

Diminished paychecks equal fewer nights eating out

By Caroline Fairchild, Huffington Post

Far fewer Americans dined out last month as many adjusted to smaller paychecks, according to new data released from a closely watched index of restaurant sales.

Sales at casual-dining restaurants fell 5.4 percent in February, according to this month's Knapp-Track Index, which records monthly sales at casual dining restaurants like Applebee's and Red Lobster. The big drop far exceeded a 0.6 percent month-over-month decline in January.

The decrease shows that many Americans are dealing with the new reality of a 2 percent pay cut Congress passed in January when it declined to extend the 2010 payroll tax holiday. The move affected roughly 160 million Americans. Workers earning \$50,000 a year, for example, started taking home \$80 less a month.

"A lot of people had feelings of betrayal on taxes," Malcolm Knapp, the consultant who created the Knapp-Track Index, told The Huffington Post. "By Jan. 15, when everyone looked at their paycheck and it was smaller ... it felt like someone stole their money. And this happened all over the country."

The hit in sales will affect the industry largely responsible for roughly three-fifths of new jobs created after the recession. Food services, retail, and employment services account for 43 percent of low-wage jobs created during the recovery, according to a recent study by the National Employment Law Project.

Knapp, who has been analyzing the restaurant industry since 1970, said fast food restaurants like McDonald's and Taco Bell

have also seen declining sales. An increase in gas prices and bad weather also contributed to February's dip in restaurant sales, he added.

Although American diners eating more meals at home may have a negative impact on the economy in the near-term, Paco Underhill, founder of New York-based consumer-behavior research and consulting firm Envirosell, said that the trend could be a positive indication of growth in the long-term. Americans may be increasing their confidence to invest in larger purchases like houses and cars, he said.

"Casual dining is about near-term, inexpensive indulgences," Underhill told HuffPost. "As the recession winds down, there is pent-up demand for more expensive durable goods – be that cars, computers, or whatnot. As they manage their pocketbook, they have to cut back on where they are spending on a day-to-day basis."

Recent reports of increased consumer confidence may also indicate that the money diners previously were spending at casual dining restaurants may be going toward other purchases. In March, the Bloomberg Consumer Comfort Index, which tracks personal finance confidence, increased to its highest level since April, linked to an improving job market and a decline in Americans seeking unemployment benefits.