

**MetLife & U.S. Chamber of Commerce
Small Business Coronavirus Impact Poll
May 5, 2020**

Index Summary

SMALL BUSINESSES RAMPING UP ACTIONS TO SURVIVE PANDEMIC

AS CHALLENGES CONTINUE, 47% OF SMALL BUSINESSES SAY PPP FUNDING IS CRITICAL

As small businesses remain closed due to social distancing requirements, many are finding unique ways to transform their business operations, according to the latest MetLife & U.S. Chamber of Commerce Small Business Coronavirus Impact Poll.¹

Last month, 12% of small businesses reported transitioning some or all of their employees to teleworking, while 10% had begun transitioning the retail aspect of their business to be more virtual or digital. This month these trends grew more pronounced with one in five (20%) small businesses saying they have transitioned employees to teleworking and 17% reporting they have transitioned their retail presence to be more virtual or digital.

Meanwhile, the number of small businesses shutting down continues to climb. One in three (29%) of respondents said they had shuttered their businesses temporarily in the last two weeks (note, these figures do not include small businesses that closed prior to the two-week period before the April survey was taken). That's up from 24% who reported the same one month prior. In addition, more than one in five small businesses (22%) say they are two months or less from closing permanently. Self-reported business health also continues to decline: 50% of small businesses feel their business is in good health, down seven points from last month.

During this period of economic distress, many small businesses are turning to the Small Business Administration's Paycheck Protection Program (PPP) to meet their immediate cash flow needs. One third (32%) of the small business population has applied, or tried to apply, for a PPP loan. Another 13% are still planning on applying. Of those that have applied, or plan to apply, the main intended usages for the funds are to pay current employee salaries or benefits and to pay rent/utilities. PPP funding is especially critical for employers with between 20 and 500 employees: Larger small businesses are the most likely to have applied for and received a PPP loan (29%).

Overall, sentiments toward the national economy remain statistically unchanged from last month (21% believe it is in good health versus 25% last month). While one in four (24%) believe their local economy is in good health.

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. During Q2, we fielded two separate waves, one month apart, with each survey comprised of 500 respondents. Results of the second 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."

As we move to reopen the economy, the biggest concerns for small businesses is a lack of profitability due to the decreased number of customers (54%) and protecting the health of their employees (36%). Other concerns include a resurgence of the outbreak forcing another shutdown (34%) and challenges with implementing social distancing (28%) or additional health requirements (16%). Despite these times of stress for small business, 48% of small businesses said they still feel comfortable with their cash flow.

There are reasons to be optimistic as well. 79% of small businesses anticipate bringing back most of their employees once the U.S. small business climate returns to normal. Small businesses in the services (84%) and professional services (82%) industries are among the most likely to report this. In terms of business size, larger businesses are more likely than smaller businesses to anticipate rehiring employees (86% of businesses with 20+ employees). Also, more small businesses say they plan to increase investment (25%) than those planning to decrease investment (19%). While nearly one in five (17%) say they don't know whether they will increase or decrease investment.

Index Highlights

- **Businesses learn to adapt.** One in five (20%) businesses have switched at least some employees to teleworking. 17% have transitioned their retail presence to virtual or digital configurations, while 17% have asked for flexibility in rent payments.
- **Small businesses rush to apply for PPP loans.** One third (32%) of the small business population has applied, or tried to apply, for a Paycheck Protection Program (PPP) loan from the U.S. Small Business Administration. Another 13% still plan to apply.
- **PPP loans critical for larger small businesses.** Larger small businesses (with over 20 employees) are the most likely to have applied for and received a PPP loan (29%) compared to small (3%) and mid-sized (14%) businesses.
- **Loan funds to be used for immediate cash flow needs.** Of those that have applied, or plan to apply, for a PPP loan, the main intended usages are to: (38%) pay current employee salaries or benefits and (21%) to pay for rent or utilities.
- **Almost half comfortable with cash flow.** 48% of small businesses said they still feel comfortable with their cash flow. However, this represents an 11-point drop from one month ago.
- **Small business health continues decline.** 50% of small businesses feel their business is in good health, down seven points from last month. This came almost exclusively from a decrease in businesses saying their business is in “very good” health.
- **Temporary closures continue.** Three in ten (29%) businesses say they have *temporarily* closed their business in the last two weeks (24% said so last month). More than one in five small businesses (22%) say they are two months or less from closing permanently
- **Confidence in national economy unchanged.** Sentiments toward the national economy remain statistically unchanged from last month (21% believe it is in good health versus 25% last month). 24% believe their local economy is in good health.
- **More plan to increase investment.** More small businesses say they plan to increase investment (25%) than those planning to decrease investment (19%). While nearly one in five (17%) say they don’t know whether they will increase or decrease investment.
- **Most large small businesses plan to rehire.** Larger small businesses are more likely than smaller businesses to anticipate rehiring employees (86% of businesses with over 20 employees plan to do so).
- **Small business gives back.** Two-thirds of small businesses have contributed to those in need during the pandemic, mostly by donating to food banks or response funds (31%). 19% say they have produced or donated personal protective equipment.

Spotlight: The Impact of the Coronavirus on Small Business

AS SOCIAL DISTANCING CONTINUES, SMALL BUSINESSES CHANGE OPERATIONS

Our survey on the impact of the coronavirus shows the vast majority (85%) of small businesses are still concerned about the pandemic's impact. Concern is highest in the retail (90%), services (88%), and manufacturing (87%) sectors. Those in the retail and service sectors are more likely to be *very* concerned about the pandemic (60% and 62%, respectively).

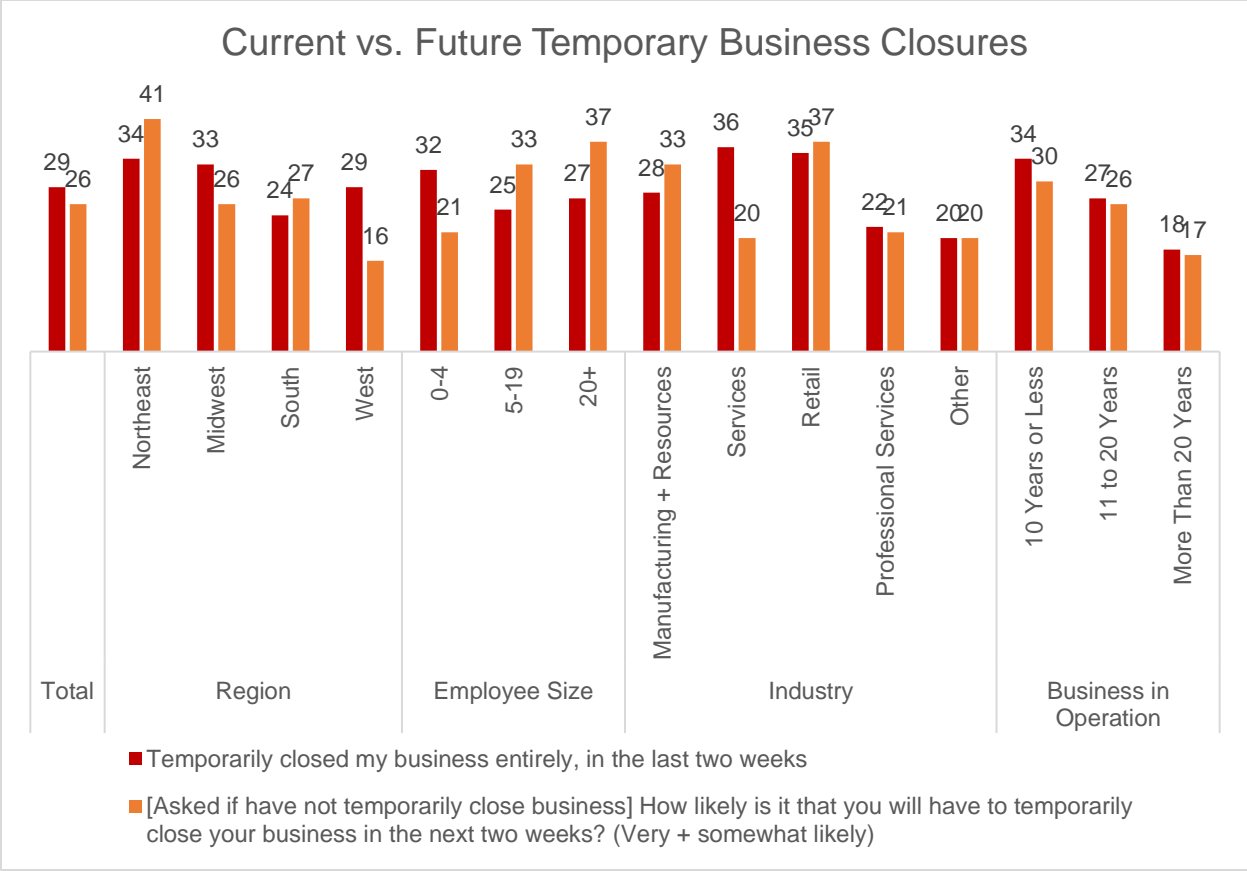
At this time of continued concern, the survey shows a growing adaptation in business operations. One in five small businesses report transitioning some or all of their employees to teleworking (an eight-point increase from last month). This month, more report transitioning the retail aspect of their business to more virtual or digital setups (17% this month, up from 10% last month).

Across sectors, retailers are most likely to have transitioned the retail aspect of the business to more virtual or digital configurations (24%, compared to 7%-19% among other industries) or delivery/pickup (22%, compared to 5%-14% among others). Professional services businesses are the most likely among sectors to have transitioned employees to teleworking (34% report doing so, compared to just 12-16% of other sectors). This reflects a significant 20-point increase in the number of professional services businesses who have moved to teleworking from last month (14%).

Many small businesses (58%) are making *financial* adaptations as well. More than a quarter (27%) report downsizing their business's use of utilities, 19% have adjusted employee salaries or hours, and 12% have downsized their business insurance coverage. Small businesses are also seeking other forms of financial relief, including a significant increase in those who report applying for a working capital loan (19% this month, a 15-point increase from last month) and asking their landlord for flexibility in paying rent (17% this month, an eight-point increase from last month).

Some small businesses are coping by temporarily closing. One in three (29%) of respondents said they had shuttered their businesses temporarily in the last two weeks (note, these figures do not include small businesses that closed prior to the two-week period before the April survey was taken). That's up from 24% who reported the same one month prior. In addition, more than one in five small businesses (22%) say they are two months or less from closing permanently. However, among businesses that are still open, fewer say it is likely that they will need to temporarily close in the next two weeks (26%), compared to last month (40%).

Across sectors, both retailers and professional services firms report more temporary business closures. 35% of retail and 22% of professional service businesses report having temporarily closed their business in the last two weeks, an increase over last month when 24% and 13%, respectively, said the same.



SMALL BUSINESSES TURN TO PPP TO BRIDGE THE GAP

To bridge the gap while many businesses are still locked down due to social distancing restrictions, many are turning to Paycheck Protection Program (PPP) loans to meet their immediate needs.

One third (32%) of small businesses report having applied for, or having tried to apply for, a PPP loan from the U.S. Small Business Administration. This includes those who have applied for a loan but did not receive it (14%), those who tried to apply but were unsuccessful (9%), and those who applied for and received a loan (9%). Over one in ten (13%) report that they are planning on applying for a PPP loan.

PPP loans are especially crucial for larger small businesses (more than 20 employees). Larger small businesses are the most likely to have applied for and received a loan (29%) compared to 3% for the smallest small (less than five employees) and 14% for mid-sized (between 5-20 employees) small businesses. Across industry groups, manufacturing businesses are most likely to have applied for a loan (39%), followed by professional services (35%), retail (33%), and finally, services (27%).

Businesses intend to use PPP funds to meet immediate cash flow needs. Among those businesses who have gone through the application process, or plan to, the top two intended uses of PPP loans are: to pay current employee salaries or benefits (38%) and to pay rent or utilities (21%).

When asked how critical the PPP loan is to keep their business open, businesses are split: 47% say it is critical and 46% report it is not. However, this varies by loan *status*: nearly nine in ten (87%) of those who have applied for a loan, but did not receive it, report that it is critical, while 85% of businesses who have received their loan and 72% of those planning to apply for a PPP loan say it is critical.

Among those who have applied for a PPP loan, 39% report that the loan funds were gone before they could apply. This was the biggest reported issue for those who applied and did not receive the loan (51% reported this issue).

AS THEY LOOK TO REOPEN, PROFITABILITY AND EMPLOYEE HEALTH ARE TOP CONCERNS

Small businesses said they are primarily concerned about lack of profitability due to decreased customers (54%), protecting the health of their employees (36%), and that a resurgence of the virus will force their business to shut down again (34%). They are also concerned with reopening including challenges with implementing social distancing (28%) or additional health requirements (16%).

Across sectors, manufacturing businesses are most likely to report concerns about protecting employee health (41%), while service industry (60%) and retail (62%) businesses show more concerns about a lack of profitability (compared to 47% in manufacturing and 50% in professional services).

In different regions, small businesses in the Northeast, Midwest, and West are equally concerned about lack of profitability due to decreased customers (all at 58%), while those in the South (47%) are less concerned. Concern for a resurgence of the pandemic is higher in the Midwest (38%) and South (36%), than in the West (32%) or Northeast (28%).

Cash flow is another top concern for small businesses. 48% of small businesses said they still feel comfortable with their cash flow. However, this represents an 11-point drop from one month ago. Before the pandemic this metric had hovered around 80%.

Looking across industries, professional services (57%) continue to be the most comfortable with their cash flow, though sentiments have dropped compared to last month (67%). This month, businesses in the service sector (39%) are the least comfortable with 29% reporting that they are “not at all comfortable” with their cash flow.

REASONS FOR OPTIMISM: LONG TERM INVESTMENT AND REHIRING PLANS

However, there are reasons for optimism as well—especially in the medium to long term.

For one, small businesses have plans to rehire staff that they may have furloughed or laid off. 79% of small businesses that have laid off or furloughed employees anticipate bringing back most of their employees once the U.S. small business climate returns to normal.

Those in the service industry (84%) and professional services firms (82%) are among the most likely to report this. In terms of business size, larger businesses are more likely than smaller businesses to anticipate rehiring employees (86% of businesses with 20+ employees).

Over the next year, more small businesses say they are planning to increase staff (24%) than those planning to reduce staff (13%). This is up one (that is, statistically unchanged) and up four points from last month, respectively. 55% say they intend to retain the same amount of staff over the next year.

Also, more small businesses say they plan to increase investment (25%) than decrease investment (19%) over the next year. But there is a cost of uncertainty: nearly one in five (17%) say they don't know whether they will increase or decrease investment. As recently as Q1 2020, only 6% reported being uncertain over the direction of their future investments.

SMALL BUSINESSES FIND WAYS TO GIVE BACK

Two in three small businesses are continuing contributions to those in need in the midst of the pandemic. This includes nearly one-third (31%) who have donated to a food bank or COVID-19 response fund, one in five (22%) who report paying their employees even if their business has shortened hours or is closed, and another one in five (22%) who have loaned money to a friend or family member.

KEY FINDINGS

SMALL BUSINESS ENVIRONMENT

SMALL BUSINESSES SEE WORSENING LOCAL ECONOMIES

Sentiments toward the national economy remain statistically unchanged from last month (21% believe it is in good health versus 25% last month). However, it is worth noting that the number of businesses saying the U.S. economy is in “very good” health has declined (to 6% from 12% last month), while the number saying the national economy is “very poor” has risen (to 29% from 18%).

In comparison, sentiments toward the local economy have taken a turn for the worse. This month, just one in four (24%) believe their local economy is in good health (compared to 32% last month), a decline of eight points. The number saying the local economy is “very poor” has increased by seven points to 17%, while simultaneously the number saying the local economy is “very good” has halved (now 7%, from 13% last month). Pessimism is greatest among those in the Northeast: just a fifth (19%) of small businesses there believe their local economy is in good health.

While sentiments about local competition have not changed drastically (23% report more competition, compared to 25% who said the same last month), sentiments about compliance measures have shifted slightly. This month, 56% say the amount of time spent on licensing, compliance and regulations has stayed the same, a change from 66% who said so last month.

KEY FINDINGS

SMALL BUSINESS EXPECTATIONS

UNCERTAINTY MAKING IT HARD TO KNOW WHAT TO DO NEXT

Small businesses continue to feel uncertain about their future investments. Notably, nearly one in five (17%) say they are unsure whether they will increase or decrease investment in the next year. Only 6% of respondents were unsure in Q1 of this year.

Currently, 25% report expectations to increase investment, down from 30% last month, a decrease of five points. While 19% plan to reduce investment compared to 15% who planned to reduce investment last month, an increase of four points.

Across sectors, retailers are the most optimistic about investing in the future. 35% anticipate increasing investments in the upcoming year (compared to 27% among both manufacturing and professional services, and 13% among services).

Expectations to hire and prospects for increasing revenue remain largely unchanged from last month. One in four (24%) anticipate increasing staff in the next year, unchanged from last month (23%). Nearly half (47%) expect next year's revenues to increase, similar to last month (50%).

Those in the service industry are significantly less optimistic about the future than other sectors: just 15% expect to hire in the next year and 36% expect revenue to increase, tracking behind other sectors by double digits.

KEY FINDINGS

SMALL BUSINESS OPERATIONS

SELF-REPORTED BUSINESS HEALTH DECLINES, CASH FLOW DISCOMFORT RISES

Overall health among small businesses has declined further since last month. This month, 50% report good health: a seven-point drop from last month, and a 15-point decline from Q1 2020. The change from last month is largely due to fewer businesses seeing their company's health as very good, with a nine-point drop from 33% last month to 24% this month.

Across sectors, professional services (60%) are the most likely to report good health (60%), followed by those in the manufacturing (57%), services (45%), and retail (43%) sectors. Since last month, reported small business health has declined across all regions, except the South.

Smaller-sized businesses remain the least optimistic: only 44% report good health. In comparison, 56% of mid-size (5-19 employees) and 63% of large (20+ employees) small businesses report good health.

Cash flow remains a top concern for small business. 48% of small businesses said they still feel comfortable with their cash flow. However, this represents an 11-point drop from one month ago. Before the pandemic this metric had hovered around 80%.

The smallest businesses report a 10-point drop in those who are comfortable with their cash flow (45% now, compared to 55% last month). Looking across industries, professional services (57%) continue to be the most comfortable with cash flow, though sentiments have dropped compared to last month (67%). This month, businesses in the service sector (39%) are the least comfortable with 29% reporting that they are "not at all comfortable" with their cash flow.

U.S. Chamber Resources for Small Businesses

For small business resources on the coronavirus, visit [uschamber.com/co](https://www.uschamber.com/co).

Step-by-step guidelines on applying for a loan through the Paycheck Protection Program are available at [uschamber.com/sbloans](https://www.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](https://www.uschamber.com/report/guide-sbas-economic-injury-disaster-loans).

A guide to CARES Act Relief for independent contractors or those who are self-employed and don't have any employees is available at <https://www.uschamber.com/report/independent-contractors-guide-cares-act-relief>.

Methodology

SURVEY METHODOLOGY

These are the findings of an Ipsos poll conducted between April 21-27, 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	18%
Services	24%
Retail	23%
Professional Services	27%

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%