
ECONOMIC NEWS & TRENDS

March 5, 2018

This non-confidential edition includes excerpts from articles, studies, and economic research. The content focuses on trends and news between November 1, 2017 and the date of publication. This report may be forwarded to others in your agency and community. Please contact your Avenu Client Manager for specific local trends.



www.avenuinsights.com
doug.jensen@avenuinsights.com

Economic Indicators (See Sections 1 and 2)

GDP: Slightly weaker than initially thought; was 2.5% in 4Q2017; the earlier estimate was 2.6%. **Forecast:** 2.9% GDP growth in 2018, the best pace since 2015. (Kiplinger)

California's GDP for 3Q2017: 3.4%.

Consumer Confidence: The Conference Board in late Feb said the U.S. consumer confidence increased to 130.8 in Feb from 124.3 in Jan.

Interest Rates: The Fed did not raise its benchmark interest rate at the meeting in January, but reinforced investor expectations the Fed would raise rates at its next meeting in March.

Inflation: Expected to head up this year; unemployment in the last year dropped to a 17-year low yet inflation continues to run below the Fed's 2% target.

Housing (See Section 3)

Sales of Existing Single-Family Homes in California for January: 388,800, down 7.6% from December and down 2.9% from January 2017. **California Median Home Price in January:** \$527,800, down 4.0% from December and up 7.3% from January 2017. **U.S. Homeownership:** Up in 2017 for the first time in 13 years; to 64.2% in 4Q2017 from 63.7% a year earlier.

Labor and Wages (See Section 4)

Unemployment (California and the US): Rate fell to 4.3% in December. The U.S. rate held at 4.1% in December and remained 4.1% in January 2018.

Labor Forecast: Businesses can expect increasing labor shortages. The jobless rate will fall even further, to 3.8%.

Wages Forecast: By the end of the year, wages will be rising by an average clip of 3%, versus the current average rate of 2.5%.

Auto Sales and Gasoline (See Sections 5 and 6)

Gasoline Prices: AAA shows (March 1, 2018) the national average price of self-serve regular at \$2.54 per gallon. California's average is \$3.34. **Forecast:** AAA forecasts spring gas prices will be the highest since 2015.

Retail (See Sections 7 and 8)

Retail Outlook in 2018: Tax cuts, an improved economy and an American consumer that is less cautious about spending will make 2018 a better year for retailers. Retail sales are on track to match or exceed the healthy 4.2% gain they made in 2017.

Holiday 2017 Retail Sales Between November 1 and December 24: Up 4.9% for 2017, setting a record for dollars spent. This is the largest year-over-year increase since 2011. Online shopping also saw large gains of 18.1% compared to 2016. (Mastercard)

On-Line Sales (See Section 9)

U.S. E-Commerce Results for 4Q2017: Percent of Retail Sales: Increase of 3.2% for 4Q2017 from 3Q2017. Total E-Commerce Sales for 4Q2017: \$119.0 billion. Total Retail Sales for 4Q2017: estimated at \$1,204.3 billion, an increase of 2.7% from 3Q2017. **Total E-Commerce Sales for 2016 and 2017:** Total retail sales in 2017 increased 4.4% from 2016. E-commerce sales in 2017 accounted for 8.9% of total sales. E-commerce sales in 2016 accounted for 8% of total sales. California's e-commerce sales comprise approximately 13-14% of the total sales, based on California's portion of the national economy.

Grocery Industry (See Section 10)

Grocery Among Fastest-Growing Retail Segments: 674 stores are expected to open in 2018. The other two fastest growing segments are mass merchandisers and dollar stores, and convenience stores. **Online Grocery Spending:** Projected to grow to 20% of the market, or \$100 billion, by 2025. www.progressivegrocery.com

Restaurant Industry (See Section 11)

Online Grocery Spending: Projected to grown to 20% of the market, or \$100 billion, by 2025.

SECTION 1: U.S. ECONOMY

U.S. Economy and Indicators

<https://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> (February 28, 2018)

<https://www.bls.gov/news.release/cpi.htm> (February 14, 2018)

GDP: Real GDP increased at an annual rate of 2.5% in 4Q2017 (was 3.2% in 3Q2017, 3.1% in 2Q2017, 1.4% in 1Q2017, and 2.1% in 4Q2016). The increase reflects positive contributions including from personal consumption expenditures. **California's GDP for 3Q2017:** 3.4%. Real GDO by state growth for the 3Q2017 ranged from 5.7% in Delaware to 0.5% in South Dakota. (BEA) **Sales for Retail and Food Services for Jan 2018:** a 0.3% decrease from Dec 2017, but 3.6% above Jan 2017. Total sales for the Nov 2017 through Jan 2018 period were up 4.9% from the same period a year ago.

Retail Trade: Down 0.3% from Dec 2017; up 3.9% from Jan 2017. **Miscellaneous Store Retailers:** Up 4.6% in Jan 2017. **Non-store Retailers:** Up 10.2% from Jan 2017. **Clothing shops:** Up 1.9% in Jan 2017. **Food & Beverage Stores:** Up 3.6% in Jan 2017. **General Merchandise Shops:** Up 3.0% in Jan 2017. **Gasoline Stations:** Up 9.0% from Jan 2017; Up 10.4% between Nov 2016 and Jan 2017. **Vehicles & Parts Dealers:** Up 3.6% in Jan 2017. **Electronics & Appliance Stores:** Up 1.6% in Jan 2017.

Consumer Price Index (CPI) (January 2018 From Preceding Month)

<https://www.bls.gov/news.release/cpi.nr0.htm> (February 14, 2018)

U.S. CPI for Jan 2018: Up 0.5%; over the last 12 months (Jan 2017 to Jan 2018); the 'all items' index rose 2.1%.

Gasoline: From Jan 2017 to Jan 2018 (8.5%); **Jan 2018 (5.7%);** Dec 2017 (.8%); Nov 2017 (6.0%).

New Vehicles: From Jan 2017 to Jan 2018 (-1.2%); **Jan 2018 (-.1%);** Dec 2017 (.5%); Nov 2017 (.2%). **Used Cars & Trucks:** From Jan 2017 to Jan 2018 (-.6%); **Jan 2018 (.4%);** Dec 2017 (.7%); Nov 2017 (.5%).

Food: From Jan 2017 to Jan 2018 (1.7%); **Jan 2018 (.2%);** Dec 2017 (.2%); Nov 2017 (.0%). **"Away From Home":** From Jan 2017 to Jan 2018 (2.5%); **Jan 2018 (-.4%).**

Apparel: Jan 2018 (1.7%); Dec 2017 (-.3%); Nov 2017 (-.9%).

Tobacco: From Jan 2017 to Jan 2018 (6.6%); **Jan 2018 (.3%);** Dec 2017 (-.4%); Nov 2017 (.2%).

Alcohol: Jan 2018 (.0%); Dec 2017 (.0%); Nov 2017 (.2%).

Wireless Telephone Service: From Jan 2017 to Jan 2018 (-10.2%); **Jan 2018 (-.2);** Dec 2017 (0%); Nov 2017 (.3%).

Lodging Away from Home: From Jan 2017 to Jan 2018 (-1.3%); **Jan 2018 (-2.0%);** Dec 2017 (.4%); Nov 2017 (-.9%).

Shelter: Jan 2018 (.2%); Dec 2017 (.3%); Nov 2017 (.2%).

Services Sector for 4Q2017/ Contributions to Percentage Change in GDP from 3Q2017

www.census.gov/services/index.html (February 16, 2018) and www.bea.gov (February 28, 2018)

4Q2017 Total Revenue: \$3,792.8 billion, an increase of 2.4% from 3Q2017 and up 5.2% from 4Q2016.

Personal Consumption Expenditures: Up 2.1% from 3Q2017.

Exports Services: Down 1.9% from 3Q2017.

Import Services: Up 1.9% from 3Q2017.

Utilities: Decrease of 6.3% from 3Q2017 and up 4.5% from the 4Q2016.

Transportation and Warehousing: Decrease of 1.0% from 3Q2017; and up 3.2% from 4Q2016.

Arts, Entertainment and Recreation: Decrease of 4.1% from 3Q2017; and up 4.4% from 4Q2016.

Real Estate and Rental and Leasing: Increase 1.5% from 3Q2017; and up 6.68% from 4Q2016.

Accommodations: Decrease 12.9% from 3Q2017 and down 0.5% from the 4Q2016.

Other Services (includes auto and electronic repair, personal and laundry services, religious, grantmaking, civic, professional and similar organizations): Increase 11.6% from 3Q2017 and up 10.4% from 4Q2016.

SECTION 2: CALIFORNIA ECONOMY

<https://www.sco.ca.gov/Files-EO/02-18summary.pdf>

http://www.dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/documents/2018/EconFebruary2018.pdf

https://www.bea.gov/newsreleases/regional/gdp_state/qgdpstate_newsrelease.htm

California's GDP for 3Q2017: 3.4%. Real GDP by state growth for the 3Q2017 ranged from 5.7% in Delaware to 0.5% in South Dakota. (BEA)

Total California Revenues for January: \$17.35 billion which beat the governor's 2018-19 proposed budget estimates by \$2.37 billion, or 15.8%, and outpaced 2017-18 Budget Act projections by \$1.45 billion. (SCO)

Retail Sales and Use Tax for January: \$43 million below the month's forecast of \$2.790 billion. January receipts includes the final payment for fourth quarter sales, which was due on January 31. Year-to-date sales tax revenues are \$35 million below forecast. (DOF)

Personal Income Tax for January: \$15.60 billion or 16.9% above the proposed budget's projections and \$1.33 billion ahead of 2017-18 Budget Act estimates. (SCO)

Corporation Tax for January: \$551.6 million or 62.1%, higher than expected in the proposed budget and \$143.4 million above the enacted budget's estimates. (SCO)

Additional Revenues in January: From the estate, alcoholic beverage, tobacco taxes, pooled money interest, and vehicle license fee came in \$5 million above the \$58 million forecast and are up \$5 million year-to-date. "Other" revenues were \$32 million above the month's forecast of \$71 million and are up \$51 million year-to-date. (DOF)

SECTION 3: HOME SALES

<https://www.car.org/en/aboutus/mediacenter/newsreleases/2018releases/Jan2018homesales>

Sales of Existing Single-Family Homes in California for January: 388,800, down 7.6% from December and down 2.9% from January 2017.

California Median Home Price in January: \$527,800, down 4.0% from December and up 7.3% from January 2017.

Affordability: The most affordable 20% of the market now has a median price of \$220,000 in California, up more than 10% from a year ago, when an entry-level home averaged \$200,000.

U.S. New Residential Sales: Sales of new single-family houses in Jan 2018 was 593,000 (7.8% below the Dec

2017 estimate of 643,000); The Jan national median sales price was \$323,000.

U.S. Homeownership: Up in 2017 for the first time in 13 years; to 64.2% in 4Q2017 from 63.7% a year earlier. Homeownership under 35 years rose to 36% in 4Q2017 from 34.7% a year earlier.

Credit Scores: New types of credit scores could expand mortgage financing to more people. The Federal Housing Finance Agency is looking at a new version of FICO. About 45 million Americans lack FICO scores. The new scores would give credit scores to 35 million more consumers.

SECTION 4: LABOR MARKET CONDITIONS

Unemployment (California and the US): Rate fell to 4.3% in December. The U.S. rate held at 4.1% in December and remained 4.1% in January 2018.

Labor Shortage: In industries such as manufacturing and construction, small firms are forced to hike wages. (Kiplinger, 01/19/18)

Job Gains: California's continued for a fourth consecutive month as nonfarm jobs increased by 52,700 in December, well above the average monthly gain of 28,500 jobs in 2017. Year-over-year nonfarm job gains averaged 295,500 (up 1.8%) in 2017. This compares with 421,500 (up 2.6%) in 2016 and 477,900 (up 3.1%) in 2015.

SECTION 5: AUTO SALES / TRENDS**California Car Sales for 4Q2017; 2017 Results; January 2018 Results**

<http://cncda.org/CMS/Pubs/California%20Covering%204Q%202017.pdf>

<http://www.jdpower.com/press-releases/jd-power-and-lmc-automotive-forecast-january-2018>

California, January 2018: Rose 1% in January to 1.2 million.

New Registrations for 2017: Above 2 million for the third consecutive year; market declined slightly in 2017 but annual total exceeded 2009 levels by nearly 100%.

CNCDA 2018 Forecast: 2.01 million units. JD Power in January predicted early forecasts for a decrease including a full year fall of 1.5%.

Total Registrations 2016 to 2017: California (-2.0%); US (-1.7%).

Total Cars History / California: 996,287 (2017); 1,110,222 (2016).

Total Cars 2016 to 2017: California (-10.3%); US (-11%).

Light Trucks 2016 to 2017: California (7.4%); US (4.4%).

Truck Market Share in 2017: California (51.3%); US: (64.2%).

New Vehicles Sold YTD for 2017: 512,627 (-10.8%) for cars; and 514,255 (8.8%) for light trucks.

2017 Electric Vehicle Market in California: 2.6%; Hybrid/Electric is 9.4%.

Used Car Registrations in 2017/ California: Small increase of 1.2%. Used light truck increased 3.7%; cars were down .4%.

Older Vehicle Market Share in 2017/ California: 4 to 6 years old increased 49.6%.

California Segment Market Share in 2017: Non-luxury takes over top spot (26%); small cars (25%); pickups and vans (15%); non-luxury mid cars (14%); luxury and sports (10%) and luxury SUVs (10%).

Electric Vehicles: Electric vehicle sales grew 30% in 2017. Though electric vehicle sales barely topped 1% of all auto sales, that number is sure to grow rapidly – probably eventually to consume almost the entire market. Governor Brown in late January signed an executive order to put five million zero-emission vehicles on California's roads by 2030.

Ride Sharing: Uber has more drivers in New York than there are taxis, and nationwide Uber and Lyft have more market share than taxi cabs.

SECTION 6: GASOLINE

Gasoline Prices: AAA shows (March 1, 2018) the national average price of self-serve regular at \$2.54 per gallon. California's average is \$3.34. Looking at the gas average map, Mono is the highest at \$4.24. The state's gas tax, not including local and federal taxes, is close to 55 cents a gallon, up from 41.47 cents.

Forecast: AAA forecasts spring gas prices will be the highest since 2015. AAA predicts that motorists in California could see gas reach \$4 a gallon this spring, but it will be temporary.

Lifestyle Changes if Gas Prices Increase: 40% of drivers said they would start making changes when gas reaches \$3 a gallon. Another 25% said their breaking point would be \$2.75 a gallon. (AAA Survey)

Buying New Cars Gets More Difficult: Auto sales slumped in February as tightened credit conditions, higher interest rates drove up monthly payments. Overall U.S. vehicle sales dropped 2.4% in February. (Autodata)

Detroit Auto Show May Move from January to October: The January date is a throwback to the days when auto dealers needed to drum up demand during the slow period. Many new model-year launches take place in the fall.

SECTION 7: SELECTED RETAILER UPDATES/ CALIFORNIA WARN NOTICES

Selection from November 1, 2017 to March 1, 2018). For historical open/close updates, please refer to:
<http://www.muniservices.com/muniservices-policy-update-library/>;
http://www.edd.ca.gov/Jobs_and_Training/warn/WARN-Report-for-7-1-2017-to-02-25-2018.pdf

Please contact your Avenu Client Manager for specific impact.

Albertsons: To acquire Rite Aid stores not sold to Walgreens
Applebee's: To close 60-80 restaurants in 2018 following the closure of 100 in 2017
Ashley HomeStores: To open 800th store (Tijuana)
Backstage: (Macy's off-price unit): Plans to expand with another 100 stores
Batteries Plus Bulbs: Plans to open 47 stores in 2018 including 14 corporate locations and 33 franchise locations
Best Buy: Increase holiday sales by 9%; ramped up robotic and electronic toys after Toys R Us announced closure.
Black Bear Diner: Adding 19 locations
Blaze Pizza: Plans to develop 400 additional locations including some in the U.S.
Build a Bear: Closed in Anaheim (EDD WARN report)
Burgerim: Entered Sacramento (Auburn)
California Tortilla: Will grow brand in new states in 2018
Chipotle: Plans store upgrades and slower expansion
Costco: Reports that 40% of new members signups are Millennials
CVS: Launching private label hoping to compete with Sephora and Ulta
Dave and Busters: Expanding; filling large empty store spaces
Dicks: Pulls assault rifles from stores (post February 2018 Florida school shooting); earlier this year announced for fiscal 2018 the new stores planned fell to 15 to 20
Dollar Tree: In 3Q2017 opened 169 stores; ended with 14,744 stores
Dogtopia: Plans to open 40 new stores in 2018; on pace to reach 400 by 2021
Dunkin' Donuts: Plans to add 1,000 new locations by end of 2020; will have 18,000 in the U.S.; includes 9 new Sacramento stores
Family Christian: 240 closures
Future Perfect: New showroom in Los Angeles
Fred Meyer Jewelers: Closing many mall stores

Gamestop: 100 store closures
Gander Outdoors: Camping World to re-open 69 stores
Go! Go! Curry: Japanese comfort food plans to expand
GoPro, Inc.: Layoff's in San Mateo (EDD WARN report)
Grocery Outlet: 25 new stores planned
H&M: Closing 170 stores in 2018
HelloFresh: Aims to eclipse Blue Apron
Home Depot: Buys The Company Store, a catalog and e-commerce retailer of home goods and textiles;
Indochino: Ready-to-wear suits opening 4 new stores including a San Diego location
JC Penny: Eliminated 360 jobs in response to simplifying operations and as more people shop online
Jersey Mike's: Plans to open 200 restaurants in 2018; aiming to have 2000 stores in the U.S. by 2020
Jimboy's Tacos: Expanding in Northern California
K-Mart: Closed in Cudahy, Redding, Ontario (EDD WARN report)
Kohls: Increase holiday sales by 6.3% compared with a 2.3% decline a year earlier
Land of Nod: Owned by Crate and Barrel - Closed the Land of Nod brick-and-mortar stores in January
Lands' End: Plans to open 60 new stores in the next five years
Loves: Travel stop. Plans to open 40 new locations in 2018
Macys Corporate Services: Closed in Redondo Beach (EDD WARN report)
Macys: Closed in Laguna Hills, Los Angeles, San Francisco (EDD WARN report)
Mattel, Inc.: Layoff's in El Segundo (EDD WARN report)
Mattress Firm: Will close 200 stores by mid-2019
McDonalds: To invest \$2.4 billion on upgrades in 2018
Modern Market: Farm to table fast casual was acquired by Butterfly
Nestle: Closed in Glendale and Oakland (EDD WARN report)
Nekter Juice Bar: 100th restaurant to open in Anaheim Hills
New Seasons Market: Closed in Sunnyvale; will not open in SF, Carmel and Emeryville
New Leaf Community Markets: New location in Aptos

Nordstrom: Revamping some of its 122 stores. Much of the company's success comes from opening Rack off-price stores and e-commerce

Papa John's International: No longer will be the official pizza of the NFL

P.F. Changs: Closed in Burbank (EDD WARN report)

Planet Fitness: More agreements signed; brick and mortar spaces give expansion opportunity

Reserve: Starbuck's high-end stores plans 1,000 stores with fuller service of food and beverages. Not sure on a California location.

Rituals: Average 1200 square foot store, encourages shoppers to experiment with products; expands to California

Sam's Club: Closed in Rowland Heights, Sacramento, San Fernando, Stanton (EDD WARN report); shrinking stores to compete and hopes for more affluent shoppers. In January 2018, Wal-Mart chain closed 63 U.S. Sam's Clubs locations

Shake Shack: Expects to open 32 to 35 new restaurants in 2018; will open more airport locations

Soft Surroundings: Women's apparel. Opening a location in California

Smart & Final: Replaces Ralphs in north Torrance

Sears: Closed in Brea, Westminster (EDD WARN report)

Starbucks: Closed on-line business

Subway: Expect more closures and relocations

Take 5 Oil: Will add dozens of stores in 2018

T-Mobile: Expanding footprint by opening stores

Target: Plans to increase small-format stores; closing 12 underperforming stores (none in California)

Teriyaki Madness: Fresh Asian fast casual targeting Los Angeles for expansion; plans for 20-25 additional locations

TGI Fridays: Closed in Oxnard, Brea (EDD WARN report)

Toys "R" Us: Closed in Emeryville, San Jose (EDD WARN report); announced closing 200 more stores; Amazon.com, Walmart, and Target stand to be greatest beneficiaries; Best Buy has also shown results

Tuesday Morning: In Spring will have five closures, 19 relocations and one expansion, seven openings

Walmart: Removed hyphen from name. To partner with Lord and Taylor to create an on-line mall, part of strategy to fend off Amazon.com. Openings are fewest in 25 years; new store format

Wetzel's Pretzels: New store opening pipeline

Warby Parker: Aims to run nearly 100 stores this year, as other Web shops follow; started online in 2010, spearheaded the trend of e-commerce companies opening brick-and-mortar stores

7-Eleven: Closed on the acquisition of approximately 1,030 Sunoco LP convenience stores in 17 states.

WARN notices

California Worker Adjustment and Retraining Notification (WARN Notices)

November 2017: 58 notices and 20 permanent closures;

December 2017: 36 notices and 14 permanent closures;

January 2018: 78 notices and 40 permanent closures;

As of February 25, 2018: 41 notices and 13 permanent closures.

http://www.edd.ca.gov/Jobs_and_Training/warn/WARN-Report-for-7-1-2017-to-02-25-2018.pdf

SECTION 8: RETAIL TRENDS AND INFLUENCES

Retail Outlook in 2018: Tax cuts, an improved economy and an American consumer that is less cautious about spending will make 2018 a better year for retailers. Retail sales are on track to match or exceed the healthy 4.2% gain they made in 2017.

Holiday 2017 Retail Sales Between November 1 and December 24: Up 4.9% for 2017, setting a record for dollars spent. This is the largest year-over-year increase since 2011. Online shopping also saw large gains of 18.1% compared to 2016. (Mastercard)

Retailers Expect Economic Boost from Tax Reform: Reports suggest the tax legislation will boost the nation's economy. Cutting the corporate tax rate will save large businesses enough to create between 500,000 and 1.5 million jobs while reducing taxes for "pass throughs" will benefit the small retailers that make up 95% of the industry. Congressional estimates show a family earning the average income of \$73,000 a year will see a tax cut of over \$2,000 in 2018, which is easily enough to cover the \$967 NRF research shows the average consumer will spend this holiday season. (NFR, 12/22/17)

Consumers Ramp Up Debt: In Q42017 consumer debt excluding mortgages and other home loans rose 5.5% from a year earlier. Overall, households are paying about 5.8% of their disposable personal income to stay current on non-mortgage debts. (WSJ; Moody's Analytics; <https://www.newyorkfed.org/newsevents/news/research/2018/rp180213>)

U.S. Savings: Dropped to a 10 year low of 3.1% in September 2017 down from the 6.3% peak in October 2015. Now, only 2.4 cents of every after-tax dollar of income gets saved, versus 4.9 cents in 2016 and 6 cents in 2015. (Kiplinger, 2/2/18)

Shopping Centers. In the U.S. one-quarter of the country's roughly 1,200 malls are expected to close over the next five years. Restaurants and food establishments might occupy between 20% and 40% of a shopping center; 10 years ago, it was 10% or 15% (CBRE Group)

Gyms Locating to Malls: Gym leases in malls has doubled in the last five years; apparel has dropped from 70% of mall space to 40%. Consumer spending at fitness centers rose 3.7% in 3Q2017 compared to the year before. (WSJ)

Malls in Transportation Terminals: Developers are looking at ways to grab attention along long corridors that take the masses to and from planes, trains and automobiles.

Convenience Continues to Expand: The number of convenience stores reach a new high of 154,958, up 0.3% or 423 units in 2017, from the 2016 year-end total of 154,535 at the end of 2016. (NACS). With so many retailers vowing to save shoppers time and eliminate friction from the store experience, retailers focused squarely on convenience grew the fastest in 2017.

Retailers Pay the Price of Success: Strong holiday sales and more online selling means more returns to offload at a discount. 2017 was the strongest growth in holiday sales since 2011 and the rise of online shopping, where purchases are more likely to be returned. Trickle Down: Secondary Retail Sales in 2016: Online auction houses (24%); Salvage dealers (37%); Factory outlets (7%); Value retailers / Dollar stores (15%); Other (17%) such as warehouse wholesaler "Twice as Nice."

Black Friday 2017: Consumers spent more than \$5 billion on Black Friday, 16.9% more than on that day in 2016. Physical stores still dominated sales; more than 145 million adults spent time at malls and shopping centers and spent an average of \$377.50. <https://retailleader.com>

Valentine's Day 2018: U.S. consumers were expected to spend an average \$143.56, an increase from last year's \$136.57. (NFR)

Saint Patrick's Day 2018: Americans plan to spend a record \$5.9 billion. Last year was \$5.3 billion. (NFR).

Smaller Format Stores: Sales at smaller-format stores are projected to grow 3.9% annually until 2022, outpacing 0.8% sales growth for their big-box counterparts. (Washington Post, 12/25/17)

Big Retailers Raise Age for Gun Buyers: As of March 1, Dick's, Field & Stream, Walmart (Alaska) announced raising age to 21 (WSJ)

Price War Pressure Consumer Brands: Retailers such as Walmart are pushing for steeper discounts as they struggle to compete with Amazon.

Phone Prices Hitting a Wall: In 2017, there were new redesigned smartphones with higher prices. For unit sales, Apple and Samsung sales were flat.

SECTION 9: E-COMMERCE RESULTS AND TRENDS

https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

U.S. E-Commerce Results for 4Q2017 (Adjusted Seasonal Variation): Percent of Retail Sales: Increase of 3.2% for 4Q2017 from 3Q2017. Total E-Commerce Sales for 4Q2017: \$119.0 billion. Total Retail Sales for 4Q2017: estimated at \$1,204.3 billion, an increase of 2.7% from 3Q2017. The 4Q2017 estimate increased 16.9% from 4Q2016 while total retail sales increased 5.7% in the same period. E Commerce sales for 4Q2017 accounted for 9.1% of total sales.

U.S. E-Commerce Results for 4Q2017 (Not Adjusted): \$143.1 billion, an increase of 33.7% from 3Q2017. 4Q2017 estimate increased 16.8% from the 4Q2016 while total retail sales increased 5.3% in the same period. E-commerce sales in the 4Q2017 accounted for 10.5% of total sales.

Total e-commerce Sales for 2016 and 2017: 2017 was estimated at \$453.5 billion, an increase of 16% from 2016. Total retail sales in 2017 increased 4.4% from 2016. E-commerce sales in 2017 accounted for 8.9% of total sales. E-commerce sales in 2016 accounted for 8% of total sales. California's e-commerce sales comprise approximately 13-14% of the total sales, based on California's portion of the national economy. An estimated 40% of U.S. online spending goes to Amazon.

SECTION 10: RESTAURANT INDUSTRY

Restaurants as Economic Engine: Industry's share of the food dollar is 48%.; Industry sales constitute 4% of the U.S. GDP. Restaurant industry sales in 2017 (based on current data), representing 4% of the U.S. GDP. For every dollar spent in restaurants, \$2 is generated in sales for other industries. National Restaurant Association)

Restaurant Count: The U.S. restaurant count reached 647,288 in the Fall of 2017, a 2% decrease in units from a year ago. Restaurant chain counts grew to 301,183 units, a 982-unit increase, which kept the total chain count flat compared to fall 2016. The total number of independent restaurants declined to 346,105 units, a decrease of 10,952 units from last year. Quick-service restaurants (QSR) declined by 1% to 353,121 units. Fast casual chains, which are a restaurant category under QSR, increased

Big Brands Risk Losing Voice/ Alexa: If a voice shopper doesn't specify a brand, Alexa is more likely to recommend "Amazon's Choice product."

"Shipping with Amazon": Will directly compete with UPS and FedEx Corporation. Will roll out in Los Angeles with third-party merchants that sell goods via its website. President Trump in late 2017 wrote that the U.S. Postal Service should charge Amazon.com and other companies more to deliver packages.

Wal-Mart and Japan's Rakuten: Rakuten is Japan's largest on-line retailer and joined by Wal-Mart to bolster efforts to compete with Amazon.com in Asia and the U.S.

Luxury: By 2025, online will represent 25% of luxury goods (Bain & Company). Industry estimated e-commerce revenue for 2016: Burberry (8.5%); Tiffany (6%); Louis Vuitton (2.4%); Prada (1.2%). Luxury giant Richemont is buying Yoox Net-a-Porter a major online marketplace for luxury goods to help boost the market.

Sharing Economy in Luxury: Consumers are considering sharing over owning.

E-Commerce Trends in 2018: Commerce through email will become vital to brands (email drives more revenue than all social networks). (Forbes, John Hall)

units by 4% to a total of 25,118. Full-service restaurant units, which include casual dining, family dining and fine dining restaurants, stood at 294,167 units in Fall 2017, a 2% decline. (NPD February 14, 2018 press release)

Consumer Price Changes from Dec 2017 to Dec 2018 for Food Cost of Eating Out: Up 17% (Kiplinger)

Top Five Domestic Restaurant Brands: McDonald's Corp., Starbucks Corp., Subway, Taco Bell, and Burger King

Restaurant Franchises: Poised for strong growth in 2018, with output increasing by around 6%, eclipsing 2017's 5% rise. The industry is buoyed by higher consumer spending and rising business investment spurred by tax reform.

Food Halls: Combines dining, entertainment, and locally sustainable eating in one place.

SECTION 11: GROCERY INDUSTRY

<http://www.theshelbyreport.com/> (from November 1, 2017 to March 2, 2018)

Please contact your Avenu Client Manager for specific impact.

Aldi: Opened new Southern California location in La Habra

Albertsons: To purchase Rite Aid stores not sold to Walgreens

Amazon Go: Plans to open as many as six stores in 2019. Some will open in Amazon's hometown of Seattle, where the first location is based, as well as Los Angeles, and other cities

Brandless: <https://brandless.com/> Everything is \$3

Bristol Farms: Opened prototype store in Woodland Hills

Gelson's: Unveiled three remodeled stores in Southern California

Whole Foods 365 Store: Opened in Concord; <https://www.wholefoodsmarket.com/stores/list/development>

Grocery Outlet: Plans 25 store expansion, including over a dozen in the Los Angeles area

Trends

Fastest-Growing Retail Segments: 674 stores are expected to open in 2018. The other fastest growing segments are mass merchandisers, dollar stores, and convenience stores. www.progressivegrocery.com

Shopping Options: Shop in-store, order online for in-store pickup, order online for curbside pickup and order online for home delivery. **Mobile payment at checkout.**

Chance to pay for groceries with smart phones. **Eating and drinking at stores.** Sampling stations for wine and beer, as well as add in-store dining. **Meal-kits.** Pre-measured ingredients, recipes and cooking instructions.

Online Grocery Spending: Projected to grown to 20% of the market, or \$100 billion, by 2025.

Amazon Go: Amazon's new cashier-less convenience store uses technology (cameras, sensors, etc.,) to automatically charge customers for their purchases after shoppers scan their smartphones at the entrance. Still requires workers to stock shelves, assist customers, and troubleshoot the tech. (Kiplinger, 1/26/18)

"Managed": iFresh, Asian American grocery supermarket chain and online opens in El Monte

Mother's Market: Expanding with new locations in Los Angeles

New Seasons: Closing Sunnyvale; will not open in San Francisco, Carmel and Emeryville

New Leaf Community Markets: New location in Aptos

Raley's: Extends E-Commerce, same day delivery in Sacramento

Stater Brothers: To open first Pasadena store this Fall; opens location in Norco

Superior Grocers: Chain with 45 Southern California stores offering same day delivery with Instacart

Vallarta Supermarket: Opened 50th store location in Pasadena

Walmart: Introduces Eden, a high-tech food initiative to improve the quality of perishable foods; partners with Deliv for delivery in San Jose

Kohls: To add Aldi groceries to stores

Amazon and Whole Foods Marriage: Amazon is considering stocking stores with popular consumer packaged goods that don't meet the chain's current quality standards. The change could alienate certain customers but could attract new customers who might not have shopped there.

Food Manufactures Warn of Higher Costs if Aluminum Imports Face New Tax: In response to President Trump's planned 10% tariff. Concern the tariff will act as a regressive tax on low-income consumers. Would impact makers of beer and sodas.

Meal-Kit Start Ups Losing Sizzle: Some are waiting to see how Amazon.com's acquisition of Whole Foods reshapes the grocery and food delivery businesses. An estimated 70% of customers of Blue Apron stopped buying its meals six months after signing up, while more than 80% of Hello Fresh were not active.