



May 2009

Restaurant Industry Outlook Softened Somewhat as the Restaurant Performance Index Declined 0.3 Percent in May

The outlook for the restaurant industry was dampened somewhat in May, as the National Restaurant Association's comprehensive index of restaurant activity registered its first decline in five months. 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 98.3 in May, down 0.3 percent from April and its 19th consecutive month below 100.

With the performance of the current situation indicators holding relatively steady in May, the *Restaurant Performance Index* decline was the result of restaurant operators' dampened outlook for each of the four forward-looking indicators. Although restaurant operators remain relatively optimistic that economic conditions will improve in six months, their outlook for sales growth and capital spending activity softened somewhat.

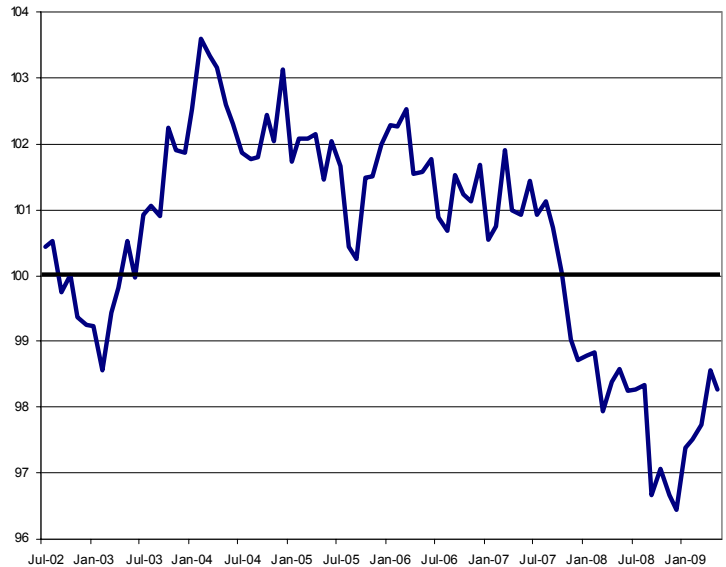
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 0.1 Percent in May to a Level of 96.9; 21st Consecutive Month Below 100

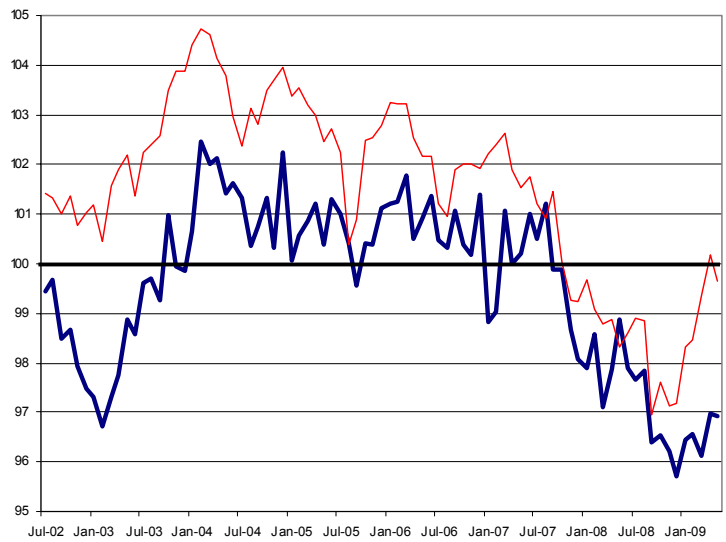
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.9 in May – down 0.1 percent from April. In addition, May represented the 21st consecutive month below 100, which signifies contraction in the 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

Restaurant operators reported negative same-store sales for the 12th consecutive month in May, with results similar to the April performance. Twenty-six percent of restaurant operators reported a same-store sales gain between May 2008 and May 2009, matching the proportion who reported a sales gain in April. Sixty percent of operators reported a same-store sales decline in May, compared to 59 percent who reported lower sales in April.

Operators also reported negative customer traffic levels in May, marking the 21st consecutive month of traffic declines. Twenty-two percent of operators reported an increase in customer traffic between May 2008 and May 2009, compared to 23 percent who reported similarly in April. Fifty-nine percent of operators reported a traffic decline in May, while 60 percent reported lower traffic in April.

Capital spending activity remained relatively steady, despite the continued soft sales and traffic levels. Forty-one percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, while 43 percent reported similarly last month.

Expectations Index Fell 0.5 Percent to a Level of 99.6 in May

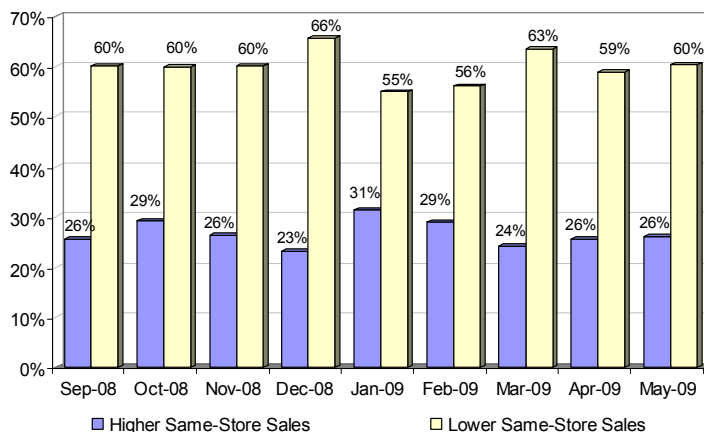
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.6 in May – down 0.5 percent from April and its first decline in six months. April's level of 100.2 represented the first time in 18 months that the Expectations Index surpassed 100, which signifies expansion in the forward-looking indicators.

The May decline in the Expectations Index was due in part to a dampening in restaurant operators' outlook for sales growth. Twenty-nine percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 33 percent last month. In comparison, 33 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 30 percent who reported similarly last month.

Despite the softer sales outlook, operators remained relatively optimistic that the economy will improve in the months ahead. Thirty-four percent of operators said they expect economic conditions to improve in six months, down slightly from 37 percent who reported similarly last month. Meanwhile, 17 percent of operators expect economic conditions to worsen in six months, roughly on par with the 16 percent who reported similarly last month.

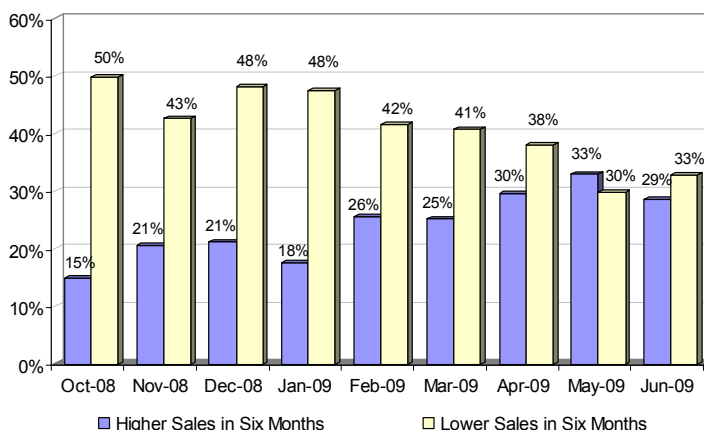
Forty-one percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down from 46 percent who reported similarly last month, which was a 10-month high.

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



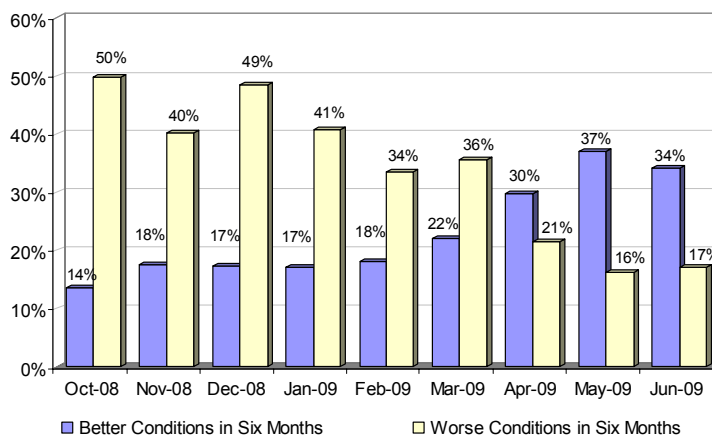
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	January 2009	February 2009	March 2009	April 2009	May 2009	May-09 over Apr-09
Restaurant Performance Index	97.4	97.5	97.7	98.6	98.3	-0.3%
Current Situation Index	96.5	96.6	96.1	97.0	96.9	-0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	97.6	97.3	96.1	96.7	96.6	-0.1%
Customer Traffic	96.3	96.3	95.7	96.3	96.3	0.0%
Labor	95.2	95.7	95.8	96.3	96.8	0.5%
Capital Expenditures	96.8	96.9	97.0	98.5	98.1	-0.4%
Expectations Index	98.3	98.5	99.4	100.2	99.6	-0.5%
<i>Expectations Indicators:</i>						
Same-Store Sales	98.4	98.4	99.2	100.3	99.6	-0.7%
Staffing	98.2	98.7	98.5	99.1	99.0	-0.1%
Capital Expenditures	98.2	98.1	98.9	99.2	98.2	-0.9%
Business Conditions	98.5	98.7	100.8	102.1	101.7	-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 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).