarly, there has been no notable change in expectations for the next 12 months about the prices of homes, food, electronics, or durable goods.
- There has been a four point (from 71% to 75%) increase, however, in the proportion of consumers who believe gas prices will go up (see Graph 4).
- In addition, this month's data finds a five-point increase in the proportion who say they will be spending **less** than last year on major purchases such as cars, household appliances, or vacations.
- Perhaps because of the increased media coverage of the fiscal cliff and the accompanying information about its impact on taxation, interest rates, inflation, and other economic metrics, the public believe that both interest rates and inflation are set to increase:
 - 41% now believe interest rates will rise in the next six months (up three points from 38% last month)
 - Three in five (60%) consumers now believe inflation will increase over the next five years, up seven points from 53% since last month (see Graph 6)
- The public are also worried about their own pocketbooks. Over one in five (22%) consumers now expect their personal finances to be weaker six months from now (see Graph 7), a fairly substantial increase of five points since last month.
- This pessimism extends from the home to local communities as well. Almost a quarter (24%) expect the economy in their local area to be weaker six months from now, an increase of seven points since November (see Graph 8 overleaf).

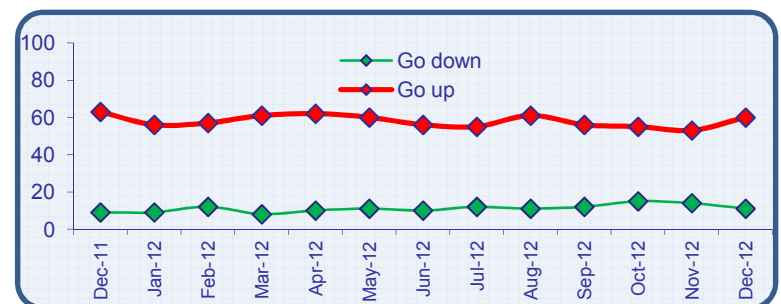
Graph 4: Gasoline Price Expectations



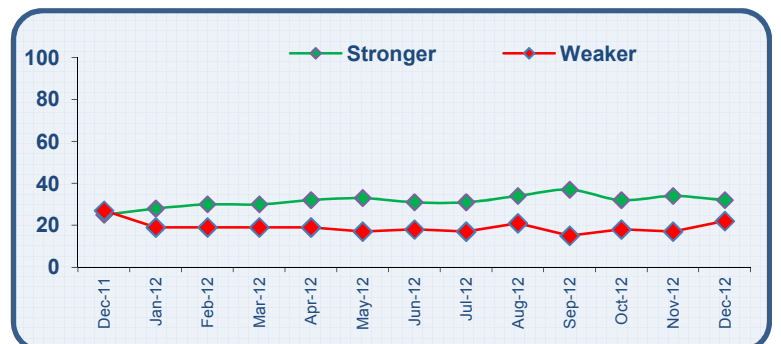
Graph 5: Spending on Major Family Purchases in Next 6 Months



Graph 6: Inflation in Next 5 Years



Graph 7: Expectations about Personal Finances





RBC Consumer Outlook Index Findings

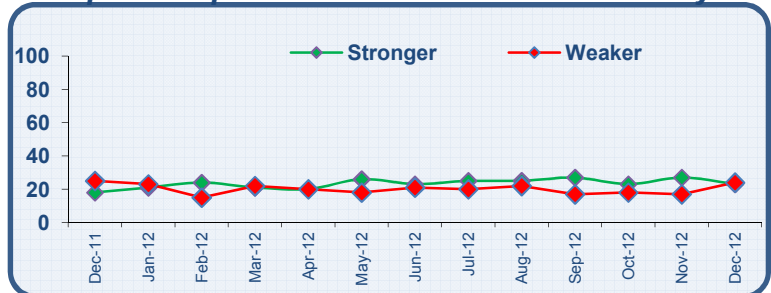
December 2012



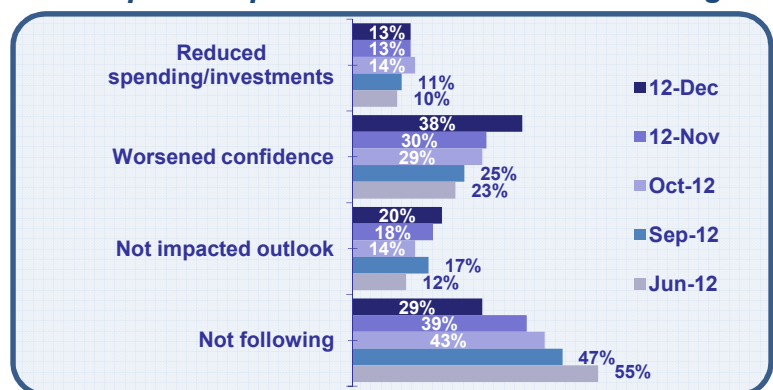
Detailed Findings of the RBC Custom Questions

- Public awareness of the “fiscal cliff” is improving continuously. Just six months ago in June, over half of consumers had not been following the issue, and that figure has now nearly halved to 29%.
 - The figures even better among stock owners, with just 17% now saying they have not been following the fiscal cliff issue closely, down from 44% in June.
- Importantly, almost two in five (38%) consumers now indicate that the fiscal cliff has worsened their confidence in the US recovery, and 13% that it has impacted their spending and investments (Graph 9).
- Proximity to the fiscal cliff also means that consumers are increasingly aware of its potential impacts; over half (55%) now say they are aware of its likely impact on their pay – and this increases to 58% among those with jobs (see Graph 10).
- However, this doesn’t mean that the public are improving on their overall financial fluency; over half (52%) of Americans are not familiar with the concept of “mortgage interest deductibility”, and a third of stock owners say the same (Graph 11).
- This month’s survey also included a question on interest in purchasing Tablets or PCs during the holiday season:
 - A third (33%) of consumers are interested in purchasing a Tablet, and the most popular model is the iPad, followed by the Amazon Kindle and Samsung products.
 - A quarter (27%) of consumers are interested in purchasing a PC, with Hewlett Packard and Dell the most popular manufacturers.

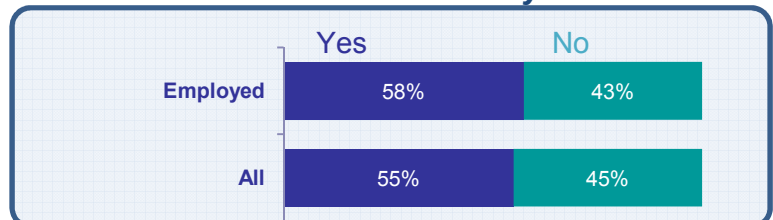
Graph 8: Expectations about Local Economy



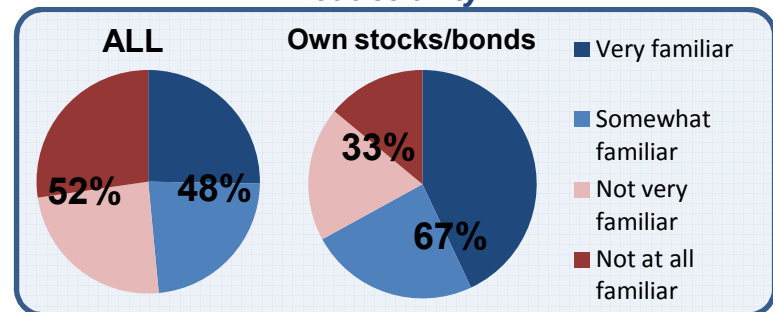
Graph 9: Impact of Fiscal Cliff on Investing



Graph 10: Awareness of Fiscal Cliff’s Impact on Take-Home Pay



Graph 11: Familiarity with “Mortgage Interest Deductibility”



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.

For questions, comments or concerns, please contact Julia Clark with Ipsos: (o) 202.463.3623. julia.clark@ipsos.com or Kaitlin Conetta with RBC: (o) 212.428.6409. kait.conetta@rbccm.com