

June 2023

Restaurant Performance Index Increased 0.6% in June

The National Restaurant Association’s Restaurant Performance Index (RPI) posted a moderate gain in June, as restaurant operators grew somewhat more optimistic about business conditions in the months ahead. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 100.2 in June, up 0.6% from a level of 99.6 in May.

While the overall RPI nudged back above 100 after a one-month dip into contraction territory, the Current Situation Index remained dampened in June. That was due primarily to a third consecutive month of negative customer traffic readings.

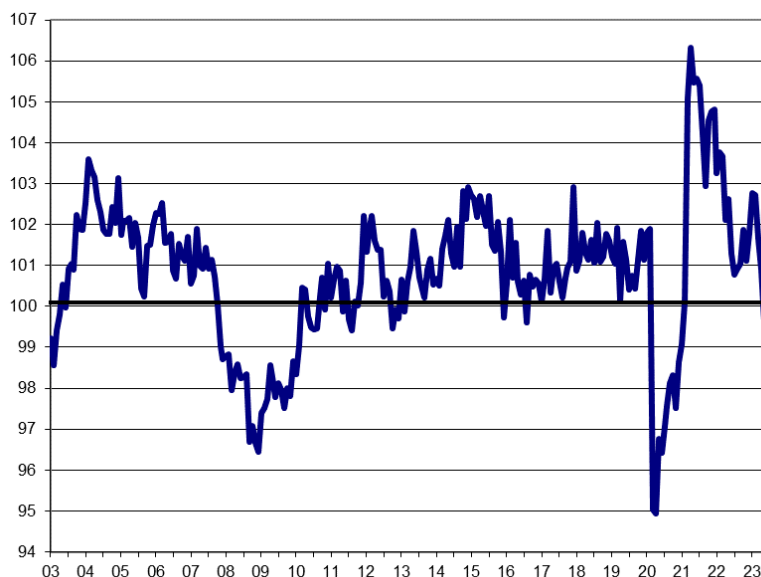
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Was Unchanged at a Level of 99.7 in June; Expectations Index Rose 1.2% to a Level of 100.7

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.7 in June – unchanged from May’s reading. June represented the second consecutive month of sub-100 readings in the Current Situation Index – the first such occurrence since early 2021 when indicators were still going up against pre-pandemic comparisons.

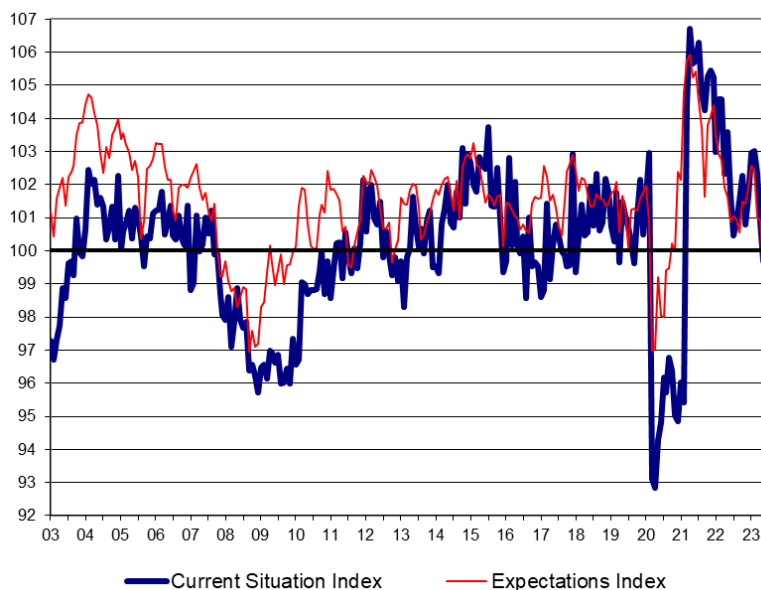
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.7 – up 1.2% from the previous month. Restaurant operators are somewhat more optimistic about sales growth in the coming months, but remain much 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 June

Restaurant operators reported a net increase in same-store sales in June, but the results were much softer than the readings during the first three months of the year. Fifty percent of operators said their same-store sales rose between June 2022 and June 2023. That was down from more than seven in 10 operators who reported higher sales during the first three months of 2023. Forty percent of operators said their sales were lower in June, down from 45% who reported a sales decline in May.

Customer traffic readings were even more dampened in June. Twenty-nine percent of operators said their customer traffic rose between June 2022 and June 2023, while 57% reported a traffic decline. June represented the third consecutive month in which a majority of restaurant operators reported a decline in customer traffic.

Along with softer sales and traffic results, restaurant operators reported a downtick in capital spending activity. Fifty-four percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was down from readings of 70% in the May survey and 58% in the June survey.

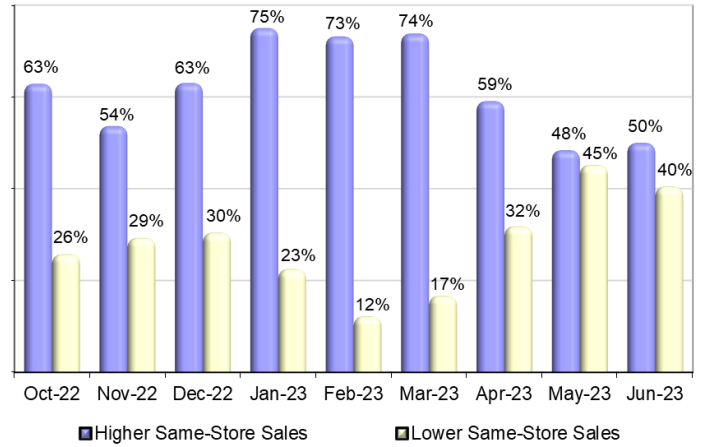
Restaurant Operators Have an Uncertain Outlook for Sales and the Economy

Restaurant operators' outlook for sales growth improved somewhat during the July survey period. Thirty-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 up from 29% who reported similarly last month. Twenty-two percent of operators think their sales in six months will be lower than it was during the same period in the previous year – down from 32% last month.

Restaurant operators remained generally pessimistic about the direction of the overall economy. Only 10% of operators said they expect economic conditions to improve in six months, compared to 6% who reported similarly last month. Thirty-four percent of operators think economic conditions will worsen during the next six months, down from 48% last month. That represented the 17th consecutive month in which operators had a net negative outlook for the economy.

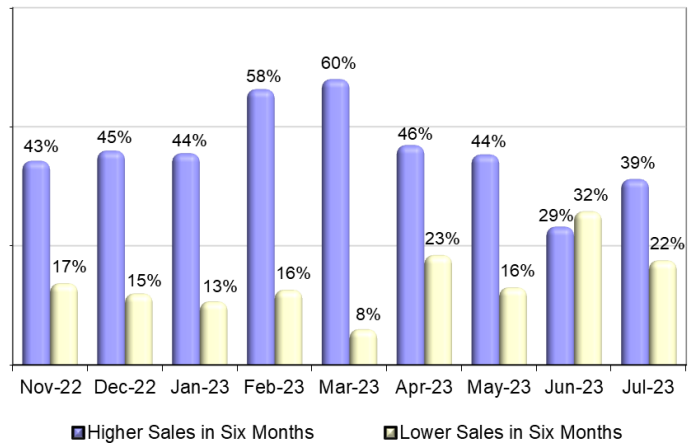
Sixty-eight percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was up from 61% who reported similarly last month.

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



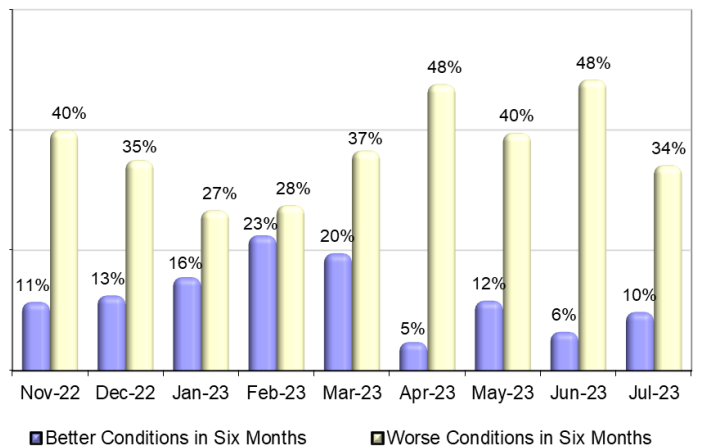
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	February 2023	March 2023	April 2023	May 2023	June 2023	June-23 over May-23
Restaurant Performance Index	102.7	101.7	100.9	99.6	100.2	0.6%
Current Situation Index	103.0	102.3	100.8	99.7	99.7	0.0%
<i>Current Situation Indicators:</i>						
Same-Store Sales	106.1	105.7	102.7	100.3	101.0	0.6%
Customer Traffic	102.0	100.2	96.6	96.5	97.1	0.7%
Labor	102.2	100.5	100.1	100.3	99.9	-0.4%
Capital Expenditures	101.8	102.9	104.0	101.6	100.7	-0.9%
Expectations Index	102.4	101.0	100.9	99.5	100.7	1.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	105.3	102.3	102.8	99.7	101.7	2.0%
Staffing	103.4	102.1	102.1	100.3	99.8	-0.6%
Capital Expenditures	102.8	103.8	101.6	102.3	103.7	1.4%
Business Conditions	98.3	95.7	97.2	95.8	97.6	1.8%

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).