

November 2018

Restaurant Performance Index Posted a Moderate Increase in November

Driven by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a moderate increase in November. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.8 in November, up 0.5 percent from a level of 101.2 in October.

Growth in the RPI was buoyed by the same-store sales and customer traffic indicators, which both improved for the second consecutive month. Looking forward, restaurant operators are generally optimistic about sales growth in the coming months, while their plans for capital expenditures also ticked higher. However, restaurant operators' outlook for the overall economy slipped to its lowest level in over two years.

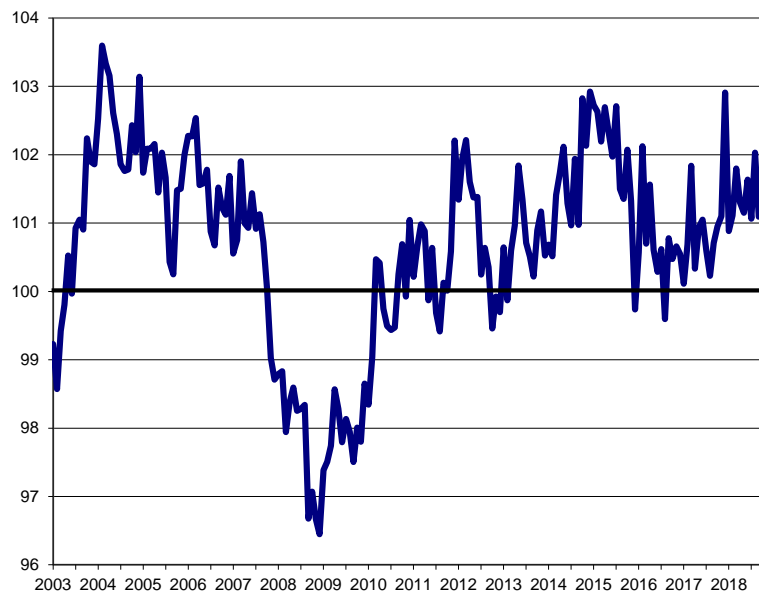
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Increased 1.3 Percent in November to a Level of 102.2; Expectations Index Dipped 0.2 Percent to a Level of 101.4

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 102.2 in November – up 1.3 percent from a level of 102.2 in October. November represented the second consecutive gain in the Current Situation Index, which increased to its highest level since August.

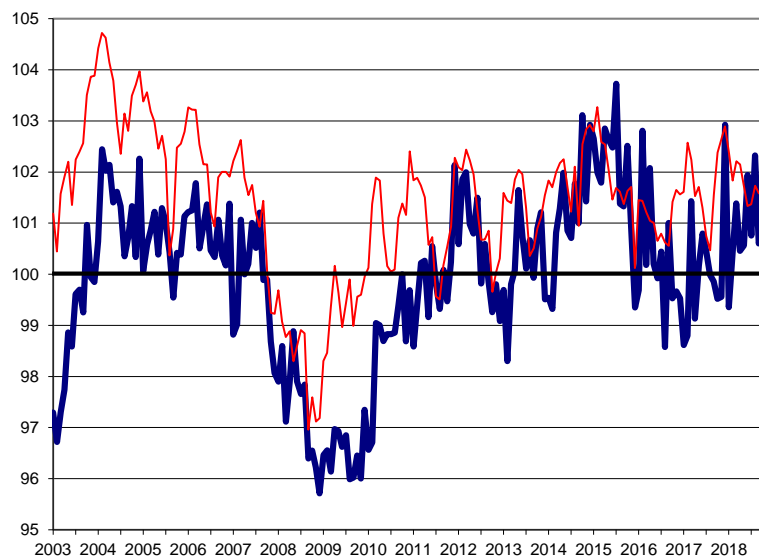
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.4 in November – down slightly from a level of 101.6 in October. The Expectations Index trended sideways in recent months, as restaurant operators remain uncertain 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 November

A majority of restaurant operators reported higher same-store sales for the second consecutive month, with November representing the strongest results in nearly a year. Sixty-one percent of restaurant operators reported a same-store sales increase between November 2017 and November 2018, up from 53 percent who reported higher sales in October. Only 18 percent of operators reported a sales decline in November, down from 26 percent in October. November represented the 13th consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators also reported stronger customer traffic levels in November. Forty-four percent of restaurant operators reported an increase in customer traffic between November 2017 and November 2018, up from 37 percent in October. Twenty-seven percent of operators reported a decline in customer traffic in November, down from 33 percent who reported similarly in October.

Along with positive sales and traffic results, capital spending activity also picked up somewhat. Sixty-two percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 53 percent who reported similarly last month.

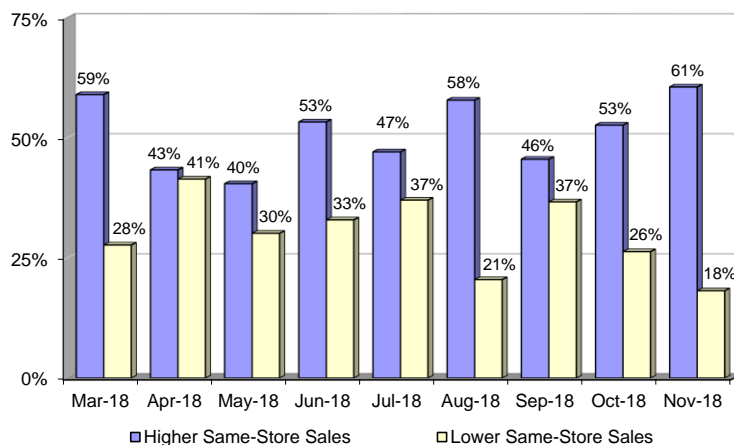
Restaurant Operators Are Less Optimistic About the Direction of the Economy

Restaurant operators are cautiously optimistic about sales growth in the coming months. Thirty-five percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 41 percent of operators who reported similarly last month. Six 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 about six in 10 operators think their sales volume will remain about the same.

In contrast, restaurant operators' outlook for the overall economy deteriorated in recent months. Only 15 percent of operators said they expect economic conditions will improve in six months, while 20 percent of operators think economic conditions will worsen in six months. This represented restaurant operators' most pessimistic economic outlook since October 2016.

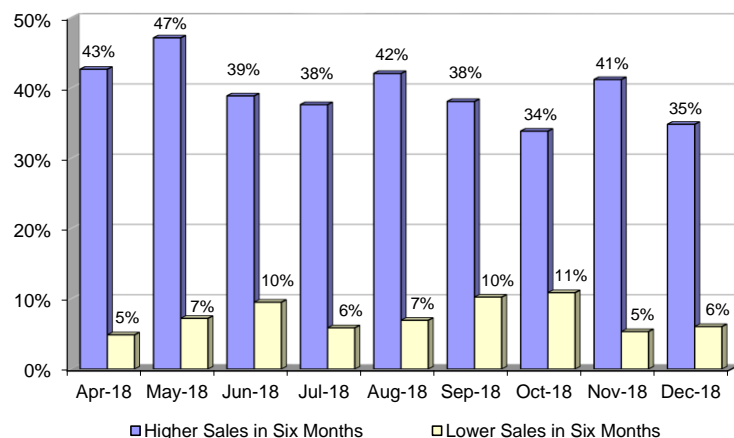
Looking forward, restaurant operators continue to plan for capital spending in the months ahead. Fifty-nine percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 53 percent who reported similarly last month.

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



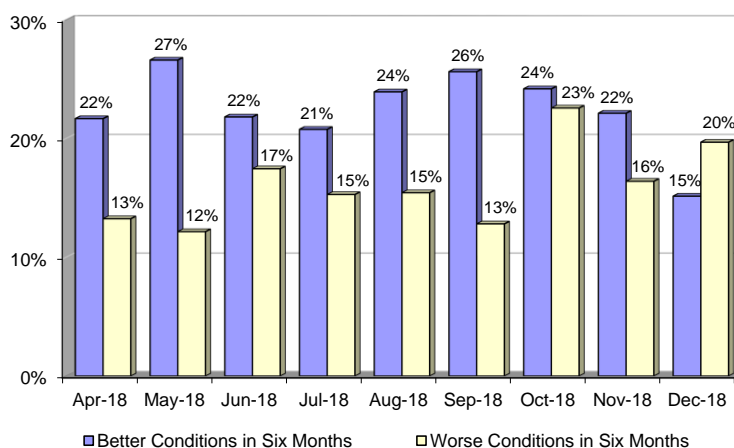
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	July 2018	August 2018	September 2018	October 2018	November 2018	Nov-18 over Oct-18
Restaurant Performance Index	101.1	102.0	101.1	101.2	101.8	0.5%
Current Situation Index	100.8	102.3	100.6	100.9	102.2	1.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.0	103.7	100.9	102.6	104.2	1.6%
Customer Traffic	99.0	101.3	98.6	100.4	101.7	1.3%
Labor	99.7	101.1	99.8	99.8	100.4	0.6%
Capital Expenditures	103.3	103.2	103.1	100.6	102.4	1.8%
Expectations Index	101.4	101.7	101.6	101.6	101.4	-0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.5	102.8	102.3	103.6	102.9	-0.7%
Staffing	99.3	100.3	101.0	101.6	101.2	-0.4%
Capital Expenditures	101.8	102.6	102.9	100.5	101.8	1.3%
Business Conditions	100.8	101.3	100.2	100.6	99.5	-1.0%

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 (subscription required).