Analyst: Restaurant Sales Indicate Recession

(AP) — Restaurant industry sales trends may be signaling that the U.S. is already in a recession, according to a Cowen and Co. industry report out Wednesday.

Analyst Paul Westra said that key sales trends are starting to slow in the quick-service restaurant industry and that spells bad news for the overall economy. Restaurant revenue from stores open at least a year fell in October by his firm's measure, which demonstrates several months of slowing performance. He expects this measure will fall again in the coming months and that kind of slowdown matches what happened in 2007 that later proved to be a harbinger of the U.S. recession.

"We reiterate our view that the U.S. economy is likely already in a recession," Westra said in his note.

This isn't horrible news for some of the typically more economically-resistant restaurant chains that can weather the storm. But this could hurt more economically-sensitive players like Jack in the Box Inc. and Sonic Corp., in his view. The analyst cut his earnings expectations on both companies.

Westra also said that McDonald's may lose some of its market share after more than a decade of gains. McDonald's key sales trends have lagged behind its peers recently and the analyst sees that as an indicator that its hold on the market may be softening.

The analyst said that consumer spending, in particular restaurant industry sales from established sites, tends to be a "leading indicator" of a pending economic slowdown or recession.

Restaurant stocks were mixed in afternoon trading.

Shares of Sonic slipped 26 cents, or 2.7 percent, to $9.39. Jack in the Box's shares edged up 8 cents to $25.22. Shares of McDonald's increased 57 cents to $85.21.

Elsewhere in the sector, Burger King Worldwide Inc. added 10 cents to $15.37, while shares of The Wendy's Co. inched up 4 cents to $4.41. Yum Brands, which operates KFC and Taco Bell, slipped 28 cents to $72.42.

Chipotle Mexican Grill Inc. slipped $3.57 to $258.56, while Panera Bread Co. dropped $3.19, or 2 percent, to $161.60. And Starbucks Corp. edged down 43 cents to $49.88.

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