

March 2018

Restaurant Performance Index Trended Higher in March

Bolstered by stronger same-stores sales and customer traffic levels, the National Restaurant Association’s Restaurant Performance Index (RPI) registered a moderate increase in March. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.8 in March, up 0.7 percent from a level of 101.1 in February.

The RPI’s March increase was driven by improvements in the sales and customer traffic indicators. Restaurant operators reported a net increase in sales for the fifth consecutive month, while customer traffic rose for just the second time in the last 12 months. Looking forward, operators are generally positive about sales growth, though their economic outlook dipped to a six-month low.

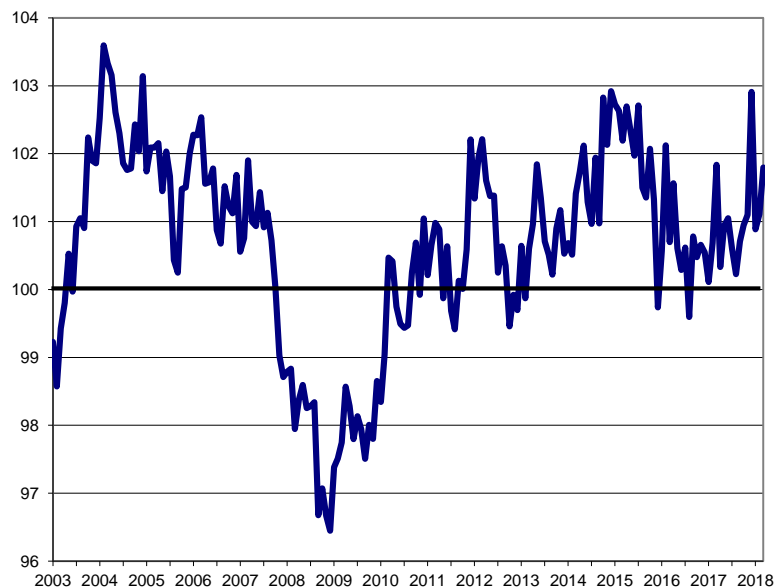
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Rose 1.0 Percent in March to a Level of 101.4; Expectations Index Increased 0.4 Percent to a Level of 102.2

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 101.4 in March – up 1.0 percent from a level of 100.4 in February. March represented the second consecutive one percent increase, and marked the third time in the last four months that the Current Situation Index stood above the 100 level.

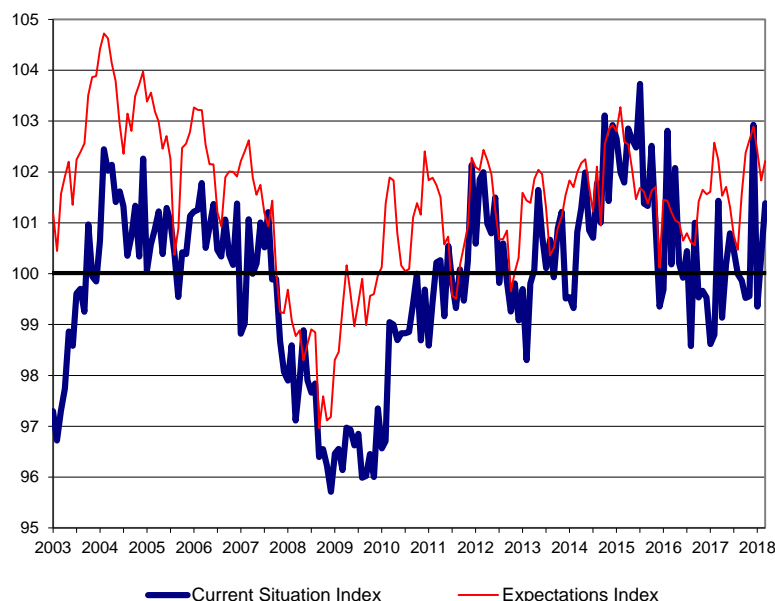
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.2 in March – up 0.4 percent from a level of 101.8 in February. The March increase broke the streak of two consecutive monthly declines, and represents an uptick in operator optimism about 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 Stronger Same-Store Sales and Traffic Levels in March

Restaurant operators reported a net increase in same-store sales for the fifth consecutive month, with March representing the strongest results since December. Fifty-nine percent of restaurant operators reported a same-store sales increase between March 2017 and March 2018, up from 48 percent of operators who reported higher sales in February. Twenty-eight percent of restaurant operators reported a same-store sales decline in March, down from 34 percent in February.

Restaurant operators also reported a net increase in customer traffic in March. Forty-three percent of restaurant operators reported an increase in customer traffic between March 2017 and March 2018, up from 26 percent in January and 30 percent in February. Thirty-four percent of operators said their customer traffic declined in March, down from 52 percent in January and 41 percent in February. March represented only the second time in the last 12 months that restaurant operators reported a net increase in customer traffic.

In addition, to positive sales results, restaurant operators also reported an increase in capital spending activity. Sixty-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 57 percent who reported similarly last month.

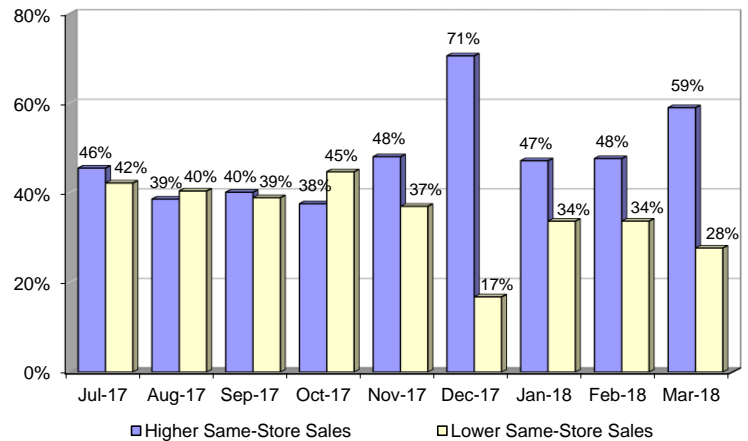
Restaurant Operators are More Upbeat about Sales Prospects than the Economy

Restaurant operators are generally optimistic about sales growth 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), up from 35 percent who reported similarly last month. Only 5 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, down from 9 percent last month.

In contrast, restaurant operators' outlook for the overall economy is dampened somewhat from recent levels. Only 22 percent of restaurant operators said they expect economic conditions will improve in six months, down from 42 percent who reported similarly two months ago. Thirteen percent of operators think economic conditions will worsen in six months, while 65 percent expect conditions will remain about the same as they are now.

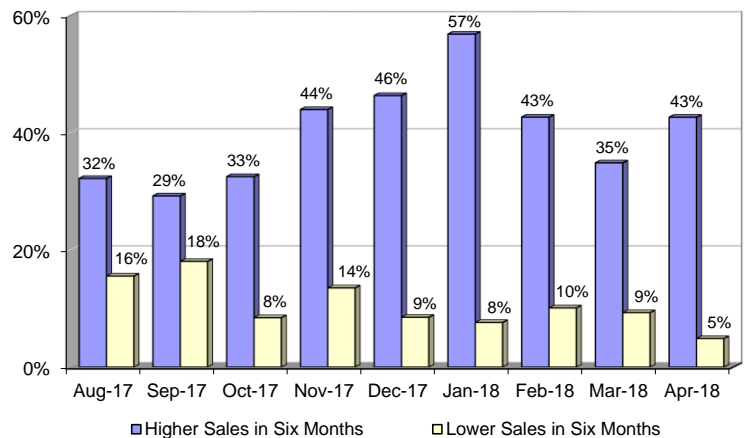
Looking ahead, a majority of restaurant operators are planning for capital expenditures in the coming months. Sixty-three percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 59 percent who reported similarly last month.

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



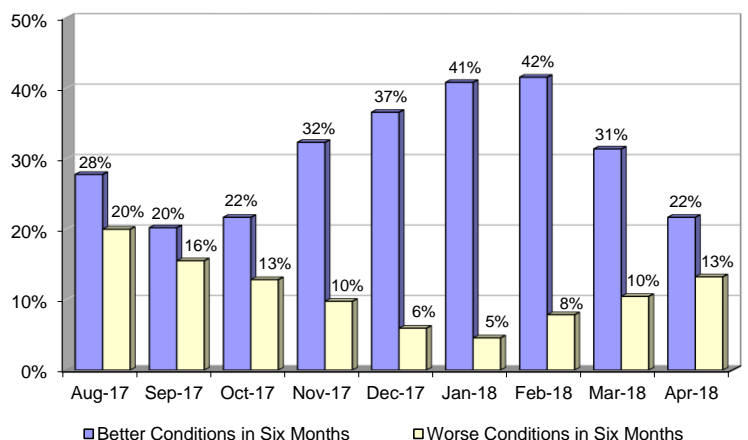
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	November 2017	December 2017	January 2018	February 2018	March 2018	Mar-18 over Feb-18
Restaurant Performance Index	101.1	102.9	100.9	101.1	101.8	0.7%
Current Situation Index	99.6	102.9	99.4	100.4	101.4	1.0%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.1	105.4	101.3	101.4	103.1	1.7%
Customer Traffic	98.2	102.6	97.4	99.0	101.0	2.0%
Labor	99.0	101.3	98.3	99.8	99.2	-0.7%
Capital Expenditures	100.0	102.4	100.3	101.4	102.3	0.9%
Expectations Index	102.6	102.9	102.4	101.8	102.2	0.4%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.8	104.9	103.3	102.6	103.8	1.2%
Staffing	101.8	101.0	100.9	100.8	101.7	0.9%
Capital Expenditures	101.9	102.1	102.1	101.9	102.5	0.7%
Business Conditions	103.1	103.6	103.4	102.1	100.8	-1.2%

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).