News from the Month of February 2023 | **EDITION 3/ 2023**

BOSCH

Market Briefing

Content

US ECONOMY

Consumer Spending Rises 1.8%

Consumer Prices Rise 0.5%

Consumer Confidence Falls to 102.9

Unemployment Rises to 3.6%

Chicago PMI Falls to 43.7

Wholesale Prices Rise 0.7%

Q4 GDP Rises 2.7%

HOUSING & CONSTRUCTION

Builder Confidence Rises to 42

Building Permits Rise 0.1%

- Single-family permits Fall 1.8%

Housing Starts Fall 4.5%

- Single-family starts Fall 4.3%

New Home Sales Rise 7.2%

Existing Home Sales Fall 0.7%

Regional Housing Stats

Mortgage Rates Rise to 6.5%

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

- FY 22 sales rise 12% for Bosch GmbH
- Increases stake in Husqvarna

Stanley, Black & Decker

- FY 22 conference call with analysts

TTI/Techtronic Industries

- FY 22 revenue rises 0.4%
- Stock plunges amidst allegations of accounting irregularities, slowing demand

Trimble

- Q4 revenue falls 8%

RETAIL

Retail Sales Rise 3.0%

NRF/MasterCard Spending Pulse

The Home Depot

- FY22 sales rise 4.1%; US comp sales rise 2.9%
- Q4 sales rise 0.3%; comp sales fall 0.3%
- Launches Countdown to Spring
- Ranks #1 on *Fortune's* Most Admired Specialty Retailers list

Lowe's

- FY 2022 sales were $97.1 billion
- Q4 sales rose 5% to $22.4 billion; comp sales were down 1.5% overall and 0.7% in the US.

Ace Hardware

- FY22 revenue rises 6.7%; comp sales rise 3.2%
- Q4 comp sales rise 5.2%
- Adds 168 new stores

Amazon

- FY 22 net sales rise 9%; North American sales rise 13%
- 2022 first unprofitable year
- Primary mission cutting costs
- Asks employees to return to office
- Acquisition of iRobot under investigation

CANADA SNAPSHOT

Economy

Housing & Construction

Retail

MARKET TRENDS

Home Improvement Sector Outlook

Kitchen Trends

Remodeling Trends

Credit Card Debt Slows

Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

Robert Bosch Tool Corporation
1800 W Central Rd
Mount Prospect, IL 60056 USA
www.boschtools.com
PTNA.Marketing@us.bosch.com

US ECONOMY

Exchange Rates February 28, 2023

Euro	1 Euro = $1.060	$1.00 = 0.943 Euros
Canadian Dollar	1 CAD = $0.735	$1.00 = 1.361 CAD
Japanese Yen	1 Yen = $0.007	$1.00 = 136.104 Yen
Chinese Yuan	1 Yuan = $0.144	$1.00 = 6.935 Yuan
Mexican Peso	1 Peso = $0.055	$1.00 = 18.347 Pesos

Market Watch February 28, 2023

DOW	32,657	-4.2%
NASDAQ	11,456	- 1.1%
S&P 500	3,970	-2.6%

February was a turbulent month for the markets, with all three indexes ending down for the month after solid gains in January. Investors were trying to come to grips with prospects the Fed will not start cutting rates this year unless unemployment ticks up and inflation cools off more.

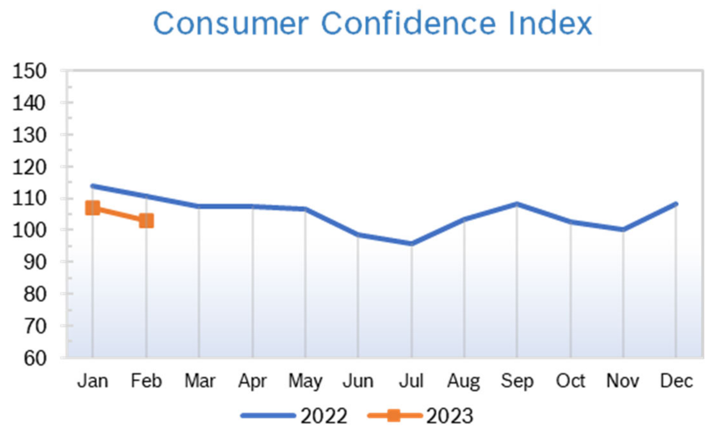
Consumer Spending Rises 1.8%

Consumer spending jumped 1.8% in January to the highest level since March 2021 and spending for December was revised to show a 0.1% decline rather than the 0.2% first reported. Core consumer spending rose 1.1% after falling in December and November. Spending on goods jumped 2.8% and spending on services rose a strong 1.3%. The overall surge in spending came as wages and salaries jumped 0.9%. An 8.7% cost of living adjustment, the biggest increase since 1981, for more than 65 million Social Security beneficiaries offset a drop in government benefits. 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. Consumers increased savings as well, with the saving rate rising to 4.7%, the highest in a year, from 4.5% in December.

Consumer Prices Rise 0.5%

The Consumer Price Index (CPI) rose 0.5% in January after rising 0.1% in December. Consumer prices were up 6.4% year over year after being up 6.5% in December. It was the seventh consecutive month that year-over-year inflation has cooled down. Shelter, food, natural gas and gasoline all contributed to the increase. Core inflation, which excludes the volatile food and energy categories, rose 0.4% in January but dropped to 5.6% on an annual basis from 5.7% in December. The personal consumption expenditures (PCE) price index shot up 0.6% in January, the largest increase since June 2022, after gaining 0.2% in December. In the 12 months through January, the PCE price index accelerated 5.4% after rising 5.3% in December. Excluding the volatile food and energy components, the PCE price index increased 0.6%. That was the biggest gain since August 2022 and followed a 0.4% rise in December.

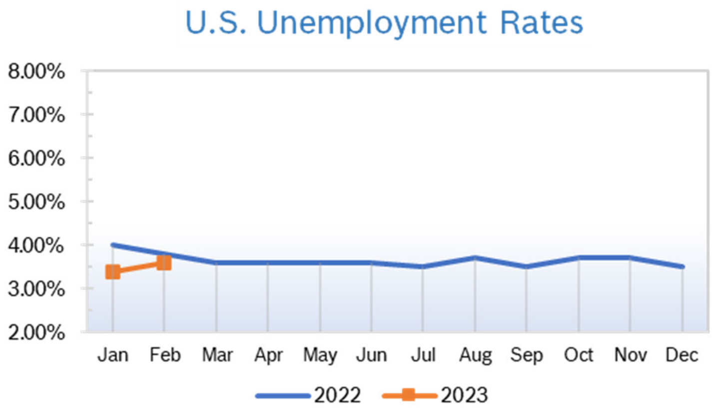
Consumer Confidence Falls to 102.9



- The New York-based Conference Board's Consumer Confidence Index fell to 102.9 in February after falling to a downwardly revised 106.0 in January.*
- The Present Situation Index rose to 152.8 in February after rising to an upwardly revised 151.1 in January. It was the highest reading for the PSI in ten months.
- The Expectations Index, based on short-term outlooks for income, business and labor market conditions, fell to 69.7 in February after dropping to 76.0 in January. 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 Rises to 3.6%



- The unemployment rate rose to 3.6% in February after falling to 3.4% in January. Economists had expected the rate to hold steady. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- The economy added 311,000 new jobs*, above expectations but well below the downwardly revised 504,000 new jobs added in January.
- Wage growth slowed, rising 0.2% compared to the 0.3% increase in January. Wages were up 4.6% on an annual basis, up from 4.4% Y/Y in January.
- Monthly job gains over the last six months have averaged 343,000 new jobs, well above the 250,000 new jobs needed each month to maintain the economy.

Chicago PMI Falls to 43.7

The Chicago PMI fell to 43.6 in February after falling to 44.3 in January. 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; this was the sixth consecutive reading below 50, the level which indicates 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 Rise 0.7%

The Producer Price Index (PPI) jumped 0.7% in January after falling 0.5% in December and was up 6.0% year over year after being up 7.3% in December. Stripping out volatile food and energy prices, core PPI rose 0.5% in January after inching up just 0.1% in December and was up 5.4% year over year, down from 5.5% in December. The PPI peaked at a whopping 11.7% year-over-year increase in March 2022.

Q4 GDP Rises 2.7%

Q4 GDP was revised down to 2.7% growth from the 2.9% first reported, according to the second reading from the Commerce Department. GDP rose 3.2% in the third quarter. The downward revision primarily reflected slower consumer spending than first reported. For all of 2022, GDP expanded 2.1% after growing 5.9% in 2021. The personal consumption expenditures price index, (PCE) the Fed's preferred gauge, advanced at a seasonally adjusted annual rate of 3.7% from Q4, a substantial upward revision from the first reading of 3.2%. Core PCE, which strips out food and energy costs, was revised up to a 4.3% increase from an initial estimate of 3.9%. The Fed targets a 2% inflation rate. The Fed would like to see the economy cool off more before they ease up on interest rate increases.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 42

Builder Confidence rose seven points to 42 in February after rising to 35 in January, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). All three HMI indices posted gains for the second consecutive month. Current sales conditions rose six points to 46, sales expectations in the next six months increased 11 points to 48 and the gauge measuring traffic of prospective buyers increased six points to 29. The percentage of builders reducing prices in February fell to 31% from 36% in January and 57% offered some type of incentive, down from 62% in January. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 0.1%

Overall building permits inched up 0.1% in January to a 1.34 million unit annualized pace after falling to 1.33 million units in December. Single-family permits dropped 1.8% in January to 718,000 units after falling to 730,000 units in December. It was the tenth consecutive month single-family permits declined. Multifamily permits rose 2.5% to an annualized pace of 621,000 units after falling to 600,000 units in December. Regional permits were mixed.

Housing Starts Fall 4.5%

Housing starts fell 4.5% in January to a seasonally adjusted annual rate of 131 million units after falling to 1.38 million units in December. Single-family starts fell 4.3% to a seasonally adjusted 841,000 units after rising to 909,000 units in December. **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.

New Home Sales Rise 7.2%

New home sales rose 7.2% in January to a seasonally adjusted annual rate of 670,000 new homes after December sales were revised up. The median sales price fell by $38,100 to $427,500 in January, 0.7% below the median price in January 2022. It was the first year over year decline in median pries since August 2020. The number of homes for sale fell 2.9% to 439,000, causing inventories to drop from an 8.7 months' supply in December to 7.9 months in January. A 6 months' supply is considered balanced. Sales of homes not yet started rose 72% over the month; sales of completed homes and homes under construction fell 9.1%. Builders are buying down rates and cutting prices to clear inventory. The percentage of homes priced over $500,000 fell from 43% in December to 33%. More affordable homes in the $300K to $499K price range made up 53% of all sales, up from 46% in December. 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 Fall 0.7%

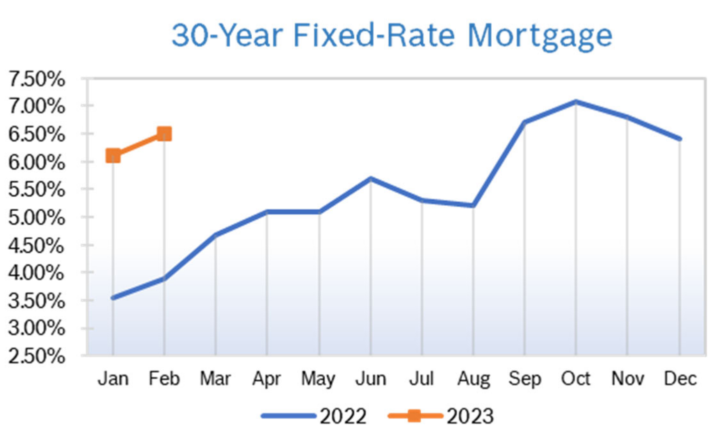
Existing home sales fell 0.7% in January to a seasonally adjusted annual rate of 4.0 million units after falling to 4.02 million units in December, according to the National Association of Realtors. Sales were down 36.9% from January 2022. The inventory of unsold existing homes rose 2.1% from December 2022 to 980,000 units and was up 15.3% year over year. The increase in inventory came after five consecutive monthly declines. Unsold inventory was unchanged at a 2.9-months' supply but was up from 1.6 months in January 2022. The median existing home price in January was $359,000, down from December but up 1.3% year over year. That marked 131 consecutive months of year-over-year home price increases, the longest running streak on record. Properties remained on the market for an average of 33 days in January. Regional sales were mixed.

Regional Housing Data

	Northeast	**South**	**Midwest**	**West**
Builder Confidence	33 (+4)	40 (+4)	33 (+1)	30 (+3)
Building Permits*	-7.8%	3.0%	1.7%	-4.6%
Housing Starts*	-42.2%	7.3%	-25.9%	5.5%
New Home Sales*	-19.4%	17.1%	-6.9%	-7.3%
Existing Home Sales*	-3.9%	1.1%	-5.0%	2.9%

* change from previous month

Mortgage Rates Rise to 6.5%



- 30-year fixed-rate mortgages rose to 6.5% at the end of February after falling to 6.1% at the end of January. Mortgage rates were 3.9% at the end of February 2022.
- The increase snapped a three-month stretch of falling rates.
- The rate environment is encouraging rate-shopping as rates now vary more among lenders and homebuyers can save between $600 and $1200 annually by shopping around.

BOSCH
Invented for life

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Sales for Bosch GmbH rose 12% in 2022 to USD 95.4 billion, or 10% when adjusted for currency exchange. Bosch noted that while they expect 2023 to be a challenging year with a possible economic slowdown, they have many plans in place that will contribute to growth.

Robert Bosch will increase their stake in Husqvarna to roughly 12%, which will make them one of Husqvarna's largest shareholders.

Stanley, Black & Decker

FY22 Conference Call with Analysts:

FY 22 full year revenue rose 11% to $16.9 billion after a record 2021. The growth was led by the outdoor power equipment acquisitions as well as 9% organic growth in the Industrial segment and a 7% bump from raising prices.

Top line growth was dampened by significant reductions in consumer and DIY demand and some supply chain constraints early in the year.

Margins were significantly impacted by inflation as well as their decision to prioritize inventory reductions.

For FY 22, Tools & Outdoor achieved record revenue of $14.4 billion, driven by a 7% improvement from raising prices and 21% growth contributed to by their outdoor acquisitions, which was offset by softer consumer demand and currency.

Tools & Outdoor Q4 revenues were in line with 2022 at $3.4 billion, benefiting from a 7% improvement from raising prices and an 8-point contribution from the MTD and Excel Outdoor acquisitions.

Both MTD and Excel became part of organic growth beginning in December. These positive factors were offset by a 12% decline in volume and a negative 3% impact from currency.

Power Tools declined 5% organically in 2022, due to weakness in consumer and DIY and front half constraints related to electronic components.

Power Tools volume was partially offset by price increases and demand for DeWalt's cordless systems, including FlexVolt, Atomic and Xtreme and their new power stack battery packs. Hand tools declined 5% organically in the year.

The Outdoor business declined 7% organically in 2022 due to the difficult outdoor season.

North America was down 7% in 2022 due to lower consumer and DIY market demand as well as heavier holiday promotional shipments in the third quarter compared to last year.

US retail point of sale was supported by price increases and professional demand.

Customer fill rates improved significantly in the second half, reducing inventories by $800 million.

Paring down the organization produced $200 million in savings; they also instituted tighter cost controls in their back office and the supply chain that generated more than $500 million of free cash flow in the fourth quarter.

They believe markets will continue to be challenged during 2023 as new housing starts are projected to decline 15% to 25% and repair and remodel activity will decline modestly year-over-year.

FY 23 Tools & Outdoor total organic revenue inclusive of positive price is expected to be down low single digits, while Industrial is planned for low single-digit growth. For Tools & Outdoor, that would mean full year volume would fall about 5%. For the second half, volume is expected to be down 3% to 3.5%.

For the Pro market, they will continue to expand the DeWalt FlexVolt 20-volt MAX system.

Professional job site products and solutions are a key area for long-term growth. They recently introduced a range of revolutionary tools, accessories and storage solutions for Pros in the commercial concrete and construction industries.

Their supply chain transformation is continuing to generate savings; they expect cumulative savings of $500 million by the end of 2023 and $1.5 billion by 2025.

After analyzing their SKUs, they identified approximately 50,000 SKUs that they are no longer manufacturing and are approved for decommission.

Their price model includes 1.5 to 2 points for 2023. Overall, they don't see any significant deflation in commodities and expect a little inflation in the first half. Based on that, they expect to maintain their elevated prices throughout the year.

They increased their investment in research and development by 25% compared to 2021, well ahead of their total sales growth. The increase in R&D is to ensure they will be able to continue to fund incremental investments.

TTI/Techtronic Industries

FY 22 revenue rose 0.4% to US $13.25 billion. The Power Tools segment accounts for more than 93% of revenue.

Shares of Hong Kong–listed power tool maker Techtronic Industries fell almost 19%, wiping out more than $5 billion in market value, after short seller Jehoshaphat Research published a report criticizing the company's accounting procedures. The report alleged that TTI has been inflating its profits and indulging in "manipulative accounting." TTI stock had already been slumping after their biggest customer, The Home Depot, warned of slowing demand for DIY products and forecast a decline in profits. TTI vigorously denied all allegations and issued a statement that the internal audit committee found no evidence of wrongdoing or irregularities. Trading in TTI's stock was temporarily halted; stock values rebounded after TTI denied all allegations and trading resumed.

Trimble

Q4 Revenue dropped 8% to $856.5 million, from $926.0 million in the fourth quarter of the prior year. Analysts were expecting the company to report revenues of $877.16 million. For the full year 2023, before incorporating the expected financial impacts of the pending acquisition of Transporeon, Trimble expects revenue between $3.7 billion and $3.8 billion, also below expectations.

RETAIL

Retail Sales Rise 3.0%

Retail sales rose 3.0% in January after falling a seasonally adjusted 1.1% in December, according to the Commerce Department. It was the largest monthly increase since March 2021 when stimulus checks were delivered. Excluding automobiles, gasoline, building materials and food services, retail sales rose 2.6% after falling 0.7% in December. 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 rising prices or one-time events that boosted spending. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as travel and entertainment.

NRF and MasterCard Spending Pulse

The National Retail Federation reported that holiday sales in November and December rose 5.3%, well below expectations and a dramatic slowdown from holiday sales in 2021, which increased 13.5%.

Retail sales jumped by 8.8% YOY in January in the US, according to Mastercard SpendingPulse. Ecommerce sales grew by 8.4% and in-store by 8.9%. Automotive is excluded from these results. Mastercard SpendingPulse noted that spending was resilient and the overall retail picture remains positive. Spending at restaurants jumped by 24.2% YOY. They believe this reflects a broad shift in consumer spending from goods, especially big ticket goods, to services. MasterCard noted that the primary factor driving spending decisions is the expectation of future income.

The Home Depot

FY 22 Conference Call with Analysts:

FY 22 sales grew 4.1% to a record $157.4 billion. Total company comp sales increased 3.1% and US comp sales increased 2.9%.

Q4 sales rose 0.3% from Q4 2021 to $35.8 billion. Total comp sales were down 0.3% for the quarter.

They saw resilience in the first half of the year but began seeing some deceleration in certain products and categories in Q3, which became more pronounced in Q4. Slowing sales plus the negative impact from lumber deflation led to fourth quarter comps that were slightly softer than anticipated.

During Q4, comp average ticket increased 5.8% and comp transactions decreased 6%. The growth in average ticket was driven primarily by inflation across product categories as well as demand for new and innovative products. Inflation from core commodity categories positively impacted average ticket growth by approximately 15 basis points during the fourth quarter.

They believe their people are the most important investment they can make and are increasing annual compensation by $1 billion for frontline hourly associates. They think this investment will position them favorably in the market and allow them to attract and maintain the most qualified talent in what is still a seller's market for jobs.

They introduced a new store leadership structure for the first time since the company was founded. The purpose is to promote best-in-class associate development and customer service.
New management positions will focus solely on the customer service experience. There will be more managers on the floor at all times to give other leaders more time for associate training and development.

Another important goal is simplifying and streamlining processes and systems so associates can provide a better customer experience.

During the fourth quarter they saw a significant decline in lumber prices relative to a year ago. On average, lumber prices were down over 50% year-over-year. Given this dynamic, Q4 comp sales were negatively impacted by approximately 70 basis points.

Tools, building materials, plumbing, millwork, hardware, outdoor garden and paint had comps above the company average. Big ticket comp transactions, or those over $1,000, were up 3.8% compared to the fourth quarter of last year.

They saw big ticket strength across Pro-heavy categories like portable power tools, pipe and fittings and gypsum but experienced softness in other categories including laundry, soft flooring and roofing.

Q4 Pro sales growth outpaced DIY. Pro backlog still remain elevated compared to historical averages.

Sales through digital platforms were up more than 4% compared to the fourth quarter of last year. Approximately 45% of online orders were fulfilled through stores.

It was a record year for Black Friday, holiday and gift center sales. Their spring Gift Center event will include cordless innovation in mowers, trimmers, blowers and chainsaws.

They continue to see an industry shift from gas-powered to battery-powered outdoor power equipment and are well-positioned to take maximum advantage of that trend.

They successfully offset significant transportation and product cost pressures as well as increased pressure from shrink during the back half of the year while still providing the customer with exceptional value.

Retail selling square footage was approximately 241 million square feet and total sales per retail square foot were a record-setting $627.

At the end of the year, merchandise inventories increased by $2.8 billion to $24.9 billion and inventory turns were 4.2x, down from 5.2x from last year.

They lowered their guidance for 2023 and now expect comp store sales to be flat. They expect demand for home improvement products to soften this year because of heightened inflation and rising interest rates, a tight labor market and moderating equity and housing markets.

Pro backlogs are off their peak from 2022 but still healthy and customers are still spending time at home. Homes are aging and despite the softening resale market are still worth about 40% more than they were before the start of the pandemic.

However, people are starting to shift spending more towards services and they are seeing more price sensitivity.

From 2019 through 2022 they grew sales by $47.2 billion, at

a compound annual rate of 12.6%. From the first quarter of 2020 through the first quarter of 2021, sales were driven by significant ticket and transaction growth. This growth reflected unique factors as homeowners spent more time in their homes and took on more projects as they saw their homes significantly increase in value over that period.

The home improvement market also captured a greater share of the consumer's wallet, as spending on goods outpaced spending on services during the period.

Strong sales and earnings growth driven by ticket drove growth beginning in the second quarter of 2021 and continuing throughout 2022. However, transactions steadily normalized back towards 2019 levels, as the broader consumer economy shifted from goods and back into services. Nevertheless, they had positive sales growth in every quarter up to present.

When they were setting targets for 2023 they considered three factors they believe will influence performance:

First, they think we will see flat real economic growth and consumer spending this year based on the guidance of many leading economists.

Second, they believe the shift from goods to services will continue at its current pace, which will leave the home improvement market down low single digits.

Third, they plan to leverage all their competitive advantages to continue to capture market share to offset this pressure.

Falling home prices have not made an impact on a market-by-market basis and they have not seen any relationship between comp sales and either the home price appreciation or correction that they've seen. Home prices peaked in June of 2022 when they were 45% higher than at the end of 2019. Since then, they've fallen about 3%, so a very modest correction.

Other News:

The Home Depot started the countdown to spring, launching new special Buys of the Day, interactive workshops for DIYers of all ages, instore workshops for kids and a new Countdown to Spring Hub to inspire spring projects inside and out and inspire with all the latest trends.
The Home Depot ranked #1 in the specialty retail category on *Fortune's* 2023 Most Admired Companies list and ranked #20 overall. Fortune worked with Korn Ferry to survey 1,500 companies and determined the best-regarded companies in 52 industries. The Home Depot also ranked #1 ranking in people management, use of corporate assets, social responsibility, quality of management, financial soundness and quality of products/services.

Lowe's

Q4 sales rose 5% to $22.4 billion, short of expectations. Comparable sales declined 1.5% overall and 0.7% in the US, also well below expectations.

FY 2022 sales were $97.1 billion; Lowe's noted that sales were up on a three-year basis.

ACE Hardware

Revenue for FY 2022 rose 6.7% to $9.2 billion and Q4 revenues rose 6% to $2.2 billion. Ace also made a record contribution to the Ace Foundation of $22.7 million.

The approximately 3,600 Ace retailers who share daily sales data reported a 5.2% increase in US retail comp store sales during the fourth quarter of 2022. Estimated retail inflation of 9.0% drove a 6.4% increase in average ticket. Comp transactions were down 1.2% during the quarter.

For the full year, retail comp store sales increased 3.2% Estimated retail inflation of 10.7% and an 8.4% increase in average ticket contributed to the increase. Comp transactions were down 4.7% for the full year.

Wholesale merchandise revenues from new domestic Ace stores rose to $230.3 million in FY 2022. This increase was partially offset by a decrease in wholesale merchandise revenues of $52.8 million due to domestic Ace store cancellations.

Ace added 168 new domestic stores in FY 2022 and cancelled 52 stores. This brought their total domestic store count to 4,867 at the end of FY 2022, an increase of 116 stores from the end of FY 2021.

Amazon

Amazon reported their first unprofitable year on record, losing $2.7 billion in 2022 despite net sales rising 9% to $514 billion. North American sales rose 13% to $315.9 billion. In the fourth quarter of FY22, Amazon's net sales grew by 9% to $149.2 billion. Amazon's North American segment grew sales 13% during Q4 while international revenue dropped 8%. Sales beat expectations but profits disappointed.

Amazon's massive 20% investment in electric vehicle manufacturer Rivian accounted for much of the loss; after several missteps, Rivian's stock dropped more than 80% last year. Growth is even slowing down at Amazon Web Service, which has been the fastest growing, albeit smallest, segment of the company. Amazon expects slower growth over the next few quarters but plans to continue to invest in new ventures.

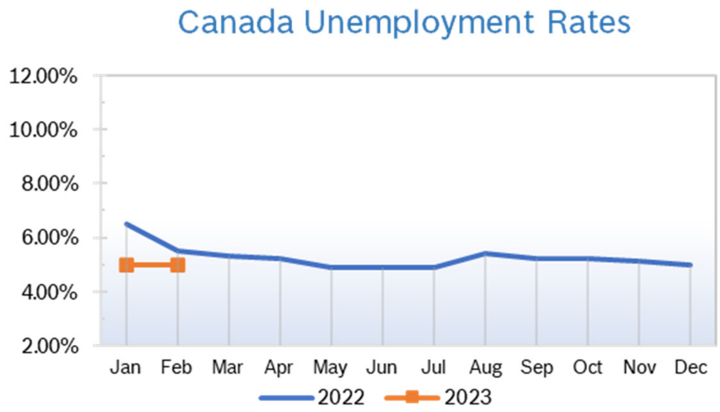
New CEO Andy Jassy's primary mission is cutting costs while still supporting profitable ventures and business segments and investing in new ones. Amazon has already trimmed more than 18,000 people from the payroll and put the brakes on several initiatives, including Amazon Smiles and Amazon Fresh Groceries.

Amazon is asking employees to be in the office a minimum of three days a week beginning May 1. Amazon says this will make collaborating easier and support the businesses that surround Amazon offices and operations in many different cities. There will be some exceptions; customer support and sales staff will still have the option of working remotely. Amazon had previously stated they would allow team leaders to decide how many days a week their team members should be in the office. Amazon employees have rebelled, with thousands worldwide signing a petition asking for the requirement to be removed.

Both the FTC and the European Union plan to investigate Amazon's $1.7 billion acquisition of iRobot Corp, maker of the autonomous vacuum cleaner Roomba. Roomba's ability to take pictures as it moves about a home has raised questions about privacy and use of customer data. Amazon says they use customer data to improve customer experiences with their products and services and don't sell data to third parties or use it in ways customers have not consented to. Amazon declined to comment further, saying that the deal is not yet closed.

CANADA SNAPSHOT

Unemployment Steady at 5.0%



- The unemployment rate held at 5.0% in February January and the economy added just 22,000 jobs after adding 150,000 in January and 69,000 in December. Unemployment reached a record low of 4.9% in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- Much of the gain was concentrated in the private sector.
- Employment rose in several industries, including construction and warehousing.
- Employment increased in New Brunswick, Manitoba, Newfoundland and Labrador and declined in Nova Scotia. Employment was little changed in the other provinces.
- Year-over-year wage growth remained above 5% for the eighth consecutive month. Wage growth needs to cool in order to tamp down inflation.

Consumer Prices

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

The BoC contemplated not raising rates at all in late January, according to a transcript of the discussion that surrounded the 0.25% increase that was announced. While the US Fed generally releases transcripts and remarks, the BoC seldom does, so the information was closely scrutinized. They decided to go ahead and raise rates because of the strong state of the economy in real time and worries that inflation might get "stuck" where it was instead of dropping into the 2% range both the BoC and the US Fed target. Rates are currently at 4.50%, the highest level in fifteen years.

Housing and Construction News

Housing starts fell 13% in January, dropping to 215,365 units from a downwardly revised 248,296 units in December, according to Canada Mortgage and Housing Corp. (CMHC). Single-family starts rose 3% to 45,224 after falling in December.

Canadian home sales fell 3% in January to a 14-year low after rising 1.3% in December, and were down 37.1% from January 2022, according to the Canadian Real Estate Association (CREA). Home prices fell 1.9% in January to $714,700, excluding high-priced metros. The home price index is down 12.6% from January 2022 and is 15% below last February's peak values. More homeowners put their properties on the market, with new listings increasing 3.3% in January.

For the longer range, 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.

Retail Sales

Retail sales increased 0.5% to $62.1 billion in December. Sales increased in 7 of 11 subsectors, representing 75.1% of retail trade. Higher sales at motor vehicle and parts dealers (+3.8%) and general merchandise stores (+1.7%) led the increase. Core retail sales, which exclude gasoline stations and motor vehicle and parts dealers, increased 0.4%. In volume terms, retail sales increased 1.3% in December. Sales increased in four provinces but fell in British Columbia.

Retail sales increased 8.2% in 2022, led by gasoline stations and general merchandise stores. In volume terms, sales were up 1.5% in 2022.

Sales at building material and garden equipment and supplies dealers fell 3.8%, the largest decline to core retail sales. Sales declined for four consecutive months amidst higher interest rates and deteriorating housing market conditions.

Retail Ecommerce Sales

Retail ecommerce sales were down 5.7% in December on a seasonally adjusted basis after being down 2.7% in November. On an unadjusted basis, retail ecommerce sales were down 2.4% year over year to $4.4 billion in December, accounting for 6.5% of total retail trade. The share of ecommerce sales out of total retail sales fell 0.6% compared to December 2021.

Retail Notes

Canadian Tire's consolidated retail sales were up 1.2% compared to the fourth quarter of 2021, and up 17.6% on a three-year stacked basis. Consolidated comparable sales were in line with 2021's exceptional performance, and up 21.1% on a three-year stacked basis. Annual and quarterly sales and earnings beat expectations.

GDP

GDP edged up 0.3% in the fourth quarter of 2022, following five consecutive quarterly increases. Slower inventory accumulations along with declines in business investment in machinery and equipment and housing offset higher household and government spending and improved net trade. On an annual basis, real GDP and final domestic demand rose for the second consecutive year, following the COVID-19 pandemic-induced contraction in 2020.

Housing investment fell 2.3% in the fourth quarter of 2022, the third consecutive quarterly decrease. The decline was widespread across new construction (-1.4%), renovations (-2.6%), and ownership transfer costs (-4.0%). This coincided with higher borrowing costs.

Household spending rose 0.5% in the fourth quarter, after edging down 0.1% in the third quarter. Overall, household spending rose 4.8% in 2022. Service expenditures (+8.6%) led growth as consumers took advantage of the relaxation of lockdown restrictions in the first half of the year. Semi-durable goods grew a robust robustly 6.6%; growth was moderated by a 2.0% decline in durable goods.

Consumer Prices Rise 5.9%

The consumer price index (CPI) rose 5.9% year over year in January following an increase of 6.3% in December. On a monthly basis, the CPI rose 0.5% in January after falling 0.6% in December. Core prices ex food and energy cooled off again, rising 4.9% year over year after being up 5.3% in December. Core inflation remained well above the Bank of Canada's (BoC) target of 2% but is down significantly from 8.1% in June.

Shelter prices increased at a slower rate, rising 6.6% year over year in January after a 7.0% increase in December. Growth in other owned accommodation expenses (+1.1%) and homeowners' replacement cost (+4.3%) continued to decelerate as the housing market cooled off.

The mortgage interest cost index rose 21.2% year over year as interest rates continue to climb. It was the largest increase since September 1982 and followed an 18.0% increase in December.

MARKET TRENDS

Home Improvement Sector Outlook

Many retailers and manufacturers in the home improvement sector issued cautious outlooks for 2023, but all remained very bullish on long-term prospects for industry.

They cited a chronic shortage of housing, with annual production as much as three million units below what is needed based on household formation rates, population growth and aging housing stock.

More than half of the existing homes in the US are more than 40 years old. Homeowners with low fixed-rate mortgages have an incentive to stay put and significantly improve their homes.

Working at home normalizing. The option to work at home that developed during the pandemic proved to be both popular and productive and many companies are now offering workers a hybrid schedule with fewer days in the office. People who have been "temporarily" making do with less-than-ideal office space at home want to create a more permanent and welcoming place to work.

Four-day work weeks give people another reason to improve their homes. Not that long ago long work weeks and even longer commutes cut into the amount of time people actually spent at home. Why do a bunch of improvements when you're hardly ever there? But in addition to the normalizing of the hybrid work trend, two recent studies showed that going to a four-day work week made people happier and more productive. Surprisingly, they improved company productivity and profits as well as employee satisfaction and retentions. People spending more time at home have an extra incentive to improve their environment.

Workers everywhere are rebelling against requirements to spend more days in the office. Thousands of employees of Amazon and Disney are signing petitions asking their CEOs to reconsider and arguing the new policy will lead to mass resignations among valuable employees who joined the company in order to enjoy flex benefits and be able to work from home.

Kitchen Trends

Better Homes and Gardens Institute and Martha Stewart Living and Anji recently reviewed the top kitchen trends for the year. Kitchen makeovers and remodels are perennial favorites, with 17% of homeowners surveyed by Anji planning to take on a kitchen remodel project next year. A kitchen remodel is one of the pricier projects on the list, with the typical cost running between $14,500 and $40,000. Some small-scale kitchen renovation ideas are much more affordable, including refinishing cabinets, updating appliances or installing new flooring, countertops, kitchen sinks and faucets. Among the most popular trends are:

Spaces that flow into each other. The trend to open kitchen design and multi-use is stronger than ever, with many designers now redesigning much of the first floor, including big pantries, mud rooms, dining areas and half-baths. People don't want them to look the same, but they do want them to feel cohesive and flow together seamlessly.

Big Windows. New kitchens and remodels are now featuring huge windows and window walls that slide open or into pocket doors and merge the outdoor/indoor spaces, often connecting to outside dining, entertaining and even an outdoor kitchen.

Double the Appliances. Kitchen enthusiasts are opting for more than one of the fixtures and appliances they use most, so multiple family members can work in the kitchen at the same time. Even double-islands may make an appearance, with one designated for prep with a sink and perhaps a cook top and one for casual gathering and dining.

Quiet countertops, bold kitchen palettes. Kitchens are reportedly moving toward an earthier, darker, richer palette combined with light, natural woods, which calls for countertops that complement, not compete. That means big bold patterns and dark granite are being replaced by honed finishes and soft, muted shades; quartzite is becoming even more popular. Homeowners are looking for a natural, organic feeling rather than a commercial kitchen look.

Everything old is new again. Cottage style and Americana are resurfacing (did they really go away?) and home designs are moving away from ultra-sleek and simple to styles and accents that feels familiar, like bead-board and insets. Accent colors are returning, along with custom-designed range hoods and other unique elements. A companion trend is repurposing and reusing vintage furniture and accents, or vintage look-alikes that give the feeling of something that's lived in and loved.

Organization and storage that offers more than a place to hide things is in demand. People want to be able to keep kitchens organized and conceal clutter while still being practical. In addition to walk-in pantries and features like coffee stations, people are looking for unique ways to get clutter off the counters while still being able to quickly and easily access appliances, mixers, toasters and cleaning supplies.

Martha Stewart says some trends will never go out of style. These include white kitchens with texture and warmth provided by accents like wood, brick and warm metals. A soft, muted color palette with decorative accents like fluting and beading will always be in style. Quartzite counters get another thumbs up for both looks and durability with less care than marble or granite. Decorative island lighting is a way to bring personality to neutral or classic white spaces, along with pops of color in accessories and furnishings.

2023 Remodeling Trends

According to Anji (Formerly Anji's List) 2023 State of Home Spending Survey, homeowners are looking to boost their quality of life through home improvement projects.

This year will see a shift in focus to general household maintenance, with about 29% of homeowners surveyed saying they will focus on maintenance. Homeowners want to keep their houses in tip-top shape with projects such as repairs, lawn care, house cleaning, and other tasks. According to the report, homeowners spent an average of $2,500 in 2022 on home maintenance projects and plan to spend more this year.

Interior painting and bathroom remodels are close behind maintenance, with interior painting as the second-most popular home project planned for 2023. About 23% of homeowners plan to paint at least one space in their homes.

Bathroom remodels come in as the third-most-popular home improvement project for 2023, with 22% of homeowners planning a bathroom renovation, a job which typically involves a Pro.
About 20% of homeowners will upgrade their floors in 2023. Hardwood has become a more popular choice for the main floor, along with hardwood look-alikes.

Smart technology has gone mainstream with 17% of homeowners plan to install new smart devices in 2023. From robot vacuum cleaners to smartphone-controlled lights and appliances, consumers are embracing push-button control.

Exterior painting, landscaping, adding windows and new fencing round out Anji's top ten.

The National Association of Realtors recently reported on 2023 remodeling trends, including composite decks, which have been growing in popularity since the cost of lumber tripled during the pandemic and made durable, low-care composites much more affordable. One of their Pro contributors reported they are seeing a big trend to creating a second, rentable space in the home, including separate quarters suitable for renting as an Air B & B and accessory dwelling units for extended family or rental.

Credit Card Debt Increases Slow

US consumers' outstanding credit grew by $11.56 billion at the end of 2022, according to recently released Federal Reserve data. It was the lowest monthly gain since January 2021 and well below economists' expectations of $25 billion. Revolving credit balances, which are mostly credit cards, grew by 7.3% in December, the lowest monthly increase since the summer of 2021.

For much of 2022, consumer debt levels grew at record rates as pandemic-induced pent-up demand ran up against a period of rampant inflation. As interest rates rose, people began to cut back on spending overall and particularly on discretionary spending on big-ticket goods.

The average credit card carries a record-high 19.95% interest if balances are not paid in full each month. Bankrate data shows that 46% of card holders are carrying a balance from month to month. That's up from 39% a year before.

More people are putting necessities on credit cards, essentially financing those expenses over time at very high interest rates, which ultimately eats into disposable discretionary income. High inflation and higher interest rates make balances harder to pay off.

Spending on services has been rising steadily since pandemic restrictions loosened. Analysts speculate that this is most likely due to pent-up demand for dining out, traveling and entertainment.

