

March, 2021

Eccles Business Survey

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Executive summary

In March the economy moved into Boom territory with revenues higher than 2019 levels and high expectations for future revenue growth. Businesses report X% higher revenues than at this time in 2019 and they expect revenues to steadily grow in the next few months. Despite the overall improvement in business conditions, there remains large dispersion across industries. Arts, entertainment, and recreation remain in recession territory, the transportation industry has transitioned to recovery, and the construction industry continues to boom. Businesses are optimistic for future growth. Even firms with current revenues below their 2019 revenues have high growth expectations. Finally, we continue to find that government support through loans have allowed businesses to refrain from shrinking their workforce and to hire additional workers.

Topics:

- **Current Business Climate**
- **Longer Term Business Expectations**
- **Risk perceptions**
- **Federal Programs**

Current Business Climate

We quantify the general business climate by asking respondents to compare their current revenue to their revenues in March 2019 and their revenue expectations over the next three months. This relative revenue comparison is also useful since reported values will take seasonality into account, for example, the holiday shopping season in December. Current and expected revenues define four business cycle regions; boom, downturn, recession, and recovery. Specifically, when businesses have current and expected revenues above the same month in 2019, we designate them as in a boom. Similarly, when businesses have current and expected revenues

below the same time in 2019, we designate them as in recession. In contrast, firms are classified as being in a downturn if current revenues are higher than 2019 levels, but expected revenues over the next 3 months are lower than 2019 levels. Similarly, firms reporting that current revenues are below 2019 levels but expect revenues in the next 3 months to be above 2019 levels are classified as being in recovery territory.

Figure 1 shows that Utah has moved into Boom in March. Relative to December, revenues and revenue expectations have both improved substantially. Current revenues are just above revenues from this

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time in 2019 year, and they improved substantially from December. Businesses expect revenues in the next three months to be better than revenues at this time in 2019 year. The December 2020 and March 2021 points are the median responses across all industries. We use the median to minimize the effect of outliers.

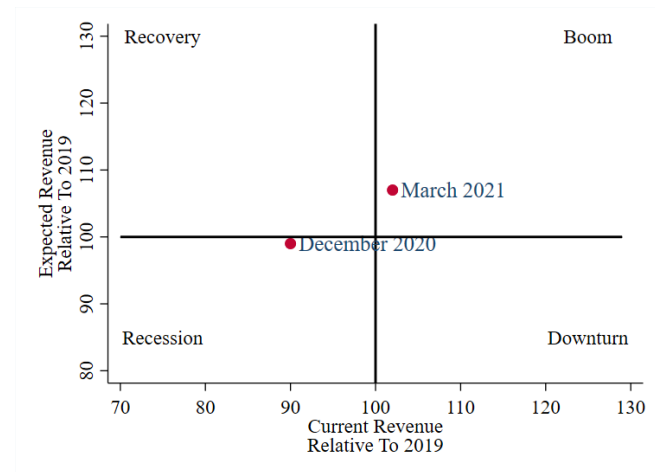


FIGURE 1: Business cycle

Figure 2 shows there remains large dispersion in current revenues across industries. Revenues and growth expectations in arts, entertainment, and recreation remain low, transportation is recovering,

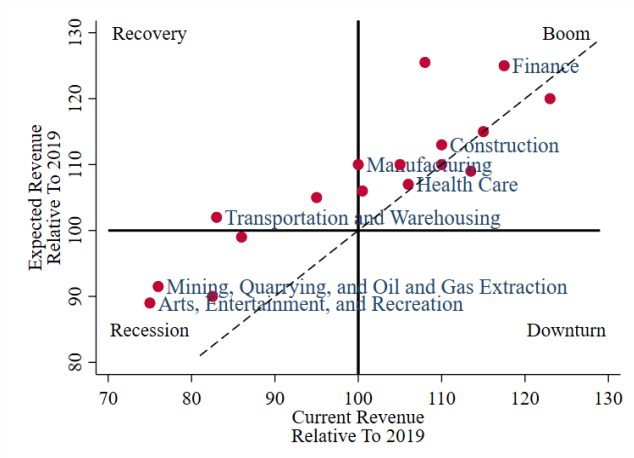


FIGURE 2: Industry-wise current and expected revenue compared to last year

and construction is booming. All of these industries expect future revenues in the next three months to be better than current revenues, shown in the graph as being above the black dashed 45 degree line. If their expectations are correct, Utah could move further into Boom in spring and summer 2021.

Longer Term Business Expectations

Overall, business owners expect that conditions will improve significantly over the next three months. Figure 3 reports the median expected recovery over the next year by industry and the overall economy. The overall economy expects revenue growth to be robust over the next year. However, there, remain substantial differences across industries. Many industries have recovered relative to 2019 revenues and expect further growth. Some of the hardest-hit industries, such as mining, quarrying, and gas extraction, expect revenues to improve eventually but remain below 2019 levels until the fall.

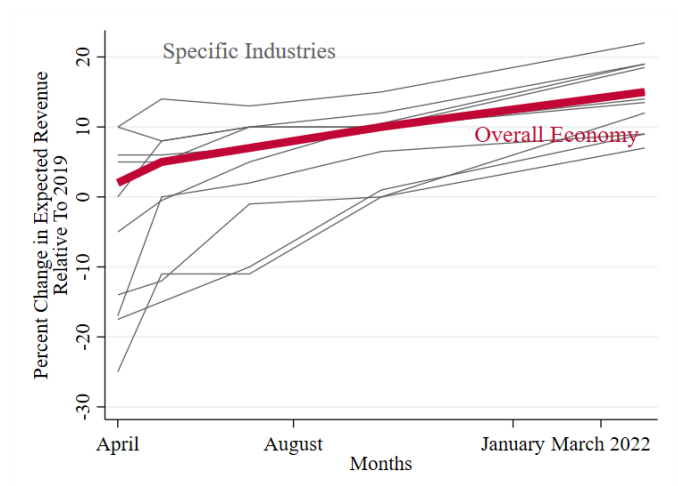


FIGURE 3: Longer term business revenue expectations

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Risk Perceptions

Businesses continue to have large risk perceptions surrounding COVID-19. Figure 4 reports the median percent of annual revenues firms would be willing to give up to avoid risk to a series of factors. The top three concerns are competition, demand, and liability from customers surrounding COVID-19. Businesses remain uncertain about delays in vaccines, mandates from OSHA/CDC surrounding COVID-19, and liability from employees surrounding COVID-19. We expect these risk perceptions to change throughout the spring as the vaccine roll out continues and businesses get back to more normal demand. Finding employees and suppliers pose similar risks. Beyond COVID-19, it seems demand and customer willingness to pay pose larger risks than investments in technology and equipment.

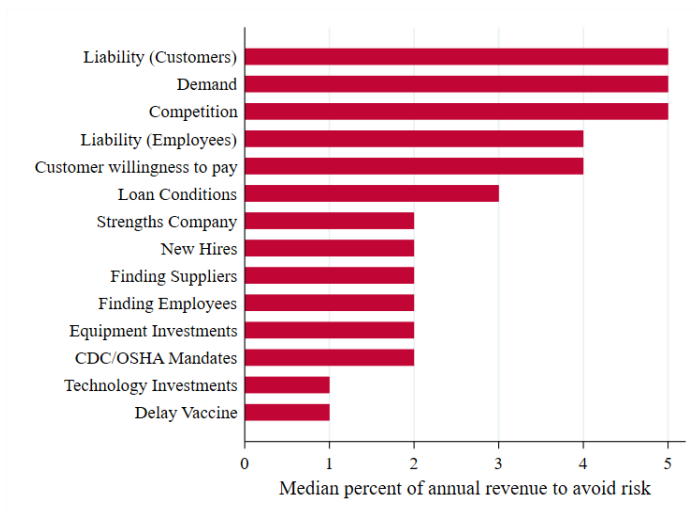


FIGURE 4: Risk perceptions

Federal programs

Government support has helped businesses bridge revenue shortfalls over the last year. 43% of businesses report applying for or planning on applying for government programs (for example, Paycheck Protection Program PPP or SBA disaster/emergency funds). Businesses report receiving \$100,000 on average, with wide dispersion across businesses. Businesses report that these funds were used mostly to refrain from shrinking their workforce and to hire more employees. Figure 3 reports the percent of businesses that report using some of the funds for different activities.

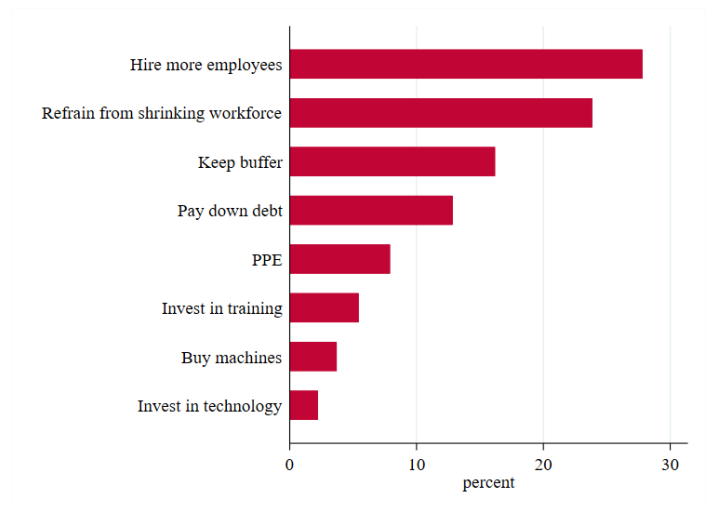


FIGURE 5: How businesses used PPP loans