RBC Consumer Outlook Index Findings

May 2013

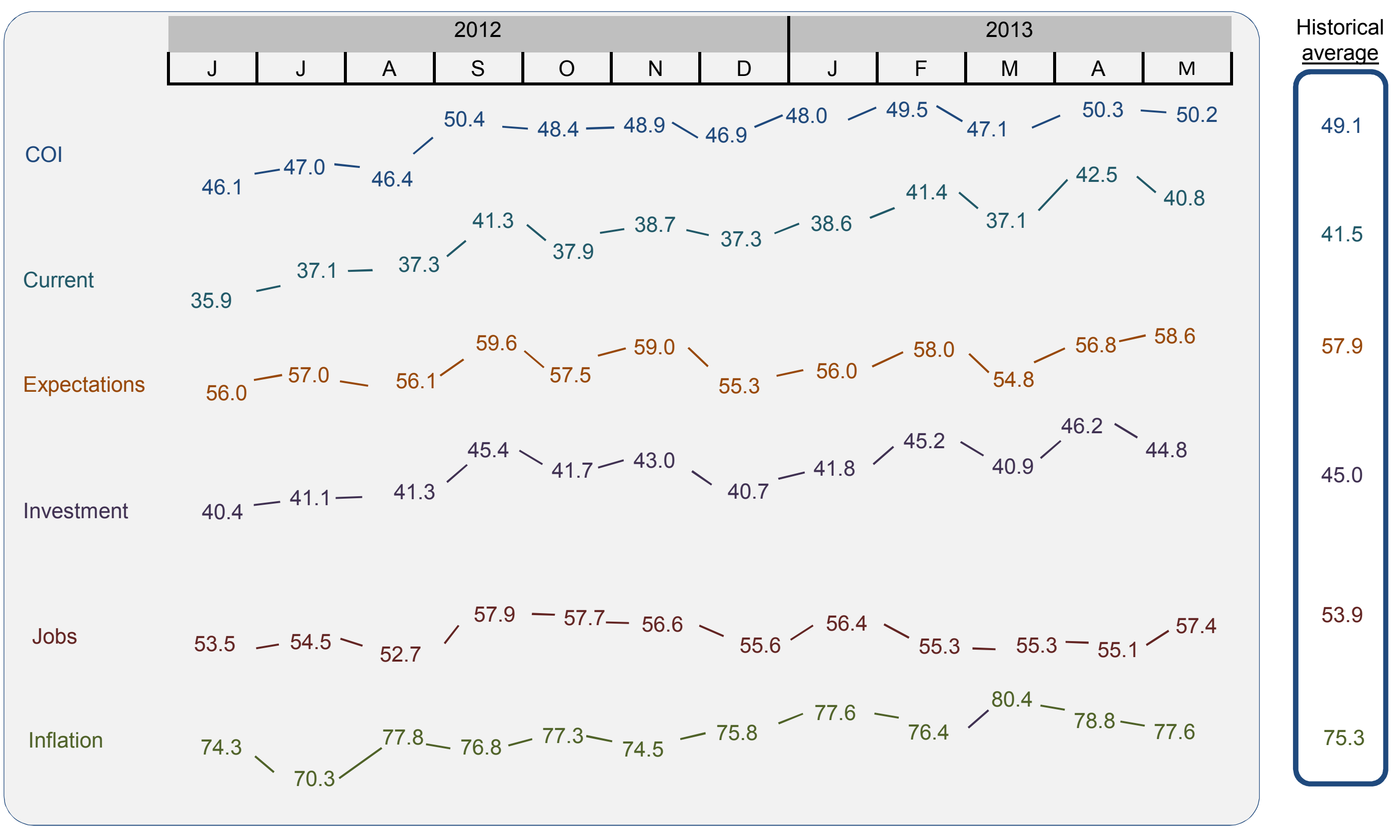
The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI, Current, Expectations, Investment* and *Jobs* Indices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

American Consumer Confidence Remains High

- While almost a third of Americans say they have been impacted in some way by the sequester, this does not appear to have damaged consumer confidence, which has remained steady since last month. The May *RBC Consumer Outlook Index* is the third highest rating since January 2008, following peaks in September 2012 and April 2013. While there have been dips to the *RBC Investment Index* and *RBC Current Conditions Index*, these both posted significant growth last month and so the overall scores remain high.
- The overall *RBC Consumer Outlook Index* sits at 50.2, a drop of just 0.1 point since last month's high of 50.3.
  - *RBC Expectations Index* has shown steady growth over the last few months, and has increased 1.8 points since last month to 58.6.
  - *The RBC Inflation Index* continues to recede from March's all-time high, and has dropped another 1.2 points to 77.6
  - The *RBC Investment Index* saw a five-year high last month, and this month has declined 1.4 points to 44.8.
  - The *RBC Current Conditions Index* also saw a record high last month, at 42.5; this month sees a decrease of 1.7 points to 40.8.
  - The *RBC Jobs Index* has increased 2.3 points to 57.4.

RBC Consumer Outlook Index and Sub-Indices

June 2012 – May 2013



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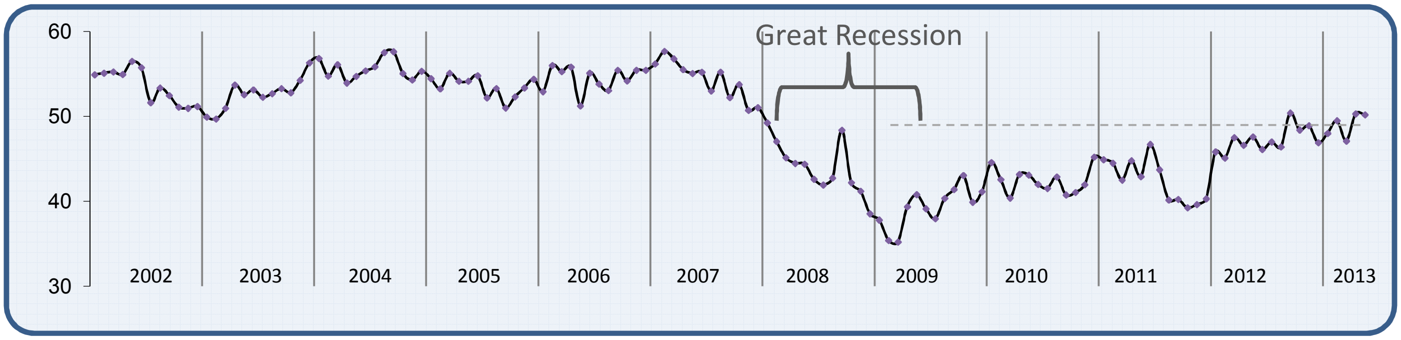
Consumer Outlook Index Trend

Graph 1: COI 2002-2013

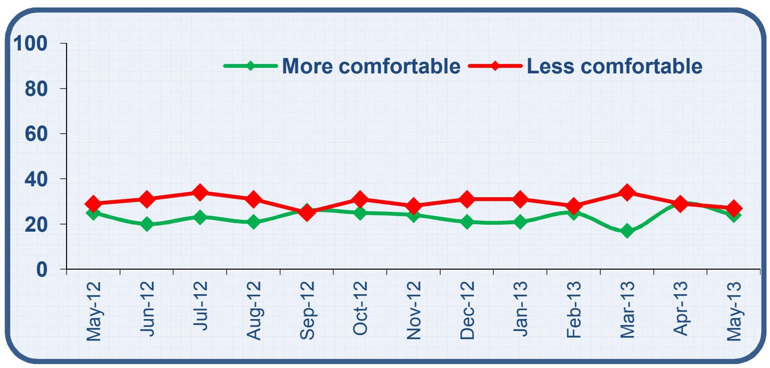


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement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

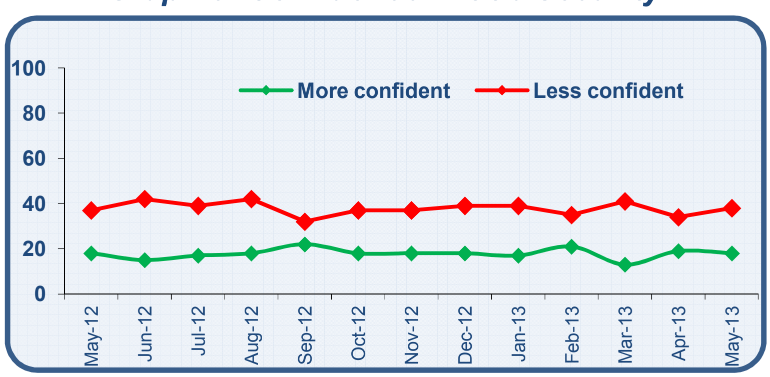
Detailed Findings of the Consumer Outlook Survey

- Last month's recovery in consumer optimism seemed to be spurred on in part by a sense of 'relief' about the minimal impact of the sequester on individuals. This month's data shows that 31% of consumers believe that the sequester has impacted them personally, and yet their outlook remains relatively positive.
    - Broad metrics around optimism are steady since last month, with little movement in terms of the direction of the country, confidence in investing in the future, and the state of the economy.
- However, the *RBC Current Conditions Index* does see a slight dip from last month's five-year high.
    - Fewer Americans now say they are 'more comfortable' with making household purchases (see Graph 2) than were last month, a drop of 5 points
    - In addition, American consumers now feel less confident about job security (see Graph 3) compared to six months ago.

Graph 2: Current Comfort with Making Other Household Purchases



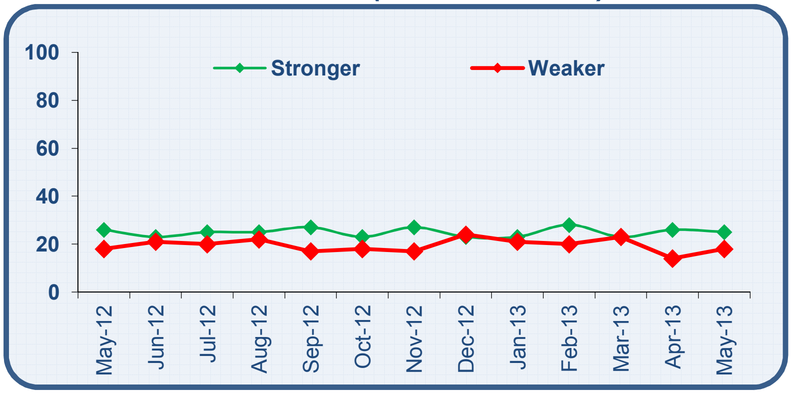
Graph 3: Confidence in Job Security



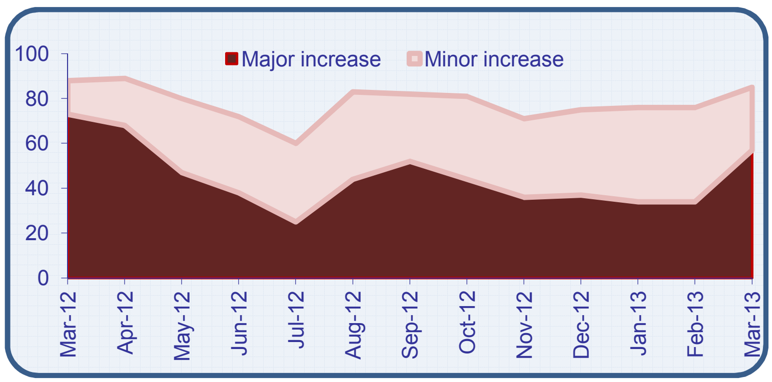
Detailed Findings of the Consumer Outlook Survey, cont.

- Current ratings of local area economies have remained steady since last month, but almost one in five now believe that the economy in their local area will weaken in the coming months (see Graph 4).
- In general, there is stability in consumer perceptions of inflation, the economy generally, and their own personal finances; this is reflected in the overall COI, which is virtually unchanged since April.
- Consumer expectations for the next year about the prices of food and groceries, electronics, and durable goods have also remained stable since last month. However, contributing to overall perceptions of broad optimism, fewer people now expect the prices of homes and gasoline (see Graph 5) to increase, contributing to the declining *RBC Inflation Index.*
- This perceived improvement in the housing market may also impact how Americans anticipate interest rates will move; over two in five consumers now believe that interest rates will go up in the next six months (see Graph 6)
- This month marked the first time this survey asked about purchase decision-making within households as part of an effort to understand whether men or women make key purchase decisions. The data show that:
    - Women are more likely than men to be solely responsible for purchasing decisions about groceries and clothing.
    - There is shared responsibility for vacation spending.
    - Men are more likely than women to be responsible for purchasing decisions about home improvements, cars, electronics, and financial investments.

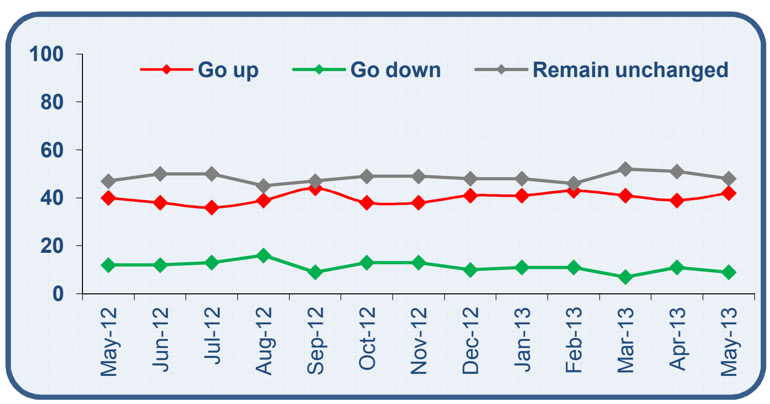
Graph 4: Expectations about Economy in Local Area (next 6 months)



Graph 5: Expectations about Gasoline and Fuel Prices



Graph 6: Interest Rates



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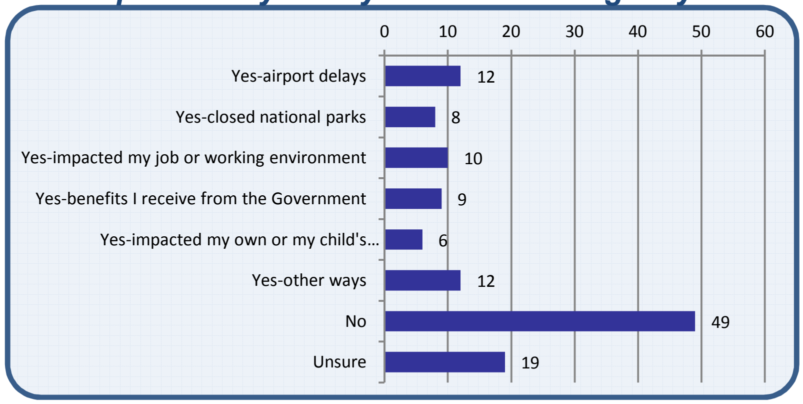
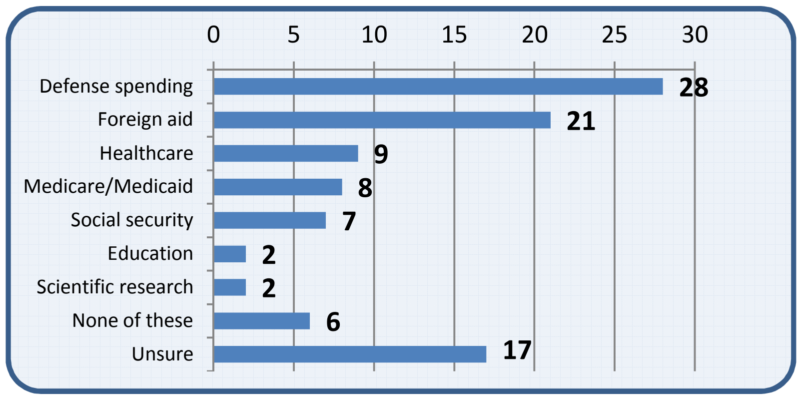
Detailed Findings of the RBC Custom Questions

- This month's RBC Custom Questions paint a mixed picture about the impact of sequester. While half (49%) indicate they have not been impacted, a third (31%) feel they have in some way, and one in five (19%) are unsure. This broadly suggests some uncertainty about what these cuts will mean for consumers' day-to-day lives.
    - The effects of the sequester were most felt at the airport, where one in twelve (see Graph 7) indicated they experienced delays as a result of sequester.
- This month's questions also explored perceptions and understanding of the federal budget deficit (see Graph 8).
    - Almost three in ten (28%) believe that the defense spending is responsible for the largest part of the deficit and one in five (21%) believe that foreign aid makes up the largest portion of the deficit.
    - *In reality spending on defense, Medicare/Medicaid, and Social Security make up the largest portions of the budget.*
- When it comes to protecting and cutting different areas, a supermajority (over three-quarters) of the public support cutting spending on foreign aid.
- About two and five would cut defense spending, but the same proportion would protect it.
- The categories that most consumers seek to protect are education, Social Security, Medicare and Medicaid, and healthcare.

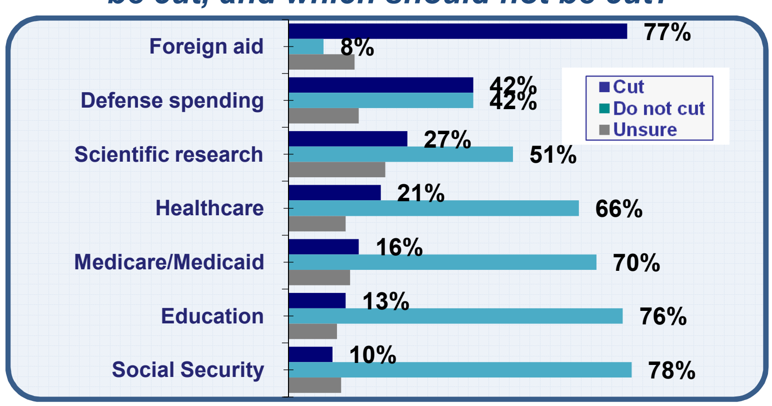
Graph 7: Has the sequester impacted you personally in any of the following ways?



Graph 8: Which of the following areas do you think makes up the largest part of the deficit?



Graph 9: Which of the below categories should be cut, and which should not be cut?



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