MarketBriefing

2017 Issue 2 News from the month of January 2017

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U.S. ECONOMY

EXCHANGE RATES JANUARY 31, 2017

Euro	1 Euro = $1.079	$1.00 = 0.927 Euros
Canadian Dollar	1 CAD = $0.768	$1.00 = 1.302 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 112.371 Yen
Chinese Yuan	1 Yuan = $0.145	$1.00 = 6.880 Yuan
Mexican Peso	1 Peso = $0.048	$1.00 = 20.726 Pesos

MARKET WATCH JANUARY 31, 2017

DOW	19,864	0.5%
NASDAQ	5,614	4.3%
S&P 500	2,279	1.8%

All three indexes recorded gains for the month of January. The DOW closed above the 20,000 point level mid-month, but fell back the last week in January after some disappointing earnings and unease caused by many of the actions taken by President Trump during his first days in office. The DOW ended the month up 0.5% to 19,864, the NASDAQ closed at 5,614, up 4.3% and the S&P, the index most closely followed by economists, closed at 2,279, up 1.8% for the month.

CONSUMER CONFIDENCE FALLS TO 111.8

The New-York based Conference Board's Consumer Confidence Index fell to 111.8 in January after rising to a downwardly revised 113.3 in December. The Present Situation Index rose to 129.7 after dropping to a downwardly revised 123.5 in December. The Expectations Index fell into contraction at 99.8 after rising sharply to an upwardly revised 106.4 in December. Consumer confidence reached a 16-year high in December. The Conference Board says the decline was driven solely by a less optimistic outlook for business conditions, jobs and particularly consumers' income prospect while consumers' assessment of current conditions improved. Consumers remain confident that the economy will continue to expand in the coming months. Economists say a level of 90 indicates that the economy is on solid footing and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

CONSUMER SPENDING RISES 0.5%

Consumer spending rose 0.5% in December after rising 0.2% in November. Core consumer spending, which is adjusted for inflation, increased 0.3% in December after rising 0.1% in November. Personal income rose 0.3% after rising an upwardly revised 0.1% in November, making for eleven consecutive months of gains. Consumer spending increased 3.8% in 2016 after rising 3.5% in 2015. With spending firming, inflation also showed some signs of picking up. In the 12 months through December the PCE price index advanced 1.6%, after increasing 1.4% in November. The core PCE price index, which is the Fed's preferred measure of inflation, rose 0.1% in December after being unchanged in November and was up 1.7% in the 12 months through December. Consumer spending is closely watched by economists because it accounts for 70% of U.S. economic activity.

CONSUMER PRICES RISE 0.3%

The Consumer Price Index (CPI) rose 0.3% in December after rising 0.2% in November and 0.4% in October and was up 2.1% for all of 2016. It was the largest annual increase since a 3% rise in 2011. Prices rose 0.7% in 2015. Core inflation, which excludes food and energy, was up 0.2% in December and rose 2.2% for the year. In addition to falling energy costs, inflation has been kept low in recent years by the strong U.S. dollar that makes imports cheaper for U.S. consumers. Core inflation has been in a range between 2.1% and 2.3% since December of last year. The rising cost of gasoline was the biggest factor in the increase in the index. The price of Brent Crude has risen more than 90% in the past year, topping $50 a barrel in recent months. A shortage of affordable housing and rental properties is also driving up consumer prices. Energy costs rose 5.4% last year and medical care services rose 3.9%. If inflation stays steady or rises, it will strengthen the argument for the Fed to increase interest rates later this year.

UNEMPLOYMENT RISES TO 4.8%

The unemployment rate rose to 4.8% in January after rising to 4.7% in December and the economy added 227,000 new jobs, the biggest gain in four months and well ahead of economists' expectations. However, job gains for December and November were revised down by a total of 39,000. Private employment rose by 237,000 and government employment fell by 10,000. For all of 2016, 2.24 million jobs were created. Wage growth remained slow, with average wages edging up just 0.1% and wages up 2.5% year-over-year. Construction added 36,000 new jobs, the biggest increase since last March. Retail payrolls increased by 45,900. Fed Chair Janet Yellen has said the economy needs to create just under 100,000 jobs a month to keep up with growth in the working-age population.

DURABLE GOODS ORDERS FALL 0.4%

Durable goods orders fell 0.4% in December after dropping a downwardly revised 4.8% in November. Economists had expected orders to increase 2.6%. Orders excluding transportation, which can be a highly volatile category, rose 0.5%, which beat economists' expectations, but were down 0.3% for the full year. Capital goods orders for nondefense items excluding aircraft, which are seen as a proxy for business spending, increased 0.8% in December after rising an upwardly revised 1.5% in November. Shipments of non-defense capital goods excluding aircraft, which are used in the calculation of GDP, rose 1.0% in December after rising by an upwardly revised 0.6% in November. Durable goods orders fell 0.3% in 2016 compared to 2015. Growth in business investment lagged behind broader economic growth for most of last year, but investment accelerated in the fourth quarter. Economists expect that a more business-friendly environment in Washington will spur investment outlays this year. The durable goods report is often both volatile and subject to sharp revisions.

CHICAGO PMI FALL TO 50.3

The Chicago PMI fell 3.6 points to 50.3 in January from a downwardly revised 53.9 in December 2016. It was the lowest reading for the PMI since May of last year, and down 8.4% compared to January 2016. Three of the five components fell, with only Order Backlogs and Supplier Deliveries gaining in January. New Orders fell by 7.8 points into contraction, and was at the lowest level since December 2015. Production fell 2.3 points to 56.0 in January. Order Backlogs rose but remained in contraction. Employment remained below the break-even level for the third consecutive month. Firms were asked what impact they expected from anticipated rate increases from the Fed this year. Nearly 9 out of every 10 respondents felt there wouldn't be much impact. Although the cost of capital is expected to increase, firms seem to have already factored that into their purchase decisions, according to MNI Indicators. The January reading marked the eighth month of expansionary business activity in the U.S.

WHOLESALE PRICES RISE 0.3%

The producer price index rose 0.3% in December after rising 0.4% in November. Wholesale prices were up 1.6% from December 2015, the largest year-over-year increase since September 2014. Energy prices rose 2.6% in December, as gasoline jumped 7.8%, accounting for almost half of the December rise in goods prices. Food costs rose 0.7%, the biggest increase since January 2015. Wholesale prices excluding food and energy rose 0.2% in December after rising 0.4% in November and were up 1.6% from December 2015. Services inflation eased, rising 0.1% in December after increasing 0.5% in November. Excluding food, energy and trade services, core producer prices rose 0.1% after climbing 0.2% in November. Core prices were up 1.7% from December 2015 after rising 1.8% year-over-year in November. The PPI for inputs to construction rose 0.7% in December after falling 0.3% in November and was up 2.4% from December 2015. Steady consumer demand and more stable commodity costs are expected to keep producer prices moving upwards; the strong dollar could moderate increases.

Q4 GDP GROWS 1.9%

GDP rose 1.9% in the fourth quarter and 1.6% for the entire year of 2016, below economists' expectations and the worst showing in five years. GDP grew 2.6% in 2015. Home building and stronger business investment in both new equipment and research and development projects contributed to growth. Private inventories added a full percentage point to growth, but a wider trade deficit subtracted 1.7%. Consumer spending grew 2.5% in the fourth quarter with purchases of goods improving but purchases of services weak. The economy has not grown more than 3% since 2005. The nonpartisan Congressional Budget Office issued new GDP projections in January, and now projects that GDP will grow 2.3% this year and 1.9% in 2018. The agency said that structural trends, including baby boomer retirements, are driving a slowdown in economic growth compared with past decades. President Donald Trump has set a goal of doubling growth to 4% annually through an ambitious stimulus program of tax cuts, deregulation and infrastructure spending. Economists think 4% growth is very ambitious, but many have raised forecasts based on Trump's stated policies and objectives, and some private economists now think GDP will grow 2.4% this year and 2.7% in 2018. Much uncertainly still surrounds what type of programs President Trump will be able to implement and what effect the new programs will have on the economy.

JOB OPENINGS RISE

Job openings rose by 71,000 to 5.52 million in November, up from a downwardly revised 5.45 million in October, according to the Job Openings and Labor Turnover Survey, or JOLTS. Hiring increased to 5.22 million from 5.16 million; the hiring rate was unchanged at 3.6%. The quits rate held at 2.1% for the sixth consecutive month, as some 3.06 million Americans quit their jobs, up from 3.02 million in October. Layoffs rose to a three-month high of 1.64 million, up from 1.57 million in October. The tight labor market is putting upward pressure on wages. There were 1.3 unemployed people vying for every opening in November, compared with 1.9 people when the recession began at the end of 2007. In the 12 months through November, the economy created a net 2.4 million jobs, representing 62.7 million hires and 60.3 million separations. The JOLTS report is one of Fed Chair Janet Yellen's preferred economic indicators.

HOUSING & CONSTRUCTION

HOUSING STARTS RISE 11.3%

Housing starts rose 11.3% in December to a seasonally adjusted annual rate of 1.23 million units after falling to an upwardly revised 1.10 million units in November. **Single-family starts fell 4.0%** to a seasonally adjusted annual rate of 795,000 units after falling to 828,000 units in November. Multifamily starts jumped 57% to 431,000 units in December after plunging to 262,000 units in November. **Regional starts were mixed.** Starts rose 31.2% in the Midwest, 23.5% in the West and 18.5% in the Northeast. Starts dropped 1.4% in the South. NAHB expects this to be another year of gradual, steady improvement. Multifamily starts have been very volatile, but are expected to level off as supply meets demand. Single-family production continues to grow but is limited by labor shortages and land availability problems on the supply side. Wells Fargo projects starts of 1.17 million in 2017 and 1.22 million in 2018. NAHB expects single-family production to grow 10% this year.

BUILDING PERMITS FALL 0.2%

Building permits fell 0.2% in December to a seasonally adjusted annual rate of 1.21 million units after falling to 1.20 million in November. **Single-family permits rose 4.7%** to 817,000 units and multifamily permits fell 9% to 393,000 units. **Regional permit issuance was mixed.** Permits rose 3.3% in the West, 2.7% in the Northeast and 0.5% in the Midwest. Permits fell 2.9% in the South. Permits have been above the one million level for eighteen consecutive months, the longest stretch in seven years.

NEW-HOME SALES FALL 10.4%

Sales of new single-family homes fell 10.4% in December to a seasonally adjusted annual rate of 563,000 units after rising to 592,000 units in November. Annual sales were up 12.2% for all of 2016, and were at the highest annual rate since 2007. The inventory of new homes for sale rose to 259,000 in December after rising to 250,000 in November and were at a 5.8-month supply at the current sales pace, up from a 5.1-month supply in November. **Regional sales were mixed.** Sales jumped

48.4% in the Northeast, but fell 41% in the Midwest, 12.6% in the South and 1.3% in the West. NAHB expects new home sales to grow 10% this year, fueled by a growing economy and solid job growth, as long as home prices remain attractive and prospective first-time buyers have access to affordable home loans. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

EXISTING HOME SALES FALL 2.8%

Existing home sales fell 2.8% in December to a seasonally adjusted annual rate of 5.49 million from an upwardly revised 5.65 million in November. Sales were up 0.7% from December 2015. It was the best year for existing home sales in a decade. Total housing inventory at the end of December dropped 10.8% to 1.65 million existing homes available for sale, 6.3% lower than in December 2015 and a 3.6-month supply at the current sales pace, down from 6.3% in December 2015 and the lowest level of inventory since NAR began tracking the supply of all housing types in 1999. Tight housing supply is impacting affordability and driving up rents as well. Inventory has fallen year-over-year for 19 consecutive months. Regional sales were mixed. Sales fell 6.2% in the Northeast, 3.8% in the Midwest and 4.8% in the West. Existing home sales in the South were unchanged.

BUILDER CONFIDENCE FALLS TO 67

Builder confidence fell two points to 67 in December after jumping seven points to a downwardly revised 69 in November, according to the HMI (National Association of Home Builders/Wells Fargo Housing Market Index). All three HMI components fell in December, with current sales conditions dropping three points to 72, sales expectations for the next six months falling two points to 76 and buyer traffic dropping one point to 51. The three-month moving averages for HMI scores rose two points in the Northeast to 52 and three points in the Midwest to 64. The South and West each held steady at 67 and 79, respectively. It was the twentieth consecutive month the HMI remained above 50. Builders remain optimistic that a new Congress and administration will help create a better climate for small businesses and streamline and reform the regulatory process.

REMODELING MARKET OPTIMISM DROPS

NAHB's Remodeling Market Index (RMI) dropped four points to 53 in the fourth quarter of 2016, down from the third quarter but on par with first half readings. Remodeler confidence has remained positive for 15 consecutive quarters. An RMI above 50 indicates that more remodelers report that market activity has increased from the prior quarter than report it has decreased. Among the index's components, major additions and alterations dropped one point to 53, demand for smaller remodeling projects dropped four points to 52 and home maintenance and repairs dropped five points to 54. The index measuring future market indicators fell six points to 52. Among its four components, calls for bids and appointments for proposals fell to 49 and 54, respectively, the backlog of jobs dropped three points to 55 and the amount of work committed fell five points to 50. NAHB expects remodeling activity to continue to grow over the next two years but at a more moderate annual rate of 1% to 2%.

MORTGAGE RATES FALL TO 4.19%

The 30-year mortgage rate fell to 4.19% at the end of January after rising to 4.32% at the end of December. In January last year 30-year rates averaged 3.79%. Freddie Mac believes that the housing market will stall a bit in the first quarter but then resume upward momentum as markets absorb the shock of rising mortgage rates.

PRESIDENT ELIMINATES PLANNED FHA MORTGAGE RATE CUT

In one of his first executive actions, President Trump eliminated a planned rate cut to FHA mortgage loan insurance premiums that would have largely benefited lower-and middle-income and first-time buyers by providing savings of up to $1,000 or more annually. NAHB, NAR and other industry players say that the action will mean higher costs for between 750,000 and 850,000 home buyers, and will shut 30,000 to 40,000 new home buyers out of the market. An estimated 40% of millennial buyers use the FHA program, and the action will make it harder for them to buy as well as harder for owners looking to sell their homes and move up.

MULTIFAMILY EXPECTS STRONG YEAR

The multifamily sector's operating performance beat expectations in 2016 with high sales volume and strong per-unit sale prices. Analysts expect some moderation this year but also note that the fundamentals that delivered a robust 2016 performance are still in place. Several economic and demographic factors are driving demand, according to Freddie Mac. Renter households are expected to grow in every generational segment. Positive job growth and a stable economy should help more millennials form households and enter the market. The combination of sluggish income growth, rising home prices and higher mortgage rates will probably delay home-buying by many members of Generation X and keep them renting longer. Meanwhile, a portion of the 67 million aging baby boomers are planning to downsize into more easily managed rental units.

POWER TOOL INDUSTRY

ROBERT BOSCH

Robert Bosch is focusing on smart homes, smart cities, connected mobility and industry 4.0, announced Dr. Werner Struth, Bosch board of management, during the recent Consumer Electronics Show in Las Vegas. Struth says that devices are becoming intelligent companions that make everyday life easier and safer at home, in the city, in the car and at work. According to a recent study more than 60% of respondents believed that intelligent assistants make sense. ENP Newswire described Bosch as a “one stop shop for the Internet of Things (IoT).” Bosch has a goal of networking all of their electronic products and offering a connected service package for each product tailored to individual needs and usage habits. At home, users will be able to rely on the IoT for a broad range of intelligent helpers that make life easier and safer. The Bosch smart home system makes it possible to control connected devices at home using a single app.

Bosch is also developing products specifically designed to be personal assistants. Assistants will also play a significant role in networked manufacturing. For example, the APAS robot takes on strenuous, dangerous or monotonous tasks and is designed to cooperate closely with humans. Bosch’s new Gateway solution also offers operators of older machines the ability to connect. Bosch believes that connectivity is more than technology, it is part of our lives that will improve mobility, shape the cities of the future, make homes smarter, healthcare more efficient and connect industry.

STANLEY BLACK & DECKER

SB&D is buying the Craftsman tool brand from cash-strapped Sears for $900 million. They’ll pay Sears Holdings $525 million when the deal closes and $250 million at the end of year three. Sears will also get annual payments of between 2.5% and 3.5% on new Stanley Black & Decker sales of Craftsman products for 15 years. Sears will be able to continue to sell Craftsman-branded products in their Sears, Kmart, and Sears Hometown stores royalty-free for 15 years after the deal closes.

The acquisition gives SB&D the rights to develop, manufacture and sell Craftsman-branded products outside of Sears. A spokesperson for Sears confirmed that Sears’ famous lifetime warranty for Craftsman tools will remain. Loree also pledged to bring Craftsman manufacturing back to America.

Craftsman accounts for about $1.9 billion in annual sales: 35% in tools, 25% in storage and related categories and 40% in lawn and garden. Only 10% of sales are outside of Sears, and most of those come from Ace Hardware and Orchard Supply Hardware.

SB&D expects the sale of Craftsman branded products to contribute approximately $100 million of average annual revenue growth for approximately the next ten years.

SB&D CEO Jim Loree plans to grow Craftsman sales through retail, industrial, online and mobile channels. He said that interest is “very high” from several major U.S. retailers, and sees growth on the retail side coming from expanded distribution to big box stores, where Craftsman brand has never been available before.

Loree described Craftsman as an "iconic brand" and said that he remembered spending hours going through the Sears catalogs in the 1960s and 1970s, marveling at the scope and good value of American-made Craftsman tools.

After a short-term transition, Stanley plans to increase manufacturing capacity in the U.S. to achieve growth with Craftsman, and plans to open a new $35 million manufacturing plant in the U.S. SB&D currently has a U.S. staff of about 3,000 and plans to add another 1,200 U.S. manufacturing jobs over the next year. The location of the new plant has not yet been decided.

From SB&D's acquisition conference call:

They expect the acquisition to add 1/2 to 1 full point of organic growth annually. They think there will be some cannibalization, but most of it will be outside of their brand portfolio.

They operate 30 plants in the U.S. today, including 11 in the tools and storage segment.

Craftsman is a leading player in the $12 billion lawn and garden segment, which will allow SB&D to strengthen their presence in the tools, lawn and garden and storage segments.

They expect the deal to close sometime in 2017. If Sears filed for Chapter 11 or Chapter 13 bankruptcy before the deal closed, that would negate the deal. However, they don't believe that will happen, as both companies have invested months structuring a deal that is favorable to both parties over the long term.

They acknowledged that part of the impetus behind their commitment to create more manufacturing in the U.S. is the uncertainty surrounding President Donald Trump's plans to enact a "border tax" that would make it more costly to import product made elsewhere for sale in the U.S. They have about $80 million in capital included in their plan, about $35 million to build the new plant and another $40 million to expand existing production capacity in the U.S. Craftsman brand tools were made in America fifty years ago; today they are primarily manufactured overseas.

They described the hand tools market as incredibly fragmented and brutally competitive.

Other News:

Q4 revenues were up 3% to $2.9 billion, with organic growth of 4% offset by –1% from currency.

Full year revenues were up 2% to $11.4 billion. Organic growth of 4% was partially offset by a 2% negative impact from currency.

Annual sales for the Tools & Storage division rose 6% to $1.93 billion, with volume, up 6%, and price, up 1%, more than offsetting unfavorable currency, which trimmed 1% from results. All regions generated organic growth, with North America up 8% thanks in part to contributions from the rollout of FlexVolt.

Working capital turns for the quarter were 10.6, up 1.4 turns from the fourth quarter of 2015. SB&D attributed the improvement to their intense focus on capital management.

SB&D expects growth of 4% this year, assuming organic growth of 4%, commodity inflation of $50 to $55 million and foreign exchange headwinds of less than $50 million.

The acquisitions of Lenox, Irwin and Craftsman are expected to contribute to growth this year and in the coming years and will help them achieve their corporate objective of doubling the size of the company by 2022 while expanding their margin rate. The sale of the majority of their Mechanical Security businesses will allow them to move capital from a low growth business and invest it in more robust growth opportunities, according to CEO James Loree.

From their Fiscal 2016 Conference Call:

The FlexVolt launch has been extremely well received by customers and end users, according to Loree, and delivered slightly more than $100 million in revenue in just four months of 2016. They expect to more than double that in 2017, and also expect to introduce more FlexVolt tools this year. They are currently projecting more than $400 million in revenue this year.

They expect their recent deals to expand their market reach. Their acquisition of Newell Brands' Irwin and Lenox brands and the acquisition of Craftsman from Sears will extend their reach in the plumbing and electrical trades, as well as the auto mechanics channel, the power tools accessory space, outdoors products and garage storage markets.

Loree said they have been interested in the Newell Tools business and the Craftsman business for many years, and while they might have preferred that the deals had been spaced further apart, they felt that they had to take advantage of the opportunities.

They are excited about their continuing digital investments across the entire Tools & Storage business, which are well underway.

They expect Tools & Storage to post mid-single-digit organic growth in 2017, with share gains expected to continue in the U.S., Europe and Emerging Markets. They think that DeWalt's FlexVolt battery system will account for about 1.5 points of incremental growth in 2017.

They expect the Newell acquisition to close in the first quarter pending some non-U.S. regulatory reviews.

They expect the Craftsman acquisition to close this year and contribute $100 million of average annual growth over the next decade.

They intend to keep the Craftsman limited lifetime warranty in place. Craftsman is seen as a unique brand in tools that spans virtually all the channels, including auto mechanics, industrial, professional tradesman and DIY.

They are going to try to partner up with a large ecommerce company so they can make Craftsman products broadly available through ecommerce. The ecommerce company they are working with says that Craftsman brand products are one of the single biggest searches that go unfulfilled.

They see more impact from currency in the first half of the year than in the second half. They think commodity inflation will be more evenly paced throughout the year.

They import a lot of product into the U.S., which is pretty much the standard model in the tool industry. They have been aggressively ramping up their manufacturing footprint in the U.S. over the past few years and now have 3,000 employees manufacturing tools in the U.S. and 11 plants, and expect that to increase, not only because of the current political climate, but because end users really like tools made in the U.S.

The new plant they are going to open in the U.S. in conjunction with the Craftsman deal will be very highly technologically equipped so that it can produce the highest quality tools at the best cost in the world; it will become their showcase plant.

They are not looking at any major acquisitions in the near future, but might do a small bolt-on in the $100 to $200 million range if it made sense. They would like to make an acquisition in the Engineered Fastenings Business, and think they are very underweight in the automotive and aerospace segments.

They think of FlexVolt as a battery system that is establishing an installed base that requires DeWalt tools to operate as aggressively and quickly as possible. They plan to introduce a wave of new tools every year that will enhance the system.

TRIMBLE

Trimble is selling their ThingMagic RFID business to Novatna for $20 million in cash. The deal is expected to close in the first quarter. "This transaction is consistent with our strategy to focus our efforts on domain-specific connected solutions in our core markets," said Michael

Lesyna, vice president of Trimble. "We believe that we can create more value and sustainable differentiation by focusing on the software, data and sensor integration for solutions that leverage RFID versus owning and developing the technology."

RETAIL

RETAIL SALES RISE 0.6%

Retail sales rose 0.6% in December after an upwardly revised 0.2% increase in November and were up 3.3% for the year. Core retail sales, which exclude auto sales, gas and building materials, rose 0.2% in December after being flat in November. Eight of 13 major retail categories showed gains last month. Auto sales jumped 2.4% and gas station sales rose 2.0%. Online and catalog retail sales rose 1.3%. Building materials sales rose 0.5%. Sales declined at department stores, restaurants and electronics and appliances merchants. Spending was fueled by rising consumer and small business confidence, and rising hourly wages. Retail sales account for about one-third of all spending, with services making up the other two-thirds.

RETAIL SALES RISE 3.3% IN 2016

Retail sales rose 3.3% overall in 2016, although the year ended on a soft note, with December sales up only 0.6% from November. However, they were up 4.1% from December 2015. Retail sales for October and November were also revised up by 0.1% for each month. Nonstore retailers, which are mostly online and catalog sales, rose 13.2% for the year. Building material and garden equipment and supplies dealers were up 2.6% for the year.

HOLIDAY SPENDING STRONG

The National Retail Federation reported that holiday sales rose 4% in November and December 2016 compared to the previous year. Car sales helped drive holiday spending as Americans took advantage of big discounts. Online stores had a big quarter, with online spending rising 11% for the year. Spending fell 6% at department stores. Many department stores reported dismal holiday sales, and announced upcoming closures and layoffs. NRF expects ecommerce sales during the holiday season to be on par with recent quarterly sales showing growth of 16% year-over-year; this data is only available on a quarterly basis. On the Monday before Christmas, 49.2% of all online sales in the U.S. were made on Amazon, according to Slice Intelligence. Retail analysts point out that Amazon is teaching people they can wait until the last minute, and they can still get their gifts delivered on time. Amazon's share of online sales on Black Friday was 25%. Overall, Amazon's share of 2016 holiday online spending was 38%, little changed from the year before. It would take close to $200 million in sales to grow Amazon's share by a single percentage point.

HOLIDAY MEDIA MIX SHIFTS

While most retailers reduced traditional advertising spend in favor of digital sources this holiday season, Amazon aggressively increased their spending on television, with their TV media budget rising 76%. Their digital budget went up 224%, while print advertising dropped 10%, according to the MediaRadar Trend Report. Walmart decreased print advertising spending by 15% and cut television spending by 10%, but upped spending on digital advertising by 168%.

LOWE'S

Lowe's plans to lay off 2,400 employees, less than 1% of staff. CEO Robert Niblock says the changes will better align store staffing with customer demand, shift resources from back-of-the-store activities to customer-facing ones and make them more efficient and productive. Most of the workers will be able to compete for different jobs at Lowe's. Lowe's has been trying to become more efficient.

WALMART

Walmart is ending their ShippingPass delivery subscription plan that was designed to compete with Amazon Prime and instead will start offering free two-day shipping with a $35 purchase, down from a required $50 purchase previously. Walmart also offers same-day store pickup on many items. The two-day free shipping offer does not include fresh groceries, freight or third-party marketplace items, however marketplace items will count toward the minimum for free shipping. WM started testing Shipping Pass in 2015, promising three-day shipping.

Customers who signed up for ShippingPass will get a full refund.

Walmart announced plans to cut hundreds of jobs before the end of January, including jobs at headquarters and regional personnel who support stores, including many people in the human resources department. Reportedly many employees being laid off work in Walmart's supply chain. In addition, Marc Lore, Walmart's new head of ecommerce, plans to lay off about 200 ecommerce employees in their California offices, stating that they are focused on adding the right talent to the team and making sure they are shifting staff toward more shopper-facing roles. Walmart.com sells millions more products now than they did a year ago, which requires more employees to manage those items online. Lore believes the division is too heavy on senior people.

Later in January Walmart also announced they will create 34,000 jobs in the U.S. this year. About 10,000 jobs will be created as a result of 59 new, expanded and relocated Walmart and Sam's Club units, as well as ecommerce. The construction of new stores and the remodeling and improvement of existing U.S. facilities will create 24,000 construction jobs. Walmart is the country's largest private employer, and analysts say that they are trying to balance shareholder responsibility with President Trump's focus on creating American jobs. CEO Doug McMillon is part of President Trump's CEO Strategy Council. Since early 2016, Walmart has cut more than 18,000 U.S. jobs through closing stores, trimming staffing and cutting jobs at headquarters; however, many people whose positions were cut were offered other open positions.

Walmart is partnering with several car dealerships, including the nation's largest new-vehicle retailer, AutoNation. They're creating a program that will be called CarSaver that will be launched on April 1 in four markets: Houston, Phoenix, Dallas and Oklahoma City. CarSaver will allow shoppers to select, finance and insure a vehicle through the website or on a touch-screen kiosk inside Walmart stores. The service then connects customers with a local, certified dealer and schedules an appointment with no haggle upfront pricing guaranteed. Dealers pay CarSaver a "success fee" of $350. The two companies launched a pilot version of the program in Florida in 2016 that was very successful, with nearly 80% of appointments scheduled leading to a sale and customers saving more than $3,000 over the manufacturer's suggested retail price.

Rosalind Brewer, the CEO of Sam's Club, retired February 1. She had been CEO since February 2012. She's being replaced by Jon Furner, currently chief merchandising officer (CMO) at Sam's Club. He's a company veteran and has been with Walmart since 1993. He was once CMO of Walmart China.

Walmart has made several executive changes since the first of the year. Tony Rogers, chief marketing officer, will now lead a unified marketing effort, also overseeing online marketing. Liza Landsman was promoted to president of Jet.com. Walmart has also brought together all of their ecommerce technology groups and promoted Jeremy King to EVP and U.S. Chief Technology Officer. Their task will be creating a seamless experience for Walmart customers whether they shop in-store, through the Walmart app or online.

Walmart is creating an incubation and strategic partnership group to focus on identifying and incubating new ideas in the digital entertainment and Internet of Things (IoT) space. Analysts suggest that rather than trying to compete with Amazon by building an Amazon-like operation, Walmart would be better off taking advantage of the fact that they have a huge physical footprint, which could theoretically give them an enormous advantage. Despite all the focus on ecommerce, 90% of purchases are still made in physical stores, according to *Chain Store Age.*

SEARS

Sears Holdings Corp. got another loan from CEO Eddie Lampert. The new secured letter of credit from Citigroup is for $200 million, with an option to expand the amount to as much as $500 million with the consent of lenders. Over the past two years, Lampert and his hedge fund have already loaned Sears more than $800 million.

Sears same-store sales fell 12% to 13% during the holiday shopping season.

Sears is selling iconic brand Craftsman to Stanley Black & Decker in a deal that's worth a total of $900 million, less than the $1 billion experts thought Craftsman might fetch. Sears is also closing 150 stores and is reportedly trying to raise another $1 billion by selling off real estate.

W.W. GRAINGER

Q4 sales were flat compared to the fourth quarter of 2015. On a daily basis, total company sales were up 1% for the quarter, consisting of a 1% increase from volume and a 1% increase from the timing of the holidays in December, partially offset by a 1% decline from price. Sales in the U.S dropped 1% and were flat on a daily basis. Daily sales were aided by a 1% increase from higher intercompany sales to Zoro and 1% from the timing of the holidays, offset by a 1% decline from price and a 1% decline from volume. Government, Retail and Light Manufacturing customers had the strongest sales performance in the quarter.

For the full year sales were up 2% to $10.1 billion. Grainger expects 2% to 6% sales growth in 2017.

AMAZON

Amazon said that 2016 was a record-breaking year in sales worldwide for third-party sellers, and that Amazon doubled deliveries for third-party sellers in 2016. Amazon also announced they will open a second fulfillment center in Jacksonville, Florida which will have more than 1,000 full-time jobs. Amazon opened their first fulfillment center in Jacksonville just six months ago.

Amazon has added 50% more robots to their distribution centers; there are now 45,000 robots working in 20 different distribution centers. In December 2015 Amazon had 30,000 robots working side-by-side with 230,000 human employees. The orange robots use technology acquired when Amazon bought robot maker Kiva Systems in 2012. Because the robots travel underneath shelves, the shelves can be stacked more closely together, which means the warehouse can hold more goods. The robots need to be charged for five minutes every hour.

Amazon plans to add 100,000 jobs nationwide over the next 18 months. The new hires will largely support new Amazon fulfillment centers, expanded delivery capabilities and the Amazon Web Services (AWS) cloud computing business. Amazon had a total of 306,800 full and part-time employees at the end of September, and hired a total of 123,700 people globally from September 2015 to the end of September 2016. Amazon said their U.S. workforce has grown from 30,000 in 2011 to more than 180,000 at the end of 2016.

Amazon launched a unique program with Goodwill Industries. People can use their empty Amazon boxes to donate items to Goodwill. Donors can pack the boxes with anything that fits and then get a pre-paid shipping label through the Give Back Box program. People just drop their box off at a UPS or USPS location or schedule a free pick up through the Post Office.

Amazon added another perk for Prime members, an Amazon Prime Rewards Visa Signature Card that offers 5% back in rewards for purchases made on Amazon; rewards points can be redeemed on purchases made on Amazon. The card offers 2% back on purchases made at restaurants, gas stations and drugstores and 1% back on other purchases. The card carries no annual fee.

Morgan Stanley estimates that the number of Prime subscribers grew by 50% in the second half of 2016, compared to a year earlier, and that Prime shoppers spend three to four times more than other Amazon customers.

Amazon has launched virtual versions of Amazon Dash buttons, which began appearing on Amazon's homepage and app toward the end of January. The buttons allow customers to order with one touch of the button. Prime members will also be able to create a virtual one-click button feature for products that are available for Prime delivery.

Amazon is running their own shipping service, and has shipped at least 150 containers of goods from Chinese merchants to U.S warehouses since October. Amazon is currently booking space on vessels, although they do not currently own any freighters. However, Amazon has begun posting rates for new services that have traditionally been handled by global freight companies, and is acting as a logistics provider for shippers. Analysts say Amazon's ultimate goal is hauling and delivering packages for others as well as for themselves. Amazon currently relies heavily on UPS, FedEx and other firms, and spent $11.5 billion on shipping in 2015.

MARKET TRENDS

GENERATION Z

Generation Z, typically defined as people born in 1995 or later, is the first generation to grow up online; they don't know a world before cellular phones, smartphones and other digital devices. However, 67% of Gen Zers surveyed said that they shop in a brick-and-mortar store most of the time, and 31% shop in a physical store at least some of the time, according to a new survey by IBM and the National Retail Federation. Regardless of where they shop, Gen Z is demanding. According to the study, 52% of Gen Z consumers will switch brands if their current brand does not meet their quality expectations. They value the basics, with 67% saying that product quality and availability are the most important factors when choosing one brand over another. The Global Gen Z population is expected to reach 2.6 billion by 2020. Gen Z consumers also have no patience whatsoever for unwieldly technology; they want it to be seamless and easy to use. Sixty-two percent will not use apps or websites that are hard to navigate and 60% will abandon ones that are slow to load. A full 73% use their phones primarily to text and chat socially, but many are willing to develop brand relationships. Forty-two percent would participate in an online game for a brand campaign and 43% would participate in a product review. Fewer than 30% are willing to share health and wellness, location, personal life or payment information; 61% would feel better sharing personal information if they knew it would be securely stored and protected.

55+ HOUSING TRENDS

The 55+ housing segment should strengthen over the next decade as the baby boomer generation ages and looks to downsize or relocate, according to a new report by the National Association of Home Builders based on data from the American Community Survey. In their new homes, this buyer segment is interested in single-level floor plans within an overall smaller footprint, but still wants space to accommodate family and guests. They're also interested in energy efficiency, amenities and a walkable lifestyle with nearby social activities. Many of these buyers are downsizing and relocating within their existing community.

AMERICANS NOT MOVING AS MUCH

The percentage of Americans moving each year has fallen by more than half from fifty years ago, and is down substantially from the 1990s. With few exceptions, people tend to stay put during hard economic times, and relocate when the outlook is brighter.

KITCHEN AND BATH REMODELING TRENDS

Approximately 24.4 million households remodeled a kitchen or bath in 2015. Roughly one out of every 10 households (about 10.2 million) undertook a kitchen remodel or replacement project in 2015, and two-thirds of them hired a professional remodeler for the work, the National Kitchen & Bath Association said in a new study released in January 2017. The study also found that about 13% of all households (about 14.2 million) undertook a bathroom remodel or replacement project that same year; they hired a pro 58% of the time. As expected, age played a factor in whether customers were more likely to do the project themselves or hire a pro. Among baby boomers (generally those born from 1946 to around 1964), 82% hired a remodeler for a kitchen project and 63% did for a bath job. People in generation X (1965 to 1980) hired a pro 68% of the time for kitchen work and 63% of the time for bath jobs. Mature millennials (those 25 to 37 years old, born between 1980 and 1992) hired a remodeler for 65% of the kitchen jobs and 52% of the bath jobs. Younger millennials (those 18 to 27 years old, born between 1980 and 1999) hired a pro for 60% of kitchen projects and 62% of bath jobs. Nearly half of the kitchen projects were budgeted at $15,000 or more, while 21% of those who responded spent $7,500 or more to remodel their master bathroom.

PERSONALIZED WEB SHOPPING

Retailers are increasingly turning to technology to help them draw in customers, according to a recent article in the *Wall Street Journal*. Personalization is one of the techniques coming to the forefront. Sunglass Hut employs deep learning and image-recognition technology from Sentient Technologies that uses image recognition to show a shopper styles similar to the sunglasses they are viewing, rather than predicting what the person might want based on what other people have purchased. One Italian company used the technology to test the effect of things like changing the color of the Buy button and the words on their banner and ultimately was able to tailor the website to individual customers based on the advertising image the customer clicked on to get to the site. All the moves they made ultimately increased their web revenues by 38%.

THE FUTURE OF RETAIL STORES

Physical stores will become more synced with shoppers' smartphones, and will automatically identify people when they walk in the store (unless they opt out), and will offer them unique information and deals tailored to their needs and purchasing history. New and faster ways to pay will become the norm. Physical stores will always be the only place a customer gets instant gratification and stores are experimenting with ways to enhance the emotional rewards of shopping in a store. Robots have the potential to replace sales assistants, and give customers a feeling of greater control; research shows that some people feel intimidated by sales people, and like the idea of a robotic sales assistant whose only job is to serve them.

ROBOTS RULE CES

Robots were the stars of this year's Consumer Electronics Show (CES) in Las Vegas. Robots were on display that made coffee, folded clothes, turned the lights on and off, played music and of course answered questions and provided a steady stream of information. Robot manufacturers can now create personal assistants that actually understand you; Hanson Robotics will introduce its $299 Einstein robot this spring. Manufacturers also say they are doing their best to create robots that "care" about people and their tasks, and intelligently learn what their owners want. Tech experts say that it's important for the robots to forge positive relationships with the humans in order to avoid a real-life version of all those sci-fi movies where the robots go berserk and try to wipe out the humans and take over the world.

DIGITALIZATION TRANSFORMING CONSTRUCTION

Mobile tools like smartphones, tablets and laptops are transforming the way construction businesses handle data and help make complex information from blue prints to supply lists available where and when it's needed. By using cloud-based project management systems, mobile WiFi hotspots and providing project managers, superintendents, lead tradesmen and field personnel standardized devices, companies can insure that everyone is literally on the same page. Industry analysts say that digitalization and increasing mobility could help construction companies save substantial amounts of money as well as save time during both design and construction phases.