



the gandalf group

The 45th Quarterly C-Suite Survey

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- ❑ Methodology: telephone interviews with 155 C-level executives from ROB1000-listed companies between November 16th & December 8th, 2016.
- ❑ This quarter's survey asked the C-Suite about the US Presidential Election and its potential impacts on:
 - Trade agreements and the economy
 - Canadian businesses
 - The Government of Canada's relations with the White House



- ❑ The C-Suite strongly believes the Trump Administration will be a boon for:
 - The US economy
 - The North American energy sector, including pipeline approval & Canadian crude oil prices
 - Equity markets: i.e. the Dow Jones Industrial and TSX composite averages
- ❑ Half (52%) expect their businesses to benefit from the transition to a Trump Administration. A much smaller number have adjusted business plans to take advantage of or respond to the change in US Administrations (13%).
- ❑ While the C-Suite feels mostly positive about the outlook for the US, their businesses and certain sectors, most expect the broader Canadian economy will suffer.
 - Whereas more now expect the US economy to grow (and grow strongly) in 2017 there is no improvement in the outlook for the Canada this quarter compared to last.
 - The impact on trade is the top-of-mind concern Canadian businesses have about Trump.
 - Most believe Trump will make good on his threats to renegotiate or withdraw from NAFTA and that his Administration will make other moves that would hamper global trade.
 - Half believe a Trump Administration will negatively impact the Canadian economy and most expect Canadian businesses will be less competitive in two years time.
 - Most doubt the current Canadian government will enjoy good relations with the President-elect; relations that will be important, they say, given the need to advocate for access to markets.
 - There is a division of opinion as to whether Canadian governments should suspend the introduction of carbon pricing policies. Just over half believe the change in US Administrations means governments here should delay carbon pricing – 44% disagreed with this.

Detailed findings follow.



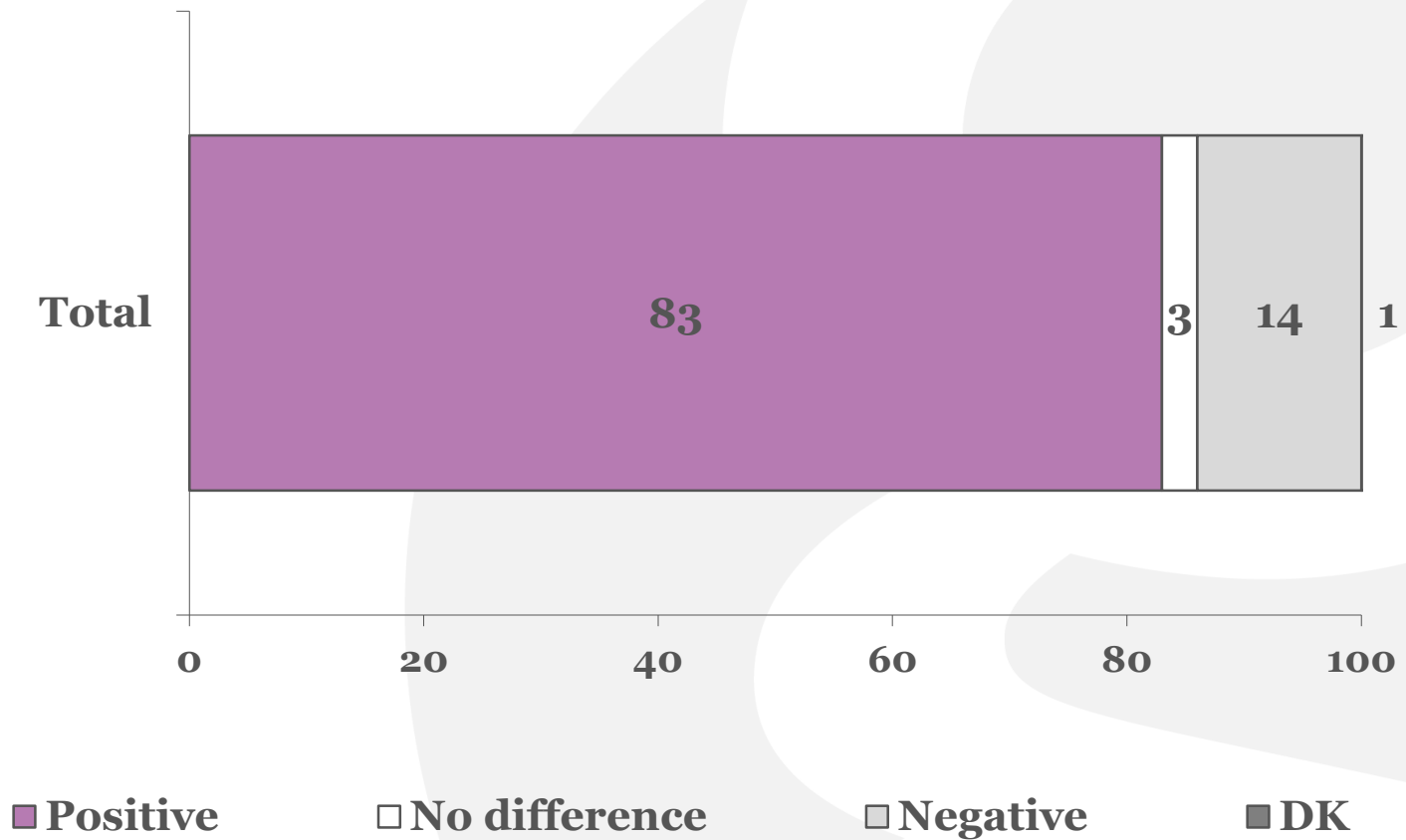
The Upside of A Trump Administration

- ❑ The C-Suite is decisively of the view that the election of Donald Trump will be positive for the US economy.
- ❑ Most now believe that the political environment for business in the US will be positive. In September, less than half agreed with this and many were unsure.
- ❑ The C-Suite expects the Dow-Jones to increase in 2017, as well as the TSX (albeit to a lesser extent).
- ❑ The proportion that expects the US economy to grow strongly is up significantly - 15 points.



Trump A Boon For US Economy

Do you think the transition to a Republican Trump Administration will have a positive or negative impact on the US economy over the next two years?

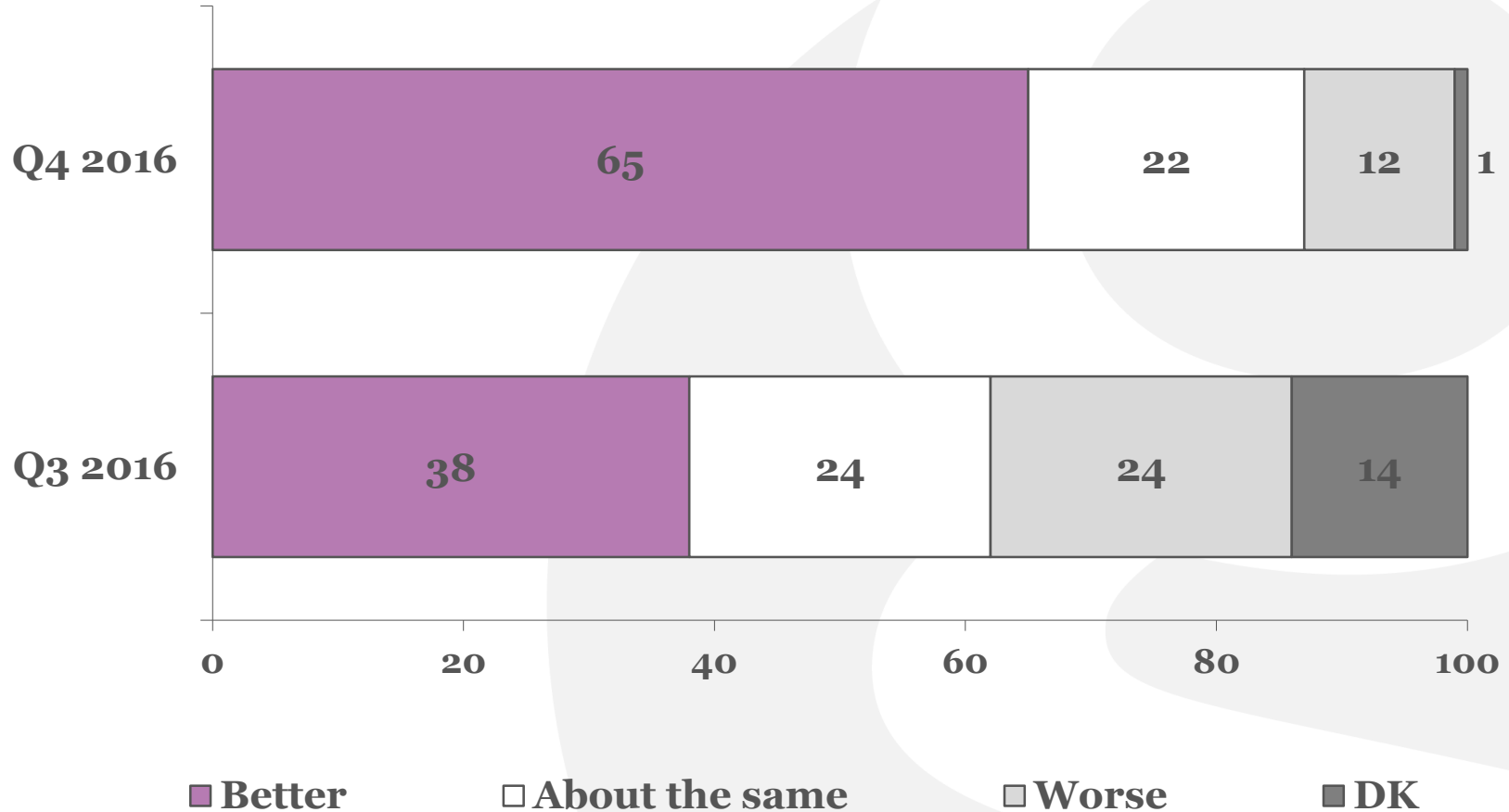




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Most Say The Political Environment for Business in US Will Be Better

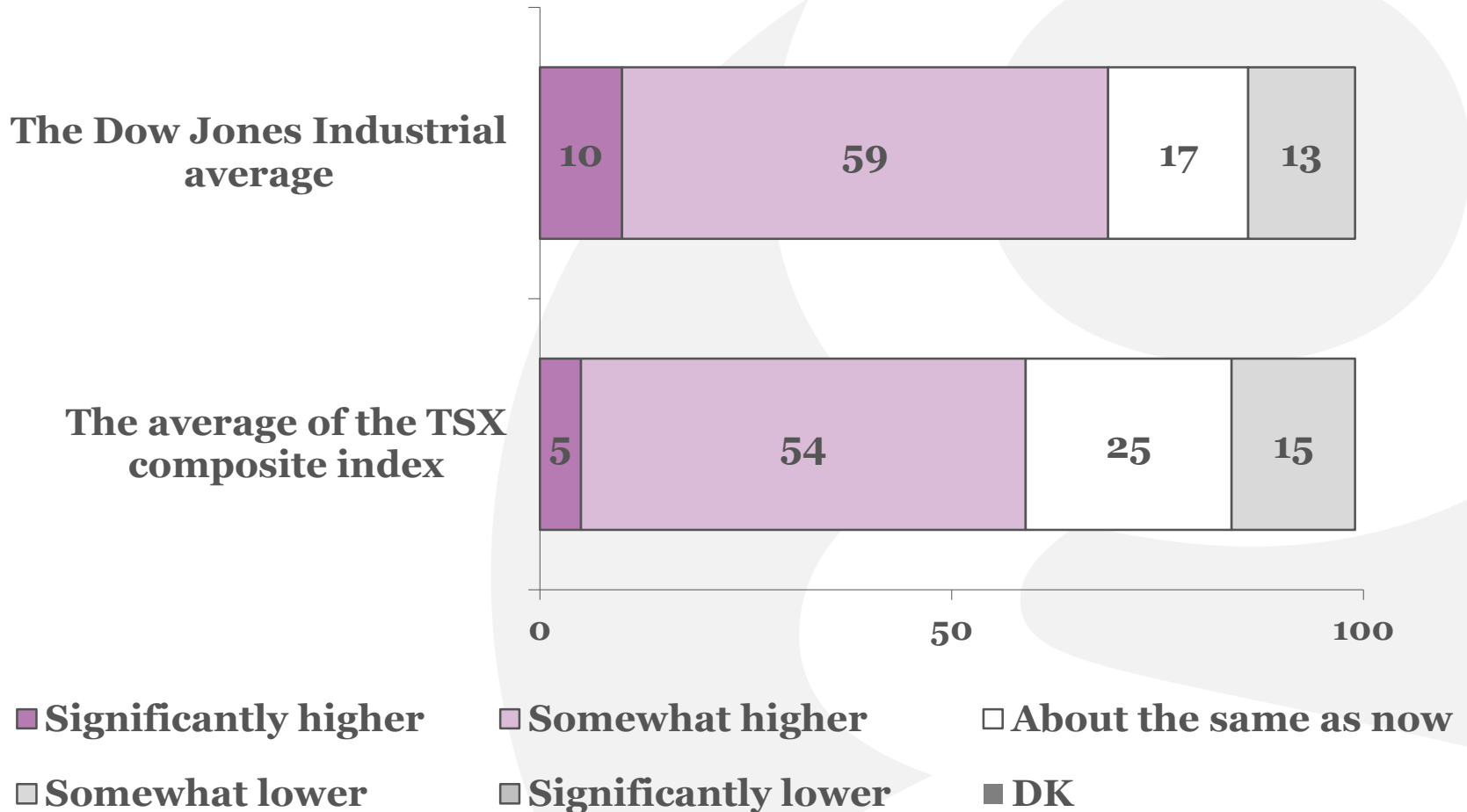
Generally speaking, do you think the political environment for business in the United States will be better, worse, or about the same over the next 5 years than it has been over the last 5 years?





Expectations For Dec. 2017: Dow Jones Industrial and TSX Up

How do you expect (read item) to be doing by the end of 2017? Is it in your view likely to be significantly higher, somewhat higher, about the same, somewhat lower, or significantly lower than now?



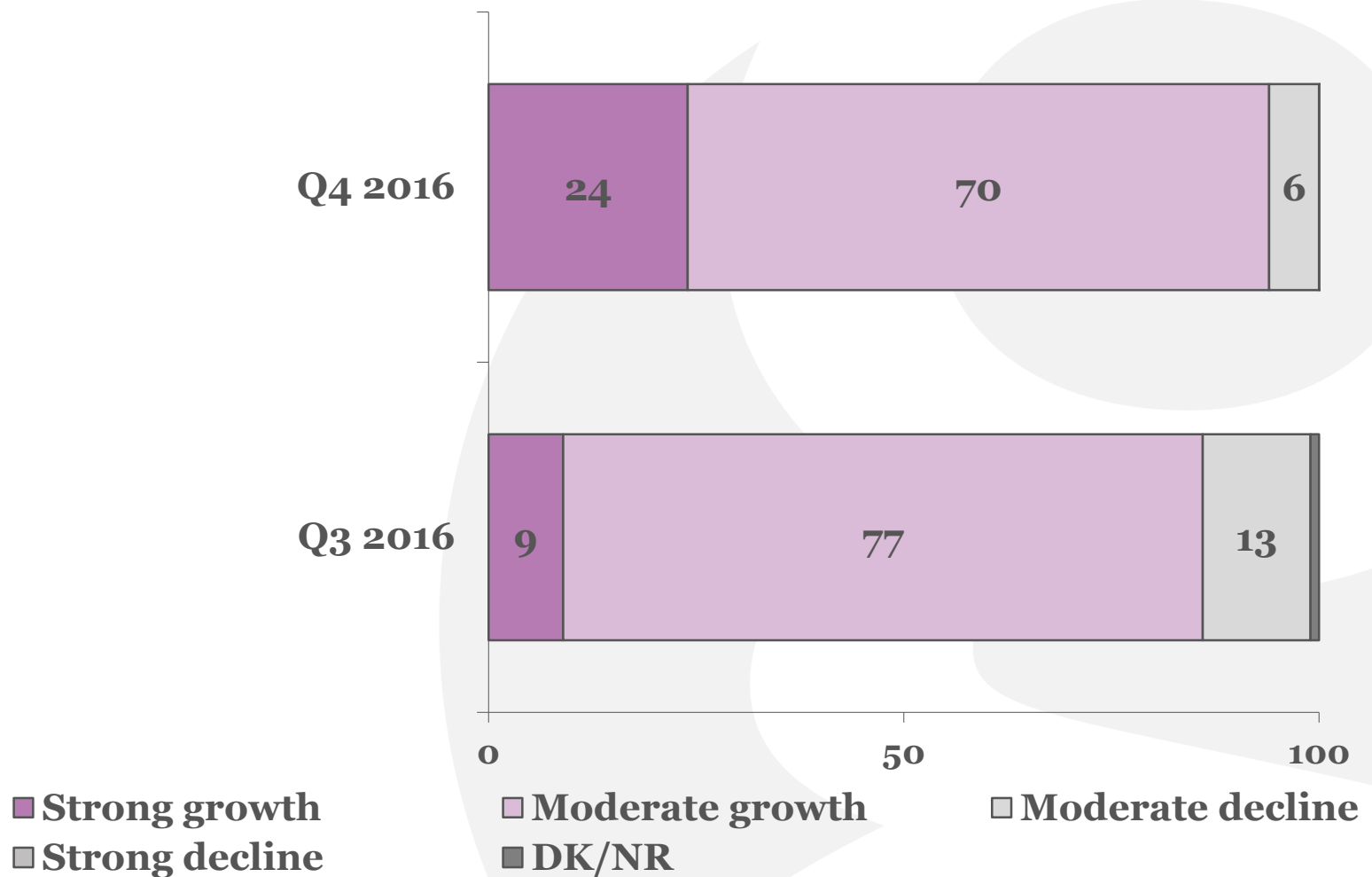


The Upside of A Trump Administration

- ❑ The overall economic outlook for the US is significantly more positive this quarter compared to last.
- ❑ That said it is a minority that expects strong economic growth in the US 2017. Most expect moderate growth for the US next year.
- ❑ Despite this improved outlook, one of the most interesting findings of this survey is a sombre opinion about the long-term prospects for the US.
 - Most disagree that its best days are ahead, a reflection possibly of both socio-political issues as well as economic.
 - They are somewhat more likely to agree Canada's best days are ahead.



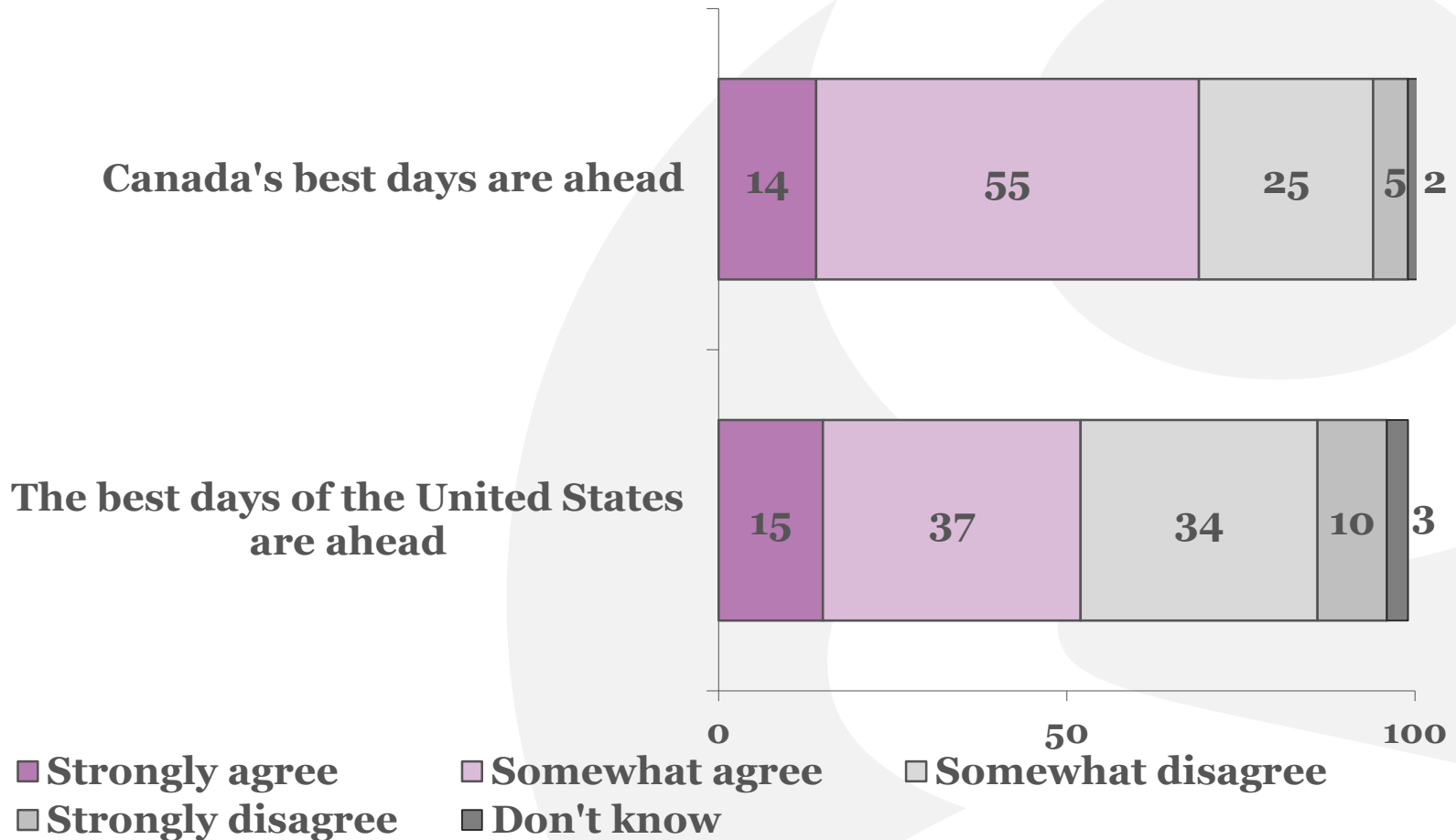
What are your expectations for the U.S. economy over the next 12 months?





Canada's Best Days Are Ahead

I'm going to read some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.



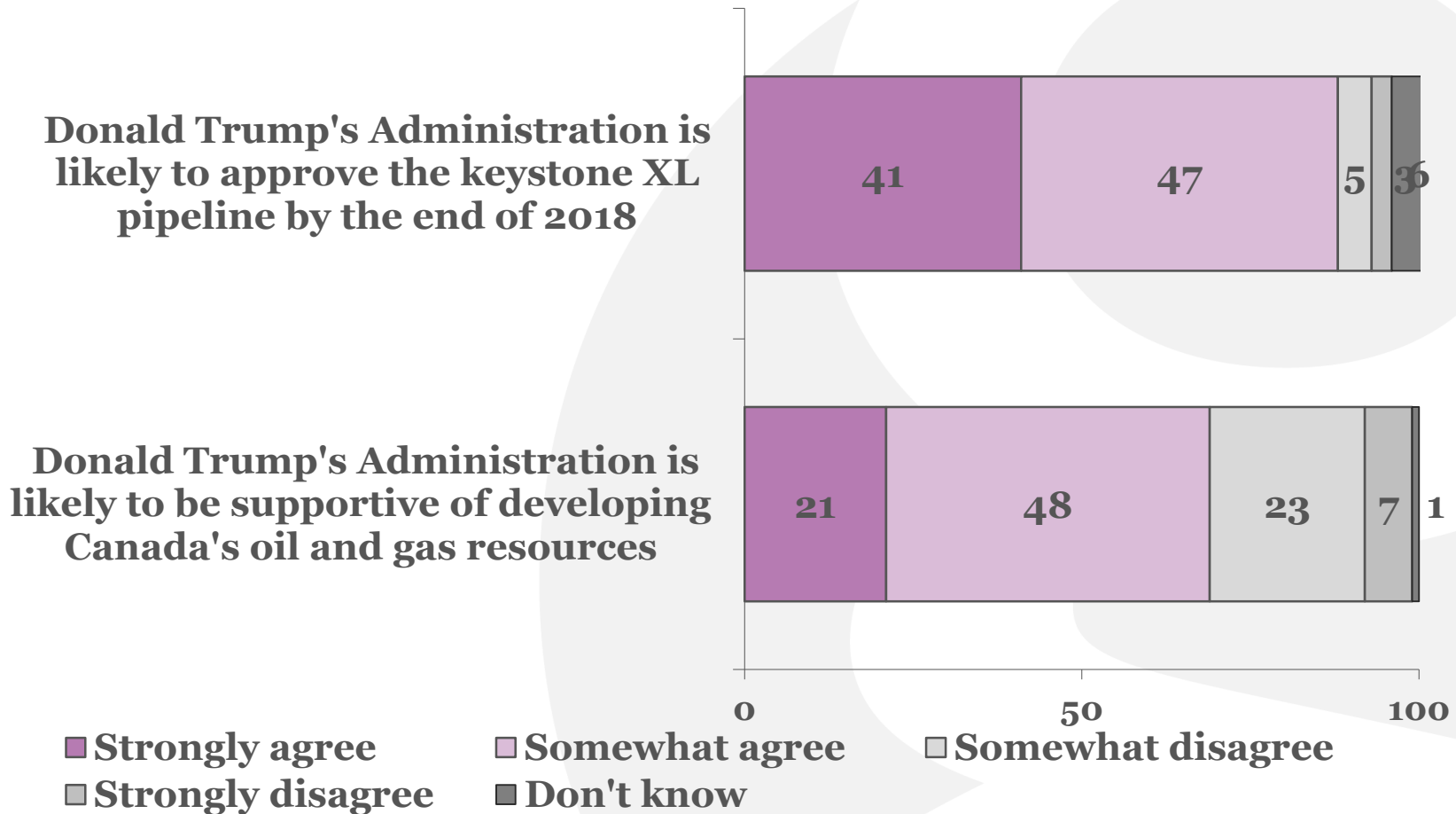


- ❑ Executives expect a Trump Administration to positively impact energy markets.
- ❑ Despite his protectionist talk, most think Trump will even be good for Canada's energy markets.
- ❑ The vast majority expects his Administration will approve Keystone XL within 2 years.
- ❑ It is perhaps not surprising therefore that Western Canadian executives are more bullish about what Trump will mean for the North American economy.
- ❑ Most expect Canadian crude to fetch higher prices in a year's time, including the vast majority in the oil & gas sector who agree with this.
- ❑ There is no consensus around whether Canada's dollar will slide further or stay close to its current value.



Energy Sector to Benefit From Trump Administration

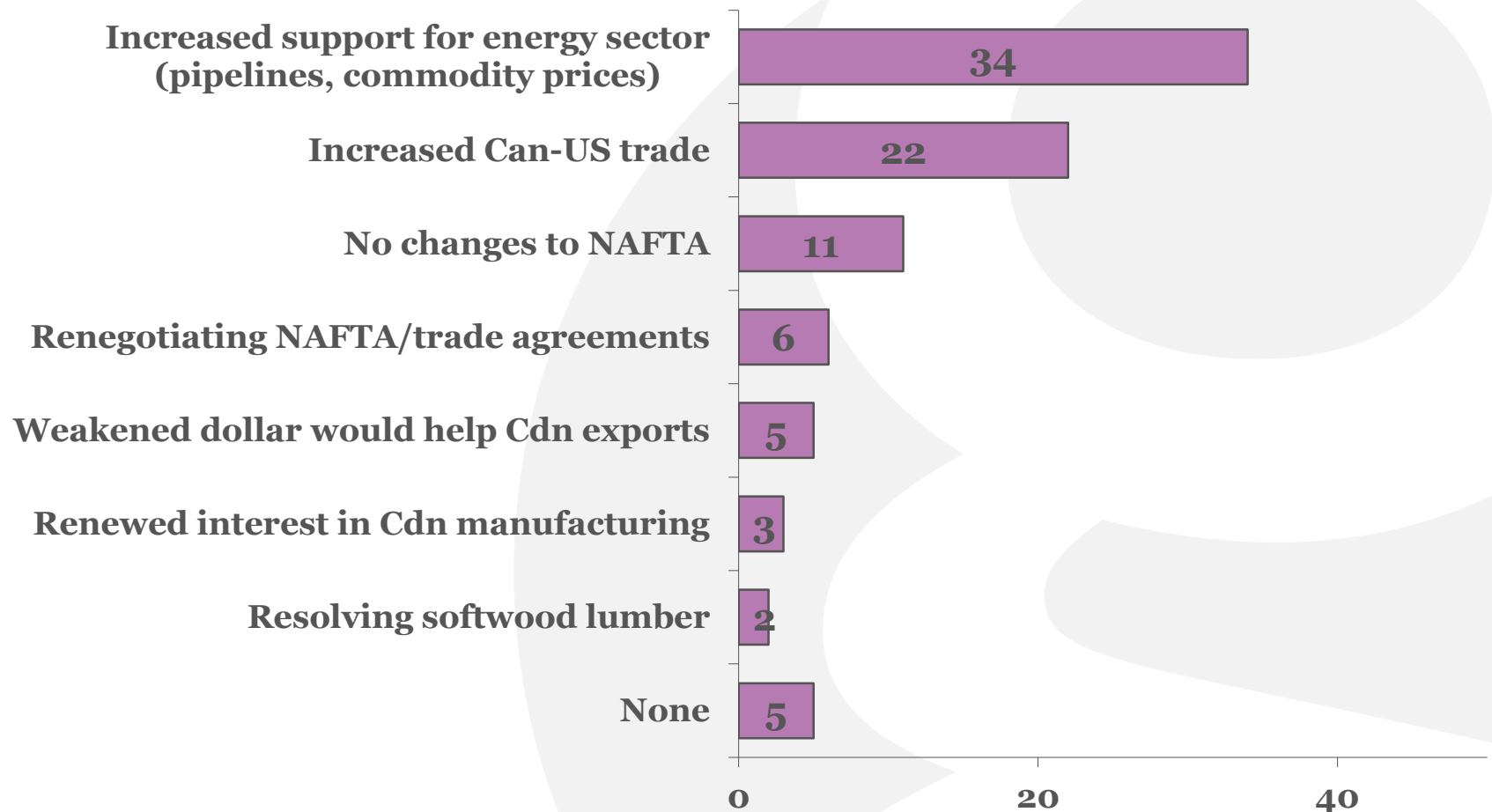
I'm going to read some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.





Potential Positive Impacts of Trump

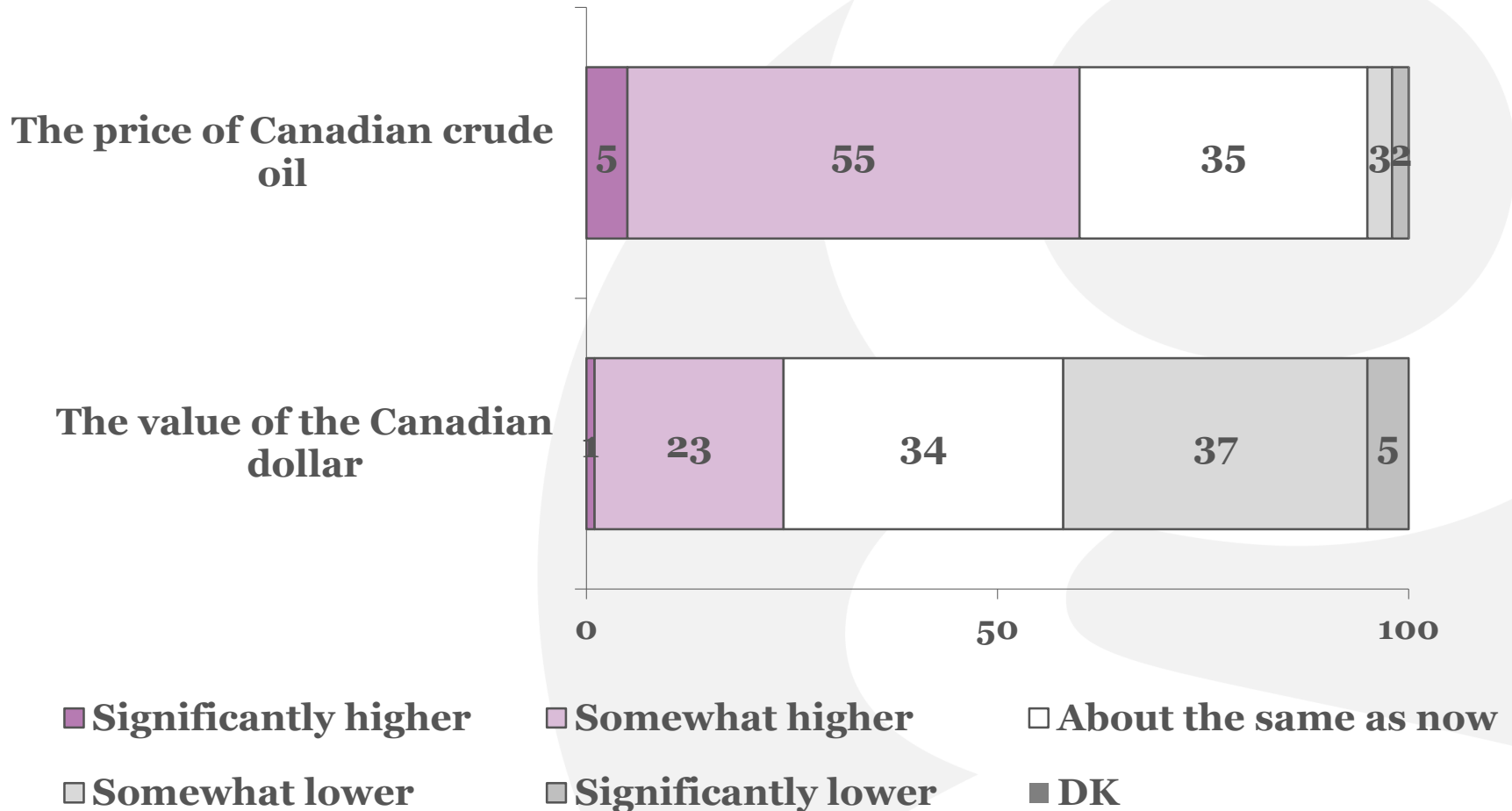
What would be a positive impact or outcome for Canada's economy following the transition to a Republican Administration led by Donald Trump? (Open ended - % selecting each)





Expectations For Dec. 2017: Crude Oil \$ Up, CAD\$ Down

What do you expect _____ will be by the end of 2017? Do you expect it will be significantly higher, somewhat higher, about the same as now, somewhat lower, or significantly lower than now?



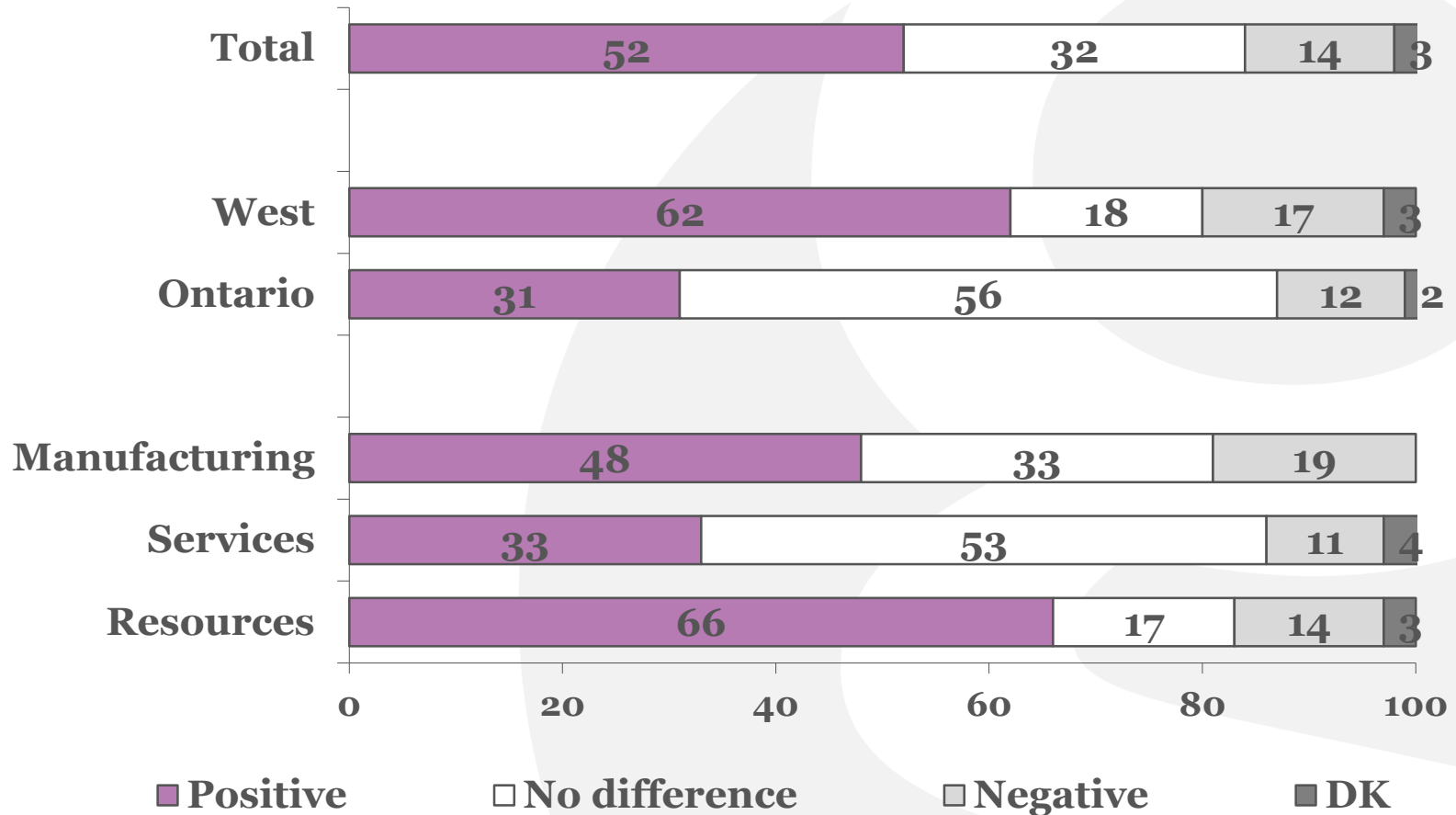


- ❑ Roughly half (52%) expect a Republican Trump Administration will be positive for their businesses.
 - This is especially pronounced among resources executives, although even some in manufacturing feel positively. Most expect oil & gas to do well with a Trump Administration, and almost as many said the same for the automotive sector.
- ❑ Only 13% said their companies are currently changing or intending to change business plans to take advantage of the new political environment. This includes several who are considering shifting focus to or activity at their US operations.
- ❑ Executives are also feeling better overall about their businesses this quarter as well as last: their outlook improved somewhat over 2016, especially in the resources sector.



Positive Impacts of Trump Administration

Do you think the transition to a Republican Trump Administration will have a positive or negative impact on your business over the next two years?

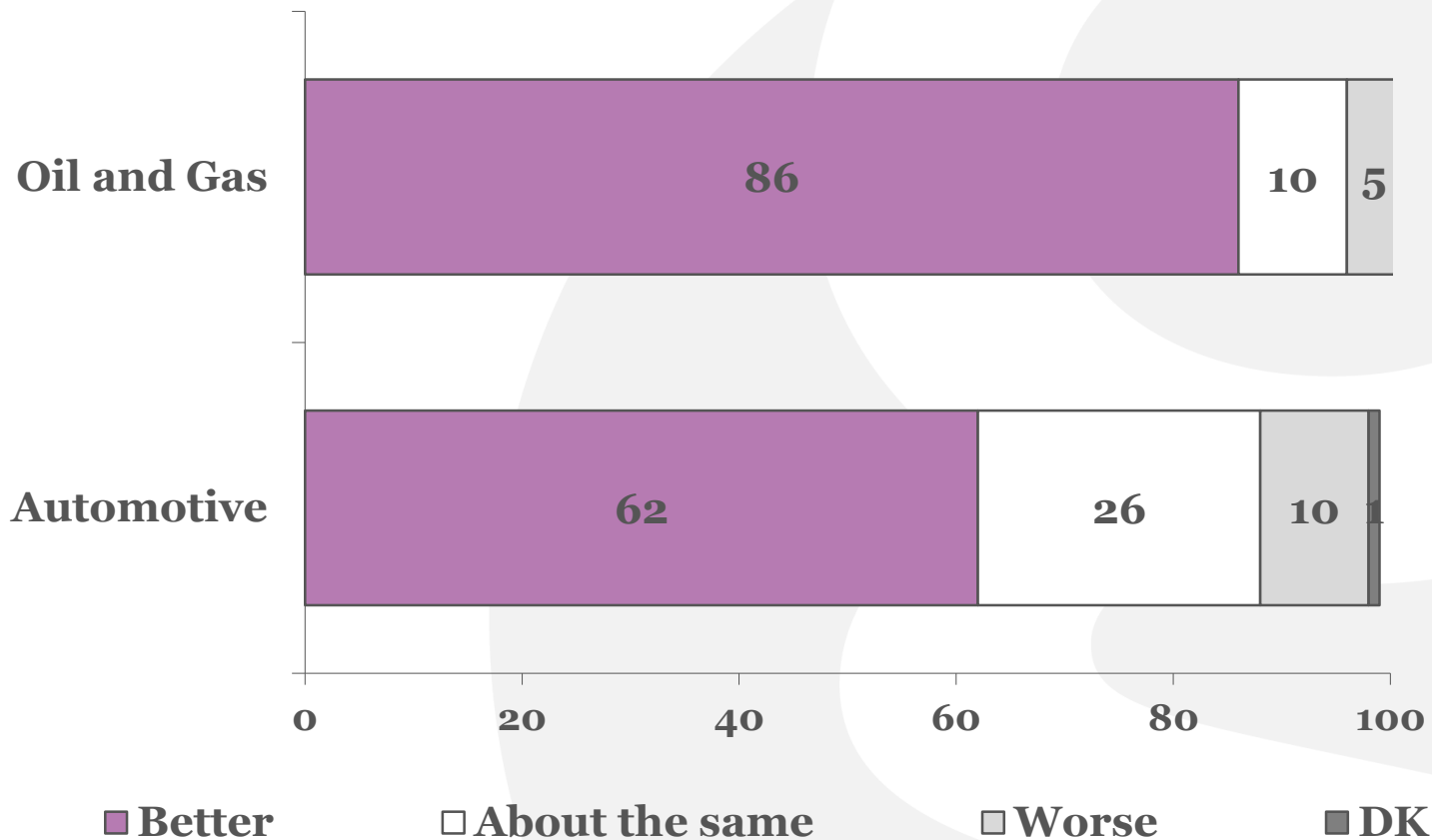




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Political Environment Expected to Improve for Oil & Gas and Automotive Sectors

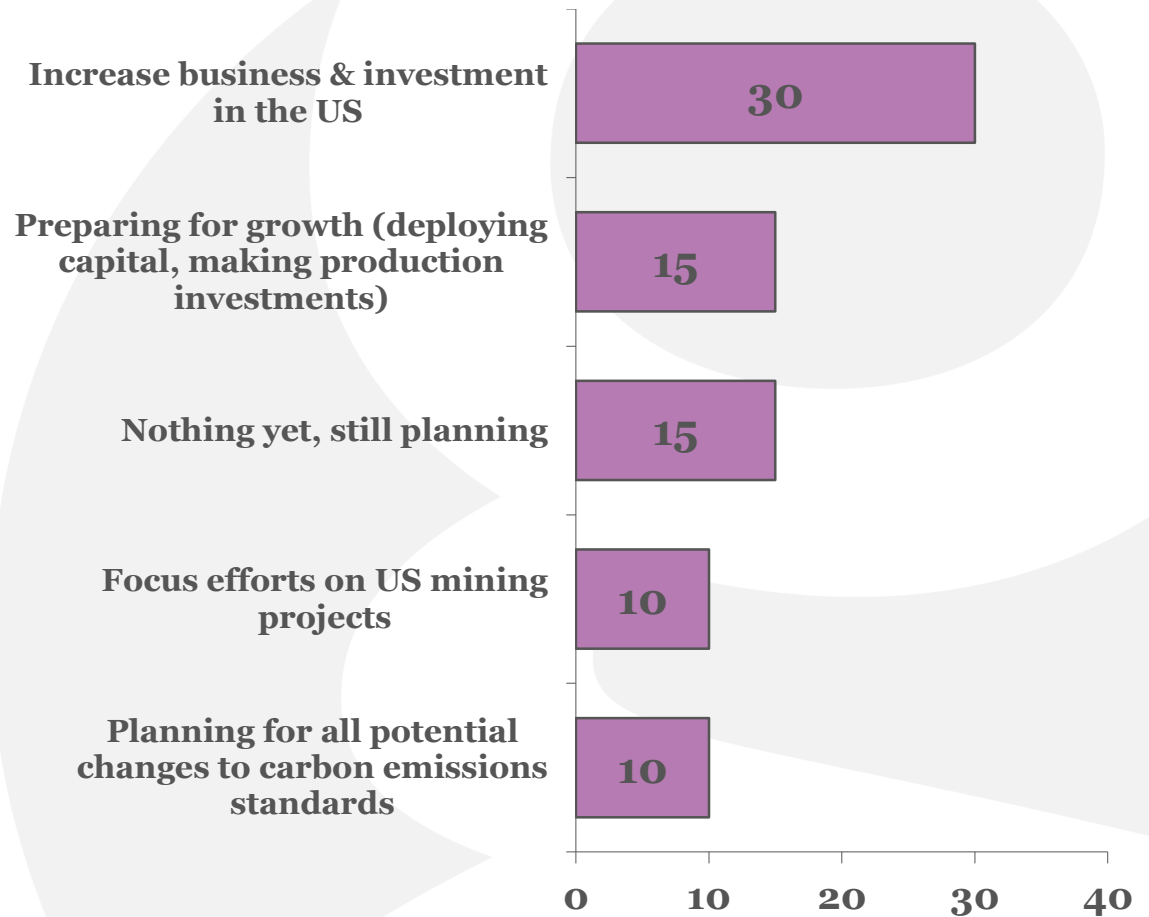
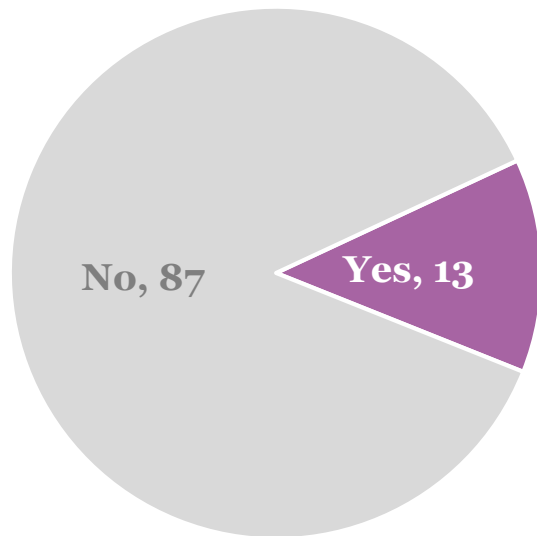
Do you think the political environment for _____ sector in the United States will be better, worse, or about the same over the next 5 years than it has been over the last 5 years?





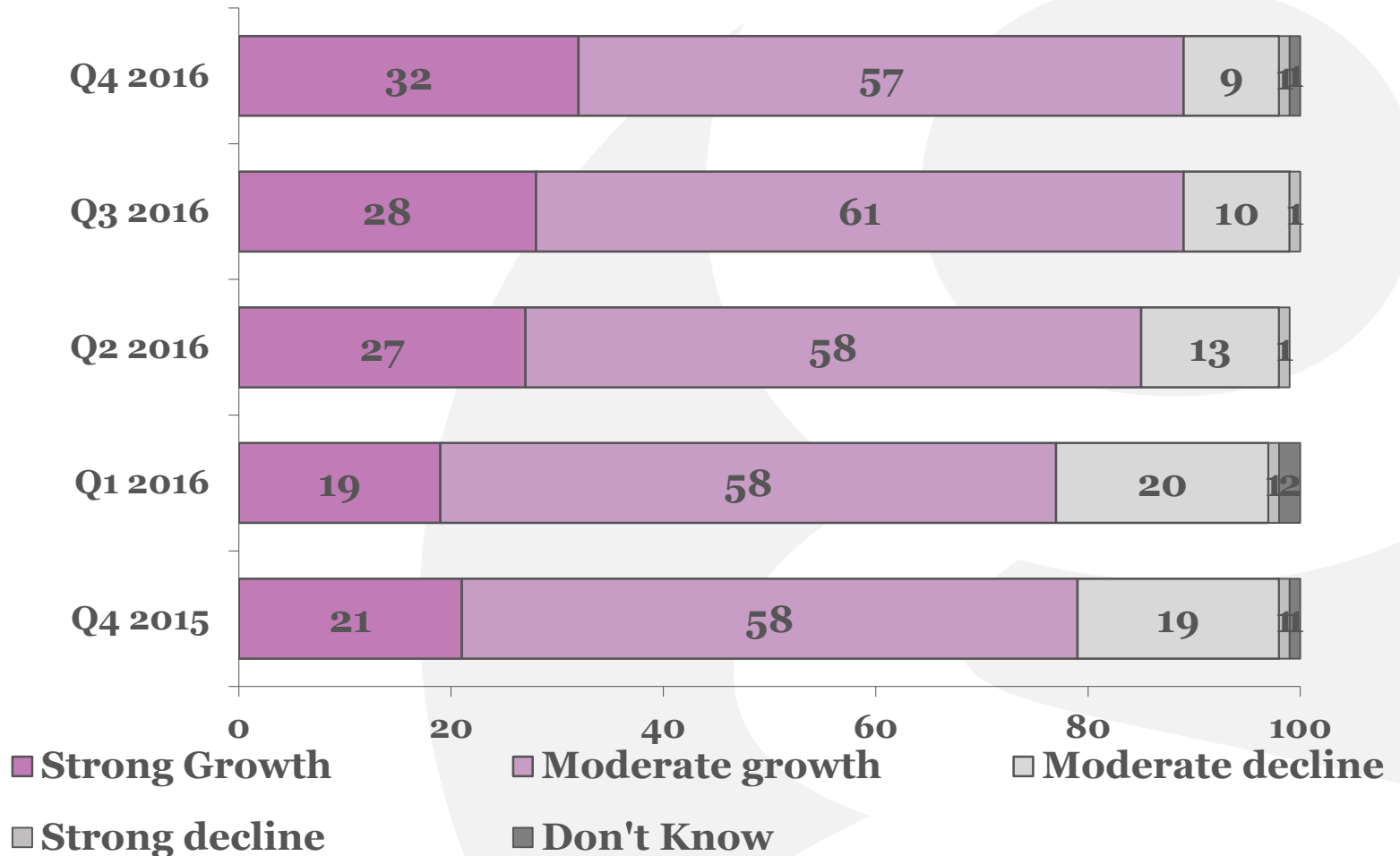
Co. Response to US Election: Few Plan on Investment in US

Is your business considering or doing anything differently in response to the result of the US election? / What is your business considering or doing differently in response to the result in the US election? [n=20]



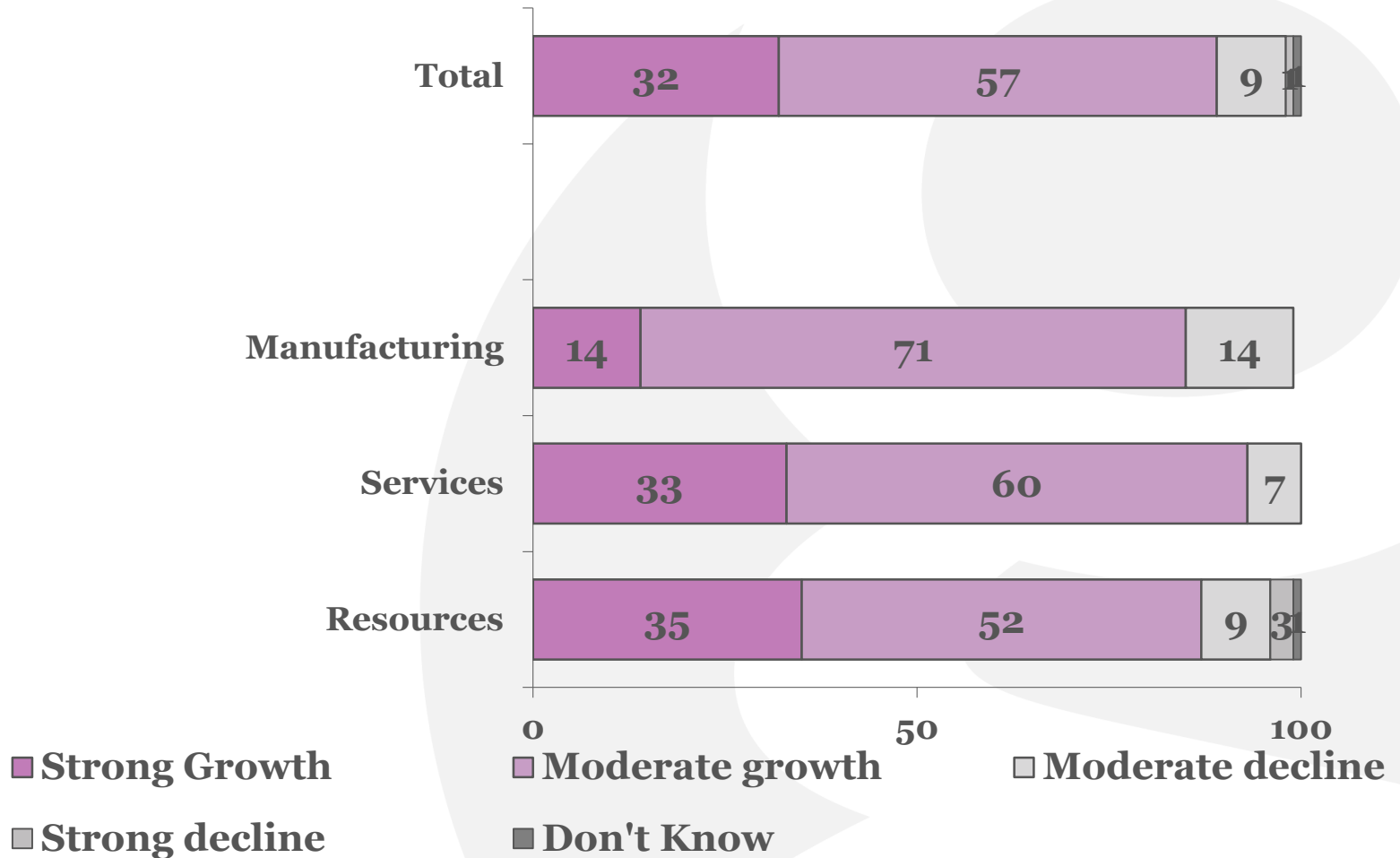


What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





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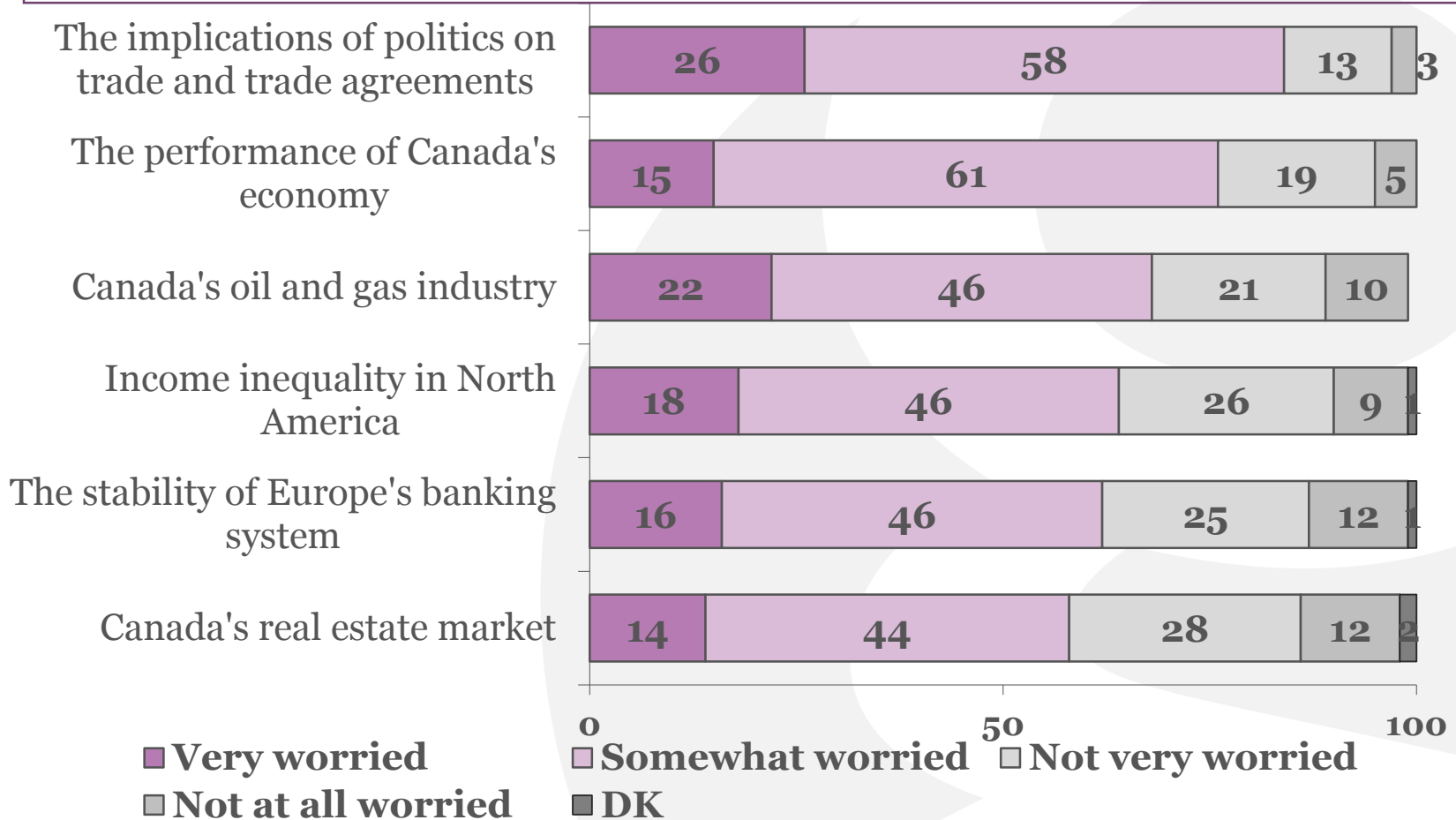




- ❑ Executives are fairly sanguine about the world.
 - Whether it is Europe's banks, income inequality, the real estate market or the state of oil & gas, fewer than one in five describes themselves as very worried.
- ❑ The only outlier is the impact of politics on trade: almost 30% are very worried about this issue and almost none are unconcerned.
- ❑ Few believe Donald Trump was bluffing about renegotiating or even backing out of NAFTA.
- ❑ Most expect his Administration to take trade measures aimed at China.
- ❑ Most believe his Administration could bring about a slow-down in global trade.
- ❑ Most also agreed that the new Administration's policy on immigration could harm the US economy in the long-run.



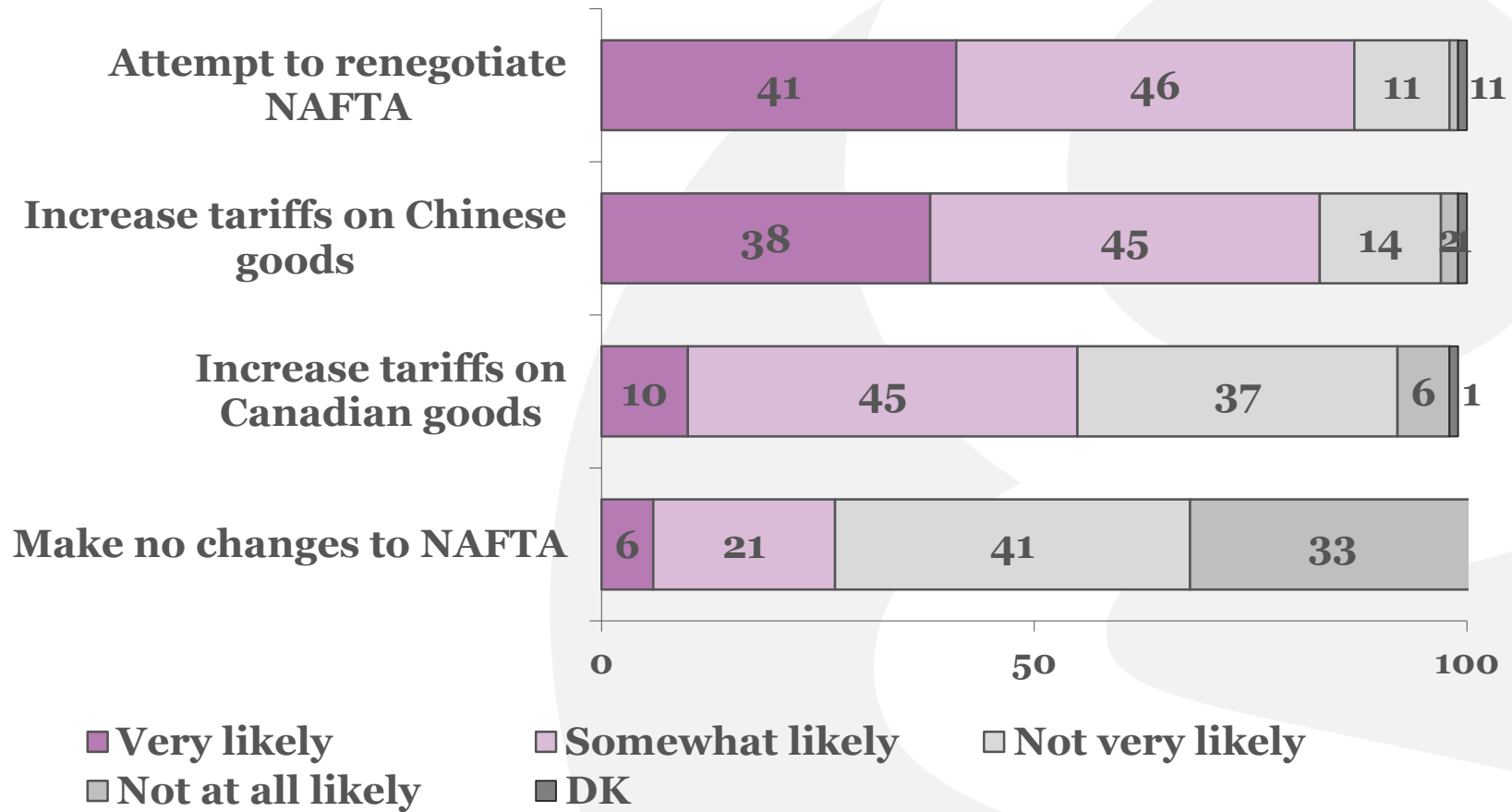
Now I'd like to ask how worried you are about various economic and business issues. Would you say you are very worried, somewhat worried, not very worried or not at all worried about ...?





Most Say Renegotiating NAFTA and Tariffs on China Likely

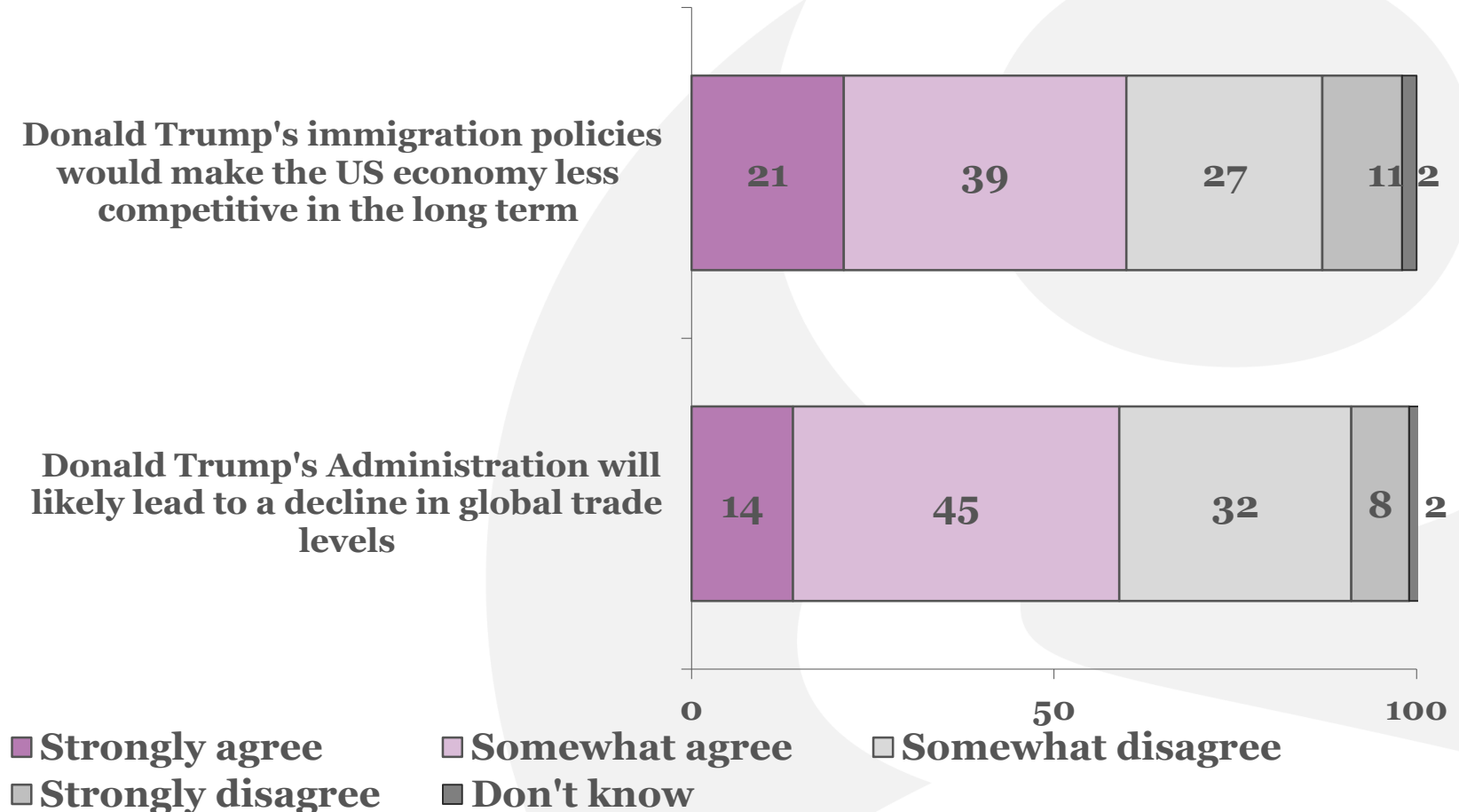
In his campaign, Donald Trump voiced strong criticism of NAFTA and trade with China. Would you say it's very likely, somewhat likely, not very likely, or not at all likely that President Trump's Administration will...





Trump Admin. Expected to Hurt Competitiveness, Trade & Relations

I'm going to read some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.



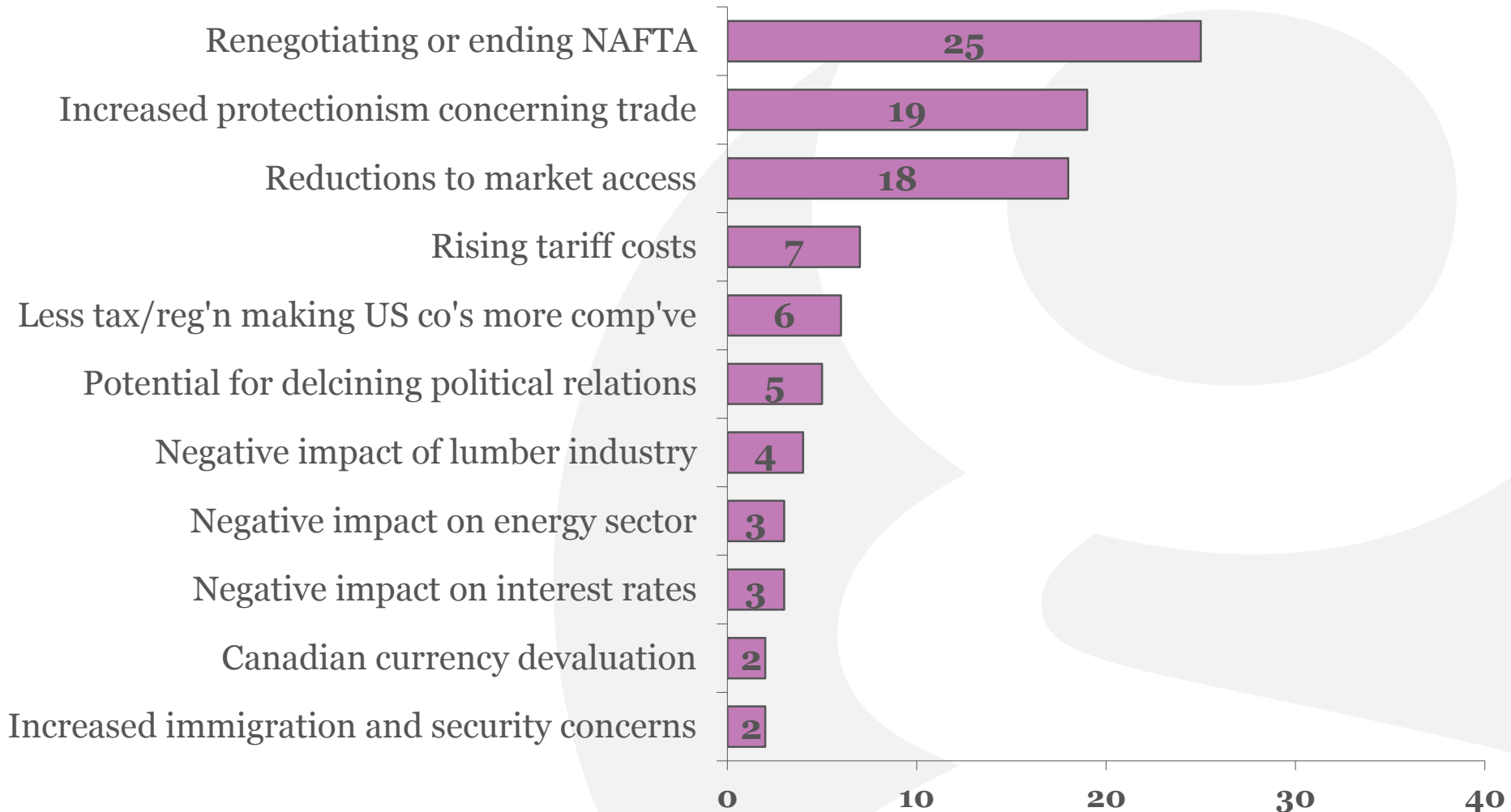


- ❑ The impact on trade is the top-of-mind concern the C-Suite has about the impact a Trump Administration could have on Canada's economy.
 - A smaller proportion said their top concern was the possibility of strained Canada-US relations or the risk of Canadian companies becoming uncompetitive if the Administration reduces US regulations and taxes.
 - To be sure, most in the C-Suite believe Canadian businesses will be less competitive compared to US competitors in a few years' time.
- ❑ Most doubt there will be new tariffs on Canada, but many think it's quite possible – 43% saying this.
- ❑ Indeed, many (50%) believe the Trump Administration will have a negative impact on Canada's economy, and most expect a negative impact on Canada-US trade, in spite of optimism about energy markets.
- ❑ Whereas executives are increasingly bullish about the US economy and equity markets in particular, outlook for the Canadian economy is unchanged this quarter and only modestly positive.



Potential Negative Impact of Trump

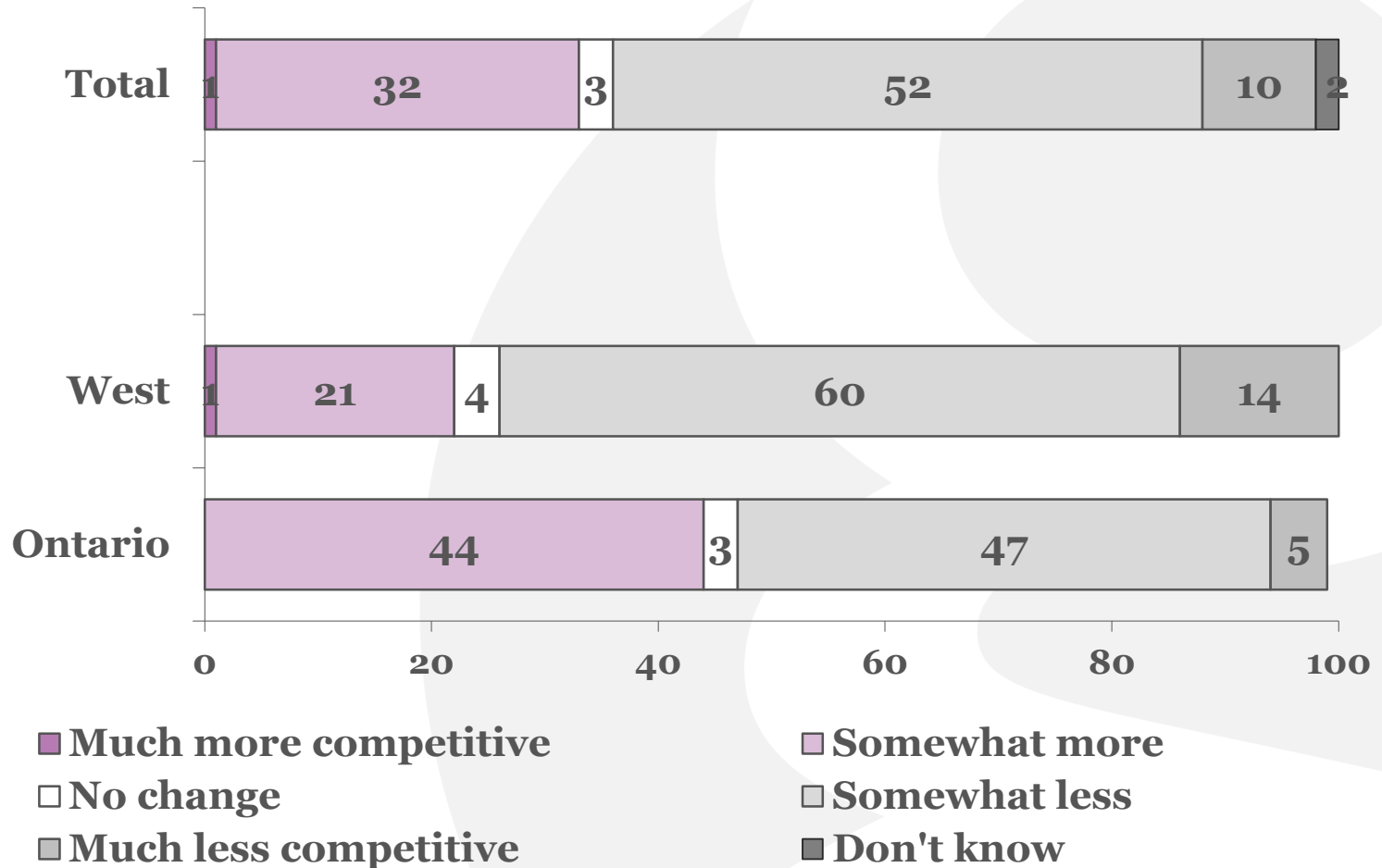
What would be a negative outcome for Canada's economy following the transition to a Republican Trump Administration? (Open Ended - % Saying Each)





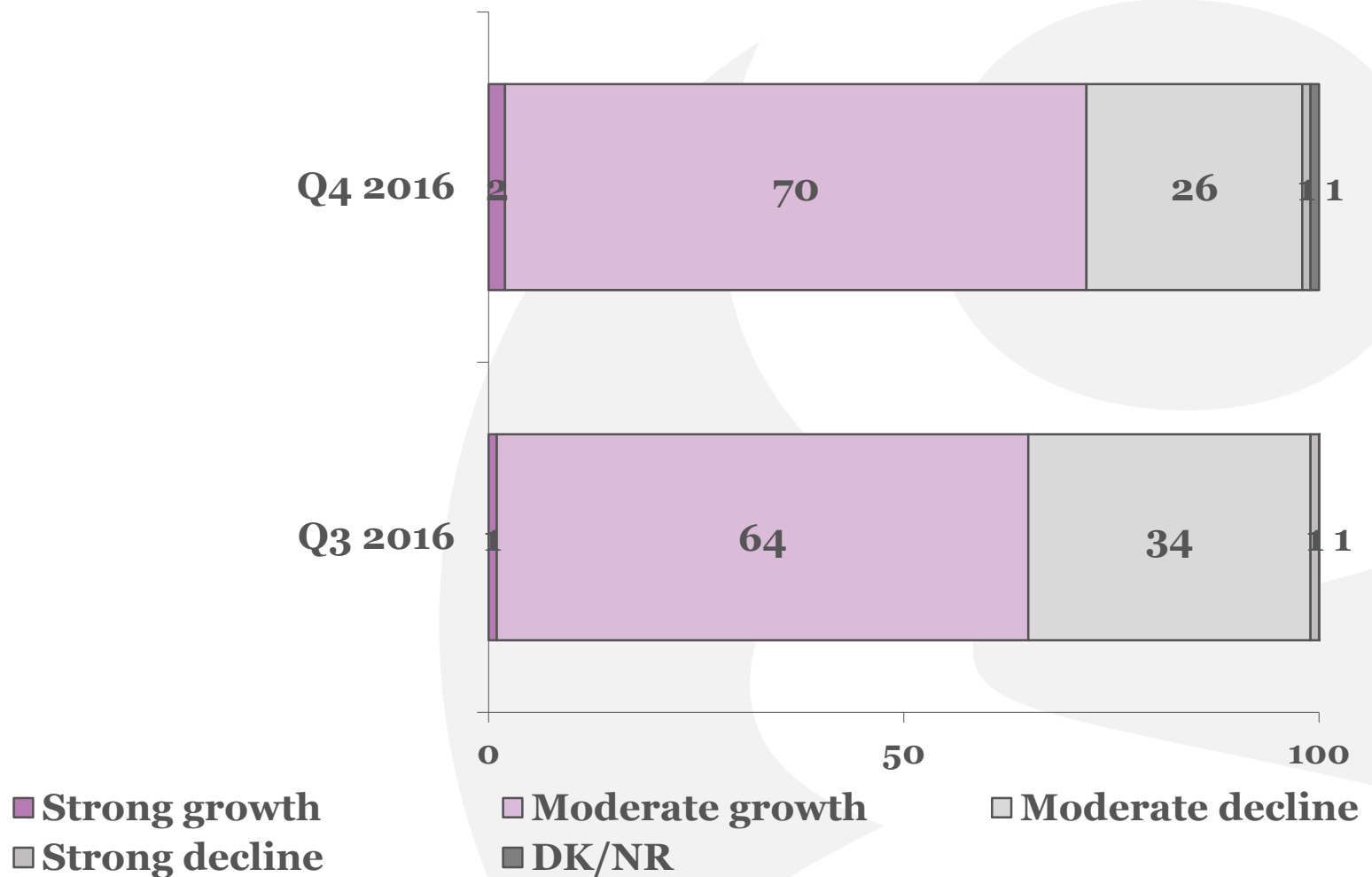
Canadian Businesses Expected to Become Less Competitive

The cost competitiveness of Canadian businesses is determined by many factors. Generally speaking, do you think that two years from now Canadian companies will be more competitive or less competitive than their US competitors?





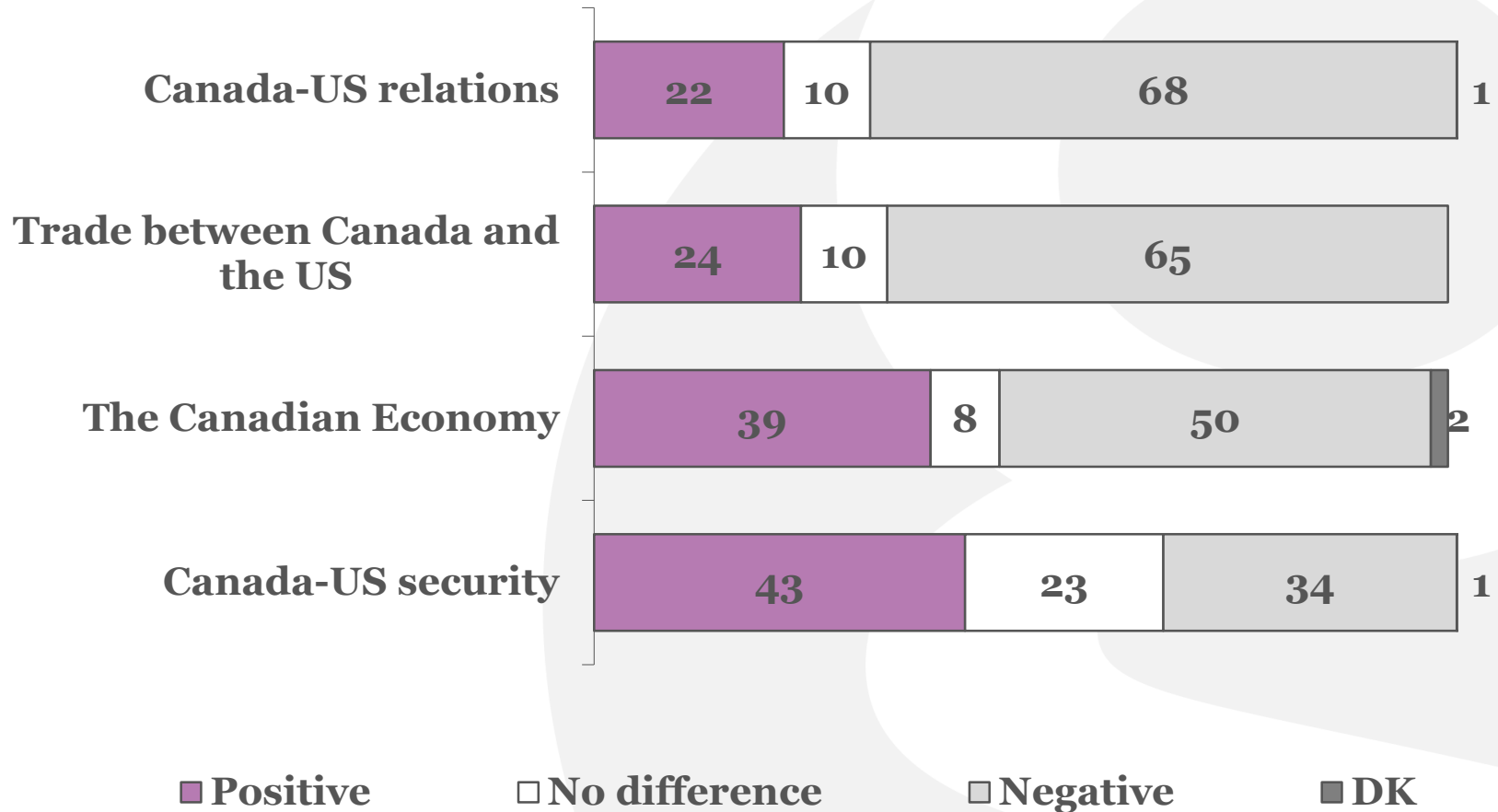
What are your expectations for the Canadian economy over the next 12 months?





Negative Impact of A Trump Administration

Do you think the transition to a Republican Trump Administration will have a positive or negative impact on _____ over the next two years?



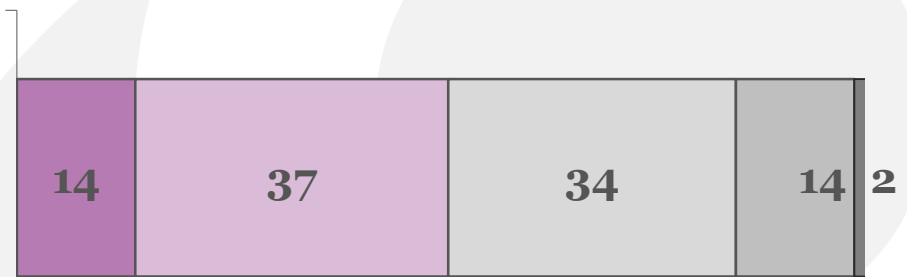


- ❑ Few expect Prime Minister Trudeau and the President-elect to enjoy good relations.
 - Most expect Canada-US relations to deteriorate.
 - Less than a third expect Trump & Trudeau to enjoy good relations – most doubt they will.
 - Nearly half of the C-Suite (48%) agreed a Trump Administration will be worse for Canada's interests than the Obama Administration was.
- ❑ This is especially worrisome for the C-Suite in so far as the clear hope is Canada's government should be pressing for continued market access.

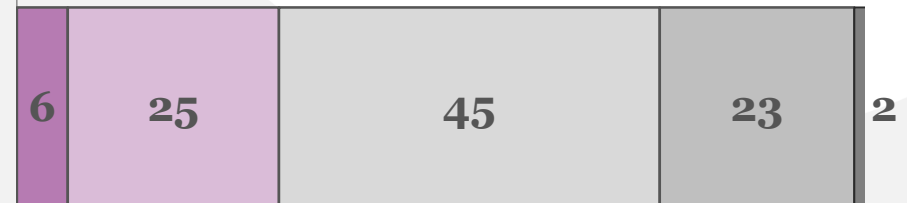


I'm going to read some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.

A Republican administration led by Donald Trump will be better for Canada's economy than the Administration of President Obama



PM Trudeau & President Trump are likely to enjoy good relations



Strongly agree
Strongly disagree

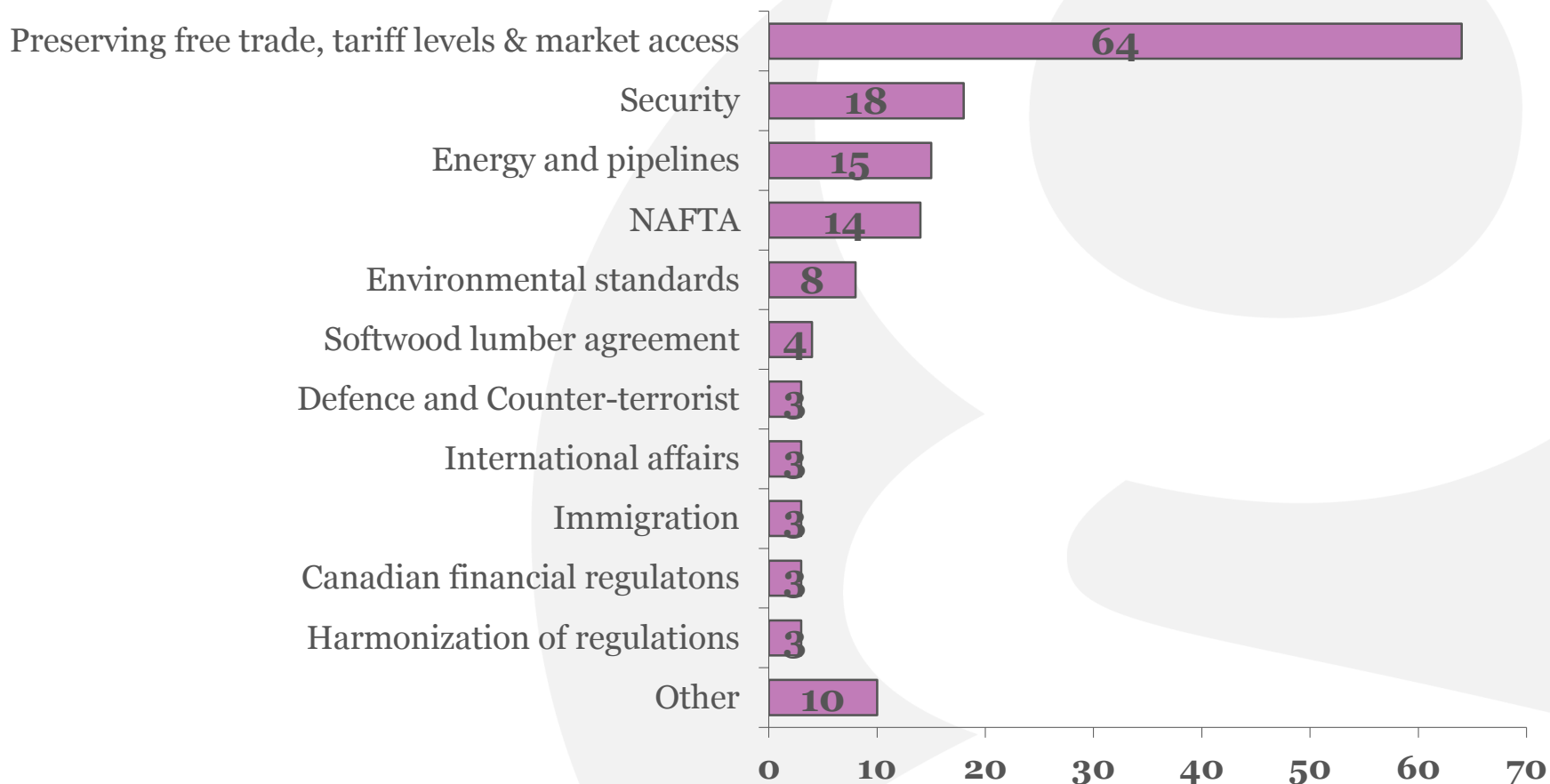
Somewhat agree
Don't know

Somewhat disagree



Preserving Free Trade Should Be Government of Canada's Priority

Different White House Administrations have collaborated on various important issues with Canadian governments over the years. What issues should the CANADIAN government be prioritizing in its relations with the new Trump Republican Administration over the next two years?





- ❑ Despite concern about Canadian competitiveness, the C-Suite is divided on whether or not Canada should suspend carbon pricing policy.
- ❑ Fifty-two percent agreed the election of a Republican Administration and Congress means Canadian governments should suspend the introduction of national carbon pricing.
- ❑ While 44% disagreed, strong agreement that Canada should step back from planned carbon pricing is notably higher than strong disagreement. The strongest opinion comes from the oil & gas and resources sectors.



I'm going to read some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.

The election of a Republican Administration and Congress means Canadian governments should suspend their plans to introduce national carbon pricing

