

homebase

# Main Street Health

June 2020



## How has Main Street fared during June?

While we saw continued improvement in conditions at the beginning of the month, we've seen decreases in economic activity as coronavirus cases have surged

- We expect a positive jobs report, as Main Street activity continued improved since the May 2020 jobs report
- However, that pace of improvement was slower in June than it was in May, so the jobs report may actually fall short of expectations, as current expectations are that this report will be more positive than the one released in May
- Regardless of what the jobs report says, **it will likely overstate the economic health of main street businesses**
- We've already begun to see the negative impact of increases in coronavirus cases in some states on small businesses
- Even before cases increased, some states were hitting a re-opening plateau, suggesting we might be seeing ~20% small business permanent closure
- Cities that remained locked down longer still lag in terms of total recovery
- The recovery has differed across industries, with Retail bouncing back more quickly than Food & Drink

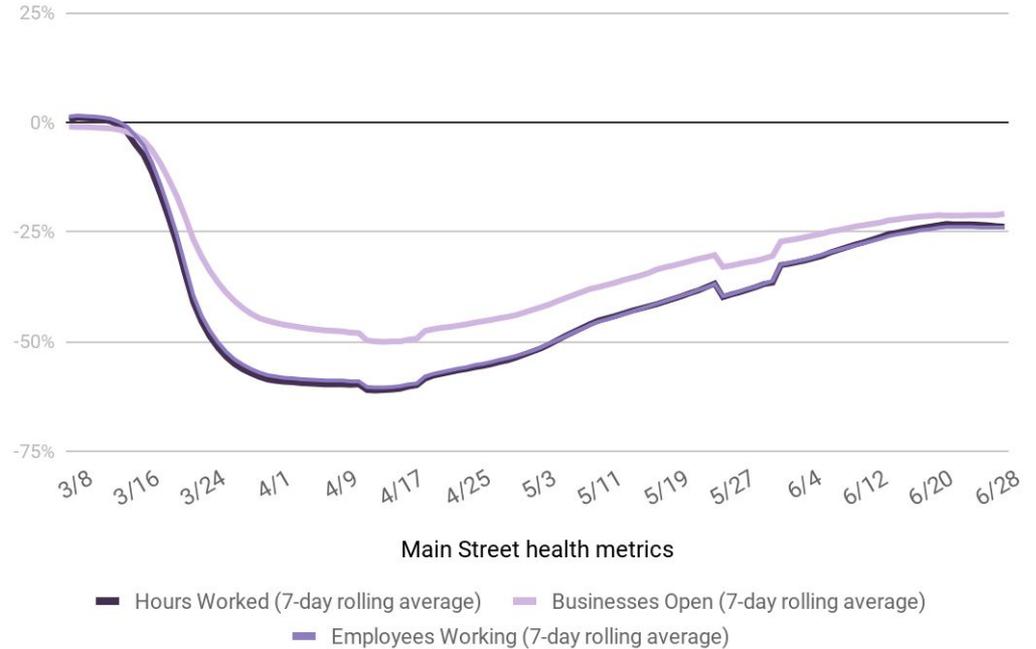
*See slide 12 for more information on methodology*

# Small business economic recovery continued through June

Fewer businesses were closed at the end of June than they were at the beginning of the month

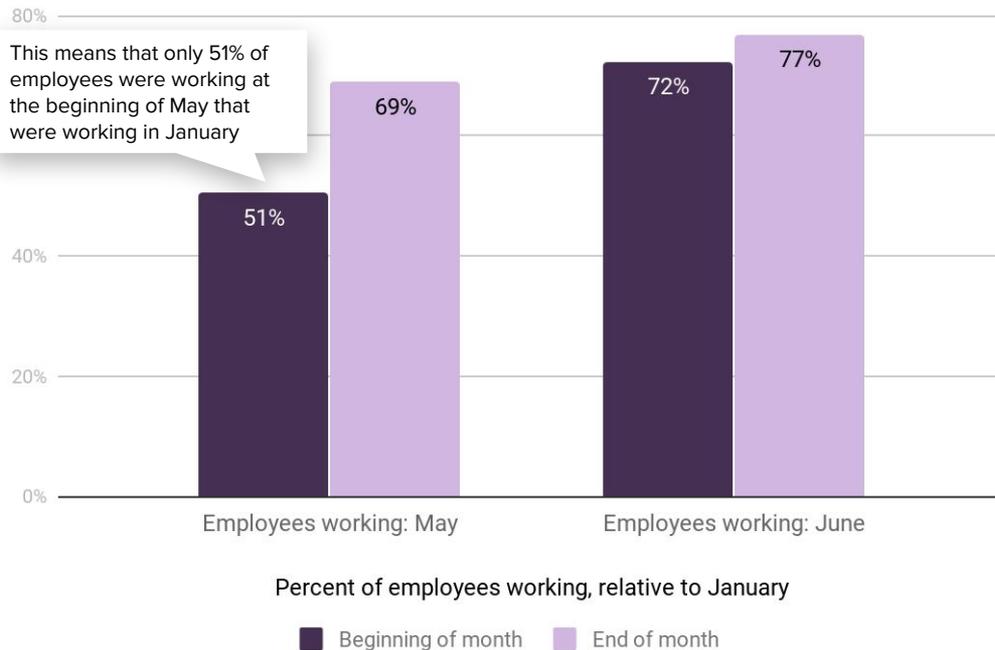
More employees were working and more hours were worked

However, you can see a recent plateauing that will likely continue, or worsen, given new coronavirus case rates and associated impacts on lockdowns and customer demand



## However, the pace of improvement was slower than May

We saw a **37% improvement** over the course of May, compared to a **6% increase** over the course of June



To eliminate day of week effects, first / last Fri of the month used: May 1 and May 29 vs. June 5 and June 26; employee working is defined as "had clock-in" on that day

## What does this mean for the jobs report?

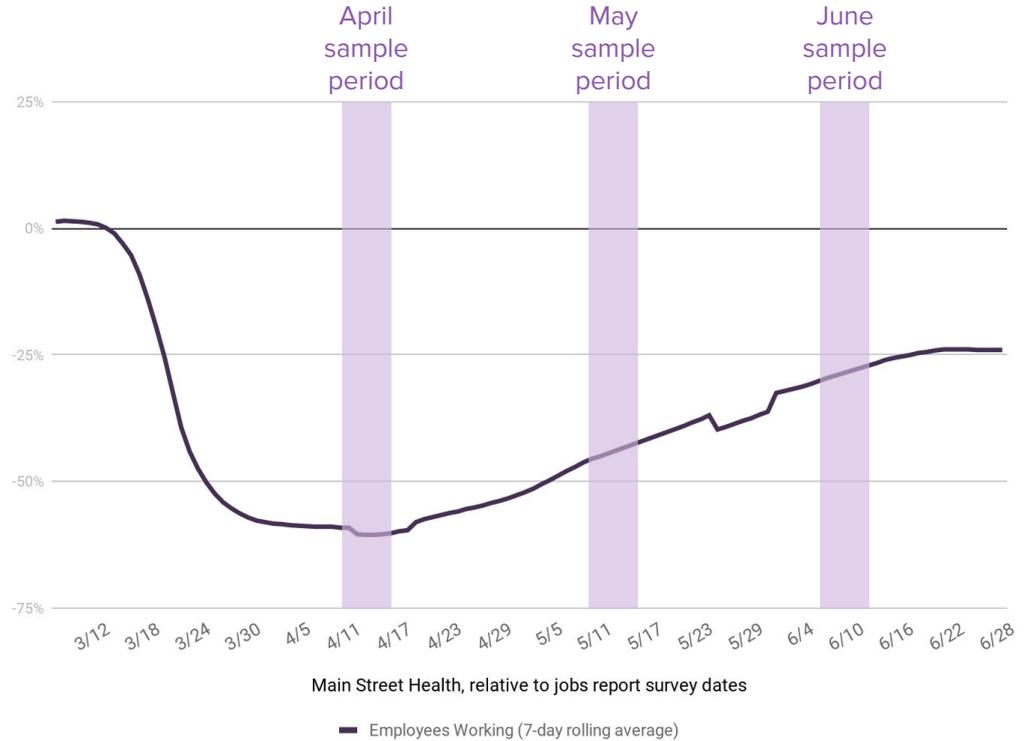
We expect to see improvements in unemployment numbers as our employees working metric improved from May to June

Employees working (during sample period), compared to January baseline:

April: -60%

May: -42%

June: -27%

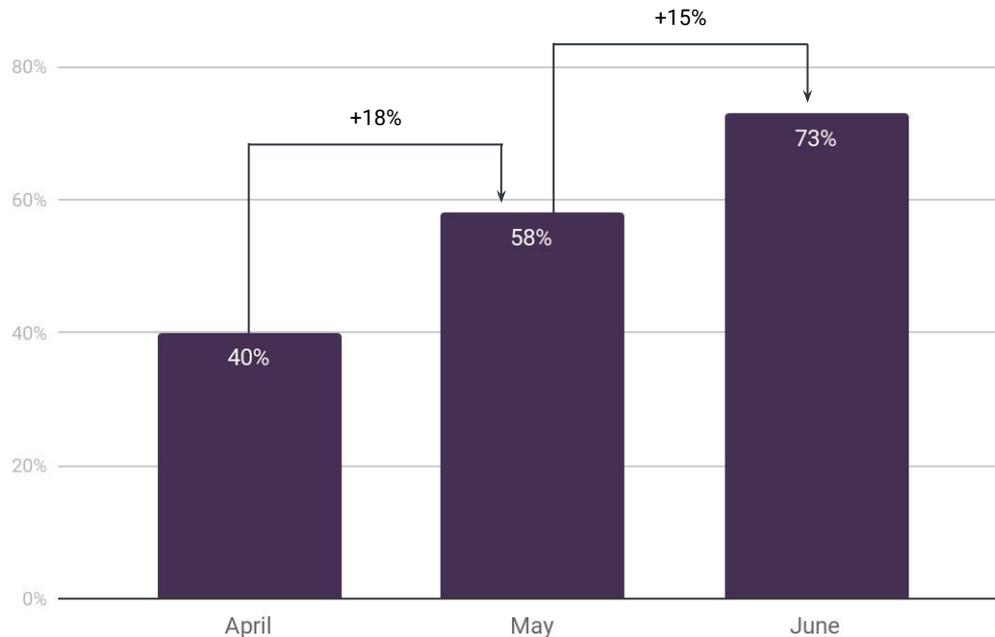


## However, numbers may surprise to the downside

According to the jobs reports, **2.5M jobs** were gained in May, driven mainly by gains in leisure & hospitality and retail -- these are the industries that Homebase data best covers

Consensus estimates from Wall Street is that another **3M jobs** were added in June

We've seen slightly lower growth from May to June, compared to what we saw from April to May, **suggesting that estimates may be slightly optimistic**



Percent of employees working, relative to January, during jobs report sample week

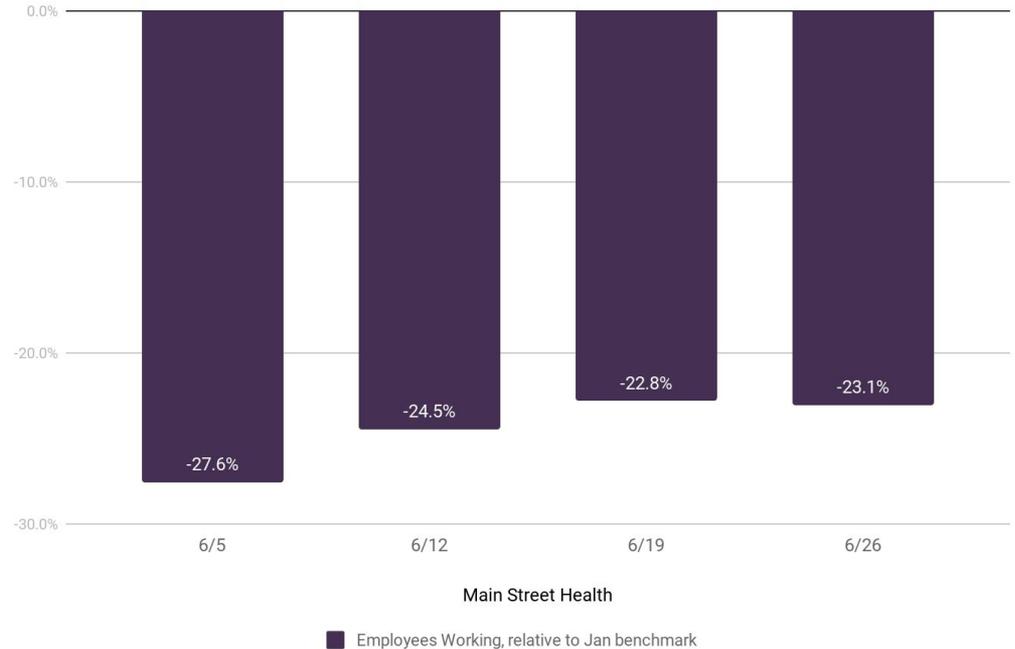
## What should we make of a positive jobs report?

While June overall has seen increases in Main Street business activity, **we think this is likely a false signal for optimism**

Over the last week, we've flattening and slight downward trends, a stark contrast to the upward curves we've seen since the nadir in April

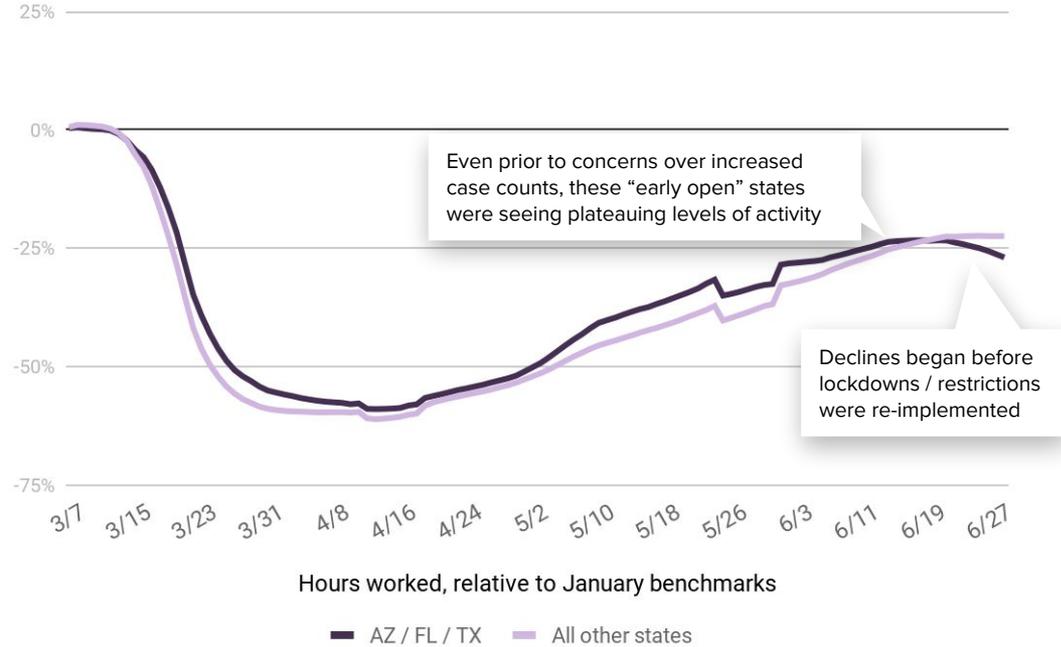
Had we seen continued trends from early June, **we would have expected the 6/26 number to be -20%**; instead it's up from the previous week

Because the jobs report only measures data for the week containing June 12, **the data is already stale in this rapidly changing economic environment**



## An increase in cases is negatively affecting some areas

States like Arizona, Florida, Texas (what we're calling "Wave 2" states) **have seen declines over the past week**, as case counts have increased

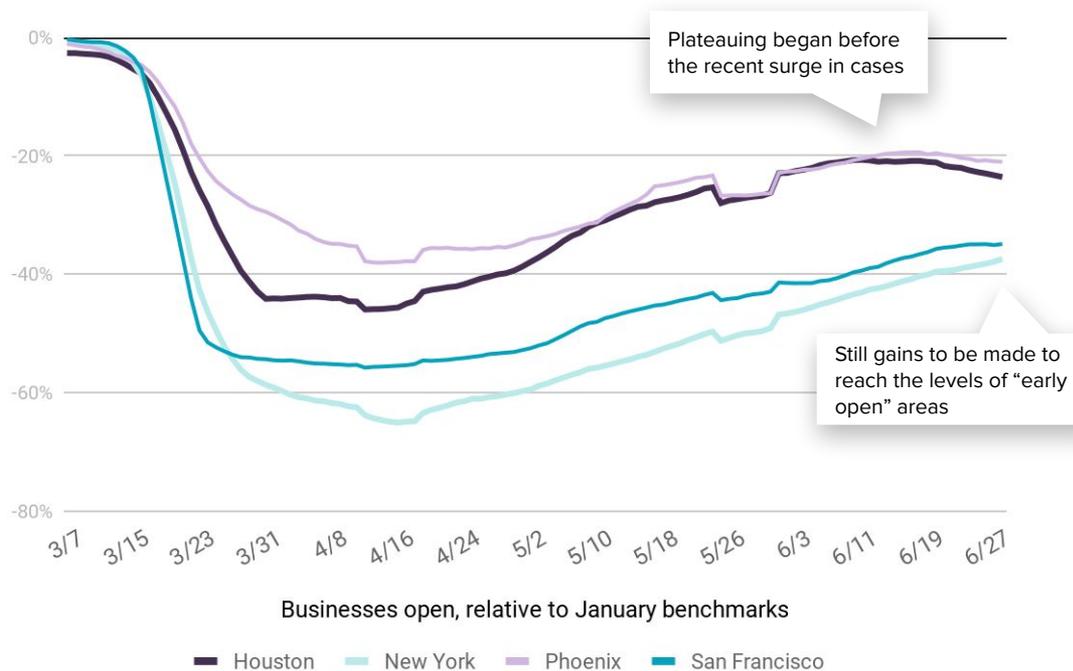


Arizona's lockdown began on 6/29; Florida and Texas began on 6/26 [\(NYT\)](#)

## We're now seeing the earliest hard-hit cities show differential improvement

While cities like New York and San Francisco had lower troughs, they've steadily improved, while **cities like Houston and Phoenix have plateaued** or given back some of their early gains

These plateaus suggest we may have **~20% permanent closures** on Main Street

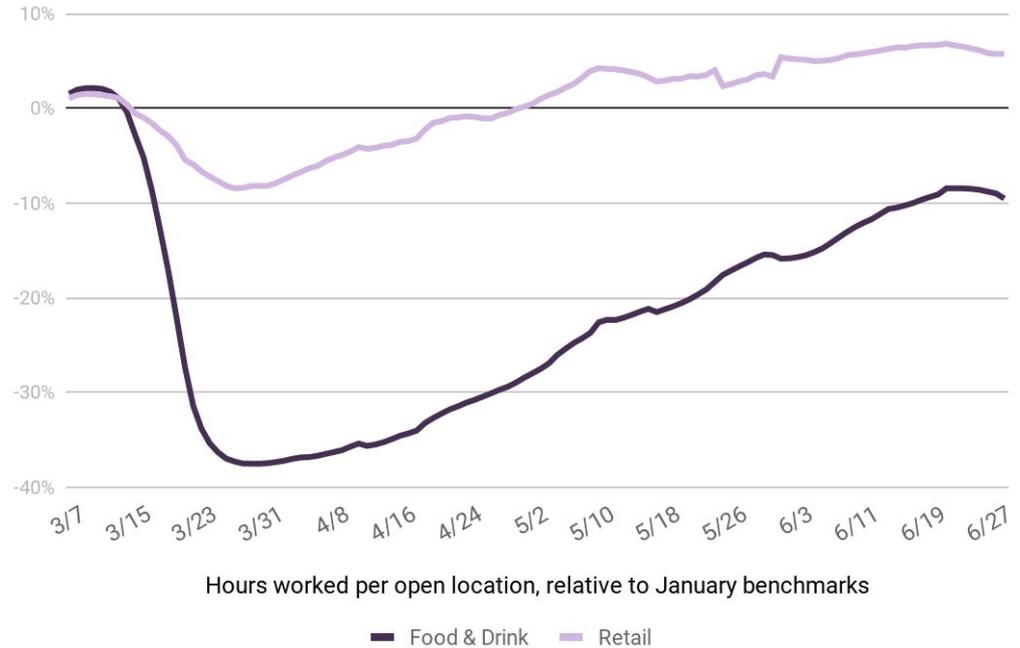


## Impact across industries has differed

Hours worked per open location gives us a sense of how “surviving” businesses are doing

Retail businesses that are open are **operating at levels slightly above pre-pandemic**, suggesting survivors have thrived and perhaps taken market share from their still-closed competitors

Food & Drink businesses, however, are **still below the benchmark**, as restrictions on capacity levels have a larger negative impact on operations, given the nature of those businesses



## How has Homebase data been validated?

We've partnered with a number of academics and researchers to validate and improve the Homebase data

- The St. Louis Federal Reserve suggested that [Homebase data](#) could be predictive of the jobs reports
- Researchers at Drexel used [Homebase data](#) to estimate the “true” unemployment rate
- A team at UChicago and Berkeley used [Homebase data](#) to show disparate impacts across different groups

## Methodology

This coronavirus dataset is based on Homebase data for over 60,000 businesses and 1 million hourly employees active in the US in January 2020. All the rates compare that day vs. the average for that day of the week for the period Jan 4, 2020 – Jan 31, 2020.

- “Hours worked” is calculated from the hours recorded in Homebase timecards.
- “Locations open” is based on whether or not a business had at least one employee clock-in.
- “Employees working” is based on the distinct number of hourly workers with at least one clock-in.

## Contact

Contact **Ray Sandza** (VP of Data & Analytics) and **Andrew Vogeley** (Senior Analyst) for comment or if interested in additional data

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