



December 2023

## **Restaurant Performance Index Declined 0.3% in December**

The National Restaurant Association’s Restaurant Performance Index (RPI) posted a modest decline in December, due in large part to restaurant operators’ dampened outlook for business conditions in the months ahead. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 99.8 in December, down 0.3% from a level of 100.1 in November.

Although restaurant operators continued to report a net increase in same-store sales in December, customer traffic readings trended lower. Looking ahead, restaurant operators’ outlook for both sales growth and the economy remained uncertain.

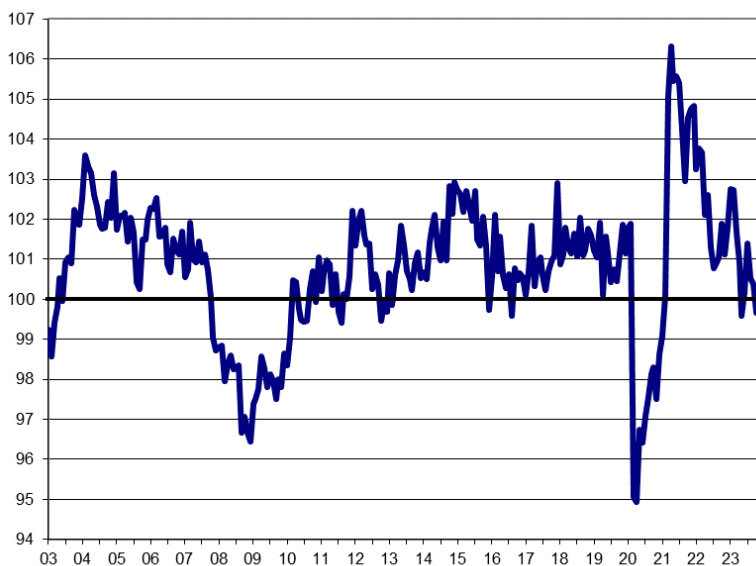
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

## **Current Situation Index Rose 0.3% to a Level of 99.8 in December; Expectations Index Declined 0.9% to a Level of 99.8**

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.8 in December – up 0.3% from a level of 99.5 in November. December represented the second consecutive increase in the Current Situation Index, but it remained below the 100 level in contraction territory.

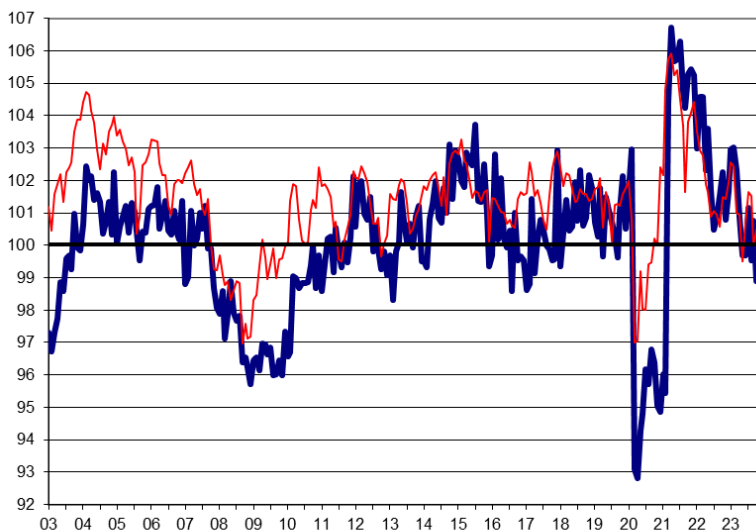
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.8 – down 0.9% from a level of 100.7 last month. This represented the forward-looking component’s first reading below 100 in seven months, and was primarily due to a dampened outlook for sales growth in the coming months.

## **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 Softer Same-Store Sales in December

A majority of restaurant operators reported higher same-store sales in December, though results were somewhat softer than November's readings. Fifty-one percent of operators said their same-store sales rose between December 2022 and December 2023. That was down from 58% of operators who reported higher sales in November. Forty percent of operators said their sales were lower in December, up from 32% who reported a sales decline in November.

In contrast to the positive sales results, restaurant operators reported a net decline in traffic for the ninth consecutive month. Thirty-four percent of restaurant operators said their customer traffic rose between December 2022 and December 2023, while 51% reported a traffic decline.

Restaurant operators reported an uptick in capital spending activity in December. Fifty-six percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was up from 40% of operators who reported similarly last month.

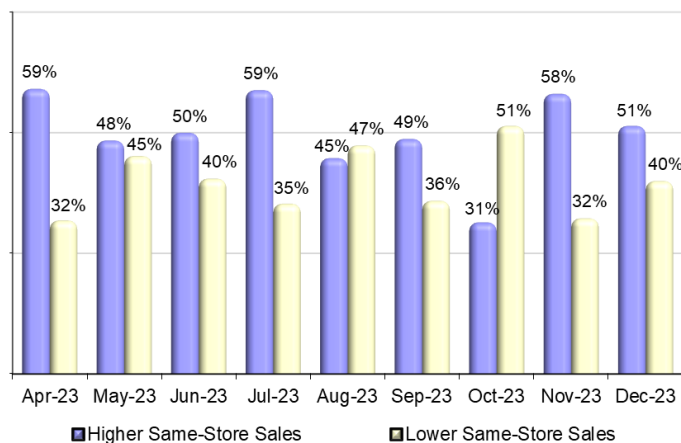
### Restaurant Operators Are Uncertain about Sales Growth and the Economy

Restaurant operators' outlook for sales growth deteriorated somewhat from last month. Thirty 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 from 45% who reported similarly last month. Twenty-nine percent of operators think their sales in six months will be lower than it was during the same period in the previous year. That compared to just 16% last month.

Restaurant operators are also uncertain about the direction of the overall economy. Only 8% of restaurant operators said they expect economic conditions to improve in six months, while 26% think conditions will worsen during the next six months. Sixty-six percent of restaurant operators expect economic conditions to remain about the same as they are now. That represented the 23<sup>rd</sup> consecutive month in which operators had a net negative outlook for the economy.

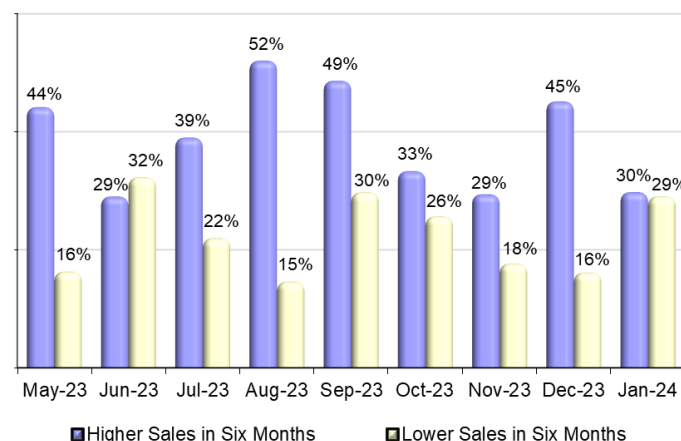
Restaurant operators' outlook for capital spending softened somewhat in recent months. Fifty percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was down from 62% who reported similarly in the October survey.

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



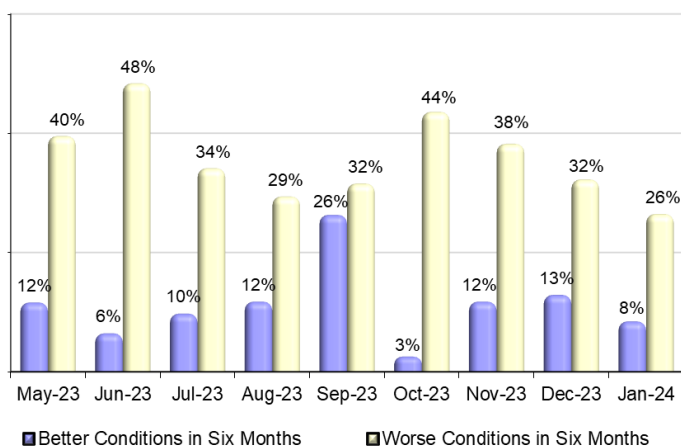
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	August 2023	September 2023	October 2023	November 2023	December 2023	Dec-23 over Nov-23
<b>Restaurant Performance Index</b>	100.5	100.4	99.7	100.1	99.8	-0.3%
<b>Current Situation Index</b>	99.5	100.8	98.9	99.5	99.8	0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	99.7	101.3	98.0	102.6	101.1	-1.4%
Customer Traffic	97.6	99.0	96.0	97.7	98.3	0.6%
Labor	98.7	100.0	100.3	99.7	98.5	-1.2%
Capital Expenditures	102.1	102.8	101.2	98.0	101.2	3.2%
<b>Expectations Index</b>	101.5	100.0	100.4	100.7	99.8	-0.9%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.9	100.8	101.2	102.9	100.1	-2.7%
Staffing	101.9	102.1	100.9	101.6	100.9	-0.7%
Capital Expenditures	102.9	101.3	102.4	100.3	100.0	-0.3%
Business Conditions	99.5	95.9	97.4	98.1	98.2	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](http://www.restaurant.org/trendmapper) (subscription required).