

**The Canadian Dollar:  
Business Panel Forecasts \$ 0.90 in April, 2008,  
Sees \$ 0.86 as Ideal Exchange Rate,  
Gives Very High Performance Scores to Governor Dodge**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
by COMPAS in the *Financial Post*  
for Publication April 30, 2007**



**COMPAS Inc.  
Public Opinion and Customer Research  
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## 1.0. Introduction

Revisiting exchange rate policy, exchange rate forecasts, and the role of the Bank of Canada, the COMPAS panel of CEOs and business leaders

- forecasts \$ 0.90 in April, 2008,
- sees \$ 0.86 as ideal exchange rate,
- gives very high performance scores to Bank of Canada Governor David Dodge, and
- resolutely rejects adoption of the U.S. dollar.

These are the key findings from the past week's web survey of the COMPAS CEO and business leader panel undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

## 2.0. Predictions--\$ 0.90 in a Year

The panel anticipates a gradual edging up of the Canadian dollar, reaching 90 cents in U.S. currency by April, 2008, as shown in table 2.

Table 2: (Q1) The Canadian dollar was worth 89.09 cents U.S. on Monday, April 23, 2007. This is up from 84.37 cents U.S. in early February. Please give your prediction of what it will be worth... (rounded to the nearest cent):

	Mean
At the end of the month	
April 2007	0.89
May 2006	0.91
At the end of the year	
April 2007	0.89
May 2006	0.92
One year from today	
April 2007	0.90
May 2006	0.93
October 2005	0.87
February 2003	0.71



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December 2002	0.66
January 2002	0.65
November 2001	0.64

### 3.0. Ideal Rate

#### 3.1. \$ 0.86

In the view of the COMPAS panel of CEOs and business leaders, the ideal exchange rate is U.S. \$ 0.86, as it was a year ago, up from the desirable rate in the 2003-2005 period, as shown in table 3.1.

*Table 3.1: (Q2) What is the ideal value of the Canadian dollar relative to the U.S. dollar for business? (rounded to the nearest cent)*

	Mean
April 2007	0.86
May 2006	0.86
October 2005	0.81
November 2004	0.83
November 2003	0.79

#### 3.2. Should Ideally Flat-Line or Edge Down

The Canadian dollars should ideally remain unchanged or edge downwards gradually, as shown in table 3.2A. Essentially half of respondents' businesses have been affected neutrally by exchange rates. Among the remainder, those affected negatively outnumber more than 2:1 those affected positively, as shown in table 3.2B.



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*Table 3.2A: (Q3) When considering your business sector, would you like to see the Canadian dollar... [ROTATE POLES]*

	April 2007	May 2006	Oct. 2005	Nov. 2004	Nov. 2003
Rise up sharply	1	2	2	4	7
Edge up gradually	24	25	29	29	38
Remain about the same	26	18	23	29	28
Decline gradually	35	35	27	27	17
Drop down sharply	10	14	10	9	6
Don't know or no opinion	3	7	9	3	4

*Table 3.2B: (Q4) On a 5 point scale, where 1 means greatly harmed and 5 means greatly helped, how has the rise of the Canadian dollar in the last year affected sales of your own business or businesses in which you have a personal interest?*

	Mean	5	4	3	2	1	DNK
April 2007	2.7	2	11	49	21	11	6
May 2006	2.6	4	8	53	15	18	2

### 3.3. No Rate-Induced Recession

As in 2006, few panellists anticipate that the rising dollar will drive the economy into recession, as shown in table 3.3.

*Table 3.3: (Q5) On a 5 point scale, where 1 means disagree strongly and 5 means agree strongly, do you think the rising dollar will drive the Canadian economy into recession?*

	Mean	5	4	3	2	1	DNK
April 2007	2.7	8	19	22	33	14	3
May 2006	2.7	6	18	32	28	15	1



## 4.0. Bank of Canada

### 4.1. Should Not Raise Rates

The overwhelming majority recommend that the Bank of Canada not raise rates, as shown in table 4.1.

*Table 4.1: (Q6) The Bank of Canada has been raising interest rates to keep inflation within its target range. The rate increases, some people say, have also helped to raise the value of the Canadian dollar. Should the Bank of Canada raise interest rates next week? [ROTATE POLES]*

	April 2007	May 2006
Definitely	3	4
Probably	11	22
Probably not	40	34
Definitely not	45	38
Don't know or no opinion	1	2

### 4.3. Bank of Canada Governor David Dodge Outperforms

Governor Dodge earns stellar grades for his performance, as shown in table 4.3. His performance grades place him in the top 5% of all individuals and professions earning performance grades in COMPAS' large normative database.



Table 4.3: (Q7) Using a 100 point school report card type scale, what score would you give Bank of Canada governor David Dodge for his performance on...[ROTATE]

	Mean
<b>Interest rates</b>	
April 2007	77
May 2006	71
December 2004	73
<b>US/Canada exchange rate</b>	
April 2007	72
May 2006	67
December 2004	66
<b>Inflation rate</b>	
April 2007	79
May 2006	77

## 5.0. Desire to Adopt Greenback at All Time Low

The panel's desire to adopt the U.S. dollar is at an all-time low, as shown in table 5.0. For the first time, an absolutely majority resolutely opposes such action.

Table 5.0: (Q8) Should Canada seriously consider adopting the U.S. dollar? [ROTATE POLES]

	April 2007	Oct. 2005	Feb. 2003	Dec. 2002	Jan. 2002	Nov. 2001
Definitely consider	11	14	14	21	17	26
Probably	16	29	27	28	25	28
Probably not	19	25	30	24	28	24
Definitely not	51	32	28	27	29	22
Don't know or no opinion <sup>1</sup>	3	1	2	1	-	-

<sup>1</sup> Respondents did not have a 'DNK' option Jan. 31, 2002 or Nov. 16, 2001.



## **6.0. Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted April 25-27, 2007. 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 153 are deemed accurate to within approximate 7.9 percentage points 19 times out of 20. The principal investigator on this study is Tamara Gottlieb.

