

# Market Briefing

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## RETAIL

### Retail Sales Rise 0.7%

#### The Home Depot

- ▶ Will use Sidekick app to manage holidays

#### Lowe's

- ▶ Partners with Carhart

#### Walmart

- ▶ Plans 5th generation fulfillment center
- ▶ Hires former Target delivery exec

#### Ace Hardware

- ▶ Q3 sales rise 3.4%
- ▶ Moves into new corporate headquarters
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#### Amazon

- ▶ Q3 revenue rise 12.6%
- ▶ Ad revenue more than doubles
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### Amazon Leading the Robotic Revolution

Bosch | Dremel

RotoZip | Vermont American

CST/berger | freud | Sia

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## US ECONOMY

### Exchange Rates October 31, 2023

|                        |                  |                       |
|------------------------|------------------|-----------------------|
| <b>Euro</b>            | 1 Euro = \$1.057 | \$1.00 = 0.946 Euros  |
| <b>Canadian Dollar</b> | 1 CAD = \$0.720  | \$1.00 = 1.388 CAD    |
| <b>Japanese Yen</b>    | 1 Yen = \$0.007  | \$1.00 = 151.468 Yen  |
| <b>Chinese Yuan</b>    | 1 Yuan = \$0.137 | \$1.00 = 7.288 Yuan   |
| <b>Mexican Peso</b>    | 1 Peso = \$0.055 | \$1.00 = 18.049 Pesos |

### Market Watch October 31, 2023

|                    |        |       |
|--------------------|--------|-------|
| <b>DOW</b>         | 33,053 | -1.4% |
| <b>NASDAQ</b>      | 12,851 | -2.8% |
| <b>S&amp;P 500</b> | 4,194  | -2.2% |

October was a spooky month for the markets, with all three indexes falling despite a month-end rally. Markets were rattled by the Fed's "higher longer" policy for interest rates, unrest in the Middle East and the looming government shutdown. The S&P, the index most tracked by professionals, turned in its first three-month losing streak since the beginning of the pandemic and is now officially in correction territory. Despite all that, The tech-heavy NASDAQ is up 22% for the year and the S&P is up 9% but the DOW has erased all of its gains for 2023.

### Consumer Spending Rises 0.7%

**Consumer spending rose 0.7% in September** after rising by 0.4% in August. The majority of data on consumer spending in September was incorporated into the first reading on Q3 GDP.

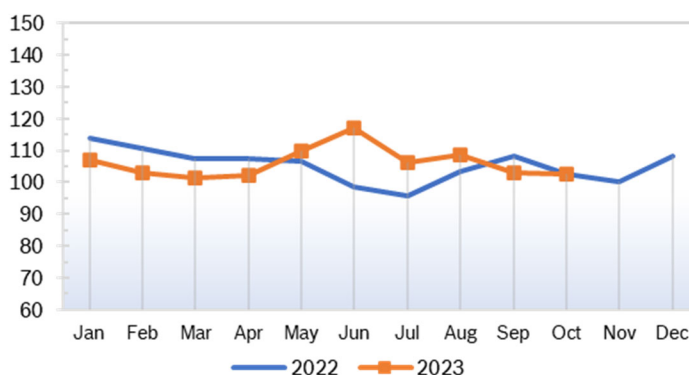
### Consumer Prices Rise 0.4%

**The Consumer Price Index (CPI) rose 0.4% in September** after jumping 0.6% in August and was up 3.7% year over year for the second consecutive month. Rising gas prices accounted for much of the increase. Core inflation, which excludes the volatile food and energy categories, rose 0.3% in September after being up 0.3% in August and was up 4.1% year over year, down from 4.3% in August. The prices for core goods fell 0.4% but the prices for core services rose 0.6%. Core prices year over year are now unchanged after being up 0.2% in August.

The increase was slightly higher than expected and increased the chances the Fed will raise rates at their last meeting of the year in December. The personal consumption expenditures (PCE) price index increased 0.4% in September after increasing 0.4% in August. Excluding food and energy prices, the core PCE price index rose 3.7% year over year in September after rising 3.8% in August and 4.3% in July. The PCE still remains well above the Fed's target of 2.0%. The Fed closely tracks the PCE price indexes for monitoring their 2% inflation target. Inflation peaked at 9.1% in June 2022.

### Consumer Confidence Falls to 102.6

#### Consumer Confidence Index

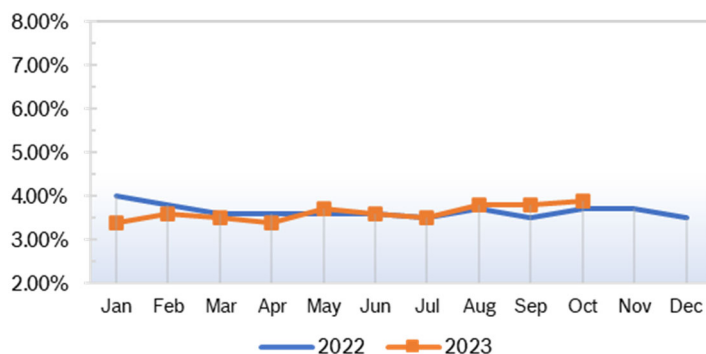


- ▶ The New York-based Conference Board's Consumer Confidence Index fell to 102.6 in October after falling to an upwardly revised 104.3 in September.\*
- ▶ The Present Situation Index fell to 143.1 in October after rising to 147.1 in September.
- ▶ The Expectations Index fell to 75.6 in October from an upwardly revised reading in September. A level of 80 or below historically indicates consumers expect a recession.
- ▶ Consumer Confidence fell to 86.9 at the onset of the pandemic in March 2020.

\*A level of 90 indicates that the economy is on solid footing; a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

## Unemployment Rises to 3.9%

### U.S. Unemployment Rates



- ▶ The unemployment rate rose to 3.9% at the end of October after remaining at 3.8% in September. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- ▶ The economy added 150,000 new jobs in October and job growth for September was revised downward from 336,000 to 297,000 new jobs. It was the 34th consecutive month of job growth.
- ▶ The job market gradually cooling down will help with inflation and will take pressure off employers and the Fed.
- ▶ Job openings jumped in August, from 8.9 to 9.6 million, and wage growth continues to outpace inflation, with wages up 4.2% over the past 12 months and inflation up 3.7%.

## Chicago PMI Drops to 44.0

**The Chicago PMI fell slightly to 44.0 in October** after dropping to 44.1 in September. It was the 14th month in a row the PMI remained below 50, the level that indicates expansion. 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 0.5%

**The Producer Price Index (PPI) rose 0.5% in September** after rising 0.7% in August and was up 2.2% year over year after being up 0.8% in August. Stripping out volatile food and energy prices, core PPI rose 0.3% in September after rising 0.2% in August. Core prices were up 2.7% year over year after being up 3.0% in August. The PPI peaked at a whopping 11.7% year-over-year increase in March 2022.

## Q3 GDP Grows 4.9%

**GDP grew at a blistering 4.9% in the third quarter** after growing 2.1% in Q2, according to the first reading from the Commerce Department. It was a remarkably strong rate of growth, particularly because interest rates are at the highest level in 22 years. Growth was fueled by a 4% increase in consumer spending on both goods and services. Residential fixed investment, which reflects conditions in the housing market, grew 3.9% at an annualized rate in the third quarter. Business spending, known as nonresidential fixed investment, declined 0.1%.

## Fed Holds Rates Steady

**As widely expected, the Fed held interest rates steady at 5.25% to 5.50%** at their policy meeting the first of November. The decision to keep rates unchanged was unanimously supported by all twelve voting members of the Committee. The statement noted that job gains remain strong, but inflation remains persistently too high and that another rate hike is not off the table. The Fed's target rate for inflation is 2%; the rate as of the end of October was 3.7%; PCE, their preferred measure, was also at an annual rate of 3.7%.

## HOUSING & CONSTRUCTION

### Builder Confidence Falls to 40

**Builder Confidence fell four points in October to 40** from a downwardly revised reading in September, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the third consecutive monthly decline in confidence. All three major HMI indices posted declines in October. The HMI index gauging current sales conditions fell four points to 46, sales expectations in the next six months dropped five points to 44 and traffic of prospective buyers dipped four points to 26. NAHB attributed much of the decline to mortgage rates rising over 7% and economic uncertainty. Any number over 50 indicates that more builders view the component as good than view it as poor.

### Building Permits Fall 4.4%

**Overall building permits fell 4.4% in September to 1.47 million annual units** after rising to 1.54 million annual units in August. Single-family permits rose 1.8% to 965,000 annual units

after rising to 949,000 annual units in August and were down 13.4% from September 2022. Multifamily permits fell 14.3% to an annualized pace of 508,000 units after rising to 594,000 units in August. Permits fell year to date in all regions.

## Housing Starts Rise 7%

**Housing starts rose 7% in September to a seasonally adjusted annual rate of 1.36 million units** after falling to 1.28 million units in August. Single-family starts rose 3.2% to a seasonally adjusted annual rate of 963,000 units after falling to 941,000 units in August but were down 12.8% year to date. Just 674,000 new homes were actually under construction in September, down 15% from September 2022. Multifamily starts rose 17.6% to an annualized pace of 395,000 units after falling to 342,000 in August.

## New Home Sales Rise 12.3%

**New home sales rose 12.3% in September to a seasonally adjusted annual rate of 759,000 homes** after falling to 675,000 homes in August. Sales were up 33.9% from September 2022. New home sales continue to benefit from a lack of inventory of existing homes, although sales are expected to slow as mortgage rates climb. New single-family home inventory fell 5.4% to 435,000 new homes, a 7.9 months' supply at the current sales pace; a 6 months' supply is considered balanced. Completed, ready to occupy inventory is up 39.6% from a year ago, however that inventory type remains just 17% of total new home inventory. The median new home sale price fell 3.3% in September to \$418,800, down 3.3% from September 2022. Pricing is down both due to builder incentive use and a shift towards building slightly smaller homes. Regional sales year to date were up in all regions. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously-owned homes, which are calculated when a contract closes.

## Existing Home Sales Fall 2.0%

**Existing home sales fell 2.0% in September to a seasonally adjusted annual rate of 3.96 million homes** after falling to 4.04 million homes in August, according to the National Association of Realtors. Sales were down 15.4% from September 2022. The median existing-home sales price rose 2.8% from September 2022 to \$394,200, the first time in six months the median existing home prices have fallen below \$400,000. In-

ventory rose 2.7% from August to 1.13 million existing homes, a 3.4 months' supply at the current sales pace. The current supply of existing homes for sale is roughly half what it was in 2019 before the pandemic. Regional sales year to date were mixed.

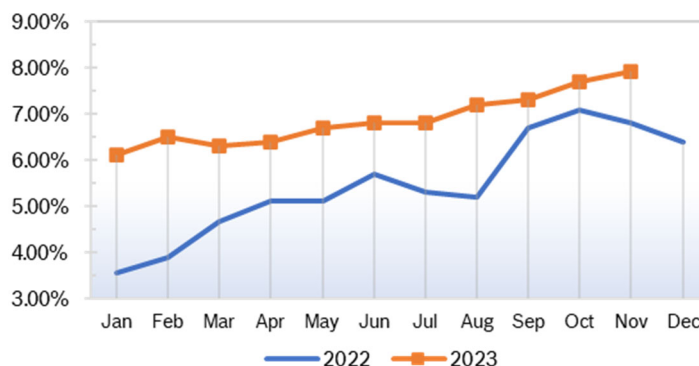
## Regional Housing Data

|                       | Northeast | South   | Midwest | West    |
|-----------------------|-----------|---------|---------|---------|
| Builder Confidence*   | 50 (-4)   | 49 (-5) | 39 (-3) | 41 (-6) |
| Building Permits*     | -22.3%    | -12.7%  | -16.6%  | -17.6%  |
| Housing Starts**      | -23.3%    | -7.8%   | -12.9%  | -16.9%  |
| New Home Sales*       | 12.8%     | 5.4%    | 0.5%    | 2.5%    |
| Existing Home Sales** | -16.7%    | -11.7%  | -18.4%  | -19.3%  |

\* change YTD \*\*change YOY

## Mortgage Rates Rise to 7.9%

### 30-Year Fixed-Rate Mortgage



- ▶ 30-year fixed-rate mortgages rose to 7.9% at the end of October after rising to 7.3% at the end of September. Mortgage rates were 7.1% at the end of October 2022.
- ▶ Chronic inventory shortages and a smaller pool of willing buyers and sellers are helping to keep home prices relatively stable.
- ▶ It was the seventh consecutive weekly increase in rates, which have risen 2% in 2023.
- ▶ Recent market volatility makes it difficult for Fannie Mae to forecast where rates are headed.

## POWER TOOL INDUSTRY

### Stanley Black & Decker

#### Q3 Conference Call with Analysts:

**Q3 revenue fell 4.1%** to \$3.95 billion, primarily due to lower Outdoor and DIY revenue. Demand for Pro Tools remained very healthy.

**Q3 revenue for Tools and Outdoors fell 5%** to \$3.4 billion due to lower demand for consumer DIY products. The Tools segment as a whole had positive results; Outdoor fell 23%.

**Power Tools declined 2% organically**, pressured by Consumer Tools. Pro-driven momentum coupled with positive impacts from a healthier supply chain is supporting enhanced service levels and promotional opportunities.

**Price was down 2 points** as they resumed promotional activity for cordless tools.

**North America was down mid-single digits organically.** North America Tools organic growth was positive, while Outdoor declined.

**US retail point-of-sale (POS) for the quarter remained above pre-pandemic 2019 levels** due to strength in professional demand and price.

**Third quarter POS for DeWalt was positive** versus last year, supported by promotions, pro-inspired new product offerings and sustained professional demand.

**They opened the 2023 DEWALT Grow the Trades Grant and Trades Scholarship program** in Q3 in order to provide non-profits with the necessary resources to train, reskill and prepare tomorrow's trades people by directly supporting end-user trade education. This is part of their overall commitment to invest \$30 million to grow trade skills by 2027.

**Their cost reduction program delivered approximately \$215 million of pretax cost savings** in the quarter, bringing their aggregate savings to approximately \$875 million since the cost savings program began. They will slightly exceed their \$1 billion savings target this year and are on-track to deliver \$2

billion in cost savings by 2025.

**They reduced inventory by approximately \$300 million** bringing their year-to-date progress to approximately \$880 million. The third quarter inventory reduction supported the generation of approximately \$360 million of free cash flow in the period, resulting in one of the strongest third quarter cash generations in the company's history.

**They have reduced inventory by \$1.7 billion since the middle of 2022** by improving supply chain conditions, strategic inventory management and the planned production curtailments initiated during the back half of 2022.

**They expect production to continue to normalize in the fourth quarter.** They will remain disciplined and flexible in their approach to drive organic growth and share gains.

**They see a disciplined marketplace with no deep discounting** and they are going to continue their traditional promotional mix. They will also be driving growth organically by leaning into the opportunities they see with the Pro. They are now confident in their margin and cash generation projections and will start investing for growth in the fourth quarter.

**They expect a similarly stable macro environment next year** with some dynamic elements. Volume next year will depend on whether or not consumer spending stabilizes or continues to shift away from goods to services.

**DeWalt, Craftsman and Stanley brands will be focal points** going forward. The next tier of brands like Irwin or LENOX or Troy-Bilt, will be utilized in a more simplified way.

**They have pockets of strength and weakness.** Their Pro tool business is strong; their Outdoor and consumer business is weaker.

**They are watching the Fed to see what it does related to interest rates.** If interest rates level out they think they can manage growth.

**They have a long history of gaining market share.** They went through a period of time in late 2021 and 2022 where they think the impact of the shortage of semiconductors caused them to lose some market share.

**Their focus right now is on reenergizing their engineering**



**in innovation engine and concentrating marketing investments around innovation.** That will probably account for 80% to 90% of their investment per spend and will hopefully get the growth of their biggest brands back to above market growth.

**They have the opportunity to get inventory much leaner by approximately \$1 billion to \$1.5 billion** over the next two to three years at a pace of \$400 million to \$500 million a year.

## RETAIL

### Retail Sales Rise 0.7%

**Retail sales rose 07% in September** after rising an upwardly revised 0.6% in August, according to the Commerce Department. It was the sixth consecutive monthly increase and well above expectations of a 0.3% rise. Retail sales were up 3.8% year over year. Excluding automobiles, gasoline, building materials and food services, retail sales rose 0.6% and August core sales were revised up. Core retail sales, which are mostly goods and not adjusted for inflation, correspond most closely with the consumer spending component of GDP. The retail sales report covers about a third of overall consumer spending and doesn't include services, such as travel and entertainment.

### The Home Depot

**THD will use their new Sidekick app to help associates support holiday shoppers.** Sidekick helps associates prioritize tasks that are focused on getting the customer the product that they need. When "holes" develop on holiday shelves, the Sidekick app helps associates identify them, find where a missing product is and then prioritize filling those holes on the sales floor. Holiday brings in products that associates may not be familiar with, and Sidekick provides a picture of the product and tells them exactly where it is in the overhead. Sidekick also identifies where products need to go when associates are moving them onto the floor.

### Lowe's

**Lowe's inked a deal with Carhart** and will begin offering their

iconic line of rugged working apparel at 250 Lowe's stores across the Northeast, Midwest and Pacific Northwest. Another 250 stores in Texas, the Southeast and California will begin offering Carhart in early 2024. Family-owned Carhart is managed by descendants of Hamilton Carhart, who founded the company in 1889. The brand is popular among Lowe's Pro customers.

### Walmart

**Walmart announced plans for a fifth high-tech "next-generation" fulfillment center** in Stockton, California scheduled to open in 2026. The 900,000 square-foot facility center will help Walmart double the number of orders they can fulfill each day and will feature an automated, high-density storage and retrieval system that streamlines a manual, 12-step process down to just five steps. The strategically located centers are key to Walmart meeting their goal of providing next-day or two-day delivery to 95% of the US population.

**Walmart lured Rina Hurst away from Target to become vice president of Walmart GoLocal delivery-service platform.**

Hurst served as chief business officer of Target's Shipt delivery service. Walmart says Hurst will oversee GoLocal's strategic direction, operations and general management as the third-party logistics unit continues to add other retailers to their same-day delivery service.

### Ace Hardware

**Ace reported Q3 sales rose 3.4% to a record-setting \$23.1 billion**, driven by an increase in market share and new store growth. Ace Hardware opened 168 new domestic locations and 232 total new locations worldwide in 2022, a 2.9% unit growth, with 4,645 total units in the US.

**Ace moved into their new corporate headquarters in Oakbrook, Illinois.** The 250,000 square foot building is in The Reserve, the former headquarters of McDonald's. Ace's new headquarters includes 150 conference rooms, 12 cafes and various workstations. The building's landlord converted the first floor of the parking garage into an amenity suite that includes a fitness center, conference center, multipurpose room and a large cafeteria and dining center with a commercial kitchen.

**Ace plans to add 4.4 million square feet of distribution space with three new warehouses in the next four years.**

That's on top of the 2.5 million square feet its added since 2018.

**Ace retained their #5 position in the annual *Franchise Times* Top 400 List\***, with no changes in the top 5 positions in 2023. The *Franchise Times*' Top 400 List is an annual ranking of the 400 largest franchise systems in the United States by global systemwide sales, based on the previous year's performance. Ace Hardware shares their ranking in the top 5 with global fast food giants Burger King, KFC, and McDonald's, along with convenience store chain 7-Eleven.

## Amazon

**Q3 revenue rose 12.6%** to \$143.1 billion, well ahead of estimates. Online sales rose 6% to \$57.27 billion, topping forecasts. Advertising services sales jumped 26% year over year to \$12.1 billion.

**Advertising revenues have more than doubled in the past three years**, thanks in part to the 2022 arrival of NFL Thursday Night Football as a Prime Video exclusive. Amazon says they've barely scratched the surface when it comes to integrating advertising into video, commerce and groceries. CEO Andy Jassy said they are very focused on making advertising a great customer experience.

**Amazon Web Services revenue rose 12%** to \$23.06 billion, slightly below the \$23.20 billion analysts forecasted.

**North America segment sales increased 11%** year over year to \$87.9 billion.

**October Prime Big Deal Days promotion sold hundreds of millions of items worldwide.**

**The benefits of moving from a single national fulfillment network in the US to eight distinct regions are exceeding their optimistic expectations** and putting them on track to deliver the fastest delivery speeds for Prime customers in their 29-year history.

**Amazon will hire 250,000 full-time, part-time, and seasonal employees** in the US this holiday season, 67% more than in 2022 and 2021.

**Amazon will invest \$1.3 billion this year toward pay in-**

**creases for customer fulfillment and transportation employees**, bringing the average hourly pay to \$20.50, a more than 50% increase over five years and up 7.9% from the average pay of \$19 a hour a year ago.

**Amazon opened their sixth suburban Amazon Go store**; three of them are in Seattle suburbs where they can easily be monitored by home office personnel; the other three are in California. The suburban stores are larger than the urban ones and also offer fresh foods. The stores use Just Walk Out technology that allows people to just take what they want and go; their credit card on file will be automatically billed and they'll be emailed or texted a digital receipt.

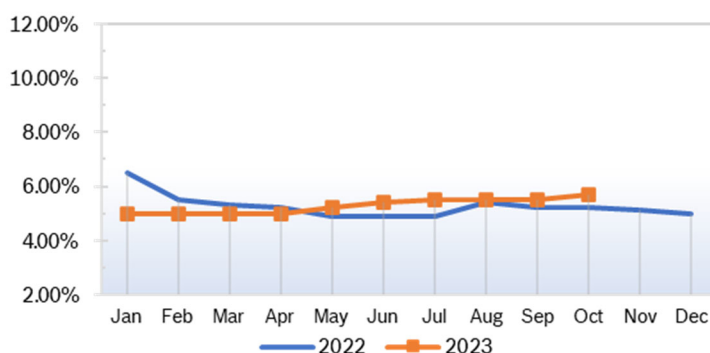
**Amazon will reportedly provide Microsoft 365 subscriptions to millions of their frontline and corporate workers.**

The licenses are worth more than \$1 billion dollars. Amazon will move from installed software to Redmond's cloud-based subscription, viewed as a more cost-effective way to keep Amazon employees supplied with the most up to date software, even if it comes from one of Amazon's big tech competitors.

## CANADA SNAPSHOT

### Unemployment Rises to 5.7%

Canada Unemployment Rates



- ▶ The unemployment rate rose 0.2% to 5.7% in October, the fourth increase in the past six months.
- ▶ Unemployment reached a record low of 4.9% in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment in construction increased 1.5% by 23,000 jobs after falling by 18,000 jobs in September.
- ▶ On a year-over-year basis, average hourly wages rose 4.8% in October to \$34.08 after rising to \$34.01 per hour in September. Wage growth needs to cool down in order to tamp down inflation.
- ▶ Employment increased in four provinces, led by Alberta and fell in Quebec.

### Consumer Prices Rise 3.8%

**Consumer prices were up 3.8% year over year in September** after being up 4.0% year over year in August. The unexpected decrease was driven by declining prices across the board, although housing costs continued to rise. Analysts say the mostly downward trend may give the BoC permission to take their foot off the gas instead of raising rates again.

## Housing and Construction News

**Canadian housing starts rose 8% in September** after falling 1% in August. The unexpected jump was due to an increase in groundbreaking on multi-unit and single-family-detached projects. The seasonally adjusted annualized rate of housing starts rose to 270,466 units from a revised 250,383 units in August, according to the Canadian Mortgage and Housing Corporation (CMHC). Economists had expected starts to fall to 240,000.

**Canadian home sales fell 1.9% in September** after dropping 4.1% in August but were up 1.9% from September 2022, according to the Canadian Real Estate Association (CREA). It was the third consecutive monthly decline for existing home sales. The national average home price was up 2.5% from September 2022 to \$655,507.

**Inventory remains a challenge in Canada** as demand continues to exceed supply, though new listings have now risen about 35% from the 20-year low reached in March. The sales-to-new listings ratio eased to 51.4% in September from 55.7% in August, the first time it has dipped below the long-term average of 55.2% since January.

**Mortgage borrowers have been under increasing stress** with the 475-basis-point spike in interest rates over the past 18 months.

## Interest Rates Steady at 5%

**The Bank of Canada's (BoC) held interest rates steady at 5%** after their meeting in late October. The central bank stated that the economy was in a period of low growth, not a recession, although they also stated that inflationary risks have increased and they were prepared to raise rates again in the future "if necessary."

**The central bank also noted that they were not seeing the decline in home prices they'd expected**, as generally when interest rates go up, home prices go down. They think a supply shortage and steady demand are combining to keep home prices elevated. The typical home price across the country fell as much as 17% after the Bank of Canada started raising interest rates last year. Home values started to rebound in February this year after the central bank said it would take a break from hiking rates. That break lasted four months, and home prices have started to fall again. The country's typical home price was



\$741,400 in September, according to the Canadian Real Estate Association's home price index.

## Retail Sales Fall 0.1%

**Retail sales fell 0.1% in August** to \$66.1 billion after rising to a downwardly revised number in July. Sales were down in six of nine subsectors and were led by a significant decreases at motor vehicle and parts dealers. Core retail sales, which exclude gasoline stations and fuel vendors and motor vehicle and parts dealers, were down 0.3% in August. In volume terms, retail sales declined 0.7% in August.

**Retail sales fell in six provinces**, with the biggest decline in British Columbia. Approximately 12% of Canadian retailers reported that their business had been affected by the strike at the ports in British Columbia. Retail sales dropped 22.1% in the Northwest Territories in August, coinciding with wildfire evacuations.

**Advance indicators point to retail sales being unchanged in September** as analysts point to the economy being "sluggish."

## Retail Ecommerce Sales Fall 2.0%

**Retail ecommerce sales were down 2.0% to \$3.9 billion in August**, accounting for 5.8% of total retail trade, compared with 6.0% in July.

## MARKET TRENDS

### Amazon Prime Big Deals Days Recap

**Amazon Prime Big Deals Days in October were a big hit.**

They didn't match Amazon Prime Day in July this year, but they did outperform all of their previous sales promotions. Average order size was \$53.47, 20% larger than Big Deals Days in 2022, but below Prime Day average order size of \$54.05, according to initial analysis by Numerator.

**Average household spend was \$124.09, up 12% from 2022** but 20% less than average household spend during Prime Day 2023.

**Staple items like batteries and groceries moved the most volume**, but Apple products, including AirPods Pro, iPads and Apple watches, generated the most revenue.

### Other Numerator Findings:

**The typical Prime Big Deal Days shopper** is a high-income suburban female age 35 to 44. Almost all (95%) of Prime Big Deal Days shoppers knew it was Prime Big Deal Days before visiting Amazon and making their purchase.

**Eighty-five percent of surveyed Prime Big Deal Days shoppers said the sale was their primary reason for shopping**, and 72% said they also shopped on Prime Day in July.

**More than half (55%) compared prices at other retailers** before making their Amazon purchases and also placed two or more separate orders.

**Roughly three in 10 Prime Big Deal Days shoppers expect to or already had shopped at other pre-holiday sales**, including Target Circle Week and Walmart's Holiday Kickoff.

**About six in 10 expect to shop on Black Friday (59%) or Cyber Monday (57%), as well.**

### Piggy-Backing on Amazon Prime Big Deals Days

**Several retailers offered lots of deals of their own during Big Deals Days.** Home Depot offered 40% off on many major appliances and Walmart billed their promotion, which started a day earlier and ran a day later, as their Holiday Kickoff event. Walmart has not released sales results yet.

**Ace ran their special Rewards Members Only Days** for the fifth consecutive year, offering exclusive online deals and special bonus offers for Ace Rewards Members available only online. Members could access exclusive deals and events, earn points on purchases, and qualify for free delivery from their local participating Ace store with online purchases of \$50 or more.

### Inside Consumer Spending

**Consumers spending has made a seismic shift** over the last year from goods-oriented to services oriented. The top four categories on a trailing 12-month basis are (in descending order)

bars & restaurants (+9.2%), ecommerce (+8.4%), drugstores (+8.3%) and motor vehicles and parts (+6.2%). All four of these categories notched impressive monthly gains of at least 0.8% in September. The stay-at-home categories that flourished during the pandemic are the weak spots. Some top losers over the past year are: furniture and home furnishings (-5.9%), building material and garden stores (-4.0%) and sporting goods (-2.1%). All three of these categories were flat or down for the month of September. However, the most recent GDP report which provided a first look at Q3 GDP showed that consumer spending was surprisingly robust and more evenly split between goods and services.

## Cracking Down on Fake Reviews

**Two people in China were recently found guilty and sentenced to two years in prison** for brokering fake Amazon reviews. The verdicts were the result of an investigation by local law enforcement and a criminal referral supported by Amazon, who said they've blocked more than 200 million suspected fake reviews from their website and, as of August, has taken action against 147 fraudsters across China, Europe, and the US.

**Fake reviews are far more than just an annoyance.** The World Economic Forum, which found that 4% of all online reviews are fake, said bogus online reviews influence \$791 billion of ecommerce spending annually in the US. Statistics indicate that roughly 95% of consumers read reviews before they buy anything and 94% of consumers have avoided a company due to a bad review. Now Amazon, along with review sites Glassdoor and Trustpilot and travel companies Expedia Group, Booking.com and Tripadvisor, announced that they're launching a coalition that aims to protect access to "trustworthy consumer reviews" worldwide. The companies said the coalition is a result of conversations that came out of a "Fake Reviews" conference organized by Tripadvisor last year in San Francisco. The coalition plans to meet in December in Brussels.

**Consumer Reports has some tips on how to spot fake online reviews**, including checking with a site like Fakespot, which uses an algorithm to evaluate the quality of customer reviews for products being sold at major retailers. Some giveaways include clusters of very positive reviews all posted on the same day, reviews that use identical phrasing and a reviewer who gives five stars and uses similar language for different reviews. Many people don't know you can click on to the reviewer

to see their history. Also look for a Verified Purchase tag on a review, which signals that Amazon confirmed that the reviewer paid for the product and bought it through the website.

## Amazon Leading the Robotic Revolution

**Ecommerce will grow 10% this holiday to \$270 billion dollars**, according to Deloitte, and Amazon will deliver 13.5 million packages every day.

**Amazon is testing two new technologies to increase automation in their warehouses**, including a trial of a humanoid robot. The humanoid robot, called Digit, is bipedal and can squat, bend and grasp items using clasps that imitate hands. Digit will initially be used to help employees consolidate totes that have been emptied of items and can reportedly work in areas of the warehouse that are not accessible by humans.

**Amazon says Sequoia is capable of stocking 75% faster and delivering orders 25% faster than humans but are not replacing people.** Robots are used to do the tough manual work while people do the scanning and other jobs that are better-suited to humans.

**Towers of Sequoia robots are moved through warehouses by Hercules**, which looks like a big Rumba robotic vacuum. The robots being deployed drive themselves onto shipping pallets and send themselves to fulfillment centers all over the world to go to work.

**Amazon has deployed robots in their warehouses for more than a decade**, mainly to move inventory to waiting employees. That system, which starts with humans stuffing inventory items into mesh shelving, is undergoing a transformation to container-based storage, which more easily allows robotic arms and other automated technology to sort and pick items.

**Once a customer puts something in their online cart, the system instantly figures out the best warehouse**, delivery center and way to get the product to the customer, which was demonstrated in real time on the Today Show one morning.

**Amazon insists the two intelligent robotic systems are creating jobs**, not costing them, allowing machines to take over mundane/dangerous jobs and creating hundreds of thousands of new jobs in 700 new, more skilled categories.