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US ECONOMY

Exchange Rates September 30, 2021

Euro	1 Euro = $1.158	$1.00 = 0.864 Euros
Canadian Dollar	1 CAD = $0.789	$1.00 = 1.267 CAD
Japanese Yen	1 Yen = $0.010	$1.00 = 111.515 Yen
Chinese Yuan	1 Yuan = $0.155	$1.00 = 6.447 Yuan
Mexican Peso	1 Peso = $0.049	$1.00 = 20.560 Pesos

Market Watch September 30, 2021

DOW	33,844	-4.3%
NASDAQ	14,449	-5.3%
S&P 500	4,308	-4.8%

September and October are often volatile months for the markets. All three indexes finished September in the red, with the markets having their worst overall performance since last March. Worries about inflation, potential government shutdowns and defaults, tax legislation, the ongoing pandemic, supply chain problems and shortages and property problems in China all gave the markets the jitters. Many analysts are factoring in a dip of around 5% overall, but feel that most of these issues have short-term impacts but not long-term implications. For the third quarter, the Dow finished down 1.9%, the NASDAQ shed 0.3% and the S&P, the index most closely followed by analysts, was up slightly for the quarter and 15% for the year.

Consumer Spending Rises 0.8%

Consumer spending rose 0.8% in August after rising a downwardly revised 0.1% in July. The increase was above expectations despite continuing problems stemming from a global shortage of semiconductor chips, shortages and a pull-back in travel and other spending on services due to the spreading Delta variant. Core consumer spending rose 0.4% in August after dropping a downwardly revised 0.5% in July. Personal income gained 0.1% in August after rising 1.1% in July. An increase in Child Tax Credit payments from the government was offset by decreases in unemployment benefits. Wages rose 0.5% amidst the continuing shortage of workers. Income edged up 0.1% and savings rate fell slightly to 9.4%.

Consumer Prices Rise 0.3%

The Consumer Price Index (CPI) rose 0.3% in September for the second consecutive month and was up 5.3% year over year. Core inflation, which excludes the volatile food and energy categories, rose 0.3% in September after rising 0.1% in August and was up 3.6% from September 2020. Supply chain constraints and bottlenecks continue to produce shortages and price increases in many categories. The core PCE price index is the Fed's preferred measure for its 2% inflation target, which is now a flexible average. The Fed continues to believe that inflation is transitory and is focused on the employment situation.

Consumer Confidence Falls to 109.3

- The New York-based Conference Board's Consumer Confidence Index fell to 109.3 in September after falling to an upwardly revised 115.2 in August.*
- The Present Situation Index, which is based on consumers' assessment of current business conditions, fell to 143.4 after falling to an upwardly revised 148.9 in July.
- Expectations for the next six months fell to 86.6 after falling to an upwardly revised 92.8 in July.
- It was the third consecutive monthly decline for Consumer Confidence, which plummeted to 86.9 at the onset of the pandemic in March 2020.

*A level of 90 indicates that the economy is on solid footing; 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.

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Unemployment Drops to 4.8%

- The unemployment rate fell to 4.8% in September after falling to 5.2% in August but the economy added just 194,000 new jobs, well below expectations of a 500,000 job gain.*
- The steep drop in job growth was primarily due to a decline of 123,000 jobs in government; private payrolls increased by 317,000.
- Job gains for July were revised up by 38,000 to 1.09 million and Augusts' big decline in new jobs was revised up to 366,000 from the 235,000 first reported.
- Employment in leisure and hospitality remained led the job gain with 74,000 new jobs. Retail added 56,000 jobs.
- Construction payrolls reversed four months of decline with the sector adding 22,000 jobs.

* The economy needs to create about 120,000 new jobs each month to keep up with growth in the working-age population.

Job Openings Jump in July

US job openings rose by 749,000 to 10.9 million in July, soaring to yet another record high after rising by more than 900,000 jobs in June, according to the latest Job Openings and Labor Turnover Survey (JOLTS) from the US Bureau of Labor Statistics (BLS). Job openings rose in every region. Hiring slipped by 160,00 to 6.7 million. The overall quits rate was unchanged at 2.7%, but rose to 3.1% for the private sector, which is a leading indictor of wage growth. It was once again the highest number of job openings on record and up substantially from the pandemic low of under 5 million jobs. Economists polled by Reuters had forecast job openings would rise to 10 million in July. There were just 83 workers available for every 100 job openings in July. JOLTS is a lagging indicator, but is closely watched by the Federal Reserve and factors into decisions about interest rates and other measures.

Chicago PMI Falls to 64.7

The Chicago Purchasing Managers Index (Chicago PMI) fell to 64.7 in September after falling to 66.8 in August. It was the lowest reading for the index since February; however, it was also the 15th consecutive month the index remained in positive territory. Production dropped slightly to 60.7 and New Orders fell 3.4 points to 64.4, the lowest level since June. Prices Paid fell 3.2 points to a four-month low of 90.7. Companies reported fewer problems with labor but prices remained an issue. The special question for the month asked whether respondents had modified their supply chain strategy to deal with potential problems caused by the Delta variant. The majority (52.8%) said they had made alterations and adjustments. Looking back to when the series began in 1967, the PMI has ranged from 20.7 in June 1980 to 81.0 in November 1973.

Wholesale Prices Rise 0.7%

The Producer Price Index rose 0.7% in August after rising 1.0% in July and was up 8.3% year over year, the largest annual increase since the Labor Department began tracking inflation data in 2010. It was the eighth consecutive monthly increase in wholesale prices. Core inflation, which excludes the volatile food and energy categories, rose 0.1% in August after rising 1.0% in July and was up just 4.0% from August 2020. That marked a big slowdown from the 6.2% annual increase in July. Both the monthly and annual increases were below market expectations.

Q2 GDP Grows 6.7%

GDP grew 6.7% in the second quarter, up from both the first reading of 6.5% growth and the second reading of 6.6%, according to the third and final reading from the Commerce Department. Consumer spending grew at an upwardly revised 12% annualized rate, the fastest expansion since third quarter 2020 when the economy began to reopen. Business equipment investment was also up a solid 12.3%. Growth is estimated to have slowed to around 4% in the third quarter as the country dealt with the impact of the Delta variant and the end of many

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government support programs. For 2021 as a whole, a panel of forecasters with the National Association for Business Economics has projected growth of 5.7%. That would mark a solid bounce-back from a 3.4% annual drop last year, when the economy was in the grips of the pandemic. It would also represent the most robust annual growth since a 7.2% surge in 1984, when the nation was emerging from a deep recession.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 76

Builder confidence rose one point to 76 in September after falling five points to 75 in August, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The increase came after three consecutive monthly declines. The HMI hit an all-time high of 90 last November. Builders are still grappling with supply shortages, rising prices and long waits for materials, but the pace of single-family home construction has eased. The HMI index gauging current sales conditions rose one point to 82, the component measuring traffic of prospective buyers climbed two points to 61 and the gauge charting sales expectations in the next six months held steady at 81. Regional scores were mixed. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 6.0%

Overall building permits rose 6.0% in August to 1.73 million units annualized pace after dropping to an annual pace of 1.53 million units in July. Single-family permits increased 0.6% to 1.05 million units in August after dropping in July. Multifamily permits jumped 15.8% to 674,000 units in August after dropping to 413,000 units in July. NAHB noted that single-family homes permitted but not yet under construction are up 50% from August 2020, a sign of persistent supply chain issues. Regional permits were up on a year-to-date basis.

Housing Starts Rise 3.9%

Housing starts rose 3.9% in August to a seasonally adjusted annual rate of 1.62 million units after falling to 1.53 million units in July. Single-family starts fell 2.8% to a 1.08 million seasonally adjusted annual rate after falling to 1.11 million units in July. Single-family starts are up 23.8% year-to-date. The multifamily sector, which includes apartment buildings and condos, increased 20.6% to a 539,000 pace. NAHB reports that demand remains strong but the housing market overall is dealing with rising affordability issues. Combined single-family and multifamily regional starts were up year to date compared to 2020. Single-family starts are still expected to rise this year, but at a much slower pace than they did during 2020.

New Home Sales Rise 1.5%

New home sales rose 1.5% in August to a seasonally adjusted 740,000 homes in August and July sales were revised upwards. Sales were up 2.4% from August 2020. Inventory was at a balanced 6.1-months' supply, with 378,000 new single-family homes for sale, 74.3% higher than in August 2020. While inventory is rising, the share of homes not yet under construction is also going up, climbing to 28% from 21% in August 2020. The median sales price remained at $390,900, but was up 20% year over year. Regionally, new home sales were mixed. Year-over-year sales were up in all regions. NAHB cautioned that the jump in year-over-year sales is still due to the big slowdown in sales during the initial stages of the pandemic. 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 2.0%

Existing home sales fell 2.0% in August to a seasonally adjusted annual rate of 5.88 million units after rising to 5.99 million units in July and were down 1.5% from August 2020, according to the National Association of Realtors. The median price of a home sold in August fell slightly to $356,700 after dropping to $359,900 in July. Prices were still up 14.9% on a year-over-year basis, which marks some improvement from earlier this year when prices were up a record 23.6%. Year-over-year prices have risen for 114 consecutive months. Total inventories fell 1.5% to 1.29 million units after rising for the previous five consecutive months. Unsold inventory remained at a 2.6-month supply at the current sales pace, but was down from 3.0 months in August 2020.

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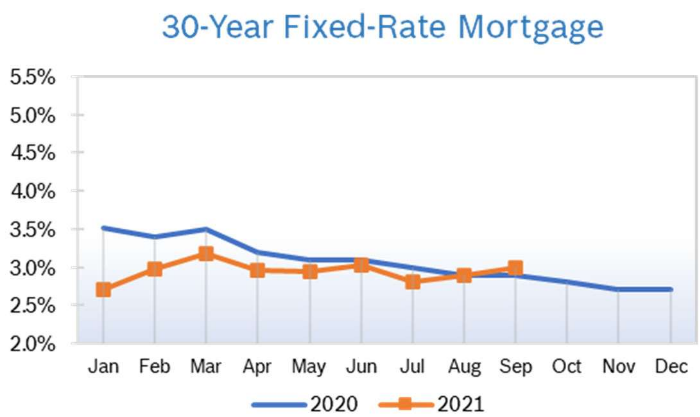
Regional Housing Data

	Northeast	**South**	**Midwest**	**West**
Builder Confidence*	72 (-2)	80 (-2)	68**	83 (-2)
Building Permits YTD	25.6%	25.6%	21.7%	28.2%
Housing Starts Y/Y	35.9%	20.2%	14.0%	28.1%
New Home Sales*	-1.0%	+4.5%	+4.4%	-2.3%
Existing Home Sales*	-1.4%	-3.0%	-1.4%%	-0.8%

* Year over Year **unchanged

Mortgage Rates Rise to 3.0%



- 30-year fixed-rate mortgages (FRM) rose to 3.0% at the end of September after rising to 2.9% at the end of August. Mortgage rates were 2.8% at the end of September 2020.
- Mortgage rates rose after several weeks below 3% as yields on 10-year Treasury notes reached their highest point since June.
- Yields rose after the Fed announced they will gradually taper their support of capital markets. Rates were also impacted by broadening inflation and continuing shortages of labor and materials.
- Fannie Mae still expects rates to continue to rise gradually in the second half of the year.
- Analysts caution that low inventories and rising home prices are making it difficult for many potential buyers to find a home.

POWER TOOL INDUSTRY

Stanley Black & Decker

SB&D is launching a 5-year, up to $25 million commitment to fund vocational skills training and reskilling programs in the construction and manufacturing sectors. Starting in October, nonprofits around the globe can apply for grants. There are currently 430,000 open construction jobs in the US alone and 10 million unfilled manufacturing jobs globally, due to the lack of skilled workers. The pandemic has further exacerbated this problem. SB&D is hoping to change misconceptions about skilled trade jobs, including the idea that the trades do not pay well. A report from Rock the Trades shows that many workers in skilled trades earn much more than the US national average salary of $53,000.

SB&D is acquiring Excel Industries for $375 million in cash. Excel is a leading manufacturer of commercial and residential turf-care equipment under the Hustler Turf Equipment and Big Dog Mower Co. brands. Excel serves 1,400 independent equipment dealers in the US and Canada and has about 600 employees.

SB&D renewed and expanded their partnership with Techstars. The theme for the 2022 Stanley + Techstars Accelerator will be electrification. Over the past three years the two companies have worked together accelerating startups focused on technologies such as 3D printing, bio-based materials, robotics, machine learning and artificial intelligence (AI). They have had applicants from 32 countries and helped graduates raise nearly $24 million. The 2022 Accelerator will run in-person from February 14 through May 12 at SB&D's global headquarters in Baltimore, Maryland. The program will be expanded to include collaboration with UpSurge Baltimore, which is dedicated to positioning Baltimore as an innovation hub.

RETAIL

Retail Sales Rise 0.7%

Retail sales rose 0.7% in August, well ahead of expectations for a 1.1% decline. The unexpected rise was led by a robust 5.3% increase in sales for non-store retailers, a category that includes online and catalog sales. The decline in sales for July was revised to 1.7%, greater than the 1.1% first reported. Retail

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sales were up 15% from August 2020 when pandemic restrictions impacted sales. Excluding automobiles, gasoline, building materials and food services, retail sales rebounded 2.5% last month after a downwardly revised 1.9% decline in July. These core retail sales correspond most closely with the consumer spending component of GDP. Building materials and garden supply stores were up 0.9% over July and up 8.8% year over year, and home store and furniture store sales were up 3.7% in August. Both increases are an indication that people are still spending money on their homes even though spending on services have increased since pandemic restrictions have eased. Seasonally adjusted US retail ecommerce sales for the second quarter rose 3.3% to $222.5 billion. The National Retail Federation forecast that 2021 retail sales will rise between 6.5% and 8.2%, which would beat the previous record growth rate of 6.3% in 2004.

The Home Depot

Goldman Sachs Global Retailing Conference:

Their business has grown $34 billion dollars over the past 6 quarters, a good indication that customers are very engaged with the industry. And the big picture for housing is very supportive of continued growth, with strong home price appreciation, aging housing stock and low mortgage rates. Consumers say they have long lists of projects and Pros report big backlogs.

The pandemic accelerated the millennial generation's engagement with the home and home improvement. Their research shows that as millennials take on and successfully complete projects they gain confidence and want to do even more.

They are committed to making investments that will allow them to continue to grow their share at an accelerated rate. They ended the second quarter at $660 in sales per square foot of sales space.
They are planning on their supply chain build-out being completed by the end of 2022. That will be the equivalent of adding approximately 200 stores to their network as far as driving sales goes. They will be able to serve 90% of the US population with any type of product, including big and bulky, either same-day or next day.

In the markets where the build-out is mature they are seeing higher tickets, greater share of spend and deeper engagement with Pros. They are able to supply Pros with products they don't carry in the stores, such as 20-foot pieces of lumber as well as job-lot quantities of things they do sell in the stores.

Larger Pros tend to be concentrated in urban environments where many pandemic restrictions were in place and people were very concerned about having anyone in their homes. Over the past four quarters business from Large Pros has improved as people became more comfortable. For the last two quarters Pro has outpaced DIY growth.

They are deeply involved with innovation and development by their key supplier partners. Innovation helps drive demand and encourages people to trade up for better features.

Technological advances, from cordless tools to cordless outdoor equipment to incredible new technology in appliances all contribute to growth. There are also innovations in building materials, including mold-resistant drywall, lighter drywall, insulation that adds higher R Values at less cost, faster-setting concrete at higher PSI levels and innovative floorings that look better and cost less.

In-stock levels are not what they would like them to be, but they have improved and are continuing to improve. Supplier fill rates fell way below where they need them to be but are improving now. Their suppliers have worked incredibly hard to satisfy demand.

They've grown inventory about $4 billion from last year's lows and their fill rate and in-stocks are improving. In a normal environment they would expect inventory to grow more slowly than sales, but they do not think that will be the case for quite some time. Last year they had 6+ inventory turns, which is unprecedented, and this year it is at 5+. But they believe it is headed back to a more normal level.

They've just concluded negotiations for capacity for domestic and ocean transportation. They were successful at securing higher capacity and were able to increase the percentage of goods that will be under a fixed rate. They expect constraints and challenges will probably continue through 2022.

They are definitely dealing with a different inflationary environment than they've had for the past several years that includes product costs, supply chain and wages.

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They evaluate how they are positioned against the market on a weekly basis against multiple competitors to make sure they really deliver the best value.

THD won't predict what the future will bring because there are many variables beyond their control. They believe their job is to make sure they stay flexible and able to deal with whatever happens.

They do not talk about digital penetration per se because they believe their job is to engage the customer over whatever platforms they choose. During the height of the pandemic their digital penetration peaked in the 20s; by the end of last year it was back down to about 14.5%, where it's been for the first half of 2021. When it's all said and done, the pandemic probably accelerated their digital growth by a year or two.

They have been working to pull back on the number and breadth of events and promotions and focus more on being the everyday best value. That was something they were actually focusing on pre-pandemic. When they do promotions they will have a more narrow focus, deliver deeper value and involve fewer SKUs over a shorter time span.

Lowe's

Lowe's is bringing holiday products into stores and warehouses earlier than originally planned as supply chain bottlenecks threaten to leave US stores with empty shelves during the holidays. US retailers have been scrambling to have enough inventory of key items and CV19 factory closures in Vietnam and port congestion have delayed products moving through the supply chain. Lowe's says they placed bigger orders for high-demand items with their suppliers and are in better shape now than they were six months ago

Walmart

Walmart is hiring 20,000 workers for their supply-chain operations ahead of the holidays. The new hires will be permanent positions, an indication of the growing role of distribution and delivery in Walmart's growth plans. Average wages for these workers will be more than $20 per hour. Walmart noted their warehouse workers make at least $15 an hour.

Walmart is planning to hire about 150,000 new US store workers in preparation for the busy holiday season ahead. Most of them are permanent and full-time positions. WM is also offering extra hours to current employees.

Ace Hardware

Ace Hardware, the largest retailer-owned hardware cooperative in the world, has opened 110 new stores in 2021 and is planning to open at least 60 more stores by the end of the year. Ace operates more than 5,500 locally owned hardware stores in all 50 states and 70 countries, with global sales topping $20 billion.

More than 10,000 people attended Ace's 2021 Fall Convention, held in-person in Orlando, Florida. The convention included 800,000 square feet indoors and another 150,000 square feet outdoors for grilling and outdoor power equipment. The outdoor space was twice the size of the one used at the last in-person convention in 2019. More than 3,300 Ace stores from all 50 states were represented. Ace reported that retailers were very excited to be able to network and be together in person. Show highlights included more than 15,000 new items, 1,200 vendor exhibits and 8,000 vendor deals, 50 live and virtual training sessions and many new programs. More than 5,500 attendees participated in a private Ace night at Universal Studios. Ace noted that the convention was on track to deliver record sales.

Amazon

Amazon wants to hire 55,000 people globally for tech and corporate roles. More than 40,000 of the open positions are at 220 locations in the US. Amazon reported that more than 500,000 people in the US and another 500,000 people around the world applied for jobs during their virtual Career Day event in mid-September.

Amazon increased their starting wages for warehouse workers to at least $18 per hour and announced they want to hire more than 125,000 warehouse and transportation workers in the US. In some locations they are paying signing bonuses up to $3,000 and wages as high as $22.50 per hour.

Amazon will mandate masks for all of their 900,000 warehouse workers in the US, regardless of vaccination status. Amazon said rising infections linked to the Delta variant were behind the mandate. Thus far Amazon has not required vaccinations, but has made getting them easy and given workers

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bonuses for getting vaccinated.

Amazon corporate staffers will not return to the office until January 3. Amazon had originally planned to start bringing people back in early September. The return timeline will also vary by location and country.

Amazon is trying to help their delivery partners attract more drivers by advising the mom and pops that operate the Amazon blue vans to prominently advertise that they don't screen applicants for marijuana use. Amazon says screening for marijuana cuts the prospective worker pool by up to 30%. They will only test for drugs like opiates and amphetamines.

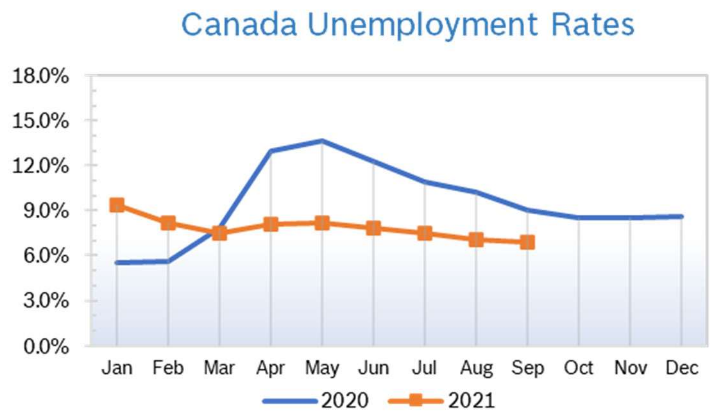
Amazon is partnering with Affirm, a payment system that allows consumers to choose a payment schedule up front and only charges simple interest, with no late fees or penalties. The service is viewed as an alternative to credit cards. Affirm is the power behind Shopify's Shop Pay installment plan.

Amazon has reportedly banned 600 Chinese brands across 3,000 seller accounts known for repeatedly and knowingly violating Amazon's policies and paying for fake reviews to boost sales. Amazon banned incentivized reviews in 2016, but many marketers have learned how to disguise their fake reviews as VIP testing programs.

Amazon is working on a new type of point-of-sale (POS) system that it would compete with US giants PayPal and Square and Canada's Shopify. The system, nicknamed Project Santos, would be marketed and sold to third-party sellers. The new POS system would deal with in-store and online transactions, add the Amazon checkout features and provide businesses with analytics, according to insiders who reviewed internal documents. A Buy Online, Pickup in Store (BOPIS) feature and a system that includes palm-scanning technology and cashierless transaction may also be included.

CANADA SNAPSHOT

Unemployment Drops to 6.9%



- The unemployment rate fell to 6.9% in September, marking the fourth consecutive month the unemployment rate declined. Unemployment peaked at 9.4% in January.
- Employment rose by 158,000 jobs, or 0.8%, in September, the fourth consecutive monthly gain in jobs.
- The labour force participation rate rose to 65.5% in September, on par with February 2020, the last month not impacted by the pandemic.
- Increases in employment were evenly split between the public and private sectors and concentrated in full-time work.
- Employment increased in six provinces in September: Ontario, Quebec, Alberta, Manitoba, New Brunswick and Saskatchewan.

Consumer Prices Rise 4.1%

The Consumer Price Index (CPI) rose 4.1% on a year-over-year basis in August, the fastest pace since March 2003, up from a 3.7% gain in July. The increase in prices mainly stems from an accumulation of recent price pressures and from lower price levels in 2020. Excluding gasoline, the CPI rose 3.2% year over year. The monthly CPI rose 0.2% in August, down from a 0.6% increase in July. On a seasonally adjusted monthly basis, the CPI rose 0.4%. Prices rose in seven of the eight major components in August and in every province. Statistics Canada is attempting to balance the impact of the pandemic by remov-

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ing items that were not available in March from the year-over-year comparisons.

GDP Drops 0.1%

Real GDP edged down 0.1% in July after expanding 0.7% in June. Total economic activity was 2.0% below February 2020's pre-pandemic level. Overall, 13 of 20 industrial sectors were up, led by strong growth in accommodations and food service as people traveled more and ate out.

Retail trade fell 1.1% in July, with 7 of 12 subsectors posting declines. Food and beverage stores (-3.3%) and building material and garden equipment and supplies dealers (-6.5%) were the biggest factors in the decline.

Construction contracted 0.9% in July. The third consecutive decline was largely due to a 2.7% drop in residential building construction. It was the third consecutive monthly decline after the category hit record-highs in April. Almost all types of residential construction activity were down, led by single-family homes and home alterations and improvements. Repair construction fell 1.6% while engineering and other construction activities rose 1.1%.

Interest Rates Steady

The Bank of Canada (BoC) held their target overnight interest rate at 0.25%, warning that the fourth wave of the pandemic and supply bottlenecks could weigh on the economic recovery. The news came after the economy contracted an annualized 1.1% in the second quarter. BoC also said they would raise interest rates before cutting their current program of buying bonds at a pace of $2 billion per week. However, they assured markets that the timing of any rate hike will depend on the pace of the economic recovery. The BoC is also studying the difficulties businesses are having hiring employees and planning to estimate the effects on the economy. The annual pace of inflation rose to 3.7% in July, the biggest increase since May 2011.

Housing and Construction News

Canada housing starts fell again in August, dropping to 283,971 units from 286,076 units in July, 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. Monthly housing starts fell 3.9% to 260,239 units in August.

Home sales fell 0.5% in August after falling 3.5% in July, according to the Canadian Real Estate Association (CREA) and were down 14% from August 2020. CREA noted that five consecutive months of dropping sales is an indication of continuing fatigue and frustration among buyers dealing with sky-high prices and a shortage of homes.

CREA said that home prices seem to be stabilizing at an unacceptably high level with very low inventory (2.2 months), continuing chronic shortages of building supplies and prices that are up an average of at least 20% year over year.

Analysts caution that fixed mortgage rates could begin to rise as soon as this fall and variable-rate mortgages could rise next year because bond yields have begun rising to pre-pandemic levels.

Home Sales Forecast

The Canadian Real Estate Association (CREA) lowered their forecast for home sales for this year and now predicts there will be 656,300 homes sold in 2021, up 19% from 2020 but down 4% from initial forecasts. Sales fell more rapidly than expected in the spring but immigration levels are rebounding and Canadian businesses closed during the pandemic are being allowed to reopen. CREA expects prices to rise 19.9% this year to an average of $680,000, up from initial forecasts of $678,000. CREA expects prices to rise 5.6% next year with the average price reaching $718,000 in 2022 and home sales falling by 12.1% to about 577,000 homes in 2022.

Retail Sales Fall 0.6%

Retail sales fell 0.6% in July to $55.8 billion after rising to $56.2 billion in June. Building material and garden sales dropped 7.3%, accounting for much of the decline. Much of the country continued to implement reopening measures in July which eased restrictions on both retailers and services. Sales decreased in 5 of 11 subsectors, representing 38.7% of retail trade. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, decreased 1.3%. In volume terms, retail sales decreased 1.1% in July. Sales restrictions were eased in many regions and sales were up in six provinces and 8 of 11 subsectors, representing 69.5% of retail trade.

Retail Ecommerce Sales Fall 19.5%

On a seasonally adjusted basis, retail ecommerce sales fell 19.5% in July. On an unadjusted basis, retail ecommerce sales were down 2.9% year over year to $2.9 billion in July, accounting for 4.6% of retail trade. The share of ecommerce sales in total retail sales fell 1.6% in July from June as restrictions eased and people ventured out to shop in person. It was the lowest share for ecommerce sales since February 2020.

Retail Notes

Amazon plans to hire 15,000 employees across Canada and increase wages to between $17 and $21.65 per hour from current starting wages of about $17 per hour. Existing employees will also receive an hourly increase between $1.60 and $2.20. A spokesperson for Amazon Canada said they are growing very rapidly and they want to stay focused on their customers. Amazon Canada currently has 25,000 employees in 25 communities across five provinces as well as 46 warehouses, logistics and delivery facilities, up sharply from 2020. Amazon is offering a $100 bonus for showing proof of vaccination but is not currently requiring Canadian employees to be vaccinated.

Lowe's Canada is now offering same-day delivery in more than 140 Lowe's, RONA and Reno-Depot corporate stores in major urban hubs in British Columbia, Alberta, Ontario and Quebec. Customers must order before 2:00 p.m. on weekdays and noon on Saturday.

Canadian Tire is acquiring a 25% stake in Ashcroft Terminal Limited, a provider of intermodal and transloading services including container storage, material handling and logistics.

MARKET TRENDS

Counterfeit Power Tools

CBS reported that consumers are being scammed by fake web retailers advertising DeWalt and Milwaukee brand tools and storage chests for well below retail. A 10-piece set of tools from DeWalt that should retail for about $1,000 was advertised at $95. The problem has become so severe DeWalt posted a warning about the scams on their website. Storage chests and other tools are similarly priced far below retail. Reportedly, consumers who order these tools receive cheap Chinese imitations. CBS recommended purchasing tools from legitimate retailers such as The Home Depot and Lowe's.

Persistent Inflation Blamed on Supply Chain Problems

Fed Chairman Jerome Powell believes the current bout of higher-than-normal inflation could last into early next year, because supply chain bottlenecks are getting worse rather than clearing up as he had hoped. Shortages of parts and materials are affecting availability and prices throughout the supply chain. Retailers are warning that holiday gifts, especially electronics and toys, may be hard to come by. Shipping and delivery services from the US Post Office to FedEx and UPS are all raising prices and extending delivery times. While Powell said it is very difficult to gauge how long this current bout of inflation will last, he continues to believe that inflation will cool off in 2022 as shortages ease.

Suburbs and Exurbs Growing Fastest

Home construction is continuing to shift from high-density metro areas to more affordable regions, according to the latest Home Building Geography Index (HBGI) from the National Association of Home Builders (NAHB). Lower land and labor costs and fewer regulatory hoops to jump through are making these markets more appealing to builders. More affordable housing is making them more appealing to prospective homeowners. In addition, the migration out of densely packed cities and expanded teleworking are providing an influx of badly needed labor. The growth is most pronounced in the multifamily residential market, but single-family home construction is also creeping up in these more affordable areas and slipping in the most expensive counties. Exurbs and outer suburbs of medium-sized cities accounted for 18.1% of single-family construction in the second quarter, a market share gain of 0.8% since the fourth quarter of 2019. Over the same time single-family construction in core areas of large and medium-sized metros dropped 1.2%.

Associations Dominate New Homes

According to data from the Census Bureau's Survey of

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Construction (SOC), 67.1% of single-family homes started in 2020 were built within a community or homeowner's association. This is a record high for the association percentage since the redesign of the SOC in 2009. The share of all new homes built within a community or homeowner's association declined slightly in 2019, but otherwise has been trending up consistently from 47.6% in 2009 and reaching at least 50% by 2011. The percentage of homes being built within HOAs varies greatly by region, accounting for 80%+ of new construction in the Mountain and South Atlantic regions to a low of just 26.8% in the Mid-Atlantic.

Contractors Struggle with Shortages of Skilled Craft Workers and Materials

Contractors are struggling to find enough skilled craft workers as well as deal with pandemic-induced project delays and supply chain disruptions, according to a workforce survey from the Associated General Contractors of America and Autodesk. Almost nine out of ten surveyed contractors reported they are having difficulty finding craft workers this year, compared to 52% last year. In addition, 88% of the more than 2,100 participating decision-makers from a range of several contractor types said they are experiencing project delays and nearly all, 93%, said their businesses have been affected by rising materials prices. The survey went on to note that contractors believe the industry needs to take a more active role in showing young workers and workers who want to change careers that the skilled trades have a lot to offer. The overall construction industry lost 587,000 jobs in 2020 when the COVID-19 pandemic hit the economy. Recovery has been fairly steady since, but the industry is still far short of full employment as home building and related construction activities play an increasingly important role in the broader economy.

Combatting the Worker Shortage

Job openings are at a record high, and companies in many industries are facing worker shortages. Recruiting and retaining employees has been particularly tough for frontline jobs in manufacturing and distribution and for businesses that interface with the public where working remotely is not an option. Flexible schedules, hybrid jobs, on-the-job training, opportunities for continuing education and retraining for the jobs of tomorrow are all becoming the norm.

Amazon offered to pay the cost of a four-year college education for 750,000 of their frontline workers as part of an extensive array of benefits and programs designed to attract and retain staff during the current labor shortage. They'll cover tuition fees and textbooks after someone has been employed at least 90 days as long as they remain on the payroll. Amazon will pay when the expenses are due rather than requiring employees to foot the bill and then submit for reimbursement. Amazon will also begin covering the cost of other types of education, including high school diplomas and English-language courses, as well as extending on-the-job career training to 300,000 people.

Many companies in transportation and logistics are offering signing bonuses, raising their pay scale and getting more creative about recruiting. Trade organizations and unions are promoting the skilled trades in high schools. While 18-year-olds can get a commercial driver's license in many states, they can't drive on the interstate until they're 21. Now there is a move underway to lower that age requirement to 19.

Companies of all types and sizes are using social networking sites like Facebook and Twitter to advertise job openings and recruit potential employees. LinkedIn, Facebook and Twitter were all rated as highly effective by more than 50% of HR managers responding to a recent survey by the Society for Human Resource Management, with LinkedIn getting a thumbs-up from 67% of respondents. In addition, companies post company info, job openings, tips and advice for applying, plus information about what it's like to work for the company on their Facebook pages and social media sites.

Technology adoption is on the rise, with 57% of respondents to a survey by Associated General Contractors reporting their use of technology has increased over the past twelve months. Nearly 60% of respondents expect it to continue to increase as they look for ways to streamline bidding, document management, workforce management, site inspections and site and worker safety.

National Shipper Advisory Committee

Some of the largest and most powerful companies in the US will now have a say in shaping transportation policy, thanks to a new committee formed by the Federal Maritime Commission (FMC). FMC Chairman Daniel Maffei said that the commissioners need rapid access to the perspectives of import-

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ers and exporters on the ground who are dealing with the realities of ocean shipping every day. Among the members of the new committee are representatives from Amazon and Walmart. The committee will consider many factors, including commodities shipped, ports used, geographic areas served, origins of cargo and other relevant factors. The current members will serve until the end of 2024. The advisory panel was formed as companies deal with persistent bottlenecks at ports and extended shipping delays. Many shippers have complained that carriers are taking advantage of the unprecedented pandemic-driven demand for carriers' services by raising prices to a level that goes well beyond increased costs.

Beating the Pandemic

A tough program to encourage America to get vaccinated to protect themselves from CV19 was rolled out in early September by President Biden. The plan mandates vaccinations for all Federal employees, all hospital personnel at hospitals that receive any funding from Medicare and requested that OSHA use its power to require companies with more than 100 employees to require vaccinations. There are some exceptions as well as an option for weekly testing in lieu of being vaccinated in some circumstances.

The measures apply to about two-thirds of all US employees who work for businesses with more than 100 employees. Some companies immediately applauded the measure, including Amazon. Microsoft and Facebook noted that they already required employees to be vaccinated. The National Association of Manufacturers, the largest US industry group, said that getting eligible Americans vaccinated is an economic imperative and they will work with the administration to ensure that the mandate does not interrupt operations. President Biden's plan requires companies to give employees paid time off to get vaccinated or provide an opportunity on-site. A Gallup poll in late August showed that 55% of Americans supported vaccine mandates; an AP poll showed about 50% support from the public.

Over half of the employers (52%) expect to have vaccine mandate requirements in the workplace by the fourth quarter of 2021, according to a nationwide poll by ABC News. At the time of the poll in mid-August 21% of firms had some type of vaccine mandate in place for employees.

The polls done post-mandate also show the majority of Americans support a mandate, but there are deep divisions along party lines. Many companies and local governments are offering incentives for employees to get vaccinated. The plan also includes making discounted over-the-counter rapid tests available at Amazon, Walmart and Kroger.

Many large retailers are also reinstating mandatory mask policies for employees and customers regardless of vaccination status in CV19 hot spots, including Walmart, Sam's Club and Target.

Amazon Dethrones Walmart

Amazon became the world's largest retailer outside of China according to corporate and industry data, as Amazon customers spent more than $610 billion over the 12 months that ended in June, 2021. Walmart reported global sales of $566 billion for the same period. Numbers were analyzed by financial research firm FactSet. The largest retail seller in the world remains China's Alibaba; neither Walmart nor Amazon are dominant forces in the Chinese market. Wall Street analysts also noted that as the new leading player, Amazon will inherit Walmart's unwelcome characterization as "the Big Bad Wolf" that puts other retailers out of business.

Top Spender on Artificial Intelligence

The retail industry will soon take over the top spot for spending on artificial intelligence (AI). Companies including The Home Depot and Walmart are turning to AI for a wider variety of operations, from inventory management to more personalized online search and shopping, according to market research firm International Data Corp. The global retail sector is expected to spend $11.8 billion on AI this year, up from $9.36 billion in 2020. Spending in the sector is expected to grow at a compound annual growth rate of 25.5% between now and 2025. Retailers who want to take advantage of the growth in ecommerce that was jump-started by the pandemic are increasing their AI spending. They're hoping that better understanding their customers and improving the customer experience will help them boost sales.

Retail Customer Loyalty Scores

Walmart has the most loyal customers in the US, with a loyalty score of 3.22, according to a report from InMarket that identified the top ten retailers in the second quarter of 2021. Rank-

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ings were based on customer loyalty, which was defined as average return visits per customer. Also in the top ten were Lowe's, Target, The Home Depot, Dollar General and Sam's Club. The report went on to note that many of the investments retailers made to serve customers during the pandemic greatly increased loyalty, including curbside pickup, speedier deliveries and expanded online and brand offerings.

Holiday Retail Sales Forecasts

US holiday retail sales are expected to increase between 7% and 9% in 2021, according to Deloitte's annual holiday forecast. Deloitte projects that holiday sales will total $1.28 to $1.3 trillion between November and January. They also forecast that ecommerce sales will grow by 11% to 15% year over year, which would result in online sales of $210 to $218 billion. Last year's holiday sales were stronger than expected, growing by 5.8%. Deloitte believes that spending will be strong across all channels, both in stores and online. However, they do believe that some spending on services and experiences will return and that gift cards will continue to rise in popularity.

Retailers are working hard to bulk up inventory ahead of the holidays so they don't miss sales. The media is already warning consumers about holiday shortages and shipping delays and urging people to start their shopping immediately. Retailers' efforts to push more goods to stores and warehouses follows a drop in inventories over the past year. Many retailers pulled back orders in the early months of the pandemic and have been dealing with shortages and supply chain backups as they try to restock. According to several surveys, about 40% of consumers have already started their holiday shopping.

The ratio of US retailers' inventories to sales fell this spring to the lowest level in US Census Bureau records dating to 1992, and the measure has ticked up only slightly even as record volumes of container imports have flowed into the U.S. Jason Miller, an associate professor of logistics at Michigan State University's Broad College of Business, said the declining inventory measure has been driven by strong sales in consumer goods and shortfalls in specific categories

The Post Office, UPS and FedEx are all telling people to ship early and expect holiday surcharges and shipping delays. The Post Office will add a surcharge to most packages sent between October 3rd and December 26th.

Inmar Intelligence reports that 60% of respondents to their latest holiday survey plan to spend at least $400 on gifts this holiday season. About half say they'll take advantage of Black Friday and Cyber Monday deals to make their holiday dollars go farther. A majority of respondents plan to host holiday gatherings. About one-third do not plan to travel, but will celebrate at home.