



Area Chamber of Commerce



2021

ECONOMIC OUTLOOK

Introduction

Unpredictable. Unprecedented. Unsustainable. Those are just a few of words to describe 2020 after the emergence of the COVID-10 global pandemic. As vaccines become more widely available in 2021, the world is holding its collective breath and businesses are cautiously optimistic that an economic rebound will follow. The Dayton Area Chamber of Commerce knows our members rely on trustworthy data and predictions from industry analysts, economics and investors to plan for their year ahead. The Research Advisory Council (RAC) meets annually to help our business members navigate the uncertainty in the next 365 days. Their insight, plus government data and research from industry organizations will help the private business, non-profit and civic leaders strategize their road to recovery.



2020 Research Advisory Council

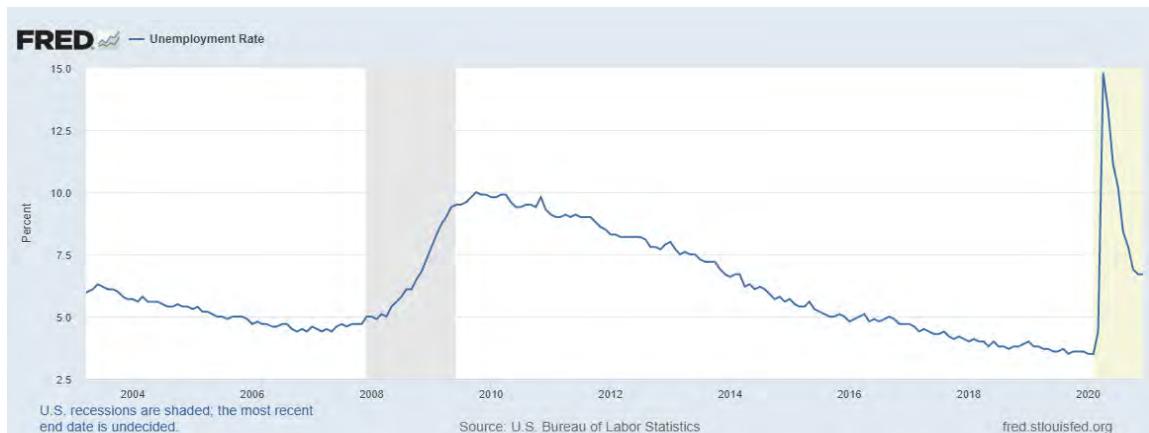
- **Daniel Davis** - PNC Bank
- **Stephanie Keinath** - Dayton Area Chamber of Commerce
- **Keith Klein** - City of Dayton
- **Jyl Hall Smith, PhD**
- **David Snipes** - Montgomery County
- **Dr. Richard Stock** - Business Research Group, University of Dayton
- **Dr. Thomas Traynor** - Raj Soin College of Business, Wright State University
- **Jessica Wagner** - Dayton Area Chamber of Commerce
- **Dr. Fall Ainina** - James Investment Research, Inc.
- **Chris Wimsatt** - Dayton International Airport



National Outlook

At its peak, the national unemployment rate reached 14.7% - the highest in over a decade – as the virus spread and ensuing lockdown and business shutdowns ensued. In response, the Federal Reserve announced a series of moves in three key areas:

1. Lowering the interest rate and keeping it low
2. Stabilizing financial markets
3. Supporting the flow of credit in the economy



National Unemployment Rate

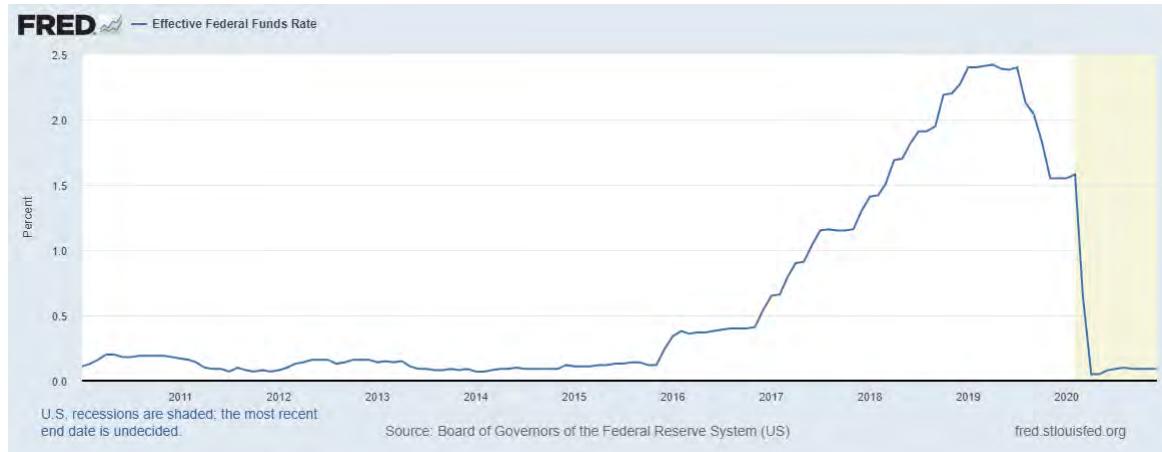
Source: U.S. Bureau of Labor Statistics

COVID-19 is still expected to “weigh on economic activity, employment, and inflation in the near term.”
- Chairman Jerome Powell

The Central Bank slashed interest rates to near zero in March and committed to not raising interest rates until inflation exceeds its 2% goal, regardless of unemployment levels. In a statement in late 2020, Chairman Jerome Powell said the economy is recovering but “well below” pre-pandemic level. He added COVID-19 is still expected to “weigh on economic activity, employment, and inflation in the near term.”

Still in its updated 2021 economic forecast the Central Bank dialed up its expectations, signaling more positive projections. The Fed expects the unemployment rate in 2021 to fall to 5%, real gross domestic product (GDP) to 4.2% and inflation estimates for next year running at 1.7%. Additionally, the Fed said it would continue to buy at least \$120 billion of bonds each month until "substantial further progress has been made toward the Committee's maximum employment and price stability goals," according to their statement.

The Federal Reserve expects the unemployment rate to fall to 5% in 2021.

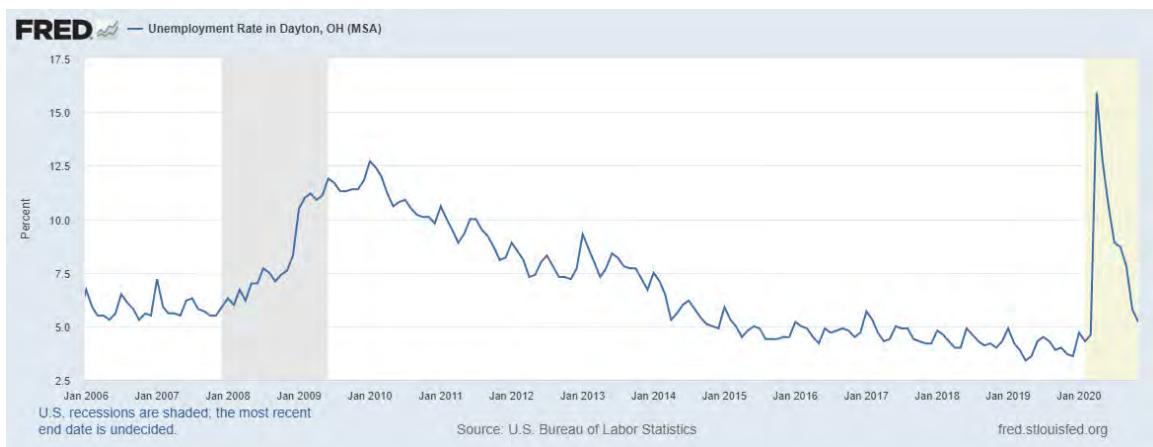


Effective Federal Funds Rate

Source: Board of Governors of the Federal Reserve System (US)

Local Economy

The Research Advisory Council described our regional economy as “a tale of two cities”, acknowledging that different parts of our community were impacted significantly more than others. While no one was completely unscathed by the impact of COVID-19, some industries were more vulnerable than others, and as such, so were the people those industries employed. The unemployment rate for the Dayton Metropolitan Statistical area (Miami, Greene and Montgomery counties) peaked at 15.9% in April.



The April 2020 unemployment peak followed a directive from the Ohio Department of Health that closed all non-essential businesses. That order was in addition to the closure of several sectors including barber shops, nail salons and tattoo parlors. Bars and restaurants were also limited to only delivery and carryout. Governor DeWine also closed schools and daycares, leaving many parents with very few or no childcare options. See further analysis of COVID-19's impact on accessibility and affordability on childcare, especially in the Dayton region, near the end of this publication.

The Dayton MSA unemployment rate continued to drop each month, especially after the stay-at-home order was lifted. According to the Bureau of Labor Statistics, the region's unemployment rate dropped to 5.2% in November 2020, a more than 10% decrease in just 7 months. The RAC estimates there were 20,000 fewer jobs at the end of 2020 than at the same time in 2019. Overall, the RAC predicts sluggish growth at 2% over the next year to 18 months.

But with news of the vaccine, employers are feeling cautiously optimistic in 2021. According to ManpowerGroup's Employment Outlook Survey, 19% of employers surveyed in the Dayton region plan to hire more employees in the first quarter of 2021. Most of that hiring is expected in construction, manufacturing and business services industries. Additionally, 79% of employers surveyed will keep current staffing levels for the first three months of 2021.

There is also encouraging news across Ohio in new business development. The U.S. Census Bureau has been tracking weekly new business formations across the United States. According to the Business Formations Statistics, in the last week of 2020, new business applications were up just over 50% across the state of Ohio from just the year prior. The Census Bureau reports the third quarter of 2020 was the highest number of new business applications ever received since the agency started tracking the data back in 2004.

Chief analysts from the Federal Reserve concluded the pandemic created conditions favorable to new business development. With more people working

remotely, they have time to explore new business ventures, and because of the increase in telework, renting office space is likely more affordable. The Fed added that the pandemic triggered the need for new products and services, like personal protective equipment, remote-work software and more online retail options. Although analysts caution that it's too early to determine if this trend will remain steady, they say new business formation is a very good sign for our economic recovery.

Quarterly new business formations in the United States hit an all-time high in the third quarter of 2020 - US Census Bureau


19% of employers surveyed in the Dayton MSA plan to hire more employees in the first quarter of 2021

- ManpowerGroup Employment Outlook Survey

Industry Impacts

As mentioned previously, every industry was impacted by COVID-19 and the ensuing economic downturn, but some sectors were more vulnerable to job cuts and furloughs. According to a COVID-19 economic impact report from IBISWorld, 59% of all employees in Ohio work in sectors considered to have a medium to high economic risk. In this section we take a closer look at some of industries most at risk and which in-demand sectors will have a slightly easier path to recovery.

Restaurants

The Ohio Restaurant Association called the months before the pandemic “the golden age” with more than 23,000 food and beverage establishments, employing nearly 600,000 people, which represented 10% of the state’s workforce in 2019. Additionally, every dollar spent in table-service contributes \$1.95 to the state’s economy, generating more than \$24 billion in sales.

But that spending came to a near halt in March when

Governor DeWine ordered bars and restaurants to limit service to carry out and delivery only. Eventually, that order was modified to allow for patio and later indoor dining. But a statewide curfew forced restaurants to stop in-person service at 10 p.m. In November 2020, the food accommodation industry across all of Ohio lost more than 99,000 jobs, about 20%, from just one year ago. In the Dayton MSA, employment in the hospitality

and leisure industry dropped by 4.6% from November 2019 to 2020. According to December 2020 polling from the Ohio Restaurant Association, 61% of restaurant operators believe they will be forced to close within nine months and 82% of respondents did not break even in 2020.



Haitham Imam, owner of Carmen's Deli, accepts check as one of the recipients of the REOPEN Downtown Dayton grant program.

**82% of Ohio
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2020 Poll from
Ohio Restaurant
Association.**

There has been some relief for bars and restaurants at the federal, state and local level. Using \$38.7 million in CARES Act funding, the state provided up to \$2,500 in assistance to liquor permit holders.

Restaurants (cont.)

Locally, the Dayton Area Chamber of Commerce with support from the CareSource Foundation and the Downtown Dayton Partnership awarded more than \$719,000 in REOPEN Dayton grants to dozens of downtown businesses, mostly small restaurants, salons and retail locations. The Ohio Restaurant Association pointed out that some establishments have used the money to invest in mobile ordering software and better take-out processes, which could help them in the long term.

Retail

Similarly to the restaurant industry, pre-pandemic retail across Ohio was strong, despite stiff competition from Amazon and other big box retailers. According to the National Retail Federation, 26% of all jobs in Ohio were supported by the retail industry in 2018. That equates to about a million and a half jobs with a little more than \$33 billion direct labor income.

Just like bars and restaurants, many local retailers were shuttered from the Governor's stay-at-home order. Even once it was lifted, retailers had to direct capital to plexiglass, PPE supplies, and if possible, allow customers to purchase items online for curbside pickup.

By November 2020, retail employment in the Dayton MSA dropped by 4% from just the year prior. That was about the time the Ohio Council of Retail Merchants launched the "Buy in Ohio" Campaign to reassure shoppers in-person retail was safe and to make an effort to spend in the state during the busy holiday season. According to a study by the University of Cincinnati Economics Center, if just 10% of the \$30.5 billion spent annually outside of Ohio was redirected to in-state merchants, that would generate an additional \$6.4 billion in economic activity.

But retailers are starting to feel hopeful heading into 2021. According to the National Retail Federation, retail sales for the first 11 months of 2020 was up 6.6% over the same period in 2019. Additionally, the group predicts the vaccine rollout coupled with the latest round of direct stimulus payments will encourage more consumer spending in the early part of the 2021, typically the slowest time of year.

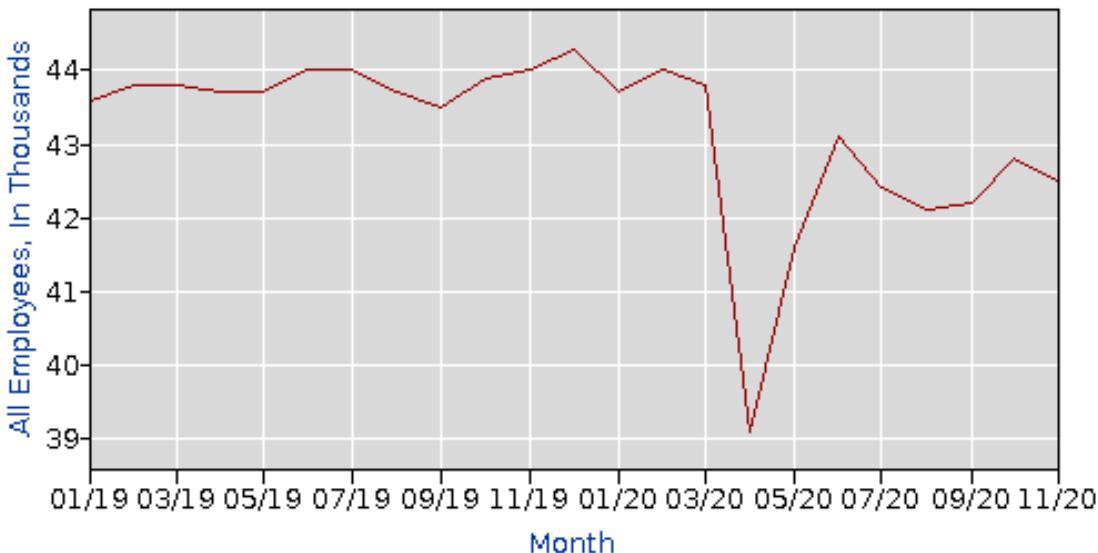


Supply Chain Economy

This broad category encompasses the manufacturing, logistics, transportation and warehousing industries – all closely linked and dependent on each other for future growth. Manufacturing remains the third largest industry in the Dayton MSA accounting for nearly 50,000 jobs, which is well above the average for other MSA's similar to Dayton. Yet, that industry is still recovering from the 2007 recession in which the region lost around 34,000 jobs, according to a report conducted by the US Conference of Mayors. In 2019, the RAC predicted it would be 2024 until all those jobs returned but that is now in doubt after the pandemic's impact.

Dayton MSA Employment in Manufacturing

Source: U.S. Bureau of Labor Statistics



According to the Bureau of Labor Statistics, nearly 5,000 manufacturing jobs in the Dayton MSA were lost between February and April of 2020. But those number started to pick back up in May. A statewide effort led by the Governor and JobsOhio encouraged manufacturers to keep their doors open as an essential business by retooling their production to make crucial PPE supplies. By November of 2020, manufacturing jobs increased by 3,000. There is cautious optimism among manufacturers heading into 2020. According to the US Manufacturing Outlook Index, manufacturers report a favorable outlook for the first 6 months of the year but note it could be years before they consider the industry "robust."

Supply Chain Economy (cont.)

Transportation, warehousing and logistics had a similar dip in employment in April 2020. At that point those industries supported 54,600 jobs in the Dayton MSA, down nearly 10 thousand jobs from the previous month. But these industries rebounded quicker, gaining back around 9,000 jobs. The RAC notes development around the airport and the I-70/75 corridor remains steady. In fact, the Dayton International Airport noted an increase in cargo and freight traffic during 2020. Chewy initially projected 600 jobs but already doubled that number in 2020. As a pet food and supply distributor, Chewy was considered an “essential” business and not forced to shutter, allowing it to move goods and keep jobs. Crocs opened a second facility near the airport, adding hundreds of jobs. Just north of the airport in Tipp City, Meijer Distribution Center announced a new \$160 million automated warehouse.

Healthcare

Although still considered a key sector in our region, the RAC

said healthcare remained steady, neither growing nor decreasing in aggregate jobs. On the one hand, many hospitals increased staffing levels in preparation of a COVID-19 outbreak, but most elective and non-emergency surgeries and procedures were cancelled or postponed. Additionally, more patients relied on tele-health instead of in-person visits. As a result, networks shifted roles, eliminated positions and restructured its financial strategy. According to the Ohio Hospital Association, the total financial impact of COVID to Ohio hospitals is north of \$3.3 billion. Even so, healthcare remains the Dayton region’s second largest industry, accounting for \$5 billion of Gross Regional Product in 2019. Since June 2020 when healthcare job cuts jumped to their highest level, the industry has consistently added jobs. As of November, the healthcare industry supported 73,000 jobs in the Dayton MSA, a 3,000 increase from June. Despite the impact of COVID-19, the RAC is optimistic that healthcare will bounce back and remain a steady industry for years to come.



Downtown Dayton Development

There was huge momentum heading into 2020 for downtown development projects like the Fire Blocks, Arcade, Water Street and OnMain, among others. When the pandemic hit there were questions whether those ongoing construction projects would be significantly delayed or scrapped. But most of those anticipated projects are still working toward completion and the Downtown Dayton Partnership (DDP) estimates \$90 million was invested in 2020 for various commercial buildings, housing, office and other amenities.

The DDP reports the Arcade is on track to open its doors for phase 1 in early 2021. Among the major tenants confirmed for the multimillion-dollar project: The University of Dayton (academic programs focused on entrepreneurship), The Entrepreneurs Center, CultureWorks, 937 Payroll, The Contemporary, and

Crafted & Cured. Crawford Hoying and Woodard Development announced a new collaboration for a 125-unit apartment building. There are 308 new apartments in the downtown pipeline slated to open this year or 2022. The firm behind the Fire Blocks,

Windsor, is expanding beyond their initial footprint to areas around Sinclair Community College and the Grant Deneau Tower.

\$719,000
*awarded to small
businesses as part
of the REOPEN
Downtown Dayton
grant program.*



As redevelopment projects moved forward, the DDP in partnership with the chamber launched intentional COVID relief efforts for downtown restaurants, bars, salons and retail. The REOPEN Downtown Dayton grant program awarded more than \$719,000 in grants to more than one hundred small businesses to help cover operating expenses and gap assistance to locally-owned businesses.

Downtown Dayton Development (cont.)

Dayton city leaders established new guidelines for outdoor seating so restaurants and coffee shops could keep their doors open by utilizing patio pop-ups. That was especially effective in the Oregon District, when Fifth Street closed on weekends to vehicular traffic. Those businesses used the extra space for seating or retail displays. The Oregon District also launched the Designated Outdoor Refreshment Area (DORA), which allowed patrons to drink alcoholic beverages outside. According to a survey from the Oregon District Business Association, about 75% of businesses reported an increase in revenue from the collective efforts to safely increase foot traffic.



Photos: courtesy of Downtown Dayton Partnership

COVID-19 Impact on Workforce: Access & Affordability of Childcare

Parents who need child care to be on the job have always known how important early learning professionals are. Then when COVID-19 struck, suddenly others began deeming them “essential workers.”

What took us so long – especially considering that 2 in 3 women in Montgomery County with a child under 6 work outside the home? Especially considering that so many businesses don’t have the option of letting their employees work from home.

Child care professionals provide education and care for babies and toddlers and care for older children when they’re out of school. The industry was one of the last ordered to close early in the pandemic – weeks after K-12 schools closed. Then it was one of the first expected to re-open.

Nurturing young children requires training and education. Could you manage a classroom of 8 toddlers or 16 preschoolers? Would you want your young child in a setting where the employees weren’t well educated?



Photo courtesy of Larry Price

*2 in 3 women
in Montgomery
County with a child
under the age of 6
work outside the
home.*

Just like other industries, child care providers are struggling to make ends meet in the face of COVID-19. Their enrollment is about 60% of pre-COVID levels, meaning revenue has dropped precipitously. Meanwhile, their fixed expenses haven’t changed, while health and safety costs have gone up.

COVID-19 has exposed challenges that have existed in child care for decades. Ohio, for example, has one of the strictest eligibility standards in

COVID-19 Impact on Workforce: Access & Affordability of Childcare (cont.)

the country for low-income families needing child care assistance. Families can't earn more than 130% of the Federal Poverty Level to qualify for help paying for child care — meaning a mother of two has to earn under \$28,000 per year or less than \$14 per hour to get help.



*A mother of two
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or less than \$14
per hour to receive
financial aid.*

Given that full-time quality child care costs an average of \$12,000 to \$15,000 a year for one child, many women simply can't afford to work.

Another challenge is the barely subsistent wages in the profession. On average, child care workers earn \$10.62 per hour, according to Groundwork Ohio. Women and people of color are impacted the most by this reality — the vast majority of child care workers are women, while 34% are Black/minority.

Thankfully, Montgomery County Commissioners and other community leaders offered grant funding to help local child care providers stay in business during the pandemic. While this support has been critical and is greatly appreciated, our country has to recognize that child care is part of the education and care system — just like K-12 schools.

Child care should not be available just to the well-off and the poorest of the poor. We need to fund child care differently, so our young children can learn, families can work, early learning professionals can earn a living wage, and businesses can be certain employees will reliably be on the job.



Photo courtesy of Larry Price

Robyn Lightcap is Executive Director of Dayton-Montgomery County Preschool Promise. Learn about Preschool Promise at PreschoolPromise.org.

A Special Thank You to our Sponsor



About the Dayton Area Chamber of Commerce: The chamber brings together 2,100 businesses and organizations in a nine-county area surrounding Dayton, Ohio. The chamber strives to improve the region's business climate and overall standard of living through public policy advocacy, economic development initiatives and providing networking and training opportunities for its members.



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