

July 2023

Restaurant Performance Index Increased 1.2% in July

The National Restaurant Association’s Restaurant Performance Index (RPI) registered a healthy gain in July, driven by broad-based improvements in both the current situation and forward-looking indicators. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 101.4 in July, up 1.2% from a reading of 100.2 in June.

July was the second consecutive monthly increase and represented the highest RPI reading since March. The index was bolstered by stronger same-store sales and an increasingly optimistic outlook for sales growth in the months ahead.

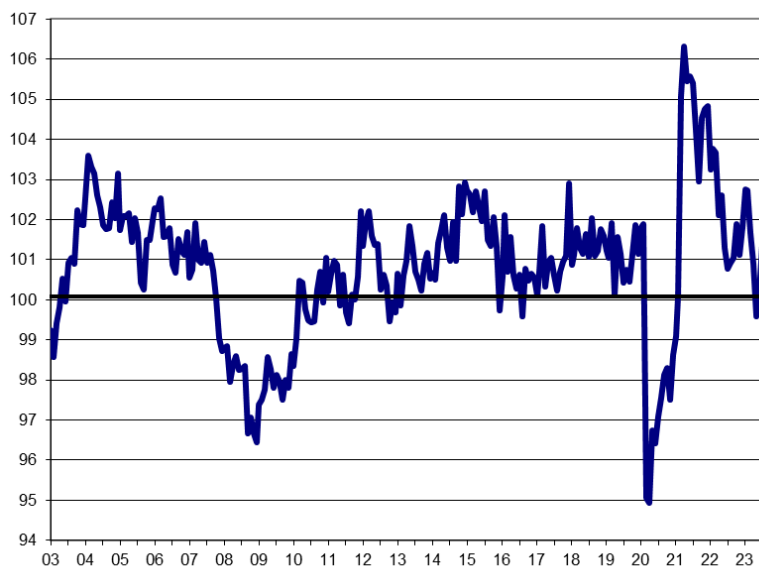
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Increased 1.5% a Level of 101.2 in July; Expectations Index Rose 1.0% to a Level of 101.6

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 101.2 in July – up 1.5% from a level of 99.7 in June. July’s healthy improvement followed two consecutive months of Current Situation Index readings below 100, which signifies contraction.

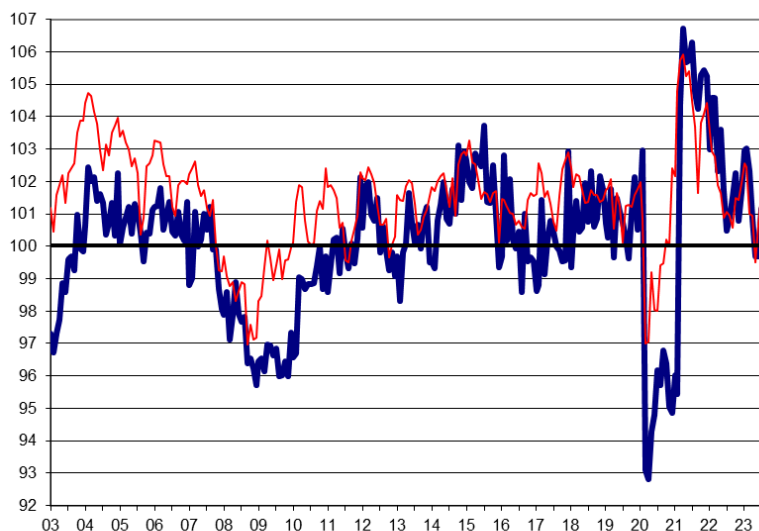
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.6 – the strongest reading in five months. While a majority of restaurant operators expect to have higher sales in six months, only one in 10 think overall economic conditions will improve during the same period.

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 July

For the first time in three months, a majority of restaurant operators reported positive same-store sales. Fifty-nine percent of operators said their same-store sales rose between July 2022 and July 2023. That was up from roughly half of operators who reported higher sales in May and June. Thirty-five percent of operators said their sales were lower in July, down from 40% who reported a sales decline in June.

In contrast to the positive sales results, customer traffic readings remained dampened. Thirty-five percent of operators said their customer traffic rose between July 2022 and July 2023, while 41% reported a traffic decline. That represented the fourth consecutive month in which restaurant operators reported a net decline in customer traffic.

Along with positive sales results in July, restaurant operators reported an increase in capital spending activity. Sixty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was up from 54% last month and represented the highest reading in three months.

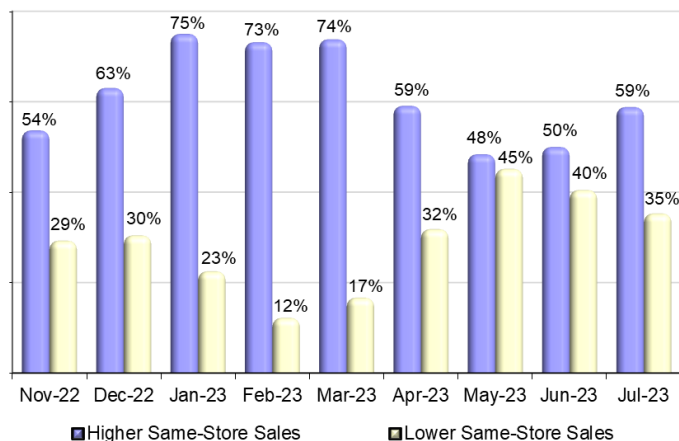
Restaurant Operators Are More Optimistic about Sales Growth

Restaurant operators are increasingly optimistic about sales growth in the coming months. Fifty-two 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 up from 39% who reported similarly last month. Only 15% of operators think their sales in six months will be lower than it was during the same period in the previous year – down from 22% last month.

In contrast to the positive sales outlook, restaurant operators are less bullish about the direction of the overall economy. Only 12% of operators said they expect economic conditions to improve in six months, while 29% think conditions will worsen during the next six months. Six in 10 restaurant operators expect economic conditions to remain about the same as they are now. That represented the 18th consecutive month in which operators had a net negative outlook for the economy.

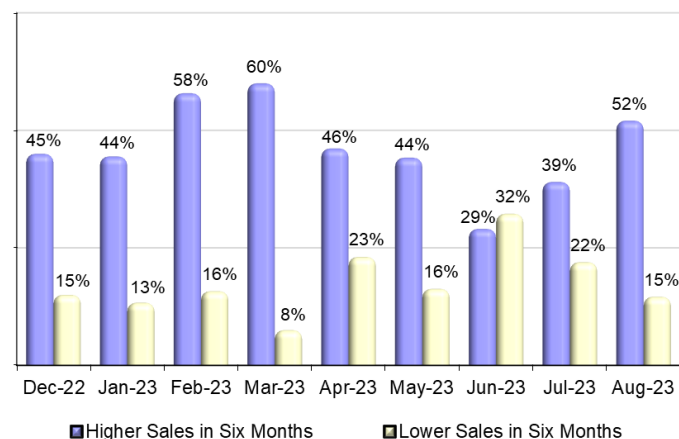
Sixty-five percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was down slightly from 68% who reported similarly last month.

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



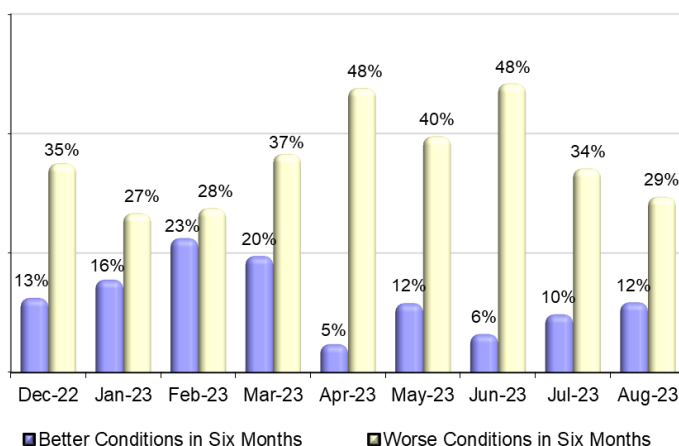
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	March 2023	April 2023	May 2023	June 2023	July 2023	July-23 over June-23
Restaurant Performance Index	101.7	100.9	99.6	100.2	101.4	1.2%
Current Situation Index	102.3	100.8	99.7	99.7	101.2	1.5%
<i>Current Situation Indicators:</i>						
Same-Store Sales	105.7	102.7	100.3	101.0	102.4	1.4%
Customer Traffic	100.2	96.6	96.5	97.1	99.4	2.3%
Labor	100.5	100.1	100.3	99.9	100.9	1.0%
Capital Expenditures	102.9	104.0	101.6	100.7	102.0	1.2%
Expectations Index	101.0	100.9	99.5	100.7	101.6	1.0%
<i>Expectations Indicators:</i>						
Same-Store Sales	102.3	102.8	99.7	101.7	103.7	2.0%
Staffing	102.1	102.1	100.3	99.8	101.6	1.8%
Capital Expenditures	103.8	101.6	102.3	103.7	103.0	-0.6%
Business Conditions	95.7	97.2	95.8	97.6	98.2	0.7%

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).