Nation's Restaurant News

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Restaurant prices rose 0.4% month-over-month — their sharpest uptick since June — while grocery prices were flat.

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The Consumer Price Index report for February increased 2.8% year-over-year, compared to 3% in January, showing signs of cooling and driven largely by a 4% drop in airline fares.

Despite significant increases in egg prices (up nearly 60% year-over-year) driven by the ongoing outbreak of bird flu, the pace of food inflation overall was up 0.2% month-over-month in February, versus 0.4% in January, and 0.3% in December, according to Wednesday's report from the Bureau of Labor Statistics.

Compared to February 2024, the food category overall was up 2.6%, with food-away-from home (restaurants) up 3.7% year-over-year and food-at-home (grocery/supermarket) prices up 1.9% year-over-year. Month-over-month, menu prices rose 0.4% — their sharpest increase since June — while grocery prices were flat.

Compared to February 2024, limited-service menu prices are up 3.5%, while full-service menu prices are up 3.7%.

While the overall inflationary index eased in February, Mark Kalinowski, CEO and founder of Kalinowski Equity Research, notes that restaurant pricing in February marked the largest sequential month-over-month rise since March 2023 and widened the gap with grocery/supermarket.

In a note, he said that gap was 180 basis points in favor of grocery pricing in February, compared to the historical average of about 70 basis points. Further, the 3.7% year-over-year increase for menu pricing is about 30 basis points higher than the 23-year historical average of 3.4%.

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According to the National Restaurant Association, the West region experienced the highest menu price growth in February, with a 4.3% year-over-year jump. The Midwest experienced

Despite some stubbornness on menu pricing, inflationary levels remain far below their 2022 and 2023 peaks of 9% at full-service concepts and 8.2% at limited-service concepts. Those spikes are largely cited as the main drivers behind the industry's traffic erosion throughout the past year and a half.

As restaurants work to win those consumers back, many are projecting modest price increases or taking a wait-and-see approach, despite the month-over-month uptick in input costs. Shake Shack chief financial officer Katie Fogerty said last month that the chain will return to a "more normalized price environment" of 2%-to-3%.

"Our outlook for the next three years doesn't really contemplate any big step-up in pricing," she said during the company's earnings call.

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The One Group Hospitality chief executive officer Emanuel Hilario said last week that his company will continue to be cautious on pricing.

"The consumer is paying close attention to tickets right now, or what the prices are on the tickets," he said. "So, we have to be thoughtful and cautious about it. ... We'll only go to pricing if we get into a commodity (increase) or a situation where we have to deal with inflation."

Restaurant365 general manager of inventory and purchasing Joe Hannon said rising ingredient prices on top of high labor costs is making it harder for restaurants to maintain margins without pricing out guests.

"Menu pricing decisions will be more critical than ever, as operators work to balance profitability with guest retention," he said. "With costs climbing, staying focused on cost controls, efficiency, and strategic planning will be essential to navigating the road ahead."

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