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Business Health in a Pandemic

—Dale Knapp, Director of Research & Analysis, Wisconsin Counties Association

The effects of the COVID-19 pandemic have been extensive. Daily updates from the Wisconsin Department of Health Services remind us about the medical and death toll. Weekly unemployment reports from the Wisconsin Department of Workforce Development give insight into some of the economic harm to individuals; since mid-March, upwards of one million Wisconsin workers have filed initial unemployment claims.

While there are news stories about the impacts of the pandemic on specific businesses, there is little data documenting the varied effects on businesses in general. A new survey¹ from the U.S. Census Bureau fills some of that information gap.

Since late April, the Census Bureau has been surveying businesses with fewer than 500 employees to gauge how the pandemic has affected their operations, revenues, supply chains, and other parts of their business. The survey paints a picture of widespread challenges and a grim future for some.

General Conditions

When asked a general question² about how their business has been affected by the pandemic, 27% of Wisconsin businesses indicated that the pandemic has had a large negative impact; another 45% reported a small negative effect. In other words, the pandemic has been detrimental to nearly three quarters of the state's businesses according to business owners. Nationally, the pandemic has had a large negative

effect on 31% of businesses and a smaller negative impact on 44%.

According to the survey, the pandemic has had a positive impact on 7% of Wisconsin businesses. An example being building material and garden supply stores, where taxable sales during April through August were 18% higher than during the same period in 2019. About one in five businesses reported little or no impact.

For many companies, social distancing and state orders have reduced the amount of product they can produce or service they can provide. For example, many restaurants have served less than half the customers they would normally serve. A number of businesses outside the hospitality industry have reduced their capacity due to the need for employees to socially distance. Across all industries, 14% of respondents indicated that operating capacity was down more than 50%. Another 32% responded that capacity was down, but by a smaller amount.

Behind on Bills

Reduced capacity generally means less revenue, which creates financial difficulties. This challenge showed up in the survey responses. About 3% of Wisconsin small businesses reported missing a loan payment due to the pandemic and 7% missed some other payment, such as rent or utilities.

Those numbers might have been higher had it not been for federal and state assistance. The largest federal program mobilized in response to

continues

the pandemic was the Paycheck Protection Program (PPP). This program provided business loans that were forgivable if the money was used for eligible expenses, which included payroll. In Wisconsin, nearly 90,000 businesses received \$9.9 billion from this program. Additionally, the state of Wisconsin's We're All In program provided \$65 million to roughly 26,000 small businesses. A second phase of \$50 million in this program's funding was recently announced by Governor Evers.

According to the Census Bureau survey:

- 78% of Wisconsin businesses applied for PPP loans;
- 22% applied for economic injury disaster loans; and
- 15% applied for loan forgiveness from the U.S. Small Business Administration.

Additionally, a number of businesses have looked elsewhere for assistance. Nine percent reported that they had requested help from their bank, 3% looked to family or friends, and 10% turned to themselves to help their business.

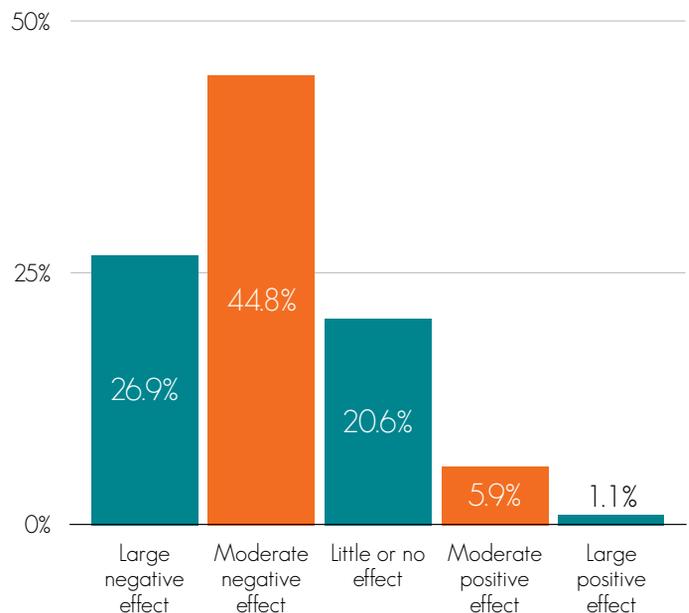
The last two survey questions asked respondents to look to the future and their business' prospects. About 20% said they will need financial assistance or an infusion of additional capital during the next six months. Fourteen percent thought they would need to identify new supply chain options. A quarter of respondents felt they would be hiring new employees by early next year; however, 4% thought they would have to permanently close.

Finally, when affected businesses were asked about a timeline until they returned to normal operations,

- 15% said business had already returned to normal;
- 22% cited less than six months;

U.S. Businesses Report Effect of Pandemic

U.S. Census Small Business Pulse Survey
Collection Dates: 9/13-10/12, 2020



- 55% thought it would take more than six months; and
- 8% felt their business would never return to its pre-pandemic state.

This new survey paints a somewhat grim picture for Wisconsin businesses since March and the start of the pandemic. Despite billions of dollars in federal and state assistance, most Wisconsin businesses continue to face significant challenges to continued operations. The more critical element that the survey bore out was the lack of optimism business owners have for the near-term future. ♦

Endnotes

- 1 The Small Business Pulse Survey (<https://www.census.gov/data/experimental-data-products/small-business-pulse-survey.html>)
- 2 Surveys emailed between September 13th and October 12th.