

September 2009

Restaurant Industry Outlook Remained Uncertain as Restaurant Performance Index Declined in September

Restaurant industry performance remained soft in September, 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 97.5 in September, down 0.4 percent from August and its 23rd consecutive month below 100.

While there were signs in recent months that the short-term outlook may be improving, the latest figures indicate that the restaurant industry's recovery has yet to fully gain traction. Restaurant operators continued to report declines in same-store sales and customer traffic in September, and their outlook for sales growth in the months ahead remains mixed.

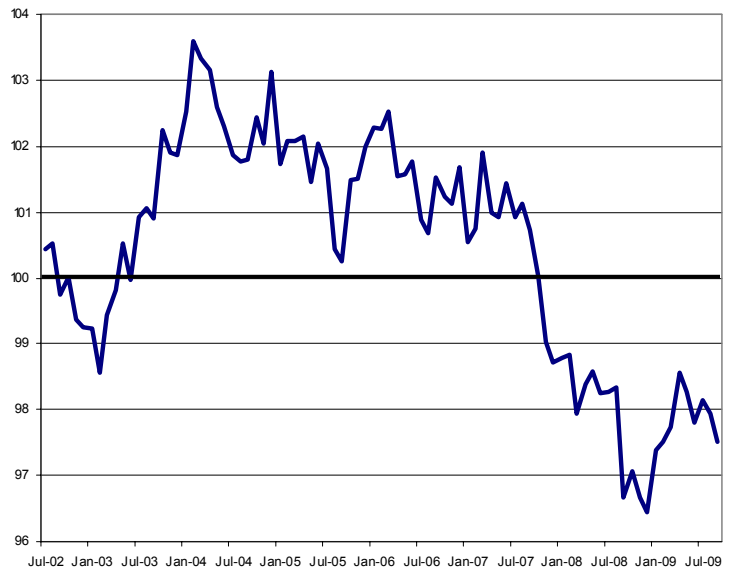
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Remained Unchanged in September at a Level of 96.0; 25th Consecutive Month Below 100

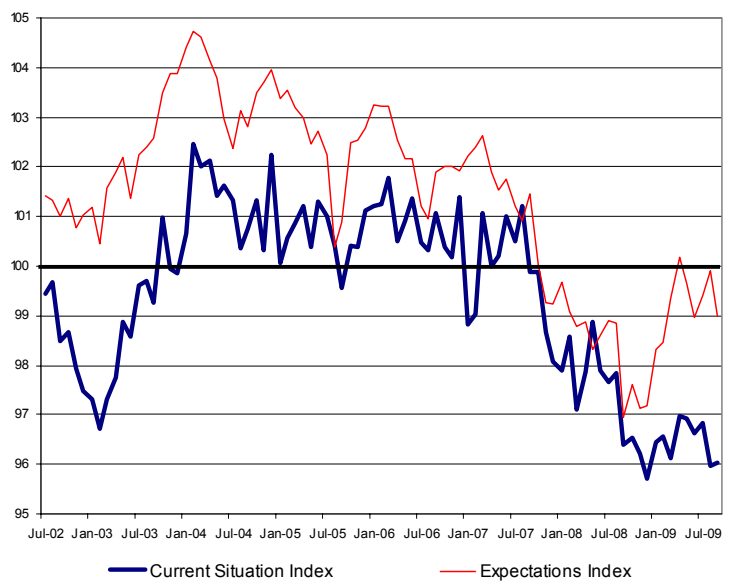
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.0 in September – unchanged from August and tied for the second-lowest level on record. In addition, September represented the 25th consecutive 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

Although restaurant operators continued to report negative same-store sales in September, the performance was an improvement over the record-low reading posted in August. Twenty-two percent of restaurant operators reported a same-store sales gain between September 2008 and September 2009, up from just 17 percent who reported a sales gain in August. Sixty-five percent of operators reported a same-store sales decline in September, down slightly from 68 who reported negative sales in August.

Customer traffic results also improved slightly in September, despite remaining negative for the 25th consecutive month. Twenty percent of operators reported an increase in customer traffic between September 2008 and September 2009, up from 15 percent who reported higher traffic in August. Sixty-two percent of operators reported a traffic decline in September, down from 65 percent in August.

With soft sales and traffic levels persisting, capital spending activity dropped off somewhat in recent months. Thirty-seven percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, the lowest reading in six months.

Expectations Index Fell 0.9 Percent to a Level of 99.0 in September; First Drop in Three Months

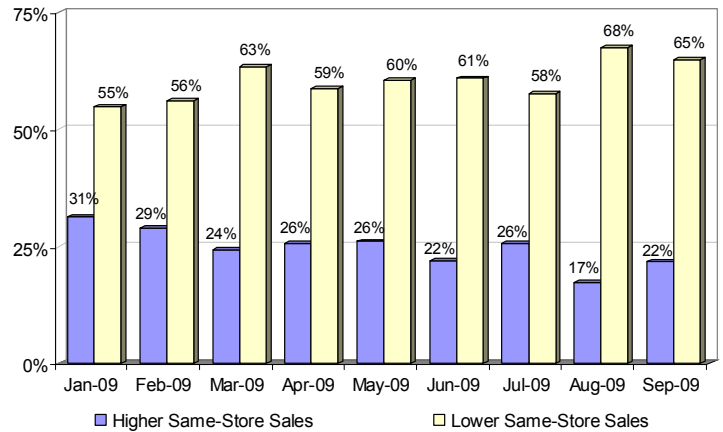
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.0 in September – down 0.9 percent from August and its first decline in three months.

The September decline in the Expectations Index was due in part to restaurant operators' dampened outlook for sales growth in the months ahead. Just 25 percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down from 32 percent who reported similarly last month. In comparison, 32 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 slightly from 30 percent who reported similarly last month.

Despite the softer sales outlook, restaurant operators remained cautiously optimistic about the direction of the economy. Twenty-eight percent of restaurant operators said they expect economic conditions to improve in six months, while 20 percent expect economic conditions to worsen during the next six months. Last month, 34 percent of operators said they expected the economy to improve in six months, while 19 percent expected conditions to deteriorate.

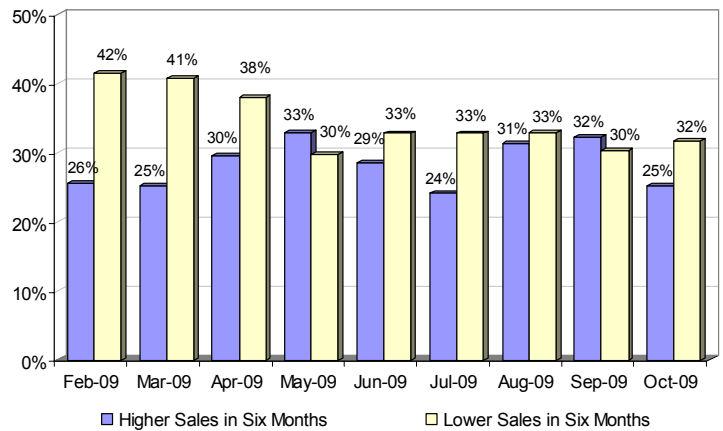
The outlook for capital spending fell considerably from recent months. Thirty-seven percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down sharply from 45 percent who reported similarly last month.

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



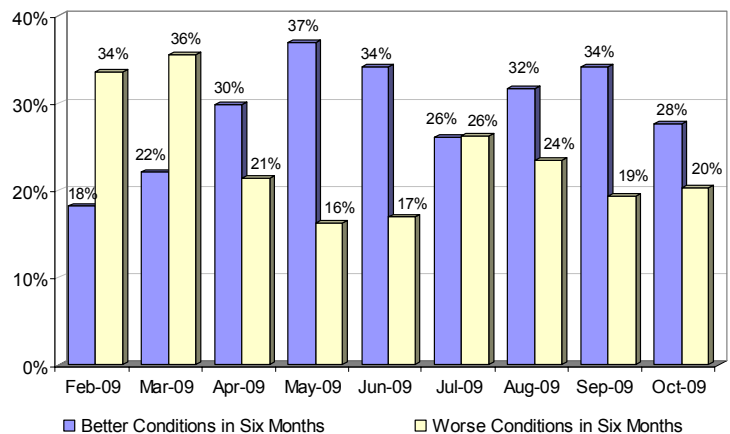
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	May 2009	June 2009	July 2009	August 2009	September 2009	Sep-09 over Aug-09
Restaurant Performance Index	98.3	97.8	98.1	97.9	97.5	-0.4%
Current Situation Index	96.9	96.6	96.8	96.0	96.0	0.0%
<i>Current Situation Indicators:</i>						
Same-Store Sales	96.6	96.1	96.8	95.0	95.7	0.7%
Customer Traffic	96.3	96.0	96.4	95.0	95.7	0.8%
Labor	96.8	96.1	96.2	95.7	95.3	-0.4%
Capital Expenditures	98.1	98.4	97.9	98.3	97.4	-0.9%
Expectations Index	99.6	99.0	99.4	99.9	99.0	-0.9%
<i>Expectations Indicators:</i>						
Same-Store Sales	99.6	99.1	99.8	100.2	99.3	-0.9%
Staffing	99.0	98.0	98.7	98.9	98.5	-0.4%
Capital Expenditures	98.2	98.7	98.4	99.0	97.4	-1.7%
Business Conditions	101.7	100.0	100.8	101.5	100.7	-0.7%

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 (subscription required).