

# Market Briefing

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Bosch | Dremel  
 RotoZip | Vermont American  
 CST/berger | freud | Sia

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## US ECONOMY

### Exchange Rates March 31, 2022

<b>Euro</b>	1 Euro = \$1.110	\$1.00 = 0.901 Euros
<b>Canadian Dollar</b>	1 CAD = \$0.801	\$1.00 = 1.249 CAD
<b>Japanese Yen</b>	1 Yen = \$0.008	\$1.00 = 121.391 Yen
<b>Chinese Yuan</b>	1 Yuan = \$0.158	\$1.00 = 6.341 Yuan
<b>Mexican Peso</b>	1 Peso = \$0.050	\$1.00 = 19.918 Pesos

### Market Watch March 31, 2022

<b>DOW</b>	34,678	2.3%
<b>NASDAQ</b>	14,221	3.4%
<b>S&amp;P 500</b>	4,530	3.6%

All three major indexes lost ground in the first quarter but finished the month of March in the black. Continued uncertainty about high energy prices, inflation and the impact of the Ukraine war weighed on markets all month, along with the Fed's statements that despite the conflict, further interest rate hikes will be necessary to curb inflation.

### Consumer Spending Rises 0.2%

**Consumer spending rose just 0.2% in February** after rising an upwardly revised 2.7% in January, up significantly from the 2.1% increase first reported. Spending on services jumped 0.9% as CV19 infections declined and demand for services like dining out, hotels, travel and entertainment rose. Spending on goods declined 1.0% after jumping 9.5% in January. Core consumer spending rose 0.4% after rising an upwardly revised 2.1% in January. Personal income rose 0.5% in February with wages rising 0.8% and the savings rate climbing to 6.3%.

### Consumer Prices Rise 0.8%

**The Consumer Price Index (CPI) rose 0.8% in February** after rising 0.6% in January and was up 7.9% year over year. It was the largest year-over-year increase in forty years. Core inflation, which excludes the volatile food and energy categories, rose 0.5% in February after rising 0.6% in January and was up 6.4% year over year. Prices increased across most categories, with

the price of gas up 38% from a year earlier. The core PCE, which omits volatile food and energy costs, rose 0.4% in February after rising 0.5% in January and was up 5.4% year over year, the sharpest annual increase in the core rate since 1983. The core PCE price index is the Fed's preferred measure for its 2% inflation target, which is now a flexible average.

### Consumer Confidence Rises to 107.2

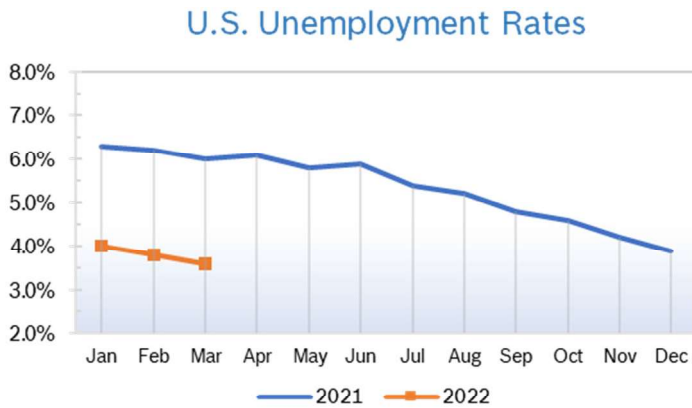
#### Consumer Confidence Index



- ▶ The New York-based Conference Board's Consumer Confidence Index inched up to 107.2 in March after falling to a downwardly revised 107.0 in February.\*
- ▶ The Present Situation Index, which is based on consumers' assessment of current business conditions, rose to 153.0 from a downwardly revised 143.0 in February.
- ▶ Expectations for the next six months fell to 76.6 in March after falling to a downwardly revised 80.8 in February.
- ▶ Concerns about inflation and the war in Ukraine are weighing on confidence.
- ▶ Consumer Confidence 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.

## Unemployment Falls to 3.6%



- ▶ The unemployment rate fell to 3.6% in March after falling to 3.8% in February. Unemployment was 3.5% at the start of the pandemic in March 2020.
- ▶ The economy added 431,000 new jobs,\* slightly below expectations. Job numbers for January and February were revised up by 95,000 jobs.
- ▶ The economy added an average of 562,000 new jobs each month during the first quarter.
- ▶ The economy is now just 1.6 million jobs short of where it was in February 2020 before the onset of the pandemic.
- ▶ It was the 11th consecutive month the economy gained 400,000 or more jobs, the longest stretch of such gains on records dating back to 1939.
- ▶ Construction added 19,000 jobs in March. Employment in the sector is now back to pre-pandemic levels.
- ▶ Retail added 49,000 jobs in March; the sector now employs 278,000 people more than in February 2020.
- ▶ Average hourly earnings for all employees on private non-farm payrolls rose by 13 cents to \$31.73 in March. Over the past 12 months, average hourly earnings have increased by 5.6%.

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

## Job Openings Fall Slightly

**Job openings fell slightly in February**, dropping to 11.27 mil-

lion jobs from an upwardly revised 11.28 million in January, according to the most recent Job Openings and Labor Turnover Survey (JOLTS). Openings have topped 10 million for eight straight months. The tight job market means wage pressures and inflation will persist, although the war in Europe and plunging stock prices may slow down demand. Hiring jumped by 263,000 jobs after inching up in January but was nearly a million jobs below February 2021 numbers. The quit rate remained high, but the number of small businesses planning to hire over the next six months has fallen from 32% to 19%. Hourly earnings were unchanged in February. The job market remains exceptionally tight, with employers offering bonuses to new hires as well as incentives to keep current employees.

## Chicago PMI Rises to 62.9

**The Chicago Purchasing Managers Index (Chicago PMI) rose to 62.9 in March** after falling to 56.3 in February. It was the 21st consecutive month the index remained in positive territory. The reading was well above expectations. A PMI number above 50 signifies expanded activity over the previous month. The increase reversed a downward trend that started last May, when scarcity of supply amid booming demand began having an impact. 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 0.8%

**The Producer Price Index rose 0.8% in February** after rising an upwardly revised 1.2% in January and was up 10% year over year, the third consecutive record-setting monthly increase. Core inflation, which excludes the volatile food and energy categories, rose 0.2% in February after rising 0.8% in January and was up 8.4% from February 2021. It was the biggest monthly gain in the price of goods since data going back to 2009, with two-thirds of the increase due to rising energy prices.

## Q4 GDP Revised to 6.9%

**Economic growth for the fourth quarter was revised back down to 6.9%** after being revised up to 7.0%. This was the third and final reading from the Commerce Department. Consumer spending grew 2.5% rather than the 3.1% previously estimated. Exports also fell more than first reported. Inventory restocking added nearly 6% to Q4 figures; that is expected to have slowed considerably in the first quarter. For all of 2021, GDP grew

5.7%, the fastest rate of growth since GDP surged 7.9% in 1984 in the aftermath of a severe recession. Many economists predict that Q1 GDP growth will slow to less than 1.0% before rebounding and growing a healthy 3% to 4% this year.

## Fed Raises Interest Rates 0.25%

The Federal Reserve raised interest rates by a quarter percentage point to a range of 0.50% - 0.75% and signaled they expect a total of seven rate hikes this year to help get inflation under control. Later in the month Fed Chair Jerome Powell said that the Fed is prepared to be more aggressive if inflation does not go down as hoped, and could increase rates by more than 0.25% at some meetings. The Fed expects inflation to drop to about 4.3% by the end of the year, still well ahead of their goal of 2%. Seven rate increases is more than twice the number markets were expecting when the Fed released projections last December. Fed officials said that the invasion of Ukraine by Russia is causing tremendous economic and human hardship and the implications for the US economy are highly uncertain. Regardless, in the near term the war will most likely continue to create additional upward pressure on inflation and depress economic activity. The events in Ukraine upset several months of careful planning by the Fed, which is trying to cool down the economy without triggering a recession. Rising interest rates cool the economy because higher rates increase the costs associated with a wide range of lending as well as the types of investments businesses make to grow.

## HOUSING & CONSTRUCTION

### Builder Confidence Falls to 79

Builder confidence fell three points to 79 in March after falling to 82 in February, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The HMI hit an all-time high of 90 last November. The decline marked the first time the HMI has been below 80 in six months. Ongoing lumber and building material supply side constraints, rising construction costs and expectations of higher interest rates continue to negatively affect builder sentiment even as buyer demand remains relatively solid. The HMI index gauging current sales conditions fell three points to 86, the index measuring sales expectations in the next six months fell 10 points to 70 and the index charting buyer traffic rose two points to 69.

Regional scores remained mixed. Any number over 50 indicates that more builders view the component as good than view it as poor.

### Building Permits Fall 1.9%

Overall permits fell 1.9% in February to 1.86 million annual units after inching up to 1.90 million units in January. Single-family permits were essentially unchanged at 1.21 million annual units. Multifamily permits dropped 4.4% to 652,000 annual units after dropping to 694,000 units in January. There are now 799,000 single-family homes under construction, a 28.3% year-over-year gain. Regional permits were mixed year to date.

### Housing Starts Rise 6.8%

Housing starts rose 6.8% in February to a seasonally adjusted annual rate of 1.77 million units after falling to 1.64 million units in January. Starts were up 22.3% from February 2021. Single-family starts rose 5.7% to 1.22 million units after falling to 1.12 million units in January. Multifamily starts rose 9.8% to 554,000 units and were up 9.3% from February 2021. Regional starts were mixed. The number of single-family homes under construction continues to rise as supply chain log jams prevent homes from being completed. Rising costs combined with mortgage rates that are creeping up are making housing less affordable and pricing more first-time buyers out of the market.

### New Home Sales Fall 2.0%

New home sales fell 2.0% in February to a seasonally adjusted annual rate of 772,000 homes after falling to a downwardly revised reading in January. New home sales are down 6.2% from February 2021. New single-family home inventory was up 33.0% over last year, rising to a 6.3 months' supply, with 407,000 homes available for sale. However, just 35,000 homes are completed and ready to occupy. The median sales price rose to \$400,600 in February, and is up 10.6% compared to a year ago even as residential construction material costs are up 20% over the same period. Rising mortgage rates and construction costs depressed sales even though demand remains strong. Regional new home sales were mixed. 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 7.2%

**Existing home sales fell 7.2% in February** to a seasonally adjusted annual rate of 6.02 million units after jumping to 6.5 million units in January, according to the National Association of Realtors. Sales were down 2.4% from February 2022. The inventory of unsold existing homes increased slightly to 870,000 homes, a 1.7-months' supply, after falling to an all-time low of 860,000 in January. The median existing-home sales price was up 15.0% year over year to \$357,300. Year-over-year prices have risen for 120 consecutive months. Properties were on the market for an average of just 18 days in February, with homes priced under \$500,000 being snapped up in even less time. Existing home sales fell in all regions.

## Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	69 (-7)	83 (-3)	72 (-1)	90 (+1)
Building Permits YTD	22.7%	-5.5%	-8.4%	2.1%
Housing Starts Y/Y	28.7%	11.4%	15.3%	-11.4%
New Home Sales*	59.3%	-1.7%	6.3%	-11.2%
Existing Home Sales*	-11.5%	-5.1%	-11.3%	-4.7%

\* Year over Year    \*\*unchanged

## Mortgage Rates Rise to 4.67%



- ▶ 30-year fixed-rate mortgages (FRM) rose to 4.67% at the end of March after rising to 3.9% at the end of February. Mortgage rates were 3.17% at the end of March 2021.
- ▶ Mortgage rates ticked up all month, driven by rising inflation, geopolitical uncertainty and expected rate increases from the Fed. Rates hit their highest point since 2018.
- ▶ Rising rates have not yet impacted demand. Often pending rate increases push up demand as fence-sitters decide to take action before rates climb higher.
- ▶ Mortgage rates remain affordable, but lean inventories are driving up prices.
- ▶ Freddie Mac expects home price growth to remain firm before cooling off later this year.

## POWER TOOL INDUSTRY

### Robert Bosch Tool Corporation

**Bosch severely restricted their business in Russia in response to the war on Ukraine.** The restrictions will apply to both deliveries to Russia and manufacturing operations there. Bosch is also no longer supplying truck components to Russia and Russian customers. Bosch launched an investigation after finding indications that Bosch parts had been misused in “non-civilian applications.”

**Bosch is acquiring Kassow Robots**, a Denmark-based developer of 7-axis collaborative robotic arms (cobots). Financial terms were not disclosed. The acquisition is expected to close later this year.

## Stanley Black & Decker

**SB&D shut down their operations in Russia** March 10 in support of Ukraine's resistance to Russia's attempted takeover of the country. SB&D also donated \$1 million to the UN's Refugee Agency, UNICEF and the Red Cross. SB&D has about 100 employees in Russia and generates about \$150 million in annual revenue. CFO Don Allan told analysts that SB&D's Russian business has been dramatically devalued due to the decline of the Russian ruble amid economic sanctions imposed by the US and other countries.

**SB&D signed a virtual power purchase agreement (VPPA) with ENGIE North America**, a global leader in low-carbon energy solutions, to develop new wind energy in Texas. SB&D expects the VPPA to deliver the equivalent of 54 megawatts of new wind power capacity or 205,000 megawatt hours of renewable electricity annually.

## TTI/Techtronic Industries

**TTI reported 2021 sales of US \$13.2 billion**, an increase of 34.6%. Over a two-year period TTI outperformed the market with 72.2% sales growth, according to CEO Joseph Galli.

**Organic sales for the full year were up 34.6%** to US \$3.4 billion. Gross margins increased for the 13th consecutive year, rising from 38.3% in 2020 to 38.8% in 2021.

**North America grew 33.7%**. The Power Equipment business, representing 90.6% of sales, grew 37% to US \$12.0 billion.

**Milwaukee, Ryobi DIY and Ryobi Outdoor all achieved double-digit growth**, outperforming the market. Galli said that this year they will continue making substantial investments in the business. Milwaukee sales were up 77% compared to 2019.

**Galli said TTI reinvested much of their gross margin back into SG&A** to drive more R&D, more new products, more geographic expansion and more in-store coverage with key partners such as the Home Depot.

**Galli challenged SB&D directly several times, stating that TTI was vastly superior to SB&D** in investing in the future and blaming SB&D for laying off more than 1,000 employees to beef up their bottom line.

**TTI made a conscious decision to "weaponize inventory,"** meaning they saw the logistics challenges that were increasing around the world during the early days of the pandemic and decided to go on the offensive. According to TTI, their customers complained that TTI's competitors were not shipping at a 98% service level, which Galli stated is what their customers demand.

**In order to take advantage of opportunity, last year they built \$1.6 billion in inventory** over the previous year and now have 14 days of rear-looking inventory. They would have built more inventory if they could have gotten enough semiconductors and cells.

**TTI's competitors have also increased inventory, but they're doing it because they're acquiring companies** with dated technology, and according to TTI, they are sitting on piles of inventory that should be called excess or perhaps is hard to sell.

**They believe strongly that TTI will grow double digits this year**, perhaps even more. They had a firm target of \$20 billion in revenues by 2025 but now think they will achieve that goal by 2024.

**They see a lot of growth opportunity in battery-powered outdoor equipment.** They don't sell to Lowe's, they have an exclusive relationship they value with The Home Depot. Their business with The Home Depot was up 72% in the last quarter and 174% for the year.

**They think investing in gas-powered outdoor equipment is short-sighted** as using it will become illegal in many places.

**They are still in the embryonic stage of rolling out what Galli described as transformative**, revolutionary, once-at-a-generation products that will change the way people maintain their yards and anything outdoors.

**They are going to launch 70 new Ryobi battery products in 2022.** They will have 41 battery-powered Ryobi mowers on the market this year, all made in the USA in their state-of-the-art new factory in South Carolina.

**They will focus on battery-powered outdoor equipment.**

Rather than trying to integrate gas into cordless, they are just going to develop cordless. They plan to have 977 degreed engineers and many electrical engineers and software development engineers on board by the end of 2022. Two years ago, when they started talking to Home Depot about developing a serious relationship for outdoor products, they had 361 engineers. Last year, they hired 442 engineers. This year they will add another 144 engineers.

**For power tools, they do not believe that Pro will dominate the market** now that the pandemic is waning. They strongly believe DIY remains an enormous opportunity. The cordless Pro market is also strong.

**Milwaukee grew 41% last year** and North America grew 38%, which Galli termed “disappointing.”

**They have developed a global leadership position in industrial-grade, high-performance power tool accessories.** Five years ago, they bought a Wisconsin company doing \$20 million a year; this year it will be \$100 million.

**Their PPE Safety initiative is going well** and they are going to start making protective hats in the US that can be customized by contractors so they can track their people.

**They are also going to focus on the hobby/craft and woodworking markets** and believe there is good business to be had there.

## RETAIL

### Retail Sales Rise 0.3%

**Retail sales rose a modest 0.3% in February** after jumping an upwardly revised 4.9% in January. Despite rising wages, inflation is really taking a bite out of household budgets and crimping spending. Ecommerce spending fell 3.7% from January but was up 14% from February 2021. Many retailers are bracing for how the war will impact supply shortages, with reports already surfacing of limited supplies of wheat, vegetable oils, and electronic components like chips that will likely send prices higher. In addition to the Russian invasion, rising COVID-19 cases and renewed restrictions in China could intensify supply chain is-

sues. Core retail sales crept up 0.2%, leaving the Commerce Department to refer to them as “virtually unchanged.” Core retail sales correspond most closely with the consumer spending component of GDP.

### The Home Depot

**THD plans to open 150 stores in Mexico by 2026**, according to Esmerk Latin American News. THD currently operates 129 stores in Mexico.

**THD invested \$100,000 in the Launch Program of Ladies Who Launch (LWL).** LWL became a nonprofit in 2017 and is dedicated to elevating and empowering women and non-binary business owners and entrepreneurs. They support business owners by providing educational resources, funding, mentorships, networking and community.

**THD’s partnership with Women Who Code is creating opportunities in technology-driven careers.** THD says they are committed to advancing diverse representation and that the hard work of technology associates plays a big part in the company’s success.

### Lowe’s

**HGTV’s “Build It Forward” debuted in March.** The network’s limited series profiles five homeowners who are surprised with a Home renovation using Lowe’s products, supplies and materials. The five-part series draws inspiration from Lowe’s 100 Hometowns campaign. That \$10 million initiative chose 100 high-impact projects from across the country in recognition of Lowe’s centennial. Lowe’s felt some of the stories were so moving and rich they deserved to be told in a longer format. Lowe’s also announced they will build on the 100 Hometowns program with a new initiative. They’ll invest \$100 million into the communities Lowe’s serves over the next five years, their largest commitment of this kind ever. Plans call for Lowe’s to complete 9,000 community-oriented projects across America through 2026. In addition, a five-part digital series call “Build it Forward: Making Good” will take a deeper look at the community organizations and the impact of projects.

**Lowe’s reports that stores were set for the spring rush well in advance of the season** because they brought in inventory much earlier than usual. They will be hosting their second annual SpringFest, featuring DIY workshops both in store and via

livestream that will focus on skills such as building and planting a raised garden bed and creating a beautiful lawn. Lowe's will also offer 30-minute in-store walking tours through lawn and garden on Tuesdays and Thursdays beginning in mid-April and will give away one million seeds in advance of Earth Day, April 22.

## Walmart

**Walmart plans to hire more than 50,000 U.S. workers this quarter** for a variety of roles in stores, clubs, supply chain and corporate tech. Walmart's starting wage is now as high as \$30 an hour for select roles in certain markets.

## Amazon

**Amazon plans to close all their physical bookstores as well as their 4-star shops and Pop-Up stores** and focus more closely on their Amazon Fresh, Whole Foods Market, Amazon Go, Amazon Style stores and their Just Walk Out technology.

**Amazon closed on their deal to acquire movie/TV blockbuster studio MGM** for \$8.5 billion. The iconic, nearly century-old studio has more than 4,000 film titles, 17,000 TV episodes, 180 Academy Awards and 100 Emmy Awards.

**Amazon will collaborate with the US government to develop new technologies to reduce plastic pollution** through innovation in materials and recycling. Amazon will join the BOT-TLE consortium (Bio-Optimized Technologies to Keep Thermoplastics out of Landfills and the Environment), which is supported by the US Department of Energy. The goal is to find solutions for today's plastics management as well as to ensure that tomorrow's plastics are recyclable from their design phase. They will also work on a new energy-efficient technology capable of breaking down different types of plastics and converting them into materials that can be used in the production of new plastics.

## CANADA SNAPSHOT

### Unemployment Falls to 5.3%



- ▶ The unemployment rate fell by 0.2% in March to 5.3%, the lowest rate on record since comparable data became available in 1976. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment rose by 73,000 in March, driven by a big increase in full-time work. Gains were concentrated in Quebec and Ontario.
- ▶ Employment rose in both goods and service industries.
- ▶ All capacity limits and proof-of-vaccination requirements were lifted in Ontario, Manitoba, Alberta and Quebec prior to the week in March when data was collected. Since then, provinces have continued to ease covid restrictions.
- ▶ Employment rose by 14,000 (+0.9%) in construction in March, the fourth consecutive monthly increase in the industry. Nearly all of the gains were in Ontario. From January to March, construction (+24,000) accounted for just under half of the net employment gains.
- ▶ With the labour market tightening, average hourly wages for employees rose 3.4% (+\$1.03) on a year-over-year basis in March, up from 3.1% in February. Average hourly wages grew 2.4% year over year.



## Consumer Prices Rise 5.7%

**The Consumer Price Index (CPI) rose 5.7% year over year in February** after rising 5.1% in January, according to Statistics Canada. It was the second consecutive month the CPI has been over 5%; the last time the CPI was over 5% was in 1991. It was the eleventh consecutive month that inflation has exceeded the Bank of Canada's (BoC) target range of 1% to 3%. Price increases were broad-based in February. Excluding gasoline, the CPI was up 4.7% year over year in February. On a monthly basis the CPI was up 1.0%, the largest monthly increase since 2013. Supply chain disruptions, extreme weather events and labour shortages all contributed to the increase. Shelter costs jumped 6.6% year over year.

## Bank of Canada Raises Rates

**The Bank of Canada (BoC) raised interest rates in March by 25 basis points to 0.5%.** The increase was widely expected. Economists say it will take multiple interest rate increases before borrowing costs rise enough to impact the housing market. For most of the pandemic, there have been multiple bids on every property, something that was previously very uncommon.

## Housing and Construction News

**Canadian housing starts rose 8% in February** to 247,256 units, beating analysts' expectations after starts fell in January. However, the six-month moving average of 251,579 units was about 1% below the six-month average in January, according to Canada Mortgage and Housing Corporation (CMHC). Toronto was the only market among Canada's three largest cities to see housing starts rise; the increase was largely driven by condo and multi-unit starts. Supply chain issues and labour shortages have brought some developments to a standstill.

**Home sales in January fell 10.7%** to 33,166, according to the Canada Real Estate Association (CREA). On a seasonally adjusted basis, home sales in January were up 1.0% compared with December. The number of newly listed homes fell 11% month over month in January. The national average home price was a record \$748,450 in January, up 21% from a year earlier. Excluding Greater Vancouver and Greater Toronto, two of Canada's most active and expensive housing markets, reduces the national average price by almost \$160,000.

## Retail Sales Rise 3.2%

**Retail sales rose 3.2% to \$58.9 billion in January** after falling to \$57.0 billion in December. Sales were up in 9 of 11 subsectors, representing 85.5% of retail trade. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, increased 2.9%. In volume terms, retail sales were up 2.9% in January. Leading the increase were higher sales at building material and garden equipment and supplies dealers (+8.9%), which increased for the fifth time in six months. The increase in January was also the fastest pace of growth recorded in this subsector since March 2021 (+21.5%).

## Retail Ecommerce Sales Rise 8.3%

**On a seasonally adjusted basis, retail ecommerce sales were up 8.3% in January** after falling 10.3% in December. On an unadjusted basis, retail ecommerce sales were down 14.4% year over year to \$3.2 billion in January, accounting for 6.3% of total retail trade. The share of ecommerce sales out of total retail sales fell 1.8% compared with January 2021, when retailers were mandated to close their brick and mortar stores to in-person shopping in many regions across the country.

## Retail Notes

**Canadian Tire will spend \$3.4 billion over the next four years to improve their ecommerce operations, launch thousands of products, expand their loyalty program and improve the efficiency of their supply chain.**

**They plan to invest \$2.2 billion to build their digital operations**, with about half of that going toward improving the digital services connected to physical stores. That will include speeding up curbside pickup, rolling out lockers for automated pickup and creating connected stores with digital appointments and more mobile app features to help customers find what they are looking for. The strategic decision to have the core of their ecommerce strategy flow through the store gives them a big advantage over ecommerce operations that don't have physical stores. Their home-delivery volume is now five times larger than it was in 2019. Another \$675 million will go toward improving their supply chain.

**They are also expanding their Triangle Rewards loyalty program** to encourage more repeat visits by shoppers. Loyalty members tend to spend more and now account for 58% of sales; CT wants to increase that to 63% of sales. They have

been testing a Triangle Select program that will launch nationally this year. For an \$89 annual fee, the program provides perks and is designed to encourage shoppers to buy more private label brands, which now account for \$5.7 billion in annual sales. They plan to launch more than 12,000 additional private label products across all their store chains.

## MARKET TRENDS

### Online Prices for Tools Soar

**The Adobe Digital Price Index (DPI) showed online prices rose 3.6% year over year in February** and were up 0.1% from January, both new record highs. Tools and home improvement products were up 7.8% from February 2021. With most goods imported by ocean freight, Drewry's composite World Container Index (WCI) dropped 1.1% to \$9,180 per 40-foot container or equivalent unit (FEU) but were still 83% higher than in February 2021.

### Builders See Demand Rising Through 2022 in the Southeast

**Surging demand for new projects in the busy Southeast has Dodge forecasting a 9% increase in US construction starts this year** with much more road-based growth than occurred over the past two years. Multifamily, K-12 and higher education, hospitality, amusement and commercial work are all in high demand, along with booming residential housing.

### How Cutting Ties with Russia Impacts Retailers and Manufacturers

**The overall response to Russia's escalating war with Ukraine has been for US companies and European allies to halt business operations in Russia**, which can mean a cessation in sales of US goods to Russian customers or exporting goods from Russia to other markets, including the US. Analysts speculate that for most American and European retailers, their business in Russia is not big enough to make a major dent in earnings. However, many companies are worried about the impact halting business operations will have on their Russian employees. Public sentiment outside of Russia clearly favors supporting the people and government of Ukraine.

### Tech Giants Sanction Russia

**The world's five leading tech companies have become so influential that Ukraine lobbied them to impose sanctions on Russia** and assist Ukraine, much the same way Ukraine lobbied the US, the European Union and NATO. Google (now Alphabet), Apple, Facebook (now Meta), Amazon and Microsoft have taken steps to impose significant sanctions on Russia. Google has limited the use of Google Pay in Russia for customers or merchants using a sanctioned bank and has stopped selling online advertising in Russia. Google also removed the ability of Russian state media outlets Russia Today and Sputnik to monetize content on Google-owned YouTube; these outlets have also been blocked in Europe. Apple suspended all product sales in Russia and limited Apple Pay and other services along with blocking state-owned and controlled media outlets. Meta has removed access to Russia Today and Sputnik on both Facebook and Instagram and has made it impossible for the state media to monetize any content. Amazon does not have facilities in Russia and has a long-standing policy of not doing business with the Russian government. Amazon has stopped shipping products to Russia and has suspended Amazon Prime streaming services and stopped accepting new Russian and Belarus-based customers for AWS and third-party sellers. Amazon is also supporting cybersecurity efforts in Ukraine and offering logistic support. Tech giants also responded to requests for aid and philanthropic help and are contributing to relief efforts in Ukraine.

### Covid Lockdown in China Slows the Supply Chain

**The Chinese city of Shenzhen, which is responsible for about half of online retail exports, went into lockdown in mid-March** after the national Health Commission reported the country was facing its worst outbreak in two years. All businesses outside of essential public services shut down for at least a week. Amazon said they do not expect a significant disruption as they can divert available freight to neighboring warehouses in the region not impacted by lockdowns; Walmart did not immediately respond to requests for comments from *Business Insider*. However, global freight booking platform Freightos told *Insider* the shutdown will likely cause serious congestion at nearby ports and could cause already high transportation prices to jump another 21% to 25%. Meanwhile, Russia's attack on Ukraine is already threatening to triple ocean shipping rates,

fuel prices are surging and exporters looking to avoid the Black Sea are buying up cargo planes which may make it more difficult for retailers to divert products.

## Managing Cybersecurity Risks

**The Counsel for the American Institute of Architects (AIA) reported in ENR that cybercrime incidents have skyrocketed** and are affecting all industries. Counsel Sara Bour recommends that companies in the construction sector should take steps to better manage these risks. These include implementing cybersecurity and training protocols. She suggests firms refer to the National Institute for Standards and Technology for a framework. Firms should make sure that employees, contractors and vendors with access to internal systems are all properly trained. Secondly, data sharing protocols should be created to protect confidential and personally identifiable information (PII). Lastly, she recommends firms get a Cyber Insurance policy, which generally covers business liability for data breaches involving PII.

## Feds Launch “Buy Clean” Initiative

**The White House launched a Buy Clean Task Force in February** as part of a slate of initiatives intended to decarbonize manufacturing while also boosting the economy. The effort will identify materials to prioritize for consideration in federally funded projects by looking at impacts across their lifecycle. The federal government is the world’s largest buyer of goods and services, with an annual purchasing power of more than \$650 billion. Putting the power of the government behind Buy Clean initiatives can move markets and cause companies to engage, according to ENR. One of the goals is to create national low-carbon concrete and sustainable asphalt standards that will be used for land port-of-entry projects funded by the Infrastructure Investment and Jobs Act.

## NRF Retail Sales Forecast

**The National Retail Federation (NRF) the nation’s largest retail trade group, forecast that growth in U.S. retail sales this year will slow to between 6% and 8%** from the record-breaking 14% annual growth rate in 2021. The group cited surging inflation, tightening of monetary policy and less fiscal stimulus. Last year’s figure marked the highest growth rate in more than 20 years. Still, this year’s projection is well above the 10-year, pre-pandemic growth rate of 3.7%. With the ongoing,

widespread adoption of ecommerce, the NRF expects non-store and online sales to grow by between 11% and 13% to a range of \$1.17 to \$1.19 trillion. Last year, retail sales in the US grew by 14%, which was the highest growth rate in more than 20 years.

## Target Innovations

**Target is expanding their drive-up services to allow customers to make returns and pick up orders from their in-store Starbucks** this fall in the Twin Cities and other select markets. Drive-up sales grew more than 80% in the third quarter of last year, building on a sixfold jump that occurred a year earlier when the pandemic changed shopping habits. Customers can start the process of a return on the Target mobile app and complete it once they arrive in the parking lot as either part of a normal order or just as a return. Target will also allow customers who order on the app for curbside pick up to select second-choice items from a wider assortment of categories, including beauty, in case first-choice items are not available. Target is also raising their starting wages from \$15 to \$24 an hour, which will be some of the highest wages in the retail industry. In October 2020, Target raised their starting wage to \$15 an hour. They are also expanding health benefits and reducing the waiting period for eligible hourly team members to enroll in a medical plan and their 401(k) plan.