

July 2020

Restaurant Performance Index Remains in Contraction Territory

The National Restaurant Association’s Restaurant Performance Index (RPI) registered a moderate gain in July. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 97.1 in July, which was up 0.7 percent from June and represented the highest level since the beginning of the coronavirus pandemic in March.

July’s RPI increase was driven by better same-store sales and customer traffic readings, as both indicators continued their gradual improvements from April’s record lows. However, most restaurant operators do not expect a rapid return to normal, and they remain mixed on the direction of the overall economy.

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 Increased 1.4 Percent in July to a Level of 96.2; Expectations Index Was Unchanged at a Level of 98.0

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.2 in July – up 1.4 percent from a level of 94.8 in June. July represented the third consecutive increase in the Current Situation Index, after it fell to a record low in April. Despite the recent gains, the index remained firmly entrenched in contraction territory.

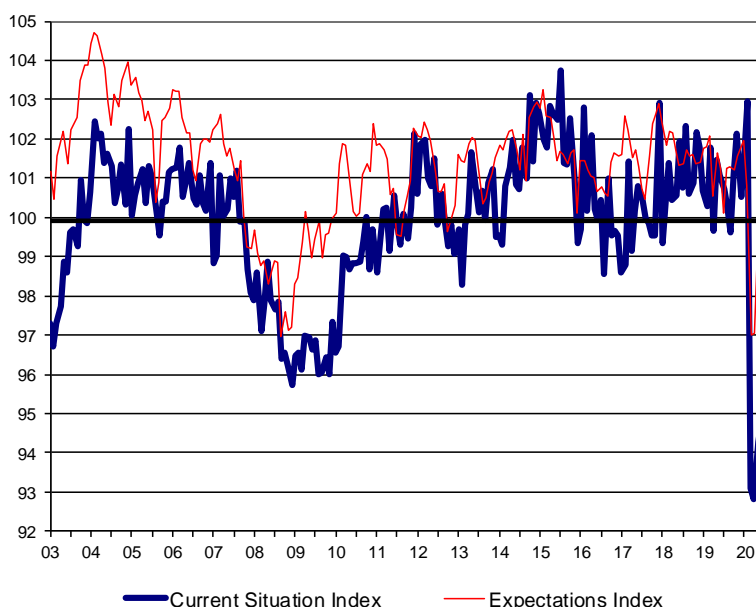
The Expectations Index, which measures restaurant operators’ six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 98.0 – unchanged from last month. This reflects continued uncertainty among restaurant operators, as only one in five expect their sales or staffing levels to return to pre-coronavirus levels within 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

Restaurant Operators Reported Continued Improvement in Same-Store Sales in July

For the fourth consecutive month, restaurant operators reported a modest improvement in same-store sales. Twenty-seven percent of restaurant operators reported a same-store sales increase between July 2019 and July 2020, up from 20 percent who reported similarly in June. Sixty-six percent of operators reported lower same-store sales in July, down from 77 percent in June. Sales readings were not uniform across segments though. Although limited-service operators reported a net increase in same-store sales in July, the vast majority of fullservice operators continued to report sales declines.

Restaurant operators also reported a modest improvement in customer traffic in July. Fifteen percent of restaurant operators reported an increase in customer traffic between July 2019 and July 2020, up from 6 percent who reported similarly in June. Seventy-eight percent of operators reported a traffic decline in July, down from 92 percent in June.

Fifty percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which was up slightly from 47 percent last month.

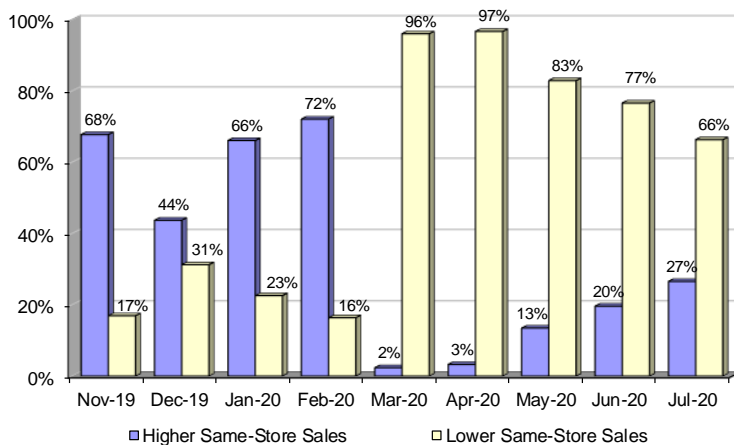
Restaurant Operators Remain Uncertain About Sales Growth and the Economy

Restaurant operators remain generally pessimistic about business conditions in the coming months. Only 20 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 down from 27 percent during the June survey period and 24 percent during the July survey period. Fifty-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 is essentially on par with the readings of the last two months.

Restaurant operators' outlook for the overall economy also deteriorated significantly in recent months. Only 27 percent of restaurant operators said they expect economic conditions will improve in six months, which is less than half of the 61 percent who reported similarly during the June survey period. Thirty-five percent of operators expect economic conditions will worsen in six months – up from 20 percent in June.

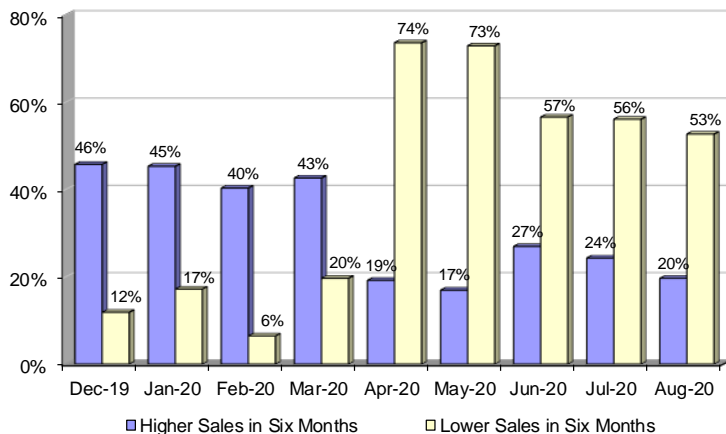
A somewhat larger proportion of restaurant operators plan to make a capital expenditure in the coming months. Forty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 39 percent of operators who reported similarly during the previous month.

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



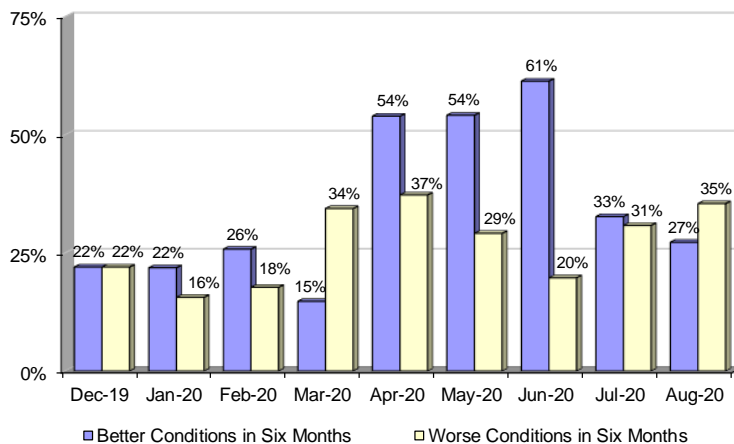
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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 2020	April 2020	May 2020	June 2020	July 2020	July-20 over June-20
Restaurant Performance Index	95.0	94.9	96.8	96.4	97.1	0.7%
Current Situation Index	93.1	92.8	94.3	94.8	96.2	1.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	90.6	90.7	93.1	94.3	96.0	1.8%
Customer Traffic	90.2	90.0	91.9	91.4	93.7	2.5%
Labor	91.6	90.7	93.1	94.1	95.0	0.9%
Capital Expenditures	99.9	99.9	99.2	99.4	100.0	0.6%
Expectations Index	97.0	97.1	99.2	98.0	98.0	0.0%
<i>Expectations Indicators:</i>						
Same-Store Sales	94.6	94.4	97.0	96.8	96.7	-0.1%
Staffing	95.1	95.0	97.0	97.4	97.4	0.0%
Capital Expenditures	96.6	96.3	98.6	97.7	98.8	1.0%
Business Conditions	101.1	102.5	104.2	100.2	99.2	-1.0%

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).