

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 3 years of surveys, first joint webinar

This survey:

- Conducted mid-August; 324 responses



QUICK TAKE-AWAYS

- Recovery continues but fewer than half are back to pre-pandemic revenue
- Most improved: Accommodation (subsector); central & northeast (region)
- Still finding their way: Attraction-entertainment, Twin Cities metro
- Challenges: Lack of labor, inflation, supply chain, & higher wages
- Overall financial health improving; shows resilience
- **Important:** Each partner has own interpretation of results; Q&A will give partners opportunity to offer more color and nuance





RECENT REVENUE TRENDS

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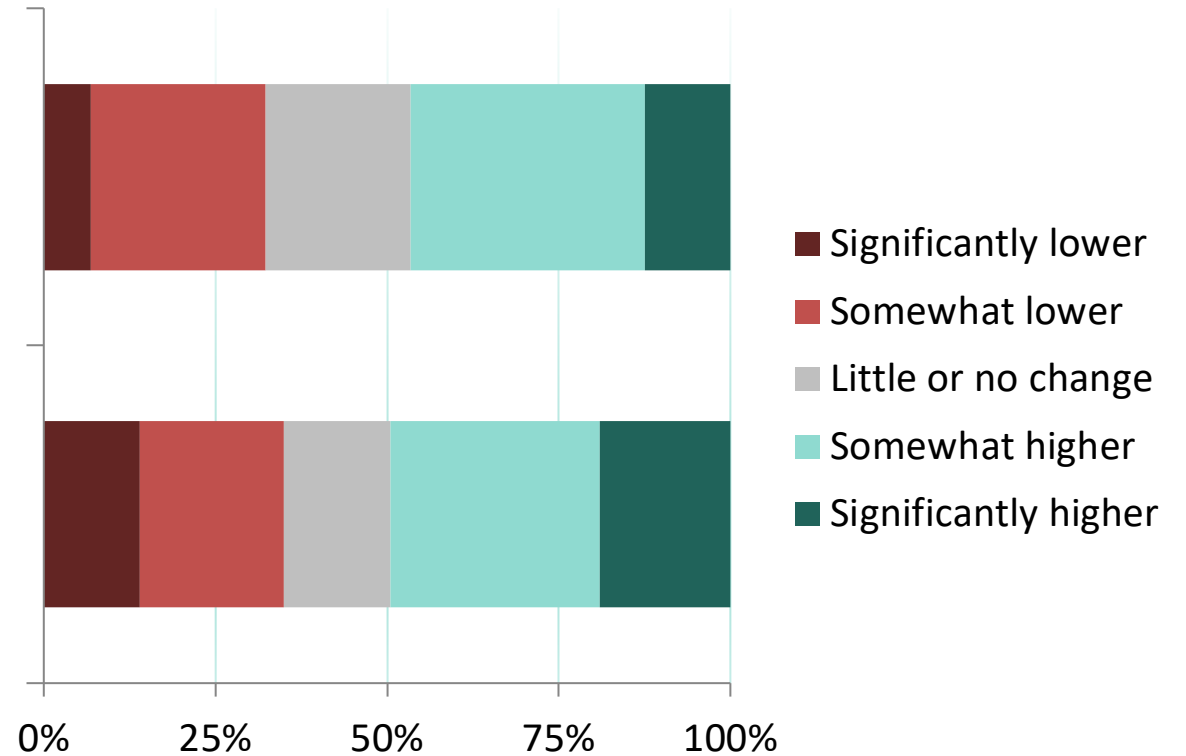
Overall, revenues continue to improve compared with last year and pre-pandemic

But still a lot of lumpiness for many businesses

Quarterly revenue trends

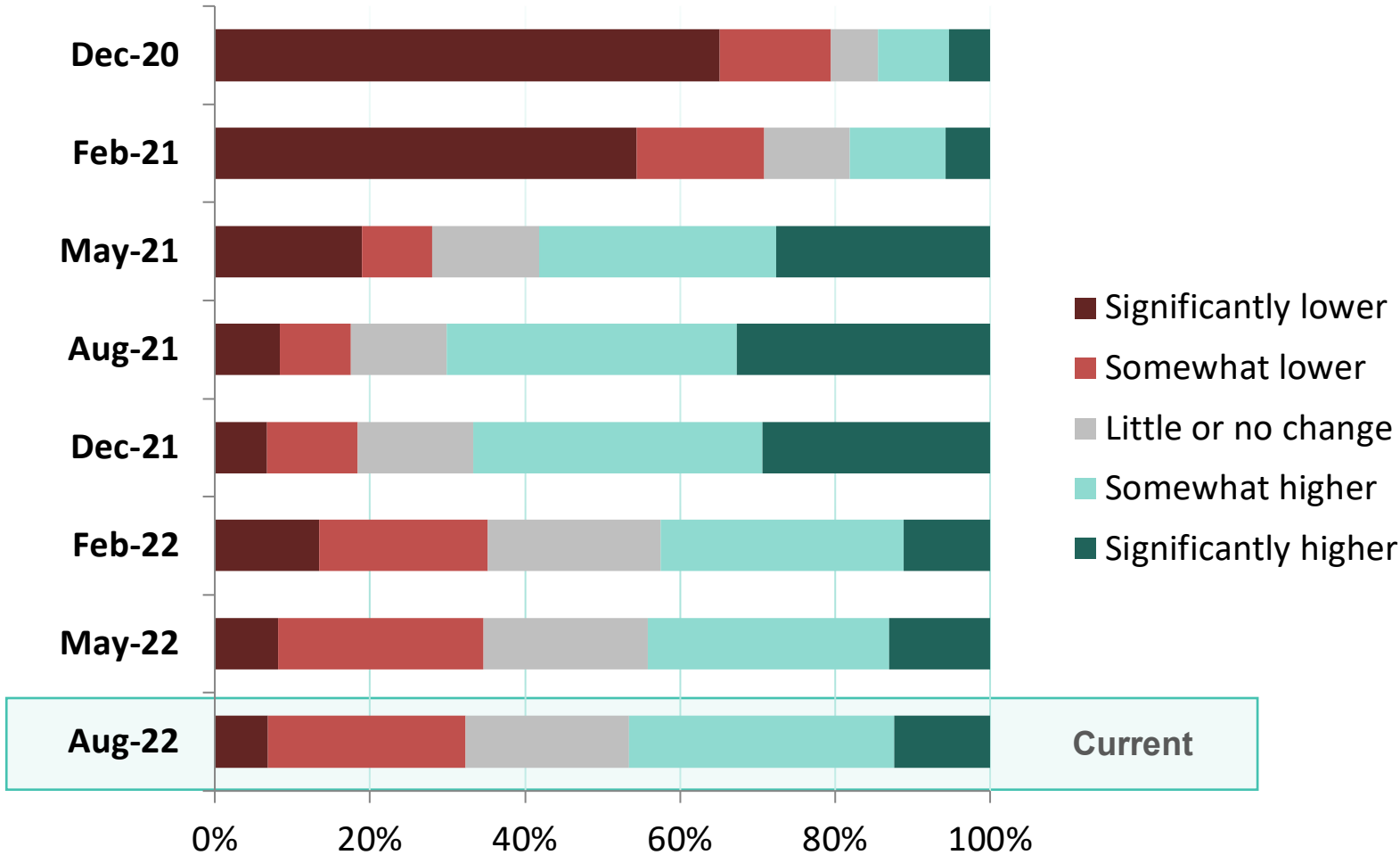
Compared with same period last year

Compared with same period in 2019 (pre-pandemic)



REVENUE TRENDS OVER TIME

Recent revenue compared with same period a year earlier, multiple surveys



Given volatility of pandemic, y-o-y comparisons tricky

Revenue trends improving slightly over recent surveys

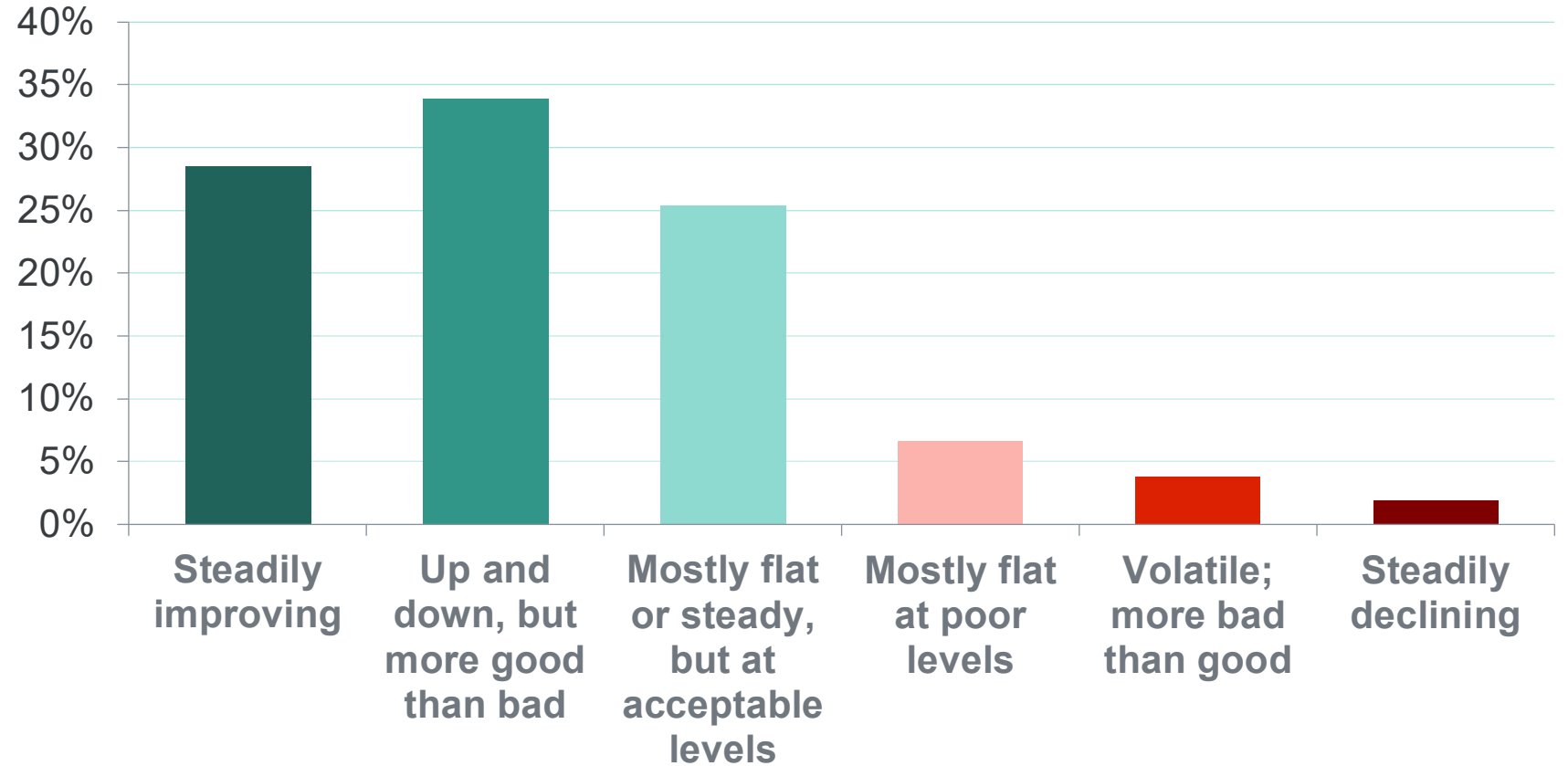
Maybe more important, industry seeing some stability



FINANCIAL HEALTH

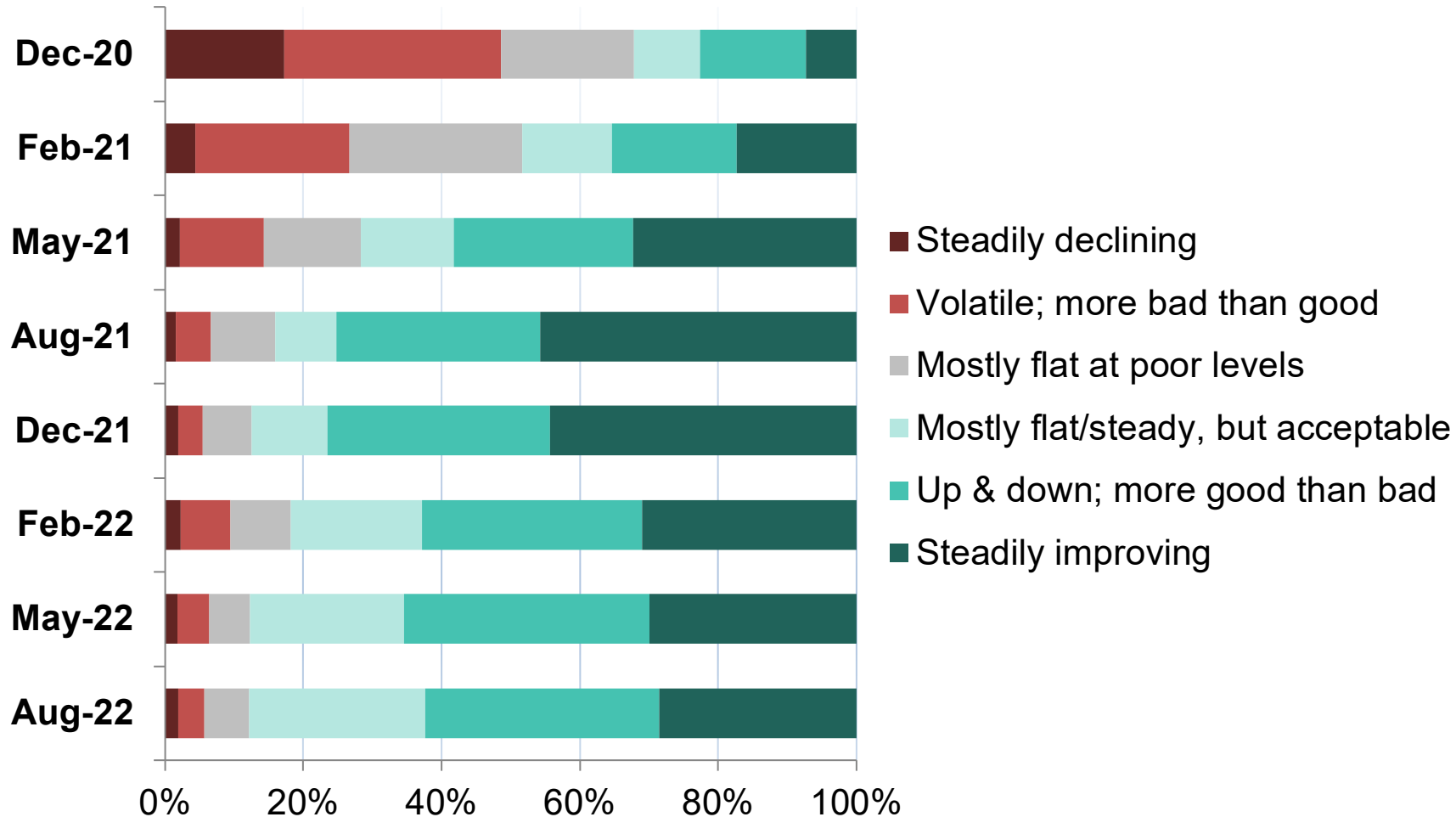
90 percent of respondents reported either good or acceptable business activity so far this year

Business activity over last 6-9 months



FINANCIAL HEALTH, CONT.

Business activity over last 6-9 months



Some year-over-year pullback, some of it likely from a volatile comparison group

Overall, this suggests some stability



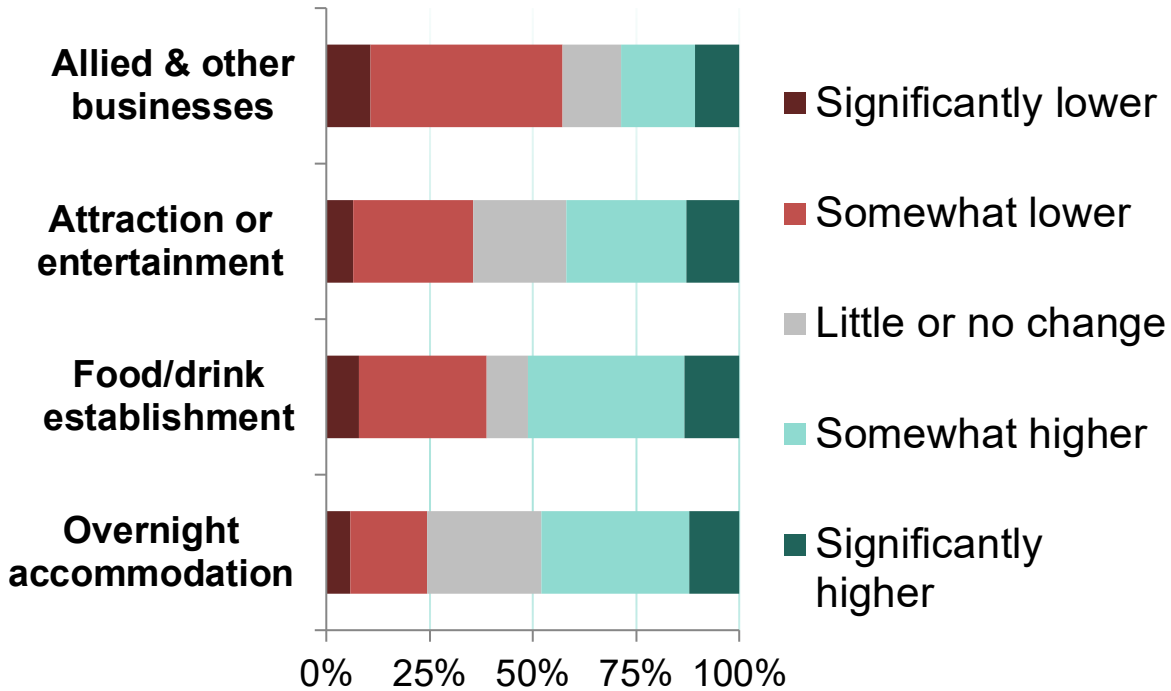


**REVENUE SNAPSHOT
BY FIRM TRAITS**

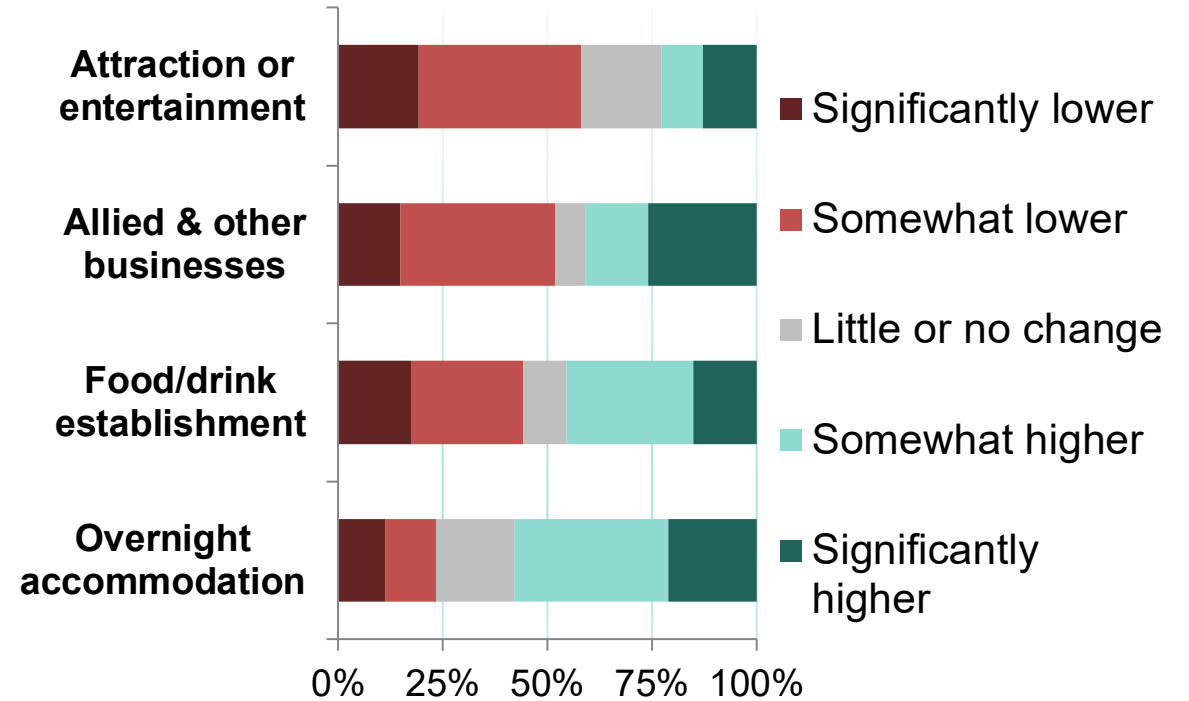
REVENUES BY SUB-SECTOR

- Accommodation doing the best on both comparisons
- Attraction & allied businesses still recovering from deep decline early in pandemic

Recent revenue compared with same period last year



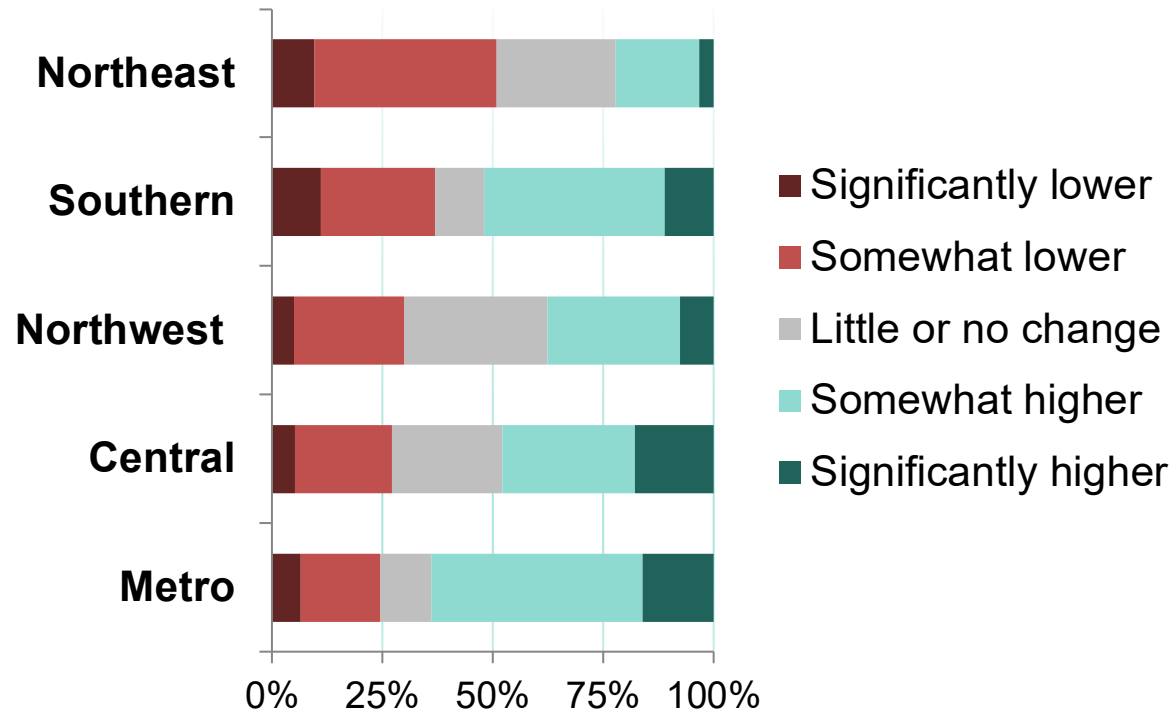
Recent revenue compared with same period in 2019 (pre-pandemic)



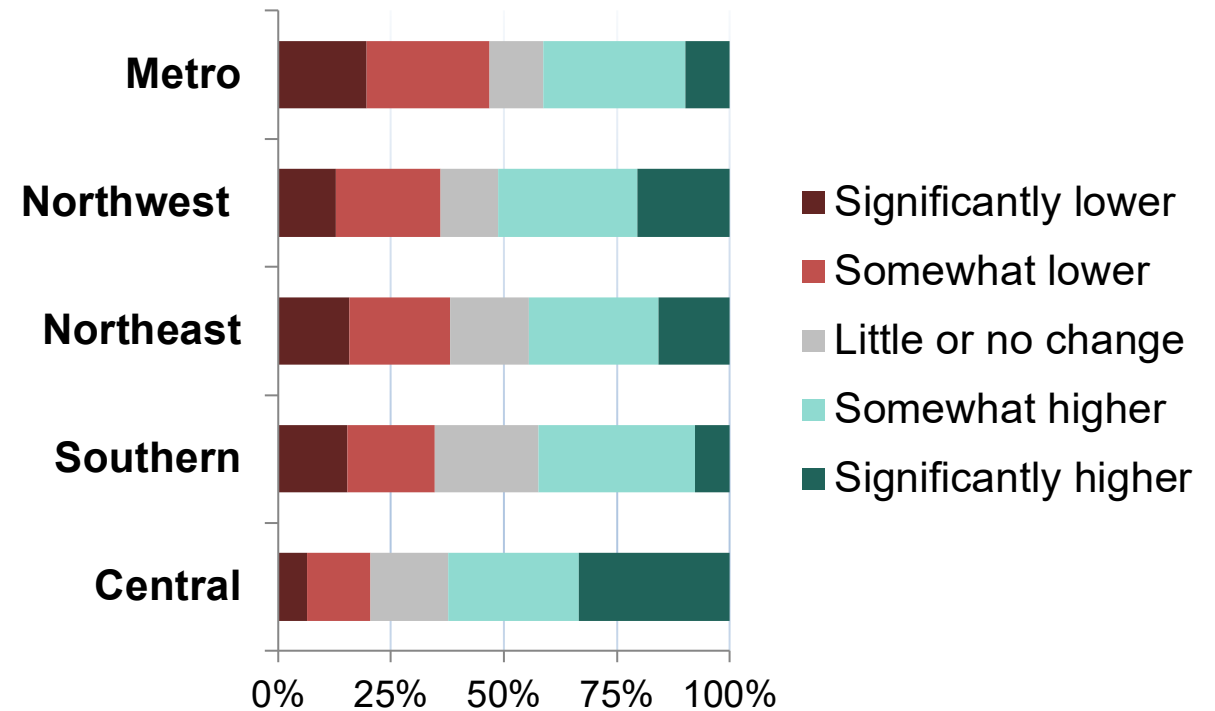
REVENUES, BY LOCATION

- Twin Cities metro saw best y-o-y performance
- Twin Cities also had steepest early decline, still digging out

Recent revenue compared with same period last year



Recent revenue compared with same period in 2019 (pre-pandemic)

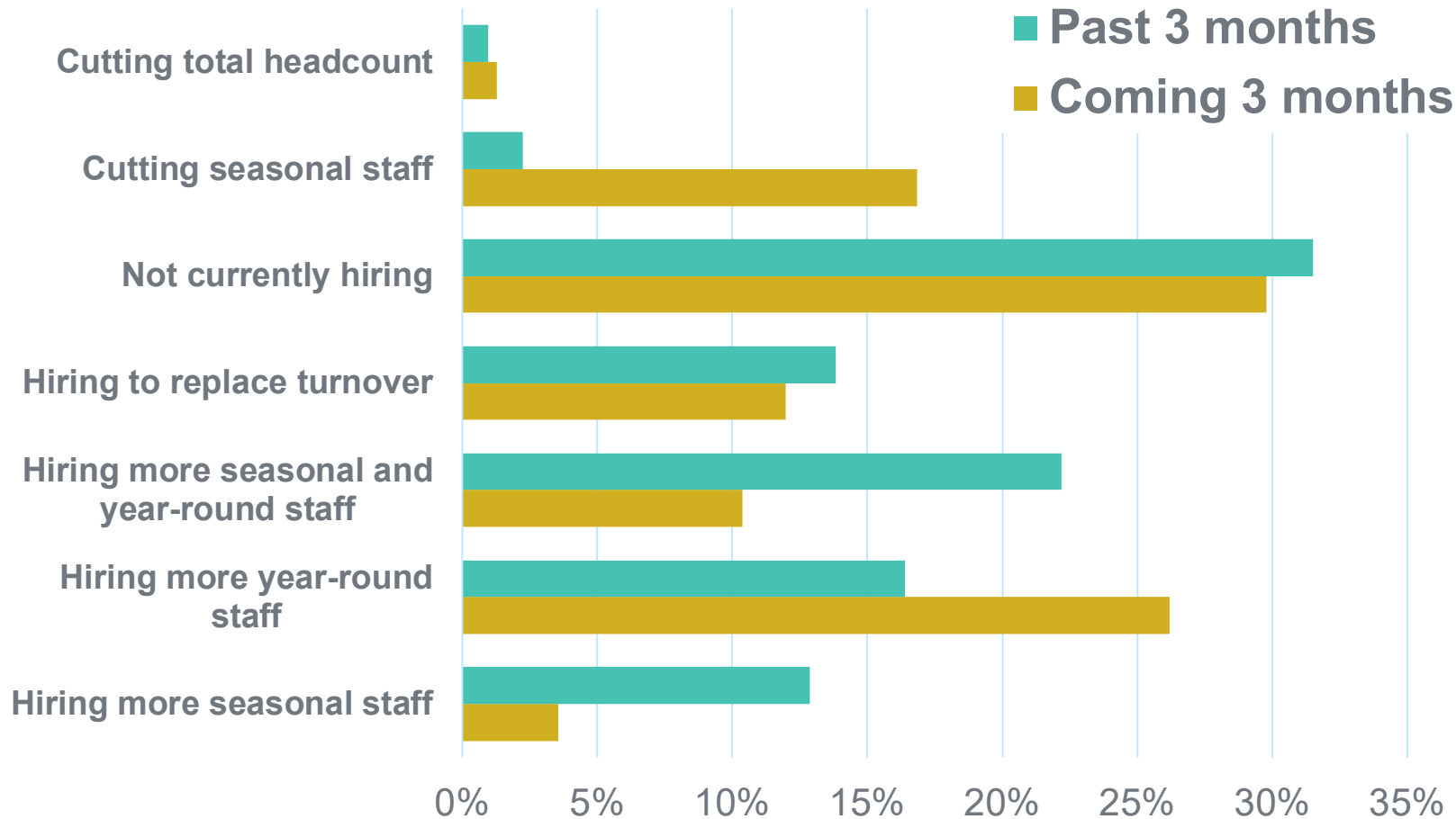




WORKFORCE & WAGE TRENDS

LABOR DEMAND

Overall hiring demand



Almost two-thirds still were hiring in some capacity

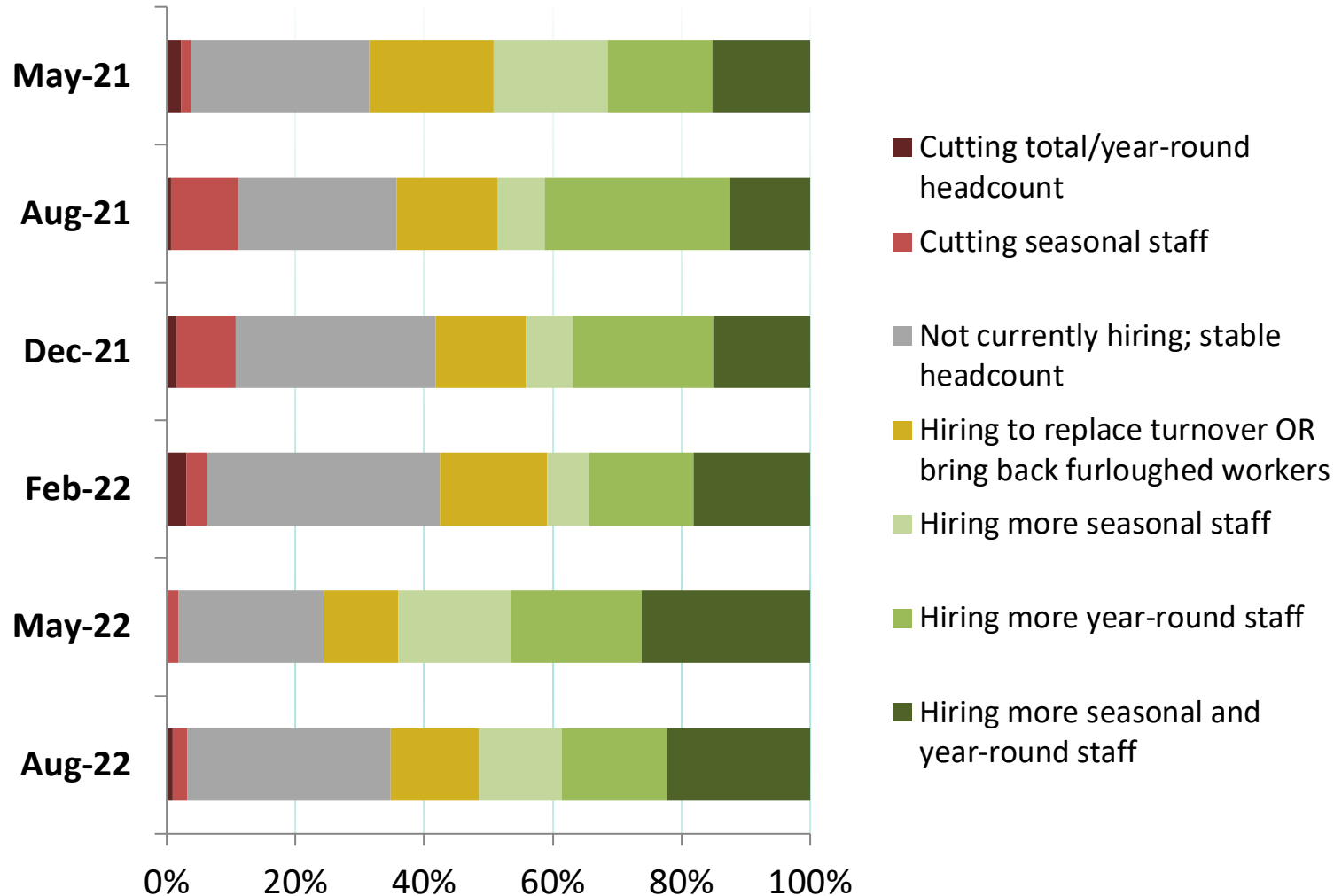
Close to 40% trying to expand full-time staff

Uptick in (predictable) seasonal staffing cuts in coming months, but future demand for year-round hires still strong



LABOR DEMAND, CONT.

Hiring demand: What best describes overall hiring demand at your business?



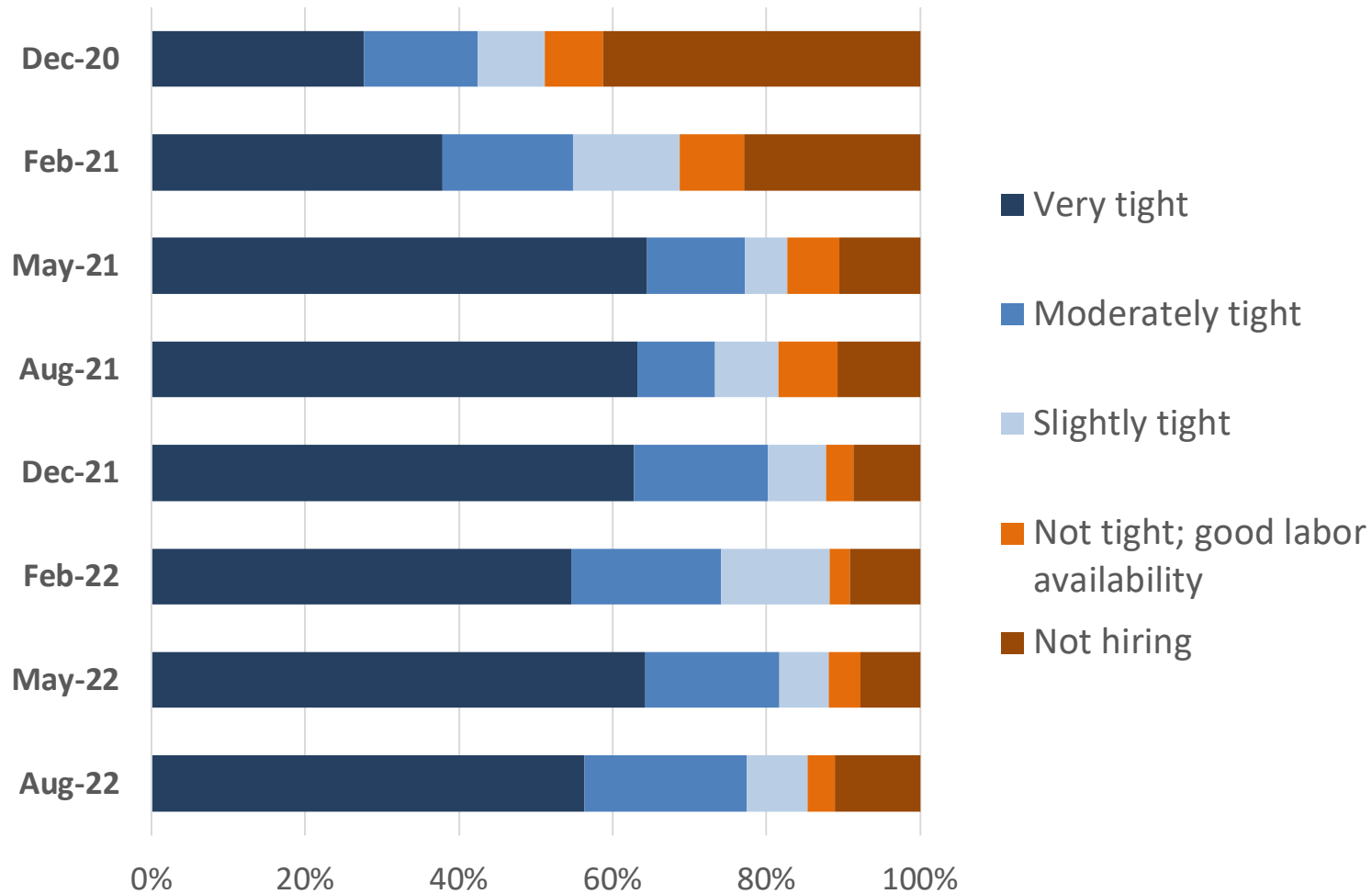
Overall hiring as strong as it's ever been, save for this past May

Some seasonal pullback is normal for this time of year



CHALLENGES – LABOR AVAILABILITY

Labor availability for open positions



Almost 80% say labor extremely or moderately tight

Labor unavailability pretty locked in; levels similar to surveys going back to May 2021



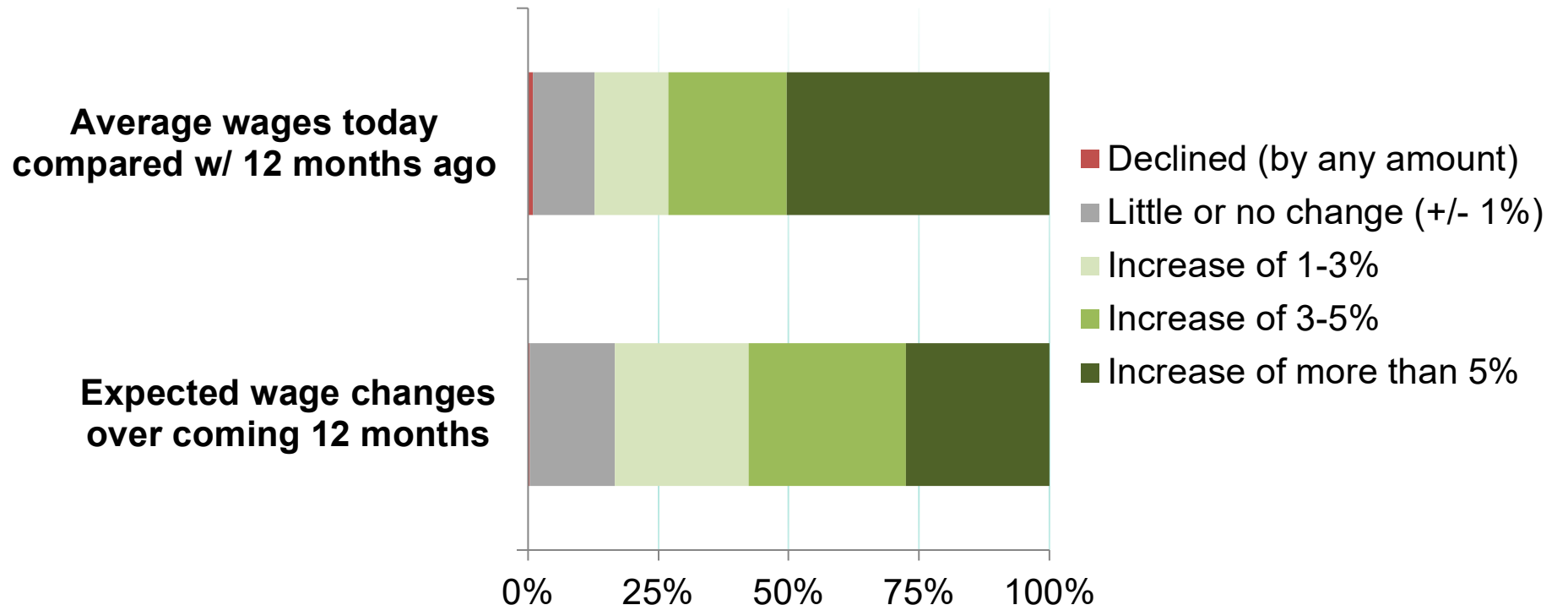
WAGES RISING

Tight labor =
higher wages

Half raised
wages > 5%

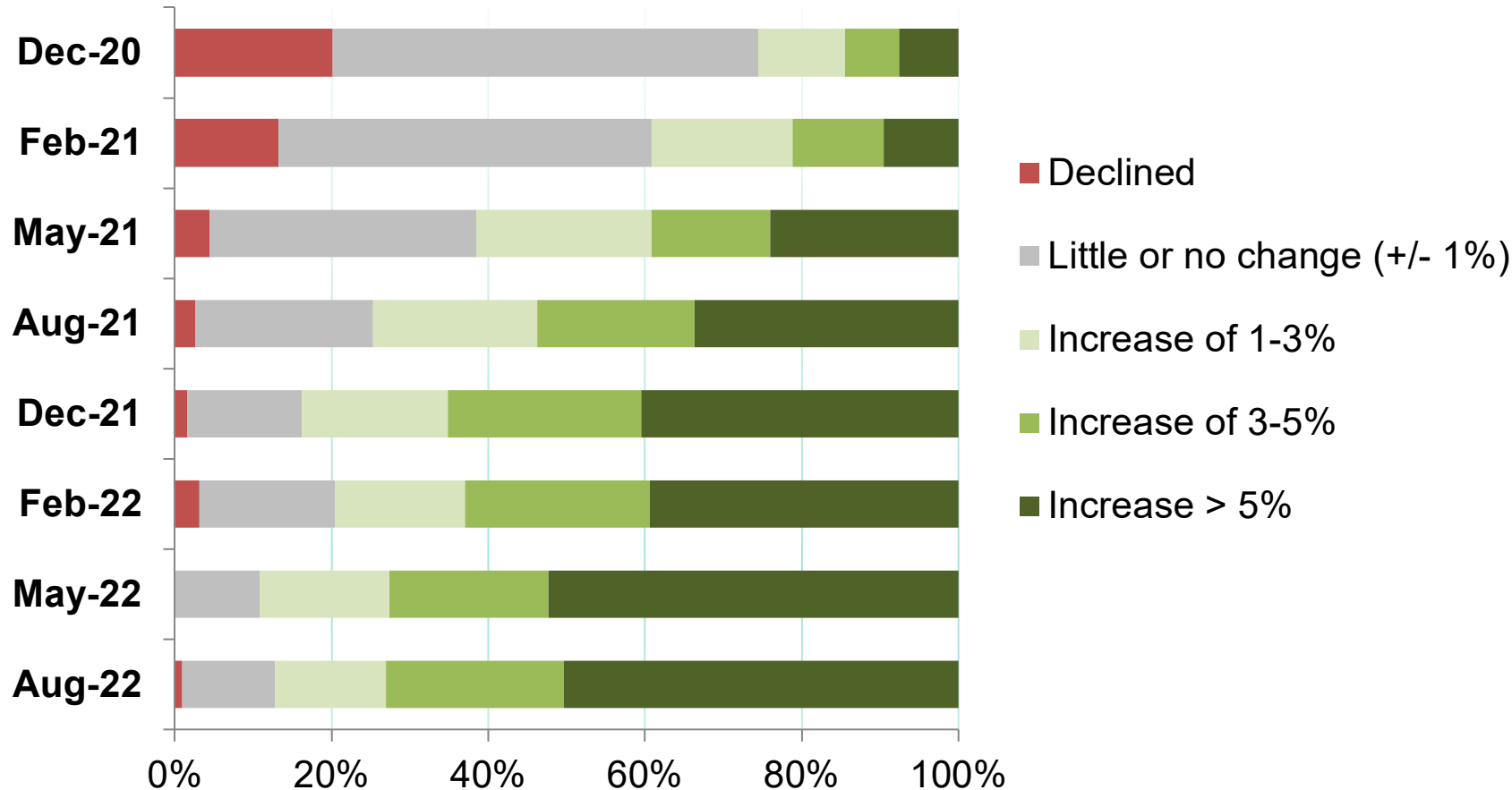
Notable decline
in expected
wage growth
over coming
year; might be
optimistic

Average wage changes: Recent & future



WAGE INCREASES PLATEAUING AT HIGH LEVELS

Average wages compared w/ 12 months ago



Share of firms raising wages, and giving bigger raises has leveled off

Food-drink & accommodation seeing stronger wage growth overall than other categories



A large, faint, light teal watermark of an eagle with its wings spread, surrounded by stars, is centered on the page. The eagle's head is turned to the left, and its wings are spread wide. The stars are arranged in a circular pattern around the eagle's head and tail. The background is a solid teal color.

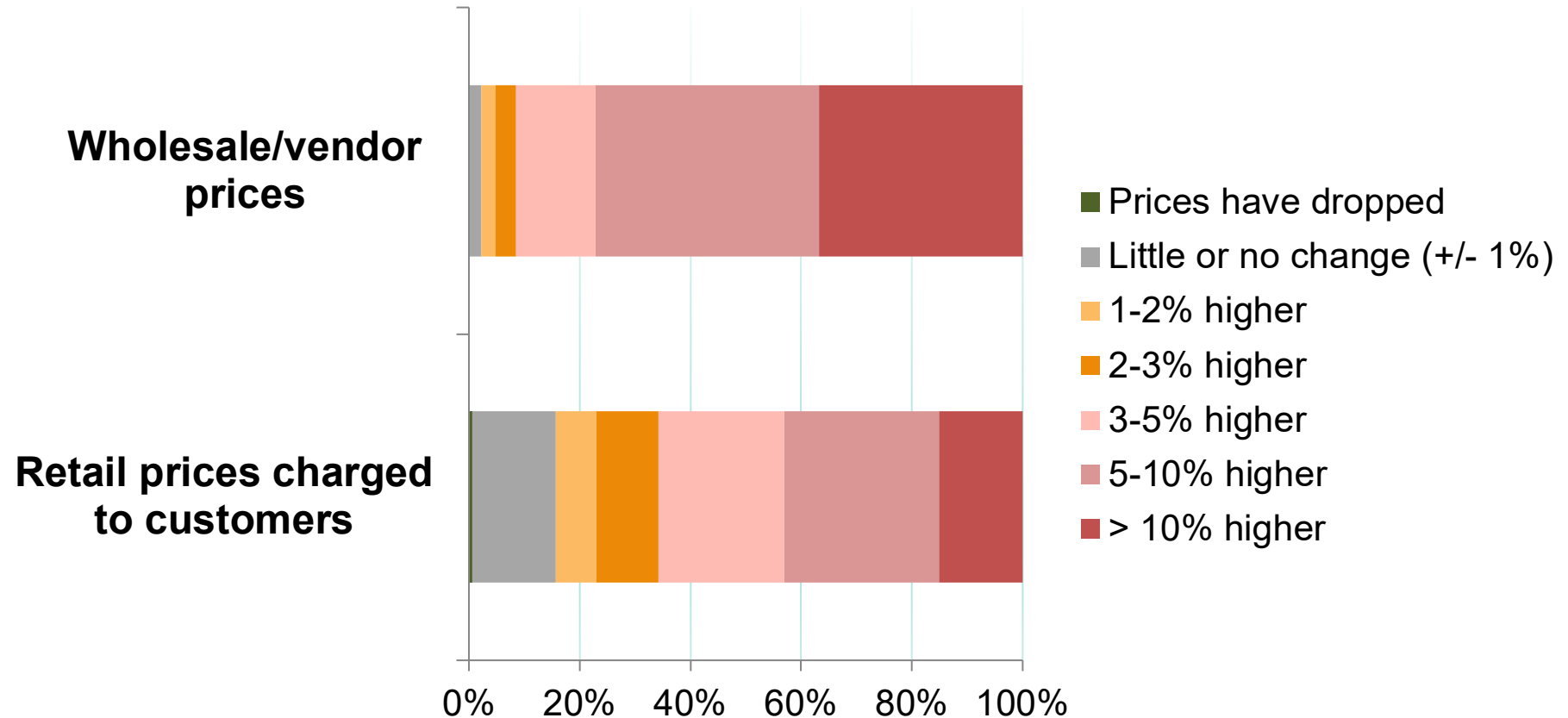
OTHER CHALLENGES

PRICE INFLATION

Wholesale costs still very high; companies cont. eating much of that increase

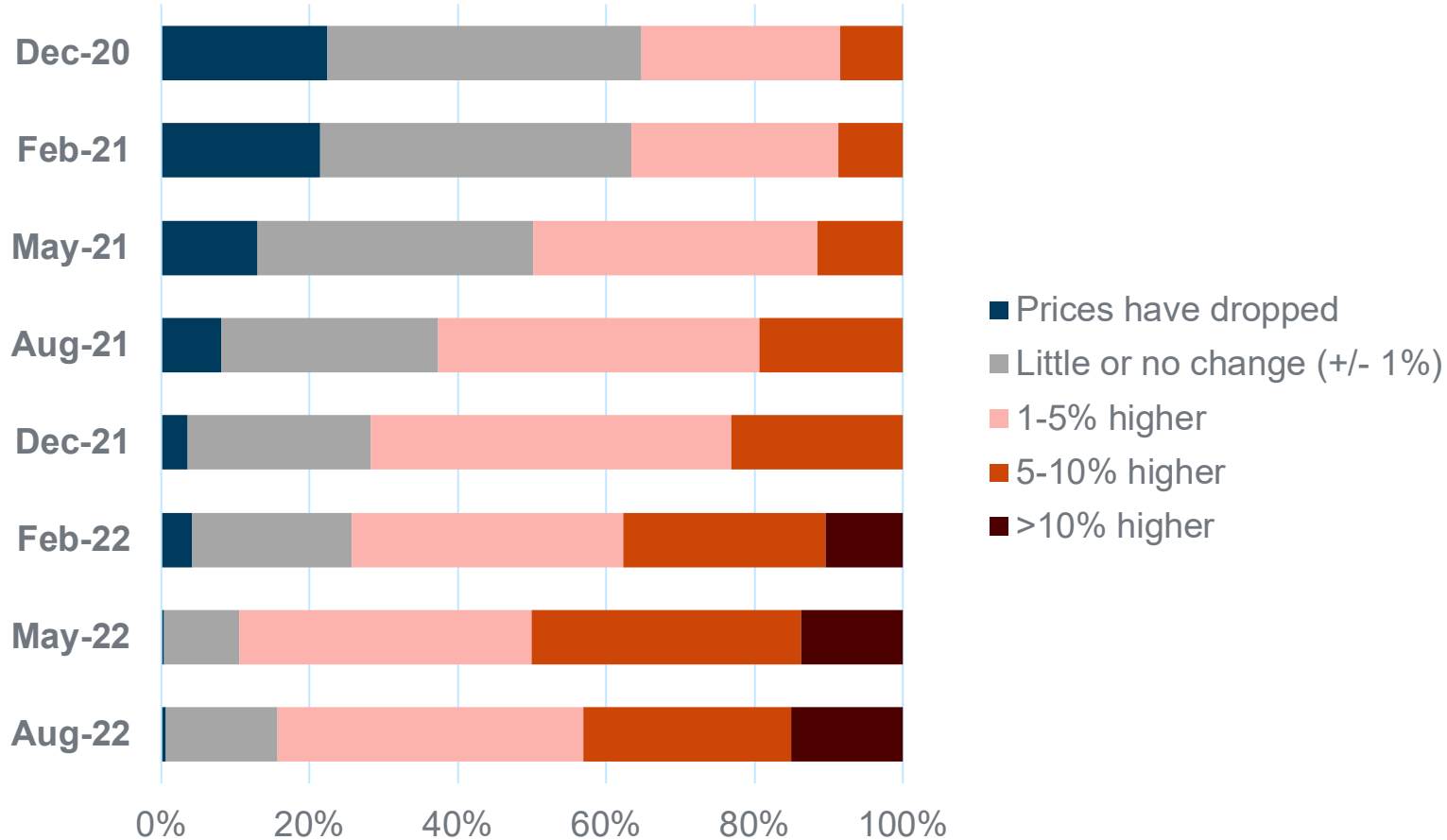
70% also said that inflation pressure was continuing to worsen (previous surveys suggest something else)

Price changes over the last 12 months



PRICES, CONT

Retail price change over last 12 months



Small/modest evidence that inflation might have (hopefully) peaked

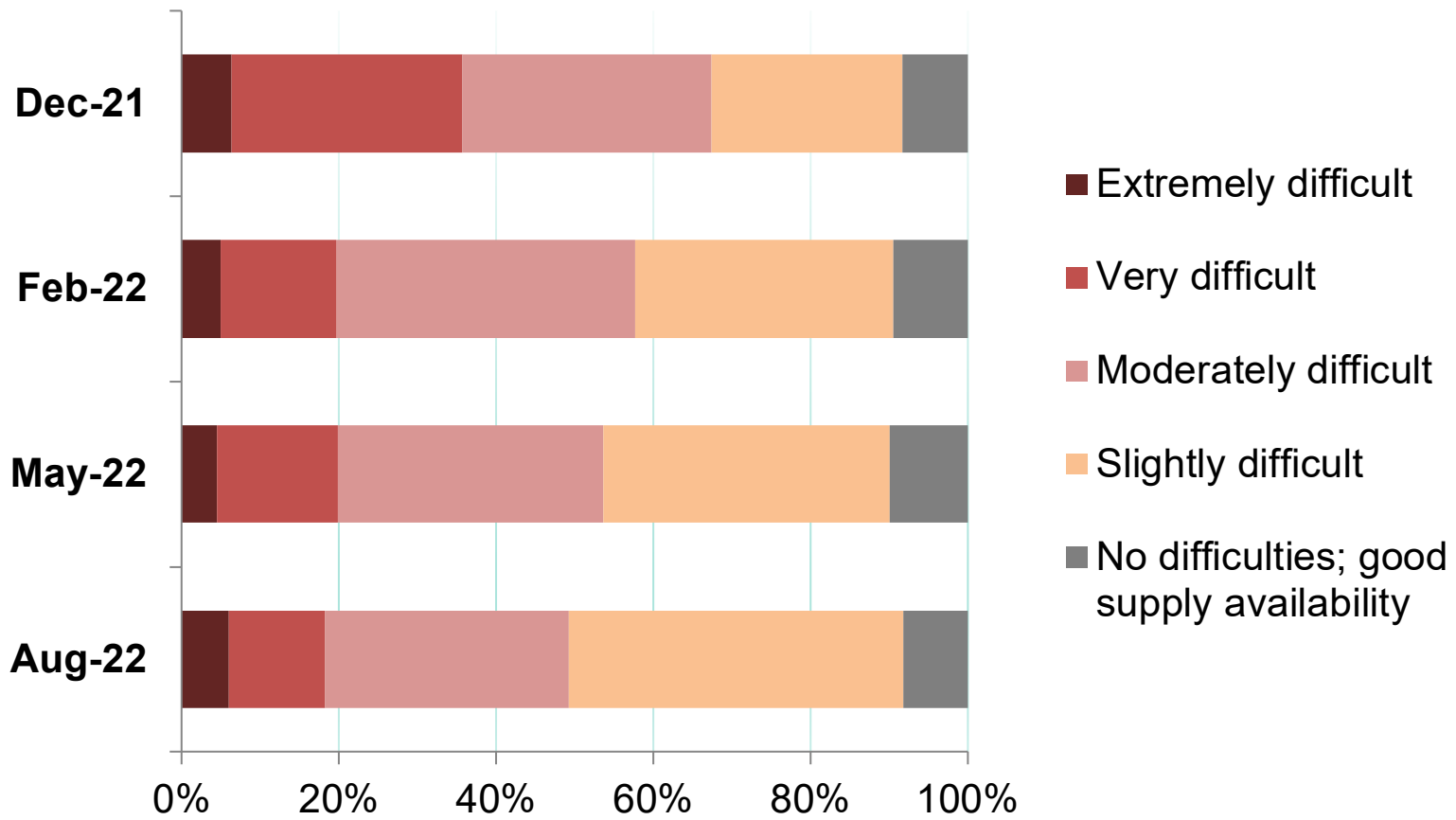
Hard to know if signal or noise at this point

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



CHALLENGE: SUPPLY CHAIN

Ability to obtain critical supplies needed to serve customers



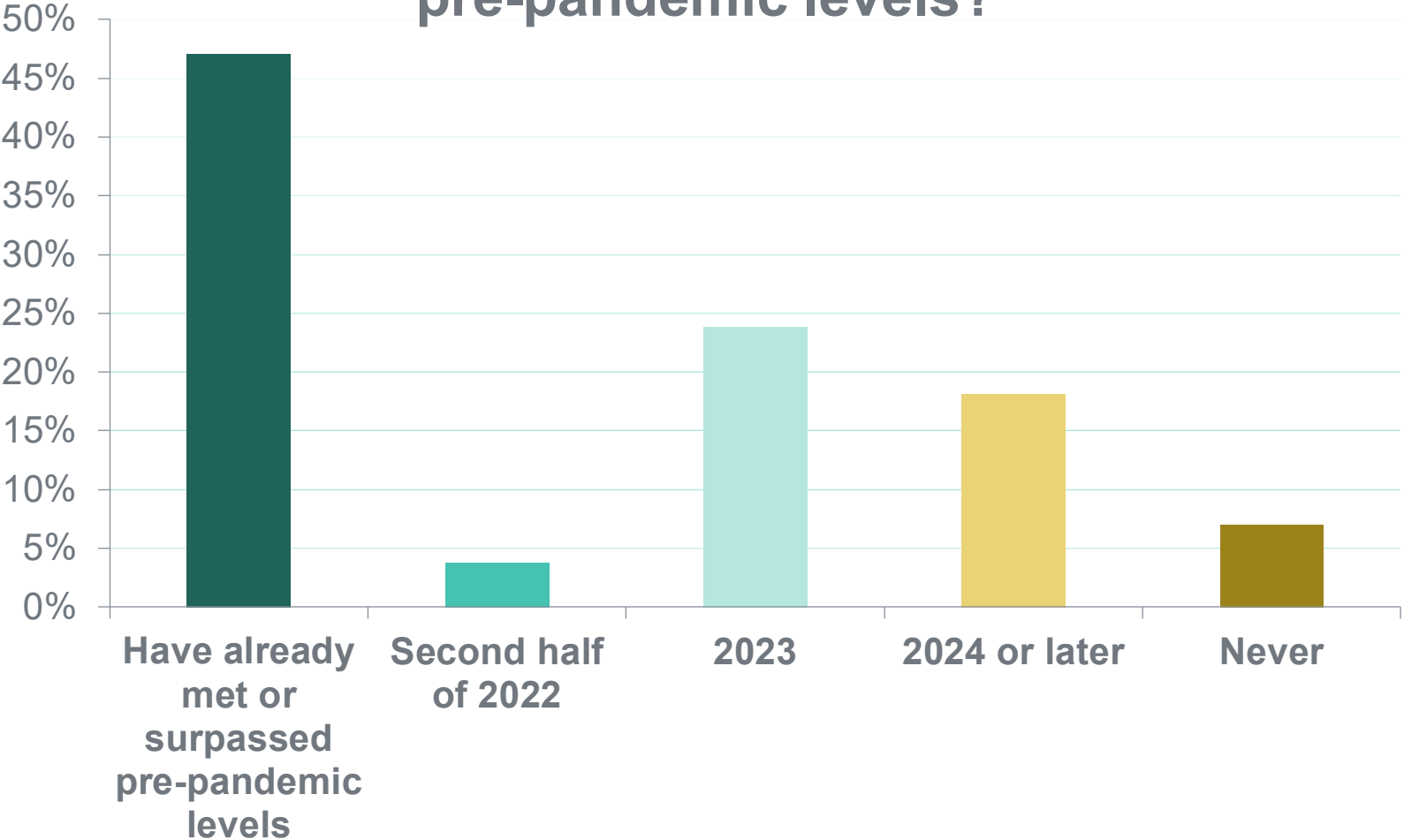
Supply chains still problematic, but slowly improving



FINANCIAL HEALTH & OUTLOOK

FINANCIAL HEALTH

When do you expect revenues to return to pre-pandemic levels?



Fewer than half are at or above pre-pandemic revenue levels

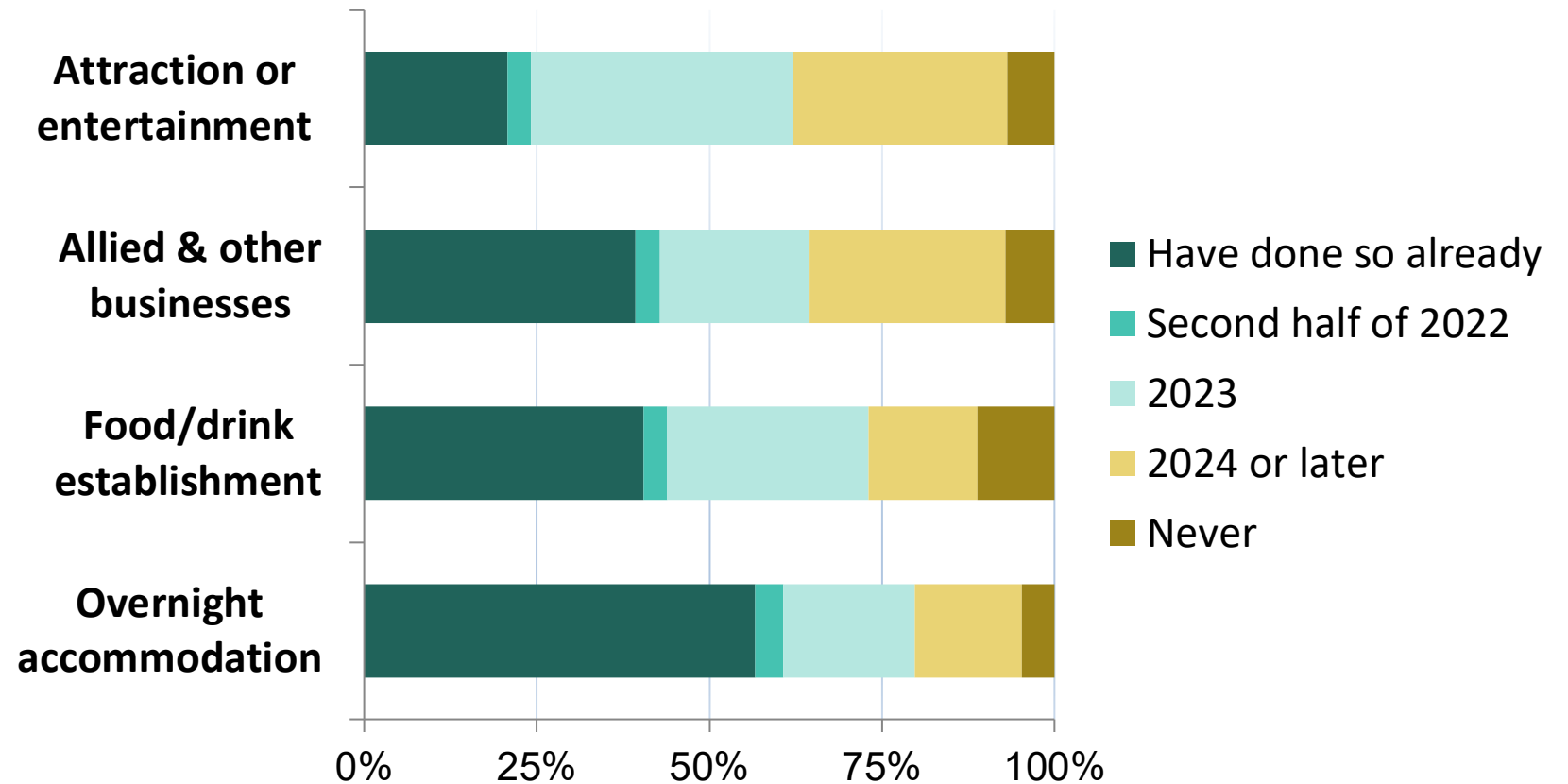
Will likely require a strong 2023 for levels to move much

FINANCIAL HEALTH, BY SUBSECTOR

Attraction & entertainment still suffering the longest recovery to pre-pandemic levels

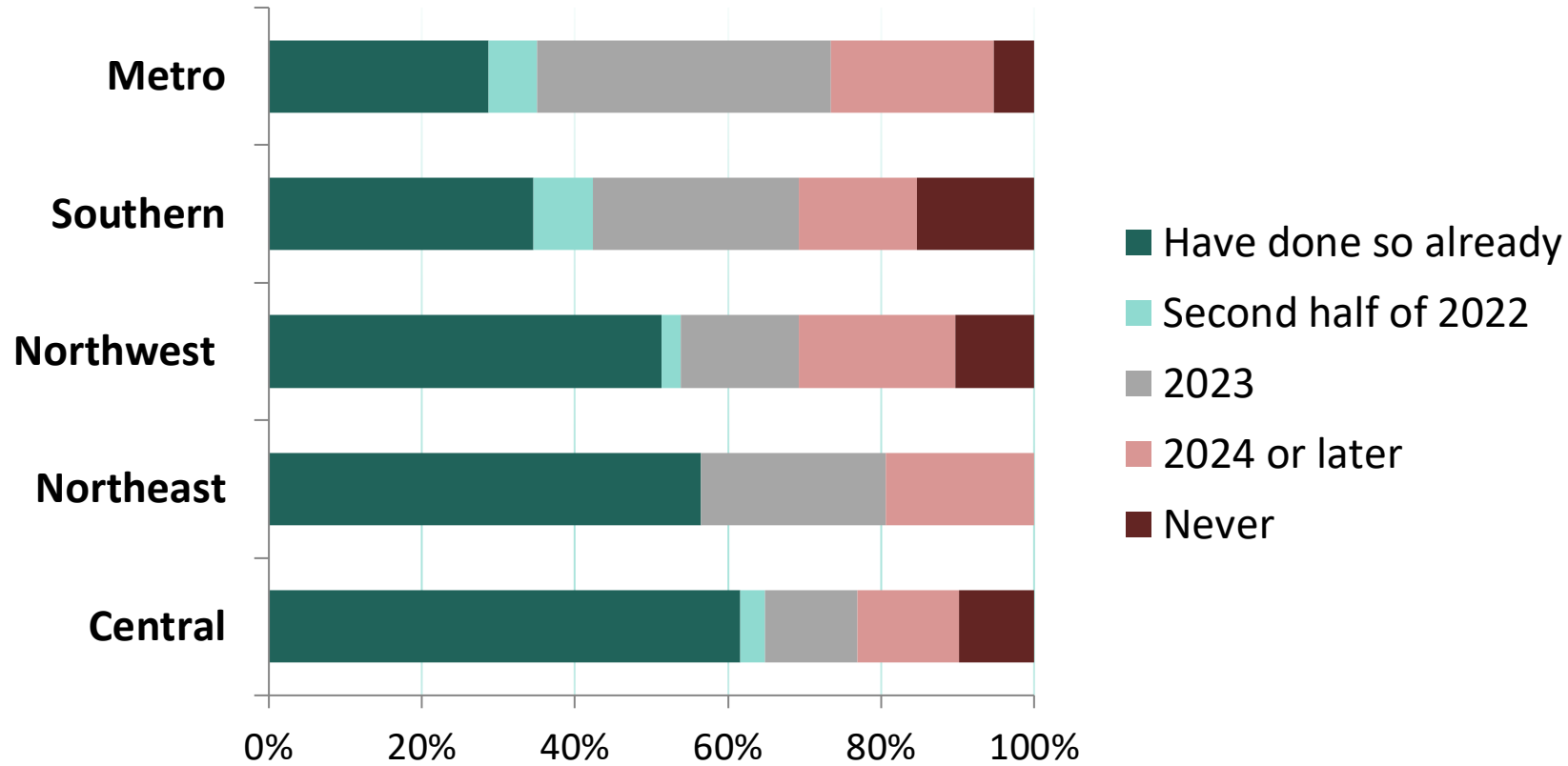
80 percent of accommodations expect to be at pre-pandemic levels by year's end

When do you expect revenues to return to pre-pandemic levels?



FINANCIAL HEALTH, BY REGION

When do you expect revenues to return to pre-pandemic levels?



Central and northeast regions capitalizing on newfound love of the outdoors

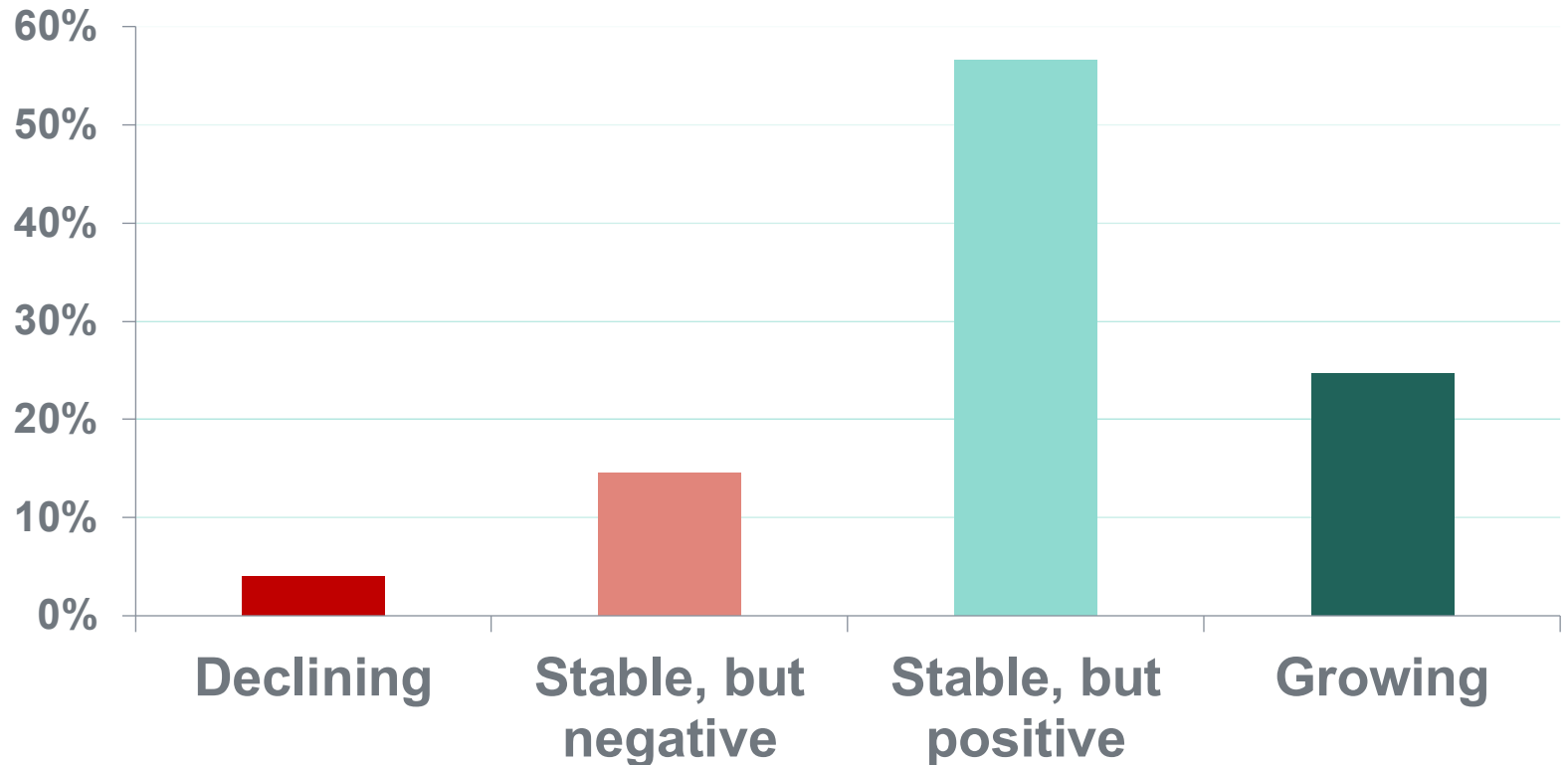
Metro struggling more as an entertainment destination, and the slow rebound of downtown office workers



FINANCIAL HEALTH, CONT.

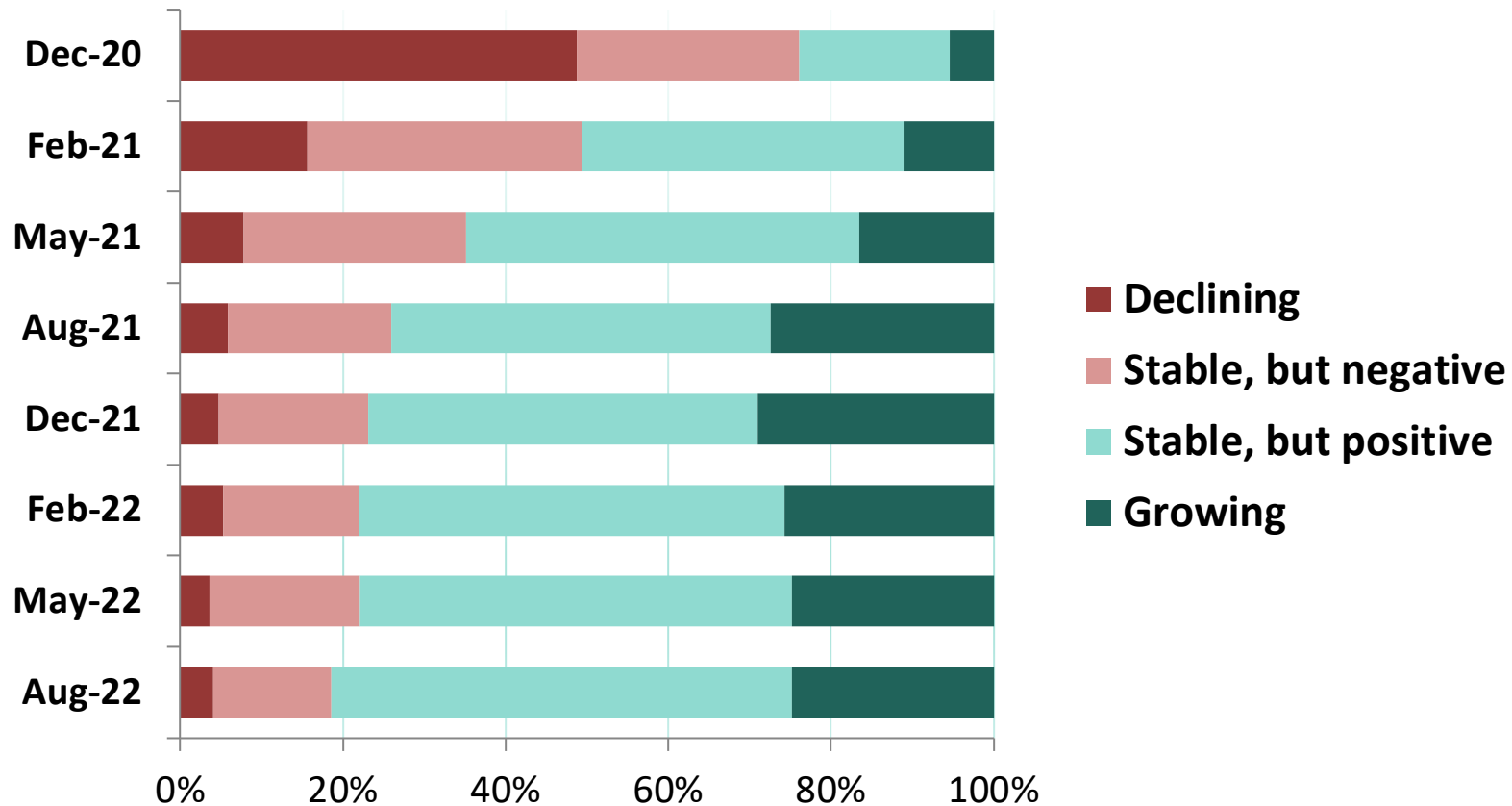
How would you rate your business' current financial health?

80 percent of respondents said current financial health was growing *or* stable but positive



FINANCIAL HEALTH, CONT.

How would you rate your business' current financial health?



Overall financial health improved markedly since early in the pandemic, but has plateaued of late

Some of this should be expected; all firms are *never* rising at once

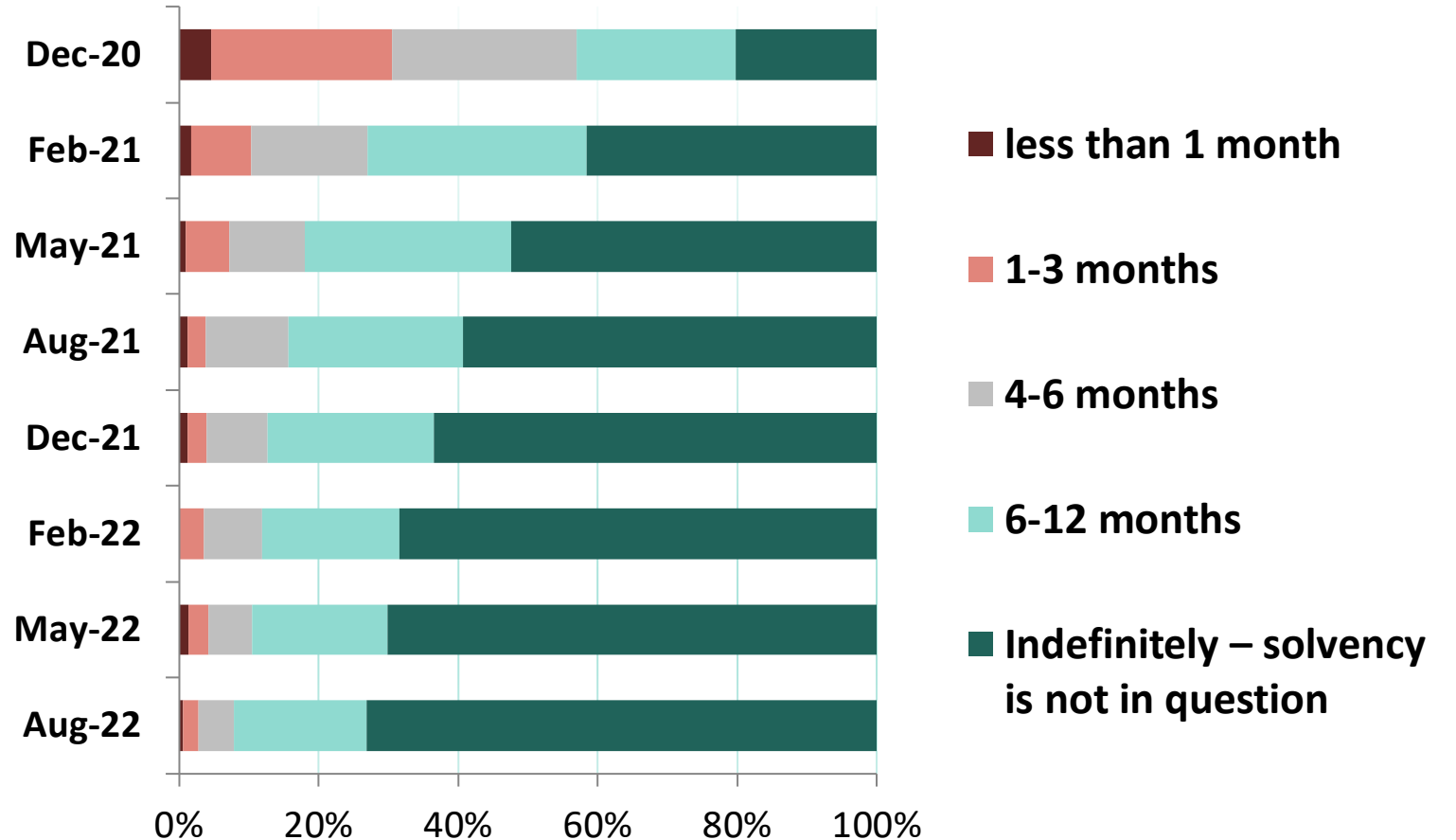


SOLVENCY: IMPROVING

Solvency continues to improve, slowly, despite continued volatility in the overall economy

A great indicator of resiliency

Under current conditions, how long could your firm remain solvent?



FINAL THOUGHTS

- The good: Recovery continues, with accommodation leading the way, and in regions with high natural amenities
- The less-good: Recovery still slow, lumpy for many, especially those in attraction-entertainment, and those in the Twin Cities metro
- Fewer than half are back to pre-pandemic revenue
- Lack of labor availability leads a pack of challenges, also includes inflation, supply chain, & higher wages
- Overall financial health improving; shows resilience of MN's tourism and hospitality businesses





THANK YOU!

MOVING ON TO THE Q&A:

Gretchen Nussbaum
Explore Minnesota Tourism

Ben Wogsland
Hospitality Minnesota



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