

August 2023

Restaurant Performance Index Declined 0.8% in August

The National Restaurant Association’s Restaurant Performance Index (RPI) registered a moderate decline in August, due in large part to dampened readings in the current situation indicators. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 100.5 in August, down 0.8% from a level of 101.4 in July.

Restaurant operators reported softer same-store sales and customer traffic readings in August, which led to the sharp decline in the Current Situation Index. Looking forward, restaurant operators remain generally optimistic about sales gains in the months ahead.

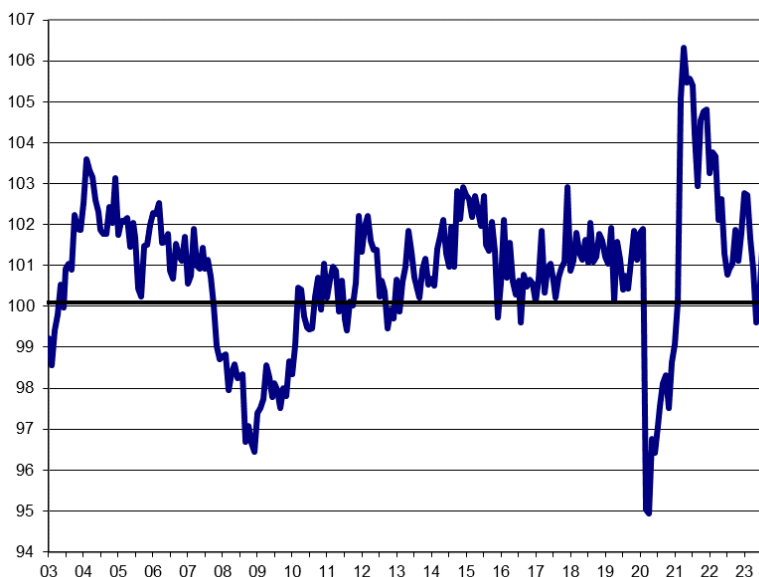
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Fell 1.6% a Level of 99.5 in August; Expectations Index Edged Down 0.1% to a Level of 101.5

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.5 in August – down 1.6% from a level of 101.2 in July. August represented the third time in the last four months that the Current Situation Index posted readings below 100, which signifies contraction.

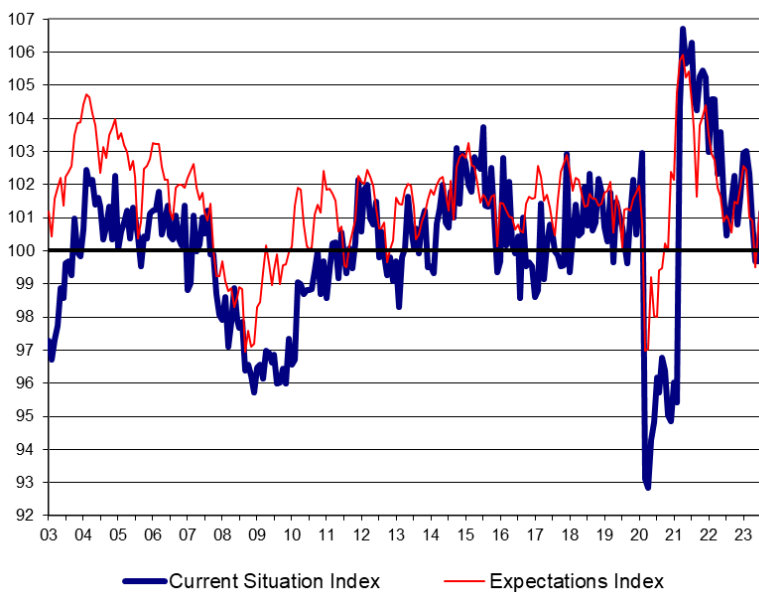
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.5 – down slightly from a reading of 101.6 last month. Although restaurant operators remain cautiously optimistic about sales growth in the coming months, they are less bullish about the economy.

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 Mixed Sales and Traffic Results in August

Restaurant operators reported softer same-store sales and customer traffic readings in August. Forty-five percent of operators said their same-store sales rose between August 2022 and August 2023. That was down from 59% of operators who reported higher sales in July. Forty-seven percent of operators said their sales were lower in August, up from 35% last month and the highest negative reading since July 2022.

In addition to the dampened sales results, restaurant operators reported a net decline in customer traffic for the fifth consecutive month. Twenty-nine percent of operators said their customer traffic rose between August 2022 and August 2023, while 53% reported a traffic decline.

Although sales and traffic softened in August, restaurant operators continued to report steady levels of capital spending. Sixty-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was essentially unchanged from 60% of operators who reported similarly last month.

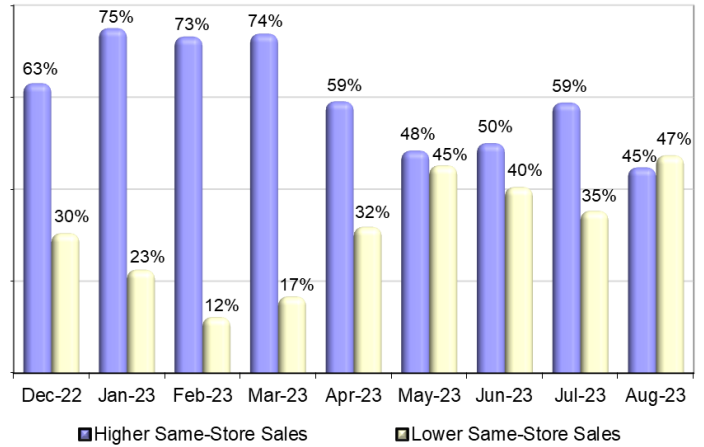
Restaurant Operators Remain Cautiously Optimistic about Sales Growth

Restaurant operators are generally optimistic about positive sales in the coming months. Forty-nine percent of operators expect their sales volume in six months to be higher than it was during the same period in the previous year. That was down slightly from 52% who reported similarly last month. Thirty percent of operators think their sales in six months will be lower than it was during the same period in the previous year – up from 15% who reported similarly last month.

In contrast to the positive sales outlook, restaurant operators are much less optimistic about the direction of the overall economy. Twenty-six percent of operators said they expect economic conditions to improve in six months, while 32% think conditions will worsen during the next six months. Four in 10 restaurant operators expect economic conditions to remain about the same as they are now. That represented the 19th consecutive month in which operators had a net negative outlook for the economy.

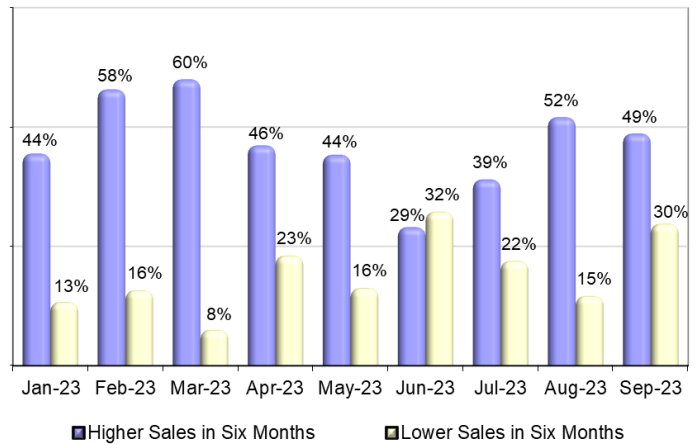
Restaurant operators continue to plan for capital spending in the months ahead. Sixty-four percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was down slightly from 65% who reported similarly last month.

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



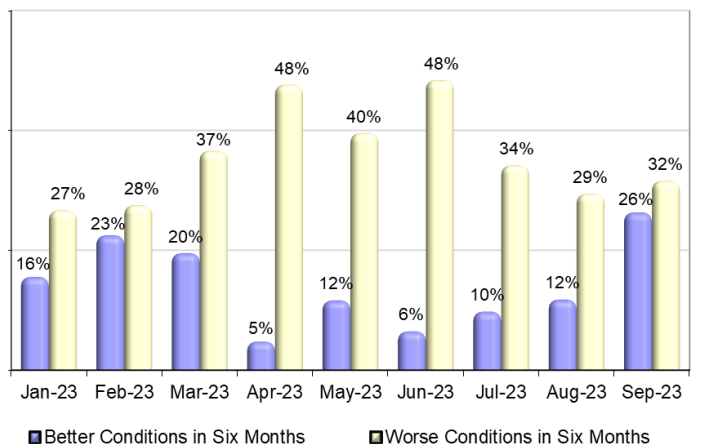
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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 Performance Index and Its Components

	April 2023	May 2023	June 2023	July 2023	August 2023	Aug-23 over July-23
Restaurant Performance Index	100.9	99.6	100.2	101.4	100.5	-0.8%
Current Situation Index	100.8	99.7	99.7	101.2	99.5	-1.6%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.7	100.3	101.0	102.4	99.7	-2.6%
Customer Traffic	96.6	96.5	97.1	99.4	97.6	-1.8%
Labor	100.1	100.3	99.9	100.9	98.7	-2.2%
Capital Expenditures	104.0	101.6	100.7	102.0	102.1	0.2%
Expectations Index	100.9	99.5	100.7	101.6	101.5	-0.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.8	99.7	101.7	103.7	101.9	-1.8%
Staffing	102.1	100.3	99.8	101.6	101.9	0.3%
Capital Expenditures	101.6	102.3	103.7	103.0	102.9	-0.2%
Business Conditions	97.2	95.8	97.6	98.2	99.5	1.3%

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).