

April 2017

Restaurant Performance Index Fell Sharply in April

As a result of softer sales and customer traffic levels and dampened optimism among restaurant operators, the National Restaurant Association's Restaurant Performance Index (RPI) registered a sizable decline in April. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.3 in April, down 1.5 percent from a level of 101.8 in March.

April's sharp decline in the RPI was the result of broad-based drops in both the current situation and expectations indicators. Restaurant operators reported a net decline in same-store sales and customer traffic, which followed stronger results in March. In addition, restaurant operators' six-month outlook for both sales growth and the economy retrenched from more positive readings in recent months.

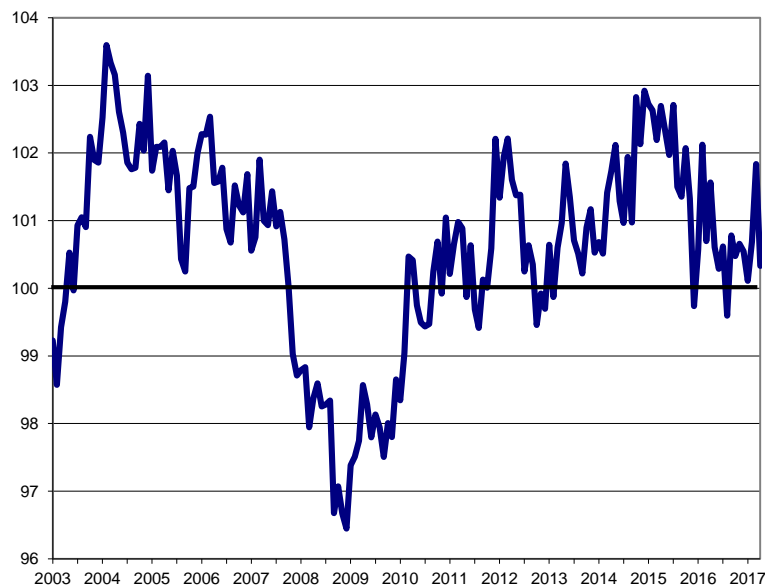
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators. The Restaurant Performance Index consists of two components – the Current Situation Index and the Expectations Index.

Current Situation Index Fell 2.3 Percent in April to a Level of 99.1; Expectations Index Declined 0.7 Percent to a Level of 101.5

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.1 in April – down 2.3 percent from a level of 101.4 in March. April represented the sixth time in the last seven months with a reading below 100, which signifies contraction in the current situation indicators.

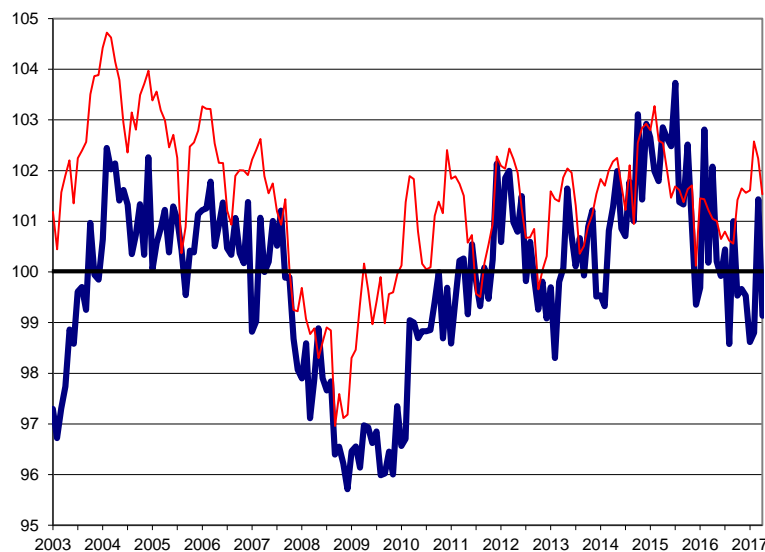
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.5 in April – down 0.7 percent from March. Although the Expectations Index remained above 100 – signaling the anticipation of generally positive business conditions in the months ahead – it declined to its lowest level in six months.

Restaurant Performance Index



Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Current Situation & Expectations Indices



Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Restaurant Operators Reported Softer Same-Store Sales and Customer Traffic in April

Restaurant operators reported a net decline in same-store sales for the sixth time in the last seven months. Thirty-four percent of restaurant operators reported a same-store sales increase between April 2016 and April 2017, down sharply from 57 percent of operators who reported higher same-store sales in March. Forty-seven percent of operators said their sales declined in April, up from 30 percent who reported similarly in March.

Restaurant operators also reported softer customer traffic levels in April. Only 26 percent of restaurant operators reported an increase in customer traffic between April 2016 and April 2017, down from 41 percent of operators who reported higher traffic in March. Fifty-two percent of operators reported a decline in customer traffic in April, up from 38 percent in March.

While sales and customer traffic results were uneven in recent months, capital spending activity remained generally consistent. Sixty-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which was roughly on par with the readings during the previous two months.

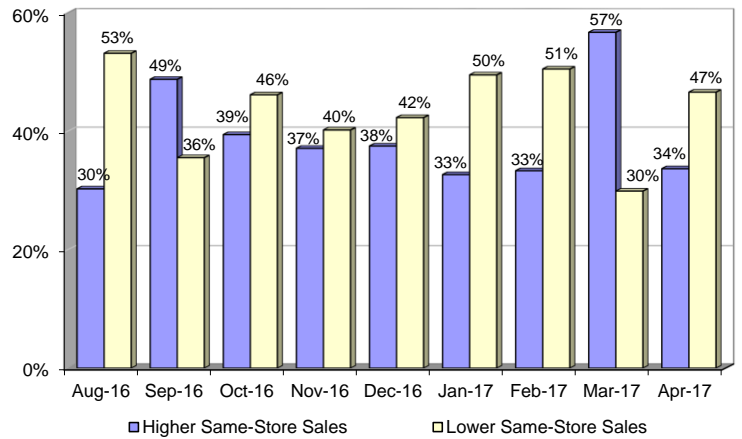
Restaurant Operators Have Generally Positive Expectations for Sales in the Coming Months; Optimism about the Economy is Waning

Although restaurant operators reported mixed same-store sales and customer traffic levels in recent months, they are generally positive about their prospects for business in the months ahead. Thirty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down slightly from 41 percent who reported similarly last month. Only 9 percent of restaurant operators expect their sales volume in six months to be lower than it was during the same period in the previous year, while 54 percent of operators think sales will remain about the same.

In contrast, restaurant operators' outlook for the economy is not as bullish as it was in recent months. Twenty-two percent of restaurant operators said they expect economic conditions to improve in six months, down 15 percentage points from the reading in December 2016. Twelve percent of operators expect economic conditions to worsen in six months, while about two-thirds think conditions in six months will be about the same as they are now.

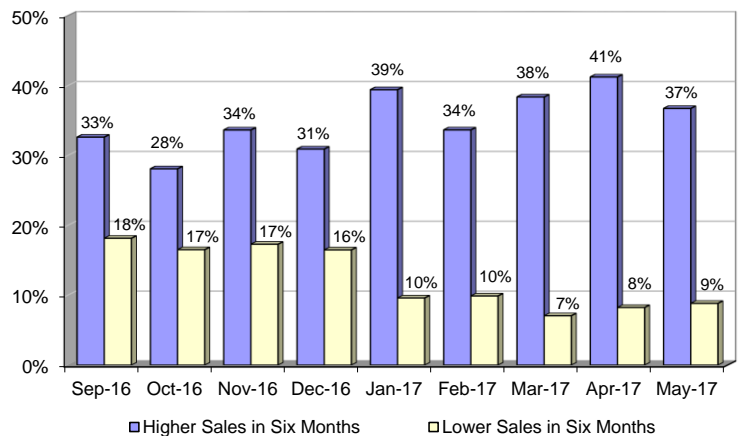
A majority of restaurant operators are planning for capital expenditures in the months ahead. Fifty-six percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 58 percent of operators who reported similarly last month.

Restaurant Operators' Reporting of Same-Store Sales versus Same Month in Previous Year



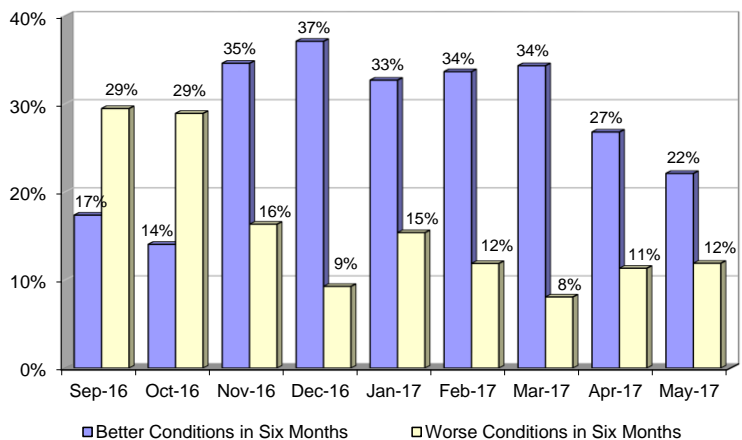
Source: National Restaurant Association, Restaurant Industry Tracking Survey

Restaurant Operators' Outlook for Sales Volume in Six Months versus Same Period in Previous Year



Source: National Restaurant Association, Restaurant Industry Tracking Survey

Restaurant Operators' Outlook for General Economic Conditions in Six Months



Source: National Restaurant Association, Restaurant Industry Tracking Survey

National Restaurant Association Restaurant Industry Performance Index and Its Components

	December 2016	January 2017	February 2017	March 2017	April 2017	Apr-17 over Mar-17
Restaurant Performance Index	100.5	100.1	100.7	101.8	101.8	-1.5%
Current Situation Index	99.5	98.6	98.8	101.4	99.1	-2.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	99.5	98.3	98.3	102.7	98.7	-3.9%
Customer Traffic	98.2	97.1	97.1	100.3	97.3	-3.0%
Labor	99.1	98.9	98.1	100.2	98.4	-1.8%
Capital Expenditures	101.3	100.1	101.7	102.6	102.1	-0.5%
Expectations Index	101.6	101.6	102.6	102.2	101.5	-0.7%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.0	102.4	103.1	103.3	102.8	-0.5%
Staffing	100.2	100.8	102.2	102.6	101.1	-1.5%
Capital Expenditures	101.3	101.1	102.3	101.5	101.2	-0.3%
Business Conditions	101.7	102.2	102.6	101.5	101.0	-0.5%

Note: For each of the Indices and Indicators, a value above 100 signals a period of expansion while a value below 100 signals a period of contraction.

Definitions

The National Restaurant Association's *Restaurant Performance Index* is a statistical barometer that measures the overall health of the U.S. Restaurant Industry. This monthly composite index is based on the responses to the National Restaurant Association's monthly Restaurant Industry Tracking Survey, which is fielded among restaurant operators nationwide on a variety of indicators including sales, traffic, labor and capital expenditures. The *Restaurant Performance Index* is composed of two equally-weighted components: the Current Situation Index and the Expectations Index. For each of the Indices and Indicators, a value above 100 signals a period of expansion while a value below 100 signals a period of contraction. The distance from 100 signifies the magnitude of the expansion or contraction.

The Current Situation Index is a composite index based on four 'recent-period' restaurant industry indicators:

Same-Store Sales: Compares same-store sales volume in the reference month versus the same month in the previous year

Customer Traffic: Compares customer traffic in the reference month versus the same month in the previous year

Labor: Compares the number of employees and the average employee hours in the reference month versus the same month in the previous year

Capital Expenditures: Measures capital expenditure activity during the three most recent months

The Expectations Index is a composite index based on four 'forward-looking' restaurant industry indicators:

Same-Store Sales: Restaurant operators' outlook for same-store sales in six months, compared to the same period in the previous year

Staffing: Restaurant operators' expectations for their number of employees in six months, compared to the same period in the previous year

Capital Expenditures: Restaurant operators' capital expenditure plans during the next six months

Business Conditions: Restaurant operators' outlook for general business conditions during the next six months

For a complete analysis of the National Restaurant Association's Restaurant Industry Tracking Survey including data broken out by industry segment, as well as a host of other economic indicators that impact the restaurant industry, log on to *Restaurant TrendMapper* at www.restaurant.org/trendmapper (subscription required).