

ECONOMIC & INDUSTRIAL IMPACT OF THE CORONAVIRUS

Lethbridge Region

May 27, 2020



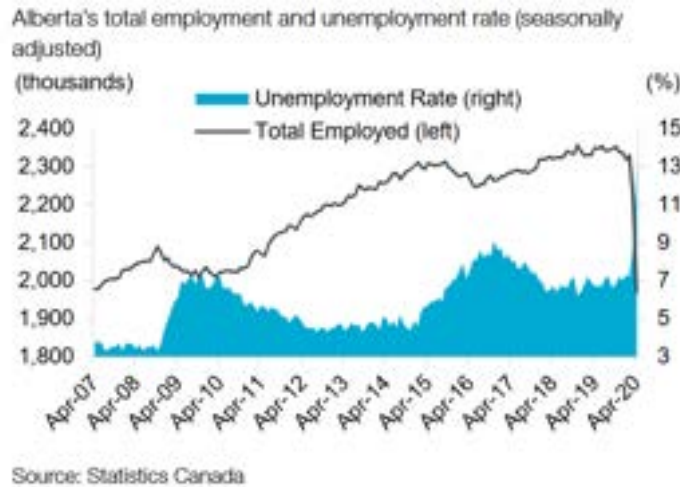
Lethbridge Region
ECONOMIC RECOVERY TASK FORCE

Prepared by :

CAI
CAI Global

Coronavirus in Alberta

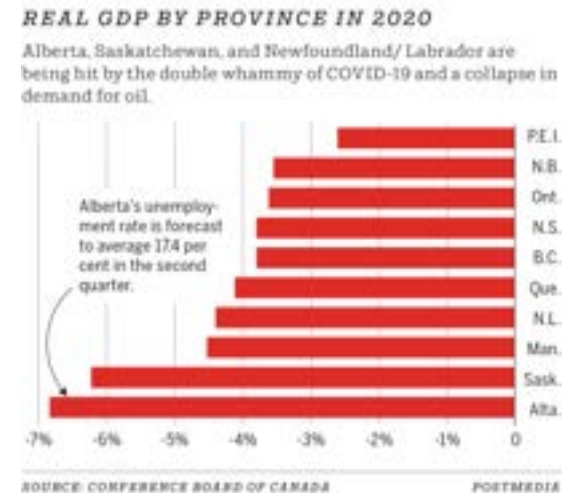
Population, unemployment and GDP data



- Canada lost nearly 2 million jobs in April bringing the total Covid-19 related job loss to 3 million since February and the unemployment rate to 13%
- The unemployment rate in Alberta spiked from 8.7% in March to 13.4% in April according to Statistics Canada's report published in May 2020
- The *Conference Board* expects the worst job losses have already been felt and that the market will slowly recover

Source : Statistics Canada, Labour Force Survey, 2020. Adapted for the Province of Alberta.

- The *Conference Board* of Canada predicts that Alberta's economy will be the hardest hit given the combined decrease in oil prices and the coronavirus crisis
- Alberta's GDP will contract by 7% this year compared to Canada which is set to decline by 4.5%
- Economic activity should pick up in the third and fourth quarters and gain momentum into 2021
- Next year, Alberta could see economic growth of up to 6.5 %



Source : Conference Board of Canada; Statistics Canada; CMHC Housing Time Series Database

Labour Force Impacts

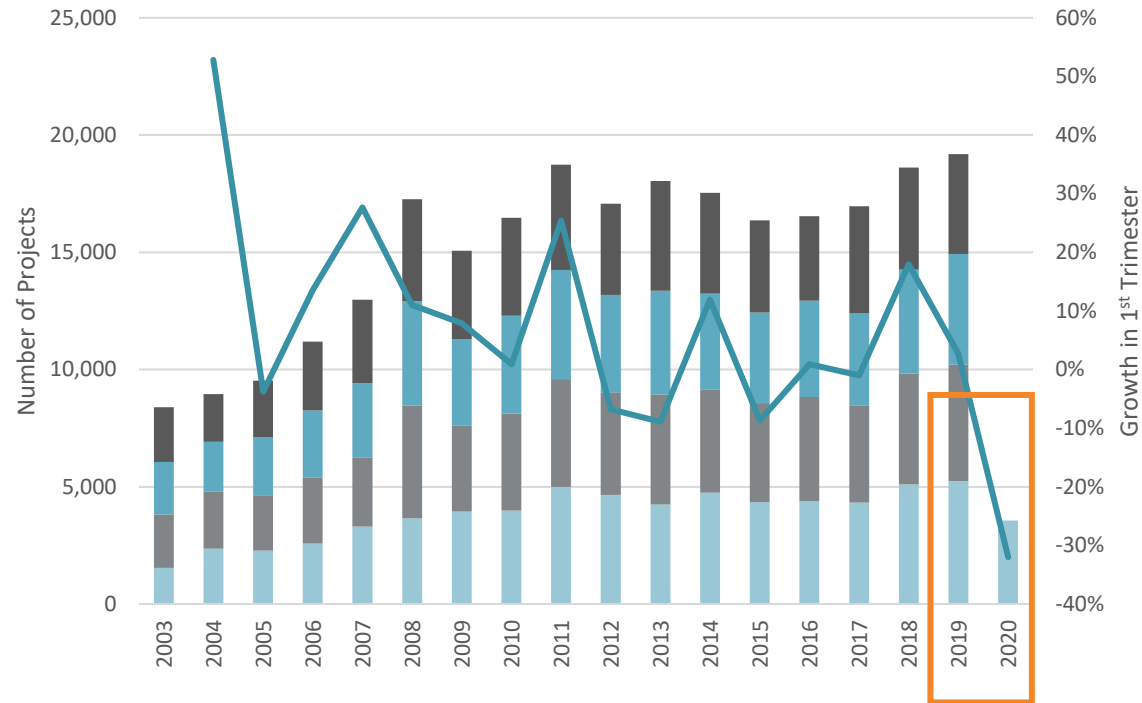
	EMPLOYMENT				UNEMPLOYMENT RATE			
	May 2020 (jobs)	% Change from February 2020	May 2019 (jobs)	% Change vs May 2020	May 2020 Rate	February 2020 Rate	Percentage Point Difference Between May and February 2020	Average Rate Between January and April 2020
Alberta	1,997,200	-14.3%	4 289 800	-14.9%	15.5%	7.2%	8.3	9.2%
Calgary Region	809,700	-9.9%	919,900	-12.0%	13.2%	7.2%	6.0	8.4%
Lethbridge-Medicine Hat	126,800	-10.9%	139,000	-8.8%	9.0%	4.6%	4.4	5.3%

The Lethbridge-Medicine Hat region has not been as severely impacted as other areas around the province.

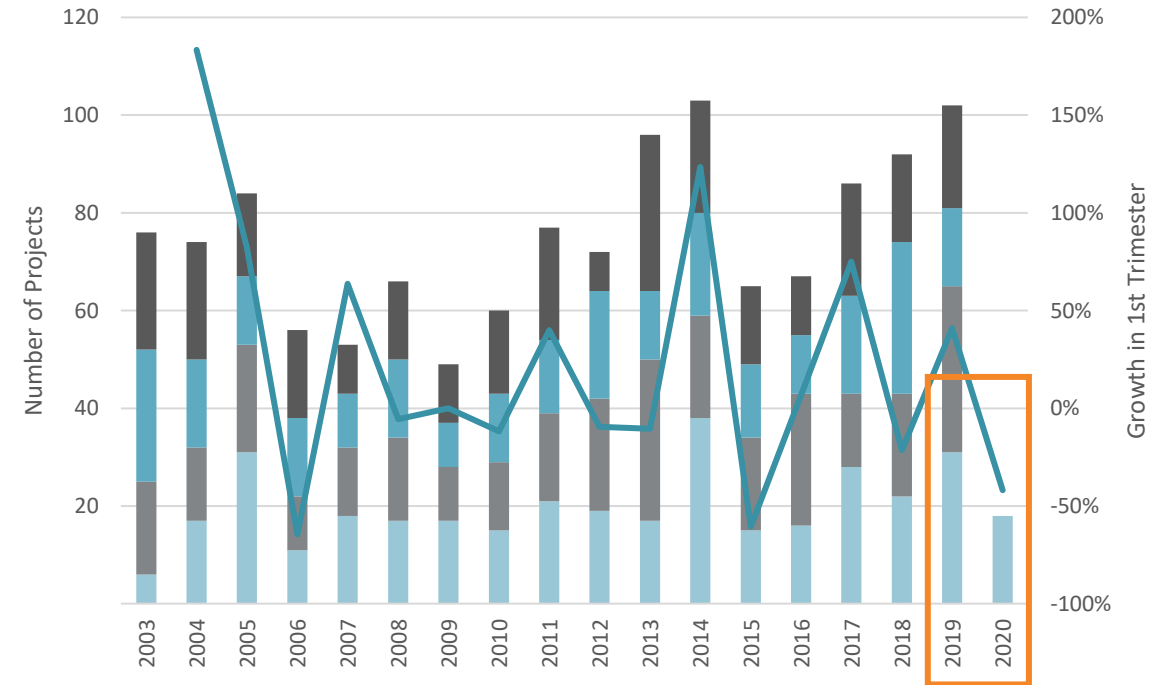
Note: Alberta figures are seasonally adjusted while Calgary and Lethbridge-Medicine Hat figures are unadjusted

FDI in the World and in Alberta

WORLDWIDE FDI -32 %



ALBERTA FDI -42 %



Q1 Q2 Q3 Q4 Change over previous year

FDI decreased in the first quarter for several reasons, including the impact of the pandemic on financial markets, supply chain disruptions, decrease in business travel and a focus on local businesses.

Source: CAI Analytics using data from fDi Markets

INVEST IN SOUTHERN ALBERTA

Trading Area
Population of
342,000

TOP 5 COUNTRIES

in value of where Alberta exports to:



Value of Exports for the Lethbridge Region

\$1B

Value of Lethbridge region based exports across all industries in 2018 was over \$1 Billion

\$700M

Manufacturing represents the largest export values with over \$700 million in the Lethbridge Region



↑ 9%

Value of Lethbridge region based exports across all industries from 2016 to 2018

↑ 10%

Number of manufacturing businesses that export in 2018 compared to 2016 and 2017

\$2.2B

is the number spent in the province by international visitors.

Southern Alberta is home to 3 UNESCO heritage sites within a 90 minute drive of Lethbridge.

↑ 15%

Manufacturing export value in 2018 compared to 2016 and 2017 values

↑ 27%

Percentage of Agriculture, Forestry and Fishing & Hunting exports provincially from Lethbridge region



30%

of Alberta's electricity will come from renewable sources by 2030

One of the largest wind energy investments in western Canada is located in southern Alberta.



Foreign markets represented

25%

of the 2018 business inquiries in Lethbridge

October 2016

17 

Southern Alberta businesses meet and present to investors from China

February 2017

25 

Southern Alberta representatives meet with 85 potential investors in China and Japan

For more information:
ERIN CRANE, Director, Investment Attraction
403-331-0022
erin@chooselethbridge.ca
www.chooselethbridge.ca



Southern Alberta Investment & Trade Initiative



Economic
Development
Lethbridge



Business Confidence Index

(investment, percentage change; index, 2014 = 100)



Source: The Conference Board of Canada.

The Conference Board of Canada has never measured such a steep drop in business confidence

Lethbridge Region Business Impact Surveys

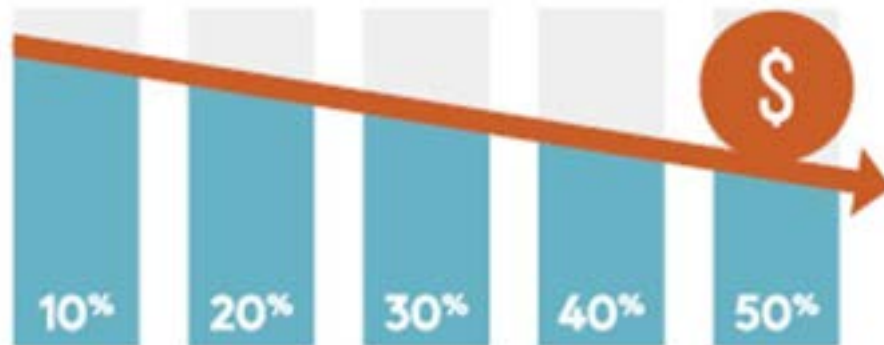
Survey Conducted April 9 – April 20, 2020

Biggest impacts since the onset of COVID-19:

- Decline in business due to lack of customers
- Staff Layoffs
- Challenges meeting fixed costs
- Reduction in business hours
- Forced to close temporarily



78% of businesses have seen a reduction in sales.



Survey Conducted May 14 – May 26, 2020



of businesses anticipate a cash shortfall of at least \$10,000 over the next 30 days



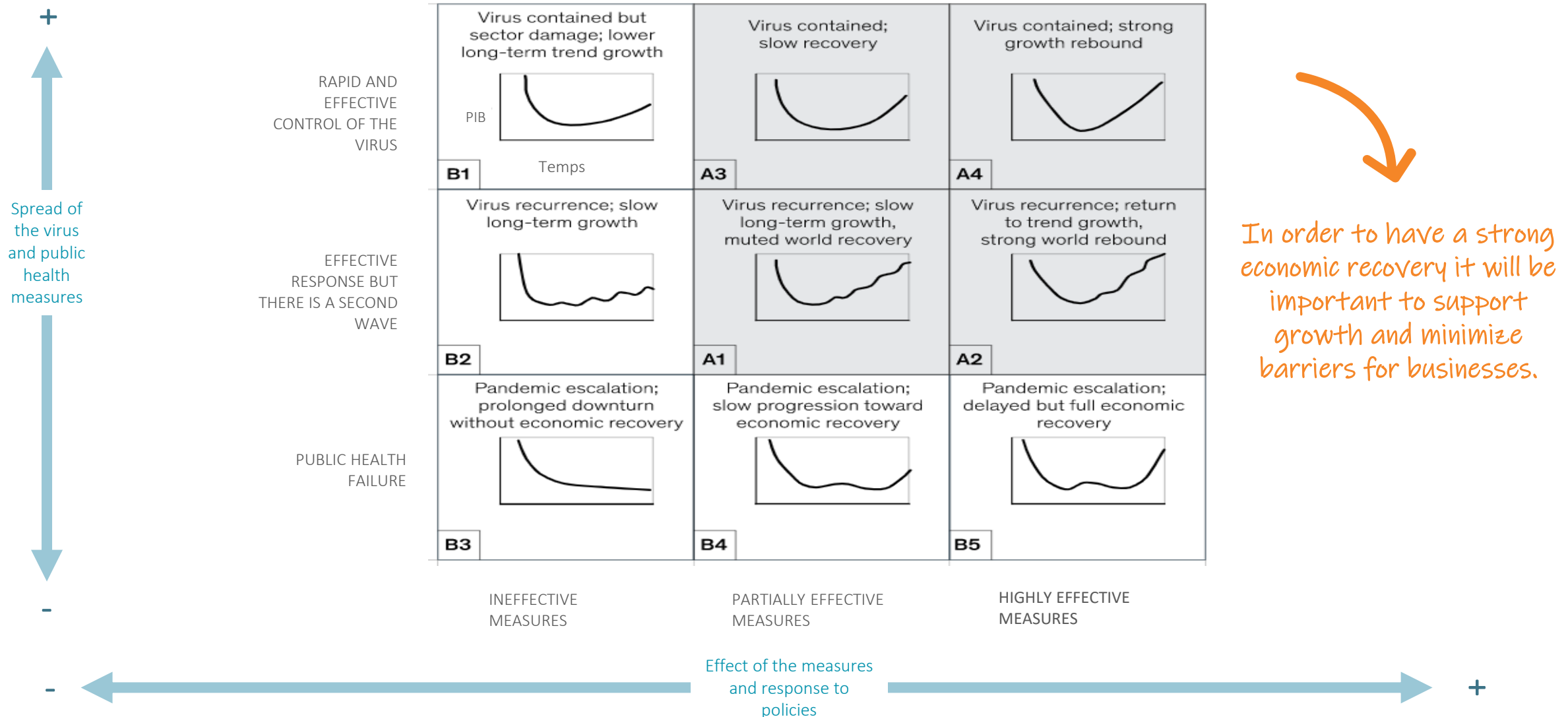
of businesses need to make at least 76% of typical sales to make it worthwhile to remain open through the summer

Biggest concerns as we reopen the economy:

- 54%** Making customers feel comfortable
- 53%** Managing social distancing for staff & customers
- 39%** Accessing PPE for staff



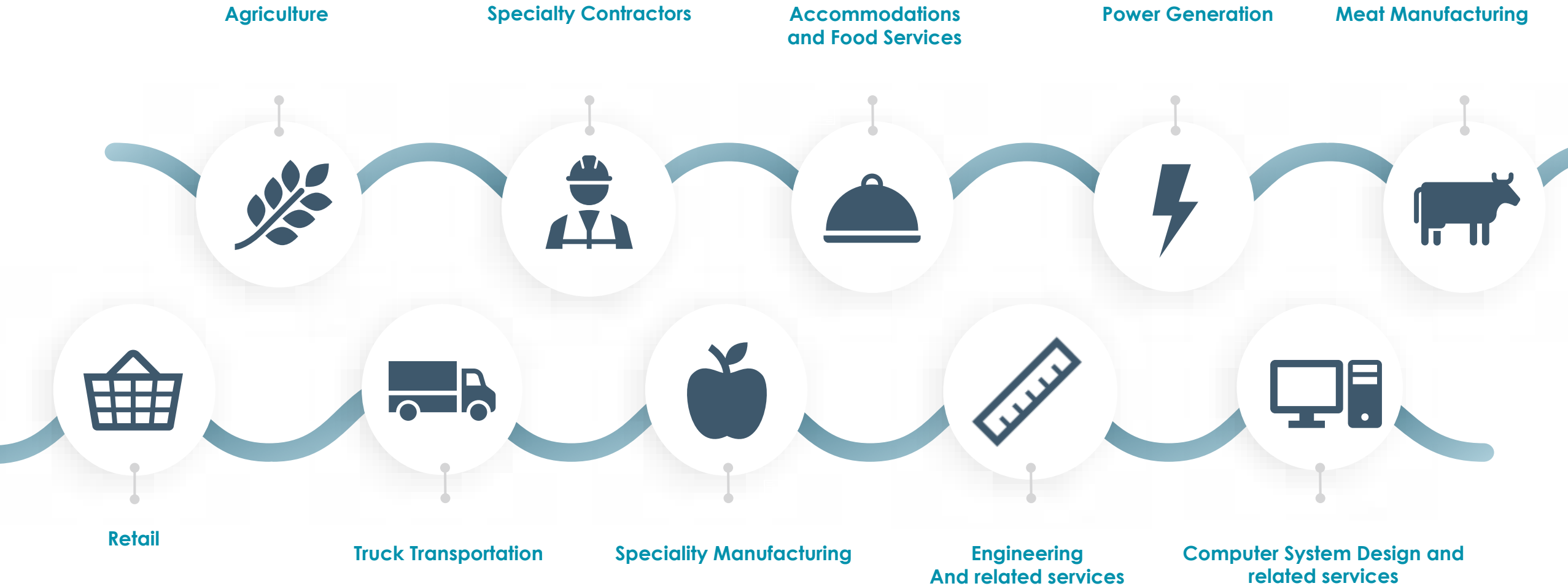
Impact Scenarios of the Economic Crisis



Study Area

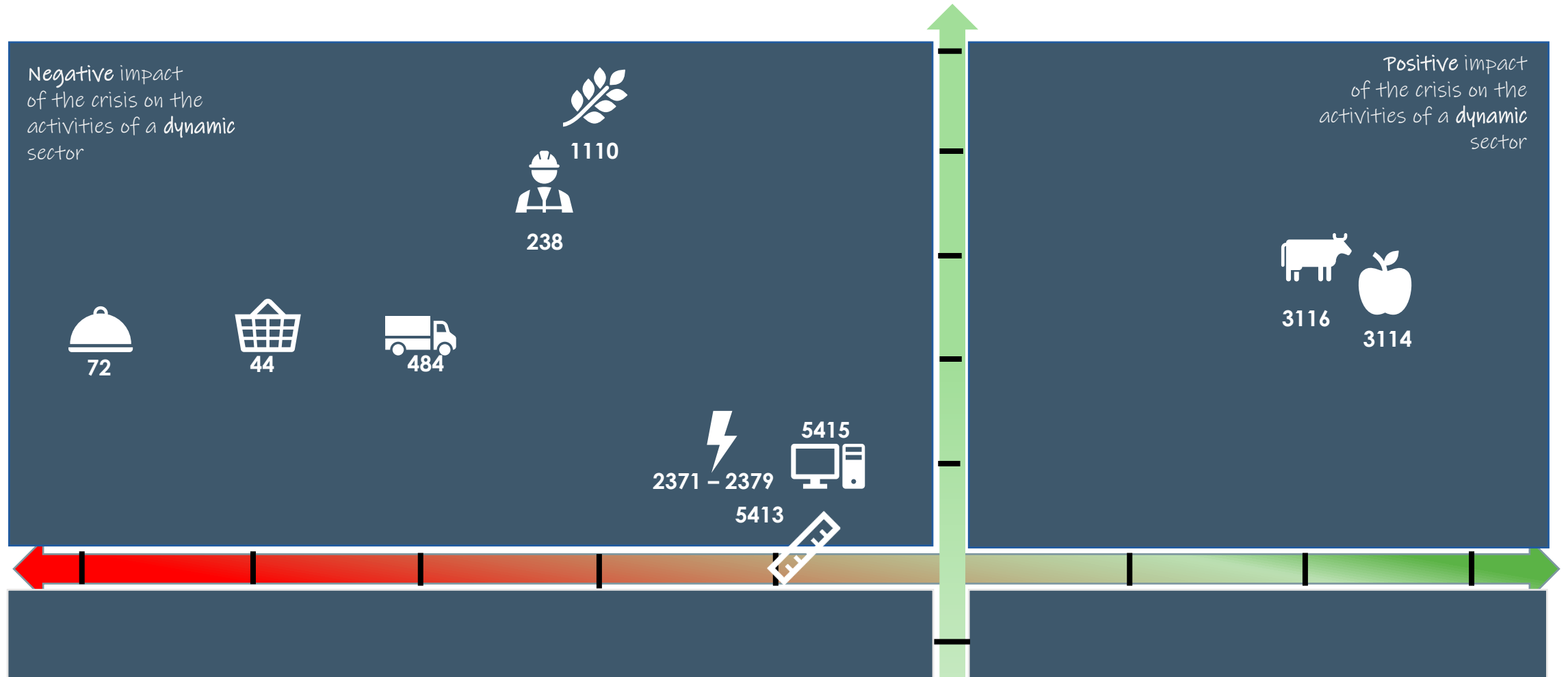


Selection of key sectors in the region



Sector Classification

INDUSTRIAL PERFORMANCE OF THE ECONOMIC SECTOR



IMPACT OF THE VIRUS ON THE INDUSTRY

Evaluation of the Impact of the Crisis

NAICS	Industry (Simplified Name)	GRP	Loss of Sales	Loss of Wages	COVID GRP	GRP % Variation	Impact Index	Industrial Performance
1110	Farms	\$1,643,641,348	\$104,321,963	\$74,023,212	\$1,465,296,173	-10.85%	-2	4
2371-2379	Power generation	\$124,163,907	\$1,717,341	\$3,724,823	\$118,721,743	-4.38%	-1	1
238	Specialty trade contractors	\$659,510,987	\$34,565,285	\$61,331,553	\$563,614,149	-14.54%	-2	4
3114	Fruit and vegetable preserving and specialty food manufacturing	\$211,902,387	\$1,978,988	\$3,048,915	\$216,930,290	2.37%	2	3
3116	Meat product manufacturing	\$269,103,924	\$3,428,938	\$4,190,395	\$276,723,256	2.83%	2	3
44	Retail	\$578,906,713	\$39,721,412	\$68,638,350	\$470,546,951	-18.72%	-4	2
484	Truck transportation	\$356,215,011	\$22,813,153	\$38,184,489	\$295,217,369	-17.12%	-3	2
5413	Architectural, engineering and related services	\$130,926,414	\$3,676,074	\$7,466,919	\$119,783,421	-8.51%	-1	1
5415	Computer systems design and related services	\$48,999,290	\$2,190,412	\$4,120,058	\$42,688,820	-12.88%	-1	1
72	Accommodation and food services	\$385,258,125	\$46,310,319	\$75,636,441	\$263,311,365	-31.65%	-5	2

Presentation of Data

\$13,606,906,133

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of **27%**
of jobs in the industry
on the economy (%
determined by
StatCan's LFS)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$487,415,910

Jobs



18,750

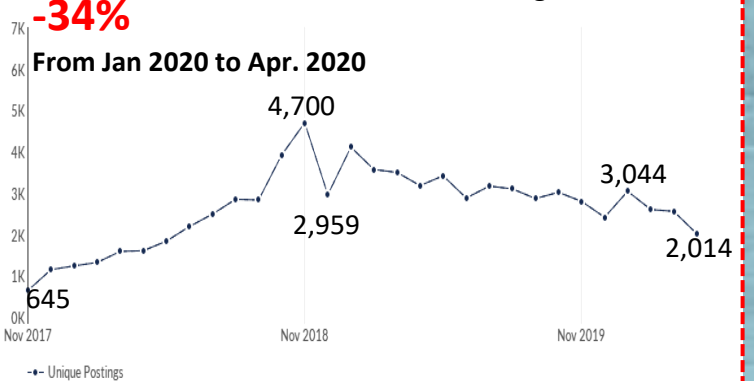
Salaries



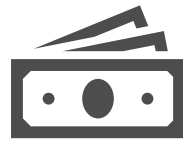
\$828,262,500



Trends in job offers from
Nov. 2017 to Apr. 2020 in
the region



Number of jobs in
2019



Average salaries



Growth 2015-2019



Location Quotient



Opportunities

- Agricultural activities as well as businesses that support the food supply chain are essential and demand from consumers is expected to remain stable.
- Potential to shifts to e-commerce for companies that have not yet adopted it and expand market potential.



Risk Factors

- Logistical challenges when it comes to trade relations and exports.
- The decrease in exports intensifies competition between local suppliers, reducing prices and revenues.
- All industries will have to deal with uncertainty.
- Measures to keep workers safe and healthy can make operations more difficult.
- Supply chains can be impacted.

Source : CAI Analytics using various sources including EMSI and IBISWorld

Notes: The GRP is a sum of the 44 county are of the region provided on page 18 , The % loss based on the province's average loss applied to regional data

Agriculture

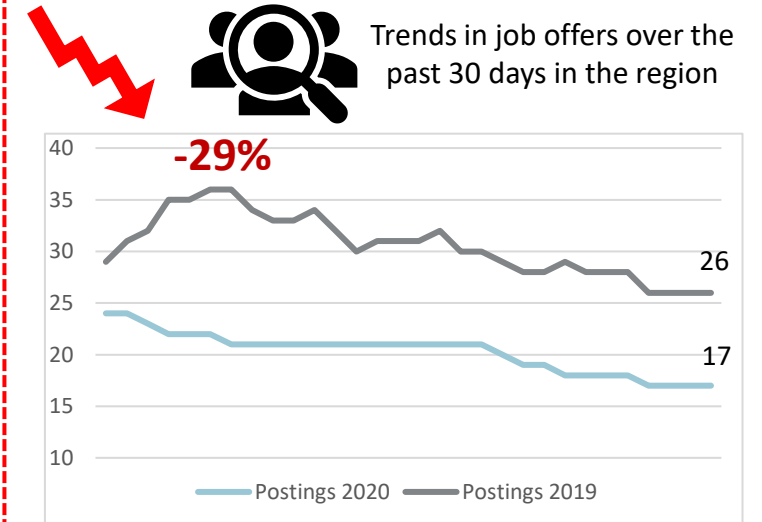
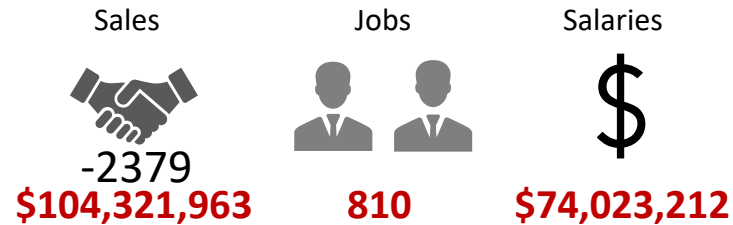
\$1,643,641,348

12.1% of total GRP

Gross Regional Product :
Salaries + (sales - purchases)

Effect of a loss of **11%**
of jobs in the industry
on the economy (%
determined by
StatCan's LFS)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.



7,366 jobs



\$40,406



-39%



LQ = 4.76



Opportunities

- Agricultural activities as well as businesses that support the food supply chain are essential and demand from consumers is expected to remain stable;
- The government offers significant financial support to the agricultural sector.
- **KEY: Canada's Premier Food Corridor- regional approach**
#SouthernAlbertaFeedsTheWorld



Risk Factors

- Additional logistical challenges when it comes to trading with the US, causing a decrease in exports;
- The decrease in exports intensifies competition between local suppliers, reducing prices and their revenues;
- Restaurants operating in a limited way or closing altogether reduces demand;
- Delays in the arrival of foreign workers (namely from Mexico) and less foreign workers in general;
- Since people avoid going to the grocery store too often, they tend to buy less fresh produce.

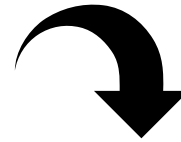
Accommodation and Food Services

\$385,258,125

2.8% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
50.5% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)



The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$46,310,319

Jobs



3,607

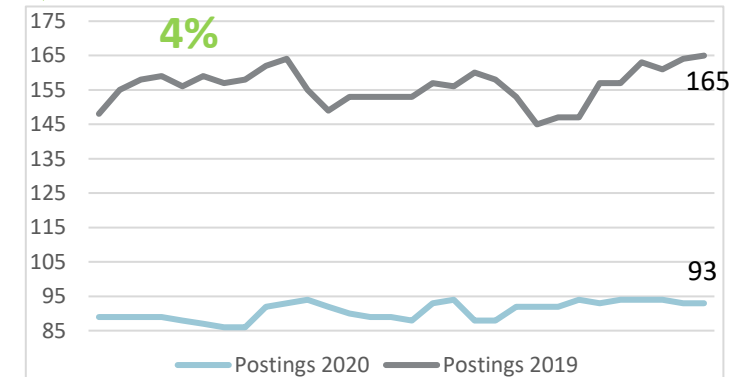
Salaries



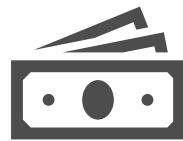
\$75,636,441



Trends in job offers over the
past 30 days in the region



7,143 jobs



\$17,868



-7%



LQ = 0.97



Opportunities

- Starting May 14, cafés, restaurants, pubs and bars (except Calgary and Brooks) can reopen for table service at 50% capacity with increased infection prevention and controls as part of Alberta's Relaunch Strategy;
- The same applies starting May 25 in Calgary and Brooks.
- KEY: Leverage the VFR Tourism opportunity to rebuild strength in this sector**



Risk Factors

- Although many restaurants offer pickup and delivery options, the loss in revenue is significant enough for some that they cannot remain open;
- Significant loss in revenues in the tourism industry due to border closures and travel restrictions;
- Many job losses.

Computer Systems Design and Related Services

\$48,999,290

0.4% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
9.7% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$2,190,412

Jobs



41

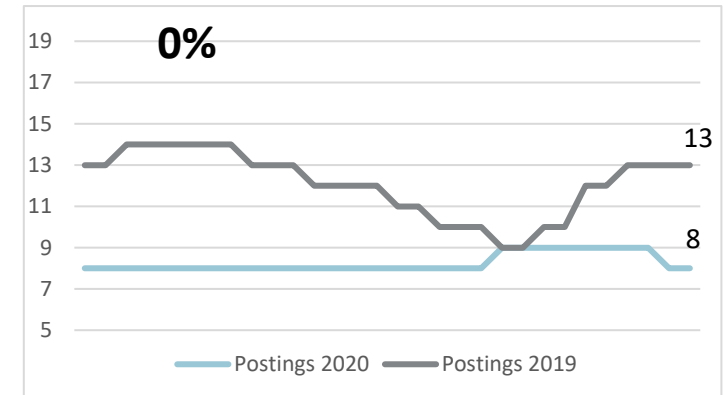
Salaries



\$4,120,058



Trends in job offers over the
past 30 days in the region



426 jobs



\$58,029



55%



LQ = 0.24



Opportunities

- Most professions in this field have the possibility of working remotely;
- Businesses have new needs related to remote working (VPN, cloud, cybersecurity) and e-commerce platforms (website creation, payments).
- **KEY: Tech start-ups and expanding post secondary training capacity (RINSA, Teconnect)**



Risk Factors

- Decrease of postponement of contracts that require the physical presence of service providers.

Architectural, Engineering and Related Services

\$130,926,414

1.0% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
9.7% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$3,676,074

Jobs



81

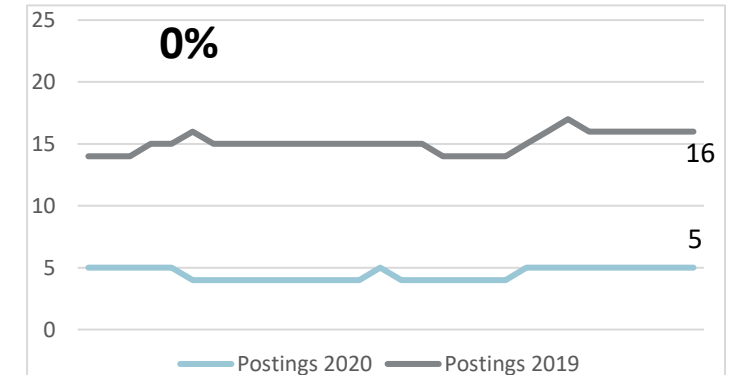
Salaries



\$7,466,919



Trends in job offers over the
past 30 days in the region



837 jobs



\$60,750



-3%



LQ = 0.65



Opportunities

- Most professions in this field have the possibility of working remotely;
- Any construction project that can safely abide by the CMOH Public Health guidelines/directives is considered essential.
- **KEY: Proposed UofL Engineering program, local career path opportunities**



Risk Factors

- The industry will have to deal with uncertainties related to construction suppliers;
- Measures to keep the workers safe and healthy can make operations more difficult.

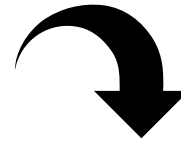
Truck Transportation

\$356,215,011

2.6% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
15.5% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)



The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$22,813,153

Jobs



347

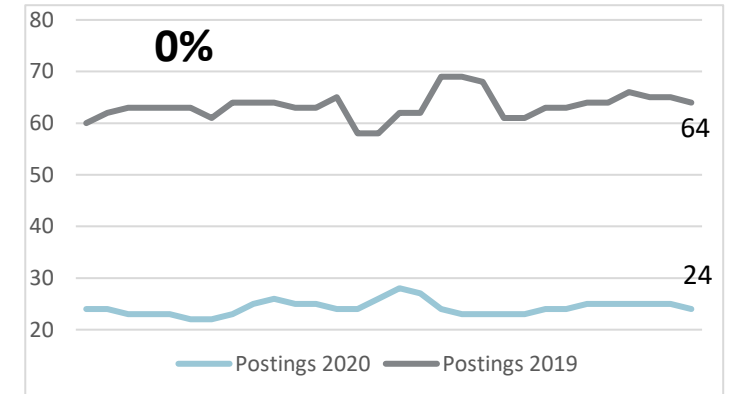
Salaries



\$38,184,489



Trends in job offers over the
past 30 days in the region



2,237 jobs



\$60,707



-3%



LQ = 1.45



Opportunities

- Increase in online shopping by consumers;
- Increase in transportation of essential merchandise, therefore increased demand for trucking.
- **KEY: Airport redevelopment – distribution hub, supply chain automation & emerging technologies**



Risk Factors

- Decrease of imports and exports in most sectors, disrupted supply chains, and expected economic slowdown;
- Profit margins are generally low (around 1% to 3%), therefore cash flow management is difficult;
- Loss of revenues from stopping the transportation of non-essential goods.

Retail

\$578,906,713

4.3% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of **22.9%** of jobs in the industry on the economy (% determined by StatCan's LFS)

The **direct, indirect and induced** effects are determined by using an Input-Output model.

Sales



\$39,721,412

Jobs



1,869

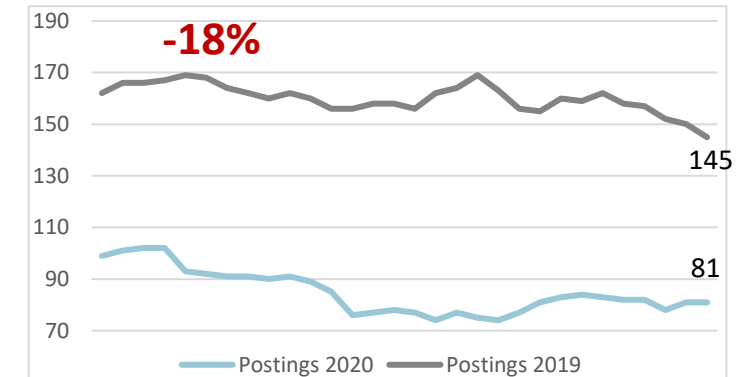
Salaries



\$68,638,350



Trends in job offers over the past 30 days in the region



8,162 jobs



\$29,701



1%



LQ = 0.98



Opportunities

- Forced shift to e-commerce for companies that have not yet adopted it;
- Retail services were able to reopen provincially with increased infection prevention and controls May 14 as part of Alberta's Relaunch strategy;
- Increased partnership and acquisition opportunities.
- **KEY: Enhancing the retail experience, BIA like activity expanded outside of downtown**



Risk Factors

- All businesses except grocery stores and pharmacies had to close for a significant amount of time;
- Many job losses in sectors other than food;
- Security measures and absenteeism make operations difficult;
- Cash flow issues;
- Supply chain management affected by customer behaviour for the food sector and international suppliers for others.

Meat Product Manufacturing

\$269,103,924

2.0% of Lethbridge total GRP

Gross Regional Product :
Salaries + (sales - purchases)

Effect of a loss of
3.4% of jobs in the
industry on the
economy (%
determined by
IBISWorld)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$3,428,938

Jobs



99

Salaries



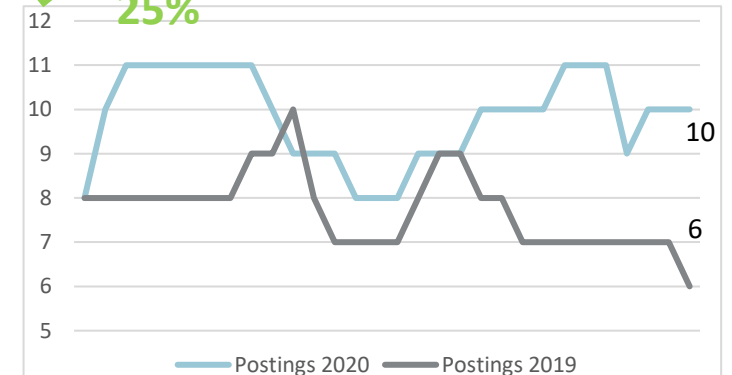
\$4,190,395



25%



Trends in job offers over the
past 30 days in the region



1,313 jobs



\$42,327



10%



LQ = 3.91



Opportunities

- Local demand should grow considerably;
- Food manufacturing is an essential service.
- **KEY: Build on strengths (beef, pork, poultry & equine all represented), modernization and expansion**



Risk Factors

- International demand for exporting companies will be greatly affected, which will decrease revenues;
- Supply chains can be impacted, which will cause difficulties to certain manufacturers in their operations;
- With many shops and restaurants operating in a limited way or closed altogether, revenues are decreasing and some may not recover;
- Growth in the industry profit margin is expected to be hindered due to high costs of sanitation and inefficient methods to meet weekly production capacity.

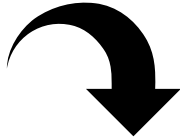
Specialty Food Manufacturing

\$211,902,387

1.6% of Lethbridge total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
4.6% of jobs in the
industry on the
economy (%
determined by
IBISWorld)



The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$1,978,988

Jobs



63

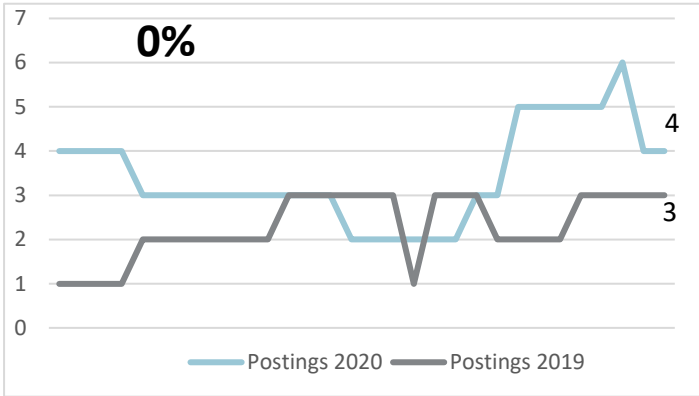
Salaries



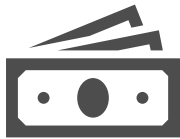
\$3,048,915



Trends in job offers over the
past 30 days in the region



856 jobs



\$48,395



110%



LQ = 8.90



Opportunities

- Local demand should grow considerably;
- Food manufacturing is an essential service.
- **Key: Value added processing – Canada's Premier Food Corridor**



Risk Factors

- International demand for exporting companies will be greatly affected, which will decrease revenues;
- Supply chains can be impacted, which will cause difficulties to certain manufacturers in their operations;
- With many shops and restaurants operating in a limited way or closed altogether, revenues are decreasing and some may not recover.

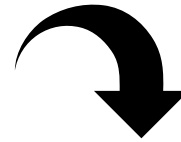
Specialty Trade Contractors

\$659,510,987

4.8% of Lethbridge total GRP

Gross Regional Product :
Salaries + (sales - purchases)

Effect of a loss of
12.4% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)



The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$34,565,285

Jobs

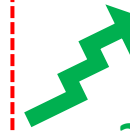


723

Salaries



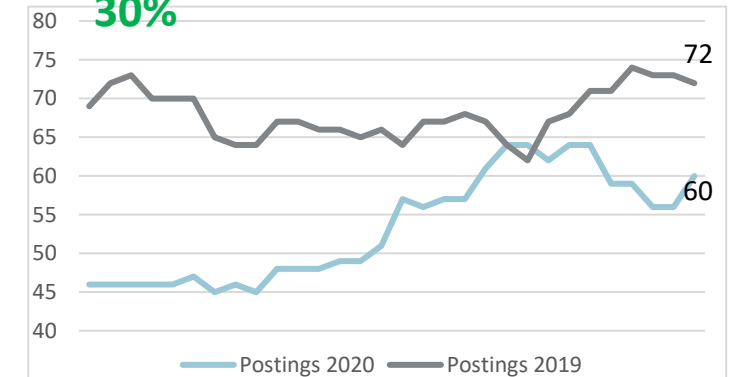
\$61,331,553



30%



Trends in job offers over the
past 30 days in the region



5,828 jobs



\$53,378



15%



LQ = 1.34



Opportunities

- Any construction project that can safely abide by the CMOH Public Health guidelines/directives is considered essential.
- KEY: Leveraging demonstrated track record on major projects, Lethbridge Construction Association**



Risk Factors

- The industry will have to deal with uncertainties related to construction suppliers;
- Measures to keep the workers safe and healthy can make operations more difficult.

Power Generation

\$124,163,907

0.9% of total GRP

**Gross Regional Product :
Salaries + (sales - purchases)**

Effect of a loss of
5.3% of jobs in the
industry on the
economy (%
determined by
StatCan's LFS)

The **direct, indirect
and induced** effects
are determined by
using an Input-Output
model.

Sales



\$1,717,341

Jobs



22

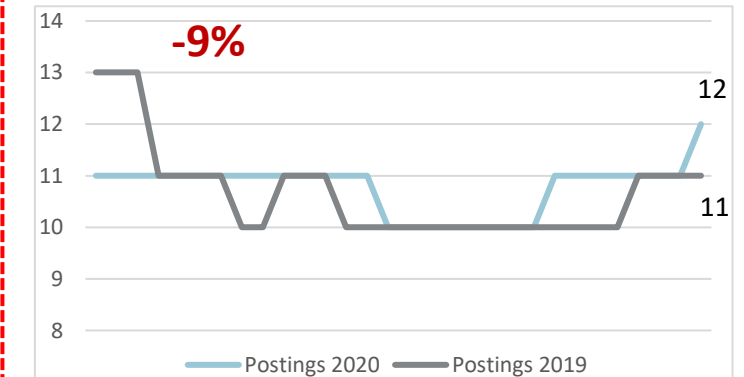
Salaries



\$3,724,823



Trends in job offers over the
past 30 days in the region



418 jobs



\$86,624



-29%



LQ = 0.74



Opportunities

- Construction projects and services required to ensure usage and reliable operations of critical energy infrastructure or support supply chains are considered essential. For example, the Calgary Cancer Centre is progressing ahead of schedule.
- KEY: Southern Alberta Alternative Energy Partnership, deliver on the \$2 billion of proposed projects in the region**



Risk Factors

- The industry will have to deal with uncertainties related to construction suppliers;
- Measures to keep the workers safe and healthy can make operations more difficult.

Effect of the Pandemic on the Structure of Industries



Key Takeaways from CAI Global

1

The SouthGrow and Alberta South West Regional Areas have a resilient industrial ecosystem and have not been hit as hard as other regions of Alberta

The current unemployment rate in the area is the best indicator of its resilience. Whereas the South Grow and Alberta South West Regional Areas unemployment has increased marginally from 4.6% to 9.0% the province of Alberta saw a jump from 7.2% to 15.5%.

2

Job Postings are largely down in the region

The recent pandemic has however, had a more dramatic impact on the region's employment opportunities. Job postings have decreased by approximately one third since January 2020 similar to the provincial decrease of 36%. The number of job postings in April 2020 represented a decrease of 33% compared to April 2019.

3

Of the analyzed sectors, the Agriculture sector should be prioritized

Economically speaking, it is the most important sector, representing 12.1% of the region's GRP. However, it has shown a 39% decrease in jobs in the past 5 years and the trend is expected to be maintained with a forecasted 12% decrease in jobs in the next 5 years. This sector needs to be closely monitored to lessen the additional negative impacts of the pandemic as much as possible.

Key Takeaways from CAI Global

4

The construction sector has been hit hard but may rebound as the economy reopens.

As the availability upstream commodities become uncertain and consumer confidence waivers in the time of the pandemic could continue to hurt a major industry in South Grow and Alberta South West Regional Areas. Already one of the more impacted industries in the region, specialty contractors are being hurt by delayed projects indicating a 12.5% loss in jobs and a decrease in jobs equaling over \$30 million. The industry needs support to secure that development projects can continue and consumer confidence in real estate can grow.

5

The Specialty Food manufacturing and Meat product manufacturing sectors are in a positive position.

Both sectors have high location quotients, indicating a high concentration of jobs in Lethbridge, and are expected to benefit from the current situation, namely due to increased local demand. The manufacturing sectors should still be monitored as the forecasted job growth (15%), although positive, is significantly lower than the past job growth (110%).

6

The Engineering and related services, Computer systems design and related services, and Power generation sectors should be monitored, but no more.

They only represent a combined 2.3% of the region's GRP and a low numbers of jobs. They do have higher salaries and therefore are valuable jobs for the region. In the case of the two services sectors, jobs are forecasted to grow in the next five years and that trend is not expected to change much as many can work from home or already do.

Key Takeaways from CAI Global

7

Retail and Truck transportation are harshly impacted by the pandemic and should be closely monitored.

They both count a high number of jobs in the region, but with low past and forecasted job growth. Both are harshly impacted by the pandemic for two main reasons: they require a physical presence at work and depend largely on consumer spending.

8

The Accommodation and food services sector should be managed on a case by case basis.

Of the analyzed sectors, it is the most impacted by the pandemic, but it is not as important as other sectors economically speaking (represents only 2.8% of the regions GRP and low wages). These sectors tend to grow thanks to local economic growth and will likely only begin to recover with the surrounding economy.

9

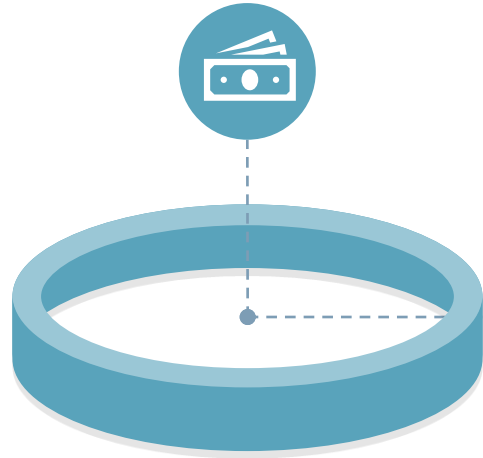
The region must prepare for different economic recovery scenarios.

There is still a lot of uncertainty about the recovery but economists expect that an effective government response in terms of containing the virus and stimulating the economy are key. Lethbridge must be prepared for the worst downturn and take actions that can help accelerate a recovery.

The Lethbridge Region Economic Recovery Task Force will:



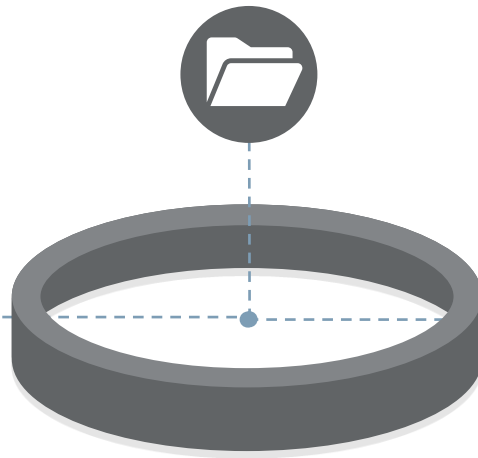
Lethbridge Region
ECONOMIC RECOVERY TASK FORCE



Continue to provide information to government to facilitate programs

Continued efforts to gather important data and information are a priority of the Task Force. This can help to inform decisions and new programs for the recovery effort.

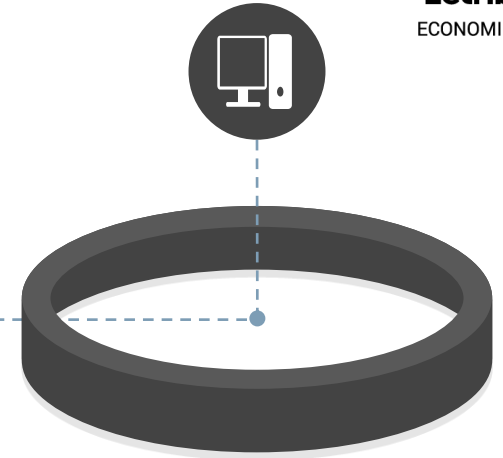
The recent surveys and this study along with the Regional Skills Study and a Market Change Assessment will provide an overview of the recovery process.



Provide access and support to businesses online and at a physical location

Making resources available in multiple ways (Task Force centre and website, Tecconnect business advisors, etc.) in order to provide companies in need and those most exposed to the crisis with business services and information.

We will use the opportunity in order to engage and track the businesses that use the service and uncover their needs and ideas to encourage recovery.



Create new programs to ensure that Lethbridge region businesses are prepared for recovery and future crisis

The COVID-19 crisis illustrates how many companies are vulnerable to global shocks. At risk sectors should be encouraged to find new working methods in order to minimize actual and future risks (e.g. innovation, automation, e-commerce, etc.)

Municipal Support Considerations:

- Interest-free deferral of property tax installments and municipal utilities
- Cancellation of daily fixed water/wastewater charges for high water-usage businesses including restaurants and hotels
- Elimination of all parking fees for business areas
- Cancellation of development service department fees (building, planning, zoning) to stimulate construction activities
- Cancellation of all business-related permit fees including signage permit fees
- Delay of any planned tax increases to 2021
- Delay new bylaws or regulatory measures not required specifically to address the COVID-19 challenge
- Accelerate approvals for construction projects and home renovations to keep people working
- Repurpose existing grant programs to support business (ie: downtown events vs downtown operating costs)
- Accelerate future BIA development with seed funding and administrative support IF there is corresponding business community interest and engagement
- Consider non-property tax related “incentives” to support continued investment attraction –this will be a longer-term need in the recovery process
- Prioritize capital investments that highlight economic stimulus (ie: catalytic projects vs. aesthetic projects)
- Consider red tape reduction initiatives and implementation of projects to assist with business creation and expansion (business directory, open data, etc.)



Thank you!

For questions or further assistance, please contact:

Trevor Lewington
Chief Executive Officer
Economic Development Lethbridge
403-330-3701

Peter Casurella
Executive Director
SouthGrow Regional Initiative
403-394-0615



Lethbridge Region
ECONOMIC RECOVERY TASK FORCE