

C-Suite Survey - Executive Summary

September 28, 2015 – This 40th edition of the C-Suite Quarterly survey is conducted on behalf of KPMG; published and broadcast by the *Globe and Mail's Report on Business* and *BNN*. Interviews were conducted by telephone with 152 C-Suite executives from ROB1000 companies between August 24th and September 18th, 2015.

The Economy & A Possible Recession

- ❑ There is a pronounced lack of confidence in the economy now compared to the June 20 5 C-Suite Survey: an 20-point shift in the number of executives who expect Canada's economy to grow.
- ❑ 53% agreed the Canadian economy is “in a recession at the current time.”
 - Most who agreed with this also believe the recession is not over.
 - I.e. 38% of all executives surveyed agreed the economy is both in a recession now and will be in recession going into 2016.
- ❑ The outlook for the US economy is better: 93% expect the US economy will grow in the next 12 months compared 47% saying the same for Canada's economy.
- ❑ 42% agreed the economic contraction in the Canadian economy is exclusively in the energy sector, while the rest of the economy is growing.
- ❑ However the strongly suggests oil prices are the main drag on the national economy: economic forecasts were more pessimistic among Alberta executives and those with resources/oil & gas cos. and forecasts for oil prices are weaker now than in June.

Oil Prices

- ❑ Last quarter most of the C-Suite believed the benchmark price for North American crude would exceed US\$60 a barrel by the end of the year. Now virtually none expect this.
 - Most expect oil prices to stay below \$50 in 2015: only 25% expect them to exceed \$50; among oil & gas executives 31% expect prices to exceed \$50.
 - Most believe oil prices will remain below \$60 12 months from now – only 17% expect prices could exceed \$60 in a year's time.
- ❑ Few companies believe they will benefit if oil prices stay at current levels until the end of 2015: 40% said there would be no net positive or negative for their business; 39% said it would have a very or somewhat negative impact.

The Election & Policy Responses to the Downturn

- ❑ 76% support the Bank of Canada's July rate cut.
- ❑ The C-Suite tends to agree that stimulus would be more effective at boosting the economy than monetary policy measures such as rate cuts.
 - In a forced choice, 37% said monetary stimulus would be more effective, while 49% said fiscal stimulus would be more effective.
 - Those who favour fiscal restraint on the part of government were more likely to favour monetary over fiscal policy approaches to boosting the economy.
- ❑ However the C-Suite was split on whether the federal government should restrain spending to run a balance budget or stimulate the economy.
 - In a forced choice: 48% said government should focus on restraining spending to while 46% said it should focus on stimulating the economy.
- ❑ Most said that the economy is the most important issue that leaders and parties should be discussing in this election – by far.
 - Many feel there are important secondary issues are not being discussed: e.g. the labour market, skills, environment, health care, defense and agreements with First Nations and Aboriginal peoples.
 - But few said the economy was not being discussed enough by the leaders.
- ❑ When it comes to the interests of their companies, the C-Suite wants political parties to prioritize:
 - Lower taxes, incentives: 24% mentioning this
 - Addressing the economy: 18%
 - Less regulation: 13%
 - Balanced budget: 11%
 - Economic stimulus: 9%
 - Support/access for oil & gas: 9%
 - Job creation: 9%
 - Reduced trade barriers: 7%

The Election & Policy Responses to the Downturn

- ❑ Executives were nearly unanimous in saying the US should be a top priority for Canada when it comes to trying to open up two-way trade and investment.
 - Half said that the EU (54%) and China (51%) should be top priorities.
 - In 2014 66% surveyed said China should be a top priority, meaning we see a 15 point drop in interest now compared to last year when assessing China as a priority.
 - Mexico and India are the next highest priorities for the C-Suite with about four in ten saying they should be top priorities.
- A key issue in trade talks is farming quotas, which just over half oppose: 54% oppose the continuation of supply management in Canada; 39% support it.

More detailed information and a presentation of this quarter's findings is available in PowerPoint from Gandalfgroup.ca.