

December 2017

## Restaurant Performance Index Registered a Healthy Gain in December

Driven by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a solid gain in December. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 102.9 in December, up 1.8 percent from a level of 101.1 in November.

December's healthy RPI increase was driven by broad-based improvements in the current situation indicators. A majority of restaurant operators reported gains in both same-store sales and customer traffic, while capital spending activity also ticked higher. Looking ahead, restaurant operators are increasingly confident about business conditions in the coming months, with a majority of operators expecting to see higher sales in six months.

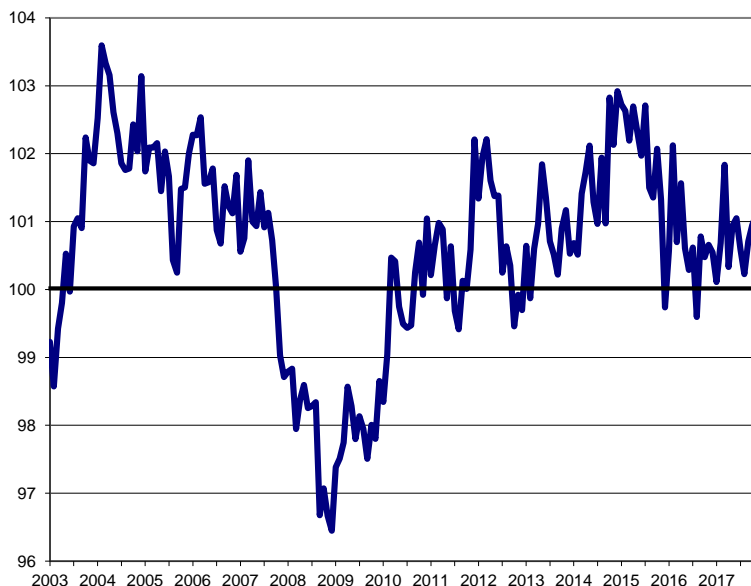
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Increased 3.4 Percent in December to a Level of 102.9; Expectations Index Rose 0.2 Percent to a Level of 102.9

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 102.9 in December – up 3.4 percent from a level of 99.6 in November. December's reading represented the first time in four months that the Current Situation Index was in expansion territory above the 100 level.

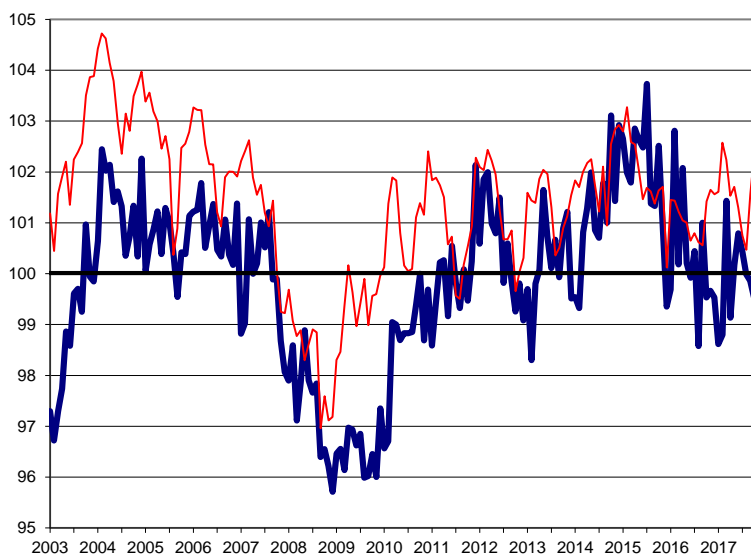
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.9 in December – up from a level of 102.6 in November. The Expectations Index is now at its highest level in nearly three years, after increasing in each of the last four 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 Stronger Same-Store Sales Results in December

Restaurant operators reported positive same-store sales for the second consecutive month in December. Seventy-one percent of restaurant operators reported a same-store sales increase between December 2016 and December 2017, up from 48 percent of operators who reported higher sales in November. Only 17 percent of restaurant operators reported a same-store sales decline in December, down from 37 percent who reported lower sales in November. December represented the strongest same-store sales performance since mid-2015.

In addition to positive sales results in December, restaurant operators reported a net increase in customer traffic for the first time in nine months. Fifty-one percent of restaurant operators reported an increase in customer traffic between December 2016 and December 2017, up from 29 percent who reported higher traffic in November. Twenty-five percent of operators said their customer traffic declined in December, down from 47 percent in November.

Restaurant operators also reported an uptick in capital spending activity. Sixty-two percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 50 percent who reported similarly last month.

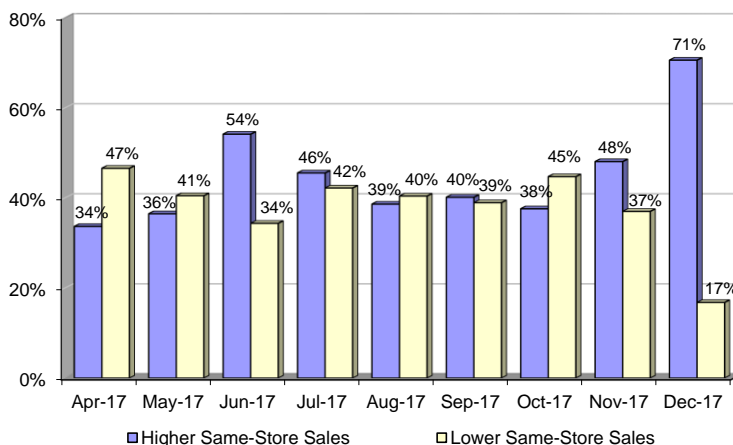
### Restaurant Operators Are Increasingly Confident about Business Conditions

Restaurant operators are more bullish that business conditions will improve in the coming months. Fifty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 46 percent last month and the highest level in nearly three years. Only 8 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 35 percent of operators think their sales will remain about the same.

Restaurant operators are also more optimistic about the direction of the economy. Forty-one percent of restaurant operators said they expect economic conditions will improve in six months, up from 37 percent last month and the highest level since December 2014. Only 5 percent of operators think economic conditions will worsen in six months, while 54 percent expect conditions will remain about the same as they are now.

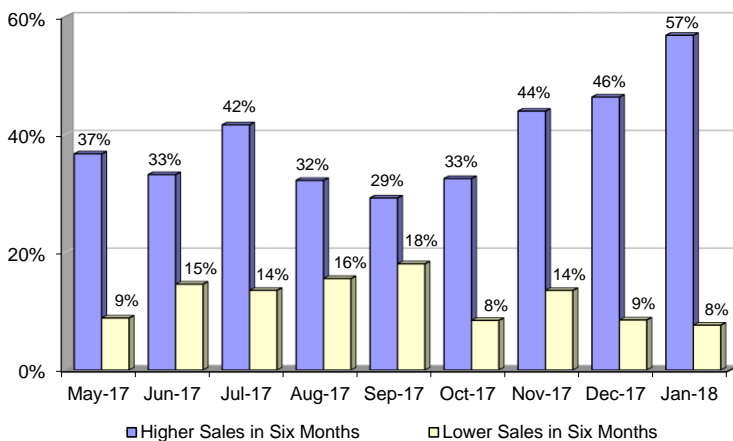
Looking ahead, a majority of restaurant operators are planning for capital expenditures in the coming months. Sixty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, unchanged from last month.

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



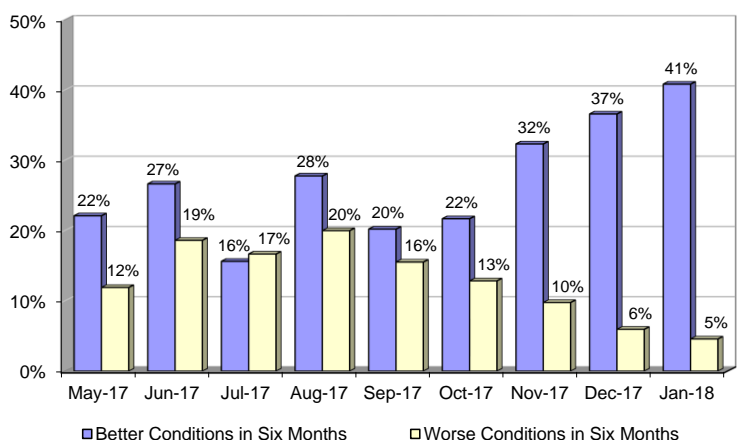
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	August 2017	September 2017	October 2017	November 2017	December 2017	Dec-17 over Nov-17
<b>Restaurant Performance Index</b>	100.2	100.7	100.9	101.1	102.9	1.8%
<b>Current Situation Index</b>	100.0	99.9	99.5	99.6	102.9	3.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	99.8	100.1	99.3	101.1	105.4	4.2%
Customer Traffic	97.7	98.1	97.0	98.2	102.6	4.5%
Labor	99.4	98.9	98.3	99.0	101.3	2.3%
Capital Expenditures	103.0	102.3	103.5	100.0	102.4	2.5%
<b>Expectations Index</b>	100.5	101.6	102.4	102.6	102.9	0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.1	102.4	103.0	103.8	104.9	1.1%
Staffing	99.9	101.0	101.4	101.8	101.0	-0.8%
Capital Expenditures	100.4	101.9	102.8	101.9	102.1	0.1%
Business Conditions	100.5	100.9	102.3	103.1	103.6	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](http://www.restaurant.org/trendmapper) (subscription required).