Ernst & Young report - Capital Confidence Barometer / Rapport d'Ernst & Young intitulé «Capital Confidence Barometer»

I'd like to share with you the third installment of Ernst & Young's Capital Confidence Barometer. In addition, we'd also like to share with you Canadian Capital Confidence Barometer, which details a survey we conducted of senior executives from companies in Canada. The reports identify boardroom priorities, emerging practices in the way companies manage their capital agenda, and corporate confidence in the economic outlook.

What we've found is that although capital market conditions have improved, fewer global businesses are actively seeking M&A targets compared to six months ago. While confidence in the economic recovery has waned somewhat over the past six months, our survey shows that firms are looking to put their cash to work organically as boardrooms take a more cautious approach.

For Canadian companies, over the last year, boards have responded to ongoing uncertainty by improving their ability to respond quickly to opportunities that arise. Boardrooms remain cautious due to investor concerns, regulatory and political changes — driving a greater focus on organic growth and performance improvement.

When speaking with our clients, we found:

- 60% of Canadian respondents feel well positioned to execute an acquisition at short notice, but are reluctant to commit to a deal.
- 71% of Canadian respondents are now focused on organic growth as their capital allocation priority, through restructuring and performance improvement, compared to 58% six months ago.
- Access to finance is not a problem according to 40% of Canadian respondents, compared to 23% in April 2010.
- While 31% of global companies are focused on emerging markets to position themselves for future growth, only 13% of Canadian respondents said they were likely to undertake or seriously consider an emerging market acquisition in the next six months.
- 24% of Canadian respondents indicated they are now more likely to carry out joint ventures or alliances versus 8% in April.

The world in which multinationals operate today is dramatically different from the one in which they operated a year ago. A year from now, it is likely to be different still. How companies manage their capital today will ultimately define their competitive position tomorrow.
If you would like to discuss this report and how it relates to your company's capital needs, please free to contact me. Kiran.Channa@ca.ey.com