

Memorandum



the gandalf group

Date: March 25, 2008

Re: ***Executive Summary re. C-Suite Quarterly Survey***

This quarter's survey focused on the recently released budget and on the current economy. Telephone interviews were conducted with 155 C-Suite executives from the top 1000 corporations in Canada, between February 29 and March 17, 2008. This sample yields a margin of error of +/-7.32%.

Key Findings

- Canadian executives are unified in their negative assessment of the American economy. Virtually all (96%) of the C-Suite executives report that the U.S. is currently experiencing a recession and almost as many (94%) expect further decline in the American economy over the next 12 months.
 - The American recession is not expected to cease any time in the near future – Forty percent expect it to last six months to a year, while more than half expect it to last longer than a year
- Worries about the American economy are being reflected in expectations about the Canadian economy. The manufacturing and service sectors have been hit hard by the poor American economy – more than half of Canadian companies have been negatively affected by the U.S. downturn.
- Company expectations are also less optimistic – optimism has decreased from half of all companies expecting strong growth in 2006, to only a quarter who now express such high expectations.
- Biggest challenges differ for each sector:
 - The value of the currency is the number 1 problem facing the manufacturing sector
 - The resource sector is challenged by a lack of available labour and by difficulties arranging finances
 - The service sector faces challenges of human resources shortages, the state of the economy and international competition

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- Minister Flaherty has managed to capture the confidence and favourability of Canadian executives for the most part – twice as many executives as last summer report their opinion of him as being favourable. Two thirds have confidence in his ability to handle the economy – a strong vote of confidence at this time of economic uncertainty.
- Most members of the Canadian business community have a moderately favourable opinion of the latest federal budget. A smaller percentage, but still a majority, felt that it addressed the concerns of the business community somewhat well. Manufacturing executives disagree with this and thought the budget poorly addressed their needs.
- Less than a quarter of executives paid a great deal of attention to the budget, though most paid at least some attention to it. Manufacturing executives paid more attention to the budget than other sectors.
- C-Suite executives felt that the budget positively addressed the following issues:
 - Keeping the federal government out of deficit
 - Paying down the national debt
 - Keeping Canada out of recession
 - Improving Canadian living standardsOn the other hand, they felt that the budget did a poor job of:
 - Helping the manufacturing sector be more competitive
 - Helping companies struggling with the rapid rise in the value of currency
 - Assisting companies that are struggling
 - Increasing the availability of skilled labour
 - Increasing productivity
 - Making the Canadian economy more internationally competitive
 - Lowering the overall tax burden
- Executives in this study express a strong desire for lowered taxes. This was the most commonly cited way for the government to help companies adjust to the dollar's value and to competition. Corporate tax relief is the most strongly supported idea, but personal and payroll tax reductions are broadly sought after as well.
- Most executives do not want the government to run a stimulative deficit, but almost half would support a deficit to stimulate the economy or to avoid raising taxes.

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- Almost all executives indicate that it is important to improve the flow of people and goods across the American boarder, including one third who strongly agree. There is also strong support for labour training funding and for funding for plant modernization.
- The Conservative Party is very popular among executives – three quarters indicate that they are the best Party to manage the economy and almost two thirds (63%) would vote for them if there were an election right now.
- C-Suite executives are interested in the U.S. election – in fact, there are fewer undecided about their choice in that election than in a hypothetical Canadian election. Canadian executives are largely Democratic supporters, except in the West, where McCain is favoured over Obama or Clinton.
 - Many executives seem unphased by Democratic threats to pull out of NAFTA, though a majority of manufacturing executives say such a move would negatively impact business.