

# CPA Canada Q4 2018 Business Monitor

Background document

On behalf of: Chartered Professional Accountants of Canada

January 30, 2019



# Q4 2018 CPA Canada Business Monitor Backgrounder

## Methodology

The results are issued quarterly based on a survey commissioned by Chartered Professional Accountants of Canada (CPA Canada). The research draws upon business insights of professional accountants in leadership positions in privately and publicly held companies.

For the Q4 2018 study, emailed surveys were completed by 698 of 6,782 identified by CPA Canada as holding senior positions in industry (CFOs, CEOs, COOs and other leadership roles). The response rate was 13.9% per cent, with a margin of error associated with this type of study  $\pm 3.7$  per cent, with a confidence level of 95 per cent. The survey was conducted from December 4 to December 21, 2018.

The response rate calculation 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

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 provincial and territorial 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.

# KEY SLIDES

# Q4 2018 CPA Canada Business Monitor Backgrounder

- Pessimism soared to 35 per cent among the professional accountants in leadership positions surveyed for the CPA Canada Business Monitor in the fourth quarter of 2018. That is up from 28 per cent in the previous quarter and is significantly higher than a year earlier when pessimism stood at 16 per cent in the final quarter of 2017.

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Change vs. Year ago (Q4 2017)	Change vs. Last quarter (Q3 2018)
<b>Optimism in Canadian Economy for next 12 months</b>							
% Optimistic	48%	34%	32%	28%	26%	-22	-2
% Neutral	36%	47%	40%	44%	39%	+3	-5
% Pessimistic	16%	20%	28%	28%	35%	+19	+7
<b>Optimism in Business for next 12 months</b>							
% Optimistic	61%	58%	53%	53%	49%	-12	-4
% Neutral	27%	25%	32%	28%	29%	+2	+1
% Pessimistic	12%	17%	15%	20%	22%	+10	+2

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

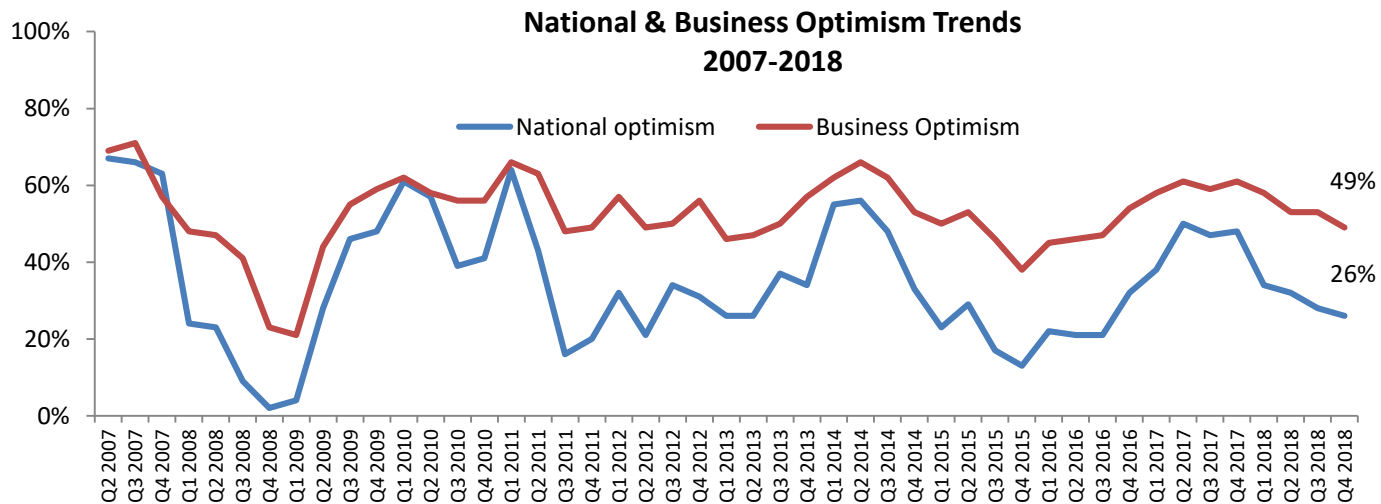
(Potential responses: Very optimistic, optimistic, neutral, pessimistic, very pessimistic)

Number of respondents for these questions in Q4 2018 = 698. Number of respondents varies in other quarters.

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

# Q4 2018 CPA Canada Business Monitor Backgrounder

- Economic optimism sits at 26 per cent; its lowest level since 2016 and is down sharply from 48 per cent in Q4 2017.
- Company optimism, how the professional accountants surveyed feel about the prospects for their own organizations, dipped in the fourth quarter survey. While running much higher than how survey respondents view the country's economic outlook, company optimism is down to 49 per cent from 61 per cent a year ago.



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

(Potential responses: Very optimistic, optimistic, neutral, pessimistic, very pessimistic)

Number of respondents for these questions in Q4 2018 = 698. Number of respondents varies in other quarters.

# Q4 2018 CPA Canada Business Monitor Backgrounder

- The top three challenges to the Canadian economy include: protectionist trade sentiment in U.S. (18 per cent); uncertainty surrounding the Canadian economy (15 per cent); and oil prices (12 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 = 698.

Single response allowed to question. Responses mentioned by 1% or more included, remaining responses grouped as "Other".

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

# Q4 2018 CPA Canada Business Monitor Backgrounder

There are also fewer positive projections around revenues, profits and employee numbers:

- 64 per cent foresee increased company revenues (72 per cent in Q4 2017)
- 57 per cent expect increased profits (64 per cent in Q4 2017)
- 39 per cent expect employee numbers to increase (50 per cent in Q4 2017)

Projected Change in Following Year	Revenue	Profits	Employees
<b>Total Who Project an Increase</b>	64%	57%	39%
Increase by over 10%	18%	15%	7%
Increase by 5 to 10%	22%	19%	12%
Increase by less than 5%	24%	22%	19%
<b>No Change</b>	12%	14%	39%
<b>Total Who Project a Decrease</b>	23%	27%	20%
Decrease by less than 5%	8%	10%	11%
Decrease by 5 to 10%	7%	7%	4%
Decrease by over 10%	8%	10%	6%
<b>N/A &amp; Don't Know</b>	2%	2%	2%

## Average Projected Change\*:

Revenue	+2.8%
Profits	+2.0%
Employees	+1.1%

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: 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 = 698.

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

# Q4 2018 CPA Canada Business Monitor Backgrounder

- Looking forward, the top priorities cited by survey participants for their own business in 2019 are: increasing sales within Canada (21 per cent), reducing costs (16 per cent) and, tied at 13 per cent, attracting/retaining employees and improving productivity.

2019 Top Priority for Company



Q4. What is the biggest priority facing your company heading into 2019?

Number of respondents for this question = 698.

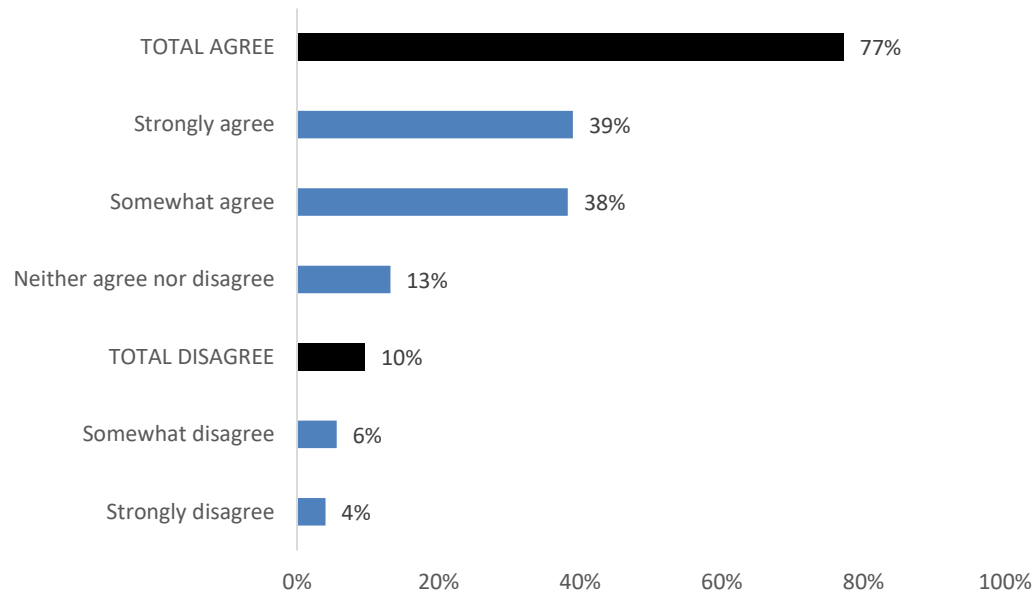
Percentages may not add up to 100% due to rounding.



# Q4 2018 CPA Canada Business Monitor Backgrounder

- Almost eight in ten (77 per cent) think the federal government should use the upcoming budget to set a date for a return to a balanced budget.

## Should Federal Government Use Upcoming Budget to Set Date for Return to Balanced Budget



Q7. To what extent do you agree or disagree that the federal government should use the next federal budget to establish a target date to have the annual budget return to balance?

(Potential responses: Strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree)

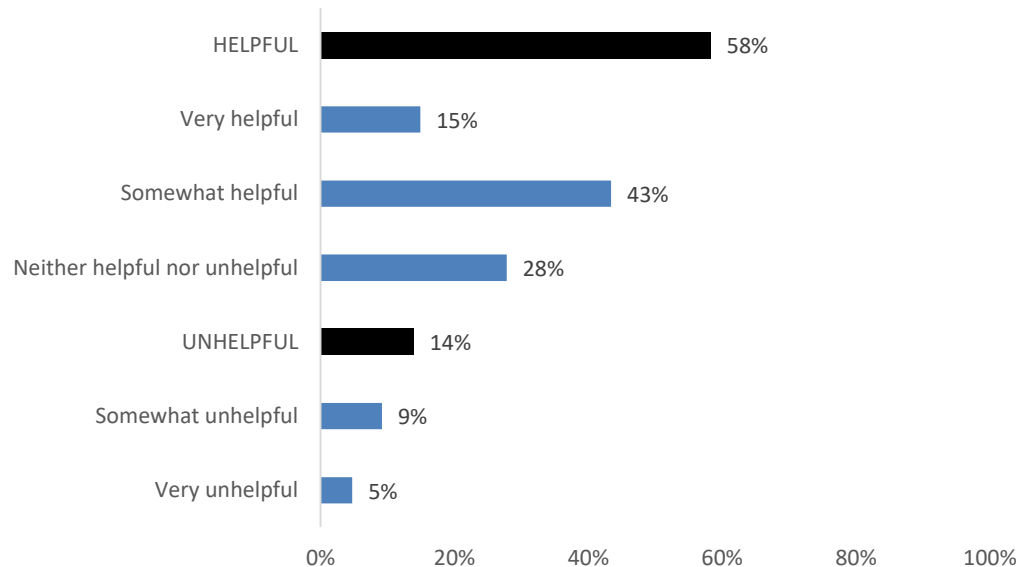
Number of respondents for this questions = 698.

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

# Q4 2018 CPA Canada Business Monitor Backgrounder

- More than half of the Canadian business leaders (58 per cent) believe the promised review of Canada's regulatory system made in the federal government's Fall Economic Update would be helpful.

## Would a Review of Canada's Regulatory System Be Helpful?



Q8. As you may have heard, the federal government has recently indicated it plans to modernize Canada's regulatory system. If this occurs, how helpful would this be to Canadian business? Would it be..(Potential responses: Very helpful, somewhat helpful, neither helpful nor unhelpful, somewhat unhelpful, very unhelpful)

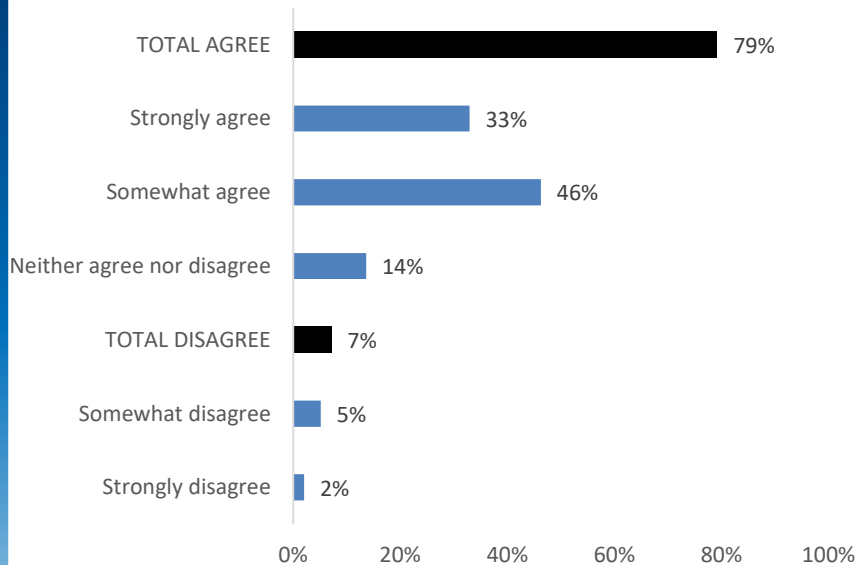
Number of respondents for this questions = 698.

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

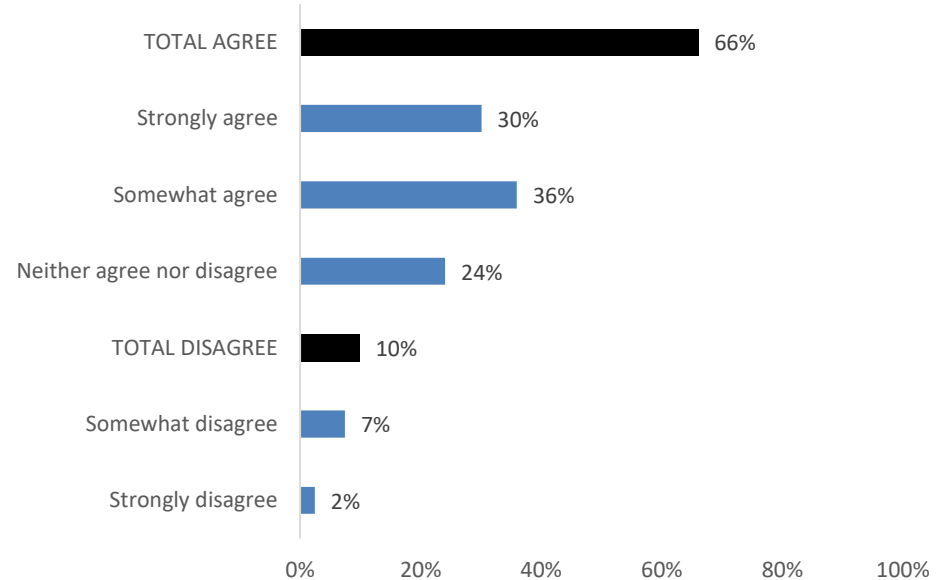
# Q4 2018 CPA Canada Business Monitor Backgrounder

- Almost four in five (79 per cent) respondents think a comprehensive review of Canada's tax system is required and 66 per cent call for political parties to make prioritizing that review part of their 2019 federal election campaign platforms.

## Is a Comprehensive Review of Canada's Tax System Required



## Should Canadian Party Make Review of Canada's Tax System Part of Election Campaign



Q9. To what extent do you agree or disagree with the following questions? (a) A comprehensive review of Canada's tax system is required (b) A comprehensive review of Canada's tax system should be promised by any of the political parties during the 2019 federal election campaign

(Potential responses: Strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree)

Number of respondents for this questions = 698.

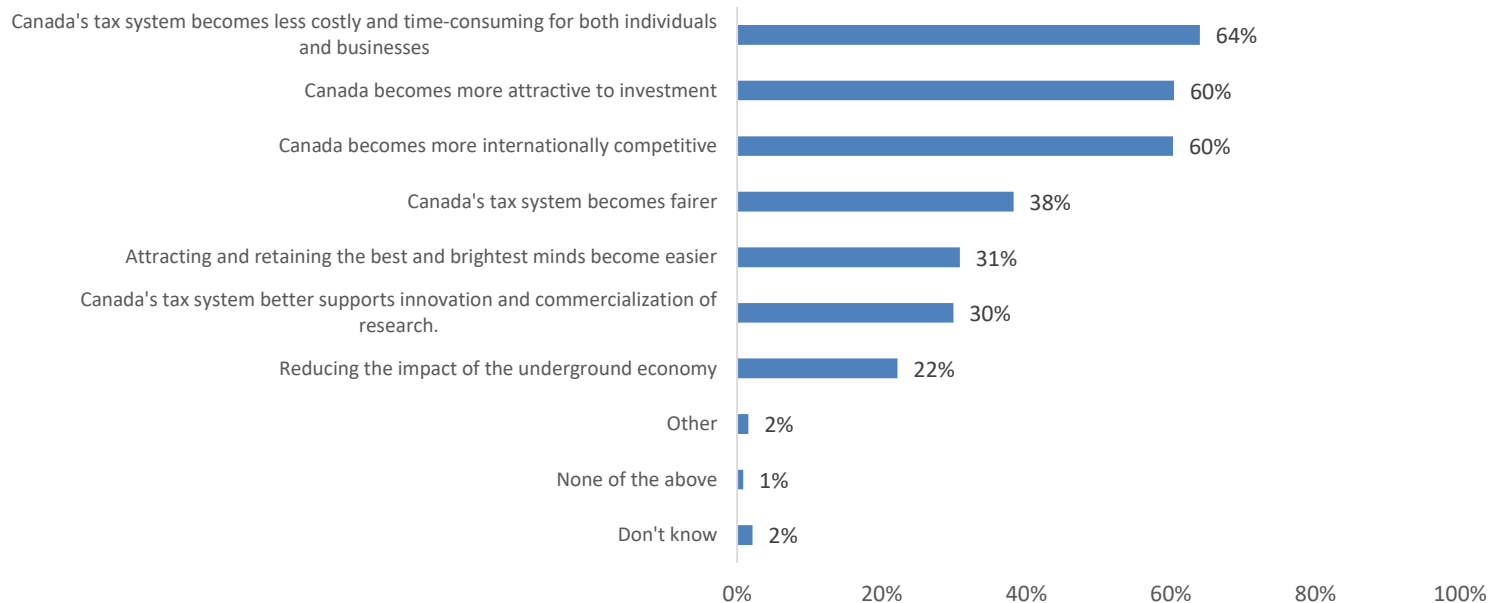
Percentages may not add up to 100% due to rounding.

# Q4 2018 CPA Canada Business Monitor Backgrounder

Among the perceived benefits of a comprehensive review of the tax system:

- 64 per cent think Canada's tax system would become less costly and time-consuming for both individuals and businesses;
- 60 per cent think Canada would attract more investment; and
- 60 per cent believe it's a key to enhanced international competitiveness.

## % Who Think Following Would be Benefit of a Comprehensive Review of Canada's Tax System



Q10. If a comprehensive review of Canada's tax system were to be conducted and reforms made which, if any, of the following do you believe would be important benefits? Choose as many as applicable.

Number of respondents for this questions = 698.

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