

Redefined Growth Outlook for Key Sectors and Near-term Solvency Risks for Small Businesses

Disrupted Economy

The COVID-19 pandemic has significantly disrupted economic activity across the country. Nationally, real GDP and employment numbers are back down to 2014 levels.

Employment and **productivity** decreased across the board. Through the pandemic, the [region has lost over 200,000 jobs](#) and has yet to recover 45% of them, a deeper setback than we experienced during the Great Recession and even during the collapse of Pittsburgh's industrial economy in the early '80s. Some sectors have been impacted more severely than others. Even as the economy reopened, leisure & hospitality, retail, manufacturing and social and government services have continued to struggle and are expected to experience a slower recovery. On the other hand, sectors such as healthcare & life sciences and tech-related business services are recovering more quickly and may even see gains from the pandemic.

As the pandemic continues to **alter economic activity differently** across sectors and geographies, most businesses will continue to face a great deal of uncertainty regarding their **supply chains, demand projections** and **productivity recovery**.

The uncertain recovery outlook in a large number of sectors is also likely to result in both a **slow job recovery** and rethinking of staffing levels. This may lead to **persistent unemployment, deterioration of skills** among the local workforce, and **greater gaps in skills and expertise** as a large portion of displaced workers possess talents, skills and experience specific to sectors that are likely to experience a slower recovery, meanwhile, sectors that are already able to grow are experiencing talent shortages despite high unemployment.

Vulnerability of Small Businesses

Small businesses in the Pittsburgh region are important engines of our region's economy, accounting for 99% of all businesses and 75% of all jobs. They play an integral role in every industry. Many of these businesses could not absorb the pandemic-induced economic shock and are struggling to remain open. It is vital that we shore up these lifelines for economies across our region, both related to jobs and tax revenue for our towns and boroughs and to the essential role they play in community vitality and sense of place. Many of these establishments are points of pride in our communities and for our people – and must be supported as we move forward.

The Paycheck Protection Program (PPP) and other federal and state programs played an important role in mitigating the initial pandemic-induced disruptions on small businesses. Even with these emergency programs, approximately 23-36% of small businesses, roughly 13,900-21,300, in our region are at risk of closing permanently with a potential loss of 101,000-188,000 jobs, resulting in \$0.6B-\$1.2B in lost wages. Smaller and minority-owned small businesses - which identify demand generation as their biggest concern- are even more vulnerable.