Restaurant Performance Index Registered a Modest Gain in August

Driven by an improving outlook among restaurant operators, the National Restaurant Association’s Restaurant Performance Index (RPI) posted a modest gain in August. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 97.6 in August, up 0.5% from a level of 97.1 in July.

Although restaurant operators are somewhat more optimistic about future business conditions compared to recent months, the current situation indicators hit a speed bump in August. Restaurant operators reported softer same-store sales and customer traffic results in August, and capital spending activity fell to a pandemic low.

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 for key industry indicators. The Restaurant Performance Index consists of two components – the Current Situation Index and the Expectations Index.

Current Situation Index Declined 0.5% in August to a Level of 95.7; Expectations Index Rose 1.4% to a Level of 99.4

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 95.7 in August – down 0.5% from a level of 96.2 in July. The August decline followed three consecutive monthly gains in the Current Situation Index, which recovered a portion of the significant ground lost during the first two months of the pandemic. The August results are yet another indication that business conditions in the restaurant industry remain far from normal.

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 99.4 – up 1.4% from the previous month. While still a pessimistic reading in historical terms, the uptick in the Expectations Index suggests that more operators may be seeing a light at the end of the tunnel, compared to recent months.
Restaurant Operators Reported Softer Sales and Traffic in August

Restaurant operators reported somewhat softer same-store sales results in August. Twenty-one percent of restaurant operators reported a same-store sales increase between August 2019 and August 2020, down from 27% who reported similarly in July. Seventy percent of operators reported lower same-store sales in August, up from 66% in July. Sales results continued to vary across segments in August. The vast majority of fullservice operators reported lower same-store sales in August, while sales readings in the limited-service segment were a mixed bag.

Restaurant operators continued to report sharply lower customer traffic levels in August. Fourteen percent of restaurant operators reported an increase in customer traffic between August 2019 and August 2020, compared to 15% who reported similarly in July. Eighty percent of operators reported a traffic decline in August, up slightly from 78% in July.

Forty-three percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which represented the lowest reading during the pandemic.

Restaurant Operators Are Slightly More Optimistic About Sales Growth and the Economy

Restaurant operators’ outlook for business conditions improved somewhat from recent months. Thirty percent of restaurant operators expect their sales volume in six months to be higher than it was during the same period in the previous year. This was up from 20% last month and the highest level recorded during the pandemic. Forty-four percent of operators expect their sales in six months to be lower than it was during the same period in the previous year, down from 53% of operators who reported similarly last month.

Restaurant operators’ outlook for the overall economy is also somewhat more optimistic compared to recent months. Thirty-eight percent of restaurant operators said they expect economic conditions will improve in six months, up from 27% last month and the highest reading since the June survey period. Twenty-two percent of operators think economic conditions will worsen in six months – down from 35% last month.

A somewhat larger proportion of restaurant operators plan to make a capital expenditure in the coming months. Forty-eight percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 44 percent of operators who reported similarly last month and the highest level since the February survey period.
National Restaurant Association Restaurant Industry Performance Index and Its Components

<table>
<thead>
<tr>
<th>National Restaurant Association Restaurant Industry Performance Index and Its Components</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image_url" alt="Table" /></td>
</tr>
</tbody>
</table>

**Definition**

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 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).