

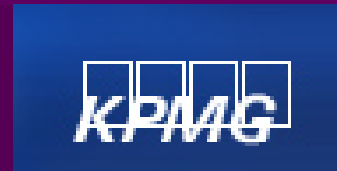


the gandalf group

# C-Suite Survey: The Economic Outlook

October 5, 2009

Sponsored By:



Published and Broadcast by:





- ❑ Telephone interviews with 158 C-Suite executives from the ROB 1000 list of companies, conducted between Sept. 8 and Sept. 23, 2009
- ❑ This sample yields a margin of error of +/- 7.16% 19 times out of 20



- ❑ Executives' economic optimism rose substantially for the second straight quarter.
- ❑ Most believe the recession is already over, and almost all believe the economy will grow over the coming year.
- ❑ Predictions for the US economy are the most optimistic in two years.
- ❑ Economic projections and forecasts are just part of the story; just as access to credit and financing were central to the onset of recession, they are central to the recovery
  - Concern about credit continues to diminish as optimism grows, and the one policy that executives say is most important to recovery has been rate setting by the Bank of Canada.
  - The Bank's approach – critical to the cost of borrowing – has been more important, as far as executives are concerned, than the fiscal or budgetary policies introduced by government.



- ❑ While credit conditions have improved, half of executives say credit conditions stayed the same or worsened over the last few months.
  
- ❑ This quarter, the C-Suite Survey focused on pensions. We found that a majority agreed the pensions system is facing a crisis in which today's workers won't have enough to live on through retirement.
  - Many companies aren't offering pension plans. Those that do tend to offer Defined Contribution plans, which many admit won't offer enough income security in retirement
  - Most executives would rather see policy changes that give them the tools to better manage pensions than a new government-run plan for those not currently covered.



- ❑ Executives give mostly good grades – “B’s” and “C’s” – to the federal government on major economic priorities.
- ❑ A strong majority would vote Conservative in an election.
- ❑ That said, they believe rate setting by the Bank of Canada – and not legislative action – has been the most important initiative aimed at helping the economy.
- ❑ Executives support infrastructure spending and even deficit-funded stimulus measures.
- ❑ Executives believe government could stand to do better, particularly in terms of laying the foundation for future prosperity and creating the jobs of tomorrow.

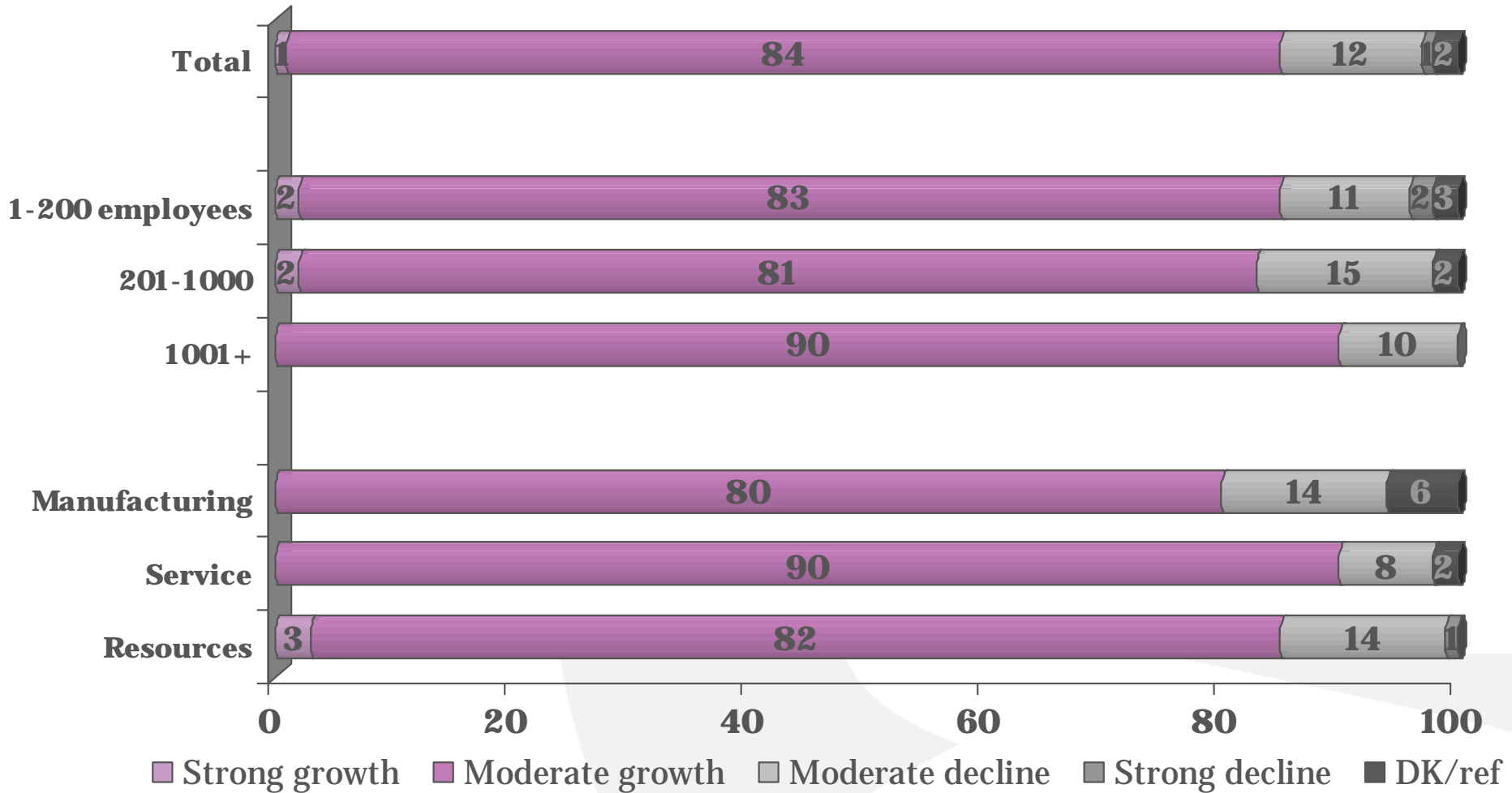


- ❑ In less than six months, executives' forecasts for the economy have completely turned around.
  - As we move through the recession the number predicting growth versus decline over the next twelve months has reversed itself.
  - A clear majority now believe the economy is back in positive territory – last quarter less than one in five thought this.
  - For the one third in our survey who don't, there are still many who believe it will be at least six months before the economy turns around.
  
- ❑ For the first time in over two years a majority of executives in the C-Suite Survey are predicting the US economy will grow.



# Outlook: Canadian Economy

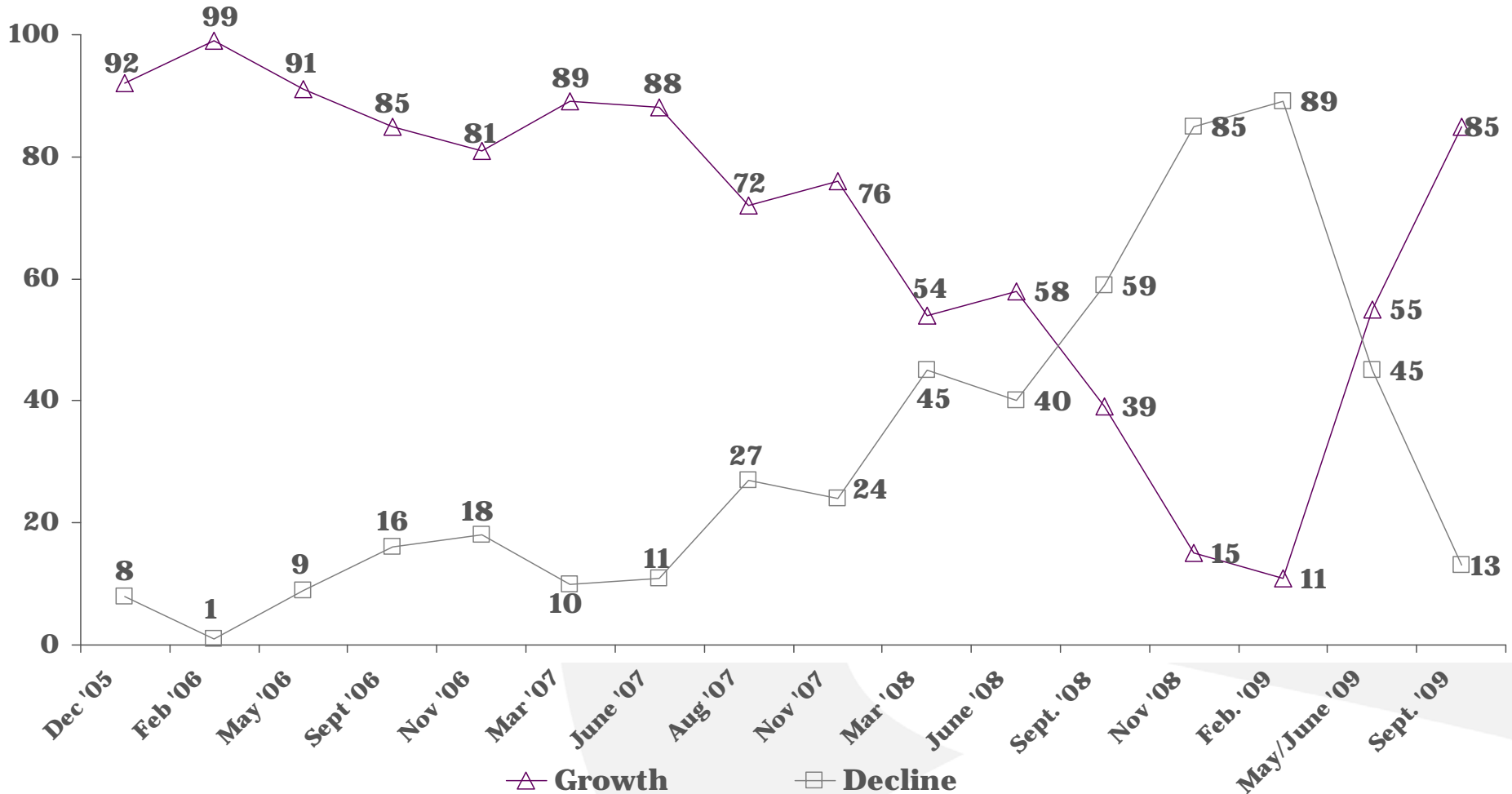
“What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”





# Expectations: Canadian Economy

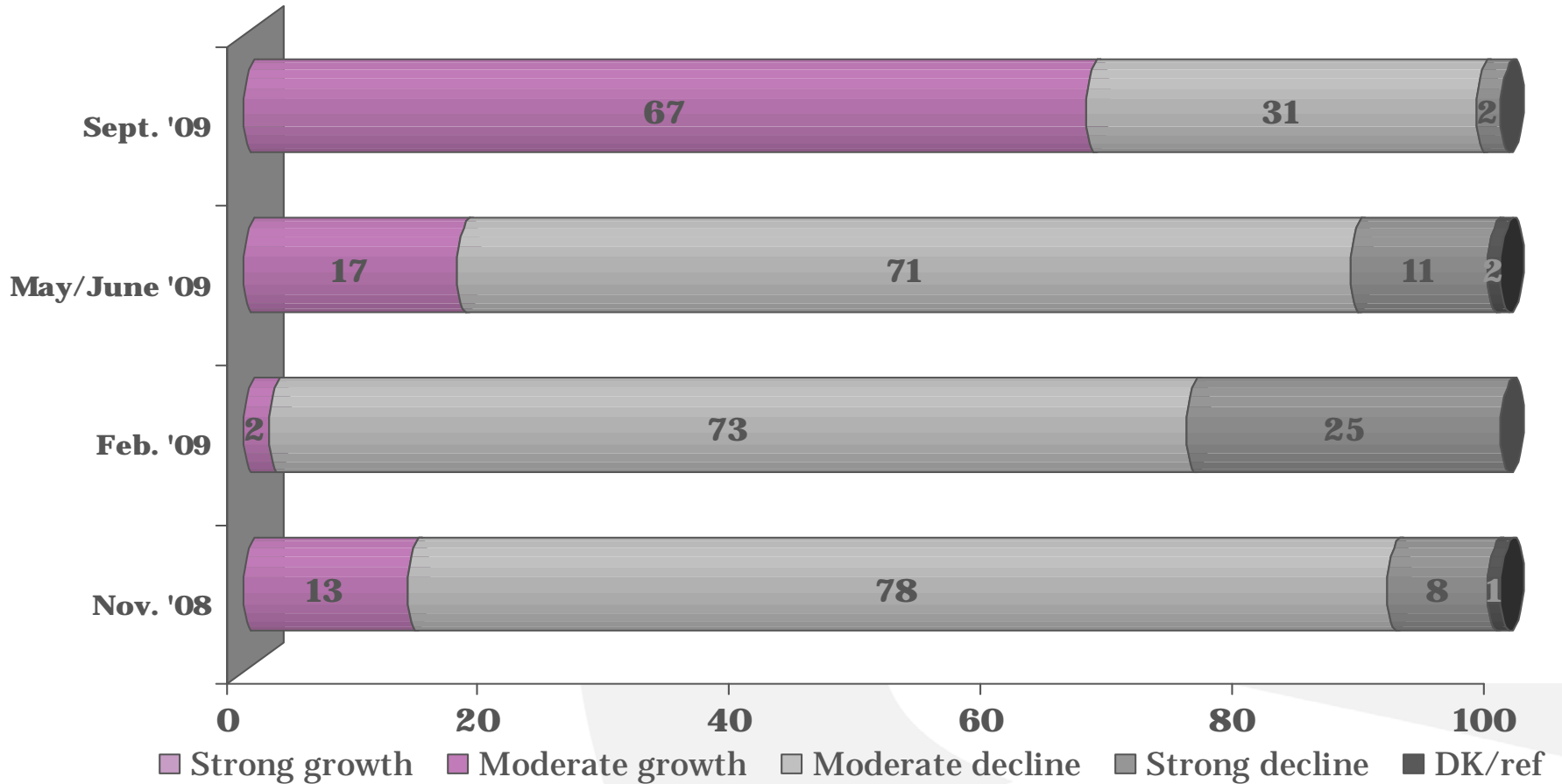
“What are your expectations for the Canadian economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”







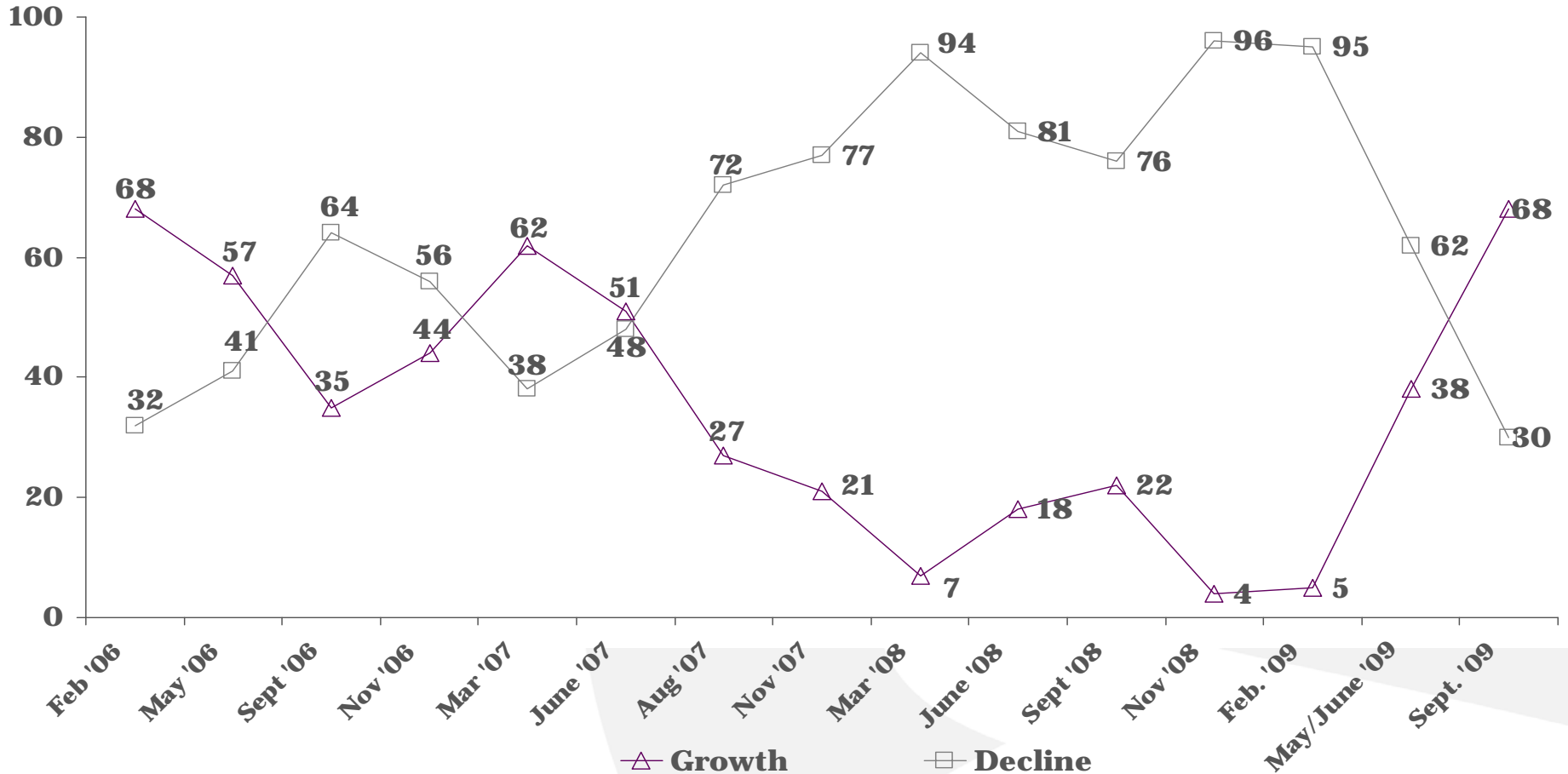
“Which of the following do you think best describes the Canadian economy at the current time - strong growth, moderate growth, moderate decline, strong decline, strong decline?”





# 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?”



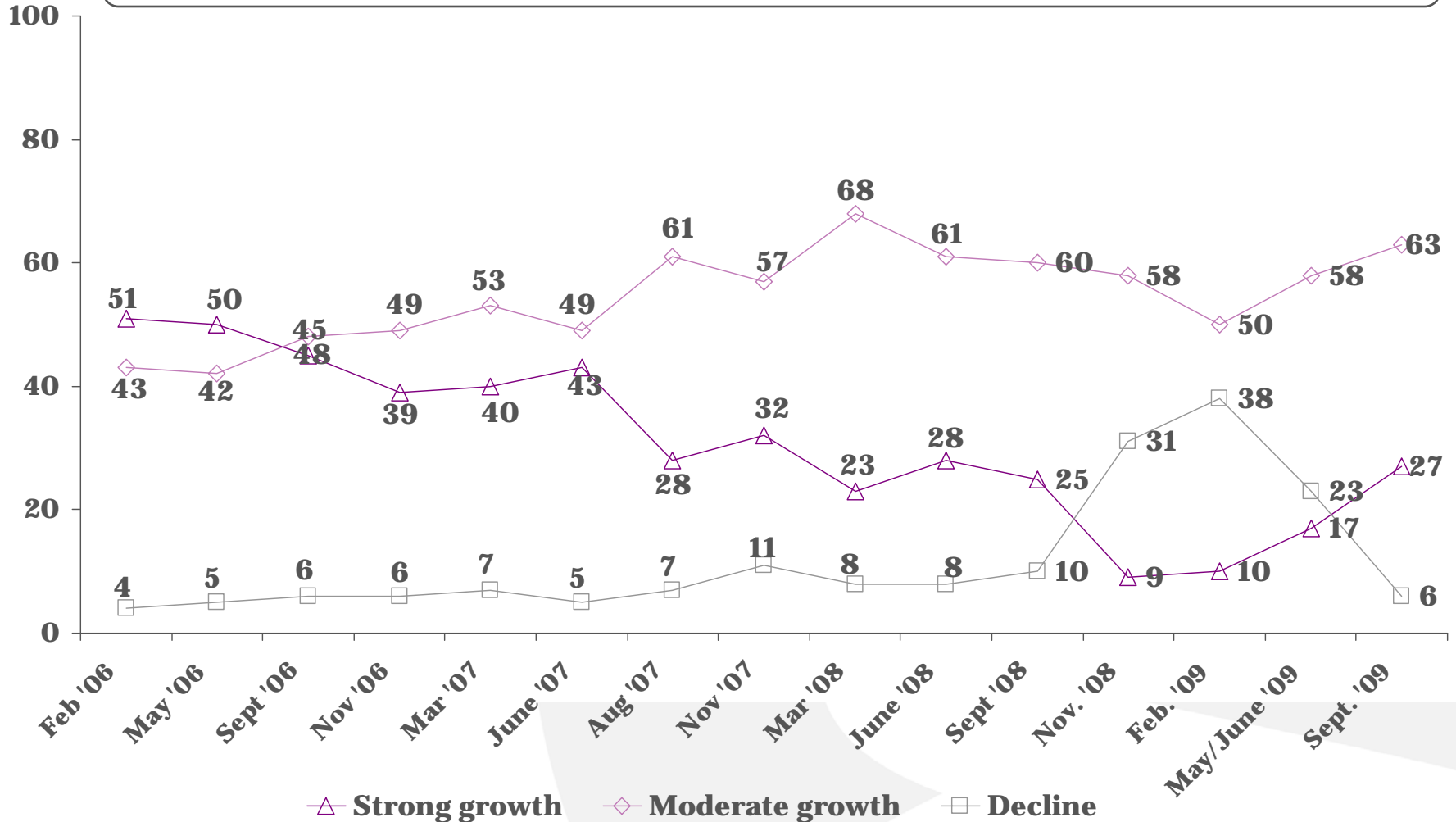


- ❑ Corporate expectations have returned to levels not seen in a year.
  - The vast majority expect their companies to grow - over a quarter expect strong growth.
  - Some manufacturers are still experiencing difficulty - this sector is less optimistic than the services or resources sectors.
  - Resources executives are more optimistic than others, much like last quarter.
  - Almost all Western and Ontario executives are predicting their companies will grow; however, Western executives are almost twice as likely to predict strong growth.



# Expectations: Company

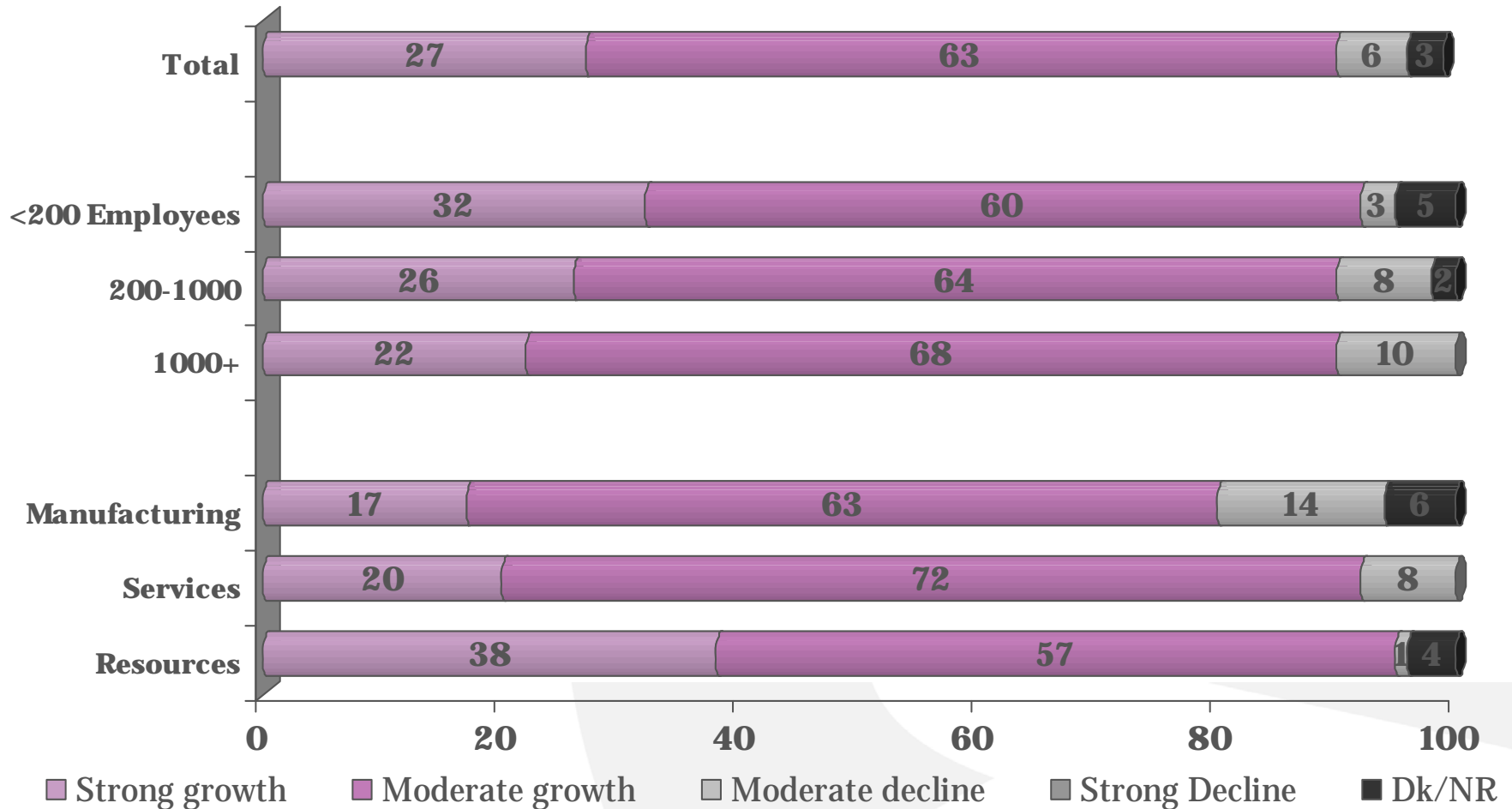
“What are your expectations for your company over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”





# Expectations: Company

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

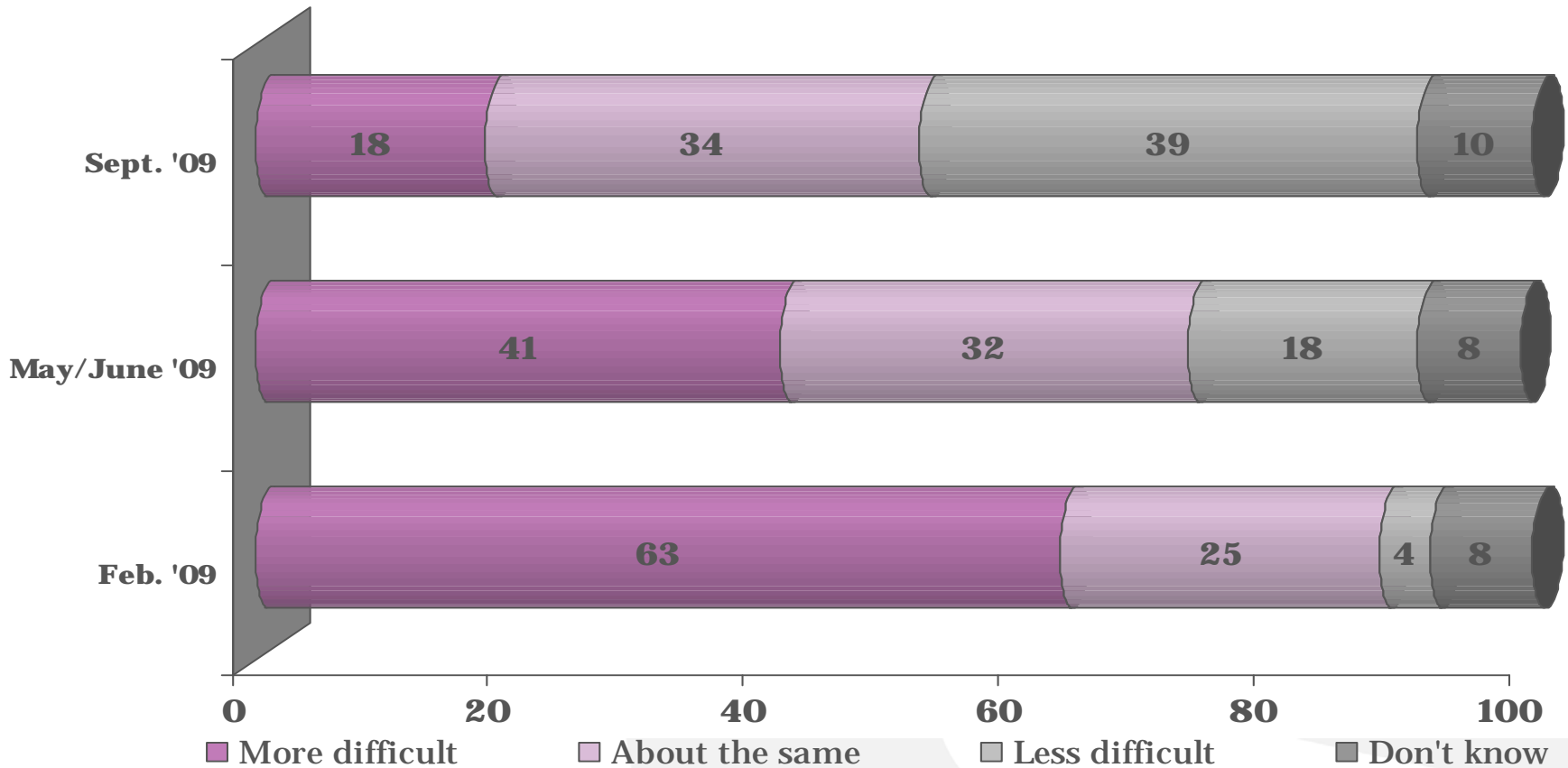




- ❑ Over the last six months we've seen a significant increase in numbers of executives reporting easier access to credit and financing.
  - Much of that change is due to responses from executives in the resources sector who had been reporting the most difficulty; last quarter, half said it had become more difficult, now they are more in line with other sectors
  - Ontario executives are most likely to say it became easier to access credit in the last three months and least likely to say it's become more difficult
  - That said, while more are reporting easier access to credit and financing, still roughly half say credit conditions stayed the same over the last quarter (34%) or worsened (18%)

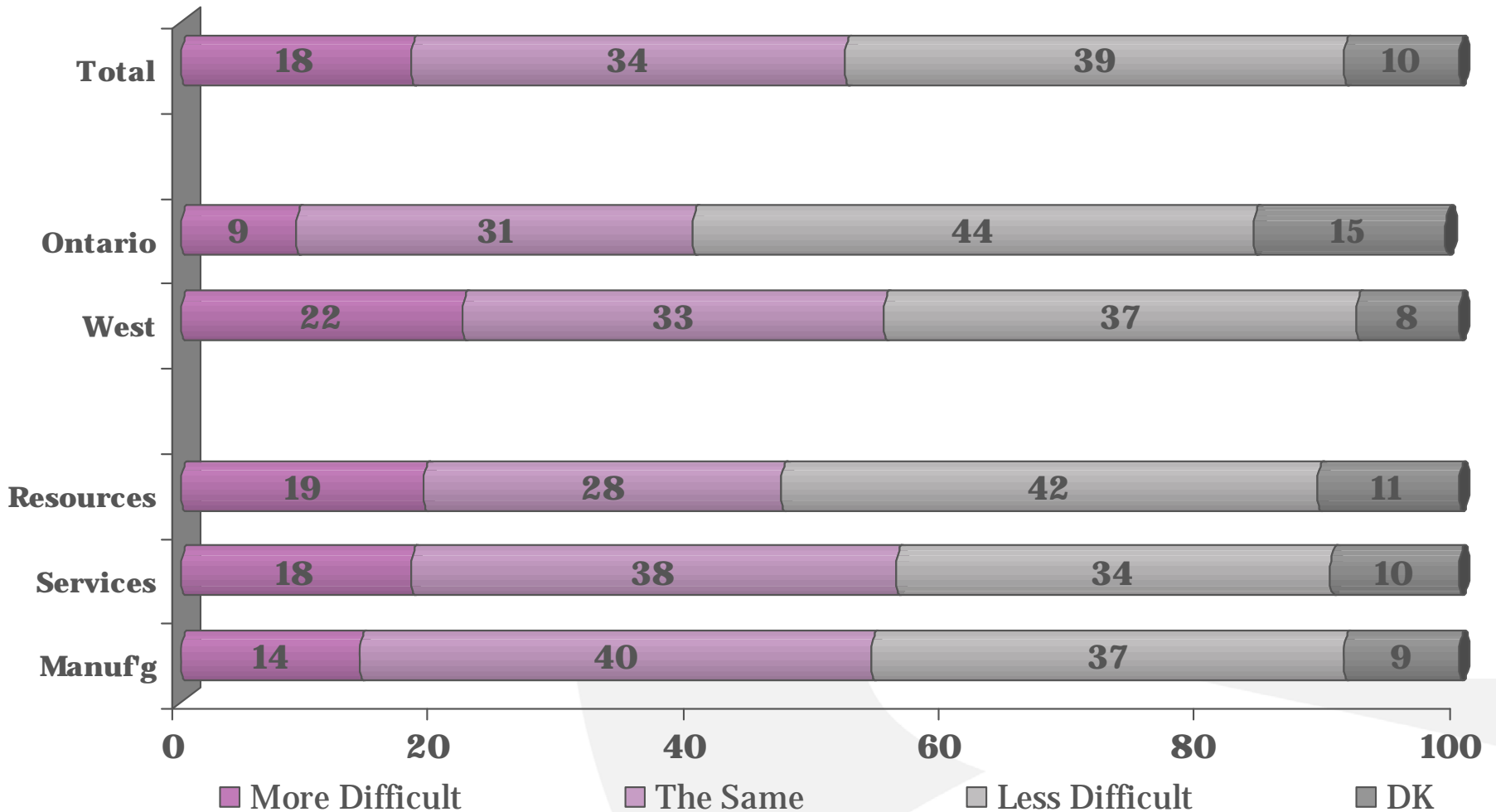


“Has it become more or less difficult to access credit in the last 3 months?”





“Has it become more or less difficult to access credit in the last 3 months?”







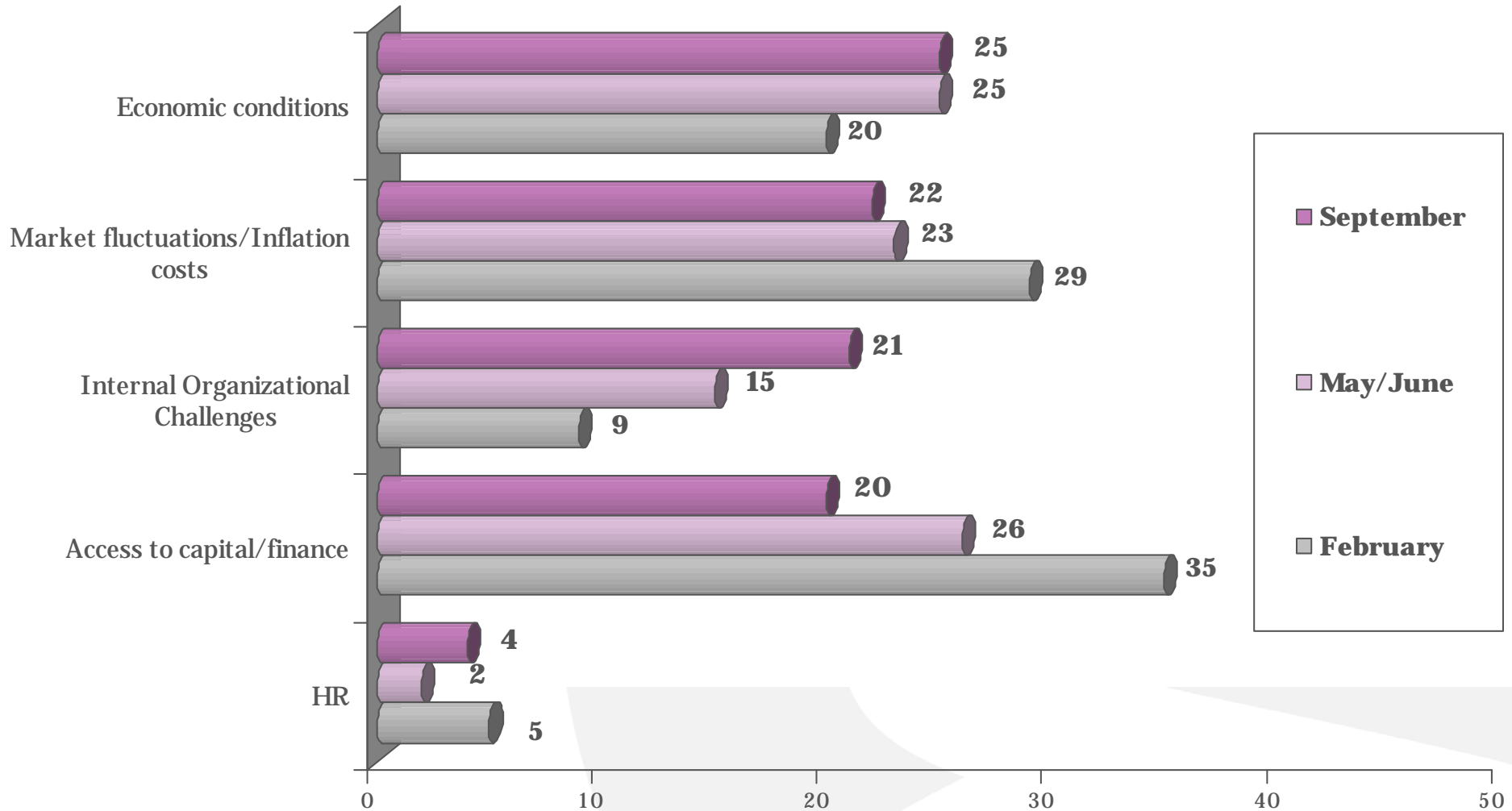
## Challenges facing Company

- ❑ As we saw last quarter, concern around access to capital is diminishing relative to other concerns.
  - The number who cite it as the top concern is down almost 20 points from 39% in our November 2008 survey.
  - Accessing credit had been among the top concerns of resources companies in previous quarters, but it has decreased among these executives.
  - Small companies are now most concerned with credit - 30% of those who employ 200 employees or less cited it as the top concern.
  
- ❑ Resources companies are far more concerned with market prices and fluctuations than the services sector and manufacturing, who are more preoccupied with the fundamental state of the economy.



# Challenges Facing Companies

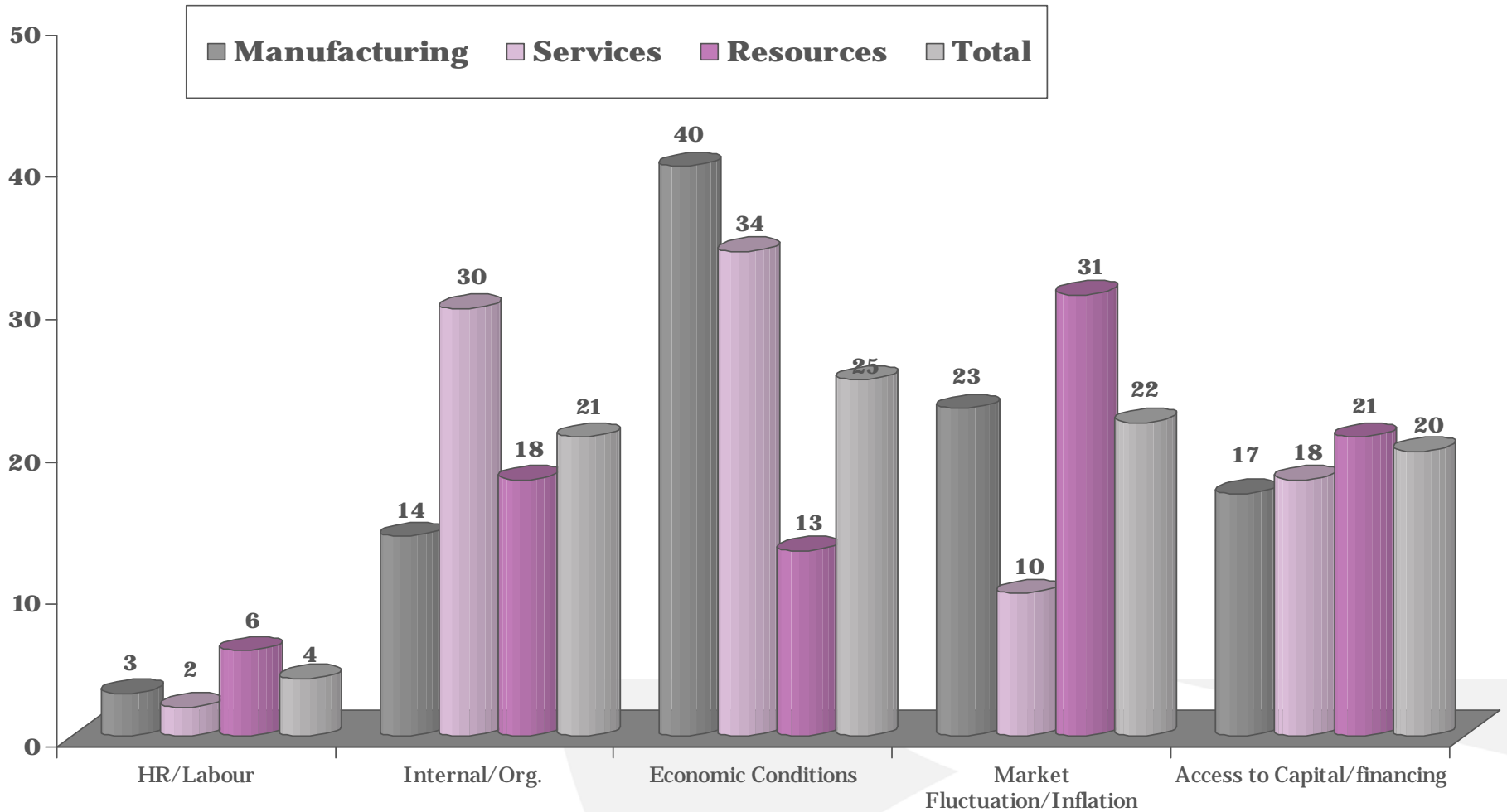
“What is the biggest challenge facing your company right now?”





# Biggest Issue Facing Company: Sector

“What is the biggest challenge facing your company right now?” SEPTEMBER 2009



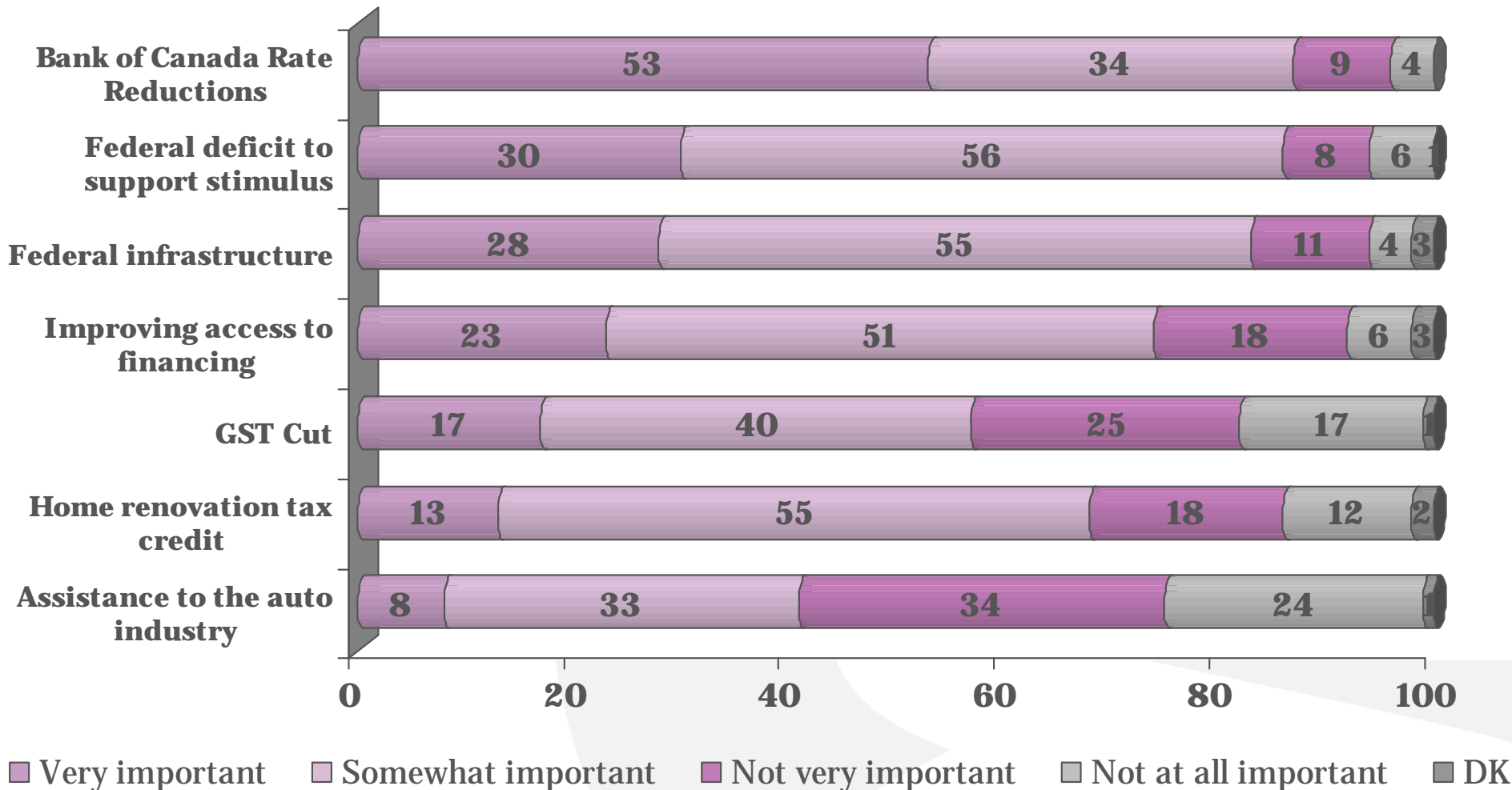


- ❑ The most important approach taken to stimulate economic growth has been interest rate reductions by the Bank of Canada.
  - This is more important than initiatives introduced by the Harper government.
  - Smaller companies are most likely to agree – a majority of those with companies that employ 200 or less (65%) said it's been very important.
  
- ❑ Infrastructure spending and deficit spending to support stimulus measures are also important, as has government's move to improve access to financing through the purchase of mortgages from the banks.
  
- ❑ Less important: the home renovation tax credit and GST cut.
  
- ❑ The least important of those tested was assistance to the auto industry.
  - Most disagree with the government's decision to assist GM and Chrysler, but agree with the decision not to assist Nortel.
  - Half of manufacturing executives said assistance to auto was important to improving economic growth.



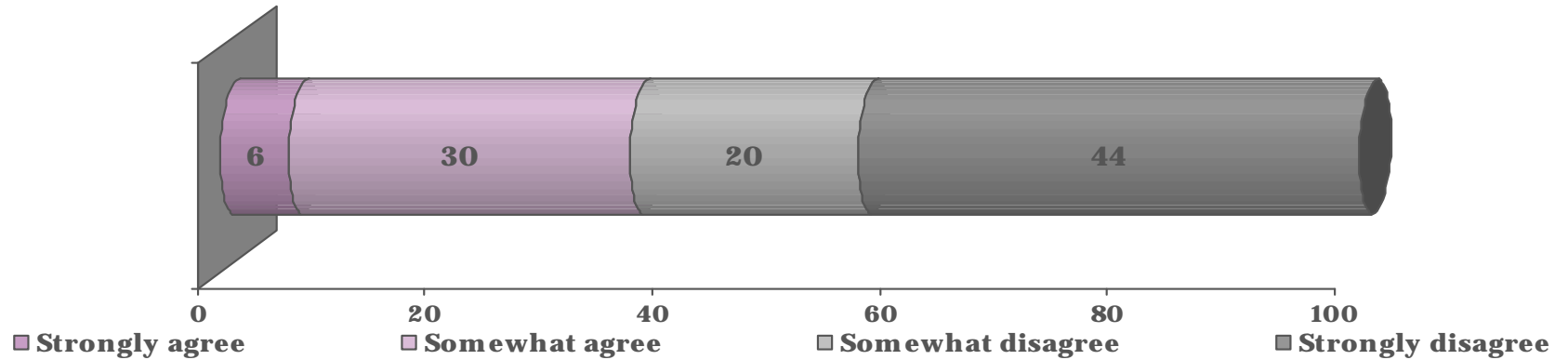
# Federal Economic Policy

“For the following list of government policies, can you please tell me how important each have been at helping to improve economic growth in Canada?”

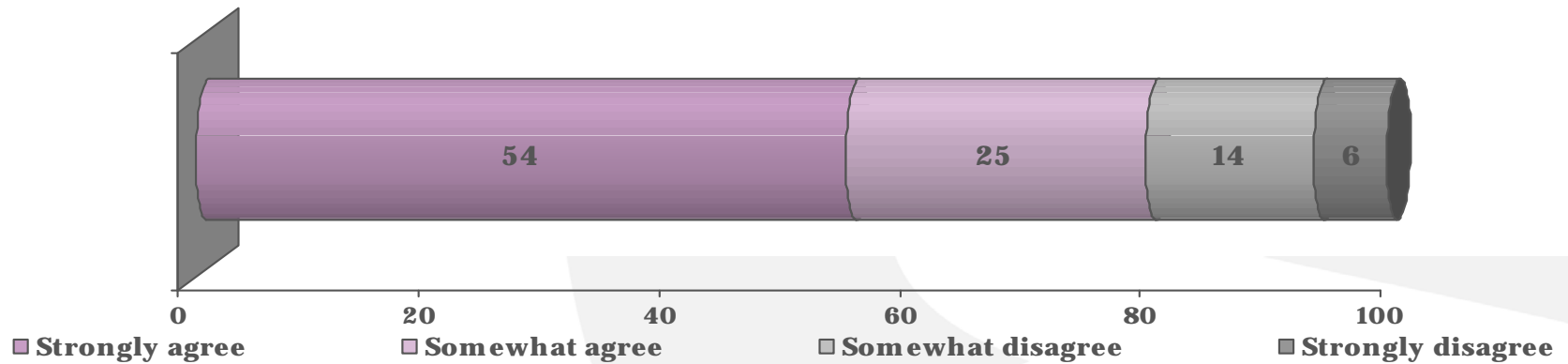




“Please tell us if you agree or disagree with governments’ decision to assist GM and Chrysler?”



“Please tell us if you agree or disagree with governments’ decision not to assist Nortel?”



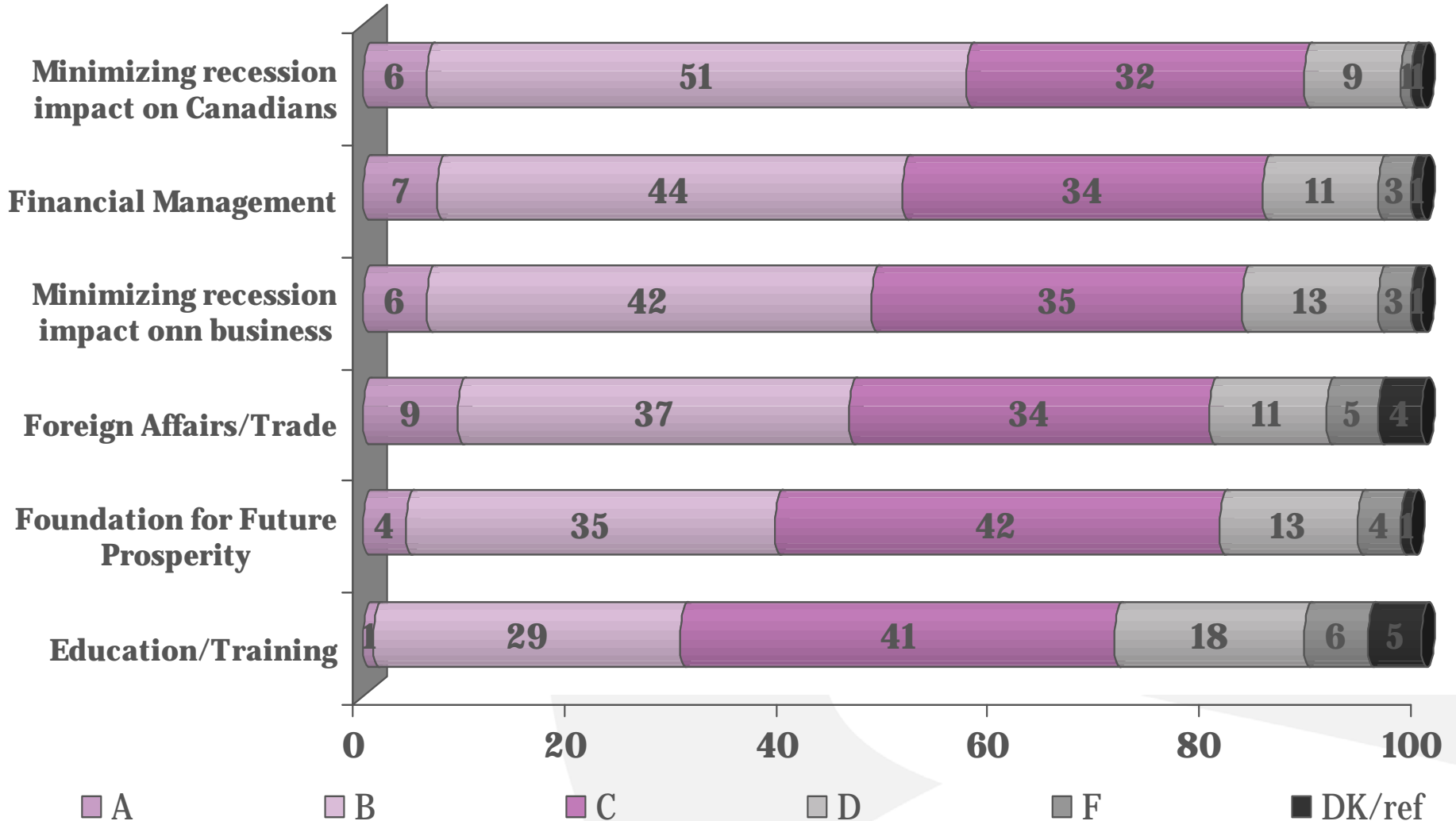


- ❑ The federal government gets passing grades from executives but few give it “A’s”.
  - The federal government gets mostly good grades in terms of efforts to minimize the impact of the recession on Canadians as well as for financial management.
  - The federal government gets just passing grades when it comes to laying the foundation for future prosperity and education and job training.
- ❑ The vast majority of decided, eligible voters in our survey would vote for Stephen Harper’s Conservatives.
  - 67% of all executives would vote for the Conservatives, 13% for the Liberals and 14% are undecided.
  - 65% of Ontario execs would vote Conservative, as would 77% of Westerners.
- ❑ Minister Flaherty’s confidence and favourability ratings are up
  - To some extent his approval may grow with the economy - a majority of those who believe the economy is growing have a favourable view of the Finance Minister.



# Federal Economic Policy

“What grade would you give the federal government in the following issue areas?”

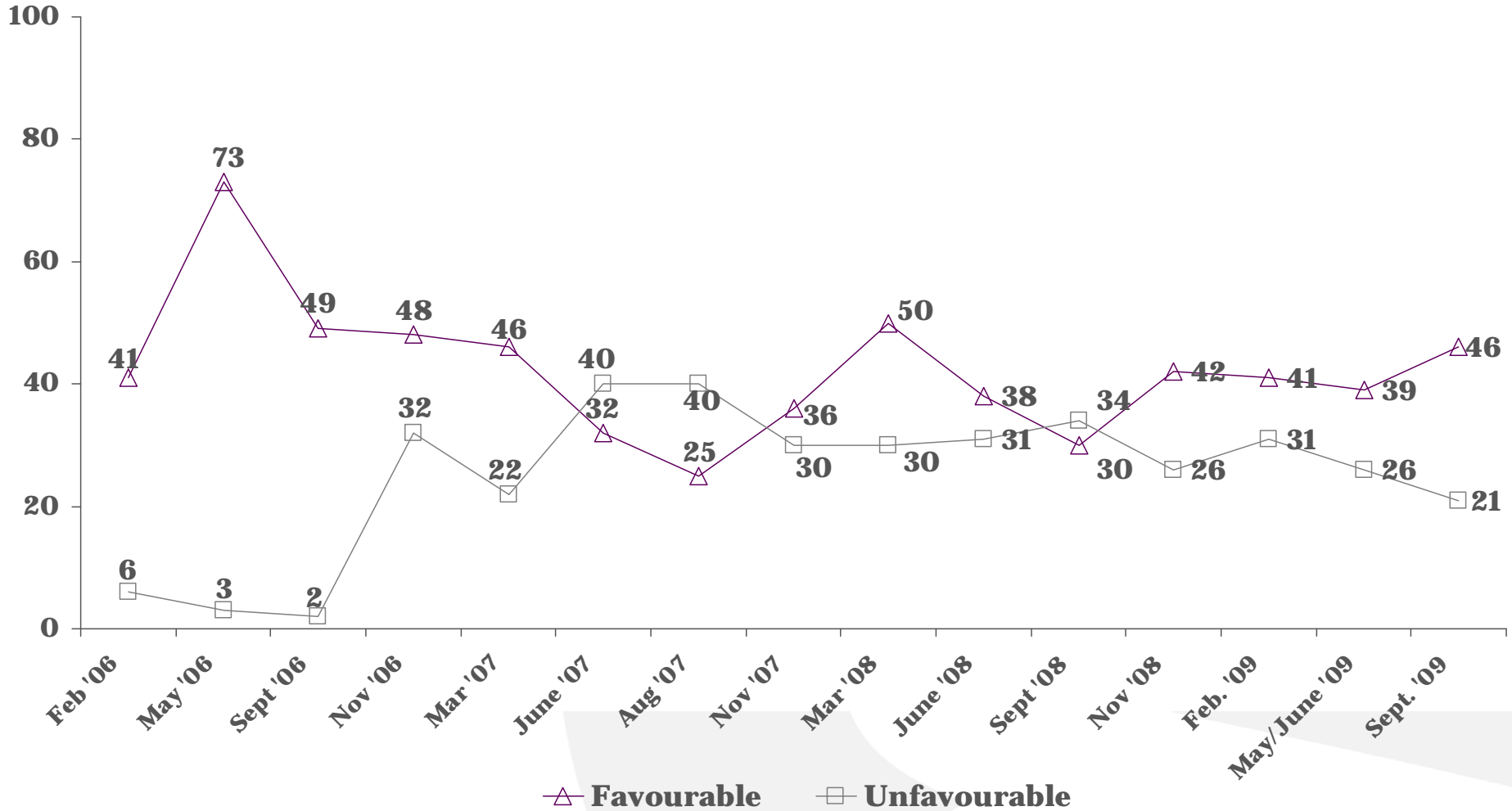






# Impressions of Minister Flaherty

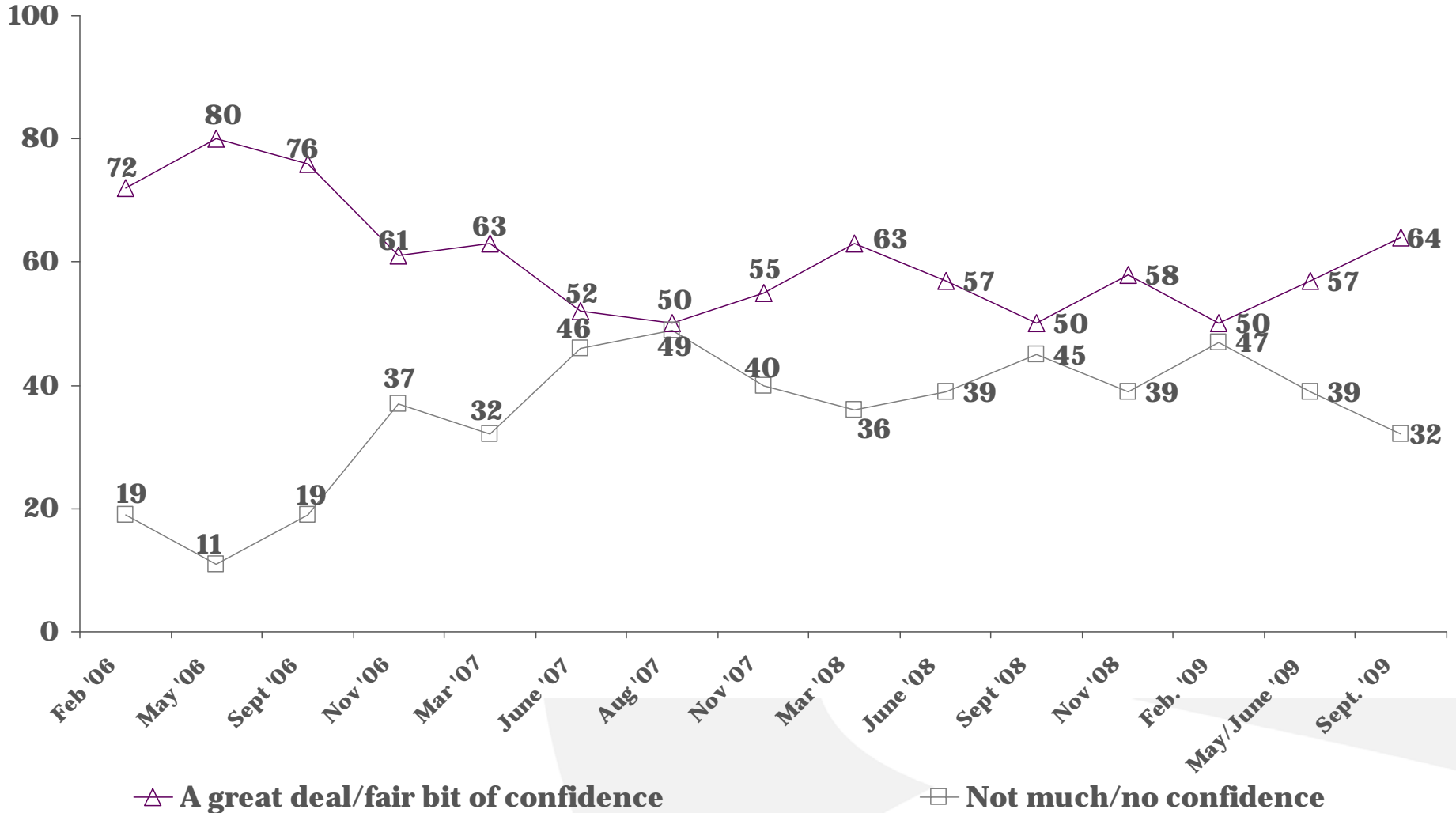
“How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?”





# Confidence in Minister Flaherty

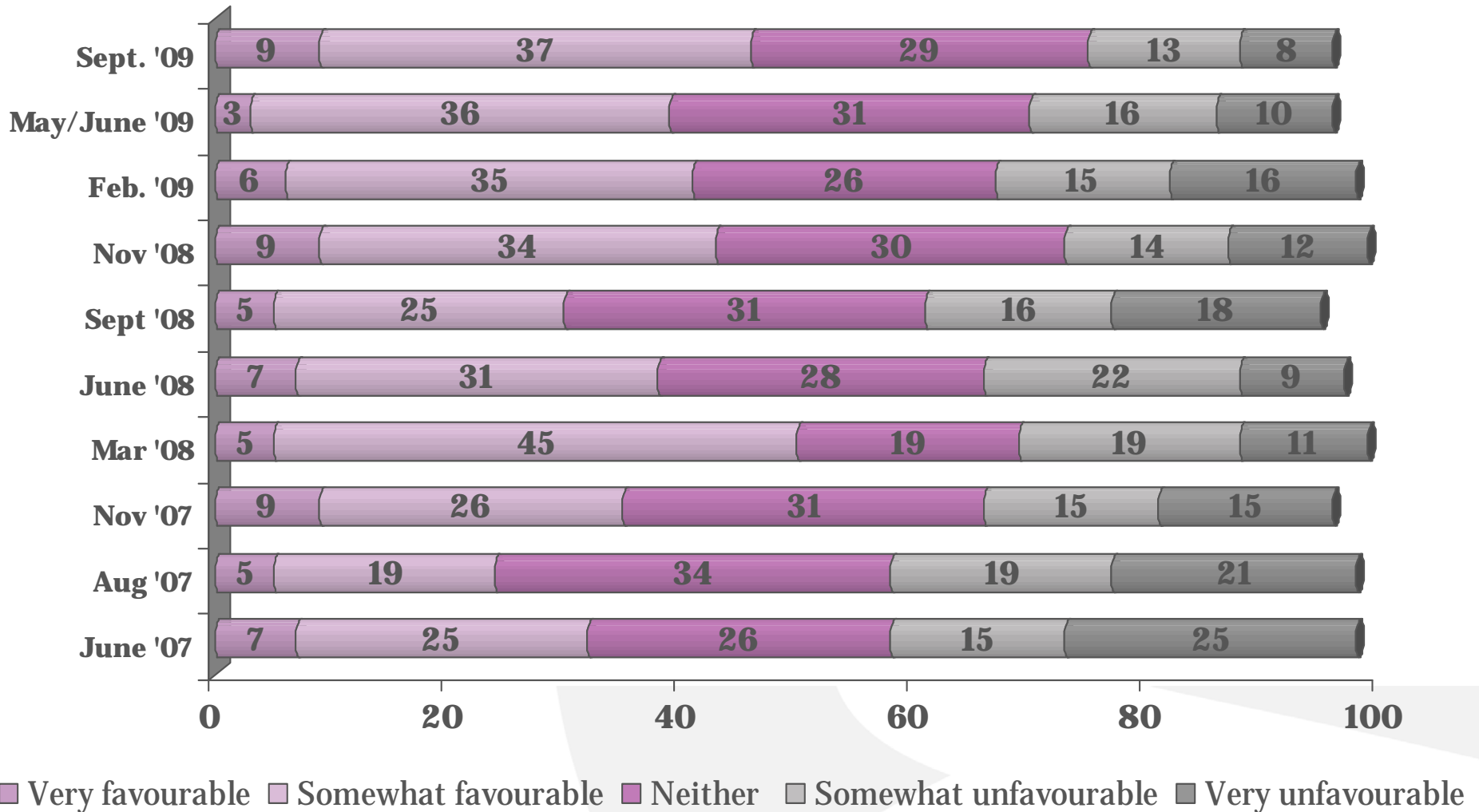
“How much confidence do you have in Finance Minister Flaherty’s management of the economy?”





# Impressions of Minister Flaherty

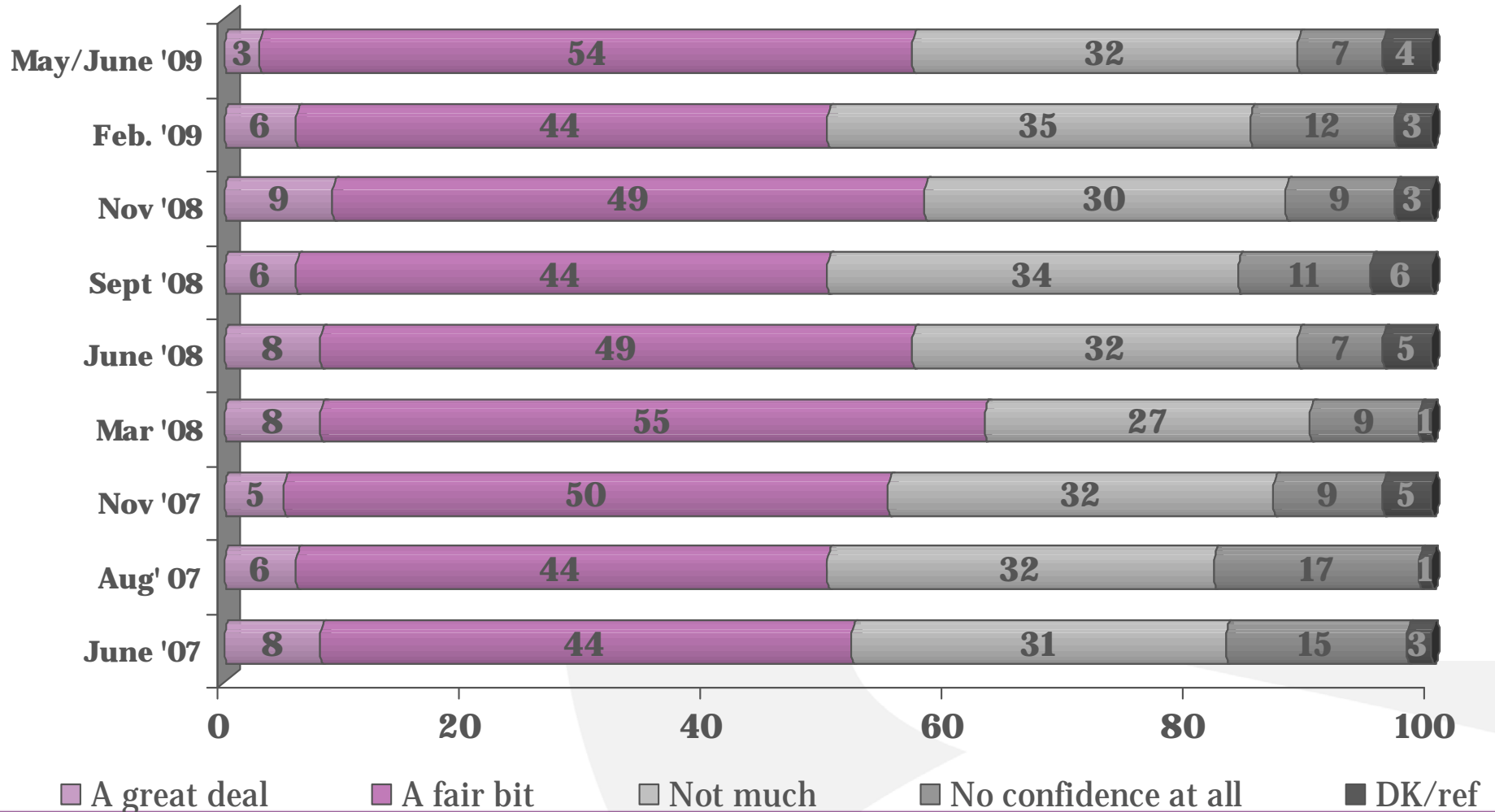
“How favourable or unfavourable is your impression of Jim Flaherty in his role as Minister of Finance?”





# Confidence in Minister Flaherty

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

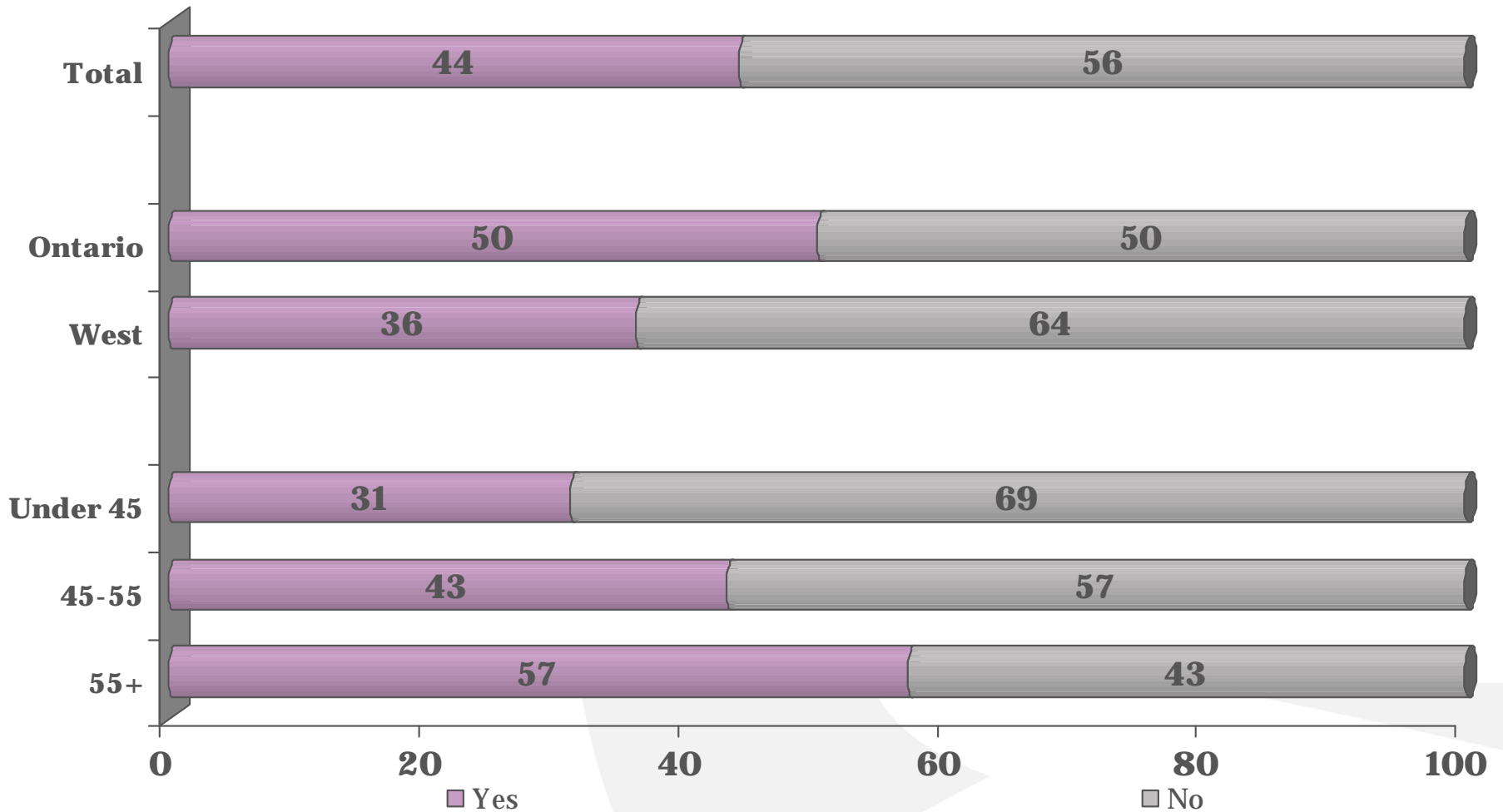




- ❑ Just under half of executives said their company has a pension plan for its employees.
  - Manufacturers are more likely to offer pensions than services or resources companies, as are larger employers compared to smaller and medium-sized companies.
  - There is an apparent generational shift as older executives are far more likely to work for a company that offers a pension for its employees.
  
- ❑ Of those who do offer a pension, most provide a defined contribution plan and a group RRSP – only a third offer a defined benefit plan.
  - Among all employers with pensions, most say it's unlikely they will reduce benefits or increase contributions in the next year. Very few have decreased benefits in the past five years.
  - Unlike small/medium-sized companies we surveyed, most large employers in the survey offer DB plans.
  - Those who offer a DB pension, most say their plan is in surplus.

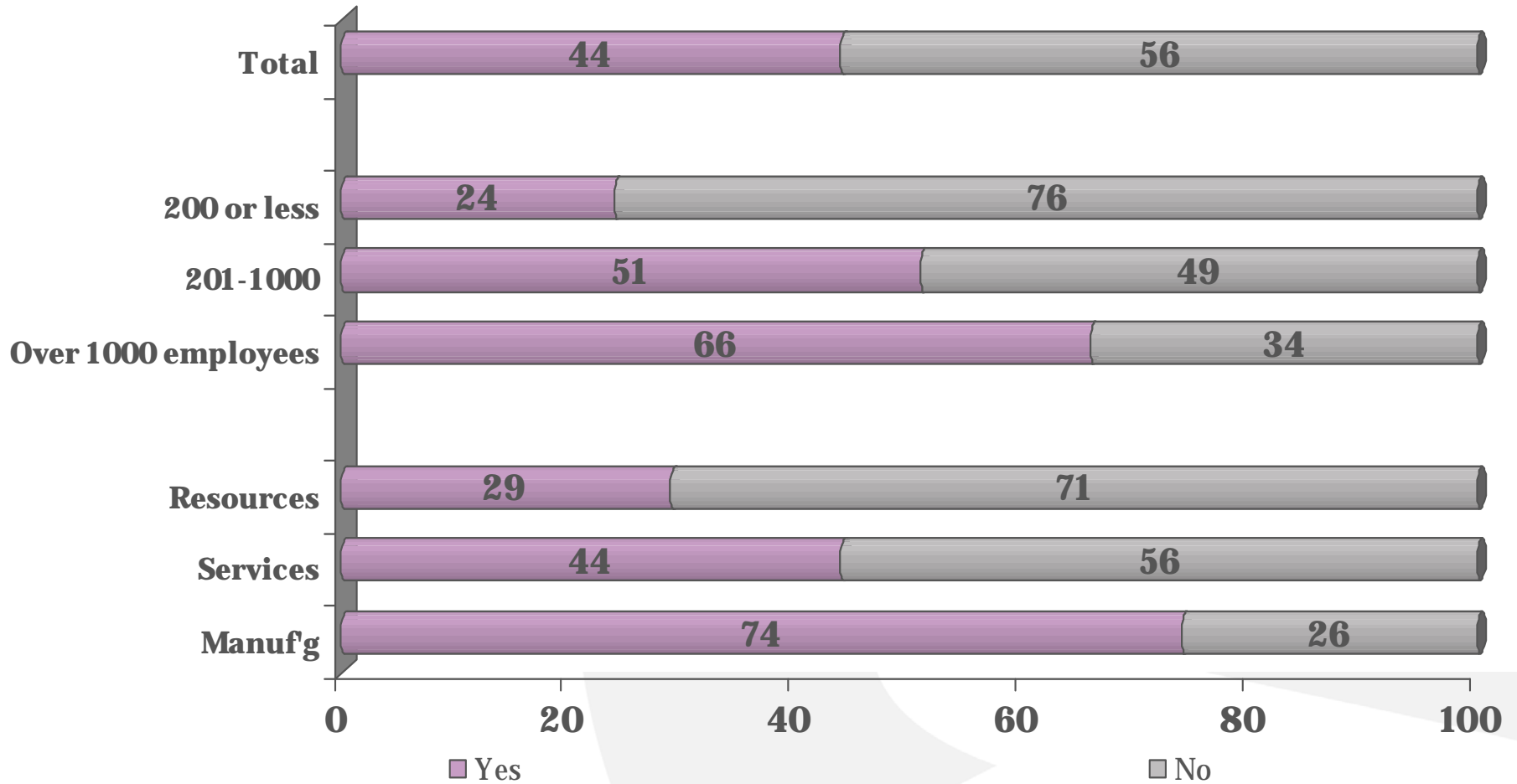


“Does your company have a pension plan for its employees?”



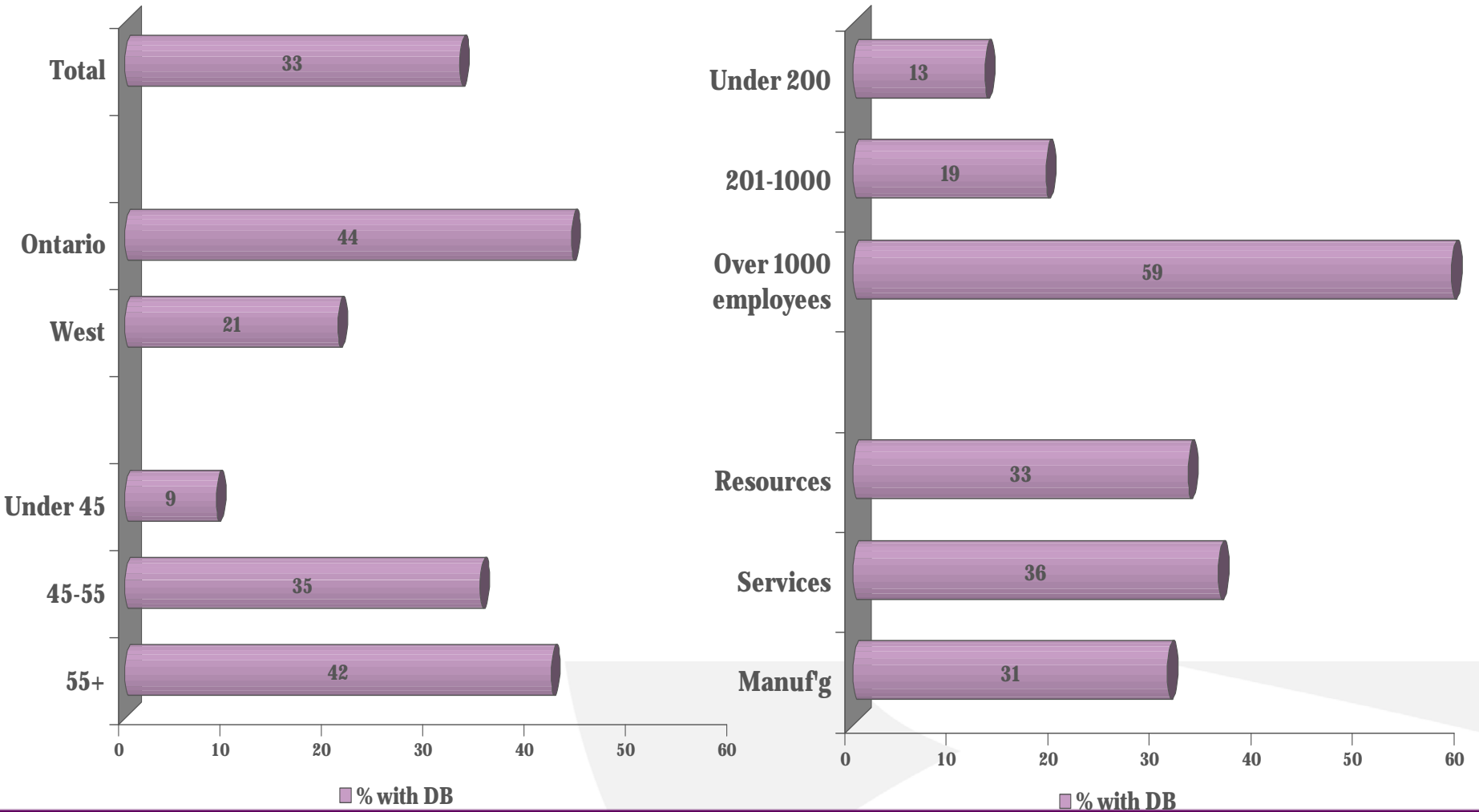


“Does your company have a pension plan for its employees?”





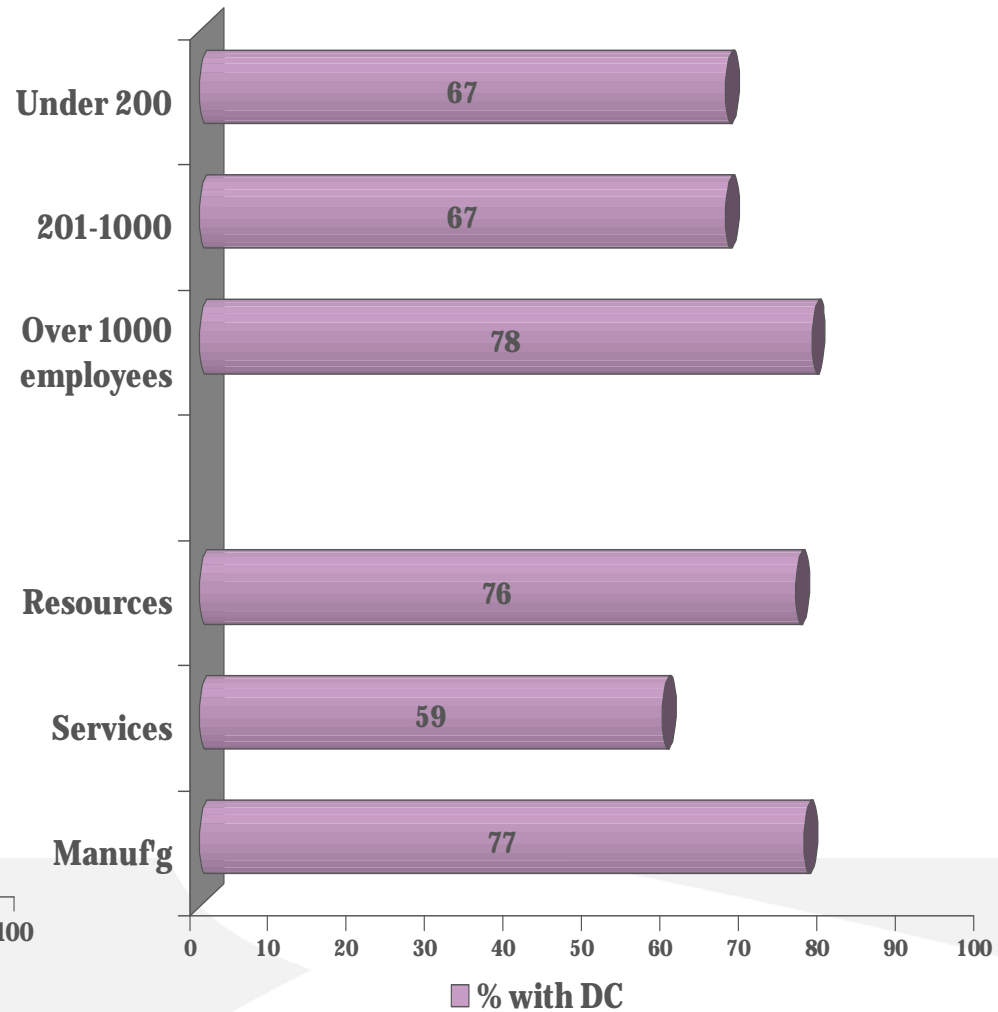
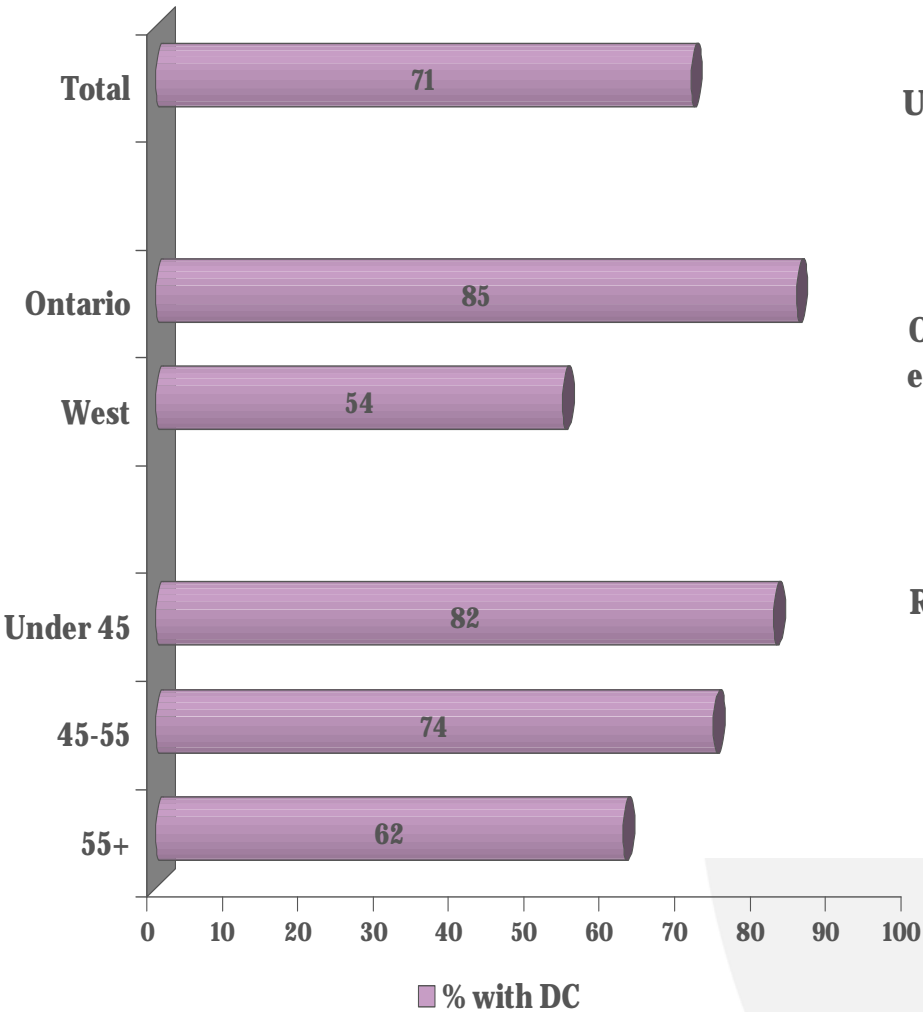
“What type of pension plan do you offer? A Defined Benefit Plan?” (Those that offer a pension - n=69)





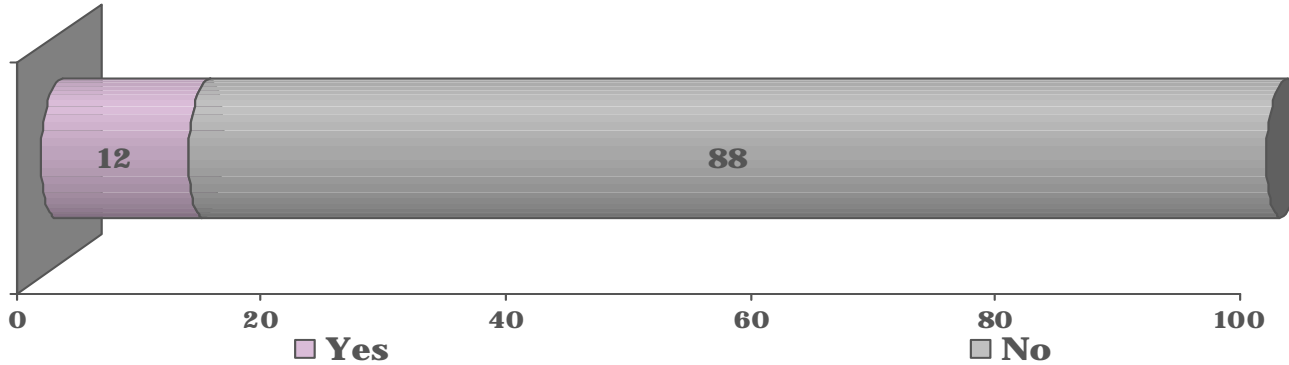


“What type of pension plan do you offer? Defined Contribution?” (To those that offer a pension - n=69)

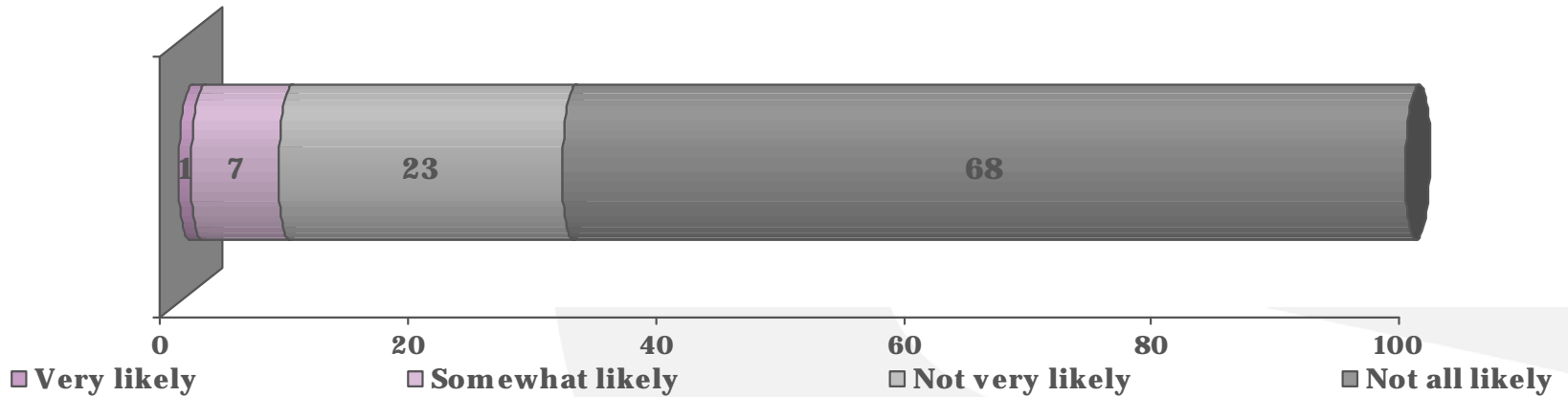




“Has your company reduced pension benefits in the last five years?” (n=69)

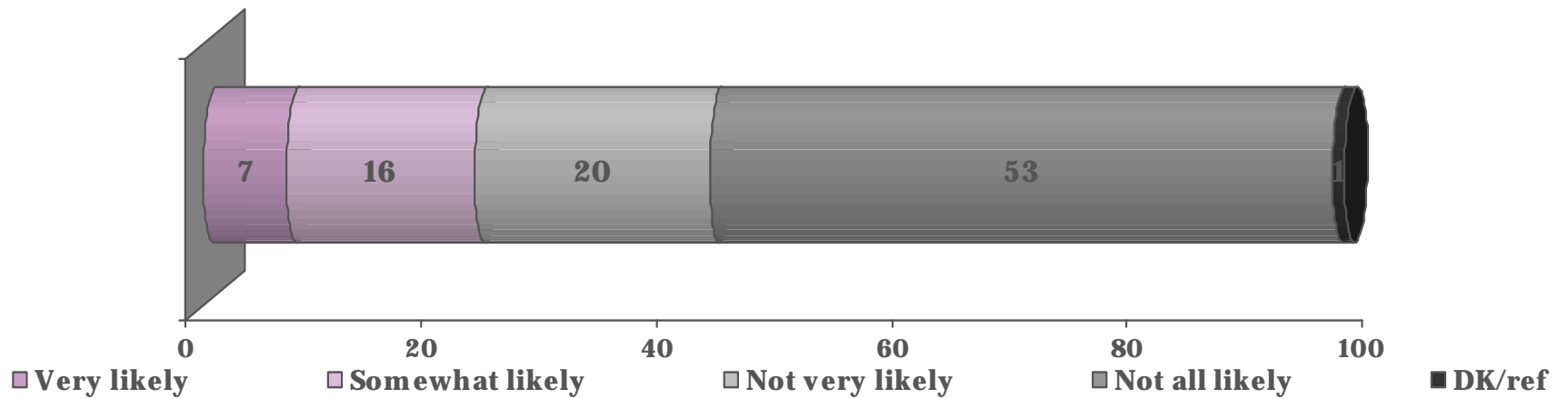


“How likely is it that your company will reduce pension benefits in the next year?” (n=69)





“How likely is it that your company will increase pension contributions in the next year?” (n=69)

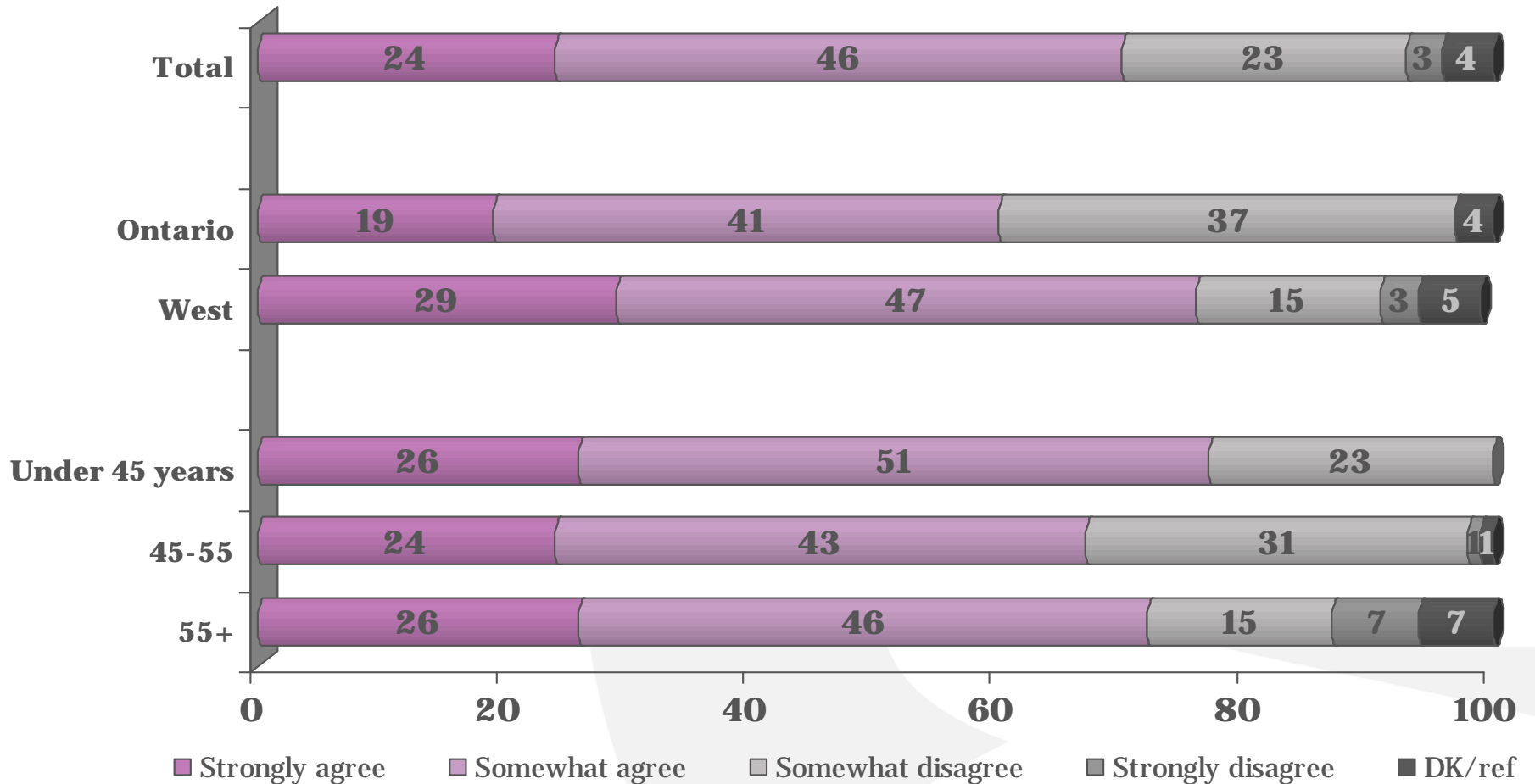




- ❑ The majority of executives surveyed believe there's a pensions crisis in which people working today will not have enough to live on in retirement.
  - There is very little difference in terms of how different age groups in our survey responded on this question.
  
- ❑ The vast majority believe DB plans are no longer affordable for employers.
  
- ❑ Yet a majority says DC plans will not offer enough income security to retirees and that DB plans are better for employees.

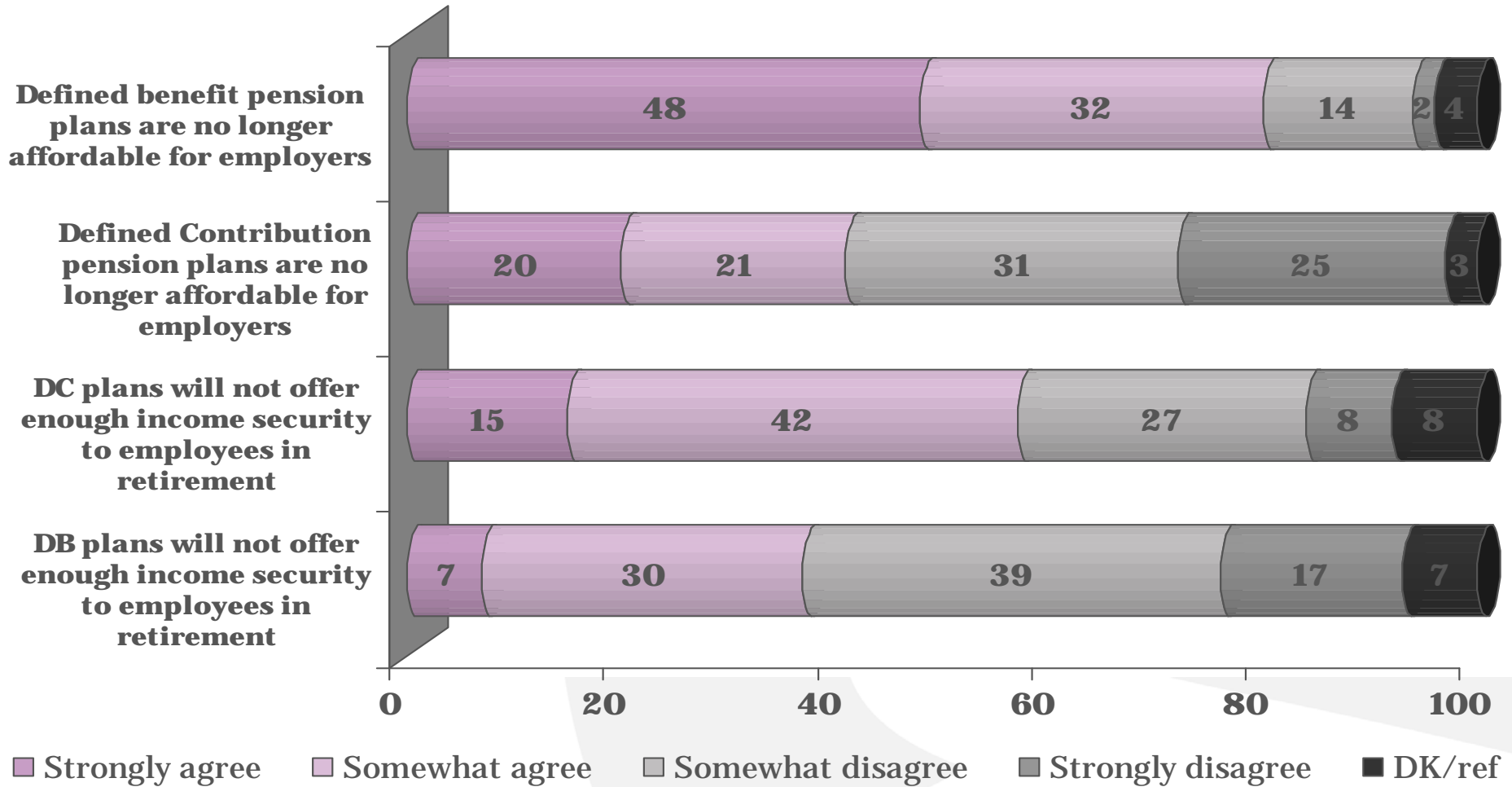


“Our pensions system is facing a crisis in which people working today will not have enough to live on in retirement.”



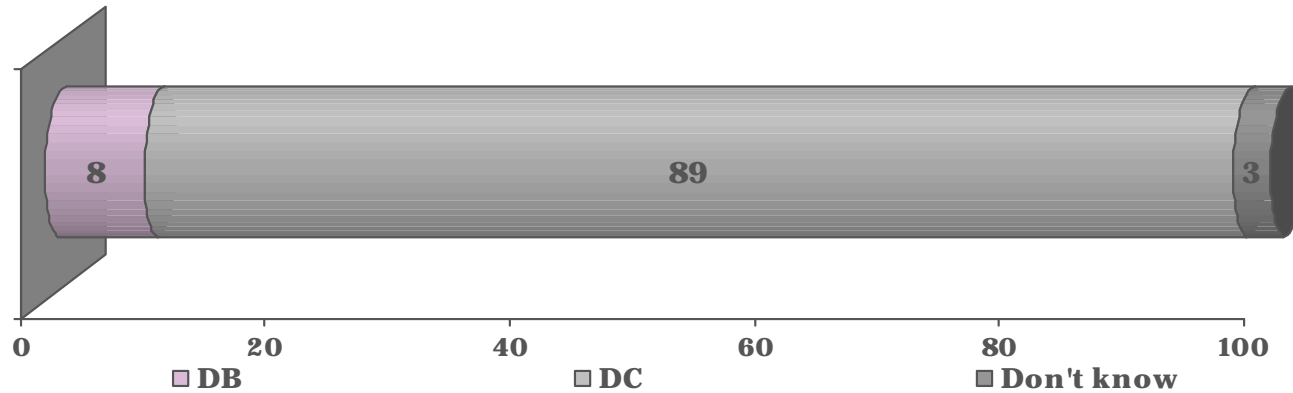


“The following are statements about pensions. For each, please tell us if you agree or disagree.”

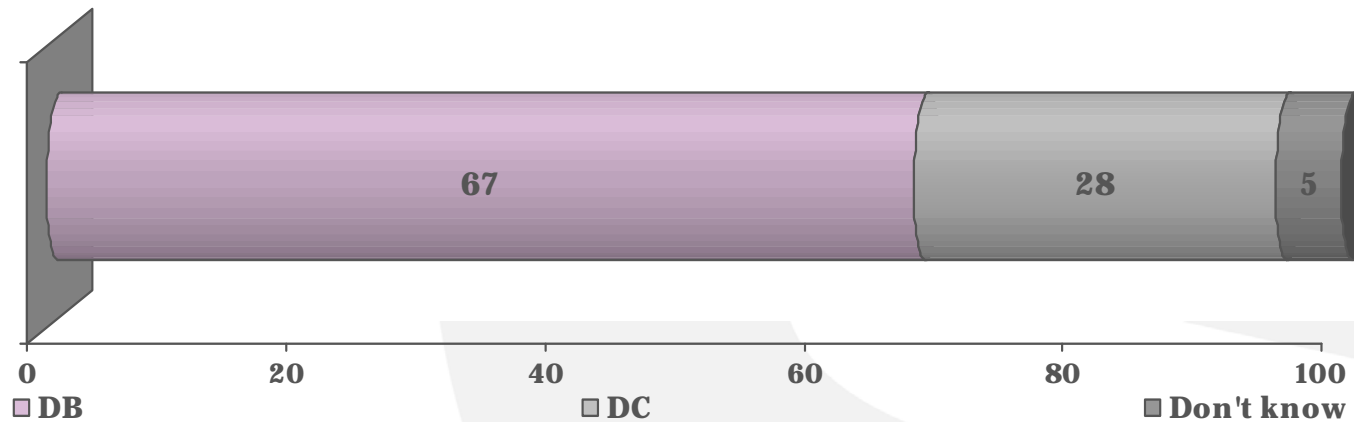




“Between DB plans and DC plans which would you say is better for employers?”



“Between DB plans and DC plans which would you say is better for employees?”





- ❑ Of those who said the pensions system is in crisis, almost all – 86 percent – are looking for government to play a role.
  - 71% believe it's an issue for both government and employers to address.
  - 15% said government is most responsible – 10% said employers.
  
- ❑ A majority of all executives surveyed don't believe federal or provincial governments should create a plan for those without workplace pensions or group RRSP's.
  - Even those who believe the pension system is in crisis are not significantly more likely to support a new government plan.
  - Executives aged 45-55 are somewhat more likely than younger and older executives to support a new federal plan – 42% of them support this.





- ❑ The pension reform executives most strongly support is a reduction in the tax burden on contributions corporations make to pensions.
- ❑ They also support giving employers more time to fund shortfalls.
- ❑ A majority agree that employees' pension claims should rank higher than they do currently in bankruptcies.
  - Western executives support this most strongly.
  - Smaller companies are more wary of this – they are somewhat less likely to agree with this proposal.
- ❑ Most disagree that corporations should be allowed to withdraw surpluses.
  - Executives with the largest companies (1000+ employees) are most likely to support this measure – almost half do.



# Pension Reforms

“The following are statements about pensions. For each, please tell us if you agree or disagree.”

