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Time is running out: Small businesses and households are burning through what's left of their cash

Nearly half of laid-off Americans are barely 'getting by,' new Federal Reserve data show. Among small businesses, half will be out of cash within a month, new Census reveals.

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The cushion is disappearing.

As the coronavirus crisis drags on and the timeline for a vaccine remains uncertain, U.S. households and small businesses are rapidly running out of money, according to new federal data released Thursday.

Low-wage workers who had little in savings to begin with have been some of the hardest hit by shutdowns at hotels, restaurants, stadiums, gyms, bars and many other businesses, Federal Reserve data show. As a result, many are struggling to pay their bills, even with government aid.

It is a similar story for small businesses. About half will be out of cash within a month, according to a separate release from the Census Bureau. While the federal government has moved swiftly to provide emergency loans and grants to small businesses, many owners have told The Washington Post the grants came with too many strings attached. Others say they worry about taking on loans when they do not know how long they will be closed or operating at half-capacity.

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Below are eight key statistics that illustrate where the pain is hitting the most — and the alarm bells going off as cash reserves dry up. Still, some American business owners and workers remain hopeful they will return to normal, eventually.

Nearly 40 percent of low-income Americans lost a job in March.

Thirty-nine percent of Americans with household income below \$40,000 lost a job in March, according to a recent Fed survey of more than 1,000 people conducted April 3 to 6. These are people who had a job before the pandemic but then lost it. In contrast, only 13 percent of Americans earning over \$100,000 lost a job in March.

“While we are all affected [by the pandemic], the burden has fallen most heavily on those least able to bear it,” Fed Chair Jerome H. Powell said Wednesday, as he urged Congress to do more to aid the economy.

A huge issue is that only certain types of work can be done from home. Sixty-three percent of workers with a college degree could fully work from home in March, the Fed found, versus only 20 percent of workers with a high school degree or less.

Over a third of people who were laid off

couldn't pay their bills in April

According to the Fed survey, 18 percent of Americans did not expect to have enough money to pay all of their bills in April as the fallout from the coronavirus deepened, and it looked unlikely people would return to work soon. Not surprisingly, the results were even more painful for people who lost their jobs: 35 percent of people laid off believed they would miss a payment in April, the Fed found.

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The Fed conducted its economic “well-being” questionnaire just before the \$1,200 relief checks began to go out from the U.S. Treasury, providing a lifeline for many poor and middle-class Americans who have lost a job or had their hours reduced.

But there are ongoing signs that Americans continue to struggle with their bills. A third of renters have not paid their May rent at all or in full, according to a survey by Apartment List, an online rental marketplace.

Fewer than 1 in 5 businesses could hold out for even three months

About 7 percent of U.S. small business owners said in late April and early May that they had no cash on hand, and another 9.5 percent say they cannot cover more than a week of operations, according to the Census Bureau. All told, about half would be out of cash within a month, and only 17 percent said they could last 3 months or longer without revenue.

Already, 11.5 percent of small businesses — including 29.5 percent of accommodation and food-services operations — reported missing loan payments. And 24 percent reported missing other bills or scheduled payments. That number soars to 51 percent for food services and accommodation.

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There are two different “pulse” surveys underway by the Census Bureau. Small Business Pulse, the first of which was released today, will be sent to about 100,000 different businesses every week for nine weeks, giving us a snapshot of how the economic crisis has affected businesses and how they are coping. A similar survey of U.S. households will first be released on Monday.

Nearly half of laid-off Americans are barely “getting by”

More than 36 million American workers have applied for unemployment aid, according to the Labor Department, meaning nearly one in four workers who had jobs in February are now furloughed or laid off. As that toll escalates, so does the financial duress, especially if people are not able to get aid quickly.

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Among Americans able to keep their jobs, 76 percent said they were doing at least okay financially in April, but among those who lost a job or had their hours cut, only 51 percent said they were doing at least okay financially, the Fed found.

Nearly half — 48 percent — of those laid off or facing reduced hours in April said they were “finding it difficult to get by” or “just getting by.”

Supply-chain problems hit two in three retailers

Nationally, most small businesses surveyed by the Census Bureau reported a large negative effect from the pandemic in the week from April 26 to May 2. That number ranges from 83.5 percent in food services and 75 percent in arts, entertainment and recreation to 7 percent in utilities and 27.5 percent in finance.

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The virus has wreaked havoc upon retail supply chains, as transportation and warehousing businesses report negative pandemic effects at above-average rates. About two thirds of retailers reported supply-chain problems, compared with about 45 percent of businesses nationally. Health care and wholesale-trade businesses also reported major disruptions.

Supply-chain issues were most pronounced in the Deep South states of Louisiana, Alabama and Mississippi, where more than half of businesses reported disruptions. Maine businesses also saw an unusually high level of supply chain trouble.

Falling revenue hits three in four businesses

Three quarters of U.S. small businesses reported a drop in revenue, with all but one sector (utilities) reporting drops of at least 60 percent. Notably, 84 percent of health care and social-assistance businesses saw revenue fall.

About two out of every five businesses had to close a location for at least part of the week, including more than 70 percent of businesses in education services or in arts, entertainment and recreation.

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Nationally, 27.5 percent of businesses reported that they cut the number of paid employees during the week of the survey, including 47 percent of businesses in food services and accommodation.

That segment, which includes restaurants, bars and hotels, is trying to adapt: 42 percent of such businesses reported pivoting to carryout- or delivery-based business models. In retail, the number was 32 percent.

Three quarters of businesses sought PPP help

Three quarters of small businesses requested loans from the federal Paycheck Protection Program, including more than 80 percent of those in manufacturing, educational services, health care and food services. Only 17 percent of businesses reported seeking no assistance at all — not even from their friends and family, or their own savings.

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Wyoming businesses were the most self-reliant in the union, with one in three reporting they had not sought any form of assistance.

**Puerto Rico has been hit harder than
anywhere else**

Overall, more small businesses in Puerto Rico reported large negative effects (65 percent) than in any state or D.C. Yet businesses there have requested (and received) Paycheck Protection Program loans at the lowest rate in the nation.

In Puerto Rico, 46 percent of businesses reported cutting employees in the week of the survey, and 77 percent reported closing locations during at least part of the week — easily the highest share of any state or territory. D.C. was next at 64.5 percent.

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The island territory's problems could compound, as more than two-thirds of businesses there reported supply-chain disruptions, easily the highest rate in the nation. Fewer than 10 percent of businesses on the island said they have enough cash to cover three months or more of operations.

A hopeful note on returning to normalcy

One somewhat hopeful sign? Only 6 percent of U.S. small business owners said they believe things will never return to normal. Most said it would take more than four months though, with about a third falling into the more-than-six-months category.

Similarly, nine in 10 people who were furloughed or lost a job expected to return to it at some point, according to the Fed data. This shows optimism that people will only be out of work temporarily, instead of facing a permanent job loss that can have devastating impacts for years to come, triggering the loss of a home or car.

That said, the Fed survey was done the first week in April. A Washington Post-Ipsos poll of more than 900 laid-off workers conducted April 27 to May 4 found that 77 percent expected to return to work, perhaps reflecting the growing reality that some businesses are closing forever or going bankrupt and unlikely to bring back as many workers.

Interestingly, in the Fed survey, 77 percent said their boss told them they were likely to return to work, but the boss did not give a specific return date.

Coronavirus aid: What you need to read

Updated May 8, 2020

What you need to know: Personal finances during the pandemic | Paying your rent or mortgage | What to do if you've been laid off or furloughed because of the pandemic | Coronavirus stimulus check calculator

Impact: Airlines | Newspapers | Gig workers | U.S. Postal Service | 10 Americans navigating the coronavirus economy

Small businesses: How to get a small-business loan under the new \$484 billion coronavirus aid package | Data shows nearly 300 public companies received PPP loans | The companies that got loans that didn't need them

We want to hear from you: Are you waiting on a stimulus check, loan, or unemployment assistance from the Cares Act? | How has the coronavirus impacted your business?

*Are you recently unemployed due to the pandemic? The Post has a **new Facebook group** to help you navigate what's next.*



