

January 2021

### **Restaurant Performance Index Increased 0.5% in January**

As a result of an improvement in the current situation indicators, the National Restaurant Association’s Restaurant Performance Index (RPI) registered a moderate gain in January. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 99.1 in January, up 0.5% from a level of 98.6 in December.

Although same-store sales and customer traffic improved somewhat from December’s dampened levels, January still represented the 11<sup>th</sup> consecutive month of negative readings. Looking ahead, restaurant operators remain cautiously optimistic that business conditions will improve in the coming months.

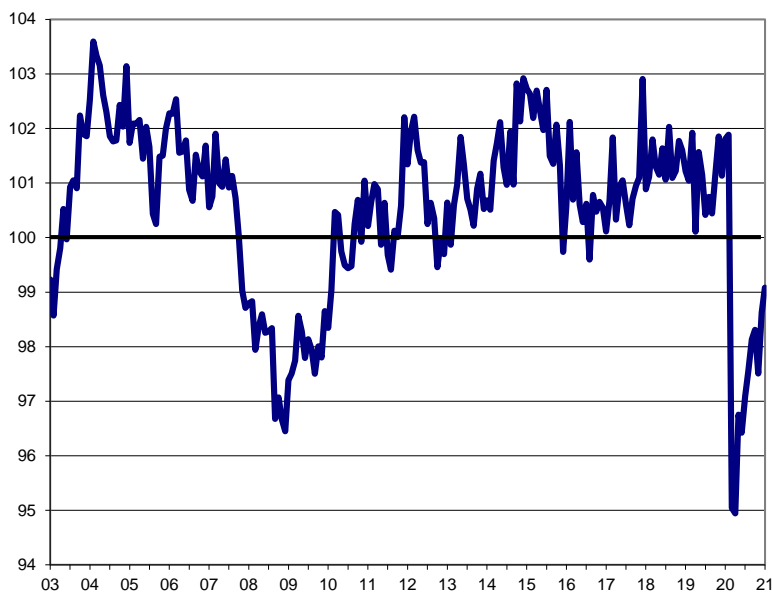
The RPI is constructed so that the health of the restaurant industry is measured in relation to a neutral level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction. The Restaurant Performance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

### **Current Situation Index Increased 1.2% in January to a Level of 96.0; Expectations Index Edged Down 0.2% to a Level of 102.2**

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.0 in January – up 1.2% from December and the first increase in four months. Although business conditions showed signs of improvement in January, the Current Situation Index remained well below 100 in contraction territory.

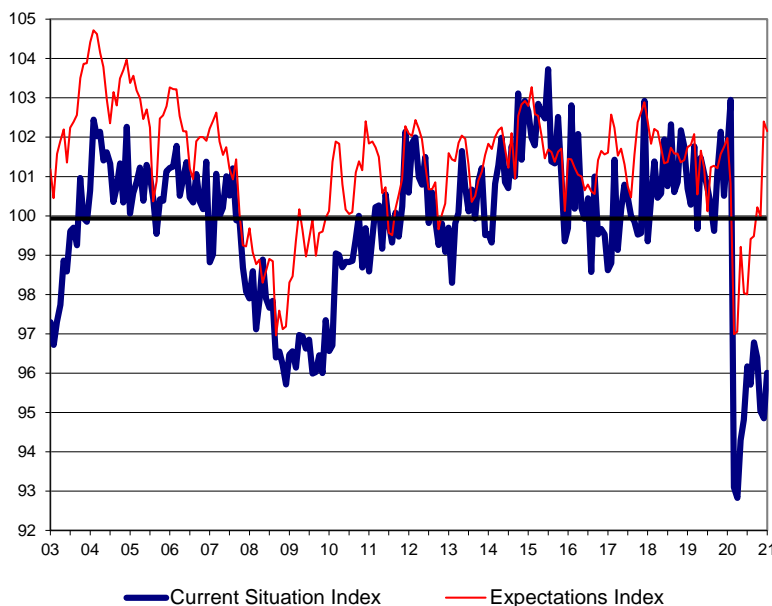
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.2 – down 0.2% from the previous month. The RPI’s forward-looking component remains buoyed by restaurant operators’ outlook for the economy, with a majority expecting economic conditions to improve in the next six months.

### **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

**Same-Store Sales and Customer Traffic Remained Dampened in January**

Restaurant operators continued to report negative same-store sales in January, though the overall results represented an improvement from November and December. Twenty-nine percent of restaurant operators reported a same-store sales increase between January 2020 and January 2021, up from 17% in December. Sixty-four percent of operators reported lower same-store sales in January, down from 80% in December. Limited-service operators remained much more likely than fullservice operators to report higher same-store sales in January.

The vast majority of restaurant operators continued to report negative customer traffic in January. Sixteen percent of restaurant operators said their customer traffic increased between January 2020 and January 2021, up from just 8% in December. Seventy-seven percent of restaurant operators reported a traffic decline in January, down from 90% in December.

Forty-five percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which was down from 52% of restaurant operators who reported similarly last month.

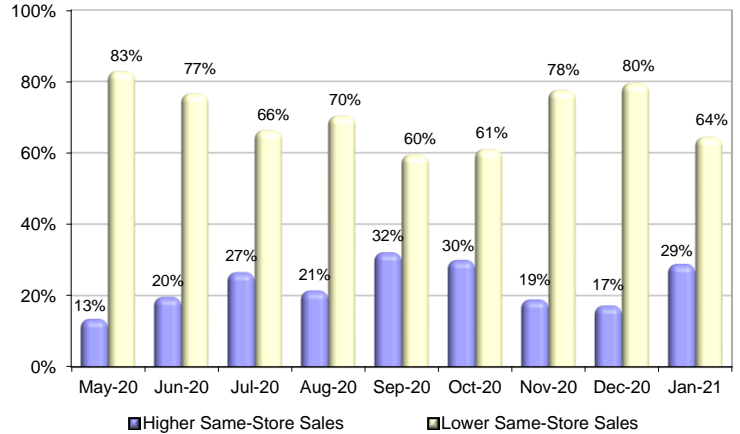
**Restaurant Operators Are Cautiously Optimistic About Sales Growth and the Economy**

Restaurant operators have become more optimistic about sales growth, though that sentiment needs to be qualified by the fact that the year-ago comparisons are the dampened levels during the early months of the pandemic. Forty-nine 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, compared to 54% who reported similarly last month. Twenty-three percent of operators expect their sales in six months to be lower than it was during the same period in the previous year, which was down from 28% last month.

For the third consecutive month, a majority of operators had a positive outlook for the economy. Fifty-six percent of restaurant operators said they expect economic conditions will improve in six months, while only 13% of operators think economic conditions will worsen in six months. The 13% of operators with a negative outlook was the lowest reading since mid-2019.

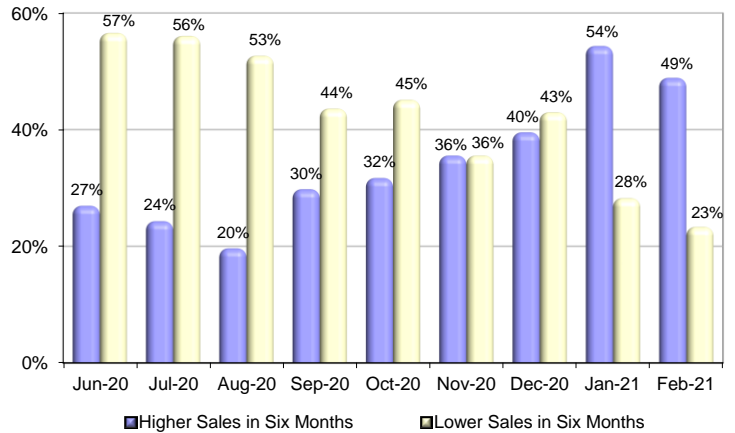
Fifty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, which was essentially unchanged from 52% last month.

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



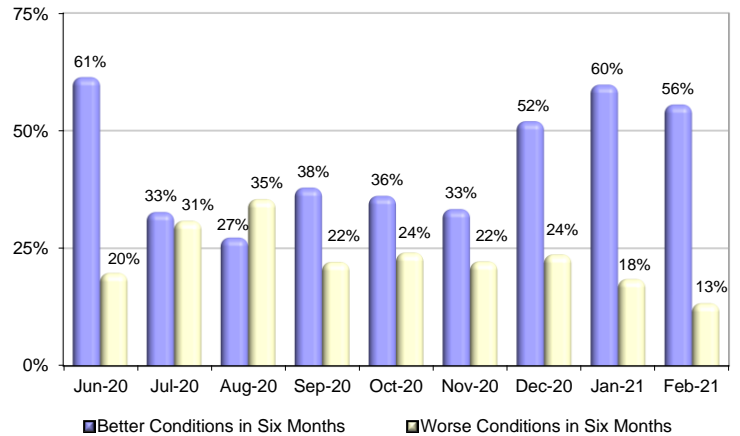
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

|                                      | September<br>2020 | October<br>2020 | November<br>2020 | December<br>2020 | January<br>2021 | Jan-21<br>over<br>Dec-20 |
|--------------------------------------|-------------------|-----------------|------------------|------------------|-----------------|--------------------------|
| <b>Restaurant Performance Index</b>  | 98.1              | 98.3            | 97.5             | 98.6             | 99.1            | 0.5%                     |
| <b>Current Situation Index</b>       | 96.8              | 96.4            | 95.0             | 94.9             | 96.0            | 1.2%                     |
| <i>Current Situation Indicators:</i> |                   |                 |                  |                  |                 |                          |
| Same-Store Sales                     | 97.3              | 96.9            | 94.1             | 93.8             | 96.4            | 2.9%                     |
| Customer Traffic                     | 93.7              | 93.9            | 92.6             | 91.7             | 93.9            | 2.4%                     |
| Labor                                | 95.6              | 94.9            | 94.0             | 93.6             | 94.7            | 1.2%                     |
| Capital Expenditures                 | 100.6             | 99.9            | 99.4             | 100.3            | 99.0            | -1.3%                    |
| <b>Expectations Index</b>            | 99.5              | 100.2           | 100.0            | 102.4            | 102.2           | -0.2%                    |
| <i>Expectations Indicators:</i>      |                   |                 |                  |                  |                 |                          |
| Same-Store Sales                     | 98.7              | 100.0           | 99.7             | 102.6            | 102.6           | 0.0%                     |
| Staffing                             | 98.9              | 99.7            | 99.2             | 102.5            | 101.7           | -0.8%                    |
| Capital Expenditures                 | 99.2              | 100.1           | 98.2             | 100.3            | 100.1           | -0.2%                    |
| Business Conditions                  | 101.2             | 101.1           | 102.8            | 104.1            | 104.2           | 0.1%                     |

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).