

Canadians Enthusiastic About Economy

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CANADIANS ENTHUSIASTIC ABOUT ECONOMY HEADING INTO 2006: SURVEY

Consumers each plan to spend \$812 on holiday-related purchases

TORONTO, December 22, 2005 – Consumer confidence in the current state of the Canadian economy has risen dramatically since mid-November and the outlook for future performance is also better, suggests the latest findings from TNS Canadian Facts™ Consumer Confidence Index.

“As we head into the holiday season, consumers have shaken off some of their concerns about the economy,” said Richard Jenkins, vice-president of TNS Canadian Facts, a Toronto based marketing research firm.

“And retailers will be pleased to know that consumers’ spending intentions for holiday-related shopping have also improved since last month,” Jenkins added.

The survey found that, on average, Canadian adults each plan to spend \$812 on holiday gifts, decorations or other holiday items this season, up slightly from \$782 that TNS recorded in its November survey. While a majority of Canadians (56%) say they will spend about the same as they did last year, slightly more people plan to spend less (24%) than spend more (20%) this season. The spending gap has narrowed since last month, however, which is good news for retailers. When asked the same question in November’s survey, 29 per cent of Canadians said they planned to spend less and just 13 per cent said they planned to spend more.

TNS Canadian Facts’ monthly tracking of consumer confidence suggests that the overall picture today is healthy. The Present Situation Index, which captures evaluations of the overall state of the economy, the employment situation and household income, now stands at 110.5, a very significant rise from 105.9 in November. Similarly, the Expectations Index, which measures Canadians’ estimation of the economy six months from now, rose to 100.9 from 98.2 in November.

The Buy Index, which gauges the degree to which people think the current period is a good time to make major purchases, is the one measure that continues to belie the strong economy. The Index barely moved and now sits at 96.0 (up a meagre 0.10 points since November).

Comparing the indices today to where they stood at the start of last year’s holiday season, the Present Situation Index is much better now (110.5 today versus 103 in November 2004), the Expectations Index is down marginally (100.9 today from 101.6), while the Buy Index’s drop has been more pronounced (96.0 today from 99.0).

“The year-over-year decline in the Buy Index and the failure for expectations to improve would suggest that while assessments of the current economy and job market are very positive, Canadians are quite cautious about the sustainability of their current riches,” said Jenkins.

“In addition, although interest rates remain low by historical standards, they are higher today than they were a year ago, and these increases have been felt by many Canadians who have mortgages, loans or credit card debts. The extra borrowing costs today may be affecting people’s assessments of whether now is a good time to buy major items, which, for many, might mean taking on even more debt,” Jenkins added.

Consumer Confidence Index tracks Canadians’ attitudes about the economy each month and is part of a global study conducted by TNS in 18 countries around the world. Three indices are produced each month to show how confidence in the economy is changing: Present Situation Index; an Expectations Index; and a Buy Index. The Canadian fieldwork is conducted using the firm’s national bi-weekly telephone omnibus service, TNS Express Telephone. A total of 1,015 nationally representative Canadian adults were interviewed between December 12 and 15. The survey results are considered accurate to 3.1 percentage points, 19 times out of 20.

TNS Canadian Facts (<http://www.tns-cf.com/>) is one of Canada’s most prestigious full-service marketing, opinion and social research organizations.

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TNS operates a global network spanning 70 countries and employs over 13,000 people.

We provide market information and measurement, together with insights and analysis, to local and multinational organizations. We combine our specialist sector knowledge with expertise in the areas of new product development, motivational research, brand and advertising research and stakeholder management to bring our clients up-to-the minute, internationally consistent information. We think differently to help our clients build competitive advantage, making TNS the sixth sense of business (<http://www.tns-global.com/>).

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