

June 2022

Restaurant Performance Index Declined 1.3% in June

The National Restaurant Association’s Restaurant Performance Index (RPI) fell sharply in June, as both the current situation and forward-looking indicators registered broad-based declines. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 101.3 in June, down 1.3% from May and the lowest level in 16 months.

While a majority of restaurant operators continued to report higher same-store sales compared to year-ago levels, customer traffic readings turned negative for the first time since February 2021. Looking ahead, restaurant operators’ outlook for sales growth and the economy continued to deteriorate.

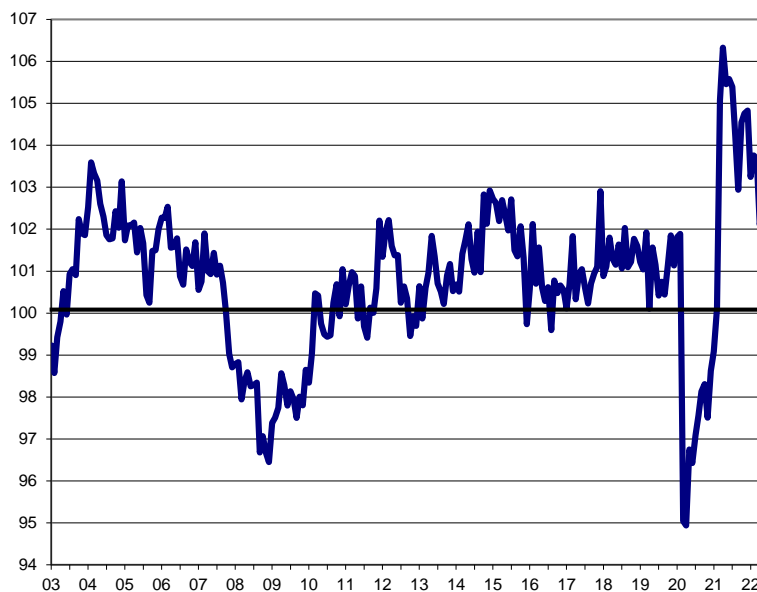
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Fell 1.8% to a Level of 101.7 in June; Expectations Index Declined 0.7% to a Level of 100.9

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 101.7 in June – down 1.8% from a level of 103.6 in May. June’s reading represented the lowest since February 2021, when the current situation indicators were still going up against pre-pandemic levels.

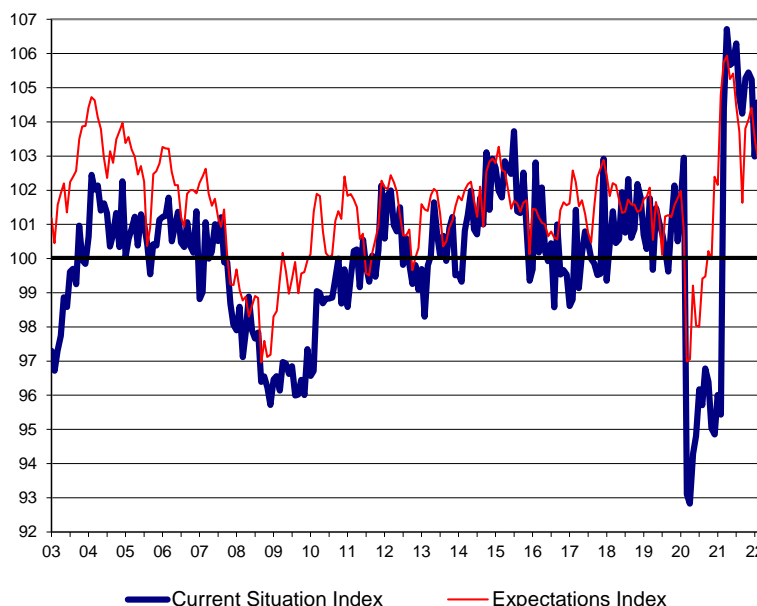
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.9 – down 0.7% from the previous month and the sixth consecutive monthly decline. Restaurant operators are increasingly uncertain about business conditions, with only one in five expecting the economy to improve during the next six 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 June

Although a majority of restaurant operators continued to report positive same-store sales in June, the results were somewhat dampened compared to May's readings. Sixty-four percent of operators said their same-store sales rose between June 2021 and June 2022, down from 71% who reported similarly in May. Twenty-two percent of operators said their sales were lower in June, compared to 20% who reported a sales decline in May.

In contrast to the positive sales readings, restaurant operators reported a net decline in customer traffic for the first time since February 2021. Only 31% of restaurant operators said their customer traffic rose between June 2021 and June 2022, down from 55% who reported similarly in May. Fifty percent of operators said their customer traffic declined in June, up from 31% who reported lower traffic in May.

Capital spending activity remained solid in recent months. Sixty-nine percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That represented the sixth consecutive month with readings of at least 60%.

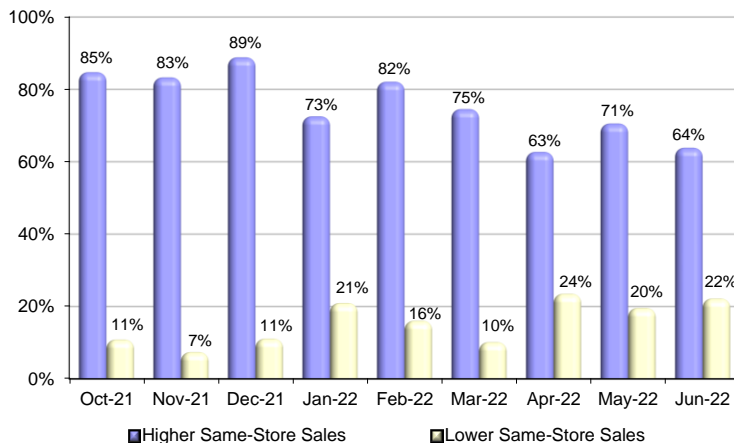
Restaurant Operators are More Uncertain about Sales Growth and the Economy

Restaurant operators' outlook for sales growth deteriorated somewhat in recent months. Forty-eight 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 55% who reported similarly last month. Twenty-nine percent of operators expect their sales in six months to be lower than it was during the same period in the previous year, up from 16% last month and the highest negative reading since December 2020.

Restaurant operators are even less optimistic about the direction of the overall economy. Only 20% of operators said they expect economic conditions to improve in six months, while 43% think economic conditions will worsen during the next six months. That represented the fifth consecutive month in which operators had a pessimistic outlook for the economy.

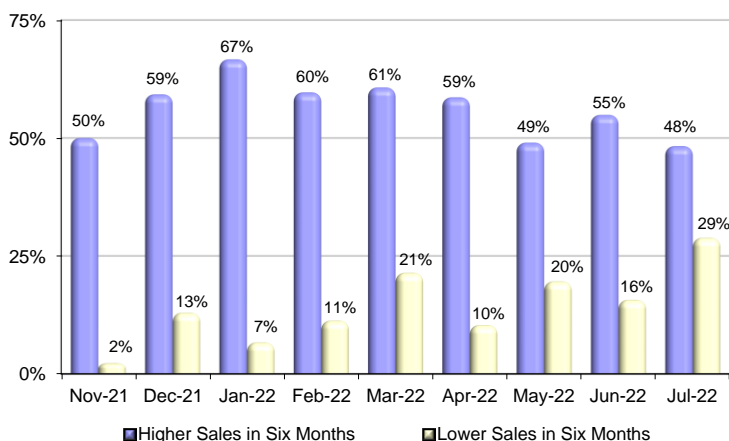
Despite the uncertainty about business conditions, a majority of operators are still planning for capital expenditures. Sixty-two percent of operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was up from 59% last month and represented the 17th consecutive month with a reading of at least 55%.

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



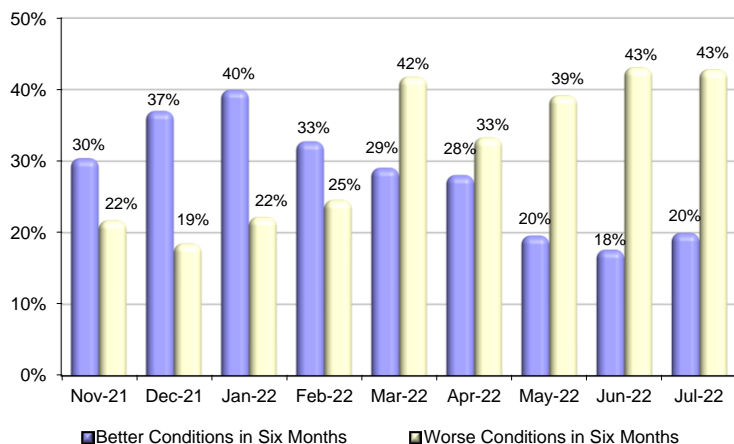
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	February 2022	March 2022	April 2022	May 2022	June 2022	June-22 over May-22
Restaurant Performance Index	103.8	103.7	102.1	102.6	101.3	-1.3%
Current Situation Index	104.6	104.6	102.3	103.6	101.7	-1.8%
<i>Current Situation Indicators:</i>						
Same-Store Sales	106.6	106.4	103.9	105.1	104.2	-0.9%
Customer Traffic	104.0	105.3	102.2	102.4	98.1	-4.2%
Labor	103.5	103.7	101.2	102.8	100.7	-2.0%
Capital Expenditures	104.2	103.0	102.0	104.1	103.9	-0.2%
Expectations Index	102.9	102.8	101.9	101.6	100.9	-0.7%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.9	104.8	102.9	103.9	101.9	-1.9%
Staffing	104.9	104.1	102.6	103.4	101.5	-1.8%
Capital Expenditures	104.2	102.6	104.0	101.8	102.4	0.6%
Business Conditions	98.7	99.5	98.0	97.5	97.7	0.3%

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).