

October 2017

Restaurant Performance Index Posted a Modest Gain in October

Buoyed by an improving outlook among restaurant operators for business conditions in the coming months, the National Restaurant Association's Restaurant Performance Index (RPI) registered a modest gain in October. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.9 in October, up 0.2 percent from a level of 100.7 in September.

The RPI's October increase was driven primarily by increased optimism about future business conditions. More than four in 10 restaurant operators expect their sales to be higher in six months, which represents their most bullish outlook in nearly two years. In contrast, the current situation index fell to a six-month low in October, after declining for the fourth consecutive month.

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 0.3 Percent in October to a Level of 99.5; Expectations Index Increased 0.8 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 99.5 in October – down 0.3 percent from a level of 99.9 in September. October represented the fourth consecutive monthly decline in the RPI's current situation component, and marked the second straight month in which the current situation indicators were in contraction territory below the 100 level.

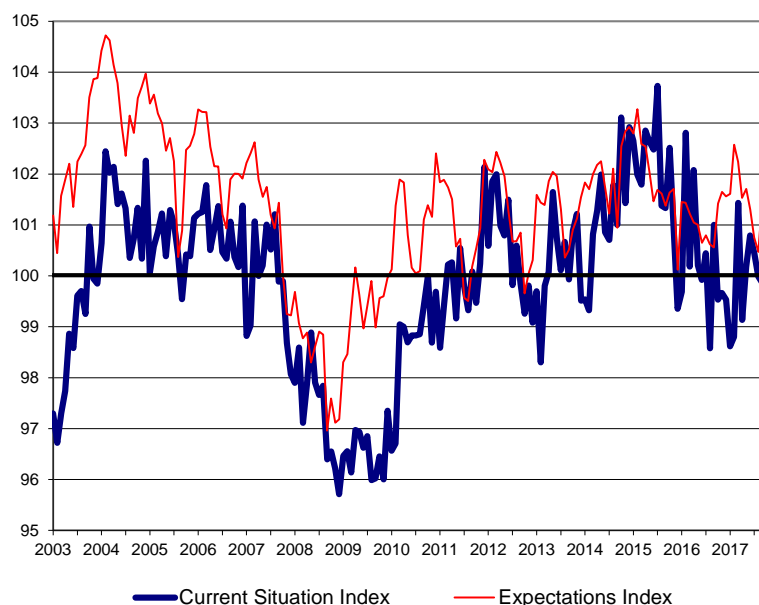
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.4 in October – up 0.8 percent from September and the second consecutive monthly gain. In addition, the expectations component rose to its highest level in eight 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 Mixed Same-Store Sales Results in October

Restaurant operators continued to report choppy same-store sales results in October. Thirty-eight percent of restaurant operators reported a same-store sales increase between October 2016 and October 2017, essentially unchanged from 40 percent of operators who reported higher sales in September. Forty-five percent of restaurant operators reported a same-store sales decline in October, up from 39 percent who reported lower sales in September.

While same-store sales results remained mixed, restaurant operators reported a net decline in customer traffic for the seventh consecutive month. Twenty-four percent of restaurant operators reported an increase in customer traffic between October 2016 and October 2017, while 54 percent reported a traffic decline. In September, 27 percent of operators reported higher customer traffic levels and 46 percent reported a decline.

Although same-store sales and customer traffic results were uneven in recent months, capital spending activity remained positive. Sixty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 61 percent who reported similarly last month.

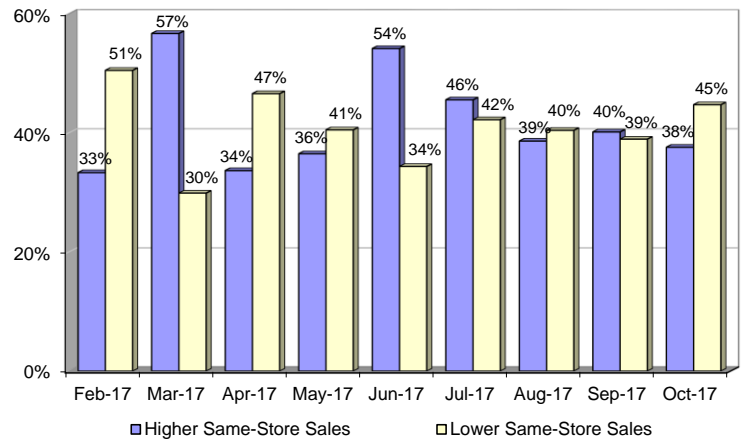
Restaurant Operators Are More Optimistic about Business Conditions in the Coming Months

Restaurant operators are increasingly optimistic that business conditions will improve in the coming months. Forty-four 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 in nearly two years. 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 42 percent of operators think their sales will remain about the same.

Restaurant operators are also more bullish about the direction of the economy. Thirty-two percent of restaurant operators said they expect economic conditions to improve in six months, up from 22 percent last month and the highest level since March. Only 10 percent of operators think economic conditions will worsen in six months, while roughly six in 10 operators think economic conditions will remain about the same as they are now.

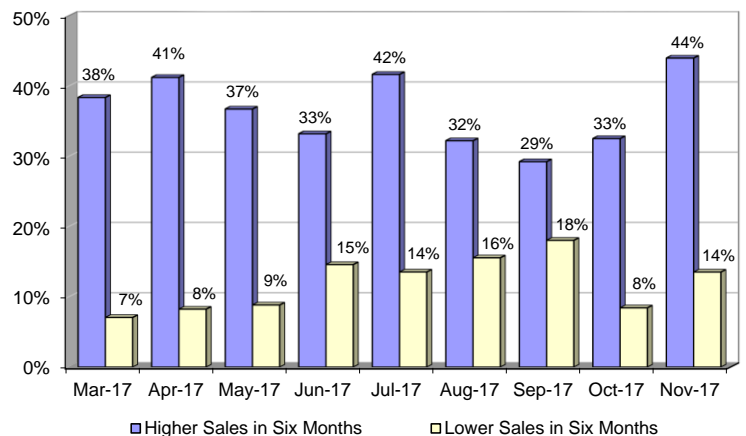
Looking ahead, a higher proportion of restaurant operators are planning for capital expenditures in the coming months. Sixty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 59 percent of operators who reported similarly last month.

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



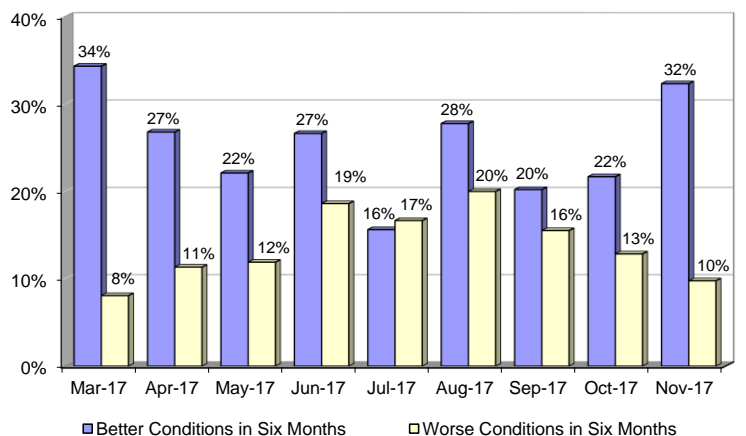
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	June 2017	July 2017	August 2017	September 2017	October 2017	Oct-17 over Sep-17
Restaurant Performance Index	101.0	100.6	100.2	100.7	100.9	0.2%
Current Situation Index	100.8	100.4	100.0	99.9	99.5	-0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.0	100.3	99.8	100.1	99.3	-0.8%
Customer Traffic	99.7	98.9	97.7	98.1	97.0	-1.1%
Labor	99.6	100.1	99.4	98.9	98.3	-0.6%
Capital Expenditures	101.9	102.4	103.0	102.3	103.5	1.1%
Expectations Index	101.3	100.8	100.5	101.6	102.4	0.8%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.8	101.7	101.1	102.4	103.0	0.6%
Staffing	100.8	100.6	99.9	101.0	101.4	0.4%
Capital Expenditures	101.7	100.0	100.4	101.9	102.8	0.9%
Business Conditions	99.9	100.8	100.5	100.9	102.3	1.4%

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).