



March 2009

Restaurant Industry Outlook Improved in March as the Restaurant Performance Index Rose for the Third Consecutive Month

The outlook for the restaurant industry improved in March, as the National Restaurant Association's comprehensive index of restaurant activity rose for the third 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 97.7 in March, up 0.2 percent from February and 1.3 percent during the last three months.

Although the *Restaurant Performance Index* remained below 100 for the 17th consecutive month – which signals contraction – there are clear signs of improvement, in particular among the forward-looking indicators. Restaurant operators reported a positive six-month economic outlook for the first time in 18 months, and capital spending plans rose to a 9-month high.

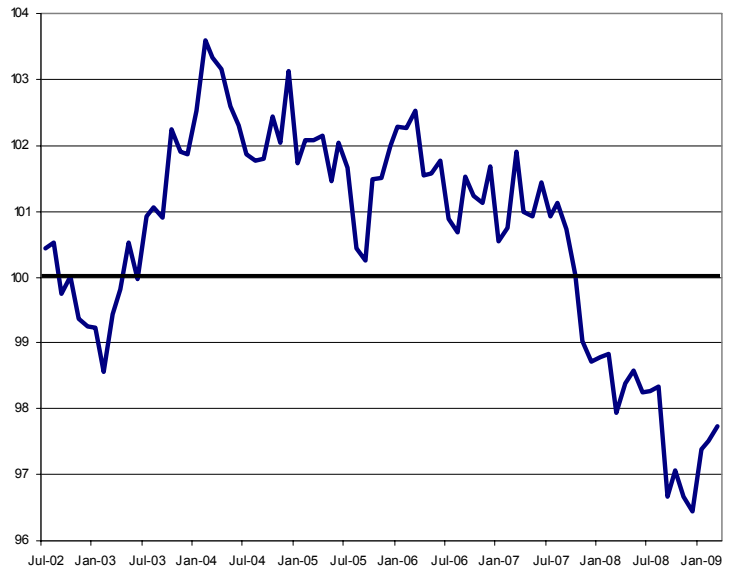
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Declined 0.4 Percent in March to a Level of 96.1; First Drop in Three Months

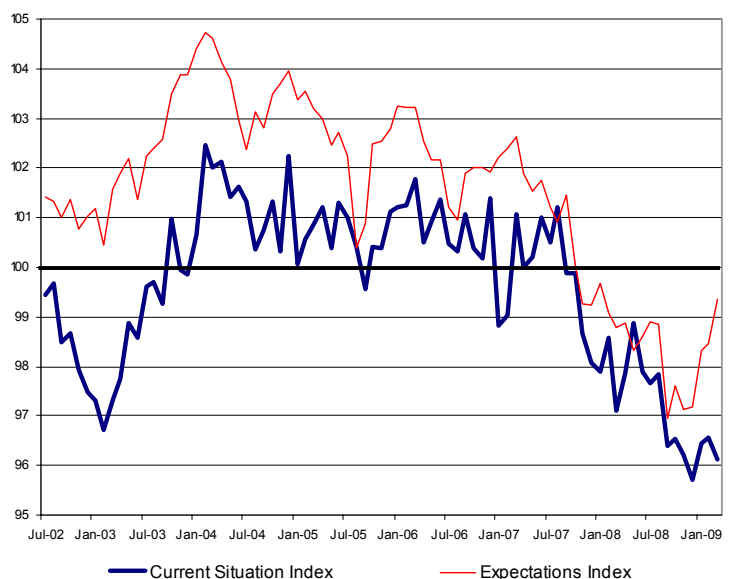
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.1 in March – down 0.4 percent from February and the first decline in three months. In addition, March represented the 19th consecutive month 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

Due in part to Easter falling in April rather than March this year, restaurant operators reported negative same-store sales for the tenth consecutive month in March. Twenty-four percent of restaurant operators reported a same-store sales gain between March 2008 and March 2009, down from 29 percent who reported a sales gain in February. Sixty-three percent of operators reported a same-store sales decline in March, up from 56 who reported negative sales in February.

Restaurant operators also reported negative customer traffic levels for the 19th consecutive month in March. Twenty percent of operators reported an increase in customer traffic between March 2008 and March 2009, compared to 22 percent who reported similarly in February. Sixty-three percent of operators reported a traffic decline in March, up from 59 percent who reported similarly in February.

Thirty-five percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, roughly on par with the levels reported by operators in the previous three months.

Expectations Index Rose a Solid 0.9 Percent to a Level of 99.4 in March

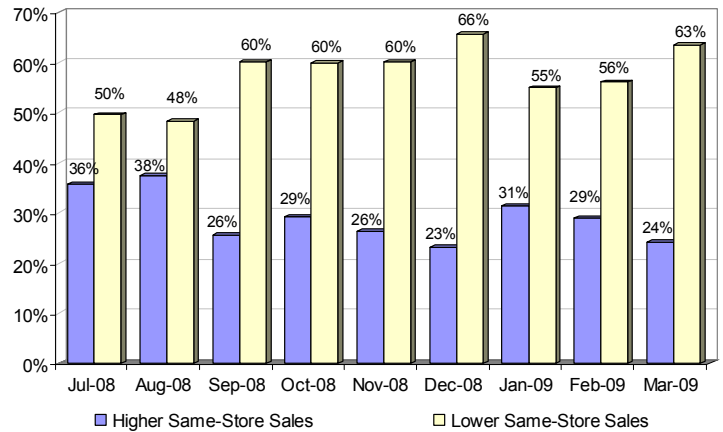
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.4 in March – up 0.9 percent from February and its 4th straight monthly gain. Although the Expectations Index remained below 100 for the 17th straight month, it rose to its strongest level in 14 months.

For the first time in 18 months, a higher proportion of operators said they expect the economy to improve in six months, as compared to the percent who expect economic conditions to worsen. Thirty percent of operators said they expect economic conditions to improve in six months, up from 22 percent who reported similarly last month and the highest level in 21 months. In comparison, only 21 percent of operators expect economic conditions to worsen in six months, down sharply from 36 percent last month.

Operators remain somewhat uncertain about sales growth in coming months. Thirty percent of operators expect to have higher sales in six months (compared to the same period in the previous year), up from 25 percent who reported similarly last month. Thirty-eight percent of operators expect their sales volume in six months to be lower than it was during the same period in the previous year, down slightly from 41 percent who reported similarly last month.

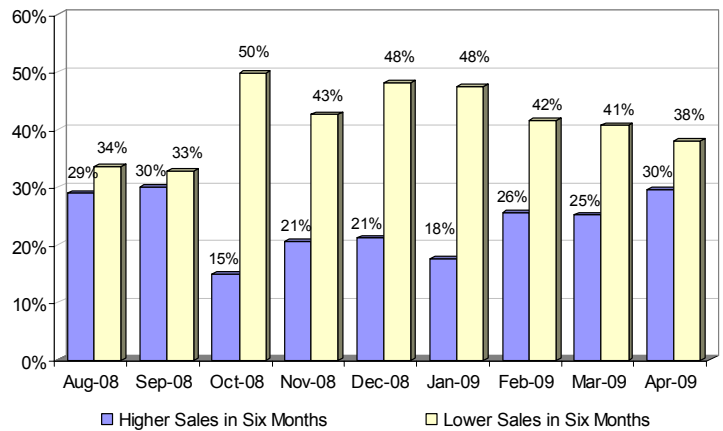
As the outlook for the economy improved, so too did operators' plans for capital expenditure activity in the months ahead. Forty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, the highest level since July 2008.

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



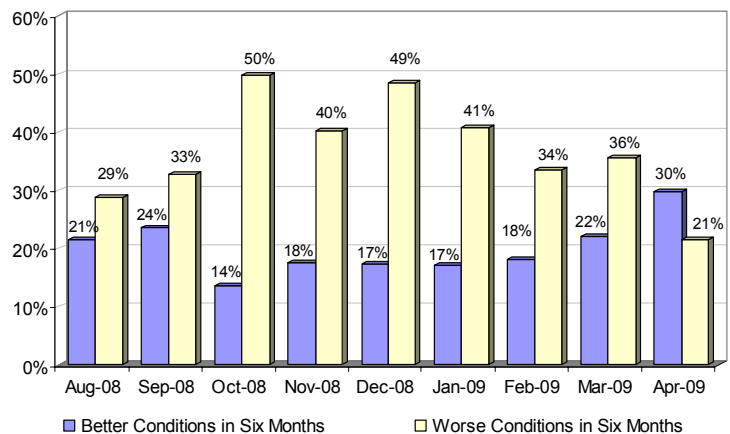
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	November 2008	December 2008	January 2009	February 2009	March 2009	Mar-09 over Feb-09
Restaurant Performance Index	96.7	96.4	97.4	97.5	97.7	0.2%
Current Situation Index	96.2	95.7	96.5	96.6	96.1	-0.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	96.6	95.8	97.6	97.3	96.1	-1.2%
Customer Traffic	95.3	94.8	96.3	96.3	95.7	-0.7%
Labor	95.2	95.5	95.2	95.7	95.8	0.1%
Capital Expenditures	97.7	96.8	96.8	96.9	97.0	0.1%
Expectations Index	97.1	97.2	98.3	98.5	99.4	0.9%
<i>Expectations Indicators:</i>						
Same-Store Sales	97.3	97.0	98.4	98.4	99.2	0.7%
Staffing	96.4	96.7	98.2	98.7	98.5	-0.1%
Capital Expenditures	97.9	97.4	98.2	98.1	98.9	0.8%
Business Conditions	96.9	97.6	98.5	98.7	100.8	2.2%

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 (subscription required).