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A REPORT TO
ALBERTA CHAMBERS OF COMMERCE

COVID-19 AND THE OIL PRICE CRISIS

THE IMPACT ON ALBERTA BUSINESSES – PULSE 2

May 2020

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ABOUT THE RESEARCH

OBJECTIVES

- The overall purpose of this research is to understand the impact of the measures taken by the provincial and federal governments to contain the spread of COVID-19. This unprecedented response has seen the temporary closure of all businesses determined to be non-essential and a significant number of Albertans laid off and/or working reduced hours. The closure of many businesses has also come at a time when the province is already reeling from the collapse of oil prices and the continuing challenges of exporting Alberta oil.
- This survey is designed to assess the impact of these twin challenges on businesses across the province. Specifically, the research is designed to:
 - Assess the impact of COVID-19 and low oil prices on businesses;
 - Identify specific actions businesses have taken to deal with the crisis;
 - Estimate revenue declines due to COVID-19 and low oil prices;
 - Identify the extent businesses have taken up government programs designed to ease the financial consequences of the crisis;
 - Measure the extent business believe they can survive without government support;
 - Identify priorities for government to support businesses; and
 - Measure expectations regarding the pace of the economic recovery.

METHODOLOGY

- This is the second wave of this research. A total of n=325 respondents completed the survey online in May (n=708 in April). Respondents were sent an invite from their local chamber of commerce.
- The survey was fielded on the Vison Critical platform.
- Surveying took place between May 14th- 22nd, 2020 (April 10th - April 26th, 2020 for the first wave of research).

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KEY FINDINGS

Key Findings

1 IMPACT OF THE CRISIS ON ALBERTA BUSINESSES

Both COVID-19 and low oil prices are continuing to have a devastating impact on Alberta's business community.

- Almost all (90%) businesses report that COVID-19 is negatively impacting their business, with six in ten (62%) saying the impact is 'significantly' negative. However, another month into dealing with COVID-19, there has been a 7-point decline in those reporting a 'significantly' negative impact.
- At the same time, three quarters say low oil prices are also having a negative impact and almost half (47%) describe this as 'significantly' negative – with no change from April results.
- Almost all businesses continue to report a decline in their revenues from both COVID-19 and low oil prices. However, it is clear the larger impact is from COVID-19 with—again in May—more than half of respondents (53%) saying revenues have fallen by 50% or more.
- The businesses hardest hit by COVID-19—reporting a 50% or more decline in revenues—continue to be smaller with 5 or fewer employees (May 61%; April 65%).

2 SPECIFICS OF THE IMPACT

Another month into dealing with the impact of COVID-19, there has been an increase in businesses reporting they have had to lay off employees or reduce their hours. This increase has occurred in businesses of all sizes.

- Fully one third (33%) of newer businesses report they could not pay their rent, continuing to be significantly higher than more established businesses. However, there tended to be increases registered compared to last month regardless of time in business.
- Again in May, businesses expect the most significant impact of COVID-19 over the next two weeks to be decreased sales, though this has declined by 14 points (from 72% to 58%). As the economy is starting to reopen, there are also fewer businesses expecting to have to reduce staff hours/staff or that contracts or tenders will be cancelled. However, one third (33%) are expecting increased operating costs, double the results from April (17%).

Key Findings

3 TEMPORARY CLOSURE OF BUSINESSES

Overall, four in ten businesses report they were required to temporarily close as a result of COVID-19. However, there were significant differences by size and sector, with tertiary/professional and smaller businesses significantly more likely to have had to close.

- Of note, three in ten businesses that were required to close indicate that, even if permitted, they do not plan to open during Phase 1.
- Among those businesses that closed temporarily and plan to reopen in Phase 1, only two thirds (66%) report they were able to obtain the PPE and sanitization materials they need.
- Affordability of PPE and sanitization materials is an issue for fully one in five (22%) businesses.

4 BUSINESS CONFIDENCE THEY WILL SURVIVE

While many Albertan businesses remain in a weakened financial situation, there have been indications of some 'green shoots'.

- Businesses appear a bit more confident in May than they were in April that they will survive the impact of COVID-19. Nine in ten now feel it is likely they will continue operating once the COVID-19 outbreak is over, with 61% saying it is 'very' likely (up from 87% and 53%, respectively, in April).
- However, businesses that had to temporarily close are less confident, with 82% feeling it is likely they will continue, and 39% indicating that it is 'very' likely.
- One in five (19%) of those who had opted to defer payments of various kinds anticipate they can undertake a one-lump-sum payment amount and remain financially solvent, up from 12% in April.
- There has also been a slight improvement measured in May among those who have already received or applied for support. Now, 42% believe it is enough to sustain them over the next three months, an increase of 5 points compared to April.

Key Findings

GOVERNMENT SUPPORT AND PRIORITIES

Businesses continue to have a varied response to the programs available. However, there have been increases compared to April in the number of businesses reporting they have applied and received a benefit/money.

- The largest increases were registered for accessing the Canadian Emergency Business Account and the Canada Emergency Wage Subsidy.
- A large number of businesses continue to report that they have not applied for any of the COVID-19 business support measures.
- The most cited suggestions by businesses as top government priorities or additional measures that would help keep them viable over the next three months continue to be: forgivable or interest-free loans; reduced taxes; operating grants; and reduced utility costs.
- Newer businesses are significantly more interested in forgivable/interest-free loans, and this interest has grown since April.

PACE OF ECONOMIC RECOVERY

Despite government support programs and the economy starting to reopen, most businesses continue to expect a slow pace of economic recovery.

- Most businesses (80%) continue to be pessimistic and expect a slow recovery, with a 6-point increase since April in those expecting a slow economic rebound in their market.
- Permanent damage to customers' ability to pay, low oil and gas prices, and insufficient global economic activity continue to be the top cited reasons respondents believe the economic rebound will be slow.
- Support from government is considered more important in the event of COVID-19 continuing for a while and a slow pace of recovery, especially among businesses with less than 49 employees.

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DETAILED FINDINGS

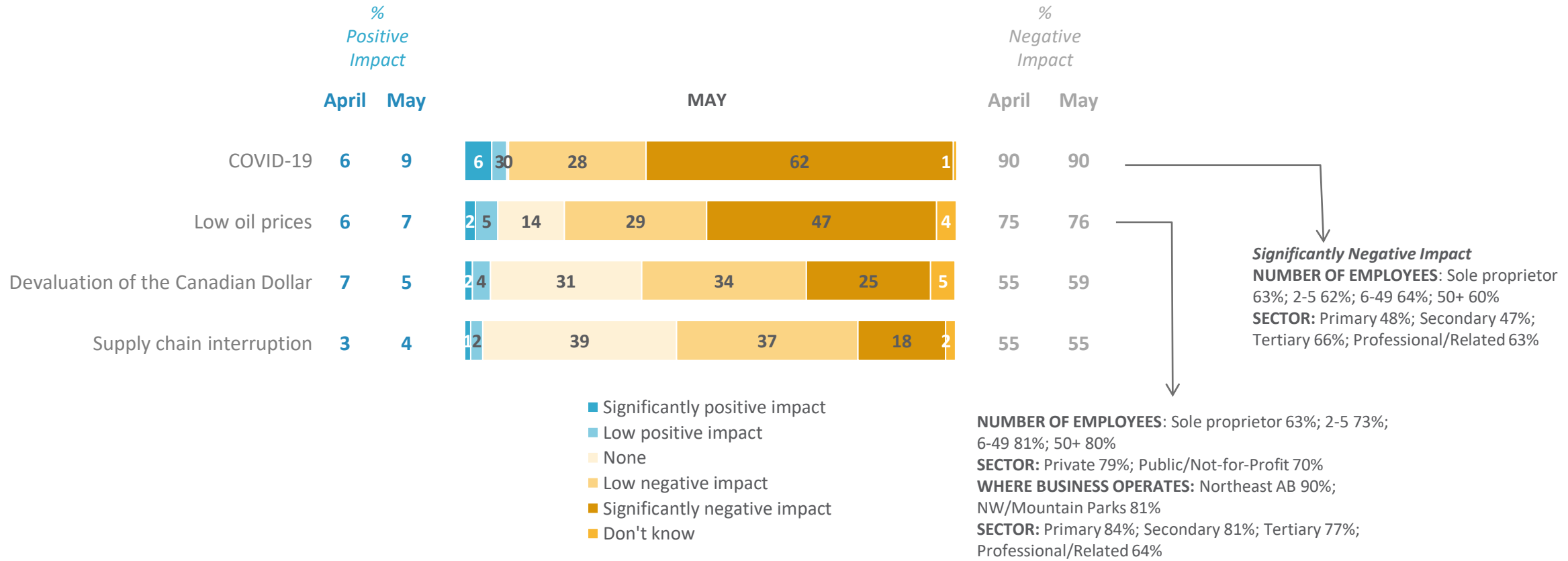
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KEY EXTERNAL BUSINESS CHALLENGES

ECONOMIC IMPACT OF KEY EXTERNAL BUSINESS CHALLENGES

Consistent with April results, COVID-19 and the collapse of oil prices are having a major impact on business in Alberta. COVID-19 continues to have a negative economic impact on nine in ten businesses. However, while 62% report COVID-19 is having a ‘significantly’ negative impact, this is a 7-point decline from April.

- Regardless of size, six in ten businesses are feeling this ‘significantly’ negative impact. However, there have been declines in the significance of the negative impact for all but the professional/related sector.
- Three quarters of businesses continue to be negatively impacted by low oil prices. Those reporting low oil prices as having a ‘significantly’ negative impact have remained fixed at 47%.



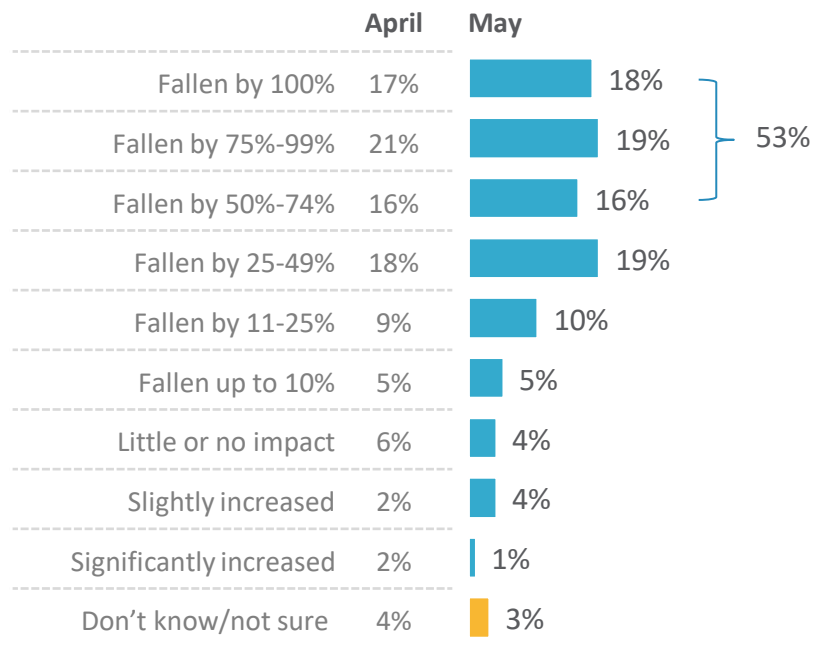
Q8. Please estimate the economic impact of the following to your business:
 Base: Total sample (April n=708, May n=325)

CHANGE IN REVENUES DUE TO COVID 19 AND LOW OIL PRICES

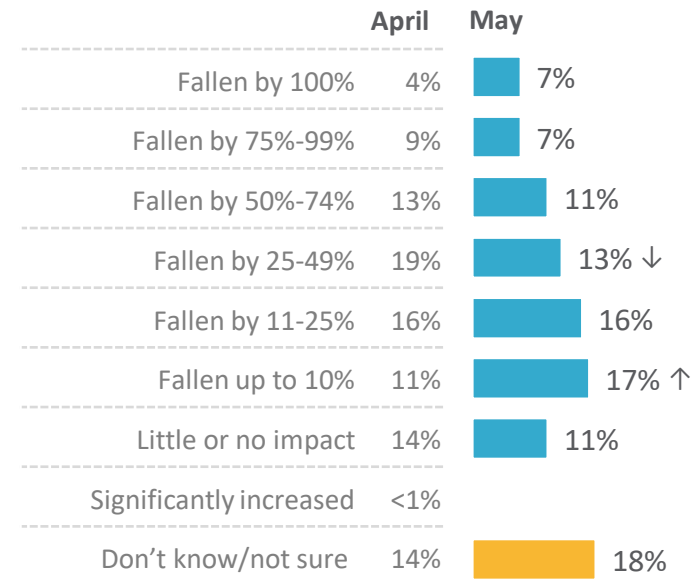
Almost all businesses continue to report a decline in their revenues from both COVID-19 and low oil prices. However, it is clear the larger impact is from COVID-19 with—again in May—more than half of respondents (53%) saying revenues have fallen by 50% or more.

- The businesses hardest hit by COVID-19—reporting a 50% or more decline in revenues—continue to be smaller with five or fewer employees (May 61%; April 65%) compared with businesses with staff of between 6 and 49 (May: 53%; April 47%) or those with staff of 50 or more (May 23%^C; April 32%).

Change in Revenues over the Past Month as a Result of COVID-19



Change in Revenues over the Past Month as a Result of Low Oil Prices



Q11. As a result of COVID-19, how have your revenues changed over the past month? If you are unsure please provide your best estimate. Base: Total sample (April n=708, May n=324)

Q11a. While it might be hard to separate out the impact of low oil prices from that of COVID 19, if you had to estimate, how have your revenues changed over the past month as a result of low oil prices? Base: Those saying there has been a significant negative impact from low oil and gas prices (April n=534, May n=245)

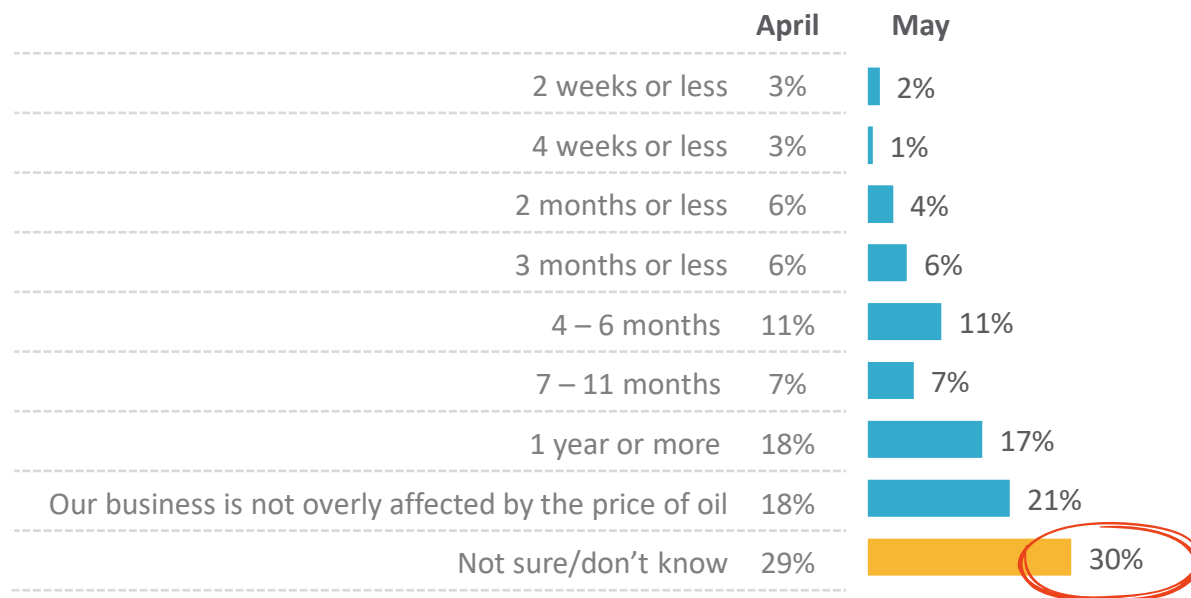
C: Caution, small base size

IMPACT OF LOW OIL PRICES ON BUSINESSES

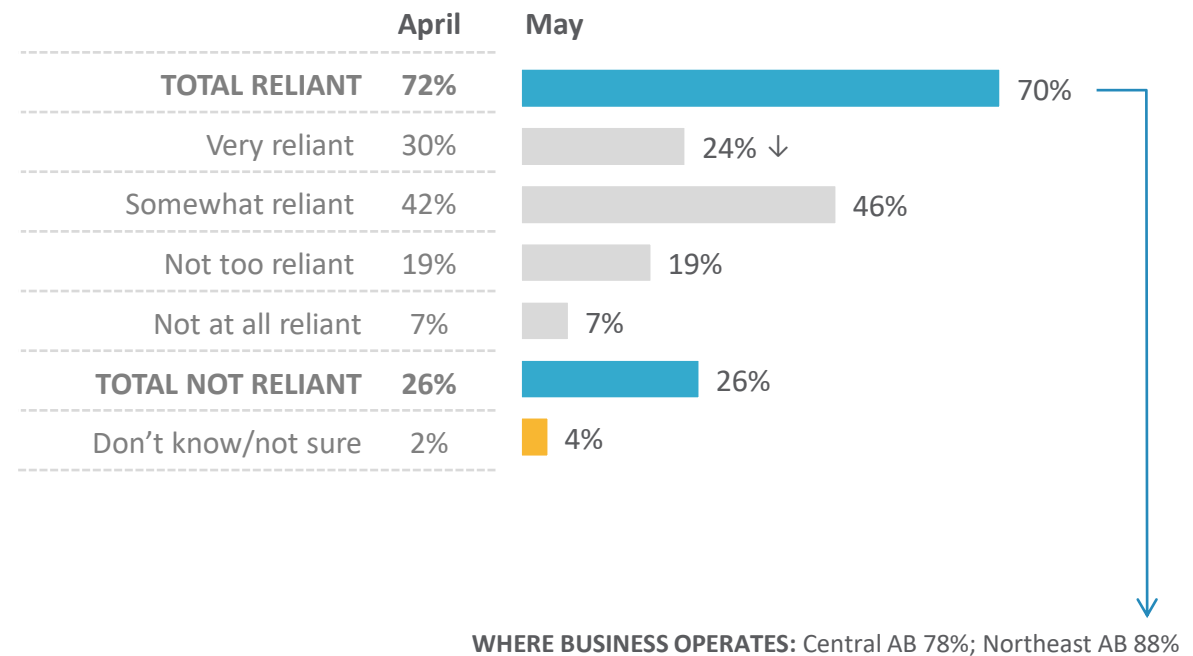
Similar to results in April, while the majority of businesses (70%) say they are at least ‘somewhat’ reliant on a healthy oil and gas sector, most do not seem entirely dependent for their short-term survival.

- Among businesses reporting a significant negative impact from low oil and gas prices, 13% estimate they can survive three months or less while 30% are just not sure.

Estimation of Business Survival if Oil Prices Remain at Present Low Levels



How Much does Business Success Depend on a Healthy Oil and Gas Sector



Q15a. How long do you estimate your business can survive should oil price remain at present low levels (<\$30/barrel)? Base: Those saying there has been a significant negative impact from low oil and gas prices (April n=534, May n=245)

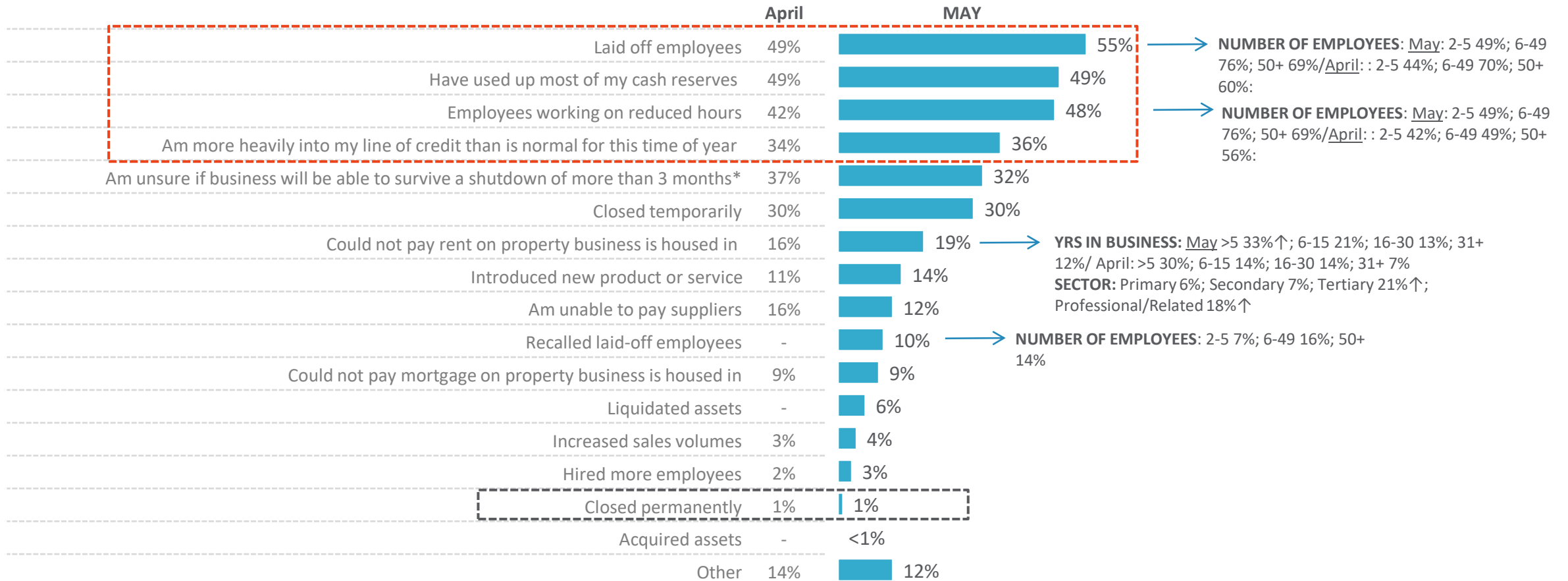
Q17b. In terms of sales/revenue, how much does your business success depend upon a healthy oil and gas sector? Base: All business except those involved in oil and gas extraction (April n=684, May n=319)

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IMPACT OF COVID-19

Another month into dealing with the impact of COVID-19, there has been an increase in businesses reporting they have had to lay off employees or reduce their hours. This increase has occurred in businesses of all sizes.

- However, there has not been an increase in those indicating they have used up most of their cash reserves or are more heavily into their lines of credit.
- Fully one third (33%) of newer businesses report they could not pay their rent, continuing to be significantly higher than more established businesses. However, there tended to be increases compared to last month regardless of time in business.
- Overall, 10% of businesses are reporting they have recalled laid-off employees, although this was less likely to have occurred with smaller businesses (2 to 5 employees).



Q10. Have you experienced any of the following as a result of COVID-19?

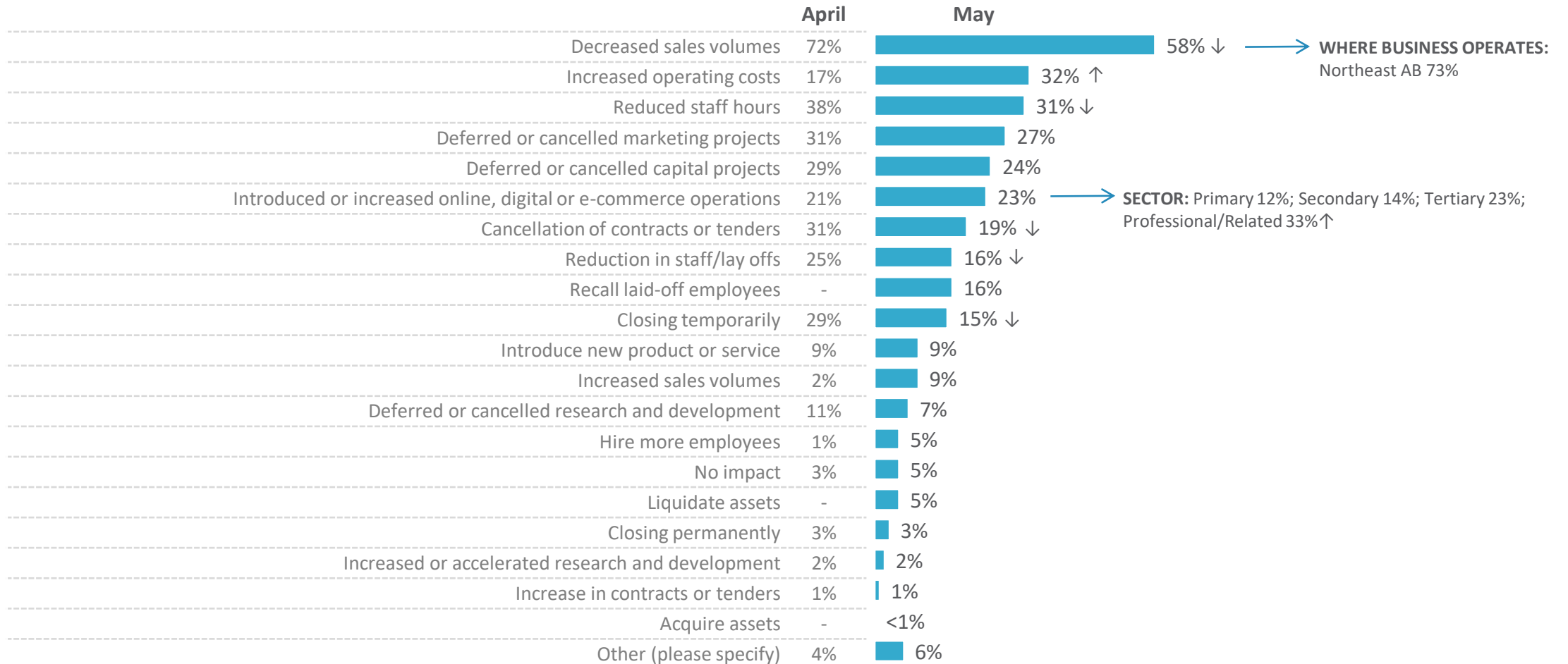
Base: Total sample (April n=708, May n=325)

* Wording '2 months' in April

IMPACT OF COVID-19 OVER THE NEXT TWO WEEKS

Again in May, businesses expect the most significant impact of COVID-19 over the next two weeks will be decreased sales, though this has declined by 14 points. As the economy is starting to reopen, there are also fewer businesses expecting to have to reduce staff hours/staff, that contracts or tenders will be cancelled, or that they will have to close.

- However, one third (33%) are expecting increased operating costs, double the results from April (17%).



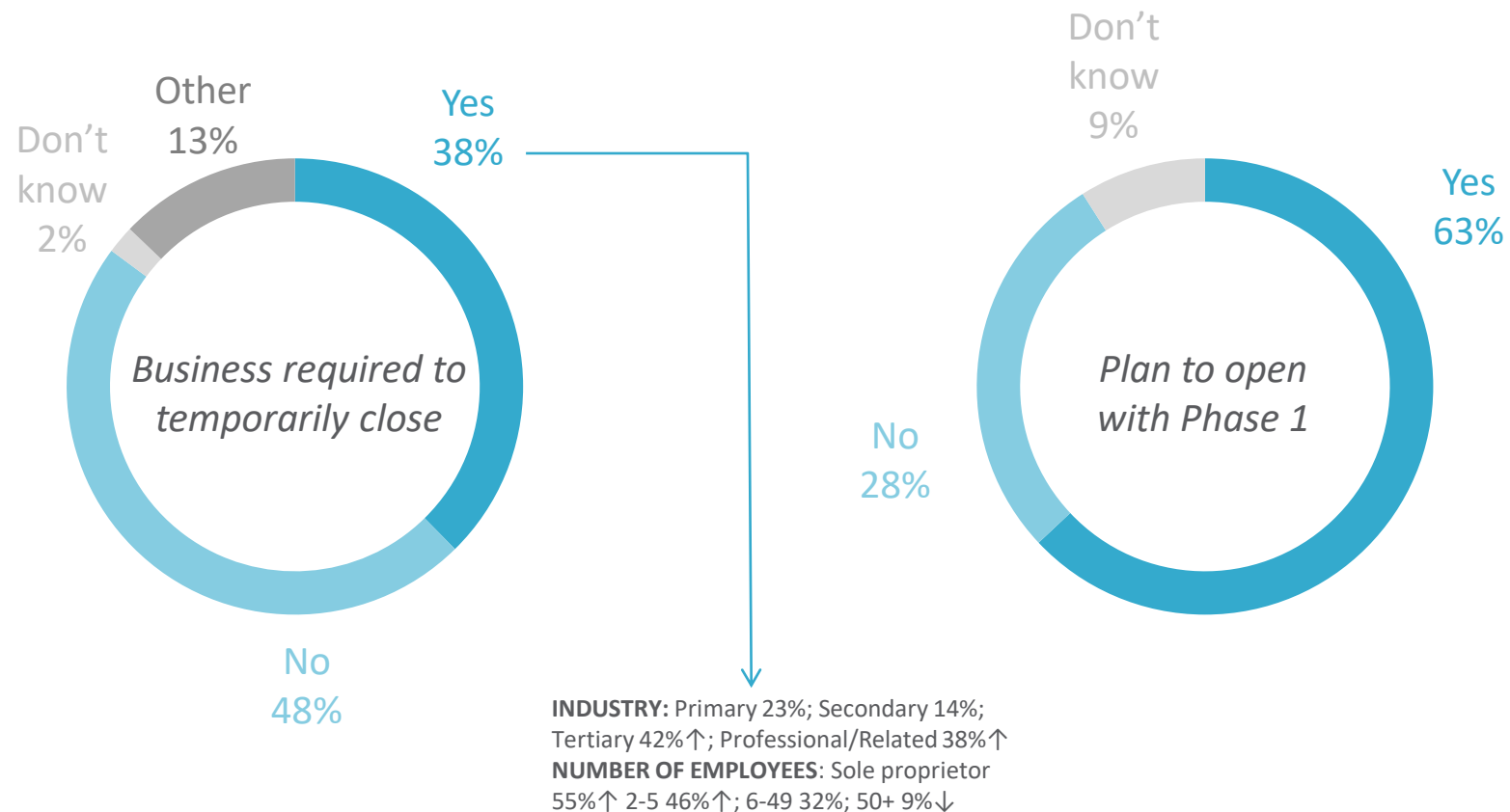
Q12. How do you expect COVID-19 to impact your business over the next two weeks?

Base: Total sample (April n=708, May n=325)

BUSINESS REQUIRED TO TEMPORARILY CLOSE AND PLAN TO RE-OPEN WITH PHASE 1

Overall, four in ten businesses report they were required to temporarily close as a result of COVID-19. However, there were significant differences by size and sector, with tertiary/professional and smaller businesses significantly more likely to have had to close.

- Three in ten businesses that were required to close indicate that, even if permitted, they do not plan to open during Phase 1.



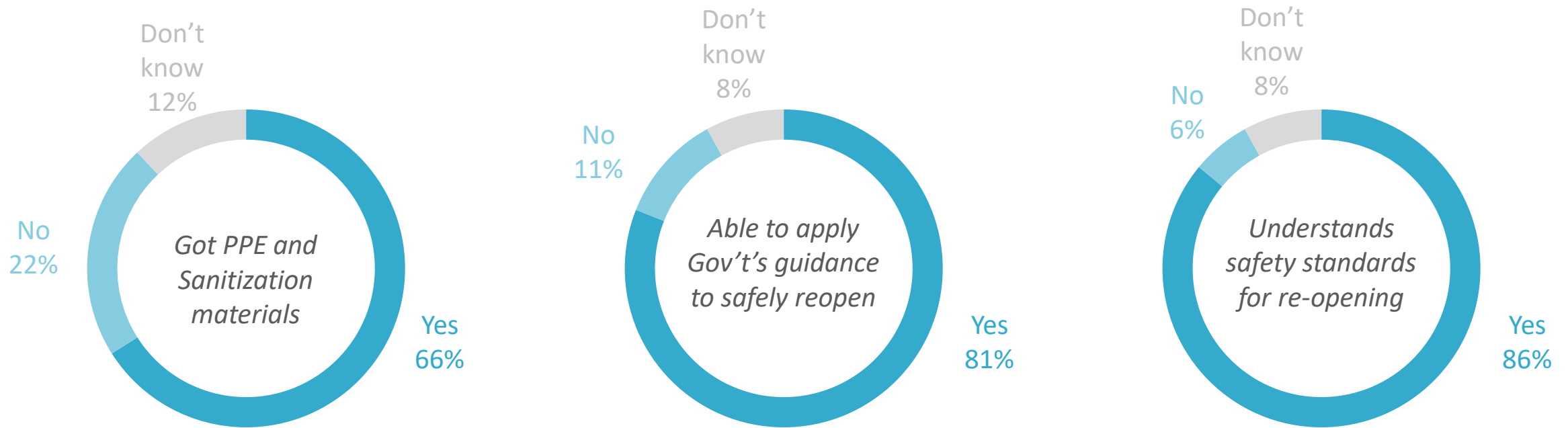
Q9. As a result of the COVID-19 pandemic, has your business been required to temporarily close? Base: (May n=324)

Q9a. If permitted, do you plan to open with Phase 1? Base: Businesses that were required to temporarily close (May n=122)

OBTAINED PPE AND SANITIZATION MATERIALS FOR RE-OPENING, ABLE TO APPLY GOVERNMENT'S GUIDANCE AND UNDERSTAND THE REQUIREMENTS

Among those businesses that closed temporarily and plan to reopen in Phase 1, only two thirds (66%) were able to obtain the PPE and sanitization materials they need.

- However, most (81%) are confident they will be able to apply the government's guidance on safely reopening their business and understand the requirements for businesses reopening (86%).



Q9b. Have you been successful obtaining personal protective equipment (PPE) and sanitization materials for reopening? Base: (May n=77)

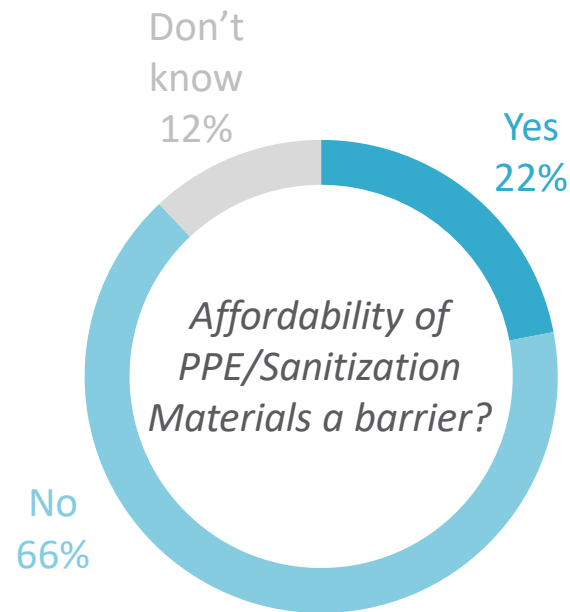
Q9c. Are you confident you will be able to apply government's general guidance on safely reopening to your business? Base: (May n=85)

Q9d. Do you understand the requirements (e.g. safety standards) for business re-openings? Base: (May n=85)

AFFORDABILITY OF PPE/SANITIZATION MATERIALS A BARRIER TO RE-OPENING BUSINESS AND KNOWLEDGE OF WHERE TO OBTAIN THESE MATERIALS

Fully one in five (22%) of businesses report that affordability of PPE and sanitization materials is a barrier to reopening their business.

- This tends to be more of an issue with those in the tertiary (25%↑) and professional (18%↑) sectors than for those in the primary (6%) or secondary (7%).



Q9e. Is affordability of personal protective equipment (PPE) and sanitization materials a barrier to reopening your business? Base: (May n=324)

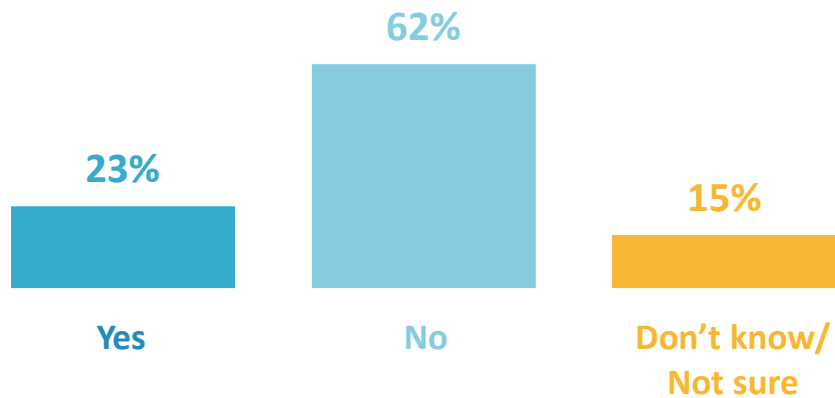
Q9f. Do you know where to obtain personal protective equipment (PPE) and sanitization materials? Base: (May n=26^c) c: Caution, small base size

RECALLED EMPLOYEES REFUSING TO RETURN TO WORK AND THEIR REASONS

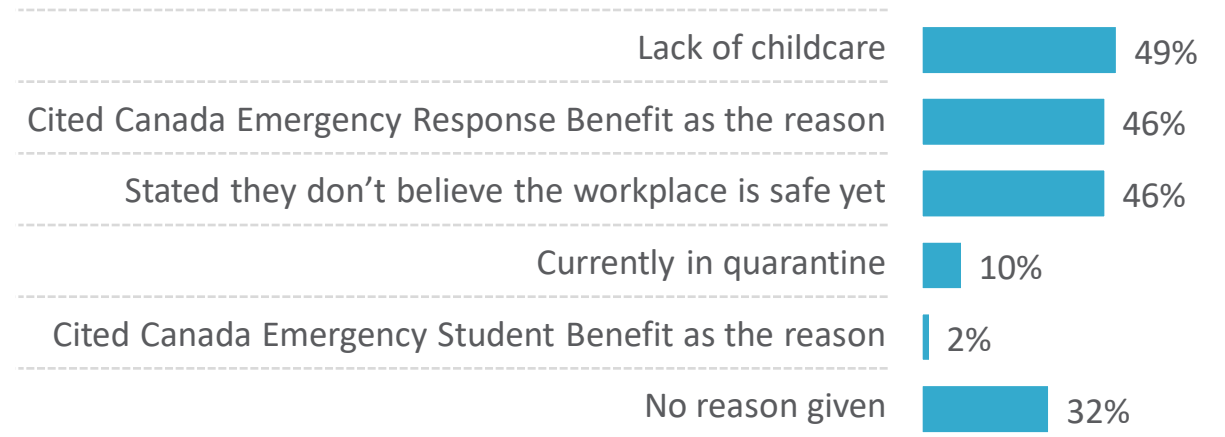
Among those businesses that have recalled employees, six in ten (62%) report they have had employees who refused to return to work.

- While a small sample size, half (49%) cited lack of childcare, followed by the CERB and that they didn't believe the workplace was safe yet (both 46%).

Recalled Employees refused to return to work



Why Employees refused to Return to Work



Q10a. Have your recalled employees refused to return to work? Base: (May n=181)

Q10b. Why have they refused to return to work? Base: (May n=41^c) c: Caution, small base size

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GOVERNMENT SUPPORT AND PRIORITIES

SUPPORT SOUGHT AND RECEIVED

Businesses continue to have a varied response to the programs available. There have been increases compared to April in the number of businesses reporting they have applied and received a benefit/money from the Canadian Emergency Business Account and the Canada Emergency Wage Subsidy.

- While the Canada Emergency Business Account support program is the most accessed, there are differences by number of employees: Sole proprietor 10% 2-5 38%; 6-49 60%↑; 50+ 23%. This is also the case for the Canada Emergency Wage Subsidy (Sole proprietor 10% 2-5 21%; 6-49 37%↑; 50+ 43%↑).
- A large number of businesses continue to report that they have not applied for any of the COVID-19 business support measures.

	APPLIED & RECEIVED BENEFIT/MONEY		APPLIED & WAITING TO HEAR		APPLIED & DID NOT QUALIFY		TRIED TO APPLY & COULDN'T ACCESS SYSTEM		DID NOT APPLY		PLAN TO	
	April	May	April	May	April	May	April	May	April	May	April	May
Deferral of utilities, line of credit, mortgage, lease or rent payments	21%	26%	15%	7%	7%	7%	3%	2%	47%	55%	8%	3%
Working capital loans through Business Development Bank (BDC) or Export Development Canada (EDC)	2%	3%	8%	3%	9%	10%	3%	2%	70%	77%	8%	5%
Working capital loan through primary financial institution (Canada Emergency Business Account)	11%	41%	19%	5%	11%	10%	4%	2%	45%	38%	10%	5%
Canada Emergency Wage Subsidy	7%	28%	13%	11%	8%	7%	7%	2%	43%	41%	22%	10%
EI Work-Sharing Program	1%	4%	6%	1%	4%	4%	2%	1%	77%	85%	9%	5%
Canadian Emergency Commercial Rent Assistance	-	1%	-	7%	-	6%	-	3%	-	72%	-	11%
Large Employer Emergency Financing Facility	-	<1%	-	1%	-	2%	-	1%	-	91%	-	5%
Regional Relief and Recovery Fund through local regional development agency (RDA)	-	1%	-	2%	-	3%	-	1%	-	86%	-	7%

Q14. Please indicate what action your business has taken or the benefit/money received regarding the following COVID-19 business support measures.

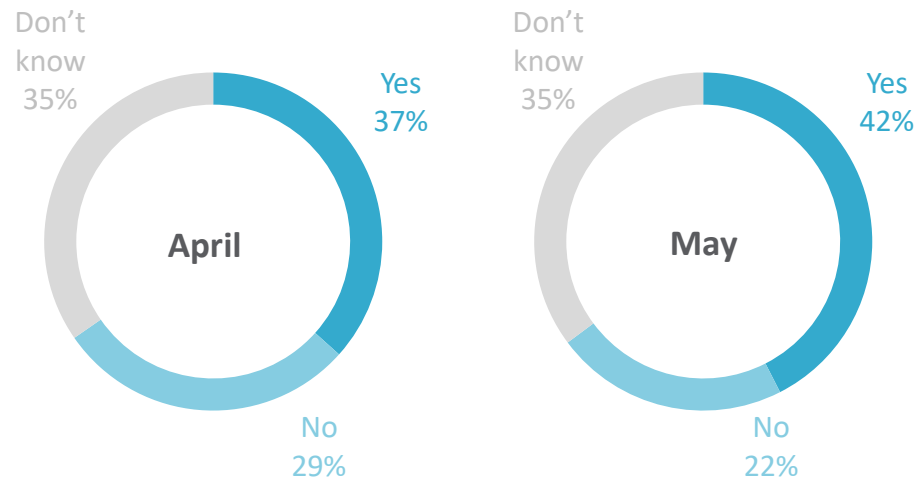
Base: Total sample (April n=708, May n=325)

IMPACT OF BENEFIT/SUPPORT RECEIVED

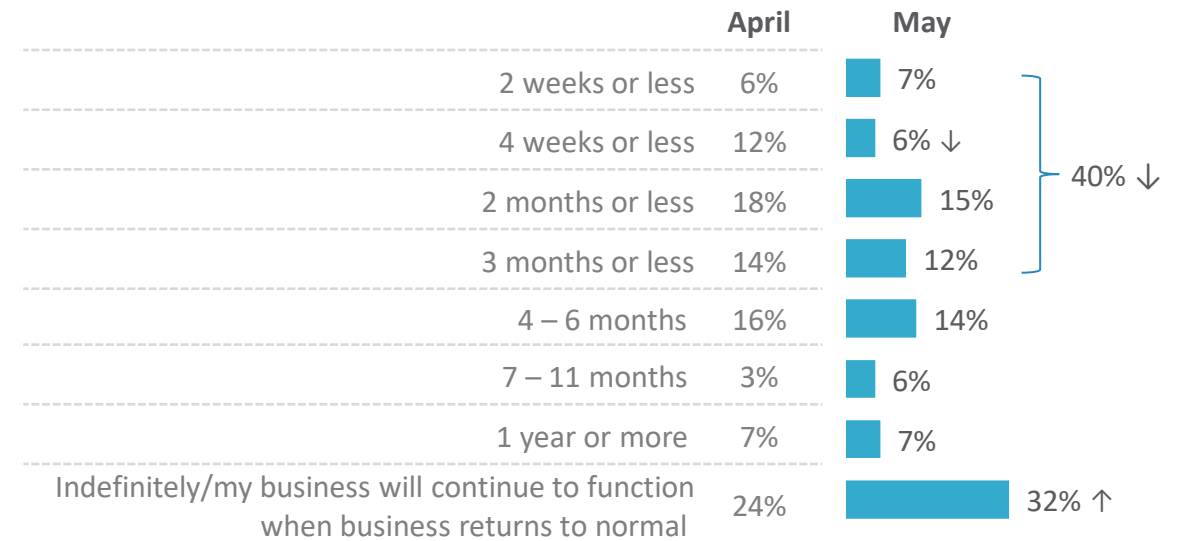
While businesses continue to struggle even with government support, there has been a slight improvement in May among those who have already received or applied for support. Now, 42% believe it is enough to sustain them over the next three months, an increase of 5 points compared to April.

- Among business in general, support from government is still considered important in the event of COVID-19 continuing for a while, although there is some sense of financial improvement. In May, 40% (still a substantial proportion, down from 50% in April) now say they can survive 3 months or less without government support.
- Larger businesses (more than 50 employees) are the most likely to believe their business will survive without government support (46%). This is the case for one third of businesses with between 2 and 49 staff, with sole proprietors the least likely to believe this (22%).

Benefit/Money Business has Received/Applied for is enough for Business to Remain Viable and Retain Employees over the Next Three Months



Estimate that Business can Survive without Government Benefit/Money



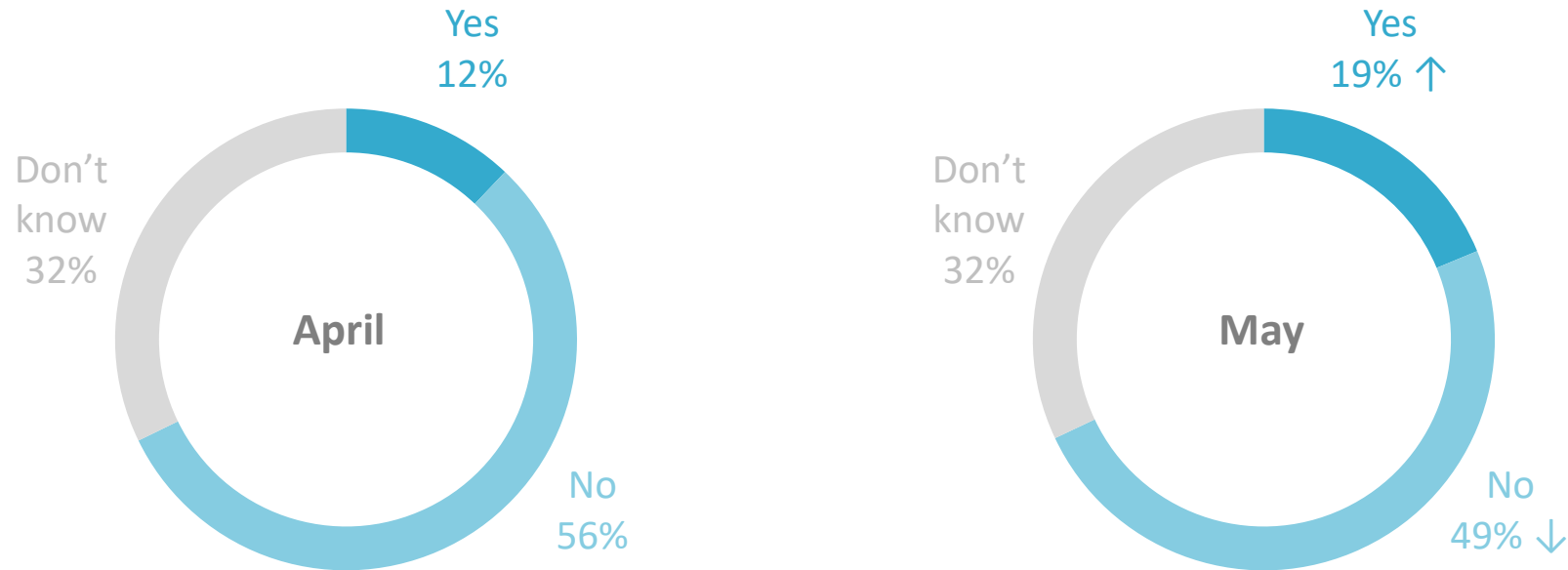
Q14bb. Will the benefit/money your business has received or applied for be enough for your business to remain viable and retain employees over the next three months? Base: Applied for support/benefit at Q14 (April n=126, May n=233)

Q15. How long do you estimate your business can survive without government benefit/money in the event of COVID-19 continuing for a while? Base: Total sample (April n=708, May n=324)

ABILITY TO PAY DEFERRED PAYMENTS

Additionally, now one in five (19%) of those who had opted to defer payments of various kinds anticipate they can undertake a one lump sum payment amount and remain financially solvent, up from 12% in April.

Business remaining financially solvent



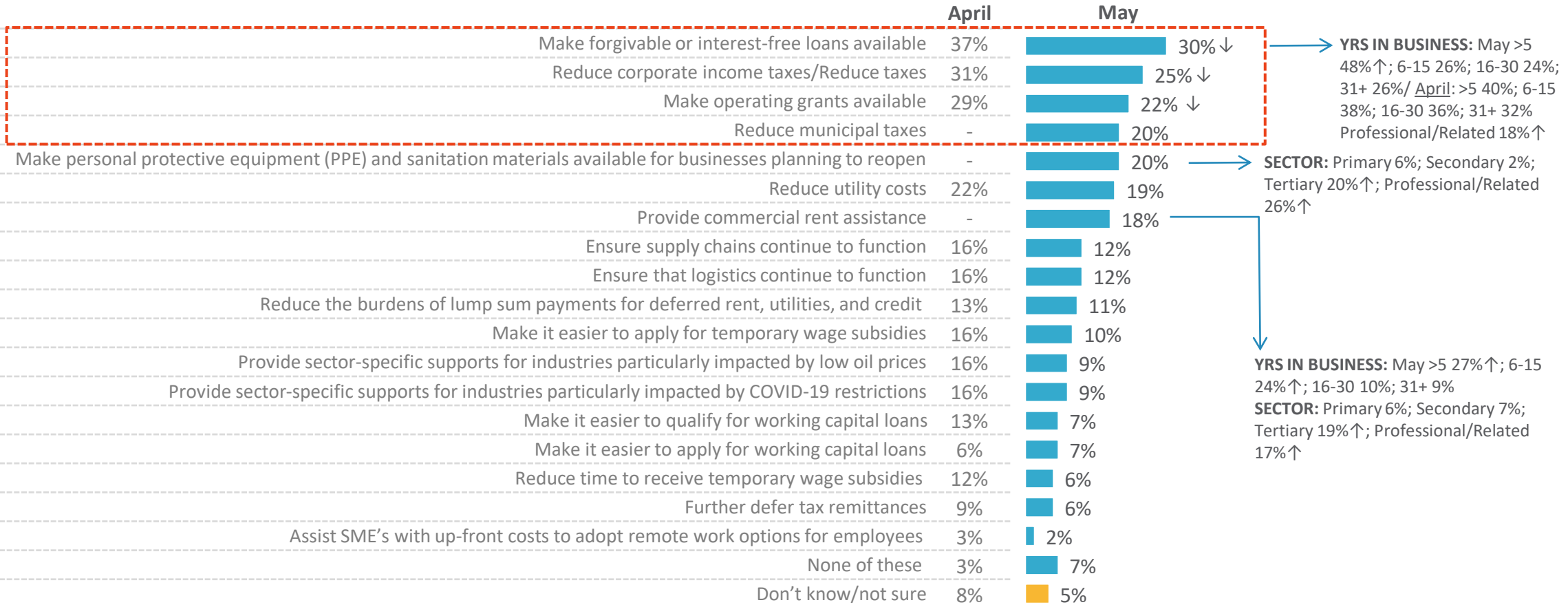
Q14aa. Do you anticipate your business will be able to pay the deferred payments in one lump sum and remain financially solvent?

Base: Those who reported a deferral of some kind of payment at 14a (April n=149, May n=128)

GOVERNMENT PRIORITIES FOR BUSINESS

The most-cited suggestions by businesses as top government priorities or additional measures that would help keep them viable over the next three months continue to be: forgivable or interest-free loans; reduced taxes; operating grants; and reduced utility costs. However, fewer have cited these measures in May.

- Newer businesses are significantly more interested in forgivable/interest-free loans, and this interest has grown since April.
- There is also interest in government measures making PPE and sanitation materials available to businesses planning to reopen (20%) and commercial rent assistance (18%).

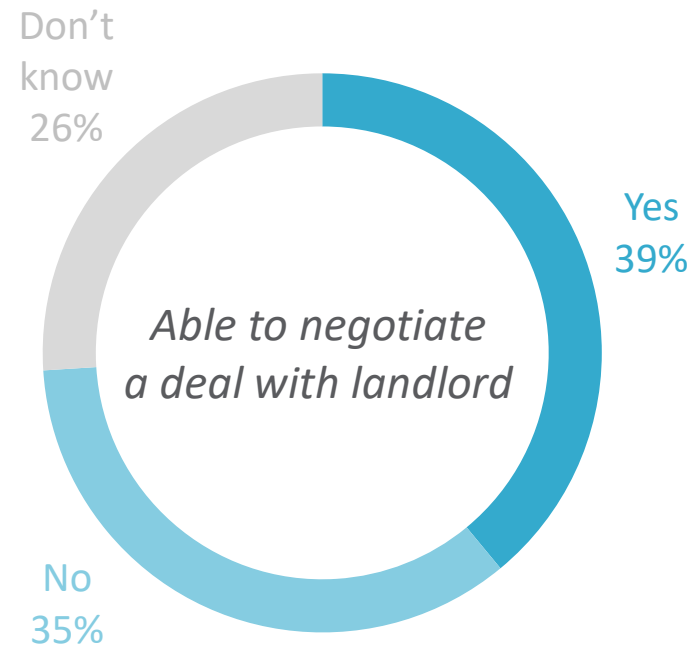


Q16. Which are the top three government priorities or additional measures that would help your business remain viable over the next 3 months?

Base: Total sample (April n=708, May n=324)

ABLE TO NEGOTIATE A DEAL WITH LANDLORD

Among businesses that believe commercial rent assistance should be a support provided by the government, four in ten (39%) report they have been successful in negotiating a deal with their landlord.



Q16a. Have you been able to negotiate a deal with your landlord?

Base: Among those businesses that chose 'Commercial rent assistance' as a government priority at Q16 (May n=57)

CONFIDENTIAL

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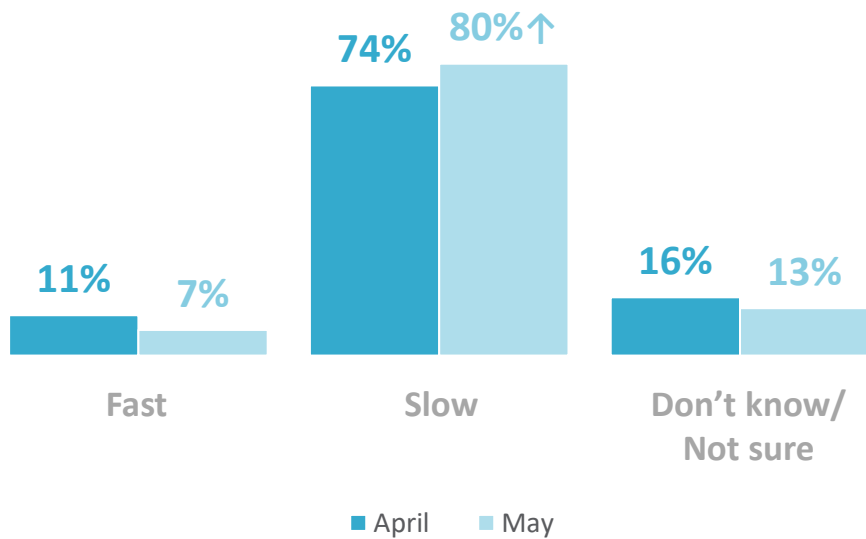
PACE OF ECONOMIC RECOVERY

PACE OF ECONOMIC RECOVERY

While most businesses (80%) continue to be pessimistic about the pace of any recovery, there has been a 6-point increase in those expecting a slow economic rebound in their market since April.

- Permanent damage to customers' ability to pay, low oil and gas prices, and insufficient global economic activity continue to be the top-cited reasons they believe the economic rebound will be slow.

After Covid-19 Crisis is Over, Expect Economic Rebound in Market to be . . .



Reasons for why Rebound will be Slow

	April	May
Permanent damage to customers' ability to pay	61%	57%
Low oil and gas prices	52%	49%
Insufficient global economic activity	33%	32%
Difficulty of exporting Alberta oil offshore	25%	22%
Insolvency or lack of financial capacity to restart the business	24%	22%
Permanent damage from workforce hiatus	24%	22%
Insufficient government response	12%	13%
Pre-COVID economy had been overheating, time for a correction	8%	12%
Permanent damage to suppliers' ability to supply	7%	6%
Other (please specify)	14%	20%
Don't know/not sure	4%	4%

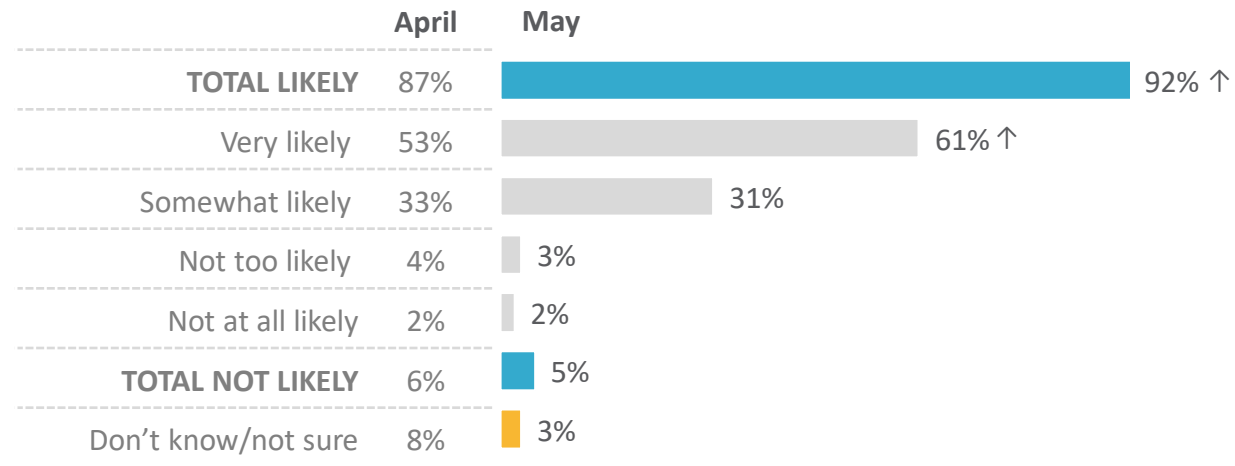
Q17. After the COVID-19 crisis is over, do you expect the economic rebound in your market to be: Base: (April n=708, May n=324)

Q17a. Why do you think the rebound will be slow? Base: Those who believe the economic rebound will be slow Base: (April n=523, May n=259)

BUSINESS WILL CONTINUE OPERATING AFTER COVID-19

Businesses appear more confident in May than they did in April that they will survive the impact of COVID-19. Nine in ten now feel it is likely they will continue operating once the COVID-19 outbreak is over, with 61% saying it is 'very' likely.

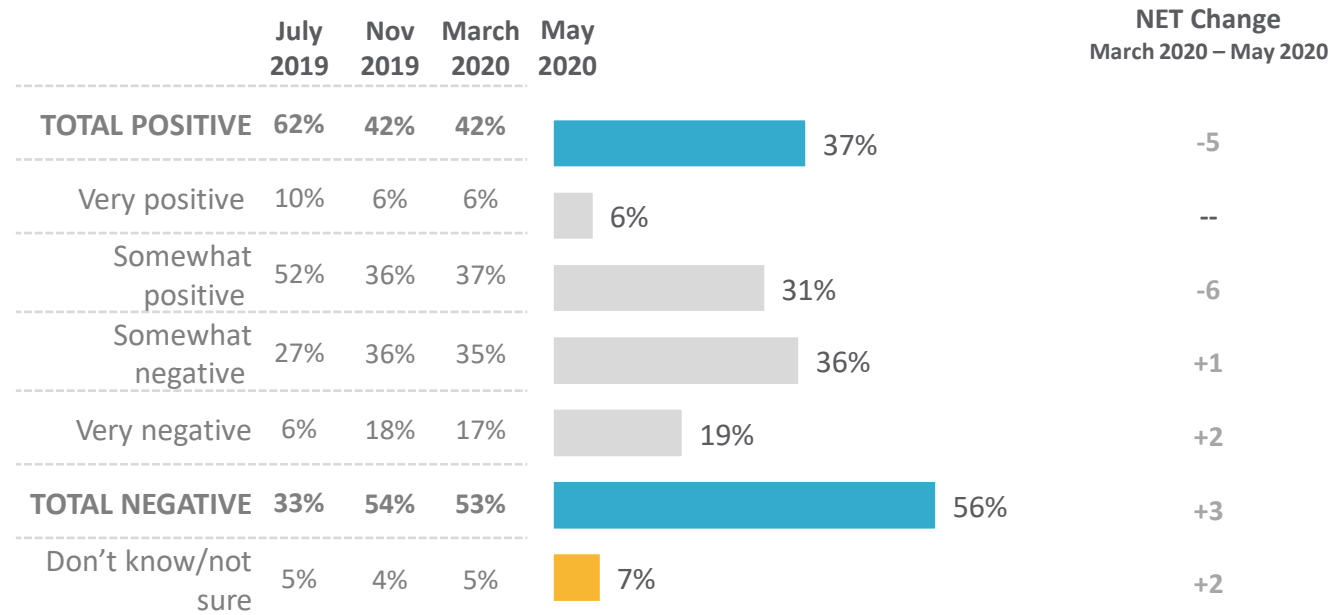
- However, this declines to 82% among those businesses that had to temporarily close, with 39% indicating that it is 'very' likely.



Q13. How likely is it that your business will continue operating once the COVID-19 outbreak is over?
Base: (April n=708, May n=325)

Just over half (56%) of businesses continue to report they feel negative about the long-term future of Alberta, with those feeling ‘very’ negative (19%) three times those feeling ‘very’ positive (6%).

- Since the beginning of the disruptions of COVID-19 and low oil prices, there has been 5-point drop in those that feel positive. However, compared to almost a year ago, there has been a 25% decline in businesses with a positive outlook for the long-term future of the province.



4

ABOUT THE RESPONDENTS

DEMOGRAPHICS

ROLE/JOB TITLE n=325

%	
15	President/CEO/chair
54	Owner/partner
2	Vice president
16	Director/manager
1	Supervisor
5	Contractor or self-employed
3	Professional/technical
3	Other, specify

SECTOR n=325

%	
63	Private
37	NET - Public/Not for profit
27	Public
10	Not for profit

NUMBER OF STAFF IN ALBERTA n=325

%	
15	None, just me
34	2 – 5
40	NET - 6-49
18	6 – 10
22	11 – 49
11	NET - 50+
6	50 – 99
3	100 – 499
2	500+

INDUSTRY SECTOR BUSINESS OPERATES n=325

%	
10	NET - Primary
3	Agriculture
3	Forestry, fishing and hunting
2	Mining, quarrying
6	Oil and gas extraction
13	NET - Secondary
5	Manufacturing
2	Utilities
8	Construction
70	NET - Tertiary
21	Retail trade
2	Wholesale trade
2	Transportation and warehousing
9	Finance and insurance
5	Real estate and rental and leasing
1	Administrative and support, waste management and remediation services
8	Arts, entertainment and recreation
13	Accommodations and food services
18	Other services (except public admin)
22	NET - Professions and related
3	Information and cultural industries
9	Professional, scientific and technical services
1	Management of companies and enterprises
5	Educational services
8	Healthcare and social assistance
1	Public administration

REGION OF PROVINCE BUSINESS OPERATES n=325

%	
14	All regions of Alberta
6	Calgary area
8	NET - Southeast/Southwest AB
5	Southeast Alberta
4	Southwest Alberta
25	Central Alberta
21	Edmonton area
13	Northeast Alberta
26	NET - Northwest AB/Mountain
24	Northwest Alberta
2	Mountain parks

NUMBER OF YEARS COMPANY IN OPERATION n=325

%	
22	NET - 5 or <
4	1 year or less
4	1 – 2 years
14	3 – 5 years
26	NET - 6-15
15	6 – 10 years
12	11 – 15 years
28	NET 16-30
13	16 – 20 years
15	21 – 30 years
23	NET - 31+
13	31 - 50 years
10	More than 50 years
0	Don't know/not sure