

WITH DENVER SMALL BUSINESSES PERMANENTLY CHANGED BY THE PANDEMIC, OWNERS LOOKING TO VACCINE-DRIVEN RECOVERY

ANALYSIS BY Kurt Rankin

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Denver's economy is primed to rebound strongly from 2020's recession. The labor force posted the second-strongest year-over-year growth through December among metropolitan areas with one million or more employees. This performance suggests that workers are eager to re-enter the workforce and small businesses will not face the talent shortages feared in many U.S. regions. The hardest-hit service industries remain depressed because of government shutdown orders and pandemic-induced restrictions. As vaccination efforts progress and businesses are permitted to resume at larger capacities, customer demand will recharge hiring efforts and justify the small business community's rebounding optimism.

Federal stimulus will further Denver's recovery efforts. With government assistance, those unable to return to work will be able to avoid financial collapse and bankruptcy, allowing them to resume their pre-pandemic spending patterns with less of a delay. Only with a broad-based employment and income recovery that reaches all tranches of the job market will Denver's small businesses see revenue and growth prospects restored to pre-pandemic conditions.

The housing market will amplify the region's recovery. Strong house price appreciation reflects supply and demand dynamics and is an important driver of consumer confidence. Home values in Denver are appreciating in lockstep with the strong national trend. Healthy residential building should allow prices to continue appreciating without threat of significant overpricing. With residents feeling confident enough to purchase homes given lingering post-recession economic uncertainty, Denver's small businesses should feel confident that consumer spending trends will support their own efforts to recover.

COVID-19 VACCINATIONS PROVIDE HOPE

Small and medium-sized business owners strongly support vaccinations for COVID-19 and plan to encourage their employees to get the shots, which are central to a return to normalcy, according to the latest PNC Denver survey of small business owners.

Nearly eight in 10 Denver businesses with employees plan to encourage or require their workforce to vaccinate. More than half plan to require employees to get vaccinated, more than a third will provide assistance or education about vaccination. Nearly two in 10 plan to provide incentives to vaccinate.

VACCINATION PLANS

Any Action (NET)	78%
Require	53%
Assist/Educate	35%
Incentivize	16%

Nearly six in 10 (58%) expect the growing availability of vaccinations to have a positive impact on their sales.

FEELING SQUEEZED

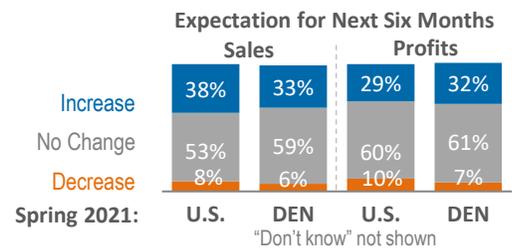
More than half are facing challenges to stay in business and nearly two in 10 (17%) say they can only continue to operate in the current economic conditions for up to a year.

54%
Business is Challenged

3%
Few Owners to Raise Own Pay

At the same time, few business owners expect to increase their own compensation (3% vs. 8% nationally) or retirement savings (9% vs. 7% nationally) in the next six months.

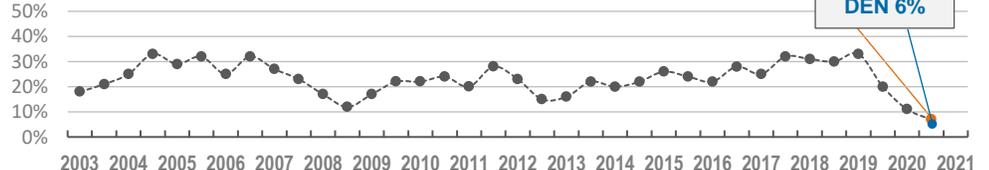
Only a third expect sales increases combined with ongoing business challenges suggests Denver small businesses owners will start feeling a "squeeze."



LAYOFFS LINGER AMID LOW HIRING EXPECTATIONS

One in 10 businesses (9%) reduced their workforce last year. In addition, the Denver survey measured a low proportion of businesses expecting to increase the number of full-time employees (6%) in the next six months, a level near the U.S. survey record low (7%).

NATIONAL SURVEY-LOW HIRING EXPECTATIONS



MANY ADAPTATIONS EXPECTED TO LAST



Nine in 10 Denver business leaders report making adaptations to their business in response to COVID-19, including a vast majority implementing health and safety changes in the form of new policies and procedures or physical modifications. More than half (54%) of business leaders made product-related changes, either in the way they sell or deliver products or services or what they offer. Half of those making safety changes and a quarter of those making product adaptations expect they will be permanent.

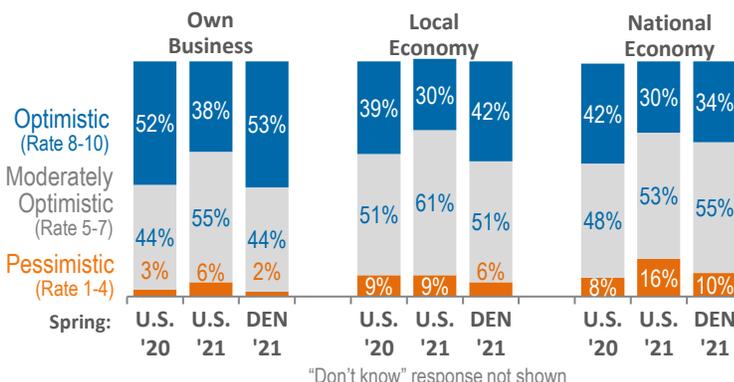
Shift to Work from Home



One of the least likely adaptations Denver business leaders expect to become permanent is the shift to working from home, in response to the pandemic. Of the four in 10 businesses who adopted work-from-home practices last year, only one in 10 anticipate the change to be long-lasting. More than two-thirds (68%) expect it to be temporary and more than two in 10 (22%) are uncertain how long it will last.

AHEAD OF THE CURVE

Denver small business owners' optimism about their own company is at a level higher compared to their feeling about the local and national economy. Nationwide, optimism about the national economy, local economy and business leaders' own businesses remains significantly lower than the levels recorded a year ago, just prior to the start of the pandemic.



PPP REMAINS CRITICAL FOR SURVIVAL

2020 PPP Funding Extremely Important



Half (49%) of Denver business leaders say they received Paycheck Protection Program (PPP) funding in 2020; another 4% applied but did not receive the funding, while the remainder of businesses did not apply. Eight in 10 (81%) of those who received a PPP loan considered it extremely important.

Additional 2021 Stimulus Extremely Important



Three-quarters (74%) of recipients have already applied for loan forgiveness; few (5%) don't expect to apply for forgiveness.

Four in 10 business leaders consider obtaining a new 2021 PPP loan extremely important for their business.

TECHNOLOGY LIFELINE

Nearly six in 10 (58%) Denver business leaders report increased use of one or more business technologies since the COVID-19 crisis began. Nearly half applied new technologies to improve the sales process in the form of electronic or touchless payment systems or electronic/website-enabled sales. Three in 10 have increased technology to improve workforce productivity.

