

**US economic activity rebounded in Q3 as states reopened their economies and government stimulus helped support consumer spending.**

BEA data showed that the economy in Q3 expanded at a real annualized rate of 33.08% following the 31.38% decline in Q2. The recovery in economic activity reversed about 75% of the decline resulting from last spring's lockdowns. As expected consumption led the recovery as it accounts for a large share of economic activity. Spending on services was hit hard in Q2 but in Q3 it contributed 16 percentage points to the overall gain while spending on goods contributed another 9 points. This is the first estimate of economic activity for Q3 and further revisions are expected as some of the data not yet available comes in. Given the larger than normal swings, we probably should expect revisions to also be higher than normal.

**One segment of the food industry that has been hit particularly hard by the pandemic is foodservice.**

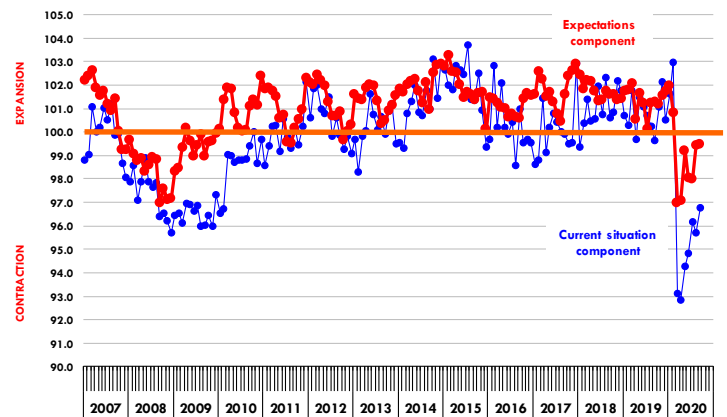
Today the National Restaurant Association released the results of its monthly survey of restaurant operators and the data points to ongoing issues. The latest report continued to show that the industry remains in contraction. The overall index was 98.1 points, below the 100 point threshold that signifies a steady state. The sub index that measures current situation stood at 96.8 points in September, up 1.1 points compared to the previous month while the index that measures expectations for the future was 99.5, only slightly higher than where it stood in August. These readings are still far from where they stood at the start of the year, when operators largely noted that they were growing and expected growth to persist at a very strong pace. Most of the components that go into contracting the index currently suggest contraction but some are in worse shape than others. Understandably, the customer traffic component has been hit the most, with September pegging it at just 93.7, deep in contraction territory. While the traffic component has recovered somewhat from March and April levels, it has not improved much in the last three months. Rising COVID cases in much of the country and the drumbeat of headlines that suggest eating out is a risky activity may continue to limit customer traffic through the winter months. Many restaurants benefited from warmer weather and offered outside dining, which likely contributed to the modest improvement in traffic. That will be difficult to maintain going forward.

**The sub index that measures same store sales in September was 97.3, up 2.2 points from the previous month but still comparable to recession years.**

Same store sales have recovered compared to March levels but the **recovery has been uneven**. We do not have the breakdown of the survey results by channel yet (it's reported with a delay) but August data is instructive. Fine dining remains in a major slump and that will likely remain the case, and could get worse, in the near term. Some 83% of the operators surveyed from this segment noted lower sales and no one noted higher sales. The situation for family dining and casual dining was only marginally better, with a small percentage showing higher y/y same store sales. Fast food and quick casual, however, present a different picture. **In August 46% of operators in the quick casual segment noted higher same store sales while 31% had lower sales than a year ago.** This is consistent with some of the results reported by publicly traded companies. Chipotle, for instance, falls in the quick casual segment. It recently reported that in the three months ending September 30 comparable restaurant sales were 8.3% higher than the previous year. According to their press release, digital sales for Chipotle accounted for almost half of all sales and 202% higher than last year. This underscores one of the reasons why this segment of the market continues to perform well. Drive-thru, pick up and delivery options are also much better suited for fast food and quick casual than other concepts.

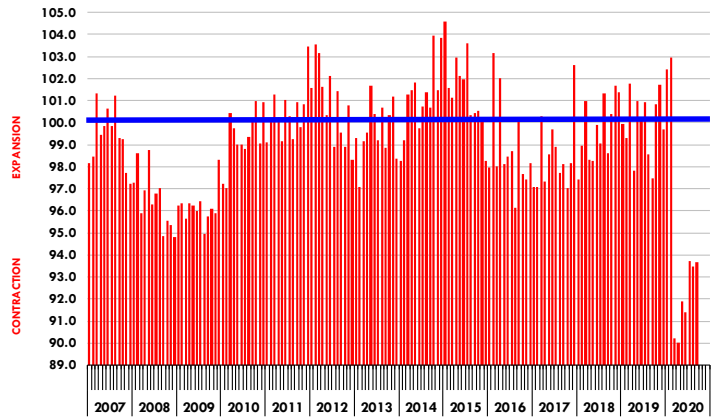
**RESTAURANT PERFORMANCE INDEX**

Source: National Restaurant Association. Analysis by Steiner Consulting

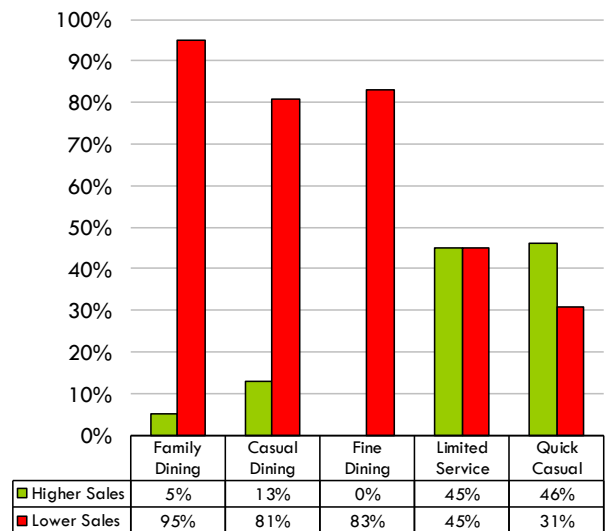


**RESTAURANT PERFORMANCE INDEX: CUSTOMER TRAFFIC INDICATOR**

Source: National Restaurant Association. Analysis by Steiner Consulting



**SAME STORE SALES**



Same Store Sales - August 2020 vs. August 2019, Tracking Survey Responses by Industry Segment Source: National Restaurant Association

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