COMPASS™
RESTAURANT CONSULTING & RESEARCH

# Restaurant Industry Summary Report // January 2026


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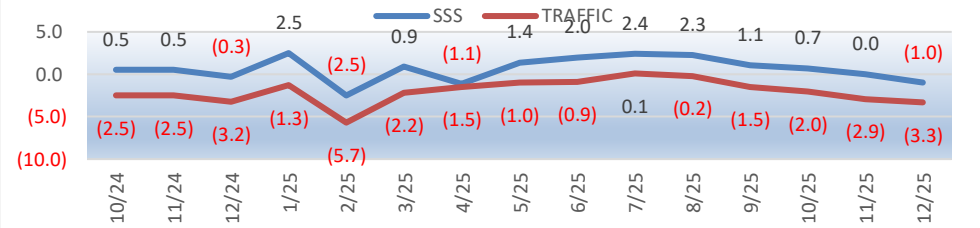

CompassRCR navigates the often conflicting news on the economy and the restaurant industry. Filtering the information to identify trends and provide meaningful insights for restaurant operators, as well as all industry stakeholders looking to stay informed on the current state of the restaurant industry.

This report provides regular updates on the key economic indicators. These data points are valuable for providing relevant insights into economic trends and operator, as well as consumer expectations.

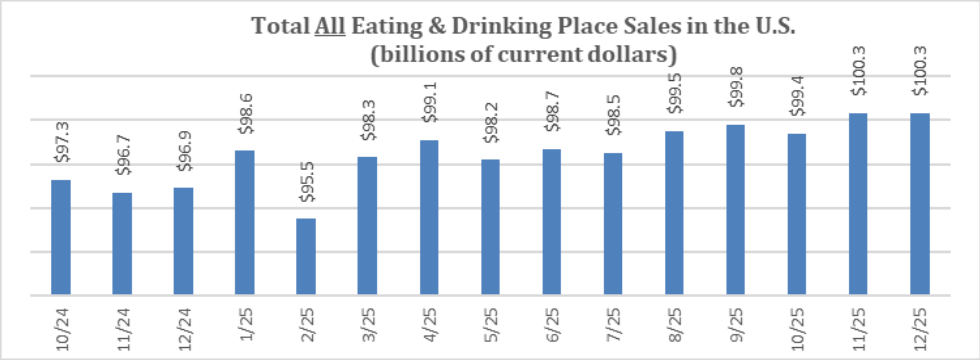

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## INDUSTRY SALES & TRAFFIC

### Black Box Sales & Traffic




### National Restaurant Association Sales




$100.3 Billion = 4.9% above last November

**NRA Operators reported:** Sales 37% up YOY Traffic 28% up YOY

### Restaurant Industry Outlook

| | Current Mo | Last Mo |
|---|---|---|
| ▪ Restaurant Performance Index: | 99.3% | 100.0% |
| ▪ Operator Optimism: | 20.0% | 24.0% |
| ▪ Wholesale Food Prices – Sept. | 1.3% Nov | 1.1% Oct |
| ▪ Consumer Confidence | 84.5% | 89.1% |
| ▪ Consumer Sentiment | 56.4% | 52.9% |
| ▪ Planned Capital Expenditures | 53.0% | 50.0% |
| ▪ NFIB: | 99.5 | 99.0 |

### Spotlight On Most Noteworthy Developments:

| **Economic Headlines:** | Current Mo | Last Mo |
|---|---|---|
| ▪ Leading Economic Indicator | 97.9 | 98.2% |
| ▪ CPI (Inflation Rate | 2.7% | 2.7% |
| ▪ PPI | 3.0% | 2.8% |
| ▪ Food Away From Home. | 4.1% | 3.7% |
| ▪ Food At Hom | 2.4% | 2.7% |
| ▪ Gasoline Prices: | $2.86 | $2.76 |
| ▪ Mortgage Interest Rate: | 6.06% | 6.16% |
| ▪ GDP | 4.4% | 3.8% |

| ***Labor News:** | | |
|---|---|---|
| ▪ Unemployment Rate – U3 | 4.4% | 4.6% |
| ▪ Unemployment Rate - U-6 | 8.4% | 8.7% |
| ▪ Jobs Added | 50,000 | 64,000 |
| ▪ Rest Ind Jobs Added | 27,200 | 27,200 |

## INDUSTRY HEADLINES (SALES):

- **SSS for December Blackbox Intelligence reported negative 1.0%.** This aligns pretty much with what the National Restaurant Association posted; stating 53% of operators said their sales decline was due to convergence of events. Higher Menu Prices – they rose 4.1% in December; the highest since July 2024. AIienating even further the lower income consumers who already are declining with ever shrinking discreationary income as well as growing anxiety over the economy – rising unemployment, and overall lower consumer confidence.

## RESTAURANT INDUSTRY OUTLOOK:

- RPI – Declined slightly in December; a reflection of a decline in Sales and traffic which resulted in a decline in Operator's Confidence.

## WHOLESALE FOOD PRICES:

- Wholesale Food Prices fell sharply in December then PPI fell 1.9% between September and December. The Food Price Index was uneven in recent months; alternating between gains and declines. The net result was a modest decline for the year. However, Wholesale Food Prices remain well above the prepandemic levels as of December 2025. All foods have risen 34% above February 2020 levels.

## CONSUMER CONFIDENCE:

- Consumer Confidence declined sharply in December from 94.2 in November to 84.5 in December; a drop of 9.7 points. The Consumer's Confidence collapsed in January as consumer concerns about both present and future situations deepened. This is the Index's lowest level since May 2014's posting of 82.2.

## CONSUMER SENTIMENT:

- Consumer Sentiment rose in January from 52.9 to 56.4; 3.5 points improvement based on how the Consumer Sentiment Index is weighed vs how the Consumer Confidence is weighed.

## NFIB SURVEY:

- The Small Business Confidence Survey was up in December by 0.5 points. The increase was driven primarily by the rise in optimism expecting better business in the near future.

## LEADING ECONOMIC INDICATORS INDEX:

- LEI Index declined by 0.3 points. Throughout 2025 weakened consumer expectations led to the decline in the LEI. The LEI's growth rate over the past six months continued to turn less negative and did not trigger a recession signal.

## INFLATION RATE:

- Inflation rate of 2.7 remained the same level as November. The pace of inflation held steady; well above the Feds 2% target. However, Food Away From Home rose 4.1%.

## GASOLINE PRICES:

- Gasoline prices were slightly higher in January over December ($2.86 vs $2.76 a gallon). The rise was driven by supply disruptions from winter storms and increase in demand.

## MORTGAGE RATES:

- Rates have dropped to their lowest levels in over three years. The decline has slightly improved housing affordability.

## LABOR NEWS:

- U3 Unemployment Rate declined to 4.4% from 4.6% and the U6 Unemployment Rate declined to 8.4% from 8.7%. Total US jobs added were 50,000; less than expected, further indicating a labor market slowdown.

## SUMMARY:

- For the month, the most influencial categories that impacted the overall economy, and specifically the restaturant industry, was inflation and its more severe impact on consumers. For more and more consumers, regardless of income, rising prices for everyday necessities are getting harder to justify. The consumer is being "nickled and dimed" to death.

  Our recent consumer survey had many write-ins on consumer concerns – an example (repeated by many): From a local grocery store chain – in December a case of Ginger Ale was $6.95; in January the price jumped to $10.45. That is almost a 50% increase. Another item, Shareable Bag of M&M Peanuts – in December it was $5.95; January 's price had risen to $11.65. A can of Delmonte Pears - in December was $2.50; in January it was $3.45. The list goes on. It's not just an "affordability" issue; it's that many products and services aren't worth the rising prices in the eyes of the consumer so they just aren't willing to spend. The products at current prices have lost their value. It's just not worth it much less just plain unaffordable; so they stop buying. In other situations it's not that the consumer doesn't have the money. It's simply the fact that the product/service has lost its value. Prices are rising too fast; so consumers are restricting their spending.

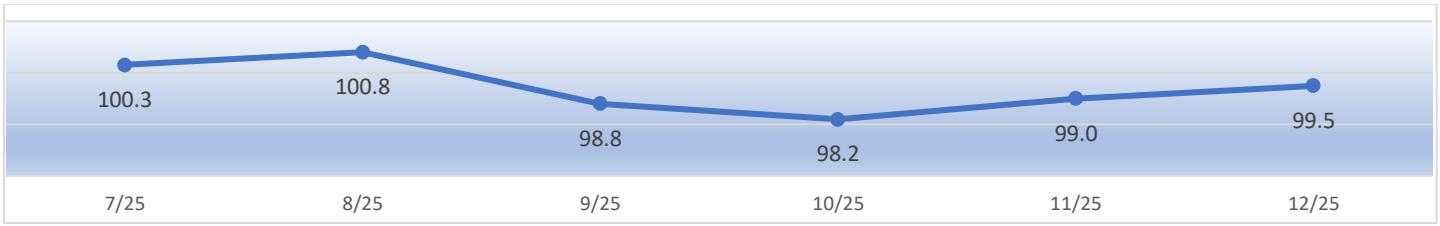
- The Recession of 2008/2009 was a similar scenario. Consumer spending in 2025 showed resilience while early in the year saw robust spending. It began to moderate in the second half of the year. Consumers shifted more and more toward "necessities" while cutting back on discretionary, non-essential goods. Another dramatic occurance was the spending was becoming more segmented; heavily divided by income. Higher income households (20% of population) are now accounting for 50% of overall share of total spending. The "K Economy" – it's called middle and lower income households, continue to face ever increasing affordability challenges with inflation and a weakening labor market leading to tighter budgets. If the consumer can't or wont buy; their businesses can't sell.

## CRCR * BUSINESS ECONOMICS REPORT:

| | 2024 | 2025 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DEC | JAN | FEB | MAR | APR | MAY | JUNE | JULY | AUG | SEPT | OCT | NOV | DEC |
| **OUTPUT & PRICES** | | | | | | | | | | | | | |
| GDP (Qtrly) | 3.1 | | 2.3 | (0.3) | (0.2) | (0.2) | 3.0 | 3.0 | 3.8 | 3.8 | 3.8 | 4.3 | 4.4 |
| CPI | 2.6 | 2.3 | 2.8 | 2.4 | 2.3 | 2.4 | 2.7 | 2.7 | 2.9 | 3.0 | N/A | 2.7 | 2.7 |
| Food Away from Home | 3.6 | 2.5 | 3.7 | 3.8 | 3.9 | 3.8 | 3.8 | 3.9 | 3.9 | 3.7 | N/A | 3.7 | 4.1 |
| Food at Home | 1.6 | 1.9 | 1.9 | 2.4 | 2.0 | 2.2 | 2.4 | 2.2 | 2.7 | 2.7 | N/A | 1.9 | 2.4 |
| Gasoline | 3.03 | 3.04 | 3.14 | 3.15 | 3.12 | 3.09 | 3.11 | 3.12 | 3.13 | 3.02 | 2.97 | 2.76 | 2.87 |
| LEI (Leading Economic Ind) | 99.7 | 101.5 | 101.1 | 100.5 | 99.4 | 99.0 | 98.8 | 98.7 | 98.4 | N/A | N/A | N/A | 97.9 |
| | | | | | | | | | | | | | |
| **LABOR MARKET** | | | | | | | | | | | | | |
| Hires | 3.3 | 3.4 | 3.4 | 3.4 | 3.4, 3.2 | 3.5 | 3.4 | 3.3 | 3.2 | N/A | N/A | 3.2 | 3.2 |
| Turnover | 3.3 | 3.4 | 3.3 | 3.3 | | 3.3 | 3.3 | 3.2 | 3.2 | N/A | N/A | 3.2 | 3.2 |
| Unemployment Rate | 4.1 | 4.5 | 4.1 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.3 | N/A | 4.4 | 4.6 | 4.4 |
| U6 Rate | 7.3 | 8.4 | 8.0 | 7.9 | 7.8 | 7.8 | 7.7 | 7.9 | 8.1 | N/A | 8.0 | 8.7 | 8.4 |
| | | | | | | | | | | | | | |
| **INTEREST RATE** | | | | | | | | | | | | | |
| Monthly Prime Rate | 7.75 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.25 | 7.00 | 7.00 | 6.16 | 6.06 |
| Monthly Avg Rent (Zillow) | $2,000 | $2,073 | $2,078 | $2,085 | $2,100 | $2,100 | $2,100 | $2,100 | $2,045 | $2,000 | $2,000 | $1,995 | $1,995 |
| Operator Confidence | | 49.0 | 32.0 | 18.0 | 23.0 | 33.0 | 30.0 | 15.0 | 17.0 | 11.0 | 22.0 | 20.0 | 25.0 |
| Consumer Sentiment | 74.0 | 64.7 | 57.0 | 52.2 | 52.2 | 60.7 | 61.7 | 58.2 | 55.1 | 53.6 | 51.0 | 52.9 | 56.4 |
| NFIB | 93.7 | 102.8 | 100.7 | 92.4 | 95.8 | 98.8 | 98.6 | 100.3 | 100.8 | 98.8 | 98.2 | 99.0 | 99.5 |
| RPI | 101.2 | 101.1 | 98.8 | 98.9 | 99.7 | 100.1 | 100.0 | 99.7 | 98.8 | 99.4 | 99.8 | 100.0 | 99.3 |
| Mortgage Rate | | | | | | | | | | | 6.19 | 6.24 | 6.11 |

* Current month or most recent reporting data available

## SMALL BUSINESS OPTIMISM:




## CONSUMER SENTIMENT/CONFIDENCE:

| | 2/25 | 3/25 | 4/25 | 5/25 | 6/25 | 7/25 | 8/25 | 9/25 | 10/25 | 11/25 | 12/25 | 1/26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consumer Sentiment** | 64.7 | 57.0 | 52.2 | 57.2 | 60.7 | 61.7 | 58.2 | 55.1 | 53.6 | 51.0 | 52.9 | 56.4 |
| **Current Economy** | 65.7 | 63.8 | 59.8 | 58.9 | 64.8 | 68.0 | 61.7 | 60.4 | 58.6 | 51.1 | 50.4 | 25.0 |
| **Consumer Expectations** | 64.0 | 52.6 | 47.3 | 47.9 | 58.1 | 57.7 | 55.9 | 51.7 | 50.3 | 51.0 | 54.6 | 57.0 |

| | 2/25 | 3/25 | 4/25 | 5/25 | 6/25 | 7/25 | 8/25 | 9/25 | 10/25 | 11/25 | 12/25 | 1/26 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consumer Confidence** | 100.1 | 92.9 | 86.0 | 98.0 | 93.0 | 97.2 | 97.4 | 94.2 | N/A | 88.7 | 89.1 | 84.5 |

# Operator Survey & RPI

## OPERATORS SURVEY (Source: NFIB and Compass RCR, NRA, and Bar & Restaurant News)

- Operator Optimism:
  - 20.0% ⇩ Increase over last year
- Current Month Sales:
  - 37.0% ⇩ Increase over last year
  - 53.0% ⇧ Decrease over last year
- Current Traffic:
  - 28.0% ⇩ Increase over last year
  - 60.0% ⇧ Decrease over last year
- Future Outlook for Business Conditions over the next 6 months
  - 25.0% ⇧ Better
  - 45.0% ⇧ Worse
- Future Outlook for Sales:
  - 34.0% ⇩ More optimistic over last year
  - 25.0% ⇧ Less optimistic over last year
- Capital Spending:
  - 53.0% ⇧ Made equipment expenditures
  - 25.0% ⇧ Expansion/Remodel
- Margin Impact:
  - 66.0% ⇧ Reported F/C Increase 4%
- Menu Prices:
  - 71.0% ⇩ Higher than LY
  - Menu prices increased 4.1% over last 12 months
- Staffing Issues:
  - 91.0% ⇧ Fully Staffed (Chains/Independents)
  - 9.0% ⇩ Understaffed
- Top Concerns Internal:
  - 92.0% Managing Financial Stability
  - 91.0% Retaining Key Employees
  - 89.0% Building Sales & Traffic
- Top Concerns External:
  - 96.0% Shifting Consumer Demands
  - 90.0% Inflation & Rising Costs
  - 95..0% Govt. Shutdown Part 2

## RESTAURANT PERFORMANCE INDEX: (Source: National Restaurant Association)

| | | 5/25 | 6/25 | 7/25 | 8/25 | 9/25 | 10/25 | 11/25 | 12/25 |
|---|---|---|---|---|---|---|---|---|---|
| | **RESTAURANT PERFORMANCE INDEX** | 100.1 | 100.0 | 99.7 | 99.8 | 99.4 | 99.8 | 100.0 | 99.3 |
| | **CURRENT SITUATIONS INDEX:** | 100.4 | 100.0 | 99.7 | 99.8 | 99.2 | 99.6 | 99.2 | 98.3 |
| $ | SSS Increase/Decrease | 52%/38% | 49%/41% | 48%/42% | 46%/43% | 54%/44% | 48%/35% | 47%/44% | 37%/53% |
| | Capital Spending | 49% | 51% | 49% | 51% | 50% | 49% | 49% | 53% |
| | **EXPECTATIONS INDEX:** | 99.9 | 100.1 | 99.7 | 99.8 | 99.7 | 100.0 | 100.8 | 100.2 |
| $ | Sales Outlook Improvement | 33% | 30% | 29% | 40% | 34% | 30% | 41% | 34% |
| | Economy Outlook Improvement | 20% | 23% | 15% | 17% | 11% | 22% | 20% | 25% |

## PROMOTIONAL FOCUS:

December showed several shifts in Promotional Focus by the restaurant industry.

| | January 2026 | December 2025 |
|---|---|---|
| • LTO's | 6.0% | 20.0% |
| • APP/Loyalty | 19.0% | 17.0% |
| • Meal Combos | 7.0% | 8.0% |
| • Value Messaging | 10.0% | 4.0% |
| • Off Premise | 10.0% | 12.0% |
| • Menu/New Items | 29.0% | 19.0% |
| • Core Menu | 9.0% | 19.0% |
| • Price Point | 9.0% | 19.0% |

COMMENTS:

January promotional priorities made significant changes in their focus. New Menu Items dominated with 29% of chains placing their focus here; shifting from LTO focus in December (January LTOs were 6%).

In our opinion, the shift is being driven by efforts to (A) attract traffic by offering something new and (B) efforts to generate buzz (top of mind awareness) for brand and menu.

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