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Retail Sales Fall 0.1%

The Home Depot

- ▶ Q3 sales fell 3% to \$37.7 billion and comp sales fell 3.1%.
- ▶ Q3 conference call with analysts
- ▶ Buys International Design Group

Lowe's

- ▶ Q3 sales fell to \$20.5 billion. Comp sales fell 7.4%.
- ▶ Q3 conference call with analysts

Walmart

- ▶ Q3 sales rise 5.3%. Comp sales rise 4.7%

Ace Hardware

- ▶ Q3 revenue rises 2.5%. US comps fall 0.7%.

Amazon

- ▶ Launches security robot

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Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates November 30, 2023

Euro	1 Euro = \$1.057	\$1.00 = 0.917 Euros
Canadian Dollar	1 CAD = \$0.736	\$1.00 = 1.359 CAD
Japanese Yen	1 Yen = \$0.007	\$1.00 = 147.872 Yen
Chinese Yuan	1 Yuan = \$0.141	\$1.00 = 7.116 Yuan
Mexican Peso	1 Peso = \$0.057	\$1.00 = 17.381 Pesos

Market Watch November 30, 2023

DOW	35,951	8.8%
NASDAQ	14,226	11.0%
S&P 500	4,568	8.9%

Santa came early to the markets, with the DOW closing at its highest level since January 2022 and the S&P turning in their best monthly gains since July 2022. Markets were cheered by rising confidence, falling bond yields and cooling PCE prices, which the Fed keeps a close eye on for interest rate policy. Cooling PCE makes a rate hike in December unlikely, although the Fed says it's too early to start talking about cutting rates.

Consumer Spending Rises 0.2%

Consumer spending slowed in October, rising 0.2% after rising 0.7% in September. It was the slowest increase since May. The combination of ebbing income growth, high interest rates and prices, dwindling pandemic savings and the resumption of student loan payments are all eating into Americans' ability to keep spending at the pace they did over the summer, according to economists.

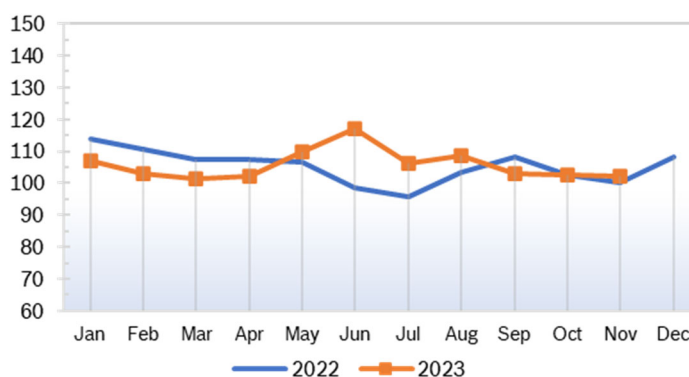
Consumer Prices Unchanged

The Consumer Price Index (CPI) was unchanged in October after rising 0.4% in September and was up 3.2% year over year after being up 3.7% year over year in both August and September. It was the first time monthly inflation has been flat since September 2022. A big drop in volatile gasoline prices was the biggest contributor to the decline. Core inflation, which excludes the volatile food and energy categories, rose 0.2% in October

after being up 0.3% in September and was up 4.0% year over year down, from 4.1% in September. The prices for core goods fell 0.1% in October after falling 0.4% in September but the prices for core services rose 0.3% after rising 0.6% in September. Price growth as measured by the personal-consumption expenditures price index (PCE), the Fed's preferred inflation gauge, remained mild in October. Core prices, which exclude volatile food and energy items, were up 3.5% from a year ago. They rose 2.5% at a six-month annualized rate, down from 4.5% in the six months through April, a dramatic improvement. The PCE still remains well above the Fed's target of 2.0%. Inflation peaked at 9.1% in June 2022.

Consumer Confidence Rises to 102.0

Consumer Confidence Index

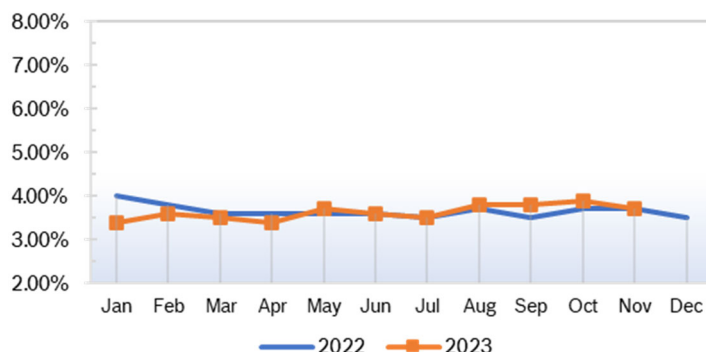


- ▶ The New York-based Conference Board's Consumer Confidence Index rose to 102.0 in November after falling to a downwardly revised 99.1 in October.*
- ▶ The Present Situation Index fell to 138.2 in November after falling to a downwardly revised 138.6 in October.
- ▶ The Expectations Index rose to 77.8 after falling to a downwardly revised 72.7 in October. 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 Falls to 3.7%

U.S. Unemployment Rates



- ▶ The unemployment rate fell to 3.7% at the end of November after rising to 3.9% at the end of October. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- ▶ The economy added 199,000 new jobs in November after adding 150,000 new jobs in October. It was the 35th consecutive month of job growth.
- ▶ Hourly earnings jumped sharply, rising 0.4%, the largest increase in four months. The Fed wants job growth to slow even more.
- ▶ Many of the new jobs were created by 50,000 striking Hollywood screenwriters and United Autoworkers returning to work and the addition of 100,000 jobs in healthcare.

Chicago PMI Jumps to 55.8

The Chicago PMI jumped to 55.8 in November after falling to 44.0 in October. The big increase pushed the index up over 50, the level that indicates expansion, for the first time since August 2022. 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 0.5%

The Producer Price Index (PPI) fell 0.5% in October after rising an upwardly revised 0.4% in September and was up 1.3% year over year after being up 2.2% year over year in September. Stripping out volatile food and energy prices, core PPI rose 0.1% in October after rising 0.3% in September. Core prices were up 2.9% year over year after being up an upwardly revised 3.0% in September. It was the largest monthly decline since

April 2020. The PPI peaked at a whopping 11.7% year-over-year increase in March 2022.

Q3 GDP Revised Up to 5.2%

Third quarter GDP grew even more than first reported, increasing a strong 5.2%, up from 4.9% first reported, according to the second reading from the Commerce Department. Resilient consumer spending and a strong job market has helped stave off an expected downturn, despite persistently high interest rates. Nonresidential fixed investment, or business spending, was revised up to a growth rate of 1.3% from the 0.1% decline first reported. Residential investment, which generally reflects conditions in the housing market, was revised much higher, to 6.2% from 3.9%. However, consumer spending was revised down to a still-solid 3.6% from the 4% growth first reported. Economic growth is expected to slow down considerably in the final quarter.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 34

Builder Confidence fell six points in November to 34 after falling to 40 in October, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the fourth consecutive monthly decline in confidence. All three major HMI indices fell in November. The HMI index gauging current sales conditions fell six points to 40, sales expectations in the next six months dropped five points to 39 and traffic of prospective buyers fell five points to 21. NAHB attributed much of the decline to mortgage rates rising over 8% before falling back during the month and continued economic uncertainty. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 1.1%

Overall building permits increased 1.1% in October to a 1.49 million unit annual pace after falling to 1.47 million annual units in September. Single-family permits rose 0.5% to 968,000 annual units after rising to 965,000 annual units in September and were down 10.6% year to date. Multifamily permits rose 2.2% to an annualized pace of 519,000 units after falling to 508,000 units in September. Permits were down year over year in all regions.

Housing Starts Rise 1.9%

Housing starts rose 1.9% in October to a seasonally adjusted annual rate of 1.37 million units after rising to 1.36 million units in September. Single-family starts were essentially flat, rising 0.2% to a seasonally adjusted annual rate of 970,000 units after rising to 963,000 units in September. Single family starts were down 10.6% 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 Fall 5.6%

New home sales fell 5.6% in October to a seasonally adjusted annual rate of 679,000 homes after rising to a downwardly revised 719,000 homes in September, according to the National Association of Home Builders (NAHB). Sales were up 4.6% from October 2022. New single-family home inventory rose 8.3% to 439,000, the highest level of inventory since January and a 7.8 months' supply at the current sales pace. A 6 months' supply is considered balanced. Of total inventory, including new and existing homes, newly-built homes made up 30% of all single-family homes available for sale in October, compared to the 12% historical average. The median new home sale price in October was \$409,300, down 3.1% from September, and down 17.6% compared to a year ago. Pricing is down due to both builder incentives and a shift towards building slightly smaller homes. In October, 33% of sales were priced between \$300,000 and \$400,000, compared to just 20% a year ago. Regional sales year to date were mixed. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

Existing Home Sales Fall 4.1%

Existing home sales fell 4.1% in October to a seasonally adjusted annual rate of 3.79 million after falling to 3.96 million homes in September, according to the National Association of Realtors. Sales were down 14.6% from October 2022. The median existing-home sales price rose 3.4% year over year to \$391,800, leaving year-over-year prices below \$400,000 for the second consecutive month. The inventory of unsold existing

homes grew 1.8% to 1.15 million at the end of October, a 3.6 months' supply at the current monthly sales pace. Realtors reported that homes stayed on the market approximately 26 days, up from 23 days in September. The current supply of existing homes for sale is roughly half what it was in 2019 before the pandemic. Year-over-year prices were up in all regions.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence*	49 (-1)	42 (-7)	36 (-3)	35 (-6)
Building Permits*	-19.5%	-11.3%	-16.7%	-15.8%
Housing Starts**	-22.0%	-7.8%	-11.2%	-15.3%
New Home Sales*	9.5%	5.8%	0.3%	2.5%
Existing Home Sales**	-15.8%	-14.6%	-13.9%	-14.8%

* change YTD **change YOY

Mortgage Rates Fall to 7.2%



- ▶ 30-year fixed-rate mortgages fell to 7.2% at the end of November after rising to 7.8% at the end of October. Mortgage rates were 6.6% at the end of November 2022.
- ▶ Even though rates fell by more than half a percent over the month, consumers are holding out, hoping rates will fall even more and more inventory will become available.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

In honor of Giving Tuesday, Bosch Power Tools provided tool donations to four high school and pre-college construction trade programs across the US. Valued at approximately \$20,000, the donation of power tools, measuring tools and accessories is designed to support students' learning and development with hands-on skill-building experiences in the classroom. Bosch Power Tools identified ROC Construction Skills Training Center in Charlotte, the Career Institute North Trade High School Program in Dallas, the Construction Careers Academy in San Antonio and the Building Construction Academy at Bowers/Whitley in Tampa as recipient organizations. Equipment donated includes a wide range of drills, saws, batteries and chargers that are essential for hands-on training and skill development.

Stanley Black & Decker

SB&D released their first Holiday Gift Guide, which offers gifts picked for several different categories, including Pros on the job, home DIYers and lawn and garden enthusiasts. According to the national survey, 50% of construction Pros would like Santa to bring new tools and 40% of DIYers want a new drill. Some of this year's most popular gifting items among those surveyed were: 1) batteries and battery powered equipment – such as mowers, trimmers and edgers, and blowers; 2) storage organizers and organization tools; and 3) gifts that can be shared with others.

RETAIL

Retail Sales Fall 0.1%

Retail sales fell 0.1% in October after rising an upwardly revised 0.9% in September, according to the Commerce Department. The modest decrease came after six consecutive monthly increases in spending and was less than expected. Retail sales were up 3.8% year over year. Excluding automobiles, gasoline, building materials and food services, retail sales rose 0.2% in October after rising an upwardly revised 0.7% in September. Core retail sales, which are mostly goods and not ad-

justed 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

Q3 sales fell 3% to \$37.7 billion and comp sales fell 3.1%.

Results were better than analysts expected, but in line with THD's expectations. In local currency, Mexico and Canada posted comps above the company average.

Q3 Conference Call with Analysts:

Customers are still doing small projects, but big-ticket discretionary items are under pressure.

Pro outperformed DIY again, but normalized for commodity impact, Pro comp sales were flat for the quarter. Pro backlogs are shrinking but are still healthy and remain elevated compared to historical norms.

They are investing in multiple initiatives focused on growing the Pro business, which represents \$475 billion in addressable market. Because their current share of this market is low, they have an enormous opportunity to grow.

They are also focused on building their capabilities to serve the complex Pro. This customer is accustomed to interacting with their suppliers in a different way than THD's traditional business model. Pros working on complex projects want to reserve product, use trade credit and have products delivered to their job site in a staged manner. These capabilities exist in the market today, but they are incorporating them in their full ecosystem to serve Pro customers in a way no one else can.

They are evolving their organizational structure to better align outside sales and service businesses, and recently promoted Ann-Marie Campbell to Senior Executive Vice President. This organizational change will help them better serve Pros by maximizing expertise, product assortment, fulfillment and operations.

Having the right products in stock in the right quantity and on the shelf available (OSA) for purchase is critical. They have implemented several initiatives to do this more effectively and efficiently. Inventory positions are better and in-stock is much improved due to their focus on improving OSA.

They are focusing on Get Stores Right (GSR). GSR drives productivity by using their proprietary space allocation model coupled with their tenured field merchandising teams to determine which categories to invest in on a store-by-store basis.

Big-ticket comp transactions (those over \$1,000) were down 5.2% compared to the third quarter of last year. Spending in big-ticket discretionary categories like flooring, countertops and cabinets continues to soften. But they saw big ticket strength in Pro-heavy categories like roofing, insulation and portable power. They prefer comp sales equally balanced between transactions and average ticket.

Sales leveraging digital platforms increased approximately 5% compared to the third quarter of last year. They continue to invest in the digital experience across their website and app. Approximately half of online orders in Q3 were fulfilled through their stores.

They released a variety of digital enhancements in the third quarter, ranging from simple improvements to help customers track orders to more complex things like updating their search and recommendation algorithms.

They will continue to focus on having a broad assortment of best-in-class products that are in stock and available for customers when they need them. They will also continue to lean into products that simplify the project and save customers time and money.

Analysts noted that retailers are seeing a return to pre-Covid purchasing patterns where there is more purchasing activity on weekends and around holidays and events and bigger lulls in activity in between; THD responded that they had not seen that in their business, but their promotional activity has returned to pre-Covid levels and the overall environment has stabilized. They will continue to focus on EDLP (everyday low prices).

They narrowed their guidance for the year and now expect fiscal 2023 sales and comp sales to decline between 3% and 4%. They are targeting an operating margin between 14.2% and 14.1% for the year.

They declined to talk about guidance for 2024, preferring to wait and see what the Fed does regarding interest rates and

how the economy performs. However, they believe the worst of the inflationary environment is behind them.

Analysts noted that THD has a reputation for under-promising and overdelivering.

Other News:

THD will buy building materials manufacturer International Designs Group, the parent company of Illinois-based Construction Resources Holdings (CRH). CRH is a distributor of design-oriented surfaces, appliances and architectural specialty products for professional contractors focused on residential and multi-family home building renovation and remodeling. The deal is expected to close by the end of the year; terms were not disclosed. The acquisition is part of THD's commitment to capture a larger share of the Pro contractor market.

Lowe's

Q3 sales fell to \$20.5 billion from \$23.5 billion in Q3 2022. Comp sales fell 7.4%.

Lowe's cut their full-year forecast and now expects \$86 billion in sales, down from their previous forecast of \$87 to \$89 billion. They're also forecasting a 5% decline in comp sales, up from their previous forecast of a 2% to 4% drop.

Q3 Conference Call with Analysts:

At Lowe's, 75% of revenue is driven by DIY customers and 25% by Pros while the broader market mix is roughly 50% DIY and 50% Pro. As a result, whenever the DIY customer becomes cautious, it disproportionately affects them. DIY demand softened in the third quarter, while Pro comp sales were positive.

Comp sales were down 7.4% as the slowdown in DIY bigger ticket spending offset growth in Pro. Q3 comps were negatively impacted by approximately 50 basis points due to lumber deflation. Comp transactions declined 6.9%, driven by softer demand in DIY discretionary projects, partly offset by positive comp transactions in Pro.

Comparable average ticket was down 0.5%, driven by lumber deflation, more normalized appliance promotions and a decline in big-ticket DIY transactions. However, average ticket still increased in the majority of merchandise categories.

They saw increased pressure on big-ticket categories where they have strong penetration, such as appliances, flooring, kitchen and bath. Consumers are postponing purchases or scaling back. For example, customers who may have previously bought an entire kitchen suite may now just buy a refrigerator.

The industry-wide pullback in appliance sales has a larger impact on Lowe's since they are the market leader in appliances in the US, with 14% of sales coming from appliances. They have made adjustments to make sure they can go after the 100,000-plus appliances that break in the United States every week.

Pros are still working. Many of their projects are due to increased wear and tear on aging homes. These unavoidable repairs continue to create project backlogs for small to medium-sized Pros, their core customers. In their most recent survey, nearly 70% of Pros reported healthy project backlogs but due to the overall economic uncertainty are feeling a little less confident.

Online sales declined 4% in the quarter as the same pressures in DIY bigger ticket categories impacted digital sales. They have started offering Apple Pay to make it easier for people to buy online.

They are leveraging the newly developed capabilities they've been working on for several years to improve productivity, reduce costs and improve the customer experience. So despite the drop in sales, operating margins improved.

They opened 15 Lowe's Outlet stores in Q3. These smaller-format stores are located in areas with lower-cost real estate. Stores are close to core customers without cannibalizing nearby Lowe's stores. The response from value-conscious customers has been outstanding.

The outlet stores offer savings between 25% to 70% off on big and bulky, scratch and dent items like appliances, patio furniture grills, while at the same time maximizing profitability. They will be talking about potential growth opportunities on an upcoming call.

Lowe's rural strategy is built around a one stop shop concept designed to give customers in rural areas across the

country everything they need for their home and farm, including a wide offering of farm, ranch and outdoor products. They launched this rural assortment to more than 300 stores over the summer that are now selling products like livestock feed, pet food, utility vehicles and apparel from brands like Carhart and Wrangler.

The rural stores are their best performing DIY segment. They are performing significantly above company average, with very strong sales in pet, apparel and automotive.

They are now exploring how to expand the rural assortment beyond the original 300 designated rural stores. Customer response to the new assortments and product lines has been so good they are planning to add more merchandise.

Klein Tools was reintroduced to Lowe's stores during the quarter. Klein is the number one tool brand for electrical and HVAC professionals. They are offering the largest assortment of Klein Tools in the home improvement retail channel. Response by their Pro customers has exceeded expectations and they have plans to expand their brand assortment.

They just introduced Lowe's Lowest Price Guarantee to assure customers they will get the lowest price on items for their home. They are currently offering the lowest prices of the year on select major appliances. They determined their Lowe's Price Promise was too ambiguous and wanted something that clearly communicated with customers.

They are also offering \$100 off for every \$800 a customer spends. For Pros, they have tailored exclusive bulk saving offers on appliances as well. They featured more than 10 major appliance door busters to drive traffic on Black Friday.

They are expanding their private brand portfolio to deliver even more great quality and value at a lower price while also driving better margin rate productivity.

They are making a number of enhancements to make holiday shopping more convenient. They're extending same day delivery to in-store purchases through their gig network that enables them to tap into the OneRail network of 12 million drivers. That will enable them to deliver directly to Pro job sites and customer homes in just a matter of hours. In certain locations they will be delivering live Christmas trees to customers' doors.

They want to push up average ticket and are adding more merchandise right at the checkout with a new design that makes it easy to showcase grab-and-go items. They're also shifting to an easy-to-use assisted self-checkout with cashiers, who will be right there to answer questions and help customers when they need it.

They are tripling the staging area for buy-online pickup-in-store orders to support increased online sales and create a much faster, easier customer experience.

Their cost management teams are working closely with the merchants and utilizing the tech-enabled tools they've invested in. They have very detailed product cost breakdowns that also inform negotiations with suppliers.

Walmart

Q3 net sales from customer purchases rose 5.3% to \$159.44 billion while membership revenue and other income ticked up 1.6% to \$1.37 billion. Comp sales excluding fuel increased 4.7% across all US locations, climbing 4.9% at Walmart, but just 3.8% at Sam's Club, a big drop from a 10% gain in Q3 2022.

WM expects growth to moderate in the fourth quarter as grocery inflation subsides. WM expects net sales growth of 5% to 5.5% for fiscal 2024.

Ace Hardware

Ace reported Q3 revenue rose 2.5% to a record-setting \$2.3 billion, driven by 24% growth in their digital business. The approximately 3,700 Ace retailers who share daily retail sales data reported a 0.7% decrease in US retail comp sales due to a 0.5% decrease in average ticket and a 0.2% drop in comp store transactions. Removing the deflationary impact of lumber stores, US comp store sales were up 0.6% for the quarter.

Amazon

Amazon is launching a new heavy-duty robot called Titan. Titan can lift up to 2,500 pounds and will be deployed in fulfillment centers to carry heavy and bulky items. Titan joins Amazon's growing fleet of robotics. Amazon has now launched more than 750,000 robots across their fulfillment centers globally.

CANADA SNAPSHOT

Unemployment Rises to 5.8%



- ▶ The unemployment rate rose 0.1% in November to 5.8% after rising 0.2% in October, the fifth increase in the past six months.
- ▶ Unemployment reached a record low of 4.9% in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment in construction increased 1.0% by 16,000 new jobs after the sector added 23,000 new jobs in October.
- ▶ On a year-over-year basis, average hourly wages increased 4.8% for the second consecutive month in November, rising to \$34.38 per hour. Wage growth needs to cool down in order to tamp down inflation.
- ▶ Employment in New Brunswick and fell in Prince Edward Island. Employment was little changed in the remaining provinces.

Consumer Prices Rise 3.1%

Consumer prices rose 3.1% year over year in October after rising 3.8% year over year in September. The decrease was in line with expectations and largely due to tumbling gas prices. Seasonally adjusted prices fell 0.1% from September. Prices for services and housing are still rising more briskly, making it unlikely the BoC will cut interest rates any time soon but may put a halt to further increases.

Housing and Construction News

Canadian housing starts rose 1% in October to 674,281 units after jumping 8% in September. Starts increased for both multi-unit and single-family-detached projects, according to the Canadian Mortgage and Housing Corporation (CMHC). Economists had expected starts to fall and do not expect them to remain positive for much longer.

Canadian home sales fell 5.6% in October after falling 1.9% in September and were down 0.9% from October 2022, according to the Canadian Real Estate Association (CREA). It was the fourth consecutive monthly decline for existing home sales. The national average home price fell 0.8% between September and October to \$655,507 but was up 1.1% from October 2022.

S&P Projections 2024

Canadian GDP is expected to grow 0.8% in 2024, according to the latest projection from S&P Global Ratings, which is below the 1.2% forecast in September. S&P Global Ratings also revised their estimate for 2023 GDP growth down to 1.1%. They also think the job market will remain sluggish, with unemployment rising to a 6.1% average in 2024 from a 5.4% average this year. The Bank of Canada is expected to maintain a policy rate of 5% while they let past rate hikes work their way through the economy, although they may begin cutting rates by the second quarter of 2024.

Retail Sales Fall 0.6%

Retail sales fell 0.6% in September to \$66.5 billion after falling to \$66.1 billion in August. Sales were up in four out of nine sub-sectors, led by increases at motor vehicle and parts dealers. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, were down 0.3% for the second consecutive month. In volume terms, retail sales increased 0.3% in September. Retail sales were up 0.6% in the third quarter but fell 0.5% in volume terms. Retail sales increased in eight provinces, with the largest increase in Ontario. Advance indicators point to retail sales rising 0.8% in October.

Retail Ecommerce Sales Fall 0.6%

Retail ecommerce sales fell 0.6% to \$3.8 billion in September, accounting for 5.8% of total retail trade. Retail ecommerce sales fell to \$3.9 billion in August.

Retail Notes

Retailers are expecting a slower holiday season with more intense discounting and promotions as retailers compete for consumer dollars.

Canadian Tire's Q3 revenue rose 0.5% to \$4.25 billion, but comp sales fell 1.6%. They laid off about 3% of their workforce and are cutting costs and slowing capital spending as persistent economic pressures continue to impact consumer demand and retail spending.

Canadian Tire is cutting back on spending as well. Last year, the company announced a four-year, \$3.4-billion investment plan to improve operations and bolster sales, forecasting 4% average sales growth and setting a goal to more than double diluted earnings per share from 2019 to 2025. But in August, they noted a turning point in the economy and withdrew that optimistic forecast and trimmed spending plans.

Canadian Tire introduced an e-registry for Christmas gifts called Canada's Christmas Lists. Customers can build, share, and shop personalized Christmas lists from friends and family.

Canadian Tire acquired the Bank of Nova Scotia's 20% stake in Canadian Tire Financial Services and will bring their financial services unit fully in house. CEO Greg Hicks said that while the partnership had been a fruitful one, it was time for them to be on their own.

MARKET TRENDS

Housing and Home Improvement Forecasts

NAHB expects single-family home starts to rise 5% in 2024, according to Chief Economist Robert Dietz.

Ten-Year Treasury rates, which provide the foundation for mortgage rates, moved back into the 4.5% range for the first time since September 2022 in November. That will help bring mortgage rates close to or below 7.5%.

The chronic lack of existing home inventory combined with somewhat lower and more stable mortgage rates will help boost builder confidence, which will help support construction.

Lowe's and The Home Depot remain bullish on the medium to long term outlook for the home improvement industry, citing favorable housing and demographic trends. They expect home prices to be supported by a persistent imbalance between supply and demand. At the same time, 250,000 millennial households are expected to form each year through 2025. Their parents and grandparents, the baby boomers, are increasingly preferring to age in place in their own homes, which creates increased demand for home renovations and improvements.

The US now has the oldest housing stock in history, with the medium age of homes now 41 years old. Maintaining these homes will require ongoing investments in repair and remodel projects.

Cyber Week Retail Sales

Consumer spending rose 7.8% during Cyber Week (the five days from Thanksgiving to Cyber Monday) to \$38 billion overall. There was record spending online during Thanksgiving (\$5.6 billion, up 5.5%), Black Friday (\$9.8 billion, up 7.5%) and over the weekend (\$10.3 billion, up 7.7%). Adobe reports spending on Cyber Monday was up 9.6% from 2022 to \$12.4 billion, well ahead of expectations.

Season to date (Nov. 1 to Nov. 27), consumers spent \$109.3 billion online, up 7.3%.

Both in-store and online retail sales increased year-over-year unadjusted for inflation, according to Mastercard's SpendingPulse insights, which noted that apparel, jewelry and restaurant categories saw considerable spikes.

In-store sales jumped a little more than 1%, but shopper traffic on Black Friday was up 4.6% from 2022, even though foot traffic overall is down an average of 2.4% this year. Analysts noted this probably reflected both the social nature of holiday shopping and a desire by consumers to scour stores for deals and ideas.

Most shoppers did their browsing and buying on their phones, with mobile purchases accounting for \$5.3 billion in

sales. Adobe expects that purchases made through smartphones this holiday season will overtake those made by desktops for the first time.

Use of "buy now, pay later" (BNPL) installment payment plans that allow consumers to split their online cart total into four payments typically due several weeks apart was up 72% from the prior week, according to Adobe. While some BNPL lenders charge interest or late fees, these mini-loans can help stretch holiday budgets for major purchases or big spending days.

Holiday Sales Forecasts

The National Retail Federation (NRF) forecasts retail sales will grow 3% to 4% for the November-December holiday shopping period. That would bring sales to between \$957.3 billion and \$966.6 billion, compared to \$930 billion in 2022. The online component of sales is expected to rise 7% to 9%, up from \$255.8 billion last year. NRF says despite the fact that retail sales have grown for 41 consecutive months, consumers looking for ways to pinch pennies this holiday season could cause sales to end up flat or even in negative territory.

Adobe expects the full holiday season (Nov. 1 to Dec. 31) will hit \$221.8 billion, growing 4.8% from 2022. As e-commerce growth continues to outpace in-store shopping, Adobe expects \$1 in every \$5 to be spent online this holiday season.

Online Price Wars

According to Profitero's seventh annual Price Wars study, Amazon and Walmart are the leaders in online pricing, and there is a growing gulf between the Big Two and the rest of the retail industry. Amazon ranked as the lowest-priced retailer for the 7th year in a row. Profitero compares the online prices of more than 14,000 products across various leading online retailers. Walmart is about 4% behind, a 2% improvement from 2022. Walmart became more competitive in ten categories, including home improvement, where products were only 5% more expensive than Amazon's. The Home Depot and Lowe's were among the many other retailers included. The study found that Amazon and Walmart had identical prices about 70% of the time. Only identical items available and in-stock in the same pack configuration were compared. Data was collected daily over 12 weeks (July 10 - Oct 1, 2023), with daily prices aver-

aged over the full period for comparison. Prices for the same items were collected within 24 hours of each other to ensure validity of the comparisons.

Loss Prevention Measures Frustrate Customers

Retailers faced with growing problems with theft are turning to loss prevention measures that cut down on shrink but frustrate customers. Many retailers are putting everything from jeans to air fresheners behind locked doors. Walmart says it makes decisions on which merchandise to lock up on a store-by-store basis. Most customers also realize that we all pay the price for shoplifting losses, because retailers have to increase prices overall to make up for lost inventory and sales.

A recent Harris Poll shows many shoppers are not happy about the restricted access and increased waiting times. Nearly three-quarters (71%) of shoppers said that anti-theft measures, including locked displays, gated exits and checkouts, and limited operating hours, made them less likely to shop in-person. Target reports that shoppers' response to having more items behind bars has been mostly positive. Customers are grateful for the enhanced security and the fact that many more employees are available on the floor to get products and answer questions.

A separate survey by the Loss Prevention Research Council found that more than 60% of consumers consider locked merchandise to be either inconvenient or very inconvenient. More than one in five said they would rather order online than have to wait for employees to unlock a case. Social media is bursting with complaints from shoppers who report abandoning their carts in frustration due to a lack of available sales associates, raising questions about whether such heavy-handed tactics are sustainable in the long term. Retail analysts caution that locking up merchandise without providing excellent on-site support staff can cause frustrated shoppers to abandon in-store shopping altogether.

Robot Security Guards

Amazon launched a robot designed to be used as a security guard in inventory spaces. Costing \$2,349.99 and controlled via an app, Amazon's Astro robot has been touted for its ability to give businesses 24/7 security.

According to research company Global Data, the global robotics market was worth \$63 billion in 2022 and is expected to reach \$218 billion by 2030, achieving a compound annual growth rate of 17%. Service robots, such as security robots, are likely to be the biggest catalyst for this growth.

The Astro robot combines robotics and AI and has features such as smart alerts, custom patrol routes and scheduled patrols. The robot can map up to 5,000 square feet and has a live feedback camera that includes night vision. Amazon says Astro is a great solution for small businesses. Security is a headache, but traditional solutions are too expensive or too static to be useful. The Astro robot has been tested in a variety of businesses and locations and allows businesses to watch blind spots traditionally missed by static CCTV cameras. Astro has already undergone a year of beta testing by businesses, and many of the test businesses have already incorporated Astro into their security service. One business owner said having the robot on duty helps him sleep better at night, because they use industrial ovens that can start a fire if they're not turned off properly. Astro allows him to check in via live view anytime and double-check that the ovens are off.

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