

November 2020

Restaurant Performance Index Fell 0.8% in November

The National Restaurant Association's Restaurant Performance Index (RPI) fell sharply in November, as current situation indicators registered broad-based declines. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 97.5 in November, down 0.8% from a level of 98.3 in October.

The RPI fell to its lowest level since July, and reflected a sharp deterioration in business conditions in November. Restaurant operators reported significantly lower same-store sales and customer traffic, with November readings falling back to late-spring levels. Looking ahead, a majority of restaurant operators expect the economy to improve in the next six months, though their outlook for sales 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 1.4% in November to a Level of 95.0; Expectations Index Edged Down 0.2% to a Level of 100.0

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 95.0 in November – down 1.4% from a level of 96.8 in October. All four current situation indicators declined in November, which dropped the RPI component to its lowest level since June.

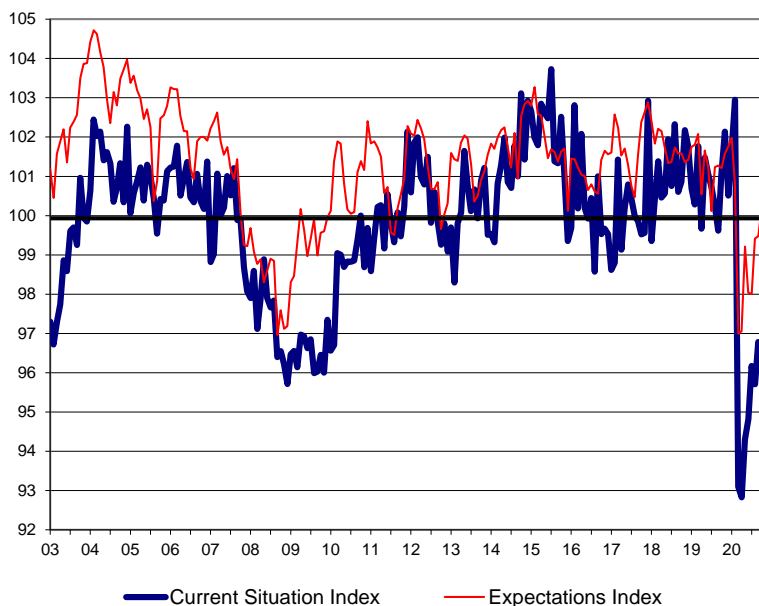
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.0 – down 0.2% from the previous month. Although restaurant operators are more optimistic about the direction of the overall economy in the months ahead, their outlook for their own business remains mixed.

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 Business Conditions Worsened in November

Restaurant operators reported significantly softer same-store sales and customer traffic in November. Only 19% of restaurant operators reported a same-store sales increase between November 2019 and November 2020, down from 30% in October and the lowest reading since May. Seventy-eight percent of operators reported lower same-store sales in November, up from 61% in October.

As has been the case throughout the pandemic, sales readings continued to vary by segment. Limited-service operators were significantly more likely than fullservice operators to report higher same-store sales in November.

The vast majority of restaurant operators continued to report negative customer traffic levels in November. Only 10% of restaurant operators reported an increase in customer traffic between November 2019 and November 2020, down from 16% in October. Eighty-five percent of restaurant operators reported a traffic decline in November, up from 77% in October.

Forty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which was down slightly from 49% of operators who reported similarly last month.

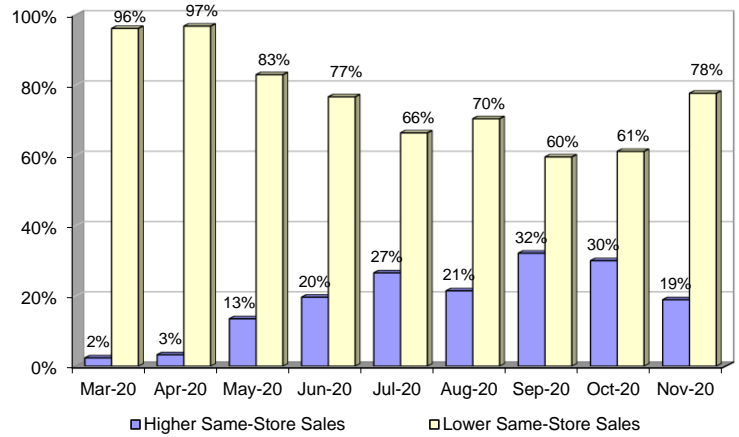
Restaurant Operators Have a Mixed Outlook for Sales in the Months Ahead

Restaurant operators continue to have a mixed outlook for sales in the coming months. Forty 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, up from 36% last month and the highest level since the March survey period. Forty-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 up from 36% of operators who reported similarly last month.

While their sales outlook is a mixed bag, restaurant operators are decidedly more optimistic about the direction of the overall economy. Fifty-two percent of restaurant operators said they expect economic conditions will improve in six months, up from 33% last month and the highest level since the June survey period. Twenty-four percent of operators said they think economic conditions will worsen in six months, compared to 22% last month.

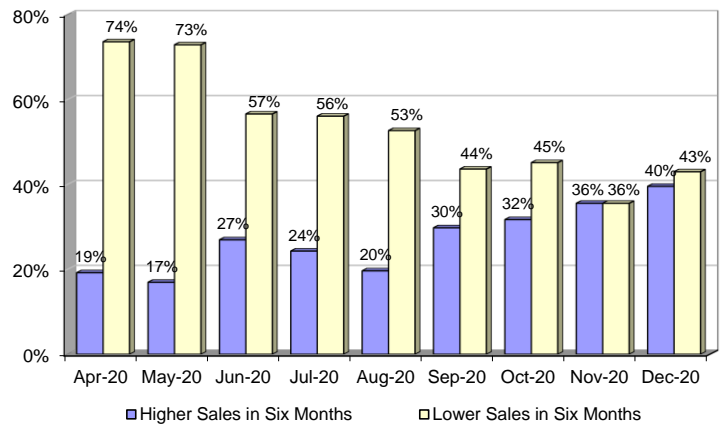
Restaurant operators' outlook for capital spending declined during the December survey period. Forty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 51% during the November survey period and the lowest reading since June.

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



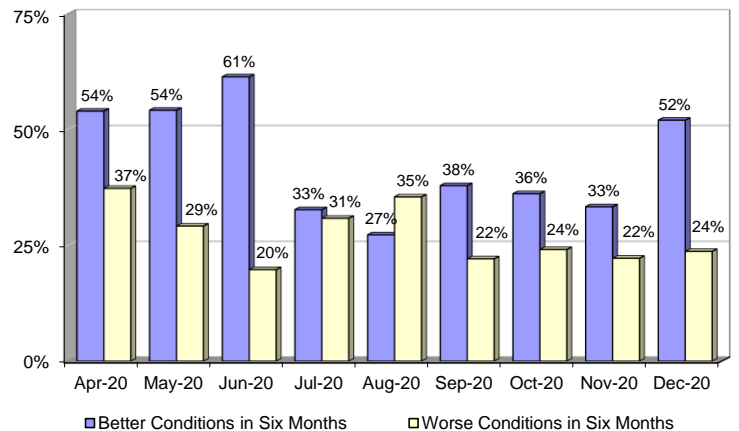
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	July 2020	August 2020	September 2020	October 2020	November 2020	Nov-20 over Oct-20
Restaurant Performance Index	97.1	97.6	98.1	98.3	97.5	-0.8%
Current Situation Index	96.2	95.7	96.8	96.4	95.0	-1.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	96.0	95.1	97.3	96.9	94.1	-2.9%
Customer Traffic	93.7	93.5	93.7	93.9	92.6	-1.4%
Labor	95.0	95.6	95.6	94.9	94.0	-1.0%
Capital Expenditures	100.0	98.6	100.6	99.9	99.4	-0.4%
Expectations Index	98.0	99.4	99.5	100.2	100.0	-0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	96.7	98.6	98.7	100.0	99.7	-0.3%
Staffing	97.4	97.8	98.9	99.7	99.2	-0.4%
Capital Expenditures	98.8	99.7	99.2	100.1	98.2	-1.9%
Business Conditions	99.2	101.6	101.2	101.1	102.8	1.7%

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).