

August 2019

### Restaurant Performance Index Rose for the First Time in Three Months

Buoyed by a somewhat more optimistic outlook among restaurant operators, the National Restaurant Association’s Restaurant Performance Index (RPI) registered a modest gain in August. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.7 in August, up 0.3 percent from a level of 100.4 in July.

Although the forward-looking indicators improved from last month, they remain tepid by historical standards. Only one in three operators expect their sales to be higher in six months, while just one in five think the economy will improve. Headlined by softer same-store sales readings and a net decline in customer traffic levels, current situation indicators trended lower in August.

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 Declined 0.5 Percent in August to a Level of 100.3; Expectations Index Rose 1.1 Percent to a Level of 101.2

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.3 in August – down 0.5 percent from a level of 100.7 in July. August represented the third consecutive monthly decline in the Current Situation Index, and was largely the result of a net decline in customer traffic levels.

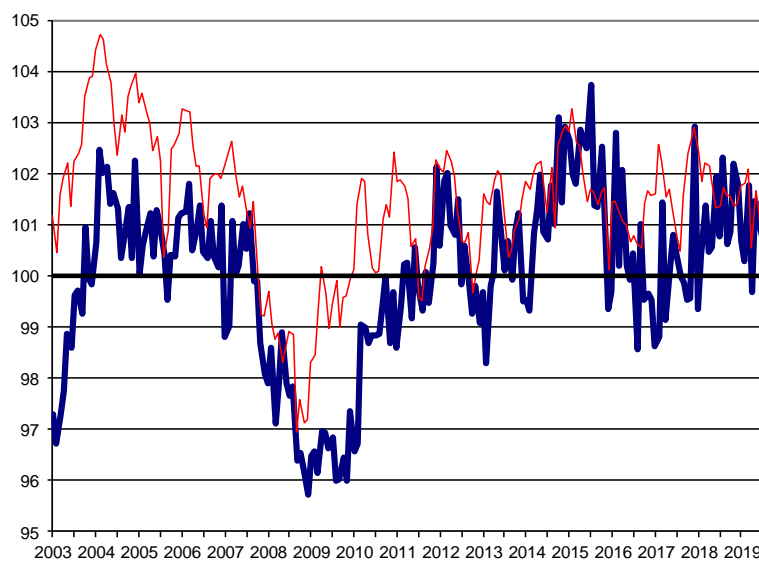
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.2 in August – up 1.1 percent from a level of 100.1 in July. Restaurant operators are somewhat more optimistic about the direction of the economy, and their outlook for capital spending rose to its highest level in five 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 in August**

Although restaurant operators reported a net increase in same-store sales for the 22<sup>nd</sup> consecutive month, August’s readings were somewhat dampened compared to recent months. Forty-eight percent of restaurant operators reported a same-store sales increase between August 2018 and August 2019, down from 52 percent of operators who reported higher sales in July. Thirty-five percent of operators reported a sales decline in August, up slightly from 33 percent who reported lower sales in July.

For the first time in four months, restaurant operators reported a net decline in customer traffic levels. Thirty-three percent of restaurant operators reported an increase in customer traffic between August 2018 and August 2019, down from 44 percent who reported higher traffic in July. Forty-eight percent of operators reported a decline in customer traffic in August, up from 35 percent who reported similarly in July.

In contrast to the softer sales and traffic results, restaurant operators reported an uptick in capital spending. Sixty-two percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which represented the highest level in nine months.

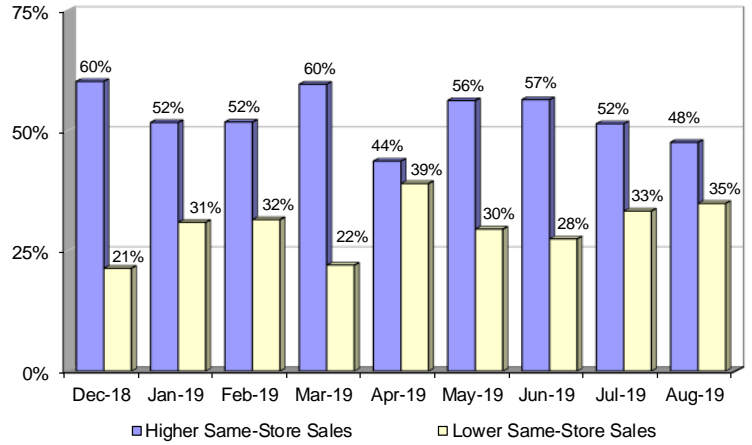
**Restaurant Operators’ Outlook for Sales Growth and the Economy Remains Uncertain**

The proportion of restaurant operators who expect their sales to grow continues to trend lower. Only 32 percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 38 percent last month and the lowest level in two years. Eight 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 60 percent of operators think their sales volume will remain about the same.

Similarly, restaurant operators’ outlook for the overall economy remains uncertain. Twenty-one percent of restaurant operators said they expect economic conditions will improve in six months, while 14 percent think conditions will worsen in six months. Although this was an improvement from last month, it represented the 12<sup>th</sup> consecutive month in which fewer than 25 percent of operators said they expect the economy to improve.

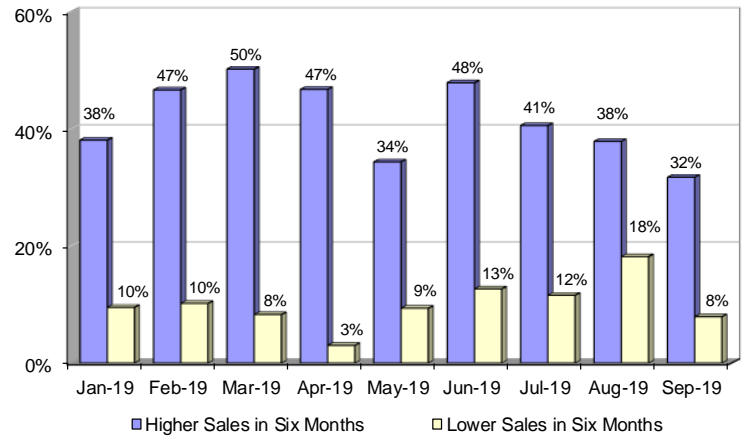
Looking ahead, more restaurant operators are planning for capital expenditures in the coming months. Sixty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 48 percent of operators who reported similarly last month.

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



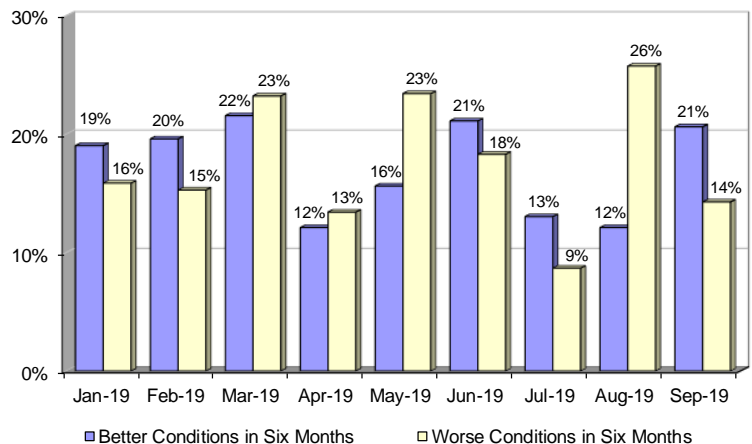
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	April 2019	May 2019	June 2019	July 2019	August 2019	Aug-19 over July-19
<b>Restaurant Performance Index</b>	100.1	101.6	101.2	100.4	100.7	0.3%
<b>Current Situation Index</b>	99.7	101.5	101.1	100.7	100.3	-0.5%
<i>Current Situation Indicators:</i>						
Same-Store Sales	100.5	102.7	102.9	101.8	101.3	-0.5%
Customer Traffic	97.8	101.0	100.1	100.9	98.6	-2.3%
Labor	99.8	100.1	100.2	100.2	98.8	-1.3%
Capital Expenditures	100.6	102.1	101.0	100.0	102.4	2.4%
<b>Expectations Index</b>	100.5	101.7	101.2	100.1	101.2	1.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.5	103.5	102.9	102.0	102.4	0.4%
Staffing	99.5	101.5	100.9	100.2	100.0	-0.2%
Capital Expenditures	100.9	101.3	100.7	99.7	101.9	2.2%
Business Conditions	99.2	100.3	100.4	98.6	100.6	2.0%

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](http://www.restaurant.org/trendmapper) (subscription required).