

May 2022

Restaurant Performance Index Rose 0.5% in May

The National Restaurant Association’s Restaurant Performance Index (RPI) registered a moderate gain in May, as the current situation indicators improved somewhat from April’s readings. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 102.6 in May, up 0.5% from a level of 102.1 in April.

Although restaurant operators reported positive same-store sales and customer traffic compared to year-ago levels, their outlook for the economy continued to deteriorate. More than 4 in 10 restaurant operators expect economic conditions to worsen in the next six months – the highest reading since 2008.

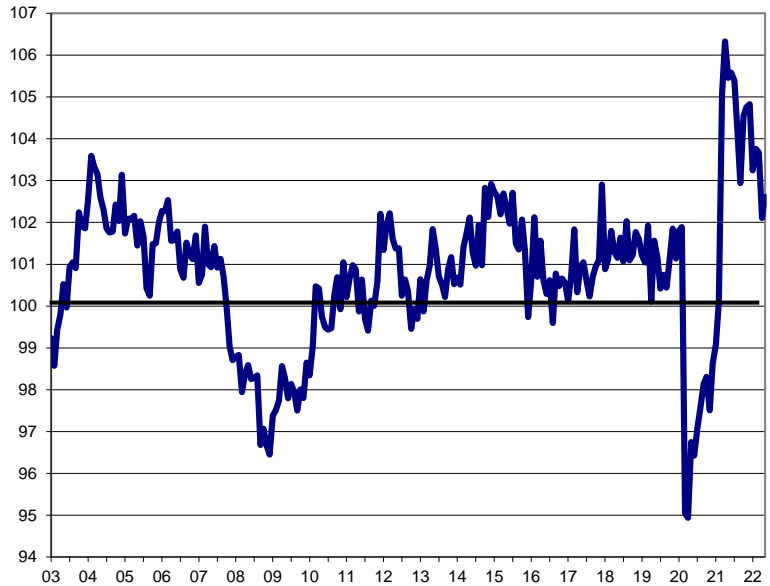
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Rose 1.2% to a Level of 103.6 in May; Expectations Index Declined 0.3% 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 103.6 in May – up 1.2% from a level of 102.3 in April. May’s healthy increase was driven by broad-based improvements in the current situation indicators, which followed dampened readings in April.

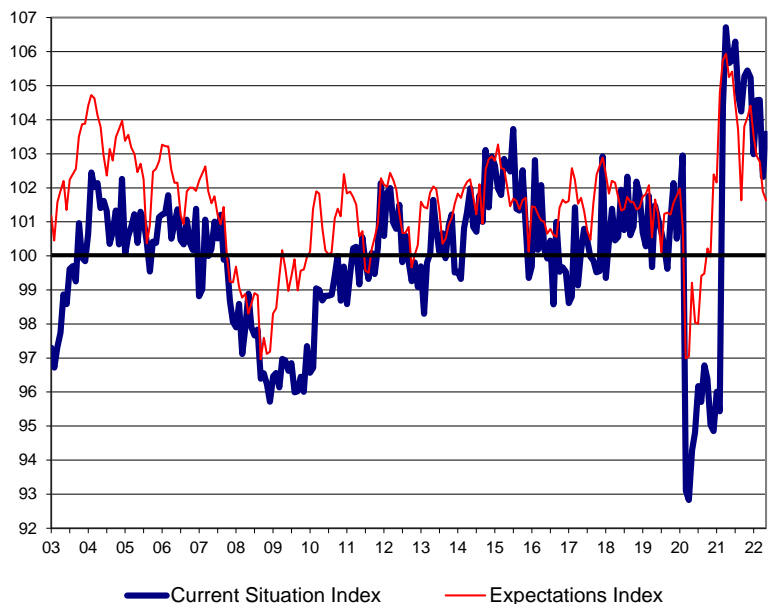
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.6 – down 0.3% from the previous month and the fifth consecutive monthly decline. While a majority of restaurant operators expect their sales to increase in the coming months, they are decidedly pessimistic about the direction of the overall 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 Positive Same-Store Sales and Customer Traffic in May

Restaurant operators reported somewhat stronger same-store sales readings in May, as compared to April's levels. Seventy-one percent of restaurant operators said their same-store sales rose between May 2021 and May 2022, up from 63% who reported similarly in April. Twenty percent of operators said their sales were lower in May, compared to 24% who reported a sales decline in April.

May's customer traffic readings were generally on par with April's results. Fifty-five percent of restaurant operators said their customer traffic rose between May 2021 and May 2022, up slightly from 51% who reported similarly in April. Thirty-one percent of operators said their customer traffic declined in May, compared to 29% who reported lower traffic in April.

Restaurant operators reported an increase in capital activity in May. Seventy-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That represented the fifth consecutive month with readings of at least 60%.

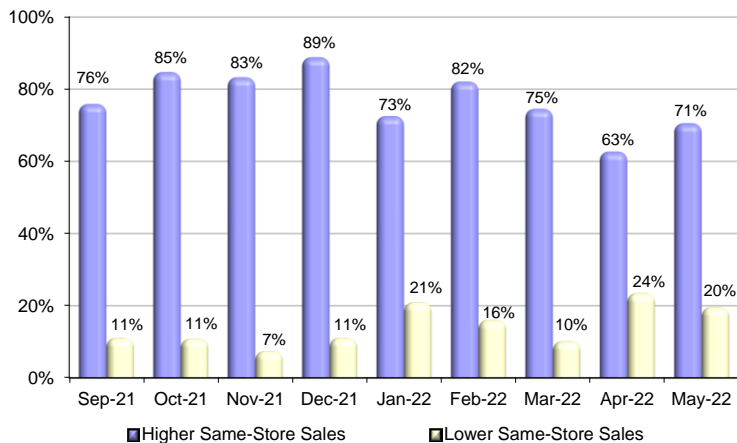
Restaurant Operators are Generally Optimistic about Sales Growth

Restaurant operators are somewhat more optimistic about sales gains in the months ahead. Fifty-five 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 49% who reported similarly last month. Sixteen percent of operators expect their sales in six months to be lower than it was during the same period in the previous year, down slightly from 20% last month.

In contrast, restaurant operators are much less bullish about the direction of the overall economy. Only 18% 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 fourth consecutive month in which operators had a pessimistic outlook for the economy – and the largest net negative differential since 2008.

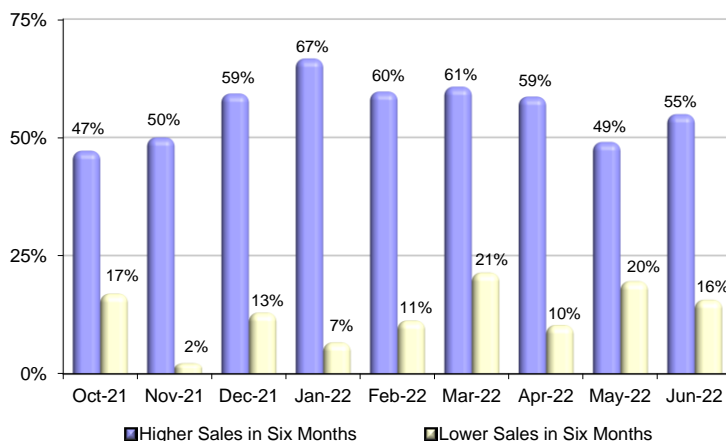
Despite the uncertainty about business conditions, a majority of operators are still planning for capital expenditures. Fifty-nine percent of operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. Although that was down from 70% last month, it represented the 16th consecutive month with a reading of at least 55%.

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



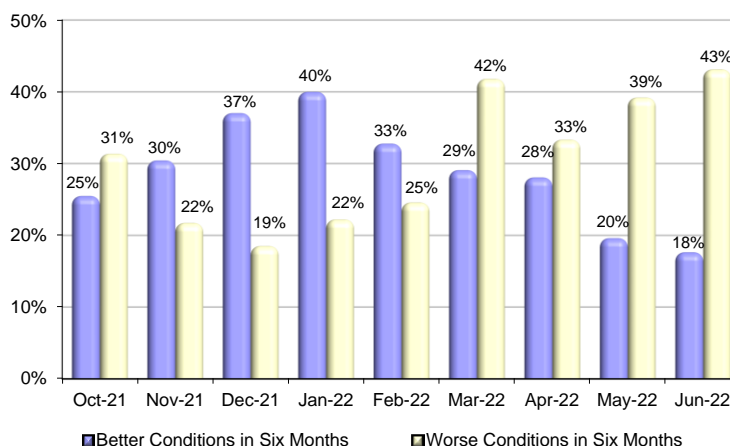
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	January 2022	February 2022	March 2022	April 2022	May 2022	May-22 over Apr-22
Restaurant Performance Index	103.2	103.8	103.7	102.1	102.6	0.5%
Current Situation Index	103.0	104.6	104.6	102.3	103.6	1.2%
<i>Current Situation Indicators:</i>						
Same-Store Sales	105.2	106.6	106.4	103.9	105.1	1.1%
Customer Traffic	102.3	104.0	105.3	102.2	102.4	0.2%
Labor	102.1	103.5	103.7	101.2	102.8	1.6%
Capital Expenditures	102.5	104.2	103.0	102.0	104.1	2.1%
Expectations Index	103.5	102.9	102.8	101.9	101.6	-0.3%
<i>Expectations Indicators:</i>						
Same-Store Sales	104.8	103.9	104.8	102.9	103.9	1.0%
Staffing	105.2	104.9	104.1	102.6	103.4	0.8%
Capital Expenditures	103.1	104.2	102.6	104.0	101.8	-2.1%
Business Conditions	100.8	98.7	99.5	98.0	97.5	-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).