

July 2019

### Restaurant Performance Index Declined for the Second Consecutive Month

Due largely to a dip in restaurant operators' outlook for business conditions in the months ahead, the National Restaurant Association's Restaurant Performance Index (RPI) declined for the second consecutive month. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.4 in July, down 0.7 percent from a level of 101.2 in June.

A majority of restaurant operators reported higher same-store sales for the third consecutive month, and operators also reported a net increase in customer traffic levels in July. However, their outlook for business conditions deteriorated. Twenty-six percent of operators expect economic conditions to worsen in the next six months – the highest level in nearly three years.

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 0.3 Percent in July to a Level of 100.7; Expectations Index Fell 1.1 Percent to a Level of 100.1

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.7 in July – down 0.3 percent from a level of 101.1 in June. The second consecutive monthly decline in the Current Situation Index resulted from softer readings in the same-store sales and capital spending indicators.

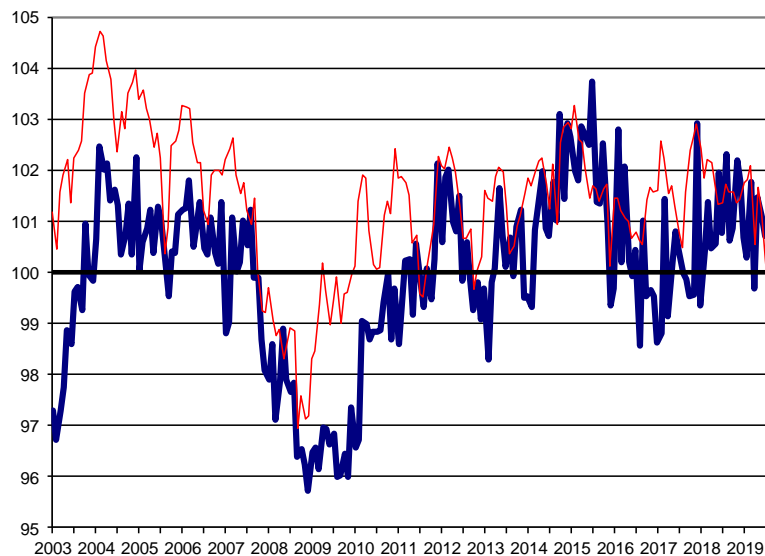
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.1 in July – down 1.1 percent from a level of 101.2 in June. Each of the four forward-looking indicators registered sizable declines in July, which dropped the Expectations Index to its lowest level since December 2015.

### 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 July

A majority of restaurant operators reported higher same-store sales for the third consecutive month, though results were somewhat softer in July. Fifty-two percent of restaurant operators reported a same-store sales increase between July 2018 and July 2019, down from 57 percent of operators who reported higher sales in June. Thirty-three percent of operators reported a sales decline in July, up from 28 percent who reported similarly in June. July represented the 21<sup>st</sup> consecutive month in which restaurant operators reported a net increase in same-store sales.

Restaurant operators reported somewhat stronger customer traffic results in July. Forty-four percent of restaurant operators reported an increase in customer traffic between July 2018 and July 2019, up from 39 percent who reported higher traffic in June. Thirty-five percent of operators reported a decline in customer traffic in July, down slightly from 38 percent in June.

The level of capital spending reported by restaurant operators declined somewhat in recent months. Fifty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 55 percent last month.

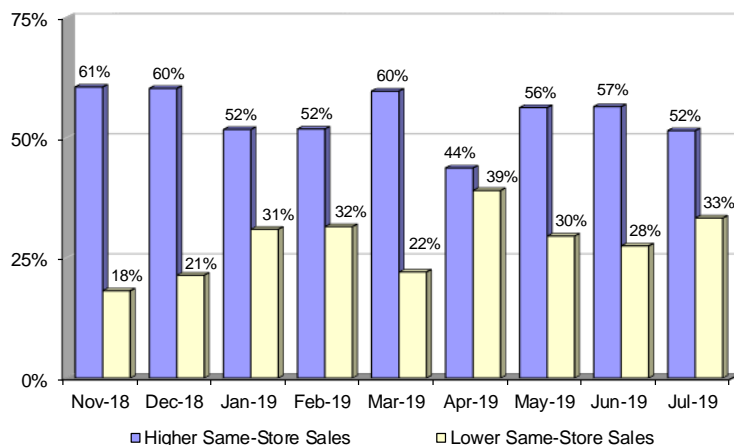
### Restaurant Operators are not as Optimistic about Business Conditions in the Months Ahead

Restaurant operators are somewhat less bullish about sales growth in the coming months. Thirty-eight percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 48 percent who reported similarly two months ago. Eighteen 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 44 percent of operators think their sales volume will remain about the same.

Meanwhile, restaurant operators' outlook for the overall economy deteriorated in recent months. Only 12 percent of restaurant operators said they expect economic conditions will improve in six months, while 26 percent think conditions will worsen in six months. This represented the highest proportion of operators with a negative outlook since October 2016.

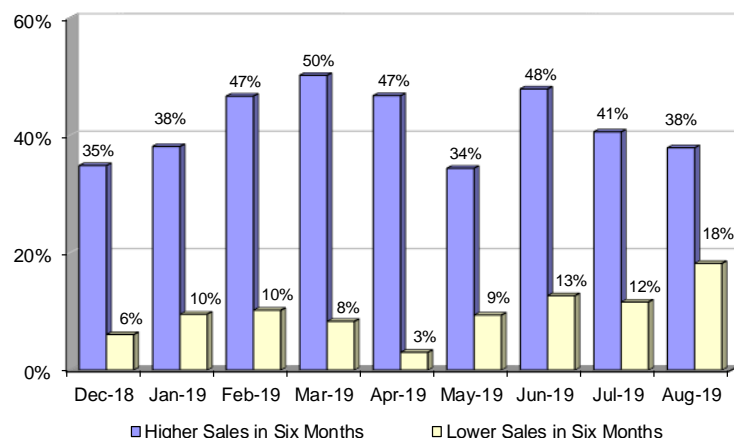
In addition to a dampened outlook for sales growth and the economy, fewer restaurant operators are planning for capital expenditures in the coming months. Forty-eight percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 54 percent of operators who reported similarly last month.

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



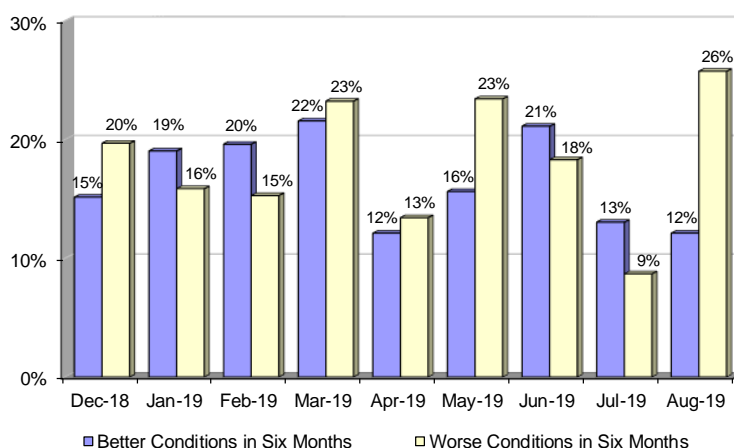
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	March 2019	April 2019	May 2019	June 2019	July 2019	July-19 over June-19
<b>Restaurant Performance Index</b>	101.9	100.1	101.6	101.2	100.4	-0.7%
<b>Current Situation Index</b>	101.8	99.7	101.5	101.1	100.7	-0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	103.8	100.5	102.7	102.9	101.8	-1.0%
Customer Traffic	101.8	97.8	101.0	100.1	100.9	0.8%
Labor	100.9	99.8	100.1	100.2	100.2	0.0%
Capital Expenditures	100.6	100.6	102.1	101.0	100.0	-1.0%
<b>Expectations Index</b>	102.1	100.5	101.7	101.2	100.1	-1.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	104.4	102.5	103.5	102.9	102.0	-0.9%
Staffing	101.9	99.5	101.5	100.9	100.2	-0.7%
Capital Expenditures	102.2	100.9	101.3	100.7	99.7	-1.0%
Business Conditions	99.9	99.2	100.3	100.4	98.6	-1.8%

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).