

May 2017

## Restaurant Performance Index Posted a Moderate Gain in May

Driven by improvements in the current situation indicators, the National Restaurant Association's Restaurant Performance Index (RPI) registered a moderate increase in May. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.9 in May, up 0.6 percent from a level of 100.3 in April.

The May increase in the RPI was due largely to stronger readings in the current situation indicators. Although restaurant operators continued to report mixed same-store sales and customer traffic, the results were an improvement over April's levels. At the same time, restaurant operators' six-month outlook for sales growth and the economy softened somewhat from recent months.

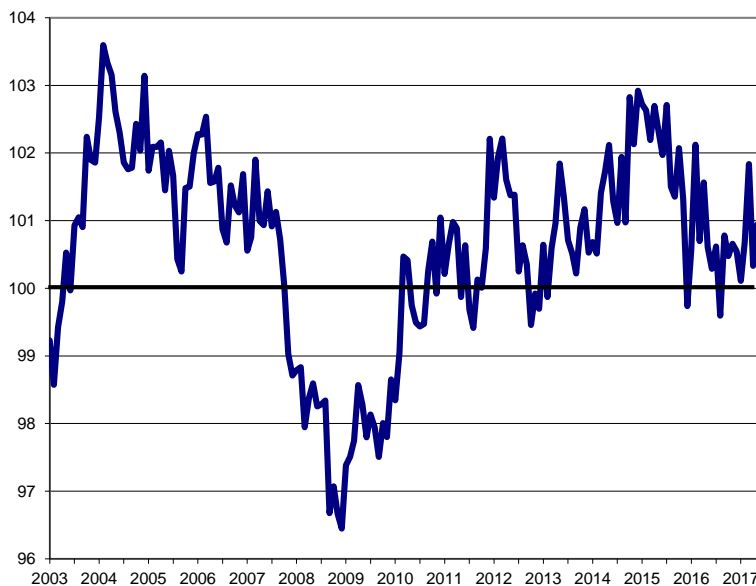
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Rose 1.0 Percent in May to a Level of 100.2; Expectations Index Edged Up 0.2 Percent to a Level of 101.7

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.2 in May – up 1.0 percent from a level of 99.1 in April. Despite the increase, May represented only the second time in the last eight months with a reading above 100, which signifies expansion in the current situation indicators.

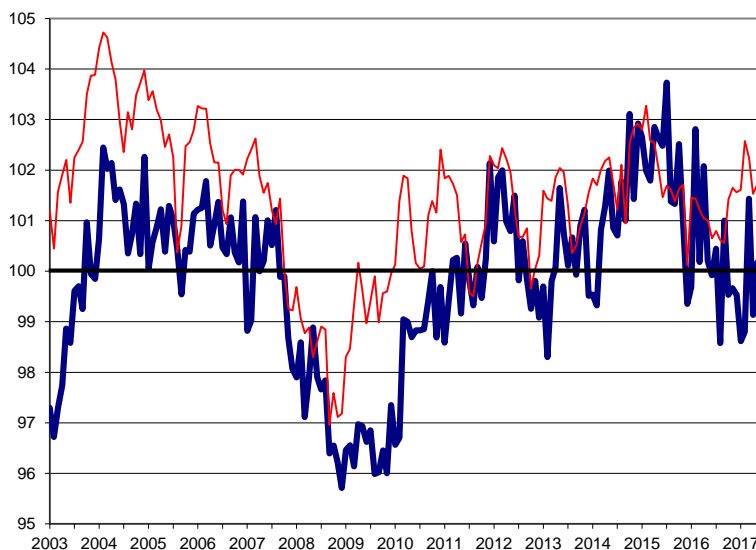
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.7 in May – up 0.2 percent from a level of 101.5 in April. Although the Expectations Index remained comfortably above 100 in expansion territory, restaurant operators were somewhat less optimistic than they were during the first three months of 2017.

## 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 Mixed Same-Store Sales and Customer Traffic Results in May

Restaurant operators continued to report mixed same-store sales in May, though results were somewhat stronger than April. Thirty-six percent of restaurant operators reported a same-store sales increase between May 2016 and May 2017, up slightly from 34 percent of operators who reported higher same-store sales in April. Forty-one percent of operators said their sales declined in May, down from 47 percent who reported similarly in April.

Restaurant operators also reported somewhat improved customer traffic results in May. Thirty-three percent of restaurant operators reported an increase in customer traffic between May 2016 and May 2017, up from 26 percent of operators who reported higher traffic in April. Forty-seven percent of operators reported a decline in customer traffic in May, down from 52 percent in April.

Despite the continued mixed sales and customer traffic results, capital spending activity remained positive. Sixty-two percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which represented the third consecutive month with a reading above 60 percent.

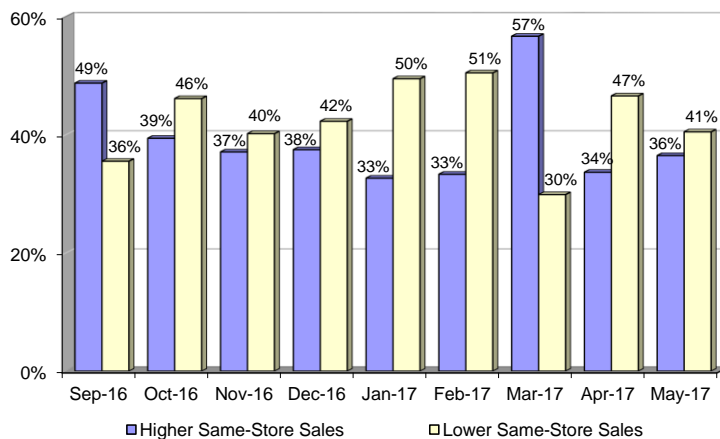
### Restaurant Operators' Outlook for Sales Growth and the Economy Softened Somewhat in Recent Months

Although restaurant operators are still generally positive about the business environment in the months ahead, their optimism waned somewhat in recent months. Thirty-three percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 37 percent last month and the lowest level since December. Fifteen 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 52 percent of operators think their sales will remain about the same.

Similarly, restaurant operators' outlook for the economy is less optimistic than it was a few months ago. Twenty-seven percent of restaurant operators said they expect economic conditions to improve in six months, while 19 percent said they expect economic conditions to worsen. This represented the weakest outlook since October, when operators reported a net negative reading of 15 percentage points.

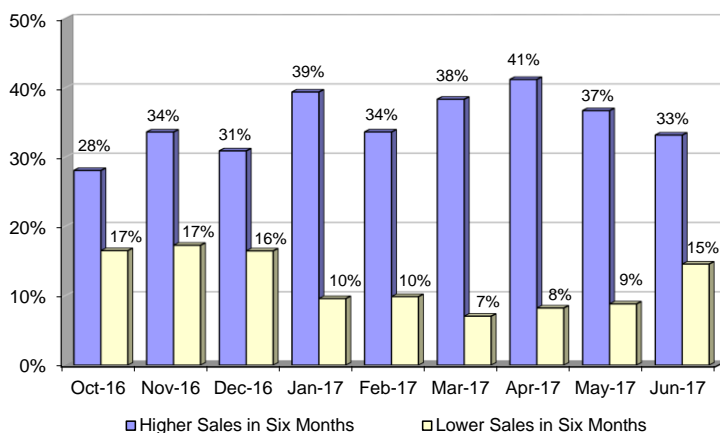
Even with the mixed outlook, more restaurant operators are planning for capital expenditures in the coming months. Sixty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 56 percent of operators who reported similarly last month.

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



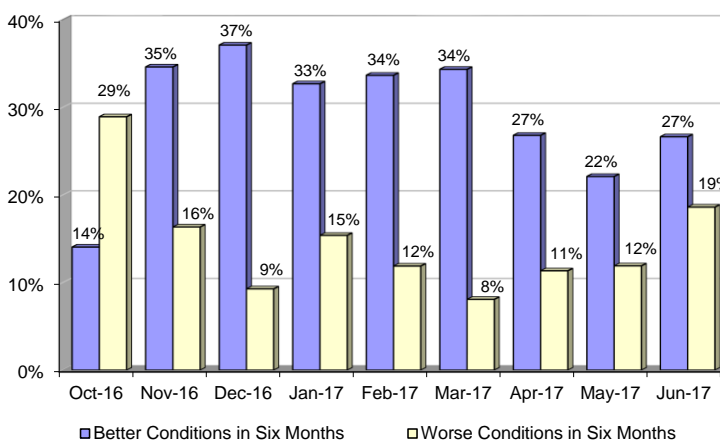
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	January 2017	February 2017	March 2017	April 2017	May 2017	May-17 over Apr-17
<b>Restaurant Performance Index</b>	100.1	100.7	101.8	100.3	100.9	0.6%
<b>Current Situation Index</b>	98.6	98.8	101.4	99.1	100.2	1.0%
<i>Current Situation Indicators:</i>						
Same-Store Sales	98.3	98.3	102.7	98.7	99.6	0.9%
Customer Traffic	97.1	97.1	100.3	97.3	98.6	1.3%
Labor	98.9	98.1	100.2	98.4	100.1	1.7%
Capital Expenditures	100.1	101.7	102.6	102.1	102.4	0.3%
<b>Expectations Index</b>	101.6	102.6	102.2	101.5	101.7	0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.4	103.1	103.3	102.8	101.9	-0.9%
Staffing	100.8	102.2	102.6	101.1	101.5	0.4%
Capital Expenditures	101.1	102.3	101.5	101.2	102.7	1.5%
Business Conditions	102.2	102.6	101.5	101.0	100.8	-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](http://www.restaurant.org/trendmapper) (subscription required).