

June 2009

## Restaurant Industry Outlook Remained Uncertain as the Restaurant Performance Index Fell for the 2<sup>nd</sup> Consecutive Month

The restaurant industry's economic challenges continued to persist in June, as the National Restaurant Association's comprehensive index of restaurant activity declined for the second 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 97.8 in June, down 0.5 percent from May and its 20<sup>th</sup> consecutive month below 100.

While there are signs that suggest an improvement may be on the horizon, the latest figures indicate that the restaurant industry's recovery has yet to gain a firm foothold. Restaurant operators continued to report declines in same-store sales and customer traffic in June, and their outlook for sales growth in the months ahead remains mixed.

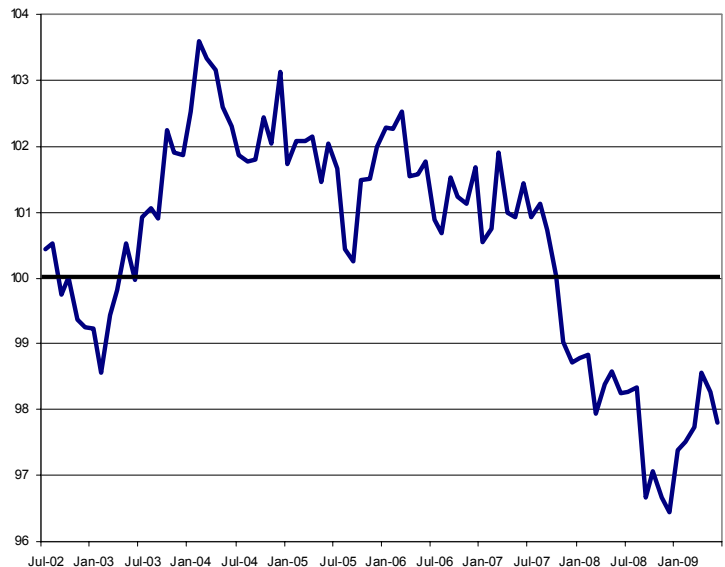
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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. The distance from 100 signifies the magnitude of the expansion or contraction.

### Current Situation Index Declined 0.3 Percent in June to a Level of 96.6; 22<sup>nd</sup> Consecutive Month Below 100

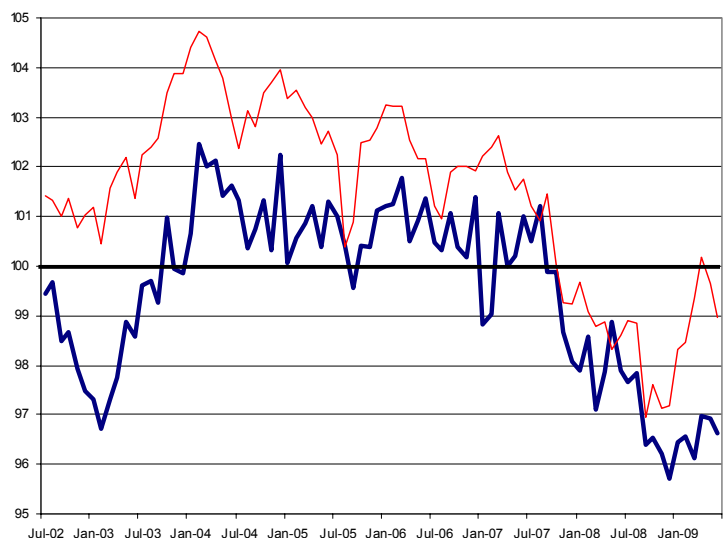
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.6 in June – down 0.3 percent from May and its lowest level in three months. In addition, June represented the 22<sup>nd</sup> consecutive month 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 continue to report soft same-store sales, with June representing the 13th consecutive month of sales declines. Only 22 percent of operators reported a same-store sales gain between June 2008 and June 2009, down from 26 percent who reported a sales gain in May and the lowest reading in the 7-year history of the RPI. Sixty-one percent of operators reported a same-store sales decline in June, up slightly from 60 who reported negative sales in May.

Restaurant operators also reported negative customer traffic levels in June, marking the 22nd consecutive month of traffic declines. Nineteen percent of operators reported an increase in customer traffic between June 2008 and June 2009, down from 22 percent who reported similarly in May. Sixty percent of operators reported a traffic decline in June, compared to 59 percent reported lower traffic in May.

Although sales and traffic levels softened in recent months, capital spending activity remained relatively steady. Forty-two percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, compared to 41 percent who reported similarly last month.

**Expectations Index Fell 0.7 Percent to a Level of 99.0 in June**

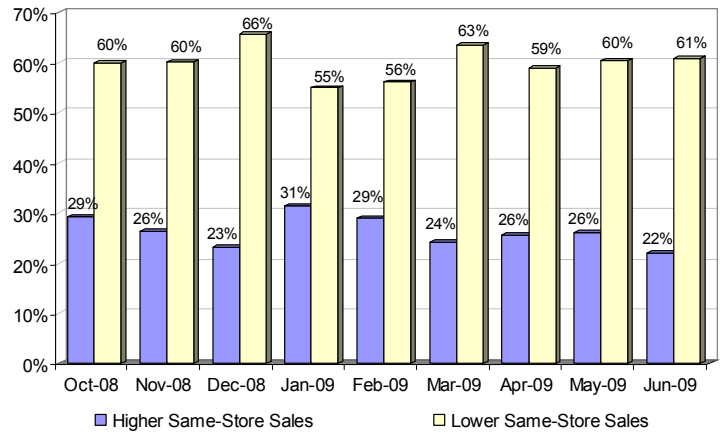
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.0 in June – down 0.7 percent from May and its second consecutive decline after rising to a 19-month high in April.

The recent decline in the Expectations Index was largely due to restaurant operators' dampened outlook for sales growth in the months ahead. Twenty-four percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 29 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, matching the proportion who reported similarly last month.

Restaurant operators are also less optimistic about the economy, compared to recent months. Twenty-six percent of operators said they expect economic conditions to improve in six months, down from 34 percent who reported similarly last month. Meanwhile, 26 percent of operators expect economic conditions to worsen in six months, up from 17 percent who reported similarly last month.

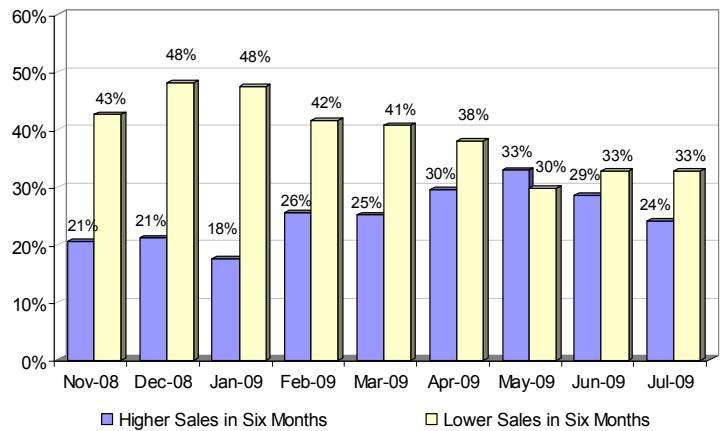
Restaurant operators reported a slight uptick in plans for capital expenditures in the months ahead. Forty-four percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 41 percent who reported similarly last month.

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



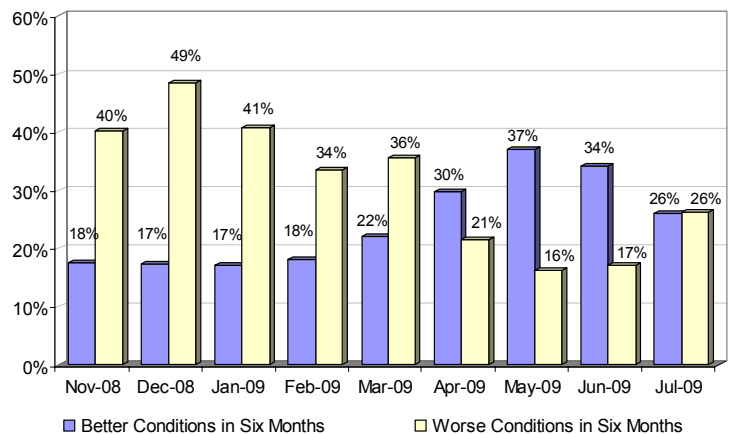
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	February 2009	March 2009	April 2009	May 2009	June 2009	June-09 over May-09
<b>Restaurant Performance Index</b>	97.5	97.7	98.6	98.3	97.8	-0.5%
<b>Current Situation Index</b>	96.6	96.1	97.0	96.9	96.6	-0.3%
<i>Current Situation Indicators:</i>						
Same-Store Sales	97.3	96.1	96.7	96.6	96.1	-0.5%
Customer Traffic	96.3	95.7	96.3	96.3	96.0	-0.3%
Labor	95.7	95.8	96.3	96.8	96.1	-0.8%
Capital Expenditures	96.9	97.0	98.5	98.1	98.4	0.3%
<b>Expectations Index</b>	98.5	99.4	100.2	99.6	99.0	-0.7%
<i>Expectations Indicators:</i>						
Same-Store Sales	98.4	99.2	100.3	99.6	99.1	-0.4%
Staffing	98.7	98.5	99.1	99.0	98.0	-1.0%
Capital Expenditures	98.1	98.9	99.2	98.2	98.7	0.5%
Business Conditions	98.7	100.8	102.1	101.7	100.0	-1.7%

*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).