

**MetLife & U.S. Chamber of Commerce
Special Report on Coronavirus and Small Business
April 3, 2020**

Index Summary

CORONAVIRUS CAUSES SMALL BUSINESSES TO SHUT DOWN, SEEK ASSISTANCE

The MetLife & U.S. Chamber of Commerce Small Business Index is issuing results from a special survey this month on the impact of COVID-19 on the U.S. small business community. This survey shows that sentiment is significantly diminished compared to last quarter,¹ despite some longer term optimism.

With high levels of concern about COVID-19 reported in every sector and region of the country, one in four small businesses (24%) report having already temporarily shut down. Among those who haven't shut down yet, 40% report it is likely they will shut temporarily within the next two weeks. Forty-three percent believe they have less than six months until a *permanent* shutdown is unavoidable. Nearly half of small businesses (46%) believe it will take the U.S. economy six months to a year to return to normal.

But even in the midst of this negativity, there is hope that small businesses will get the help they need to outlive this crisis. Small businesses are looking for relief in the form of direct cash payments (56%), Small Business Administration (SBA) disaster loans (30%), and temporary cancellation of business payroll taxes (21%). All of these are happening: direct cash payments will soon be going out to many Americans, most small businesses will be able to apply for SBA disaster loans due to the impact of the coronavirus on April 3, and business payroll tax cancellations are part of the CARES Act just passed by Congress.

Longer term, small businesses continue to be optimistic. Also, almost one in four (23%) say they expect to hire within the next year, while 57% feel positive about their overall business health.

Key findings this month include:

- One in four (24%) small businesses have **shut down temporarily** in response to COVID-19.
- **Among those who haven't temporarily shut down yet**, 40% report it is likely they will do so within the next two weeks. This means a total of 54% of all small businesses report they are closed or could close within the coming weeks.
- Small businesses are **most favorable toward financial assistance** in the form of direct cash payments (56%), but also prefer SBA disaster loans (30%).

¹ *This quarter, the MetLife + U.S. Chamber of Commerce Small Business Index was conducted via an online survey, in place of the typical phone-based approach. This methodological shift is in response to anticipated lower response rates in dialing business locations as a result of mandated closures related to the COVID-19 outbreak. The study will be fielded in two separate waves during Q2, with each survey comprised of 500 respondents. Results of the first wave are summarized in this report. While significant changes in data points can largely be attributed to the recent economic environment, switching from a phone to online approach may have also generated a mode effect.*

Index Highlights

- **One quarter of small businesses already shut down.** One in four (24%) small businesses have shut down temporarily in response to COVID-19.
- **More temporary shutdowns likely in coming weeks.** Among those who haven't temporarily shut down yet, 40% report it is likely they will do so within the next two weeks. This means a total of 54% of all small businesses report they are closed or could close within the coming weeks.
- **Clock ticking on permanent shutdowns.** Forty-three percent believe they have less than six months (including one in ten that say they have less than one month) until a *permanent* shutdown is unavoidable.
- **Seeking help.** Small businesses are most favorable toward direct cash payments (56%), SBA disaster loans (30%), and temporary cancellation of business payroll taxes (21%).
- **Seeking guidance.** Small business owners would like more guidance on how to keep their customers and employees safe (29%), how to respond to the crisis (26%), and how to understand the outbreak (25%).
- **Most concerned about virus.** More than 8 in 10 small businesses are concerned about the impact of COVID-19 on their business. Fifty-eight percent are very concerned.
- **Sentiment on economy plunges.** One in four believe the national economy is in good shape and 32% believe their local economy is doing well. Compared to last quarter², these figures represent 35- and 20-percentage point drops, respectively.
- **Majority see poor national economy.** Fifty-four percent of small businesses rate the overall health of the U.S. economy as "poor."
- **Growing concern about cash flow.** 59% feel comfortable with their current cash flow, compared to 80% in Q1.
- **Retailers give themselves six months.** Fifty-one percent of retailers believe their business can continue operating for no more than six months without shutting down permanently.
- **Months before return to normalcy.** Almost half (46%) of small businesses believe it will take the U.S. economy six months to a year to return to normal.

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Spotlight: The Impact of the Coronavirus on Small Business

40% OF SMALL BUSINESSES NOT ALREADY SHUT PREDICT CLOSURE IN TWO WEEKS

40% of the businesses not already shut down predict closure within two weeks. Eighty-four percent of small businesses are concerned about the impact of the coronavirus outbreak on their business, and a majority (58%) are *very* concerned—especially those in the Northeast, service industry, and those with 20 or more employees.

In response, many small businesses have implemented business-impacting response measures in the last two weeks. Given a list, the most common responses include shortening their business’s hours of operation (30%), temporarily closing their businesses entirely (24%), and adjusting employee salaries or hours (17%).

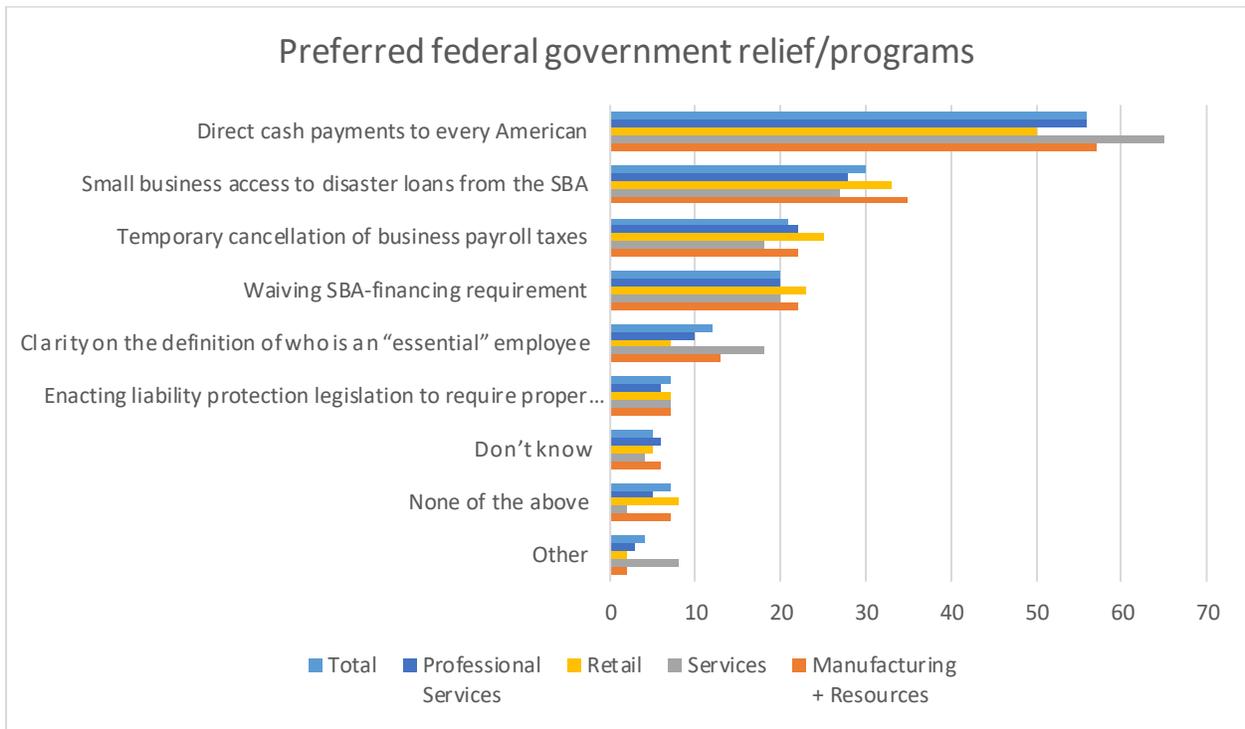
Service businesses are the most likely sector to report shortening hours (34%) or temporarily shutting down (32%), while manufacturers stand out as most likely to have adjusted employee salaries or hours (28%, compared to 10%-16% among service, retail, and professional service businesses).

For small businesses that did not shut down in the past two weeks, 40% say it is likely that they will do so in the next two weeks. This reflects the overall pessimism about a quick economic recovery in the small business environment: almost half (46%) believe it will take six months to a year for the small business climate to return to normal.

While 28% report that their business can continue operating without shutting down indefinitely, 43% believe they have less than six months, including one in ten (11%) that say they have less than one month, until a permanent shutdown is unavoidable. This sentiment varies by business size and length of operation.

How long do you believe your business can continue to operate without shutting down permanently?							
		Employee Size			Business in Operation		
	Total	0-4	5-19	20+	10 Years or Less	11 to 20 Years	More Than 20 Years
Less than a month	11	9	17	13	14	7	7
1-2 months	13	13	11	14	14	12	10
3-under 6 months	19	16	24	22	22	23	10
6 months – 1 year	16	13	19	22	15	18	15
Indefinitely	28	32	22	17	24	22	41
Don't know	13	17	7	11	10	19	16

When given a list of possible small business relief or programs from the federal government, direct cash payment to every American is a top priority, selected by 56% of small businesses. Another 30% prefer direct financial aid in the form of disaster loans from the Small Business Administration. A fifth would also like temporary cancellation of business payroll taxes (21%) and waiving the requirement that small businesses prove they cannot access credit elsewhere before receiving SBA financing (20%).



When asked what resources they anticipate needing more of in the next few months, small businesses are most likely to say loans and financial assistance (41%). This is followed by guidelines on how to keep employees safe and well (29%), guidance from political leaders on how to respond to the crisis (26%), and resources for understanding the outbreak (25%).

KEY FINDINGS

SMALL BUSINESS ENVIRONMENT

SMALL BUSINESSES SUDDENLY SEE POOR ECONOMY

Small business owners are pessimistic about the economy at both the national and local levels. Currently, a quarter of small businesses say the U.S. economy is in good health – while the number saying “poor” is more than double that (54%). Thirty-two percent feel their local economy is in good health.

Regionally, small businesses in the West (where the COVID-19 outbreak was first reported) are a bit more pessimistic than others. Just 20% agree the U.S. economy is in good health (compared to 24% in the Northeast, 25% in the Midwest, and 29% in the South). Across industries, businesses in the service industry are deeply concerned about the economic environment. 15% of those in the services report “good” national health and 20% report “good” local health, a respective 11-point and 14-point difference between the next most pessimistic sector: manufacturing (26% rate national health good and 34% say local health is good).

Small businesses also feel like they’re facing more competition. One in four (25%) report seeing an increase in local competition over the past six months, an 11-point increase from last quarter. Retailers (33%), small businesses with 20-99 employees (35%), and those in the West (30%) are most likely to believe competition has increased.

KEY FINDINGS

SMALL BUSINESS EXPECTATIONS

HIRING PLANS FOR COMING YEAR DROP SEVEN PERCENTAGE POINTS

Forward-looking expectations regarding hiring and revenue are less rosy than in quarter one. Last quarter, 30% of small businesses anticipated hiring more staff in the next year. Now, 23% feel the same. Fewer than one in five (17%) of the smallest businesses (under 5 employees), along with those in the Midwest (16%) and Northeast (18%) believe they will hire in the next year. Looking across industries, a third of manufacturing businesses believe they will hire more staff while 20%-22% of service, retail, and professional service businesses report the same.

Revenue expectations reflect similar trends. Southern small businesses are the most optimistic; fifty-nine percent believe they will see a revenue increase next year. However, far fewer are optimistic about future revenues in the Northeast (39%) and Midwest (41%). Across industries, manufacturing (53%) and retail (54%) small businesses are significantly more optimistic about seeing increased revenues next year than the service (48%) and professional service (46%) sectors.

Businesses with younger leadership are more bullish about the future. Nearly six in ten millennial- or Gen X-owned businesses (59%) expect next year's revenues to increase, compared to 38% of businesses owned by Baby Boomers or older generations. Similarly, nearly one in three (31%) younger-owned businesses anticipate hiring staff in the next year, compared to just 10% of Boomer-owned businesses.

KEY FINDINGS

SMALL BUSINESS OPERATIONS

SMALL BUSINESSES REPORT BIG FALL IN CASH FLOW COMFORT

Since the Small Business Index's inception in Q2 2017, perceptions around cash flow have been consistently optimistic, with those who are comfortable with their cash flow situation hovering around the 80% mark. This quarter, 59% of small business owners are comfortable with their cash flow.

Smaller businesses with fewer than five employees are the most likely to be concerned (55% report being comfortable with cash flow). Looking across industries, manufacturing firms (49%) are the least comfortable with cash flow while professional service firms are the most (67%). Small businesses in the Northeast (56% comfortable) and West (54%) are reporting more cash flow worries than those in the Midwest (64%) or South (61%).

Overall business health, which has ranged from 61%-65% since the survey began, has dropped. Now, 57% of small businesses report that their business is in good health. The smallest businesses (under 5 employees) are the least optimistic by far: just 47% report good health, compared to 71% and 73% of businesses with less than 20 and less than 100 employees, respectively. Across industries, manufacturing firms (52%) and businesses in the service industry (53%) are once again the most pessimistic, especially when compared to professional service firms (64%) whose sentiments regarding operations have shifted less significantly.

Nearly the same number report increasing (15%) and reducing (13%) staff over the past year. Changes in staffing levels vary most by business size, with just 7% of small-sized businesses (0-4 employees), 24% of mid-sized (5-19 employees), and 35% of larger businesses (20+ employees) reporting staffing increases.

U.S. Chamber Resources for Small Businesses

For small business resources on the coronavirus, visit uschamber.com/co.

Step-by-step guidelines on applying for a loan through the Paycheck Protection Program are available at uschamber.com/sbloans.

A guide to the Small Business Administration's expanded Economic Injury Disaster Loan Program (EIDL) program to assist small businesses is available at uschamber.com/report/guide-sbas-economic-injury-disaster-loans.

Methodology

SURVEY METHODOLOGY

These are the findings of an Ipsos poll conducted between March 25-28, 2020. For this survey, a sample of roughly 500 small business owners and operators age 18+ from the continental U.S., Alaska, and Hawaii was interviewed online in English.

The sample for this study was randomly drawn from Ipsos’ online panel, partner online panel sources, and “river” sampling and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to the study, in drawing sample. Small businesses are defined in this study as companies with fewer than 500 employees that are not sole proprietorships. Ipsos used fixed sample targets, unique to this study, in drawing sample. This sample calibrates respondent characteristics to be representative of the U.S. small business population using standard procedures such as raking -ratio adjustments. The source of these population targets is U.S. Census 2016 Statistics of U.S. Businesses dataset. The sample drawn for this study reflects fixed sample targets on firmographics. Post-hoc weights were made to the population characteristics on region, industry sector and size of business.

Statistical margins of error are not applicable to online non-probability polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 5.0 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (n=500, DEFF=1.5, adjusted Confidence Interval=+/-6.5 percentage points).

Percentage breakdowns for region, employee size, and sector:

Manufacturing and Resources	17%
Services	23%
Retail	22%
Professional Services	26%
Other	11%

Employee Size: 0-4	61%
Employee Size: 5-19	27%
Employee Size: 20-99	9%
Employee Size: 100+	2%

Northeast	20%
Midwest	21%
South	34%
West	25%