

FOR IMMEDIATE RELEASE

CONSUMERS DOWNGRADE VIEWS ON FUTURE ECONOMIC PERFORMANCE: SURVEY

Drop in confidence may be linked to soaring fuel prices

TORONTO, September 29, 2005 – Consumer spending has fuelled the engine sustaining economic growth over the past several years in Canada, but a new survey suggests that consumers are becoming pessimistic about the future state of the economy. The latest findings from TNS Canadian Facts' Consumer Confidence Index show a sharp drop since August in all three indices of consumer sentiment (present economic situation, expectations for next six months, and whether now is a good or bad time to buy major items).

The *Present Situation Index* actually dropped the least from 108.6 to 103.1 (a drop of 5.1%) and, in fact, Canadians are somewhat more optimistic about the current economic situation than they were earlier in the summer (May =100).

However, Canadians significantly downgraded their expectations for the future state of the economy and jobs in September. The decline in the *Expectations Index* from 100.9 to 94.4 (a drop of 6.5%) was driven by a dramatic change from 18 per cent in August to 29 per cent this month in the proportion of people who think the economy will be worse in six months.

In addition, the negative change on the *Buy Index*, which measures the degree to which people think the current period is a good time to make major purchases, is particularly large (from 102.42 to 93.4; a drop of 8.8%). Over the past year, approximately 45 per cent of Canadians have seen the present situation as a good time to buy. In September only 38 per cent see it as a good time to buy.

“The swift rise in gasoline prices along with the broader economic issues facing the United States are likely key factors in accounting for the drop in future expectations. The recent rise in interest rates, with promises of more, may also be playing a role,” said Richard Jenkins, Corporate Director of Public Opinion Research at TNS Canadian Facts.

.../2

“The drop in consumer confidence in Canada is not as dramatic as occurred in the United States in September according to the U.S. Consumer Confidence Index produced by The Conference Board,” Jenkins added.

The recent drop in confidence comes after a year in which Canadians have been basking in a strong economic environment, giving the economy high overall ratings and consistently strong Present Situation scores. The *Present Situation Index* captures evaluations of the overall state of the economy, the employment situation and household income. For example, in August almost half of Canadians (49%) thought the economy was good compared with only about one in ten who thought it was poor (11%).

“Though we are witnessing a significant decline, there are two reasons to be careful in interpreting the findings,” said Jenkins. “First, on most indicators Canadians remain more positive than negative. Second, this may be a short-term overreaction to the recent rise in the price of fuel.”

Consumer Confidence Index is a monthly tracking of Canadian consumer attitudes about the economy 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 Canadian confidence in the economy is changing: Present Situation Index; an Expectations Index; and a Buy Index. The Canadian fieldwork is collected monthly using the firm’s national bi-weekly Telephone omnibus Service, TNS Express Telephone. A total of 1015 telephone surveys were conducted between September 19 and 22. The survey results are considered accurate to 3.1 percentage points, 19 times out of 20.

TNS Canadian Facts (www.tns-cf.com) is one of Canada's most prestigious full-service marketing, opinion and social research organizations.

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.../3

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