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Todd Gabe

Andrew Crawley

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Impacts of COVID-19 on Maine’s Hospitality Sector: September 2020 Update¹

Todd Gabe and Andrew Crawley²

School of Economics
University of Maine

September 2020
Version 2.1³

This report shows the following:

- COVID-19 had a large impact on Maine’s hospitality industry, as taxable sales at restaurants and lodging establishments decreased by 35 percent between March of 2019 and 2020, and 62 percent between April of 2019 and 2020. As of July 2020, Maine hospitality sales were 34 percent lower compared with the same month in 2019.
- The impacts of COVID-19 were generally larger on lodging establishments than restaurants. For example, Maine lodging sales fell by 80 percent between April of 2019 and 2020, and restaurant sales decreased by 58 percent over this period.
- 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 \$5.2 billion in revenue, 51,033 full- and part-time jobs, and \$1.8 billion in labor income.
- Maine restaurants and lodging establishments will generate an estimated \$3.0 billion in taxable sales in 2020 (counted in the \$5.2 billion economic impact), which is about 30-percent lower than the sector’s sales in 2019.

¹ This analysis was conducted at the request of *Hospitality Maine*, but at no cost to the organization.

² Todd Gabe is a Professor in the School of Economics and author of the book *Pursuit of Economic Development: Growing Good Jobs in U.S. Cities and States*. Andrew Crawley is an Assistant Professor in the School of Economics. Crawley’s research program is funded, in part, by Hatch Project #1016274 from the USDA National Institute of Food & Agriculture. Gabe’s research program is funded, in part, by Hatch Multistate Grant # ME 031808 (NE 1749) from the USDA National Institute of Food & Agriculture.

³ The analysis presented in this report is an update to a study conducted in June of 2020. The report may be revised as new data are released.

Impacts of COVID-19 on Maine's Hospitality Sector: September 2020 Update

This report is an update to a study conducted in June of 2020 on the impacts of COVID-19 on Maine's hospitality sector (Gabe and Crawley 2020). At that time, the analysis was based on Maine taxable hospitality sales data for the months of January through April of 2020, which showed a sharp downward trend—as a result of the COVID-19 pandemic—between February and April of 2020. From April to July of 2020, the impacts of COVID 19—measured in terms of the 2019 to 2020 change in monthly sales—have become progressively smaller.

These trends are explained in more detail below.

- ⇒ Figure 1 shows the percentage change in monthly taxable restaurant and lodging sales in Maine between 2019 and 2020. For example, Maine lodging sales fell by 80 percent between April of 2019 and 2020, and restaurant sales decreased by 58 percent over this period. As of July 2020, lodging and restaurant sales were 40 percent and 30 percent lower, respectively, compared with the same month in 2019.
- ⇒ Figure 2 shows the percentage change in monthly hospitality sales (i.e., restaurants and lodging combined) in Maine between 2019 and 2020. Total hospitality sales fell by 62 percent between April of 2019 and 2020. As of July 2020, Maine hospitality sales were 34 percent lower compared with the same month in 2019.
- ⇒ Between January and July of 2020, Maine hospitality businesses generated \$1.5 billion in taxable sales. This is 34-percent lower than the \$2.3 billion in taxable sales received by Maine hospitality businesses over the same period in 2019.

- ⇒ If Maine hospitality sales for all of 2020 are 34-percent lower than hospitality sales in 2019, restaurants and lodging establishments in Maine will receive \$2.8 billion in taxable sales.
- ⇒ Based on the trends in Maine hospitality sales shown in figures 1 and 2, annual sales for all of 2020 may fall within a range of \$2.7 billion to \$3.3 billion. The high end of this range is based on a continuation of the upward trend from April through July. The bottom end of this range is based on a scenario where the loss in hospitality sales for all of 2020 is a little more severe than the 34-percent reduction between January and July.
- ⇒ Table 1 shows the Maine hospitality sector's estimated statewide economic contribution for all of 2020, with the direct revenue of \$3.0 billion as the midpoint of the range from \$2.7 billion to \$3.3 billion. The direct employment of 36,174 full- and part-time jobs is the number of workers supported by \$3.0 billion in revenue, estimated by the Maine IMPLAN model, and the model suggests about \$1.1 billion in labor income earned by these workers. The estimated \$3.0 billion in 2020 hospitality sales will generate a statewide economic contribution—including multiplier effects—of \$5.2 billion in revenue, 51,033 full- and part-time jobs, and \$1.8 billion in labor income. The \$5.2 billion in statewide revenue is 20-percent and 25-percent lower than the Maine hospitality sector's economic contributions in 2017 and 2018 (Gabe and Crawley 2018, 2019).⁴

⁴ The hospitality industry's 2020 estimated annual economic contribution of \$5.2 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 25 percent and 20 percent, respectively. 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, September 2020

⇒ The \$3.0 billion in direct revenue, used in the economic impact analysis, is about 30-percent lower than Maine restaurant and lodging sales in 2019.

References

Gabe, Todd, and Andrew Crawley. 2018. "Economic Contribution of Maine's Hospitality Sector."

Version 1.0. Mimeo.

Gabe, Todd, and Andrew Crawley. 2019. "Economic Contribution of Maine's Hospitality Sector."

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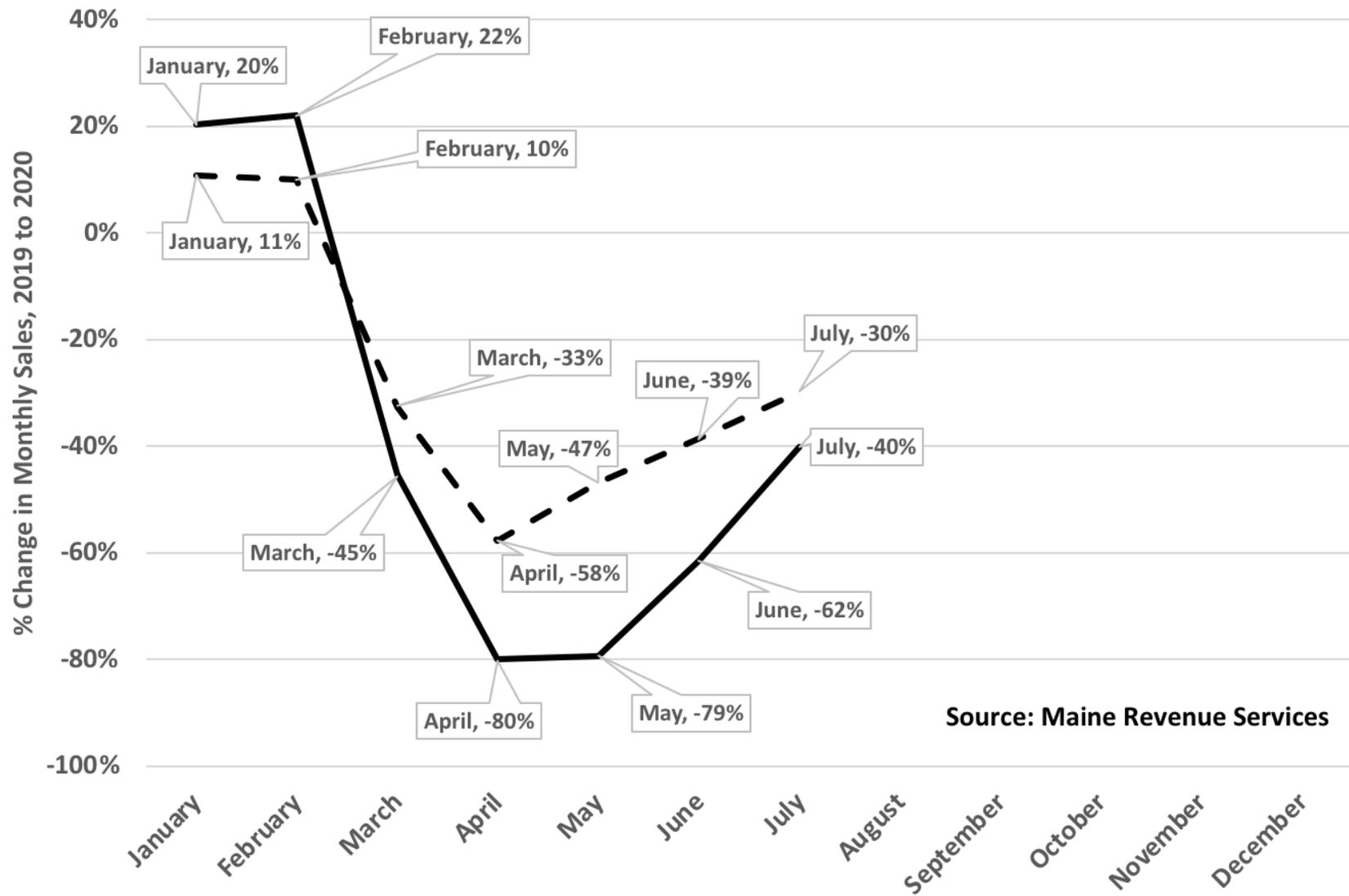
School of Economics Staff Paper #638, June, version 1.1.

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

	Direct	Multiplier Effects	Total
Revenue	\$3,000,000,000	\$2,224,005,382	\$5,224,005,382
Employment	36,174	14,859	51,033
Labor Income	\$1,119,190,785	\$711,205,010	\$1,830,395,795

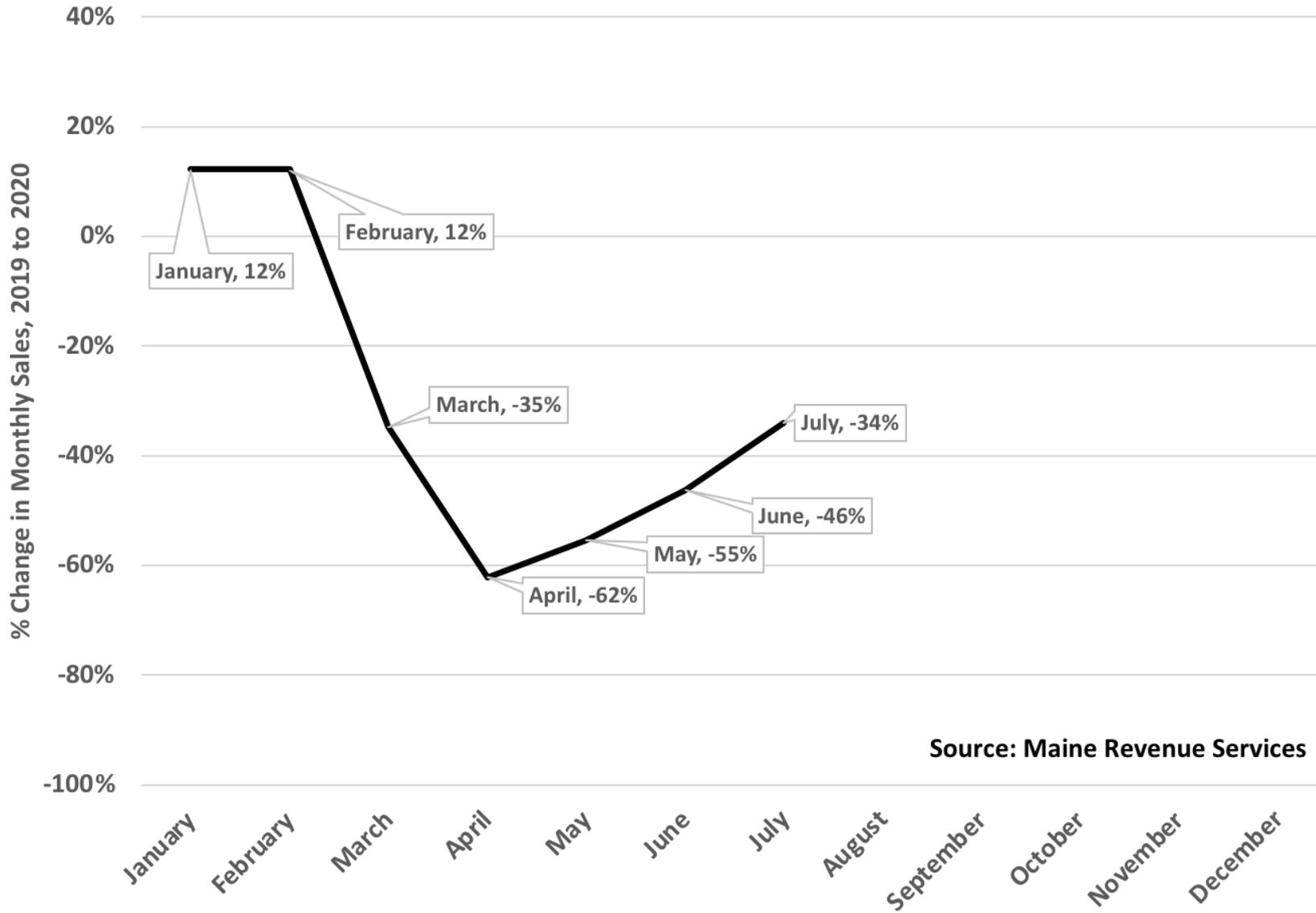
Notes. Direct revenue of an estimated \$3.0 billion is the midpoint of the range from \$2.7 billion to \$3.3 billion. Direct employment and labor income, and multiplier effects are from the Maine IMPLAN model.

Figure 1: 2019-2020 Percentage Change in Monthly Maine Taxable Restaurant (dashed line) and Lodging (solid line) Sales



Source: Maine Revenue Services

Figure 2: 2019-2020 Percentage Change in Monthly Maine Taxable Hospitality Sales



Source: Maine Revenue Services