



RBC Consumer Outlook Index Findings

August 2013

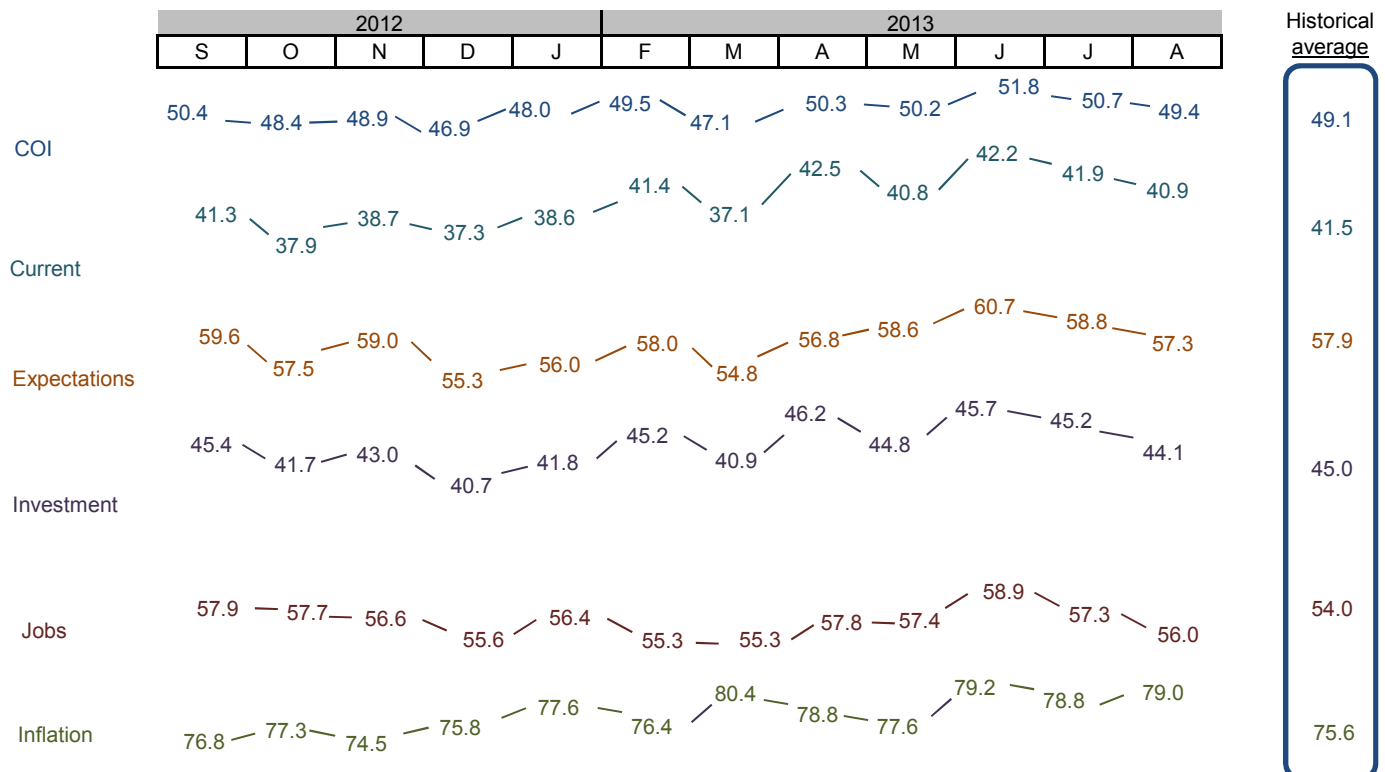


The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Consumer Confidence Shows Moderate Decline

- American consumer optimism has decreased marginally since last month, but remains fairly strong relative to the past few years. August's *RBC Consumer Outlook Index* is down 1.3 points to 49.4, the second month in a row it has dropped following June's record high. This slight decline is reflected across all sub-indices. Across most individual metrics, this month's data shows a movement towards stability and consistency rather than optimism – but does not reflect the pessimism that has been prevalent in these measures over the past few years.
- The overall *RBC Consumer Outlook Index* sits at 49.4 (a drop of 1.3 points since last month)
 - The *RBC Expectations Index* has remained fairly steady over the year, but declined 1.5 points this month, from 58.8 to 57.3.
 - The *RBC Jobs Index* shows a slight dip this month, continuing the downward trend of last month, moving from 57.3 to 56.0, a drop of 1.3 points.
 - The *RBC Inflation Index* ticked up just slightly by 0.5 points from 78.5 to 79.0.
 - The *RBC Current Conditions Index* dropped exactly one point this month, moving from 41.9 to 40.9.
 - The *RBC Investment Index* has dropped down just over a point, from 45.2 to 44.1.

RBC Consumer Outlook Index and Sub-Indices September 2012 – August 2013





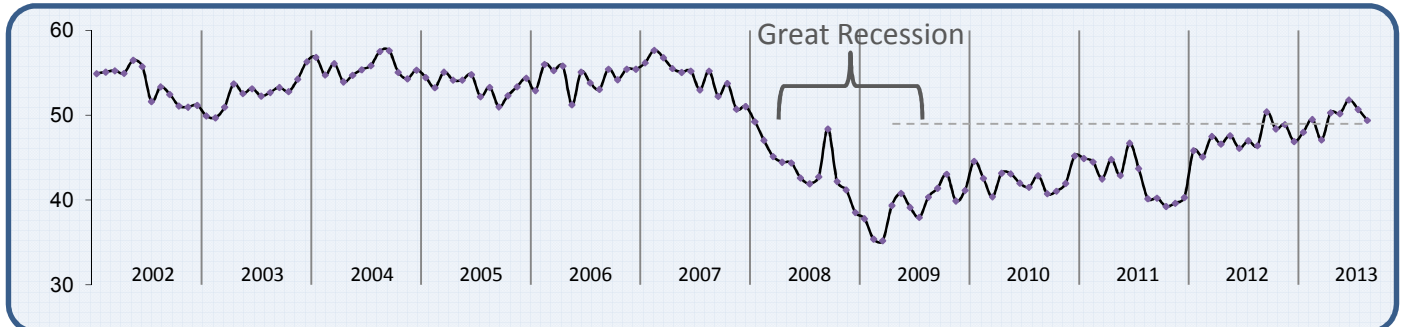
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Consumer Outlook Index Trend

Graph 1: COI 2002-2013

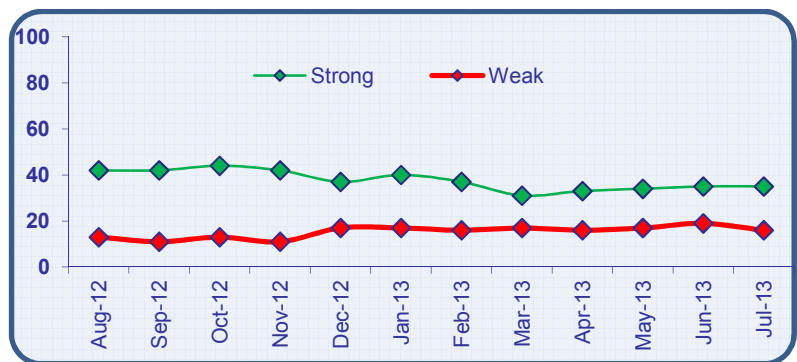


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the debt crisis in Washington), and some improvement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

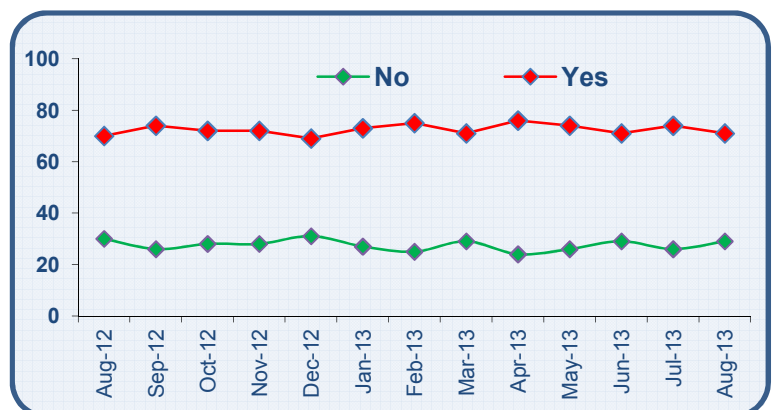
Detailed Findings of the Consumer Outlook Survey

- Broadly, US consumer outlook is strong, and continues to improve over time. However, this month saw an across-the-board dip in confidence, although this is not unexpected given the very high confidence levels recorded over the last few months.
- Consumer confidence about their current personal financial situation has declined three points over the past month, from 19% to 16% (see Graph 2).
 - However, the situation is much improved compared to 12 months ago: in August 2012, 45% rated their personal financial situation as 'weak', compared to 35% today.
- This recent decline in optimism about personal finances may be driven in part by current concern about job loss, which has increased three points since last month and is now at 29% (see Graph 3).
 - The proportion of consumers who were personally laid off or know someone who was laid due to economic conditions in the last six months has also increased again this month and is now at 36%.

Graph 2: Current Personal Financial Situation



Graph 3: Current Concern about Job Loss





RBC Consumer Outlook Index Findings

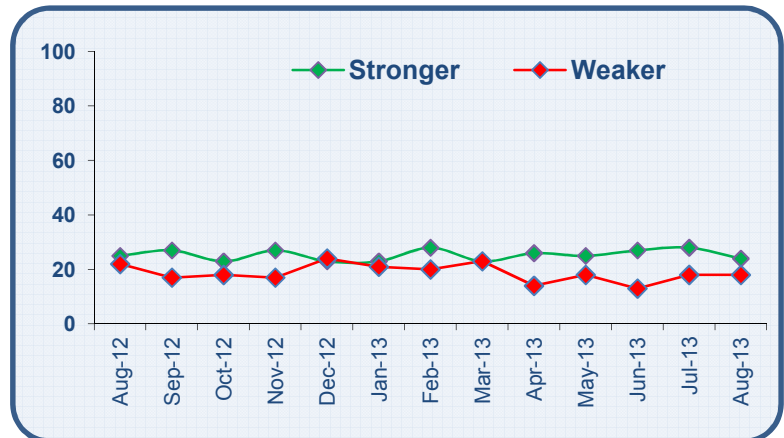
August 2013



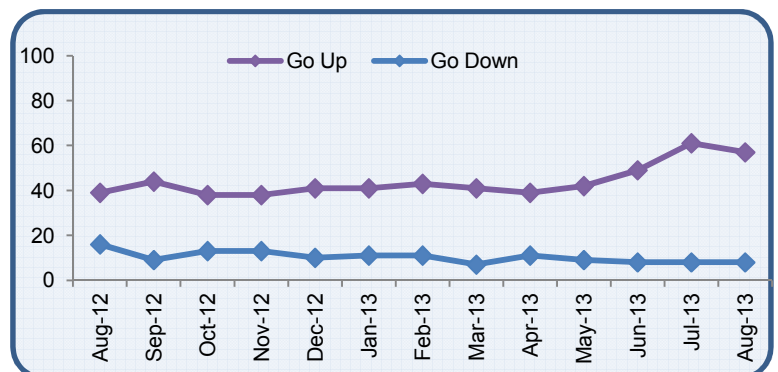
Detailed Findings of the Consumer Outlook Survey, cont.

- August data brings a level of stability compared to the last few months of improved optimism.
- While this month showed a decline of four points in the proportion of Americans who believe their local economy will be stronger in the next six months (see Graph 4), those who think the economy will be weaker has not shifted.
 - Consumers are moving from a state of optimism to one of stasis; they anticipate that the state of their local economy will remain unchanged for the next six months.
- This sentiment may be related in part to mixed signals coming from the market. While the stock market is reaching new highs, those who follow economic news may be hesitant due to the possibility of a government shut-down if a resolution cannot be reached.
- One very important market indicator is interest rates, which send signals to investors and consumers about the country's economic health. We have seen a steady rise in the proportion of the public who believe interest rates will go up in the next six months. While August shows a drop of 4 points (from 61% to 57%), the figure remains fairly high, as seen in Graph 5.
 - This is likely related to the recent media coverage of the Federal Reserve on interest-related issues.
 - Stock holders are far more likely than average (64% vs. 52%) to believe interest rates will rise.
- This month's data also shows a shift in perceptions of gasoline prices: more consumers now expect the price of gasoline to increase in the next 12 months, contributing to the small up-tick in the *RBC Inflation Index*.

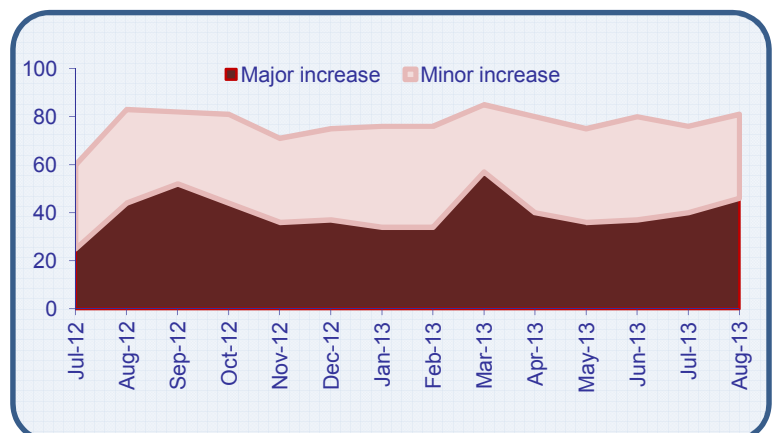
Graph 4: Expectations about local area economy (next 6 months)



Graph 5: Expectations about Interest Rates



Graph 6: Increase in gasoline prices





RBC Consumer Outlook Index Findings

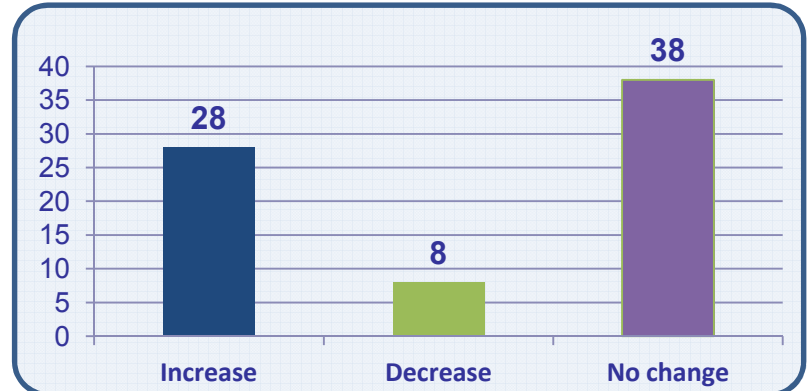
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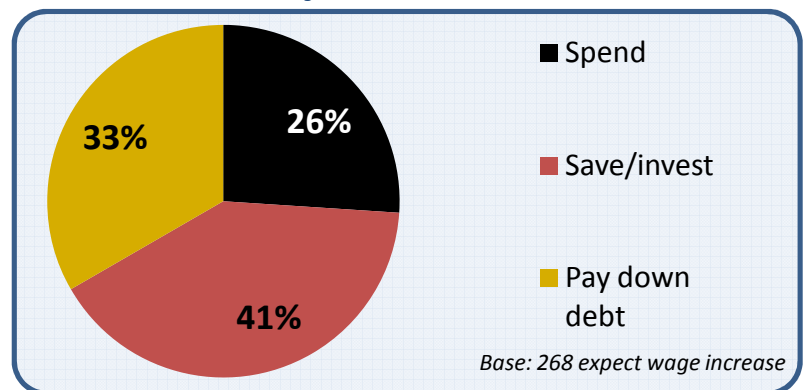
Detailed Findings of the RBC Custom Questions

Graph 7: Wage change expectations

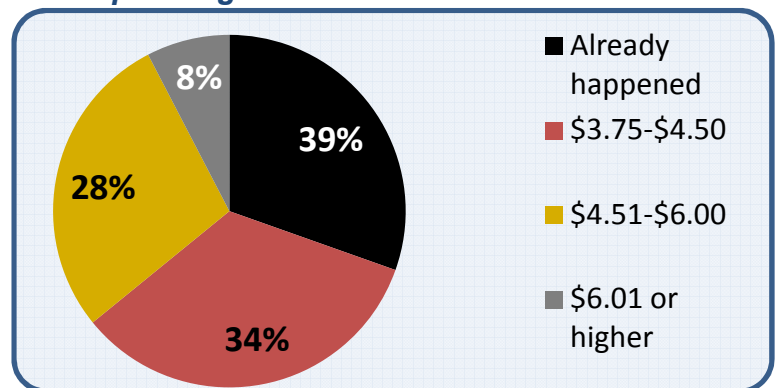
- When it comes to expectations about wage changes for the remainder of 2013, over one in four (28%) consumers believe that their wages will increase in the next six months
 - However, reflecting the trend from this month of perceptions of stability, more (38%) anticipate no change at all to their wages (see Graph 7).
 - Younger workers are more likely to expect an increase in wages than older workers.
- This month's survey also asked those who anticipate a wage increase about their plans for the extra income:
 - More than two in five (41%) say that they would invest or save their extra wages (see Graph 8); a quarter would spend it and the remaining third would pay off debt.
 - Younger consumers are more likely to say that they would spend their additional wages (28%), while those over age 55 are the most likely to say that they would invest or save the money (44%).
- As previously discussed, gas prices have continued to rise. With many families using a car for summer vacations, the price of gasoline has a large effect on a household's discretionary spending. Currently, the average cost of a gallon of gas is \$3.67. The data suggests that this price has already forced many families (39%) to adjust their spending habits in order to afford to drive (see Graph 9). Somewhere between \$3.75 and \$4.50 appears to be the "breaking point" for many consumers to continue their present driving habits.



Graph 8: And what would you do with this increase to your income?



Graph 9: At what gasoline price would you have to significantly cut back on your spending to be able to afford to drive?



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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