

GALLUP- Economy  
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# Small-Business Owners' Optimism Ticks Up From April

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WASHINGTON, D.C. -- While small-business owners remain less optimistic about their current and future business situations than they were pre-pandemic, the latest Wells Fargo/Gallup Small Business Index survey highlights improvement in sentiment since early April. Two-thirds (67%) of small-business owners are more optimistic than pessimistic about their business, up from 47% in early April but still off from the 80% in January, before the weight of the pandemic hit. Interviews were conducted May 29-June 5, prior to the recent increase in coronavirus cases nationally and setbacks in reopening plans in some states.

In addition to their generalized optimism about their business, small-business owners express increased positivity about their financial situation, revenue and cash flow over the next 12 months.

## Impact of COVID-19 on Business Operations

The latest Wells Fargo/Gallup Small Business survey focused on how owners are coping with and responding to changes in their business as a result of COVID-19. The significant majority of owners say their business has been affected by the virus.

At the time of the survey, 16% of owners reported that their business was closed because of the pandemic, while half said their business is still operating but with

reduced staff or with significant changes in their services. Most of those who were closed said it is temporary until restrictions are lifted. Meanwhile, about a third (34%) said their business is operating as normal.

#### Impact of COVID-19 on U.S. Small Businesses

How has COVID-19 impacted the operation of your business?

	<u>Total %</u>
<b>Business is operating as normal</b>	34
<b>Business is operating with reduced staff/reduced hours</b>	27
<b>Business is operating but services impacted (offering low-contact services)</b>	23
<b>Business is closed until restrictions are lifted</b>	14
<b>Business is closed permanently</b>	2

Based on U.S. small-business owners

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Small-business owners face a number of significant challenges as a result of the coronavirus.

Reduced revenue and reduction in the number of customers are most frequently reported, followed by reduction in business hours, loss of pay for the owner or employees, and reduction in staff hours. Relatively few owners say they have fundamentally changed their business model as a result of the virus.

#### U.S. Small-Business Owners' Experiences With Specific Impacts From COVID-19

Please indicate if your business has experienced each of the following as a result of the coronavirus (COVID-19)?

	<u>Yes %</u>
<b>Reduced revenue/sales</b>	67
<b>Reduction in the number of customers</b>	58
<b>Reduction in your regular business hours</b>	51
<b>Loss of regular paychecks or reduced amounts for you and your employees</b>	49
<b>The need to reduce staff hours</b>	46
<b>Having unplanned expenses (personal protection equipment, new signage)</b>	41
<b>Reduction in your supply chain, availability of products</b>	40
<b>Having to change how you provide products or services (curbside pickup, online sales, takeout)</b>	40
<b>Updating your website/text or email to update your customers on the status of your business</b>	34
<b>Problems with you or your employees being able to work due to social distancing requirements</b>	33
<b>Temporary closure of your business</b>	31
<b>The need to lay off employees</b>	24
<b>Problems with you or your employees being able to work due to school/day care/camp closures</b>	22

**Yes**  
**%**  

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**19**

**Changed our business model or who we provide goods or services such as helping first responders**

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Based on U.S. small-business owners

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The slight majority of small-business owners are not expecting to see rapid economic recovery from the impact of the virus once the restrictions are lifted. Only one-third say it will be weeks or a few months to recover -- while slightly over half (52%) predict it will be up to a year or more before they can recover economically and 13% feel it is too soon to estimate.

## Focus on Diverse Segments of Small-Business Owners

The survey included expanded interviewing with diverse segments of the small-business community, including African American, Asian and Hispanic small-business owners. The survey also included an oversample of female owners.

The results show that, taken as a group, the diverse segments (defined as non-White and/or Hispanic) are as optimistic or more optimistic compared with non-Hispanic White owners when asked about their financial outlook for the next 12 months. In response to a broad summary question asking about the financial outlook for their business, 72% of diverse owners say they are more optimistic than pessimistic, compared with 66% of non-Hispanic White owners.

Small-Business Owners' 12-Month Financial Outlook, by Diverse Segments of Owners  
In general, how would you describe your financial outlook for your business over the next 12 months?

	<b>Total small-White business owners</b>	<b>(non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>More optimistic than pessimistic</b>	67	66	72
<b>More pessimistic than optimistic</b>	33	34	28

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Credit access is one area in which diverse small-business owners are less positive than nondiverse owners. Fewer diverse owners say they have had easy access to credit over the past 12 months, and fewer expect access to be easy in the coming 12 months.

Reported Ease of Obtaining Credit in Past 12 Months, by Diverse Segments of Owners

<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
<b>%</b>	<b>%</b>	<b>%</b>

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Very easy</b>	26	29	13
<b>Somewhat easy</b>	20	20	20
<b>About average</b>	42	42	40
<b>Somewhat difficult</b>	9	7	21
<b>Very difficult</b>	3	2	6
<b>Total easy</b>	46	49	33
<b>Total difficult</b>	12	9	27

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Expected Ease of Obtaining Credit in Next 12 Months, by Diverse Segments of Owners

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Very easy</b>	24	26	13
<b>Somewhat easy</b>	20	19	21
<b>About average</b>	39	39	41
<b>Somewhat difficult</b>	12	11	17
<b>Very difficult</b>	5	4	8
<b>Total easy</b>	44	45	34
<b>Total difficult</b>	17	15	25

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Despite their general optimism about the future, diverse business owners are more likely than non-Hispanic White owners to report significant impacts to their businesses resulting from COVID-19.

Some 37% of White, non-Hispanic owners report that their business is operating as normal, compared with a significantly smaller 21% of diverse owners. Diverse owners are slightly more likely to report that their business has been either temporarily or permanently closed. The rate of permanent closure over the pandemic period is similar to the worst quarters of the Great Recession, according to [research from the U.S. Census Bureau \(PDF download\)](#), which also showed that White business owners had slightly lower temporary or permanent closure rates than Black business owners during that period.

Status of Business Diverse Segments: Impact of COVID-19

How has COVID-19 impacted the operation of your business?

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Business operating as normal</b>	34	37	21

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Business operating with reduced staff/hours</b>	27	26	31
<b>Business operating but services impacted</b>	23	23	25
<b>Business closed until restrictions are lifted</b>	14	13	19
<b>Business closed permanently</b>	2	1	4

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Diverse owners are also more likely than nondiverse owners to report specific economic harms resulting from the pandemic -- including a higher percentage saying they have lost revenue, reduced staff hours, laid off employees and reduced regular business hours.

#### Impact of COVID-19 on Diverse Segments of Owners

Please indicate if your business has experienced each of the following as a result of the coronavirus (COVID-19)? % Yes

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Reduced revenue/sales</b>	67	65	73
<b>Reduction in the number of customers</b>	58	57	63
<b>Reduction in regular business hours</b>	51	49	62
<b>Loss of regular paychecks or reduced amounts for you and employees</b>	49	48	56
<b>The need to reduce staff hours</b>	46	44	58
<b>Having unplanned expenses (personal protection equipment, signage)</b>	41	38	60
<b>Reduction in supply chain, product availability</b>	40	37	53
<b>Having to change the way you provide products or services (curbside pickup, online sales, etc.)</b>	40	38	52
<b>Updating your website/text or email to update customers on status of your business</b>	34	31	50
<b>Problems with you or employees being able to work due to social distancing requirements</b>	33	31	43
<b>Temporary closure of business</b>	31	29	41
<b>The need to lay off employees</b>	24	23	32

	<b>Total small-business owners</b>	<b>White (non-Hispanic) owners</b>	<b>Total diverse owners</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Problems with you or your employees being able to work due to school/day care/camp closures</b>	22	19	36
<b>Changed our business model or who we provide goods or services such as helping first responders</b>	19	16	38

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## **Diverse Owners More Likely to Be Involved With PPP Loans**

Diverse owners are much more likely than nondiverse owners to report being involved with the federal government's Paycheck Protection Program (PPP).

Half of diverse owners say they applied for PPP loans, attempted to apply, or will apply again if additional funding is available, compared with 31% of nondiverse owners. Among owners who applied, diverse owners are more likely than nondiverse to be waiting for their funds (at the time of the interview). But loan denial is similar between diverse and nondiverse segments. The vast majority of owners across all groups believe that their loan is at least somewhat likely to be forgiven.

### **Bottom Line**

Small-business owners remain optimistic about the future, but the results of the latest Wells Fargo/Gallup survey of small-business owners document the difficulties that have resulted from the COVID-19 pandemic. African American, Asian, and Hispanic small-business owners are significantly more likely to report that the virus has had a negative impact on their businesses.

Diverse owners are as optimistic or more optimistic about the future compared with nondiverse owners, but their businesses appear to have been hit harder by COVID-19 than those of nondiverse owners -- especially in terms of revenue and changes to their business model. Not surprisingly given these findings, diverse owners have been more likely to attempt to take advantage of the government's Paycheck Protection Program.

As the nation continues to struggle with surging cases of the coronavirus, many businesses may be affected again by new forced closures, an increased need for personal protective equipment or changes to the way they conduct business. Many small-business owners, especially diverse segment owners, say the current challenges impacting small-business owners will continue for a year or more.

It should also be acknowledged that while this survey did not include several other diverse segments across the wider small-business landscape in the U.S., it does provide a snapshot of the challenges facing business owners (and particularly diverse owners) as the pandemic persists, as well as some of their key expectations for the coming year.