

February 2010

Industry Outlook Improved as the Restaurant Performance Index Rose 0.7 Percent in February

Driven by a solid improvement in restaurant operators' outlook, the National Restaurant Association's comprehensive index of restaurant activity rose to its highest level in 27 months in February. 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 99.0 in February, up 0.7 percent from January and its strongest level since November 2007. However, despite the solid improvement, the RPI remained below 100 for the 28th consecutive month, which signifies contraction in the index of key industry indicators.

The RPI's strong gain in February was the result of broad-based improvements among the forward-looking indicators. Restaurant operators' optimism for sales growth stood at its strongest level in 29 months, with capital spending plans also rising to a two-year high.

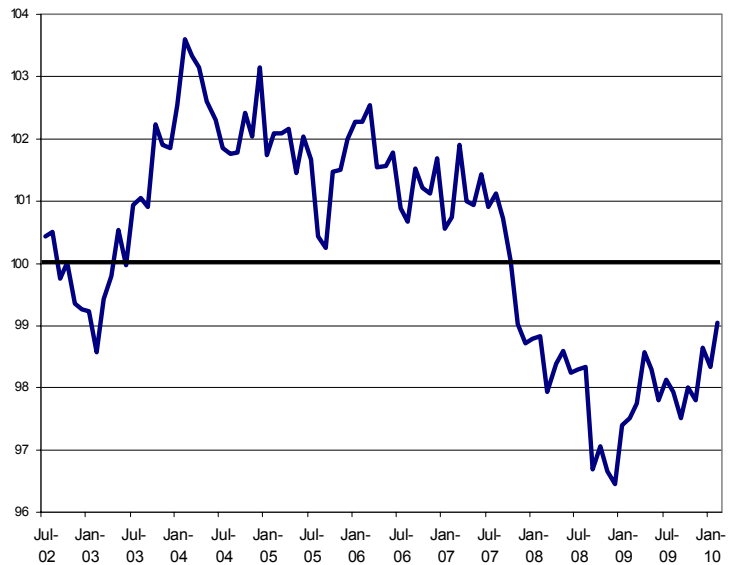
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The index consists of two components – the Current Situation Index and the Expectations Index.

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 Edged Up 0.1 Percent in February to a Level of 96.7; Stood Below 100 for 30th Consecutive Month

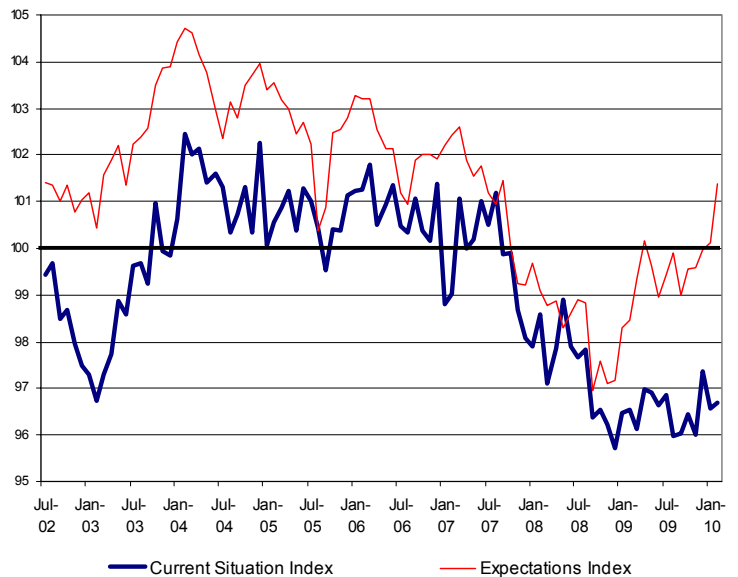
The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 96.7 in February – up 0.1 percent from January's level of 96.6. February still represented the 30th consecutive month below 100, which signifies 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 21st consecutive month in February, with the overall results similar to the January performance. Twenty-eight percent of operators reported a same-store sales gain between February 2009 and February 2010, compared to 27 percent of operators who reported higher sales in January. Fifty-seven percent of operators reported a same-store sales decline in February, matching January's performance.

Customer traffic also remained soft in February, as operators reported net negative traffic for the 30th consecutive month. Twenty-five percent of restaurant operators reported an increase in customer traffic between February 2009 and February 2010, down slightly from 26 percent who reported higher customer traffic in January. Fifty-five percent of operators reported a traffic decline in February, compared to 54 percent who reported lower traffic in January.

Thirty percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, down from 32 percent last month and the lowest level on record.

Expectations Index Jumped 1.2 Percent in February to a Level of 101.4

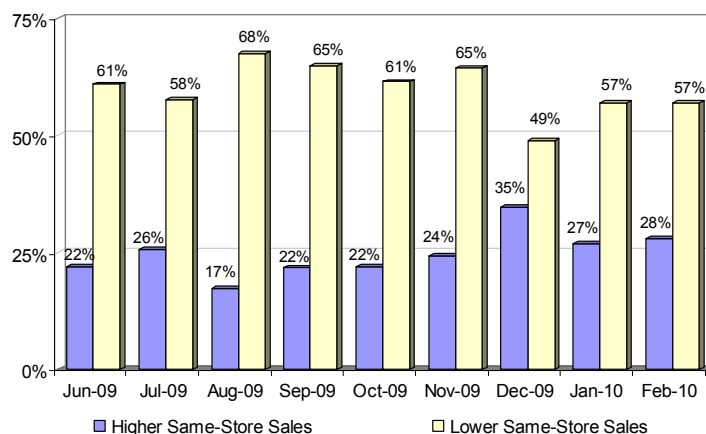
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.4 in February – up 1.2 percent from January and its strongest level in 29 months. In addition, the Expectations Index stood above the 100 level for the second consecutive month, which signifies expansion in the forward-looking indicators.

Restaurant operators are increasingly optimistic about sales growth in the months ahead. Forty-four percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 33 percent who reported similarly last month and the strongest level in 29 months. In comparison, just 16 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, down from 22 percent last month.

Restaurant operators are also more optimistic about the direction of the economy. Thirty-eight percent of restaurant operators said they expect economic conditions to improve in six months, while just 13 percent expect economic conditions to worsen during the next six months. Last month, 29 percent of operators said they expected the economy to improve in six months, while 18 percent expected economic conditions to deteriorate.

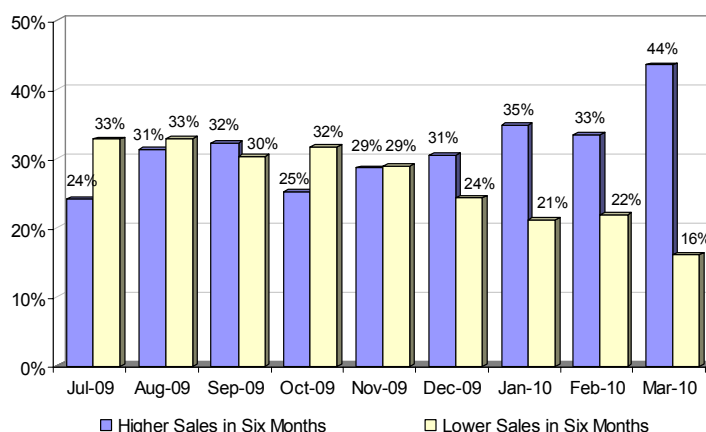
Forty-eight percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 43 percent who reported similarly last month and the strongest level in two years.

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



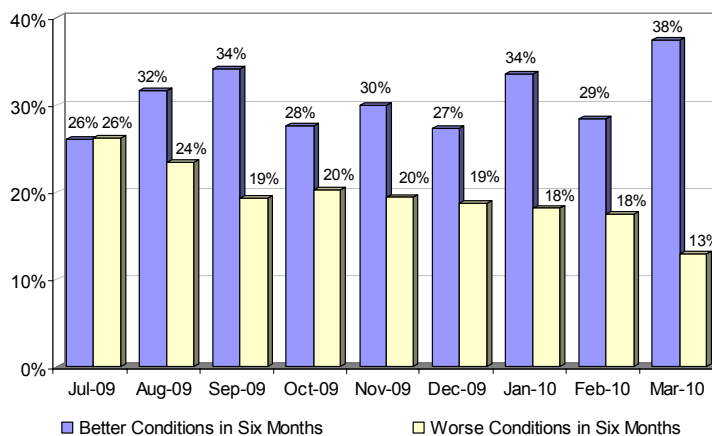
Source: National Restaurant Association, Restaurant Industry Tracking Survey

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

	October 2009	November 2009	December 2009	January 2010	February 2010	Feb-10 over Jan-10
Restaurant Performance Index	98.0	97.8	98.7	98.3	99.0	0.7%
Current Situation Index	96.5	96.0	97.3	96.6	96.7	0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	96.1	96.0	98.6	97.0	97.1	0.1%
Customer Traffic	96.1	95.9	98.3	97.2	97.0	-0.2%
Labor	95.7	95.5	96.4	95.6	96.7	1.1%
Capital Expenditures	98.0	96.6	96.1	96.4	96.0	-0.4%
Expectations Index	99.6	99.6	100.0	100.1	101.4	1.2%
<i>Expectations Indicators:</i>						
Same-Store Sales	100.0	100.6	101.4	101.2	102.8	1.6%
Staffing	98.8	98.8	99.0	99.7	100.6	0.9%
Capital Expenditures	98.4	98.1	97.9	98.5	99.7	1.2%
Business Conditions	101.1	100.9	101.5	101.1	102.5	1.3%

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).