

Home Work

Chore charts, December '23 – appliance pricing still under pressure

Industry Overview

Promotions and inventory levels remain up YoY

Our alternative data for the US appliance market in December showed continued YoY declines in pricing, and higher retail promotions and inventory levels, consistent with the last several months. While appliance volumes in the US have increased YoY in recent months, this may have been driven by lower prices. New home construction could be one positive contributing factor to overall appliance volumes, but the new housing channel is a much smaller percentage of overall appliance demand than replacement & discretionary purchases.

Appliance pricing still shows softness

Ahead of the December CPI data for major appliances, which is scheduled to be released by the Bureau of Labor Statistics on January 11th at 8:30am ET, our data shows continued YoY price pressure. Thinknum's basket of major appliances listed on bestbuy.com showed an average YoY price decrease of (5)% in December '23, the same as (5)% YoY in November '23.

Increase in refrigerator imports continues

Data from Panjiva shows that appliance import volumes increased about 2% MoM in December and were about 40% above year-ago levels. Refrigerator imports are rising quickly from year-ago depressed levels, fueling the broader increase in import volumes, but dish washers fell by 3% from year-ago level.

Inventory rebuilds steadily but still below pre-pandemic

We also track SKU (stock keeping unit) counts as a proxy for overall appliance inventory levels. We continue to observe a gradual rebuilding of inventories from the lows of late 2021/early 2022, but overall SKU counts still remain just below pre-pandemic levels. At their lowest point, SKU counts at bestbuy.com were 16% below early-2020 levels, and currently SKU counts stand at about 7% below early-2020 levels as of December '23, lower than -5% for November '23.

Promotions remain up YoY

Promotions on appliances at bestbuy.com are above 2022 levels in terms of items that are discounted (breadth), and the markdown percentage (depth) is slightly above and trending closer to 2022 levels. Retailer management teams have cited an increase in vendor-funded incentives in the category (implying original equipment manufacturers—OEMs—are paying for the promotions, not retailers). Given the recent increase in appliance shipments, increase in appliance inventories and elevated promotion levels, we still remain cautious near-term on appliance demand.

10 January 2024

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Timestamp: 10 January 2024 05:00AM EST

Chore charts

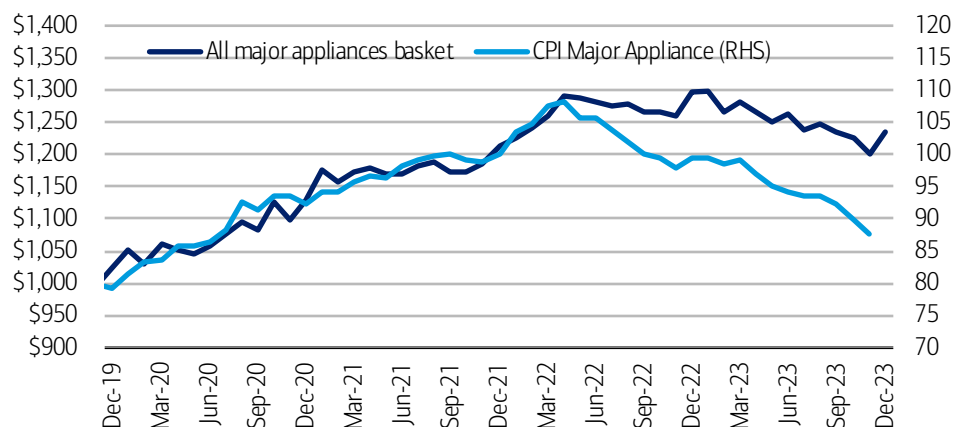
Below we give a snapshot of the US appliance market as of December 2023 in a series of illustrative charts:

Pricing by category

We evaluate pricing for a consistent basket of appliances listed on bestbuy.com. Best Buy is one of the largest retailers of appliances in the US, with an estimated 18%+ share of the market.

Exhibit 1: Average appliance pricing vs major appliance CPI – all major appliances at Best Buy

Thinknum's basket of major appliances showed an average YoY price decrease of (5)% in December '23, continuing its negative YoY turn for the ninth month in a row. This data set has a correlation of 0.87 with the CPI for major appliances from Jan '19 to Nov '23.

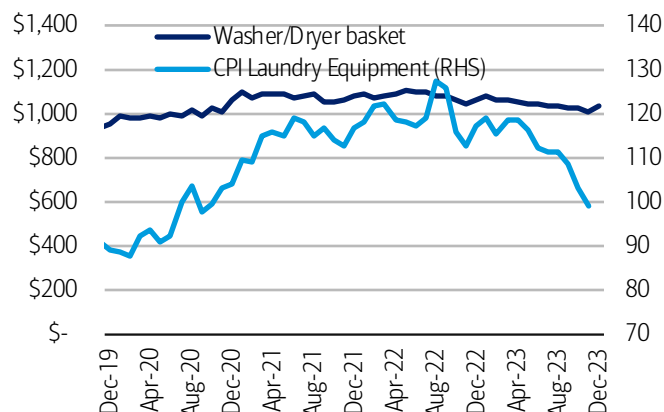


Source: Thinknum, Bureau of Labor Statistics, BofA Global Research
December '23 data reflects average pricing through 12/30/23

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Exhibit 2: Average appliance pricing vs CPI – washer/dryer

Thinknum's basket of washer/dryer SKUs showed average prices that were down (3)% YoY in December '23, moderating slightly from (4)% YoY in November '23. This data set has a correlation of 0.91 with the CPI for laundry equipment from Jan '19 to Nov '23.

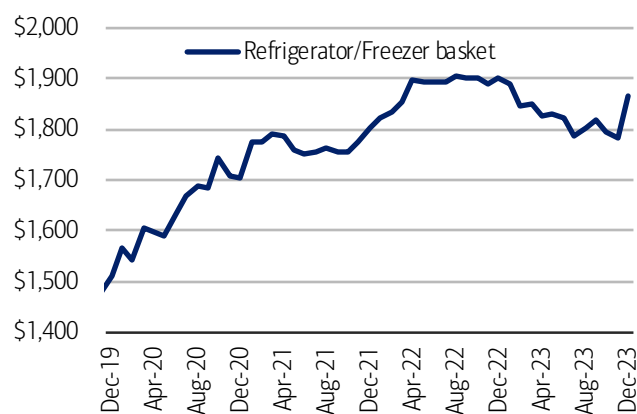


Source: Thinknum, Bureau of Labor Statistics, BofA Global Research
December '23 data reflects average pricing through 12/30/23

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Exhibit 3: Average appliance pricing – refrigerator/freezer

Pricing for Thinknum's basket of refrigerator/freezer SKUs was (2)% lower YoY in December '23, up from (6)% YoY in November '23.

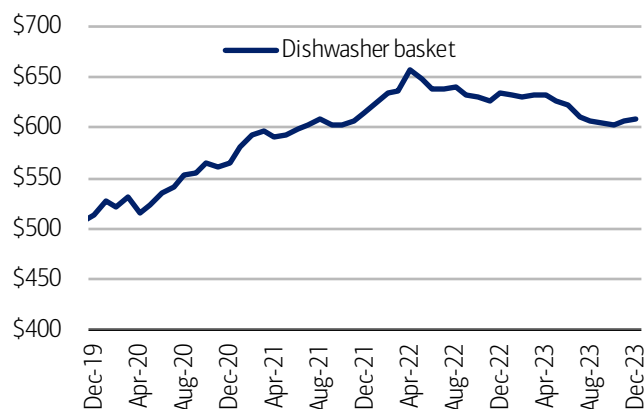


Source: Thinknum, BofA Global Research
December '23 data reflects average pricing through 12/30/23

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Exhibit 4: Average appliance pricing – dishwasher

Pricing for Thinknum's basket of dishwasher SKUs was down (4)% YoY in December '23, compared to (3)% YoY in November '23.



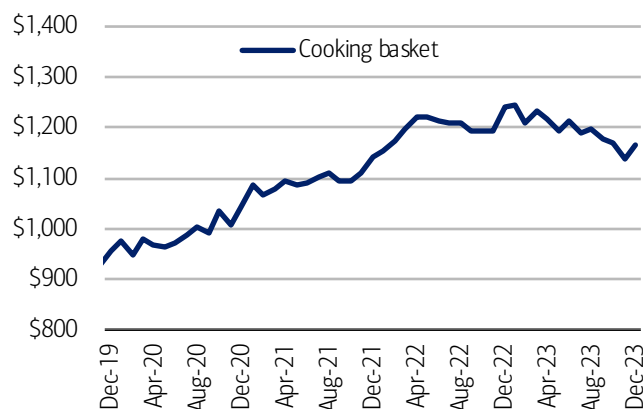
Source: Thinknum, BofA Global Research

December '23 data reflects average pricing through 12/30/23

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Exhibit 5: Average appliance pricing – cooking*

Pricing for Thinknum's basket of cooking SKUs was down (6)% YoY in December '23 vs (5)% YoY in November '23.



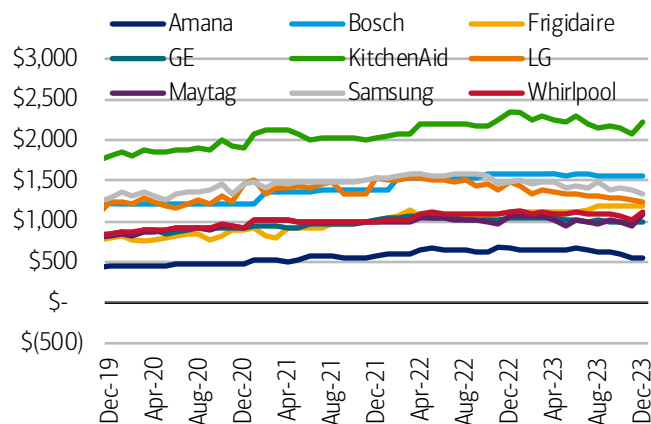
Source: Thinknum, BofA Global Research

*includes SKUs in the following categories: cooktop, range hood, microwave, and oven
December '23 data reflects average pricing through 12/30/23

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Pricing by brand – Best Buy**Exhibit 6: Average appliance pricing by brand – all major appliances**

Among the major appliance brands sold at Best Buy, KitchenAid commands the highest average price, with Samsung, LG and Bosch in a tight range in the next price band.



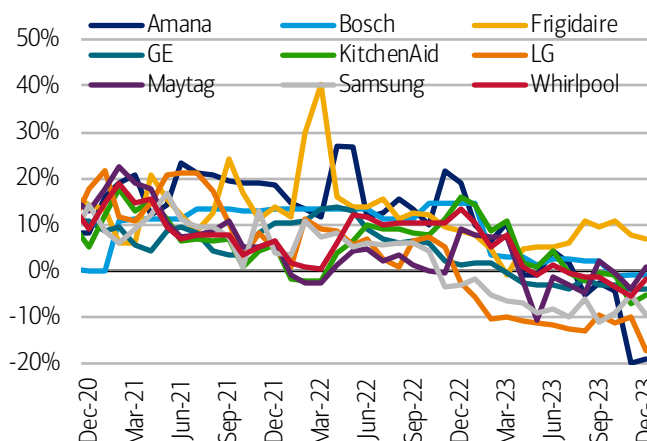
Source: Thinknum, BofA Global Research

December '23 data reflects average pricing through 12/30/23

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Exhibit 7: YoY % growth in average appliance pricing by brand – all major appliances

YoY % growth in pricing for most brands peaked between Jan-Jul '21. Pricing in LG, Samsung, GE, and Whirlpool brands has come down from the peak more so than Frigidaire and Bosch.



Source: Thinknum, BofA Global Research

December '23 data reflects average pricing through 12/30/23

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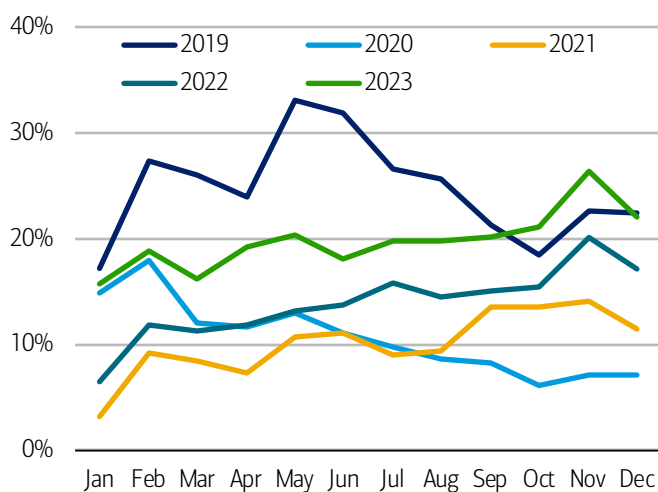
Promotions

We are also tracking Best Buy promotion data from Thinknum for hardline retail categories, including appliances specifically, and observe appliance promotions that have been trending above 2019 levels. At Best Buy, appliance promotions were about 23% in December '23, which was slightly higher than a year ago (22% in December '22) and the same as pre-pandemic levels (23% in December '19). Promotions were advertised on about 22% of appliance products sold at Best Buy in December '23, up from 17% of products in December '22 and the same as 22% of products in December '19.



Exhibit 8: % of products discounted at Best Buy – appliances

The breadth of promotions on appliances in Dec '23 is still higher than 2020-2022 levels



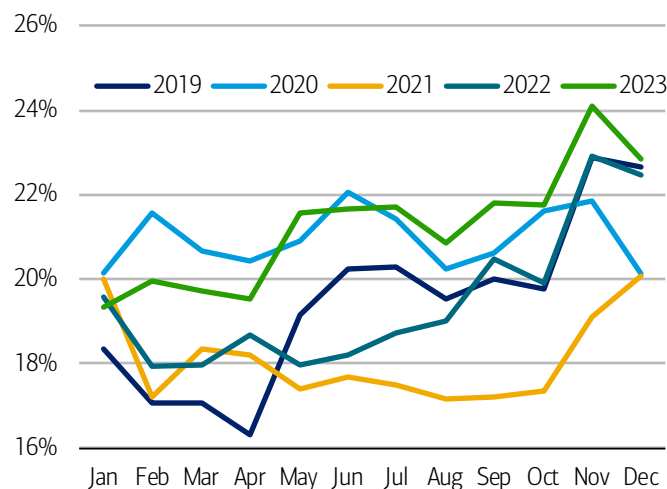
Source: Thinknum

December '23 data reflects average promotion activity through 12/30/23

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Exhibit 9: Markdown percentage of discounted products at Best Buy – appliances

The depth of promotions on appliances in Jul-Dec '23 were above the levels seen over the last several years.



Source: Thinknum

December '23 data reflects average promotion activity through 12/30/23

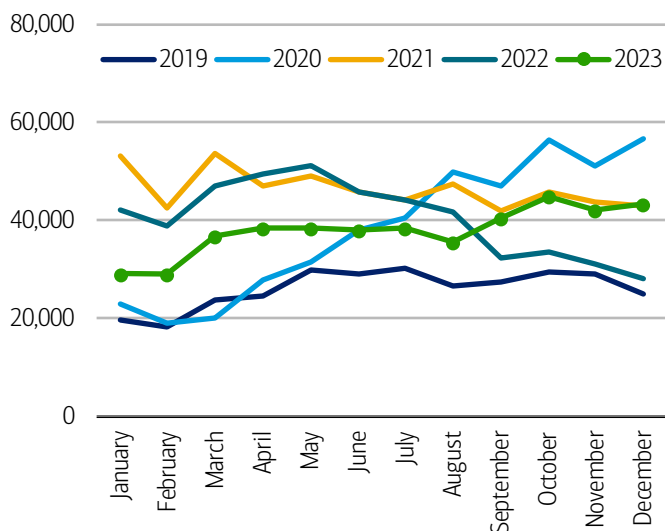
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Import insights

We utilize data from Panjiva, a leading data provider that collects data on global trade, sourced from primarily custom agencies, but also other resources (e.g., Dun & Bradstreet, ZoomInfo, and Kompass) to assess recent import activity. Panjiva supply chain intelligence data contains transaction-level details of goods traded across borders, with over 2 billion records, starting from 2007. Below we show appliance imports measured in twenty-foot equivalent units (TEU) which is a standard cargo measurement. This data reflects seaborne imports only.

Exhibit 10: Refrigerator imports, TEU

Refrigerator imports are still well above 2022 levels

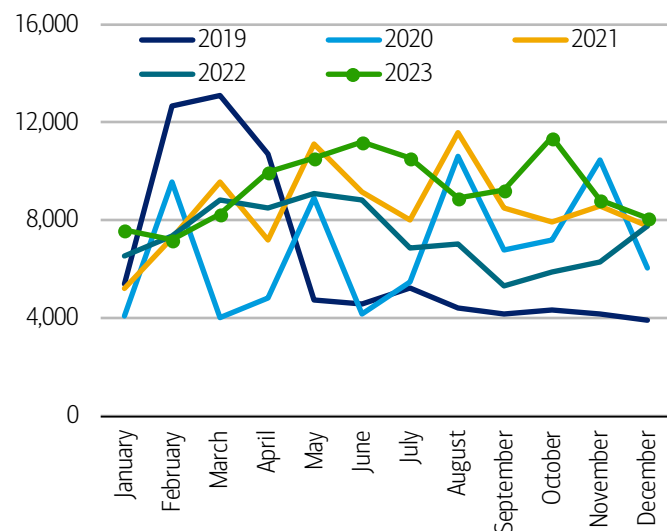


Source: Panjiva

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Exhibit 11: Washing machine imports, TEU

Washing machine imports in December '23 is above 2020 levels

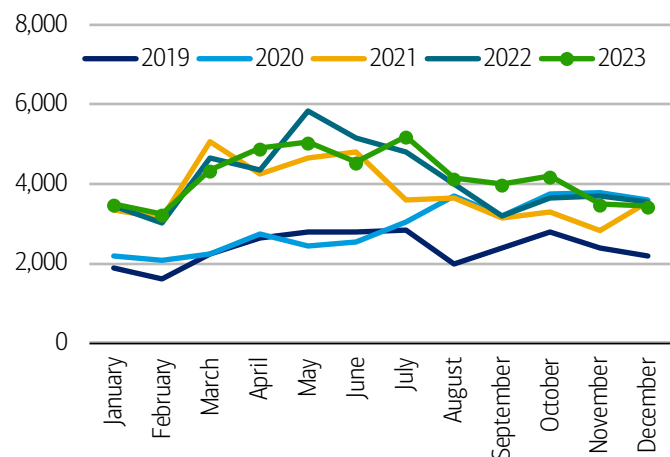


Source: Panjiva

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Exhibit 12: Dishwasher imports, TEU

Dish washer imports in December '23 are similar to 2020 and 2022 levels.

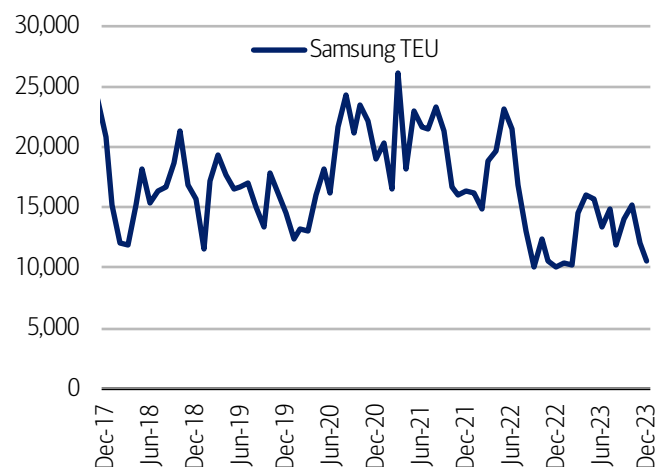


Source: Panjiva

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Exhibit 14: Samsung appliance imports, TEU

Samsung import volumes were 5% higher YoY in December '23

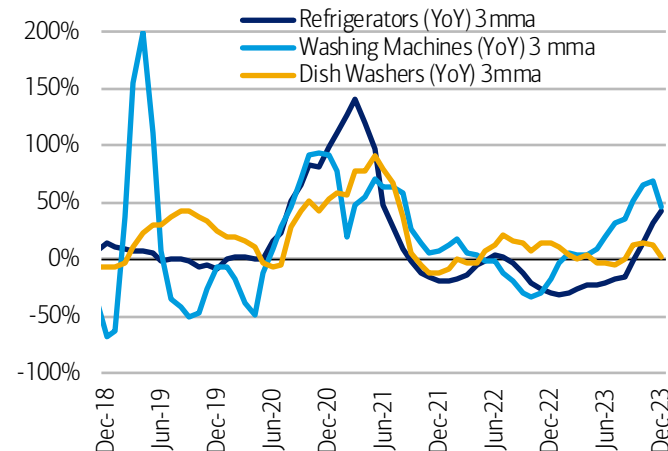


Source: Panjiva

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Exhibit 13: Appliance imports by category, YoY % change, 3 month moving average

Appliance imports overall were up 40% YoY in December '23, lifted by strength in washing machine and refrigerator imports

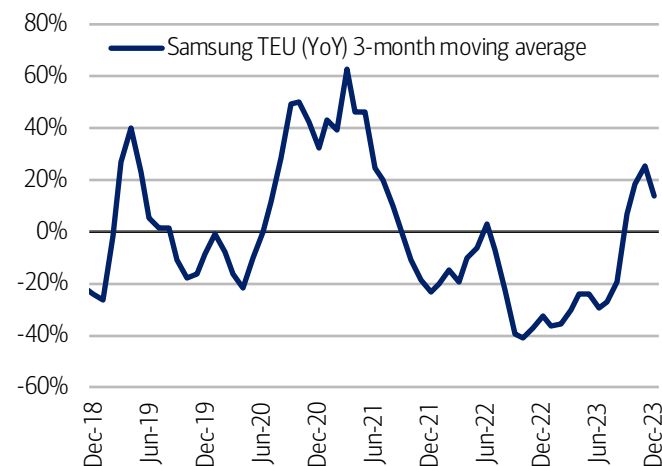


Source: Panjiva

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Exhibit 15: Samsung appliance imports by category, YoY % change, 3 month moving average

On a YoY 3-month moving average basis, Samsung imports are now 14% higher YoY as of December '23

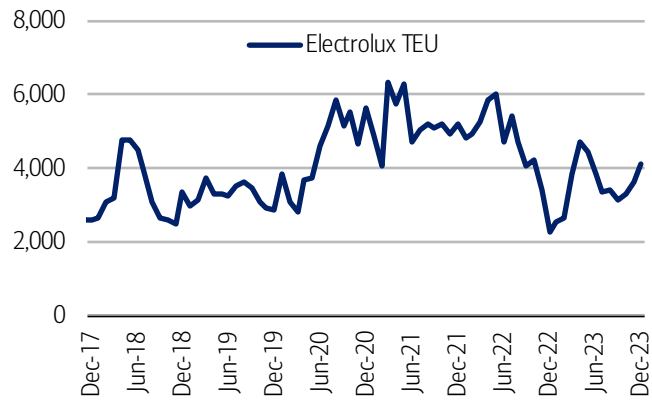


Source: Panjiva

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Exhibit 16: Electrolux appliance imports, TEU

Electrolux imports were 80% higher YoY in December '23.

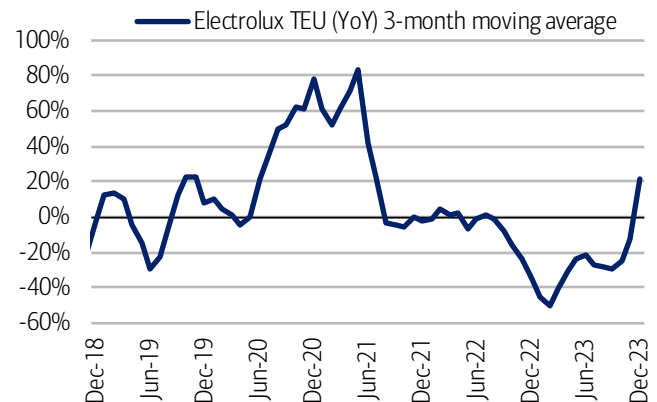


Source: Panjiva

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Exhibit 17: Electrolux appliance imports by category, YoY % change, 3-month moving average

Electrolux imports were about 21% above year-ago levels on a 3-month moving basis as of December '23



Source: Panjiva

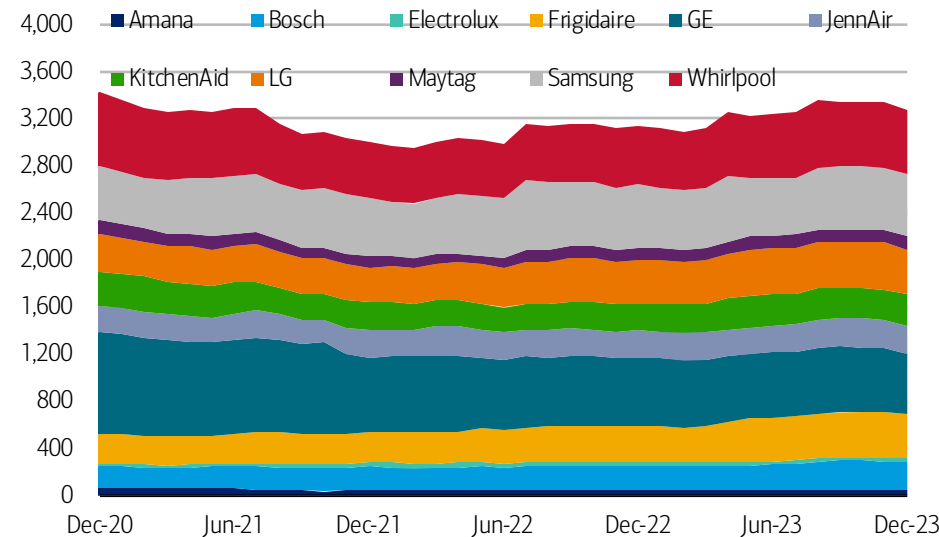
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Inventory levels by brand and by category

Digging into Thinknum's Best Buy data through another lens, we examine SKU (stock keeping unit) counts as a proxy for inventory levels. Note that reduced SKU counts could also reflect narrower breadth of product (i.e. fewer unique items) and may not full reflect total inventories.

Exhibit 18: SKU count – major appliances* only

In major appliance categories, inventories are creeping back up, but remain below pre-pandemic levels



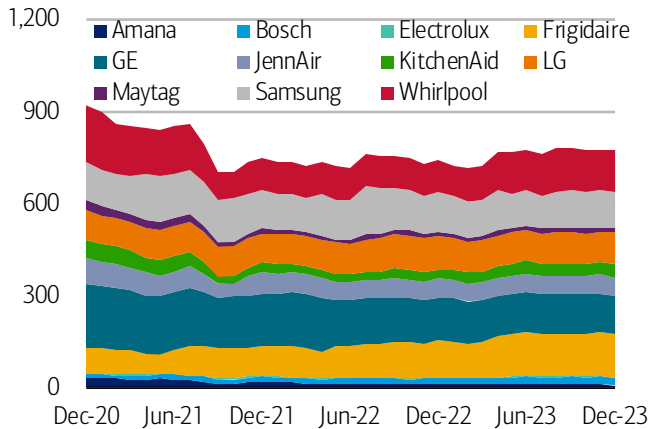
Source: Thinknum, BofA Global Research

*Major appliances include refrigerators, freezers, washers, dryers, dishwashers, ranges, cooktops, range hoods, microwaves, and ovens.
December '23 data reflects SKU counts through 12/30/23

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Exhibit 19: SKU count – refrigerator/freezer

Refrigerator/freezer inventories remain low in several major brands, but continue to generally increase from the Summer '21 trough

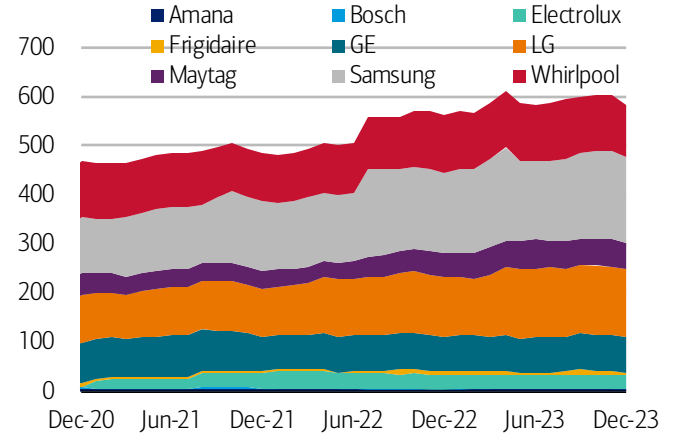


Source: Thinknum, BofA Global Research
December '23 data reflects SKU counts through 12/30/23

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Exhibit 20: SKU count – washer/dryer

Washer/dryer inventories for Samsung spiked higher starting in July '22 and remained elevated through December '23, while LG and Whirlpool/Maytag units continue to grow. Most other brands are stable

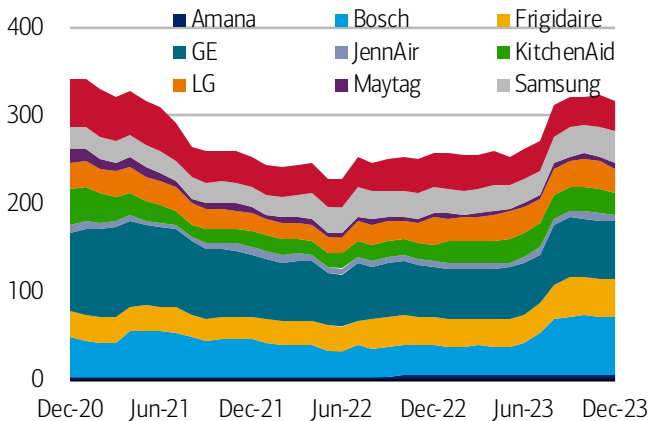


Source: Thinknum, BofA Global Research
December '23 data reflects SKU counts through 12/30/23

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Exhibit 21: SKU count – dishwasher

Dishwasher inventories have picked up quickly in the last couple of months, particularly for Bosch

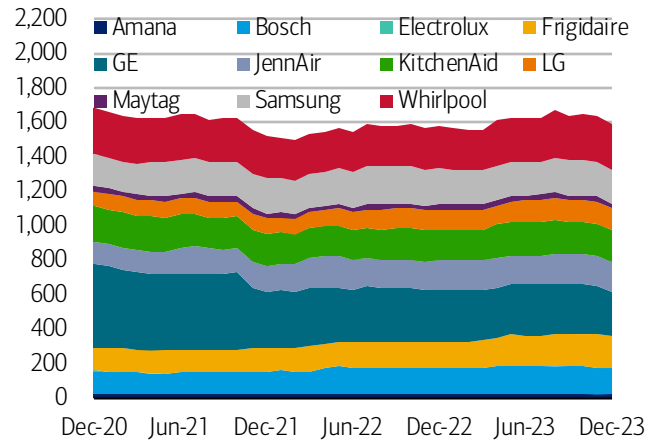


Source: Thinknum, BofA Global Research
December '23 data reflects SKU counts through 12/30/23

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Exhibit 22: SKU count – cooking

In cooking categories (ranges, cooktops, range hoods, microwaves, and ovens) inventories are gradually climbing and approaching pre-pandemic levels.



Source: Thinknum, BofA Global Research
December '23 data reflects SKU counts through 12/30/23

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