

RELO

Regina Executive Leadership Outlook

Quarterly Report: July 2020

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Executive Summary

The global pandemic has had a clear and obvious impact on Regina's economy, bringing much of it to a standstill for the second quarter of 2020. Despite Saskatchewan faring better than expected and moving into Phase 4.2 of the Re-Open Saskatchewan Plan, executive confidence, unsurprisingly, has taken a hit.

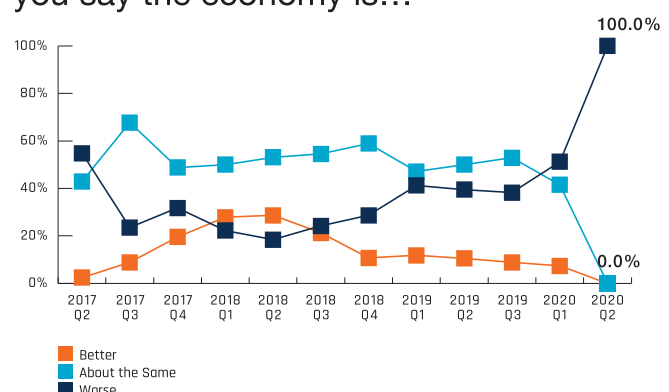
Across the board, all indicators in the Index show an increased percentage of executives believing the economy will worsen over the coming year. Those indicators include:

- Executives unanimously feel today's economic conditions are worse than a year ago.
- 45.5% feel the economic outlook for the next year is worse than this year, while 36.4% feel the economy will improve.
- 42.4% expect their firm's total fixed investments to decrease over the next year, while 27.3% expect an increase.
- 42.4% expect their firm to employ fewer people over the next year, while 27.3% expect to employ more people.
- 48.5% of executives anticipate a decrease in sales revenue over the next year, while 33.3% expect an increase.
- 42.4% expect their firm's profitability to decrease, although the same number expects an increase.
- 39.4% believe the worst of the pandemic is still to come, while 27.3% feel the worst is behind us.

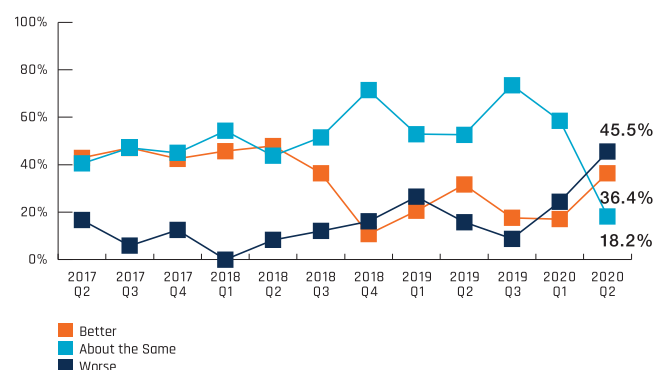
The net result of these sentiments is a historically low Executive Confidence Index, standing at 1.89, well below the overall Index Average of 2.24. While some executives are optimistic on some fronts, there is no doubt the pandemic has had a major impact on Regina's economy.

Every executive surveyed (100.0%) believes the current economy is performing worse compared to one year ago. As they look forward twelve months, almost half (45.5%) anticipate Regina's economic performance will worsen, while 36.4% are optimistic the economy will improve. Only 18.2% expect things to stay the same.

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



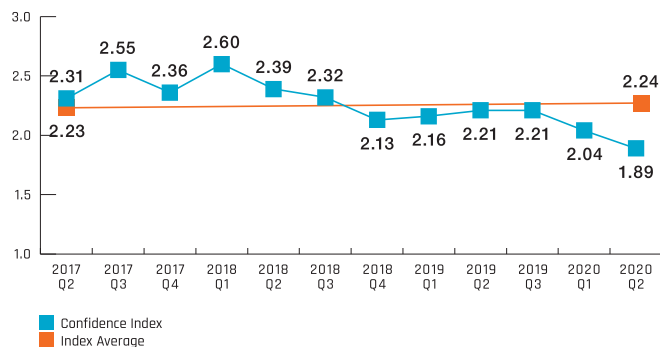
In the next 12 months, how do you expect Regina's economy to perform...



Economic Outlook Dashboard

EXECUTIVE CONFIDENCE

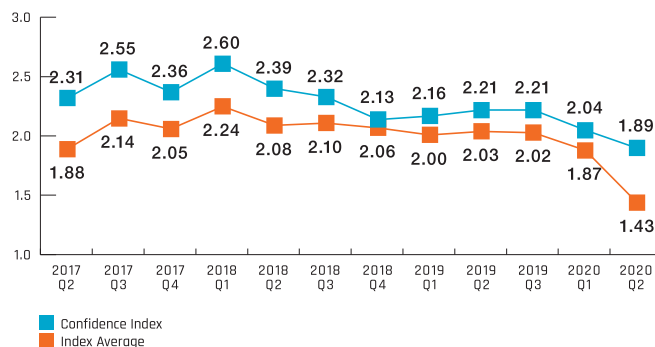
The cautious optimism seen through the end of 2019 tapered off in the first quarter of 2020 as fears of COVID-19 started to mount. On March 18, 2020, the Government of Saskatchewan declared a state of emergency and much of the economic activity in the province was brought to a standstill. Despite Saskatchewan faring better than expected and moving into Phase 4.2 of the Re-Open Saskatchewan Plan at the time the survey was conducted, it's not surprising to see the Executive Confidence Index currently sitting at a historic low of 1.89, and well below the overall Index Average of 2.24.



Optimism surrounding the economic outlook for the next year dropped off significantly across all indicators in the three months after the effects of the pandemic took hold. The decline in this quarter's Executive Confidence Index is due to an increase across all indicators in the percentage of executives believing the economy will worsen over the coming year.

CURRENT CONDITIONS

A calculation similar to the Executive Confidence 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 1.43, which is a significant drop from 1.87 observed in the first quarter. The Confidence Index and Current Conditions Index continue to be strongly correlated ($r=.822$, $p < .001$), 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. However, the current decline is the largest quarterly drop noted since tracking began in early 2016.

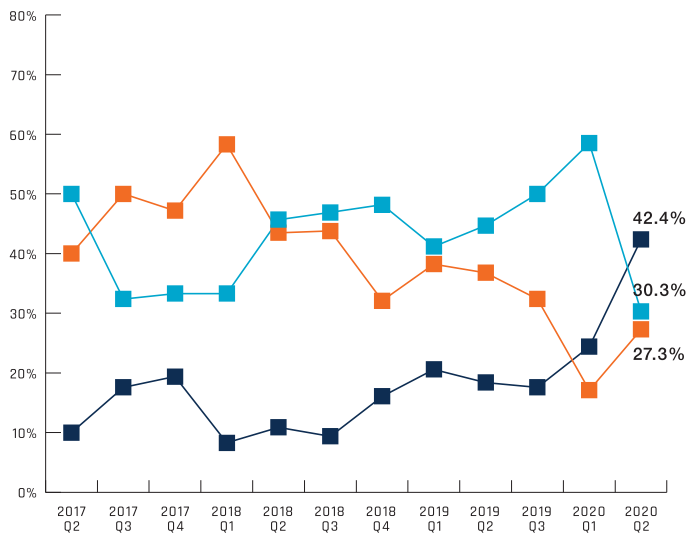


FIXED INVESTMENTS

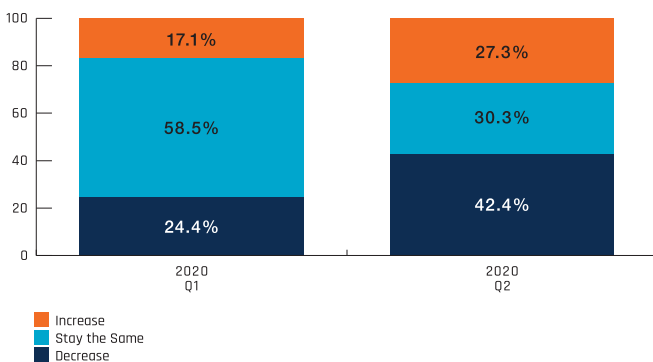
About two in five executives (42.4%) expect their firm's total fixed investments to decrease over the next 12 months (up significantly from 24.4%). There has been a corresponding drop in the proportion of respondents who expect their firm's total fixed investments to stay the same (30.3%, down from 58.5%). By comparison, 27.3% currently expect their firm's total fixed investments to increase (up from 17.1%).

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

HISTORICAL COMPARISON



QUARTERLY COMPARISON

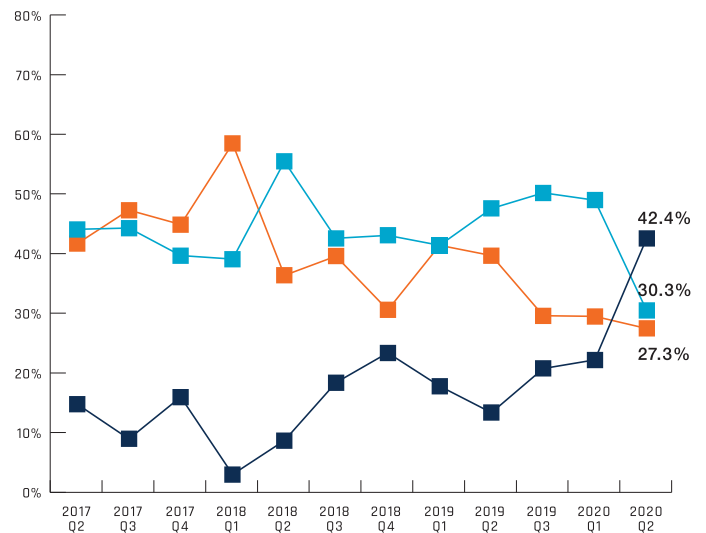


EMPLOYMENT

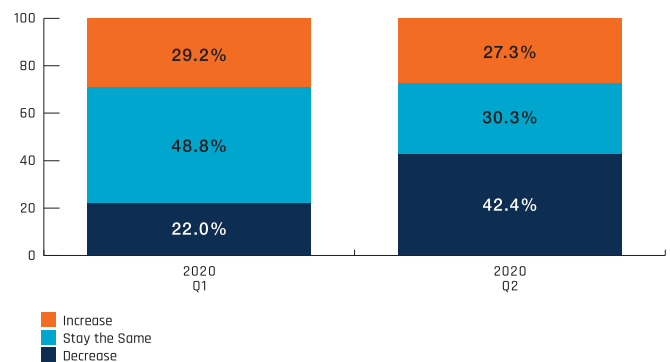
Predicted changes to fixed investments align with employment expectations. About two in five (42.4%) expect their firm to employ fewer people over the next 12 months (up significantly from 22.0%), while another 30.3% expect their firm to employ the same amount of people (down from 48.8%). On the flip side, 27.3% expect their firm to employ more people, which is down only marginally from 29.3% in the previous quarter.

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

HISTORICAL COMPARISON



QUARTERLY COMPARISON

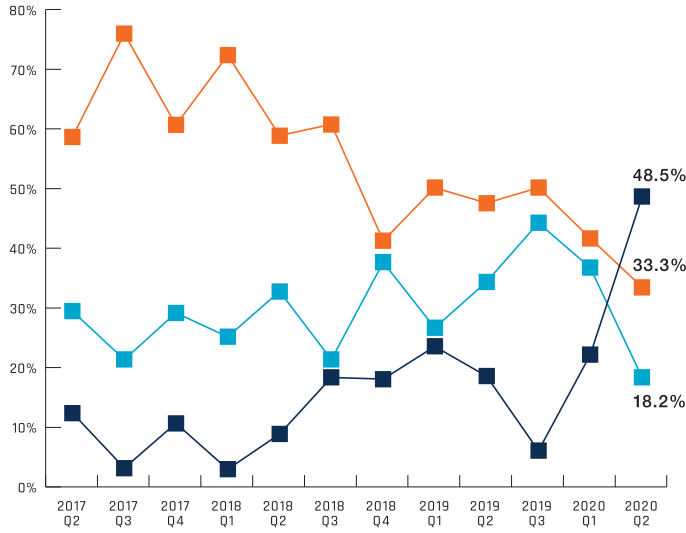


SALES REVENUE

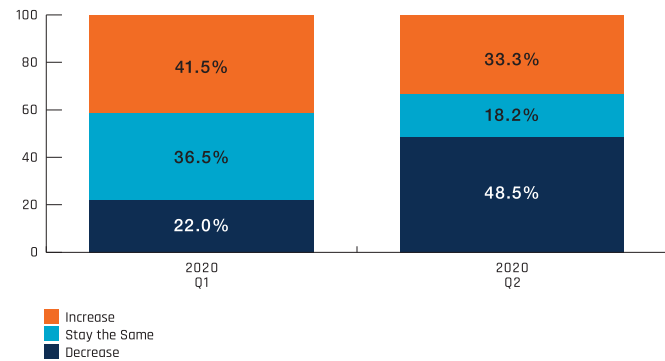
In the third quarter of 2019, only 5.9% of executives expected to see a decline in their firm's sales revenue over the year ahead. This metric has increased almost 40 points in six months, with 48.5% of executives now anticipating a decrease in sales revenue over the next 12 months. By comparison, 33.3% expect their sales revenue to increase (down from 41.5%) and 18.2% expect things to stay the same (down from 36.6%).

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

HISTORICAL COMPARISON



QUARTERLY COMPARISON

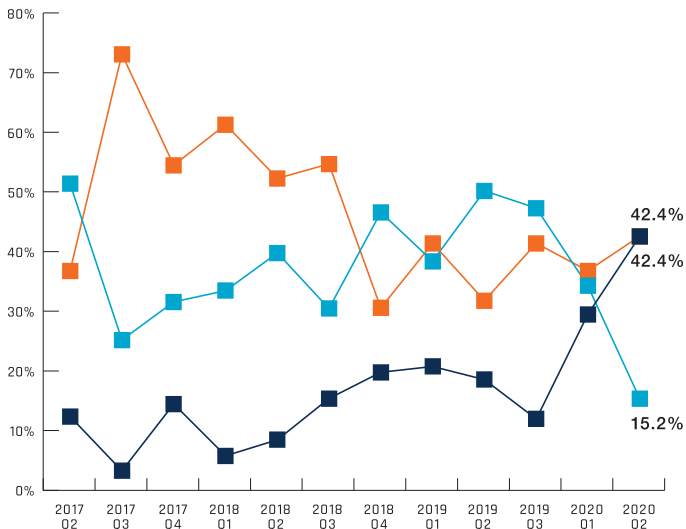


PROFITABILITY

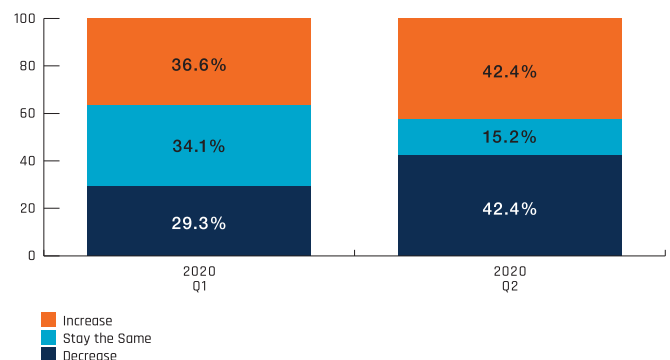
Expectations about profitability have become more polarizing since last quarter. Higher proportions of executives expect their firm's profitability to either increase or decrease (42.4%, respectively), while significantly fewer executives expect things to stay the same (15.2%; down from 34.1%).

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

HISTORICAL COMPARISON



QUARTERLY COMPARISON



Conclusion

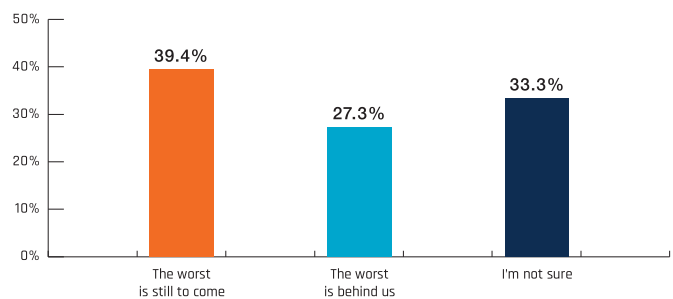
The COVID-19 pandemic has had a considerable impact on businesses in the GRA, making it challenging for the city's business executives to forecast the economic environment in the months ahead. While some feel optimistic, there is a higher proportion of executives who are either unsure about what is to come or feel things will get worse. More than two in five expect to see declines in their firm's fixed investments, number of employees, sales revenue and profitability over the next 12 months.

The Executive Confidence Index has dropped sharply to 1.89; a historic low since tracking began in 2016. This is due to increases across all indicators in the proportion believing the economic situation will worsen over the coming year.

PERCEPTIONS OF THE PANDEMIC

Executives are split when making predictions about the COVID-19 pandemic. Two in five (39.4%) believe the worst is still to come, while 27.3% feel the worst is behind us. Another one in three (33.3%) are unsure.

Which of the following best describes your view about the COVID-19 pandemic?



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 75–80 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 33 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 June 17th to 30th, 2020.

A total of 75 survey invitations were sent, yielding a response rate of 44%. 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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