



# National Restaurant Association

## Restaurant Performance Index – February 2009

### Restaurant Industry Outlook Remains Uncertain as the Restaurant Performance Index Stood Below 100 for the 16<sup>th</sup> Consecutive Month

Restaurant industry performance remained soft in February, as the National Restaurant Association's comprehensive index of restaurant activity stood below 100 for the 16th consecutive month. 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 97.5 in February, up 0.1 percent from its January level.

Although the index registered its second consecutive monthly gain, each of the RPI's eight indicators stood below 100 in February, which signifies continued contraction. A majority of restaurant operators reported negative same-store sales and customer traffic levels in February, and their outlook for sales growth in the months ahead remains uncertain.

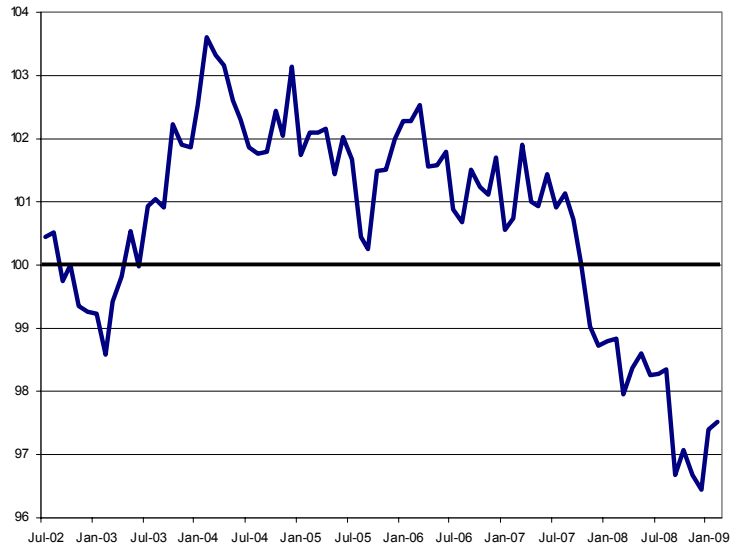
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Edged Up 0.1 Percent in February to a Level of 96.6

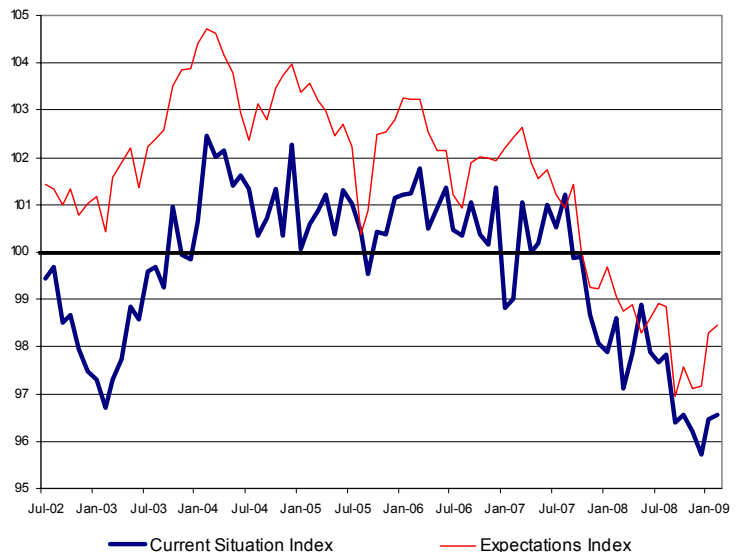
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.6 in February – up 0.1 percent from January and the second consecutive monthly improvement. Despite the recent gains, February marked the 18th consecutive month below 100, which signifies contraction in the current situation indicators.

### 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

Operators reported negative same-store sales for the ninth consecutive month in February. Twenty-nine percent of operators reported a same-store sales gain between February 2008 and February 2009, down from 31 percent who reported a sales gain in January. Fifty-six percent of operators reported a same-store sales decline in February, up slightly from 55 who reported negative sales in January.

Restaurant operators also reported negative customer traffic levels in February, with results on par with the January performance. Twenty-two percent of restaurant operators reported an increase in customer traffic between February 2008 and February 2009, matching the proportion who reported similarly in January. Fifty-nine percent of operators reported a traffic decline in February, also unchanged from January.

Capital spending activity in the restaurant industry also slowed along with sales and traffic in recent months. Thirty-five percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, compared to the 34 percent levels reported by operators in the previous two months.

**Expectations Index Rose 0.2 Percent to a Level of 98.5 in February**

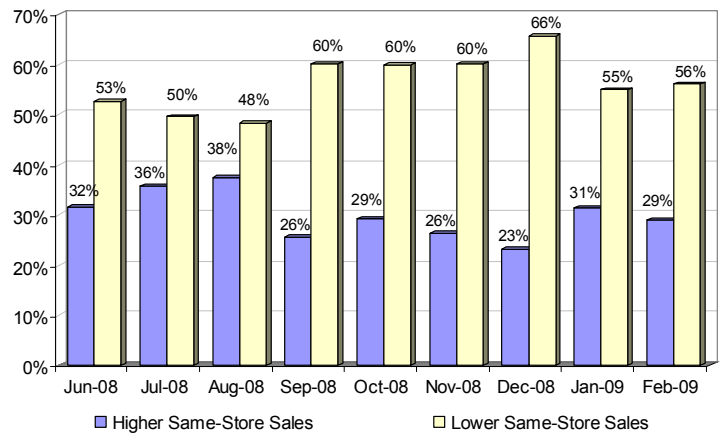
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 98.5 in February – up 0.2 percent from January and its third consecutive monthly gain. However, February still represented the 16th consecutive month in which the Expectations Index stood below 100.

Operators remain uncertain about sales growth in coming months. Twenty-five percent of operators expect to have higher sales in six months (compared to the same period in the previous year), down from 26 percent who reported similarly last month. Forty-one percent of operators expect their sales volume in six months to be lower than it was during the same period in the previous year, compared to 42 percent who reported similarly last month.

Restaurant operators are slightly more optimistic about the direction of the economy, though pessimists still outnumber optimists. Twenty-two percent of operators expect economic conditions to improve in six months, up from 18 percent who reported similarly last month and the highest level in six months. However, 36 percent of operators said they expect economic conditions to worsen in six months, up from 34 percent who reported similarly last month.

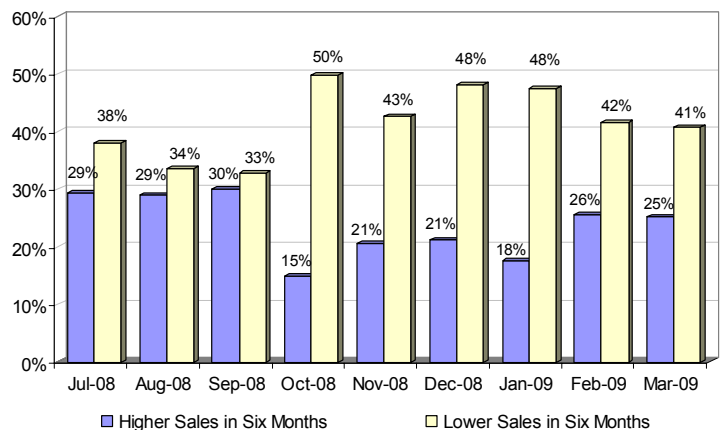
Restaurant operators are still somewhat reticent to make plans for additional capital spending. Forty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, matching the proportion who reported similarly last month.

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



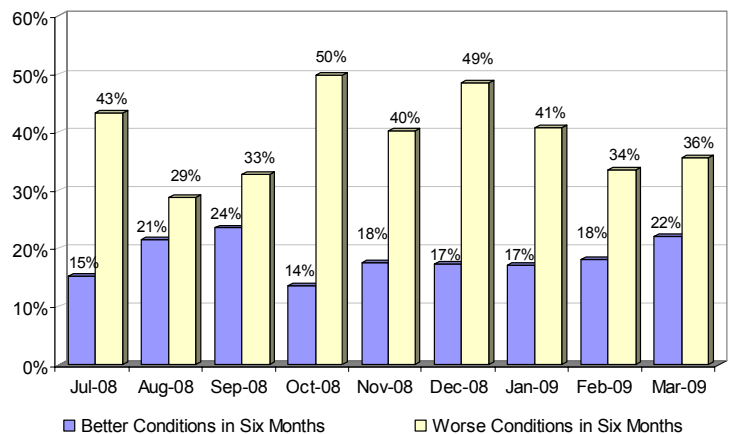
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	October 2008	November 2008	December 2008	January 2009	February 2009	Feb-09 over Jan-09
<b>Restaurant Performance Index</b>	97.1	96.7	96.4	97.4	97.5	0.1%
<b>Current Situation Index</b>	96.6	96.2	95.7	96.5	96.6	0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	97.0	96.6	95.8	97.6	97.3	-0.4%
Customer Traffic	95.6	95.3	94.8	96.3	96.3	0.0%
Labor	96.0	95.2	95.5	95.2	95.7	0.5%
Capital Expenditures	97.7	97.7	96.8	96.8	96.9	0.2%
<b>Expectations Index</b>	97.6	97.1	97.2	98.3	98.5	0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	97.8	97.3	97.0	98.4	98.4	0.0%
Staffing	97.4	96.4	96.7	98.2	98.7	0.5%
Capital Expenditures	97.4	97.9	97.4	98.2	98.1	-0.1%
Business Conditions	97.7	96.9	97.6	98.5	98.7	0.2%

*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](http://www.restaurant.org/trendmapper) (subscription required).