

October 2018

Restaurant Performance Index Registered a Modest Gain in October

Bolstered by somewhat stronger same-store sales and customer traffic levels, 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 101.2 in October, up slightly from a level of 101.1 in September.

While the overall gain was modest, the positive trajectory of the RPI was driven by the same-store sales and customer traffic indicators, which both improved from their September levels. Looking ahead, restaurant operators are somewhat more optimistic about sales growth in the coming months, with their outlook rising to a six-month high. However, restaurant operators remain generally less bullish about the direction of the overall economy.

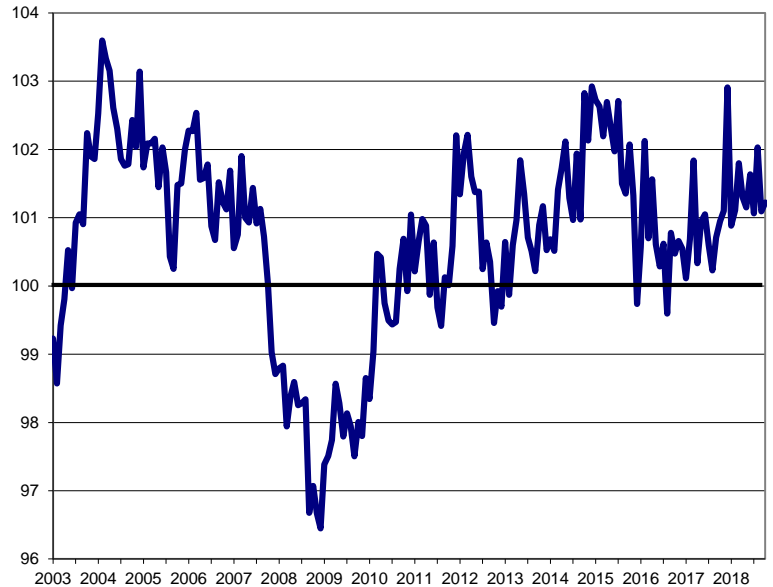
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Rose 0.3 Percent in October to a Level of 100.9; Expectations Index Held Steady at a Level of 101.6

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.9 in October – up 0.3 percent from a level of 100.6 in September. October represented the ninth consecutive month in which the Current Situation Index stood above the 100 level in expansion territory.

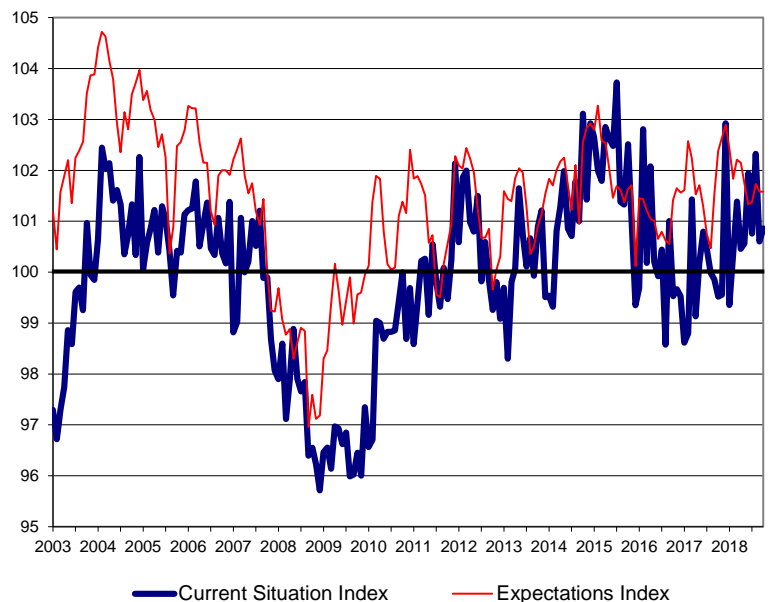
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.6 in October – unchanged from September. While the Expectations Index has been relatively steady in recent months, it still indicates operators remain generally optimistic about business conditions.

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 Customer Traffic in October

A majority of restaurant operators reported higher same-store sales in October. Fifty-three percent of restaurant operators reported a same-store sales increase between October 2017 and October 2018, up from 46 percent who reported higher sales in September. Twenty-six percent of operators reported a sales decline in October, down from 37 percent in September. October represented the 12th consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators reported stronger customer traffic levels in October, though overall results remained relatively flat. Thirty-seven percent of restaurant operators reported an increase in customer traffic between October 2017 and October 2018, up from 28 percent in September. Thirty-three percent of operators reported a decline in customer traffic in October, down from 42 percent who reported similarly in September.

Although same-store sales results improved in October, capital spending activity was somewhat dampened. Fifty-three percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 66 percent who reported similarly last month.

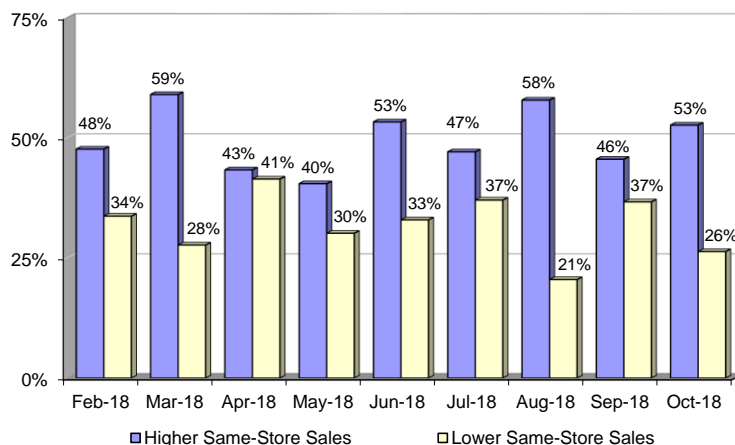
Restaurant Operators' Outlook for Business Conditions Improved Somewhat

Restaurant operators' outlook for future business conditions trended higher this month. Forty-one percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 34 percent of operators who reported similarly last month. Only five 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 11 percent last month. This represented operators' most optimistic outlook in six months.

In contrast, restaurant operators' outlook for the overall economy remained mixed. Twenty-two percent of operators said they expect economic conditions will improve in six months, down slightly from 24 percent who reported similarly last month. Sixteen percent of restaurant operators think economic conditions will worsen in six months, down from 23 percent last month.

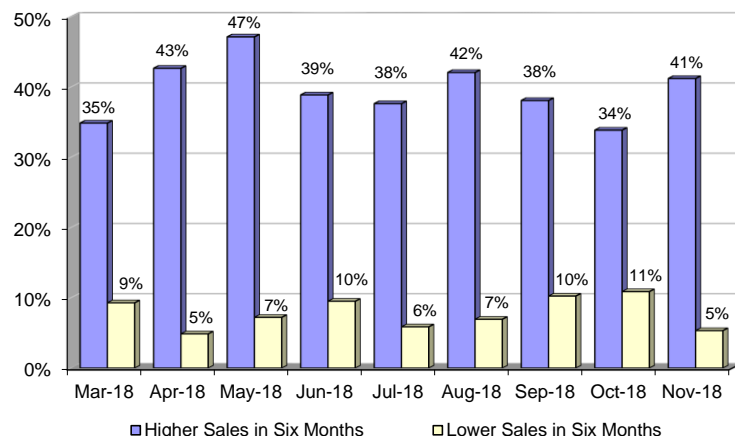
Looking ahead, restaurant operators' plans for capital expenditures dipped somewhat from recent months. Fifty-three percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 65 percent who reported similarly last month.

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



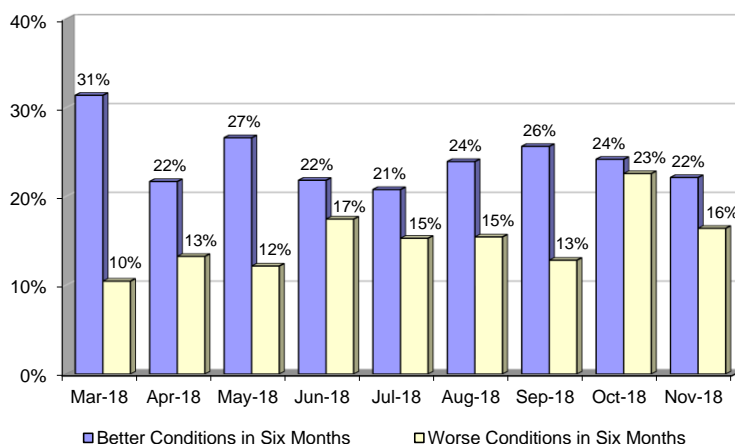
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	June 2018	July 2018	August 2018	September 2018	October 2018	Oct-18 over Sep-18
Restaurant Performance Index	101.6	101.1	102.0	101.1	101.2	0.1%
Current Situation Index	101.9	100.8	102.3	100.6	100.9	0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.0	101.0	103.7	100.9	102.6	1.7%
Customer Traffic	99.9	99.0	101.3	98.6	100.4	1.8%
Labor	100.9	99.7	101.1	99.8	99.8	0.0%
Capital Expenditures	104.9	103.3	103.2	103.1	100.6	-2.5%
Expectations Index	101.3	101.4	101.7	101.6	101.6	0.0%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.2	103.5	102.8	102.3	103.6	1.3%
Staffing	99.9	99.3	100.3	101.0	101.6	0.7%
Capital Expenditures	101.7	101.8	102.6	102.9	100.5	-2.3%
Business Conditions	100.5	100.8	101.3	100.2	100.6	0.4%

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).