RBC Consumer Outlook Index Findings

February 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.

Continued Increases in Consumer Optimism

- With the resolution of the fiscal cliff issue and recent Presidential inauguration, February shows strong improvement in consumer outlook. The second *RBC Consumer Outlook Index* of the year shows a substantial bump overall, and this carries over to some of the key sub-indices as well. This data builds on the moderate improvements found last month, and reinforce the notion that American consumers are entering 2013 with an overall improved economic outlook.
- The overall *RBC Consumer Outlook Index* sees consumer confidence up 1.5 points to 49.5.
    - The *RBC Investment Index* posts a very large jump of 3.4 to 45.2, the second-highest figure recorded so far on this measure.
    - The *RBC Current Conditions Index* shows a large increase of 2.8 points to 41.4. This is the highest rating ever posted for this metric, 0.1 point higher than September's previous record.
    - The *RBC Expectations Index* also shows significant improvement, up 2.0 points to 58, indicating substantial public optimism about the economy looking forward in 2013.
    - *The RBC Inflation Index* shows modest improvement, with a decline of 1.2 points to 76.4.
    - The *RBC Jobs Index* is the one measure to post a negative shift since January, dropping 1.1 points to 55.3.

RBC Consumer Outlook Index and Sub-Indices

March 2012 – February 2013

	2012										2013		Historical average
	M	A	M	J	J	A	S	O	N	D	J	F	
COI	47.5	46.6	47.6	46.1	47.0	46.4	50.4	48.4	48.9	46.9	48.0	49.5	49.1
Current	37.7	37.2	38.7	35.9	37.1	37.3	41.3	37.9	38.7	37.3	38.6	41.4	41.5
Expectations	55.7	55.8	57.5	56.0	57.0	56.1	59.6	57.5	59.0	55.3	56.0	58.0	57.9
Investment	41.3	41.4	43.0	40.4	41.1	41.3	45.4	41.7	43.0	40.7	41.8	45.2	45.0
Jobs	57.0	54.1	53.6	53.5	54.5	52.7	57.9	57.7	56.6	55.6	56.4	55.3	53.8
Inflation	78.3	78.0	75.7	74.3	70.3	77.8	76.8	77.3	74.5	75.8	77.6	76.4	74.6

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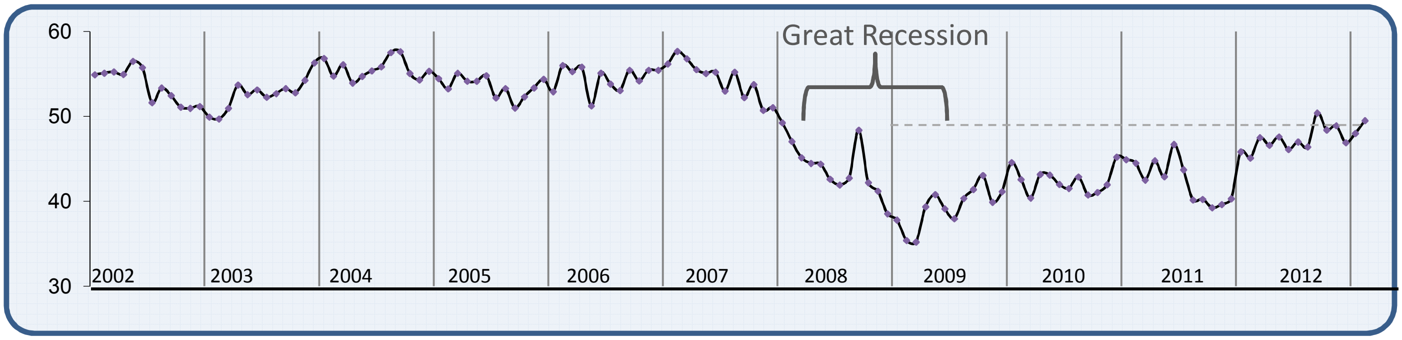
Consumer Outlook Index Trend

Graph 1: COI 2002-2013

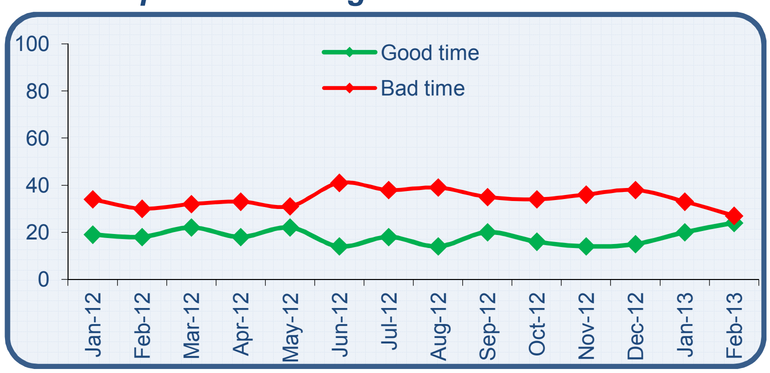


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement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

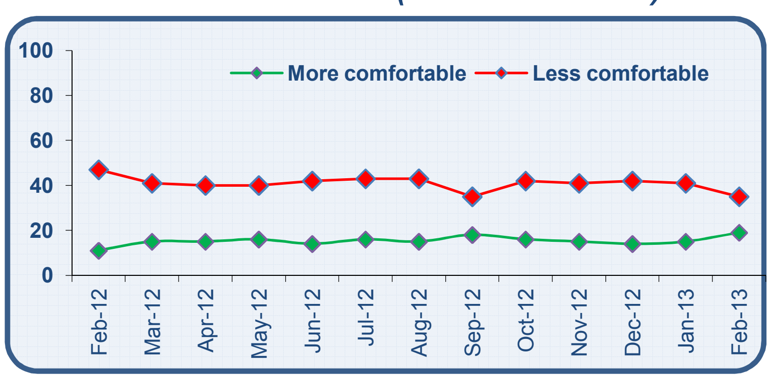
Detailed Findings of the Consumer Outlook Survey

- Reflecting the overall improvement in the *Consumer Outlook Index*, public optimism about the direction of the country has jumped four points, with 45% (up from 41% last month) believing things are 'heading in the right direction' and 55% that things are 'off on the wrong track'.
- This month's *RBC Investment Index* increase of 3.4 points suggests that investors are looking favorably at the current market. This is reflected in February's data on stock market investment prospects, with 24% indicating that they feel the next 30 days will be a good time to invest in the stock market (see Graph 2).
    - This represents a total of a ten point increase for this measure since November 2012.
- The *RBC Current Conditions Index* also posts a strong increase. Optimism is up among consumers when they consider making a major purchase decision like a home or car: 19% now say they are more comfortable making this decision than they were six months ago (up four points from last month). This is the highest figure we have seen on this measure since tracking began (see Graph 3).

Graph 2: Investing in the Stock Market



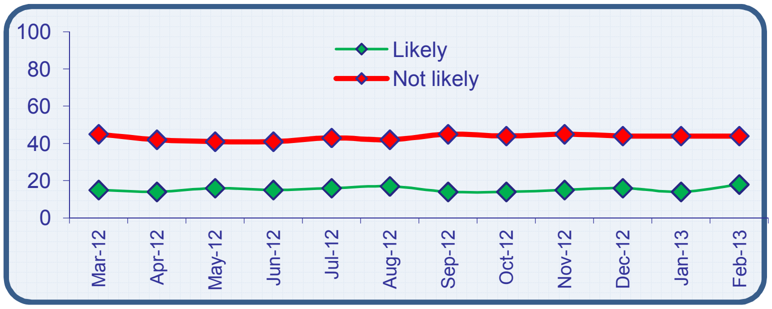
Graph 3: Current Comfort with Making Major Purchase Decision (like car or home)



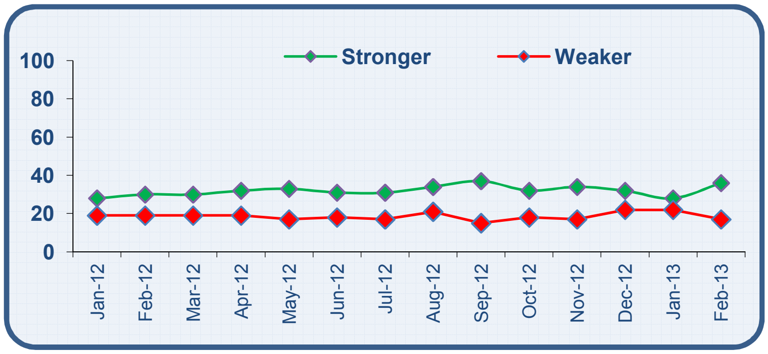
Detailed Findings of the Consumer Outlook Survey, cont.

- When considering current conditions, there is also confidence in job security compared to six months ago, with 21% now more confident on this measure, up four points from 17% in January.
- However, the future looks less certain on this issue, with the *RBC Employment Index* dropping about a point, and the percentage who believe it is likely they or someone they know will lose their job in the next six months up four points to 18% (see Graph 4).
    - Two in five (39%) now also report knowing someone who has lost a job in the last six months, up 5 points since last month.
- In general, however, consumer ratings of current finances are steady or slightly improved compared to January 2013.
- Expectations about the next six months are very optimistic, in line with the two point jump in this month's *RBC Expectations Index.*
- There has been a notable eight-point increase in the proportion of consumers who believe their personal finances will be stronger in the next six months (see Graph 5). Similarly, the public expect the economy in their local area to improve over the next six months as well; this measure has increased five points from 23% to 28% (see Graph 6).
- This reflects a broader optimism about the long term, with 32% of consumers believing that the US economy and their own financial situation will improve in the next year or so, an increase of five points since last month.
- 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 is more variability in the measure for food and grocery prices, which has dropped down four points from last month to 79% (see Graph 7).

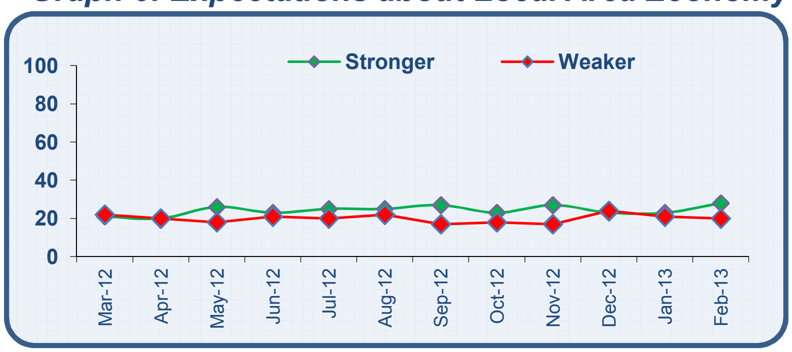
Graph 4: Expectations about Job Loss



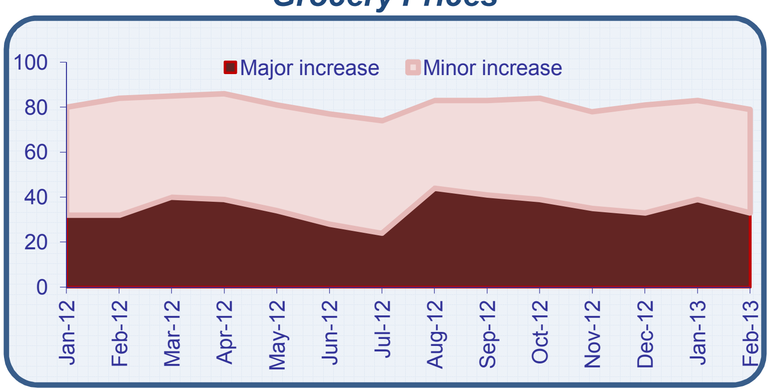
Graph 5: Expectations about Personal Finances



Graph 6: Expectations about Local Area Economy



Graph 7: Expectations about Food and Grocery Prices



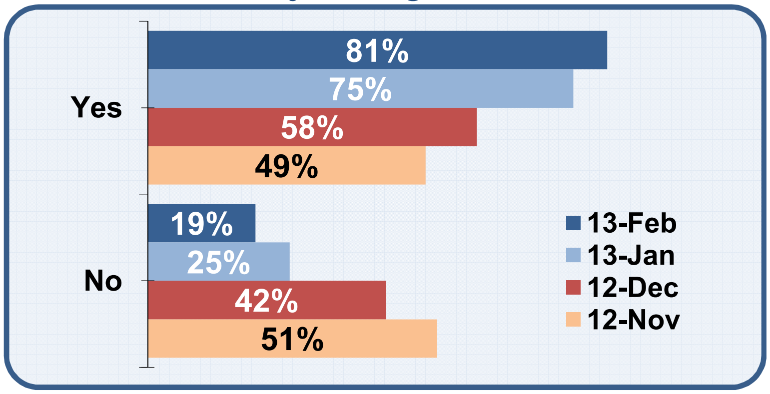
RBC Consumer Outlook Index Findings

February 2013

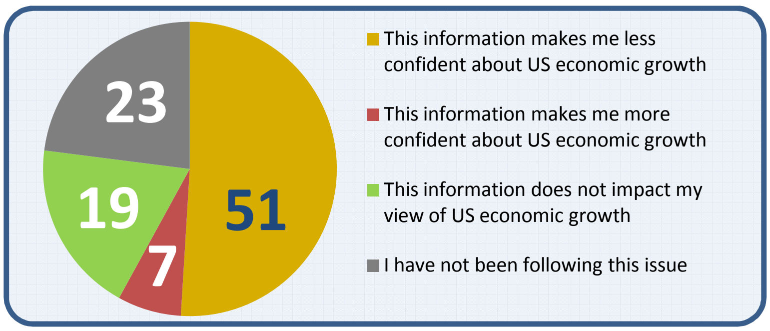
Detailed Findings of the RBC Custom Questions

- This month, the RBC COI continued to track consumer and worker awareness of the impact on pay of the fiscal cliff resolution. Awareness of this issue continues to increase significantly, with 74% overall now aware of its impact on take-home pay (up from 69% last month).
    - Among full-time workers, the contrast is even starker, with 81% aware, likely because they are now seeing its impact in their January paychecks (see Graph 8).
    - Among those who were aware of the issue, a majority (57%) plan to reduce their spending as a consequence, and a almost a third (31%) will not be adjusting their spending behavior.
- Half (51%) of consumers indicate that hearing about the debt ceiling issue and potential downgrade make them less confident about US economic growth (see Graph 9) – although the improvement in this month's *RBC Consumer Outlook Index* belies this somewhat. It is certainly possible that this specific issue is concerning, but that overall optimism remains strong because people feel better off than they were six months ago.
- When it comes to prioritizing areas for cuts and protections in the US Budget, the public are most divided on the issue of defense, with about two in five consumers on each side of the fence (see Graph 10).
- However, there is more agreement on other issues, with three-quarters agreeing that foreign aid can be cut, but more wanting to avoid cuts to Medicare/Medicaid and Social Security. The latter two of course make up a much larger proportion of the federal budget than foreign aid.

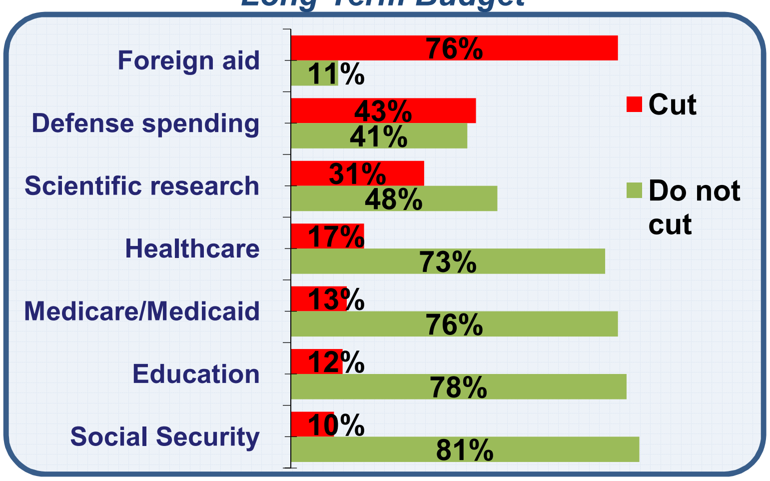
Graph 8: Awareness of Fiscal Cliff Impact on Take-Home Pay Among Full-Time Workers



Graph 9: Debt Ceiling and Economic Confidence



Graph 10: Areas for Cuts and Protection in US Long-Term Budget



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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