

**Investment Advice and Forecasting according to CEOs—
Canada's Economy May Be Bottoming Out;
Now May Be Best Time to Invest;
Increased Confidence in Brazil as Place to Invest**

**Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business***



**COMPAS Inc.
Public Opinion and Customer Research
June 20, 2011**

1.0. Introduction

Canada's economy may be bottoming out, according to the CEOs and business leaders on the COMPAS business panel (table 2.1). Pessimism on the panel is at a very low level (table 2.1).

In keeping with this general view of the economy, panelists tend to favour investment new money now. The proportion advocating the assignment of new money to stock market investments is higher than three years ago (table 2.2). There is a hint of increased doubt with respect to the value of investing in government bonds (table 2.3), especially perhaps because of inflation fears. There are no major changes in the countries where panelists recommend investing except perhaps for a hint of increased confidence in Brazil as a place to invest (table 2.4).

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine.

2.0. Data

Tables 2.1 to 2.4 display the responses to the survey questions of the week, following which appear verbatim comments.



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Table 2.1: (Q1) How do you think the Canadian economy will be in six months? Will it get a lot better, somewhat better, remain about the same, get somewhat worse, get a lot worse?

	June 20 2011	Aug 20 2009	May 28 2009	May 5 2009	Nov 21 2008	Oct 3 2008	Sep 19 2008	Aug 29 2008	August 14 2008	July 31 2008	July 17 2008	July 4 2008	June 19 2008	June 4 2008	May 22 2008	May 14 2008	May 5 2008	April 16 2008	Apr 1 2008	Mar 20 2008	Jan 2008	July 2006	Feb 2006	Jan 2005	Aug 2003	June 2003
A lot worse	0	2	4	2	15	7	6	2	2	1	2	3	2	2	2	3	3	1	3	4	0	1	0	1	0	1
Somewhat worse	8	9	23	17	50	67	55	36	37	47	57	55	51	53	39	45	48	46	49	61	47	24	19	24	11	22
Remain about the same	49	29	30	30	20	16	22	44	43	36	44	31	34	34	45	37	34	35	38	29	47	61	51	54	49	46
Somewhat better	37	53	40	49	13	10	17	17	17	15	8	10	12	12	10	15	14	18	9	4	6	14	27	19	37	29
A lot better	5	7	3	2	2	1	1	1	1	1	2	1	2	0	0	0	1	1	1	3	0	2	3	2	2	1
Don't know or no opinion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	0	0	0	0	0	0	0	0	0	1	1
RAW	336	354	315	332	237	234	255	279	278	268	290	251	264	258	255	264	262	275	256	244	259	298	314	297	327	304
INDEX	96	87	94	98	55	53	64	76	76	71	82	62	69	66	64	69	68	74	65	59	66	86	94	85	100	89



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Table 2.2: (Q3) If a young friend or relative asked you for advice about when to start investing the stock market again, what would be your advice? Start investing...

	June 2011	Oct 2008
Now	56	40
Within 3 months	4	26
In 4-7 months	19	18
Later	4	5
Don't invest in the stock market for the foreseeable future	11	7
Don't know or no opinion	6	4

Table 2.3: (Q2) Thinking of the present economic climate, if a nephew or niece of yours came into a windfall \$500,000 inheritance and wanted to invest it other than in the family home, what proportion would you recommend placing in each of the following categories?" RANDOMIZE

	June 2011	Oct 2008 ¹	Apr 2008 ²	July 2006
Short-term cash investments	21	29	24	17
Canadian public companies or indexes	21	16	16	21
Real estate or rental housing	20	14	17	23
Precious metals	10	6	7	9

¹ Three per cent of respondents did not respond to the question. Their non-responses are not included when calculating the proportion to invest.

² Wording in April 2008: "Thinking of the present economic climate, if a nephew or niece of yours came into a windfall \$100,000 inheritance and wanted to invest it other than in the family home, what proportion would you recommend placing in each of the following categories?"



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	June 2011	Oct 2008 ¹	Apr 2008 ²	July 2006
Government bonds	7	17	11	N/A
Commodity investments	6	5	7	10
International investment funds	6	4	9	12
Corporate bonds	5	4	4	N/A
U.S. public companies or indexes	4	5	5	9

Table 2.4: (Q4) On a 100 point scale where 100 signifies that it is a safe place to invest with excellent economic prospects over the next 5 years, what score would you give each of the following foreign economies? RANDOMIZE

	June 2011		Oct 2008		Apr 2008		July 2006	
	Mean	DNK	Mean	DNK	Mean	DNK	Mean	DNK
The United States	50	11	56	10	55	11	61	10
India	49	8	44	13	51	11	57	11
Brazil	49	11	39	16	N/A	N/A	N/A	N/A
United Kingdom	44	10	51	14	N/A	N/A	N/A	N/A
Japan	44	11	50	13	49	12	56	12
China	43	8	44	12	46	11	61	11
Western Europe	41	11	52	13	59	11	N/A	N/A
Mexico	34	12	34	14	38	12	44	13
Russia	26	12	23	16	N/A	N/A	N/A	N/A



The following are a selection of verbatim comments in response to a question about what the Government of Canada ought to be doing in the present economic setting:

Take steps to reduce internationally the strength of the Canadian dollar.

Encourage Canadians to have more children. Families should be encouraged to have 3 to 4 kids or more. We need to increase the birth rate significantly. It will spur the economy directly and ensure future innovators, and tax payers. An investment in children is an investment in our future.

I think that the Euro is in real trouble and while the U.S. dollar is a little safer, it's still in jeopardy of continued devaluation. I also think that there is a chance that China's bubble could burst and cause problems all over the place in our economy. So, if I were Finance Minister I'd be looking for ways to reduce spending and cut debt. And while this may seem counter intuitive to my previous statements I'd be re-investing part of these savings on R&D in energy, manufacturing, forestry and mining. I'd also be looking to create a tax incentive for any company in the private sector to also invest in R&D in any area. The reasoning for this move is that if most of the world is experiencing economic difficulties they won't be spending on R&D and Canada will have an opportunity to take market share in a number of key areas if we spend the money to improve our technology.

Engage the U.S. in meaningful discussions resulting in a more convincing show of good faith by the American business community with respect to NAFTA or its current equivalent.

Address the strength of the Canadian Dollar, reduce it.

Be prudent and effective in spending and investment.

Create corporate profits to increase the revenue stream.



Building infrastructure, focus on exporting to emerging markets, lower income tax.

Continue a tight focus on spending, debts, and maintaining stability. Social programs must be maintained, but at an affordable level. It is time the federal government reviewed their early retirement pension policies, they were designed for a time when we needed to encourage early retirement. They place too little of the costs on the recipients. The benefits are inequitable, no one in the private sector enjoys fully indexed full pensions at age 55, double dipping with a second career (for anyone) needs to be taxed back.

Continue to stay out of business and create an environment that is business friendly.

Create jobs and ensure those the current jobs are protected. Do so through incentives that will benefit corporations for years after being granted.

Crédit à la consommation et à l'investissement.

Cut government spending and reduce taxes. Do everything possible to help and promote free enterprise to flourish.

Cut personal taxes, reduce the size of government, introduce user fees on healthcare, [and] reduce spending.

Cut spending to balance the books. Too many public service employees have been hired and it is time to undo some of this overspending.

Debt reduction - then going to budget.

Demand more accountability and prosecute those who are so reckless with our money and stop this ever escalating salaries that are being paid to mismanage.

End postal and Air Canada strikes.

Help innovation of high risk high reward small business ventures which potentially achieve global acceptance.

Hold steady. Continue to work on productivity.



Implement a plan to gradually reduce the deficit.

Invest in infrastructure that will lead to a greener future and make the lives of Canadians better. Bikepaths not bombs.

Invest in productivity improvements, skills training in small businesses - the backbone of our economy.

Investir dans la culture seule domaine où l'économie américaine ne fait pas un bilan négatif dans ses transactions import export la culture dépasse la musique et le cinéma la mode (jeans) et la nourriture (Coke, McDo...) sont des domaines extrêmement lucratifs pour l'économie américaine le Canada biculturelle pourrait virer la planète à l'envers

Keep a lid on spending.

Keep corporate taxes low.

Keep taxes where they are and fund infrastructure.

More economic development support for provincial governments and local - regional governments.

Nothing, keep their heads down and stay out of the way.

Pay down debt, keep encouraging growth through loans and limited restrictions.

Protection of Natural Resources.

Provide some individual tax relief.

Raise the amount of tax free income for individuals to around \$24,000 per year.

Reduce budget deficit and percentage of GDP deficit.

Reduce personal income and corporate taxes.

Spend less on themselves, invest in infrastructure, R&D, High Speed Rail, - list is too long but you get the idea.

Spend on infrastructure, green initiatives, [and] education.

Stop selling out our resources and intellectual capital.



Take steps to protect the fragile recovery such as back to work legislation and take steps to get the public sector pension costs under control.

There should be no new programs that would add to the deficit and cut immigration and benefits to non-Canadians.

They are on the right track internally - just need to watch carefully for "external" shocks. Canada should be encouraging Alberta to put some of its resource earnings into the Heritage Trust Fund for the future (think Norway) in order to reduce the risks associated with a "two speed" economy.

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted June 15 – 17, 2011. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=84 are deemed accurate to within approximate 10.8 percentage points 19 times out of 20. The principal investigator on this study is Conrad Winn, Ph.D.

