

Restaurant Performance Index Declined in June as Same-Store Sales and Customer Traffic Slipped

2008-08-01

Economy and food costs remain the top challenges, Outlook for capital spending improved

Restaurant industry performance softened in June, as the National Restaurant Association's comprehensive index of restaurant activity posted a modest decline. The Association's Restaurant Performance Index (RPI) - a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry - stood at 98.3 in June, down 0.3 percent from May and the lowest level in three months.

"The June decline in the Restaurant Performance Index was the result of a drop in the current situation component," said Hudson Riehle, senior vice president of research and information services for the Association. "Restaurant operators reported negative same-store sales and customer traffic levels in June, after posting somewhat stronger results in May."

"The uncertain economy and rising food costs continue to create a challenging business environment for restaurant operators," Riehle added. "A record 29 percent of restaurant operators said the economy is the number-one challenge facing their business, while 22 percent identified food costs as their top challenge."

The RPI is based on the responses to the National Restaurant Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide on a variety of indicators including sales, traffic, labor and capital expenditures. The RPI consists of two components - the Current Situation Index and the Expectations Index. (Follow this link to view this month's report: www.restaurant.org/pdfs/research/index/200806.pdf).

The Restaurant Performance Index 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 under 100 represent a period of contraction for key industry indicators.

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 97.9 in June - down 1.0 percent from May and its first decline in three months. June also represented the tenth consecutive month below 100, which signifies contraction in the current situation component.

Restaurant operators reported a same-store sales decline in June, after reporting a modest net increase in May. Thirty-two percent of restaurant operators reported a same-store sales gain between June 2007 and June 2008, down from 43 percent who reported a sales gain in May. Fifty-three percent of operators reported a same-store sales decline in June, up from 42 percent who reported similarly in May.

In addition to negative sales results, restaurant operators continued to report negative customer traffic levels in June. Twenty-one percent of restaurant operators reported an increase in customer traffic between June 2007 and June 2008, down from 33 percent who reported similarly in May. Fifty-eight percent of operators reported a traffic decline in June, up from 45 percent who reported negative traffic in May.

Despite the softer sales and traffic results, capital spending activity registered an improvement. Forty-nine percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 44 percent who reported similarly last month.

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 98.6 in June - up 0.3 percent from the record-low level registered in May. June represented the eighth consecutive month in which the Expectations Index stood below 100.

Restaurant operators remain relatively pessimistic about sales growth in coming months. Twenty-nine percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), matching the proportion who reported similarly in each of the previous three months. Thirty-eight 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, compared to 37 percent who reported similarly last month.

Restaurant operators also remain pessimistic about the direction of the economy. Fifteen percent of operators expect economic conditions to improve in six months, up slightly from 12 percent who reported similarly last month. Forty-three percent of operators said they expect economic conditions to worsen in six months, down from 45 percent who reported similarly last month.

Despite the relatively negative outlook for sales and the economy, restaurant operators reported an uptick in plans for future capital spending. Forty-seven percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 43 percent who reported similarly last month.

While the RPI is consistently released on the last business day of each month, more detailed data and analysis can be found on Restaurant TrendMapper (www.restaurant.org/trendmapper), the Association's subscription-based Web site that provides detailed analysis of restaurant industry trends.

The National Restaurant Association, founded in 1919, is the leading business association for the restaurant industry, which is comprised of 945,000 restaurant and foodservice outlets and a work force of 13.1 million employees - making it the cornerstone of the economy, career and employment opportunities and community involvement. Along with the National Restaurant Association Educational Foundation, the Association works to represent, educate and promote the rapidly growing industry. For more information, visit our Web site at www.restaurant.org.

This article comes from Hotel News Resource

<http://www.hotelnewsresource.com>

The URL for this story is:

<http://www.hotelnewsresource.com/article33844.html>

© 1998 - 2008 Nevistas and the author.

Brought to you by Hotel News Resource

Distribute your news on our Network

See what all the buzz is about at:

http://www.hotelnewsresource.com/Info-news_account_info.html