

April 2011

## Restaurant Performance Index Stood Above 100 for the Fifth Consecutive Month

Buoyed by positive same-store sales and solid optimism among restaurant operators for continued growth, the outlook for the restaurant industry remained positive in April. The National Restaurant 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 100.9 in April, essentially unchanged from a level of 101.0 in March. In addition, April represented the 5<sup>th</sup> consecutive month in which the RPI stood above 100, which signifies expansion in the index of key industry indicators.

The restaurant industry continued to build momentum in April, with restaurant operators reporting positive same-store sales and customer traffic levels for the sixth time in the last eight months. Barring any significant external shocks, restaurant sales and traffic levels will continue to improve in the months ahead.

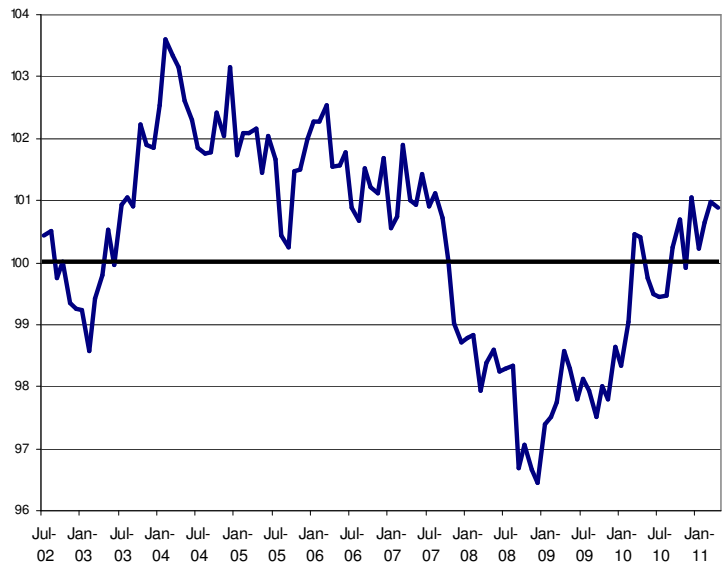
The *Restaurant Performance Index* is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The Index consists of two components – the Current Situation Index and the Expectations Index.

## Current Situation Index Rose 0.1 Percent in April to a Level of 100.3; Expectations Index Stood at a Level of 101.5

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 100.3 in April – up slightly from a March level of 100.2. In addition, the Current Situation Index stood above 100 for the 2<sup>nd</sup> consecutive month, which signifies expansion in the current situation indicators.

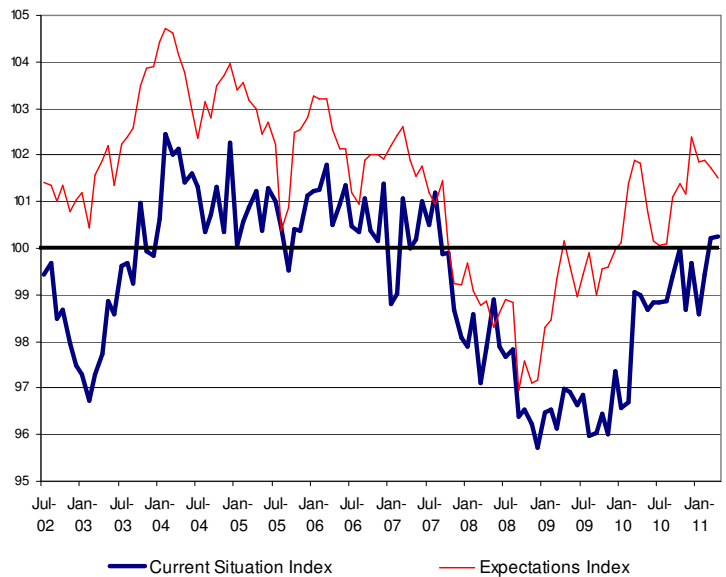
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 101.5 in April – down from a level of 101.7 in March. The Expectations Index stood above the 100 level for the 9<sup>th</sup> consecutive month, which signifies expansion in the forward-looking 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 Higher Same-Store Sales and Customer Traffic in April**

Restaurant operators continued to report net positive same-store sales results in April. Fifty percent of restaurant operators reported a same-store sales gain between April 2010 and April 2011, down slightly from 52 percent of operators who reported higher same-store sales in March. In comparison, 31 percent of operators reported a same-store sales decline in April, matching the proportion of operators who reported lower sales in March.

Restaurant operators also reported a net increase in customer traffic in April. Thirty-eight percent of restaurant operators reported an increase in customer traffic between April 2010 and April 2011, down from 45 percent of operators who reported higher traffic in March. In comparison, 35 percent of operators reported a traffic decline in April, up from 32 percent in March.

Forty-eight percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, the highest level in nearly three years.

### **Restaurant Operators Remain Optimistic about Sales Growth in the Months Ahead**

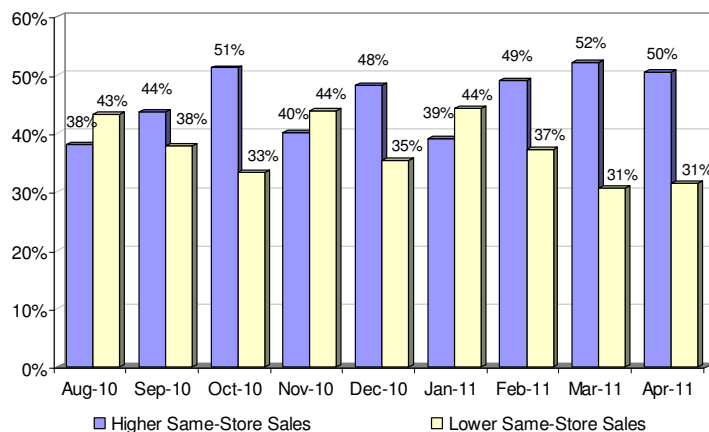
Restaurant operators remain bullish about sales growth in the months ahead. Forty-seven percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down slightly from 50 percent who reported similarly last month. In comparison, just 13 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.

While restaurant operators' sales outlook remains positive, they aren't quite as optimistic about the direction of the overall economy in the coming months. Thirty-three percent of restaurant operators said they expect economic conditions to improve in six months, up slightly from 32 percent who reported similarly last month. In comparison, 17 percent of operators said they expect economic conditions to worsen in the next six months, compared to 19 percent who reported similarly last month.

Forty-nine percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 53 percent who reported similarly last month.

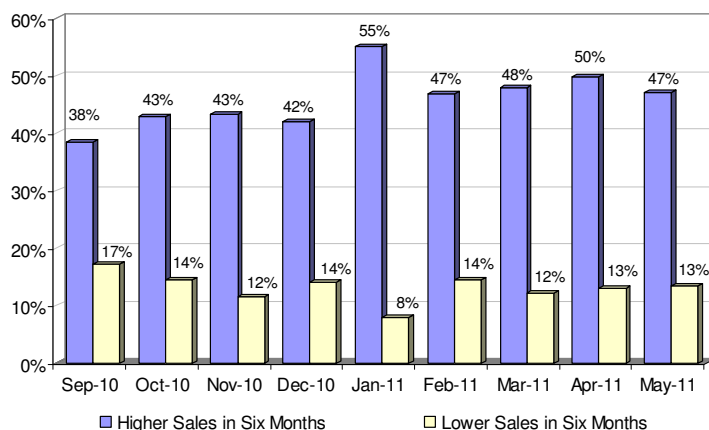
For the 7<sup>th</sup> consecutive month, restaurant operators reported a positive outlook for staffing levels in the coming months. Twenty-four percent of restaurant operators plan to increase staffing levels in six months (compared to the same period in the previous year), while just 11 percent said they expect to reduce staffing levels in six months.

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



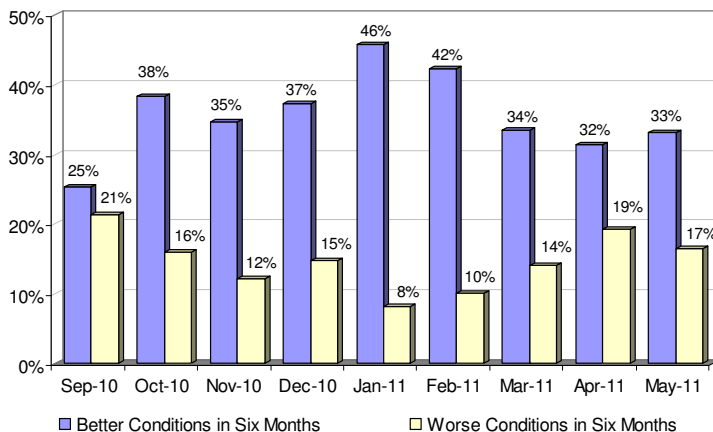
Source: National Restaurant Association, Restaurant Industry Tracking Survey

### **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

	December 2010	January 2011	February 2011	March 2011	April 2011	Apr-11 over Mar-11
<b>Restaurant Performance Index</b>	101.0	100.2	100.7	101.0	100.9	-0.1%
<b>Current Situation Index</b>	99.7	98.6	99.4	100.2	100.3	0.1%
<i>Current Situation Indicators:</i>						
Same-Store Sales	101.3	99.5	101.2	102.1	101.9	-0.2%
Customer Traffic	100.9	99.1	100.2	101.3	100.3	-1.0%
Labor	98.4	98.0	98.3	99.5	99.4	-0.2%
Capital Expenditures	98.1	97.8	98.0	97.9	99.5	1.7%
<b>Expectations Index</b>	102.4	101.8	101.9	101.7	101.5	-0.5%
<i>Expectations Indicators:</i>						
Same-Store Sales	104.7	103.3	103.6	103.7	103.4	-0.3%
Staffing	101.2	101.2	101.7	101.5	101.3	-0.2%
Capital Expenditures	100.0	99.6	100.4	100.6	99.7	-0.8%
Business Conditions	103.8	103.2	101.9	101.2	101.7	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 distance from 100 signifies the magnitude of the expansion or 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).