

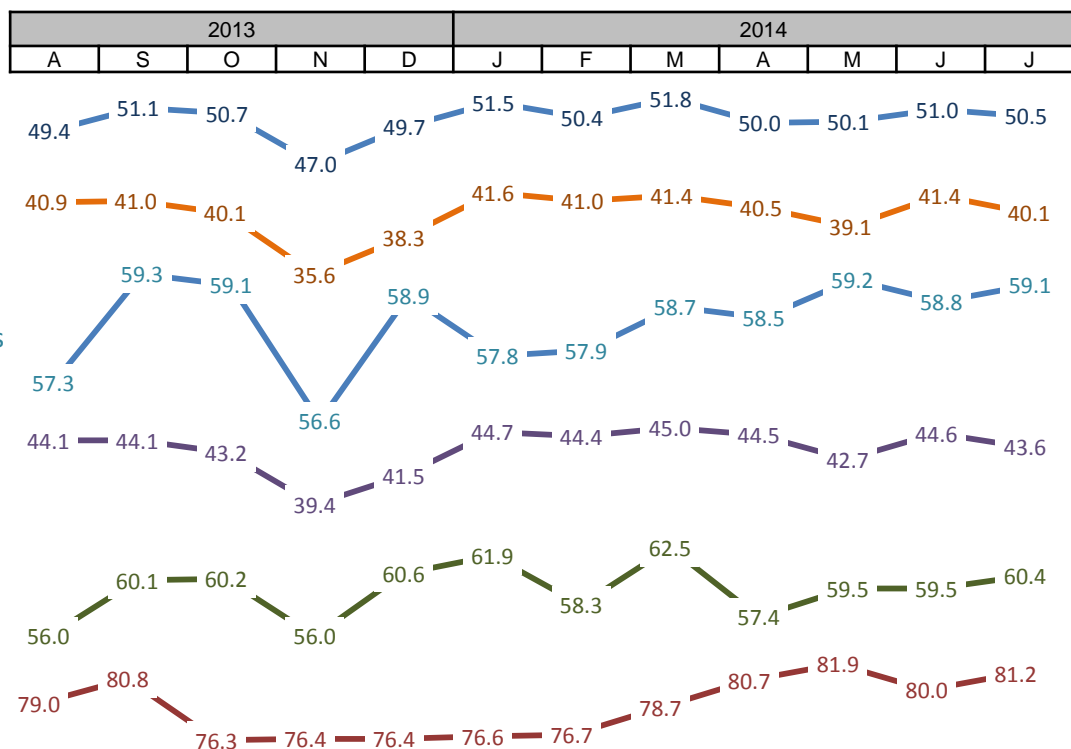
The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI*, *Current*, *Expectations*, *Investment* and *Jobs*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

Consumer Confidence Unchanged through First Half of Year

- July's *RBC Consumer Outlook Index* shows little movement this month, down 0.5 points from last month. Since January of this year, the overall index score has consistently stayed between 50 and 52 points. This month shows mixed small increases and decreases with an overall picture of stagnating consumer confidence.
- The overall *RBC Consumer Outlook Index* shows overall confidence at 50.5, down 0.5 points from last month.
 - The *RBC Jobs Index* is up slightly from last month with a score of 60.4, 0.9 points above last month's score.
 - The *RBC Current Conditions Index* shows little movement, down 1.3 points to 40.1.
 - The *RBC Investment Index* decreases slightly over the past month with a score of 43.6, down from June's score of 43.6.
 - The *RBC Expectations Index* is mostly unchanged from last month's score of 58.8, coming to a score of 59.1 for July.
 - The *RBC Inflation Index* has picked back up after last month's drop. The current score of 81.2 is just below the high of 81.9 observed in May.

RBC Consumer Outlook Index and Sub-Indices

August 2013 - July 2014



Historical average

49.2

41.4

57.9

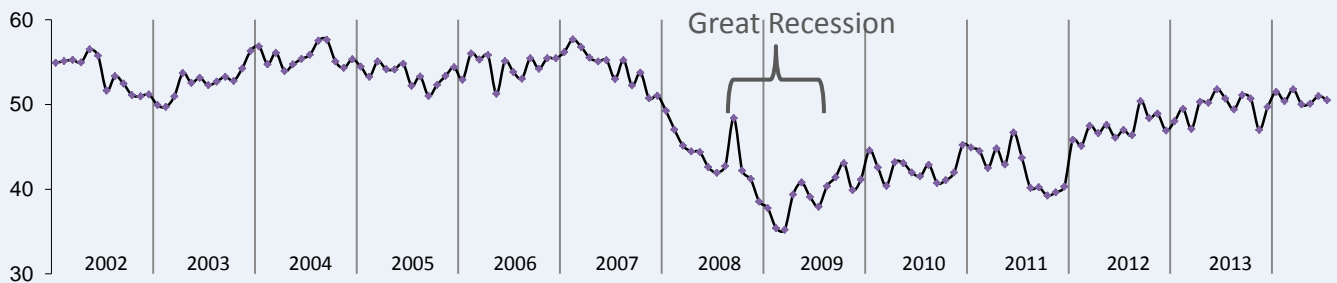
44.8

54.4

76.3

Consumer Outlook Index Trend

Graph 1: COI 2002-2014

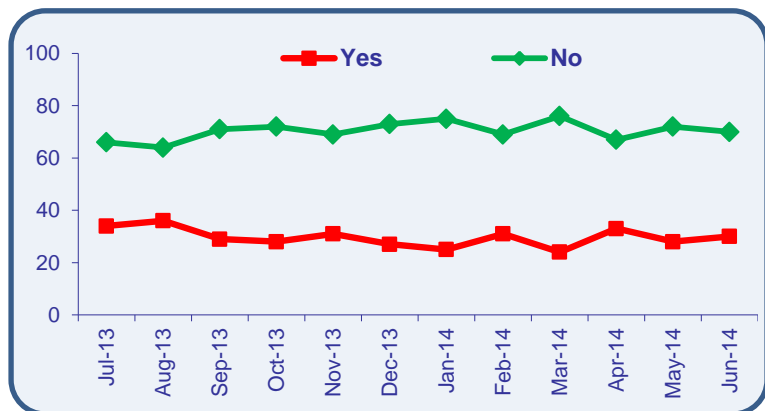


- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the first debt crisis in Washington) and the slow, fitful improvement of confidence over the rest of 2012 and 2013. However since the second quarter of 2013, the rally has stalled below the pre-recession average.

Detailed Findings of the Consumer Outlook Survey

- Overall, the American economy remains stable with a few key factors keeping consumers' confidence solid but few factors boosting confidence to the next level.
- Job security remains a bedrock of American consumer confidence. Currently 29% of respondents report that someone in their immediate circle has lost their job recently, mostly unchanged from 30% last month (Graph 2).

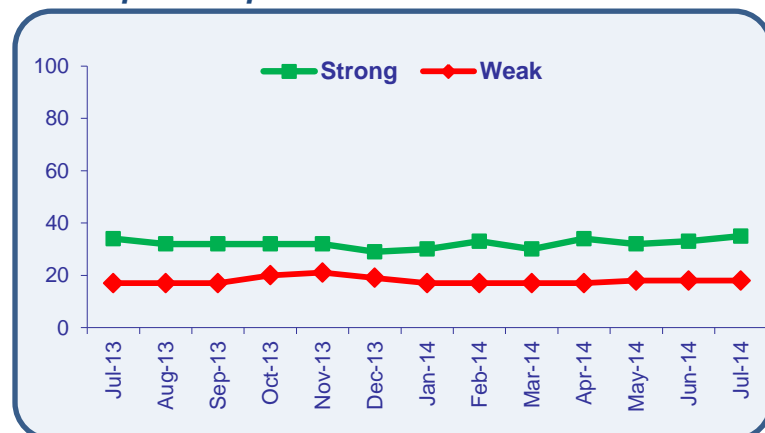
Graph 2: Experience with Job Loss



- Experience with job loss has gradually diminished over the last year, from the mid 30s last summer to the high 20s now.

- Personal finances also forms a major component of consumer opinion. Over the past year consumer expectations for their personal finances have been remarkably stable with about 1 in 3 (35% in July) saying their personal finances will be stronger in the next six months. Half as many – about 1 in 6 – expect their personal finances to weaken. (Graph 3).

Graph 3: Expectation for Personal Finances

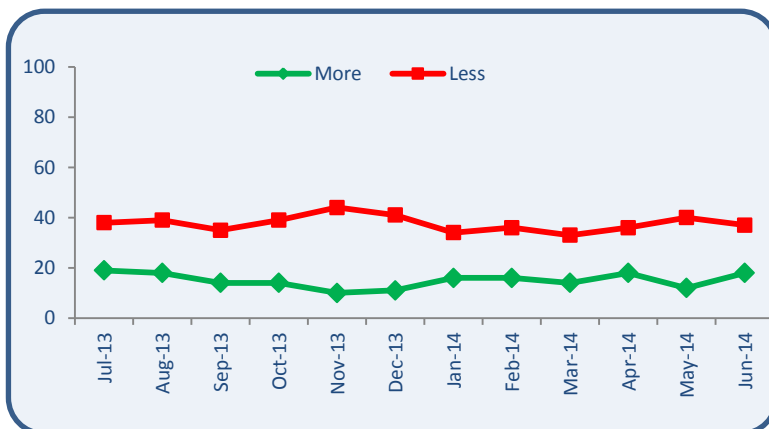


- Indicative of the stasis in the data, almost half of respondents report no expected change in their personal finances.

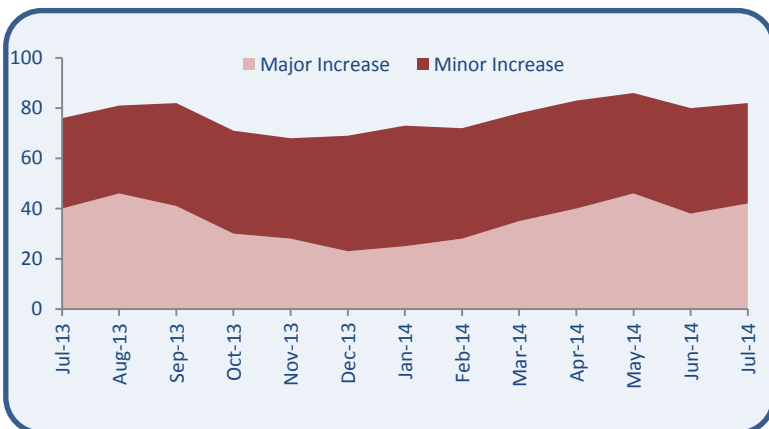
Detailed Findings of the Consumer Outlook Survey, cont.

- However, a number of factors continue to keep consumer confidence muted through the course of 2014.
- Examining consumer comfort with making major purchases, like a home or car, 4 in 10 respondents (42% in July) report that they are currently less comfortable than they were six months ago. (Graph 4).
 - Consumers are slightly more comfortable with their ability to afford regular household purchases with 1 in 5 (21% in July) saying they are more comfortable and one quarter (28% in July) saying they are less comfortable.
- Increasing costs for household goods and big-ticket items contributes to consumer unease. In particular, most consumers report expectations for increasing gas prices in the coming months with 82% expecting an increase of some sort and 42% expecting a major increase (Graph 5).
 - Consumers are also reporting increased price expectations for consumer electronics (61% saying "increase" this month, up from 56% in June) and durable goods (68% "increase" this month, up from 64% last month).
- Indicative of the neutral position of the broader American economy, currently even numbers – 26% each – say they expect the U.S. economy and their own financial situation to improve in the next year AND get worse (Graph 6).
 - The plurality of respondents (48%) say they economy will stay the same over the next year, presaging more doldrums to come.

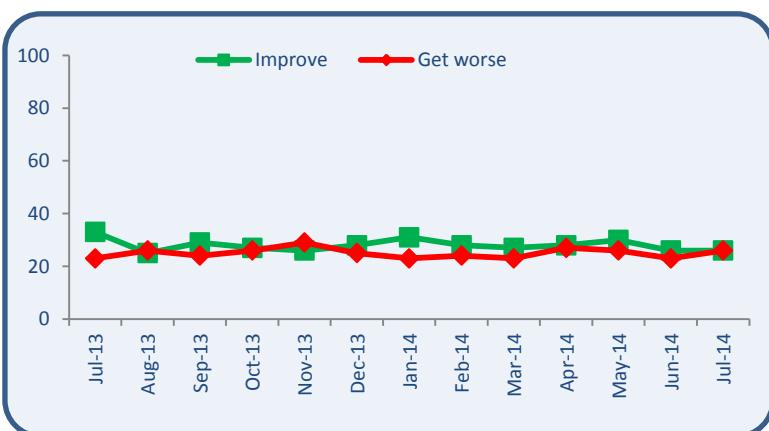
Graph 4: Comfort Making Major Purchases



Graph 5: Changing Gas and Fuel Prices



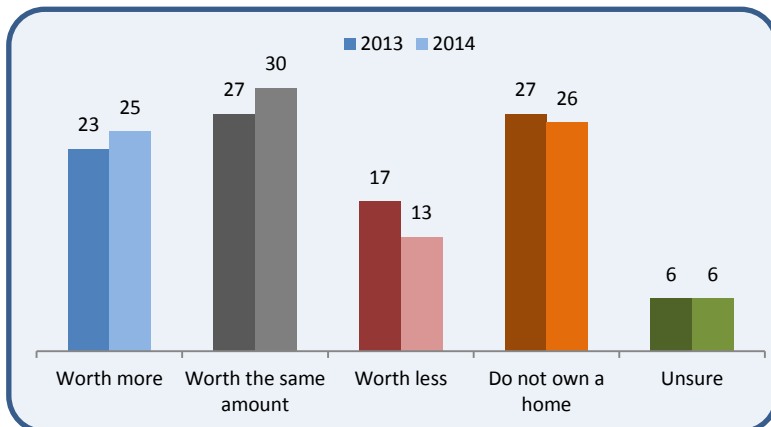
Graph 6: Future American Economy



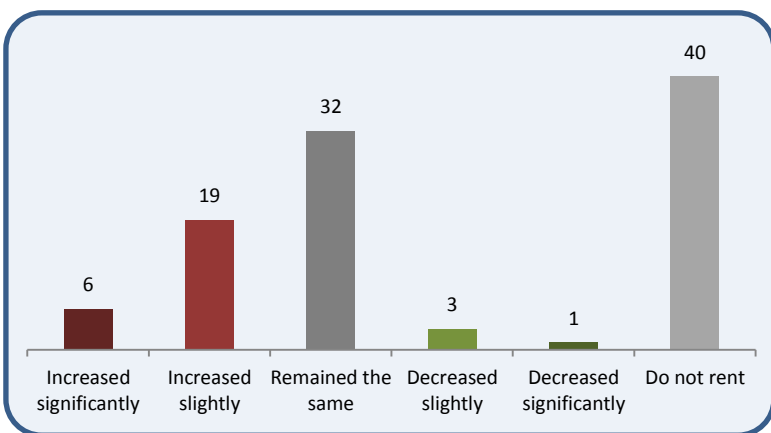
Detailed Findings of the RBC Custom Questions

- One positive trend for some consumers is the rebound in the housing market (Graph 7).
 - Compared to this time last year, slightly more respondents report that their home is worth more (+2) or the same (+3) as last year.
 - Fewer respondents (-4 percentage points) are reporting that their home is worth less than the last year.
- However, the picture is worse for respondents who do not own their own homes. A quarter (25%) of consumers – and over 40% of renters – are reporting that their rental costs increased in the last year (Graph 8).
- Among renters, almost half (48%) say they rent because of some sort of financial constraint including:
 - Purchasing a home is too expensive: 19%;
 - Unable to afford the down payment: 17%; and
 - Unable to get the right type of loan: 12%.
 - Fewer than one in five renters (17%) say the main reason they rent rather than buy is because they do not want to buy a home. (Graph 9)
- Another positive trend for some consumers is the growth in the equities market. More respondents report that their 401K/retirement fund is worth more this year than last (at 29% from 23% in 2013).
- More people are also reporting having 401K/retirement accounts than last year, up to 63% from 58%.

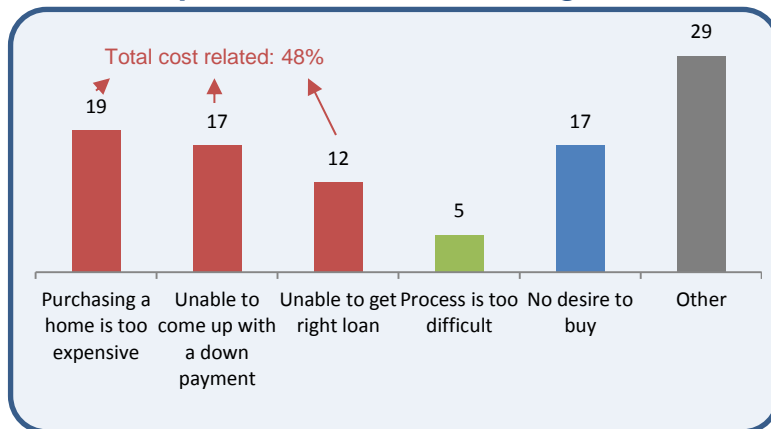
Graph 7: Home Value Trend



Graph 8: Home Rental Cost in Last Year



Graph 9: Reasons for Renting Home



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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