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Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates October 31, 2022

Euro	1 Euro = \$1.012	\$1.00 = 0.988 Euros
Canadian Dollar	1 CAD = \$0.733	\$1.00 = 1.364 CAD
Japanese Yen	1 Yen = \$0.007	\$1.00 = 148.603 Yen
Chinese Yuan	1 Yuan = \$0.137	\$1.00 = 7.300 Yuan
Mexican Peso	1 Peso = \$0.050	\$1.00 = 19.843 Pesos

Market Watch October 31, 2022

DOW	32,862	13.9%
NASDAQ	11,102	3.9%
S&P 500	3,901	8.0%

Stocks slid at the end of the month but still snapped a two-month losing streak. The Dow turned in its best monthly performance since 1976 and all three indexes recovered nicely from September's bloodbath and posted positive results. The NASDAQ lagged behind a bit because tech stocks are taking a beating as online sales growth slows.

Consumer Spending Rises 0.6%

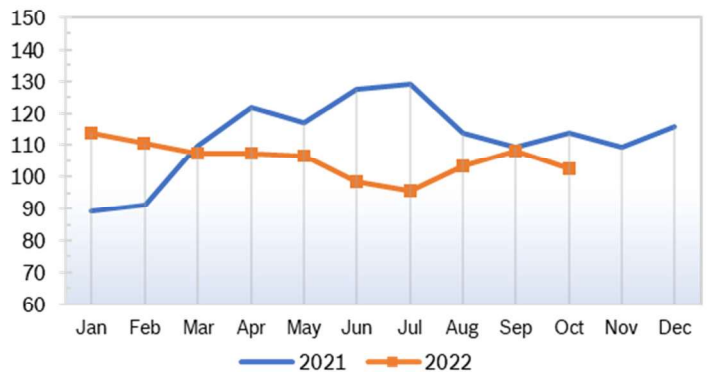
Consumer spending rose 0.6% in September after rising a downwardly revised 0.3% in August. The increase was about twice as much as economists expected. Core consumer spending rose 0.3% in September after rising 0.1% in August. Wages and salaries climbed 1.3% last quarter after rising 1.4% in the second quarter and were up 5.1% on a year-over-year basis after rising 5.3% in the prior quarter. Private sector wages rose 1.2%, down from a 1.6% jump in the second quarter. That lowered the annual increase in private industry wages to 5.2% from 5.7% in the second quarter. The saving rate fell to 3.1%, a 14-year low, signaling Americans are tapping into their savings rather than accumulating more. The saving rate was as high as 26.3% in March 2021. It is now near levels seen during the 2007-09 Great Recession.

Consumer Prices Rise 0.6%

The Consumer Price Index (CPI) rose 0.6% in September after creeping up just 0.1% in August and was up 8.2% year over year after being up 8.3% in August. Core inflation, which excludes the volatile food and energy categories, rose 0.6% year over year in September after rising at the same rate in August. Increases in both the CPI and the core index were above expectations. The Fed's preferred measure of inflation, the Personal Consumption Expenditures (PCE) price index, rose 0.3% in September and was up 6.2% year to date, in line with the August increase. After stripping out food and fuel, core PCE was up 5.1% over the past year after a 4.9% increase in August.

Consumer Confidence Falls to 102.5

Consumer Confidence Index

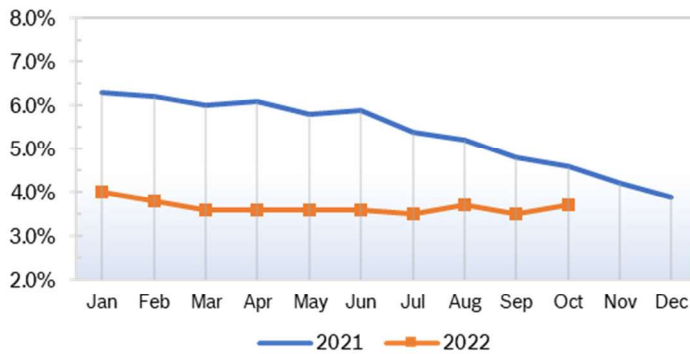


- ▶ The New York-based Conference Board's Consumer Confidence Index fell to 102.5 in October after rising to 108.0 in September and 103.2 in August*
- ▶ The Present Situation Index dropped sharply to 138.9 in October after rising to an upwardly revised 150.2 in September.
- ▶ The Expectations Index, based on short-term outlooks for income, business and labor market conditions, dropped to 78.1 in September after rising to a downwardly revised 79.5 in September.
- ▶ In May 2020 Consumer Confidence was 120.0 but fell 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 Rises to 3.7%

U.S. Unemployment Rates



- ▶ The unemployment rate rose to 3.7% in October after falling to 3.5% in September. Unemployment was 3.5% at the start of the pandemic in March 2020.
- ▶ The economy added 261,000* new jobs, below expectations. Job growth for October was revised up to 315,000 new jobs from the 263,000 first reported.
- ▶ Employers have already replaced all of the 22 million jobs lost during the pandemic and added nearly 3.8 million jobs during the first nine months of the year.
- ▶ A cooling job market could help the Federal Reserve avoid a recession and achieve the elusive soft landing for the economy.
- ▶ The number of job openings across all sectors increased in August, and there are now approximately two jobs for every job seeker, according to the latest Job Openings and Labor Turnover Survey (JOLTS) from the Bureau of Labor Statistics.

*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 45.2

The Chicago PMI fell slightly to 45.2 in October after dropping sharply to 45.7 in September. Economists had expected the PMI to rise into the 47+ range. 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 0.4%

The Producer Price index (PPI) rose 0.4% in September after falling 0.1% in August and was up 8.5% year over year, down from 8.7% year over year in August. The increase, which was larger than expected, was pushed up by a big jump in the cost of services. Stripping out the volatile categories of food, energy, and trade services, the PPI increased by 0.3% in September after rising 0.2% in August and was up 7.2% year over year after being up 5.6% year over year in August.

Q3 GDP Rises 2.6%

Q3 GDP rose 2.6%, well above expectations, according to the first reading from the Commerce Department. GDP shrank 0.6% in the second quarter. The positive growth snapped two consecutive quarterly declines and raised questions about whether the economy had been in a mild recession. Growth came despite cooling consumer spending and rising interest rates. Inflation is denting some consumers' appetites for big-ticket purchases. Most Americans think it is a bad time to buy a car or large household goods such as furniture, refrigerators or stoves, with a large share attributing their viewpoint to high prices and the need to cut back on discretionary spending, according to a University of Michigan survey. Real personal consumption expenditures (PCE), which accounts for roughly two-thirds of spending, rose an annualized 1.4% in Q3. Spending on durable goods, which tends to be sensitive to higher interest rates, edged down by 0.8%, while spending on non-durable goods slid 1.4%. Spending on services, which is still being boosted significantly by pent-up demand, grew 2.8%. Rapidly rising mortgage rates contributed to residential investment plunging by more than 26% in Q3. Residential investment has declined by more than 15% since peaking in early 2021. Real final sales to domestic purchasers, which is the sum of consumer spending and fixed investment and measures the "core" part of spending in the economy, was essentially flat in Q3 relative to Q2. Analysts continue to predict that further tightening by the Fed will push the economy into recession by the second quarter of next year.

Fed Raises Rates 0.75%

The Fed raised interest rates by another three-quarters of a percent in early November to a range between 3.75% and 4.0%. Fed Chair Jerome Powell indicated that rate increases would continue until inflation slows down and the economy cools off, although the pace and amount of increases may slow down. The last time rates were this high was during the first

three weeks of 2008 when the economy was sliding into a deep recession. A series of steep rate cuts quickly followed then, but the Fed stated that rates would remain elevated until the economy cooled off enough to tamp down persistently high inflation and wage growth. The job market remains very tight; unemployment will need to tick up before wage growth will slow significantly. Officials forecast that rates would reach 4.4% by the end of this year and 4.6% in 2023, a more aggressive outlook than the previous one which had rates leveling out at 3.5%, which they have already surpassed. The Fed still expects GDP to contract 0.2% this year and inch up to 1.2% growth in 2023, well below the 5.7% in 2021.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 38

Builder confidence fell eight points in October to 38 after dropping to 46 in September, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the tenth consecutive monthly decline for the HMI after it hit an all-time high of 90 last November. The decline left the HMI below 50 for the third consecutive month and was the lowest confidence reading since 2012 with the exception of the onset of the pandemic in 2020. Rising inflation, higher mortgage rates and production bottlenecks are leading to slowing traffic and falling confidence. All three HMI components posted declines in October. Current sales conditions fell nine points to 45, sales expectations in the next six months declined 11 points to 35 and traffic of prospective buyers fell six points to 25. 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 Rise 1.4%

Overall building permits rose 1.4% in September to a 1.56 million unit annualized pace after falling to 1.52 million units in August. Single-family permits fell 3.1% in September to 872,000 units after falling to 899,000 units in August. It was the lowest reading for single-family permits since June 2020 and marked the seventh consecutive month single-family permits have declined. Multifamily permits rose 7.8% to an annualized pace of 692,000 units. Regional permits were mixed year to date.

Housing Starts Fall 8.1%

Housing starts fell 8.1% in September to a seasonally adjusted annual rate of 1.44 million units after rising to 1.58 million units in August. Single-family starts fell 4.7% to 892,000 units after rising to 935,000 units in August and were down 5.6% year to date. Multifamily starts dropped 13.2% to 547,000 units after jumping to 640,000 units in August. Regional starts were mixed. NAHB (National Association of Home Builders) says higher construction costs and interest rates are causing builder traffic to decline.

New Home Sales Fall 10.9%

New home sales fell 10.9% in September to a seasonally adjusted annual rate of 603,000 new homes after rising to 685,000 homes in August. Sales were down 17.6% from September 2021 and 14.3% year to date. Sales are also down 1.9% from pre-pandemic days in 2019. Inventory increased to 468,000 new homes, a 9.2-months' supply at the current sales pace, up from 8.1 months in August. However, only 56,000 homes are ready to occupy. The median new home price was up 8% from September 2021 to \$470,600. The slowing in price increases reflects the growing number of builders who are cutting prices due to falling demand. New home sales fell year over year 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 Fall 1.5%

Existing home sales fell 1.5% in September to a seasonally adjusted annual rate of 4.71 million units after falling to 4.80 million units in August, according to the National Association of Realtors. It was the eighth consecutive month existing home sales fell. Sales were down 23.8% from September 2021. The inventory of unsold existing homes declined in September for the second straight month to 1.25 million, a 3.2 months' supply at the current sales pace. The median existing-home sales price rose to \$384,800 in September, up 8.4% from one year ago. Median prices have now increased year over year for 127 consecutive months, the longest-running streak on record. Properties typically remained on the market for 19 days in September, up from 16 days in August and 17 days in September 2021. Seventy percent of homes sold in September 2022 were on the market for less than a month. Regional sales were mixed.

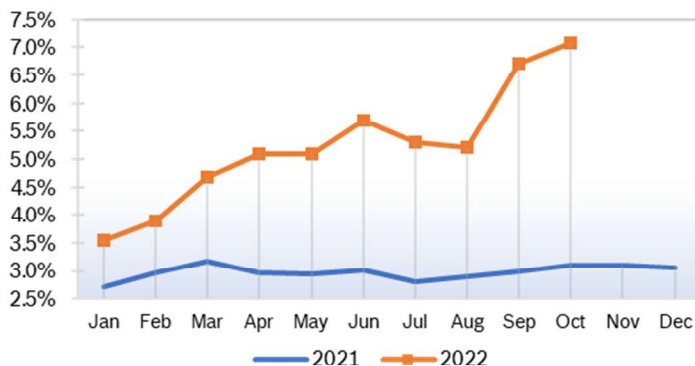
Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	48 (-3)	49 (-7)	41 (-3)	34 (-7)
Building Permits YTD	-2.8%	1.4%	1.5%	-1.6%
Housing Starts Y/Y	3.9%	3.6%	-1.2%	-3.4%
New Home Sales*	-15.6%	-10.8%	-24.5%	-16.7%
Existing Home Sales*	-18.7%	-23.8%	-19.7%	-31.3%

* Year over Year

Mortgage Rates Rise to 7.08%

30-Year Fixed-Rate Mortgage



- ▶ 30-year fixed-rate mortgages rose to 7.08% at the end of October after jumping to 6.7% at the end of September. Mortgage rates were 3.1% at the end of October 2021.
- ▶ It was the first time mortgage rates have crested 7.0% since 2020.
- ▶ Mortgage interest rates have more than doubled over the past year.
- ▶ Mortgage applications for purchase dropped in every week in October and, as of October 21, were down 41.8% over the past year.
- ▶ Rising rates, lean inventories and high prices have all contributed to a slowdown in the housing market.

POWER TOOL INDUSTRY

Stanley Black & Decker

Q3 revenue rose 9.0% to \$4.12 billion. SB&D lowered their guidance for 2022 and now expects lower revenue for the fourth quarter, driven by their performance in Europe. SB&D reported a high inventory backlog, but expects continued inventory reduction in the fourth quarter, which they believe will translate to capital improvement and positive cash flow. SB&D expects rising currency headwinds and higher production curtailment and destocking costs for the rest of the year. For full year 2022, they expect low double-digit total revenue growth for the Company.

Q3 Conference Call with Analysts:

Organic revenue declined 2%, which was an improvement over the first half, due to increased professional power tool supply. Price realization improved 8% versus 2021.

US retail point of sale was relatively consistent with the levels at the end of Q2, supported by price and professional demand, but DIY consumer demand continued to soften.

Tools & Outdoor revenue grew 10% to \$3.5 billion as the MTD and Excel outdoor acquisitions contributed nearly \$600 million of revenue or approximately 18% growth, and price realization contributed 7%. These factors were partially offset by a 12% decline in volume and a negative 3% impact from currency.

Tools & Outdoor organic revenue is expected to decline in the mid- to high single-digits. Margins continue to be down versus prior year as a result of inflation, acquisition mix and volume deleverage. They will continue to focus on the outdoor acquisition synergy realization as a lever to improve margins within this business unit over the coming years.

Across the North American channels, organic sales in retail and ecommerce were down versus 2021 levels. However, compared to a pre-pandemic 2019 baseline, organic sales performance was up double-digits across these channels.

Power Tools declined 2% organically, an improvement over the first half of the year. They are seeing better semiconductor supply, which helped raise customer fill rates and contributed to positive organic growth in North America.

They expect further progress in the fourth quarter and are following a normalized merchandising and promotional schedule for professional products.

Hand tools declined 7% organically, driven by soft retail consumer demand in European customer destock. These factors were partially offset by strength among Pro customers in the US commercial and industrial channels as well as successful new product launches in Craftsman plastic storage.

Their improved supply position set them up for strong merchandising support for the holidays across all major brands and categories, and they did sizable promotional shipments to many customers in September and October. They have gained back some key aisle end caps and off-shelf promotion areas after 12 months of limited promotional activity.

They believe there's \$1.5 to \$2 billion of inventory that still needs to be liquidated, and will aggressively pursue that. In July they assumed their production levels would begin to normalize at year-end but are now planning to maintain low production levels through the first quarter of 2023.

The supply constraints from the semiconductor shortage are mostly behind them. Now they can focus on making sure they're meeting customer demand. Their on-shelf percentage of all products within major customers looks very good with 95%+ of products on the shelf. They have very little out-of-stock situations now.

Their near-term priority is cash generation, and September marked a turning point with planned production curtailments beginning to meaningfully contribute to inventory reductions, supporting positive cash generation in the month. They plan to continue production curtailments in Q4.

Commodity prices have declined between 30% and 50% since April. However, lower commodity prices don't mean they can lower product prices. They still have high-cost inventory in their system that has to flow through and be sold to their customers and eventually to end users, which will probably take a minimum of nine to 12 months.

They have optimized their corporate structure to make it flatter, leaner and more responsive. And they have focused their operating model and are transforming their supply chain to

drive efficiency and fuel reinvestment.

They are elevating three key priorities: one, end user obsession and innovation; two, customer focus; and three, delivering operational and functional excellence.

They expect to grow organic revenue 2x to 3x the market over the long term. Their supply chain transformation should enable them to improve their customer service levels and operational efficiency and get gross margins back to the 35% plus level, with customer fill rates greater than 95%.

They will begin the optimization of their distribution network in the fourth quarter. They have gained some early traction and are on pace to deliver the savings targeted for 2022. They will continue to build momentum into 2023.

Other News:

DeWalt will launch a new Trade Scholarship to support education across the country in response to the growing shortage of skilled labor. A recent survey of home and building contractors (see Trends) cited a lack of awareness around career paths in construction as the biggest barrier, followed by outside influences, including parents, the media etc.) that discourage young people from exploring the trades. In addition, nearly half of young people are unaware of how much money they can make in the trades or what opportunities are available.

RETAIL

Retail Sales Flat in September

Retail sales were flat in September after unexpectedly rising an upwardly revised 0.4% in August. Retail sales were up 7.8% year over year. Core retail sales, which exclude automobiles, gasoline, building materials and food services, rose 0.4% in September after rising an upwardly revised 0.2% in August. Sales at building material and garden equipment retailers decreased 0.4%. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as travel and entertainment. Core retail sales correspond most closely with the consumer spending component of GDP.

The Home Depot

THD launched PathtoPro.com, a new jobseeker marketplace created to connect skilled tradespeople to hiring trades professionals in the construction and home improvement industries. According to a new survey conducted by THD in partnership with Morning Consult, half of trades professionals (50%) say that the difficulty of determining whether an applicant is qualified for a job is an obstacle to hiring.

Skilled trades jobseekers can connect with Pros in their area looking to hire talent by visiting PathtoPro.com to create a profile, upload their resume and add photos of their work. To help jobseekers showcase their skills, the Path to Pro Network features skill badges that indicate if someone has accredited training, is a US military veteran or has graduated from THD's free trades training program. PathtoPro.com is part of THD's broader Path to Pro program launched last year.

Lowe's

CEO Marvin Ellison was given the 2022 ELC Achievement Award from the Executive Leadership Council (ELC), the international membership organization for Black CEOs, senior executives, board members, and top-tier entrepreneurs. The award is given to Black executives whose career achievements demonstrate personal and professional excellence. The non-profit looks to increase the number of Black executives in C-suites and on corporate boards. Ellison is one of six Black CEOs who currently run Fortune 500 companies and the only black CEO who has run more than one Fortune 500 company. He had previously served as chairman and CEO of JCPenney.

Lowe's Black Friday month omnichannel savings started Oct. 27 and will continue throughout the month of November. Black Friday month will feature promotions and discounts across many categories, including appliances, smart home, power tools and holiday décor. Customers can also shop and discover a wide range of items in Lowe's Gift Zone, which features thousands of curated gift ideas for recipient categories such as "pro," "pet parent" and "the green thumb."

Lowe's is enhancing the benefits of using their One Roof Media Network, a retail media service designed to provide a portfolio of omnichannel advertising services that they launched in October 2021. The platform includes data-driven insights integrated with analysis of consumer behaviors and home cate-

gory trends, as well as customized advertising products. Now, Lowe's is collaborating with Yahoo to offer brands participating in One Roof Media new opportunities to connect with consumers through personalized, omnichannel experiences beyond their owned and operated platforms, as well as the ability to drive in-depth campaign measurement and sales attribution metrics.

Lowe's believes that product user guides are obsolete.

They refuse to print user guides for any products; management thinks that if you have to write a user manual or instructions, the product has not been properly designed.

Walmart

Walmart has subleased space in Amazon's backyard, further increasing their workforce in the Seattle area. Walmart is growing their Seattle-area Global Tech team after quietly entering the region last year with about 160 employees. Now Walmart's Global Tech team has more than 200 employees throughout the Puget Sound region. Walmart's creep into the Seattle area isn't a surprise as it's easier to hunt for tech talent in Amazon's backyard. Seattle-based Amazon, which dominates the US online retail market, accounted for more than 41% of online sales in 2021 compared with Walmart's 6.6%, according to eMarketer. Both of their market shares are up this year, from 38.7% and 5.3%, respectively, in 2020. Walmart is widely regarded as Amazon's closest competitor.

Amazon

Amazon's Q3 sales rose 15% to \$127.1 billion, right in the middle of the company's forecasted range of \$125 million to \$130 million. North American sales were up 20%; international sales were down 5%, but up 12% adjusted for foreign exchange rates. Amazon Web Services (AWS) revenues were up 27%, well below the 32% growth analysts had expected. AWS grew 28% adjusted for currency. Amazon's worldwide shipping costs grew 10% in the third quarter to \$19.9 billion.

Amazon lowered their forecast for holiday spending and the fourth quarter, saying that consumers were cutting back on expenditures and tightening their belts and they were going to do likewise. Amazon forecast net sales between \$140 billion and \$148 billion, which would be growth of as little as 2% from a year earlier. Analysts were expecting \$155.2 billion. Previous final quarter sales growth was 9% in 2021 and 38% in 2020.

Amazon is putting the continuing testing rollout of Scout, their automated delivery robot, on hold and says they need to reevaluate the program. Scout is the size of a small cooler and can navigate around anything in its path, from pets and pedestrians to large objects like surfboards, luggage, refrigerators and Christmas trees. While Scout can autonomously follow its delivery route, in test markets it was accompanied by an Amazon Scout ambassador.

Amazon will lease 10 Airbus A330-300 converted freighters and outsource flying and maintenance to Hawaiian Airlines.

The deal gives Amazon a potential ownership stake in Hawaiian. The Airbuses, which are capable of long, transatlantic flights, will initially service the US domestic market. The 10 airframes will be converted from passenger aircraft to freighters with a high cargo capacity. Amazon reportedly has been in the market for large freighters for more than a year to directly control intercontinental shipments from China that are currently moved by third-party ocean and air cargo carriers.

CANADA SNAPSHOT

Unemployment Steady at 5.2%



- ▶ The unemployment rate held at 5.2% in October after falling in September. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment rose by 108,000 jobs in October after rising by 21,000 jobs in September, recovering all the jobs lost between May and September.
- ▶ Employment rose in several industries, led by manufacturing, construction, and accommodation and food services.
- ▶ Employment rose in six provinces, led by Ontario and Quebec.
- ▶ Year-over-year wage growth remained above 5% for a fifth consecutive month.
- ▶ 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.

Consumer Prices Fall 6.9%

The Consumer Price Index fell 6.9% in September from a year earlier, down from 7% in August and 7.6% in July. Core inflation (excluding food and energy) rose 5.4% over the past year, up from 5.3% in August. Gasoline prices fell, but the cost of groceries continued to rise. The homeowners' replacement cost index, which is related to the price of new homes, increased 7.7% in September after rising 8.4% in August. Economists agree that inflation most likely peaked in July and will continue to decline.

GDP

GDP edged up 0.1% in August, following a 0.1% increase in July. Growth in services-producing industries (+0.3%) was partially offset by a decline in goods-producing industries (-0.3%), as 14 of 20 industrial sectors increased in August. The retail trade sector rose 1.2% in August, as 10 of 12 subsectors increased. It was a big rebound from July when output fell back to its December 2021 level. Building material and supplies merchant wholesalers rose 2.6% in August.

The construction sector contracted for the fifth consecutive month, down 0.7% in August as all subsectors recorded decreases. Similar to July, engineering and other construction activities (-0.9%) were the main drivers behind the sector's decline in August, contracting for a second month in a row. Residential building construction was down for the fourth time in five months, shrinking 0.7% in August, in large part due to lower activity in new construction of single-detached homes, row units and apartments. Nevertheless, August activity was more than 8% above the February 2020 pre-pandemic level, although down nearly 14% below the peak recorded in April 2021. Repair construction (-0.4%) contracted for the third time in five months, as both residential and non-residential repair activities were down. Advance information for the third quarter indicates that real GDP increased 0.4%.

BoC Raises Interest Rates Again

The Bank of Canada (BoC) surprised analysts by raising interest rates by 0.5% instead of 0.75%, as had been widely expected. In addition, comments indicated Canada's central bank's aggressive war on inflation may be slowing down. Directors agreed further rate hikes will be needed to tame inflation, but the pace may slow. The BoC has raised rates six times this year. Rates now stand at 3.75%. The BoC's "neutral range" is between two and three per cent. The Bank of Canada slashed its key rate to near-zero at the start the pandemic.

Canadian Economy to Cool Off

The International Monetary Fund (IMF) expects the Canadian economy to continue cooling off and advised the federal and provincial governments to refrain from spending windfall revenues as the country teeters on the edge of recession. IMF expects the Canadian economy to grow 1.5% in 2023, down from a projected 3.3% this year. The economic outlook, however,

could be "substantially worse" if inflation remains high and forces the Bank of Canada to keep raising interest rates, or the country's key trading partners, particularly in the United States, fall into a deeper slump than anticipated, the IMF said.

Interest Rate Forecast

The Organization for Economic Co-operation and Development (OECD) expects the BoC to raise rates to 4.5% in 2023, a higher forecast than many economists who expect the rate to peak at four per cent. The OECD said further policy rate increases are needed in most major advanced economies to reduce inflation and these will likely involve a period of "below-trend growth." Rates are projected to rise to 4.5% to 4.75% in the US, 4.5% in Canada and 4.25% in the U.K. because of the labour market pressures in these countries. The BoC's current rate is 3.25%. The OECD warned that high inflation is becoming entrenched. Even before the Ukraine war, inflation was pushing above central banks' targets in most G20 countries.

Housing and Construction News

Canada Mortgage and Housing Corp. (CMHC) says the annual pace of housing starts rose 11% in September to 299,589 units, the highest level since November 2021. The increase came as urban and multi-unit starts rose while single-detached urban starts were flat. Rural starts were estimated at a seasonally adjusted annual rate of 23,447. The six-month moving average of the monthly seasonally adjusted annual rates of housing starts was 276,682 in September, up 3% from 267,813 in August.

Home sales fell 3.9% in September compared to August, according to The Canadian Real Estate Association (CREA). Sales were about 10% below the 10-year pre-pandemic average for September. Many owners have decided to wait until spring 2023 in hopes the market may stabilize, so new listings are dropping. September was the seventh consecutive month home sales have fallen.

CMHC says even under best-case scenarios, housing starts will fall well below the affordable housing supply targets it has set for Ontario, B.C. and Quebec to reach by 2030. In those three provinces and Alberta there will only be enough labour capacity over the next eight years to increase the number of housing starts by between 30% and 50% under

best-case scenarios. Alberta should not have as much trouble meeting demand. CMCH said they did not think the challenges were as acute as they now appear to be and thinks the government needs to do more to encourage people to return to work.

Housing prices are expected to fall about 2.2% across the board by the end of the year, primarily due to climbing interest rates. Canada is still suffering from significant housing supply shortages.

Retail Sales

Retail sales increased 0.7% to \$61.8 billion in August. Sales increased in 6 of 11 subsectors, representing 65.0% of retail trade. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, increased 0.9%. It was the largest increase in core retail sales in five months. In volume terms, retail sales were up 1.1% in August. Sales were up in six provinces, led by British Columbia. Sales were generally down in the maritime provinces.

Retail Ecommerce Sales Rise 5.7%

On a seasonally adjusted basis, retail ecommerce sales were up 5.7% in August. On an unadjusted basis, retail ecommerce sales were up 8.1% year over year to \$3.5 billion in August, accounting for 5.2% of total retail trade. The share of ecommerce sales out of total retail sales was unchanged compared with August 2021.

Retail Notes

Canadian Tire, which built their business selling hockey equipment, ended their long-term partnership with Hockey, Canada, saying that the organization has failed to deal with ongoing allegations of sexual assault. Canadian Tire said it will continue to invest in the "beloved national game" by redirecting its funds to sports organizations that "better align" with the company's values. Shaw named Respect Group, co-founded by former professional player Sheldon Kennedy to prevent bullying, abuse, harassment and discrimination, as one of the organizations that will now receive funding.

MARKET TRENDS

Contractors Feel Skilled Labor Shortage

More than half of US home and building contractors (55%) feel a lack of skilled workers is a barrier to growing their current business, according to a new survey, Powering the Future, fielded by Stanley, Black & Decker's DeWalt brand. More than half of larger contractors (\$10 million plus) feel the need even more, with 69% agreeing.

Mentor Programs Matter. A great deal of importance is placed on mentorship programs regardless of contractor size, tenure, or type, with 67% of all contractors labeling these programs as extremely important and an additional 24% identifying these programs as moderately important.

Longer Days the Norm. Most contractors (56%) have been working more hours since 2019, with mechanical (68%), plumbing (66%) and electrical (60%) contractors more likely to have seen an increase in labor hours since the pandemic began. Nearly 40% of all contractors surveyed say longer hours have made their jobs more difficult.

2023 Forecast. Half of contractors identify training the next generation of workers as one of the most critical industry focus areas in 2023 and beyond. The second and third most critical elements for growth are contingency planning/risk management and resilient supply chain solutions (both 37%).

Tool and Equipment Innovation. Also indicated as an important element of future success is the innovation of tools and equipment (33%). With tool advancements, 55% of contractors feel they have increased efficiency, half (51%) state they have increased user control, and over a third (36%) think tool innovation has improved the quality of work.

What's Up and Down with Lumber?

Lumber prices have fallen to their lowest level in more than two years, bringing two-by-fours back to what they cost before the pandemic building boom and pointing to a sharp slowdown in construction. For two years, climbing lumber costs lifted home prices. Now home builders say that cheaper wood is giving them wiggle room to offer buyer incentives and to trim prices without crimping their profit margins.

Wood-pricing service Random Lengths said its framing-lumber composite index, which tracks cash sales in several species, fell to \$520, down more than 60% from early March. Now that supply issues have eased and the highest mortgage rates in more than a decade have slowed home sales, buyers are no longer hoarding lumber for fear of running out.

Forest Economic Advisors forecast that lumber consumption will decline by as much as 2.5% this year and fall up to 4.5% in 2023 as home construction stalls and remodeling demand reverts to normal following the pandemic renovation boom.

However, wood prices are expected to remain in the \$400s per thousand board feet due to record-low inventories among dealers and rising mill costs, especially in British Columbia, where forest fires, wood-boring beetles and conservation efforts have reduced the supply of logs. That's below the break-even price of \$500 per thousand board feet in Canada, so mills there may cut back output.

Holiday Hiring Plans

Amazon plans to hire 150,000 seasonal workers, about the same as last year despite slowing sales and predictions of a lackluster holiday shopping season. Employees can earn more than \$19 an hour, based on their position and location in the US. Walmart plans to hire some 40,000 seasonal workers this year, down from 150,000 in 2021. Meanwhile, the third-party merchants who account for more than half of Walmart's online sales fear it will be a dreary holiday shopping season. Some expect to cut prices to move unsold inventory. It's an abrupt change from 2020 and 2021 when sellers were scrambling to get enough products into warehouses to meet pandemic-fueled demand and chronic shortages let them increase prices.

Online Sales Forecast

This year, US online sales are expected to rise just 9.4% to \$1 trillion, the first time growth has slipped into the single digits, according to Insider Intelligence, which in June lowered its earlier annual forecast. Spending on Amazon will hit \$400 billion, up 9% and slower than the overall industry, the research firm says. Target and Amazon started promoting holiday deals in October, and Walmart announced special deals and terms for members of Walmart+.

CEOs Bracing for Recession

American CEO confidence has plunged to its lowest levels since the Great Recession of 2007–09 as central banks scramble to tame decades-high inflation, according to the results of a survey. Almost 98% of US-based CEOs say they are preparing for an economic recession over the next 12 to 18 months, according to the quarterly survey of business leaders conducted by the Conference Board. The number rose to 99% for CEOs based in Europe. The vast majority still expect the US recession to be short and shallow, but nearly 7 in 10 believe the EU will enter a deep recession with serious global consequences. Of the CEOs polled, just 5% felt economic conditions would improve over the next six months. Meanwhile, 81% said the economic outlook is worse for the fourth quarter than it was in the previous quarter.

Lowe's Tech Hub Targets Omnichannel Innovation

Lowe's recently opened their tech hub, a \$153 million, 25-story tower in Charlotte, North Carolina. The immense 367,000-square-foot space can house up to 2,000 employees, about half of which have been hired to date. Lowe's tech hub was designed with innovation in mind. Lowe's thinks a state-of-the-art hub dedicated to fostering creativity will help them attract and retain top tech talent.

Everything from furniture to wall colors was designed to encourage creativity and individualism as well as collaboration. Large demo areas can showcase technology and tools in development. Conference rooms open to the workspaces with glass garage doors.

There's also a mock store set up that allows Lowe's to test their digital twin technology in a virtual, 3-D replica of a physical store. Lowe's is developing augmented reality goggles to allow employees to visualize and interact with data allowing them to improve store layouts and operations.

Lowe's CIO Seemantini Godbole has been working on positioning Lowe's as a tech leader since she was hired some four years ago. She says it is necessary to create products to help their 300,000 associates assist customers and be more efficient. Lowe's also must serve the millions of shoppers that

interact with the company daily to better navigate everything from buying a refrigerator to replacing floors. Above all else, technology needs to be easy to use.

The High Cost of Employee Turnover

It costs Amazon \$8 billion annually to lose and replace workers, according to internal documents leaked to The Independent. One of the recommendations is that Amazon start using tracking data to help them keep more employees. People are reportedly quitting at twice the rate that they are being fired or laid off across all levels and businesses and in 2021 only one in three new hires stayed with Amazon 90 days or more. Lack of opportunities for career development and advancement were one of the primary reasons for leaving

Canadians Not Interested in Digital Skills

Workers with advanced digital skills gain advantages in pay, job security and overall employment quality, according to a report from Amazon Web Services and Gallup, but Canadians are below average in their desire to acquire these skills. Among workers surveyed in 19 jurisdictions, Canadians ranked 12th in their interest in training in areas such as cloud computing, software development and AI. Workers in India, Thailand and Indonesia topped the chart. AWS, which sells cloud-computing services, emphasized findings in the report that companies that use cloud computing are more likely to be innovators, and urged employers to subsidize digital-skills training and give workers time to pursue it. That could be a difficult pitch in a tech labor market that has been characterized by layoffs, even as the overall job market stays tight.

Consumers' Preferred Digital Payment Options

PayPal (58%) was the top choice, followed by credit (51%) and debit cards (47%), according to a survey from retail operating system provider Brightpearl that asked consumers how they prefer to pay online. Other digital payment options cited by respondents included Amazon Pay (32%), Google Pay (29%), Apple Pay (26%), Shopify (19%), and Klarna (16%). Amazon is expanding their digital payment options and will start to accept PayPal-owned Venmo payments for online and mobile app purchases.