# RBC Consumer Outlook Index Findings

*August 2014*

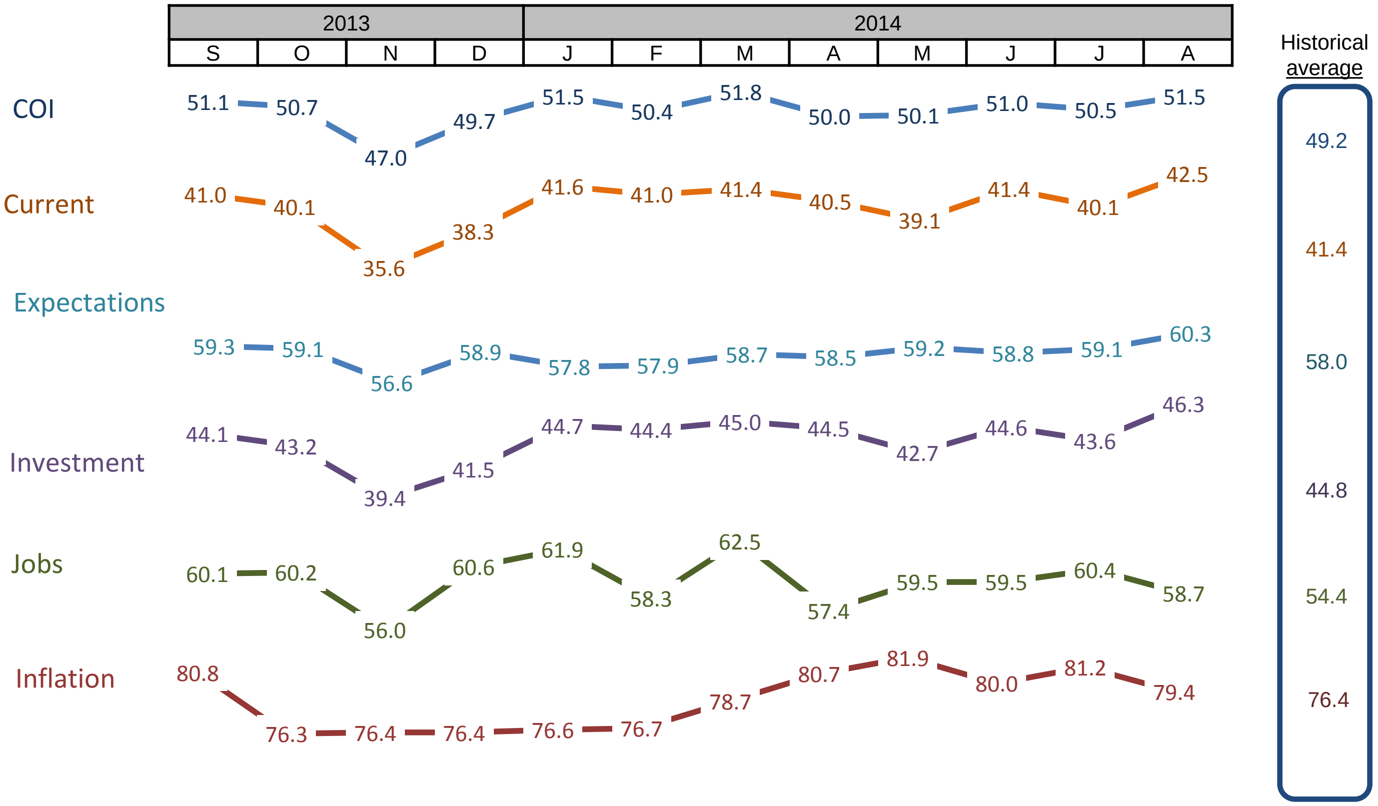
The survey is conducted online via Ipsos' national I-Say Consumer Panel with 1,000 Americans. Data is weighted to balance demographics and ensure that the sample's composition reflects that of the adult population according to Census data. The *COI, Current, Expectations, Investment* and *Jobs* Indices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

## Consumer Confidence Remains High for Start of Second Half of the Year

- August's RBC *Consumer Outlook Index* shows slight upward movement this month, up 1.0 point from last month, however the overall trend of stability continues. Since January of this year, the overall index score has consistently stayed between 50 and 52 points. This month shows predominant increases and one notable decrease.
- The overall *RBC Consumer Outlook Index* shows overall confidence at 51.5, up 1 points from last month.
  - The *RBC Jobs Index* is down slightly from last month with a score of 58.7, decreasing for the first time since April of this year.
  - The *RBC Current Conditions Index* shows upward movement, up 2.4 points to 42.5, the highest score observed this year.
  - The *RBC Investment Index* shows the most improvement with a score of 46.3, up 2.7 points since last month
  - The *RBC Expectations Index* is mostly unchanged from last month's score of 59., with a score of 60.3 this month.
  - *The RBC Inflation Index* has dropped again after last month's slight uptick. The current score of 79.4 is the lowest score we've seen since March of this year.

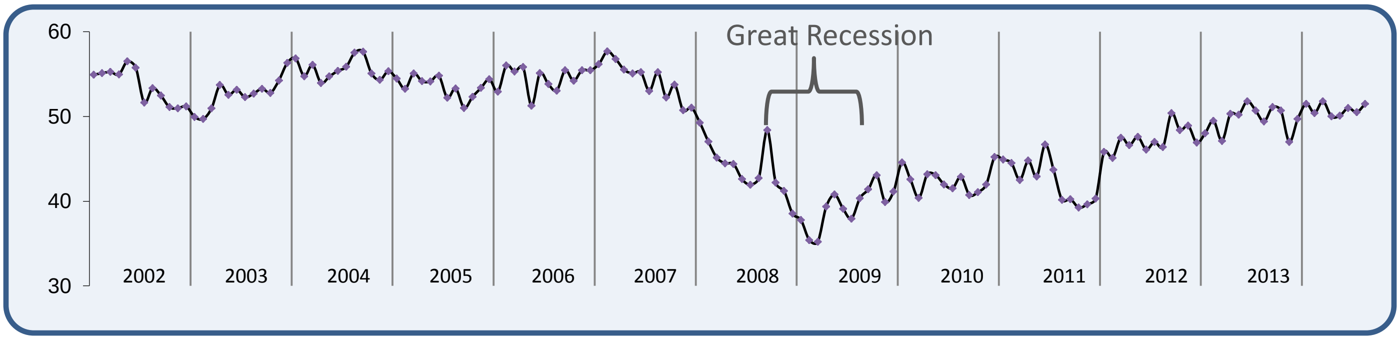
### *RBC Consumer Outlook Index and Sub-Indices*

***September 2013 - August 2014***



## Consumer Outlook Index Trend

### *Graph 1: COI 2002-2014*

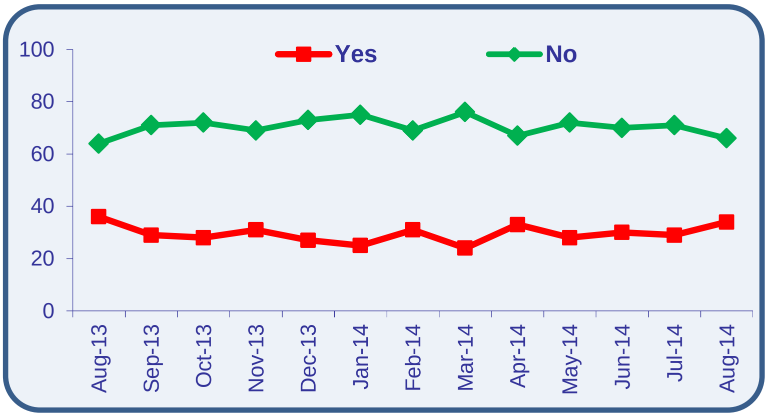



- Graph 1 presents the trend for the Consumer Outlook Index since it began in 2002. The most prominent event is the great recession in 2008-2009. Since then noteworthy periods include the brief crash in confidence observed Q3-Q4 of 2011 (corresponding with the first debt crisis in Washington) and the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

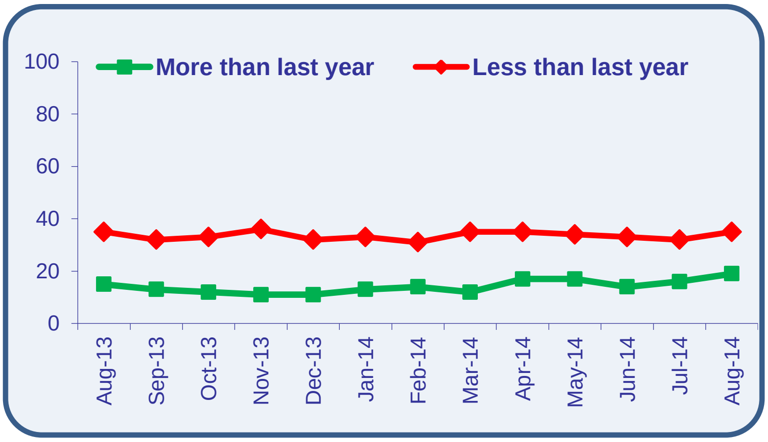
## Detailed Findings of the Consumer Outlook Survey

- Overall, the American economy remains stable with increasing consumer confidence despite decreases in several key drivers of consumer confidence.
- In a departure from the norm of the last several months, more consumers are either directly or closely affected by job loss in the last six months (Graph 2).
    - Experience with job loss is at its highest point (34%) since August 2013, which had a slightly higher score (36%).
- Despite this, confidence in the economy broadly and personally is increasing.
- Spending is a major indicator of confidence in the economy. Nearly one fifth (19%) of consumers state that they are planning to spend more this year on major purchases, such as a car or household appliances than they did last year (Graph 3).
    - This is the highest score observed for this question since 2011. This planned increase in spending shows that over the past six months, consumers have enough confidence to spend money.

### *Graph 2: Experience with Job Loss*



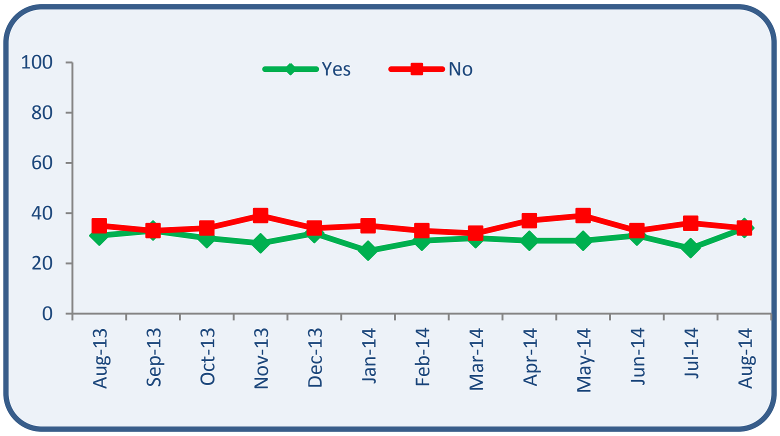

### *Graph 3: Anticipation of Spending*



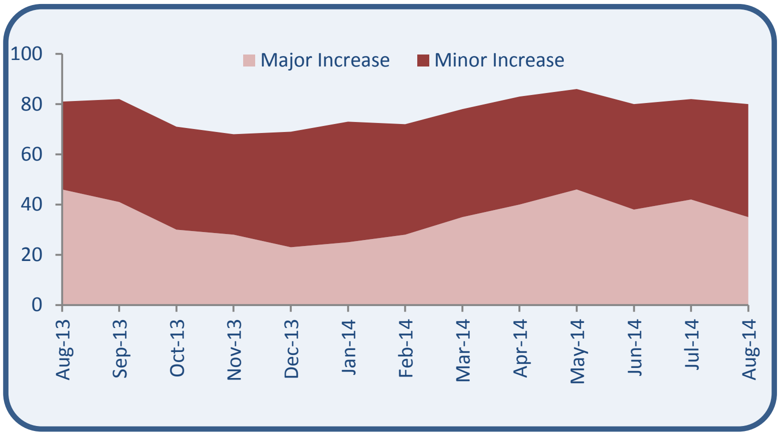
## Detailed Findings of the Consumer Outlook Survey, cont.

- In addition to rising comfort with spending money, consumers express more confidence with investing in assets.
- When looking at the near term, one third (34%) of consumers think that the next thirty days will be a good time to invest in real estate, vacation, or investment property (Graph 4).
  - This month marks the largest number of consumers who think that the next 30 days will be a good time to invest since June 2013. In addition to the willingness to spend more, consumers are willing to invest long-term.
- Consumers are also seeing more minor price increases, rather than major price increases, which might add to consumers' feelings of increased wealth and the their willingness to spend(Graph 5). The fewest number of consumers since March 2014 (35%) report seeing major increases in the price of gasoline and fuel.
  - Consumer expectations of price increases with the prices of food and groceries, consumer electronics, and durable goods have all experienced a decrease since last month.
- All of these factors have lead Americans to feel better about their future personal finance situation (Graph 6).
  - A plurality of respondents (40%) state that they believe their personal financial situation will be better in the next six months than it is now. This is the highest score observed for this question since 2011.

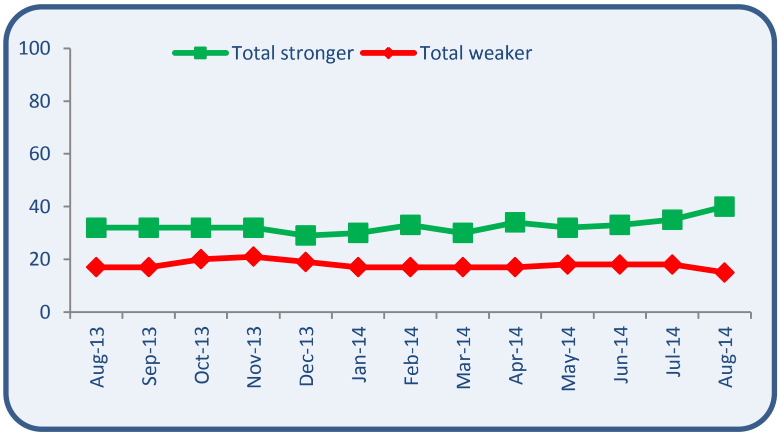
### *Graph 4: Investment Purchases*




### *Graph 5: Changing Gas and Fuel Prices*




### *Graph 6: Future Personal Finance Situation*



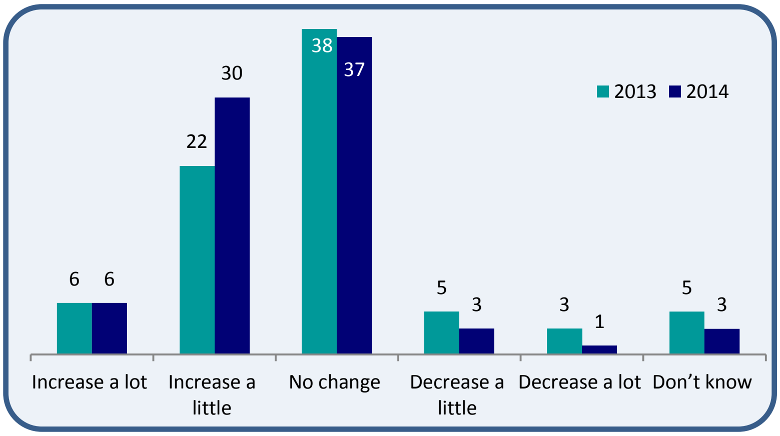
# RBC Consumer Outlook Index Findings

*August 2014*

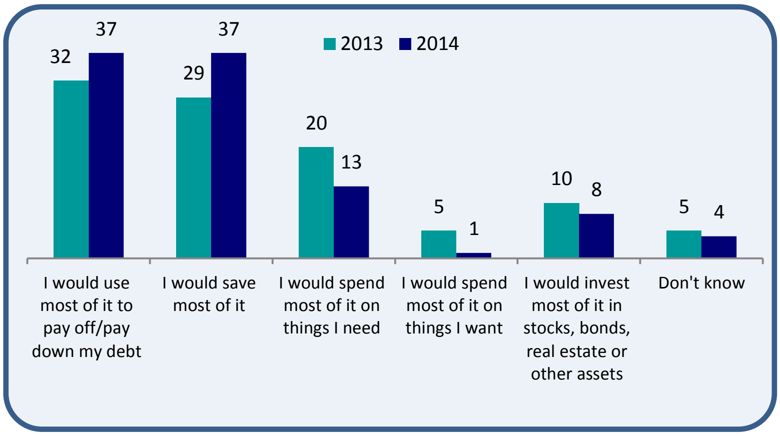
## Detailed Findings of the RBC Custom Questions

- Continuing the trend of optimism, a significant number of consumers anticipate their wages increasing in the next six months (Graph 7).
  - Compared to this time last year, nearly one in ten more respondents report that they anticipate their wages increasing in the next six months.
  - Additionally, fewer respondents are reporting decreases in wages over the last six months.
- In addition to wages increasing, more respondents say that they plan to save this increase in wages when compared with respondents in 2013 (Graph 8).
  - Paying down debt and saving these increases are the two most popular choices for respondents of both years.
  - Respondents in 2013 were more likely to say they to spend these increases. This indicates that this year there is increased financial stability and enough income to allow for saving and debt reduction.
- A plurality of consumers are uninterested in purchasing a car (Graph 9).
  - Among those consumers interested in purchasing a car, sale prices and discounts are the main drivers for purchasing a car.
  - Other beneficial financial arrangements – including favorable loan rates and no-money down – are influential factors for approximately 1 in 8 consumers.

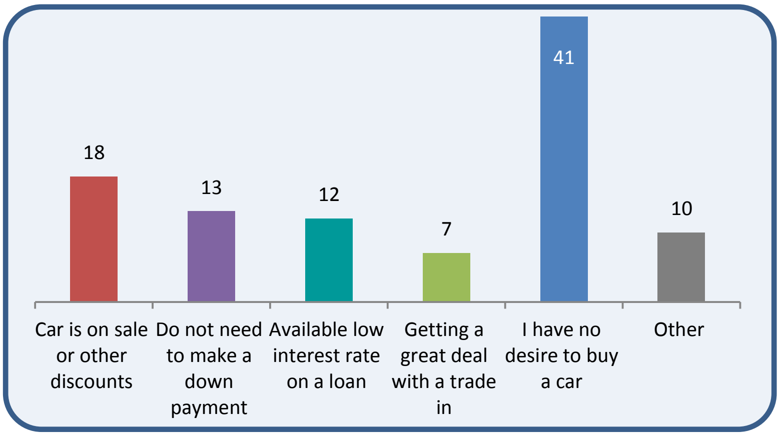
### *Graph 7: Increasing Wages*




### *Graph 8: Uses of Increased Wages*




### *Graph 9: Financial Influences for Buying a Car*




*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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