



RBC Consumer Outlook Index Findings

January 2013

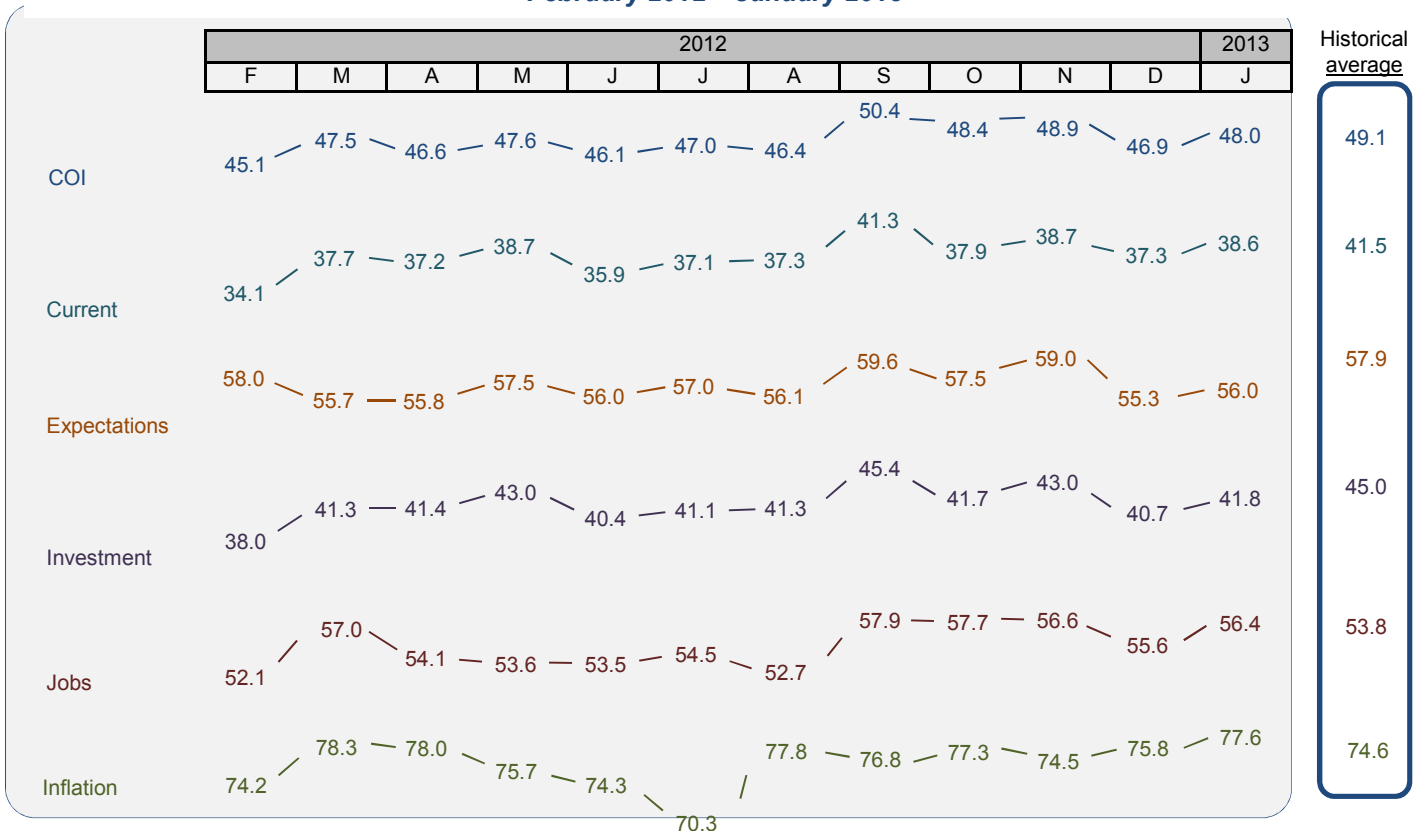


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Moderate Recovery in the New Year

- As we enter the New Year, the first *RBC Consumer Outlook Index* of the year shows small improvements across the board in consumer outlook. This is likely related in part to the resolution of the fiscal cliff issue early in 2013. While the improvements are moderate, this shift in views does signal that American consumers are entering 2013 with an overall improved economic outlook.
- The overall *RBC Consumer Outlook Index* sees consumer confidence up 1.1 points to 48.0.
 - The *RBC Current Conditions Index* shows positive movement of 1.3 points to 38.6, among the highest ratings of the past 12 months. This in particular likely reflects public optimism about the fiscal cliff resolution.
 - The *RBC Investment Index* has also improved, up 1.1 points to 41.8.
 - The *RBC Jobs Index* posts a positive change, up 0.8 to 56.4. This brings it back in line with the more optimistic ratings found on this measure in the autumn of 2012.
 - The *RBC Expectations Index* shows some recovery from last month's large drop, up 0.7 points to 56.0.
 - Finally, the *RBC Inflation Index* shows that consumers continue to feel the burden of pricing pressures. The Inflation Index posts an increase of 1.8 points to stand at 77.6.

RBC Consumer Outlook Index and Sub-Indices February 2012 – January 2013





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Consumer Outlook Index Trend

Graph 1: COI 2002-2013

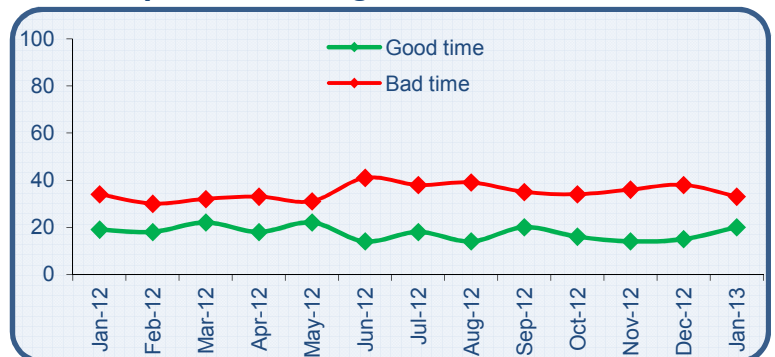


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement over the course of 2012, which now appears to be steadying as we enter 2013. Overall the trend since Q1 2009 has been for fitful improvement of consumer confidence.

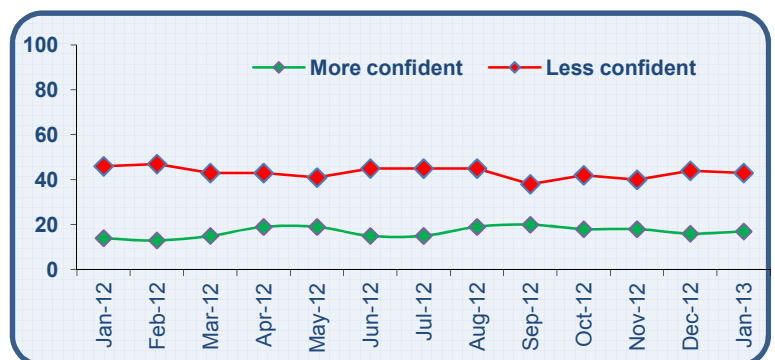
Detailed Findings of the Consumer Outlook Survey

- Reflecting the overall improvement in the *Consumer Outlook Index*, public optimism about the direction of the country remains fairly steady, with 41% believing things are 'heading in the right direction' and 59% that things are 'off on the wrong track'.
- The New Year sees a jump of 5 points (from 15% to 20%) in the proportion of consumers who believe the next 30 days will be a good time to invest in the stock market (see Graph 2). This is likely related to the fiscal cliff resolution.
- Similarly, there has been a three-point increase in the proportion of consumers who feel the next 30 days will be a good time to buy real estate (from 27% to 30%).
- This is reflective of this month's improvement of just over one point in the *RBC Expectations Index*; consumers may be looking at 2013 with more favorable eyes than they saw 2012.
 - The proportion confident in their ability to invest in the future (see Graph 3) remains steady since last month, with 17% saying they are more confident and 43% less confident.

Graph 2: Investing in the Stock Market



Graph 3: Confident in Ability to Invest in Future





RBC Consumer Outlook Index Findings

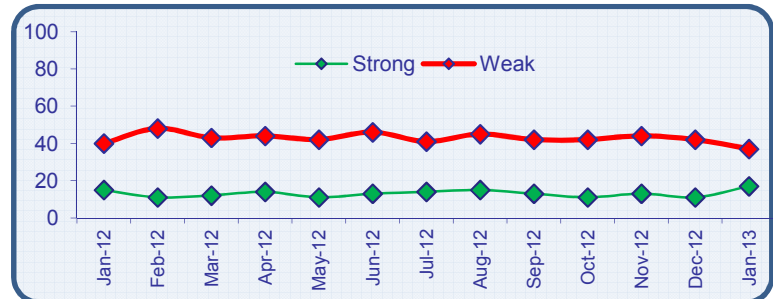
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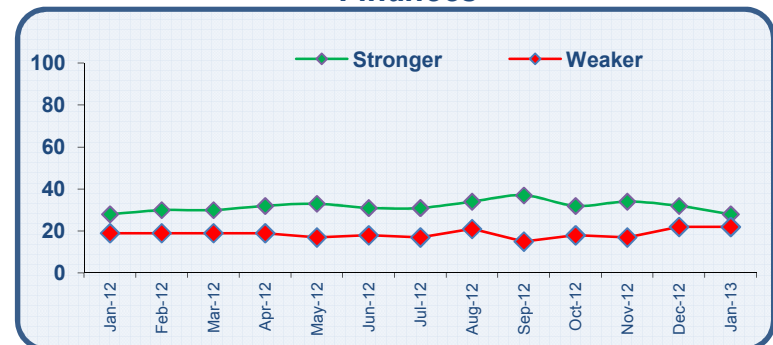
Detailed Findings of the Consumer Outlook Survey, cont.

- There has been a notable, 6-point improvement in the proportion of consumers who rate their own current financial situation as 'strong', from 11% to 17% (see Graph 4). This is the highest rating for this question that we have measured since tracking began in 2010.
- However, current confidence does not necessarily imply certainty about the future; public optimism about personal finances in six months have dropped four points to 28% (see Graph 5).
- When thinking about their local area, ratings of the current state of the economy remain fairly steady. The proportion rating the economy in their local area as 'strong' has increased to 10% (also the highest rating for this question since tracking began in 2010), an improvement of 2 points from last month.
- This month's *Employment Confidence Index* also shows a small up-tick. Driving this change is the drop of four points in the number of Americans currently worried about losing their job or being laid off – from 31% last month to 27% now (see Graph 6).
 - The proportion of consumers who report knowing someone who has lost a job as a result of economic conditions has dropped 2 points, from 36% to 34%. This change is not statistically significant, but represents the second-lowest figure recorded for this measure since 2010 (the lowest was in October 2012).
- There have been no notable changes in expectations for the next 12 months about the prices of homes, gasoline, electronics, or durable goods. However, there has been a three-point increase overall in the proportion of consumers who believe the prices of food and groceries will go up (see Graph 7).

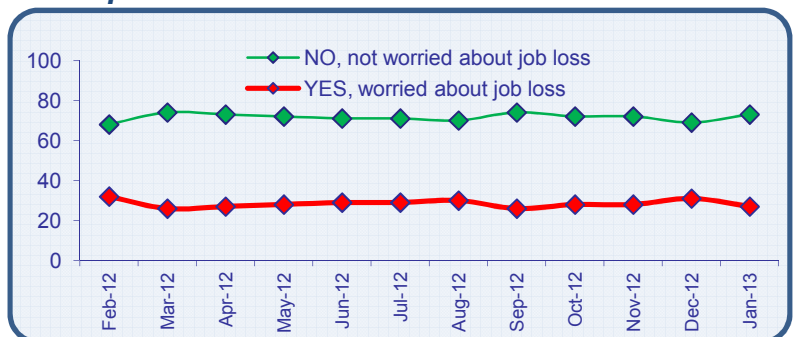
Graph 4: Current Personal Financial Situation



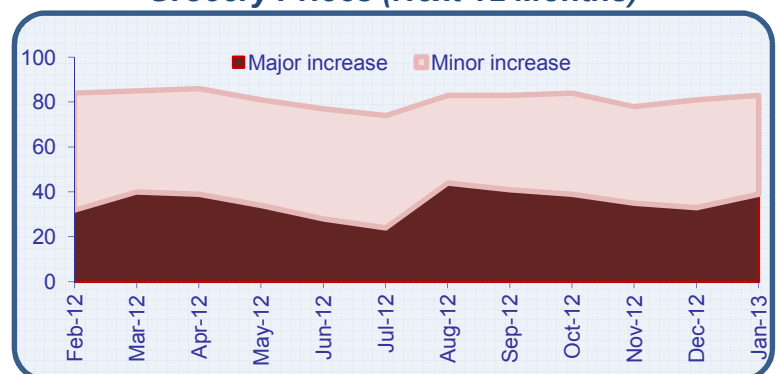
Graph 5: Expectations about Personal Finances



Graph 6: Current Concern about Job Loss



Graph 7: Expectations about Food and Grocery Prices (Next 12 Months)





RBC Consumer Outlook Index Findings

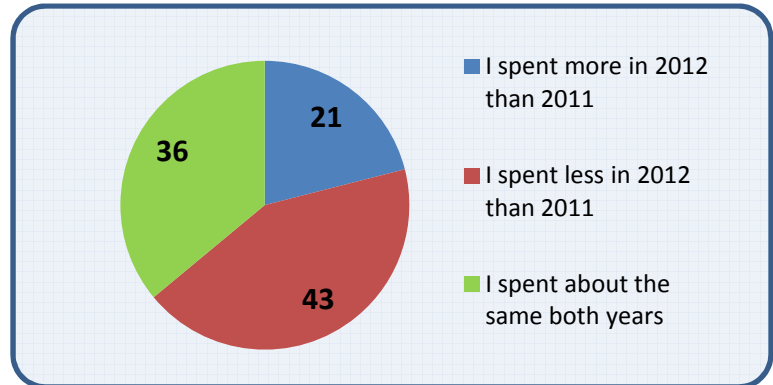
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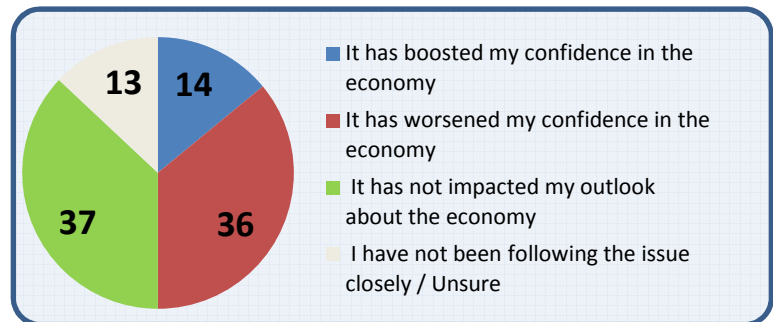
Detailed Findings of the RBC Custom Questions

- On average, people spent less this holiday season (in 2012) than they spent in 2011 – and about a third spent the same amount both years (see Graph 8).
 - Consumers in the highest income bracket (\$75k+) are more likely than middle-income consumers to have spent more in 2012.
- Over a third (36%) feel that the fiscal cliff resolution has worsened their confidence in the economy, and the same proportion (37%) indicate it has not impacted their outlook. One in seven (14%) say it has boosted their confidence in the economy, and the remainder (13%) are unsure (see Graph 9).
 - Those who feel more confident as a result of the resolution are more likely to be male, younger, those in higher income brackets, those with children, and those with at least a college degree.
- This month, the survey also included a question on consumer awareness of the impact on pay of the fiscal cliff resolution. Prior to the resolution, last month's data showed that 55% of the public (and 58% of employed Americans) were aware of the fiscal cliff's likely impact on their take-home pay. Now almost seven in ten (69%) indicate awareness of this issue (see Graph 10).
 - Among those who were aware of the issue, a majority (57%) plan to reduce their spending as a consequence, and a quarter (26%) will not be adjusting their spending behavior.
 - Among those unaware of the issue, under half (46%) will be reducing their spending as a consequence.

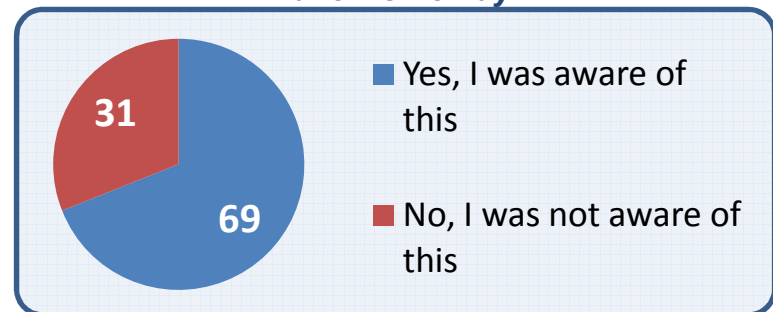
Graph 8: 2011 vs. 2012 Holiday Shopping



Graph 9: Attitudes towards Fiscal Cliff Resolution



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



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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