Restaurant Performance Index Declined in June Amid Dampened Expectations

Due largely to a sharp pullback in expectations for business conditions in the coming months, the National Restaurant Association’s Restaurant Performance Index (RPI) declined in June. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 96.4 in June, which was down 0.3 percent from a level of 96.8 in May.

Despite a modest improvement in the current situation indicators in June, restaurant operators’ outlook for business conditions deteriorated significantly during the July survey fielding period. Only one-third of restaurant operators expect economic conditions to improve during the next six months, which was down from six in 10 operators who reported similarly during the June survey period.

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 0.6 Percent in June to a Level of 94.8; Expectations Index Fell 1.2 Percent to a Level of 98.0

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 94.8 in June – up 0.6 percent from a level of 94.3 in May. Although sales readings continued to gradually improve from the pandemic lows, the vast majority of restaurant operators are still reporting lower same-store sales, customer traffic and staffing 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 98.0 – down 1.2 percent from a level of 99.2 last month. Restaurant operators are significantly less optimistic about the direction of the economy, while a majority do not expect their sales to return to pre-coronavirus levels within the next six months.
Restaurant Operators Reported a Modest Improvement in Same-Store Sales

Although overall same-store sales results improved for the third consecutive month in June, the restaurant industry’s business environment remains far from normal. Twenty percent of restaurant operators reported a same-store sales increase between June 2019 and June 2020, up from 13 percent who reported similarly in May. Seventy-seven percent of operators reported lower same-store sales in June, down from 83 percent in May. The stronger sales results were driven almost entirely by the quickservice and fast casual segments, while nine in 10 fullservice operators continued to report lower same-store sales.

While the sales readings registered a modest improvement in June, customer traffic remained significantly dampened across all segments. Only 6 percent of restaurant operators reported a customer traffic increase between June 2019 and June 2020 – unchanged from May’s reading. Ninety-two percent of operators said their June traffic levels were down from June 2019.

Forty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which remained near a six-year low.

Restaurant Operators Remain Uncertain About Business Conditions

Restaurant operators’ outlook for sales remained generally steady between the June and July survey fielding periods, with a majority not expecting their sales to return to pre-coronavirus levels within the next six months. Only 24 percent of restaurant operators expect their sales volume in six months to be higher than it was during the same period in the previous year. This was down slightly from 27 percent who reported similarly during the previous month. Fifty-six percent of operators expect their sales in six months to be lower than it was during the same period in the previous year.

While their sales outlook didn’t change much between June and July, operators became significantly less optimistic about the direction of the overall economy. Only 33 percent of restaurant operators said they expect economic conditions will improve in six months, down sharply from 61 percent who reported similarly during the June survey period. Thirty-one percent of operators expect economic conditions will worsen in six months – up from 20 percent in June.

A somewhat smaller proportion of restaurant operators plan to make a capital expenditure in the coming months. Thirty-nine percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 43 percent of operators who reported similarly during the previous month.
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).