

ISSUE BRIEF

COVID-19 IMPACT ON GROSS SALES

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Introduction

In March 2020, the global COVID-19 outbreak began to make its way through Southwest Florida. Much was unknown about the virus at the time, including how it was spread, what the proper incubation period was, and what techniques could be implemented to slow the spread of the virus. In all levels of government, the goal was to “flatten the curve” of COVID-19 cases, but total cases continued to increase throughout the state (38 cases on March 14 to 840 cases on March 28).

In response to the COVID-19 pandemic, Governor Ron DeSantis signed Executive Order 20-91 (also known as the Florida Stay-at-Home order), which outlined the stay-at-home policy for Floridians. Under the order, many businesses were forced to close their doors to the public in order to control the spread of the coronavirus. The order excluded businesses and services considered “essential business” to residents, such as healthcare providers, grocery stores, gas stations, and financial institutions.

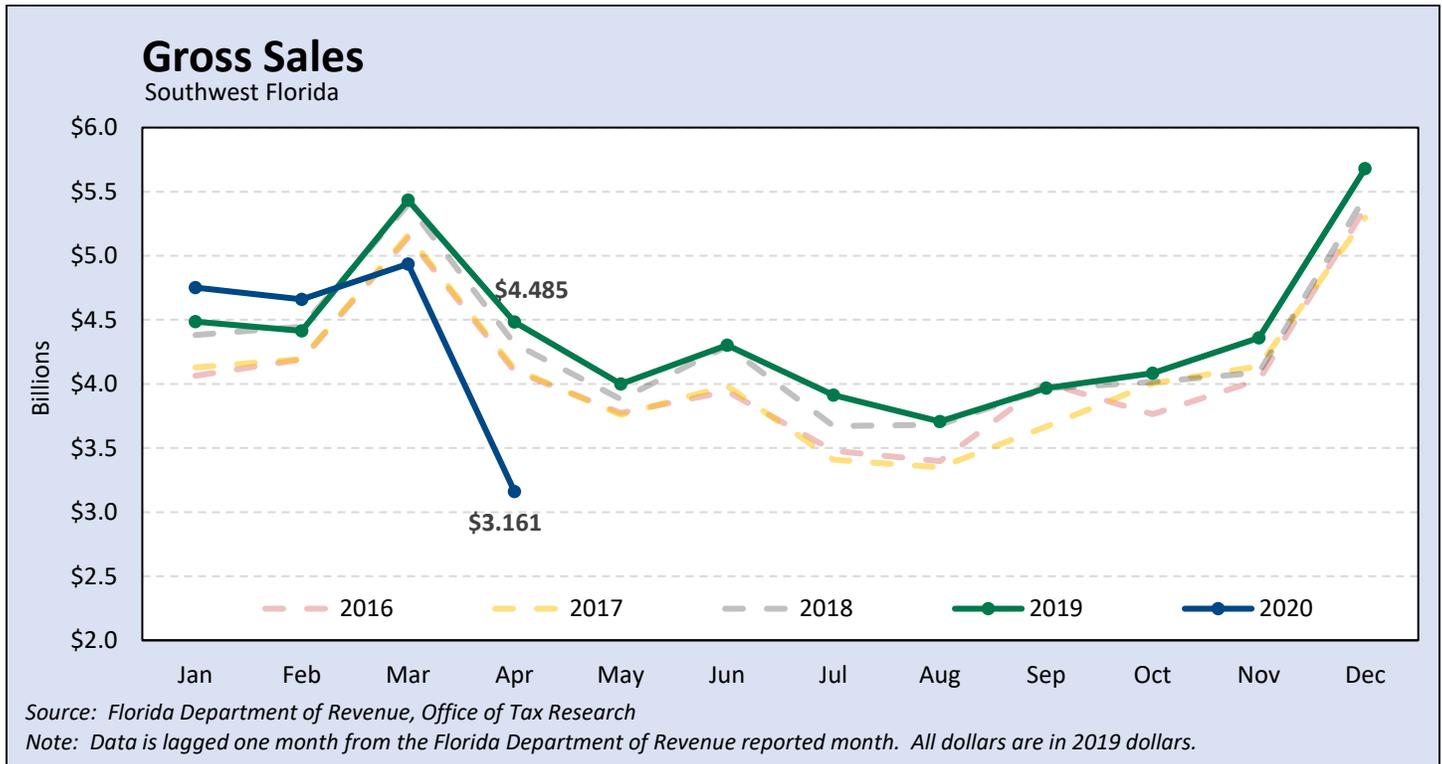
With the limitations implemented by the stay-at-home order, it is important to analyze its impact from a business point of view. How was spending impacted as a result of both COVID-19 and the stay-at-home orders? Were all industries uniformly impacted, or were some industries impacted more than others? In the current issue brief, we look at the impact that COVID-19 and the subsequent stay-at-home orders had on spending for different industries in Southwest Florida. Specifically, COVID-19 and the orders affected spending significantly in two ways:

- 1) The stay-at-home orders forced businesses that were not deemed essential nor were able to provide their goods or services from a remote location to operate with little to no income for at least 30 days.
- 2) The stay-at-home orders acted as a catalyst toward the unemployment situation in Florida, as the number of unemployment claims filed in the state were north of 200,000 for the week ending March 28.

Data in this issue brief is obtained from the Florida Department of Revenue (DOR) Office of Tax Research. The Florida DOR provides monthly updates on gross sales for each of the 67 Florida counties, and further breaks the data down by business type. Please note that data reported by the Florida DOR represents transactions that happened in the prior month. For a better analysis, we lag the data one month to paint a clearer picture of the effects of COVID-19 on individual industries.

Gross Sales from January 2016 to April 2020

Gross sales in Southwest Florida followed a similar pattern from 2016 to 2019, with peak season occurring between November and April. This pattern is expected, as the region begins getting an influx of tourism during these same months. The region was off to a good start in 2020, with year-to-year increases in gross sales in both January and February. However, in March 2020, gross sales in the region failed to reach the same peak as 2019, as the pandemic began to impact Southwest Florida. The stay-at-home orders went into effect in April 2020, and the impact of it was immediately noticeable – total gross sales were \$3.2 billion, down 30 percent from April 2019.



Top Declining Industries

While gross sales decline by 30 percent from April 2019 to April 2020, the declines were not uniform within all the industries. Most of the industries that saw the largest declines in sales can be attributed as businesses that were not considered essential for everyday living. The industry to see the largest annual percent decline in gross revenue were apparel and accessory stores, which saw gross revenue fall by 86 percent, or \$89.9 million, between April 2019 and 2020. Hotels and motel accommodations saw the second largest decline (down 85 percent), followed by restaurants (down 62 percent), nurseries (decline 60 percent), and amusement and recreation services (51.3 percent down). Gross revenue at fuel dealers declined by 46 percent between April 2019 and 2020, while home furniture stores and gasoline service stations fell by 45 and 41 percent, respective. Household appliance stores saw gross revenue fall by 41 percent and other professional services rounded out the top 10, with gross revenues falling 36 percent from April 2019 to 2020.

Top Declining Industries				
Southwest Florida				
Business Type	April 2019	April 2020	Change	Percent Change
Apparel & Accessory Stores	\$104,905,412	\$14,996,583	-\$89,908,829	-85.7%
Hotel/Motel Accommodations, Rooming Houses, Camps & Other Lodging Places	\$212,132,799	\$31,692,943	-\$180,439,856	-85.1%
Restaurants, Lunchrooms, Catering Services	\$306,310,803	\$116,973,476	-\$189,337,327	-61.8%
Nurseries, Landscapes, Tree Experts	\$70,382,015	\$27,994,035	-\$42,387,980	-60.2%
Admissions, Amusement & Recreation Services	\$87,741,479	\$42,708,736	-\$45,032,743	-51.3%
Fuel Dealers, LP Gas Dealers	\$18,634,812	\$10,066,112	-\$8,568,700	-46.0%
Home Furniture, Furnishings & Equipment	\$86,809,592	\$48,023,908	-\$38,785,684	-44.7%
Gasoline Service Stations	\$44,182,271	\$25,888,274	-\$18,293,998	-41.4%
Household Appliances & Accessories	\$20,718,643	\$12,153,753	-\$8,564,890	-41.3%
Other Professional Services	\$36,506,241	\$23,241,193	-\$13,265,048	-36.3%

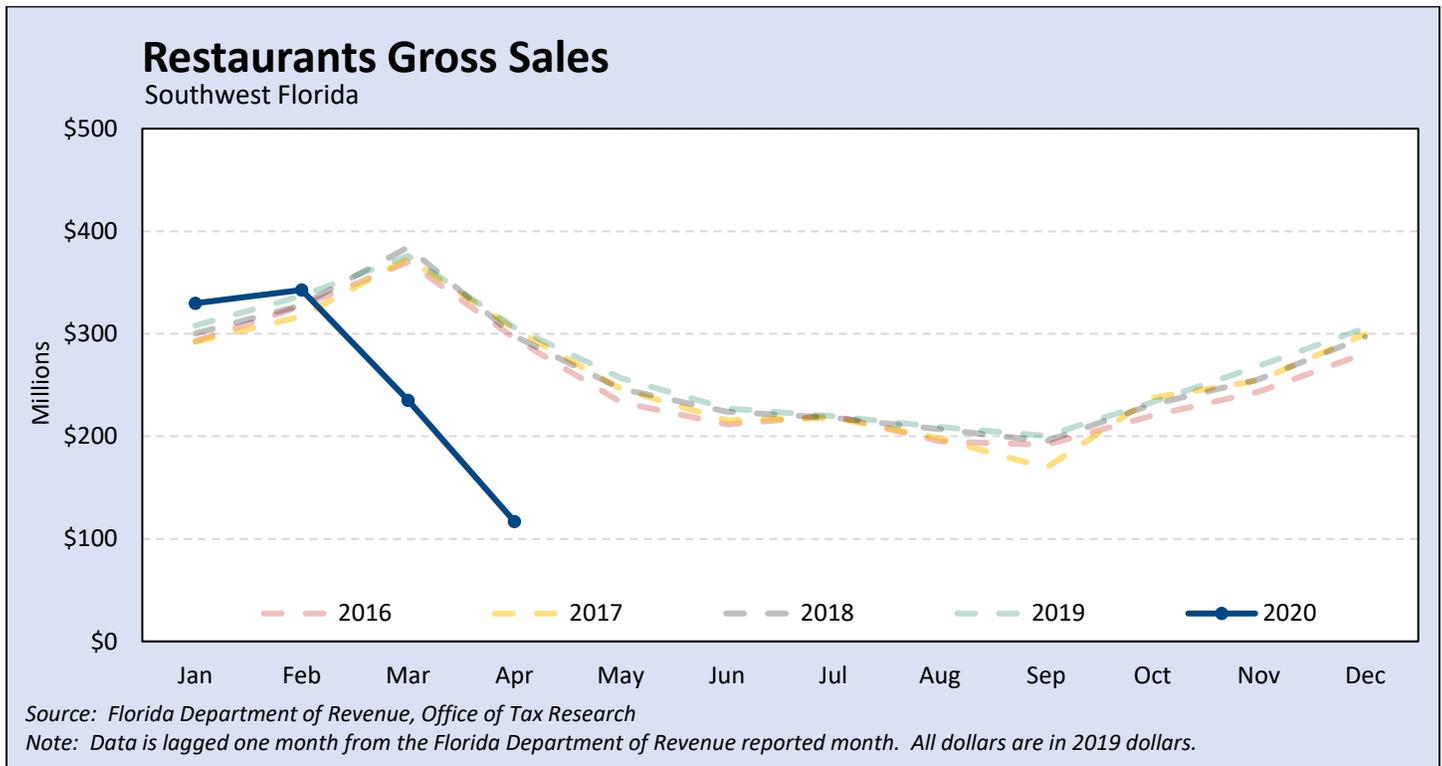
Source: Florida Department of Revenue, Office of Tax Research

Note: Data is lagged one month from the Florida Department of Revenue reported month. All dollars are in 2019 dollars. Analyzing all business types with at least \$10 million in total sales in April 2020.

Notable Southwest Florida Industries

Restaurants, Lunchrooms, and Catering Services

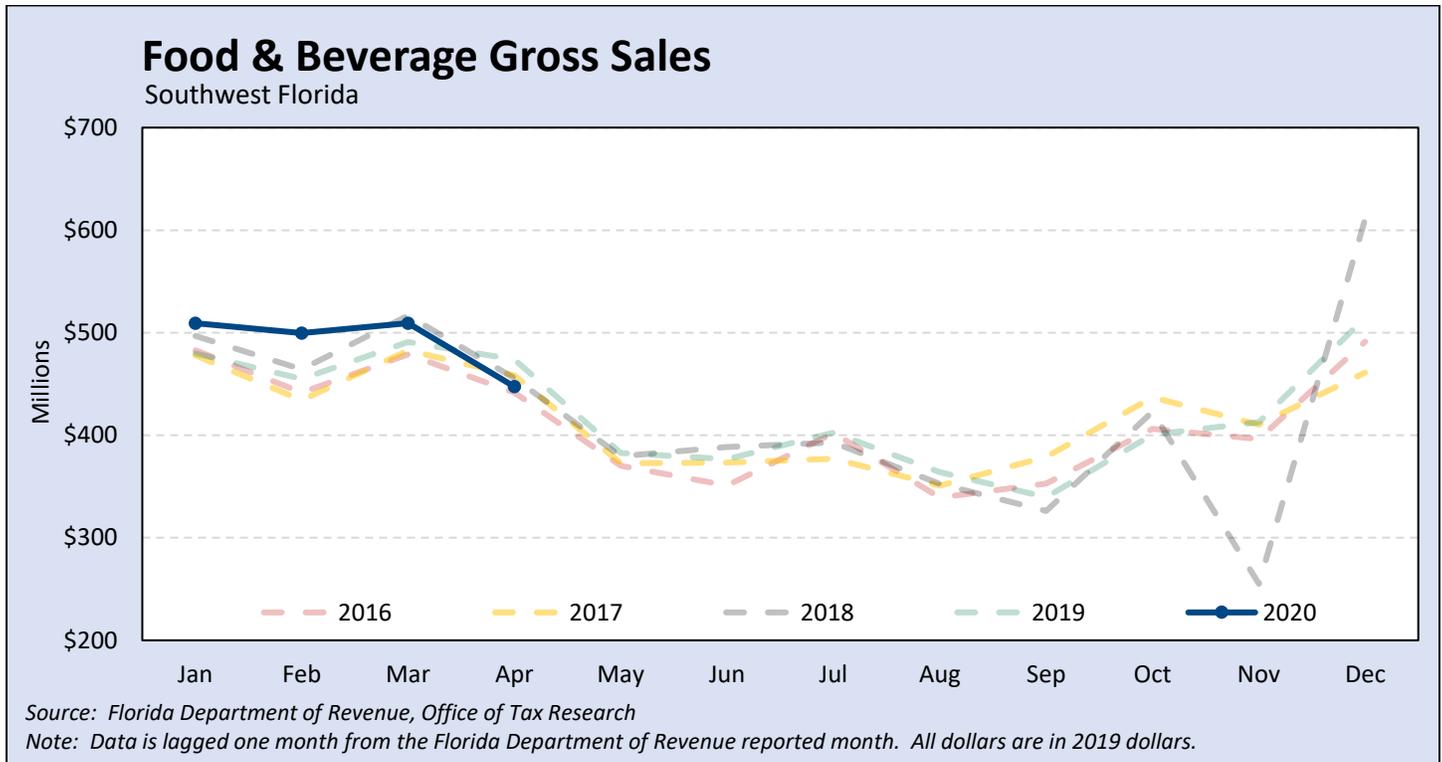
Prior to the pandemic, the trend followed by restaurants, lunchrooms and catering services was consistent between 2016 and 2019, with most gross sales occurring between November and April. However, this industry saw a significant decline in gross sales beginning in March 2020, declining 31.4 percent from the prior month to \$235.1 million. The Florida stay-at-home orders further exacerbated problems, as many restaurants had to close their doors to customers, with some resorting to ramping up delivery and curbside pickup services. Total sales for the restaurant industry were \$117 million in April 2020, down 62 percent from April 2019 and down 50 percent from the previous month.



Food and Beverage Stores

Similar to restaurants, gross sales in food and beverage stores was consistent between 2016 and 2019, with the industry experiencing an uptick in-season. However, these stores did not experience a sharp decline in gross sales in March or April 2020. Gross sales in food and beverage stores were \$447.4 million in April 2020, down 12 percent from the prior month but down only 5 percent from April 2019.

Part of the reason is due to the necessity of food in everyday life – as the number of unemployed and furloughed workers substantially rose, spending at these stores did not change much when households readjusted their household budgets. Another explanation stems from the industry’s relationship to the restaurant industry. Since restaurants were forced to close their doors in April, many residents that may have dined out in normal conditions were forced instead to dine in, marginally increasing gross sales in grocery stores at the expense of restaurants and other dine out and catering establishments.



Hotels and Motels

Gross sales for the hotel and motel industry illustrated the seasonal nature of the region, with sales increasing during the in-season months and declining during the out-of-season months. Sales in 2020 were promising in January and February, before the COVID-19 pandemic. Gross hotel and motel sales in Southwest Florida were \$31.7 million in April 2020, a staggering 85 percent decline from both March 2020 and April 2019.

COVID-19 brought an abrupt halt to tourism in late March and April, as stay-at-home orders in Florida and across the nation affected many traveling arrangements. Airport passenger activity for local airports were at their lowest levels in April 2020, as Southwest Florida International International Airport served 53,379 passengers (95 percent decline from April 2019) and Punta Gorda Airport had 12,030 passengers (93 percent below April 2019).

