



PROMOTE. PROTECT. EDUCATE

Senate Ways & Means Committee
107 N. Main Street
Concord, NH 03301
State House, Room 100

Dear Chairman Lang,

The New Hampshire Lodging & Restaurant Association represent more than 1300 members in the hospitality and tourism industry from all across New Hampshire. In FY 2022 our industry delivered more than \$306M in Meals & Rental tax and currently employs more than 74,000 people.

While we will attempt to provide some insight to this committee please recognize that our industry was decimated by the pandemic and continues to rebuild. In many ways our industry has forever been changed and we are still working through that a monumental transition to something that is not yet fully realized.

As for the industry today and for the rest of the year we are expecting the following:

Lodging, Events and Visitation.

NH 2023 projections:

Occupancy: 62.9% flat from 62.9% in '22 and up from 60.5% in '19

Employment: 7,762 up from 6,907 in '22 and down from 8,760 in '19

Room Revenue: \$844m flat from \$844m in '22 and up from \$682m in '19

2023 will likely remain strong – summer bookings so far are as good, if not better, than 2022. Many lodging properties are reporting strong bookings into the Fall.

This aligns with projections from the American Hotel & Lodging Association that projects occupancy rates and room revenues in NH will likely be flat in 2023 vs 2022. Keep in mind that 2021 and 2022 were very good years for NH particularly - the summer season.

We continue to get encouraging reports that business travel is returning and while it is not where it was in 2019, we are getting close.

Event business has rebounded and appears to be strong – particularly in leisure events. Weddings remain strong – it is also encouraging to see corporate events coming back as well.

What will be interesting to see (assuming the price of gas remains stable) is whether we see stronger day visitation numbers this year. Last year's very high gas prices led to softness in some areas of the market. Particularly in March, April and May when gas prices peaked.

Restaurants

Even in this uncertain economy, restaurant sales are projected to rise in 2023. As always, this will be fueled by consumers' unwavering desire for the convenience, socialization and experiences that the restaurant and foodservice industry provides.

As was the case in 2021 and 2022, sales growth in 2023 will be driven in large part by higher menu prices, as restaurant operators are forced to offset elevated costs throughout their business. Overall, nominal food and beverage sales are projected to surpass pre-pandemic levels in 2023, but not on an inflation adjusted basis.

Business conditions will likely be increasingly challenging in 2024, as many economists expect the U.S. economy to slip into recession. If that happens, restaurants will face even more competition to maintain their share of consumers' wallets.

As of February 2023, eating and drinking place employment in New Hampshire was 600 jobs – or 1.2% - above the February 2020 level. [Source: Bureau of Labor Statistics] While industry employment in general has rebounded to levels prior to the pandemic, many operators still report staffing shortages and it has restricted many businesses. We have all experienced shorter hours, open fewer days and smaller menus.

Elevated Labor Costs

Wages of restaurant employees rose much faster than their counterparts in the overall private sector during the pandemic. Between December 2019 and December 2022, average hourly earnings of eating and drinking place employees jumped 25% - from \$15.50 to \$19.42 (+\$3.92 an hour). During the same 36-month period, average hourly earnings of employees in the overall private sector rose just 15% - from \$28.51 to \$32.84 (+\$4.33 an hour). [Source: Bureau of Labor Statistics; figures do not include tips]

Elevated Food Costs

Average wholesale food prices – as measured by the Producer Price Index for All Food – currently stands 28% above its pre-pandemic level. Although prices for some food commodities leveled off or declined in recent months, others continued to trend sharply higher. As a result, the degree to which restaurants are experiencing relief depends on the menu mix of each individual operation. Until wholesale prices start trending lower across a broad range of commodities, food costs will continue to be a headwind for restaurants. [Source: Bureau of Labor Statistics]

Rising Menu Prices

Average menu prices increased 8.8% between March 2022 and March 2023. That represented the 8th consecutive month with 12-month gains of at least 8%. The recent increase in menu prices was due largely to higher input costs – particularly food and labor.

General Thoughts

Hotel occupancy rates are just now getting back to pre-pandemic levels.

Reports are that business travel is coming back, including some corporate events – but they are still not fully back to levels seen before the pandemic.

Meals and rentals tax when adjusted to compensate for the reduction of the tax rate from 9% to 8.5%, are just now getting back to levels from before the pandemic. Which means that industry sales are just now getting back to where they were before the pandemic.

The worrying piece is that much (if not all) of the growth in sales has been through price increases, rather than in an increase in the number of meals sold and rooms rented. Growth of this type will reach a point where price sensitivity will begin to curb demand.

2024 becomes a lot murkier to predict – rising interest rates, continuing inflation in food costs, energy costs, labor costs and all the ancillary costs of a business make it hard to estimate next year.

There are a couple of major events that we expect will keep our visitation numbers strong through the first half of 2024 – the Presidential Primary in the first quarter and then the solar eclipse in the second quarter (April). We suspect that the summer will remain busy (weather permitting).

Thank you for the opportunity to meet with you today,

Sincerely,

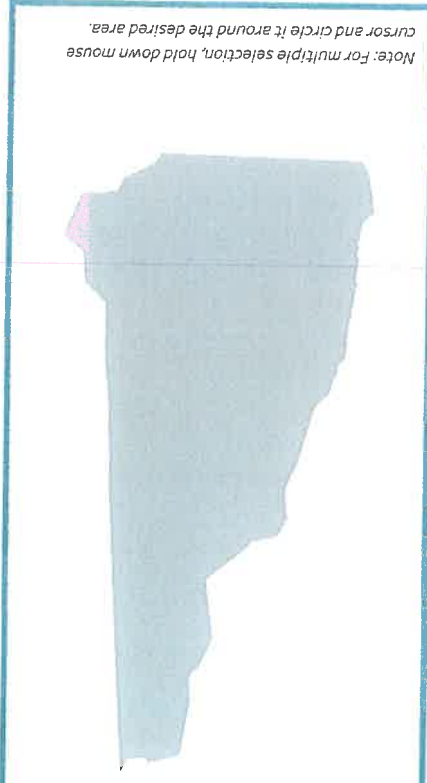
Mike Somers
President & CEO
New Hampshire Lodging & Restaurant Association

New Hampshire State

Select a geography level

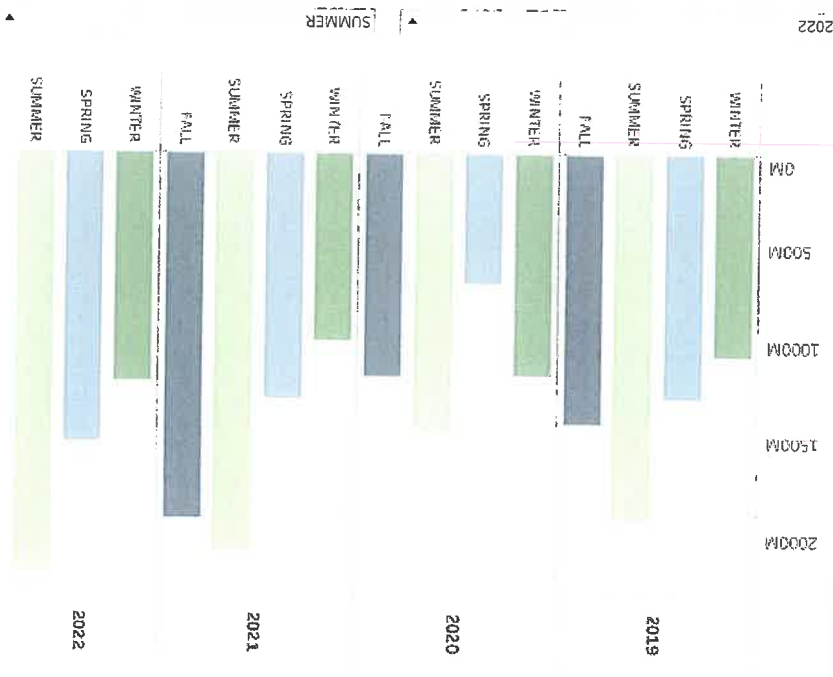
State

Note: For multiple selection, hold down mouse cursor and circle it around the desired area.



Display: Seasonal Chart
 Category: Total Spending
 Subcategory: Destination Spending
 Years: (Multi...)
 Season: (All)

New Hampshire State
 Destination Spending Total Spending
 All Seasons



2022 SUMMER

Destination Spending 2.2B (98.3%)
 Other Travel 37.1M (1.7%)

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