

REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

TOURISM & HOSPITALITY SURVEY

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FEDERAL RESERVE BANK
OF MINNEAPOLIS



DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.





TODAY'S FOCUS

TOURISM & HOSPITALITY SURVEY

Quarterly survey in partnership with:

- Explore Minnesota Tourism
- Hospitality Minnesota
 - Partnership established just before pandemic
 - Almost 4 years of surveys

This survey:

- Conducted August 14-22; 273 responses





QUICK TAKE-AWAYS

- It was a decent summer; modest growth continues, but demand not growing like prior summers
- Challenges: Inflation & wages = biggest problems
- Overall financial health = positive, but eroding a bit
- Some ups and downs, but overall not a lot of change or volatility; sector has maybe found it's new normal
- **Important:** Each partner has own interpretation of results; Q&A will give partners opportunity to offer more color and nuance
- **Also:** Lots of data (& quickly); will share PPT after webinar for those interested in closer analysis





RECENT REVENUE TRENDS

RECENT REVENUE TRENDS

Overall, sector seeing modest revenue growth in terms of *share* seeing growth vs. decline

Foot traffic mostly flat

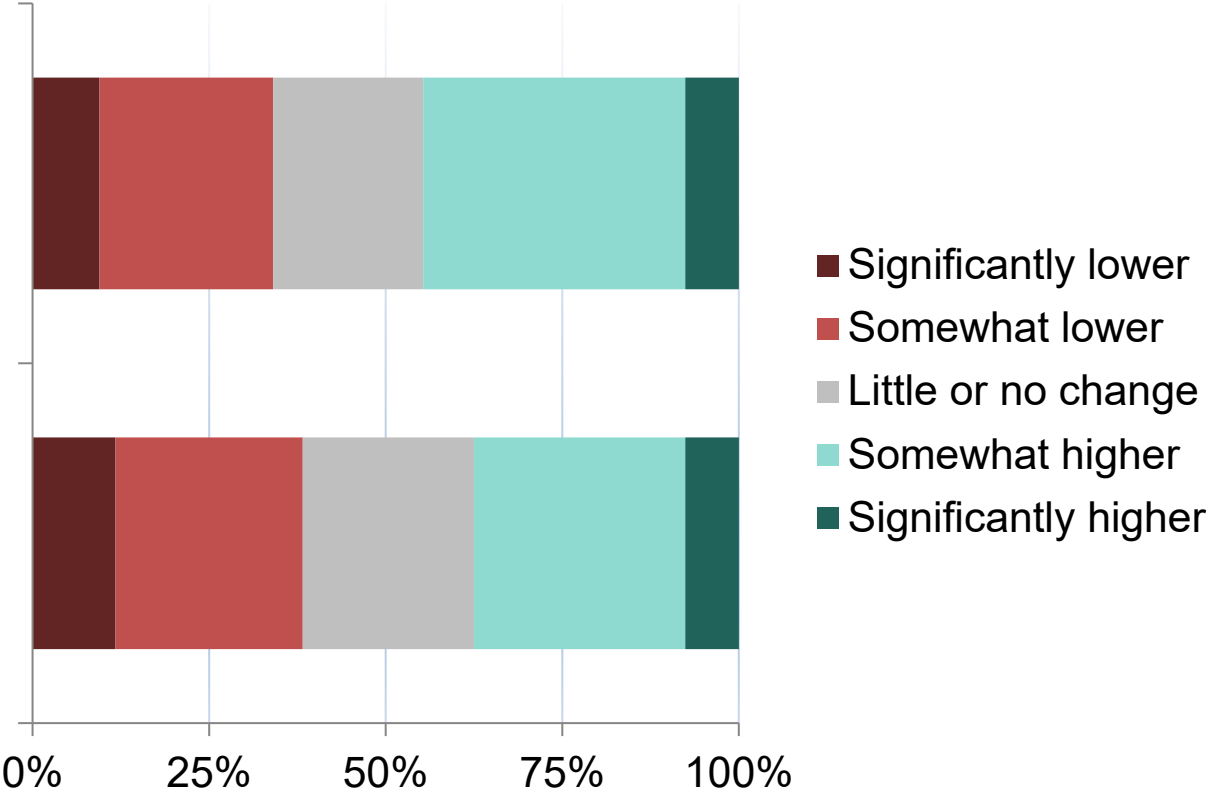
Inflation influence: Consumers not always spending more as much as businesses *charging* more

Accommodation also weighing down overall results

Summer revenue and foot traffic trends

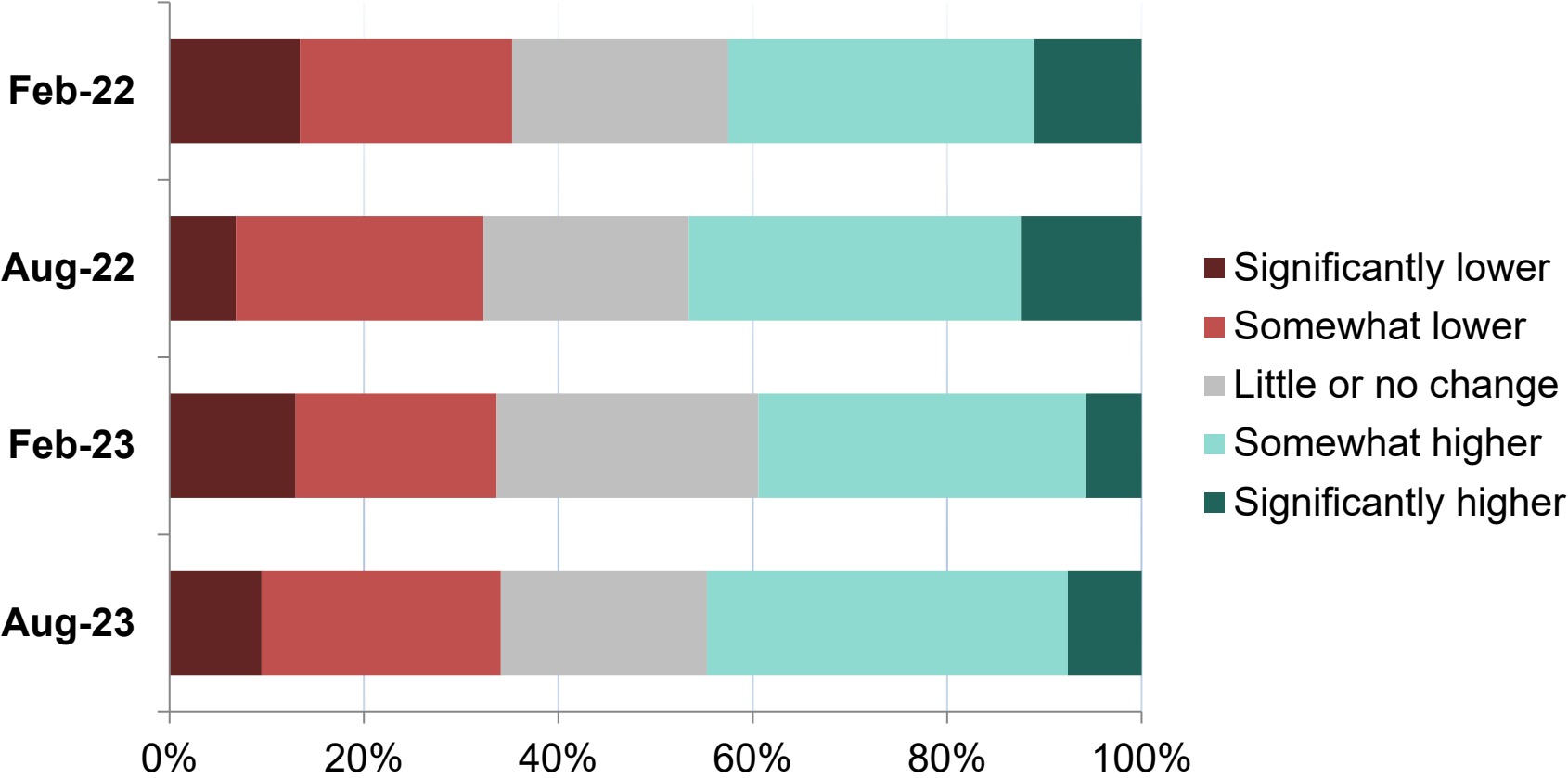
Revenue compared with same period last year

Customer traffic compared with same period last year



REVENUE TRENDS OVER TIME

Recent revenue compared with same period a year earlier



Past surveys suggest some normalization of overall revenue trend

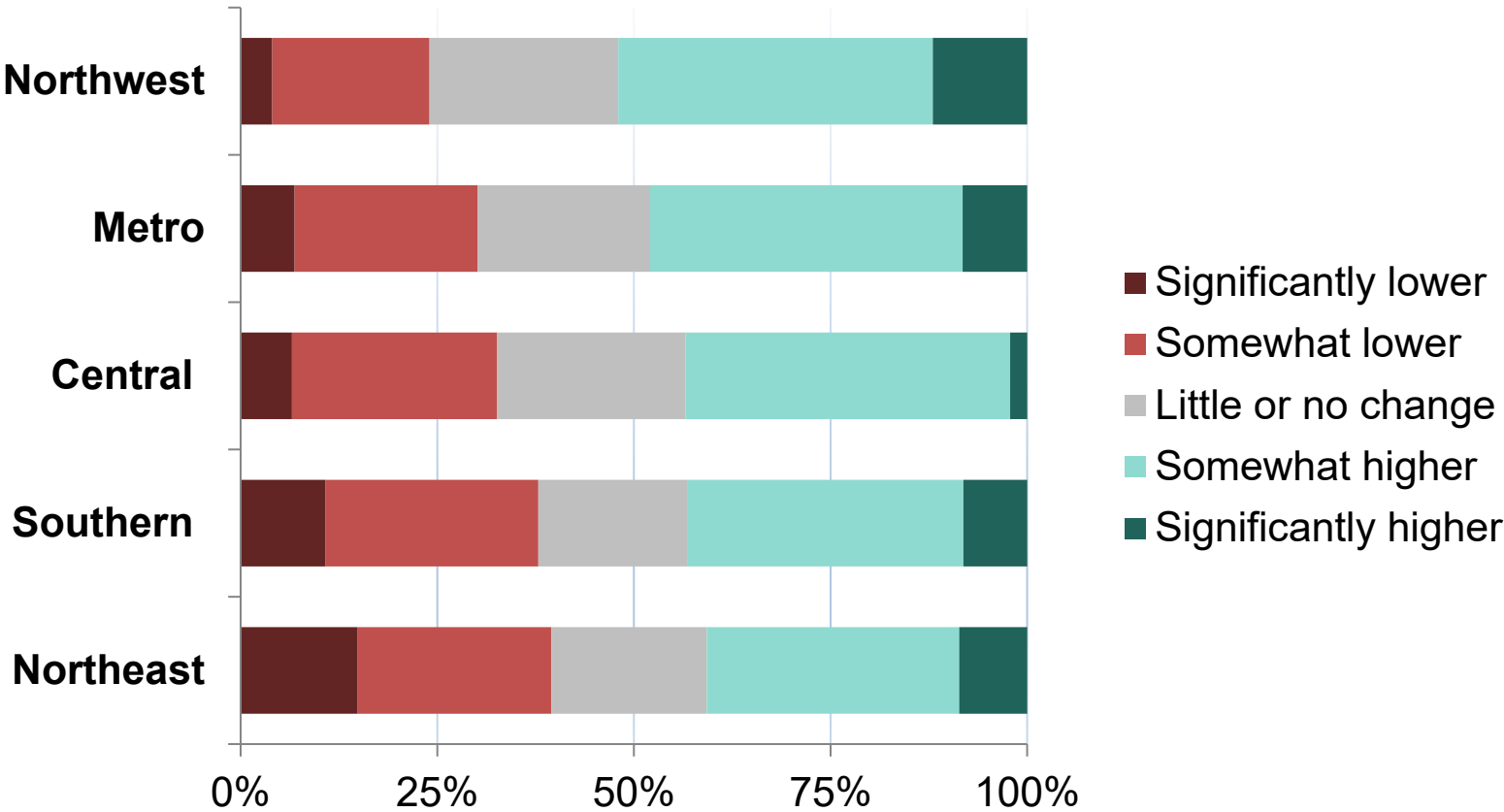
Doesn't necessarily = normalization for *individual* firms

A teal background featuring a faint, stylized graphic of a globe. The globe has several stars and a line graph with an upward arrow, suggesting growth or progress.

REVENUE SNAPSHOT BY FIRM TRAITS

REVENUES, BY LOCATION

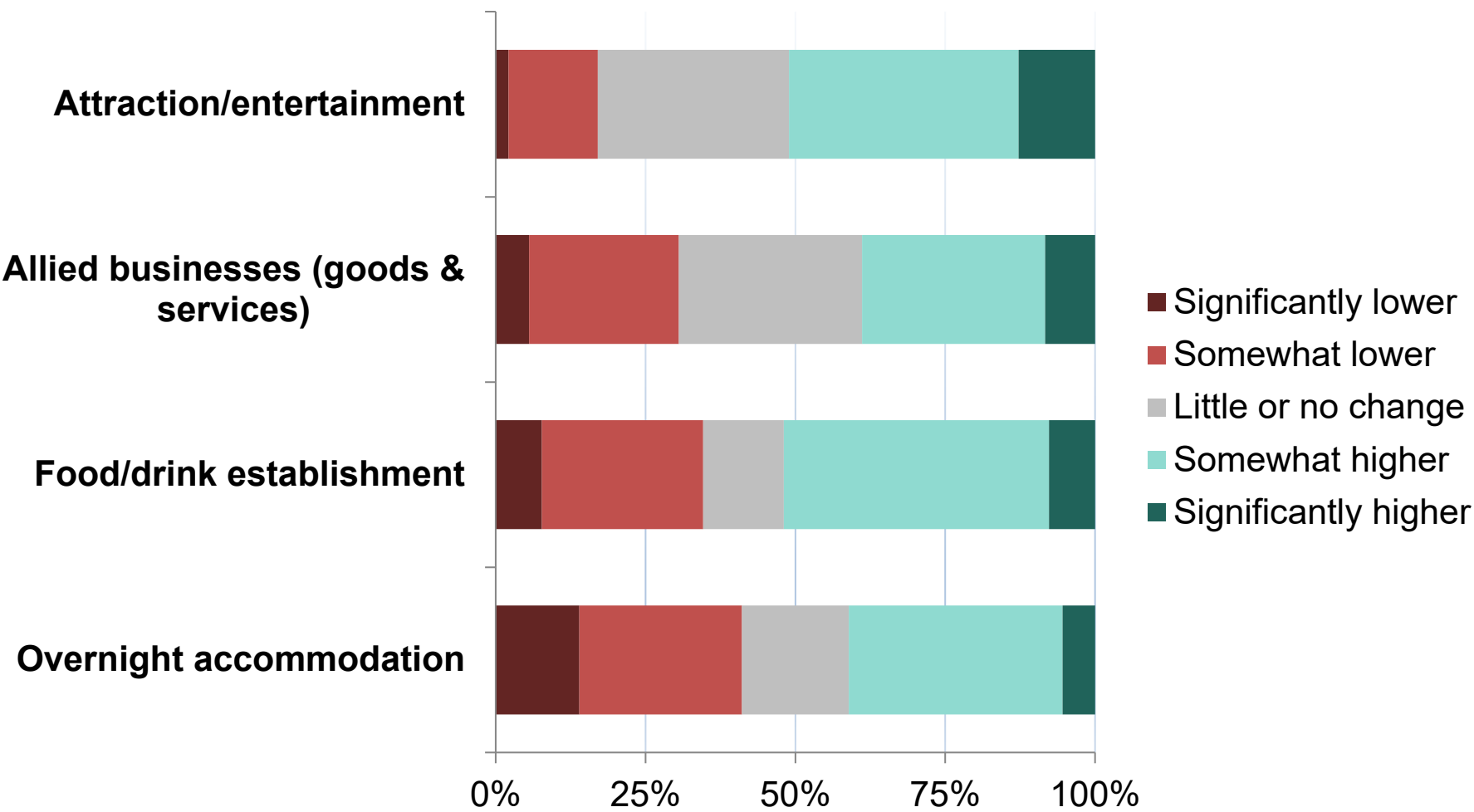
Quarterly revenue compared with last year



- Some geographic performance likely influenced by pandemic factors
- Twin Cities still in recovery
- Northeast had big summers in 2021-22

REVENUES BY SUB-SECTOR

Revenue compared with same period last year



Attract/entertain businesses seeing growth bc many still recovering (2022 = lower bar)

Accommodation seeing demand slow somewhat (yoy), but room rates (\$) remain strong

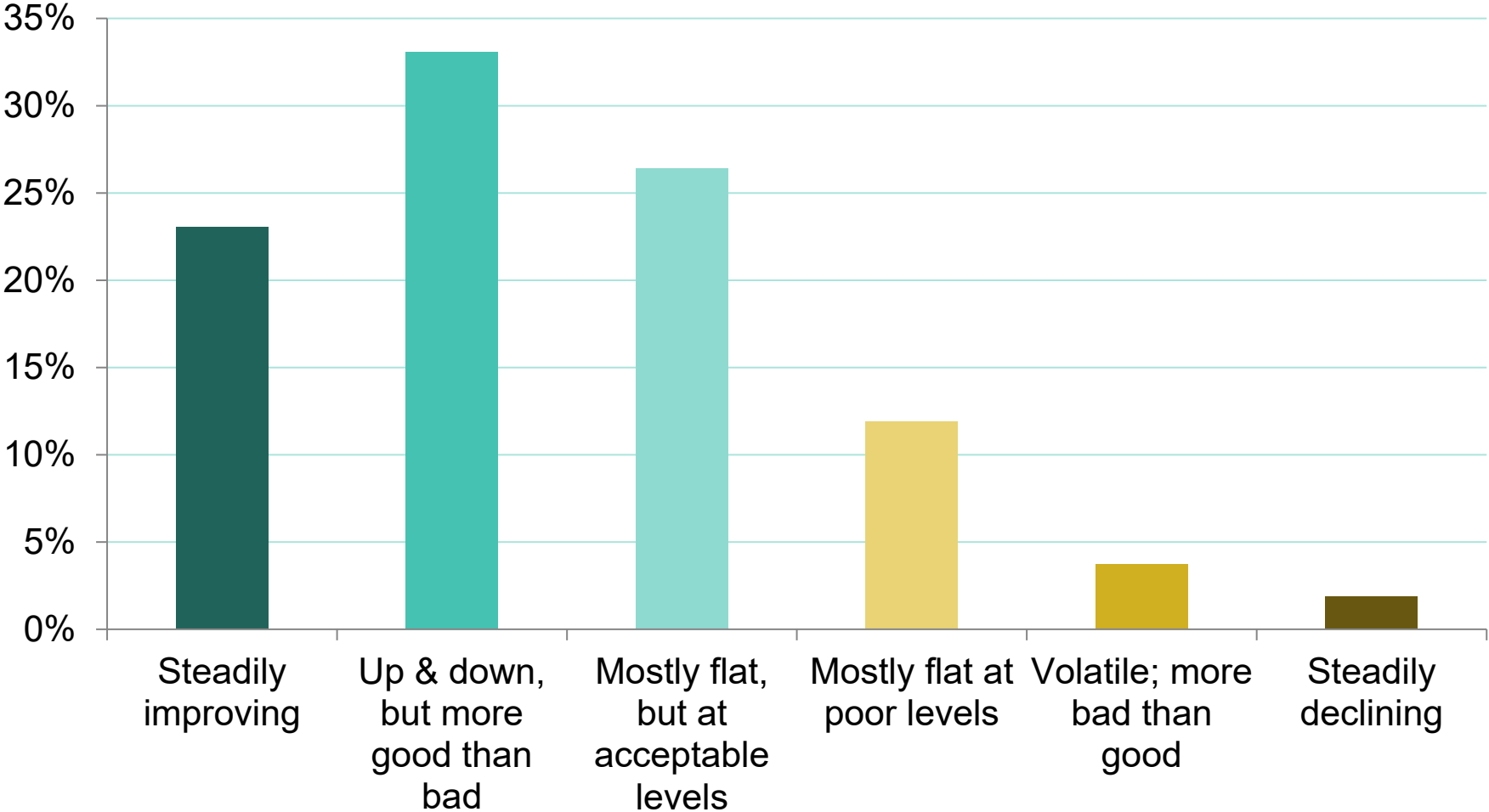


FINANCIAL HEALTH

Business activity over the last 6-9 months

82% reported either good or acceptable business activity so far this year

Slight decline over last year

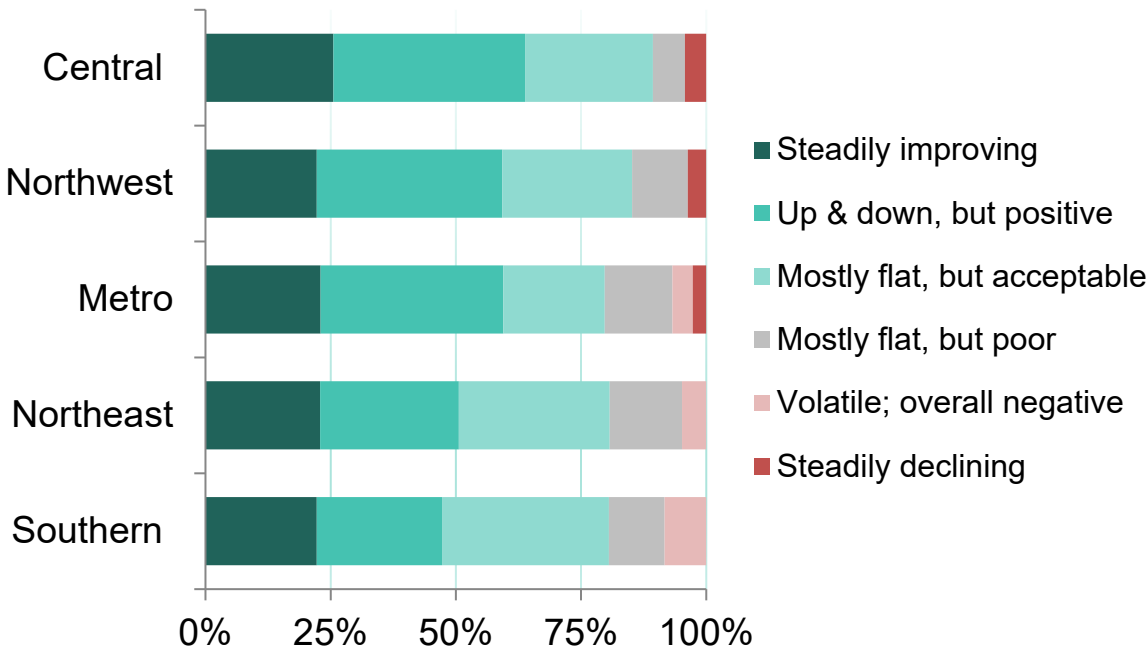


BUSINESS ACTIVITY, CONT.

- Central MN firms doing exceptionally well, but all regions quite positive
- Attraction & entertainment also seeing best activity over longer period

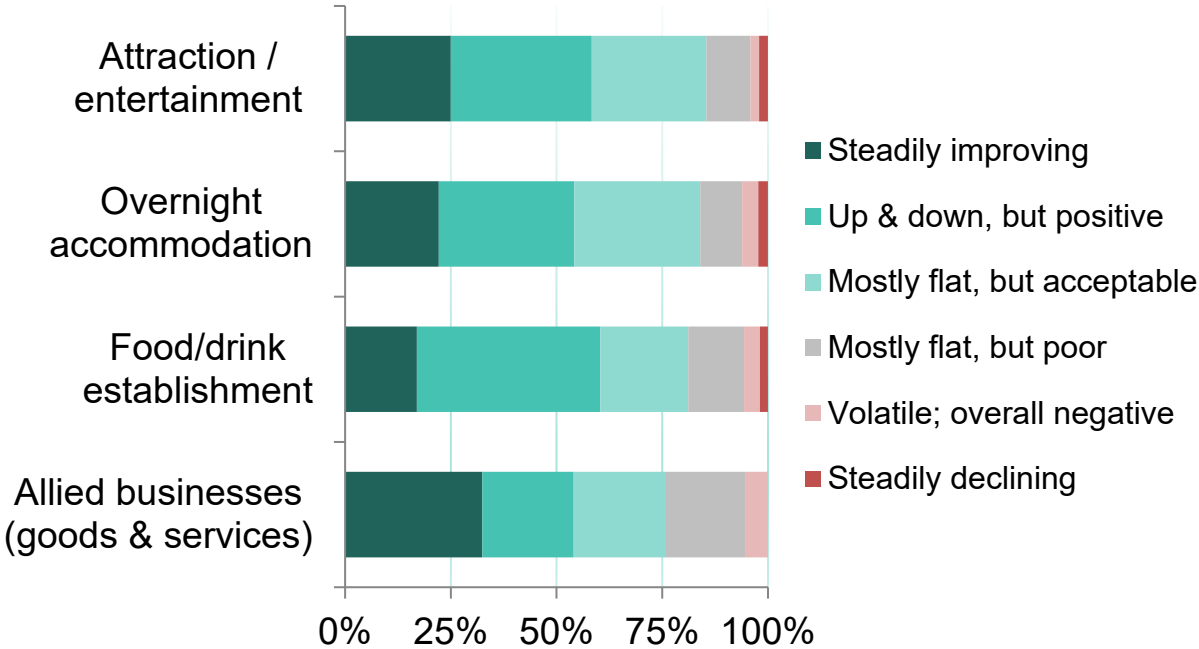
Business activity over last 6-9 months

By region



Business activity over last 6-9 months

By business type

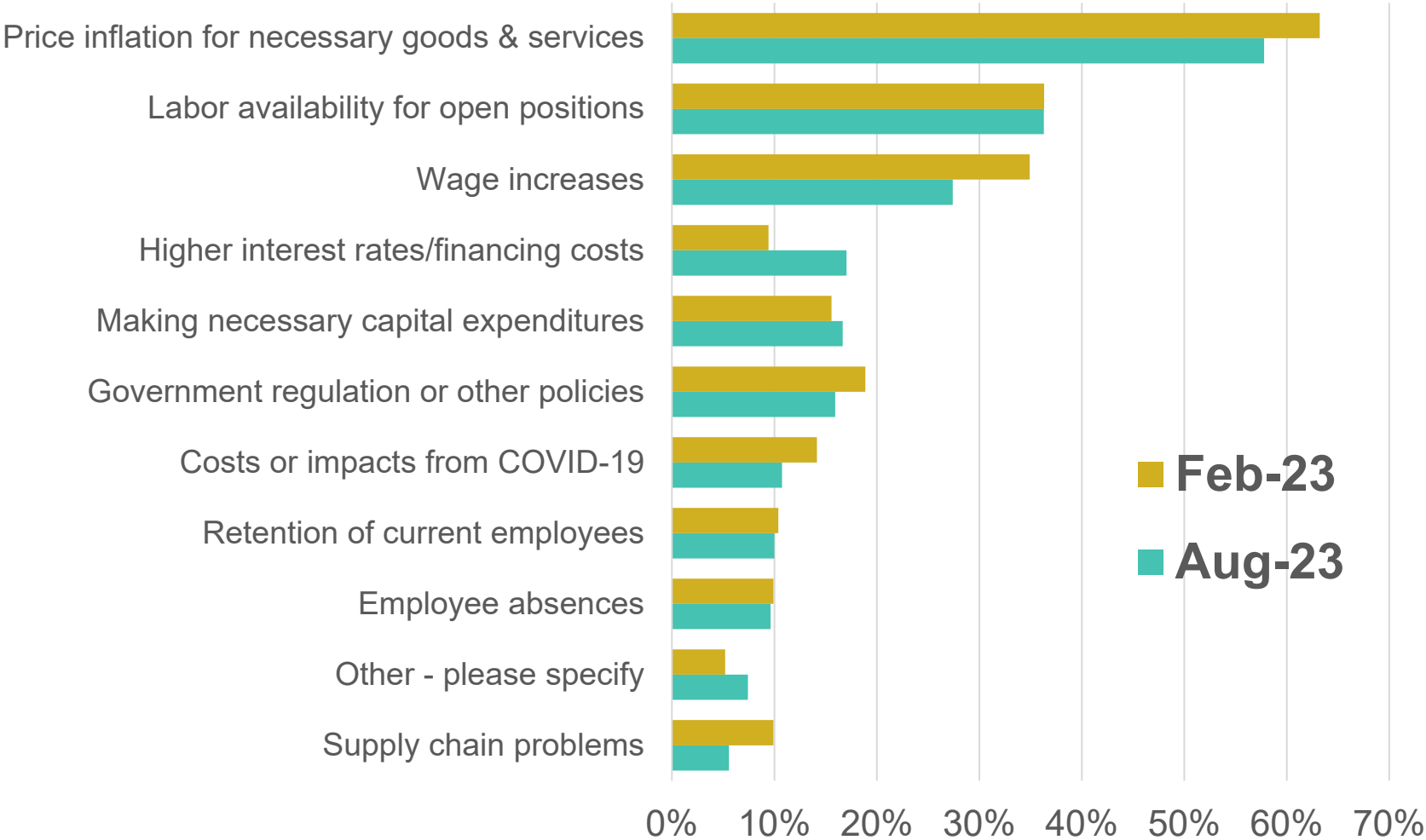




CHALLENGES

CHALLENGES

TWO greatest challenges to your business



Price inflation still #1 problem by sizeable margin

Higher interest rates saw biggest increase from February to August surveys

Biggest declines came in inflation, wages and supply chain





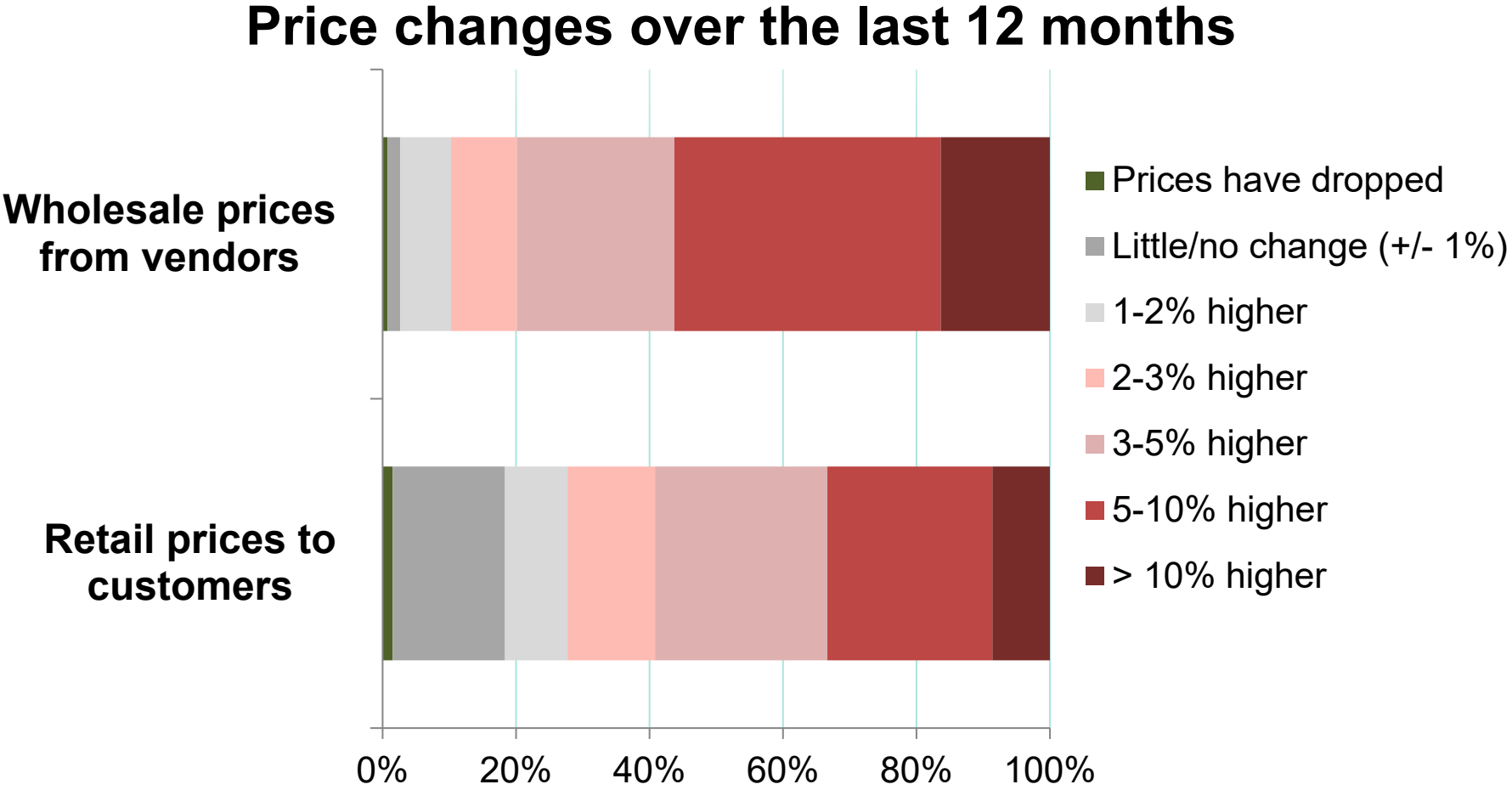
A CLOSER LOOK AT PRICE TRENDS

PRICE INFLATION

Wholesale price hikes still high

Companies continue eating a good share of that increase

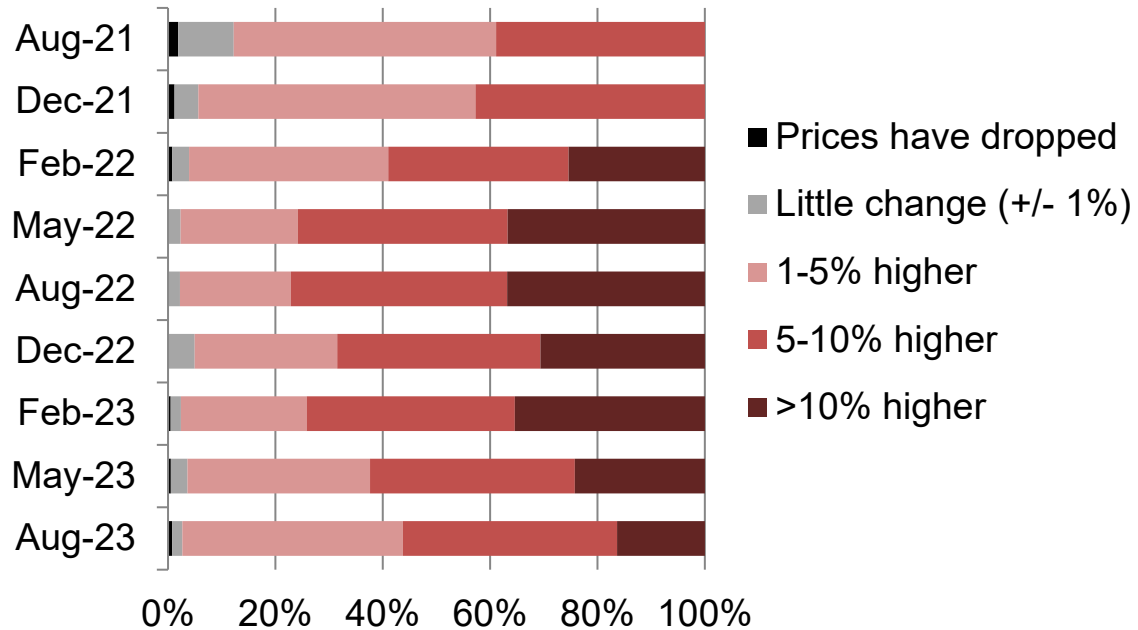
Long-run trend improving, modestly



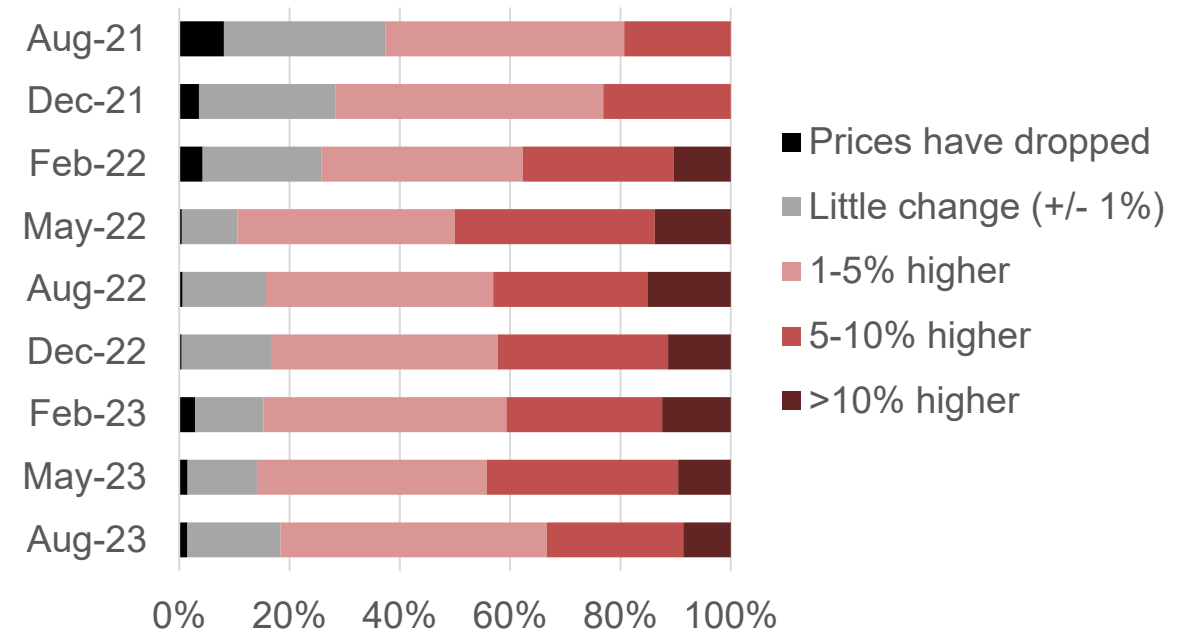
PRICES, CONT.

- Modest evidence that price growth is slowing
- Still high, and not falling quickly enough for some

Wholesale/vendor price changes over the last 12 months



Retail/final price changes over last 12 months



(Note: Added +10% category in Feb-22 survey)



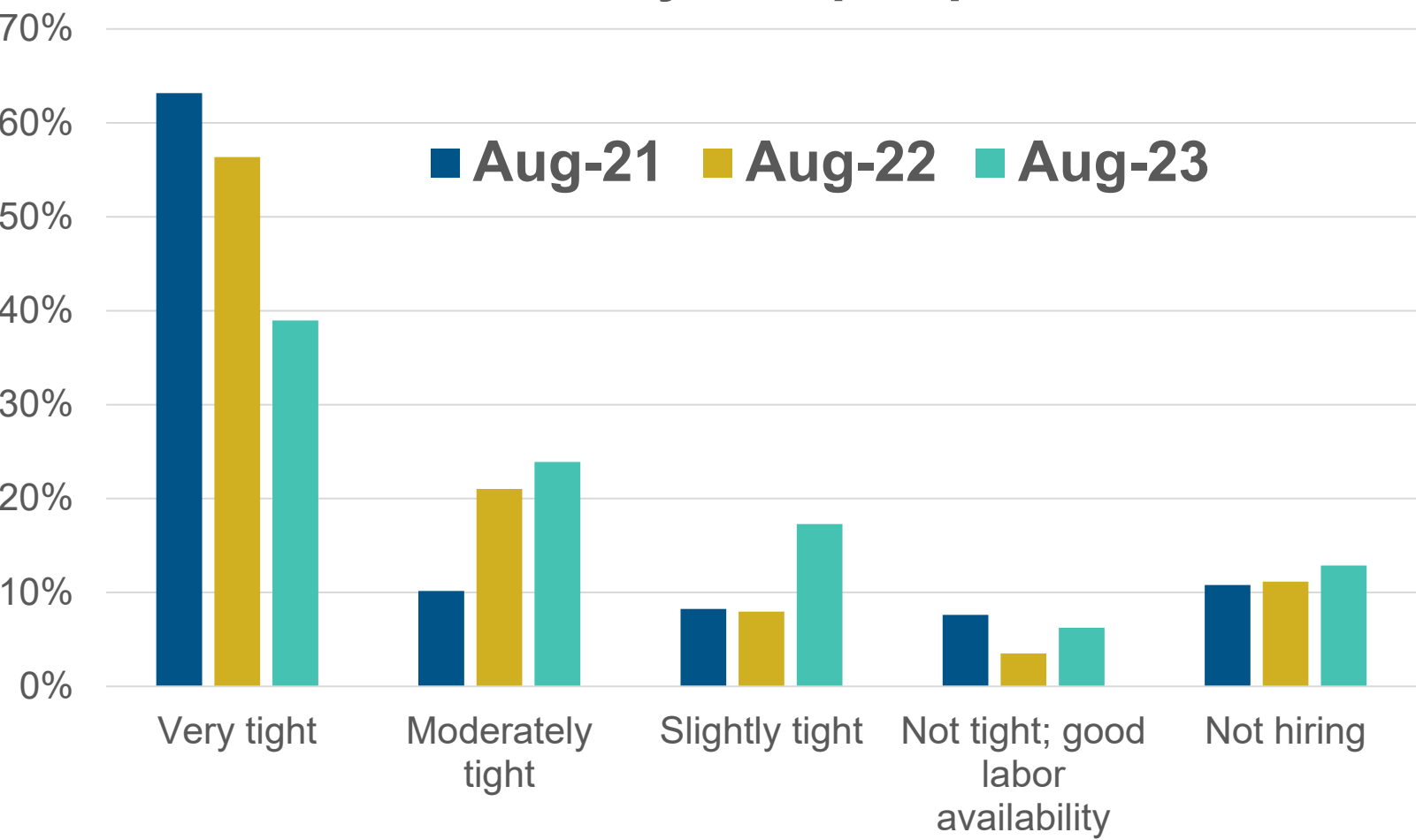
FEDERAL RESERVE BANK OF MINNEAPOLIS

The background is a solid teal color. Overlaid on it is a large, faint, light-teal graphic. This graphic features an eagle with its wings spread, facing left. The eagle's body is formed by a jagged line graph that trends upwards from left to right. Several five-pointed stars are scattered around the eagle, some within the wing area and others outside. In the top-left corner, there is a small, dark blue horizontal bar with a slight gradient.

WORKFORCE & WAGE TRENDS

CHALLENGES – LABOR AVAILABILITY

Labor availability for open positions



Labor availability clearly improving

Since Aug '21 survey, share citing 'very tight' labor down by more than one-third

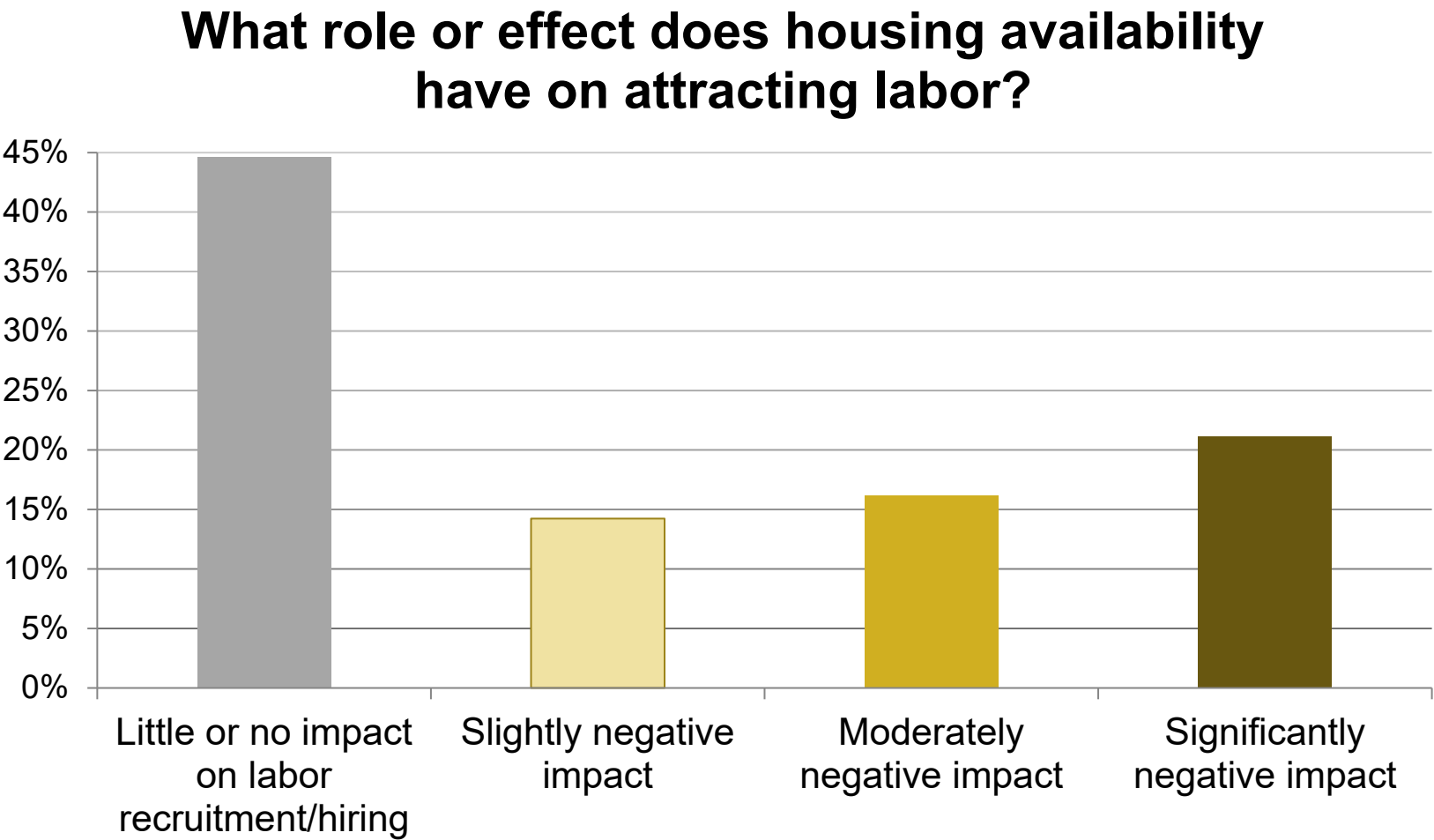
But even with improvements, labor *still* considered tight



SPECIAL QUESTION ON HOUSING

More than ½ of respondents said housing availability has some impact on their ability to find labor

20% said it had a significantly negative impact

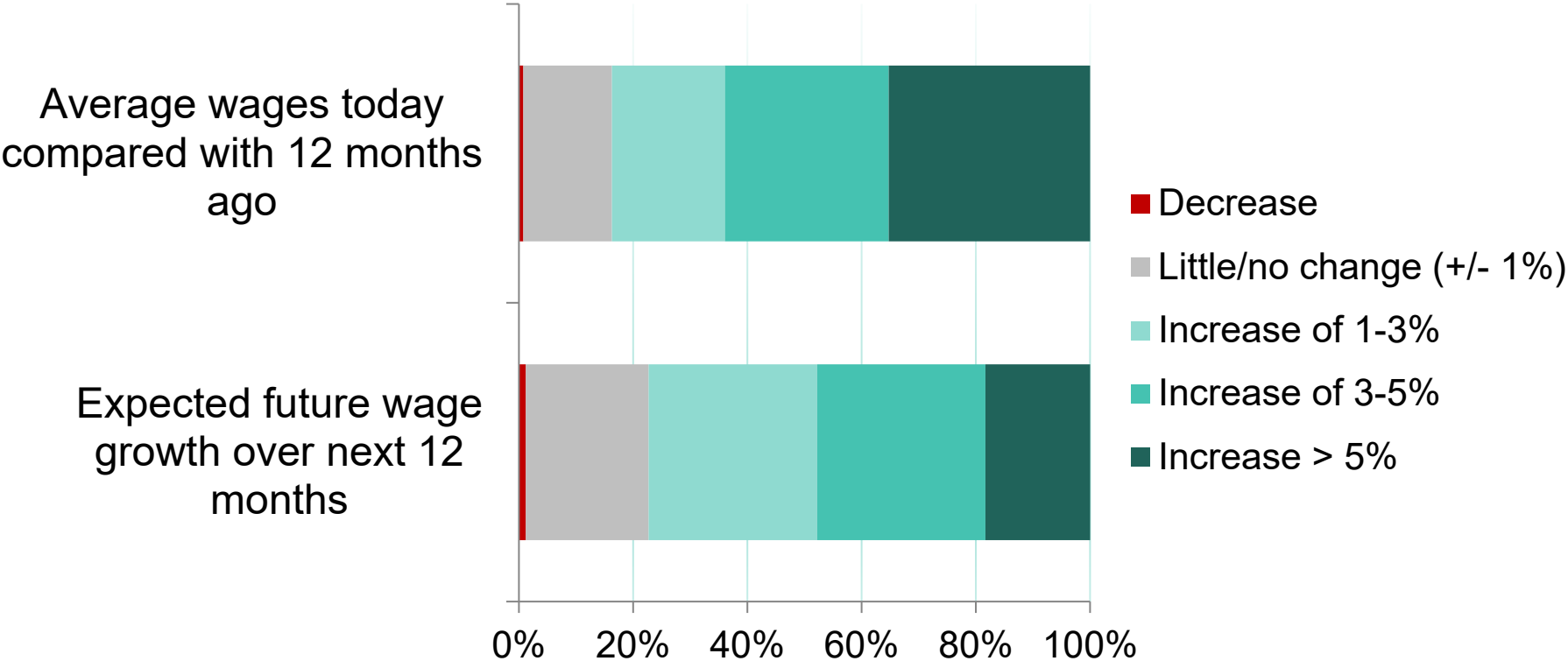


WAGES RISING

Tight labor = higher wages

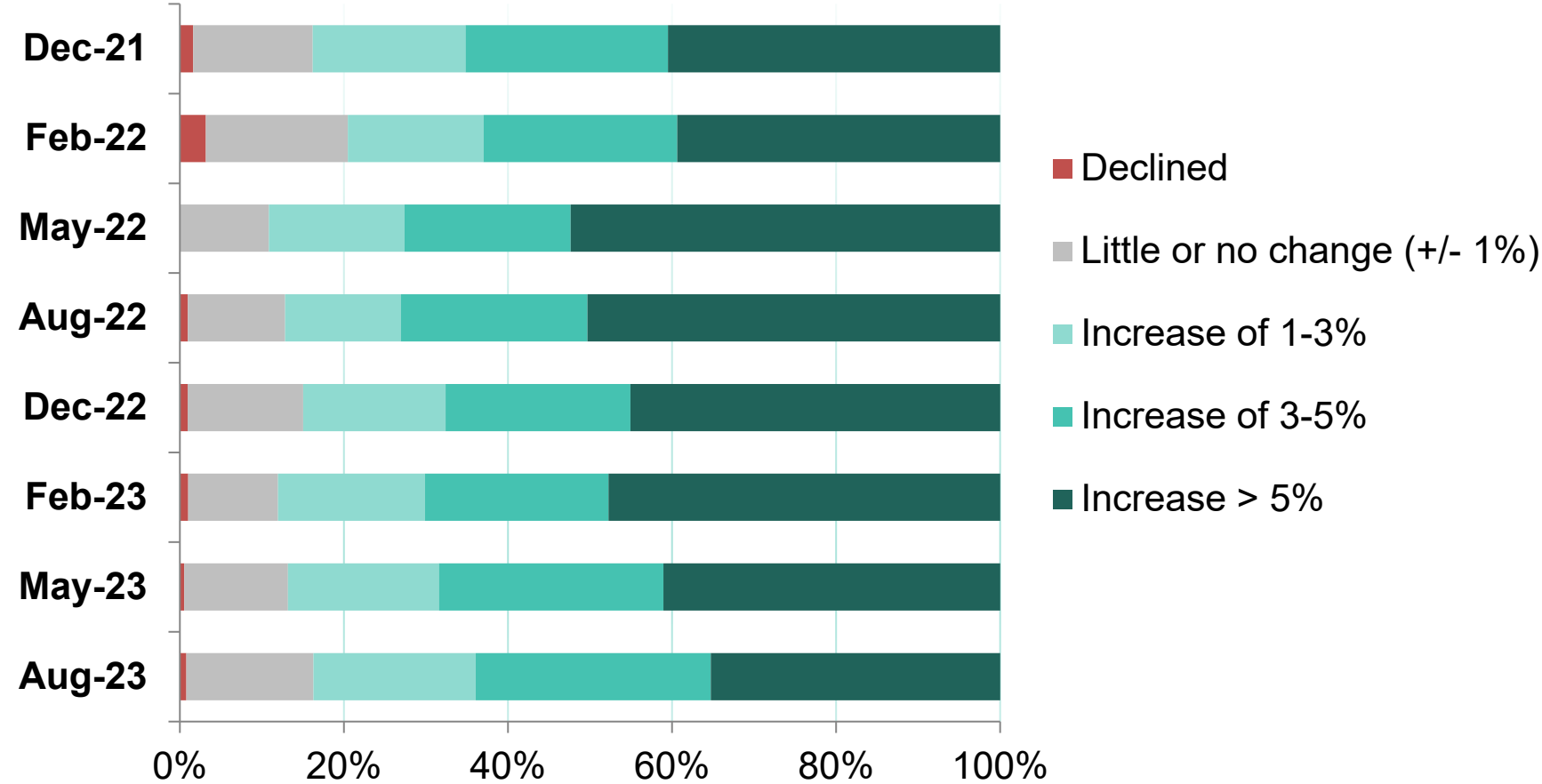
Some belief that future wage pressure will ease; that's possible, but might be wishful thinking

Average wage changes: Recent & future



WAGE INCREASES PLATEAUING AT HIGH LEVELS

Average wages compared w/ 12 months ago



Slow, modest
retreat from peak
wage growth

Still comparatively
high, and has been
consistently higher
than projected
(expected future)
wage growth

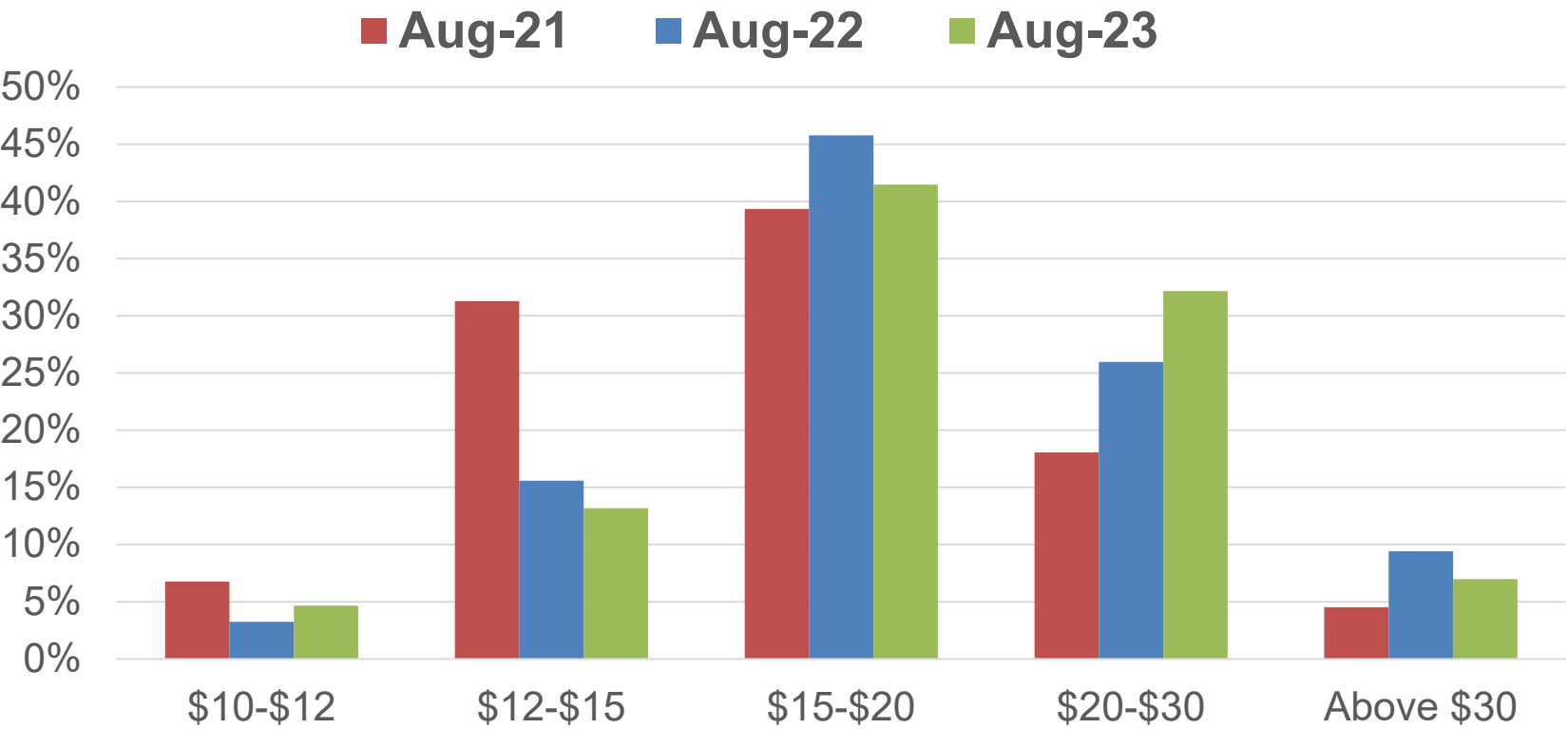


WAGES, CONT.

Very clear move *up*
the wage scale

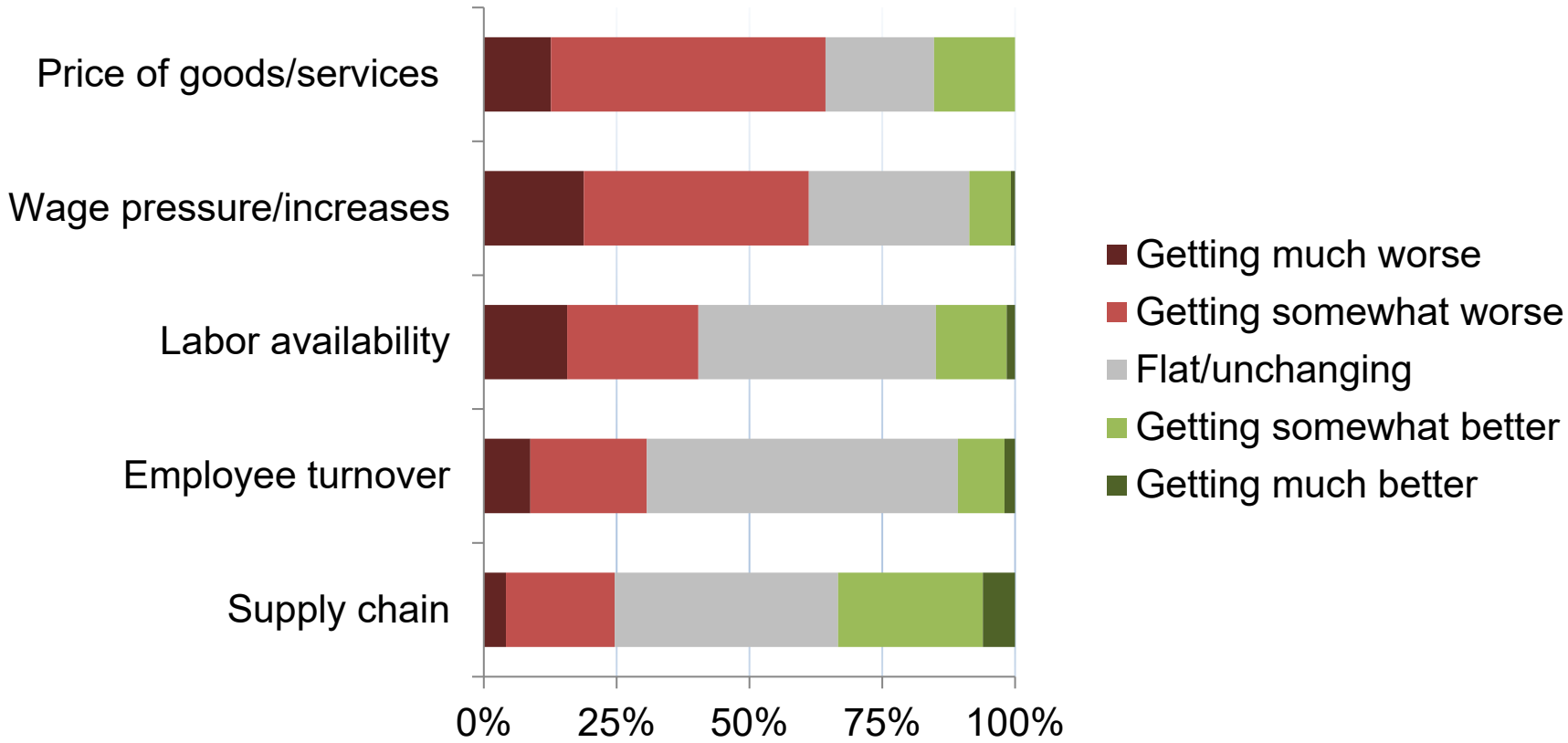
Share of jobs making
< \$15 an hour went
from 38% to 18% in
just two years

Average hourly wage for your employees (including tips, if applicable)



ARE CHALLENGES GETTING BETTER? (WORSE?)

How would you describe the recent direction and trajectory of various challenges?



Inflation & wage growth might be seeing some relief in the big picture, but owners overall don't seem to be feeling it

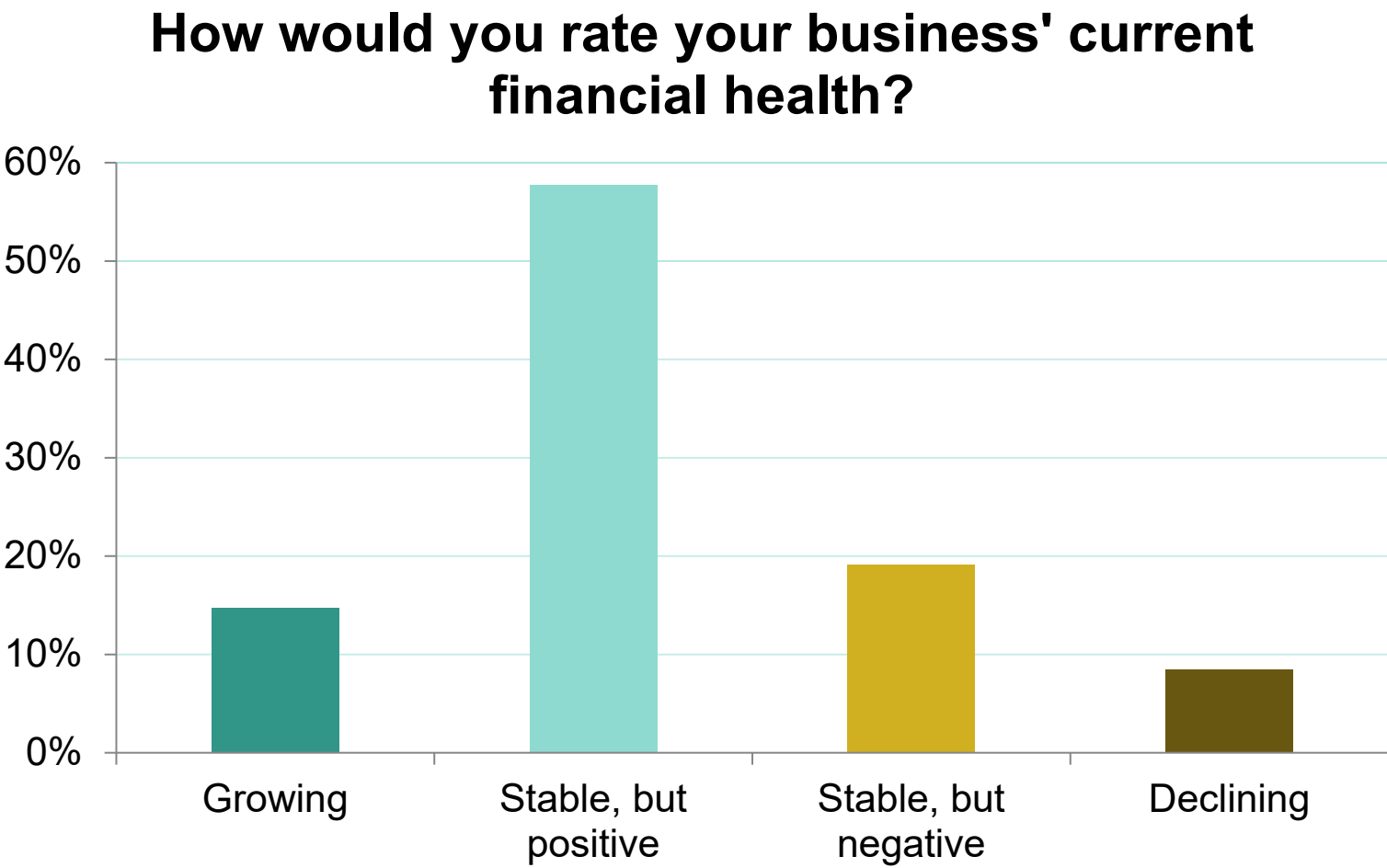


FINANCIAL HEALTH & OUTLOOK

FINANCIAL HEALTH, CONT.

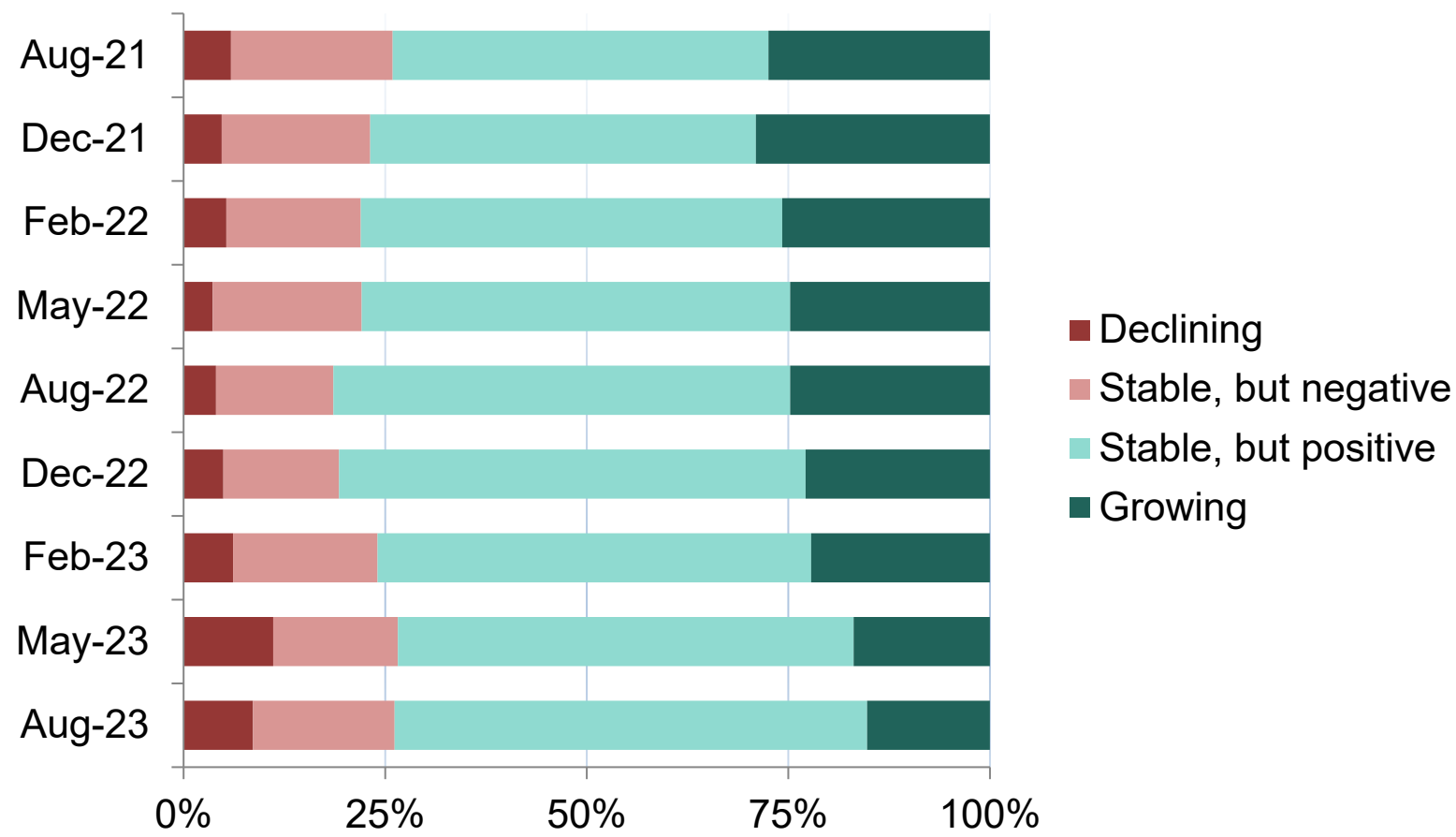
Share of those growing has declined by about 10 pts

Share of those stable-but-negative or declining both rose about 5 pts



FINANCIAL HEALTH, CONT.

How would you rate your business' current financial health?

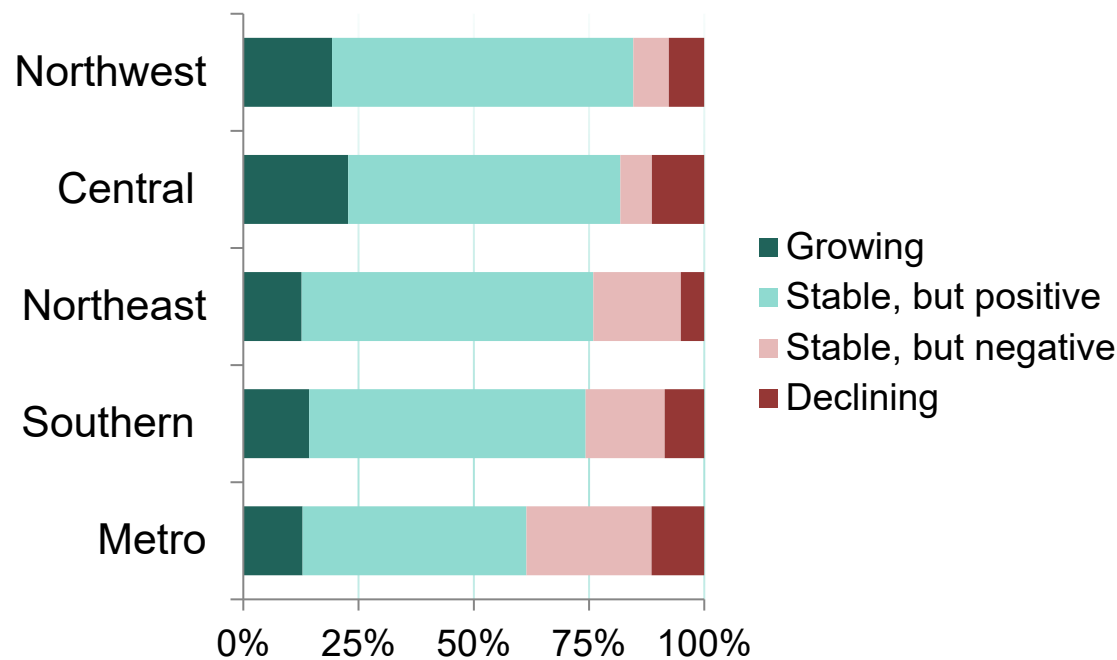


A moderate pullback from last summer, and some continued erosion

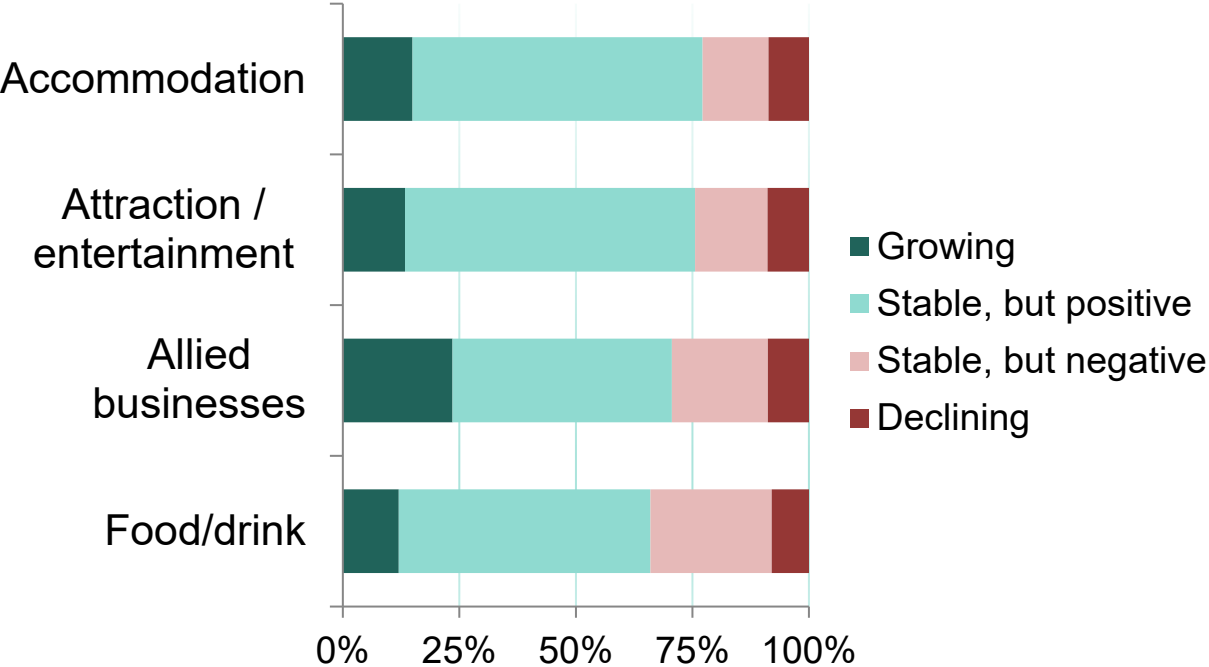
FINANCIAL HEALTH – BY REGION AND BUSINESS TYPE

- Metro businesses still in recovery
- Accommodation seeing greatest stability; Food/drink more instability

Current financial health



Current financial health

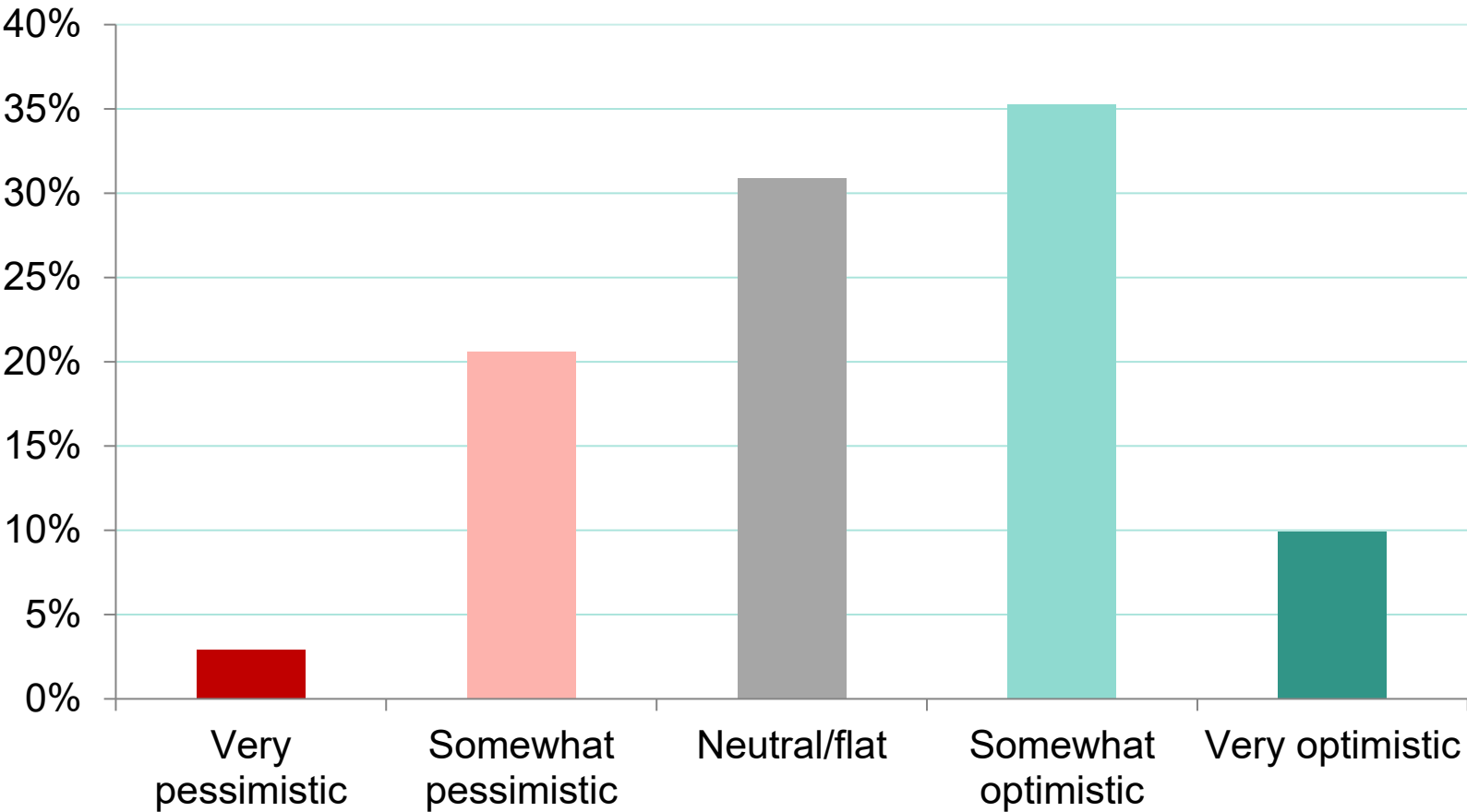


SOLVENCY: IMPROVING

Outlook for rest of year modestly positive

Flat outlook for accommodations (large share of sample) and quite positive for other business types

Outlook for remainder of the year





FINAL THOUGHTS: “YES, BUT”

- Growth continues, esp. for certain types of businesses, but has slowed overall
- Inflation better, but still high
- Labor availability better, but not “good”
- Wage growth slowing, but still high
- Overall financial condition positive, but eroding a bit
- Outlook positive, esp. outside of accommodation
- Stability & slow growth; hard to predict big changes (+/-) w/out some larger catalyst or change in economy





THANK YOU!

NEXT:

**Q&A WITH OUR SURVEY
PARTNERS**

SUBMIT QUESTIONS VIA THE CHAT BOX



FEDERAL RESERVE BANK OF MINNEAPOLIS



Gretchen Nussbaum
Research Analyst
Explore Minnesota Tourism



Angie Whitcomb
CEO and President
Hospitality Minnesota



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