

January 2018

Restaurant Performance Index Returned to Trend in January

With same-store sales and customer traffic retreating from December’s strong levels, the National Restaurant Association’s Restaurant Performance Index (RPI) fell sharply in January. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.9 in January, down 2.0 percent from a level of 102.9 in December.

January’s decline returned the RPI to the range that has generally been in place for the last year. Prior to December’s sharp increase – which was driven by a spike in same-store sales and customer traffic – the RPI had an average reading of 100.8 during 2017. January represented a return to this trend, which was defined by mixed sales and traffic results and a generally optimistic outlook among restaurant operators.

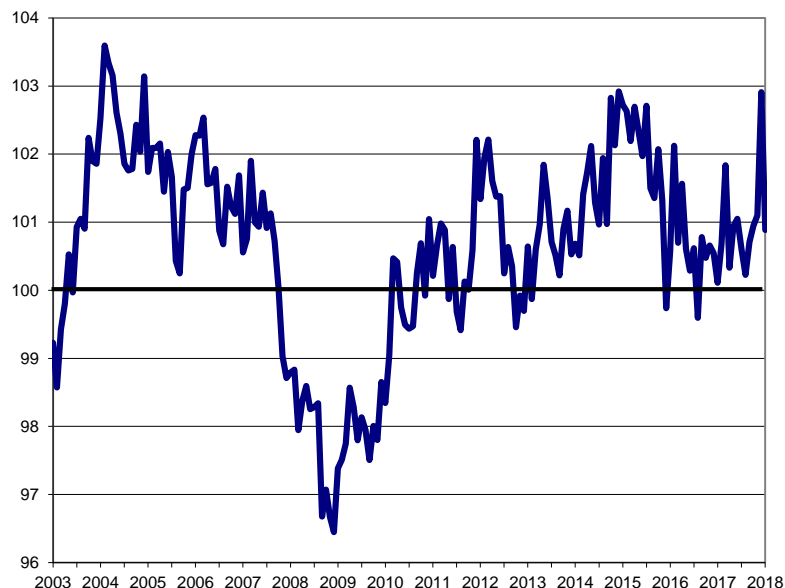
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Fell 3.5 Percent in January to a Level of 99.4; Expectations Index Dipped 0.5 Percent to a Level of 102.4

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.4 in January – down 3.5 percent from a level of 102.9 in December. January represented the fourth time in the last five months that the current situation indicators were below the 100 level.

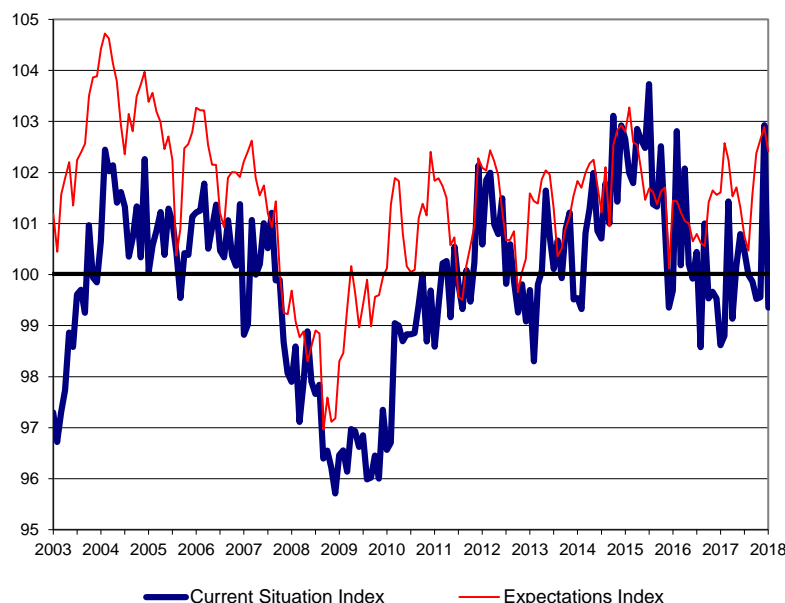
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.4 in January – down 0.5 percent from a level of 102.9 in December. Despite the decline, the Expectations Index stood above 102 for the fourth consecutive month, which signals a healthy level of optimism for business conditions in the coming 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 January

Restaurant operators reported a net increase in same-store sales for the third consecutive month in January, though results were much softer than December's levels. Forty-seven percent of restaurant operators reported a same-store sales increase between January 2017 and January 2018, down from 71 percent of operators who reported higher sales in December. Thirty-four percent of restaurant operators reported a same-store sales decline in January, up from just 17 percent who reported lower sales in December. January represented the first time in nearly two years that operators reported a net increase in sales in three straight months.

Along with sales, restaurant operators also reported softer customer traffic levels in January. Twenty-six percent of restaurant operators reported an increase in customer traffic between January 2017 and January 2018, down from 51 percent who reported higher traffic in December. Fifty-two percent of operators said their customer traffic declined in January, up from 25 percent who reported similarly in December.

Restaurant operators reported somewhat dampened capital spending levels. Fifty-two percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 62 percent who reported similarly last month.

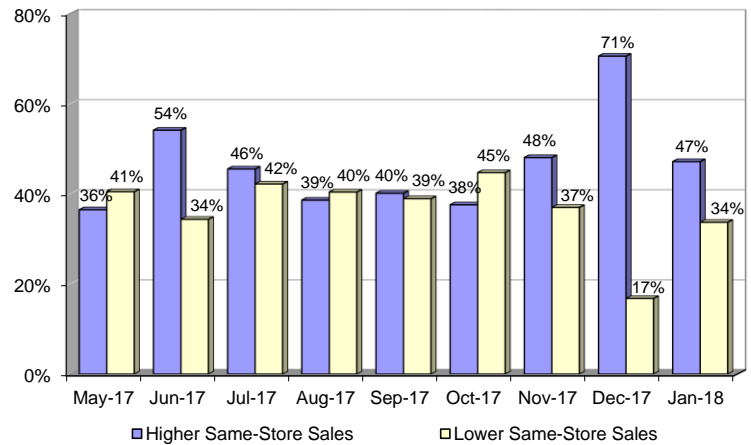
Restaurant Operators Are Remain Generally Optimistic about Business Conditions

Overall, restaurant operators are relatively optimistic about business conditions in the coming months. Forty-three percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 57 percent last month – which represented the highest level in nearly three years. 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, while 47 percent of operators think their sales will remain about the same.

Restaurant operators are also generally optimistic about the direction of the economy. Forty-two percent of restaurant operators said they expect economic conditions will improve in six months, up slightly from 41 percent last month. Only 8 percent of operators think economic conditions will worsen in six months, while 50 percent expect conditions will remain about the same as they are now.

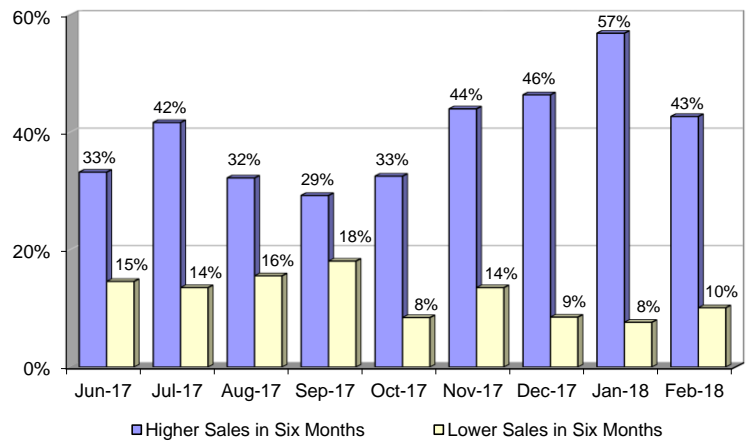
Looking forward, a majority of restaurant operators are planning for capital expenditures in the coming months. Sixty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up slightly from 60 percent last month.

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



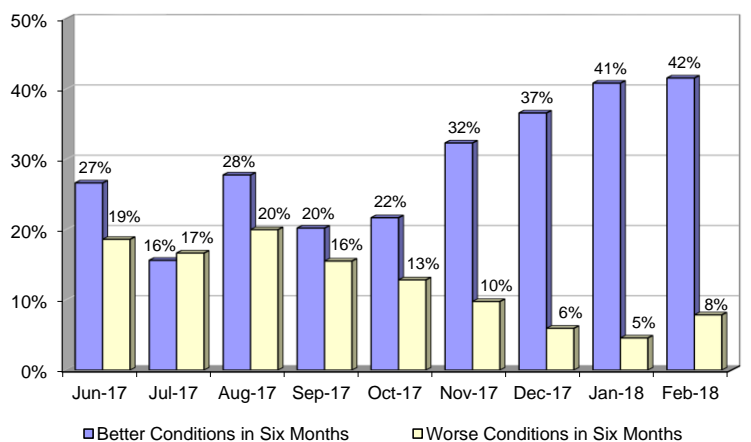
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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 2017	October 2017	November 2017	December 2017	January 2018	Jan-18 over Dec-17
Restaurant Performance Index	100.7	100.9	101.1	102.9	100.9	-2.0%
Current Situation Index	99.9	99.5	99.6	102.9	99.4	-3.5%
<i>Current Situation Indicators:</i>						
Same-Store Sales	100.1	99.3	101.1	105.4	101.3	-3.8%
Customer Traffic	98.1	97.0	98.2	102.6	97.4	-5.0%
Labor	98.9	98.3	99.0	101.3	98.3	-2.9%
Capital Expenditures	102.3	103.5	100.0	102.4	100.3	-2.1%
Expectations Index	101.6	102.4	102.6	102.9	102.4	-0.5%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.4	103.0	103.8	104.9	103.3	-1.6%
Staffing	101.0	101.4	101.8	101.0	100.9	-0.1%
Capital Expenditures	101.9	102.8	101.9	102.1	102.1	0.0%
Business Conditions	100.9	102.3	103.1	103.6	103.4	-0.2%

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).