

September 2018

### Restaurant Performance Index Dipped Amid Softer Sales in September

Due in large part to softer same-store sales and customer traffic levels, the National Restaurant Association’s Restaurant Performance Index (RPI) declined in September. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.1 in September, down 0.9 percent from a level of 102.0 in August.

The RPI’s September decline was primarily the result of a pullback in the current situation indicators, as both same-store sales and customer traffic eased off their positive August levels. Looking forward, restaurant operators are somewhat less bullish about sales growth, with their six-month outlook representing the weakest in a year. In addition, 23 percent of operators expect economic conditions to worsen in six months – the highest level in two years.

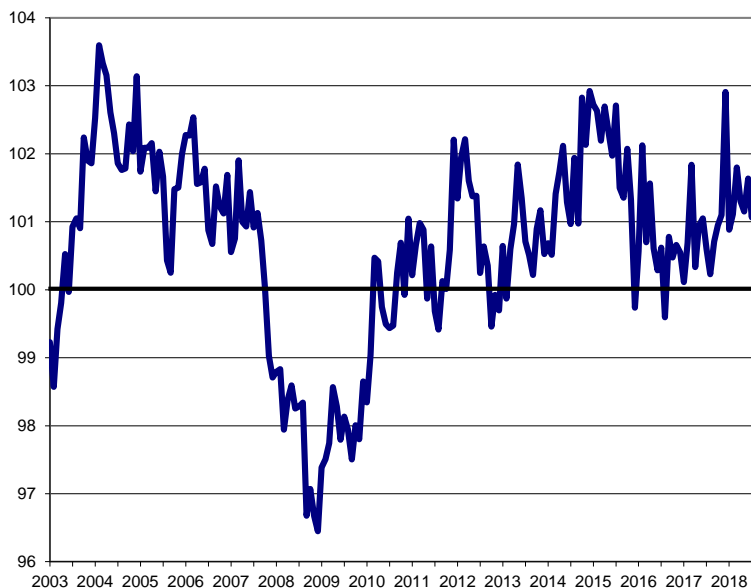
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Fell 1.7 Percent in September to a Level of 100.6; Expectations Index Edged Down 0.1 Percent to 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 100.6 in September – down 1.7 percent from a level of 102.3 in August. Despite the decline, September still represented the eighth consecutive month in which the Current Situation Index stood above the 100 level in expansion territory.

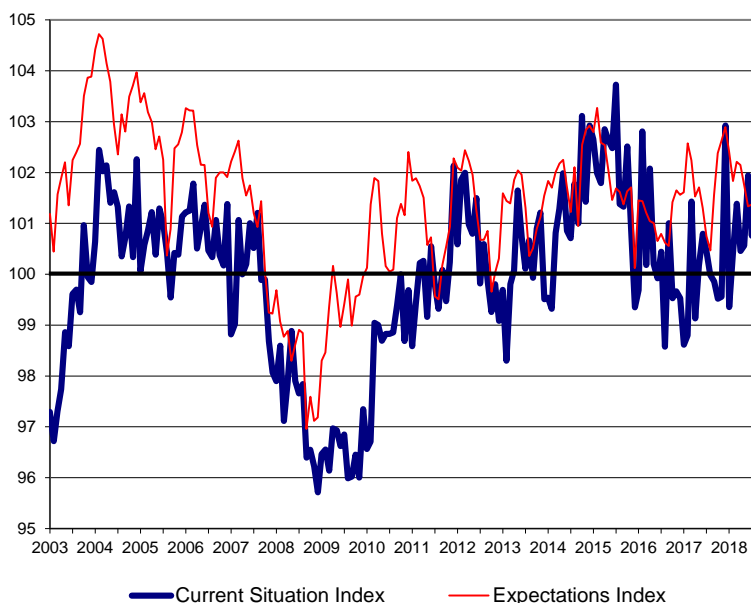
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.6 in September – down slightly from August. The current level of the Expectations Index implies that restaurant operators still anticipate improving 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 Softer Same-Store Sales and Customer Traffic in September

Restaurant operators overall reported dampened same-store sales in September. Forty-six percent of restaurant operators reported a same-store sales increase between September 2017 and September 2018, down from 58 percent who reported higher sales in August. Thirty-seven percent of operators reported a sales decline in September, up from just 21 percent in August. Although same-store sales remained positive overall, September represented the weakest performance since April.

Restaurant operators also reported softer customer traffic results in September. Twenty-eight percent of restaurant operators reported an increase in customer traffic between September 2017 and September 2018, down from 43 percent in August. Forty-two percent of operators reported a decline in customer traffic in September, up from 30 percent who reported similarly in August. September represented the fifth time in the last six months that restaurant operators reported a net decline in customer traffic.

Although sales and traffic levels softened, restaurant operators continued to report steady levels of capital spending. Sixty-six percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which represented the seventh consecutive month in which at least six in 10 operators reported making a capital expenditure.

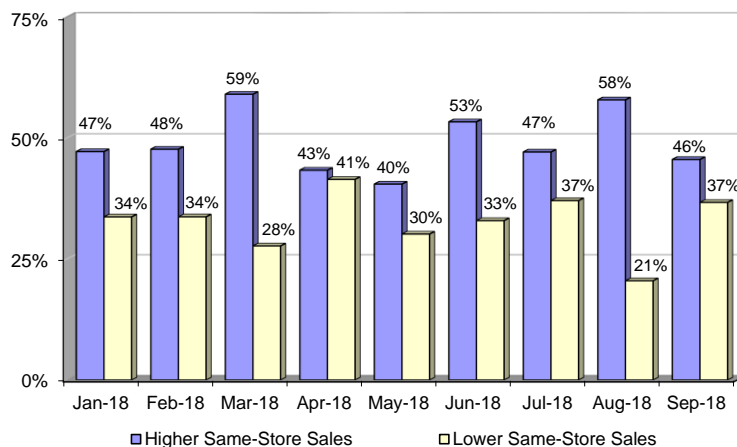
### Restaurant Operators are Somewhat Less Optimistic about Future Business Conditions

Restaurant operators' optimism about business conditions trended somewhat lower in recent months. Thirty-four percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), which is down from nearly one-half of operators who reported similarly back in May. Eleven 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.

Restaurant operators also have mixed opinions about the direction of the overall economy. Twenty-four percent of operators said they expect economic conditions will improve in six months, down slightly from 26 percent who reported similarly last month. Twenty-three percent of restaurant operators think economic conditions will worsen in six months, which represents the highest level in two years.

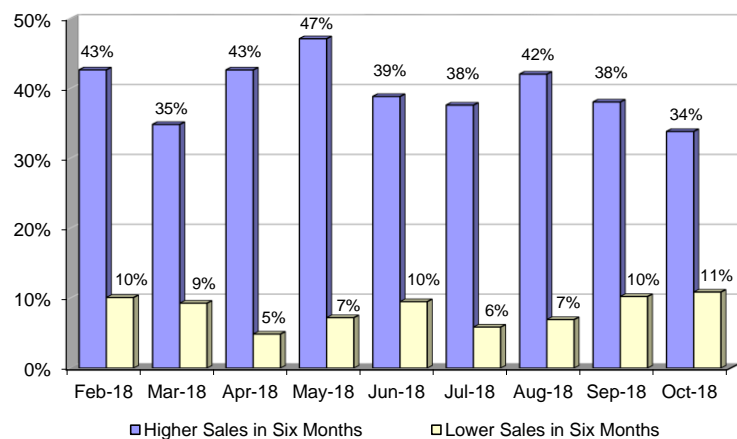
Looking ahead, a majority of restaurant operators are planning for capital expenditures in the months ahead. Sixty-five percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up slightly from 63 percent who reported similarly last month.

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



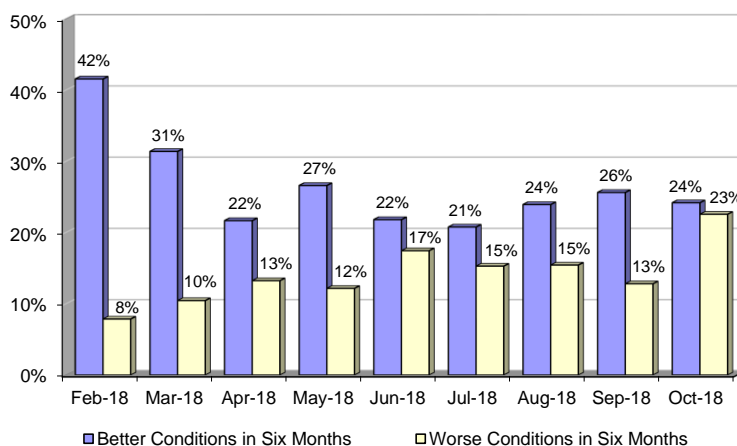
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	May 2018	June 2018	July 2018	August 2018	September 2018	Sep-18 over Aug-18
<b>Restaurant Performance Index</b>	101.2	101.6	101.1	102.0	101.1	-0.9%
<b>Current Situation Index</b>	100.6	101.9	100.8	102.3	100.6	-1.7%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.0	102.0	101.0	103.7	100.9	-2.7%
Customer Traffic	98.3	99.9	99.0	101.3	98.6	-2.7%
Labor	100.3	100.9	99.7	101.1	99.8	-1.3%
Capital Expenditures	102.7	104.9	103.3	103.2	103.1	-0.1%
<b>Expectations Index</b>	101.7	101.3	101.4	101.7	101.6	-0.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.9	103.2	103.5	102.8	102.3	-0.5%
Staffing	100.7	99.9	99.3	100.3	101.0	0.7%
Capital Expenditures	102.9	101.7	101.8	102.6	102.9	0.3%
Business Conditions	100.4	100.5	100.8	101.3	100.2	-1.1%

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).