

December 2011

## Restaurant Industry Outlook Improved as the Restaurant Performance Index Rose to Its Highest Level in Six Years

Fueled by solid same-store sales and traffic results and a bullish outlook among restaurant operators, the National Restaurant Association's Restaurant Performance Index (RPI) rose sharply in December. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 102.2 in December, up 1.6 percent from November and its highest level in nearly six years. In addition, December represented the third time in the last four months that the RPI stood above 100, which signifies expansion in the index of key industry indicators.

Aided by favorable weather conditions in many parts of the country, a solid majority of restaurant operators reported higher same-store sales and customer traffic levels in December. In addition, restaurant operators are solidly optimistic about sales growth in the months ahead, and their outlook for the economy is at its strongest point in nearly a year.

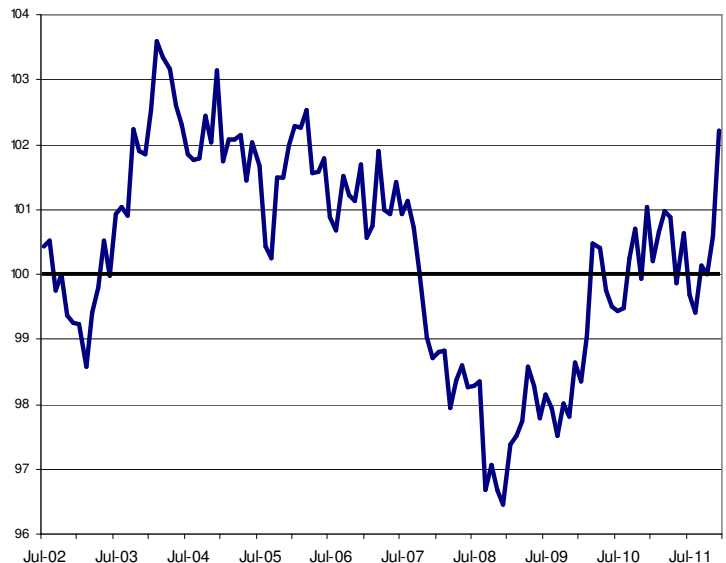
The Restaurant Performance Index is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The Index consists of two components – the Current Situation Index and the Expectations Index.

### Current Situation Index Jumped 1.9 Percent in December to a Level of 102.1; Expectations Index Gained 1.3 Percent to a Level of 102.3

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 102.1 in December – up a solid 1.9 percent from November and its strongest level in 7 years. December represented the third time in the last four months that the Current Situation Index stood above 100, which signifies expansion in the current situation indicators.

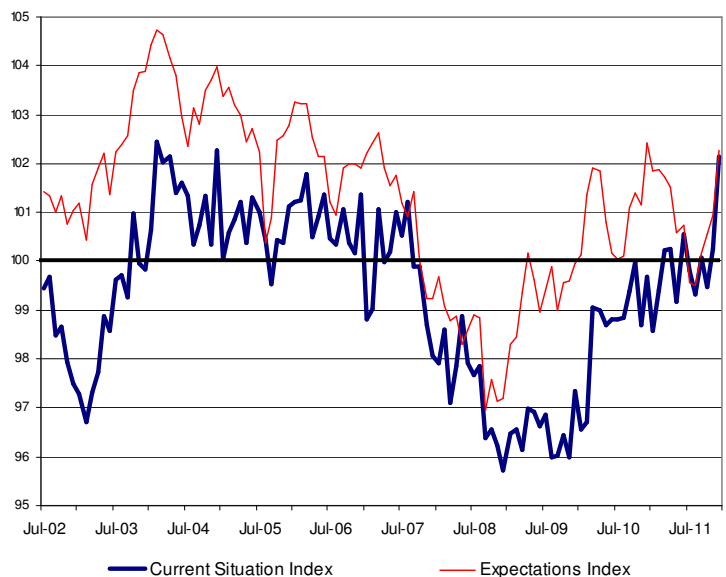
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 102.3 in December – up 1.3 percent from November and its highest level in a year. In addition, December marked the fourth consecutive month that the Expectations Index stood above 100.

## 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 Strong Same-Store Sales Results in December

Building on a solid November performance that saw the strongest same-store sales results in more than four years, restaurant operators reported even better numbers in December. Sixty-nine percent of restaurant operators reported a same-store sales gain between December 2010 and December 2011, while only 18 percent reported a same-store sales decline. This marked the strongest net positive sales performance since February 2004, when 70 percent of operators reported a sales gain and 17 percent reported lower sales.

Restaurant operators also reported solid customer traffic results in December. Fifty-seven percent of restaurant operators reported higher customer traffic levels between December 2010 and December 2011, while just 23 percent reported a traffic decline. In November, 41 percent of operators reported higher customer traffic, while 32 percent reported a traffic decline.

In addition to positive sales and traffic levels, capital spending activity among restaurant operators continues to trend upward. 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 six months.

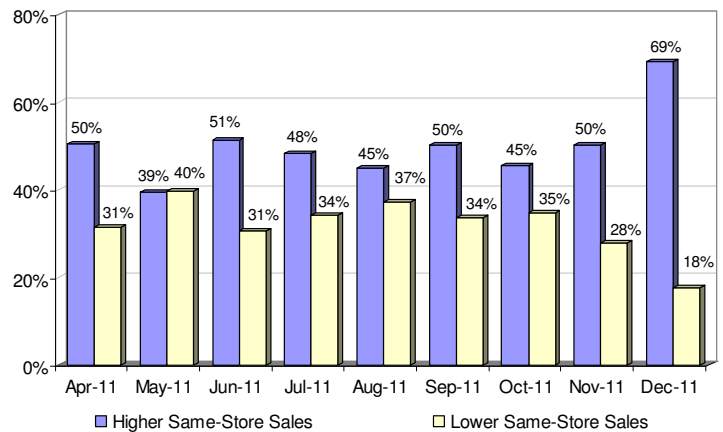
## Restaurant Operators Are More Optimistic About Sales Growth in the Months Ahead

For the first time in a year, a majority of restaurant operators expect their sales to be higher in the months ahead. Fifty-one percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), up from 41 percent who reported similarly last month. In comparison, only seven 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 12 percent last month.

Restaurant operators are also much more optimistic about the direction of the overall economy in the coming months. Thirty-nine percent of restaurant operators said they expect economic conditions to improve in six months, up from 27 percent last month and the strongest level in nearly a year. In comparison, only 11 percent of operators said they expect economic conditions to worsen in the next six months, down from 16 percent who reported similarly last month.

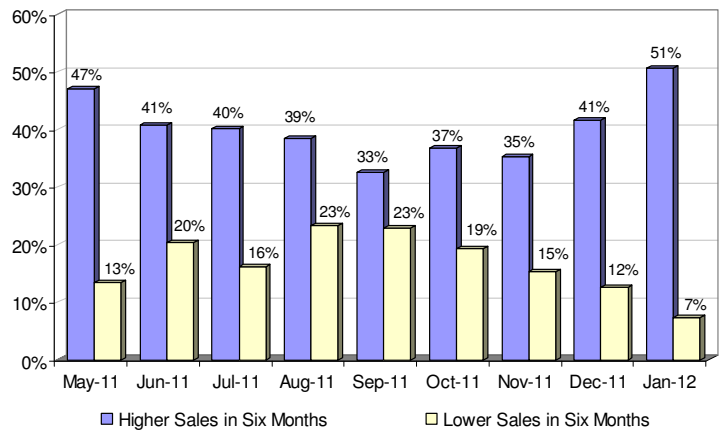
With higher sales and an improving economy expected in the months ahead, restaurant operators are also beefing up plans for capital spending. Fifty-five percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 47 percent last month and the strongest level in more than four years.

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



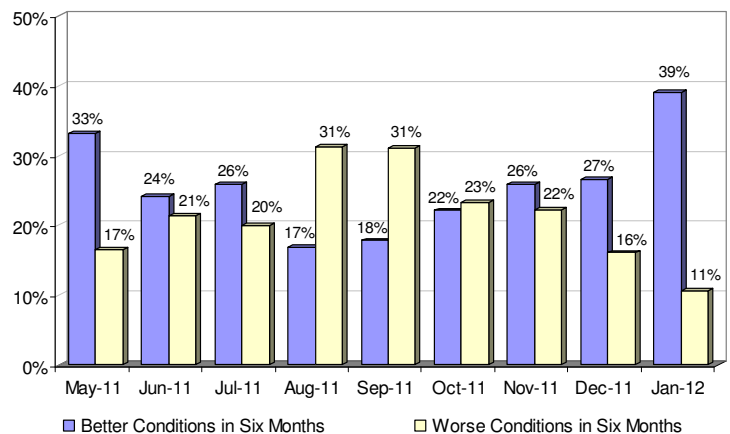
Source: National Restaurant Association, Restaurant Industry Tracking Survey

## 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

	August 2011	September 2011	October 2011	November 2011	December 2011	Dec-11 over Nov-11
<b>Restaurant Performance Index</b>	99.4	100.1	100.0	100.6	102.2	1.6%
<b>Current Situation Index</b>	99.3	100.1	99.5	100.2	102.1	1.9%
<i>Current Situation Indicators:</i>						
Same-Store Sales	100.8	101.6	101.1	102.2	105.2	2.9%
Customer Traffic	99.3	100.9	99.8	100.9	103.4	2.5%
Labor	98.4	99.1	98.3	98.8	100.3	1.6%
Capital Expenditures	98.9	98.7	98.7	99.1	99.6	0.5%
<b>Expectations Index</b>	99.5	100.2	100.5	100.9	102.3	1.3%
<i>Expectations Indicators:</i>						
Same-Store Sales	101.0	101.7	102.0	102.9	104.3	1.4%
Staffing	99.6	99.6	100.1	100.4	100.9	0.5%
Capital Expenditures	98.8	99.4	99.8	99.4	101.0	1.6%
Business Conditions	98.7	99.9	100.4	101.1	102.8	1.8%

*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).