

CPA Canada Q2 2017 Business Monitor

Background document

On behalf of: Chartered Professional Accountants of Canada

August 15, 2017

the harris poll.



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
CANADA

COMPTABLES
PROFESSIONNELS
AGRÉÉS
CANADA

Q2 2017 CPA Canada Business Monitor Backgrounder

Study Information

The CPA Canada Business Monitor is issued quarterly, based on a survey commissioned by CPA Canada and conducted by Harris Poll. The report draws upon business insights of professional accountants in leadership positions in privately and publicly held companies.

For the Q2 2017 study, emailed surveys were completed by 516 of 4,977 identified by CPA Canada as holding senior positions in industry (CFOs, CEOs, COOs and other leadership roles). The response rate was 13 per cent, with a margin of error associated with this type of study at 4.1 per cent, with a confidence level of 95 per cent. The survey was conducted from July 6 to July 19, 2017

The response rate calculation follows guidelines set by the Market Research and Intelligence Association, and is calculated as follows: $\text{Response Rate} = \text{Survey Completes} / (\text{Completed Surveys} + \text{Incomplete Surveys} + \text{Estimated Eligible Members in Sample})$.

About CPA Canada

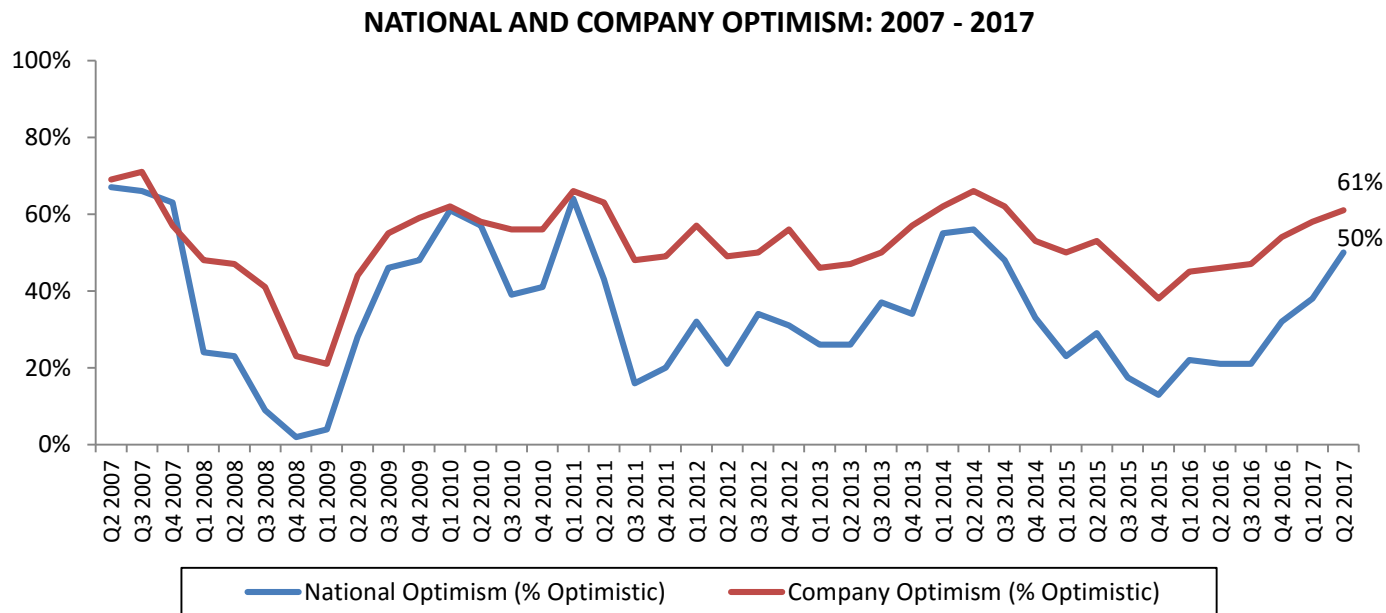
The new Canadian designation, Chartered Professional Accountant (CPA), is now used by Canada's accounting profession across the country. The profession's national body, Chartered Professional Accountants of Canada (CPA Canada), is one of the largest in the world with more than 210,000 members, both at home and abroad. The Canadian CPA was created with the unification of three legacy accounting designations (CA, CGA and CMA). CPAs are valued for their financial and tax expertise, strategic thinking, business insight, management skills and leadership. CPA Canada conducts research into current and emerging business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government. CPA Canada also issues guidance and thought leadership on a variety of technical matters, publishes professional literature and develops education and professional certification programs.

cpacanada.ca

KEY SLIDES

Q2 2017 CPA Canada Business Monitor Backgrounder

- Company optimism remains basically unchanged from the previous quarter and sits at 61 per cent.



Q2ai/ii. Please select the rating that best describes your view for each of the following.
 Number of respondents for these questions in Q2 2017 = 516. Number of respondents varies in other quarters.

Q2 2017 CPA Canada Business Monitor Backgrounder

- Half of respondents reported being optimistic about the prospects of the Canadian economy over the next 12 months. That is up from 38 per cent in the first quarter of 2017 and more than double the 21 per cent who reported feeling optimistic in the same quarter a year earlier.

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Change vs. Q2 2016
Optimism in Canadian Economy for next 12 months						
% Optimistic	21%	21%	32%	38%	50%	+29
% Neutral	53%	50%	46%	47%	38%	-15
% Pessimistic	26%	29%	21%	15%	12%	-14
Optimism in Business for next 12 months						
% Optimistic	46%	47%	54%	58%	61%	+15
% Neutral	31%	32%	28%	28%	26%	-5
% Pessimistic	23%	21%	18%	14%	13%	-10

Q2ai/ii. Please select the rating that best describes your view for each of the following.

Number of respondents for these questions in Q2 2017 = 516. Number of respondents varies in other quarters.

Note: Percentages may not add up to 100% due to rounding.

Q2 2017 CPA Canada Business Monitor Backgrounder

- Roughly seven-in-ten (69 per cent) respondents expect their company to have increased revenues in the next twelve months. Just under two-in-three (65 per cent) expect their profits to increase and 42 per cent expect their employee count will increase in the same time period.

Projected Change in Following Year	Revenue	Profits	Employees
Total Who Project an Increase	69%	65%	42%
Increase by over 10%	17%	16%	8%
Increase by 5 to 10%	28%	25%	9%
Increase by less than 5%	24%	23%	25%
No Change	13%	15%	42%
Total Who Project a Decrease	16%	19%	15%
Decrease by less than 5%	8%	8%	8%
Decrease by 5 to 10%	5%	5%	3%
Decrease by over 10%	3%	6%	3%
N/A	1%	1%	0%
Don't Know	1%	1%	1%

Average Projected Change*:

Revenue	+3.9%
Profits	+3.3%
Employees	+1.5%

Q3. Thinking about the next 12 months, please indicate how you expect the following to change if at all from the past 12 months for your company. (Potential responses are: Increase by over 10%, Increase by 5 to 10%, Increase by less than 5%, No change, Decrease by less than 5%, Decrease by 5 to 10% and Decrease by over 10%, as well as not applicable and don't know options)

***"Average projected change" is calculated by taking the mid-point of each response option (e.g. answers of "less than 5%" are revised to +/-2.5, answers of "5% to 10%" are revised to +/-7.5 and responses of "10% or more" are revised to +/-12.5) and then calculating the average of those mid-points across all respondents. Responses of "N/A" and "Don't know" are excluded from the average.**

Number of respondents for these questions = 516.

Note: Percentages may not add up to 100% due to rounding.

Q2 2017 CPA Canada Business Monitor Backgrounder

- The proportion of respondents believing their company's profits will increase in the next 12 months has increased from 55 per cent in Q2 2016 to 65 per cent in Q2 2017.

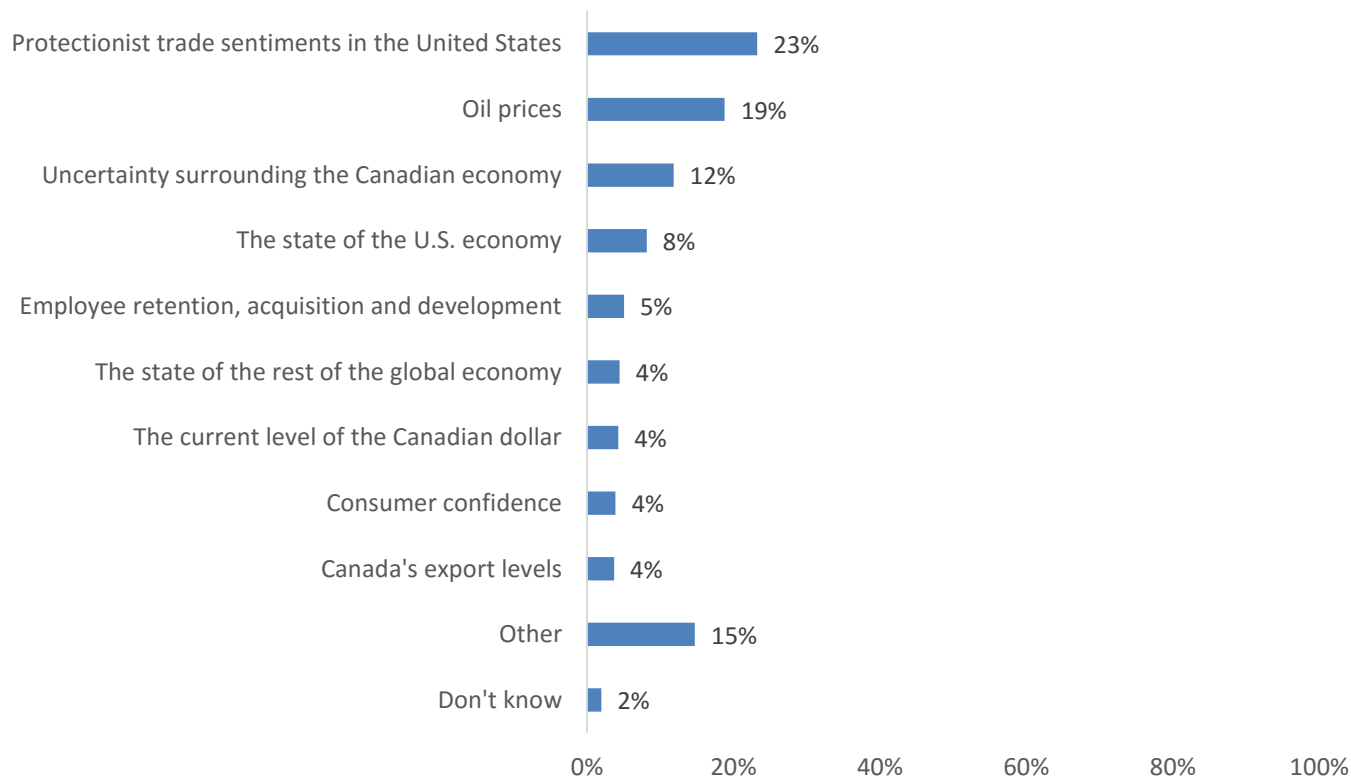
	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Change vs. Q2 2016
% Who Believe Their Company Will Experiences Increases in the Following Key Metrics in the Next Year:						
Revenue	62%	61%	65%	69%	69%	+7
Profits	55%	57%	57%	63%	65%	+10
Employees	36%	36%	38%	39%	42%	+6

Q3. Thinking about the next 12 months, please indicate how you expect the following to change if at all from the past 12 months for your company. (Potential responses are: Increase by over 10%, Increase by 5 to 10%, Increase by less than 5%, No change, Decrease by less than 5%, Decrease by 5 to 10% and Decrease by over 10%, as well as not applicable and don't know options)
Number of respondents for these questions = 516.

Q2 2017 CPA Canada Business Monitor Backgrounder

- Protectionist trade sentiments in the U.S. tops the list of challenges facing the Canadian economy cited by 23 percent of the respondents with oil prices close behind referenced by 19 per cent.

Top Challenge to Growth of the Canadian Economy



Q4. Which of the following do you think is the top challenge to the growth of the Canadian economy?

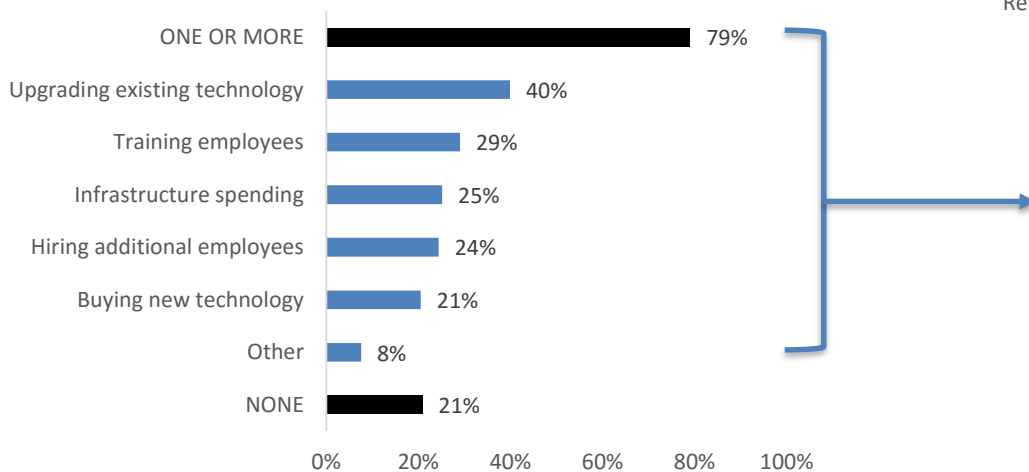
Number of respondents for this question = 516.

Note: Percentages less than 4% in Q2 2017 are not shown in the above chart and are included in "other" responses.

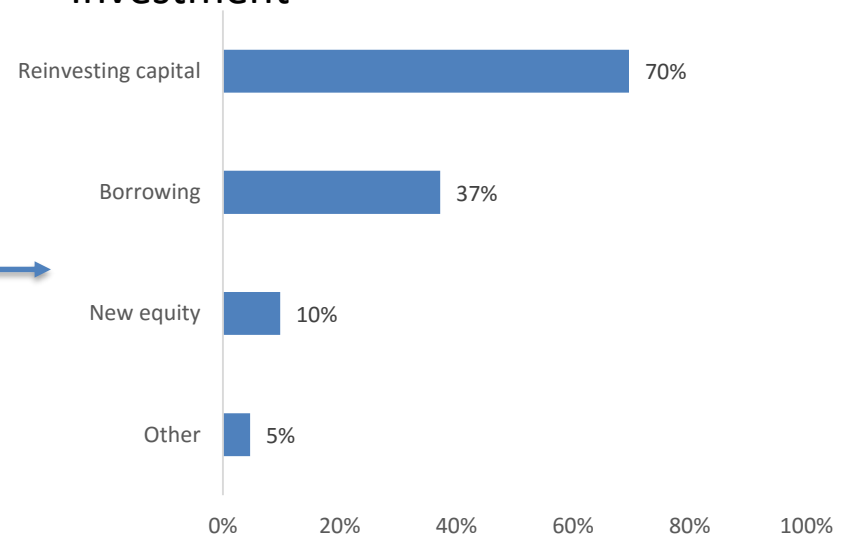
Q2 2017 CPA Canada Business Monitor Backgrounder

- A large majority (79 per cent) of business leaders surveyed say their company plans to make significant investments over the next year. The most frequent type of investments mentioned were upgrading existing technology (40 per cent) and training employees (29 per cent).

Types of Significant Investments Company Plans to Make in Next 12 Months



How Company Plans to Finance Investment



Q5. In which, if any, of the following categories does your company plan to make significant investments over the next 12 months?

Respondents: All (516).

Note: Respondents allowed to give more than one response and as a result percentages will sum to over 100%.

Q6. How is your company or organization likely to finance the significant investment?

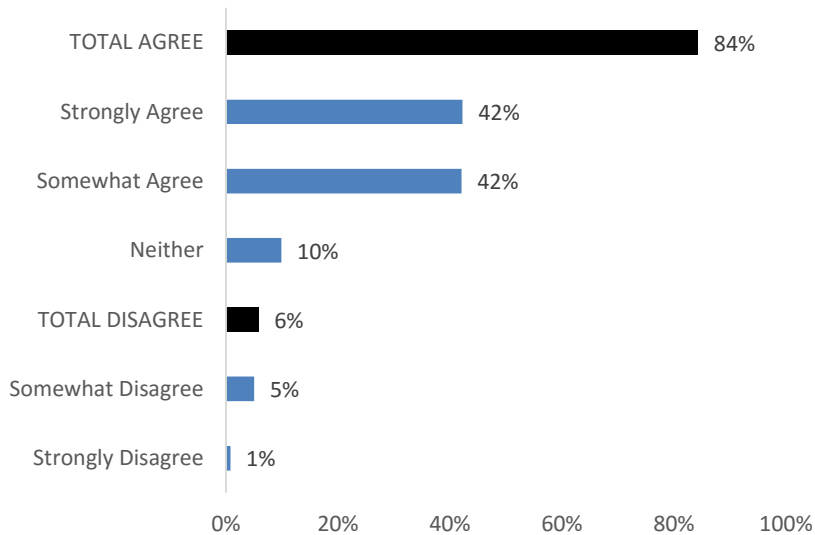
Respondents: Those who indicated their company plans to make significant investments in the next 12 months (408).

Note: Respondents allowed to give more than one response and as a result percentages will sum to over 100%.

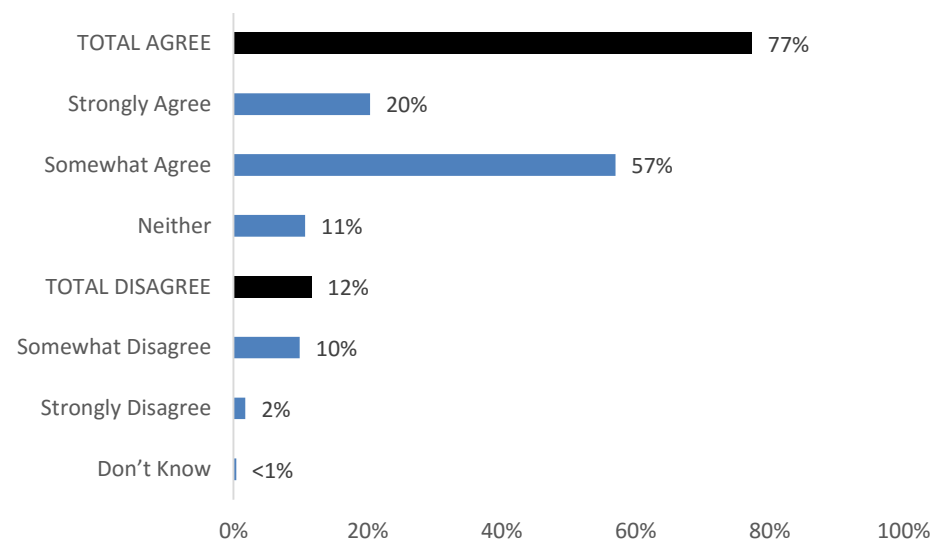
Q2 2017 CPA Canada Business Monitor Backgrounder

- More than eight-in-ten (84 per cent) of the survey participants agree that changes in technology will likely have a major impact on their company over the next five years. However, 77 per cent surveyed agree that their company is well prepared for the changes.

Whether Technology Changes Will Have Major Impact on Company in Next 5 Years



Whether Company is Prepared for Technological Changes in Next 5 Years



Q7a. To what extent do you agree or disagree that changes in technology are likely to have major impact on our company/business over the next 5 years

Respondents: All (516).



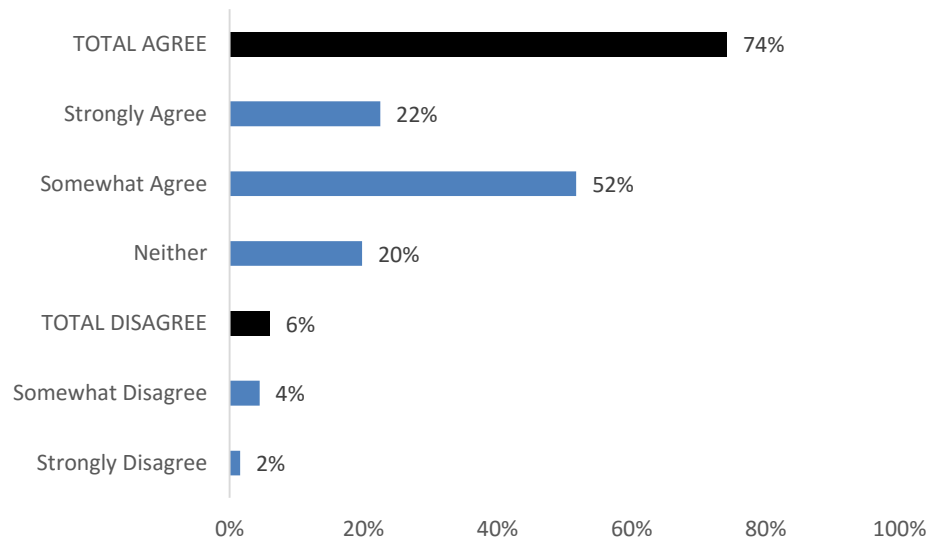
Q7b. To what extent do you agree or disagree that our company/business is well prepared for the changes in technology that will impact the organization over the next 5 years?

Respondents: All (516).

Q2 2017 CPA Canada Business Monitor Backgrounder

- Almost three-quarters (74 per cent) of those surveyed agree that U.S. tax reform could pose a competitive challenge for Canadian businesses.
- In terms of business planning for the coming year, 44 per cent of the survey respondents claim the proposed tax reforms will have no affect at all. One-third (33 per cent) of respondents indicate that business planning will be somewhat or significantly affected.

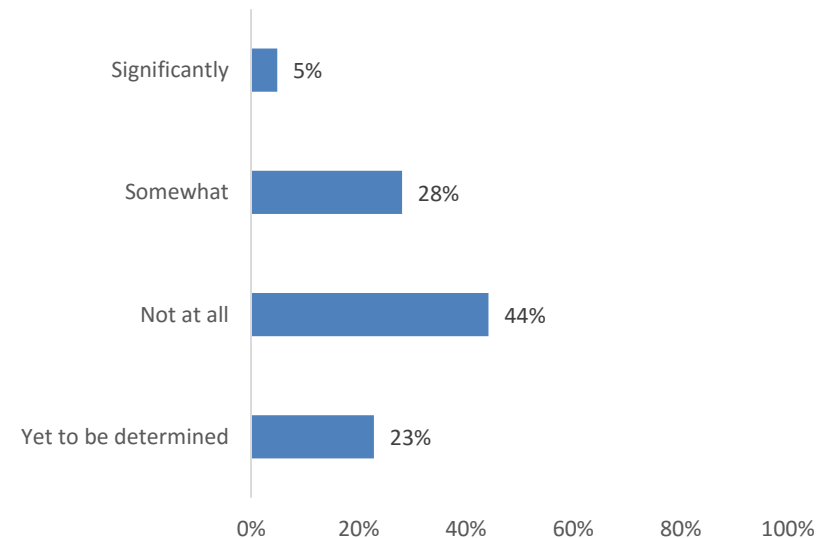
Could U.S. Tax Reform Pose a Competitive Challenge for Canadian Business?



Q8. To what extent do you agree or disagree that U.S. tax reform efforts could pose a competitiveness challenge for Canadian business?

Respondents: All (516).

How Much Will Proposed Tax Reforms in U.S. Affect Your Company's Business



Q9. How much will the proposed tax reforms in the U.S. affect your company's business planning for the coming year?

Respondents: All (516).