



Hamilton County Economic Impact – Surveys 1, 2, & 3

KEY FINDINGS from all surveys – percentages rounded

Business

- 61% of respondents reported decreased revenue
- 17% reported decreased revenue of more than 50%
 - compared to 36% in Survey No. 2
 - and 60% in Survey No. 1
- Decrease in revenue/sales is the most cited impact at 79% as compared to 85% in Survey No. 1 followed by economic downturn & impact on business at 52% and employee well-being at 51%
- 14% reported they changed operational systems - average of 16% in all surveys
- 10% reported no impact - average of 8% in all surveys
- 15% reported increased revenue as compared to 7% in Survey No. 2 and 2% in Survey No. 1
- 17% of businesses closed in Survey No. 3 – average of 25% in all surveys - 78% of businesses have reopened in Survey No. 3
- 48% report they will reduce variable cost, 38% will reduce fixed costs, 20% will change pricing and 25% will create new virtual products; these numbers are comparable in all surveys
- In Survey No. 3, 22% expect their business to be impacted 6-12 months as compared to 51% in Survey No. 1, an average of 32% expect over 12 months and an average of 27% said it's impossible to predict
- 13% of companies state they can afford to operate with no new sales for 30 days; 19% for 60 days; 21% for 90 days; and 48% for 120 days or over as compared to 72% of businesses who could afford to operate with no new sales for more than 30 days in Survey No. 2
- 12% plan to decrease square footage- results same as Survey No. 2
- Hospitality, travel, personal services, retail, medical and advertising reported most severe impacts

Employee

- Over 25% of businesses furloughed employees in Survey No. 3 as compared to 32% who had layoffs or furloughed employees in Survey No. 2 and 40% in Survey No. 1
- 59% plan to rehire employees with 48% hiring over 75%, and 20% over 50%
- 87% of employees will be teleworking more than pre-pandemic as compared to 61% in Survey No. 2
- 65% plan to maintain some teleworking for employees as compared to 60% in Survey No. 2

Community

- 23% plan to invite out-of-town friends and family to visit within the next 30 days; 14% in 3 months; 25% in 2020; and 37% in 2021 – a slight decrease from Survey No. 2 – more are moving visits to 2021
- Close to 76% would not be upset hearing an ad asking people to visit Chattanooga and 69% feel safe welcoming visitors here – with 39% expressing excitement about it – results in line with Survey No. 2

NEW FINDINGS of Survey

Business

- 74% of companies found opportunities to increase efficiency
- Programs that would be most impactful to businesses if approved
 - Liability protection - 45%
 - Targeted ongoing support – 55%
 - Support for childcare and K-12 education - 45%
 - Changes to current unemployment benefits – 20%
 - State and local assistance – 29%
- 62% of respondents feel that credit conditions are tightening for organizations
- 21% of respondents have been affected by online shopping with 49% being affected 10%; 44% between 25% to 50%; and 6% by more than 50%

Employees

- 60% of business plan to rehire employees who were laid off and 48% will rehire over 75%
- On a 10-point scale with 10 being the most negative, companies report how childcare shortages will impact their business – 7% at 10; 36% between 7-9; and 57 % between 1 and 5
- 94% have considered eliminating health care coverage to reduce costs
- 72% reported enhanced unemployment benefits affected their ability to open their business effectively
- Only 6% of companies will have no one working remotely, 52% will have up to 25%; 27% up to 75%; and 15% will have 75% or over
- 19% of companies will have employees who work in office only, 30% up to 25%, 34% up to 75% and 17% over 75%
- 73% believe telehealth is an opportunity for employees to receive better healthcare

Community

- 85% of respondents feel wearing masks will increase public confidence
- 54% feel there is a change in credit conditions for households/consumers

OVERVIEW

The impact of this global pandemic will be felt for years to come and transform many industries. It is now evident that COVID-19 will be with us for an indefinite amount of time and that it will take a vaccine to change the trajectory in an expedient way. This new reality is setting in for our community. Most companies have re-opened (if they are not closing for good) and our community's mask mandate is showing positive outcomes. Many industries have re-invented their operational model and have incorporated new skills to adapt to this new environment. The uncertainty of school re-openings adds a great deal of stress to many employees and employers and will impact most companies. Recovery from recent tornados and social unrest add even more complexities to the business environment.

Decreased revenue/sales continues to be the most frequently cited top impact in all surveys and an average of 25% of businesses have closed. It is even more evident that there will be significant changes to the workplace environment as businesses start reopening. Currently 86% of employees are teleworking more than pre-pandemic as compared to 61% in the second survey and 65% plan to maintain some teleworking for employees. Some 12% plan to reduce office square footage. Many large employers are phasing in slowly and have extended the time they will remain working remotely until after Jan. 1, 2021.

Most everyone is unsure about the future and it seems inconceivable that the stock market is at an all-time high. When asked to anticipate the severity of overall impact from COVID-19 on a 10-point scale where 1 is minimal impact and 10 is possible business closure, results are moving in the right direction.

	Survey No. 3.	Survey No. 2	Survey No. 1
Level 10	7%	15%	22%
Level 9	6%	12%	15%
Level 8	16%	12%	15%

It's important to note that only 13% of businesses state they are able to operate with no new sales for more than 30 days. While the nature and severity of impact vary by sector and specific business, COVID-19 continues to cause widespread business disruption and many small businesses will completely shut down.

Unemployment hit record highs in the Chattanooga region at 13.2% in April. In June these numbers declined to 8.2% in the MSA and 11.2% in the city. Many employers, especially manufacturers, have had difficulty hiring individuals due to the \$600 weekly unemployment stimulus which ended July 31. Please note that the July job figure is preliminary in the charts below.

Chattanooga MSA Jobs

Jan 2020	F	M	A	M	J	July 2020
267,200	270,200	270,000	251,000	255,800	262,600	264,200

Chattanooga MSA Jobs

Job Change Month over Month					
Jan-Feb	Feb-Mar	Mar-Apr	Apr-May	May-Jun	Jun-Jul
3,000	-200	-19,000	4,800	6,800	1,600
Change in Jobs Compared to January 2020					
Jan-Feb	Jan-Mar	Jan-Apr	Jan-May	Jan-Jun	Jan-Jul
3,000	2,800	-16,200	-11,400	-4,600	-3,000

There’s still a wide range of emotions related to reopening – many are very conservative, especially those with pre-existing conditions or with family members who are in compromised conditions, but many are ready to welcome guests and return to a physical work environment if they feel proper precautions are taken. It is evident that COVID-19 will change the work environment forever. Employers will need to explore flexible options to support employees where they are.

BUSINESS CONCERNS/NEEDS

Accurate and timely information – accurate and timely information continues to be extremely important. Unfortunately, there is indecision within the federal government about the next incentive package which makes it impossible for businesses to plan properly. Questions about repayments are high, especially the employee payroll tax deferral.

Loans/Grants – access to working capital is still the biggest need. Some of the hardest hit businesses won’t be able to cover their payroll or rent payment without help. Some 64% took advantage of the SBA loans and CARES Act programs and 94% of those feel the Paycheck Protection Program was the most beneficial.

Support for displaced workers – employee layoffs in some sectors were deep. There are still concerns about how this will affect our economy going forward after government incentives are no longer available.

Overall, businesses need decisive, effective government action in response to both the health and economic implications of COVID-19. Much about the virus is still unknown and until a vaccine is found, there will be continued uncertainty. If the controllable things are made clear, businesses will be better able to adjust plans and position for recovery.

SECTOR IMPACT

Summary – Although COVID-19 has negatively affected our community, many businesses are resilient and have been using innovative means to stay in business. Our community has a strong history of working together so there is confidence we will make it through this crisis and learn many valuable lessons along the way. Many organizations are working together to support local business and move our economy forward. Economic development activity is high and inquiries are coming in each day – four site visits occurred in the past four weeks. The workplace in Chattanooga will be significantly different in the future and hopefully employees will have more of a work life balance as employers become comfortable with work-from-home options. We also have a great opportunity to recruit businesses with remote workers because of our high quality of life.

Advanced Manufacturing – Manufacturers have resumed production and are dealing with protocols to protect employees from COVID-19. Several large expansion projects have been announced in Chattanooga recently; however, the unemployment stimulus made it difficult for manufacturers to hire all the employees needed.

Construction/Engineering Services – Projects already in the development pipeline are proceeding for now with minimal disruption. Crews and subcontractors remain active on job sites.

General Business – From banking to accounting, IT to marketing, many professional service firms have transitioned to remote work environments and are reinventing how they will do business. One silver lining is that many new skill sets have developed based on necessity that will enhance businesses in the future.

Healthcare – Chattanooga is fortunate that our hospitals have not been overrun with COVID-19 cases and the mask mandate has helped greatly. Although the resumption of non-essential medical procedures has been welcomed, the shutdown created a negative impact on revenue for hospitals and physicians. Many individuals are still waiting too long to visit their doctor or go to the hospital which is proving to be detrimental to their health. COVID-19 cases have been declining but a spike may occur in September with children returning to school.

Non-Profit/Charitable – Leaders in this important sector, both for employment and for critical human needs, are concerned about their capacity to raise needed funds to meet rapidly increasing needs. This continues to be a critical issue as so many are dependent on these organizations. The announcement of state funding to assist with expenses will be a great benefit to those who are approved.

Real Estate – On the residential side, sales have been strong and inventory is low. On the commercial side, many property owners are already beginning negotiations with leaseholders and lenders. Several commercial projects have been placed on hold rather than being eliminated completely.

Retail – Dramatically uneven impacts exist in this sector with grocery, pharmacy, home improvement and other essential goods retailers posting strong sales and struggling to maintain inventory while other retailers have been hurt dramatically, many from online sales. Malls are opening with restrictions, but traffic is significantly reduced and tenants are having a hard time making rent payments.

Logistics – Port activity and logistics continue to operate. In Chattanooga, logistics companies are thriving – eight local logistics companies made the annual list of *Inc. Magazine's* 5,000 fastest-growing, privately held companies.

DATA COLLECTION

We collected information for Survey No. 1 from March 14 – April 27 with 252 responses, Survey No. 2 from May 18 - 29 with 311 responses and Survey No. 3 from July 22 – August 14 with 219 responses. Outreach methods included:

- Electronic Economic Impact Survey sent to all Chattanooga Chamber members
- One-on-One calls to Chamber members (2,000+)
- Chamber Executive Committee
- Chamber Public Policy Committee
- Chamber Communications Committee

CONTACT - for more information please contact:

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