

The Looney:

**Looney Will Stabilize at U.S. \$ 0.96;
Looney Should Ideally Fall and Interest Rates Should Not Rise;
Opposition to Adopting the Greenback at All Time High;
Outgoing Bank of Canada Governor Earns Accolades**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS in the Financial Post
for Publication July 23, 2007**



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1.0 Introduction

In an overview of exchange rate forecasts and assessments, interest rate policy, and David Dodge's performance as Governor of the Bank of Canada, the COMPAS panel of CEOs and business leaders reached the following conclusions:

- The looney is apt to stabilize at U.S. \$.96;
- The ideal rate is U.S. \$.87 and the looney should ideally decline in value gradually;
- The Bank of Canada should not increase interest rates;
- Governor Dodge earns very high performance scores;
and
- Opposition to adopting the U.S. dollar reaches record levels.

These are the key findings from the current web-survey of the panel of CEOs and business leaders undertaken for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0. Whither the Looney

Panelists expect the looney to stabilize around 86 cents, as shown in table 2a, well above the ideal value of 87 cents, as shown in table 2b. For this reason, panelists would like to see the looney decline gradually in value, as shown in table 2c.

Looking back to past forecasts, it appears as if CEOs and business leaders on the panel have tended to underestimate the rise of the looney. Only time will



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tell if they are underestimating where it will be at the end of the year and a year from now.

Table 2a: (Q1) The Canadian dollar was worth 95.83 cents U.S. on Wednesday, July 18, 2007. This is up from 85.82 cents U.S. at the beginning of the year. Please give your prediction of what it will be worth... (rounded to the nearest cent)

	July 2007		May 2006	
	Mean	DNK	Mean	DNK
At the end of the month	0.95	2	0.91	1
At the end of the year	0.96	2	0.92	1
One year from today ¹	0.96	3	-	-

Table 2b: (Q2) What is the ideal value of the Canadian dollar relative to the U.S. dollar for business? (rounded to the nearest cent)

	Mean	DNK
July 2007	0.87	2
May 2006	0.86	5
October 2005	0.81	6
November 2004	0.83	1
November 2003	0.79	3

¹ New Question in July 2007



Table 2c: (Q3) When considering your business sector, would you
like to see the Canadian dollar...[ROTATE POLES]

	July 2007	May 2006	Oct 2005	Nov 2004	Nov 2003
Rise up sharply	1	2	2	4	7
Edge up gradually	15	25	29	29	38
Remain about the same	19	18	23	29	28
Decline gradually	50	35	27	27	17
Drop down sharply	11	14	10	9	6
Don't know or no opinion	4	7	9	3	4

3.0. Bank of Canada

3.1. Should Not Increase Rates

Panelists oppose raising of rates in the current situation, as shown in table 3a.



Table 3a: (Q4) 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 in the near future?²

	July 2007	May 2006
Definitely	2	4
Probably	20	22
Probably not	47	34
Definitely Not	30	38
Don't know or no opinion	2	2

3.2. Accolades for Dodge

Following announcements of the Governor's planned departure, the panel was asked to assess his performance on a 100 point school report card-type scale. His score, 80%, is an astonishingly high score set against COMPAS' large data basis of comparable performance measures.

² Question wording in May 2006: "(Q2) 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?"



Table 3b: (Q5) Using a 100 point school report card type scale, what score would you give Bank of Canada governor David Dodge for his overall performance since being appointed?

Mean	DNK
80	0

4.0. Record Opposition to Adopting the U.S. Dollar

Panelists oppose adopting the U.S. dollar as our currency. Six years ago, opinion was divided. Today, opponents outnumber supporters 2.5:1. Among panelists with strong opinions, opponents outnumber supporters more than 3:1—51% vs. 15%. Intense opposition, i.e. the proportion with strong opinions, is at a record high—51% today, up from 46% in May, 2006 and 22% in November, 2001.

Table 4: (Q6) Should Canada seriously consider adopting the U.S. dollar? [ROTATE POLES]

	July 2007	May 2006	Oct 2005	Feb 2003	Dec 2002	Jan 2002	Nov 2001
Definitely consider	15	11	14	14	21	17	26
Probably	15	18	29	27	28	25	28
Probably not	19	24	25	30	24	28	24
Definitely not	51	46	32	28	27	29	22
DNK/No opinion ³	1	1	1	2	1	-	-

³ Respondents did not have a 'DNK' option Jan. 31, 2002 or Nov. 16, 2001.



5.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 18 – 20, 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 137 are deemed accurate to within approximately 8.4 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb

