



National Restaurant Association

Restaurant Performance Index – November 2008

Restaurant Performance Index Fell to a Record Low in November as Economic Conditions Continued to Deteriorate

The outlook for the restaurant industry worsened in November, as the National Restaurant Association's comprehensive index of restaurant activity fell to a record-low level. The Association's *Restaurant Performance Index (RPI)* – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 96.7 in November, down 0.4 percent from October and its 13th consecutive month below 100.

The November decline in the *Restaurant Performance Index* was the result of broad-based declines across the index components, with the Current Situation index falling to a new record low. A solid majority of restaurant operators reported negative same-store sales and traffic levels in November, while nearly one-half expect their sales in six months to be lower than the same period in the previous year.

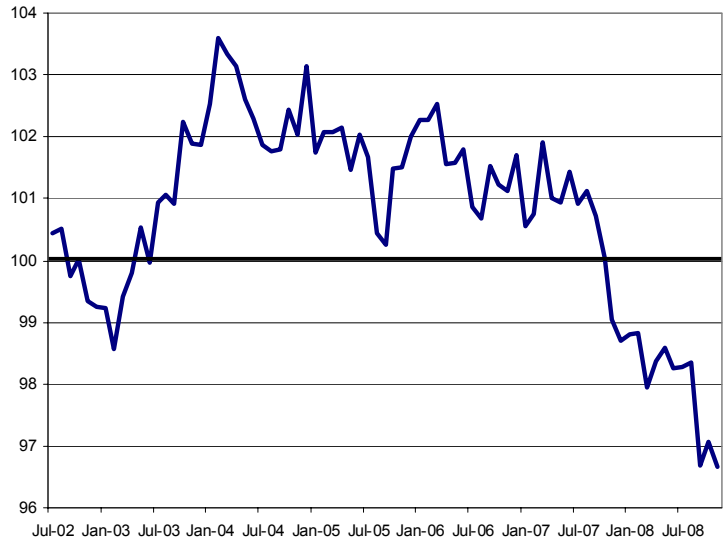
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

The *Restaurant Performance Index* is constructed so that the health of the restaurant industry is measured in relation to a steady-state level of 100. Index values above 100 indicate that key industry indicators are in a period of expansion, while index values below 100 represent a period of contraction for key industry indicators.

Current Situation Index Fell 0.3 Percent in November to a Record-Low Level of 96.2

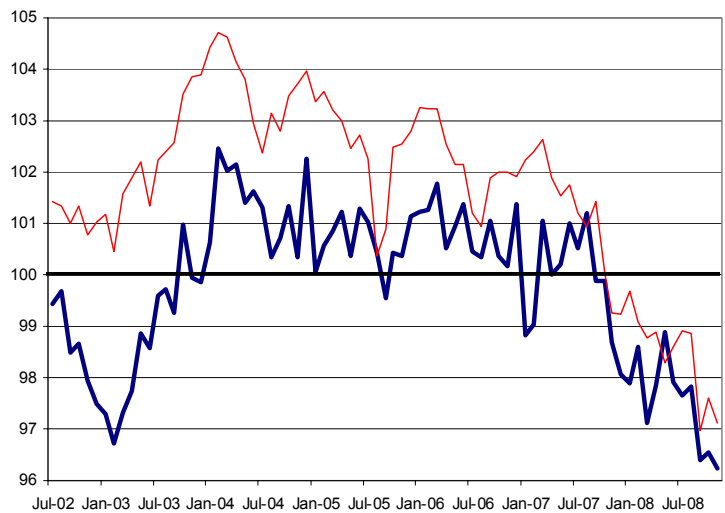
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.2 in November – down 0.3 percent from October and its lowest level on record. In addition, November marked the 15th consecutive month below 100, which signifies contraction in the current situation component.

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 negative same-store sales for the sixth consecutive month in November. Twenty-six percent of restaurant operators reported a same-store sales gain between November 2007 and November 2008, down from 29 percent who reported a sales gain in October. Sixty percent of operators reported a same-store sales decline in November, matching the proportion who reported negative sales in both September and October.

Customer traffic levels also remained negative in November. Eighteen percent of restaurant operators reported an increase in customer traffic between November 2007 and November 2008, down slightly from 20 percent who reported similarly in October. Sixty-five percent of operators reported a traffic decline in November, matching the proportion who reported negative traffic in October.

Along with weak sales and traffic levels, capital spending activity remains extremely soft. Thirty-nine percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, which equals the lowest level on record.

Expectations Index Declined 0.5 Percent to a Level of 97.1 in November

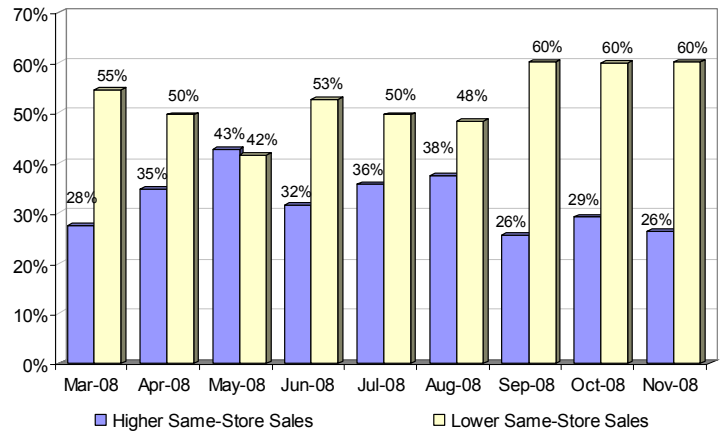
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 97.1 in November – down 0.5 percent from October and just slightly above the record-low level of 97.0 registered in September. In addition, November represented the 13th consecutive month in which the Expectations Index stood below 100.

Restaurant operators are more pessimistic about sales growth in coming months. Only 21 percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), matching the proportion who reported similarly last month. However, 48 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 from 43 percent who reported similarly last month and one of the highest levels on record.

Restaurant operators are also more uncertain about the direction of the economy. Seventeen percent of operators expect economic conditions to improve in six months, down slightly from 18 percent who reported similarly last month. Forty-nine percent of operators said they expect economic conditions to worsen in six months, up from 40 percent who reported similarly last month.

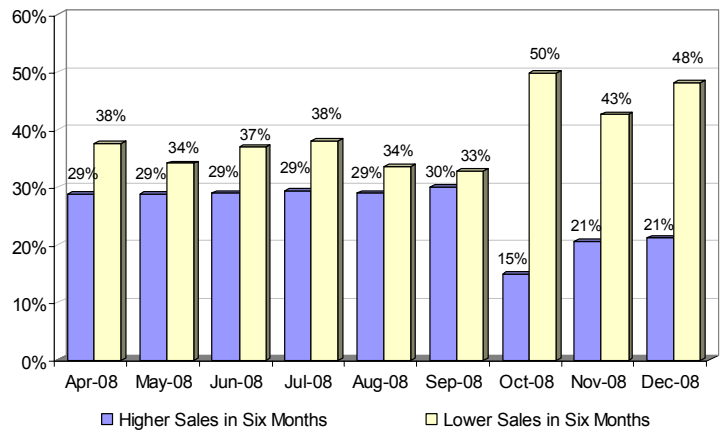
Forty percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up slightly from 37 percent who reported similarly last month.

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



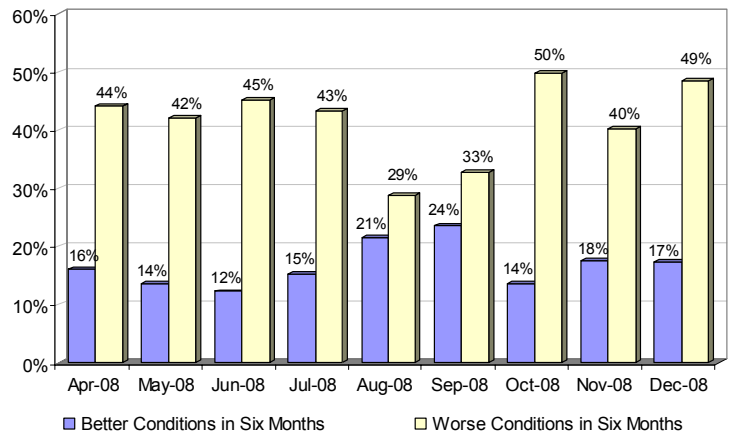
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	July 2008	August 2008	September 2008	October 2008	November 2008	Nov-08 over Oct-08
Restaurant Performance Index	98.3	98.3	96.7	97.1	96.7	-0.4%
Current Situation Index	97.7	97.8	96.4	96.6	96.2	-0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	98.6	98.9	96.6	97.0	96.6	-0.3%
Customer Traffic	96.8	97.0	94.8	95.6	95.3	-0.3%
Labor	96.8	97.2	96.2	96.0	95.2	-0.8%
Capital Expenditures	98.5	98.2	98.0	97.7	97.7	0.0%
Expectations Index	98.9	98.8	97.0	97.6	97.1	-0.5%
<i>Expectations Indicators:</i>						
Same-Store Sales	99.6	99.7	96.5	97.8	97.3	-0.5%
Staffing	98.1	98.1	96.8	97.4	96.4	-1.0%
Capital Expenditures	98.7	98.5	98.2	97.4	97.9	0.5%
Business Conditions	99.3	99.1	96.4	97.7	96.9	-0.9%

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 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).