

COVID-19 Impact Pulse Check #2- April 20 '20

- GVBOT Sub-Report -

Introduction

This report provides key highlights or differences from the overall results provided in the main report among 117 Greater Vancouver Board of Trade members who completed the survey from April 9-17, 2020.

Key Findings

Impacts on Businesses

- **The most common impact to-date from the COVID-19 pandemic on Greater Vancouver Board of Trade members is also decreased sales volume**, reported by 78% of businesses. A total of 55% have reduced staff hours, 41% have laid off employees, and 24% have closed temporarily. And one-third have had capital projects, contracts/tenders and/or marketing projects either cancelled or deferred.
- Half (50%) have responded by increasing their online, digital or e-commerce operations.
- **Among those laying off staff, on average businesses have laid off 72 employees** (similar to the first survey).
- In term of revenue, in the past two weeks **52% have had revenues drop by 50% or more**.
- Over the next two weeks, 67% of members expect decreased sales volumes with **39% expecting revenues to fall 'significantly'**.

Government Measures

- GVBOT members like other businesses continue to be most positive about how governments are addressing support measures for employees, guidance on workplace practices, and on ensuring supply chains remain open.
- But they tend to be **critical about government measures that support cash flow, prevent layoffs, and that provide new opportunities** for businesses to assist in responding to COVID-19 (e.g. tools, supplies, equipment).
- The majority of members believe the **federal government** programs announced to date will be helpful once implemented, **but they are not helpful for 25% of member businesses**, primarily because they do not qualify for any programs (62%), provide enough cash flow relief (45%), rent relief (28%), tax relief (24%) and/or wages relief (21%).
- Similarly, **one-third of business (31%) do not find the provincial programs** helpful, for the same reasons as federal programs.

- **Almost half of members (45%) expect to qualify for the 75% wage subsidy program.** Nine-in-ten of those who qualify expect to apply.
- The main reason for not qualifying is that revenues have not declined enough (47%), followed by do not have employees on payroll (27%), employees laid off (9%), seasonal revenue (11%) and start-up or pre-revenue company (7%).

Operation Expenses and Rent Assistance

- **Wages (88%) followed by rent (53%) are the top operating costs** or expenses of member businesses.
- The majority of business (52%) are spending 10% or more of operating expenses on rent.
- GVBOT members also agree that direct cash flow support, followed by a rental subsidy would be most helpful to businesses.

Recovery

- 48% of member businesses are non-essential, 42% essential and 10% are unsure.
- Businesses not able to operate at or near full capacity (65% of all member businesses), **34% are not confident in their ability to restart** or return to normal capacity once restrictions are eased.
- The key challenges are attracting customers/revenue (82%), and having enough operating cash (50%).
- Four-in-ten (41%) businesses not operating at full capacity expect they can only **continue to operate for up to 3 months** under current restrictions.

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Introduction

The BC Chamber of Commerce, Greater Vancouver Board of Trade and the Business Council of British Columbia (with assistance by Mustel Group) have collaborated with business associations across the province to collect and provide information to government, from businesses of all sizes, sectors and regions across British Columbia. Information gathered will inform a holistic approach between government and society in acting on the COVID-19 pandemic.

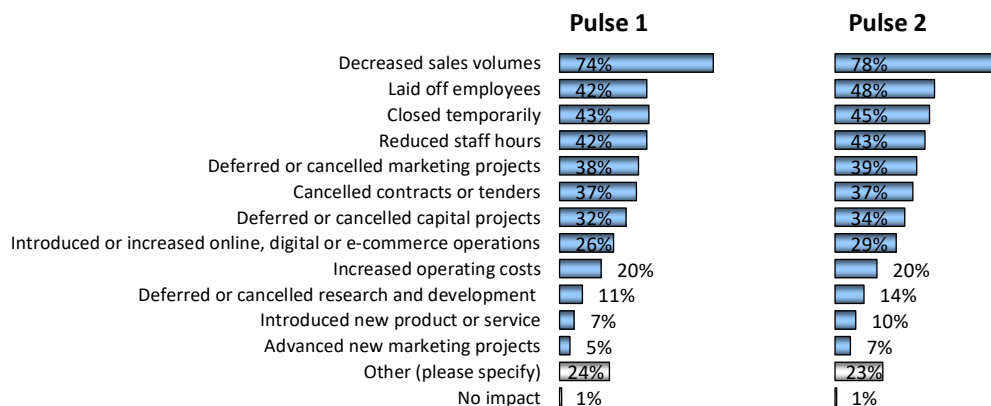
This report provides the key findings from the second survey taken by 1,284 business leaders from April 9-17, 2020. Pulse Check #1 was released April 2, 2020.

Key Findings

Impacts on Businesses

- **The most common impact on businesses to-date from the COVID-19 pandemic continues to be decreased sales volume**, reported by 78% of businesses (up from 74% in Pulse Check #1). Again, almost half (48% up from 42%) also report laying off employees, reducing staff hours (43%) and/or closing temporarily (45%). And one-third have had capital projects, contracts/tenders and/or marketing projects either cancelled or deferred (similar to first survey).
- In terms of businesses that have **closed temporarily**, the level rises to **65% of non-essential services**, with the incidence highest in the following sectors: accommodation and food services - 75%, retail - 60%, healthcare and social assistance - 74%, arts and entertainment - 77%.
- The highest proportion of businesses **making layoffs** is also reported by businesses in accommodations and food services (70%) and retail (58%).

How COVID-19 Has Impacted Business

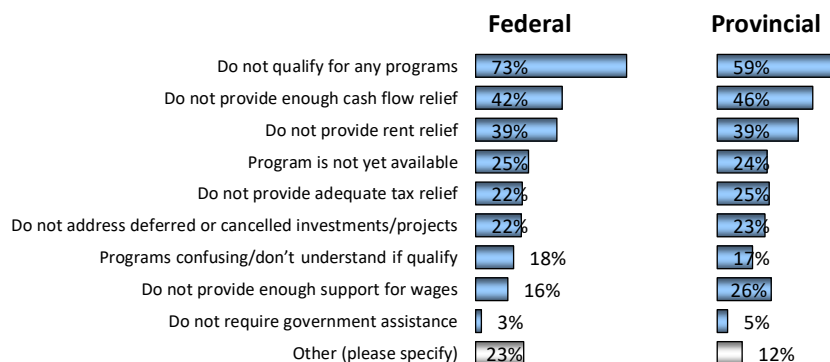


- Among those laying off staff, **on average businesses have laid off 25 employees which is less than the 43 employees reported in the first survey.** This likely reflects the introduction of the wage subsidy program, but not an anticipated second wave of layoffs. Among medium sized businesses (50-199 employees) the average loss is 41; among large employers (220+) an average of 245 employees have been laid off.
- In term of revenue, **in the past two weeks approximately half of all business (54% up from 48% in the first survey) have experienced revenue decreases of 75% or more;** two-thirds (66%) have had revenues drop by 50% or more.
- Over the next two weeks, 67% of businesses (down slightly from 75% reported in Pulse Check #1) expect decreased sales volumes **with the 46% (vs 56% in first survey), expecting revenues to fall 'significantly'.**

Government Measures

- Businesses continue to be most positive about how governments are addressing support measures for employees, guidance on workplace practices, and on ensuring supply chains remain open.
- But businesses tend to be **critical about government measures that support cash flow, prevent layoffs, and that provide new opportunities** for businesses to assist in responding to COVID-19 (e.g. tools, supplies, equipment).
- With the government measures that have been introduced over the past few weeks, **only half of businesses temporarily closed (53%) currently expect to reopen** once the restrictions are eased on workplace conditions. Of the remainder, **38% are unsure and 8% respond they will not reopen.**
- While just over half of businesses believe the **federal government** programs announced to date will be helpful once implemented, **but they are not helpful for 33% of businesses,** primarily because they **do not qualify** for any programs, provide **enough cash flow relief, and/or rent relief.**
- Other reasons include: programs confusing/don't understand if qualify, needed program not implemented yet, do not provide adequate tax relief, and do not address deferred or cancelled investments/projects.
- Micro business (under 5 employees) are most inclined to report that federal programs are not helpful (49%) primarily for the reason that they do not qualify.
- Similarly, **one-third of business (35%) do not find the provincial programs** helpful, for the same reasons as federal programs.

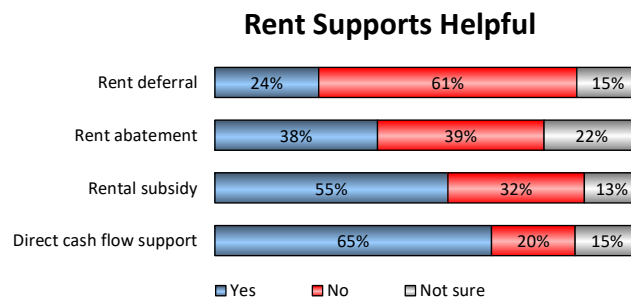
Reasons Federal/ Provincial Programs Not Helpful



- **One-third of businesses (34%) expect to qualify for the 75% wage subsidy program** (another 21% are unsure). Nine-in-ten of those who qualify expect to apply.
- Reasons for not qualifying include: do not have employees on payroll (46%), revenue has not declined enough (28%), employees laid off (13%), business shut down (11%), seasonal revenue (11%) and start-up or pre-revenue company (10%).

Operation Expenses and Rent Assistance

- **Wages (64%) followed by rent (54%) are the top operating costs** or expenses of businesses. These are followed by taxes (34%) and goods and supplies (32%). Rent is a more significant cost to small businesses (under 50 employees) whereas wages is the key expense for medium and large businesses.
- **The majority of businesses (58%) are spending 10% or more of operating expenses on rent;** 42% are spending 20% or more.
- Direct cash flow support, followed by a rental subsidy would be most helpful to businesses.



Recovery

- 48% of businesses are non-essential, 42% essential and 10% are unsure.
- Businesses not able to operate at or near full capacity (79% of all businesses, 88% of non-essential), **over four-in-ten (43%) are not confident in their ability to restart** or return to normal capacity once restrictions are eased. The incidence is highest among retail sector (52%) and accommodations and food services (50%)
- The key challenges are: attracting customers/revenue (79%), having enough operating cash (55%), and rehiring staff (28%).
- If revenue is the key challenge, half are unsure what percentage of typical sales or revenues will be required to restart their business, with estimates ranging from less than 30% to more than 70%.
- Four-in-ten businesses (43%) not operating at full capacity expect they can only **continue to operate for up to 3 months** under current restrictions.