

September 2013

### Restaurant Performance Index Declined for the Fourth Consecutive Month

As a result of softer sales and traffic levels and restaurant operators' dampened outlook for the economy, the National Restaurant Association's Restaurant Performance Index (RPI) declined for the fourth consecutive month. The RPI – a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry – stood at 100.2 in September, down 0.3 percent from a level of 100.5 in August. Despite the recent declines, the RPI remained above 100 for the seventh consecutive month, which signifies expansion in the index of key industry indicators.

The RPI's September decline was due in large part to softer same-store sales and customer traffic readings, which were down from stronger levels in August. In addition, restaurant operators' confidence in the economy continued to deteriorate, with the six-month outlook turning negative for the first time in nine months.

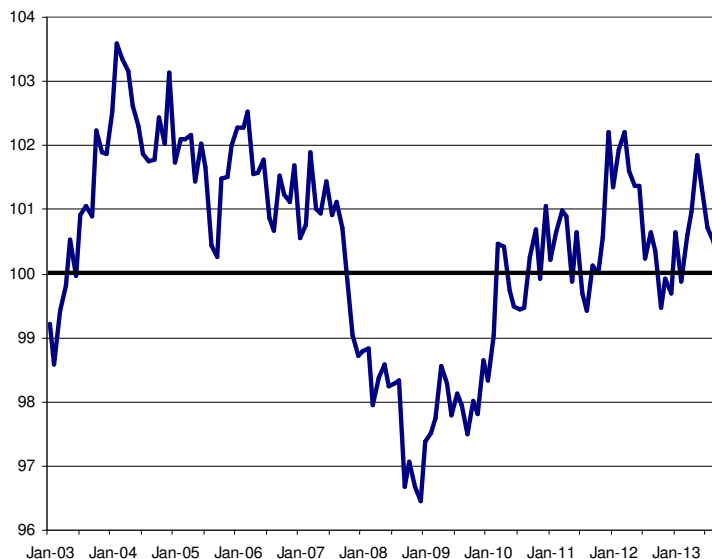
The Restaurant Performance Index is based on the responses to the Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide. The Index consists of two components – the Current Situation Index and the Expectations Index.

### Current Situation Index Fell 0.7 Percent in September to a Level of 99.9; Expectations Index Edged Up 0.1 Percent to a Level of 100.5

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 99.9 in September – down 0.7 percent from a level of 100.7 in August. September marked the first time in six months that the Current Situation Index fell below 100, which represents contraction in the current situation indicators.

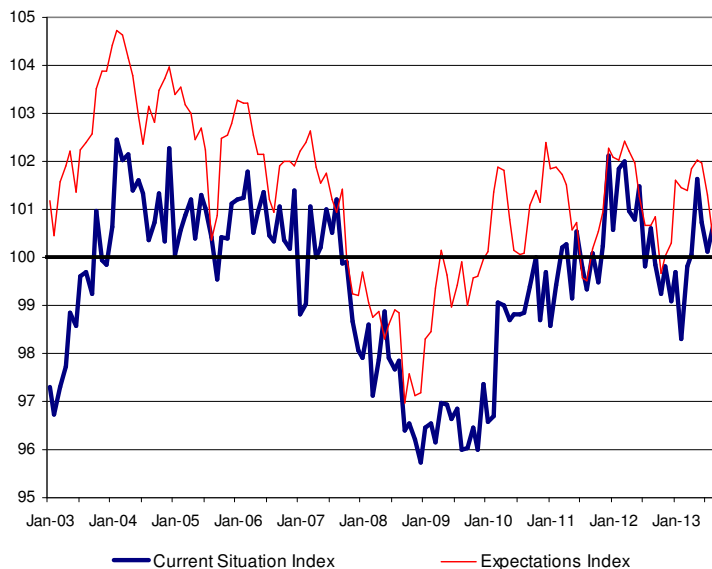
The Expectations Index, which measures restaurant operators' six-month outlook for four industry indicators (same-store sales, employees, capital expenditures and business conditions), stood at 100.5 in September – up slightly from a level of 100.4 in August. Although September represented the 11<sup>th</sup> consecutive month in which the Expectations Index stood above 100, restaurant operators are not as bullish as they were during the first half of the year.

### 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 Mixed Same-Store Sales Results in August, while Customer Traffic Levels Declined**

Restaurant operators reported softer same-store sales results in September. Forty-one percent of restaurant operators reported a same-store sales gain between September 2012 and September 2013, down from 53 percent who reported higher sales in August. In comparison, 40 percent of operators reported a decline in same-store sales in September, up from 33 percent in August.

Restaurant operators also reported a dip in customer traffic levels in September. Thirty-three percent of restaurant operators reported higher customer traffic levels between September 2012 and September 2013, down from 45 percent who reported a traffic gain in August. Meanwhile, 44 percent of operators reported a decline in customer traffic in September, up from 38 percent in August.

Although sales and traffic levels softened, restaurant operators continued to report positive capital spending levels. Fifty-seven percent of restaurant operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, the fifth consecutive month in which a majority of operators reported expenditures.

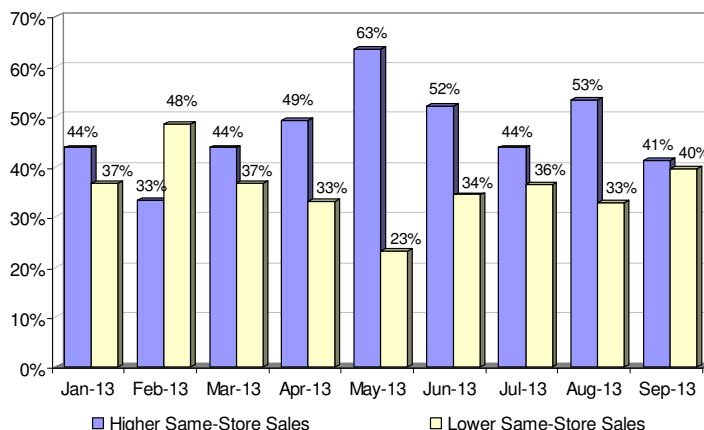
**Restaurant Operators' Six-Month Outlook for the Economy Flipped Negative**

Restaurant operators' outlook for sales growth in the months ahead remains relatively cautious. Thirty-four percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), down slightly from 36 percent last month and the lowest level in 11 months. Meanwhile, 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, compared to 16 percent last month.

Restaurant operators are also less optimistic about the direction of the economy. Only 19 percent of restaurant operators said they expect economic conditions to improve in six months, down from 23 percent last month. Meanwhile, 28 percent of operators said they expect economic conditions to worsen in the next six months, up from 22 percent last month and the highest level in nine months. It also represented the first time in nine months that restaurant operators' outlook for the economy tilted toward the negative.

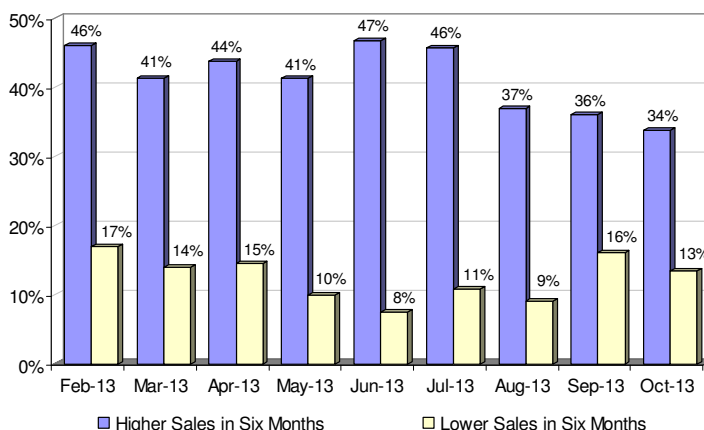
Despite an uncertain outlook for the economy, a majority of restaurant operators are planning for capital expenditures in the months ahead. Fifty-two percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, up from 45 percent who reported similarly last month.

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



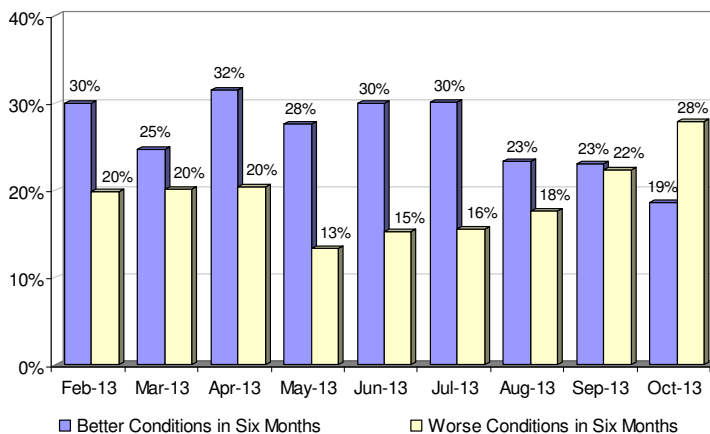
Source: National Restaurant Association, Restaurant Industry Tracking Survey

**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

	May 2013	June 2013	July 2013	August 2013	September 2013	Sep-13 over Aug-13
<b>Restaurant Performance Index</b>	101.8	101.3	100.7	100.5	100.2	-0.3%
<b>Current Situation Index</b>	101.6	100.7	100.1	100.7	99.9	-0.7%
<i>Current Situation Indicators:</i>						
Same-Store Sales	104.0	101.8	100.7	102.1	100.2	-1.8%
Customer Traffic	101.7	100.4	99.2	100.7	98.8	-1.8%
Labor	100.6	100.5	98.9	99.3	99.3	0.0%
Capital Expenditures	100.3	100.3	101.6	100.7	101.4	0.7%
<b>Expectations Index</b>	102.0	102.0	101.3	100.4	100.5	0.1%
<i>Expectations Indicators:</i>						
Same-Store Sales	103.9	103.5	102.8	102.0	102.0	0.0%
Staffing	101.4	101.1	101.3	100.3	100.5	0.2%
Capital Expenditures	101.4	101.8	100.6	99.1	100.5	1.4%
Business Conditions	101.5	101.5	100.6	100.1	99.1	-1.0%

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).