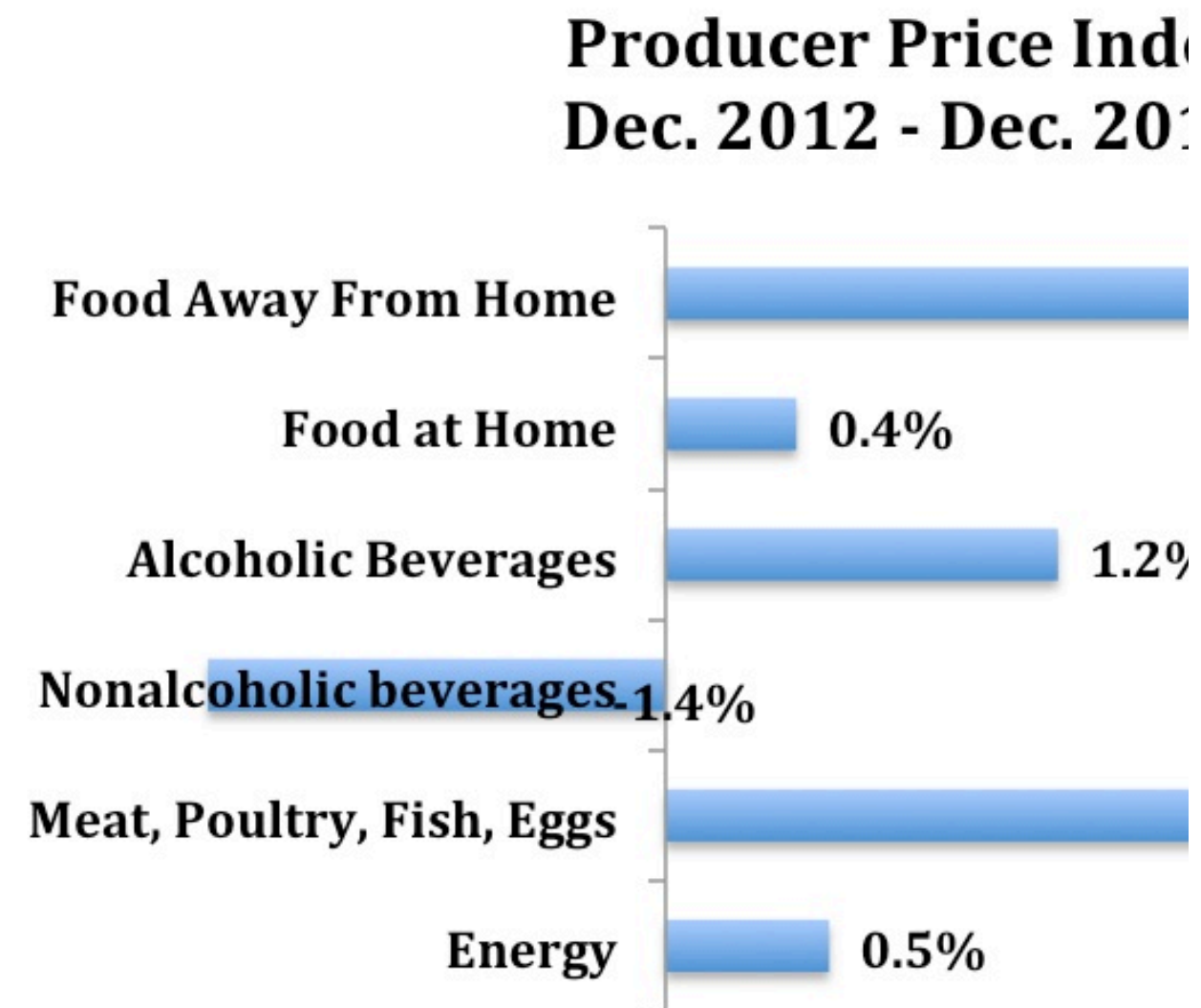


Dining-Out Inflation Outpaces Food Cost Rise

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Consumer prices rose 1.5% from December 2012 to December 2013 but menu prices (food away from home) rose faster, jumping 2.1%, according to full-year data from the Bureau of Labor Statistics.



Source: Bureau of Labor Statistics

That meant the cost of dining out rose more than four times that for dining at home since the Producer Price Index (PPI) for food at home was up just 0.4% in 2013. Many restaurant chains try to keep their menu-price increases in line with food-at-home inflation, but in 2013 that seems not to have been possible. The net result is that restaurant meals may be perceived as more expensive or less of a value than previously, which may help to explain the stagnation in customer-visit growth.

Full PPI report available at <http://www.bls.gov/news.release/ppiret.htm>

The PPI for alcoholic beverages increased 1.2% in 2013 while that for nonalcoholic beverages actually declined by 1.4%

One of the largest gains in consumer prices was for proteins—meats, poultry, fish and eggs—which increased 2.9%. Energy prices rose just 0.5% overall thanks to declines for fuel oil, gasoline and natural gas. These were tempered by a 3.2% increase in consumer spending for electricity.

Despite the disparity between away-from-home and at-home food inflation, the National Restaurant Association **forecasts** industry sales to rise by 3.6% (1.2% inflation adjusted) to \$683.4 billion in 2014. The industry saw a 1% adjusted gain in 2013, NRA says. It chooses the cast the lack of growth in customer traffic as “pent-up demand” that an improving economy will unleash this year.