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AMID PANDEMIC, SMALL BUSINESS OWNERS RESPOND WITH MEANINGFUL TRANSFORMATION; REMAIN RESILIENT, PNC SURVEY SHOWS

- Substantial number of business owners make transformations to workforce, business processes, procedures and technology
- While 97% of applicants call PPP essential to their business, more than half of all businesses say more government stimulus funding is needed
- Despite dip since spring, optimism about the economy remains higher than during the Great Recession

PITTSBURGH, Sept. 28, 2020 – Amid this year’s historic coronavirus pandemic, businesses are adapting by making major changes to their operations including increased use of technology, according to the latest PNC semi-annual survey of small and mid-size business owners and executives, which concluded Sept. 8.

Eight in 10 (79%) reported that they have made adaptations to their business in response to COVID-19, including safety changes (69%) in the form of new policies and procedures (62%) or physical modifications (57%), while others have adopted work from home policies (33%).

“Business owners have learned that the previous status quo won’t work now. The majority of businesses have reconfigured their operations and for many, these changes will be permanent,” said PNC Chief Economist Gus Faucher. “Their confidence may be shaken, but we know through the history of this survey that business owners are resilient and they know how to adapt to change.”

According to the survey, half (51%) of businesses report increased use of technology since the outbreak began. A third (33%) have increased technology to improve workforce productivity. Nearly three in 10 (29%) have added or increased the use of electronic or touchless payment systems, electronic /website-enabled sales (23%) or electronic banking/cash flow management services (21%); 19% increased use of fraud/identity protection tools.

The pandemic has forced many to shake up their product lineups to better align with consumers’ new habits. A third (33%) of business owners report making product-related changes, either in the way they sell or deliver their products and services (31%) or to the types of products and services they offer (13%).

The drop in business activity over recent months forced many to take drastic measures through workforce reductions; nearly four in 10 businesses have cut workers since the start of the pandemic, although for 87% of those, the decrease is considered temporary or a furlough. In fact, a majority (58%) of the businesses who had temporary layoffs or furloughs have already begun re-hiring.

Faucher said the worst may be over and economic activity is on the rebound, but the “new normal” doesn’t mean a return to robust job and business growth that existed early in 2020.

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“After job losses of more than 22 million between February and April, by far the steepest employment downturn in history, the labor market has started to recover. The economy has added back nearly one-half of those lost jobs, but job growth will slow going forward. Unemployment will remain elevated for years to come as business owners continue to deal with the impacts of the pandemic,” said Faucher.

He added that technology may be the key to business survival, and the PNC survey showed that many owners are making the necessary investments.

Other key survey findings include:

- **PPP a Much Needed Lifeline:** Nearly all who applied for a Paycheck Protection Program loan consider the funding important (97%), and nearly seven in 10 say it is extremely important. Of those who applied, nearly 90% were approved. A majority (55%) say additional government stimulus funding is important for their business, with a third (32%) indicating it is extremely important.
- **Economic Hopes Dim:** Business leader reaction to the COVID-19 pandemic and related economic conditions caused the steepest six-month decline in optimism in the 17-year history of the survey, dropping by half from Spring 2020, to just 21% reporting optimism about the national economy. While the drop is one of the sharpest in survey history, optimism remains higher than it was during the Great Recession between 2008 and 2013, when it was in the single digits.
- **Election Edification:** Among those business owners expressing a partisan preference in the upcoming presidential election, Donald Trump supporters believe more strongly than Joe Biden supporters (76% vs. 49%) that their candidate of choice would have a positive impact on their own business if elected to the office.

A digital package containing national and Pennsylvania regional survey results is available at <http://pnc.mediaroom.com/digital-packages>.

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Methodology

The PNC Economic Outlook survey was conducted by telephone from 8/1/2020 to 9/8/2020, among small and mid-sized businesses with self-reported revenue of \$100,000 to \$250 million. 500 interviews were conducted nationally. Sampling error for the nationwide results is +/- 4.4% at the 95% confidence level. The survey was conducted by Artemis Strategy Group (www.ArtemisSG.com), a communications strategy research firm specializing in brand positioning and policy issues. The firm, headquartered in Washington D.C., provides communications research and consulting to a range of public and private sector clients.

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