

CANADA'S CEOs MODESTLY OPTIMISTIC WITH NATIONAL ECONOMIC EXPECTATIONS FOR 2004

*While More Think Economy Will Grow Strongly Since Last Year (23%, +5 Points), Majority (73%) Say Economy Will Have Slower Growth
But, CEOs Confident (86%) There Will Not Be Major Economic Downturn In Next Two Years*



Public Release Date: January 22, 2004 – 6:00 a.m. EST

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But, CEOs Confident (86%) There Will Not Be Major Economic Downturn In Next Two Years

Toronto, ONTARIO – Canada's CEOs are modestly optimistic about Canada's national economic performance for 2004, and they are very confident that a major economic downturn is unlikely in the next two years. Further, while CEOs are split as to whether the Federal Government has created a business environment conducive to economic growth and development, this represents a slight increase in positive feelings towards the Federal Government since 2002. And as a backdrop, CEOs name globalization and taxes as the most serious issues facing Canadian business.

These are the findings from the Ninth Annual Canada's Most Respected Corporations Survey sponsored by KPMG and conducted by Ipsos-Reid. The survey was conducted between August and November, 2003. The survey involved interviews of 255 of the leading CEOs in Canada.

Canadian CEOs Modestly Optimistic On National Economy...

A majority (73%) of Canadian CEOs believes that, over the next year, the economy will slow down but continue to have some growth. This is slightly less optimistic than last year, but not by much (77% in 2002). Each year, CEOs are given a choice of three potential economic scenarios and this year's survey found that nearly one quarter (23%) think the economy will grow strongly in the coming year (up smartly from 18% in 2002), only 3% believe that the national economy is likely to enter a recession (compared to 5% in 2002).

In fact, CEOs are quite confident that there will not be a major economic downturn in the next two years – nearly 9 in ten (86%) have this view (up from 81% in 2002, and 65% in 2001).

On the contrary, one-in-ten CEOs (13%) believe that there is likely to be a major economic downturn in the next two years.

CEOs Split On Views Concerning Federal Government Creating Business Creating Environment...

CEOs are split down the middle when asked whether the Federal Government has created a business environment that is conducive to economic growth and development. Half of CEOs (50%) agree that the Federal Government has succeeded in this respect, with the other half disagreeing (49%). This represents a slight rise in feeling positive towards the Federal Government over last year, when just under half (46%) of business leaders agreed that the Federal Government had created a good business environment.

Three Quarters (75%) Expect Inflation To Stay About The Same...

Three quarters of CEOs (75%) are of the opinion that the rate of inflation in Canada will likely not change over the coming year, an increase in 7 points from 2002. A steadily declining portion of CEOs (16%) thinks that there will be an increase in inflation (down from 25% in 2002, 32% in 2001, and 36% in 2000). One in ten (8%) indicate that inflation is likely to decrease.

Many Winners In The Past 12 Months – But Shareholders Have The Largest Gain Over Last Year In The Eyes Of CEOs...

According to Canada's CEOs, shareholders have done considerably better in the past 12 months (2002-03) than they did in 2001-02. One-quarter (24%) of CEOs believe shareholders had benefit most from the relatively good national economic performance of the past 12 months, up a whopping 20 points from 4% last year. The largest portion (34%) believes that the collective group of "Management, Shareholders, and Employees" has benefited most from the past 12 months (up sharply from 24% in 2002). Tied in second as a benefactor is management, coming in at 24% (down four points from 2002).

Globalization And Taxes Top Issues List For CEOs...

When asked what they think is the most serious issue facing Canadian business, “globalization/international competitiveness” (21%) tops the list (compared to 23% in 2002, 16% in 2001 and 18% in 2000). “Taxation/corporate taxation” is the choice if one-in-five CEOs (18%), down slightly from 22% in 2002. The next three issues which are the most substantive on the list are “value of the Canadian dollar” at 16% (up from 10% in 2002); followed by “productivity” at 13% (down from 17% in 2002); and “government/politics” at 13%.

Some Overall Highlights:

- Those CEOs located in Ontario (31%) are the most likely to believe that economy will grow strongly in the coming year, with the next most optimistic being those CEOs located in Atlantic Canada (22%). Business leaders in Quebec (8%) are the least apt to believe the Canadian economy will grow strongly in the coming year.
- Quebec CEOs (24%) are by far the most prone to believe that in the coming year inflation will decrease, with the next closest region being British Columbia at 10%.
- Albertans (32%) and Quebecers (32%) are most concerned about Globalization/international competitiveness. With Atlantic Canadians (33%) being the most likely to view Taxation/corporate taxation as the most serious issue facing business. Ontarians and British Columbians (19%) are tied as the two regions most concerned about the Value of the Canadian dollar.
- British Columbia (65%) and Quebec (64%) lead the way as those provinces whose CEOs most agree that the Federal Government has created a business environment conducive to economic growth development, while Saskatchewan/Manitoba (27%) and Alberta (26%) have the weakest support for this notion.

- CEOs in the Manufacturing sector (30%) are significantly more likely than CEOs in either the resource (13%) or services (5%) sectors to believe the country will face an economic downturn in the next two years.

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