

COVID-19 ECONOMIC IMPACT ANALYSIS FOR NORTHWEST MICHIGAN- OVERVIEW

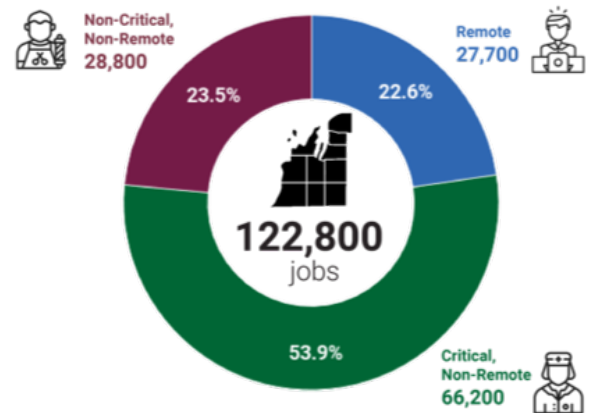
In the spring of 2020, the State of Michigan issued orders to temporarily restrict in-person work, travel, and gatherings in public places in order to mitigate the spread of COVID-19 and to protect public safety. Michigan was one of many states to do so. As a result, significant economic disruption occurred throughout Northwest Lower Michigan that affected businesses, families, and local units of government. The below is an overview of some of the economic impact associated with the government's response to COVID-19, more detailed information can be found at:

www.networksnorthwest.org/data/economicrecoveryresources/

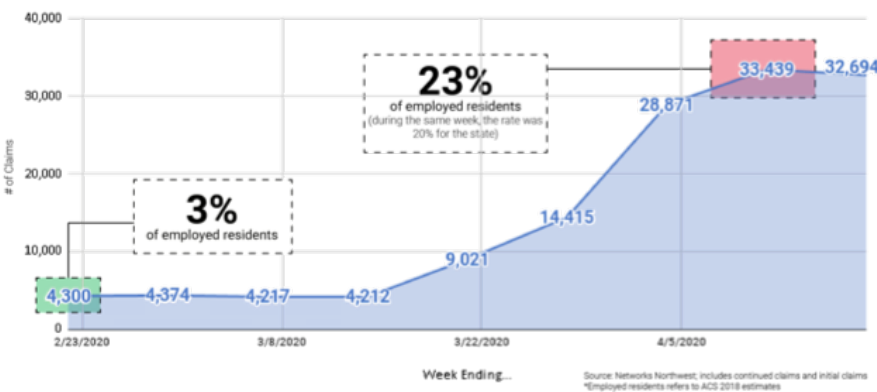
SHORT-TERM IMPACTS

- Michigan mandated certain non-critical businesses and non-critical occupations to cease work/operations temporarily to “flatten the curve.”
- The 122,800 jobs in NWMI can be classified as “critical, non-remote”; “remote”; or “non-critical, non-remote”.
- We estimate that about 23% of employees in Northwest Michigan can work remotely (vs. the national average of 29%).¹

Critical/Remote Worker Status



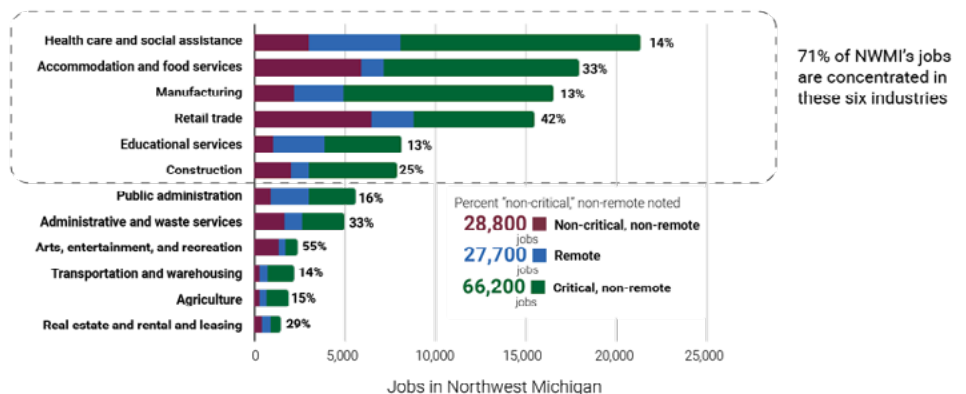
Unemployment Claims for Northwest Michigan



- Nearly 24% of workers in the region are in “non-critical” occupations that can not be done remotely — which has led to furloughs and terminations. As of April 18, 33,000 Northwest Michigan workers had filed for unemployment — an unprecedented 23% of employed residents.²

- Some industries with high concentrations of “non-critical, non-remote” workers are closely linked to the tourism industry in the region — Accommodation and Food Services; Retail; and Arts, Entertainment, and Recreation.

Critical/Remote Status by Industry



¹Source: Census LEHD data, 2018 annual average; Occupation profiles were classified using BLS and O*NET data.

²Source: Networks Northwest; includes continued claims and initial claims. Employed residents refers to ACS 2018 estimates.

AS THE ECONOMY REOPENS...

As the Governor's closure orders are lifted and the economy begins its gradual reopening, some of the short-term impacts will be mitigated. However, other impacts will be more long-lasting.

TOURISM IMPACTS

- The tourism sector is a major employer in Northwest Michigan and will experience lasting impacts due to the global pandemic. The region has already seen a decline in travel and hotel occupancies, as well as the cancellation of events like the Cherry Festival, that will have major short-term impacts on the sector.
- Long-term, consumer confidence will have lasting effects on businesses and workers in the tourism sector, as visitors decide when/where it is safe to physically visit venues.

Tourism in Northwest Michigan



Consumer confidence will have long term effects on businesses and workers in the tourism sector.

19,200

JOB | supported by direct tourism spending in Northwest Michigan in 2018

Travel - 95% decrease in inbound passengers this April compared to last year. Departures are down 73%

\$1.96 B

VISITOR SPENDING | in Northwest Michigan in 2018

Events - The National Cherry Festival, recently cancelled, attracts over 500,000 visitors over the course of two weeks each summer.

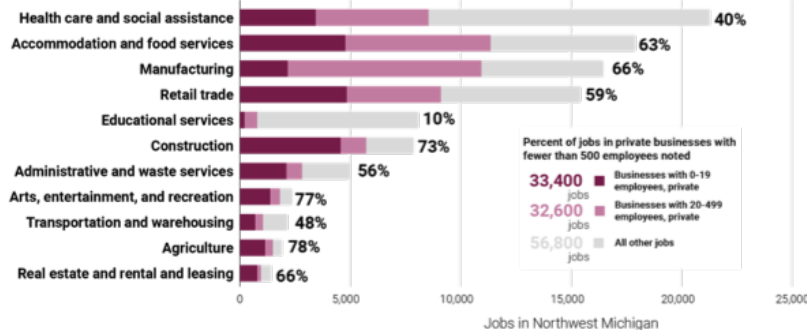
\$215 M

TAX REVENUE | generated from state and local taxes via visitor spending

Hospitality - NWMI has seen an 85-90% drop in local hotel occupancy compared to a year ago.

Source: Tourism Economics, 2018

Small Business Employment



Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis. Note that not all industries are shown here.

SMALL BUSINESSES IMPACTS

- Small businesses are at higher risk than larger firms because they have less liquidity and less cash on hand to weather shocks and emergencies.
- On average small businesses have only \$12 K of cash on hand with a 27 day cash buffer — after that they are out of resources and even prior many will face permanent loss.⁴

Small Business Risk

\$12,100

Bank Account Balance

The median balance for small businesses across checking and savings accounts.

Even small changes in cash inflows or outflows — especially if unexpected — can have large impacts on small businesses.

27 days

Cash Buffer Days

The median number of days of outflows a small business could pay were inflows to stop.

With a median of only 27 cash buffer days, the typical small business has a low margin of error in the face of economic headwinds and shocks.

Source: JP Morgan Chase Report | Analysis of bank account balances of 400,000 small businesses to provide information about average daily balances, revenues, and operating expenses to estimate cash buffer days in small business across different industries.

Small Business Definition: Less than 500 employees and bank account balances of less than \$20 million.



³Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis.

⁴JP Morgan Chase. <https://www.jporganchase.com/corporate/institute/document/jpmc-institute-small-business-report.pdf>

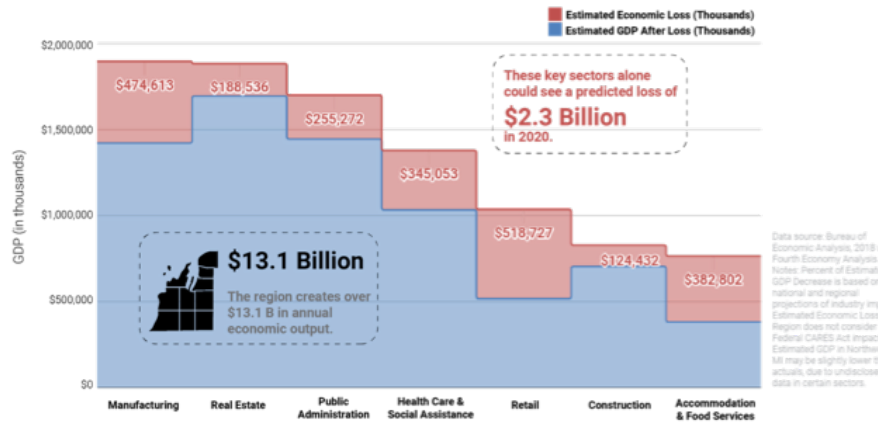
LONG-TERM IMPACTS

Beyond these lasting impacts, several factors will determine how quickly Northwest Michigan is able to recover from the economic disruptions caused by the global pandemic.

GROSS REGIONAL PRODUCT

The region's annual economic output is \$13.1 billion. We estimate a potential \$2.3 billion loss in key sectors in 2020, based on national and regional projections of industry impacts.⁵

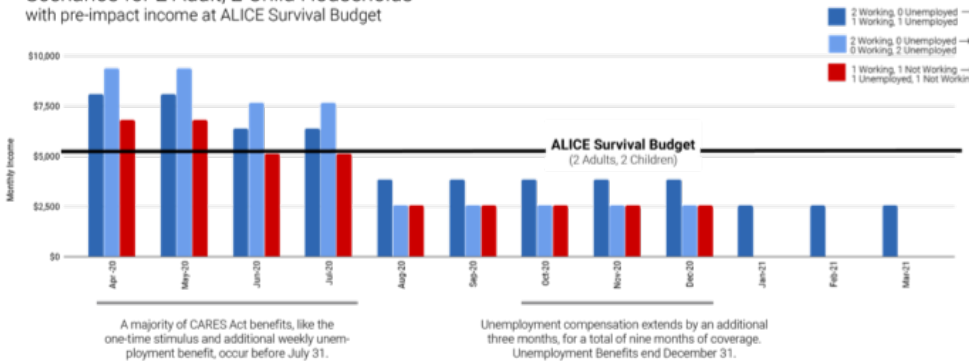
Estimated Economic Loss in Northwest MI, 2020



IMPACTS ON ASSET LIMITED, INCOME CONSTRAINED, EMPLOYED

How are ALICE Households Impacted?

Scenarios for 2 Adult, 2 Child Households with pre-impact income at ALICE Survival Budget



→ ALICE Households earn more than the Federal Poverty Level, but less than the basic cost of living for the state, based on the local cost of the six basic household necessities — housing, child care, food, transportation, health care, and a basic smartphone plan.

→ Many ALICE workers hold low-wage jobs that do not meet the "Household Survival Budget."

→ Though the CARES Act will provide a much needed economic stimulus for these households, many ALICE households that have experienced a layoff or furlough will not be able to meet basic household expenses once that stimulus is spent.

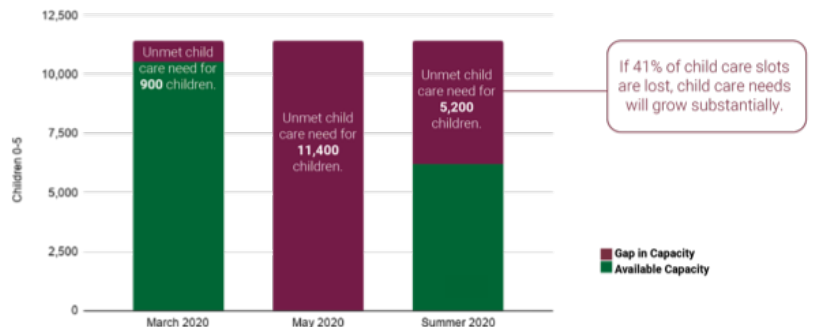
CHILD CARE

→ There are approximately 11,400 children aged 0-5 with all parents in the labor force in NWMI. Before COVID-19, there was already a gap in childcare capacity of about 900 children.

→ Currently, there may be no child care centers open in NWMI. The closure of child care providers creates immediate impacts on the workforce, and a recent analysis by the Center for Progress indicates that as many as 41% of capacity statewide could be lost long-term without strong federal support. This could leave thousands of parents in the region without child care options, which for many will be a barrier to employment.

Child Care Need & Capacity

11,400 children need child care in Northwest Michigan



Sources: KIDS COUNT Data Center and MI Department of Licensing & Regulatory Affairs
*Based on statewide predictions from the Center for American Progress.

⁵Data source: Bureau of Economic Analysis, 2018 with Fourth Economy Analysis. Notes: Percent of Estimated GDP Decrease is based on national and regional projections of industry impacts. Estimated Economic Loss in Region does not consider any Federal CARES Act impacts. Estimated GDP in Northwest MI may be slightly lower than actuals, due to undisclosed data in certain sectors.