

June 19, 2020

# STATE OF COLORADO

Governor's Office of State Planning and Budgeting

## COLORADO SMALL BUSINESS OUTLOOK



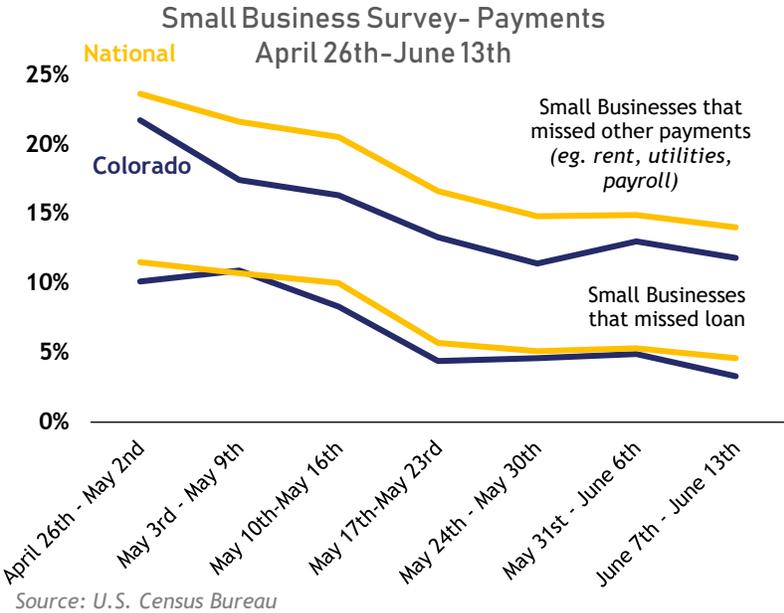
**COLORADO**  
Governor Jared Polis

# Small Business

Overall, the situation for small businesses in Colorado appears to be stabilizing. While a still-high 46 percent of small businesses reported revenue decreases in early June, this had fallen from 68 percent of businesses in late April, in line with national averages. A gradually increasing share of Colorado small businesses reported increasing revenue. In early June 26 percent of businesses earned between \$50,000 and \$200,000 in weekly revenues, up from 11 percent a month before, while the share that earned over \$200,000 increased from 2 percent to 17 percent in the same period.

This can be explained partly by the decreasing share of Colorado small businesses experiencing supply chain disruptions or temporary closures, in line with national trends. In the second week of June only 15 percent of small businesses temporarily closed for at least a day, compared to the 36 percent in Colorado that temporarily closed the week of April 26 to May 2. While supply chain disruptions for Colorado small businesses spiked in early May near national levels at 42 percent, by the beginning of June they had decreased to 34 percent of all firms. However, over half of small businesses in Retail Trade, Accommodation and Food Services, and Health Care and Social Assistance experienced supply chain disruptions in early June.

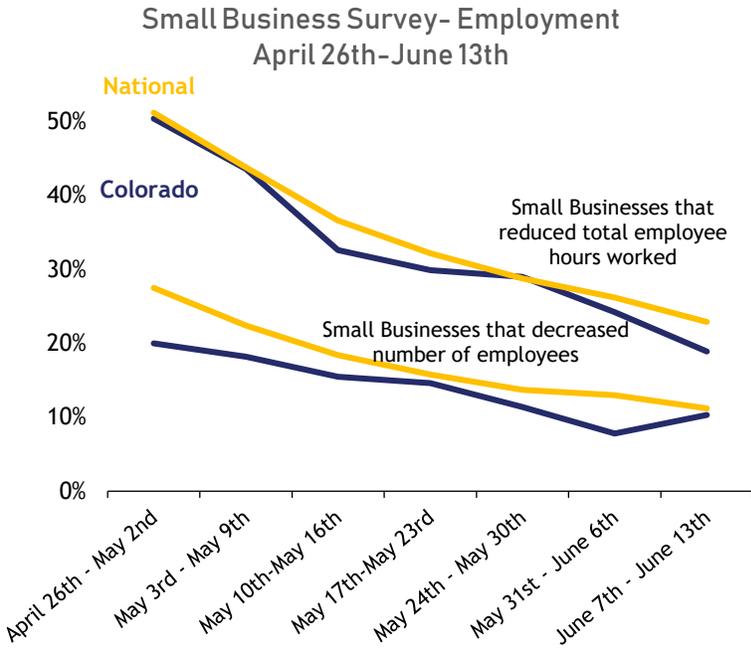
Fewer disruptions to operations and increased revenue have meant that fewer businesses are now missing payments. Only 3 percent of small businesses reported having missed a loan payment by the second week of June--half as many as in late April. While over four times as many



small businesses reported having missed other payments (such as rent, utilities, or payroll), this share had also fallen by half since late April, when 22 percent of small businesses missed other payments.

Moreover, fewer firms are cutting labor costs. The share of small businesses that reduced total employee hours in the prior week fell from 50 percent to 20 percent over May. In the second week of June only 10 percent of firms decreased their staff

counts, half as many as in the end of April. However this stabilization could also indicate a 'bottoming out': the share of firms cutting staff or hours could be now unchanged simply because



Source: U.S. Census Bureau

many had already earlier cut as much as possible without having to substantially reduce their operations. Also, the fact that Paycheck Protection Program (PPP) forgiveness is conditional on re-hiring may explain some businesses' preference for reducing hours instead of employees.

As the crisis continues, Colorado small businesses increasingly expect prolonged disruption. 37 percent believe it will take more than 6 months before they return to their usual level of operations (up from 30 percent in late April), and only 17 percent think they will

return to normal within 3 months, compared to 27 percent who believed that in late April.

Businesses appear to be preparing for this difficult period by increasing their cash reserves, with 63 percent of Colorado small businesses have enough cash on hand for 1 month of operations or more, up from 46 percent in late April. The share of businesses with enough cash on hand for less than a month fell from 44 percent to 30 percent from late April to mid-June (although this could also reflect some businesses without much cash on hand having closed down).

While some of this cash may be from revenues increasing, much is likely drawn from government support. A large share of Colorado small businesses have received financial assistance. As of mid June, 68 percent of small businesses had received (PPP) assistance (95 percent of applicants) and 1 in 6 had received Economic Injury Disaster Loans (EIDL).