

# Canada's CEOs Modestly Optimistic With National Economic Expectations For 2003 - 77% Believe National Economy Will Slow Down But Continue To Have Some Growth

*But CEOs Confident (81%) That There Will Not Be A Major Economic Downturn In The Next Two Years*



Canada's Most  
**Respected**  
Corporations

8<sup>th</sup> Annual Survey, 2002

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## **Canada's CEOs Modestly Optimistic With National Economic Expectations For 2003 – 77% Believe National Economy Will Slow Down But Continue To Have Some Growth**

*But CEOs Confident (81%) That There Will Not Be A Major Economic Downturn In The Next Two Years*

**Toronto, ONTARIO (Thursday, January 23<sup>rd</sup>, 2003)** – Canada's CEOs are modestly optimistic about Canada's national economic expectations for 2003 but are confident that a major economic downturn is unlikely in the next two years. Further, CEOs have had a sharp decline in confidence in the Federal Government's ability to provide a business environment conducive to economic growth and development. This is a reversal from 2001 where 55 percent agreed that the Federal Government was creating a good business environment to where almost the same amount (52%) now have the opposite view.

*These are the findings from the Eighth Annual Canada's Most Respected Corporations Survey sponsored by KPMG and conducted by Ipsos-Reid. The survey was conducted between August 6<sup>th</sup> and November 30<sup>th</sup>, 2002. The survey involved a randomly selected sample of 314 of the leading CEOs in Canada. With a sample of this size, the results are considered accurate to within  $\pm 4.7$  percentage points, 19 times out of 20. The margin of error will vary within regions and for other sub-groupings of the survey population.*

### ***Canadian CEOs Modestly Optimistic on National Economy***

A majority (77% down from 86% in 2001) of Canadian CEOs believe that, over the next year, the economy will slow down but continue to have some growth. This is slightly more optimistic than last year, but not much more. Each year, CEOs are given a choice of three potential scenarios and this year's survey found that 18 percent think the economy will

continue to grow as strongly as in recent years (up from 5% in 2001), and only 5 percent believe that the national economy is likely to enter a recession (compared to 8% in 2001).

In fact, CEOs are confident that there will not be a major economic downturn in the next two years – 81 percent have this view (up from 65% in 2001). One-in-six CEOs (16%) hold the contrary view and believe that there is likely to be a major economic downturn in the next two years (down from 32% in 2001).

### ***But CEOs Lose Faith in Federal Government in Creating Business Environment***

Just under half (46%) of CEOs indicate that the Federal Government has created a business environment which is conducive to economic growth and development (52% disagree with this view). This contrasts with 2001 where the numbers were virtually reversed (55% thought the Federal Government had created a good business environment compared to 43% who disagreed). In fact, the tracking shows that since 1999 CEOs have see-sawed with virtually the same numbers in alternate years.

### ***Inflation Expectations: Rates Likely to Stay About the Same***

Seven-in-ten CEOs (68%) indicate that the rate of inflation in Canada will likely stay about the same over the next year (up from 63% in 2001). A shrinking number of CEOs (25%) think that there will be an increase in inflation (down from 32% in 2001 and 36% in 2002). Seven percent indicate that inflation is likely to decrease.

### ***So, Who Has Benefited Most From 2002 Economic Upturn?***

While the economy in the United States has continued to stagnate, Canada's economic growth has topped the G8. Notwithstanding the trials and tribulations of investor confidence in the stock market, Canada continues to be on a consumer - led economic upturn since the recession of the mid-1990s. Reaching back to the survey of 2000, it's instructive to note how CEOs views have changed in terms of who they think has benefited most from this economic upturn.

Whereas in previous years CEOs pointed to a collective of "employees, shareholders, and management" as having benefited the most (58% in 2000 and 62% in 2001), it is simply not the case this year. In fact, the numbers show quite a reconfiguration, likely because of the

changing fortunes for shareholders in the stock market. This year, only 24 percent believe that the collective has benefited (down 38 points from last year). Now, 28 percent indicate management has benefited the most (up 14 points from 2001 and up 22 points since 2000); 18 percent indicate that employees have benefited the most (up from 3% in 2001 and 4% in 2000); and only four percent now point to shareholders (down from 20% in 2001 and 29% in 2000). Rounding out the gap are seven percent who say “no one” has benefited most and 19 percent who simply “don’t know”.

### ***Globalization and Taxes Top Issues List for CEOs***

When asked what they think is the most serious issue facing Canadian business, “globalization/international competitiveness” (23%) tops the list (up from 16% in 2001 and 18% in 2000). “Taxation/corporate taxation” is the choice of one-in-five CEOs (22%) consistent with 23 percent from 2001 but down from 28 percent in 2000. The next three issues which are the most substantive on the list, in addition to the two noted above, are “productivity” which jumps from 8 percent in 2001 and 2000 to 17 percent in 2002; followed by “educated/skilled workforce” (13%) (consistent with 2001 (12%) and higher than the 3% recorded in 2000); and “international economy/global market conditions” (13%).

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