

**Economic Prognosis:
Global Recovery to Begin July 2010
Loonie to Be \$ 0.87 U.S. in a Year
Bank of Canada and Harper Government Earn High Marks
BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication May 7, 2009**



**COMPAS Inc.
Public Opinion and Customer Research
May 7, 2009**

1.0 Overview

Global economic recovery will not begin for 14 months, according to the CEOs and business leaders on the COMPAS business panel. Most panelists feel of course that the economy is in fair-to-poor shape at the present time but they give high marks to both the Bank of Canada and the Harper government for their handling of a difficult situation. A hypothetical Ignatieff-led Liberal government would do far less well in the current situation, they say.

As for exchange rates, panelists anticipate that the Canadian dollar will trade for \$ 0.87 U.S. in a year.

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 under sponsorship of BDO Dunwoody LLP.

2.0 The Economy

Panelists anticipate that our economy, now in fair or fair-to-poor shape, will benefit from a global recovery anticipated to begin in July 2010, as shown in tables 2a and b. The Harper government and, especially, the Bank of Canada earn high grades for their performance in the current economic situation. They are perceived to be greatly outperforming a hypothetical Ignatieff-led Liberal government in a comparable situation, as shown in tables 2c and d.

As for exchange rates, the loonie is expected to trade for U.S. \$ 0.87 in a year.



Economic Forecast

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication May 7, 2009

Table 2a: (Q2) Approximately how many months will it take for the global economy to turn around in a positive direction?

Mean	DNK
14	0

Table 2b: (Q1) Generally speaking, how would you describe Canada's economy today? Would you say it is excellent, good, only fair or poor at this time? [ROTATE POLES]

	May 2009	Jan. 2008	July 2006	Jan. 2005	Aug. 2003	June 2003	Dec. 2002	June 2002
	%	%	%	%	%	%	%	%
Excellent	2	14	22	5	*1	3	5	8
Good	18	53	66	72	48	60	61	65
Fair	54	31	12	23	48	34	32	23
Poor	27	2	1	1	4	3	2	3
DNK/Refused	0	0	0	0	0	0	0	1

Table 2c: (Q4) On a 100 point school report card-type performance scale, what score would you give for...

	Mean
The Bank of Canada's role in current economy	77
The Harper government in the current economy	70

¹ Greater than zero but less than 0.5 percent.



Economic Forecast

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication May 7, 2009

Table 2d: (Q5) If the Liberal party led by Michael Ignatieff were hypothetically the government during the present circumstances, what performance score (out of 100) do you think they would have earned?

Mean	DNK
57	1

Table 2e: Q3) What do you forecast will be the value of the Canadian dollar in U.S. currency in one year? (rounded to the nearest cent)

	May 2009		Nov 2007		July 2007		May 2006	
	Mean	DNK	Mean	DNK	Mean	DNK	Mean	DNK
At the end of the month	N/A	N/A	1.04	5	0.95	2	0.91	1
At the end of the year	N/A	N/A	1.03	5	0.96	2	0.92	1
One year from today ²	0.87	1	0.98	5	0.96	3	-	-

The following verbatims provide a nuanced sense of panel opinion:

Events in the Canadian economy are largely driven by events in the U.S. and Global economy. To the extent that the Bank of Canada can influence these events nationally, they have done an adequate job. The political side of the above equation is simply that - politics. In questions of the economy, rarely are decisions made that are solely based on economic realities, more often are decisions based on political expediencies.

The programs in place are essentially through printing of money. This huge debt load will cause inflation problems down the road and as interest rates start to climb. There will be much pressure on that key element in managing the

² New Question in July and November 2007



Economic Forecast

A BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication May 7, 2009

economy as investors will come to expect higher returns for their money. Although Japan has been living with zero return for many years, investors in the West will be less inclined to accept this. Governments are acting in a business like fashion, supporting banks etc. in return for equity positions. Part of the increase in deficits could be worked off as those positions are again placed in the public hands, hopefully at a profit, with the cash reducing government debt. Like all "businesses" they need to replace their reduced income flow (lower tax revenues) through other sources. Again hopefully they will act in a prudent fashion.

Massive government bailouts of broken international corporations will only prolong the inevitable at taxpayer expense. Let them go under and the market forces will sort things out a lot more quickly and effectively than anything any government can do. The cost will be some short term chaos and pain. Alas, as long as the political time horizon of 6-12 months persists, it won't happen.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted April 29 – May 1, 2009. 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 114 are deemed accurate to within approximate 9.2 percentage points 19 times out of 20. The principal investigator on this study is Conrad Winn, Ph.D.

