

RELO

Regina Executive Leadership Outlook

Quarterly Report: October 2020



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Executive Summary

With the onset of COVID-19, we saw a deep and sudden drop in almost every sector of our economy. Regina's Executive Confidence Index reflects what's happened since. In Q2, the Index fell to a historic low of 1.89 – well off the historical average of 2.23.

That kind of drop wasn't a surprise. Nor is it a surprise that the climb back up is much slower than the initial drop. The positive news is that the index has rebounded in Q3, sitting at 2.09.

Overall, the Q3 RELO report reflects the same kind of cautiously improved sentiment. Executives surveyed continue to believe the current condition of their businesses is worse than this time last year. While this rating (1.50) is considerably lower than a year ago (2.02), it's an improvement over last quarter (1.43).

Looking at how executives see Regina's economy, the numbers, unsurprisingly, paint a darker picture than last year, with 90% saying things are worse than a year ago. At the same time, 70% expect things to be about the same a year from now – perhaps another indication that while times are tough, things might be smoothing out a bit.

That cautious optimism is also reflected in investment and employment forecasts for Regina businesses. More than half of the business leaders surveyed expect their fixed investments to remain the same over the next 12 months. Another 17% expect to see increases. The story is the similar with employment. More than half of business leaders expect to employ the same number of people over the next 12 months, with another quarter looking to increase.

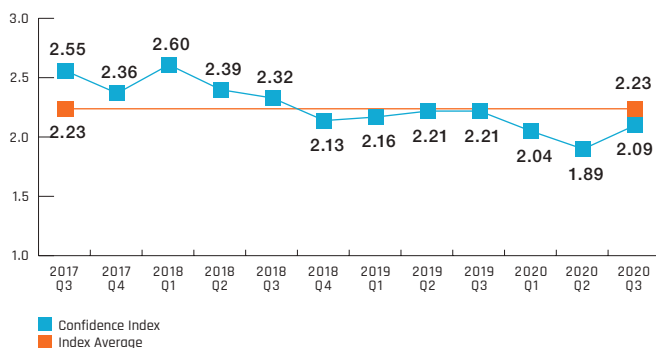
Looking at revenue and profitability, many executives appear to believe the worst is over. In Q2, half of the executives surveyed believed revenue would decrease in the year ahead. That number dropped to 17% in Q3 – with nearly half of respondents now expecting increased revenues. A similar story plays out with profitability, with the number of businesses expecting decreased profitability dropping from 40% to 14%.

All in all, it's a mixed story. Without question, many businesses continue to suffer – especially in certain sectors, such as tourism and hospitality. That said, recovery is going to be uneven and some businesses have started the slow climb back up the hill.

Economic Outlook Dashboard

EXECUTIVE CONFIDENCE

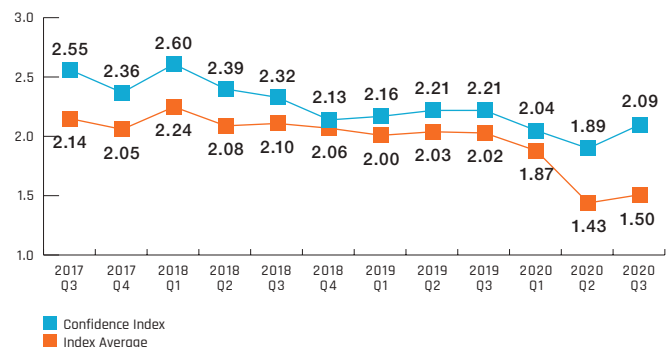
On March 18, 2020, the Government of Saskatchewan declared a state of emergency and much of the economic activity in the province was brought to a standstill. The Executive Confidence Index fell to a historic low of 1.89 in the second quarter of 2020, significantly below the overall Index Average of 2.23. Optimism among executives has since rebounded, and the Executive Confidence Index currently sits at 2.09.



The increasing optimism in this quarter's Executive Confidence Index is due to a decline across all indicators in the percentage of executives believing the economy will worsen over the coming year.

CURRENT CONDITIONS

The Current Conditions Index reports executives' perception of today's economic conditions as compared to one year ago. When asked to compare their firm's economic condition to one year ago, executives rate the current economic condition of their business at 1.50, which is a significant drop from 1.87 observed in the first quarter, but up from 1.43 last quarter. The Confidence Index and Current Conditions Index continue to be strongly correlated ($r=.782$, $p < .001$), indicating that a change to the confidence index is likely to be accompanied by a similar shift in current conditions. Since early 2018, there has been a steady decline in perceptions of current economic conditions.

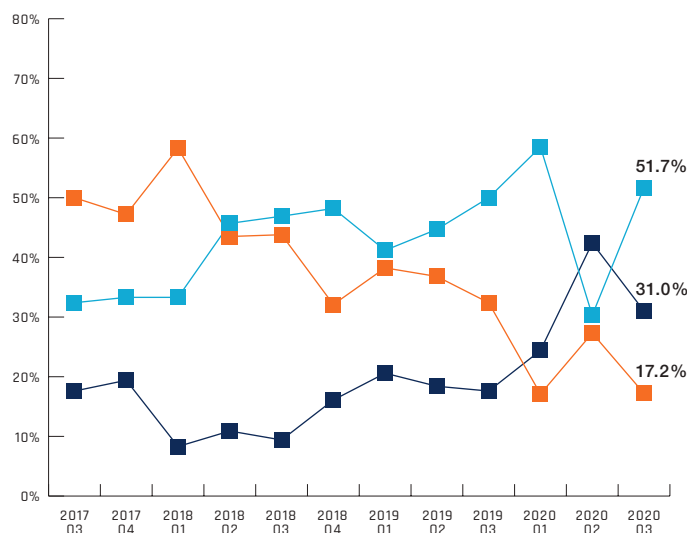


FIXED INVESTMENTS

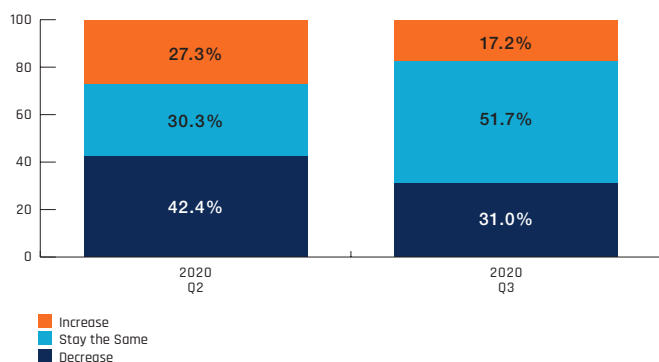
A declining proportion of executives (31.0%) expect their firm's total fixed investments to fall over the next 12 months (31.0%, down from 42.4%), while 51.7% expect their firm's total fixed investments to stay the same (up from 30.3%), and 17.2% expect them to increase (down from 27.3%).

In the next 12 months, will your firm's total fixed investments...

HISTORICAL COMPARISON



QUARTERLY COMPARISON

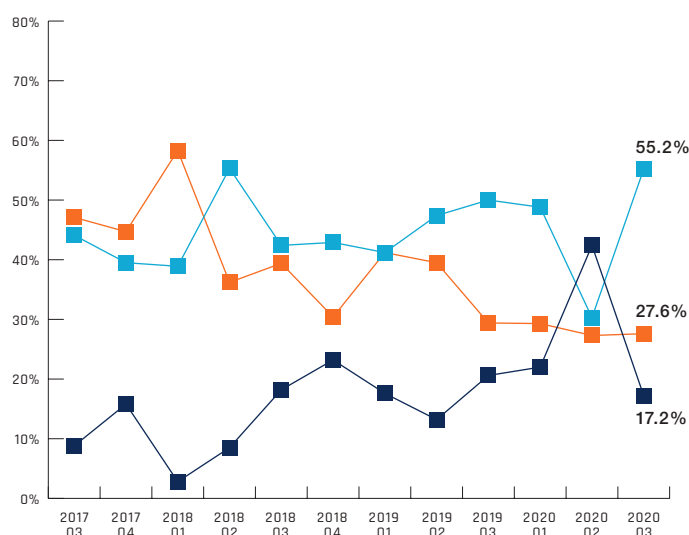


EMPLOYMENT

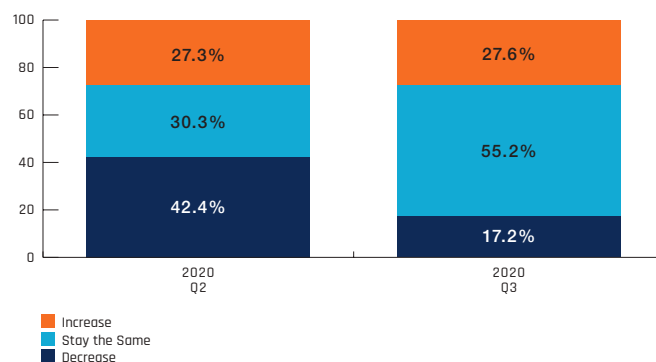
Over half of executives surveyed (55.2%) expect their firm to employ the same amount of people over the next 12 months (up from 30.3%), while 27.6% anticipate employing more people. There has been a significant drop in the proportion of executives who anticipate their firm employing fewer people over the next 12 months (17.2%, down from 42.4%).

In the next 12 months, will the number of people your firm employs...

HISTORICAL COMPARISON



QUARTERLY COMPARISON

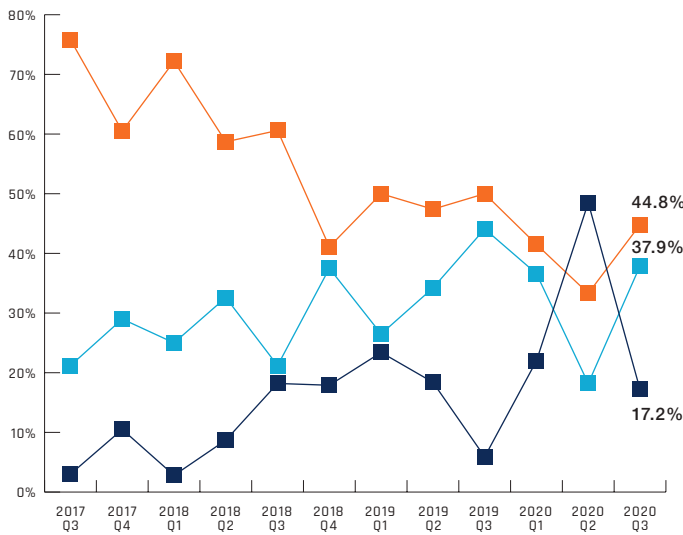


SALES REVENUE

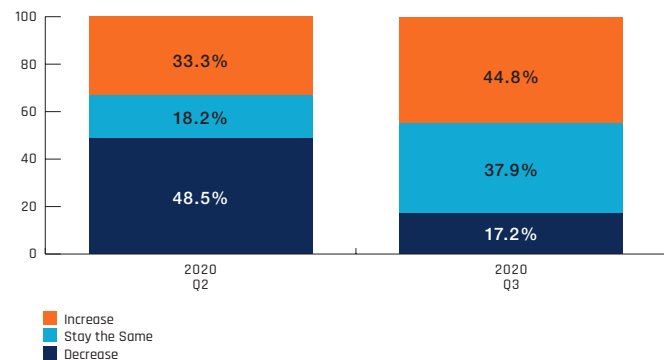
One year ago, in the third quarter of 2019, only 5.9% of executives expected to see a decline in their firm's sales revenue over the year ahead. This metric increased sharply to 48.5% last quarter but has since returned to more historic numbers (17.2%). By comparison, 44.8% of executives currently expect their sales revenue to increase (up from 33.3%) and 37.9% expect things to stay the same (up from 18.2%).

In the next 12 months, will your firm's sales revenue...

HISTORICAL COMPARISON



QUARTERLY COMPARISON

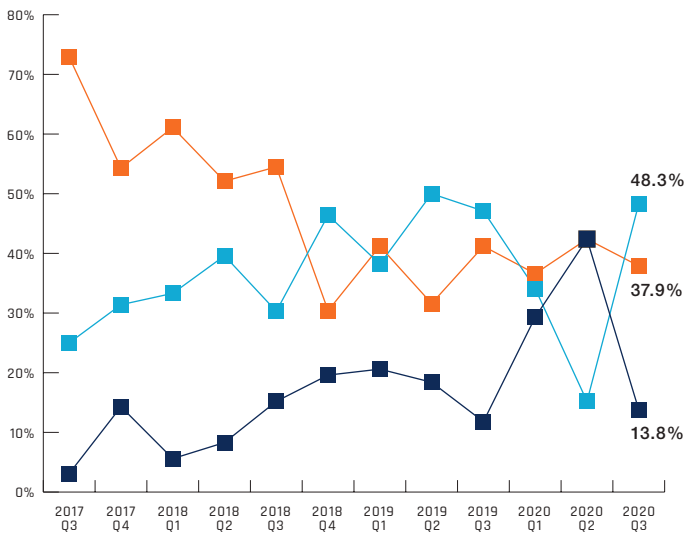


PROFITABILITY

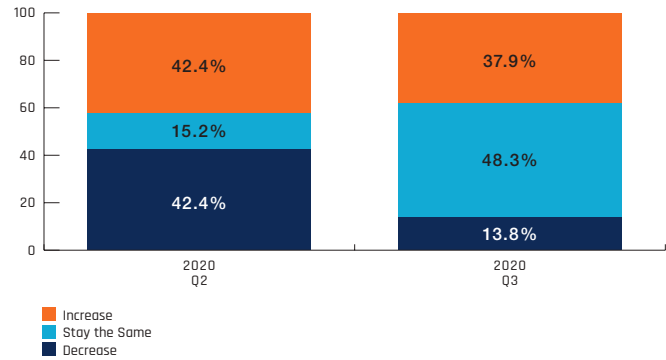
Expectations about profitability have returned to pre-COVID levels. Almost half of executives surveyed (48.3%) expect their firm's profitability to stay the same over the next twelve months (up from 15.2%), while 37.9% expect to see an increase (up from 15.2%), and 13.8% expect things to stay the same (up from 18.2%).

In the next 12 months, will your firm's profitability...

HISTORICAL COMPARISON



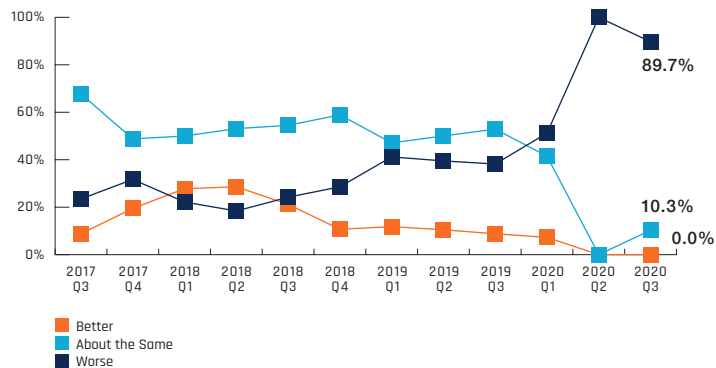
QUARTERLY COMPARISON



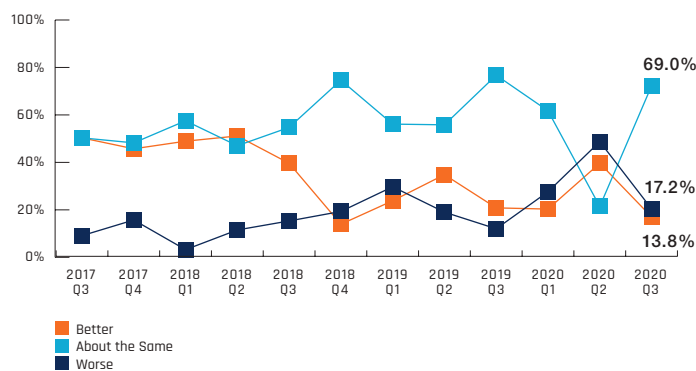
12 MONTH OUTLOOK

Last quarter, 100% of executives surveyed believed the economy was performing worse compared to one year ago. While the vast majority still feels the same way (89.7%), 10.3% currently believing the economy is performing about the same compared to a year ago. As they look forward twelve months, over two-thirds of executives (69.0%) anticipate Regina's economic performance will stay the same, while the balance is split between optimistic (13.8%) and pessimistic (17.2%) expectations.

Compared to 12 months ago would you say the economy is...



In the next 12 months, how do you expect Regina's economy to perform...



Conclusion

An old expression states “what goes up must come down,” but in the case of Regina’s economy, the reverse is also true. The only difference is that it generally takes a little more time and effort to get back up.

In the Q3 RELO survey, many of Regina’s business leaders have told us that our economy is now in the long, slow climb to recovery. We have a long way to go, but for now, the worst appears to be over, and we’re moving in the right direction. We need only look back to see the progress we’ve made.

About the Report

Economic Development Regina (EDR), in partnership with Praxis Consulting (Praxis), began a quarterly publication entitled, “Regina Executive Leadership Outlook” in September 2014 that captures the thought leadership of senior business leaders in the Greater Regina Area (GRA) on key issues facing Regina and surrounding areas.

The survey is distributed to a list of approximately 75 senior business leaders. The survey has a standard component entitled “The Economic Outlook.” This is a set of static questions asked each quarter that inform a unique Executive Confidence Index. This index is used to measure how confident executives are in Regina’s overall economy across each quarter.

Every second or third quarter, Praxis and EDR pick a specific topic as the focus of the publication. Praxis and EDR then develop a survey questionnaire to gather quantitative data which is augmented with qualitative data on the chosen topic.

SURVEY

Fieldwork for this project included 29 surveys completed by CEOs and senior executives in Regina’s business community. Survey responses were received via an online survey, delivered to each participant by email. Responses were collected September 1st to 20th, 2020.

A total of 75 survey invitations were sent, yielding a response rate of 39%. Margins of error cannot be applied to this type of non-probability sample.

METHODOLOGY

The Executive Confidence Index is a single statistic calculated to gauge leadership confidence in the future economy. It is an average taken from a series of questions asking executives to look ahead 12 months. These questions ask executives about the future of the economy in the Greater Regina Area (GRA), their business’ future investments, future number of employees, future sales revenue, and future profitability. In each question, a numeric value is assigned to a verbal response. A value of ‘1’ indicates an expected decrease. A value of ‘2’ indicates an expectation of the status quo, while a value of ‘3’ indicates an expected increase.

This statistic assumes equal weight across all five economic questions. The result is an average of all responses. In this calculation, the lowest possible result is 1.0 and the highest possible result is 3.0. A result above 2.0 means that executives are optimistic about the economic outlook for their business, while a result under 2.0 suggests that executives are pessimistic about the economic outlook for their business.



Economic
Development Regina Inc.

ABOUT EDR

Economic Development Regina Inc. (EDR) is the economic development agency for the Greater Regina Area.

EDR is a not for profit economic development corporation, governed by a volunteer board of directors. EDR provides leadership to the community to support industry growth and diversification through retention and expansion of existing business and encouraging investment, development of industry and tourism.

In collaboration with key stakeholders, we work to identify, develop and promote opportunities that advance economic prosperity and ensure the Greater Regina Area offers a vibrant and diversified economy for investors, is a positive destination experience for visitors and offers a high quality of life for residents.

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ABOUT PRAXIS

Praxis Consulting is Saskatchewan's largest locally-based management consulting firm.

Praxis works collaboratively with clients in the facilitation of growth and excellence. Leveraging an unmatched wealth of experience across multiple sectors, Praxis adds value to their clients through:

- **Research:** Information gathering and data analytics.
- **Strategy:** Thought-leadership, rigorous planning, and pragmatic strategies.
- **Results:** Cascading strategy and culture within the organization.

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