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CONSUMER CONFIDENCE BOUNCES BACK: SURVEY

Lingering Effects Remain as Consumers Adjust to Shock of Rising Fuel Prices

TORONTO, October 26, 2005 – Consumer confidence in the Canadian economy has bounced back after plummeting in September, suggest the latest findings from TNS Canadian Facts' *Consumer Confidence Index*. In two of the monthly survey's three indices of consumer sentiment, the drop in confidence that occurred between August and September largely recovered between September and October.

In contrast to the Canadian results, the U.S. *Consumer Confidence Index* produced by The Conference Board and released yesterday showed that confidence in that country continues to decline.

"After reacting sharply to the economic news in the lead up to the September poll, such as the impact of hurricane Katrina on fuel prices, many Canadians have reassessed their pessimism about the economy that the news generated," said Richard Jenkins, corporate director of public opinion research at TNS Canadian Facts.

The *Present Situation Index*, which captures evaluations of the overall state of the economy, the employment situation and household income, now stands at 106.9 and has almost returned to the August value (108.6) after dropping to 103.0 in September (May=100). Similarly, last month, after dramatically downgrading their expectations for the future state of the economy and jobs, Canadians' perception of the future is more upbeat today. The *Expectations Index*, which declined from 100.9 to 94.4 (a drop of 6.5%) in September, gained 4.3 points to stand at 98.7 for October.

Last month's drop in the *Present Situation Index* does not appear to be the beginning of a downward trend. Over the past year, Canadians have been basking in a strong economic environment, giving the economy high overall ratings and consistently strong Present Situation scores. Today, half of Canadians think the economy is in good shape, up from 45 per cent who said so last month.

The one index that continues to reveal heightened pessimism is the *Buy Index*, which measures the degree to which people think the current period is a good time to make major purchases. The October measure shows a modest improvement (from 93.4 to 95.3) but remains much lower than in August (102.4). Over the past year, approximately 45 per cent of Canadians have seen the current period as a good time to buy. In contrast, last month only 38 per cent said it was a good time to buy and this sentiment only inched forward in October, with 40 per cent believing now is a good time to make major purchases.

"Consumer spending has fuelled the engine sustaining economic growth over the past several years in Canada so the fact that consumers have not returned to their bullish stance on making major purchases takes away from the otherwise positive consumer news," Jenkins said.

In explaining the rebound in confidence in Canada, Jenkins added, "As we speculated in September, the drop in confidence seems to have largely reflected a shock to the system caused by the rapid rise in gas prices and the overall negative economic news rather than long-term weakness."

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 to show how confidence in the economy is changing: a *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 Canadian adults were interviewed between October 17 and 20. The survey results are nationally representative and 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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