

December 2018

Restaurant Performance Index Remained Relatively Steady in December

With restaurant operators continuing to report positive sales and traffic levels, the National Restaurant Association’s Restaurant Performance Index (RPI) was essentially unchanged in December. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.6 in December, down slightly from a level of 101.8 in November.

The RPI continued to be supported by positive readings in the same-store sales and customer traffic indicators, which both came in similar to their November levels. Looking ahead, although restaurant operators are generally optimistic about sales growth in the months ahead, their outlook for the overall economy remains uncertain.

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 0.4 Percent in December to a Level of 101.8; Expectations Index Held Steady at 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 101.8 in December – down 0.4 percent from a level of 102.2 in November. Despite the decline, December represented the 11th consecutive month in which the Current Situation Index was in expansion territory above the 100 level.

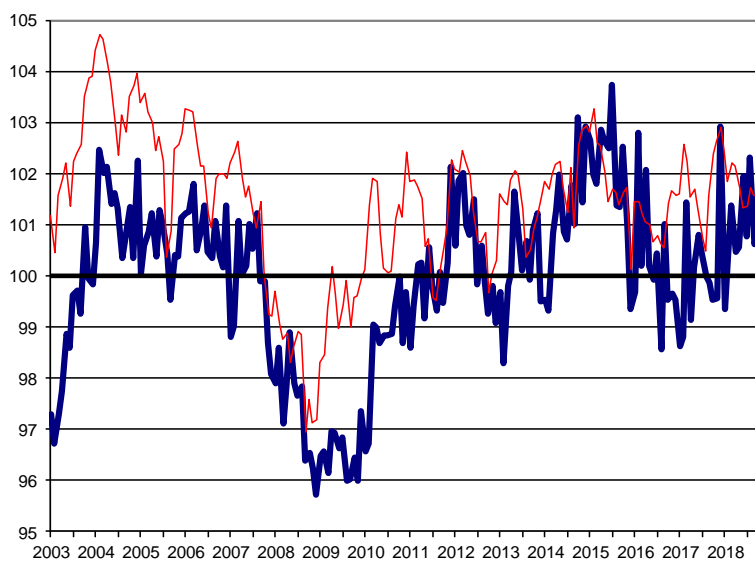
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.4 in December – unchanged from its November level. Although the Expectations Index remains above 100, its recent levels reflect uncertainty among restaurant operators about 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



— Current Situation Index — Expectations Index

Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Restaurant Operators Reported Positive Same-Store Sales and Customer Traffic in December

A majority of restaurant operators reported higher same-store sales for the third consecutive month, with December's results coming in similar to November. Sixty percent of restaurant operators reported a same-store sales increase between December 2017 and December 2018, compared to 61 percent who reported higher sales in November. Twenty-one percent of operators reported a sales decline in December, up slightly from 18 percent in November.

December represented the 14th consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators reported a net increase in customer traffic levels in December, though results were not as strong as their sales readings. Forty percent of restaurant operators reported an increase in customer traffic between December 2017 and December 2018, down slightly from 44 percent in November. Twenty-seven percent of operators reported a decline in customer traffic in December, unchanged from November.

Along with positive sales and traffic levels in recent months, a majority of operators reported capital spending activity. Fifty-five percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 62 percent who reported similarly last month.

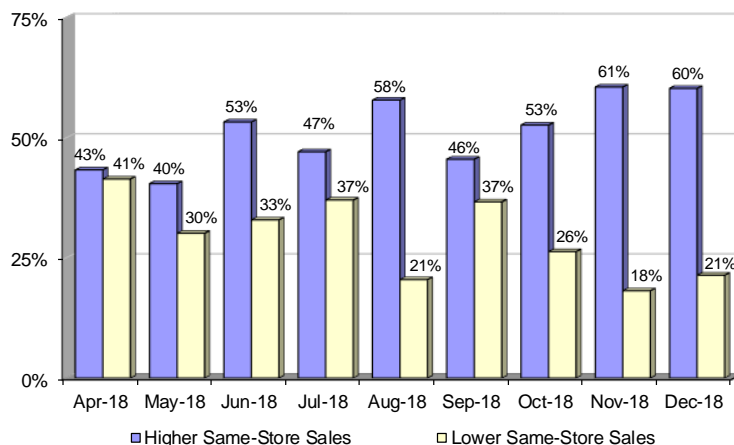
Restaurant Operators Are More Optimistic About Their Business than the Overall Economy

Restaurant operators are cautiously optimistic about sales growth in the months ahead. Thirty-eight percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up slightly from 35 percent of operators who reported similarly last month. Ten 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 just over one-half of operators think their sales volume will remain about the same.

In contrast, restaurant operators' outlook for the overall economy is a mixed bag. Only 19 percent of operators said they expect economic conditions will improve in six months, while 16 percent of operators think economic conditions will worsen in six months. This represented the fourth consecutive month in which fewer than one in four operators had a positive outlook for economic conditions.

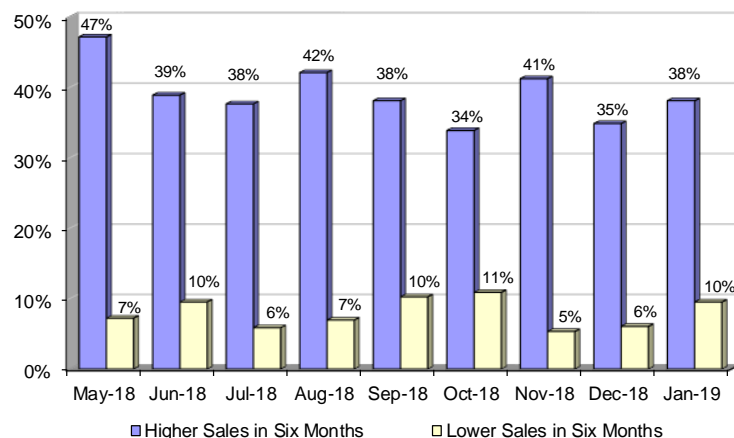
Looking ahead, restaurant operators continue to plan for capital spending in the months ahead. Sixty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up slightly from 59 percent last month.

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



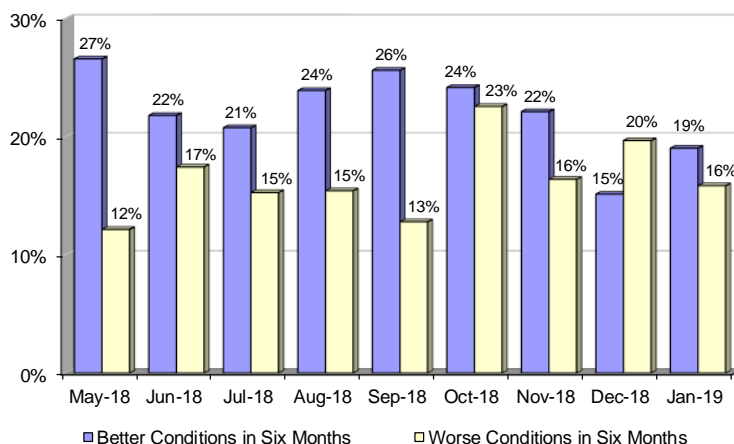
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	August 2018	September 2018	October 2018	November 2018	December 2018	Dec-18 over Nov-18
Restaurant Performance Index	102.0	101.1	101.2	101.8	101.6	-0.2%
Current Situation Index	102.3	100.6	100.9	102.2	101.8	-0.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	103.7	100.9	102.6	104.2	103.9	-0.3%
Customer Traffic	101.3	98.6	100.4	101.7	101.3	-0.3%
Labor	101.1	99.8	99.8	100.4	100.9	0.5%
Capital Expenditures	103.2	103.1	100.6	102.4	101.0	-1.4%
Expectations Index	101.7	101.6	101.6	101.4	101.4	0.0%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.8	102.3	103.6	102.9	102.9	0.0%
Staffing	100.3	101.0	101.6	101.2	100.6	-0.6%
Capital Expenditures	102.6	102.9	100.5	101.8	101.9	0.1%
Business Conditions	101.3	100.2	100.6	99.5	100.3	0.8%

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).