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By Richard Gibson

(Dow Jones)--Investors worried that soaring gasoline prices will cause consumers to eat out less depressed many restaurant stocks Wednesday. But some industry watchers disagree over whether those concerns are justified. Rating downgrades on 10 stocks by Raymond James & Associates Inc. restaurant analyst Bryan Elliott - who cited the potential for scattered gasoline shortages - apparently triggered the selloff. Among stocks he mentioned, Panera Bread Co. (PNRA) and Rare Hospitality International Inc. (RARE), operator of the LongHorn Steakhouse chain, were hardest hit. Both fell more than 5%. Other stocks mentioned in Elliott's report which slipped somewhat less were Brinker International Inc. (EAT), California Pizza Kitchen Inc. (CPKI), CBRL Group Inc. (CBRL), Cheesecake Factory Inc. (CAKE), Darden Restaurants Inc. (DRI) , IHOP Corp. (IHP), Outback Steakhouse Inc. (OSI), and Steak n Shake Co. (SNS). "If consumers begin to fear for their ability to fill their gas tanks at will... cars will likely be parked for all but essential trips like working and shipping for necessities," Elliott wrote. "If this scenario unfolds, restaurant spending could be curtailed dramatically," he concluded.

But Malcolm M. Knapp, whose Knapp-Track reports on dining-out trends are must reading for many in the restaurant industry, said the analyst was "over- reaching, in my view." Knapp said the "psychological impact when you fill the tank up and it's $50 or $60 ... lasts maybe three weeks. People get adjusted pretty soon." Moreover, he said, the government's lifting of emission-standards on gasoline likely will allow fuel to be imported from Europe and elsewhere, and flow to where temporary shortages may occur. He predicted that gasoline would be selling for around $2.50 a gallon by December.

W.R. Hambrecht & Co. analyst Craig Bibb also questioned the impact of higher gas prices on such companies as Panera and Starbucks Corp. (SBUX), both of which he recommends. "For an investor in restaurant stocks, it's a nonfundamental factor," he said of gasoline prices. "To the extent that stocks are selling off on those concerns we'd be a buyer." However, Bibb added that some dinner-oriented stocks might be more vulnerable since costly vehicle fillups could reduce discretionary spending. "But if someone's serving lunch to people at work, they're not at risk," he said. Similarly, he said, "People are addicted to coffee and they're not going to drink less because gasoline costs more. That's highly unlikely." The relationship between the costs of filling up the tank and one's tummy has long been debatable within the restaurant industry.

Knapp said that fast-food restaurants are less vulnerable today than in previous gasoline price spikes because those chains are attracting better-heeled customers with higher-quality food.

Some restaurateurs appear to be more vulnerable than others. Piper Jaffray analyst Peter Oakes recently downgraded Cracker Barrel Old Country Stores operator CBRL because of that chain's heavy dependence on highway traffic. "Historically, while there hasn't been a big correlation between gas price changes and Cracker Barrel's sales trends, recent ascension has put the price level in unprecedented territory, likely resulting in a material change in consumer behavior," he wrote. Oakes noted Wednesday that this is the first time in more than a decade that he has no restaurant stocks on Piper's outperform or recommended list. The analyst said gasoline prices were "a contributor to that stance." Looking ahead, he said natural gas heating costs this winter could become a factor, as well. Neither Elliott nor Oakes personally owns stocks they mentioned but their brokerages seek to do business with companies covered by their research. Bibb said he has owned Starbucks shares for some time, although Hambrecht has no investment-banking relationship with either it or Panera.

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