Current Economic Situation, COVID-19

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Earlier this week, Texas Comptroller Glenn Hegar admitted in a Texas Tribune interview that the state is in a recession. He said that calling the current economic conditions a recession helps people manage expectations, also noting that COVID-19-related business disruptions and not lower oil prices are the primary drivers of the downturn.

Recent data point to financial hardship for both unemployed persons and businesses. The BLS reported that 6.61 million Americans filed for unemployment benefits in the week ending April 4, slightly lower than last week's revised 6.68 million. The new four-week moving average is 4.27 million. The National Multifamily Housing Council reported a 12% drop in the number of tenants paying their April rent by the fifth of the month as compared to March, with 69% paying rent in the first five days of the month.

The WSJ reported a poll by business referral network Alignable found that half of U.S. small businesses either didn't pay April rent (30%) or made a partial payment (20%). Other sources reported landlords delaying rent and municipalities and even other businesses assisting with rent payments.

The CARES Act Paycheck Protection Plan directed 75% of funds toward payroll, leaving 25% for rent and other expenses, although few if any businesses have received loans through the CARES Act yet. Applying for funding proved cumbersome for small businesses without relationships with bankers, accountants, and/or lawyers. Some banks only worked with existing customers, and small businesses competed with much larger businesses for the same pool of money. However, a new federal package is being discussed, and lawmakers are reportedly taking these concerns into account.

A new package may help stave off small business closures. How small businesses fare during the recession could affect the trajectory of job growth, with some economists warning that jobs may not recover for years if pandemic quarantine measures and recession are prolonged, although sales could rebound later this year.

A recent Chamber of Commerce poll found that a quarter of small businesses are closing in on permanent closure while half are considering temporarily shutting down. Of course, many temporarily shuttered businesses will continue to face rent and utility payments. JP Morgan estimates the average small business can survive 27 days without cash inflow, and many have much less. A strong cash position is crucial to business survival, and many businesses are focused on cash flow, which is currently showing up as a proliferation of online discounts. See our brief on **Small Business Resilience Through Recession** for tips on planning, developing a strong cash position, and cultivating a good relationship with creditors and customers.