



## **CONCERNED OVER A DARKENING ECONOMY, 57% OF CANADIANS ARE SPENDING LESS**

***Businesses can expect consumer spending to drop significantly as Canadians reach 'spending crossroads' over economic trends and the rising cost of daily necessities, new study shows***

**TORONTO - APRIL 21, 2008** - Canadians are worried about an impending economic slowdown and the increasing cost of essentials, resulting in an overall cutback on consumer spending, according to Bensimon Byrne's Consumerology Report, released today.

The national survey, commissioned by the Toronto-based advertising agency and conducted by Gandalf Group, revealed that 57 percent of Canadians are spending less; believing that now is a much better time to be saving over investing or spending. While spending for 'necessities' isn't changing as much, Canadian consumers are increasingly more cautious when spending their money on things they don't consider essential, such as entertainment, consumer electronics, furniture, and eating out.

The survey further revealed that if consumer worries increase, businesses can expect consumer spending in general to drop significantly.

"Consumers are at a spending crossroads and businesses need to be factoring that into their future marketing efforts," said Jack Bensimon, President, Bensimon Byrne. "As spending drops in major consumer goods categories, successful marketers will be those who effectively battle for share of market and rely less than in the past on category growth."

Ultimately, the survey found, when perceptions of the economy turn down, spending drops; when personal finances have deteriorated or feel precarious, spending dives. If the mood about the macro picture turns more negative, expect dramatic reductions in spending.

Interestingly, Canadians indicated that consideration of the macro economy, such as the health of the economy, unemployment rates, interest rates, and the price of oil, affects their micro spending decisions. Most Canadians reported the price of oil as having the biggest impact on their shifting spending habits; indicating that it impacts more than just the cost of driving but also such things as supermarket prices and travel. For instance, almost half of consumers expect to spend more on gasoline in the coming year and a third of consumers also expect to spend more on groceries and electricity. Additionally, 45 per cent expect to spend less this year than last on furniture and about a third expect to spend less this year on clothing, entertainment, and home repairs or renovations.

The survey found that families with children, lower income Canadians and older Canadians are experiencing worsening economic conditions. In fact, 45 per cent of families with children are in worse shape today than they were a year ago. They are less optimistic about the Canadian economy and are already spending less on all but necessities. Conversely, higher income and higher education Canadians report more insularity from economic news and macro economic trends generally.

**The following are highlights from the survey findings:**

- More than half of Canadians (57%) say they are spending less.
- Although 75 per cent of Canadians believe the country is on the right track today, only 62 per cent believe the economy will be growing a year from now.
- Canadians cite the price of gasoline as one of the most important issues facing the country - second only to health care.
- 1 in 5 Canadians – 1 in 4 Ontarians – are worried that they or somebody in their household might lose their job this year.
- Sixty-five per cent of Canadians follow economic news and are significantly more likely to have changed their spending based on it.
- The biggest trends in spending are an increase on spending on “necessities,” including food, gas, and electricity, and a marked decrease in spending on “big ticket items”.
- One third of Canadians expect to pay more for groceries in the coming year, almost half (46 per cent) expect to spend more on gasoline and just over one-third (36 per cent) expect to spend more on electricity.
- 45 per cent expect to spend less this year than last on furniture. 29 per cent expect to spend less this year on clothing for themselves (this is skewed up by those who don't have children), 31 per cent anticipate their spending on entertainment to decrease and one third expect to spend less on home repairs or renovations.
- 45 per cent of Canadians do not have enough money each month for variable expenses.
- About 1/3 of Canadians making \$75,000 or less come up short each month making fixed expenses each month compared to just 10 per cent of those making over 100k.

About the Survey

The Consumerology Report survey was conducted by the Gandalf Group amongst 1500 Canadians on-line. The questionnaire was conducted in French and English between March 20th and March 27th, 2008. Results are accurate to +/-2.5% 19 times out of 20.

About Bensimon Byrne

Bensimon Byrne is a privately owned, full-service, Canadian advertising agency. Established in 1993, the agency has worked with a host of blue-chip companies and brands, producing some of Canada's most effective and memorable advertising.

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