



Memorandum

*C-Suite Quarterly Survey – Executive Summary
December 2008*

This quarter's survey focused on the outlook for the economy, access to financing and corporate and governmental responses to the economic downturn. The findings are based on 158 interviews with C-Suite executives from the ROB 1000 Companies, conducted between November 6th and November 27th, 2008. This sample yields a margin of error of +/- 7.16% 19 times out of 20. On December 3 & 4, we returned to 89 of our participants to ask about the reaction to the economic update.

Key Findings

Executives are hunkering down for a very difficult time

- 80% expect recession this year
- Sharp rise in number of companies who report that they will be in trouble this year
- Many report that they will be laying off workers and most report that they will be cutting capital expenditures

The silver lining is that many executives believe that both the credit crunch and Canada's economic fortunes will start turning around in the next 12 month period.

Executives are supportive of infrastructure investments, even if it puts the country into deficit. They are most supportive of corporate tax cuts as a response to the economic downturn. They do not believe the government should be replaced over the economic update and have a very negative view of a coalition. They are divided on whether Minister Flaherty's economic update was an adequate response to the downturn.

Economic Outlook

The credit crunch has worsened over the last quarter. More than two-thirds of executives (68%) said it was significantly harder to access capital or financing – an increase of 20 pts from last quarter.



Executives expect business conditions to improve but consumer and individual economic outlooks to worsen:

- Most think equity markets and access to credit will improve over the next year
- Roughly half expect conditions in the banking system to improve, while 42% expect they will stay the same
- One area where they express serious concern is around pensions – most see fund liabilities as an area where conditions will worsen even if markets improve
- 47% expect consumer confidence spending to improve while 43% expect it will worsen.
- 56% expect the housing market to worsen – 25% expect it will stay the same.
- 49% expect income and employment levels to worsen – 18% expect they will improve

The vast majority say they are more likely now to consider cutting planned capital expenditures and operating expenses such as personnel.

Half of executives said conditions make it more likely they would consider acquisitions specifically to grow their businesses. Just over half said they're more likely now to consider selling non-core assets. 75% of executives said they're somewhat or much more likely now to reduce planned capital expenditures.

On balance, companies will be reducing their workforce:

- 27% said they'd be increasing staffing and employment levels
- 36% said they'd be reducing

Response of Governments

Executives will accept a deficit if it means helping to turn the economy around. While most reject the idea, 40% are prepared to contemplate government involvement in the banks to ease credit. Executives are most supportive though of corporate tax cuts as a response to the downturn

A majority support increased infrastructure spending, even if it means going into deficit. There is medium to positive reaction to the idea of government investments in plant retooling and labour retraining as a response to the economic downturn.



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Finance Minister Flaherty's reputation has recovered somewhat. Favourability up 12% to 42% from 30% last quarter but still not as positive as it was in March of this year. Only 23% of executives agree that "the economic policies of the government at this time warrant the defeat of the Government in Parliament."