

---

## ECONOMIC NEWS & TRENDS

---

November 5, 2018

This non-confidential edition includes excerpts from articles, studies, and economic research. The content focuses on trends and news between August 1, 2018 and the date of publication. Please contact your Client Services Executive for regional trends.

### CONTENTS

- **Highlights** (Pages 2 to 4)
- **U.S. Economy** (Pages 5 to 7)
- **California Economy** (Page 7)
- **Auto Sales and Gasoline** (Page 8)
- **Retail Trends** (Pages 8 to 9)
- **Retailer, Grocery, and Restaurant Updates** (Page 10)



[www.avenuinsights.com](http://www.avenuinsights.com)

## HIGHLIGHTS

## National Economic Indicators / Influences

**GDP:** GDP increased 3.5% in 3Q2018; 4.2% in 2Q2018 (was 2.2% in 1Q2018; 2.9% in 4Q2017; 3.2% in 3Q2017, 3.1% in 2Q2017, 1.4% in 1Q2017, and 2.1% in 4Q2016).

**Growth Pickup Factors:** Consumer spending, business investment, net exports and government spending.

**Consumer Spending:** Consumer spending is being powered by plentiful jobs. The unemployment rate fell in September to its lowest level since 1969, meaning more income in household pocketbooks, and tax cuts have added to purchasing power.

**Government Spending Helps Grow the GDP:** Over the last year and a half government spending, especially defense helped the acceleration of the GDP. (*WSJ*, October 26, 2018)

**Growth Rate:** Private analysts and the Federal Reserve say a slowdown is looming; the growth rate will slow to 2.5% by the first quarter of next year and 2.3% by the third quarter of 2019. The Fed is expecting growth to slow further to a 1.8% rate by 2021.

**Services Sector: 2Q2018 Total Revenue:** An increase of 3.2% from 1Q2018 and up 5.3% from 2Q2017.

**Personal Consumption:** The personal-consumption expenditures price index rose 0.1% in September from August. That marked the fourth straight month in which the Federal Reserve's preferred inflation gauge fell short of the 0.165% monthly pace needed to meet its 2% annual target.

**Consumer Confidence Hits 18-Year High:** The Conference Board reported its index of consumer confidence rose to 137.9 in October, the highest level since September 2000.

**Inflation Hits Home:** US companies are raising prices on everything from plane tickets to plastic, passing on to customers higher costs for fuel, metal, and food after years of low inflation. It's tricky: unemployment is at its lowest point in decades and the economic growth is strong. At some point higher prices could dampen economic growth. Change in price of selected food items in 3Q2018 from a year earlier: McDonalds Big Mac is up 4.7%; Chipotle Steak Burrito is up 4.4%; Starbucks freshly brewed coffee is 8.9%; Panda Express Orange Chicken is up 2.8%. (*WSJ*, November 1, 2018)

**Economic Forecasts:** Unemployment: Ending 2018 at 3.7%, unchanged from 3.7% currently; Crude Oil: Trading from \$65 to \$70 per barrel in December. Social Security COLA: Payouts will rise 2.8% in January 2019 and likely 2.3% in January 2020. (*Kiplinger*)

**The \$80 Trillion World Economy in One Chart:** The World Bank puts global GDP at roughly \$80 trillion in nominal terms for 2017. In nominal terms, the U.S. still has the largest GDP at \$19.4 trillion, making up 24.4% of the world economy. California became the 5th largest economy in the world in 2017 with \$2.75 trillion in gross domestic product. <http://www.visualcapitalist.com/80-trillion-world-economy-one-chart/>

**Unemployment:** Year end is predicated to end a 3.7%, unchanged from 3.7% (September). Current is the lowest jobless reading in 49 years. **California:** 4.2% in August and September 2018 is 4.1%.

**Wage Growth:** Wages and salaries paid to private-sector U.S. workers rose 3.1% from a year earlier in the 3Q2018. That was the strongest gain since 2Q2008.

**Tariff - Impact on Consumers:** Companies like Walmart and Target have asked the White house to back off plans for a tariff on items like Christmas lights, bicycles, cooking grills, air conditions, school essentials. The NFR estimated that at 25% tariff on furniture would cost Americans \$4.5 billion per year. Items such as bicycle helmets, car seats, Apple Watches and Air Pods are not on the list. (*Money.com*, September 19, 2018)

## E-Commerce, Retail Sales and Outlook

**E-Commerce as a Percent of Total Sales: 9.6% in 2Q2018;** 9.4% in 1Q2018; 9.1% in 4Q2017; 9.0% in 3Q2017; and 8.8% in 2Q2017. **Other Historical:** December 21, 2015 (7.5%); December 21, 2011 (5.10%); December 31, 2008 (3.60%); December 31, 2005 (2.60%).

**Top 10 U.S. Companies / Ranked by E-Commerce Sales Share, 2018:** Amazon 49.1%; eBay 6.6%; Apple 3.9%; Walmart 3.7%; The Home Depot 1.5%; Best Buy 1.3%; QVC 1.2%; Macys 1.2%; Costco 1.2%; Wayfair 1.1%. Total U.S. Retail ecommerce sales equals \$252.69 billion in 2018; top 10 companies' sales share equals 70.1% of total retail ecommerce in 2018. (EMarketer, July 2018)

## Holiday Spending

**Holiday Spending:** Will spend 4.1% more than last year; will spend an average of \$1,007.24 this year. Ecommerce will be driven by mobile commerce, which is expected to jump 32.6% and will account for 44% of holiday ecommerce spending. 2018 US holiday ecommerce sales are expected to grow 16.2% to \$123.39 billion.

**Tariff / Consumers/ Holiday Merchandise:** Retailers are monitoring the impact on tariffs that have been slapped on a variety of different goods imported from China, although holiday merchandise will likely not be affected because they're already in U.S. warehouses. Any price increases are expected to come starting early 2019.

**Halloween Spending, US Candy Industry** Halloween retail spending will be \$9 billion in 2018. It's a little less than 2017's record of \$9.1 billion.

## On-Line Grocery Shopping

**E-Commerce Reshapes Grocery Stores:** Food shoppers are going on-line and forcing supermarkets to alter layouts and rethink operations. An example, replacing candy stands with freezers, and implementing pick up point. (WSJ, October 3, 2018)

## Gas and New Auto Sales

**2018 Vehicle Projection:** 2 million; 2017 was 2.05 million. **First Half of 2018:** New car sales exceed 1 million. **California Market Share:** Declined for the fifth consecutive quarter in 2Q2018 versus a year earlier. **Electric Sales in California:** Currently is 3.1% of new sales and increase of 2.4% from last year. Gas makes up 83% of new cars sold in 2018. (CNCDA, August 2018)

**Gas:** November 4, 2018. The national average at \$2.765 per gallon. California's is \$3.753; \$3.033 a year ago; highest was \$4.671 in October 2012. Reduced refinery runs, due to peak maintenance season, have contributed to stable gas inventors amid lower demand.

## Tourism in California

Total visitation to California is forecast to grow 2.9% in 2018 following a 2% expansion in 2017. International overseas visits to California will slow from 4.5% in 2017 to 4.3% in 2018, with similar growth expected to continue each year through 2022.

## Housing

**U.S.:** Sales of new single-family houses in the United States dropped 5.5% from the previous month in September of 2018, following a downwardly revised 3.0% decline in August. It is the lowest rate since December 2016. Average interest in October is around 4.9% and expected to reach 5.5% next year.

**California Single-Family:** September, down 4.3% from August and down 12.4% from September 2017. Median: \$578,850, down 29.% from August; up 4.2% from September 2017. September year-to-date down 3.3%; largest sales decline since March 2014; 27% of households could afford to purchase the \$588,530 median-priced home in 3Q2018, up from 26% in 2Q2018 and down from 28% a year ago. Minimum income of \$125,540 was needed for payments of \$3,140 (w/ PIT, 30-year fixed at a 4.77%). 35% of home buyers were able to purchase the \$479,390 median-priced condo or townhome. An annual income of \$102,260 was required to make a monthly payment of \$2,560. (CAR)

## Dining and Food

**Food at Home:** Sep 2018 (-.1); Aug 2018 (0); Jul 2018 (.2)

**Food Away From Home:** Sep 2018 (.2); Aug 2018 (.2); Jul 2018 (.1)

**Full Services Meals and Snacks:** From Sep 2017 to Sep 2018 (2.3%)

**Mobile Vendors and Vending Machines:** From Sep 2017 to Sep 2018 (3.9%)

**Wine:** From Sep 2017 to Sep 2018 **Wine At Home** (1.4%);

**Wine Away From Home:** (3.4%).

## Travel App *Grabr* Enables Delivery of Goods to Shoppers

**Abroad:** *Grabr*, says it currently has over 500,000 world-wide registered users to offer a platform allowing shoppers to request international deliveries.

## Grocery Store and Food Trends

**Grocery Shopping Channel in 2017 From 2016:** E-commerce (26%); Limited assortment store (6.7%); Dollar store (6.6%); Fresh format (6.2%); Supercenter (3.5%); Super warehouse (3.2%); Small grocery (3.0%); Wholesale club (2.8%); Convenience store (1.7%); Traditional supermarket (1.3%)

**The Future of Food:** Meals that you print, facial recognition for cows, edible bar codes, addressing waste, and other innovations that transform everything from farm to table. (*WSJ*, October 3, 2018)

## Phones and Technology

**Cable and Satellite TV Service:** From Sep 2017 to Sep 2018 (1.3); **Wireless Telephone Service:** From Sep 2017 to Sep 2018 (-0.2); **Land-Line Telephone Service:** From Sep 2017 to Sep 2018 (1.8)

**Cellphone Customers Are Keeping Smartphones for Longer:** Pricier devices, demise of the contract, and other reasons have led consumer to wait an average of 2.83 years to upgrade their phones. This is up from 2.39 from two years earlier. The November 2, 2018 *WSJ* article "Cellphone Radiation Linked to Rat Cancer" will be interesting to follow.

## Consumer Credit/ Lending

**Credit Scores:** FICO plans to roll out new system in 2019 that factors how consumers manage the cash in their savings, checking and money market accounts. The idea is to boost the number of approvals for cards and loans, by taking this information into account.

## Payday Lending Rules Get Do-Over/ Impact on

**Consumers:** There will be a redo of earlier rules that aimed at curbing predatory lending. The new proposed rules will ease restrictions for the industry. Local agencies should follow this issue closely.

**Retailers Push Back on Cards with Perks:** Consumers are addicted to credit cards with rewards programs; some retailers are trying to cut them off. Some networks are trying to end the card networks' "honor all cards" rule. Amazon.com, Target Corp., and Home Depot are amongst them.

## Retailers Calculate What Their Customers are Worth/

**Customer Lifetime Value:** Scores can determine the prices a customer pays, the products and ads you see, and the perks received. The article looks how this works with phone service, apparel, cars, air travel and credit cards (*WSJ*, November 2, 2018)

## Gambling

**Sports Betting/ States Can Legalize:** Sports betting legalization moves forward following a U.S. Supreme Court ruling *Murphy v. National Collegiate Athletic Association*, leaving states free to legalize the practice.

## State and Local Tax Deduction

**Cities Set to Challenge Proposed IRS Ruling:** A coalition of New York municipalities is preparing to challenge the proposed IRS ruling that clouded the ability of cities and towns to set up funds that allow residents to pay their local taxes as charitable contributions.

## SECTION 1: U.S. ECONOMY

## U.S. Economy and Indicators

<https://bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> (October 26, 2018)

<https://www.bls.gov/news.release/cpi.htm> (October 11, 2018)

**GDP:** GDP increased 3.5% in 3Q2018; 4.2% in 2Q2018 (was 2.2% in 1Q2018; 2.9% in 4Q2017; 3.2% in 3Q2017, 3.1% in 2Q2017, 1.4% in 1Q2017, and 2.1% in 4Q2016).

**Growth Pickup Factors:** Consumer spending, business investment, net exports and government spending.

**Consumer Spending:** Consumer spending is being powered by plentiful jobs. The unemployment rate fell in September to its lowest level since 1969, meaning more income in household pocketbooks, and tax cuts have added to purchasing power.

**Growth Rate:** Private analysts and the Federal Reserve say a slowdown is looming; the growth rate will slow to 2.5% by the first quarter of next year and 2.3% by the third quarter of 2019. The Fed is expecting growth to slow further to a 1.8% rate by 2021.

**Personal Consumption/ Household Spending/ Inflation:** The personal-consumption expenditures price index rose 0.1% in September from August. That marked the fourth straight month in which the Federal Reserve's preferred inflation gauge fell short of the 0.165% monthly pace needed to meet its 2% annual target.

**Consumer Confidence Hits 18-Year High:** The Conference Board reported its index of consumer confidence rose to 137.9 in October, the highest level since September 2000. <https://www.conference-board.org/data/ConsumerConfidence.cfm>

**Inflation:** Will be 2.1% in 2018; 2.0% in 2019 and 2.1% in 2020. (*The Balance*, October 2019) **Interest Rates:** Was raised to 2.25% in September 2018; an indicator of the economy's health. Federal Reserve signaled would raise rates to 2.5% in December 2018, 3.0% in 2019 and 3.5% in 2020. (*The Balance*, October 2019)

**Economic Forecasts:** GDP Growth: 2.7% in 2019; down from 2.9% in 2018. Unemployment: Ending 2018 at 3.4%, from 3.7% currently; Crude Oil: Trading from \$65 to \$70 per barrel in March. Social Security COLA: Payouts will rise 2.8% in January 2019 and likely 2.3% in January 2020. U.S. Manufacturing: Production will grow 2.4% in 2018; down from 2.6% in 2018. (*Kiplinger*, November 2, 2018 and October 19, 2018)

**Services Sector 2Q2018 Total Revenue:** An increase of 3.2% from 1Q2018 and up 5.4% from 2Q2017.

**Gasoline:** From September 2017 to September 2018 (9.1%); **Sep 2018** (-.); **Aug 2018** (3); **Jul 2018** (-.6)

**New Vehicles:** From Sep 2017 to Sep 2018 (.5%); **Sep 2018** (-.1); **Aug 2018** (0); **Jul 2018** (.3)

**Used Cars & Trucks:** **Sep 2018** (-3.0); **Aug 2018** (.4); **Jul 2018** (1.3)

**Leased Cars and Trucks:** Sep 2017 to Sep 2018 (7.3%)

**Apparel:** : **Sep 2018** (.9); **Aug 2018** (-1.6); **Jul 2018** (-.3);

**Food at Home:** **Sep 2018** (-.1); **Aug 2018** (0); **Jul 2018** (.2)

**Food Away From Home:** **Sep 2018** (.2); **Aug 2018** (.2); **Jul 2018** (.1)

**Full Services Meals and Snacks:** From Sep 2017 to Sep 2018 (2.3%)

**Mobile Vendors and Vending Machines:** From Sep 2017 to Sep 2018 (3.9%)

**Wine:** From Sep 2017 to Sep 2018 **Wine At Home** (1.4%);

**Wine Away From Home:** (3.4%).

**Cable and Satellite TV Service:** From Sep 2017 to Sep 2018 (1.3)

**Wireless Telephone Service:** From Sep 2017 to Sep 2018 (-0.2)

**Land-Line Telephone Service:** From Sep 2017 to Sep 2018 (1.8)

**Lodging Away from Home:** From Sep 2017 to Sep 2018 (.6)

**Shelter:** From Sep 2017 to Sep 2018 (3.%)

**Miscellaneous (Sep 2017 to Sep 2018):** **Bacon and Related Products** (-7.8%); **Eggs** (10.1%); **Instant Coffee** (-4.2); **Floor Coverings** (3.0%); **Window Coverings** (-6.0%); **Living Room Furniture** (2.3%); **Women's Dresses** (7.3%); **Jewelry** (-4.6%); **Toys** (-10.0%); **Gardening and Lawn Care** (8.8%)

**Services Sector for 2Q2018**

[www.census.gov/services/index.html](http://www.census.gov/services/index.html) (September 7, 2018)

**2Q2018 Total Revenue:** An increase of 3.2% from 1Q2018 and up 5.3% from 2Q2017.

**Personal Consumption Expenditures:** Up 2.1% from 3Q2017.

**Transportation and Warehousing:** An increase of 8.6% from 1Q2018 and up 5.3% from 2Q2017.

**Utilities:** Decrease of 10.5% from 1Q2018 and up 2.0% from the 2Q2017.

**Real Estate, Rental and Leasing:** An increase of 9.1% from 1Q2018 and up 5.3% from 2Q2017.

**Professional, Scientific and Technical Services:** An increase of 2.0% from 1Q2018 and up 5.2% from 2Q2017.

**Accommodations:** Increase 11.7% from 1Q2018 and down 2.3% from the 2Q2017.

**Arts and Entertainment:** An increase of 13.6% from 1Q2018 and up 4.0% from 2Q2017.

**Personal Services:** Sep 2017 to Sep 2018 (2.6%); **Legal Services** (4.6%); **Financial Services** (5.5%).

**E-Commerce 2Q2018**

[https://www.census.gov/retail/mrts/www/data/pdf/ec\\_current.pdf](https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf) (Next release is on November 19, 2018)

**E-Commerce as a Percent of Total Sales: 9.6% in 2Q2018;** 9.4% in 1Q2018; 9.1% in 4Q2017; 9.0% in 3Q2017; and 8.8% in 2Q2017. **Other Historical:** December 21, 2015 (7.5%); December 21, 2011 (5.10%); December 31, 2008 (3.60%); December 31, 2005 (2.60%).

**E-Commerce Sales Percent Change from Prior Quarter:** Increased 3.9% from 1Q2018.

**Total Retail Sales for 1Q2018:** An increase of 1.6% from 1Q2018.

**Luxury:** By 2025, online will represent 25% of luxury goods.

**Retail:** 15% of retail sales take place online now. In 2013 it was 9%. Amazon nets 44% of those internet sales. 75% of households with yearly income of \$100,000 or more have an Amazon Prime membership. (Kiplinger, June 2018)

**Imports, Export and Tariff**

[https://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/ft900.pdf](https://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf) (November 2, 2018)

**Trade Deficit for September (+1.3%);** Exports (+1.5%); Imports (+1.5%).

**Exports and Imports:** Exports increased 8.4%; Imports increased 8.4%, year to date from August. California's trade slowed in September. Exports of manufactured goods were up 1.7% in September, non-manufactured goods dropped 1.7%. California accounted for 10.4% of the nation's overall merchandise export trade in September, down from 10.9% last year. The state's exports in the first nine months of 2018 amounted to \$133.47 billion, 5.5% higher than the \$126.46 billion during the same period last year. California was the state-of-destination for 18% of all U.S. merchandise imports in September, with a value of \$38.19 billion, an increase of 2.1% from the \$37.39 billion in imported

goods in September 2017. Manufactured imports totaled \$34.10 billion, up 0.5% from the \$33.92 billion recorded one year earlier. Non-manufactured imports in September were valued at \$4.10 billion, 18.2% higher than the \$3.47 billion reported in September 2017. For the first nine months of the year, California imports totaled \$325.27 billion, a 1.5% gain over the \$320.53 billion during the same period last year. (Beacon Economics, November 2018)

**Impact on Consumers:** Companies like Walmart and Target have asked the White house to back off plans for a tariff on items like Christmas lights, bicycles, cooking grills, air conditions, school essentials. The NFR estimated that at 25% tariff on furniture would cost Americans \$4.5 billion per year. Items such as bicycle helmets, car seats, Apple Watches and Air Pods are not on the list. (Money.com, September 19, 2018)

**Employment/ Workforce**

<https://data.bls.gov/timeseries/LNS14000000>

**Unemployment Forecast:** Ending 2018 at 3.7%, unchanged from 3.7% currently.

**U.S. Firms Pledge More Job Training:** The White House announced pledges from companies to create over 6 million job-training opportunities; an initiative to address job market changes and a shortage of qualified workers.

**Women in the Workforce:** For most of the last two decades, the share of women participating in the U.S. labor force was in decline. Labor-force participation among women 25 to 54 rose to 75.2% from 73.3% three years ago, as unemployment dropped to the lowest level since the 1950's. (WSJ)

**Gig Economy/ A Guide for States, Counties and Cities:**

The rise of "gig-work" platforms are one part of a bigger trend. For the low-skilled, the chances of getting a traditional job with steady hours and income, benefits and chances to progress is diminishing rapidly. GAO highlight estimates that over 30% of the workforce could now be working precariously. This trend has swept through retail, hospitality, distribution, healthcare and other sectors. <http://beyondjobs.com/wp-content/uploads/2018/07/Making-a-Market-for-Irreg-Employ-Full-Report-070918.pdf>

**SECTION 2: CALIFORNIA ECONOMY**

<https://www.sco.ca.gov/Files-EO/07-18summary.pdf>

[http://www.dof.ca.gov/Forecasting/Economics/Economic\\_and\\_Revenue\\_Updates/index.html](http://www.dof.ca.gov/Forecasting/Economics/Economic_and_Revenue_Updates/index.html)

[https://www.bea.gov/newsreleases/regional/gdp\\_state/qgdpstate\\_newsrelease.htm](https://www.bea.gov/newsreleases/regional/gdp_state/qgdpstate_newsrelease.htm)

(July 24, 2018; next release is November 14, 2018)

<https://industry.visitcalifornia.com/Research/Report/California-Travel-Tourism-Forecast-State-2018>

**Tourism and Forecast in California:** Total visitation to California is forecast to grow 2.9% in 2018 following a 2% expansion in 2017. International overseas visits to California will slow from 4.5% in 2017 to 4.3% in 2018, with similar growth expected to continue each year through 2022. Overnight travel is expected to accelerate 2.6% in 2018 before returning to below 2% growth in 2020.

**Unemployment:** California was 4.2% in August and September 2018 is 4.1%, a sign it will get harder to fill positions.

**Employment Forecast:** The forecast for 2018, 2019 and 2020 total employment growth is 1.7%, 1.8% and 0.8%, respectively. Payrolls are expected to grow at a 1.7%, 1.8% and 0.8% rate each respective year. Real personal income growth is forecast to be 2.5%, 3.6% and 2.9% in 2018, 2019 and 2020, respectively. California's average unemployment rate is expected to have its normal differential to the U.S. rate at 4.2% in 2020. Home building will accelerate to about 140,000 units per year by the end of the 2020 forecast. (UCLA, September 2018)

**California WARN Notices & Permanent Closures:** **July 2018:** 51 notices/ 28 closures; **August 2018:** 51 notices/ 28 closures; **September 2018:** 35 notices/ 17 closures; **October 2018** (as of October 25, 2018): 76 notices/ 43 closures.

**Current Revenue Stats: Personal income tax:** For September were \$260 million above the month's forecast of \$8.146 billion. **Sales and use tax:** for the first three months of the fiscal year were \$61 million below forecast. Receipts for September were \$31 million below the month's forecast of \$2.039 billion. **Corporation tax:** for the first three months of the fiscal year were \$66 million above forecast. Revenues for September were \$60 million above the month's forecast of \$1.172 billion. **Estate, alcoholic beverage, tobacco taxes, and pooled money interest:** for the first three months of the fiscal year were \$26 million above forecast and were \$3 million above the forecast of \$67 million for September. "Other" revenues for the first three months of the fiscal year were \$2 million above forecast and were \$42 million below the forecast of \$62 million for September. (DOF, October 2018)

**SECTION 3: AUTO SALES AND GASOLINE****California Car Sales / 2Q2018**

<https://www.cncda.org/wp-content/uploads/California-Covering-2Q-2018.pdf> (August 2018)

**2018 New Vehicle Projection:** 2 million; 2017 was 2.05 million

**First Half of 2018:** New car sales exceed 1 million units.

**California Year-to-Date Thru June:** Cars (-10.1%); Light Truck (5.6%)

**US Year-to-Date Thru June:** Cars (-12.1%); Light Truck (7.7%)

**California New Market Share:** Declined for the fifth consecutive quarter in 2Q2018 versus a year earlier.

**Small Car Market Share Thru June:** Declines to 23% from 26% a year ago.

**Gap Between New and Used Cars:** Is wider pushing an increasing number of consumers to used-car lots, putting pressure on auto makers to deepen discounts on new cars to keep them competitive.

**Electric Sales in California:** Continue to increase, but disparity among regions including the Central Valley; Northern California seem to be adopting the idea of electric vehicles. Currently electric makes up 3.1% of total

new sales and increase of 2.4% from last year. Gas vehicles make up 83% of new cars sold in 2018. (CNCDA, August 2018)

**Gas:** November 4, 2018. The national average at \$2.765 per gallon. California's is \$3.753; \$3.033 a year ago; highest was \$4.671 in October 2012. Cause: Reduced refinery runs, due to peak maintenance season, have contributed to stable gas inventors amid lower demand. (AAA Gas Prices)

**Manufacturing/ Foreign Auto Makers Look at More US Content:** Foreign car makers are looking at moving their parts manufacturing to the US, following the recent US trade deal with Canada and Mexico. The tentative deal, which replaces Nafta, requires auto makers to build at least 75% of a cars value in North American to remain duty free. Car companies also have to ensure 40% to 45% of the car is made by workers earning at least \$16 per hour, a provision aimed at steering more work to the US to generate manufacturing jobs.

**SECTION 4: RETAIL, TRENDS AND INFLUENCES****Retail Categories in September 2018**

10 of 13 major retail categories showed month-over-month increases and 3 fell. **Down:** Food services and drinking places (-1.8% compared to 0.3% in August); gasoline stations (-0.8% compared to 1.1%); and health and personal care stores (-0.3% compared to 0.5%).

**Increases:** Furniture/ furniture stores (1.1% compared to -0.8%); non-store retailers (1.1% compared to 0.5%); electronics/ appliance stores (0.9% compared to 0.6%); motor vehicles/ part dealers (0.8% compared to -0.5%); sporting goods, hobby, musical instrument/ book stores (0.7% compared to -0.5%); clothing/ accessories stores (0.5% compared to -2.8%); general merchandise stores (0.3% compared to 0.1%); food/ beverages stores (0.2% compared to -0.3%); building material/ garden equipment (0.1% compared to 0.8%); and miscellaneous store retailers (0.1% compared to 2.7%). (Trading Economics)

**Holiday Spending**

**Consumer Holiday Spending:** Will spend 4.1% more than last year; will spend an average of \$1,007.24 this year. Consumers will spend in three main categories during the holidays – gifts, at \$637.67; non-gift holiday items such as food, decorations, flowers and greeting cards, at \$215.04; and other non-gift purchases that take advantage of the deals and promotions throughout the season, at \$154.53. (NFR) The 2018 holiday season features the longest-possible calendar with a maximum 32 days between Thanksgiving and Christmas. Ecommerce will be driven by mobile commerce, which is expected to jump 32.6% and will account for 44% of holiday ecommerce spending. 2018 US holiday ecommerce sales are expected to grow 16.2% to \$123.39 billion. <https://www.emarketer.com/content/holiday-shopping-2018-10>

**Best Black Friday / Thanksgiving Day Retail:** Closing on Thanksgiving (and Black Friday) has given some retailers a customer loyalty boost. REI goes a step further. For a third year in a row, it will be closing its 151 stores on both Thanksgiving and Black Friday.

<https://bestblackfriday.com/blog/stores-closed-on-thanksgiving-day-2018/>

**Amazon Black Friday Launched on November 1:**

Amazon published its Black Friday Deals Store, giving access to a variety of deals and sales through its online marketplace. Amazon is set to clear \$258.22 billion in US retail sales in 2018, according to eMarketer's figures, which will work out to 49.1 % of *all* online retail spend in the country, and 5 % of all retail sales.

<https://www.amazon.com/b?ie=UTF8&node=384082011>

**Small Business Saturday / November 24, 2018:**

[https://www.americanexpress.com/us/small-business/shop-small/promote?extlink=CH=ps-CU=us-BU=GABM-skw=B\\_NB\\_SBO\\_2018\\_Img+Ext\\_Core+SBS-B\\_NB\\_SBO\\_2018\\_Img+Ext\\_Core+SBS\\_Local\\_NB\\_E-p37681801972-TST=SBS2018\\_SBO-EEP\\_URL=g\\_psea&cpid=g\\_psea](https://www.americanexpress.com/us/small-business/shop-small/promote?extlink=CH=ps-CU=us-BU=GABM-skw=B_NB_SBO_2018_Img+Ext_Core+SBS-B_NB_SBO_2018_Img+Ext_Core+SBS_Local_NB_E-p37681801972-TST=SBS2018_SBO-EEP_URL=g_psea&cpid=g_psea)

**Teaching and Learning the Benefits of Supporting the**

**Local Economy:** The Financial Literacy section of Kid's Scoop includes a 'shop local' series and asks the younger generation to consider: What happens to the money you spend in stores? Why is it important to support small local businesses in your community? How do the community in turn benefit from those businesses?

<http://www.kidscoop.com/downloads/sales-tax/>

<http://www.kidscoop.com/downloads/category/financial-literacy/>

**Shopping Center Trends**

**Retail Rent / New Formula:** It's a rubric in which stores are integral to the supply chain; all at once, they function as: Sales and marketing showrooms with product displays and sales staff; Transaction hubs with registers and point-of-purchase opportunities; Mini-warehouses for inventory storage, shipping and receiving; and Logistics centers for product delivery and returns. These separate uses are now beginning to break apart. Inventory storage is becoming less and less essential at retail stores, an accelerating trend that began years ago as chains started moving inventory to warehouses located outside of expensive retail submarkets. For retailers, carrying less in-store inventory translates into reduced need for storage, shelf and floor space. Less "showroom inventory" allows shoppers to see a wider variety of merchandise within the same, easier-to-navigate store. <https://retailleader.com/new-formula-retail-rents>

**Plan for Storefront Vacancies:** Filling vacant spaces with new entrepreneurs on short-term deals then create events and encourage retailers to hold their own programs. While a New York scenario, readers are encouraged to read the article. (WSJ, October 31, 2018)

**SECTION 5: GROCERY, RESTAURANT AND RETAIL NEWS**

**Sources:** *The Shelby Report; Plain Vanilla Shell, California Employment Development Department - Period Covered: July 2018 to October 31, 2018*

**Black Friday / Thanksgiving Open and Closures**

<https://bestblackfriday.com/blog/stores-closed-on-thanksgiving-day-2018/>

**Albertsons/Rite Aid:** Planned merger between grocery and drug store chains was terminated due to shareholder concerns. Albertsons merged with Safeway in 2015 and now seeks a partner to go public.

**Batteries+Bulbs:** Will open 12 new stores in Southern California over the next 2 years including Santa Clarita, Palmdale, Lancaster, Burbank, and Glendale for a total of 54 California locations and 700 nationwide.

**Best Buy:** Closed in Long Beach (EDD WARN)

**Blue Apron:** Increased customer losses for meal kits due to competition.

**Bon Appetit:** Closed in San Francisco (EDD WARN)

**Costco:** Comparable sales growth for 4Q was 9.5%.

**Dollar General:** Opened 15,000<sup>th</sup> store.

**Dunkin':** New name for Dunkin' Donuts.

**Harbor Freight:** Low-priced high- quality tools; opening new locations, including in California.

**Joe & The Juice:** Opened new locations in Palo Alto; is the company's 50<sup>th</sup> location.

**Kmart:** Closed several California locations (EDD WARN)

**Lazy Acres Natural Market:** Part of Bristol Farms opens fifth location in Los Angeles County.

**Lululemon:** While E-commerce is an increasingly important, stores remain key to their success. Expect 40 new locations with 23 temporary seasonal stores.

**Loop Neighborhood:** All-in-one convenience opens in Silver Creek and Norco.

**Lowes:** Closing 51 stores, including California locations. Plans to close all 99 Orchard Supply Hardware stores by the end of the year to focus on its own line of home improvement warehouse stores.

**Mattress Firm:** Filed for Chapter 11 bankruptcy - will close up to 700 of its 3,230 company owned stores.

**Michael Kors:** Purchase of Versace expands its high-end brands after purchase of British shoe maker Jimmy Choo.

**Nike:** Leading sportswear rebound.

**Orchard Supply:** Closed several California locations (EDD WARN)

**PF Changs China Bistro:** Closed in El Segundo (EDD WARN)

**Planet Fitness:** Opened 44 new gyms in Q2 and a total of more than 200 since last year – now has 1,600 outlets and over 12.1 million members. Expansion mirrors overall gym sector growth.

**Raley's:** Promotes on-line shopping with video campaign.

**Savers:** Closed in Milpitas (EDD WARN)

**Starbucks:** Commitment to build 10,000 'greener stores' globally by 2025; enlisted Alibaba Group to help deliver in China; higher prices helped for the store delivery its strongest quarterly sales (3Q2018) gain in a year. See the October 27 *Wall Street Journal* article "Can Starbucks Perk Back Up" that discusses how the increase in coffee competition has left the company "in the middle."

**Sears:** Sears filed for bankruptcy; will shutter 142 stores toward the end of the year. Several closures in California (EDD WARN)

**Smart & Final:** 200<sup>th</sup> Extra store opens in Long Beach.

**Sprouts:** Opened in Vacaville.

**Stater Bros. Market:** Store planned for Ontario; reopens four renovated stores in Southern California.

**Target:** As a competitive jab at rivals Amazon and Walmart, Target announced free 2 day shipping this holiday season with no minimum purchase or membership requirements.; Closed in San Bernardino (EDD WARN)

**Tempur-Pedic:** Plans to open 40<sup>th</sup> store by the end of 2018; 60-80 stores by end of 2019.

**Under Armor:** Shed 400 jobs globally to combat weak sales.

**Urban Outfitters:** Continues to perform well with its fourth straight quarter of growth due to double digit online sales and increased retail store sales. The company recently opened 25 new outlets (11 Free People stores, 7 Urban Outfitter stores, 6 Anthropologie stores, and one restaurant).

**Walmart:** Plans new high-tech grocery store in Shafter, California and DC. Walmart is growing. With its e-commerce business soaring by 40% in recent quarters and its sales growing the fastest in 10 years, this signals strong growth.