2017

NATIONAL RESTAURANT ASSOCIATION

Restaurant Industry Outlook

Restaurant industry expected to post modest sales growth in 2017

Industry sales will reach $799 billion; tableservice remains largest segment, but quickservice sales growth rate will be higher.

A gradually improving economy will help restaurant-industry sales continue to advance in 2017, even as restaurant operators face continued margin pressures, a tightening labor market and some lingering consumer uncertainty.

HIGHLIGHTS:

- The National Restaurant Association projects that restaurant-industry sales will reach **$798.7 billion in 2017,** a 4.3 percent gain over the industry's estimated sales of $766 billion in 2016.
- Adjusted for inflation, 2017's projected restaurant-industry sales represents a **1.7 percent gain over 2016**, up slightly from the 1.5 percent gain registered in 2016.
- Although this represents the eighth consecutive year of real sales gains, growth will remain **dampened by historical standards**. Significant **variances among geographic regions and industry segments** will also affect restaurant sales performance.
- Food-and-beverage sales in the **tableservice-restaurant segment** are projected to reach **$263.0 billion in 2017**, up 3.5 percent from 2016. **Quickservice and fast-casual sales** are expected to total **$233.7 billion in 2017**, a 5.3 percent gain over 2016's sales volume.

NATIONAL RESTAURANT ASSOCIATION®

The charts on the following pages break down the Association's sales projections for 40+ segments of the restaurant and foodservice industry in 2017, including restaurant-sales projections for each state and region.

The Association is projecting that the restaurant industry's workforce will increase slightly to 14.7 million in 2017. Restaurants will remain the nation's second-largest private-sector employer, providing jobs and careers for about one in 10 working Americans.

Look for five key trends to shape the restaurant industry in 2017:

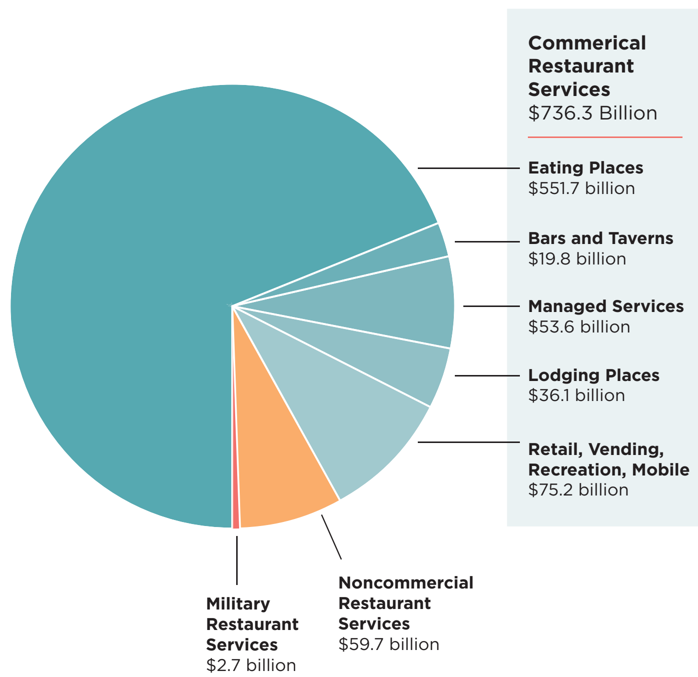
1. A challenging business environment.

While restaurant operators generally are optimistic about the outlook for future business, a range of challenges will put a damper on their enthusiasm in 2017. Rising labor costs and a complex legislative and regulatory landscape on federal, state and local levels add pressure on business performance and bottom lines.

Adding it all up:

$798.7 billion

Projected restaurant-industry sales in 2017



2. Recruiting is a top challenge.

Recruitment and retention of employees continues to strengthen as a top challenge for restaurant operators in 2017. As the economy keeps improving and employment levels rise, there is more competition for qualified employees to fill vacant restaurant positions.

3. Elevated pent-up demand.

Consumers' pent-up demand for restaurant services remains elevated compared to historical levels. As Americans remain relatively cautious with their spending in 2017, restaurant operators will engage in social media marketing and other innovative tactics to highlight exceptional quality, service and value to nudge consumers into action.

4. Technology gains ground.

Technology adoption will keep growing among restaurant operators in 2017, but the process is not without challenges. Cost in various forms remains a significant barrier, and while acceptance of the more common types of restaurant technology — such as online ordering, kiosks and mobile payment — gains ground among consumers, some are still on the fence about more advanced technologies.

5. Food and menu trends lean toward concepts.

As their food-decision matrix grows increasingly complex, consumers will be more engaged and discerning than ever when dining out in 2017. Diners are more knowledgeable about food and have come to expect menu options that fit their dietary preferences no matter when or where they visit restaurants. This has resulted in food trends becoming more concept-based than ingredient-based, with an evolving focus on production, sourcing and preparation.

COMING SOON:
The full 2017 Restaurant Industry Outlook!

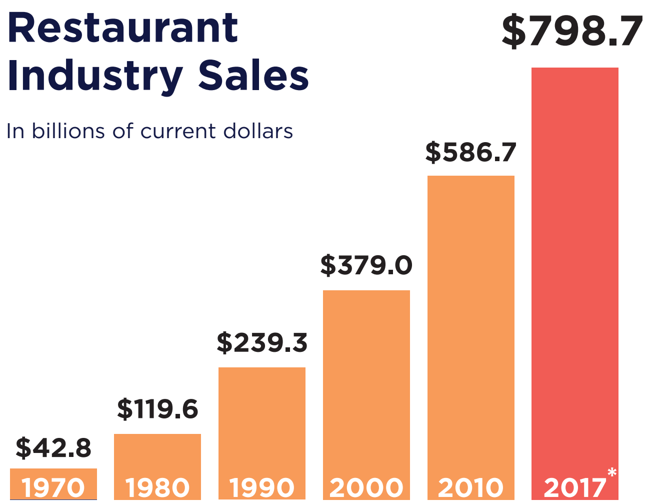
Visit **Restaurant.org/Forecast** for ongoing information about restaurant-industry trends in 2017.

- **Sales and economic forecast:** The economic backdrop for restaurants in 2017; how consumers feel about their personal finances and the national economy; restaurant operators' expectations for the economy and their businesses.
- **Segment trends:** Top challenges and trends in the tableservice and limited-service restaurant segments.
- **Technology trends:** What consumers want, how technology is changing the restaurant business, and the technology challenges for both restaurateurs and guests.
- **Food and beverage trends:** Perspectives from consumers, restaurant operators and chefs on the hottest food-and-drink trends in 2017.
- **Workforce trends:** Growth rates for industry jobs, staffing challenges and more.

Restaurant Industry's Share of the Food Dollar

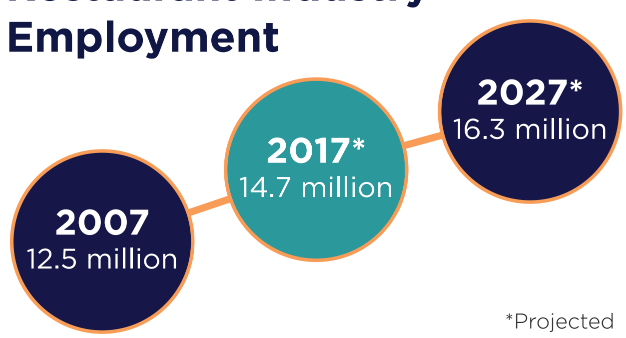
Restaurant Industry Sales

In billions of current dollars



*Projected

Restaurant Industry Employment



*Projected

Restaurant-industry food-and-drink sales: Projections for 2017

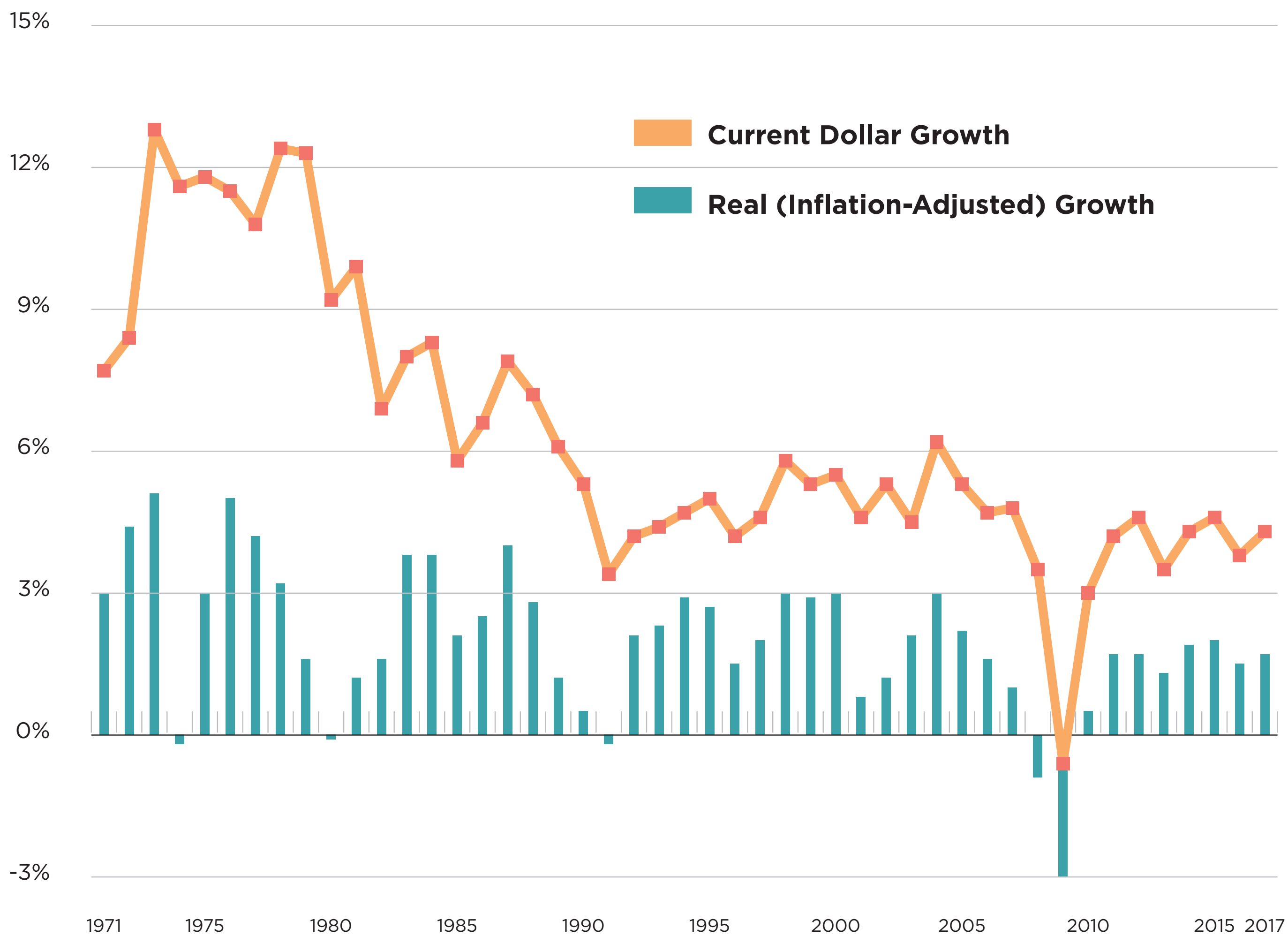
	2016 Sales	2017 Sales	% chg	Real % chg
GROUP I — COMMERCIAL RESTAURANT SERVICES[1]	($000)	($000)		
EATING PLACES				
Fullservice restaurants[2]	$254,107,809	$263,001,582	3.5%	1.1%
Limited-service (quickservice) restaurants[3]	221,896,402	233,656,911	5.3%	2.5%
Cafeterias, grill-buffets and buffets[4]	5,887,845	5,681,770	-3.5%	-6.1%
Snack and nonalcoholic beverage bars	38,434,085	40,750,369	6.0%	3.2%
Social caterers	8,273,700	8,604,648	4.0%	1.5%
TOTAL EATING PLACES	$528,599,841	$551,695,280	4.4%	1.8%
Bars and taverns	19,301,182	19,783,712	2.5%	0.3%
TOTAL EATING-AND-DRINKING PLACES	$547,901,023	$571,478,992[5]	4.3%	1.7%
MANAGED SERVICES[6]				
Manufacturing and industrial plants	$8,674,503	$9,018,014	4.0%	1.4%
Commercial and office buildings	3,145,343	3,276,558	4.2%	1.6%
Hospitals and nursing homes	6,309,435	6,688,001	6.0%	4.2%
Colleges and universities	16,528,053	17,370,984	5.1%	2.5%
Primary and secondary schools	6,910,091	7,155,399	3.5%	1.0%
In-transit restaurant services (airlines)	2,547,995	2,644,054	3.8%	1.3%
Recreation and sports centers	7,017,572	7,422,714	5.8%	3.3%
TOTAL MANAGED SERVICES	$51,132,992	$53,575,724	4.8%	2.3%
LODGING PLACES				
Hotel restaurants	$34,008,228	$35,466,161	4.3%	1.8%
Other accommodation restaurants	567,207	593,479	4.6%	2.1%
TOTAL LODGING PLACES	$34,575,435	$36,059,640	4.3%	1.8%
Retail-host restaurants[7]	$40,886,776	$42,307,860	3.5%	0.9%
Recreation and sports[8]	16,658,164	17,672,724	6.1%	3.6%
Mobile caterers	917,824	967,249	5.4%	2.8%
Vending and nonstore retailers[9]	13,670,965	14,259,911	4.3%	1.6%
TOTAL — GROUP I	$705,743,179	$736,322,100	4.3%	1.7%
GROUP II — NONCOMMERCIAL RESTAURANT SERVICES[10]				
Employee restaurant services[11]	$407,762	$411,369	0.9%	-0.3%
Public and parochial elementary, secondary schools	7,328,914	7,546,374	3.0%	0.4%
Colleges and universities	8,242,407	8,581,027	4.1%	1.5%
Transportation	2,451,554	2,501,983	2.1%	0.2%
Hospitals[12]	17,707,203	18,387,810	3.8%	2.8%
Nursing homes, homes for the aged, blind, orphans and the mentally and physically disabled[13]	9,337,930	9,549,435	2.3%	1.1%
Clubs, sporting and recreational camps	8,487,869	8,797,322	3.6%	1.2%
Community centers	3,684,201	3,875,780	5.2%	1.6%
TOTAL — GROUP II	$57,647,840	$59,651,100	3.5%	1.6%
TOTAL — GROUPS I AND II	$763,391,019	$795,973,200	4.3%	1.7%
GROUP III — MILITARY RESTAURANT SERVICES[14]				
Officers' and NCO clubs (Open mess)	$1,786,999	$1,833,998	2.6%	0.2%
Military exchanges	866,349	899,271	3.8%	1.0%
TOTAL — GROUP III	$2,653,348	$2,733,269	3.0%	0.5%
GRAND TOTAL	$766,044,367	$798,706,469	4.3%	1.7%

Footnotes:

1. Data are given only for establishments with payroll.
2. Waiter/waitress service is provided, and the order is taken while the patron is seated. Patrons pay after they eat.
3. Patrons generally order at a cash register or select items from a food bar and pay before they eat.
4. Formerly commercial cafeterias.
5. Food and drink sales for nonpayroll establishments totaled $14,501,518,000 with full service restaurants accounting for $3,373,499,000, limited service accounting for $3,906,746,000, Special foodservice accounting for $5,452,495,000 and Drinking Places accounting for $1,768,778,000.
6. Also referred to as onsite food-service and food contractors.
7. Includes health-and-personal-care-store restaurants, general-merchandise-store restaurants, variety-store restaurants, food-store restaurants and grocery-store restaurants (including a portion of delis and all salad bars), gasoline-service-station restaurants and miscellaneous retailers.
8. Includes movies, bowling lanes, recreation and sport centers.
9. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
10. Business, educational, governmental or institutional organizations that operate their own restaurant services.
11. Includes industrial and commercial organizations, seagoing and inland-waterway vessels.
12. Includes voluntary and proprietary hospitals; long-term general, TB, nervous and mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
13. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
14. Continental United States only.

47 Years of Restaurant-Industry* Sales

2017: Current Dollar Growth: **4.3%** Real (inflation-Adjust) Growth: **1.7%**



**The National Restaurant Association defines the restaurant industry as that which encompasses all meals and snacks prepared away from home, including all takeout meals and beverages.*

State Sales and Economic Projections

Restaurant-sales gains can vary significantly by state and region, driven largely by changes in total employment, residents' personal disposable income and population.

	State Economic Indicators *Projected Percent Change, 2016 - 2017*			Restaurant Sales ($000)		
	Total Employment	Real Disposable Personal Income	Total Population	2016	2017	Percent Change
Connecticut	0.8%	1.3%	0.1%	$7,251,856	$7,542,428	4.0%
Maine	0.8%	1.5%	0.0%	$2,209,213	$2,279,257	3.2%
Massachusetts	1.4%	1.9%	0.5%	$16,351,531	$17,027,425	4.1%
New Hampshire	1.5%	2.3%	0.2%	$2,582,388	$2,693,608	4.3%
Rhode Island	1.0%	1.6%	0.2%	$2,314,292	$2,392,091	3.4%
Vermont	1.1%	1.6%	0.2%	$994,638	$1,027,685	3.3%
New England	**1.2%**	**1.7%**	**0.3%**	**$31,703,917**	**$32,962,495**	**4.0%**
New Jersey	1.0%	1.4%	0.2%	$15,706,758	$16,302,003	3.8%
New York	1.1%	1.8%	0.1%	$41,821,807	$43,317,950	3.6%
Pennsylvania	1.0%	1.7%	0.0%	$20,629,185	$21,497,587	4.2%
Middle Atlantic	**1.0%**	**1.6%**	**0.1%**	**$78,157,751**	**$81,117,540**	**3.8%**
Delaware	1.5%	1.7%	0.9%	$1,945,488	$2,032,445	4.5%
District of Columbia	0.8%	1.3%	0.9%	$3,571,631	$3,753,079	5.1%
Florida	2.5%	3.9%	2.2%	$39,248,095	$41,681,452	6.2%
Georgia	1.9%	2.8%	1.6%	$18,622,860	$19,634,522	5.4%
Maryland	1.2%	1.7%	0.6%	$11,637,561	$12,083,994	3.8%
North Carolina	1.8%	2.4%	1.3%	$17,819,686	$18,610,709	4.4%
South Carolina	1.9%	2.9%	1.2%	$8,938,029	$9,407,621	5.3%
Virginia	1.5%	2.2%	0.8%	$16,101,588	$16,830,760	4.5%
West Virginia	0.1%	0.7%	0.0%	$2,661,280	$2,753,102	3.5%
South Atlantic	**1.8%**	**2.8%**	**1.4%**	**$120,546,218**	**$126,787,683**	**5.2%**
Illinois	1.0%	1.6%	0.0%	$24,307,158	$25,197,590	3.7%
Indiana	1.2%	2.0%	0.4%	$11,126,041	$11,596,239	4.2%
Michigan	1.3%	2.1%	0.0%	$15,259,516	$15,887,140	4.1%
Ohio	1.2%	1.8%	0.1%	$20,333,052	$20,944,678	3.0%
Wisconsin	1.2%	1.9%	0.3%	$8,328,224	$8,600,978	3.3%
East North Central	**1.2%**	**1.8%**	**0.1%**	**$79,353,991**	**$82,226,626**	**3.6%**
Alabama	1.2%	1.6%	0.2%	$7,738,249	$8,086,074	4.5%
Kentucky	1.1%	1.5%	0.3%	$7,568,034	$7,863,287	3.9%
Mississippi	0.9%	1.3%	0.1%	$4,370,569	$4,538,948	3.9%
Tennessee	1.6%	2.5%	0.8%	$11,639,354	$12,175,622	4.6%
East South Central	**1.3%**	**1.9%**	**0.4%**	**$31,316,206**	**$32,663,931**	**4.3%**
Iowa	1.1%	1.7%	0.1%	$4,203,504	$4,356,317	3.6%
Kansas	1.0%	1.7%	0.6%	$4,610,080	$4,788,148	3.9%
Minnesota	1.4%	2.1%	0.6%	$9,416,774	$9,733,433	3.4%
Missouri	1.2%	1.8%	0.4%	$10,132,856	$10,480,847	3.4%
Nebraska	1.0%	1.6%	0.6%	$2,842,526	$2,953,163	3.9%
North Dakota	0.8%	1.5%	0.8%	$1,273,746	$1,304,402	2.4%
South Dakota	1.4%	2.0%	0.7%	$1,277,695	$1,332,782	4.3%
West North Central	**1.2%**	**1.8%**	**0.5%**	**$33,757,182**	**$34,949,092**	**3.5%**
Arkansas	1.0%	1.6%	0.4%	$4,279,811	$4,416,993	3.2%
Louisiana	0.7%	1.4%	0.3%	$8,636,431	$8,908,479	3.1%
Oklahoma	0.7%	1.5%	0.6%	$6,412,361	$6,611,970	3.1%
Texas	1.8%	2.5%	1.7%	$52,034,165	$54,063,768	3.9%
West South Central	**1.5%**	**2.2%**	**1.3%**	**$71,362,768**	**$74,001,210**	**3.7%**
Arizona	2.2%	3.5%	2.1%	$11,367,572	$12,015,524	5.7%
Colorado	2.0%	3.1%	1.4%	$11,521,373	$12,110,905	5.1%
Idaho	1.7%	2.7%	1.1%	$2,169,491	$2,283,224	5.2%
Montana	0.8%	1.5%	0.8%	$1,752,110	$1,832,484	4.6%
Nevada	2.4%	3.6%	2.2%	$6,810,366	$7,208,451	5.8%
New Mexico	0.7%	1.3%	0.3%	$3,292,985	$3,391,419	3.0%
Utah	2.5%	3.9%	1.5%	$4,363,685	$4,624,565	6.0%
Wyoming	0.6%	1.2%	0.6%	$984,779	$1,023,064	3.9%
Mountain	**2.0%**	**3.1%**	**1.5%**	**$42,262,363**	**$44,489,636**	**5.3%**
Alaska	0.5%	1.6%	0.5%	$1,552,351	$1,618,914	4.3%
California	1.7%	2.5%	0.9%	$78,179,741	$82,240,200	5.2%
Hawaii	1.1%	1.6%	0.7%	$4,446,835	$4,630,223	4.1%
Oregon	2.1%	3.2%	0.9%	$7,341,831	$7,750,363	5.6%
Washington	1.9%	2.9%	1.2%	$12,851,928	$13,533,081	5.3%
Pacific	**1.7%**	**2.6%**	**0.9%**	**$104,372,687**	**$109,772,781**	**5.2%**

Source: National Restaurant Association
Note: Sales figures are in current dollars, and are not adjusted for menu price inflation