BOSCH

Market Briefing

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- Q4 revenue rises 7.3%, US comp sales rise 8.6% ex gas
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- Q4 revenue rises 39.2%;US comp sales rise 28.7%
- FY 2020 revenue rises 27.9%; US comp sales rise 25.9%

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

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US ECONOMY

Exchange Rates February 26, 2021

Euro	1 Euro = $1.210	$1.00 = 0.827 Euros
Canadian Dollar	1 CAD = $0.787	$1.00 = 1.270 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 104.640 Yen
Chinese Yuan	1 Yuan = $0.155	$1.00 = 6.477 Yuan
Mexican Peso	1 Peso = $0.048	$1.00 = 20.949 Pesos

Market Watch February 26, 2021

DOW	30,923	+3.2%
NASDAQ	13, 192	+0.9%
S&P 500	3,811	+2.6%

Concerns about inflation, the possibility that the Fed could increase interest rates earlier than expected and a rapid rise in bond yields triggered a big selloff in tech stocks and sent markets down the last week of the month, despite good earnings and benign inflation numbers. All three indexes nevertheless finished in the black.

Consumer Spending Rises 2.4%

Consumer spending rebounded sharply in January, rising 2.4% after falling in December. Household income jumped 10% in January as the government delivered stimulus payments of a one-time payout of $600 and an extra $300 a week on top of normal unemployment benefits. It was the second largest increase in income on record, bested only by last April's increase when the federal government sent the initial round of pandemic relief payments. The personal consumption expenditures (PCE) price index excluding the volatile food and energy component rose 0.3% after a similar gain in December, and was up 1.5% year over year. The core PCE price index is the Fed's preferred measure of inflation for its 2% target. Higher income households have increased their savings, most likely because travel and entertainment have been severely curtailed, causing the savings rate to be historically high. The decline in consumer spending in November and December last year came as virus infections resurged and states and cities ordered additional shutdowns. Consumer spending accounts for 70% of US economic activity.

Consumer Prices Rise 0.3%

The Consumer Price Index (CPI) rose 0.3% in January after rising a downwardly revised 0.2% in December and was up 1.4% year over year. Core inflation, which excludes the volatile food and energy categories, was unchanged for the second consecutive month and was up 1.4% over the past 12 months, down from a 1.6% year-over-year increase in December. The overall increase was once again driven by a jump in gasoline prices, which rose 7.4% in January after climbing 5.2% in December. Wells Fargo expects inflation to firm up over 2021 as consumer spending rebounds during the second half of the year. Economists think it will be quite some time before inflation returns to a pace consistent with the Fed's target of 2%.

Consumer Confidence Rises to 91.3

- The New York-based Conference Board's Consumer Confidence Index rose to 91.3 in February after inching up to a downwardly revised 88.9 in January.*
- The Present Situation Index, which is based on consumers' assessment of current business conditions, rose to 92.0 after dropping to an upwardly revised 85.5 in January.
- Expectations fell slightly to 90.8 after rising to a downwardly revised 91.2 in February.
- Consumers remain mildly optimistic about the future as CV19 numbers decline, vaccination and recovery plans roll out and more businesses reopen.

*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 6.2%

- The unemployment rate fell to 6.2% in February from 6.3% in January and the economy added 379,000 new jobs.*
- Job gains for January were revised up to show the economy added 166,000 new jobs rather than the 49,000 first reported. Thus far the US has recovered about 12.5 million of the more than 22 million jobs lost because of CV19. Payroll employment is still 9.5 million jobs below pre-pandemic levels.
- Bars, restaurants and retailer led the job gains; construction shed jobs, most likely due to bad weather in much of the country.
- Vaccinations are picking up and it seems likely a significant stimulus package will be enacted sometime in March.
- Wells Fargo believes that hiring will ramp up quickly once CV19 is under control due to pent-up demand.

* The economy needs to create about 120,000 new jobs each month to keep up with growth in the working-age population.

Job Openings Rise in December

US job openings rose unexpectedly in December to 6.65 million in December after dropping to 6.57 million in November, according to the latest Job Openings and Labor Turnover Survey (JOLTS) from the US Bureau of Labor Statistics (BLS). The increase was led by business services and retail trade, which analysts attributed to companies looking to add workers as the vaccination program rolls out. Separations, which include layoffs and quits, fell to 5.46 million from 5.52 million, and 3.29 million people voluntarily left their jobs, pushing the quits rate up to 2.3%. Wells Fargo notes that at one point job openings were down 31% year over year. Wells Fargo said that due to the relatively small sample size, JOLTS may be painting a distorted picture, as response is coming from stronger businesses that have kept their doors open and are responding to the survey. JOLTS is a lagging indicator, but is closely watched by the Federal Reserve and factors into decisions about interest rates and other measures.

Chicago PMI Falls to 59.5

The Chicago Purchasing Managers Index (Chicago PMI) fell to 59.5 in February after rising to 63.8 in January but remained in positive territory for the eighth consecutive month after spending a full year below 50. New Orders dropped 11 points to its lowest level since last August and Production fell more than 9 points after jumping 9.9 points in January. Prices Paid increased for the fifth consecutive month, but rose just 0.1 points. Prices Paid remained at the highest level since 2018, with firms reporting higher prices for raw materials, especially tin. The special questions asked how firms coped with the disruption last year and if they were going to require workforce and contingent labor to be vaccinated. The majority, 47%, increased their safety stock; 30% of respondents either diversified suppliers or implemented new technology. A vast majority (87%) had not decided if they would require vaccinations. Looking back to when the series began in 1967, the PMI has ranged from 20.7 in June 1980 to 81.0 in November 1973.

Wholesale Prices Rise 1.3%

The Producer Price Index (PPI) jumped 1.3% in January after inching up 0.3% in December. The increase was well above expectations and was the largest one-month gain since the index underwent a major overhaul in 2009. The increase was driven primarily by higher costs for energy and services. In the 12 months through January the PPI was up by 1.7%, the largest year-over-year increase in the past twelve months. Core inflation, which excludes the volatile energy and food categories, rose 1.2% in January and was up 2% over the past 12 months. Analysts had expected the trend in inflation to remain subdued for some time, but note that there is little sign inflation will rise enough to threaten the economy any time soon.

Q4 GDP Growth Revised Up to 4.1%

GDP growth for the fourth quarter was revised up slightly to 4.1% from 4.0% first reported, according to the second reading from the Commerce Department. Upward revisions to business investment, state and local government spending and inventory investment were partially offset by a downward revision to personal consumption. Some analysts predict that GDP could contract in the first quarter before beginning to recover as vaccines become more widely available and consumer spending picks up.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 84

Builder confidence inched up one point to 84 in February after falling three points to 83 in January, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It marked the sixth consecutive month the index was above 80. Strong buyer demand helped offset supply chain challenges and a surge in lumber prices. "Demand conditions remain solid due to demographics, low mortgage rates and the suburban shift to lower cost markets, but we expect to see some cooling in growth rates for residential construction in 2021 due to cost factors, supply chain issues and regulatory risks," said NAHB Chief Economist Robert Dietz. "Some builders are at capacity and may not be able to expand production due to these headwinds." The HMI index gauging current sales conditions held steady at 90, while the component measuring sales expectations in the next six months fell three points to 80. The gauge charting traffic of prospective buyers rose four points to 72. Regional scores were mixed for the third consecutive month. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 10.4%

Overall building permits rose 10.4% in January to a seasonally adjusted annual rate of 1.88 million units after rising to 1.71 million units in December. Single-family permits increased 3.8% to a 1.27 million unit rate. Multifamily permits bounced back, rising 27.2% to a 612,000 units pace. On a year-to-date regional basis, permits were mixed.

Housing Starts Fall 6.0%

Housing starts fell 6.0% in January to a seasonally adjusted annual rate of 1.58 million units after rising to 1.67 million units in December, which had been the highest level for starts since 2006. Single-family starts dropped 12.2% to a seasonally adjusted annual rate of 1.16 million units after rising to 1.34 million units in December. The multifamily sector, which includes apartment buildings and condos, increased 17.1% to a 418,000 pace. Combined single-family and multifamily regional starts were mixed year to date compared to 2019. The number of single-family homes permitted, but not started construction, jumped to 114,000 units in January, 9.6% higher than December and 28.1% higher than a year ago, as the cost of building materials increased and delays slowed some home building.

New Home Sales Rise 4.3%

New home sales rose 4.3% in January to a seasonally adjusted annual rate of 923,000 units after rising to an upwardly revised 885,000 units in December. Sales for 2020 were also revised upward, with sales climbing 19.3% to 820,000 units, the highest sales since 2006. While the number of new homes available for sale rose slightly to 307,000 homes, the sales pace fell slightly to a 4.0 month supply. The median price of a new home fell 1.9% in January to $346,400 but remains 5.3% higher than it was last January. Nearly all of the increase occurred among homes where construction had not yet begun. The inventory of new homes actually under construction fell in January and the inventory of completed homes remains near an all-time low. Wells Fargo expects new home sales to moderate throughout February and March. While home builder confidence remains strong, February brought a return of winter weather to much of the country and unusually harsh conditions to Texas, which is the nation's largest new home market. **Regional new home sales 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 Rise 0.6%

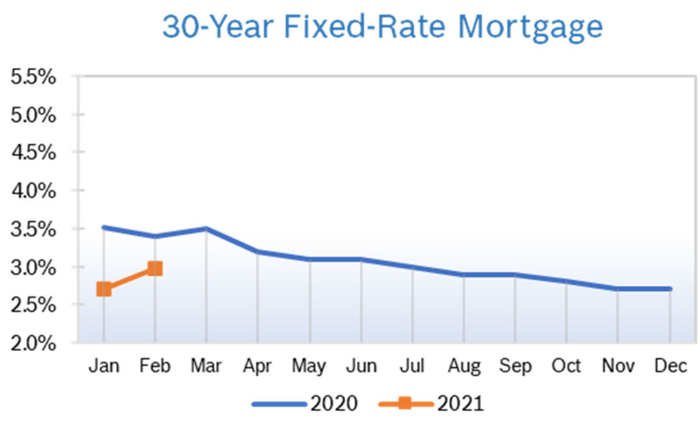
Existing-home sales rose 0.6% in January to a seasonally-adjusted annual rate of 6.69 million, up 0.6% from upwardly revised December numbers and 23.7% from January 2020, according to the National Association of Realtors (NAR). The median existing-home sales price rose to $303,900, 14.1% higher than one year ago, as prices increased in every region. It was the 107th consecutive month that prices have increased. Housing inventory fell to a record-low of 1.04 million units, down by 25.7% year over year, a record monthly decline. The NAR also revised the previous data for 2020, incorporating updated seasonal adjustment factors as well. The net result shows sales were slightly lower than first reported but still exceptionally strong. Overall existing home sales averaged a 6.64 million-unit annual rate over the past three months, 17.7% higher than the 5.64 million-unit pace for existing homes sold in 2020. The pandemic has boosted demand for homes but has also meant that fewer homeowners are willing to put their homes on the market and go through the process of showing them. That imbalance has pushed up prices and led to bidding wars in some markets. Properties were on the market for an average of just 21 days. Regional existing-home sales for January were mixed, but were up year over year in all regions.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence*	78 (+2)	84 (-2)	81 (-1)	93 (-2)
Building Permits YTD	+39.3%	+8.3%	-0.8%	+11.7%
Housing Starts Y/Y	+2.3%	-2.5%	-12.3%	-11.4%
New Home Sales	-13.9%	+3.0%	+12.6%	+6.8%
Existing Home Sales*	+24.3%	+25.1%	+22.7%	+21.3%

* Year over Year

Mortgage Rates Rise to 2.97%



- A 30-year fixed-rate mortgage (FRM) inched up to 2.97% at the end of February after being unchanged 2.7% at the end of January. Mortgage rates were 3.45% at the end of January 2020.
- Freddie Mac notes that rates are still historically very low, but are rising as the economy recovers.
- Rising home prices driven by high demand, low inventory and soaring prices for lumber are limiting how competitive prospective home owners can be.
- While mortgage rates remain historically low, credit standards are tightening as lenders attempt to avoid issuing loans that might go into default.

POWER TOOL INDUSTRY

Stanley Black & Decker

SB&D named Donald Allan, Jr., President and CFO. Alan will retain his existing responsibilities, including Finance, STANLEY Security, Information Technology, Margin Resiliency, Industry 4.0 and Advanced Analytics, as well as shared oversight of Global Operations and Supply Chain. He will also lead the strategy and implementation of Stanley Black & Decker's operating model and will have oversight of Outdoor, Asia Tools & Storage and Stanley X. Allan joined the company in 1999 as director of financial planning before being appointed Senior Vice President and CFO in 2008, and later Executive Vice President and CFO. He'll continue to report to CEO Jim Loree.

CEO Jim Loree admitted they may have cut too many jobs last year when they put a $1 billion restructuring program in place at the outset of the pandemic. Loree said that his initial read of the economy failed to anticipate the surprise boom in purchases by people stuck at home. After making 1,000 permanent job cuts last year and putting an unknown number of temporary workers and contractors on hiatus, SB&D now lists 800 job opening in the US. SB&D expects the strong sales that developed as the home-bound and bored discovered the real and therapeutic benefits of tackling home improvement projects to continue into the first quarter as retailers replenish inventory and consumers look ahead to the spring lawn and garden season. SB&D is still down about 6,400 jobs worldwide. SB&D employs about 17,600 people in the US.

SB&D plans to add a large Craftsman manufacturing plant in Fort Worth, Texas this year that will employ 500 people.

SB&D joined Greentown Labs, the largest climatech startup incubator in North America, as the lab's newest Terawatt Partner, the highest level of engagement. SB&D said they want to inspire innovators and makers to create a more sustainable world. A unique element of the partnership is an SB&D Tool Shop onsite at Greentown headquarters in Somerville, Massachusetts that will feature $25,000 worth of donated tools and equipment. The tools and equipment will be made available to Greentown's Boston community of more than 100 climatech startups. SB&D will also provide training sessions.

DeWalt recalled 4,500 cordless kerosene forced-air heaters because they can restart unexpectedly while in standby mode if the room temperature falls below the thermostat set point, posing fire and carbon monoxide poisoning hazards. No injuries have been reported.

SB&D received a perfect score of 100 on the Human Rights Campaign Foundation's 2021 Corporate Equality Index. More than 760 major US businesses also earned top marks this year.

***Forbes* named SB&D to their list of the Top 500 Best Large Employers** in America. SB&D ranked #100 overall and third out of 25 companies in their category.

RETAIL

Retail Sales Jump 5.3%

Retail sales jumped 5.3% in January after dropping a downwardly revised 1.0% instead of the 0.7% decline first reported. The big increase came after three consecutive declines. Core retail sales, which exclude automobiles, gasoline, building materials and food services, rose 6.0% after dropping by a downwardly revised 2.4% in December. Core retail sales correspond most closely with the consumer spending component of GDP. Analysts said that the model used by the government to strip out seasonal fluctuations from the data typically anticipates a bigger post-holiday season drop in retail sales in January than actually occurred. Wells Fargo reported that all retail store categories posted gains in January, with most retailers seeing the largest gain in sales since the summer. Ecommerce sales grew a near record 11% in January. Since last year, ecommerce is up 28.7%, the largest year-over-year gain of any category. Of every dollar spent at US retailers in January, 15.5 cents was spent online; before the pandemic that share was 12.9 cents.

The Home Depot

Q4 and full year fiscal 2020 sales set records. Q4 2020 sales rose 25.1% to $32.3 billion and comp sales rose 24.5% overall and 25% in the US. For FY 2020, sales grew 19.9% to $132.1 billion and comp sales grew 19.7% overall and 20.6% in the US, setting a new record.

Conference Call with Analysts:

CEO Craig Menear said that 2020 was a year no one will ever forget, and they would never been able to navigate the global pandemic and support their communities through multiple natural disasters and moments of crisis without extraordinary efforts from all of their associates. As a result, investing in their associates was one of the easiest decisions they made all year. Support from their supplier partners was also critical to success.

CV19 forced everyone to change the way they live, work and interact with one another, and taught them several things. The first was that the investments they've made in the business over the past decade were the right ones. They enabled the agility and flexibility that was the key ingredient in growing the business during a global crisis.

Among the key investments that paid off: technology and infrastructure that helped them quickly extend their in-store BOPIS to curbside and convert delivery centers to fulfillment centers. The mechanization of their upstream supply chain helped improve flow to the stores and investments in tools for associates helped get those products onto shelves.

They continue to see a blend of the physical and digital worlds and believe their One Home Depot strategy has never been more relevant.

Sales were driven by broad-based strength across the business. All top 40 US markets posted double-digit comps. Comps in Canada were above average and Mexico posted double-digit comps in local currency.

Digital sales boomed. For Q4, sales through their digital platforms increased 83% versus the prior year with 55% of online orders fulfilled through a store. For the year, digital-driven sales rose 86%, with 60% of online orders fulfilled through a store.

During fiscal 2020, homedepot.com had more than 3.6 billion visits and the conversion rate rose double digits across all platforms, including mobile, their app and desktop.

They reinvented their in-store workshop program. Their in-store workshop program was an important tool they used for customer engagement; CV19 forced them to develop a virtual alternative, and in just a few months they transitioned 100% of their workshop content online. In fact, live streaming allowed them to go from five in-store workshops per month to 40 online live-streaming workshops that have really driven a deeper level of engagement from participating customers.

Over the course of the third and fourth quarters they significantly improved their in-stock positions while still supporting massive sales volume. Despite some current port delays, they think they are well positioned as they head into the busy spring selling season.

All merchandising departments posted double-digit comps, led by lumber and indoor garden. Comp average ticket increased 10.8% and comp transactions increased 12.6%. For the past three quarters the growth in comp average ticket was supported by strong project demand, customers trading up to new and innovative products and some commodity inflation, especially in lumber, copper and wire. For Q4, big-ticket comp transactions, those over $1,000, were up 23%. There was double-digit growth from both Pros and DIY customers, with DIY once again outpacing Pros.

Sales to Pros continued to accelerate, with Q4 showing double-digit gains for Pros each month. Smaller Pros maintained consistent growth and growth from larger Pros continued to gain momentum. The operating environment for larger Pros is still recovering.

DIY customers continue to be engaged, and as they spend more time at home they report their project lists are growing, not diminishing. Completing smaller projects gives them the confidence they need to take on larger and more complex ones. **Customer engagement with their annual Black Friday and Gift Center events was strong.** They made deeper buys in fewer SKUs, extended events over several weeks and changed the way they used end caps.

They are very excited for the upcoming spring season and their number one position in outdoor power equipment. They are resetting their outdoor base by branded battery platform so that customers can shop everything that works with their battery platform.

They are putting a stronger inventory position back in their forecast, and their supply chain teams, supplier partners and merchants have worked hard to get product in stock so they will be in a much better position to capture demand than they were last year.

They transitioned temporary support programs for associates with enhanced benefits to permanent programs. Those expenses were about $341 million during the fourth quarter. In total they spent about $2 billion related to enhanced pay and benefits for associates in 2020. As long as the CV19 environment persists, they expect to incur about $250 million in related operating expenses for 2021, primarily related to PPE and additional cleaning, as well as extended leave for associates directly affected.

There is still significant uncertainty about demand during 2021, as it is impossible to predict how the distribution of vaccines, short-term fiscal policy and other developments will impact demand.

They believe that in fiscal 2017 through 2020 they added

about 275 basis points in market share, which represents about $10 billion of incremental sales annually compared to 2017.

They remain very excited about their acquisition of HD Supply and are putting together a plan to use all their asset base to grow and capture share in the fragmented $55 billion market.

There is no doubt commodity prices are hitting record-highs for some categories, including lumber, copper and wire but they don't worry about the impact on their bottom line because they are all priced to market. Approximately 18% to 20% of volume is impacted by moves in commodity prices. They did not factor in moves in either direction for lumber prices.

Other News:

THD opened a new distribution center in Dallas to fulfill online and store orders. The 1.5 million square-foot facility will also support home delivery and buy online, pick up in store (BOPIS).

Lowe's

Q4 sales rose 26.7% to $20.3 billion and comp sales rose 28.6%, beating analyst's expectations. Q4 ecommerce sales rose 121%. Fiscal 2020 sales rose by more than $17 billion to nearly $90 billion.

Conference Call with Analysts:

Lowe's invested more than $100 million into CV19-related support for front-line hourly associates during Q4 and more than $1.3 billion supporting employees, local communities and store safety for the full year.

Customers shifted more of their shopping online, especially over the holiday season. Lowes.com delivered sales growth of 121% in Q4, their third consecutive quarter of comp growth exceeding 100%. They began rolling out curbside pickup in the first quarter and launched in store lockers for pickup of online orders a few months later. There are now BOPIS lockers in more than 1,200 stores, with plans for them to be in all US stores by April. They also created dedicated fulfillment teams to handle all in-store fulfillment orders.

They've continued to enhance their mobile app, and in the fourth quarter rolled out Geofencing technology that alerts the store when a customer is on the way to pick up their order, making pickup much faster.

DIY comps outpaced Pro comps for the quarter, driven by a consumer mindset that remains focused on the home. All 15 merchandising departments generated positive comps of more than 16%.

Comp store average ticket grew 14.2% in Q4 and transactions grew 13.9%.
They are capturing more business from Pros and are focused on further enhancing their service levels both in-store and online. They are continuing to enhance their Pro Loyalty program by offering Pros the tools they need to get the job done. They are now providing Pro Loyalty members a $100 discount on Turbo Tax and the ability to export up to 24 months of transaction history. They are definitely underpenetrated in the Pro category, so have a lot of upside potential.

Canada delivered comp growth in the mid-teens despite several CV19-related restrictions that went back into effect in the fourth quarter. The new Canadian leadership team made tremendous progress in 2020.

Their new Total Home strategy is gaining traction; that's their commitment to provide everything a customer needs for their home. Total Home will drive market share acceleration by enhancing their investments in Pro, online, installation services, localization and elevating their product assortment.

Lumber and building supplies were top performers; lumber was driven by both very strong demand from Pros and DIYers and a huge runup in price. Merchants and supply chain partners did an exceptional job of working with vendor partners to keep up with demand and ensure stores were stocked with job lot quantities. All seasonal and outdoor categories also delivered comps above 30%, reflecting the consumers' focus on the home.

They are confident their stores are now easier to shop for both Pro and DIY customers. They have been resetting all of their stores, and are now about 95% complete. They are committed to driving square foot by accomplishing three objectives:

Create a faster and more intuitive shopping experience for Pros by putting relevant products next to each other and adding a Pro Flex area at the front of the store for grab-and-go products. They will be launching Pro pickup lockers later this year.

Improve localization. They're increasing their localized product assortment by eliminating unproductive bays without planograms, which they call junk bays. This opens up space for new products better tailored to the local market. They have new pricing tools that let them have localized pricing down to individual stores; they have some locations and parts of the store where they have frequent and sometimes very volatile price changes, and keeping up used to be very labor intensive. Now it can be done digitally. They've moved the basket-building category of cleaning products to the main power aisle of the store.

They can now deliver online orders to every location in the US in two days or less thanks to a dedicated dot.com fulfillment DC in Southern California they opened last year. That is relatively new to their strategy. They are also building out their bulk distribution centers and cross docks and will be moving heavily into Pro jobsite delivery.

They're hiring more than 50,000 seasonal and full-time retail associates this spring and hired more than 90,000 associates into permanent roles in fiscal 2020. Store associate training is underway; they are also training teams to work with Pro customers.

They are taking a less promotional stance across all categories, trying to move to more everyday low prices (EDLP).

They continued to build inventory levels throughout the fourth quarter and ended the year with $16.2 billion in inventory, $240 million due to lumber inflation.

They are going to a market-based distribution model for appliances. This will make the business much more efficient and profitable than delivering appliances from every store as they do now. Market-based distribution will reduce labor, increase productivity, reduce transportation expenses and help them better manage inventory.

Like many companies, they don't have a clear vision of what the year ahead will bring. They believe that depends so much on things beyond their control, such as CV19 vaccine distribution, the course of the pandemic in the US and Canada and the staying power of the focus on home. Therefore they outlined three different market-based scenarios that could determine their actual performance this year. Ellison laid out three scenarios for a robust, moderate or weak market. In a robust market, the retailer's outlook for 2021 anticipates a 5% to 7% drop in demand for the home improvement sector on a mix adjusted basis. In a moderate and weak market, demand would likely drop respectively by 7% to 9% and 10%.

All planning scenarios anticipate they will outperform the market, but that top-line sales will decline from fiscal 2020s unprecedented results. They consider the robust market scenario slightly more likely. Under this scenario, Lowe's sales would approach $86 billion this year.

Other News:

Lowe's was recognized as the Number One Most Admired Specialty Retailer by *Fortune*, the first time they have been number one. Lowe's ranked Number 47 overall on *Fortune's* annual ranking of the Word's Most Admired Companies. *Fortune* partnered with California management consulting firm Korn Ferry to select the best-regarded companies in 52 industries. Companies had to have at least $10 billion in revenue to be considered. Lowe's said they were also honored to make the Top 50 All Stars based on responses from more than 3,800 executives, directors and analysts.

Walmart

Walmart beat expectations on revenue for the fourth quarter and the full year, but missed on earnings, due to their extraordinary level of investment in the business. Q4 revenue rose 7.3% to $152.08 billion, beating analysts' expectations. Walmart US comp sales increased 8.6%.

Ecommerce sales in the US rose 69% for the quarter and 79% for the full year. For the full year, Walmart's total revenue rose 6.7% to $559.2 billion.

Q4 transactions declined 10.9% in the fourth quarter as customers made fewer trips, while the average ticket jumped 21.9% as shoppers stocked up during those visits.

Sam's Club saw strong growth. For the year, Sam's Club US comp sales rose 10.8%. Ecommerce sales grew 42% and membership increased 12.9%, the strongest growth in six years.

Ace Hardware

Sales for the fourth quarter and full year set records. Q4 revenue rose 39.2% to a record $2.1 billion and full year revenues rose 27.9% to a record $7.8 billion. US comp sales rose 28.7% for the fourth quarter and 25.9% for the full year. Ecommerce sales rose 214% for the quarter and 272% for the full year. Ace paid out record patronage dividends of $292.9 million to shareholders, up 60.8% from 2019.

Comp sales growth for the full year was due to a 14.7% increase in average ticket and 9.8% increase in comp store transactions.

Ace added 167 new domestic stores in fiscal 2020 and cancelled 76 stores, bringing the company's total domestic store count to 4,647, up 91 stores from the end of fiscal 2019.

Ace raised $17.9 million for Children's Miracle Hospitals in 2020, which despite the pandemic, was another record-breaking year. Much of the money was raised literally pennies at a time, with $11 million raised by local Ace stores and their customers through in-store programs such as Ace Miracle Bucket Days and change round-up at the register.

David Goh is the new president of Ace International. The current president and general manager, Jay Heubner, will retire March 1 after 38 years with Ace. CEO John Venhuizen said that Jay is one of the most effective and wise leaders he knows. Goh is currently managing director of several Philippine-based retail chains and previously held a variety of international executive positions, including CEO of 7-Eleven Singapore.

Amazon

Amazon reported record results for the fourth quarter and the full year, with Q4 sales rising 44% to $125.5 billion, passing the $100 billion milestone for the first time and easily beating analysts' estimates. Full year revenue rose to $386.1 billion from $280.5 billion. Amazon expects another record quarter going forward, with sales rising between 33% and 40%.

Amazon hired 175,000 new employees in Q4, more than triple the number added to the payroll in Q4 2019. Amazon spent $11.5 billion on hiring, expansion and other costs related to CV19 last year. Amazon expects to spend about $2 billion on CV19-related expenses during the first quarter, which would be about half of what they spent during Q4.

Amazon Web Services revenue increase was slightly below expectations. Revenue rose 28% to $12.7 billion. AWS continues to drive much of Amazon's profits despite the fact that it accounts for just 10% of total sales.

Jeff Bezos surprised the world with the announcement that he will be stepping down this year from his position as Amazon CEO. Andy Jassy, head of AWS, will replace him as CEO. Jassy joined Amazon in 1997, three years after the company's launch as an online bookseller. He's been running AWS since 2006, turning it into the company's most profitable and fastest growing division. Bezos will still have broad influence over Amazon.

Amazon is offering front-line employees who get vaccinated a bonus of up to $80, $40 for each dose if they have to travel off-site to get vaccinated. Several other companies are also offering incentives to employees, including Target and McDonald's. Amazon says they have made more than 150 changes to their operating procedures to keep employees from getting sick and have spent $11.5 billion on CV19-related measures. Amazon reported last fall that nearly 20,000 of their 1.3 million front-line workers had been infected with CV19 between March 1 and September 19, about 1.44% of Amazon's workforce.

Amazon is beginning to deliver orders with custom electric delivery vehicles on delivery routes in Los Angeles. They are testing electric vans that were designed and built in a partnership with manufacturer Rivian. Exterior cameras around the vehicle are linked to a digital display in the cabin, giving the driver a 360-degree view outside the vehicle. Alexa provides hands-free access to route and weather info, and a "dancefloor" inside the driver's cabin makes moving around inside easy.

CANADA SNAPSHOT

Unemployment Rises to 9.4% in Jan

- The unemployment rate rose to 9.4% in January after inching up to 8.6% in December. It was the highest rate of unemployment since August 2020.
- Employment fell by 213,000 (1.2%) after dropping by 63,000 in December.
- All of the job losses in January were in the part-time work category and were concentrated in Quebec and Ontario in the retail sector.
- Employment in construction rose by 39,000 (2.8%) in January, driven by gains in Quebec and Alberta.
- The number of Canadians working from home rose by 700,000 in January, more than were working from home during the first wave of CV19 restrictions in April.
- During the 2008/2009 recession, the unemployment rate rose from 6.2% in October 2008 to a peak of 8.7% in June 2009. It took approximately nine years before it returned to its pre-recession rate.
- CV19 restrictions have been reinstituted in several regions and temporary layoffs remain high.

Consumer Prices

The Consumer Price Index (CPI) rose 1% year over year in January after rising just 0.7% in December, the slowest pace since 2009. The acceleration in consumer prices was largely due to a 1.7% increase in prices for durable goods and a 6.1% jump in gasoline prices compared with December 2020. Excluding gasoline, the CPI grew 1.3% in January, up from a 1.0% increase in December. On a seasonally adjusted monthly basis, the CPI rose 0.4% in January. Prices were up in most provinces.

GDP Rises 0.1% in December

GDP grew 0.1% in December after growing 0.7% in November, the eighth consecutive monthly gain. GDP remained 3% below pre-pandemic levels in February 2020. Goods-producing industries were up 0.6% and services-producing industries fell 0.1%. Sales in the retail trade sector fell 3.3% in December after seven consecutive months of growth, as 10 of 12 subsectors were down. December saw the reintroduction of lockdown measures across many parts the country including the closure of all non-essential retailing and strict capacity and physical distancing control at essential retailers. Construction rose 1.2% in December, following a 0.3% contraction in November, as the majority of subsectors increased. Residential construction grew 1.4% in December, and repair construction increased 1.5%.

Housing and Construction News

The six-month moving average of housing starts rose to 244,963 in January from 238,747 in December, with both single-and multifamily starts rebounding strongly after declining in December. Single-family starts were particularly strong in Montreal, reaching their highest level since 2008. The standalone monthly seasonally adjusted average rate of housing for all of Canada was 281,389 units in January, up 22.7% from December. Canada Mortgage and Housing Corporation (CMHC) expects housing starts to remain elevated this year, as issuance of permits has remained strong and mortgage rates are low.

Home sales continued to rise in January, up 35.2% compared to January 2020, according the Canadian Real Estate Association (CREA). Sales for December were up 2% compared to December 2019. The actual national average home price was a record $621,525 in January, up from $607,280 in December and up 22.8% from January 2020. CREA said that excluding the Greater Vancouver and Greater Toronto areas, two of the most active and expensive markets, lowers the national average price by almost $130,000. However, year-over-year price increases between 25% and 30% were seen in many parts of Ontario as well. Inventory remains at historic lows with more than 90% of listings selling in less than a month. Year-over-year prices are up in double-digits for most areas. Mortgage rates are expected to remain low.

Retail Sales

Retail sales dropped 3.4% in December to $53.4 billion, posting their largest decline since the April low driven by the pandemic. Sales were down in 9 out of 11 subsectors, representing 83.6% of retail sales. Core retail sales, which exclude sales by gasoline stations and motor vehicle and parts dealers, also posted their slowest growth since April, falling 4.6% in December on lower sales at general merchandise stores and clothing and clothing accessories stores, as well as sporting goods, hobby, book and music stores. In volume terms, retail sales fell 3.6% in December. On a quarterly basis, retail sales were up 1.2% in the fourth quarter compared with the third quarter of 2020, while retail sales in volume terms increased 0.8%. With the resurgence of CV19 cases in Canada, provincial governments began to reintroduce physical distancing measures, which directly affected the retail sector. Sales decreased in every province in December for the first time since April 2020, led by Ontario, British Columbia and Manitoba.

Retail Ecommerce Sales Soar

On an unadjusted basis, retail ecommerce sales rose 69.3% year over year in December to a record-high $4.7 billion. Ecommerce accounted for 7.8% of total retail trade in December, the largest share since May. The rise in ecommerce sales coincided with an uptick in the number of retailers reporting shutdowns in December. When adjusted for basic seasonal effects, retail ecommerce sales increased 1.1%.

According to Emarketer, retail ecommerce gained a greater share of total retail last year, growing 20.7% to CA $39.22 billion, equal to 8.1% of retail. Consumer habits changed dramatically in 2020, and the move to online shopping will most likely boost ecommerce for years to come. Emarketer expects retail ecommerce will grow an additional 12.5% in Canada in 2021.

Retail Notes

Canadian Tire Q4 revenues at Canadian Tire stores grew 12.8%. Overall retail revenue rose 15% to $4.58 billion. Demand for home-related products has boomed since the onset of the pandemic last year. Ecommerce sales more than doubled, thanks to the pandemic-fueled boom in online shopping. For the full year, ecommerce sales rose 183% to $1.6 billion. Canadian Tire had $138 million in CV19-related costs over the past fiscal, not including the effects of store closings on revenue.

Lowe's and Rona stores are looking to hire thousands of part-time and full-time associates in Canada in preparation for the busy spring season.

Amazon has invested $3 million in Canadian computer science programs in an effort to decrease the impending skills gap and meet the growing demands of ecommerce. StackCommerce estimates there will be 147,000 code-related jobs by 2022.

MARKET TRENDS

Economic Projections

The Congressional Budget Office (CBO) says it will take several years for output to reach its full potential and for the number of employed workers to return to the pre-pandemic peak. The CBO expects GDP to return to pre-pandemic levels by the middle of 2021, thanks in part to the relief spending and stimulus money injected into the economy in 2020. The CBO noted that the $900 billion relief bill authorized in December 2020 would add about 1.5% to GDP in 2021 and 2022.

GDP will grow an upwardly revised 6.7% this year, according to the CBO, the Fed Board and Fannie Mae. Both forecasting bodies agree that GDP growth will slow to about 2.8% in 2022. Growth is expected to average about 2.6% annually through 2025.

The CBO estimates that unemployment will drop to 5.3% by the end of 2021 from 6.8% at the end of 2020. However, the number of people employed won't return to pre-pandemic levels until 2024. The CBO also expects modestly higher inflation and interest rates over the coming years than anticipated in July.

Various new stimulus plans being considered would boost GDP and lower unemployment, with economists from the Brookings Institute estimating that the plan proposed by the Biden administration would boost GDP by 1% for the fourth quarter and push the jobless rate down to 3.2% by the end of the year. However, it does not appear likely the entire plan as proposed will be enacted.

Innovations in Construction Technology

In early 2020 construction tech was a hot market, attracting lots of venture capital and seeing a proliferation of startups. When the pandemic rattled the construction industry, tech providers refocused on practical solutions that they could implement immediately to keep projects going. Now that construction has come to grips with the new abnormal and some sectors are booming, tech firms are looking for ways to maintain the momentum created by necessity.

The first tech innovations that came courtesy of the pandemic were focused on safety, and included things like wearable worker-safety monitoring sensors that worked as a social distancing alarm, reconfigured software that identified bottlenecks on jobsites that caused workers to bunch up and procedures that allowed contractors to monitor and maintain safety protocols, like health tracking apps that met new screening requirements and virtual site inspections that use HoloLens and augmented reality.

Tech companies have developed plug-ins that improve audio quality on endless video meetings and conferences; poor sound is often cited as a reason for meeting fatigue and lack of collaboration and participation. Incubators have gone virtual, allowing companies to sift through ideas for keeping projects running smoothly, safely and profitably.

Technology has often lagged in construction, particularly among medium-sized and small contractors. Industry experts note that the pandemic has actually accelerated the adoption of technology, because technology has enabled companies to stay open and remain productive. In addition, projects have focused on those that seem to offer immediate benefits, which adds to tech adoption.

Lumber Prices Creating Big Problems

Lumber prices are up about 170% from year ago prices. The cost of the average framing package has more than doubled, adding an average $35,000 to the cost of framing. Reasons trace back to two issues: many mills in the US and Canada ceased production last March and April; then ensuing lockdowns and sick employees delayed re-opening. The huge spike in demand triggered by people moving, remodeling and buying homes at an unprecedented rate caught producers by surprise. Lumber prices and shortages are creating quite the crunch in the supply chain, delaying the start of projects. Lumber price spikes are adding so much to the cost of a new home some buyers are being pushed out of the market. In addition, many appraisers are not allowing for the increased costs, causing homes to fail to appraise for mortgages. Softwood lumber tariffs between the US and Canada also add to the problem.

National Home Price Forecast

CoreLogic predicts that national prices for homes will rise 4.1% this year, down from a 7.1% increase last year (as of October statistics). Realtor.com expects prices to increase 5.7% this year, with mortgage rates hovering around 3.2%. The National Association of Realtors (NAR) expects prices to increase 3% this year. Low inventories have led to rapidly climbing prices across the nation as more buyers compete for fewer homes. Industry experts expect the number of homes for sale will increase as vaccinations become more widespread, since many vulnerable homeowners sat on the sidelines last year, unwilling to risk the exposure that putting their home up for sale would bring. Older homeowners who are at greater risk of contracting CV19 and suffering serious complications or death chose to postpone selling until the worst of the danger was past. NAR said that many experts were taken aback by how much prices skyrocketed in 2020; they had expected prices to stay stable during the downturn, because credit requirements for mortgages are much higher now than they were prior to the great Recession.

Pandemic Creates Housing Boom

The largest number of new home sales were in large metros in the South and West that have had large population gains, according to the Associated General Contractors' Data Digest. An analysis by CoreLogic of new-home closings from Q4 2019 to Q3 2020 found that the Dallas and Houston metros top the chart in the most recent 12-month period with more than

30,000 new-home sales. Phoenix and Atlanta each had more than 20,000 new-home closings. In all, 13 markets had at least 10,000 new-home sales in the past year, all in the South or the West. Smaller markets in the South and West had the largest annual percentage growth. Of the 10 fastest-growing new-home sales markets, five were metros in Texas, Florida, or Arizona, the states with the largest population gains in 2020. Within metro areas, research by Freddie Mac found that 60% of the metropolitan statistical areas (MSAs) saw populations grow faster in the suburbs than in the cities between 2009 and 2019. Freddie Mac noted that population growth and mobility increases the demand for housing supply, and if the current supply cannot meet the growing demand, home values and prices go up.

Buy American Reinvented

In late January, President Joe Biden signed an executive order that aims to strengthen federal Buy American requirements and help US companies by getting tougher on waivers from domestic-preference requirements. It would also centralize waiver oversight into a new Made in America Office within the office of Management and Budget. In a provision that applies to construction materials, federal procurement officials are tasked with proposing a rule to change the way a product's domestic content is calculated, including such factors as the jobs its production would support. The directive revokes Buy American directives issue by the Trump administration. Biden said one of the objectives of centralizing the office is to stop agencies from systemically waiving requirements, which he said has been going on.

Brick and Mortar Vs. Cyberspace

Retail stores have come full circle; at one time going shopping meant a trip to a physical store. Then as ecommerce of all varieties grew more popular, many retail pundits pronounced shopping malls were dead. But today retailers with a fleet of stores are using their physical stores to create their own vast network of fulfillment centers and challenge Amazon in the battle to own the last mile: the figurative distance from order to the customer's home or final destination. Walmart, Lowe's, Home Depot and Target are using their stores for services like in-store pickup and curbside delivery that provide ways for customers to get fast, contactless delivery that Amazon can't match. Adobe reports that orders using BOPIS (buy online, pickup in store) grew 40% year over year during holiday 2020, with an average of one in four orders placed using BOPIS when it was offered.

Target reported that they fulfilled 95% of holiday sales from stores and Walmart plans to beef up local fulfillment capabilities with new facilities around the US. As restrictions ease and people feel more comfortable in stores, physical stores offer a place where people can see, touch and compare products in person.