

## Restaurant Performance Index Rose in April But Remained Below 100 for Sixth Consecutive Month

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Restaurant operators cite the economy and food costs as the top challenges facing their business

Restaurant industry performance edged up slightly in April, as the National Restaurant Association's comprehensive index of restaurant activity registered a modest gain. 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 98.4 in April, up 0.4 percent from the record-low level registered in March.

"April's gain in the Restaurant Performance Index was the result of improvements in both the current situation and expectations indicators," said Hudson Riehle, senior vice president of Research and Information Services for the Association. "However, restaurant operators reported negative same-store sales for the fifth time in the last six months, and their outlook for sales growth in the months ahead remains uncertain."

"The sluggish economy and rising food costs continue to create a challenging business environment for restaurant operators," Riehle added. "A record 27 percent of restaurant operators said the economy is the number-one challenge facing their business, while 21 percent identified food costs as their top challenge."

The RPI is based on the responses to the National Restaurant Association's Restaurant Industry Tracking Survey, which is fielded monthly among restaurant operators nationwide on a variety of indicators including sales, traffic, labor and capital expenditures. The RPI consists of two components - the Current Situation Index and the Expectations Index. (Follow this link to view this month's report: [www.restaurant.org/pdfs/research/index/200804.pdf](http://www.restaurant.org/pdfs/research/index/200804.pdf)).

The RPI 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 under 100 represent a period of contraction for key industry indicators.

The Current Situation Index, which measures current trends in four industry indicators (same-store sales, traffic, labor and capital expenditures), stood at 97.9 in April - up 0.8 percent from March. However, April represented the eighth consecutive month below 100, which signifies contraction in the current situation indicators.

Restaurant operators reported negative same-store sales in April for the fifth time in the last six months. Thirty-five percent of restaurant operators reported a same-store sales gain between

April 2007 and April 2008, up from 28 percent who reported a sales gain in March. Fifty percent of operators reported a same-store sales decline in April, down from 55 percent who reported similarly in March.

Restaurant operators continued to report negative customer traffic levels in April, though the results were somewhat stronger than March. Twenty-four percent of restaurant operators reported an increase in customer traffic between April 2007 and April 2008, up from 19 percent who reported similarly in March. Fifty-five percent of operators reported a traffic decline in April, down from 61 percent who reported similarly in March.

Capital spending activity posted a modest improvement from previous months. Forty-three percent of operators said they made a capital expenditure for equipment, expansion or remodeling during the last three months, up slightly from 41 percent who reported similarly last month.

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 98.9 in April - up 0.1 percent from the record low level registered in March. April represented the sixth consecutive month in which the Expectations Index stood below 100.

Restaurant operators remain uncertain about sales growth in coming months. Twenty-nine percent of restaurant operators expect to have higher sales in six months (compared to the same period in the previous year), matching the proportion who reported similarly last month. Thirty-four 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 a record-high 38 percent who reported similarly last month.

Operators' outlook for the economy also remains pessimistic. Fourteen percent of operators expect economic conditions to improve in six months, down from 16 percent who reported similarly last month. Forty-two percent of operators said they expect economic conditions to worsen in six months, compared to 44 percent who reported similarly last month.

Restaurant operators continue to pull back on plans for future capital spending. Forty-seven percent of restaurant operators plan to make a capital expenditure for equipment, expansion or remodeling in the next six months, down slightly from 48 percent who reported similarly last month and the lowest level on record.

While the RPI is consistently released on the last business day of each month, more detailed data and analysis can be found on Restaurant TrendMapper ([www.restaurant.org/trendmapper](http://www.restaurant.org/trendmapper)), the Association's subscription-based Web site that provides detailed analysis of restaurant industry trends.

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