National Restaurant Association

Restaurant Performance Index

December 2012

Restaurant Performance Index Declined 0.2 Percent in December to a Level of 99.7

Due in large part to softer same-store sales and customer traffic levels, the National Restaurant Association's Restaurant Performance Index (RPI) declined in December. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 99.7 in December, down 0.2 percent from November. In addition, December marked the third consecutive month in which the RPI stood below 100, which signifies contraction in the index of key industry indicators.

Although operators reported softer same-store sales and customer traffic levels in December, they are cautiously optimistic about sales growth in the months ahead. However, operators remain decidedly pessimistic about the overall economy, with only 17 percent saying their expect business conditions to improve in the next six months.

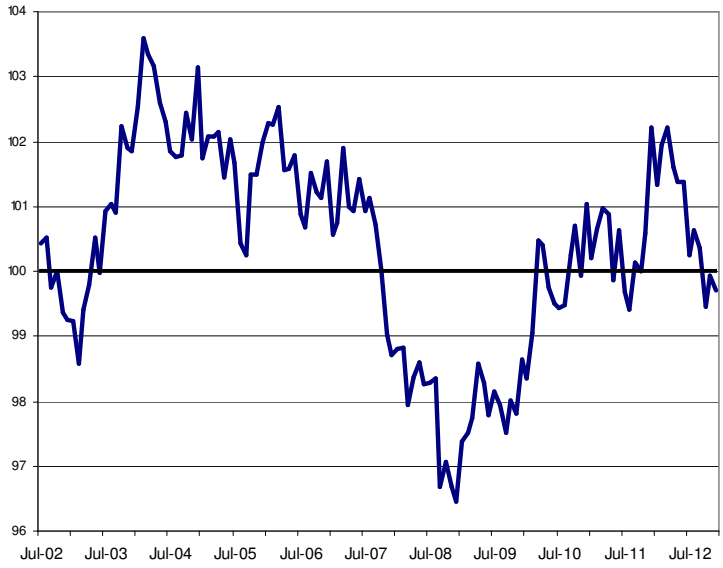
The Restaurant Performance Index is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The Index consists of two components – the Current Situation Index and the Expectations Index.

Current Situation Index Fell 0.7 Percent in December to a Level of 99.1; Expectations Index Gained 0.3 Percent to a Level of 100.3

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.1 in December – down 0.7 percent from November and the lowest level in nearly two years. December represented the fourth consecutive month in which the Current Situation Index stood below 100, which signifies contraction in the current situation indicators.

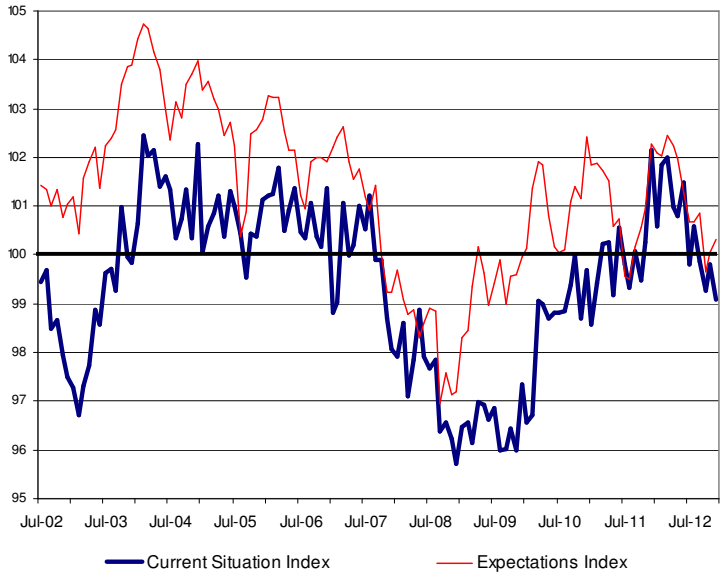
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.3 in December – up 0.3 percent from November. December represented the first time in three months that the Expectations Index rose above the 100 level, which indicates that restaurant operators are becoming somewhat more optimistic about the business environment in the months ahead.

Restaurant Performance Index



Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Current Situation & Expectations Indices



Source: NRA; Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Restaurant Operators Reported Softer Same-Store Sales and Customer Traffic Results in December

Although restaurant operators reported net positive same-store sales for the 19th consecutive month, December's results were much softer than the November performance. Forty-two percent of restaurant operators reported a same-store sales gain between December 2011 and December 2012, down from 55 percent who reported positive sales in November. In comparison, 38 percent of operators reported lower same-store sales in December, up from 30 percent in November.

While overall sales remained positive, restaurant operators reported a net decline in customer traffic levels in December. Thirty-one percent of restaurant operators reported higher customer traffic levels between December 2011 and December 2012, down from 43 percent who reported positive traffic in November. Meanwhile, 48 percent of operators reported lower customer traffic levels in December, up from 35 percent in November.

Although sales and traffic results softened, restaurant operators reported an uptick in capital spending, with 45 percent of operators saying they made a capital expenditure for equipment, expansion or remodeling during the last three months.

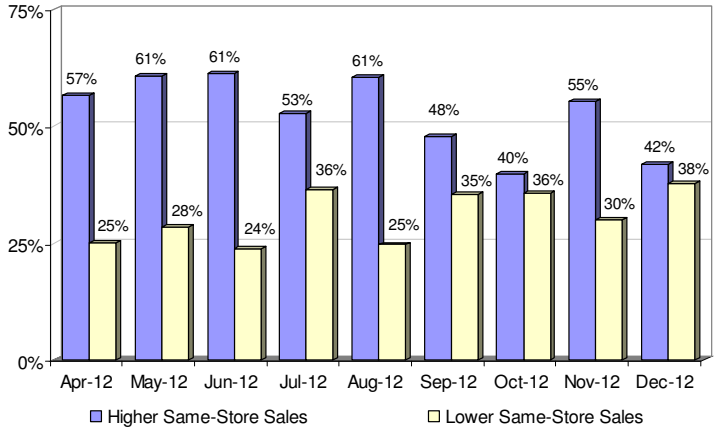
Restaurant Operators Remain Generally Optimistic About Sales Growth; Outlook for Overall Economy Remains Pessimistic

Although restaurant operators remain generally positive about sales growth in the months ahead, their optimism is well down from their bullish outlook during the first half of 2012. Thirty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), unchanged from last month. Meanwhile, 16 percent of restaurant operators expect their sales volume in six months to be lower than it was during the same period in the previous year, up slightly from 14 percent last month.

In contrast to their sales outlook, restaurant operators are more pessimistic about the direction of the overall economy. Only 17 percent of restaurant operators said they expect economic conditions to improve in six months, down from 21 percent last month. Meanwhile, 29 percent of operators said they expect economic conditions to worsen in the next six months, compared to 36 percent who reported similarly last month.

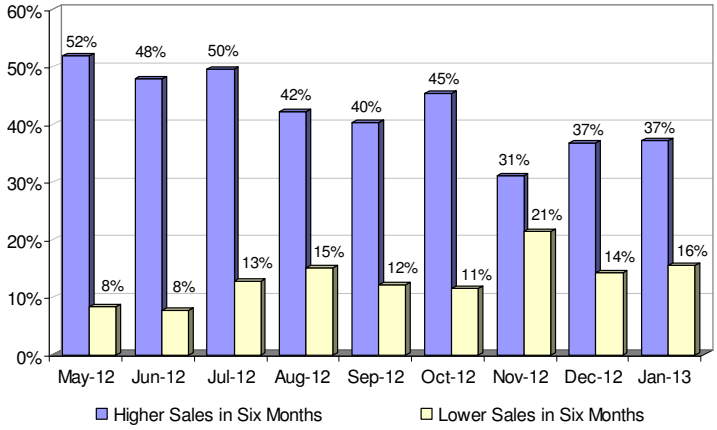
Despite the uncertain outlook, restaurant operators continue to plan for capital spending in the months ahead. Fifty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 45 percent who reported similarly last month.

Restaurant Operators' Reporting of Same-Store Sales versus Same Month in Previous Year



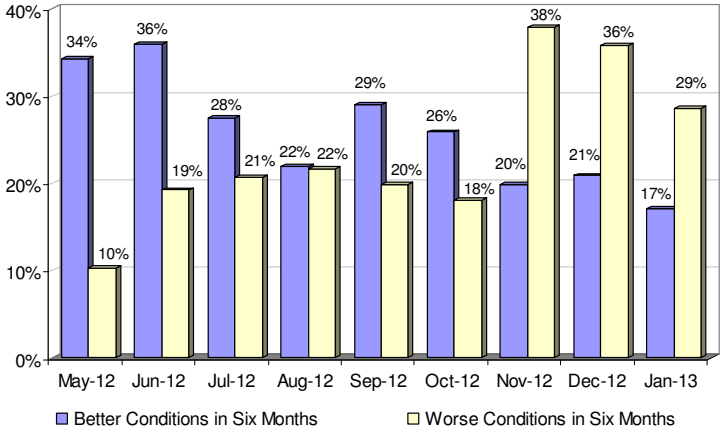
Source: National Restaurant Association, Restaurant Industry Tracking Survey

Restaurant Operators' Outlook for Sales Volume in Six Months versus Same Period in Previous Year



Source: National Restaurant Association, Restaurant Industry Tracking Survey

Restaurant Operators' Outlook for General Economic Conditions in Six Months



Source: National Restaurant Association, Restaurant Industry Tracking Survey

National Restaurant Association Restaurant Industry Performance Index and Its Components

	August 2012	September 2012	October 2012	November 2012	December 2012	Dec-12 over Nov-12
Restaurant Performance Index	100.6	100.4	99.5	99.9	99.7	-0.2%
Current Situation Index	100.6	99.9	99.3	99.8	99.1	-0.7%
Current Situation Indicators:						
Same-Store Sales	103.6	101.2	100.4	102.5	100.4	-2.1%
Customer Traffic	101.4	99.6	98.9	100.8	98.3	-2.5%
Labor	99.2	98.9	98.5	98.4	98.6	0.2%
Capital Expenditures	98.2	99.7	99.2	97.5	99.0	1.6%
Expectations Index	100.7	100.9	99.7	100.0	100.3	0.3%
Expectations Indicators:						
Same-Store Sales	102.8	103.4	101.0	102.3	102.2	-0.1%
Staffing	100.2	100.3	99.4	100.4	100.2	-0.1%
Capital Expenditures	98.8	98.9	100.1	99.0	100.0	1.0%
Business Conditions	100.9	100.8	98.2	98.5	98.9	0.3%

Note: For each of the Indices and Indicators, a value above 100 signals a period of expansion while a value below 100 signals a period of contraction.

Definitions

The National Restaurant Association's *Restaurant Performance Index* is a statistical barometer that measures the overall health of the U.S. Restaurant Industry. This monthly composite index is based on the responses to the National Restaurant Association's monthly Restaurant Industry Tracking Survey, which is fielded among restaurant operators nationwide on a variety of indicators including sales, traffic, labor and capital expenditures. The *Restaurant Performance Index* is composed of two equally-weighted components: the Current Situation Index and the Expectations Index. For each of the Indices and Indicators, a value above 100 signals a period of expansion while a value below 100 signals a period of contraction. The distance from 100 signifies the magnitude of the expansion or contraction.

The Current Situation Index is a composite index based on four 'recent-period' restaurant industry indicators:

Same-Store Sales: Compares same-store sales volume in the reference month versus the same month in the previous year
Customer Traffic: Compares customer traffic in the reference month versus the same month in the previous year
Labor: Compares the number of employees and the average employee hours in the reference month versus the same month in the previous year
Capital Expenditures: Measures capital expenditure activity during the three most recent months

The Expectations Index is a composite index based on four 'forward-looking' restaurant industry indicators:

Same-Store Sales: Restaurant operators' outlook for same-store sales in six months, compared to the same period in the previous year
Staffing: Restaurant operators' expectations for their number of employees in six months, compared to the same period in the previous year
Capital Expenditures: Restaurant operators' capital expenditure plans during the next six months
Business Conditions: Restaurant operators' outlook for general business conditions during the next six months

For a complete analysis of the National Restaurant Association's Restaurant Industry Tracking Survey including data broken out by industry segment, as well as a host of other economic indicators that impact the restaurant industry, log on to *Restaurant TrendMapper* at www.restaurant.org/trendmapper (subscription required).