

# CONSUMER ECONOMIC CONFIDENCE REMAINS HIGH

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***Ipsos-Reid Canadian Economic Confidence Index Dips Slightly to 112.33, But Remains High***



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## **CONSUMER ECONOMIC CONFIDENCE REMAINS HIGH**

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**Toronto, ON**– The Ipsos-Reid Canadian Monthly Economic Confidence Monitor, conducted in August 2003, indicates that Canadians continue to be confident in the national economy. Seven in ten (70%) Canadians consider the current Canadian economy to be good (66% “good,” 4% “very good”) and one in three (34%) continue to think the economy will improve over the next year or so.

The Ipsos-Reid Canadian Economic Confidence Index (112.33), provided exclusively to the Report on Business Section of the Globe and Mail, reveals that positive expectations of interest rate drops, positive home purchase intentions, low job anxiety, and optimistic personal economic forecasting continue to fuel economic confidence, but to a slightly lesser degree than in the past.

The proportion of Canadians predicting an increase in interest rates (44%) has increased since our last soundings in July and June (39%), but still remains much lower than findings from earlier this year (66% March). One in seven (14%) think rates will go down (down from 18% in July), while the remaining four in ten (39%) think they will stay as is. The slight dip in the



Economic Confidence Index since last month (116.88) is mainly a result of the nominal decrease in the percentage of Canadians who expect interest rates to go down.

One in seven (14%) Canadians indicate a likelihood that they will purchase a new or another home at this time—5% are “very likely” while 8% are “somewhat likely.” Home purchase intentions continue to boost the Economic Confidence Index.

A mere one in five (21%) Canadians are worried about either themselves or someone in their household losing their job—this proportion is virtually identical to July’s findings (20%). Record low levels of job anxiety were witnessed in February (16%), March (18%), and April (16%), while during the recession (1993) job anxiety reached 35%. Although today’s findings are virtually identical to July, the nominal increase in job anxiety has decreased the level to which job security is boosting economic confidence.

The percentage of Canadians who feel their own economic situation will improve (37%) is virtually identical to the findings from our last sounding in July (38%). Half (48%) continue to think their personal economic situation will remain the same, and one in seven (15%) think it will get worse. The net score (percentage who feel it will improve minus the percentage who feel it will get worse) therefore is +22, down from +26 in July. Marginal changes in personal economic forecasting are dampening the level to which personal economic forecasting is boosting the Economic Confidence Index.

Big-ticket and day-to-day spending attitudes are currently dragging the index, but they do show signs of improving.

*These are the findings of an Ipsos-Reid poll conducted between August 19<sup>th</sup> and August 21<sup>st</sup>, 2003. The poll is based on a randomly selected sample of 1058 adult Canadians. With a sample of this size, the results are considered accurate to within  $\pm 3.1$  percentage points, 19 times out of 20, of what they*



would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were statistically weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 2001 Census data.

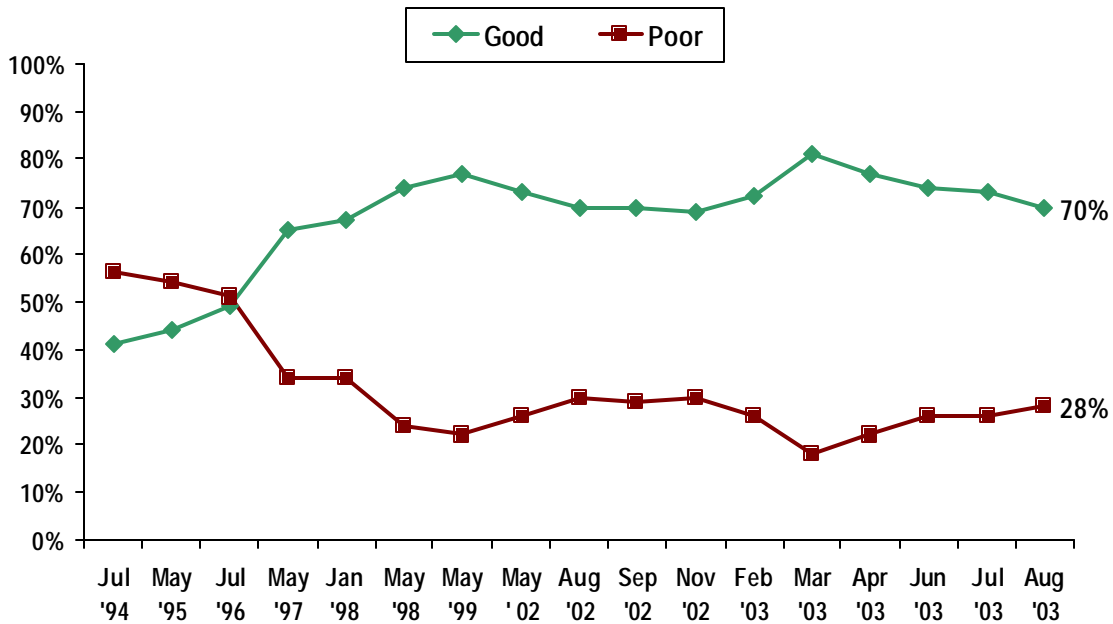
## **Seven in Ten (70%) Think Overall State of Canadian Economy is “Good”—But Pronounced Decline Since March 2003 (81%)**

Seven in ten (70%) Canadians describe the current economy as “good” (66% “good,” 4% “very good”). While this proportion has only nominally declined from month to month (73% July, 74% June, 77% April, 81% March), today’s findings suggest perhaps a return to economic confidence levels witnessed in late 2002 (69% November). The remaining three in ten (28%) describe the current economy as “poor” (24% “poor,” 4% “very poor”).

- Residents of Atlantic Canada (76%) are the most inclined to describe the current economy as good, followed by residents Quebec (75%), Alberta (75%), Ontario (70%), and Saskatchewan/Manitoba (69%). Residents of British Columbia (56%) continue to be the least optimistic.
- Men (74%) are more likely than women (67%) to describe the current economy as “good.”
- Individuals with a college diploma/some post secondary education or a university degree (73%) are more optimistic about the current economy than Canadians with a high school diploma or less (65%).
- Canadians with an annual household income of \$60,000 or more (77%) are more optimistic than those with less (67%).



### Overall State of the Canadian Economy



### **Canadian Economic Forecasting Remains Stable Since June—One in Three (34%) Think Economy will Improve, One in Five (19%) Think it will Get Worse**

The one year forecast for the Canadian economy shows nearly half (46%) of Canadians continue to think the economy will stay the same, 34% think it will improve, and 19% think it will get worse—the net score (percentage who feel it will improve minus the percentage who feel it will get worse) is +15. These proportions remain virtually unchanged since June.

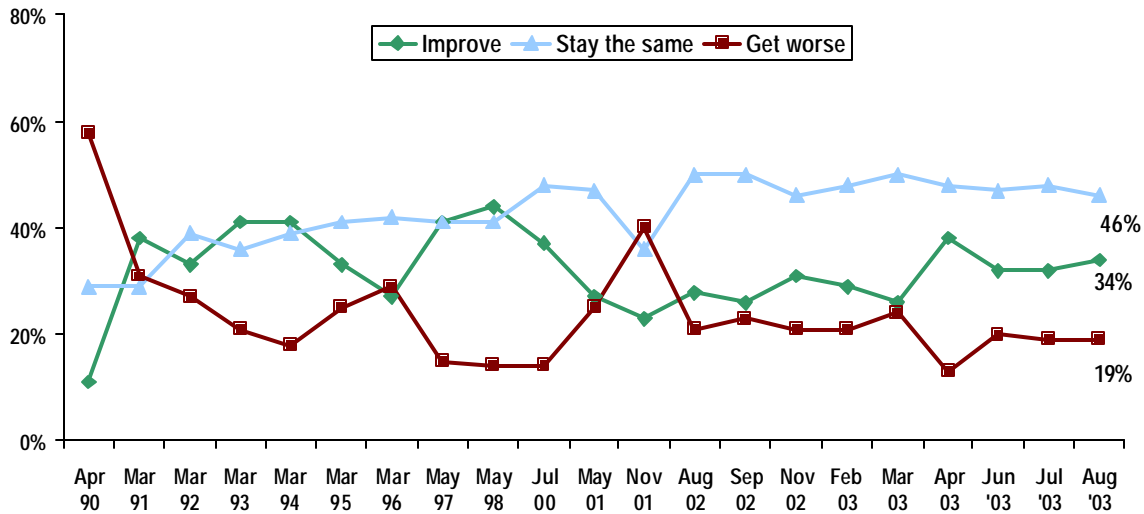
- Today, residents of Ontario (39%) and British Columbia (39%) are the most likely to believe the Canadian economy will improve in the year to come, followed closely by residents of Saskatchewan/Manitoba (38%), and Atlantic Canada (32%). Canadians



living in Quebec (25%) and Alberta (26%) are less likely to think the economy will improve.

- Young adults (39%) are more likely than their middle-aged (30%) and older (35%) counterparts to think the Canadian economy will improve over the next year.
- Men (39%) are more likely than women (29%) to think the economy will improve, while women (22%) are more likely than men (16%) to believe it will get worse.
- Canadians with an annual household income less than \$60,000 (22%) are more likely than those with a household income greater than \$60,000 (14%) to think the economy will get worse.

### One Year Forecast for the Canadian Economy





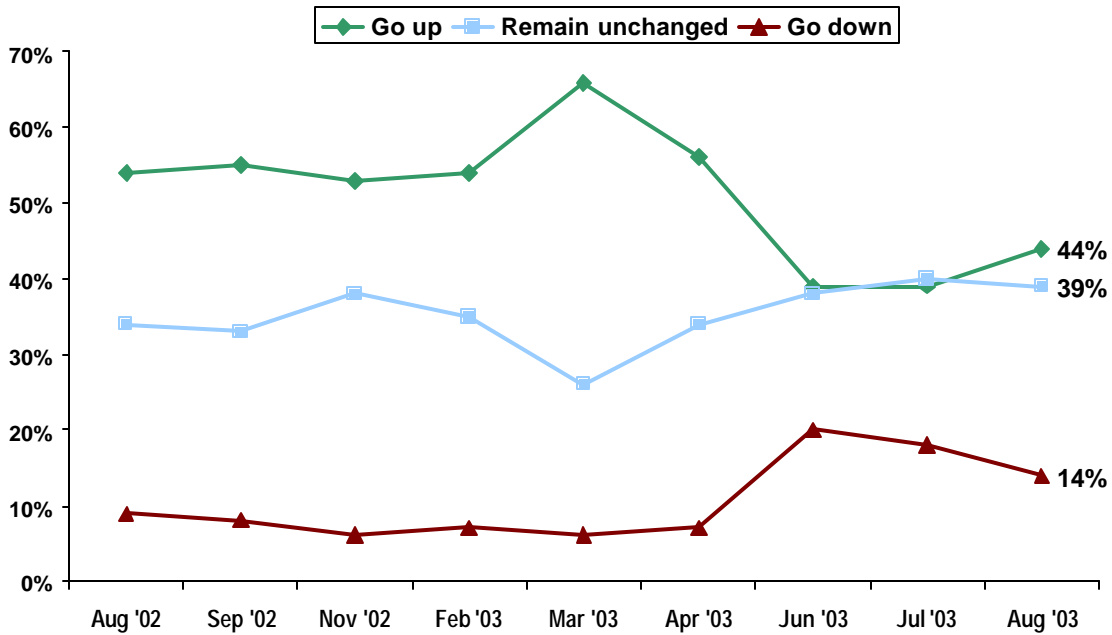
## ***Concern for Interest Rate Hikes Rising—Four in Ten (44%) Think Interest Rates Will Go Up, One in Seven (14%) Think Rates Will Go Down***

The proportion of Canadians predicting an increase in interest rates (44%) has increased since our last soundings in July and June (39%), but still remains much lower than findings from earlier this year (66% March). One in seven (14%) think rates will go down (down from 18% in July), while the remaining four in ten (39%) think they will stay as is.

- Today, Atlantic Canadians (50%) are most likely to believe interest rates will go up in the next six months, followed by residents of Ontario (45%), British Columbia (45%), Alberta (44%), Quebec (42%), and finally Saskatchewan/Manitoba (35%).
- Young adults (49%) are more likely than their middle-aged (45%) and older counterparts (38%) to believe rates will go up. Older adults (43%) are more likely to think they will remain unchanged (34% young adults, 40% middle-aged).
- Women (48%) are more likely than men (40%) to believe rates will go up. Men (42%) are more likely than women (36%) to believe they will remain the same.
- Canadians with a university degree (20%) are more likely than those without (12%) to believe interest rates will go down in the next six months.



### Six-Month Forecast For Interest Rates



### **Canadians’ Home Purchase Intentions Remain Stable—14% Likely to Buy at this Time—5% “Very Likely,” 8% “Somewhat Likely”**

One in seven (14%) Canadians are likely to purchase a new or another home at this time—5% are “very likely” while 8% are “somewhat likely.” One in ten (12%) Canadians say they are “not very likely” to buy a home at this time, and three-quarters (74%) say they are “not likely at all.” These proportions have remained relatively stable since the question was first asked of Canadians in August of 2002.

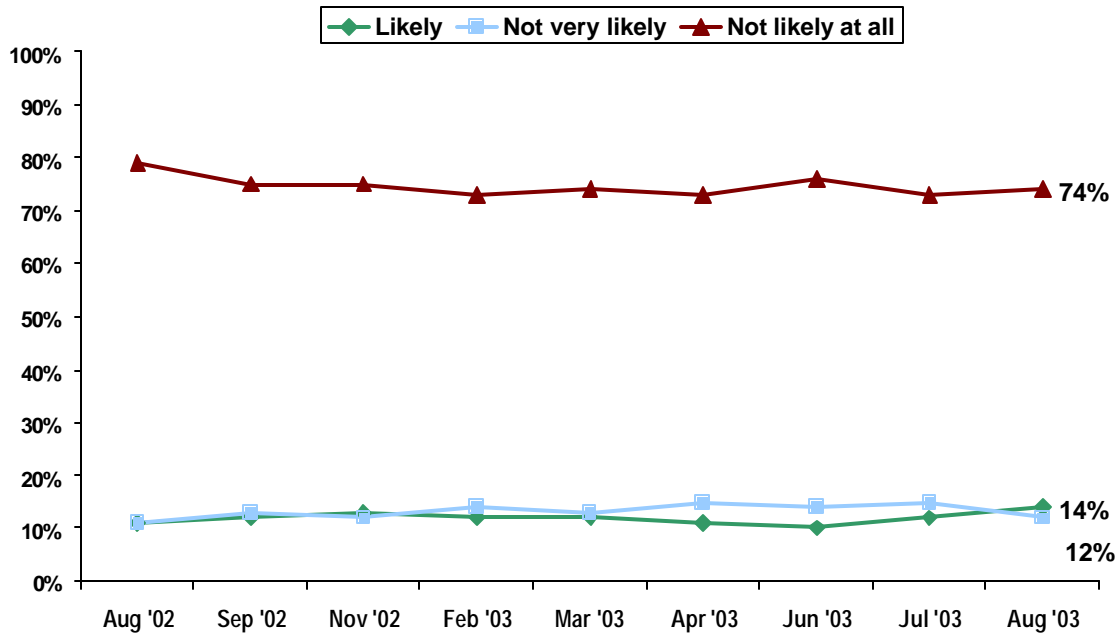
- Residents of Alberta (18%) are most likely to be purchasing a home right now, followed by residents of British Columbia (16%), Quebec (15%), Ontario (13%), Atlantic Canada



(12%), and finally Saskatchewan/Manitoba (6%). Home purchase intentions have jumped since July for residents of Alberta (12% July) and Quebec (8% July).

- Canadians between the ages of 18 and 54 (17%) are more likely than their older counterparts (8%) to be purchasing a home right now.

### Home Purchase Intentions





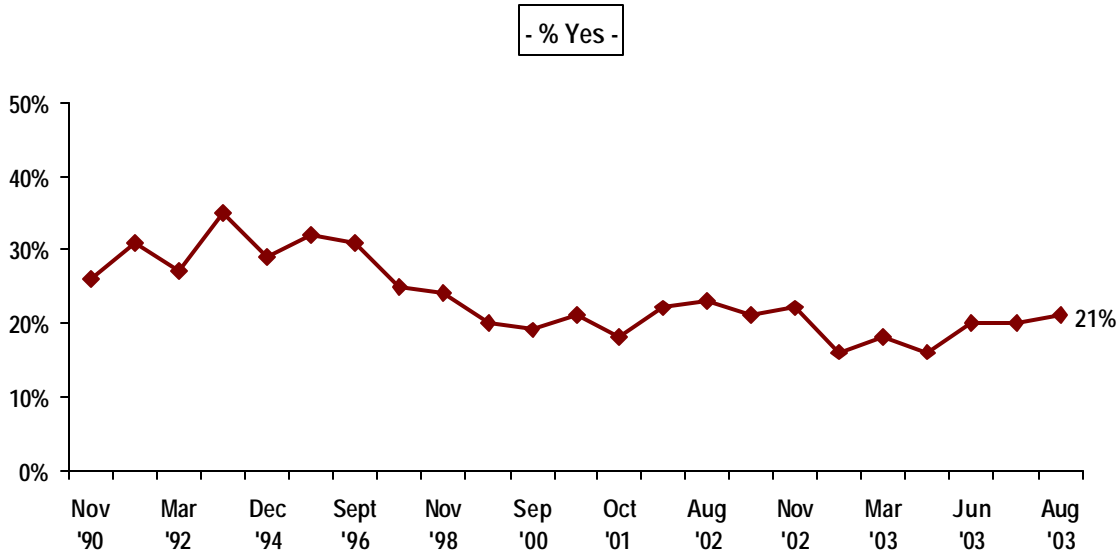
## ***Job Anxiety Remains Low—One in Five (21%) Canadians Worried about Job Loss—But Directionally Rising Since April 2003 (16%)***

A mere one in five (21%) Canadians are worried about either themselves or someone in their household losing their job—this proportion is virtually identical to July’s findings (20%). Record low levels of job anxiety were witnessed in February (16%), March (18%), and April (16%), while during the recession (1993) job anxiety reached 35%.

- Residents of British Columbia (26%) continue to be the most worried about losing their job or someone in their household losing their job, followed by residents of Ontario (23%), Atlantic Canada (21%), Quebec (20%), Alberta (18%), and Saskatchewan/Manitoba (17%).
- Middle-aged Canadians (28%) are more worried than their younger (20%) and older (15%) counterparts about losing their job or someone in their household losing their job.



### Canadians' Job Anxiety



***One-Year Forecast for Personal Financial Prospects Stable Since June—37% Think their Situation will Improve, 48% Think it will Stay the Same, 15% Think it will Get Worse—Up 6 Points Since April 2003***

The percentage of Canadians who feel their own economic situation will improve (37%) is virtually identical to the findings from our last sounding in July (38%). Half (48%) continue to think their personal economic situation will remain the same, and one in seven (15%) think it will get worse. The net score (percentage who feel it will improve minus the percentage who feel it will get worse) therefore is +22, down from +26 in July.

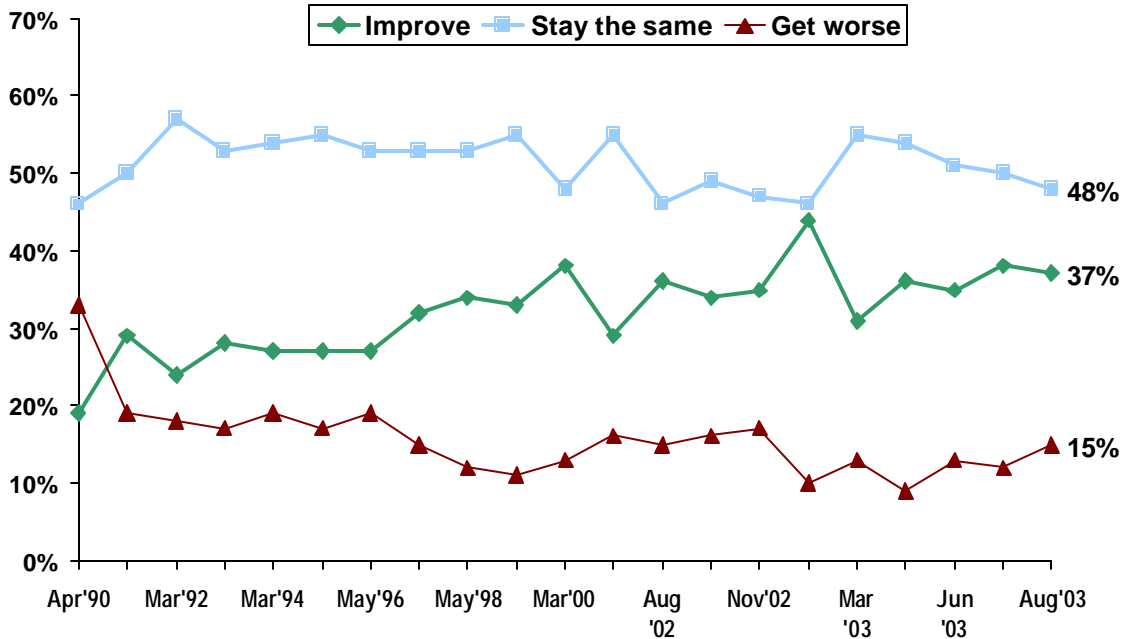
- Residents of Ontario (41%) continue to be the most likely to say their personal economic situation will improve, followed by residents of Alberta (37%), Saskatchewan/Manitoba (37%), Quebec (34%), British Columbia (32%), and finally Atlantic Canada (28%).

Canadians also express the greatest change in personal economic forecasting since July (35%).

- Young adults (54%) are more likely than their middle-aged (34%) and older (22%) counterparts to think their personal economic situation will improve, while older Canadians (57%) are more likely than middle-aged (49%) and younger (39%) adults to think it will remain the same. Older adults (20%) are also more likely to think their situation will get worse (7% young adults, 16% middle-aged).
- Canadians with some post-secondary education/college degree or a university degree (40%) are more likely than those with a high school diploma or less (30%) to think their own economic situation will improve, while Canadians with a high school diploma or less (19%) are more likely than those with some post-secondary education/college degree or a university degree (12%) to think their economic situation will get worse.
- Canadians with an annual household income greater than \$60,000 (46%) are more likely than those whose income is less than \$60,000 (34%) to think their own economic situation will improve, while Canadians with an annual household income less than \$60,000 (17%) are more likely than those whose income exceeds \$60,000 (10%) to think their economic situation will get worse.



### One Year Forecast for Personal Financial Prospects



### ***One-Quarter (27%) Intend to Spend More on Big-Ticket Items than Last Year, Three in Ten (30%) Plan to Spend Less—Similar to July’s Findings***

Canadians’ spending intentions vis-à-vis major purchases such as a car, household appliances, or vacations have remained relatively stable since the fall of 2002. Today, one-quarter (27%) of Canadians say they expect to spend more on big-ticket items in the next year than they did last year, three in ten (30%) say they will spend less than they did last year, and four in ten (43%) continue to say they will spend about the same amount. The net score—

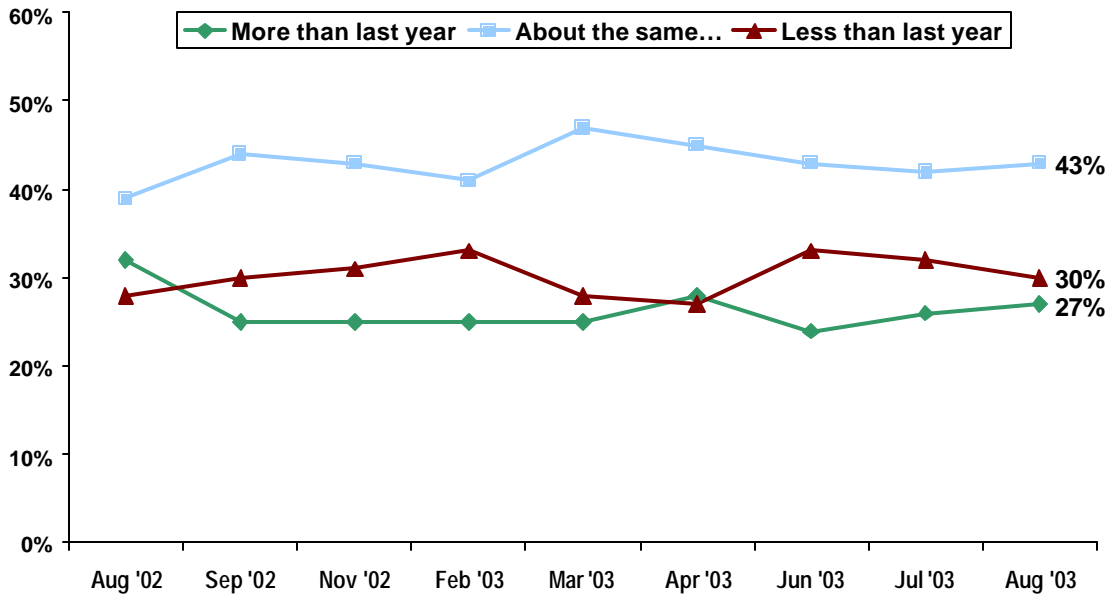


percentage who intend to spend more than last year minus the percentage who intend to spend less than last year—is -3.

- Considering regional net spending scores, residents of Saskatchewan/Manitoba (-13) are most likely to be cutting back on big-ticket purchases, followed by residents of British Columbia (-10), Ontario (-5), and Atlantic Canada (-4). Residents of Alberta (+4) and Quebec (+3), on the other hand, are most likely to be spending more.
- Young adults (35%) are more likely than their middle-aged (26%) and older (19%) counterparts to be spending more on major purchases in the next, while older Canadians (52%) are most likely to be spending the same amount (36% young adults, 40% middle-aged).
- Canadians with an annual household income greater than \$30,000 (30%) are more likely than those with a household income less than \$30,000 (19%) to be spending more on major purchases in the year to come than they did last year.



### Major Purchase Spending Intentions



***Four in Ten (37%) Canadians Intend to Spend More on Everyday Expense Items than Last Year—Up 4 points Since July (33%), Half (52%) Intend to Spend the Same***

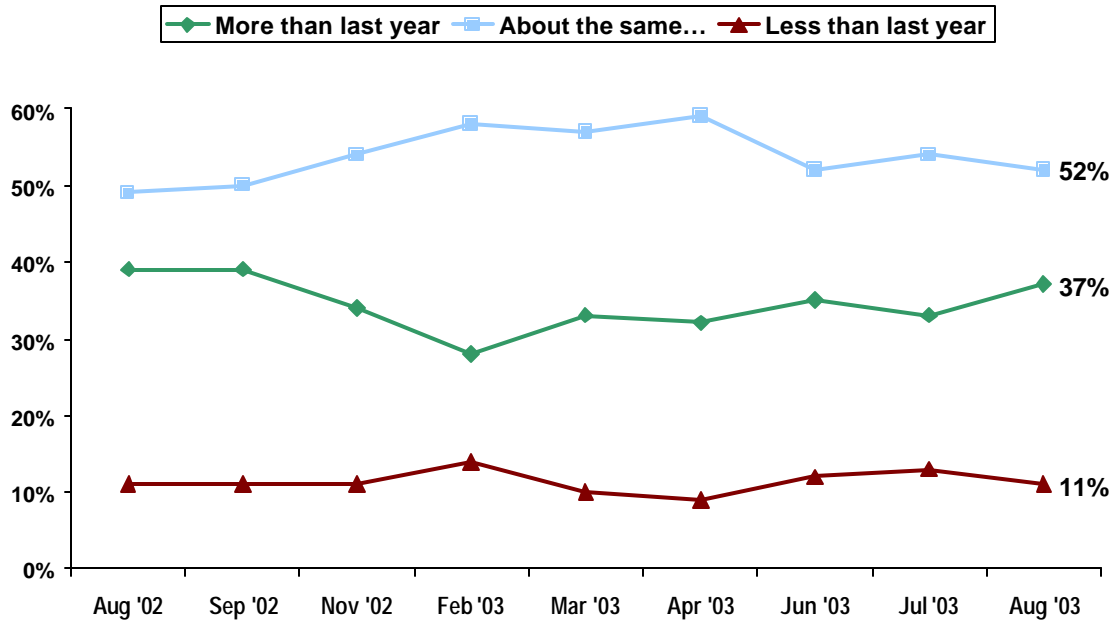
Four in ten (37%) Canadians plan to spend more on day-to day expenses such as groceries, clothing, or other personal goods in the next year than they did the year before, up from 33% in July. Half (52%) intend to spend about the same amount, and one in ten (11%) intend to spend less on day-to-day items than they did last year. The net score—percentage who intend to spend more than last year minus the percentage who intend to spend less than last year—is +26, up from +20 in July.



- Considering regional net spending scores, residents of Atlantic Canada (+35) are most likely to spend more on day-to-day expenses in the next year than they did the year before, followed by residents of Quebec (+31), Ontario (+26), British Columbia (+23), Alberta (+19), and finally Saskatchewan/Manitoba (+11). While day-to day spending intentions have increased for residents of Quebec, British Columbia, and Atlantic Canada, they have dropped for residents of Saskatchewan/Manitoba, Alberta, and Ontario.
- Adults under the age of 54 (40%) are more likely than Canadians over the age of 55 (29%) to spend more on day-to-day expenses in the next year than they did the year before.
- Men (41%) are more likely than women (33%) to spend more on everyday items, while women (14%) are more likely than men (8%) to spend less.



## Day-to-Day Expense Spending Intentions



## ***Ipsos-Reid Canadian Economic Confidence Index Drops 4.55 Points to 112.33***

The Ipsos-Reid Canadian Economic Confidence Index score for August 2002 is 100.00 because that was when it was first constructed; the chart outlines how economic forecasting has fluctuated since that time. July's index of 116.88 was a predictor for continuing positive descriptions of the current economy (70% "good/very good"). Today's index of 112.33 outlines the above-mentioned ongoing optimism with regards to the state of the economy for the year to come.

Upon examining the individual attributes that make up the index or economic forecasting we learn that it continues to be primarily expectations that interest rates will go down in the next



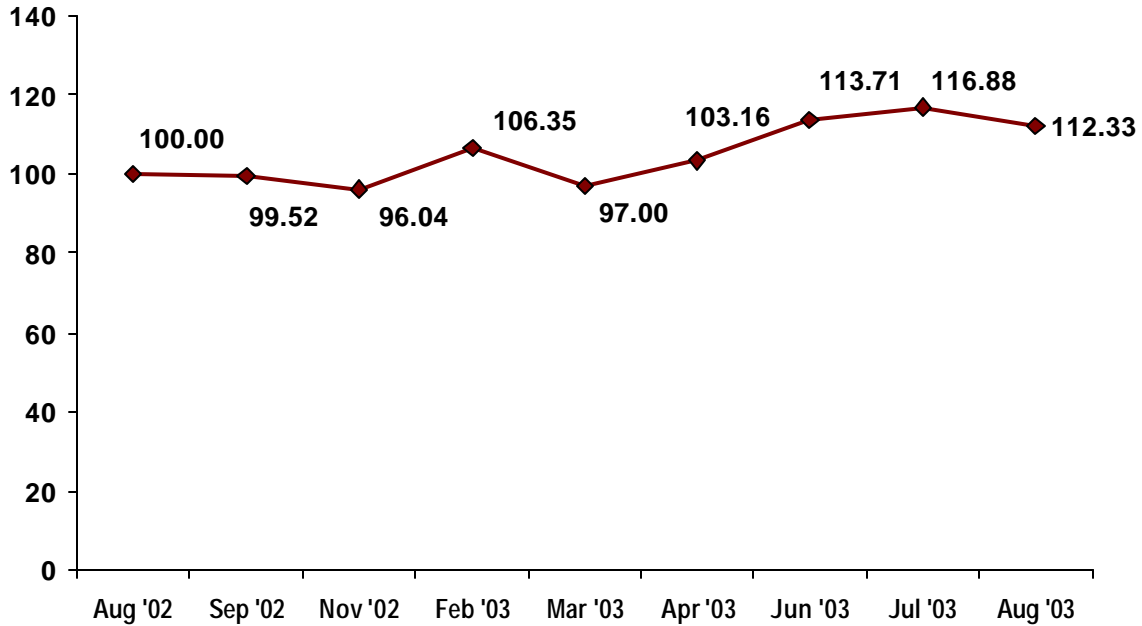
six months (+6.7% weighted change) and home purchasing intentions (+6.6% weighted change) that are fuelling the current confidence in the economy. While these are still positive factors, the index has dropped since last month mainly because expectations that interest rates will go down has nominally decreased.

Job security (+1.8% weighted change) and expectations that personal economic situation will improve (-0.2% weighted change) are also boosting economic confidence, but to a lesser degree than they have in the past.

Expectations about major purchases in the next year (-2.3% weighted change) and expectations about day-to-day spending in the next year (-0.7% weighted change) are factors that could soften the current optimism in the economy, but they are both looking up from last month.



## The Ipsos-Reid Canadian Economic Confidence Index



*The Canadian Economic Confidence Index developed by Ipsos-Reid functions as a predictor for the Canadian economy. The index is based on the question: "Thinking about the next year or so, do you, yourself, generally feel that the Canadian economy will...improve, stay the same, or get worse?" The improvement of the economy is attributed to six features: one-year forecast for personal financial prospects; Canadians' job security; Canadians' home purchase intentions; Canadians' predictions for interest rates; spending intentions on big-ticket items; and spending intentions on everyday items. These six attributes are then weighted for importance, which is based on the magnitude of difference between their assigned reward and penalty scores. % Expectations that own economic situation will improve makes up 16.6% of the index; Job security (% Yes) makes up 27.1% of the index; % Likely of purchasing a home in the next six months makes up 20.8% of the index; % Expectations about interest rates in the next six months (% will go down) makes up 12.9% of the index; % Expectations about*



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*major purchases in the next year (% spend more) makes up 12.8% of the index; and %Expectations about day-to-day expense spending in the next year (% spend more) makes up 9.8% of the index).*

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