



STATE
of the
RESTAURANT
INDUSTRY
2024

Hudson Riehle

*Senior Vice President
Research & Knowledge Group*

*Virginia Governor's Tourism Summit
Hot Springs, VA
November 14, 2024*

NATIONAL
RESTAURANT
ASSOCIATION



STATE
of the
**RESTAURANT
INDUSTRY**
2024

AGENDA

ECONOMIC
OVERVIEW

RESTAURANT
INDUSTRY
OUTLOOK



WRAP-UP



U.S. Economic Overview

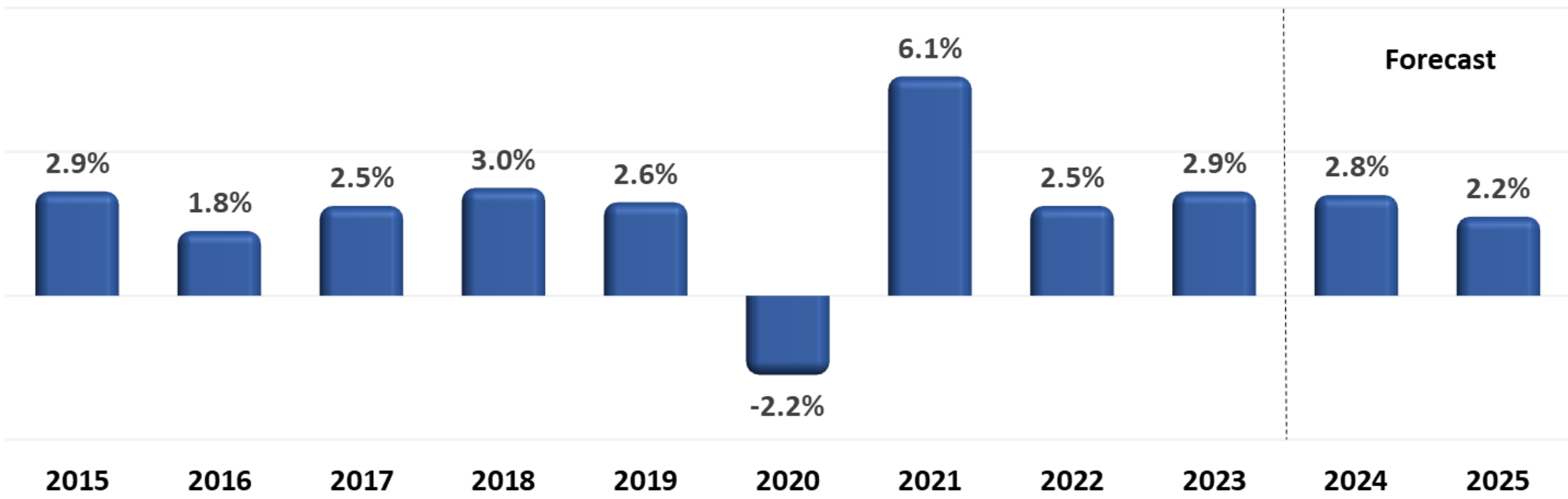


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 **INDUSTRY**
2024



Economy Will Continue to Grow in 2025

U.S. Real Gross Domestic Product – historical and projected growth rates



Sources: Bureau of Economic Analysis, National Restaurant Association projections

*projected



RECENT U.S. ECONOMIC EXPANSIONS

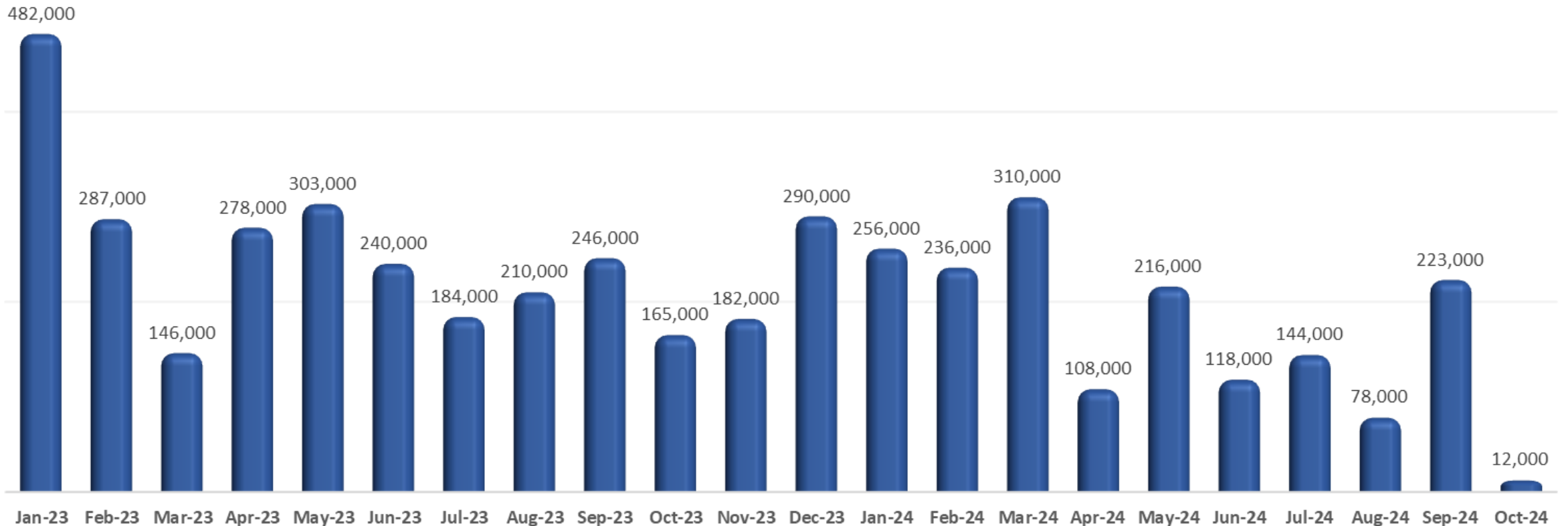
Start	End	Duration
July 1980	July 1981	12 months
November 1982	July 1990	92 months
March 1991	March 2001	120 months
November 2001	December 2007	73 months
June 2009	February 2020	128 months
April 2020	????	56 months

SOURCE: National Bureau of Economic Research; National Restaurant Association, November 2024



National Job Growth Was Uneven in Recent Months

Total U.S. nonfarm employment – change from previous month

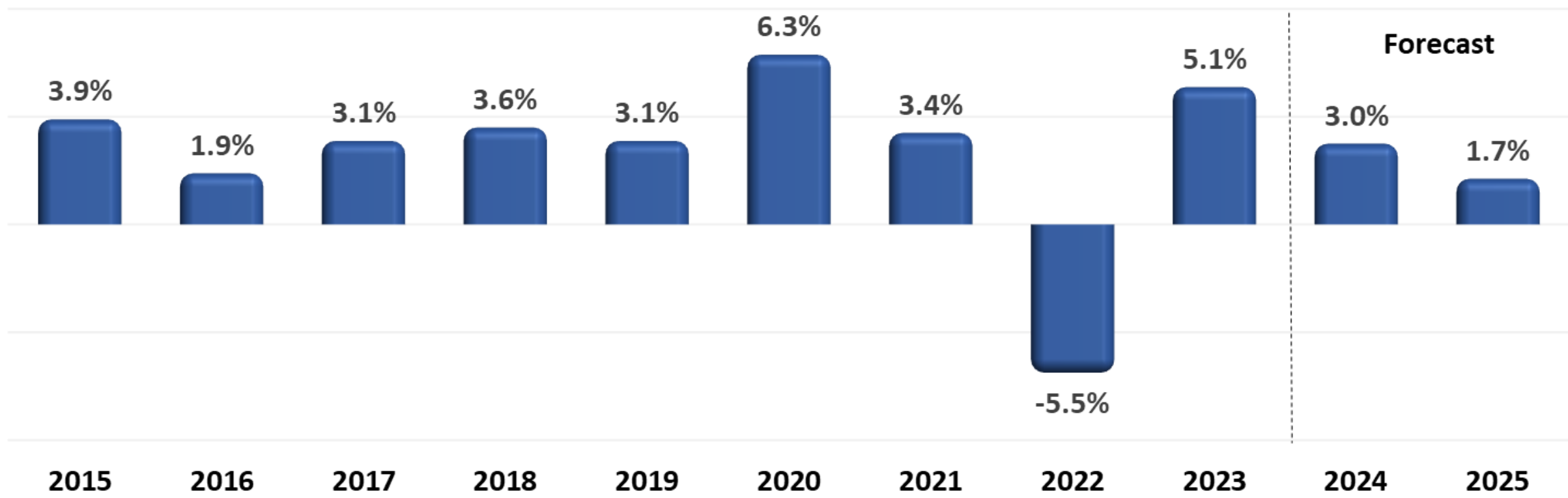


Source: Bureau of Labor Statistics; figures are seasonally adjusted



Disposable Income Growth Will Slow in 2025

U.S. Real Disposable Personal Income – historical and projected growth rates



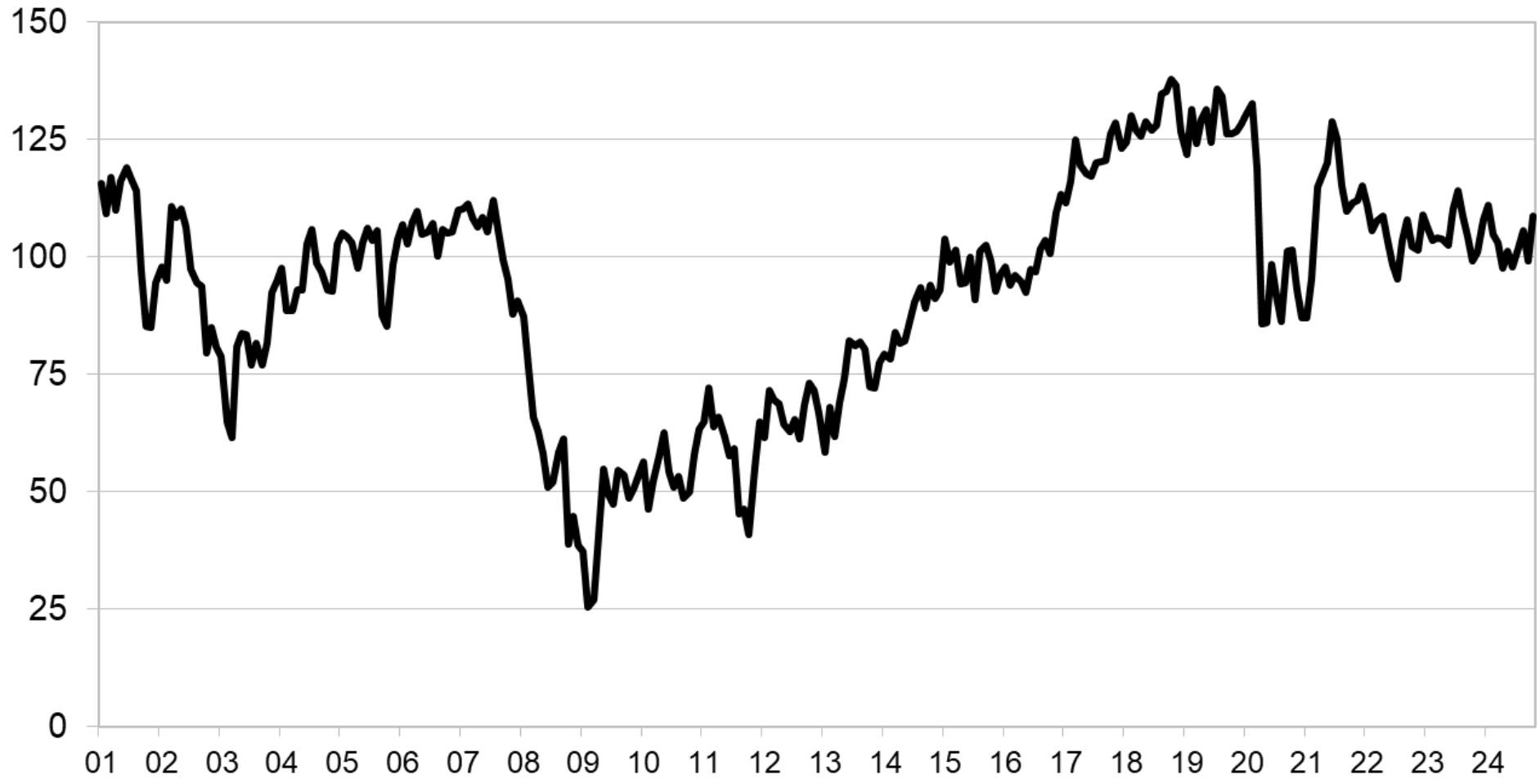
Sources: Bureau of Economic Analysis, National Restaurant Association projections

*projected



Consumer Confidence Edging Up

U.S. Consumer Confidence Index



Source: The Conference Board



Consumer Confidence Variations By Region

October 2024

REGION	INDEX
South Atlantic	119.5
West North Central	111.3
Pacific	107.0
Mountain	104.9
New England	104.2
Middle Atlantic	102.0
West South Central	102.0
East North Central	100.2
East South Central	93.7



Where Consumers Spent: 2023

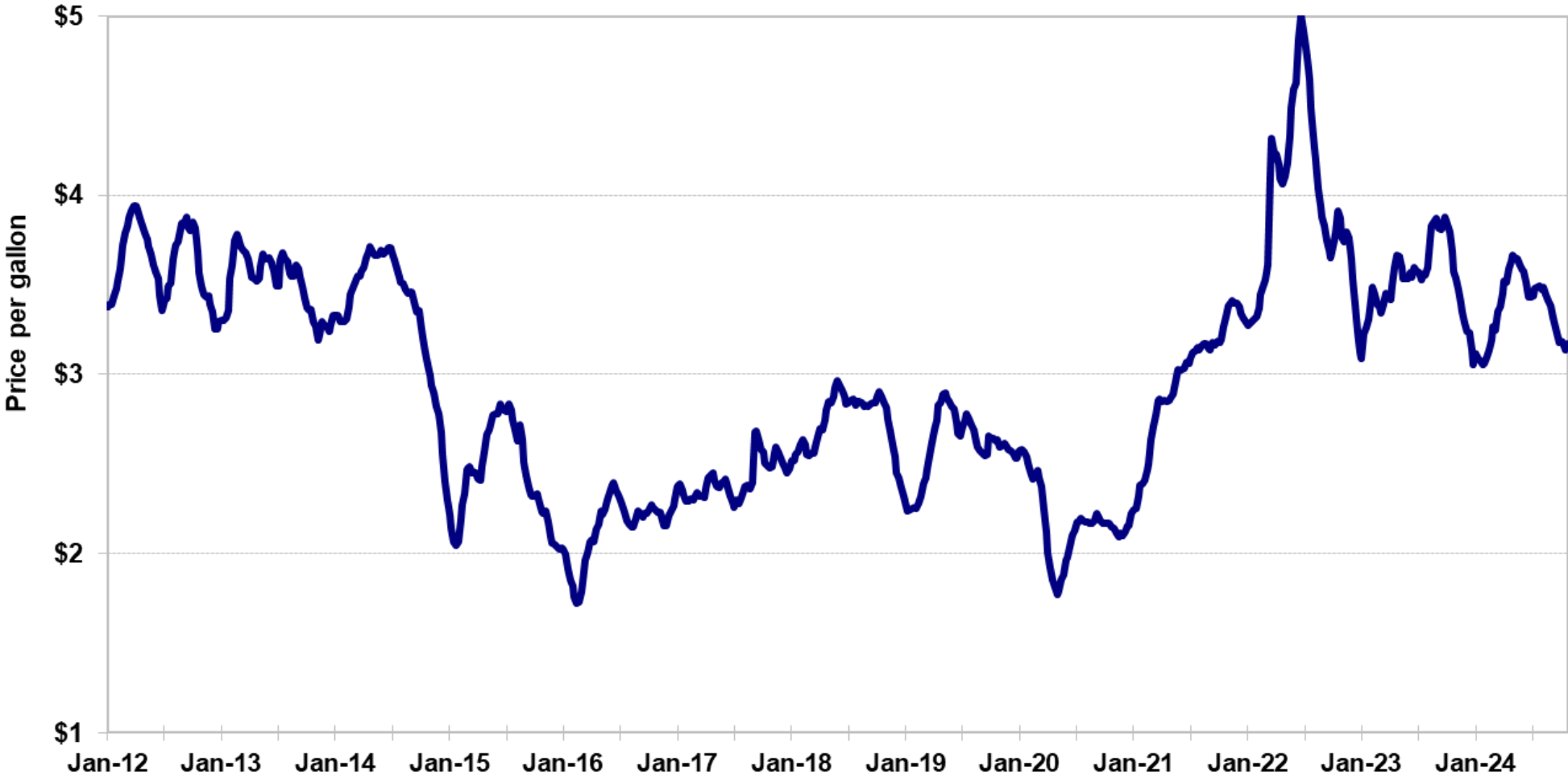
CATEGORY	PERCENT OF TOTAL
Housing	33%
Transportation	17
Food	13
Insurance/pensions	12
Healthcare	8
Entertainment	5
Contributions	3
Clothing	3
Other	6
Total	100%

Source: Bureau of Labor Statistics, Consumer Expenditure Survey; National Restaurant Association



Gas Prices Trended Lower in Recent Weeks

Average price per gallon of regular gasoline



Source: U.S. Department of Energy, Energy Information Administration



Metro Office Employee Occupancy Levels Remain Low

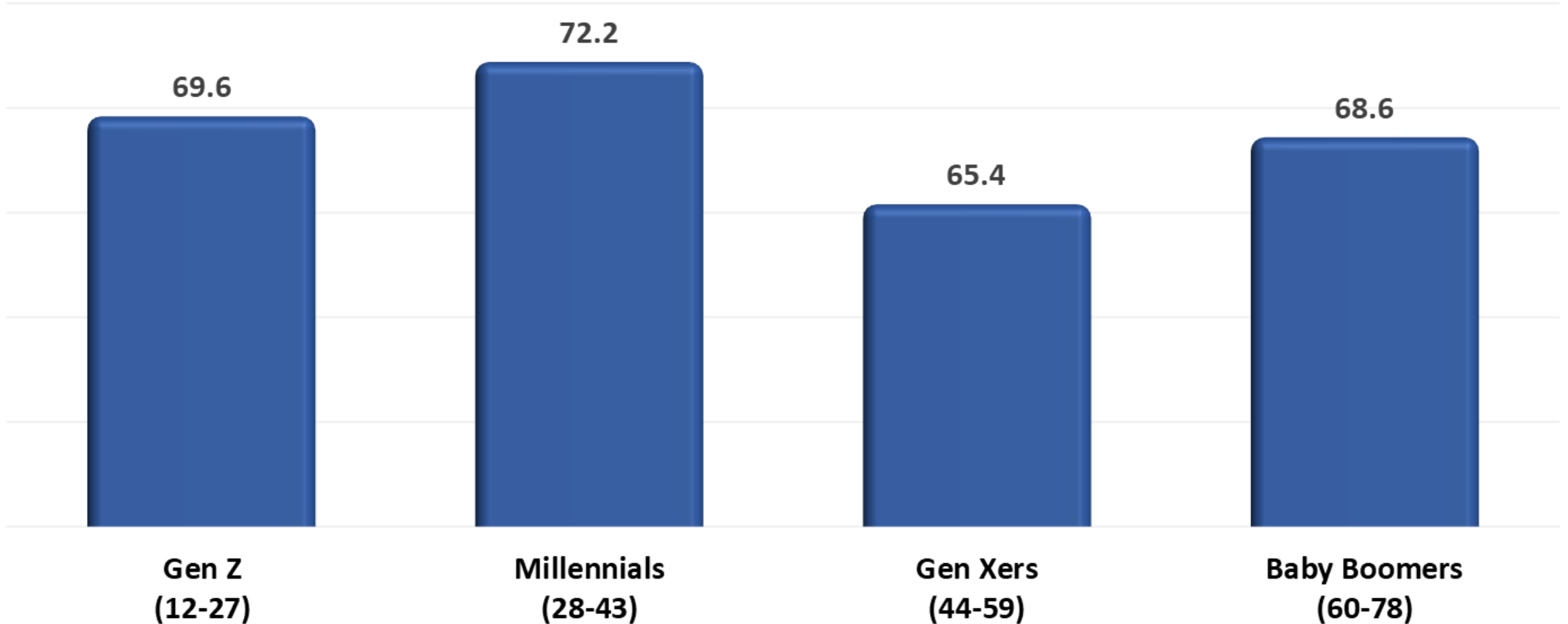
(November 4, 2024)

Metro Area	Percent Occupancy
Austin	64%
Houston	62%
Dallas	61%
Chicago	56%
New York	54%
Washington, DC	48%
Los Angeles	48%
San Jose	44%
Philadelphia	42%
San Francisco	42%



Younger Generations Represent the Largest Block of Consumers

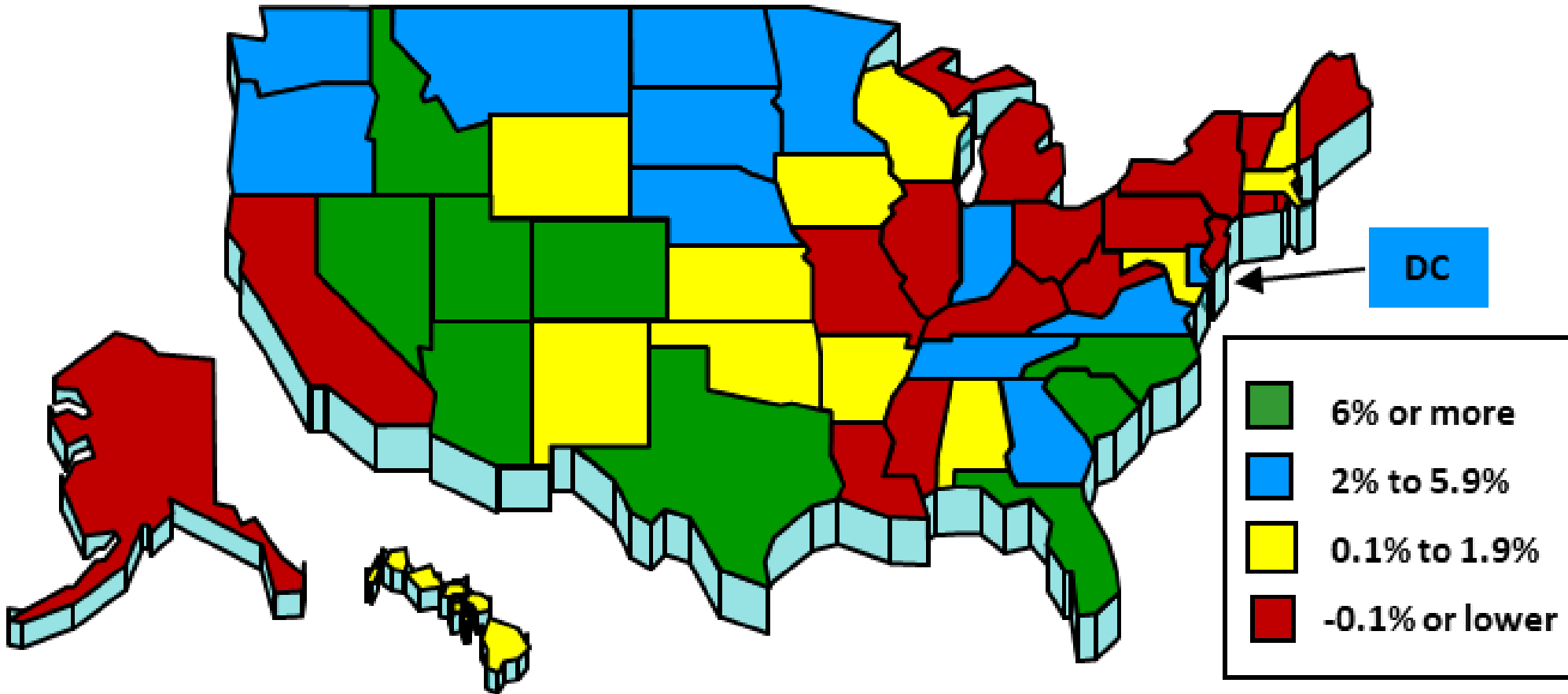
U.S. population by generation (millions)





Fastest Growing Population Will Be in the West and Southeast

Projected growth in total population: 2023 to 2030





Importance of Travel & Tourism



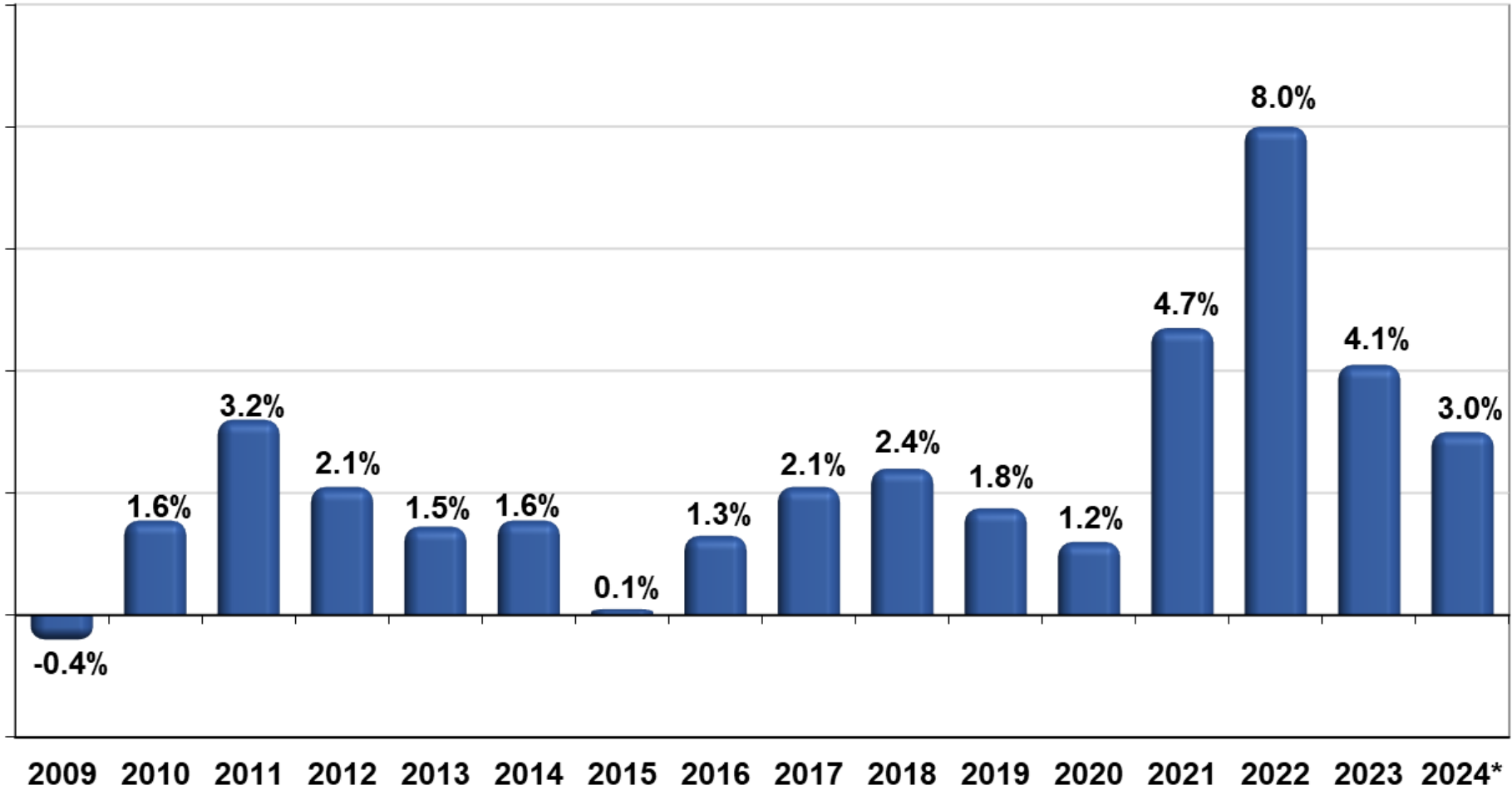
- In a typical year, about **\$3 in \$10** spent in restaurants comes from travelers and visitors.
- **Fine-dining restaurants are the most reliant**, with an average of **41%** of sales coming from travelers and visitors.
- For some fine-dining operations, it's a much larger proportion: **1 in 4** fine-dining operators say travelers and visitors accounted for **at least 60% of their sales** prior to COVID-19.

Source: National Restaurant Association



Inflation Is Moderating

Annual Growth in Consumer Price Index – All Items






INDUSTRY OUTLOOK



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Restaurant Industry Sales in 2024 \$1+ Trillion



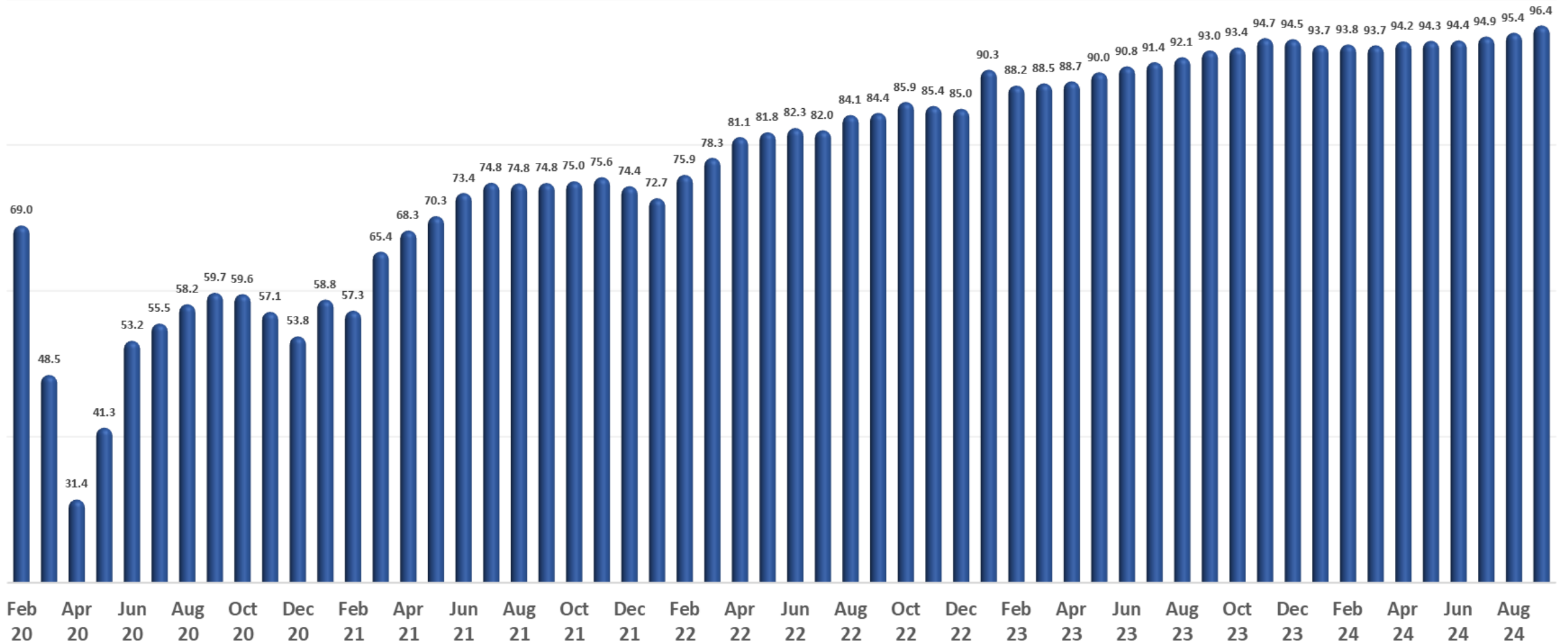
**Restaurant
Industry's
Economic
Impact Is
\$3.5 Trillion**





Restaurant Sales Edged Up in Recent Months

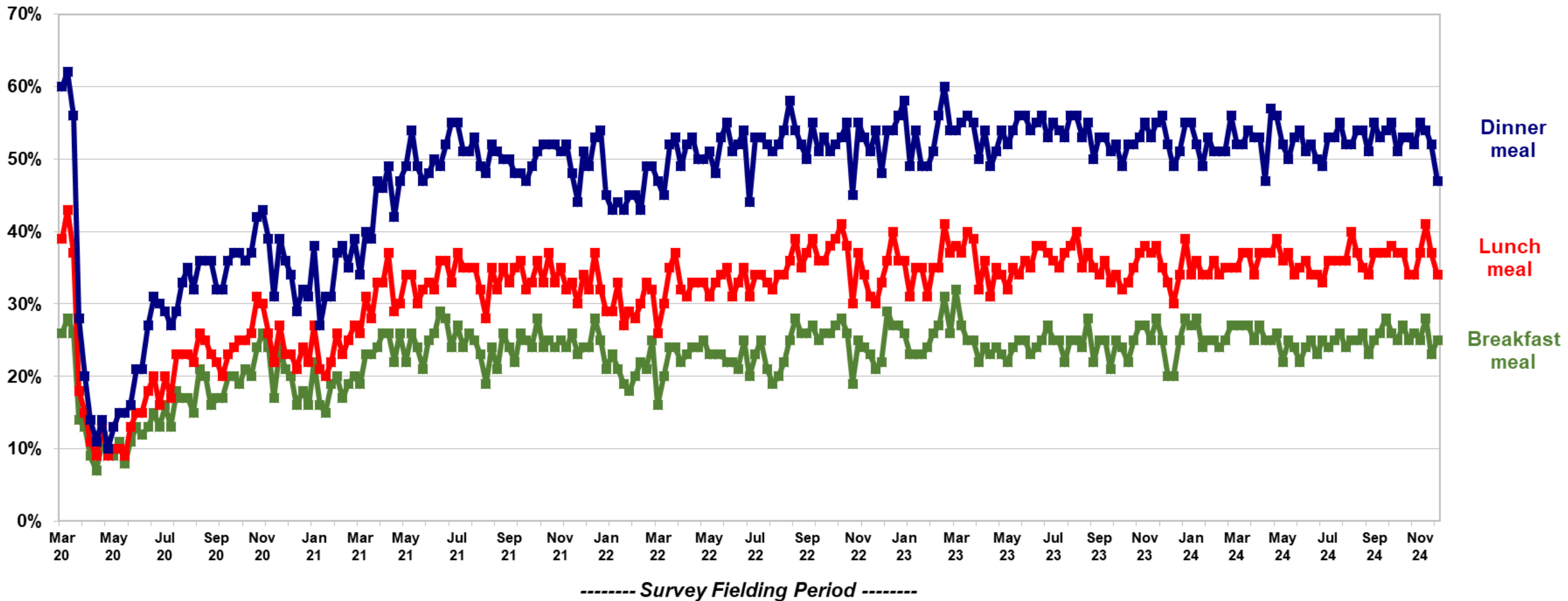
Seasonally-adjusted Monthly Sales at Eating and Drinking Places (in billions)



Source: U.S. Census Bureau



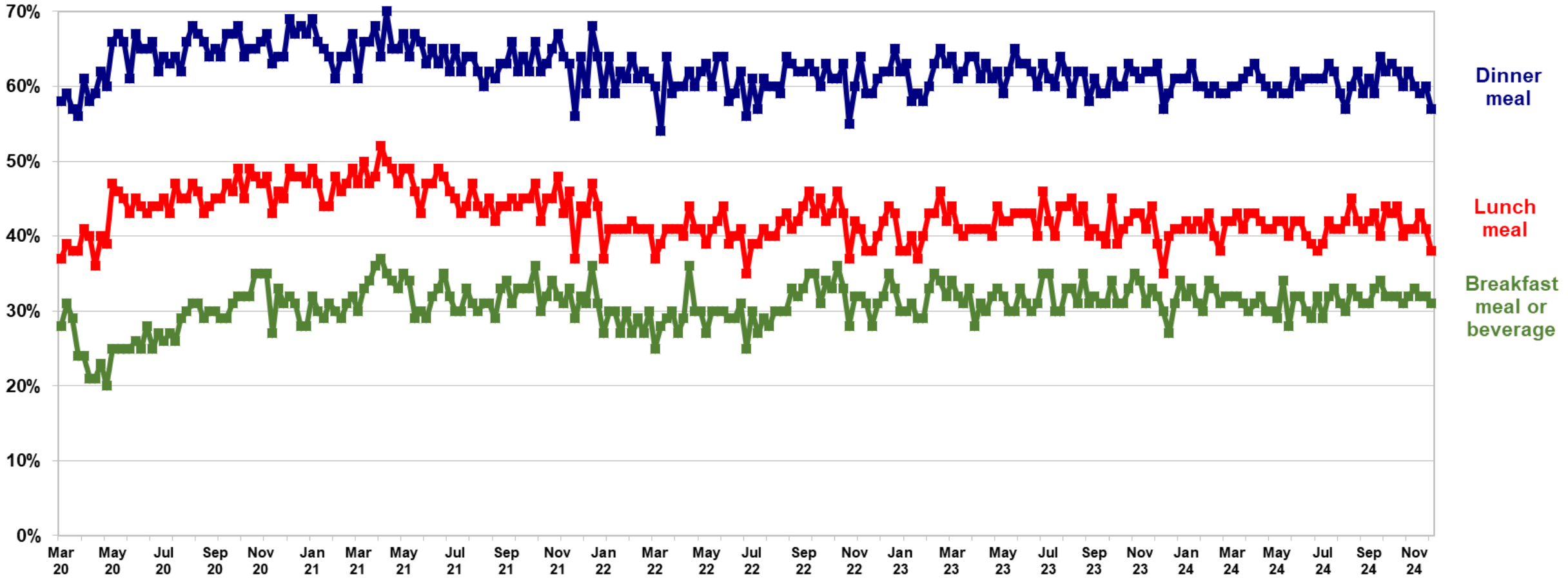
Percent of adults who used restaurants for these on-premises meal occasions during the previous week



Source: National Restaurant Association, weekly surveys of 1,000 adults



Percent of adults who used restaurants for these off-premises meal occasions during the previous week



----- Survey Fielding Period -----

Source: National Restaurant Association, weekly surveys of 1,000 adults



On and Off-Premises Traffic Shares

Restaurant Traffic	Feb 2020*	Sept 2024*	Percentage Point Change
On-Premises	39%	26%	-13
Off-Premises	61%	74%	+13
•Carry-Out	32%	29%	-3
•Drive-Thru	26%	36%	+10
•Delivery	3%	9%	+6



Restaurant Traffic Shares by Daypart

Daypart	Sept 2019*	Sept 2024*	Percentage Point Change
Morning	19.8%	21.0%	+1.2
Lunch	30.9%	28.8%	-2.1
Dinner	34.6%	33.9%	-0.7
PM Snacks	14.6%	16.4%	+1.8

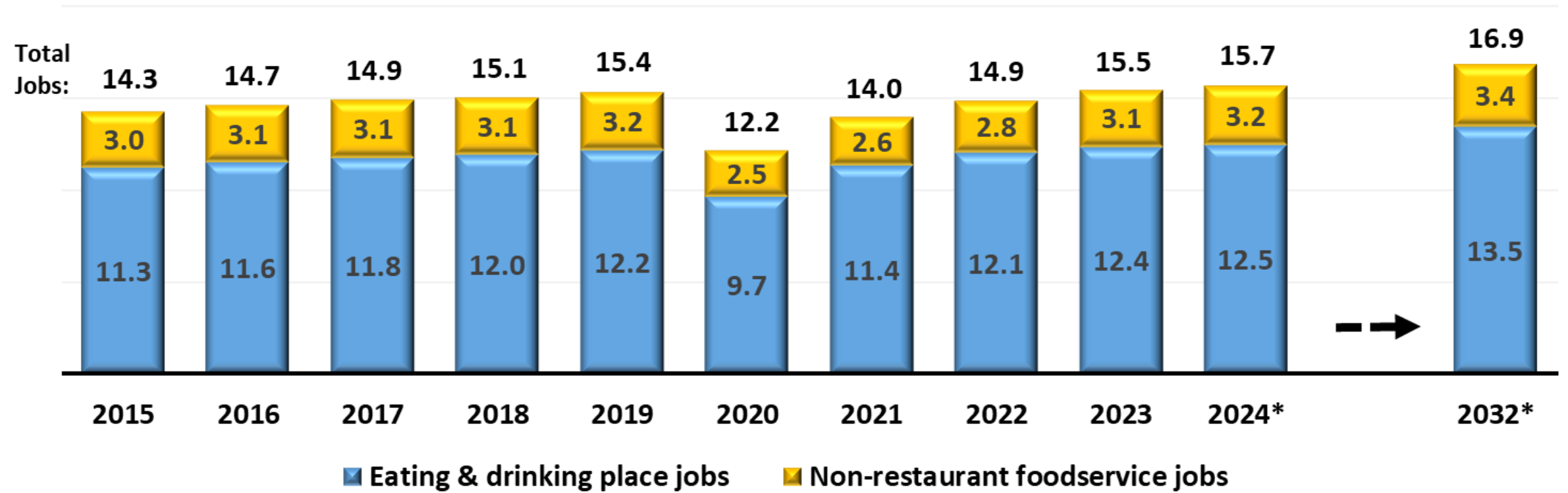
Source: Circana/CREST; National Restaurant Association

*Year Ending: May not sum to total due to rounding



Restaurant Employment Will Increase Beyond 2024

Number of restaurant and foodservice jobs (millions)



Source: National Restaurant Association projections, based on historical data from the Bureau of Labor Statistics
 Note: Figures represent year-end employment levels

*projected



Restaurant Operators Said Sales and the Economy Were the Top Challenges Facing Their Business in October

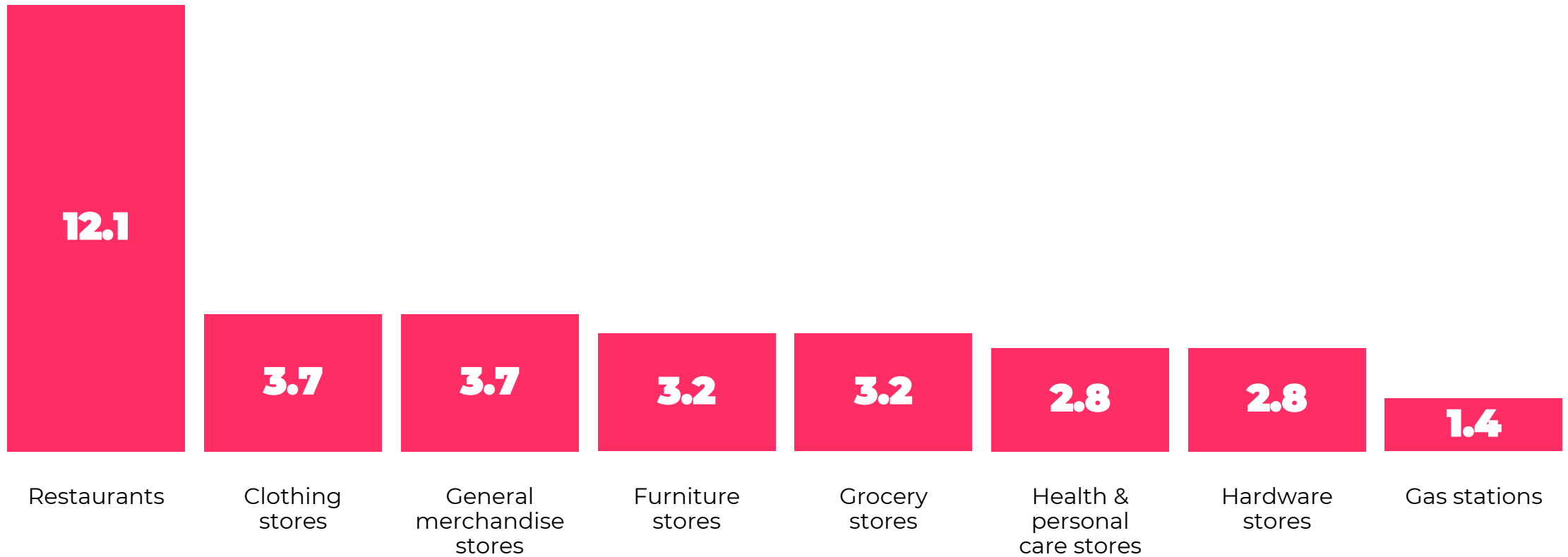
Top challenges facing restaurant operators

October 2022		October 2023		October 2024	
Recruiting Employees	49%	Recruiting Employees	29%	Sales Volume	27%
Food Costs/Availability	17	The Economy	20	The Economy	24
Labor Costs	11	Sales Volume	17	Labor Costs	15
Sales Volume	9	Labor Costs	17	Recruiting Employees	11
The Economy	9	Food Costs/Availability	6	Operating Costs	10



Restaurants are Extremely Labor Intensive

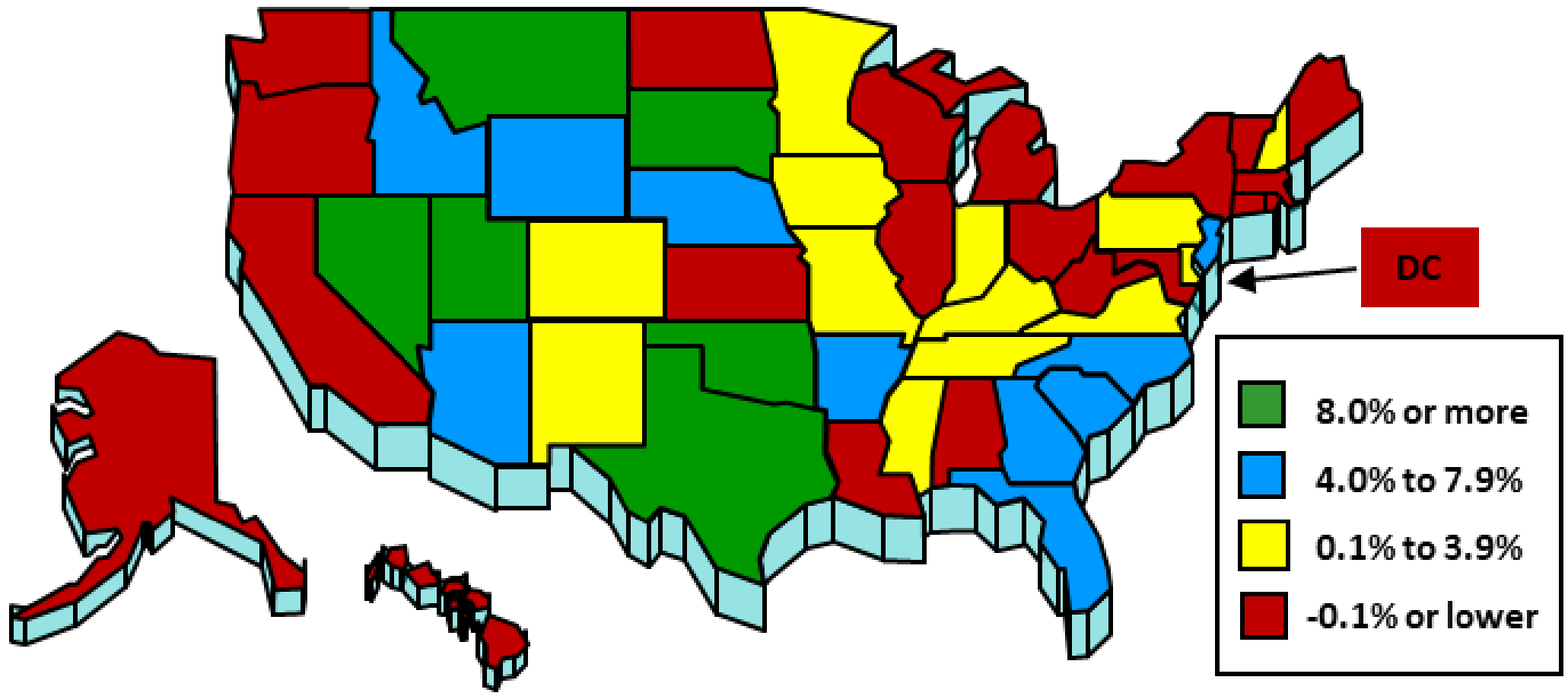
Number of employees required to generate \$1 million in sales



Source: National Restaurant Association



September 2024 Restaurant Employment Compared to September 2019 Level



Sources: Bureau of Labor Statistics, National Restaurant Association; figures are not seasonally adjusted

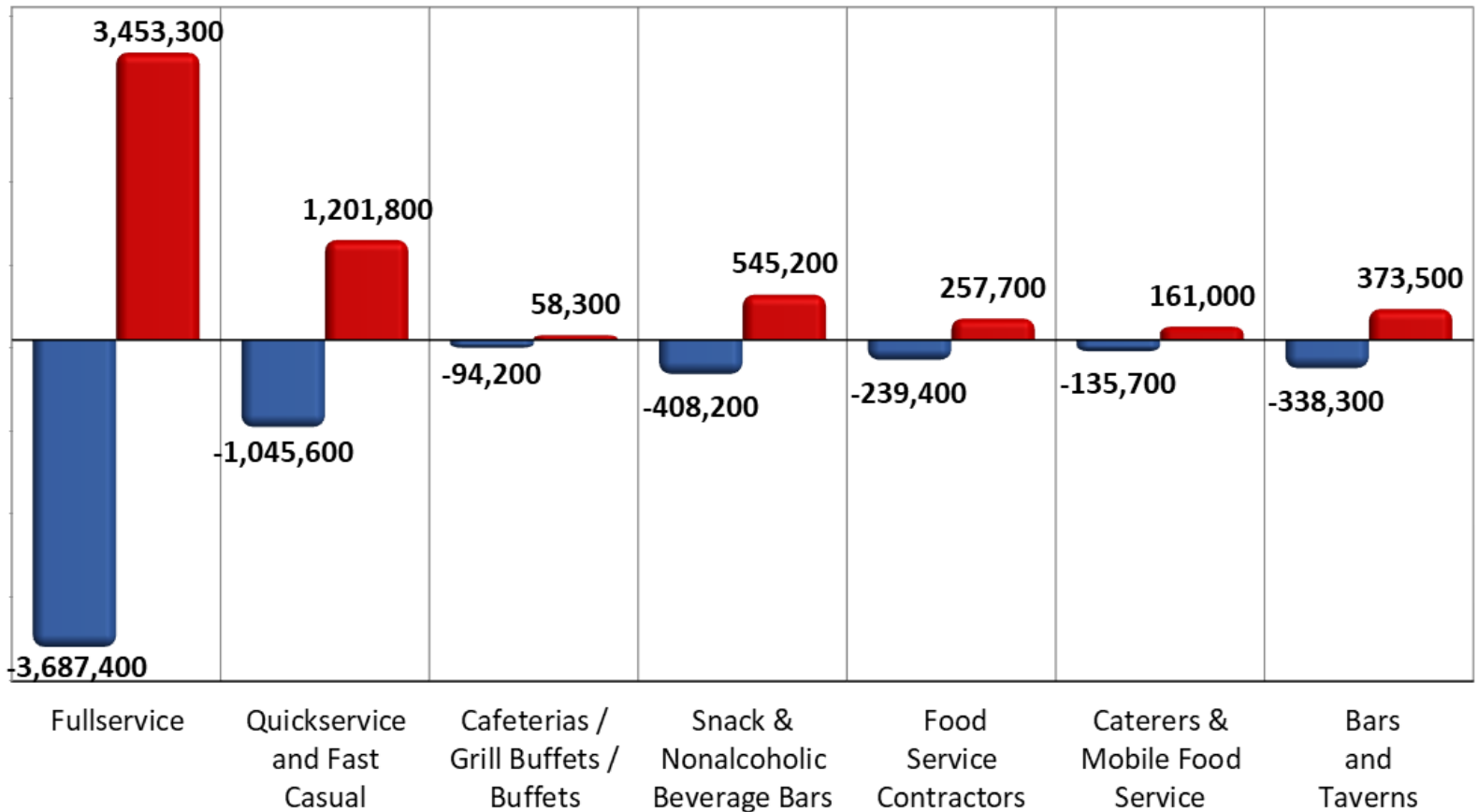


Restaurant Workforce Recovery Uneven Across Segments

Change in restaurant employment: Feb. 2020 – Apr. 2020 | Apr. 2020 – Sep. 2024

■ Employment change: February 2020 to April 2020

■ Employment change: April 2020 to September 2024

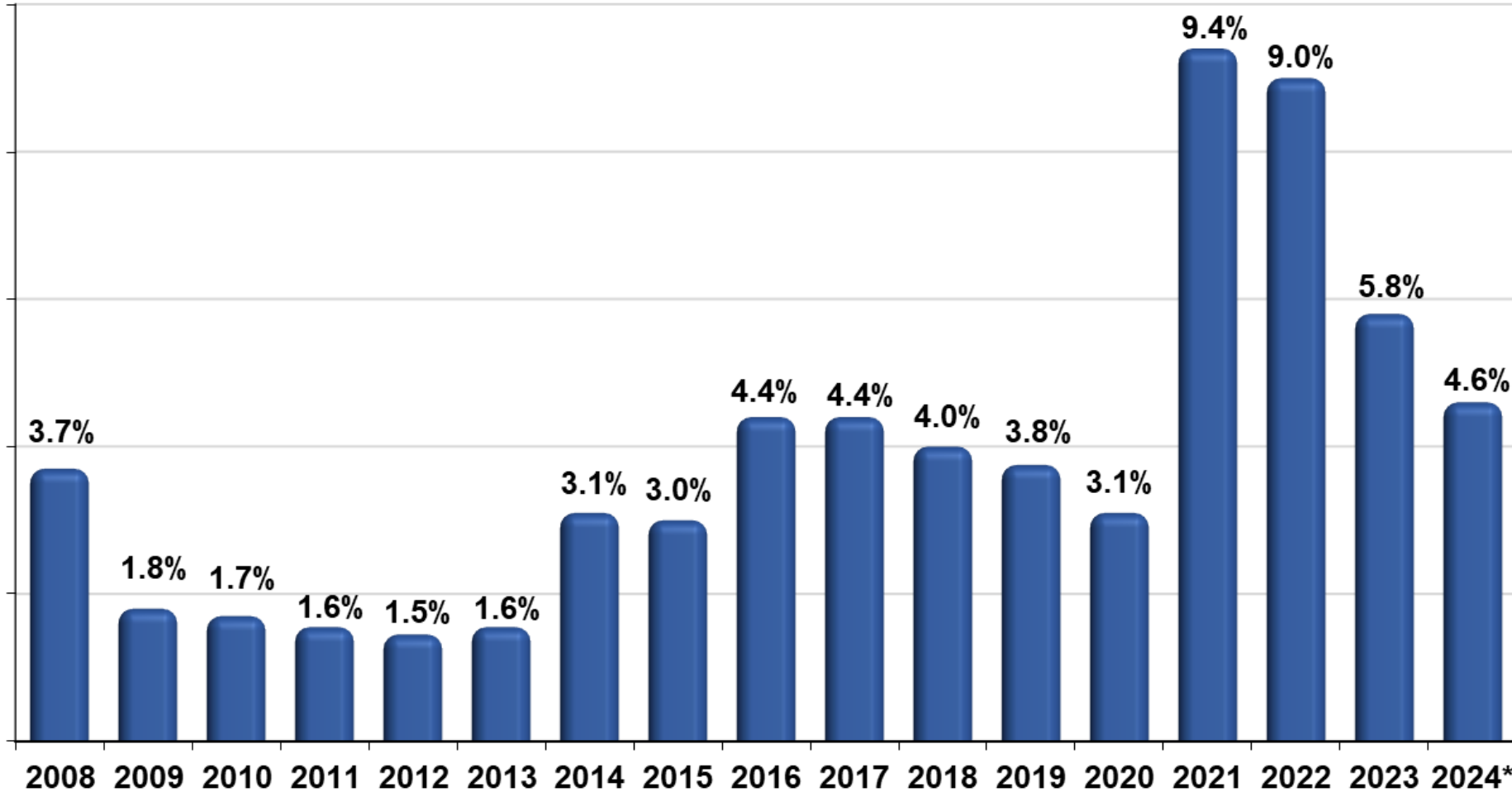


Source: Bureau of Labor Statistics; figures are seasonally adjusted



Growth in Labor Costs Pressures Profitability

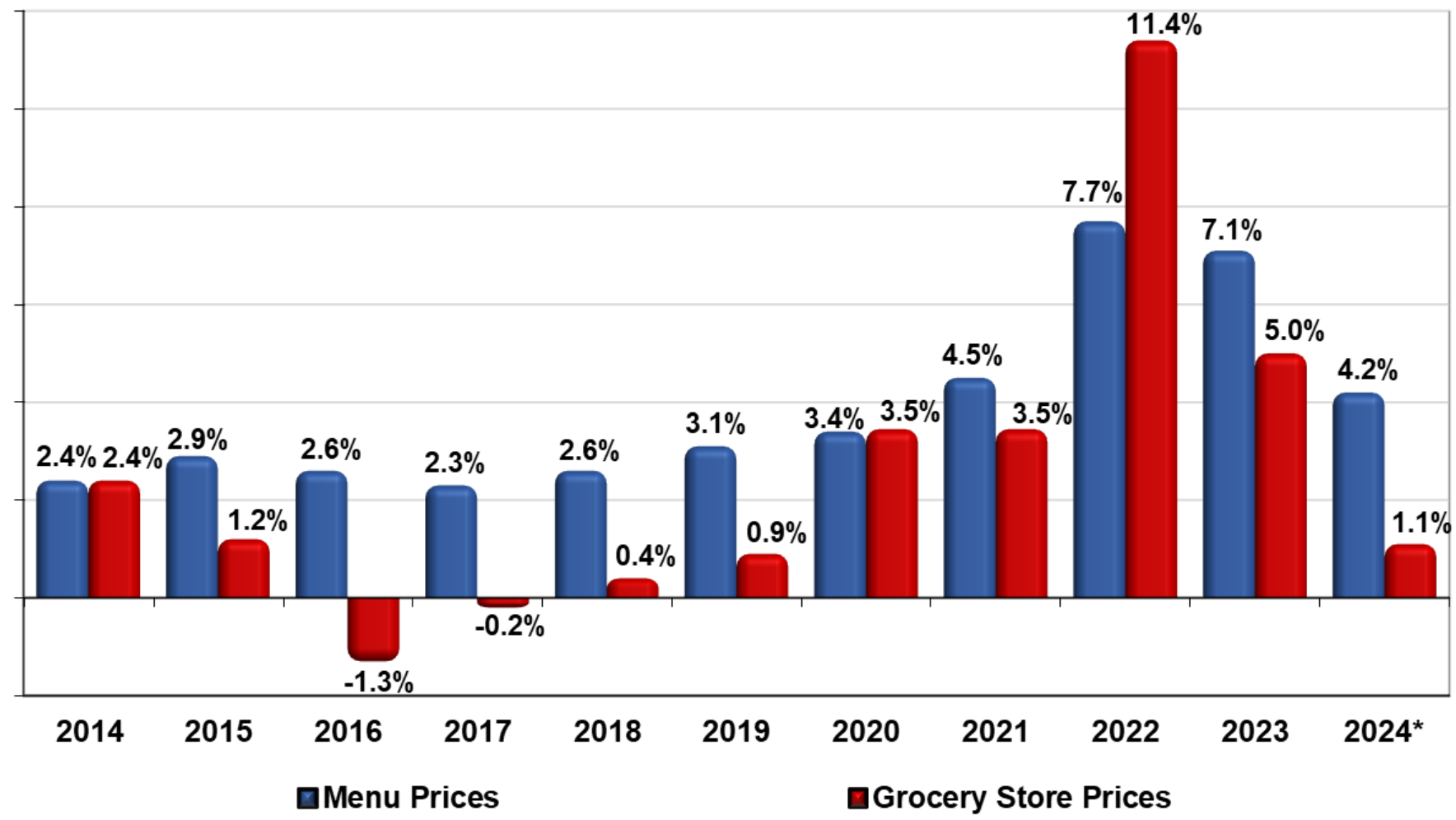
Annual Growth in Average Hourly Earnings of Eating and Drinking Place Employees





Growth in Menu Versus Grocery Prices

Annual Growth in Consumer Price Index – Food Away From Home vs. Food At Home



Source: Bureau of Labor Statistics

* Year to date through September 2024



Wholesale Food Prices Trending Higher Again

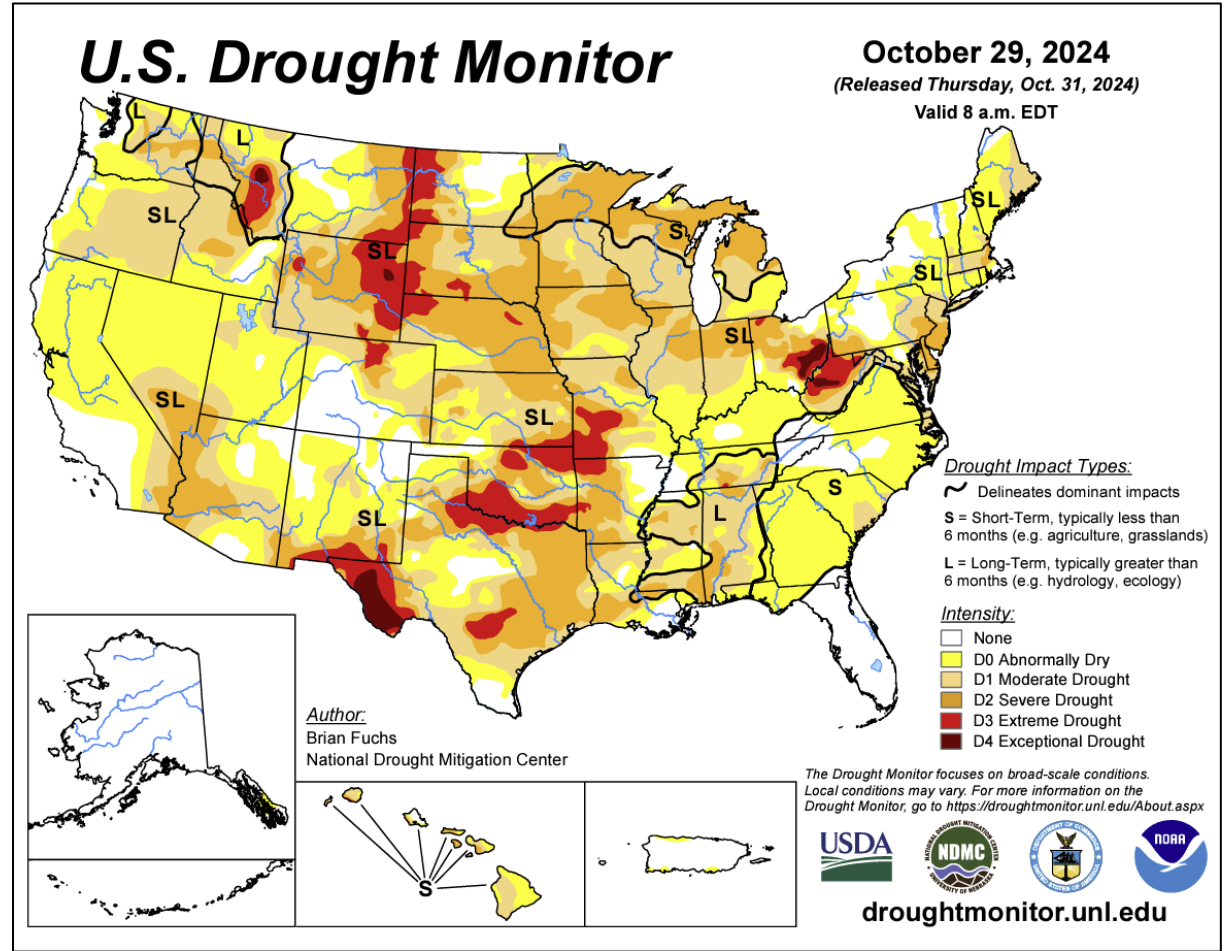
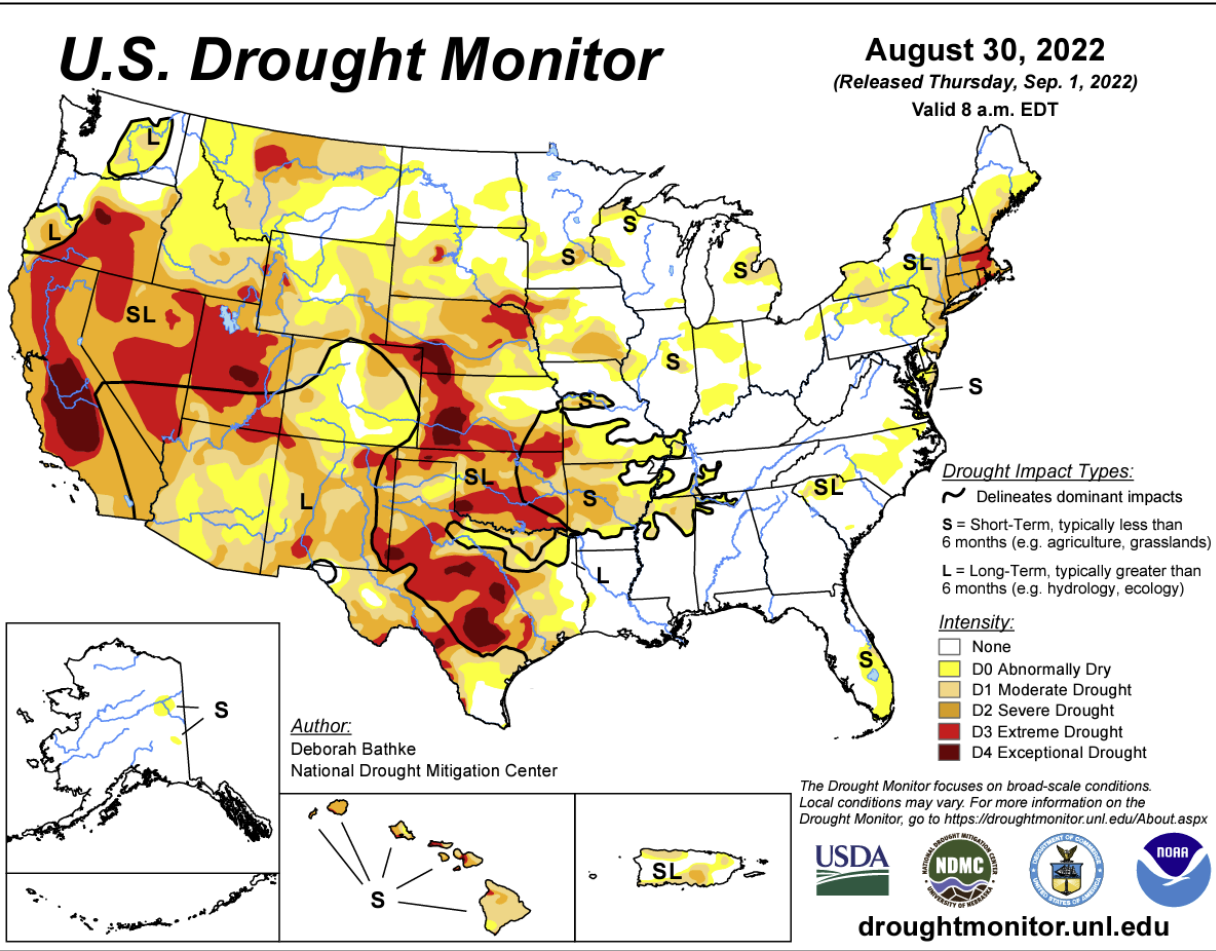
12-Month % Change in Producer Price Index – All Foods





Commodity Price Changes

COMMODITY	September 2024*
Eggs	+25%
Butter	+19%
Fresh Vegetables	+17%
Pork	+13%
Beef	+12%
Chicken	+9%
Potatoes	-48%
Flour	-8%
Cheese	-2%





More Tech on Deck for Operators

Restaurant operators' investments in these technology-related areas

	Made Investments in 2023	Plan to make investments in 2024
Make the service area more productive or efficient	51%	55%
Enhance the customer experience	48%	60%
Make the kitchen more productive or efficient	41%	52%
Strengthen cyber security	34%	45%



Digital Order Growth

	Restaurant Orders	Feb 2020*	Sept 2024*	Percentage Point Change
Foodservice	Digital	5%	17%	+12
	Non-Digital	95%	83%	-12
Quickservice	Digital	7%	18%	+11
	Non-Digital	93%	82%	-11
Fullservice	Digital	3%	10%	+7
	Non-Digital	97%	90%	-7

* Year Ending; May not sum to total due to rounding



Preferred Tech Options in Fullservice Restaurants

% of fullservice customers that would use each option if it was offered by a tableservice restaurant in their area

	All Adults	Gen Z Adults (18-27)	Millennials (28-43)	Gen Xers (44-59)	Baby Boomers (60-78)
Pay the check using a computer tablet at the table	65%	67%	79%	68%	47%
Place an order using a smartphone app	63%	79%	85%	67%	33%
Pay the check using contactless or mobile payment options	62%	73%	82%	64%	37%
Place an order using a computer tablet at the table	60%	76%	76%	64%	36%



The Just-in-Time Economy

25% of operators say using just-in-time workers to fill in staffing will become more common in their segment in 2024



Tech Investments By Category

MARKETING & SALES

- Beacon technology: Digital & location-based marketing
- Loyalty/reward systems
- Flexible menu pricing

CUSTOMER EXPERIENCE

- Smartphone app development
- Contactless ordering/payment
- Self-order/self-pay: tablets or kiosks

OPERATIONAL EFFICIENCY

- Point-of-Sale systems
- Labor management: automated recruitment/scheduling systems
- Back office: payroll/finance/tax compliance/food safety compliance
- Inventory control/management systems
- Cyber security

DEVELOPING TECH

- Artificial Intelligence (AI) integration (including voice recognition)
- Augmented reality (for training or marketing campaigns)
- Robotics
- Drones/autonomous vehicle delivery

WHAT'S

Hot

2024

CULINARY FORECAST

NATIONAL
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ASSOCIATION





TOP 10



TRENDS OVERALL

- 1. World Stage Soups & Stews**
(Birria, Chicken Tom Kha, Laksa, Salmorejo, Upscale Ramen)
- 2. Global Chicken Wings**
- 3. International BBQ**
- 4. Incorporating Social Media Trends**
(TikTok)
- 5. Grilled/Cooked Cheeses** (Provoleta, Queso Fundido, Raclette, Halloumi, Juustoleipa)



THE HEAT IS ON

TOP FLAVORS

- Nashville Hot
- Everything Bagel Spice
- Agave Syrup
- Turmeric Ginger
- Hibiscus





BETTER. HEALTHIER. TASTIER.



TOP BEVERAGES

- Nitro Cold Brew
- Energy Drinks
- Functional Waters

EMERGING

- Zero-Proof Spirits
- CBD Drinks
- Tepache (*brewed with pineapple peels*)



MOTHER NATURE MIXES BEST

TOP ALCOHOL BEVERAGES

- Botanical Cocktails
- Hard Coffees
- Low-Alcohol Cocktails

EMERGING

- Sotol Cocktails
- Pickle Cocktails
- Low-Sulfite, Low-Alcohol Wine



Wrap-up

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Americans Retain **Positive** View of the Restaurant Industry

Rank	Industry	% Positive
1	Farming & Agriculture	64%
2-3	Restaurant	52%
2-3	Computer	52%
4	Accounting	46%
5	Travel	45%



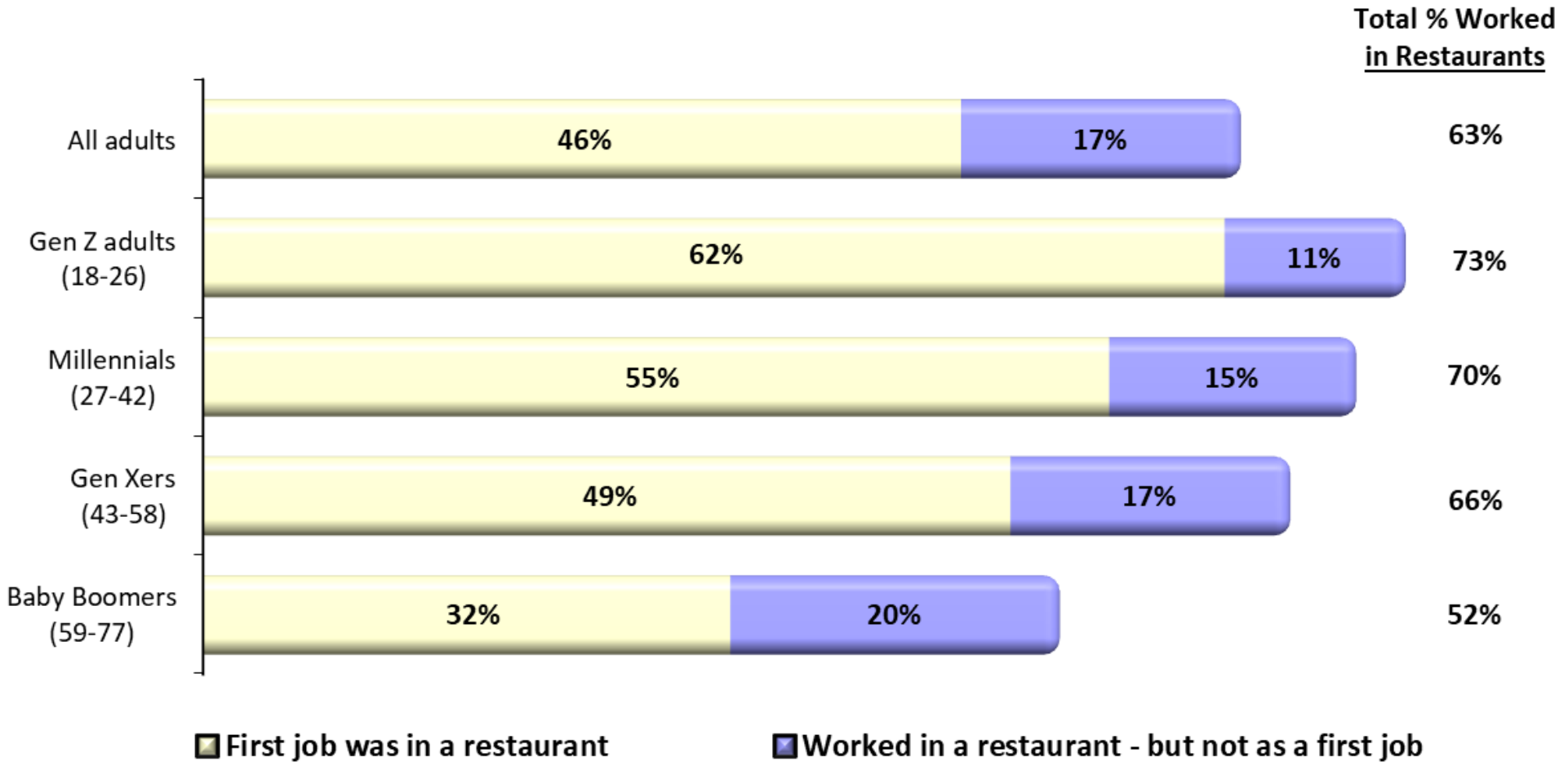
Americans Have Strong **Negative** View of These Sectors

Rank	Industry	% Negative
25	Pharmaceutical	61%
24	Federal Government	58%
23	Oil & Gas	53%
22	Healthcare	51%



63% of Adults Have Worked in the Restaurant Industry

Either as a first job or at some point in their lives



Source: National Restaurant Association, national survey of 2,000 adults, 2022



U.S. Economic Outlook

INDICATOR	2022	2023	2024	2025
Real Gross Domestic Product	2.5%	2.9%	2.8%	2.2%
Real Disposable Personal Income	-5.5%	5.1%	3.0%	1.7%
Consumer Price Index	8.0%	4.1%	3.0%	2.5%
Total U.S. Employment	4.3%	2.3%	1.7%	1.2%

Source: National Restaurant Association projections, November 2024



Virginia Economic Outlook

INDICATOR	2022	2023	2024	2025
Total Employment	3.1%	2.3%	1.7%	1.2%
Real Disposable Personal Income	-4.4%	5.1%	2.2%	2.0%
Total Population	0.3%	0.4%	0.8%	0.8%

Source: National Restaurant Association projections, November 2024

2024 + 2025 = overall industry sales continue to advance with strong geographic and demographic variations.

The economic environment in 2025 will be **one of moderating but positive growth.**

The industry will continue to **step up its technology investments** with the majority of consumers saying **restaurants are an essential part of their lifestyle.**

Greater emphasis on: **delivery, carry-out, drive-thru, alcohol, new business models, loyalty programs, cost management, value-added products and digital.**

Consumers managing their total restaurant spend and need nudging; **technology offers distinct competitive advantages** with patrons' acceptance growing.



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