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The 44th Quarterly C-Suite Survey

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- ❑ Methodology: telephone interviews with 157 C-level executives from ROB1000-listed companies between September 7 & October 3, 2016.
- ❑ This quarter's survey asked the C-Suite about:
 - The state of the Canadian economy
 - The implications of Brexit on Europe & Global Business
 - Prime Minister Trudeau's visit to China
 - International trade including the Canada-China trade relationship
 - Assessments of the new federal government's performance at the 1-year mark



- ❑ Few in the C-Suite are very worried about “Brexit”. Most think there will be a somewhat negative impact on the European economy as a result of the majority vote in Britain in favour of leaving the EU few said the impact would be very negative.
- ❑ It’s important to note that North America and to a lesser extent Asia, are significantly more important markets for most in the C-Suite than Europe. Few said Europe or the UK was an important market for their business.
- ❑ While Brexit *per se* is not a top concern, the fate of Europe and political developments more broadly are an important concern.
- ❑ A majority (57%) agreed it is likely that more states will vote to leave the EU in the near future.
- ❑ Forty-two percent expect the political environment for business in Europe will worsen over the next five years.
- ❑ Almost as many believe the political environment for business in the US will worsen over the next five years. Some were unsure what to predict while 24% actually expect the political situation to improve in the US.
- ❑ The key is that most of the C-Suite is very or somewhat worried about the implications of politics on free trade and trade agreements. Executives are in fact more concerned about this issue than about ongoing concerns around Europe’s banking system or a possible correction in equities markets.



- ❑ Much of the discussion about the recent visit by Prime Minister Trudeau to China focused on the importance of a “reset” in Canada-China relations.
- ❑ While most agreed the trip was important, fewer agreed that the outcomes of the visit alone were positive.
- ❑ Many do not think the Trudeau-Liberal government is better or worse off than the Harper-Conservative government when it comes to advancing Canada-China relations.
- ❑ In fact, most are not worried about Canada’s competitiveness in the Chinese market.
- ❑ Most think relations with China have been about as good as could be expected for a country like Canada.
- ❑ Most think Canada is doing somewhat well when it comes to trading with China; only 37% said it’s doing poorly.
- ❑ Most support pursuing a free trade agreement with China, with the caveat that there should be limits on Chinese state-owned business investment in Canada’s strategic assets.
- ❑ Another reason for the muted enthusiasm about Trudeau’s visit is the inherent division of opinion in the C-Suite about his government. Many either approve of the government’s performance or are indifferent to how it its performed at the one-year mark. Roughly one in three strongly disapprove of the Trudeau government’s performance to date. Fifty-three percent believe the government has met or exceeded expectations, while 45% said the government has fallen short of expectations.

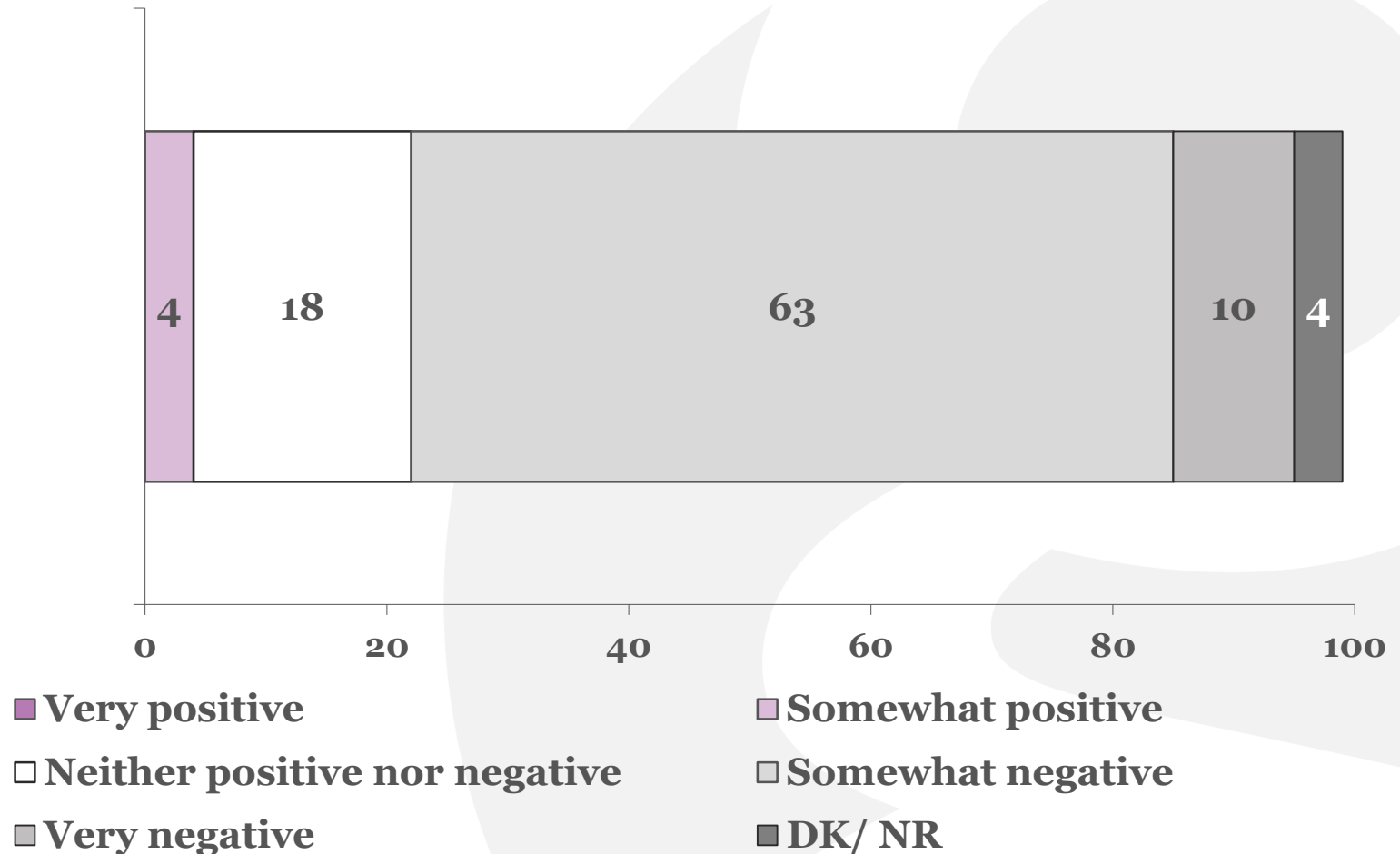


- ❑ Few in the C-Suite are very worried about “Brexit”.
 - One in ten believes the Brexit vote will have very negative repercussions for the European economy; most think the impact be somewhat negative.
- ❑ When asked about the implications of Brexit for businesses globally, the C-Suite was most likely to mention that it will have an impact on trading patterns or mean global economic instability/uncertainty.
- ❑ One in four believes there will be no implications or impact on business trends globally.
- ❑ It is important to note that only 17% said Europe is a very important market for their business.
 - Indeed Europe is less important to businesses than China (25% very important) and significantly less important than the North American market (55% saying the US is very important).
- ❑ Most agreed more states are likely to leave the EU in the near future.



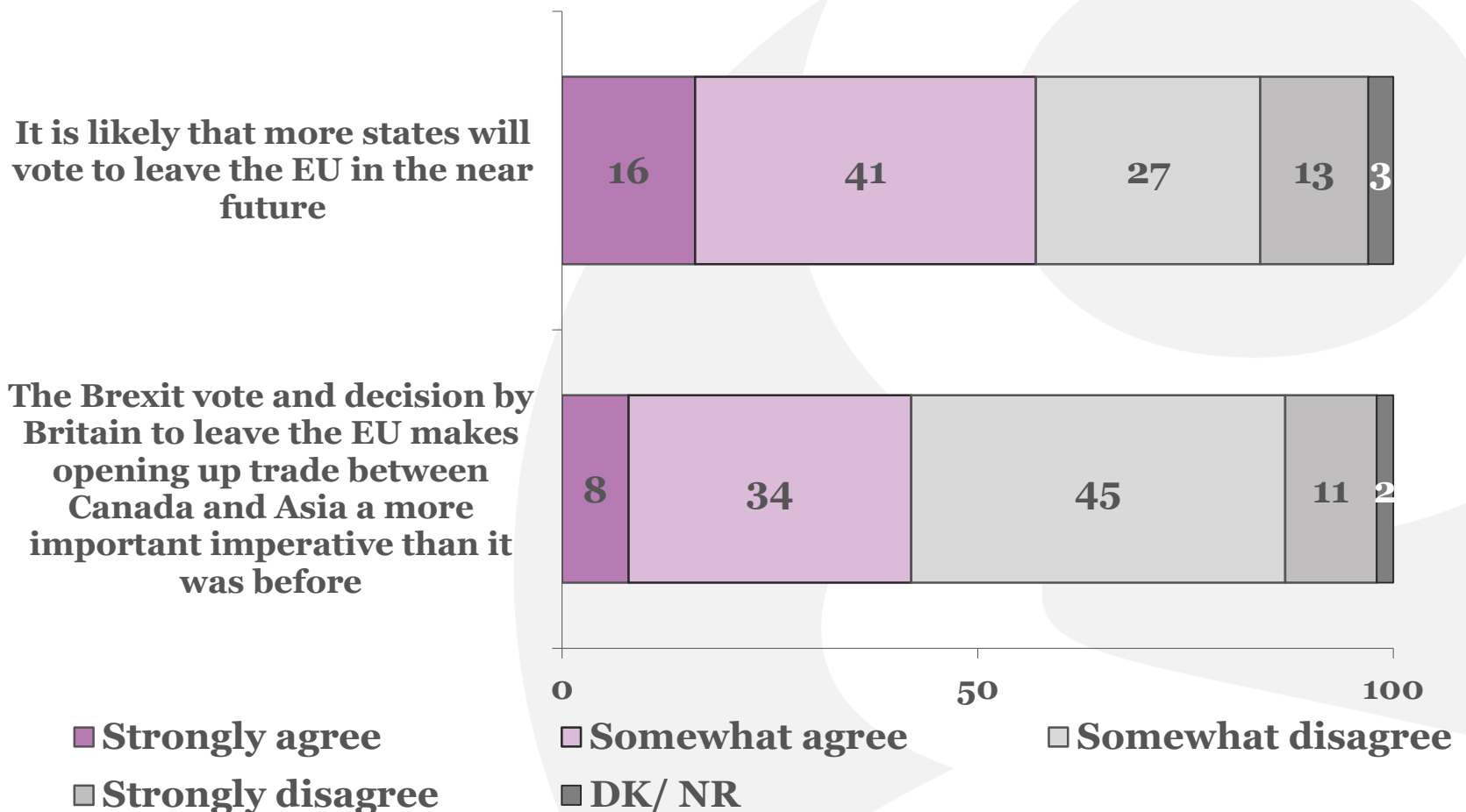
Impact of Brexit on European Economy

In the referendum held last June the majority of Britons voted to leave the European union. What impact will that decision have on the European economy?



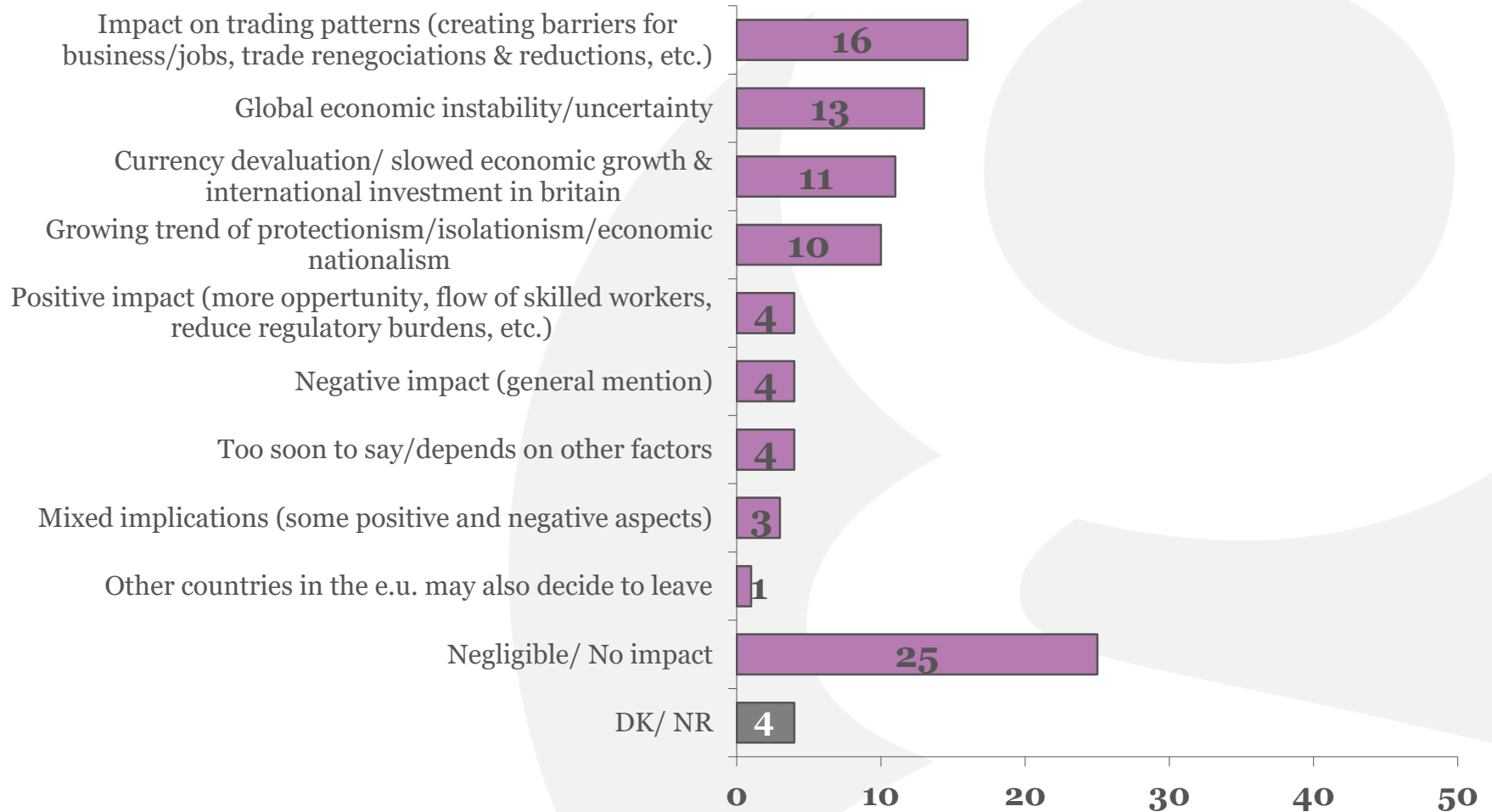


I'm going to read a few statements about international trade, and I would like you to tell me whether you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.



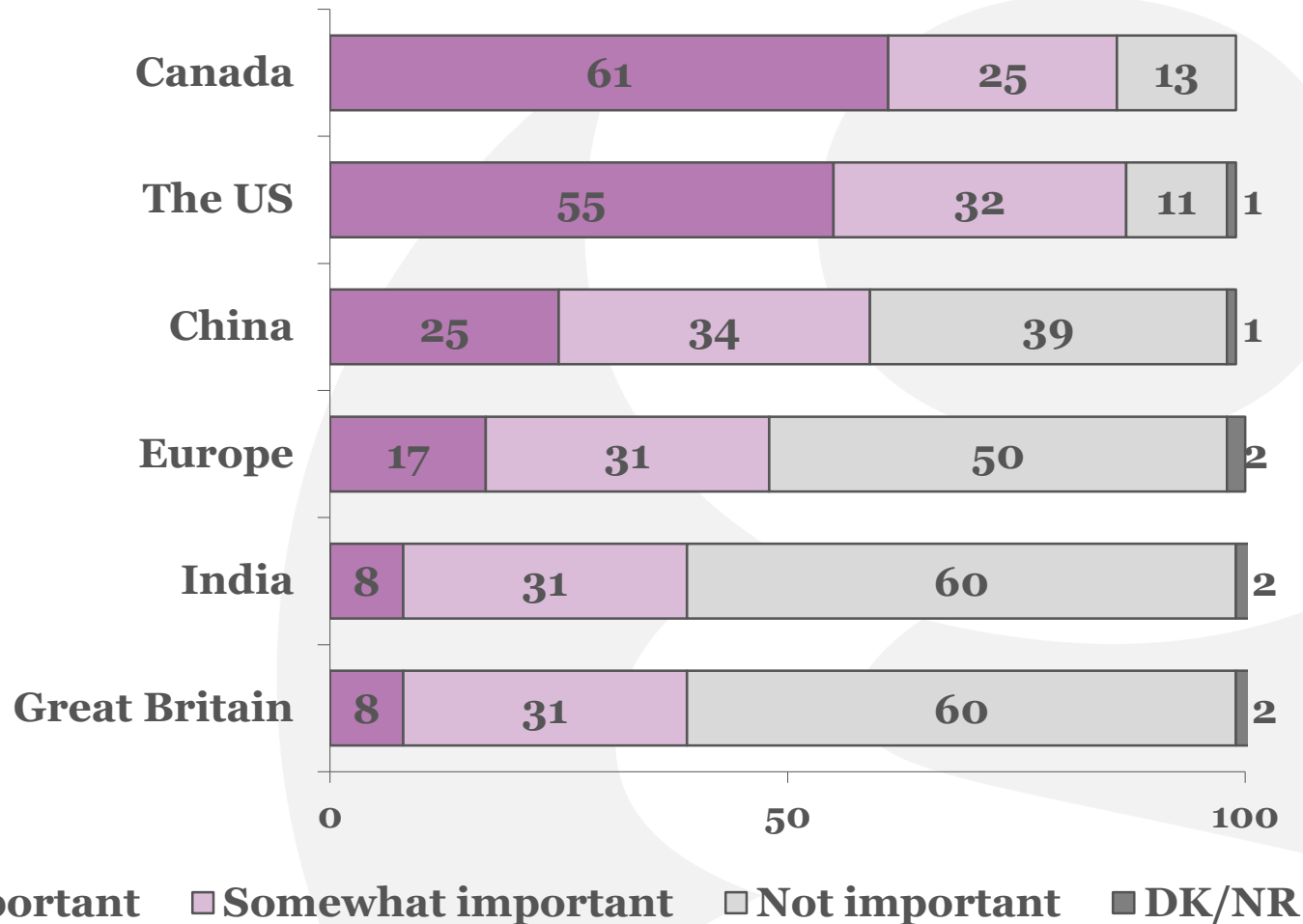


What do you think are the implications for business globally following the British vote to leave the EU?





Thinking about the next five years, how important are each of the following markets to your business?

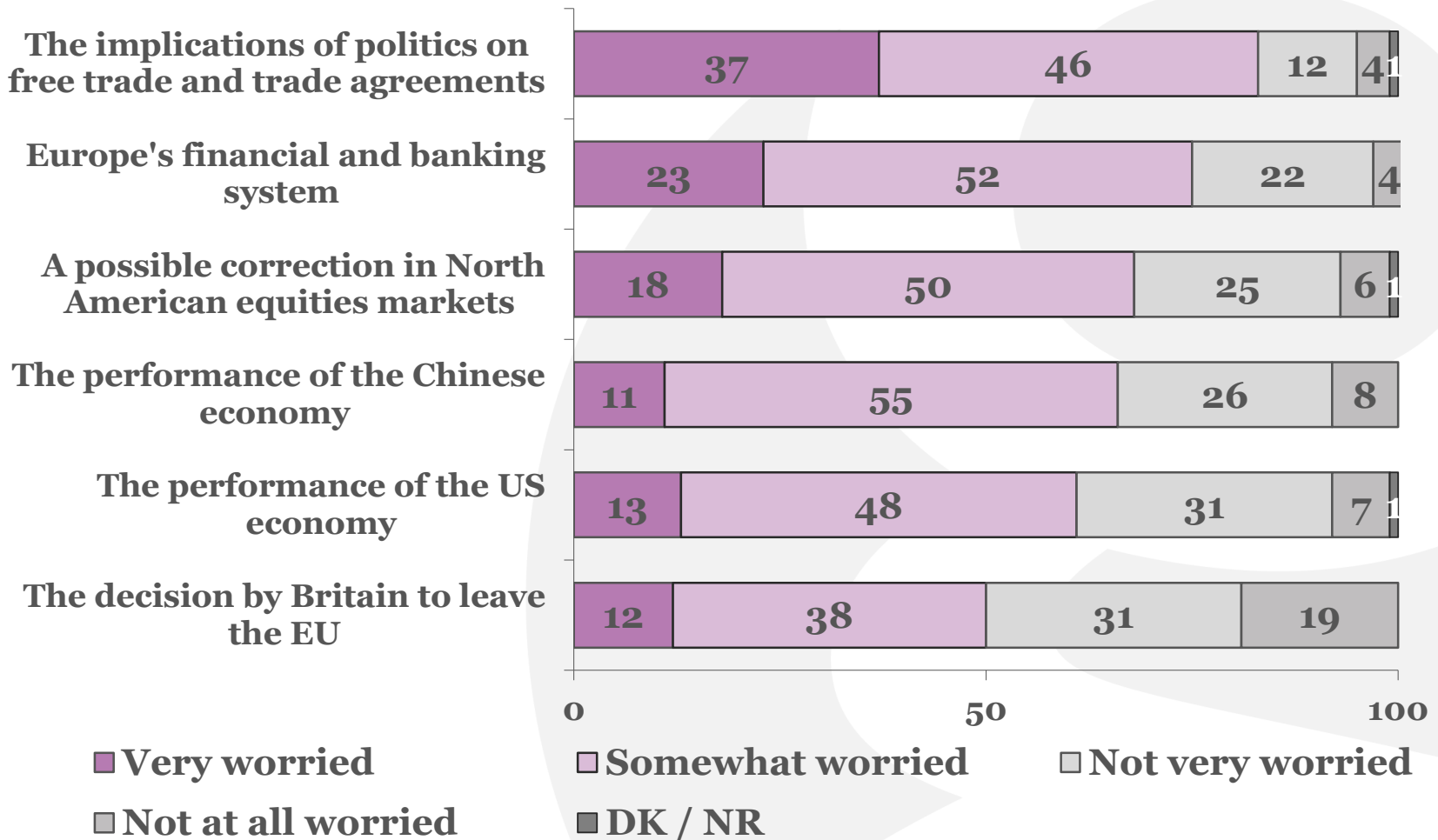




- ❑ Forty-two percent expect the “political environment for business” will worsen over the next five years in Europe.
- ❑ Thirty-eight percent expect the “political environment for business” in the US will worsen over the next five years. Twenty-four percent actually expect the political dynamic there will improve while some are unsure what the next few years will hold.
- ❑ Most are very or somewhat worried about the implications of politics on free trade and trade agreements.
 - 37% are very worried about the implications of politics on trade
 - Fewer are very concerned about Europe’s banks (23%) or a potential correction in equities markets (18%).

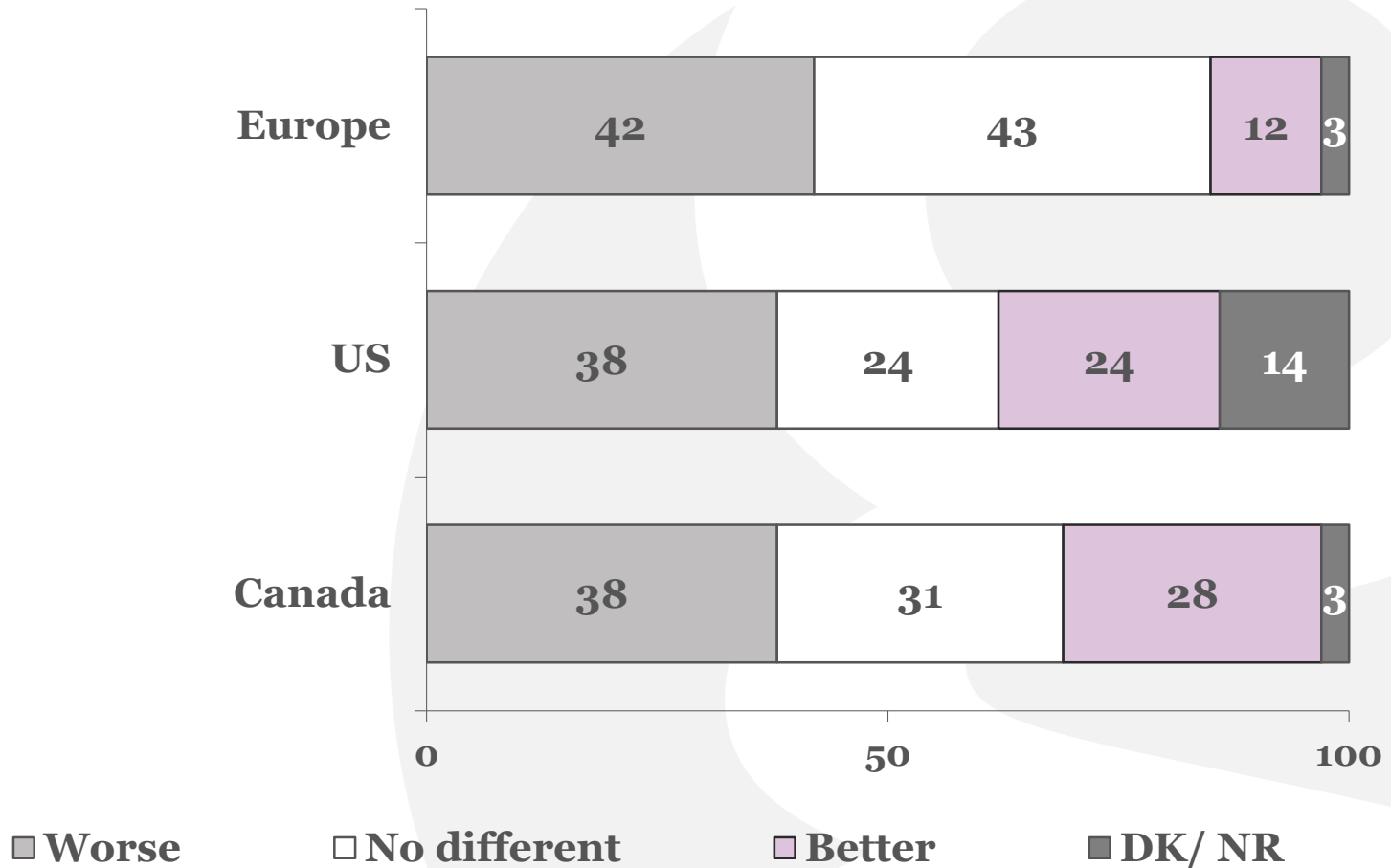


Now I'd like to ask how worried you are about various economic and business issues. When it comes to...





Do you think the political environment for business in the United States/ Canada/ Europe will be better, worse, or no different over the next 5 years, compared to the last 5 years?





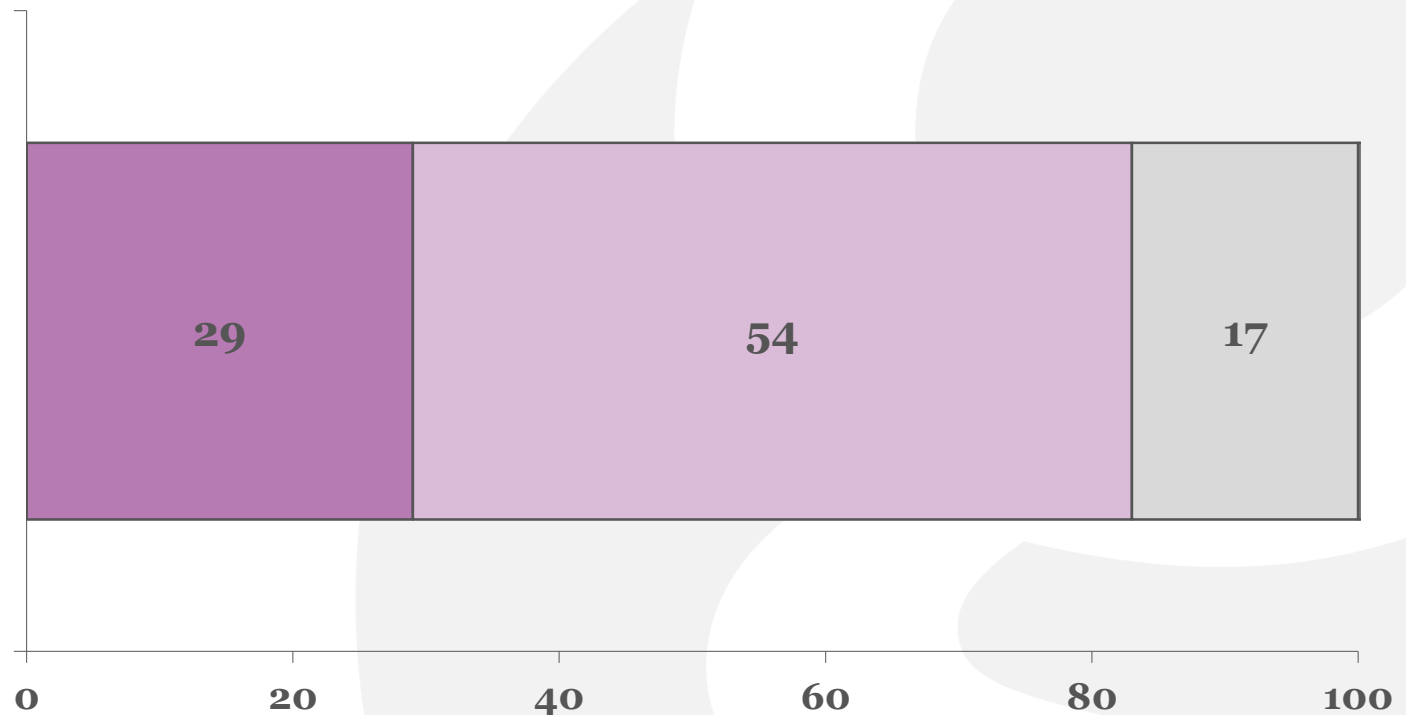
- ❑ The vast majority said the Prime Minister's trip to China was important.
 - 83% said the visit was very or somewhat important; 29% said PM Trudeau's visit was very important.

- ❑ Fewer (45%) said the outcome of the visit was positive, while 43% said the impact was neither positive nor negative.

- ❑ The C-Suite is also divided on whether the Trudeau-Liberal government is better positioned to advance relations with China than the Harper-Conservative government.
 - 40% said it is, while 41% said it was neither better nor worse off than the previous government.



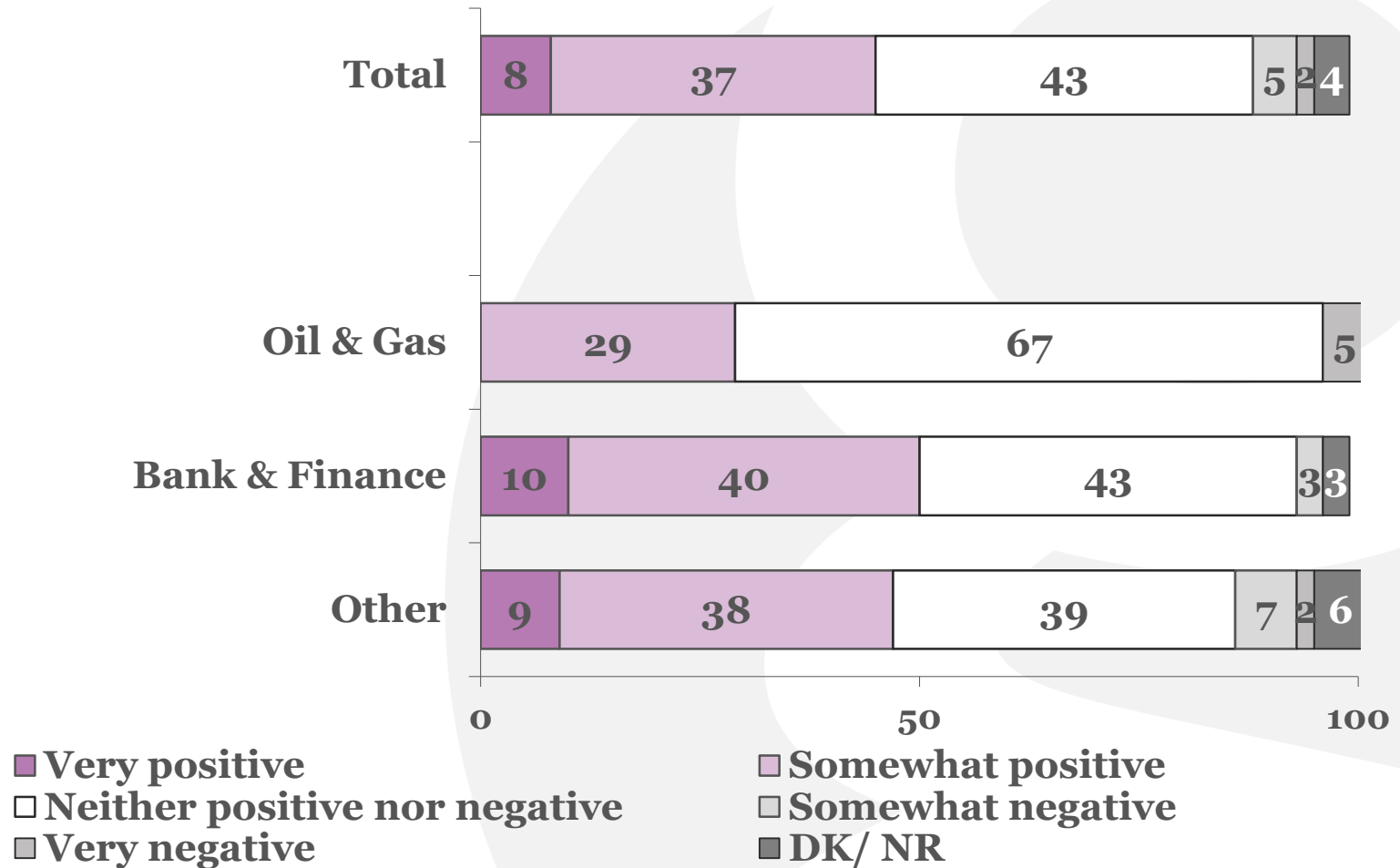
Canada's Prime Minister Justin Trudeau began an official visit to China at the end of August. How important was this visit for Canada and its economy?



■ Very important ■ Somewhat important ■ Not important ■ DK/NR

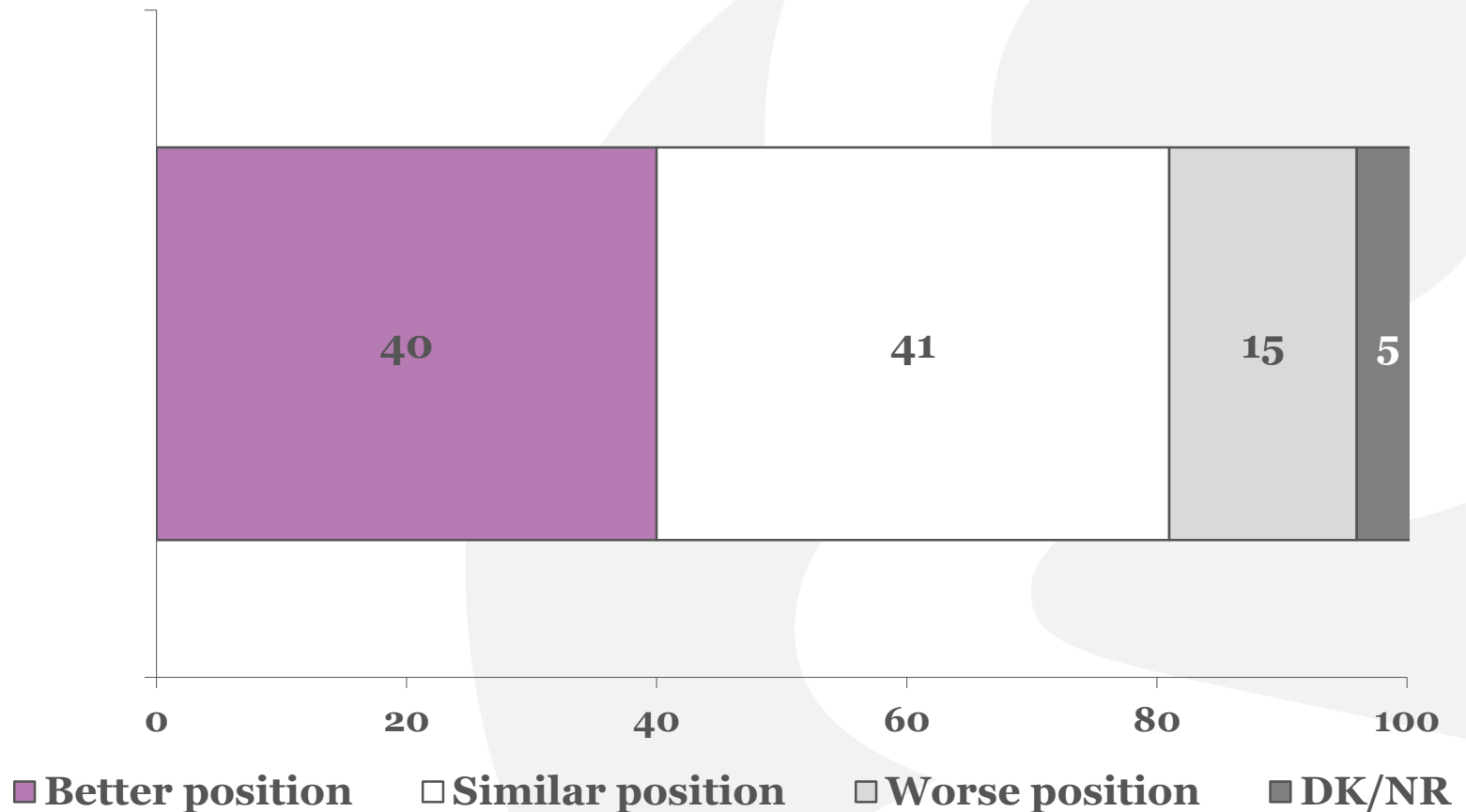


How would you rate the progress achieved by the Prime Minister's visit to China, based on what you have seen or read? Was it very or somewhat positive for Canada or very or somewhat negative for Canada?





Compared to the previous Conservative Harper government, do you believe the Trudeau Liberal government is in a better position or a similar position or in a worse position to engage with China and make progress in expanding trade relations?



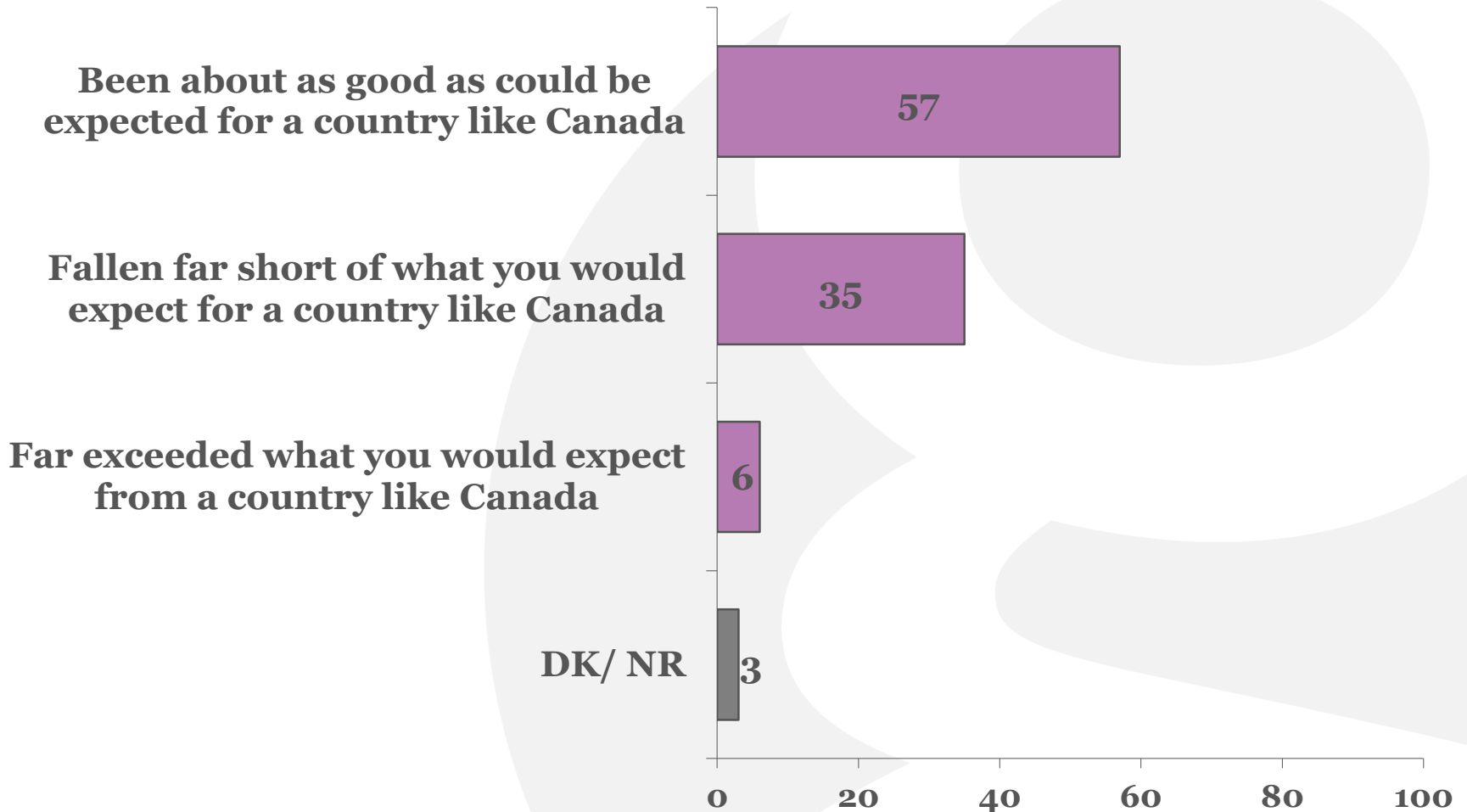


- ❑ Most in the C-Suite are not worried about the current state of the Canada-China relationship:
 - 57% think relations with China over the last 3 years have been about as good as could be expected for a country like Canada. Only 35% said relations have fallen short of what they would expect.
 - Forty-three agreed Canadian companies do about as well as comparable European or US companies when it comes to doing business in China while 45% disagreed with this.
 - Most think Canada is doing somewhat well when it comes to its trading relationship with China. Only 37% said it's doing poorly.



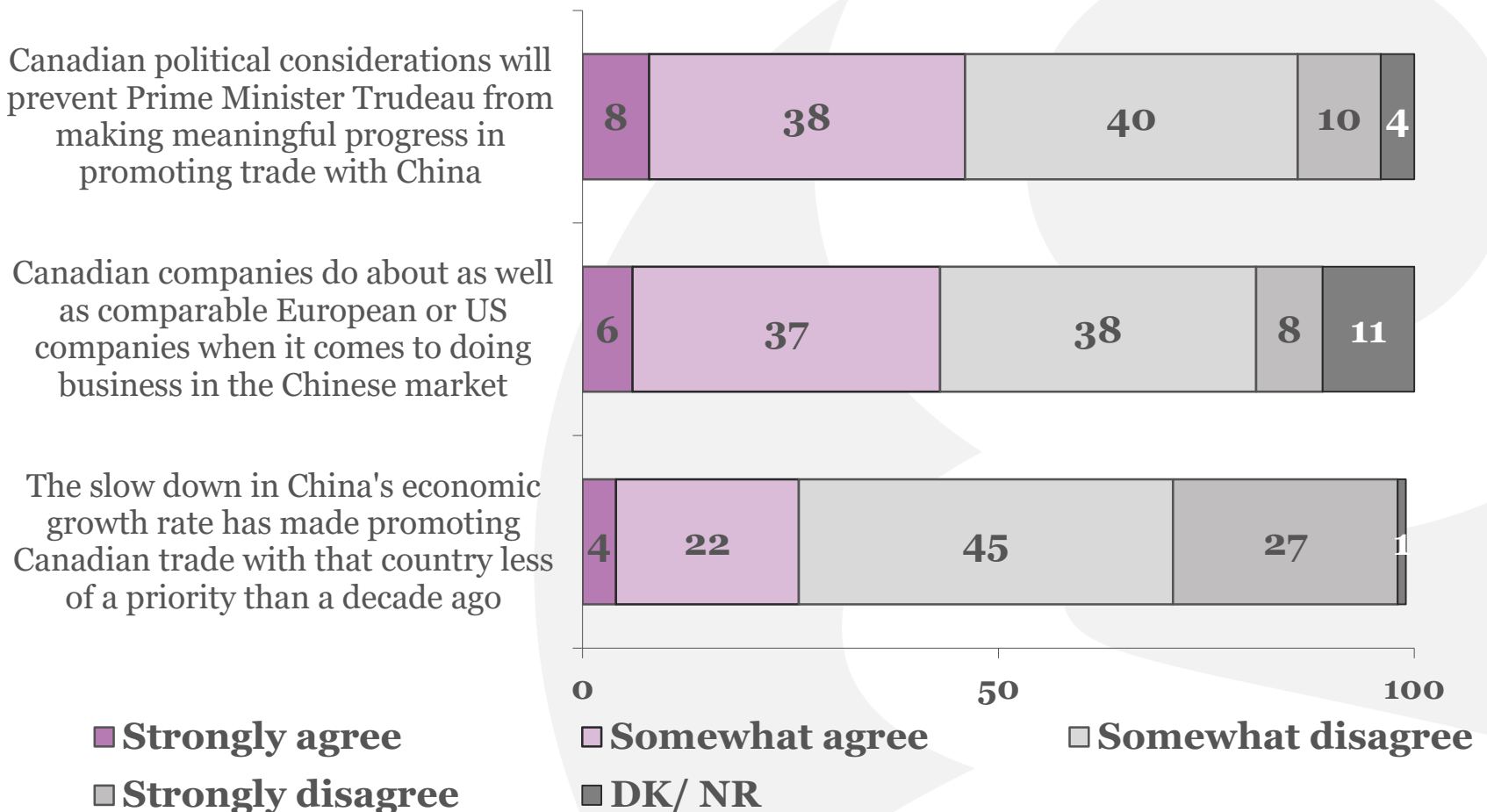
Expected Engagement with China

Would you say the degree of engagement by Canadian governments with China over the last three years has...



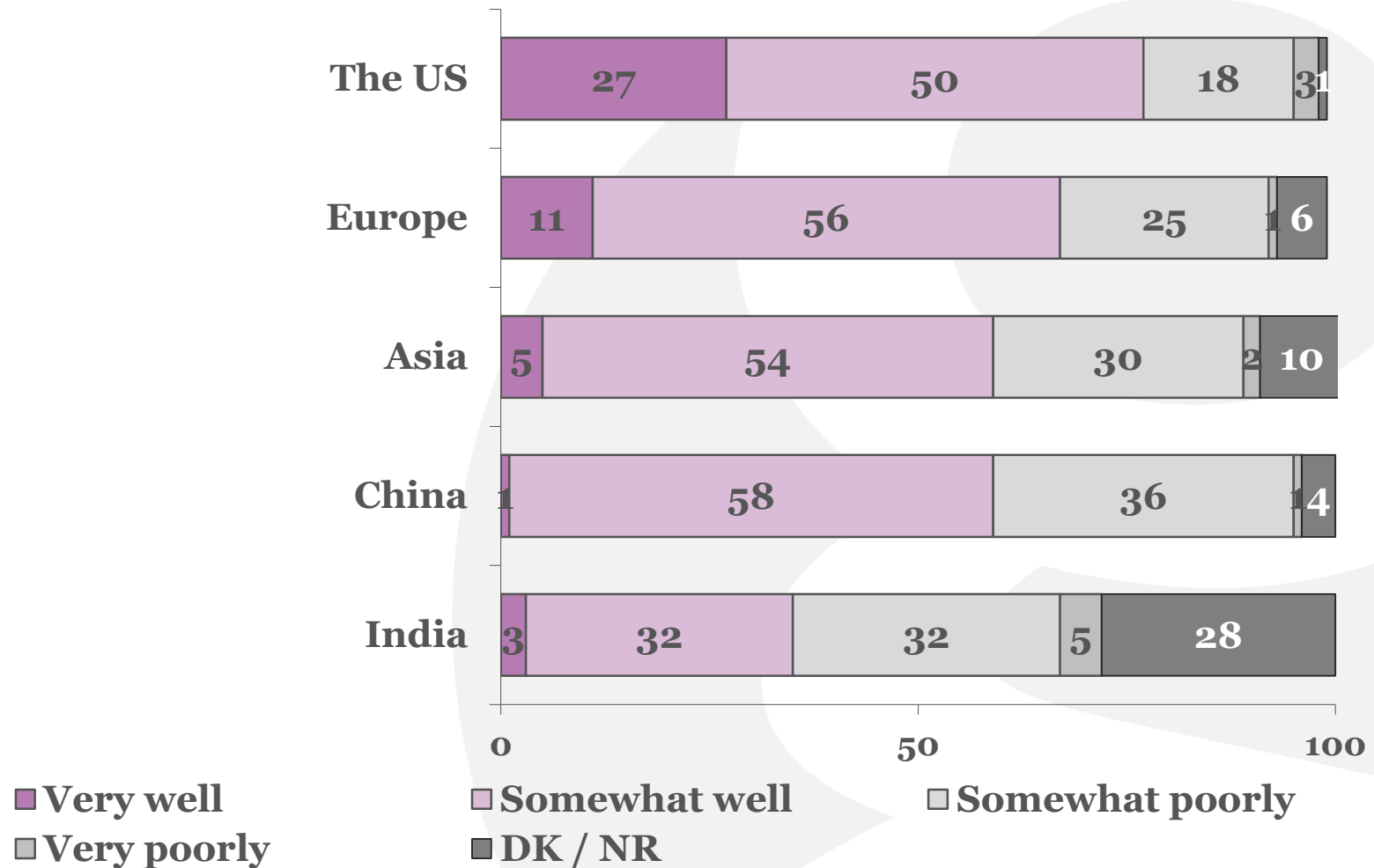


I'm going to read a few statements about international trade, and I would like you to tell me whether you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.





Would you say Canada is doing very well, somewhat well, somewhat poorly, or very poorly when it comes to its trading relationship with...?





- ❑ Most executives view China as an important market for their business over the next five years.
 - One-in-four see China as a **very** important market for their business. A larger majority located in Western Canada sees it as an important market.

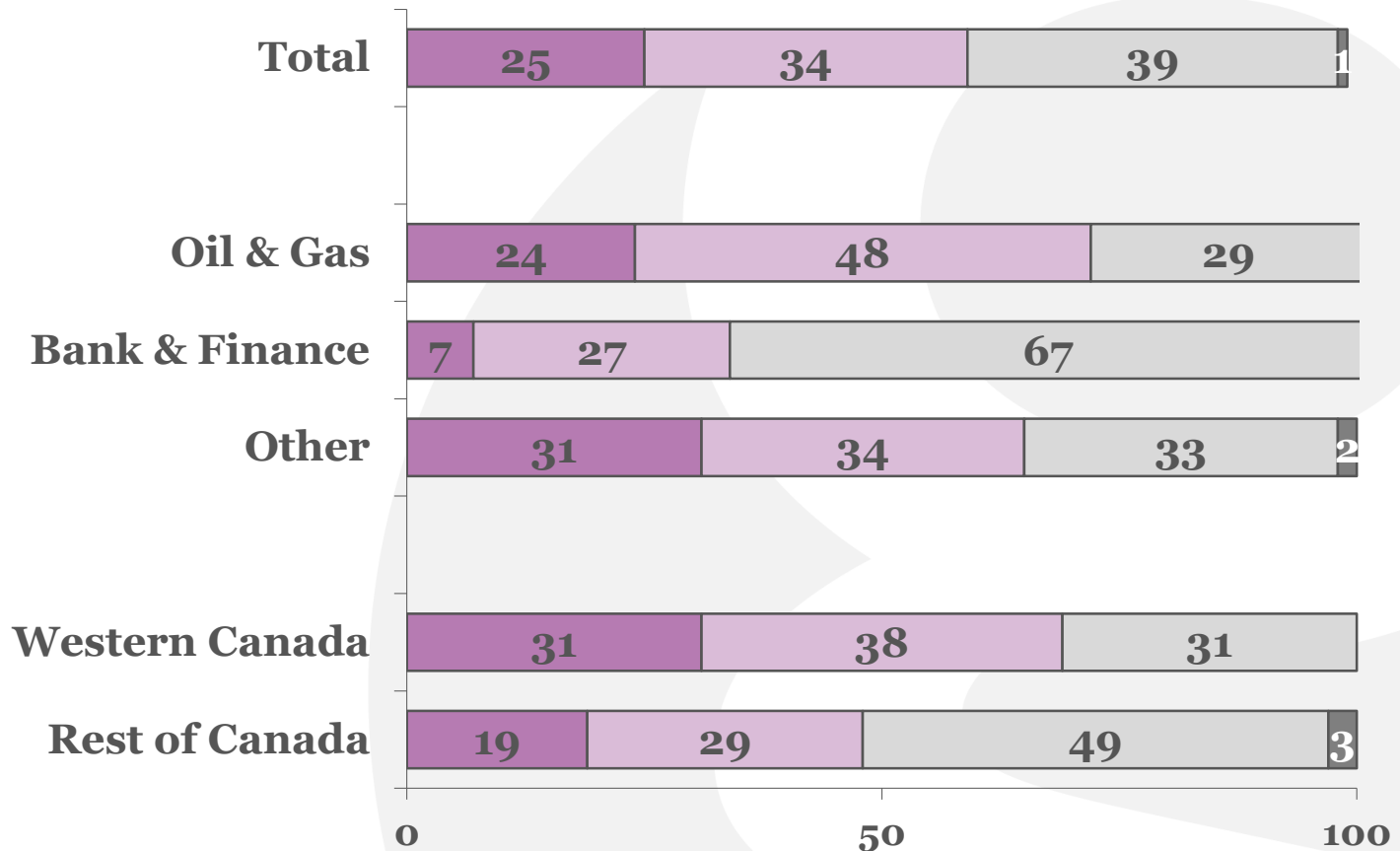
- ❑ The C-Suite certainly expects Canada to make significant progress in relations with China:
 - The vast majority strongly or somewhat support the idea of Canada negotiating a free trade agreement with China over the next five years – only 14% are opposed.
 - In a follow up question, however, 7 out of 10 said they support the Canadian government continuing to place limits on the ability of Chinese State-owned enterprises to invest in strategic Canadian industries such as the oil sands.

- ❑ The C-Suite believes a focus on free trade and bilateral trade resulting in better deals for Canada should be top of mind for the Trudeau government's dealings with China.

- ❑ Almost half expect that Canadian political considerations will prevent the government from making meaningful progress in promoting trade with China.



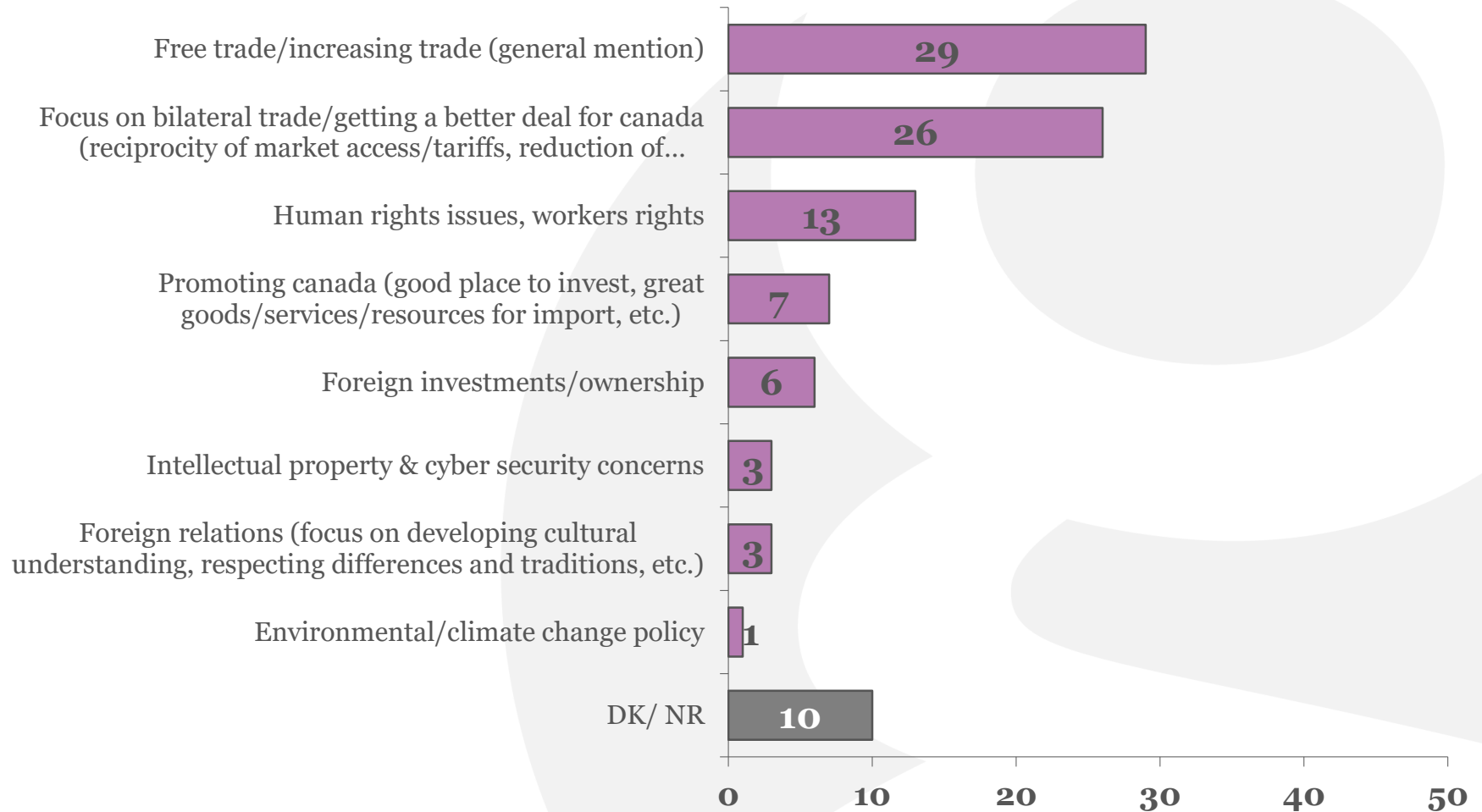
Thinking about the next five years, how important are each of the following markets to your business: CHINA



■ Very important ■ Somewhat important ■ Not important ■ DK/NR



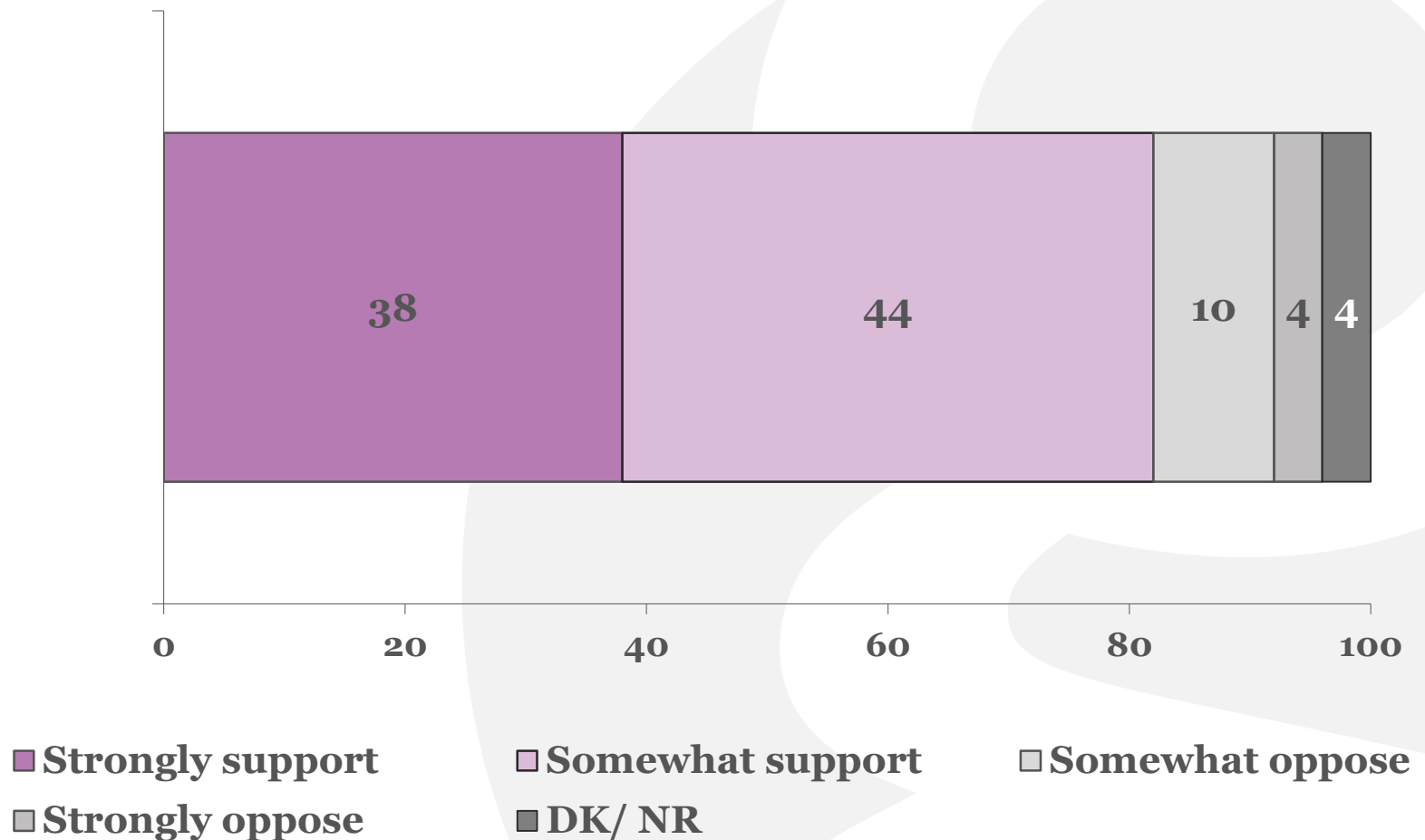
What is the most important issue that you think Prime Minister Trudeau and his government should be addressing in their ongoing engagement with the Chinese government and its leadership?





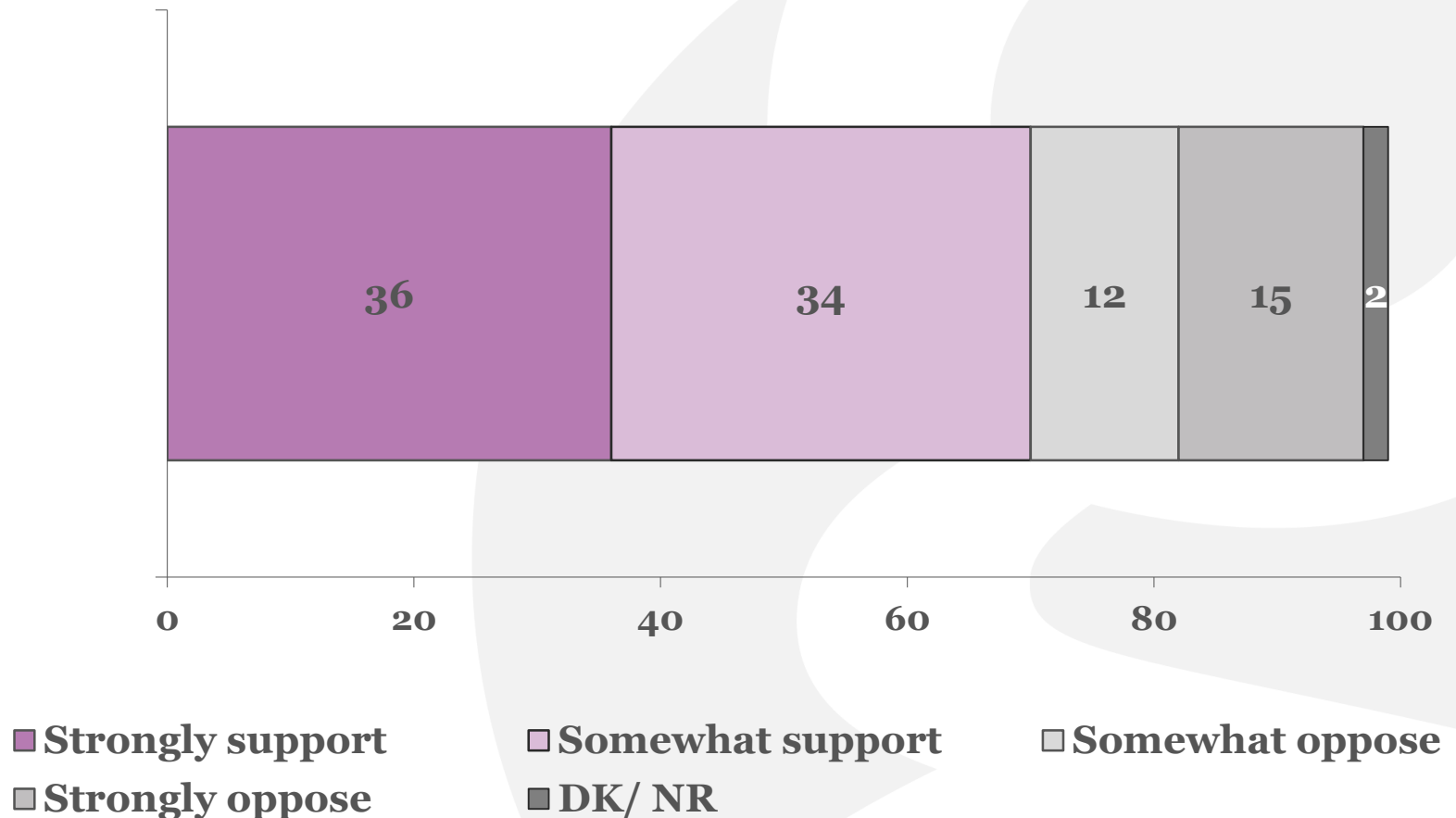
Chinese Free Trade Agreements

Would you strongly support, somewhat support, somewhat oppose or strongly oppose Canada seeking to negotiate and ratify a free trade agreement with China within the next five years?





Would you strongly support, somewhat support, somewhat oppose or strongly oppose the Canadian government continuing to place limits on the ability of Chinese state owned enterprises to invest in strategic Canadian industries such as the oilsands?





- ❑ This October marked the one-year mark since the election of a new federal Liberal government led by Prime Minister Trudeau.

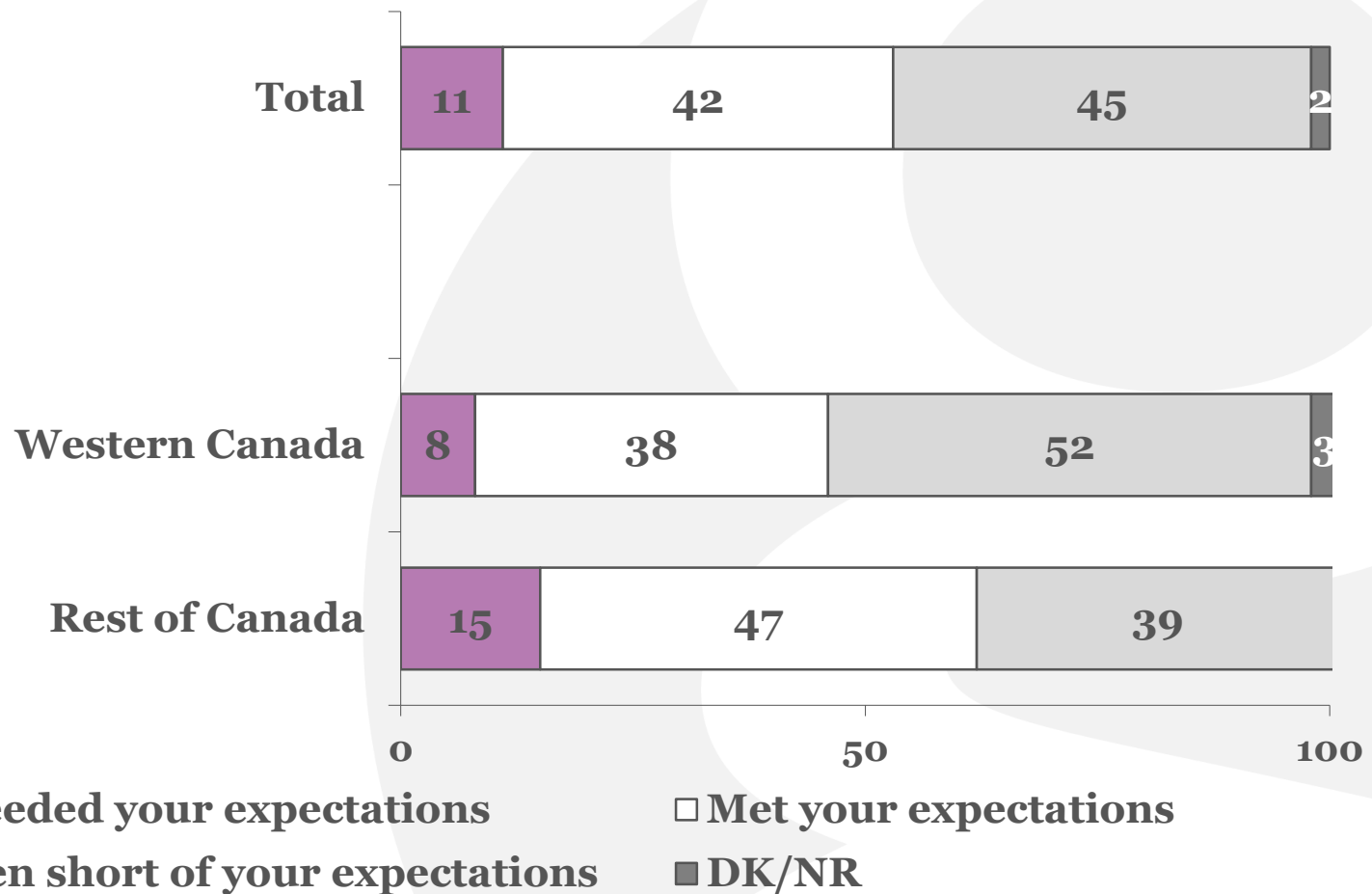
- ❑ Fifty-three percent believe the government has met or exceeded expectations, 45% said the government has fallen short of expectations.
 - This division of opinion is not largely or necessarily new. In December 2015, 48% of the C-Suite said the election of the new government was a somewhat negative development for business; 11% said it was a very negative development.
 - This builds on research conducted last quarter that suggested while the government was representing Canada well abroad the C-Suite was less likely to approve of the government's fiscal and energy policies.

- ❑ Twenty-three percent strongly approve of its performance at the 1-year mark while 32% strongly disapproves.
 - Western Canadian and oil-and-gas sector representatives are either indifferent to the government's achievements or strongly disapproving.



Trudeau Liberal Government Performance

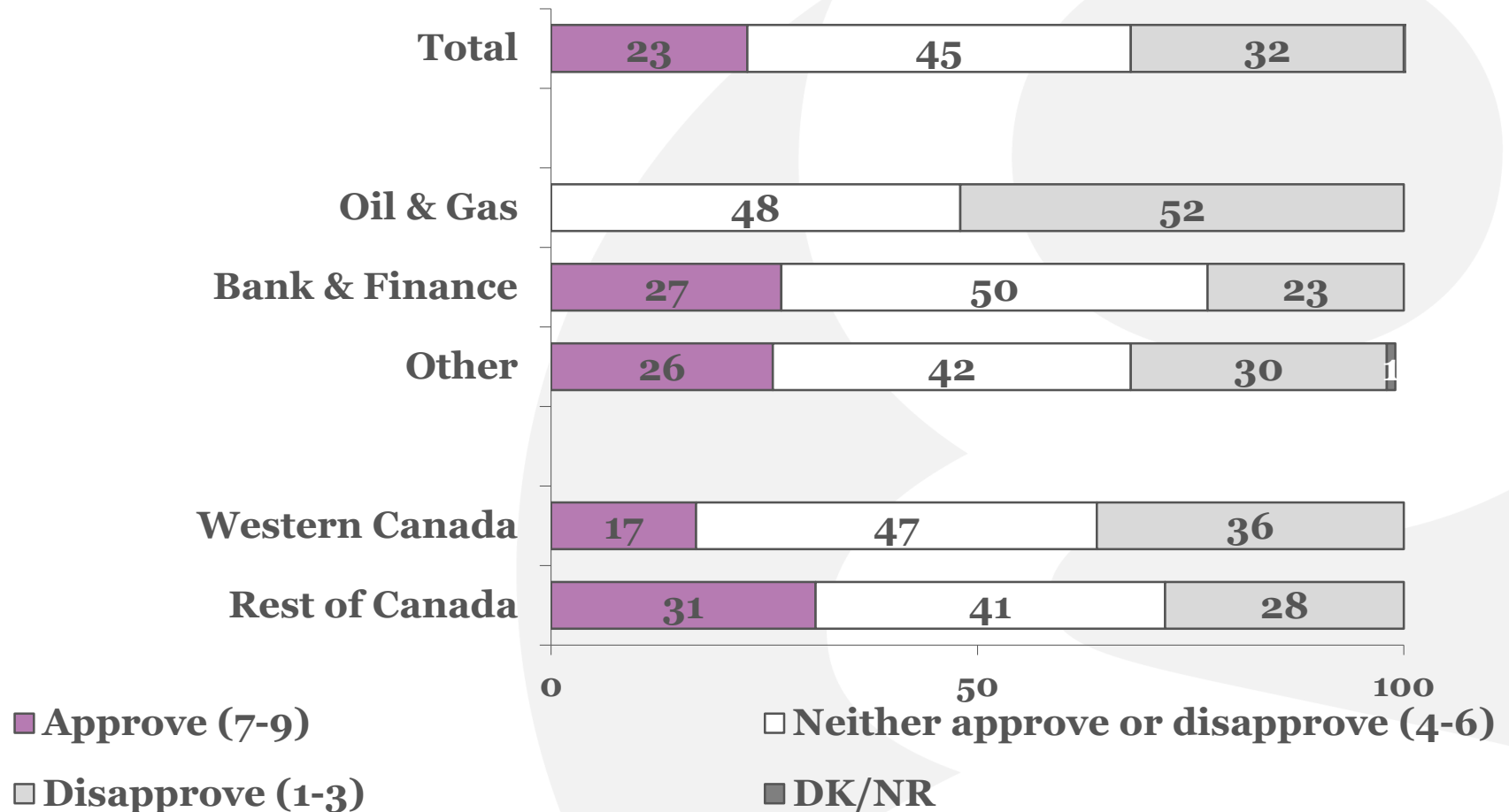
The Trudeau Liberal government is nearing the 1-year mark since forming government in the fall of 2015. Has the overall performance of the Trudeau Liberal government...





Rating the Government's Performance

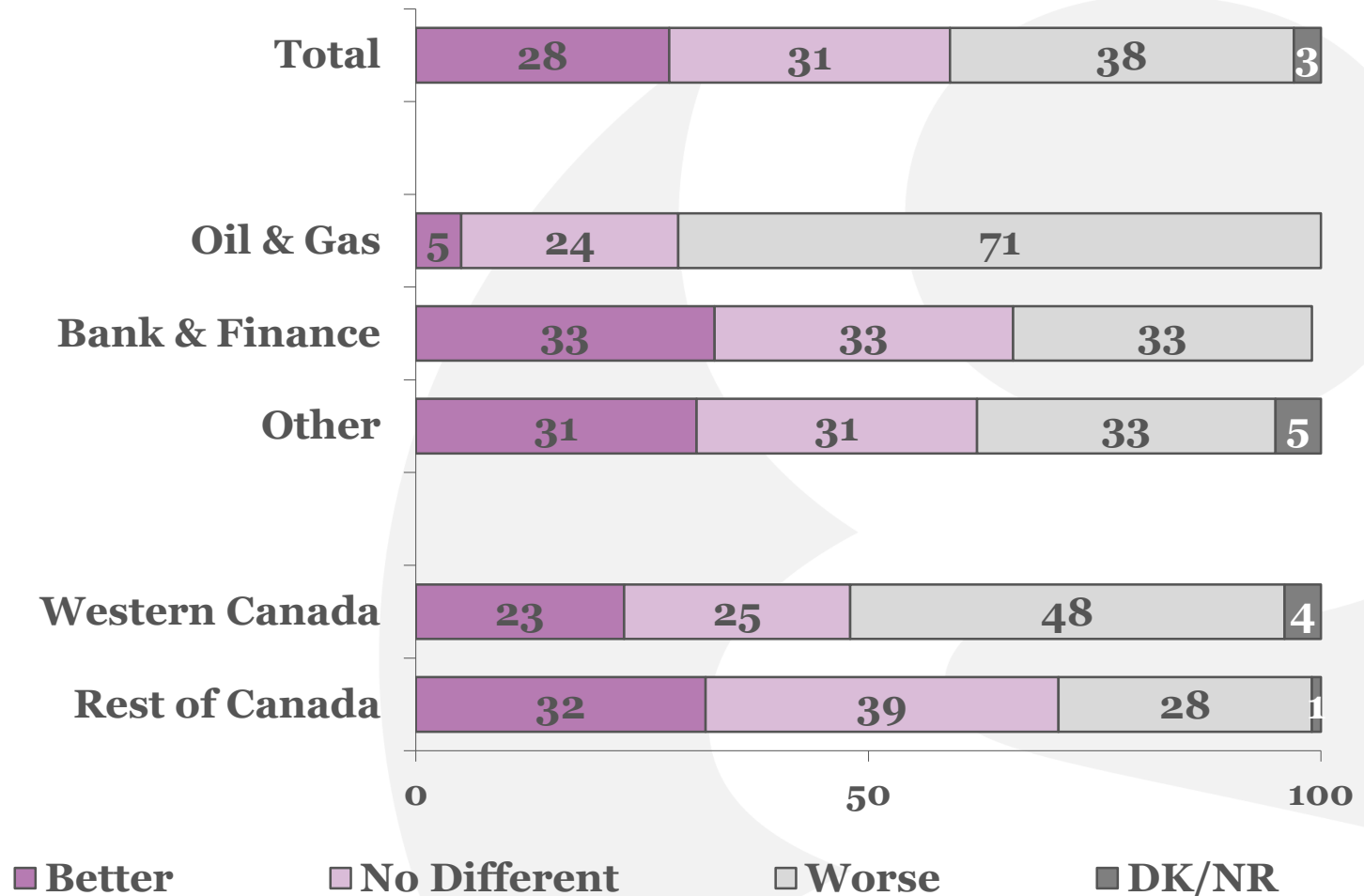
How would you rate the government's performance on a 1 to 9 scale with 1 meaning you strongly disapprove and 9 meaning you strongly approve?





Expectations for Canadian Environment

Do you think the political environment for business in Canada will be better, worse, or no different over the next 5 years, compared to the last 5 years?





Biggest Challenges Facing Business

- ❑ One in three (33%) business leaders surveyed said current market/economic conditions are the biggest challenge facing their company right now.

- ❑ Every industry and sector said market/economic conditions are a top challenge, but more than half of executives in the Oil & Gas industry (52%) cited this.
 - Regulatory hurdles and costs and access to capital funding are the second and third greatest challenges for the C-Suite, especially for the those in the resource sector (19% and 17%, respectively).



- ❑ Views of the Canadian economy remain modestly positive this quarter, much as they were last quarter.
- ❑ That is still significantly improved from the outlook between June 2015 and March 2016 inclusive, when most expected the Canadian economy to contract.
- ❑ The C-Suite remains more optimistic about the US. Few are worried about the possibility of a US recession. More however are at least somewhat worried about a correction in US stock markets.

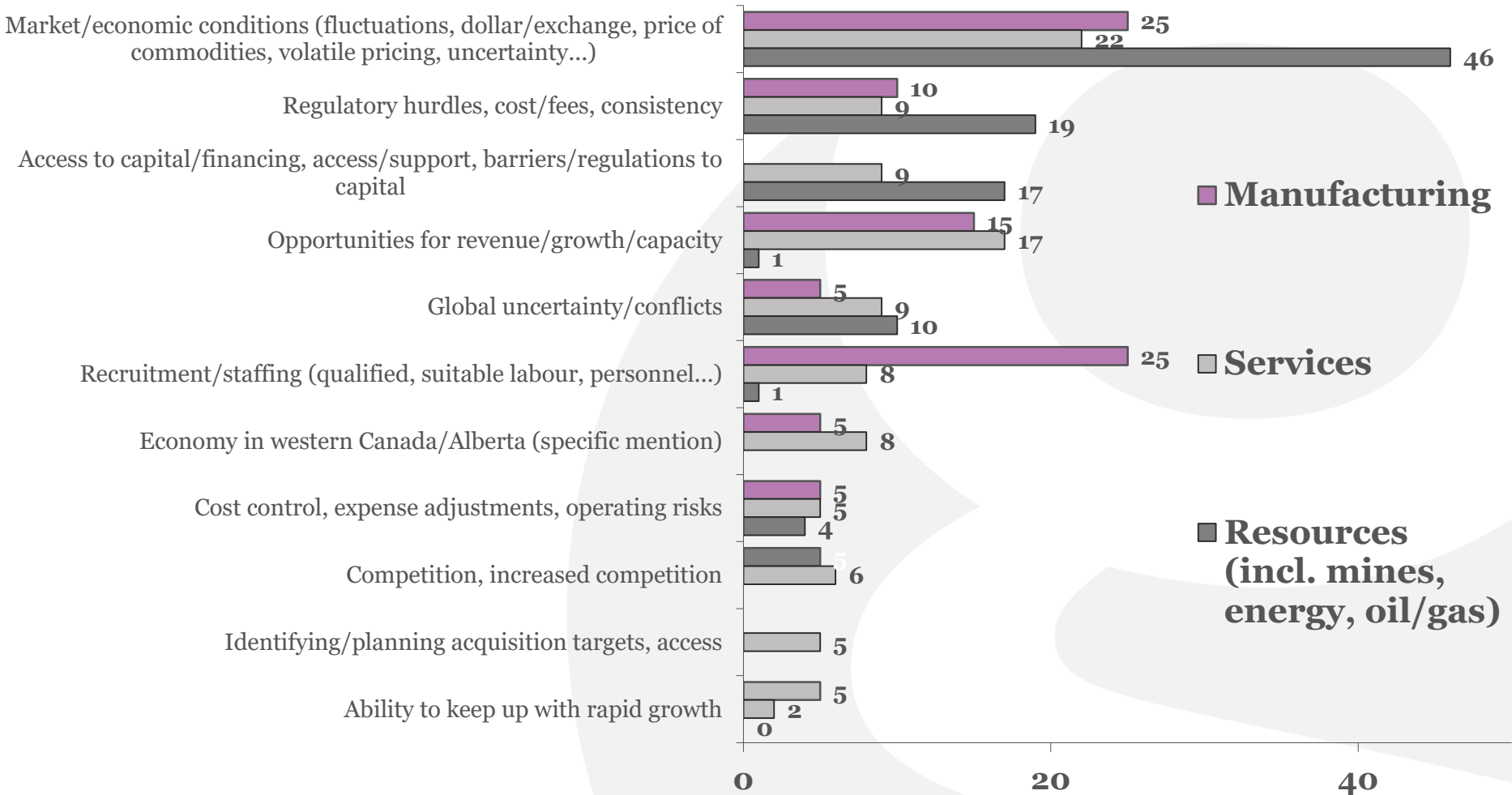


What is the biggest challenge facing your company right now?

| | Total % | Sectors % | | |
|--|------------|-----------|----------------|---------------|
| | | Oil & Gas | Bank & Finance | Other Sectors |
| Market/economic conditions (fluctuations, dollar/exchange, price of commodities, volatile pricing, uncertainty...) | 33% | 52% | 33% | 29% |
| Regulatory hurdles, cost/fees, consistency | 14% | 29% | 20% | 12% |
| Access to capital/financing, access/support, barriers/regulations to capital | 11% | 5% | 13% | 12% |
| Opportunities for revenue/growth/capacity | 10% | N/A | 13% | 10% |
| Global uncertainty/conflicts | 9% | 10% | 3% | 10% |
| Recruitment/staffing (qualified, suitable labour, personel...) | 7% | N/A | 10% | 8% |
| Economy in western Canada/Alberta (specific mention) | 4% | N/A | 7% | 4% |
| Cost control, expense adjustments, operating risks | 4% | N/A | 3% | 6% |
| Competition, increased competition | 3% | N/A | 7% | 3% |
| Identifying/planning acquisition targets, access | 2% | N/A | N/A | 3% |
| Ability to keep up with rapid growth | 1% | N/A | N/A | 2% |
| Don't know / No response | 2% | N/A | N/A | 1% |



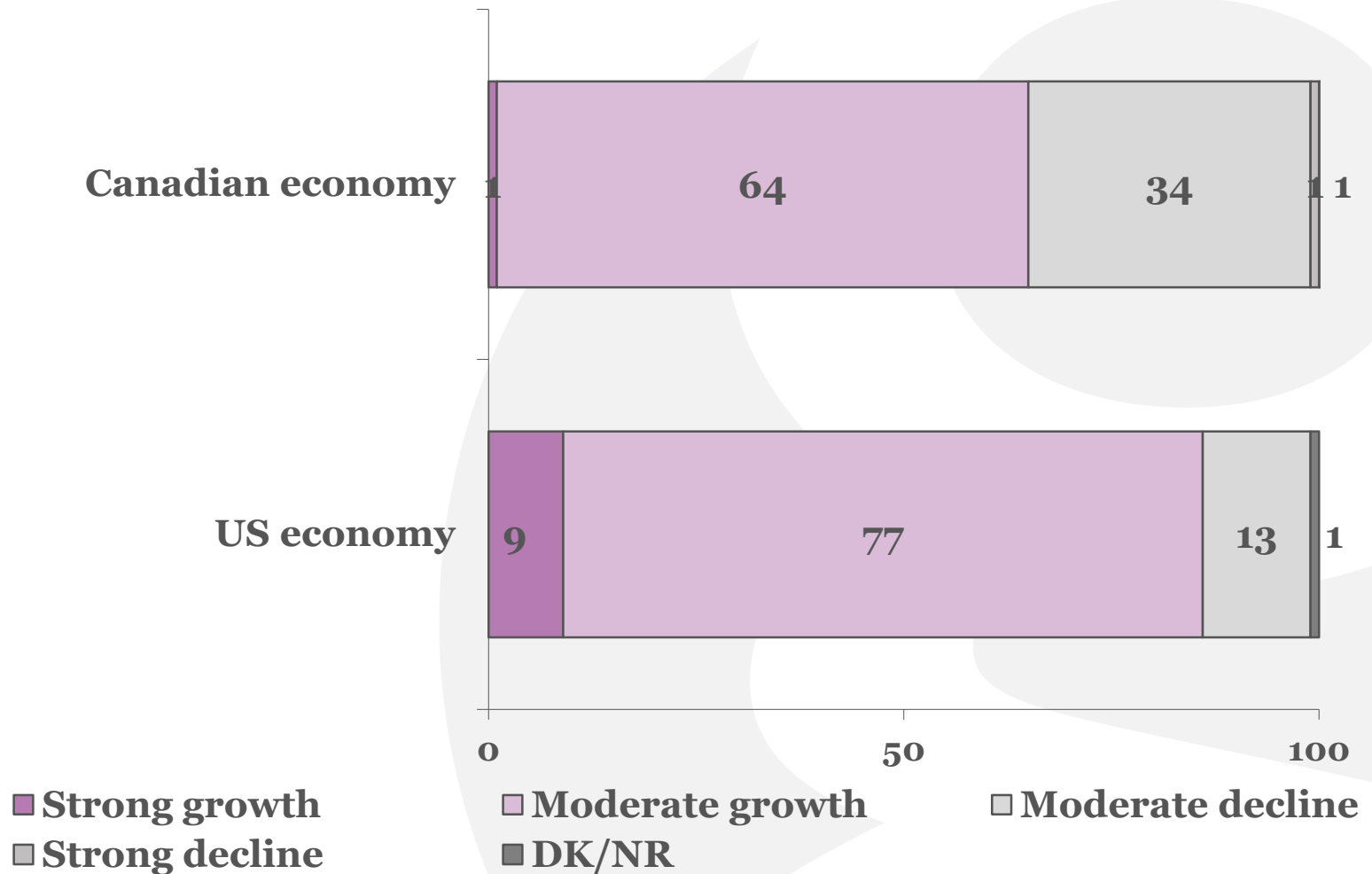
What is the biggest challenge facing your company right now?





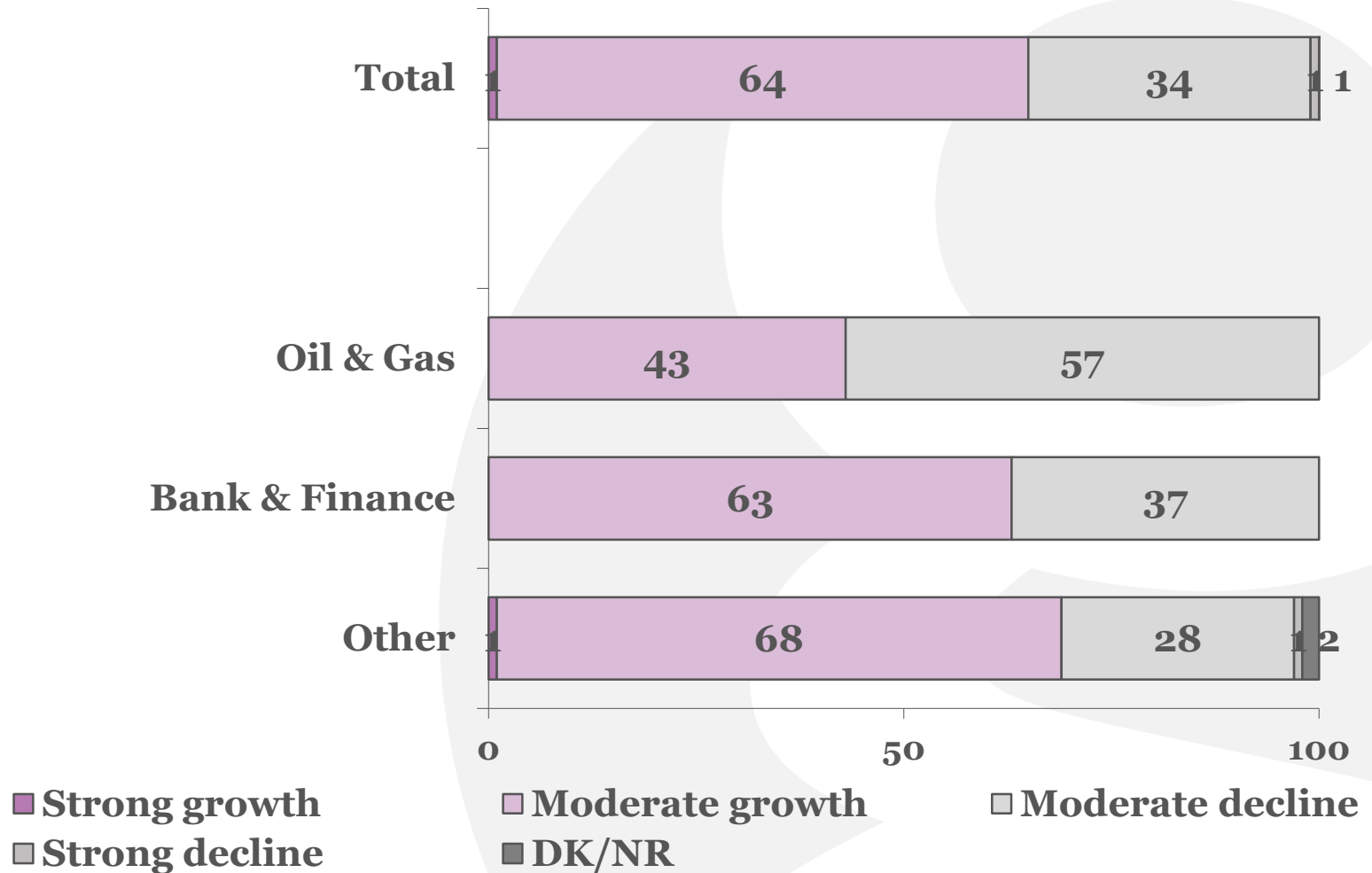
Expectations of the Canadian and US Economies

What are your expectations for the U.S. /Canadian economy over the next 12 months?





What are your expectations for the Canadian economy over the next 12 months?

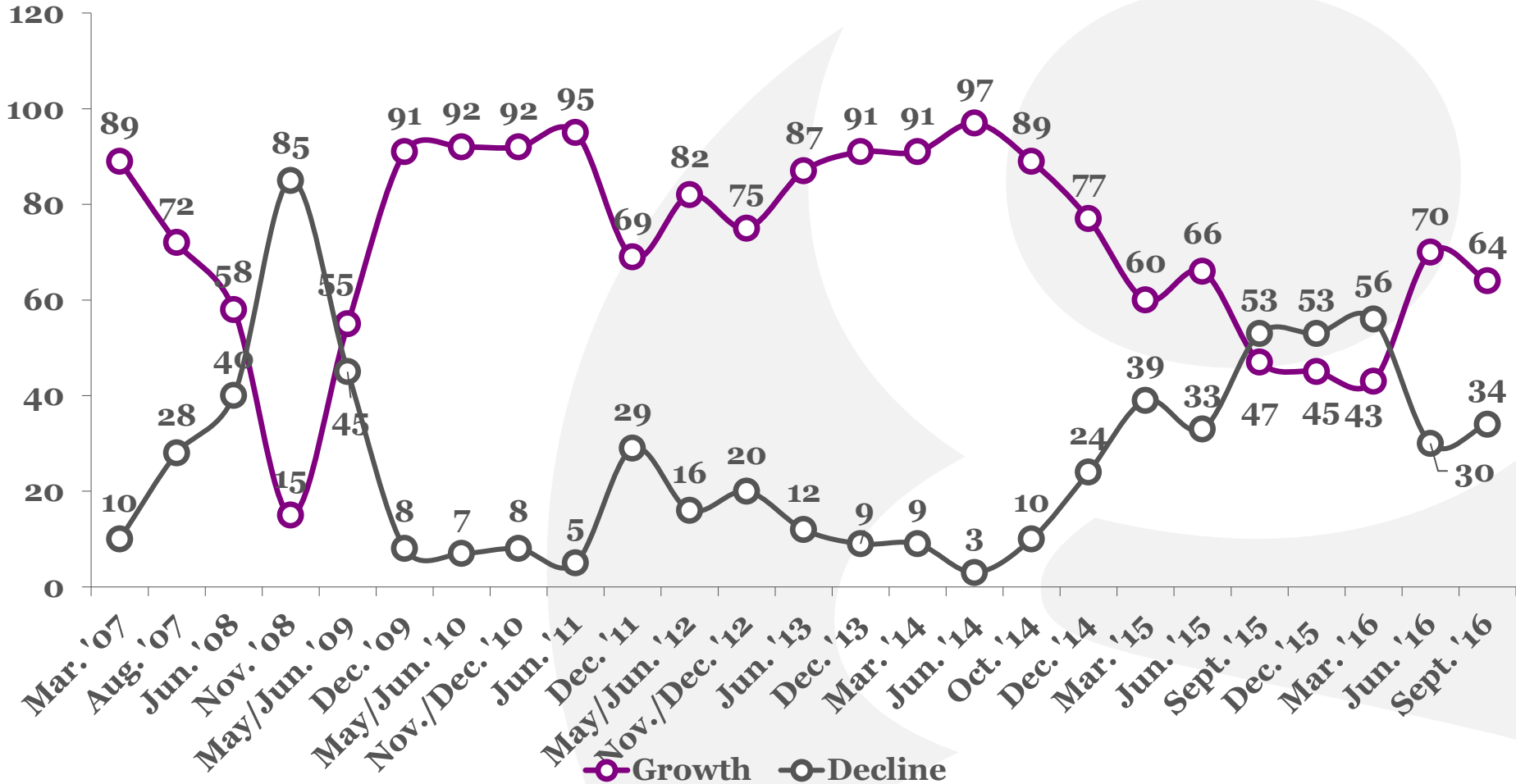


Projections For The Canadian Economy



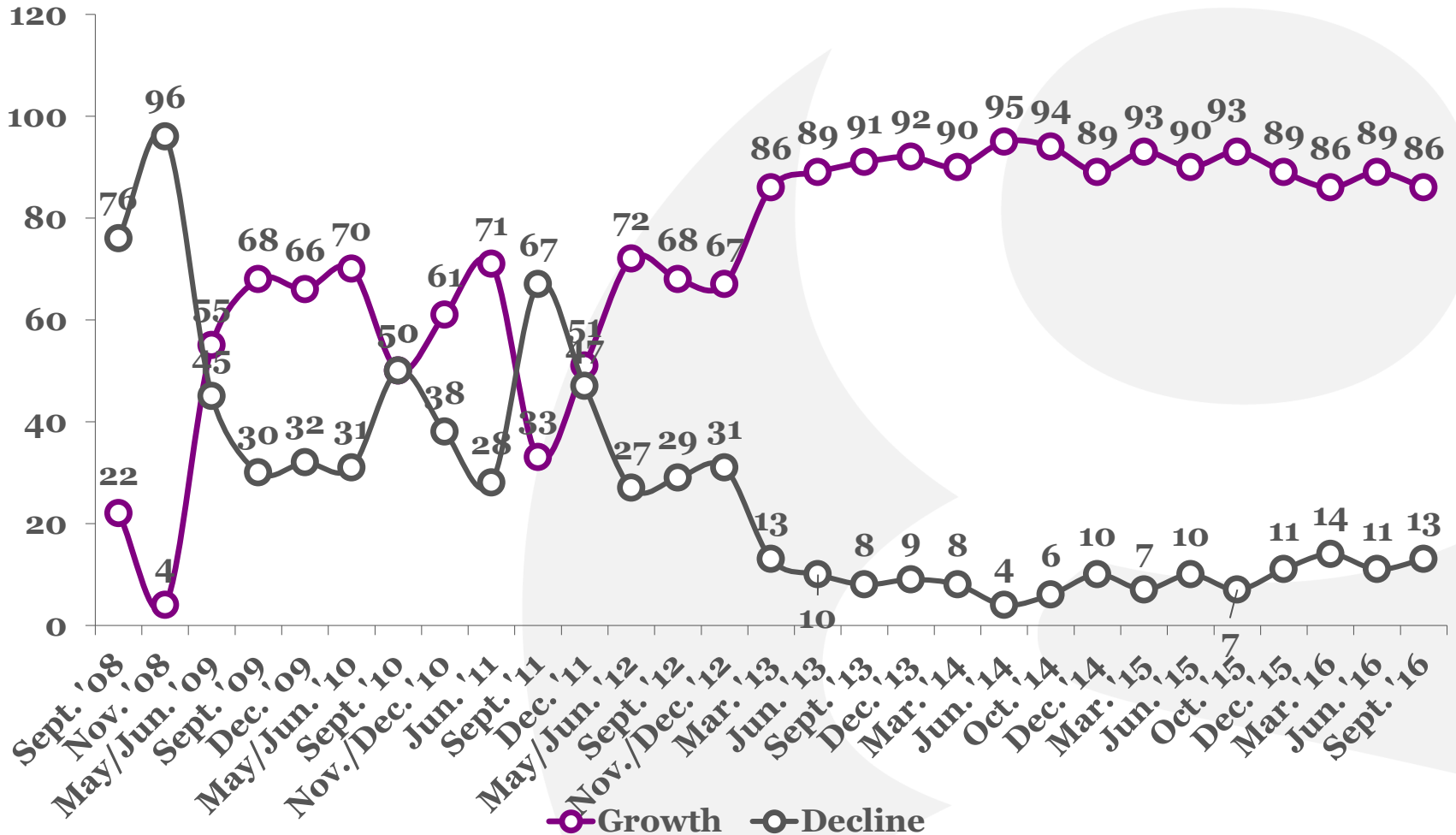
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What are your expectations for the Canadian economy over the next 12 months?



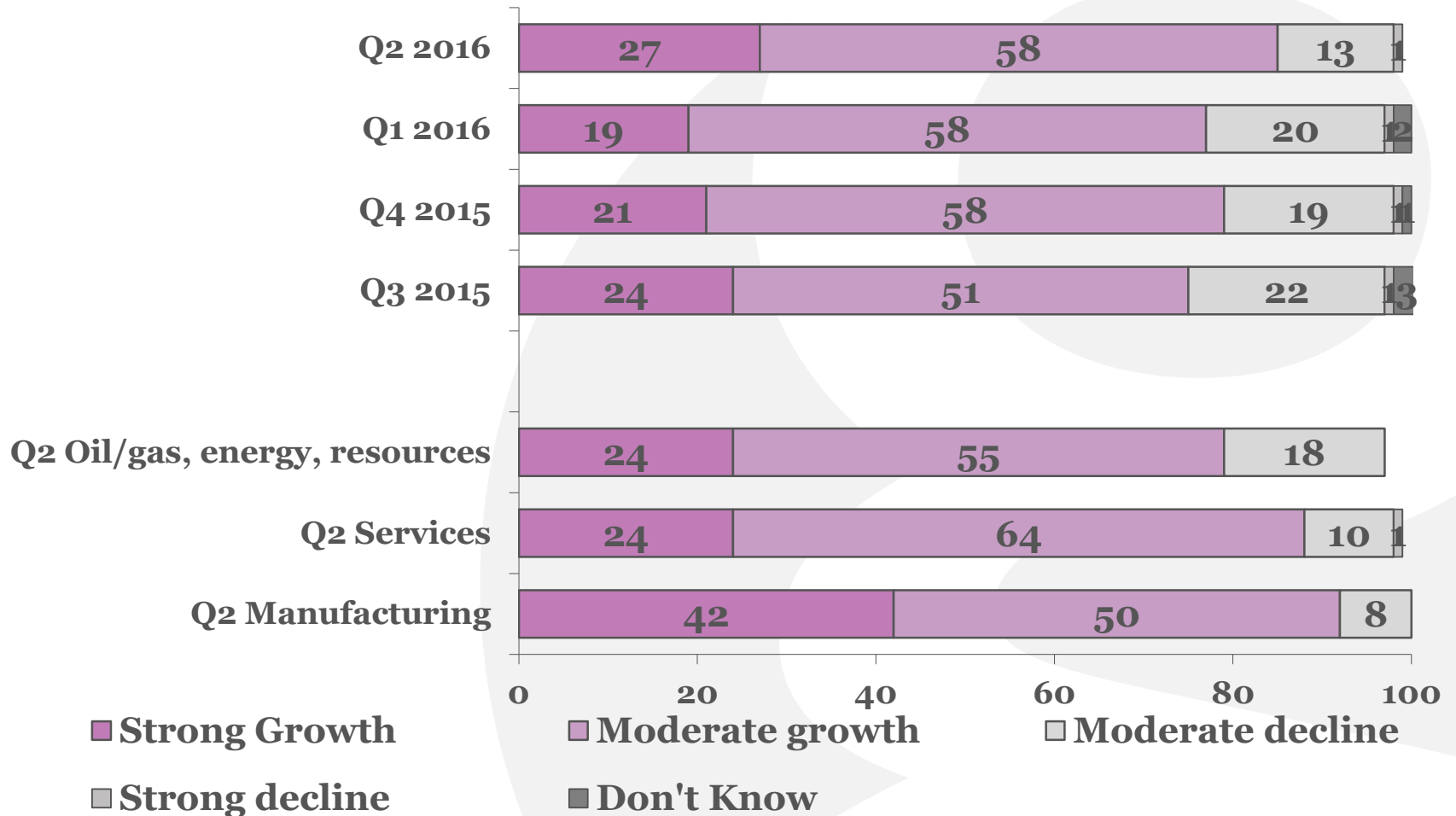


What are your expectations for the U.S. economy over the next 12 months?





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





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

