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## C-Suite Survey - Executive Summary

June 23, 2017 – The 47<sup>th</sup> edition of the C-Suite Quarterly Survey was conducted on behalf of KPMG; published by the *Globe & Mail's Report on Business* and broadcast by *BNN*. Telephone interviews were conducted with 151 C-Suite executives at ROB1000 companies between May 16<sup>th</sup> & June 12<sup>th</sup>, 2017. This quarter's survey asked the C-Suite about:

- ❑ Trade Policy, NAFTA & the Canada-US dispute over softwood lumber exports
- ❑ The Trump Administration in its 2<sup>nd</sup> quarter
- ❑ Monetary Policy, interest rates & the Canadian Dollar

As context the C-Suite's opinion about the economy, it's important to note a shift in opinion about the new US Administration since January.

- ❑ Opinion about President Trump has deteriorated. Sixty-three per cent of C-Suite executives gave poor ratings to the President on his performance in office so far. Last quarter, while few were strongly favourable, only 39% gave the President poor ratings.
- ❑ Last quarter, 26% of the C-Suite was very worried about the implications of politics on trade. This quarter, forty-two percent of the C-Suite said they are very worried about political developments impacting trade.
- ❑ An increasing number believe Trump will make major changes to NAFTA as it relates to both Canada & Mexico – 74% said this is at least somewhat likely, up from 60% last quarter.
- ❑ There is some potential upside for Canada – 74% agreed Canada stands to improve its ability to attract skilled talent from the US because of immigration policy and politics there.

The C-Suite would prefer to resolve trade disputes and preserve the trading relationship with the US by means of negotiation.

- ❑ There is clear majority agreement (87%) that Canada should protect its softwood lumber industry from duties recently imposed by the US and defend the industry at the relevant trade dispute panels.
- ❑ Just over half (58%) agreed Canada should retaliate against US duties on lumber by imposing a tax on US thermal coal exports; 38% would oppose such a move.

TORONTO  
65 Queen Street West, Suite 510  
Toronto, ON M5H 2M5  
T 416.644.4120 info@gandalfgroup.ca | gandalfgroup.ca

OTTAWA  
116 Albert Street, Suite 300  
Ottawa, ON K1P 5G3  
T 613.699.8910

- ❑ Yet in a forced choice, the vast majority (85%) expressed a preference for Canada to work through diplomatic negotiations and trade panels to resolve issues rather than signal a willingness to retaliate against US tariffs with in-kind duties.
- ❑ Seventy-six percent would support a move by the Canadian government to offer to phase out Canada's protected dairy supply management system if it secured better access to the US for Canadian goods.
- ❑ Should the US take the step of revoking NAFTA, the C-Suite's preference is to seek a bilateral deal with the US. In a forced choice, 36% said Canada should try to enter trilateral negotiations with Mexico towards a trade pact with the US; 58% would prefer a bilateral approach with the US per se.
- ❑ Most are open to Canada seeking a free trade agreement with China or entering talks to revive the Trans Pacific Partnership trade agreement even if those talks did not involve the US. About half of the C-Suite believes these two approaches should be high priorities for the Canadian government.

Opinion about Trump and concern about trade may explain a leveling off in expectations for the economy this quarter following two successive quarterly improvements the C-Suite's outlook since the US election.

- ❑ Forecasts for the US have actually softened since last quarter when roughly 4 in 10 expected the US to post strong economic growth. Now, 18% expect strong economic growth.
- ❑ The outlook for Canada's economy is stable, with no significant shift or improvement following gradual improvement over the course of 2016. The vast majority expect modest growth for Canada.

Perhaps as a result of concerns about trade and the economy, few see a strong case for interest rate increases.

- ❑ Most (73%) believe that if the Bank of Canada raised interest rates it would have a very or somewhat negative impact on the economy – 15% said it would be very negative, 58% somewhat negative.
- ❑ Thirty-eight percent said raising interest rates would have a very (9%) or somewhat (29%) negative impact on their companies.
- ❑ Few would be concerned if the value of the Canadian dollar dipped to as low as 70 cents US (something that might be more likely without an increase in rates). Most said if the *loonie's* value declined to that level it would have either no impact or a positive one on their companies.
- ❑ Seventy-one percent of companies are planning on the *loonie* staying below 75 cents US in the medium-term.

*More detailed information and data pertaining to additional questions including a presentation of this quarter's findings will be available in PowerPoint from [Gandalfgroup.ca](http://Gandalfgroup.ca).*