



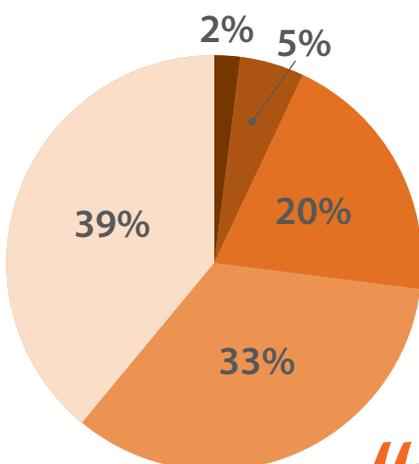
## How has the economic recession impacted businesses in Alberta?

For the last two years the current economic downturn has been top of mind for many of Alberta's small and mid-sized businesses (SMEs). In this ATB Business Beat we asked if the impact of the economic downturn had been positive or negative for these businesses and what changes (if any) they have had to make to staffing, operations and cash flow management to weather the storm.

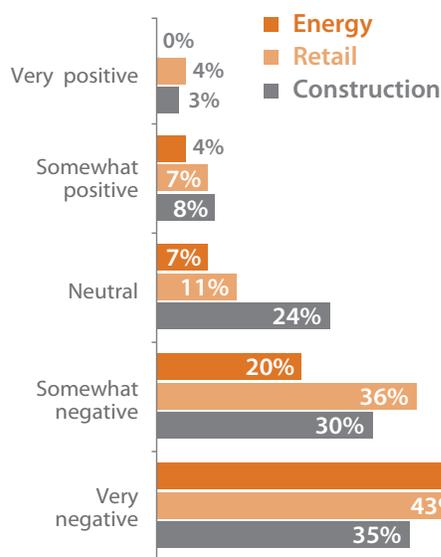
We also asked our regular questions on whether or not Alberta SMEs believe the Alberta economy and their business will be better off, the same or worse six months from now.

## OVERALL IMPACT

### How has the economic downturn impacted your business overall?



- Very positive
- Somewhat positive
- Neutral
- Somewhat negative
- Very negative



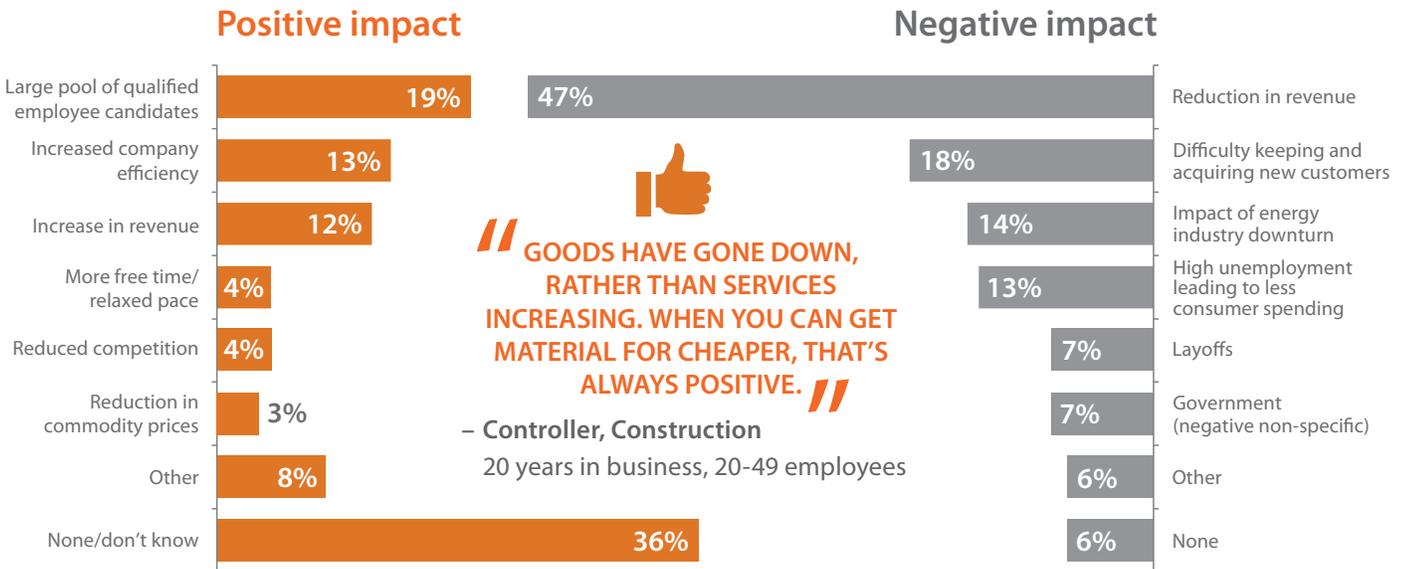
There's no use pretending, this slump in the economy has been incredibly challenging for Alberta businesses. Despite possible benefits on paper for small business owners (lower fuel charges, low interest rates, available resources and decreased labour rates) the fact of the matter is the majority of businesses in Alberta are hurting. Almost three quarters (72%) of the SMEs surveyed said that the impact of the downturn has been negative, although some (7%) were able to highlight a few positive influences.

**“ WE ARE PREDOMINANTLY OIL AND GAS, RIGHT NOW IT'S FINALLY STARTING TO SHOW A KIND OF A RETURN, A SLIGHT HEARTBEAT, FROM WHERE WE WERE BEFORE WHICH WAS A BOOM TO DROPPING DOWN TO A ZERO AND NOW RAISING UP TO A BIT OF A RETURN. LIKE I SAID BEFORE, A SLIGHT HEARTBEAT. ”**

– General Manager, Repair and Maintenance  
30 years in business, 1-4 employees, \$500,000 to less than \$1 million in revenues

# POSITIVE & NEGATIVE IMPACT

We asked SMEs what, if any, are the most positive impacts the current economic downturn has had on their business. More than one third (36%) could not think of anything positive, providing a stark reminder as to the toll the last two years has taken on Alberta businesses. However, those that have seen some benefits say it has provided them access to a large pool of qualified employee candidates (19%) and allowed them to increase their company efficiency (13%) and revenues (12%). When we break it down by industry the main increase in revenue comes from the retail sector (21%) where sales have actually increased for two in 10 retailers. This optimism could be due to the timing of this survey was prior to Black Friday and the busy holiday season. Increased efficiency was found from construction companies (22%) though, not surprisingly, 38% of energy companies could not think of a way their businesses have been positively impacted by the downturn.



Alberta SMEs had less difficulty identifying the negative impact of the downturn on their businesses. The top comment by far should be no surprise to anyone. Almost half (47%) of SMEs reported reduced revenues, followed by difficulty keeping and acquiring new customers (18%) and the downstream impact of the energy industry downturn (14%). This includes things such as loss of work as businesses supporting the energy industry are seeing less work and people in general are spending less money. When broken down by industry, energy (52%) and retail (61%) respondents cited reduced revenue as the biggest impact. More than three in 10 (35%) construction industry respondents cited difficulty keeping and acquiring new customers as the most negative impact, with reduction in revenue (32%) coming in a close second.

**Quote:** "THE ONLY POSITIVE IS NOW YOU ARE GETTING A MORE QUALITY APPLICANT FOR EMPLOYMENT, BECAUSE THERE ARE SO MANY COMPANIES LAYING OFF, RESULTING IN A LARGER TALENT POOL."  
 – Chief Executive Officer, Industrial Equipment  
 19 years in business, 50-99 employees, \$10 million to less than \$15 million in revenues

**Quote:** "LOSS OF CUSTOMERS. I AM IN ELECTRONICS MANUFACTURING AND 70% OF BUSINESS HAS DRIED UP IN THE LAST FEW YEARS. MANY OF THOSE CUSTOMERS ARE RELATED TO OIL AND GAS... I AM FORTUNATE WE HAVE DEVELOPED NEW PRODUCTS FOR PLACES OUTSIDE OF ALBERTA."  
 – President, Manufacturing  
 5 years in business, 20-49 employees, \$3 million to less than \$5 million in revenues

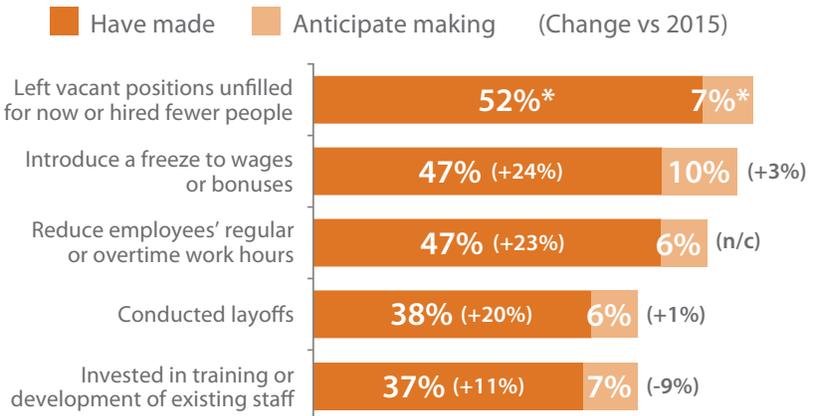
**Quote:** "CHASING MONEY, TRYING TO GET PAID FOR WORK THAT'S BEEN DONE. I NEVER HAD TO WORRY ABOUT IT BEFORE, I ALWAYS GOT PAID ON TIME. NOW BECAUSE OF THE DOWNTURN PEOPLE ARE PUSHING IT OFF AND I'M NOT GETTING PAID ON TIME."  
 – Owner/Operator, Transportation and Warehousing  
 12 years in business, 5-19 employees, \$1 million to less than \$3 million in revenues

# MANAGING THROUGH AN ECONOMIC DOWNTURN

We took a deeper dive into three areas of business operations—staffing/human resources, operations and cash flow management—to better understand how the economy has directly impacted them. In each category we asked whether respondents have made or anticipate making changes, then did a comparison from one year ago where we asked the same questions.

## Staffing/HR changes

Within staffing, the most dramatic changes were introducing a freeze to wages or bonuses (47% in 2016 vs 23% in 2015), reducing regular or overtime hours (47% in 2016 vs 24% in 2015) and conducting layoffs (38% in 2016 vs 18% in 2015). While we didn't ask this question in 2015, this year's highest rated response was 'left vacant positions unfilled for now or hired fewer people' (52%).

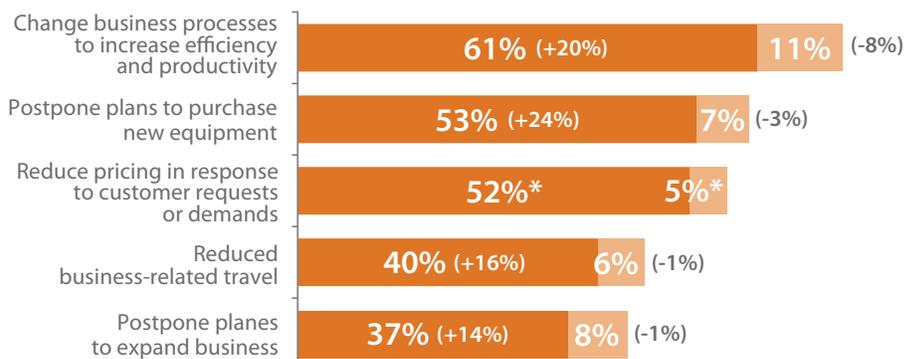


\* New question asked in 2016

## Operation changes

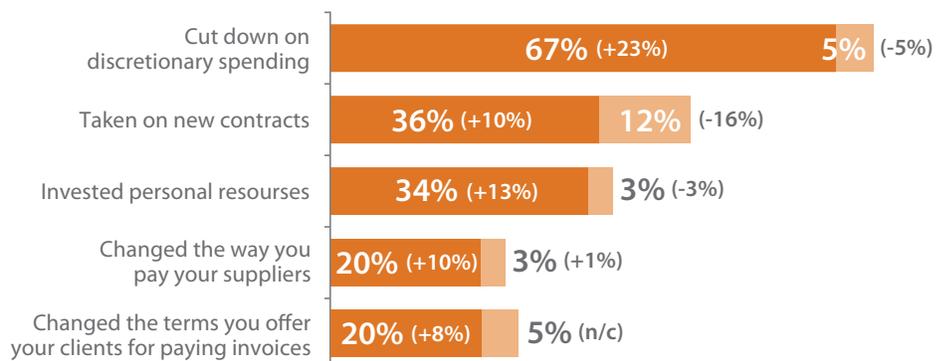
A substantial number of Alberta SMEs have also made changes to their operations compared to last year, with many changing business processes to increase efficiency or productivity (61% in 2016 vs 41% in 2015), postponing plans to purchase new equipment (53% in 2016 vs 29% in 2015) and reducing business-related travel (40% in 2016 vs 24% in 2015).

A substantial proportion of SMEs reported having to reduce their prices in response to customer demand (52%), a new question for the 2016 survey.



## Cash flow management changes

The most common changes to cash flow management were to cut down on discretionary spending (67% in 2016 vs 44% in 2015), take on new contracts (36% in 2016 vs 26% in 2015) and invest in personal resources (34% in 2016 vs 21% in 2015).

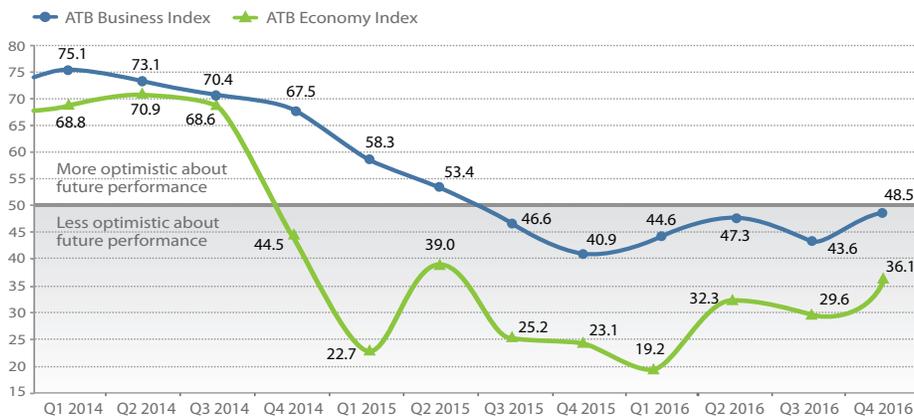


# WHEN THE GOING GETS TOUGH, THE TOUGH RENEGOTIATE

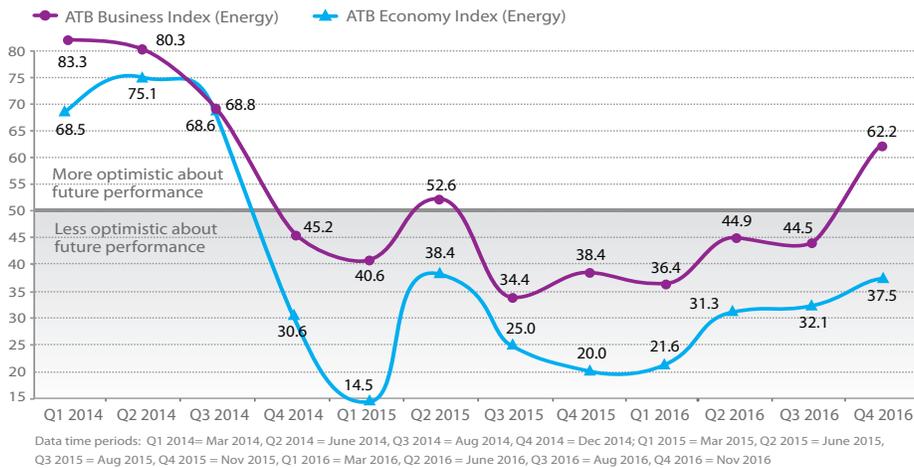
Almost seven in 10 (68%) Alberta SMEs we surveyed currently have a loan, yet only 13% extended the term on their existing loan and only 8% postponed principal payments on existing loans. Now more than ever it is important to engage with your banker to discuss your options on how best to consolidate debt and manage payments to keep your cash flowing. Your financial institution is there to help you through these tough times, so don't be afraid to reach out.

# ATB BUSINESS BEAT INDEXES

## Business Beat Index



## Energy Index



To determine the indexes, we remove the neutral numbers, take the % better (somewhat/much better) and subtract the % worse (somewhat/much worse) and rescale the number to range between 0 to 100.

## ABOUT THIS REPORT

For more information on this report or the next ATB Business Beat, please email [businessbeat@atb.com](mailto:businessbeat@atb.com) or visit [atb.com/businessbeat](http://atb.com/businessbeat) to be put on the mailing list.

### About ATB Financial

ATB Financial (atb.com) is the largest Alberta-based financial institution, with assets of \$43.1 billion. ATB offers retail financial services, business and agriculture financial services, corporate financial services and investor services to more than 710,000 Albertans and Alberta-based businesses in 244 communities in our province. ATB Business and Agriculture provides services to Alberta's small and mid-sized businesses, farmers and other agriculture customers.

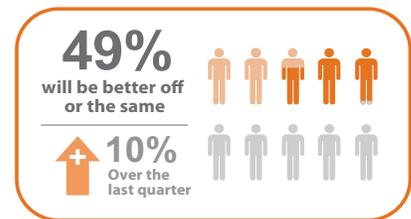


To find out how ATB Financial can help your business grow, please contact:  
Teresa Clouston, Executive Vice-president,  
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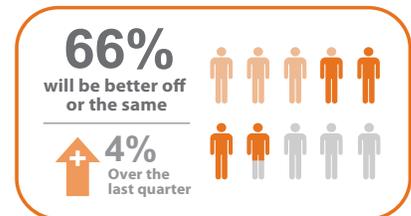
It's encouraging that the number of SMEs who think that the economy will be better off or the same six months from now has increased by 10% versus last quarter. But the fact that 51% think the economy will be worse off suggests the sense of gloom about the economy remains among the majority of businesses.

There was a positive increase in the ATB Business Index from the energy sector which is likely due to increased stability in oil prices leading up to this survey.

### Alberta Economy



### Your Company



### About NRG Research Group

NRG Research Group (nrgresearchgroup.com) is a leading Canadian public affairs and market research company with offices in Calgary, Vancouver and Winnipeg.

### Who did we talk to?

These findings are from an ATB Business telephone survey conducted during November 7-18, 2016 with 300 randomly selected Alberta SME owners/operators.

**Study exclusions:** agriculture (farms or ranches), government, financial institutions, and large businesses (500+ employees).

**Business size definitions:** small (0-49 full-time employees) and medium-sized (50-499 full-time employees).