the gandalf group

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MEMO

Re: C-Suite Survey Findings – Executive Summary

Date: June 19, 2009

This quarter, our survey with ROB 1000 executives focused on the outlook for the economy. We surveyed 157 executives by telephone between May 21 and June 3, 2009. This sample yields a margin of error of +/- 7.18% 19 times out of 20.

Optimism among C-Suite executives has rebounded swiftly and significantly after negative opinion levels over the last two quarterly surveys. This quarter, just over half of executives say the economy will grow over the coming year – five times as many as said so last quarter. However, virtually all executives think the economy currently is still declining.

The optimism is driven in part by a core group of executives who are projecting increased activity for their companies in the next two quarters. About one in five are particularly optimistic in their growth forecasts for their companies this year and are more likely to project increased capital spending. These executives are also more likely to consider a range financing initiatives over the next two quarters. They are also more confident in their ability to forecast performance. Their optimism in terms of their own companies is driving their view of the economy overall and they are more optimistic than others on the standard of living we'll have when the economy normalizes.

The numbers who have seen credit conditions improve is still modest – less than one in five has seen an improvement. The future prospects for credit availability are much more positive. The vast majority expect credit conditions to improve over the coming year. They are also optimistic about equity markets.

Among the financing and management options facing companies this quarter, executives are most likely to be considering growing their businesses through acquisitions, and to a lesser extent borrowing or refinancing. They are somewhat more likely to be considering these options than using debt or equity markets to raise money. They are more likely to be looking at acquiring companies to grow their businesses than at merging or diluting equity.

Many expect they will be considering increasing capital spending two quarters from now and believe we'll see improvements over the next twelve months in the economy on consumer confidence and spending. Resources sector companies are poised for much higher levels of activity than others over the next two quarters in the areas of mergers, acquisitions and financing

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Despite the fact that many will look to increase capital spending by the end of the year, executives are not as confident about the prospects for job gains and higher income levels in the economy as a whole. Indeed, most expect we'll have a lower standard of living when the economy normalizes.

One of the most important lessons learned out of the last year according to executives is around managing debt and the dangers of being highly leveraged. And many now have less confidence in their ability to forecast their companies' performance.

Executives are putting a lot of hope in a consumer-led recovery

- The indicators they are looking at to tell them if the recovery is on are jobs, consumer confidence, retail sales and housing starts.
- They feel commodities price rises are a better indicator of the economy's turnaround overall than rising oil prices

Roughly half of executives say that one or more reports or indicators in the last quarter have indicated to them that the economy has experienced the worst and is starting to turn around

- Examples they give are the stock markets, commodity prices, housing and real estate