

July 2024

Restaurant Performance Index Fell 1.3% in July

The National Restaurant Association’s Restaurant Performance Index (RPI) fell sharply in July, as a result of broad-based declines in both the current situation and expectations indicators. The RPI – a monthly composite index that tracks the health of the U.S. restaurant industry – stood at 97.7 in July, down 1.3% from a level of 98.9 in June.

Restaurant operators reported significantly softer same-store sales and customer traffic readings in July, which led to the sharp decline in the Current Situation Index. Looking ahead, restaurant operators’ 6-month outlook for both sales growth and the economy deteriorated in recent months.

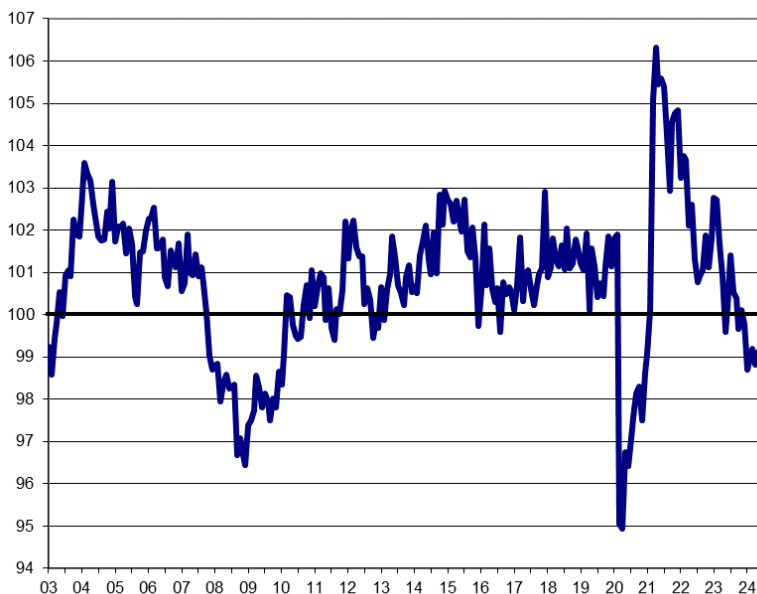
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

Current Situation Index Declined 1.2% to a Level of 96.9 in July; Expectations Index Fell 1.3% to a Level of 98.4

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.9 in July – down 1.2% from June and the fourth decline in the last five months. July represented the 10th consecutive month in which the Current Situation Index stood below 100 in contraction territory.

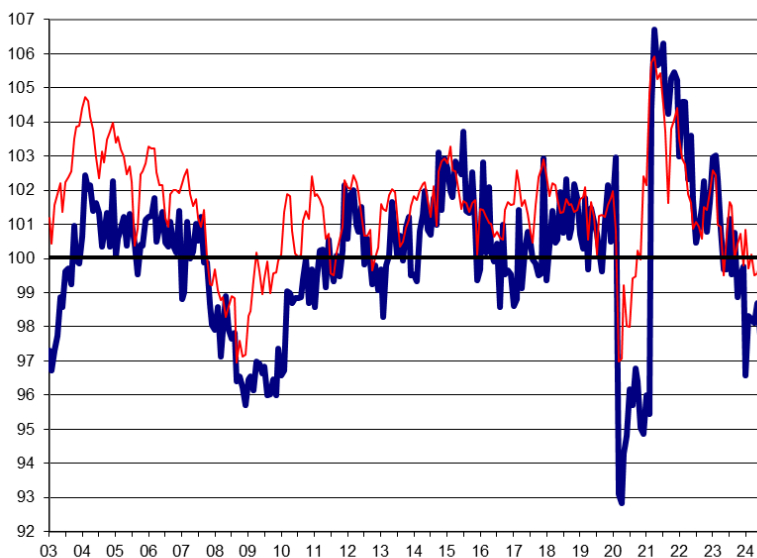
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 98.4 – down 1.3% from a level of 99.8 last month. Restaurant operators are increasingly pessimistic about both sales and the overall economy in the months ahead.

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 Dampened Same-Store Sales and Customer Traffic in July

A solid majority of restaurant operators reported a decline in same-store sales in July. Only 20% of restaurant operators said their same-store sales rose between July 2023 and July 2024. That was down sharply from 35% of operators who reported higher sales in June. Sixty-three percent of operators said their sales declined in July, up from 56% in June and the highest proportion since January 2024. That marked the continuation of a soft patch in sales, with July representing the 7th consecutive month of net-negative sales readings.

Restaurant operators also continued to report negative customer traffic in July. Thirteen percent of operators said their customer traffic rose between July 2023 and July 2024, while 71% reported a traffic decline. That represented the 16th consecutive month of net declines in customer traffic.

Fifty-one percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months. That was down slightly from 53% last month.

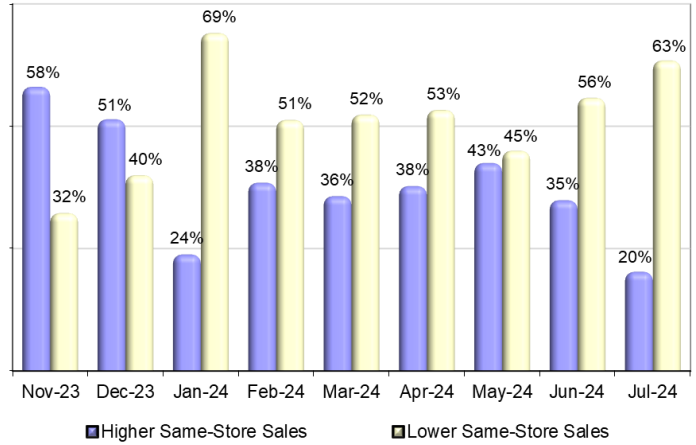
Restaurant Operators' Outlook for Sales and the Economy is Trending Negative

Restaurant operators are increasingly pessimistic about sales growth in the coming months. Only 23% 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 well below the recent high of 40% in the April 2024 survey. Thirty-seven percent of operators think their sales in six months will be lower than it was during the same period in the previous year, while 40% expect their sales to remain about the same.

Restaurant operators also remain far from bullish about the direction of the overall economy. Only 14% of restaurant operators said they expect economic conditions to improve in six months. That was down from 21% last month. Forty-six percent of operators think economic conditions will worsen during the next six months, while 40% think conditions will remain about the same as they are now. That represented the 30th consecutive month in which operators had a net negative outlook for the economy.

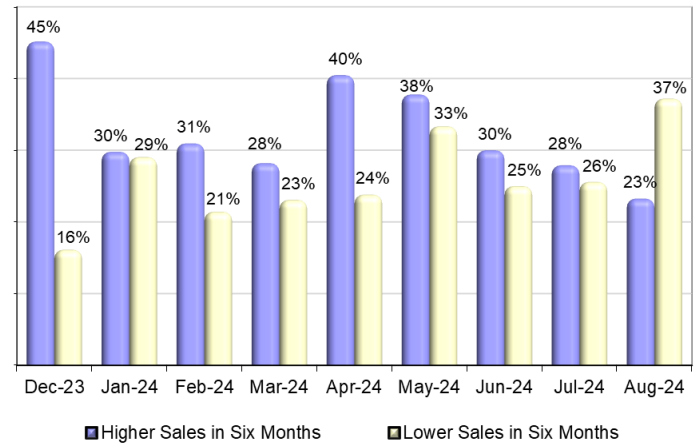
Despite the uncertain outlook, restaurant operators continue to plan for capital spending. Forty-eight percent of restaurant operators said they plan to make a capital expenditure for equipment, expansion or remodeling during the next six months. That was down slightly from 51% who reported similarly last month.

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



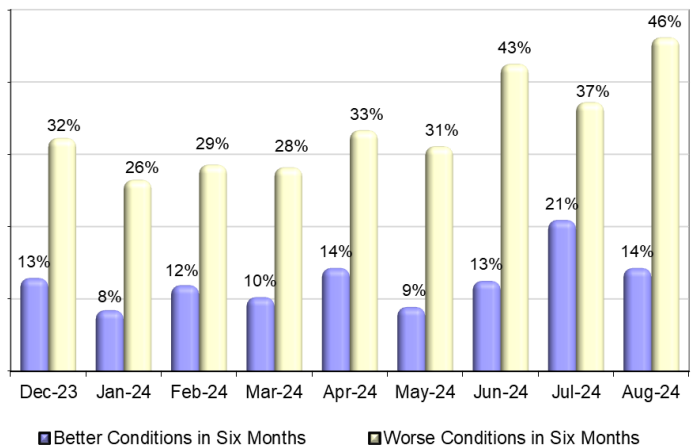
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	March 2024	April 2024	May 2024	June 2024	July 2024	Jul-24 over June-24
Restaurant Performance Index	99.2	98.8	99.1	98.9	97.7	-1.3%
Current Situation Index	98.2	98.1	98.7	98.1	96.9	-1.2%
<i>Current Situation Indicators:</i>						
Same-Store Sales	98.3	98.4	99.8	97.9	95.7	-2.3%
Customer Traffic	97.4	96.9	96.1	95.6	94.2	-1.5%
Labor	98.2	97.8	98.4	98.3	97.5	-0.7%
Capital Expenditures	99.0	99.4	100.6	100.7	100.2	-0.5%
Expectations Index	100.1	99.5	99.6	99.8	98.4	-1.3%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.7	100.4	100.5	100.2	98.6	-1.6%
Staffing	101.2	100.0	100.0	100.2	98.8	-1.4%
Capital Expenditures	99.5	99.8	100.8	100.2	99.5	-0.7%
Business Conditions	98.1	97.8	97.0	98.4	96.8	-1.6%

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).