

March 2019

Restaurant Performance Index Posted a Solid Gain in March

Buoyed by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a healthy gain in March. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.9 in March, up 0.9 percent from February's level of 101.0.

Growth in the RPI was driven by the same-store sales and customer traffic indicators, which both registered solid improvements in March. Looking forward, roughly one-half of restaurant operators expect to see stronger sales volumes in six months. However, 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 Increased 1.5 Percent in March to a Level of 101.8; Expectations Index Rose 0.3 Percent to a Level of 102.1

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 March – up 1.5 percent from a level of 100.3 in February. The healthy March increase came on the heels of three consecutive declines in the Current Situation Index.

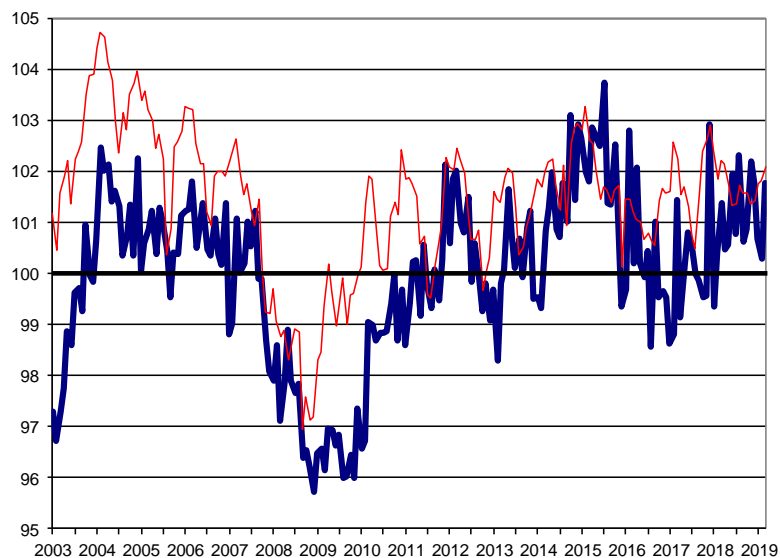
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.1 in March – up 0.3 percent from a level of 101.8 in February. March represented the fourth consecutive increase in the Expectations Index, which propelled the forward-looking component to its highest level in 11 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 Stronger Same-Store Sales and Customer Traffic in March

A majority of restaurant operators reported positive same-store sales for the sixth consecutive month. Sixty percent of restaurant operators reported a same-store sales increase between March 2018 and March 2019, up from 52 percent who reported higher sales in both January and February. Only 22 percent of operators reported a sales decline in March, down from 32 percent in February. March represented the 17th consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators also reported stronger customer traffic levels in March. Forty-eight percent of restaurant operators reported an increase in customer traffic between March 2018 and March 2019, up from 37 percent in February and the highest level in more than a year. Thirty percent of operators reported a decline in customer traffic in March, down from 44 percent in February. March represented the strongest customer traffic reading since December 2017.

Along with positive sales levels in recent months, a majority of operators reported capital spending activity. Fifty-three percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, a level that has remained relatively steady for the past few months.

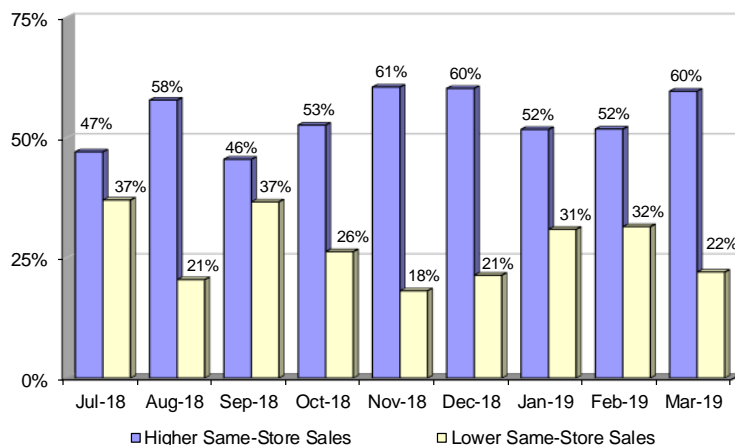
Restaurant Operators Are Generally Optimistic About Sales Growth in the Months Ahead

Restaurant operators remain generally optimistic about sales growth in the months ahead. Forty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down slightly from 50 percent of operators who reported similarly last month. Only 3 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 50 percent of operators think their sales volume will remain about the same.

In contrast, restaurant operators are not as bullish about the direction of the overall economy. Only 12 percent of operators said they expect economic conditions will improve in six months, the lowest reading in nearly three years. Thirteen percent of operators think economic conditions will worsen in six months, while 75 percent expect conditions to remain about the same.

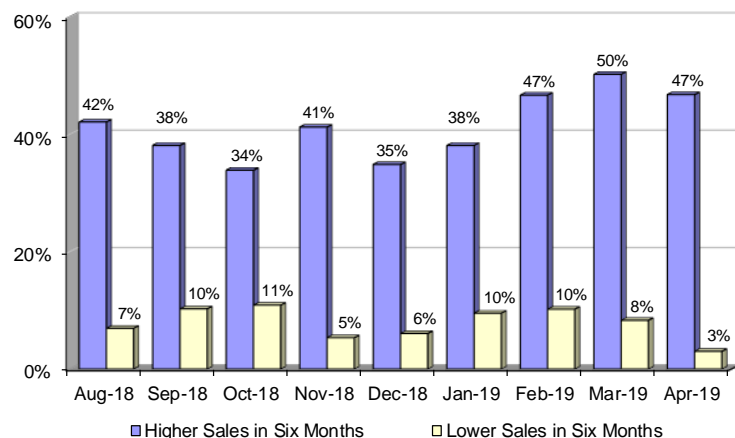
Along with a positive sales outlook, restaurant operators continue to plan for capital spending in the coming months. Sixty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 57 percent who reported similarly last month.

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



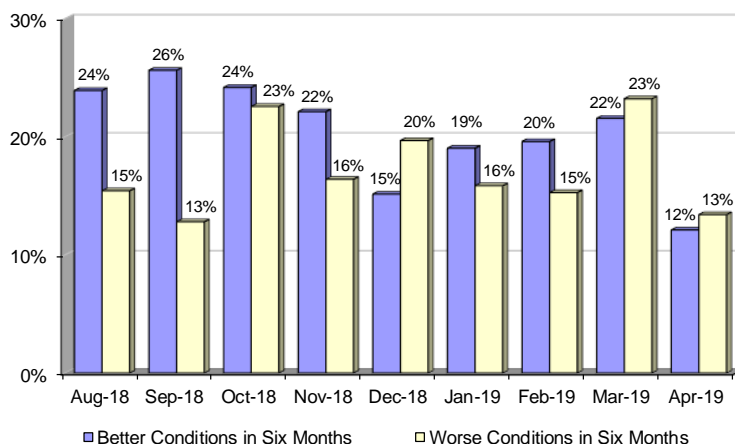
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	November 2018	December 2018	January 2019	February 2019	March 2019	Mar-19 over Feb-19
Restaurant Performance Index	101.8	101.6	101.2	101.0	101.9	0.9%
Current Situation Index	102.2	101.8	100.7	100.3	101.8	1.5%
<i>Current Situation Indicators:</i>						
Same-Store Sales	104.2	103.9	102.1	102.0	103.8	1.7%
Customer Traffic	101.7	101.3	100.0	99.3	101.8	2.5%
Labor	100.4	100.9	99.7	99.1	100.9	1.8%
Capital Expenditures	102.4	101.0	101.1	100.7	100.6	-0.1%
Expectations Index	101.4	101.4	101.7	101.8	102.1	0.3%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.9	102.9	103.6	104.2	104.4	0.2%
Staffing	101.2	100.6	101.5	101.8	101.9	0.1%
Capital Expenditures	101.8	101.9	101.4	101.4	102.2	0.8%
Business Conditions	99.5	100.3	100.4	99.8	99.9	0.1%

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).