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**Nationwide, Small Businesses Are Suffering and Believe Full Recovery is at Least 6 Months Away if it Comes at All:
Can Banks and Credit Unions Uncover Business Loan and Deposit Growth in This Downturn?**

Matthew Goppee

At PFT we believe that banks and credit unions are facing both loan risk and business banking growth opportunities previously unseen in the U.S. economy. PFT examined a survey of 900,000 small businesses nationwide conducted by the U.S. Census Bureau to understand how small businesses are responding to the impact of COVID-19 on their businesses. Part 1 of this 2 part series will provide you with perspective and insight into the shifting trends of your loan portfolio customers and communities, highlight which industries need the most support, and to provide you with important data to support more informed business decisions related to growth and performance improvement opportunities in your business banking portfolio.

PFT understands that integrating data for your current loan portfolio with the broader market data for business sectors in your market will:

- (a) Highlight the impact of sales and unemployment on your loan customers**
- (b) Help you benchmark how your portfolio is positioned in the markets you serve**
- (c) Identify risks of non-forgiveness**
- (d) Highlight opportunities for new customer relationships.**

For the first five weeks of the survey (April 26-May 25), the general feeling among small businesses in the industries we reviewed were that it will take longer than 6 months for business to return to a sense of normalcy seen prior to the pandemic. And despite the majority of businesses being affected and showing declining revenue, missing scheduled loan payments did not occur as frequently as delays in other payments which, in part, can be attributed to cash received from PPP and other federal assistance.

Small Business Pulse Survey

In April, the U.S. Census Bureau began conducting a nationwide survey of small businesses across business sectors (Business Pulse) that measures the changes in business conditions and impacts of the COVID-19 pandemic. In total, 900,000 small businesses in 19 industry sectors were invited to participate with 100,000 small businesses receiving the survey each week, and an approximate response rate of 20%.

As a part of our review of the initial findings, PFT selected 7 industries to report on:

Construction **Wholesale Trade** **Retail Trade** **Real Estate**
Professional, Scientific, Technical **Health Care** **Accommodations & Food Services**

We evaluated fifteen pivotal questions and responses in the pulse survey designed to capture how small businesses are generally feeling about and reacting to the impacts of the pandemic on their businesses with the following key themes:

Overall impacts and time to recovery

Financial effects, including cash flows, payments, and federal assistance

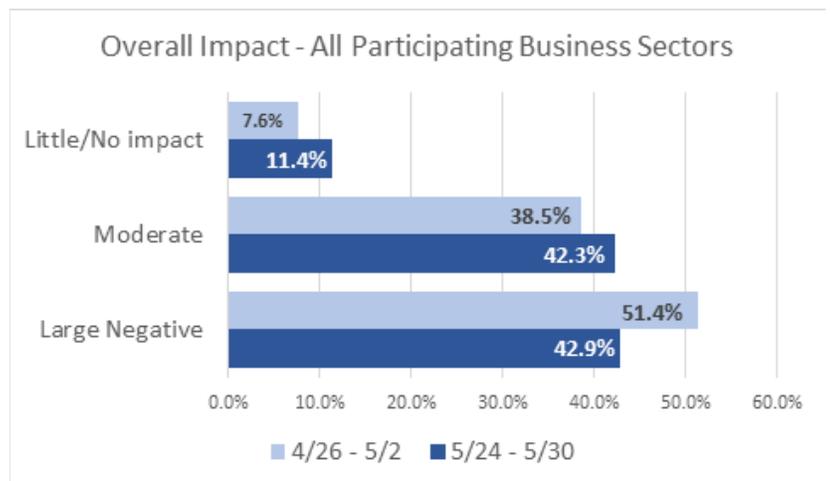
Here we share responses from the Pulse Survey measured at the midpoint of the Survey. Shortly after the conclusion of the Survey we will update our findings and interpretations and publish the new data in Part 2 of our review.

Small Business Pulse - Week 5

Impact on Operations & Operating Revenue

In the first 5 weeks of the survey period, the number of businesses that experienced a negative impact on operations due to the COVID-19 held steady at 89%, although by Week 5, there was a slight decrease in the feeling that the impact would be very large.

Accommodation and Food Services' negative impact was 77% mid-survey which is down from 84% in Week 1 (April 26-May 2).



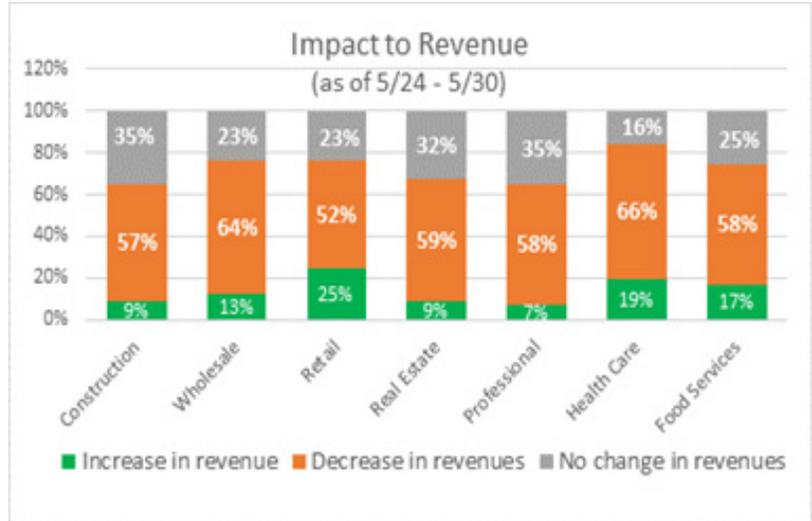
Retail Trade (including grocery and beer / wine / liquor stores) had the largest positive effect.

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A little over half of businesses had a decline in operating revenues in Week 5, which is an improvement from the three quarters that reported in Week 1. This experience of declining revenues is evenly spread across industries.

The sector experiencing the least impact on operating revenue was Retail (includes grocery and beer / wine / liquor stores)

Health Care experienced the greatest impact (implied impact of non-essential medical and dental procedures).



Returning to “Normal”

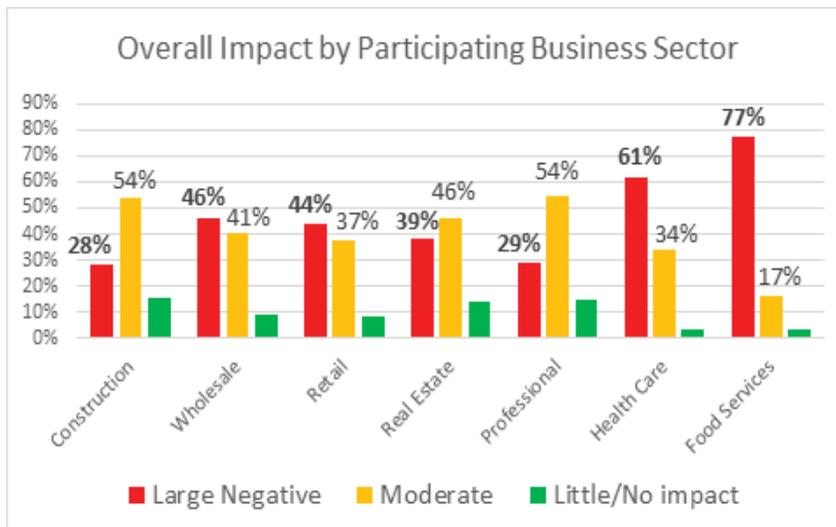
All business sectors feel that it will take at least 6 months for their business to return to its usual level of operations. The New England state responses are somewhat higher than the national averages of:

More than 6 months (42%)

1-6 months (39%)

Never (10%)

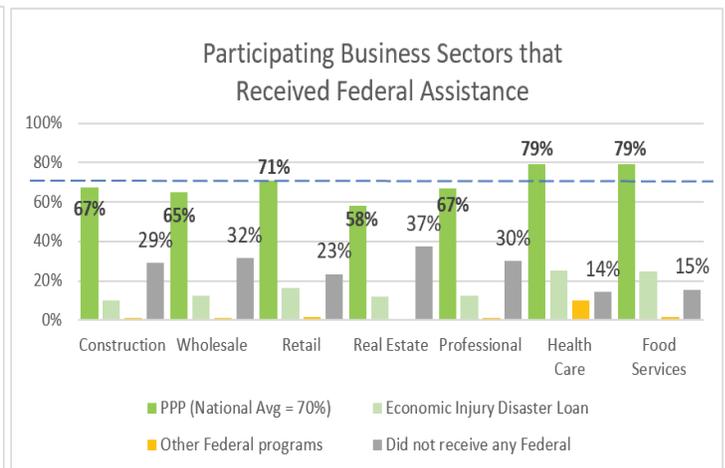
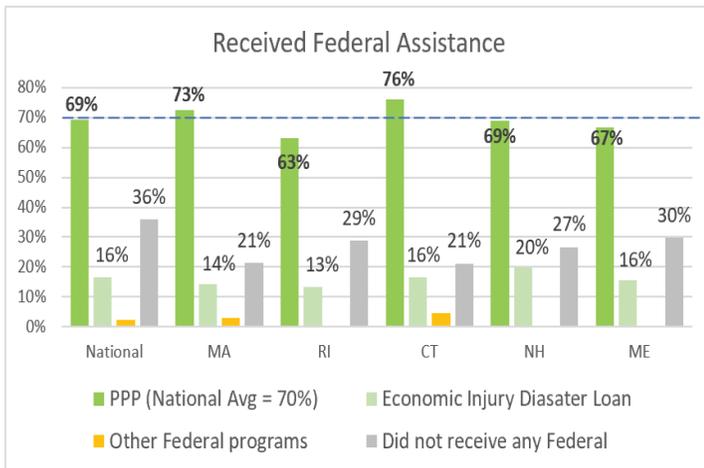
The sector with this highest percentage response is *Accommodation and Food Services*. Overall, this is consistent with the finance issues noted by businesses in this sector of 79% applying for and receiving federal assistance, and their 77% negative assessment of the overall effect of the pandemic.



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PPP & Federal Assistance

Of the businesses surveyed, 75% applied for PPP, and by the end of May (Week 5), 70% reported receiving assistance from the PPP at the National level. *Health Care* and *Accommodation and Food Services*, two of the most negatively impacted sectors, received 80% compared to other industries that averaged 65%.



As data from the second half of the survey becomes available, PFT will share the responses accompanied with our insights to help you gain a more solid understanding of how your small business customers and prospects are being impacted during the pandemic.

To learn more about the U.S. Census Pulse Survey data, and how PFT's solutions and market intelligence are positioned to help you understand your customer challenges, the state of your markets, and re-emerging sectors, **contact Richard Buttermore at (508) 717-7721 or via email at rbuttermore@pfintech.net.**