

# THE IPSOS REID CANADIAN ECONOMIC CONFIDENCE INDEX NUDGES UP 1.59 POINTS TO 102.89

*Record Low Job Anxiety, Home Purchase Intentions, And  
Personal Economic Outlook Fuel Confidence*

*Interest Rate Predictions, Everyday And Big-Ticket Spending  
Continue To Dampen Confidence*



**Ipsos Reid**

**Public Release Date: - September 22, 2005 – 5:00 p.m. (EDT)**

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## THE IPSOS REID CANADIAN ECONOMIC CONFIDENCE INDEX NUDGES UP 1.59 POINTS TO 102.89

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**Toronto, ON**– The latest Ipsos Reid Economic Confidence survey indicates that Canadians remain positive about the current economy and the year ahead. Three in four (73%) Canadians describe the current Canadian economy as “very good” (9%) or “good” (65%) and most think it will either “improve” (22%) or “stay the same” (48%) over the next year. In fact, The Canadian Economic Confidence Index developed by Ipsos Reid, is up 1.59 points to 102.89.

The index functions as a predictor for the Canadian economy. The index is based on six key factors that influence Canadians’ expectations about the Canadian economy. These factors are: Expectations that one’s own economic situation will improve/worsen; job anxiety; likelihood of purchasing a home in the next six months; expectations of change in interest rates in the next six months; and expectations of spending more/less big-ticket items; and on day-to-day spending.

Low job anxiety continues to fuel the Canadian Economic Confidence Index. A mere 16% of Canadians are worried about either themselves or someone in their household losing their



job. Since tracking began in 1990, 16% is the lowest job anxiety recorded (also witnessed in February and April 2003).

Positive home purchasing intentions also continues to give the index a good push. Approximately one in seven (13%) Canadians say they are likely to purchase a home at this time, with 6% who indicate that they are “very likely” (those who say they are “very likely” are expected to follow through more consistently on their intentions).

In addition, the expectation that one’s personal economic situation will improve is helping economic confidence at this time. More than one-third (36%) of Canadians believe their personal economic situation will “improve” over the next year or so. In comparison, 16% think it will “get worse” and 46% think it will “stay the same.”

Interest rate predictions remain, by far, the most negative factor. Two in three (66%) Canadians think rates will “go up” in the next six months, up from 52% in May 2005. One in four (27%) think they will “remain unchanged,” while just 4% think they will go down.

Expectations about big-ticket spending and everyday purchase intentions in the next year also continue to dampen economic confidence, just as they have since August 2002. One in three (32%) Canadians expect to spend *less* on major purchases than they did last year, while 26% plan to spend more. When it comes to everyday items such as groceries, clothing or other personal goods and services, 36% plan to spend *more* than last year and 14% expect to spend less.

*These are the findings of an Ipsos Reid poll conducted from August 23<sup>rd</sup> to August 25<sup>th</sup>, 2005. For the survey, a representative randomly selected sample of 1000 adult Canadians was interviewed by*



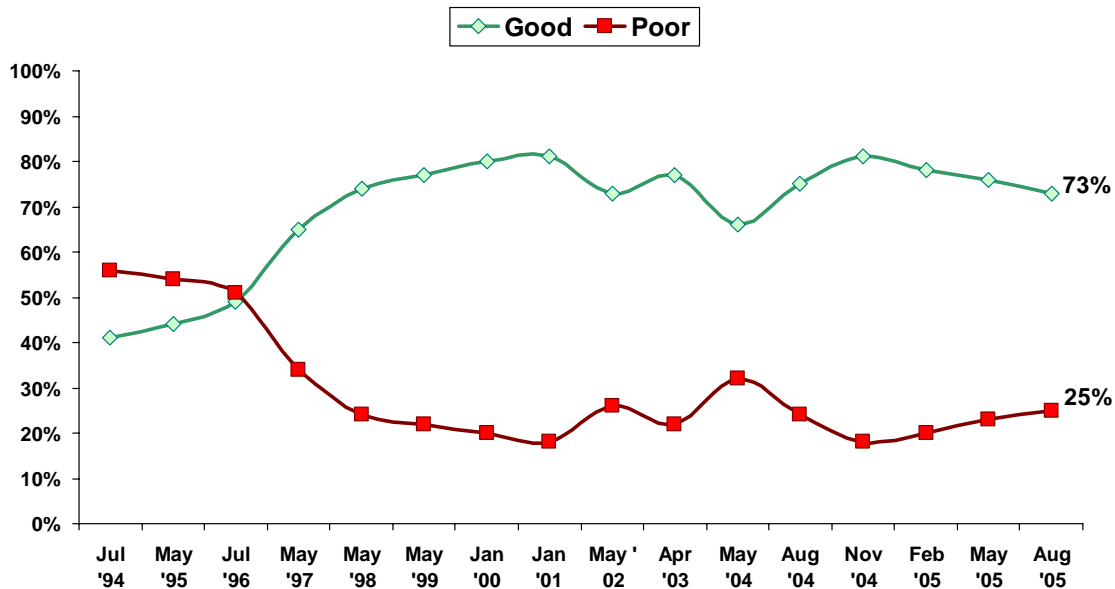
telephone. With a sample of this size, the results are considered accurate to within  $\pm 3.1$  percentage points, 19 times out of 20, of what they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were 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 In Four (73%) Canadians Think The Current Economy Is “Very Good” Or “Good” ...***

Three in four (73%) Canadians continue to describe the current economy positively (65% “good,” 9% “very good”), virtually unchanged from the 76% recorded in May 2005. Conversely, one in four (25%) thinks the current economy is poor (19% “poor,” 6% “very poor”), also virtually unchanged (23%). The remaining 2% of Canadians “don’t know” how they would describe the overall state of the Canadian economy right now.

- Residents of Alberta (86%) and British Columbia (82%) are most likely to describe the current economy positively, followed by residents of Ontario (74%), Atlantic Canada (73%), Saskatchewan/Manitoba (68%), and Quebec (64%).
- Canadians with an annual household income of \$60,000 or greater are more positive than those with less (82% vs. 69%).

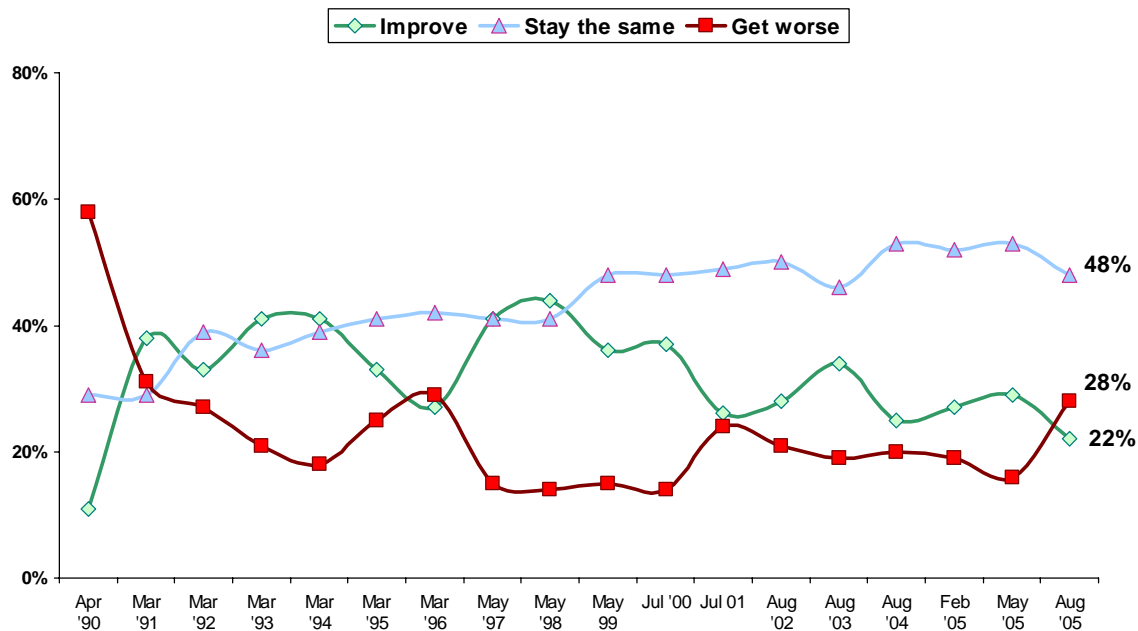
## Overall State Of The Canadian Economy



### *Two In Ten (22%) Think The Economy Will Improve Over The Next Year, Half (48%) Think It Will Stay The Same*

Two in ten (22%) Canadians think the national economy will “improve” over the next year or so, a slight decrease from the 29% witnessed in May 2005. Another 48% think it will “stay the same” (53% in May). However, 28% think the economy will “get worse” over the next year, up from 16% in February. Two percent are unsure of how the economy will perform over the next year or so.

## One Year Outlook For The Canadian Economy



### *The Canadian Economic Confidence Index Nudges Up 1.59 Points To 102.89*

The Ipsos Reid Canadian Economic Confidence Index baseline score is 100.00 (August 2002). The chart below outlines how Canadians' economic outlooks have fluctuated since that time. Today's index of 102.89 suggests a slight increase in economic confidence.

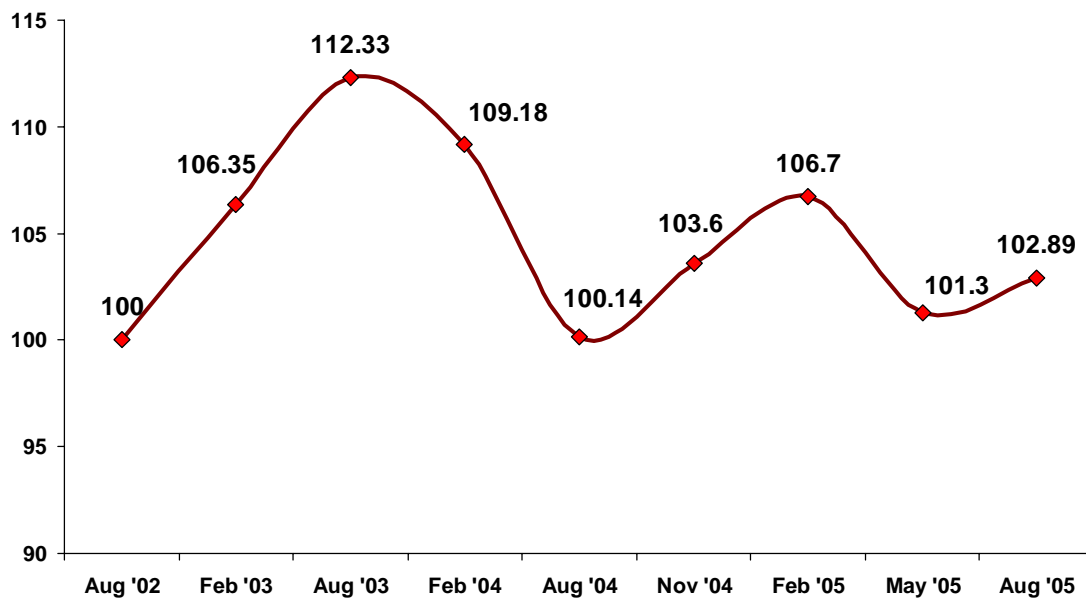
Low job anxiety (+8.2% weighted change) continues to fuel the Canadian Economic Confidence Index, and positive home purchasing intentions (+5.4% weighted change) is giving it a good push, but less so than in the past. These two factors have had a positive influence on the index since it began, except in June 2003 when home purchase intentions dampened optimism slightly.

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In addition, the expectation that one's personal economic situation will improve is helping economic confidence at this time (+0.1% weighted change). Since the index was developed, personal economic outlook has regularly fluctuated back and forth from a positive attribute to a negative one.

Interest rate predictions remains, by far, the most negative factor (-7.3% weighted change). Expectations about big-ticket spending (-2.7% weighted change) and everyday purchase intentions (-0.9% weighted change) in the next year also continue to dampen economic confidence, just as they have since August 2002.

### The Ipsos-Reid Canadian Economic Confidence Index



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*The Canadian Economic Confidence Index, developed by Ipsos Reid, functions as a predictor for the Canadian economy. The index is based on six key factors that influence Canadians' expectations of whether the Canadian economy will improve, stay the same or get worse "in the next year or so." The six factors are: Expectations that one's own economic situation will improve/worsen; worry that someone in the household will lose their job; likelihood of purchasing a home in the next six months; expectations of changes in interest rates in next six months; and expectations of spending more/less on big-ticket items, and on everyday items.*

*In calculating the Index, the six attributes are weighted by their relative importance in influencing overall confidence in the economy: Expectations that own economic situation will improve/worsen -- 16.6%; job anxiety -- 27.1%; likelihood of purchasing a home in the next six months -- 20.8%; expectations of change in interest rates in the next six months -- 12.9%; and expectations of spending more/less big-ticket items -- 12.8% and on day-to-day spending 9.8%.*

## ***Job Anxiety Matches Record Low... Just 16% Are Worried***

A mere 16% of Canadians are worried about either themselves or someone in their household losing their job (unchanged from May 2005, 17%). Conversely, 83% are not worried (82% in May) and 1% doesn't know. Since tracking began in 1990, 16% is the lowest job anxiety recorded (16% also witnessed in February and April 2003). Job anxiety was at its highest in September 1993 (35%).

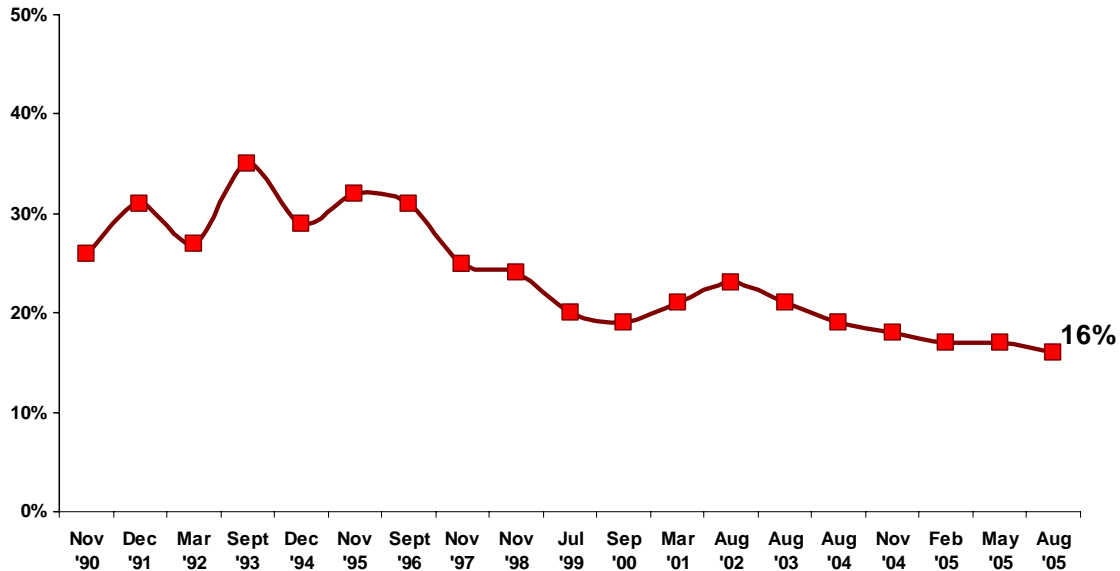
- Low job anxiety is consistent across the regions: 16% are worried in British Columbia, 10% in Alberta, 17% in Saskatchewan/Manitoba, 17% in Ontario, 16% in Quebec, and 16% in Atlantic Canada.





## Canadians' Job Anxiety

- % Yes -

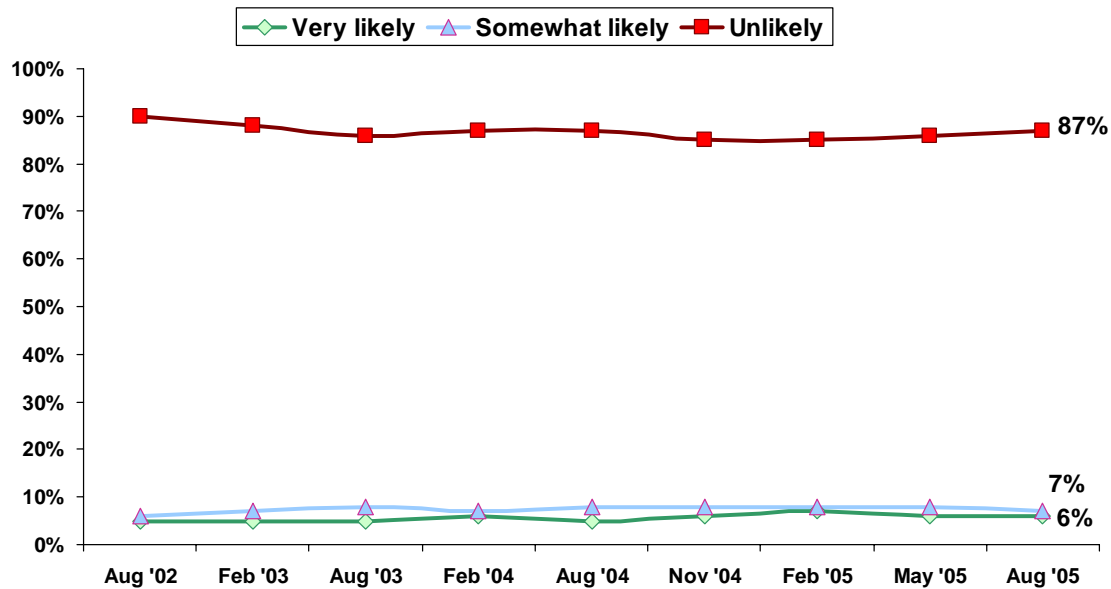


## *Home Purchase Intentions Remain Positive...13% Of Canadians Likely To Buy At This Time, 6% "Very Likely"*

Approximately one in seven (13%) Canadians say they are likely to purchase a home at this time (6% "very likely," 7% "somewhat likely"). Those who say they are "very likely" are expected to follow through more consistently on their intentions. These findings have remained virtually unchanged since the question was first asked of Canadians in August of 2002. Today, 15% of Canadians say they are "not very likely" to buy a home at this time and 71% say they are "not likely at all."

- Regionally, 16% of residents in British Columbia are likely to buy at this time, 16% in Alberta, 9% in Saskatchewan/Manitoba, 12% in Ontario, 14% in Quebec, and 11% in Atlantic Canada.
- Yonge adults, 18-34 years of age, are more likely than their elders to say they are likely to buy a home at this time (24% vs. 12% of those 35-54 years of age , and 4% of those 55 or older).

### Home Purchase Intentions

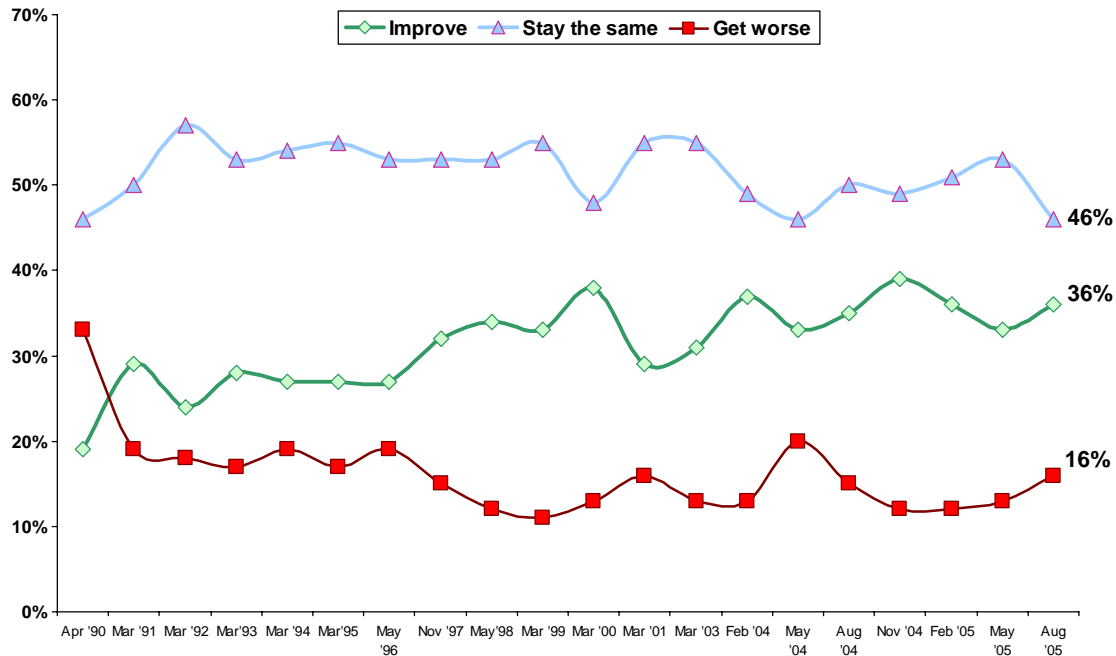


## ***More Than One In Three (36%) Canadians Think Their Personal Economic Situation Will Improve***

Today, 36% of Canadians believe their personal economic situation will “improve” over the next year or so (33% in May 2005). In contrast, 16% of Canadians think their personal economic situation will “get worse” (13% in May). Nearly half (46%) think their personal economic situation will “stay the same” (53% in May). The remaining 1% of Canadians is unsure of what to expect for their personal economic situation. The net score—the percentage that feels it will “improve” minus the percentage that feels it will “get worse”—is +20 (unchanged from May).

- Residents of British Columbia (+29), Alberta (+29), and Atlantic Canada (+25) have the highest net score, followed by residents of Ontario (+21), and Saskatchewan/Manitoba (+13) and Quebec (+13).
- Net scores decrease with age: Young adults 18-34 years of age (+46), middle-aged adults 35-54 years of age (+20), and older adults 55 years of age or older (-5).
- Men have higher net scores than women (+26 vs. +16).
- By annual household income level, those with less than \$30,000 have the lowest net score (+12) while those with \$30,000-\$59,999 (+23) and \$60,000 or more (+26) have higher net scores.

## One Year Outlook For Personal Financial Prospects

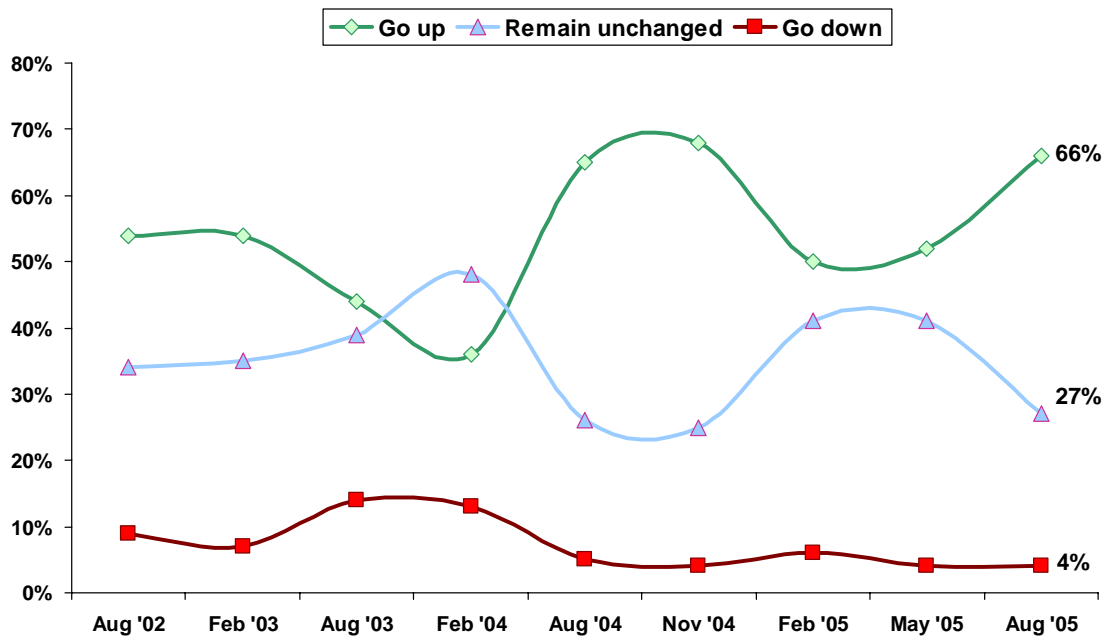


## *Two in Three (66%) Canadians Think Interest Rates Will Go Up In The Next Six Months*

Two in three (66%) Canadians believe interest rates will “go up” in the next six months, up 14 points from 52% in May 2005. Approximately one in four (27%) believe rates will “remain unchanged” (down from 41% in May), while 4% continue to think rates will “go down” (unchanged). The remaining 3% are unsure of what will become of interest rates in the next six months.

- Across the regions, 71% of residents in British Columbia think rates will go up, 64% in Alberta think so, 69% in Saskatchewan/Manitoba, 69% in Ontario, 57% in Quebec, and 71% of Atlantic Canadians think rates will “go up” in the next six months.
- Canadians with an annual household income of \$30,000 or greater are more likely than others to think rates will go up in the next six months (70% vs. 54%).

### Six-Month Outlook For Interest Rates



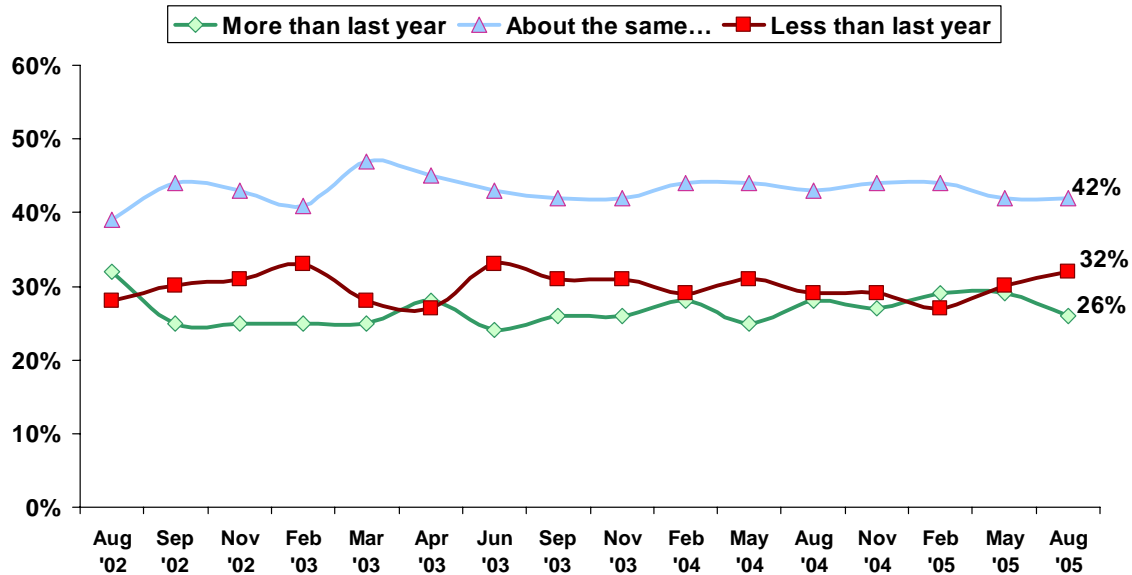


## ***One In Three (32%) Canadians Expects To Spend Less On Major Purchases Than Last Year, 26% Expect To Spend More***

One in three (32%) Canadians say they expect to spend *less* on big-ticket items such as a car, household appliances, or vacations in the next year than they did last year, unchanged from May 2005 (30%). In comparison, 26% say they expect to spend more on major purchases than they did last year (29% in May) and 42% say they expect to spend about the same amount (unchanged). The remaining 1% is unsure. The net score—the percentage that expects to spend “more than last year” minus the percentage that expects to spend “less than last year”—is -6 (down from -1 in May).

- Considering regional net spending scores, residents of British Columbia (-9), Ontario (-9), Quebec (-7), Atlantic Canada (-4), and Alberta (-3) are most likely to expect to be cutting back on big-ticket purchases, while residents of Saskatchewan/Manitoba (+2) may be more likely to spend more.
- Young adults 18-34 years of age (+10) are more likely to increase big ticket spending, while those who are 35-54 years of age (-5) and 55 or older (-25) expect to spend less.
- The net score for men is -3 and for women is -11.
- By annual household income, the net score for those with less than \$30,000 is -13, -14 for those with \$30,000-\$59,999, and +6 for those with \$60,000 or more.

## Major Purchase Spending Intentions



### *And For Everyday Spending, 36% Expect To Spend More Than Last Year, 14% Plan To Spend Less*

Slightly more than one in three (36%) Canadians say they expect to spend more on things such as groceries, clothing or other personal goods and services than last year, up from 29% in May 2005. On the other hand, 14% say they expect to spend less (unchanged). Half (50%) say they expect to spend about the same amount on everyday items this year as they did last year (down from 57% in May).<sup>1</sup> The net score—the percentage that intends to spend “more

<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



than last year” minus the percentage that intends to spend “less than last year” —is +22 (+15 in May).

- Net scores across the regions are +22 in British Columbia, +29 in Alberta, +23 in Saskatchewan/Manitoba, +19 in Ontario, +21 in Quebec, and +24 in Atlantic Canada.
- By age group, the net score for young adults 18-34 years of age is +28, +26 for those 35-54 years of age, and +10 for those 55 years of age or older.
- The net score for both men and women is +22.
- By annual household income, the net score for those with less than \$30,000 is +13, +28 for those with \$30,000-\$59,999, and +24 for those with \$60,000 or more.

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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?”

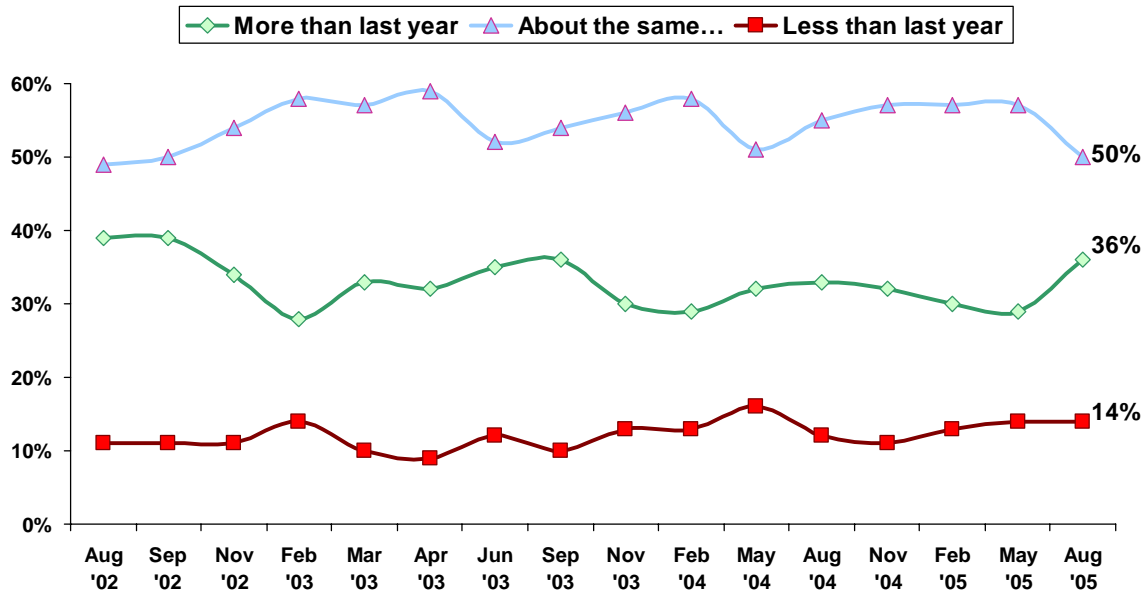
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## Day-To-Day Spending Intentions



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*For more information on this news release, please contact:*

*John Wright  
Senior Vice President  
Ipsos Reid  
Public Affairs  
(416) 324-2900*

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