

**Forecasting:**

**CPI—Hover Around 1% in 2010, Creep to around 2% in 2011;  
Unemployment—Unchanging til at Least after March, 2011;  
2009-2010 GoC Budget Deficit—Mammothly Underestimated;  
Growth—Very Subnormal in March, Somewhat in June;  
TSX—Static in March, Up 1400 Points in June**

**BDO Dunwoody Weekly CEO/Business Leader Poll  
By COMPAS in *Canadian Business*  
For Publication November 30, 2009**



**COMPAS Inc.  
Public Opinion and Customer Research  
November 30, 2009**

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### 1.0 Overview

As the calendar approaches Christmas and the New Year, CEOs and business leaders on the COMPAS business panel were asked for their economic predictions. These are the main ones:

- ❑ The Consumer Price Index (CPI) is expected to hover around 1% in 2010, and then creep up to around 2% in 2011;
- ❑ The unemployment rate is not expected to change for at least a year with a hint of decline in Spring, 2011;
- ❑ The 2009-2010 Government of Canada budget deficit is expected to exceed official estimates by immense margins;
- ❑ Very few expect economic growth to reach or exceed normal rates till well after June, 2010. For March, more than four-fifths of panelists anticipate negative or flat growth. This drops to a seventh in June. But the overwhelming majority expect June's figures to show modest growth, i.e. positive but below normal;
- ❑ The TSX is expected to remain unchanged until March and then to jump 1400 points (12%) from 11,640 to 13,067.

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.



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## 2.0 Details

Detailed predictions appear in the following tables, notably evidence of

- CPI creep in table 2a;
- Slight rise and then fall in unemployment in the first half of 2010 in table 2b;
- A very large under-calculation in the official estimate of the magnitude of the budget deficit of the federal government in table 2c;
- Poor economic growth in March, followed by less poor growth in June in table 2d;
- No change at the TSX in the first quarter of the new year, followed by a 12% rise in the second quarter in table 2e

*Table 2a: (Q1) On the one hand, the recession is putting a damper on prices. The Consumer Price Index (CPI) is currently - 0.9%. On the other hand, some people forecast at an unknown time in the future rampant inflation as a result of immense government spending, especially in Washington, D.C. What do you predict will be the CPI rate in...*

	Mean
March 2010	0.8
June 2010	1.2
March 2011	2.1

*Table 2b: (Q2) The current unemployment rate is 8.4%. What do you predict will be the unemployment rate in ...*

	Mean
March 2010	8.6
June 2010	8.3



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	Mean
March 2011	7.7

*Table 2c: (Q3) For 2009-10, the estimated Government of Canada budget deficit is \$34 billion and a financial requirement of \$101 billion. What do you estimate will be its actual deficit in billions of dollars?*

Mean	DNK
53	7

*Table 2d: (Q4-Q5) Thinking of Canada's economic growth rate, in March and June, 2010 will our growth rate be...*

	March 2010	June 2010
Negative	5	1
Flat	38	15
Positive but below normal	49	68
Normal	7	14
Above normal	1	3
Don't know or no opinion	0	0

*Table 2e: (Q6) Turning to the TSX, it is currently around 11600. Where do you predict it will be in ...*

	Mean
March 2010	11641
June 2010	13067

The following verbatims provide a nuanced sense of panel opinion:



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While jobs right now look like a problem, for me the boogeyman in the closet is inflation.

I think we are in for a "day of reckoning" in the equity markets this spring. Real growth is going to take much longer than was initially predicted.

I think some sectors will be hit hard unless we stop sending jobs overseas. We need to protect our own jobs and look after our own economy first.

Any recovery will be slow. Inflation has to rise as interest rates rise. That will damper spending and the housing market, but pent up demand by employees will put pressure on cost levels. Consumers will continue to spend carefully until there are solid signs of a sustainable recovery at which time there will be a jump in inflation as pressure is put on inventory levels and wage levels.

The HST will suck out any sustainable job growth... What disposal income that would find its way into any kind of market demand will be consumed by an irresponsible provincial government. Governments don't create jobs. Our manufacturing sector, or what's left lacks capital, and skill-sets to innovate for any kind of long term growth - say for next 10 years. Regrettably my grandkids will experience a lower standard of living, at a huge expense.

Since Canadian economy is more and more relying on commodities and taking a distance from manufacturing, therefore our living standard and wealth generation will depend on the hands of other nations and markets.

### **3.0 Methodology**

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted November 25 - 26, 2009. Respondents



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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=108 are deemed accurate to within approximate 9.5 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

