

Market Briefing

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- ▶ \$5 billion for diverse suppliers

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- ▶ Launches Product Pitch Event

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- ▶ Warns on earnings; slashes forecast
- ▶ Initiates supplier transport fee
- ▶ Makes a deal with EV startup Canoo

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Retailers Capitalize on Prime Day

A New LEAF Fights Global Warming

Video Games Can Be Good for Business

Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

Robert Bosch Tool Corporation

1800 W Central Rd
Mount Prospect, IL 60056 USA
www.boschtools.com
PTNA.Marketing@us.bosch.com

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US ECONOMY

Exchange Rates July 29, 2022

Euro	1 Euro = \$1.020	\$1.00 = 0.980 Euros
Canadian Dollar	1 CAD = \$0.781	\$1.00 = 1.280 CAD
Japanese Yen	1 Yen = \$0.008	\$1.00 = 133.758 Yen
Chinese Yuan	1 Yuan = \$0.148	\$1.00 = 6.744 Yuan
Mexican Peso	1 Peso = \$0.049	\$1.00 = 20.376 Pesos

Market Watch July 29, 2022

DOW	32,845	+6.6%
NASDAQ	12,388	+13.0%
S&P 500	3,786	+9.2%

Markets turned in a winning month despite another quarter of negative GDP, high inflation and worries about the ongoing war with Ukraine. Strong corporate earnings and signals that inflation may have peaked and the Fed may take its foot off the gas cheered markets.

Consumer Spending Rises 1.1%

Consumer spending rose a robust 1.0% in June after rising an upwardly revised 0.3% in May. Incomes rose 0.6% for the month and are up sharply over the past year, but not enough to keep up with inflation. Gas prices fell sharply in July, but overall prices are still much higher than a year ago. The savings rate fell to a 13-year low of 5.1% in June from 5.5% in May. Families seem to be slowly drawing down their savings to cope with higher prices. Spending on goods dropped again and spending on services rose modestly.

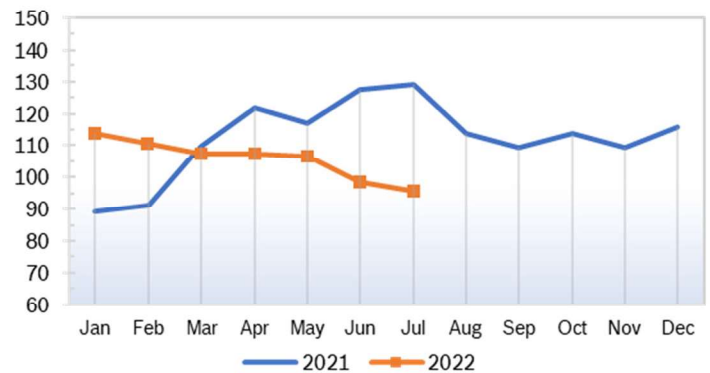
Consumer Prices Rise 1.1%

The Consumer Price Index (CPI) rose 1.1% in June to a new 40-year high of 9.1% year over year. Core inflation, which excludes the volatile food and energy categories, rose 0.7% after rising 0.6% in both April and May, but fell to 5.9% year over year after rising to 6.2% in May. There were big increases in food, shelter and gasoline. Excluding the volatile food and energy components, the PCE price index shot up 0.6% after

climbing 0.3% in May and was up 4.8% year over year in June up from 4.7% in May. The PCE price indexes are the Fed's favored measures for their 2% inflation target.

Consumer Confidence Falls to 95.7

Consumer Confidence Index

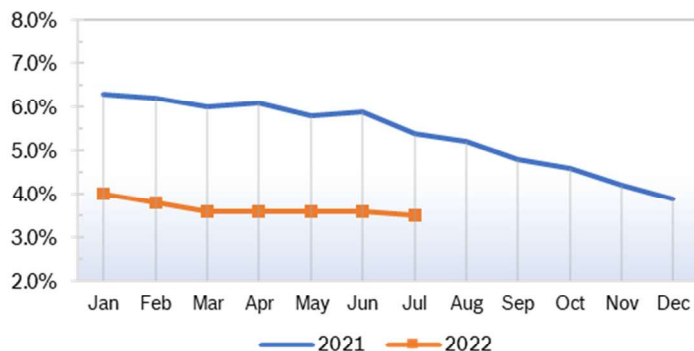


- ▶ The New York-based Conference Board's Consumer Confidence Index fell to 95.7 in July after dropping to 98.7 in June.*
- ▶ The Present Situation Index, which is based on consumers' assessment of current business conditions, fell to 141.3 after falling to 147.2 in June.
- ▶ Expectations for the next six months slipped to 65.3 after dropping sharply to a downwardly revised 65.8 in July. It was the lowest reading for Expectations since March 2013.
- ▶ Inflation continues to be the top concern for most people, who are cutting back on big ticket purchases.
- ▶ In May 2020 Consumer Confidence was 120.0.
- ▶ 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 3.5%

U.S. Unemployment Rates



- ▶ The unemployment rate fell to 3.5% in July after remaining at 3.6% for the past four months. Unemployment was 3.5% at the start of the pandemic in March 2020.
- ▶ The economy added a robust 528,000 new jobs*, well ahead of expectations of 258,000 jobs. The economy has now regained all the jobs lost during the pandemic.
- ▶ Average hourly earnings climbed 15 cents, or 0.5%, to \$32.27 in July and were up 5.2% year over year.
- ▶ July marked the 19th consecutive month of job growth and was the highest monthly gain since the economy added 714,000 jobs in February.
- ▶ Employment growth was widespread and concentrated in the private sector.
- ▶ Job openings were down 605,000 to 10.7 million on the last day of June, according to the latest Job Openings and Labor Turnover Survey, or JOLTS report. This suggests demand for labor is weakening.
- ▶ The jobs report heightened expectations that the Fed will once again raise rates by at least three-quarters of a point at their next meeting in September.

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

Chicago PMI Falls to 52.1

The Chicago PMI fell to 52.1 in July from 56 in June. It was the lowest reading since August 2020, and well below expectations. The index has tumbled almost 20 points from last year's

June reading. Nevertheless, it was the 25th consecutive month the index has remained in positive territory. A PMI number above 50 signifies expanded activity over the previous month. 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 1.1%

The Producer Price Index rose 1.1% in June after rising 0.8% in May and was up a record-setting 11.3% year over year after being up 10.8% year over year in May. The increase was broad-based, with the indexes for gasoline, shelter, and food being the largest contributors. The energy index rose 7.5% over the month and contributed nearly half of the increase, with the gasoline index rising 11.2% and the other major component indexes also rising. The index for all items less food and energy rose 0.7% in June after increasing 0.6% in the preceding two months. Core inflation, which excludes the volatile food and energy categories, climbed 0.5% in May after rising 0.6% in April and was up 8.3% from May 2021. Producer prices surged nearly 18% for goods and nearly 8% for services compared with June 2021.

Q2 GDP Shrinks 0.9%

GDP shrank 0.9% in the second quarter after dropping 1.6% in the first quarter, according to the Commerce Department. While back-to-back quarters of negative GDP growth is typically considered a recession, many economists say that while the economy is slowing, strong job growth and consumer spending don't indicate a wide-spread recession. Consumer spending was a bright spot, rising at a 1.0% annualized pace. Spending was driven by services as consumers transition away from goods. Trade provided another bright spot in the report. Exports rose at a robust 18% annual rate, as demand picked up for American-made goods and more international travelers returned to the US after pandemic disruptions. Americans still have relatively healthy balance sheets thanks to all that stimulus money. According to Moody's Analytics, excess savings totaled \$2.5 trillion in May.

Fed Raises Rates by 0.75%

The Fed raised rates by 0.75% to a range of 2.25% to 2.5% at their meeting in mid-July. The second consecutive monthly increase of three-quarters of a point was supported unanimously by the 12-member board and was widely expected. The Fed

board is using the only tool it has now to try and tamp down inflation and demonstrate their conviction that the economy is strong enough to continue to recover without further support from the Fed. Traders generally see the benchmark rate ranging between 3.25% and 3.50% by the end of the year, rates that are still quite low by historical standards. The Fed sees inflation topping 5% by the end of the year before rapidly falling back in the wake of aggressive rate hikes. However, they also indicated the pace of current increases will be based in part on data coming in about the economy, which they characterized as “softening.” The committee's median forecast for the unemployment rate in 2022 rose to 3.7% from 3.5%. The rate is then seen rising to 3.9% in 2023 and 4.1% the following year. The outlook suggests the Fed's efforts to cool inflation will have some adverse effects on the labor market.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 55

Builder confidence fell twelve points to 55 in July after falling two points to 67 in June, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the seventh consecutive month the HMI declined after hitting an all-time high of 90 last November. Rising inflation, higher mortgage rates and production bottlenecks are leading to slowing traffic and shaking confidence. All three HMI components posted declines in July: Current sales conditions dropped 12 points to 64, sales expectations in the next six months declined 11 points to 50 and traffic of prospective buyers fell 11 points to 37. Scores fell in all regions. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Fall 0.6%

Overall building permits fell 0.6% in June to a 1.69 million unit annualized rate after falling to 1.70 million units in May. Single-family permits dropped 8.0% in June to 967,000 units, the lowest pace for single-family permits since June 2020. Multifamily permits increased 11.5% to an annualized 718,000 pace. Regional permits were mixed year to date.

Housing Starts Fall 2.0%

Housing starts fell 2.0% in June to a seasonally adjusted annual rate of 1.56 million units after falling to an upwardly revised reading in May. Single-family starts dropped 8.1% to 982,000 units after falling to 1.05 million units in May. Multifamily starts rose 10.3% to 577,000 units after falling to 498,000 units. Regional starts were mixed. NAHB says higher construction costs and interest rates are leading to falling traffic for builders.

New Home Sales Fall 8.1%

New home sales dropped 8.1% in June to a seasonally adjusted annual rate of 590,000 homes from a sharply downwardly revised reading in May. Sales were down 13.4% from June 2021. It was only the second time new home sales have fallen below 600,000 since October 2018. Only 14% of new home sales in June were priced below \$300,000. A year ago, it was 27%. The median sales price dipped to \$402,400 in June, down 9.5% compared to May, but is up 7.4% compared to a year ago. New single-family home inventory remained elevated at a 9.3 months' supply, up 60.3% over last year, with 457,000 homes available for sale. However, only 39,000 homes are completed and ready to occupy. The remaining have not started construction or are currently under construction. New home sales fell in all regions. 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 Drop 5.4%

Existing home sales fell 3.4% in June to a seasonally adjusted annual rate of 5.12 million units after falling to 5.41 million units in May, according to the National Association of Realtors. It was the fifth consecutive month existing home sales fell. Sales were down 14.2% from June 2021. The inventory of existing homes rose to 1.26 million, a 3.0 months' supply at the current sales pace, up from a 2.6-months' supply in May. The median existing home price in June was \$416,000, up 13.4% from June 2021, as prices increased in all regions. This marks 124 consecutive months of year-over-year increases, the longest-running streak on record. Properties typically remained on the market for 14 days in June, down from 16 days in May and 17 days in June 2021. The 14 days on the market are the fewest since NAR began tracking this statistic in May 2011. Eighty-eight percent of homes sold in June were on the market for less than a month.

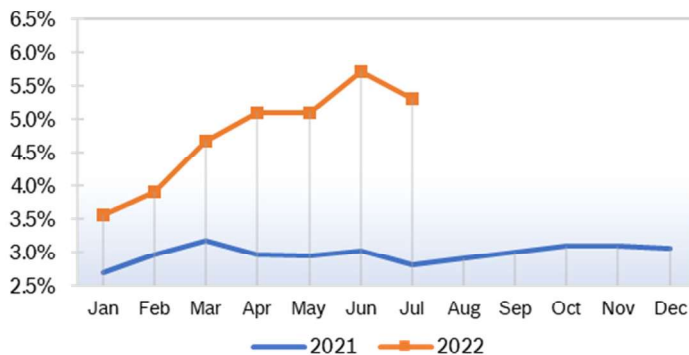
Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	65 (-6)	70 (-8)	52 (-4)	62 (-12)
Building Permits YTD	-5.1%	2.9%	2.5%	3.0%
Housing Starts Y/Y	-4.4%	11.1%	4.7%	-0.4%
New Home Sales*	-12.1%	-12.6%	-24.8%	-9.6%
Existing Home Sales*	-11.8%	-14.1%	-9.6%	-21.3%

* Year over Year **unchanged

Mortgage Rates Drop to 5.3%

30-Year Fixed-Rate Mortgage



- ▶ 30-year fixed-rate mortgages fell to 5.3% at the end of July after rising to 5.7% at the end of June. Mortgage rates were 2.8% at the end of July 2021.
- ▶ Mortgage rates dropped as purchase intent fell and people adjusted to a higher rate environment. Housing analysts say rates are still very affordable and the market is normalizing.
- ▶ Mortgage interest rates have jumped more than 2% since the start of the year.
- ▶ Rising rates, lean inventories and high prices have all contributed to a slowdown in the housing market.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Robert Bosch will invest heavily in their semiconductor business as part of efforts to boost semiconductor production in the wake of a global shortage of semiconductors that has interfered with the timely production of everything from electrical goods to household appliances and cars.

Stanley Black & Decker

EVP Jaime Ramirez, currently President of Tools & Storage, will be stepping down from his role to pursue other opportunities. Robert Raff, a 20-year SB&D veteran and currently head of Stanley Outdoor Integration, will become Acting EVP and President, Tools. He'll work closely with CEO Don Allan to drive the business forward. SB&D has retained Heidrick & Struggles to conduct an internal and external search for a permanent successor to Ramirez.

SB&D is moving out of their White Marsh office at the Greenleigh at Crossroads development in Maryland and has subleased the space to Johns Hopkins Medicine. A spokesman for the Maryland Department of Commerce said that SB&D declined the promised conditional loans due to market conditions. The loans would have been forgiven if the company had retained at least 2,000 employees between its Towson and White Marsh offices and maintained at least 660,000 square feet of office space. The plan was supposed to add 400 jobs and be a big boon for the area. SB&D stock has been on a roller-coaster ride since 2018; after plummeting during the pandemic and then recovering early in 2021 shares have sunk again and SB&D has promised action to restore profitability and shareholder value.

SB&D is selling their Oil & Gas business to Pipeline Technique Limited. The combined businesses being sold generated revenues of about \$140 million in 2021. New CEO Don Allan said that the sale builds on their strategic commitment to streamlining the company so they can focus on their core Tools & Outdoors and Industrial divisions and drive innovation, organic growth and margin expansion as well as generate long-term value for stockholders.

RETAIL

Retail Sales Rise 1.0%

Retail sales rose a healthy 1.0% in June and sales for May were revised up to a slight 0.1% decline from the 0.3% decline first reported. The increase was greater than expected. Analysts said some of the increase is due to higher prices for many goods, but also shows that consumer spending is resilient and people still have savings. Spending dropped at building supply stores for the third consecutive month. Online sales rebounded, rising 2.2% after falling 1% in May. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as haircuts, hotel stays and plane tickets. Core retail sales rose 0.3% in June after dropping a downwardly revised 0.4% in May. Core retail sales correspond most closely with the consumer spending component of GDP.

The Home Depot

THD plans to spend \$5 billion with Tier I diverse suppliers by 2025, according to their 2022 environmental, social, and governance report, which also noted that they spent \$3.3 billion with Tier I diverse suppliers in 2021. THD reported that their US associate base was more ethnically diverse than the US working population overall. About 36% of new hires were women, and more than 57% of hires in 2021 were ethnically diverse. THD also launched a Tier II supplier diversity program to encourage its suppliers to spend more with diverse businesses. THD also reported that the percentage of female managers and managers from underrepresented minority groups was higher than their representation in the US population.

Lowe's

Lowe's launched Into the Blue, Lowe's Product Pitch Event, in late July. Entrepreneurs and businesses of all sizes have until August 14 to apply for a chance to participate in this first-ever live event. Lowe's plans to invest a target of \$5 million in purchase orders to new suppliers, giving them the opportunity to have their products carried in Lowe's stores and online. Select businesses chosen for Into the Blue will have the opportunity to pitch directly to Lowe's representatives and leadership executives in early November at the new Lowe's Tech Hub in Charlotte, N.C. that's opening this fall. In addition to product pitches, Into the Blue will include extensive networking, a supplier fair

and mainstage and breakout sessions. The sessions will offer a variety of business tips and topics to help educate participating business owners as they work to scale up their operations.

Walmart

Walmart is cutting prices on apparel, summer goods and high-end big-ticket items in order to clear their shelves of items consumers no longer need or no longer want to spend money on before the holiday season. WM said people are spending more on groceries, but switching to store brands and spending less on many other things.

Walmart, which reports earnings in August, warned on profits and slashed their outlook at the end of July, sending their stock into a tailspin and casting doubt on how long the US consumer will keep spending money.

Walmart told suppliers that they will begin charging a transport fee to offset rising transportation costs. Walmart said they will charge some of their suppliers a new fee to transport goods to their warehouses and stores. It will be a fuel surcharge fee and a collect pickup fee, according to internal memos. The pickup charge is calculated as a percentage of the cost of goods received by Walmart. The fuel surcharge is based on the cost of fuel to transport the goods. Suppliers complained about the short notice and the lack of clarity about how much fees will be. Amazon added a 5% fuel and inflation surcharge to all items shipped using Amazon fulfillment services earlier this year.

Walmart's deal with electric vehicle (EV) maker Canoo prohibits the startup from doing business with Amazon and gives WM an option to buy more than 20% of Canoo stock. The five-year purchase agreement provides for an initial order of 4,500 of Canoo's pod-like Lifestyle Delivery Vehicles, with an option for Walmart to buy up to an additional 5,500. Walmart said the deal helps them move toward their goal to eliminate all greenhouse gas emissions from their supply chain by 2040. Neither company said how much Walmart agreed to pay for the vehicles, but Canoo said during a May earnings call that their Lifestyle Delivery Vehicles have a targeted starting price of \$34,750.

Ace Hardware

Ace Hardware held a 20% off sale on select Craftsman V20 power tools, outdoor power equipment and accessories

during July. The V20 line features an interchangeable battery that powers all the tools in the line. Craftsman will participate in the event by donating \$100,000 to Children's Miracle Network Hospitals, which Ace supports.

Ace held their fourth annual Ace Rewards Days, offering exclusive online deals and special bonus offers for Ace Rewards members that were only available on the Ace website. Rewards Days were held July 12 and 13, and coincided with Amazon Prime Days.

Amazon

Amazon's second quarter sales rose 7% to \$121.2 billion, easily beating expectations. Amazon forecast net sales of \$125 billion to \$130 billion for the current quarter, also ahead of analysts' estimates. Online sales, the largest share of total sales, were \$50.9 billion in the quarter, down 4% from a year ago. Since going on a hiring spree in the first quarter, Amazon has been working to "right size" their headcount by slowing hiring and allowing for natural attrition.

Amazon customers ordered more than 300 million items and saved more than \$1.7 billion dollars during Prime Day, according to Amazon. Prime Day, really a two-day event, was held July 12 and 13. Amazon does not report exact revenue, but Adobe reported revenue in the US reached \$11.9 billion, up from \$11 billion last year. As usual, Amazon sold lots of Amazon devices and Amazon private label products, along with electronics. Amazon said that it was the biggest Prime Day ever.

Amazon hit pause on the construction of six new office buildings in Bellevue and Nashville, Tennessee, in order to reevaluate the designs to best suit hybrid work. The pausing and delay of construction will not affect Amazon's hiring plans; they have pledged to create 25,000 jobs in Bellevue and another 5,000 in Nashville.

Amazon is reportedly cutting back on its private-label business, including their top-selling Amazon Basics brand, by winnowing the number of items and categories. According to an exclusive article in the *Wall Street Journal*, Amazon is also considering nixing its private-label selections altogether. Amazon has historically stressed that private-label only accounts for 1% of the company's retail sales. Amazon has built a private-

label business with 243,000 products since founding the line in 2009, according to the *Journal*. Amazon strongly denied the claims, but in addition to less-than-stellar sales for many private label brands, Amazon is facing legal scrutiny for allegedly copying name-brands.

Amazon has started using electric delivery vehicles provided by EV company Rivian, as part of their strategy to achieve net zero emissions across their operations by 2040. The EVs started hitting the streets of Baltimore, Chicago, Dallas, Kansas City, Nashville, Phoenix, San Diego, Seattle and St. Louis in July. Amazon and Rivian plan to have the custom EVs operating in more than 100 cities by the end of the year, and anticipate the US fleet to reach 100,000 vehicles by 2030. Amazon's 2040 net zero goal forms part of the company's commitment under the Climate Pledge, a global initiative that targets net zero by 2040.

Recent test crashes have caused yet another regulatory setback for Amazon Prime Air drone services, according to inside sources reported by *Business Insider*. According to the sources, the crashes alarmed the Federal Aviation Administration enough to withhold permission for Amazon to begin test flights that must be completed in order to get the program off the ground. Amazon must complete 7,000 test flights as part of a federal regulatory requirement for durability and reliability. According to an internal document, they had hoped to complete nearly all of them by the end of July. So far, they've completed 3,000 flights, but are still awaiting flight approval from the FAA, which declined to comment on the story. Amazon called the story "false" and "purposely misleading."

CANADA SNAPSHOT

July Unemployment Remains at 4.9%



- ▶ The unemployment rate remained at 4.9% in July after falling 0.2% in June. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment fell by 31,000 jobs in July after falling by 43,000 jobs in June.
- ▶ A decline in the services-producing sector was offset by an increase in the goods-producing sector.
- ▶ There were few signs that tight labour market conditions in recent months have led to an increase in workers voluntarily leaving a job or switching jobs.
- ▶ Average hourly wages for employees rose 5.2% (+\$1.55 to \$31.14) on a year-over-year basis in July, the same year-over-year rate of increase in June.

Consumer Prices Rise 8.1%

The Consumer Price Index (CPI) rose 7.7% year over year in May after rising 7.7% in April, according to Statistics Canada. It was the largest year-over-year increase since January 1983. It was the sixth consecutive month the CPI has risen more than 5%. Several factors are driving the inflation run-up, including supply chain disruptions that have led to product shortages; much higher commodity prices, partly due to Russia's invasion of Ukraine; and cheap borrowing rates that fueled a boom in

home purchases. Statistics Canada said that there are tentative signs that consumer price growth is close to topping out. Crude oil, wheat and lumber are among several commodities that have tumbled in recent weeks. Shipping rates on major trade routes are sinking from record highs. Inflation has exceeded the Bank of Canada's (BoC) target range of 1% to 3% for fourteen consecutive months.

Bank of Canada Raises Rates to 2.5%

The Bank of Canada (BoC) raised rates by a full percentage point in early July as part of their efforts to get inflation back under control. It was the most aggressive rate hike since 1998 and above market expectations. The BoC also raised rates in March, April and June after holding borrowing costs at record lows for the first two years of the pandemic. Another increase is expected in September. The bank now expects inflation to average 7.2% in 2022 and 4.6% in 2023, considerably higher than it forecast in April. It does not expect inflation to return to its 2% target until the end of 2024. Economic growth is expected to slow sharply in the second half of the year and into next year, as a combination of high inflation and tighter financial conditions erodes household spending and business investment. The annual rate of inflation hit 7.7% in May, the highest since 1983. However, the bank is not forecasting a recession in Canada in the next two years.

May GDP Unchanged at 0.3%

Real GDP was essentially unchanged in May, following a 0.3% expansion in April. Growth in services-producing industries (+0.4%) was offset by a decline in goods-producing industries, (-1.0%), as 14 of 20 industrial sectors increased in May.

The construction sector contracted for a second month in a row, down 1.6% in May. Many of Ontario's unionized construction workers were on strike during the month, causing delays in numerous construction projects.

Residential building construction was down for the second consecutive month, contracting 1.9% in May. Decreases in construction of new single-family detached houses and of apartments as well as in alterations and improvements contributed the most to the decline. Nevertheless, the level of activity in May was more than 11% above the February 2020 pre-pandemic level.

remodelers are seeing signs of a slowdown. Any number over 50 indicates that more remodelers view remodeling market conditions as good than poor.

More customers are reportedly reluctant to go ahead with projects because of higher costs, delays and higher interest rates. The Current Conditions Index averaged 83, dropping eight points compared the second quarter of 2021. All three components declined as well: the component measuring large remodeling projects (\$50,000 or more) fell 11 points to 79, the component measuring moderately-sized remodeling projects (at least \$20,000 but less than \$50,000) dropped seven points to 84 and the component measuring small remodeling projects (under \$20,000) declined by six points to 86.

The Future Indicators Index dropped 11 points to 72 compared to the second quarter of 2021. Leads and inquiries fell 13 points to 68 and the backlog of remodeling jobs dropped 10 points to 76. However, NAHB's forecast continues to have remodeling outperforming single-family construction in 2022 and 2023 in terms of growth rates.

To track quarterly trends, the redesigned RMI survey asks remodelers to compare market conditions to three months earlier, using a "better," "about the same," "worse" scale. Twenty-one percent of remodelers said the market had gotten worse in the second quarter of 2022, compared to only 11% who said it had gotten better. This is the first time the "worse" has exceeded the "better" percentage since the first quarter of 2020 at the onset of the pandemic.

Popular Summer DIY Projects

Online professional marketplace Thumbtack combed its database of millions of home projects across the US to come up with a list of the most popular outdoor and indoor projects for summer 2022. Outdoor upgrades are at the top of the list, as homeowners look to create an 'outdoor oasis' where they can host, relax, and spend quality time with their families

Coming in at #1 and #2, respectively, are landscaping and tree trimming. Next in line is fencing and gate installations, followed by exterior painting, concrete installations, and deck/porch remodeling. People want to spruce up or expand existing decks or install a new one, since a nice deck, porch or patio has become a staple for outdoor entertaining, indoor/outdoor space and even remote working.

Homeowners are thinking beyond the basics to reimagine outdoor living space and Thumbtack has seen a 303% increase in play equipment construction, and a 381% uptick in gazebo installation and construction.

The most popular indoor projects under \$1,000 include interior painting, TV mounting, floor installations, drywall texturing, lighting installations, tile installations, fan installations and wallpaper. On the pricier end, bathroom remodels (average spent \$5,000) and home remodeling services, \$2,500.

Inflation Nation: Recession or Relief?

The median probability of a recession over the next 12 months is 47.5%, up from 30% in June, according to a Bloomberg survey of economists completed last week. Banks, including Citigroup, Deloitte and PNC Financial Services, previously predicted a slowdown in 2023, but recent forecasts say a recession could occur in 2022 or earlier in 2023 than formerly expected.

Bank of America economists project that the US will enter a mild recession this year and will experience a total of five quarters of negative growth before emerging in the second quarter of 2023. They believe the Fed will ease back on rate hikes for the remainder of this year, pause rate hikes in the first half of 2023 and begin cutting rates by the second half and into the first half of 2024. Wells Fargo has changed its outlook from an economic "soft landing" to a "mild recession" in the first quarter of 2023. A key factor in that revised outlook is May and June inflation data from various sources.

Treasury Secretary and former Fed head Janet Yellen and other economic advisors are downplaying recession fears. She told *Meet the Press* that the economy is in "transition" and there is a "slowdown, but it is not in a recession. Growth is simply slowing from the extraordinarily high growth recorded last year. While there is no steadfast rule governing what defines a recession in the US, it is commonly understood to be two consecutive quarters of GDP shrinking. But a technical recession is officially defined by a small group of economists on the Business Cycle Dating Committee. They define a recession as involving "a significant decline in economic activity that is spread across the economy and lasts more than a few months." Director of the National Economic Council Brian Deese argued that the second quarter data, which reflects the

Engineering and other construction activities contracted 2.0% in May, ending uninterrupted growth that began in December 2020.

Repair construction (-1.4%) declined for a second month in a row in May, as both the residential and non-residential repair activities contracted. At the same time, non-residential building construction contracted 0.4%, the first decline in six months.

Housing and Construction News

Housing starts fell 3% to 273,841 units for June from 282,188 in May. The six-month moving average of the monthly seasonally adjusted annual rate of housing starts was 258,295 in June, up from 252,444 in May, according to Canada Mortgage and Housing Corporation (CMHC). The level of starts remains historically high and has been well above 200,000 units since 2020.

Home sales continued to fall in June, dropping 24% from June 2021 to 48,176 homes. On a seasonally adjusted basis, sales were down almost 6% from May. The Canadian Real Estate Association (CREA) noted that the monthly decline was not as large as the drop in April and May. They commented that prospective buyers are moving to the sidelines because of rising interest rates and high home prices. In typically heated markets like the Greater Toronto and Greater Vancouver Areas homes are staying on the market much longer than they normally would.

In June, CREA predicted the national average home price will rise by 10.8% on an annual basis to \$762,386 in 2022. It forecast the largest price gains for Maritime provinces, followed by Ontario and Quebec. However the national average home price fell 2% from June 2021 and 4% from May, to \$665,849. New listings are falling as the buying frenzy eases up, with new listings dropping nearly 9% from April and down 22% year over year to 53,720 homes.

Canada's housing market slowed for the third straight month in June. The national home price index dropped 1.9% to \$807,400 on a seasonally adjusted basis, according to CREA. The mortgage interest cost index was down 0.6% in June. Economists say that Canada's housing market is cooling and predict that home prices will fall as much as 20% this year.

Housing Outlook

One of Canada's largest banks has downgraded the nation's housing outlook for the rest of this year and into 2023. TD Economics predicts sales will decline by 23% this year, led by Ontario, where sales are expected to drop nearly 32% from 2021. Alberta sales are expected to remain steady this year after increasing by nearly 54% in 2021 but are also expected to see the largest drop in sales among major markets. The decline in sales is expected to moderate nationally in 2023, dropping about 12% over 2022's activity. Average home prices are also expected to remain flat this year and fall by 8% nationwide next year. Prices jumped by nearly 23% from 2020.

Retail Sales Rise 2.2%

Retail sales increased 2.2% to \$62.2 billion in May, the fifth consecutive increase. Sales were up in 8 of 11 subsectors, representing 86.8% of retail trade. Sales were led by higher sales at gasoline stations and motor vehicle and parts dealers. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, increased 0.6%. In volume terms, retail sales were up 0.4% in May. Sales at building material and garden equipment and supplies dealers were down for a second consecutive month (-1.7%). Despite the decline in May, activity in this category remains high, with sales up 5.7% from May 2021. Sales were up in every province in May.

Retail Ecommerce Sales Fall 2.9%

On a seasonally adjusted basis, retail ecommerce sales were down 2.9% in May. On an unadjusted basis, retail ecommerce sales declined 23.5% year over year to \$3.5 billion in May, accounting for 4.9% of total retail trade. The share of ecommerce sales out of total retail sales fell 2.5% compared with May 2021, when many retailers faced restrictions on in-person shopping related to the spread of COVID-19.

MARKET TRENDS

Remodeling Confidence Drops

The NAHB/Westlake Royal Remodeling Market Index (RMI) fell 10 points to 77 in the second quarter, compared to the second quarter of 2021. While the reading is still positive, many

April through June period, is "inherently backward-looking," and pointed to the very strong job market and solid consumer spending, saying that we've never had a recession where the economy was creating jobs, never mind an average of 400,000 jobs a month. Economists say the economy is resilient, people are just fed up with inflation. But that does not make it a recession.

Retailers Capitalize on Prime Day

US online sales during the two-day Amazon Prime Day shopping event jumped 8.5% from last year to nearly \$12 billion, as inflation-hit Americans pounced on discounted essentials and electronics, according to Adobe's Digital Economy Index. Amazon said the two-day shopping event, held July 12 and 13, was the biggest ever globally, with members of the Prime loyalty program purchasing more than 300 million items, or 100,000 products a minute. Soaring prices of everything from food to clothes spurred consumers to take advantage of deep discounts from Ace Hardware, Walmart, Target, Best Buy, Kohls and other large retailers that piggy-backed on the Prime Day buying frenzy. In addition, retailers are also giving big discounts to get rid of the excess inventory they are sitting on after they went on buying sprees during the pandemic-supply-chain crisis to cater to shoppers flush with cash from last year's stimulus checks.

A New LEAF Fights Global Warming

Amazon, Walmart and Unilever are behind LEAF, a forest-focused carbon offset program launched in 2021. The goal is to limit deforestation and offset the carbon emissions operating their retail and distribution centers and supply chains produce. LEAF, which is directed by forest nonprofit Emergent, received a \$1 billion initial investment and has also drawn financial support to date from three governments, the US, the U.K. and Norway, along with more than 20 global corporations from a range of sectors and industries.

Carbon credit or offset markets were designed with good intentions of trying to suppress the global total of emissions that are driving up damaging global warming. Using these voluntary markets, lesser-polluters could sell their carbon allowances to greater-polluters, or companies might pledge to save carbon-trapping forests to offset their own manufacturing pollution, for instance. Lack of cohesion has been a stumbling block and drawn criticism from environmental groups.

LEAF believes it can become one of the largest ever public/private efforts to end deforestation via carbon offset efforts, thanks to the backing of corporate and government partners. The world lost nearly 4 million hectares of primary tropical forest in 2021 alone, an area roughly the size of Switzerland. Ending tropical and subtropical forest loss is a crucial part of meeting global climate, biodiversity and sustainable development goals.

Reducing emissions also creates a protective gap that will play a role in stopping the spread of viral disease, including COVID-19, according to the World Health Organization. Maintaining forests helps absorb emissions and keeps a vital dividing line between manmade development and the natural world.

Video Games Can Be Good for Business

There is an ever-growing body of work showing that playing video games teaches valuable skills and can help people work better together, according to *Work Place* magazine. Gameplay often mirrors the kinds of interactions that help people work better together in the first place, like pursuing mutual goals, allocating shared resources, negotiating task ownership, and collaborating to solve problems. A Brigham Young University study of 80 newly formed teams found that groups that played video games together for just 45 minutes were 20% more productive than those that engaged in more traditional team-building exercises. Notably, this was true for novices and avid players alike.

Workplace gaming also offers significant community-building value. It's been shown that positive experiences with coworkers are good for morale and that strong interpersonal connections are an important ingredient for more effective teamwork. Game scenarios often mimic common team structures where individuals each play a unique role in achieving a common goal. The article goes on to note that game-playing is also good for developing individual skills such as decision making as well as improving reaction times and other skills needed to be a successful player.