

NATIONAL CONTEXT

The National Federation of Independent Businesses indicates that one-in-five small businesses in America are likely to shutter in the coming months. While this number is shocking, the picture emerging for many hospitality businesses is even more challenging.

According to a national survey recently released by the National Restaurant Association, nearly 1 in 6 restaurants (representing nearly 100,000 restaurants) is closed either permanently or long-term. Further, the industry is on track to lose \$240 billion in sales by the end of the year, and nearly 3 million employees remain out of work.

The American Hotel and Lodging Association (AHLA) projects that without federal aid, 674 of Minnesota's 1006 hotels will close. Minnesota has already lost 13,164 of its 34,550 hotel jobs, and without further assistance, AHLA projects this number will jump to 24,185, nearly doubling the current total of unemployed hotel workers. It is not just direct employees that will be affected; Minnesota's hotel industry supports a total 131,048 jobs. According to AHLA, 30,272 of these jobs have already been lost as of September 2020, and without congressional action on economic assistance lost jobs are projected to jump to 58,972.

IN MINNESOTA

Hospitality Minnesota—in partnership with the Federal Reserve Bank of Minneapolis —completed an economic impact survey of hospitality operators from September 14-25. Many of the projections by operators are troubling. This summary will provide a look at:

- Solvency and job loss projections if nothing changes
- Revenue over the summer, compared to last year
- Revenue projections for the rest of the year
- Projections on returning to normal (pre-pandemic) business conditions

Solvency and job loss projections if nothing changes:

Deep concerns about solvency reach across all sectors, with the restaurant and foodservice and hotel and motel operators projecting a higher likelihood of insolvency than resort and campground operators within the next six months.

- 33% of hospitality operators indicate they will face insolvency in the next 4-6 months at the current trajectory. Given that this industry employs nearly 300,000 Minnesotans, closure of one-third of this industry's businesses projects to potential job losses in the 100,000 range. This is a devastating prospect for these individual families and our state economy. 26.92% of hospitality operators indicate that they are *currently* downsizing their labor force, but for the hotel sector the figure is even higher: 40.4% of hotel respondents indicate they are *currently* forced to cut staffing levels.
- The above solvency projections are off set by a comparatively strong performance from Minnesota's resort and campground sector this summer. Only 8.3% of resort and campground respondents indicate they may face insolvency in the next 4-6 months, likely based on stronger than expected revenue this summer and projections through year's end (see below).
- The picture appears to be much starker for many foodservice and hotel and motel operators:

- 51.75% of restaurant and foodservice operators project they will be insolvent within the next 4-6 months. If the period is extended to 6-12 months, the number jumps to 69.61%.
- 30% of hotel operators indicate they will face insolvency in the next 4-6 months, but the projection jumps to 55.3% if the period is extended to 6-12 months. This is relatively consistent with AHLA's projections above. Only 27.7% of hotel operators are confident they will not face insolvency within the next year.

Revenue over the summer, compared to last year:

Typically, higher summer revenues help operators make up for challenging cold-weather months ahead. Not surprisingly, this has not been the case for most operators this year.

- Only 10.28% of restaurant and foodservice operators said revenue was even or higher compared with last summer. 70.09% said revenue was *significantly* lower.
- 87% of hotel operators indicated their revenue was lower or significantly lower compared with last summer. Only 6.4% of hotel operators indicated revenue was *somewhat* higher this summer.
- Once again, the resort and campground sector provided the relative "bright spot": 53% of resort or campground respondents indicated revenue was *higher* or even, when compared to last summer.

Revenue projections for the rest of this year:

Again, restaurant and foodservice and hotel and motel operators are projecting much lower revenue the rest of this year, while many resort and campground owners are projecting slightly higher or little change in revenue by the end of the year.

- 83% of hotel and motel operators expect revenue to be lower through the rest of the year compared with last year during this period, and 74.5% expect them to be *significantly* lower. Only 8.5% expect revenue to be *somewhat* higher through the rest of this year and 4.3% expect little to no change.
- 69.64% restaurant and foodservice operators project revenue will be *significantly* lower for the rest of the year compared to last year and another 14.29% said *somewhat* lower.
- 58.3% of resort and campground operators expect revenue to be higher or show little or no change through the rest of the year compared with last year during this period. 20% expect revenue to be *significantly* lower and 8.3% expect revenue to be *somewhat* lower

Projections on returning to normal (pre-pandemic) business conditions:

The earliest projection for a return to normal is the second half of 2021, though most operators believe it won't come until 2022 or later.

- 65.22% of restaurant and foodservice operators project that business will not return to pre-COVID levels until the second half of 2021 or later.
- 54.96% of all overnight accommodation operators (resort, campground, hotel, motel, cabin rental bed and breakfast, etc.) project that business will not return to pre-COVID levels until the second half of 2021 or later. 48.9% of hotel and motel respondents believe their business will not return to normal, pre-pandemic levels until 2022 or later.

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Sources:

- [National Federation of Independent Business](#)
- [National Restaurant Association](#)
- [American Hotel and Lodging Association](#)
- HM | Minneapolis Fed Economic Impact Survey