

# 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 5 years of surveys

This survey:

- Conducted August 19-30; 266 responses



## QUICK TAKE-AWAYS

- Poor summer overall in terms of revenue
- Overall financial health = OK, but eroding
- Biggest challenges: Inflation & wages
- Pressures for both easing, but firms not *feeling* it
- Hiring has softened notably; labor availability better
- Outlook has declined from last year; neutral overall
- **Important:** Each partner has own interpretation of results; Q&A will give partners opportunity to offer additional views and insights
- **Also:** Lots of data (& quickly); will share PPT after webinar for those interested in closer analysis





# RECENT REVENUE TRENDS

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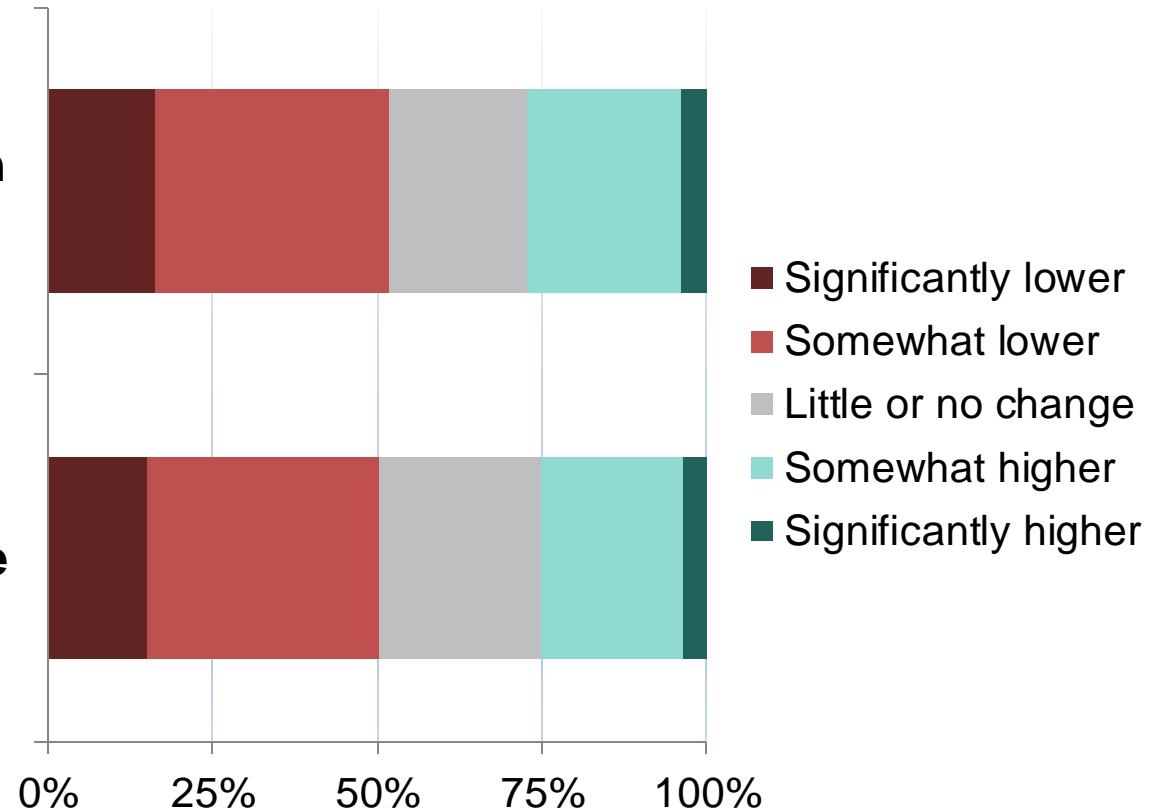
Revenue and foot traffic fell notably compared with last year

Pretty clear that the pandemic boom for many has wore off, and sector now going through some major adjustments

## Recent revenue compared with last year

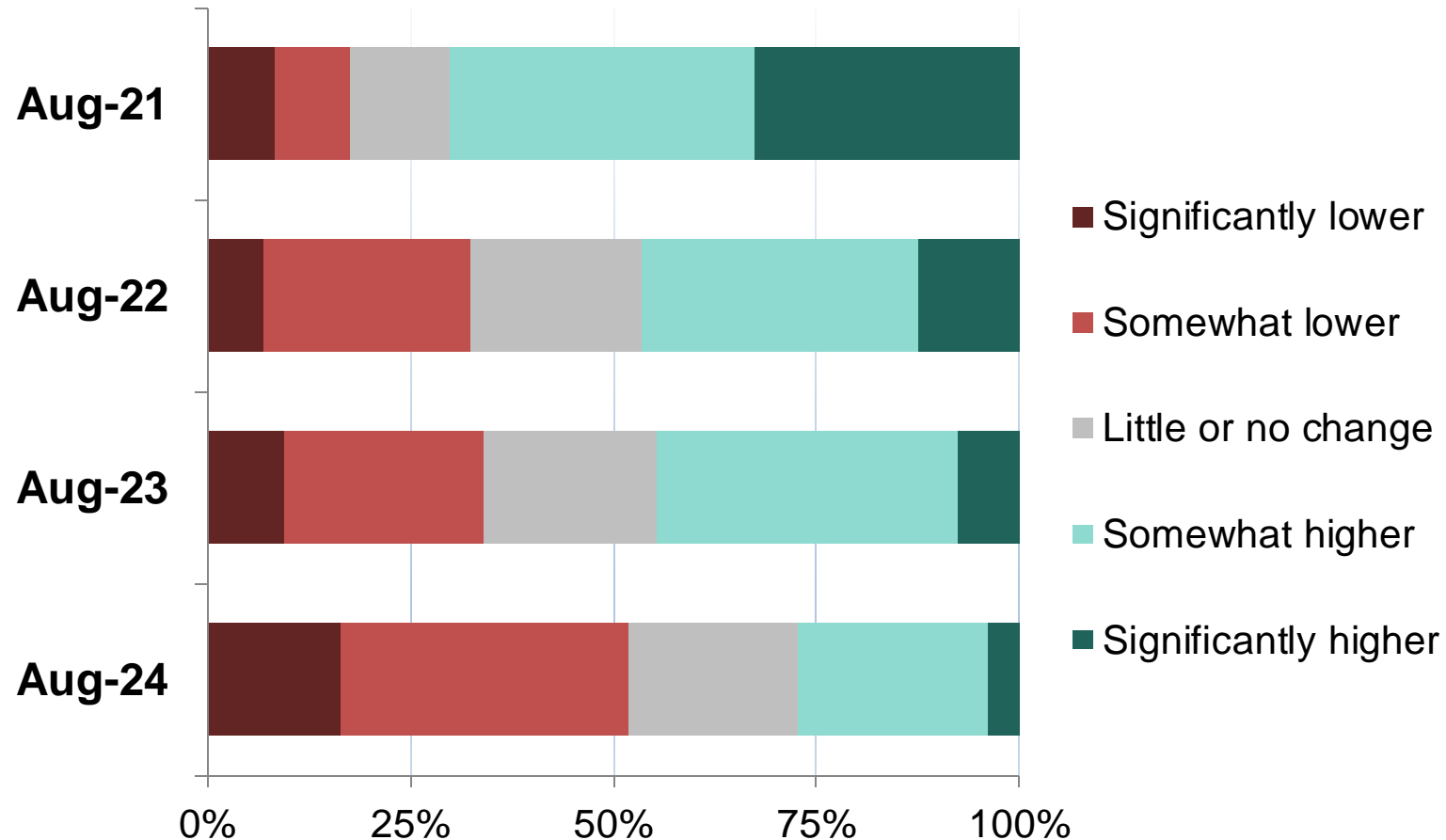
Revenue compared with same period last year

Customer traffic compared with same period last year



# REVENUE TRENDS OVER TIME

## Recent revenue compared with last year



Summer 2021 was remarkable ...

... and apparently unsustainable

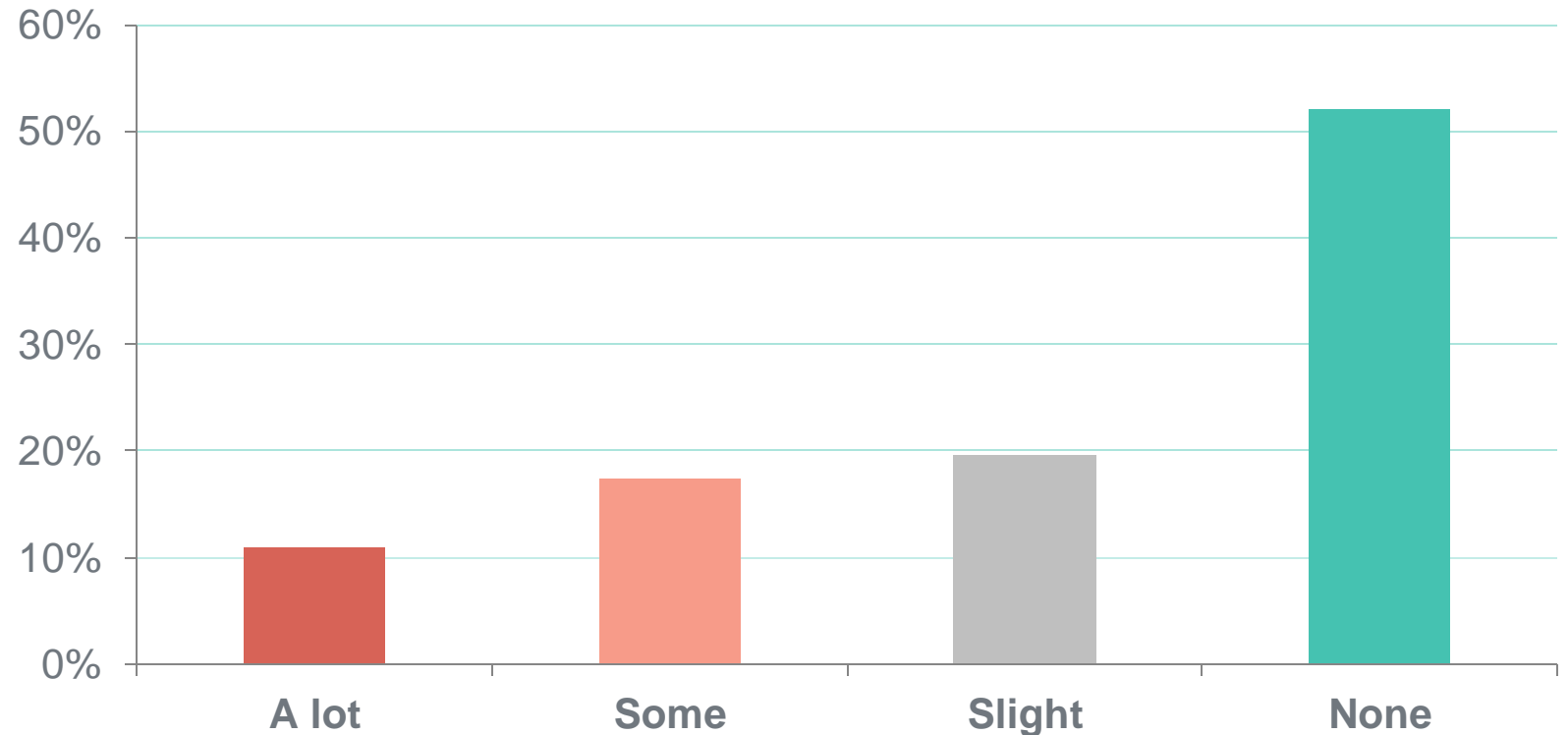


# IMPACT OF SEVERE WEATHER

Close to half of respondents said that severe weather (e.g. June flooding) had at least some impact on business

But every year likely sees *some* severe weather that affects some businesses

## Special question: What impact did flooding or other severe weather have on summer business?





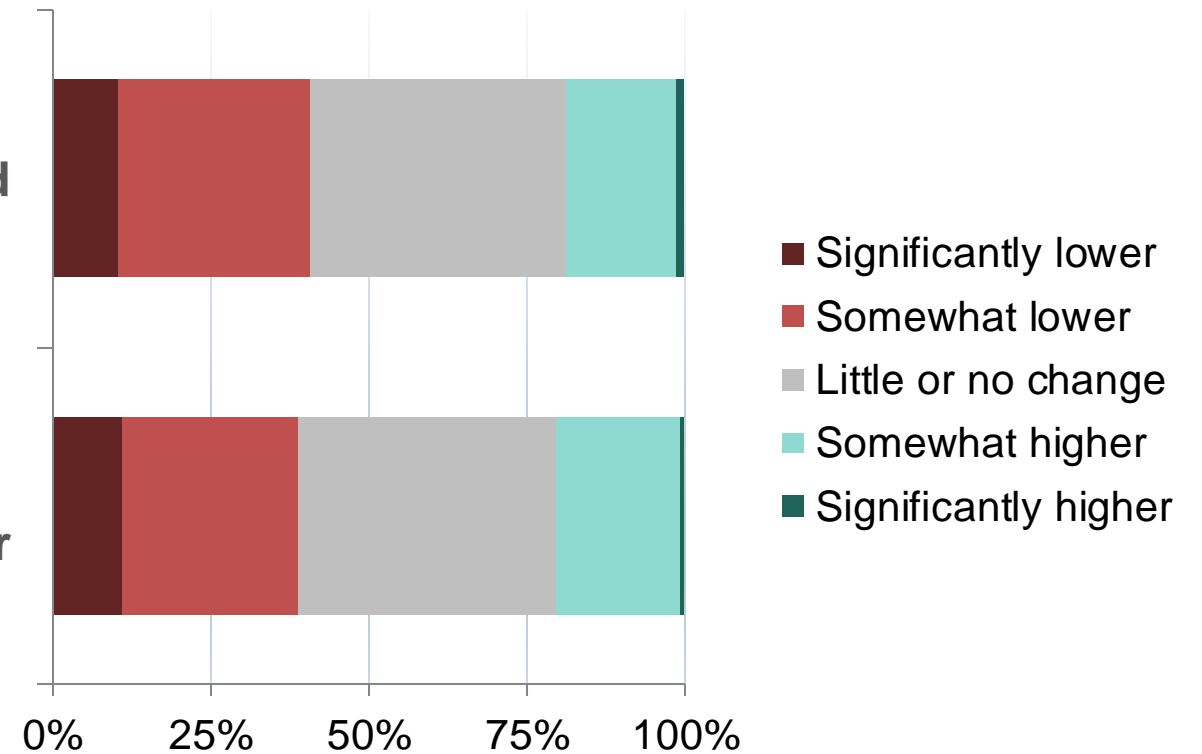
# EXPECTATIONS FOR FALL SEASON

## Expectations for Fall/shoulder season compared with similar periods in the past

Respondents don't see any recovery in the near term

Customer traffic expectations compared with last year

Revenue expectations compared with last year

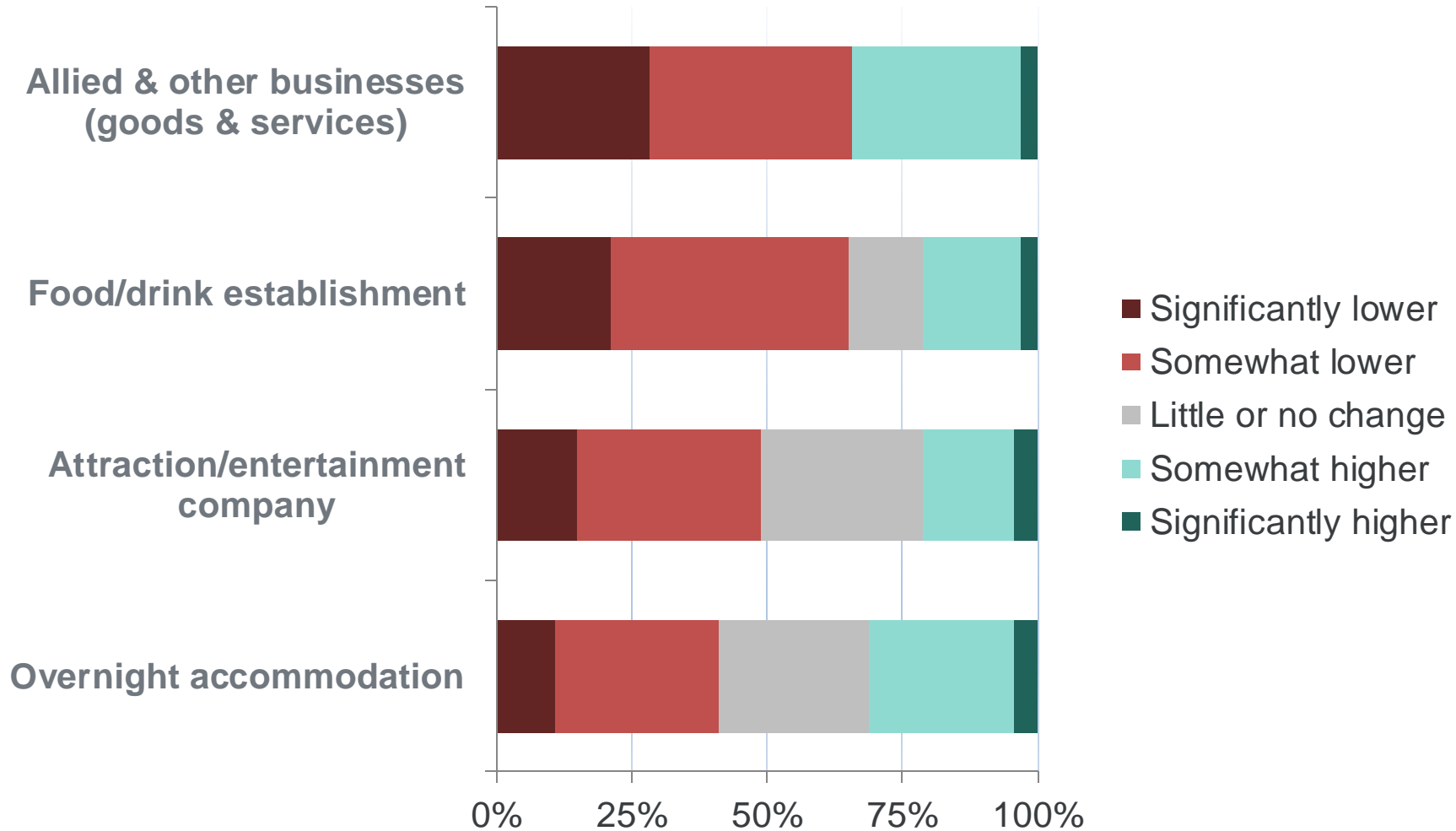




**REVENUE SNAPSHOTS  
BY FIRM TRAITS**

# REVENUES BY SUB-SECTOR

## Revenue compared with same period last year

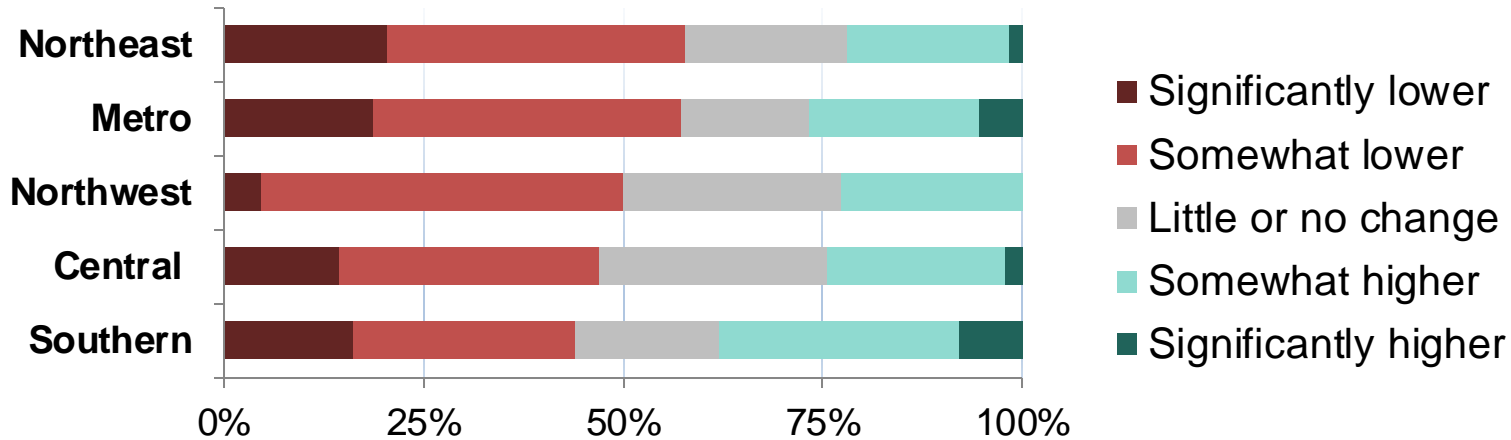


**Sector doing best – accommodation – seeing lower occupancy, but average room rates remain healthy**



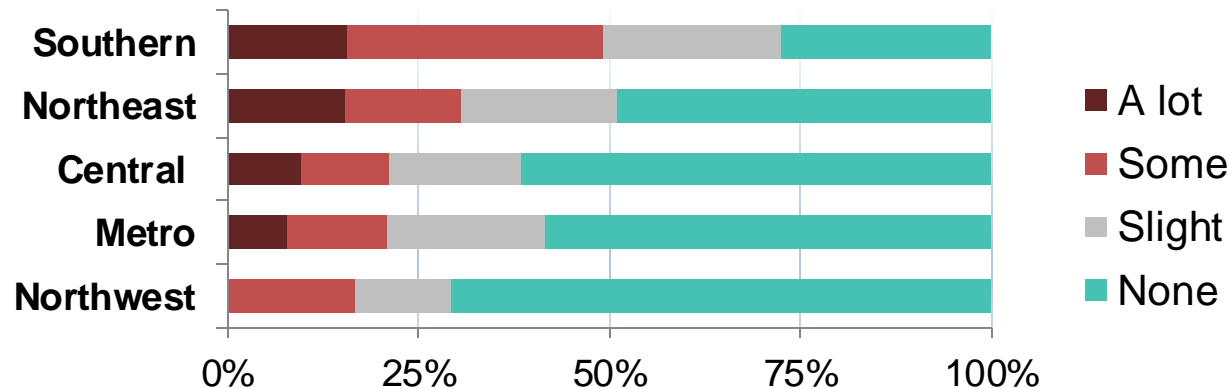
# REVENUES, BY LOCATION

Revenue compared with same period last year



- No region in the state doing “well”
- Southern region had best performance despite reporting biggest weather impact

What impact did flooding or other severe weather have on business?

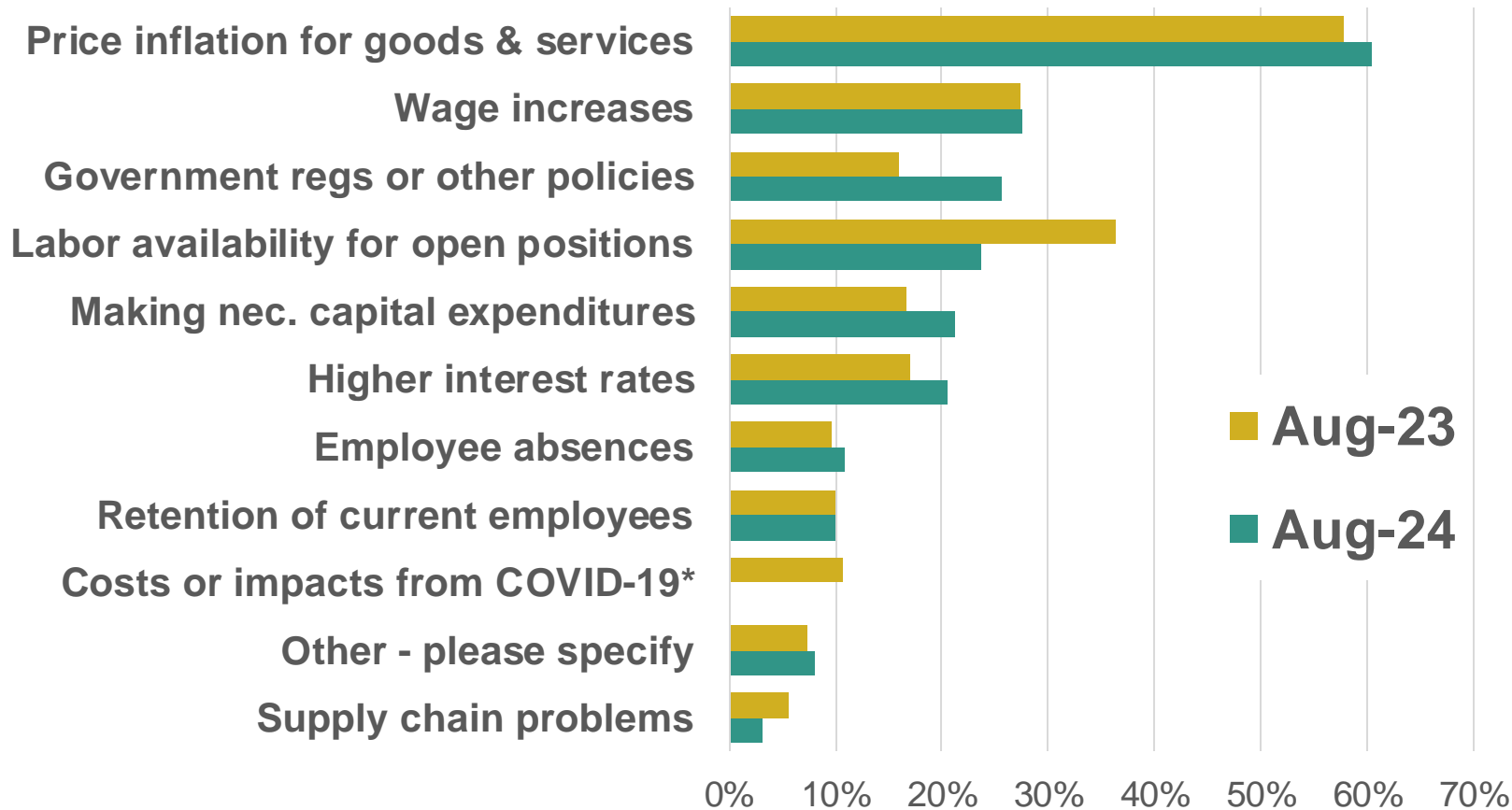


A stylized, light teal outline of an eagle with its wings spread, set against a teal background. The eagle is surrounded by several five-pointed stars. The word "CHALLENGES" is written in bold, yellow, uppercase letters across the center of the eagle's body.

# CHALLENGES

# CHALLENGES

## Greatest challenges to current operations (check only two boxes)



- Price inflation still #1 problem by big margin
- Wage crept up to #2 by staying the same
- Govt regulation saw notable increase, possibly from implementation of paid sick-and-safe law in '24
- Labor availability saw big improvement

\* Covid answer option not included in 2024 survey



The background is a solid teal color. In the center, there is a faint, light-colored graphic of an eagle with its wings spread, facing left. Overlaid on the eagle are several white and light teal lines representing price trends, including a jagged line at the bottom and several smoother, upward-trending lines. There are also several five-pointed stars scattered around the eagle's head and wings. In the top left corner, there is a small, dark teal horizontal bar.

# A CLOSER LOOK AT PRICE TRENDS

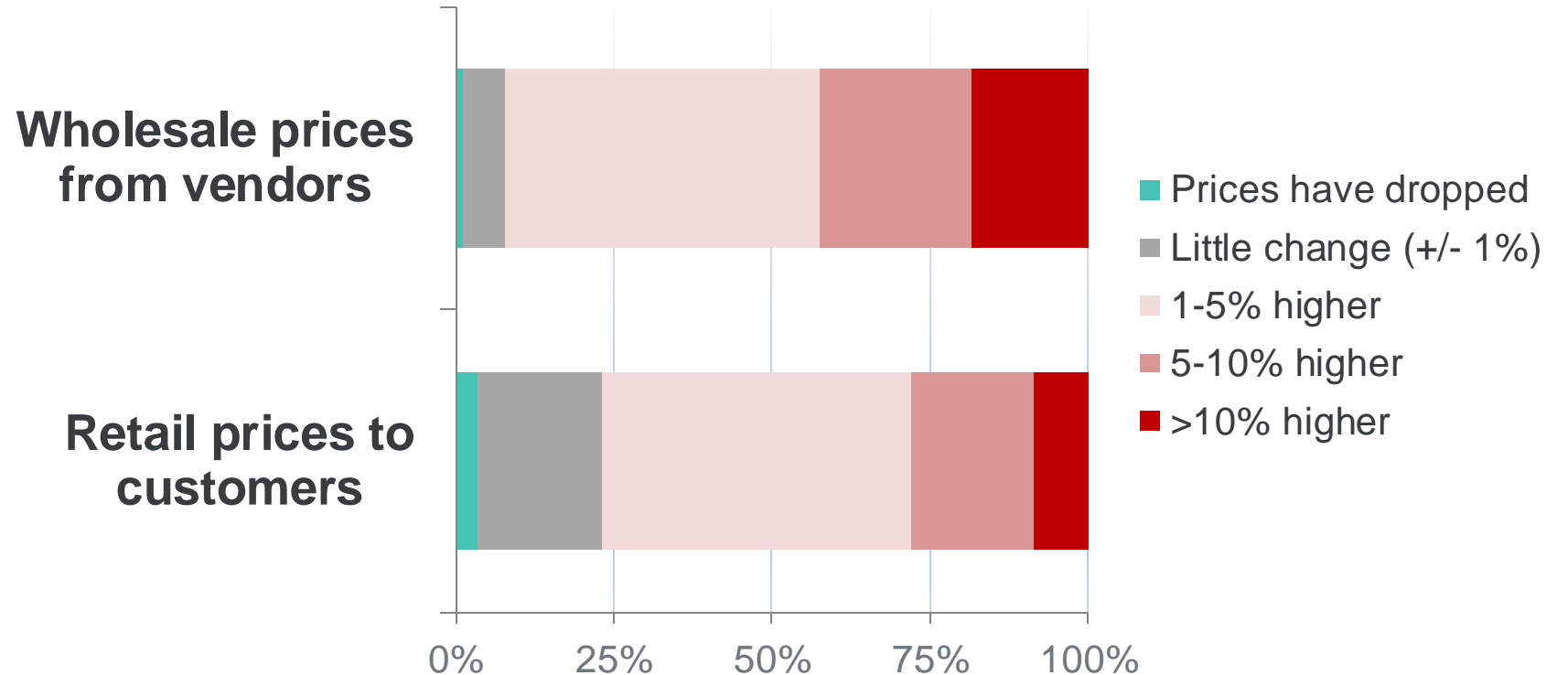
# PRICE INFLATION

Wholesale price hikes still higher than final/retail prices

Companies say they are eating much of wholesale increase

But long-run trend for both is improving, modestly but steadily

## Price changes over the last 12 months

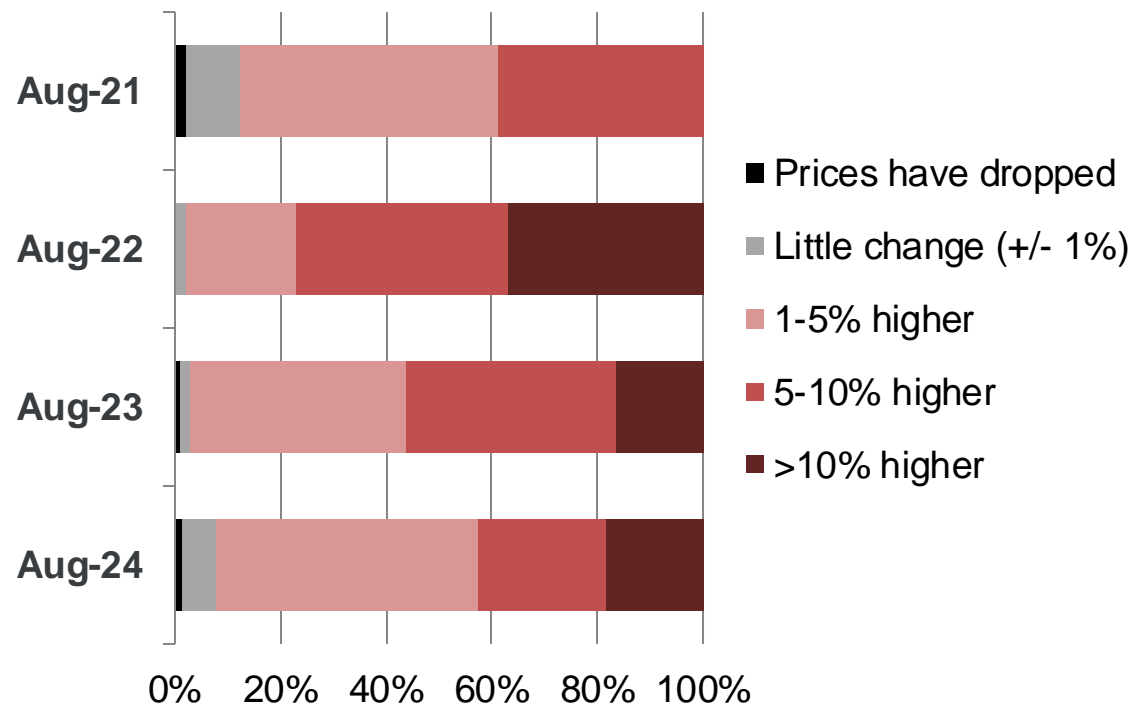




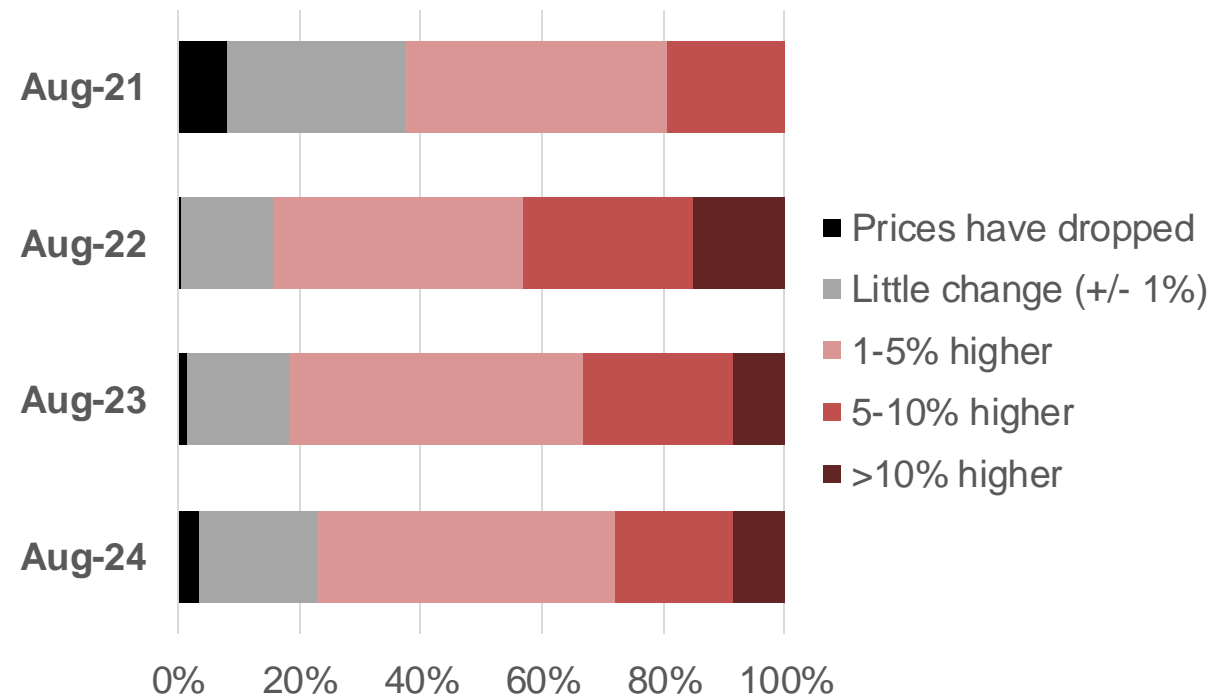
# PRICES, CONT.

- Respondents *report* price growth slowing, particularly at wholesale level
- Might not *feel* like relief when prices *going up more slowly* (rather than falling)

### Wholesale price change, last 12 months



### Retail price change, last 12 months



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



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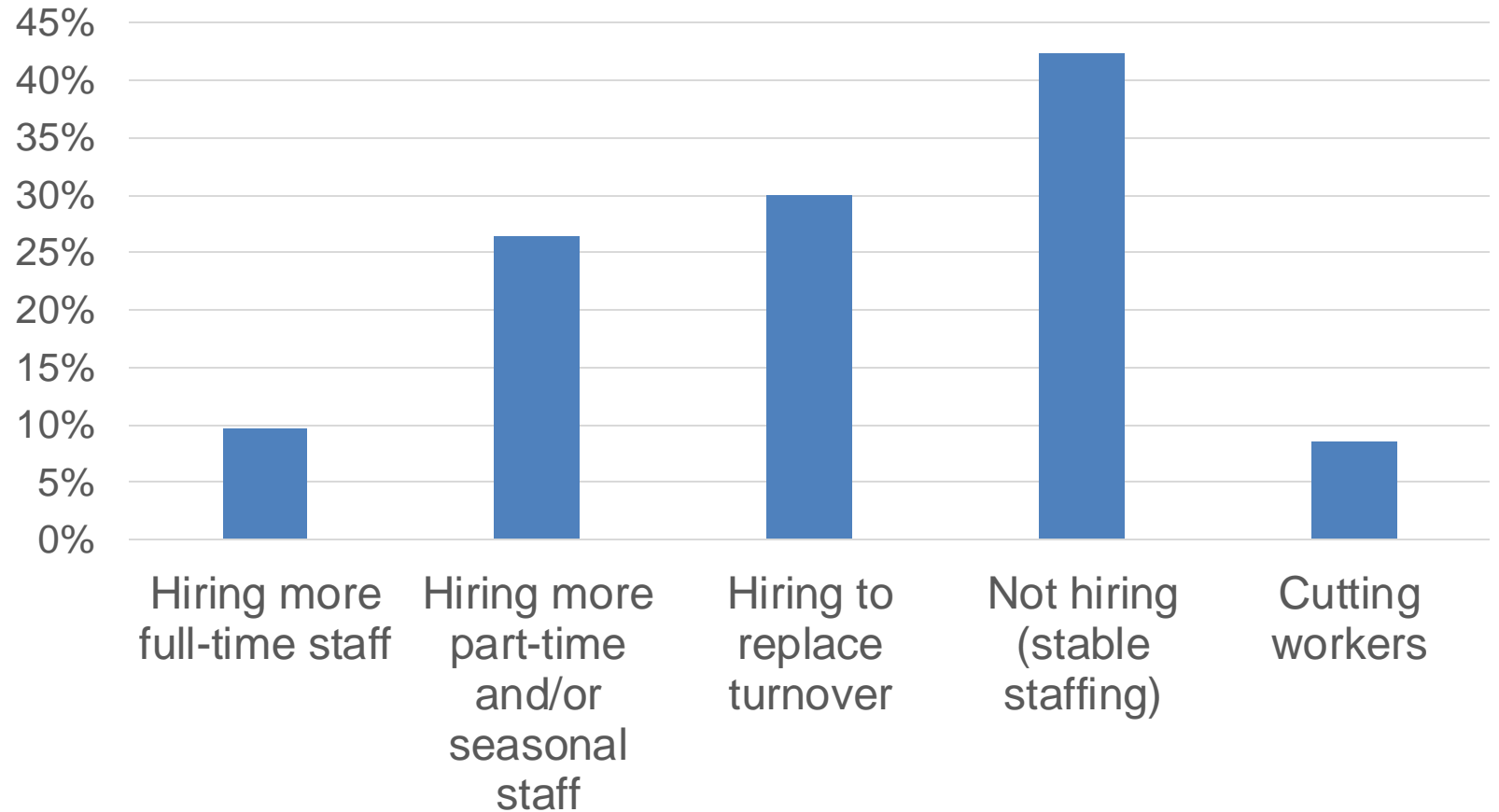


# WORKFORCE & WAGE TRENDS

# CURRENT HIRING

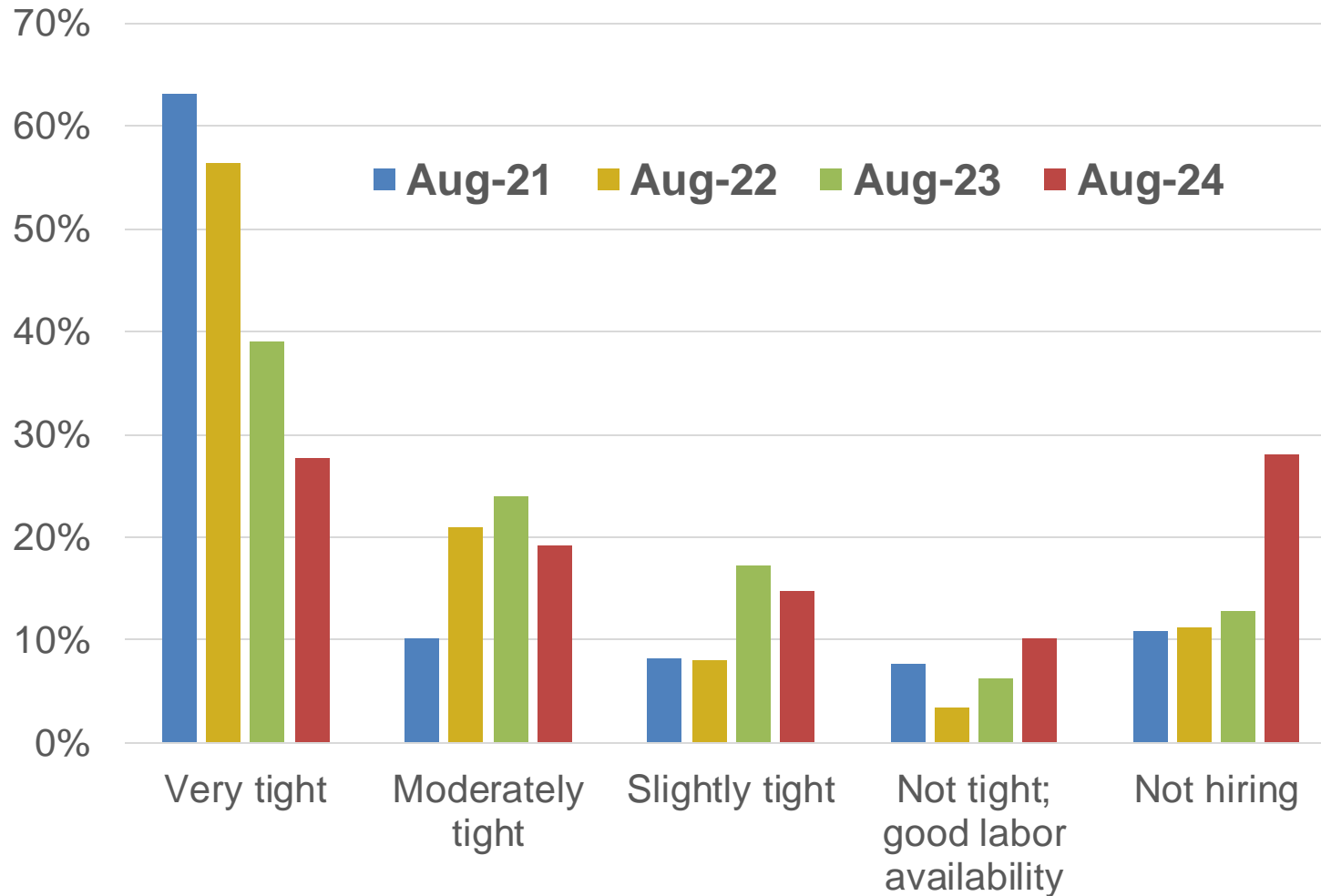
## Describe your current need for labor (check all that apply)

- Much lower share currently looking for more full-time workers
- More hiring to fill turnover
- Larger share not hiring at all, and slightly more are cutting workers



# CHALLENGES – LABOR AVAILABILITY

## Labor availability for open positions



Labor availability clearly improving

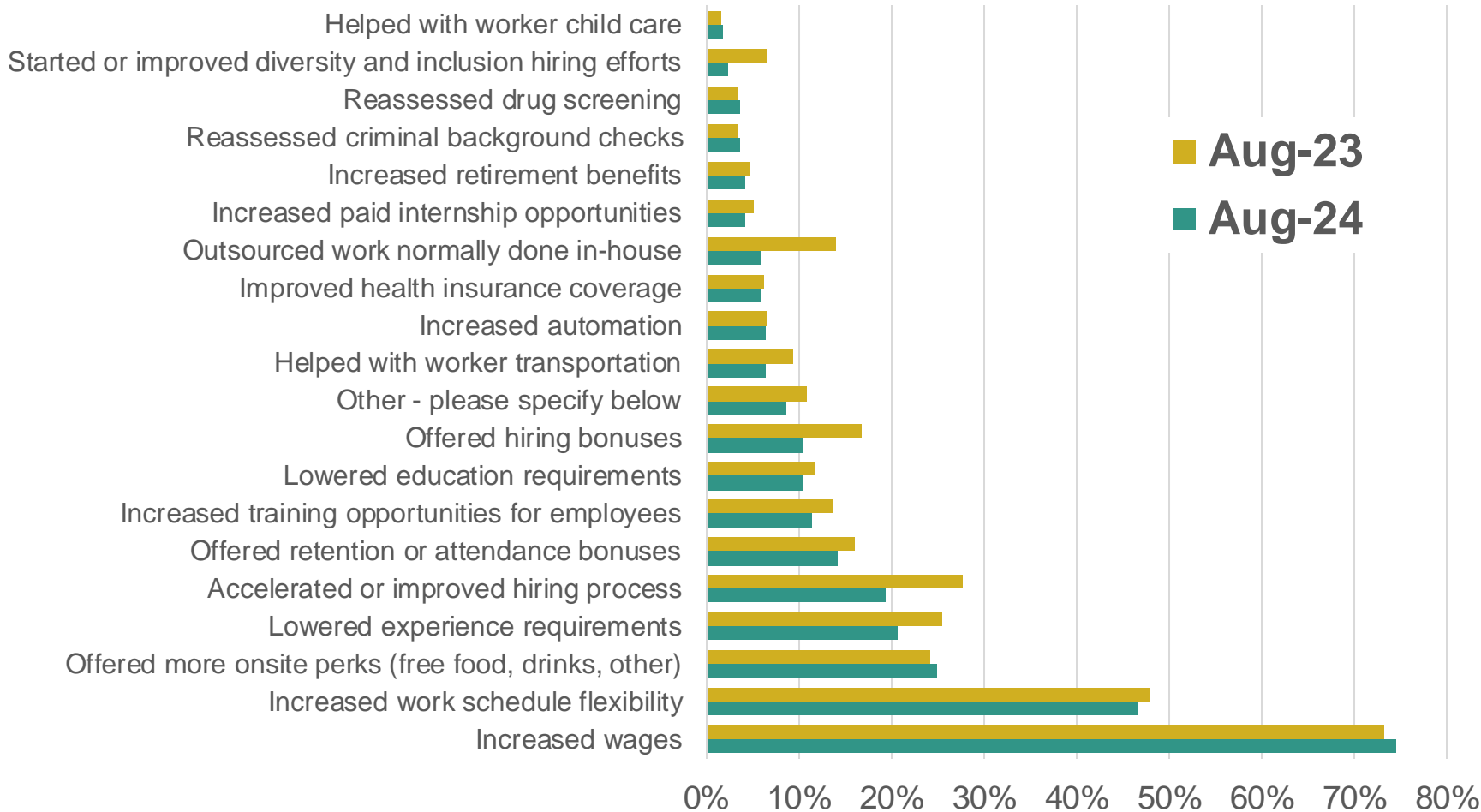
Since Aug '21 survey, share citing 'very tight' labor has been more than *cut in half*

Helped by the fact that many more firms are not hiring at all



# EFFORTS TO FIND LABOR

Unique efforts undertaken in last six months to attract or retain workers (Check all that apply)



Firms still doing a lot to find workers, but *doing slightly less* of most things

Biggest efforts, by far, still revolve around higher wages and more schedule flexibility



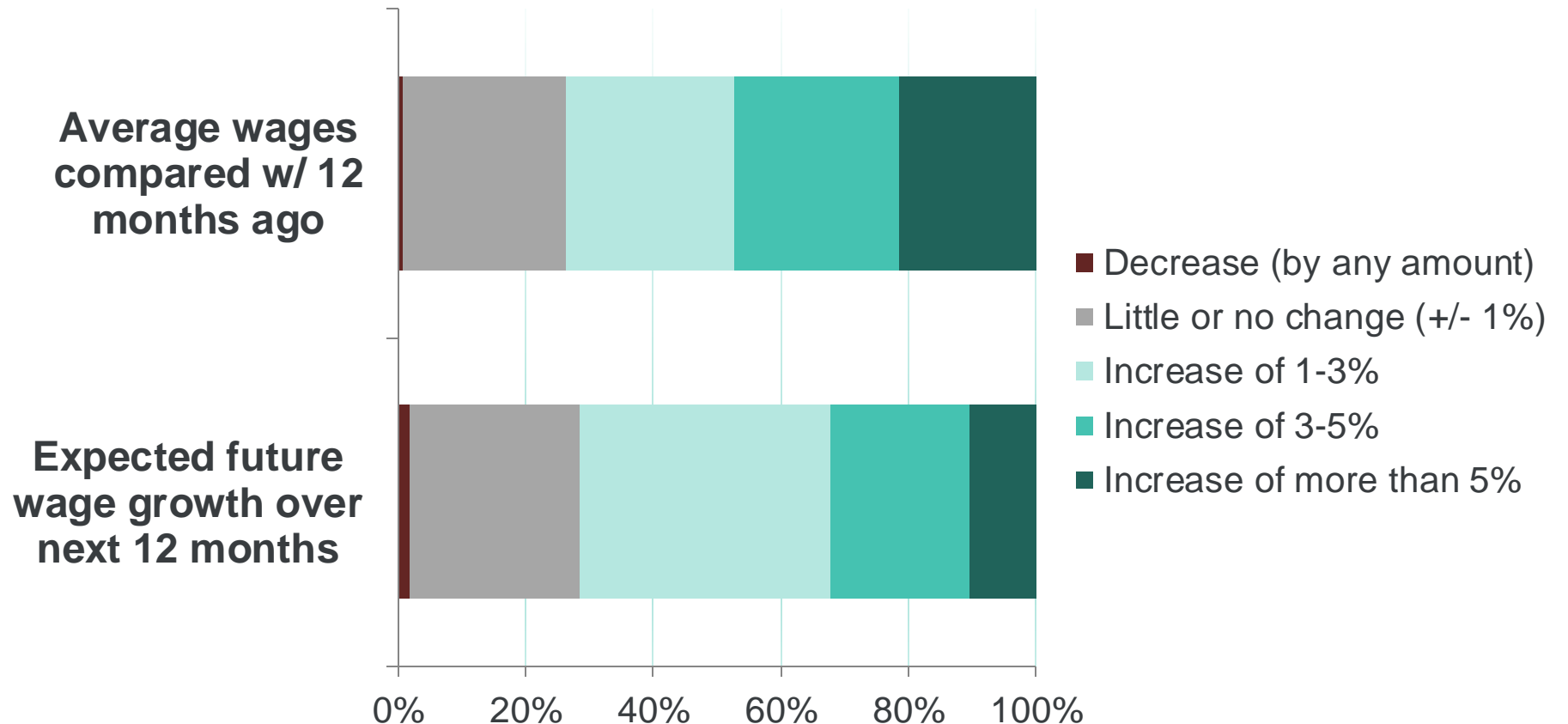
# WAGES RISING

Wage pressure still present, but declining

Future wage pressure expected to ease:

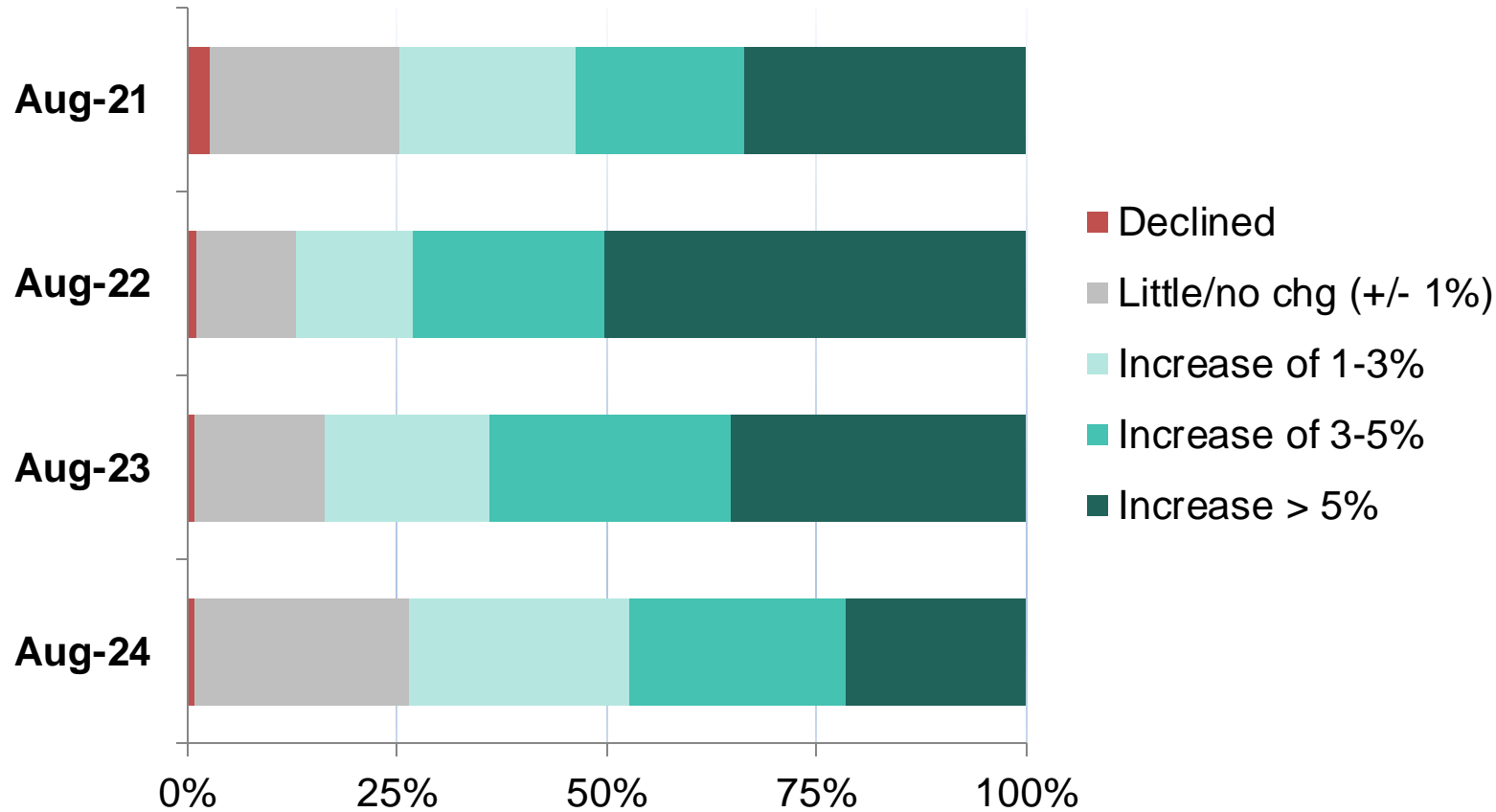
- Earlier in pandemic = wishful thinking
- Today = more realistic

## Average wage changes: Recent and future



# WAGE INCREASES PLATEAUING AT HIGH LEVELS

## Average wages compared w/ year ago



Slow, steady  
retreat from  
peak wage  
growth in 2022

Recent revenue  
& hiring trends  
suggest this  
might continue





**FINANCIAL HEALTH  
& OUTLOOK**

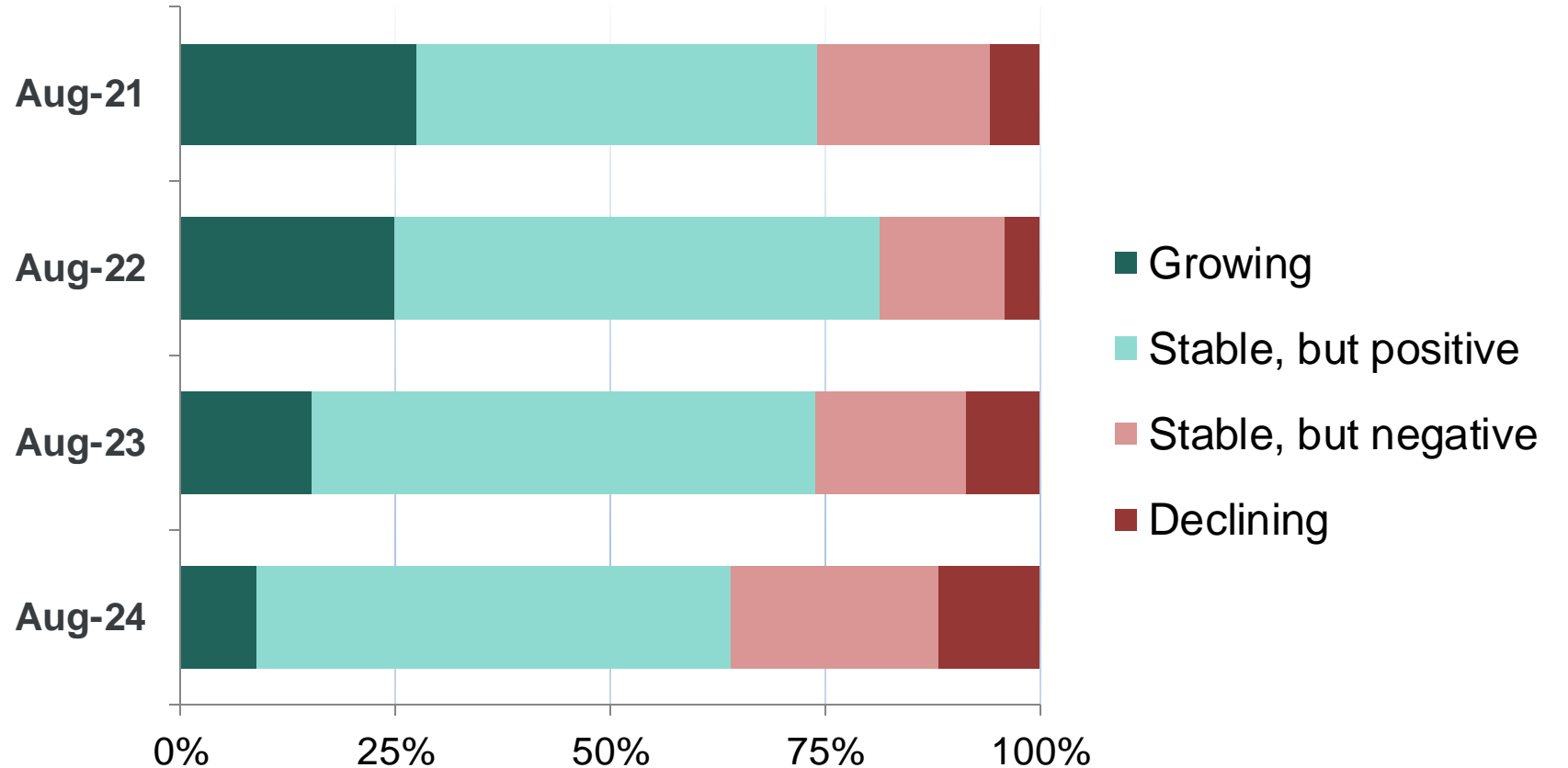


# FINANCIAL HEALTH

## Your business' current financial health

Share of growing businesses continues to erode

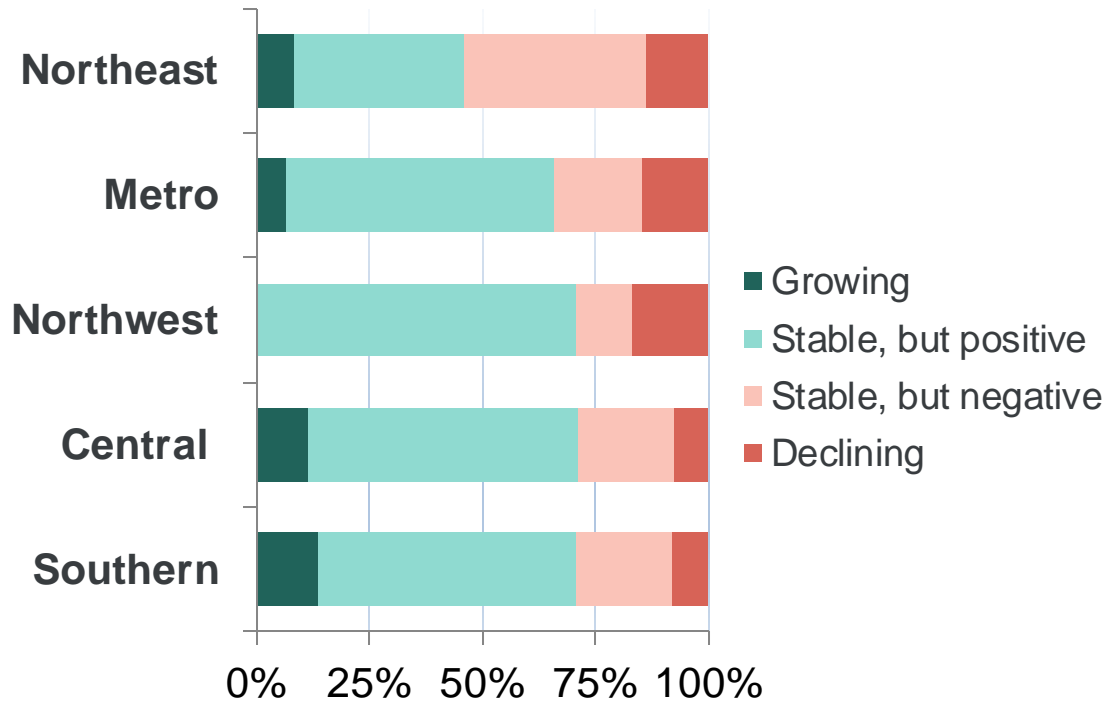
Share of those in a negative financial position rising



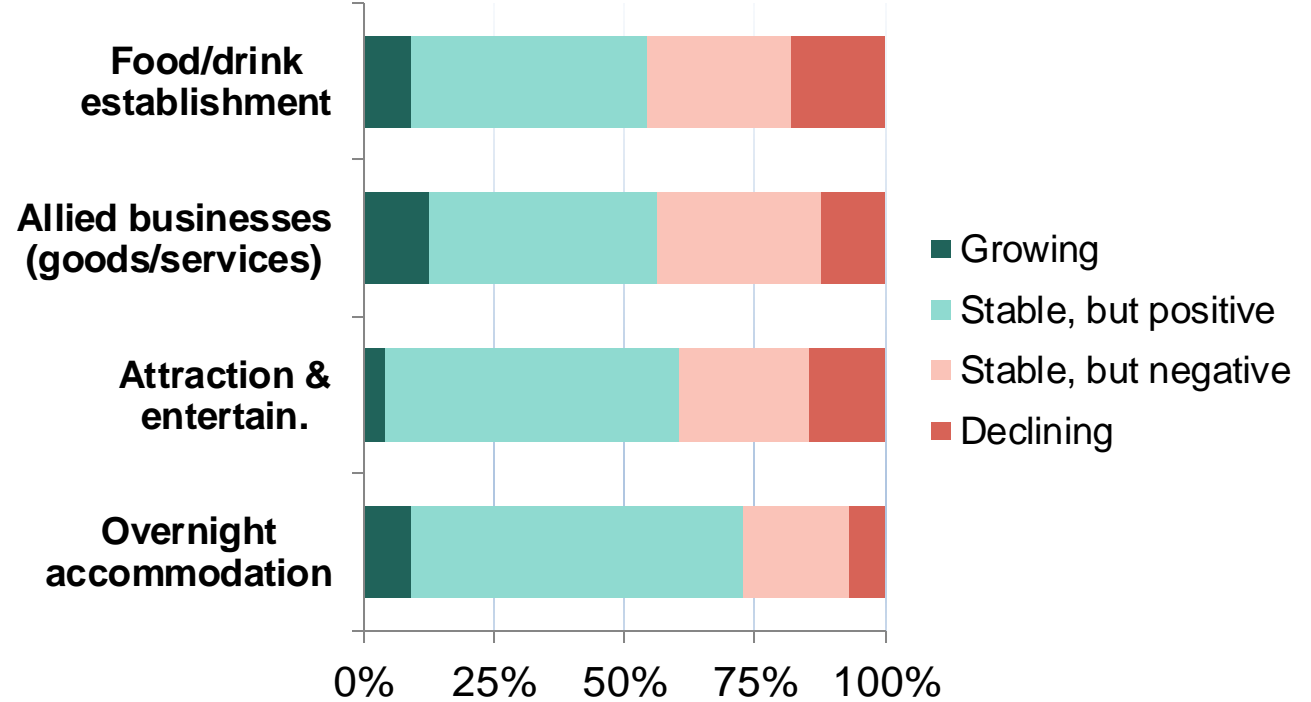
# FINANCIAL HEALTH – BY REGION AND BUSINESS TYPE

- NE MN respondents had largest share with revenue decline
- Food/drink & Allied respondents also reported more revenue declines

## Current financial health



## Current financial health



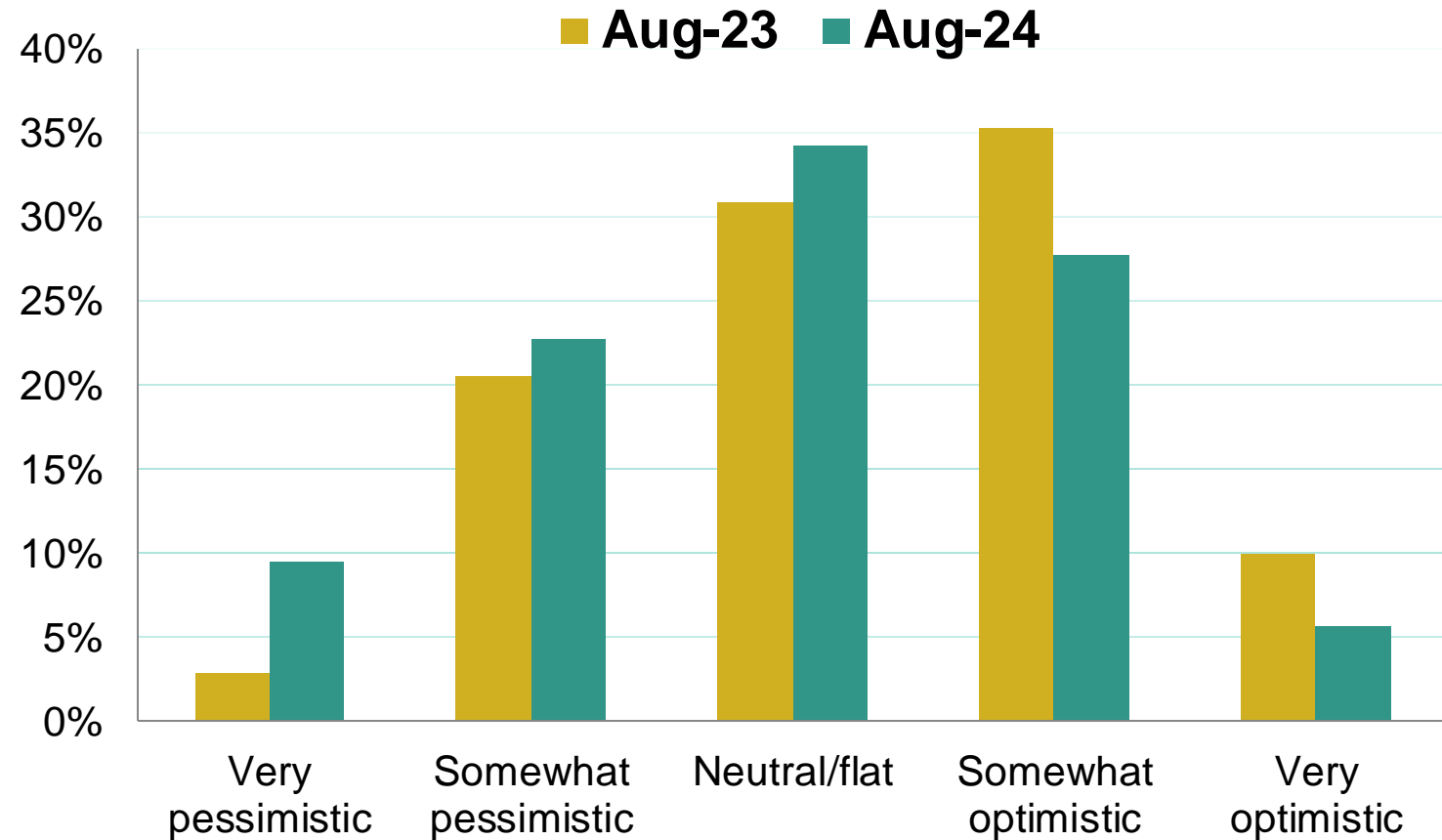
# OUTLOOK

Outlook for rest of year = dead even

- Equal shares are optimistic, neutral & pessimistic

But outlook has worsened compared with last year

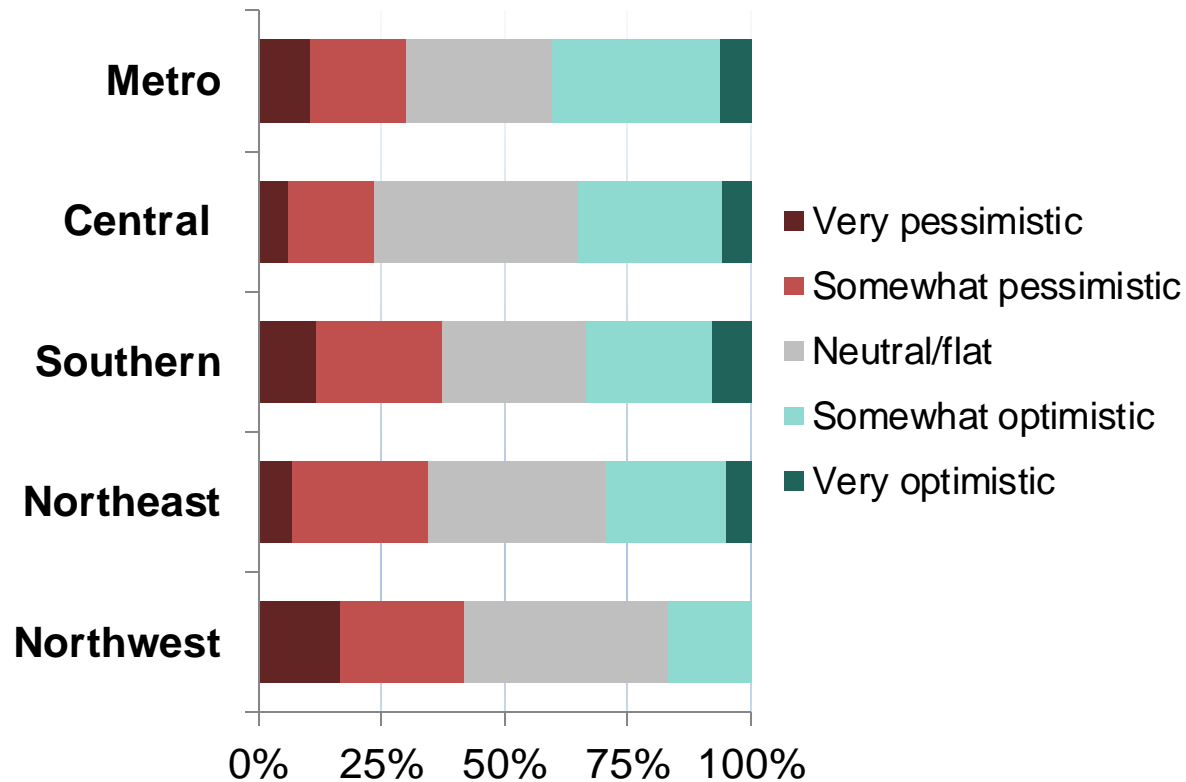
## Outlook for remainder of the year



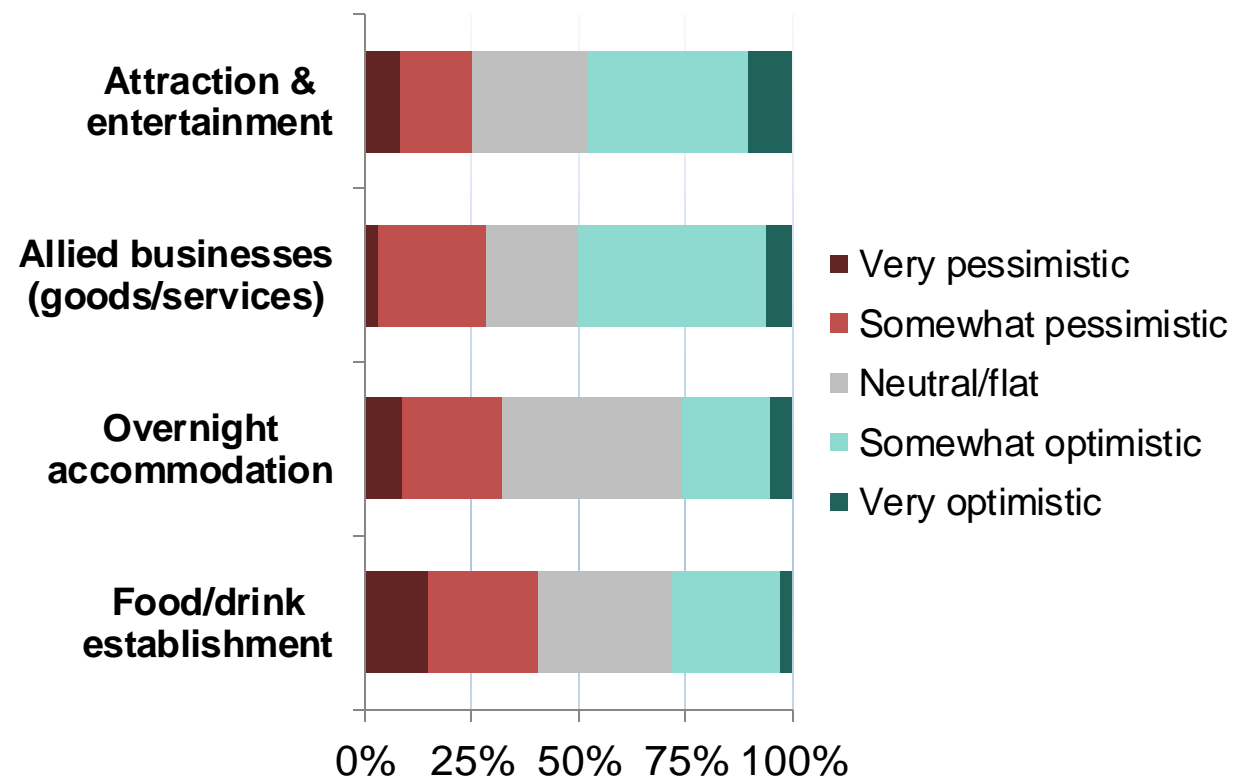
# OUTLOOK, CONT.

Businesses in the Metro & Central regions, and in attraction/entertainment & allied sectors, are the most optimistic, but the bar is pretty low

### Outlook for next six months, by region



### Outlook for next six months, by sector



## RECAP

- Growth has stalled in the sector, with more businesses reporting declining revenue
- No region or industry sub-sector seeing wildly different/better results; some marginally better
- Inflation and wage pressure both improving, but respondents still not *feeling* much actual relief
- Hiring has slowed noticeably; fewer hiring full-time workers, and more not hiring at all
- Labor availability better, in part bc of slower hiring
- Overall financial health positive, but eroding
- Outlook: Neutral = (very) cautious





NEXT:

**Q&A WITH OUR SURVEY  
PARTNERS**

***SUBMIT QUESTIONS VIA THE CHAT BOX***



FEDERAL RESERVE BANK OF MINNEAPOLIS



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