

November 2017

## Restaurant Performance Index Edged Higher in November

With restaurant operators becoming increasingly confident about business conditions in the months ahead, the National Restaurant Association's Restaurant Performance Index (RPI) posted a modest increase in November. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.1 in November, up slightly from a level of 100.9 in October.

Although the overall RPI increase was modest in November, some key indicators registered notable improvements. Restaurant operators reported their strongest same-store sales performance since June. In addition, nearly one-half of operators expect their sales to be higher in six months, while their outlook for the overall economy improved to its strongest level in three years.

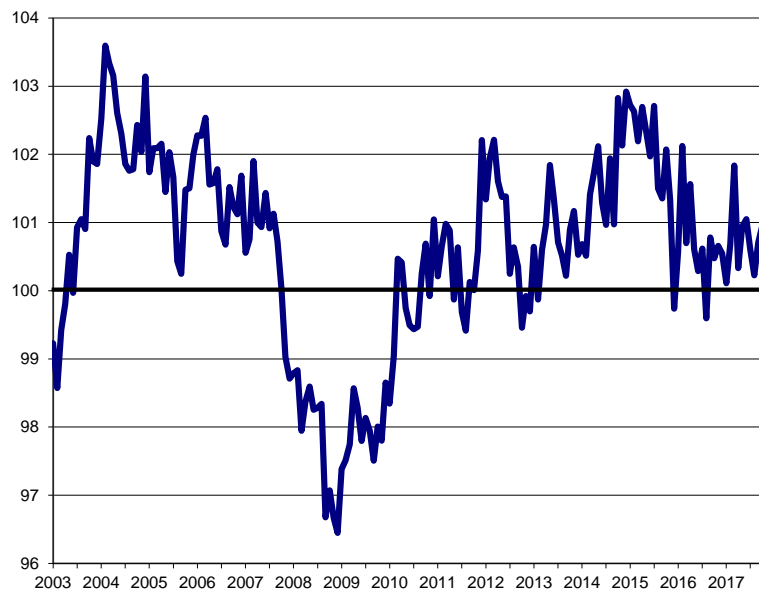
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Edged Up 0.1 Percent in November to a Level of 99.6; Expectations Index Rose 0.3 Percent to a Level of 102.6

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.6 in November – up slightly from a level of 99.5 in October. Despite the modest increase, November represented the third consecutive month in which the current situation indicators were in contraction territory below the 100 level.

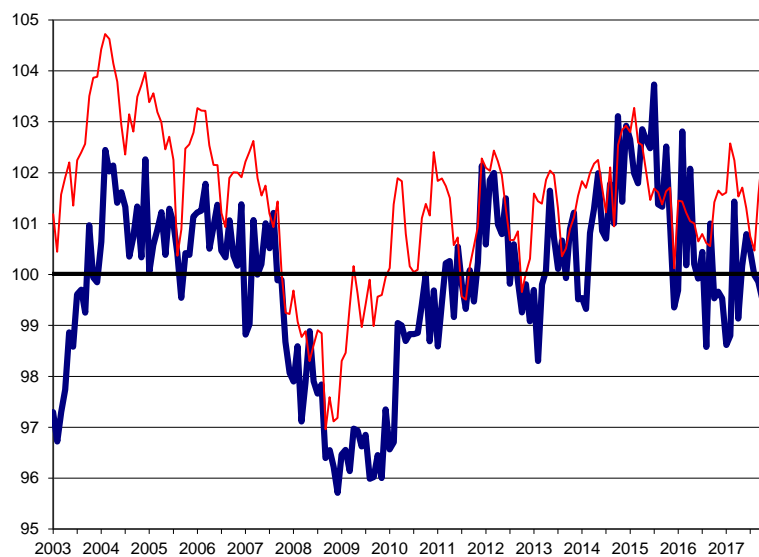
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.6 in November – up 0.3 percent from October's reading. The gain marked the third consecutive monthly increase in the Expectations Index, which elevated the forward-looking component to its highest level in nine 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 November

Restaurant operators reported stronger same-store sales results in November. Forty-eight percent of restaurant operators reported a same-store sales increase between November 2016 and November 2017, up from 38 percent of operators who reported higher sales in October. Thirty-seven percent of restaurant operators reported a same-store sales decline in November, down from 45 percent who reported lower sales in October. November represented the strongest same-store sales performance since June.

Although same-store sales turned positive in November, restaurant operators reported a net decline in customer traffic for the eighth consecutive month. Twenty-nine percent of restaurant operators reported an increase in customer traffic between November 2016 and November 2017, up from 24 percent who reported higher traffic in October. Forty-seven percent of operators said their customer traffic declined in November, down from 54 percent in October.

Although same-store sales results improved in November, capital spending activity was somewhat dampened. Fifty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 67 percent who reported similarly last month.

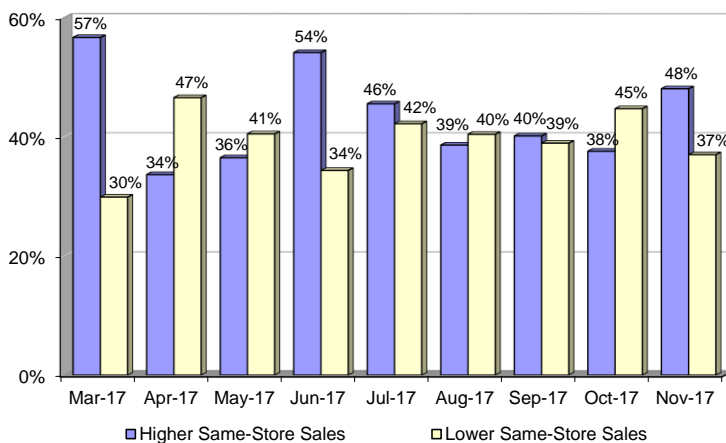
### Restaurant Operators Are More Optimistic about Business Conditions in the Months Ahead

Restaurant operators are becoming more optimistic that business conditions will improve in the months ahead. Forty-six percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 44 percent last month and the third consecutive monthly improvement. Only 9 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 45 percent of operators think their sales will remain about the same.

Restaurant operators are also increasingly optimistic about the direction of the economy. Thirty-seven percent of restaurant operators said they expect economic conditions to improve in six months, up from 32 percent last month and the highest level since December 2016. Only 6 percent of operators think economic conditions will worsen in six months, which resulted in the strongest net positive outlook for the economy in three years.

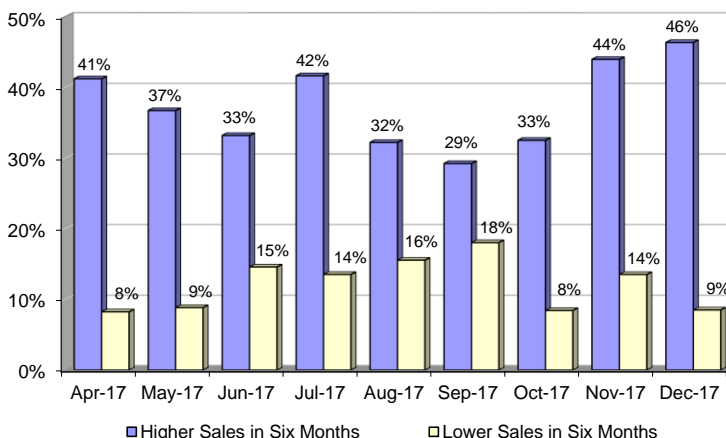
Looking forward, a majority of restaurant operators are planning for capital expenditures in the coming months. Sixty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 64 percent of operators who reported similarly last month.

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



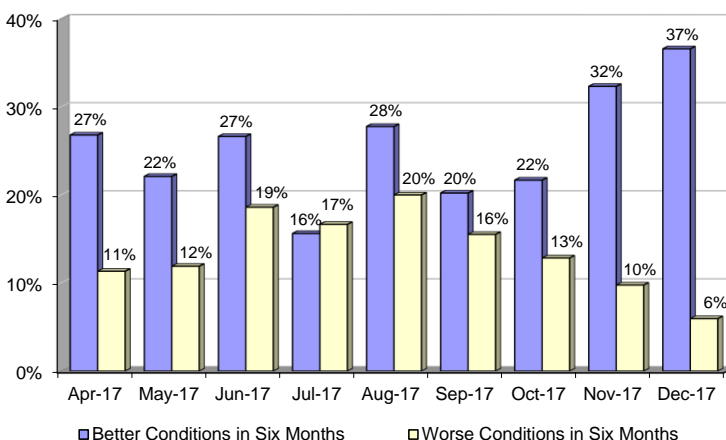
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	July 2017	August 2017	September 2017	October 2017	November 2017	Nov-17 over Oct-17
<b>Restaurant Performance Index</b>	100.6	100.2	100.7	100.9	101.1	0.1%
<b>Current Situation Index</b>	100.4	100.0	99.9	99.5	99.6	0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	100.3	99.8	100.1	99.3	101.1	1.8%
Customer Traffic	98.9	97.7	98.1	97.0	98.2	1.2%
Labor	100.1	99.4	98.9	98.3	99.0	0.7%
Capital Expenditures	102.4	103.0	102.3	103.5	100.0	-3.4%
<b>Expectations Index</b>	100.8	100.5	101.6	102.4	102.6	0.3%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.7	101.1	102.4	103.0	103.8	0.7%
Staffing	100.6	99.9	101.0	101.4	101.8	0.4%
Capital Expenditures	100.0	100.4	101.9	102.8	101.9	-0.8%
Business Conditions	100.8	100.5	100.9	102.3	103.1	0.8%

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).