

March 2020

### **Restaurant Performance Index Fell to a Record Low in March**

Due in large part to plunging sales and customer traffic caused by the coronavirus pandemic, the National Restaurant Association’s Restaurant Performance Index (RPI) fell to its lowest level on record in March. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 95.0 in March, down 6.7 percent from a level of 101.9 in February.

The vast majority of restaurant operators reported sharp declines in same-store sales and customer traffic levels in March, as on-premises dining was restricted across much of the country. Looking ahead, although most restaurant operators do not expect an immediate rebound in sales, they are somewhat more optimistic that overall economic conditions in six months will be better than they are now.

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 Plunged 9.6 Percent in March to a Level of 93.1; Expectations Index Fell 3.8 Percent to a Level of 97.0**

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 93.1 in March – down 9.6 percent from February and the lowest level on record. The previous low was in December 2008 (95.7), during the depths of the financial crisis.

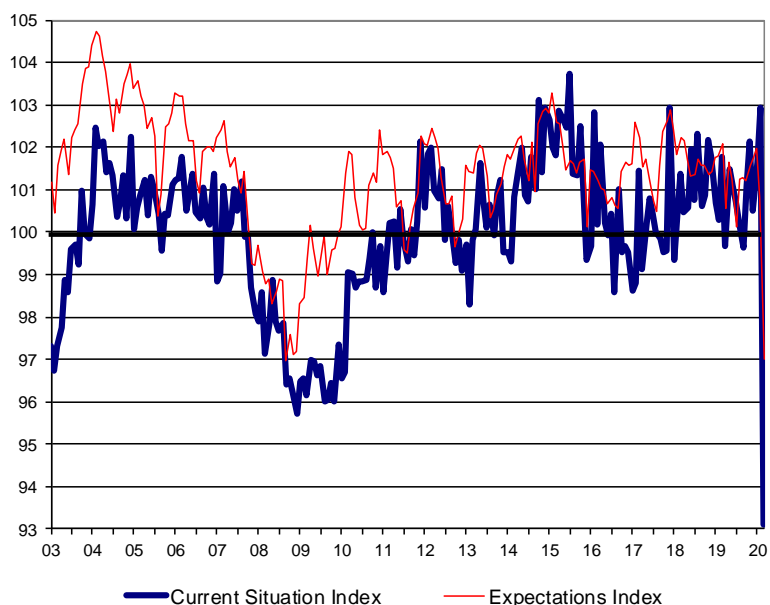
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 97.0 in March – down 3.8 percent from a level of 100.8 in February. The dampened level indicates that restaurant operators do not anticipate a rapid improvement in their business environment during the next few 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 Sharply Lower Same-Store Sales and Customer Traffic in March**

Restaurant operators across all segments reported a dramatic decline in sales in March. Overall, only 2 percent of restaurant operators reported a same-store sales increase between March 2019 and March 2020, while 96 percent reported a sales decline. This represented the weakest sales reading in the 18-year history of the Association’s monthly tracking survey. None of the tableservice respondents reported higher same-store sales in March, while only a small fraction of operators in the quickservice and fast casual segments reported a sales gain.

The vast majority of restaurant operators also reported lower customer traffic in March. Only one percent of restaurant operators reported an increase in customer traffic between March 2019 and March 2020, while 98 percent reported traffic decline. All of the tableservice and fast casual respondents reported lower customer traffic in March, while only a small proportion of quickservice operators said their traffic was up.

Fifty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 61 percent who reported similarly last month. However, it’s important to note that the current reading covers any expenditures made during the first three months of the year.

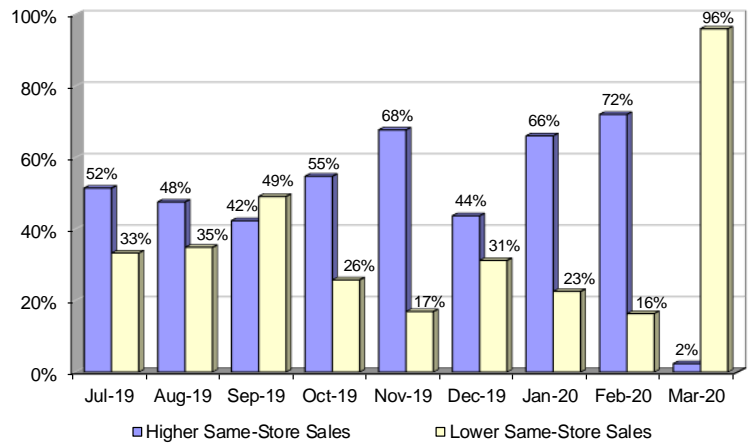
**Restaurant Operators Do Not Anticipate an Immediate Rebound in Sales**

Most restaurant operators do not expect their business to quickly return to normal during the next few months. Only 19 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. In contrast, nearly three in four operators (74 percent) expect to have lower sales in six months (compared to the same period in the previous year). This represented the highest negative reading on record – easily surpassing the 50 percent of operators who reported similarly in October 2008.

Restaurant operators are somewhat more optimistic about the trajectory of the overall economy, though their outlook is a mixed bag. Fifty-four percent of restaurant operators said they expect economic conditions will improve in six months, while 37 percent of operators think conditions will worsen in six months.

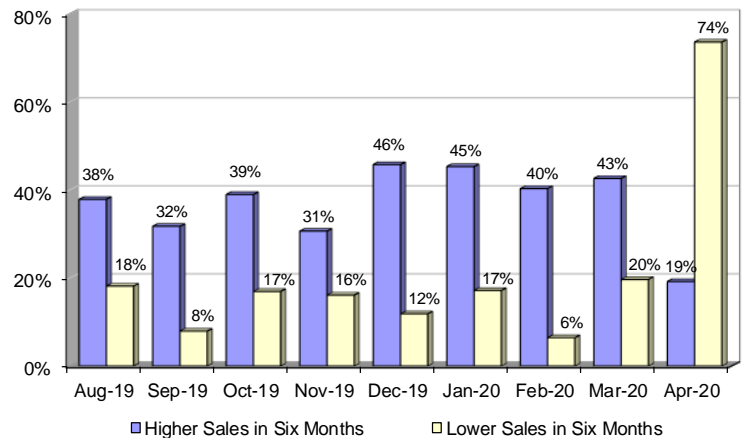
With the challenging business environment expected to continue, restaurant operators reported a significant reduction in plans for capital spending in the months ahead. Only 33 percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 61 percent last month and the lowest level on record.

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



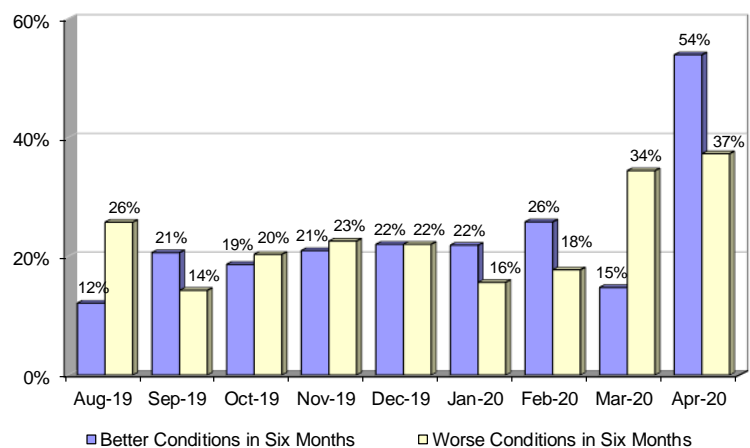
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

|                                      | November<br>2019 | December<br>2019 | January<br>2020 | February<br>2020 | March<br>2020 | Mar-20<br>over<br>Feb-20 |
|--------------------------------------|------------------|------------------|-----------------|------------------|---------------|--------------------------|
| <b>Restaurant Performance Index</b>  | 101.9            | 101.1            | 101.8           | 101.9            | 95.0          | -6.7%                    |
| <b>Current Situation Index</b>       | 102.1            | 100.5            | 101.6           | 103.0            | 93.1          | -9.6%                    |
| <i>Current Situation Indicators:</i> |                  |                  |                 |                  |               |                          |
| Same-Store Sales                     | 105.1            | 101.3            | 104.4           | 105.6            | 90.6          | -14.2%                   |
| Customer Traffic                     | 101.7            | 99.7             | 102.4           | 103.0            | 90.2          | -12.4%                   |
| Labor                                | 101.3            | 99.5             | 99.4            | 101.1            | 91.6          | -9.4%                    |
| Capital Expenditures                 | 100.5            | 101.6            | 100.3           | 102.1            | 99.9          | -2.2%                    |
| <b>Expectations Index</b>            | 101.6            | 101.8            | 102.0           | 100.8            | 97.0          | -3.8%                    |
| <i>Expectations Indicators:</i>      |                  |                  |                 |                  |               |                          |
| Same-Store Sales                     | 103.4            | 102.8            | 103.4           | 102.3            | 94.6          | -7.6%                    |
| Staffing                             | 101.4            | 101.4            | 101.1           | 100.8            | 95.1          | -5.7%                    |
| Capital Expenditures                 | 101.5            | 102.2            | 102.6           | 102.1            | 96.6          | -5.4%                    |
| Business Conditions                  | 100.0            | 100.6            | 100.8           | 98.0             | 101.1         | 3.2%                     |

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).