

February 2019

## Restaurant Performance Index Edged Lower in February

As a result of softer readings in the current situation indicators, the National Restaurant Association's Restaurant Performance Index (RPI) registered a modest decline in February. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.0 in February, down slightly from a level of 101.2 in January.

While restaurant operators continued to report positive same-store sales in February, customer traffic turned negative for the first time in five months. Although 50 percent of operators expect their sales to be higher in six months – the highest level in over a year – their outlook for the overall economy remains uncertain.

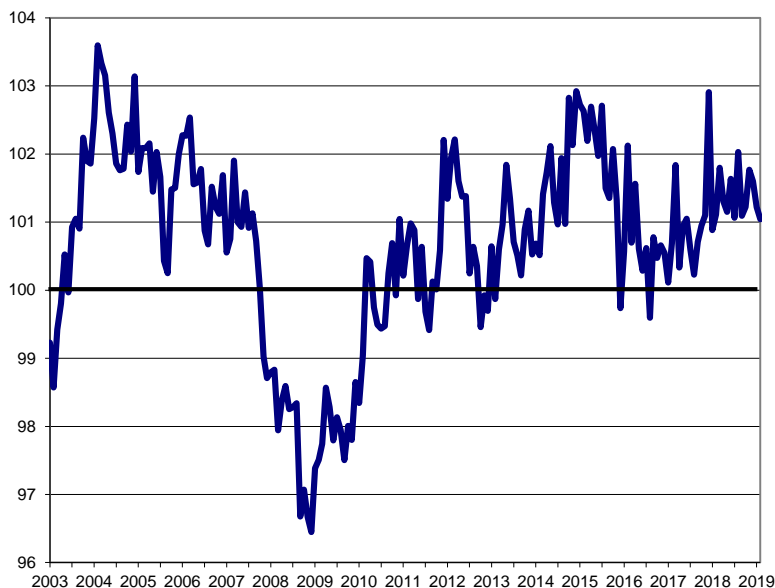
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Declined 0.4 Percent in February to a Level of 100.3; Expectations Index Edged Up 0.1 Percent to a Level of 101.8

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.3 in February – down 0.4 percent from a level of 100.7 in January. February's dip was the third consecutive monthly decline in the Current Situation Index, and the reading of 100.3 represented its lowest level since January 2018.

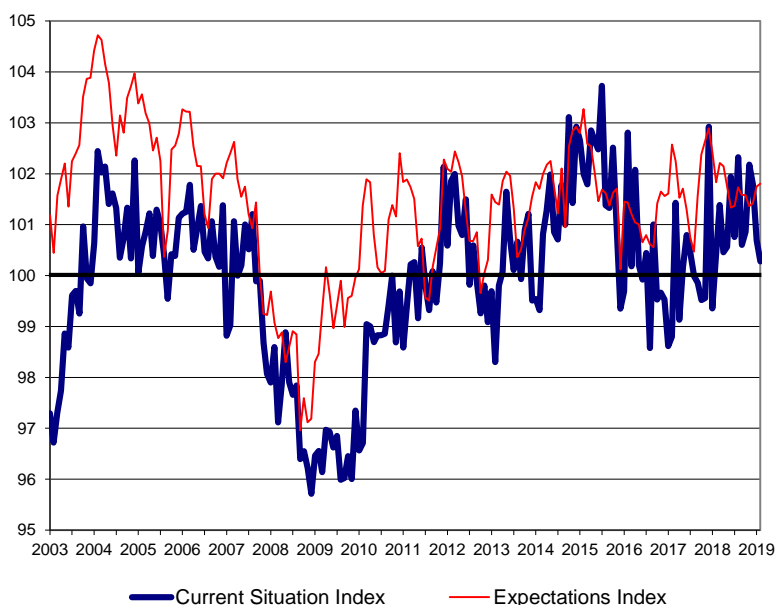
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.8 in February – up slightly from a level of 101.7 in January. Although the Expectations Index trended sideways in a narrow range for the last several months, it still remains above 100 in expansion territory, which points toward continued industry growth 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

### Majority of Restaurant Operators Reported Higher Same-Store Sales in February

A majority of restaurant operators reported positive same-store sales for the fifth consecutive month, with February's readings coming in similar to the January results. Fifty-two percent of restaurant operators reported a same-store sales increase between February 2018 and February 2019, while 32 percent reported a sales decline. In January, 52 percent of operators reported higher sales and 31 percent reported lower sales. February represented the 16<sup>th</sup> consecutive month in which restaurant operators reported a net increase in same-store sales.

In contrast, restaurant operators reported a net decline in customer traffic in February. Thirty-seven percent of restaurant operators reported an increase in customer traffic between February 2018 and February 2019, unchanged from January's reading. Forty-four percent of operators reported a decline in customer traffic in February, up from 37 percent in January. February represented the softest customer traffic reading since September 2018.

Along with positive sales levels in recent months, a majority of operators reported capital spending activity. Fifty-four percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, a level that has remained relatively consistent for the past few months.

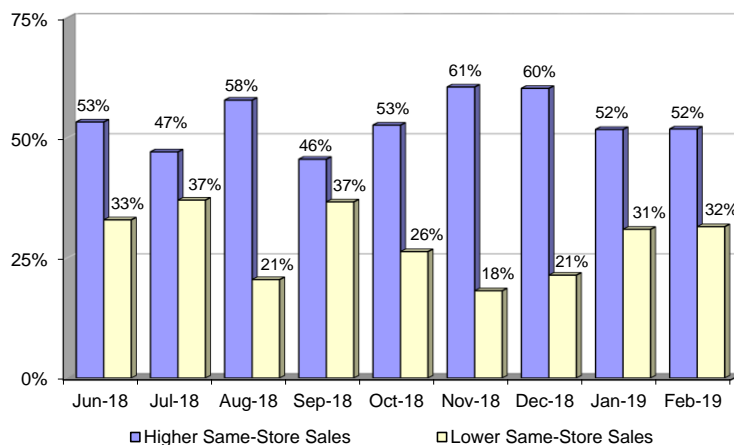
### Restaurant Operators Are More Optimistic About Sales Growth in the Coming Months

Restaurant operators are more optimistic about sales growth in the coming months. Fifty percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from just 35 percent who reported similarly three months ago. Only 8 percent of restaurant operators expect their sales volume in six months to be lower than it was during the same period in the previous year, while 42 percent of operators think their sales volume will remain about the same.

In contrast, restaurant operators are not as optimistic about the direction of the overall economy. Only 22 percent of operators said they expect economic conditions will improve in six months, while 23 percent of operators think economic conditions will worsen in six months. This represented the sixth consecutive month in which less than one in four operators had a positive outlook for the economy.

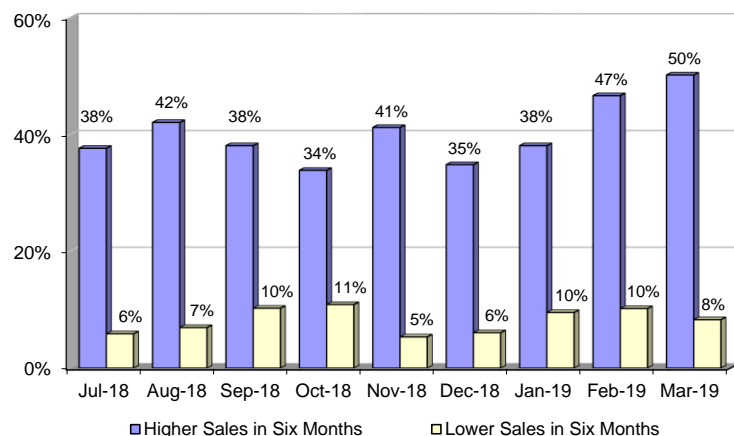
Despite the uncertain outlook, restaurant operators continue to plan for capital spending in the coming months. Fifty-seven percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, unchanged from the proportion who reported similarly last month.

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



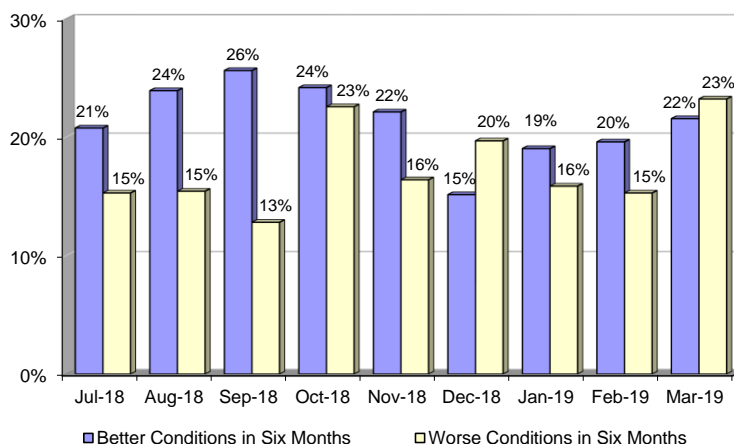
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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 Industry Performance Index and Its Components

	October 2018	November 2018	December 2018	January 2019	February 2019	Feb-19 over Jan-19
<b>Restaurant Performance Index</b>	101.2	101.8	101.6	101.2	101.0	-0.2%
<b>Current Situation Index</b>	100.9	102.2	101.8	100.7	100.3	-0.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	102.6	104.2	103.9	102.1	102.0	-0.1%
Customer Traffic	100.4	101.7	101.3	100.0	99.3	-0.7%
Labor	99.8	100.4	100.9	99.7	99.1	-0.6%
Capital Expenditures	100.6	102.4	101.0	101.1	100.7	-0.3%
<b>Expectations Index</b>	101.6	101.4	101.4	101.7	101.8	0.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.6	102.9	102.9	103.6	104.2	0.5%
Staffing	101.6	101.2	100.6	101.5	101.8	0.3%
Capital Expenditures	100.5	101.8	101.9	101.4	101.4	0.0%
Business Conditions	100.6	99.5	100.3	100.4	99.8	-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](http://www.restaurant.org/trendmapper) (subscription required).