



TO: Royal Bank of Canada
FROM: Ipsos Public Affairs
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SUBJECT: Report on the April 2009 RBC CASH Index Study

RBC CASH Index (Consumer Attitudes and Spending by Household)

Consumer Confidence Improves Significantly for First Time Since October

The RBC Consumer Study is conducted by Ipsos Public Affairs. Between April 2-6, 2009, the RBC Consumer Study interviewed a representative sample of 1,000 adults nationwide. The margin of error is +/- 3.1 for all adults; margin of error for subgroups will be higher.

WASHINGTON, DC (April 8, 2009) – Despite continuing job losses and the incessant drum beat of cable news, consumer confidence as measured by the **RBC CASH Index** rallied in the last month to post the first significant improvement since September of 2008. Currently, the **RBC CASH Index** stands at 38.3, an improvement of 30.1 points from last month's 8.2. Consumer confidence is bolstered mostly by improved expectations for the economic near-term. Current conditions and investment confidence also increased in the last month but employment confidence remains weak.

- The April 2009 **RBC CASH Index** improves to 38.3, a 30.1 point increase from 8.2 observed in March. This is the most significant improvement in consumer confidence since September of 2008
- The **RBC Expectations Index** for April 2009 improves dramatically to 32.4, an improvement of 58.3 points from the -25.9 observed in March. This is the first time the **RBC Expectations Index** has been in positive territory since November of 2008
- The **RBC Current Conditions Index** for April 2009 is at 35.8, a rally of 21.0 points compared to March's 14.8.
- The **RBC Investment Index** also shows some improvement moving to 44.8 for April 2009. This is a 20.2 points increase from March's 24.6.
- The **RBC Jobs Index** for April 2009 posted a small improvement, breaking six consecutive months of declines. It currently stands at 45.2, a 4.4 point improvement from the all time low of 40.8 observed in March 2009.

Economic Expectations Improve

The April 2009 ***RBC Expectations Index*** shows significant improvement, up 58.2 points to stand at 32.4. This is the strongest improvement in expectations since the Bush Administration unveiled the first Bailout in September of 2008. Confidence in the recovery of the local economy has improved by the largest measure. Currently, 39% of consumers believe the economy in their community will be stronger in the next month while only 21% believe it will continue to weaken. This marks a pronounced turn from last month where consumers were divided 30%/30% on the future of the economy. Populations with the highest expectations include:

- Hispanics (58% stronger) and African Americans (52% stronger);
- Consumers with less than \$25k household income (47% stronger) or between \$25k-\$50k (50% stronger); and
- Midwest residents (45% stronger).

Expectations regarding personal economic security have also improved since last month. In April, 34% of Americans say they expect their personal financial situation to improve over the next 6 months, an increase from 31% in March. Consumers are also less pessimistic than observed in the last few months with only 13% saying they expect their personal financial situation to weaken over the next six month compared to 18% saying the same in March.

Consumers Comfortable with Current Conditions

American consumers continue to become more confident about current financial conditions. Although still weak, the ***RBC Current Conditions Index*** for April 2009 shows marked improvement, increasing to 35.8 from the 14.8 observed in March. This is the second consecutive month of gains on the ***RBC Current Conditions Index*** and the largest month-to-month increase in current conditions since September of 2006.

Consumer confidence in both the local economy and personal finances continue to show small improvements in April. Fewer consumers (30%) are reporting that their current personal financial situation is weak (compare to 35% in March and 39% in February 2009), and a few more (23%) say their situation is strong (compare to 21% in February 2009). Likewise, consumers have grown slightly less concerned about the current economy in their local community with 41% saying it is currently weak, a decline in weak sentiments of 6 percentage points from March's 47% and 13 points down from February's 54%. Consumers that continue to be most concerned about their community's financial health include:

- Midwest residents (47%) – though down significantly from the 60% weak observed among Midwest residents in March.

Consumers remain very uncomfortable making general household purchases with almost a third (64%) saying they are less comfortable now than they were 6 months ago. However, this is an improvement compared to March 2009, when 69% said they were less comfortable.

Investment Index Shows Increases

The **RBC Investment Index** posted gains this month, climbing 20.2 points to stand at 44.8, up from the 24.6 observed in March. While most of the increase in investment confidence stems from improvements in consumers' financial conditions, consumers are also showing increasing comfort with investment and major spending.

The number of American consumers who are confident investing for the future increased to 24% this month, up from 20% in March. Fewer than two-thirds (62%) of American consumers say they are less confident now in their ability to make investments for the future including retirement and education than they were six months ago, marking a slight improvement from the last two months (66% in March/Feb). Corresponding with the increase in investment confidence, confidence in the stock market has also shown significant improvement since last month. Currently, 61% of consumers say it is a bad time to invest in the market, an improvement of 9 points from the 70% saying the same in March. Over a third (34%) of consumers think it is a good time to get into the market, the highest number saying that in over a year.

Additionally, consumers' confidence in their ability to make major purchases, like automobiles or a home, remains weak but shows improvement. In April 2009, 68% of consumers say they are less comfortable with their ability to make major purchases than they were six months ago, up slightly from the 74% saying the same in March 2009.

Confidence in the real estate market also continues to make gains with 51% of consumers saying it is a good time to invest in real estate, compared to 43% in March and 38% in April of 2008. This is the first time a majority of Americans think real estate is a good investment since the bubble became apparent in 2005.

Employment Confidence Endures

American consumers continue to receive bad news about employment in this country with unemployment rates continuing to increase. Despite the real losses, Americans' confidence in their job security showed marginal improvement in the last month. As measured by the **RBC Jobs Index**, consumer confidence in job security has increased slightly (4.4) to stand at 45.2 in April 2009. This marks the first improvement after sixth consecutive month of drops in job security.

The most significant negative influence on job security confidence is led by real experiences in job loss. Almost two-thirds (63%) of American consumers say they or someone in their close circle have lost a job in the last 6 months, a slight decrease from the 64% with job loss experience last month. Job losses are most prevalent among:

- Hispanics (72% experience job loss among family or friends);
- Consumers under the age of 35 (71%); and
- Consumers with some college education (67%).

Relative confidence in job security also remains very low. Fewer than one in five (19%) American consumers say that they feel more confident in their job security now than they did six months ago. Meanwhile, fully 70% say they are less confident now. This is the same low level of relative confidence expressed in March of 18% more and 71% less.

However, expectations for future employment continue to improved marginally. In April 2009, 37% of consumers say it is likely that they or someone in their family or friends will lose their job in the next 6 months. This is down from a high of 39% expressing job security fears observed in March and 42% in February.

Conclusions

American consumers have weathered a storm of bad economic news over the past year, with a particularly acute slide from October 2008 to March 2009 when, month after month, the **RBC CASH Index** set new record lows for consumer confidence. However, either through the efforts of government and business to correct the situation or from consumers' own weary acceptance of their new, diminished, circumstances – consumer confidence as measured by the **RBC CASH Index** has shown an significant improvement for the first time in half a year. This increase is also bolstered by the continuing improvements in confidence in real estate and hopefully marks the start of a trend marking improved consumer confidence. However, the expectations are unstable and fresh bad news could drive expectations back to the low levels observed last fall and with them, drive the entire **RBC CASH Index** back down to record lows.