

Market Briefing

Content

US Economy	2
Housing & Construction	3
Power Tool Industry	5
Retail	6
Canada Snapshot	8
Market Trends	9

US ECONOMY

- Consumer Spending Falls 0.2%
- Consumer Prices Fall 0.1%
- Consumer Confidence Falls to 107.1
- Unemployment Falls to 3.4%
- Chicago PMI Falls to 44.3
- Wholesale Prices Fall 0.5%
- Q4 GDP Rises 2.9%
- Fed Raises Rates 0.25%

HOUSING & CONSTRUCTION

- Builder Confidence Rises to 35
- Building Permits Fall 1.6%
 - Single-family permits fall 6.5%
- Housing Starts Fall 1.4%
 - Single-family starts rise 11.3%
- New Home Sales Rise 2.3%
- Existing Home Sales Fall 1.5%
- Regional Housing Stats
- Mortgage Rates Fall to 6.1%

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

- ▶ Robert Hesse named president and CEO of North America
- ▶ Innovations at World of Concrete
- ▶ Buys stake in Husqvarna

Stanley, Black & Decker

- ▶ Patrick Hallinan named CFO

TTI/Techtronic Industries

- ▶ Positioned well for success

RETAIL

Retail Sales Fall 1.1%

The Home Depot

- ▶ Implements pay by the minute program
- ▶ Rolls out Sidekick program
- ▶ Expands Pro Xtra Loyalty program

Lowe's

- ▶ CEO Marvin Ellison receives The Visionary award from NRF
- ▶ Brings One Roof Media Network in house

Walmart

- ▶ Raises minimum hourly wage

Ace Hardware

- ▶ Online holiday sales rise 37%
- ▶ Named Top Ten Franchise
- ▶ Handyman Service Ranked #1

Amazon

- ▶ Announces 18,000 layoffs
- ▶ Discontinues Amazon Smiles program

CANADA SNAPSHOT

Economy

Housing & Construction

Retail

MARKET TRENDS

Construction Hiring in 2022

One Million Women Initiative

Tech Now the Norm in Construction Sector

Remodeling Index Declines

Will Robots Replace People in Warehouses?

Tech Company Layoffs Mount

CEOs Weigh in on Challenges Ahead

Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates January 31, 2023

Euro	1 Euro = \$1.086	\$1.00 = 0.921 Euros
Canadian Dollar	1 CAD = \$0.750	\$1.00 = 1.333 CAD
Japanese Yen	1 Yen = \$0.008	\$1.00 = 130.159 Yen
Chinese Yuan	1 Yuan = \$0.148	\$1.00 = 6.755 Yuan
Mexican Peso	1 Peso = \$0.053	\$1.00 = 18.801 Pesos

Market Watch January 31, 2023

DOW	34,086	2.8%
NASDAQ	11,585	10.7%
S&P 500	4,077	6.2%

The year got off to a solid start in the markets, with all three indexes finishing in the green and the NASDAQ having the best January since 2001. Investors were cheered by inflation cooling and signs that labor costs were easing and the Fed would slow down interest rate increases.

Consumer Spending Falls 0.2%

Consumer spending fell 0.2% in December and spending for November was revised down from a gain of 0.1% to a decline of 0.1%. Weakening spending may give the Fed a reason to pause or raise rates less aggressively. Spending on services rose 0.5% while spending on durable goods fell. Core consumer spending fell 0.3% in December, the biggest decline in a year, after decreasing 0.2% in November. With personal income rising 0.2%, the smallest gain since April, the outlook for spending is uncertain. Wages rose 0.3%, matching November's increase. The biggest cost of living adjustment since 1981 for more than 65 million Social Security beneficiaries took effect in January. Analysts think that may help limit the potential decline in consumer spending.

Consumer Prices Fall 0.1%

The Consumer Price Index (CPI) fell 0.1% in December after rising 0.1% in November and was up 6.5% year over year, down from 7.1% in November. It was the first decline in month-

over-month prices since the onset of the pandemic and the seventh consecutive month that inflation fell year over year. Core inflation, which excludes the volatile food and energy categories, rose 0.3% in December after rising 0.2% in November and was up 5.7% year over year after being up 6.0% in November.

Consumer Confidence Falls to 107.1

Consumer Confidence Index



- ▶ The New York-based Conference Board's Consumer Confidence Index slipped to 107.1 in January after rising to 108.3 in December.*
- ▶ The Present Situation Index rose to 150.9 in January after rising to 147.2 in December. It was the highest reading for the PSI in nine months.
- ▶ The Expectations Index, based on short-term outlooks for income, business and labor market conditions, fell to 77.8 in January after rising to 82.4 in December. A level around 80 indicates consumers expect a recession.
- ▶ 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 3.4%



- ▶ The unemployment rate fell to 3.4% in January after falling to 3.5% in December. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- ▶ The economy added 517,000 new jobs*, more than twice what economists expected. The extremely hot labor market makes it tougher for inflation to continue to drop as expected.
- ▶ Wage growth was mostly in line with expectations, with average hourly earnings up by 10 cents, or 0.3%, on a monthly basis, and 4.4% on an annual basis. Economists had estimated wage growth of 4.3%.
- ▶ Job openings, a measure of labor demand, unexpectedly increased 572,000 to 11.0 million on the last day of December, according to the most recent monthly Job Openings and Labor Turnover Survey, or JOLTS report. Economists polled by Reuters had forecast 10.250 million job openings.

Chicago PMI Falls to 44.3

The Chicago PMI fell to 44.3 in January after rising more than seven points to 44.9 in December. The decline left the index further below 50, the level that signifies expansion. Economists had expected the PMI to rise into the 45+ range. A PMI number above 50 signifies expanded activity over the previous month; readings below 50 signify contraction. 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 December after rising 0.3% in November and was up 7.3% year over year. Falling food and gas prices led the decline. Stripping out volatile food and energy prices, core PPI rose just 0.1% in December and 5.5% year over year, down from 7.4% year over year in November. The PPI peaked at a whopping 11.7% year-over-year increase in March 2022.

Q4 GDP Rises 2.9%

Q4 GDP rose 2.9%, well ahead of expectations, according to the first reading from the Commerce Department. GDP rose 3.2% in the third quarter; economists had expected GDP to rise 2.3% in the fourth quarter before slowing this year. The economy got a boost last quarter from a 2.1% increase in consumer spending and the restocking of supplies by businesses. For all of 2022, GDP expanded 2.1% after growing 5.9% in 2021. The Fed's preferred gauge of inflation, the core PCE price index, eased to a 3.85% annual rate in Q4.

Fed Raises Rates 0.25%

The Fed raised interest rates by 0.25% February 1 to a range of 4.50% to 4.75%, the highest level since 2007. The decision followed six consecutive rate hikes of at least .50%. Comments by Fed Chair Jerome Powell noted that while inflation is falling as intended there is still a long way to go to get back into the Fed's preferred rate of "around 2%." Powell also indicated that the Fed has no plans to cut rates this year. The Fed's biggest concern is a surge in wages due to the tight labor market.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 35

Builder Confidence rose four points to 35 in January after falling to 31 in December, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The modest increase broke a 12-month string of monthly declines and came after interest rates fell slightly. The index hit an all-time high of 90 in November 2021. All three HMI indices posted gains for the first time since December 2021. The HMI index gauging current sales conditions rose four points to 40, the component charting sales expectations in the next six months

increased two points to 37 and the gauge measuring traffic of prospective buyers increased three points to 23. NAHB says the increase points to a rebound in home building later in the year. Regional scores were mixed. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Fall 1.6%

Overall building permits fell 1.6% in December to a 1.33 million unit annualized pace after falling to a downwardly revised pace in November. Single-family permits dropped 6.5% in December to 730,000 units after falling to 781,000 in November and were down 34.7% from December 2021. It was the ninth consecutive month single-family permits declined. Multifamily permits rose 5.3% to an annualized pace of 600,000 units after falling to a downwardly revised pace in November. Permits were down year to date in all regions.

Housing Starts Fall 1.4%

Housing starts fell 1.4% in December to a seasonally adjusted annual rate of 1.38 million units after falling to 1.43 million units in November. Single-family starts rebounded, rising 11.3% to a seasonally adjusted annual rate of 909,000 units after falling to 828,000 units in November. Single-family starts were down 25% from December 2021. Multifamily starts plummeted 19% to 473,000 units after rising to 599,000 units in November. Regional starts were mixed.

Housing Starts Fall 3% in 2022

Total housing starts for 2022 dropped 3% from the 1.60 million starts recorded in 2021. Single-family starts in 2022 totaled 1.01 million, down 10.6% from the previous year. Multifamily starts in 2022 were up 14.5% compared to the previous year and exceeded a 500,000 annual pace for the first time since the Great Recession.

New Home Sales Rise 2.3%

New home sales rose 2.3% in December to a seasonally adjusted annual rate of 616,000 new homes from a downwardly revised rate in November. New home sales were down 16.4% in 2022 compared to 2021. The median price of a new home in December was \$442,100, down 3.7% from November but up 7.8% compared to 2022, primarily due to higher construction costs. New single-family home inventory remained elevated at a

9 months' supply. Around a 6 months' supply is considered balanced. The number of homes available for sale was up 18.5% from December 2021 to 461,000. A year ago, there were just 33,000 completed, ready to occupy homes available for sale. By December 2022, that number increased 115% to 71,000, reflecting flagging demand and more standing inventory due to lower sales. New home sales were down in all regions. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

Existing Home Sales Fall 1.5%

Existing home sales fell 1.5% in December to a seasonally adjusted annual rate of 4.02 million units after falling to 4.43 million units in November, according to the National Association of Realtors. The decline was less than expected as dropping mortgage rates brought buyers off the sidelines, but it was still the eleventh consecutive month existing home sales fell. Sales were down 34.0% from December 2021. The inventory of unsold existing homes declined for the fifth consecutive month, falling to 970,000 homes, a 2.9 months' supply at the current sales pace, down from 3.3 months in November but up from 1.7 months in December 2021. The median existing home price for all housing types in December was \$366,900, an increase of 2.3% from December 2021, as prices rose in all regions. That marked 130 consecutive months of year-over-year home price increases, the longest running streak on record. Properties remained on the market for an average of 26 days in October, up from 24 days in November. Regional sales were mixed.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence	33 (-5)	36 (NC)	32 (-2)	27 (+1)
Building Permits YTD	-13.6%	-2.4%	-3.4%	-8.3%
Housing Starts Y/Y	5.0%	-1.6%	-5.7%	-7.2%
New Home Sales*	-8.2%	-13.0%	-22.1%	-23.5%
Existing Home Sales*	-1.9%	-2.2%	-1.0%	(NC)

* Year over Year

Mortgage Rates Fall to 6.1%



- ▶ 30-year fixed-rate mortgages fell to 6.1% at the end of January after falling to 6.4% at the end of December. Mortgage rates were 3.9% at the end of January 2022.
- ▶ Mortgage interest rates have now fallen for three consecutive months.
- ▶ Falling rates have encouraged fence sitters to enter the market once again and mortgage demand is picking up.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Robert Bosch Tool Corporation named Robert Hesse as President and CEO of North America, effective November 1. In this position, Hesse will be responsible for the Robert Bosch Tool Corporation portfolio of businesses in North America which includes Bosch Power Tools and Accessories, Measuring Tools, Dremel Rotary Tools, and RotoZip Brands. Hesse steps into his new role after more than 25 years with Bosch, where he held positions leading Bosch Communications Systems and, most recently, as the Senior Vice President of Sales at Bosch Accessories Group, a division of the Robert Bosch Tool Corporation. Hesse looks forward to leading the Bosch Power Tools team as the company continues to push the broader tools industry towards a more innovative future. Strategically, Hesse plans to drive Bosch's growth by bringing products to market that are easy-to-use and engineered to tackle tough applications on the jobsite.

Bosch Power Tools created an innovative, interactive booth for the 2023 World of Concrete show in January, introducing new hands-on demonstrations and experiences to connect workers with the tools to get the job done. In addition to showcasing Bosch's newest products, visitors to the booth got a chance to take part in daily head-to-head challenges to win prizes, take photos at a 3D branded photo booth and enter for a chance to win a hydro-dipped or custom hard hat live-painted by an in-booth artist. Bosch has supported the World of Concrete for more than 40 years.

Robert Bosch GmbH will buy a 5% stake in Husqvarna, a Swedish manufacturer of home, garden and construction equipment. Bosch Power Tools and Husqvarna subsidiary Gardena started the Power for All Battery Alliance in 2020 so that customers could use the same battery in equipment from both brands. Ten brands that account for about 100 devices now participate in the alliance. Christian Fischer, deputy chairman of Bosch, stated that the alliance with Husqvarna is part of their systematic growth strategy. Bosch has the option to buy an additional 7% of Husqvarna as well.

Stanley, Black & Decker

Patrick Hallinan will become CFO of SB&D effective April 6, 2023. He joins the company after a 17-year career at Fortune Brands, a manufacturer of home security products. Hallinan will succeed Corbin Walburger, who stepped in as interim finance chief last July when Donald Allan Jr., the previous CFO, became the chief executive officer. Walburger will resume his prior role as vice president of business development. Hallinan will receive a base salary of \$800,000, a one-time signing bonus of \$350,000 and be eligible for an annual bonus with a target this fiscal year of 100% of base pay as well as a one-time restricted stock grant with an aggregate grant date value of \$2.65 million.

Hallinan's appointment follows SB&D's announcement last July of ambitious cost-cutting plans, including \$1 billion in reductions by the end of this year and \$2 billion by 2025. One of his key tasks will be addressing the company's supply chain and inflation difficulties. Analysts say he will also likely focus on restoring investor confidence, noting that SB&D's stock price has dropped to around \$87 from roughly \$175 a year earlier.

TTI/Techtronic Industries

TTI won't take a hard hit from any coming economic slow-down in the US, according to Citi analysts. Citi noted that The Home Depot, one of Techtronic's major customers, believes that strong demand for home improvement products and tools will continue. They believe that consistent home price appreciation over the last three years and significantly higher home values coupled with rising mortgage rates gave homeowners an incentive to stay in place and remodel and repair their existing home. Falling mortgage rates have brought people back into the market, but both sellers and buyers of existing homes invest in maintenance, repairs and remodels. Techtronic is among Citi's top picks in the home-improvement sector.

RETAIL

Retail Sales Fall 1.1%

Retail sales fell a seasonally adjusted 1.1% in December and sales for November were also revised to show a 1.0% decline compared to the 0.6% drop previously reported. Sales fell in several gift-related categories as shoppers cut back on holiday purchases and sales at online retailers fell 1.1%. However, sales rose 1.3% in October as shoppers took advantage of early deals. Excluding automobiles, gasoline, building materials and food services, retail sales fell 0.7% in December after dropping 0.2% in November. Core retail sales correspond most closely with the consumer spending component of gross domestic product. Unlike many government reports, retail sales aren't adjusted for inflation and can reflect price differences in addition to purchase totals so they are impacted by rising prices. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as travel and entertainment. The National Retail Federation (NRF) reported that sales in November and December rose 5.3%, below expectations and a dramatic slowdown from holiday sales in 2021, which rose 13.5%.

The Home Depot

THD will start paying hourly associates by the minute after several lawsuits charged the company with underpaying employees. THD previously rounded time up or down to the closest 15 minutes; now everyone will get paid for the exact number of minutes worked.

THD rolled out a new app developed in-house to help store associates prioritize tasks more effectively. The app, dubbed Sidekick, is a new addition to hdPhones, The Home Depot's mobile devices dedicated to improving the associate and customer experience. Powered by machine learning, the app guides associates to prioritize the highest demand product, which shelves to restock and the location of the excess product on overhead shelves. A dashboard visible by associates and managers shows what needs to be done. Sidekick integrates with other THD platforms so information across platforms is consistent.

THD expanded their Pro Xtra loyalty program, introducing new membership tiers with escalating benefits. With three new tiers, Member, Elite, and VIP, Pros will enjoy more benefits that keep building as they spend. When customers enroll in Pro Xtra, they gain access to specialized perks, business tools to better manage and grow their businesses, exclusive sales and events in stores and online, paint rewards and more. Every dollar spent counts toward earning rewards and helping the Pro reach the next level. Additional perks include a new Elite support line for prioritized, exclusive assistance for business needs, VIP experiences, account management services with personalized purchase support from Home Depot experts, and preferred pricing. Additional benefits for members of all tiers will be released throughout the year.

Lowe's

CEO Marvin Ellison spoke to a crowd of thousands at the National Retail Federation Conference in New York as he received the National Retail Federation's The Visionary award. Ellison said Lowe's was very optimistic that the market will be strong in 2023 and feels they have made the appropriate level of investments to be able to continue to take market share. While acknowledging that parts of the macro economy will see some slowdowns, they don't believe there will be a big recession or economic downturn in the home improvement industry. Ellison said demand drivers remain strong and a slowdown in new construction doesn't necessarily hurt the industry, as older homes require more upgrades and maintenance. Lowe's is also not concerned about the supply chain since they currently source from more than 35 countries. Ellison believes their brick and mortar stores are more relevant than ever as they now serve as essential hubs and distribution centers as well as retail stores.

Lowe's brought their One Roof Media Network in house by taking ownership of advertising and sales operations. They launched their retail media service in October 2021. It provides omnichannel advertising services, with a focus on putting brands at the forefront. That includes utilizing customer data and real-time shopping trends to develop advertising, marketing and creative services. The media network provides customizable advertising solutions and proprietary data and insights. Bringing them in house should provide a greater return on investment for advertisers. Lowe's One Roof has more than 200 clients including Stanley, Black & Decker. Lowe's partnered with Yahoo on off-site media experiences, including digital out-of-home, addressable TV and connected TV, which help target specific viewers.

Walmart

Walmart raised the starting wages of US workers in stores and warehouses from \$12 to \$14 in February. Rivals, including Amazon and Target, have a \$15-an-hour minimum wage. The federal minimum wage is set to increase to \$9.50 an hour on July 1, from \$7.25 an hour now. Walmart's changes, the latest in a series of increases to close the gap with rivals, will push the company's average hourly wage to over \$17.50. Currently hourly workers earn an average of around \$17, a spokeswoman said. The US job market has been tight, with December's unemployment rate of 3.5% matching multidecade lows. Despite some signs that the labor market is losing some momentum, Walmart continues to grapple with a tight labor market for some core jobs, including store workers and truck drivers. Around 340,000 of Walmart's 1.6 million U.S. workers will see a raise in their March paychecks because of this latest change.

ACE Hardware

Ace reported that online holiday sales in December were up 37% from 2021 with a 28% increase in traffic to the site and a 20% increase in orders. Q4 gross online sales were up 32%, orders rose 13% and traffic was up 25% over 2021.

Ace Hardware was named one of the Top Ten Franchises in the world for 2023, according to *Entrepreneur* magazine's Franchise 500. Ace moved up from 12th in 2022 to number seven out of 500 ranked franchise businesses. Ace was also named #1 in its retail category once again.

Ace Handyman Services was ranked #1 in the Home Re-

pairs/Handyman Services category. Overall, Ace Handyman Services ranked #127 on the Franchise 500 list, rising from #238 on the list in 2022. Ace Handyman Services is a stand-alone subsidiary of Ace Hardware corporation created in 2019 as a collective of locally-owned franchise businesses. The roster of services includes carpentry, plumbing, electrical, drywall, painting, flooring and more.

Amazon

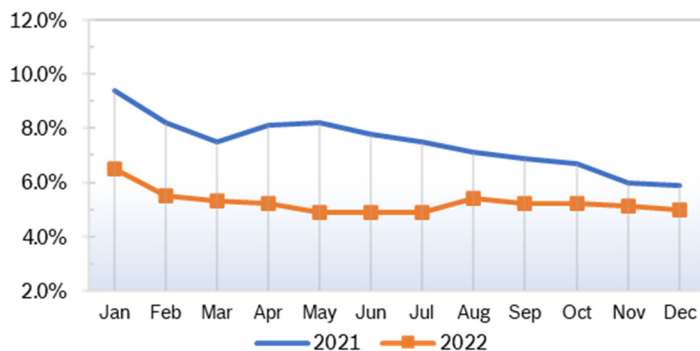
When news leaked that Amazon planned to layoff 18,000 employees, CEO Andy Jassy scrambled to get ahead of reports. Jassy explained in a hastily crafted press release that Amazon's era of trying to be everything to everyone is over; Amazon needs to learn to do less and concentrate on what is most important and most profitable. He wants Amazon to focus where they spend their resources and time and find ways to do more for their customers at a lower cost and pass on savings to customers. Or, as he put it, invent and simplify. The majority of job cuts will be in Amazon stores and their people, experience and technology teams, representing about 5% of the company's corporate jobs.

Amazon will wind down their charitable-giving arm, Amazon Smile, in February, saying their impact is "spread too thin," because they have donated to more than one million organizations over the past decade. Amazon Smile was launched in 2013 and will cease operations on February 20. Amazon funded a half-percent of each purchase made to a charity of the customer's choice. Participating charities will receive a one-time donation equal to about a quarter of what they received in 2022. Amazon said the program did not create the impact they had envisioned and they will continue to invest in other areas where they believe they can make meaningful change. The Association for the Prevention of Cruelty to Animals, Nature Conservancy, St. Jude's and the American Red Cross were the only groups to receive more than \$1 million over the program's life.

CANADA SNAPSHOT

Unemployment Falls to 5.0%

Canada Unemployment Rates



- ▶ The unemployment rate fell to 5.0% in December after falling to 5.1% in November, just above the record low of 4.9% reached in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment rose by 104,000 jobs in December after rising by just 10,000 jobs in November. Much of the gain was concentrated in the private sector.
- ▶ Employment rose in several industries, including construction and warehousing.
- ▶ Employment increased in Ontario, Alberta, British Columbia, Manitoba, Newfoundland, Labrador and Saskatchewan in December. There was little change in the other provinces.
- ▶ Year-over-year wage growth remained above 5% for the seventh consecutive month. Wage growth needs to cool in order to tamp down inflation.

Consumer Prices Up 6.3%

Consumer prices were up 6.3% year over year in December after being up 5.4% in November. Falling gasoline prices and another drop in the homeowner's replacement cost (HRC) index contributed to the decline. The HRC index has decelerated, on a year-over-year basis, every month since May 2022 when it rose 11.1%. On a monthly basis, the CPI fell 0.6% in December after rising 0.1% in November. On a seasonally adjusted monthly basis, the CPI was down 0.1%

Bank of Canada Raises Interest Rates

The BoC raised interest rates by 25 basis points to 4.50% in late January after raising them 50 basis points in December. The accompanying statement surprised analysts as the BoC indicated they might be ready to put rate increases on hold as long as the economy performs as expected. Rates are now at the highest level in fifteen years.

Housing and Construction News

Housing starts fell 5% month over month in December to a six-month average of 248,600 units, according to Canada Mortgage and Housing Corp. (CMHC). Single-family starts fell 11% to 44,900 units. Starts fell in all regions except Ontario.

Canadian home sales rose 1.3% in December after falling 3.3% in November, according to the Canadian Real Estate Association (CREA). New listings fell 5.7% from November. The association said there were 4.2 months of housing inventory on the market at the end of December, close to the monthly supply pre-pandemic but about a month below the long-term average. Home prices fell 1.6% in December and were down 7.5% year over year. Home sales were down 39% compared to December 2021. The association expects home sales to fall 0.5% this year after dropping nearly 25% in 2022, while average prices are projected to fall 5.9% after rising 2.4% last year. CREA forecasts that national home sales will rise slightly more than 10% in 2024, though that would still be below 2020 and 2021 figures, while the average home price is expected to recover 3.5% from 2023 prices.

A new report from TD Economics predicts Canada will see the weakest level of home sales since 2001 this year. The housing market outlook from economist Rishi Sondhi attributes the prediction to the poorest affordability level since the late 1980s and early '90s. Sondhi thinks that home sales will reach their bottom sometime in early 2023, after declining 20% from peak to trough.

Retail Sales Drop 0.1%

Retail sales decreased 0.1% to \$61.8 billion in November. Sales decreased in 6 of 11 subsectors, representing 47.4% of retail trade. Sales at building material and garden equipment and supplies dealers fell 3.8%, leading the decline. Core retail sales, which exclude gasoline stations and motor vehicle and

parts dealers, decreased 1.1%, their largest decline in 11 months. In volume terms, retail sales decreased 0.4% in November.

Retail Ecommerce Sales Fall 2.7%

On a seasonally adjusted basis, retail ecommerce sales were down 2.7% in November. On an unadjusted basis, retail ecommerce sales were down 3.5% year over year to \$4.4 billion in November, accounting for 6.5% of total retail trade. The share of ecommerce sales out of total retail sales fell 0.6% compared with November 2021.

Retail Notes

Home Depot's Canadian arm shared details from electronic receipts related to in-store purchases with Facebook owner Meta Platforms without the knowledge or consent of their customers, according to Canada's privacy regulator. An investigation by the Office of the Privacy Commissioner of Canada (OPC) found that by participating in Meta's offline conversions program Home Depot shared the e-receipts that included encoded email addresses and purchase information. The regulator added that the home goods chain stopped sharing customer information with Meta in October 2022, which was among the recommendations made by OPC. THD will not share data until they can implement measures to ensure valid consent. Home Depot and Meta did not immediately respond to Reuters requests for comment.

GDP Rises 0.1%

Canada's GDP edged up 0.1% in November after rising by 0.1% in October, beating analysts' estimates. Growth in service industries was partially offset by a 0.1% decline in goods-producing industries. Initial estimates from Statistics Canada indicate GDP remained steady in December.

Consumer Prices Fall 0.6%

The consumer price index fell 0.6% in December after rising 0.1% in November. It was the largest decline in consumer prices since April 2020, driven primarily by falling gasoline prices. The consumer price index rose 6.3% year over year in December, down from a 6.8% increase in November. Core prices cooled off slightly as well, rising 5.3% in December after rising 5.4% in November. Core inflation remained well above the Bank

of Canada's (BoC) target of 2% but is down significantly from 8.1% in June.

MARKET TRENDS

Construction Hiring in 2022

Construction hiring picked up in December as the sector added 28,000 new jobs, driven by a 17,000 increase in hiring by specialty trade contractors. In 2022 construction companies added an average of 19,000 jobs a month. While spending on residential construction slowed when housing starts and new home sales dropped, nonresidential construction spending has risen. In November, nonresidential construction spending rose 0.9% from October, driven by increases in conservation and development projects and manufacturing and religious sites, according to the Commerce Department. With home purchases rising again and mortgage rates dropping, analysts expect the construction sector to continue to add jobs.

One Million Women Initiative

The US wants to add one million women to the skilled trades over the next decade. More than 3,300 women attended the Tradeswomen Build Nations conference in Las Vegas in October, making it the world's largest-ever gathering of women construction workers. Attendees heard federal, labor and management officials say now is the time to boost women's current 11% industry representation. Demand is high, skilled workers are in short supply and people are retiring in record numbers. US Commerce Secretary Gina Raimondo announced the Million Women in Construction initiative to a cheering and packed house. She said investing in the success of women is necessary in order to make the US competitive. Raimondo vowed to leverage federal infrastructure spending to increase opportunities and noted that her agency leads the deployment of \$100 billion in funding from the CHIPS and Science Act and from the Infrastructure Investment and Jobs Act. Women make up just 2% to 3% of some trades. Some powerful unions including the United Association, the plumbers' and pipefitters' union, were there to show support and announce new benefits, such as maternity leave.

Technology Now the Norm in Construction Sector

Dodge Data and Analytics recently released *Connected Construction: The Owner's Perspective*, a report that looks at how design and construction firms in the public and private sectors are relying on technology for their own internal workflows, sharing construction data internally between different teams and departments that need access. Nearly 70% of these firms require their contractors to use digital documentation and practices on their projects. Most organizations surveyed were trying to limit the number of software programs they use to five or fewer and use programs that integrate functionality within themselves.

McKinsey reported that technology is now embedded across the entire life cycle of a project from design to pre-construction to construction and operations and management. Digital collaboration allows multiple parties to be involved in a typical project, managing and sharing design updates, managing documents and contracts and creating records. The back office uses technology for resource planning, equipment and materials management and scheduling for all contractors and subcontractors. Tech is also simplifying bidding and procurement, design review, cost estimating and even permitting.

Technology is now being used more often in the field from the very beginning of the project. The use of digital cameras, drones, laser scanners and other tools allows engineers and project managers to keep track of what's going on and measure productivity in real time.

Once the construction phase is underway owners use digital workflow processes to manage invoices and approvals, change orders, field inspections and reports and other aspects. Larger firms are implementing digital activities at a higher rate than smaller firms, but all firms are seeking to incorporate digital tools that help them save time and money and be more competitive.

Remodeling Index Declines

The NAHB/Westlake Royal Remodeling Market Index (RMI) dropped 17 points to 66 in the fourth quarter compared to fourth quarter 2021. The survey asks remodelers to rate five components of the remodeling market as "good," "fair" or "poor."

Each question is measured on a scale from 0 to 100, where an index number above 50 indicates that a higher share view conditions as good than poor.

The overall RMI is calculated by averaging the Current Conditions Index and the Future Indicators Index. Any number over 50 indicates that more remodelers view remodeling market conditions as good than poor. The Current Conditions Index is an average of three components: the current market for large remodeling projects, moderately sized projects and small projects. The Future Indicators Index is an average of two components: the current rate at which leads and inquiries are coming in and the current backlog of remodeling projects.

The Current Conditions Index fell 14 points to 75 compared the fourth quarter of 2021. All three components declined as well: the component measuring large remodeling projects (\$50,000 or more) fell 14 points to 71, the component measuring moderately sized remodeling projects (at least \$20,000 but less than \$50,000) dropped 13 points to 77 and the component measuring small remodeling projects (under \$20,000) declined 14 points to 77.

The Future Indicators Index fell 19 points to 58 compared to the fourth quarter of 2021. The component measuring the current rate at which leads and inquiries are coming in dropped 22 points to 52 and the component measuring the backlog of remodeling jobs decreased by 17 points to 63. NAHB says that even though the index declined sharply it is encouraging to note that it remains in positive territory.

To track quarterly trends, the redesigned RMI survey asks remodelers to compare market conditions to three months earlier, using a "better," "about the same," "worse" scale. Twenty-nine percent of remodelers said the market had gotten worse in the fourth quarter of 2022, compared to only 9% who said it had improved.

Will Robots Replace People in Warehouses?

Amazon unveiled its new 'Sparrow' sorting robot that could soon replace some human workers in its warehouses. The robot is designed to identify and sort specific products along Amazon's fulfillment lines, a task that previously could only be done by humans. Amazon debuted Sparrow during their Deliv-

ering the Future conference near Boston. While workers fear the ultimate goal is to replace them with employees that can work around the clock, never get tired, don't make mistakes and will never ask for a raise, Amazon says Sparrow is designed to work with employees, not replace them. However, in a patent filed by the company in 2020, Amazon said Sparrow is designed to replace human workers who "pick items from inventory, place items in totes, remove items from totes, place items into bins, remove items from bins, place items into boxes for shipping."

The robot arm is currently active in one warehouse in Texas for testing, but Amazon plans to roll it nationwide as soon as next year. Using AI, computer vision, and a suction-cup "hand," the robot is capable of handling around 65% of the products sold on Amazon's website before they are packaged. The robot arm is currently in testing at one warehouse in Texas.

Tech Company Layoffs Mount

Amazon, Alphabet, Microsoft, Meta and Apple nearly doubled their total workforce over the past three years. But now everyone but Apple is laying off people, with about 70,000 employees let go thus far. The wave of tens of thousands of layoffs at big tech companies is, to a large extent, the result of a miscalculating how long the boom brought on by the pandemic would last and how much of consumers' pandemic-induced behavior would persist after people went back to work and resumed normal activities.

Why the sudden reversal? Revenues are not growing at the rate they anticipated, costs have risen and profits have fallen. The battle to hire engineers, technicians and programmers in Silicon Valley had also caused salaries to skyrocket. For those who are losing their jobs, the problem is that now, all the companies seem to be laying people off at the same time, making it more difficult to find an opening in the sector. Reportedly, the five tech giants went from having 926,000 employees in 2017 to more than two million in 2022.

CEOs Weigh in on Challenges Ahead

CEOs in both the United States and globally say slow growth and a recession are their #1 external worry of 2023, according to a recent survey from The Conference Board. The survey also found that most executives don't think stronger economic growth will return anytime soon: 51% of CEOs worldwide and 60% of those in the US expect 2023 to be a year of anemic growth, with economies beginning to pick up late this year through mid-2024. Despite CEOs bracing for weaker growth and recessions, labor shortages and talent retention rank among the biggest challenges of executives worldwide, underscoring how the current downturn differs from those in the past. US CEOs as well as CEOs globally ranked the war in Ukraine low on their list of concerns at 22nd and 15th, respectively. The survey reflects the views of nearly 700 CEOs and more than 450 other C-suite executives. Respondents were primarily from North America, Latin America, Asia, and Europe.