

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

SURVEY SAMPLE

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

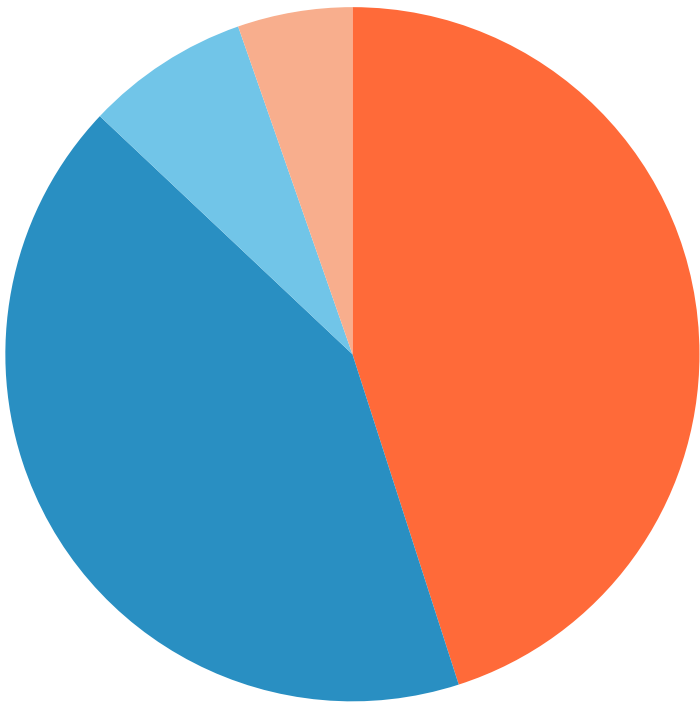
Share of responses by region
(46% Metro, 54% Greater MN)

- Minneapolis - St. Paul Metro
- Central Minnesota
- Northeast Minnesota
- Southern Minnesota
- Northwest Minnesota



Share of responses by firm type
(42% Food/drink, 45% Accommodation)

- Overnight accommodation
- Food/drink services
- Allied and other businesses
- Attraction/entertainment





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



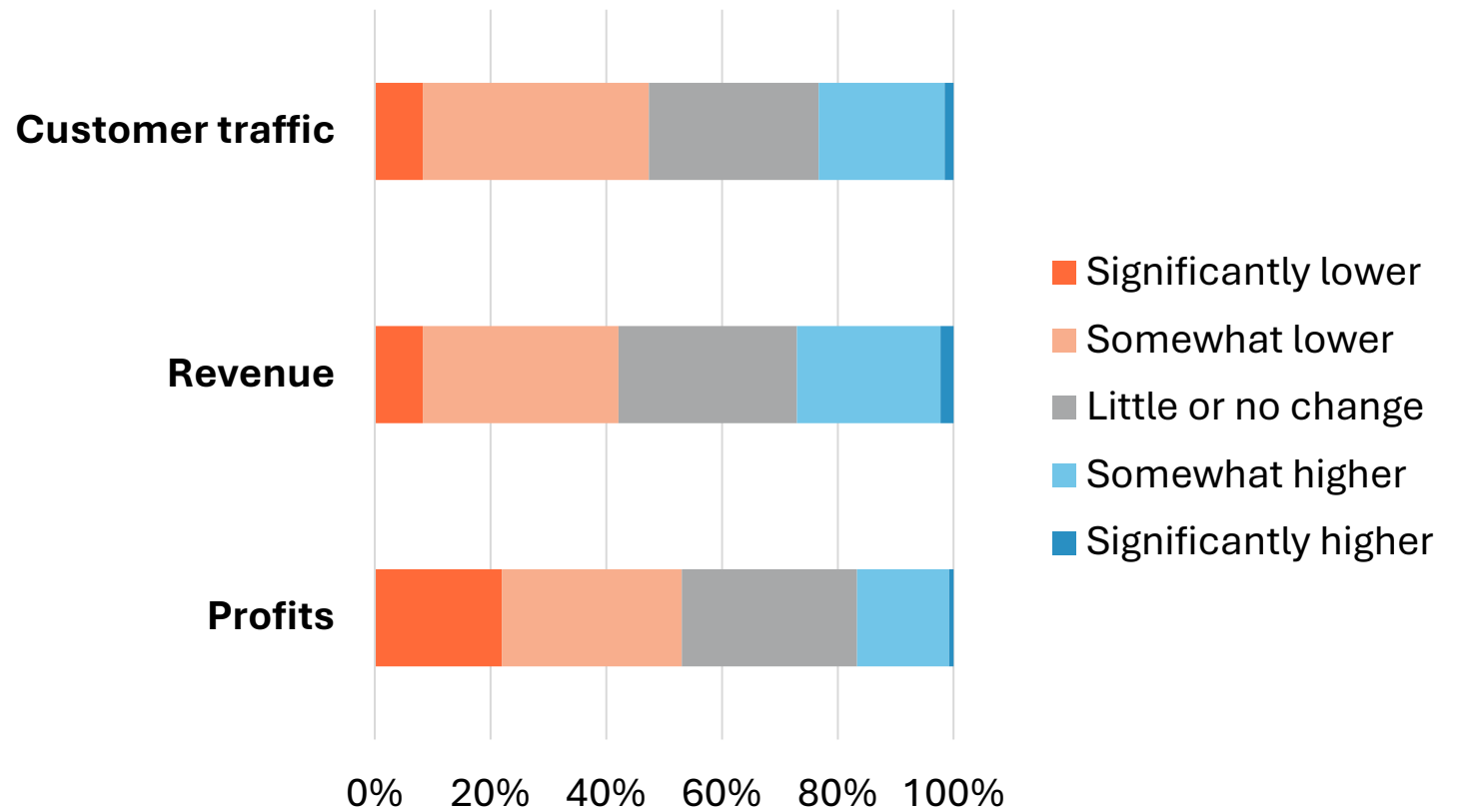


RECENT REVENUE TRENDS

RECENT REVENUE AND PROFIT

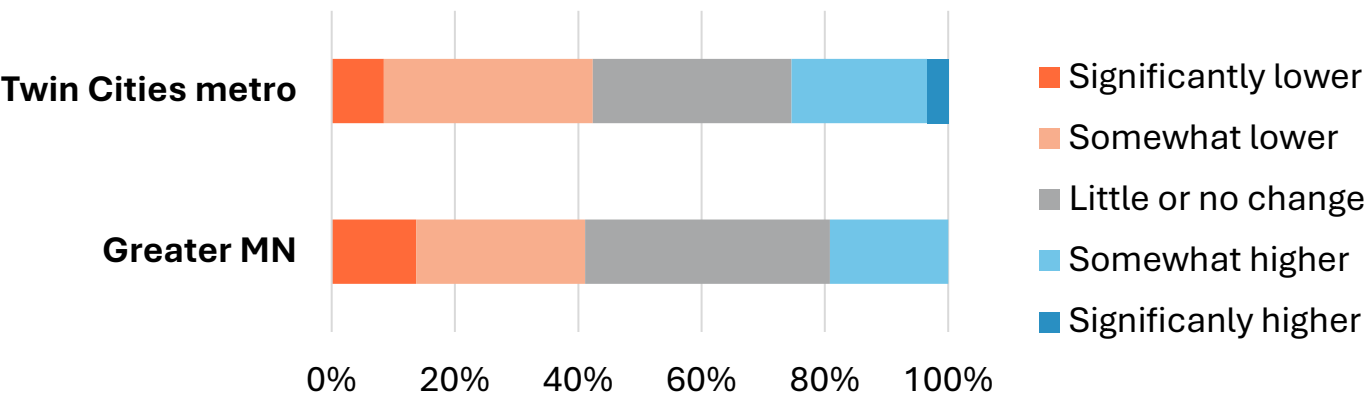
- Declines across the board for businesses this summer. Profits took the greatest hit
- Revenue slightly less impacted, some say because they've raised prices on customers

May-August compared to same time last year



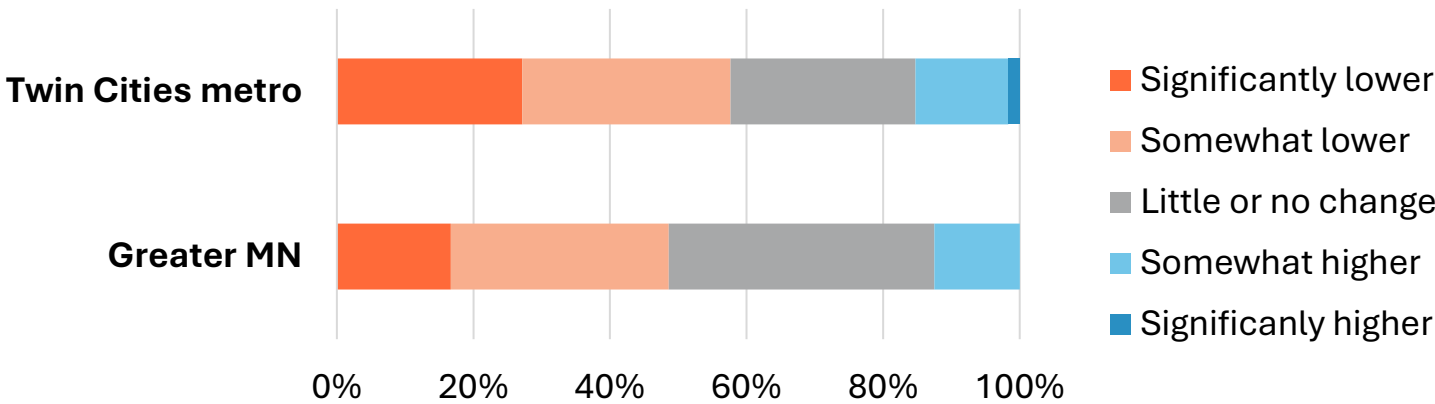
REVENUES AND PROFITS, BY LOCATION

Revenue in May-August compared with same time last year



- Differences are small
- Twin Cities metro has slightly better revenue trend than Greater MN

Profits in May-August compared with same time last year

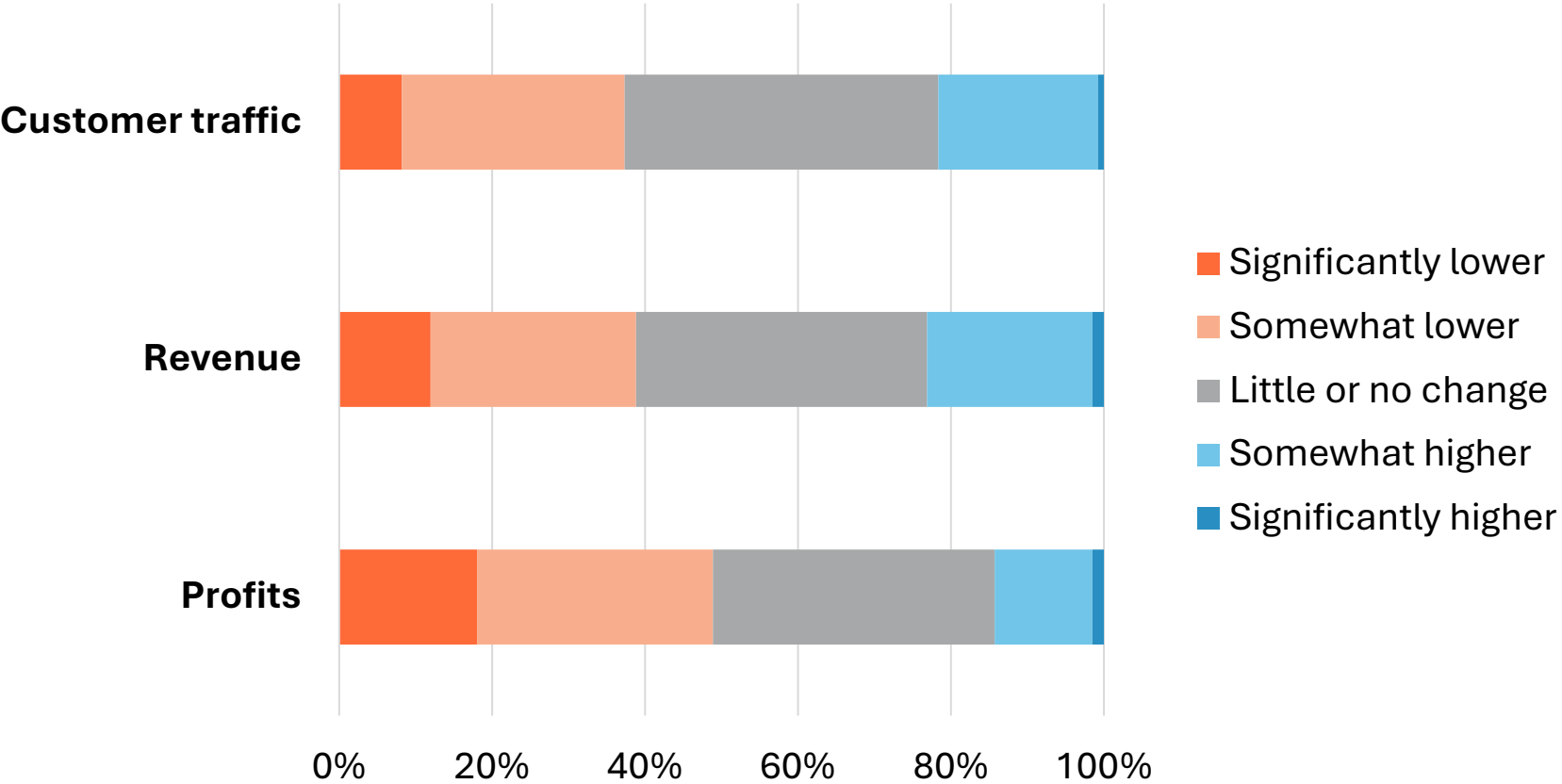


- Greater MN seeing fewer declines in profits

EXPECTATIONS FOR FALL SEASON

Expectations for fall season compared with same time last year

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

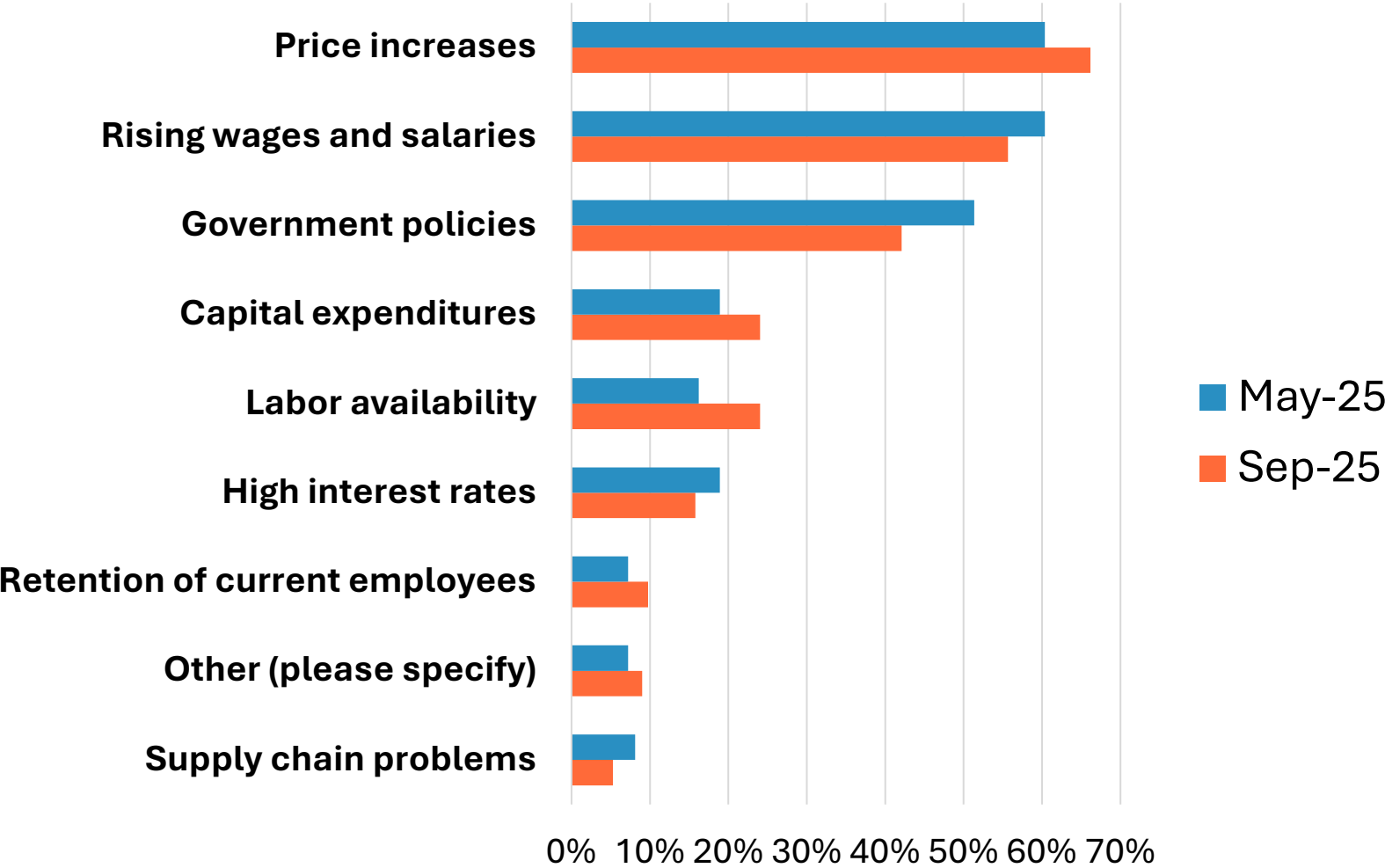




CHALLENGES

CHALLENGES

Greatest challenges to current operations*



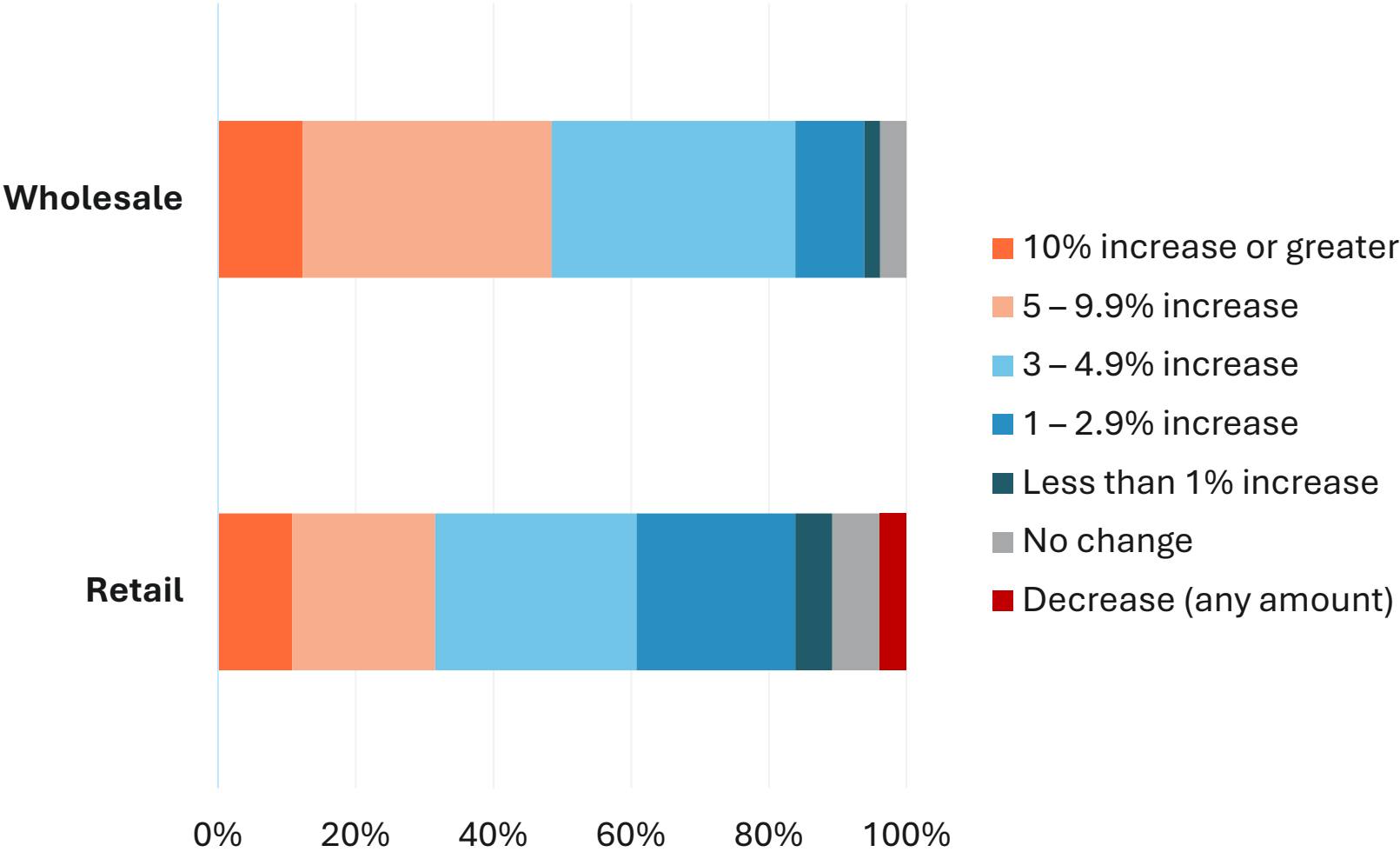
- Price inflation remains greatest challenge, increased from May 2025
- Wage increases still a struggle
- “Govt policies” shrunk slightly from May

* Respondents were told to only pick two challenges

PRICE INFLATION

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

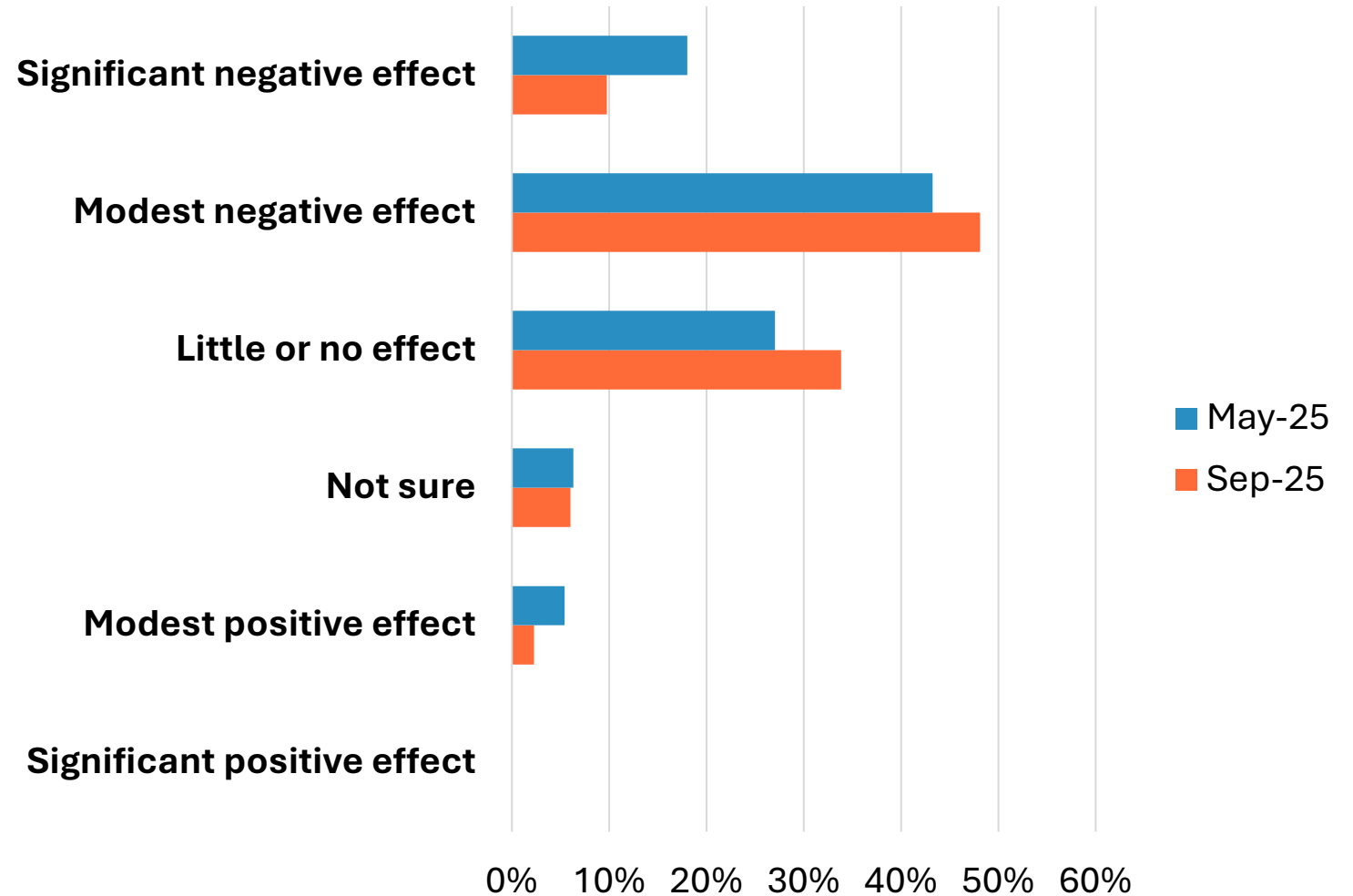
Price changes over the last 12 months



TARIFF IMPACT

Expected (May) vs current (September) effect of tariffs

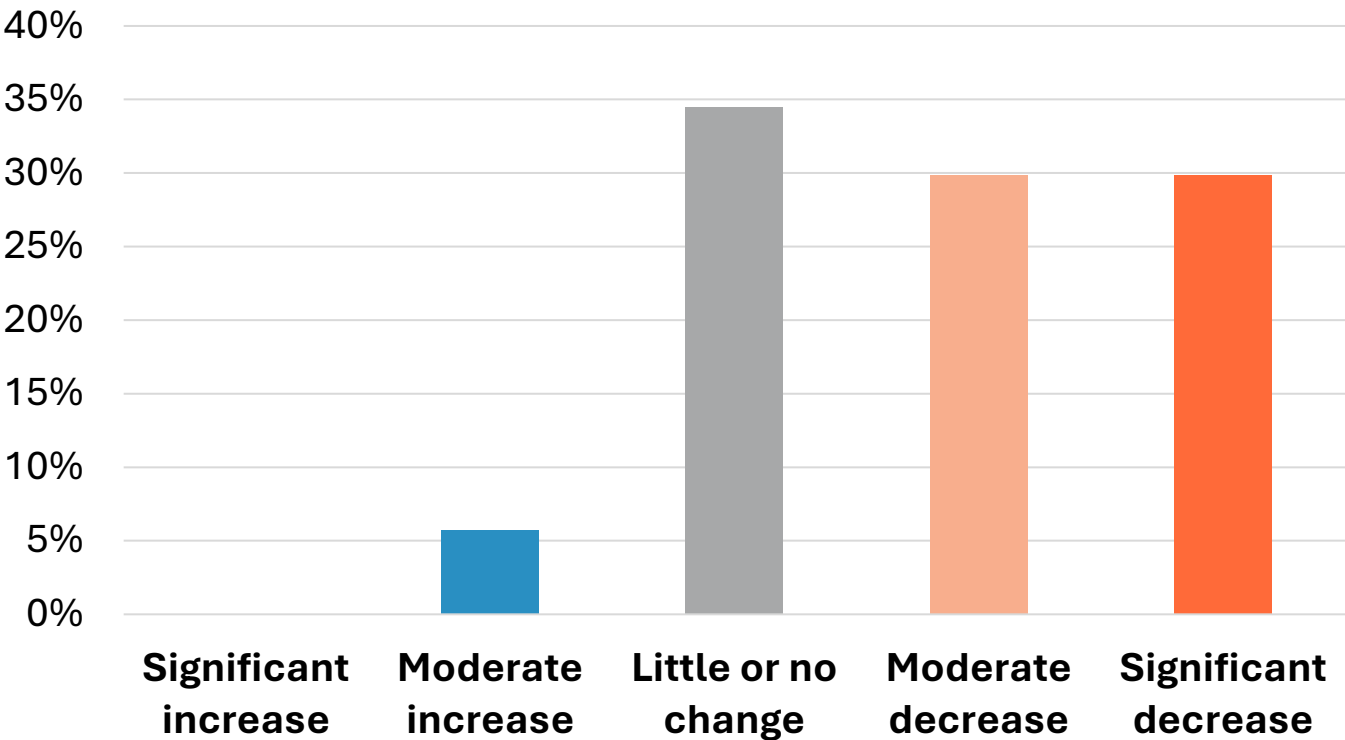
- 58% experienced some negative effects from tariffs, mostly modest
- Slightly less negative than May expectations



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

**Change in Canadian customers in 2025
compared to last year**
N=87

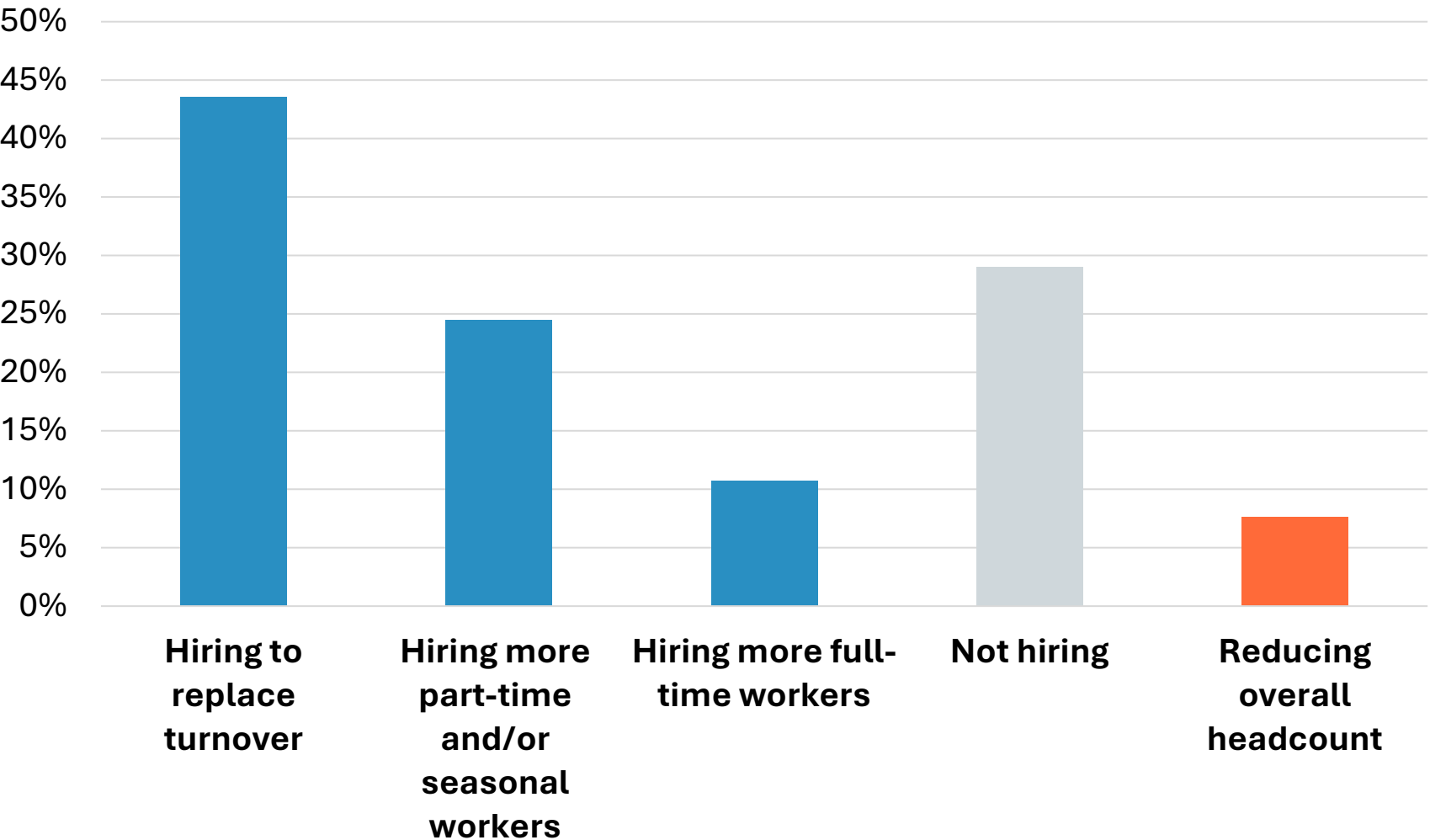


A teal background featuring a faint, stylized line-art illustration of an eagle with its wings spread. The eagle's head is turned to the left. Several five-pointed stars are scattered around the eagle, and a jagged line graph is superimposed over the eagle's body. In the top left corner, there is a small, dark blue horizontal bar.

WORKFORCE & WAGE TRENDS

CURRENT HIRING

Describe your current need for labor*

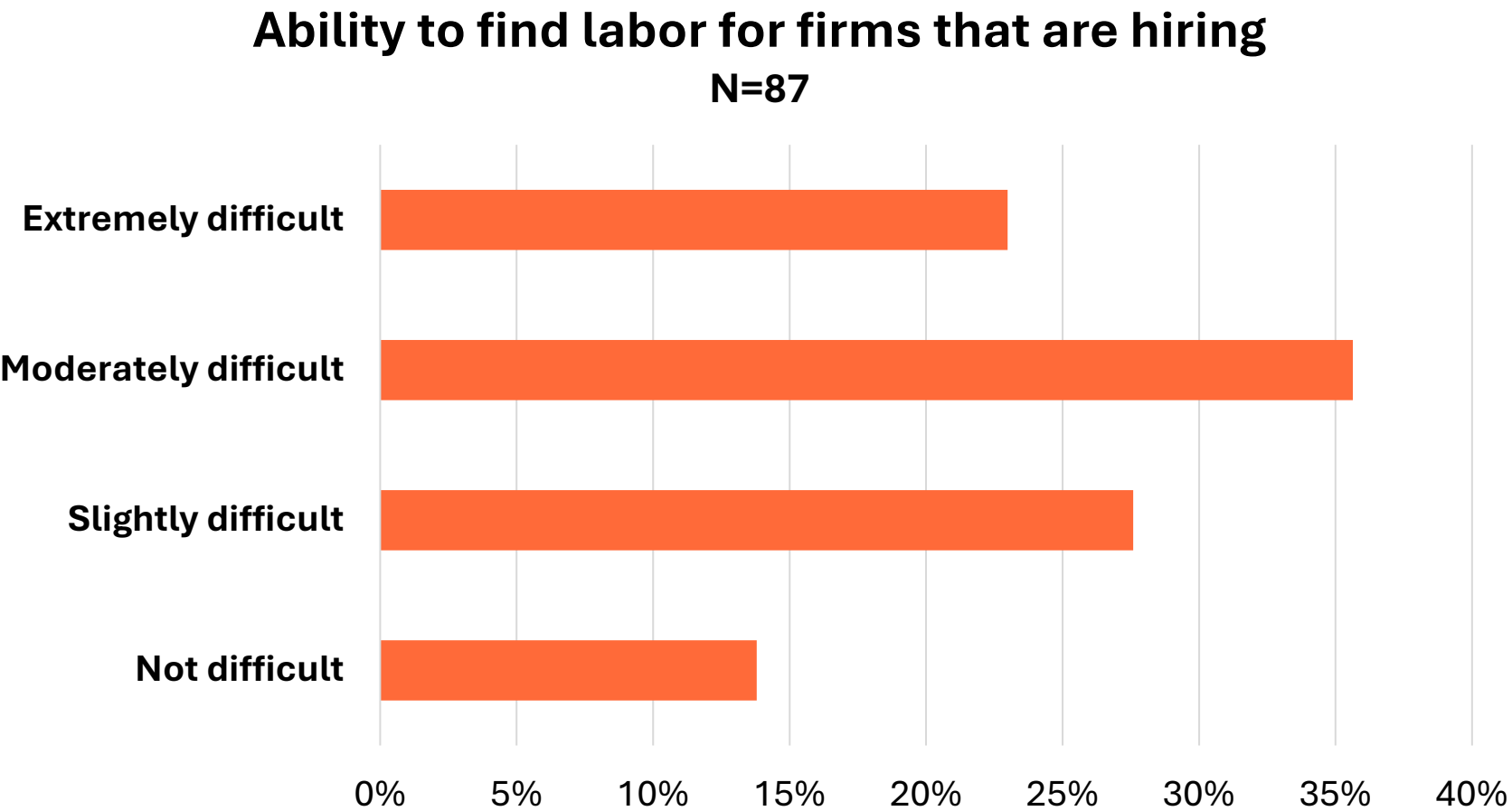


- Most hiring to fill turnover or hiring seasonal staff
- Very few hiring more full-time staff
- Roughly 30% not hiring, but only 8% reducing headcount

* Respondents could select all that apply

CHALLENGES – LABOR AVAILABILITY

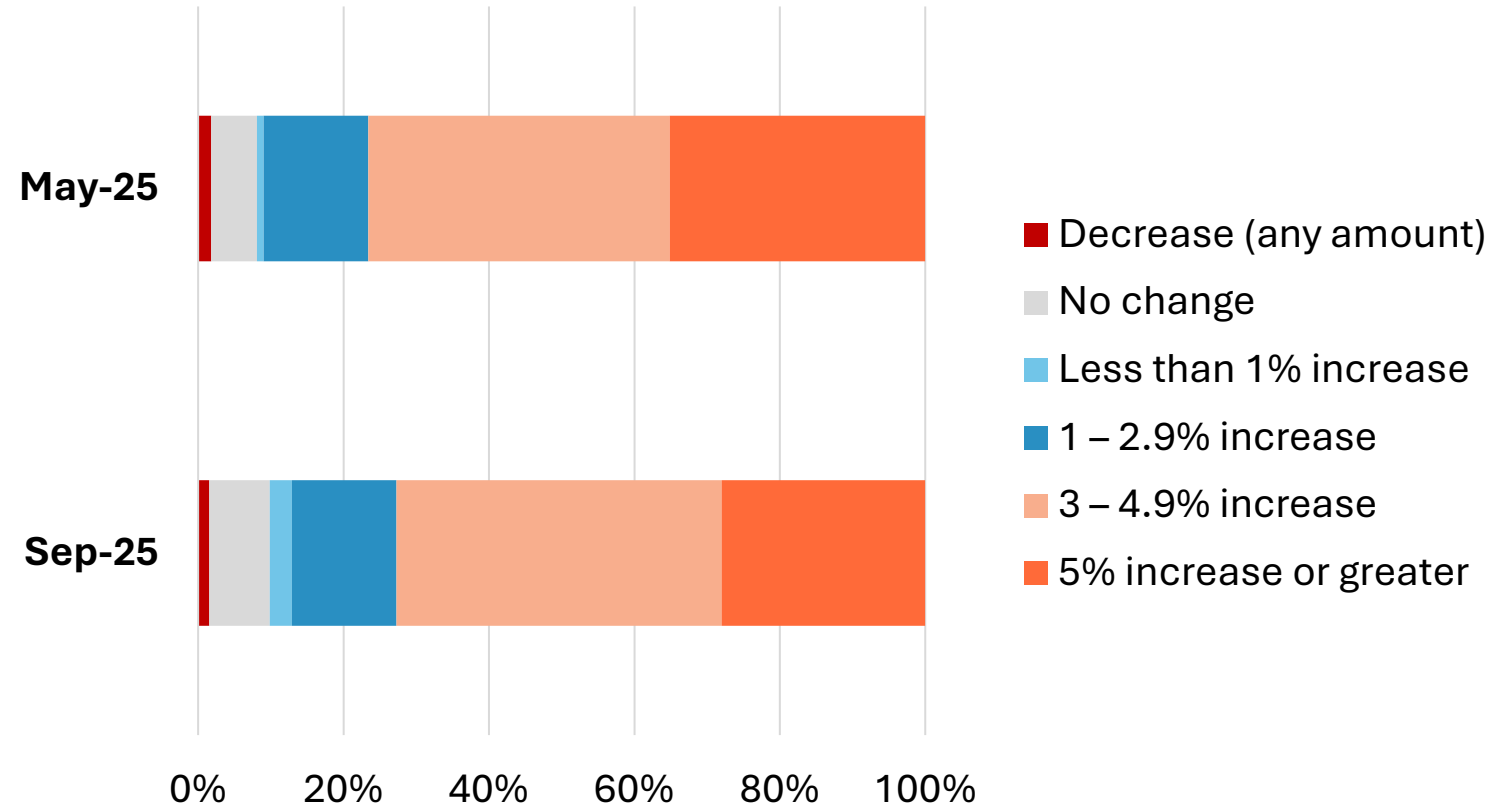
- Most hiring firms found hiring to be more slightly to moderately difficult than extremely difficult



WAGES RISING

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

Change in average hourly wage over last 12 months



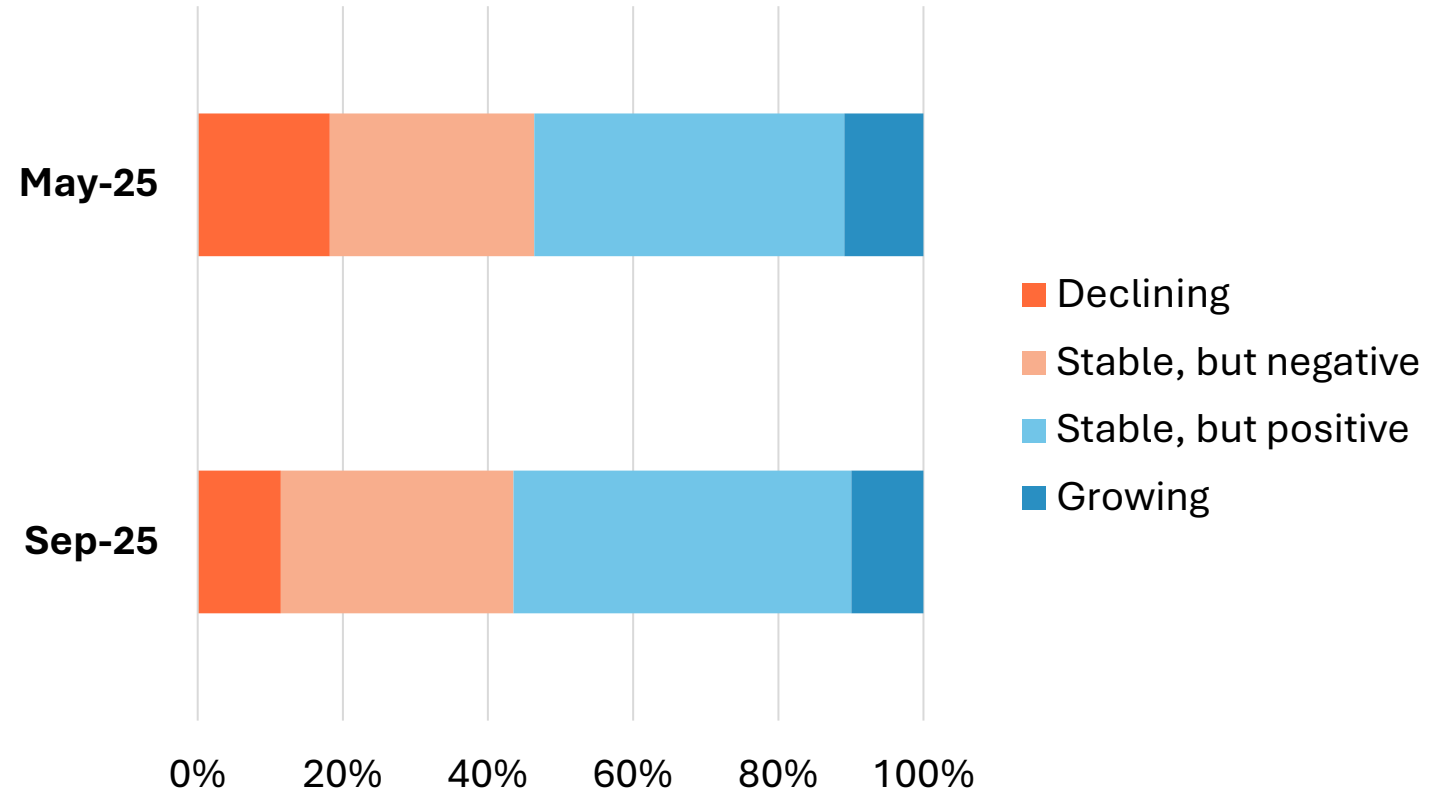


FINANCIAL HEALTH & OUTLOOK

FINANCIAL HEALTH

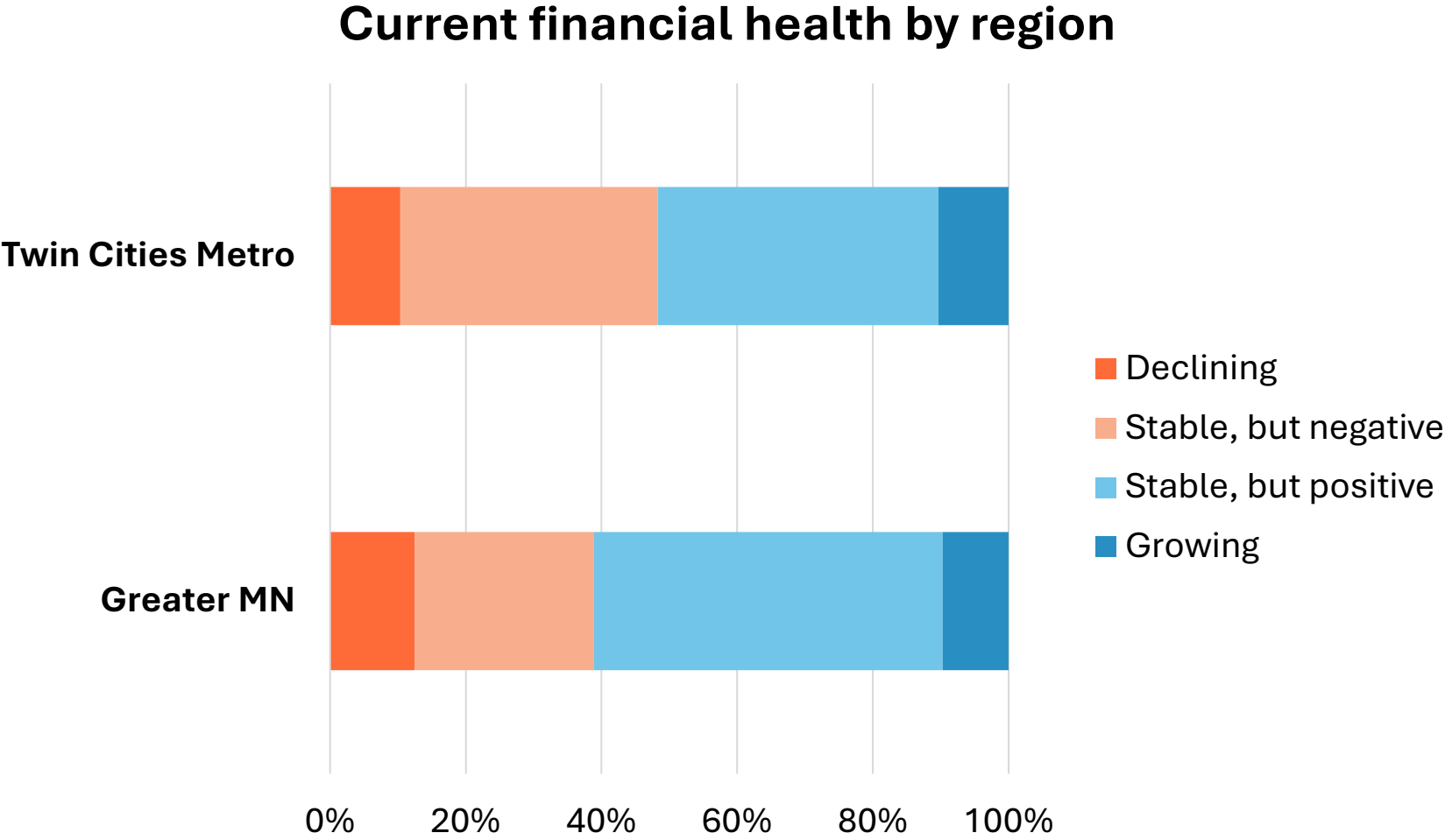
- Little change in financial health since May
- Despite challenges, most firms still healthy

Current financial health



FINANCIAL HEALTH – BY REGION

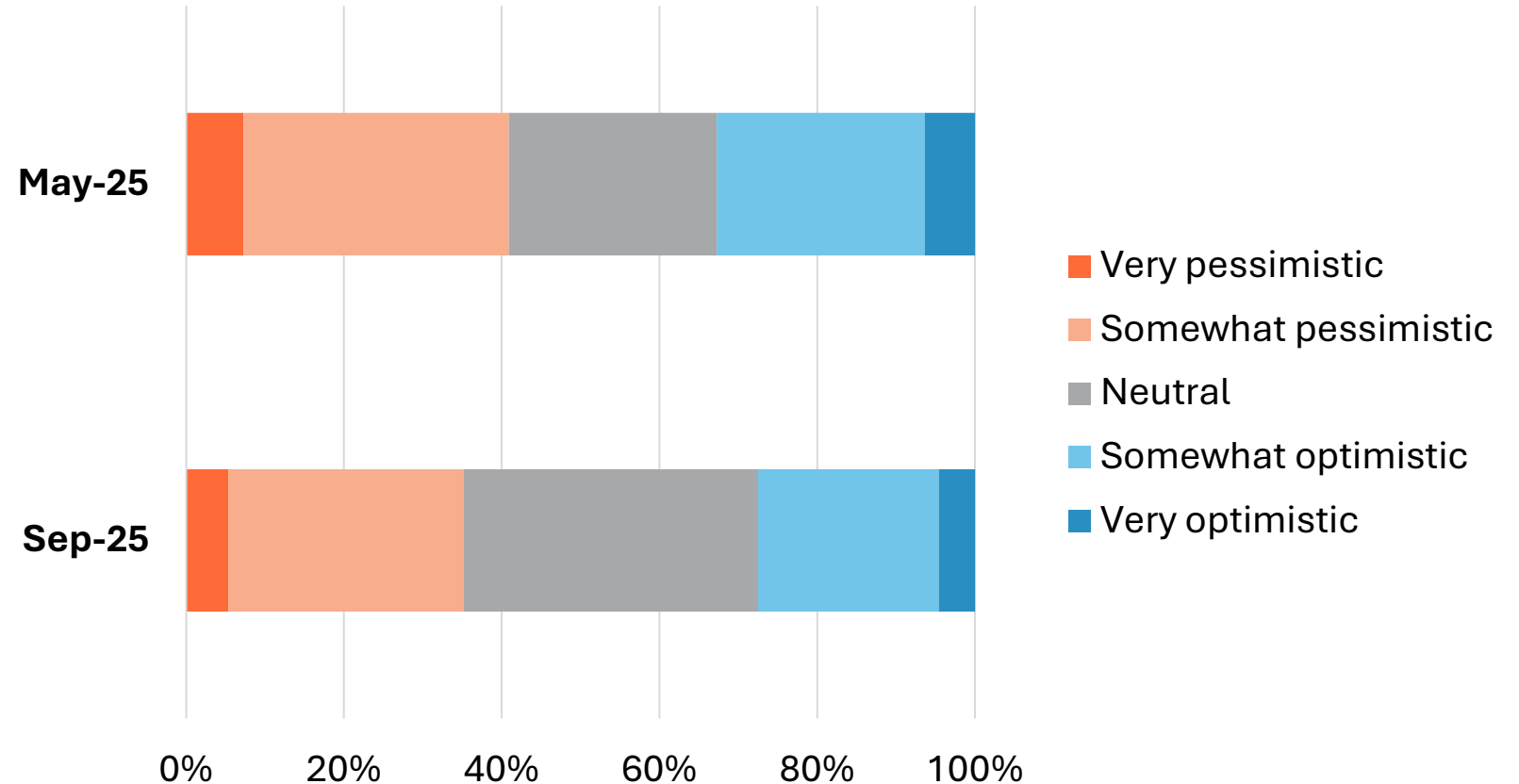
- Greater Minnesota businesses reported better financial health than metro businesses overall
- Similar shares report declining/growing financial health



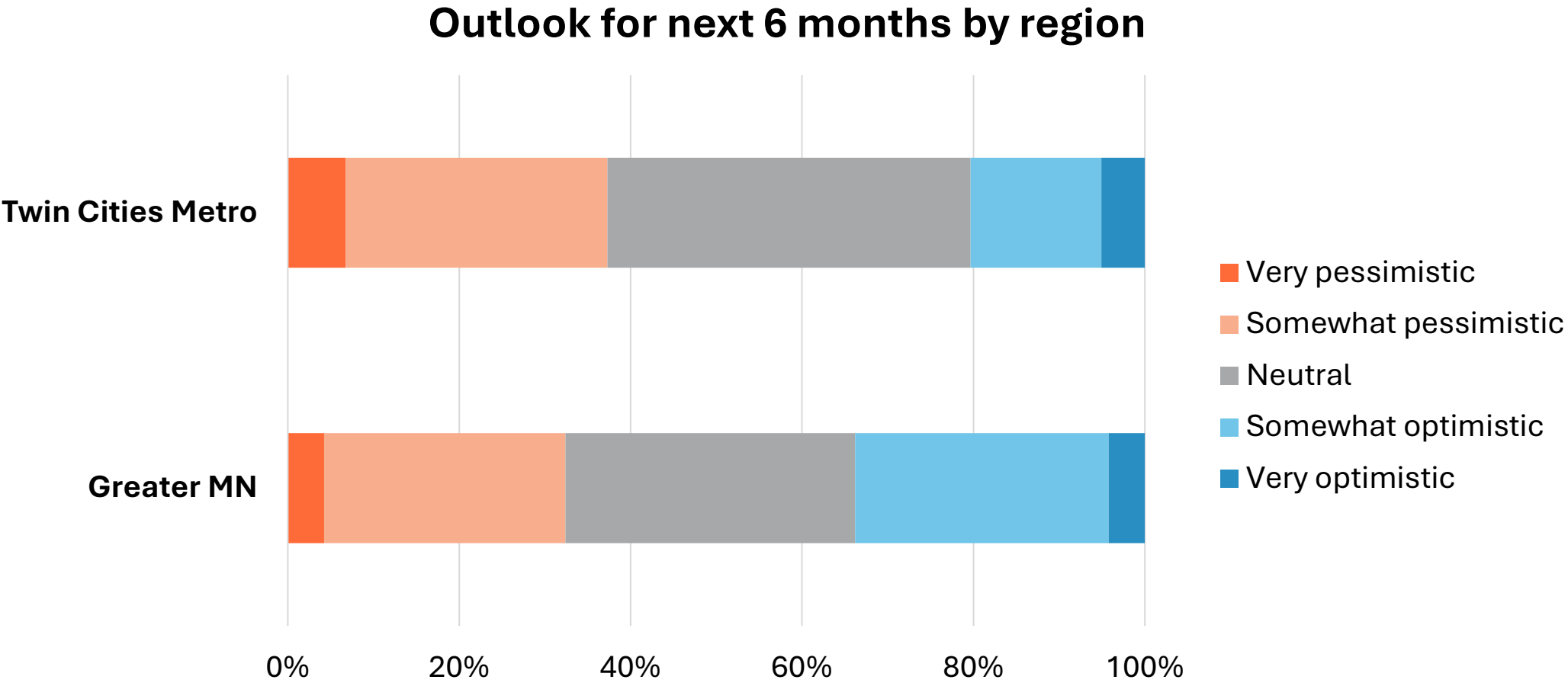
OUTLOOK

- 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 for business in next 6 months



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

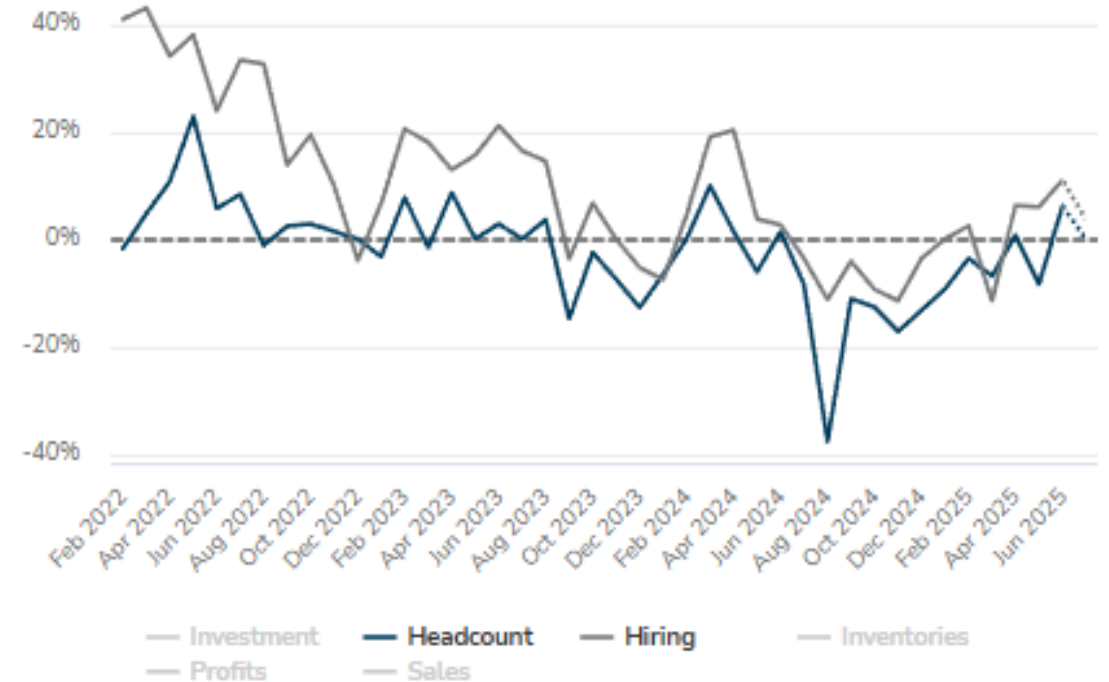
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Sign-up using the QR code or link
in chat



Business Pulse Survey (monthly)

How business performance is changing

Net share of business contacts who report indicators are increasing



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NEXT:

Q&A WITH ANGIE WITCOMB

SUBMIT QUESTIONS VIA THE CHAT BOX



FEDERAL RESERVE BANK OF MINNEAPOLIS



Angie Whitcomb
CEO and President
Hospitality Minnesota



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