



THE YEAR IN REVIEW AND THE YEAR TO COME

DECEMBER 2017



In 2017, most industries saw gains. While certain segments will continue to experience changes specific to their industry, robust underlying factors such as projected GDP growth, consumer confidence, and historically low unemployment will likely create a tide in 2018 that continues to lift most boats. As we transition from one year to the next, we'd like to take a moment to look back on industry trends and provide an outlook, segment by segment.



GROCERY

Traditional grocers have faced intense price wars and competition from alternative formats, straining profits, and leading to continued consolidation. Amazon's landmark acquisition of Whole Foods continues to be watched by many.

2018 OUTLOOK

- Consolidation likely to continue
- Food price stabilization/increase may create relief
- Increased retailer investment in e-commerce, home delivery, and click-and-collect services



WINE & SPIRITS

The wine industry faced challenges in 2017 due to California wildfires and extreme heat in Europe, but still accounts for 15% of the alcoholic beverage market.

Northern California wildfires ultimately affected only a handful of wineries.



▼ 14%
EUROPEAN HARVEST YIELD
2016-2017

2018 OUTLOOK

- Projected distilled spirits market growth
- Premiumization trend predicted to continue driving sales



RETAIL

The holiday season got off to a strong start during the Thanksgiving weekend, particularly online.



RECORD-BREAKING: \$7.9 BILLION
THANKSGIVING AND BLACK FRIDAY
ONLINE SALES

▲17.9% from 2016

Source: Adobe Analytics



LARGEST ONLINE SHOPPING DAY
IN U.S. HISTORY: CYBER MONDAY
\$6.6 BILLION

▲16.8% from 2016

2018 OUTLOOK

- Retail sales on track to increase **3.5% to 4.5%** during total holiday period (Source: NRF and Deloitte)
- Given numerous bankruptcies, liquidations, and store closures, market share will be available for remaining retail players to battle over with Amazon



BUILDING MATERIALS

As expected, the Trump Administration's hard-nosed stance on international trade has kept lumber prices buoyant throughout 2017.



▲ 40%
RANDOM LENGTHS' COMPOSITE
FRAMING LUMBER INDEX
NOVEMBER 2016-NOVEMBER 2017
Impacted heavily by Canadian duties

2018 OUTLOOK

Prices expected to remain elevated



OIL & GAS

U.S. oil and gas investments and production remained strong throughout 2017.



\$45-\$60 PER BARREL
MONTHLY OIL PRICE RANGE
Supports the expansion of
land-based operations



\$2.82-\$3.27 PER MILLION BTU
MONTHLY NATURAL GAS PRICE RANGE

2018 OUTLOOK

- Extension of OPEC production cuts should bolster market
- U.S. shale production likely to remain strong, which could partially offset effects of OPEC cuts



METALS

While aluminum and copper prices climbed last autumn into early this year, experts were surprised by the continued price surge in 2017.



3-YEAR HIGH
ALUMINUM AND COPPER PRICES
OCTOBER 2017

2018 OUTLOOK

Pricing anticipated to level off, as planned Chinese smelter shutdowns have already impacted aluminum pricing and copper supplies are slated to enter a surplus



FOOD

Beef, veal, and poultry saw slightly lower prices, in part due to the deflation of 2016 and early 2017.



▼ 0.75%–1.75%
BEEF AND VEAL PRICES
2017



▼ 0.75%
POULTRY PRICES
2017



▲ MODERATE
DAIRY PRICES
2017

2018 OUTLOOK

- Retail food prices could increase between **1.0% and 2.0%**
- Severe weather or other unforeseen events could bolster food prices beyond current forecasts (Source: USDA)
- Beef and veal prices: ▲ **1.5%–2.5%**
- Poultry prices: ▲ **1.25%**
- Dairy prices: ▲ **1.5%–2.5%**



TRANSPORTATION

Sales of new class 8 tractors increased in Q3 2017, after experiencing 19 months of year-over-year declines, while the secondary marketplace yielded mixed results.



▲ 9%
NEW CLASS 8 TRACTORS SALES
MONTH-OVER-MONTH, NOVEMBER 2017
Roughly a 28% year-over-year increase



▲ 5%
AVERAGE USED CLASS 8 TRACTOR PRICE
SINCE DECEMBER 2016
Still 3% below 2016 levels

2018 OUTLOOK

- Sales of new class 8 tractors should continue to improve
- Secondary marketplace prices likely to remain flat



AUTOMOTIVE

Despite sales incentives and an improving economy, sales have been in decline due to a slowdown in new vehicle demand.



9-YEAR HIGH
PERCENTAGE OF INCENTIVES
Amounting to about 11.9% of sale
transaction value in September



▼ **ANNUAL VEHICLE SALES RATE**
17.1 MILLION UNITS TOTAL
PROJECTED FOR YEAR-END
Seasonally adjusted, 2017

2018 OUTLOOK

Downward sales trend set to continue as increasing age of vehicles erodes residual values for leasing and drives sales away from new car market

IN-DEPTH ANALYSIS FOR CHANGING TIMES

At Great American, our industry experts are constantly studying the market to provide you with the most updated analysis and insight. Stay in the know—visit greatamerican.com/rightonthemoney to view new infographics or subscribe to them on a monthly basis.

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