



# RBC Consumer Outlook Index Findings

June 2013

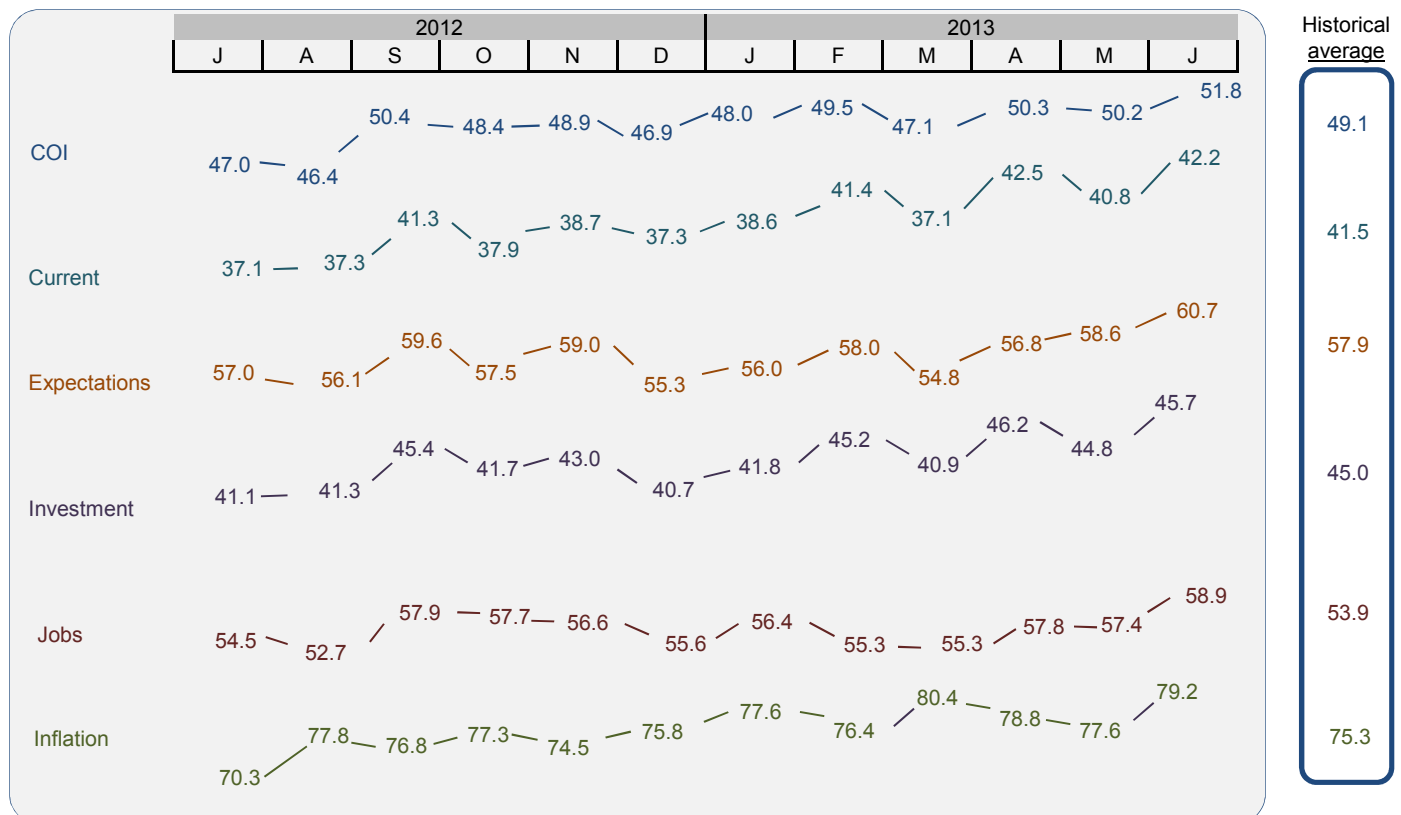


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

## American Consumer Confidence Reaches 5-Year High

- American consumer attitudes continue to improve, and reflect recent indicators suggesting economic improvement: June's *RBC Consumer Outlook Index* is at the highest rating we have seen since October 2007. This public optimism has yielded upward movement across all sub-indices as well, with improved perceptions on jobs, investments, expectations about the future, and current sentiment about the economy today. Perceptions of inflation are up as well, driven primarily by rising home prices.
- The overall *RBC Consumer Outlook Index* sits at 51.8, an increase of 1.6 points since last month, and a record high not seen since October 2007's pre-Recession rating of 53.8.
  - RBC Expectations Index* has shown steady growth over the last few months, and this month is no exception, showing a very large jump of 2.1 points to 60.7. This *Expectations Index* has not broken the 60-mark since 2007 and 2008.
  - The *RBC Inflation Index* has increased 1.6 points to 79.2, creeping back towards March's high rating of 80.4. This shift is driven mainly by the perception of rising house and gas prices.
  - The *RBC Jobs Index* has increased 1.5 points to 58.9.
  - The *RBC Current Conditions Index* has shown positive movement, up 1.4 points to 42.2.
  - The *RBC Investment Index* posts a positive shift of 0.9 to 45.7.

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





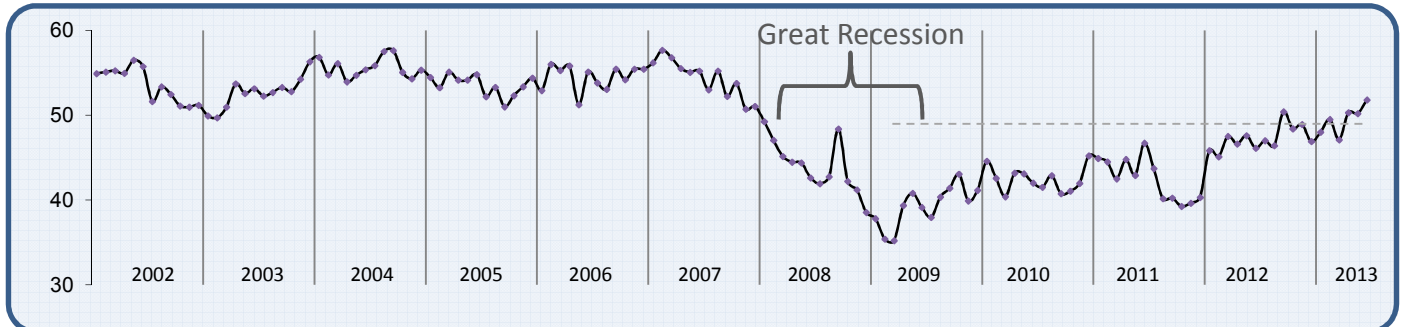
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## Consumer Outlook Index Trend

Graph 1: COI 2002-2013

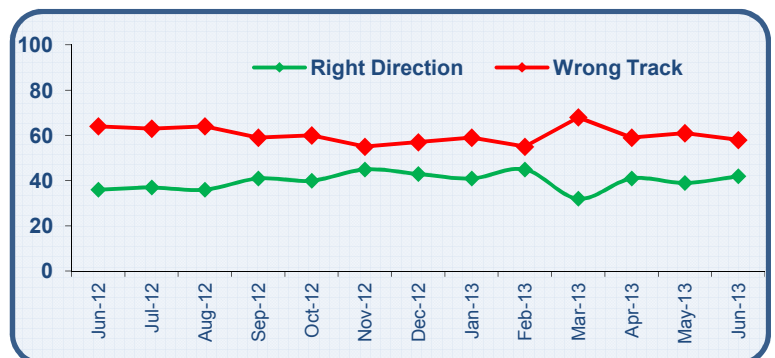


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement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

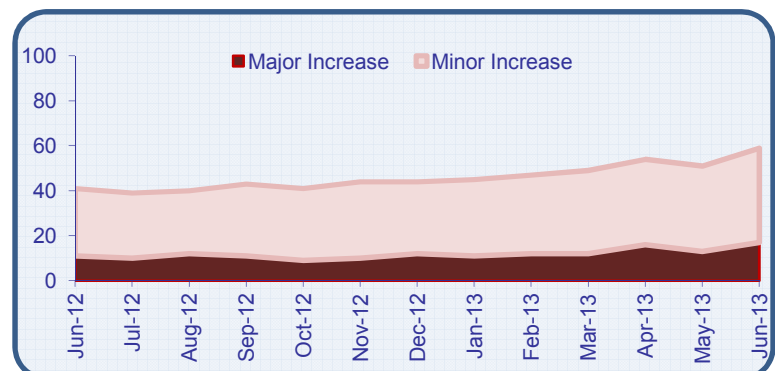
## Detailed Findings of the Consumer Outlook Survey

- While just 4% of Americans say that rising home prices give them confidence to go out and spend, 10% admit that the recent increase in home prices makes them 'feel wealthier'.
- Data from the housing market and other official sources reflect the overall sense of optimism inherent in this month's *RBC Consumer Outlook Index*. With the COI and the *RBC Expectations Index* both at 5-year highs, it is clear that the public feel that things are looking up, economically.
  - Over two in five (42%) now believe things are headed in the 'right direction', up three points since last month (see Graph 2).
- The *RBC Inflation Index* has increased notably as well, as public perceptions of pricing shift.
  - This is driven in large part by the public's expectation that the prices of 'homes for sale in their neighborhood' will go up in the next 12 months (see Graph 3).
  - The price of gasoline and fuel is also expected to go up, driving this perception of rising costs.

Graph 2: Right Direction vs. Wrong Track



Graph 3: Expectations in Home Prices





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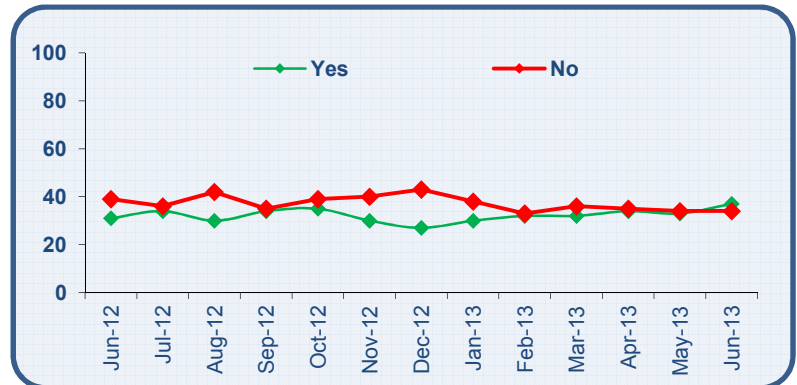
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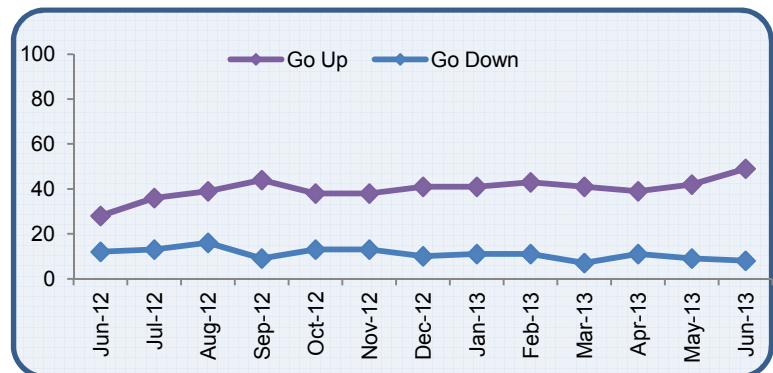
## Detailed Findings of the Consumer Outlook Survey, cont.

- Reflecting this optimistic view of the housing market is a similar rise in the proportion of consumers who think the next 30 days will be a good time to buy real estate.
  - This figure has risen four points to 37% (see Graph 4), the highest score for this metric since it was added to the survey in March 2010.
- Also related to this trend is the seven-point increase in the proportion of Americans who think that interest rates will rise in the next six months. The figure now stands at 49% (see Graph 5), up from 42% last month and 39% the month before.
- This month's RBC study definitely reflects an increased public optimism about the state of the housing market, and perhaps the economy more broadly. However, there is evidence that the public is still uncertain about the longer-term economic situation, sensing that growth may be slow.
  - While fewer people now rate the current state of the economy in their local area as 'weak' (down four points to 35%), these people have shifted to middle-strength categories rather than seeing their local economies as 'strong'.
  - The data shows similar two-point increases in the proportions of consumers who think that their local economies and personal finances will be 'the same' six months to a year from now.
- However, while the future is still somewhat murky, there is a clear sense that things are better than they were six months ago, with a three-point rise (to 19%) in the proportion of consumers who are now more comfortable than they were six months ago with making a major purchase decision like a home or car (see Graph 6).

**Graph 4: Good Time to Invest in Real Estate**



**Graph 5: Expectations about Interest Rates**



**Graph 6: Comfort with Major Purchases**





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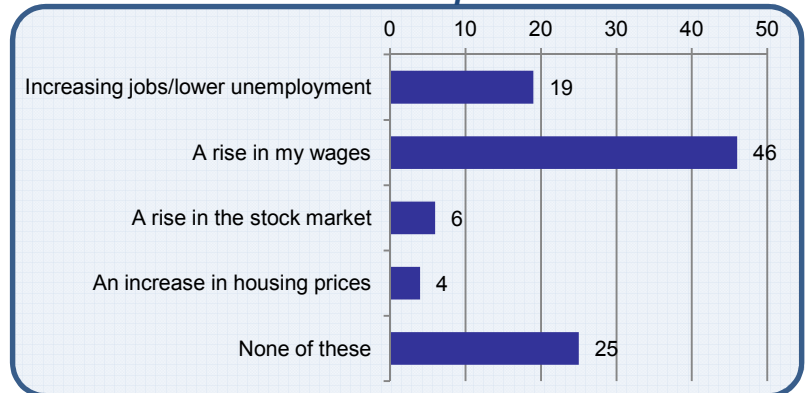
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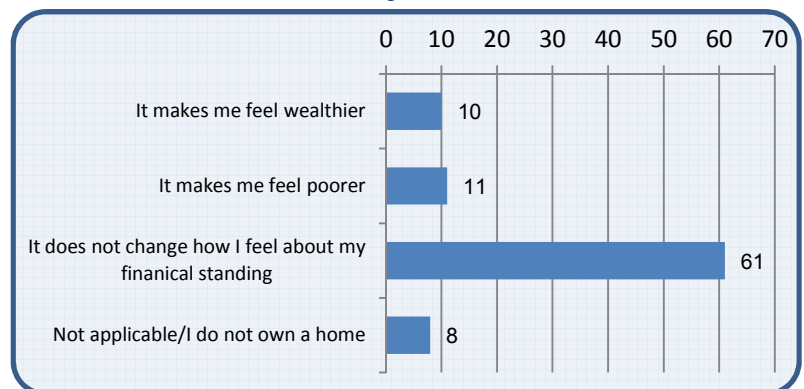
## Detailed Findings of the RBC Custom Questions

- In order to 'tap into' what makes people more optimistic about their finances, this month's survey included a question about spending confidence. Almost half (46%) of consumers indicated that a rise in their wages would make them go out and spend more, followed by one in five (19%) who say that less unemployment would make them ready to spend. Only small proportions of the population say that a rise in the stock market (6%) or increasing home prices (4%) would give them spending confidence (see Graph 7).
- This month's data also includes a custom question designed to assess the extent to which the rise in home prices has impacted how consumers feel about their own financial standing. While 61% do not feel any different as a result of this rise in prices, one in ten Americans feel wealthier as a result, and about the same proportion (11%) feel poorer (see Graph 8).
- Similarly, about one in ten adults feel more comfortable now (compared to last year) when it comes to things like taking out a loan or using credit cards. However, almost a third (31%) are now less comfortable than last year about using credit cards, and two in five (40%) are less comfortable about taking on a new loan (see Graph 9).
- Finally, more people are taking summer vacation this year than did last year! The total number taking a summer vacation this year has moved from 40% last June to 51% now. In addition, the proportion spending more on summer vacation has increased by seven points since last year, and the proportion of people who are cutting their vacation budgets has only increased four points.

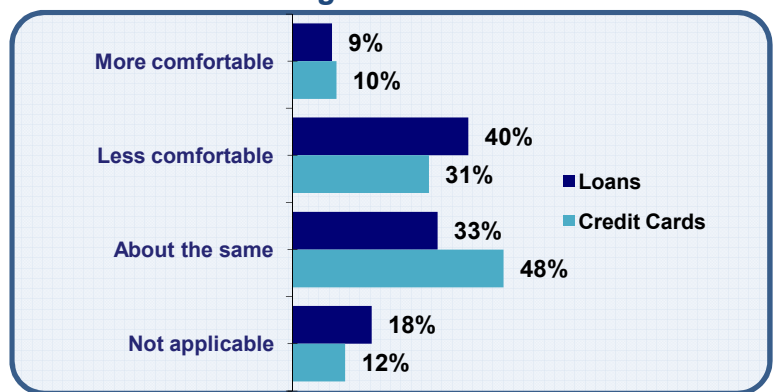
**Graph 7: Which would give you the most confidence to spend more?**



**Graph 8: How do rising home prices affect you?**



**Graph 9: Comfort with Taking out Loans and Using Credit Cards**



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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