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US ECONOMY

Exchange Rates January 31, 2024

Euro	1 Euro = \$1.085	\$1.00 = 0.921 Euros
Canadian Dollar	1 CAD = \$0.747	\$1.00 = 1.338 CAD
Japanese Yen	1 Yen = \$0.007	\$1.00 = 146.262 Yen
Chinese Yuan	1 Yuan = \$0.140	\$1.00 = 7.129 Yuan
Mexican Peso	1 Peso = \$0.058	\$1.00 = 17.179 Pesos

Market Watch January 31, 2024

DOW	38,150	1.2%
NASDAQ	15,164	1.1%
S&P 500	4,846	1.6%

Stocks tumbled the last day of the month as chances of a rate cut in March faded, but all three markets still posted modest gains for the month. Analysts attributed a mild pullback on the last trading day of the year to rebalancing portfolios, and most see interest rate cuts ahead, perhaps as soon as mid-year.

Consumer Spending Falls 0.2%

Consumer spending fell 0.2% in December and November spending was revised to a 0.1% decline from a 0.1% gain. Spending on services rose 0.5%, matching November's gain. Spending on long-lasting manufactured goods like motor vehicles, recreational goods and household furniture and equipment decreased 1.9% after plunging 3.0% in November. Spending on nondurables like clothing and footwear declined 1.4% in December. The relatively weak showing in consumer spending and slowing price increases will allow the Fed to consider cutting interest rates next year.

Consumer Prices Rise 0.3%

The Consumer Price Index (CPI) rose 0.4% in December after holding steady for the previous two months and was up 3.1% year over year after being up 3.4% year over the year for the previous two months. Core prices were up 0.3% for the second consecutive month. The core CPI inflation rate peaked at a 40-year-high of 6.6% in September 2022. The personal con-

sumption expenditures (PCE) price index edged up 0.1% in December after rising by the same margin in November. In the 12 months through December, the PCE price index increased 5.0%. That was the smallest year-on-year gain since September 2021 and followed a 5.5% advance in November. Inflation peaked at 9.1% in June 2022.

Consumer Confidence Rises to 114.8

Consumer Confidence Index

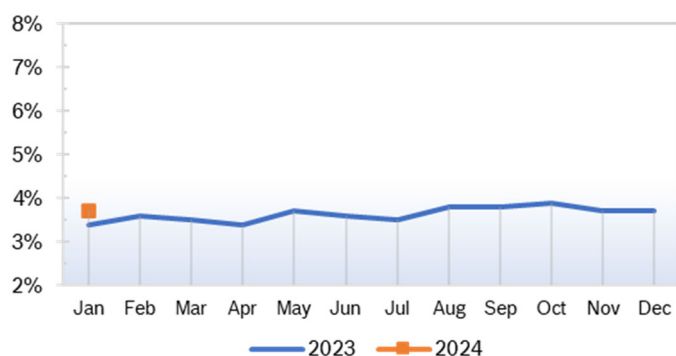


- ▶ The New York-based Conference Board's Consumer Confidence Index rose to 114.8 in January after rising to 110.7 in December.* It was the highest level of Consumer Confidence since December 2021.
- ▶ The Conference Board said the increase likely reflected slowing inflation, falling interest rates and generally favorable employment conditions.
- ▶ The Present Situation Index rose to 161.3 in January after rising to 148.5 in December.
- ▶ The Expectations Index rose to 83.8 in January after rising to a downwardly revised 81.9 in December. A level of 80 or below historically indicates consumers expect a recession.
- ▶ Consumer Confidence 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 Steady at 3.7%

U.S. Unemployment Rates



- The unemployment rate remained at 3.7% at the end of January for the second consecutive month. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- The economy added 353,000 new jobs after adding a significantly upwardly revised 333,000 new jobs in December. It was the 37th consecutive month of job growth.
- Most sectors added jobs, with retailers adding 45,000 jobs and construction adding 11,000.
- Economists were expecting a much weaker jobs report; the strong showing makes it a virtual certainty the Fed will not lower rates in March.
- Unemployment has been below 4% for 24 consecutive months for the first time since 1967.

Chicago PMI Falls to 46

The Chicago PMI fell to 46 in January after falling nearly ten points to 46.9 in December. Economists had expected the PMI to inch up to 48. 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 December after falling a revised 0.1% in November and was up 1.0% year over year. Stripping out volatile food and energy prices, core PPI rose 0.2% in December after rising 0.1% in November and was up 2.5% year over year for the second consecutive month. PPI peaked at an 11.7% year-over-year increase in March 2022.

Q4 GDP Grows 3.3%

Fourth quarter GDP grew 3.3%, well ahead of expectations of 2.0% growth. GDP growth was balanced, with real consumer spending growing 2.8%. Real GDP grew 3.1% between fourth quarter 2022 and fourth quarter 2023 despite 525 bps of Fed rate hikes since March 2022. For the full year, GDP grew 2.5%, ahead of estimates of 2.4% growth and well ahead of 1.9% growth in 2022. The core PCE deflator, which Fed officials view as the best measure of the underlying pace of consumer price inflation, rose at an annualized rate of just 2.0% in Q4, the second consecutive quarter in which prices have risen at the FOMC's target of 2%. The favorable news on inflation gives the FOMC leeway to begin an easing cycle; analysts disagree as to whether the first 0.25% rate cut will come in March or May but are now hopeful the Fed will begin to cut rates before mid-year.

Fed Holds Rates Steady

The Federal Reserve held rates steady at between 5% and 5.25% in January for the fourth consecutive time, as widely expected. Markets were disappointed that there was little indication the Fed was considering cutting rates at their next meeting in March, and now expect the first cut to come at the meeting May 1. The Fed did remove the language that stated they had an implicit bias to tighten further as needed. The move signals that the Fed believes inflation is under control and borrowing costs are now high enough to keep it that way. Estimates show Fed watchers now expect total rate cuts of 1.25% by the end of the year. Rates currently remain at the highest level in 22 years.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 44

Builder Confidence rose seven points to 44 in January after rising to 37 in December, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Builders were cheered by falling mortgage rates and recent economic data. All three of the major HMI indices posted gains in January. The HMI index charting current sales conditions increased seven points to 48, the component measuring sales expectations in the next six months jumped 12 points to 57 and the component gauging traffic of prospective buyers rose five

points to 29. Regional confidence numbers were mixed. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 1.9%

Overall building permits rose 1.9% in December to 1.50 million units in December after falling to 1.46 million annual units in November. **Single-family permits rose 1.7%** to 994,000 annual units after rising to 976,000 annual units in November and were up 32.9% from December 2022. Multifamily permits increased 2.2% to 501,000 units after falling to 484,000 units in November. Permits were down year over year in all regions.

Housing Starts Fall 4.3%

Housing starts fell 4.3% in December to a seasonally adjusted annual rate of 1.46 million units after jumping to 1.56 million units in November. **Single-family starts fell 8.6%** to a seasonally adjusted annual rate of 1.03 million units after rising to 1.14 million units in November. Single family starts were down 7.2% year to date. There are currently 669,000 single-family homes under construction, down almost 15% from a year ago. In contrast, there are more than one million apartments under construction, near the highest total since 1973. Multifamily starts rose 6.3% to an annualized pace of 402,000 units after rising to 395,000 units in September.

New Home Sales Rise 8.0%

New home sales rose 8.0% in December to a seasonally adjusted annual rate of 664,000 homes after falling to 590,000 homes in November, according to the National Association of Home Builders (NAHB). Sales were up 4.4% from December 2022. Falling interest rates and a chronic lack of existing homes helped pull buyers off the sidelines. On an annual basis, new home sales were up 4.2% to 668,000 new homes. New single-family home inventory in December remained elevated at a level of 453,000, up 0.4% compared to a year earlier, an 8.2 months' supply at the current building pace. A 6 months' supply is considered balanced. Completed, ready-to-occupy inventory was up 22.2% from December 2022 to 88,000 homes but still accounts for just 19% of total inventory. The median new home sale price fell 3.0% in December to \$413,200 and was down 13.8% year over year. Sales year to date were up 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 1.0%

Existing home sales fell 1.0% in December to a seasonally adjusted annual rate of 3.78 million homes after rising to 3.82 million homes in November, according to the National Association of Realtors. Sales were down 6.2% from December 2022. The median existing-home sales price rose 4.4% year over year to \$382,600, leaving year-over-year prices below \$400,000 for the fourth consecutive month. The inventory of unsold existing homes fell 11.5% to 1 million homes at the end of December, a 3.2-months' supply at the current sales pace, down from 3.5 months in November. A chronic shortage of existing inventory is spurring new home construction and sales despite continuing high prices. Year-over-year prices were up in all regions.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence*	55 (+4)	41 (+2)	34 (NC)	32 (+2)
Building Permits*	-21.3%	-9.4%	-14.1%	-12.2%
Housing Starts**	-16.7%	-6.2%	-12.3%	-14.3%
New Home Sales*	3.5%	5.2%	3.6%	2.1%
Existing Home Sales**	- 9.6%	-4.4%	-10.9%	-1.4%

* change YTD **change YOY

Mortgage Rates Steady at 6.7%

30-Year Fixed-Rate Mortgage



- ▶ 30-year fixed-rate mortgages were steady at 6.7% at the end of January after falling to 6.6% at the end of December. Mortgage rates were 6.3% at the end of January 2023.
- ▶ Rates stabilized in January, and Freddie Mac expects a busier spring season compared to 2023 with home prices continuing to increase at a steady pace.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Robert Bosch Power Tools acquired a 49% stake in FerRobotics Compliant Robot Technology GmbH, an Austria-based provider in the field of contact-sensitive automation, from Ronald Naderer and Berndorf AG.

Stanley Black & Decker

DeWalt is celebrating their 100th anniversary this year. The company was founded in 1924 by Raymond DeWalt in Leola, Pennsylvania. The new company's first product was an electric universal woodworking machine dubbed the DeWalt "Wonder Worker." SB&D kicked off DeWalt's 100th year at World of Concrete in Las Vegas by partnering with the City of Las Vegas and proclaiming January 23 Concrete Heroes Day.

TTI/Techtronics Industries

Milwaukee Tool may have to pay \$7.8 million in damages following a jury verdict in a patent-infringement case involving hand-held band saws. After a five-day trial in December 2023, a jury in US District Court found Milwaukee Tool infringed on the patent held by inventor Scott McIntosh of Wixom, Michigan. McIntosh's company, Persawvere Inc., sued Milwaukee Tool in March 2021 for patent infringement. Persawvere alleged other major power-tool manufacturers had licensed its patents but Milwaukee Tool had refused to license any of Persawvere's patents. Among the major brands that have licensed the patents are Makita, DeWalt and Bosch. Milwaukee Tool, which was sued under their corporate name, Milwaukee Electric Tool, denies they infringed on the patents and alleges the Persawvere patents are invalid, according to court documents.

RETAIL

Retail Sales Rise 0.6%

Retail sales rose 0.6% in December after rising 0.3% in November, according to the Commerce Department. Economists had expected sales to decline 0.2%. Falling gas prices helped free up cash and holiday spending was brisk. Retail sales were up 2.2% year over year. Excluding automobiles, gasoline, building materials and food services, core retail sales rose a strong 0.8% in December after rising 0.4% in November. Building materials and garden supply store sales rose 0.4%. Core retail sales, which are mostly goods and not adjusted for inflation, correspond most closely with the consumer spending component of GDP. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as travel and entertainment.

The Home Depot

Analysts have been bullish on The Home Depot, generally agreeing that the headwinds they faced last year are mostly behind them. Analysts believe THD stands to benefit from at least single-digit growth in home improvement spending. They expect THD's Pro business segment to outperform DIY in a rebounding industry environment with solid wage growth and homeowner spending power from continued home price appreciation. Analysts also think that THD's building Complex Pro initiative should help them gain Pro market share.

Lowe's

Lowe's has eliminated several corporate positions in non-customer facing jobs. The move is most likely part of cost-cutting measures being implemented in response to a downwardly revised outlook. Lowe's now expects a steeper-than-anticipated drop in same-store sales for this year as consumers continue to struggle with inflation and cut back on home improvement spending.

Walmart

Walmart plans to close Store No.8, launched seven years ago as a way to test ideas that might not prove immediately profitable. Walmart said that many of the ideas incubated by the store have been implemented system-wide, while others have been tested and abandoned. Over the past seven years nearly 300 employees of Store No. 8 have moved on to other roles, and Walmart's CFO says the responsibilities for innovation and growth are now shared by all segments. Store No. 8 was named after the store in Arkansas Walmart founder Sam Walton used to test new ideas.

Ace Hardware

Ace Hardware has been ranked as one of the top five franchises in the world and is first in their category for 2024 on the *Entrepreneur's* Franchise 500 list. Ace moved up from number 7 to number 5 overall. Ace has also been named the No. 1 franchise opportunity in the 'Miscellaneous Retail Business' category for last three consecutive years.

Amazon

Amazon delivered nearly 600 million more items from in-region fulfillment centers in the fourth quarter of 2023 than they did in the fourth quarter of 2022, an increase of 65%. Amazon focused on improving their delivery speed throughout 2023. They added 18 US cities to their same-day delivery options, bringing the total number of cities with same-day delivery to 110. The cities are served by 55 dedicated hybrid sites that are part fulfillment center and part delivery hub.

In a corporate blog post, Amazon said they'll continue to optimize their operations network with the goal of shipping more products from locations closer to customers, which will help speed up deliveries and reduce the travel distance and

stops per package.

Amazon is also setting a 2024 goal for its operations teams to get better info on what inventory is coming in and in what amounts, which will help them better meet regional needs and be more efficient.

Amazon plans to expand their Prime Air drone delivery program to a new US location and roll out their Sequoia robotic storage system to more fulfillment facilities.

Amazon invested in more than 100 new solar and wind energy projects in 2023, becoming the world's largest corporate purchaser of renewable energy for the fourth year in a row. Amazon's investments include the company's first brownfield. With more than 500 solar and wind projects globally, Amazon's portfolio is now big enough to power 7.2 million homes in the US each year. Communities where Amazon wind and solar farms are located experienced more than \$12 billion in additional investment from 2014 through 2022.

CANADA SNAPSHOT

Unemployment Steady at 5.8%



- ▶ The unemployment rate held steady at 5.8% in December for the second consecutive month.
- ▶ Unemployment reached a record low of 4.9% in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- ▶ Average hourly wages rose 5.4% (+\$1.78 to \$34.45) in December, following an increase of 4.8% in November (not seasonally adjusted).
- ▶ Wage growth will need to cool down in order to bring down inflation. The BoC will not start lowering rates until inflation cools off.
- ▶ Employment was up in most provinces, but fell in Ontario.

Consumer Prices Rise 3.4%

Consumer prices rose 3.4% year over year in December after rising 3.1% year over year in November. It was the third consecutive monthly increase in consumer prices. Core CPI slowed year over year, from 3.6% in November to 3.5% in December, according to Statistics Canada. On a monthly basis, consumer prices fell 0.3% in December after rising 0.1% in November.

Inflation averaged 3.9% in 2023, a big drop from the 40-year high of 6.8% reached in 2022. Excluding 2022, the annual aver-

age increase in 2023 was the largest since 1991.

Excluding energy, the annual average CPI rose 4.5% in 2023 compared with 5.7% in 2022. However, various core measures continue to moderate, a sign that inflation is slowing.

Increases in the price of services pushed up the overall index, with rents up 7.4% year over year. The BoC stressed that there has not been enough progress for them to consider cutting rates anytime soon.

Housing and Construction News

Housing starts rose 18% in December to 249,255 units compared with November, pushed higher by an increase in multi-unit urban starts in Vancouver and Montreal, according to Canada Mortgage and Housing Corp. (CMHC). Single-detached urban starts fell 2% to 43,242. The annual pace of rural starts was estimated at 14,550 for December. The six-month moving average of the monthly seasonally adjusted annual rate of housing starts in December was 249,898, down 2.1% from November.

For the full year of 2023 Canadian home starts fell 7% to 223,513 annual units. Many buyers continue to sit on the sidelines waiting for interest rates to drop. Urban housing starts fell 7% to 223,513 and single-detached home starts fell 25% last year.

Canadian home sales jumped 8.7% in December after falling 0.9% in November, according to the Canada Real Estate Association (CREA). It was the first monthly increase in seven months.

CREA said 443,511 Canadian homes were sold in 2023, down 11% from 2022 and similar to sales after the 2007 housing crash and global recession. Home prices excluding Toronto and Vancouver dropped 0.8% from November to \$730,400 in December, the fourth consecutive month of declines. Compared with December 2022 the home price index was up 0.8%. New listings fell 5% from November to December to the lowest level since June, when the Bank of Canada shocked the housing market with another interest-rate hike.

CREA predicted that the average home price will increase 2.3% in 2024, with stronger gains in Alberta, Quebec, New

Brunswick, Nova Scotia, Newfoundland and Labrador. The association said prices would remain flat in Ontario, the country's largest real estate market, as well as in British Columbia.

According to the Canadian Home Builders' Association, 65% of builders said sales traffic was weak in the fourth quarter, and 5% reported deteriorating sales in the three-month period. Nearly two-thirds of respondents, 64%, said they built fewer homes in 2023 due to the high interest-rate environment. About 40% of builders said they expect to have the same number of starts in 2024 as last year, while 36% expect fewer projects.

GDP Grows 0.2%

GDP grew 0.2% in November after remaining essentially unchanged for three consecutive months. The majority of the growth in November came from goods-producing industries (+0.6%), which saw the highest growth rate since January 2023, with gains driven by increases in all but one sector. Services-producing industries edged up 0.1% in November 2023 despite the impact of the strikes in the Quebec public sector that began in the month. Overall, 13 of 20 industrial sectors increased in November.

Bank of Canada Holds Rates Steady

The Bank of Canada (BoC) held interest rates steady at 5.0% in January for the fourth consecutive time, as inflation remains higher than their target of 2% and economic growth has not slowed enough to warrant a rate cut. While the BoC refused to rule out a future rate cut if needed, economists expect the BoC to begin cutting rates later this year. Total CPI inflation stood at 3.4% in December, with shelter costs the biggest contributor to above-target inflation.

Consumer Prices Fall 0.3%

On a monthly basis, the CPI fell 0.3% in December, after rising 0.1% gain in November. Consumer prices were up 3.4% year over year in December after being up 3.1% in November.

Retail Sales Rise 0.7%

Retail sales fell 0.2% to \$66.6 billion in November. Sales were down in four of nine subsectors and were led by decreases

at food and beverage retailers (-1.4%). Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, were down 0.6% in November. In volume terms, retail sales decreased 0.2% in November. Core retail sales decreased in five provinces, but rose in British Columbia.

Retail Ecommerce Sales Fall 1.5%

On a seasonally adjusted basis, retail ecommerce sales were down 1.5% to \$3.9 billion in November, accounting for 5.8% of total retail trade, compared with 5.9% in October.

Retail Notes

Canadian Tire has hit the brakes on the ambitious plans they announced in 2022 that was designed to increase sales by \$3.4 billion across all their stores by the end of 2025. They indicated they will not meet the target and will delay spending on low-priority investments while they deal with severe economic headwinds. In the first nine months of this fiscal year, total revenue fell by 2.1% to \$12.2-billion.

They made a wide range of investments, including thousands of new product launches under the stores' owned brands, upgrades to physical stores and digital operations, construction of new warehouse space and expansion of the Triangle loyalty program.

MARKET TRENDS

Housing Market Recap 2023

The National Association of Realtors (NAR) reported that existing home sales fell 18.7% in 2023 to 4.09 million, making it the weakest year for home sales since 1995. It was also the biggest annual decline since 2007, the start of the housing slump of the late 2000s. The median national home price for all homes sold last year edged up just under 1% to a record high of \$389,800.

Mortgage rates surged in 2023, climbing to a two-decade high of 7.08% by late October as the Federal Reserve continued to boost its key lending rate in a quest to cool the economy

and tame inflation. Sharply higher mortgage rates and soaring prices combined to limit buying power, as potential sellers stayed put and potential buyers had less inventory to choose from.

Mortgage rates have been generally easing since November, echoing a pullback in the 10-year Treasury yield, which lenders use as a guide to pricing loans. The yield has largely come down on hopes that inflation has cooled enough for the Federal Reserve to shift to cutting interest rates this year. Analysts now expect rates to drop below 6% by the end of the year. The average rate remains sharply higher than just two years ago, when it was 3.56%.

The percentage of US homeowners with mortgage rates below 6% has fallen from a record high of 92.8% in mid-2022 to 88.5% at the end of 2023, according to Redfin. Even though many people feel locked in to their low rate, some will decide to move anyway. The 4% of homeowners who have decided to sell are generally dealing with a life event requiring them to move or want a different home or a different lifestyle more than they want to hang on to their low rate.

Holiday Online Orders

Amazon snagged 29% of global online orders during the two weeks before Christmas, up 21% from the Black Friday/Cyber Monday week, according to Route, a package tracking app that tracks more than 55 million packages. About 70% of Prime orders in the US arrive within two days, and almost 1 in 4 are delivered within a day, according to Consumer Intelligence Research Partners. Fewer than 15% of orders arrive that quickly for shoppers without Prime subscriptions, according to the Chicago-based research firm.

Holiday Shopping 2023

The holiday shopping season turned out to be better than expected with sales rising 3.8% for the November and December period compared to the same year-ago period, according to the National Retail Association (NRA.)

That was in line with NRA's forecast for 3% to 4% growth and above the average annual holiday increase of 3.6% between 2010 to 2019. Despite slower growth compared to the past three years, when trillions of dollars of stimulus led to un-

precedented rates of retail spending during the pandemic, 2023's holiday spending was consistent with the average annual holiday increase of 3.6% from 2010 to 2019.

Holiday sales rose a more modest 3.1% from the beginning of November through Christmas Eve, according to MasterCard SpendingPulse.

The holiday total, which is not adjusted for inflation, includes online and other non-store sales, which were up 8.2% at \$276.8 billion.

Sales for the full year grew 3.6% over 2022 to a record \$5.13 trillion.

Economic Outlook for 2024

Policymakers closed out 2023 with a fresh crop of economic projections, outlining their expectations for rates, inflation, the unemployment rate and overall growth. Those estimates showed three rate cuts in 2024. Officials stuck to previous estimates that the unemployment rate would rise slightly in 2024 to 4.1% and expect inflation to slow over the coming 12 months while not quite hitting the Fed's target of 2.0%.

The probability of the economy going into a recession in 2024 dropped to 39% in January from 48% in October, according to economists surveyed by the *Wall Street Journal*.

Economists surveyed expect economic growth in 2024 to slow to around 1%, about half the normal long-run average, and a significant slowdown from an estimated 2.6% in 2023. Employers are expected to keep adding jobs in 2024 but at a much slower pace than in recent years, with the economy adding about 64,000 jobs per month, less than a third of the 225,000 average in 2023 and far below 399,000 jobs per month in 2022.

With job growth falling below the growth of the labor force, economists expect the unemployment rate will climb from 3.7% in December 2023 to 4.1% in June and 4.3% by the end of the year. While that is low historically, a 0.6% increase in the jobless rate would imply a net one million more Americans unemployed by the end of this year compared to December 2023.

One reason the slowing economic growth may feel like a

recession is that sectors most sensitive to the economy's ups and downs, such as retail, transportation and housing, may continue to struggle.

Inflation needs to return to about 2% to achieve a soft landing. Economists expect the personal-consumption expenditures price index, (PCE) excluding food and energy, to fall to 2.3% at the end of 2024 from 3.2% this past November, which matches the Fed's projections.

Economists expect the Fed to start cutting rates sometime this year; recent economic news has made them more optimistic that rate cuts could begin in late spring.

Retail Outlook 2024

There are plenty of reasons for retailers to feel optimistic about 2024 despite layoffs announced by Amazon, Macy's and Wayfair, according to Insider Intelligence. Strong holiday sales are often an indication that spending will continue in the next year.

Consumers feel good. Consumer sentiment soared 13% in January to reach its highest level since July 2021, according to the University of Michigan. Over the last two months, sentiment has risen 29%, the largest two-month increase since 1991 following the end of a recession. Consumer Confidence as measured by the Conference Board has also been steadily rising.

More workers have more money to spend. Nearly six in 10 workers (57%) earned higher annual inflation-adjusted wages than the year before in November, a share higher than the 2017 to 2019 prepandemic average.

Insider Intelligence expects retail sales, per person, to rise a solid 2.5% this year and overall retail sales to rise 3.3%.

Amazon Sues to Halt Fraudulent Returns

Amazon filed a massive fraud lawsuit against REKK, an international organization that includes Amazon customers and former employees. The 44-page complaint said that REKK marketed itself through social media channels like Reddit and the encrypted messaging app Telegram as a paid service that allowed users to buy products from online retailers and pretend to return them, keeping both the product and the refund.

In the suit, Amazon said that fraudulent refunds were issued from June 2022 to May 2023 for expensive items, including laptops, gaming consoles and a 24-karat gold coin, and that at least seven former Amazon employees described as insiders accepted thousands of dollars in bribes to process reimbursements for products that were never returned.

REKK impersonated Amazon customers, used phishing messages to obtain credentials, manipulated systems through unauthorized access and bribed employees to grant refunds, according to the suit. The employees, Amazon said in the filing, gave more than \$500,000 worth of fraudulent refunds.

The company detected unusual product return activity associated with REKK and exposed the scheme by having an investigator pose as a REKK user to purchase and then obtain a refund for an iPad without returning it. Amazon stated in their complaint that they'd spent \$1.2 billion and employed more than 15,000 people and machine learning models to prevent theft, fraud and abuse.

Refunding is when someone buys a product and then tricks the company into thinking they have returned it. A survey by the National Retail Federation and Appriss Retail, a company that fights retail fraud and theft, estimated that in 2022, about 10% of returned online purchases were deemed fraudulent. For every \$100 in returned merchandise accepted, the survey found, retailers lost \$10.40 to return fraud.

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