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The 48th Quarterly C-Suite Survey

October 12, 2017

Sponsored by:

Published and
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REPORT
ON BUSINESS

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- ❑ Methodology: telephone interviews with 153 C-level executives from ROB1000-listed companies between Sept. 11 & Oct. 5, 2017.
- ❑ This quarter's survey asked the C-Suite about:
 - Interest rates & the Bank of Canada
 - Increases to the minimum wage in Ontario & Alberta
 - Advanced manufacturing & technologies
 - Trade Policy, NAFTA & the Trump Administration
 - The state of the economy & how the C-Suite is feeling about their business



The Bank of Canada & Interest Rates

- Most in the C-Suite would oppose another rate increase by the Bank of Canada.
- Opposition is significantly higher among Western Canadian businesses and those in the resources sector who were also more likely to say recent increases have negatively impacted them.
- Only about 1 in 3 said it's likely the Bank will raise rates in October. This may be because almost all believe the economy is unlikely to post strong growth over the next 12 months, in spite of strong data over the last 3 months.

Increases to the minimum wage in Ontario/Alberta

- Most oppose a minimum wage increase to \$15/hr. by 2019, as proposed in Ontario.
- Opposition is somewhat lower in Ontario than in Alberta.
- Most would support an increase to \$15 over 4-years.
- Most said the proposed min. wage increases in Ontario & Alberta will have a somewhat negative impact on those economies.
- But a clear majority in the C-suite don't expect their businesses will be impacted.



Automation & Advanced Manufacturing

- Concern about the impact of min. wage increases on manufacturing is modest.
- In fact most think advanced technology will allow the manufacturing sector to rebound.
- Advanced technologies also offset concern about higher wages, as a substantial number of businesses expect increased automation at their workplace.

NAFTA

- There is remarkable uncertainty around what the US will do in respect of NAFTA.
- Many are uncertain whether the Trump Administration will seek only minor changes to NAFTA or major changes or repeal it and start from scratch.
- The Canadian government has outlined its priorities for the renegotiation of NAFTA and the C-Suite sees some of these as important priorities. Most believe it should be a very high priority for Canada to seek:
 - Freer movement of workers & expanding the list of professions eligible for visas.
 - Access for Cdn. companies to bid on local, state & federal government procurement and prevent “Buy America” protectionist policies.
- Additionally, one of the highest priorities of those tested is for Canada to preserve the chapter 19 dispute resolution process embedded in NAFTA.

Detailed findings follow.



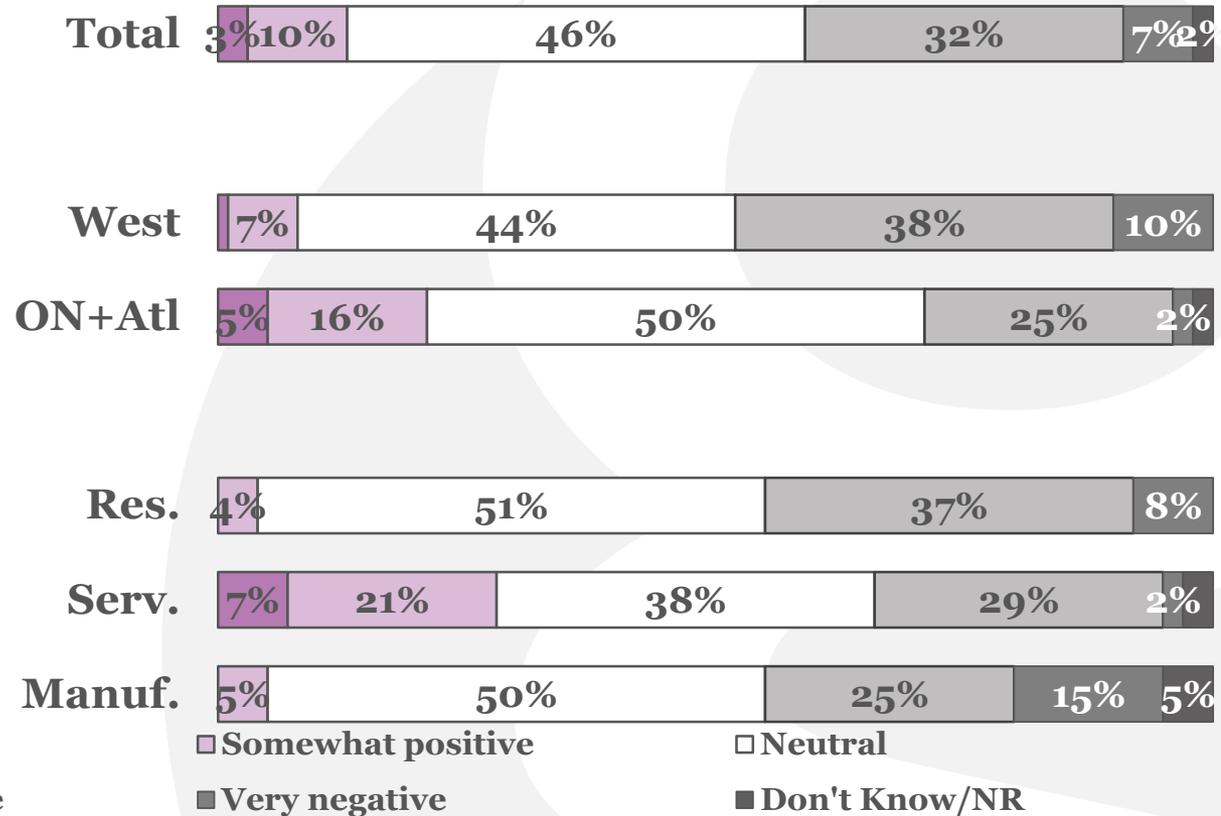
- ❑ Many will take comfort from recent remarks delivered by the Governor of the Bank of Canada, where he appeared to downplay the likelihood of another rate increase.
- ❑ Only 34% expect another rate hike in October.
- ❑ However, 39% believe the rate increases already announced will have or are having at least a somewhat negative impact on their companies.
- ❑ A larger proportion (50%) said an additional rate increase after the Bank's next meeting would have a somewhat or very negative impact on their companies.
- ❑ Most (64%) would oppose another rate hike after the Bank's October meeting.
 - This is perhaps explained by the fact that recent economic data and jobs numbers have not impacted the outlook for Canada's economy over the next 12 mos.

Impact of Recent Interest Rate Increases on Your Business



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- Few said recent rate increases had had a positive impact – they tended to be in the services sector.
- Western and resources-based companies were more likely to say rate hikes would have a negative impact on their business.

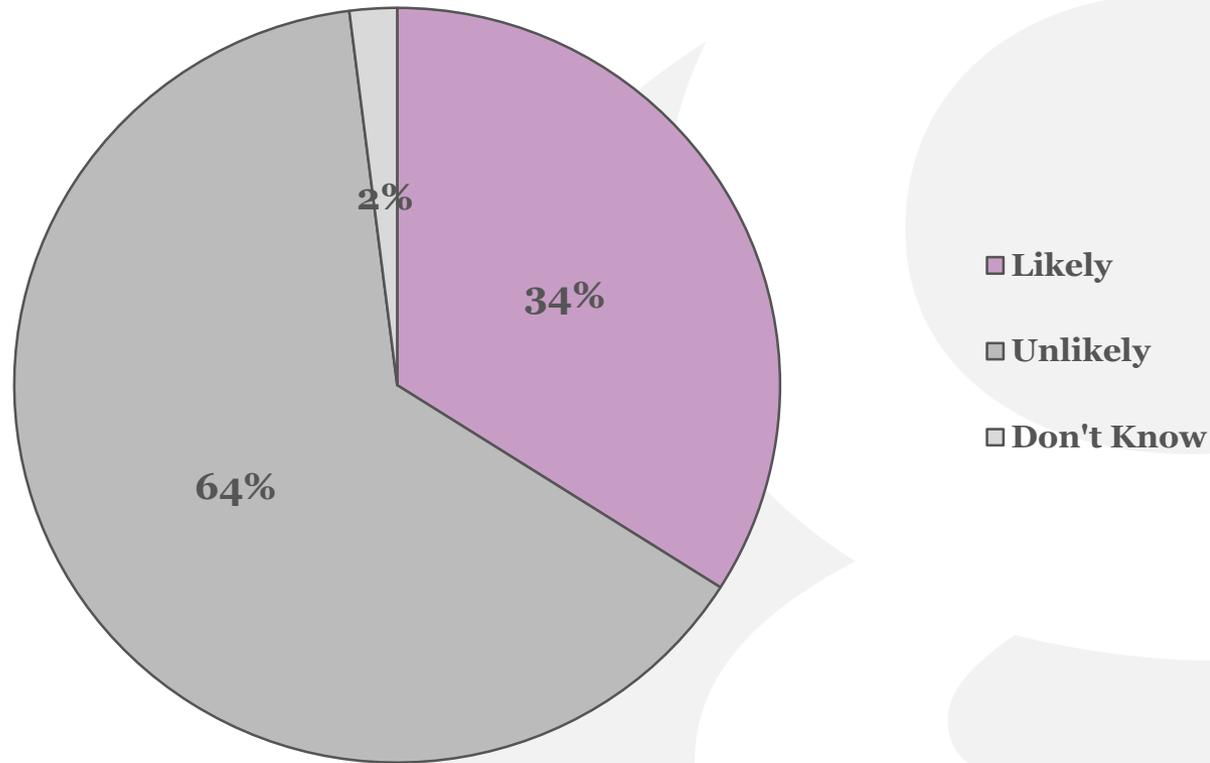


This summer, the Bank of Canada raised its key lending rate by a quarter percentage point and then raised it another quarter percentage point on September 6th. Would you say the net impact on YOUR COMPANY as a result of these rate increases will be ...? (Read the options below - accept don't know)



Likelihood of A Rate Increase In October

- Most think another rate increase is unlikely.

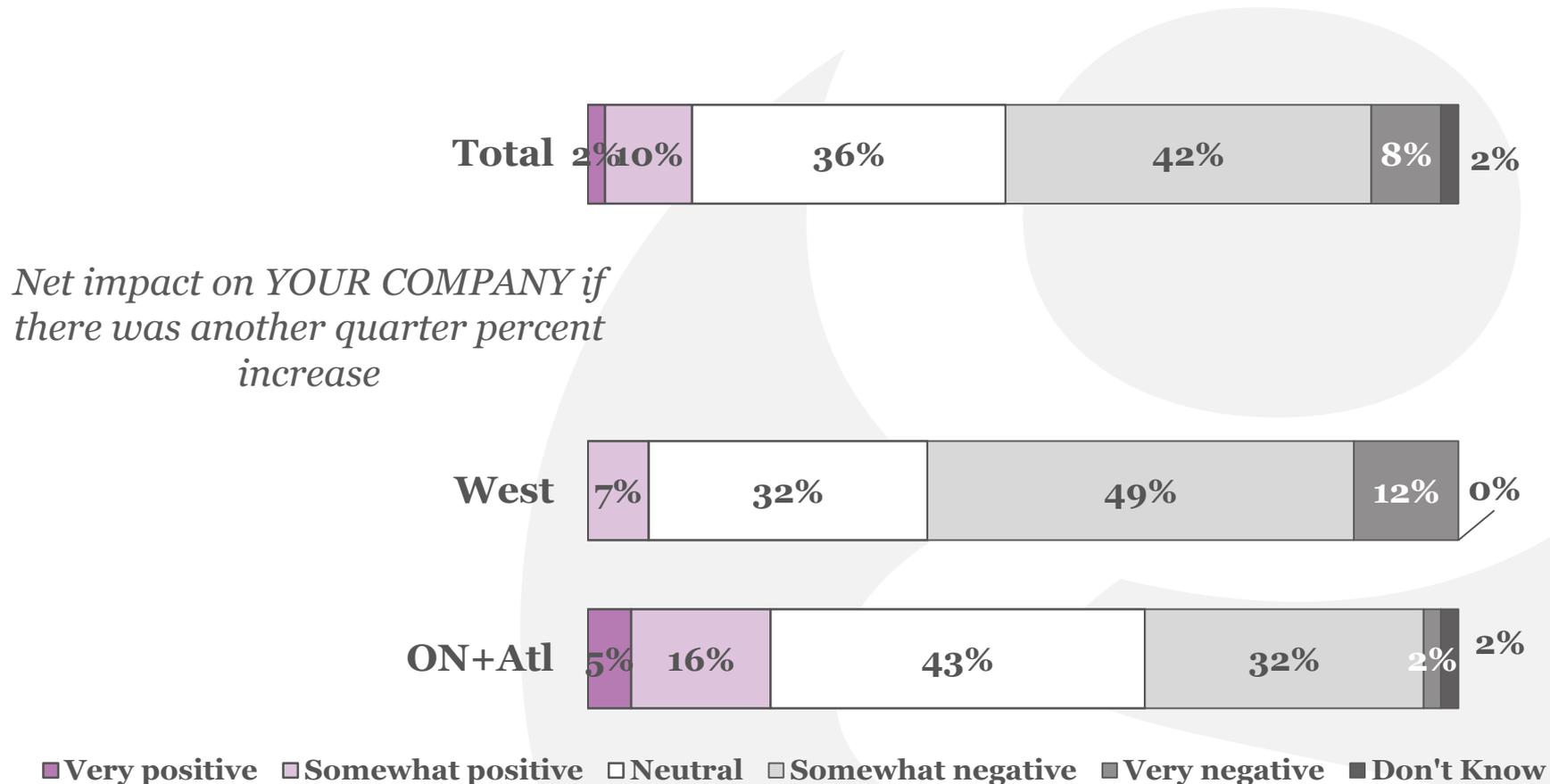


“Do you think it is likely or unlikely that the Bank will raise its benchmark lending rate again in late October after its next scheduled meeting?”



Impact of Another Rate Increase

- Half of businesses said another rate hike would have a negative impact on them, with most in the West saying this.



“What would be the net impact on YOUR COMPANY if there was another quarter percent increase in the Bank of Canada's key lending rate in October? Would it be...?”



Impact of Another Rate Increase On The Economy

- Significantly more believe another rate increase would have a somewhat negative impact on the economy, but almost none said the impact would be very negative.



Impact of raising interest rates by another quarter percent on Canadian economy



■ Very positive ■ Somewhat positive □ Neutral □ Somewhat negative ■ Very negative ■ Don't Know

“If the Bank raises interest rates by another quarter percentage point after its October meeting, what do you think the net impact on THE CANADIAN ECONOMY would be?”



Mostly Opposition to Another Rate Increase

- Most would oppose another rate increase.
- Opposition would be fierce in the West, while many in Ontario are open to it.
- The primary opposition to a rate increase stems from concern about debt and financing, although many are concerned about currency and business costs.



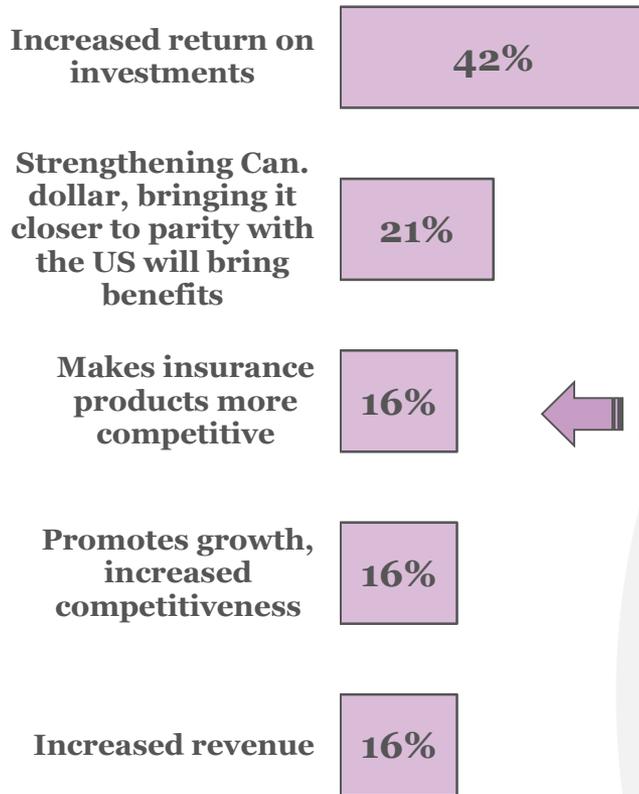
“Would you support or oppose the Bank of Canada raising rates again by another quarter percentage point at its next meeting in October? Would that be strongly or somewhat support/oppose?”

Impact Of Another Rate Increase On Your Business – Open Ended Mentions

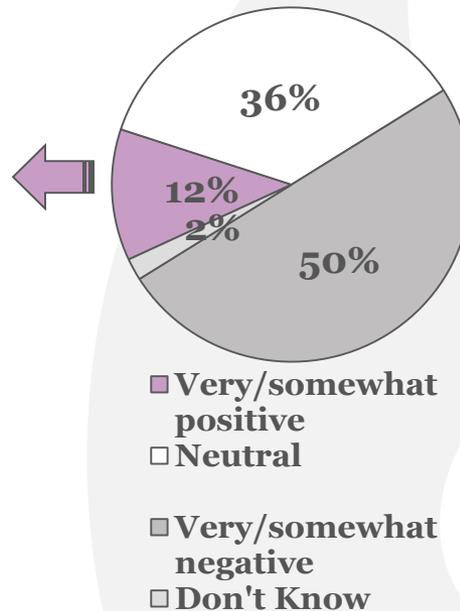
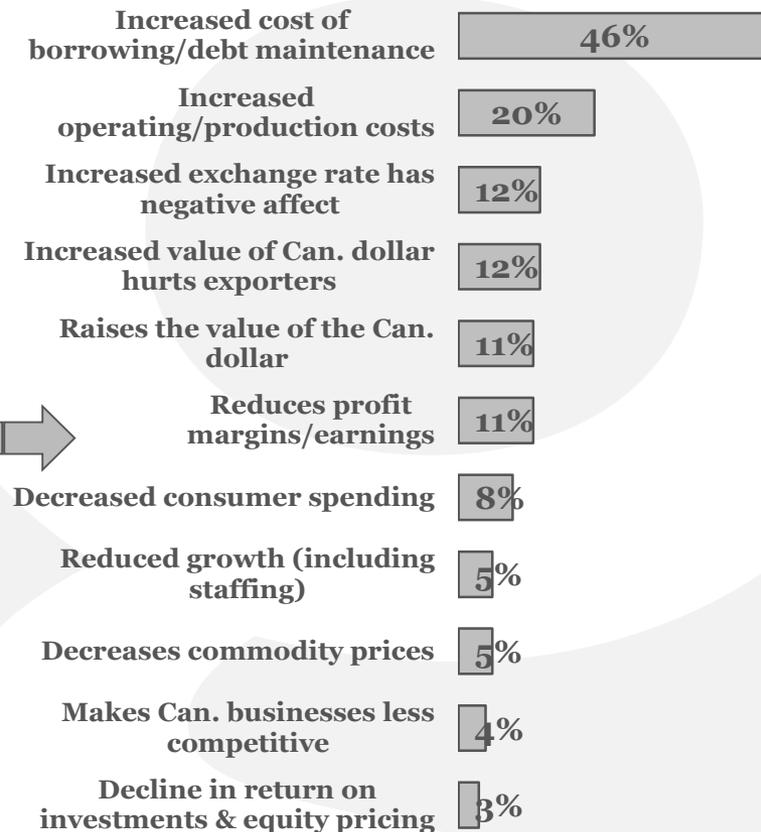


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Positive Impacts



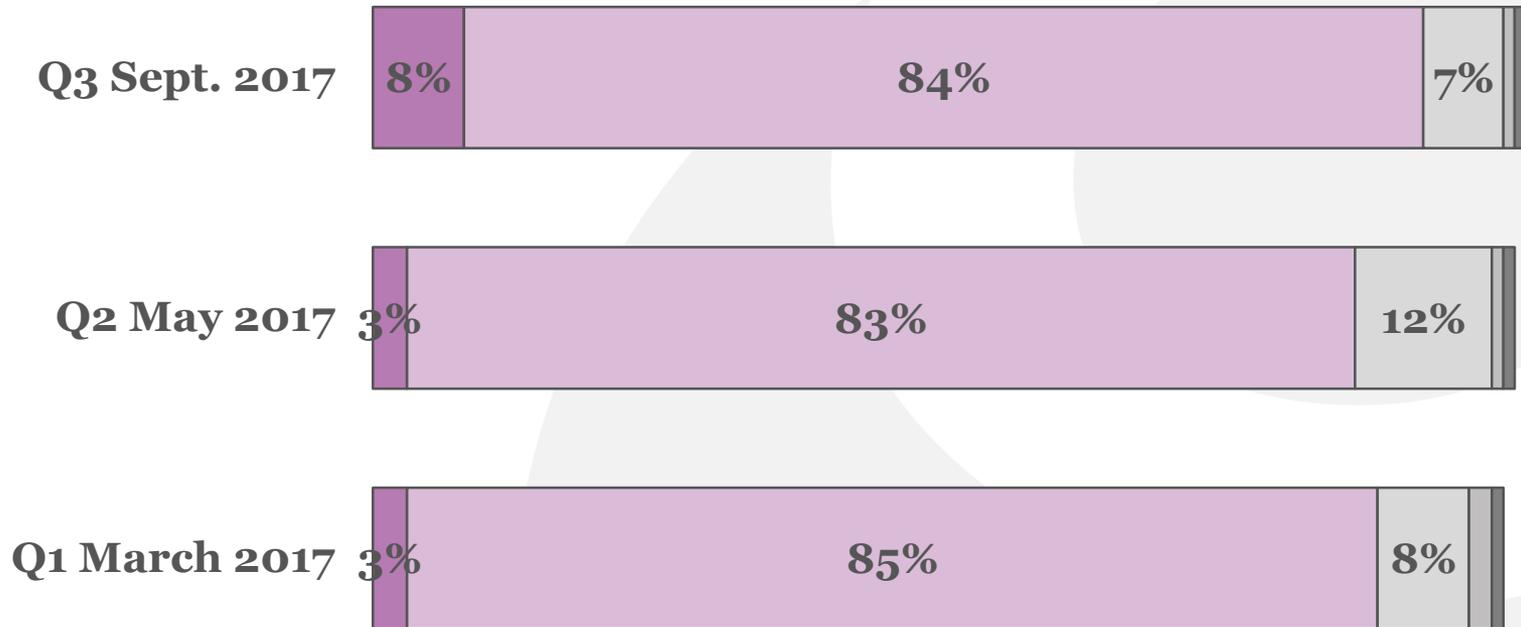
Negative Impacts



“And why do you say (a rate increase) would have a (positive/ negative/ neutral) impact?” “What would be the net impact on YOUR COMPANY if there was another quarter percent increase in the Bank of Canada's key lending rate in October? Would it be...?”



- The outlook for Canada's economy is only slightly improved since last quarter with 1 in 10 expecting the economy to grow strongly over the next 12 months.

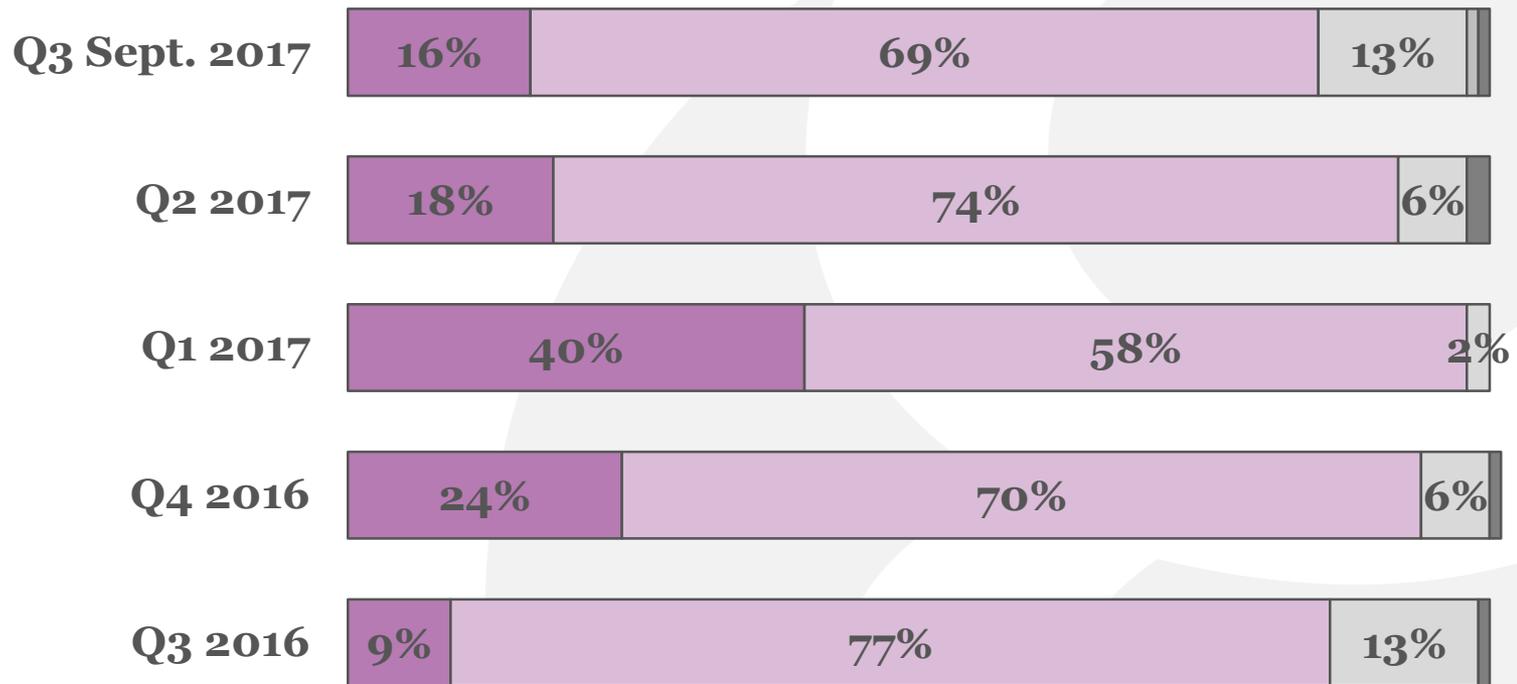


■ Strong growth ■ Moderate growth ■ Moderate decline ■ Strong decline ■ DK/NR

“First, what are your expectations for the Canadian economy over the next 12 months?”



- As with last quarter, most expect moderate growth for the US economy and less than 1 in 5 expect strong growth. This is down from the beginning of the year, when 4 in 10 expected the US to grow strongly.

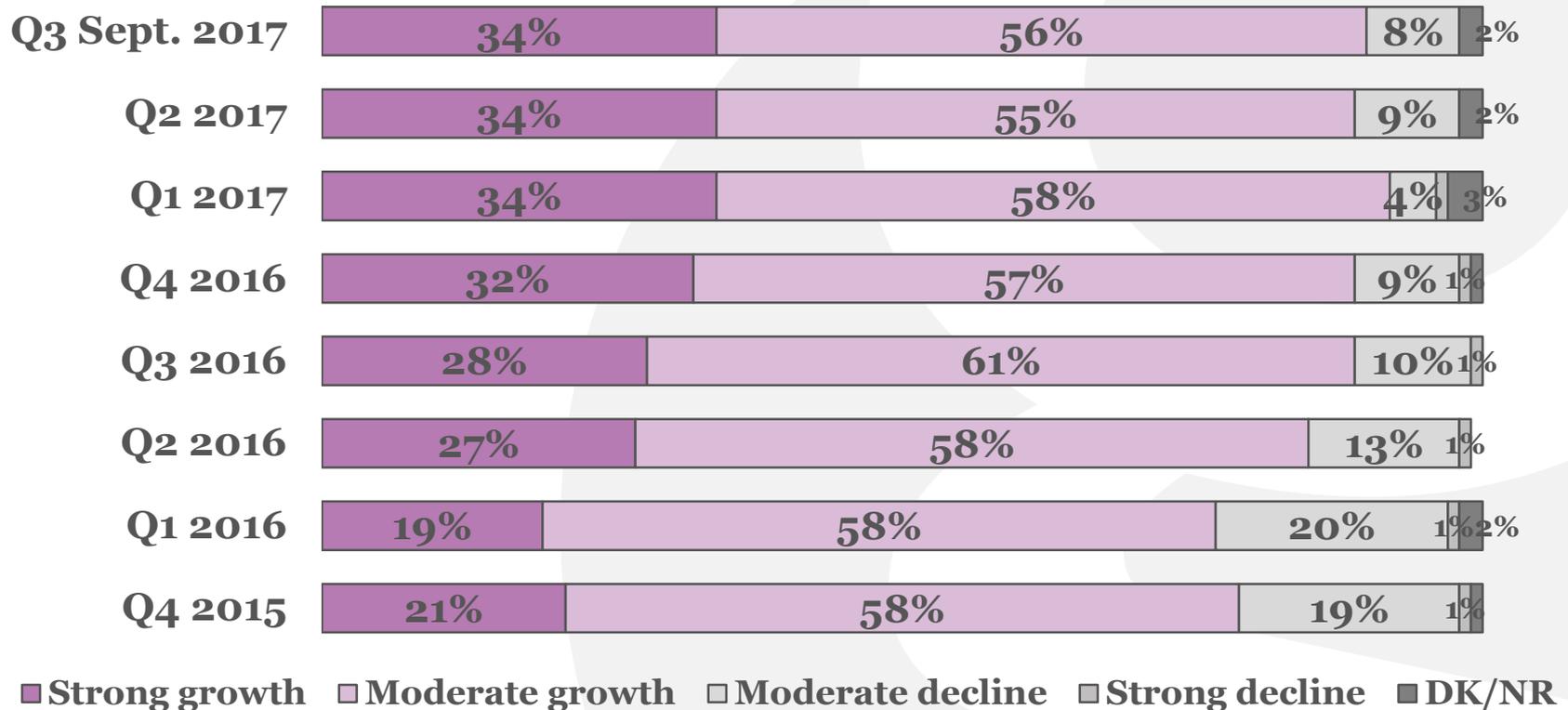


■ Strong growth ■ Moderate growth ■ Moderate decline ■ Strong decline ■ DK/NR

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



- Expectations for businesses are mostly unchanged over the past three quarters.



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



- ❑ The C-Suite was asked about plans in Alberta & Ontario to raise the minimum wage to \$15/hour in 2018 & 2019 respectively.
- ❑ Most said the proposed increases would not impact their companies.
 - One in five said the impact would be slight – less than 1 in 10 said it would be significant.
 - 68% of those based in Ontario said there would be no impact.
- ❑ Most said the increases would have at least a somewhat negative impact on those two provinces' economies - 53% said they would have a somewhat negative impact on the Canadian economy.
- ❑ While most oppose the increases announced in ON and AB, there isn't a consensus.
 - 55% said they would oppose increasing the minimum wage to \$15 by 2019 in their province – 3 in 10 would support this.
- ❑ Most would support a raise to \$15/hr if it was phased in over four years and not two.
 - 51% said 2021 is about the right timeline for this kind of increase to the min. wage.
 - 24% said it should be implemented sooner than 2021.

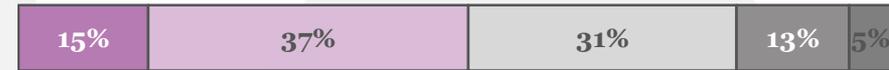


Total:

A \$15 minimum wage in both Ontario and Alberta by 2019 will make the cost of doing business in those provinces significantly less competitive



A \$15 minimum wage by 2019 will further the decline of manufacturing in Canada



Alberta-based survey respondents:

A \$15 minimum wage in both Ontario and Alberta by 2019 will make the cost of doing business in those provinces significantly less competitive

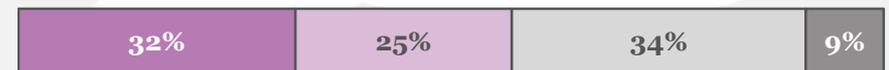


A \$15 minimum wage by 2019 will further the decline of manufacturing in Canada



Ontario-based survey respondents:

A \$15 minimum wage in both Ontario and Alberta by 2019 will make the cost of doing business in those provinces significantly less competitive



A \$15 minimum wage by 2019 will further the decline of manufacturing in Canada



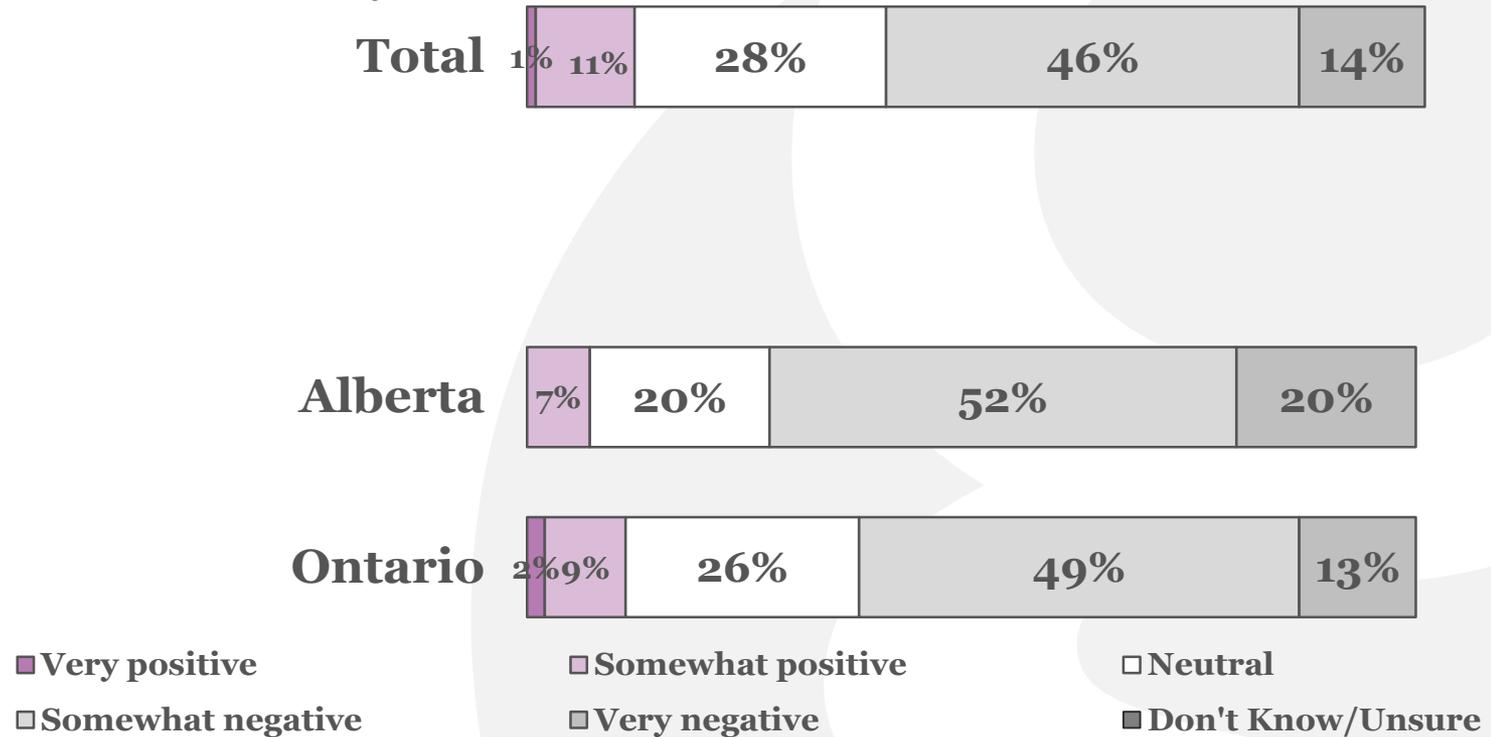
Strongly agree
 Somewhat agree
 Somewhat disagree
 Strongly disagree
 Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements:”



Impact of Min. Wage Increase on Economies of AB & ON

- Few see a positive economic impact for ON & AB from min. wage increases.
- Most said the impact will be at least somewhat negative.
 - Forecasts were somewhat more negative in Alberta (where the timeline for introduction is next year).

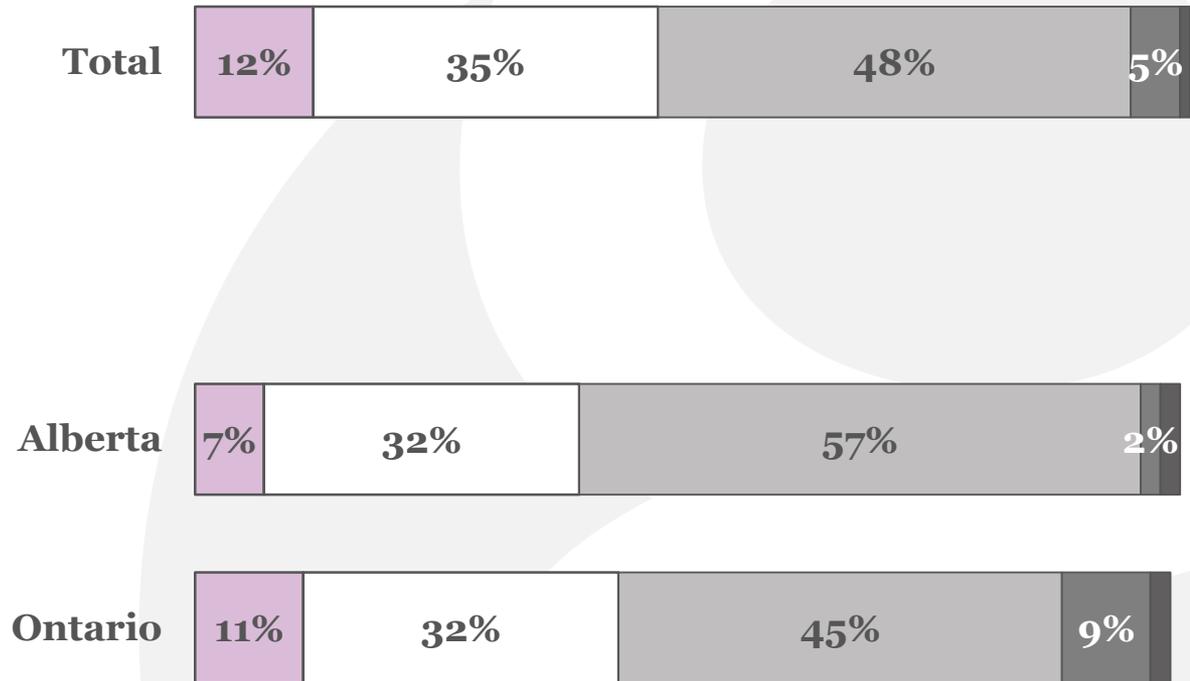


“A different topic now. As you may know Alberta and Ontario have announced their intention to raise the minimum wage to \$15 an hour in the near future. In Alberta this will occur in October 2018 and in Ontario the wage will increase to \$14 in 2018 and \$15 in 2019. If these changes in these two provinces were fully implemented, what would the impact be on the economies of these two provinces?”



Impact of Minimum Wage Increase On Canada's Economy

- Almost half believe there could be a somewhat negative impact for Canada.
 - 53% saying there would be a very/somewhat negative impact on Canada's economy.



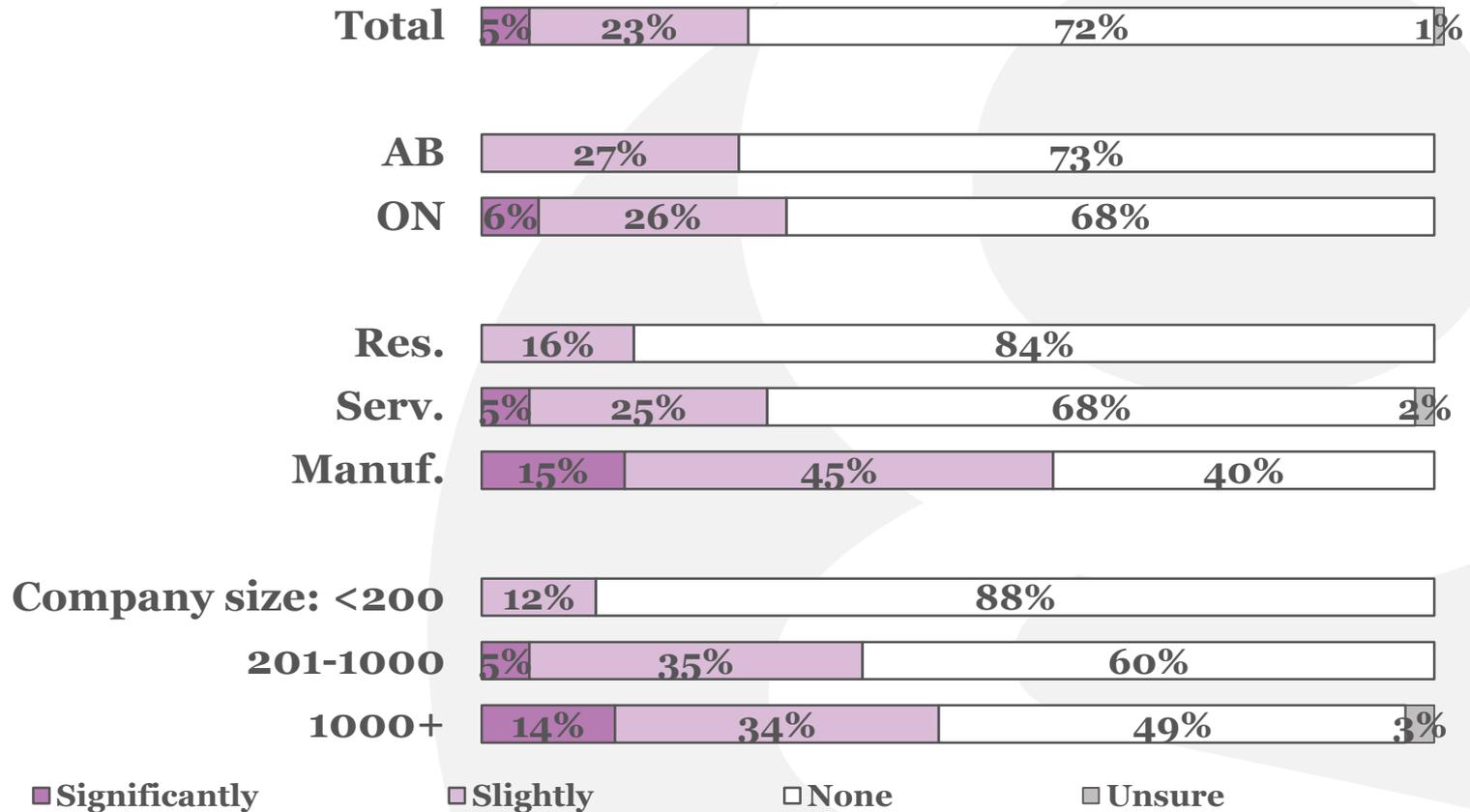
■ Very positive ■ Somewhat positive □ Neutral □ Somewhat negative ■ Very negative ■ Don't Know

“If these minimum wage changes were fully implemented by 2019 in just Ontario and Alberta, what would the impact be on Canada's economy?”



Impact of Minimum Wage Increase On Your Company

- A clear majority of executives surveyed don't see any impact for their company from the proposed wage increases in ON & AB, including those based in the two-provinces.

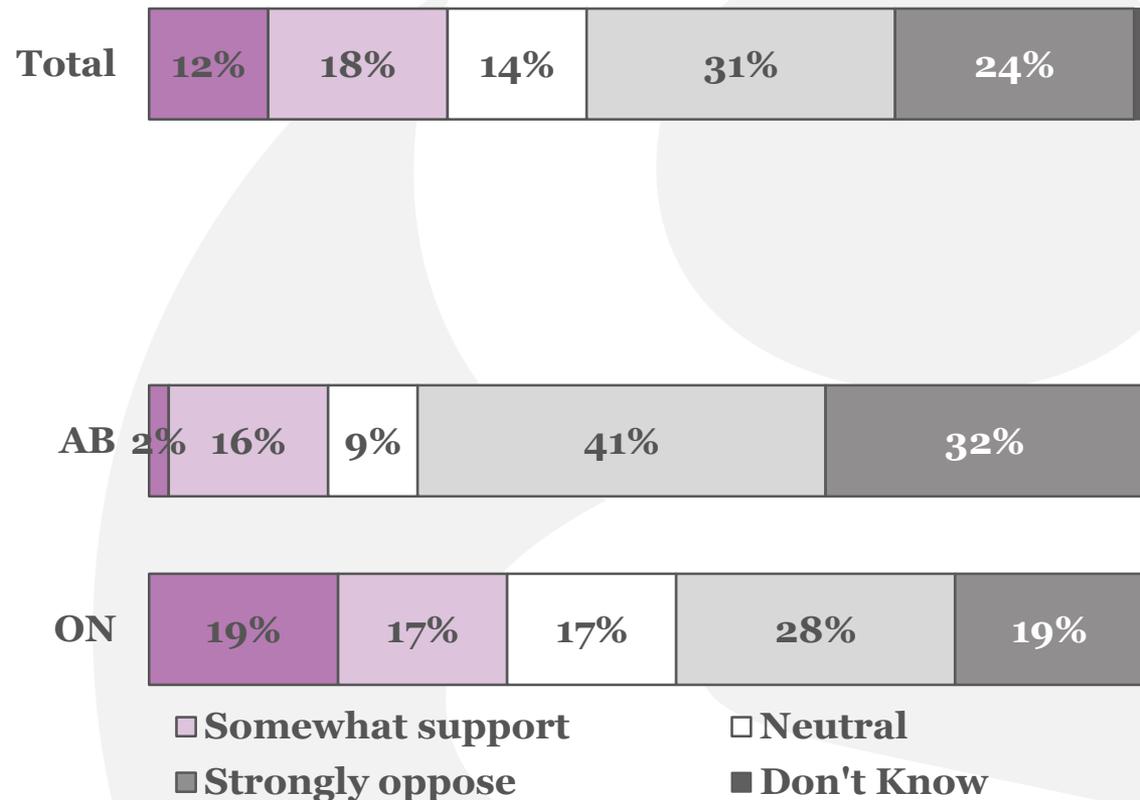


“Will the announced changes to the minimum wage in Ontario and Alberta significantly or slightly impact your company or will they have no impact?”



Opposition to \$15/hr. Minimum Wage

- Most in the C-Suite would oppose a \$15 min. wage by 2019 in their province.
- Opposition is considerably lower in Ontario than in Alberta.
 - In Ontario, 36% somewhat or strongly support the higher wage, while 47% oppose it.



“Would you strongly support, somewhat support, somewhat oppose or strongly oppose having the minimum wage in your province raised to \$15 by 2019?”



What is the Impact of Min. Wage Increase?

- The top of mind negative impacts are job losses, followed by higher costs for business and consumers.
 - The C-Suite in Alberta is somewhat more concerned about small business per se as well as job losses.

Positive Impacts

Negative Impacts

Living wage/wage to cover the costs of living, important for... **45%**

Will create unemployment **44%**

Contribute to the wellbeing of low income Canadians, increase... **28%**

Increased inflation, costs of business will be transferred to consumers **21%**

Increased consumer spending & purchase power **21%**

Will hurt small businesses **20%**

Increased economic activity/growth **17%**

Higher costs of labour & business operation **14%**

Provides more incentive to work **15%**

Will be fewer jobs for young people/students **13%**

Various concerns about implementation **11%**

Companies will turn to automation & other alternatives **11%**

Will reduce/eliminate lower paying jobs **11%**

Strengthens/stabilizes the middle class **6%**

Will slow the economy/hurt economic growth **7%**

Negative impact on the services industry specifically **7%**

Increased opportunity for young workers/students **4%**

Various concerns about implementation **6%**

Will reduce companies competitiveness in the global market **5%**

May help reduce dependence on social welfare programs or... **4%**

Increase in part time work, reduced hours per week **5%**

Nothing positive **2%**

Negative for productivity & qualified staff **4%**

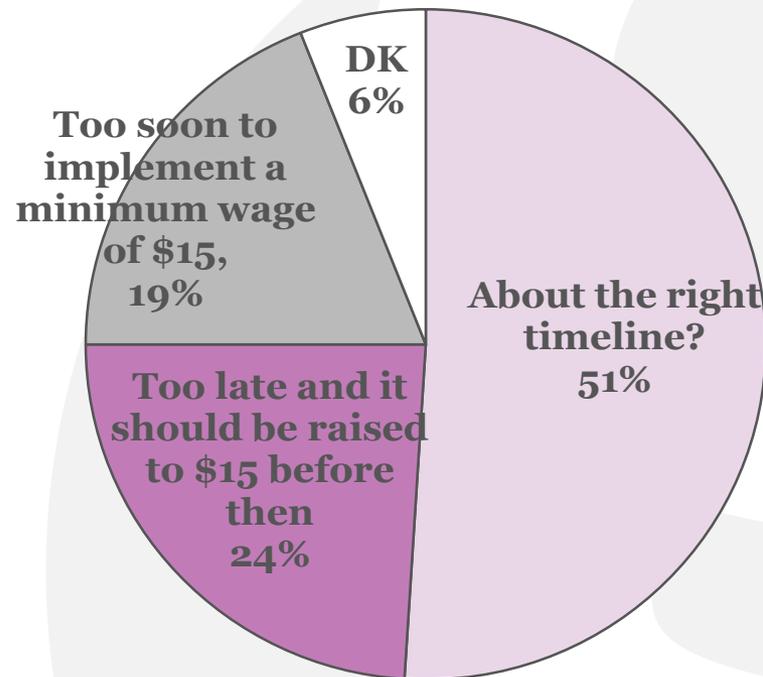
Reduced consumer spending **1%**

“And why do you say (a rate increase) would have a (positive/ negative) impact?”



- When asked about the proposal being studied in BC for a \$15 wage by 2021, most said that timeline is not too soon for such a wage increase.
 - Many (51%) think it's the right timeline –24% think it's actually too late.

“Would you say that 2021 is...?”



“British Columbia's government had proposed raising the minimum wage to \$15 an hour by the year 2021. A BC commission is studying proposals to determine if this is the right approach. Would you say that 2021 is:”



- ❑ Potentially offsetting concern about labour costs is interest in advanced manufacturing & technologies.
 - Just over half (52%) agreed a \$15 minimum wage would hasten the decline of manufacturing in Canada – roughly 4 in 10 in Ontario disagreed.
 - A clear majority however (86%) agreed new technologies in advanced manufacturing offer the potential for Canada's manufacturing base to grow significantly.

- ❑ A clear majority of the C-suite (71%) agreed these technologies will make rising labour costs much less of a global competitiveness concern than they are now.

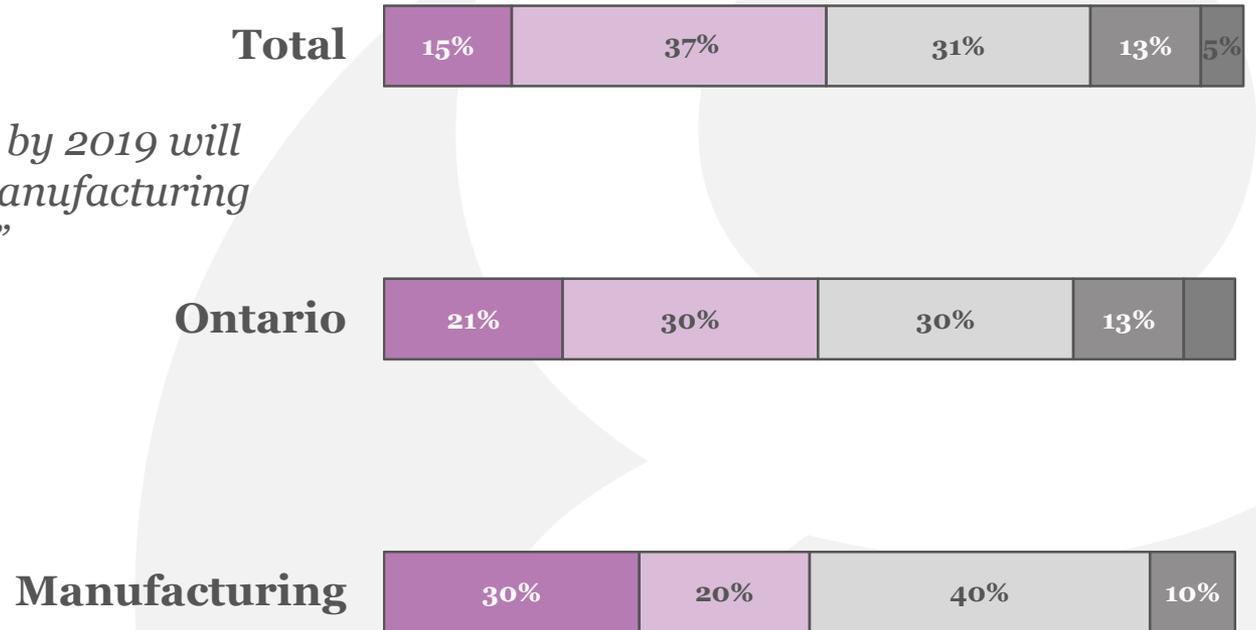
- ❑ Three in four companies (73%) say they will be relying significantly more on advanced technology in the next five years to conduct tasks that can otherwise be completed by employees.



Minimum Wage & Manufacturing

- Just over half believe a \$15 min. wage will significantly weaken manufacturing in Canada, while 44% disagree with this.

“A \$15 minimum wage by 2019 will further the decline of manufacturing in Canada”



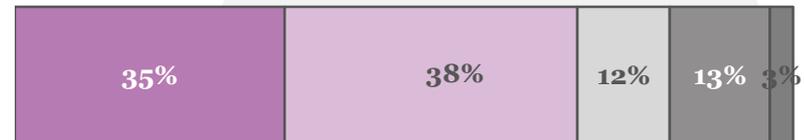
■ Strongly agree ■ Somewhat agree ■ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements:”



- Most companies expect to automate more of their business in the next 5 years.
 - 35% strongly agreed with this statement.
 - Most in the resources sector agreed with this (63% strongly or somewhat) but they were not as likely as those in other sectors (i.e. services & mfg.) to say this.
- A clear majority expect manufacturing can rebound with technology.

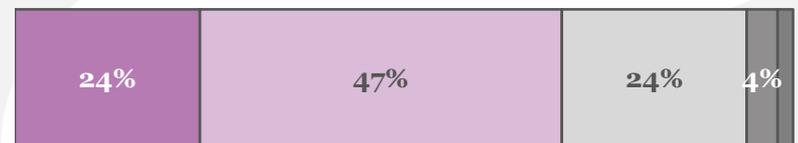
Our company will be relying significantly more on advanced technology in the next five years to conduct tasks that can otherwise be completed by employees



The use of new technology in advanced manufacturing offers the potential for Canada to see its manufacturing base rebound and grow significantly



Advanced manufacturing and other technological advances will make rising North American labour costs much less of a global competitiveness concern than they are now



■ Strongly agree ■ Somewhat agree □ Somewhat disagree ■ Strongly disagree ■ Don't Know/NR

“Now please tell me if you strongly agree, somewhat agree, somewhat disagree or strongly disagree with the following statements:”



- ❑ Opinion about President Trump is unchanged this quarter generally speaking but is significantly down from 6 mos. ago.

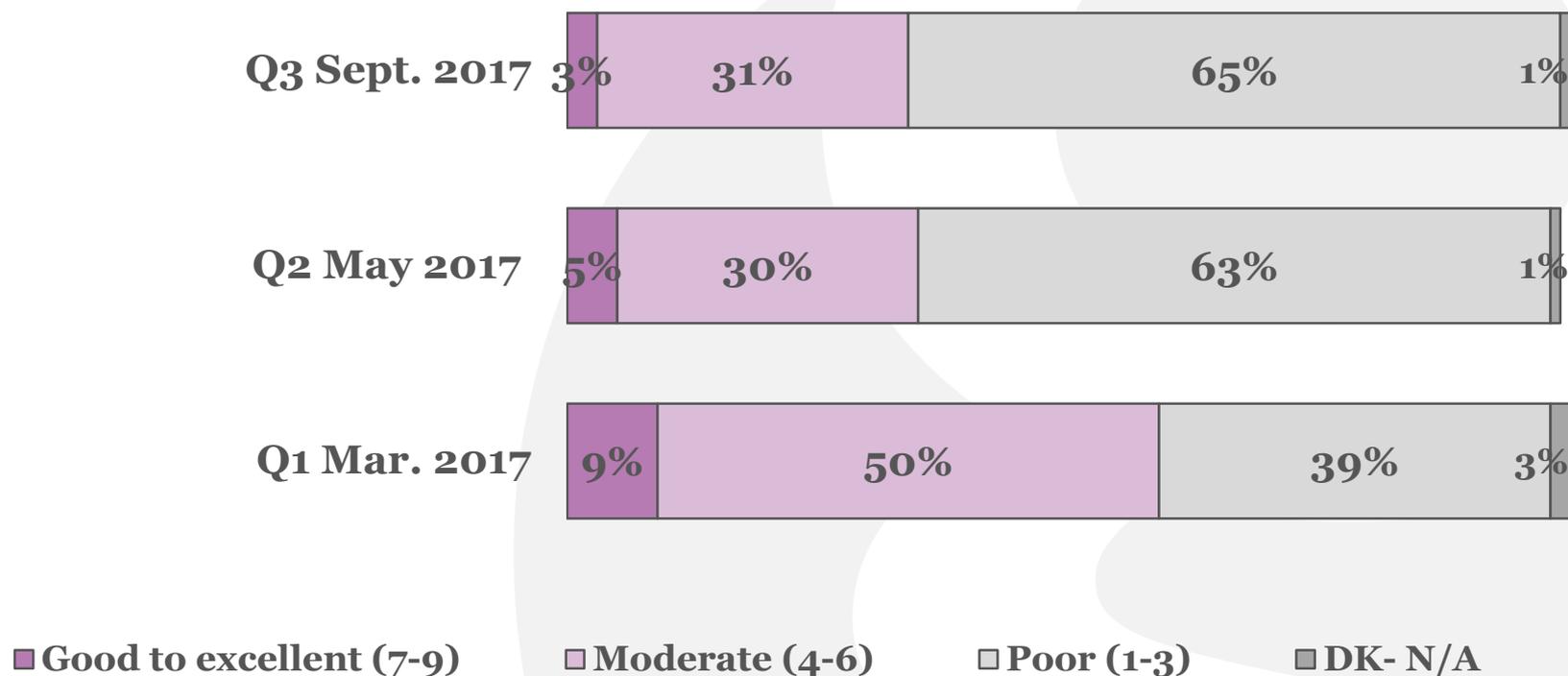
- ❑ A clear majority agrees that it is mostly appropriate for CEOs to speak out publicly on issues that are not related to their businesses.
 - Executives were asked this with reference to the CEOs who resigned from President Trump's advisory councils and issued public statements critical of the President. Only one in five said it is mostly inappropriate for CEO's to speak out publicly on issues not related to their business, either through statements or social media.

- ❑ There is remarkable uncertainty about where the world's largest economy will go in respect of NAFTA. Many are uncertain whether the US will seek only minor changes to NAFTA, or major changes or repeal it and start from scratch.



Assessing Trump's Performance

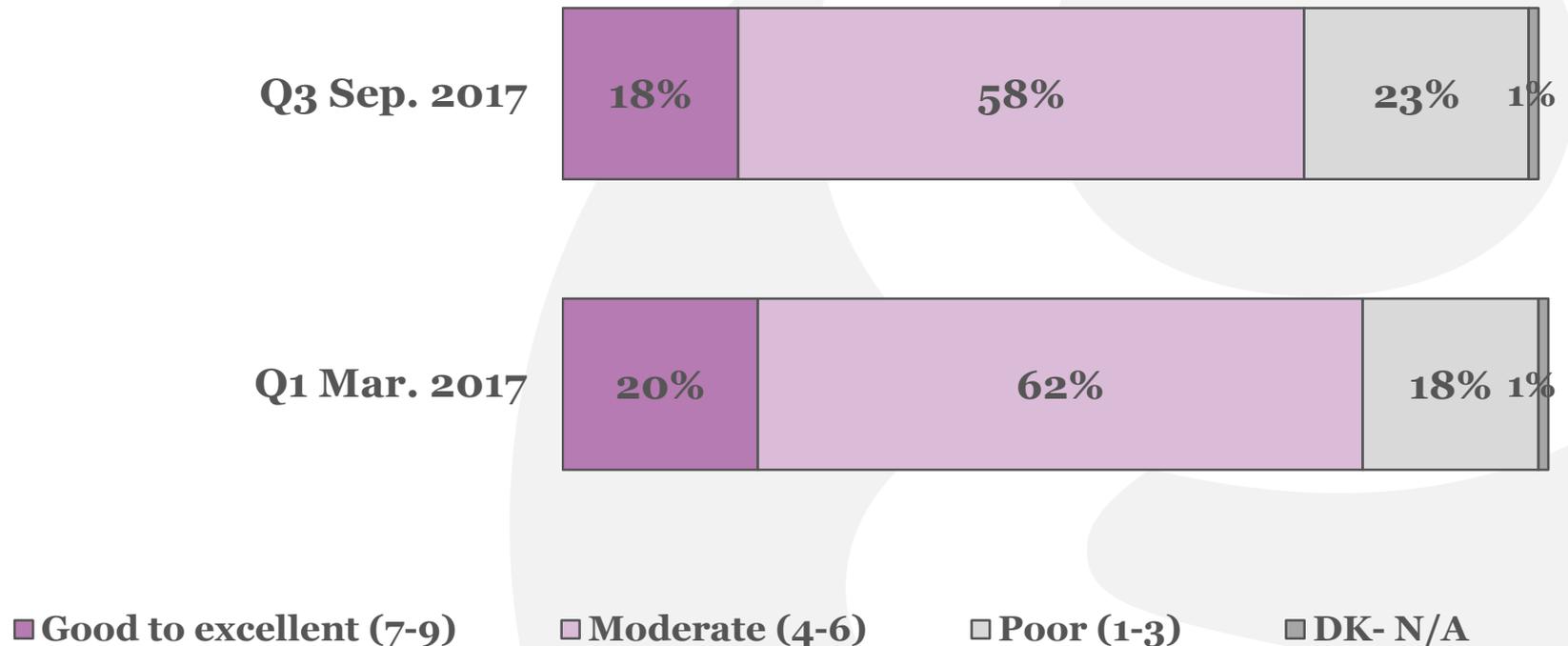
- Consistent with last quarter, nearly 2-in-3 give poor ratings to the President. Six months ago, only 39% gave the President poor ratings.



“And overall, on a scale of one to nine where one is very poor and nine is excellent, how would you rate the performance of President Trump since the start of 2017?”



- For a comparison, opinions of Prime Minister Trudeau are mostly unchanged in the last six months – in fact relatively few have strong opinions of him either way, although 23% are now strongly unfavourable, up slightly.



“And overall, on a scale of one to nine where one is very poor and nine is excellent, how would you rate the performance of Prime Minister Trudeau since the start of 2017?”

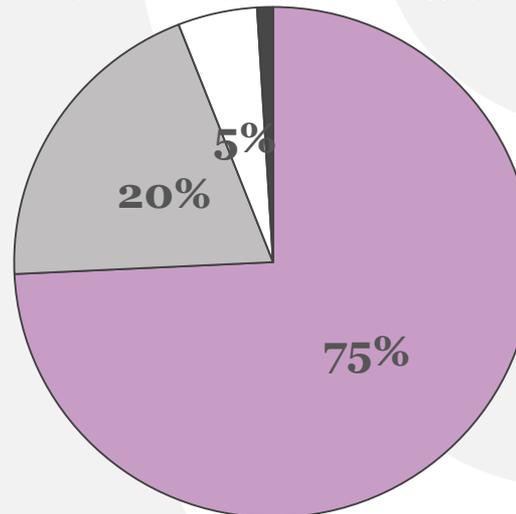


- A clear majority agreed it is mostly appropriate for CEO's to speak out publicly on issues that are not related to their businesses, as several high profile leaders did in respect of President Trump recently.

QUESTION:

“As you may know, several prominent CEOs resigned in protest from President Trump's advisory council on manufacturing after controversy raised by the President's remarks following events and protests in Charlottesville Virginia. Some of those CEOs issued public statements at the time condemning the events in Virginia and were critical of the President. Do you believe that it is mostly appropriate or mostly inappropriate for CEO's to speak out publicly, such as through statements or the media, on issues that are not related to their businesses?”

- **Mostly appropriate**
- **Mostly inappropriate**
- **It depends**
- **No Response**



“Do you believe that it is mostly appropriate or mostly inappropriate for CEO's to speak out publicly, such as through statements or the media, on issues that are not related to their businesses?”



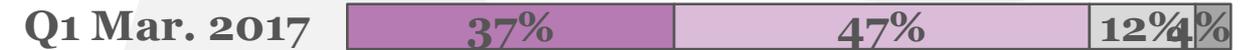
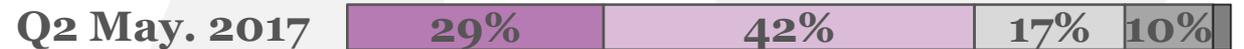
Changes To NAFTA Likely

- In March, almost all surveyed believed it was very or somewhat likely the Administration would seek minor tweaks to NAFTA. Now, only 55% believe this is likely.
- 67% believe it's very or somewhat likely the Admin. will seek major changes as it impacts Canada.
- While few think it's very likely the Admin. would terminate NAFTA & negotiate new agreements, 41% think this is at least somewhat likely.

Seek to terminate the NAFTA & then negotiate new trading agreements



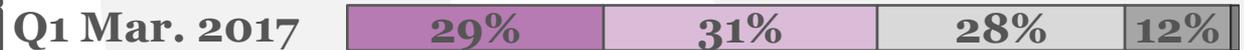
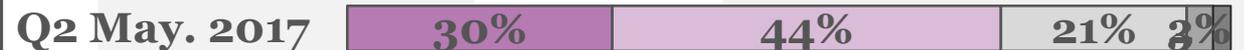
Make only tweaks to NAFTA as it impacts Canada



Seek major changes to NAFTA as it relates to Canada



Make major changes to NAFTA as it relates to both Canada & Mexico



Very likely
 Somewhat likely
 Not very likely
 Not at all likely
 DK - N/A

“Would you say it's very likely, somewhat likely, not very likely or not at all likely that President Trump's administration will...”

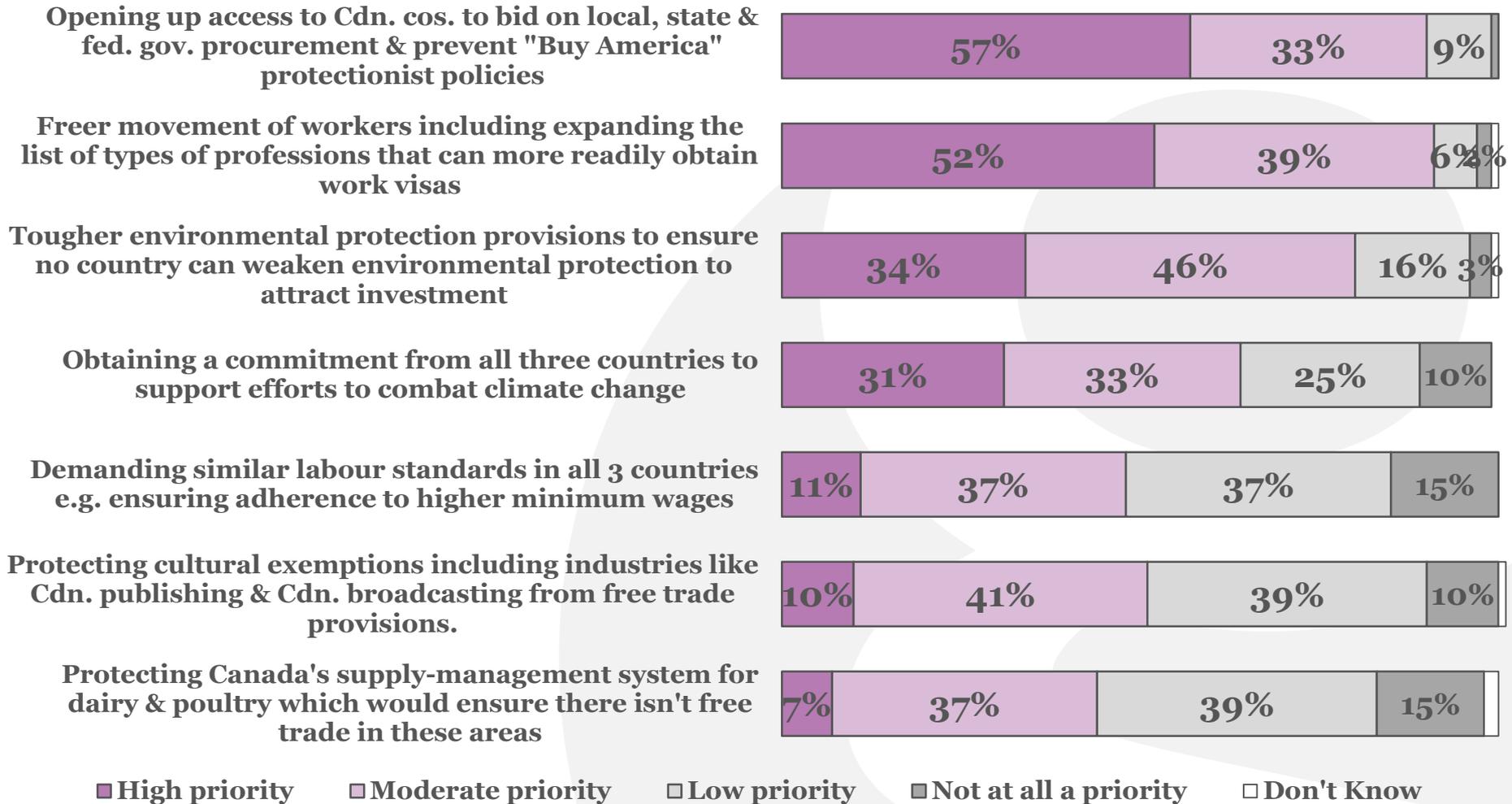


- ❑ The Canadian government has outlined its priorities for the renegotiation of NAFTA and the C-Suite sees some of these as very important priorities.
 - Most in the C-Suite believe it should be a very high priority for Canada to seek:
 - Freer movement of workers & expanding the list of professions that readily obtain visas.
 - Access for Cdn. companies to bid on local, state & federal government procurement and prevent “Buy America” protectionist policies.
 - One in three believes it should be a very high priority to obtain:
 - A commitment from all three countries to support efforts to combat climate change
 - Provisions to ensure no country weakens environmental protection to attract investment
 - Only 1 in 10 believes it should be a very high priority to:
 - Demand similar labour standards in all three countries e.g. “adherence to higher min. wages”.
 - Preserve Canada's supply-management system for dairy and poultry
 - Protect cultural industries e.g. broadcasting and publishing and foreign ownership rules.
- ❑ The highest priority of those tested is for Canada to preserve the chapter 19 dispute resolution panels.
 - Respondents were given a description of the panels used to appeal softwood lumber duties: 98% agreed Canada should insist on preserving the dispute resolution process – 75% strongly agreed.
 - Half agreed Canada should compromise and accept the end of the NAFTA dispute resolution panels only if it meant the US agreed to the key demands of opening its labour and public-sector procurement markets. Nearly half disagreed that Canada should yield to this demand even if it meant greater access to those markets.



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What Should Be Canada's NAFTA Priorities?



“I’m going to read some of what the Canadian government is seeking in its negotiations with the US and Mexico in the renegotiation of NAFTA. I’d like you to tell me if you believe each objective should be a high priority, a moderate priority, a low priority or not at all a priority when it comes to what Canada should be seeking and negotiating.”

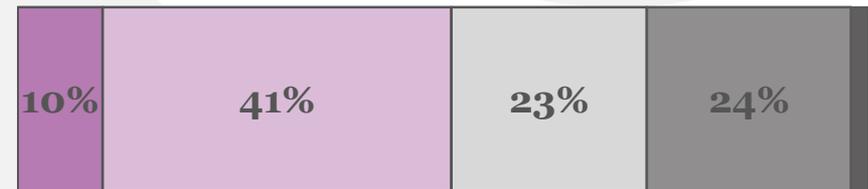


- Most all believe Canada should not bend on the NAFTA dispute resolution process.
 - Nearly half believe this even if Canada could gain more access to US markets.

Canada should insist on preserving the chapter 19 dispute resolution process



Canada should accept an end to the chapter 19 dispute resolution process if it would mean that in return the US agrees to open up the US labour market and its public-sector procurement market to greater access by Canadian professionals & contractors



■ Strongly agree ■ Somewhat agree □ Somewhat disagree ■ Strongly disagree ■ Don't Know

“The US administration is seeking to eliminate NAFTA's Chapter 19 dispute resolution panels. Canada's government wants to maintain the chapter 19 dispute resolution panels. Canada uses these to appeal duties on things like softwood lumber. Canada could still appeal to the World Trade Organization, but winning a NAFTA arbitration ensures duties are returned to Canadian producers.... Would you strongly agree, somewhat agree, somewhat disagree or strongly disagree that Canada should insist on preserving the chapter 19 dispute resolution process? Would you strongly agree, somewhat agree, somewhat disagree or strongly disagree that Canada should accept an end to the chapter 19 dispute resolution process if it would mean that in return the US agrees to open up the US labour market and its public sector procurement market...?”