



## Private Party

*Cooking Up Profits*

Edited by ANITA PELTONEN and LAWRENCE STRAUSS

**THE OUTLOOK OF SMALL BUSINESS OWNERS HAS BEEN UNREMITTINGLY** grim, with the National Federation of Independent Business just reporting that its small business optimism index -- and particularly the components measuring future expectations -- fell in July to its lowest level since April 1980.



Bob Staake

But there is at least one unlikely bright spot in this otherwise gloomy picture: During the first half of the year, net profit margins have picked up about 53% among privately held restaurants and are now running at about 5%, compared with a 12%

decline in the same period a year ago. That's according to Sageworks, a financial research outfit based in Raleigh, N.C.

The data shows restaurants' cost of sales rising 5% (not surprising, given higher food and energy costs). But it also points to a hefty 13% drop in overhead, which Sageworks' Adam Filipponi attributes to a decline in payrolls.

Food service, which includes restaurants, was one of five sectors of the 17 that Sageworks examines to have shown a rise in profit margins over the first six months. The others were construction, wholesale, agriculture and manufacturing. According to the monthly survey, July saw a decline in profit trends in the real estate, wholesale, finance and insurance industries from June.

Overall, the July index showed an upturn for the first time since March. Though Sageworks thinks there might be some predictive value for the rest of the economy, it hasn't compiled enough data to prove that yet.

*Robin Goldwyn Blumenthal*