

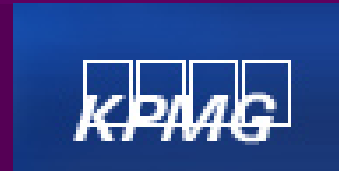


the gandalf group

C-Suite Survey On The Budget and the Economy

March 2008

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- ❑ Telephone interviews among 155 C-Suite executives from the top 1000 corporations in Canada
- ❑ Conducted between February 29 and March 17, 2008
- ❑ This sample yields a margin of error of +/-7.32%
- ❑ We did not represent the Atlantic region on the regional breakdowns because the sample size was small, thus yielding a much higher margin of error
 - Atlantic (n=8)



- ❑ Canadian executives are unified in their negative assessment of the American economy
 - 94% expect decline in the US economy over the next 12 months
 - 96 % think the US economy is currently in a recession

- ❑ The US recession is expected to be long
 - 40% expect it to last six months to a year
 - 55% expect it to last longer than a year

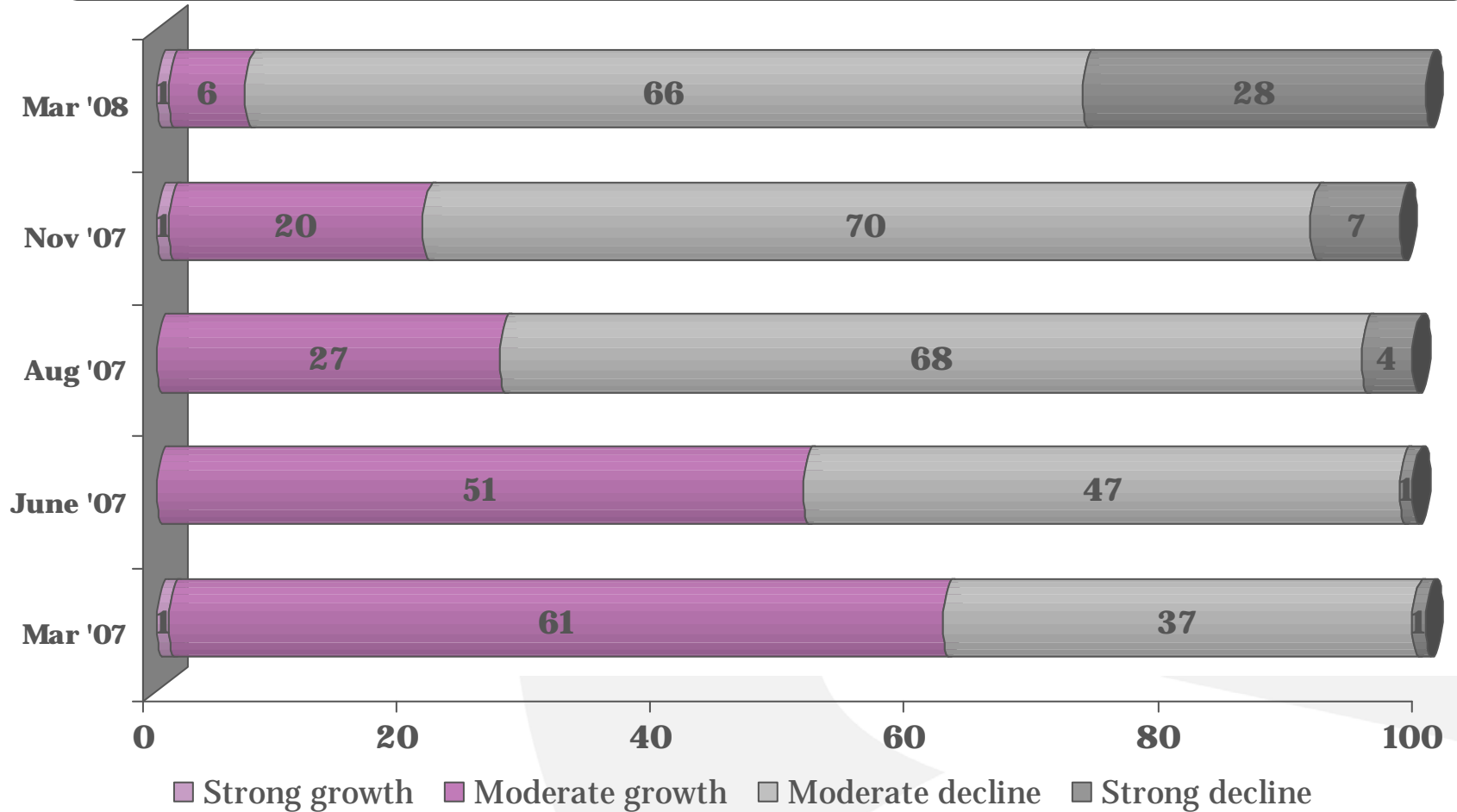
- ❑ Worries about the US economy are now impacting on expectations about the Canadian economy
 - Manufacturing and service sectors hit hard – more than half of Canadian companies have been negatively affected by US downturn (one third of resource companies negatively affected)

- ❑ Most think the Canadian economy is not yet in recession, but 45% expect economic decline over the next 12 months
 - By far the highest level recorded in this study



Expectations: U.S. Economy

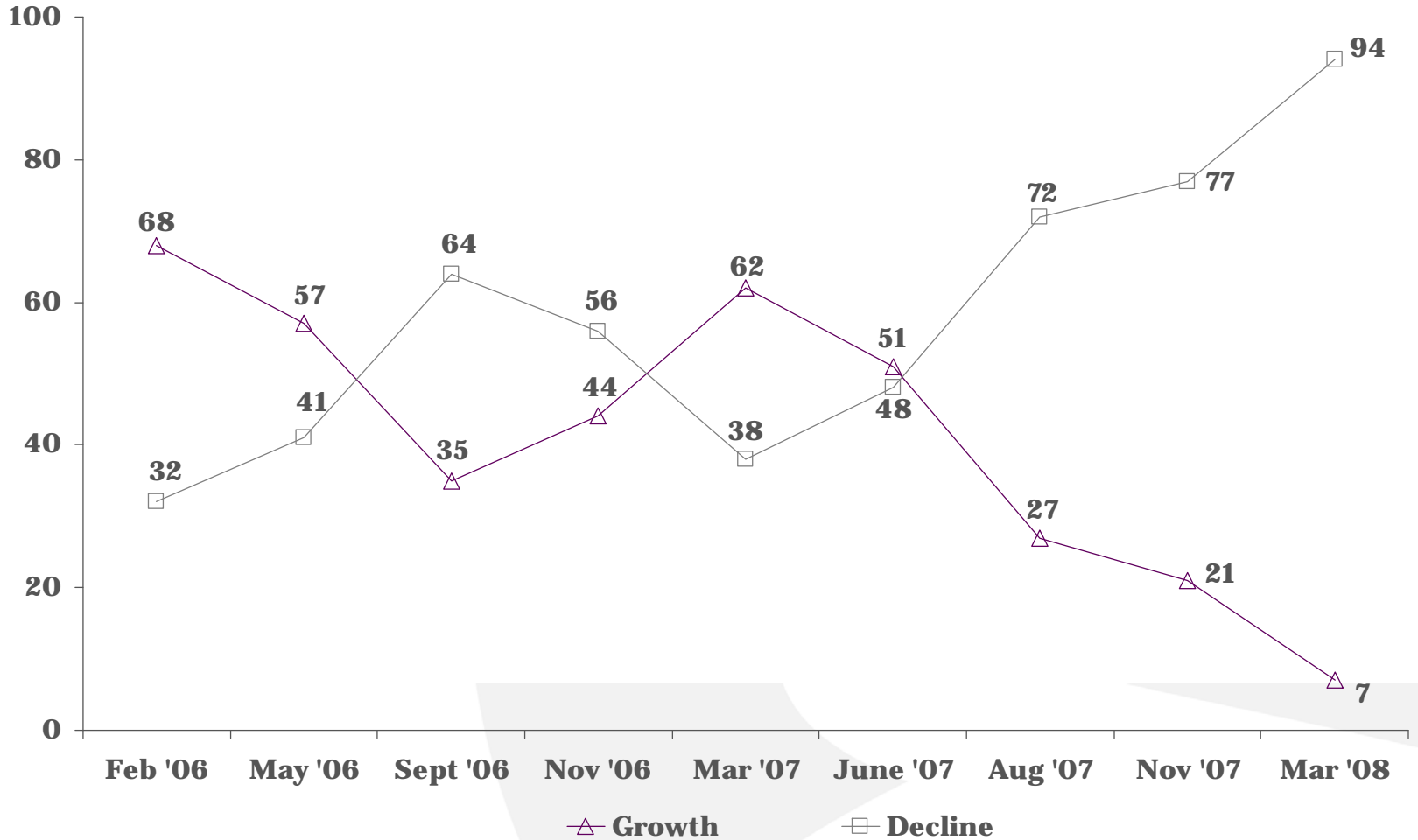
What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: U.S. Economy

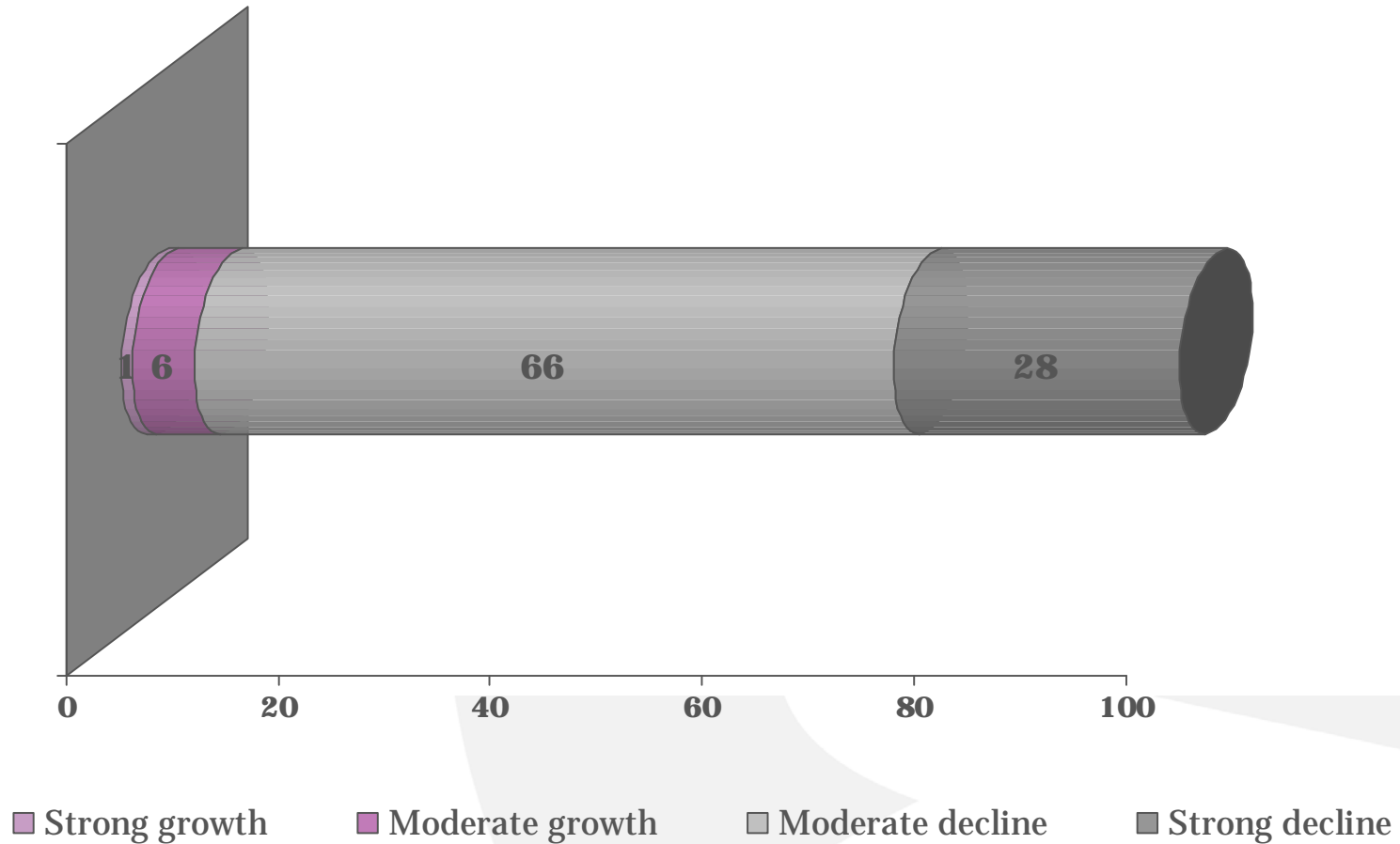
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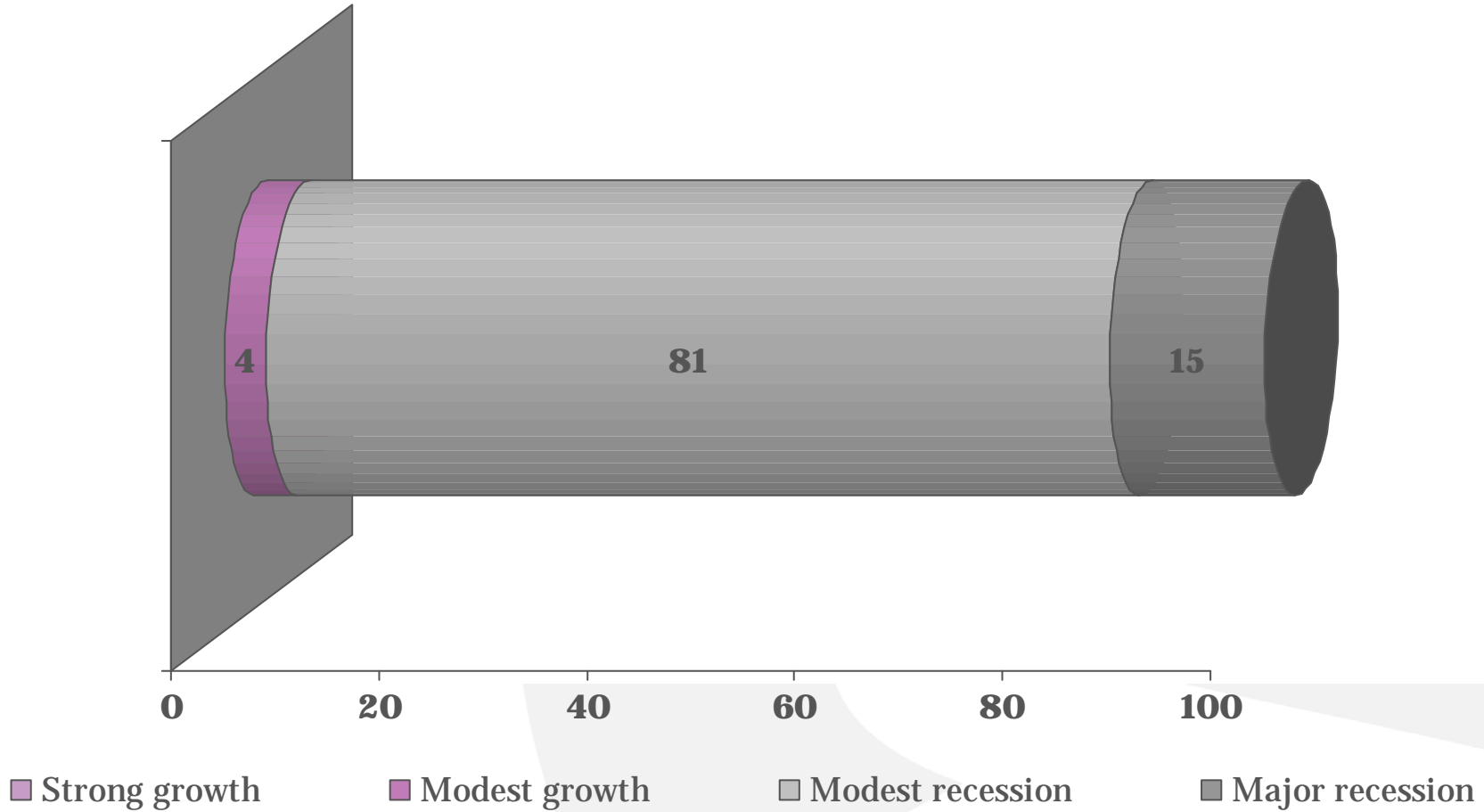
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U.S. Economy Experience Growth or Recession?

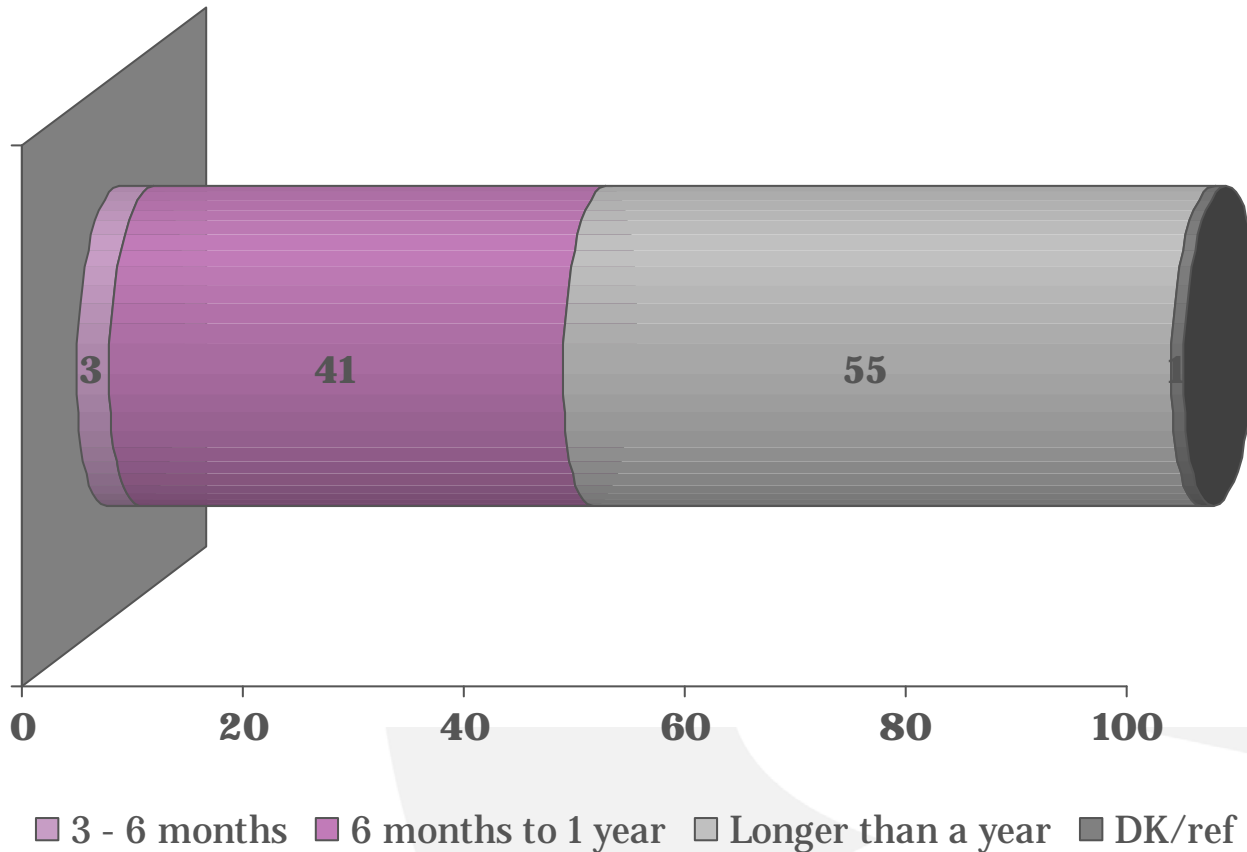
Which of the following do you think best describes the American economy at the current time?





Length of Time Before U.S. Economy Experiences Growth

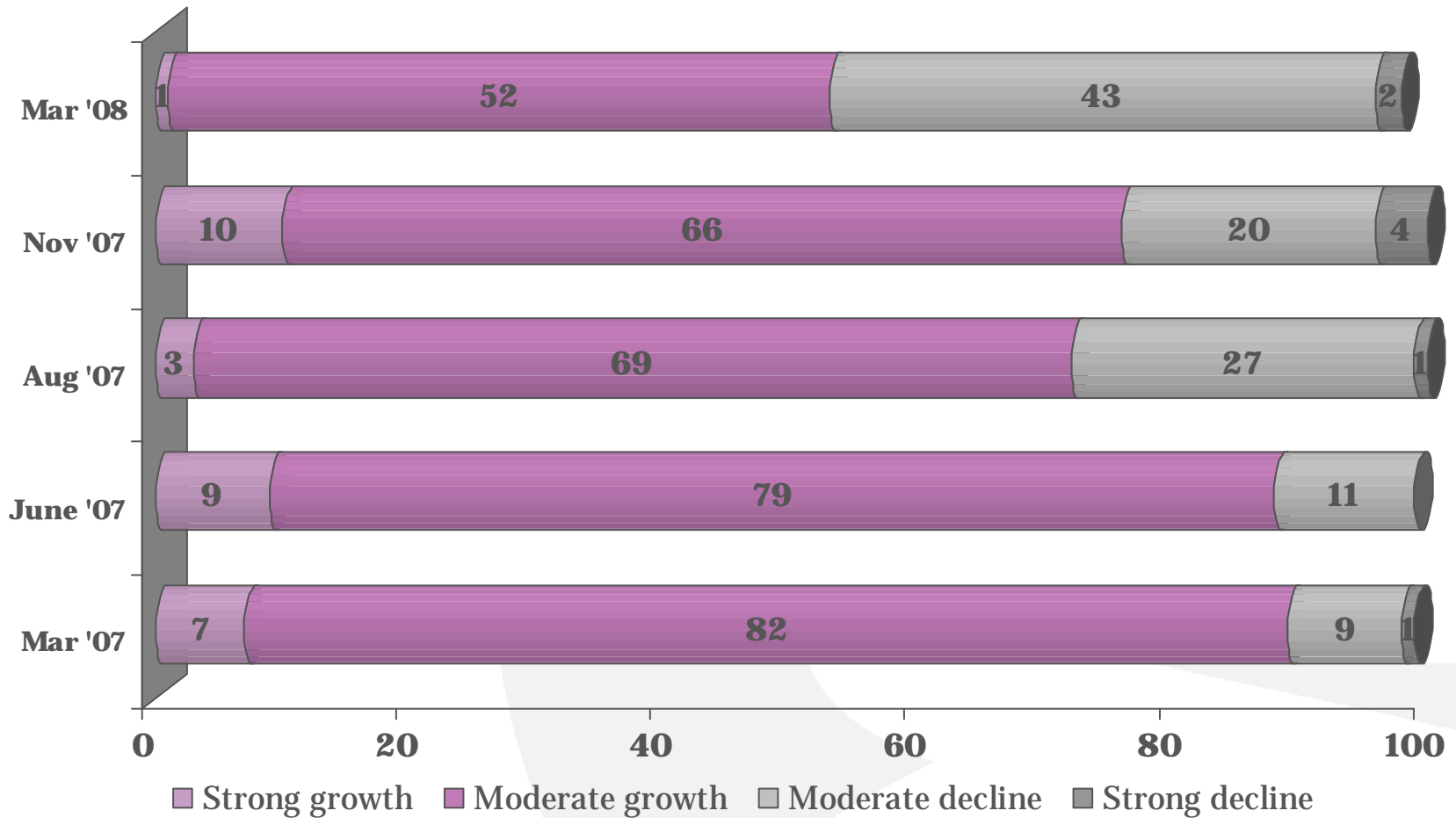
How long do you think it will be before the American economy starts to turn around and experience growth? **Those who describe the U.S. economy as experiencing a recession at the current time (n=149)**





Expectations: Canadian Economy

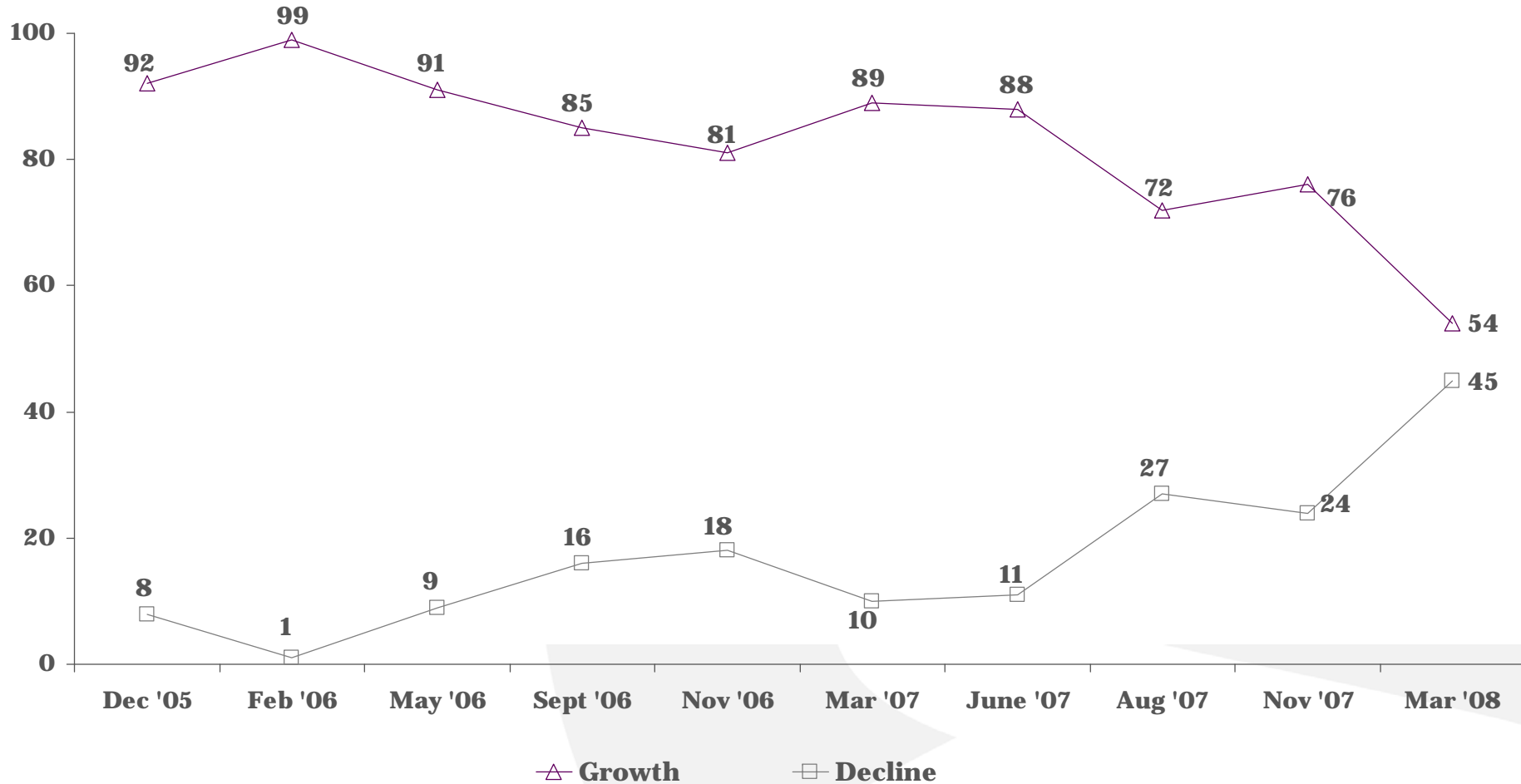
What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Canadian Economy

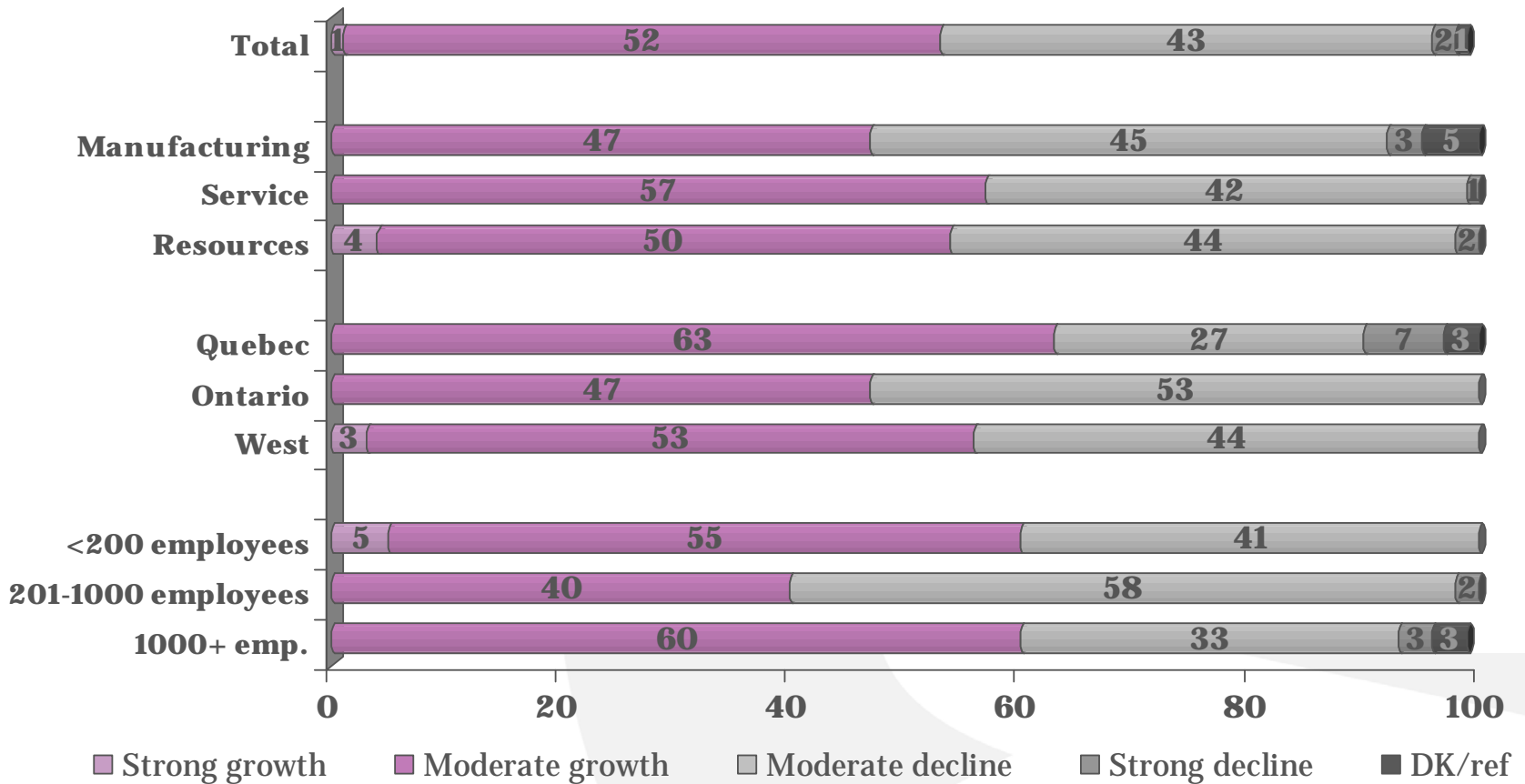
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Expectations: Canadian Economy

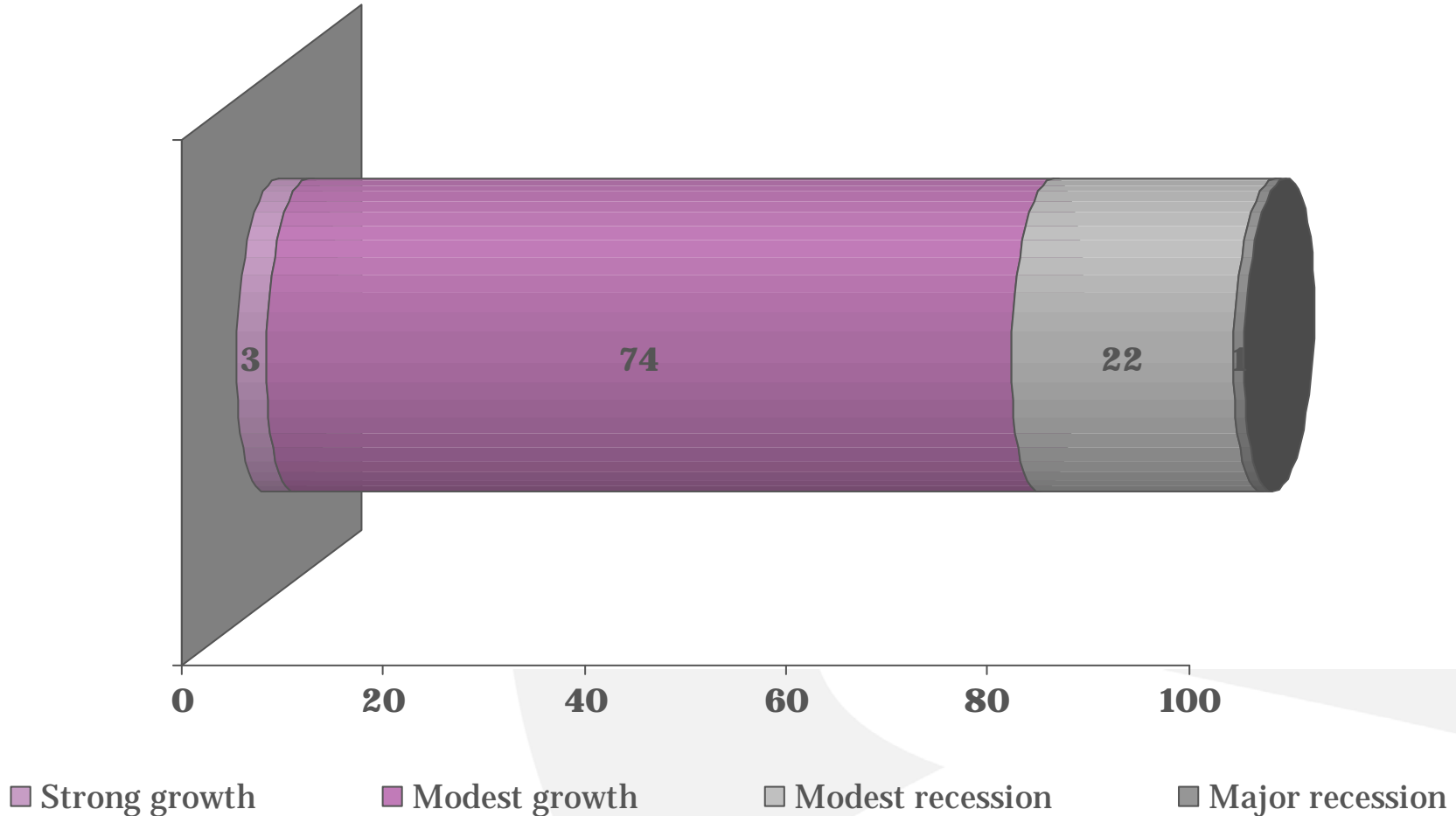
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Canadian Economy Experience Growth or Recession?

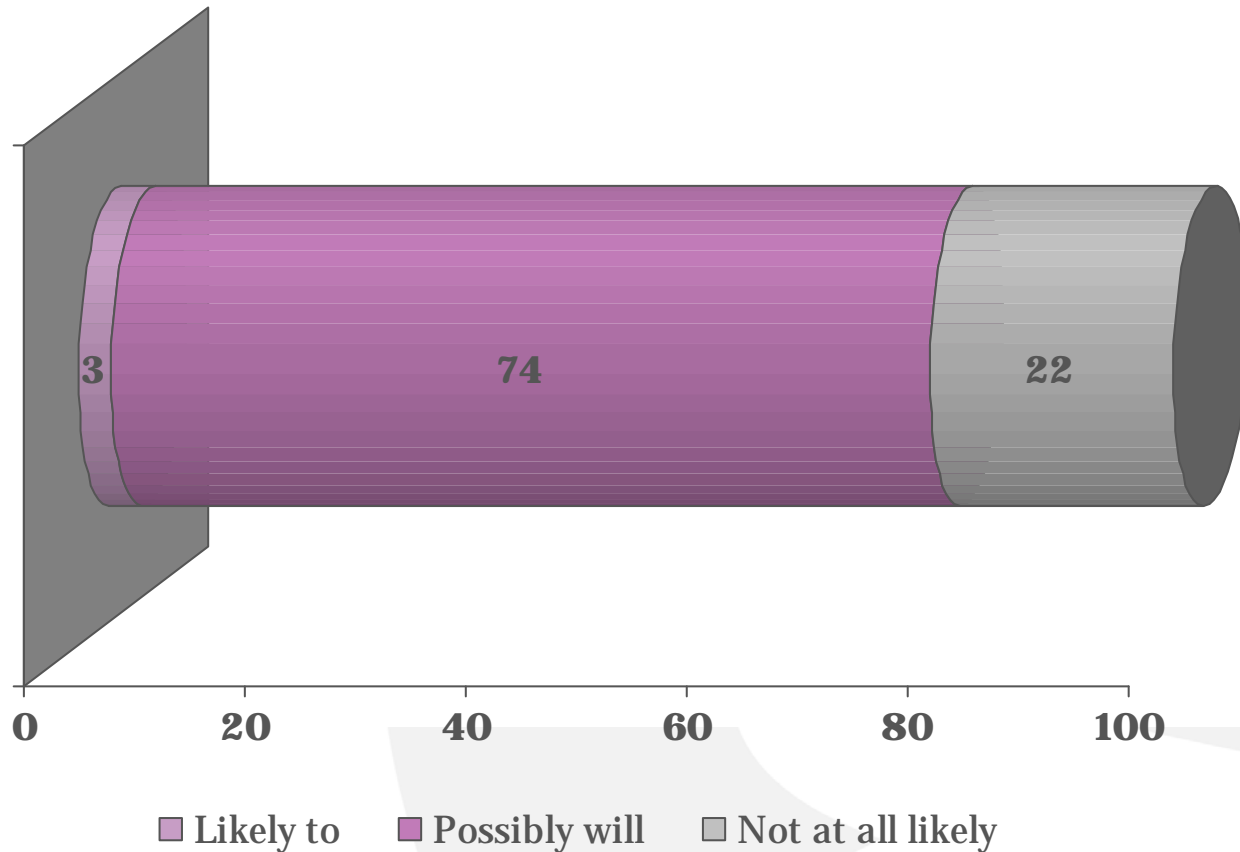
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Canadian Economy Headed for Recession?

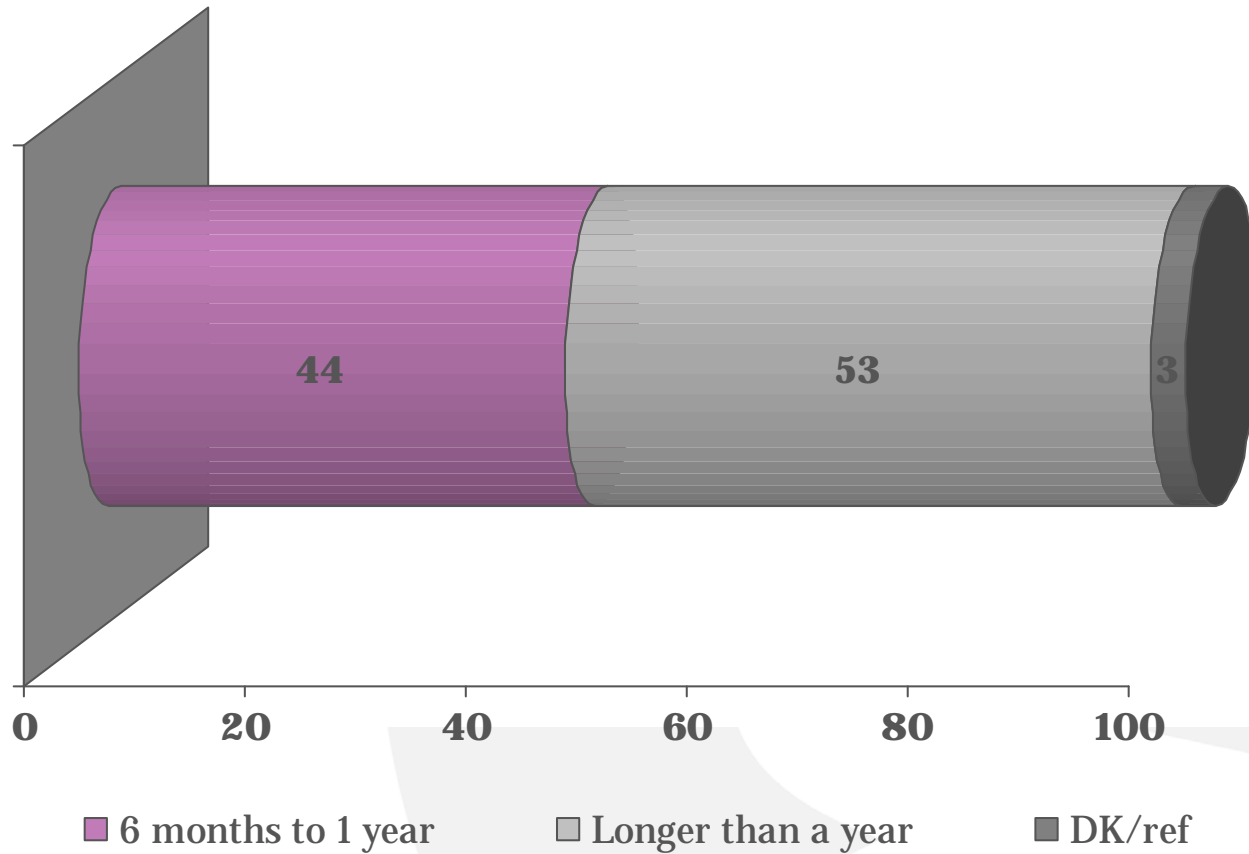
Do you believe the Canadian economy will fall into a recession this year? **Those who describe the Canadian economy as experiencing growth at the current time (n=119)**





Length of Time Before Canadian Economy Experiences Growth

How long do you think it will be before the Canadian economy starts to turn around and experience growth? **Those who describe the Canadian economy as experiencing a recession at the current time (n=36)**





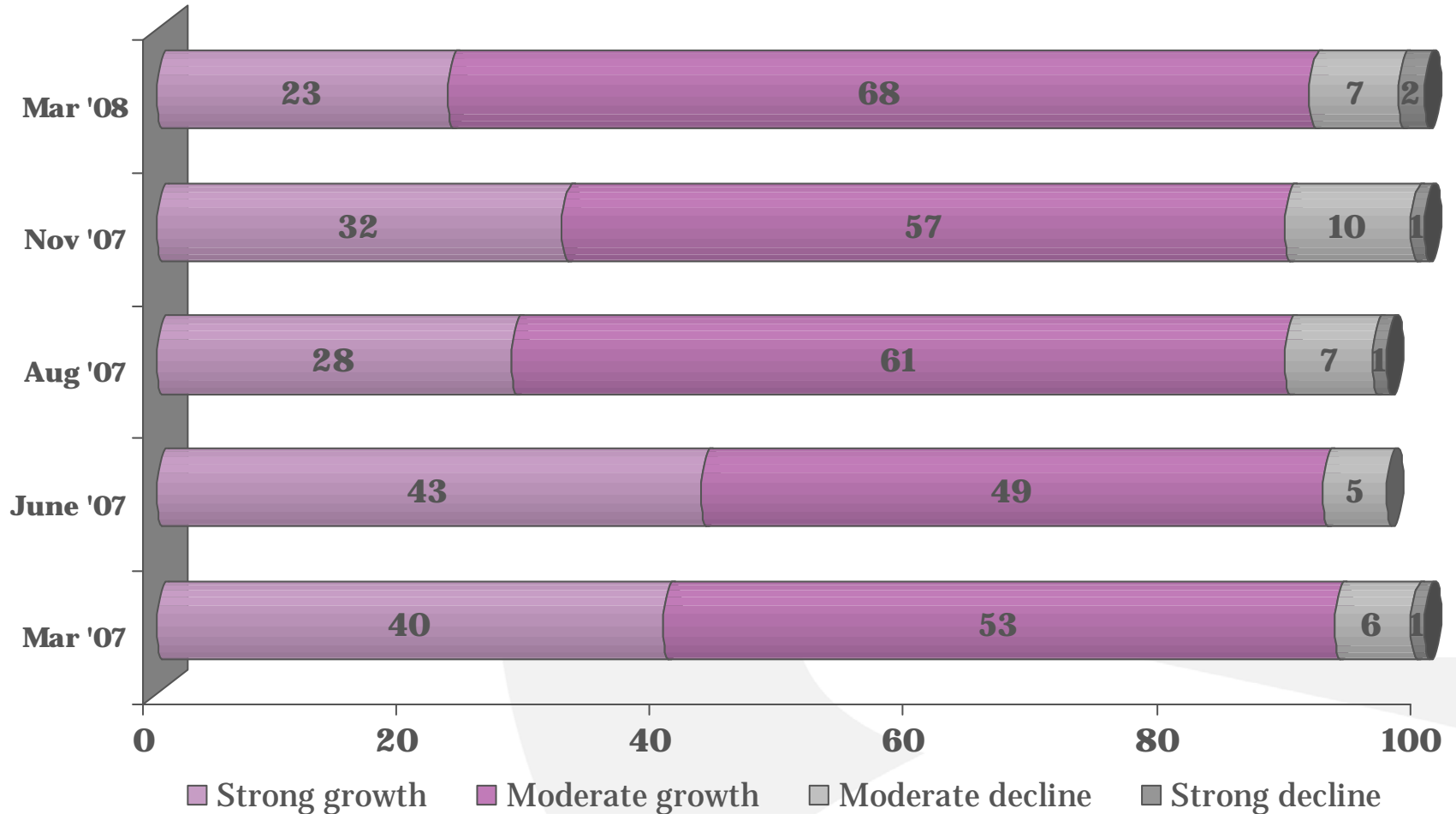
Where Do The Challenges Come From?

- ❑ Two years ago, one out of every two Canadian companies expected to grow strongly. Today less than one in four expect strong growth over the next 12 months.
- ❑ The value of the currency is the biggest challenge facing the manufacturing sector
- ❑ The resource sector is challenged by a lack of available labour and by, post subprime meltdown, difficulty in arranging financing
- ❑ The service sector's challenges are more diffuse, with many citing human resource shortages, but others worried about the state of the economy and international competition



Expectations: Company

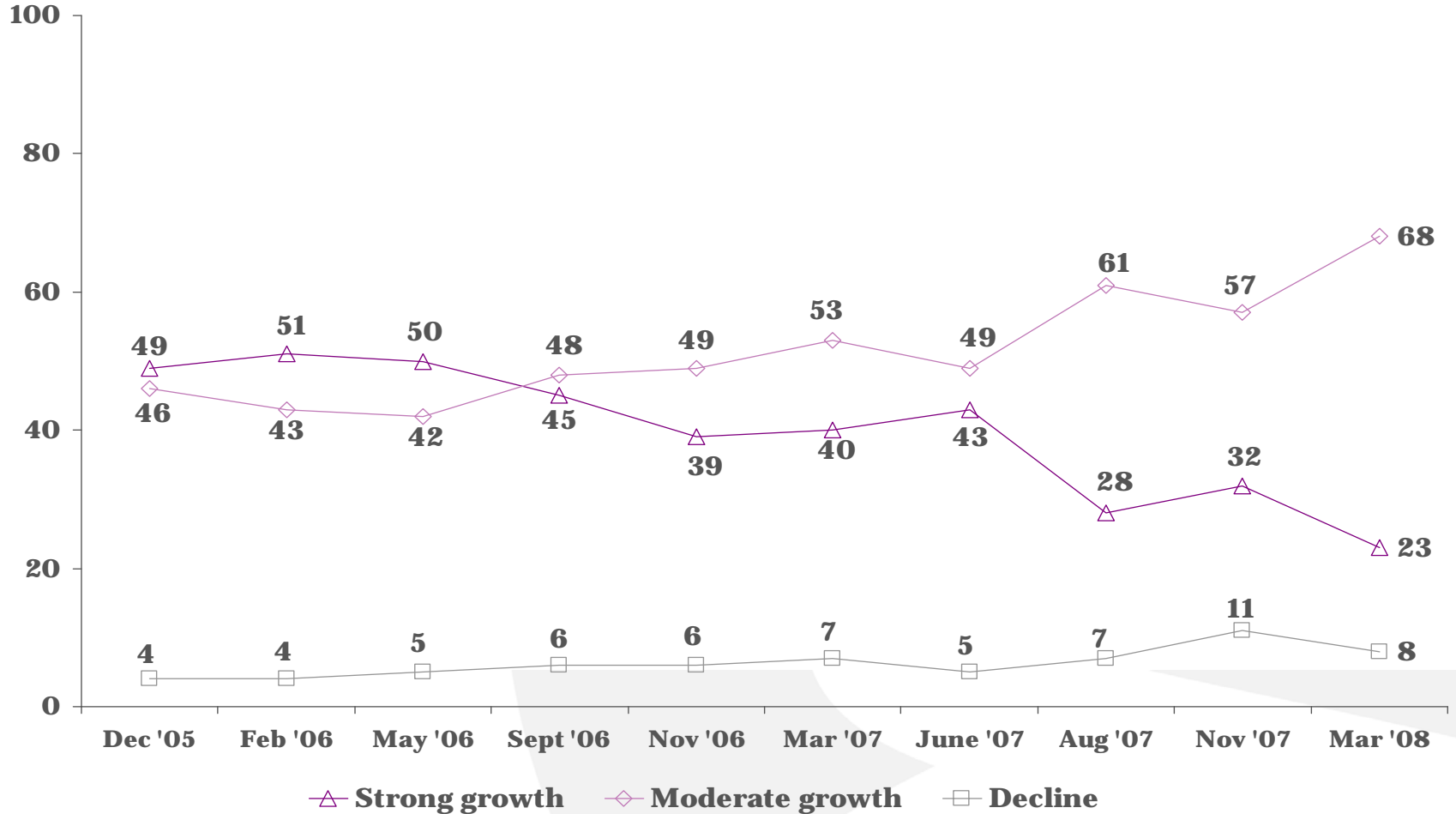
What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?





Expectations: Company

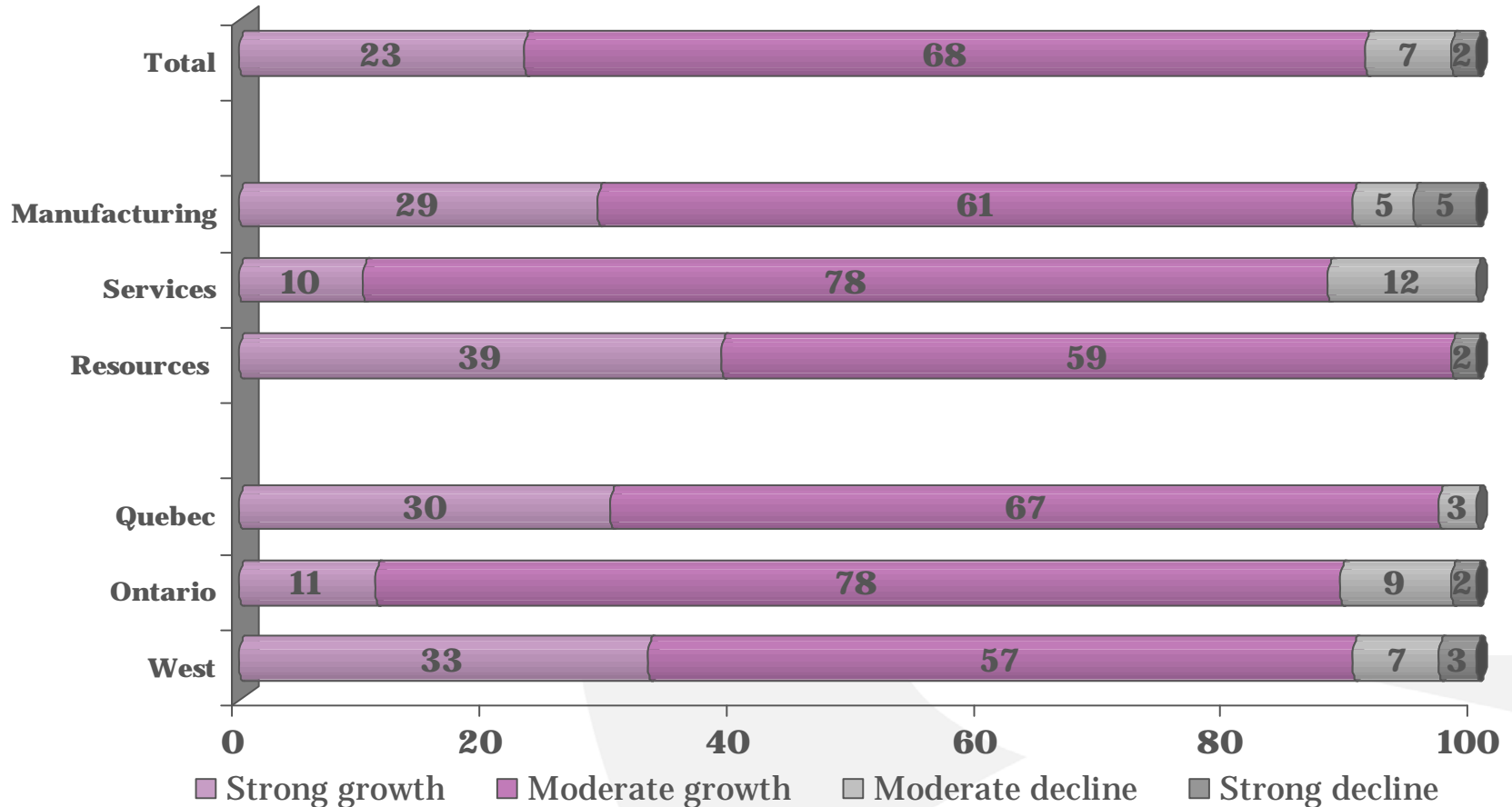
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Expectations: Company

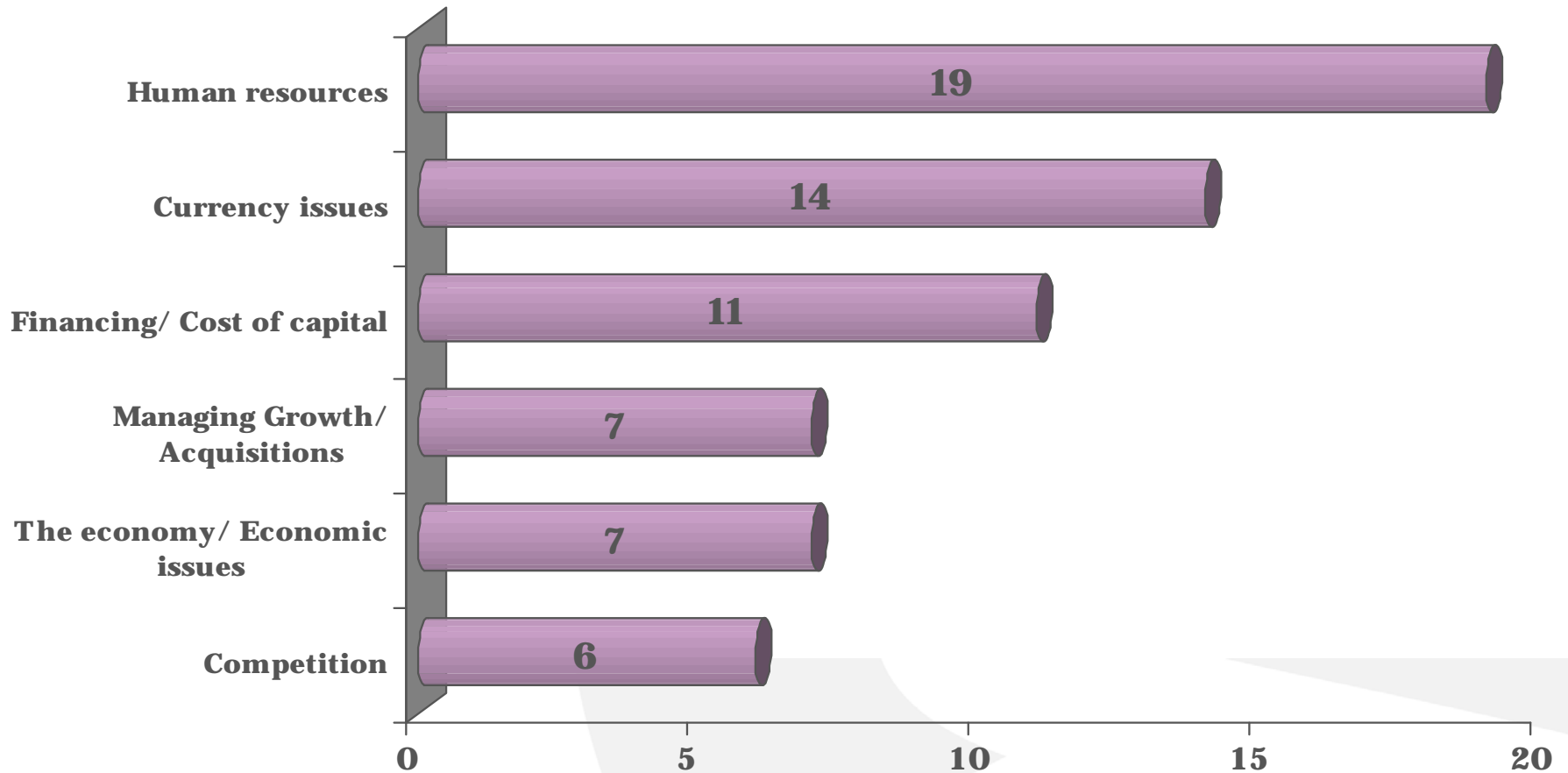
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Biggest Issue Facing Company

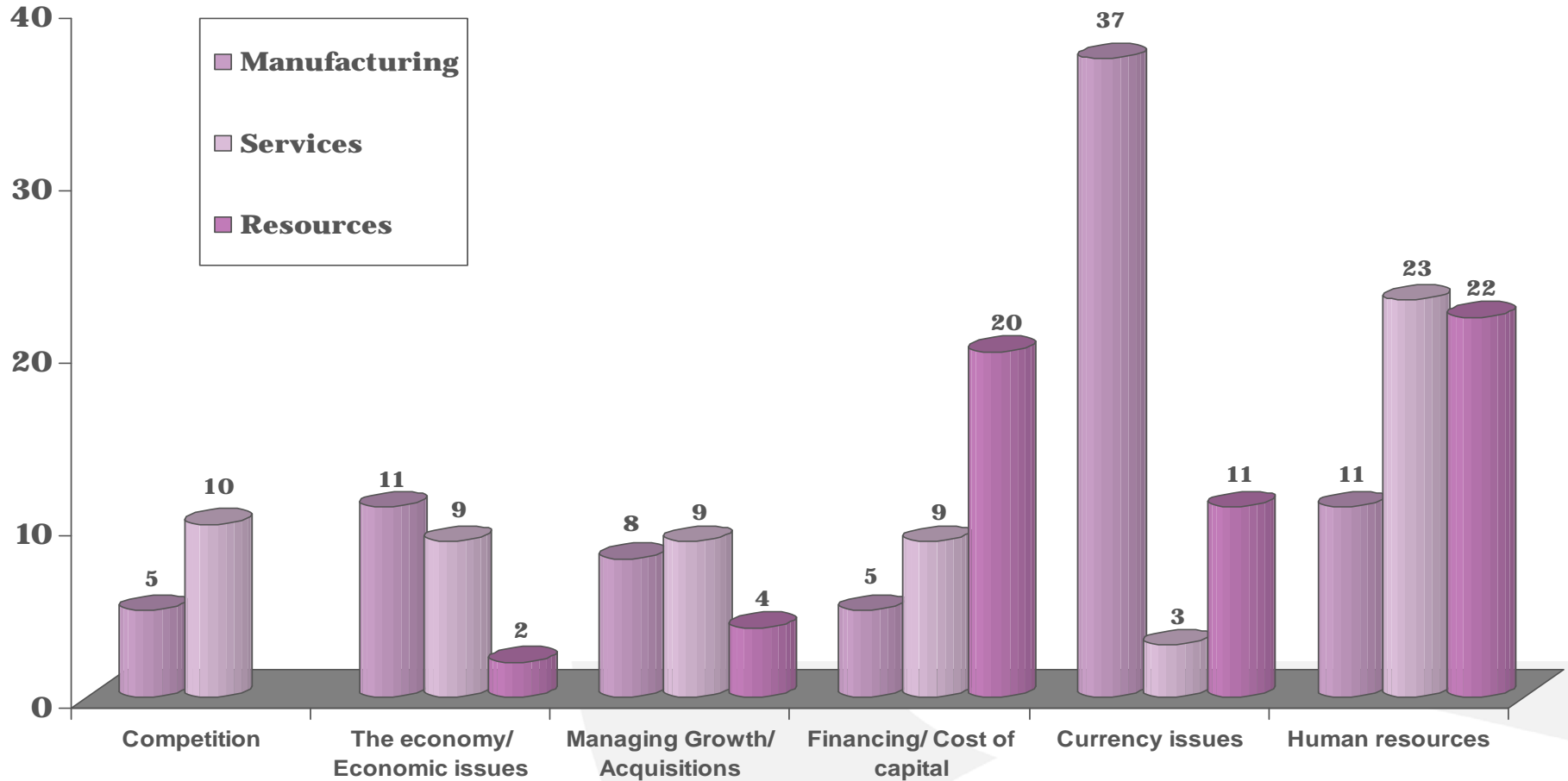
What is the biggest challenge facing your company right now?





Biggest Issue Facing Company: Sector

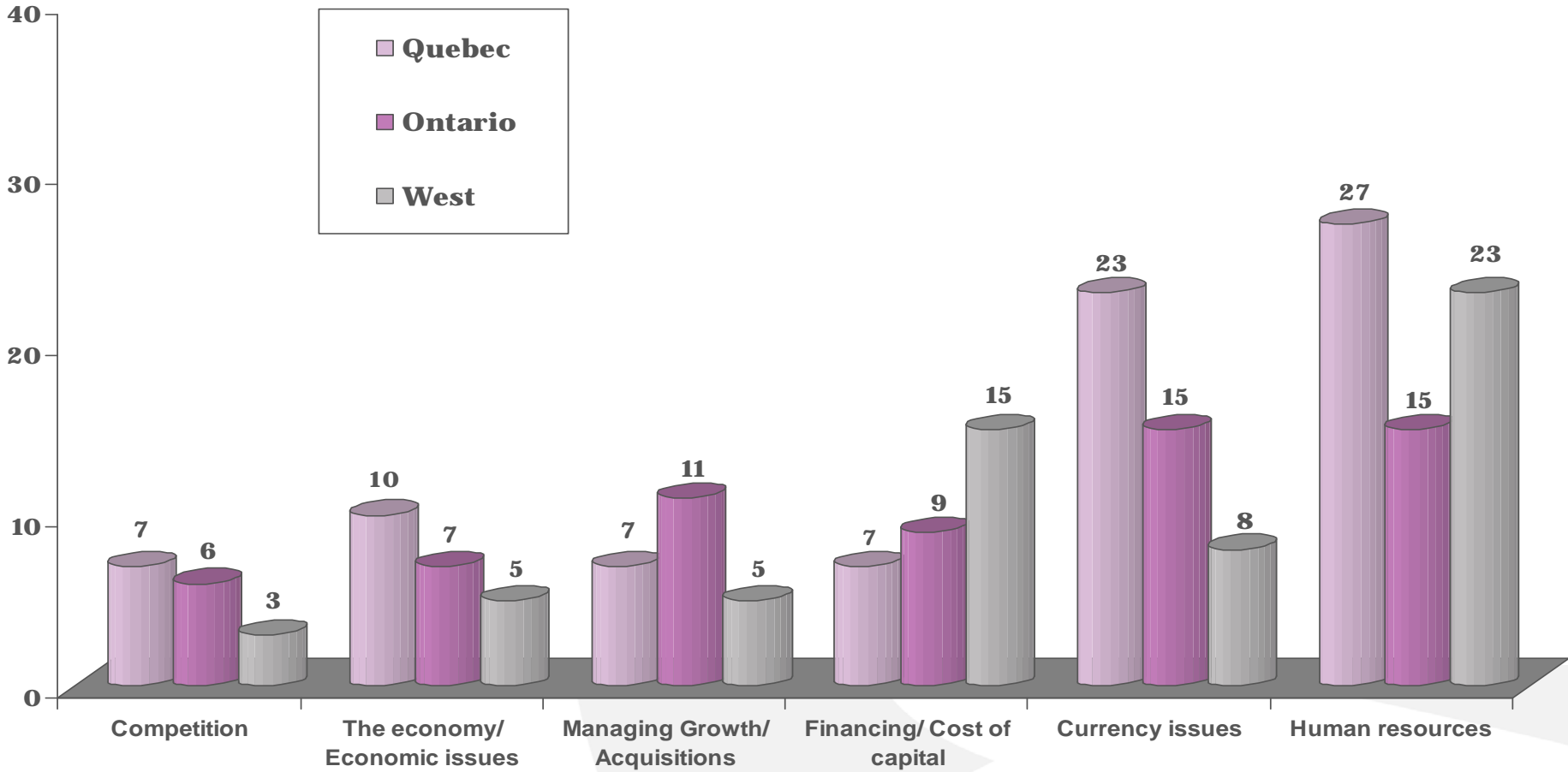
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Biggest Issue Facing Company: Region

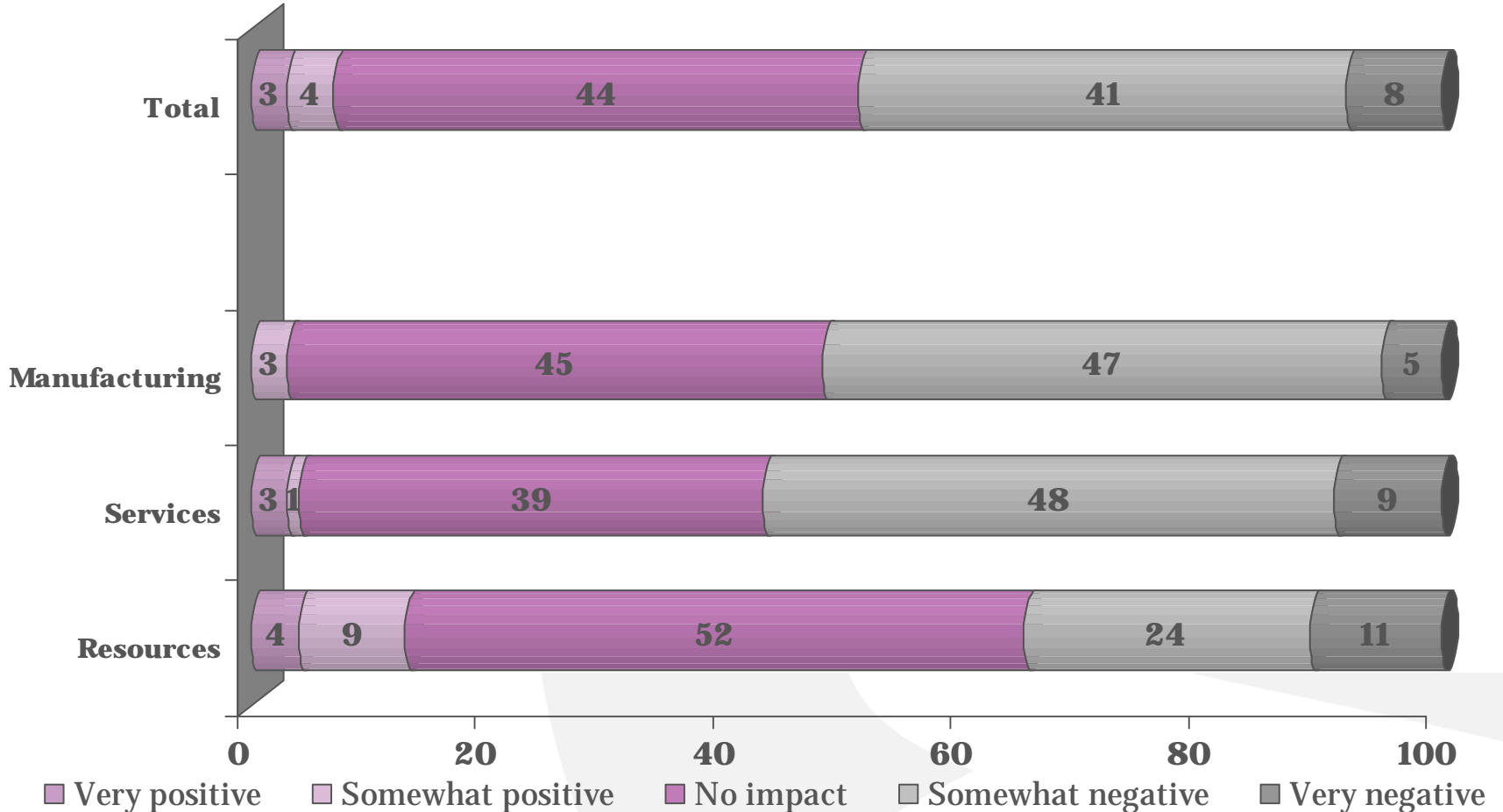
What is the biggest challenge facing your company right now?





US Economy's Impact on Your Company

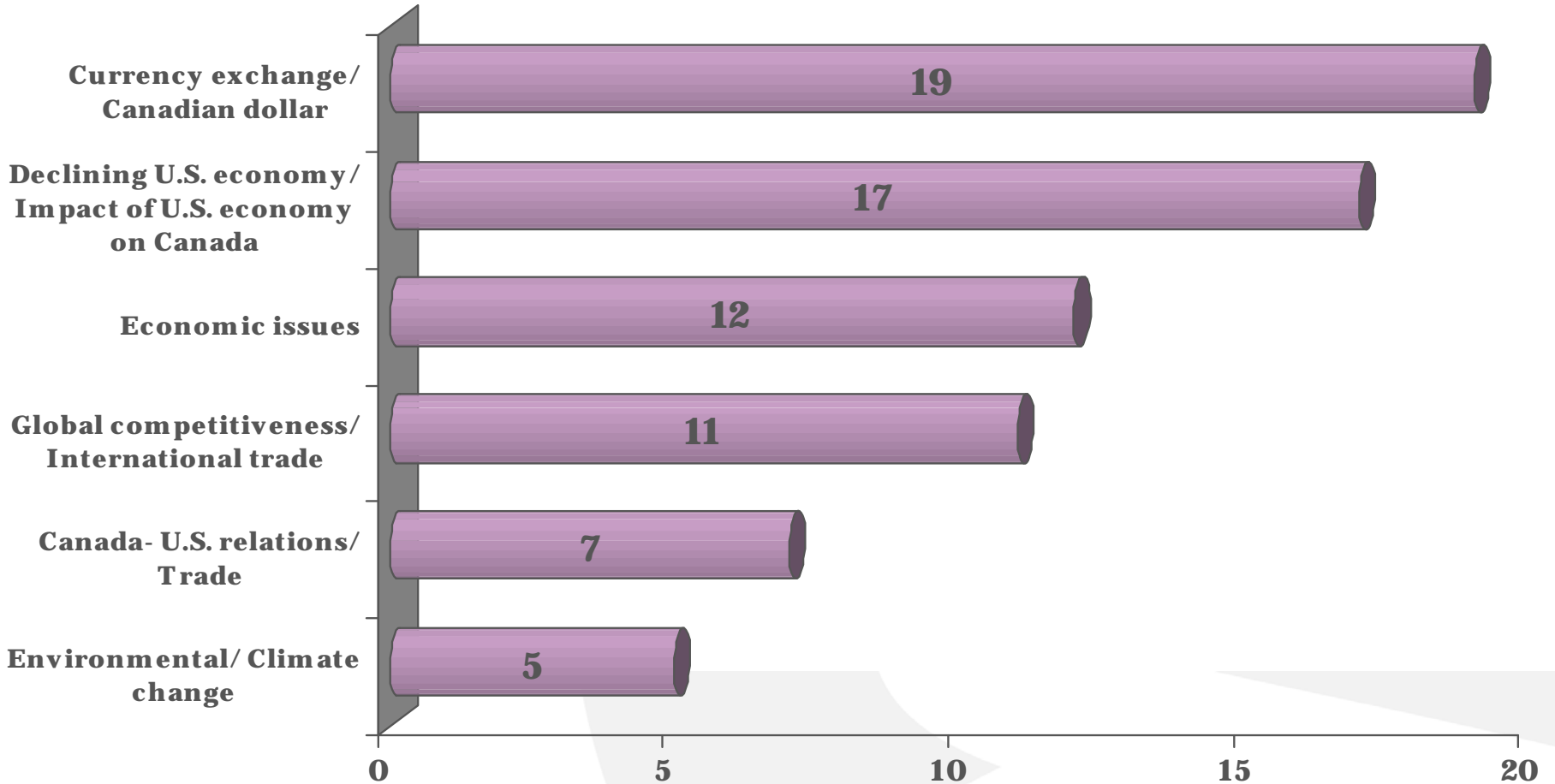
Has the downturn in the US economy had a very positive, a somewhat positive impact, no impact, a somewhat negative impact, or a very negative impact on your company?





Most Important Issue Facing Canada

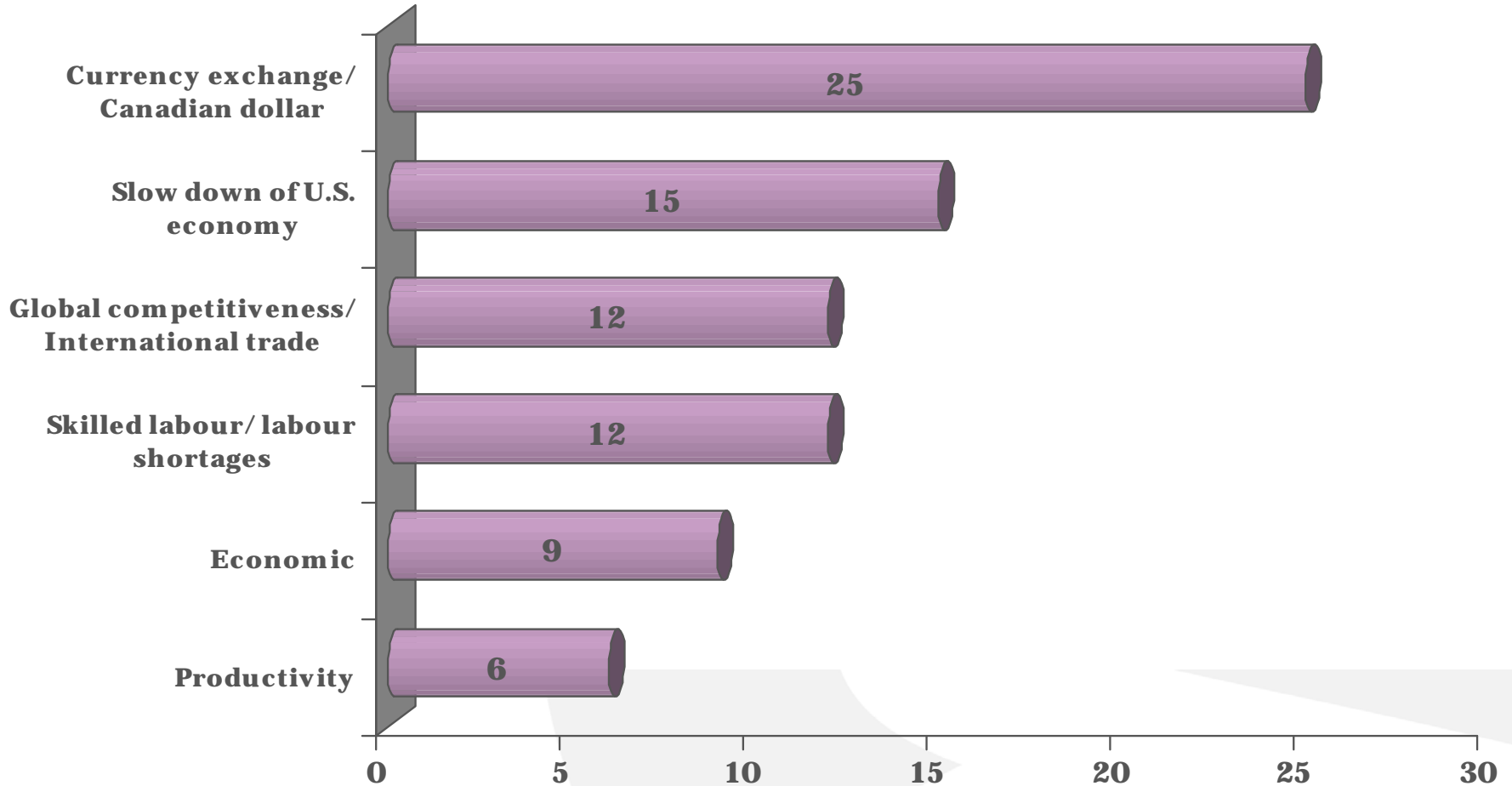
What would you say is the most important challenge facing Canada right now?





Most Important Issue Facing Canadian Businesses

What would you say is the most important issue facing Canadian businesses today?



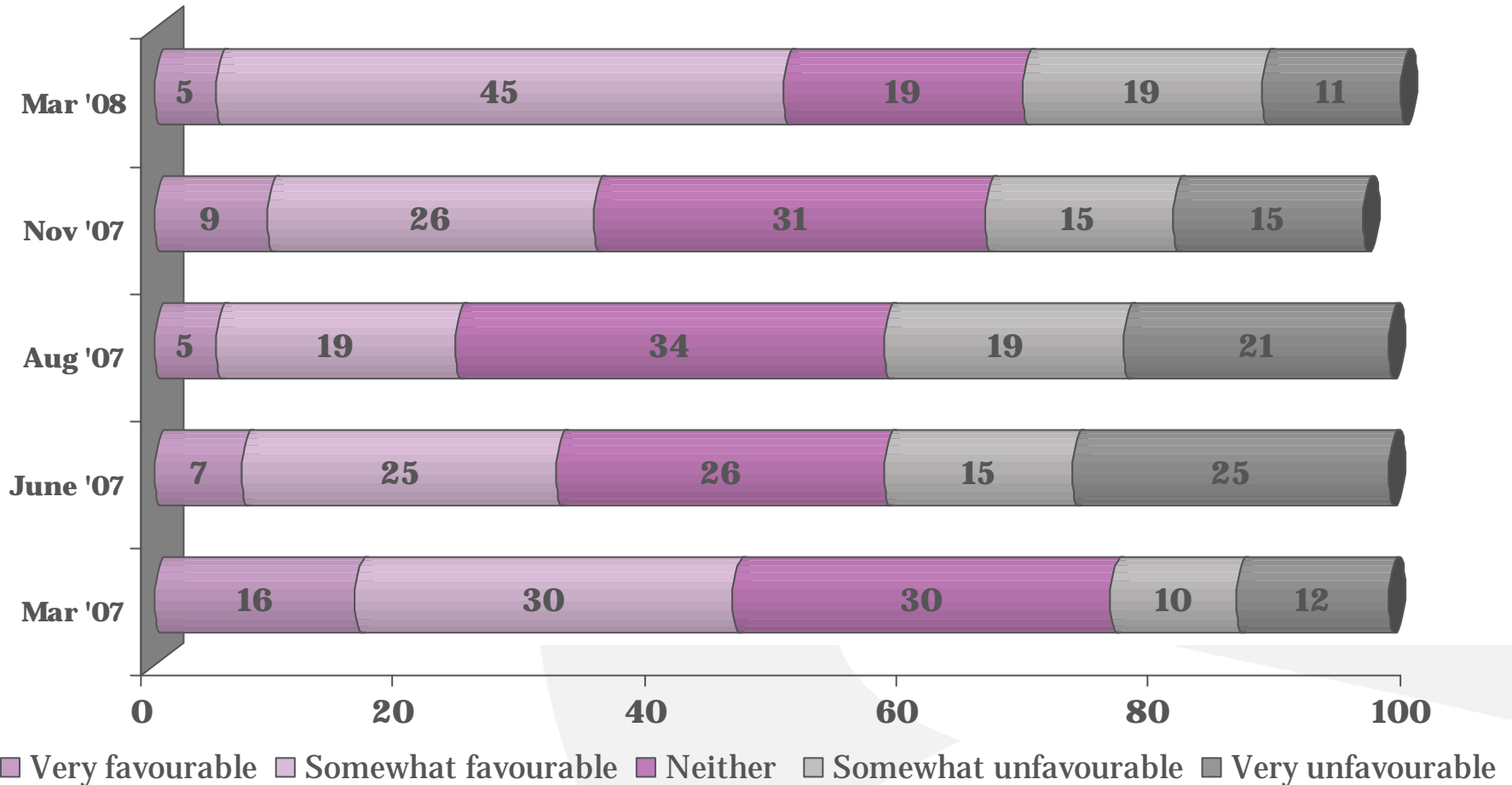


- ❑ Minister Flaherty's rebound with the business community continues
 - Double the number hold favourable views of him than did so a year ago
 - As the economy heads toward rough water, two thirds have confidence in his economic management



Impression of Minister Flaherty

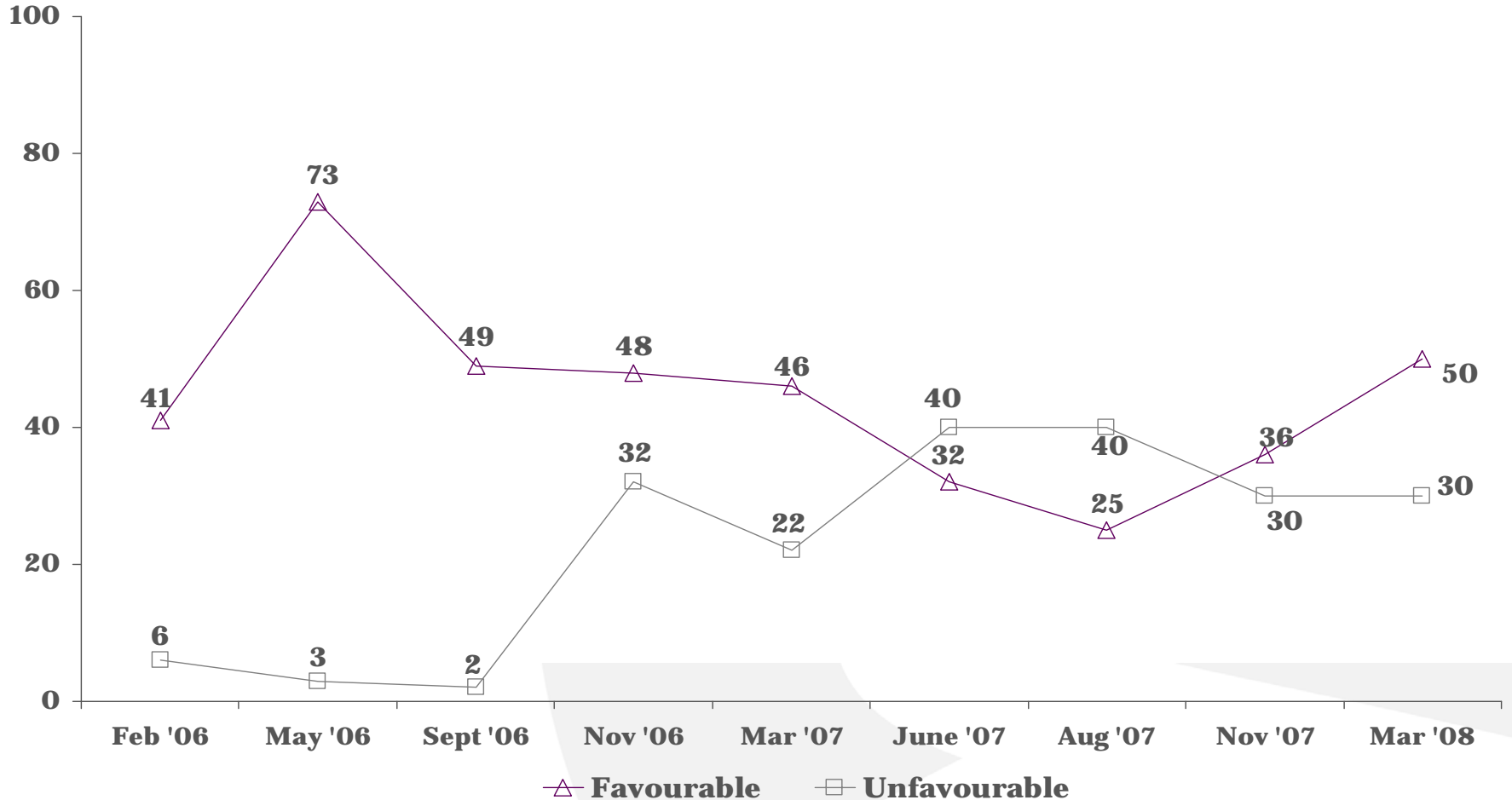
How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?





Impression of Minister Flaherty

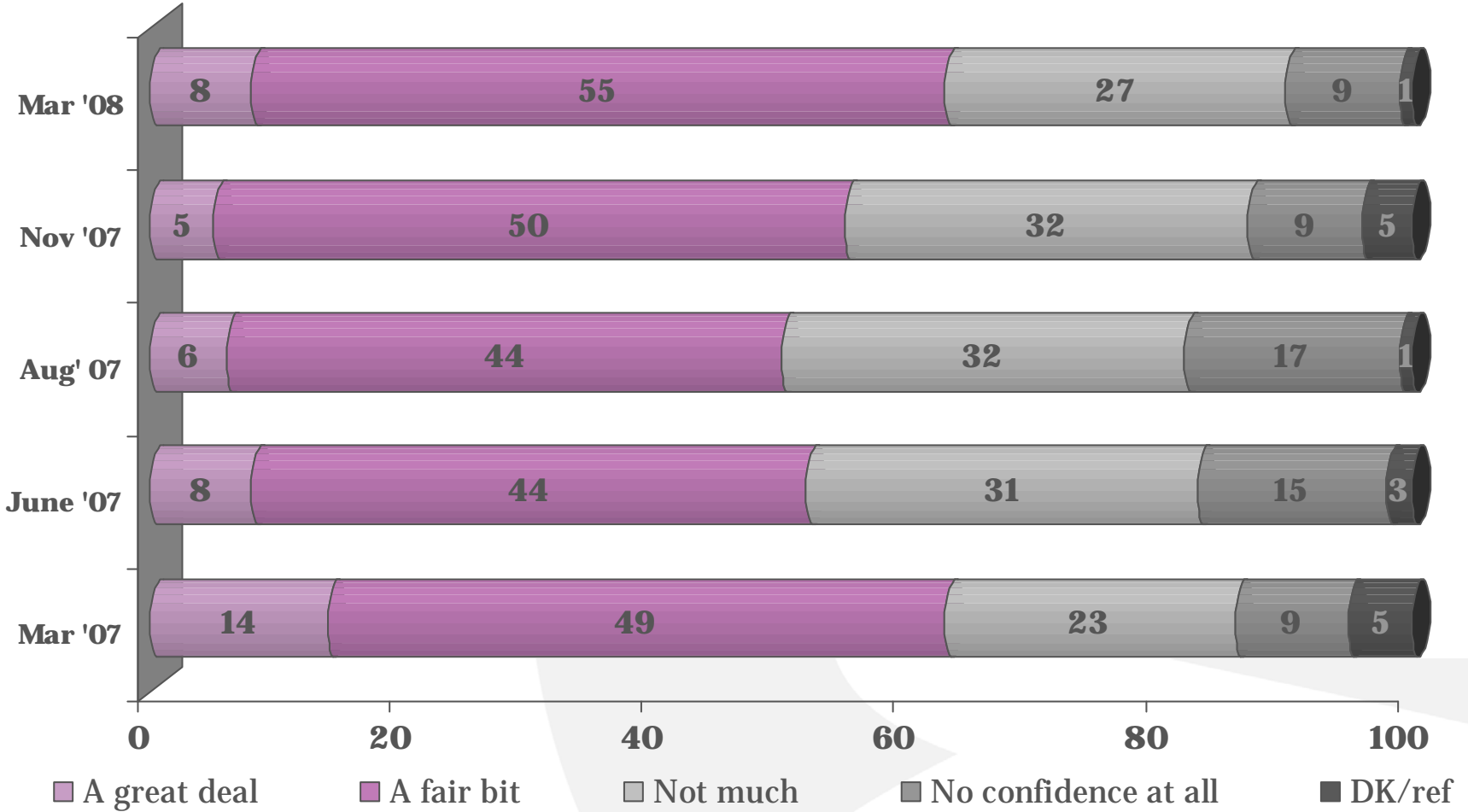
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Confidence in Minister Flaherty

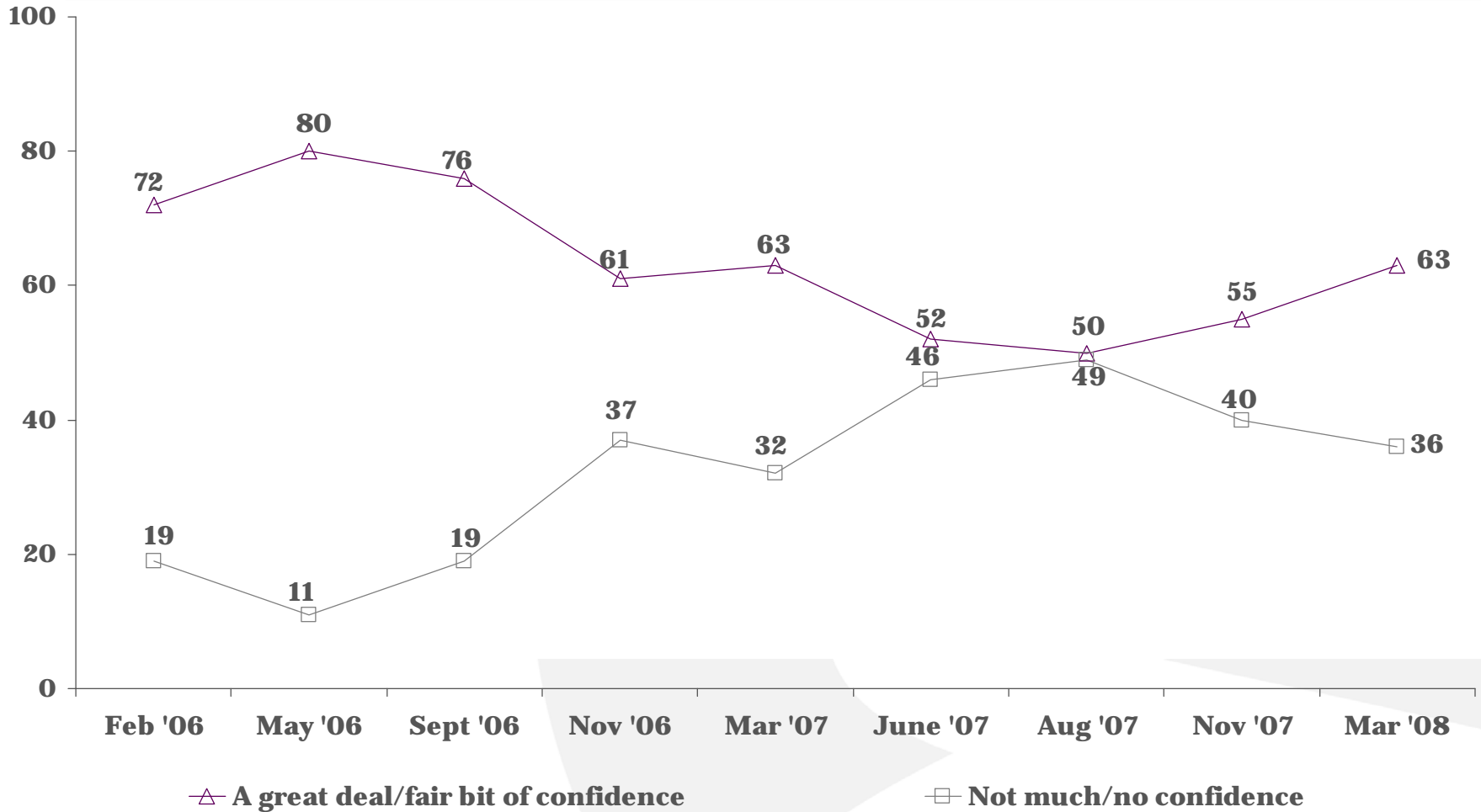
How much confidence do you have in Finance Minister Flaherty's management of the economy?





Confidence in Minister Flaherty

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





Reaction to the Federal Budget

- ❑ Most members of the Canadian business community had a moderately favourable opinion of the latest federal budget

- ❑ A smaller percentage, but still a majority, felt that it somewhat well addressed the concerns of the business community
 - Most manufacturing executives felt the Budget did a poor job of addressing the concerns of the business community

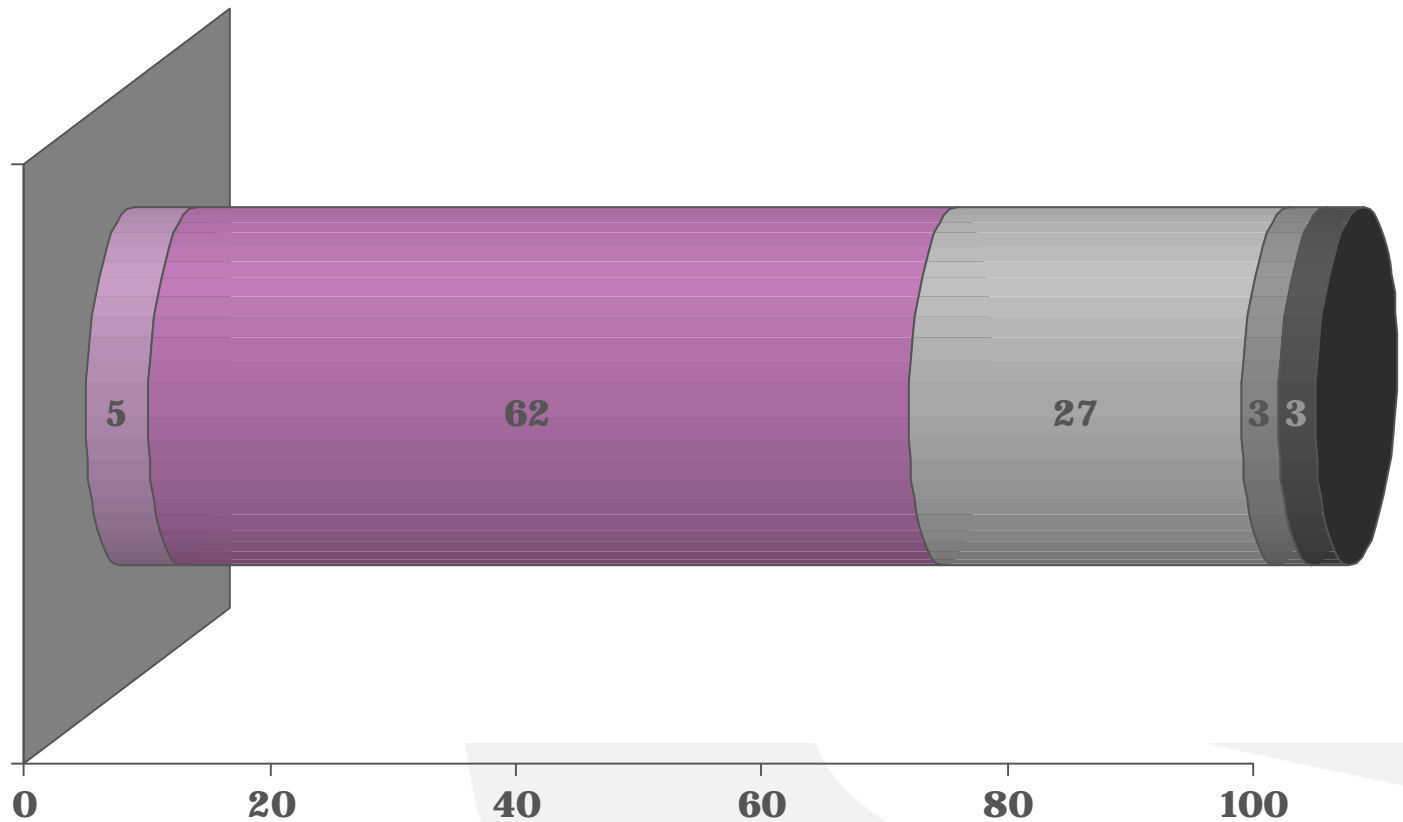
- ❑ Executives are evenly split as to whether it was an important or unimportant Budget

- ❑ Most paid some attention to the Budget, but less than one in four paid a great deal of attention to it
 - 40% of resource executives paid little or no attention to the Budget
 - Manufacturing executives – with the most at stake – paid the most attention and were the most disappointed



Favourability of Recent Federal Budget

How favourable or unfavourable was your impression of the recent federal budget?

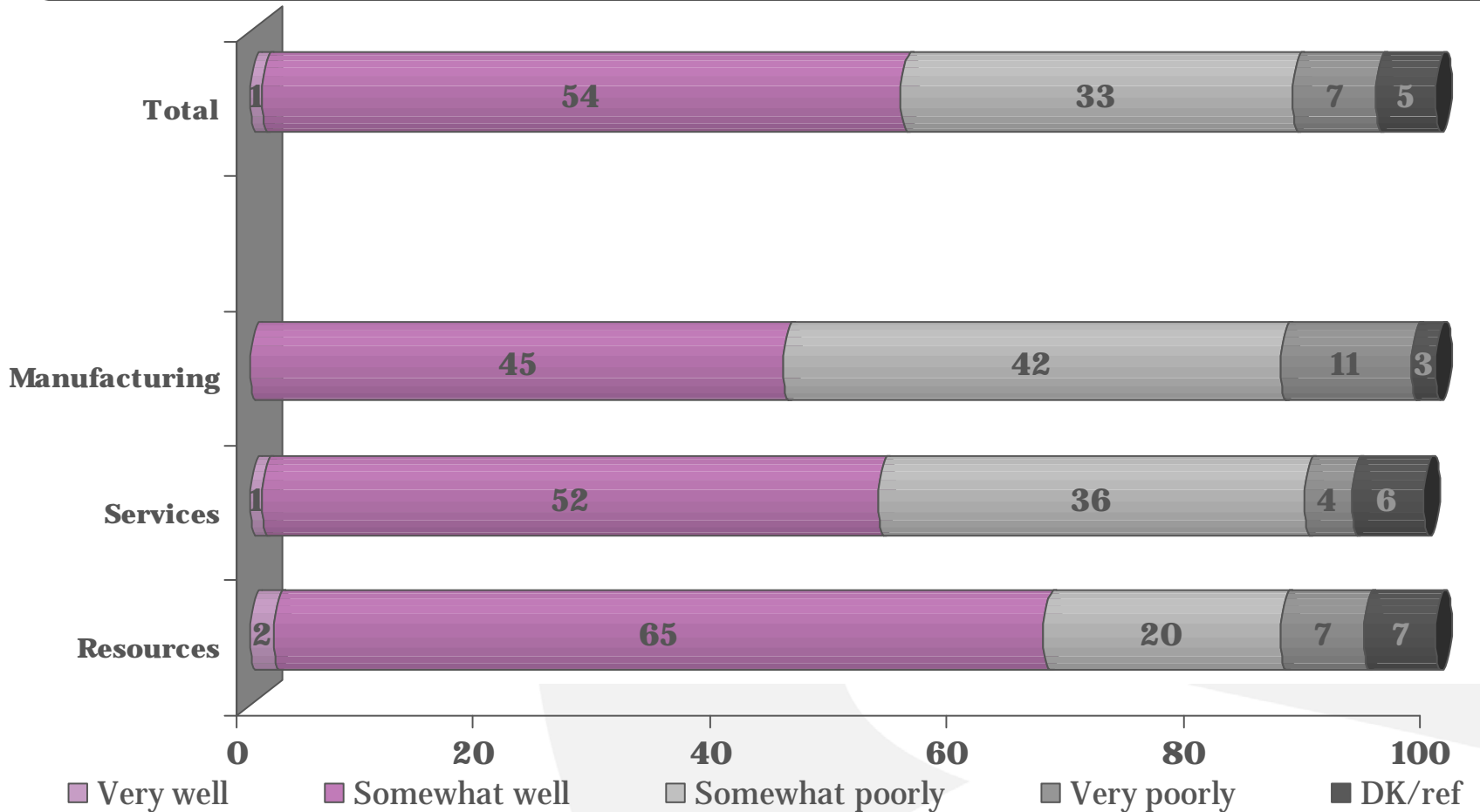


Very favourable Somewhat favourable Somewhat unfavourable Very unfavourable DK/ref



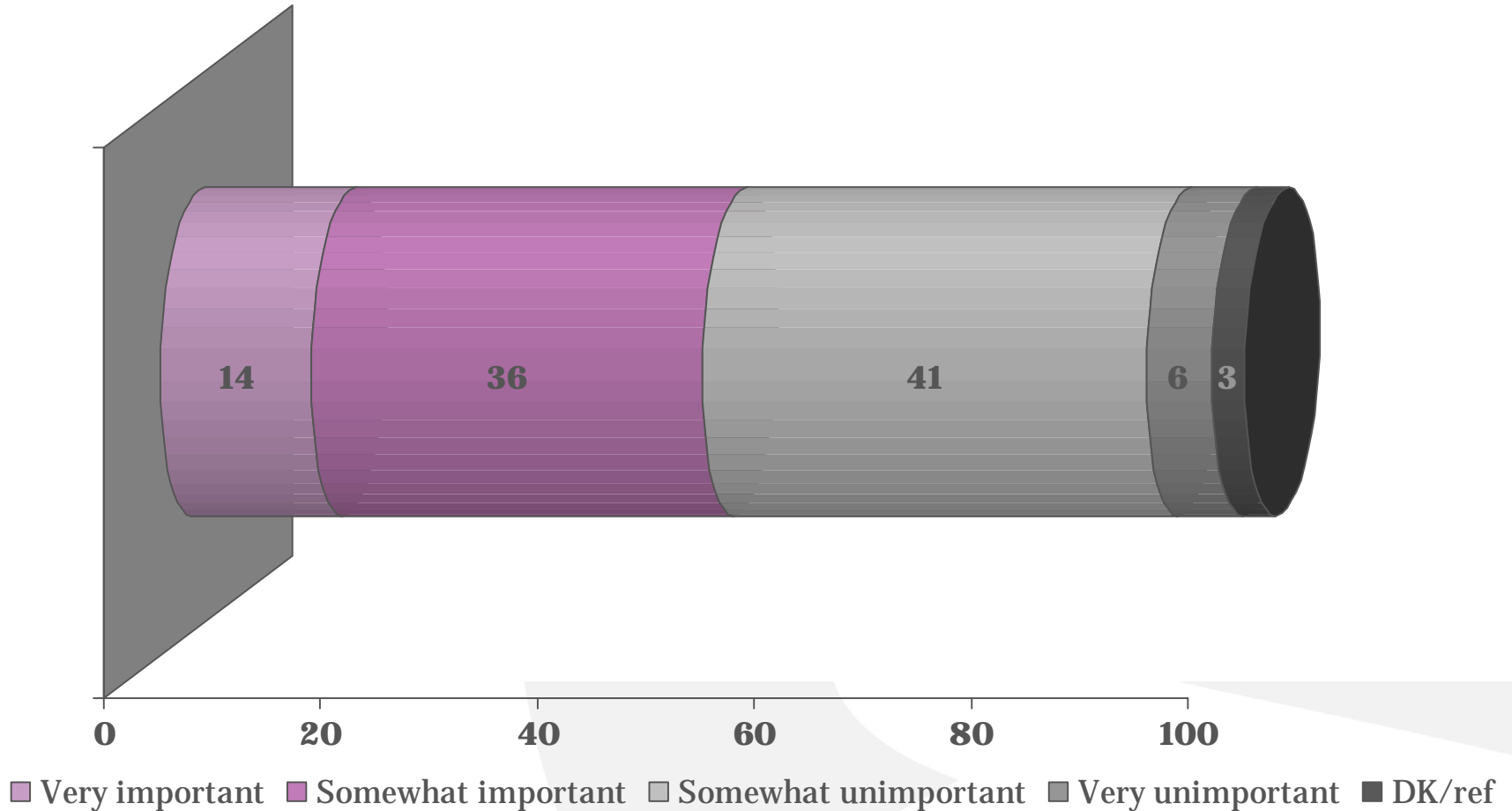
Concerns in the Business Community Addressed by Federal Budget

And how well do you think the federal budget addressed concerns in the business community?





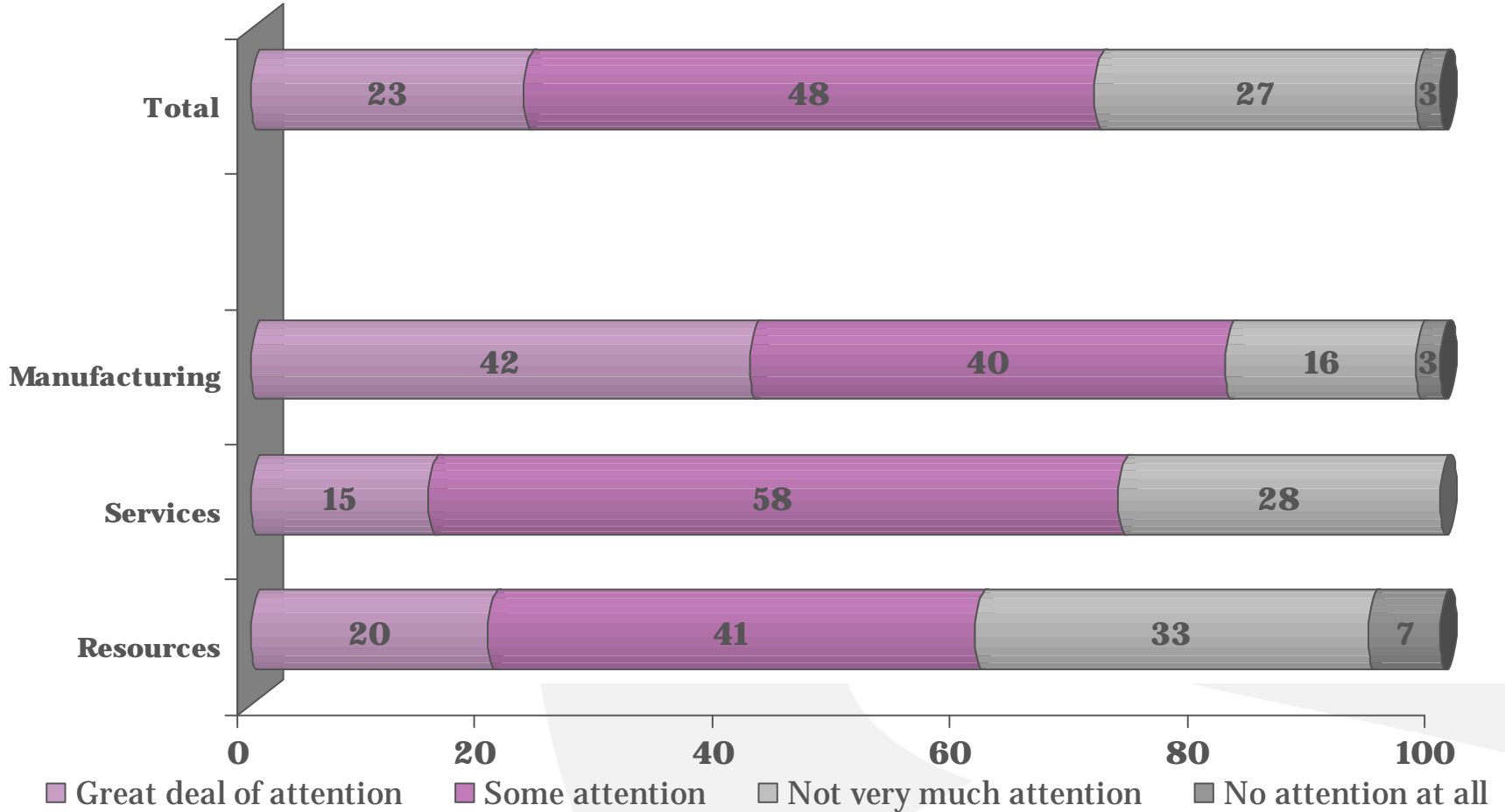
How important do you think the budget was?





Attention Paid to Budget Release

How much attention did you pay to the budget release?





- ❑ Executives have consistently told us in this C Suite project that the most pressing issues for the business community are:
 - Labour shortages
 - the high value of the Dollar
 - International competitiveness

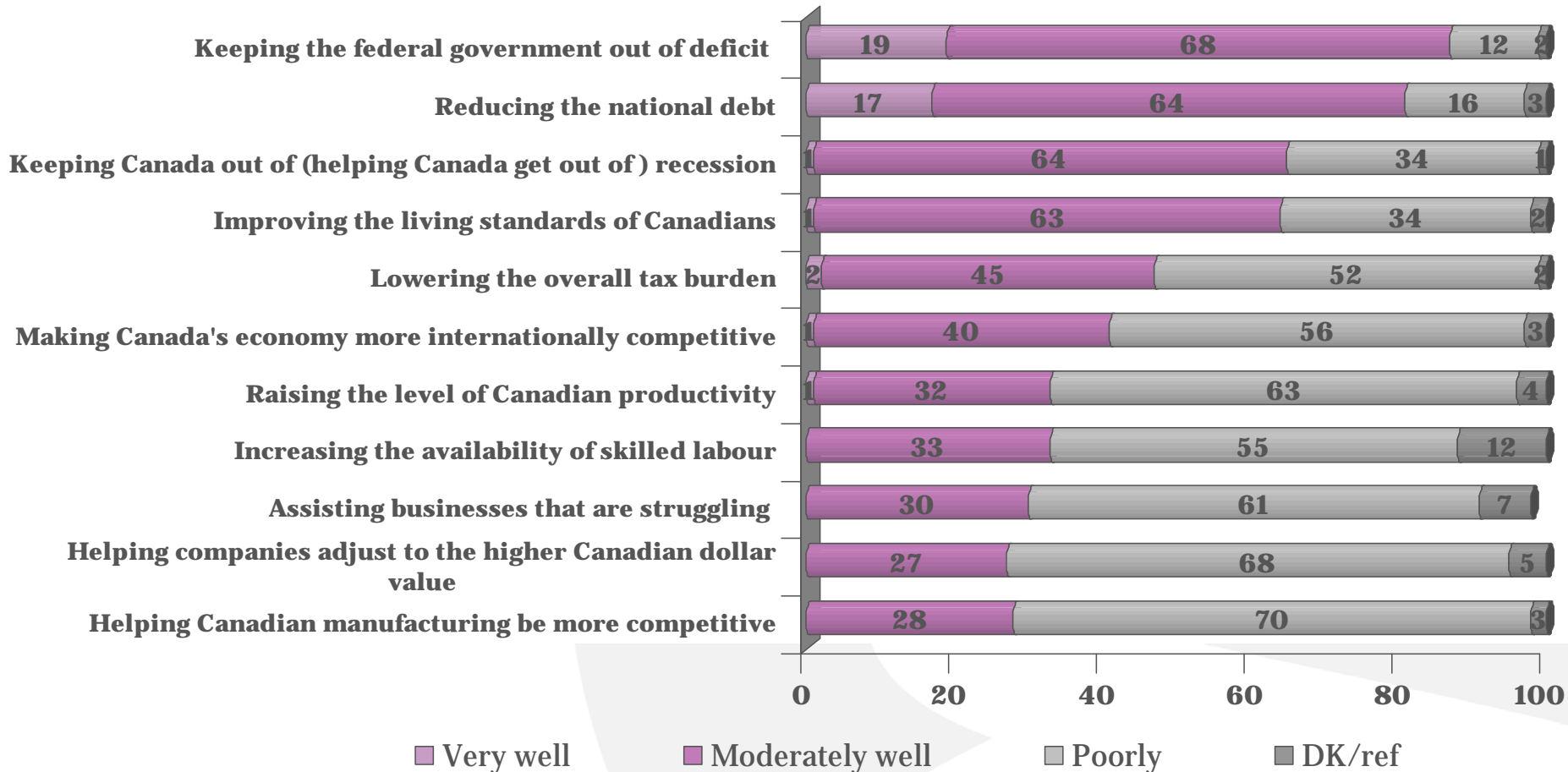
- ❑ Most executives felt that the Budget did a good job of:
 - Keeping the federal government out of deficit
 - Paying down the national debt
 - Keeping Canada out of recession
 - Improving Canadian living standards

- ❑ Most executives felt the budget did a poor job of:
 - Helping the manufacturing sector be more competitive
 - Helping companies struggling with the rapid rise in the value of the currency
 - Assisting companies that are struggling
 - Increasing the availability of skilled labour
 - Increasing productivity
 - Making the Canadian economy more internationally competitive
 - Lowering the overall tax burden



Budget Advancing Objectives

How well or poorly did the budget advance the following objectives?





What is the C Suite Looking For?

- ❑ First and foremost, lower taxes
 - This is the most commonly cited way for the government to help companies adjust to the dollar's value and to competitiveness issues
 - Across the board corporate tax relief is the most broadly supported idea, but there is strong desire for personal and payroll tax reductions as well

- ❑ Most executives do not want the government to run a stimulative deficit, but 45% of the C Suite would support a deficit to stimulate the economy or to avoid raising taxes

- ❑ 86% of the C Suite wants the Bank of Canada to keep lowering interest rates
 - Previous research has indicated that many executives, especially in manufacturing, think it is more important for the Bank to keep the economy growing than to keep a lid on inflation



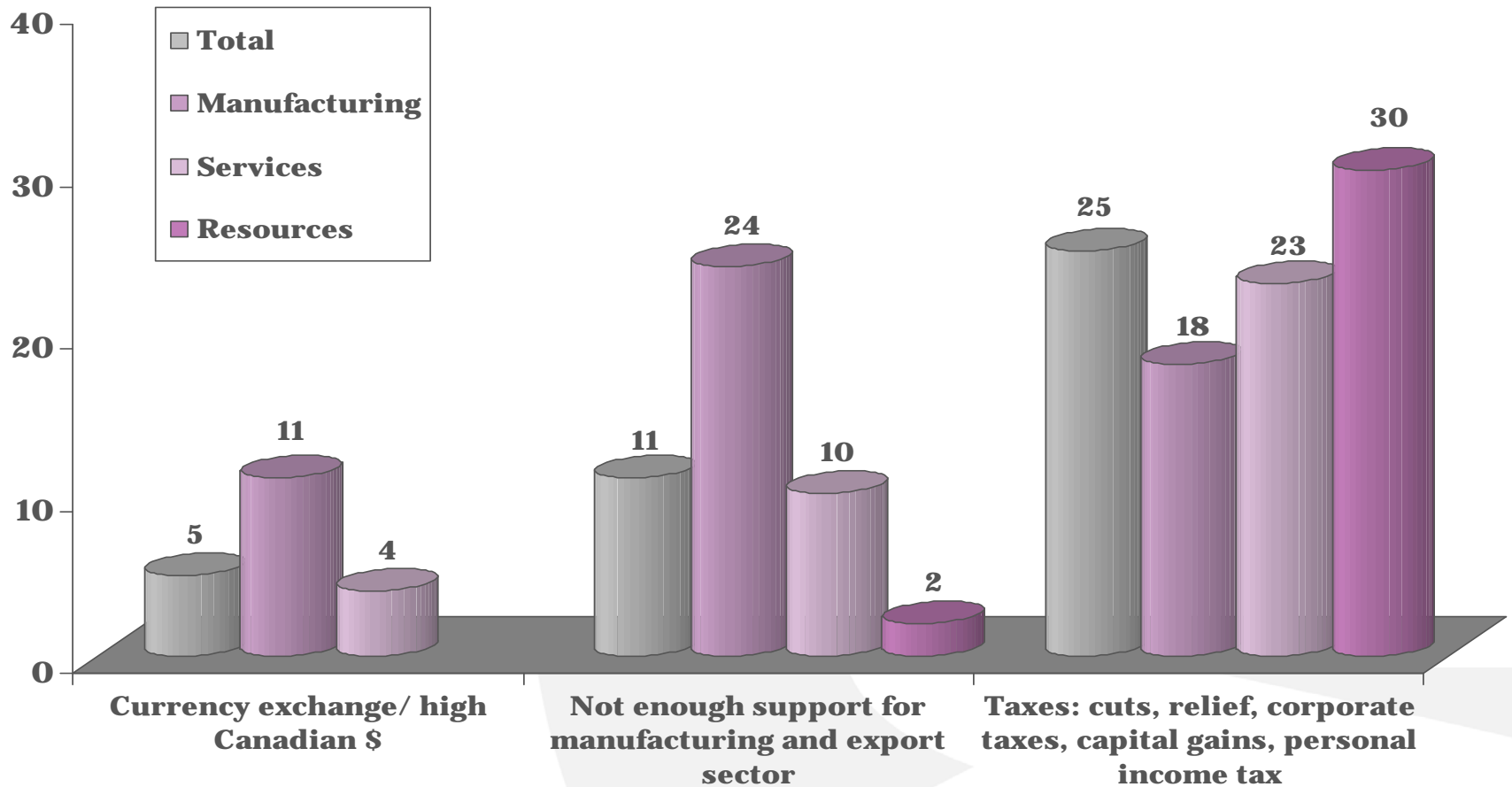
What is the C Suite Looking For?

- ❑ Improving the flow of people and goods across the US border is seen as important by almost all executives and seen as very important by one third of Canadian executives
- ❑ There is also broad support for labour training funding and for funding for plant modernization



Issues That Were Not Addressed in the Budget: Sector

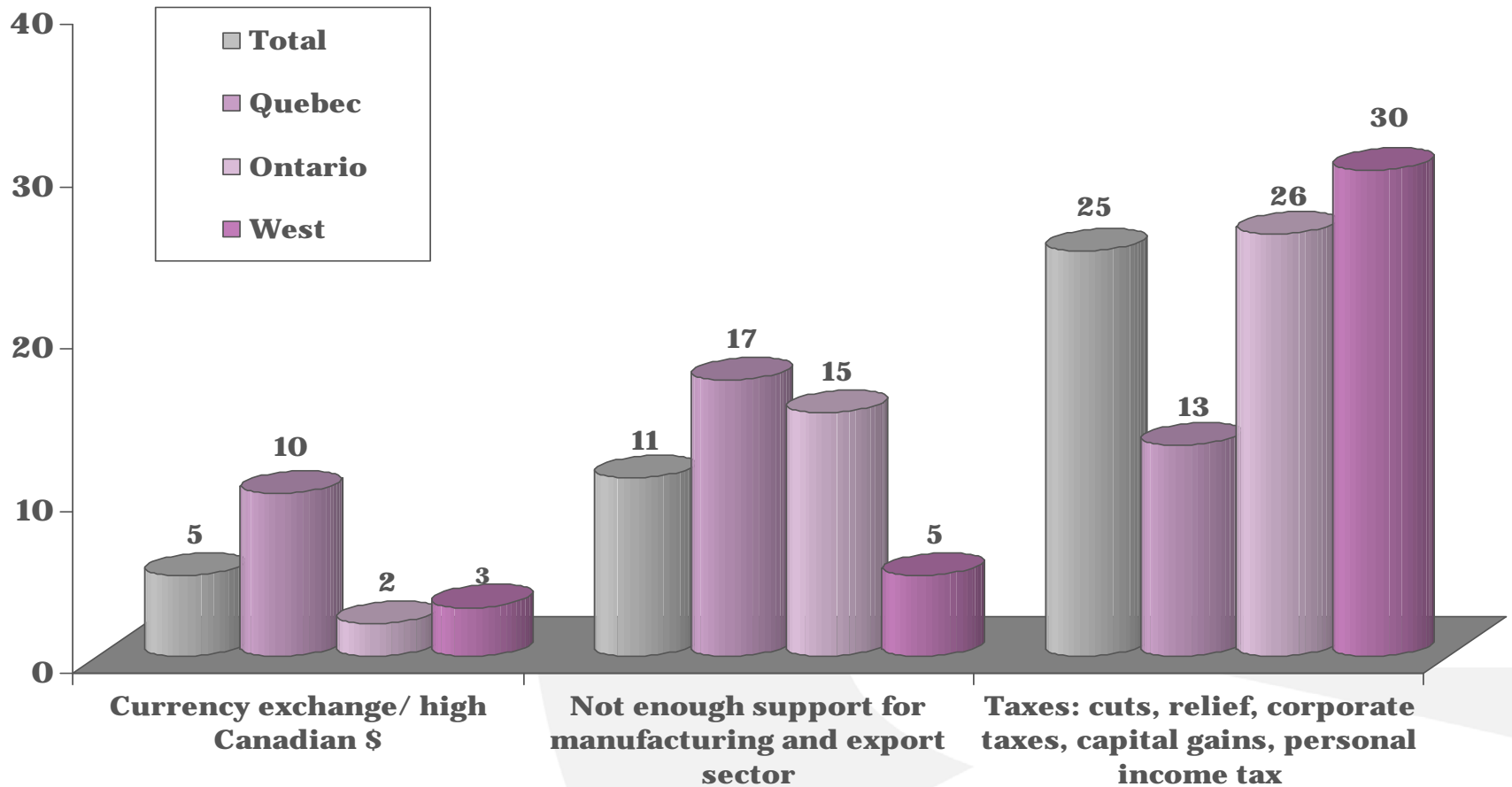
Do you believe that there are business and economic issues that were not addressed in the budget that should have been? What are they?





Issues That Were Not Addressed in the Budget: Region

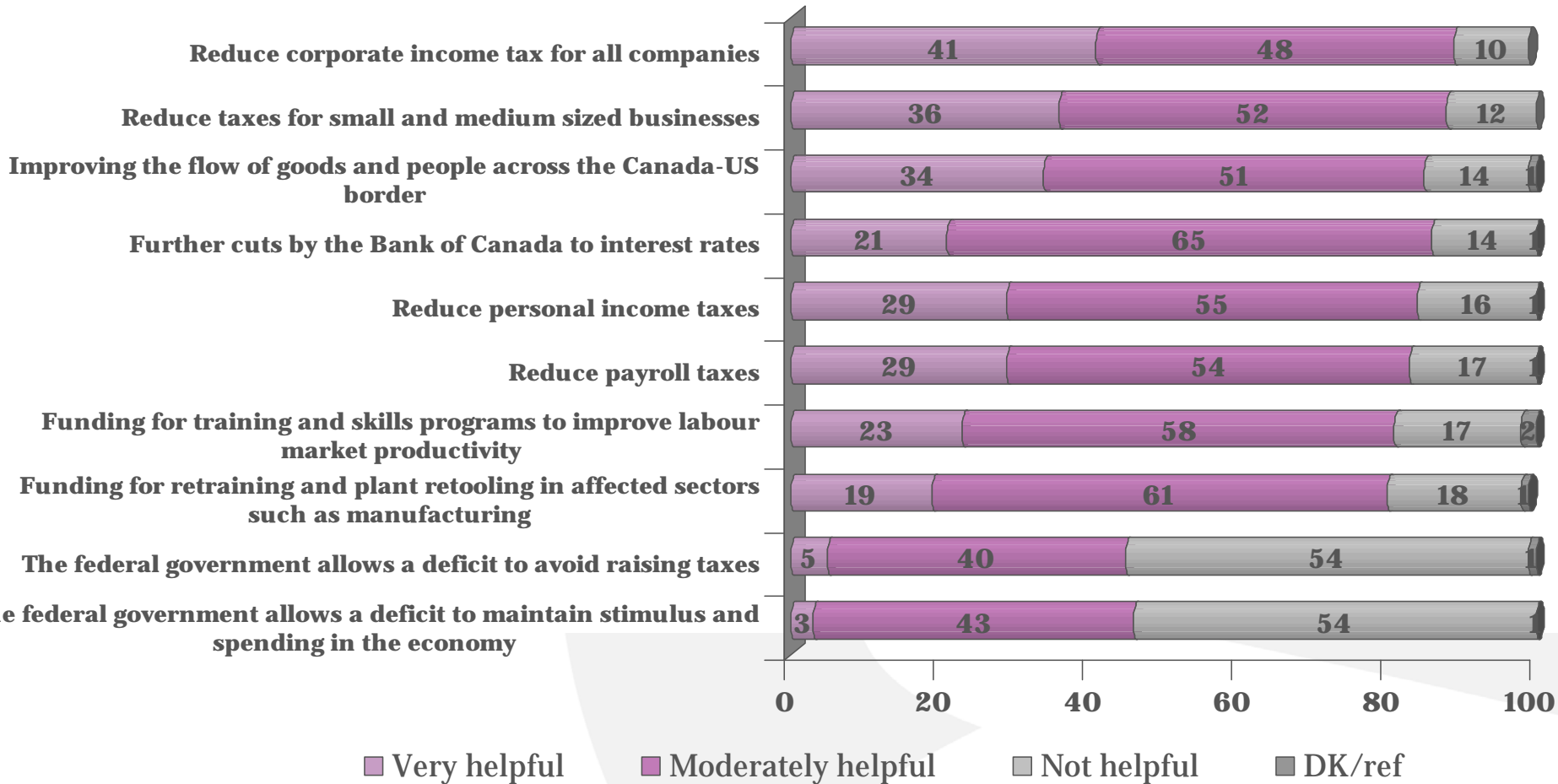
Do you believe that there are business and economic issues that were not addressed in the budget that should have been? What are they?





Helpfulness of Policy Initiatives

How helpful would the following list of policy initiatives be in keeping Canada out of recession or increasing economic growth?



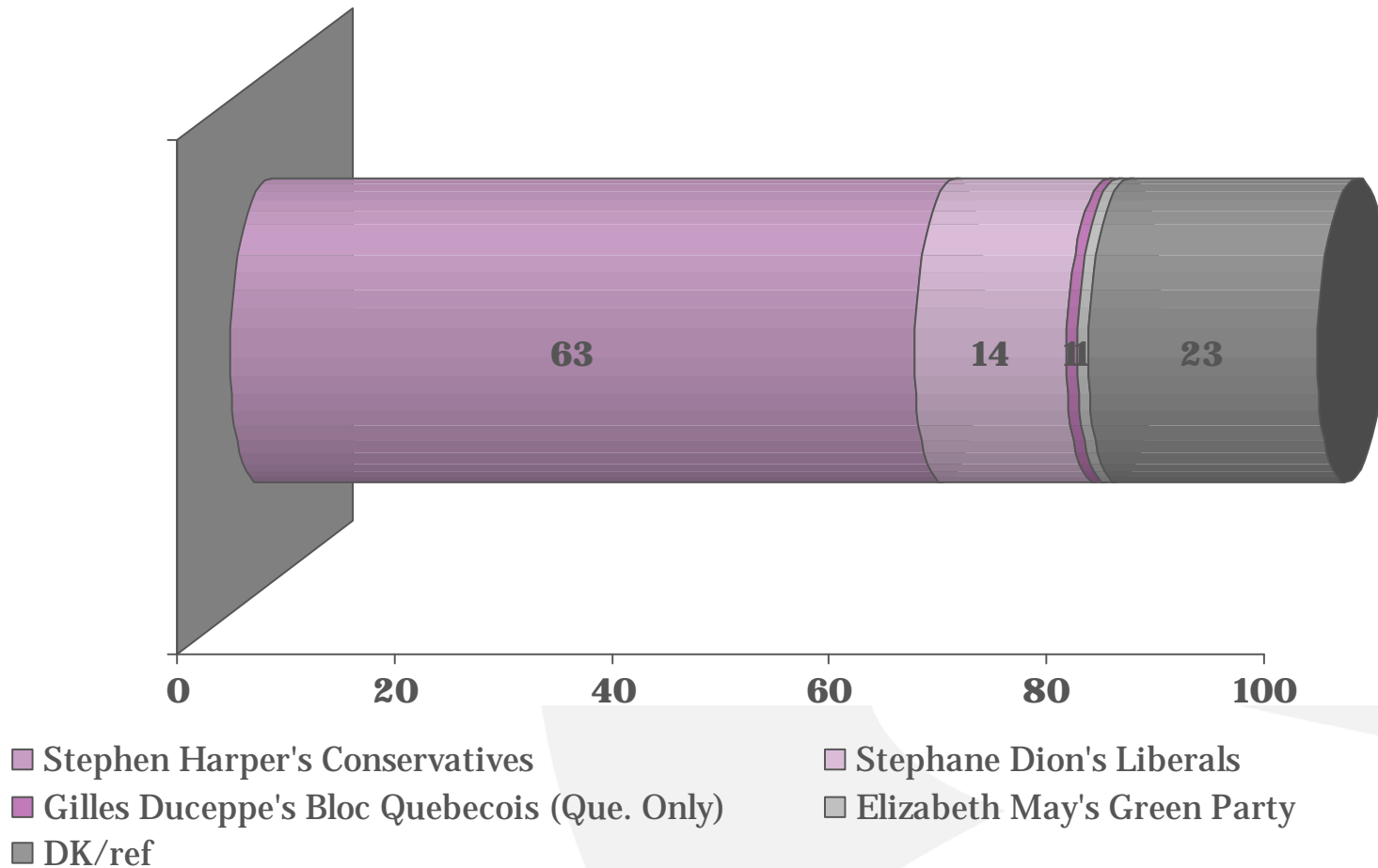


- ❑ With election speculation at a high fever, three quarters of executives think the Conservatives are the best Party to manage the economy
 - 14% say the Liberals are

- ❑ Few executives are looking for a change in Government
 - 63% would vote Conservative, 14% would vote Liberal, 23% are undecided



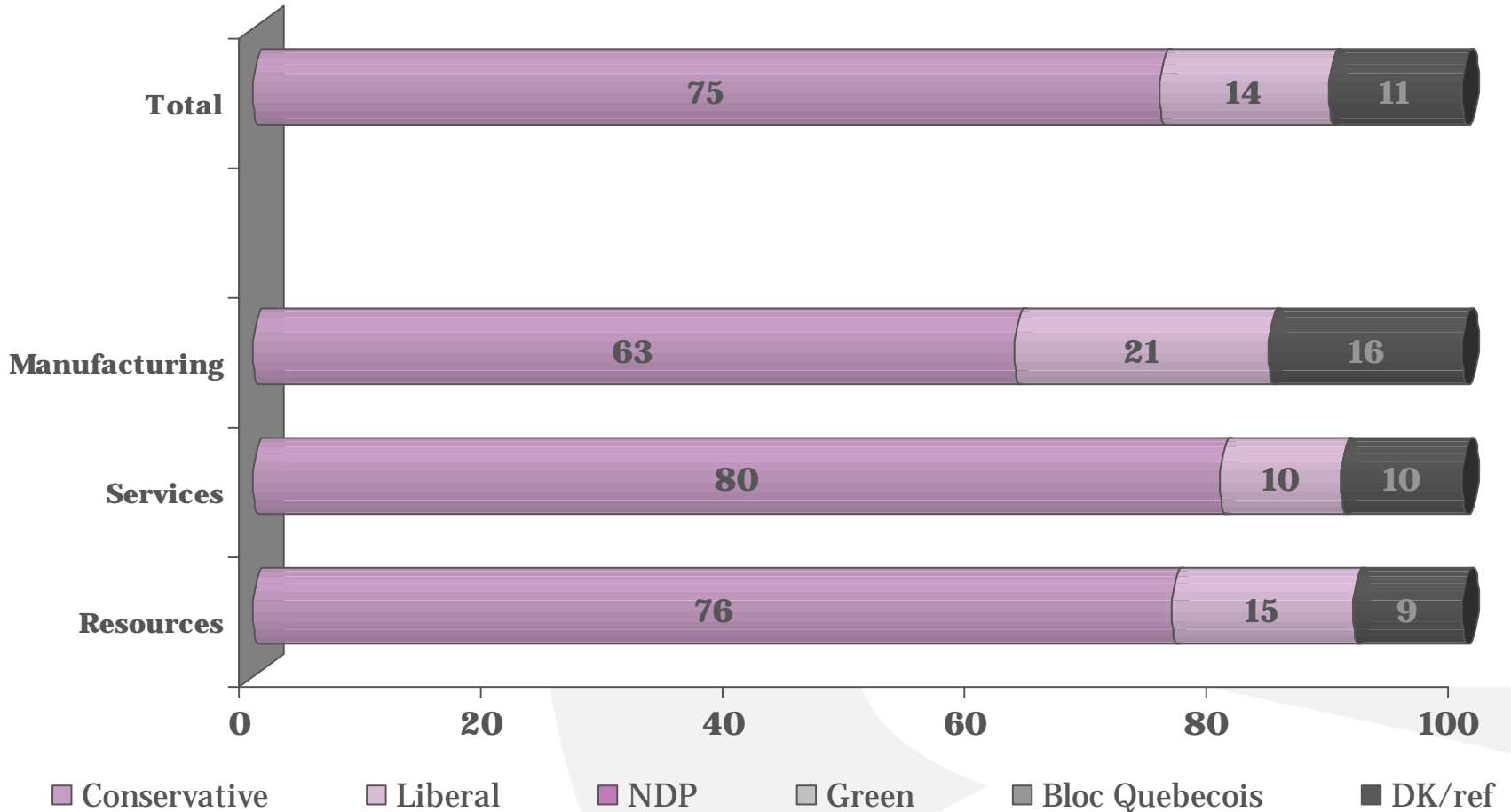
If a federal election was held today, which party would you be voting for?





Best Party to Manage the Economy

Which party do you believe would do the best job of managing the economy: the Conservative Party, the Liberal Party, the NDP, Bloc Quebecois, or the Green Party?





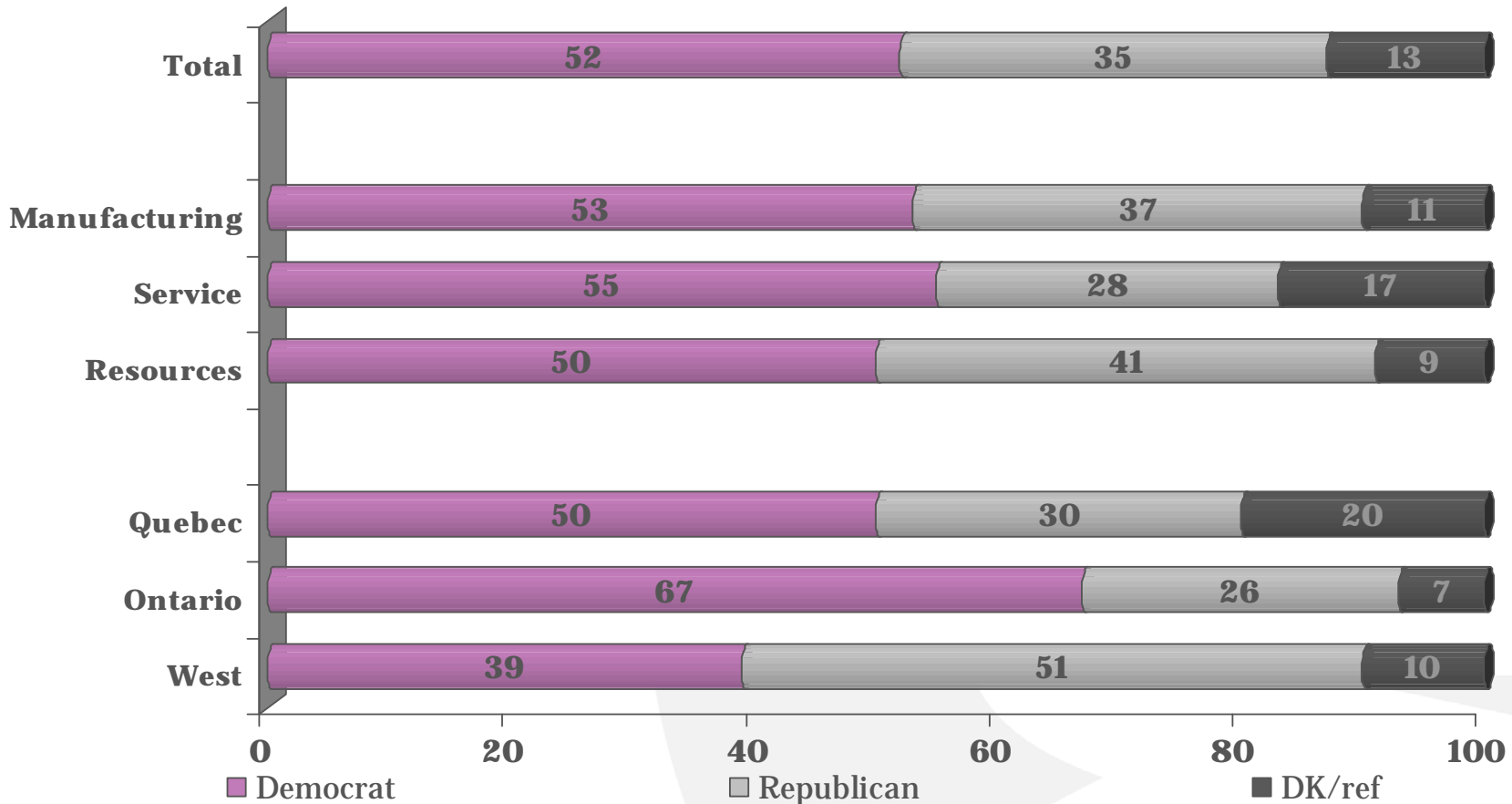
□ The C Suite is interested in the US election

- Fewer undecided about their choice in that election than in a hypothetical Canadian election
- Most of the C Suite are Democratic supporters
 - Most think Democrats better for the economy
 - Obama leads McCain by a large margin among Canadian executives
 - Contrary to the national findings, western C Suite executives are Republicans – favouring them to manage the economy, and preferring McCain to either Obama or Clinton
 - Many executives seem unphased by Democratic threats to pull out of NAFTA, though a majority of manufacturing executives say such a move would negatively impact business



The US Presidential Race

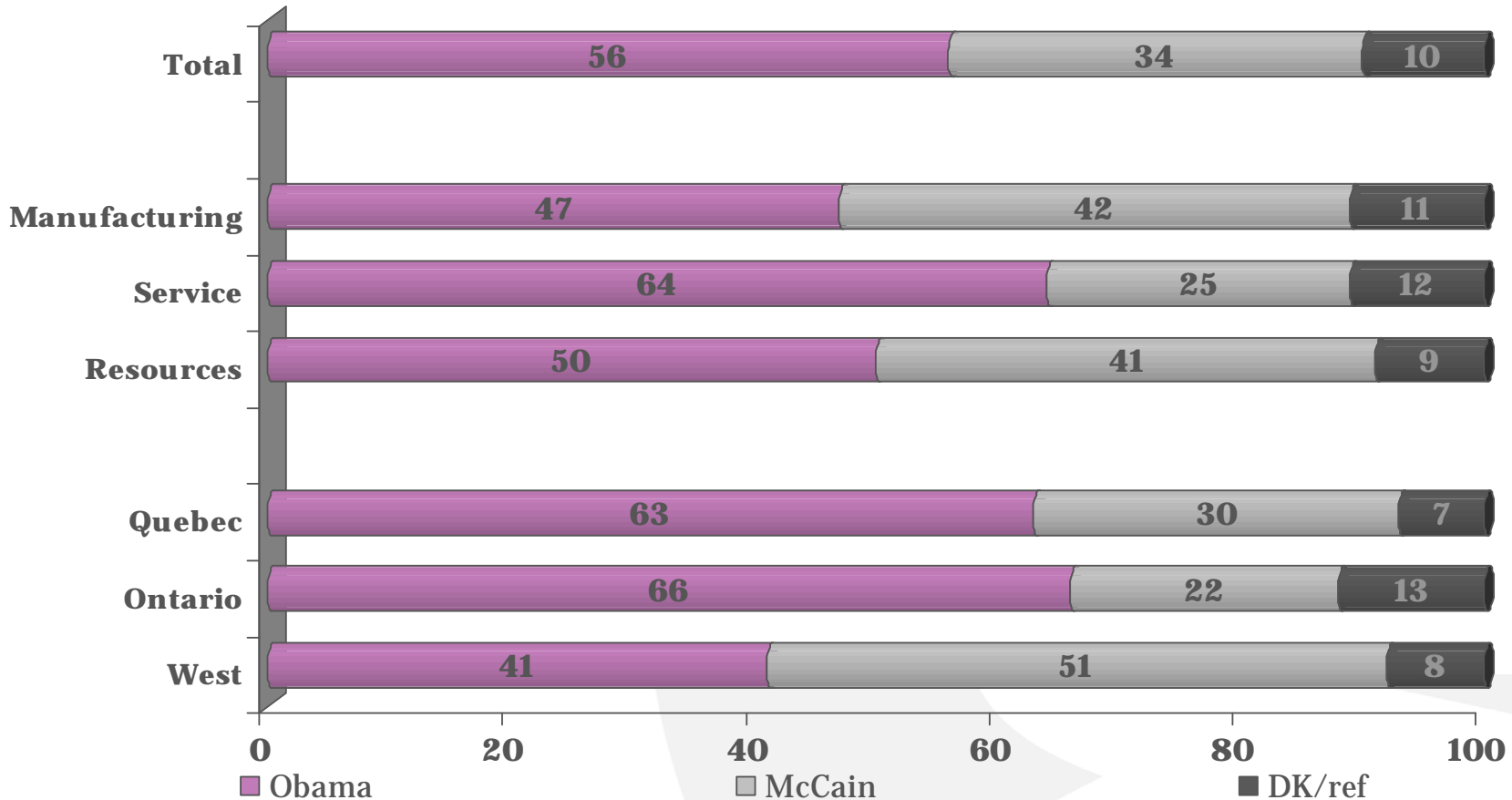
Which party in the US do you believe would do the best job of managing the US economy-
Republican, Democrat?





The US Presidential Race

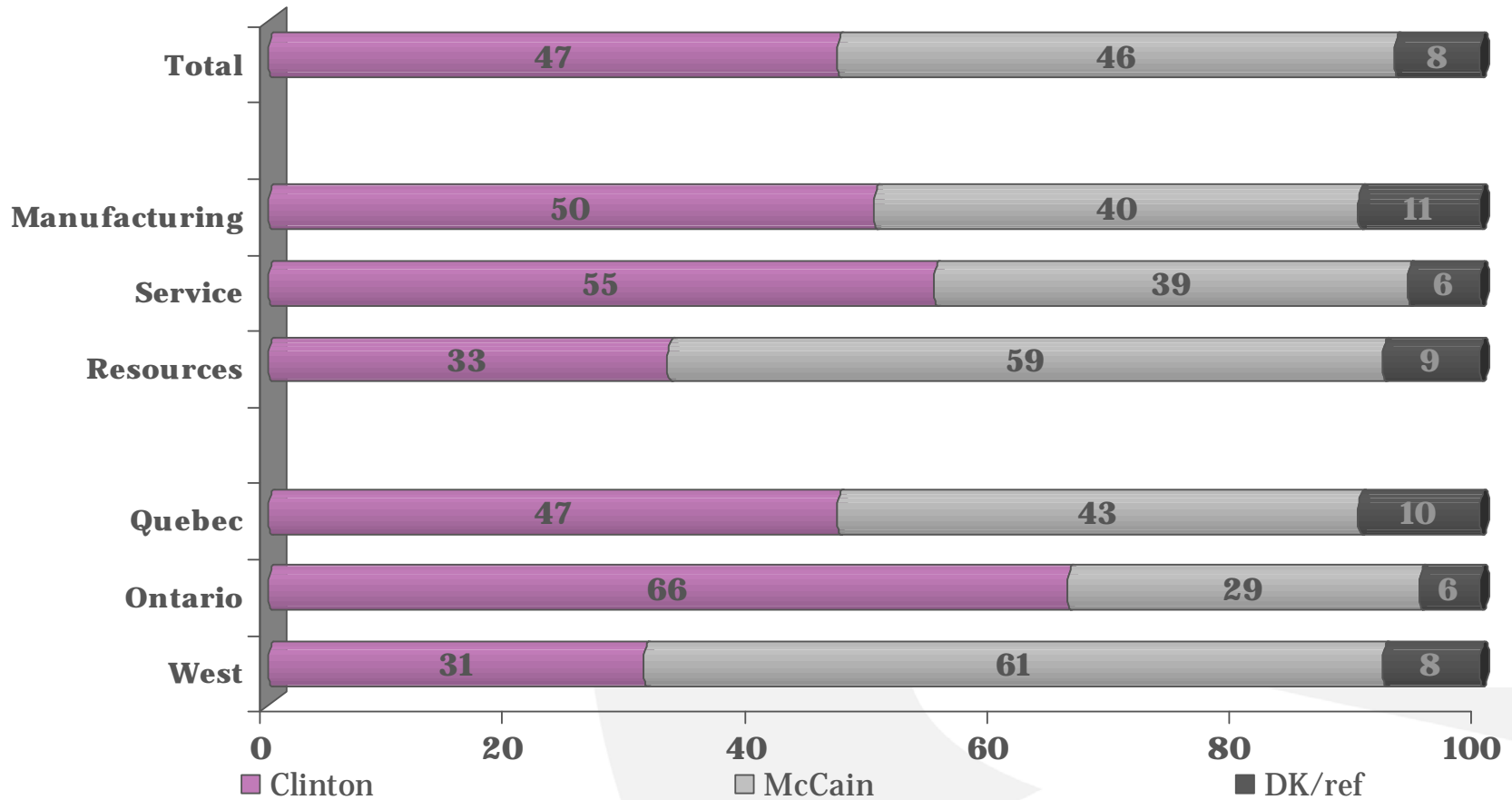
If you could vote in the US and had to choose between John McCain and Barack Obama, who would you vote for?





The US Presidential Race

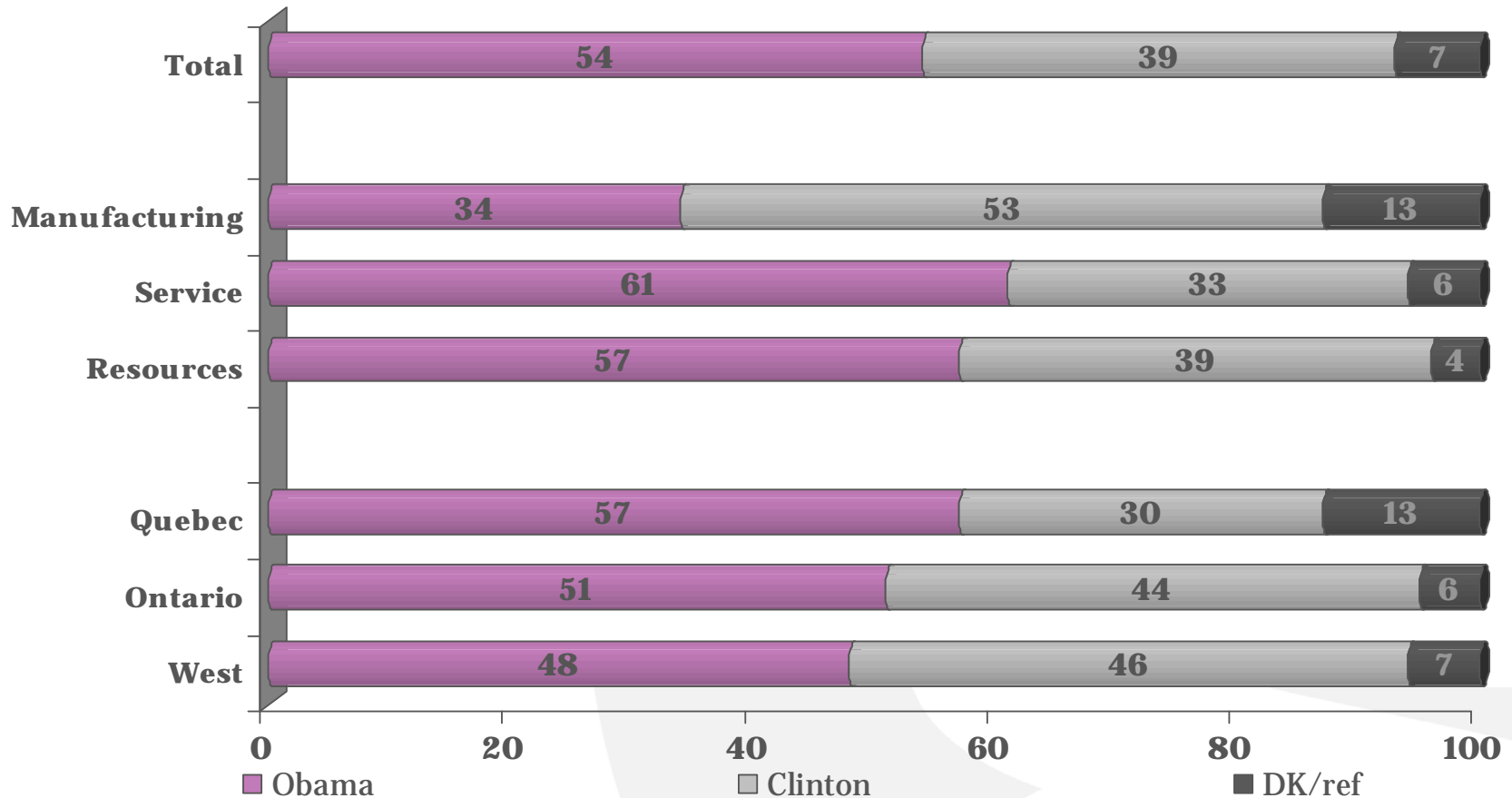
If you could vote in the US and had to choose between John McCain and Hilary Clinton, who would you vote for?





The US Presidential Race

If you could vote in the US democratic primary and had to choose between Hillary Clinton and Barack Obama, who would you vote for?





The US Presidential Race: NAFTA

Both Hillary Clinton and Barack Obama have committed to pulling the US out of NAFTA unless labour and environmental standards are renegotiated. What would be the impact on your business if the US pulled out of NAFTA?

