

January 2017

Restaurant Performance Index Declined in January as Same-Store Sales and Customer Traffic Softened

Due to large part to weaker results among the current situation indicators, the National Restaurant Association's Restaurant Performance Index (RPI) registered a moderate decline in January. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.1 in January, down 0.4 percent from a level of 100.5 in December.

January's decline in the RPI was the result of broad-based drops in the current situation indicators. However, the comparatively elevated level of the Expectations Index suggests restaurant operators are cautiously optimistic that business conditions will improve from where they are now in the months ahead.

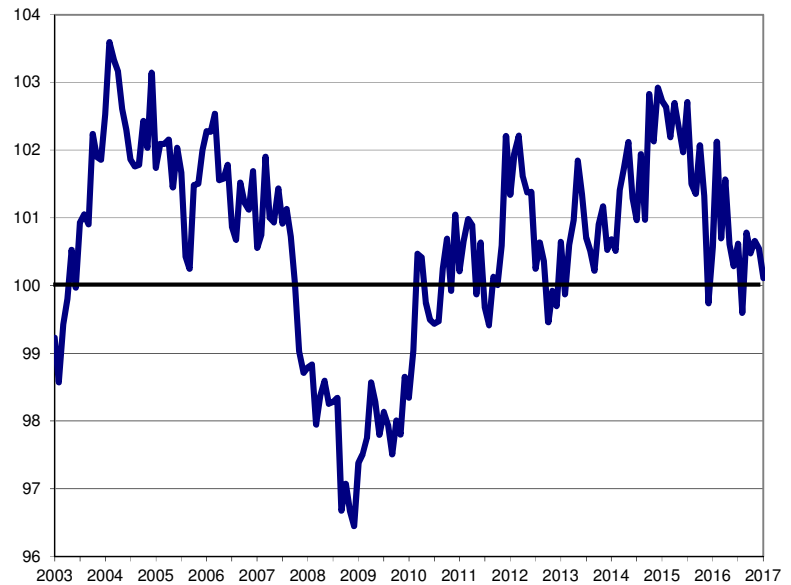
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Declined 0.9 Percent in January to a Level of 98.6; Expectations Index Remained Unchanged at a Level of 101.6

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 98.6 in January – down 0.9 percent from a level of 99.5 in December. January represented the fourth consecutive month in which the Current Situation Index stood below 100, as same-store sales and customer traffic levels remained soft.

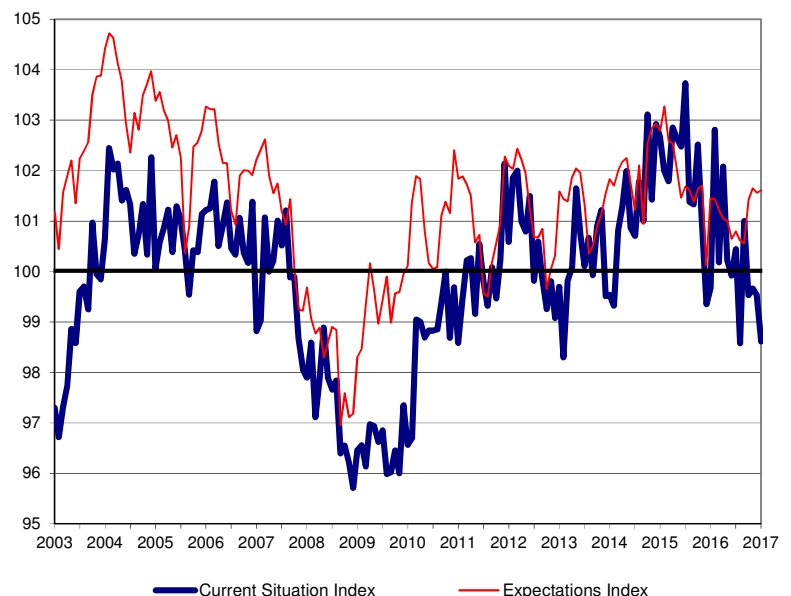
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.6 in January – unchanged from the previous two months. Each of the four expectations indicators stood above 100 for the fourth consecutive month, which represents a level of stability that hasn't been seen since the first half of 2015.

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 January

Restaurant operators reported dampened same-store sales results in January. Thirty-three percent of restaurant operators reported a same-store sales increase between January 2016 and January 2017, down from 38 percent who reported a sales gain in December. Meanwhile, 50 percent of restaurant operators said their same-store sales declined in January, up from 42 percent who reported lower sales in December.

Restaurant operators also reported softer customer traffic levels in January. Twenty-six percent of restaurant operators reported an increase in customer traffic between January 2016 and January 2017, down from 29 percent of operators who reported similarly in December. Meanwhile, 54 percent of operators said their customer traffic declined in January, up from 47 percent in December.

Restaurant operators also reported a pullback in capital spending activity in recent months. Fifty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which represented the lowest level in more than two years.

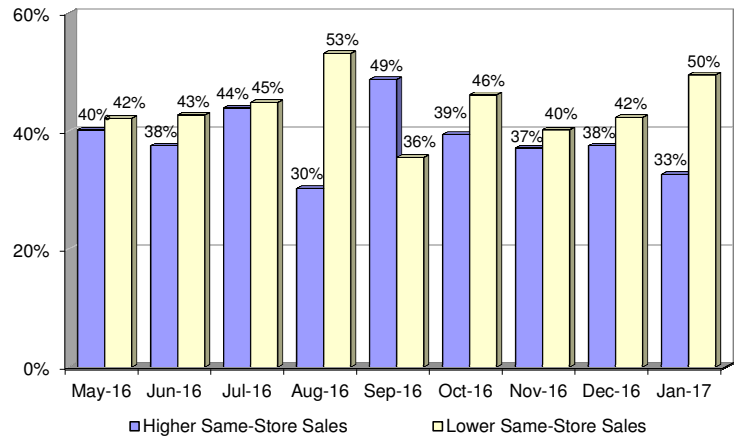
Restaurant Operators Are Cautiously Optimistic About Sales Growth; Outlook for the Overall Economy Remains Generally Positive

Although restaurant operators reported dampened same-store sales and customer traffic levels in recent months, they remain cautiously optimistic that business conditions will improve in the coming months. Thirty-four percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down slightly from 39 percent who reported similarly last month. Only 10 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, unchanged from last month.

Restaurant operators are also relatively positive about the direction of the overall economy. Thirty-four percent of restaurant operators said they expect economic conditions to improve in six months, while only 12 percent said they expect conditions to worsen. This represented the fourth consecutive month of a positive outlook for the economy, which followed 11 straight months of net negative expectations.

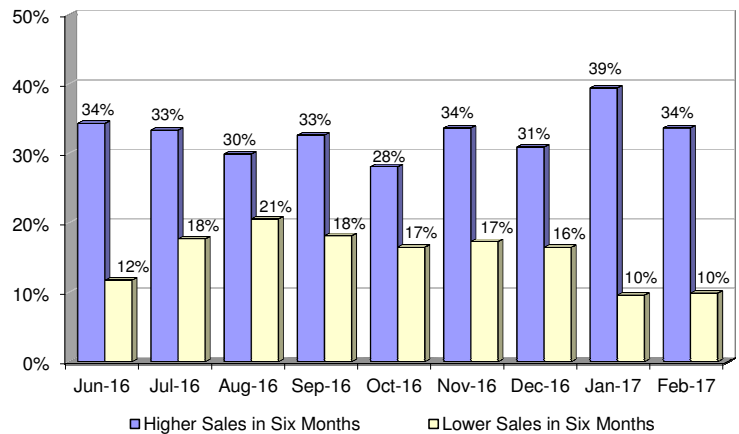
Restaurant operators are continuing to plan for capital expenditures in the coming months. Fifty-five percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 57 percent who reported similarly last month.

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



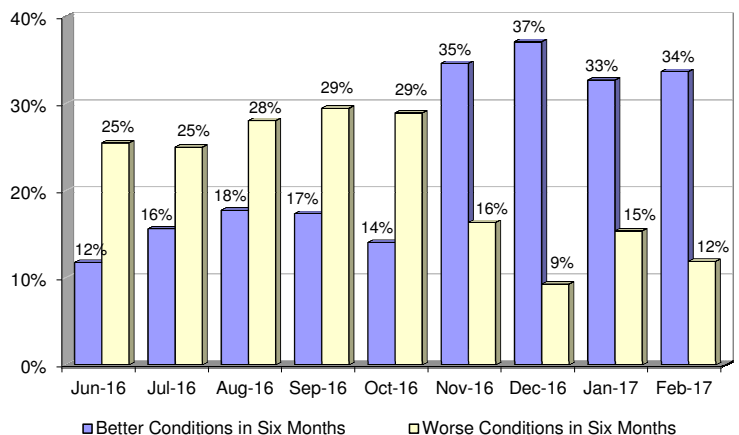
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	September 2016	October 2016	November 2016	December 2016	January 2017	Jan-17 over Dec-16
Restaurant Performance Index	100.8	100.5	100.7	100.5	100.1	-0.4%
Current Situation Index	101.0	99.5	99.7	99.5	98.6	-0.9%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.3	99.3	99.7	99.5	98.3	-1.2%
Customer Traffic	100.2	97.7	97.4	98.2	97.1	-1.1%
Labor	100.1	98.8	98.8	99.1	98.9	-0.2%
Capital Expenditures	102.4	102.3	102.8	101.3	100.1	-1.2%
Expectations Index	100.6	101.4	101.6	101.6	101.6	0.0%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.2	101.6	101.4	103.0	102.4	-0.6%
Staffing	99.8	100.5	100.8	100.2	100.8	0.6%
Capital Expenditures	102.7	101.7	101.5	101.3	101.1	-0.3%
Business Conditions	98.5	101.8	102.8	101.7	102.2	0.4%

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).