

# ATB BUSINESS BEAT:

## The pulse on business in Alberta

ATB Business™

Volume 9, April 2015

### Alberta business owners remain resilient

Small and mid-sized enterprises (SMEs) represent 99.9% of businesses in Alberta and their outlook and success are hugely important to the overall economy. Each quarter, we survey owners of these businesses on their optimism about the Alberta economy and their company six months from now. Some of the figures this quarter show another significant dip as SMEs don't anticipate the province's economy picking up anytime soon. So why is it, despite the doom and gloom, the majority of Alberta business owners remain optimistic about their own business' future? Is it rose coloured glasses, false optimism, hope, or do SMEs truly believe that they can succeed no matter what? And what factors impact the success of their business and what do they believe will help them weather the storm?



## NOT OUR FIRST RODEO

# 70%

OF SMEs AGREE/STRONGLY  
AGREE THEIR BUSINESS IS TIED  
TO THE PRICE OF OIL

# 86%

OF SMEs AGREE/STRONGLY  
AGREE THEIR BUSINESS IS TIED  
TO THE ALBERTA ECONOMY

### Been there, done that

The majority of Alberta SMEs agree the success of their business is tied to the price of oil (70%) and the Alberta economy (86%). They don't anticipate a speedy recovery for Alberta's economy, as only 35% believe it will be the same or better off six months from now. That is a significant drop of 25% from last quarter. Despite that, more than eight in ten (83%) SMEs remain optimistic about their own business' future. That seems to be largely due to a 'been there, done that' type of attitude.

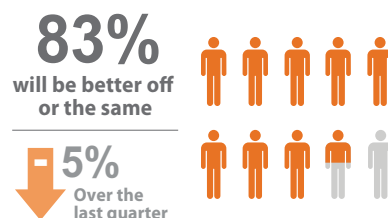
— General Manager,  
Oil and Gas

20 years in business, 20-49  
employees, \$1 million to less  
than \$3 million in revenues

### Alberta Economy



### Your Company

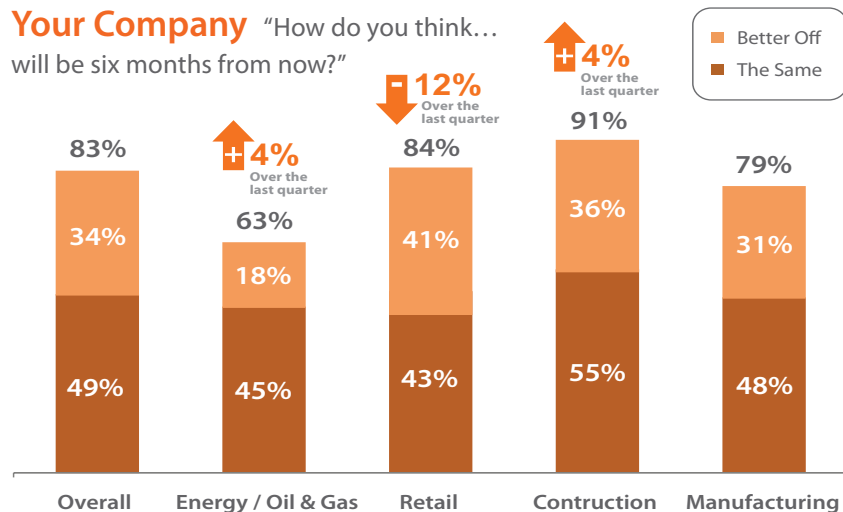


// NO MATTER WHAT, WE ALWAYS  
SEEM TO RECOVER. EVEN IF WE ARE IN  
A BIT OF A SLUMP, THERE ARE ALWAYS  
JOBS TO FIND, DEPENDING ON WHAT  
YOU WANT TO DO. //

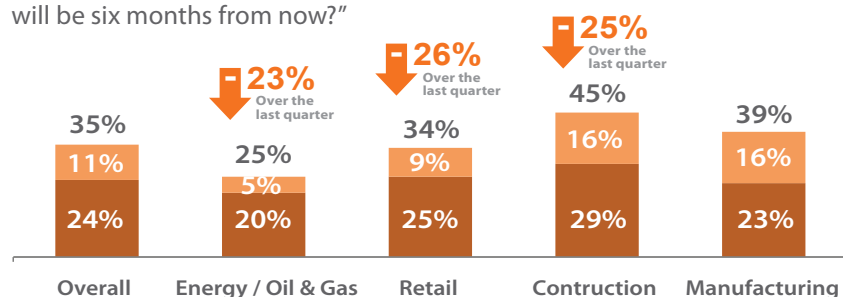
## BREAKDOWN BY INDUSTRY

The energy industry continues to feel the pinch, with 63% of SMEs in this sector believing their company will be the same or better off in six months. That's up 4% from last quarter — perhaps due to proactive steps like reducing expenditures or benefiting from exporters and the lower Canadian dollar. The largest drop comes from the retail sector where SMEs are seeing, or anticipating, a discretionary spending dip. Construction and manufacturing remain optimistic. Due to benefits

**Your Company** "How do you think... will be six months from now?"



**Alberta Economy** "How do you think... will be six months from now?"



from lower input/operating costs — or perhaps they haven't felt a slowdown yet as they have long-term commitments in place or are just entering their busy season.

**WE ARE ON THE ENGINEERING SIDE OF THINGS. AS EXPENDITURES RETRACT, WE ARE THE FIRST ONES AFFECTED.**

– Controller, Oil and Gas

15 years in business, 20-49 employees, \$10 million to less than \$15 million in revenues

**A FACTOR THAT DECIDES TOURISM IS THE PRICE OF GAS. ANOTHER IS OUR MAJOR MARKET IS THE USA AND WE HAVE A 25% ADVANTAGE, THE DIFFERENCE IN THE CANADIAN AND AMERICAN DOLLAR.**

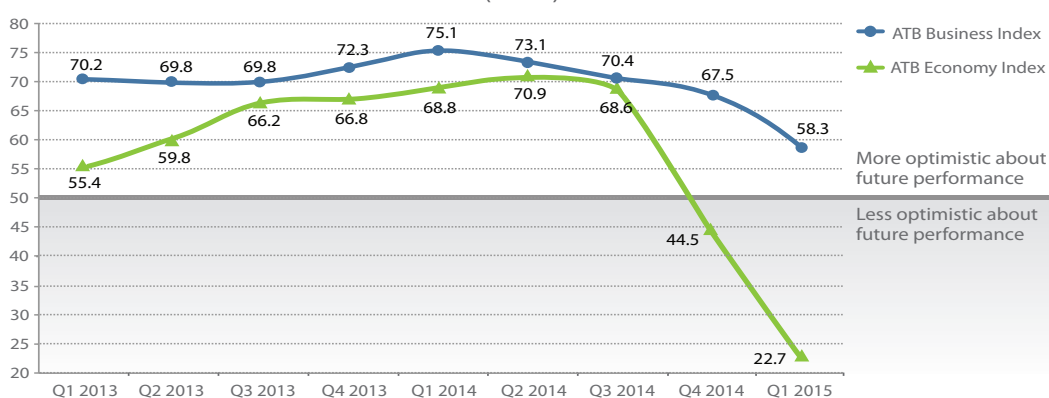
– Owner/Operator, Retail

38 years in business, 1-4 employees, Less than \$250,000 in revenues

## ATB BUSINESS BEAT INDEX

This quarter tells an interesting story. While the ATB Business Index remains above the equilibrium point, both indexes dropped significantly. That means SMEs' optimism is waning. It also means more SMEs have moved from believing the future of their business will be 'somewhat or much better' to it will be 'the same'. Alberta business owners are bracing for this slowdown to last at least another six months.

### ATB Business Beat Index Index (0-100)



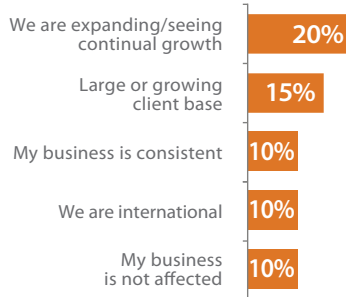
Data time periods: Q1 2013 = Jan 2013, Q2 2013 = May 2013, Q3 2013 = Aug/Sept 2013, Q4 2013 = Dec 2013, Q1 2014 = Mar 2014, Q2 2014 = June 2014, Q3 2014 = Aug, 2014; Q4 2014 = Dec 2014

To determine the ATB Business Index and the ATB Economy Index, we remove the neutral numbers, take the percentage better (somewhat/much better) and subtract the percentage worse (somewhat/much worse) and rescale the number to range between 0 to 100. This allows us to compare responses over time.

## WEATHERING THE STORM

We asked SMEs what will help them survive the economic downturn. It is interesting to see the range of sentiment and emotion expressed. Here are the top reasons by industry, why Alberta business owners believe their company will be the same or better off in six months.

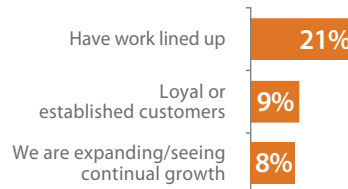
### Manufacturing Industry



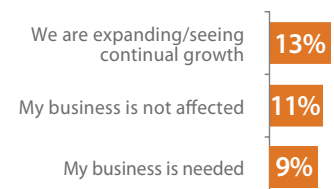
### Energy/Oil & Gas Industry



### Construction Industry



### Retail Services



## THERE'S STILL OPTIMISM

"Why do you believe that your company will be better off or the same six months from now?"

**// LOYAL CUSTOMERS. SAME CLIENT BASE. GOOD PRICES AND QUALITY WORK. //**

– General Manager, Automotive  
33 years in business, 1-4 employees,  
\$500,000 to less than \$1 million in revenues

**// WE HAVE A LONG-TERM PROGRAM AND WE ARE FOLLOWING IT STRICTLY AND TIGHTLY SO WE CAN SEE IT GROWING. //**

– Owner/Operator, Transportation and Warehousing  
8 years in business, 1-4 employees,  
\$250,000 to less than \$500,000 in revenues

"Why do you believe the Alberta economy will be the same or better off six months from now?"

**// BECAUSE OTHER INDUSTRIES ARE GROWING, LIKE AGRICULTURE, MEDICAL, AND COMMERCIAL CONSTRUCTION. //**

– General Manager or Office Manager, Energy  
3 years in business, 20-49 employees,  
\$3 million to less than \$5 million in revenues

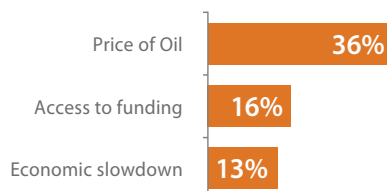
**// WE'VE GOT A FAIRLY DIVERSE WORKFORCE HERE AND DO QUITE WELL. ALBERTA'S ECONOMY IS BETTER THAN OTHER PROVINCES AND WILL CONTINUE TO GROW. //**

– Owner/Operator, Construction  
12 years in business, 1-4 employees,  
Less than \$250,000 in revenues

## ON THE FLIP SIDE

Not surprisingly, the top three reasons Alberta business owners believe their business will be worse off six months are consistent across industry.

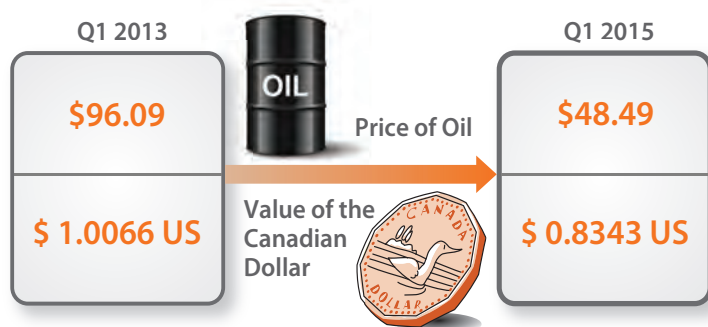
**Why do you believe that your company will be worse off financially six months from now?**



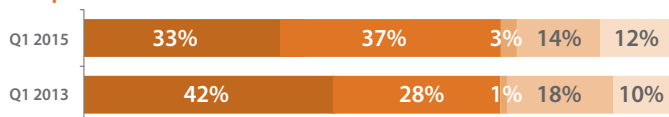
**// BECAUSE A LOT OF OUR REVENUE IS BASED ON PRODUCTION IN THE NORTH AND I KNOW OF A LOT OF CONTRACTS THAT HAVE BEEN AWARDED AND HAVE BEEN SUBSEQUENTLY CANCELLED. //**

– CEO, Construction  
39 years in business, 5-19 employees,  
\$1 million to less than \$3 million in revenues

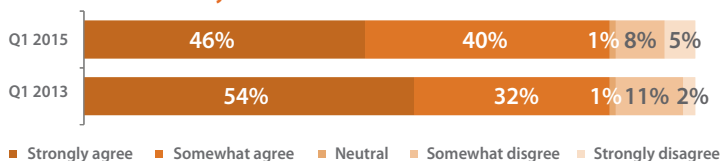
## THEN AND NOW



"Would you agree that the success of your business is tied to...  
The price of oil"

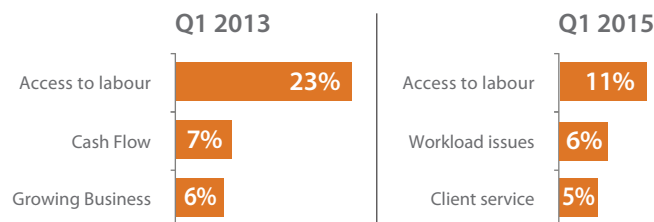


"Would you agree that the success of your business is tied to...  
The Alberta economy"



The first ATB Business Beat was released in April 2013 when 76% of SMEs believed that in six months the economy would be the same or better off, and 87% believed their business would be the same or better off. When it comes to external factors, how do things compare between now and two years ago? It is interesting that the businesses that strongly/somewhat agree that their success is tied to the price of oil has stayed the same at 70% over time. However, the number of strongly agree has dropped from 42% to 33%. Perhaps this indicates SMEs are trying to diversify away as the price drops so there is less impact.

**Beyond sales, access to labour remains the one thing that keeps business owners up at night — however, the percentage of business owners who worry about that has dropped.**



## 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 mail list.

### About ATB Financial

ATB Financial ([atb.com](http://atb.com)) is the largest Alberta-based financial institution, with assets of \$37.7 billion. ATB offers retail financial services, business and agricultural financial services, corporate financial services and investor services to more than 697,000 Albertans and Alberta-based businesses in 242 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: Wellington Holbrook, Executive Vice-President, Business & Agriculture, ATB Financial at [askwellington@atb.com](mailto:askwellington@atb.com)

### About NRG Research Group

NRG Research Group ([www.nrgresearchgroup.com](http://www.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 January 16 – March 6, 2015, with 624 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 to 49 full-time employees) and medium-sized (50 to 499 full-time employees).