REGIONAL ECONOMIC CONDITIONS IN THE NINTH DISTRICT

TOURISM & HOSPITALITY SURVEY

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Haley Chinander

Regional Analyst

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

Survey in partnership with:

- Hospitality Minnesota
  - Survey runs 3x a year
  - Distributed to Hospitality MN membership/contacts

This survey:

- Fresh start in 2025 (fewer y-o-y comparisons)
- Conducted September 3 - 24

Hospitality MINNESOTA

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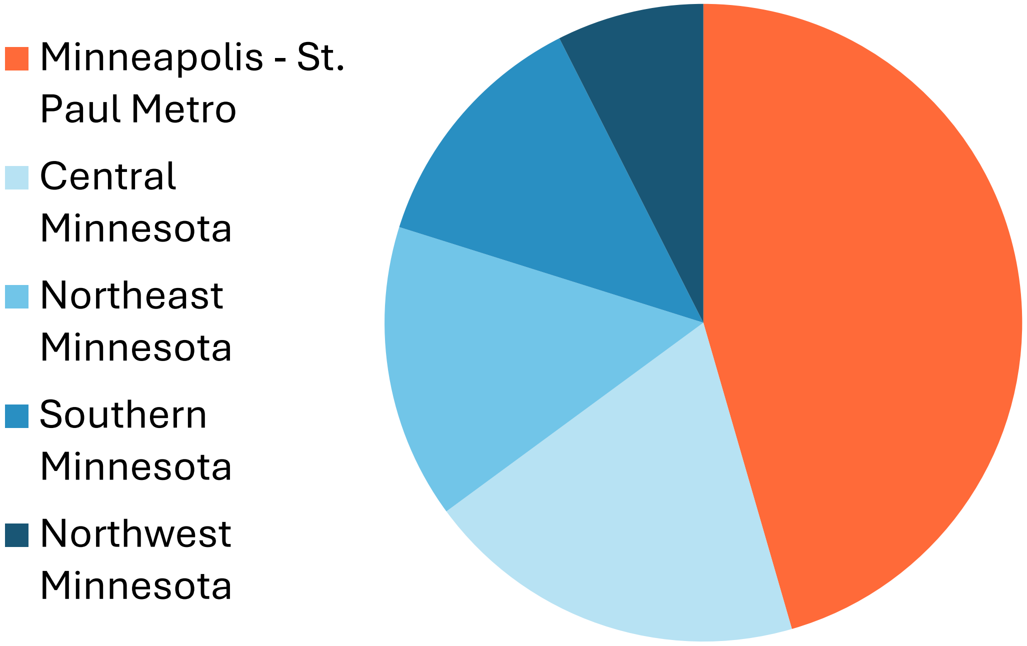
SURVEY SAMPLE

- Total sample: **135 responses** from Hospitality Minnesota members
- Small sample, interpret results cautiously. Do not generalize to entire sector

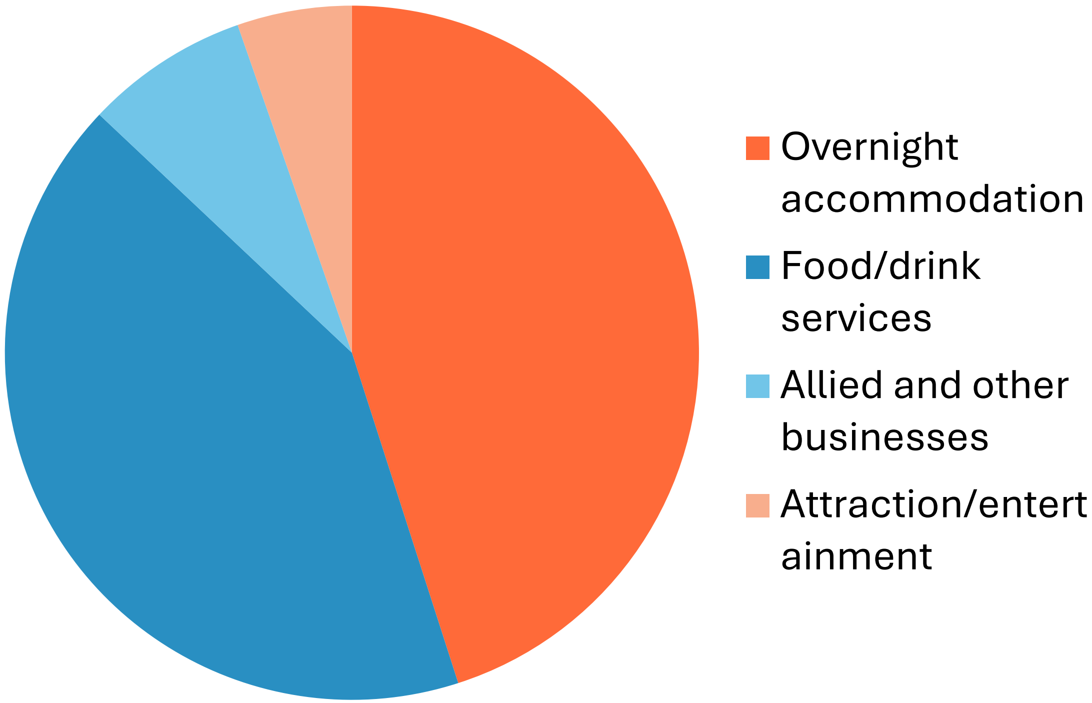
Share of responses by region

(46% Metro, 54% Greater MN)



Share of responses by firm type

(42% Food/drink, 45% Accommodation)



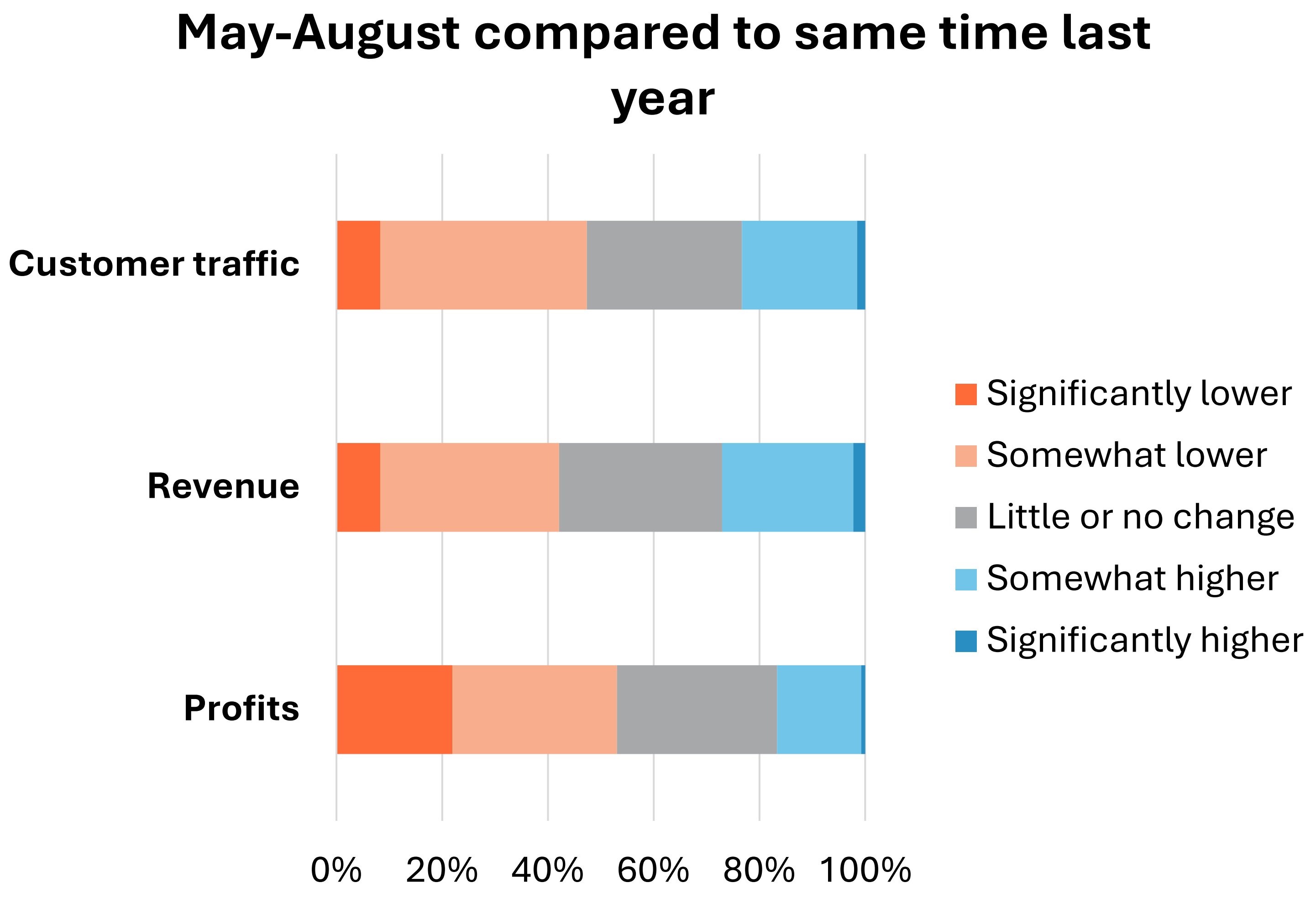
QUICK TAKEAWAYS

- Customer traffic and profits lower for many compared to last summer
- Biggest challenges: Inflation & wages
- Many hiring to replace turnover; few reducing headcount
- Overall financial health is more positive than May
- Outlook has declined; net negative
- Important: Q&A will give Hospitality MN opportunity to offer additional views and insights

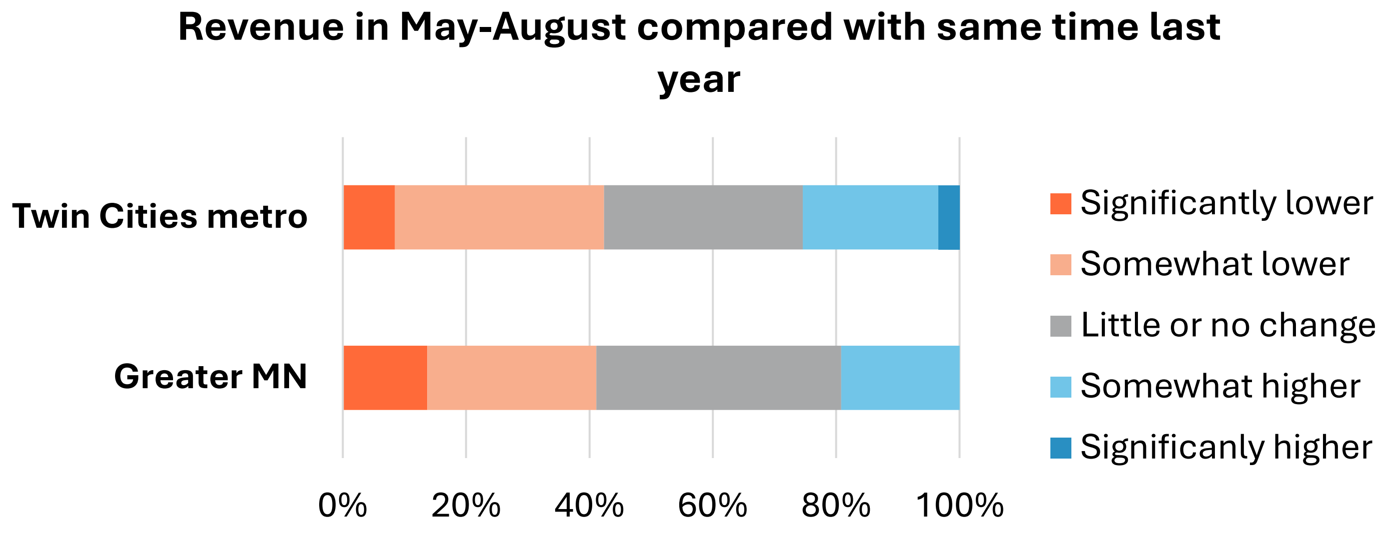
RECENT REVENUE TRENDS

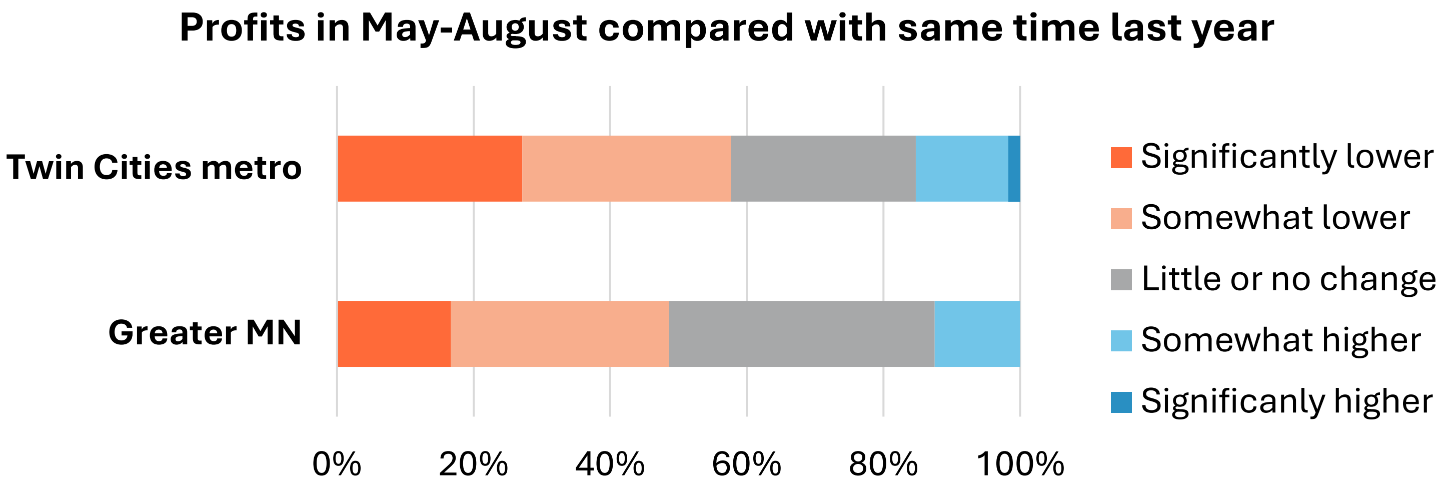
RECENT REVENUE AND PROFIT

- Declines across the board for businesses this summer. Profits took the greatest hit
- Revenue slightly less impacted, some say because they've raised prices on customers



REVENUES AND PROFITS, BY LOCATION

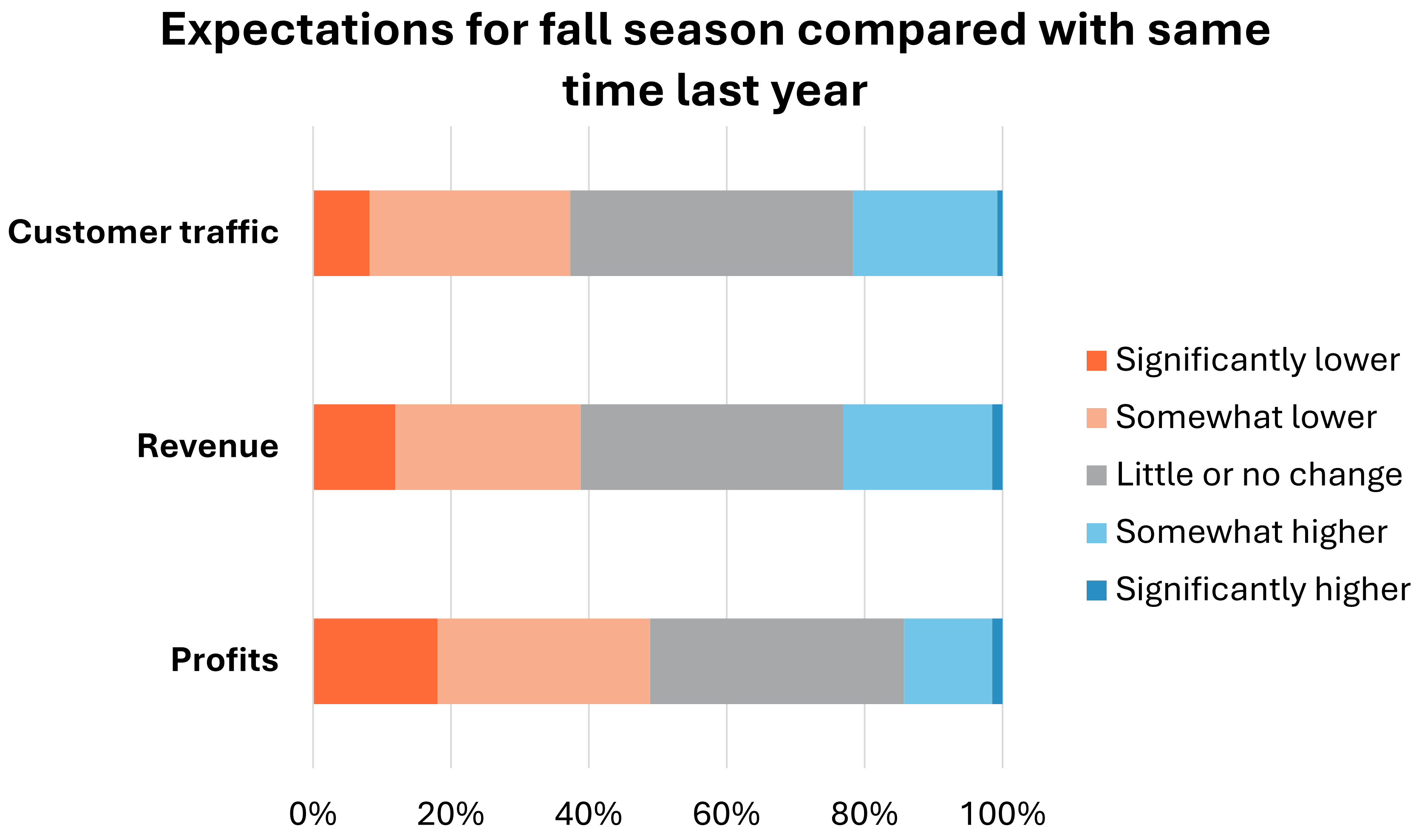




- **Differences are _small_**
- **Twin Cities metro has slightly better revenue trend than Greater MN**
- **Greater MN seeing fewer declines in profits**

EXPECTATIONS FOR FALL SEASON

- Few respondents expect growth in the near term
- Especially low expectations for profits



CHALLENGES

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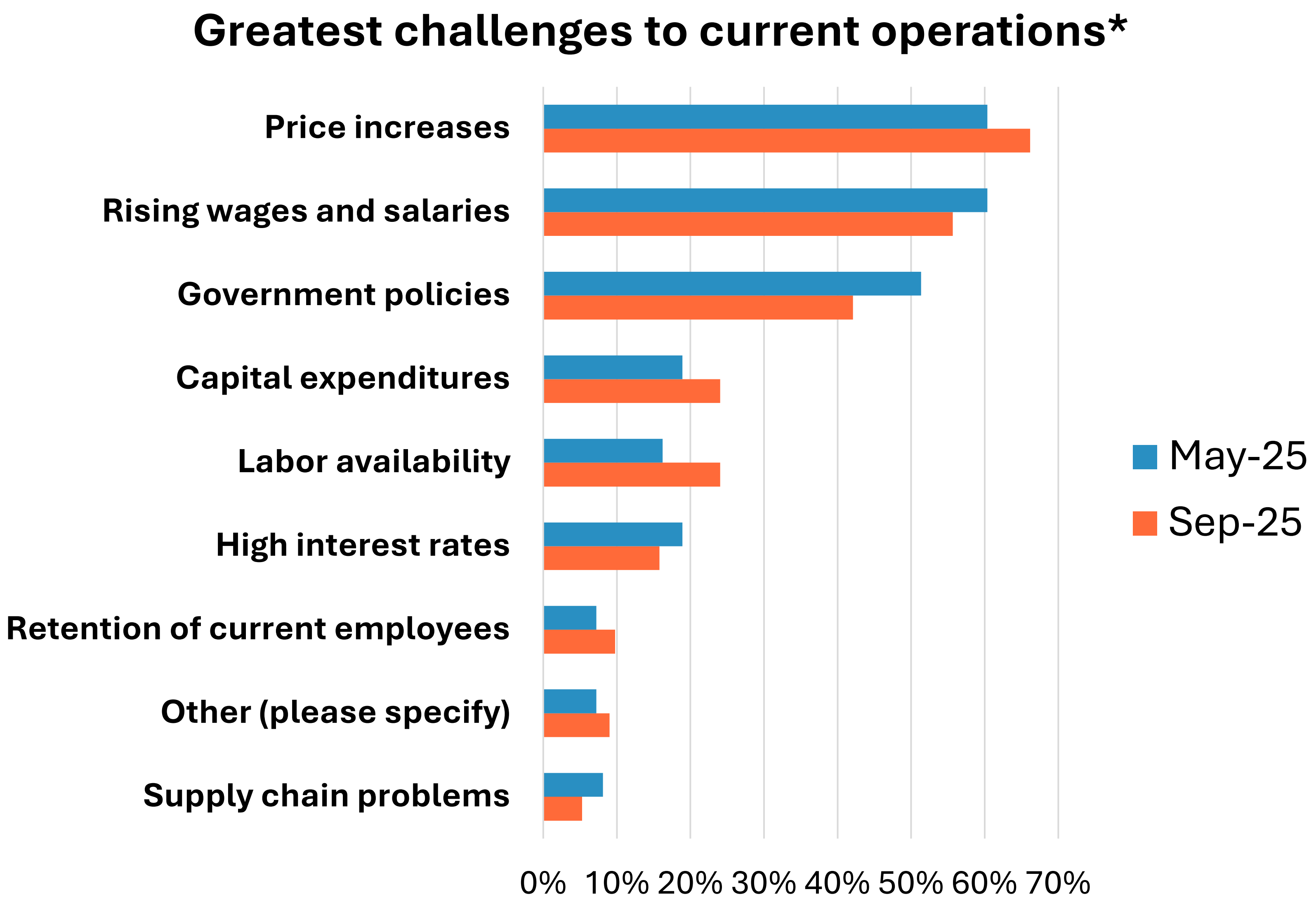
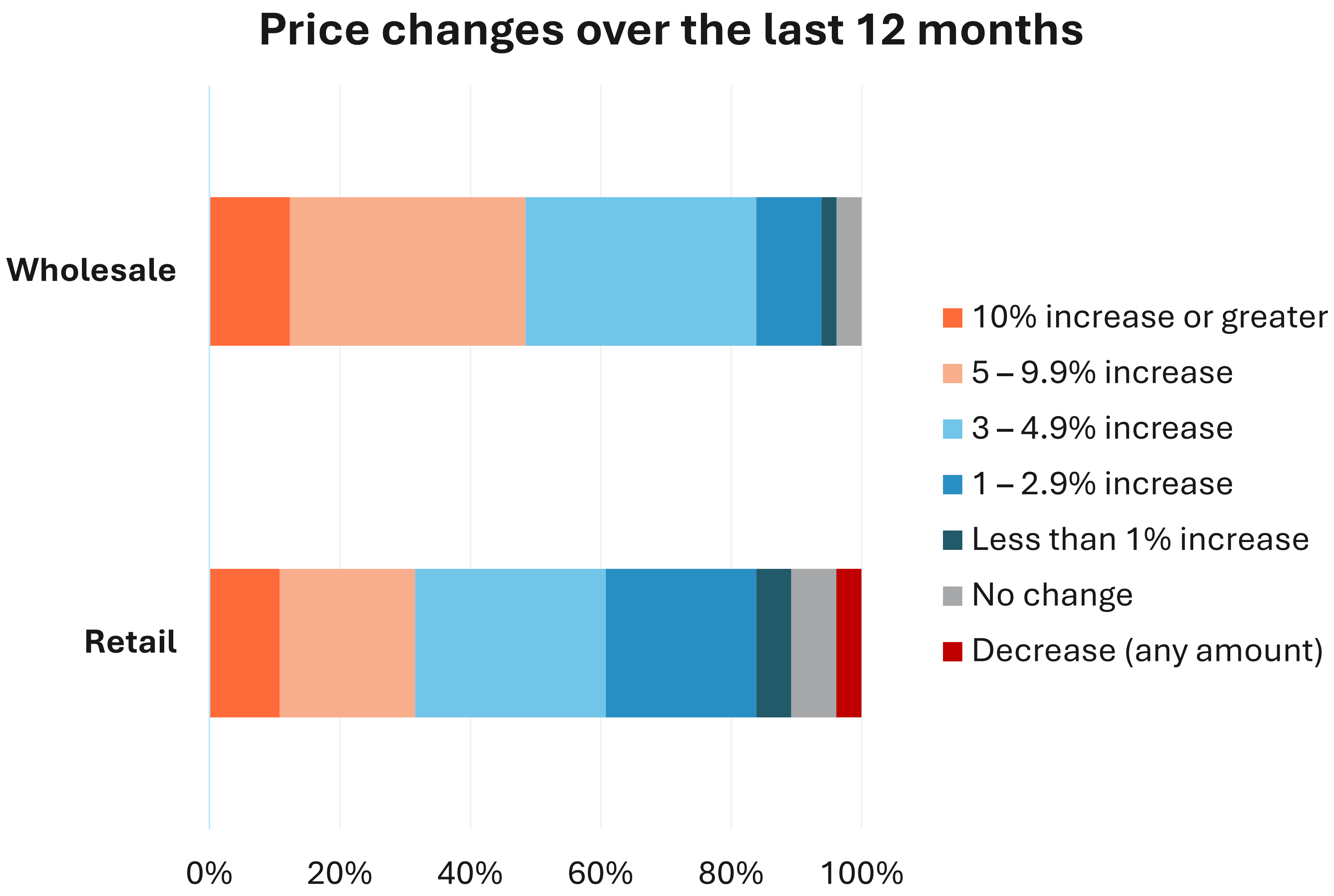


- Price inflation remains greatest challenge, increased from May 2025
- Wage increases still a struggle
- "Govt policies" shrunk slightly from May

* Respondents were told to only pick two challenges

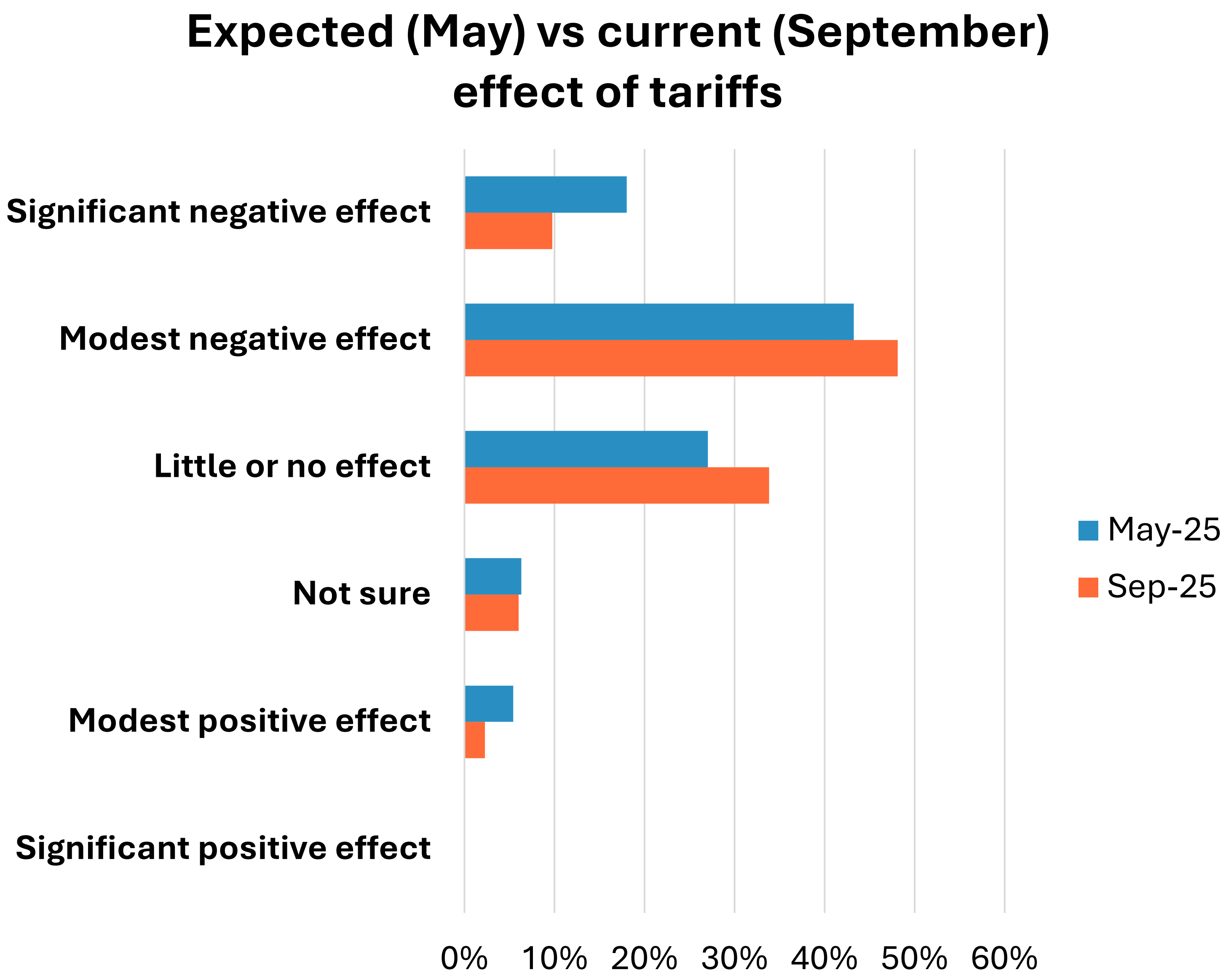
PRICE INFLATION

- Wholesale prices increasing more than retail
- Businesses reluctant to pass on to customers



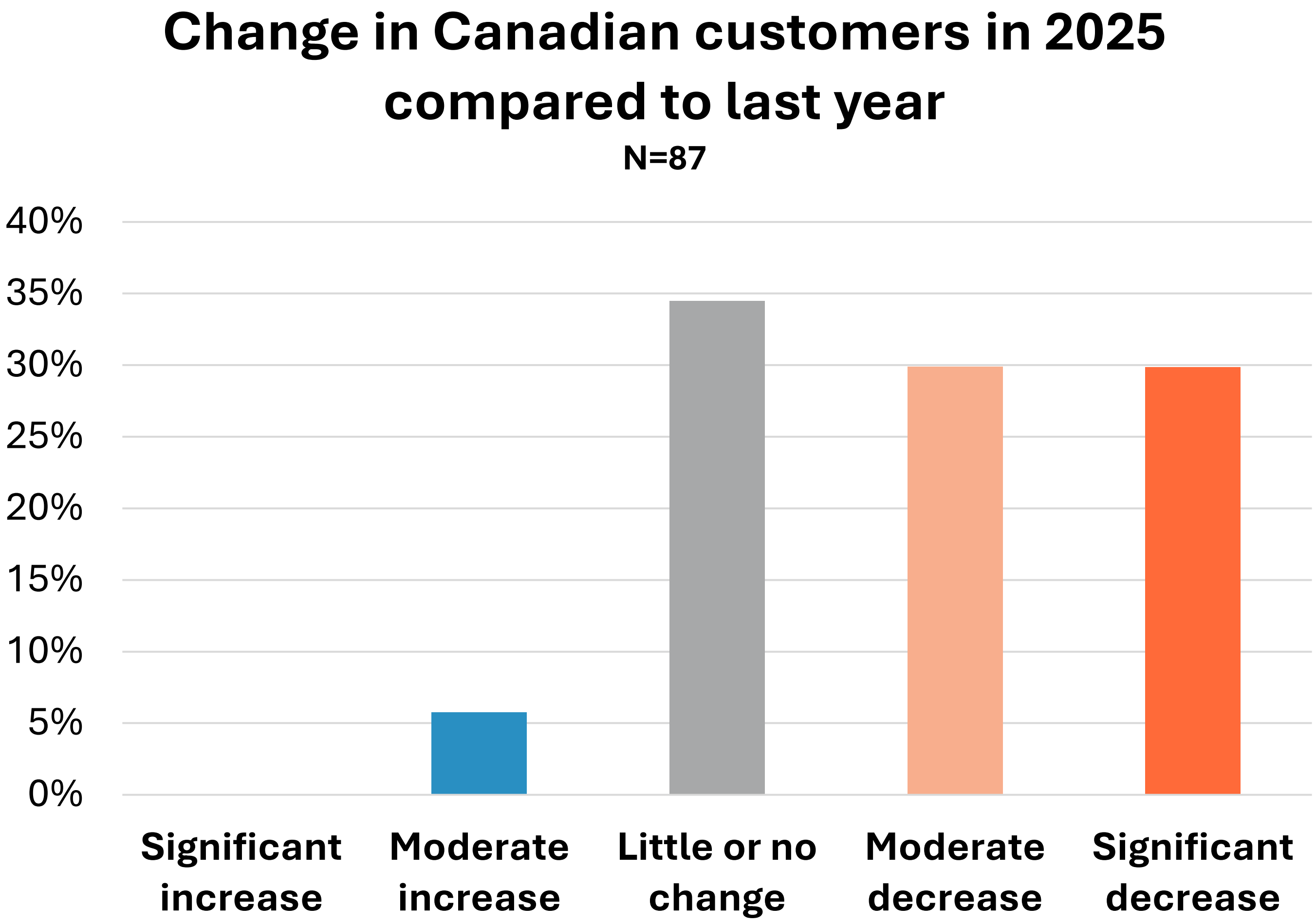
TARIFF IMPACT

- **58% experienced some negative effects from tariffs, mostly modest**
- **Slightly less negative than May expectations**



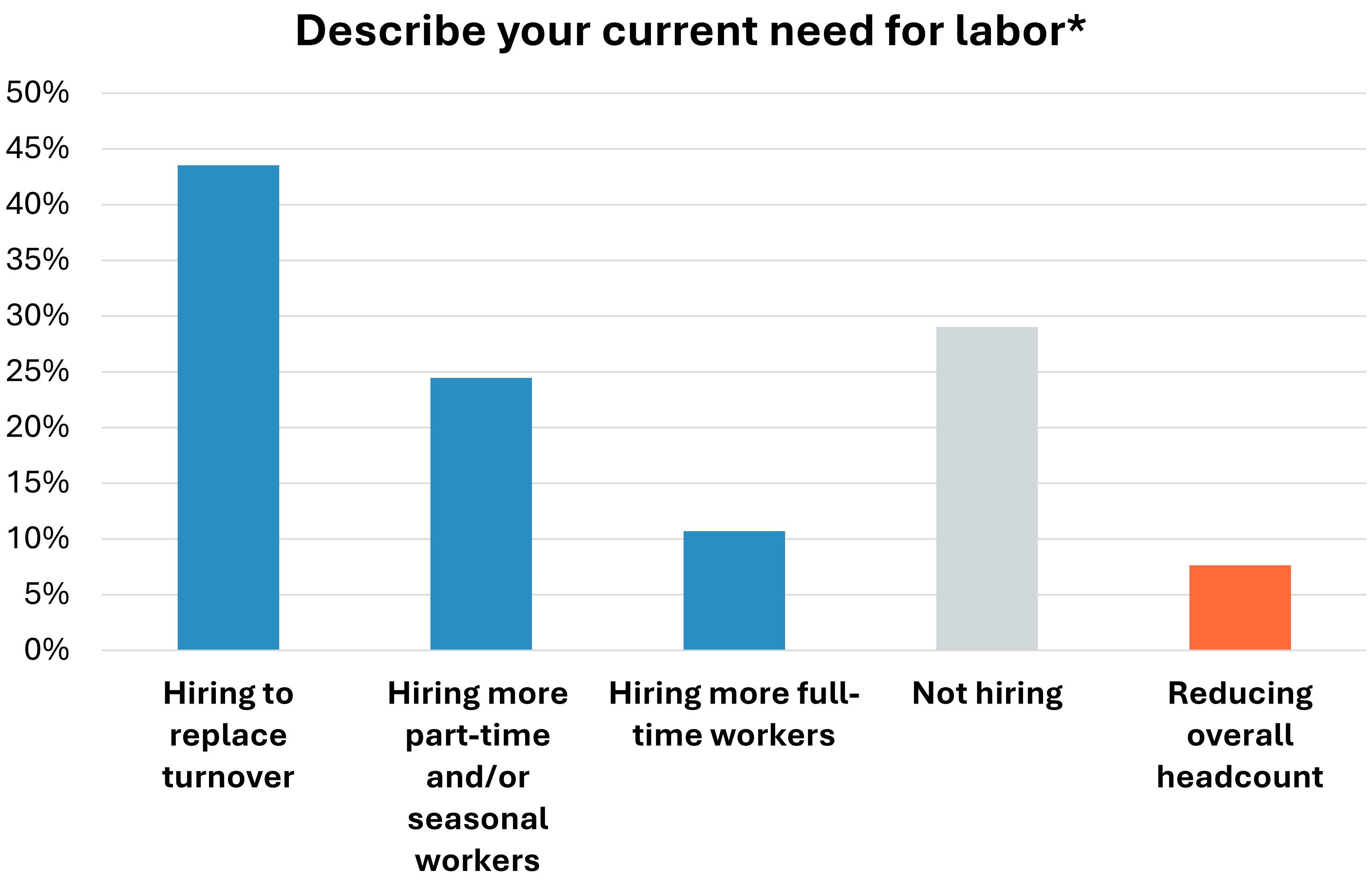
CANADIAN TOURISM DECLINES

- 60 percent of respondents who saw some change reported a decline
- Only 16 percent of all respondents said that these customers were very important to their business



WORKFORCE & WAGE TRENDS

CURRENT HIRING

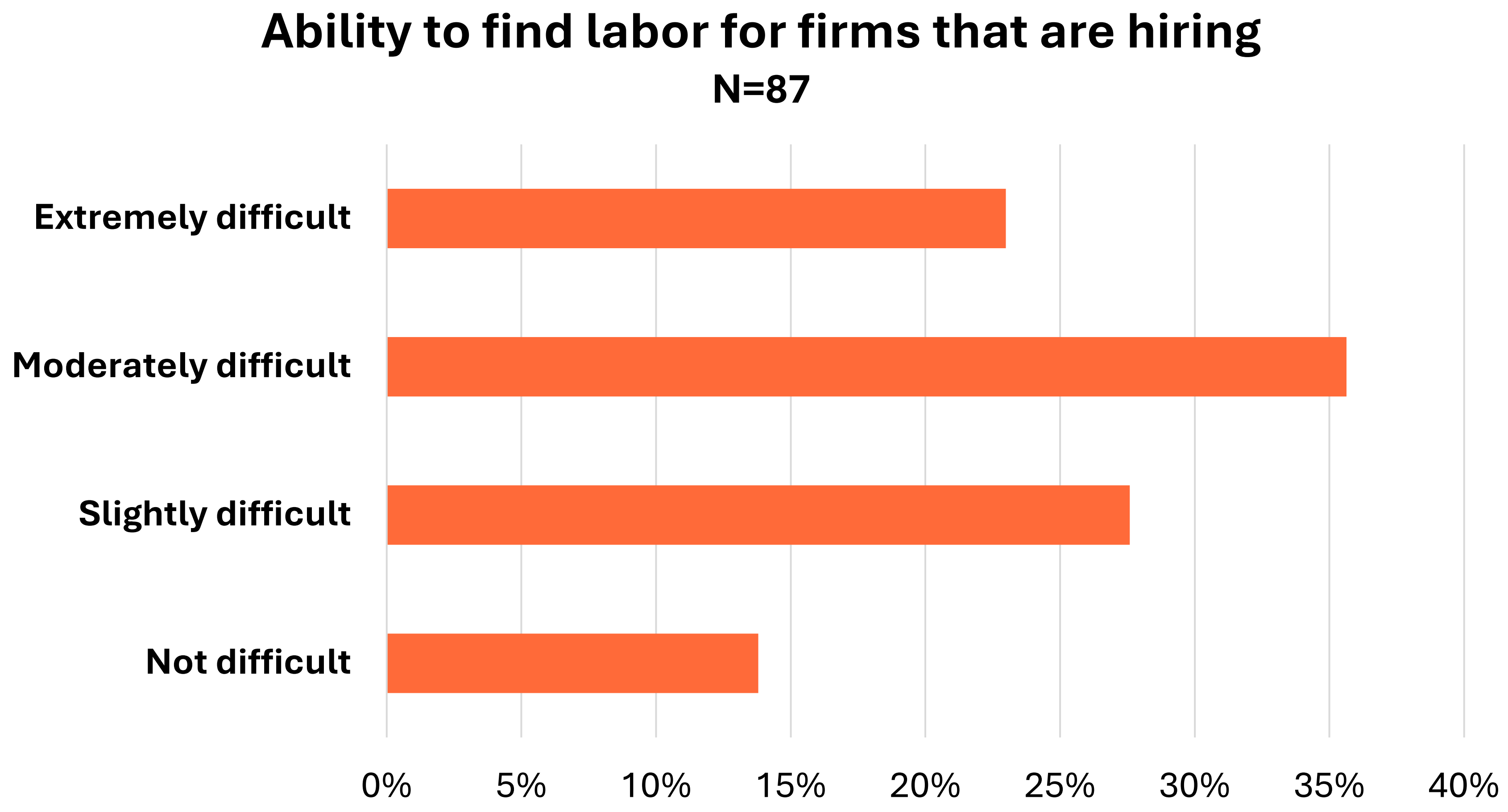


- Most hiring to fill turnover or hiring seasonal staff
- Very few hiring more full-time staff
- Roughly 30% not hiring, but only 8% reducing headcount

* Respondents could select all that apply

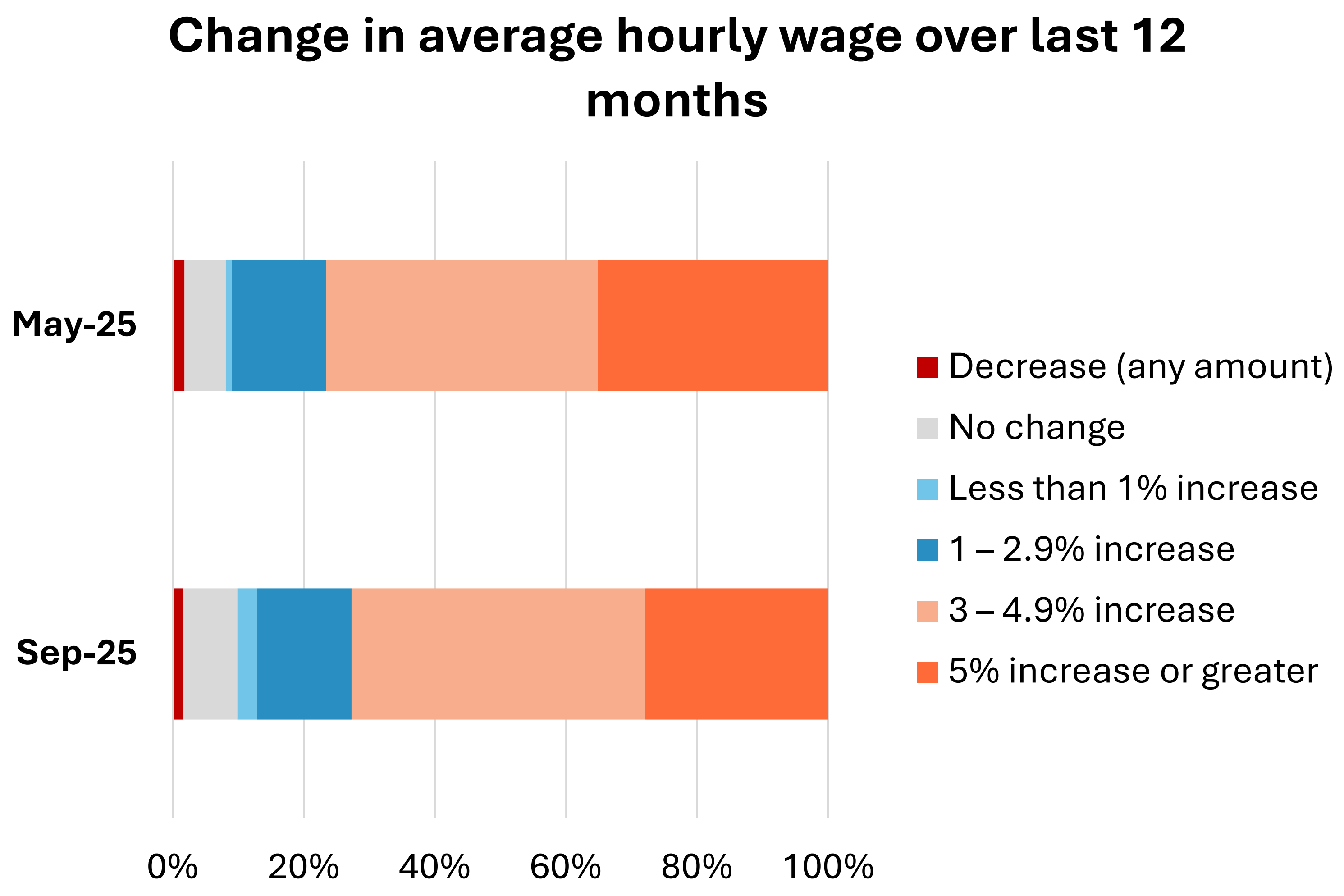
CHALLENGES – LABOR AVAILABILITY

- Most hiring firms found hiring to be more slightly to moderately difficult than extremely difficult



WAGES RISING

- Respondents are indicating strong wage growth over the year
- Appears to be very slight moderation in summer compared to spring

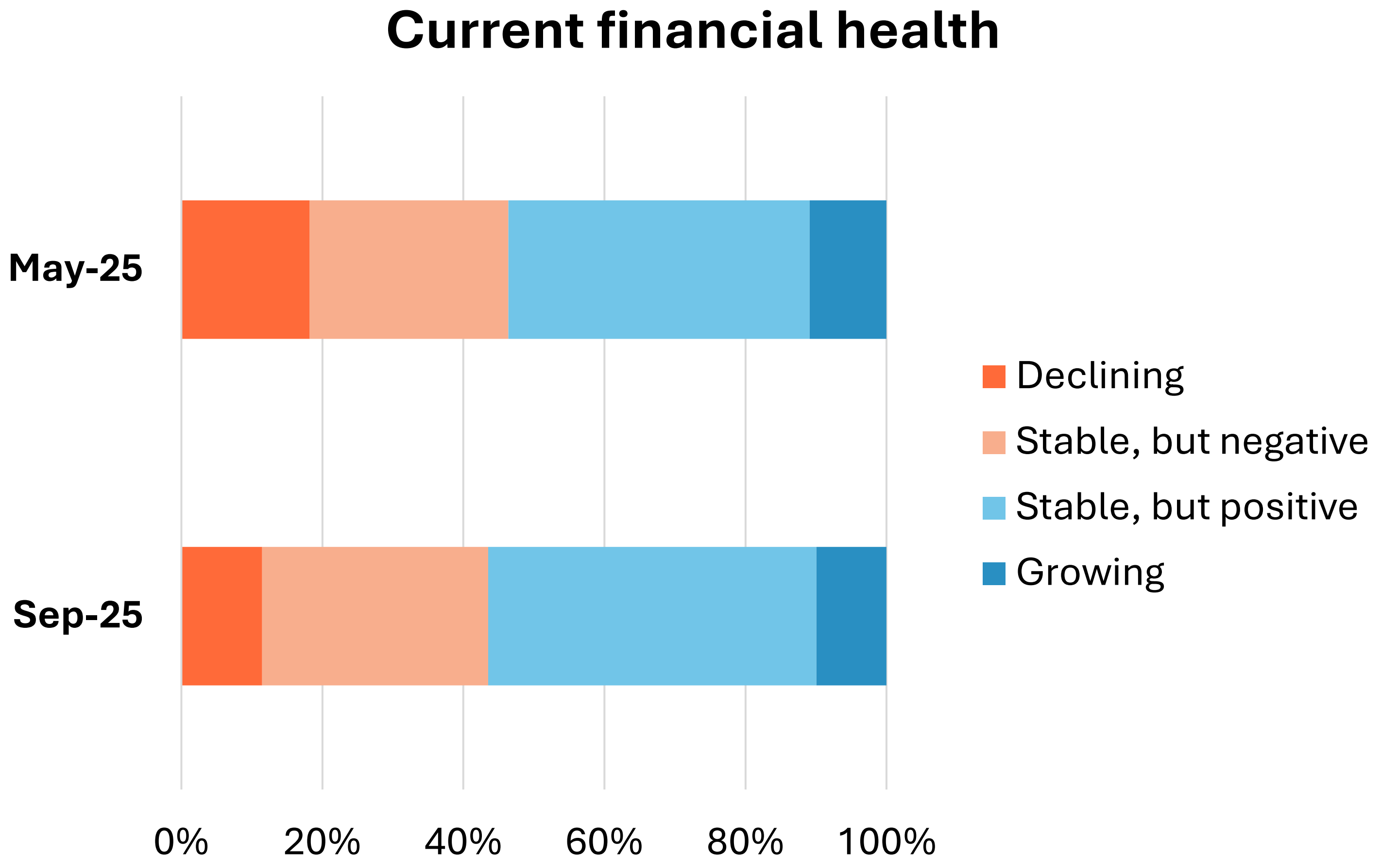


FINANCIAL HEALTH & OUTLOOK

FINANCIAL HEALTH

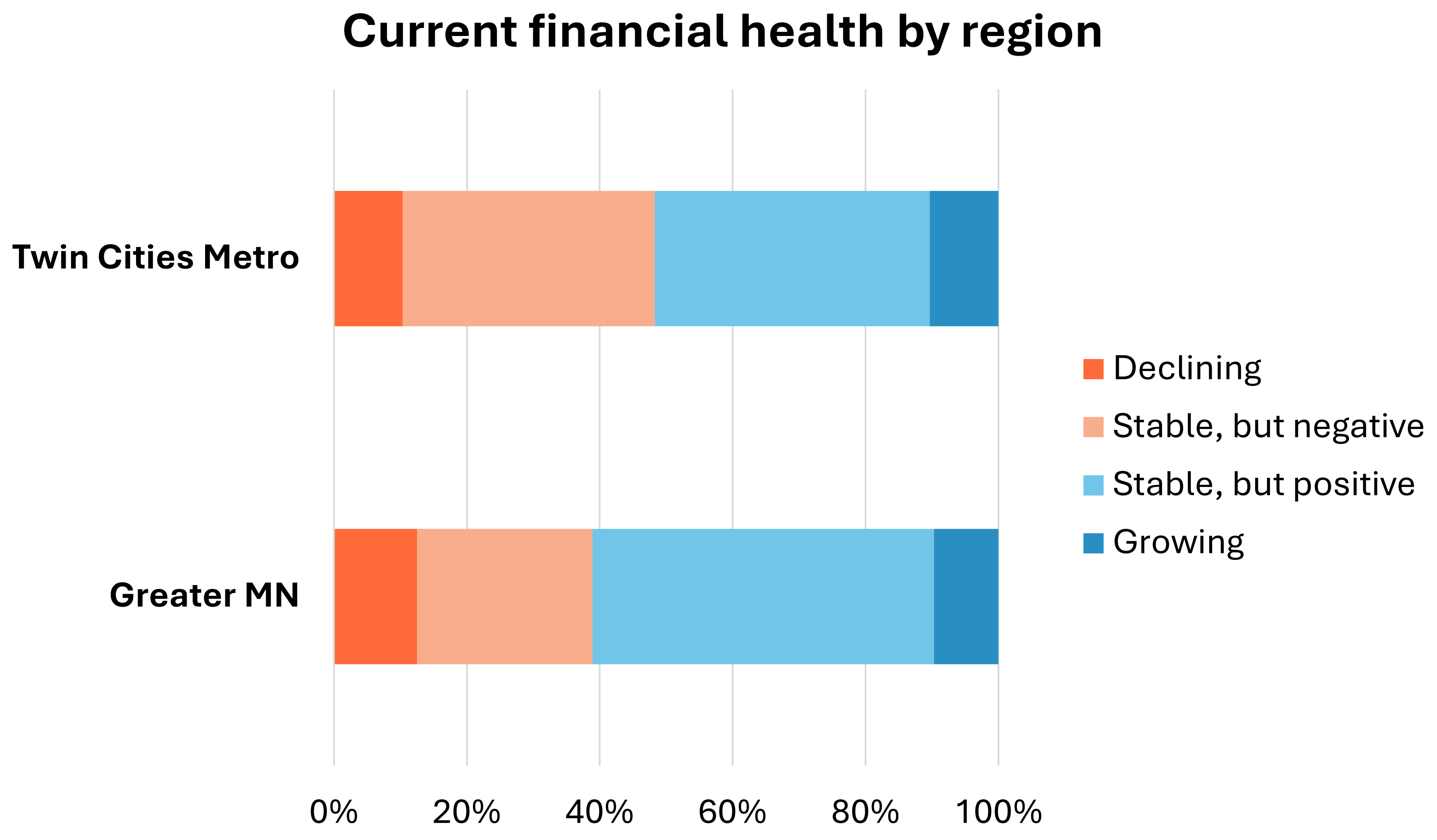
- Little change in financial health since May

- Despite challenges, most firms still healthy



FINANCIAL HEALTH – BY REGION

- Greater Minnesota businesses reported better financial health than metro businesses overall
- Similar shares report declining/growing financial health



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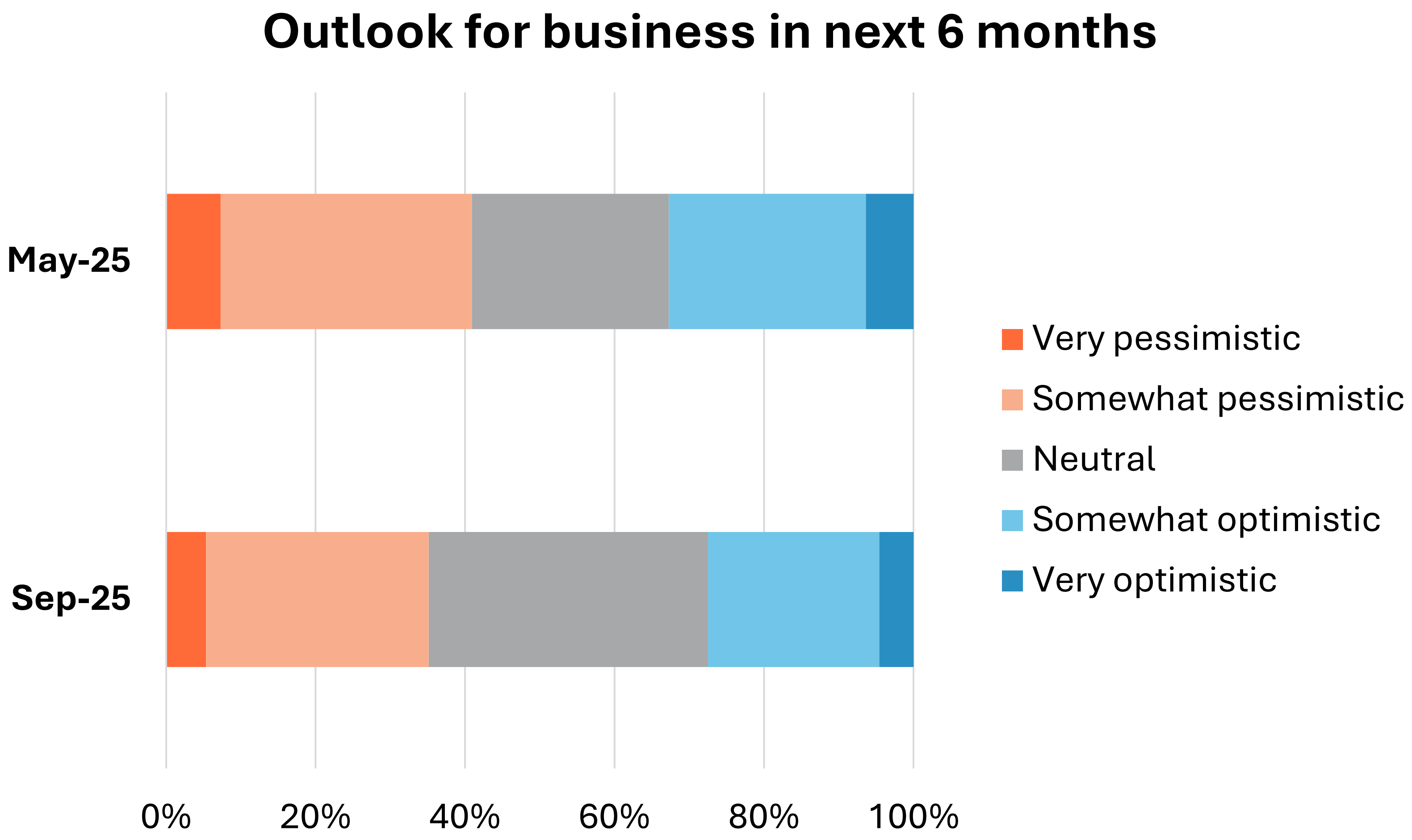
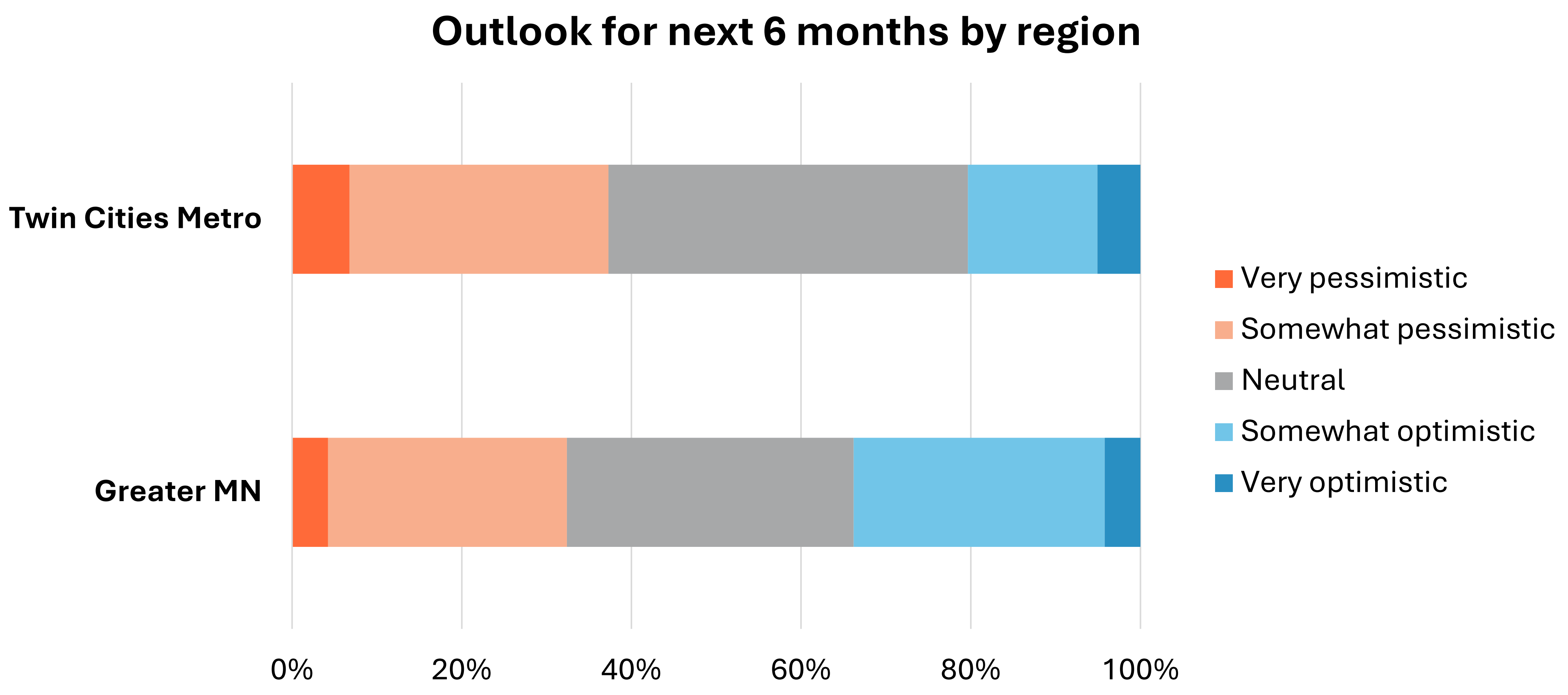
OUTLOOK

- Outlook is more neutral through the end of the year than it was in the spring
- Still a higher share with a negative outlook than a positive one



OUTLOOK, BY REGION



RECAP

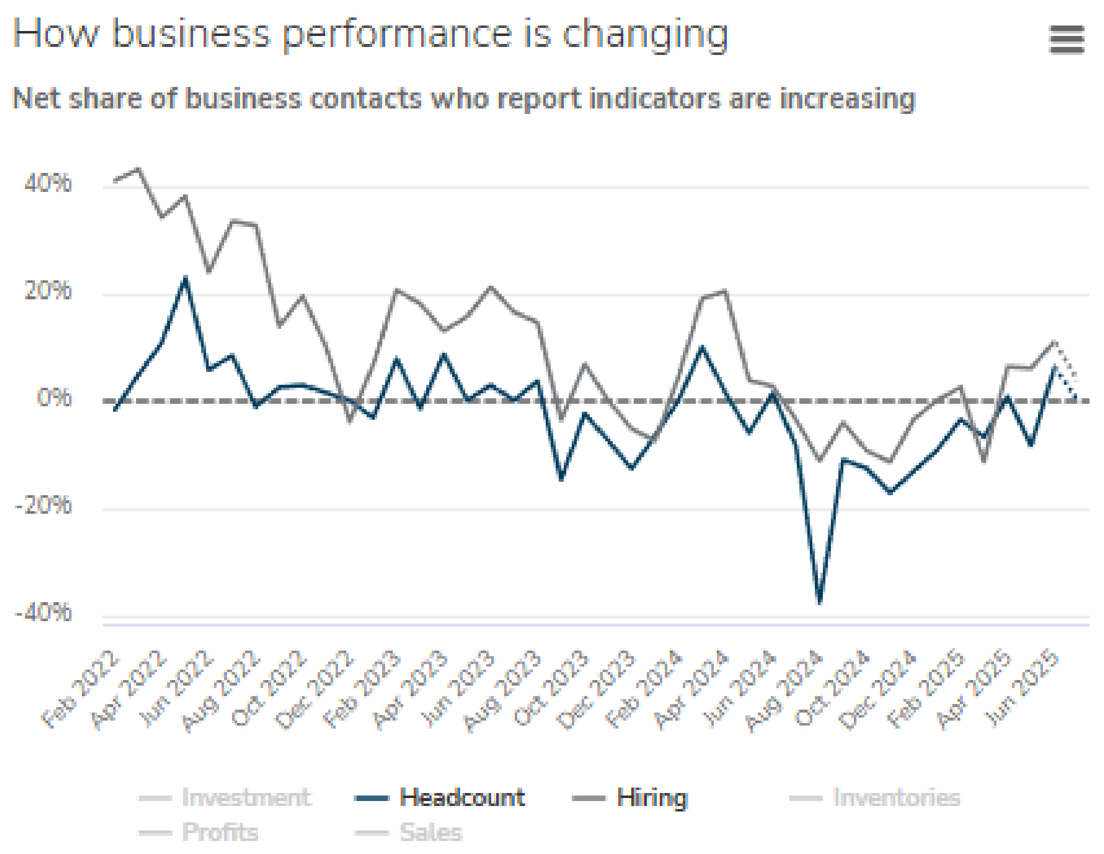
- Growth has slowed
- No region seeing wildly different results; Greater MN slightly better
- Hiring has turned to replacing turnover; fewer hiring full-time workers, but few cuts
- Overall financial health was positive
- Outlook: Cautious for next six months

MINNEAPOLIS FED'S BUSINESS PULSE SURVEY

Tell us your company's story!

Sign-up using the QR code or link in chat

Business Pulse Survey (monthly)



NEXT:

Q&A WITH ANGIE WITCOMB

SUBMIT QUESTIONS VIA THE CHAT BOX

Angie Whitcomb
CEO and President
Hospitality Minnesota