

March 2023

### Restaurant Performance Index Declined 1.0% in March

The National Restaurant Association’s Restaurant Performance Index (RPI) fell 1.0% in March, due largely to a deterioration in restaurant operators’ 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 101.7 in March, down 1.0% from a level of 102.7 in February.

A majority of restaurant operators reported positive same-store sales in March, but customer traffic readings were a mixed bag. The 6-month outlook remains uncertain, as restaurant operators’ expectations for both sales and the economy softened during the April survey fielding period.

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 Declined 0.7% to a Level of 102.3 in March; Expectations Index Fell 1.4% to a Level of 101.0

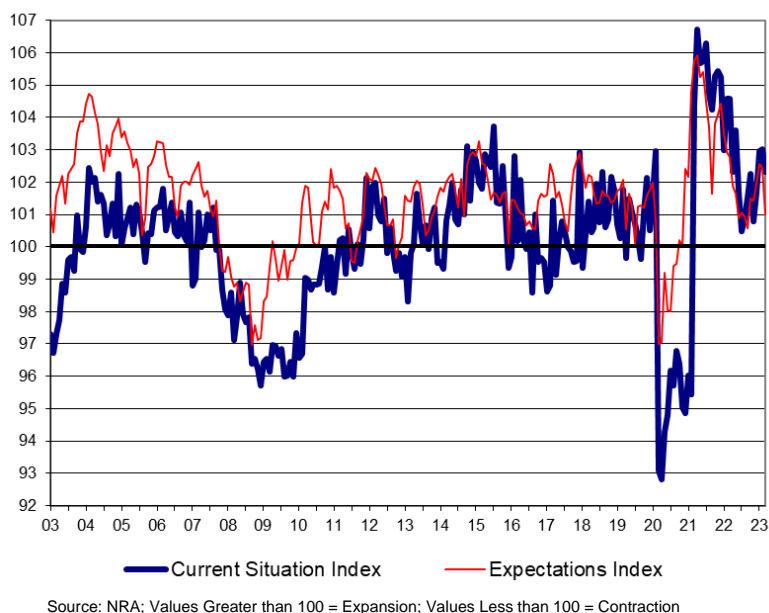
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 102.3 in March – down 0.7% from February. Although three in four operators reported positive same-store sales in March, softer customer traffic and labor indicators put downward pressure on the Current Situation Index.

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 101.0 – down 1.4% from the previous month and the lowest level in six months. The decline was largely the result of dampened expectations for both sales growth and the overall economy.

### Restaurant Performance Index



### Current Situation & Expectations Indices



**Restaurant Operators Reported Positive Same-Store Sales in March**

Restaurant operators continued to report positive same-store sales readings in March. Seventy-four percent of operators said their same-store sales rose between March 2022 and March 2023, which was essentially unchanged from the proportion that reported higher sales in both January and February. Seventeen percent of operators said their sales were lower in March, compared to 12% who reported a sales decline in February.

In contrast to the positive sales results, customer traffic readings were a mixed bag in March. Forty percent of operators said their customer traffic rose between March 2022 and March 2023, down from 51% who reported higher traffic in February. Thirty-eight percent of operators said their customer traffic declined in March, up from 32% who reported lower traffic in February.

Restaurant operators reported an uptick in capital spending activity. Sixty-four percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was up slightly from 6 in 10 operators who reported expenditures during the previous three survey fielding periods.

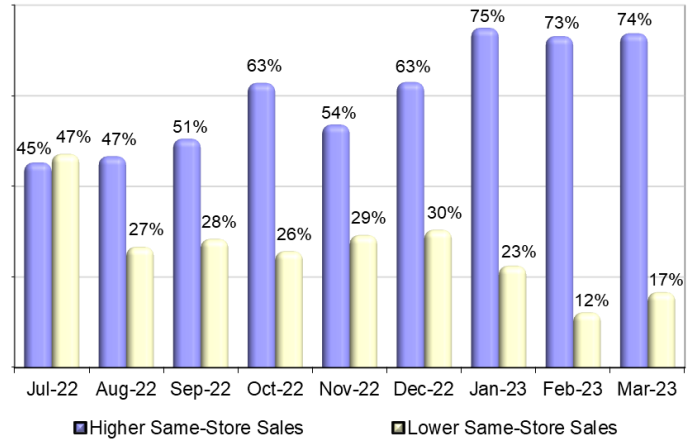
**Restaurant Operators Are Less Optimistic about Sales Growth and the Economy**

Restaurant operators are somewhat less optimistic about sales growth in the months ahead. Forty-six 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 60% last month and represented the lowest reading in three months. Twenty-three percent of operators think their sales in six months will be lower than it was during the same period in the previous year – up from just 8% who reported similarly last month.

Restaurant operators are even more pessimistic about the direction of the overall economy. Only 5% of operators said they expect economic conditions to improve in six months, down sharply from 20% who reported similarly last month. Forty-eight percent of operators think economic conditions will worsen during the next six months, up from 37% last month and the highest reading since the August 2022 survey period. It also represented the 14<sup>th</sup> consecutive month in which operators had a net negative outlook for the economy.

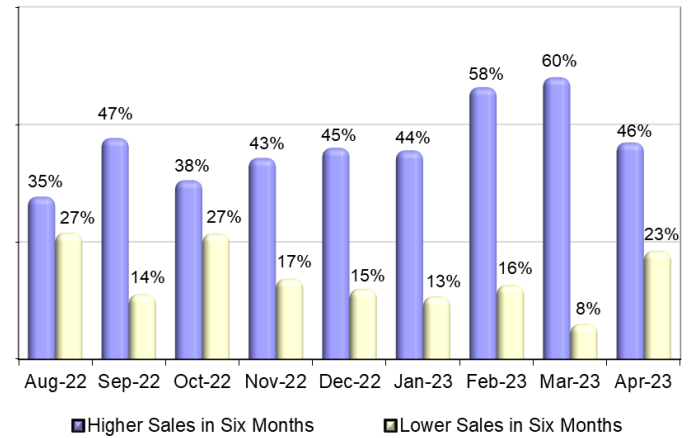
Sixty-nine percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was up from 64% who reported similarly last month.

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



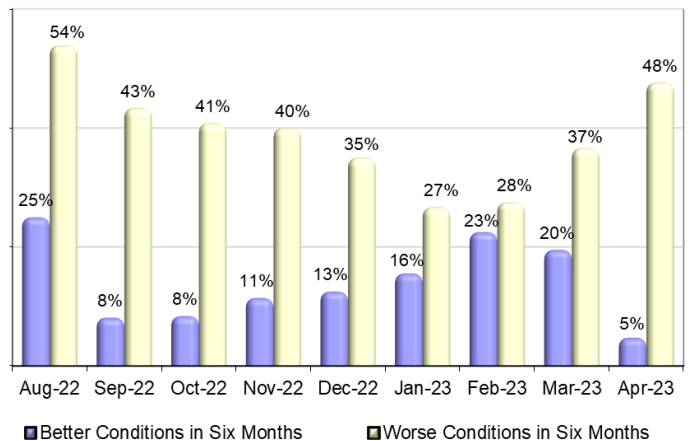
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	November 2022	December 2022	January 2023	February 2023	March 2023	Mar-23 over Feb-23
<b>Restaurant Performance Index</b>	101.1	101.8	102.8	102.7	101.7	-1.0%
<b>Current Situation Index</b>	100.8	101.7	103.0	103.0	102.3	-0.7%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.4	103.3	105.3	106.1	105.7	-0.4%
Customer Traffic	97.3	100.0	103.0	102.0	100.2	-1.7%
Labor	99.9	101.3	101.8	102.2	100.5	-1.7%
Capital Expenditures	103.5	102.1	101.8	101.8	102.9	1.0%
<b>Expectations Index</b>	101.4	101.9	102.6	102.4	101.0	-1.4%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.0	103.1	104.2	105.3	102.3	-2.8%
Staffing	102.5	103.3	103.3	103.4	102.1	-1.2%
Capital Expenditures	102.5	102.4	103.3	102.8	103.8	1.0%
Business Conditions	97.8	98.9	99.5	98.3	95.7	-2.6%

*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](http://www.restaurant.org/trendmapper) (subscription required).