

Optimism growing in Alberta

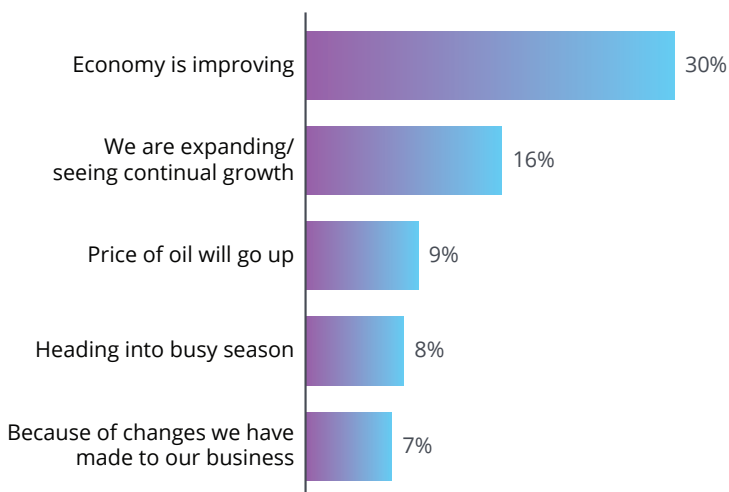
As Alberta continues to recover from the downturn, small and mid-sized businesses (SMEs) throughout the province have found themselves adjusting to a new economic normal. And while we may never again experience the record-breaking oil prices of 2014, the resilience of Alberta businesses is now joined by a growing sense of optimism, which is reflected in survey results covered in this issue of Business Beat.

Also in this issue, we dive into the challenges that keep entrepreneurs up at night and look at why it's important to make time to work on the business and not just in the business.

Things are looking up

The slow, steady improvement in the economy is sitting well with the 49 per cent of Alberta SMEs who believe their businesses will be better off six months from now. When asked why they feel that way, 30 per cent noted the improving economy, while 16 per cent cited expansion and growth of their own business. Nine per cent showed increased confidence in oil prices and what an uptick in the energy sector will mean for the broader economy. Eight per cent showed a positive outlook heading into their busy season while seven per cent said that their optimism is founded on changes they had made to their own businesses rather than external factors—a testament to the agility of Alberta's entrepreneurs. Just 10 per cent of Alberta SMEs believe their businesses will be worse off six months from now.

Why do you believe your company will be better off financially six months from now?



// We feel that the market we are in is starting to change around; our contracts are coming out, we are hoping the recession is done. //

Chief executive officer (CEO) or president
Glass and glazing industry, 9 years in business,
20–49 employees, \$5 million to less than \$10 million
annual revenues

// I believe we are coming out of our economic slump and we are starting to see growth. //

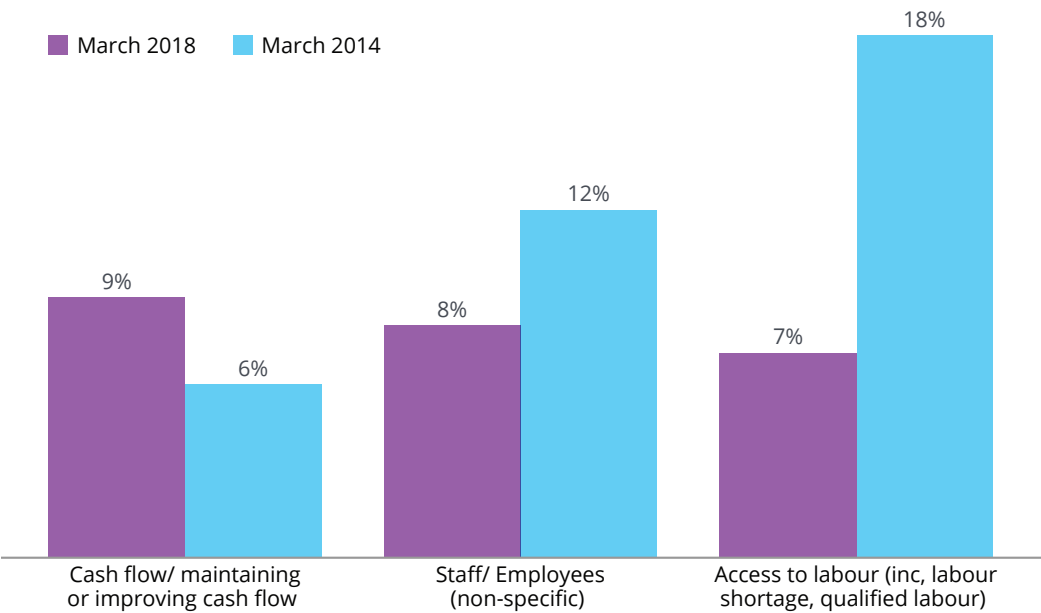
CEO or president
Manufacturing, 22 years in business, 1–4 employees,
\$500,000 to \$1 million annual revenues

Optimism in perspective: then and now

It's worth taking note: our most recent survey reveals Alberta's entrepreneurs are almost as optimistic about the future of the economy and their businesses as they were at the start of 2014, before the downturn.

We find this surprising, given how much the province and its entrepreneurs have been through in recent years, and how far the recovery still has to go. One possible explanation for this is a shift in expectations. The current optimism levels reveal the grit of Albertans as they embrace the "new normal," and see the silver lining in the ongoing recovery. We suspect that the optimism in 2014, on the other hand, was driven by the boom economy to which SMEs had grown accustomed.

Other than sales, what one thing about your business keeps you up at night?



In 2014, Alberta was booming. In 2018, we're coming through a recovery. Still, the top challenges facing SMEs today are familiar. Six per cent of respondents cited cash flow as a significant stressor in March of 2014, while nine per cent showed the same concerns in March of 2018.

Meanwhile, employee management seems to be less stressful today that it was four years ago for many SMEs. The percentage of SMEs reporting staff management as a major concern has declined, from 12 per cent four years ago to eight per cent today.

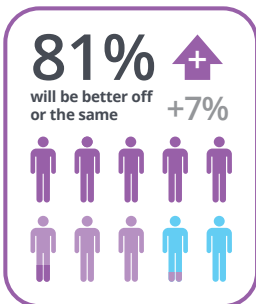
Finding new employees has also become easier, though challenges in this area remain. In 2014, 18 per cent of SMEs said that finding the workers they need was a challenge. This year, that figure sits at seven per cent.

How do you think... will be six months from now?

Alberta's economy Q1 2014



Alberta's economy Q1 2018



Your company Q1 2014

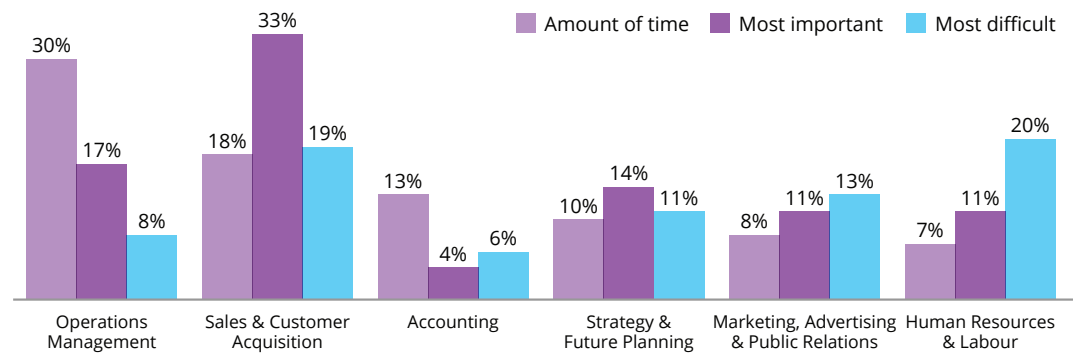


Your company Q1 2018



Working on the business versus in the business

Which area of your business do you spend the most amount of time working on versus which are most difficult and most important?



SMEs rank sales and customer acquisition as their most important concern (33 per cent), and recruiting and retaining talent is described as most difficult (20 per cent). Yet a plurality (30 per cent) spend most of their time on operations. In other words, some entrepreneurs are not prioritizing what they know to be important. While a focus on operations is understandable, expecting long-term considerations like talent acquisition and business development to sort themselves out is not a recipe for success. Our survey results suggest that more SMEs need to carve out time to work on the business instead of in it.

“I think maintaining solid HR, because it is a struggle to find great employees and to keep them.”

Chief Executive Officer (CEO) or President
Funeral services, 35 years in business, 20–49 employees, \$3 million to \$5 million annual revenue

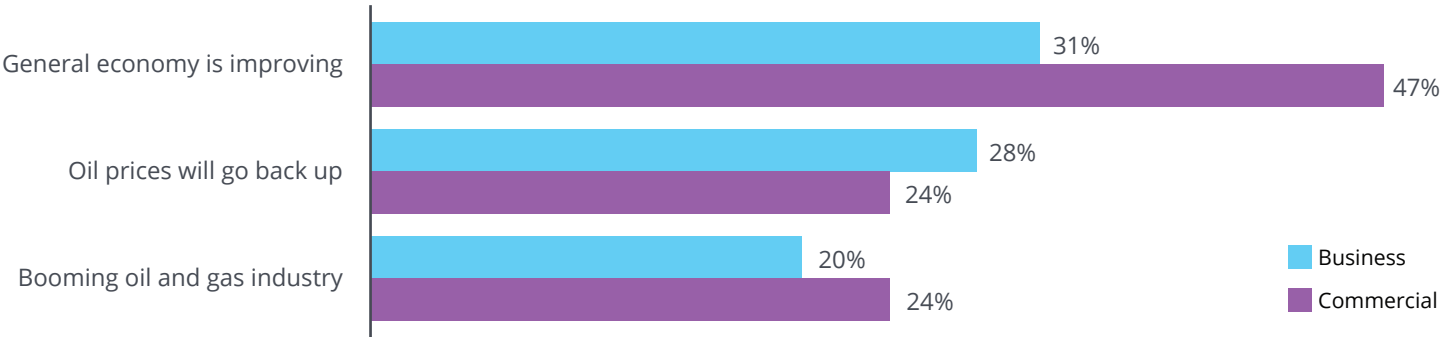
Big business, big expectation

For the first time, we surveyed commercial financial decision makers (businesses with \$20 million or greater in annual revenue and/or more than 500 employees). They are slightly more optimistic than SMEs about the future of their companies, and more optimistic than SMEs about the future of the Alberta economy overall. Given Alberta’s economic landscape, this level of confidence makes a lot of sense. Larger organizations usually have access to working capital, economic data reported in real time, and expertise to help them navigate risk and capitalize on opportunities.

“Partly because oil and gas is still a staple of our industry base and it’s coming back. We have our ups and downs but we never stay down long. It’s coming back, we’re Albertans.”

Owner/operator
Retail trade, 33 years in business, 5–19 employees, \$3 million to \$5 million annual revenues

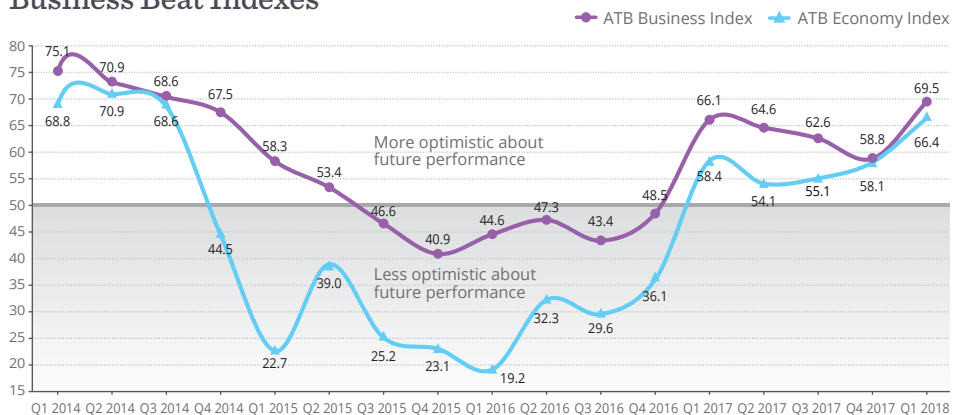
Why do you believe that the Alberta economy will be better off financially six months from now?



ATB Business Beat Indexes

ATB's Economy Index shows small and mid-sized businesses are more optimistic than they have been in a long time. While the index has seen some fluctuation over the last few years, the Q1 score of 66.4 could be a sign of changing tides.

Business Beat Indexes



Data time periods: Q1 2014 = March 2014, Q2 2014 = June 2014, Q3 2014 = Aug, 2014, Q4 2014 = Dec 2014, Q1 2015 = March 2015, Q2 2015 = June 2015, Q3 2015 = August 2015, Q4 2015 = November, 2015, Q1 2016 = March 2016, Q2 2016 = June 2016, Q3 2016 = September 2016, Q4 2016 = November 2016, Q1 2017 = March 2017, Q2 2017 = May 2017, Q3 2017 = Aug 2017, Q4 2017 = November 2017, Q1 2018 = March 2018

Showing further promise, ATB's Business Index surged to 66.1 in Q1 of 2017 before declining gradually through the year, then rebounding to climb to 69.5 in Q1 of 2018. This increase indicates that many Alberta SMEs are seeing improvements in Alberta's business conditions and are expecting more of the same in the coming year.

At the time of the survey, the energy business index showed the most optimism of all industries surveyed. Oil prices were relatively strong in January and February with the benchmark price for West Texas Intermediate in the \$60 range. In general, many economists, including ATB's own Todd Hirsch, are expecting the energy sector to continue to grow over the coming year.

About this report

For more information on this report or the next ATB Business Beat, please email businessbeat@atb.com or visit atb.com/businessbeat to be put on the mailing list.

About ATB Financial

ATB (www.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 across 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 can help your business grow, please contact Teresa Clouston, executive vice-president, Business & Agriculture at askteresa@atb.com

AS ALBERTA LEAVES THE RECESSION BEHIND, SMEs ARE OPTIMISTIC ABOUT THE FUTURE

How do you think... will be six months from now?

Alberta's 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 January 8 - February 15, 2018 with 516 randomly selected Alberta SME financial decision makers. Study exclusions: agriculture (farms or ranches), government, financial institutions, and large businesses (500+ employees). Business size definitions: SOHO (0 full-time employees), micro (1-4), small (5-49) and medium-sized (50-499).