

April 2009

Restaurant Industry Outlook Continues to Improve as the Restaurant Performance Index Rose to its Highest Level in 11 Months

The outlook for the restaurant industry grew more optimistic in April, as the National Restaurant Association's comprehensive index of restaurant activity registered its fourth consecutive monthly gain. 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 98.6 in April, up 0.8 percent from March and its highest level in 11 months.

The recent growth in the RPI was driven by the Expectations component, which rose above 100 in April for the first time in 18 months, a level which indicates expansion. Although the RPI's Current Situation indicators are still in a period of contraction, the solid improvement in the forward-looking indicators suggests that the end of the industry's downturn may be in sight.

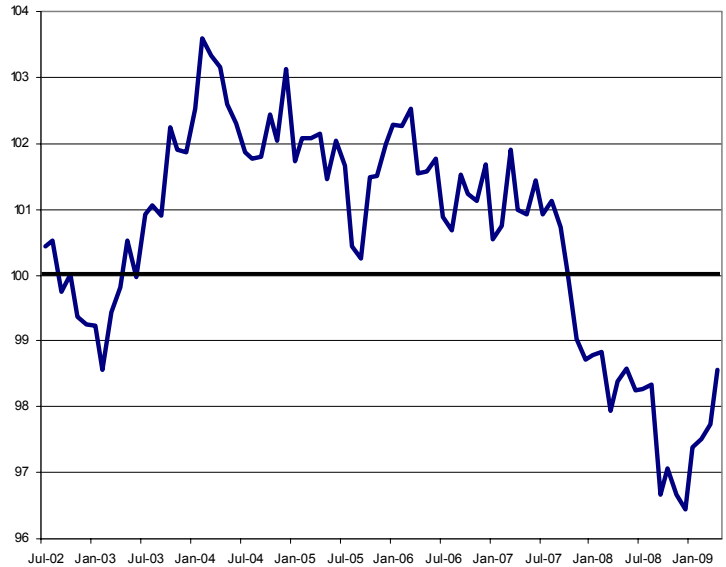
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Increased 0.9 Percent in April to a Level of 97.0; Highest Level in Eight Months

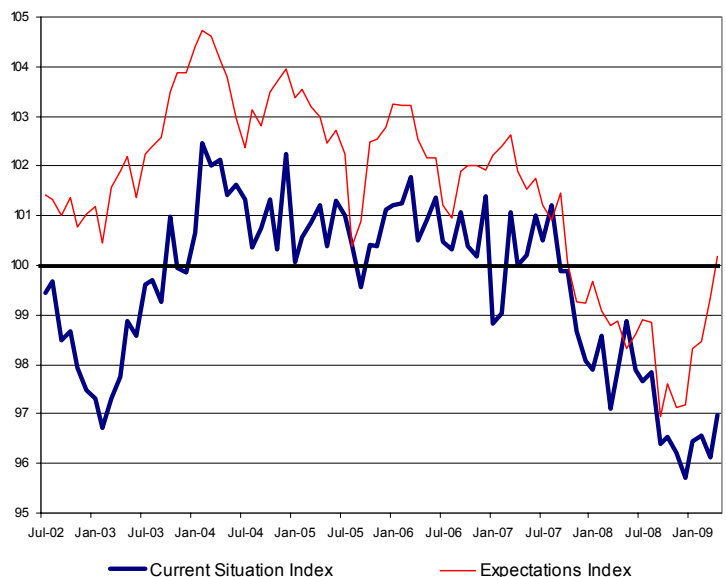
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 97.0 in April – up 0.9 percent from March and its highest level since August 2008. However, April represented the 20th consecutive month below 100, which continues to signify 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

Even though sales comparisons benefitted from Easter falling in April this year, operators reported negative same-store sales for the 11th consecutive month in April. Twenty-six percent of operators reported a same-store sales gain between April 2008 and April 2009, up from 24 percent who reported a sales gain in March. Fifty-nine percent of operators reported a same-store sales decline in April, down from 63 percent who reported negative sales in March.

Restaurant operators reported negative customer traffic levels for the 20th consecutive month in April. Twenty-three percent of restaurant operators reported an increase in customer traffic between April 2008 and April 2009, up from 20 percent who reported similarly in March. Sixty percent of operators reported a traffic decline in April, down from 63 percent who reported similarly in March.

Although sales and traffic levels remained soft, restaurant operators reported an uptick in capital spending activity. Forty-three percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, the highest level in 10 months.

Expectations Index Rose 0.8 Percent to Top 100 for the First Time in 18 Months

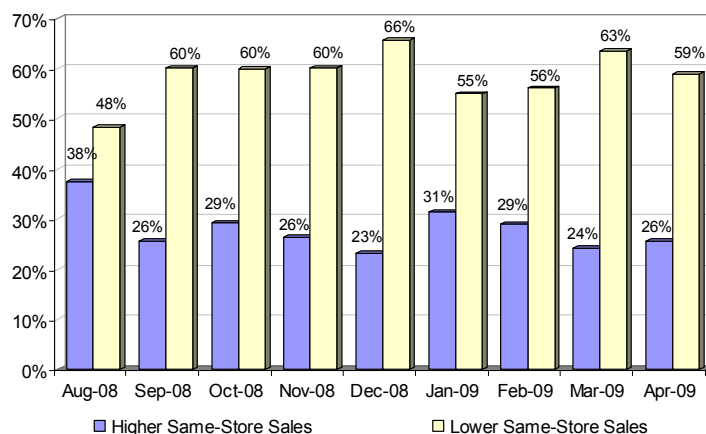
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.2 in April – up 0.8 percent from March and its fifth consecutive monthly increase. In addition, the Expectations Index crossed above the 100 level for the first time in 18 months, which signifies expansion in the forward-looking indicators.

Growth in the Expectations Index was driven by operators' improving outlook for both sales and the economy. Thirty-three percent of operators expect to have higher sales in six months (compared to the same period in the previous year), up from 30 percent last month and the highest level in 18 months. Meanwhile, just 30 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 from 38 percent who reported similarly last month.

Restaurant operators also continue to grow more optimistic about the economy. Thirty-seven percent of operators said they expect economic conditions to improve in six months, up from 30 percent who reported similarly last month and the highest level in three years. In comparison, only 16 percent of operators expect economic conditions to worsen in six months, down from 21 percent last month.

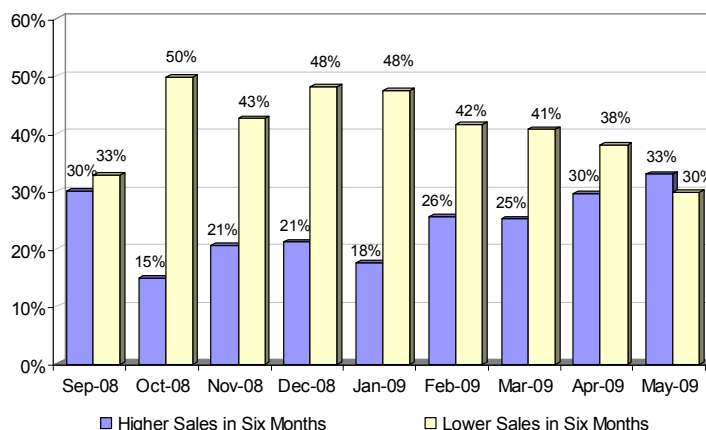
Along with an improving outlook, restaurant operators are also ramping up plans for capital spending in the months ahead. Forty-six percent of operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 37 percent just four months ago.

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



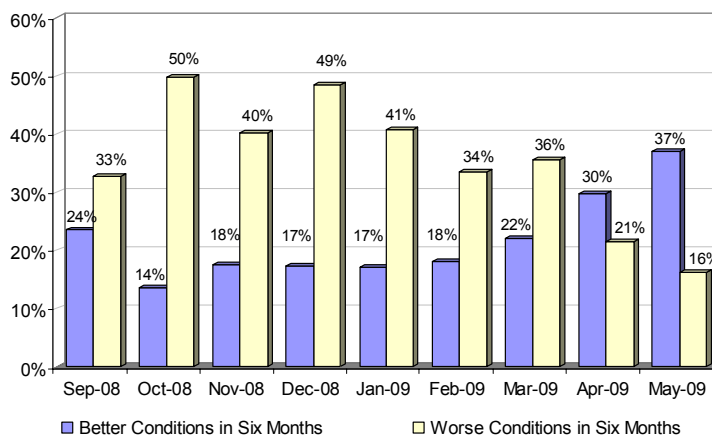
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	December 2008	January 2009	February 2009	March 2009	April 2009	Apr-09 over Mar-09
Restaurant Performance Index	96.4	97.4	97.5	97.7	98.6	0.8%
Current Situation Index	95.7	96.5	96.6	96.1	97.0	0.9%
<i>Current Situation Indicators:</i>						
Same-Store Sales	95.8	97.6	97.3	96.1	96.7	0.6%
Customer Traffic	94.8	96.3	96.3	95.7	96.3	0.7%
Labor	95.5	95.2	95.7	95.8	96.3	0.5%
Capital Expenditures	96.8	96.8	96.9	97.0	98.5	1.6%
Expectations Index	97.2	98.3	98.5	99.4	100.2	0.8%
<i>Expectations Indicators:</i>						
Same-Store Sales	97.0	98.4	98.4	99.2	100.3	1.2%
Staffing	96.7	98.2	98.7	98.5	99.1	0.6%
Capital Expenditures	97.4	98.2	98.1	98.9	99.2	0.3%
Business Conditions	97.6	98.5	98.7	100.8	102.1	1.2%

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).