

July 2022

Restaurant Performance Index Declined 0.5% in July

The National Restaurant Association’s Restaurant Performance Index (RPI) posted a moderate decline in July, as restaurant operators reported softer same-store sales and customer traffic levels. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 100.8 in July, down 0.5% from a level of 101.3 in June.

Restaurant operators reported a net decline in customer traffic for the second consecutive month in July, while their reporting of same-store sales was a mixed bag. Looking forward, restaurant operators remain uncertain about the business environment, with a majority expecting economic conditions to worsen during the next six months.

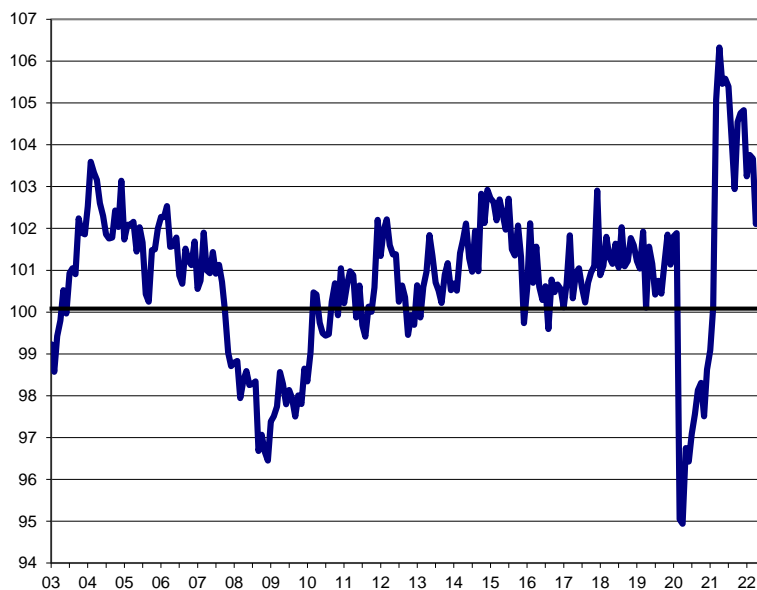
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Fell 1.2% to a Level of 100.5 in July; Expectations Index Rose 0.2% to a Level of 101.1

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.5 in July – down 1.2% from June and the second consecutive monthly decline. July’s decline was due in large part to dampened same-store sales and customer traffic readings compared to year-ago levels.

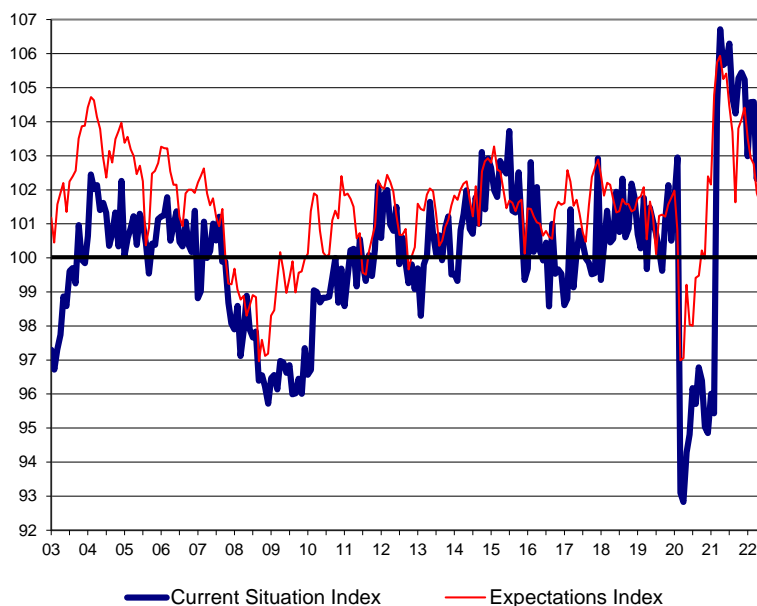
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.1 – up 0.2% from the previous month and the first increase in seven months. Restaurant operators’ outlook for both sales growth and the economy deteriorated in recent 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 and Customer Traffic in July

For the first time in 17 months, a majority of restaurant operators did not report higher same-store sales compared to year-ago levels. Forty-five percent of operators said their same-store sales rose between July 2021 and July 2022, down from 64% who reported similarly in June. Forty-seven percent of operators said their sales were lower in July, up from 22% who reported a sales decline in June.

Restaurant operators reporting of customer traffic was even more dampened than sales, with July representing the second consecutive negative month. Only 26% of restaurant operators said their customer traffic rose between July 2021 and July 2022, down from 31% who reported similarly in June. Fifty-eight percent of operators said their customer traffic declined in July, up from 50% who reported lower traffic in June.

Despite the softer sales and traffic, capital spending remained relatively strong in recent months. Sixty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That represented the seventh consecutive month with readings of at least 60%.

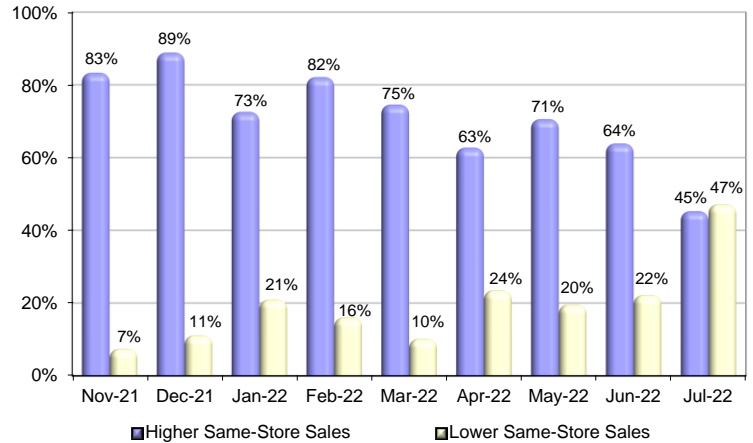
Restaurant Operators are More Pessimistic about Sales Growth and the Economy

Restaurant operators are becoming more pessimistic about business conditions in the coming months. Only 35% 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 48% last month and the lowest level in nearly two years. Twenty-seven percent of operators expect their sales in six months to be lower than it was during the same period in the previous year.

Restaurant operators are even less bullish about the direction of the overall economy. Only 25% of operators said they expect economic conditions to improve in six months, while 54% think economic conditions will worsen during the next six months. That represented the sixth consecutive month in which operators had a net negative outlook for the economy.

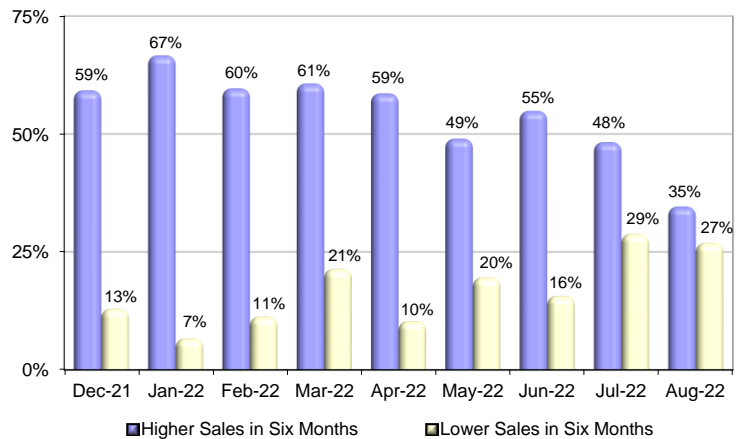
While the outlook for business conditions remains uncertain, a majority of operators are still planning for capital expenditures. Sixty-seven percent of operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was up from 62% last month and represented the 18th consecutive month with a reading of at least 55%.

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



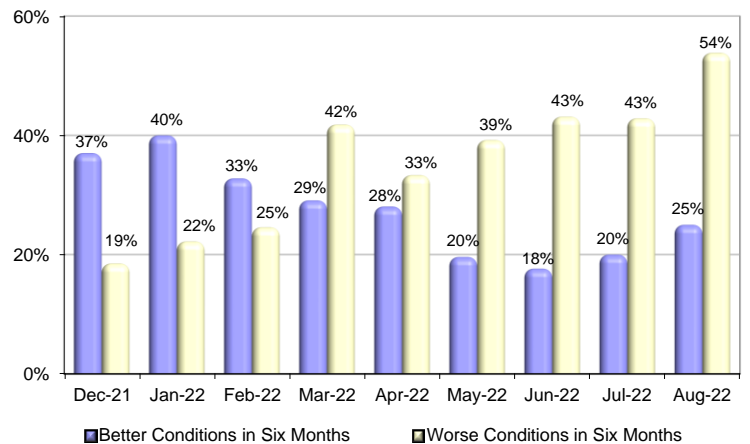
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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 2022	April 2022	May 2022	June 2022	July 2022	July-22 over June-22
Restaurant Performance Index	103.7	102.1	102.6	101.3	100.8	-0.5%
Current Situation Index	104.6	102.3	103.6	101.7	100.5	-1.2%
<i>Current Situation Indicators:</i>						
Same-Store Sales	106.4	103.9	105.1	104.2	99.8	-4.2%
Customer Traffic	105.3	102.2	102.4	98.1	96.8	-1.3%
Labor	103.7	101.2	102.8	100.7	102.0	1.2%
Capital Expenditures	103.0	102.0	104.1	103.9	103.3	-0.5%
Expectations Index	102.8	101.9	101.6	100.9	101.1	0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	104.8	102.9	103.9	101.9	100.8	-1.2%
Staffing	104.1	102.6	103.4	101.5	103.1	1.5%
Capital Expenditures	102.6	104.0	101.8	102.4	103.3	1.0%
Business Conditions	99.5	98.0	97.5	97.7	97.1	-0.6%

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).