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WESTERN ECONOMIC EXPECTATIONS SURVEY: OCTOBER, 2009

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Canada West Foundation*



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Economic Research

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Introduction

The online Western Economic Expectations survey solicits views on the future economic performance of the western provinces and the country from over 2,000 economists and financial analysts who are closest to the working details of the Western Canadian economy.

The survey covers people who use economics in their work, in universities and colleges, industry associations, economic development agencies, the private sector and the public service across Western Canada.

The survey is conducted through a partnership between Alberta's two premier economic and policy research centres, the Canada West Foundation in Calgary and the Western Centre for Economic Research at the University of Alberta School of Business in Edmonton. It is the only survey that solicits economic views from people in all four western provinces.

The survey is conducted electronically three times a year with the results released in October, February and June.

In addition to economic expectations, each survey explores a timely economic issue such as the impact of the economic stimulus package, protectionism or expansion in international trade, or environmental protection. Each survey also includes one open-ended question such as "What advice would you provide to the Federal Finance Minister in preparing the 2010 budget?"

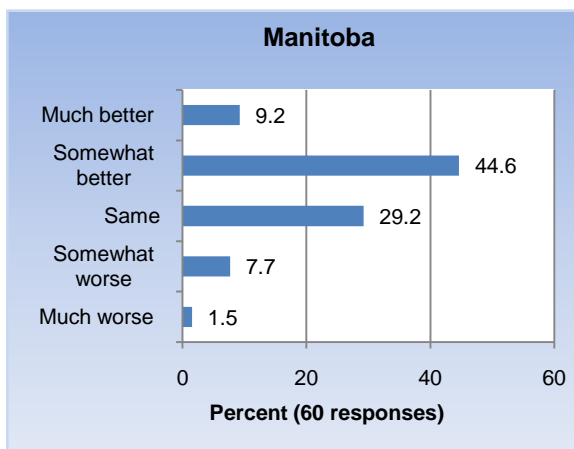
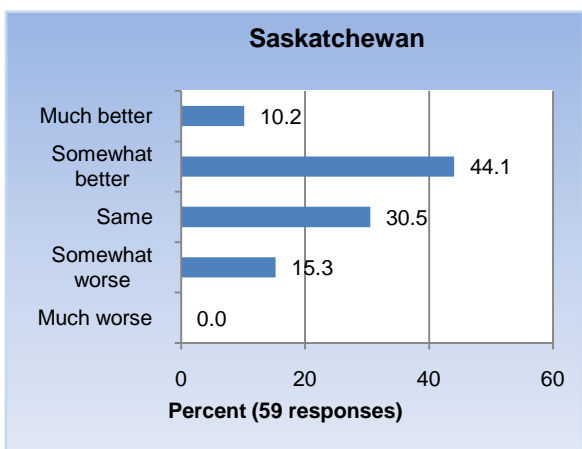
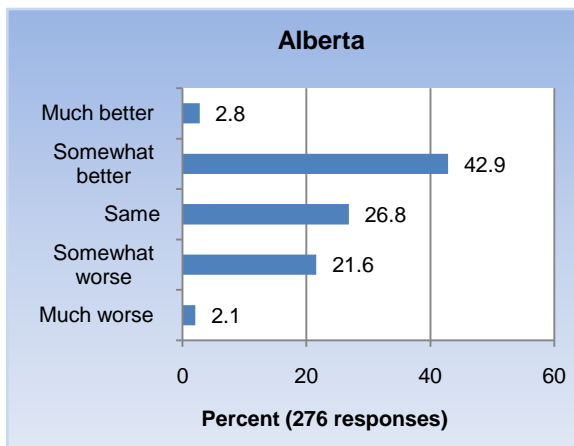
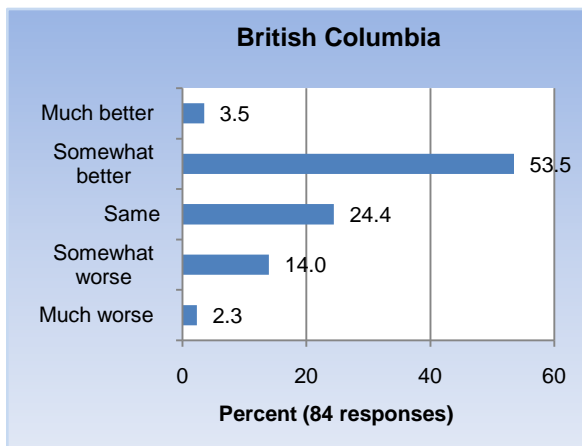
The results are publicized in Information Bulletins and through a series of news releases following each survey. The results will provide public policy practitioners with useful information about how Western Canadians view their economic prospects and current economic policy issues.

Results

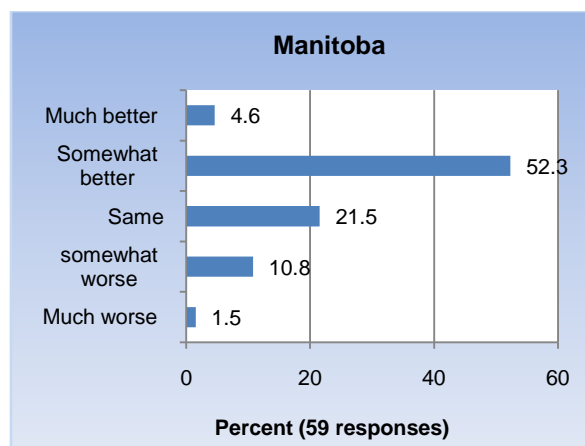
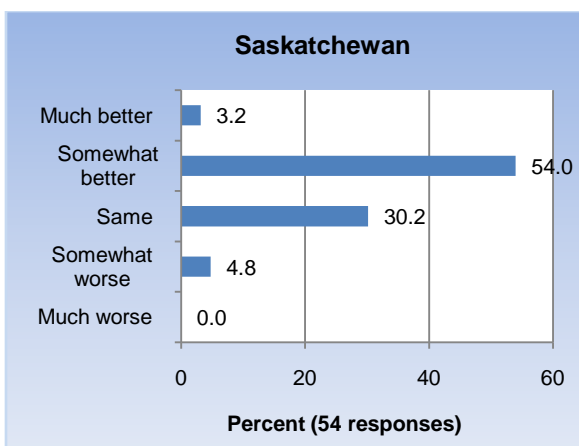
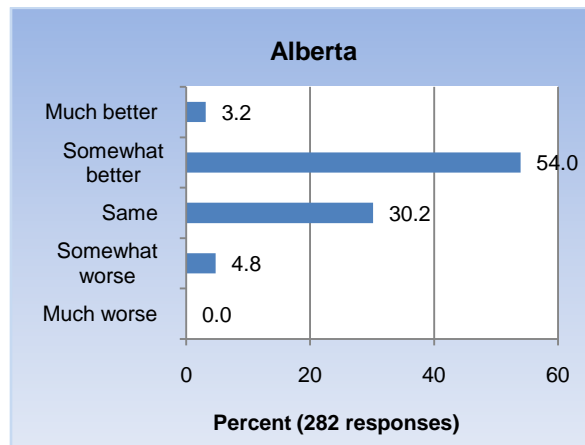
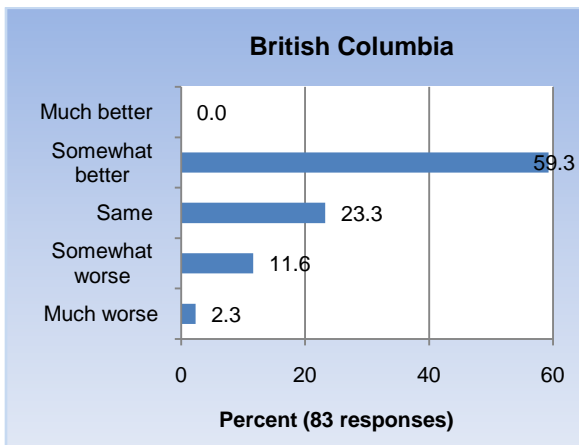
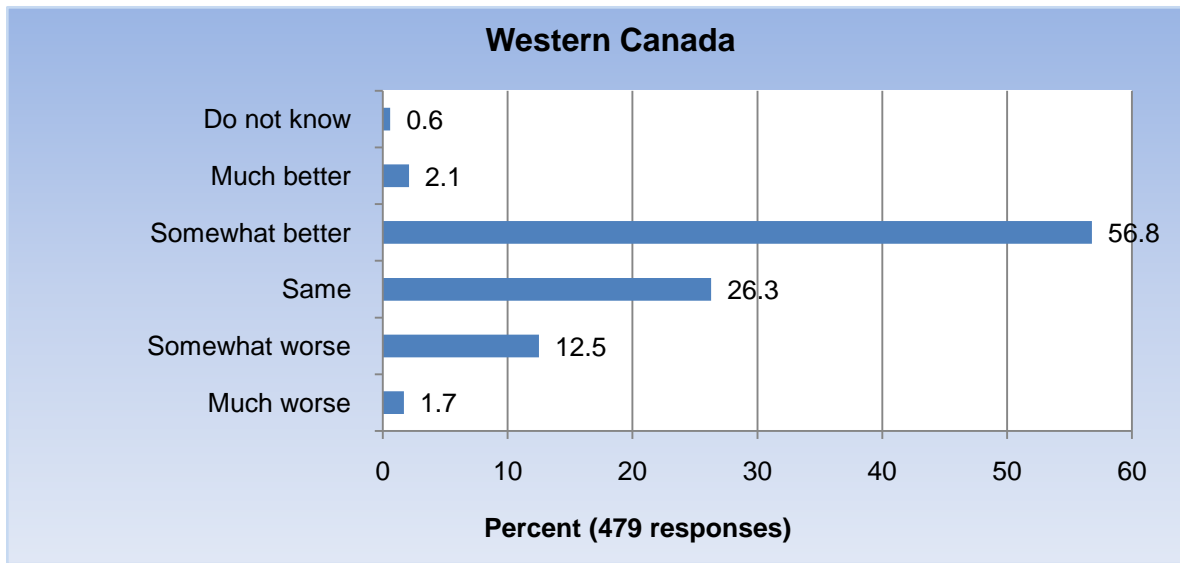
In this installment, 503 out of a total of roughly 2000 potential respondents completed the survey, providing a response rate of approximately 25%. Provincially, 86 responses are from British Columbia, 287 from Alberta, 59 from Saskatchewan, and 65 from Manitoba. The remaining four were from another province. While the majority of responses are from persons residing in major Western Canadian cities, many smaller municipalities and rural towns are also represented in the survey.

The results of this survey also reflect the economic expectations of a diverse array of sectors, characteristic of the Western Canadian demographic. 26.8% of respondents are currently self-employed or in the private sector, 27.8% are government employees, and 16.4% are employed in universities or colleges. Persons working for Industry Associations/NGO constitute 6.8% of responses, while the non-profit sector and retirees make up 4% and 3% of respondents, respectively. 5.2% of the responses are from persons employed in other sectors. Each respondent was asked a series of questions about Western Canadian's economic expectations.

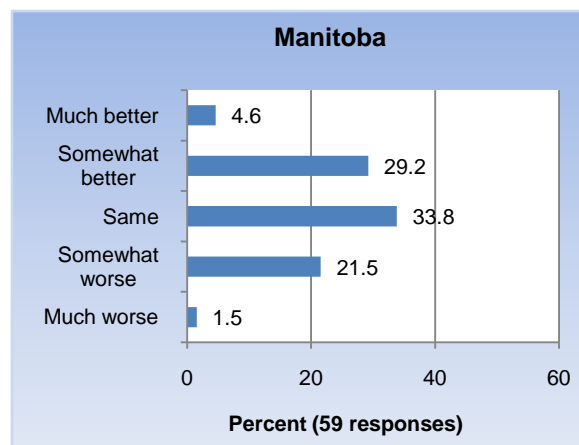
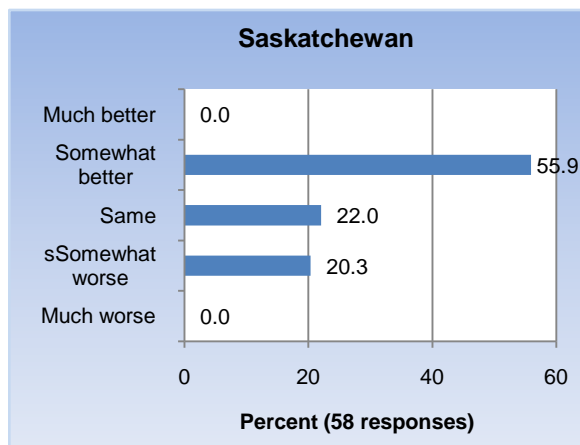
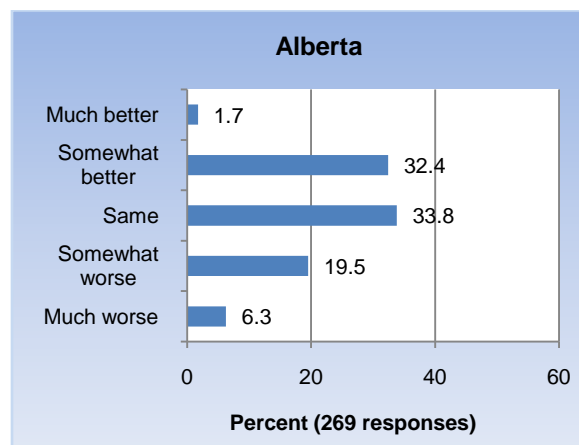
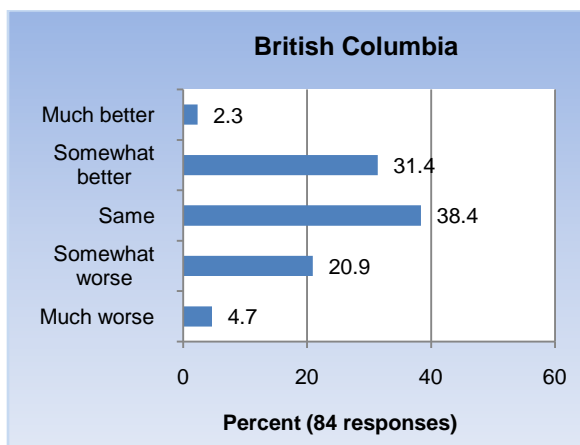
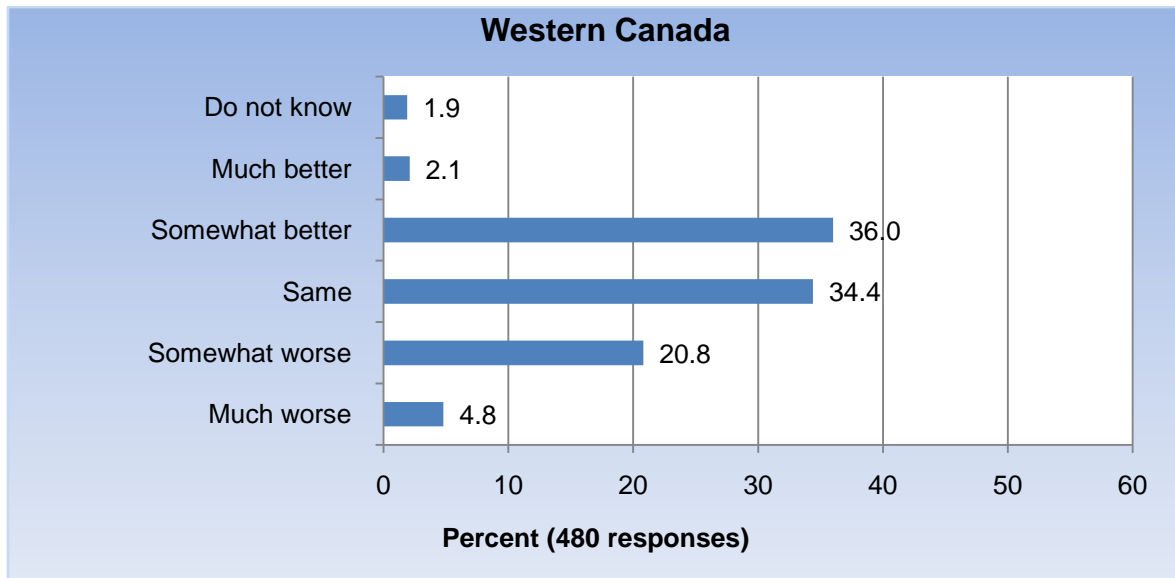
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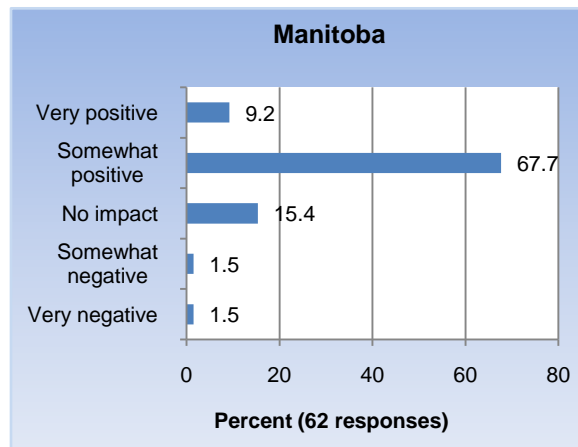
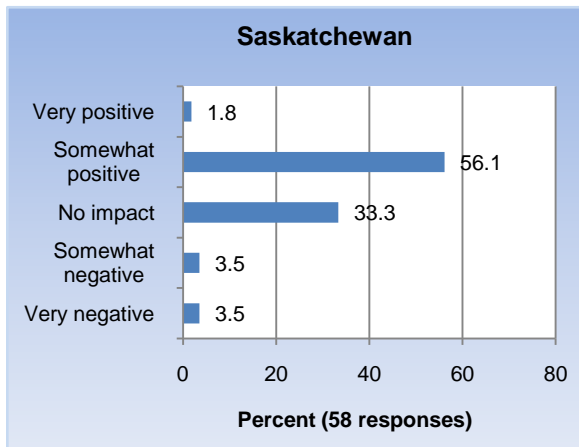
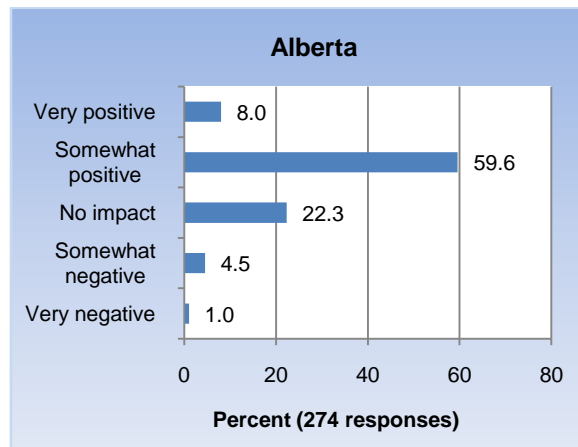
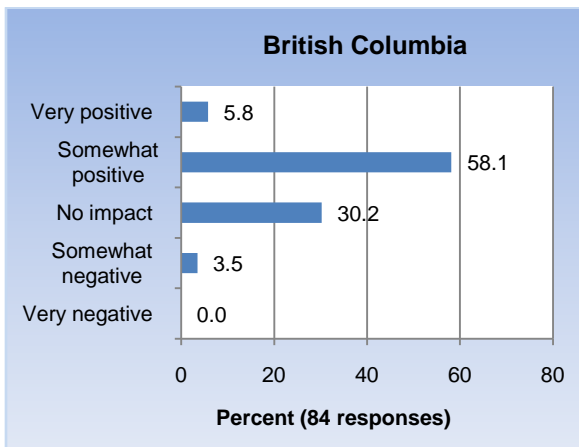
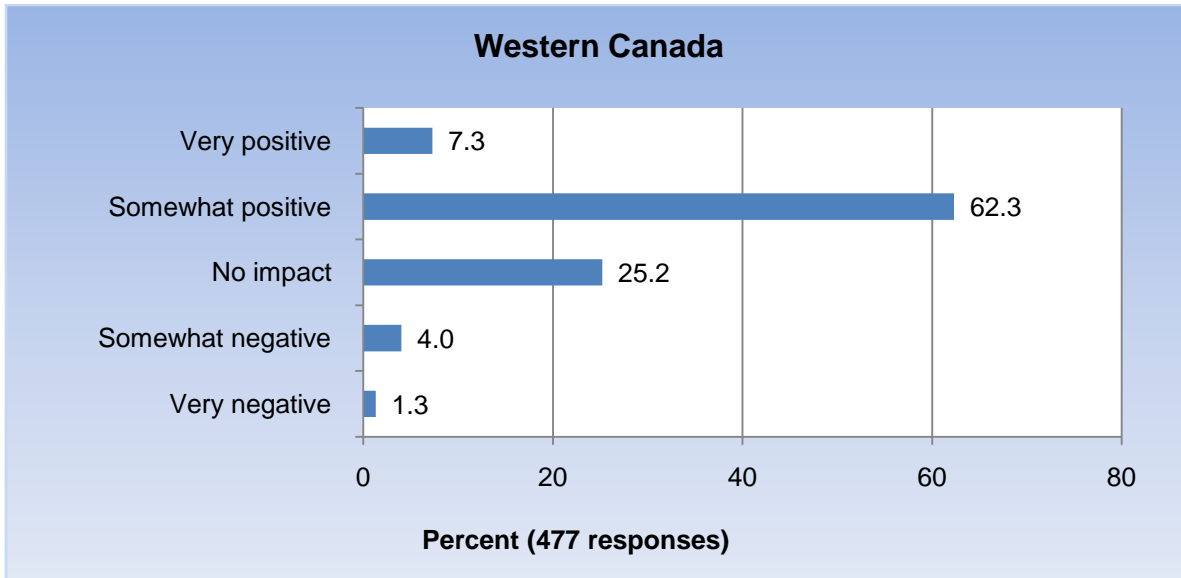
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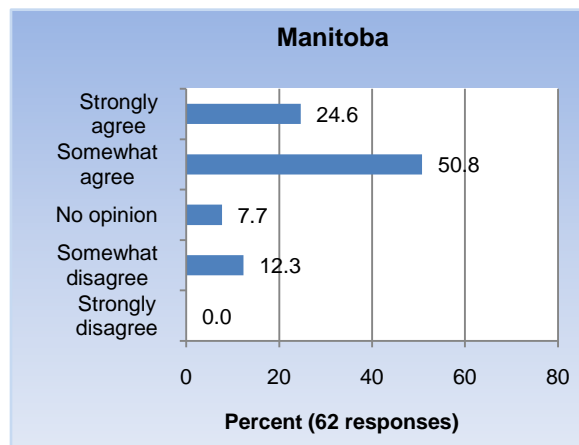
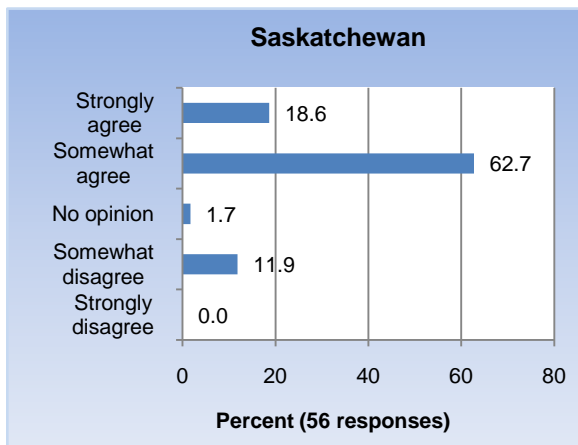
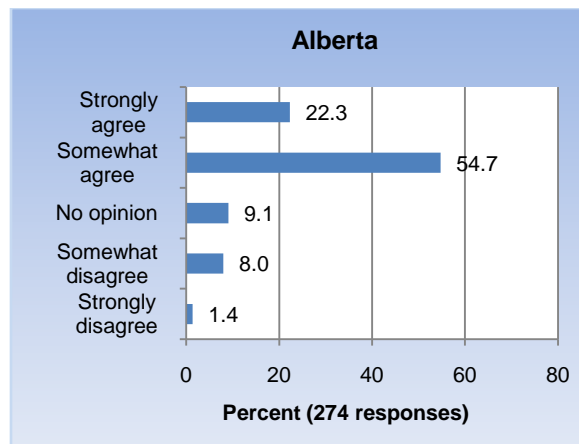
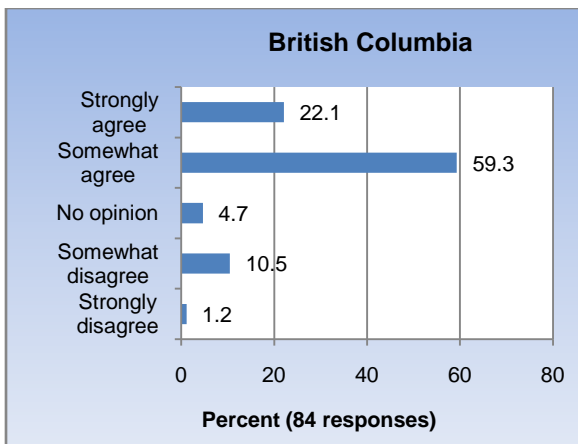
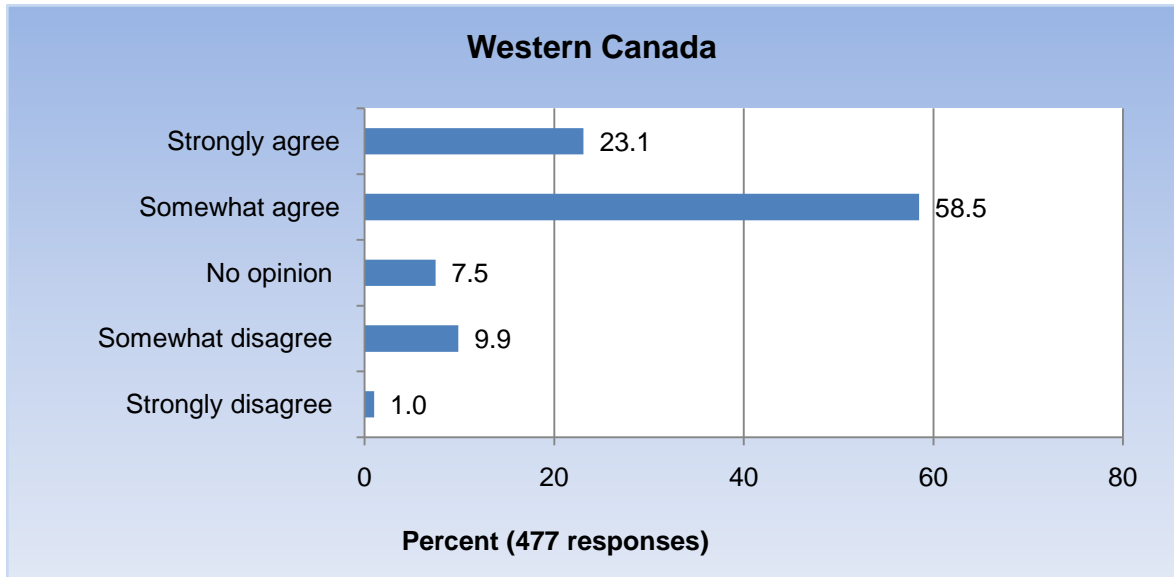
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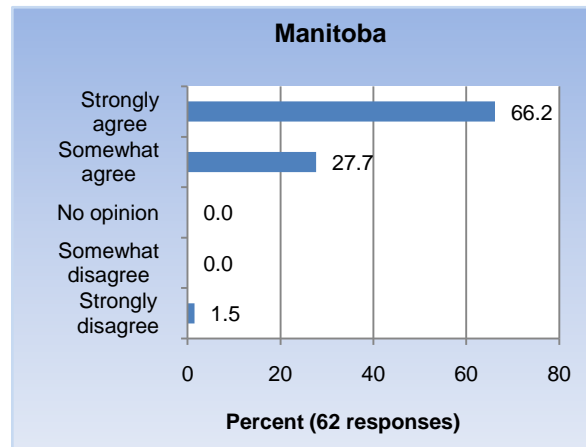
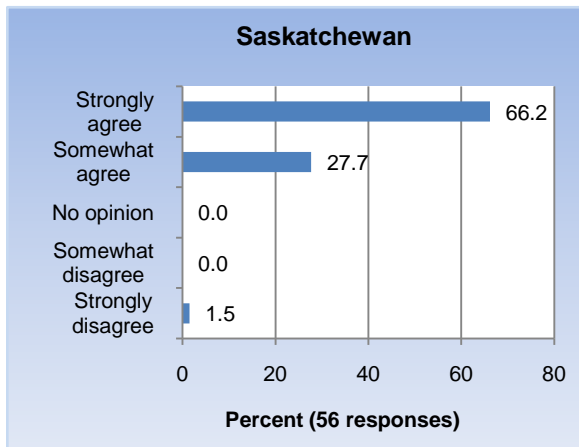
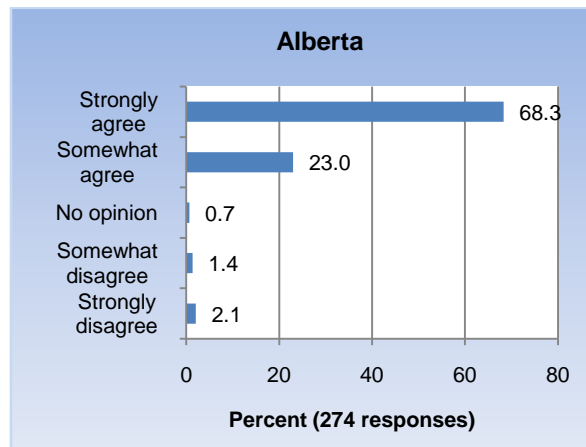
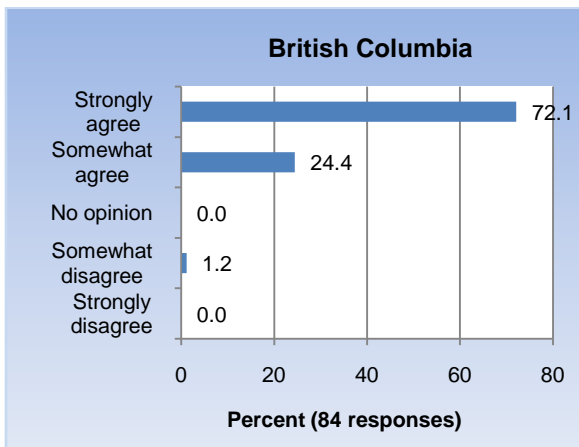
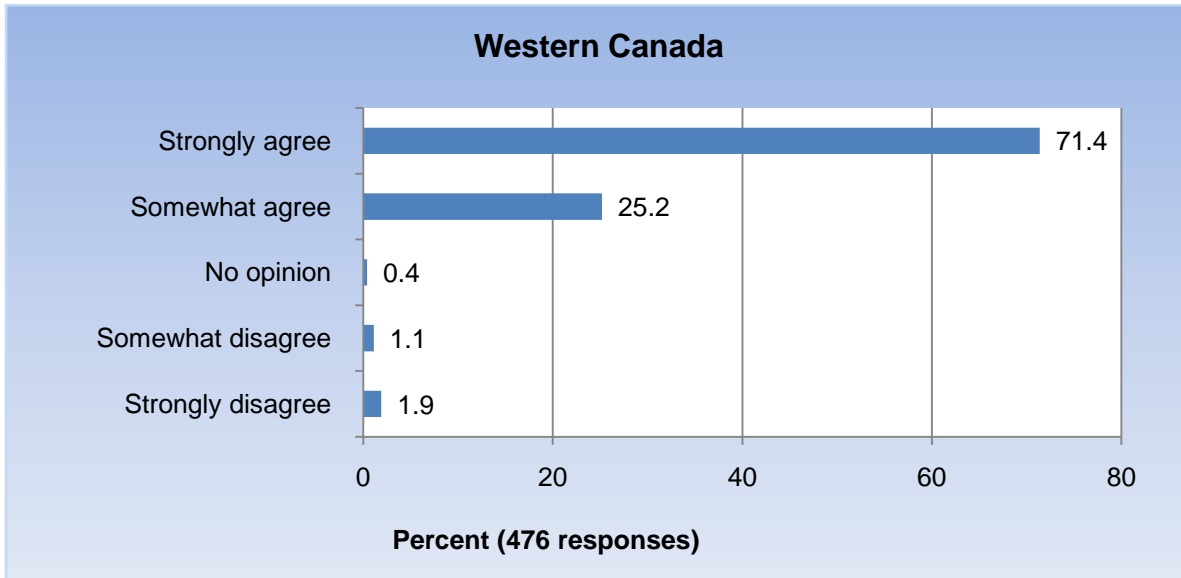
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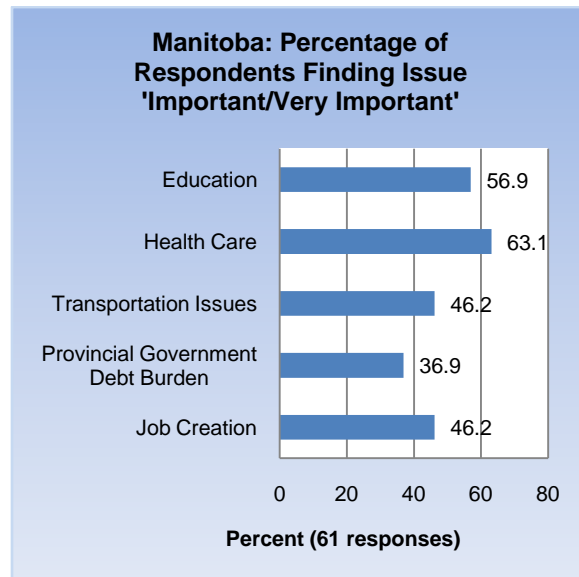
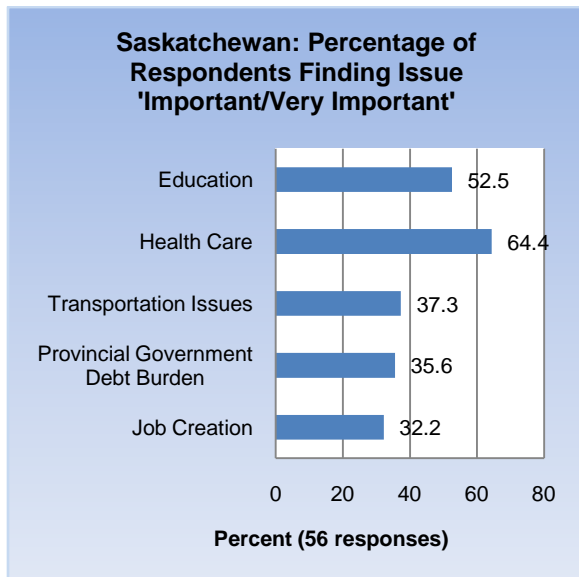
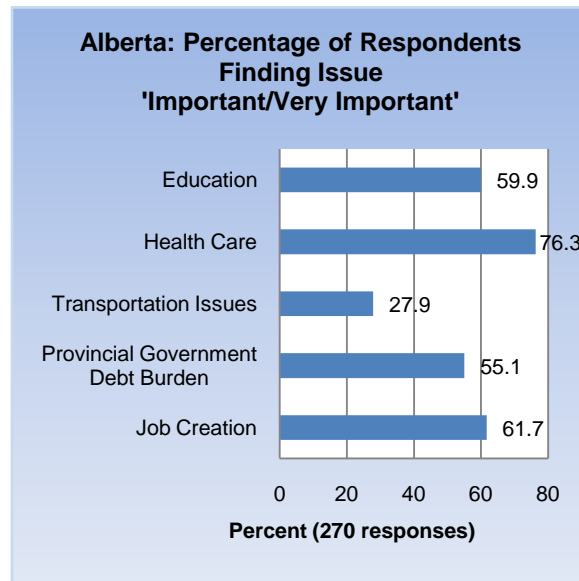
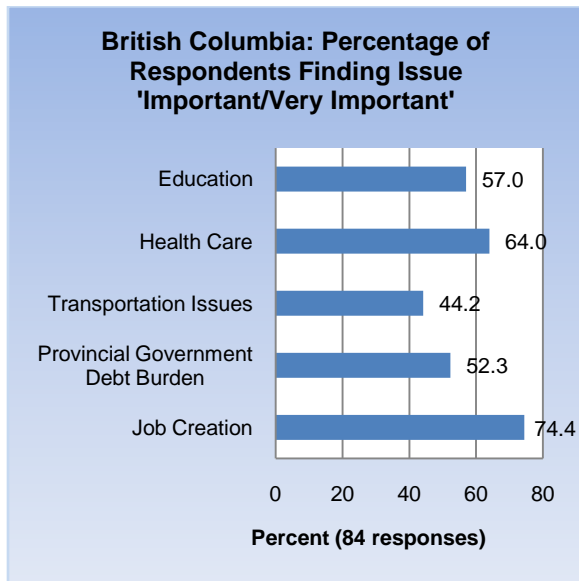
Q. US Policy is becoming Significantly More Protectionist.



Q. US policy has an Important Impact on the Canadian Economy.



Q: Taking a longer term approach now, how important do you think the following economic challenges will be for your province over the next 12 months?



Q: If you had just one piece of advice for Minister Flaherty as he begins to prepare his 2010 budget, what would it be?

Overview

The survey of Western Economic Expectations asked economic and financial analysts across Western Canada their thoughts on the western economy, ending with this question: "If you had just one piece of advice for the federal Minister of Finance as he begins to prepare his next budget, what would it be?" The survey did not specify Minister Flaherty, as during the course of the survey (September 21-October 5, 2009) there was a strong chance of a federal election being called. Of the 503 people who responded, 397 provided their thoughts on what the Minister's priorities should be. The responses were wide and varied, touching on dozens of topics, demonstrating that Canadian economic and financial analysts do not speak with a single voice. That said, 19 themes emerged, with as many as 65 and as few as three responses per theme.

Between concern over deficit, rampant spending, excessive stimulus and bailouts, 25% of respondents advised the government to reduce its spending. However, almost the same number of respondents disagreed (20%), whether they favoured continued stimulus spending regardless of the deficit, more funds for infrastructure, or simply did not want to see cuts to education, health care or other social services.

The largest area of concern for the respondents, mentioned by 16%, was debt and deficit. Some felt the debt needs to be dealt with immediately, saying "Huge debt is not the answer" or "Focus now on elimination of the deficit." Others saw debt reduction as a long-term goal, advising the government to "introduce balanced revenue/spending measures to restore balanced budget over a maximum of three years," or stating "Start the steps required to balance the budget. I think the stimulus packages were necessary but it will also rapidly become necessary to pay them back."

The second largest concern was taxes, at 14%. Advice was varied, from "Lower taxes (even just as a one-year temporary measure) to allow for an increase in disposable income," to "Raise taxes vs. going further into debt," to "Eliminate the GST," to "Consider returning GST to 7%."

Stimulus and bailouts were the focus of 9% and spending and infrastructure and cities were each at 7%.

Main themes (20 responses and up)

Debt and deficit	Taxes	Stimulus and bailouts	Infrastructure and cities	Spending	Long-term
65	56	36	27	27	20

Secondary themes (10 to 19)

Private Sector's role	Social programs	Job Creation	Politics	Research & Development	Environment	Stay the course	Education
18	18	13	12	12	11	11	10

Other themes (under 10)

Health care	Regional differences	Inflation/ stimulus wind-down	Trade	Special interest vs. picking winners
9	7	5	3	3

Regional Break Down

With the exception of British Columbia, where stimulus (14%) and infrastructure (11%) were mentioned the most, the deficit/debt and taxes themes were the top two concerns in every western province. The deficit/debt theme was especially of concern in Saskatchewan, where 33% of respondents advocated for strict control, well ahead of the second-most important issue, infrastructure, which was only favoured by 12%. In Alberta, taxes were the most important theme at 16%, although this rate was not significantly higher than the average for the West as a whole. Manitoba respondents made deficit/debt and taxes their top issues as well, but they also solidly supported social programs -- this theme being the third most important in the province at 10%.

Deficits and Spending

The largest area of concern for the economic and financial analysts surveyed is excessive government spending. Between spending and debt and deficit, 20% of responses dealt with how much the government is and should be spending, and the majority said "too much."

Of the 65 respondents who commented on debt and deficit, 62 felt that the budget must be balanced and the debt paid off. There was some disagreement between those who felt the deficit must be eliminated immediately and those who felt reducing debt should be a long-term goal. Fourteen respondents felt that the deficit should be eliminated as quickly as possible, and that debt reduction should immediately replace spending as a government priority. An equal number disagreed, with seven stating that the deficit should be removed in anywhere from two to five years, and another seven called for the government to have a debt-reduction plan in place, but gave no timeline.

Of the 27 respondents who addressed government spending without mentioning debt or deficit, 21 felt it needs to be reduced, advising the minister to lower, watch or entirely stop spending. Of the remaining six, four merely wished spending to be handled wisely, for example ensuring that Canadians have food, education and health care, and two stated that the federal government should stop putting its money into areas considered provincial prerogatives.

However, cutting social programs in order to curtail the deficit is not a widely popular option. Twenty-two respondents identified areas in which the government should not reduce spending. Fourteen respondents discussed social programs, with only one of those suggesting they be cut, while nine others specifically identified health care as a priority. While it is a smaller number of respondents than those calling for reduced spending and debt reduction, this vocal minority is passionate in their belief that the road to reduced deficit should not go through social programs that Canadians depend on, and that issues such as poverty, housing and caring for the elderly should remain government priorities.

In addition, three further respondents stated that continuing to fund social programs was more important than deficit reduction.

Taxes

While an overwhelming majority of those giving advice on debt and deficit more or less agreed with each other, the respondents discussing taxes were far less unified. Fifty-six respondents mentioned taxes, and of those 19 called for tax cuts, while 13 suggested taxes be increased. Seven respondents cautioned against any tax increase, but did not advocate tax cuts.

The GST was more frequently mentioned by those advising increases: eight people recommended restoring the GST to six or seven percent (with a ninth calling for an increase to consumption taxes in general), while only three thought that it should be lowered or cut entirely. One respondent suggested that the GST be given to the provinces in place of equalization. The GST was seen more as a target for tax increases, while those favouring tax cuts pointed mostly to personal income taxes, in many cases citing personal income tax cuts as a way to stimulate spending and speed economic recovery.

The remaining advice on taxes focused on tax incentives for businesses, such as the energy or research and development industries, or suggested ways in which taxes could be shifted to benefit the taxpayer without cutting into revenue, such as cutting payroll taxes while increasing income tax and the GST, or shifting to a flat tax rate. One respondent suggested cutting the excise tax on airplane fuels to encourage more travel within the country.

Stimulus, Bailouts and Infrastructure

Connected to the issue of government spending are those of stimulus packages, bailouts and infrastructure spending. Spending money on further bailouts received no support. Every mention of government bailouts of industry was against devoting any more funds to them.

Stimulus was discussed far more often and with far more mixed opinion. Of the 31 pieces of advice regarding stimulus, 11 were in favour of more spending while 10 recommended cutting it. The remaining 10 stimulus responses were concerned with getting the money allocated to stimulus into the hands of the communities faster and more efficiently.

Getting the funds to communities was a particular concern for infrastructure. Amongst those advising more or speedier infrastructure funding, one respondent cited Canada's six-month construction season as a reason. Programs announced in June are unlikely to get moving before winter, and will have to wait until the following spring. A total of 28 respondents mentioned infrastructure and/or civic

funding in their advice, and all were in favour of continuing to put federal money into municipal infrastructure. A recurring theme amongst those advocating infrastructure was the needs of Canada's rural communities. Four respondents highlighted the infrastructure needs of smaller cities and rural areas.

Other Themes

The need to see beyond election cycles and partisan politics was a significant theme, with 20 respondents calling for long-term goals and 12 stressing the need to place the good of the country above politics.

Infrastructure was the most common suggestion for government investment, but the knowledge economy was a close second, with 12 respondents advising more investment in research and development and 10 wanting more investment into education. The need for investment towards green energy and technology specifically had another 11 supporters.

Of the 18 respondents who gave advice on the role of the private sector, 13 felt that industry and small business were the keys to rebuilding the economy. The emphasis was on ensuring that small and independent businesses and entrepreneurs had the government support necessary to succeed and provide jobs and wealth creation to Canadians.

Thirteen respondents considered job creation to be a key priority. A further four advised reforming Employment Insurance while keeping it available to those who need it.

Finally, and on a lighter note, two of the smaller themes indicate that there is still confidence in the Finance Minister, or at least more confidence than anger. While three respondents limited their advice to the word "resign" or "quit," nearly four times that number said to stay the course.

October 22, 2009

Economic and financial analysts in West give thumbs up to Canada's economic outlook

Calgary and Edmonton - Economic and financial analysts are optimistic about national economic performance, despite lukewarm growth and job creation reports over the past several months, according to a new survey exclusively of Western Canadian economic and financial analysts.

Just over 58 per cent of 479 respondents think Canada's economy will perform better in the coming six months, 25 per cent think performance will remain about the same and 14 per cent expect conditions to get worse, according to the survey conducted jointly by Western Centre for Economic Research at the University of Alberta's School of Business and Canada West Foundation.

With respect to their province's outlook, responding economic and financial analysts from B.C. were most optimistic, with 57 per cent indicating their economy would perform better over the coming six months, followed closely by respondents from Saskatchewan at 54 per cent. Manitobans were less optimistic at 47 per cent and Albertans the least optimistic with 45 per cent indicating better times ahead.

The expectation for economic performance in the United States was considerably less optimistic than for Canada, with only 38 per cent of responding analysts across the West thinking that the U.S. economy would perform better over the coming six months and 25 per cent thinking it will get worse.

Seventy per cent of respondents expect the federal stimulus package to have a positive impact on the Canadian economy, with Manitoba respondents the most optimistic (77 per cent) and Saskatchewan the least optimistic (58 per cent).

When asked about the importance of some specific economic challenges in their province over the next year, 76 per cent of Alberta respondents identified health care as important or very important, while B.C. residents were the most concerned about job creation, at 75 per cent. Responding analysts from Alberta were worried most about their province's debt burden. Manitoba was the province most concerned with transportation issues, although health and education ranked high among challenges.

October 25, 2009

Economic and policy analysts across Western Canada are growing more concerned about the potential effects of increasing American protectionism, according to a new survey.

"It is of considerable concern that 82 per cent of respondents believed U.S. policy is becoming significantly more protectionist," said Helmut Mach, Director of the Western Centre for Economic Research at the University of Alberta School of Business, which conducted the study jointly with the Canada West Foundation in September.

Respondents overwhelmingly agreed (97 per cent) that coming U.S. policy will have an important impact on the Canadian economy.

"Thus, at a time when the U.S. economy may be starting to turn around and expand with a potentially very large and important impact on Canada, economic analysts in Western Canada are concerned about rising U.S. protectionism and the effect of this on the Canadian economy," he said.

The electronic survey is the only one that presents views from a wide variety of economic professionals across Manitoba, Saskatchewan, Alberta and British Columbia.

Approximately 25 per cent of respondents, all working in industry, government and academia, indicated they expected the U.S. economy to worsen over the next six months. About 73 per cent felt conditions in the U.S. economy would perform the same or somewhat better worsen.

"Considering the potential impact on Canada as a whole and particularly Western Canada, the evolving situation in the U.S. economy, associated with a concern about rising U.S. protectionism, should mean that federal and provincial Canadian governments will pay increased attention to interaction with political leaders and with policy developments in the United States," said Mach.

"In the face of Buy-America provisions and expanded protectionist interests, it is important that Canadian governments fully engage with their U.S counterparts in at the administration, congressional, and state levels to reinforce the recognition of the importance to the United States itself of the integrated nature of the Canada-U.S. economy and to counteract the influences of populist protectionist initiatives," he said.

The survey is open to over 2,000 professionals who are closest to working details of the Western Canadian economy and will be conducted three times per year. The next results will be available in February 2010.

November 2, 2009

Cut more or spend more? Western economic and financial analysts lock heads

Calgary and Edmonton – Economic and financial analysts across Western Canada are conflicted on advice they would give to Canada's finance minister about spending, according to a new survey.

Twenty five per cent of analysts feel the federal government should cut stimulus spending and bailouts, yet 20 per cent say the government should invest more on infrastructure or stop cuts to services. The results are the final component of a new survey conducted jointly by Canada West Foundation and the Western Centre for Economic Research at the University of Alberta's School of Business.

When asked, "If you had just one piece of advice for the federal Minister of Finance as he begins to prepare his next budget, what would it be?" the results were wide and varied with 19 themes identified.

The largest area of concern for the respondents was debt and deficit, with conflicting advice, either focused towards eliminating the debt immediately or making debt reduction a longer term goal. The second largest concern was taxes, also with varied advice from lowering taxes to raising taxes.

The new survey of 2,000 specialists working on the front line of the economy in Western Canada, is a partnership between two premier economic and policy research centres. It will be conducted three times a year, with the next results available in February 2010. Each survey will be released in three parts. The releases from this survey are:

- October 22 – Confidence in the economy and the impact of economic stimulus efforts
- October 26 – Opinion on the impact of U.S. policy on Canada's economy
- November 2 (today) – Collective advice to Canada's finance minister on stimulating the Canadian economy.

A compilation of survey results and advice to the finance minister is available at www.cwf.ca and <http://business.ualberta.ca/wcer/>