April 2021

ECCLES BUSINESS SURVEY

Mac Gaulin | Nathan Seegert | Mu-Jeung Yang

Inside

Executive Summary

In April the economy moved into boom territory with revenues higher than 2019 levels and high expectations for future revenue growth. Businesses report 5% higher revenues than at this time in 2019 and they expect revenues to steadily grow to over 10% over revenues in 2019 in the next few months.

Mining, Quarrying, and Oil and Gas Extraction, as well as Arts, Entertainment, and Recreation are the only two industries slow-to-recover as a whole. Most industries still have a high percentage of businesses reporting a slow recovery, but overall, businesses continue to be optimistic for future growth. Even firms with current revenues below their 2019 revenues have high growth expectations. Economic risk perceptions held mostly constant with firms reporting slightly more risk from low customer demand and slightly less risk from competition. We also included questions about employee replacement through automation in response to COVID-19 and find that only 4.4% of firms reported such replacement.

CURRENT BUSINESS CLIMATE

We quantify the general business climate by asking respondents to compare their current revenue and their revenue expectations over the next three months to their revenues in the same month in 2019 (pre-pandemic). 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 those of the same month in 2019, we designate them as in a boom. Similarly, when businesses have current and expected revenues below those of the same month 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.

SORENSON IMPACT

Utah Health & Economic Recovery Outreach

MARRINER S. ECCLES INSTITUTE FOR ECONOMIC AND QUANTITATIVE ANALYSIS
THE UNIVERSITY OF UTAH

DAVID ECCLES SCHOOL OF BUSINESS

Figure 1: Business Cycle

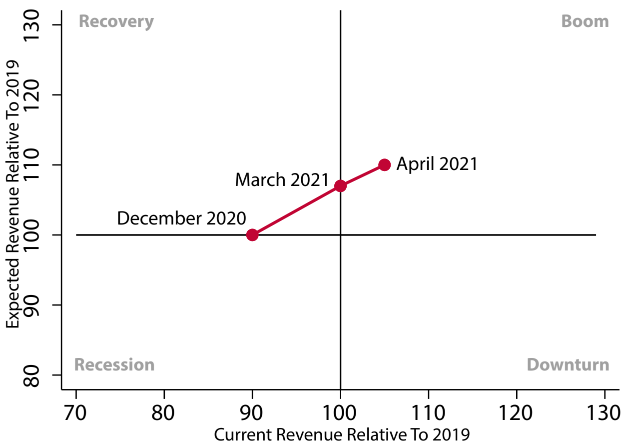


Figure 2: Business Cycle by Industry

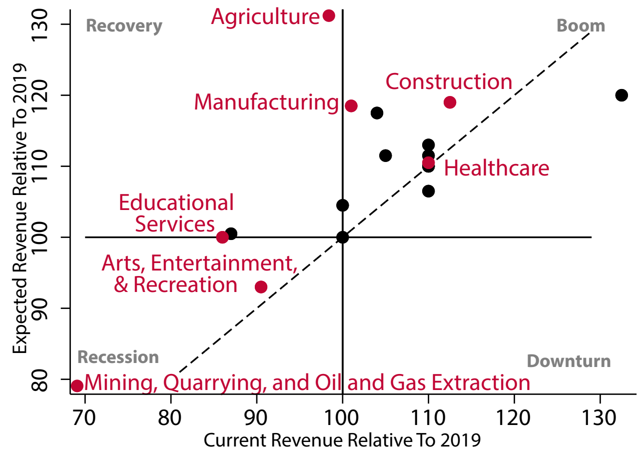


Figure 1 shows that Utah has moved into boom in April continuing its improvement from March. Relative to March, revenues and revenue expectations have both improved. Current revenues are about 5% higher than revenues from this time in 2019, up from 0% in March. Businesses expect revenues in the next three months to be about 10% better than revenues at this time in 2019. The December 2020, March 2021, and April 2021 points in **Figure 1** are the median responses across all industries. We use the median to minimize the effect of outliers.

Figure 2 shows almost all industries are in boom. Most industries are now in the boom quadrant with few industries experiencing a slower recovery. Educational services moved into recovery and Agriculture expects large revenue gains in the next three months relative to 2019. Mining, Quarrying, and Oil and Gas Extraction and Arts, Entertainment, and Recreation are two industries, which are still in recession. Mining, Quarrying, and Oil and Gas Extraction are facing some potential headwinds in terms of regulations from the new administration. Arts, Entertainment, and Recreation are still experiencing dampened revenues due to COVID-19 concerns.

Almost all 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

Businesses continue to expect higher revenues though out next year. **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 exceeding 10% growth over 2019. This strong revenue growth is expected to continue through 2022 at a steady, but not accelerating rate. The only exception to this general steady growth pattern is Transportation and Warehousing, which predicts to have accelerating growth, possibly driven by the strong performance of e-commerce.

Figure 3: Longer-term Revenue Expectations

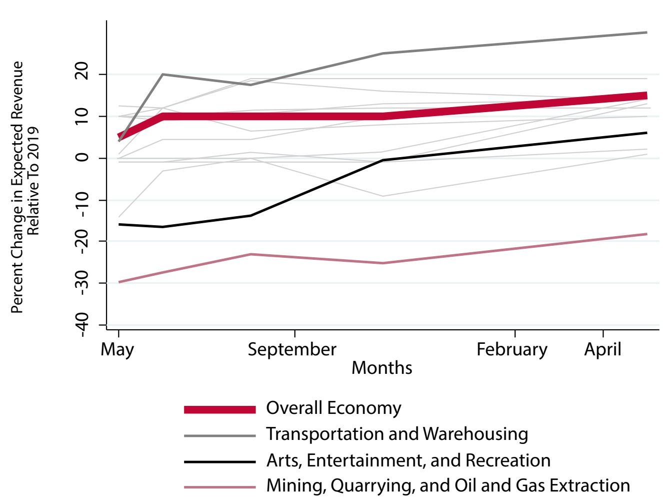


Figure 4: Risk Perceptions

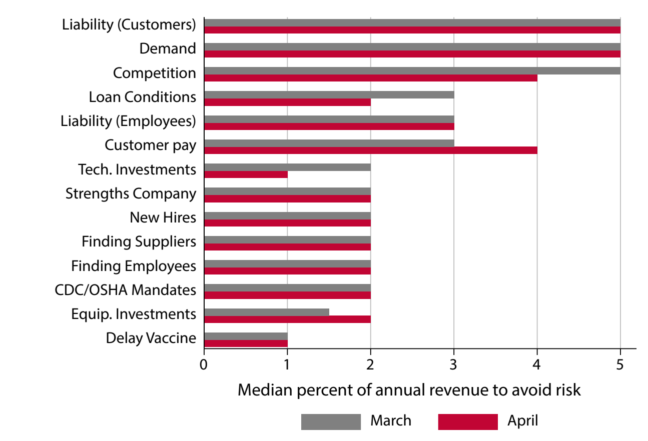


Figure 5: Slow-to-Recover Firms

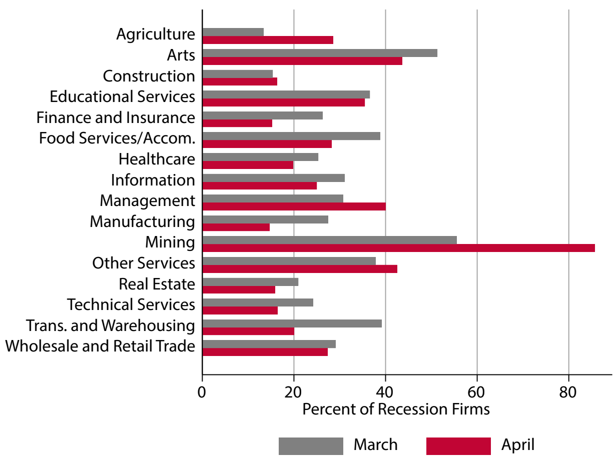
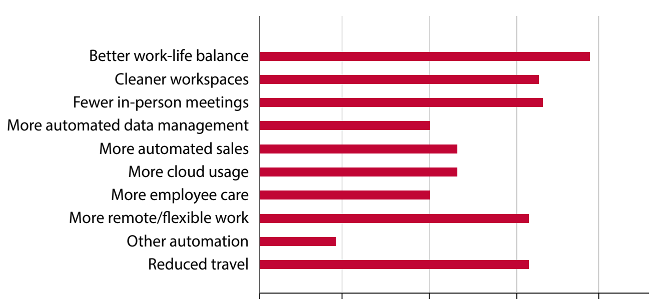


Figure 6: Workplace Responses to COVID-19



RISK PERCEPTIONS

Risk perceptions remain steady from March with uncertainty about demand and customer willingness to pay high on the list. **Figure 4** reports how much annual revenues firms would be willing to give up to avoid various different risks (reported in percentage). The top three concerns are liability from customers surrounding COVID-19, demand and customer willingness to pay. Already typical risk concerns are starting to overtake concerns around COVID.

SLOW-TO-RECOVER BUSINESSES

While most industries are in boom territory, many industries contain a substantial number of firms that are "recession firms", that is they currently have revenues below their April 2019 levels and expect revenues to remain below the 2019 level in the next 3 months. This is shown in **Figure 5**. Unsurprisingly, the industry with the highest percentage of recession firms is in the Mining, Quarrying, and Oil and Gas Extraction industry over 80%. Arts, Entertainment, and Recreation, Management of Companies and Enterprises, Other Services, and Wholesale and Retail Trade are industries with next largest percentage of firms slow to recover.

In cooperation with the startup and tech non-profit Silicon Slopes, we developed several questions to better understand how firms reorganized in response to COVID-19 and how this will affect their workforces going forward.

SPOTLIGHT: COVID-19 CHANGES CONTINUING LONG TERM

We asked firms "What changes have you made in the last year that you hope will continue long-term?". Results in **Figure 6** indicate that over a third of firms have implemented practices to allow flexible work, better work/life balance, reduced meetings and reduced travel. Firms have also responded to COVID-19 by upgrading technology: over 20% of respondents report more use of automated sales, automated data management and cloud computing.

Figure 7: Workforce Mental Health

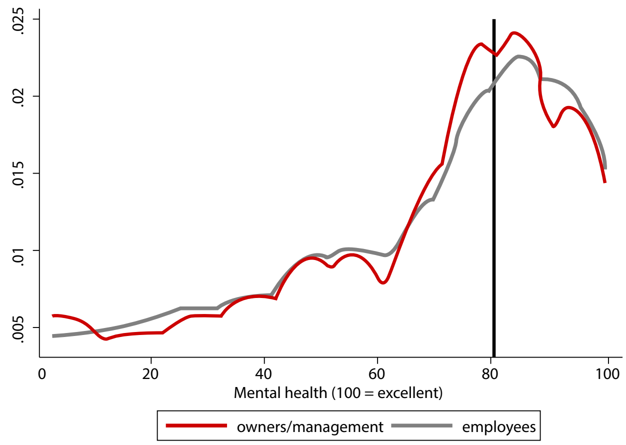
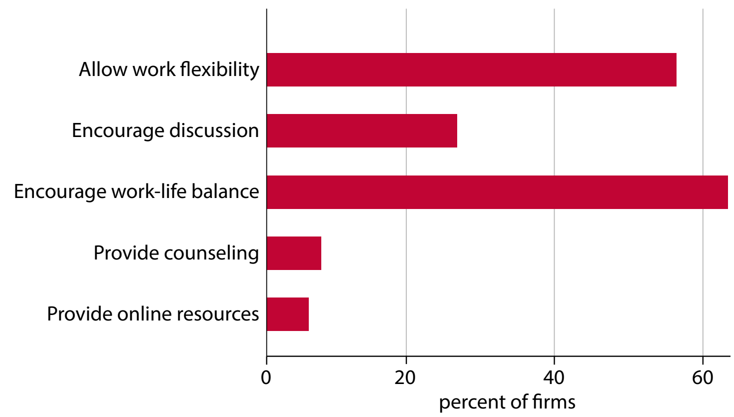


Figure 8: Workplace Responses to Mental Health



SPOTLIGHT: EMPLOYEE REPLACEMENT DUE TO AUTOMATION TRIGGERED BY COVID-19

Increased use of digital technologies raises the question of whether this might have an impact on job creation. In our survey, we find that 30% of firms report some form of automation in response to COVID-19, including different types of automation, such as sales or data management. However, among firms that report such automation, 85% report not replacing any employees.

On the other hand, among the 15% of firms that do report that employees have been replaced, the average number of replaced employees is almost 2, with the median firm replacing only 1 employee. Note that this concerns only 4.4% of firms we surveyed.

SPOTLIGHT: MENTAL HEALTH OF MANAGEMENT AND WORKFORCE

To analyze the state of mental health of firm owners and employees, we asked: "How would you rate the mental and emotional health of yourself and your employees on a scale from 0 to 100?" As **Figure 7** shows, overall mental health seems to be quite good, with a median response of 80 out of 100. Firm owners rate mental health high for both themselves as well as their employees. On the other hand, about 15% of respondents do report quite poor mental health (a score below 50 out of 100).

As a follow up to these general summaries of the assessment of mental health, we asked respondents about practices they used to manage employees' mental health.

Figure 8 shows that most firms encourage work-life balance and discussions about mental health but only a minority provide counseling or online resources.