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

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US ECONOMY

Exchange Rates September 30, 2022

Euro	1 Euro = \$1.022	\$1.00 = 0.979 Euros
Canadian Dollar	1 CAD = \$0.727	\$1.00 = 1.375 CAD
Japanese Yen	1 Yen = \$0.007	\$1.00 = 144.755 Yen
Chinese Yuan	1 Yuan = \$0.140	\$1.00 = 7.116 Yuan
Mexican Peso	1 Peso = \$0.050	\$1.00 = 20.105 Pesos

Market Watch September 30, 2022

DOW	28,726	-8.3%
NASDAQ	10,576	-4.6%
S&P 500	3,586	-8.6%

The Fed's continuing aggressive stance on raising interest rates sent the markets plunging and led to the biggest nine-month decline for the market in 20 years. September is typically the weakest month for the markets.

Consumer Spending Rises 0.4%

Consumer spending rose 0.4% in August after falling a downwardly revised 0.2% in July. The increase was about twice as much as economists expected. Core consumer spending rose 0.1% in August after rising 0.2% in July. Wages increased 0.3% after surging 0.8% in July. The saving rate was unchanged at 3.5%. July's saving rate was slashed to 3.5% from the previously reported 5.0%. The saving rate was as high as 26.3% in March 2021. It is now near levels seen during the 2007-09 Great Recession. Spending was led by services, where outlays surged 0.8% after edging up 0.1% in July. Spending on goods dropped 0.5%, held down by a decrease in receipts at gasoline service stations and an 11.8% decline in gas prices. Goods spending fell 0.7% in July. There were also declines in spending on recreational goods, another indication consumers were pulling back on discretionary spending. Outlays on furniture and other long-lasting manufactured goods also fell.

Consumer Prices Rise 0.1%

The Consumer Price Index (CPI) rose 0.1% in August after being unchanged in July and was up 8.3% year over year after being up 8.5% in July. Core inflation, which excludes the volatile food and energy categories, rose 0.6% in August after rising 0.3% in July and was up 6.5% year over year. The average household is spending \$460 more each month to buy the same basket of goods and services as last year, according to Moody's Analytics. The personal consumption expenditures (PCE) price index gained 0.3% after dipping 0.1% in July and was up 6.2% year over year. Excluding the volatile food and energy components, the PCE price index jumped 0.6% after being unchanged in July. The core PCE price index climbed 4.9% year over year in August.

Consumer Confidence Rises to 108

Consumer Confidence Index



- ▶ The New York-based Conference Board's Consumer Confidence Index rose to 108.0 in September after jumping to 103.2 in August*
- ▶ The Present Situation Index rose to 149.6 after rising to 145.4 in August.
- ▶ The Expectations Index, based on short-term outlooks for income, business and labor market conditions, rose to 80.3 in August after jumping 75.1 in July. Despite the increase, this Index remains historically low.
- ▶ 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 Falls to 3.5%



- ▶ The unemployment rate fell to 3.5% in September after rising to 3.7% in August. Unemployment was 3.5% at the start of the pandemic in March 2020.
- ▶ The economy added 263,000 new jobs*, slightly ahead of expectations.
- ▶ Wage growth also remained strong; average hourly earnings have grown 5% over the past year.
- ▶ Strong job growth and low unemployment may indicate the Fed will see the need to continue to raise interest rates in order to try and control inflation.
- ▶ The number of job openings across all sectors decreased to 10.1 million in August, down from 11.239 million in July, 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 45.7

The Chicago PMI fell sharply to 45.7 in September after falling to 51.2 in August. The decline ended 26 consecutive months of positive readings. 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 Fall 0.1%

The Producer Price index (PPI) fell 0.1% in August after falling 0.5% in July and was up 8.7% year over year, down from a 9.8% increase in July and a whopping 11.3% increase in June. Economists surveyed were expecting a monthly jump of 0.3% and a 10.4% yearly increase. Stripping out the volatile categories of food, energy, and trade services, the PPI increased by 0.2% in August, down from July's increase but higher than expected and was up 5.6% year over year after being up 5.8% year over year in July.

Q2 GDP Shrinks 0.6%

GDP shrank 0.6% in the second quarter, as the third and final reading was unchanged from the July report, according to the Commerce Department. Over the past four quarters GDP is up 1.7%. Real consumer spending was revised up to show an increase of 1.5% compared to the 1.0% gain first reported. Spending on both durable and non-durable goods fell but spending on services rose sharply. Residential investment, or housing, fell at a 16.2% annual rate in the second quarter compared to a 0.4% annualized increase in the first quarter. The drop in the second quarter subtracted 0.83 percentage points from GDP. Businesses added to inventory at an \$83.9 billion annual rate (in real terms) in the second quarter versus accumulation at a \$188.5 billion rate in the second quarter. The slower accumulation reduced second-quarter growth by a very sizable 1.83%. The personal-consumption price index (PCE) rose at a 7.1% annualized rate, matching the first quarter. From a year ago, the index is up 6.5%. However, excluding the volatile food and energy categories, the core PCE index rose at a 4.4% versus a 5.2% increase in the first quarter. It was the slowest pace of increase since the first quarter of 2021. From a year ago, the core PCE index is up 4.8%. 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. Most economists expect the economy to return to growth in the third quarter.

Fed Raises Rates 0.75%

The Fed raised interest rates by another three-quarters of a percent September 21 to a range of 3% to 3.25% as part of their continuing efforts to dampen down inflation without sending the economy into a recession. The increase, which was the fifth since March, was widely expected and there had been

some speculation the Fed might raise rates by a full percentage point. Fed Chair Jerome Powell warned people to expect more aggressive hikes ahead and said, "Higher interest rates, slower growth and a softening labor market are all painful for the public that we serve. But they're not as painful as failing to restore price stability and having to come back and do it down the road again." Officials forecast that rates would reach 4.4% by the end of this year and 4.6% in 2023, a more aggressive forecast than the previous one of rates leveling out at 3.5%. That implies a fourth consecutive 75 basis point hike could be coming in November, just in time to put a damper on holiday spending.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 46

Builder confidence fell three points in September to 46 after dropping six points to 49 in August, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the ninth 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 second consecutive month. Rising inflation, higher mortgage rates and production bottlenecks are leading to slowing traffic and shaking confidence. All three HMI components posted declines in September. Current sales conditions dropped three points to 54, sales expectations in the next six months declined one point to 46 and traffic of prospective buyers fell one point to 31. 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 10%

Overall building permits fell 10% in August to a 1.52 million unit annualized pace after falling to 1.67 million units in July. Single-family permits fell 3.5% in August to 899,000 units after falling to 967,000 units in June. It was the lowest reading for single-family permits since June 2020. Multifamily permits dropped 17.9% to 618,000 permits after rising to an annualized 746,000 permits in July. Regional permits were mixed year to date.

Housing Starts Rise 12.2%

Housing starts rose 12.2% in August to a seasonally adjusted annual rate of 1.58 million units after falling to 1.45 million units in July. Single-family starts increased 3.4% to 935,000 units after dropping 10.1% to 916,000 units in July and were down 4.0% year to date. Multifamily starts jumped 28% to 640,000 units after falling to 530,000 units in July. Regional starts were mixed. NAHB says higher construction costs and interest rates are causing builder traffic to decline.

New Home Sales Rise 28.8%

New home sales rose 28.8% in August to a seasonally adjusted annual rate of 685,000 new homes after falling to an upwardly revised reading in July. Sales were down 14% from August 2021. Inventory remained elevated at 461,000 new homes, an 8.1 months' supply, up 24.6% from August 2022. However, only 49,000 of those new homes are completed and ready to occupy. The remaining are currently under construction or have not even started construction. The median new home price was up 8.2% from August 2021 to \$436,800. 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 0.4%

Existing home sales fell 0.4% in August to a seasonally adjusted annual rate of 4.80 million after dropping almost 6% to 4.81 million in July, according to the National Association of Realtors. It was the seventh consecutive month existing home sales fell. Sales were down 19.9% from August 2021. The inventory of existing homes dropped for the first time in five months, falling to 1.28 million homes, a 3.2-months' supply at the current sales pace, down from 3.2 months in July. The median existing home price in July fell to \$389,500, but was still up 7.7% from August 2021. Median prices have not increased year over year for 127 consecutive months, the longest-running streak on record. Regional sales were mixed.

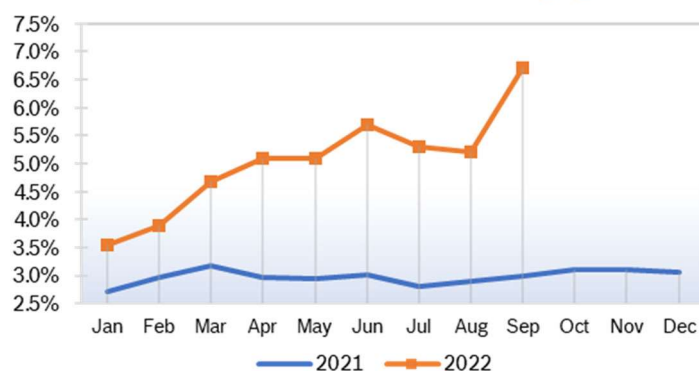
Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	51 (-5)	56 (-7)	44 (-5)	41 (-10)
Building Permits YTD	-3.1%	1.2%	1.2%	-1.4%
Housing Starts Y/Y	4.6%	5.6%	-2.4%	-1.5%
New Home Sales*	-15.6%	-10.8%	-24.5%	-16.7%
Existing Home Sales*	-13.7%	-19.3%	6.6%	-29.0%

* Year over Year **unchanged

Mortgage Rates Rise to 6.7%

30-Year Fixed-Rate Mortgage



- ▶ 30-year fixed-rate mortgages jumped more than a point to 6.7% at the end of September after inching up to 5.6% at the end of August. Mortgage rates were 3.1% at the end of September 2021.
- ▶ The uncertainty and volatility in financial markets is affecting mortgage rates.
- ▶ Mortgage interest rates have more than doubled 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

Morgan Stanley Laguna Conference:

Operating over the past 18 months showed them they needed to make some significant changes in their business structure and how they operate so they can focus on their brands, their people and driving innovation.

They are streamlining their corporate headquarters to be much closer to the business and running the day-to-day operations. In order to do that, they are delayering their organizational structures.

On average, they have 12 layers in their organization structure, from C-suite to point of impact. Research showed them that a typical company their size has seven to eight layers. A truly world-class company has just five.

The first step is to pare down to seven or eight, with a goal of hitting three to six. They believe that streamlining will make them a more agile, lean and flexible company that can make faster decisions and move more quickly in response to what's happening in the world.

They are very focused on transforming their supply chain. It is too long and relies too heavily on products coming from Asia. Now they are focusing on making more DeWalt and Craftsman products in the US.

They want to get back to operational excellence, one of their core strengths, so they can drive continual lean productivity across their footprint. They lost some of that during the pandemic as they focused on meeting much higher levels of demand.

Their new supply chain needs to be able to grow the business two to three times as fast as the market overall over the mid-term and long term.

That will also allow them to get their gross margin, particularly in the tool business, back up to 35% or better. The outdoor business will take longer to improve the margins.

It's not just about cutting costs, it's also about reducing complexity by removing costs through very targeted actions. They will take some of the savings and invest them in core growth and innovation.

Just 20% of their SKUs generate 80% of their revenue. So they plan to thoroughly evaluate the other 80% of their SKUs and decide which ones are really necessary to meet the needs of end users and customers. They think many of them are unnecessary.

They've created an automated solution in North Carolina that has about 10 to 12 people on the line because of the high level of automation. But the 2.0 version appears to be capable of whittling that down to two or three people on the line. That brings it down very close to the cost of doing the old line in Mexico. They can produce a lot more product in that automated line, and run it for 24/7 when they need to, and shut it down when they don't.

Their consumer business is actually down slightly from pre-pandemic levels. And they are expecting some pullback in the housing industry next year.

Their Pro business continues to be strong and continues to grow. Pros have healthy backlogs.

They need to invest more in the front end of the business, and are prepared to keep slugging it out with their major heavy-weight competitor (TTI).

They've backed off on the price increase they were going to implement at the beginning of the third quarter because of the decrease in commodity prices. Their main competitor is going ahead with price increases planned for October. Their last price increase was May 1.

They want to be aggressive with their major customers and figure out how they can carve out more shelf space for DeWalt and Craftsman.

RETAIL

Retail Sales Rise 0.3%

Retail sales unexpectedly rose 0.3% in August and sales for July were revised from flat to down 0.4%. Retail sales were up 9.1% year over year. Core retail sales, which exclude automobiles, gasoline, building materials and food services, were unchanged after rising a downwardly revised 0.4% in July. Online and mail order sales fell 0.7% after getting a big boost in July from Amazon Prime Days. Sales of building materials, gardening equipment and supplies rose 1.1% after rising 1.5% in July. 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 correspond most closely with the consumer spending component of GDP.

Holiday Sales Forecast

Holiday retail sales will increase between 4% and 6% and ecommerce sales will rise between 12% and 14% compared to 2021, when holiday sales grew by 15.1% during the November to January time frame. The lower projected growth reflects the slowdown in the economy and declining demand for durable goods. Inflation is definitely dampening demand and they expect consumers to shift how they spend their holiday budget. Inflation may raise dollar sales, but there will be less growth in volume. Rising prices may push more sales online as consumers look for deals.

The Home Depot

Goldman Sachs Retail Conference:

Their positive comps with both Pro and DIY customers shows that Home Depot has a unique and very healthy customer base, according to CEO Ted Decker. They are homeowners with strong income levels whose homes have appreciated significantly. They believe the value of homes has gone up \$8 or \$9 trillion over the last 2 years. While that growth in value has slowed somewhat in recent periods, it is still averaging 8% year over year.

An analyst asked if people weren't done with their projects after being homebound over the pandemic. Ted Decker said he certainly was not done with his; for most homeowners the list is never finished. In addition to repairs, remote working has

created an increased emphasis on the home and been the catalyst behind many home remodels and improvements.

They had a huge spike in outdoors business at the beginning of the pandemic when people were being urged to avoid indoor gatherings. That has leveled off, but now people are focused on indoor projects. They are finishing basements, remodeling bathrooms and converting space to offices and workrooms.

Pros are now doing more of the projects that people did themselves during the pandemic, such as interior painting.

Their total addressable market of \$900 billion is about 50/50 Pro and consumer and their sales are currently also split about 50/50. One big difference is that their Pro business used to be concentrated with smaller Pros, with fill-in business from larger Pros. Now they are attracting larger Pros who buy the entire project from them and also use THD for fill-in.

Pros want brand names, inventory and a point of contact for their business. They have been working on all those capabilities, including the loyalty program, their digital B2B website and most importantly, the build-out of their One Supply Chain to support larger jobs and larger quantities.

They are five years into their One Supply Chain buildout and feel they will be finished in 2023. Projects include flatbed distribution centers, direct fulfillment centers and market delivery operations that handle flow for big and bulky products. They now have more control because they manage their own facilities.

These centers also take a lot of unnecessary activity out of the stores and free associates to spend more time with customers. In addition, they reduce the need to source products to fulfill an order from multiple stores, which is inefficient and time-consuming.

Almost half of the dollar value of their inventory has been inflation. They are seeing some needed relief in the broader supply chain and in the global supply chain, which is good and will benefit their business. However, there are some categories that they still see constraints on. There is better container availability and shipping lanes are opening up.

They are seeing a tremendous amount of innovation from all their partners across many product categories and think that innovation drives about 50% of sales.

They believe they have the tools to manage both inflation and deflation equally well; they are seeing deflation now in some categories that were overly inflated during the pandemic.

They are well-stocked for Halloween and Holiday and are excited about the opportunities they see.

Lowe's

Lowe's is partnering with Instacart to provide same-day delivery nationwide from more than 1,700 US Lowe's stores. Lowe's pilot-tested the option in several markets in February. Lowe's said nearly 30,000 items, including items as large as 3x3x5 feet and up to 60 pounds, will be eligible for one-hour delivery.

Lowe's introduced what they termed an industry-first digital technology that allows them to create a virtual replica of a physical store and interact with store data to improve the layout and store operations. Lowe's Innovation Labs Team built the technology, which was created in the NVIDIA Omniverse platform.

Walmart

Walmart will hire fewer people for the holidays this year, just 40,000 workers, a nearly 75% drop from the 150,000 hired last year. Walmart plans to start holiday promotions earlier this year in order to allow shoppers to spread out their purchases. Walmart is also expanding the window for returns by more than a month. Gift returns will now be accepted between Oct. 1 and Jan. 31, compared with last year's return window of Nov. 1 to Jan. 24, the company said.

Amazon

Amazon may be planning an unprecedented second Amazon Prime Day in mid-October in order to get the holiday shopping season off to a fast start.

Amazon CEO Andy Jassy confirmed they don't plan to require corporate workers to return to the office anytime soon. Amazon went to remote work during the pandemic and had

hinted that they wanted to bring people back into the office. But in October 2021, managers were left to decide what their employees' working routines would look like. Jassy says they plan to proceed adaptively as they learn, and that may mean more flexibility for certain teams. Hardware and creative units, for example, have already returned to the office to a certain degree, while engineers continue to show a bias towards remote working.

Amazon will scale back on hiring after doubling the size of their fulfilment network in just 24 months in order to respond to pandemic demand.

Amazon launched Small Business Month in September to offer education, deals, business grants, and a free virtual summit exclusively for small business customers. Small Business Month also included Small Business Deals Week in mid-September, when Amazon Business will offer discounted exclusive pricing promotions for small business customers. Categories of discount promotions include PCs, consumables, office products, home and furniture items and devices.

Amazon Business is also launching the Small Business Grants program, awarding more than \$250,000 in business grants to a handful of growing small businesses. Existing Amazon Business customers with annual revenues of \$1 million or less can apply for a grant, with one grand-prize winner and a group of finalists and semifinalists receiving monetary grants, Business Prime Memberships, Amazon Web Services credits and training benefits, and more.

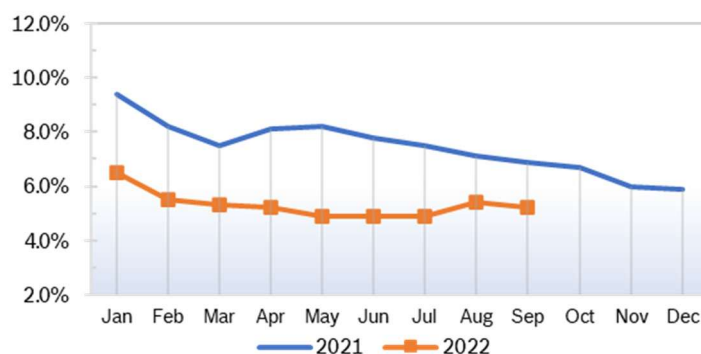
Amazon acquired warehouse robotics company Cloostermans, a Belgian company that specializes in mechatronics. They build robotics to move and stack heavy packages around the warehouses. Amazon has been one of their customers since 2019. Terms of the deal weren't disclosed. Cloostermans will become part of Amazon Robotics.

Amazon made Veeqo available in the US. The free shipping software for sellers includes discounted shipping rates with UPS, U.S. Postal Service, DHL, and FedEx available in the US. Amazon acquired Veeqo earlier this year. It automatically finds the lowest shipping rate available based on size and weight of package and manages sales from multiple platforms, including Amazon, Shopify, Etsy and Ebay. The software also communicates with customers, keeps them posted on order status and provides feedback to the seller.

CANADA SNAPSHOT

Unemployment Falls to 5.2%

Canada Unemployment Rates



- ▶ The unemployment rate fell 0.2% to 5.2% in September after rising to 5.4% in August as fewer people searched for work. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment rose by 21,000 jobs in September after dropping in August.
- ▶ Employment increased in four provinces, led by British Columbia, while there were fewer people working in Ontario and Prince Edward Island.
- ▶ Year-over-year wage growth remained above 5% for a fourth consecutive month, with the average hourly wages of employees rising 5.2% to \$31.67 compared with September 2021.
- ▶ 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 0.3%

The Consumer Price Index (CPI) fell 0.3% in August and was up 7.0% year over year after being up 7.6% year over year in August, according to Statistics Canada. Analysts had expected the monthly CPI to decline even more than it did. Shelter costs dropped for the first time since January 2021, but food costs continued to rise.

GDP Rises 0.1% in July

GDP edged up 0.1% in July, after increasing 0.1% in June. Growth in goods-producing industries (+0.5%) was partially offset by a 0.1% decline in services-producing industries with 11 of 20 industrial sectors increasing in July. Building materials and supplies sales fell 2.5% in July, primarily due to lower sales of lumber, millwork, hardware and other building supplies. The retail trade sector contracted 1.9% in July, falling to the lowest level since December 2021 as 10 of 12 subsectors decreased. Sales at gasoline stations fell considerably. Advance information indicates that real GDP was essentially unchanged in August.

BoC Raises Interest Rates

As expected, the Bank of Canada (BoC) raised interest rates by 0.75% in early September, to 3.25%. the Bank of Canada says global inflation remains high because of global supply chain disruptions, the effects of the pandemic and the war in Ukraine. Domestically, the bank says the economy continues to operate in "excess demand." The move was the fifth consecutive interest rate increase this year, pushing the bank's key rate above what it calls the "neutral range" between two and three per cent. The Bank of Canada, along with central banks around the world, has been raising interest rates in an effort to cool sky-high inflation after slashing its key rate to near-zero at the start the pandemic.

Housing and Construction News

Housing starts fell 2.8% to 267,443 units on a seasonally adjusted annual basis in August, after falling in July. The decline comes amid ongoing concern about a shortage of housing supply in the country. Urban starts fell 3% to 246,771, while multi-unit urban starts were down 4% to 187,602 units. Despite the overall monthly decline, the six-month trend in housing starts remained positive, with the annualized moving average ticking up to 267,309 units in August from 264,467 in July, 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 July, dropping 5.3% from June, to 37,975 homes, down 29% compared with July last year. New listings also fell. The Canadian Real Estate Association (CREA) noted that the monthly decline was the smallest in

five months. New listings in July totaled 73,436, down 6% from last July and 5% from June. CREA says that sales are falling due to high prices and climbing interest rates.

The Canadian Real Estate Association (CREA) has revised its outlook for home sales this year and next. It now expects a 20% drop in sales this year from 2021 levels, and a further 2.3% decline in 2023. Most of the sales decline is focused in Ontario, Canada's most populous province. CREA said that rising interest rates have cooled interest and priced some people out of the market. The BoC expects home prices to drop 14% overall this year as interest rates rise and demand cools. Bank of Canada has lifted its main benchmark rate by 3% this year, to 3.25%, and a growing number of economists now anticipate rates to peak at 4.0%. CREA expects the national average home price to increase 4.7% in 2022 and remain flat in 2023.

Canada's homeownership rate has declined to 66.5% after peaking in 2011 at 69%, according to a new report from Statistics Canada. They said many people are having a hard time getting qualified for a mortgage and home sales have fallen accordingly. Meanwhile, the growth in renter households has more than doubled compared to the growth of owner households, with renter households growing 21% between 2011 and 2021 compared to the homeownership growth rate of 8.4%.

Retail Sales

Retail sales fell 2.5% to \$61.3 billion in July, the first decline observed in seven months. Sales were down in 9 of 11 subsectors, representing 94.5% of retail trade. The decrease was driven by lower sales at gasoline stations and clothing and clothing accessories stores. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, fell 0.9%. In volume terms, retail sales were down 2.0% in July.

Retail Ecommerce Sales

On a seasonally adjusted basis, retail ecommerce sales were down 0.7% in July. On an unadjusted basis, retail ecommerce sales were up 4.3% year over year to \$3.2 billion in July, accounting for 4.7% of total retail trade. The share of ecommerce sales out of total retail sales fell 0.1% compared with July 2021.

Retail Notes

Canadian Tire held a scavenger hunt in late September to celebrate their 100th birthday. They gave away 100 special edition bills in 19 cities across the country that can be redeemed for \$100 in goods from Canadian Tire stores.

MARKET TRENDS

Housing Market Trends

The median home sale price hit \$433,100 at the beginning of 2022, up from \$329,000 at the start of 2020. Just 43% of the homes sold in the second quarter of 2022 were within the budget of a family earning the median income of \$90,000 per year, according to the National Association of Home Builders. The median down payment was \$35,000 in the second quarter of 2022, up almost 35% from the previous quarter, according to ATTOM, a real estate market data firm.

Zillow says that's it's practically impossible to predict where home prices will be ten years from now, but they believe that going forward home price growth will be much closer to historical norms of 3% to 5% annually rather than the record pandemic-induced pace we've seen over the past two years. No one believes we're going to see a big decline in home prices.

Home values leveled off over the summer as buyers pulled back, rebelling at higher prices and rising mortgage rates. Analysts caution that pent-up demand will keep prices from falling to anywhere near pre-pandemic levels as people have come to acknowledge the new normal. Price drops are likely to be short-lived and minimal unless there is a big increase in inventory.

Home builders are unlikely to adopt a "build it and they will buy it" mentality; that attitude and loose lending standards were partially behind the big housing crash in 2008. Mortgage lenders now have much higher standards for loaning money. Nevertheless, the housing shortage is a real issue that is going to take a long time to fix.

Buyers are beginning to get a bit more bargaining power and are now able to come in under ask in some markets and negotiate prices and concessions. However, with higher mort-

gage rates, the median mortgage payment is nearly 40% higher than it was just a year ago. Rates have risen from 3% at the end of 2021 to pushing 6% at the end of September and there is no real end to the rate hikes in sight for the immediate future.

Housing analysts do not anticipate a market crash; at most, a correction that will bring price appreciation more closely in line with historic standards.

The average cost to build a home is just over \$282,000, according to HomeAdvisor, but volatile supply costs have made predicting the cost of building a home especially challenging over the past two years. That's just the house; people need to buy the land and account for infrastructure needs as well. The average house took 8.2 months to finish in 2021, according to the Census Bureau.

The average rate of inflation over the last 10 years is 2.53%, according to the Consumer Price Index. In the past two years, though, inflation has soared at a rate of 4.7% in 2021 and 8.6% percent so far in 2022.

Boomerang Employees Come Back

The Great Resignation is turning into the Great Return.

More than 400,000 people quit their jobs over the past two years, hoping for a better job, more flexibility, better pay and hours and more satisfaction. But a recent survey shows that more than half of them report that their new path has not met their expectations. Job jumpers moved to new careers that may have paid more but the jobs turned out to be less fulfilling or more demanding. Now one-third of all new hires are boomerangers who have decided the grass was pretty green where they were formerly planted. Some companies are luring employees back with better benefits, more pay and perks. Employees and employers may have both learned lessons from the very tight job market and high mobility created by the pandemic.

White House Economic Forecast

The White House recently released an updated forecast for the US economy that foresees slower economic growth and significantly higher inflation than previously forecast. Consumer prices are expected to rise 6.6% this year, 2.8% in 2023 and 2.3% in 2024. Real US GDP growth will be 1.4% in 2022, 1.8% in 2023 and 2.0% in 2024. Unemployment will average 3.7% in 2022, 3.7% in 2023, and 3.8% in 2024.

Product Packaging Under Scrutiny

Product packaging has been under the microscope for almost a decade as people search for greener and more recyclable options with smaller footprints. Greg Fornasiero, Director of Packaging Engineering at The Home Depot, recently discussed what they are doing to improve packaging and make it more sustainable.

The Home Depot focuses on performance, value and sustainability. The bulk of their focus is on making sure packaging performs as expected. They test all new product packaging to make sure it can get safely through the supply chain to a customer's home or work site and send the packaging through ISTA (International Safe Transit Association) testing, drop testing, vibration testing and compression testing.

They question every aspect of packaging with an eye to how it performs and meets expectations, and how it can be improved. The right packaging does a better job of protecting products, cutting down on shipping space and costs and reducing the supply chain's carbon footprint.

The Home Depot has pledged to exclude expanded polystyrene (EPS) foam and polyvinyl chloride (PVC) film from private label packaging by the end of 2023. Fornasiero team is responsible for ensuring that pledge is met by securing alternative materials that perform as well and don't cost more. Sometimes they can find ways to make packages smaller in ways shoppers don't even notice but make an enormous impact overall.

CHIPS Act Provides \$39 Billion for Construction and Supports US Chipmakers

President Biden recently signed the CHIPS act into law. The legislation will provide \$39 billion towards the construction of plants in the US that manufacture the microchips that are vital component to everything from automobiles to smart phones. There are also tax breaks for chipmakers and billions of dollars more for research. The bill was widely supported by various industry groups.