



C-Suite Survey - Executive Summary

December 15th, 2014 – This 37th edition of the C-Suite Quarterly survey, conducted on behalf of KPMG; published and broadcast by the *Globe and Mail's Report on Business* and *BNN*, was conducted by telephone with 153 C-level executives from ROB 1000 companies between November 17th and December 8th, 2014. This quarter's survey dealt with: the impact of changing oil prices, the state of the Canadian economy and federal budget policy options.

The Impact of Falling Oil Prices

- ❑ Executives expect 2015 will be difficult for Canada's oil patch. Few expect the price for North American crude to return to \$100 a barrel in 2015.
 - The expected range is between 70-80 dollars a barrel.
- ❑ Most executives, in every sector, said if oil prices stayed at around \$80 a barrel in 2015 it would have a **negative** impact on the Canadian economy.
 - 71% of western executives thought it would be bad for the economy.
 - The impact of \$80 a barrel oil on the performance of companies in the manufacturing and service sector is a wash, with as many saying it hurts as helps and many saying it will make no difference.
- ❑ In the oil and gas sector, 70% feel it will hurt their business.
- ❑ Nearly three in four, including most resource company executives, agreed that Canada's economy is too dependent on high prices for oil.
- ❑ Half of executives do not believe the US administration will approve Keystone XL by the end of 2015.
 - Those that predict oil prices settling at \$70 are twice as likely to doubt that Keystone will be approved, than to be confident it will be approved.

Climate and the Oil Patch

- ❑ There is a consensus among the C-Suite that the US/China climate agreement is going to force Canada to accelerate climate change initiatives.
- ❑ About half of Canadian business leaders think this will have a negative impact on the oil patch.

- ❑ Interestingly, many executives in and out of the oil and gas sector, think that accelerated climate change initiatives need not have a negative impact on the oil and gas sector.

Forecasts for the Economy

- ❑ Expectations for the economy have taken a sharp turn south. For the first time in two years, more than one in five now expect the Canadian economy to decline somewhat over the next 12 months.
- ❑ This stands in stark contrast to expectations for the US economy, which one quarter of executives now expect to grow strongly over the next 12 months. Confidence in the strength of the American economy has been growing throughout the year.
- ❑ As well, the vast majority expect the Canadian dollar to stay at or below 90 cents US. Few expect a return to parity.
- ❑ The services sector is slightly more bullish about company growth with one third expecting strong growth, while the resources sector remains the most pessimistic.
- ❑ In fact, only the services sector has improved its outlook since October, with 14% fewer in manufacturing, and 15% fewer in resources expecting strong growth.

Key Findings on Federal Economic Policy

- ❑ The C-Suite believes that the federal government should be focused on growing the economy, focusing on increasing productivity, increasing GDP growth, expanding trade, and more full-time employment.
- ❑ Assistance to individual Canadians, whether with their personal debt, ability to spend, or housing costs is second tier, but not seen as unimportant.
 - The vast majority think more money will have to be spent on health care.
 - Most executives see income inequality as something worth addressing.
- ❑ Thinking specifically of their own companies, the C-Suite tells us that tax cuts are the most helpful things government could introduce to help their businesses. Demand for corporate tax cuts has been growing in recent years.
- ❑ The two clear priorities for the surplus are paying down the debt, and increased funding for infrastructure.
- ❑ Personal and corporate tax cuts are clearly secondary to those priorities but most executives would dedicate some of the surplus to reducing the tax burden.
 - Income splitting is less attractive than other personal tax cuts.
- ❑ Those that said more full time employment is very important, were more likely to support a wide range of measures, including affordable housing, daycare, benefits to parents of young children, infrastructure and R&D.
- ❑ Those that said productivity is very important were more likely to support more R&D incentives.

Profit Shifting

- ❑ We asked the C-Suite if it was acceptable for companies to continue to move profits to locations that give them the best tax advantage: 78% agreed it would be acceptable for companies to do this if it remains legal.
- ❑ It's important to note that [in last year's survey](#) a majority supported measures to close loopholes that facilitate base erosion and profit shifting and that many companies said they would be unable to shift profits or report outside of Canada.

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