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The 19th Quarterly C-Suite Survey: The state of the Canadian and global economy and world trade in the context of the upcoming G20 and G8 summit

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- ❑ Telephone interviews with 154 C-Suite executives from the ROB 1000 list of companies, conducted between May 26 and June 11, 2010. This sample yields a margin of error of +/- 7.97% 19 times out of 20.
- ❑ This presentation covers their views on:
 - The Canadian and global economies
 - World trade
 - The G8 and G20 summits



- ❑ In advance of the G8 & G20 summits, businesses foresee big changes in world affairs.
 - The G20 is more important than the G8
 - America will decline in economic and geopolitical importance
 - Canada will grow in economic and geopolitical importance
 - The balance of economic power has shifted to Asia and South America
- ❑ The US is a critical market now, but their economy is in decline and so is its importance to the Canadian economy. Canada needs to be exporting to Asia and Brazil.
- ❑ There is little concern about a double dip recession in Canada, but growth expectations remain modest.

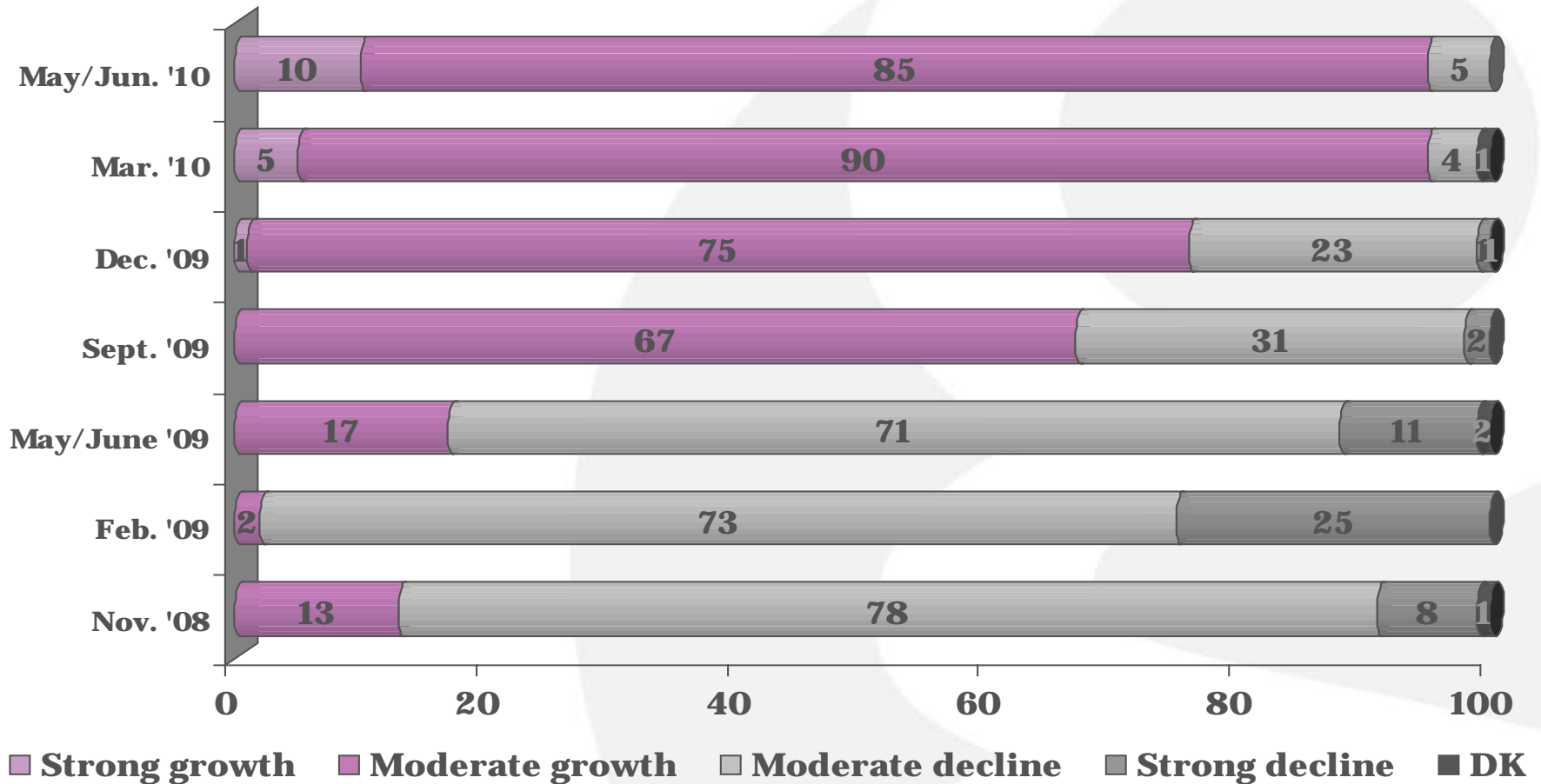


- ❑ Executives are mixed when it comes to foreign investment.
 - Almost all believe that Canadian governments should have the ‘right of review’ and block harmful transactions. In fact most agreed they are concerned about the disappearance of Canadian head offices
 - Banks, water, and to some extent broadcast, are seen as important to keep in Canadian control
 - Western and Ontario executives are divided about other sectors
 - Most support liberalizing ownership in telecom
- ❑ There is a very strong consensus that the Canadian economy is growing now and will continue to grow through the next 12 months.
- ❑ Virtually nobody is expecting another recession.
- ❑ Virtually no executives are expecting anything stronger than moderate growth.



The Canadian Economy Now

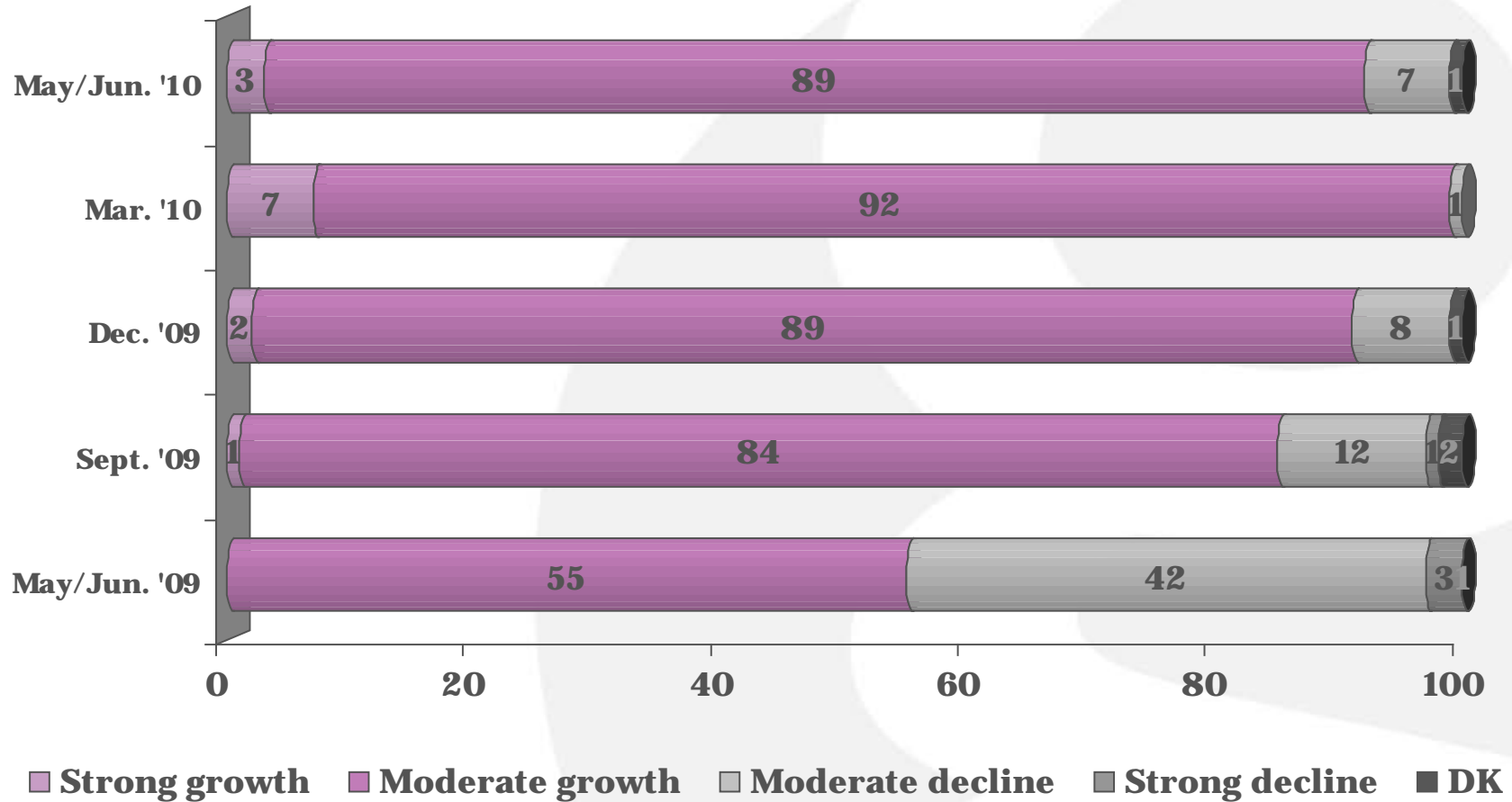
“Which of the following do you think best describes the Canadian economy at the current time - strong growth, moderate growth, moderate decline, strong decline?”





The CDN Economy Over The Next Year

“What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”





The CDN Economy Over The Next Year

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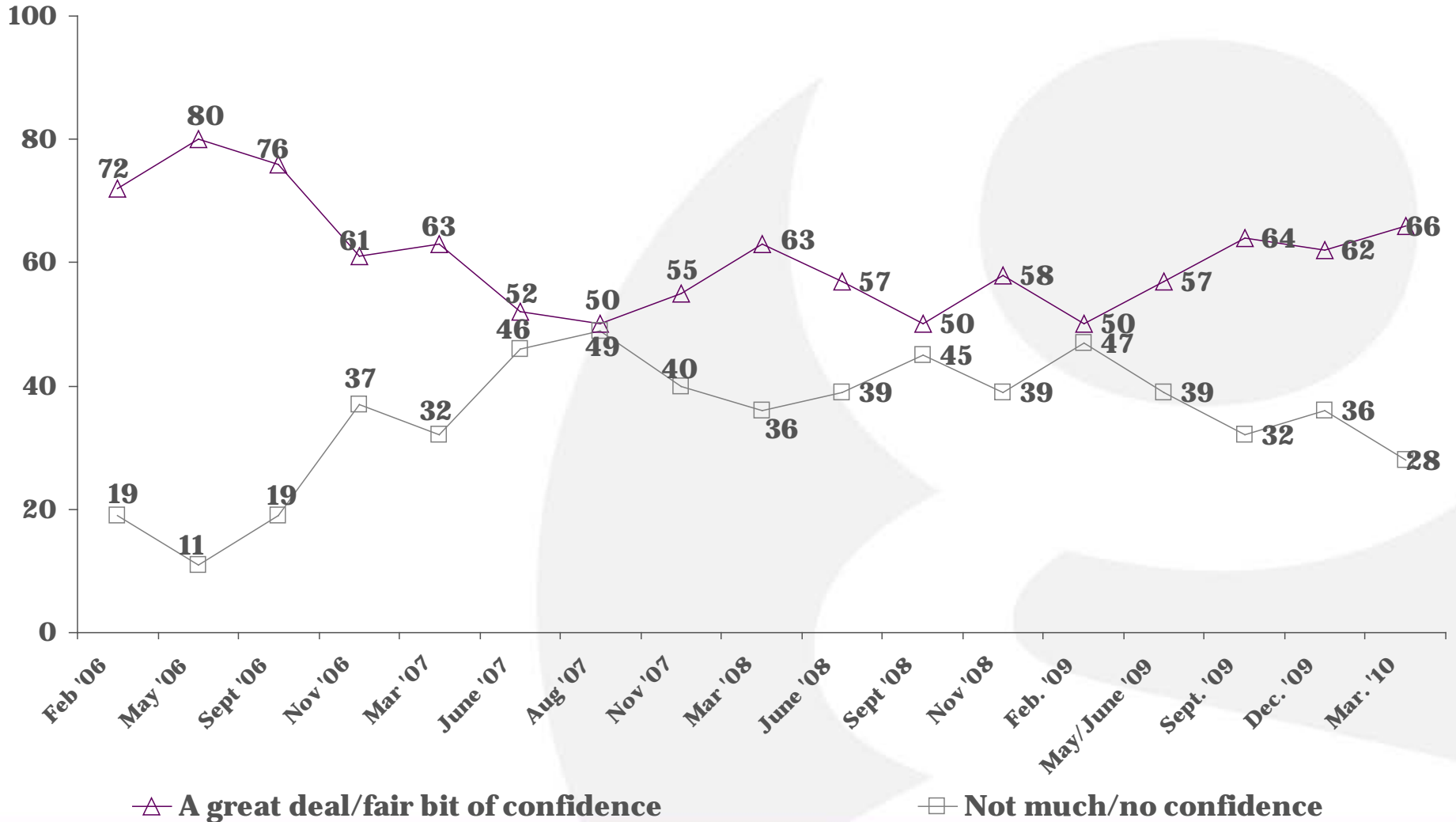
Impressions Of The Minister Of Finance

- ❑ As Canadian business leaders see the Canadian economy better managed and better poised for the future than the American economy, more of the credit is accruing to Minister Flaherty.
- ❑ Most executives have decided they like him. More importantly, most have decided they have confidence in him. That confidence has been built through the recession.



Confidence in Minister Flaherty

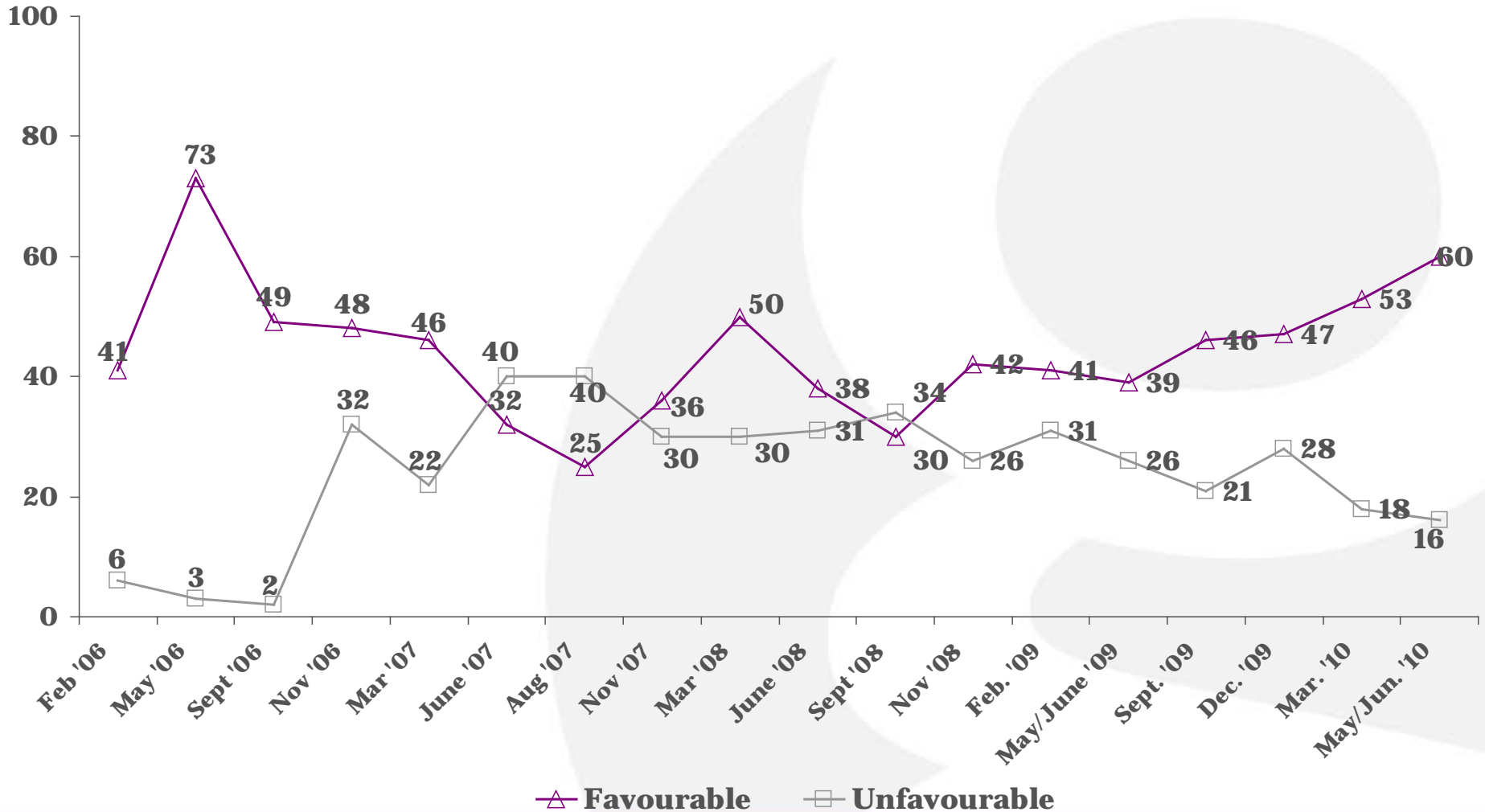
“How much confidence do you have in Finance Minister Flaherty’s management of the economy?”





Impressions of Minister Flaherty

“How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?”





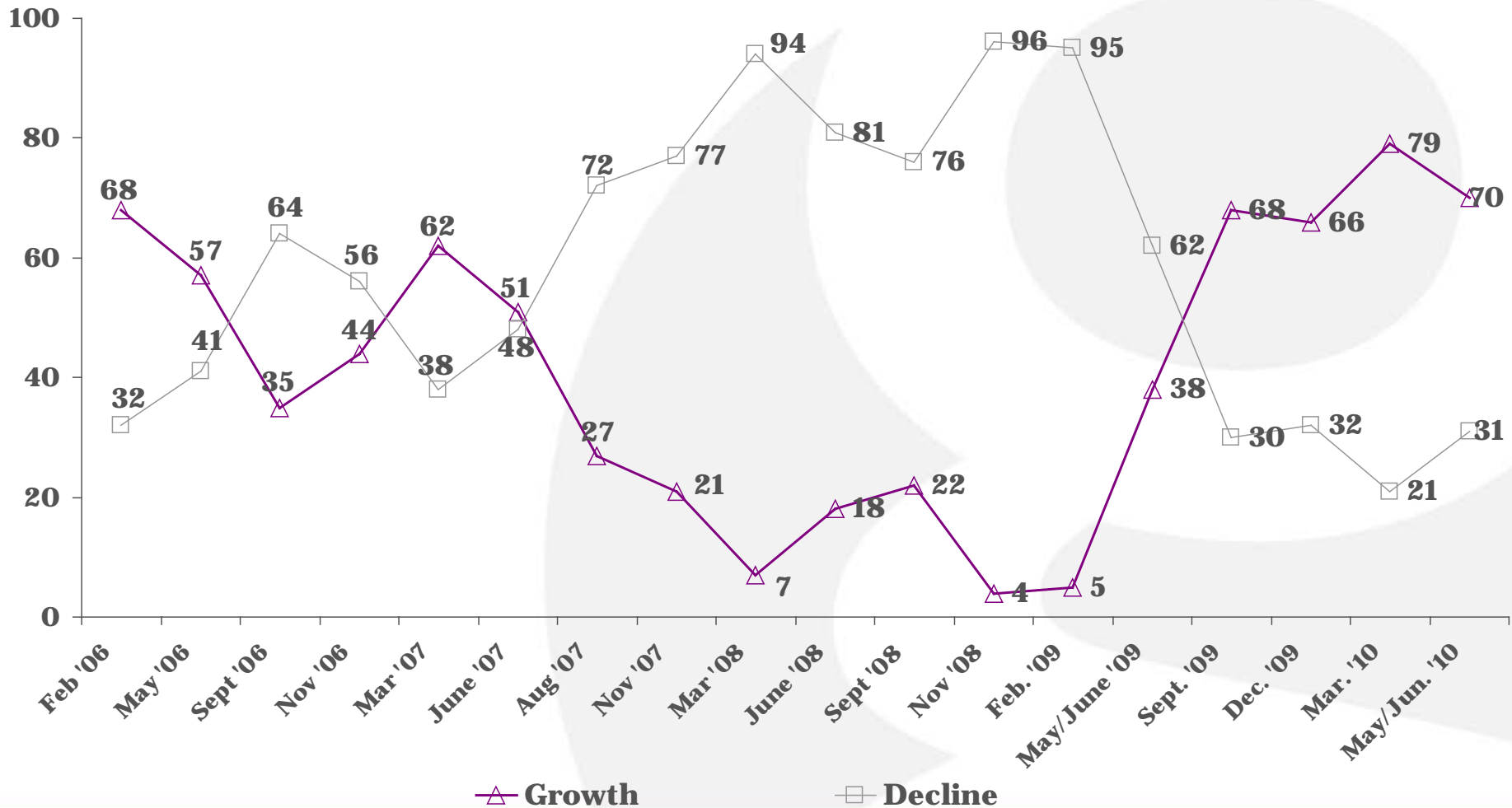
Uncertainty About The US

- ❑ There is more uncertainty about the fate of the US economy.
- ❑ A third of Canadian executives expect it to lapse back into recession this year.



The US Economy Over The Next Year

“What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”



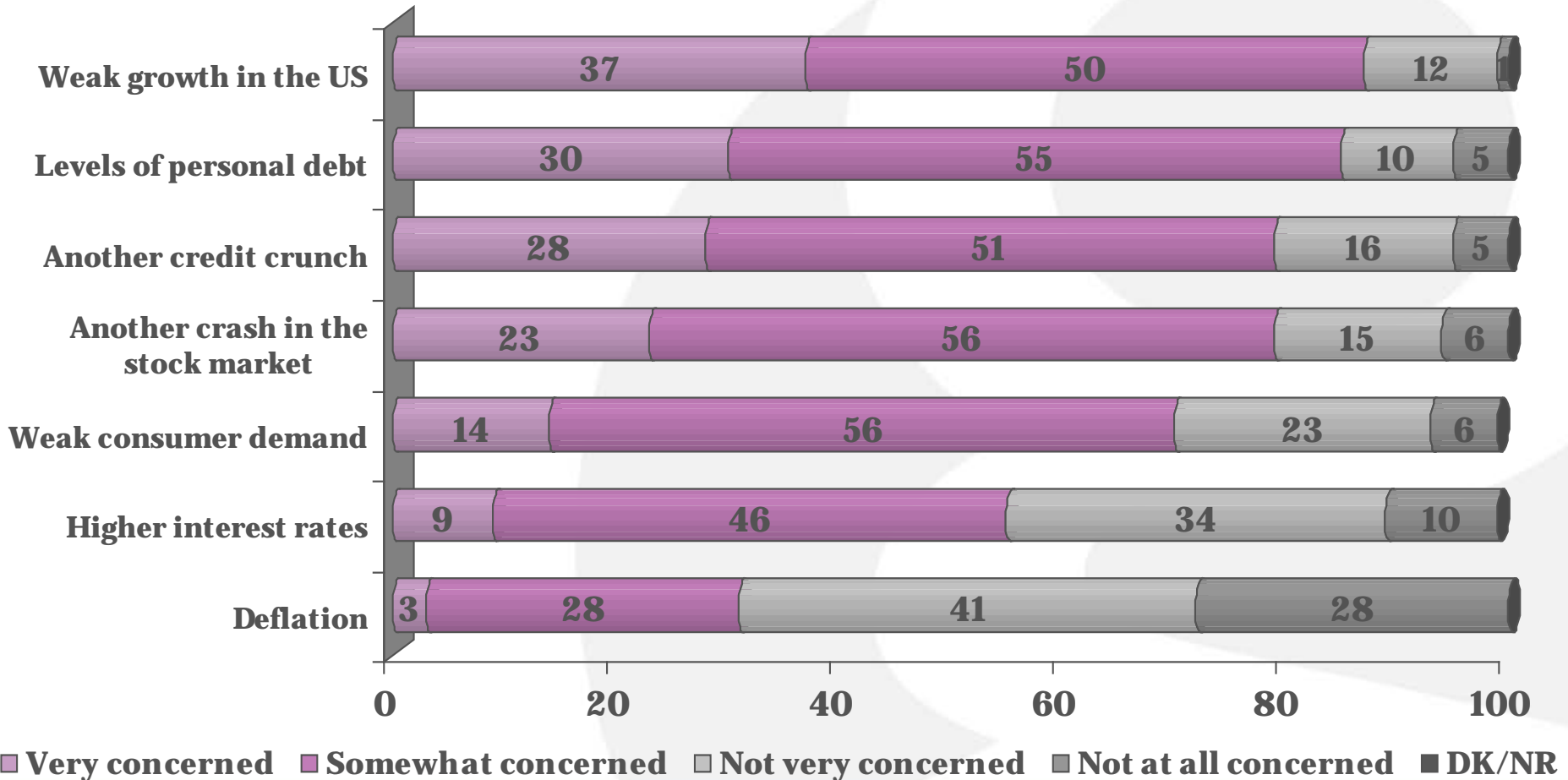


- ❑ The expectation of weak growth or decline in the US is the number one concern Canadian business has.
- ❑ Weak consumer demand is something most executives acknowledge to be a challenge, but few see it as a major problem.
- ❑ There are concerns about availability of credit going forward but not much anxiety about higher interest rates.
- ❑ Most Canadian business leaders discount the prospect of deflation.



Economic Possibilities

“How concerned are you about each of the following economic possibilities – are you very concerned, somewhat concerned, not very concerned, or not at all concerned about...?”



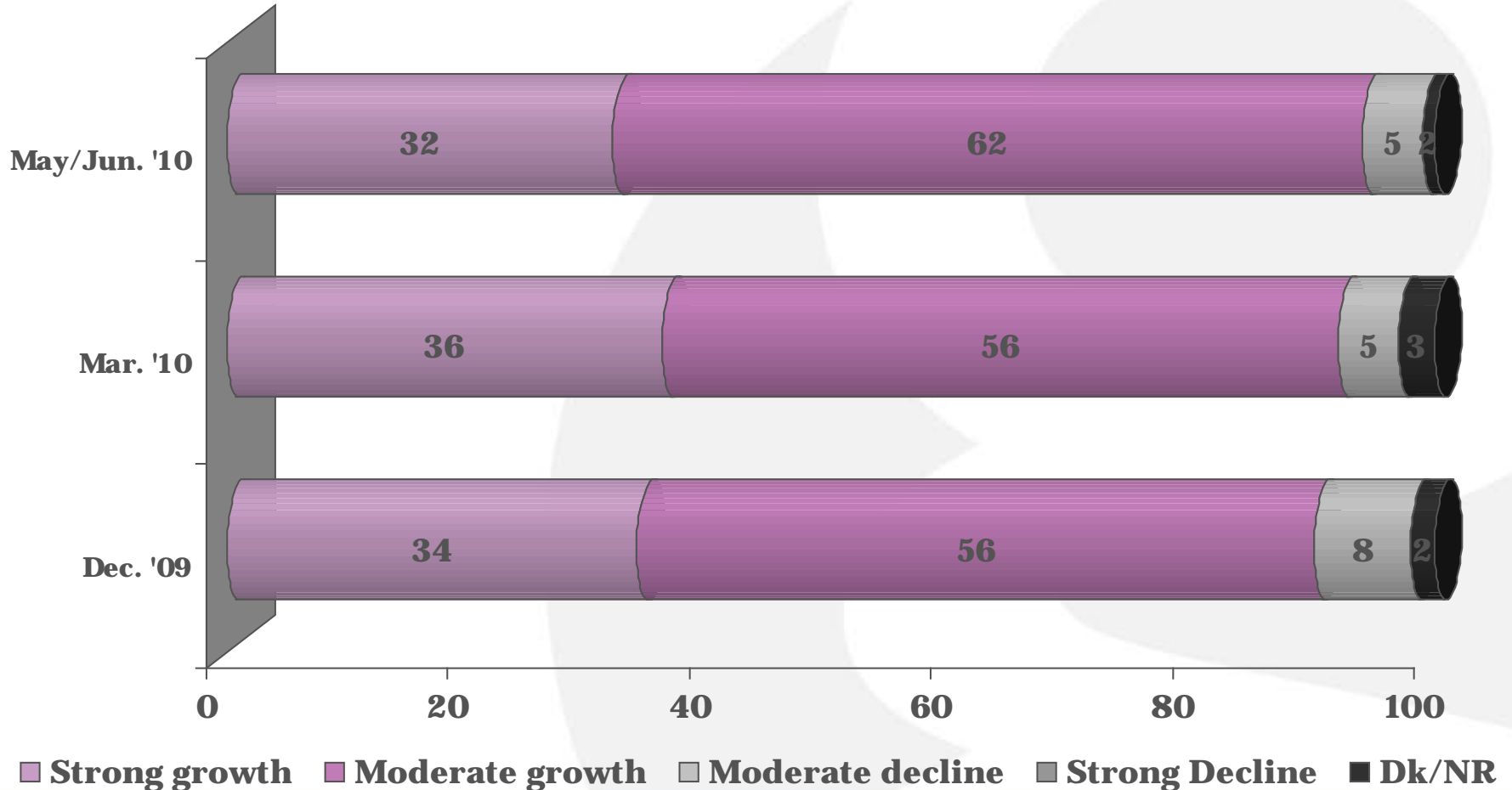


- ❑ Canadian business leaders remain optimistic about their own businesses' prospects for the next 12 months; almost all expect their businesses to experience growth – with just over a third expecting strong growth, unchanged over the last three quarterly surveys.
- ❑ Smaller, resources companies are the most optimistic, and there's even optimism among manufacturers.
- ❑ Access to credit and market fluctuations remain the top concerns of smaller, resource-based companies.
- ❑ Manufacturers and services sector companies were both concerned with general economic conditions in previous quarters, but concerns in the services sector are now especially focused on general economic conditions.



Expectations: Company

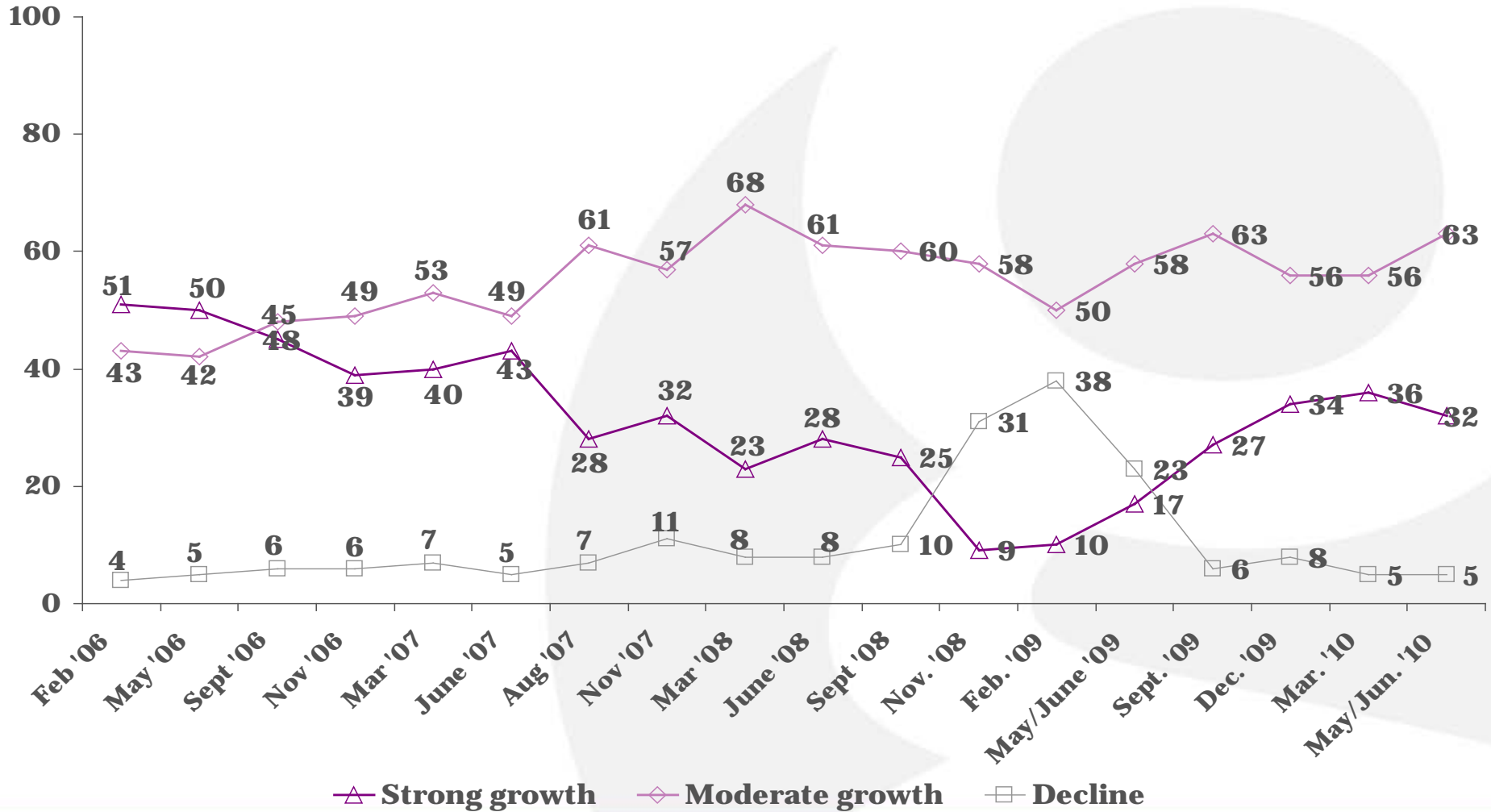
“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”





Expectations: Company

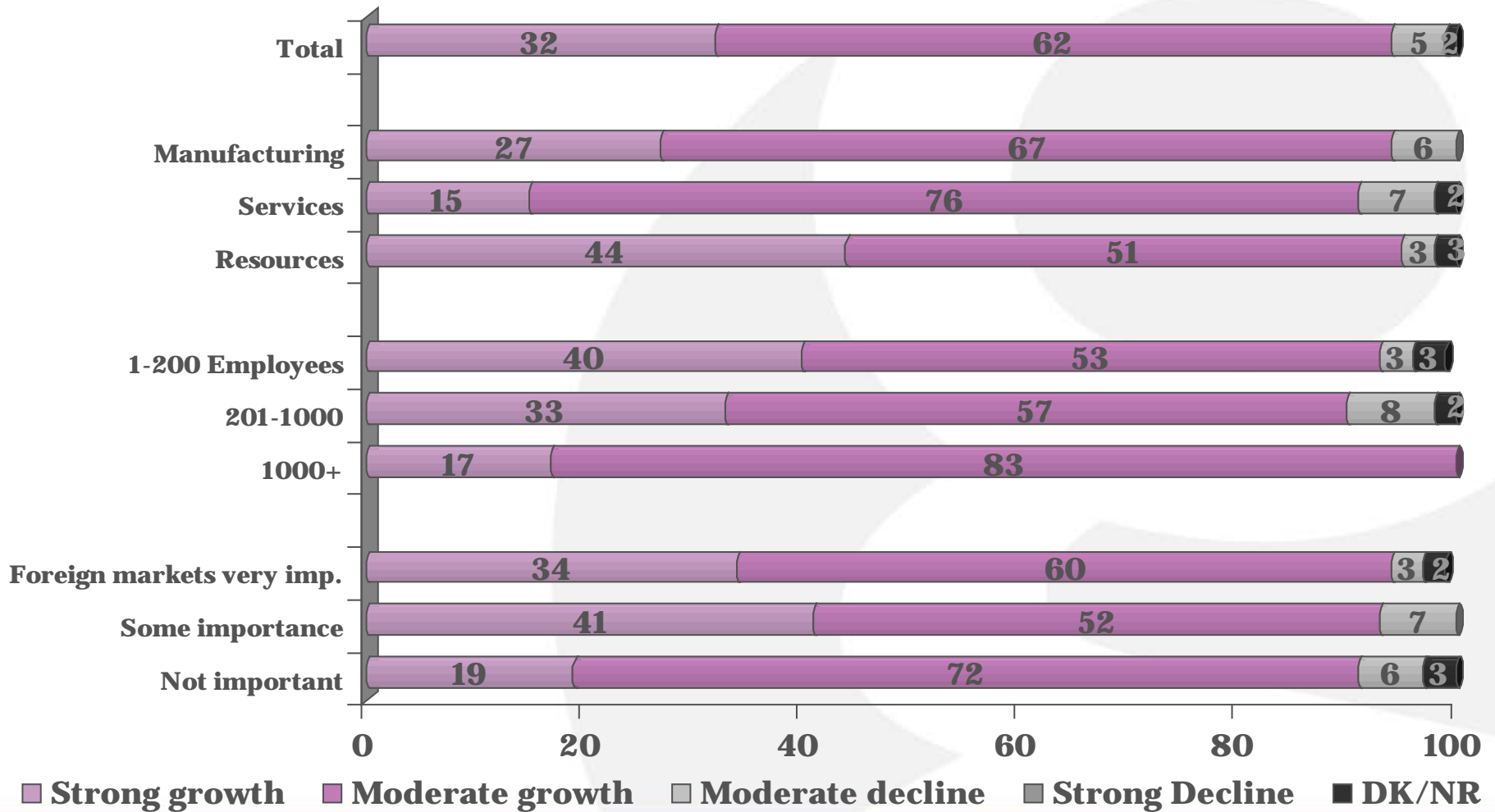
“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”





Expectations: Company

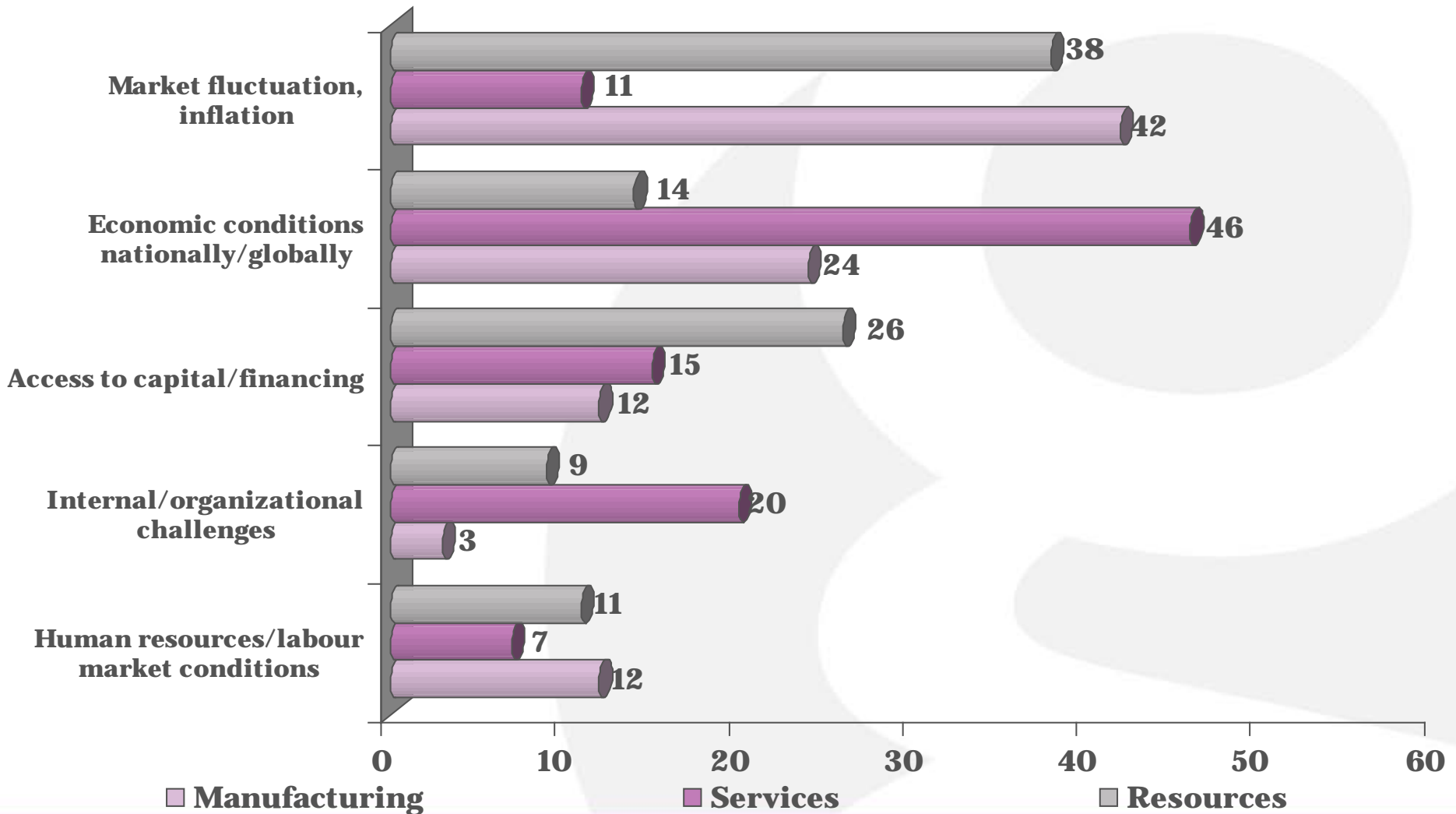
“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline, strong decline?”





Company Concerns: Sectors

“What is the biggest concern facing your company?” [Open Ended]

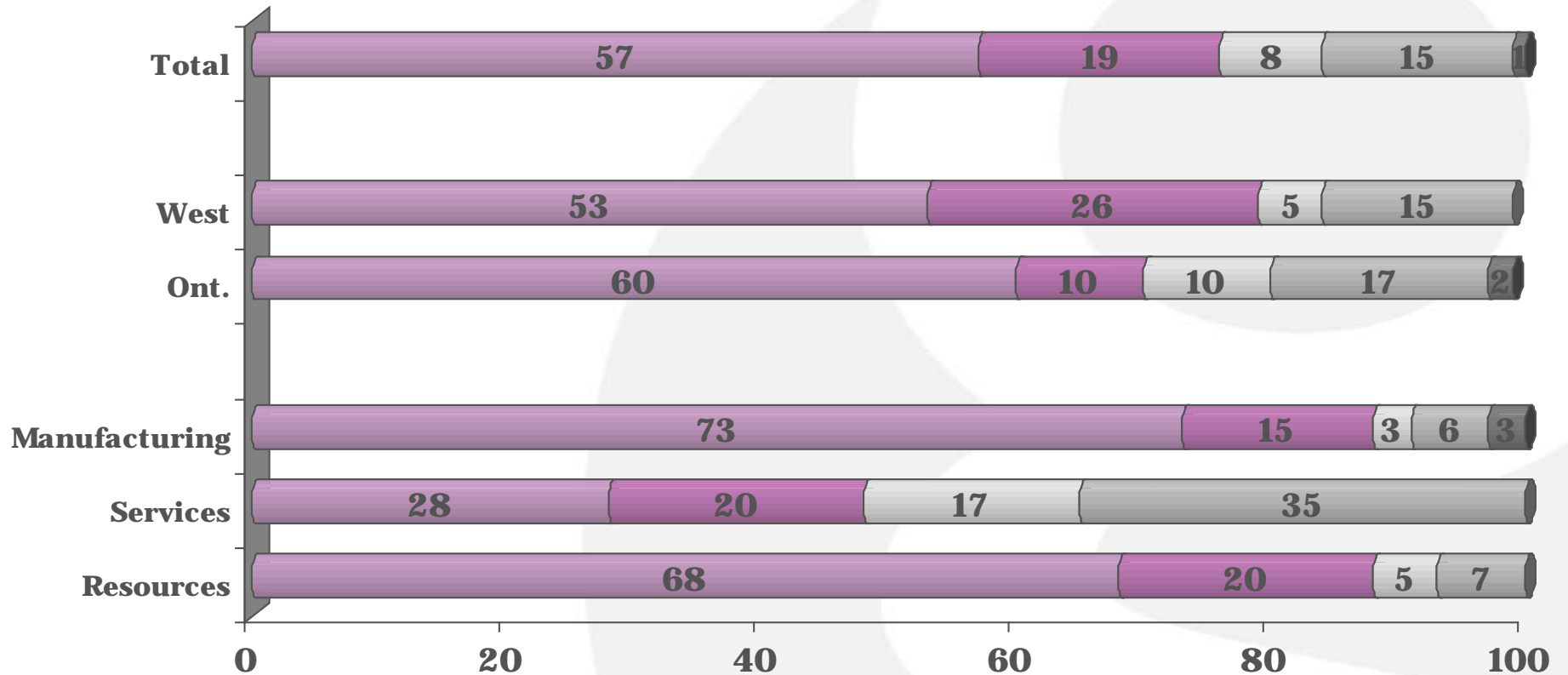




- ❑ Most resource and manufacturing executives think exports and the development of foreign markets are critical to their business's ability to grow.
- ❑ As many executives see China as very important to future Canadian success as those who see the US that way.
- ❑ Despite concerns about the US economy, it is still seen as central to Canada's economic prospects.
- ❑ Executives are more likely to be looking to Asia or Central and South America (especially India and Brazil) than to Europe.
- ❑ Resources companies were the most interested in Japan with 80% of them saying that market was somewhat or very important to Canada – far more than those from the positioning of the manufacturing or services sectors.



“How important are foreign markets to your company’s growth? Very, somewhat, not very, or not at all important?”

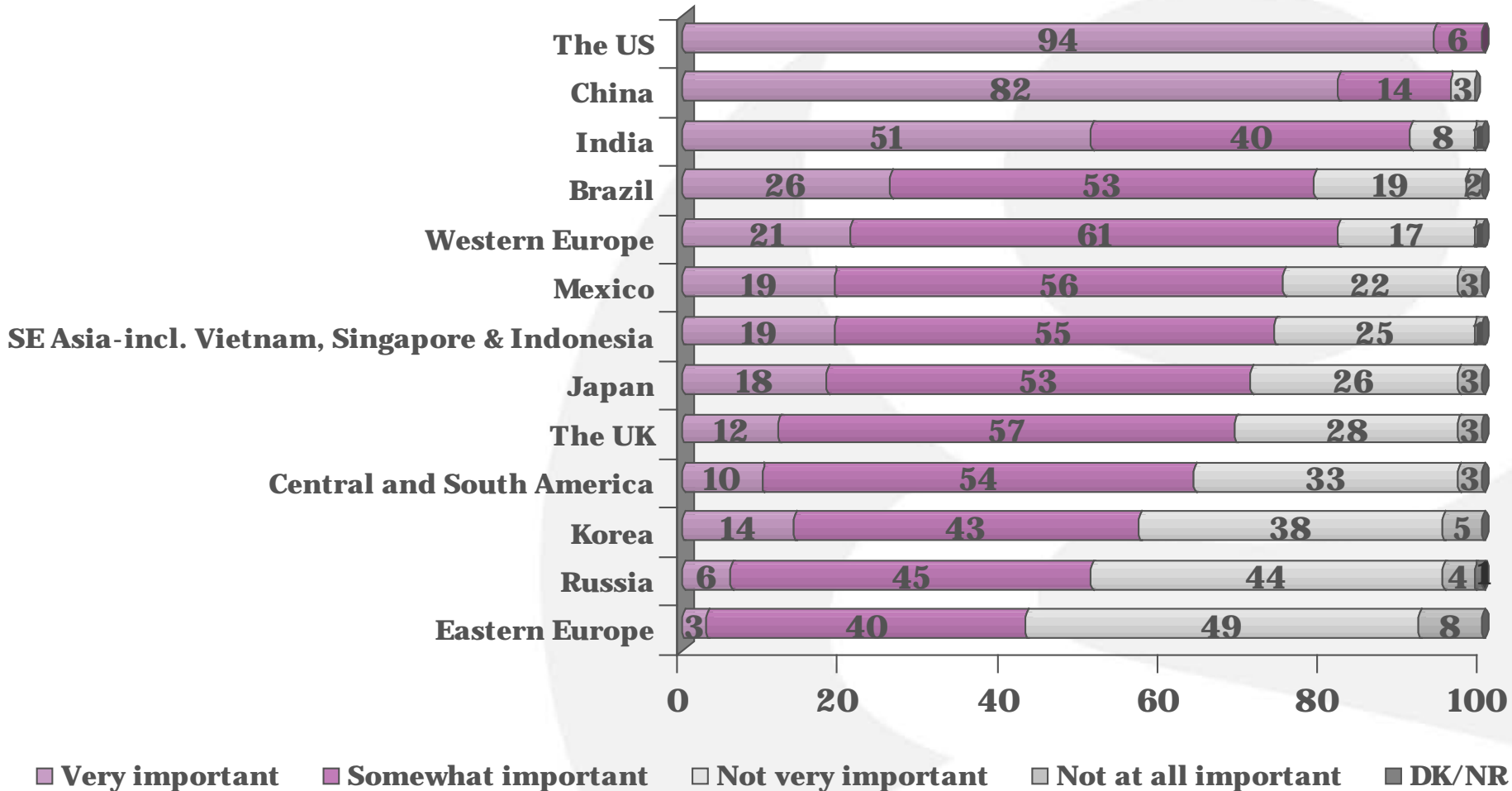


Very important Somewhat important Not very important Not at all important DK/NR



Important Markets

“I’d like to know how important you think each of the following markets will be to Canada’s economy?”





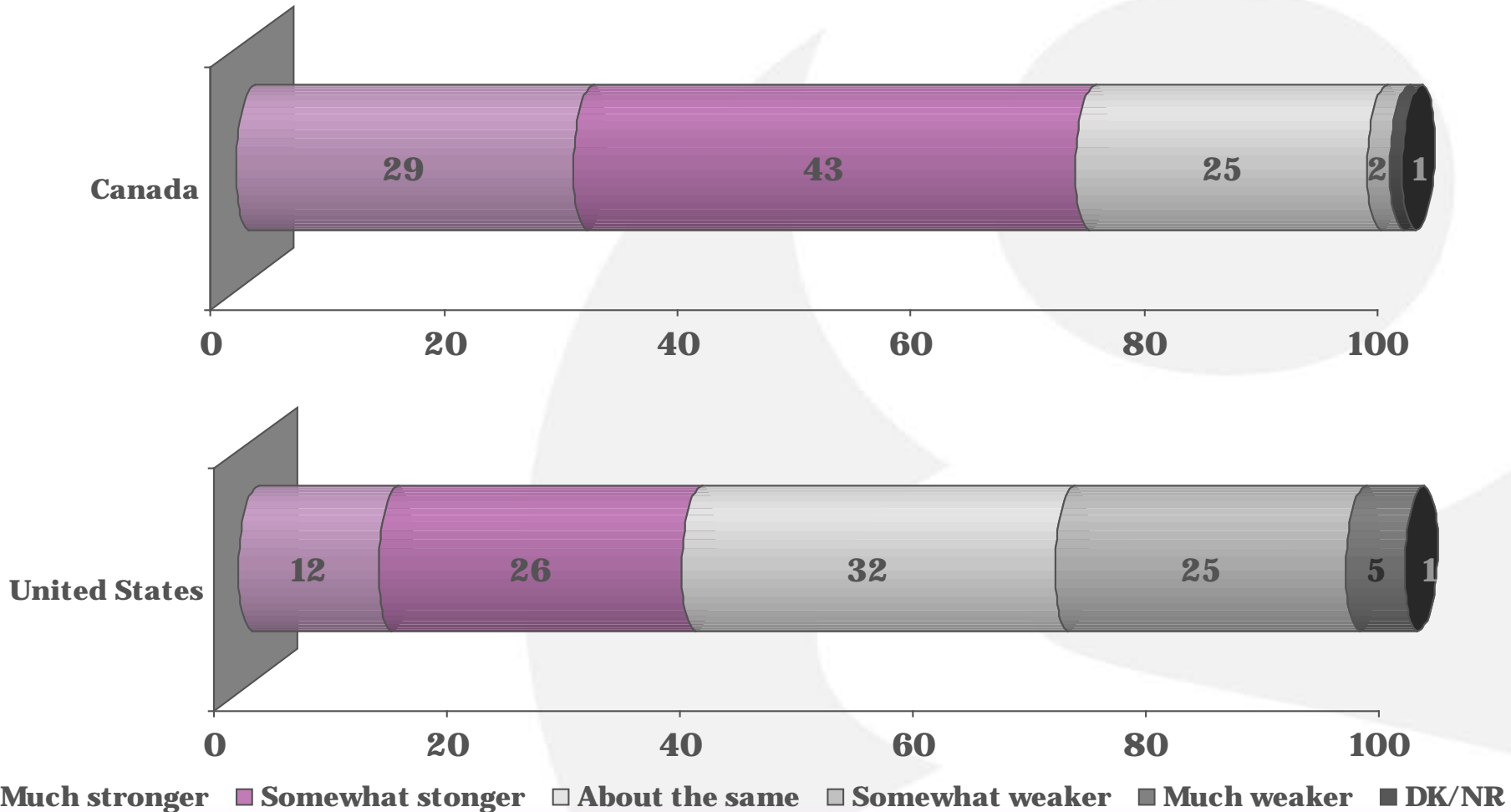
Canada On The Rise; The US In Decline

- ❑ Despite the current focus companies place on the United States, many expect a significant shift in power and economic activity when it comes to the US.
- ❑ The Canadian business community sees the United States as a country in decline.
 - Its economy will continue to weaken over the long term
 - Its influence over world events will decline
 - It will be a less significant market for Canadian goods and services
- ❑ Canada is the opposite picture. Ten years from now:
 - Our economy will be stronger
 - Our international voice will be stronger



CDN & US Economies 10 Years From Now

“Ten years from now, do you see _____ economy as stronger than it is now, weaker than it is now, or will it be about the same? Is that much or somewhat stronger/weaker?” [Canada’s/United States’]





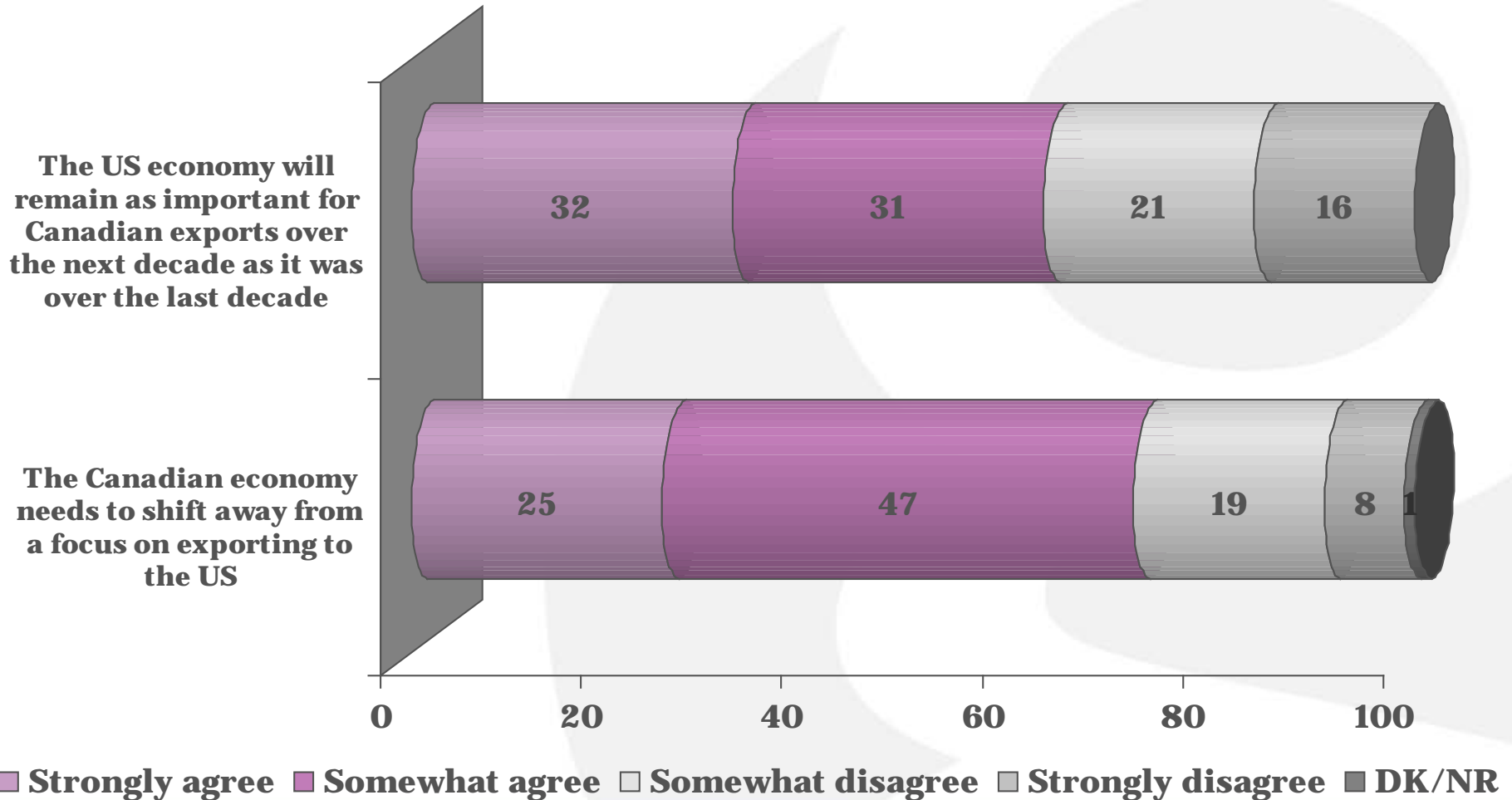
CDN & US International Influence

“Ten years from now, do you think _____ will have more international influence than it does now, less, or about the same?” [Canada/the United States]





“The following are statements some people might make about the economy. I’d like to know if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each”



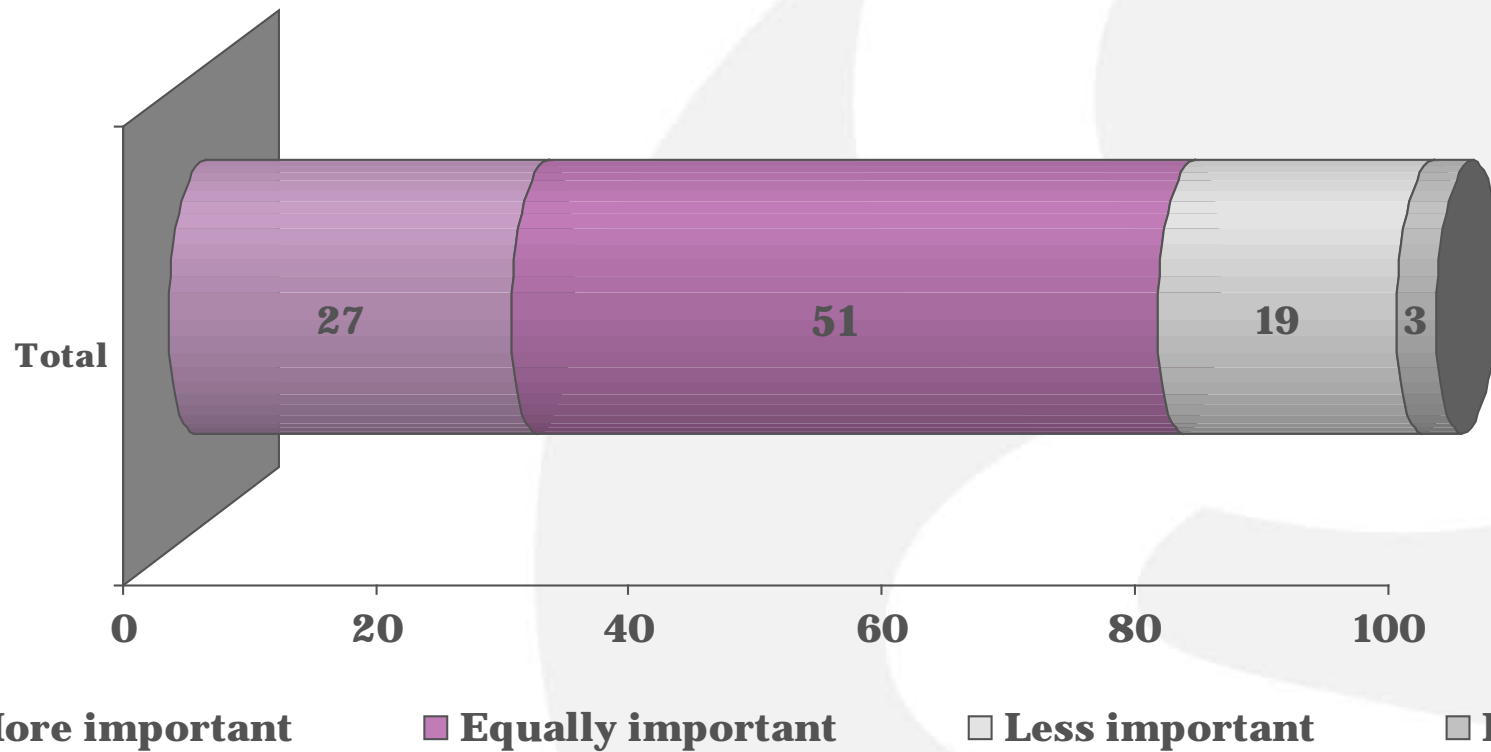


- ❑ With the approach of the G8 and G20 summits most believe that the G20 is now at least equally if not more important than the G8. Very few see the G8 as the prime instrument of global decision making.
- ❑ With a view to what should be priorities on the summits' agendas, the vast majority see debt levels of OECD countries and the stability of financial markets as the top priorities for discussion.
- ❑ Most want to see free trade/access to markets and financial and banking regulations discussed. Just behind that, about half said economic growth or access to credit was a high priority.
- ❑ Executives see the summits as economic fora – about one in three said climate change was a high priority, with fewer still saying maternal health issues and the economies of developing countries were priorities.



G20 Outranks The G8

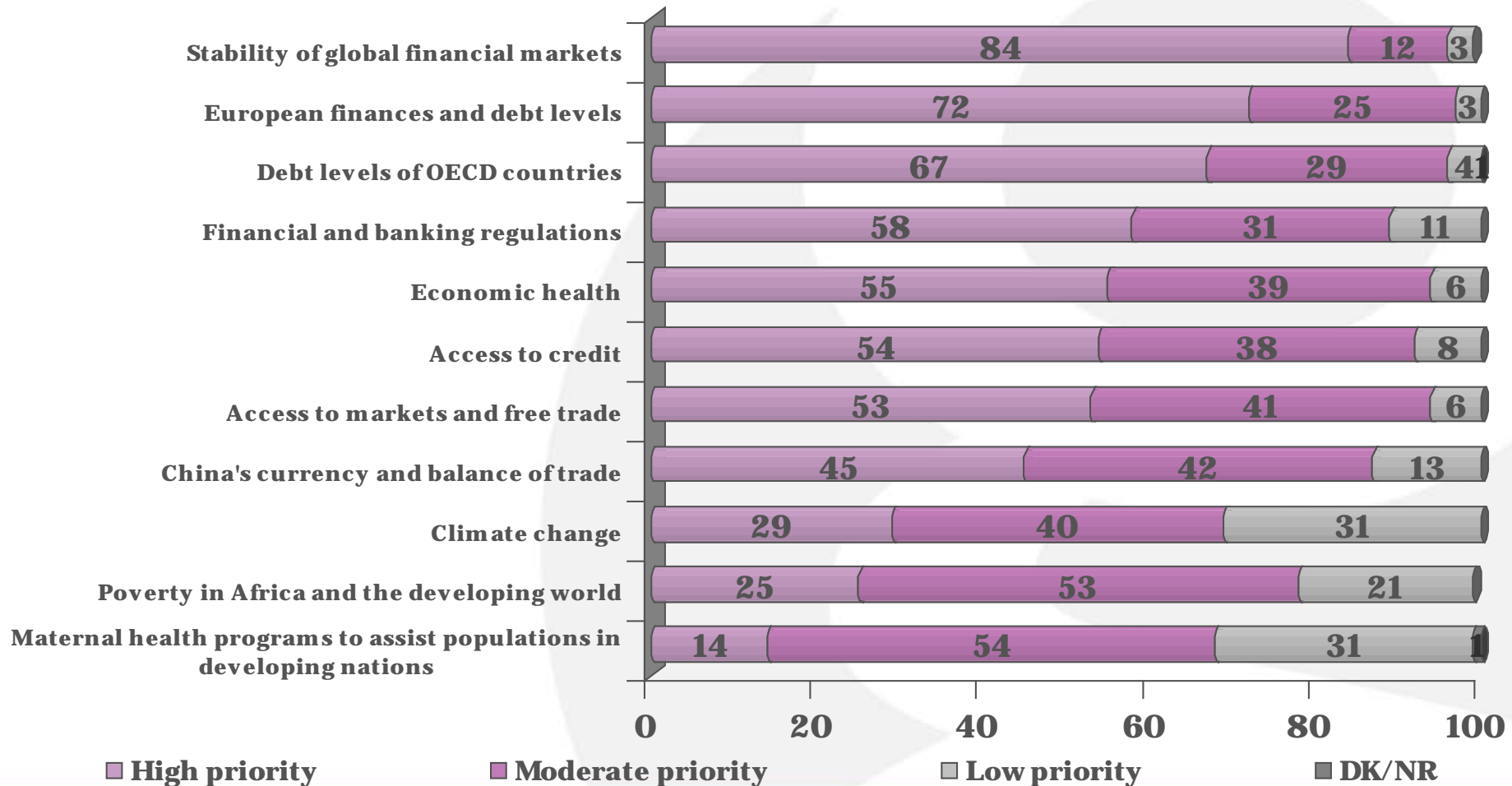
“Would you say the G20 is now more important in global influence than the G8, less important in global influence than the G8, or about equally important in global influence as the G8?”





G8 and G20 Agenda Items

“I’m going to read you a list of potential agenda items that G8 and G20 leaders could discuss at their upcoming summit in Toronto. For each please tell me whether you think it should be a high priority, a moderate priority, or a low priority for the leaders to discuss.”



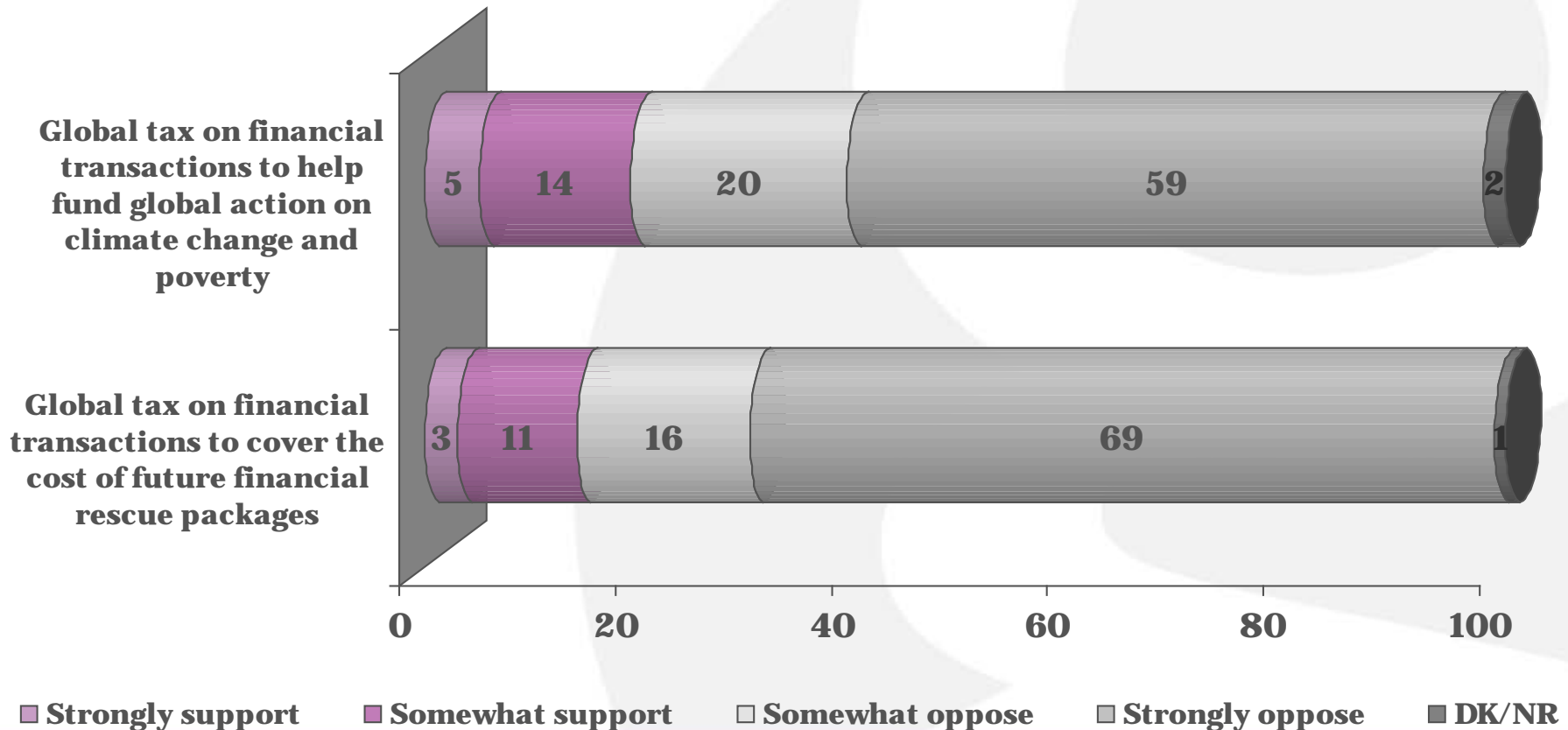


- ❑ The idea of adding a global tax on financial transactions to cover the cost of future financial rescue packages was overwhelmingly rejected. 85% oppose such a measure. 79% said they oppose a tax on financial transactions to help fund global action on climate change and poverty.
- ❑ While climate change is not a top priority for the G8 summit in executives' minds it is still thought by half of executives to hold out potentially devastating effects. There's a divide in opinion here with half believing some effects have been overstated.
- ❑ In the West, most executives agreed and a third strongly agreed, that scientists have overstated the effects. In the rest of Canada most disagreed with this statement.



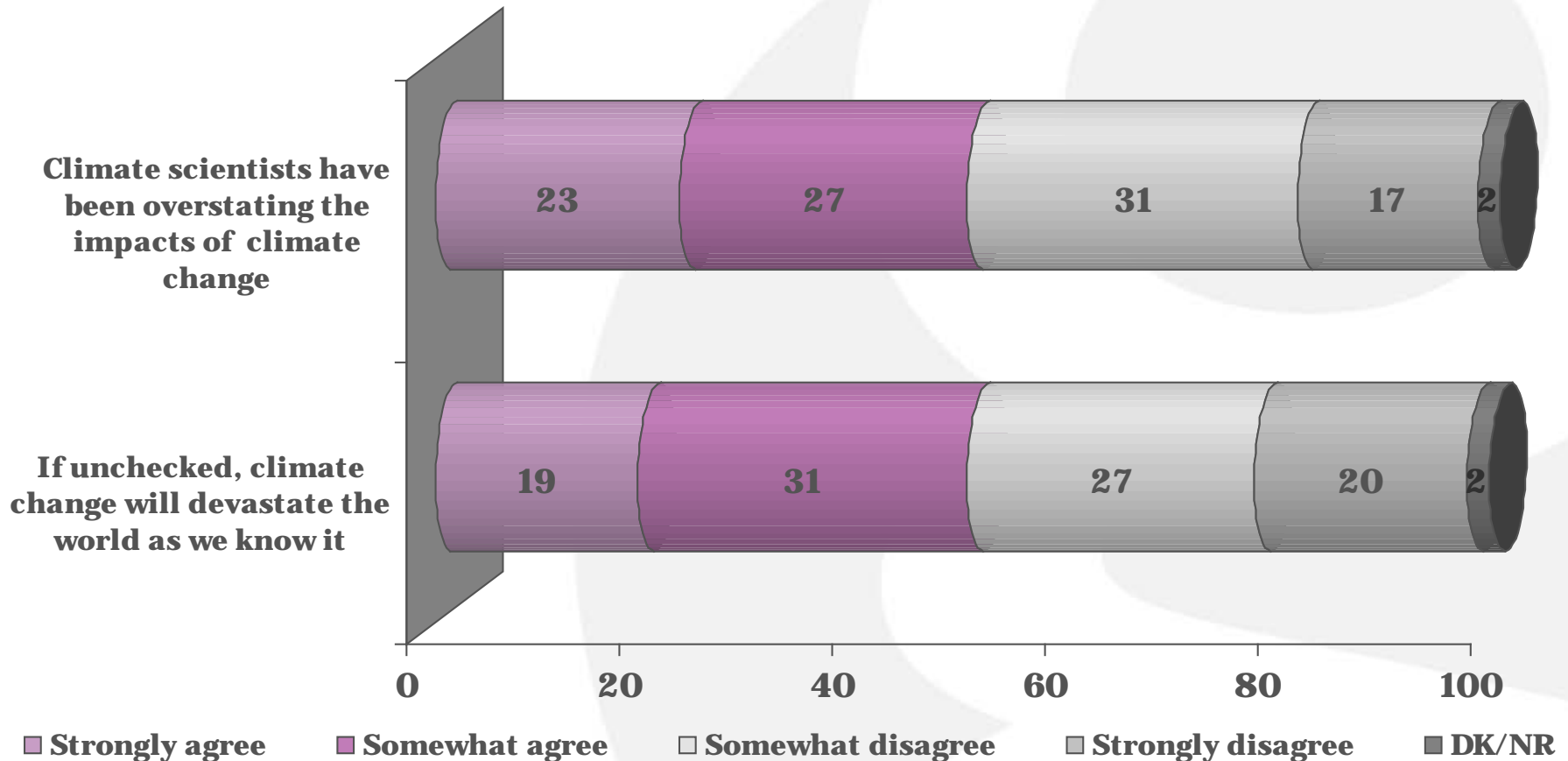
“Do you support or oppose a global tax on financial transactions **to cover the cost of future financial rescue packages?**”

“Do you support or oppose a global tax on financial transactions **to help fund global action on climate change and poverty?**”





“The following are statements some people might make about the economy. I’d like to know if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each”



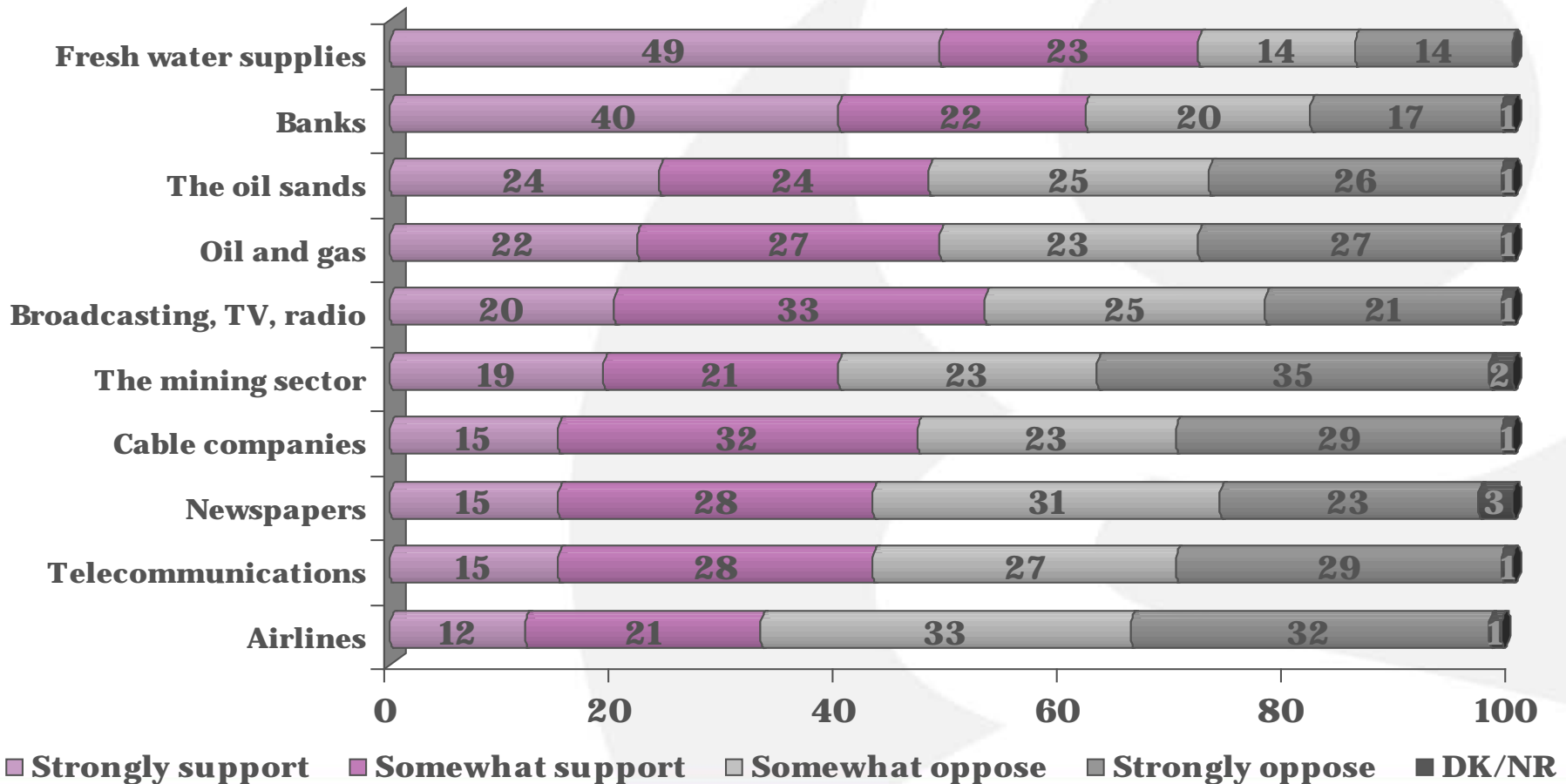


- ❑ Canadian executives do not oppose restrictions on foreign ownership, and in some cases endorse it.
- ❑ Canada's banks and fresh water supplies were the two areas of the economy tested where a clear majority of executives most strongly support foreign ownership limits.
- ❑ A majority of executives support limits on foreign ownership in the broadcast sector.
- ❑ Most executives think restrictions are unnecessary in the telecom sector, currently under review by the government.
- ❑ Western executives were most likely to oppose restrictions on foreign ownership in a number of sectors, notably oil and gas but also non-resources sectors.
- ❑ In Ontario and the East, just over half support limits on ownership of the oil sands – in the West 56% are opposed but most of those are strongly opposed to the notion.



Foreign Ownership Limits

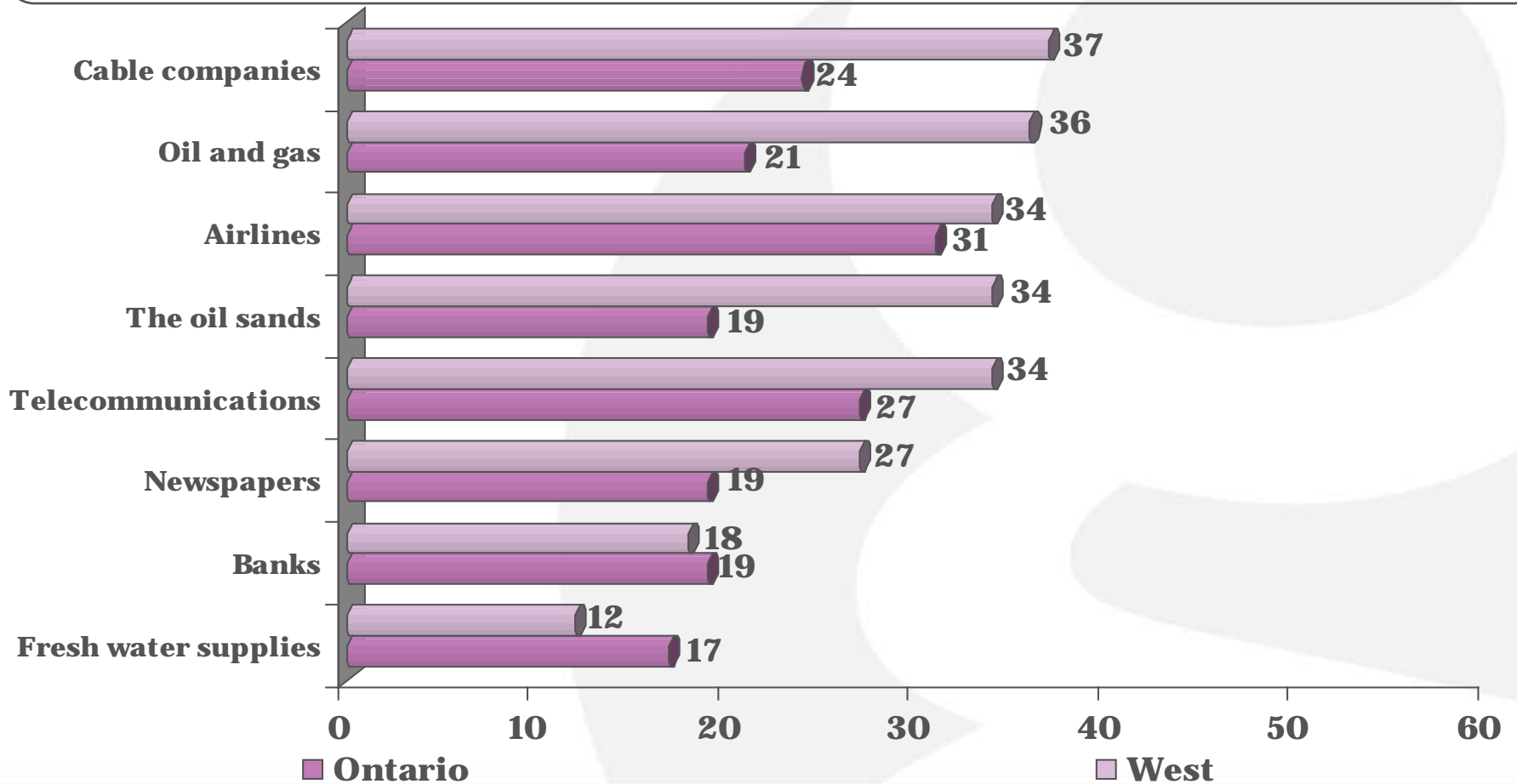
“In the news recently, federal Industry Minister Tony Clement said the government wants foreign ownership limits relaxed in the telecommunications industry. Would you say that you strongly support, somewhat support, somewhat oppose or strongly oppose government being able to restrict foreign ownership of Canadian companies to no more than 49% in each of the following sectors?”





Foreign Ownership Limits

“In the news recently, federal Industry Minister Tony Clement said the government wants foreign ownership limits relaxed in the telecommunications industry. Would you say that you strongly support, somewhat support, somewhat oppose or strongly oppose government being able to restrict foreign ownership of Canadian companies to no more than 49% in each of the following sectors?” **[Strongly Oppose]**



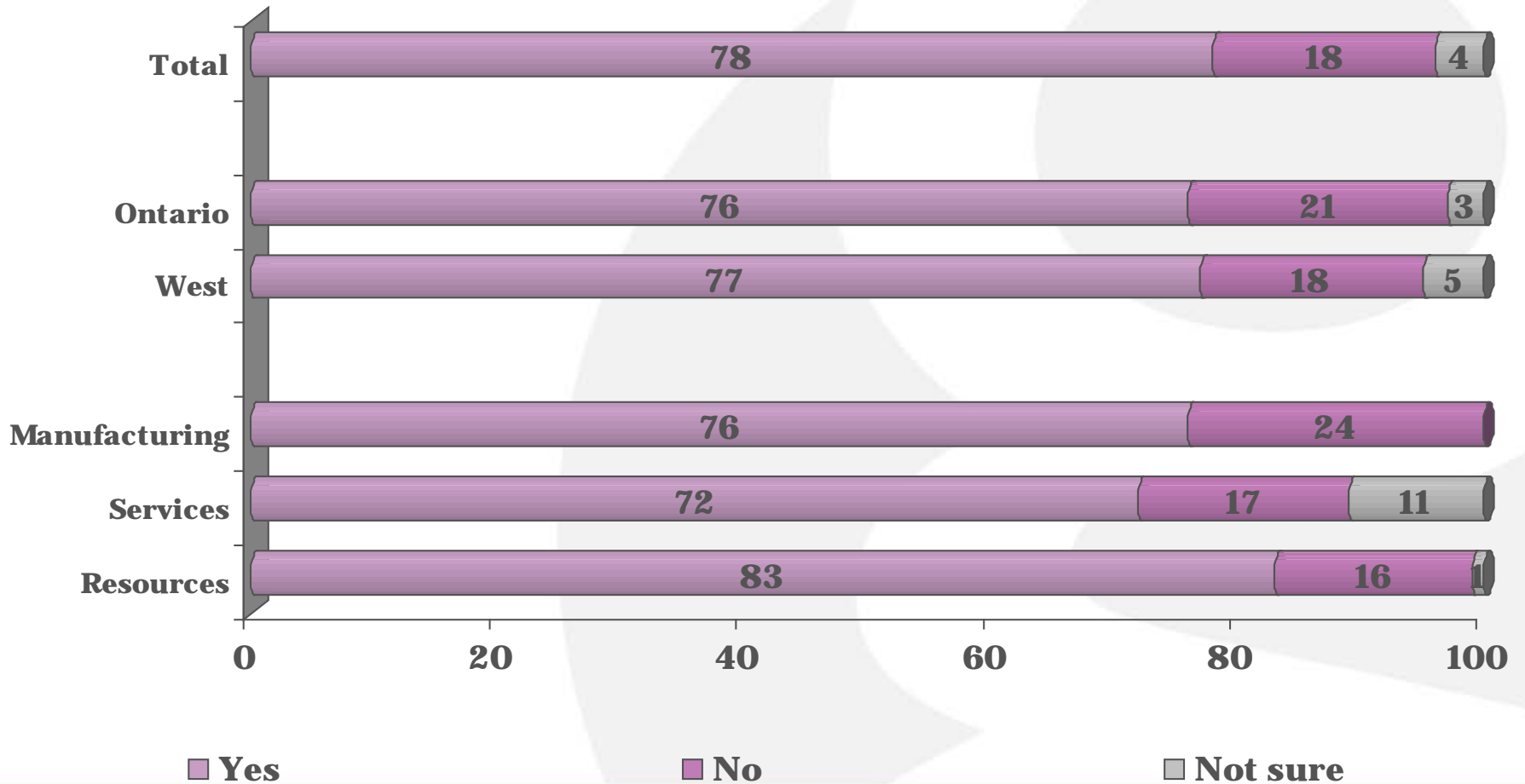


- ❑ The vast majority of executives said they were in favour of the government having the ability to review and potentially block investments or takeovers that are not in the interest of Canada.
- ❑ The top potential reasons were concerns over sovereignty of national resources and concern about the takeover of a major Canadian company.
- ❑ Most executives say they're concerned about disappearances of head offices from Canada – and as many in the West (who were somewhat more open to foreign investment) said so as in the East.



Foreign Takeovers

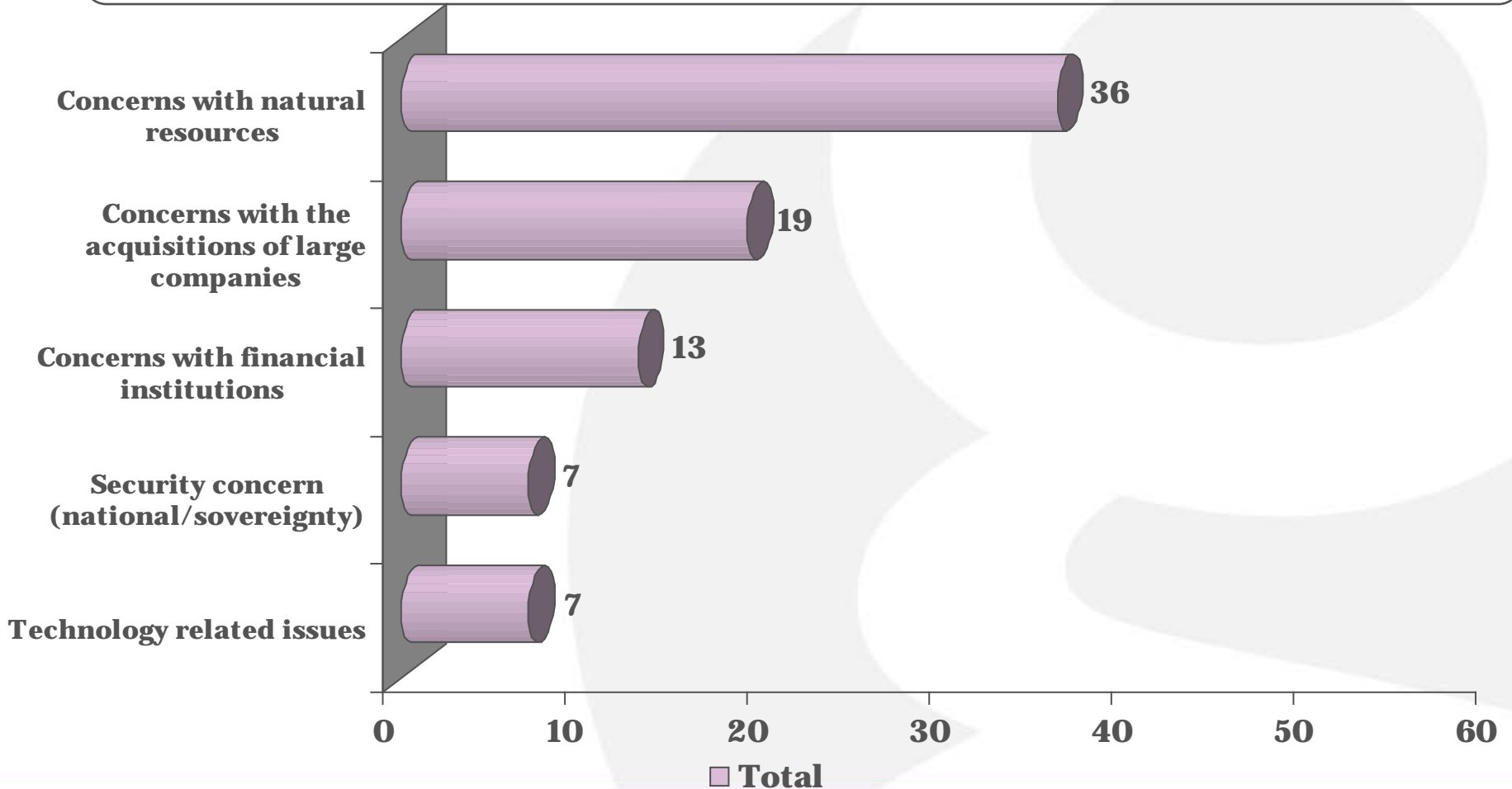
“Should the federal government review foreign takeovers of major Canadian owned interests and have the power to block them if judged not to be in the interests of Canada?”





Reasons for Regulation

“Should the federal government review foreign takeovers of major Canadian owned interests and have the power to block them if judged not to be in the interests of Canada?” **[To those who answered yes]**
“What might be one such situation?” **[Open Ended]**





Disappearance of Head Offices

“The following are statements some people might make about the economy. I’d like to know if you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each”

