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CST/berger | freud | Sia

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US ECONOMY

Exchange Rates September 29, 2023

Euro	1 Euro = \$1.059	\$1.00 = 0.945 Euros
Canadian Dollar	1 CAD = \$0.739	\$1.00 = 1.354 CAD
Japanese Yen	1 Yen = \$0.007	\$1.00 = 149.435 Yen
Chinese Yuan	1 Yuan = \$0.137	\$1.00 = 7.295 Yuan
Mexican Peso	1 Peso = \$0.057	\$1.00 = 17.417 Pesos

Market Watch September 29, 2023

DOW	33,508	-3.5%
NASDAQ	13,219	-5.8%
S&P 500	4,288	-4.9%

September lived up to its reputation as the worst month of the year for the markets, with all three major indexes finishing in the red for both the month and the quarter. For the third quarter, the DOW dropped 2.6%, the NASDAQ fell 4.1% and the S&P, the index most closely tracked by professionals, fell 3.7%.

Consumer Spending Rises 0.4%

Consumer spending rose 0.4% in August after jumping an upwardly revised 0.9% in July, but much of the increase was driven by rising gas prices. Spending was up just 3.9% year over year, the first time the year-over-year increase has been below 4.0% in more than two years. Core consumer spending was up just 0.1% in August after rising 0.6% in July. Spending was supported by incomes, which rose 0.4% due to a 0.5% increase in wages. Households also dipped into savings, with the saving rate slipping to 3.9%, the lowest since last December, from 4.1% in July. Rising gasoline prices, declining savings and the resumption of student loans repayments could crimp spending.

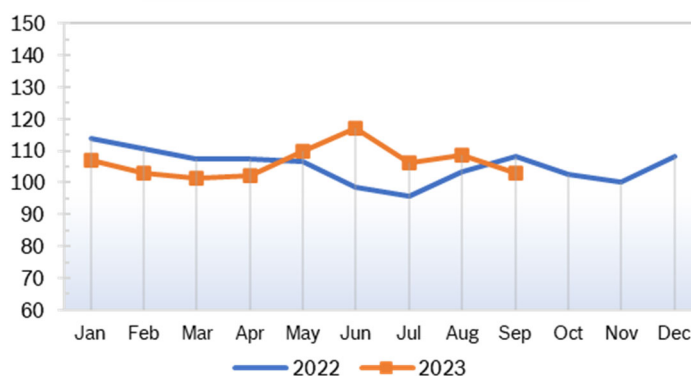
Consumer Prices Rise 0.6%

The Consumer Price Index (CPI) jumped 0.6% in August after rising 0.2% for the previous two months and was up 3.7% year over year after increasing 3.2% year over year in July. Rising gas prices accounted for much of the increase. Core infla-

tion, which excludes the volatile food and energy categories, rose 0.3% in August after being up 0.2% for the previous two months. Core inflation fell to 4.3% year over year after falling to 4.7% year over year in July. The personal consumption expenditures (PCE) price index increased 0.4% in August, largely due to rising gas prices. Excluding food and energy prices, the core PCE price index rose just 0.1% in August, down from 0.2% in July, and the lowest rate since November 2020. 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 103.0

Consumer Confidence Index

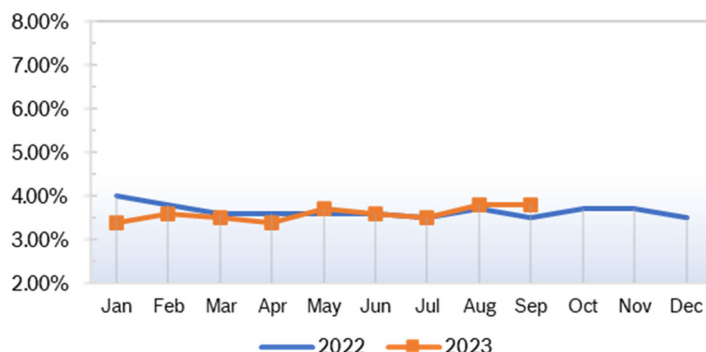


- ▶ The New York-based Conference Board's Consumer Confidence Index fell to 103.0 in September after falling to an upwardly revised 108.7 in August.*
- ▶ The Present Situation Index rose to 147.1 in September after falling to an upwardly revised 146.7 in August.
- ▶ The Expectations Index fell to 73.7 in September after falling to 80.2 in August. 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 Steady at 3.8%

U.S. Unemployment Rates



- ▶ The unemployment rate remained at 3.8% in September. Unemployment was 3.5% at the beginning of the pandemic in March 2020.
- ▶ The economy added 336,000 new jobs, more than twice expectations, after adding 187,000 new jobs in August. It was the 33rd consecutive month of job growth.
- ▶ Economists had expected the job market to continue to cool down. The job market gradually cooling down bodes well for the economy and would take pressure off employers.
- ▶ 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 44.1

The Chicago PMI dropped to 44.1 in September after rising to 48.7 in August, which had been the highest reading in a year. It was the 13th 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 0.7%

The Producer Price Index (PPI) rose 0.7% in August after rising a downwardly revised 0.4% in July and was up 1.6% year over year after being up 0.8% in July. Stripping out volatile food and energy prices, core PPI rose 0.2% in August after increasing 0.1% for three consecutive months. Core prices were up 3.0% year over year after being up 2.9% in July. It was the

biggest increase in 14 months, but more than half of the increase was due to gas prices rising after OPEC production cuts. The PPI peaked at a whopping 11.7% year-over-year increase in March 2022.

Q2 GDP Grew 2.1%

Q2 GDP grew 2.1%, unrevised from the second reading but revised down from 2.4% growth first reported, according to the third reading from the Commerce Department. Growth remained slightly above the 2.0% pace in Q1. Economists had expected GDP to be unchanged from the second reading. Personal consumption expenditures (PCE) increased 0.8% in the second quarter from Q1, the fifth consecutive increase. In addition, prices measured in PCE terms rose 2.5% in the second quarter and rose at an annual rate of 3.9%, according to the Bureau of Economic Analysis' final estimate.

Fed Holds Rates Steady, Adjusts Forecast for 2024

As widely expected, the Fed held interest rates steady at 5.25% to 5.50% at their policy meeting in mid-September. 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 elevated, and that another rate hike is not off the table, and 12 of 19 committee members thought another 25 bps increase would be appropriate before the end of the year. The FOMC also seems to think that a "soft landing" for the economy is increasingly likely. The median forecast for real GDP growth in 2024 was revised up to 1.5% from 1.1% in the June, while the forecast for the unemployment rate fell to 4.1% from 4.5%. The median forecast for core PCE inflation at the end of this year edged down to 3.7% from 3.9% in the June SEP. Notably, all FOMC members forecast that PCE inflation, whether measured by the overall rate or by the core rate, will remain above 2% at the end of next year.

Last-Minute Deal Averts Shutdown

With just three hours to go, President Biden signed a Congressional Resolution (CR) that will keep the government open for 45 days, or until mid-November. The CR required bipartisan support to pass. Congress vowed to go back to work and get a budget passed before the next deadline. A shutdown in mid-November would put millions of federal workers and con-

tractors out of work, interrupt government services and put a real damper on the holidays.

HOUSING & CONSTRUCTION

Builder Confidence Falls to 45

Builder Confidence fell five points in September to 45 after falling five points to 50 in August, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). It was the second consecutive monthly decline in confidence. All three major HMI indices posted declines in September. The index gauging current sales conditions fell six points to 51, sales expectations in the next six months dropped six points to 49 and the gauge measuring traffic of prospective buyers fell five points to 30. NAHB attributed much of the decline to mortgage rates rising over 7%. A special question in the September HMI survey revealed that 42% of new single-family home buyers were first-time buyers in 2023, a big jump from the 27% in a more normalized market in 2018. Any number over 50 indicates that more builders view the component as good than view it as poor.

Building Permits Rise 6.9%

Overall building permits rose 6.9% in August to 1.54 million annual units after inching up to 1.44 million units in July. Single-family permits rose 2.0% to 949,000 annual units after rising to 922,000 units in July and were up 7.2% from August 2022. Multifamily permits rose 15.8% to an annualized pace of 594,000 units after falling to 512,000 units in July. Permits fell year to date in all regions.

Housing Starts Fall 11.3%

Housing starts fell 11.3% in August to a seasonally adjusted annual rate of 1.28 million units after rising to 1.45 million units in July. Single-family starts fell 4.3% to a seasonally adjusted annual rate of 941,000 units but were up 2.4% from August 2022. Just 676,000 new homes were actually under construction in August, down 16.3% from August 2022. Multifamily starts fell 26.3% to an annualized pace of 342,000. NAHB said mortgage rates rising over 7% were behind the steep decline. Starts fell year over year in all regions.

New Home Sales Fall 8.7%

New home sales fell 8.7% in August to a seasonally adjusted annual rate of 675,000 homes after rising to an upwardly revised number in July. Sales were up 5.8% from August 2022, a big decline from the 31.5% year-over-year increase in July. New home sales continue to benefit from a lack of inventory of existing homes as homeowners stay put rather than buy a more expensive home that will come with a higher mortgage rate. New single-family home inventory rose 4.8% to 436,000 new homes, a 7.8 months' supply at the current sales pace; a 6 months' supply is considered balanced. The median price of a new home in August fell to \$430,300, down 2% from August 2022. Builders are once again turning to incentives, with 32% of builders offering incentives in August, up from 25% in July and the highest level since 2022. Regional sales year to date 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 August to a seasonally adjusted annual rate of 4.04 million homes after falling to 4.07 million homes in July, according to the National Association of Realtors. Sales were down 25.3% from August 2022. The median existing-home sales price rose 3.9% from August 2022 to \$407,100, the fifth time the median existing home price has exceeded \$400,000. Inventory fell 0.9% from July to 1.1 million homes, a 3.3 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*	54 (-2)	54 (-4)	42 (-3)	47 (-3)
Building Permits*	-22.9%	-13.3%	-17.2%	-18.2%
Housing Starts**	-22.8%	-8.8%	-13.6%	-16.5%
New Home Sales*	4.8%	1.9%	4.4%	-0.5%
Existing Home Sales**	-22.6%	-12.4%	-16.4%	-15.7%

* change YTD **change YOY

Mortgage Rates Rise to 7.3%



- ▶ 30-year fixed-rate mortgages rose to 7.3% at the end of September after rising to 7.2% at the end of August. Mortgage rates were 6.7% at the end of September 2022.
- ▶ Chronic inventory shortages and a smaller pool of willing buyers and sellers are helping to keep home prices relatively stable.
- ▶ Rates ended the month at the highest level since 2000.
- ▶ Recent market volatility makes it difficult for Fannie Mae to forecast where rates are headed.

POWER TOOL INDUSTRY

Robert Bosch Tool Corporation

Members from the Bosch Power Tools team from across the country gathered to support Habitat for Humanity in Tampa, Florida at a Habitat for Humanity Home Build. The team is helping Habitat reach their goal of building 25 new homes in the Tampa area by 2024. The Bosch team also provided Habitat with 18v cordless tools to help the team power their way to meeting their goal. In April, Bosch Power Tools began their community engagement efforts in the Tampa area, announcing partnerships with the local Tampa Bay Rays and Rowdies teams.

RETAIL

Retail Sales Rise 0.6%

Retail sales rose 0.6% in August after rising a downwardly revised 0.5% in July, according to the Commerce Department. It was the fifth consecutive monthly increase and above expectations of a 0.2% rise. The overall increase was primarily due to rising gas prices. Excluding automobiles, gasoline, building materials and food services, retail sales inched up 0.1% after rising a downwardly revised 0.7% in July. 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

Goldman Sachs Global Retailing Conference:

CEO Ted Decker tipped his hat to the Fed for avoiding what most saw at the beginning of the year as a certain recession and said the general consensus now is less than a 15% chance, and a soft landing if there is a recession.

He called this year “one of moderation” and said while they don't love it, the modest correction after three years of pandemic driven outsized growth is understandable.

Their medium and long-term outlook for the housing industry and their sector could not be more positive. Homes have increased in value more than 40%, which translates to \$13 trillion of wealth, a disproportionate increase in value from 2019.

There is a chronic shortage of housing, with estimates ranging from two million to four million units. That's why home values are holding up even with higher interest rates and fewer transactions.

They've never been more bullish on the aisle by aisle innovation going on in their stores. They see both Pro and DIY customers reacting very favorably to innovation.

They are having to build capabilities to handle the unique

needs of large Pros, who expect to be billed when purchases ship, not when they buy them, and expect to be credited promptly. The large Pro is a very large and lucrative market so worth investing in.

They realize that outsized growth and the migration of people out of cities to smaller markets has put a lot of pressure on stores. Not every customer loves to come to a Home Depot on a Saturday afternoon and park 200 yards away. So this year they are planning on opening up 13 new stores, nine during the second half of the year. That will help take pressure off some of the busiest stores doing \$2 million+ annually.

They don't anticipate a deflationary environment despite deflation in some key categories such as lumber.

Their inventory is down \$3 billion year over year. Their in-stock situation is much improved but not yet back to their normal 98% in stock.

Consumer demand is still strong, even though they've seen some pull back in seasonal categories and a definite switch to more consumer spending on services.

Other News:

The EPA awarded THD their Green Power Leadership Award for their commitment to using renewable energy and advancing the country's green power market. Green power is electricity generated from environmentally preferable renewable resources, including wind, solar, geothermal and biogas. The Home Depot is currently using nearly 409 million kilowatt-hours (kWh) of green power annually, which is enough to meet 15% of the organization's overall electricity use.

Lowe's

Goldman Sachs Global Retailing Conference:

CEO Marvin Ellison noted that they are on track to improve sales by roughly \$25 billion over the years he's been the CEO of Lowe's.

A big percentage of their customers who own homes and have mortgages have very low interest rates and are reluctant to give them up just to buy a new home, so are often focus-

ing on fixing up the one they already own instead. They are also seeing Boomers investing in their homes so they age in place rather than move to a retirement community or downsize.

The work-from-home phenomena that developed during the pandemic has given way to a hybrid model; Ellison does not think we will ever see the return of a standard five-days in the office workweek being the norm again. That means more people need or want permanent office space at home.

Ellison is very proud of the senior leadership team he's been able to assemble since he took over. He noted that merchandising, store operations, supply chain and information technology were all areas where they did not have leaders with the depth of experience needed to help Lowe's grow; now they do.

Lowe's used to be very store centric, everything from shipping to systems and technology were built around serving customers from their store first. When their customers decided that they wanted curbside and lockers and the ability to order online and pick up in store, Lowe's had to learn how to do it. And now they've created a flexible agile model that allows them to easily pivot to the changing needs of the consumer.

Previously anything that was delivered to a consumer had to be delivered from a store. Methods for a store getting credit for a sale were very outdated. Ellison gave an example of someone ordering an appliance in one town for their home in another; the only way the store where the item was purchased could get credit was to ship it to the store closest to the customer, which was very inefficient for customers, but happened all the time.

They are in the process of building out a market delivery model, starting with appliances, so when the customer makes a purchase either online or in the store the delivery happens to the closest market delivery point to the consumer's home, which is the modern way to do it. That was really difficult to implement for a company Lowe's size dealing with a technology system hardwired to be store-centric, so they had to redesign their technology platform.

They plan to have market delivery rolled out to every geographic area of the company, not only to support appliances, but to support anything big and bulky, by the end of next year.

They are also building a network that will enable them to

deliver products directly to the job site for the Pro. They have been testing many options from Pro Fulfillment Centers in Charlotte including same day, next day delivery options for their Pro customers.

Today roughly 75% of their sales revenue is derived from the DIY customer, 25% from Pros; while that might not seem like a lot, in 2018 it was just 19%.

Now they are working on reasons for the Pro customer to bypass a competitor in order to shop at Lowe's, something Ellison refers to as creating “stickiness,” which means Pros will keep coming back.

To that end, they rolled out and enhanced CRM platform and a new loyalty program, MVP Pro Rewards, which allows Pros to spend more, accumulate points and it gives them a reason to come back regularly.

Customers engaged in their loyalty and credit programs spend three times more per year than customers who are not. It's exceeding their expectations and driving additional trips and new customers.

Ellison ran the Pro business for over six years at THD and learned that you have to get the core Pro experience right first before you try to extend your business to the larger Pro because servicing larger customers is more demanding.

Instead of overreaching or getting in over their “SKUs”, they're going to focus intensely on the small and medium Pro, because they can serve them through their stores and their current supply chain infrastructure.

Ellison believes they are one of the only large retailers in America that can actually say that inventory units are down versus last year mid-single digits. That took an incredible amount of work and an equal amount of collaboration between the merchandising team, supply chain and finance.

They have developed robust processes, systems and dedicated teams to manage cost, price and supplier relationships.

When he took over they had very limited visibility into what was happening in the marketplace. When they got a cost increase they couldn't determine what it was driven by, which

made it really challenging to determine if the increase was justified or not. Now they've created a robust processing system that allows them to literally break down component costs for most of their categories and understand specifically if a cost increase is justified or not.

Customers have changed how they define value. It's no longer about price alone, it's more about new capabilities and innovations. One of their best-selling outdoor power equipment SKUs was an EGO battery-operated mower that retails for more than \$700 that they could barely keep in-stock.

Home improvement has historically been a very rational promotional environment, and they think that will persist into next year. If the market suddenly becomes more promotional, it won't be driven by Lowe's.

Other News:

Lowe's is forming a strategic partnership with Toro and will carry Toro zero-turn riding mowers, walk mowers, portable power equipment and snow blowers in both the gas and rapidly expanding battery categories.

Walmart

Walmart held their first Walmart Marketplace Seller Summit for two days in Las Vegas. The event drew more than 1,500 people from businesses that sell apparel, party supplies, jewelry and more on Walmart's marketplace.

Walmart is extending Walmart fulfillment services (WFS) to sellers who list big and bulky items such as canoes and trampolines and items that come in multiple boxes such as patio sets. Walmart is also enabling third-party sellers with a physical storefront to use Walmart's technology to power curbside pickup or gain access to the company's network of delivery drivers to drop online purchases at customers' doorsteps.

Walmart's expansion of WFS continually draws comparisons to Amazon's Fulfillment by Amazon (FBA) service, which enables sellers to store their products in Amazon warehouses, where company employees pick, pack and ship the goods. Products under FBA are also Prime-eligible, which gives consumers access to free two-day shipping and ultimately benefits the merchant.

WFS already had no inventory minimums or maximums, but by eliminating weight limits for bulky products, Walmart gives itself a more even playing field with FBA, which had no weight or product dimension limits.

Walmart also offers WFS without requiring recurring monthly fees for sellers, instead exclusively charging for the product sold via fulfillment and storage fees.

Walmart's marketplace has become a lucrative endeavor that's expected to account for \$8.57 billion in sales this year, up 12.6% over last year, according to a June forecast from eMarketer. Last year, the marketplace made up an estimated 10.7% of Walmart's overall retail ecommerce sales.

Walmart is expanding AI efforts with a new AI "assistant." It's one of many generative AI tools they are employing. It includes a "My Assistant" feature, that will summarize documents and speed up creating and drafting projects. WM says the goal is to free employees from monotonous, repetitive tasks. WM employees also have an "Ask Sam" digital assistant that will help them locate products on shelves. WM is reportedly hiring a senior manager for their conversational AI products.

Ace Hardware

Ace partnered with Omaha Steaks on a Labor Day promotion that lasted throughout September. Customers who bought a new grill in September received an online code that can be redeemed for a BBQ package from Omaha Steaks valued at more than \$60; customers just have to pay shipping.

Amazon

The Federal Trade Commission (FTC) and 17 states are suing Amazon, alleging Amazon uses their market power to inflate prices and overcharge merchants, essentially creating a monopoly. The antitrust lawsuit comes after a multi-year investigation. The suit alleges that Amazon uses a series of unfair strategies to maintain monopoly power, including strategies that punish retailers for offering lower prices than on Amazon. Amazon also requires sellers to use Amazon Fulfillment Services in order to benefit from all-important Prime service. News sources reported that this was the most serious threat Amazon has faced to their market dominance.

Amazon Prime Days will be October 10 and 11 and will kick off the holiday shopping season with deals for Prime members. Amazon promised holiday deals on Amazon devices and many high-demand consumer electronics, gadgets, small appliances, fashion and much more.

Amazon will hire 250,000 workers in the US for the holiday shopping season, 67% more than in 2022, and will increase average pay for logistics staff to around \$20.50 per hour, as they try to recruit and retain staff amid a labor shortage. Hires will include full-time, part-time and seasonal workers, with wages ranging from \$17 to \$28 per hour, depending on location. Some new hires will be eligible for bonuses ranging from \$1,000 to \$3,000.

Amazon is increasing the minimum purchase for free shipping from \$25 to \$35 for non-Prime customers in some markets. The Amazon Prime subscription is now \$139 annually but includes free shipping regardless of order size.

Amazon will invest \$440 million over the next year to increase pay rates for drivers. They did not disclose how much the bump will be, but said they expect US drivers to earn an average of \$20.50 per hour.

Amazon will also invest an additional \$400 million in other benefits for drivers. They will help provide childcare support and expand educational opportunities for employees who want to take courses at accredited institutions. Among other things, a spokesperson for the company said that they will also invest in safety and training.

Amazon introduced a new set of generative AI tools for Amazon sellers they say will make it easier for sellers to create more thorough and better product descriptions that include all the necessary details customers are looking for before they buy. The new capabilities use large language models, a type of machine learning model specifically trained on large amounts of data that can recognize and summarize key points.

Amazon opened their new tech hub in New York City, transforming the iconic Lord & Taylor building on 5th Avenue into a state-of-the-art tech center that will house more than 2,000 employees. The first floor will provide more than 35,000 square feet of dedicated retail space as well as space for restaurants and other businesses.

CANADA SNAPSHOT

Unemployment Remains at 5.5%



- ▶ The unemployment rate remained at 5.5% in September for the third consecutive month.
- ▶ Unemployment reached a record low of 4.9% in June and July 2022. In January 2021 unemployment peaked at 9.4%.
- ▶ Employment in construction fell 1.1% in September (18,000 jobs) after rising by 34,000 jobs in August.
- ▶ On a year-over-year basis, average hourly wages rose 5.0% in September to \$34.01 per hour after rising 4.9% in July. Wage growth needs to cool down in order to tamp down inflation.
- ▶ Employment increased in six provinces and fell in Alberta and New Brunswick.

Consumer Prices Rise 4.0%

Consumer prices were up 4.0% year over year in August after being up 3.3% year over year in July. The increase was larger than expected and driven by gasoline prices, which surged in recent months after oil-production cuts by Saudi Arabia and Russia. Shelter costs jumped for both renters and homeowners facing higher mortgage payments. Core inflation metrics rose as well, which could give the BoC reason to raise rates again.

Housing and Construction News

Canadian housing starts fell 1% in August to 252,787 units from a revised 255,232 units in July, according to Canadian Mortgage and Housing Corporation (CMHC). Economists had expected starts to fall even more. The decrease came as the rate of urban housing starts fell 1% to 233,075 units in August. The pace of multi-unit urban starts fell 1% to 191,250, while the rate of single-detached urban starts rose 2% to 41,825. The six-month moving average of the overall monthly seasonally adjusted annual rate of housing starts was 244,507 units in August, up 0.8% from 242,552 in July.

Canadian home sales fell 4.1% in August after falling 0.7% in July but were up 5.3% from August 2022, according to the Canadian Real Estate Association (CREA). The national average home price rose 6.3% to \$668,754. Analysts described the market as stabilizing.

GDP Contracts in Q2, Unchanged in July

GDP contracted 0.2% in Q2 due to softening household spending, a reduction in housing investment and slower exports. GDP rose 0.6% in the first quarter. Increased business investment in engineering structures and higher government spending were among the few components that contributed to growth.

GDP was mostly unchanged in July, with services-producing industries gained 0.1%, while goods-producing industries contracted 0.3%. Manufacturing fell 1.5%. Early estimates for August show GDP rising 0.1%.

Interest Rates Steady at 5%

The Bank of Canada's (BoC) decision in early September to hold interest rates steady at 5% was greeted with relief by Canadians. The bank stated it was too early to think about a rate cut and held the door open to future interest rate hikes if inflation rose or other conditions dictated.

Canadian Premier Justin Trudeau expects interest rates to begin to come down by mid-2024, in line with recent Reuters polls. A majority of economists, 24 of 34, polled during the last week of August expect the BoC to keep its policy rate at the current level of 5% or higher until at least the end of March 2024. The median shows economists expect 50 basis points

worth of cuts by the end of June next year, in line with expectations for the US Federal Reserve.

Retail Sales

Retail sales rose 0.3% in July to \$66.1 billion after rising to \$65.9 billion in June. Sales increased in seven of nine subsectors. Core retail sales, which exclude gasoline stations, fuel vendors and motor vehicle and parts dealers, rose 1.3% in July after falling 0.9% in June. In volume terms, retail sales edged down 0.2% in July for the second consecutive month. Retail sales increased in five provinces, led by British Columbia and Quebec.

Retail Ecommerce Sales

Retail ecommerce sales were up 2.4% in July to \$4.0 billion, accounting for 6.0% of total retail trade, compared with 5.9% in June.

MARKET TRENDS

The Changing Geography of Single-Family Home Construction

The slowdown in single-family construction is most pronounced in large metro areas, according to the latest findings from the National Association of Home Builders (NAHB) Home Building Geography Index (HBGI) for the second quarter of 2023.

The HBGI is a quarterly measurement of building conditions across the country and uses county-level information about single- and multifamily permits to gauge housing construction growth in various urban and rural geographies.

Single-family home construction fell in all markets, but construction for both new single-family and multifamily homes has been concentrated in lower-density markets, which are showing disproportional gains in market share.

The lowest single-family year-over-year growth rates in the

second quarter of 2023 occurred in large metro core counties, which posted a 24.8% decline. All large and small metro areas also had double-digit negative growth rates, while rural markets (defined as micro counties and non-metro counties) recorded negative growth rates in the single digits. Large metro suburbs (24.6%) and small metro core counties (28.5%) recorded the highest market share in single-family home building, and together account for more than 50% market share.

New Homes Getting Smaller

Newly built homes are getting smaller, according to second quarter data from the Census's Quarterly Starts and Completions report. The median square footage of a newly started single-family home fell to 2,191 feet, over 100 sq ft smaller than a year ago and the lowest level since late 2010. These smaller homes may provide a more affordable alternative for prospective buyers who have been priced out of larger properties.

Are Drone Deliveries Here to Stay?

Investments in the delivery drone sector are poised to rise in the years ahead. The global delivery drones market size is anticipated to reach \$10.47 billion by 2030, according to Grand View Research. The market is projected to expand at a combined annual growth rate of 42.6% annually through 2030, from the currently estimated \$873.4 million.

In the US, drone delivery is another sector in which Walmart and Amazon are duking it out. Walmart is expanding their drone delivery program; Amazon is rethinking theirs. Walmart's recently announced on-demand drone delivery partnership with Wing will enable them to reach 60,000 more households when the service launches at two stores in the coming months. Walmart will test the program in Texas where they already have 11 drone hubs operating. Walmart says that by using drones that can fly beyond the line of sight they'll be able to greatly expand drone delivery. Walmart has completed more than 10,000 drone deliveries from 36 stores in seven states. Customers can pay \$3.99 to use the Wing service between 10:30 a.m.-6:30 p.m. six days a week for orders weighing no more than 10 pounds. Amazon doesn't have permission from the Federal Aviation Administration to fly over roadways like Walmart delivery partners, including Wing, Flytrex and DroneUp, are permitted to do.

Supply Chain by Amazon

Amazon announced a new service, Supply Chain by Amazon, at their annual seller conference. They'll provide an end-to-end, fully automated set of supply chain services that will provide sellers with a complete solution to quickly and reliably move products directly from their manufacturers to customers around the world. Supply Chain by Amazon is designed to allow sellers to benefit from Amazon's advanced logistics, fulfillment, and transportation capabilities to keep products in stock, ship faster and more reliably, and significantly lower costs.

Amazon says that will allow sellers to focus on creating better products and growing their business. Amazon will pick up inventory from manufacturing facilities around the world, ship it across borders, handle customs clearance and ground transportation, store inventory in bulk, manage replenishment across Amazon and other sales channels, and deliver directly to customers. Amazon is also offering cross-border discounts of up to 25% on all transportation bound for Amazon Warehousing and Distribution (AWD), which allows sellers to store their inventory in Amazon distribution centers.

Amazon also introduced a new Multi-Channel Distribution capability (MCD) that moves sellers' products in bulk from AWD to any sales channel (including online stores and physical store locations), allowing selling partners to replenish across all their sales and fulfillment channels, not just on Amazon, from a single inventory pool. MCD is currently in pilot with an initial set of sellers and is expected to be available to all sellers later this year.

Are Execs Personally Liable for Corporate Deception?

The Federal Trade Commission (FTC) has amended a lawsuit against Amazon, adding three senior executives as defendants. In June, the FTC filed a lawsuit against Amazon alleging that Amazon had tricked millions of customers into enrolling in Amazon Prime subscriptions without their consent while also deliberately making it difficult for subscribers to cancel Prime subscriptions. Named in the amended complaint are Neil Lindsay, who served as senior vice president overseeing Prime and now serves on the company's overall leadership team; Russell Grandinetti, who also serves as a senior vice president overseeing Prime; and Jamil Ghani, a company vice

president who oversees the Prime subscription program. According to the amended complaint, Lindsay, Grandinetti, and Ghani were fully aware of the issues surrounding consumers being subscribed to Prime without their consent and then facing significant hurdles when trying to cancel. The amended complaint also includes significant new details of Amazon's alleged misconduct that were redacted in the original complaint, including the contents of internal company emails and messages that show the extent to which the company and its management team were aware of the misconduct.