



Leisure and Hospitality: Strong Demand and Supply Constraints

by: John McCoy

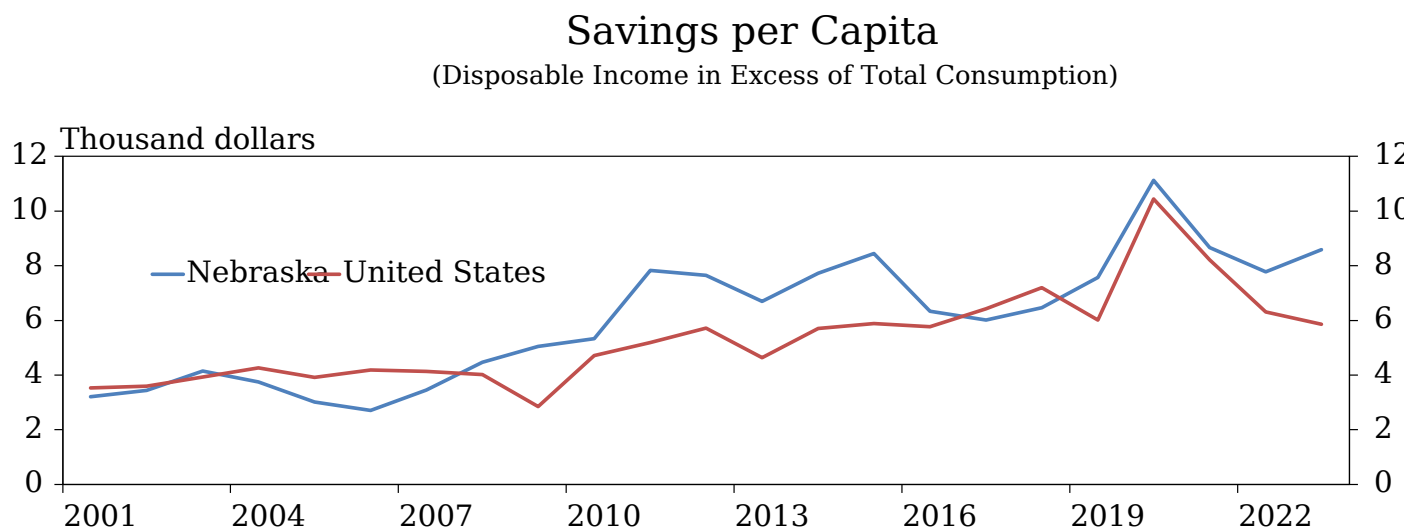
May 07, 2024

Strong household finances, along with pent-up demand from the pandemic, has fueled discretionary spending on recreation and experiences for Nebraskans.

Alongside higher incomes, [household savings in Nebraska have increased since the pandemic](#). Strong household finances, along with pent-up demand from the pandemic, has fueled discretionary spending on recreation and experiences, from going to sporting events and visiting museums to eating at restaurants and staying in hotels. That spending might have been even higher, but businesses have likely been constrained by labor shortages and high input costs, possibly limiting options or availability for buyers.

See the following for an update on the leisure and hospitality sector in Nebraska. Or [download the charts here](#).

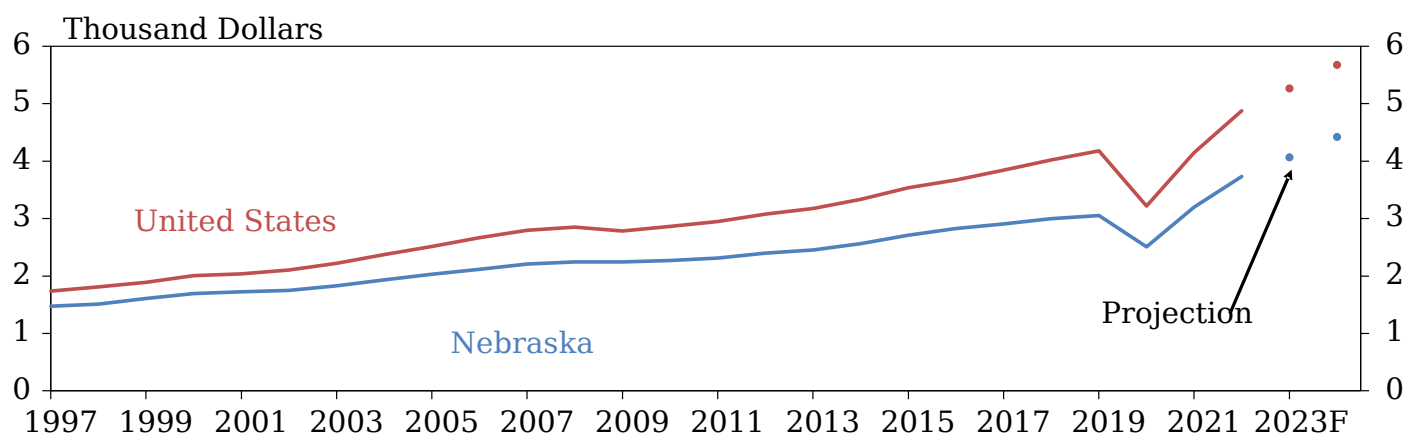
Household savings in Nebraska appear to be higher than before the pandemic, despite easing from a recent peak.



Sources: BEA, Haver Analytics, author's calculations.

Higher savings have supported spending on recreation and experiences following pent-up demand from the pandemic.

Per Capita Recreation and Experience Spending

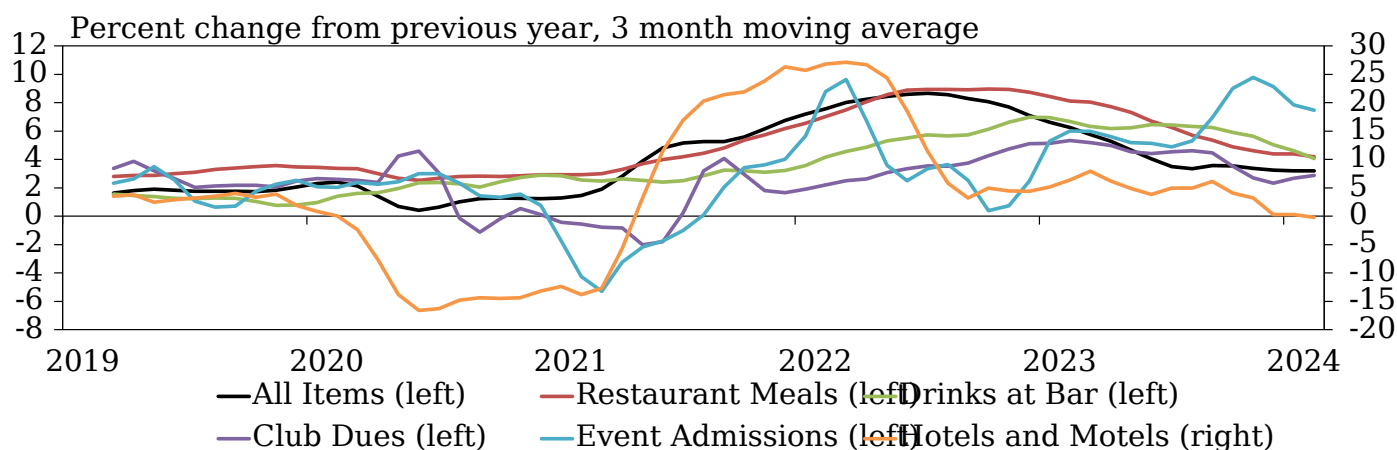


Note: Recreation and experience spending includes household spending on membership clubs, sports centers, parks, theaters, museums, gambling, package tours, purchased meals and beverages, and accommodations.

Sources: BEA, author's calculations.

Inflation has contributed to some, but not all, of increased spending on recreation and experiences.

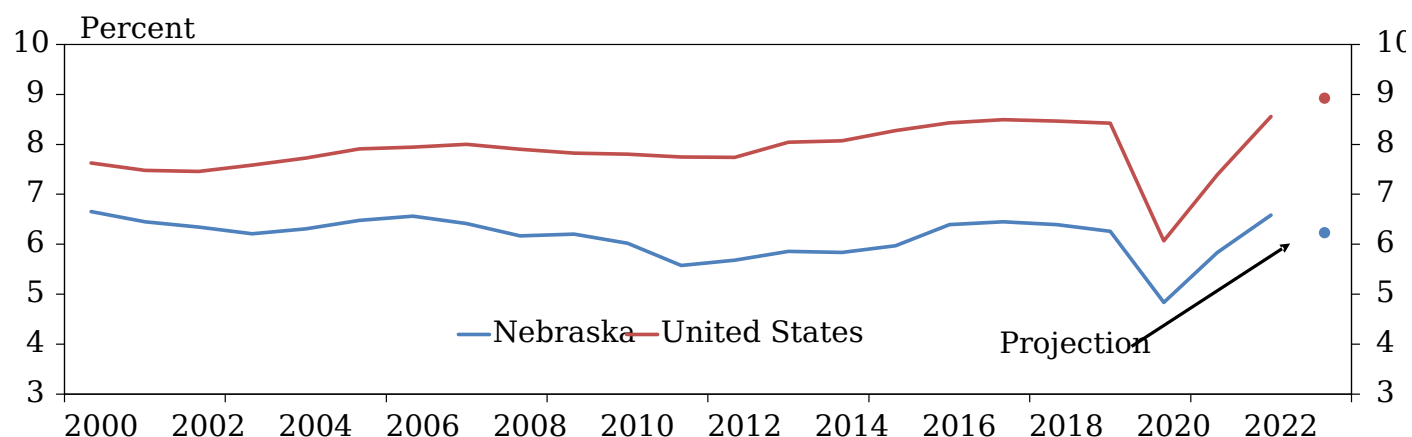
Recreation and Experiences Inflation



Sources: BLS, Haver Analytics.

Following a pandemic-induced decline, the share of disposable income spent on recreation and experiences has rebounded.

Share of Disposable Income Spent on Recreation and Experiences

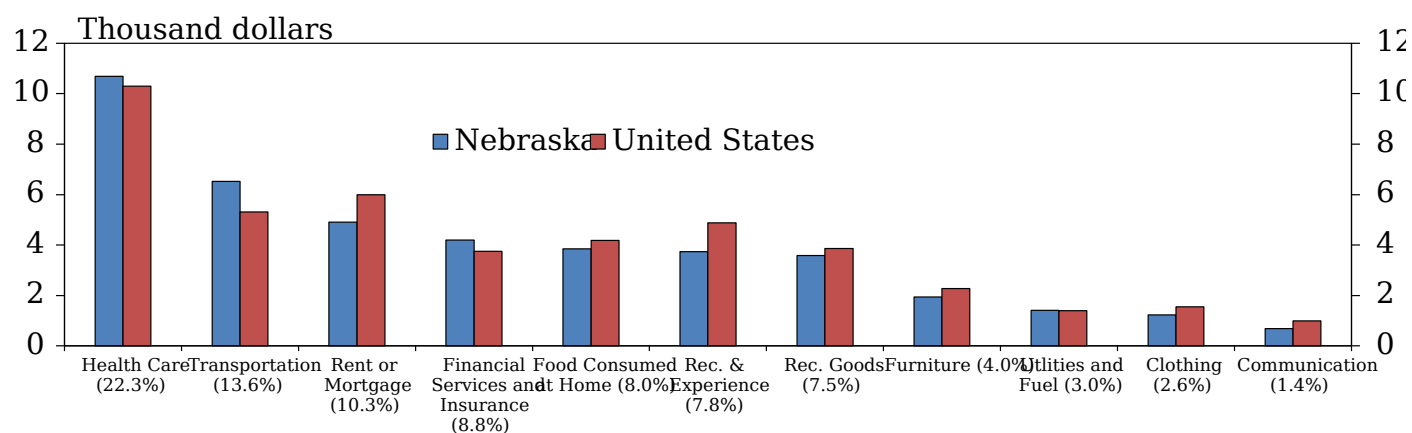


Note: Recreation and experience spending includes household spending on membership clubs, sports centers, parks, theaters, museums, gambling, package tours, purchased meals and beverages, and accommodations. Projection applies the 2020-22 average annual percent change.

Sources: BEA, Haver Analytics, author's calculations.

Nebraskans spend less on recreation and experiences than other states, suggesting some potential for further growth.

Household Consumption Expenditures (2022)



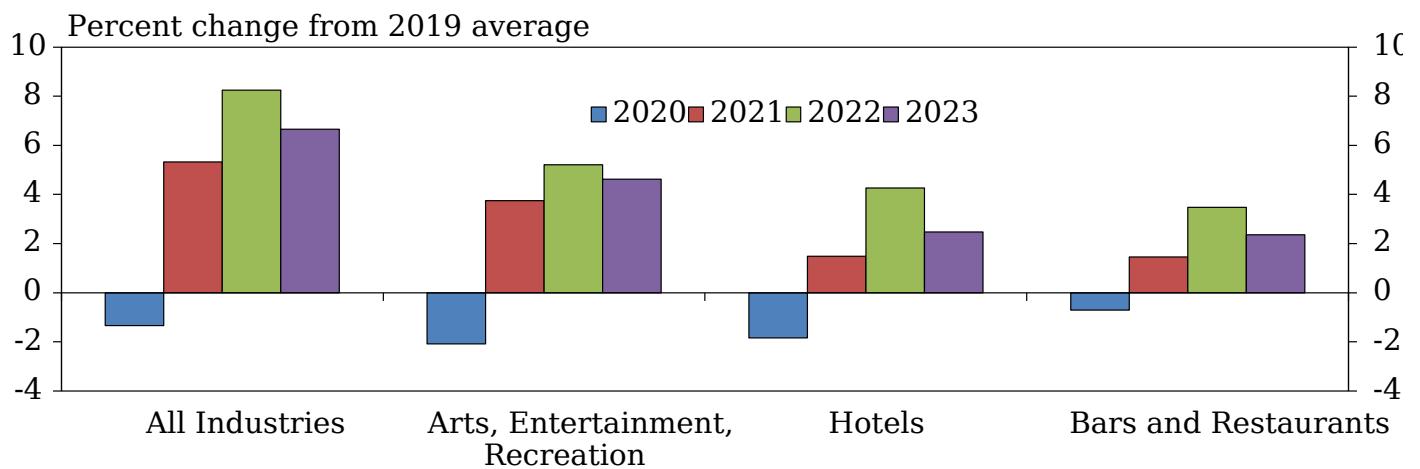
Note: Numbers in parentheses refer to the share of per capita household consumption in Nebraska. Recreation and experience spending includes household spending on membership clubs, sports centers, parks, theaters, museums, gambling, package tours, purchased meals and beverages, and accommodations.

Sources: BEA, author's calculations.

Though spending on recreation and experiences in Nebraska has been strong recently, it might have been stronger had supply not been somewhat limited as businesses address a shortage of labor and elevated cost pressures.

Fewer businesses providing recreation and experiences have opened since the pandemic compared to the broader economy.

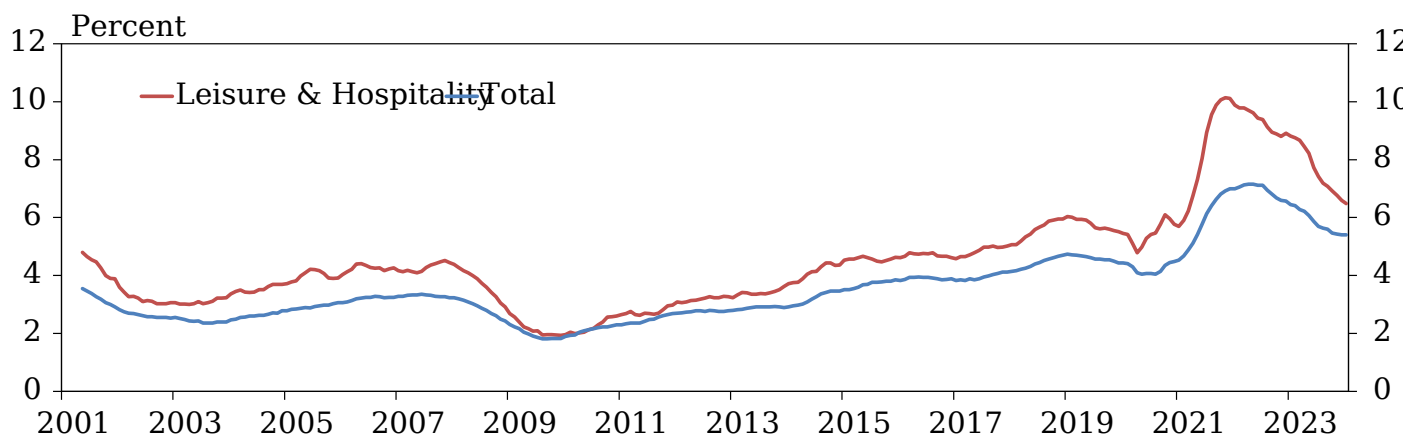
Establishments in Nebraska



Sources: BLS.

Nationally, it has been more difficult for businesses in the leisure and hospitality industry to fill open positions.

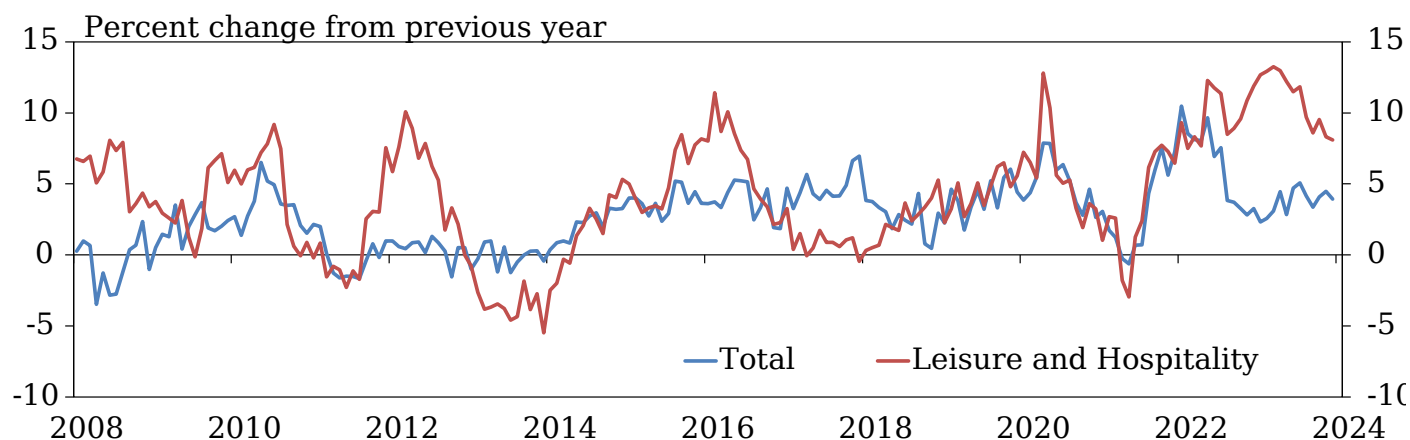
Job Openings Rate, United States



Sources: BLS, Haver Analytics.

Some businesses providing recreation and experiences have raised wages notably in an attempt to fill job openings.

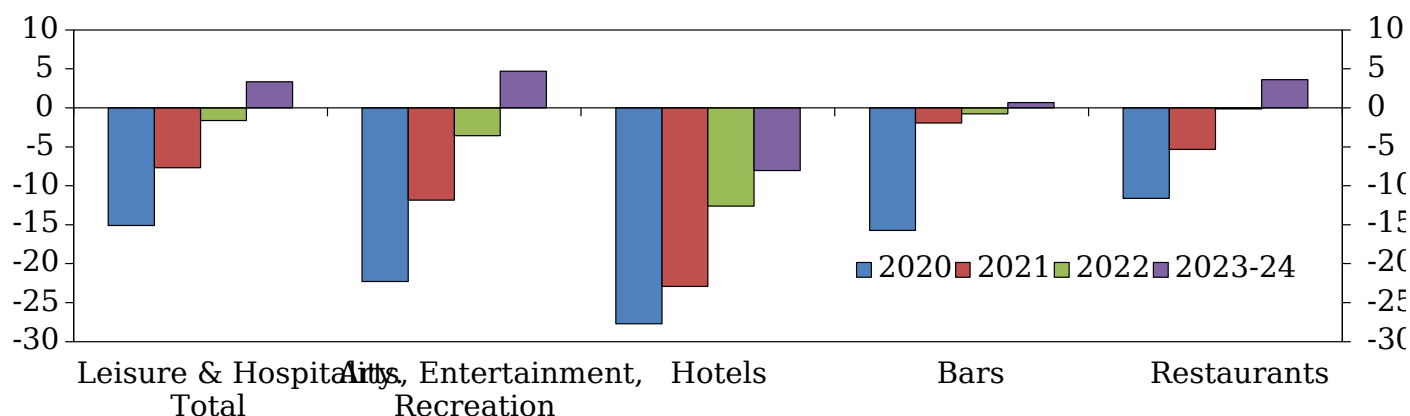
Nebraska Average Hourly Earnings



Sources: BLS, Haver Analytics.

In Nebraska, employment at bars and hotels has been slowest to recover to pre-pandemic levels.

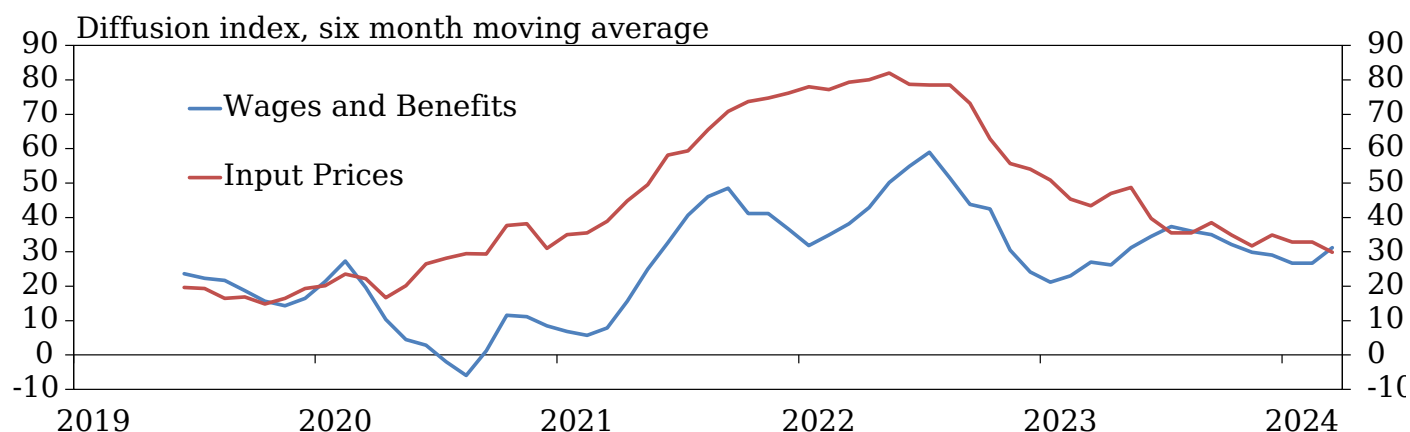
Nebraska Employment



Sources: BLS, Haver Analytics.

In addition to higher labor costs, businesses providing recreation and experiences also report elevated input prices.

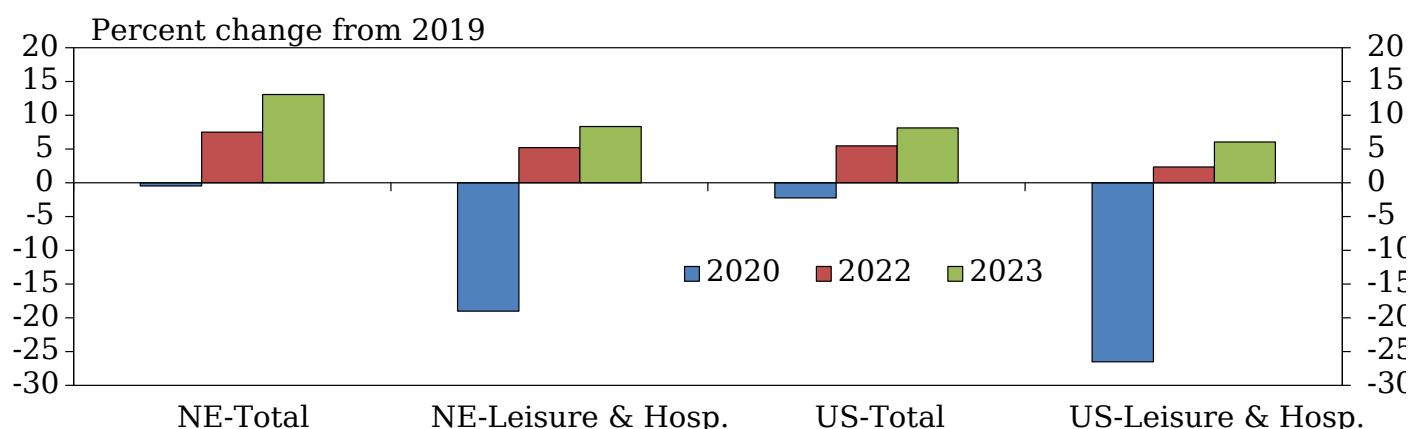
Tenth District Services Survey: Tourism, Hotels, Bars and Res



Source: Federal Reserve Bank of Kansas City.

Reflecting constraints in the industry, activity in leisure and hospitality has grown more slowly than the economy overall.

Real Gross Domestic Product



Note: In 2023, Leisure and Hospitality GDP comprised 2.6% of GDP in Nebraska and 4.0% of total US GDP.

Sources: BEA, Haver Analytics.

Concluding Thoughts

Despite higher prices, consumers continue to spend on discretionary recreation and experiences, supported by strong income growth and elevated savings. Businesses offering recreation and experience-oriented services, however, may remain constrained by ongoing cost pressures and labor scarcity as economic growth in Nebraska has remained strong.

Author



John McCoy

Associate Economist

John McCoy is an associate economist in the Regional Affairs Department at the Omaha Branch of the Federal Reserve Bank of Kansas City. In this role, he supports research and outreach efforts surrounding economic developments in the state of Nebraska. His responsibilities include serving as Board Secretary to the Omaha Branch Board of Directors and co-authoring *The Nebraska Economist*. John joined the Bank in 2017 as a research associate in the Regional Affairs Department at the Omaha Branch. Prior to 2017, he spent two years as an intern with the department. John holds a BA and MA from Creighton University.
