

Impacts of COVID-19 on Maine's Hospitality Sector¹

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This report shows the following:

- Maine hospitality sales fell by 35 percent between March of 2019 and 2020, and 63 percent between April of 2019 and 2020.
- The impacts of COVID-19 on the Maine hospitality sector resulted in a 66-percent reduction in daily consumer spending at restaurants and lodging establishments between January and early April of 2020, 50-percent reduction between January and early May, and 33-percent reduction between January and early June.
- Accounting for the large impacts related to COVID-19, the Maine hospitality sector will generate a 2020 statewide economic contribution—including multiplier effects—of an estimated \$4.6 billion in revenue, 46,196 full- and part-time jobs, and \$1.6 billion in labor income.

¹ This analysis was conducted at the request of *Hospitality Maine*.

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³ The analysis presented in this report is based on information as of June 23, 2020. The report may be revised as new data are released.

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1. Introduction

In March of 2020, many U.S. cities and states imposed a variety of measures to slow the spread of COVID-19. These include encouraging people to practice social distancing, prohibiting the assembly of large groups, and the shutdown of many nonessential businesses. Businesses such as restaurants, hotels, movie theatres, live sporting events and theme parks were particularly impacted by the COVID-19 restrictions because they often have large numbers of people in confined spaces. For example, the number of reservations at U.S. restaurants was 14-percent lower on March 9 (compared with the previous year), 28-percent lower on March 12, and 56-percent lower on March 16. The year-over-year decrease in reservations fell to 99-percent on March 20, where it remained until early May of 2020.⁴

This report examines the impacts of COVID-19 on Maine's hospitality sector, defined to include restaurants and lodging establishments (e.g., hotels and motels). We examine monthly trends in Maine hospitality sales over the first one-third of 2020 and analyze the sector's estimated economic contribution for the entire year, accounting for the COVID-related reductions in sales. The analysis is based on data from Maine Revenue Services and the Opportunity Insights project of Chetty et al. (2020). The results show 35-percent and 63-percent reductions in hospitality sales in March and April, compared with the same months in 2019, and

⁴ These figures are from the OpenTable online restaurant reservation website.

the sector's 2020 annual economic contribution is estimated to be 33-percent lower than its contribution in 2018 (Gabe and Crawley 2019).⁵

2. Analysis and Results

Figure 1 shows monthly hospitality sales in Maine for all of 2019 and the first four months of 2020. In both January and February, hospitality sales were 12-percent higher in 2020 as compared with 2019 (not adjusted for inflation). Maine hospitality sales fell by 35 percent between March of 2019 and 2020, and 63 percent between April of 2019 and 2020. Since Maine's hospitality sector is characterized by robust seasonal increases during the summer months, its performance in June, July and August will have a large influence on the sector's total sales in 2020.

Figure 2 shows daily COVID-related impacts on Maine's hospitality sector from March 1 to June 17, 2020. The figures show a very sharp decline in Maine consumer spending at restaurants and hotels starting in the middle of March, with spending down by about 66 percent (relative to the period of January 4 to 31, and accounting for seasonality) around the beginning of April. By early May of 2020, Maine hospitality spending declined about 50 percent and about 33 percent by early June, as a result of COVID-19.

Figure 3 shows annual Maine hospitality sales from 2004 to 2019, adjusted for inflation to 2019 dollars, along with estimated 2020 hospitality sales. The 2020 hospitality sales figure of

⁵ The hospitality industry's 2020 estimated annual economic contribution of \$4.6 billion in revenue is compared to the sector's 2018 economic contribution of \$6.9 billion in revenue (Gabe and Crawley 2019), which gives a decrease of 33 percent. Comparing the hospitality sector's 2020 estimated annual economic contribution to its economic contribution in 2019 would show a larger reduction.

between \$2.5 billion and \$2.8 billion uses actual data from January to April and estimates for the period May through December. These estimates are based on scenarios similar to the daily COVID-related impacts presented in figure 2. Compared with 2019 hospitality sales of about \$4.3 billion, the estimated annual sales in 2020 are expected to experience a decrease of between 35 and 42 percent.

Table 1 shows the Maine hospitality sector's estimated statewide economic contribution for all of 2020, accounting for the COVID-related reduction in sales. The direct revenue of \$2.65 billion is the midpoint of the \$2.5 billion and \$2.8 billion from figure 3. The direct employment of 33,085 full- and part-time jobs is the number of workers supported by \$2.65 billion in revenue, estimated by the Maine IMPLAN model, and the model suggests about \$1.0 billion in labor income earned by these workers. The estimated \$2.65 billion in 2020 hospitality sales will generate a statewide economic contribution—including multiplier effects—of \$4.6 billion in revenue, 46,196 full- and part-time jobs, and \$1.6 billion in labor income. The \$4.6 billion in statewide revenue is 29-percent and 33-percent lower than the Maine hospitality sector's economic contributions in 2017 and 2018 (Gabe and Crawley 2018, 2019).⁶

3. Summary

The Maine hospitality sector has experienced large declines in economic activity as the result of COVID-19. Taxable hospitality sales in March of 2020 were 35 percent lower than sales

⁶ The hospitality industry's 2020 estimated annual economic contribution of \$4.6 billion in revenue is compared to the sector's 2018 economic contribution of \$6.9 billion in revenue (Gabe and Crawley 2019) and its 2017 economic contribution of \$6.5 billion (Gabe and Crawley 2018), which gives a decrease of 33 percent and 29 percent, respectively. Comparing the hospitality sector's 2020 estimated annual economic contribution to its economic contribution in 2019 would show a larger reduction.

in March of 2019, and sales fell by 63 percent between April of 2019 and 2020. COVID-related impacts on the Maine hospitality sector resulted in about a 66-percent reduction in daily consumer spending between January and early April of 2020, 50-percent reduction between January and early May, and 33-percent reduction between January and early June. Accounting for these large impacts related to COVID-19, the Maine hospitality sector will generate a 2020 statewide economic contribution—including multiplier effects—of an estimated \$4.6 billion in revenue, 46,196 full- and part-time jobs, and \$1.6 billion in labor income. This represents a 33-percent decline relative to the sector's statewide economic contribution in 2018 (Gabe and Crawley 2019).⁷

References

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⁷ The hospitality industry's 2020 estimated annual economic contribution of \$4.6 billion in revenue is compared to the sector's 2018 economic contribution of \$6.9 billion in revenue (Gabe and Crawley 2019), which gives a decrease of 33 percent. Comparing the hospitality sector's 2020 estimated annual economic contribution to its economic contribution in 2019 would show a larger reduction.

Impacts of COVID-19 on Maine's Hospitality Sector: Gabe and Crawley, June 2020

Table 1. Estimated Statewide Economic Contribution of Maine's Hospitality Sector: 2020

	Direct	Multiplier Effects	Total
Revenue	\$2,650,000,000	\$1,975,344,167	\$4,625,344,167
Employment	33,085	13,111	46,196
Labor Income	\$999,435,987	\$629,903,597	\$1,629,339,584

Notes. Direct revenue of an estimated \$2.65 billion is based on data from Maine Revenue Services, Chetty et al. (2020) and authors' calculations. Direct employment and labor income, and multiplier effects are from the Maine IMPLAN model.

Figure 1. Monthly Hospitality Sales in Maine: 2019 and 2020 (through April)

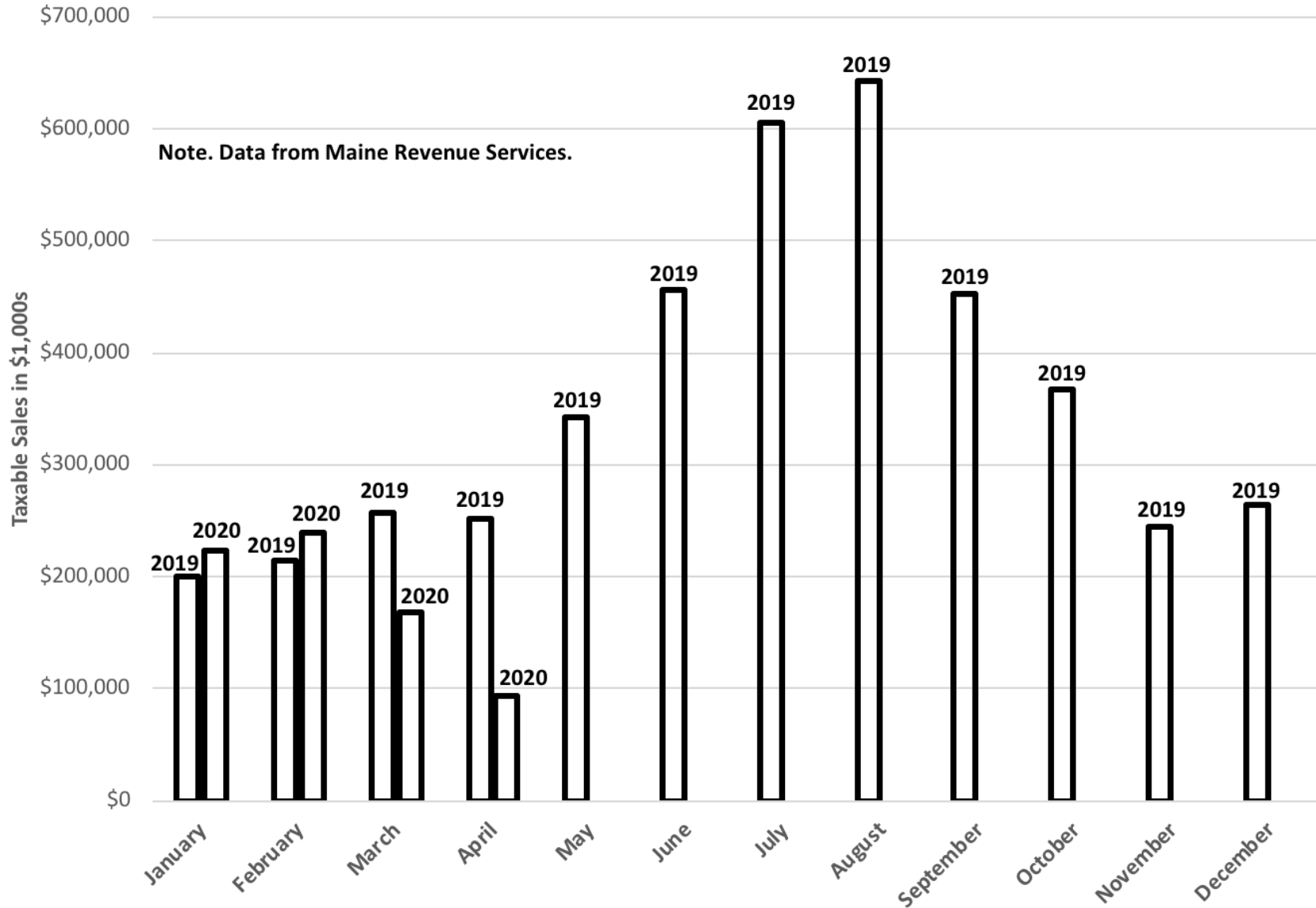


Figure 2. COVID-Related Impacts on Maine Hospitality Sales

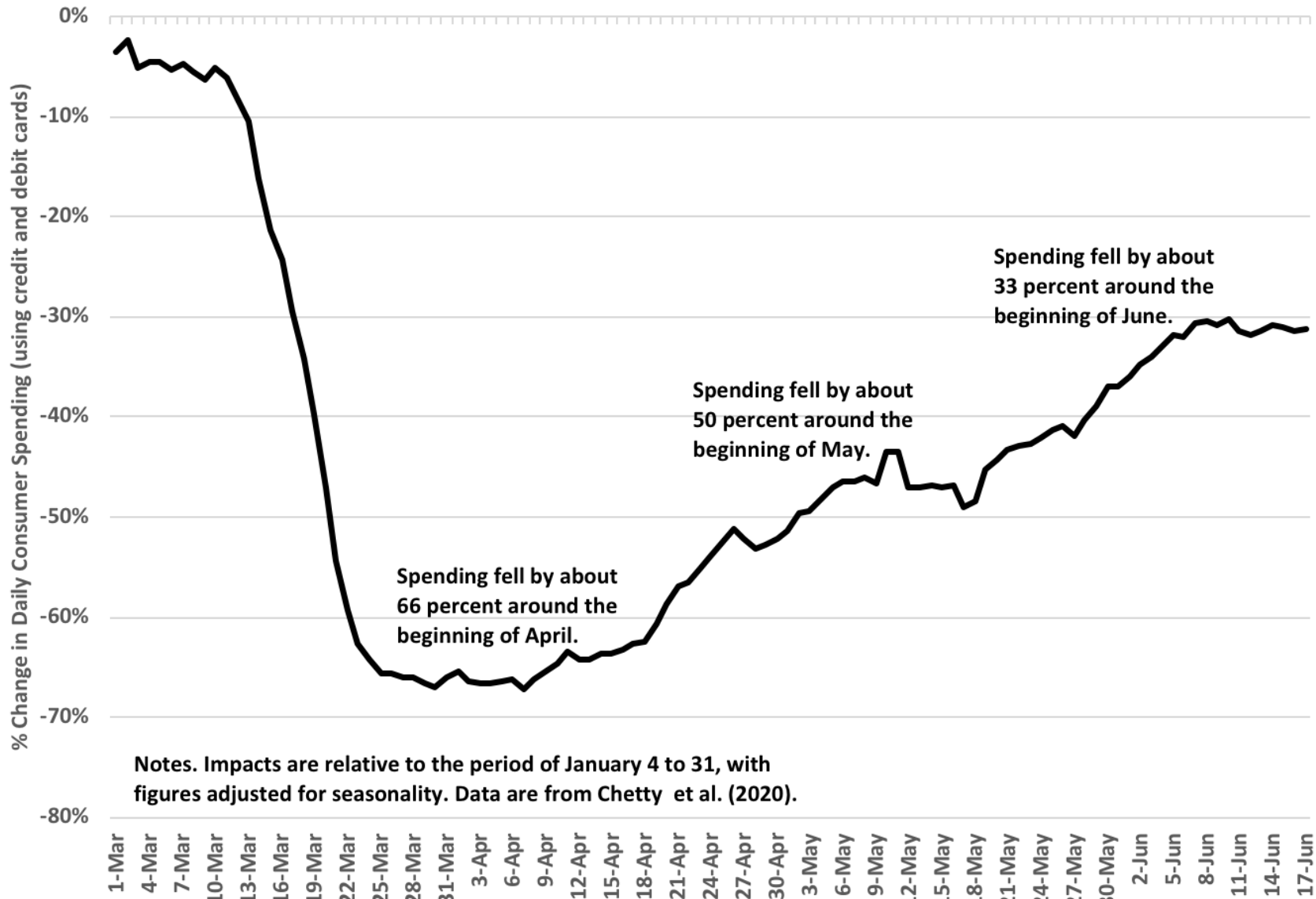


Figure 3. Maine Hospitality Sales, 2004 to 2020 (estimated)

