



# RBC Consumer Outlook Index Findings

March 2013

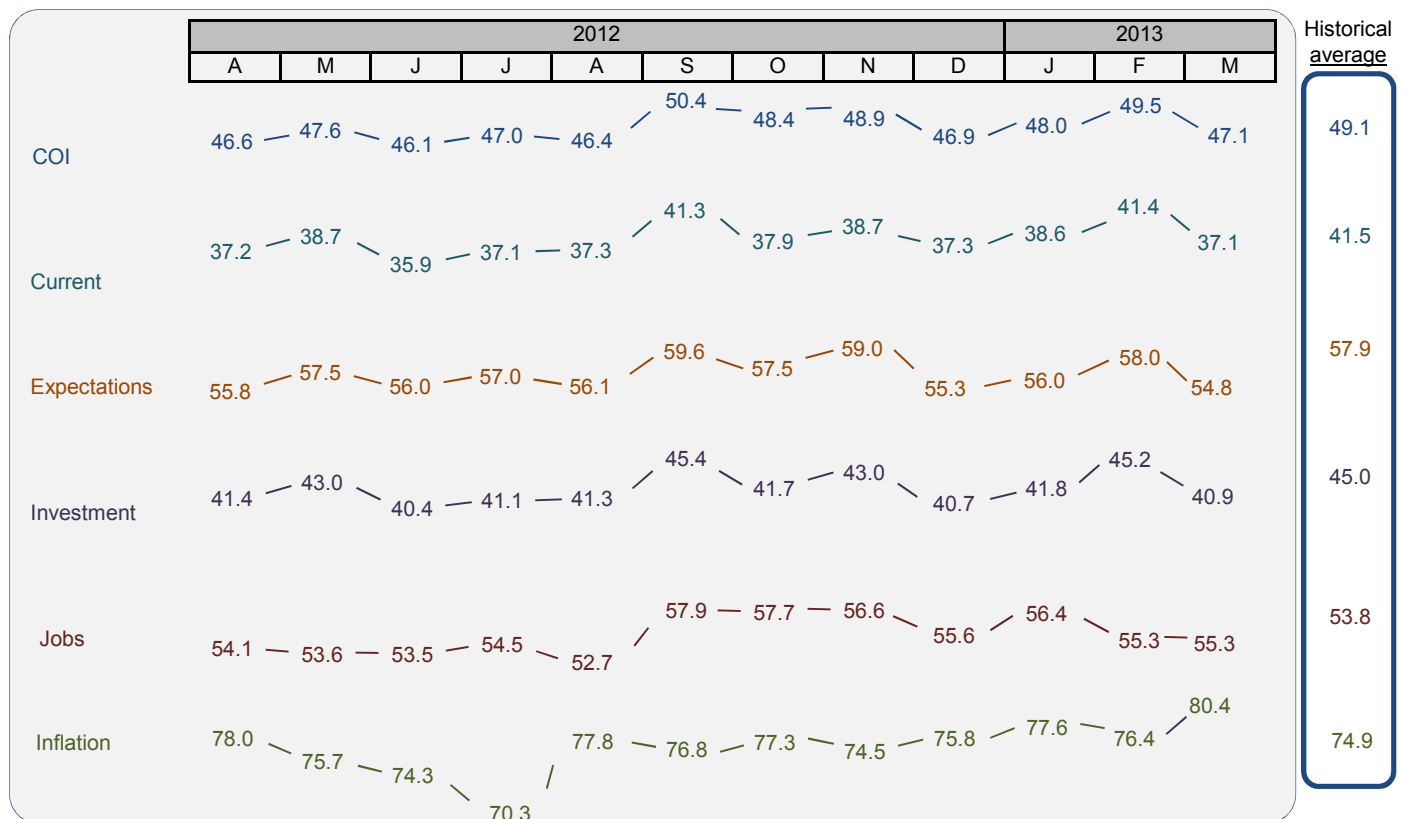


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

## Consumer Outlook Plummets as the Sequester Begins

- With the arrival of the sequester, consumer outlook has dropped notably. The March RBC COI fieldwork period bracketed the start of sequester, and so this month's data captures a strong sense of public pessimism about the economy. The March *RBC Consumer Outlook Index* shows a marked decline, and this carries over across most sub-indices (with Jobs the only sub-index that is holding steady). The improved economic outlook evident in the first two months of 2013 appears to have been wiped out by rising gas prices and the failure of the government to avoid sequestration.
- The overall *RBC Consumer Outlook Index* sees consumer confidence down 2.4 points to 47.1.
  - The *RBC Investment Index* shows a very large drop of 4.3 points, to 40.9.
  - The *RBC Current Conditions Index* posts the same large decline of 4.3 points to 37.1. The measure was last this low in July 2012 when the continuing resolution was passed.
  - The *RBC Expectations Index* also shows significant decline, down 3.2 points to 54.8.
  - The *RBC Inflation Index* is at an all-time high, up 4.0 points to 80.4. This is the highest recorded score for this measure since tracking on this began in December 2010.
  - The *RBC Jobs Index* saw decline last month, but this month shows no change, remaining steady on 55.3.

## RBC Consumer Outlook Index and Sub-Indices April 2012 – March 2013





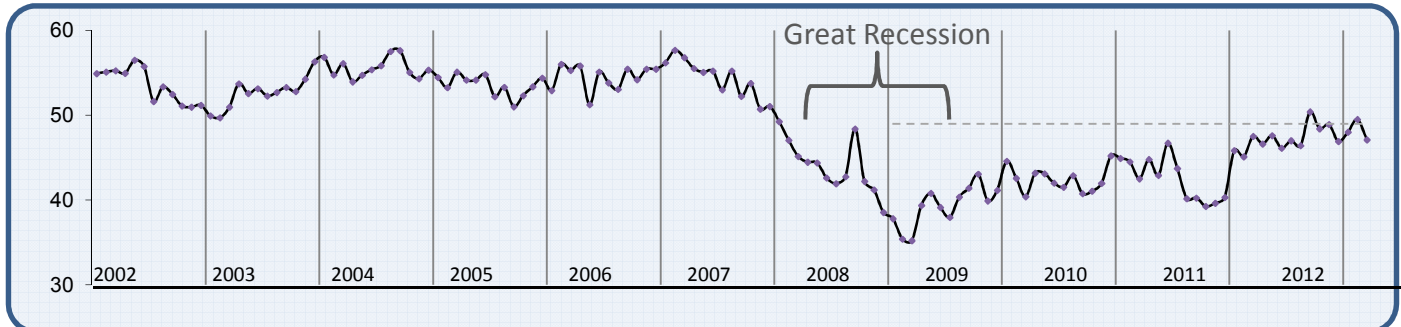
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## Consumer Outlook Index Trend

Graph 1: COI 2002-2013

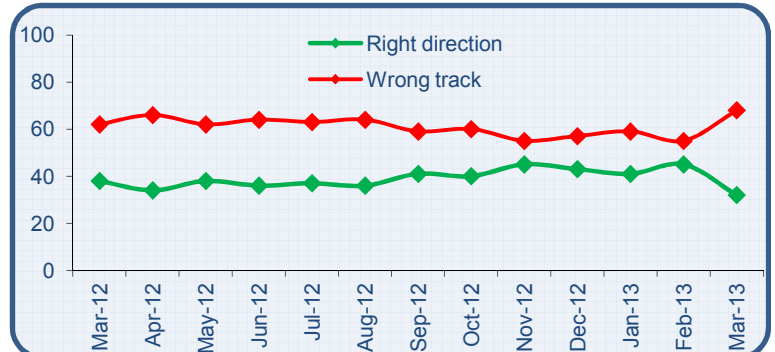


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement 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 in consumer confidence.

## Detailed Findings of the Consumer Outlook Survey

- Public optimism about the direction of the country has declined significantly from last month, showing a drop of 13 points in the proportion who feel things are going in the right direction (see Graph 2).
- Over two-thirds (68%) now think things are off on the wrong track, the lowest score in 15 months. This pessimism is reflected strongly in the overall *Consumer Outlook Index*.
  - Middle-aged (40-64 year olds) Americans are driving this pessimism, with about four in five of this age group believing things are on the wrong track.
  - Women are also more pessimistic than men (70% vs. 66%).
- The *RBC Current Conditions Index* also shows a substantial decline since last month. This is most marked by the increase of seven points in the proportion of people who are now less comfortable making a major purchase decision, like a home or car (see Graph 3).
- This is in stark contrast to last month's record high of 19% saying they were 'more comfortable' with this kind of decision.

Graph 2: Country Heading in Right Direction / on Wrong Track



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





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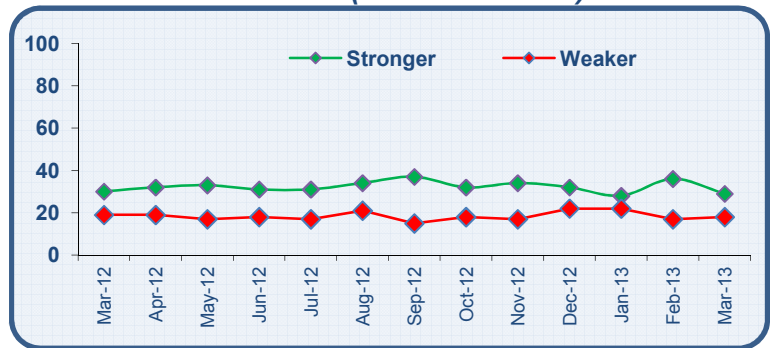
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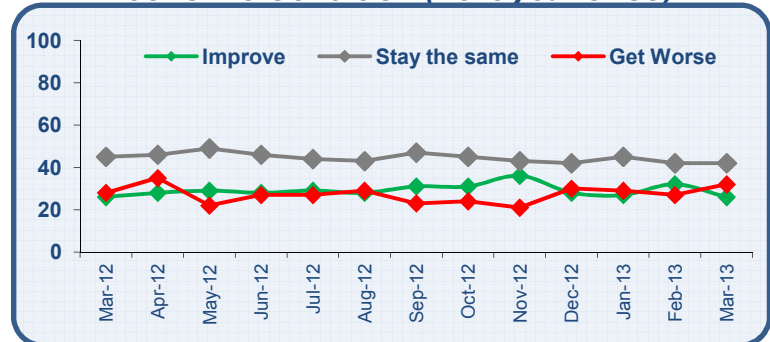
## Detailed Findings of the Consumer Outlook Survey, cont.

- The March *RBC Expectations Index* is at the lowest point it has reached since December 2011. This is driven in part by the seven-point drop in the proportion of consumers who believe their personal finances will be stronger in the next six months (see Graph 4).
  - While the proportion of consumers who feel their personal finances will be weaker has only increased one point, there has been a five-point increase in those who say their finances will be 'about the same' – so there is an outlook of stagnancy rather than growth.
- Similarly, the public expect the US economy and their own financial situation will get worse in the next year or so, with a six-point increase in the proportion who say things will 'get worse' and a similar decline in those who think it will improve (see Graph 5).
- There have been across-the-board increases in expectations for the next 12 months about the prices of homes, gasoline, electronics, gas, and durable goods.
- This has driven the *RBC Inflation Index* to an all-time high of 80.4. Most notably among these shifting price expectations, concern about gasoline and fuel prices has spiked to 85%, up 9 points from last month.
- The one sub-index that has remained steady since last month is the *RBC Jobs Index*. However, this posted a decline last month, dropping about a point.
- Current confidence about job security has declined substantially and concern about job loss has increased, but fewer people now know someone who has recently lost their job due to the economic situation. In addition, concern about future job loss has stabilized.

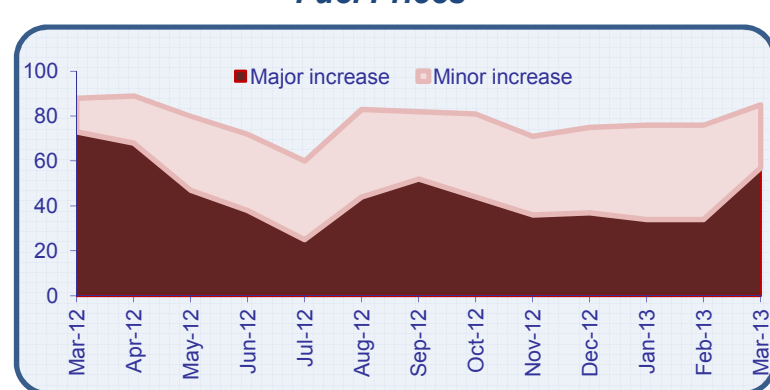
**Graph 4: Expectations about Personal Finances (next 6 months)**



**Graph 5: Expectations about future general Economic Condition (next year or so)**



**Graph 6: Expectations about Gasoline and Fuel Prices**





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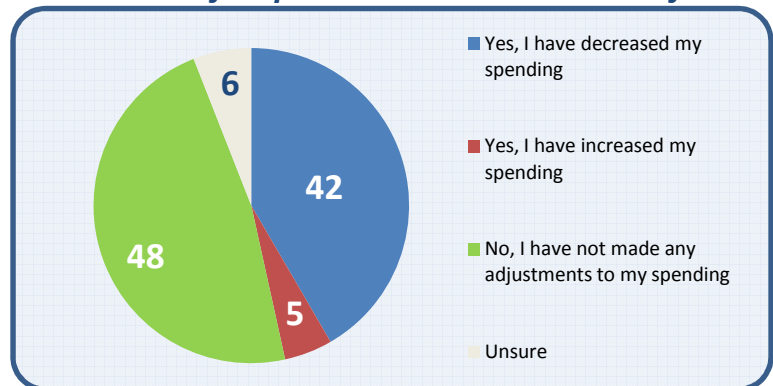
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## Detailed Findings of the RBC Custom Questions

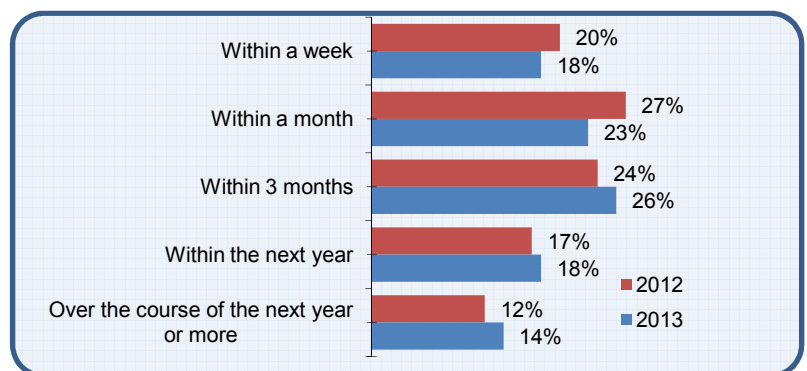
- Over two in five US consumers (42%) have decreased their spending as a result of the smaller paycheck they're taking home due to the expiration of the Payroll Tax Holiday. About half (48%) have not made any adjustments to their spending (see Graph 7).

**Graph 7: Awareness of Impact of Payroll Tax Holiday Expiration on Take-Home Pay**



- The tax is felt far more strongly by those in lower income households: half of consumers in households with under \$50k annual income have decreased their spending, compared to about a third (36%) of households with incomes above this level who have decreased spending.

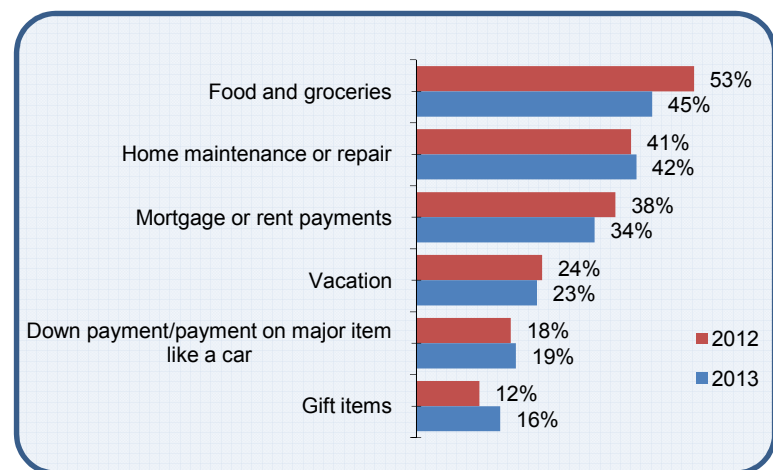
**Graph 8: Tax Refund Spending**



- The public is also feeling the pinch at the gas station. With the average price of gasoline rising, a third of people now say that the price point of \$4 would be where they would 'have to significantly cut back' on their discretionary spending in order to afford to drive.

- This month's RBC COI Custom Questions also focused on tax refunds, since this is the time of year when most people are filing their returns.
- Two-thirds (65%) of consumers expect to get a refund, and about half (52%) will be spending at least some of that refund (rather than saving it).
- Two in five (41%) will be spending it within the next month, a decline of six points from this time last year (see Graph 8).
- Groceries and home maintenance are the two main things people plan to spend their tax refunds on, followed by mortgage or rent payments, vacations, large purchases, and gifts (see Graph 9).

**Graph 9: Tax Refund Spending**



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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