

October 2009

Restaurant Industry Outlook Improved in October as the Restaurant Performance Index Posted First Gain in Three Months

The outlook for the restaurant industry improved somewhat in October, as the National Restaurant Association's comprehensive index of restaurant activity registered its first gain in three 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 98.0 in October, up 0.5 percent from its September level. However, the RPI still remained below 100 for the 24th consecutive month, which signifies contraction in the index of key industry indicators.

Although restaurant operators continue to report soft same-store sales and customer traffic levels, they are somewhat more optimistic about improving conditions in the months ahead.

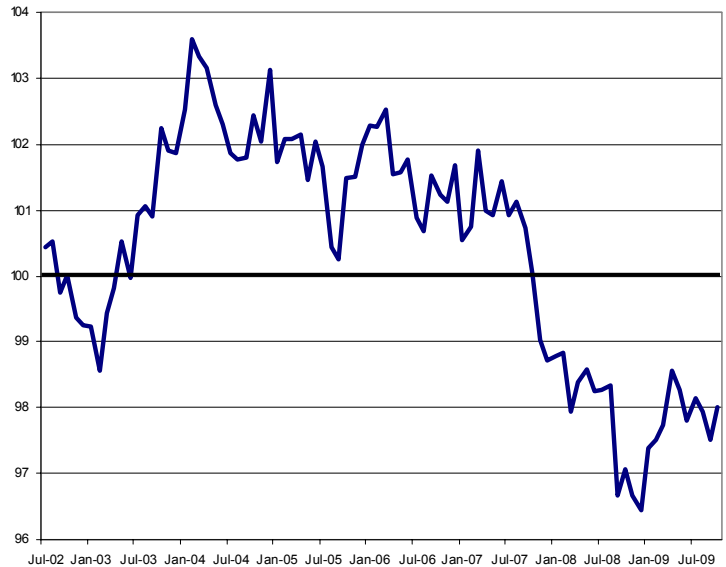
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Rose 0.4 Percent in October to a Level of 96.5; Remained Below 100 for 26th Consecutive Month

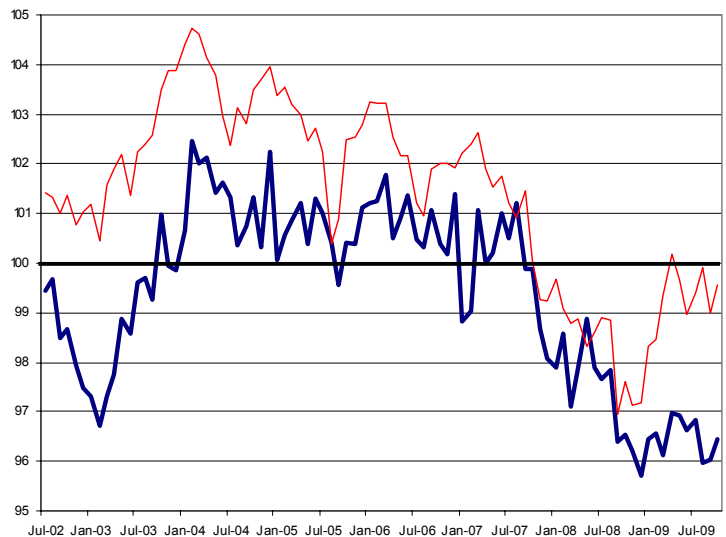
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.5 in October – up 0.4 percent from September and its first improvement in three months. However, October still represented the 26th consecutive 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 17th consecutive month in October, with the overall results similar to the September performance. Twenty-two percent of restaurant operators reported a same-store sales gain between October 2008 and October 2009, matching the proportion of operators who reported positive sales in September. Sixty-one percent of operators reported a same-store sales decline in October, down slightly from 65 percent who reported negative sales in September.

Customer traffic also remained soft in October, with operators reporting net negative traffic for the 26th consecutive month. Twenty-one percent of restaurant operators reported an increase in customer traffic between October 2008 and October 2009, compared to 20 percent who reported higher traffic in September. Sixty percent of operators reported a traffic decline in October, down slightly from 62 percent who reported lower traffic in September.

Although sales and traffic levels remained soft, operators reported a modest uptick in capital spending activity. Forty percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up from 37 percent last month.

Expectations Index Gained 0.6 Percent to a Level of 99.6 in October

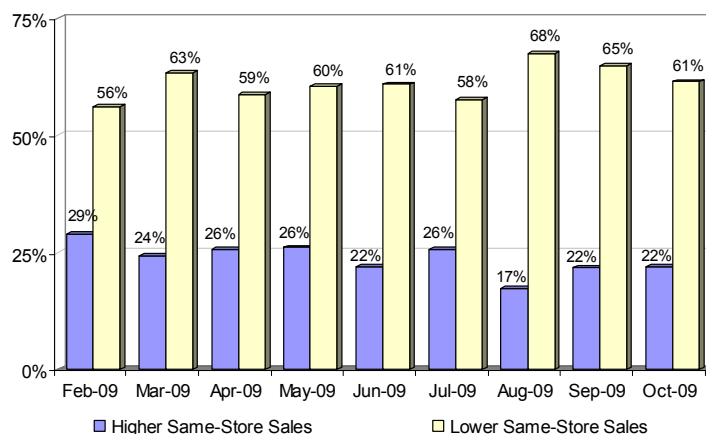
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 99.6 in October – up 0.6 percent from September's level of 99.0.

Restaurant operators remain mixed about sales growth in the months ahead. Twenty-nine percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), matching the proportion who expect to have lower sales in six months. Last month, 25 percent of restaurant operators said they expected their sales volume in six months to be higher than it was during the same period in the previous year, while 32 percent anticipated lower sales in six months.

Despite the mixed sales outlook, restaurant operators remained cautiously optimistic about the direction of the economy. Thirty 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, 28 percent of operators said they expected the economy to improve in six months, while 20 percent expected economic conditions to deteriorate.

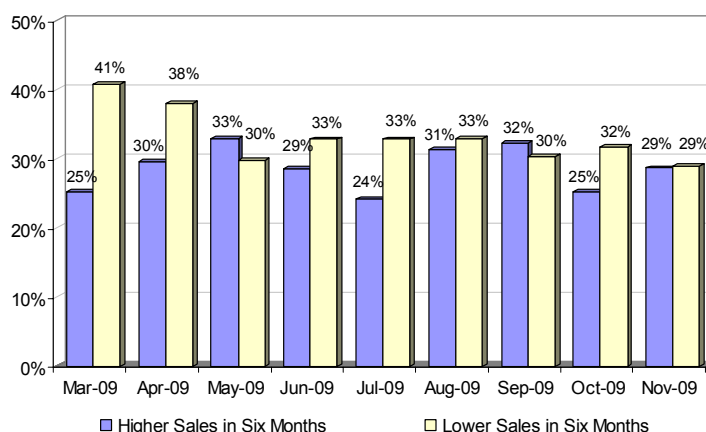
Restaurant operators reported an uptick in plans for capital spending in the months ahead. Forty-two percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 37 percent who reported similarly last month.

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



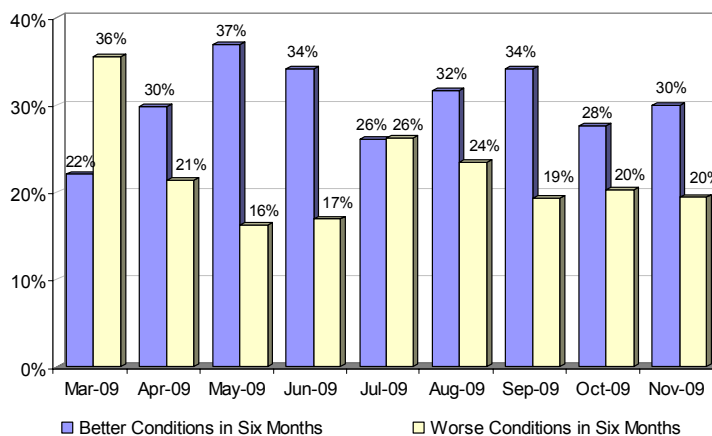
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	June 2009	July 2009	August 2009	September 2009	October 2009	Oct-09 over Sep-09
Restaurant Performance Index	97.8	98.1	97.9	97.5	98.0	0.5%
Current Situation Index	96.6	96.8	96.0	96.0	96.5	0.4%
<i>Current Situation Indicators:</i>						
Same-Store Sales	96.1	96.8	95.0	95.7	96.1	0.4%
Customer Traffic	96.0	96.4	95.0	95.7	96.1	0.3%
Labor	96.1	96.2	95.7	95.3	95.7	0.4%
Capital Expenditures	98.4	97.9	98.3	97.4	98.0	0.6%
Expectations Index	99.0	99.4	99.9	99.0	99.6	0.6%
<i>Expectations Indicators:</i>						
Same-Store Sales	99.1	99.8	100.2	99.3	100.0	0.6%
Staffing	98.0	98.7	98.9	98.5	98.8	0.3%
Capital Expenditures	98.7	98.4	99.0	97.4	98.4	1.1%
Business Conditions	100.0	100.8	101.5	100.7	101.1	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).