

May 2019

Restaurant Performance Index Rebounded in May

Buoyed by stronger same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) bounced back with a solid increase in May. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.6 in May, up 1.5 percent from a level of 100.1 in April.

The healthy May increase was driven by broad-based improvements in both the current situation and expectations components. A majority of restaurant operators reported higher same-store sales in May, while customer traffic levels were also modestly positive. Looking ahead, nearly half of operators expect to see stronger sales in the months ahead, while their outlook for the overall economy turned positive for the first time in four months.

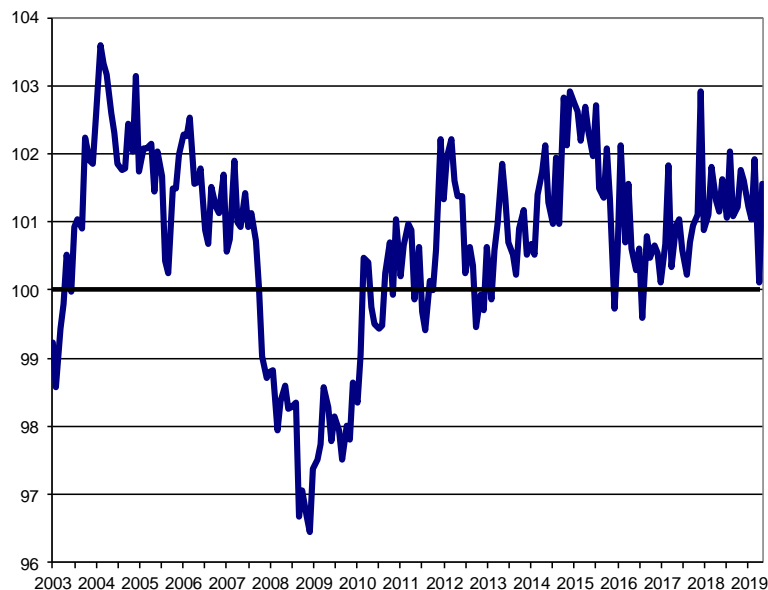
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

Current Situation Index Increased 1.8 Percent in May to a Level of 101.5; Expectations Index Rose 1.1 Percent to a Level of 101.7

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 101.5 in May – up 1.8 percent from a level of 99.7 in April. All four current situation indicators improved in May, led by same-store sales and customer traffic.

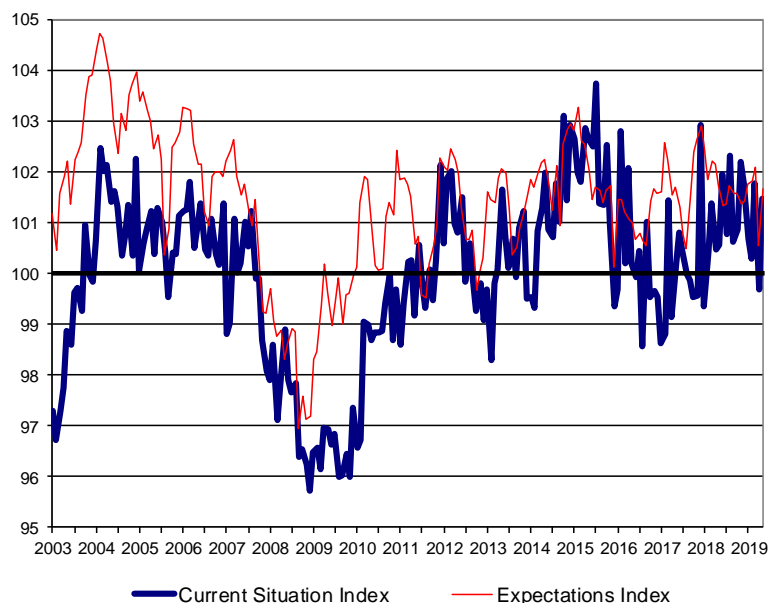
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.7 in May – up 1.1 percent from a level of 100.5 in April. Growth was driven by each of the four indicators, which suggests restaurant operators are more optimistic about business conditions in the months ahead.

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 May

A majority of restaurant operators reported higher same-store sales in May, which followed softer results in April. Fifty-six percent of restaurant operators reported a same-store sales increase between May 2018 and May 2019, up from 44 percent who reported higher sales in April. Thirty percent of operators reported a sales decline in May, down from 39 percent in April. May represented the 19th consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators also reported stronger customer traffic levels in May. Forty-four percent of restaurant operators reported an increase in customer traffic between May 2018 and May 2019, up from just 28 percent who reported higher traffic in April. Thirty-four percent of operators reported a decline in customer traffic in May, down from 50 percent in April.

Along with stronger sales and customer traffic levels, restaurant operators reported an uptick in capital spending. Sixty-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, the highest reading in six months.

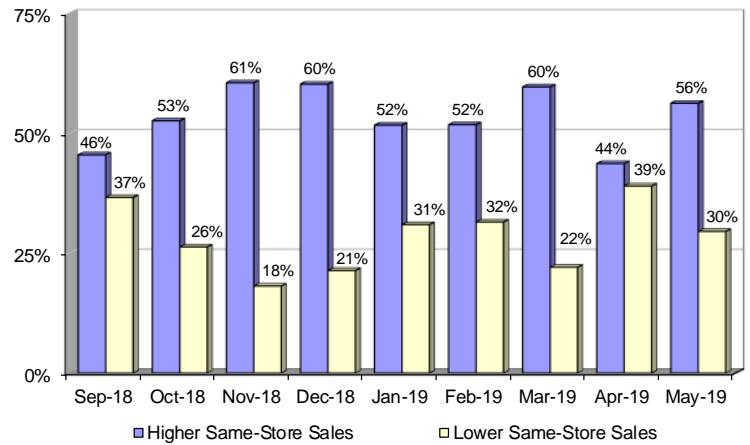
Restaurant Operators are More Optimistic about Sales Growth and the Economy

Restaurant operators are more optimistic about both sales growth and the economy in the months ahead. Forty-eight percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from just 34 percent who reported similarly last month. Thirteen 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 39 percent of operators think their sales volume will remain about the same.

Restaurant operators are also slightly more bullish about the direction of the economy compared to recent months, though their overall outlook remains mixed. Twenty-one percent of restaurant operators said they expect economic conditions will improve in six months, up slightly from 16 percent who reported similarly last month. Eighteen percent of restaurant operators think economic conditions will worsen in six months, while 61 percent expect conditions to remain about the same.

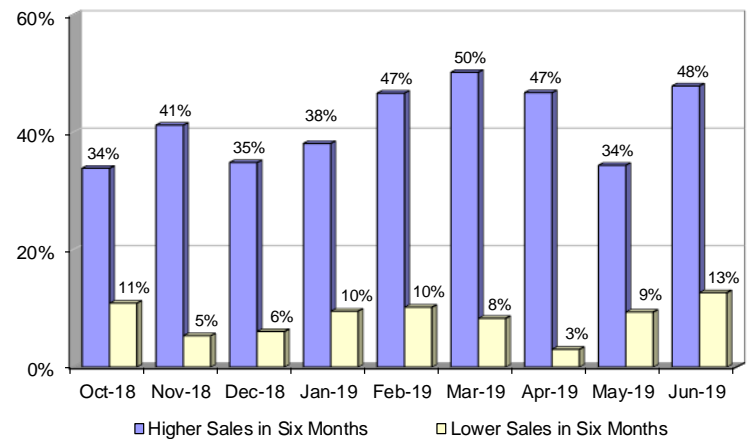
Looking forward, restaurant operators continue to plan for capital spending in the months ahead. Fifty-six percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, compared to 55 percent of operators who reported similarly last month.

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



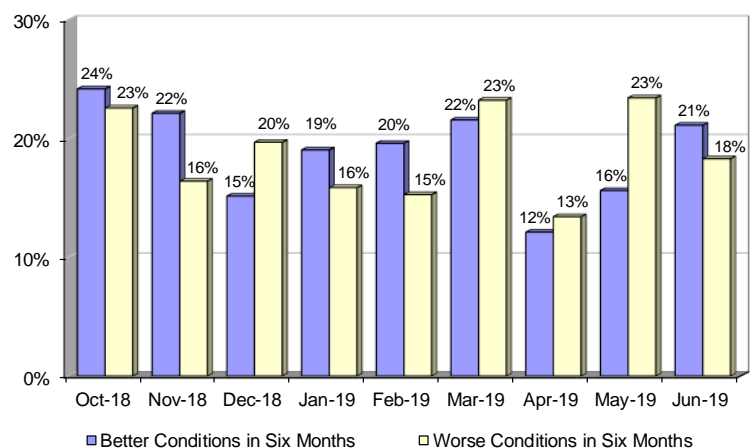
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	January 2019	February 2019	March 2019	April 2019	May 2019	May-19 over Apr-19
Restaurant Performance Index	101.2	101.0	101.9	100.1	101.6	1.5%
Current Situation Index	100.7	100.3	101.8	99.7	101.5	1.8%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.1	102.0	103.8	100.5	102.7	2.2%
Customer Traffic	100.0	99.3	101.8	97.8	101.0	3.2%
Labor	99.7	99.1	100.9	99.8	100.1	0.4%
Capital Expenditures	101.1	100.7	100.6	100.6	102.1	1.5%
Expectations Index	101.7	101.8	102.1	100.5	101.7	1.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.6	104.2	104.4	102.5	103.5	1.0%
Staffing	101.5	101.8	101.9	99.5	101.5	2.0%
Capital Expenditures	101.4	101.4	102.2	100.9	101.3	0.3%
Business Conditions	100.4	99.8	99.9	99.2	100.3	1.1%

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).