



C-Suite Survey Findings Executive Summary

December 17, 2012 – In this the 29th edition of the C-Suite Quarterly survey, conducted on behalf of KPMG; published and broadcast by the *Globe and Mail's Report on Business* and *BNN*, we asked executives about Canada's trading relationships, 2012 in review and expectations for 2013. Telephone interviews were conducted with 152 C-level executives from ROB 1000 companies between November 20th to December 4th, 2012. The margin of error for this study is +/- 7.9%, 19 times out of 20.

Uncertain State of America

- ❑ Uncertainties other issues facing the US economy represent some of the most important concerns and the most negative findings in our look back at 2012.
 - The failure to deal with the “Fiscal Cliff” is seen as one of the most negative events of the past year as far as Canada's economy is concerned, somewhat more than the Keystone XL pipeline.
 - There is little confidence in US lawmakers in either party. Obama's performance in 2012 receives mediocre grades from Canadian executives. (Most said his re-election was a positive, but Western Canadian executives were far less likely to say this.) The US Congress fared even worse.
 - One in five executives said various issues relating to the US economy represent the biggest challenge to Canada's economy.
 - While few executives see the US become less important to their business any time soon, there is near unanimity that the US is in decline (83% agreement) and that Canada has got to offset this decline by tapping foreign markets.

Trade Relations

- ❑ China is the clear priority region for Canadian trade initiatives (76% saying it should be a top priority) but both India and also Latin America were seen as very important markets (55% and 50% respectively).

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- Executives have concerns about whether China is as open as India, and the vast majority said they prefer seeing Canada undertake trade with democratic nations ahead of non-democratic nations.
- The NEXEN takeover is mostly viewed as a “positive” for Canada (63% saying this). But Western Canadian executives were more positive than others (82% vs. 49% in the Rest of Canada).

2012 in Review, Expectations of 2013

- ❑ 2012 was the year that saw resources companies significantly recalibrate their forecasts.
 - In 2011, most resources executives predicted strong growth (61% in March '11). Now only half as many predict strong growth over the next 12 mos. Most predict moderate growth.
 - Half of resources executives said performance in 2012 met expectations while four in ten said their companies failed to meet expectations.
- ❑ The outlook for the economy though remains mostly positive if only with forecasts of moderate growth for the Canadian economy in the next twelve months (1% strong growth, 74% moderate growth). The number predicting growth is down somewhat from last quarter's survey, when over 80% predicted growth.
- ❑ And most executives (65%) believe 2013 will be better for their companies than 2012.
- ❑ The top performer on the economy in 2012, Bank Governor Mark Carney is seen by virtually all executives (78%) to have done a good job in 2012. Most executives gave positive marks also to Prime Minister Harper and Finance Minister Flaherty. They also welcomed the balanced approach that has kept interest rates from rising while at the same time moving to address mortgage rules and rein in lending (90% and 71% respectively said these moves were positive for the economy).
- ❑ The most encouraging economic trend/indicator of those tested was the fact that inflation in Canada remains under 2% (87% identified this as an encouraging sign for the economy). Recent GDP growth between 2% and 2.5% and the government's plan to have a balanced federal budget by 2016-17 were also thought by most to be encouraging signs. They are not as encouraged by Canada's unemployment and they are especially concerned about current household debt to income ratio and the level of total government debt in Canada.