



Trade Confidence Index (TCI)

Pulse Check of Canada's Trade-Engaged
Business Community

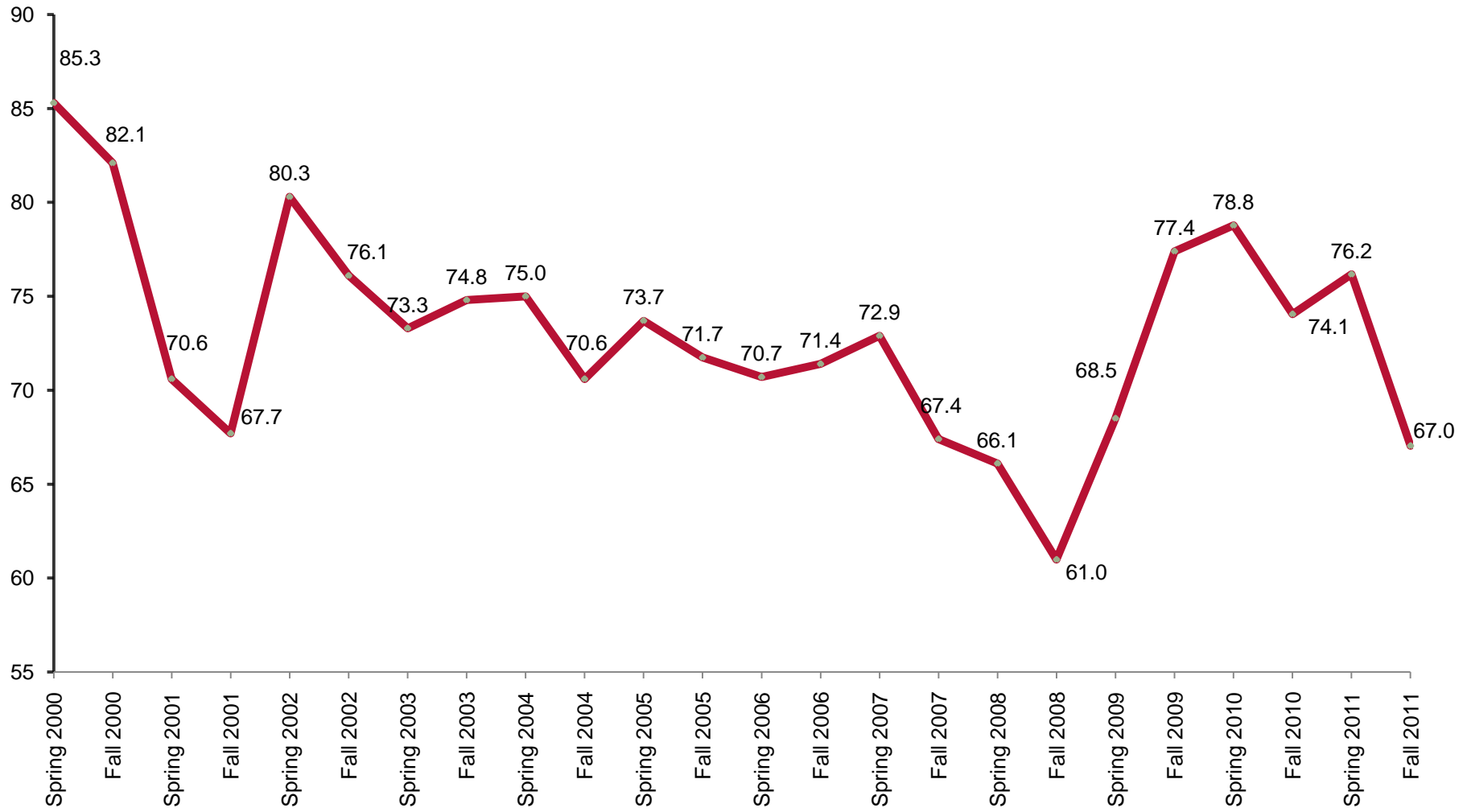
Fall 2011

Trade Confidence Index (TCI)

Highlights

- ▶ The TCI score witnessed a significant decrease from the spring to the fall of 2011.
- ▶ Canadian exporters' perceptions of economic conditions in Canada, the U.S., and Europe are the main factors cited for declining confidence.
- ▶ Despite exporters' concerns about the global economy, they remain relatively upbeat about their future sales.

TCI Scores



Levels of Opinion

Condition of Individual TCI Elements Over the Next Six Months

Condition Will Worsen



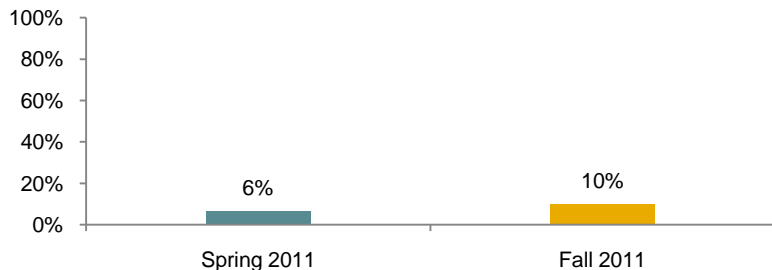
Condition Will Improve



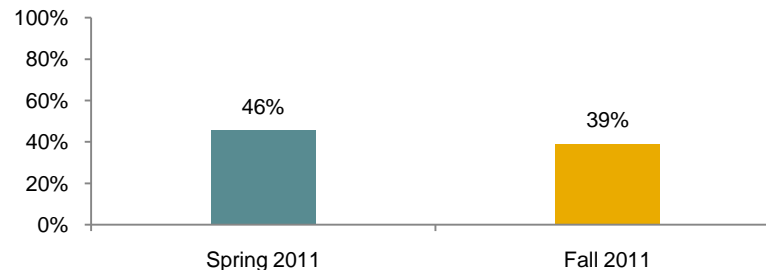
TCI Elements - Domestic Sales

Expectations Over the Next Six Months and Reasons for the Change

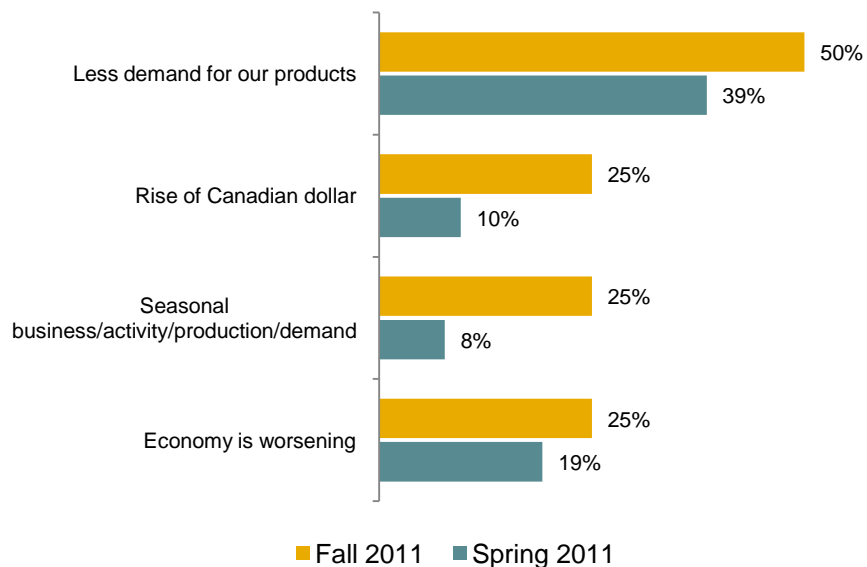
Domestic Sales Will Decrease Over the Next Six Months (Percentage of Respondents)



Domestic Sales Will Increase Over the Next Six Months (Percentage of Respondents)



Main Reasons Domestic Sales Will Decrease Over the Next Six Months



Main Reasons Domestic Sales Will Increase Over the Next Six Months



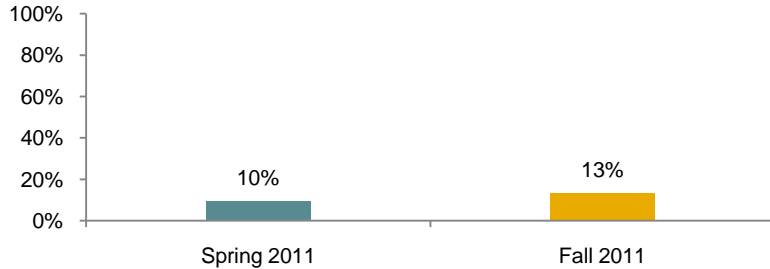
- 5 Q2. In the next six months, do you expect your company's domestic sales to increase, decrease or remain the same?
 Q2a. Please identify the reasons you expect your company's domestic sales to increase, decrease or remain the same. Multiple responses allowed; totals may not add up to 100%.



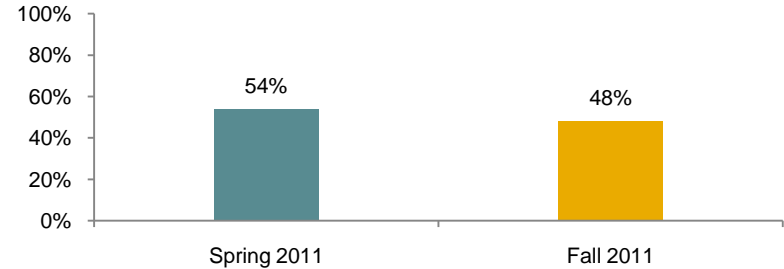
TCI Elements - Export Sales

Expectations Over the Next Six Months and Reasons for the Change

Export Sales Will Decrease Over the Next Six Months (Percentage of Respondents)



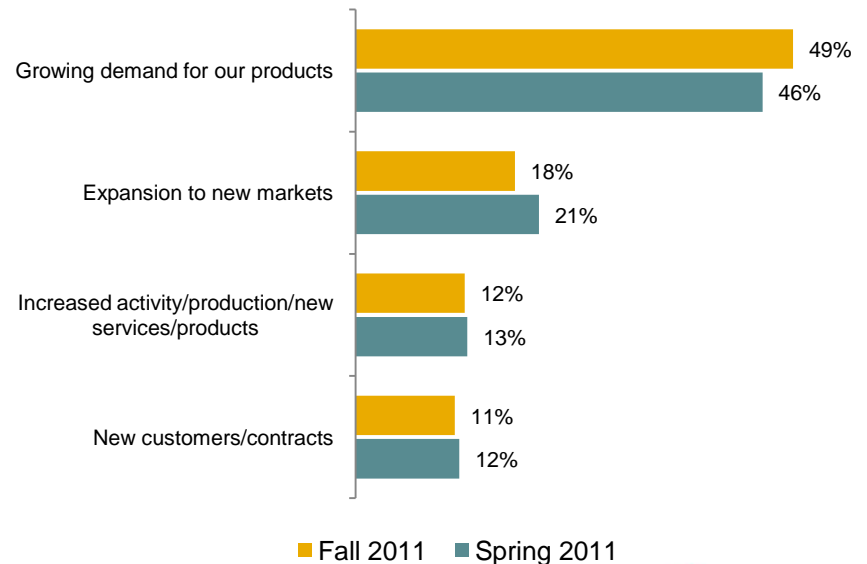
Export Sales Will Increase Over the Next Six Months (Percentage of Respondents)



Main Reasons Export Sales Will Decrease Over the Next Six Months



Main Reasons Export Sales Will Increase Over the Next Six Months



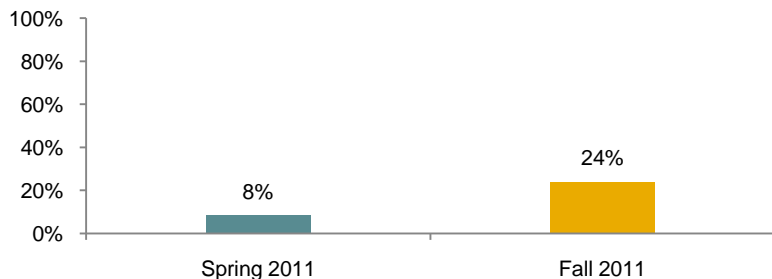
6 Q9. In the next six months, do you expect your company's export sales to increase, decrease or remain the same?
 Q9a. Please identify the reasons you expect your company's export sales will increase, decrease or remain the same. Multiple responses allowed; totals may not add up to 100%.



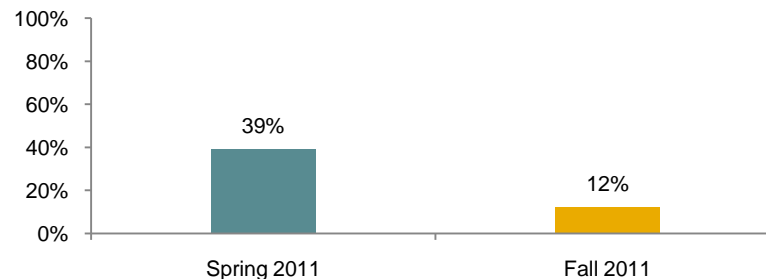
TCI Elements - Domestic Economic Conditions

Expectations Over the Next Six Months and Reasons for the Change

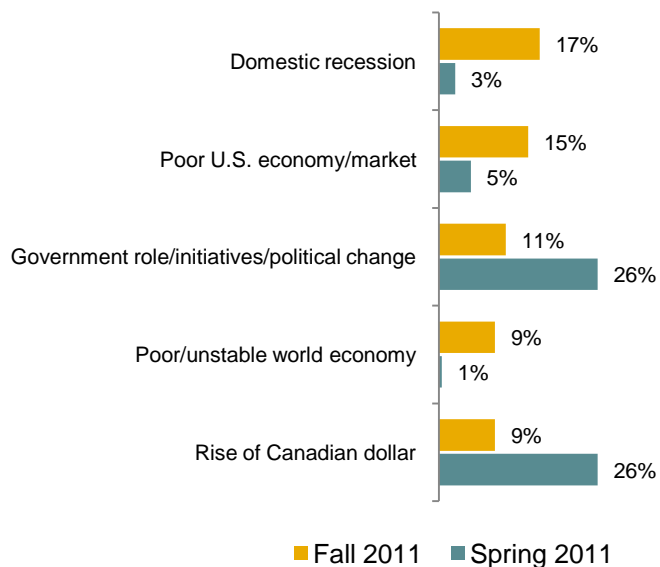
Domestic Economic Conditions Will Worsen Over the Next Six Months (Percentage of Respondents)



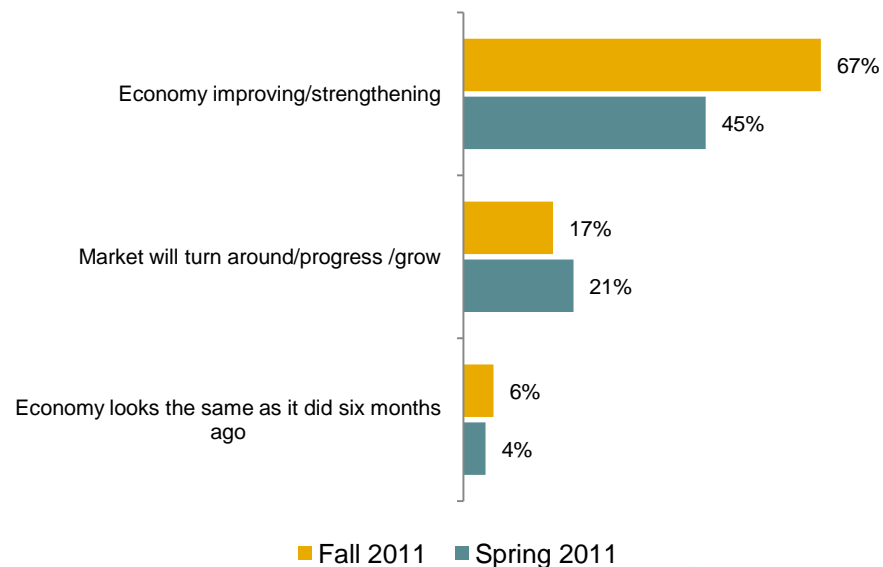
Domestic Economic Conditions Will Improve Over the Next Six Months (Percentage of Respondents)



Main Reasons Domestic Economic Conditions Will Worsen Over the Next Six Months



Main Reasons Domestic Economic Conditions Will Improve Over the Next Six Months



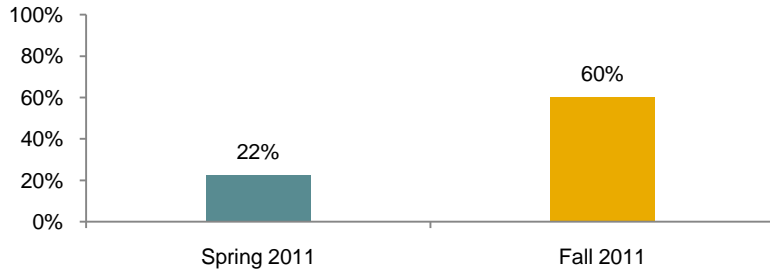
7 Q12. In the next six months, do you think the overall economic conditions in Canada will improve, worsen or remain about the same?
 Q12a. Please identify the reasons you think the overall economic conditions in Canada will improve, worsen or remain about the same. Multiple responses allowed; totals may not add up to 100%.



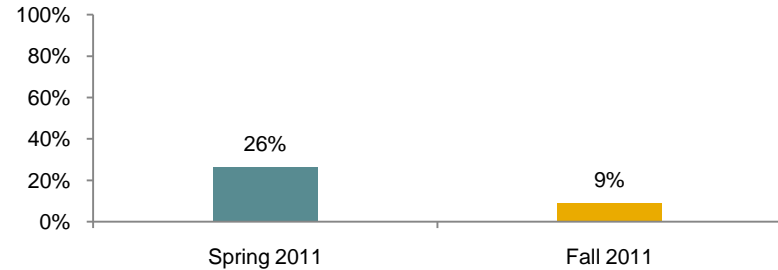
TCI Elements - World Economic Conditions

Expectations Over the Next Six Months and Reasons for the Change

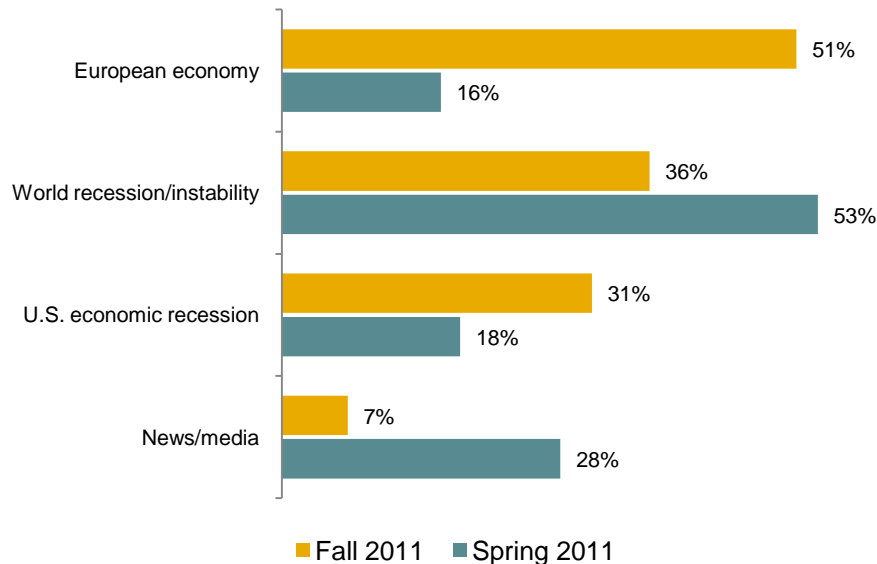
World Economic Conditions Will Worsen Over the Next Six Months (Percentage of Respondents)



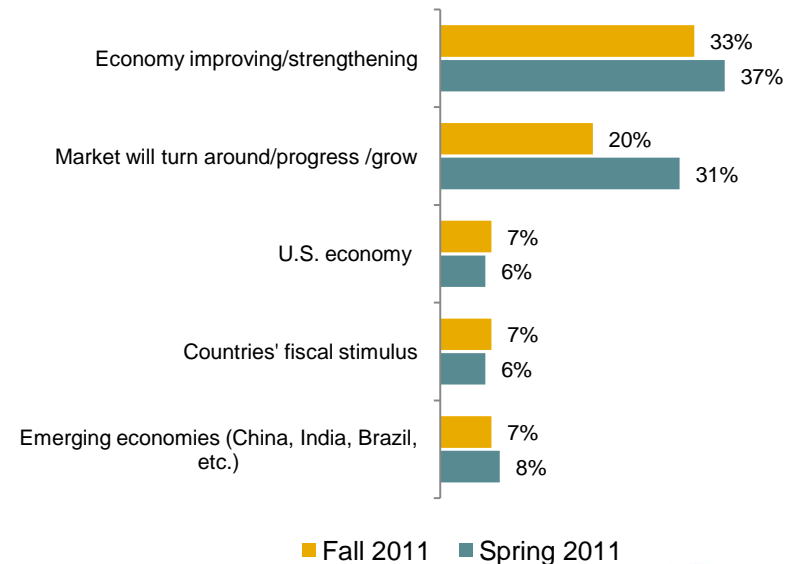
World Economic Conditions Will Improve Over the Next Six Months (Percentage of Respondents)



Main Reasons World Economic Conditions Will Worsen Over the Next Six Months



Main Reasons World Economic Conditions Will Improve Over the Next Six Months



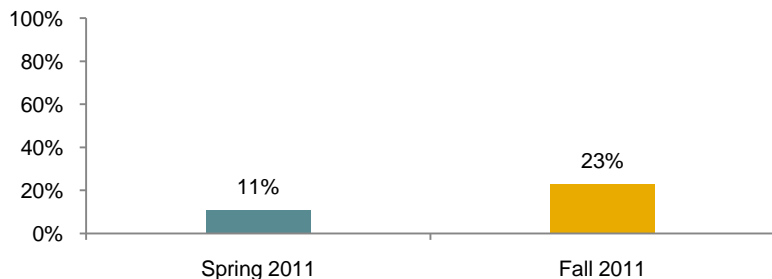
8 Q13. In the next six months, do you think overall world economic conditions will improve, worsen or remain about the same?
 Q13a. Please identify the reasons you think overall world economic conditions will improve, worsen or remain about the same. Multiple responses allowed; totals may not add up to 100%.



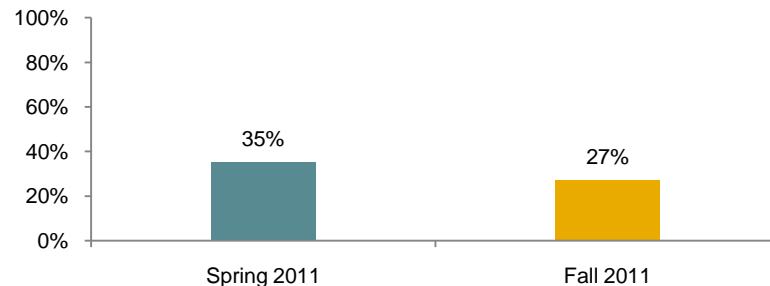
TCI Elements - International Business Opportunities

Expectations Over the Next Six Months and Reasons for the Change

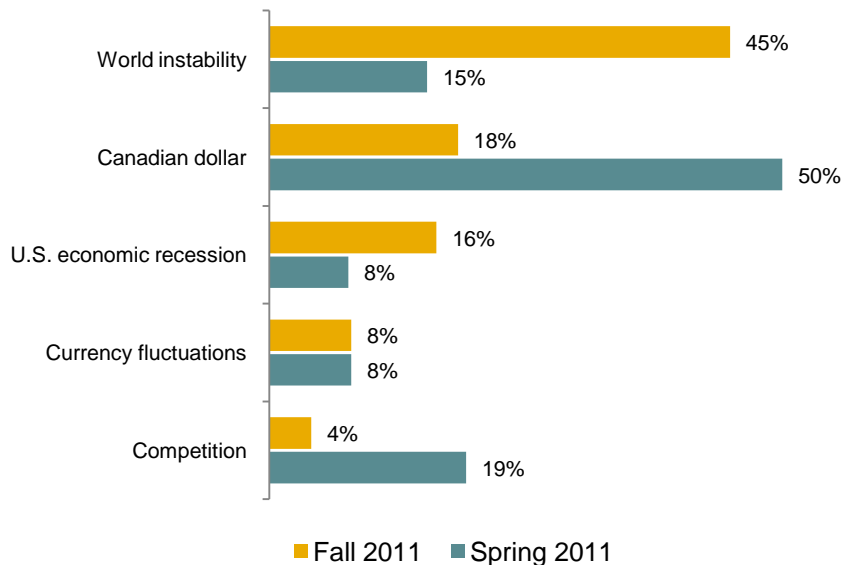
International Business Opportunities Will Worsen Over the Next Six Months (Percentage of Respondents)



International Business Opportunities Will Improve Over the Next Six Months (Percentage of Respondents)



Main Reasons International Business Opportunities Will Worsen Over the Next Six Months

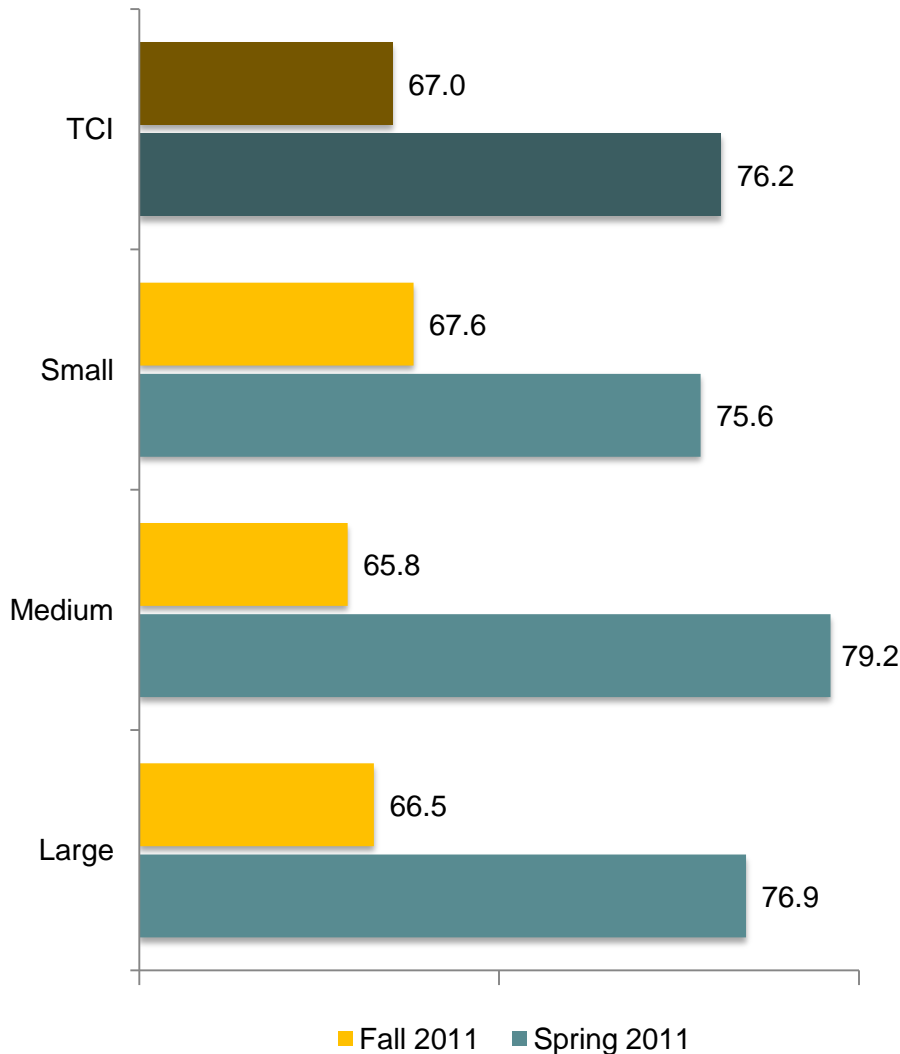


Main Reasons International Business Opportunities Will Improve Over the Next Six Months



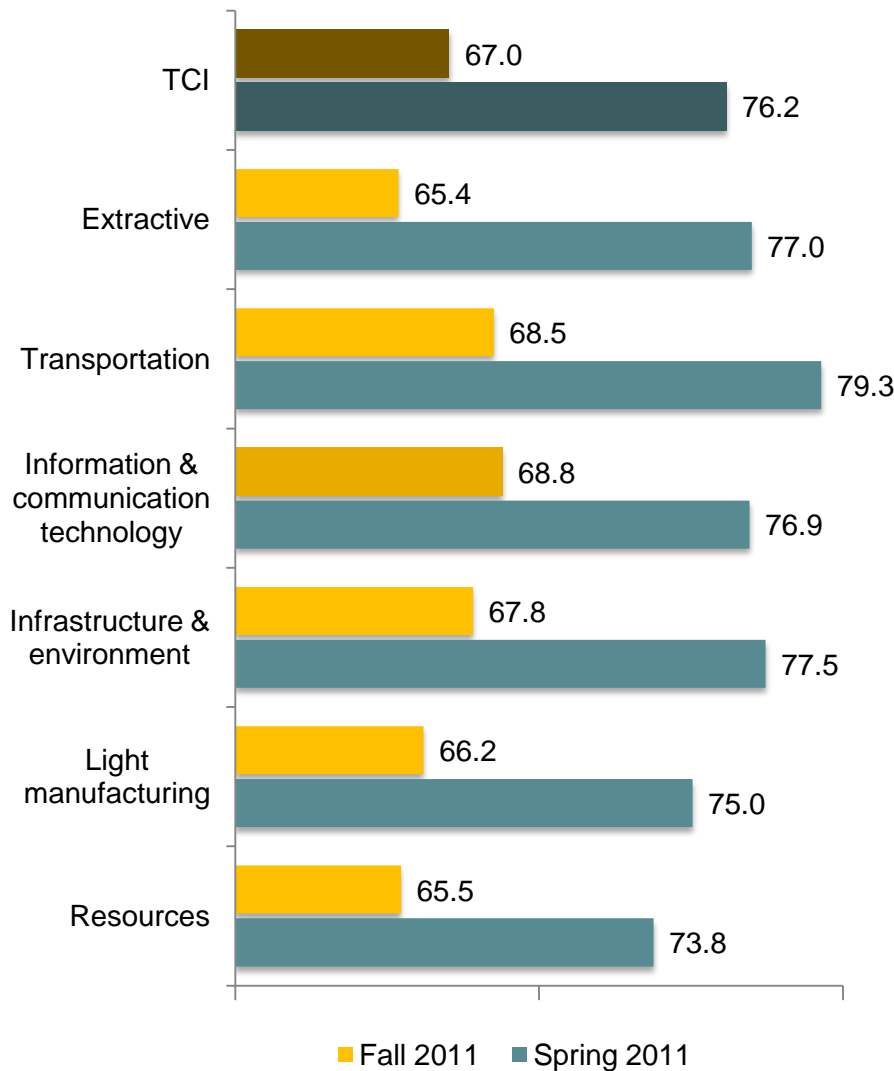
- Q14. In the next six months, do you think international business opportunities for Canadian companies will improve, worsen or stay about the same?
 9 Q15. Please identify the reasons you think international business opportunities for Canadian companies will improve, worsen or stay about the same. Multiple responses allowed; totals may not add up to 100%.

TCI by Business Size



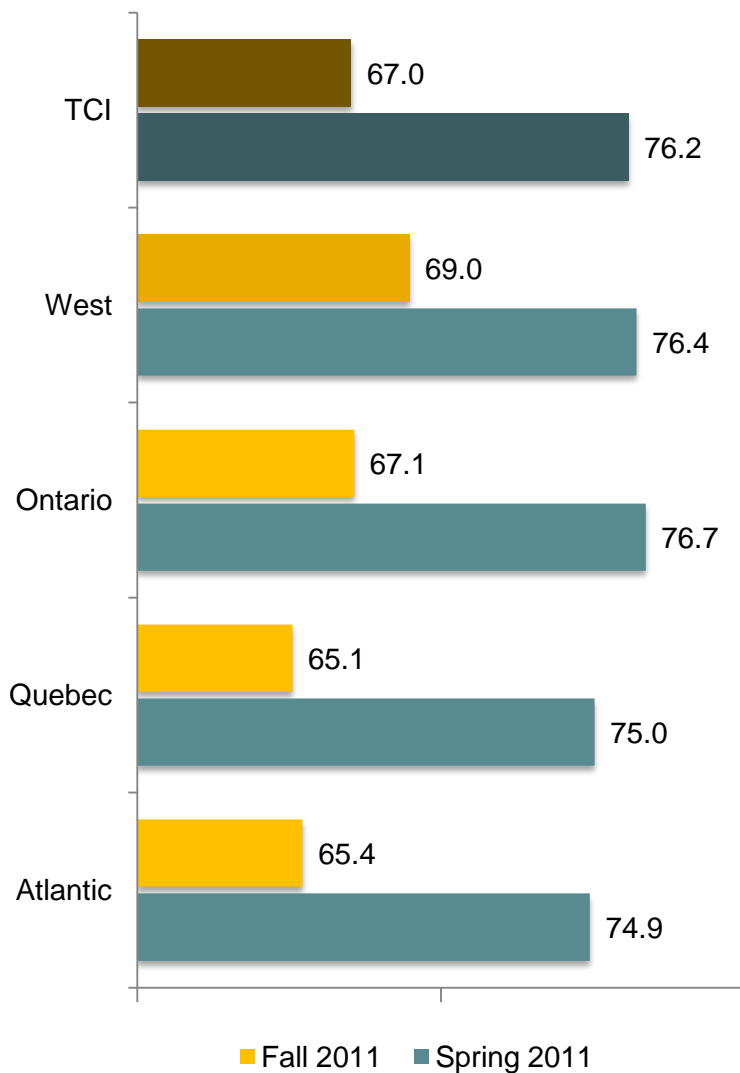
- ▶ Companies of all sizes experienced a major drop in their TCI, especially medium and large businesses.
- ▶ Small businesses: Views about domestic and world economic conditions are the two elements having the most impact on the TCI decrease for small businesses.
- ▶ Medium businesses: The level of confidence in domestic and world economic conditions, as well as in international business opportunities, plummeted.
- ▶ Large businesses: Large businesses are concerned not only about the difficult economic environment, but also about their domestic and international sales. Once again, however, world economic conditions was the largest contributor to the decline in confidence.

TCI by Market Sector



- ▶ All market sectors recorded significant reductions in trade confidence, but sectors registering the greatest declines were extractive, transportation, and infrastructure & environment.
- ▶ The decline of TCI scores in all sectors is largely explained by concerns about both global and domestic economic conditions.
- ▶ The strong Canadian dollar is also a concern, affecting exporters' views across all sectors.

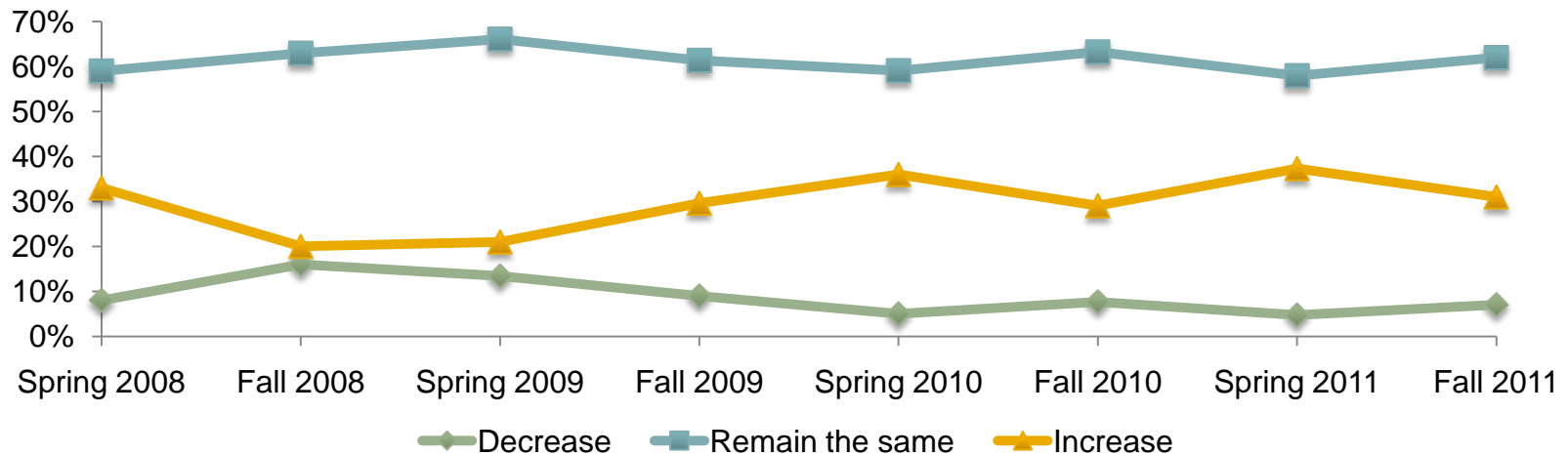
TCI by Region



- ▶ All regions experienced a severe drop in their TCI scores.
- ▶ Quebec witnessed the largest TCI decrease, followed by Ontario and the Atlantic region. The Western region experienced a less dramatic decrease of 7.4 points.
- ▶ All regions showed a drop in confidence in all five TCI elements. This pessimism is primarily related to economic conditions.

Hiring Intentions Over the Next Six Months Highlights

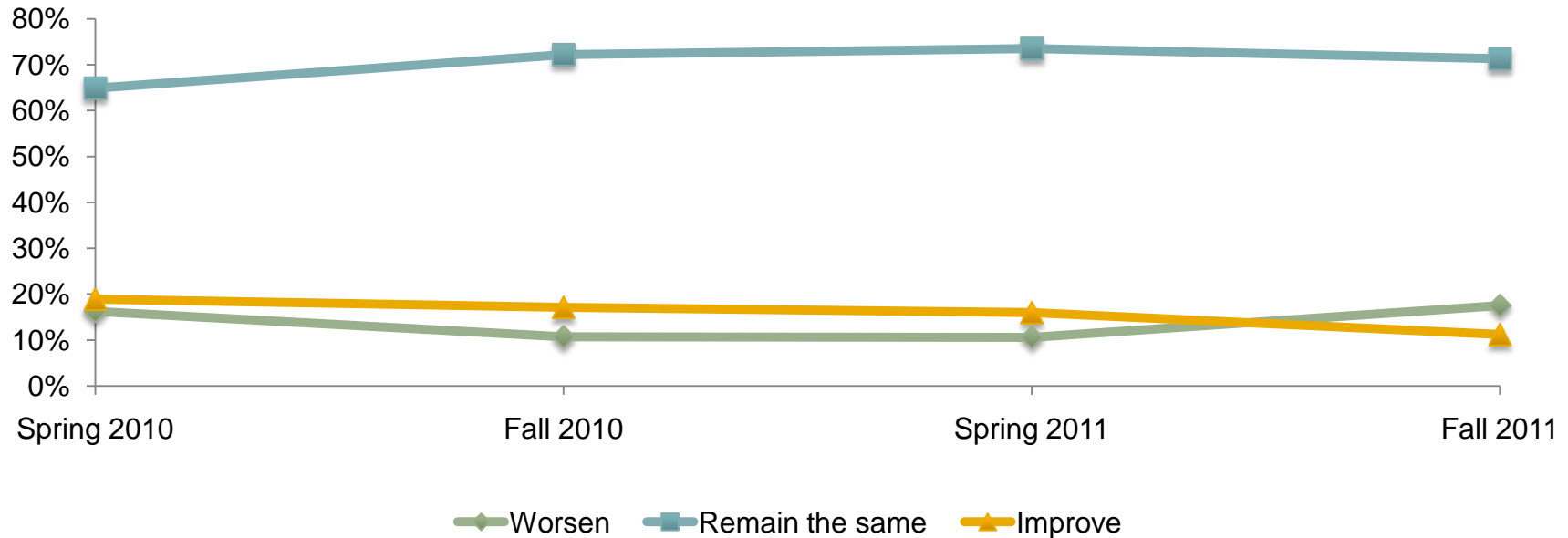
**Hiring Intentions Over the Next Six Months
(Percentage of Companies)**



- ▶ The percentage of companies that intend to keep hiring at the same rate has remained steady for the past three years, at around 55%.
- ▶ Historically, intentions to increase hiring have shown some variability. Despite the drop from the spring survey, hiring intentions are still relatively strong at 30%.
- ▶ Companies who intended to decrease their rate of hiring have shown a decline, from around 15% to less than 10%.

Terms and Conditions for Obtaining Financing Highlights

Expectations Over the Next Six Months
(Percentage of Companies)

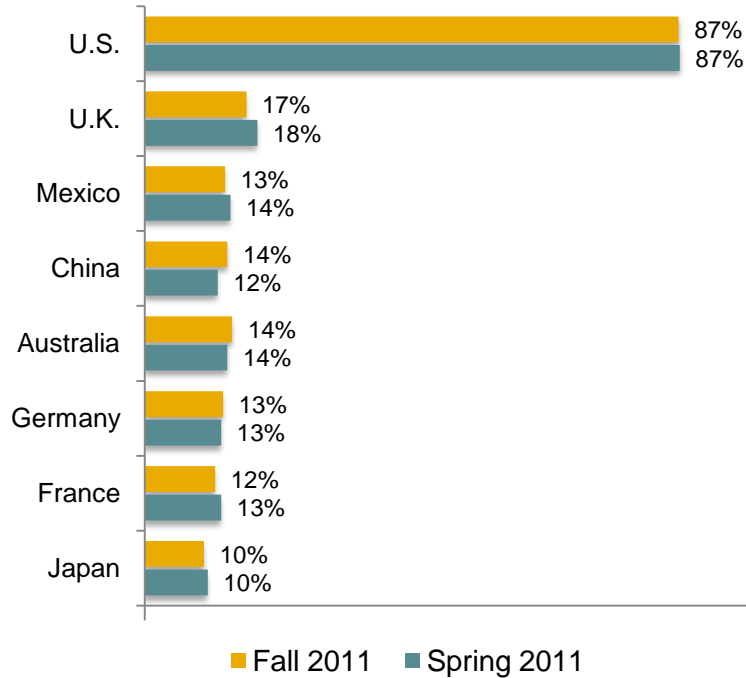


- ▶ Expectations regarding terms and conditions for obtaining financing has held the same pattern for the past two years.
- ▶ Seven out of 10 exporters indicated that conditions will remain the same over the next six months, and around 15% expected conditions to either improve or worsen.

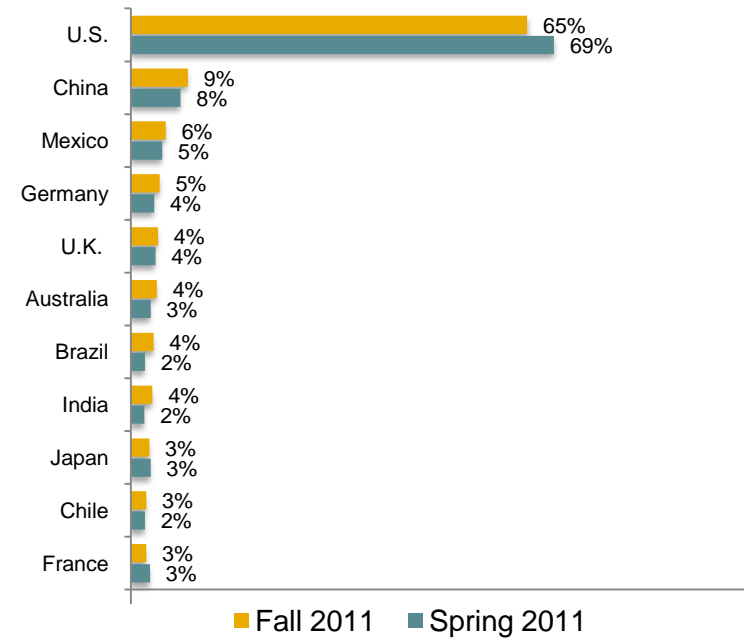
Q4. Over the next six months, do you expect terms and conditions for obtaining financing to improve, worsen or remain the same?

Main Export Markets Destinations Highlights

Main Market Destinations
(Percentage of Companies Exporting to...)

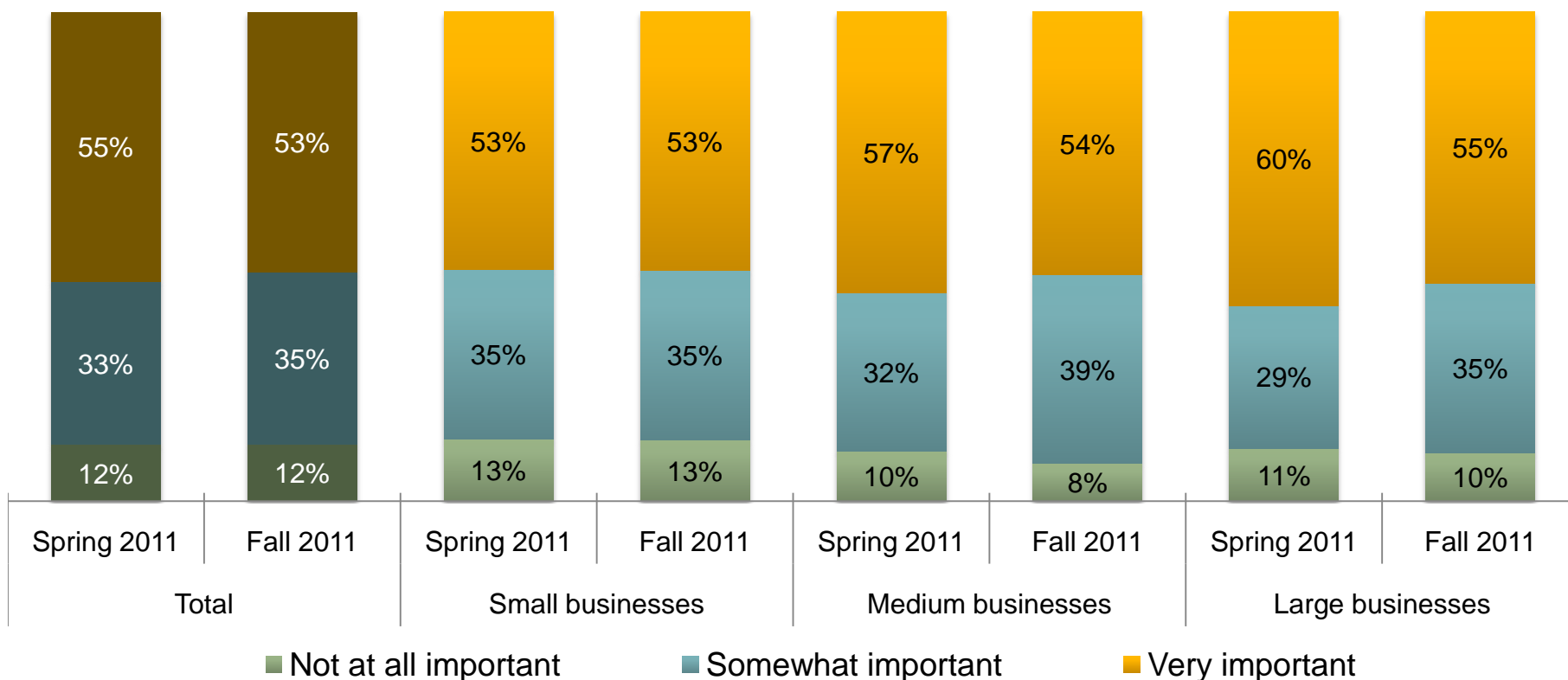


Countries Contributing Most to Foreign Sales Over the Next Six Months



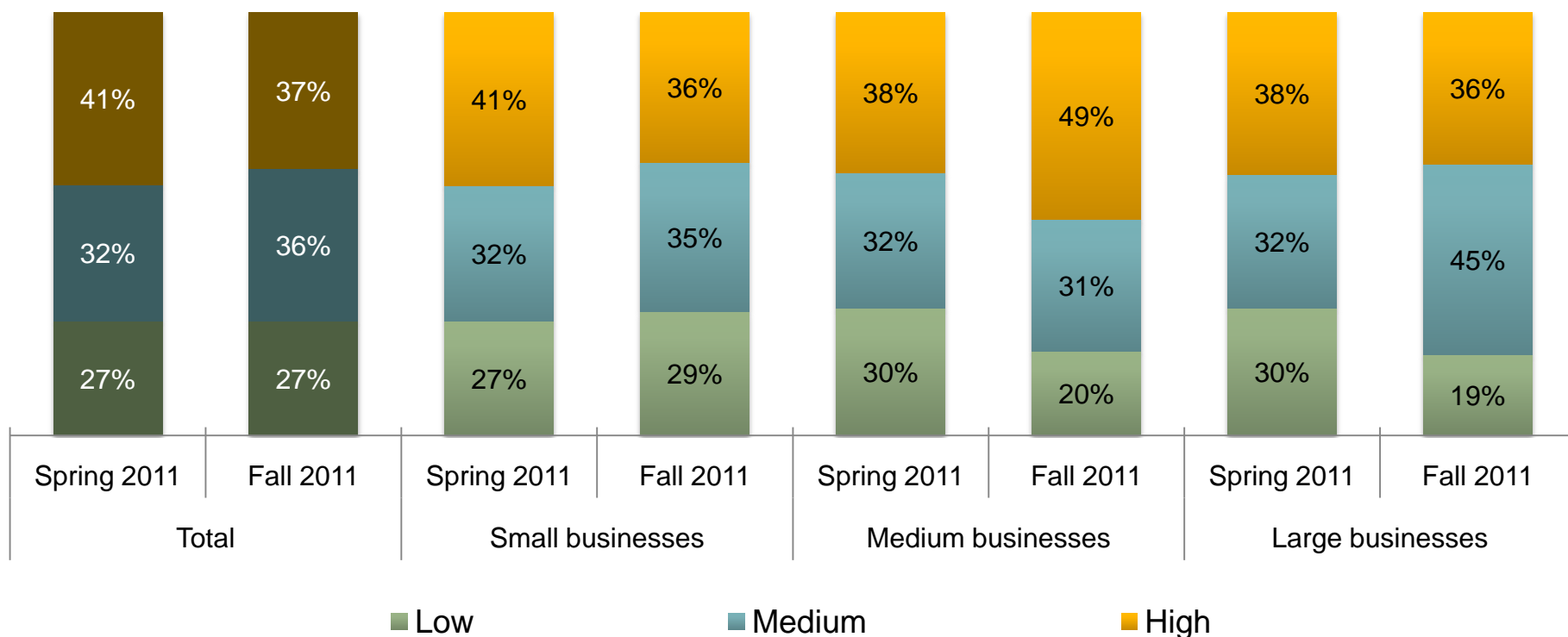
- ▶ The United States (U.S.) continues to be the main market destination for Canadian companies, followed by the U.K, Germany, France, Japan and Australia. Brazil, Russia, India, China and Mexico (BRICM) continue to be important market destinations.
- ▶ All of these markets are also viewed as primary contributors to companies' export sales for the next six months.

Importance of Current Level of Canadian Dollar to Companies' Ability to Compete in Foreign Markets



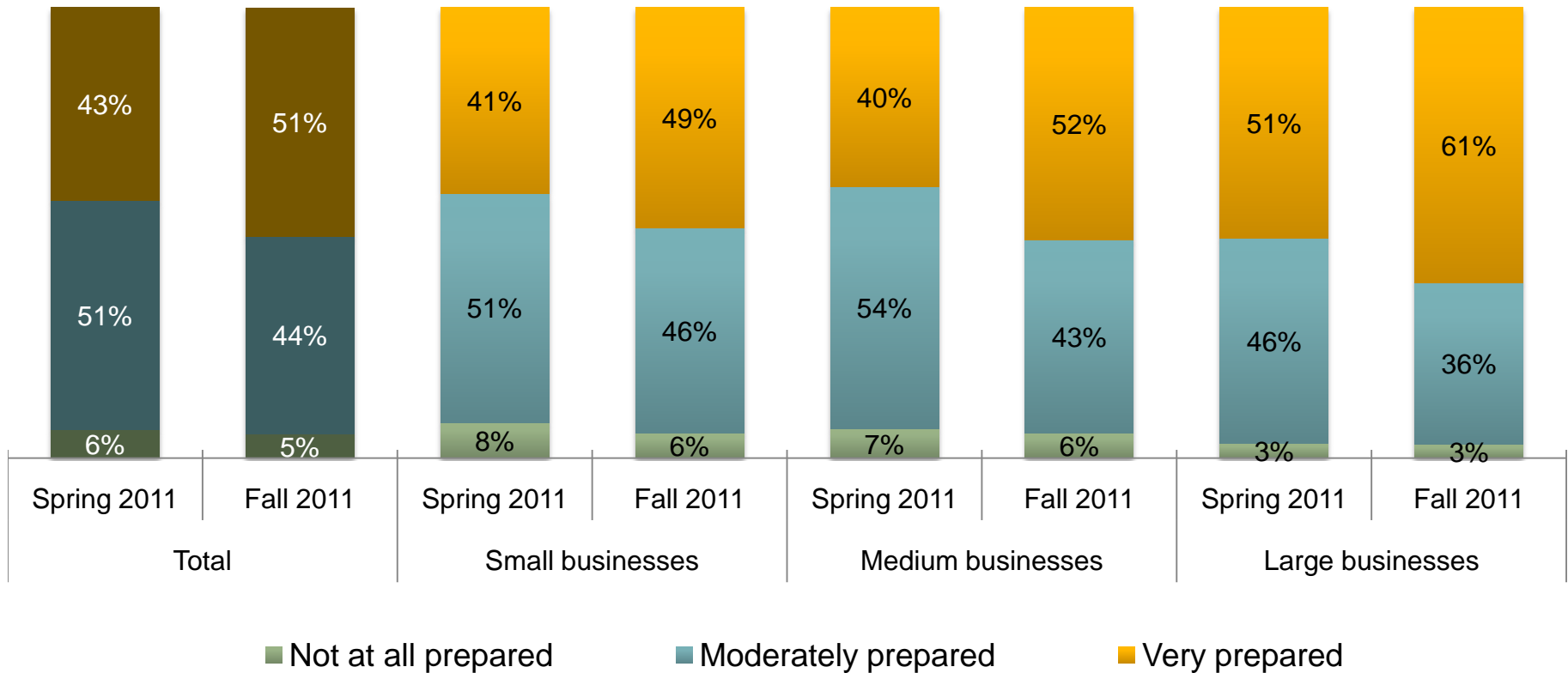
- ▶ More than half of companies think that the level of the Canadian dollar is very important to their ability to compete in foreign markets, while one out of 10 companies thinks the current level of the Canadian dollar is not at all important.

Impact of a Strong Canadian Dollar on Companies' Export Sales



- ▶ Four out of 10 exporters indicated that the strong Canadian dollar had a high impact on their company's export sales. Almost the same percentage indicated a moderate impact, and the rest said the impact was low.
- ▶ The impact of the strong dollar varies by business size. More medium and large businesses indicated the impact was either moderate or high, compared to small businesses.

Level of Preparedness for a Canadian Dollar at or Around U.S. Parity



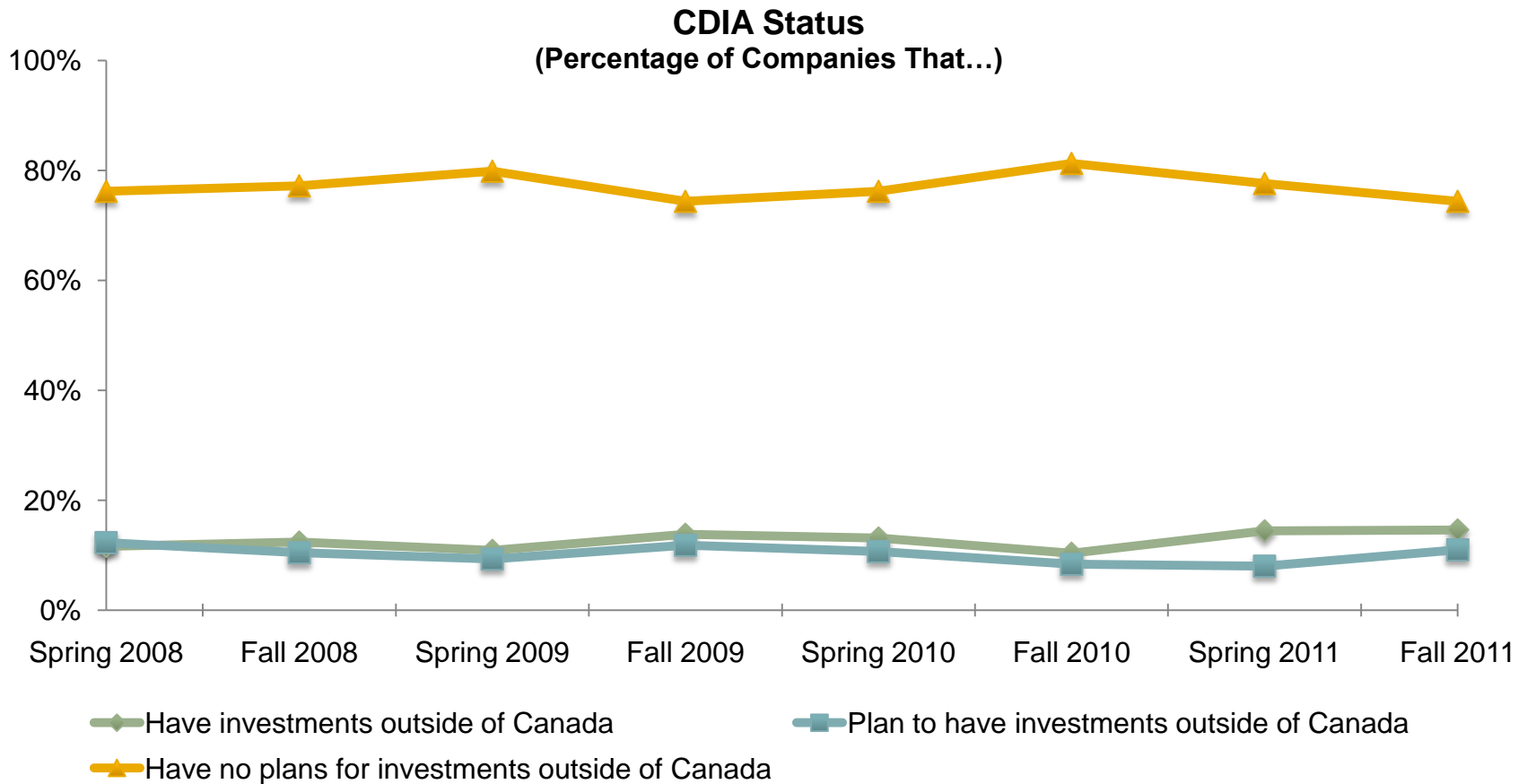
- ▶ Companies are adapting to a strong dollar. Half indicated they are very prepared to function with a dollar that remains around or at parity with the U.S. dollar, and 44% believe they are moderately prepared. Less than 10% indicated they are not at all prepared.

Companies' Actions to Adapt to the Strong Canadian Dollar



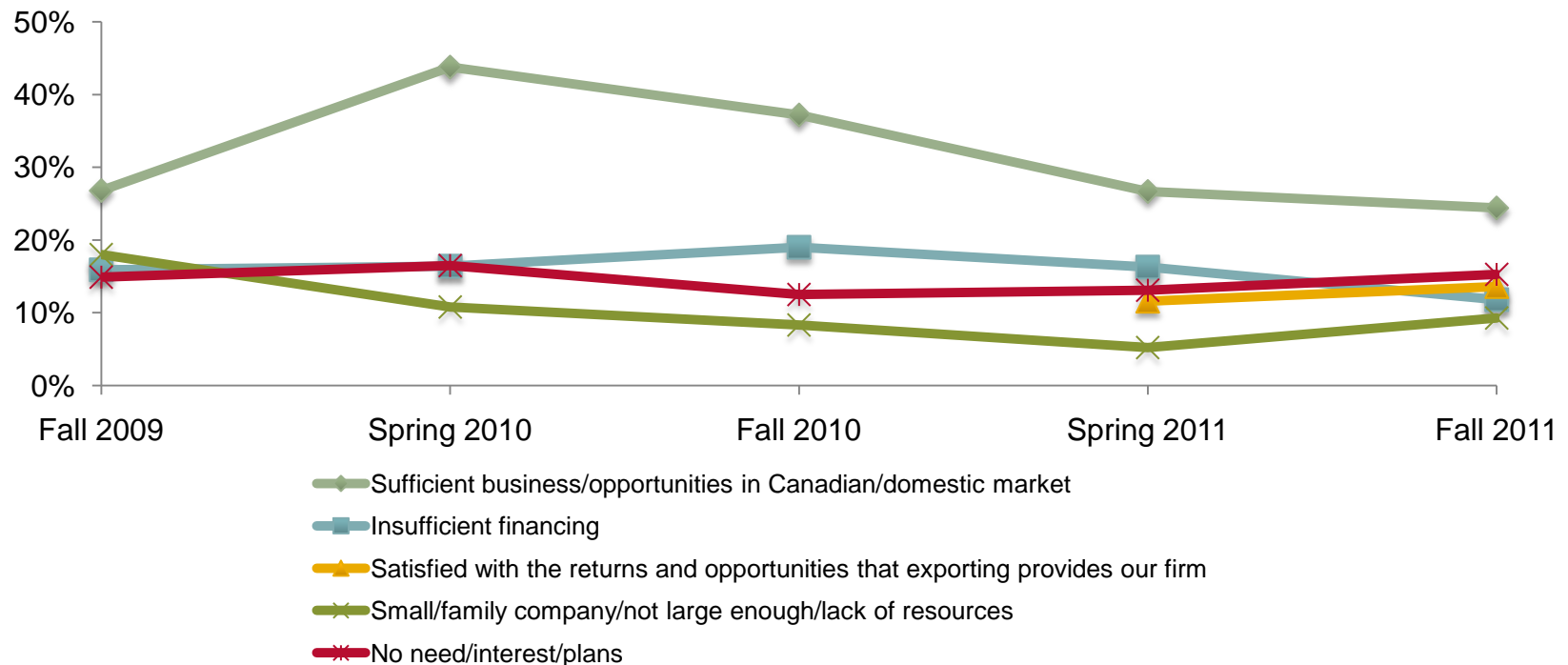
- ▶ Around one-third of companies indicated they have done nothing to adapt to the strong dollar.
- ▶ Cutting costs continues to be the most popular action undertaken for those companies that have implemented measures to adapt to the strong dollar. Currency hedging is the second-most common measure, followed by increasing export prices.

Canadian Direct Investment Abroad (CDIA) Status



- ▶ Levels for Canadian Direct Investment Abroad (CDIA) continue to be stable for Canadian exporters.

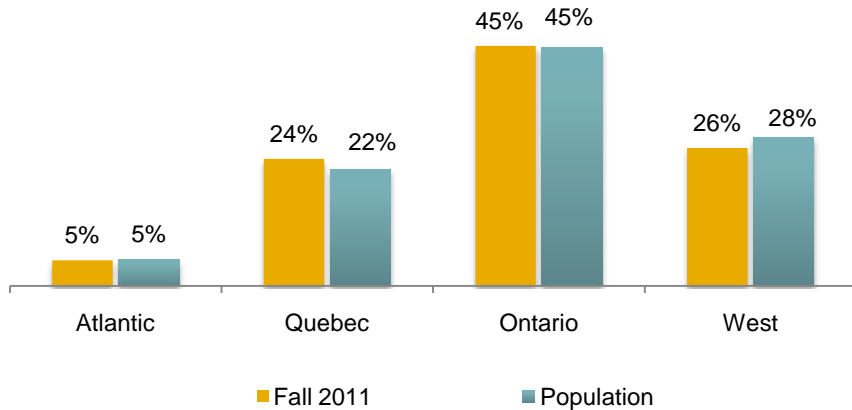
Top Reasons Cited for Not Investing Outside Canada



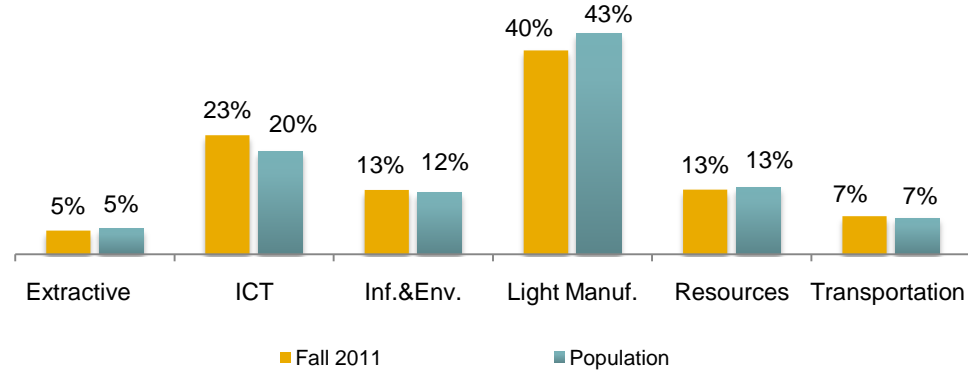
- ▶ Having sufficient business opportunities in the domestic market is the primary reason provided by companies for not having CDIA; however, the citing of this reason has declined.
- ▶ Other reasons for not investing abroad are insufficient financing, the level of comfort companies have with their current returns and opportunities from export sales, and the size of the company.
- ▶ The percentage of companies with no interest or plans to invest abroad has remained consistent at around 15%.

Region, Market Sector, Business Size and Customer Base

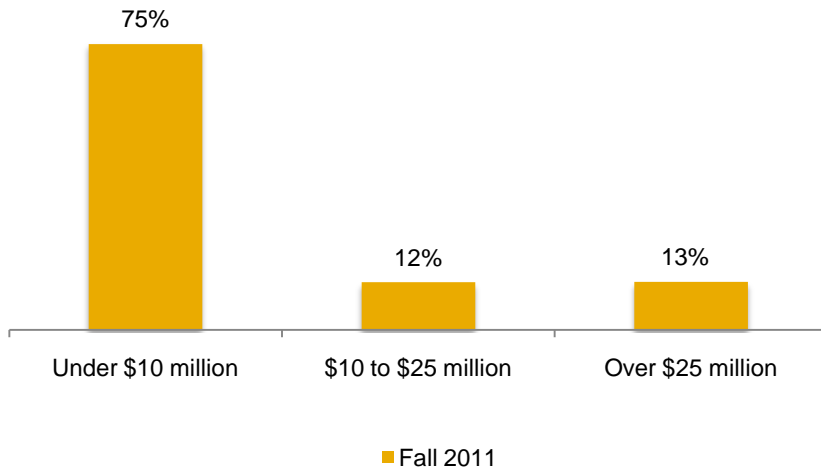
Region



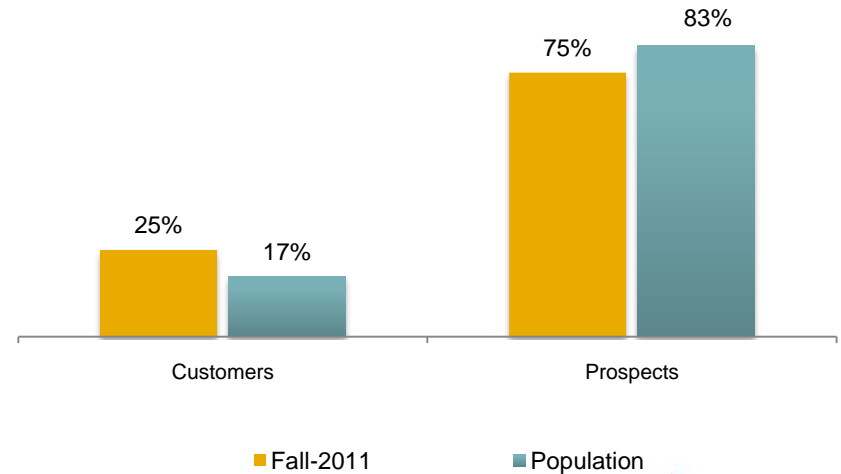
Market Sector



Business Size Total Annual Sales



EDC Customer Base



Sample Size and Dates of Data Collection

Sample Size	N=1,000
Trade Confidence Index (TCI)*	785

Market Sector	n=785
Extractive	36
Information & Communication Technology	182
Infrastructure & Environment	98
Light Manufacturing	312
Resources	99
Transportation	58

Region	n=785
West	204
Ontario	355
Quebec	188
Atlantic	38

Business Size	N=729
Small	546
Medium	91
Large	92

Data Collection

Fieldwork was conducted between Monday, October 3 and Friday, October 14, 2011.

* To be included in the TCI, respondents must answer all five questions of the TCI composite.

Methodology

- ▶ The Trade Confidence Index (TCI) survey serves as a pulse check of Canadian exporters. EDC started the survey in 1999, surveying the Canadian trade-engaged business community regarding their levels of trade confidence.
- ▶ The purpose of the Trade Confidence Index (TCI) survey is to collect insights about trade activities and expectations from Canadian businesses that are currently exporting or are planning to export in the next one to two years.
- ▶ Sample size: 1,000
- ▶ Respondents: decision-makers who are knowledgeable about company's export activities
- ▶ Methodology: telephone (CATI)
- ▶ Sampling approach: convenience sample
- ▶ Quotas: The quota by business size is 70% small-sized companies, and 30% medium/large-sized. A cross-section of market sectors is based on the total population. There is a 20%/80% split between customers and prospects. Regions are determined by national distributions.
- ▶ Language: respondent's choice of English or French
- ▶ For more information regarding the survey, please contact Alberto Vargas at avargas@edc.ca (613-598-3589).

Ce document est également disponible en français.

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