

Less appetite for Dutch hospitality in 2024

The outlook for the Dutch hospitality industry is bleak, with minimum volume growth of 1%. After a major catch-up in 2022 and early 2023, consumers will take a step back in 2024 in terms of restaurant and hotel visits. Price increases in 2024 are inevitable due to higher personnel costs

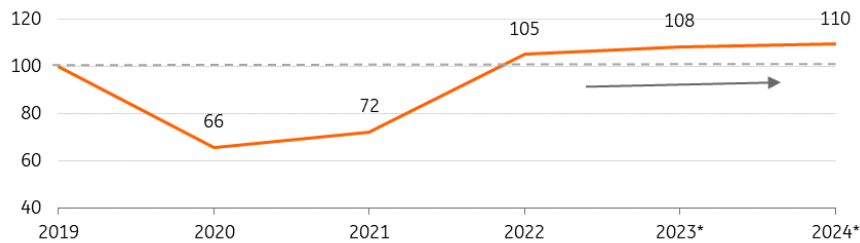


Hospitality returned to stable growth in 2023

After a post-Covid catch-up in 2022 and early 2023, the hospitality industry returned to more stable growth in the second quarter of 2023. We expect volume growth of 3% for 2023, partly due to the recovery from the pandemic. After all, the hospitality industry in the Netherlands was still facing restrictions in the first two months of 2022. For 2024, we expect minimum volume growth of approximately 1%. This is due to low economic growth, slightly rising unemployment, persistently low consumer confidence, and rising prices in the hospitality industry.

After three turbulent years, the hospitality industry returned to more stable growth in 2023

Volume growth in the hospitality industry in the Netherlands, index 2019 = 100



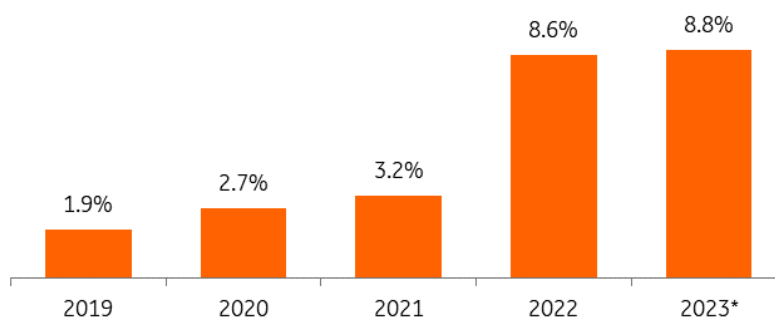
Source: CBS, forecasts 2023 and 2024 ING Research (20 December 2023)

9% higher prices in 2023

The relatively high inflation rate is weighing heavily on the hospitality industry. Just like in 2022, the sector was unable to avoid raising prices, which climbed by an average of 9% in 2023. This was necessary to partly offset higher energy, purchasing and personnel costs. The largest price increases in 2023 occurred in fast-food services, such as snack bars and takeaway companies, and at restaurants and cafes. These businesses have been confronted with higher purchasing costs of, for example, beer, coffee, bread, meat, oil and butter. While energy costs are falling, personnel costs have increased in 2023, partly due to the minimum wage increase of 10% at the start of 2023, and 3% in July 2023.

In 2023, prices in the hospitality industry rose by 9% on average

Consumer price index (cpi derived) for restaurants and hotels in the Netherlands



Source: CBS, ING Research, *January to November 2023

Further price increases inevitable due to higher personnel costs

Prices in the hospitality industry are expected to rise again in 2024. While energy and purchasing costs will most likely increase less rapidly in 2024 than in the two previous years, personnel costs

will continue to go up. According to the new collective labour agreement, wages for all employees in the hospitality industry will increase by 8% to 12% by early 2024. The wage increases are necessary to remain competitive compared to other sectors in terms of recruiting staff.

Higher costs not entirely passed onto customers

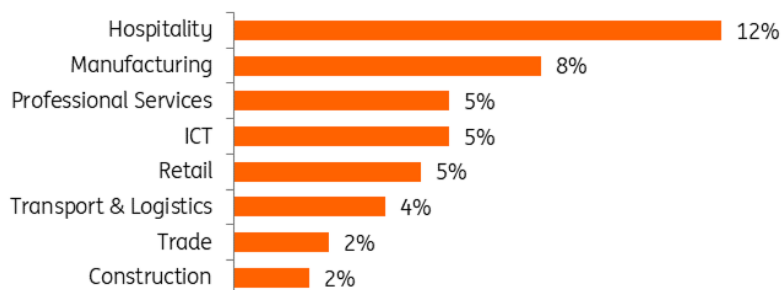
It's not always possible for the hospitality industry to pass on the higher energy, purchasing and personnel costs to the customers in full – just one in three hotel and restaurant entrepreneurs are able to do so. This is significantly lower than in other sectors, as restaurants and cafés, in particular, are struggling to completely pass on increased costs. After all, if the price of a beer or a meal becomes too high, customers will simply consume less or even stay away. Hotels are slightly less price-sensitive in this area and can pass on the higher costs slightly more easily to their guests.

There are many problematic debts in the hospitality industry

About one in eight hospitality companies struggles with a debt burden that they see as problematic. This is relatively high compared to other sectors where, on average, only 5% of companies have debt problems. Restaurants and cafés, in particular, are struggling with the burden of debt. Now that the time has come for hospitality companies to repay their tax debts accumulated during the pandemic, financial problems could be on the horizon.

Many hospitality companies struggle with problematic debts

Percentage of Dutch companies with a problematic debt burden, fourth quarter 2023



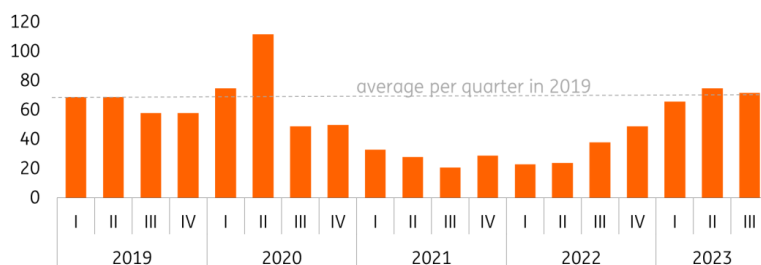
Source: CBS, ING Research

More business closures and bankruptcies in 2024

After two years with very few bankruptcies, the number of bankruptcies in 2023 rose above pre-pandemic levels. In the first three quarters of this year, there were almost 9% more bankruptcies than in 2019. It is mainly restaurants and cafés that are going bankrupt. There were also 10% more business closures in 2023 than in 2019. Given the expected weak growth for the hospitality industry in 2024, higher personnel costs and the Covid debt which must be paid off, it is expected that the number of business closures and bankruptcies next year will be higher than in 2023.

The number of bankruptcies rose above pre-pandemic levels in 2023

Number of bankruptcies in the Dutch hospitality industry, per quarter



Source: CBS, ING Research

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