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The 30th Quarterly C-Suite Survey: Economic Conditions, Job Market, Best Cities, and Federal Policy Options

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- ❑ This is the 30th 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*.
 - Previous quarters' surveys are available at GandalfGroup.ca.
- ❑ This quarter's survey asked executives about:
 - The outlook for the Canadian and US economies
 - Federal policy initiatives that would most effectively boost economic growth
 - Fiscal policy in light of a slowing economy
 - The best cities to locate and do business
 - Priority investments in urban infrastructure
- ❑ Methodology: telephone interviews were conducted with 154 C-Suite executives from ROB1000 companies between March 5th and 21st, 2013.



- ❑ Current assessments of the Canadian economy remain modest and many executives feel the economy will require stimulus of some sort.
- ❑ Measures that would be most effective at boosting economic growth according to executives:
 - Investing in skills training, and
 - Establishing freer trade.
 - These are closely followed by infrastructure, tax cuts & admitting foreign workers.
- ❑ Toronto and Calgary were rated among the best cities in which to locate, along with New York, London, & Hong Kong.
 - Vancouver is a close runner-up.
 - Other Canadian cities rated well behind, including Montreal and Halifax, as did many well known international locations.
- ❑ The C-Suite would prioritize urban investments that improve roads and highways, shipping ports and light rail/subways in cities.



- ❑ The outlook for the Canadian economy has changed only slightly since last quarter, when one in five predicted moderate decline for the coming year.
 - Now 16% predict moderate decline, 82% predict moderate growth and 1% predict strong growth (1% unsure).

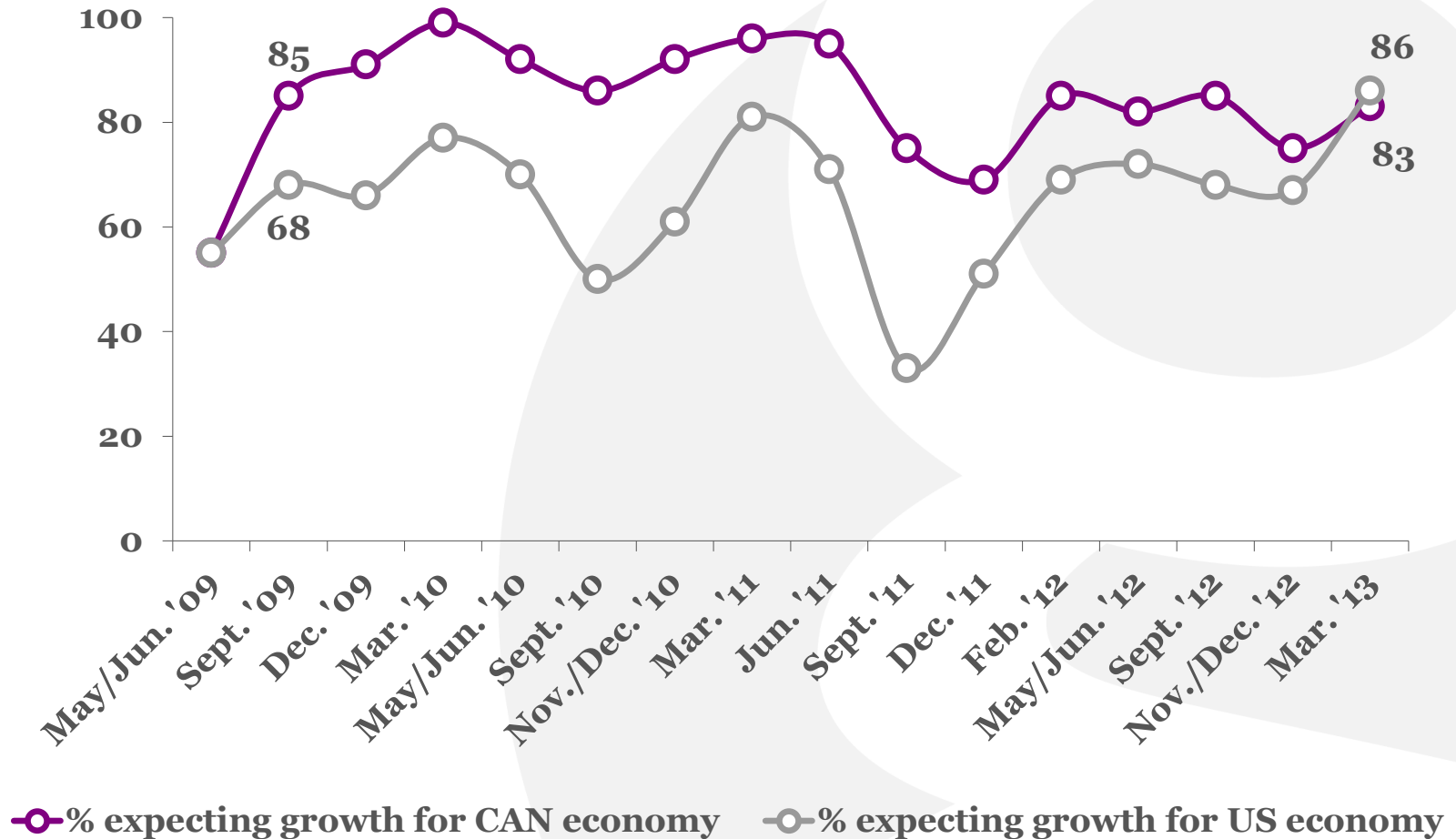
- ❑ Expectations for the US economy have improved to the point where executives' outlook for the US is as positive as it is for Canada – something the C-Suite hasn't said in over three years.



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Expectations of the Canadian and US Economies

“What are your expectations for the **U.S. /Canadian** economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”

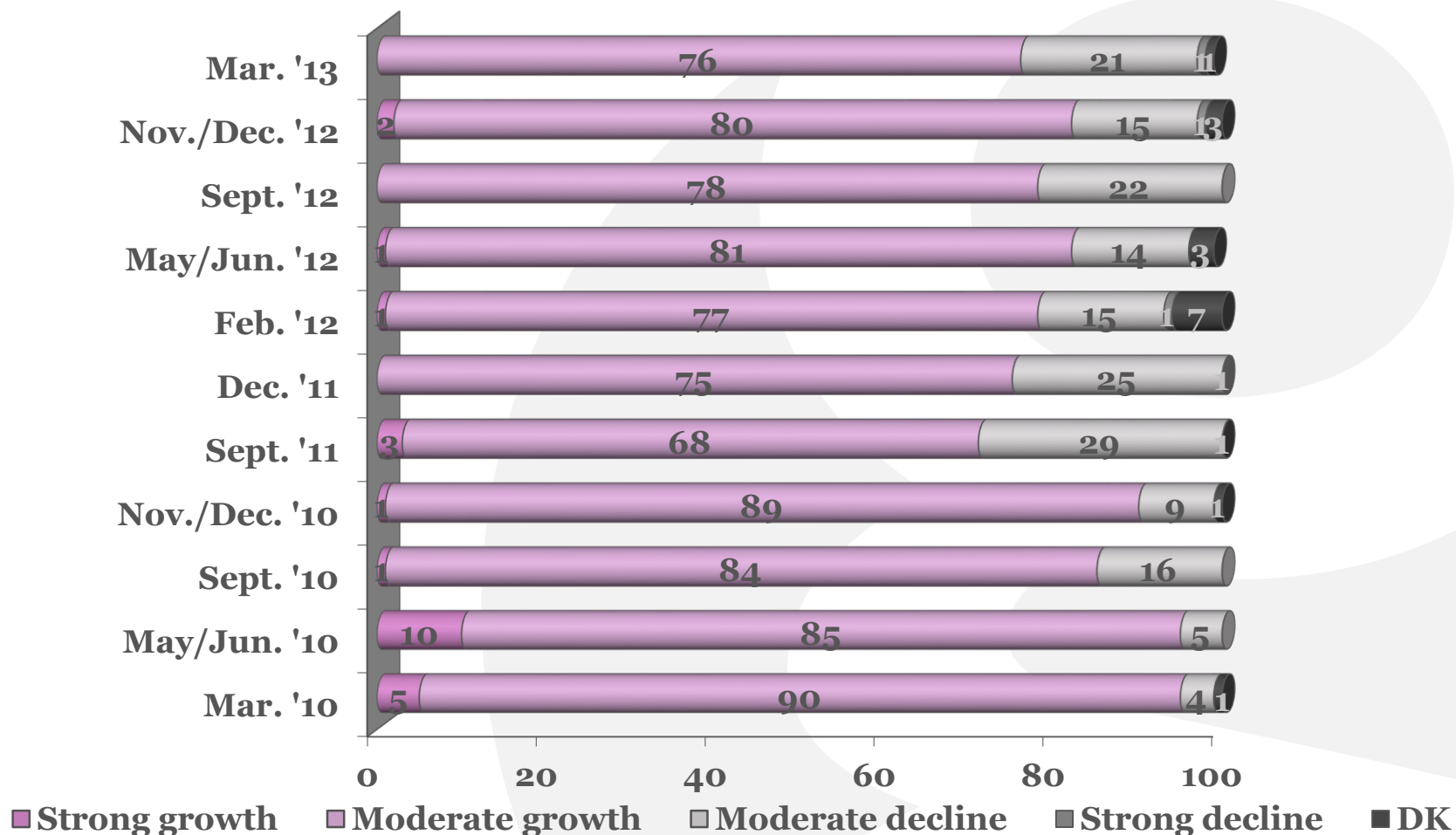




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Current Growth Levels In The Canadian Economy

“Which of the following do you think best describes the Canadian economy at the current time - strong growth, moderate growth, moderate decline, strong decline, strong decline?”

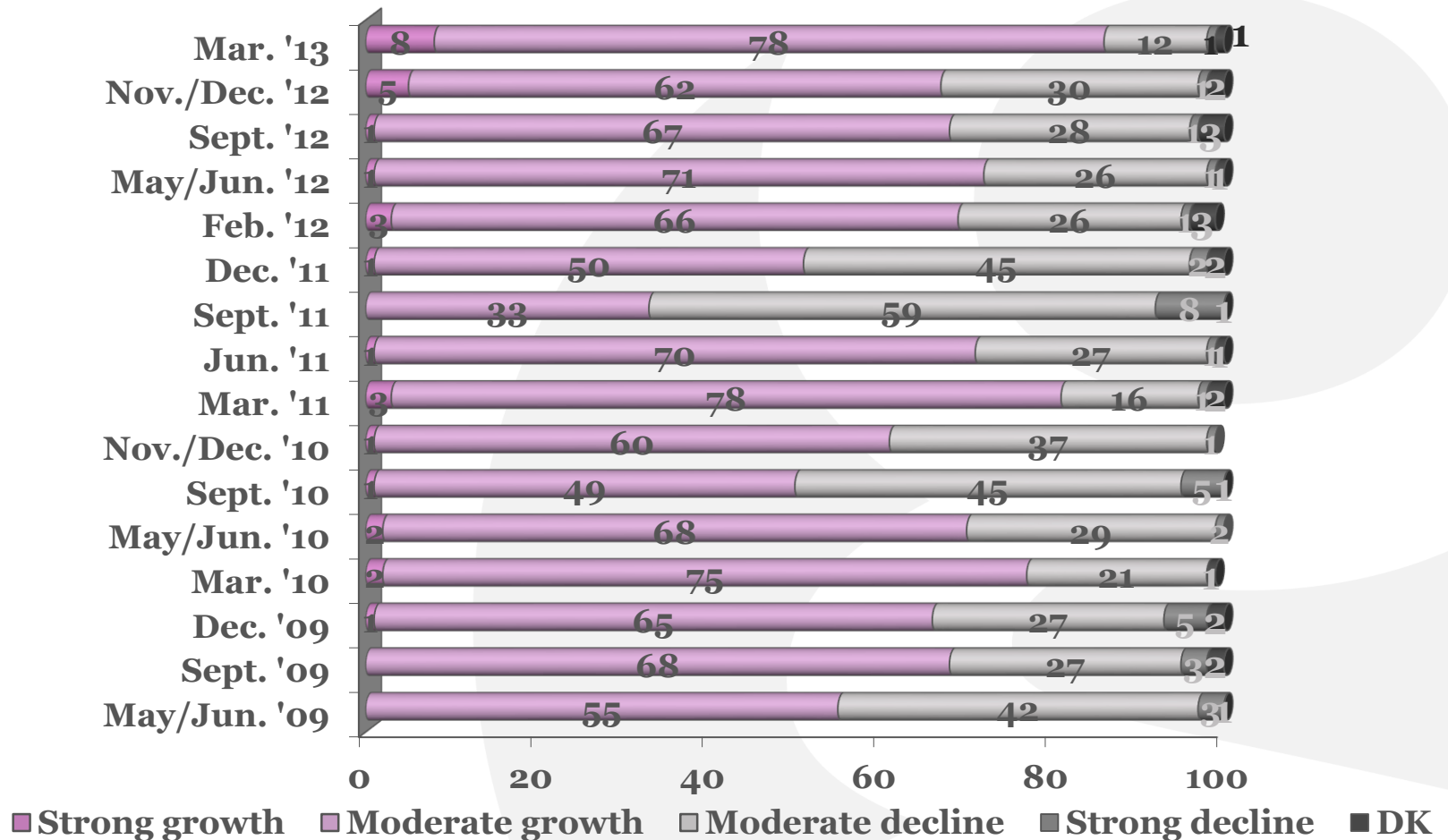




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The US Economy Over The Next Year

“What are your expectations for the U.S. economy over the next 12 months, strong growth, moderate growth, moderate decline, strong decline?”

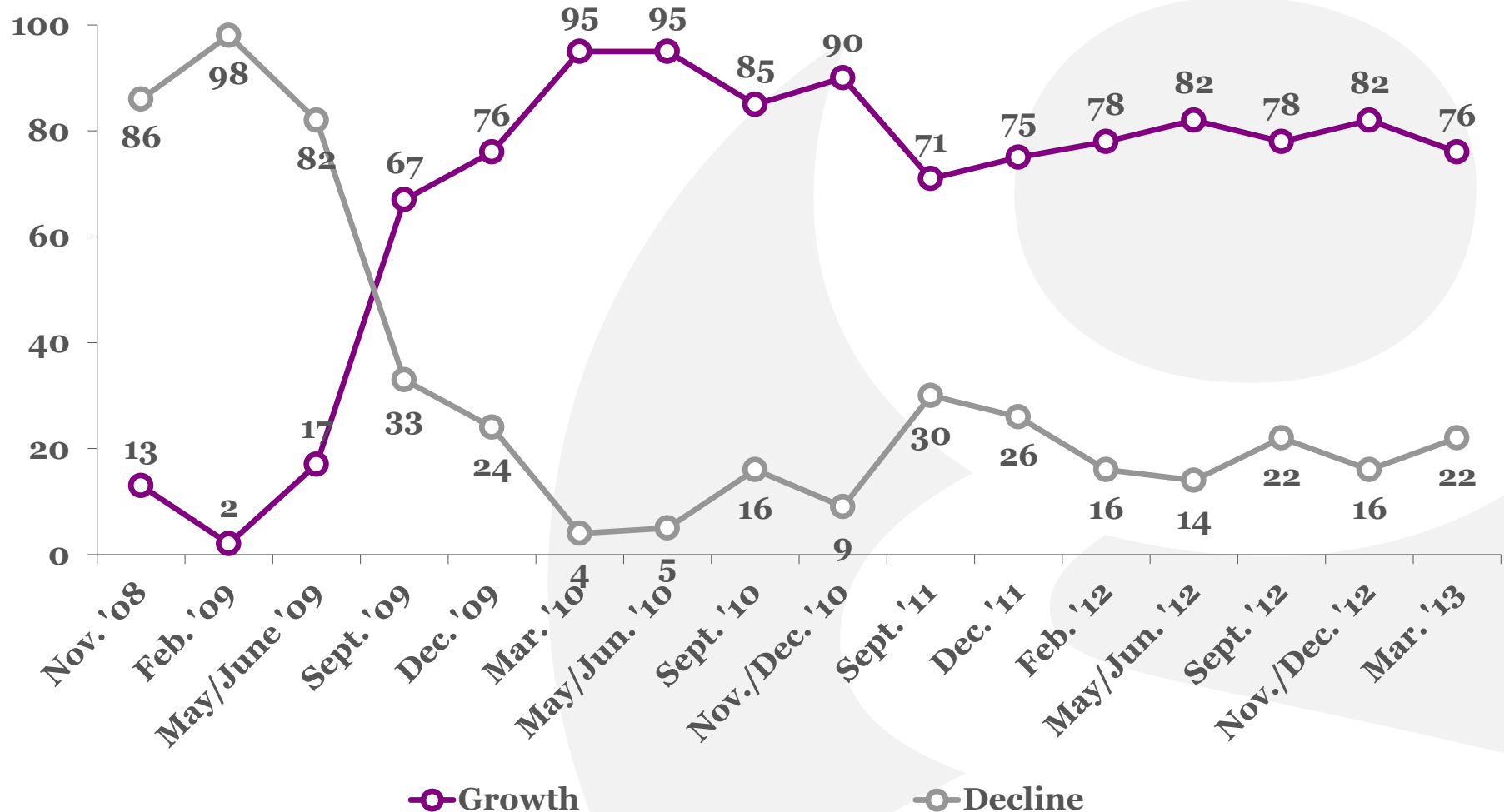




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Current Growth Levels In The Canadian Economy

“Which of the following do you think best describes the Canadian economy at the current time - strong growth, moderate growth, moderate decline, strong decline?”





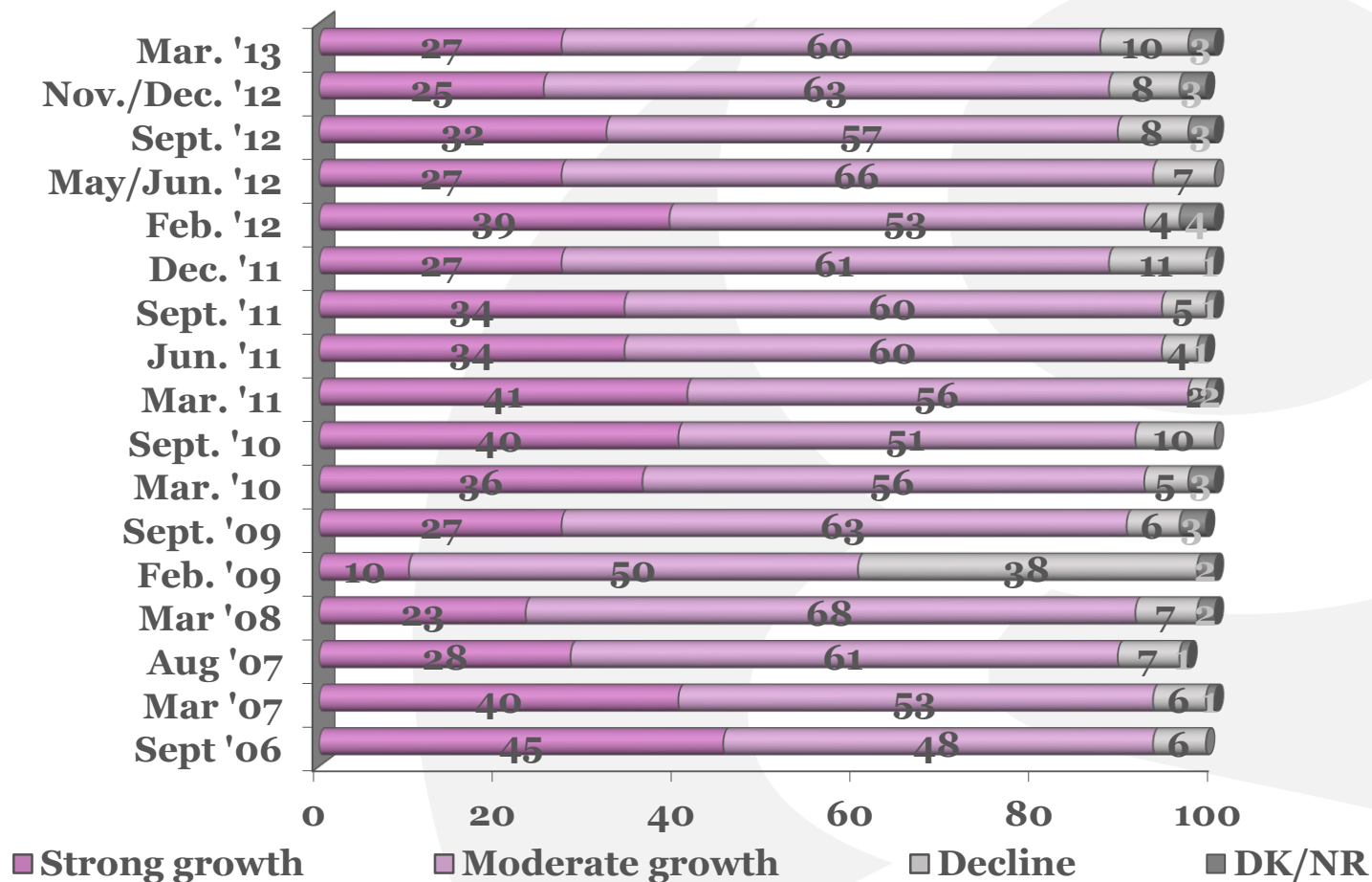
- ❑ Executives' expectations for their companies are unchanged since last quarter; the vast majority expect growth, but only one quarter expect strong growth.
- ❑ Resources executives' forecasts for their companies are down significantly from where they were in 2011.



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Expectations Tracking Among Companies

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

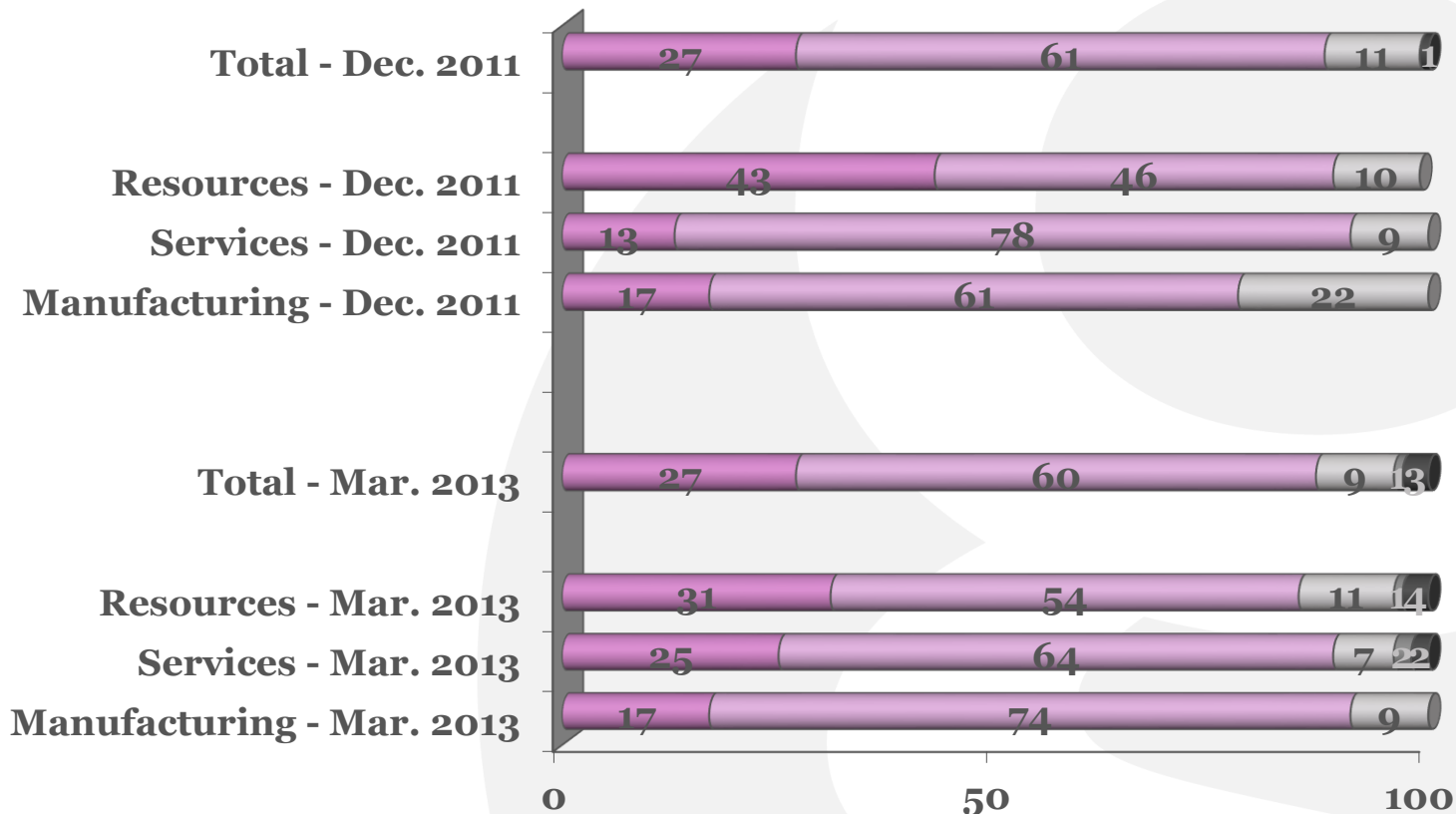




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Company Optimism by Sector, Dec. 2011 and Mar. 2013

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



■ Strong growth ■ Moderate growth ■ Moderate decline ■ Strong decline ■ Don't know

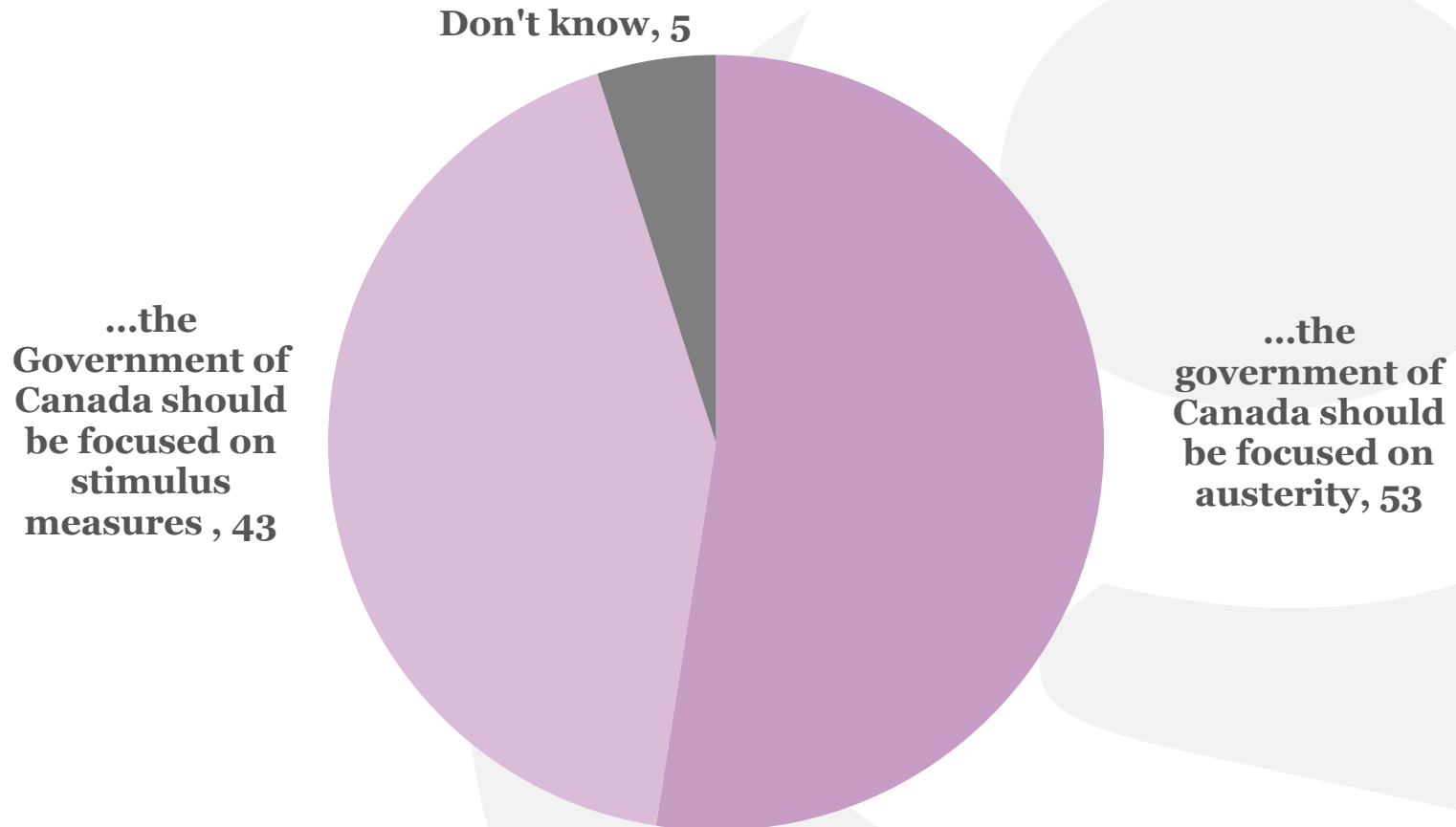


Slow Economic Growth & Impact on Government's Fiscal Situation

- ❑ Executives were divided on whether Canada's governments should tend towards austerity or stimulus.
- ❑ However, support for stimulus rises to a clear majority if it is targeted to priorities such as infrastructure.
- ❑ When asked what weaker economic growth forecasts and declining revenues mean for government:
 - Most agreed there is a need to cut government spending “generally”.
 - Few agreed that there should be cuts to public health care spending or education.
 - While there may be support for government belt tightening, there is almost no appetite for raising taxes to help reduce government debt.



“Which of the following statements is closer to your own view?: Given declining economic growth and government revenues...”

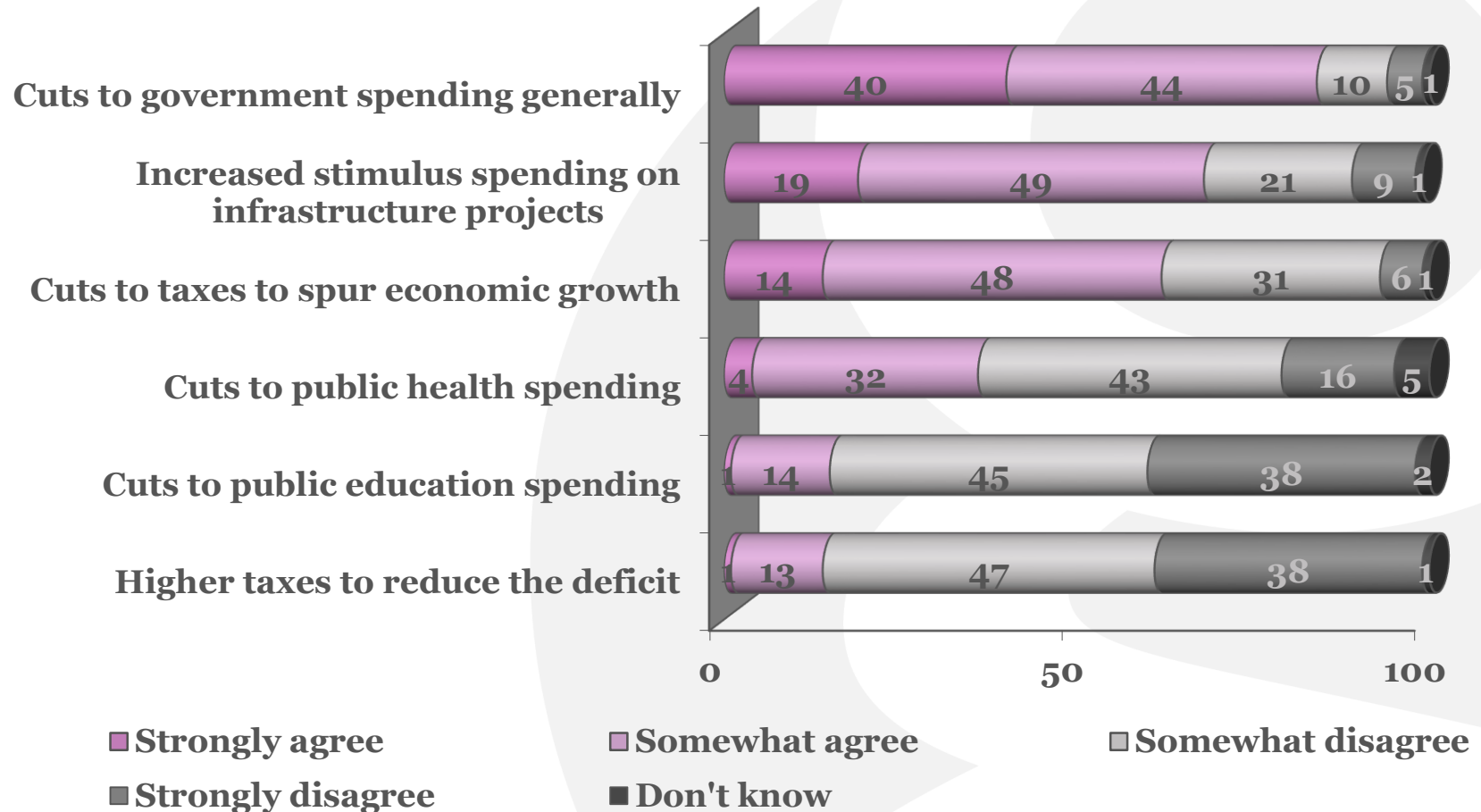




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Implications for Government of Slowing Economy

“If forecasts are correct, and Canada’s governments can expect economic growth of less than two percent, we’d like to know if you agree or disagree that the following things need to be implemented as a result. Some would say there should be...”





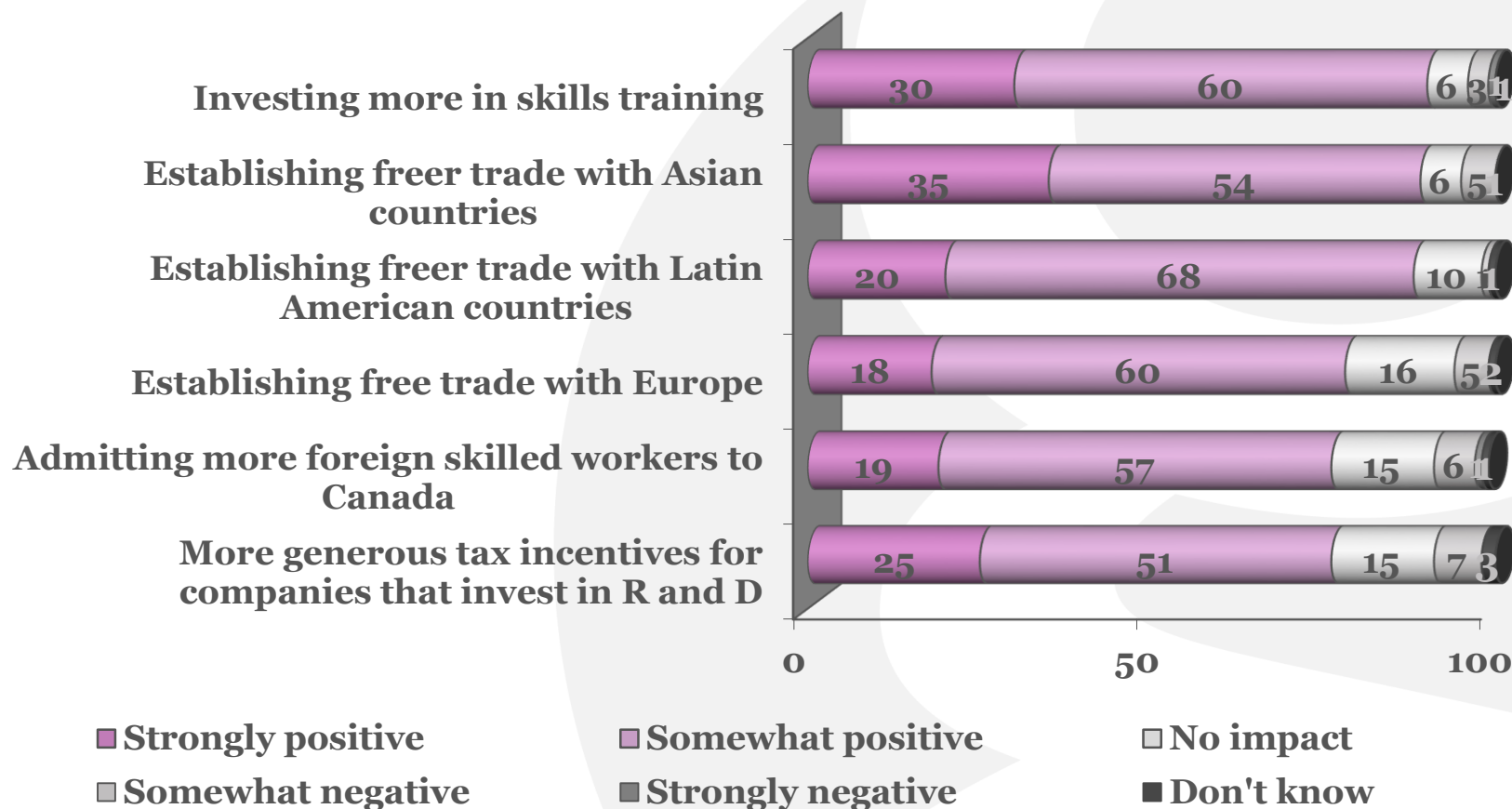
How Can Government Best Spur Growth in the Economy?

- ❑ Executives said the most effective measures government could take to economic growth would be:
 - Investing in skills training
 - Establishing freer trade, particularly with Latin American and Asian countries
 - More generous tax incentives for R & D, and
 - Admitting more skilled workers to Canada
- ❑ There is near consensus around the positive impact of these
- ❑ Just behind them in the ratings were renewal of federal multiyear infrastructure spending, R&D incentives and corporate tax cuts.



Potential Initiatives' Impact on Growth (I)

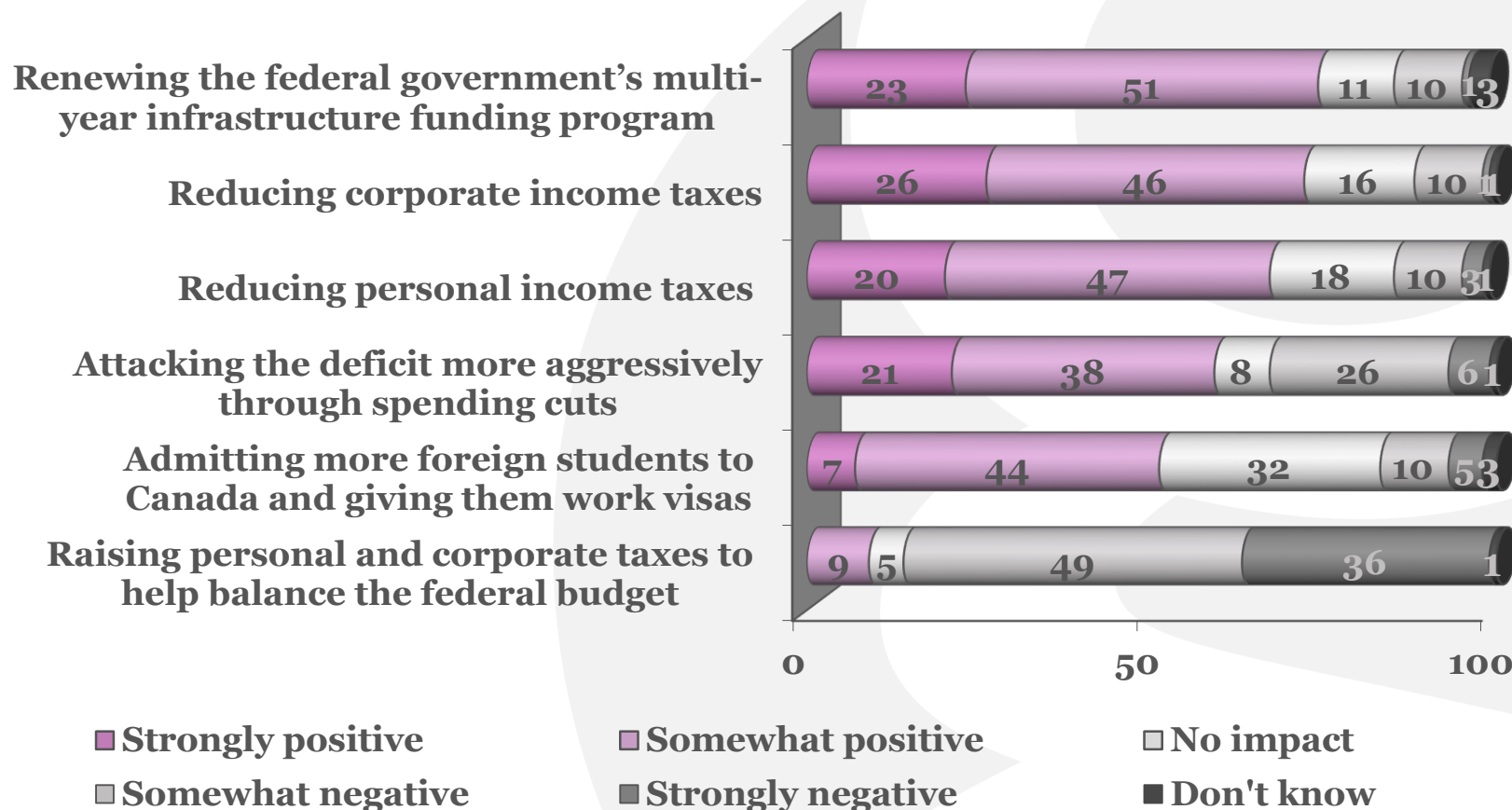
"I'm going to read a list of initiatives the federal government could undertake and I'd like you to tell me you think each would have a strongly or somewhat positive impact on Canada's economic growth or a strongly or somewhat negative impact on Canada's economic growth or no impact on growth."





Potential Initiatives' Impact on Growth (II)

"I'm going to read a list of initiatives the federal government could undertake and I'd like you to tell me you think each would have a strongly or somewhat positive impact on Canada's economic growth or a strongly or somewhat negative impact on Canada's economic growth or no impact on growth."





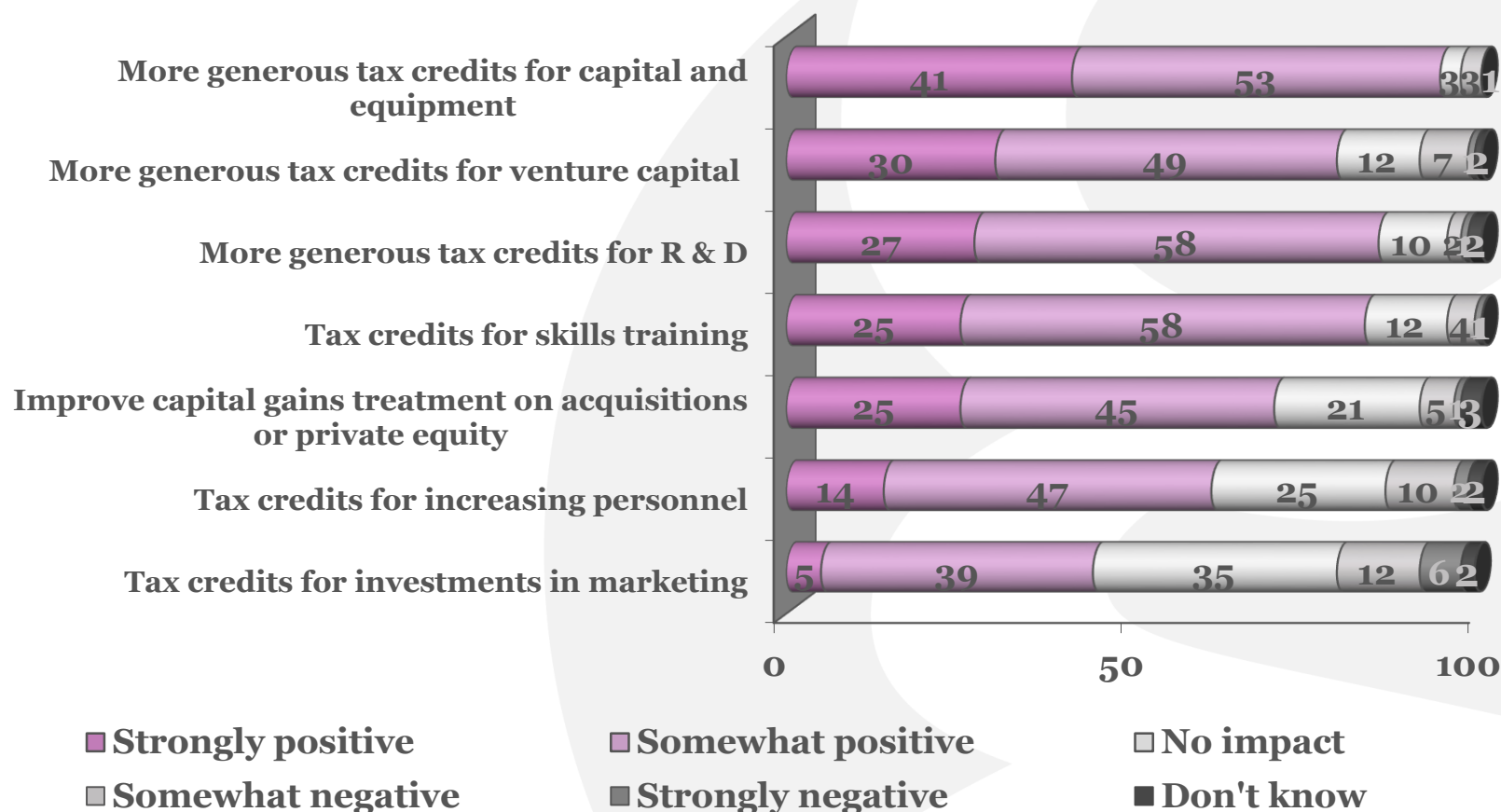
Tax Credits to Encourage Business Spending?

- ❑ Tax credits for capital and equipment are seen as being a very effective incentive when it comes to encouraging companies to spend cash reserves they may be holding.
 - There was near consensus on this point.
- ❑ Most executives thought some other tax credits could be at least be somewhat positive:
 - Venture Capital
 - Tax credits for R&D
 - Skills training
- ❑ We asked executives, assuming the federal government approves a stimulus program, what project should be spent on for the best economic benefit?
 - Four in ten said transportation infrastructure, while another quarter of executives mentioned other infrastructure (e.g. sewers, municipal).



How to Encourage Companies to Deploy Cash Reserves

“I’m going to ask whether various federal government initiatives would have a positive or negative impact at encouraging companies to deploy cash reserves they are holding. Please tell me if each would have a strongly or somewhat positive impact, or strongly or somewhat negative impact, or no impact.”



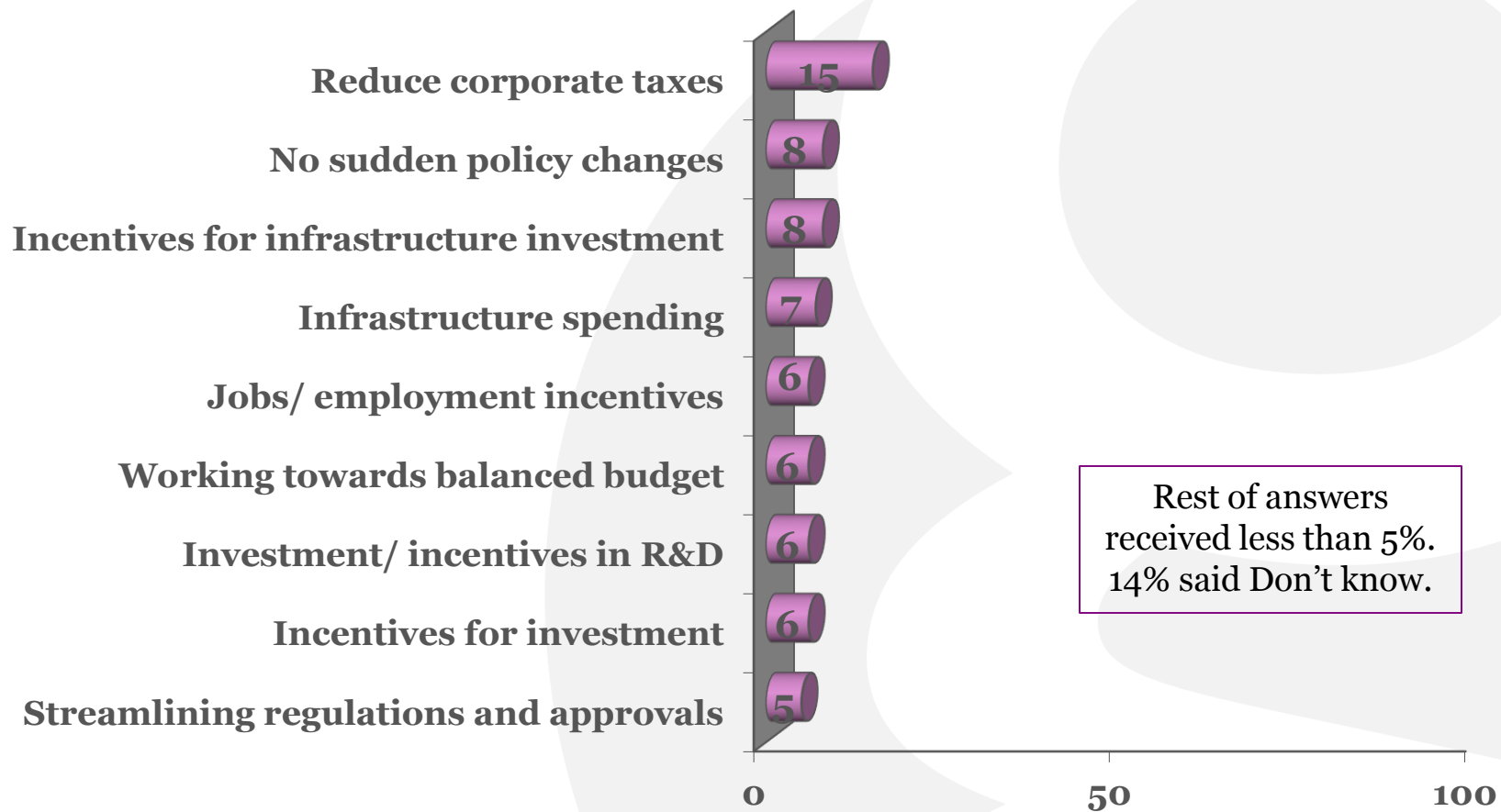


- ❑ We asked executives what they would want to see from their company's perspective included in the 2013 federal budget:
 - One in five asked for a reduction of corporate taxes (15%) or no new changes to tax rates generally (5%)
 - 15% want either incentives or investments for improvements to infrastructure
 - One in ten want no sudden policy changes
 - One in ten incentives for infrastructure investment



Federal Budget Wants

“The 2013 federal budget will be introduced this month. Thinking specifically of your company, what would you want to see included in the budget?”





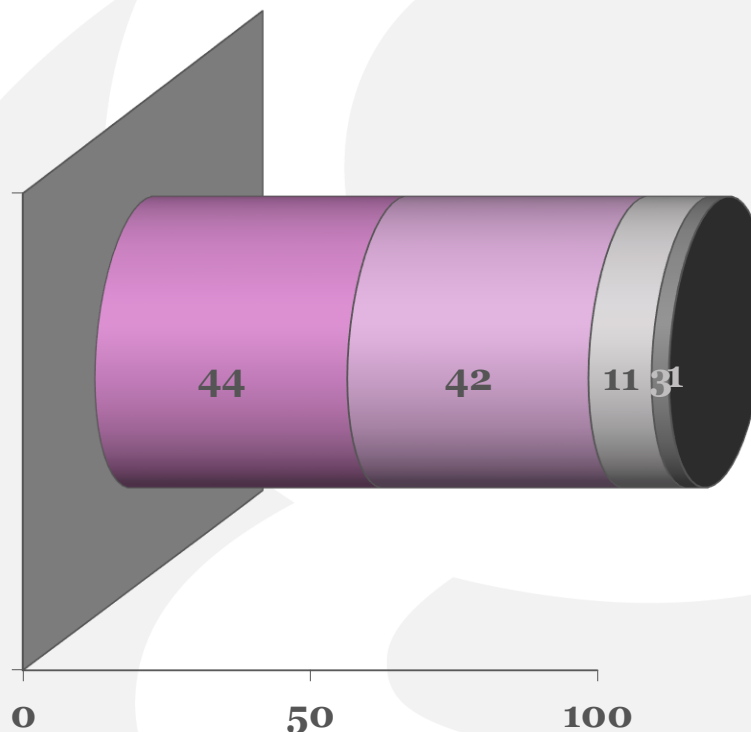
- ❑ The vast majority agreed immigration will be critical to the labour market.
- ❑ Most agreed Canada's system should focus on attracting skilled workers more than on family reunification.
- ❑ Few believe this is only a short-term problem that can be dealt with by work-permits – most agreed this issue will be with us for the long-term requiring more significant measures.
 - Half supported increasing federal government funding to immigration services to Canadian businesses.
 - Just over half believe admitting more foreign students and providing them with work visas would have a positive impact on the economy.
 - We also asked what incentives government should be offering to foreign students to encourage them to study, train & remain in Canada: nearly half said nothing should be offered; one in ten want limits or penalties if duration of stay requirements are not met; other mentions include expediting work visas, financial aid for tuition, and general facilitation of staying in Canada post graduation.



Immigration and Labour Market Needs

“Please tell me if you strongly or somewhat agree or strongly or somewhat disagree with the following statement”

Immigration is critical to meet the labour market needs of Canadian businesses



■ Strongly agree

■ Strongly disagree

■ Somewhat agree

■ Don't know

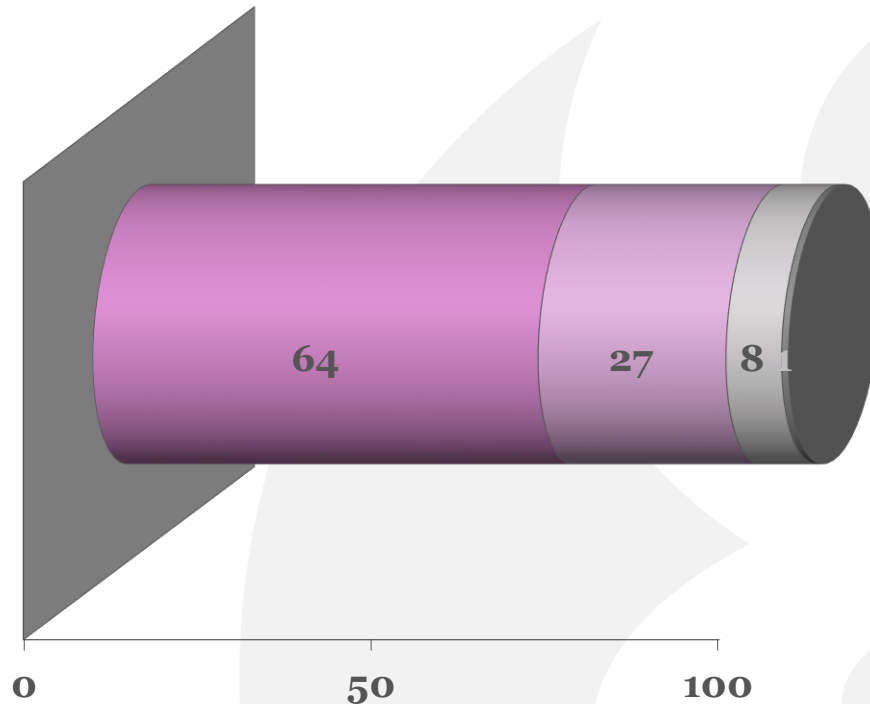
■ Somewhat disagree



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Immigration Focus: Skilled Workers or Family Reunification?

“Which of the following statements is closer to your own view? Canada’s immigration system should:”

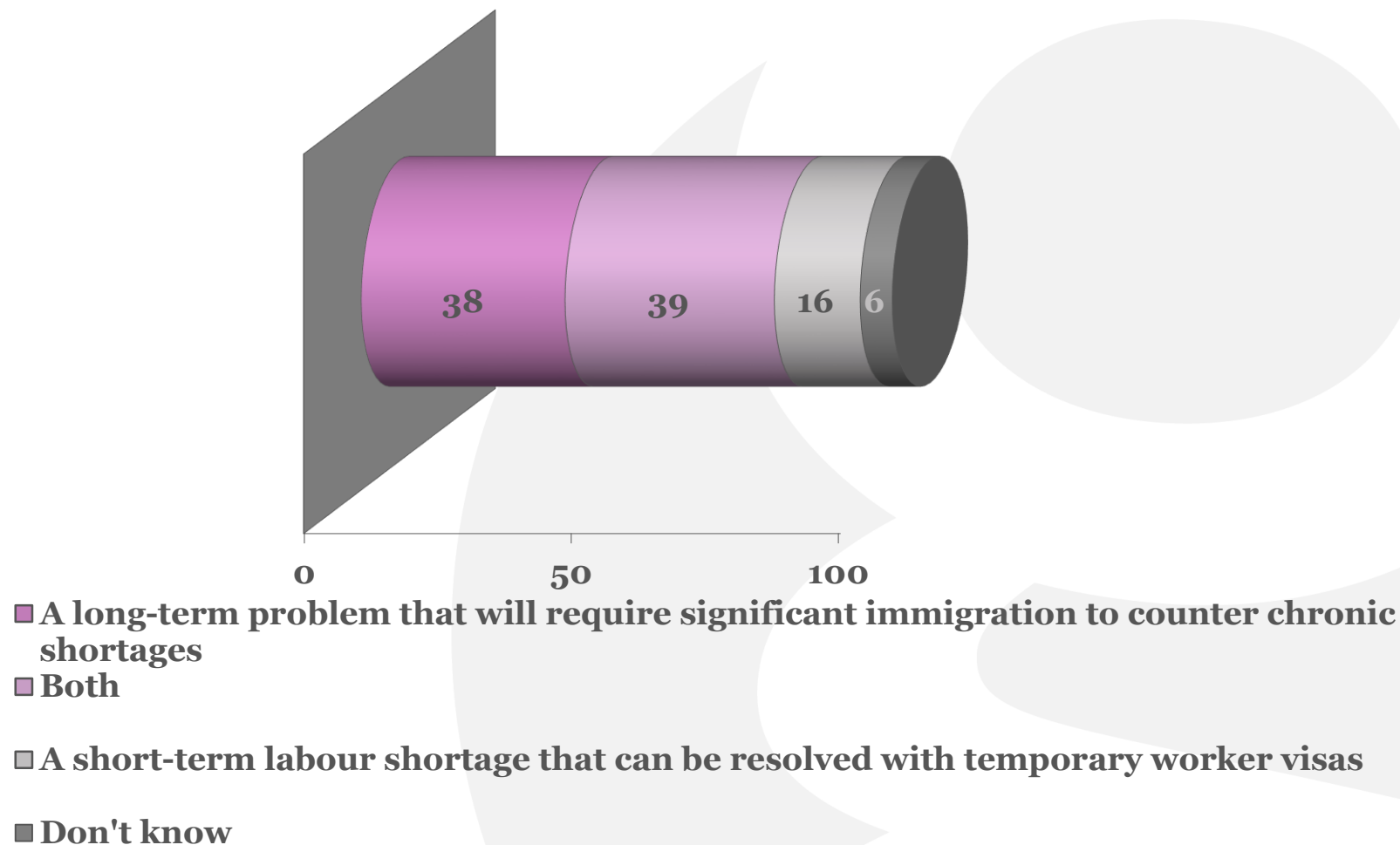


- Focus on attracting skilled workers more than on family reunification
- It should focus on both equally
- Should focus on family reunification more than attracting skilled applicants
- Don't know



Short-term or Long-term Labour Problems?

“Would you say that Canada faces...”



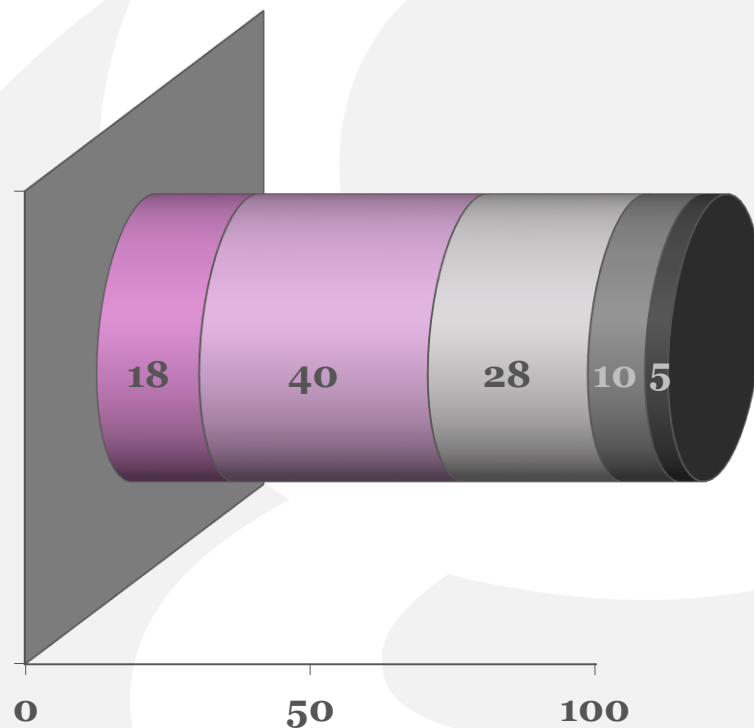


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Federal Funding for Immigration Services to Canadian Business

“Would you strongly support, somewhat support, somewhat oppose or strongly oppose increasing federal government funding to immigration services to Canadian businesses?”

Increasing federal government funding to immigration services to Canadian businesses



■ Strongly agree

■ Strongly disagree

■ Somewhat agree

■ Don't know

■ Somewhat disagree



- ❑ There is very strong support for urban investments in:
 - Light rail or subways
 - Highways and roads
 - Shipping ports

- ❑ There is majority support for:
 - Investing in customs/US border crossings, and
 - Airports

- ❑ Only about half supported high-speed intercity rail.

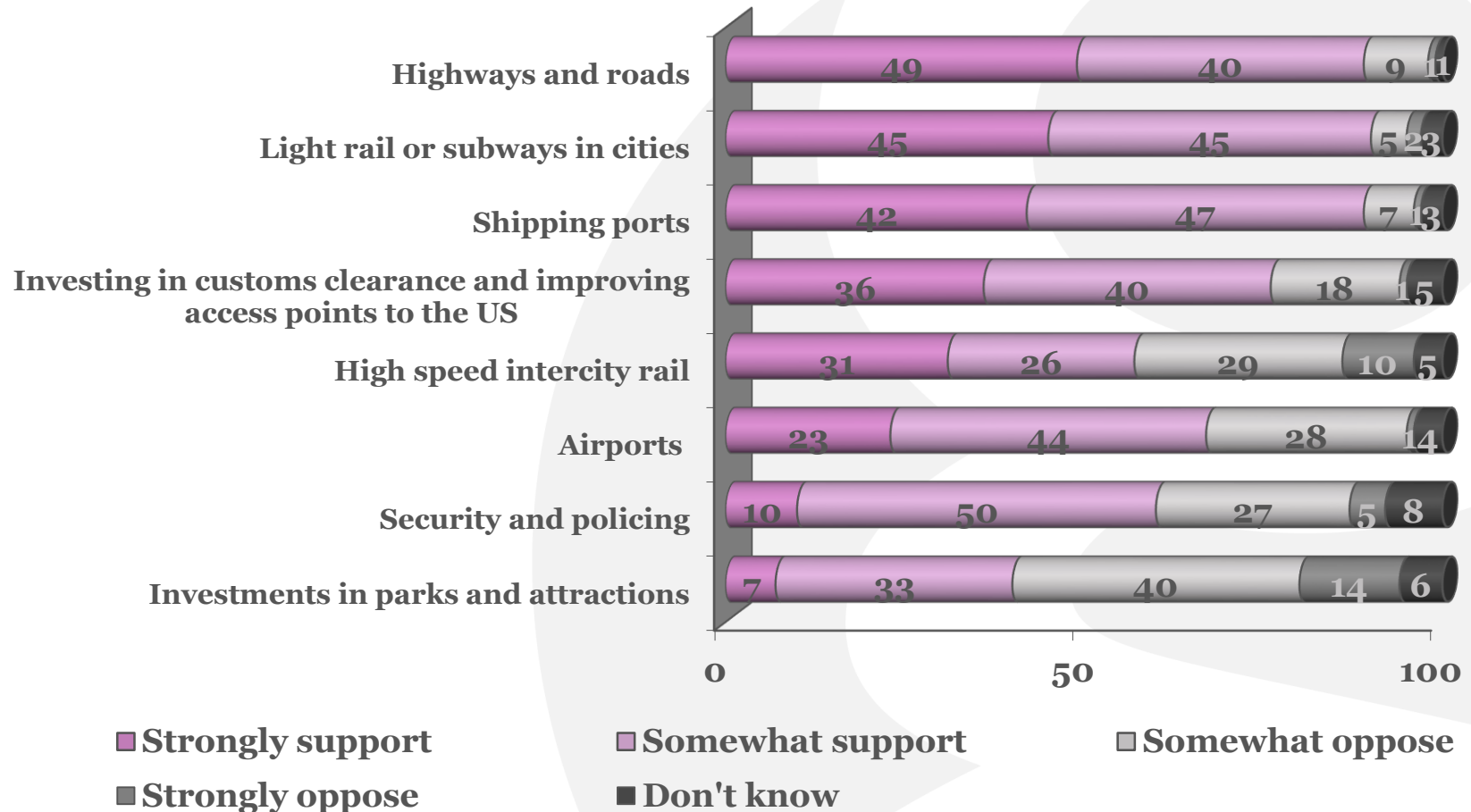
- ❑ Most opposed investments in parks and attractions.



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Support for Urban and Infrastructure Initiatives

"I'm going to read some urban and infrastructure initiatives and would like you to tell me whether you strongly or somewhat support or strongly or somewhat oppose government investments in each."





The Best Cities in Which to Locate

- ❑ We asked executives to rate cities as locations for a head office or a place to do business.

- ❑ Top locations as rated by the C-Suite:
 - Toronto and Calgary join New York, London and Hong Kong in the top tier.
 - Close behind are Vancouver, Frankfurt, Singapore, Chicago, Houston and Boston.
 - Montreal finds itself in the middle-tier of cities, positioned near Edmonton and Ottawa and ahead of Halifax among Canadian cities.
 - International cities in the middle tier are LA, Mumbai, Sao Paulo and Paris.

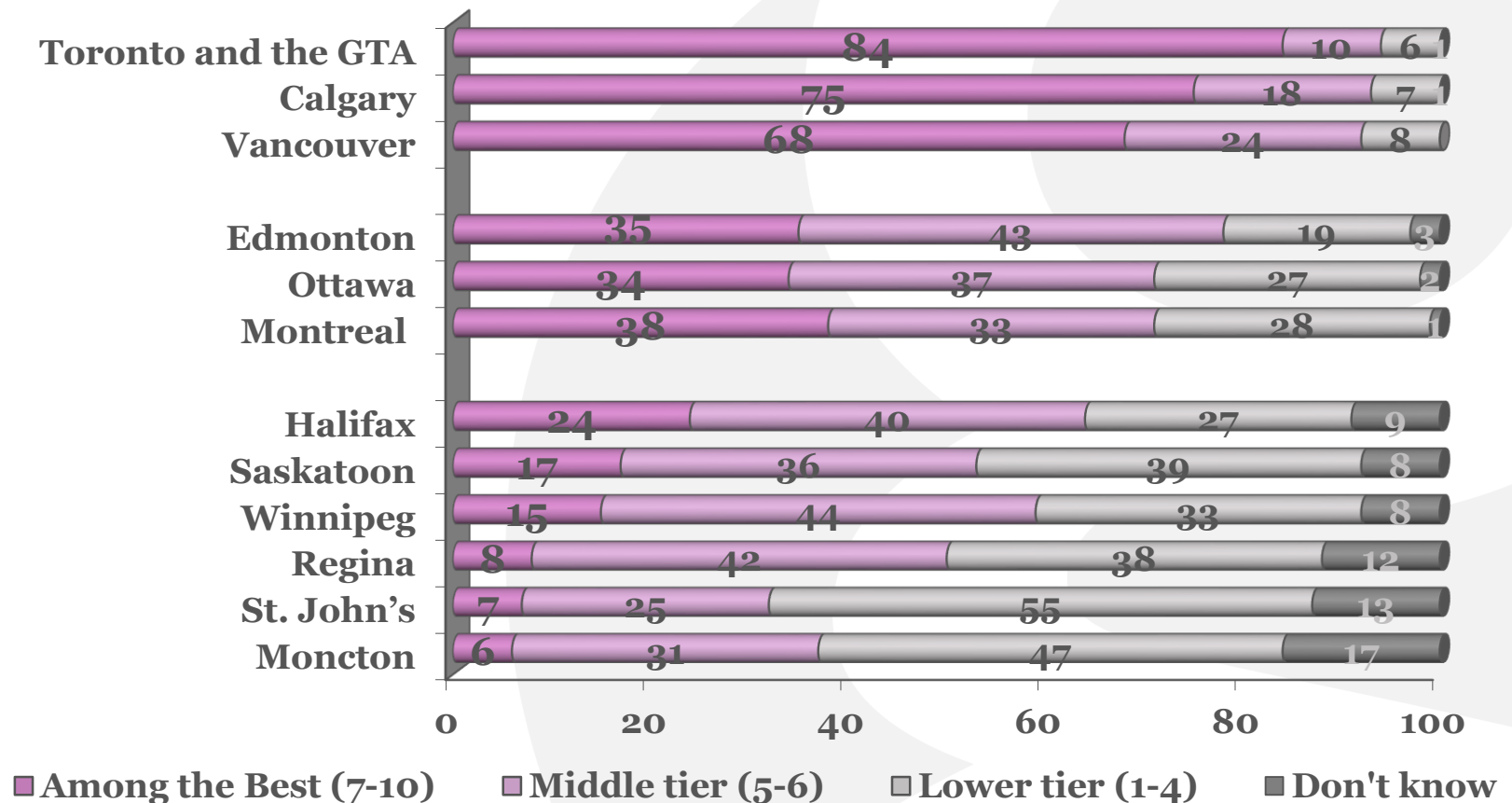
- ❑ Well below these in the ratings are:
 - Rome, Mexico and the lowest marks to Moscow.
 - And in Canada: Moncton and St. John's.



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Best Canadian Cities in which to do Business

"I'm going to read a list of Canadian cities and I'd like you to rate each as locations for a head office or a place to do business on a scale of 1 to 10 with 1 being the worst location and 10 being the best. This is not necessarily for your company and you may take any factors into account."





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Best Foreign Cities in which to do Business

"I'm going to read a list of foreign cities and I'd like you to rate each on the same scale in terms of how ideal each would be for locating a head office or a place to do business, generally speaking."

