

# CITY OF MANHATTAN BEACH

## SALES TAX UPDATE

### 4Q 2023 (OCTOBER - DECEMBER)



#### MANHATTAN BEACH

TOTAL: \$ 2,974,830

-2.2%

4Q2023



-2.6%

COUNTY



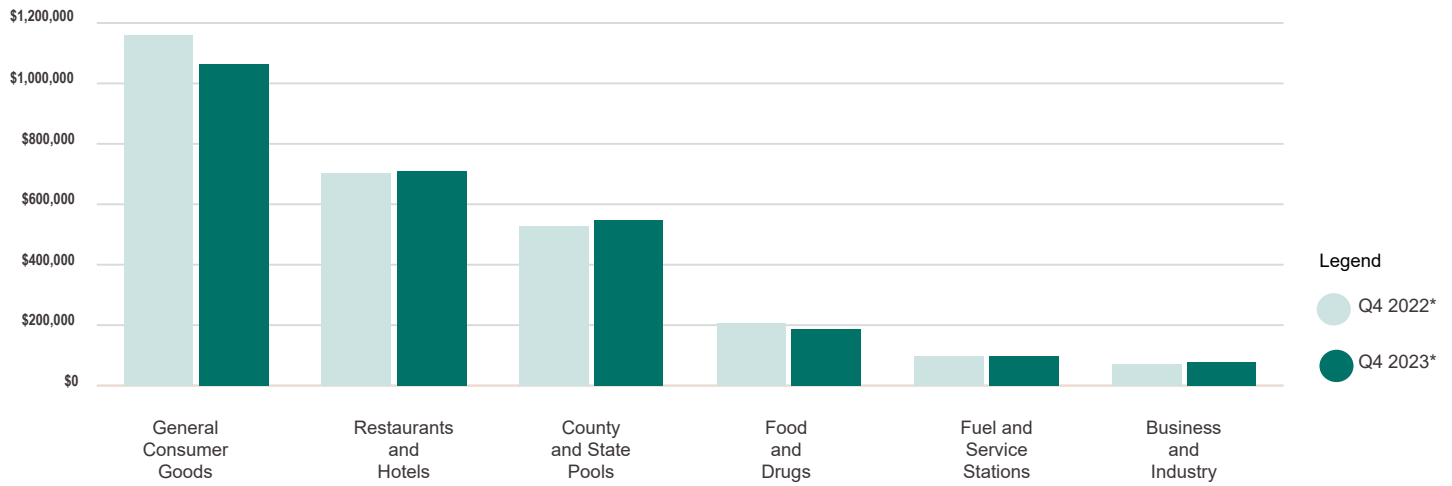
-2.5%

STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

#### SALES TAX BY MAJOR BUSINESS GROUP



#### CITY OF MANHATTAN BEACH HIGHLIGHTS

Manhattan Beach's receipts from October through December were 2.2% below the fourth sales period in 2022. Excluding reporting aberrations, actual sales were down 2.2%.

Many of the same economic conditions remain in play as the new year has unfolded, which include gauging when the Fed will begin to pull back on interest rates in 2024, unemployment trends, and inflation results. Statewide results in the fourth quarter of 2023 validated that customers held back on purchasing items that are more expensive and focused more on basic needs and household essentials.

The City experienced the biggest hit in its largest sector, general consumer goods. Direct local tax allocations contracted in nearly all business types, which reinforced the expected tightening of family budgets. As a result, core retail

categories fell short of our forecast for the 2023 holiday quarter, and we have lowered near-term expectations for the current fiscal year 2023-2024 with mild growth in FY 2024-2025.

Rising menu prices are now hitting the tipping point where diners are opting to eat out less often; as a result, fast casual dining was down. Other negative results came from convenience and grocery stores.

Receipts from family apparel, casual dining, business services, service stations, plus the state and county pools increased which combined to offset the overall quarterly loss.

Net of aberrations, taxable sales for all of Los Angeles County declined 2.6% over the comparable time period; the Southern California region was down 2.0%.



#### TOP 25 PRODUCERS

- Apple
- Barnes & Noble
- Chevron
- CVS Pharmacy
- Joey Manhattan Beach
- Kettle
- Macy's
- Manhattan Beach
- Toyota Scion
- Marriott Manhattan Beach Hotel
- Nick's Manhattan Beach
- Old Navy
- Ralphs Fresh Fare
- REI
- Sephora
- Skechers by Mail
- Strand House Standbar
- Sushi Roku
- Target
- The Arthur J
- Tin Roof Bistro
- Toyota Lease Trust
- Trader Joe's
- Vuori
- Williams Sonoma
- Wrights



## STATEWIDE RESULTS

California’s local one cent sales and use tax receipts during the months of October through December were 2.5% lower than the same quarter one year ago after adjusting for accounting anomalies. The fourth quarter is notably the highest sales tax generating quarter of the year and exhibited diminished year-over-year returns as consumers balanced higher prices and financing costs with essential household needs.

Higher interest rates impacted the auto-transportation sector, especially luxury vehicles, as the group dropped 6.2%. Inventories for many dealers returned, creating downward pressure on prices, further constraining receipts. Lenders have tightened credit standards, making loan financing challenging. Improved leasing activity was the lone bright spot. With slow movement expected by the Federal Treasury setting interest rate policy, future revenue growth may stagnate.

Fuel and service stations contributed a similar downturn, as lower fuel prices reduced receipts from gas stations and petroleum providers. While this has been the trend throughout 2023, recently global crude oil prices have been on the rise and should see growth in the coming year. This decline also impacted the general consumer goods category as those retailers selling fuel experienced a similar drop.

During this holiday shopping period, general consumer goods experienced lackluster sales as results pulled back 3.4%. Most sectors saw reductions with home furnishings, women’s apparel, shoe and electronic-appliance stores being the most significant. Returns also marked the fourth consecutive quarter showing comparable declines. Similar to the anticipated trend of new vehicles, consumer spending may be sluggish in the near term.

Even though revenue from most major

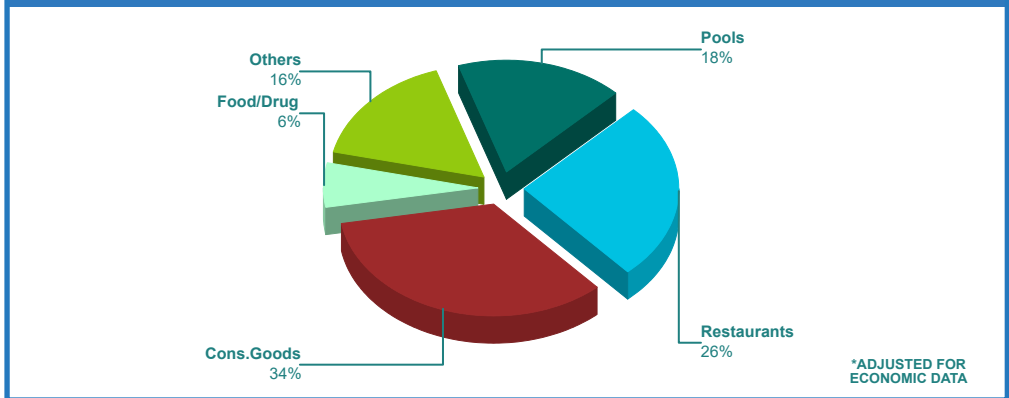
sectors slowed, restaurant sales remained steady with a modest gain of 1.0%. Results from casual dining establishments grew during the early winter period as patrons enjoyed indoor dining. However, following the greater trend of consumers looking for value, fine dining eateries experienced lower receipts. The industry is still bracing for implementation of AB 1228, a new law increasing minimum wages for ‘fast food restaurants’, on April 1, 2024.

Use taxes remitted via the countywide pools grew 1.0%, marking the first positive rebound after four consecutive quarters of decline. While overall online sales volume is steady, pool collections contracted with more taxes allocated directly to local agencies via in-state fulfillment and through

existing retail outlets.

Statewide, calendar year 2023 ended with a 2.3% decline from 2022. Elevated inflation and interest rates led to higher cost of goods resulting in consumers not spending as much as they had prior. Following multiple years of post-pandemic tax growth assisted by federal tax policy and temporary workplace accommodations, consumers reassessed their economic conditions and limited purchases. As the Federal Reserve considers delaying softening rates, consumer spending could likely stagnate delaying a return to the normal historical growth trend in 2024.

### REVENUE BY BUSINESS GROUP Manhattan Beach This Calendar Year\*



### TOP NON-CONFIDENTIAL BUSINESS TYPES

Manhattan Beach Business Type	Q4 '23*	Change	County Change	HdL State Change
Casual Dining	436.2	2.4% ↑	2.5% ↑	1.8% ↑
Family Apparel	148.1	6.9% ↑	-2.0% ↓	-0.4% ↓
Fine Dining	128.4	-0.3% ↓	-5.2% ↓	-4.7% ↓
Grocery Stores	107.2	-4.1% ↓	-2.5% ↓	-4.6% ↓
Specialty Stores	101.6	4.8% ↑	-2.0% ↓	-2.2% ↓
Service Stations	88.8	1.6% ↑	-6.4% ↓	-4.9% ↓
Home Furnishings	54.9	-6.1% ↓	-7.3% ↓	-10.1% ↓
Quick-Service Restaurants	54.8	7.5% ↑	-0.4% ↓	0.4% ↑
Hotels/Motels	39.8	-3.7% ↓	-0.9% ↓	0.9% ↑
Fast-Casual Restaurants	38.6	-15.6% ↓	0.0% ↓	1.6% ↑

\*Allocation aberrations have been adjusted to reflect sales activity      \*In thousands of dollars