



January 2010

Restaurant Performance Index Declined in January Due to Softer Same-Store Sales and Traffic Levels

As a result of softening sales and traffic results, the National Restaurant Association’s comprehensive index of restaurant activity backed off from December’s 22-month high in January. 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 January, down 0.3 percent from December’s level. In addition, the RPI remained below 100 for the 27th consecutive month, which signifies contraction in the index of key industry indicators.

Although the current situation indicators remained soft in January, the Expectations Index rose above 100 for the first time in 9 months. Restaurant operators are relatively optimistic about improving sales growth and economic conditions in the months ahead, and their capital spending plans rose to the highest level in five months.

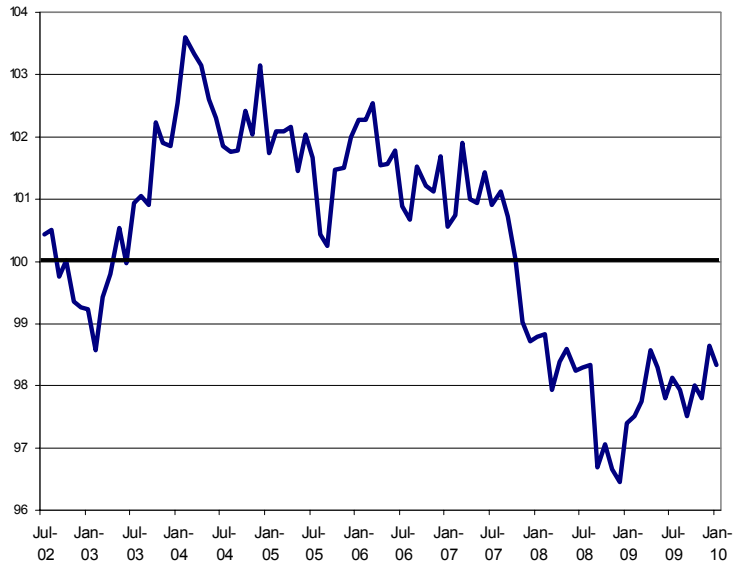
The *Restaurant Performance Index* is based on the responses to the Association’s Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Fell 0.8 Percent in January to a Level of 96.6; Stood Below 100 for 29th Consecutive Month

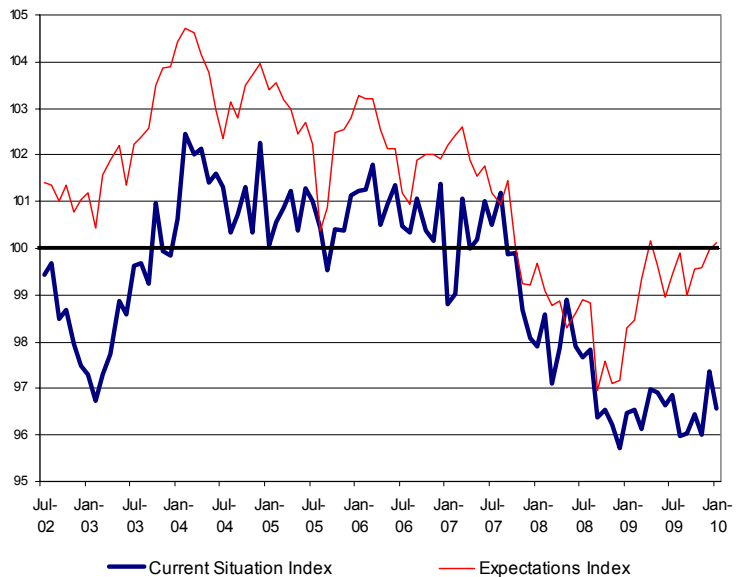
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.6 in January – down 0.8 percent from December. In addition, January represented the 29th consecutive month below 100, which signifies contraction 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

After posting a moderate improvement in December, restaurant operators reported a softening in sales results in January. Twenty-seven percent of restaurant operators reported a same-store sales gain between January 2009 and January 2010, down from 35 percent of operators who reported higher sales in December. Fifty-seven percent of operators reported a same-store sales decline in January, up from 49 percent who reported negative sales in December.

Restaurant operators also reported softer customer traffic results in January. Twenty-six percent of restaurant operators reported an increase in customer traffic between January 2009 and January 2010, down from 30 percent who reported higher customer traffic in December. Fifty-four percent of operators reported a traffic decline in January, up from 47 percent who reported lower traffic in December.

Capital spending activity in the restaurant industry held relatively steady in recent months. Thirty-two percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, roughly on par with the levels reported by operators in the previous two months.

Expectations Index Rose 0.2 Percent in January to a Level of 100.1

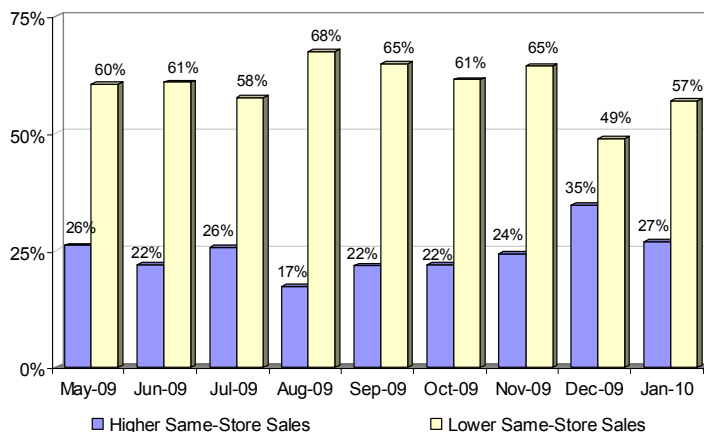
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.1 in January – its third gain in the last four months. In addition, the Expectations Index exceeded 100 for the first time in 9 months, which signifies expansion in the forward-looking indicators.

Restaurant operators remain relatively optimistic about sales growth in the months ahead. Thirty-three percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), compared to 35 percent who reported similarly last month. In comparison, 22 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, while 21 percent reported similarly last month.

Restaurant operators are also cautiously optimistic about the direction of the economy in the months ahead. Twenty-nine percent of restaurant operators said they expect economic conditions to improve in six months, while 18 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 18 percent expected economic conditions to deteriorate.

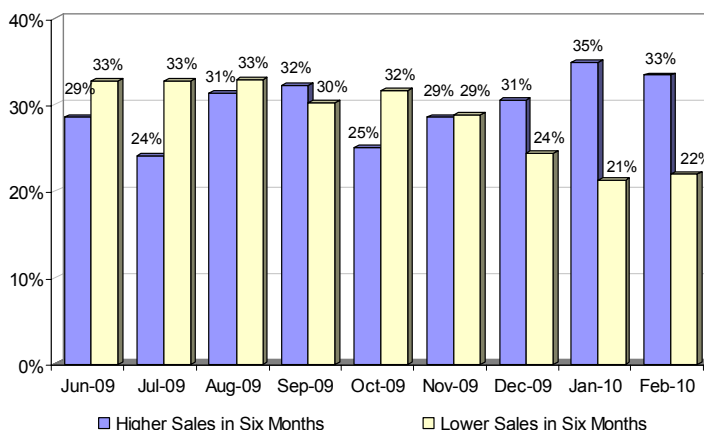
Forty-three percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 39 percent who reported similarly last month.

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



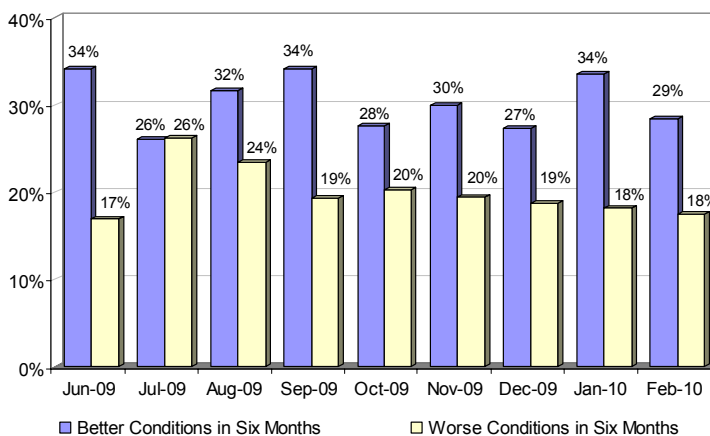
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	September 2009	October 2009	November 2009	December 2009	January 2010	Jan-10 over Dec-09
Restaurant Performance Index	97.5	98.0	97.8	98.7	98.3	-0.3%
Current Situation Index	96.0	96.5	96.0	97.3	96.6	-0.8%
<i>Current Situation Indicators:</i>						
Same-Store Sales	95.7	96.1	96.0	98.6	97.0	-1.6%
Customer Traffic	95.7	96.1	95.9	98.3	97.2	-1.1%
Labor	95.3	95.7	95.5	96.4	95.6	-0.8%
Capital Expenditures	97.4	98.0	96.6	96.1	96.4	0.3%
Expectations Index	99.0	99.6	99.6	100.0	100.1	0.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	99.3	100.0	100.6	101.4	101.2	-0.2%
Staffing	98.5	98.8	98.8	99.0	99.7	0.7%
Capital Expenditures	97.4	98.4	98.1	97.9	98.5	0.7%
Business Conditions	100.7	101.1	100.9	101.5	101.1	-0.4%

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).