

B.C. BUSINESS CONFIDENCE SURVEY

Q2 2021

B.C.'s large firms see better economic conditions and changes to the world of work ahead, although doubts remain that provincial policies are helping.

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WHERE LEADERS MEET TO UNLOCK BC'S FULL POTENTIAL

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B.C.'S LARGE FIRMS SEE BETTER ECONOMIC CONDITIONS AND CHANGES TO THE WORLD OF WORK AHEAD, ALTHOUGH DOUBTS REMAIN THAT PROVINCIAL POLICIES ARE HELPING

HIGHLIGHTS

- B.C.'s economic recovery appears to be strengthening, according to BCBC's second survey of large and leading businesses in the province. The survey includes the views of around 50 major employers sampled in accordance with the industrial composition of B.C.'s economy.
- Firms expect to see faster sales growth, higher investment, and (slightly) increased employment over the next twelve months, on balance. This is a more positive outlook than in our previous survey conducted in 2020Q4.
- Roughly two-thirds of surveyed firms expect the provincial economy will be "slightly better" a year from now.
- However, this improved outlook is generally seen as despite rather than because of provincial government policies. A growing majority of large B.C. firms said they lack confidence that provincial policy settings will help their business succeed over the next 12 months. Taken together with other questions, the results suggest firms see their own performance and B.C.'s economic recovery overall as not being aided by provincial policies, but rather being hindered or them having little or no impact.
- The top challenges identified by firms as obstacles to growing their sales over the next 5 years are (in descending order of importance): talent shortages at current wage levels; policy and/or regulatory uncertainty; adapting to changes in technology or business models; taxation; and capacity constraints on equipment and physical space.
- Firms expect a significant reduction in remote work after the pandemic ends. Three quarters expect a hybrid model to develop whereby employees who can do their jobs remotely work off-site 1-3 days per week and are on-site for the balance of the week. Similarly, almost three quarters of firms said they expect to need the same or somewhat less physical space to operate after the pandemic ends.
- Respondents anticipate that the top skills needed in their workforces 5 years from now are (in descending order of importance): higher cognitive skills; technology skills; social and emotional skills; basic cognitive skills; and physical and manual skills.

ABOUT THE SURVEY

The Business Council of British Columbia's B.C. Business Confidence Survey examines the views of senior decision-makers at about 50 large and leading companies operating in the province. The companies are major employers and are sampled in accordance with the industrial composition of B.C.'s business sector gross domestic product (GDP). The latest survey was conducted online from June 14 to July 20, 2021, and included 49 responses. The survey asks about firms' outlook for: sales growth, investment and hiring decisions; the overall B.C. economy over the next 12 months; policy priorities for the provincial government; and the future of work following the COVID-19 pandemic. The methodology of the survey is similar to that used by the Bank of Canada's Business Outlook Survey.

This is BCBC's second Business Confidence Survey. The [previous survey](#) was conducted between November 3 and December 1, 2020, and included 50 responses.

GROWTH IN SALES VOLUMES

On balance, large firms operating in B.C. anticipate a higher rate of sales volume growth (excluding price changes) over the next 12 months compared with the past 12 months (**Figure 1**). While a few expect slower sales, most now see sales growth remaining the same or increasing over the coming year. This outlook is more positive than what respondents indicated in our previous survey conducted in 2020Q4, when the percentage of surveyed companies expecting faster growth as compared to slower growth were roughly the same.

INVESTMENT

As demand recovers from the COVID-19 recession, investment intentions are strengthening. On balance, plans to increase investment in Canada over the next 12 months are more widespread compared to our previous survey (**Figure 2**). Note that investment includes

total spending on machinery and equipment, technology, intangible capital, buildings, offices, engineering structures, and research and development. Around one-quarter of large B.C. firms plan to increase total investment spending “significantly” over the next 12 months, while half of those surveyed plan to increase investment “slightly”. Unlike in our previous survey in 2020Q4, few firms plan to decrease investment or keep spending at the same level.

EMPLOYMENT

On balance, firms plan to increase employment in B.C. over the next 12 months (**Figure 3**). Hiring plans are much more widespread than in our previous survey. Nonetheless, the jobs recovery appears to be somewhat tepid as most companies planning to increase staff levels described the expected increase as “slight”.

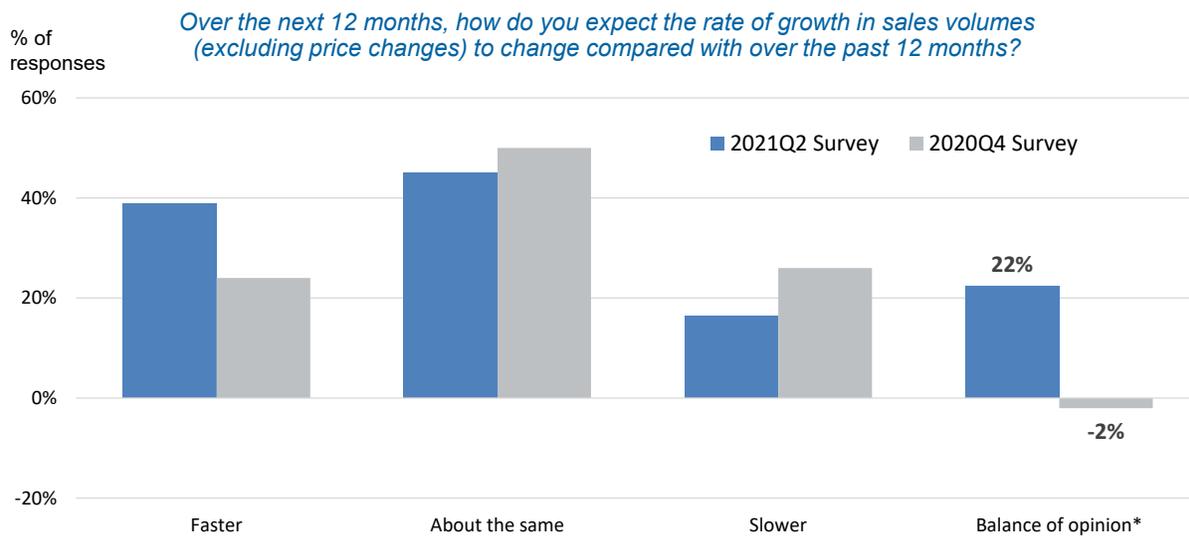
OUTLOOK FOR B.C. ECONOMY

The view that overall economic conditions in the province will improve over the coming year is now much more widespread than in our previous survey (**Figure 4**). That said, almost all firms expecting economic conditions to improve said the improvement would be “slight”.

IMPACT OF PROVINCIAL GOVERNMENT POLICIES

B.C. business leaders expressed deteriorating confidence that the current policy settings of the provincial government will help their businesses succeed over the next 12 months (**Figure 5**). Two-in-five said they are “somewhat unconfident”, and one-in-five said they were “very unconfident” about provincial policies. Meanwhile, less than one-in-five said they were “somewhat confident”, and no firms indicated they were “very confident”.

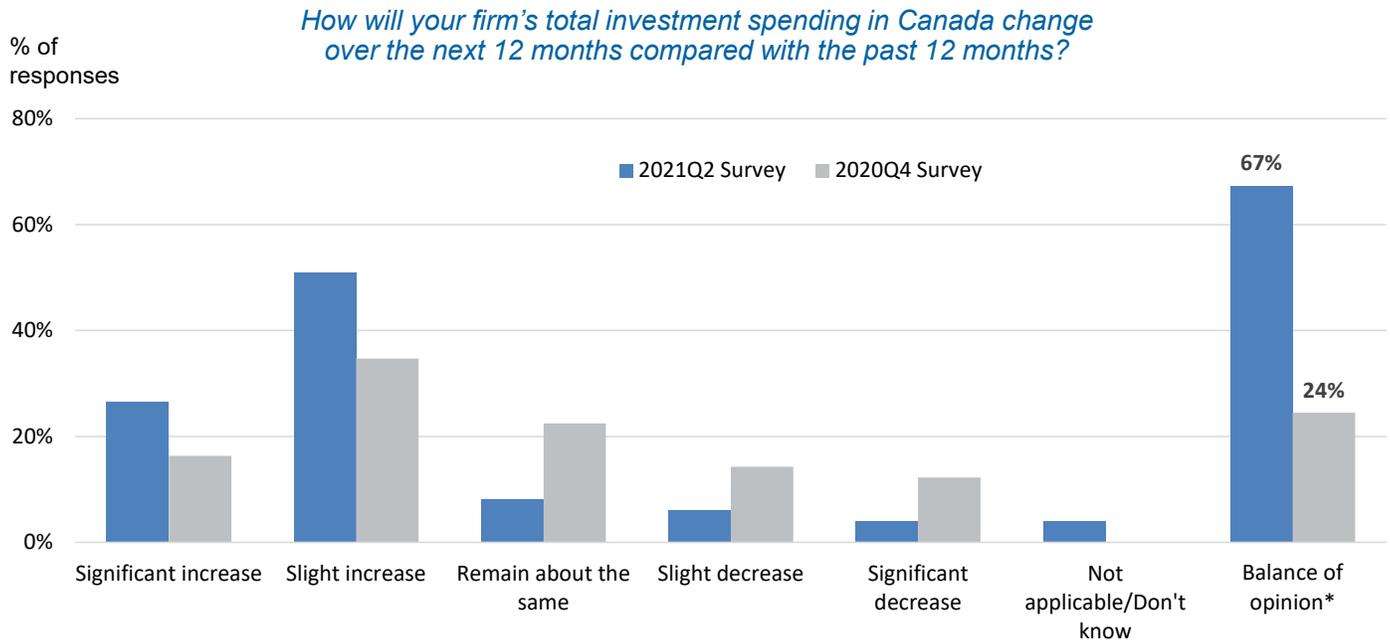
FIGURE 1: FIRMS EXPECT FASTER SALES GROWTH OVER THE NEXT 12 MONTHS



* Percentage of firms saying “faster” minus percentage of firms saying “slower”

Source: B.C. Business Confidence Survey.

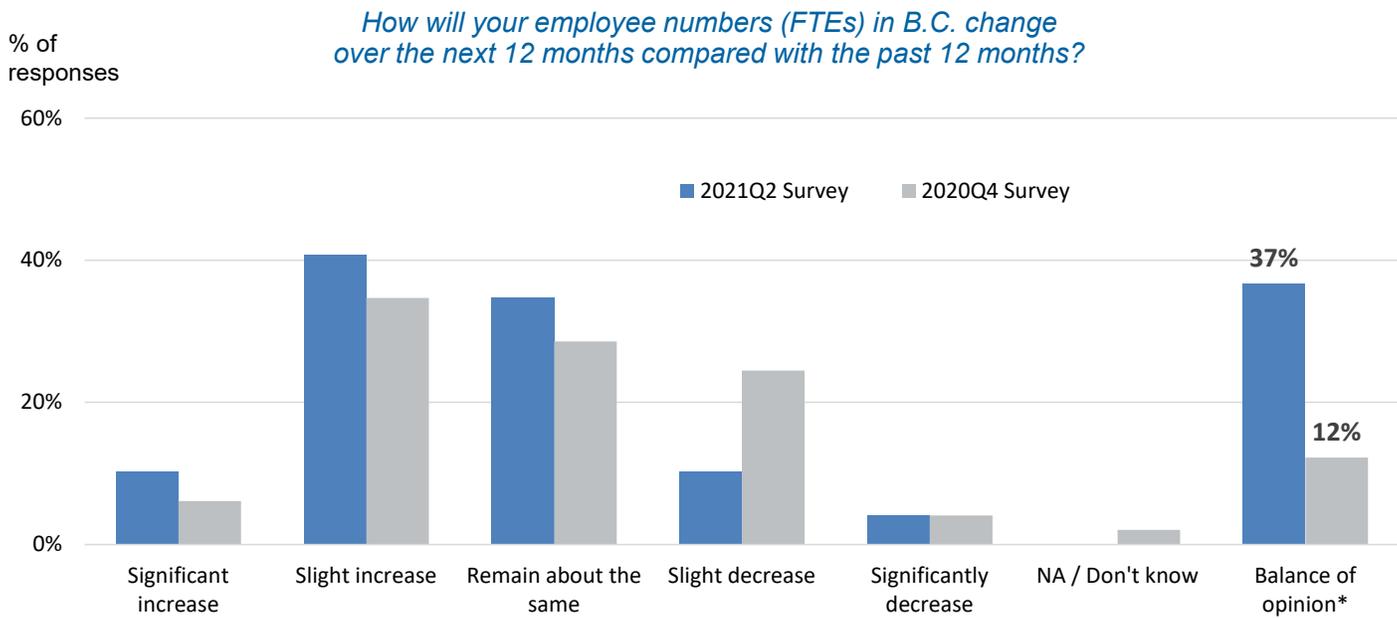
FIGURE 2: **PLANS TO INCREASE INVESTMENT ARE WIDESPREAD**



* Percentage of firms saying "increase" minus percentage of firms saying "decrease".

Source: B.C. Business Confidence Survey.

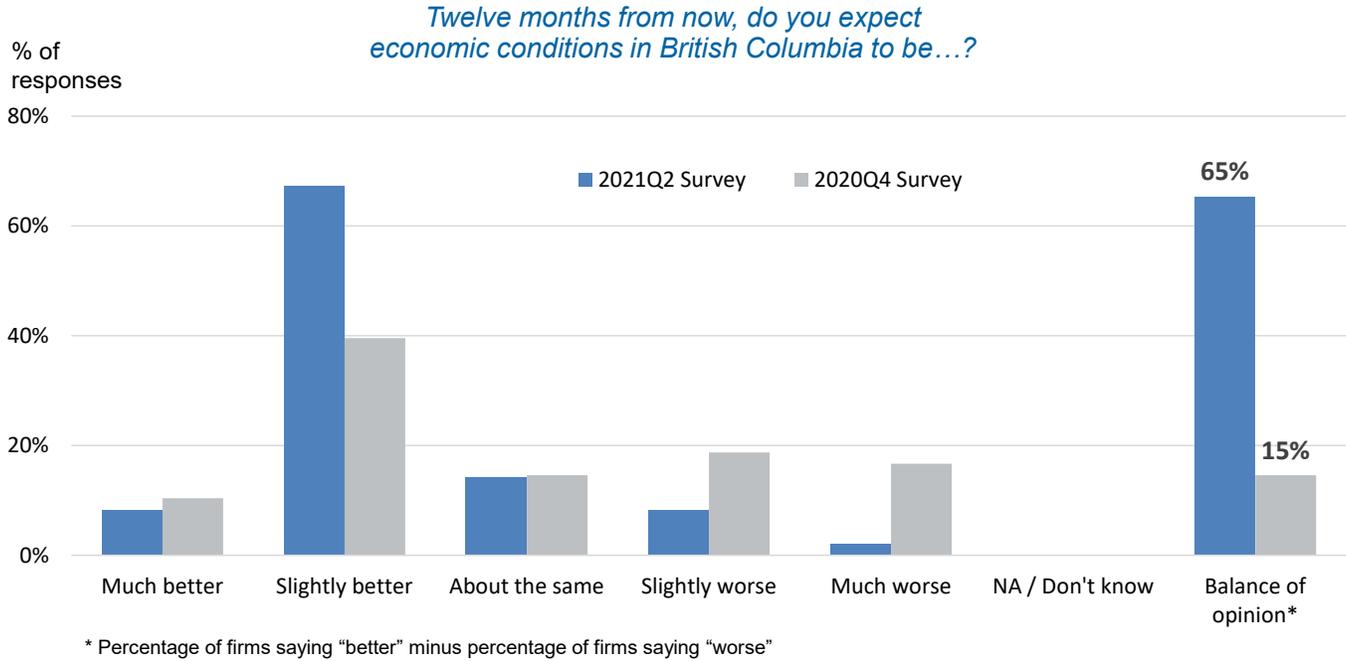
FIGURE 3: **HIRING WILL INCREASE, BUT OFTEN ONLY SLIGHTLY**



* Percentage of firms saying "increase" minus percentage of firms saying "decrease".

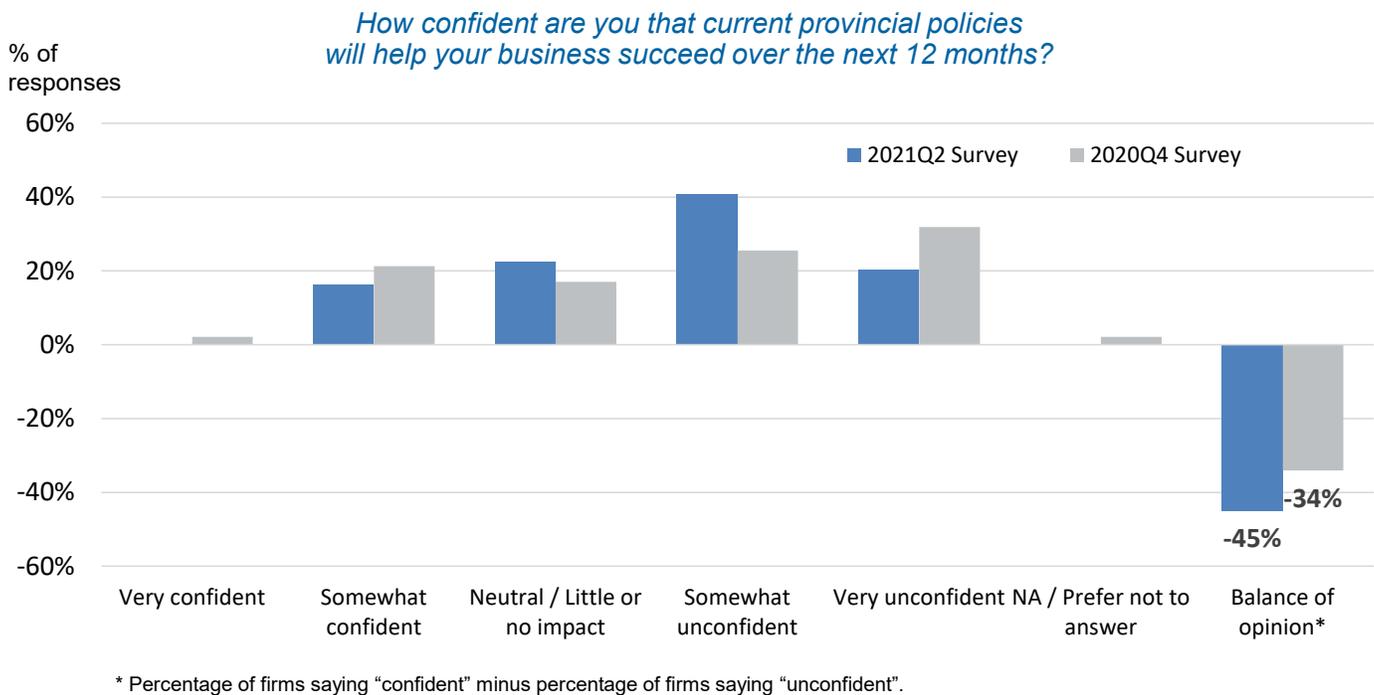
Source: B.C. Business Confidence Survey.

FIGURE 4: **FIRMS EXPECT ECONOMIC CONDITIONS IN B.C. TO IMPROVE OVER THE NEXT 12 MONTHS, ALBEIT SLIGHTLY**



Source: B.C. Business Confidence Survey

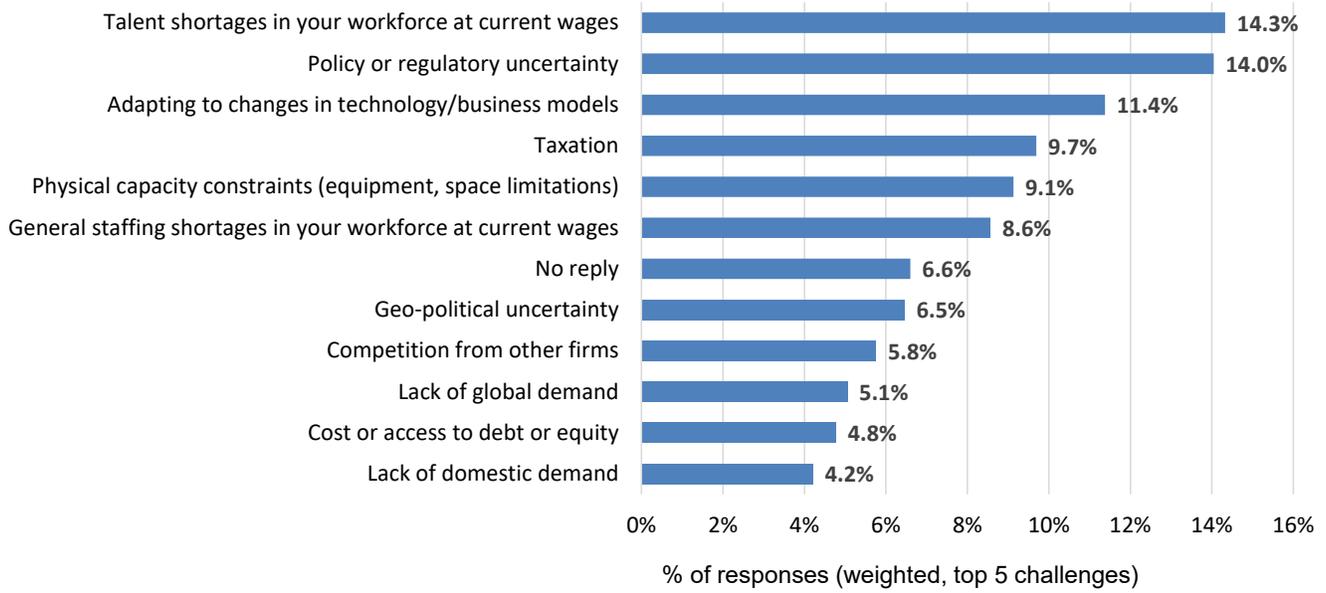
FIGURE 5: **A GROWING MAJORITY OF FIRMS LACK CONFIDENCE IN THE PROVINCIAL GOVERNMENT'S POLICY DIRECTION**



Source: B.C. Business Confidence Survey

FIGURE 6: TOP BUSINESS CHALLENGES OVER THE NEXT 5 YEARS

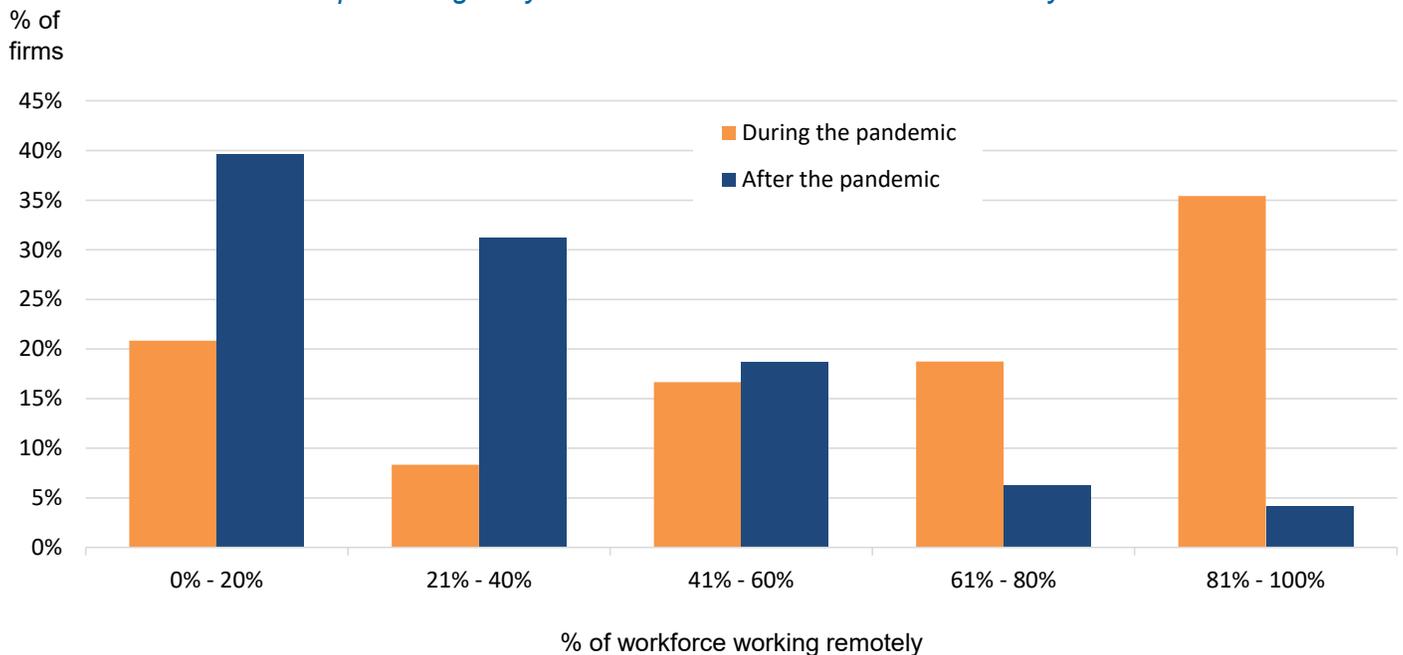
As the economy emerges from the pandemic, what do you see as the major challenges to growing sales volumes over the next 5 years (please rank)?



n=48
Source: B.C. Business Confidence Survey.

FIGURE 7: REMOTE WORK WILL DIMINISH AFTER THE PANDEMIC

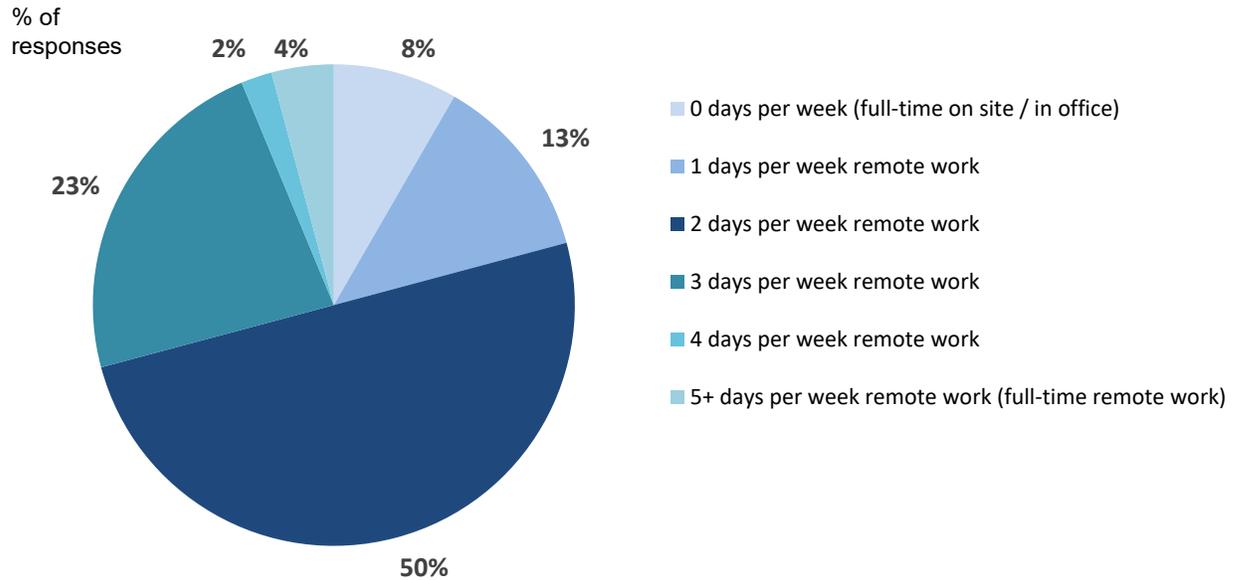
What percentage of your B.C.-based workforce work remotely?



n=48
Source: B.C. Business Confidence Survey.

FIGURE 8: MOST REMOTE STAFF WILL WORK A HYBRID WEEK ENTAILING 1-3 DAYS OF OFF-SITE WORK

How many days per week, on average, will remote workers continue to work remotely after the pandemic ends?

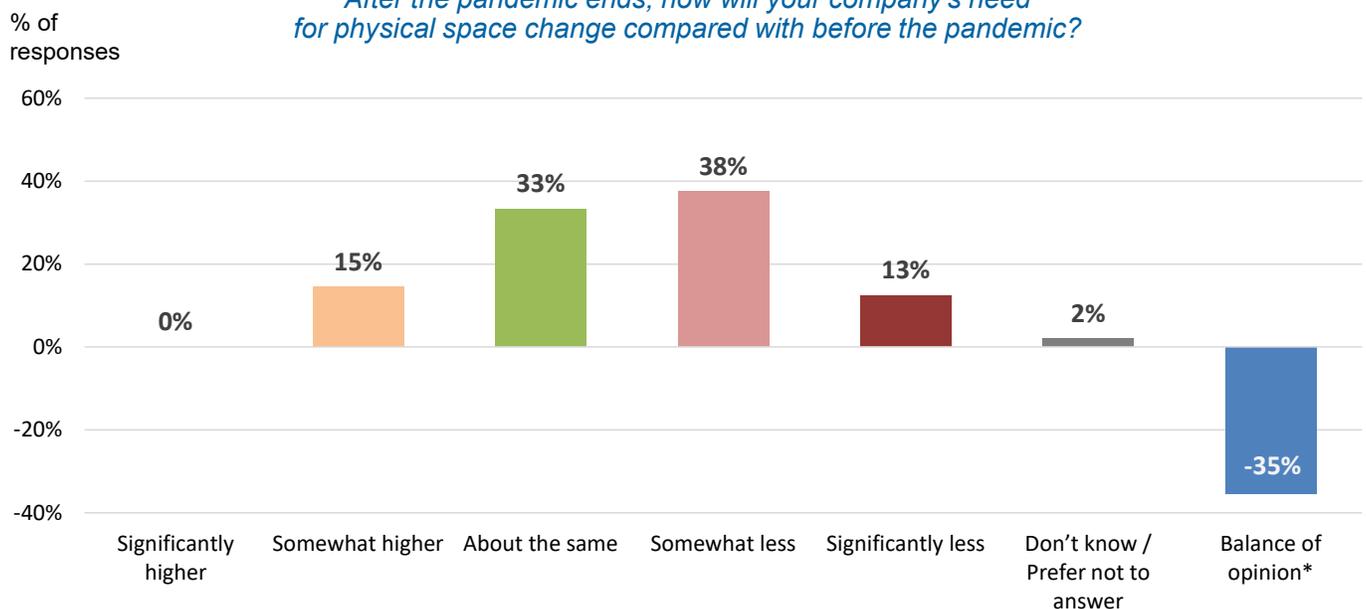


n=48

Source: B.C. Business Confidence Survey.

FIGURE 9: FIRMS EXPECT THEY WILL NEED SLIGHTLY LESS OR SIMILAR PHYSICAL SPACE AFTER THE PANDEMIC

After the pandemic ends, how will your company's need for physical space change compared with before the pandemic?



* Percentage of firms saying "higher" minus percentage of firms saying "lower"

n=48

Source: B.C. Business Confidence Survey

Taken together with previous questions, the results suggest large firms see their own performance and B.C.'s economic recovery overall as not being supported or aided by provincial policy settings but rather being hindered or them having little or no impact.

MAJOR CHALLENGES FACING B.C.'S LARGE FIRMS OVER THE MEDIUM TERM

Survey respondents were asked to rank the major challenges or obstacles to growing their sales volumes over the next 5 years (**Figure 6**). Of the issues cited as top challenges, the most important obstacles were:

1. Talent shortages at current wages;
2. Policy or regulatory uncertainty;
3. Adapting to changes in technology or business models;
4. Taxation; and
5. Capacity constraints on equipment and physical space.

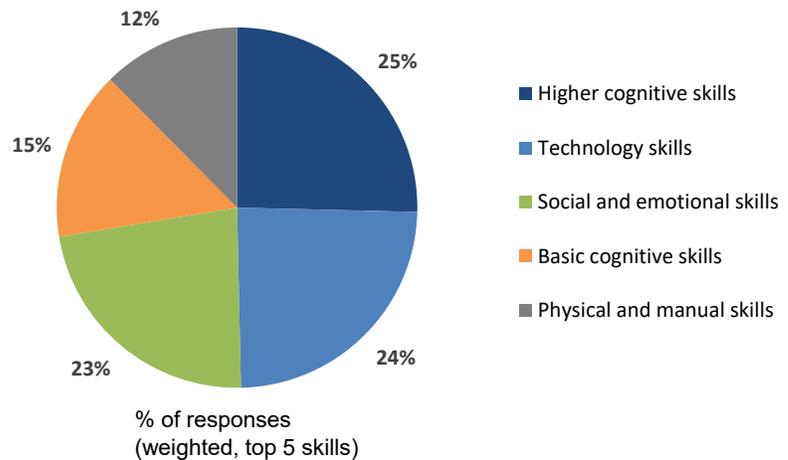
SPECIAL TOPIC — THE FUTURE OF WORK

The pandemic is an exceptional event that has prompted a significant share of employees to switch to working remotely. After the pandemic ends, large firms in B.C. expect their workforces to switch back to being on-site to a significant extent. Very few firms expect the majority of their workforce will continue working remotely after the pandemic ends (**Figure 7**).

After the pandemic ends, most large B.C. firms expect to pursue a hybrid arrangement where remote workers are on-site a few days a week. Generally, firms expect that

FIGURE 10: FUTURE DEMAND FOR SKILLS

Five years from now, what will be the top 5 skills needed by your employees? (please rank)



n=48

Source: B.C. Business Confidence Survey.

employees who can do their jobs remotely will work off-site between 1-3 days per week. Very few of these employees are expected to work fully remotely (**Figure 8**).

The pandemic has seen new ways of working emerge, with many employees working remotely and business models becoming more capital- and technology-intensive. Consequently, a majority of firms anticipate they will need similar or somewhat less physical space to operate after the pandemic ends as compared to the situation before the pandemic (**Figure 9**).

Finally, firms were asked what they expect will be the most sought-after skills among their employees five years from now (**Figure 10**). Skills were classified into five broad categories as used by McKinsey. Large B.C. firms were roughly evenly divided on the most important skills for their future workforces:

1. *Higher cognitive skills* - creativity and complex information processing and interpretation.

2. *Technology skills* - advanced IT and programming skills, basic digital skills.

3. *Social and emotional skills* - entrepreneurship and initiative taking, leading and managing others.

Firms considered two other broad skill types as likely to be less important to their future workforces:

4. *Basic cognitive skills* - basic data inputting and processing, basic literacy, numeracy and communication.

5. *Physical and manual skills* - general equipment operation and navigation, inspecting and monitoring.

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