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A REPORT TO  
ALBERTA CHAMBERS OF COMMERCE

# COVID-19 AND THE OIL PRICE CRISIS

## THE IMPACT ON ALBERTA BUSINESSES

May 2020

# 1

## ABOUT THE RESEARCH

## OBJECTIVES

- The overall purpose of the research is to understand the impact of provincial and federal government measures to contain the spread of COVID-19. This unprecedented response has seen all businesses determined to be non-essential temporarily close 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

- A total of n=708 respondents completed the survey online. Respondents were sent an invite from their local chamber of commerce.
- The survey was fielded on the Vison Critical platform.
- Surveying was undertaken between April 10<sup>th</sup> and April 26<sup>th</sup>, 2020.

# 2

## KEY FINDINGS

# Key Findings

## 1 IMPACT OF THE CRISIS ON ALBERTA BUSINESSES

**Both COVID-19 and low oil prices are having a devastating impact on Alberta's business community.**

- Almost all (90%) businesses report that COVID-19 is negatively impacting their business, with seven in ten (69%) saying the impact is 'significantly' negative.
- At the same time, three quarters of businesses say low oil prices are also having a negative impact and almost half (47%) describe this as 'significantly' negative.
- Small businesses of five or fewer employees and those most reliant on the oil and gas sector report the highest level of negative impact.
- In many ways, those 30% of businesses that are most reliant on the oil and gas sector appear to be hardest hit by COVID-19 (77% report a significantly negative impact), likely due to the combined effect of both crises.
- Further, most fear that any recovery will be slow as a result of the twin threats facing the province.

## 2 SPECIFICS OF THE IMPACT

**Businesses report a wide range of responses to COVID-19. In particular, half say they have used up their cash reserves and 37% say they are unsure if they can survive a shutdown of more than the next two months.**

- In response, half (49%) report laying off employees and 42% have employees working reduced hours.
- Smaller and newer business appear to be most financially at risk in terms of cash reserves and concerns about their survival.

# Key Findings

## BUSINESSES LAYING OFF EMPLOYEES

**3** Among those businesses that have had to lay off employees, 57% report they have laid off half or more of their employees while 42% say they have laid off three quarters or more.

- However, this response has not eased their challenges as those laying off the largest proportion of employees are also the ones reporting the greatest financial challenges and concerns for their survival.

## IMPACT ON REVENUES FROM THE CRISIS

**4** More than half of businesses (57%) report that their revenues have declined by 50% as result of the non-essential business closures due to COVID-19.

- This is coupled with one quarter (26%) of businesses reporting declines of revenue of 50% or more that they attribute to the collapse of oil prices
- By comparison, among those 'very' reliant on the oil and gas sector, 42% report a revenue decline of 50% or more due to the decline in oil prices and 57% of this group report 50% or more revenue declines due to COVID-19.
- Once again, those businesses reporting a 50% or greater decline in revenues due to COVID-19 tend to be smaller (five or fewer employees), with 65% of businesses reporting this level of decline.

# Key Findings

## SUPPORT SOUGHT AND RECEIVED

**Take up of various government and related support programs has been somewhat mixed. Approximately half of businesses say they have applied or plan to apply to defer a payment of some kind, seek a working capital loan from an FI and use the wage subsidy program.**

- Those seeking to access these programs are generally the businesses that have seen the largest revenue declines or the steepest employee layoffs.
- The exception is the wage subsidy program, where the take up is greatest among businesses of six or more employees and where the revenue decline and layoffs have been less severe.

## IMPACT OF BENEFIT/SUPPORT RECEIVED

**Despite government support programs, many businesses feel the outlook is precarious.**

- Half of businesses believe that without further government support they can survive at most three months. Many in this group give shorter survival time horizons.
- Among those who have applied for or are receiving some form of government support, only slightly more than one third (37%) say this is enough to sustain them over the next three months.
- Only 12% of those seeking a payment deferral of some kind say they can pay this off as a lump sum.

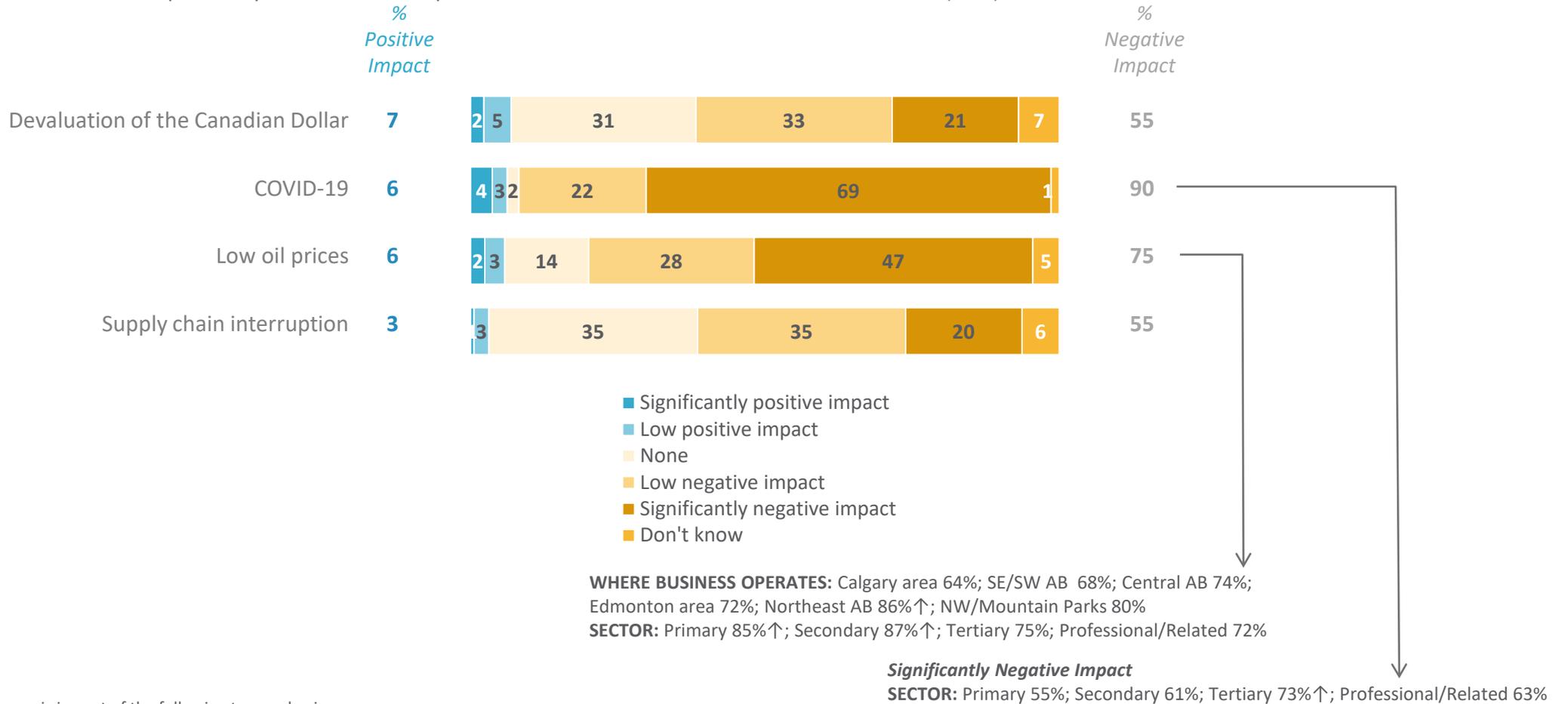
# 3

## DETAILED FINDINGS

**ECONOMIC IMPACT OF KEY EXTERNAL BUSINESS CHALLENGES**

Both the pandemic and the collapse of oil prices are having a major impact on business across the province. But, COVID-19 is even more of a challenge than the oil price collapse (90% and 75% ‘negative impact’, respectively).

- Hardest hit businesses are those in the tertiary/service sector (73% say ‘significantly’ negative), presumably because they are deemed non-essential; micro businesses of five or fewer people (72%); and those who say they are ‘very’ reliant on the oil and gas sector (77%), as presumably they are taking a double hit.
- Not unexpectedly, those firms most impacted by the decline in oil prices are those that are most reliant on that sector (79%).

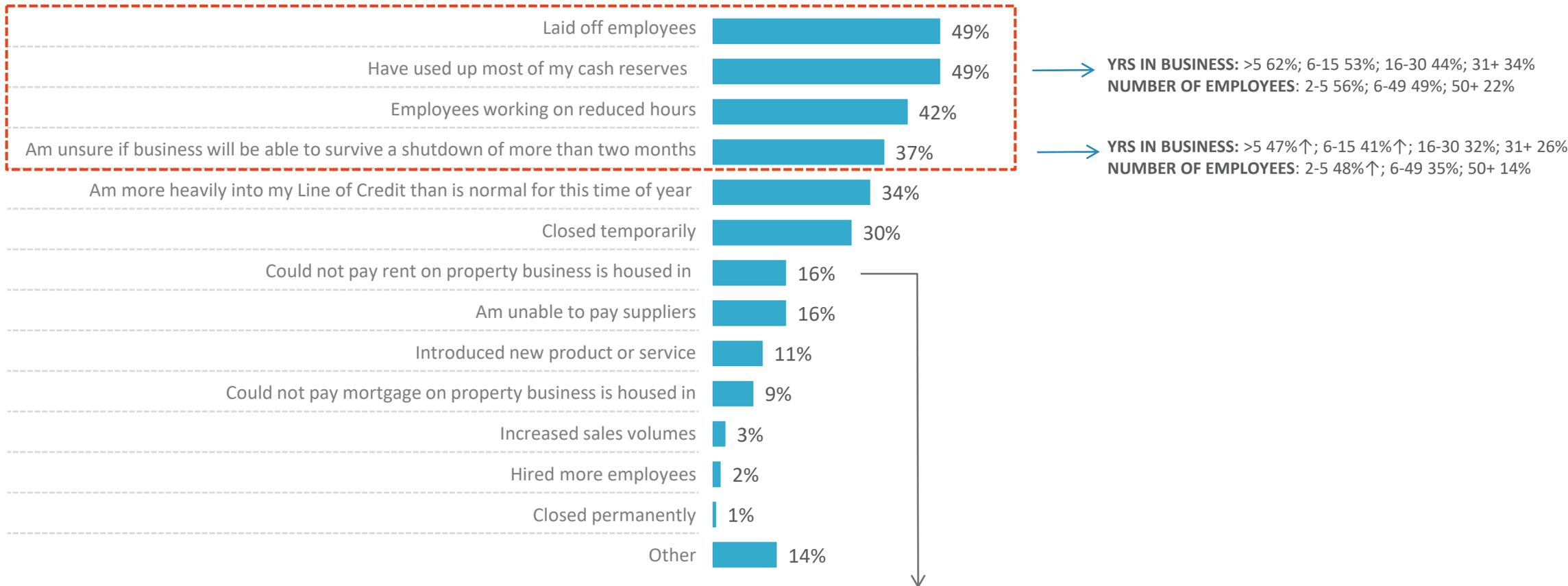


Q7. Please estimate the economic impact of the following to your business:  
 Base: Total sample (n=708)

**SPECIFICS OF COVID-19 IMPACT**

There are a wide range of impacts from COVID-19. The two most significant responses are with employees (laying off or reduced work hours) and the state of the business. On this latter point, half (49%) say they have used up their cash reserves and 37% are unsure if they will be able to survive a shutdown of more than two months.

- Smaller and newer businesses appear to be hardest hit by COVID-19: 56% of those with five or fewer staff say they have used up their cash reserves, as do 62% of those in business for five years or less. Similarly, 48% of smaller (two to five staff) and 47% of newer (five years or less) business are not sure they can survive more than two months of closure.



**WHERE BUSINESS OPERATES:** Calgary area 27%; SE/SW AB 12%; Central AB 15%; Edmonton area 18%; Northeast AB 16%; NW/Mountain Parks 19%  
**SECTOR:** Primary 8%; Secondary 10%; Tertiary 20%; Professional/Related 17%

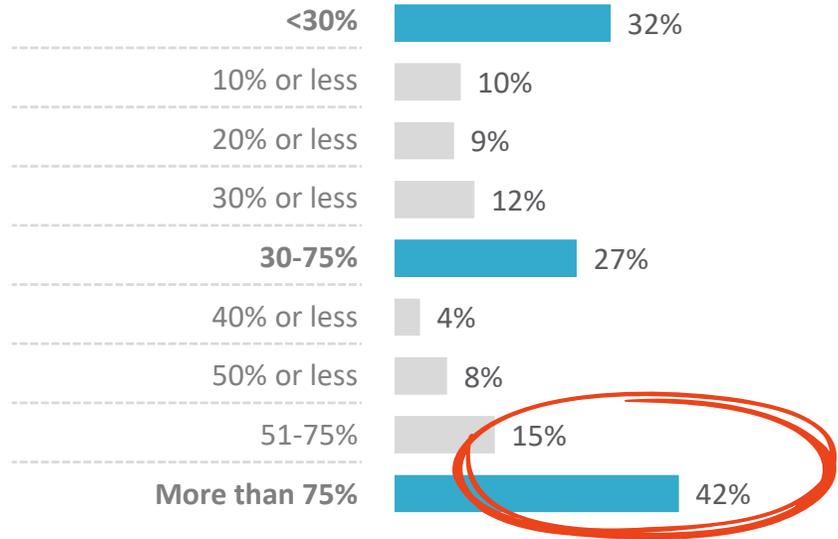
Q9. Have you experienced any of the following as a result of COVID-19?  
 Base: Total sample (n=708)

## THE PROPORTION OF EMPLOYEES LAID OFF

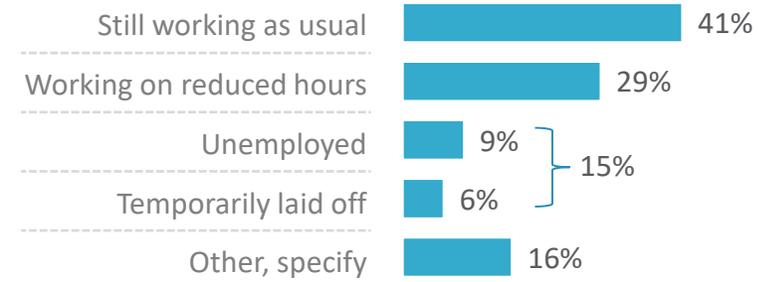
Among those reporting layoffs, 57% say they have laid off more than half of their employees.

- However, laying off employees is not a solution to the crisis. A large number of those businesses reporting laying off 75% or more are also in the deepest trouble: 79% say they have gone through their cash reserves, 53% say they are more heavily into their LOC, 65% say they are worried they cannot survive more than a two month closure and 36% are unable to pay suppliers.

Percentage of Workforce  
Temporarily Laid off



Personal Employment Status



SECTOR: Primary 17%; Secondary 24%; Tertiary 50%↑; Professional/Related 40%↑  
 YRS IN BUSINESS: >5 64%↑; 6-15 40%; 16-30 40%; 31+ 25↓%  
 NUMBER OF EMPLOYEES: 2-5 55%↑; 6-49 38%; 50+ 26%

Q10. What percent of your workforce has been temporarily laid off due to COVID-19? Base: laid off employees at Q9 (n=349)

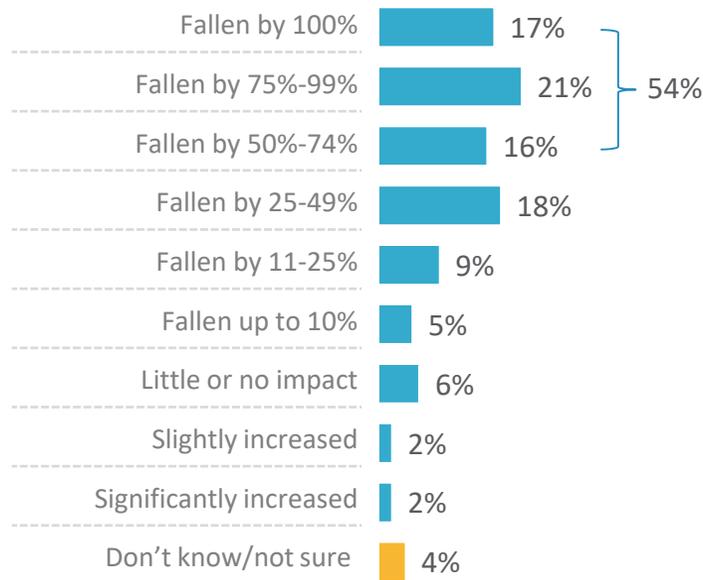
Q6. Are you still working or are you now unemployed or laid off? Base: (n=185)

## CHANGE IN REVENUES DUE TO COVID 19 AND LOW OIL PRICES

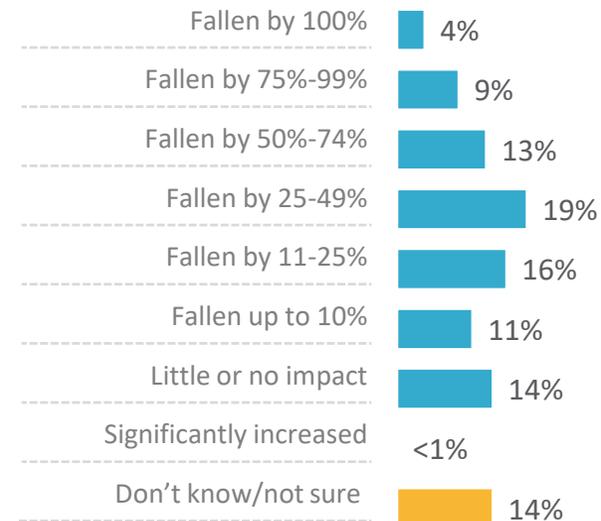
Almost all businesses report a decline in their revenues from both COVID-19 and low oil prices. However, it is clear the larger impact is from COVID-19 with over half (54%) saying revenues have fallen by 50% or more.

- The businesses reporting a 50% or more decline in revenues tend to be smaller (five or fewer people) with 65% reporting a decline of 50% revenue or more, compared with 47% saying this with staff of between six and 49 and 32% saying this with staff of 50 or more.
- By comparison, among those 'very' reliant on the oil and gas sector, 42% report a decline of 50% or more due to the decline in oil prices; however, 57% of this group report 50% or more revenue declines due to COVID-19.

*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 (n=708)

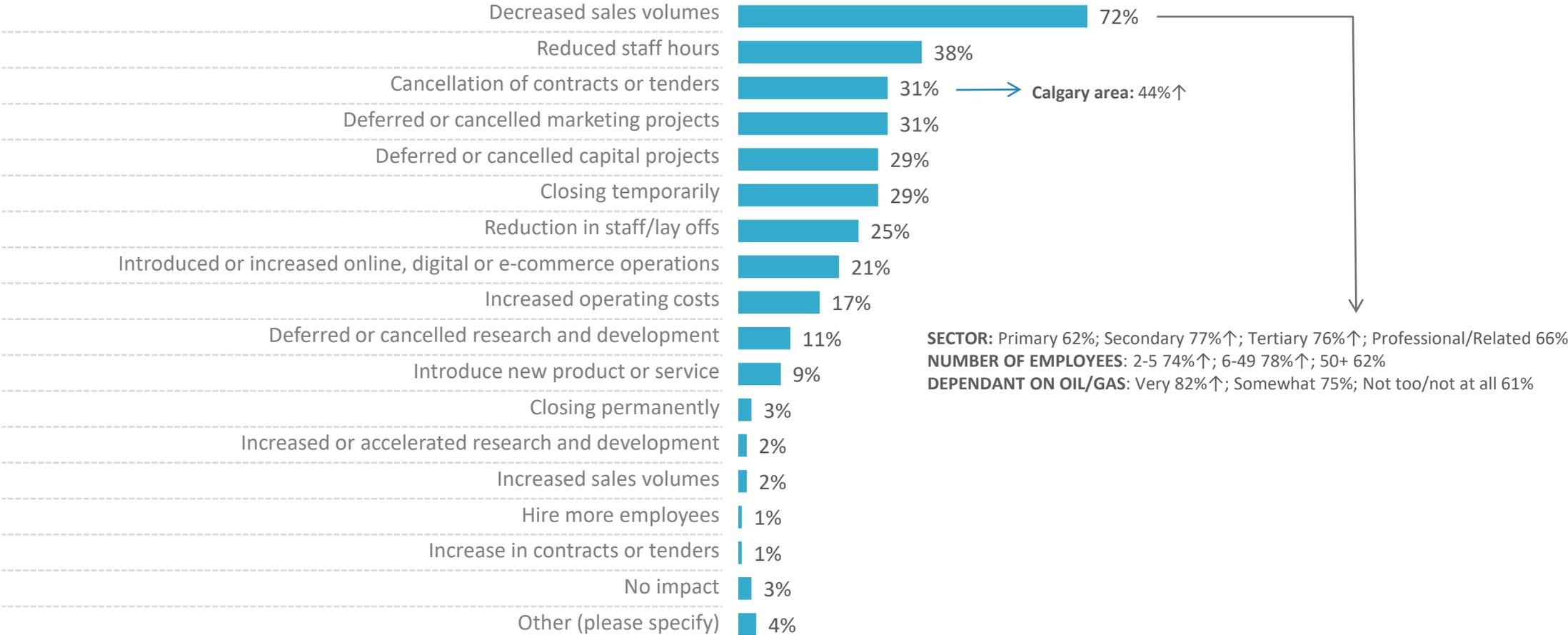
Q12. While it might be hard to separate out the impact of low oil prices from that of COVID 19, if you had to estimate, how have your revenues changed over the past month as a result of low oil prices?

Base: Those saying there has been a significant negative impact from low oil and gas prices (n=534)

**IMPACT OF COVID-19 OVER THE NEXT TWO WEEKS**

Businesses expect the most significant impact over the next two weeks will be decreased sales (72%). A third also anticipate a cancellation of contracts or tenders. This is causing businesses to anticipate reducing staff hours, layoffs, closing temporarily and deferring/cancelling marketing projects and capital projects.

- Decreased sales is most cited by firms with under 50 staff. However, this is also the case among those businesses that are very reliant on the oil and gas industry (82%).



Q13. How do you expect COVID-19 to impact your business over the next two weeks?  
 Base: Total sample (n=708)

## SUPPORT SOUGHT AND RECEIVED

At the time of the survey, businesses varied greatly in their response to the various programs available. The two with the largest response had been to those programs that offered some kind of deferral and working capital loans through primary financial institutions. In both cases, half (46% and 45%, respectively) had applied or tried to (and another 8% planned to), but with mixed results at the time of completing the survey. The wage subsidy program also appeared to generate some interest and a majority (57%) of businesses reporting either applying or planning to apply.

- Those businesses most likely to have taken action were those who had seen the largest declines in revenue and had laid off the largest proportions of their staff.

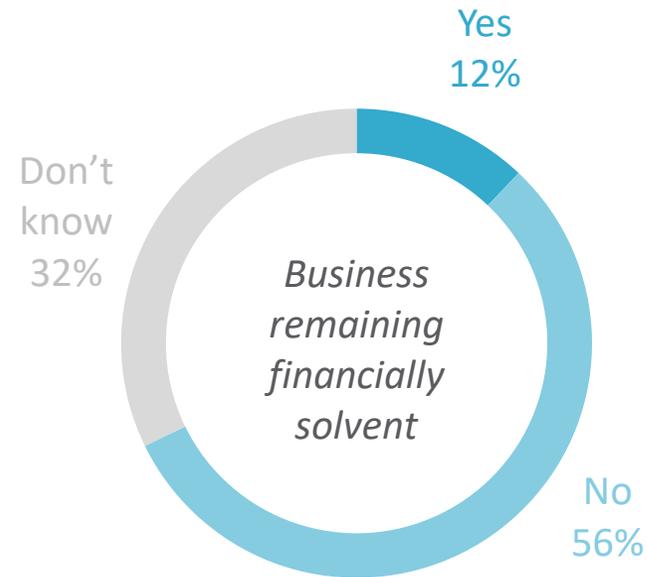
|  | APPLIED & RECEIVED<br>BENEFIT/MONEY | APPLIED & WAITING<br>TO HEAR | APPLIED & DID NOT<br>QUALIFY | TRIED TO APPLY &<br>COULDN'T ACCESS<br>SYSTEM | DID NOT APPLY | PLAN TO |
|--|-------------------------------------|------------------------------|------------------------------|---|---------------|---------|
| Deferral of utilities, line of credit, mortgage, lease or rent payments                          | 21%                                 | 15%                          | 7%                           | 3%  | 47%           | 8%      |
| Working capital loans through Business Development Bank (BDC) or Export Development Canada (EDC) | 2%                                  | 8%                           | 9%                           | 3%  | 70%           | 8%      |
| Working capital loan through primary financial institution (Canada Emergency Business Account)   | 11%                                 | 19%                          | 11%                          | 4%  | 45%           | 10%     |
| Canada Emergency Wage Subsidy  | 7%                                  | 13%                          | 8%                           | 7%  | 43%           | 22%     |
| EI Work-Sharing Program  | 1%                                  | 6%                           | 4%                           | 2%  | 77%           | 9%      |

Q12AA. Please indicate what action your business has taken or the benefit/money received regarding the following COVID-19 business support measures?

Base: Total sample (n=708)

## ABILITY TO PAY DEFERRED PAYMENTS

The weakened financial situation of many Albertan businesses is apparent from the fact that the majority (56%) of those who had opted to defer payments of various kinds anticipate not being able to undertake a one lump sum payment amount and remain financially solvent.



Q13A. Do you anticipate your business will be able to pay the deferred payments in one lump sum and remain financially solvent?

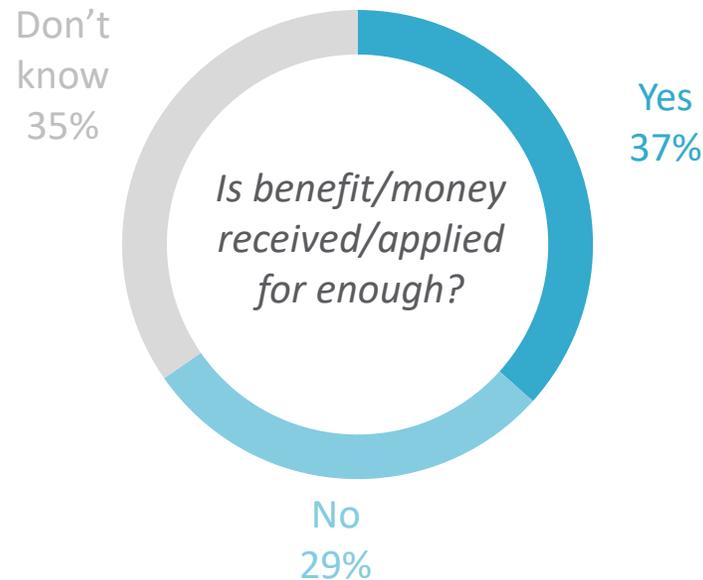
Base: Those who reported a deferral of some kind of payment at Q12AA (n=149)

## IMPACT OF BENEFIT/SUPPORT RECEIVED

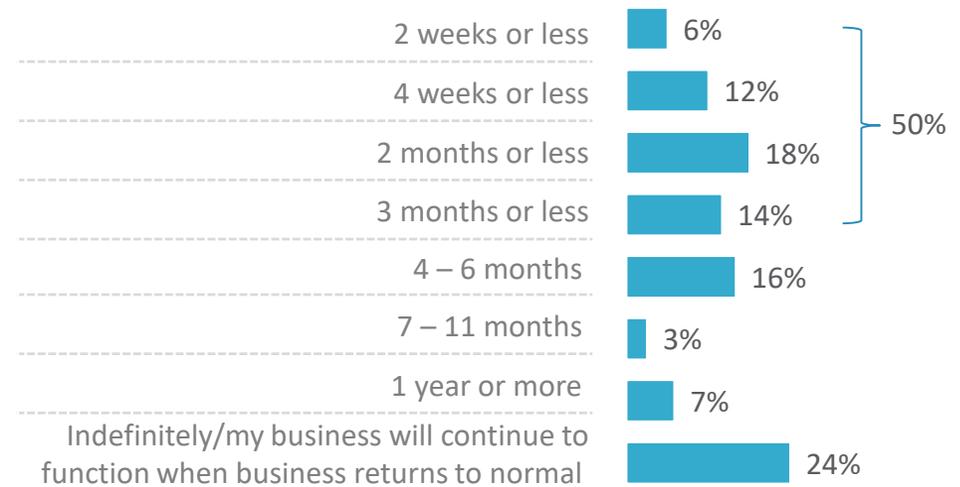
Despite government support, a majority of businesses continue to struggle. Among those that have already received or applied for support, only 37% believe the money they have received is enough to sustain them over the next three months. Among businesses in general, half believe they can only survive for three months or less without government support.

- Among those who have received or applied for government money, smaller business of two to five people (30%) and newer business (27%) are most vulnerable in terms of fewer believing they can sustain themselves with the monies already received.
- Among business overall, these same types of business are also the least likely to believe they can survive without government monies over the next three months. In addition, those very reliant on the oil and gas sector also have the same sense of limited ability to survive beyond three months or less (60%)

*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*



Q14A. 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? Applied for support/benefit at Q12AA (n=126)

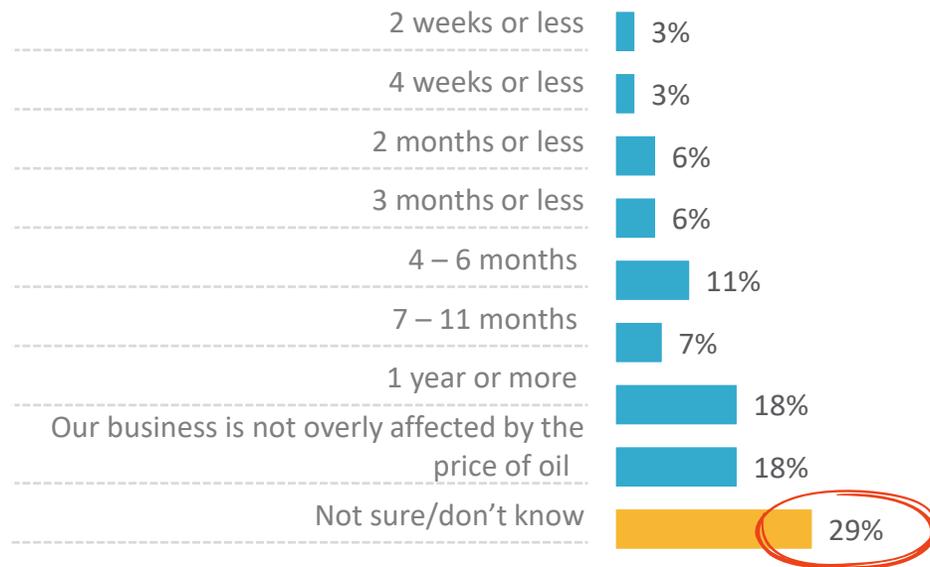
Q15. How long do you estimate your business can survive without government benefit/money in the event of COVID-19 continuing for a while? Base: Total sample (n=708)

## IMPACT OF LOW OIL PRICES ON BUSINESSES

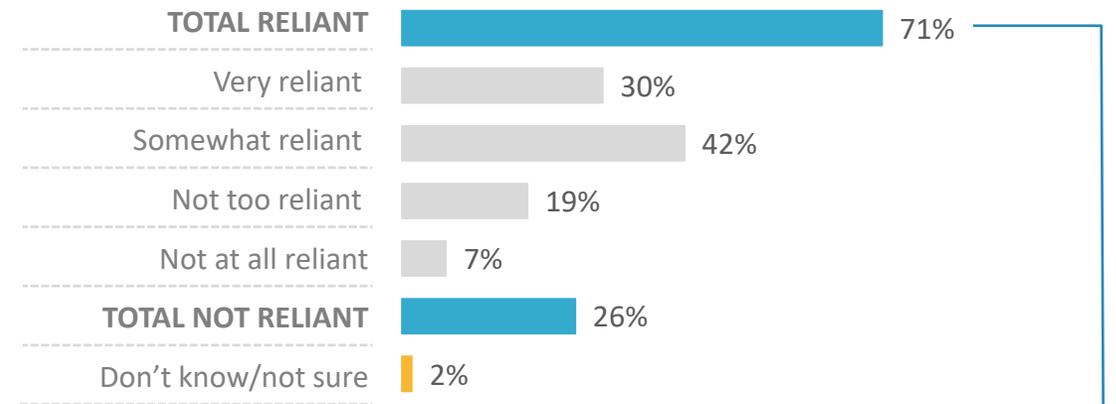
While the majority (71%) of businesses say they are at least ‘somewhat’ reliant on a healthy oil and gas sector, most do not seem entirely dependent for their short-term survival; just 18% say they can only survive three months or less with low oil prices.

- Among businesses that are ‘very’ reliant on the sector, 30% say they can survive for three months or less.

*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*



**WHERE BUSINESS OPERATES:** Calgary area 61%; SE/SW AB 56%; Central AB 75%; Edmonton area 66%; Northeast AB 84%; NW/Mountain Parks 78%  
**SECTOR:** Primary 73%; Secondary 84%; Tertiary 72%; Professional/Related 65%

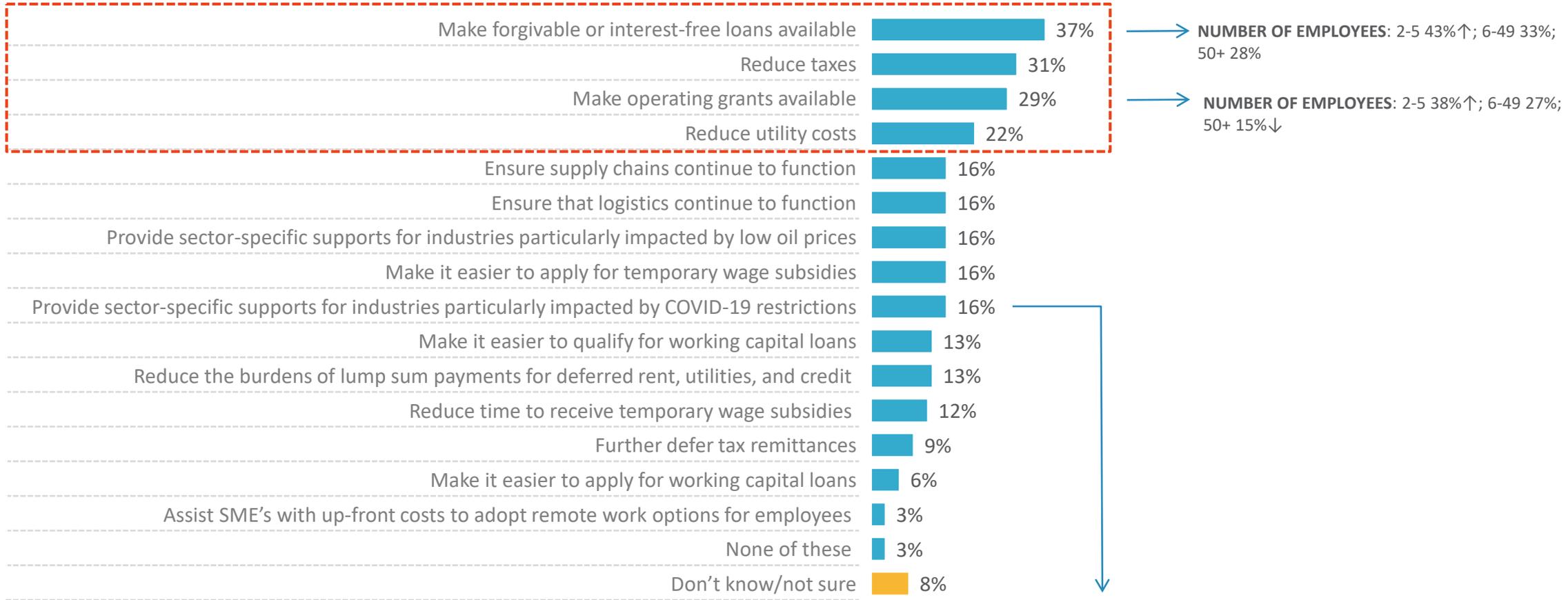
Q16. How long do you estimate your business can survive should oil price remain at present low levels (<\$30/barrel)? Base: Those saying there has been a significant negative impact from low oil and gas prices (n=534)

Q20. 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 (n=684)

**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 are: forgivable or interest-free loans, reduced taxes, operating grants and reduced utility costs.

- Smaller and newer businesses are most likely to want better access to money in the form of loans or grants.



Q17. Which are the top three government priorities or additional measures that would help your business remain viable over the next 3 months?

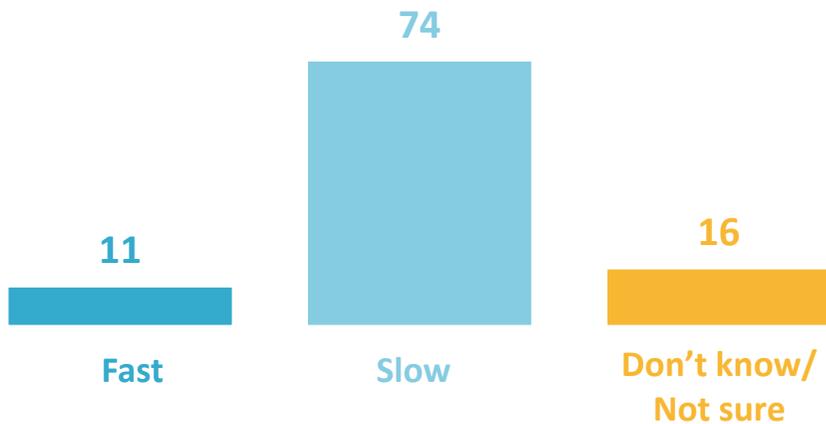
Base: Total sample (n=708)

**PACE OF ECONOMIC RECOVERY AND WHY?**

Most (74%) businesses are pessimistic about the pace of any recovery. They believe Alberta faces a unique problem in that, in addition to damage to business that use their services and general low economic activity, the problems of low oil and gas prices and difficulty of exporting oil will be compounding problems.

- Those most (81%) likely to believe the recovery will be slow are those very reliant on the oil and gas sector and it is this group that is also most likely to cite low oil prices (72%) and export challenges (37%) as major barriers to a recovery.

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



*Reasons for why Rebound will be Slow*



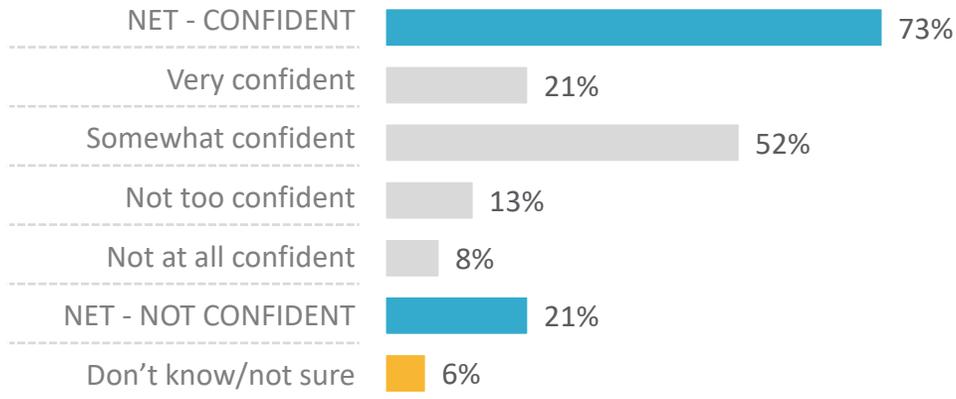
Q18. After the COVID-19 crisis is over, do you expect the economic rebound in your market to be: Base: (n=708)

Q19. Why do you think the rebound will be slow? Base: Those who believe the economic rebound will be slow (n=523)

## AGRICULTURE AND FOOD PROCESSING SECTOR CHALLENGES

While a majority (73%) of businesses in the agriculture and food processing sector are at least ‘somewhat’ confident that the food supply system will remain stable, only one in five are ‘very’ confident. Most do not rely on temporary foreign workers as part of their business.

*Level of Confidence that Food Supply will Remain Stable if Physical Distancing and Travel Restrictions Remain in Place Until July 1*



*Rely on Temporary Foreign Workers as a Part of Business*



Q21. You earlier identified your business as operating in the agricultural sector. What is your level of confidence that food supply will remain stable if current physical distancing and travel restrictions due to COVID-19 were to remain in place until July 1 Base: Businesses in the agriculture and food processing sector (n=48)

Q22. Do you rely on temporary foreign workers as part of your business? Base: Businesses in the agriculture and food processing sector (n=48)

# 4

## ABOUT THE RESPONDENTS

## DEMOGRAPHICS

### ROLE/JOB TITLE n=708

|     |                              |
|-----|------------------------------|
| 18% | President/CEO/chair          |
| 56% | Owner/partner                |
| 16% | NET - VP/Director/Supervisor |
| 1%  | Vice president               |
| 13% | Director/manager             |
| 1%  | Supervisor                   |
| 4%  | NET - Contractor/Prof/Other  |
| 3%  | Professional/technical       |
| 1%  | Other, specify               |
| 6%  | Contractor or self-employed  |

### SECTOR n=708

|     |                |
|-----|----------------|
| 22% | Public         |
| 72% | Private        |
| 6%  | Not for profit |

### NUMBER OF STAFF IN ALBERTA n=708

|     |               |
|-----|---------------|
| 14% | None, just me |
| 35% | 2 – 5         |
| 37% | NET - 6-49    |
| 16% | 6 – 10        |
| 20% | 11 – 49       |
| 14% | NET - 50+     |
| 6%  | 50 – 99       |
| 5%  | 100 – 499     |
| 3%  | 500+          |

### INDUSTRY SECTOR BUSINESS OPERATES n=708

|     |  |
|-----|--|
| 16% | NET - Primary  |
| 7%  | Agriculture  |
| 2%  | Forestry, fishing and hunting                                    |
| 2%  | Mining, quarrying  |
| 11% | Oil and gas extraction   |
| 20% | NET - Secondary  |
| 7%  | Manufacturing  |
| 2%  | Utilities  |
| 14% | Construction   |
| 65% | NET - Tertiary   |
| 18% | Retail trade   |
| 2%  | Wholesale trade  |
| 5%  | Transportation and warehousing                                   |
| 7%  | Finance and insurance  |
| 6%  | Real estate and rental and leasing                               |
| <1% | Administrative and support, waste mgmt. and remediation services |
| 9%  | Arts, entertainment and recreation                               |
| 11% | Accommodations and food services                                 |
| 14% | Other services (except public admin)                             |
| 21% | NET - Professions and related                                    |
| 2%  | Information and cultural industries                              |
| 10% | Professional, scientific and technical services                  |
| 2%  | Management of companies and enterprises                          |
| 3%  | Educational services   |
| 5%  | Healthcare and social assistance                                 |
| 2%  | Public administration  |

### REGION OF PROVINCE BUSINESS OPERATES n=708

|     |                              |
|-----|------------------------------|
| 16% | All regions of Alberta       |
| 11% | Calgary area                 |
| 10% | NET - Southeast/Southwest AB |
| 5%  | Southeast Alberta            |
| 6%  | Southwest Alberta            |
| 23% | Central Alberta              |
| 18% | Edmonton area                |
| 18% | Northeast Alberta            |
| 26% | NET - Northwest AB/Mountain  |
| 24% | Northwest Alberta            |
| 3%  | Mountain parks               |

### NUMBER OF YEARS COMPANY IN OPERATION n=708

|     |                    |
|-----|--------------------|
| 25% | NET - 5 or<        |
| 3%  | 1 year or less     |
| 6%  | 1 – 2 years        |
| 17% | 3 – 5 years        |
| 29% | NET - 6-15         |
| 13% | 6 – 10 years       |
| 16% | 11 – 15 years      |
| 25% | NET - 16-30        |
| 11% | 16 – 20 years      |
| 14% | 21 – 30 years      |
| 21% | NET - 31+          |
| 13% | 31 - 50 years      |
| 8%  | More than 50 years |