



RBC Consumer Outlook Index Findings

April 2013

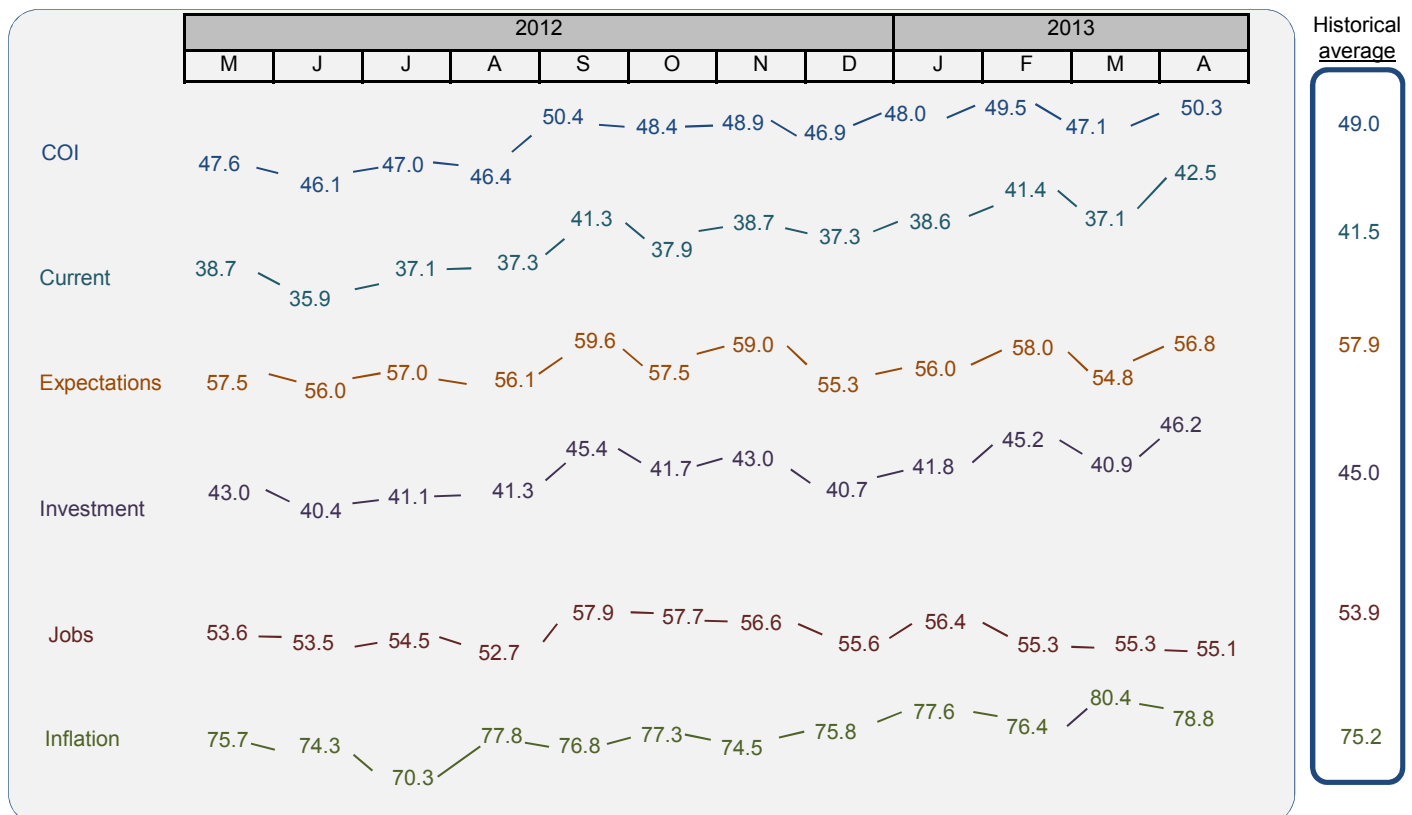


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

American Consumer Confidence Improves Significantly

- Consumers appear to feel they have avoided the 'doom and gloom' promised last month with the onset of sequester; three in five (61%) feel sequester has had a small impact, no impact at all, or an uncertain impact on the economy. This sense of relief, paired with increasing optimism about the housing market and one's personal finances, finds the April *RBC Consumer Outlook Index* at the second-highest figure recorded since October 2007. The *RBC Investment Index* and *RBC Current Conditions Index* also post very impressive growth, both now at their highest scores since 2007.
- The overall *RBC Consumer Outlook Index* sits at 50.3, an improvement of 3.2 points since last month.
 - The *RBC Investment Index* -- which now stands at 46.2, up from 40.9 -- displays strong growth and has not been this high since November 2007.
 - The *RBC Current Conditions Index* posts a large increase of 5.4 points to 42.5, and is at its highest rating since December 2007.
 - *RBC Expectations Index* also posts solid growth, up by 2 points from last month's score of 54.8 to stand at 56.8.
 - The *RBC Inflation Index* has receded somewhat from its all-time high last month, down 1.6 points to 78.8.
 - The *RBC Jobs Index* shows no change, dropping 0.2 to 55.1.

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





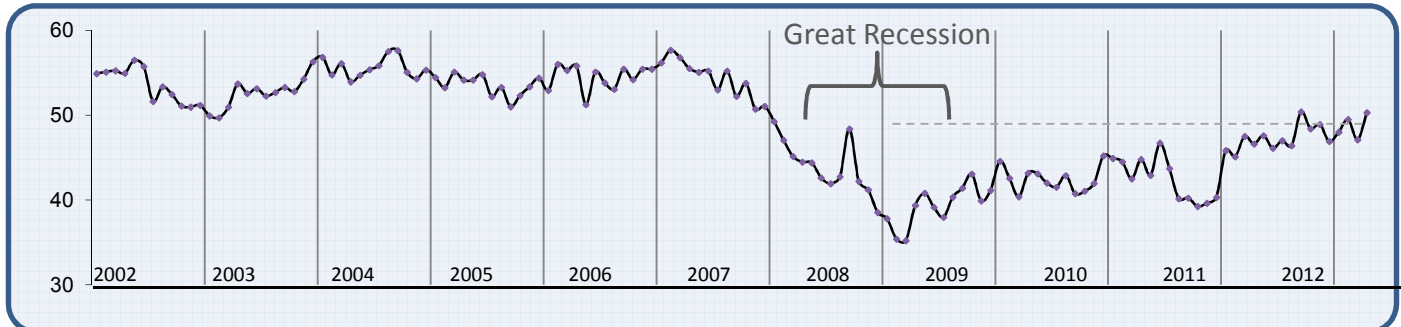
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Consumer Outlook Index Trend

Graph 1: COI 2002-2013

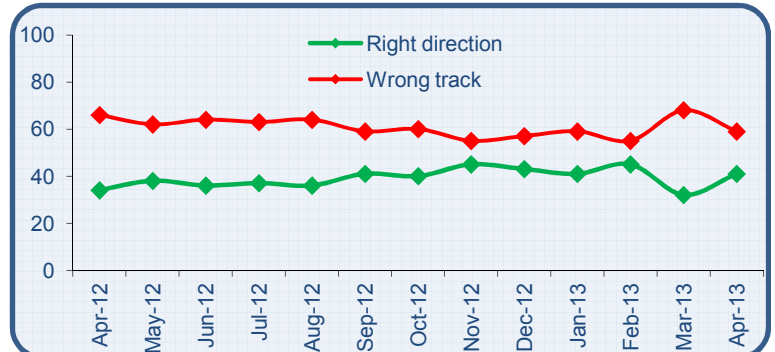


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement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

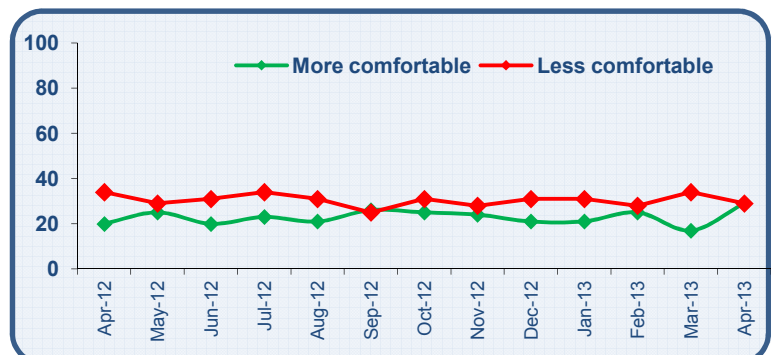
Detailed Findings of the Consumer Outlook Survey

- While last month saw a great deal of pessimism about the future, this month shows strong recovery; consumers may be reacting to being pleasantly surprised about the (low) impact of the sequester on their own finances and on the economy more broadly.
 - Public optimism about the direction of the country has swung back up again, improving 9 points to 41% (see Graph 2).
- Paired with this sense of relief, or renewed optimism, is a recovery in the *RBC Current Conditions Index*, now at a five-year high.
 - Americans are more comfortable with making purchasing decisions, up 12 points to 29% for household purchases (see Graph 3), a record high for this particular metric.
- The *RBC Investment Index* is also at a five-year high, driven in part by large improvements in consumer confidence about their ability to invest in the future for themselves and their families.
- Confidence about job security is also up, posting an increase of 6 points compared to last month, to 19%.

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



Graph 3: Current Comfort with Making Other Household Purchases





RBC Consumer Outlook Index Findings

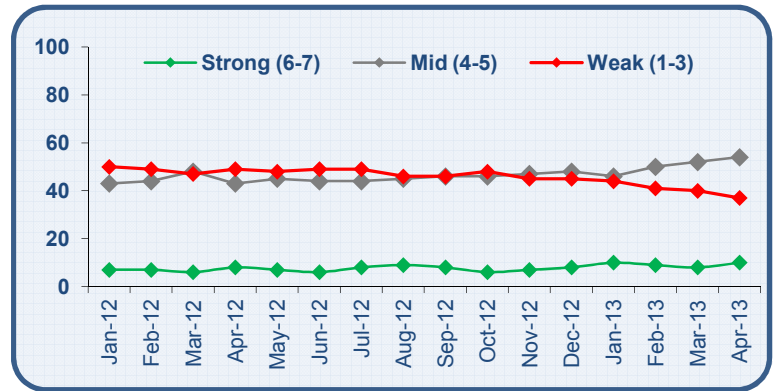
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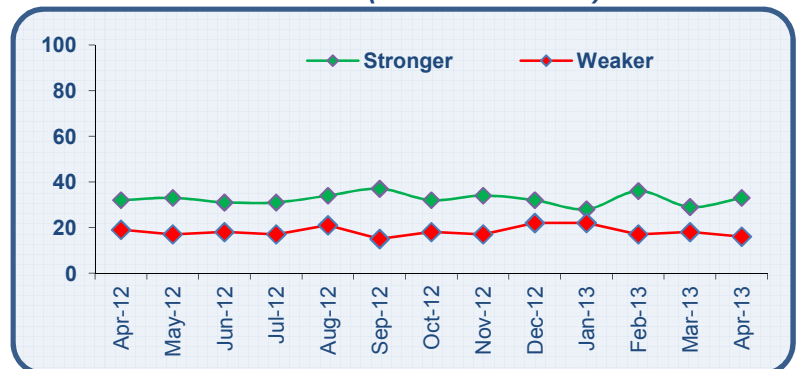
Detailed Findings of the Consumer Outlook Survey, cont.

- Current ratings of local area economies and personal finances show small shifts in a positive direction; these measures have improved steadily over the past few months rather than fluctuating:
 - For current ratings of both local economy and personal finances, there has been little improvement in those rating these areas 'strong'.
 - However, there have been improvements for both measures in the middle category, with associated record lows in those giving a 'weak' rating (Graph 4).
- Looking forward, Americans are increasingly optimistic about their future prospects. This month, one in three (33%) say they expect their personal finances to strengthen over the next six months. This is up from 29% last month (Graph 5).
- Consumers are also more optimistic about their local economies. This month a quarter (26%) expect their community's economy to strengthen, up from 23% last month.
 - Importantly, the proportion who feel their local economy will be 'weaker' has declined 9 points to 14%.
- This optimism extends to the next year and to the US economy more broadly, with a third (32%) of consumers now believing that things will improve.
- This month's *RBC Inflation Index* shows some recovery, down 1.6 points from last month's high. This is driven in large part by public expectations about the prices of food and groceries, gasoline and fuel, and durable goods decreasing.
- However, while there is little change in public perceptions about whether the next 30 days is a good or bad time to buy real estate, expectations about house prices over the next 12 months clearly indicate that consumers expect prices to go up (Graph 6).

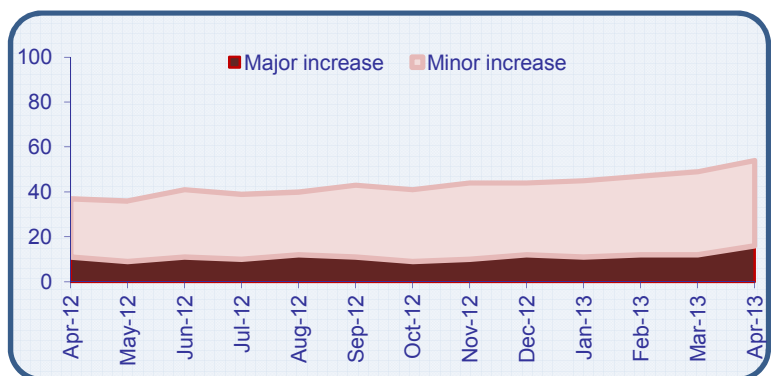
Graph 4: Current rating of economy in local area (7 = very strong / 1 = very weak)



Graph 5: Expectations about Personal Finances (next 6 months)



Graph 6: Expectations about Homes for Sale in Neighborhood





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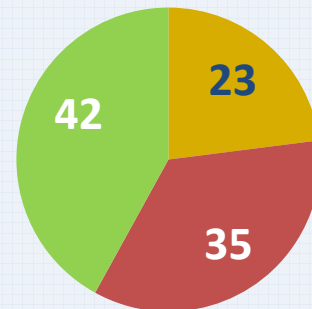


Detailed Findings of the RBC Custom Questions

- This finding is also reflected in this month's RBC Custom Questions, which indicate that almost a quarter of homeowners (23%) are now more confident than they were last year that their home would sell if they put it on the market today (Graph 7).
 - Almost two in five (37%) homeowners believe that the price of their home will increase by between 1% and 10% in the next 12 months (Graph 8) – compared to a quarter (27%) who think the price will decline.
- This month's Custom Questions also explored consumer attitudes to the current situation in Cyprus.
 - While half (49%) admit to not following the issue closely, two in five (19%) indicate that the crisis in Cyprus has worsened their confidence in US economic recovery.
- The survey asked US workers about the expiration of the Payroll Tax Holiday, which resulted in smaller take-home paychecks. Three quarters (76%) of Americans working in full- or part-time jobs were aware of this change in their wage, but a quarter (24%) were not aware that their pay had decreased until they read the survey question about it!
- Finally, three-quarters (74%) of consumers indicate that they feel the sequester has had an impact on the economy – but just 12% think this impact has been 'very large'. 45% think it has had a small impact or no impact at all – and this rises to 61% if we include those 'unsure' about the impact of sequester (Graph 9).

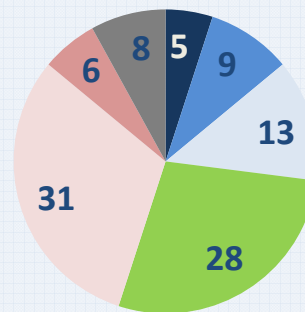
Graph 7: Confidence in home values (among homeowners)

■ More confident
■ Less confident
■ Unchanged



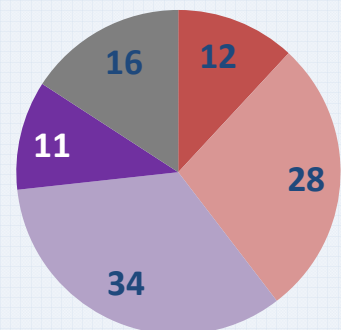
Graph 8: Expectations of home values (among homeowners)

■ Decline by more than 10%
■ Decline by 6%-10%
■ Decline by 1% to 5%
■ Remain Unchanged
■ Increase by 1% to 5%
■ Increase by 6% to 10%
■ Unsure



Graph 9: Awareness of budget cuts ('sequester')

■ Very large impact
■ Large impact
■ Small impact
■ No impact at all
■ Unsure



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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