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Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates December 29, 2017

Euro	1 Euro = \$1.202	\$1.00 = 0.831 Euros
Canadian Dollar	1 CAD = \$0.799	\$1.00 = 1.252 CAD
Japanese Yen	1 Yen = \$0.009	\$1.00 = 112.701 Yen
Chinese Yuan	1 Yuan = \$0.154	\$1.00 = 6.507 Yuan
Mexican Peso	1 Peso = \$0.051	\$1.00 = 19.638 Pesos

Market Watch December 29, 2017

DOW	24,719	1.8%
NASDAQ	6,903	1.3%
S&P 500	2,674	1.0%

All three indexes posted strong gains for December and recorded their best years since 2013, with the DOW reaching 71 new record highs during the year. The DOW rose 1.84% for the month and 25.2% for the year, closing at 24,719; the tech-heavy NASDAQ rose 1.3% for the month and 28.2% for the year, closing at 6,903 and the S&P, the index most closely followed by economists, rose 0.1% for the month and 19.5% for the year, closing at 2,674.

Consumer Confidence Slips to 122.1

The New York-based Conference Board's Consumer Confidence Index slipped to 122.1 in December after rising to a downwardly revised 128.6 in November. Despite the downward revision, the November reading remained the highest level of consumer confidence in almost 17 years. The Present Situation Index edged up to 156.6 from an upwardly revised 154.9 in November and reached the highest level since 2001. The Expectations Index fell to 99.1 from a downwardly revised 111 in November. The Conference Board noted that despite the decline the level of confidence remains historically high among consumers, and they are generally upbeat about the future. Economists note that 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 0.6%

Consumer spending rose 0.6% in November after rising a downwardly revised 0.2% in October. Core consumer spending rose 0.4% in November after rising 0.1% in October. Personal incomes rose 0.3% in November following a 0.4% increase in October. Wages rose 0.4% and the savings rate dropped to a 10-year low of 2.9% as consumers dipped into savings to finance robust consumer spending. The Federal Reserve's preferred inflation measure, the personal consumption expenditures (PCE) price index excluding volatile food and energy prices, rose 0.1% in November after gaining 0.2% in October. The core PCE price index was up 1.5% in the 12 months through November, picking up from 1.4% in October. It has undershot the Fed's 2% target since mid-2012. Shipments of non-defense capital goods orders excluding aircraft, which is a closely watched proxy for business spending and calculates into GDP, rose 0.3% after surging 1.3% in October. Core capital goods shipments have risen every month since last February, the longest stretch of increases since the series started in 1992. Consumer spending is closely watched by economists because it accounts for 70% of U.S. economic activity.

Consumer Prices Rise 0.4%

The Consumer Price Index (CPI) rose 0.4% in November after rising 0.1% in October. The CPI was up 2.2% from November 2016. Core inflation, which excludes food and energy, rose 0.1% in November after rising 0.2% in October and was up 1.7% year over year. Core inflation has consistently been below the Fed's target of 2%. Inflation was held down by weak healthcare costs and prices for airline fares, household furnishing and apparel also fell. Energy prices rose 3.9%.

Unemployment Remains at 4.1%

The unemployment rate remained at a 17-year low of 4.1% for the third consecutive month in December and the economy added 148,000 new jobs. Job gains for October were revised down and gains for November were revised up; the revisions resulted in a net gain of 9,000 fewer jobs than first reported. After revisions, job gains have averaged 204,000 over the last 3 months. Construction added 30,000 jobs in December, with most of the increase among specialty trade contractors (+24,000). In 2017, construction employment increased by 210,000, compared with a gain of 155,000 in 2016. Employment also increased in manufacturing. Employment in many other sectors was relatively unchanged. Employment in retail fell by

20,300 in December despite a strong holiday shopping season. It was the biggest drop in retail employment since March 2017. Average hourly earnings rose 0.3%, or 9 cents, lifting the annual increase in wages to 2.5% from 2.4% in November. For all of 2017, the economy created 2.1 million jobs, below the 2.2 million added in 2016. Economists expect job growth to slow this year as the labor market hits full employment, which will most likely boost wage growth as employers are forced to compete for workers.

Durable Goods Orders Rise 1.3%

Durable goods orders rose 1.3% in November after dropping 0.4% in October, which was significantly better than the 0.8% decline first reported. Orders were below economists' expectations of a 2% gain. The increase was driven by a jump in orders for civilian aircraft, a typically volatile category. Excluding the volatile transportation category, durable goods orders fell 0.1% in November after rising by 0.4% in October. Orders for non-defense capital goods excluding aircraft, a closely watched indicator of business spending, fell 0.1% in November after falling 0.5% in October. Shipments in the same category, which factor into GDP, rose 1.0% in November. Shipments of core capital goods have now risen for ten consecutive months. The durable goods report is volatile and often subject to sharp revisions.

Chicago PMI Rises to 67.6

The Chicago Purchasing Managers' Index (PMI) rose to 67.6 in December after falling to 63.9 in November. The index closed out the year at the highest level since March 2011. It was the lowest level for the index in three months. The New Orders component reached a three-and-a-half year high. Order Backlogs also grew, and the Production indicator rose to the highest level in 34 years. In December, firms were asked to predict how both their business and the US economy would fare in 2018. Just over 50% thought that their company would grow between 0% and 5% while 37% forecast growth between 5% and 10% and the remaining 12% expected growth above 10%. As far as the US economy goes, 61% of firms responding thought the economy would grow somewhere between 2% and 5% in 2018 while 29% of businesses put growth between 0% and 2%. Only 6% of businesses saw the economy contracting in 2018, while the remaining 5% thought economic growth would be above 5%.

Wholesale Prices Rise 0.4%

The Producer Price Index (PPI) rose 0.4% in November after rising by the same amount in both October and September and was up 3.1% from November 2016. Core inflation, which excludes volatile food, energy and trade services prices, also rose 0.4% in November after two consecutive months of 0.2% increases. The core CPI was up 2.4% from November 2016. The broad rise in producer prices supports views that weak inflation readings experienced throughout the first half of the year were most likely temporary. The PPI for inputs to construction was up 4.8% year over year. The PPI shows that inflation is building in the pipeline and a stronger dollar and better global growth could cause core PPI to rise in coming months, according to economists.

Q3 GDP Rises 3.2%

GDP growth for the third quarter was revised down slightly, from 3.3% to 3.2% in the final reading in late December. The economy grew 3.1% in the second quarter. The slight downgrade reflected slightly lower consumer spending in the quarter than was previously estimated. Consumer spending was revised down to a still solid 2.2%. Economists said the slight revision does not change the outlook that the third quarter was strong, especially considering the series of hurricanes that were a drag on growth. Economists were particularly encouraged by the gain in business fixed investment spending, which jumped 10.8% in the quarter, the largest gain in three years. Economists expect growth to slow to 2.5% in the fourth quarter, although some are revising estimates upwards based on strong retail sales in November. The price index for personal consumption expenditures (PCE), which is the Fed's preferred measure of inflation, rose at a 1.5% annual rate in the third quarter, up from the second quarter's increase of 0.3%. Repairs and rebuilding could boost economic growth in coming quarters.

Job Openings Little Changed

Job openings edged back to 6.0 million in October after reaching 6.09 million in September. While job openings are still near record highs, Wells Fargo notes that the leveling off in recent months suggests that the pace of hiring could moderate in the months ahead. The number of unemployed workers per job opening remained at 1.1, which is the lowest level since the series began in 2001. Turnover improved in October as effects from the hurricanes faded, with gross hiring reaching a new cycle high of 5.55 million. Separations declined to a seven-

month low as layoffs fell again. The number of workers quitting their job was unchanged in October, keeping the quit rate at 2.2%. The JOLTS report is expected to remain on of the Fed's preferred economic indicators even though Fed Chair Janet Yellen's term expires in February.

Fed Raises Interest Rates

The Federal Reserve raised interest rates a quarter of a percentage point to a range of 1.25% to 1.5% at their meeting in mid-December. The widely expected increase was the Fed's third rate hike this year. The Fed's forecast of three additional rate increases in 2018 and 2019 was unchanged from its projections in September. The news was announced at Fed Chair Janet Yellen's last press conference before her term ends in February. She told assembled reporters that the Fed envisions a burst of growth, ultra-low unemployment below 4% for both 2018 and 2019 and continued low interest rates, with little forward movement on inflation, which continues to run below the Fed's benchmark of 2%. In justifying the rate increase, the Fed cited solid economic growth and job gains.

Tax Cuts and Jobs Bill Passes

The House and Senate passed the first tax reform bill since the 1980s just before Christmas. The sweeping changes to the tax code will impact all Americans as well as companies that do business in America. The measure passed largely along party lines, with 12 Republican members of the House, all from states with high income and property taxes, voting against it. President Trump promised that virtually everyone would see lower taxes and higher take home pay in 2018. Among the provisions was a long-awaited tax cut for corporations which reduced the corporate tax rate from 35%, one of the highest rates in the developed world, to 21%. While individual tax cuts could expire in 2025, the corporate tax cut is permanent. After a lot of negotiations, the amount of state property, sales and income tax that can be deducted was limited to \$10,000. The NAHB issued a statement of support for the bill, which will allow homeowners to deduct the interest paid on mortgage debt up to \$750,000, which includes a primary home plus one other "qualified residence," which could include a boat or a mobile home.

Economic Forecast for 2018

Economists are predicting a benign "Goldilocks" economy,

with sustained GDP growth in the US in the 2.25% to 2.75% range and manageable inflation in the US and worldwide, according to *Pensions & Investments* magazine. Protectionist trade policies by the US could be a potential disrupter. A major war in the Middle East would affect oil supplies and prices. Still, most economists think 2018 will be a continuation of 2017, although gains may not be as pronounced. Wage increases should rise in the US as the unemployment rate drops to 4%, according to Fitch. Economists are anticipating four separate rate increases of 25 basis points each this year. For the first time in about a decade all components of the MSI All Country World Index are in expansion mode, according to Cambridge Associates.

HOUSING & CONSTRUCTION

Housing Starts Rise 3.3%

Housing starts rose 3.3% in November to a seasonally adjusted annual rate of 1.297 million units after a downwardly revised October reading. It was described as a post-recession high. **Single-family starts rose 5.3% in November** to a seasonally adjusted annual rate of 930,000 after rising by the same percentage in October and were up 8.7% year over year. **Multi-family starts fell 1.6%** to 367,000 units after rising strongly in October. **Regional starts were mixed.** Combined single-family and multifamily housing production rose 19.0% in the West and 11.1% in the South. Starts fell 12.9% in the Midwest and 39.6% in the Northeast. An analysis by Wells Fargo states that construction is likely to continue to strengthen in the coming months.

Building Permits Fall 1.4%

Building permits fell 1.4% in November to a seasonally adjusted annual rate of 1.298 million units after rising to 1.297 million units in October. **Single-family permits rose 1.4%** to 862,000 units after rising to 839,000 units in October. Multifamily permits fell 6.4% to 436,000 units. **Regional permit issuance was mixed.** Permits rose 1.4% in the South. Permits declined 3.0% in the West, 4.7% in the Midwest and 5.7% in the Northeast.

New-Home Sales Rise 17.5%

Sales of newly built, single-family homes rose 17.5% in November to a seasonally adjusted annual rate of 733,000

units from a downwardly revised October reading. It was the highest sales pace since October 2007. Year-to-date, new home sales are 9.1% above their level over the same period last year. The inventory of new homes for sale was 283,000 in November, which is a 4.6-month supply at the current sales pace. New home sales increased in all four regions. Sales rose 31.1% in the West, 14.9% in the South, 9.5% in the Northeast and 6.9% in the Midwest. 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 Rise 5.6%

Total existing-home sales increased 5.6% in November to a seasonally adjusted annual rate of 5.81 million and sales for October were revised up to show an increase of 2.4% instead of the 2.0% gain first reported. It was the strongest pace of sales in nearly 11 years. Sales were 3.8% ahead of a year ago. **Single-family home sales rose 4.5%** to a seasonally adjusted annual rate of 5.09 million units in November after rising to 4.87 million units in October. Unsold inventory fell to just a 3.4-month supply at the current sales pace, down from a 3.9-month supply in October. The inventory of homes available for sale has fallen for the past 30 months. **Regional sales were mixed.** Existing home sales jumped 8.3% in the South, 8.4% in the Midwest and 6.7% in the Northeast. Sales fell 2.3% in the West.

Builder Confidence Rises to 74

Builder confidence rose five points to 74 in December on the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) after the November reading was downwardly revised from 70 to 69. It was the highest level for builder confidence in more than 18 years. All three HMI components registered gains in December. The component measuring buyer traffic jumped eight points to 58, the index gauging current sales conditions rose four points to 81 and the index charting sales expectations in the next six months increased three points to 79. Looking at the three-month moving averages for regional HMI scores, the Midwest climbed six points to 69, the South rose three points to 72, the West increased two points to 79 and Northeast inched up a single point to 54. NAHB Chief Economist Robert Dietz said that with low unemployment, favorable demographic trends and tight inventory, they expect to see builder confidence continue to rise in 2018.

Mortgage Rates Rise to 3.99%

A 30-year fixed-rate mortgage (FRM) rose to 3.99% at the end of December after remaining virtually unchanged in November at 3.92%. At the end of December last year 30-year rates averaged 4.32%. The increase was in response to the increase in long-term interest rates earlier in the month. Nevertheless, mortgage rates remain quite low and affordable.

POWER TOOL INDUSTRY

Stanley Black & Decker

SB&D will soon open the Advanced Manufacturing Center of Excellence in downtown Hartford, Connecticut to accelerate their Global Industry 4.0 Smart Factory initiative. Sudhi Bangalore will become VP Industry and lead the center. SB&D is also launching a three-year partnership with Techstars, a global startup accelerator, that will also be housed at the new facility. CFO Don Allen says it will be the epicenter for the latest technologies and processes.

SB&D is opening a new manufacturing plant in Fort Mill, South Carolina, where they expect to employ 500 workers. The company will invest \$31 million in the facility at the Lakemont Business Park, where they plan to manufacture and assemble cordless DeWalt power tools. The new facility will be 345,000 square feet. SB&D now operates 30 manufacturing plants in the US.

DeWalt launched their new Jobsite wi-fi access points, which utilizes a user's existing ISP to provide wireless internet coverage on the job site. According to DeWalt, the device is made in the USA with globally sourced materials and can operate at temperatures between -4 and 122.

DeWalt celebrated the trades over the holidays, giving away tools through its #ToughTrades giveaway program targeted at professionals in woodworking, electrical and plumbing, mechanical industries, concrete and masonry, metalworkers as well as general contractors. During the ten-day program DeWalt posted clues on their Instagram page; followers could guess what's in each prize and then come back to see the reveal. Six winners were selected through random drawings.

CEO James Loree was appointed to the board of directors for Whirlpool Corporation. Whirlpool's brands include Whirlpool, KitchenAid, Maytag, Amana and Jenn-Air, among others.

TTI/Techtronic Industries

Milwaukee Tool will add a total of 660 jobs at three Mississippi locations where they're expanding the production of cordless power tools and accessories. They're also increasing the distribution capacity at facilities in Greenwood, Olive Branch and Jackson. The state of Mississippi is providing loans and funding job training. It's the fourth time Milwaukee has expanded in Mississippi since 2012.

RETAIL

Retail Sales Jump 0.8%

Retail sales soared 0.8% in November as the holiday shopping season got underway. Results were more than double what economists were expecting. October sales were revised up from a 0.2% to a 0.5% increase. Home centers, stores that sell home furnishings, apparel retailers, sporting goods outlets and restaurants all reported strong sales. Gas sales rose on higher prices at the pump. Excluding automobiles, gasoline, building materials and food services, core retail sales, which factor into GDP, increased 1.0% in November after rising 0.3% in October. Sales at online retailers rebounded and rose 2.5% after unexpectedly falling 0.3% in October. Retail sales account for one-third of all consumer spending, with services accounting for the other two-thirds.

Holiday Shopping Update

Retail sales over the holiday shopping season rose at their best pace since 2011, according to Mastercard SpendingPulse, which tracks both online and in-store spending. Sales excluding automobiles rose 4.9% from November 1 through Christmas Eve, compared to a 3.7% gain over the same period last year. Ecommerce sales rose 18.1%, with analysts saying that Amazon captured nearly half of all holiday ecommerce sales. Walmart had a good online season, according to market audits, but actual sales will not be reported until January. In past years holiday spending has been driven by high-income

shoppers, but this year spending was broader based and there was more spending in middle and lower income groups. Consumers are expected to spend about \$69 billion in the week between Christmas and New Year's as they return unwanted presents, shop sales and spend their holiday gift cards.

Retailers Compete For XPO

Analysts are reporting that The Home Depot and Amazon may make competing bids for shipping giant XPO. Both companies work with XPO to deliver large appliances and furniture like refrigerators. At the end of 2016, XPO served more than 50,000 customers out of 1,425 locations in 34 countries.

The Home Depot

THD updated their strategic priorities and sales and earnings guidance. They expect FY 2017 sales to rise about 6.3%, with comp store sales rising 6.5%. They plan to invest more in stores, employees, the supply chain and the customer experience over the next three years as they pursue a target of reaching nearly \$120 billion in annual sales by fiscal 2020, which would equate to growth of 4.5% to 6% annually. Annual capital spending will represent about 2.5% of sales.

THD acquired home décor online retailer The Company Store from Hanover Direct in mid-December. Terms of the deal were not disclosed. THD said the acquisition does not include The Company Store's five retail locations, which are in Wisconsin, North Carolina and Maine. The Company Store was founded in 1911 and reportedly has strong relationships and capabilities in the development and sourcing of textiles across bedding, bath and related categories. CEO Craig Menear said that the acquisition will help THD expand their online décor business into broader categories.

Lowe's

Lowe's has hired former Amazon associate Vikram Singh for the newly created role of senior VP, chief digital officer. His job is to further accelerate Lowe's digital evolution and drive a holistic integrated strategy to make shopping more flexible, convenient and intuitive across all channels and enhance operational effectiveness to fully integrate digital initiatives across core business functions, including supply chain and marketing. Singh's background also includes developing and executing ecommerce strategies for eBay, PayPal and Fujitsu.

Lowe's pledged \$1 million for Habitat for Humanity housing in the Charlotte region. A 2014 study by Harvard University and the University of California-Berkeley found that Charlotte residents born in poverty are most likely to remain poor compared to residents of the United States' 50 largest cities; that means Charlotte is last among the top 50 for economic mobility.

Walmart

Walmart quietly changed its name from Wal-Mart Stores Inc. to simply Walmart Inc. CEO Doug McMillon says the change is symbolic of how customers shop with them today and how they will shop increasingly in the future. The name takes the emphasis off brick and mortar stores and acknowledges that no matter how customers shop, there is only one Walmart.

Scott Price, who was executive vice president of global leverage for Walmart, joined UPS as its chief transformation officer in mid-December. The purpose of the newly created position is to help UPS identify and execute opportunities for profitable growth within existing business units and in untapped markets and segments.

Walmart may acquire Humana, a healthcare and health insurance provider, for \$46 billion, according to Financial Deals Tracker

Sears

Q3 sales fell to \$3.66 billion from \$5.03 billion, with store closures accounting for more than half of the drop in sales. Comp store sales fell 15.3%, with Sears comps falling 17% and Kmart comps dropping 13%. At the close of the third quarter Sears operated just 1,104 locations compared to 1,503 at the close of Q3 in 2016. Sears' shares soared after results were reported, because they were better than analysts had expected.

Sears has started selling DieHard auto products through Amazon. The move came less than six months after Sears began selling their full line of Kenmore appliances through Amazon. Passenger car tires are expected to be available sometime in 2018. Sears is also developing new DieHard accessories, including wiper blades, that will be sold on Amazon.

True Value

True Value is shifting marketing toward more local and more targeted advertising and promotions. Senior VP of

Marketing David Elliott said broadsheets, paid search, social media, email, online advertising, point of purchase, direct mail and mobile push were marketing vehicles they favored. They noted that more people are canceling cable TV and engaging with their smart phones. True Value's Rewards program is being enhanced to provide coupons and deals for local stores. The approach marks a big change from True Value's 2015 television campaign that showcased intimate life moments between friends and family centered around home improvement. CEO John Hartman called the move "adjusting to the new reality."

Amazon

Amazon had its biggest holiday shopping season ever, with customers around the world shopping at record levels. In just one week more than four million people started Prime free trials or began paid memberships to benefit from free two-day, one-day or same-day shipping. Amazon technology devices, including Amazon Echo, Echo Dot and Fire TV stick with Alexa, were among the best-selling products across all product categories.

Amazon acquired Blink, a company that makes internet-connected doorbells and security cameras. Analysts say the move could help Amazon compete in the fast-growing home security camera market and against similar devices made by Nest, a subsidiary of Google parent company Alphabet. Terms of the deal were not disclosed.

Amazon increased its staff by 77% to 541,900 full-and part-time workers in 2017, largely thanks to their purchase of Whole Foods and a rapid buildout of regional warehouses. That number does not include more than 120,000 seasonal jobs for the holidays. Amazon is second only to Walmart, which has 2.3 million employees.

The number of people who are Amazon Prime members did not grow in the third quarter, according to a new report from Morgan Stanley. The results showed that 40% of individuals surveyed were Prime members, exactly the same percentage as in the fourth quarter 2016 survey.

Amazon now sells more than 1,500 products under their Amazon Basics house brand, according to Quartz. Amazon is tight-lipped about their private label sales and the manufacturers they use. Amazon Basics started out as a private label collection of consumer electronics basics like batteries, but has now expanded into more than a dozen categories.

CANADA SNAPSHOT

GDP Unchanged in October

The Canadian economy was unchanged in October after growing 0.2% in September, according to Statistics Canada. Economists had been expecting another 0.2% gain. Service-producing industries rose 0.2%, mainly from growth in wholesale trade, retail trade and real estate. Meanwhile, goods-producing industries contracted 0.4%, largely due to the mining, quarrying and oil and gas extraction sector. The wholesale trade sector grew for the 9th time in 11 months in October, with a 1.4% rise more than offsetting September's decline of 0.9%. Six of nine subsectors expanded, led by wholesalers of machinery, equipment and supplies (+3.4%), personal and household goods (+3.2%) and petroleum products (+3.1%). The wholesaling of motor vehicles and parts declined 1.7% as automotive imports decreased. The retail sector expanded 1.1% in October, almost offsetting three consecutive months of declines. Gains were posted in 7 of 12 subsectors, led by a 2.3% increase at motor vehicle and parts dealers as activity at new and used car dealers was up. General merchandise stores gained 2.4%, more than offsetting three months of declines. Food and beverage stores were up 1.0% while building material and garden equipment and supplies continued to grow, rising 2.0%. The construction sector edged down 0.1% in October following four consecutive monthly increases. Repair construction fell 0.3% after rising 1.6% in September. Non-residential construction contracted 0.3%, as a decline in commercial construction more than offset growth in industrial and public construction. Residential construction fell 0.1% as declines in single-family dwellings and home alterations and improvements more than offset growth in doubles, rows and apartment dwelling units. Engineering and other construction activities edged up 0.1%. On an annualized basis, GDP improved 1.7% in the third quarter, exceeding forecasts for an increase of 1.6%. The second quarter estimate was revised down to 4.3% from the previously reported 4.5% increase.

Bank of Canada Holds Rates at 1%

The Bank of Canada held its target interest rate steady at 1% at its meeting in early December. Analysts say it may be March or April before the bank raises rates again. Notes issued by BOC show that although they believe that higher rates will

eventually be required, they think the current policy is appropriate for the economy at this time. They foresee a gradual increase in inflation, which has consistently been running below the target of 2.0%, which is the same as the US target.

Unemployment Falls to 5.7%

Unemployment fell to a four-decade low of 5.7% in December from 5.9% in November and Canada's Labor Force Survey showed that the economy added 78,600 jobs; analysts had been expecting a decline of 12,500 jobs. The extent of the boom in Canadian jobs this year has largely caught policy makers and economists by surprise, given most have been anticipating an aging workforce to eventually become a drag on employment. While most of the new jobs in December were part-time, the bulk of new hires in 2017 were full-time. The nation added 394,200 full-time jobs last year, the biggest gain since 1999. The gains last year were led by services with 290,300 new positions. Goods-producers added 132,100 jobs, with an 85,700 increase in manufacturing that was the strongest since 2002. Actual hours worked in December were 3.1% above year-ago figures, the fastest rate of increase since 2010. The strong jobs report increases the odds that the Bank of Canada will raise interest rates at its meeting in January.

Consumer Confidence Rises to 62.67

Consumer Confidence in Canada increased to 62.67 in December after rising to 55.37 in November, according to the Conference Board of Canada. Surprise employment and wage gains to end the year have bolstered consumer confidence heading into 2018 and helped to make 2017 a standout year for the index. Consumer confidence in Canada averaged 53.21 from 2010 until 2017, reaching an all-time high of 56.40 in August of 2014 and a record low of 46.80 in February of 2016. National confidence remains significantly above the level at the beginning of 2017. The monthly Index of Consumer Confidence is constructed from responses to four attitudinal questions posed to a random sample of Canadian households.

Consumer Prices Rise 2.1%

The consumer price index (CPI) rose 2.1% in November on a year-over-year basis after rising 1.4% in October. Seasonally adjusted consumer prices rose 0.5% in November after rising 0.2% in October, according to Statistics Canada. It was the largest increase since January. Seven major components of the

consumer price index (CPI) increased, while the health and personal care segment dropped. In annual terms, consumer prices rose by 2.1%, up from 1.4% inflation the previous month. Prices increased in seven of the eight major components of the index. Transportation prices provided the biggest upward pressure, up 5.9% year over year from a 3.0% gain in October. Prices for passenger vehicles accelerated 3.6% while food prices rose at an annual rate of 1.6%.

Canada U.S. Trade Updates

More than a quarter of Canadian firms could move part of their operations to the United States amid uncertainty over the future of the NAFTA trade pact, according to the nation's export credit agency. The semi-annual forecast by Export Development Canada underlines the challenges posed by what the Canadian media refers to as the more isolationist approach to trade of US President Donald Trump's administration.

In a 4-0 vote in early December, the US International Trade Commission ruled that the US lumber industry was injured by Canadian lumber imports. That ruling will finalize the countervailing and anti-dumping duties currently being assessed on Canadian lumber shipments to the US. In November, the US Department of Commerce levied total CVD/AD duties of 20.83% on Canadian lumber imports. Canada has already announced that it plans to appeal the CVD/AD duties before NAFTA and World Trade Organization panels.

Housing and Construction News

Housing starts rose to 226,270 units in November from 216,642 units in October, according to Canada Mortgage and Housing Corporation (CMHC). This trend measure is a six-month moving average of the monthly seasonally adjusted annual rates (SAAR) of housing starts. It was the highest level for housing starts in almost 10 years, and was largely due to the second consecutive increase in multifamily starts. Much of the increase in multifamily starts was in Toronto, where there has not been much overbuilding, inventory is low and demand is strong, according to CMHC. The shift from single-detached to multiple housing starts has been driven by millennials and first-time buyers looking for lower priced alternatives in an uncertain economic environment. **Total year-to-date housing starts are trending 12% lower than in 2016.**

The value of building permits rose 3.5% to \$8.2 billion in

October. All building components increased with the exception of the institutional component, which declined 14.3%, offsetting much of the gain from the previous month. It was the second consecutive month building permits rose. The value of permits for non-residential buildings increased \$171.7 million to \$3.3 billion in October, the second consecutive monthly gain. The commercial component, which refers to buildings used in the trade or distribution of goods and services, was the main contributor to the 5.5% increase in the non-residential sector. Permits in Quebec for warehouses, as well as permits in Ontario for office buildings, warehouses, and recreation buildings, contributed to the rise in the value of commercial building permits in October. Nationally, the value of permits for the industrial component passed the \$700 million-mark for the first time in five years. The gain stemmed primarily from higher construction intentions for factories and plants in Alberta. Nationally, the year-to-date value of permits for the industrial component totaled \$5.3 billion, \$1.0 billion higher than the same period in 2016.

Mortgage rates on a fixed 5-year closed mortgage remained at an average of 3.39% at the end of December.

Retail Sales Grow 1.5%

Retail sales grew 1.5% in October to \$49.9 billion after edging up a marginal 0.1% in September. Sales were driven by a 3.3% increase in sales by new car dealers. Excluding sales at motor vehicle and parts dealers, retail sales rose 0.8%. Sales rose in seven of the 11 subsectors, representing 79% of the country's retail trade industry. Food and beverage stores recorded sales growth of 1.1% while sales at general merchandise stores went up 1.8%, the first increase in three months. Sales at electronics and appliance stores recovered in October, rising 1.4%. Retail sales in volume terms climbed by 1.4%. In Canada, retail sales account for about half of all consumer spending, and are considered a proxy for overall consumer spending.

Canada Retail Notes

Amazon shipped more than two million items in Canada with same-day/one-day delivery over the holiday season. The TP-Link Smart Plug was the best-selling smart home product in Canada. Prime membership continued to grow, and Amazon Devices like Echo Dot and Fire TV Stick with Alexa were very popular. Amazon's peak day for customer fulfillment was December 19.

MARKET TRENDS

Robots For Construction Sites

Gramazio Kohler Research plans to design specialized robots to help automate some construction jobs. Each robot would be created for a particular task, such as stacking materials in nonstandard formations. Robots designed to work with timber construction and mesh mold metal will use cameras to process data and then work to arrange materials on site. For some industry observers, robots are construction's next big disruptor. From miners that can delve where humans cannot, to an autonomous track loader and rebar-tying robot, recent years have seen mounting evidence pointing to what could be an emerging robotic revolution.

Lifestyle Trends Shaping Home Trends

The San Diego Union-Tribune reported that today's homeowners are looking for a place to unwind and spend time with family and friends. Many are also looking for a sense of community. In addition, an increasingly aging population is also influencing home design. Kitchens are now viewed as the heart of the gathering place at home, as they expand and absorb formal dining rooms and family seating areas. With expansion is coming a trend to add more technology to the area with Wi-Fi enabled home automation and smart appliances. Outdoor living areas are also becoming increasingly more important, and now feature things like fireplaces, fire pits, sofas and even televisions. The line between indoors and outdoors is becoming more blurred, with some homes using accordion-style glass doors. There are also more areas in new homes that don't have a dedicated purpose, enabling them to meet a family's individual needs for a suite for an aging relative or a quiet office for someone who works from home. Lastly, homeowners are demanding that homes become more energy efficient. Solar power, better insulation and windows with increased thermal performance will continue to grow in popularity. Water conservation is also becoming more and more important.

Warehouse Growth Leads to Robotics Race

The warehouse industry employed 960,400 American work-

ers in October 2017, up 42% over the past decade, according to the US Bureau of Labor Statistics, and builders spent \$2.6 billion on warehouse construction in September, more than triple what they spent in September 2012. Retailers and logistics companies are struggling to find the workers they need for warehouses. In September last year 219,000 employees were hired by transportation, warehousing and utilities companies while another 246,000 open positions went unfilled. Amazon bought Kiva Systems, a company that specialized in automated warehouse robots, a couple of years ago, triggering a robot race as robotics companies gear up to try and take advantage of the booming market.

Artificial Intelligence Growing

Amazon announced a range of new machine learning features for Amazon Web Services that will enable AWS customers to develop and quickly "train" their own artificial intelligence algorithms, build software applications capable of translating language, analyze video and scan text for trends or key phrases. Amazon released 1,300 new AWS features in 2017, up from just over 1,000 in 2016. Microsoft and Google are actually viewed as being further advanced than AWS as far as artificial intelligence goes.

Alexa Goes to Work

Amazon wants workers to use Alexa to book conference rooms, launch meetings, make calls and check security camera feeds. Alexa for Business already has a range of skills, including the ability to dim lights, lower blinds and call a meeting to order, as well as make phone calls. Amazon hopes to let software developers build apps that manage work calendars, find open meeting rooms and order supplies. Alphabet Inc.'s Google, Apple's Siri and Microsoft's Cortana are also rolling out capabilities for the office.

Shipping Wars

Target is buying online delivery company Shipt, a move that will let most Target customers have groceries dropped off at their front door shortly after they place an order. The \$550 million cash deal links Target's network of stores with Shipt's more than 20,000 personal shoppers, who pick up products for customers and deliver them within a few hours. Walmart has tested delivery runs with both Uber and Lyft and Costco is reportedly launching two new delivery options for members later this year.

How Amazon Pays for Free Shipping

According to a recent study that appeared in the *Columbus Telegram*, one of the main mechanisms that enables consumers to get free shipping is the fact that merchants pay fees on the back end that consumers do not see. Merchants also pay significant fees for participating in the Fulfilled by Amazon (FBA) program. Amazon's standard monthly inventory charge is \$0.64 per cubic foot of volume for the first nine months of the year; during the fourth quarter the rate goes up to \$2.35 per cubic foot. Long-term storage fees for items that sit between six months and a year add \$11.25 per square foot, and go up after a year or more. Shipping still incurs a net loss for Amazon that generally totals around 5% of net sales; for the first quarter of 2017, Amazon had \$35.7 billion in sales and \$4.4 billion in shipping costs, along with more than half a billion dollars in profit.

Top Omnichannel Retailers

Amazon, Williams-Sonoma and Kohl's are the top three brands in ForeSee's annual Retail Customer Experience Rankings, which are based on survey data from more than 40,000 shoppers across their store, Web and mobile experiences. The report also examines the success of retailers by individual channels. Other key findings include the facts that 57% of shoppers use a mobile device while shopping in a store and 49% who start in mobile are now staying in mobile through the purchase. That's up significantly from 33% last year. Forty-one percent use two or more channels during the purchase process. The retailers included in the study were chosen using the 2017 Deloitte Global Powers of Retailing report, which ranks global omnichannel retailers by revenue. ForeSee selected the top 50 non-grocery brands with operations in the US, U.K. or Canada for the study.

Life-Changing Tech Trends

The *Wall Street Journal* rounded up the tech trends they believe will be life-changing in 2018. They include the wide-ranging impact of artificial intelligence, more affordable electric cars and a resurgence and reinvention of Facebook. Amazon remains a major force and is continuing to explore new opportunities, from office services to grocery to brick and mortar retail. Amazon is on track to employ more than 500,000 people in 2018, making it America's second-largest employer. The revocation of net neutrality regulations for the internet may cause internet providers to offer consumers more incentives to do

business with them. Smartphone software will continue to evolve, with the next generation of Apple's iOS system providing even more screen interaction and personalization. Security experts warn that consumers could face new security and privacy threats, particularly in their internet-connected TVs, toys and other smart appliances and goods.