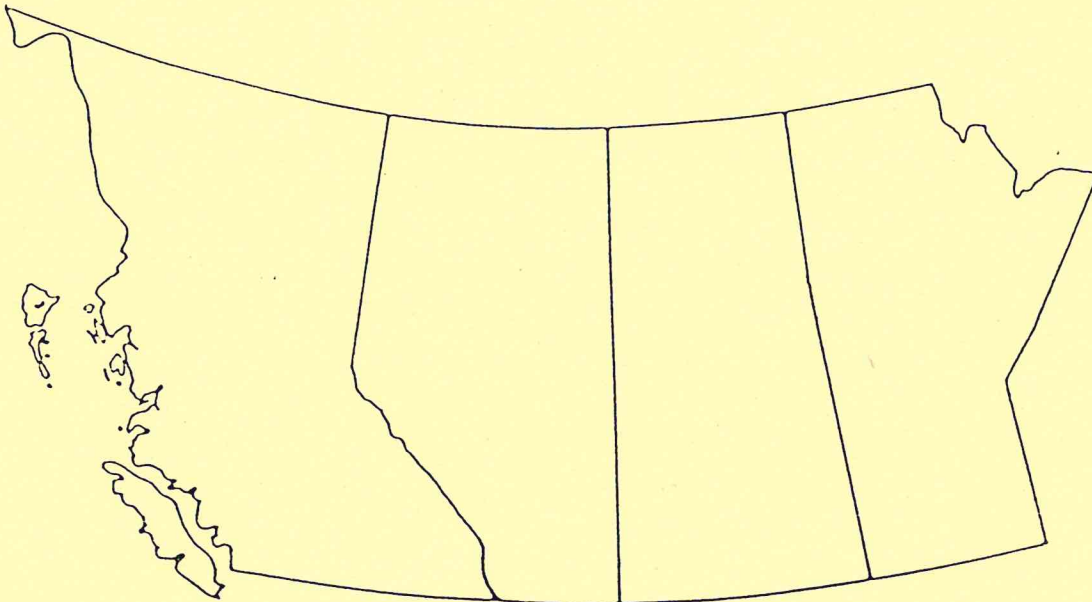


RESEARCH BULLETIN

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CONSUMER INTENTIONS



Spring, 1986

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SPRING 1986

Summary

From June 9 to 13, 1272 households in western Canada were contacted in a random telephone survey on the subject of consumer intentions.

Major Findings

1. In western Canada heads of households feel that their provincial economies are doing less well now than 12 months ago.
2. They also feel that things are going to get better in the next 12 months for their respective provincial economies.
3. With respect to personal household finances, respondents were generally optimistic; those stating their finances will improve outnumbered those who expect them to worsen by 2 to 1.
4. Manitoban and Albertan respondents were the most optimistic about their personal finances in the next year.

Table 1: Sample Sizes on the Consumer Intentions Survey
(Spring, 1986)

| PROVINCE | NUMBER |
|------------------|--------|
| Manitoba | 317 |
| Saskatchewan | 322 |
| Alberta | 317 |
| British Columbia | 316 |
| Total | 1272 |

Note: The sample for each province is theoretically accurate to about 5.6%, 19 times out of 20.

WESTERN CANADA

The results below represent a "weighted" sample for western Canada.¹

Table 2: Perceptions of the Economy in the Last 12 Months.
(Western Sample)

"All things considered, do you think the economy in your province is doing better, about the same, or worse now compared to twelve months ago?"

| | Percent |
|--------|---------|
| Better | 25.5 |
| Same | 36.6 |
| Worse | 37.9 |

Note: Totals may not add to 100% due to rounding.

Note: The sample size for the weighted western sample is 768 providing a theoretical error rate of approximately 3.6%, 19 times out of 20.

¹ A weighted sample involves adjusting the data so that each province is represented in terms of their total population. This procedure reduces the contribution made by Manitoba, Saskatchewan, and Alberta to be proportionate to their respective populations within western Canada. The sample is weighted down from 1272 to 768.

Table 3: Expectations for the Next 12 Months. (Western Sample)

"Do you think the economy in your province will be doing better, about the same, or worse twelve months from now?"

| | Percent |
|--------|---------|
| Better | 28.1 |
| Same | 45.0 |
| Worse | 27.0 |

Note: Totals may not add to 100% due to rounding.

Table 4: Expectations About Household Finances Over Next 12 Months. (Western Sample)

"Do you think your household's finances will become better, stay the same, or become worse (in the next year)?"

| | Percent |
|--------|---------|
| Better | 34.3 |
| Same | 50.7 |
| Worse | 15.0 |

Note: Totals may not add to 100% due to rounding.

Analysis

It is significant that respondents think that their provincial economies are doing worse now compared to 12 months ago. For example, 38% feel the economy is doing worse now compared to a year ago, compared to 25% who feel that it is doing better (Table 2). With respect to the future, respondents who were optimistic about the provincial economy very slightly outnumber the pessimists (Table 3), (not statistically significant).

Finally, it is most interesting that with respect to personal finances, optimistic respondents considerably outnumbered the pessimists by more than 2 to 1 (Table 4). Clearly, respondents feel that the economy will not perform above average, but personally they are optimistic. This suggests that recent adverse news (energy prices, low grain prices and lumber countervails) has yet to influence the expectations of a majority of respondents; that any adverse impact from these events has yet to "filter" through to the ordinary person, and also that these setbacks may not counteract other positive developments.

PROVINCIAL ANALYSIS

The following tables present the results for each province, grouped to facilitate comparison.

Table 5: Perceptions of the Economy in the Last 12 Months.

"All things considered, do you think the economy in your province is doing better, about the same, or worse now compared to twelve months ago?"

| | Percent | | | |
|--------|---------|-------|-------|------|
| | Man. | Sask. | Alta. | B.C. |
| Better | 24.2 | 15.9 | 13.5 | 35.0 |
| Same | 53.3 | 50.2 | 30.1 | 33.4 |
| Worse | 22.5 | 34.0 | 56.4 | 31.5 |

Note: Totals may not add to 100% due to rounding.

Table 6: Expectations for the Next 12 Months.

"Do you think the economy in your province will be doing better, about the same or worse twelve months from now?"

| | Percent | | | |
|--------|---------|-------|-------|------|
| | Man. | Sask. | Alta. | B.C. |
| Better | 23.3 | 30.3 | 32.2 | 27.3 |
| Same | 53.0 | 44.6 | 46.4 | 38.2 |
| Worse | 23.7 | 25.1 | 21.4 | 34.5 |

Note: Totals may not add to 100% due to rounding.

Table 7: Expectations About Household Finances Over Next 12 Months.

"Do you think your household's finances will become better, stay the same or become worse (in the next year)?"

| | Percent | | | |
|--------|---------|-------|-------|------|
| | Man. | Sask. | Alta. | B.C. |
| Better | 38.2 | 30.7 | 31.5 | 32.4 |
| Same | 43.7 | 51.5 | 57.6 | 50.3 |
| Worse | 18.1 | 17.8 | 10.9 | 17.2 |

Note: Totals may not add to 100% due to rounding.

These tables show considerable inter-provincial variation. From Table 5, 35% of respondents in B.C. feel their economy has improved in the last twelve months compared to Manitoba (24%), Saskatchewan (16%) and Alberta (14%). It is striking that Albertans are very gloomy about the present situation where a majority (56%) feel their economy is presently doing worse now compared to a year ago.

In Table 6, respondents in Alberta are the most optimistic for future improvement, in the provincial economy, while Manitoba respondents were least favourable. The differences in Table 6 are quite striking with over a 10% difference in the percentage of Alberta and Manitoba respondents who reported they felt their respective economies would improve in the next year.

However, it is also noteworthy that a higher percentage of B.C. respondents reported they felt their provincial economy would do less well in the next twelve months than at present. The responses from B.C. are more polarized.

Table 8: Net Expectations for the Future of the Household Finances.

| Net Percent | | | |
|-------------|-------|-------|------|
| Man. | Sask. | Alta. | B.C. |
| 20.1 | 12.9 | 20.6 | 15.2 |

Note: This simple index is formed by subtracting percentages of respondents who replied "Better" and those who replied "Worse" in Table 7. Differences less than 5% are not statistically significant.

The most favourable net expectation of household finances (Table 8) is from Alberta, where there is more "bullishness" about the future. In Manitoba respondents were also optimistic about the future of their household finances.

These data show that respondents separate their perceptions of the economy and personal finances (Table 7). For example, while Manitobans are neutral with respect to the economy, they are very optimistic about their personal situation, with almost 40% of respondents stating they feel that their personal finances will improve in the next 12 months. In Saskatchewan this drops to 30% but still is well ahead of those who feel their finances will worsen next year.

Similar results are apparent in Alberta, where the numbers who predict their finances will be better next year outnumber the pessimists by 3 to 1. In B.C., optimists outnumber pessimists by a little less than 2 to 1.

Overall, westerners appear quite optimistic about their household's finances in the next year. They are less favourable toward their provincial economies where their responses are more neutral and balanced between optimists and pessimists. This is interesting, for it appears that respondents were drawing a distinction between personal prospects and the well publicized problems faced in several of the provinces.

FINANCIAL SERVICES

The survey also probed for the attitudes respondents had to various financial services. This is pertinent in light of recent problems faced by the banks and the inquiry into bank failures. A series of "semantic differential" questions were administered which probed for perceptions of bank safety, comparisons between credit unions, banks and trust companies and "fairness." This is an initial exploration of these issues to be followed both by a more detailed analysis, and further surveys.

Table 9: Perceptions of Financial Institutions. (Western Sample)

| | Percent | | |
|--|---------|---------|----------|
| | Agree | Neutral | Disagree |
| a. Banks are a safe place to save money | 78.3 | 11.3 | 10.5 |
| b. Generally, banks provide a fair rate of interest for savers | 58.3 | 10.3 | 31.3 |
| c. Because of hard economic times, banks, credit unions, and trust companies must be extra careful in lending money. | 84.2 | 5.5 | 10.4 |

The questions indicate a generally high level of confidence in the banking system. But it is important to note some of the limitations of the specific statements. For example, in the second statement about fairness to savers it is likely that some respondents replied in terms of the rates charged to borrowers. The last statement is also loaded. Despite these limitations (imposed by the context of a short telephone interview), there are strong indications that the general public still has high confidence in the banking system. Future surveys will probe more deeply for the attitudes of respondents to credit unions and trust companies, as well as other financial institutions.

Ownership of Financial Assets

Respondents were also asked about what types of assets they own.

Table 10: Ownership of Assets. (Western Sample)

| | Percent |
|--|---------|
| a. Stocks | 24.5 |
| b. Bonds | 35.8 |
| c. Mutual Funds | 14.7 |
| d. Real Estate (other than principal home) | 21.7 |
| e. Savings Account | 91.3 |

Note: Because households may own more than one type of asset, the column does not sum to 100.

It may appear that some of these percentages are high. For the general population over 18 this would be the case, but the survey was directed to "heads, that is someone who normally has a say in purchasing major items such as a car or house." For this reason the demographics of the survey are quite different from the general population.

These results indicate that households in western Canada maintain a comprehensive set of financial assets. With the aging of the population, fears about pension underfunding and greater competition within the financial services sector, it is likely that consumers will devote more attention to various financial assets in the coming years.

SUMMARY

Western Canadians are optimistic about the future. This is in spite of the recent adverse news in energy prices and the prospects of further countervailing duties in lumber. To a certain extent these trends are reflected in slightly lower levels of optimism in Alberta and B.C. compared to Manitoba and Saskatchewan. The fact that the low initial prices from the Wheat Board could reduce farm incomes is not reflected in less optimism, especially in Saskatchewan. This is probably because a comparatively small percentage of the population is directly involved in primary agriculture. Of course, a larger number are indirectly influenced by reduced farm incomes, but the fact remains that agriculture is steadily accounting for a smaller percentage of total income and wealth in western Canada.

These trends should be seen as favourable for retailers in 1986. Almost one third of all respondents feel their personal finances will improve next year which is a basis for optimism for expansion in consumer spending. This should make an important contribution to overall economic growth.