

April 2018

## Restaurant Performance Index Declined in April

Due largely to softer same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) registered a moderate decline in April. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 101.3 in April, down 0.5 percent from a level of 101.8 in March.

April's decline in the RPI was the result of a softer sales and traffic environment. Although operators reported a net increase in sales for the sixth consecutive month, their customer traffic results turned negative again in April. Looking forward, operators are more optimistic about their sales prospects in the coming months, a sentiment that was somewhat offset by uncertainty about the overall economy.

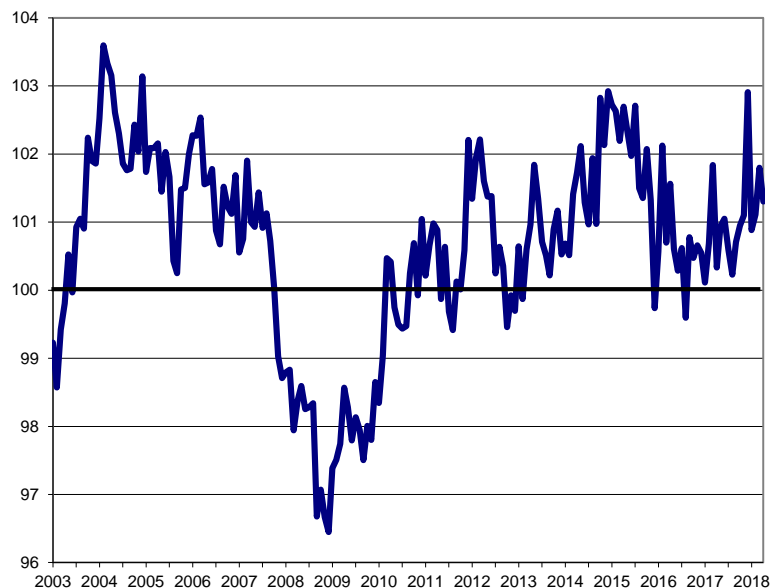
The RPI is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.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

### Current Situation Index Fell 0.9 Percent in April to a Level of 101.8; Expectations Index Dipped 0.1 Percent to a Level of 102.1

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.5 in April – down 0.9 percent from a level of 101.4 in March. Despite the decline, the Current Situation Index remained above the 100 level for the third consecutive month, which signifies expansion in the current situation indicators.

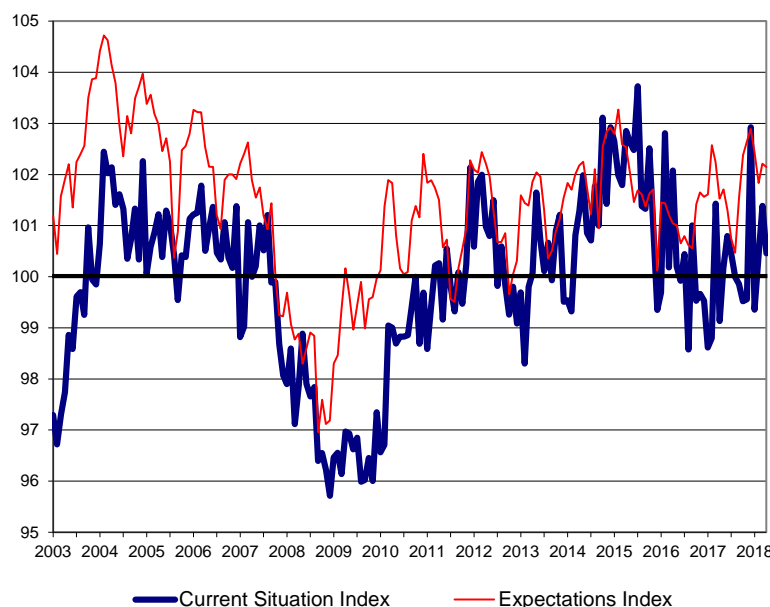
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.1 in April – down slightly from a level of 102.2 in March. Each of the four forward-looking indicators are solidly above 100 in expansion territory, which means restaurant operators are generally optimistic about business conditions 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

### Restaurant Operators Reported Softer Same-Store Sales and Traffic Levels in April

Although restaurant operators reported a net increase in same-store sales for the sixth consecutive month, the April sales results were dampened compared to recent months. Forty-three percent of restaurant operators reported a same-store sales increase between April 2017 and April 2018, down from 59 percent of operators who reported higher sales in March. Forty-one percent of restaurant operators reported a same-store sales decline in April, up from just 28 percent in March. April's sales results represented the smallest net increase in same-store sales during the six-month positive streak.

Restaurant operators also reported dampened customer traffic levels in April. Thirty percent of restaurant operators reported an increase in customer traffic between April 2017 and April 2018, down from 43 percent who reported higher traffic in March. Forty-seven percent of operators said their customer traffic declined in April, up from 34 percent in March and the highest level in three months.

Although sales and traffic levels were somewhat softer in April, restaurant operators continued to make capital expenditures at a healthy pace. Sixty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 61 percent who reported similarly last month.

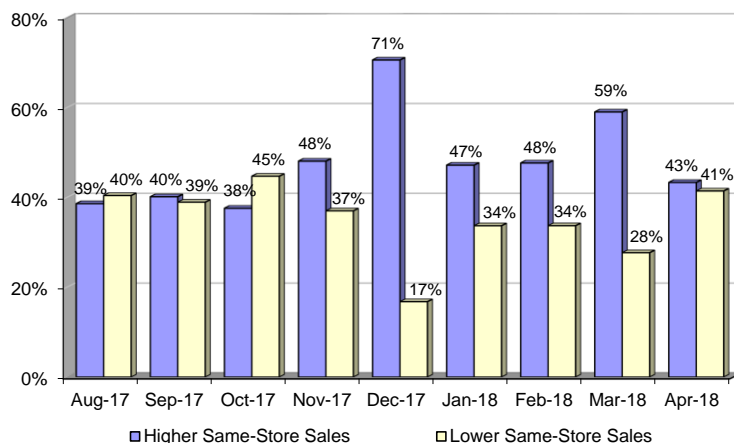
### Restaurant Operators are More Optimistic about Sales Growth in the Coming Months

Restaurant operators are increasingly optimistic about sales growth in the months ahead. Forty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 43 percent last month and the highest level in four months. Only 7 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.

In comparison, restaurant operators are somewhat less bullish about the direction of the overall economy. Twenty-seven percent of operators said they expect economic conditions will improve in six months, down from more than four in 10 who reported similarly at the beginning of 2018. Twelve percent of operators think economic conditions will worsen in six months, while 61 percent expect conditions will remain about the same as they are now.

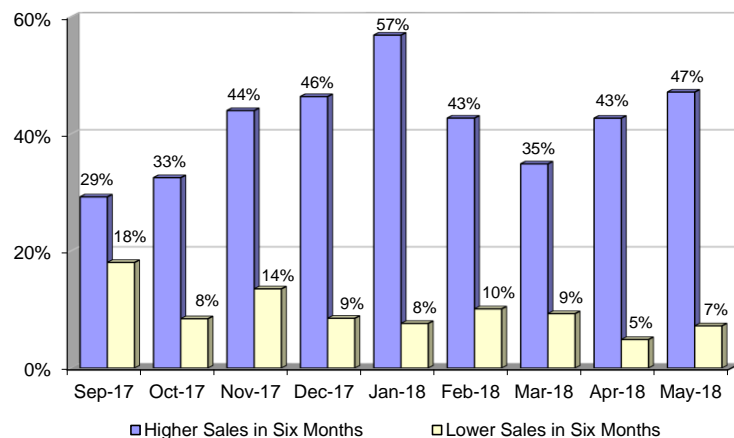
Looking ahead, a majority of restaurant operators are planning for capital expenditures in the coming months. Fifty-nine percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 63 percent who reported similarly last month.

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



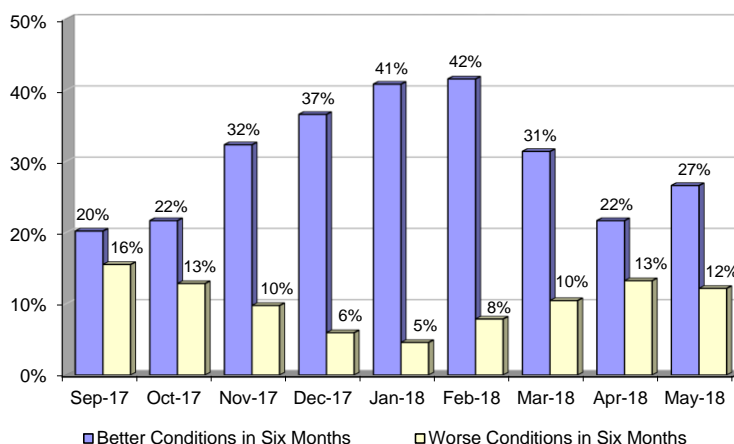
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### 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

	December 2017	January 2018	February 2018	March 2018	April 2018	Apr-18 over Mar-18
<b>Restaurant Performance Index</b>	102.9	100.9	101.1	101.8	101.3	-0.5%
<b>Current Situation Index</b>	102.9	99.4	100.4	101.4	100.5	-0.9%
<i>Current Situation Indicators:</i>						
Same-Store Sales	105.4	101.3	101.4	103.1	100.2	-2.9%
Customer Traffic	102.6	97.4	99.0	101.0	98.3	-2.6%
Labor	101.3	98.3	99.8	99.2	99.9	0.8%
Capital Expenditures	102.4	100.3	101.4	102.3	103.4	1.1%
<b>Expectations Index</b>	102.9	102.4	101.8	102.2	102.1	-0.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	104.9	103.3	102.6	103.8	104.0	0.2%
Staffing	101.0	100.9	100.8	101.7	101.3	-0.4%
Capital Expenditures	102.1	102.1	101.9	102.5	101.9	-0.7%
Business Conditions	103.6	103.4	102.1	100.8	101.4	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).