

May 2018

Restaurant Performance Index Edged Lower in May

As a result of a somewhat dampened outlook among restaurant operators for business conditions in the months ahead, the National Restaurant Association's Restaurant Performance Index (RPI) posted a modest decline in May. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.2 in May, down slightly from April's level of 101.3.

The RPI's current situation indicators continued along the trend established in recent months, with positive same-store sales being offset by a decline in customer traffic levels. Meanwhile, restaurant operators are somewhat less optimistic about sales growth in the months ahead, while their outlook for the overall economy was downgraded to its weakest level in nearly a year.

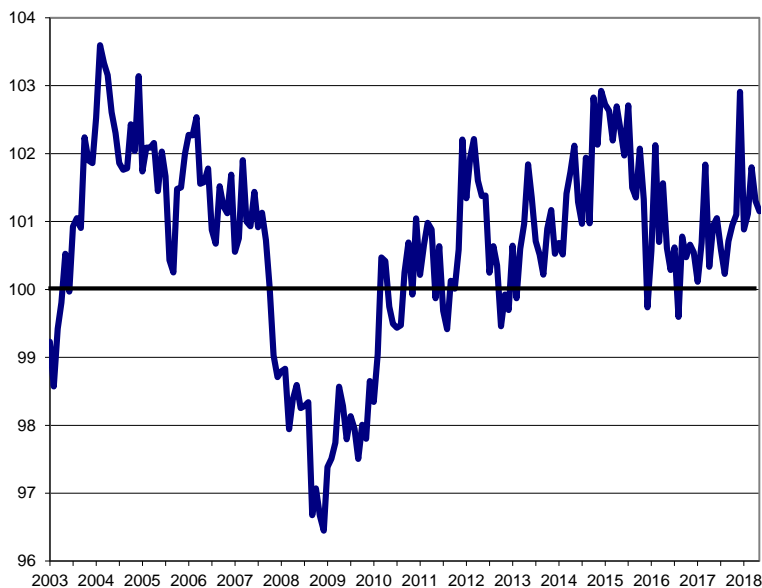
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Rose 0.1 Percent in May to a Level of 100.6; Expectations Index Declined 0.4 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 100.6 in May – up slightly from a level of 100.5 in April. The Current Situation Index stood above the 100 level for the fourth consecutive month, which continues to represent expansion in this barometer of present performance.

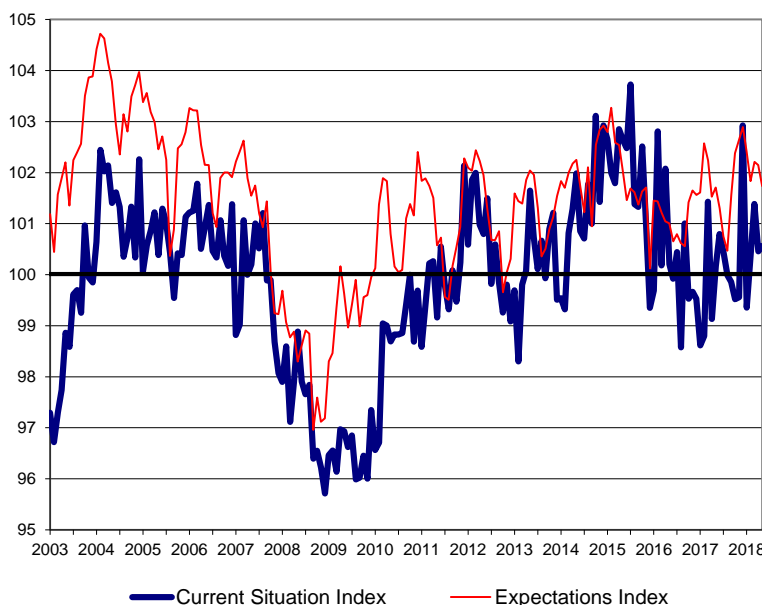
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.7 in May – down 0.4 percent from April and the second consecutive monthly decline. Although the forward-looking RPI component remained above 100 in expansion territory, it dipped to its lowest 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 and Customer Traffic Levels in May

Restaurant operators continued to report generally positive same-store sales results in May. Forty percent of restaurant operators reported a same-store sales increase between May 2017 and May 2018, while 30 percent reported a sales decline. May represented the seventh consecutive month in which operators reported a net increase in same-store sales, and an improvement over April’s mixed results. In April, 43 percent of operators reported positive sales, while 41 percent reported a sales decline.

In contrast to the positive sales results, restaurant operators reported a net decline in customer traffic for the second consecutive month. Only 29 percent of restaurant operators reported an increase in customer traffic between May 2017 and May 2018, while 47 percent reported lower customer traffic. The results were similar to April, when 30 percent of operators reported higher customer traffic and 47 percent reported a traffic decline.

Although sales and traffic levels were a mixed bag in May, restaurant operators continued to report healthy capital spending activity. Sixty-three 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 in which at least six in 10 operators reported making a capital expenditure.

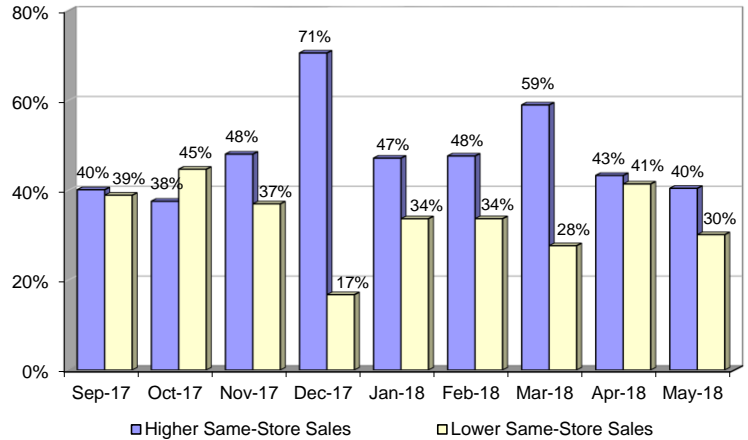
Restaurant Operators’ Outlook for Business Conditions is Somewhat Dampened

Restaurant operators are somewhat less optimistic about sales growth in the coming months. Thirty-nine percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 47 percent last month and the lowest level in three months. Ten 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.

In addition, restaurant operators have mixed opinions about the direction of the overall economy. Only 22 percent of operators said they expect economic conditions will improve in six months, down from more than four in 10 who reported similarly at the beginning of 2018. Seventeen percent of operators think economic conditions will worsen in six months – the highest level since August 2017.

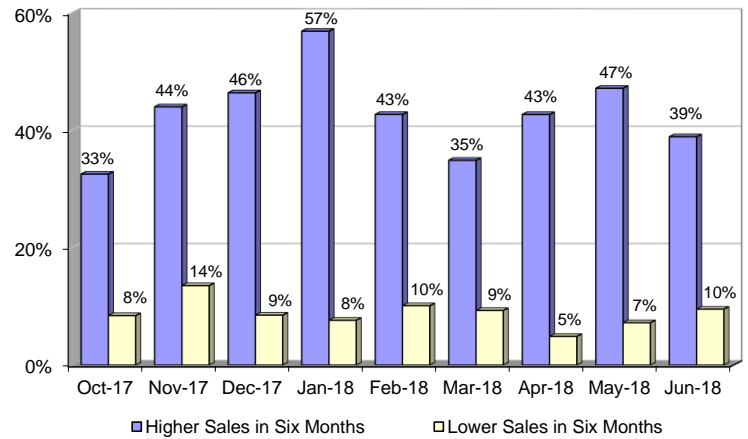
Looking forward, a majority of restaurant operators are planning for capital expenditures in the months ahead. Sixty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 59 percent who reported similarly last month.

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



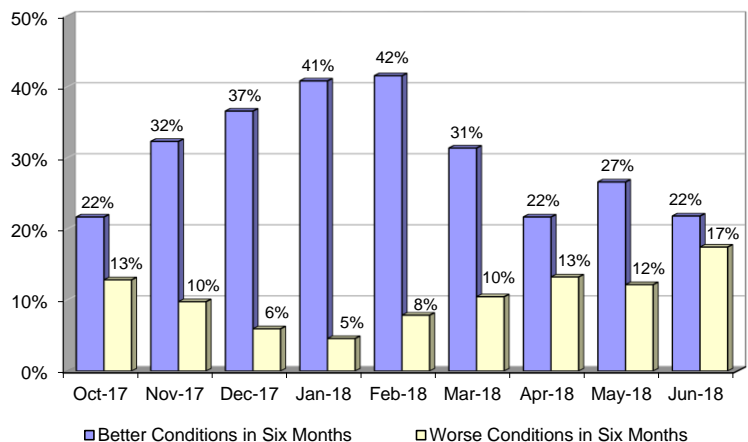
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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 2018	February 2018	March 2018	April 2018	May 2018	May-18 over Apr-18
Restaurant Performance Index	100.9	101.1	101.8	101.3	101.2	-0.1%
Current Situation Index	99.4	100.4	101.4	100.5	100.6	0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.3	101.4	103.1	100.2	101.0	0.8%
Customer Traffic	97.4	99.0	101.0	98.3	98.3	0.0%
Labor	98.3	99.8	99.2	99.9	100.3	0.4%
Capital Expenditures	100.3	101.4	102.3	103.4	102.7	-0.7%
Expectations Index	102.4	101.8	102.2	102.1	101.7	-0.4%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.3	102.6	103.8	104.0	102.9	-1.0%
Staffing	100.9	100.8	101.7	101.3	100.7	-0.6%
Capital Expenditures	102.1	101.9	102.5	101.9	102.9	1.0%
Business Conditions	103.4	102.1	100.8	101.4	100.4	-1.0%

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).