



the gandalf group

## The 46<sup>th</sup> Quarterly C-Suite Survey: A Business Perspective on the Trump Administration

April, 2017

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Published and  
broadcast by:

REPORT  
ON BUSINESS  
THE GLOBE AND MAIL  
CANADA'S NATIONAL NEWSPAPER • FOUNDED 1844

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BUSINESS NEWS NETWORK



- ❑ Methodology: telephone interviews with 156 C-level executives from ROB1000-listed companies between February 27, 2017 & March 24, 2017.
- ❑ This quarter's survey asked the C-Suite about:
  - The Trump Administration and what its decision making means for Canada
  - Implications for the Canadian economy
  - Trump's policies and their potential impacts
  - Trade negotiations and NAFTA
  - Canada-US relations
  - Immigration policy



- ❑ The Donald Trump phenomenon has dominated political and business news and this survey with Canadian executives revisited this topic following his inauguration in January and meeting with PM Trudeau.
- ❑ In this survey, the C-Suite is extraordinarily ambivalent about the new President, despite the fact that they see so much from his Administration they believe to be positive and pro-business.
  - 7 in 10 said they expect their businesses to benefit at least somewhat from the new Administration's policies and direction.
  - Most believe the TSX will be buoyed by the new Administration's policies.
  - Many cite an agenda of lower corporate taxes, less regulation and approval of Canadian resources as positive announcements.
  - 4 in 10 believe they will benefit at least somewhat from his support for Keystone XL.
  - Business confidence is up slightly this quarter compared to last.
  - Economic confidence is up significantly this quarter when it comes to the outlook for both Canada and also for the US economy.



- ❑ Despite all the positives, the C-Suite is at best cautiously optimistic about the new President.
  - Only 9% have a very favourable view of President Trump and nearly half have a very negative opinion of him. The C-Suite is more favourable towards PM Trudeau.
  - Only half said the Administration is doing well when it comes to economic policy.
  - Few have confidence in its handling of trade and immigration files.
  - Resources executives are concerned about a border adjustment tax while services and manufacturing sector executives are concerned about the future of NAFTA.
  - Even though most agree NAFTA could be improved in a way that would benefit Canada, fewer expect that trade talks will be advantageous to Canada.
- ❑ In related findings:
  - Many doubt Trump and Trudeau will enjoy good relations, but nearly half the C-Suite believes they will – a significant increase from before Trudeau’s visit to Washington.
  - The vast majority opposes Trump’s move to halt the settlement of refugees. Most believe Canada as an opportunity in light of US border policies to lure skilled talent.
  - Half believe the Administration’s posture on trade is reason to redouble Canada’s efforts to reach out to Asia-Pacific markets. Conversely half think Canada must put all efforts into maintaining if not improving trade access with the US.
  - The C-Suite is divided on Trump’s proposals to deregulate financial services, with roughly half disagreeing with the direction the White House has signaled.

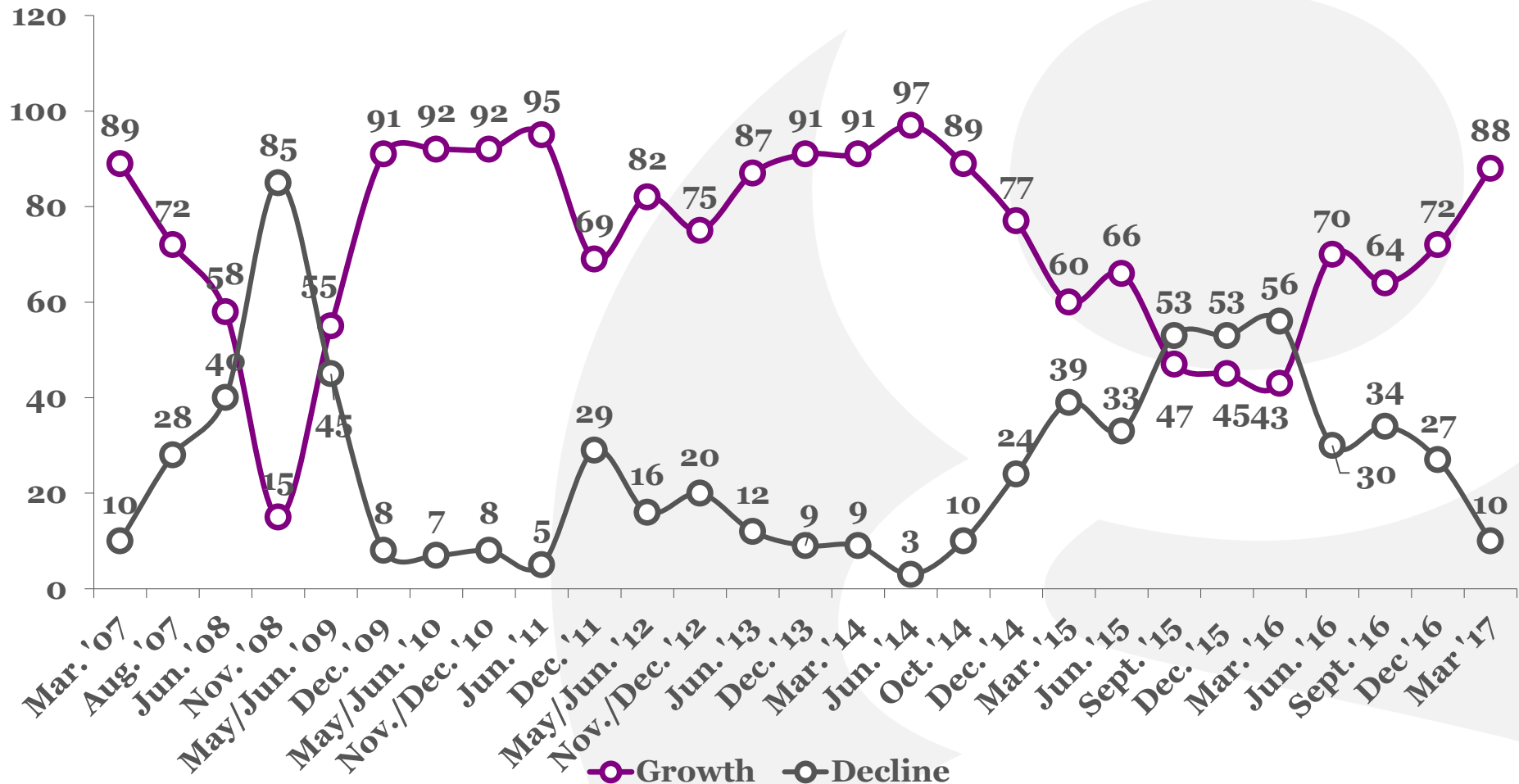


- ❑ The C-Suite is significantly more optimistic about the Canadian economy now compared to six months ago and even compared to last quarter.
  - Expectations are still for moderate growth.
  - Only about 1 in 10 expect the economy will decline/contract over the next 12 months - compared to 1 in 3 saying this two quarters ago.
  
- ❑ The outlook for the US economy is more bullish and that is even more the case now than it was in December.
  - This quarter: the vast majority expects the US economy to grow (as was the case last quarter) but now as many as 4 in 10 expect the US to post strong economic growth.



# Projections For The Canadian Economy

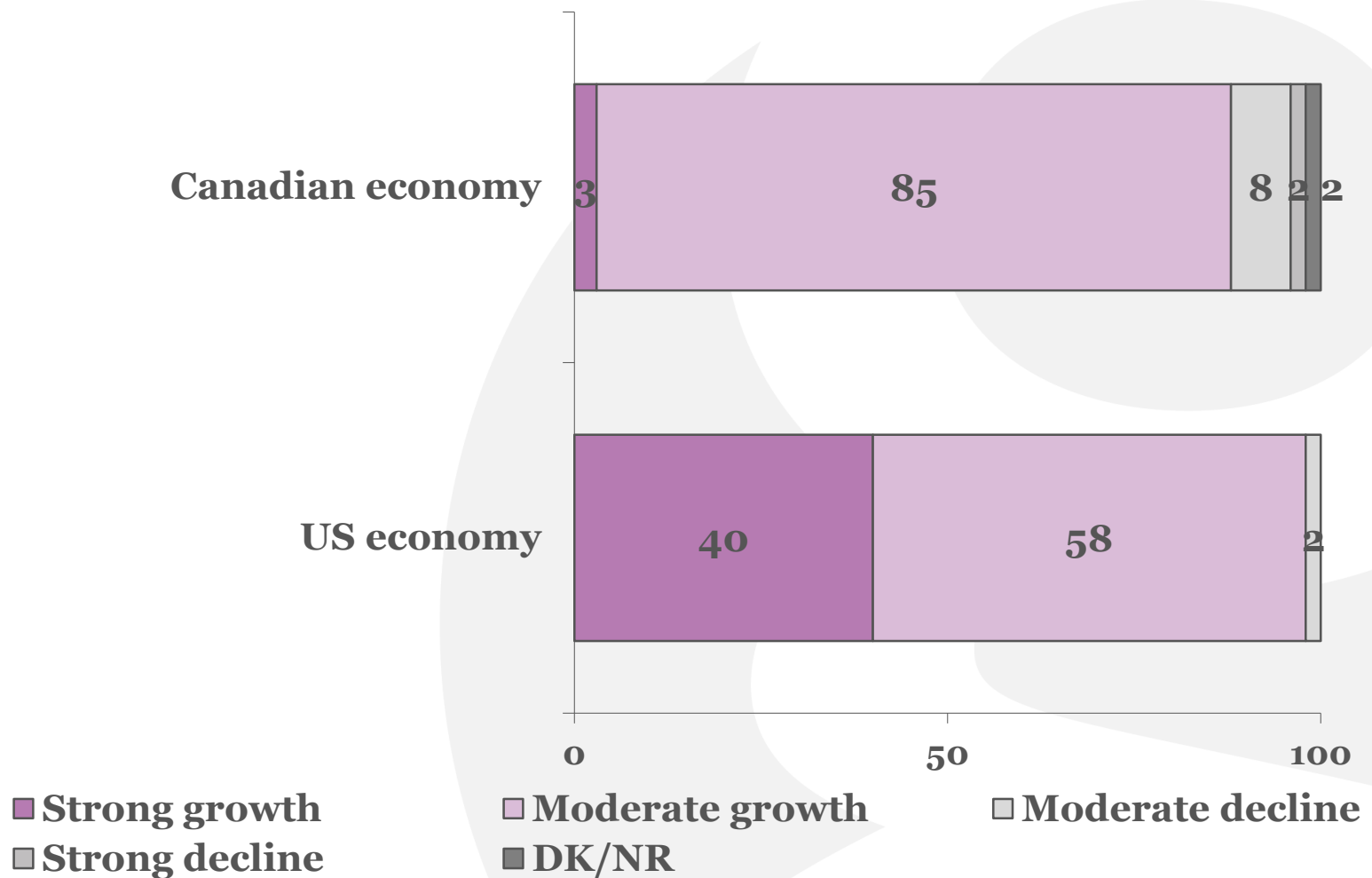
What are your expectations for the Canadian economy over the next 12 months?





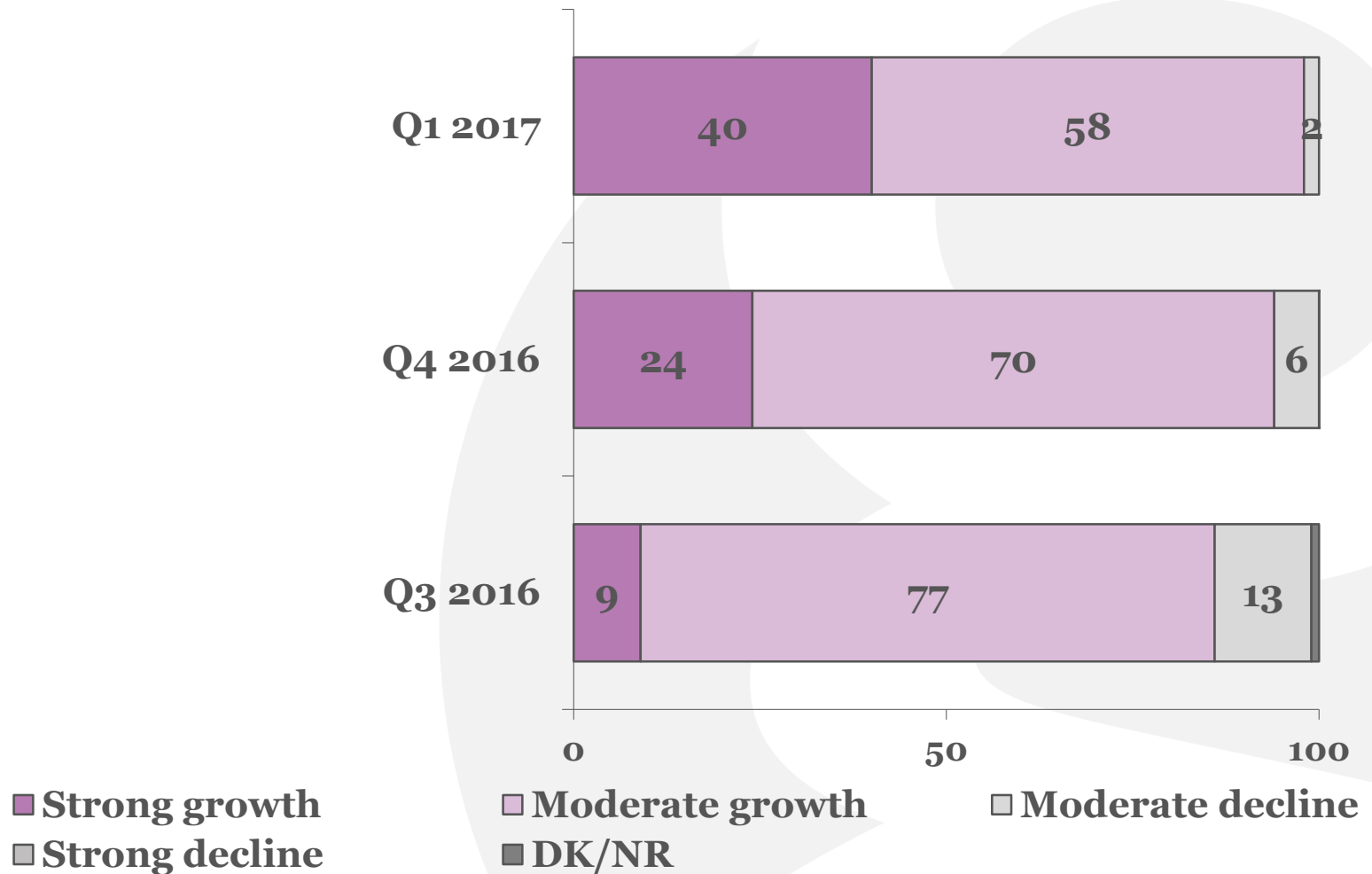
# Expectations of the Canadian and US Economies

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





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



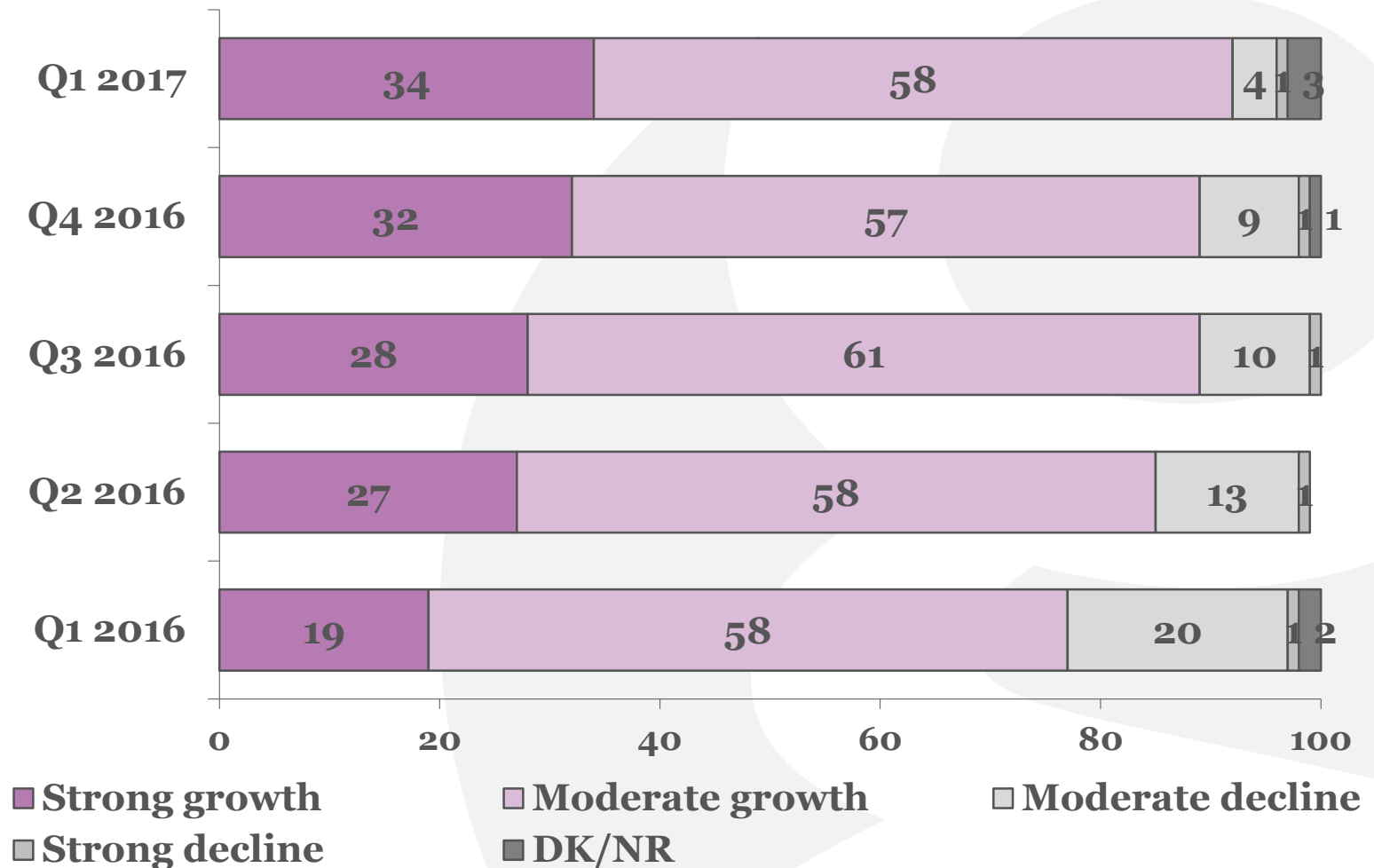




- ❑ C-Suite executives remain confident that their companies will grow in the next year.
  - One third continue to expect strong growth.
  - There is little to no significant difference in confidence levels by sector.
  - Resources executives roughly about as confident this quarter as in the past two quarters in the outlook for their businesses over the next 12 mos.
- ❑ The Trump Administration's support for Keystone has lifted opinion somewhat, but few said they have been greatly impacted by it.
- ❑ Other positives that the C-Suite sees with the new Administration:
  - A pro-business, pro-pipelines agenda
  - Investment in infrastructure
  - Less regulation & lower corporate tax rates
- ❑ Most believe Canada should follow suit and lower its corporate tax rates assuming the Administration and Congress cooperate to lower US rates by as much as 15 points.



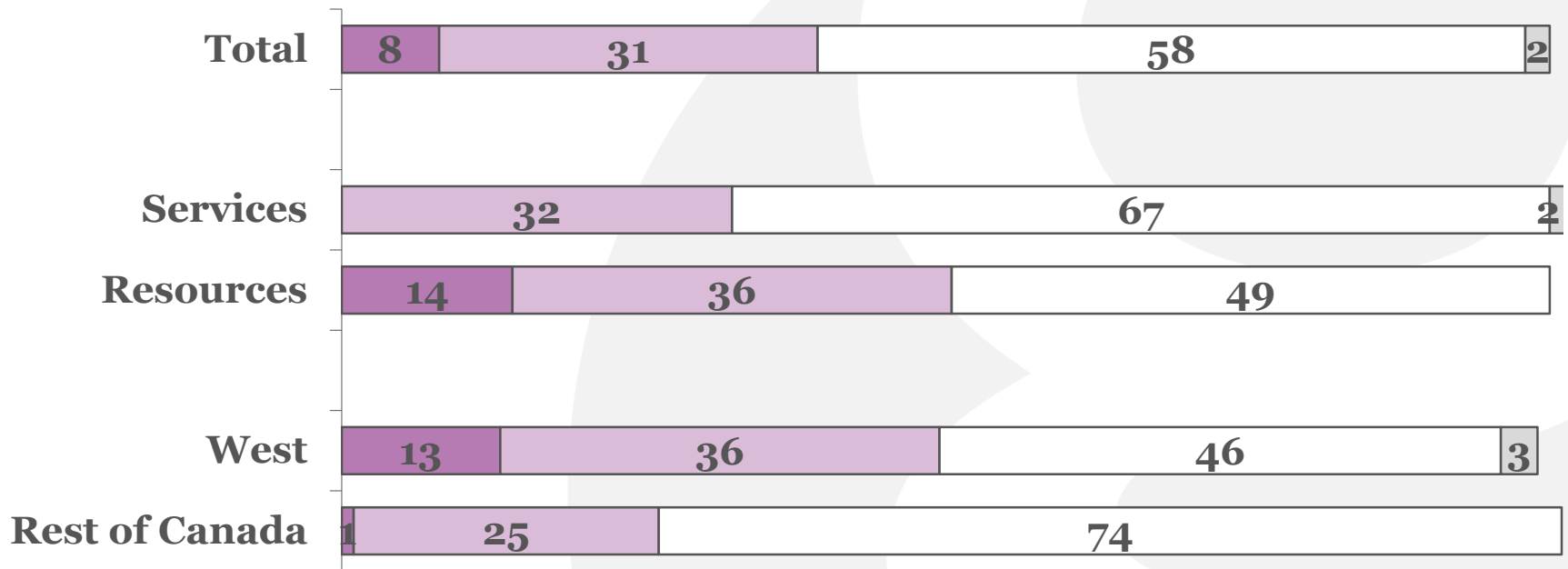
What are your expectations for your company over the next 12 months?





# Keystone XL Pipeline's Impact

In his fourth day on the job, President Trump signed an executive order that effectively invited TransCanada Corporation to resubmit the Keystone XL pipeline proposal rejected by President Obama. The company has since formally reapplied and filed its proposal with regulators. Would you say this decision impacted your business a great deal, somewhat or not at all? Is that in a positive or a negative way?

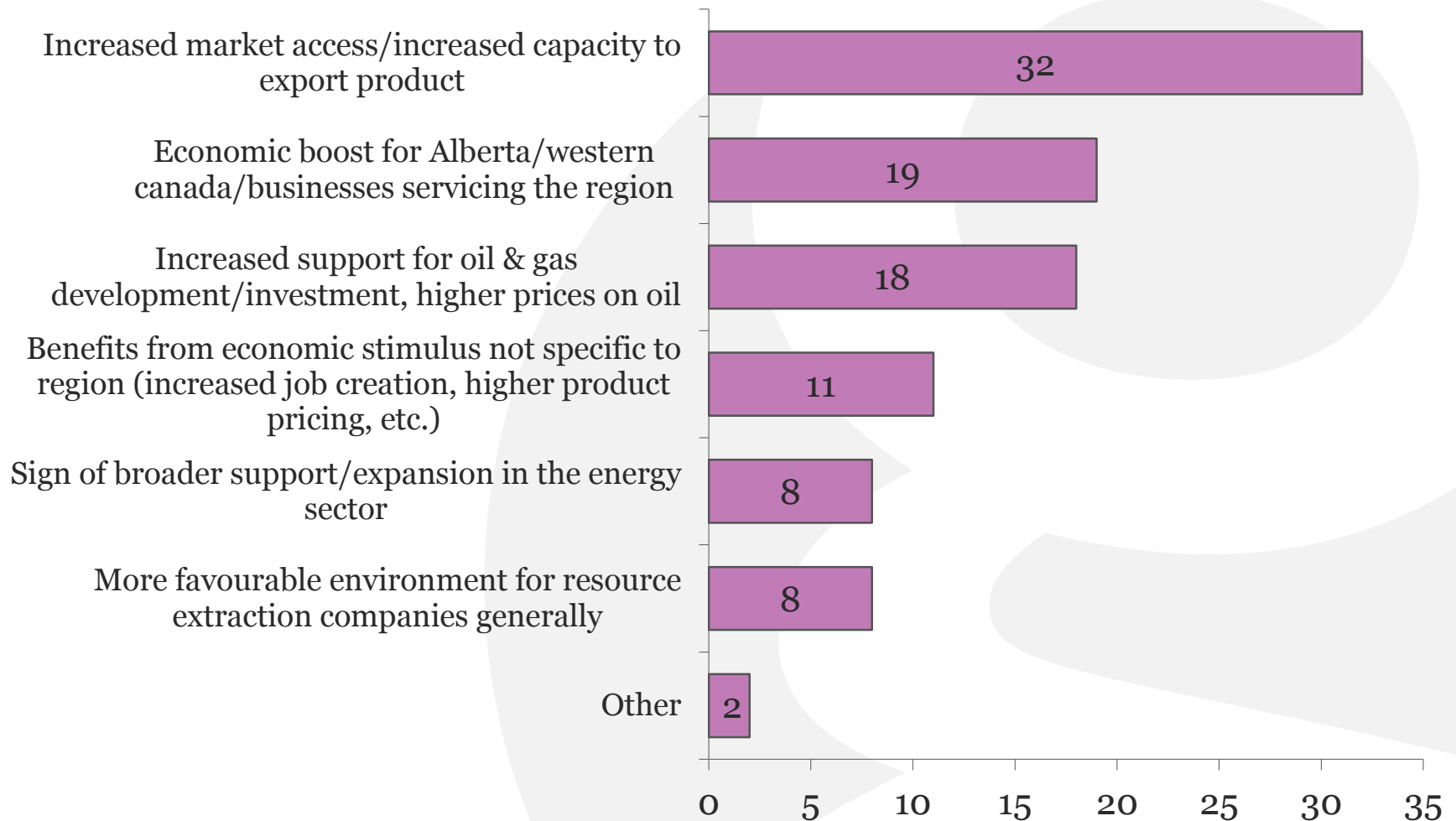


■ Great deal, positively   ■ Somewhat, positively   □ Not at all   □ DKNR



# Positive Impacts of the Pipeline

**In what way has this decision impacted your business? [Among those saying Keystone XL Pipeline decision, positive impact only n= 62]**

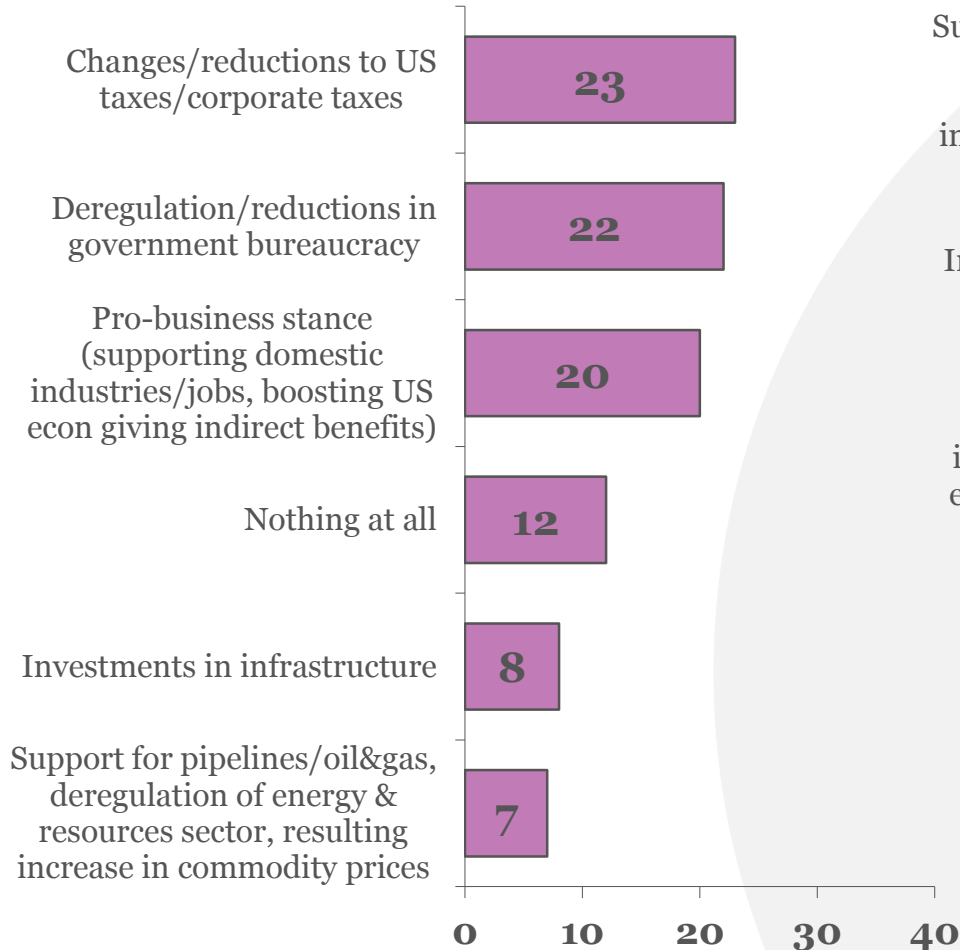




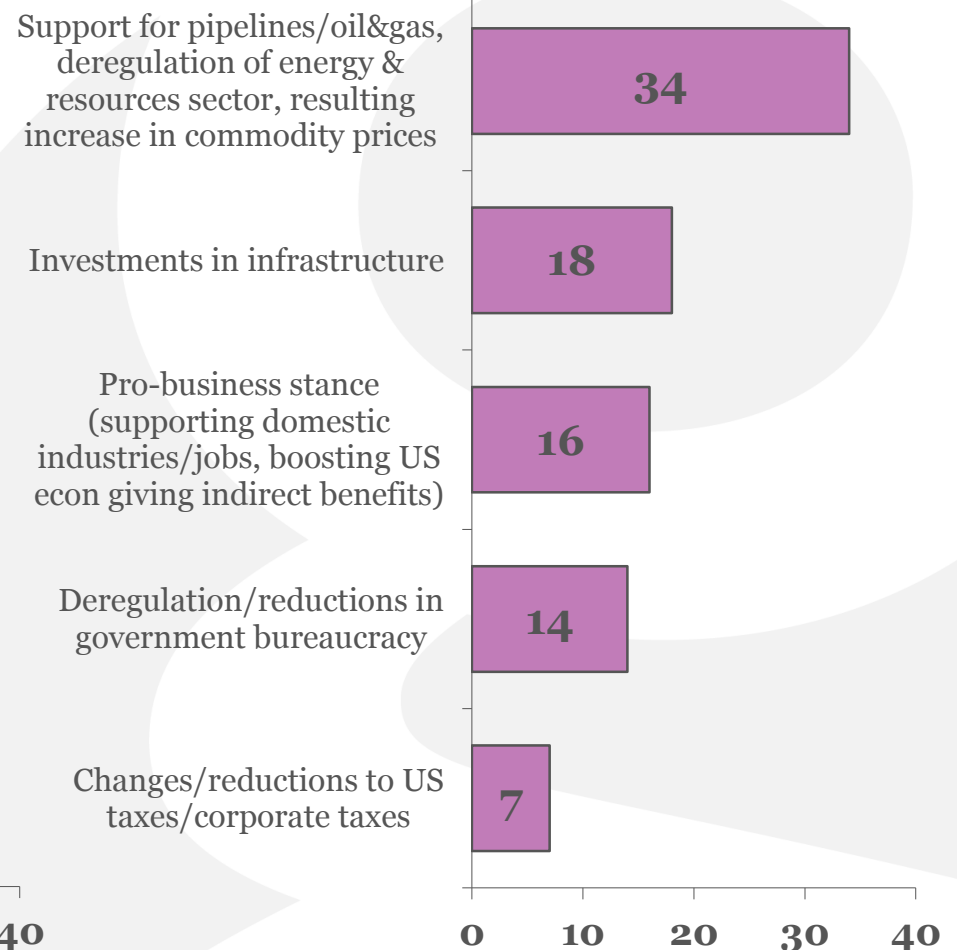
# Positives from the Trump Administration

Thinking specifically about your business, what has been the most positive development or direction that you have read or heard from the Trump Administration since the start of the year?

## Services Sector

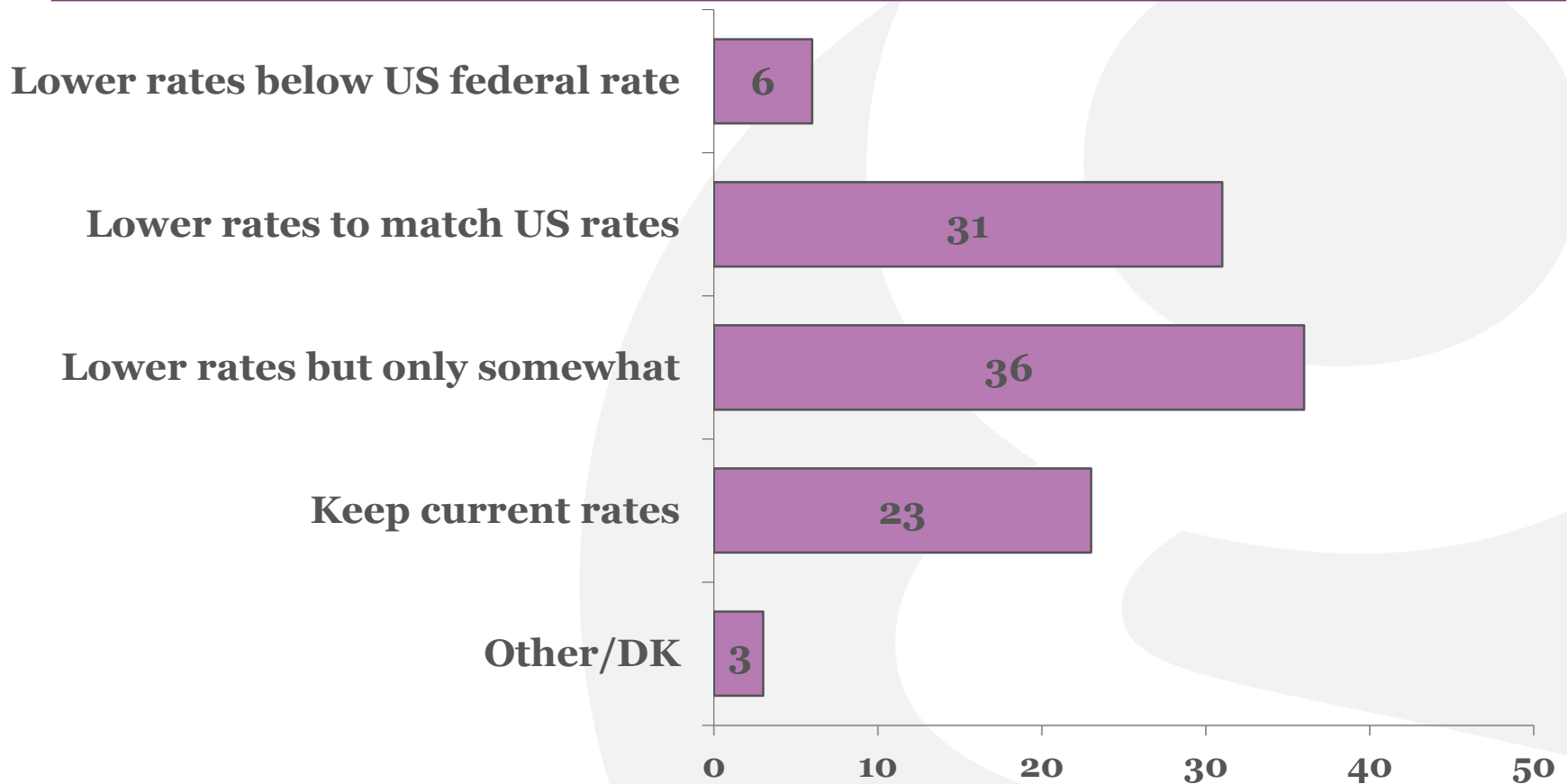


## Resources Sector





The Trump Administration and Republican congressional leaders have talked about reducing US corporate income tax rates from 35% to 20% or lower and reforming the income tax code for corporations. What do you believe the government of Canada should do when it comes to its federal corporate income tax rates should the US take this step? Should it:



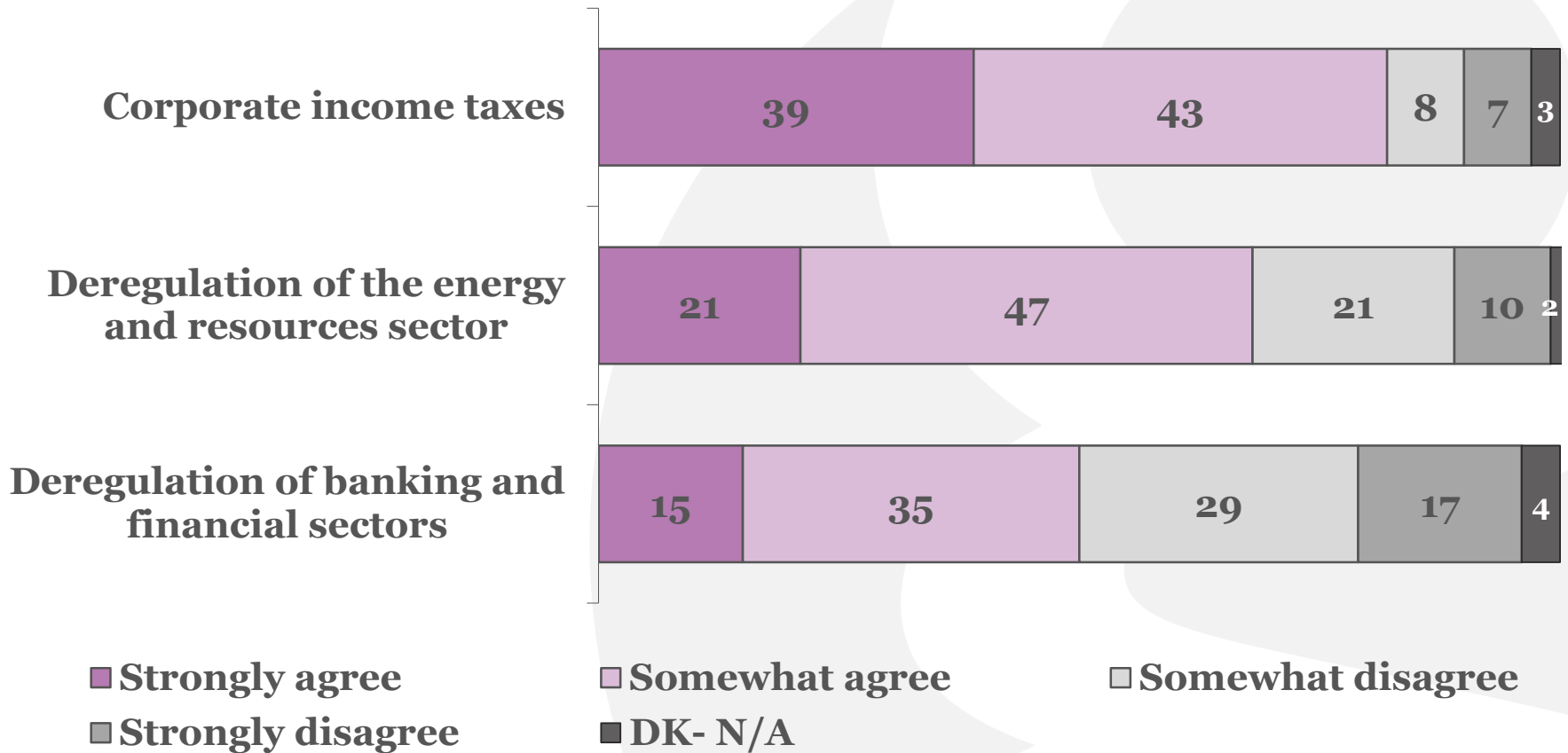


- ❑ The C-Suite's appraisal of the Trump Administration diverges depending on the issue:
  - Most agree with deregulation of the energy and resources sector, and corporate income tax cuts.
  - The C-Suite is divided on proposed deregulation of the financial sector –among financial services sector executives, 53% agree with the direction signaled by the White House while 47% disagree.



# Agreement with the Administration

I'd like to ask if you agree or disagree with the Trump administration's direction on different kinds of regulation. The first/next is \_\_\_\_\_ (read each). Is his administration's approach to this something you strongly agree, somewhat agree, somewhat disagree or strongly disagree with?



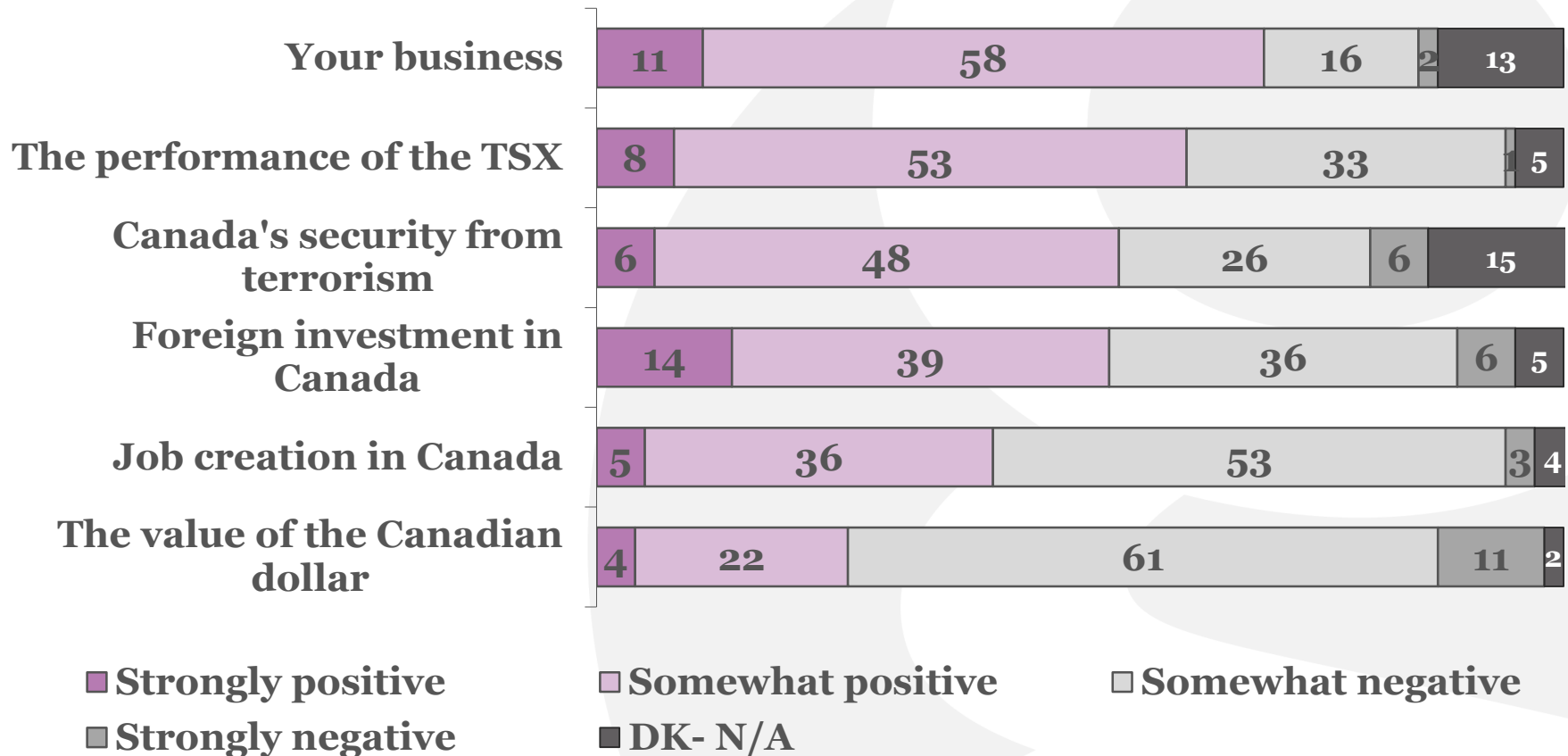




- ❑ Even though the C-Suite is optimistic about a pro-business agenda, many are concerned about the impact a Trump administration will have on Canada.
  - Most expect a Trump administration will have at least a somewhat positive impact on the TSX and even on their own companies over the next two years.
  - Yet roughly half expect Canadian job creation to be negatively impacted and that the Canadian dollar will be weaker in two years' time, because of the directions taken by the Trump Administration.
  - Most believe the Administration has done poorly when it comes to foreign policy, trade policy, and immigration.
  - Most are concerned about protectionism and the fate of NAFTA while those in the resources sector are especially concerned about a border adjustment tax.
  - Concern about these issues is significantly higher than when we polled the C-Suite in November-December.



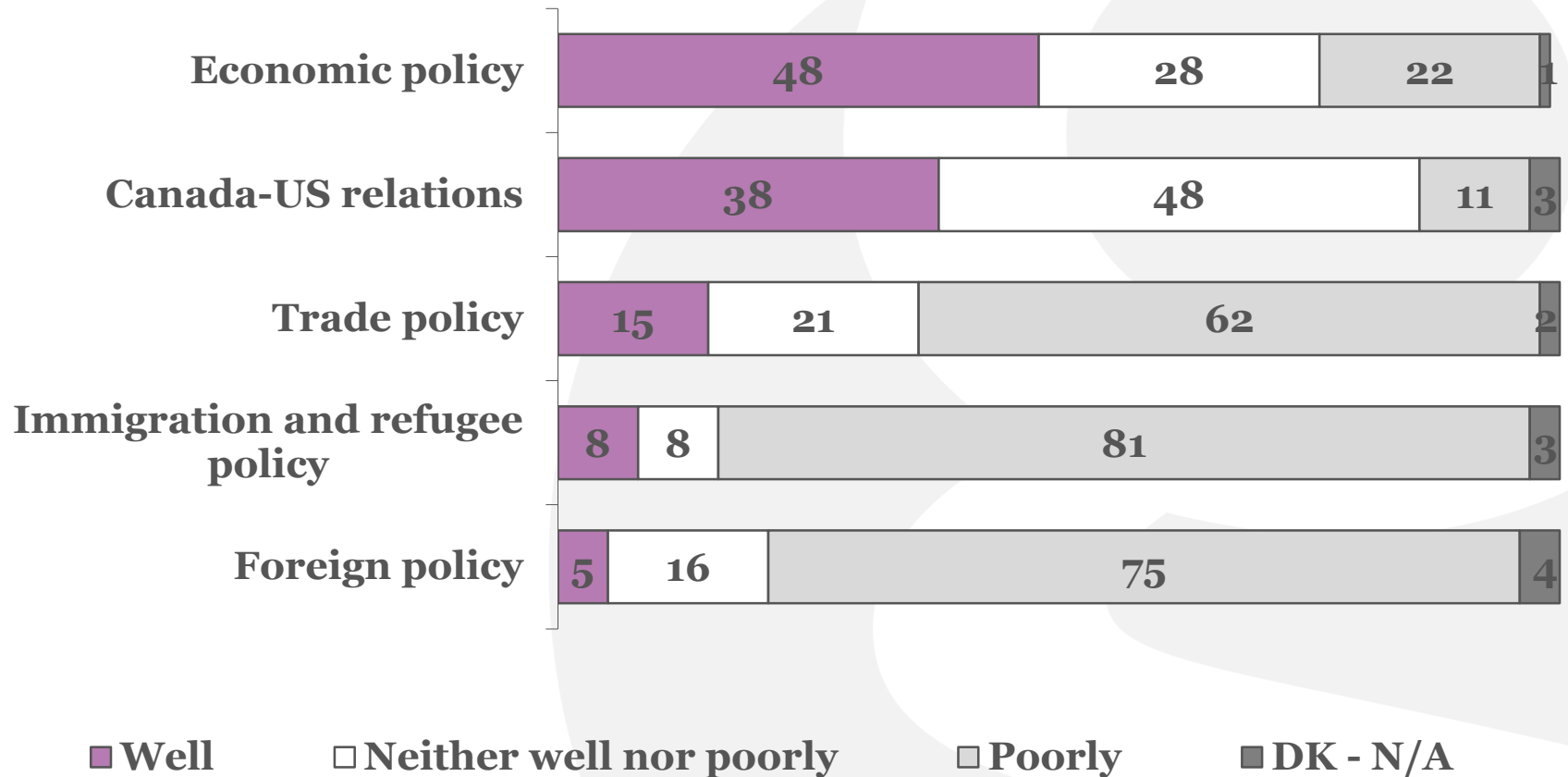
Based on what you've seen, do you think the Trump administration is going to have a positive or negative impact on \_\_\_\_\_ over the next two years?





# The Administration's Performance on Key Issues

Since the inauguration of President Trump on January 20th, would you say that he and his administration are performing well or poorly, when it comes to \_\_\_\_\_?

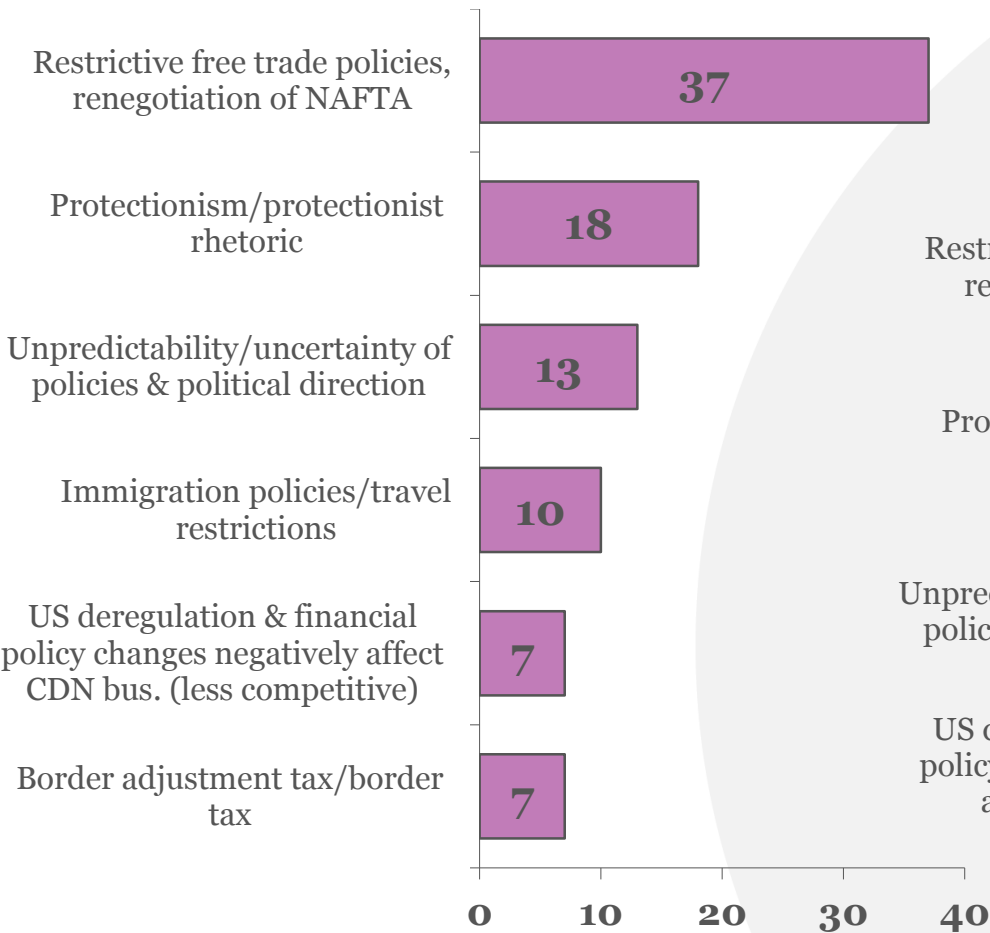




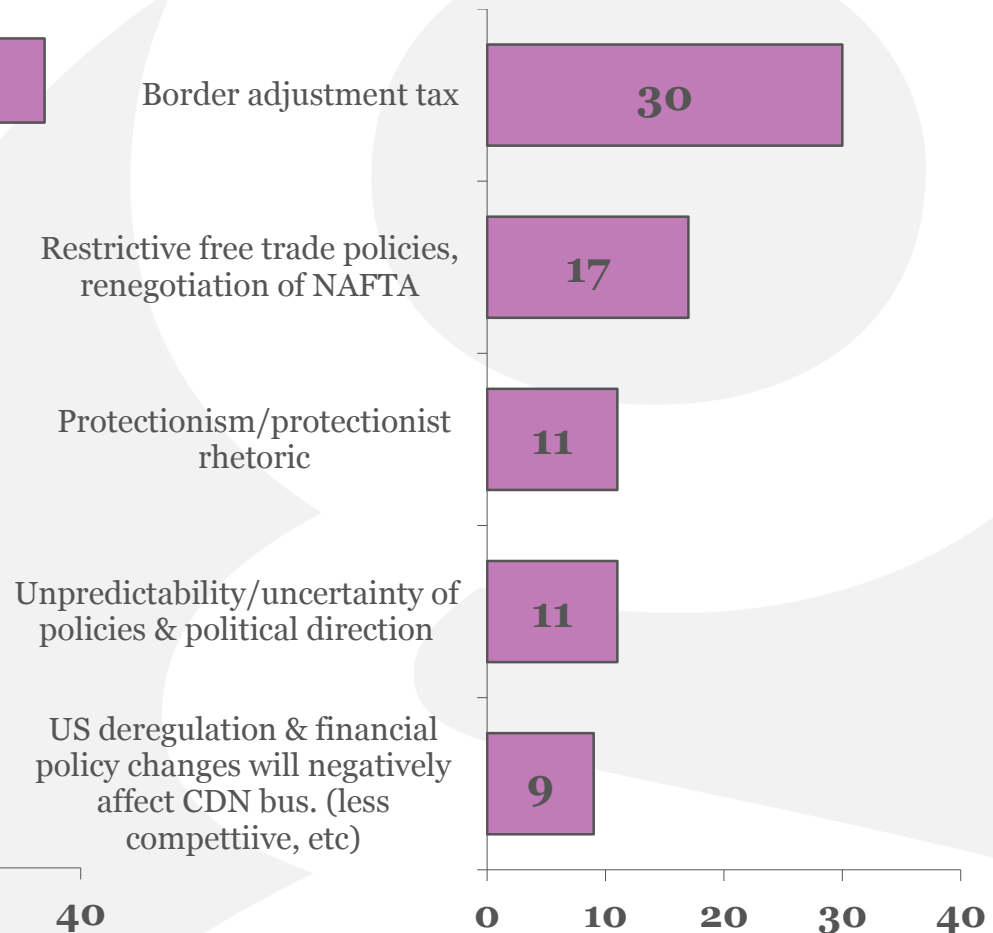
# Concerns about the Trump Admin.

**And again, with respect to your business, what concerns you most about what you have read or heard from the Trump Administration since the start of the year?**

## Services Sector



## Resources Sector

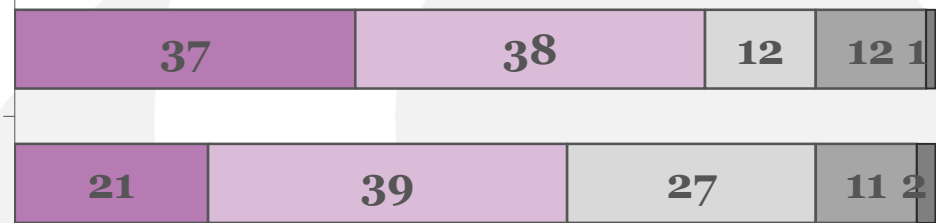




I'm going to read aloud some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each.

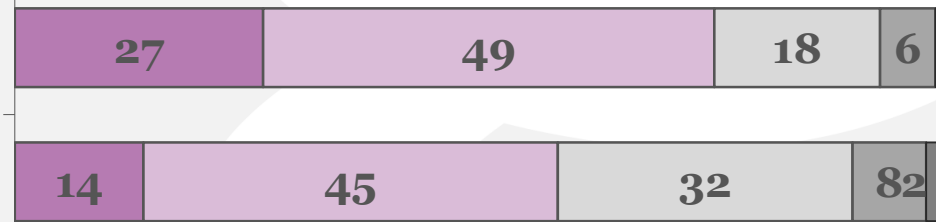
**Trump's immigration policies would make US econ. less competitive in the long term**  
Mar. 2017

Nov. 2016



**Donald Trump's Administration will likely lead to a decline in global trade levels**  
Mar. 2017

Nov. 2016



**Strongly agree**  
**Strongly disagree**

**Somewhat agree**  
**DK - N/A**

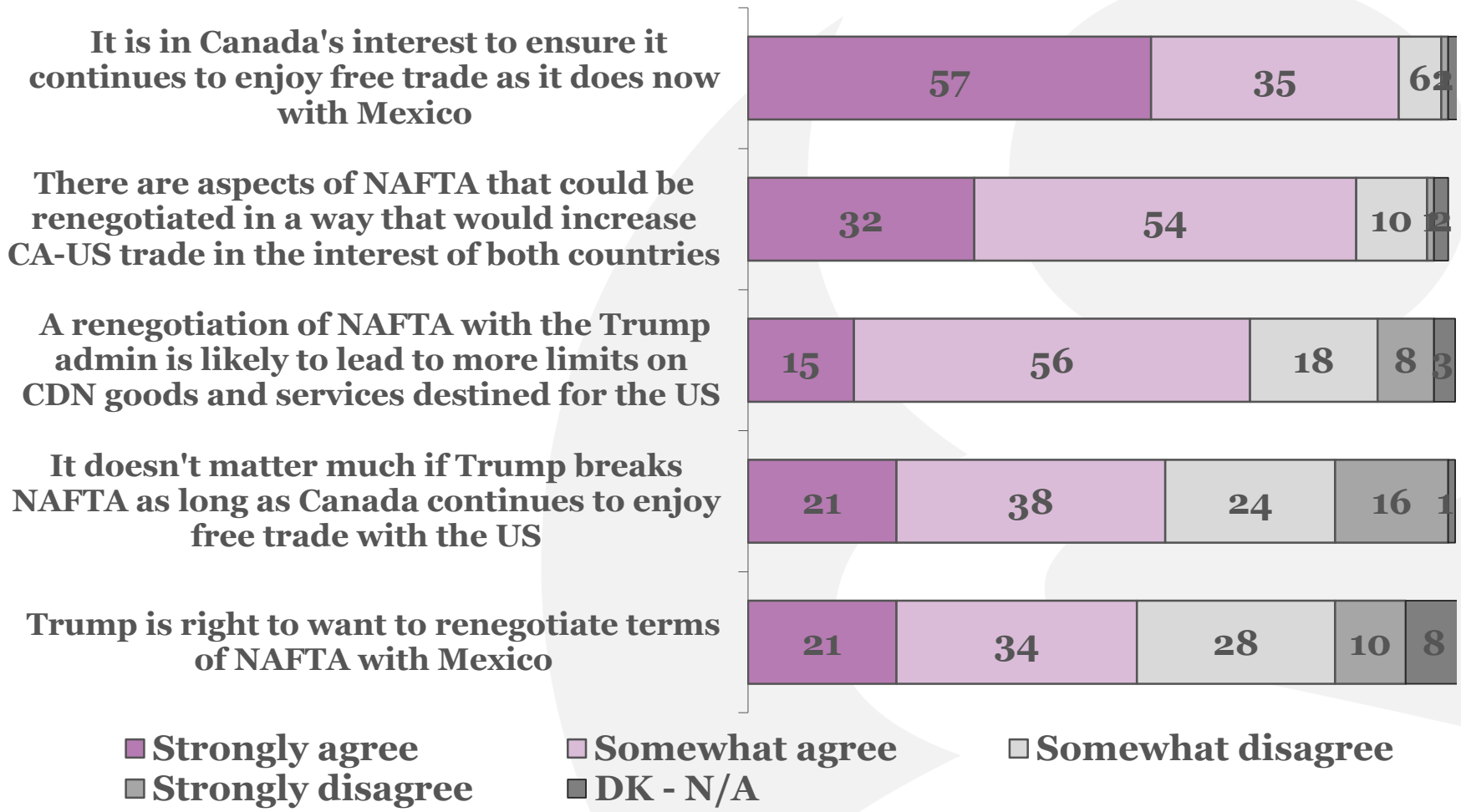
**Somewhat disagree**



- ❑ The C-Suite is cautiously optimistic that Canada will avoid the worst when it comes to radical changes to trade between the two countries.
  - Most agreed that aspects of NAFTA could be reopened and revised in ways that would benefit both Canada and the US. But most also agreed that negotiations will likely favour the US.
  - The vast majority agreed it is in Canada's interest to ensure it enjoys free trade as it does now with Mexico. Fewer (60%) agreed it doesn't matter much if Trump breaks NAFTA as long as Canada continue to enjoy free trade with the US – 40% disagreed.
  - Most said it is very or somewhat likely the Administration will only seek minor tweaks to NAFTA as far as it impacts Canada.
  - Far fewer think it's very likely Canada will face a border adjustment tax: many said it is at least somewhat likely but roughly half think it is unlikely.



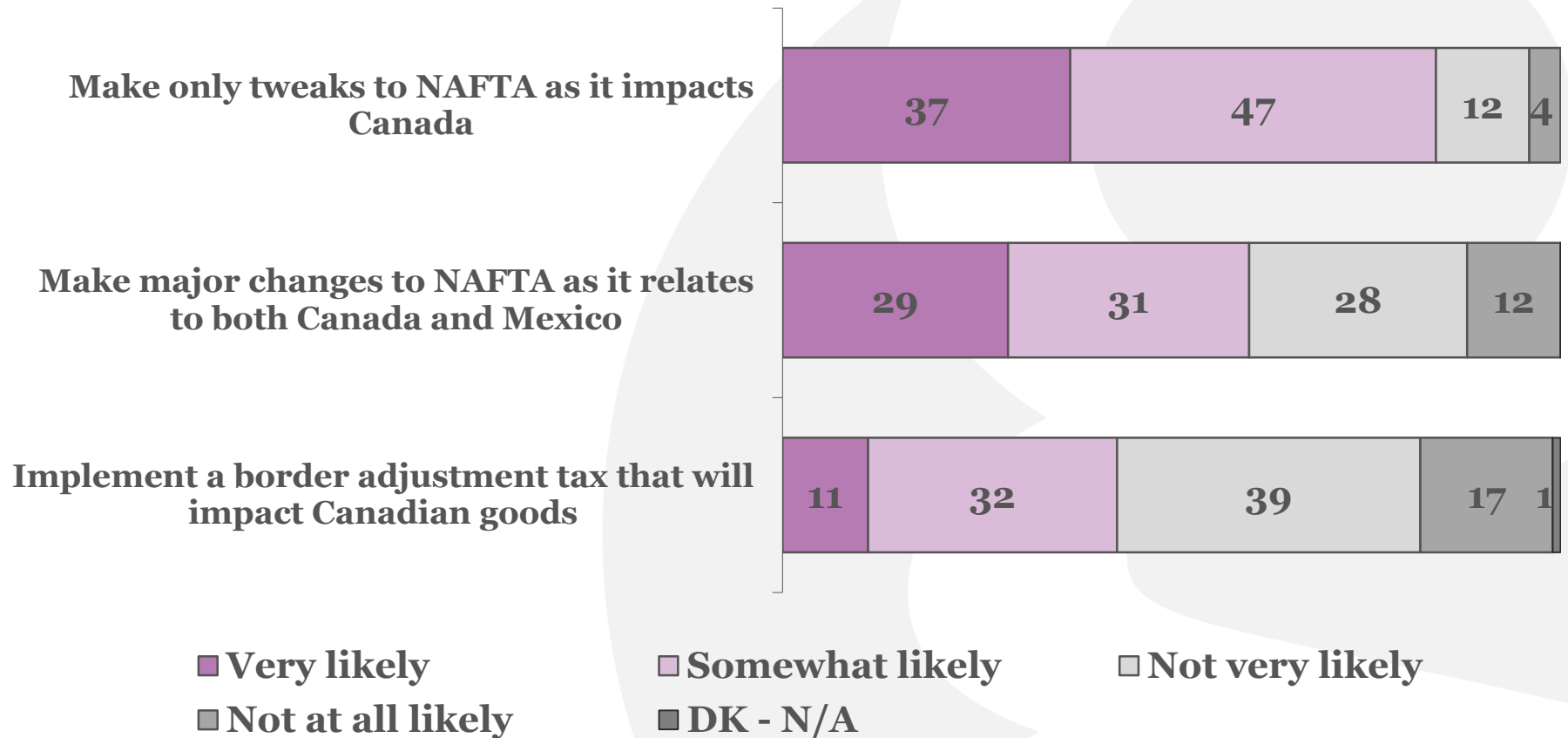
Now, I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each of the following statements about the North American Free Trade Agreement or NAFTA.





# Likelihood of Trade Changes

Would you say it's very likely, somewhat likely, not very likely or not at all likely that President Trump's administration will \_\_\_\_\_ ?





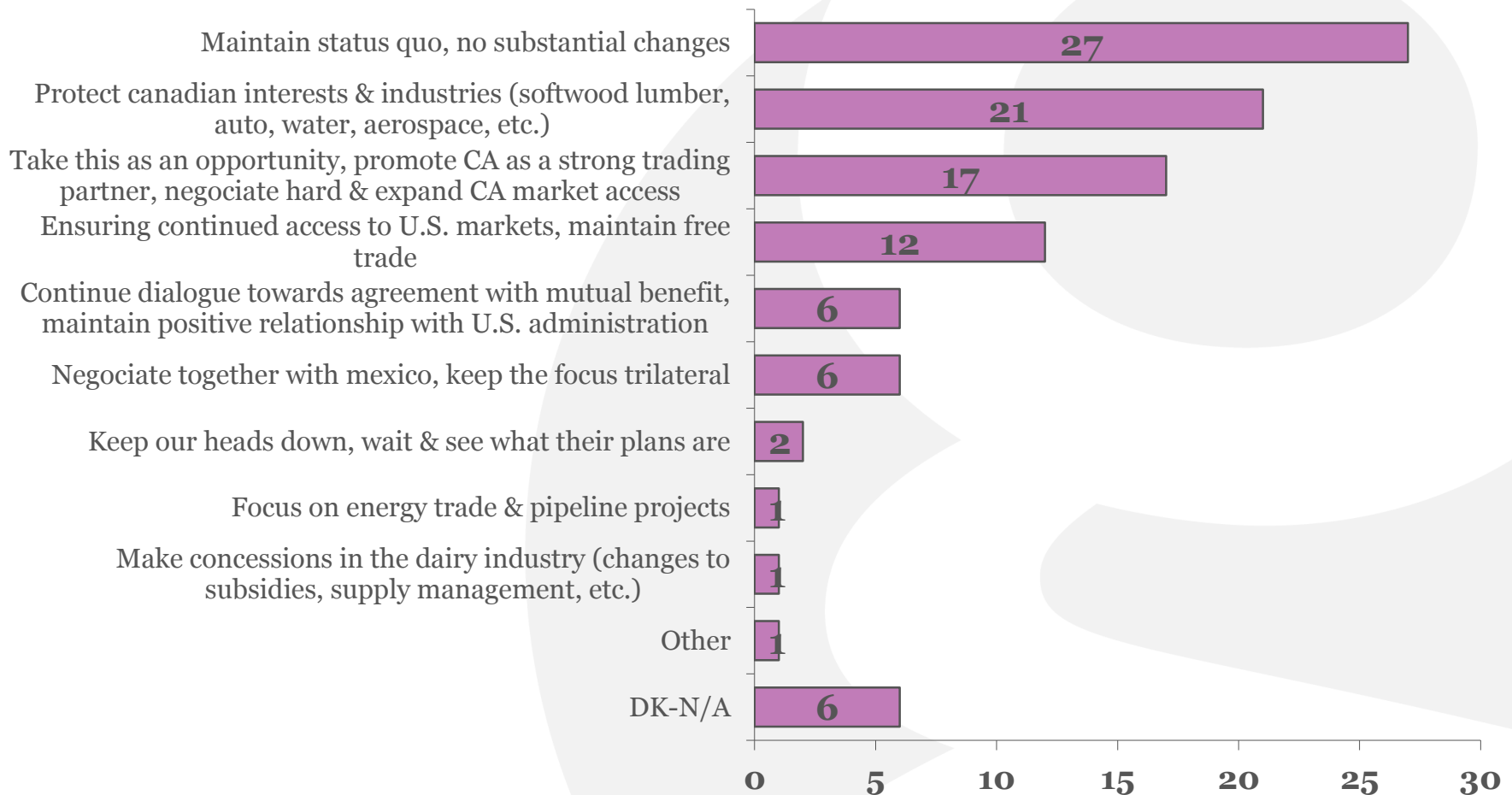


- ❑ Most also want Canada to refrain from criticizing Trump to protect Canadian interests – only 35% believe leadership should speak out when he violates values important to Canada.
- ❑ While most want Canada's trade officials and leadership to work hard to maintain access to US markets, some see an opportunity to establish Canada as a trusted trade partner and press for more access, even offering concessions.
- ❑ Not all believe that Canada should focus all efforts on ensuring access to the US right now. Many see the current US Administration's approach as reason to redouble outreach to Asia-Pacific trading partners.



**Following his meeting with Prime Minister Trudeau, President Trump stated that most of his concerns with NAFTA relate to Mexico and that agreements regarding Canada-US trade would only need to be tweaked.**

**In light of those statements, what do you think the GOC's priority should be in these negotiations?**

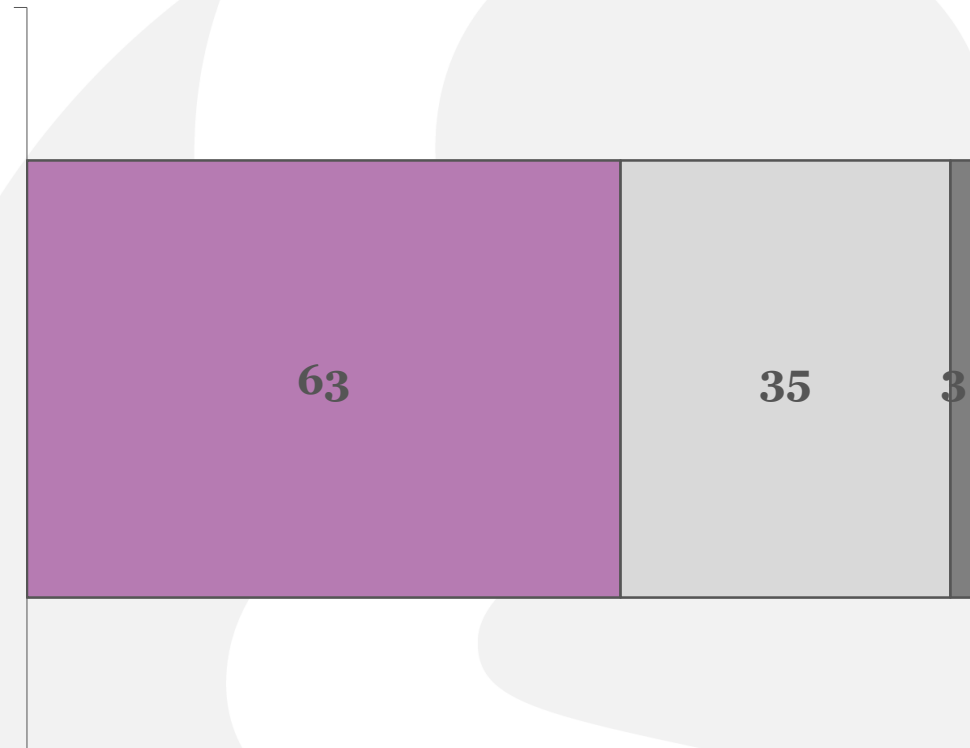




# Speaking Out vs. Protecting Interests

Some people say that Canadian governments should be speaking out when Trump says or does things that violate important Canadian values. Other people say that Canadian governments should refrain from criticising Trump in order to protect our economic interest. Which of those is closer to your own view?

- Canadian governments should refrain from criticising Trump in order to protect our economic interests
- Canadian governments should be speaking out when Trump says or does things that violate important Canadian values
- DK- N/A

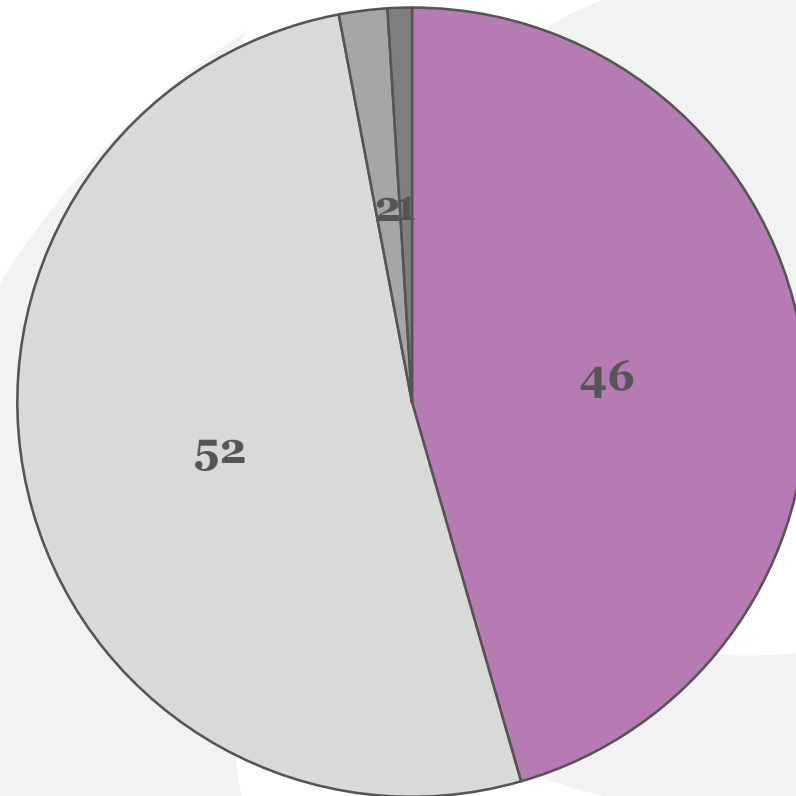




# Speaking Out vs. Protecting Interests

Which of the following two statements is closest to your opinion?

- **Canada's government should be putting most of its diplomatic efforts into trade negotiations with the US administration ahead of other trading priorities**
- **The direction of the US administration suggests Canada's government should prioritize new trade agreements with Asia-Pacific nations at least as much as trade talks with the US**
- **Both**
- **DK - N/A**





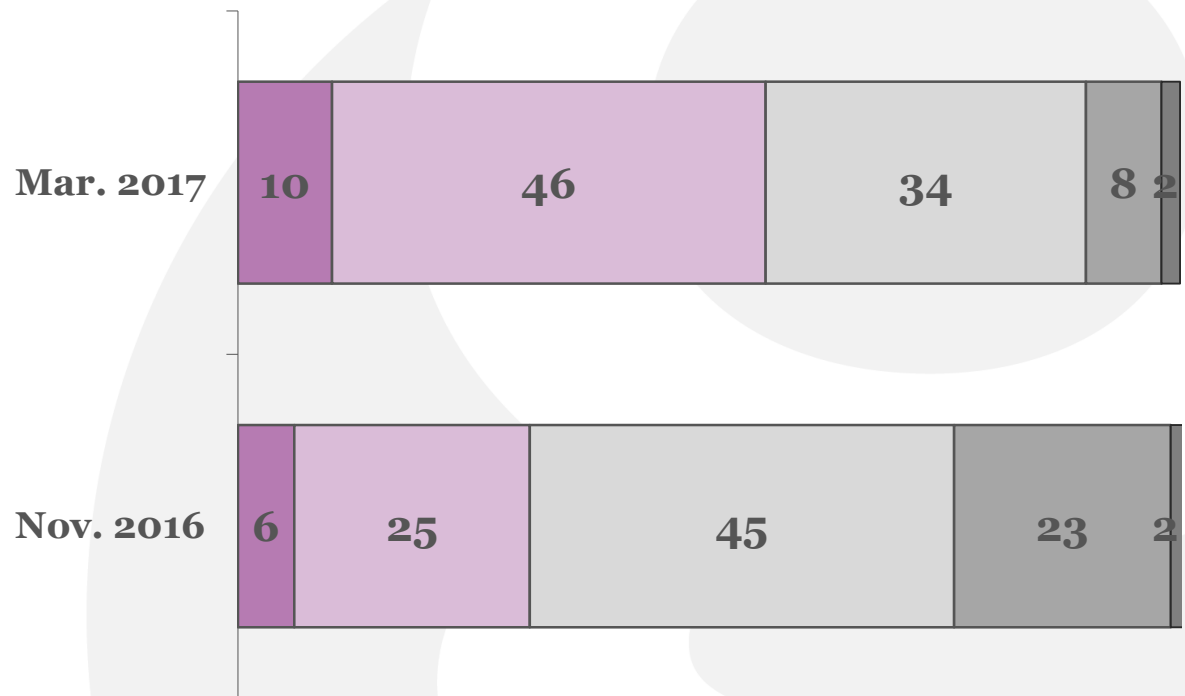
- ❑ The C-Suite is more positive about the potential for Canada-US relations than they were before PM Trudeau's visit to Washington.
  - Most now agree that the Prime Minister and President Trump are likely to enjoy good relations. Last quarter, less than a third of the C-Suite agreed with this.
  - Executives are more likely to say the Trump Administration has performed well on Canada-US Relations than say it has done poorly, as they have on trade and foreign policy generally.
- ❑ While the C-Suite is largely neutral towards PM Trudeau, they give remarkably poor ratings to President Trump.
  - Only 9% have a favourable view and negative ratings are double those of PM Trudeau.
- ❑ Most believe it's likely President Trump will serve out his full term in the White House but only 42% said this is very likely.



# Trudeau-Trump Relationship

I'm going to read aloud some statements people might make about issues affecting Canada and the US and I'd like to know if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with each:

*Prime Minister Justin Trudeau and President Donald Trump are likely to enjoy good relations*



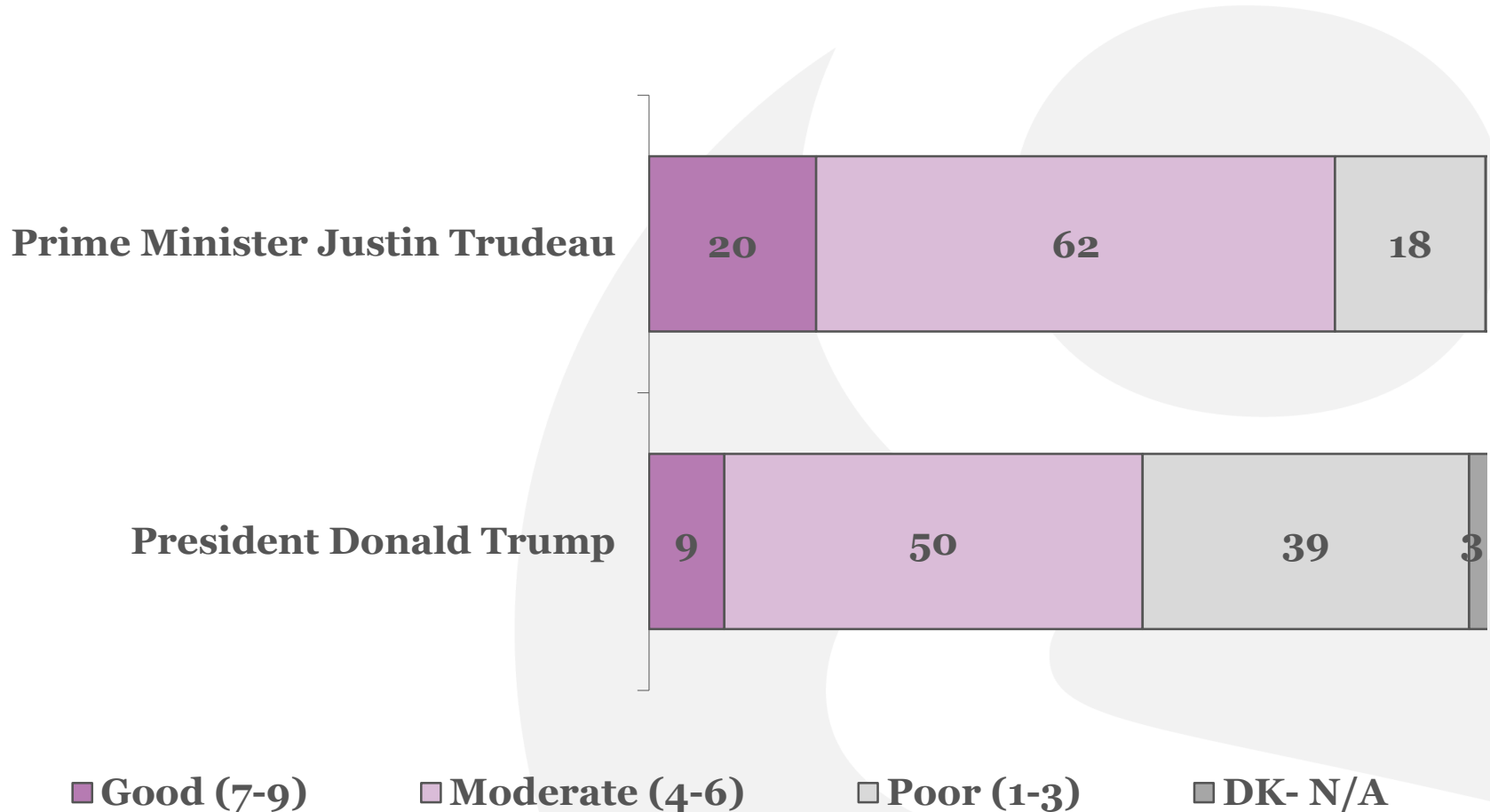
■ Strongly agree  
■ Strongly disagree

■ Somewhat agree  
■ DK - N/A

■ Somewhat disagree



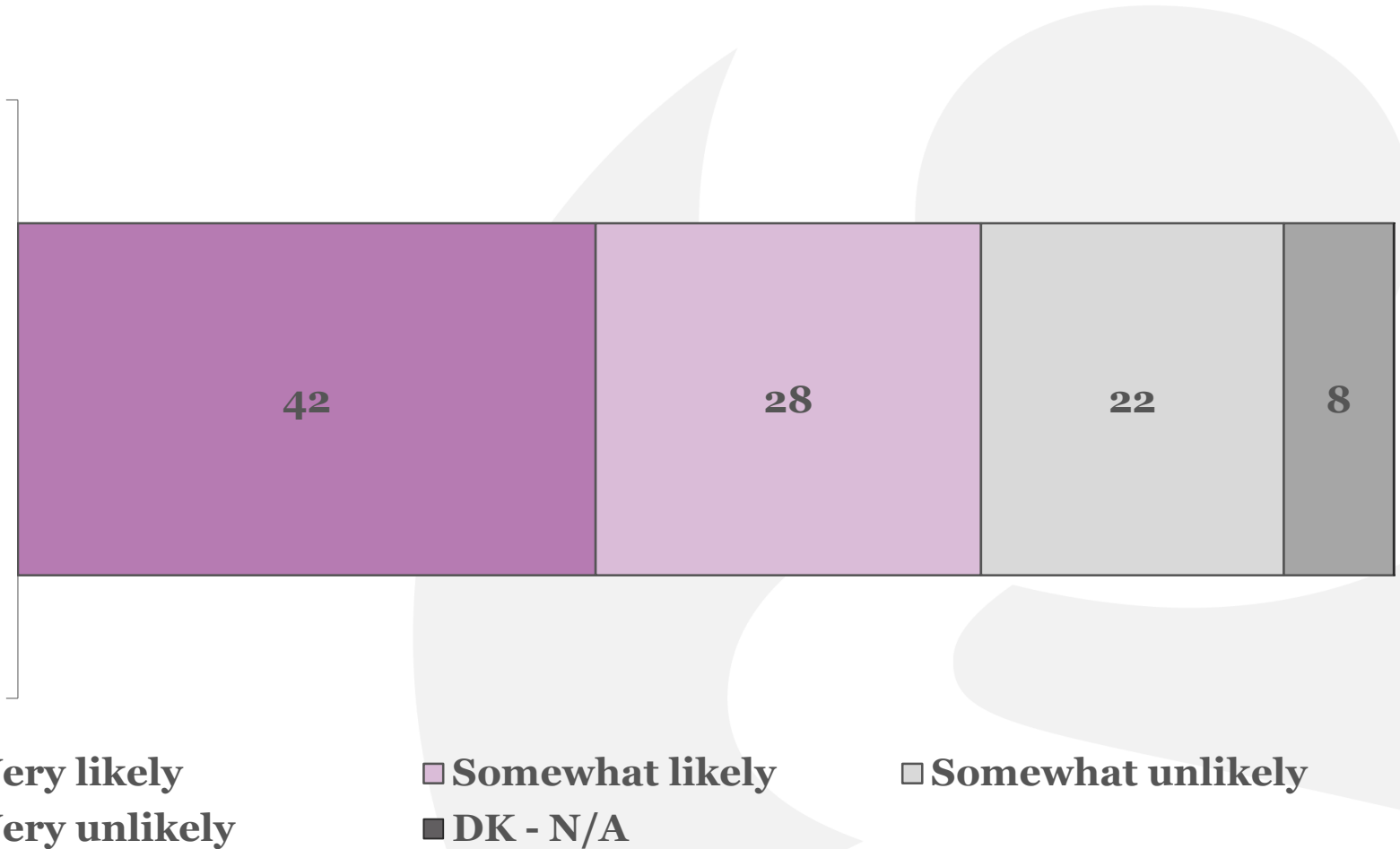
On a scale of one to nine where one is very poor and nine is excellent, how would you rate the performance of \_\_\_\_\_ (Read and repeat for each) since the start of 2017?





# Likelihood for Trump Completing Term

How likely do you think it is that President Trump will complete his full term as president?







- ❑ Nearly all executives said President Trump's executive orders on immigration have not impact their business.
  - ❑ Only 5% said the policies had had a negative impact.
- ❑ Yet most oppose the Administration's approach to immigration.
  - Three quarters oppose temporarily halting admitting refugees from Syria and Iraq.
  - Most also reject the idea of reducing the number of refugees we accept.
  - Half support increasing the number of refugees Canada accepts from the US.
- ❑ 7 in 10 support increasing the number of academic and work visas Canada issues to those impacted by the US travel ban.



I'm going to read some potential immigration policy changes Canada could take in response to recent US administration moves. I'd like to know if you strongly support, somewhat support, somewhat oppose, or strongly oppose.

