

June 2017

### Restaurant Performance Index Held Relatively Steady in June

As a result of mixed trends in the current situation and expectations indicators, the National Restaurant Association’s Restaurant Performance Index (RPI) remained essentially unchanged in June. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.0 in June, up 0.1 percent from a level of 100.9 in May.

The Restaurant Performance Index was buoyed in June by stronger same-store sales results, positive capital expenditure activity, and a more optimistic outlook for sales growth in the coming months. On the flip side, customer traffic levels remained mixed, labor indicators were softer, and restaurant operators’ outlook for the overall economy fell to its weakest level since October.

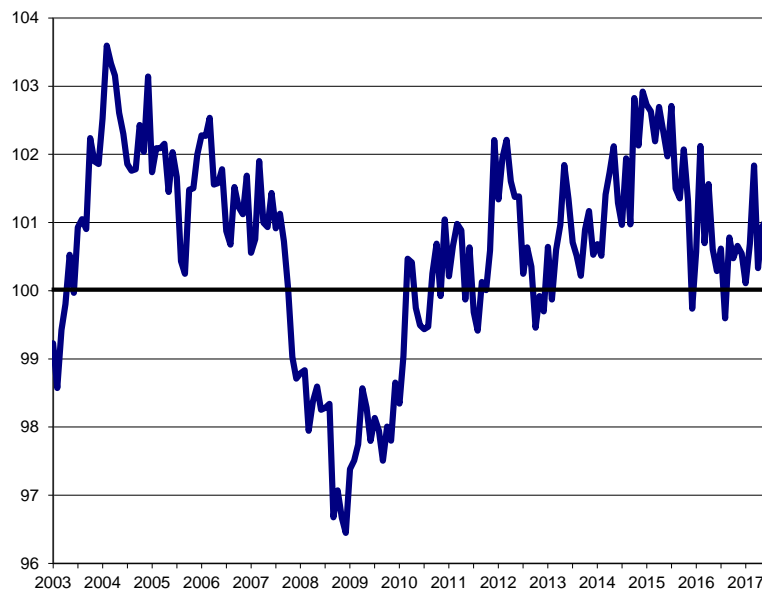
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

#### Current Situation Index Rose 0.6 Percent in June to a Level of 100.8; Expectations Index Declined 0.4 Percent to a Level of 101.3

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.8 in June – up 0.6 percent from a level of 100.2 in May. June represented the third time in the last four months with a reading above 100, which signifies expansion in the current situation indicators.

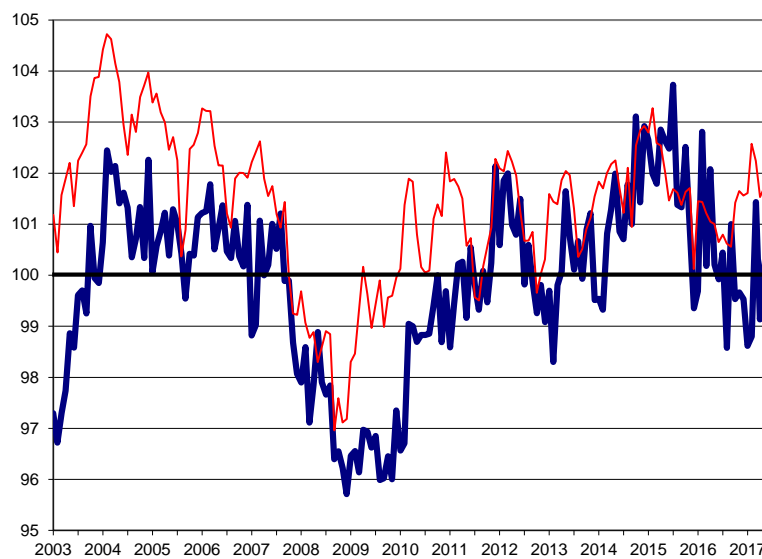
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.3 in June – down 0.4 percent from a level of 101.7 in May. Although the Expectations Index remained above 100 in expansion territory, it fell to its lowest level in nine months – due largely to declines in three 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 Positive Same-Store Sales in June, While Traffic Results Were Mixed**

The recent trend of uneven same-store sales results continued in June, with restaurant operators reporting the first net increase since March. Fifty-four percent of restaurant operators reported a same-store sales increase between June 2016 and June 2017, up from fewer than four in 10 operators in both April and May. Thirty-four percent of restaurant operators reported a same-store sales decline in June, while 12 percent said their sales remained about the same.

In contrast, restaurant operators reported mixed customer traffic results in June. Thirty-nine percent of restaurant operators reported an increase in customer traffic between June 2016 and June 2017, while 42 percent reported a traffic decline. June marked the 12<sup>th</sup> time in the last 14 months that restaurant operators reported a net decline in customer traffic.

While sales and traffic levels were choppy in recent months, capital spending activity was generally steady. Fifty-nine percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, a level which was essentially unchanged for the last five months.

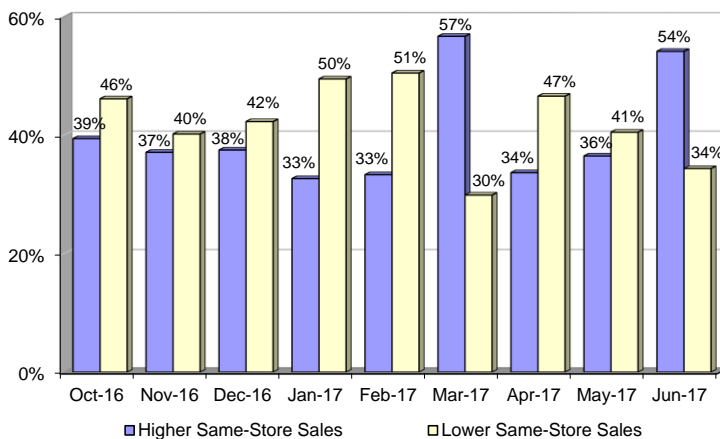
**Restaurant Operators' Optimism about the Economy Deteriorated in Recent Months**

Restaurant operators are somewhat more optimistic about sales growth in the months ahead. Forty-two percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 33 percent last month and the highest level since March 2016. Fourteen 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 44 percent of operators think their sales will remain about the same.

In contrast, restaurant operators' outlook for the economy continues to deteriorate. Only 16 percent of restaurant operators said they expect economic conditions to improve in six months, down from 27 percent last month and the lowest level since October 2016. It also represented operators' first net-negative outlook for the economy since October.

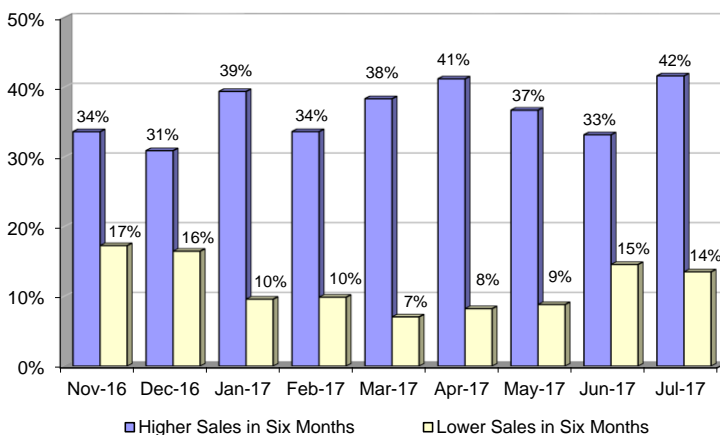
Along with a positive sales outlook, a majority of restaurant operators are planning to make capital expenditures in the coming months. Fifty-eight percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 64 percent of operators who reported similarly last month.

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



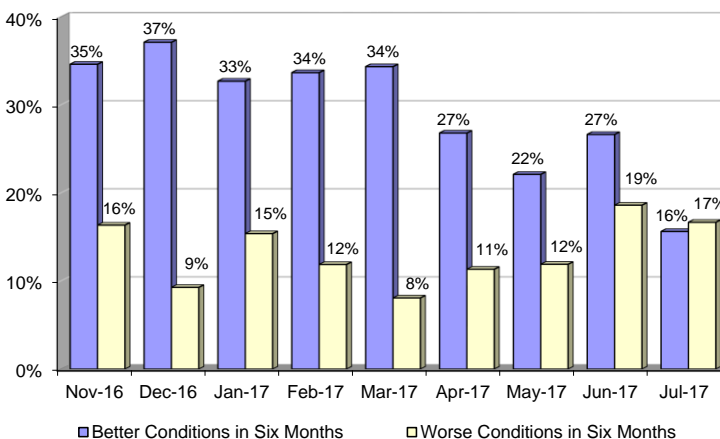
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	February 2017	March 2017	April 2017	May 2017	June 2017	June-17 over May-17
<b>Restaurant Performance Index</b>	100.7	101.8	100.3	100.9	101.0	0.1%
<b>Current Situation Index</b>	98.8	101.4	99.1	100.2	100.8	0.6%
<i>Current Situation Indicators:</i>						
Same-Store Sales	98.3	102.7	98.7	99.6	102.0	2.4%
Customer Traffic	97.1	100.3	97.3	98.6	99.7	1.1%
Labor	98.1	100.2	98.4	100.1	99.6	-0.5%
Capital Expenditures	101.7	102.6	102.1	102.4	101.9	-0.5%
<b>Expectations Index</b>	102.6	102.2	101.5	101.7	101.3	-0.4%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.1	103.3	102.8	101.9	102.8	0.9%
Staffing	102.2	102.6	101.1	101.5	100.8	-0.6%
Capital Expenditures	102.3	101.5	101.2	102.7	101.7	-1.0%
Business Conditions	102.6	101.5	101.0	100.8	99.9	-0.9%

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).