

Covid-19 Small Business Survey (10)

(PPP, Real Estate, Business Expenses, the Economy)

NFIB Research Center
July 20-21, 2020

The Covid-19 health crisis continues to impact small business owners to varying degrees, sometimes changing significantly depending on state and local responses to increases in infection rates. The NFIB Research Center has published a series of Covid-19 related surveys assessing the health crisis impact on small business operations, economic conditions, and utilization of the targeted small business loan programs. This publication marks NFIB's 10th Covid-19 survey. The first of the series was published in early March with subsequent publications every 2-3 weeks.

The Paycheck Protection Program (PPP) loan application window is set to close August 8th. Congress extended the deadline from June 30th allowing a few more weeks for small business owners to participate. The extension was helpful for those who had not realized they were eligible for the program or reconsidered their earlier decision to not apply. However, most small business owners applied early on as the number of borrowers has changed little over the last two months.

Most borrowers (71%) have now used their entire loan. The 29% still using their loan are likely not far behind. The next step after using the loan is applying for loan forgiveness. Borrowers are now waiting for lenders to start accepting loan forgiveness applications. The SBA has recently issued processing instructions so lenders should soon be able to start processing forgiveness applications. Borrowers will complete one of two forgiveness applications, the original long form or the 3508EZ form. Thankfully, most borrowers will likely be able to complete the EZ form, reducing the amount of time and resources owners would otherwise be required to use to fill out the longer form. Even so, many small business owners still find the EZ form complicated and confusing. For those required to fill out the long form, the process can be daunting. Just over one-third plan to use the EZ form and another 61% are not sure yet which to fill out.

Economic conditions have not yet returned to levels that can support business activity for many PPP loan borrowers who have exhausted their loan funds. The loan program proved "very helpful" for over two-thirds of borrowers (67%) and "moderately helpful" for another 14% as highlighted in NFIB's May 29th Covid-19 survey. But still, 21% have or anticipate having to lay off employees after using the loan, generally unchanged from the July 7th survey when it was 22%. Almost half (46%) of PPP loan borrower also anticipate needing additional financial support over the next 12 months, again, unchanged from the last survey. Congress is currently negotiating additional support for those small businesses most negatively impacted by the crisis. Additional financial support will offer critical assistance to those businesses that are still

required to limit business activity but also for the 49% of businesses that are impacted by the postponement or reversal of state or local reopening actions. These policy changes are often costly for small business owners who have increased inventories to prepare for easing restrictions only to have those restrictions remain in place or tightened further.

The health crisis severely impacted most small businesses at the onset, but the recovery of sales has been less uniform. Sales levels are still more than 50% or less than this time last year for about one-in-five (21%) small businesses still in operation with another 32% at sales level of 50-74% from last year. Almost half (46%) are nearly back to where they were with some exceeding pre-Covid sales levels. Economic conditions are putting significant stress on the financial health of many small business owners struggling to balance lower sales, and expenses, and longer-term sustainability. About 23% of small business owners report that they will have to close their doors if current economic conditions do not improve over the next six months. Another 22% of owners anticipate they will be able to operate no longer than 7-12 months under current economic conditions. Over half (56%) are better situated and do not anticipate any near-term problems.

As many small business owners struggle to improve sales, paying expenses, many of which are fixed costs, is also proving to be difficult. Small business owners incur a variety of expenses depending on business operations. Owners can scale back on some expenses, but other expense types are more difficult to manage. However, all expenses prove difficult when experiencing slow sales, but some are more problematic than others. More small business owners find it difficult to pay their mortgage/rent/lease payments than any other expense category. About 54% of owners rent their business property while another 40% own. Seven percent both rent and own property used for business purposes. Lowering these expenses is likely difficult. Many are negotiating deferment plans but delaying payments only provides temporary relief with economic conditions remaining very uncertain. Some small business owners are also on the rent collection side of the business. About one-third of respondents own investment property and 77% of them collect rent from those properties. Just over one-third (34%) of those who have renters are experiencing more difficulty collecting rent than normal.

Are you finding it difficult to pay the following expenses?

	Payroll		Insurance		Utilities		Mortgage/ Rent/Lease		Inventory		Protective Supplies (hand sanitizer, face coverings, etc.)	
Very Difficult	9%	9%	12%	12%	7%	7%	12%	14%	10%	12%	9%	10%
Moderately Difficult	15%	16%	16%	16%	12%	13%	13%	15%	13%	16%	15%	16%
Somewhat Difficult	28%	31%	26%	27%	23%	23%	23%	26%	24%	30%	24%	27%
Not at all Difficult	41%	44%	43%	44%	55%	57%	38%	45%	35%	43%	35%	47%
Does Not Apply	7%	--	4%	--	4%	--	15%	--	19%	--	19%	--

In addition to mortgage and rent payments, 12% each find it very difficult to pay their insurance premiums and inventory. Inventory challenges have escalated in part due to supply chain disruptions and shortages, but also changing reopening schedules that impact inventory buildup of perishable items for example.

Managing the health and safety of employees and customers is a constant concern and challenge for many small business owners. NFIB's July 7th Covid-19 survey reported that 38% of owners found the former difficult to manage and 32% the latter. But in addition to concerns over employees and customers, owners are also concerned about their own health and safety in the workplace. Over one-third (35%) of owners are "very" or "moderately" concerned about contracting Covid-19 themselves while operating their business. Another 35% are somewhat concerned. Most small business owners (86%) are 100% involved in the daily operations of their business with another 10% of owners more than 75% involved in daily operations. The owner's ability to operate the business is critical, and absence from the business can cause significant disruptions in business operations.

As in earlier surveys, most small business owners do not expect business conditions to improve to normal levels until next year at the earliest. Just 17% of owners anticipate conditions improving to normal levels by the end of the year, 2% say that conditions are back to normal now. Over half (52%) of owners anticipate it taking until sometime in 2021 and 25% are less optimistic and expect condition not to fully improve until sometime between 2022-2024.

Small business owners generally anticipate a slow recovery. Economic conditions for many remain erratic with shifts in reopening policies and changes in virus outbreaks. Challenges will

continue as small business owners navigate new obstacles in operating their business, erratic government policies and uneven economic growth. Some small business owners will require additional financial support to help pay expenses as business restrictions continue to depress sales. It will continue to be a hard year for many small business owners.

Methodology

This survey was conducted with a random sample of 20,000 NFIB members from NFIB's membership database of about 300,000 small business owners. The survey was conducted by email on July 20-21, 2020. NFIB collected 654 usable responses.

Questionnaire

7/20/2020

1. Have you submitted an application for a Paycheck Protection Program (PPP) loan?

79% 1. Yes

21% 2. No

2. If yes, has the loan been deposited to your bank account yet?

96% 1. Yes

4% 2. No

3. Are you extending your forgiveness window to more than 8 weeks (up to 24 weeks) or keeping your original 8-week covered period?

52% 1. Extending forgiveness up to 24 weeks

28% 2. Keeping original 8 weeks

20% 3. Don't know

4. Have you spent all of your PPP loan funds yet?

71% 1. Yes

29% 2. No

5. Have you submitted an application for PPP loan forgiveness yet?

6% 1. Yes

62% 2. No

32% 3. No because my lender isn't accepting forgiveness applications yet

6. Did you or do you plan to use EZ forgiveness application or the longer forgiveness application?

34% 1. EZ forgiveness application

5% 2. Longer forgiveness application

61% 3. I don't know

7. After using your PPP loan, have you or do you anticipate having to lay off any employees?

21% 1. Yes

79% 2. No

8. Do you anticipate needing additional financial support over the next 12 months?

46% 1. Yes

54% 2. No

9. Is your business currently impacted by a postponement or reversal of state or local reopening actions?

49% 1. Yes

51% 2. No

10. How does your current sales volume compare to this time last year?

14% 1. More than 100% of pre-crisis level

32% 2. 75%-100% of pre-crisis level

32% 3. 50%-74% of pre-crisis level

12% 4. 25%-49% of pre-crisis level

9% 5. 1%-24% of pre-crisis level

2% 6. My business is currently closed

11. Is this business operated primarily from the home, including any associated structures, such as a garage or a barn?

10% 1. Yes

90% 2. No

12. Do you rent or own the building(s) (including home-based) that your business is operated from?

54% 1. Rent

40% 2. Own

7% 3. Mix of both if more than one property

13. If you own, is there a mortgage on your property?

58% 1. Yes

40% 2. No

14. Do you own investment real estate property, commercial or residential buildings, or other real estate assets, NOT including your business or your home?

32% 1. Yes

68% 2. No

15. If yes, is there a mortgage on your investment property?

55% 1. Yes

38% 2. No

8% 3. Mix of both if more than one property

16. Are you currently receiving rent from a tenant(s) on any of your investment properties?

77% 1. Yes

23% 2. No

17. If so, is collecting rent more difficult now than it is normally?

34% 1. Yes

66% 2. No

18. Are you finding it difficult to pay the following expenses?

a. Payroll

9% 1. Very difficult

15% 2. Moderately difficult

28% 3. Somewhat difficult

41% 4. Not at all difficult

7% 5. Does not apply

b. Insurance

12% 1. Very difficult

16% 2. Moderately difficult

26% 3. Somewhat difficult

43% 4. Not at all difficult

4% 5. Does not apply

c. Utilities

7% 1. Very difficult

12% 2. Moderately difficult

23% 3. Somewhat difficult

55% 4. Not at all difficult

4% 5. Does not apply

d. Mortgage/Rent/Lease

12% 1. Very difficult

13% 2. Moderately difficult

23% 3. Somewhat difficult

38% 4. Not at all difficult

15% 5. Does not apply

e. Inventory

10% 1. Very difficult

13% 2. Moderately difficult

24% 3. Somewhat difficult

35% 4. Not at all difficult

19% 5. Does not apply

f. Protective supplies (hand sanitizer, face coverings, etc.)

9% 1. Very difficult

15% 2. Moderately difficult

24% 3. Somewhat difficult
35% 4. Not at all difficult
19% 5. Does not apply

19. How involved are you in the daily operations of your business?

86% 1. 100%
10% 2. 75-99%
3% 3. 50-74%
1% 4. 25-49%
1% 5. 1-24%

20. How concerned are you about contracting Covid-19 yourself while operating your business?

15% 1. Very concerned
20% 2. Moderately concerned
35% 3. Somewhat concerned
31% 4. Not at all concerned

21. How long do you think it will take before your local community is back to a normal level of economic activity?

2% 1. It is now
17% 2. In the next 6 months
52% 3. Next year (2021)
25% 4. 2-3 years (2022-2024)
4% 5. After 2024

22. How long will you be able operate your business under current economic conditions?

1% 1. Less than 1 month
5% 2. 1-2 months
17% 3. 3-6 months
22% 4. 7-12 months
56% 5. More than 12 months

23. Have you changed the legal name of your business and/or the businesses' location (address) in the last 10 years. (check all that apply)

10% 1. Yes, legal name
14% 2. Yes, businesses' location
78% 3. No, neither has changed

24. How many people own part of this business?

46% 1. One
38% 2. Two
7% 3. Three
4% 4. Four

5% 5. Five or more

25. How many ownership changes have occurred with this business in the last 10 years?

77% 1. None

17% 2. One

2% 3. Two

1% 4. Three

0% 5. Four or more

4% 6. Does not apply

26. Please classify your major business activity, using one of the categories of examples below.

14% 1. Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)

12% 2. Manufacturing and mining

4% 3. Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)

4% 4. Wholesale

22% 5. Retail and Restaurants

8% 6. Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

5% 7. Financial, insurance, real estate

22% 8. Services (auto repair, house cleaning, salon, etc.)

7% 9. Professional services (attorney, physician, skilled nursing, etc.)

3% 10. Other (please describe) _____

27. Number of Employees

8% 1. No employees

12% 2. 1-2 employees

23% 3. 3-5 employees

20% 4. 6-9 employees

17% 5. 10-19 employees

13% 6. 20-49 employees

5% 7. 50-199 employees

1% 8. 200 or more employees

28. Owner's age

0% 1. under 25 years old

1% 2. 25-29 years old

3% 3. 30-34 years old

10% 4. 35-44 years old

21% 5. 45-54 years old

40% 6. 55-64 years old

26% 7. 65 or over

Additional comment: _____