

# THE CANADIAN ECONOMIC CONFIDENCE INDEX UP 9.33 POINTS TO 109.18

*Optimistic Interest Rate Predictions, Home Purchase Intentions,  
Low Job Anxiety, And Personal Economic Outlook Drive  
Confidence*



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## THE CANADIAN ECONOMIC CONFIDENCE INDEX UP 9.33 POINTS TO 109.18

### *Optimistic Interest Rate Predictions, Home Purchase Intentions, Low Job Anxiety, And Personal Economic Outlook Drive Confidence*

**Toronto, ON**– The Ipsos-Reid Canadian Monthly Economic Confidence Monitor, conducted late February 2004, finds that three quarters (74%) of Canadians continue to describe the current economy as “good” and one in three (34%) continue to believe the national economy will improve over the next year. Moreover, the aggregate index, provided exclusively to the Report on Business Section of the Globe and Mail, has increased 9.33 points from 99.85 to 109.18 since our last sounding in late November 2003.

The Canadian Economic Confidence Index, developed by Ipsos-Reid, functions as a predictor for the Canadian economy. The aggregate index, or economic confidence outlook, contains six elements: one-year outlook 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.

The index is up largely as a result of interest rate predictions, which has shifted from a negative factor to a back to a positive one. The proportion of Canadians who are predicting an increase in interest rates (36%) has dropped 11 percentage points since November (45%), while one in eight (13%) Canadians think rates will go down in the next six months, up from 8% in November.



Home purchasing intentions (13% likely to buy) and job security (21% worried about job loss) continue to boost confidence in the economy, while expectations that one's personal economic situation will improve (37%) is also giving the index a push.

Expectations about day-to-day spending in the next year (29% likely to spend more than last year) and expectations about major purchases in the next year (28% likely to spend more than last year) continue to soften economic confidence, as they have for the past number of months.

*These are the findings of an Ipsos-Reid poll conducted between February 17<sup>th</sup> and February 19<sup>th</sup>, 2004. The poll is based on a randomly selected sample of 1059 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.*

## ***Three-Quarters (74%) Continue To Think Canadian Economy Is "Good"***

Today, three-quarters (74%) of Canadians describe the current economy as "good" (66% "good," 7% "very good"), unchanged from our last sounding in November 2003 (76%). One-quarter (26%) describes the current economy as "poor" (20% "poor," 6% "very poor"). March 2003 (81%) and January 2001 (81%) witnessed the highest levels of economic optimism since tracking began in 1994.

- Atlantic Canadians (82%) are the most likely to have positive impressions of the current Canadian economy, followed by residents of Ontario (77%), Alberta (76%),

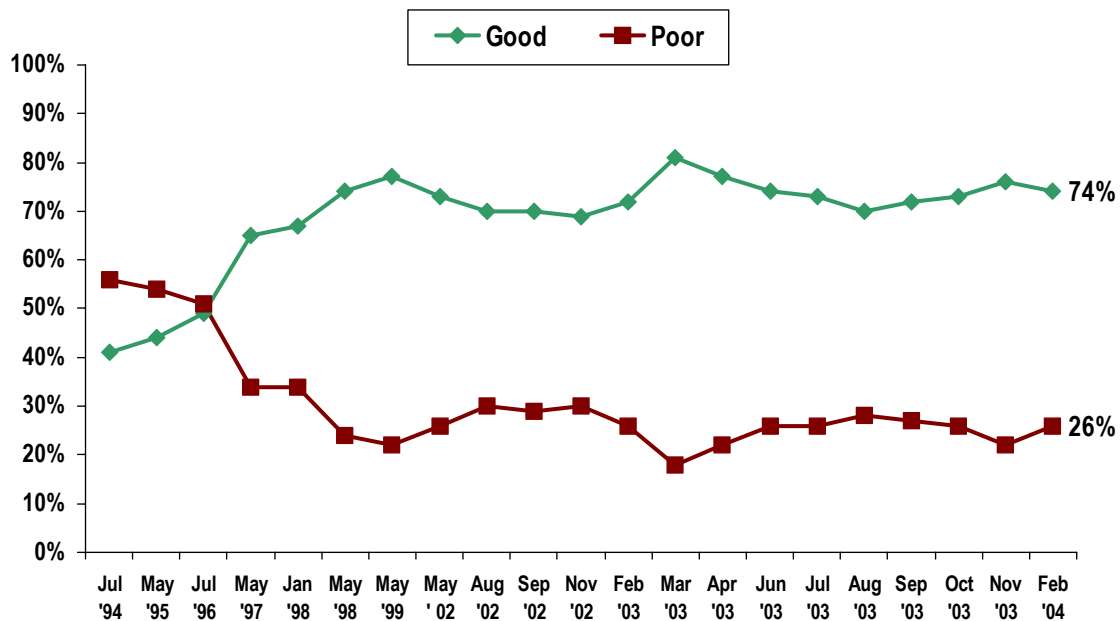
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and Quebec (75%). Residents of British Columbia (60%) and Saskatchewan/Manitoba (63%) are less likely.

- Men (78%) are more likely than women (69%) to think the current economy is “good.”
- Individuals with at least some postsecondary education (78%) are more likely than Canadians with a high school diploma or less (66%) to describe the current economy as “good.”
- The propensity to describe the current economy as “good” increases with level of income (<\$30K 63%; \$30K-<\$60K 72%; \$60K+ 84%).

### Overall State Of The Canadian Economy



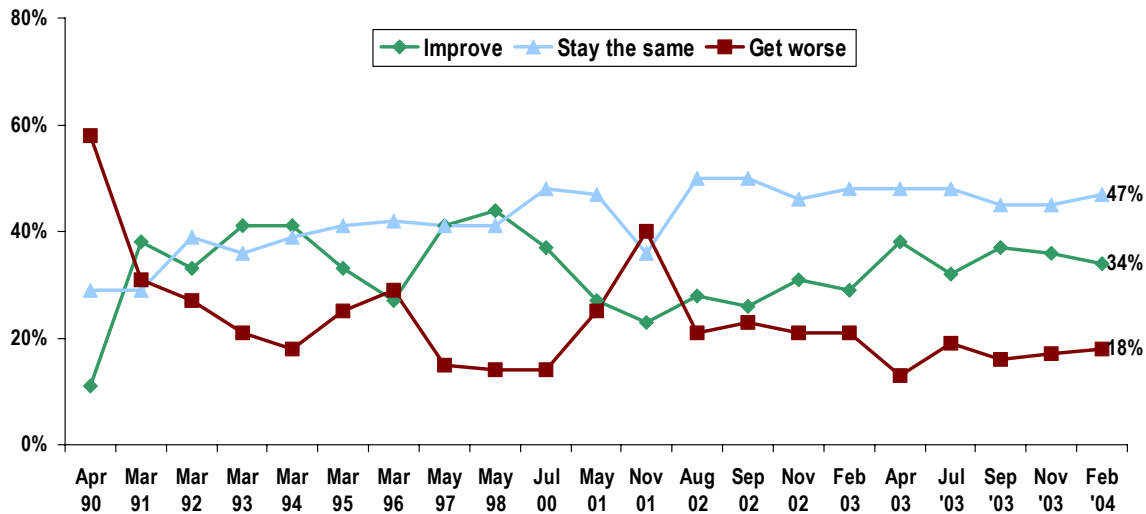


## ***Predictions For The Canadian Economy Remain Stable...34% Think It Will Improve Over Next Year, 18% Think It Will Get Worse***

One in three (34%) Canadians think the economy will improve over the next year or so, unchanged from November 2003 (36%). Half (47%) of Canadians think the economy will stay the same over the next year or so (45% in November), while 18% think it will get worse (17% in November).

- Residents of Saskatchewan/Manitoba (38%) are most likely to believe the Canadian economy will improve in the year to come, followed by residents of Alberta (36%), Ontario (36%), Atlantic Canada (35%), and British Columbia (35%), while residents of Quebec (28%) are least likely to think so.
- Men (38%) are more likely than women (30%) to think the Canadian economy will improve in the year to come.
- Individuals with a university degree (39%) are more likely than others (32%) to think the economy will improve over the next year.
- The propensity to think the economy will improve increases with level of income (<\$30K 29%; \$30K-<\$60K 34%; \$60K+ 40%).

## One Year Outlook For The Canadian Economy



## *The Ipsos-Reid Canadian Economic Confidence Index Up 9.33 Points To 109.18*

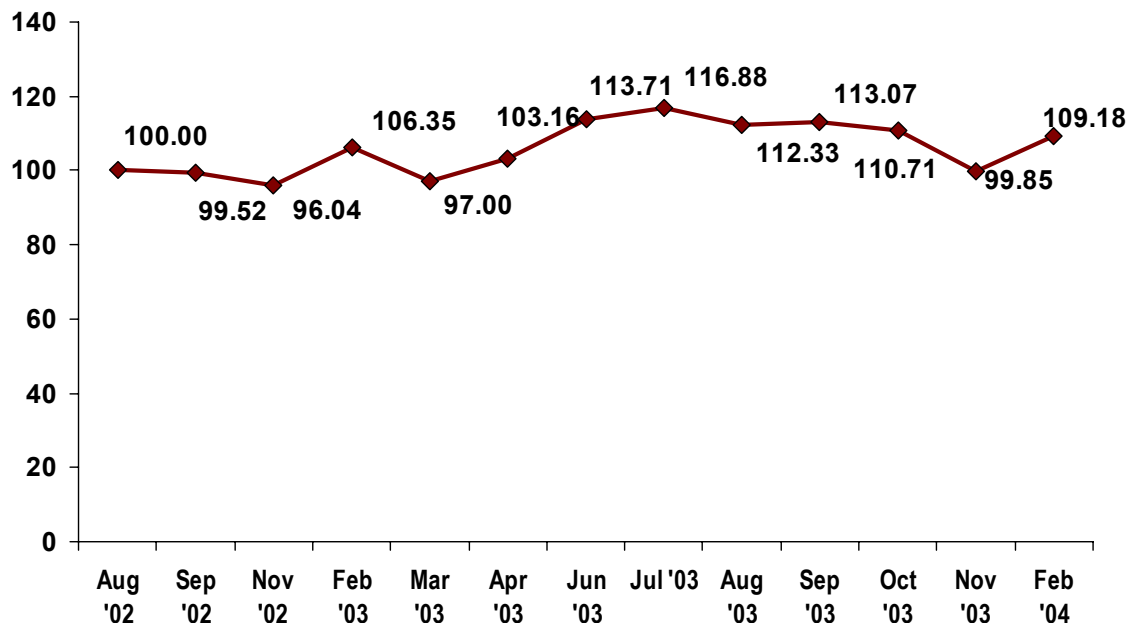
The Ipsos-Reid Canadian Economic Confidence Index score for August 2002 is 100.00 because that was when it was first constructed; the chart below outlines how Canadians' economic outlooks has fluctuated since that time. November's index of 99.85 suggested a dampening in optimism, largely attributed to a shift to negative interest rate predictions. Today's index of 109.18 suggests a return to an upbeat outlook for the overall state of the Canadian economy in the next year, which is largely attributed to a return to positive interest rate predictions.

Considering the individual attributes that comprise the index, or economic confidence, it is apparent that the a major contributing factor to the index increase is expectations that interest

rates will go down in the next six months which has shifted back from a negative factor to a positive one (+5.8% weighted change), along with home purchasing intentions (+4.6% weighted change). Job security (+2.8% weighted change) and expectations that one's personal economic situation will improve (+0.5% weighted change) are also factors that continue to boost confidence in the economy.

Expectations about day-to-day spending in the next year (-2.6% weighted change) and expectations about major purchases in the next year (-1.9% weighted change) continue to soften economic confidence, as they have for the past number of months.

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

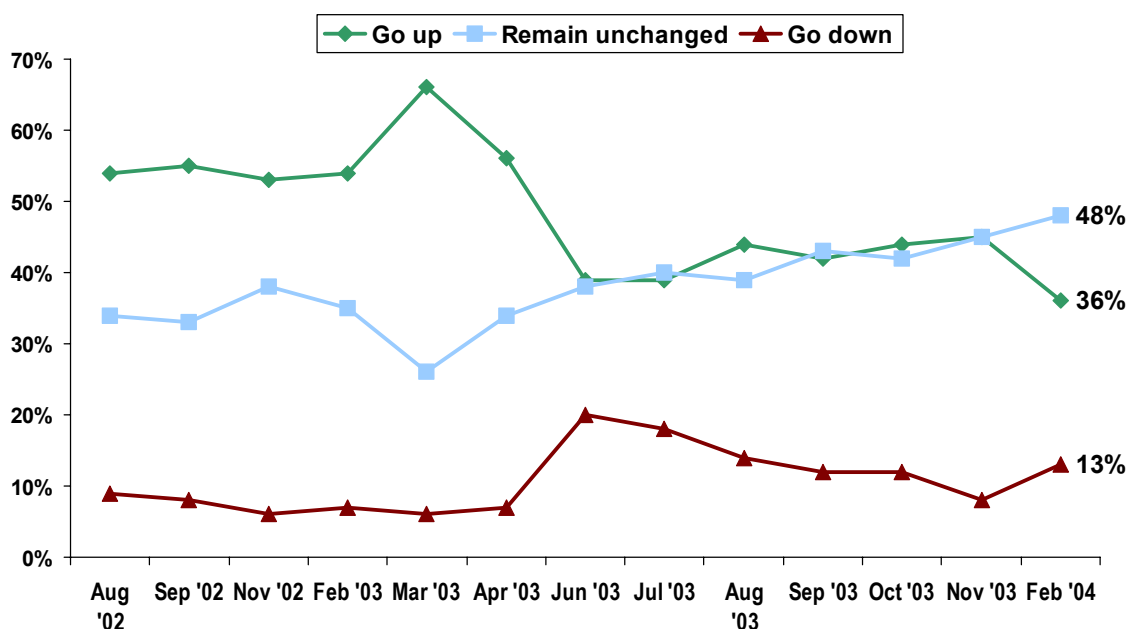
### ***One In Three (36%) Think Interest Rates Will Go Up In The Next Six Months, Down From 45% In November***

Half (48%) of Canadians think interest rates will remain unchanged in the next six months, virtually unchanged from November 2003 (45%). The proportion of Canadians who are predicting an increase in interest rates (36%) has dropped 11 percentage points since November (45%). One in eight (13%) Canadians think rates will go down in the next six months, up from 8% in November. The net score—the percentage who feel it will improve minus the percentage who feel it will get worse—is -23 (up from -37 in November). The lowest net score since tracking began in August 2002 was witnessed in March 2003 (-60), while the highest was in June 2003 (-19).



- Considering regional net interest predictions, residents of Quebec (-19), Ontario (-20), and Saskatchewan/Manitoba (-21) are most likely to have optimistic interest rate predictions, while residents of British Columbia (-32), Atlantic Canada (-28), and Alberta (-27) are less likely.
- Canadians 18-34 years of age (45%) are more likely than Canadians 35 and older (32%) to think interest rates will go up in the next six months, while Canadians 35 and older (52%) are more likely than Canadians 18-34 years of age (38%) to think rates will remain unchanged.
- The propensity to think interest rates will go up decreases with level of income (<\$30K 41%; \$30K-<\$60K 37%; \$60K+ 30%).

### Six-Month Outlook For Interest Rates



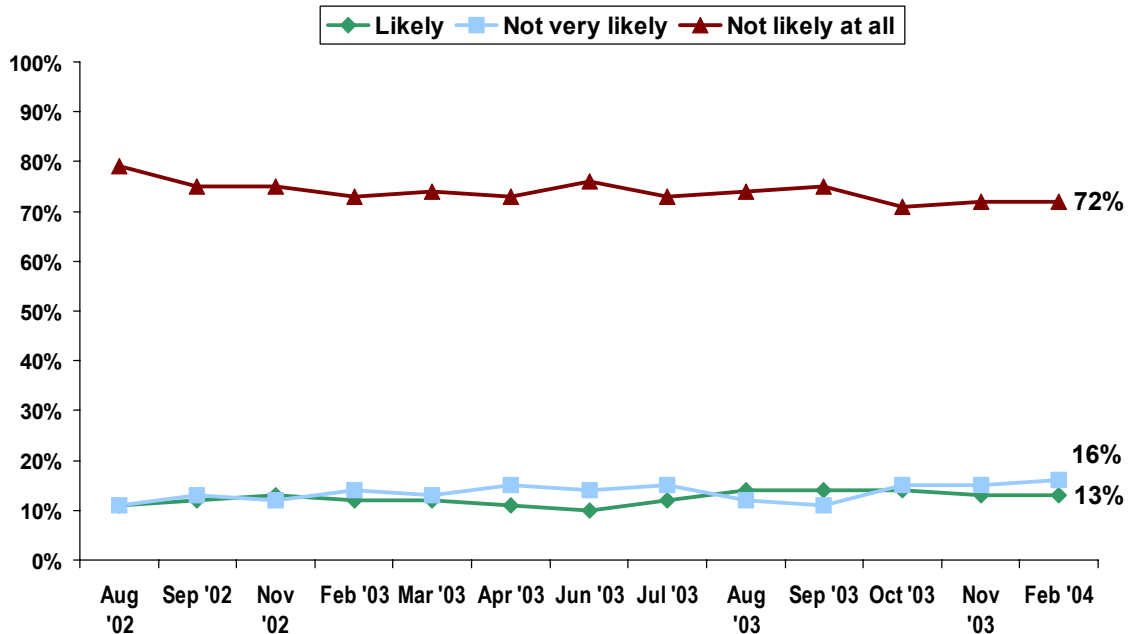


## ***Home Purchase Intentions Continue To Be Positive...13%Of Canadians Likely To Buy At This Time***

One in eight (13%) Canadians are likely to purchase a new or another home at this time (6% “very likely,” 7% “somewhat likely”). These findings have remained virtually unchanged since the question was first asked of Canadians in August of 2002. Today, 16% of Canadians say they are “not very likely” to buy a home at this time and seven in ten (72%) say they are “not likely at all.”

- Residents of Ontario (14%) are most likely to purchase a home at this time followed by residents of Saskatchewan/Manitoba (13%), Alberta (12%), Atlantic Canada (12%), British Columbia (12%), and Quebec (11%).
- Canadians between the ages of 18 and 34 (20%) are the most likely to be purchasing a home right now, followed by Canadians aged 35-54 (12%), and finally Canadians 55 years of age or older (6%).

## Home Purchase Intentions



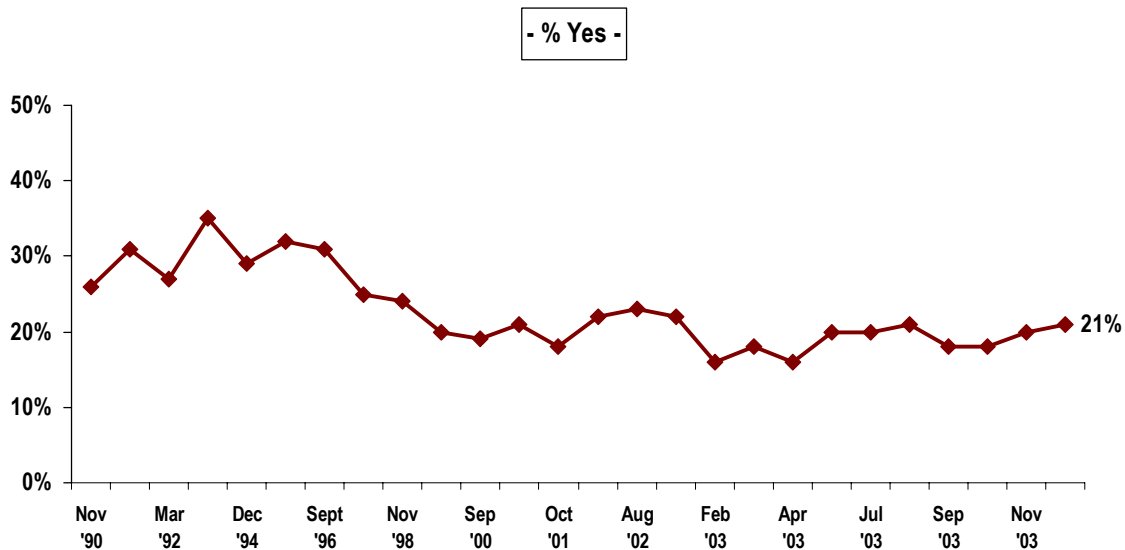
## Canadian Job Anxiety Remains Low...21% Worried About Job Loss

Two in ten (21%) Canadians are worried about either themselves or someone in their household losing their job, unchanged from November 2003 (20%). Eight in ten (79%) are not worried. Job anxiety was at its highest in September 1993 (35%) and at its lowest in February (16%) and April (16%) of 2003.

- Residents of British Columbia (33%) are significantly more likely than others to say they or someone in their household is worried about losing their job: residents of Alberta (10%), Atlantic Canada (13%), Saskatchewan/Manitoba (17%), Ontario (19%), and Quebec (23%).

- Canadians 18-54 years of age (23%) are more worried than their elders (15%) about losing their job or someone in their household losing their job.
- Canadians with an annual household income less than \$60,000 (24%) are more worried about job loss than those with more (16%).

### Canadians' Job Anxiety



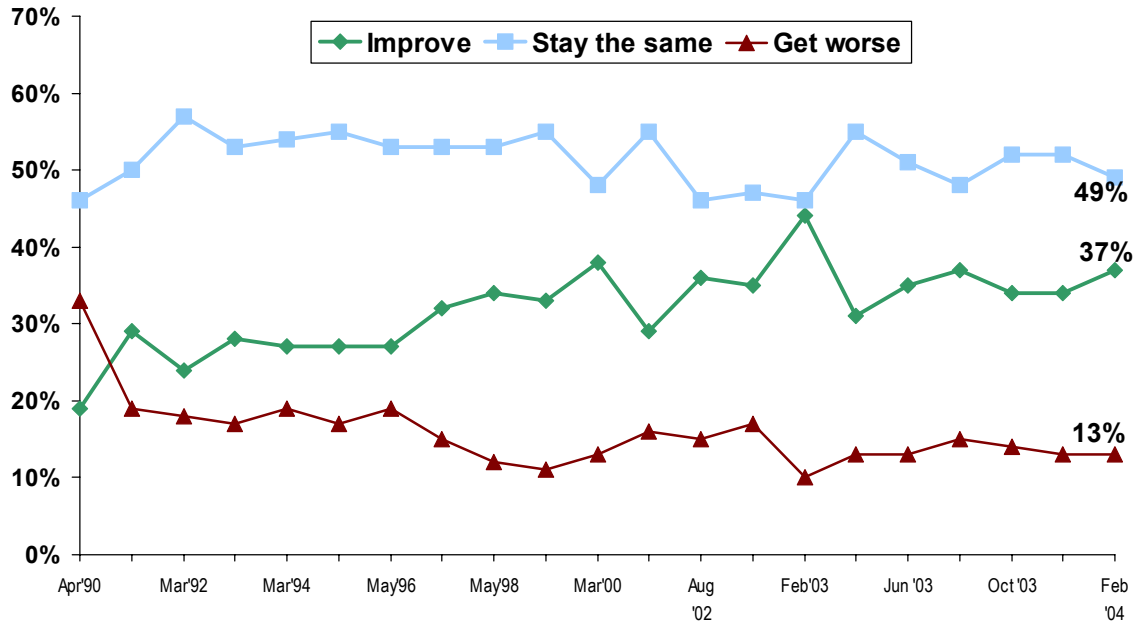


## ***Nearly Four In Ten (37%) Canadians Think Their Personal Economic Situation Will Improve, While Just One In Eight (13%) Think It Will Get Worse***

Nearly four in ten (37%) Canadians think their own economic situation will improve, up slightly from November 2003 (34%). Half (49%) think their personal economic situation will remain the same (52% in November), and 13% continue to think it will get worse (unchanged from November). The net score—the percentage who feel it will improve minus the percentage who feel it will get worse—is +24 (up from +21 in November). Personal economic prospecting has remained relatively stable since June 2003.

- Residents of Alberta (51%) are significantly more likely than others to think their personal financial situation will improve: residents of Saskatchewan/Manitoba (33%), Quebec (34%), British Columbia (34%), Atlantic Canada (35%), and Ontario (39%).
- Canadians 18-34 years of age (58%) are more likely than those 35-54 (34%) and 55 and older (22%) to think their personal economic situation will improve, while Canadians 55 and older (61%) are more likely than those 35-54 (52%) and 18-34 years of age (34%) to think it will remain the same. Canadians 35-54 years of age (15%) are more likely than younger adults (8%) to think their situation will get worse.
- Men (41%) are more likely than women (34%) to think their personal economic situation will improve, while women (52%) are more likely than men (46%) to think it will stay the same.
- Canadians with an annual household income of \$30,000 or greater (40%) are more likely than those with less (33%) to think their own economic situation will improve.

## One Year Outlook For Personal Financial Prospects



### *Day-To-Day Spending Intentions Unchanged From...29% Intend To Spend More Than Last Year, 13% Intend To Spend Less*

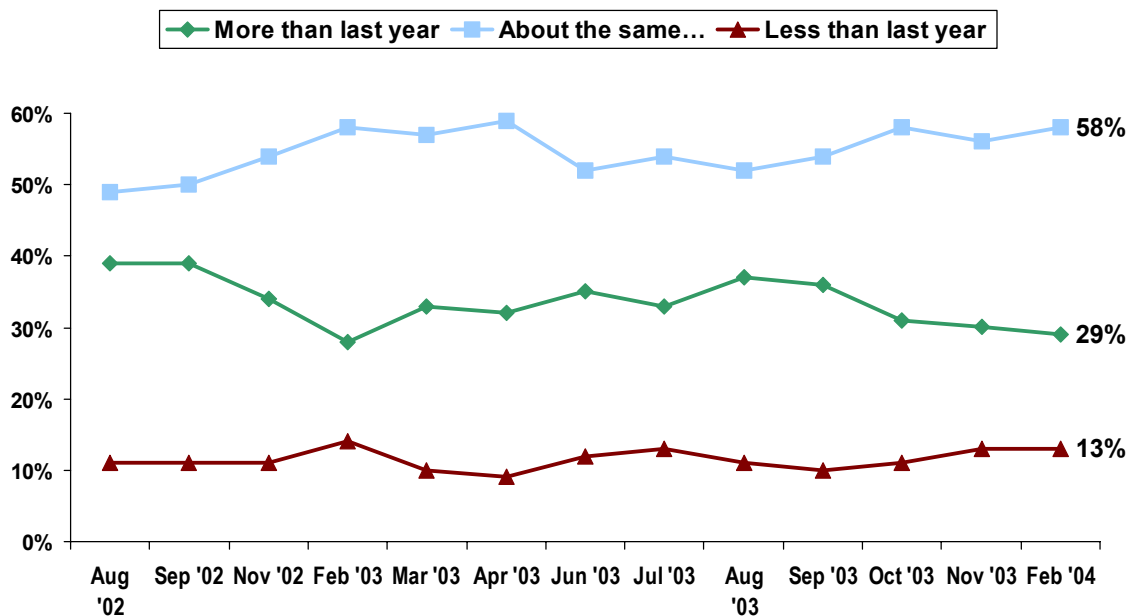
Three in ten (29%) Canadians expect to spend more on things such as groceries, clothing or other personal goods and services than last year, unchanged from November 2003 (30%), while one in eight (13%) plan to spend less, (unchanged from November). Six in ten (58%) intend to spend about the same amount (56% in November).<sup>1</sup> The net score—percentage

<sup>1</sup> August 2002-September 2003 the question was worded as follows: “And, thinking only about day-to-day expenses such as groceries, clothing or other personal goods and services, in the next year, do you expect that you and your family will be spending more than last year, about the same as last year, or less than last year?” October 2003-Present the question was worded as follows “thinking only about your personal day-to-day spending habits on things such as groceries, clothing or other personal goods and services, in the next year, do you expect that you and your family will be spending more than last year, about the same as last year, or less than last year?”

who intend to spend more than last year minus the percentage who intend to spend less than last year—is +16.

- Considering regional net spending scores, residents of Atlantic Canada (+25) are most likely to spend more on day-to-day items in the next year than they did the year before, followed by residents of Alberta (+18), Ontario (+17), Saskatchewan/Manitoba (+13), Quebec (+13), and British Columbia (+13).
- Canadians 18-34 (35%) are most likely to be spending more in the next year, followed by those 35-54 years of age (30%), and those 55 and older (23%).
- Women (16%) are more likely than men (10%) to say they will be spending less.

### Day-To-Day Spending Intentions





## ***Three In Ten (28%) Intend To Spend More On Big-Ticket Items Than Last Year, The Same Proportion (29%) Plan To Spend Less***

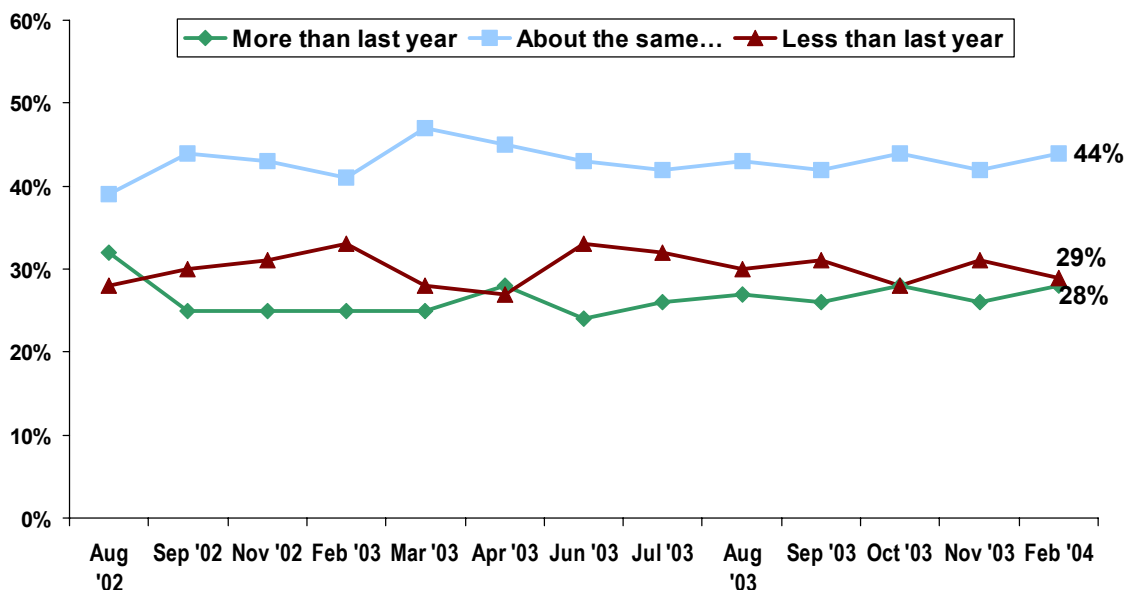
Today, three in ten (28%) Canadians expect to spend more on big-ticket items in such as a car, household appliances, or vacations the next year than they did last year, up 2% since November 2003 (26%), while the same proportion (29%) plan to spend less than they did last year, down 2% since November (31%). Slightly more than four in ten (44%) expect to spend about the same amount (42% in November). Therefore, the net score—the percentage who intend to spend more than last year minus the percentage who intend to spend less than last year—is -1, up from -5 in November.

- Considering regional net spending scores, residents of Saskatchewan/Manitoba (-13), Atlantic Canada (-9), and British Columbia (-1) are most likely to be cutting back on big-ticket purchases, while residents of Alberta (+7) are most likely to be spending more, and residents of Ontario (0) and Quebec (0) are most likely to spend the same amount.
- Canadians between the age 18 and 34 (37%) continue to be more likely than their elders (24%) to be spending more on major purchases in the next year. Canadians 55 and older (51%) are more likely than those who are younger (41%) to be spending about the same amount.
- Women (32%) are more likely than men (25%) to be spending less than last year.
- Canadians with an annual household income of \$60,000 or greater (33%) are more likely than others (25%) to be spending more than last year, while Canadians with a household income less than \$60,000 (33%) are more likely than others (22%) to be spending less.





## Major Purchase Spending Intentions



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