

DC Chamber of Commerce

DELIVERING THE CAPITAL



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DC CHAMBER OF COMMERCE 2021 STATE OF BUSINESS REPORT PROVIDES ANALYSIS OF THE IMPACT OF COVID-19 AND OFFERS ECONOMIC HOPE FOR THE DC

Report Examines Devastating Toll on Critical Sections and Government Tax Revenues; Recovery Programs, Growth in Personal Income and High-Wage Sector Offer Economic Hope for DC

WASHINGTON D.C. (Oct. 1, 2021) – The DC Chamber of Commerce will unveil its “2021 State of Business Report: Building Back,” during its virtual [Regional Conference](#) today, 9 a.m. to 1:30 p.m. EDT.

The report, prepared and produced in collaboration with research partners, the D.C. Policy Center and the Office of the Deputy Mayor for Planning and Economic Development (DMPED), provides both data and analysis of the impact of COVID-19 on the region, examining its devastating toll on critical sectors and government tax revenues. It also offers economic hope and calls for continued local and federal support.

“DC is one of the nation’s most resilient regions that maintains a highly educated workforce, solid fiscal footing, world-class higher educational and research institutions, and opportunities created through smart economic development over the last decade,” said Angela Franco, President and CEO, DC Chamber of Commerce. “Despite the challenges COVID-19 has brought to our business community, we must shine light on the opportunities that demonstrate our region’s determination to recover and move forward. The growth of business applications—up 8 percent in 2020 from 2019 and now up 37 percent in June 2021—shows our region’s strength in creating businesses, supporting our workforce and bringing back vibrancy for DC residents.”

The report identifies a sluggish and uneven recovery since the city lifted its stay-at-home order in May 2020. While the full range of economic impacts of the pandemic and how it will change cities remains unknown, near-term data highlight some of the challenges to recovery, as well as new opportunities that the District might be able to seize to build back better.

Here are data highlights from the report:

Tourism and Consumer Spending

- Resident mobility, commuting, and tourist activity improved throughout the fall of 2020 and the first half of 2021, but remain below pre-pandemic levels. The tourism industry is not projected to recover until 2024.

- District residents' time spent away from home remains 10 percent below pre-pandemic levels, most workers continue to work from home with only one in four workers showing up in their offices.
- Total consumer spending remains an estimated 6 percent below pre-pandemic levels and consumer spending in restaurants, hotels, and entertainment are an estimated 29 percent below pre-pandemic levels.
- Consequently, the sales tax revenue associated with that spending remained 40 percent below pre-pandemic levels as of June 2021.

Business Establishments and Industries

- As of June 2021, nearly half the small businesses that operated in January 2020 were closed, and revenue was down by about 57 percent.
- These closures and the drop in revenue were concentrated in the leisure and hospitality industry, which still has about 82 percent of small businesses closed compared to pre-pandemic levels, with revenue down by 84 percent as of June 2021.
- Job losses were also highly concentrated in consumer-facing industries such as leisure and hospitality, where employment as of June 2021 was 35 percent below February 2020 levels.
- In contrast, office-based jobs, such as those in the professional and business services industry, remain only 3 percent below February 2020 levels.

Adapting New Ways of Doing Business

- In the earlier months of the pandemic, businesses were primarily concerned with finances and the safety of their employees and customers. By July 2021, businesses shifted their focus to finding talent, hiring new employees, and investing in the right infrastructure for future operations.
- Higher-wage jobs, which tend to be in sectors where transition to remote work has been relatively easy, are recovering more quickly than lower-wage jobs.
- Total wages and salaries earned in the city are 5 percent higher.
- While higher wages are good for income tax collections, this also indicates that job losses are concentrated in middle- and lower-wage jobs, hurting those who are further away from opportunity. Job posting data shows that higher wage jobs that require a higher level of educational attainment are down 7.4 percent relative to pre-pandemic levels, while jobs that require little to no education are down 41.2 percent.

Workforce

- The pandemic induced a historic spike in unemployment rates, with an added challenge of many residents exiting the labor force altogether due to personal health concerns or lack of childcare. By May 2020, employment numbers had hit a low point with 43,747 residents out of work.
- The District's workforce has been particularly capable of shifting to remote work, as a relatively high share of jobs can easily be performed at home—61 percent in the region compared to a national average of 37 percent.
- This, combined with an increasing preference for telework and a continuous surge in cases due to new COVID-19 variants, has made it challenging to retain economic activity in the District's core employment, hospitality, and entertainment centers.
- There has been a weakening of already soft demand for office space. Further, a larger share of residents compared to previous years are relocating away from the District—some only temporarily, and others for good. These relocations increase revenue risk for the city as well as local businesses that depend on commuter and resident foot traffic.

Hope for Economic Improvement

- While many businesses closed, the total number of establishments in the District increased throughout the pandemic, suggesting that new business formation has been strong.

- Data on business applications show entrepreneurial activity with business applications that have a high likelihood in transitioning into a business with a payroll were up by 8 percent in 2020, compared to 2019.
- This trend continued into 2021 with applications up by 37 percent in June 2021 compared to June 2019. These businesses, if turned into brick-and-mortar businesses, would bring back vibrancy and create new opportunities for residents.
- Both the federal government and the District of Columbia's elected officials were quick to respond to the unfolding economic crisis, enabling many businesses to stay afloat. US Census Bureau data suggest that nearly two-thirds of the District's small businesses have accessed some form of financial assistance from the federal government or the DC government.

Inequalities and Long-Term Recovery - A Call to Action

- Importantly, the pandemic has highlighted existing inequalities and long-term recovery will depend on addressing these challenges, which include the need for better broadband infrastructure and connectivity, support for nonprofits and community organizations, access to capital and opportunities in underserved communities, and access to childcare.
- Addressing these challenges and ensuring the District can recover to a new normal that is more equitable will rely on a close collaboration between the DC government and businesses.
- Local and federal support continues to matter, especially as the pandemic drags on and the full return of consumer confidence remains uncertain. Moving forward, it will be especially important to focus on some of the unique needs of the District's businesses.
- Further, there is an opportunity to support the District's Black, brown, women, and immigrant entrepreneurs by eliminating existing barriers, such as the Clean Hands requirements or lack of access to high-speed internet or offering support to turn online businesses into brick-and-mortar businesses that are most likely to increase vibrancy across the city.
- Continued support from the federal and District governments is essential for the recovery to achieve a new normal that is more equitable and inclusive while also strengthening the city's competitive position.

“Mayor Bowser’s diligent response in addressing public health concerns and revenue loss help set the stage for a faster economic recovery. DC was positioned to be able to act quick and provide immediate relief programs to small and medium businesses,” said John Falcicchio, Deputy Mayor for Planning and Economic Development. “We are the District of Comebacks, and the incredible resilience from our residents and businesses has been a mainstay of this. The vibrant energy of the streets is felt again, DC is open, and we are rising stronger than ever.”

The District has already taken strong steps in meeting the needs of the city’s businesses within the fiscal year 2022 budget and by investing in workforce with multiple paths to credentialing and gaining work experience through apprenticeships. However, more work is needed to ensure the District’s business climate and competitive position continues to strengthen.

To download a copy of the report, please visit www.dcchamber.org/sobr.

About the DC Chamber of Commerce

The DC Chamber of Commerce is the largest Chamber in the Washington, DC region. As an advocate for the DC business community for 81 years, the DC Chamber of Commerce is the voice for businesses in the District of Columbia, proudly serving a diverse membership of more than 1,400 members. For more information, visit <https://www.dcchamber.org>, or follow the Chamber at <https://twitter.com/dcchamber> and on <https://www.facebook.com/DCCofCommerce>.

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