

RBC Consumer Outlook Index: Consumer Confidence Remains Flat For Third Straight Month

Contributed by Ipsos
Friday, 07 October 2011

Concerns About Jobs Weigh on Consumer Sentiment

While the news has been dominated by the European debt crisis, worries about jobs are what weighs most on U.S. consumer sentiment, according to the latest RBC Consumer Outlook Index.

Amid concerns about job security, consumer confidence remained nearly flat for October, the third consecutive month with little change. The RBC Consumer Outlook Index dipped to 39.2, down one point from last month. Consumer confidence is below the level of a year ago (41.0) and also below the average level during the recession (40.2).

Although global economic issues may not be leading consumer sentiment, most Americans (59 per cent) are following developments in the European financial crisis. More than one-third of Americans overall (36 per cent) say that the crisis has worsened their confidence in the U.S. economy.

Despite recent market volatility, nearly half (47 per cent) of Americans have not made any changes to their retirement fund contributions. Seven per cent have shifted away from stocks, six per cent have decreased their retirement fund contributions and two per cent have increased contributions.

The dip in consumer confidence this month was driven by a drop in the RBC Jobs Index, which fell 3.3 points to stand at 47.2, its lowest level since March 2010. Nearly half (46 per cent) of consumers say they or someone they are close to has lost a job in the last six months, up nine points from last month.

Consumers are increasingly worried about job security, with one-in-three (34 per cent) saying they are currently concerned about losing their job, up six points from last month.

"Jobs remain the biggest driver of confidence, and growing worries about employment security are affecting the consumer outlook," said Tom Porcelli, chief U.S. economist at RBC Capital Markets. "But as our survey shows, you can't overlook the impact the European crises is having on US confidence. We are quite literally layering more worries into an already fragile psyche."

While the RBC Jobs Index declined, the other three sub-indexes improved slightly from last month, though not enough to fully offset the increased worries about employment:

- The RBC Current Conditions Index showed little movement, improving 0.3 points to stand at 28.5. Nine per cent of consumers are more comfortable now than they were six months ago with making a major purchase, such as a home or car, compared to 56 per cent who are less comfortable.

- The RBC Expectations Index also showed little movement, rising 0.2 points to reach 50.8, but down from the level of a year ago (53.5). One-in-five consumers (21 per cent) expects that the U.S. economy and their own financial situation will improve in the coming 12 months, while 36 per cent expect things to get worse.

- The RBC Investment Index improved marginally, edging up 0.6 points from last month to stand at 32.7. Like the other sub-indexes, the Investment Index is down from the level of a one year ago (35.3). In the wake of the worst quarter for investments in three years, more than one-in-three Americans (35 per cent) think that the value of their investments or savings will decline during the next three months.

Three-in-four Americans (75 per cent) say the U.S. is on the wrong track, the same as in September, and up from 63 per cent in October 2010.

The RBC U.S. Consumer Outlook Index provides the most up-to-date and comprehensive outlook of U.S. consumers based on data collected from interviews with a nationally representative sample of more than 1,000 U.S. adults conducted over a multi-day polling period each month by Ipsos, the world's second-largest market and opinion research firm.

The results in this news release reflect some of the findings of the Ipsos poll of 1,007 U.S. adults conducted on September 29-October 2, 2011. The RBC Consumer Outlook Index is released within 36 hours after the U.S. online panel members are interviewed.

Weighting is employed to balance demographics and ensure that the survey sample's composition reflects that of the

U.S. adult population according to Census data and to provide results intended to approximate the sample universe.

The entire RBC Consumer Outlook Index report can be viewed at: www.rbc.com/newsroom/rbc-consumer-outlook-index-releases.html

About Ipsos

Visit www.ipsos.com to learn more about Ipsos's offerings and capabilities.

About RBC Financial Group

For more information, please visit www.rbc.com.

New York, NY – 6 October 2011