CPA Canada
Q2 2018 Business Monitor

Background document

On behalf of: Chartered Professional Accountants of Canada

July 17, 2018
Study Information

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

For the Q2 2018 study, emailed surveys were completed by 466 of 5,922 identified by CPA Canada as holding senior positions in industry (CFOs, CEOs, COOs and other leadership roles). The response rate was 9.7 per cent, with a margin of error associated with this type of study ±4.4 per cent, with a confidence level of 95 per cent. Further information regarding response rate calculations can be found in the survey’s background document. The survey was conducted from May 31 to June 17, 2018.

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

About CPA Canada

Chartered Professional Accountants of Canada (CPA Canada) is one of the largest national accounting organizations in the world, representing more than 210,000 members. Domestically, CPA Canada works cooperatively with the regional CPA bodies who are charged with regulating the profession. Globally, it works together with the International Federation of Accountants and the Global Accounting Alliance to build a stronger accounting profession worldwide. CPA Canada, created through the unification of three legacy accounting designations, is a respected voice in the business, government, education and non-profit sectors and champions sustainable economic growth and social development. The unified organization is celebrating five years of serving the profession, advocating for the public interest and supporting the setting of accounting, auditing and assurance standards. CPA Canada develops leading-edge thought leadership, research, guidance and educational programs to ensure its members are equipped to drive success and shape the future.

cpacanada.ca
KEY SLIDES
Sixty-eight per cent of the respondents view Canada as a less competitive place to invest and do business versus the United States when compared with a year ago. That viewpoint is basically unchanged from the previous quarter.

How Competitive Canada, Compared to the U.S., Is a Place to Invest and Do Business Compared to One Year Ago

- **MORE COMPETITIVE**: 12%
- **Much more competitive**: 1%
- **Somewhat more competitive**: 11%
- **Unchanged**: 20%
- **LESS COMPETITIVE**
  - **Somewhat less competitive**: 39%
  - **Much less competitive**: 29%
  - **Total**: 68%

Q8. Compared to one year ago, how competitive do you believe Canada is, compared to the United States, as a place to invest and do business?
Number of respondents for this question = 466.
Percentages may not add up to 100% due to rounding.
When asked what is the primary reason for the country being less competitive, Canada’s overall tax burden was the top response, cited by 29 per cent of participants. U.S. tax reform was second, referenced by 14 per cent of those surveyed.

Q9. Which of the following factors do you think play the greatest role in impacting Canada’s level of business competitiveness?

Number of respondents for this questions = 466.
Percentages may not add up to 100% due to rounding.
The number of respondents expressing optimism about the prospects for the Canadian economy over the next 12 months was 32 per cent, essentially unchanged from the opening quarter. However, that is down significantly from the second quarter of 2017 when 50 per cent of respondents expressed an optimistic outlook.

<table>
<thead>
<tr>
<th></th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
<th>Change vs. Year ago (Q2 2017)</th>
<th>Change vs. Last quarter (Q1 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Optimism in Canadian Economy for next 12 months</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Optimistic</td>
<td>50%</td>
<td>47%</td>
<td>48%</td>
<td>34%</td>
<td>32%</td>
<td>-18</td>
<td>-2</td>
</tr>
<tr>
<td>% Neutral</td>
<td>38%</td>
<td>40%</td>
<td>36%</td>
<td>47%</td>
<td>40%</td>
<td>+2</td>
<td>-7</td>
</tr>
<tr>
<td>% Pessimistic</td>
<td>12%</td>
<td>13%</td>
<td>16%</td>
<td>20%</td>
<td>28%</td>
<td>+16</td>
<td>+8</td>
</tr>
<tr>
<td><strong>Optimism in Business for next 12 months</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Optimistic</td>
<td>61%</td>
<td>59%</td>
<td>61%</td>
<td>58%</td>
<td>53%</td>
<td>-8</td>
<td>-5</td>
</tr>
<tr>
<td>% Neutral</td>
<td>26%</td>
<td>25%</td>
<td>27%</td>
<td>25%</td>
<td>32%</td>
<td>+6</td>
<td>+7</td>
</tr>
<tr>
<td>% Pessimistic</td>
<td>13%</td>
<td>17%</td>
<td>12%</td>
<td>17%</td>
<td>15%</td>
<td>+2</td>
<td>-2</td>
</tr>
</tbody>
</table>

Q1a/b. Please select the rating that best describes your view for each of the following.
Number of respondents for these questions in Q2 2018 = 466. Number of respondents varies in other quarters.
Note: Percentages may not add up to 100% due to rounding.
Company optimism sits at 53 per cent. This is how the professional accountants surveyed feel about the prospects for their own companies over the next 12 months.

Q1a/b. Please select the rating that best describes your view for each of the following.
Number of respondents for these questions in Q2 2018 = 466. Number of respondents varies in other quarters.
• The top two challenges to the Canadian economy identified by survey participants in the latest survey are U.S. trade protectionism (39 per cent) followed by uncertainty in the Canadian economy (14 per cent).

Q3. Which of the following do you think is the top challenge to the growth of the Canadian economy?
Number of respondents for this question = 466.
Single response allowed to question.
Responses mentioned by 2% or more included, remaining responses grouped as “Other”.
Percentages may not add up to 100% due to rounding.
• Roughly two thirds (68 per cent) say revenues will increase in the next year and 60 per cent say profits will increase.

<table>
<thead>
<tr>
<th>Projected Change in Following Year</th>
<th>Revenue</th>
<th>Profits</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Who Project an Increase</td>
<td>68%</td>
<td>60%</td>
<td>42%</td>
</tr>
<tr>
<td>Increase by over 10%</td>
<td>16%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Increase by 5 to 10%</td>
<td>28%</td>
<td>18%</td>
<td>12%</td>
</tr>
<tr>
<td>Increase by less than 5%</td>
<td>24%</td>
<td>24%</td>
<td>23%</td>
</tr>
<tr>
<td>No Change</td>
<td>12%</td>
<td>16%</td>
<td>38%</td>
</tr>
<tr>
<td>Total Who Project a Decrease</td>
<td>17%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>Decrease by less than 5%</td>
<td>6%</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td>Decrease by 5 to 10%</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Decrease by over 10%</td>
<td>6%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>N/A &amp; Don’t Know</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Average Projected Change***:

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Profits</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>+3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td>+2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>+1.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q2. 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 = 466.
Note: Percentages may not add up to 100% due to rounding.
Almost six in ten Canadian business leaders surveyed (58 per cent) say they have difficulty finding enough skilled workers and professionals to fill certain positions.

The positions hardest to fill over the past two years were: skilled trades (37 per cent), skilled/IT positions (22 per cent) and middle management (17 per cent).

Q5. To what extent do you agree with the following statement? Our business has a problem with not having enough skilled workers and professionals to fill certain positions.

Q6: Which, if any, of the following positions has your company had difficulty filling in the past two years?

Number of respondents for each question = 466.

Percentages may not add up to 100% due to rounding.
The strong majority of Canadian Business Leaders (83 per cent) say the federal government should continue to warn Canadians to reduce their level of personal debt. Four in ten (41 per cent) say the level of personal debt is a threat to future demand for their company’s products and services.

% Agree With Statements on Personal Debt:

**Government Should Continue to Warn Canadians to Reduce Debt Levels**

- Total Agree: 83%
- Agree strongly: 40%
- Agree somewhat: 43%
- Neither agree nor disagree: 12%
- Total Disagree: 6%
- Disagree somewhat: 5%
- Disagree strongly: 1%

**Debt Threatens Future Demand for Products Produced/Services Offered By Your Company**

- Total Agree: 41%
- Agree strongly: 11%
- Agree somewhat: 30%
- Neither agree nor disagree: 20%
- Total Disagree: 38%
- Disagree somewhat: 23%
- Disagree strongly: 15%

Q4. To what extent do you agree with the following statements?

Graph on left: “The federal government should continue to warn Canadians to reduce their levels of personal debt”

Graph on right: “The level of personal debt is a threat to future demand for the products produced or services offered by at your company”

Number of respondents for this question = 466.

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