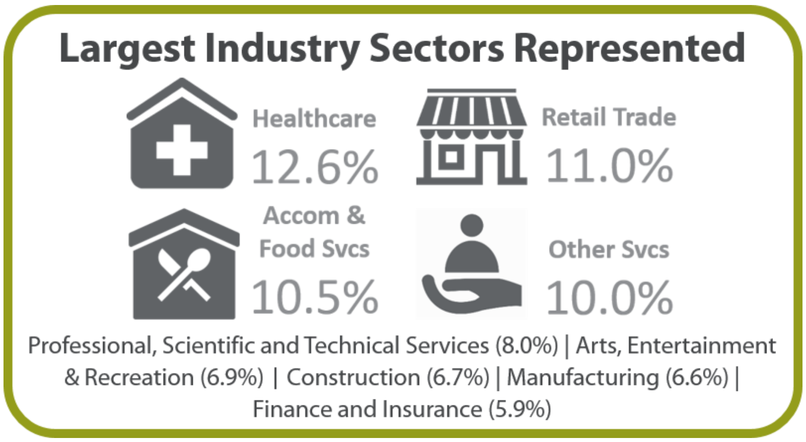
COVID-19 Impact on Iowa Businesses Executive Summary – Survey 2

June 19, 2020

Demographics

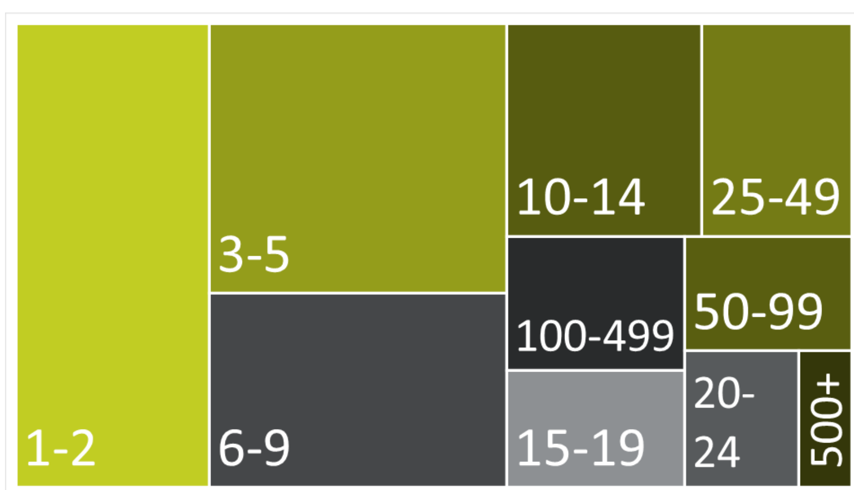


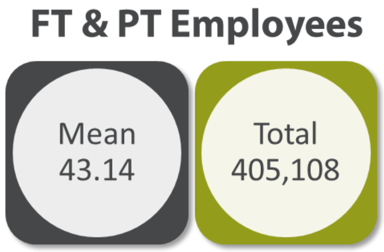
The survey was launched on the afternoon of Thursday, May 14, 2020 and was closed at 5 p.m. on Friday, May 29, 2020. A total of 9,681 businesses completed the survey as of the survey's close on May 29.

Participation was achieved across all of Iowa's industry sectors with the top sectors shown to the left.

The majority of respondents (81.8%) are for-profit organizations. An additional 13.7% of respondent organizations are not for profit, and less than 5% of respondent organizations are considered local, state, or federal government.

Over half (57%) of the survey respondents were small businesses with fewer than 10 employees and just over three-fourths had fewer than 25 employees. Eight percent reported having 25 to 49 employees, and 4.8% reported 50 to 99 employees. Only 6.0% reported having 100 to 499 employees, and 1.8% reported 500 or more employees.





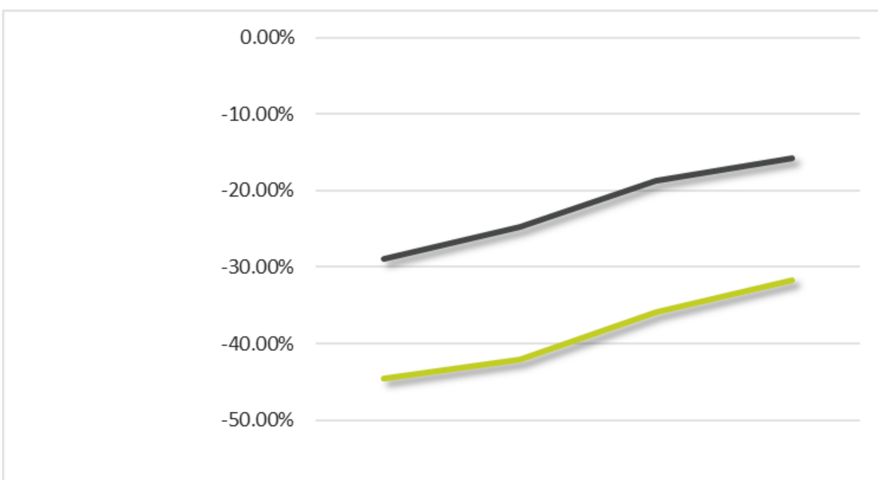
Survey respondents were asked to provide full time and part time employment information by selecting an appropriate employment range. Using mid-point calculations, a total employment sum was computed as being 405,108 employees with a mean of 43.14 employees. A total of 9,391 respondents provided employment information.

Survey respondents were asked to provide 2019 annual revenue data by selecting an appropriate revenue range. A total of 8,223 respondents provided 2019 annual revenue information for a total sum of $42,461,920,900 using mid-point calculations. The average 2019 annual revenue was $5,163,799.21 with a median of $374,950. Due to the wide range in employment size reported by respondent organizations, five employee size categories were created for comparison purposes. The graphic below offers average annual 2019 revenue for respondents in each of these employee size categories.

Revenue and Employment Impact

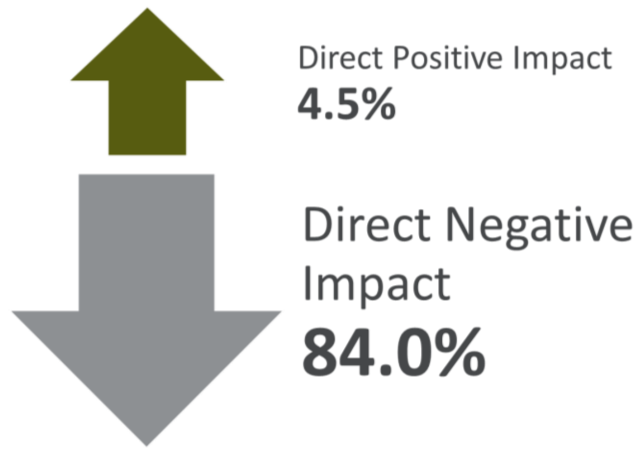
Aggregately, respondent organizations indicated their April revenues had decreased by nearly 45%, while their employment levels decreased by approximately 29%. For May, organizations indicated a slight improvement for both revenue (42%) and employment (25%) as compared to April. Respondents predicted more pronounced improvement for June and July for both revenue and employment impact.

Industry sectors reporting significantly higher negative revenue and employment impacts for all time periods included accommodation and food services. Generally, smaller organizations, especially those with 1-2 employees, reported significantly higher impacts on current revenue and employment for all four months as compared to organizations with 25 or more employees. Lastly, counties located in a metro area again reported significantly greater revenue and employment impacts for all four months.



	April	May	June	July
Revenue Impact %	-44.53%	-42.07%	-35.87%	-31.71%
Employment Impact %	-28.97%	-24.76%	-18.67%	-15.83%

COVID-19 Organizational Impact



The majority of respondent organizations in Iowa (84.0%) continue to be negatively impacted by the coronavirus (COVID-19) pandemic, while just 4.5% were positively impacted. The top three organizational areas impacted by COVID-19 remained the same and include:

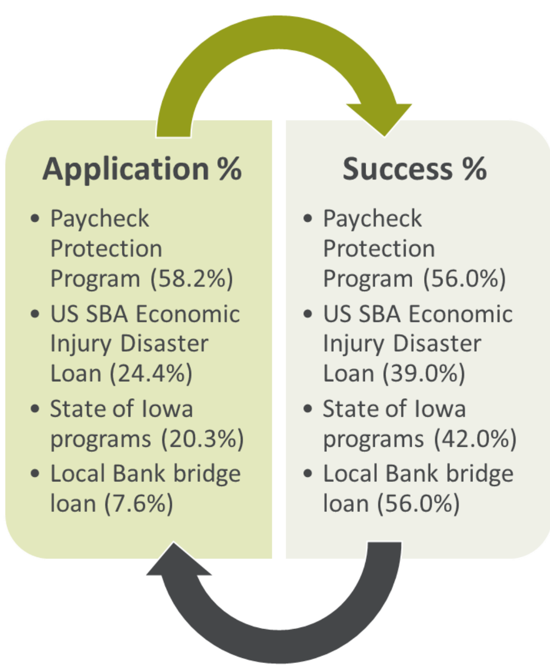
- Business operations (74.0%)
- Business development/sales (72.9%)
- Customer demand of products/services (69.5%)

In addition, respondents are most concerned with:

- Revenue loss (52.6%)
- Cash flow (45.1%)
- Employee health/wellbeing (44.2%)
- Financial impact on operations and/or liquidity and capital (41.4%)
- Decreasing consumer confidence/spending (38.7%)

Two industry sectors, health care and social assistance and accommodation and food services, again reported a significantly higher negative. More specifically, the accommodation and food services sector reported a significantly higher level of impact on business development/sales and operations as well as concerns about decreased consumer spending and financial impact on operations, employee availability and their supply chain. The health care and social assistance sector reported significantly higher concern for business operations, employee availability and supply chain disruption.

Financial Assistance Applications



Over half of respondents (58.2%) applied for the Paycheck Protection Program (PPP). Just under one-fourth applied for a US Small Business Administration Economic Injury Disaster Loan (24.4%) and one-fifth applied for State of Iowa financial assistance programs. Less than ten percent applied for a loan or other financing from a local financial institution (7.6%). Respondents have been most successful receiving financial assistance through the Paycheck Protection Program (92.5%), followed by loans from local financial institutions (56.0%), and Other financing (50.3%).

Most Helpful Assistance and Resources

Just over half (53.3%) of respondents reported that financial assistance would be the most helpful to their organization. Tax relief (38.5%), support for impacted employees (17.5%), and timely communication and information (17.0%) were also deemed the most helpful areas of assistance, while technology assistance for remote work was reported to be the least helpful (7.0%).

Workplace Precautions & Concerns

Over three-fourths of respondents increased sanitation efforts within their facilities (77.2%), while over half (55.3%) have limited the size of in-person meetings. Other popular changes made by respondent organizations include masks or other PPE requirements (48.1%), reduced density in the office (37.7%), having employees remain six feet apart on the plant floor (34.5%), and checking employee temperatures (26.1%). Only 2.3% of organizations have no precautions planned.

On a scale of 1 to 5, with 1 being "Not at all concerned" and 5 being "Extremely concerned", respondent organizations are most concerned with the health and safety of employees (3.61). Respondents are also moderately concerned with employees feeling comfortable to return to work (3.18) and legal liability (3.10). Organizations are least concerned about employee childcare needs (2.78).

Online Sales Presence

Only 29.2% of the respondents reported having an online sales presence prior to March 17, 2020, which generated mostly 1 to 10% of their monthly revenue. After March 17, 2020, 33.0% reported creating or continuing to have an online sales presence that supplemented monthly sales, mostly 1 to 10% for March, April and May 2020. Top barriers to creating an online sales presence included time (15.3%), knowledge of software or technology to implement (14.6%), and cost (11.9%).

Tourism Sector

Of the 881 respondents who identified themselves as tourism-based organizations, 18.7% identified as lodging facilities followed by art & cultural institutions (14.0%), restaurants/bars (12.4%), and retail (11.0%). Aggregately, tourism respondent organizations estimate a highly negative impact on attendance/visitors, especially in May of 2020 (mean of -75.77%). The negative impact decreases slightly in both June and July ending with a negative impact of -62.09% on average.

Nearly half of respondents (48.8%) reported pausing paid marketing, but continuing social media, website, and email updates. Just under one-fourth of respondents are marketing what is open (23.8%), while 13.7% have paused all marketing. Over two-thirds (69.6%) plan to re-engage the local community, residents, and visitors through sanitizing procedures, followed closely by social distancing protocols (64.5%). Almost one-fourth reported discounting pricing, affinity benefits, and memberships (24.0%).

Property Management Sector

Among the 431 respondents in the property management sector, the average number of rental units managed is 189.58. Approximately one-fourth (24.4%) reported 1 to 25% of tenants as currently behind on their rent due to COVID-19, with 36.3% being behind on payments by 1 or 2 months. Just over one-fourth of the property management respondents (26.1%) anticipated not having to evict any tenants once the statewide moratorium lifts, while 19.8% anticipate evicting 1 to 25% of tenants. Lastly, just under one-fourth of the property management respondents (23.5%) reported organizational liquidity decreasing by 1 to 25% because of COVID-19, while 11.7% reported a decrease of 26-50% and 16.9% of respondents reported their liquidity stayed the same.

Non-Profit Sector

Among the 1,265 non-profit respondents, just over one-third reported no monthly volunteer hours lost while the remaining two-thirds reported an average of 241.31 lost volunteer hours per month due to COVID-19. In addition, respondents estimate 45.5% of their clients/customers/beneficiaries will no longer be served or will receive reduced/incomplete average monthly services. About 20% indicated needing zero dollars to meet unfunded expenses, but the remaining not for profit respondents reported needing an average of $434,055.26 to meet unfunded expenses from May to August 2020. If funding was made available, most not for profit respondents would need it for payroll (61.7%) and program support (51.9%) while just under half would need it for supplies (45.3%) and utilities (41.2%). While the majority of not for profit organizations do not foresee permanent closure due to COVID-19 (75.4%), only 2.3% anticipate closure to occur in May/June or July/August of 2020, a total of 4% anticipate closing in September/October or November/December of 2020, and over 5% anticipate closure during 2021.

Manufacturing Sector

The top participating sub-sectors among the 578 manufacturing respondent organizations include fabricated metal products (24.6%), machinery (13.0%), food and/or beverage (11.1%), and plastics and rubber products (9.3%). One-third of manufacturing respondents reported mild disruption to the supply chain while 21.3% reported very mild disruption and 20.4% reported moderate disruption. Less than 6% of manufacturing organizations are experiencing a severe disruption. On a scale of 1 to 5, with 1 being no disruption and 5 being severe disruption, the mean level of disruption is 2.77.

Over two-thirds of manufacturing respondents (67.3%) reported having regular hours during the COVID-19 crisis while 26.1% of respondents reported reduced capacity. For respondents operating at a reduced capacity, a total of 150 reported a capacity percentage range of 2% to 90% with a mean value of 51.75%. Less than 4% added hours and just 2.2% closed temporarily. No manufacturing respondent organizations closed permanently as a result of COVID-19. The majority of manufacturing respondent organizations (82.2%) reported no changes in their product line due to COVID-19. Just over 8% reported producing PPE, 3.5% are producing hand sanitizer and 4.3% are producing other product line changes.

Financial Services/Insurance Sector

Among the 550 financial services and insurance organization respondents, over one-third provide financial services (36.2%), followed by 31.5% providing both financial services and insurance, and 28.4% provide only insurance. Since March 2020, over one-third of insurance organizations (34.4%) reported claims being down while 29.4% reported claims staying the same. Additionally, just over one-fourth of insurance respondents (25.8%) reported the dollar amount paid out in claims staying the same while 23.9% stated that the dollar amount paid out was down and 15.6% paid out more claims.

Among financial service respondents, 20.9% reported the number of current/recent loan applications being processed to have increased significantly, while 11.7% indicated that the number has only increased somewhat compared to last year at this time. A total of 17.6% have seen loan applications decrease somewhat or significantly, while 7.2% observed the number staying the same. The refinancing of mortgages (38.7%) was reported most often, followed by business/commercial loans (32.0%), mortgages (31.8%), and agriculture loans (26.2%). Less than one-fourth have seen applicants applying for short-term loans (20.9%) or the Payroll Protection Program (16.4%).

Over one-third of financial service respondents have seen 1 to 10% of their institution's loans fall into arrears since March 2020, with 31.4% reporting that the percentage of loans in arrears has increased somewhat and 23.9% reporting the percentage staying the same since March 2020. Since March 2020, 28.4% reported that 1 to 10% of their institution's loans have defaulted, with an overall average default increase of 3.76% since March 2020.