Industry Top Trends 2017
Retail and Restaurants

Overview

- **Ratings Outlook:** Rating trends across retail and restaurants are negative, even though the majority of outlooks remain stable. Shifting consumer preferences and patches of global economic and policy uncertainty are contributing factors to the increasingly negative outlook bias.

- **Forecasts:** Overall, we expect mixed revenue growth—some companies or subsectors will experience revenue declines (negative same-store sales or store closings) while others will have revenue growth (favorable sector dynamics). Slow economic growth in the West will also constrain revenue growth for some.

- **Assumptions:** We assume slow, but continued global GDP growth, some wage growth in developed markets (good for consumer spending, also possible pressure on margins) and continued significant investment in e-commerce by most retailers.

- **Risks:** Consumers become even more cautious and hardwired to seek discounts. Companies strive hard to adapt to shifting consumer preferences with limited success while wage growth compresses margins. Trade, tariff or tax regimes develop in several nations that disrupt existing retail supply chain economics or raise costs and pressure margins. Higher-rated issuers shift capital allocation more aggressively towards shareholders.

- **Industry Trends:** Dynamics that are triggering strategic shifts include large investments in online commerce and delivery logistics, successful retailers (not rated) with world-class supply chains, demographic trends rooted in the millennial generation, and subpar economic growth in many markets.

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Ratings trends and outlook

Global Retail and Restaurants

The majority of our ratings are speculative-grade and we do not expect much upward rating migration in categories with stronger investment-grade ratings given continued investment, M&A, slow growth, and financial policy shifts in light of real and potential activists.

The dominance of speculative-grade ratings is consistent across regions. The ‘B’ category dominates the rating scale.

Most rating outlooks are stable, but the majority of the non-stable outlooks are negative and we expect this to continue. The shift toward negative outlooks continued over the past year.

In all regions, negative outlooks outweigh positives. This is a shift from last year and reflects local economic challenges and company specific execution, given the local nature of retail.

The sector has had a negative bias over the past few years, but the trend has accelerated in the past several quarters, reflecting strategic and financial policy choices and underperformance in a challenging environment.

The negative outlook bias has been consistent in North America and Latin America, but has moderated some in APAC and Western Europe.

Source: S&P Global Ratings. Ratings data measured quarterly with last shown quarter ending December 31, 2016
U.S. and Canada: We expect somewhat better economic growth in the U.S. in 2017, but without much positive impact on the credit quality of the retail companies we rate. In 2016 (as in 2015), there were many more downgrades than upgrades. By the end of the year 27% of non-stable outlooks were negative versus just 3% positive. The performance of issuers in the department store and specialty apparel are the most challenged, along with some restaurant concepts. Discounters continue to do well. Following what was a weak holiday season for many rated retailers, we assume 2017 will continue to challenge companies’ ability to meet shifting consumer preferences for value and growing preference for shopping online.

One of the key risks for Canadian retailers is a severe housing correction in Ontario and British Columbia that would likely erode consumer confidence and curtail discretionary spending in these key markets. We believe such a scenario would weigh on same-store sales (sales at stores open a year or more) and profitability.

EMEA: Despite lackluster macroeconomic conditions, European (and particularly U.K.) retailers benefited from resilient operating performance in 2016, ending with robust holiday trading with a notable exception of some apparel segments. The very few upgrades in the retail sector mainly came from restaurants, which reflected consumers’ preference for spending more on leisure and eating out than shopping. Downgrades were essentially triggered by poor trading conditions in some geography where companies struggled to catch up with changing consumer behaviors.

Grocers in the U.K. and across the continent continued to face tough competitive landscape with demanding consumers and ongoing pressure from discounters with their beneficial cost structures. Among the rated retailers in Europe, the apparel sub-segment was in a notably tougher spot as weather became increasingly unpredictable, diminishing their ability to sell seasonal goods at full prices.

While there are more stable outlooks in our rated portfolio, our outlook for the sector overall for 2017 remains stable to negative as we expect 2017 to present a challenging economic environment that we think will lead to pressure on top line growth for retailers as consumers will likely face inflation across the product categories without real wage growth. We expect retailers’ EBITDA margins will be squeezed and headroom within the ratings will subsequently be pressured. Increasing pension deficits would also be a governing theme especially for U.K.-based retailers with material defined benefit plans.

Latin America: Our outlook for Latin America is stable to negative. In Brazil, after two years of poor macroeconomic conditions that pressured retailers’ top line and margins, we expect some improvement, with lower inflation and interest rate declines probably leading to increasing consumption, although still confronted with high unemployment rates. Negative outlooks on Brazilian retailers mainly reflect potential downgrades if companies are not able to recover profitability and cash flow generation.

Mexico, on the other hand, faces a changing environment that will bring the industry’s high-single-digit growth in 2015 and 2016 down to the low-single-digit area. Key factors that will curtail consumption patterns relate to the increase in interest rates and inflationary pressures, coupled with sluggish economic growth. On top of this, the risk of a reduction in remittances from the U.S. would undermine household income, leading to more conservative consumer spending habits. We consider that these conditions pose heightened downside risks on the financial risk profile of most Mexican retailers.

APAC: Overall, we expect a negative bias to continue. In particular, we’ve observed the creditworthiness of Chinese department stores under intense strain. This is because of not just China’s economic slowdown but also to the aggressive stance of department store operators regarding capital investment and acquisitions. We also expect negative rating trends to continue in Australia and Japan, but mainly because of company-specific issues like merchandizing, store operations, and aggressive appetites for expansion amid heightened competition. For auto retailers, too, rating trends vary among countries. While slowing somewhat, good growth prospects for auto sales in every developing country in Asia-Pacific support underlying rating outlooks, but aggressive attitudes to expansion offset the trend for some issuers.
Industry forecasts

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Chart 7 – Revenue growth (local currency)

We expect slow revenue growth for the sector overall. In North America, we anticipate slower revenue growth but at rates a bit above GDP. In Western Europe, revenue growth will be moderately positive. In APAC, we expect more stable revenue growth. In Latin America, growth partly reflects recovering economies.

Chart 8 – EBITDA margin (adjusted)

We anticipate margins will remain fairly flat for the industry overall and that is also the case by region. While not large movements, we think Western Europe margins may improve somewhat as well as in LatAm.

Chart 9 – Debt / EBITDA (adjusted)

We think the sector will deleverage slightly over the next two years, with continuing lower leverage trends in all regions. It is unlikely that aggregate deleveraging will be sufficient to trigger widespread upgrades. We think some growth in EBITDA, rather than significant reduction in debt will account for most of the deleveraging. Any lower leverage in the speculative-grade segment would signal potential dividend recapitalizations or sale on sponsor-owned retailers.

Chart 10 – FFO / debt (adjusted)

We assume aggregate cash flow to debt as measured by FFO/debt will have bottomed out in 2016 but we do not expect any large improvements; the exception being LatAm, mainly due to expected deleveraging. Lower interest rates in Brazil will also driving higher FFO.

Source: S&P Global Ratings. Revenue growth shows local currency growth weighted by prior-year common-currency revenue-share. All other figures are converted into U.S. Dollars using historic exchange rates. Forecasts are converted at the last financial year-end spot rate.

U.S. and Canada industry forecast

In the U.S., we expect many companies to report flat or declining same-store sales and a significant amount of store closure announcements. This will lead to flat or decreased revenue for sectors such as department stores and specialty apparel. Other segments will show revenue growth and net store openings. We think wage growth is finally accelerating, and not just because of rising state or local minimum wage requirements. This could pressure margins in some segments, such as restaurants. So far, low unemployment has not been not big catalyst for small-ticket retail spending.
In Canada, we think consumers’ focus on price coupled with lower input costs should result in more competitive pricing as consumers continue to gravitate toward discount banners in the food segment. This makes store format mix and execution on merchandising and cost management more important. Of the three largest food retailers in Canada, we believe Loblaw Cos. Ltd. is in the best position to benefit from consumers’ preference for discount prices given our view that more than 50% of its grocery stores feature discount formats versus about 35% for Metro Inc. and 10% for Sobeys Inc.

**European industry forecast**

In 2017, we expect U.K. retailers will begin to feel the impact of the Brexit decision with pressure on both top line and EBITDA margins expected. This is particularly the case as inflation begins to creep upward as a result of sterling depreciation and higher commodity prices. Although some pickup in inflation is positive for retailers, they will face a tough choice of how much of the price increases they should pass on to customers. We anticipate intense market competition, return of inflationary environment resulting in pricing pressure across the retail sectors with price wars expected amongst the U.K. grocers.

Now that price wars have subsided in French grocery markets, the focus is more on price promotions as discounters present tough competition. Further, geopolitical risks will be a theme in continental Europe with upcoming French and German elections. We expect retailers playing catch up with their online penetration strategies.

Across Europe, we expect sales at grocers will to continue to grow between 2% and 3% while sales for apparel will be muted and fall between -3% and +3%, led by new store openings and e-commerce expansion. We expect margins to remain in the 17% to 25% range for apparel in 2017 and grocers to remain between 5% and 10% depending on the geography.

**Latin America industry forecast**

We forecast mixed trends in Latin America: On one hand, we expect low-single-digit same-store sales growth for Mexican retailers, during 2017. Such expectation captures our views that consumer spending in Mexico will suffer over the next few months amid higher inflation and interest rate. In fact, we believe that the steep decline in consumer confidence during January 2017 to record lows may already signal short-term consumer concerns.

On the other hand, in Brazil and Chile we expect a recovery in same-store sales (after weak levels in 2016), which combined with an increase in opening of new stores by the large players we rate, should drive revenues growth of around 7.5% on average, compared to about 5% in 2016. The Brazilian retail industry showed significant price competition and several promotional activities last year as companies tried to control inventories and/or gain market share; we expect this to moderate during 2017 although still present.

**APAC industry forecast**

Although we expect somewhat weaker same-store sales growth in APAC in 2017, this varies across APAC countries. Still, ongoing urbanization and higher wages in areas including China and Indonesia will support growth in total retail sales of about the mid- to high-single digits. In China, despite slowing economic growth, we expect total retail sales to increase slightly more than 10% in 2017, supported by government efforts to shift the country to a consumption-led economy from an investment-led one.

While online retail has made deep inroads in some product categories such as retail consumer electronics, we believe most consumers in China still enjoy shopping at physical stores. In developed, matured countries such as Japan and Australia, we estimate total retail sales growth will be in the lower single digits and retailers will need to cope with intense competition, an oversupply of stores, and industrywide consolidation. In the matured Japanese market, we believe the cost reduction is the key for maintaining profitability. We expect somewhat slower, but still high, capital expenditures and strong appetites for acquisitions in many countries to counter heightened competition and enhance their market positions against rivals.
### Key assumptions

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<tr>
<th>Assumption</th>
<th>Description</th>
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<tr>
<td>1</td>
<td>Slow global GDP growth&lt;br&gt;Slow GDP growth will be the norm in most Western countries. For others (China for example) growth will moderate but remain above other regions.</td>
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<td>2</td>
<td>Interest rates will rise in certain markets&lt;br&gt;Increased rates in the U.S. in 2017 will likely be the most notable “scheduled” increase. Rising rates in other regions remain subject to more sustained economic recovery.</td>
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<td>3</td>
<td>A more inflationary environment&lt;br&gt;We now see an increased likelihood of rising wages and energy prices as headwinds for retail, even if higher wages could help consumer spending. We see a possibility for food deflation to reverse course later in 2017.</td>
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**Slow global GDP growth will be the norm for now**

We think U.S. GDP will grow less than 2.5% in 2017, with consumer spending growing at about the same rate. Our economists did not consider campaign promises in our baseline forecast. They plan to consider policy changes into the baseline forecast once the administration’s proposals become clearer, and have a better understanding of congressional approval. We expect the unemployment rate to dip to around 4.6% and wage gains to reach 3.6% year over year by year-end 2017. After the Brexit vote, it is likely that the U.K. government will trigger Article 50 in March 2017; and as a consequence of the uncertainty S&P Global Ratings’ base-case growth forecast for the U.K. and Eurozone has been lowered by 0.7% in 2017 to 1.4% and 0.9% to 1.3% in 2018. The Eurozone forecast has been lowered as Europe braces for the forthcoming French and German elections. Despite slowing European economy, we don’t expect the U.K. or Europe to dip into a recession as fundamental credit conditions remain robust. The credit quality of European corporate retail and restaurant entities had been facilitated in the past due to low interest rate environments, resilient consumer confidence despite the Brexit vote and accordingly, we have seen these companies maintain their capital expenditures to date. However, we expect slow GDP growth for 2017 as retailers gradually adjust to new evolving era of uncertain 2017.

We expect GDP growth will recover in 2017 for Latin America as a whole, reaching 1.7% on average, after a likely contraction of around 0.5% in 2016. In Brazil, after two years of recession, we believe GDP growth and better macroeconomic environment might support gradual improvements in consumer confidence and drive stronger same-store sales and top line growth for retailers. In Mexico, we expect GDP growth at 1.8% for 2017, which will very likely slow same-store sales growth to the low-single digit area in 2017. We expect a higher impact on department and specialty stores than in supermarkets or pharmacies that sell less discretionary goods.

In APAC, our baseline scenario GDP forecast in 2017 is around mid-5% level for 2017. We saw a reasonably firm pick up in APAC’s macroeconomic momentum indicators. Retail sales offer the clearest sign of pick up and are currently trending upward in most of the region’s economies. Nonetheless, in the some retail formats, such as department stores in China and Japan, intense competition among them and with online retailers constrains the growth.

**Gradually rising interest rates presents a risk for consumer spending**

In the U.S., we think the forecast economic growth of 2.4% in 2017 and 2.3% in 2018 (assuming current fiscal policies), near full employment, and the strength of the medium-term economic path likely justify two to three more rate increases (of 25 bps each) in 2017. While rising rates have the potential to slow spending, rising wages and solid consumer confidence (some of the highest levels since 2001) could support consumer spending. We think consumers’ focus on other ways to spend (autos, technology health care) is as much a driver of retail spending as the impact of rising rates. A potential rise in interest rates in the U.K. could restrain consumer spending given still-high levels of household debt. However, we don’t expect an interest rate hike in the near term as we believe Europe
has other pressures in the face of commodity inflation, FX risks due to sterling depreciation, and overall subdued consumer confidence. Although still very high, an expected decrease of interest rates in Brazil during 2017 should also promote a gradual increase in consumer spending. Additionally, lower interest rates will reduce interest burden and improve interest coverage metrics as issuers carry mostly floating-rate debt. This might reduce downward pressure on ratings for some issuers if accompanied by stronger cash flow generation. In contrast, the Mexican central bank increased its policy rate by 250 bps in 2016, with more hikes expected in 2017. We believe higher interest rates could affect retailers, taking an important share of revenues generated through their credit divisions. Moreover, those retailers with exposure to variable rate debt may see an increase in financing costs and weaker coverage metrics.

For APAC, we see elevated risk for higher interest costs, volatile foreign exchange rates, and refinancing challenges. We do not expect the higher interest rate to constrain consumer confidence significantly in emerging markets in APAC, thanks to the strong appetite for consumption. Nonetheless, the higher interest rate would hit retailers in developed countries with weaker credit metrics. EBITDA interest coverage ratio of retailers in these countries is already quite low, and there is less room to absorb the impact of rising interest rates. In addition, Chinese retailers may face challenges with refinancing, but we believe the risk is largely mitigated by satisfactory access and liquidity in the domestic capital markets, as we saw in 2016.

**Inflationary environment**

In the U.S., our economists expect stronger demand and reduced excess supply to boost wages and consumer prices next year, which is good for retail, with core Personal Consumption Expenditure (PCE) likely to reach the Fed’s target of 2.0% at some point in 2017. We see headline PCE peaking at 2.5% in the third quarter, before low oil prices drop out of the calculation and the dollar’s strength diminishes—though inflationary pressures above 2% will probably prove temporary, in our view. Food deflation has been a headwind for grocers, but we anticipate that will subside later this year. If new trade policies create upward price pressure in the supply chain, this could hurt margins if companies cannot pass them to through to consumers.

Canadian consumers have become more price-sensitive given the combination of higher inflation (for food, in particular) over the past couple of years (due in part to the strong U.S. dollar), along with near-record-high levels of household debt to income and lacklustre employment data. We believe this may pressure Canadian retailers, particularly as food price inflation recedes. Although retailers more dependent on discretionary spending—such as apparel, home improvement, and general merchandise—will feel the greatest pain, even the cyclically resilient supermarkets could see slower and somewhat uneven earnings growth. Retailers operating in Western and Atlantic Canada are already feeling the heat, but demand is holding up relatively well in other markets such as Ontario and British Columbia.

U.K.-based retailers and restaurants also have to contend with increases in labor costs, in line with new regulation on national living wages. Although we expect many companies to readdress and redesign their benefits packages to offset somewhat the full impact of the wage bill increase from the new regulations, this will still have a negative impact overall on EBITDA margins. Even though commodity prices are currently quite low with price deflation in the U.K., we expect return of inflation. S&P Global Ratings forecasts that inflation in the U.K. will reach to about 3% in 2017. Sterling depreciation against the euro and USD without real wage growth could become even more disconcerting for end consumers that would be concerned about prices when commodity and oil prices increase. In such an environment, U.K. retailers could find it hard to pass increasing costs to consumers due to commodity inflation, weaker sterling, and higher labor costs.

We expect increasing inflationary pressures in Mexico during 2017 because of the continuous depreciation of the Mexican peso over the past two years. We believe most retailers will pass-through cost increases to end consumers, especially on imported products, which would help protect margins. However, passing on the costs would also have a negative impact on sales volume and potentially top line growth. High consumer price inflation has been pressuring Brazilian retailers’ labor costs over the past two years, which made several issuers review and adjust its SG&A structure.
For 2017, expected lower inflation will alleviate wage pressures and allow companies to improve profitability compared to recent levels.

Key risks and opportunities

**Retail and Restaurants**

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| 1 | **Adapting to shifts in consumer preferences is critical**  
Consumers in most regions continue to look for value (despite almost a decade having passed since the financial crisis). Meanwhile, millennials' buying habits (including brand choices) are affecting retail in new and complex ways that retailers are trying to address. Technology has driven a high degree of price transparency to which many traditional retailers are struggling to adapt. |
| 2 | **E-commerce expansion will continue to affect most retail segments**  
E-commerce is disrupting almost all segments of retail to greater or lesser degrees with no end in sight. However, it’s not all downside for those retailers that can manage their physical footprint while building successful online capabilities. We think signs of winners and losers are emerging now, although the upheaval of the retail landscape will continue. |
| 3 | **Geopolitical shifts**  
Global growth prospects will compete with evolving geopolitical trade impacts on companies, consumers, supply chain, trade relationships, and economic policies following recent election outcomes. |

**Shifting consumer preferences and competition for share of wallet will confound the best efforts of many retailers.**

We believe there have been steady and persistent shifts in consumer spending patterns. Consumers have become increasingly sensitive to prices and tend to seek out the best bargains. We believe this trend took root during the financial crisis and the ensuing economic slowdown, but has since become entrenched in consumers’ habits. At the same time, in the U.S. the millennial generation is now the most populous generation and their retail behavior is the largest population cohort. Rampant growth in online sales has created more price transparency and has made comparisons easy for a range of products. We don’t yet think improved consumer confidence and spending and some growth in disposable income will offset these challenges in 2017 for rated companies.

Increasing price sensitivity has also spurred the growing acceptance of discount stores which continue to open large numbers of new stores, in sharp contrast to most traditional retailers. We believe these trends will intensify and as a result, retailers will seek to differentiate themselves further by creating focused brands that communicate price, value, and quality more clearly.

**In Europe,** millennials are now dictating the ways in which businesses engage with the end consumer, which we think will continue going forward. With shorter attention spans, shifting focus, changing technologies and upcoming apps, retailers that are adapting to consumer behaviors are clearly commanding better market shares and emerging as stronger players. To be a winner, retailers have to replenish the shelves and aisles with greater agility and care to defend their market shares. This could mean increasing the number of items that are “free from” certain ingredients, expanding their “world foods” aisles, or focusing on organic products to cater to changing preferences.

**The Latin American** retail market remains more fragmented compared to the more mature markets in the U.S. and Europe. In Chile, Peru, Mexico, and Brazil more than 60% of the market corresponds to mom & pops and/or the informal market.

**In Japan,** middle-class consumers will remain very selective about prices and quality of daily necessities. In addition, consumers are already satisfied with goods, and have been shifting their preference to enjoy services and leisure even in the physical stores. To cope with this, retailers have scraped and rebuilt old retail formats into to shopping centers with entertainment offerings. Thus we believe retailers’ business performance in 2017 is unlikely to worsen substantially from 2016.
E-commerce will continue to expand for most retail sectors; winners and losers will begin to emerge

E-commerce evolution means that previously successful retailers may not remain so. At a minimum, their growth rates will slow down if they do not execute e-commerce strategies well. We are seeing the pace of store closures increase in the over-saturated U.S. retail sector, but that alone will not be a sufficient condition for future success. Internet sales currently account for less than 10% of total U.S. retail sales yet they continue to have a disproportionately large impact on the traditional retail sector. Most traditional retailers are spending significant sums to increase their technological capabilities and shift their go-to-market strategies, such as reevaluating physical footprints. It’s not easy to reformat parts of the business model including supply chain and distribution networks, while enhancing customers’ store experiences. At the same time, pure online operators are building a physical presence—if not rapidly, then with significant fanfare. These companies’ objectives include faster delivery (an evolving strategy for all retailers) and giving customers the traditional touch and feel of the product.

In the U.K., and across Europe, adapting to changing consumer behavior comes with increasing focus on digital spend. We see increasing focus of large retailers to have a clear distinct strategy on digital marketing. The U.K. together with Germany and France generated about 40% of Europe’s online retail sales in 2016. The U.K. has the highest penetration of online sales at about 17% of the total sales. We believe multi-channel retail can lend support to topline sales of a company as integrated e-commerce can support physical stores and top line growth.

Retailers in continental Europe and in the U.K. are increasingly focusing on the hybrid format ‘click and collect’. Hybrid format drives the customers into stores which may result in increasing basket size. Gaining volumes to defend market shares is the theme for 2017 in Europe. Historically, e-commerce, with its easy price comparisons, was credited with putting pressure on prices in the European retail sector. However, as traditional retailers adapt, there is evidence that e-commerce can even support retailers’ operating performance if well executed.

In Latin America, e-commerce is still very small compared to overall retail revenues, in part due to the still-low penetration of the Internet in households. Online sales represent less than 5% of total sales for most of the retailers that we rate, and we expect that in the near future retailers would not see significant profits generated through this channel. Nevertheless, we expect large retailers to continue investing important amounts in technology and integration to have relevant growth from online sales, as we’ve been seeing over the past few years.

We think that strategies to capture soaring demand for online retailing are an urgent priority for physical retailers in APAC. In our base-case, we expect online retail sales will continue to grow about 20% a year in the next one to two years, significantly outstripping total retail sales growth. In particular, our base-case forecast of mid-30% year-on-year growth in online retail in China is much higher than the global average. However, we think many offline businesses will be unable to capitalize on the shift in consumer preference to online shopping and will miss opportunities that allow pure online retailers to further penetrate the market. Accordingly, we don’t expect online retail’s strides to drive strong growth for many retailers in the region in the coming years. Furthermore, growth and further acceptance of online retail will relentlessly undermine the profitability of offline stores, because the top reason consumers shop online is to find the best prices, and this is causing price erosion of products and services.

Geopolitical shifts

Recent unexpected election outcomes have raised the scenario count on trade flows, tariffs, and taxes that could impact the global retail sector such as margins and supply chain. We are watching any direct and indirect impact of protectionist initiatives to retail sales, perhaps through deterioration of consumer confidence in the export-driven markets, like China, Japan, and probably Mexico.

We think many rated retailers need to up their supply chain game but it could prove difficult to make long term plans in 2017. Supply chain effectiveness has always been a key to success in retail, but the stakes are even higher now with the consumer so focused on value and e-commerce. The
discounters have benefitted from consumers’ greater sensitivity to price and/or private labels and the sector has expanded rapidly, hurting traditional apparel retailers.

With the possibility of Britain invoking article 50 as early as March 2017, we expect new trading relationships to emerge—especially for the U.K. which imports about one third of its food from Europe. Similarly, elections in Germany and France could mean new rules on trading not just for the U.K. but also for the U.S. and rest of the world. In 2017, we expect retailers to work more aggressively toward cost optimization and supply chain effectiveness to maintain market shares and resist price increases that could hurt top line. We believe discounters have more headroom because of lean structures and their focus on efficiencies, and therefore we expect to see blurring lines between discounters and super markets going forward. Grocers are increasingly pushing their private-label brands to compete with discounters on every front where possible.
Cash, debt, and returns

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Chart 11 – Cash and equivalents / total assets

![Chart 11](chart11)

Chart 12 – Total debt / total assets

![Chart 12](chart12)

Chart 13 – Fixed versus variable rate exposure

![Chart 13](chart13)

Chart 14 – Long term debt term structure

![Chart 14](chart14)

Chart 15 – Cash flow and primary uses

![Chart 15](chart15)

Chart 16 – Return on capital employed

![Chart 16](chart16)

Source: S&P Global Market Intelligence, S&P Global Ratings calculations