

Market Briefing

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CANADA SNAPSHOT

Economy

Housing & Construction

Retail

MARKET TRENDS

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Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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US ECONOMY

Exchange Rates April 30, 2021

Euro	1 Euro = \$1.204	\$1.00 = 0.831 Euros
Canadian Dollar	1 CAD = \$0.813	\$1.00 = 1.230 CAD
Japanese Yen	1 Yen = \$0.009	\$1.00 = 109.330 Yen
Chinese Yuan	1 Yuan = \$0.154	\$1.00 = 6.474 Yuan
Mexican Peso	1 Peso = \$0.049	\$1.00 = 20.167 Pesos

Market Watch April 30, 2021

DOW	33,875	+2.7%
NASDAQ	13,963	+5.4%
S&P 500	4,181	+5.2%

Despite a pullback the last week of the month, all three indexes closed out April with solid gains. Markets were encouraged by President Biden’s wide-ranging proposal to invest in America, the accelerating pace of vaccinations and progress toward reopening the country.

Consumer Spending Rises 4.2%

Consumer spending jumped 4.2% in March after falling 1.0% in February. It was the biggest increase in consumer spending in nine months. Consumer incomes surged a record-breaking 21.1% in March after falling 7% in February. The gain reflected the delivery of billions of dollars in relief payments with individuals getting up to \$1,400 payments as well as a bump in wages. Consumers saved some of their windfall, with the savings rate rising to 27.6% from 13.9% in February. Excess household savings now totals around \$2.3 trillion. Analysts believe consumers will start spending their savings as the country returns to more normal activities. The increase in spending reflected an 8.1% increase in the purchase of goods and a 2.2% rise in the purchase of services, a category that includes restaurant dining, entertainment and other activities affected by the pandemic.

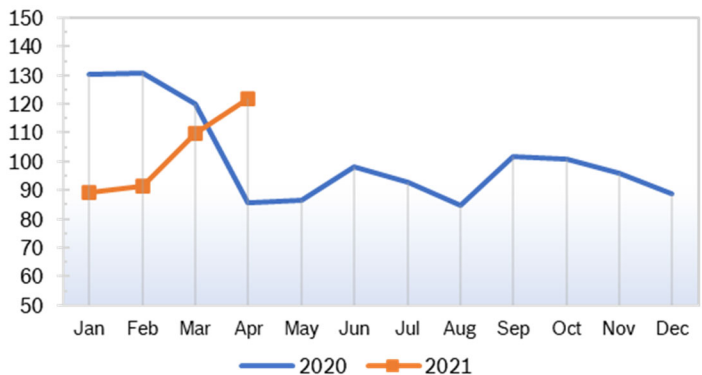
Consumer Prices Rise 0.6%

The Consumer Price Index (CPI) rose 0.6% in March after rising 0.4% in February and was up 2.6% year over year. Core

inflation, which excludes the volatile food and energy categories, rose 0.3% after being up 0.1% in February and was up 1.6% from March 2020. The year-over-year changes are distorted by the base effect. Many economic data points declined at the start of the pandemic amid lockdowns and widespread business closures. Compared to those depressed figures, the year-over-year increases will appear abnormally large. Nearly half the current increase was driven by a 9.1% jump in gas prices, which have been climbing due to increased demand, production problems following severe winter storms and production cuts by OPEC. The personal consumption expenditures (PCE) price index excluding the volatile food and energy component, increased 0.4% after edging up 0.1% in February and was up 1.8% year over year. The core PCE price index is the Fed’s preferred inflation measure for its 2% target, which is now a flexible average.

Consumer Confidence Rises to 121.7

Consumer Confidence Index

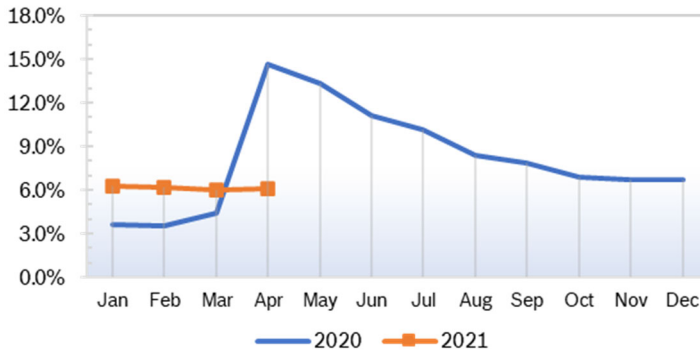


- ▶ The New York-based Conference Board’s Consumer Confidence Index rose sharply to 121.7 in April after jumping almost 20 points to 109.0 in March.*
- ▶ The Present Situation Index, which is based on consumers’ assessment of current business conditions, jumped to 139.6 after rising more than 20 points to 110.0 in March.
- ▶ Expectations rose to 109.8 in April after rising to a downwardly revised 108.3 in March.
- ▶ It was the highest level of consumer confidence since 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 6.1%

U.S. Unemployment Rates



- ▶ The unemployment rate inched up to 6.1% in May after falling to 6.0% in March and the economy added just 266,000 new jobs, well below expectations.*
- ▶ Job gains for February and March were revised down by a net of 78,000 jobs.
- ▶ Jobs fell in retail, manufacturing, transportation and warehousing, but rose in several service industries.
- ▶ Wells Fargo believes that the job recovery will get back on track and notes that companies are having a tough time filling open positions at all levels, particularly in the service sector where many people are collecting more remaining unemployed than they would if they returned to work. Many of those benefits run out in September.

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

Job Openings Jump to Two-Year High

US job openings jumped to a two-year high in February after rising substantially in January. Job openings rose by 268,000 to 7.4 million the end of February, according to the latest Job Openings and Labor Turnover Survey (JOLTS) from the US Bureau of Labor Statistics (BLS). This is up considerably from the pandemic low of under 5 million jobs. Job openings increased substantially in many of the industries that were hard-hit by the pandemic, including recreation and foodservice. Demand for labor could increase further as more service businesses reopen. The CDC also issued new guidelines saying that fully vaccinated people can travel safely at low risk. Hiring in Febru-

ary rose by 273,000 to 5.7 million, the largest gain in nine months. The quits rate, which is regarded as an indicator of worker confidence, was unchanged at 2.3%, with 3.4 million people voluntarily quitting their jobs in February. There are still 8.4 million fewer Americans working than at the start of the pandemic, down from 9.5 million in January. There were 1.4 Americans per job opening in February, up from just 0.8 Americans pre-pandemic. The high level of openings is a signal firms are expecting the ambitious vaccination program to fuel economic reopening and further activity. Wells Fargo noted that due to the relatively small sample size, JOLTS may be painting a distorted picture, as data 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 Rises to 72.1

The Chicago Purchasing Managers Index (Chicago PMI) rose to 72.1 in April after rising to 66.3 in March. It was the highest level for the index since December 1983 and the tenth consecutive month the index remained in positive territory after spending a full year below 50. New Orders rose 9.9 points to a seven-year high and Production rose 0.9 points after jumping 10 points in March. Firms are reportedly overbuying in an attempt to deal with shortages of raw materials. Prices Paid jumped 11.9 points, rising for the eighth month in a row and hitting the highest level in 41 years. The special question for April asked if firms plan to expand their workforce over the next three months. The majority do, with 54.8% planning to add staff. 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 1.0%

The Producer Price Index rose 1.0% in March after jumping 0.5% in February. Prices were up 4.2% from March 2020, the largest year-over-year increase in the past twelve months. Core inflation, which excludes the volatile energy and food categories, rose a much higher than expected 0.7% in March and was up 3.1% year over year. Analysts noted that year-over-year inflation numbers will be higher going forward because of the year-over-year comparison to very low numbers caused by the pandemic as well as near-term pressures from supply chain bottlenecks.

Q1 GDP Rises 6.4%

GDP grew 6.4% in the first quarter as stimulus checks went out, vaccinations accelerated, states lifted restrictions and consumers stepped up spending. For all of 2020, the economy shrunk just 2.4%, well below initial forecasts. Consumer spending was fueled by federal payments of \$1,400 or more to most households. In addition, many households have been able to save money during 2020 because people curbed eating out, traveling, recreation and entertainment. Economists expect economic growth to pick up further in the second quarter and remain steady in the second half of the year. Many forecasts call for GDP to grow between 6% and 7% this year, which would be the strongest performance since a 7.2% gain in 1984 when the economy was emerging from a deep recession. There are worker shortages in some service industries as people either stay home and collect unemployment or defect to industries like construction that pay higher wages than foodservice or retail.

Fed Holds Rates Near Zero

The Fed left its benchmark short-term interest rate near zero, where it's been since the pandemic erupted nearly a year ago, to help keep loan rates down and encourage borrowing and spending. The Fed also commented that it would keep buying \$120 billion in bonds each month to try to keep longer-term borrowing rates low. The Fed expressed a brighter outlook, saying the economy has improved along with the job market. The Fed noted that inflation has risen, but ascribed it to temporary factors. The Fed also signaled its belief that the pandemic's threat to the economy has diminished, a significant point given Chair Jerome Powell's long-stated view that the recovery depends on the virus being brought under control. In March, the Fed cautioned that the virus posed "considerable risks to the economic outlook." Most economists say they detect the early stages of what could be a robust and sustained recovery, with coronavirus case counts declining, vaccinations rising and Americans spending their stimulus-boosted savings.

HOUSING & CONSTRUCTION

Builder Confidence Rises to 83

Builder confidence rose one point to 83 in April after falling to 82 in March, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the

eighth consecutive month the index was above 80. While buyer demand is strong, rising costs and lengthening delivery times for materials, particularly softwood lumber, are impacting sentiment. The HMI index gauging current sales conditions rose one point to 88, while the component measuring sales expectations in the next six months fell two points to 81. The gauge charting traffic of prospective buyers rose three points to 75. Regional scores were mixed for the fifth consecutive month. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 2.7%

Overall permits increased 2.7% to a 1.77 million unit annualized rate in March after falling to 1.68 million units in February. **Single-family permits increased 4.6%** to 1.20 million units after falling to 1.14 million units in February. Multifamily permits dropped 1.2% to a 567,000 pace after falling to 539,000 units in February. On a year-to-date regional basis, permits were mixed.

Housing Starts Rise 19.4%

Housing starts rose 19.4% in March to a seasonally adjusted annual rate of 1.74 million units after falling to 1.42 million units in February. Single-family starts rose 15.3% to a seasonally adjusted annual rate of 1.24 million units after dropping to 1.04 million units in February. The multifamily sector, which includes apartment buildings and condos, jumped 30.8% to 501,000 units after falling to 381,000 units in February. Combined single-family and multifamily regional starts were mixed year to date compared to 2020. Single-family starts are expected to rise this year, but at a much slower pace than they did during 2020.

New Home Sales Rise 20.7%

New home sales rose 20.7% in March to a seasonally adjusted annual rate of 1.02 million homes and sales for February were revised upwards after initially showing a decline of 18.2%. It was the highest pace of sales since September 2006. Inventory fell to a 3.6 months' supply, with 307,000 new single-family homes for sale, 44.6% lower than March 2020. Homes sold but not yet under construction are up 150% over last year, an indicator of increasing delays and higher costs associated with construction. Demand is strong, with builders reporting they could sell more homes if they had more inventory. The median sales price was \$330,800, up from the \$328,200 median sales price posted a year earlier and down from \$349,400 in February.

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 3.7%

Existing-home sales fell 3.7% in March to a seasonally adjusted annual rate of 6.01 million homes after falling to 6.22 million homes in February, according to the National Association of Realtors (NAR). Sales were up 12.3% from March 2020 when the pandemic began impacting sales. The inventory of homes available for sale at the end of March rose 3.9% from February to 1.07 million homes. Even with the increase, inventories remain at historic lows and are 28.2% lower than they were a year ago. The current inventory translates into just a 2.1-month supply at the current sales pace, up slightly from a 2-month supply in February but down from a 3.3-month supply in March 2020. Sales fell in all four regions of the country but were still up year over year. According to Wells Fargo, sales would have likely been higher if there were more homes on the market. Higher home prices are also pushing some buyers out of the market as now their housing budget buys less home. The median price of an existing home has risen 17.2% over the past year to \$329,100.

Regional Housing Data

	Northeast	South	Midwest	West
Builder Confidence*	86 (+6)	83 (+1)	78 (-2)	90**
Building Permits YTD	-8.0%	+6.0%	+2.0%	steady
Housing Starts Y/Y	-39.5%	-9.7%	-34.9%	+17.6%
New Home Sales	+36.6%	+50.5%	+53.9%	-3.3%
Existing Home Sales*	+16.9%	+15.9%	+0.8%	+15.5%

* Year over Year **unchanged

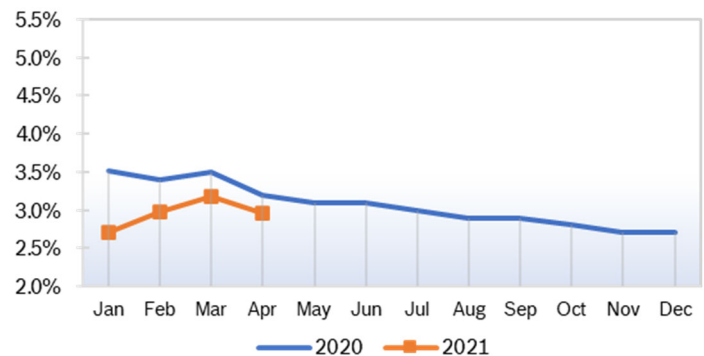
Remodeling Index Rises to 86

The National Association of Home Builders (NAHB) Remodeling Market Index (RMI) rose to 86 in the first quarter, up 38 points first quarter 2020. The strong reading shows that residential remodelers are very confident in their markets for projects of all sizes. In the first quarter, all components and sub-components of the RMI were up substantially. The Current Con-

ditions Index was up 31 points from Q1 2020 at 89, with large remodeling projects (\$50,000 or more) at 85, moderately-sized remodeling projects (\$20,000 to \$50,000) at 90 and small remodeling projects (under \$20,000) at 92. The Future Indicator Index averaged 84, up 45 points from the first quarter of 2020, with the rate at which leads and inquiries are coming in at 86 and the backlog of remodeling jobs at 82. NAHB expects remodeling activity to continue growing but notes that material availability and prices will remain a challenge.

Mortgage Rates Remain Below 3.0

30-Year Fixed-Rate Mortgage



- ▶ A 30-year fixed-rate mortgage (FRM) remained below 3% in May and was 2.96% at the end of the month, little changed from 2.98% at the end of April. Mortgage rates were 3.26% at the end of May 2020.
- ▶ Rising home prices driven by high demand, low inventory and soaring prices for lumber are limiting how competitive prospective home owners can be.
- ▶ The combination of low, stable mortgage rates and an improving economy should be good moving forward.
- ▶ Analysts caution that low inventories and rising home prices are making it difficult for many potential buyers to find a home.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Robert Bosch GmbH forecast a 6% increase in global group sales this year after a healthy 17% jump in first-quarter sales but warned about the impact a global shortage of chips could have on not just their business, but the businesses of all companies that depend on chips to make their smart product functions work. The current bottleneck of semiconductors is not expected to ease in the short term, but Bosch has made it a priority to resolve the current problems and find innovative ways to avoid such shortages in the future.

Stanley Black & Decker

Q1 revenues rose 34% to \$4.2 billion and organic revenue rose a record 31%. Tools & Storage revenue rose 48% with a record 45% organic growth.

Q1 Conference Call with Analysts:

Net sales climbed from \$3.1 billion in the opening quarter of 2020 to \$4.1 billion in the first quarter of 2021. All regions and all business units contributed to growth; the bulk of the increase in organic growth came from Tools & Storage.

They significantly raised their outlook for both 2021 and the momentum going into 2022 and revised their guidance accordingly. They now expect full year organic growth overall of 11% to 13%.

They expect Q2 organic growth of 30% for the company, and 35% to 40% for Tools and Storage. Organic growth for Tools & Storage was revised to 14% to 16% year over year from the previous estimate of 4% to 8%.

Power Tools delivered 50% organic growth for the quarter, resulting from continued momentum from positive home and construction trends, supply chain execution and new product launches.

New core innovations led the way, building on Craftsman, which is growing very rapidly, and DeWalt, their largest brand by revenue. Products launched within the last five years, including FlexVolt, Atomic, Xtreme, Power Detect and FlexVolt Advantage

are delivering growth well ahead of average. FlexVolt grew 80% in Q1.

The US retail channel delivered 48% organic growth as underlying consumer demand remained very high with momentum from both Pros and DIY users.

They believe that their gains are more slanted toward share gain than pure market growth, but will not know for sure until two to three quarters from now when they will be able to look at actual GDP performance and trends in the tool industry.

Ecommerce sales were up 200% in the first quarter, and they believe strong global growth will continue this year. At the time of the Stanley Black & Decker merger ten years ago, they did not do ecommerce sales. In 2020 they did almost \$1.8 billion in revenue, growing from 12% to 18% of revenue. They began making significant investments in this channel beginning in the third quarter of last year and now have very large teams working on ecommerce expansion around the globe.

Assumptions for both the first half and the second half improved, although the second half growth for Tools & Storage is expected to decline between 2% and 4% due to tough comparisons. Assumptions for the second half include benefits from increasing channel inventory back to historic levels.

They have recently begun production in two new factories in Mexico and an additional one in Fort Worth, Texas will be up and running in weeks. That will allow them to return to a four week channel inventory rebuild in the back half of the year. However, they will not be able to shift production from China until demand returns to more normal levels.

All temporary cost reductions have been restored and they are making significant investments.

They now expect inflation headwinds of \$235 million, up \$160 million versus their previous outlook. Currency remains at a \$45 million positive offset. Drivers of incremental inflation are steel, resins, copper, aluminum and some purchased materials such as batteries and electrical components.

They typically lock in supply agreements two quarters in advance, therefore, the majority of the year-over-year headwinds will be realized in the second half of the year.

They are initiating additional pricing and productivity ac-

tions, which will offset about half of the 2021 impact of the headwinds and provide some carryover benefits in 2022. In addition, they have about \$100 million of margin resiliency available over the balance of the year which is not included in their guidance.

They're preparing the supply chain for stronger demand scenarios and will be ready if their planning assumptions are conservative.

They believe they will be managing to a very strong demand market for the remainder of this year and into next year. They are focusing on pricing actions across the two major businesses impacted, Tools & Storage and Industrial. Tools & Storage will take a very surgical approach and focus on areas where they believe pricing does not materially impact demand. They've already taken some pricing actions and will take more in the next 90 days.

They believe several trends will support continued growth, including a very intense focus on home driven by a migration from cities and urban areas and a normalization of hybrid work schedules, with many employees continuing to work from home at least part-time. In addition global infrastructure will present a huge opportunity.

They think the pandemic introduced a whole new generation to DIY and to their brands, and that once people get started, they gain the confidence to tackle more projects.

TTI/Techtronic Industries

Milwaukee Tool is expanding their operations in downtown Milwaukee. The proposed expansion will bring up to 2,000 more jobs to the city. Mayor Tom Barrett offered a \$12.1 million grant to Milwaukee Tool for locating at least 1,200 employees in an office building downtown that is largely vacant. Additional employees would garner the company an additional grant of \$7.9 million. Milwaukee said they preferred a site downtown but had no other details to share. Analysts estimate that Milwaukee would invest a minimum of \$30 million in the development.

Makita

Makita held a ceremonial groundbreaking to launch construction of their new 600,000 sq. ft. facility that will be built on 80 acres of land in Hall County, northeast of Home Depot

headquarters in Atlanta. The new facility, which Makita described as state of the art, will serve as a distribution center and will also include a sales and training center, customer service resources and a factory service center. There will also be room for an additional 200,000 square feet of expansion. Evans General Contractors is handling the project.

RETAIL

Retail Sales Rise 9.8%

Retail sales unexpectedly rose 9.8% in March after falling a downwardly revised 2.7% in February, driven by stimulus checks that fattened bank accounts and vaccinations that made it easier for shoppers to get out of the house. Retail sales were up 27.7% year over year; despite occasional month-over-month declines, retail sales have grown year over year every month since June 2020. Sales increased across the board in every category except grocery; grocery stores were among the few retailers allowed to stay open at the beginning of the pandemic, so the category will be facing outsized comparisons for some time. Building materials and garden supply stores were up 12.1% after falling 3.0% in February and 32.4% seasonally adjusted from March 2020. Online sales, which are typically more weather-resistant, dropped by 5.4%. Core retail sales, which exclude automobiles, gasoline, building materials and food services, fell 3.5% after rising 6.0% in February. Core retail sales correspond most closely with the consumer spending component of GDP. The National Retail Federation (NRF) forecast that 2021 retail sales will rise between 6.5% and 8.2%, which would beat the previous record growth rate of 6.3% in 2004.

The Home Depot

JPMorgan Virtual Retail Roundup:

THD was represented by CFO Richard McPhail, who discussed the pandemic year of 2020 as well as THD's future plans.

Before the pandemic, they would never have predicted they could successfully handle \$21 billion in growth in one year; as spring progressed they found themselves dealing with comp sales growing more than 20% in a matter of days.

Their calculations show they've captured 275 basis points of market share over the past three years, which equates to about \$10 billion in annualized incremental sales.

They believe they are the lowest cost provider in their space as well as the most capital-efficient company.

As homes became more valuable to consumers, they were willing to invest more in maintaining and updating them.

The new focus on home combined with accelerating home sales has created the biggest housing shortage since post-World War II, with homes appreciating more than 10%. In 2011 the value of housing stock was about \$11 trillion; today it's about \$31 trillion, and yet mortgage debt is relatively stable.

People took on more and more projects as the pandemic forced people to spend more time at home and figure out how home could incorporate school, office and play space. Successfully completing a project gave people the confidence to take on more and inspired them to keep improving.

They did not see any correlation between store sales and the state of the local economy. The only downturns they saw were in categories that were very Pro-heavy, because people did not want contractors coming into their homes.

As the country reopened, demand for Pro services accelerated; however, growth is being somewhat restrained by materials and labor shortages and the time it takes to pull permits and get inspections.

They manage to a very short cycle which is driven by short-term demand, with inventory turning six times a year.

Enabling car and van delivery in a majority of US markets allows them to promise same-day and next-day delivery from stores. During the height of the pandemic, delivery increased, but buy online, pick up in store (BOPIS) increased even more. Online sales driven by digital assets grew more than 80% last year and more than 60% of online orders were picked up in stores.

They really don't know how 2021 will unfold, although they do acknowledge they will have easier comps with Pros this year. Pros tell them that their backlogs are very healthy.

They estimate the total market at \$650 billion and growing, and feel that it basically does not matter where their growth comes from.

They deal in a lot of big, bulky products, and they are shooting for 90% same-day or next day delivery. They are also at 2-day parcel for more than 90% of the population.

Moving to flatbed delivery centers will allow them to cater to Pros' needs; often it is not a matter of needing something immediately as much as needing it to arrive at the jobsite on a specific day within a specific time window. Many of the products they're delivering are not stocked in the stores, such as longer-length lumber.

Their appliance business has lower margins than company average but delivers very high returns on investment. The business is very capital-light because they don't actually "own" the appliances.

Other News:

Georgia Governor Brian Kemp vigorously defended THD after a group of political activists called for a nationwide boycott over THD's position on Georgia's controversial new election law. THD issued a statement after the bill was passed that "all elections should be fair, accessible and secure." The bill's opponents did not think the response was strong enough. Governor Kemp stated that THD did not initiate or support the bill and should not be unfairly targeted by opponents.

THD is suing their commercial general liability insurers, stating that they failed to cover tens of millions in costs related to a settlement of charges stemming from a massive data breach in 2014. THD stated that they had a combined \$75 million in coverage that should have been used to cover the costs of replacing more than 36 million payment cards.

Compensation for THD's top five executives jumped 43% for 2020. The big increases were due to THD's outstanding growth of nearly 20% last year, which triggered non-equity incentive plan compensation. CEO Craig Menear got a 28.5% increase to nearly \$14 million.

Lowe's

Lowe's is rolling out a number of initiatives and offerings

nationwide directed at Pro customers. Lowe's reports that the average Pro customer shops at Lowe's 80 times a year, compared to four or five times for a DIY customer. CEO Marvin Ellison says that capturing more of the Pro market will help drive sales per square foot and profitability.

Upgrades include the Pro Zone, a dedicated area near the Pro entrance with products for grab-and-go conveniences as well as value packs of commonly used items. Lowe's has also added Pro trailer parking, with extended spots to accommodate the oversized vehicles. They will offer phone charging stations at the Pro desk and a convenience rack of items that have not previously been sold, including pain relievers and personal care products such as sunscreen and hand care.

Lowe's will also offer dedicated Pro checkout areas, staffed with salespeople, cashiers and employees to load goods. Pros can take advantage of flexible credit options that range from discounts to interest-free repayment options.

Finally, Lowe's has implemented new technology designed to help Lowe's associates improve relationships and better engage with Pro customers. Lowe's says there will be additional offerings coming, including windshield cleaning stations, free air stations for inflating tires and portable air tanks for pneumatic tools.

Lowe's acquired Stainmaster brand carpet and flooring; it will join their stable of private-label brands. The deal includes all brand-related intellectual property from Stainmaster's parent company, Invista, as well as all related trademarks and sub-brands. Financial terms were not disclosed. Lowe's has been the exclusive home improvement retailer for Stainmaster since 2010. Lowe's said the acquisition fits into their Total Home strategy and will elevate their selection, as Stainmaster is the top brand in soft floor coverings.

Lowe's is opening an appliance outlet store in Texas. They are converting a traditional Lowe's store that closed two years ago. Lowe's is now the largest retailer of home appliances, taking over the top spot from Sears. In recent years Lowe's has opened a handful of outlet stores, but is planning to accelerate the pace this year. The stores are stocked with scratch-and-dent appliances and parts priced up to 70% off. Lowe's had fiscal 2020 revenue of \$89.6 billion and sold \$12.1 billion worth of household appliances compared to The Home Depot, with fiscal 2020 revenue of \$132.1 billion and appliance sales of

\$11.86 billion. THD has not opened separate stores for clearance items. Amazon competes in small appliances, but has only a limited selection of major appliances.

Lowe's recently donated \$1.5 million to UNC Charlotte in hopes of helping to build a technology talent pipeline, according to CIO Seemantini Godbole. She sees technology and innovation as critical to Lowe's success. Seemantini will lead Lowe's \$153 million tech hub that was originally expected to open later this year but could be pushed back because of the impact the pandemic has had on construction schedules. The location will have as many as 2,000 tech employees at all levels and will be a hub for brainstorming and collaboration. Seemantini is very excited about doing joint research with graduate students, and has always felt that having an academic partner would be a real advantage.

Lowe's executive compensation increased in fiscal 2020 as the pandemic gave sales a big boost. CEO Marvin Ellison saw his compensation nearly double to \$23.1 million, thanks to incentive compensation of more than \$5.8 million tied to performance goals.

Walmart

Walmart shoppers are more focused on price than US consumers overall, according to data analysis from selling platform JungleScout. Fifty-four percent of Walmart.com shoppers have experienced financial setbacks in the past year compared with 48% of US consumers overall. They scored higher on several related metrics, including becoming more conscious of spending money (82% of Walmart shoppers versus 73% of all consumers), looking for coupons, promotions and deals (83% compared to 75% overall), researching products before buying (78% versus 69%) and setting aside savings each month (50% versus 46%.) Overall, 73% of US shoppers made purchases on Amazon in the first quarter of 2021 compared to 40% who made purchases on Walmart.com. However, more than three-quarters of US consumers who shop online at Walmart are Amazon Prime members, with 60% of those making purchases on Amazon at least weekly. By contrast, just half of Walmart's online shoppers are members of Walmart's subscription service, Walmart+. Walmart customers noted they turned to Amazon when they needed specific brands (74%) and fast shipping (71%).

Walmart is aiming to reinvent the single-use plastic retail shopping bag through a partnerships with CVS and Target.

Their goal is to identify, pilot and implement innovative alternative designs for the current single-use bag. The consortium, known as the Center for the Circular Economy at Closed Loop Partners, recently ran a contest called Beyond the Bag. They selected nine winning designs for a sustainable bag for the future and will work with the winners to test the designs.

Ace Hardware

Ace Hardware is turning to paid influencers to get the attention of millennials and Gen Z.

Ace's four influencers tackled home projects they had delayed by working with Ace and posting content to their TikTok and Instagram channels documenting their progress. Ace VP Marketing Jeff Gooding declined to give a specific budget but said that it was a fraction of what they spend on TV and the value is far beyond the budget. Experts say that working with influencers allows the brand to create content that does not feel like an ad. Reportedly, DIY influencers can be more costly than others because actually doing a project is much more work than just creating a post.

Amazon

Q1 revenue rose 44% to \$108.5 billion and first-quarter profits more than tripled as Amazon benefitted from the pandemic boom in online shopping. Excluding the \$2.1 billion favorable impact from year-over-year changes in foreign exchange rates throughout the quarter, net sales increased 41% compared with first quarter 2020. Results were well above analysts' expectations.

Amazon Web Services (AWS) revenue grew 32% to \$13.5 billion on greater demand for cloud computing.

Amazon revealed there are now more than 200 million paid Amazon Prime members worldwide. They also stated that Prime Day will take place later in the second quarter. Introduced in 2015, Prime Day was always held in July until the pandemic forced it to be postponed until October. Amazon stated that June makes more sense as with travel restrictions easing many families may be traveling in July.

Net sales for the second quarter are expected to grow between 24% and 30% compared with second quarter 2020.

Amazon warehouse workers in Alabama voted overwhelmingly against forming a union, with 1,798 workers voting no and 738 voting yes. Both sides aggressively campaigned for several months. It was the biggest union push in Amazon's 26-year history and only the second time an organizing effort within the company has come to a vote. Both the union and Amazon peppered workers with messages inside the warehouse and through the media.

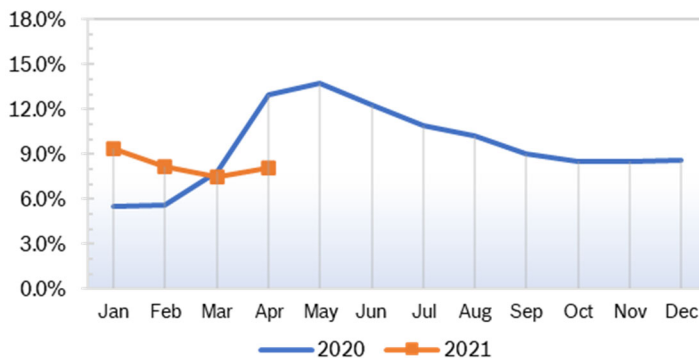
Amazon's share of US digital advertising rose from 7.8% in 2019 to 10.3% in 2020, according to the latest eMarketer report. Google (28.9%) and Facebook (22.5%) still lead the race, but Amazon is expected to continue to gain share of this growing market, with their share rising to 12.8% by 2023. Most likely some shopper marketing budget dollars have been shifted from traditional vehicles to digital vehicles. Projections call for Amazon's search ad revenue to grow to \$14.53 billion this year, or 19% of total US search ad spending, up from \$13.35 billion in 2019.

Amazon is teaming up with MIT to add driver intuition to the machine learning (ML) models used for optimizing delivery routes. Amazon's Last Mile team, which develops planning software for the delivery fleet, is collaborating with MIT to incorporate driver know-how into route-optimization models so that the ML models can predict the delivery routes that are chosen by experienced drivers. Amazon and MIT are sponsoring a competition called the Amazon Last Mile Routing Research Challenge to see which academic teams can best teach the ML models how to predict the routes used by experienced drivers. The winners' prizes are \$100,000 for first place, \$50,000 for second and \$25,000 for third, and Amazon may invite top-performing teams to join the Last Mile team. Top performers may also be invited to present their work at MIT.

CANADA SNAPSHOT

Unemployment Rises to 8.1%

Canada Unemployment Rates



- ▶ The unemployment rate rose to 8.1% in April after falling to 7.5% in March, which was the lowest level since February 2020.
- ▶ Employment fell 1.1%, or 207,000 jobs, after rising by 303,000 jobs in March.
- ▶ Employment fell in most industries affected by new CV19 restrictions, including retail. Employment rose in industries where people were able to work remotely.
- ▶ There were 20,000 fewer active businesses in Canada in April 2021 compared to April 2020.
- ▶ Employment fell in Ontario and British Columbia, rose in New Brunswick and Saskatchewan and was little changed in other provinces.
- ▶ 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 were tightened in many areas.

Consumer Prices Rise 0.5%

The Consumer Price Index (CPI) rose 0.5% in March and was up 2.2% year over year after rising just 1.1% year over year in February. On a seasonally adjusted monthly basis, the CPI increased 0.1% in March. Excluding energy, the CPI rose 1.1% year over year. Prices rose in five of the eight major components in March, with the steepest increases in transportation and shelter. Gasoline prices led the increase in consumer energy prices, rising 5.0% in March and 35.3% year over year, the largest gain in gasoline prices since March 2000. The price increase was mainly driven by growing global oil demand, as well as the continuation of production cuts by OPEC. Year-over-year prices rose more rapidly than in February in every province, largely due to the across the board increase in the cost of gasoline. Statistics Canada is attempting to balance the impact of the pandemic by removing items that were not available in March from the year-over-year comparisons.

GDP Grows 0.4% in February

GDP grew 0.4% in February after growing 0.7% in January. This 10th consecutive monthly increase continued to offset the steepest drops on record in March and April 2020. However, total economic activity was still about 2% below February 2020, before the pandemic. Services-producing industries were up 0.6%, while goods-producing industries contracted (-0.2%) for the first time since April. Overall, 14 of the 20 industrial sectors expanded in February. Retail trade activity jumped 4.5% in February after two months of decreases, as 10 of the 12 subsectors were up. General merchandise stores grew 6.0%, while building material and garden equipment and supplies dealers were up 3.5%, benefiting from continued growth in home alteration and improvement activity. Non-store retailers, which include e-commerce and catalog sales, increased for the fourth month in a row, growing 0.5% in February. Construction rose 2.0% in February after growing in the previous two months, as all subsectors were up. Residential building construction jumped 4.7% as all types of construction recorded growth, led by home alterations and improvements and by single-family home construction. Repair (+0.5%), engineering and other construction activities (+0.2%), and non-residential building construction (+0.3%) were all up in February. Preliminary information indicates an approximate 0.9% increase in real GDP for March.

Interest Rates Steady

The Bank of Canada (BOC) kept key interest rates at 0.25%

in April even though they had upwardly revised their forecast for the first quarter. The bank pointed to new, more transmissible variants of CV19 as the biggest risk to the recovery. They also stated that they will most likely raise rates before the Fed raises rates in the US. They now think inflation will move back into the 2% range sometime next year, and they will probably raise rates during the second half of 2022. Interest rates have been at 0.25% for nearly a year; the bank cut rates three times in March 2020 as the pandemic began in order to keep credit flowing and ease costs for households. They also raised their forecast significantly for GDP growth this year to 6.5%.

Housing and Construction News

Canadian housing starts rose 21.6% in March after falling 13.5% in February and the seasonally adjusted annualized rate of housing starts rose to a record 335,000 units, well ahead of expectations. Much of the gain came from a big jump in multiple unit urban starts. Single-detached urban starts rose 3.6% to 78,615 units. Analysts said part of the reason for the big jump was unseasonably warm weather in many parts of the country.

Home sales continued to rise in March, up 5.2% from February 2021 and 76.2% from March 2020 at the beginning of the shutdowns caused by the pandemic, according to the Canadian Real Estate Association (CREA). Inventory fell to just 1.7 months at the end of March, the lowest level on record. Listings rose more than 50% from last March to 105,001 and were up 7.5% on a seasonally adjusted month-over-month basis. The actual national average home price in March rose 31.6% year over year to \$716,828. Home prices soared across the board, not just in the pricier markets like Toronto and Vancouver. Mortgage rates are expected to remain low.

Prices for Canadian homes are expected to rise 5.5% this year, according to the latest edition of the Mortgage Professionals Canada (MPC) survey. The survey noted that despite higher prices, very low interest rates have actually made Canadian homes more affordable. Surging housing prices have been driven by a combination of record low rates, increased household savings and a desire for more space.

Retail Sales Rise 4.8%

Retail sales reversed two consecutive monthly declines and rose 4.8% in February to \$55.1 billion after falling to \$52.5

billion in January. Sales rose in 9 of 11 subsectors, representing 34% of retail sales. Core retail sales, which exclude gasoline stations and motor-vehicle and parts dealers, rose for the first time in three months, increasing 3.8% in February. Core retail sales were up in most subsectors. In volume terms, retail sales increased 4.3% in February. Overall retail sales rose in six provinces, with Quebec and Ontario leading the gains. Statistics Canada said most retailers continued to report sales despite the fact that approximately 12% of retailers were closed at some point in February for an average of two business days.

Retail Ecommerce Sales Soar

On an unadjusted basis, retail ecommerce sales rose 92.0% year over year to \$3.1 billion in February, accounting for 6.8% of total retail trade. The share of total retail sales attributed to ecommerce dropped 1.3% in February, as more brick-and-mortar stores were allowed to open their doors to in-person shopping. On a seasonally adjusted basis, retail ecommerce fell 5.7% in February.

Retail Notes

Amazon is launching their Intellectual Property (IP) Accelerator in Canada, which is designed to make it easier and more cost-effective for small-and-medium-sized businesses (SMBs) to obtain trademarks, protect their brands and remove infringing goods both in Amazon's stores and the broader marketplace. The IP Accelerator directly connects Canadian business owners with a curated network of local law firms that charge reduced, pre-negotiated rates on key services. Amazon does not charge for the service; SMBs pay the law firm directly. Businesses also have early access to Amazon's brand protection tools, brand registry and automated, data-driven protections. Amazon says that more than 30,000 Canada-based third-party sellers have thrived on the Amazon online marketplace.

MARKET TRENDS

Construction's Digital Transformation

A national Building Information Management (BIM) standard is in the early stages of development. The National Institute of Building Sciences (NIBS) is working with leaders from public and private organization to develop a coordinated pro-

gram to address the lack of a uniform digital process standard for BIM. Team members agree that developing a national standard will streamline business, accelerate the effectiveness of the supply chain, improve project outcomes, drive efficiency and foster innovation. Construction comprises 13% of the global economy. Project leaders say that the Executive Roundtable will convene the global stakeholders who will benefit most from the digital transformation.

ENR's BuildTech 2021 virtual conference brought together contractors, engineers and other industry professionals

who shared insights on how they kept working through the pandemic as well as the new solutions they uncovered during this difficult time. Many of the execs doing presentations noted that focusing more intently on the people side of their business and employee well-being in general turned out to be a key ingredient to success. In order to keep doing business, they were all forced to embrace new technologies and communication tools and develop new approaches in order to be able to keep working. Many of those innovations that were birthed by necessity proved to be better than established practices and will now become part of standard procedures.

Construction Market Stabilizing in 2021

ENR's latest Construction Industry Confidence Index survey shows that industry executives see the market stabilizing this year, and say that while challenges remain, the effects of the pandemic may be less severe than they feared. The index hit a low of 36 in the second quarter of 2020, climbed to 40 in the fourth quarter and rose to 51 in the first quarter of 2021, the first double-digit rise in the index since the fourth quarter of 2016. A rating above 50 shows a growing market. The rankings were developed from 207 responses to surveys sent in February and early March to execs of US companies on ENR's lists of leading general contractors, subcontractors and design firms. Only 15% of respondents consider the current market to be improving, but 48% think the market will be improving by mid-2022, and only 16% foresee a declining market 18 months from now. The most recent poll of CFOs by Construction Financial Management Association shows rising confidence as well. Projects are restarting that were thought to have been permanently canceled and the outlook for infrastructure and public construction is excellent. However, the majority of respondents report lower profit margins and 82% are seeing prices rise for materials. They're also seeing more competition. Almost half see the retail construction market continuing to decline. Many believe

there will be a jump in remodeling in both residential and commercial markets, especially offices.

Price Spikes Tied to Supply Chain Disruptions and Shutdowns

Ongoing pandemic-related disruptions to the supply chain for a wide range of construction materials are undermining demand, according to the AGC. More than half of all contractors have experienced delays due to shortages of materials, parts or equipment, and AGC warns that forecasters should continue to anticipate that projects will cost more and have longer, and possibly uncertain, completion schedules. Among materials in short supply are lumber and steel, steel joists, insulation, stainless steel and PVC piping. AGC has asked the Biden administration to consider removing tariffs in place on key materials as well as taking other regulatory steps to ease shortages. Container and trucking shortages are being felt across the country and some experts caution that bringing in significant quantities of materials from overseas will just add to the current distribution challenges. Overall, ENR's average prices for lumber were up 25.6% by the end of 2020, while other materials were up 8.3%.

Inside the Lumber Crisis

The NAHB estimates that the increase in lumber prices since March 2020 has added more than \$24,000 to the cost of building a \$300,000 home. According to the NAHB, the US is simply not producing enough lumber. The US is also importing less lumber from Canada, which typically supplies about a third of US lumber needs, due to tariffs and the mountain pine beetle epidemic that has devastated forests in British Columbia. It is creating what lumber analysts call the perfect storm of very strong demand and very slow supply response.

About 80% of homes built in the US are wood-framed. Last year as the pandemic took hold and spread across North America, sawmills cut production, believing there would be a big drop in demand. Dealers also cut their orders and instead ran down inventory. But instead of tanking, demand accelerated as the lockdown inspired a wave of DIY and renovation projects and low interest rates supported the wave of people moving to bigger homes and/or smaller, less urban areas. NAHB had originally forecast a 4% rise in single-family new home construction in 2020; instead, it jumped 12%.

Many sawmills closed after the economic downturn and housing crisis that began in 2008 and became the Great Recession. In 2005, North American production capacity stood at 80.7 billion board feet. Today it is 72 billion board feet. Labor shortages are further complicating the problem. Timber companies in the US and Canada are scrambling to increase capacity, and industry analysts say supplies could rise 5% to 6% this year, which will help somewhat.

Lumber prices skyrocketed in 2020, and activity has remained strong this year, with lumber stocks remaining at critically low levels. Lumber futures have soared by more than 50% this year to more than \$1,327 per 1,000 board feet length as builders, lumberyards and home center stores compete for increasingly scarce supplies. The real time physical market for lumber is also red-hot, with the price of the preferred product for wooden framing, which is 2x4 lengths of Western Spruce, Pine and Fir, rising to \$1,205 per 1,000 board feet, nearly \$900 above the average US price since 2005.

Are We in a Housing Bubble?

According to Wells Fargo, there has been a big surge in Google searches for “When will the housing bubble burst?” Some people are comparing the current housing frenzy to the time leading up to the Great Recession that began in 2008 and are wondering if the bottom is about to fall out of the market.

The median price of an existing home has soared more than 17% since last March, with single-family home prices skyrocketing 18.4%. Wells Fargo believes that bubble talk is premature, and the jump in home prices reflects a historic imbalance in the supply and demand for housing.

Home sales rose well ahead of the improvement in the economy, driven by record low mortgage rates and people who needed more space because the entire family was spending more time at home. In some households both parents were working remotely while also trying to accommodate virtual school for several children. The big surge in demand came at a time that existing home inventories were already extraordinarily low, which set off bidding wars for what few listings were available. Eighty-three percent of homes sold in March were on the market for a month or less, and properties typically were on the market for just 18 days, down from 20 in February.

Wells Fargo and NAHB concur that year-over-year home price appreciation in the high teens is unsustainable. Wages and salaries will not keep up, so higher prices push buyers out of the market or drive them to remodel their existing home rather than try to buy a new one. Today, the overwhelming majority of first-time buyers are millennials, who are now forming households and seeking more living space.

Speculators make up a very small part of the market, another reason Wells Fargo doesn't believe there's a housing bubble. Speculators accounted for just 15% of sales in March, actually down from February. In addition, underwriting standards remain strict, with buyers needing high FICO scores.

Existing homeowners are watching their property values soar, and that is starting to bring out sellers who don't want to miss out on the market. Many baby boomers, who make up a disproportionately large share of existing homeowners, were understandably reluctant to put their homes on the market during the pandemic. Now that more than half of US adults have been vaccinated and winter is retreating, housing experts expect more homes to come on the market. However, Wells Fargo does not believe we will ever return to the old benchmark of a six-month supply of homes being the normal level of inventory; they believe the new norm will be closer to 3.5 to 4 months.

Buyers Migrating to Cheaper Markets

Homebuyers migrating from expensive areas are making it tough for locals to compete. Buyers moving from New York, California, Boston, Seattle and other areas with strong job and wage growth to markets like Salt Lake City, Denver, Portland and Charlotte arrive with more money to spend on housing than the locals, according to a Harvard Joint Center on Housing Studies. These migrants are driving up sales numbers, but they are also pricing locals out of their own home markets, because they can easily outbid them. Some migration paths are so predictable, home prices link to each other. For example, when prices climb in Los Angeles, they rise in Phoenix; when they soar in Boston, they climb in Portland, Maine. Price increases in and around New York City drive up prices in Tampa, Florida, and people moving out of pricey California cities push up prices in Boise, Idaho. In one documented group of cities, a 10% increase in the outbound market eventually resulted in a 6.3% increase in prices in the destination city. Not all markets see this effect; in markets with few restraints on building, new supply has been more easily able to keep up with new demand.