

North America Bathroom News

April 2009



International Market Strategy

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World: 2009 Bathroom Market Information NOW available.

1 April 2009: BRG has just published its updated bathroom reports on a range of 2008 markets, after three months of in-depth data gathering of market information (January to March 2009).

As a result, the following 'products summaries and forecasts' (covering 1997 to 2007 historical trends, base-year 2008 market shares, 2009 year-to-date developments and forecasts to 2013) are available immediately for the following markets:

- o **Bathtubs** (cast iron, steel, acrylic, gel-coat)
- o **Shower Systems** (shower modules, acrylic tub/showers, gel-coat tub/showers, shower trays / pans)
- o **Ceramic Sanitary Ware** (and plastic cistern alternatives)
- o **Faucets/Taps/Mixers**
- o **Shower Wall Products** (shower enclosures, cubicle kits)
- o **Hydrotherapy Products** (whirlpool baths, air massage baths, combined baths, hydrotherapy cubicles, shower panels)

in the following countries:

- o USA
- o Canada
- o 13 European countries.

These 2009 BRG Reports give information on the market size in \$ and units, a ten-year market history, five-year product forecast, product segmentation, manufacturers market shares and end use analysis.

For more information on these reports, please contact Victor Post (vpost@brgggroup.com). The full bathroom industry reports including background information with details on the country's economy, the construction market, the distribution sector, detailed market data, as well as the profiles of suppliers and distributors will be published later this year.

Source: BRG CONSULT NORTH AMERICA



USA: Unexpected Jump in Home Sales in February

23 March 2009 -- Sales of previously owned homes in the United States showed unexpected strength in February, offering a glimmer that the tumbling housing market may be searching for a bottom even as economists brace for another wave of foreclosures driven by rising job losses.

The National Association of Realtors reported on Monday that sales of existing homes rose 5.1% in February after a 5% decline in January. Home sales in the Northeast, South, West and Midwest all gained ground for February as buyers scooped up foreclosure properties.

"We are close to seeing a bottom in both new and existing home sales," Michael T. Darda, chief economist at MKM PARTNERS, wrote in a note to clients.

But all real estate is local, and whether the housing market has begun to finally scrape bottom remains a question of location, location, location.

Economists and real-estate experts said the worst-hit parts of the country looked like they were starting to emerge from the wreckage of the housing bust and a tide of foreclosures. Other markets like New York or Washington, where prices have not tumbled so starkly, will probably face more stagnant sales and sliding prices in the months ahead.

In the West, where home prices have dropped 30% from last February, homes sales rose 30% last month from a year earlier. In the Northeast, where housing prices have only dropped 4.8%, to \$251,200, over the last year, sales are down 15% for the year. "The areas that fall the fastest are going to recover," said Guy Cecala, publisher of Inside Mortgage Finance. "There's going to be a floor established. Seven hundred thousand dollar houses are \$250,000 — that's what's bringing people back into the markets."

The Obama administration and the Federal Reserve have introduced aggressive moves to try to lower borrowing costs, keep homeowners out of foreclosure, and stem two years' of losses in the housing market, which lies at the center of the financial crisis.

Last month, President Obama unveiled a \$275 billion plan to help as many as 9 million homeowners refinance or avoid foreclosure using a variety of incentives to lenders and homeowners. The administration also included an \$8,000 tax credit for first-time homebuyers in the stimulus package. And last week, the Federal Reserve, which has already cut overnight interest rates to nearly zero, announced it would buy some \$1 trillion in government debt and mortgage-backed securities in an effort to chip away at mortgage rates.

The nationwide average for a 30-year fixed mortgage is 5.08% compared with 5.62% a year ago, according to Bankrate, and many lenders are offering loans with interest rates near 4.75%.

The Realtors' group reported that the median home price in February was \$165,400, slightly higher than a revised \$164,800 in January, but down 15% from a year ago. Median home prices peaked at \$230,100 in July 2006.

Source: New York Times



USA: Housing Starts Surge 22% on Apartment Building

17 March 2009 -- Boosted by an 82% increase in construction of apartment buildings, U.S. housing starts surged 22% in February to a seasonally adjusted annual rate of 583,000, the Commerce Department estimated Tuesday.

It was the largest percentage gain in 19 years and was the first increase in eight months in the sector that was at ground zero in the global economic recession. The housing data in winter months are especially volatile because of the weather.

Building permits, which are less volatile than the starts data, rose 3% in February to a 547,000 annual rate. Permits for single-family units rose 11% to a 373,000 rate, the largest percentage gain in 18 years.

"We're inclined to write this off as a weather-related fluke for now," wrote economists for WRIGHTSON ICAP. "If the permits series can hold onto its gains in next month's March report, though, we'll take it as a sign that new construction has finally found a floor (albeit a very low one)."

"We hold to the view that the level of housing construction is becoming so low in absolute terms that starts will bottom out in the months ahead," wrote John Ryding and Conrad DeQuadros of RDQ ECONOMICS.

Construction of new housing units had plunged 38% in the previous three months before February's unexpected jump. Economists surveyed by MARKETWATCH had forecast a further drop to 456,000, despite an expected surge in multifamily construction.

But despite February's gain, housing starts are down 47% from a year ago, and are down 74% from the peak in early 2006. Permits are down 44% in the past year.

Builders are trying to reduce their inventories of unsold homes as they face relentless competition from older homes thrown on the market by foreclosures or short-sales.

"With new home sales still falling and the months' supply at a record there is no reason for homebuilding to rise," wrote Ian Shepherdson, chief U.S. economist for HIGH FREQUENCY ECONOMICS.

The mood of home builders' has rarely been worse. The National Association of Home Builders reported Monday that its sentiment index was stuck at 9 on a scale of 1 to 100 in March.

The government cautions that its monthly housing data are volatile and subject to large sampling and other statistical errors. In most months, the government can't be sure whether starts increased or decreased. In February for instance, the standard error for starts was plus or minus 13.8%. Large revisions are common.

It can take four months for a new trend in housing starts to emerge from the data. In the past four months, housing starts have averaged 568,000 annualized, down from 614,000 in the four months ending in January.

Details



February's housing start rate of 583,000 was the highest since November. January's starts were revised higher to a 477,000 pace, a record low dating back to the 1940s.

Completions of housing units rose 2.3% to a seasonally adjusted annual rate of 785,000.

Completions of single-family homes fell 8.2% to a record-low 505,000.

The number of units under construction fell 2.7% to a 762,000 annual rate. Single-family homes under construction dropped 3.4% to 370,000, the lowest in 38 years.

Starts rose 89% in the Northeast, rose 58% in the Midwest, rose 30% in the South and fell 25% in the West.

Source: MarketWatch



USA: Urban Areas See Revival In Housing Construction

10 March 2009 - A substantial amount of housing built this decade has shifted from open fields on the edges of suburbia to dense central cities and their nearby suburbs, a new government study suggests.

The change suggests that a much-publicized urban renaissance in the past 15 years is more than an isolated trend, some urban analysts say.

In more than half of the 50 most populous metropolitan areas, communities at the urban core have captured a significantly larger share of their region's new residential building permits since 2002 than in the first half of the 1990s, according to an analysis by the Environmental Protection Agency.

"It's a very striking trend," says John Thomas, an EPA policy analyst and author of the report. "It seems to be holding up the first year of the real estate market downturn."

Long-standing patterns remain: A large share of residential construction still takes place on farmland on remote fringes of metro areas. In most regions, new housing in urban core neighborhoods accounts for less than half. Nonetheless, there was a consistent increase in housing in urban centers from 2002 to 2007, and the trend could transform growth patterns in some places for decades to come.

"For years, there was just one model — homes in auto-dependent suburbs," says David Goldberg with Smart Growth America, a national coalition that advocates denser development to allow easy access to jobs and services on foot or mass transit.

Changes in demographics, high gas prices and longer commutes on congested roads are generating more interest in smaller homes in urban settings.

"The development industry finally began to create the kind of in-town products that people were looking for," Goldberg says. "It also reflects the investment that a lot of metro areas have made in rail transit systems."

The battered economy presents challenges — downtown housing is struggling with vacancies just as exurban subdivisions are, says Joel Kotkin, a presidential fellow at Chapman University in Orange, Calif., who writes about urban history and trends.

"You have to have an economy to sustain high-density housing," he says, and most jobs are created in the suburbs. "Very few mayors focus on job creation."

The EPA study analyzed the share of residential building permits that were issued in a region's core city, its close-in suburbs and suburbs farther out from 1990 to 1995 and from 2002 to 2007.

Comparing those two periods was bound to show a growth in construction in the center because not much was happening in cities in the early '90s, Kotkin says. "It was the absolute nadir," he says.

The study highlighted 2007 results to capture the effect of the start of the housing collapse.

"There's a clear trend going on, but it's not universal," Thomas says:



- In 15 regions, the central city greatly increased its share of residential building permits. Those regions include large cities with strong ties to the global economy (New York, Miami, Chicago, Los Angeles) and medium cities that are leaders in controlling growth (Portland, Ore., Denver).
- In 26 cities, including Sacramento and Milwaukee, the share has doubled or tripled since 2000.
- Old suburbs on the edge of cities captured a significant chunk of new housing in eight metropolitan areas, including Boston, Minneapolis and Washington.
- The shift also occurred in Atlanta, where the metropolitan area has been sprawling for decades. The share of permits issued in the city went from 4% in the early '90s to 13% this decade. In 2007, it jumped to 21%, reflecting a slowdown in more remote areas.

Atlanta renewed its focus on attracting residents after it hosted the 1996 Summer Olympics. Public housing was redeveloped, and a beautification push created parks and trails.

Condo development took off as more young professionals came to Atlanta.

"Demographics have really changed," says Dan Reuter, land use chief at the Atlanta Regional Commission. "People are waiting longer to get married, longer to have children, and once children are grown up, we're living longer."

Source: USA Today



USA: Seize Advantage In A Downturn

28 February 2009 -- A downturn opens up rare opportunities to outmaneuver rivals. But first you need to put your own house in order.

Inaction is the riskiest response to the uncertainties of an economic crisis. But rash or scattershot action can be nearly as damaging. Rising anxiety (how much worse are things likely to get? how long is this going to last?) and the growing pressure to do something often produces a variety of uncoordinated moves that target the wrong problem or overshoot the right one. A disorganized response can also generate a sense of panic in an organization. And that will distract people from seeing something crucially important: the hidden but significant opportunities nestled among the bad economic news.

We offer here a rapid but measured approach—simultaneously defensive and offensive—to tackling the challenges posed by a downturn. Many companies are already engaged in some kind of exercise like this. Certainly every organization with an institutional pulse has held discussions focusing on what it should do about the current economic crisis. We hope this article will help you move from what may have been ad hoc conversations and initiatives to a carefully thought-out plan.

The merits of a comprehensive and aggressive approach are borne out in research by the BOSTON CONSULTING GROUP, which indicates that companies whose early responses to a downturn are tentative (for example, modest belt-tightening) typically overreact later on (say, cutting costs more than they ultimately need to). This results in an expensive recovery for the company when the economy rebounds.

Our approach has two main objectives, from which a series of action items devolves. First, stabilize your business, protecting it from downside risk and ensuring that it has the liquidity necessary to weather the crisis. Then, and only then, can you identify ways to capitalize on the downturn in the longer term, partly by exploiting the mistakes of less savvy rivals.

For some companies, the outcome of this process will be a program of immediate actions that represent a turbocharged version of business as usual. For others, it will be a painful realization that nothing short of an urgent corporate turnaround will suffice.

Source: Harvard Business Review



USA: Job Losses Compound Multifamily Housing Woes

24 March 2009 -- With the children of parents born during the post-World War II baby boom nearing a time when they will form households and rent apartments in large numbers, the nation's multifamily housing industry is looking forward to a glowing future. In the meantime, however, times have grown exceedingly tough for the multifamily sector, which declined sharply following last fall's meltdown in the credit markets and is weakening further as the nation's economic recession and job losses intensify.

Industry leaders and housing economists participating in NAHB Multifamily's Pillars of the Industry Conference in San Diego on March 17-18 noted that the production of multifamily housing has plummeted and said that it will take some time before the marketplace returns to normal.

NAHB Chief Economist David Crowe voiced optimism that the single-family market is nearing a bottom, largely as the result of the massive economic stimulus package enacted last month. Home sales, he said, are expected to bottom out in the current quarter and starts should show "some recovery" in the second half of the year. However, he noted, the improvement won't be "robust" because of the large overhang of vacant homes on the market.

"The multifamily side will not be as quick to recover," Crowe said, with the credit and equity needed to start new developments "hard to get" and the industry facing stiff competition from unsold housing that is being rented out until better times arrive. "A lot of your customers are people who have lost jobs," he added.

Multifamily production will hit a trough of roughly 105,000 rental units annually in the third or fourth quarters, he forecasted, and about 60% of what is started will be housing financed with low-income housing tax credits. Activity, however, "will pick up in 2010 as the overall economy is revitalized," he said.

A Silver Lining

Economist Ron Witten, president of WITTEN ADVISORS, was even gloomier in his short-term projections for multifamily rentals, which he predicted will fall below 100,000 this year, a record low, and head toward the 90,000 level in the year's final three months.

"There is a silver lining," Witten said. Once the recession passes and jobs come back, in about 2011, "there will be more apartments rented than ever before" and net demand could surge by 500,000 units.

The rents that multifamily developers will be charging this year will fall an average 5%, he said, and there will be some further decline in 2010 before rent growth rebounds at a rapid 7% pace in 2011.

"Seven percent sounds great," Witten said, "but it's really money you thought you already had."

The rental market lost a record 120,000 residents in the fourth quarter of last year, he said, and the deep job losses expected in 2009 — at an average monthly pace of 400,000 and bottoming out in the third quarter — will further undermine housing demand.

About 4.3 million jobs have been lost in the past 12 months, Witten said, more than in any previous



post-war recession, and a total of seven million jobs will be lost by the time the downturn ends. When the recovery gains steam in 2011, he said he expected the economy to produce “a couple of million jobs,” which would be far shy of replacing all of those that had been lost.

“It will take a while to recover from this deep trough,” he said. “This recession is so deep and housing so competitive” that none of the 42 major markets he tracks will have 3% rent growth this year. “The broad trend suggests some real short-term challenges,” he said.

State of the Industry

The CEOs of the industry’s leading multifamily companies and a CEO of one of the nation’s largest single-family companies led a conference discussion of the state of the multifamily industry, and overall they indicated that they are holding on as best they can by finishing projects that were already in the pipeline, managing assets, improving their net operating income, finding the liquidity they need to ride out hard times, downsizing and preparing for the abundant opportunities that are expected to materialize during the recovery.

The industry leaders voiced concern that the current decline has yet to run its course and that there remains a great deal of uncertainty over what will happen in the months ahead.

“The bottom will hit when people who are employed stop acting like they’re unemployed,” said Connie Moore, president and chief executive officer of BRE PROPERTIES.

Moore said that her company has projected negative rent growth for the next two years from its apartment communities, which are mostly located in California, and is focusing on capital preservation and “making sure we have a balance sheet to withstand this.”

In the past, she said, BRE has used property sales as a source of capital, but in the current market that is “now more challenging.” For capital, FANNIE MAE and FREDDIE MAC have gained significance, she noted.

Improvements in Single-Family

Jeff Mezger, president and CEO of KB HOME, noted that the single-family sector is beginning to see improvements that are setting the stage for the full-scale housing recovery that will eventually encompass multifamily activity.

KB HOME last year delivered 12,000 homes, down a third from its output in 2007, Mezger said, and is now focused on the balance sheet and a shift away from move-up product to lower-cost homes for the consumer.

Mezger said that the new home market should turn up about a year before rentals, and it is approaching a bottom, with some markets — such as San Diego County — starting to perform better.

Southern California’s home resales were up 200% in February from a year earlier and have been on an upward slope for seven consecutive months, he reported. There is now a six-month supply of resale homes in the six-county region and prices have stabilized, he said, “although nobody likes the price.”



Pricing is now in step with the 3% annual wage increases that employees have averaged over time, he said, and that will remain the market reality for about three to six years once the market stabilizes.

Pent-up demand has been pushing sales up in Southern California despite its 11% unemployment rate, Mezger said. "If you stay in A submarkets and locations and meet median incomes, you can do well. You have to figure how to make money at much lower prices."

George Marcus, co-founder and chairman of MARCUS & MILLICHAP COMPANY, noted that housing is also doing relatively well in the San Francisco Bay Area, with 30,000 to 40,000 resales a year. "If you are properly priced, you are doing fairly well," he said. However, homes under \$600,000 have been "devastated," he said, while those above \$1 million have been largely unaffected by declining prices.

Worried About Value

On the multifamily side, with the price of constructing a five-story apartment building in that market averaging \$500,000 a unit, "it's a serious problem," he said. While there are a huge number of prospective renters in the area, "you have to have the price structure to compete" for them.

Charles Brindell, Jr., president and CEO of TRAMMELL CROW RESIDENTIAL, voiced concern over the 16,000 units now in construction that will soon be completed and brought to market at a time of deterioration on the job front.

"We worry about the value of what we thought we had created," Brindell said. This year's deliveries, he projected, "won't get to where we expected they would be until 2013."

Until the market improves, "we are focusing on the asset management side," he said, "not just property management but the whole mix of managing our investment." This is where the value will be created, he said.

No Good Crystal Ball

Joining the chorus of those reporting a greatly diminished multifamily marketplace, Ron Ratner, executive vice president and director of FOREST CITY ENTERPRISES, INC. and president and CEO of FOREST CITY RESIDENTIAL GROUP, reported that his company won't start anything this year, following \$1 to \$1.2 billion in starts last year. It might break ground on an office building next year, he said.

"I am skeptical about when we are coming out of this," he said. "Our concern is we don't have a very good crystal ball."

Among the hardest things for the people who have built their companies, he said, is the issue of downsizing. "We are laying off people who have been with us for 18 years," he said. "The severance check and the bonus check are in the same envelope."

With major job layoffs "just starting to occur," unemployment heading beyond 10% and households losing income from second jobs and other sources, "there's a lot more negative impact coming to rentals," Ratner said. "The bottom looks like something we will be skittering along."



Condos That Won't Sell

"Getting projects started today is virtually impossible," said Leonard Wood, founder of WOOD PARTNERS, LLC. "We are working on our operations and trying to get as much net operating income as possible. Liquidity is a huge part of what's going on."

Wood said that he is focusing on refinancing condominium apartments that won't sell and on rightsizing to a smaller staff.

On the apartment side, there has been some decline in rents and vacancies have been creeping up, he said. On completed condominiums, he said he was able to largely finish off his sales through auction at significantly reduced prices.

But "projects not as far along are very problematic," he said. "They are not selling at all in good locations in Atlanta" and less than half are sold, raising concerns about the availability of financing for prospective buyers and the cost of maintenance. "There is no recovery other than people buying at the bottom," he said.

Until the market shows some improvement, "we won't be starting many assets," Wood said. "It's better to save money until you can get the yield." In preparation for the recovery, "preserve capital," he advised, and "get people ready so you don't need to solve problems" when it's time to start building again, which is "an important part of being successful."

"This industry is in a tough decline. We're down but not out. We're helping each other climb out of a deep hole," said Steve Patterson, president and CEO of ZOM HOLDING INC. and chairman of the NAHB Multifamily Leadership Board.

"The next 12 months may determine the direction for many of our companies," he said. Working with home builders associations and with peers, most will find the innovations that enable them to meet the needs of a changing market, "and most will survive."

Source: NAHB



USA: Economy Still Hurting: Jobless Claims Rise; GDP Revised Lower

26 March 2009, Washington — The number of laid-off Americans filing initial claims for unemployment benefits rose slightly last week while the number of people continuing to claim benefits set a record for a ninth straight week, the Labor Department said Thursday.

Labor said first-time claims rose to a seasonally adjusted 652,000 from 644,000 the week before, and the total number of people claiming benefits was up 122,000 to 5.56 million.

A second report Thursday showed the economy shrank at a 6.3% annual rate at the end of 2008, worst showing in a quarter-century.

The Commerce Department says the economy sank a bit faster than the 6.2% annualized drop for the October-December quarter it estimated a month ago.

But the revision was better than expected. Economists were bracing for an even sharper 6.5% annualized decline in the government's third and final estimate of gross domestic product.

The unemployment figures indicate the labor market remains weak even as some other recent economic indicators have come in better than expected. A year ago, the weekly jobless claims number was 367,000.

The total number of people claiming benefits is the highest on records dating back to 1967. The continuing claims data lag initial claims by a week.

The number of continuing claims has increased by more than 100,000 four times in the past five weeks, an indication that workers are remaining on the rolls longer as they struggle to land a new job.

As a proportion of the work force, the number of people receiving benefits is at its highest level since May 1983, when the economy was recovering from a steep recession.

The total is nearly double the number a year ago, when about 2.8 million people were continuing to receive unemployment checks.

And that number doesn't include an additional 1.47 million people receiving benefits under an extended unemployment compensation program approved by Congress last year. That number is as of March 7, the latest data available.

The recession drove the unemployment rate to 8.1% last month, highest in more than 25 years. Many economists expect the rate could reach 10% by early next year.

The four-week average of initial claims, which smooths out fluctuations, dropped slightly to 649,000. Last week it reached its highest level since October 1982, though the work force has grown by about half since then.

More job losses were announced this week. On Wednesday, SHAW INDUSTRIES GROUP, the world's largest carpet maker and a subsidiary of Warren Buffett's holding company BERKSHIRE



HATHAWAY said it would close two plants in Georgia and lay off about 600 workers.

On Tuesday, pharmaceutical company HOSPIRA said it would cut 1,450 jobs, or about 10% of its work force, while beleaguered automaker GENERAL MOTORS said it laid off 160 engineers, the beginning of 3,400 planned cuts among its salaried employees. GM has said it will cut 47,000 jobs worldwide this year.

Source: USA Today



USA: More Companies Cut or End 401(k) Plan Matches

The battle for a secure retirement is about to get even tougher. Several new surveys of company executives show that they plan to reduce or suspend their company's retirement-plan contributions this year.

Dozens of employers in the past year have already slashed such costs.

The trend means one important thing for workers: smaller nest eggs, unless they save enough to make up for the missing company contributions and matches.

Arrangements vary, but employers have often matched 25 or 50 cents of every dollar an employee puts in a retirement account, up to 6% of pay.

Companies of all sizes, under financial pressure, are "retrenching on the 401(k) front," says Alicia Munnell, director of the Center for Retirement Research at Boston College.

GENERAL MOTORS, EASTMAN KODAK, FEDEX and SEARS HOLDINGS are among the companies that have suspended their 401(k) contributions, according to the center.

A survey released Wednesday by research and consulting company SPECTREM GROUP says 29% of employers intend to reduce or eliminate contributions to "defined-contribution retirement plans" in the next 12 months.

While the survey has a large +/- 8 percentage point margin of error, other surveys back up the dire forecast.

A mid-February study by employment consulting company WATSON WYATT WORLDWIDE found that 12% of 245 large companies have already cut their 401(k)/403(b) matches — and another 12% plan to do so in the next 12 months.

Most workers are unprepared to fund retirement.

Using data from the Federal Reserve's 2007 Survey of Consumer Finances, which was published before the financial crisis, Munnell pegged the median 401(k) balance for those approaching retirement at \$60,000.

Given the stock market turmoil, those retirement funds are likely only worth about \$40,000 now, she says.

Most employees seem braced for the news. Nearly half of workers said in November 2008 that they were concerned that the sour economy would cause their employers "to cut back on matches to 401(k)/ 403(b)/457 plans," according to METLIFE's seventh annual Employee Benefits Trends Study, which was released on Monday.

Yet, even with all of the retirement worries, there was a silver lining for employers, according to METLIFE.

The struggling economy has led workers to become much more thankful for the benefits that they do



have, with 56% saying they appreciate their workplace benefits more than ever before.

Source: USA Today

USA: Americans Spending More

27 March 2009, New York -- Consumer spending rose in February, rebounding for the second month in row after falling for 6 straight months, according to government figures released Friday.

The Commerce Department said spending by individuals rose 0.2%, after increasing a revised 1.0% in January. February's results were in line with a forecast from Economists surveyed by Briefing.com.

After adjusting for inflation, however, real personal spending declined 0.2%. In January, it rose 0.7%.

"It appears the majority of the declines in consumption for this cycle are behind us," Adam York, an economist at Wachovia Economics Group, wrote in a client note.

February's spending uptick came as the Commerce Department reported personal incomes fell 0.2%. Incomes rose 0.4% in January, but last month's decline marks a return to the recent downward trend as unemployment has risen.

The report also showed that personal savings declined \$27.4 billion in February to \$450.7 billion. The personal savings rate, expressed as a percentage of disposable personal income, fell to 4.2% from 4.4% in January.

"The personal saving rate remains near recent highs, as consumers attempt to rebuild their damaged balance sheets," said York. "However, weaker income growth is offsetting slower spending."

Source: CNN Money



USA: China's Wake-Up Call For U.S.

18 March 2009 -- Lectures from foreign governments are not something Americans — or anybody else for that matter — take kindly to. But a mild scolding that Chinese Premier Wen Jiabao dished out last week is worth heeding. It was a marker of how years of irresponsible borrowing have not only endangered Americans' living standards but also made the country vulnerable to the whims of others.

Wen simply said he was concerned about the value of the \$1 trillion his government has loaned to the U.S. by purchasing its Treasury notes. The U.S. borrows and owes. The Chinese loan and invest.

And America borrows so much that China is right to be worried. While it is highly unlikely that the U. S. government would ever default on its obligations, its chronic borrowing means it might have to pay creditors such as China higher interest rates. That would erode the value of existing Treasuries. More important, it would drive up rates for everything from credit card debt to mortgages, potentially choking off any economic recovery.

More broadly, the mere fact that the Chinese have lent \$1 trillion to begin with should set off alarm bells. It gives them increasing leverage to resist entreaties. Their surpluses enable them to make investments needed to prosper and gain strategic advantage in the long run. Taking advantage of the global economic crisis, cash-flush Chinese companies have been snapping up oil supplies and other natural resources at depressed prices.

To be sure, the Chinese have problems of their own. Their quashing of dissent, and layoffs from export-dependent factories, create a pressure cooker that could explode at any time. Nor is the U.S. situation, aided by entrepreneurial culture that is the envy of the world, entirely one of gloom and doom.

But America's economic ethos is disturbing. The credo of the moment — which seems to apply equally in the halls of Congress and the aisles of BEST BUY — is buy now, pay later. Voters shrug as elected officials burden younger citizens with their debts.

President Obama has submitted a budget that projects staggering annual deficits of around \$500 billion even after the economy recovers. Making matters worse, in the areas where Obama has proposed offsets for his spending increases and tax cuts, lawmakers carrying water for the housing lobby and other groups that feel put upon have already begun digging in for battle.

The prospect of trillions of dollars more in debt plants the seeds of decline — economic, social, geopolitical. If the United States cannot learn to act responsibly, it had better get used to more lectures from Beijing.

Source: USA Today



USA & Canada: WOLSELEY To Close Additional Locations

13 March 2009 -- WOLSELEY announced that it will be closing about 74 additional FERGUSON locations in the second half of its fiscal year, reducing its employee count by an additional 160. "The majority of these branches are in markets where FERGUSON has other locations that can service customers," a WOLSELEY spokeswoman said.

Between July 31, 2008 and Jan. 31, 2009, WOLSELEY reported a net decrease of 133 in branches in North America. In response to slowing markets in the first half, FERGUSON reduced employee headcount by 2,067, about 10% of its total workforce. The company said it will continue to evaluate additional locations for closure in line with market conditions.

"Current indications are that the United States will be the first to recover from the economic downturn and FERGUSON should be well positioned to benefit from this," WOLSELEY said. "As the current downturn continues, the directors believe that a number of [FERGUSON's] competitors will exit the industry, which should create the opportunity to increase its market share organically." WOLSELEY noted that the directors intend to grow the business with select bolt-on acquisitions when appropriate and with "new formats and routes to market" such as e-commerce and an expanded variety of products.

The company also noted the benefits of integrating WOLSELEY CANADA into the FERGUSON business. "Although FERGUSON continued to perform strongly compared to the overall market in the first half of its current fiscal year, local currency revenue in the U.S. Plumbing and Heating Division declined by 11.3%, ...with organic revenue down 11.6%," WOLSELEY said. The company reported that underlying trading profit, excluding property profits, was down by 21.4%.

"Despite the challenging conditions, gross margin was marginally up, reflecting internal process improvement, changes of business mix toward higher margin business generated from showrooms, counter sales and private label products," the company said.

Source: WOLSELEY



USA: ACE HARDWARE Reports Solid 2008 Financial Results Despite Challenging Economy

Oak Brook, Ill. (March 9, 2009) – ACE HARDWARE CORPORATION, the largest retailer-owned hardware cooperative in the industry, today reported net income of \$85.8 million for the fiscal year ended January 3, 2009, a decrease of \$1.1 million or 1.3%, compared to \$86.9 million for 2007.

After excluding certain non-comparable items, ACE reported adjusted EBITDA (earnings before interest, loss on early extinguishment of debt, taxes, and depreciation and amortization expenses) of \$171.8 million for fiscal 2008, an increase of \$17.7 million or 11.5%, compared to \$154.1 million for 2007.

For the fourth quarter of 2008, net income was \$15.3 million, a decrease of \$5.7 million from 2007 and adjusted EBITDA was \$34.6 million, a decrease of \$8.9 million from 2007. Fourth quarter 2008 net income and adjusted EBITDA were lower compared to 2007 primarily due to the timing of employee profit sharing and incentive expense accruals.

"We are pleased with our overall 2008 performance, particularly in a year of enormous economic and housing related challenges," said Ray Griffith, ACE president and chief executive officer. "We made numerous mid-course adjustments that enabled us to reduce operating expenses, further strengthen our balance sheet and deliver a solid bottom line. The impact of the economy has global implications, but it is during times like these that I further appreciate the business we are in, the positioning of our great brand and the differentiated customer service our local owners deliver, regardless of macro-economic issues."

Revenues

Total revenues for the fiscal year ended January 3, 2009 were \$3.9 billion, a decrease of \$106.4 million or 2.7% from \$4.0 billion in 2007. For the fourth quarter of 2008, total revenues were \$956.1 million, a decrease of 0.2% or \$1.8 million as compared to 2007. Fiscal 2008 consisted of 53 weeks compared with 52 weeks for fiscal 2007. The 53rd week added approximately \$38.6 million in sales to the full year and fourth quarter 2008 reporting periods.

Excluding the impact of the 53rd week in fiscal 2008, merchandise sales to comparable stores for 2008 were down 3.6%, while merchandise sales to new domestic stores activated in the 2007 and 2008 fiscal years contributed \$72.1 million in incremental sales in the current year. Ace activated 117 new stores and cancelled 242 stores in fiscal 2008, bringing the total store count to 4,581 at the end of 2008, as compared to 4,706 for the prior year. On a category basis, domestic sales were negatively impacted by declines in the tools, plumbing and paint categories and were partially offset by a sales increase in the lawn and garden category.

Excluding the impact of the 53rd week in fiscal 2008, merchandise sales from ACE's international business continued to be strong and contributed \$18.5 million in incremental sales in 2008, up 10.2% over 2007. This increase was driven by higher sales to existing businesses in the Middle East, Canada and the Caribbean.

"Our 2008 sales performance, considering the challenging environment, speaks to the strength of the ACE brand and the positioning of our business model," Griffith said. "During our 85 years of



operation, ACE has successfully weathered competitive pressures and various economic cycles. We also were very pleased to place so high in independent industry rankings – a testament to the entrepreneurial drive of our retailers and their commitment to offering exceptional customer service." ACE ranked 5th in "Franchise Times" 2008 Top 200 Franchises, which is based on total worldwide sales, and improved to 6th in "Entrepreneur" magazine's best franchises ranking, which is based on a comprehensive review of the entire system. ACE also ranked in the top 10 in the list of "Customer Service Champs" in "BusinessWeek," which is based on customer service performance of industry leading brands.

Gross profit

Gross profit for the fiscal year ended January 3, 2009 was \$464.5 million, an increase of \$9.5 million over 2007, and the gross profit percentage was 12.02% as compared to 11.46% in 2007. The gross profit percentage increase in fiscal 2008 was attributable to higher margins on merchandise sales due to vendor driven price increases, which are a direct result of the escalating costs of raw materials. These increases were partially offset by a higher LIFO charge in 2008, reflecting price increases on inventory purchases.

Operating expenses

Operating expenses decreased \$11.1 million or 3.2 percent, to \$339.9 million in fiscal 2008 and, as a percentage of revenues, decreased to 8.80 percent as compared to 8.84 percent in 2007. The decrease in operating expenses reflects the company's cost control initiatives and was driven by lower retail research and development expenses, the discontinuation of our store achievement award in 2008 and lower retail technology expenses. This decrease was partially offset by higher information technology expenses in 2008.

Interest expense was \$9.3 million higher in fiscal 2008, as compared to 2007, reflecting higher interest rates and debt levels as a result of the debt refinancing completed during the second quarter of 2008. The company recorded a net loss on the early extinguishment of debt of \$9.5 million, which includes a gain of \$2.3 million in the fourth quarter of 2008 related to the repurchase of \$10.0 million of senior secured notes for \$7.3 million plus accrued interest. Total debt, net of cash, was \$216.6 million at January 3, 2009, a decrease of \$19.8 million, compared to \$236.4 million at December 29, 2007.

Balance sheet trends

Inventory decreased \$11.9 million to \$460.4 million at the end of fiscal 2008, as compared to the 2007 year end. Inventory turnover at Ace's retail support centers (RSCs) on a rolling 12 month basis was 5.40 at the end of fiscal 2008, a decrease from 5.74 at the end of 2007. Service levels (fill rates) to Ace retailers improved to 96.8% in fiscal 2008 compared to 96.5% for the prior year.

Net receivables decreased \$76.4 million or 22.6%, to \$260.9 million at the end of fiscal 2008, as compared to 2007, primarily due to incremental cash collections related to the 53rd week in fiscal 2008 coupled with the decrease in sales in 2008.

Capital expenditures for fiscal year ended January 3, 2009 were \$32.5 million, a decrease of \$24.5 million over 2007. The capital expenditures decrease in fiscal 2008 was primarily due to lower RSC expenditures of \$22.7 million along with lower information technology expenditures in the supply chain



area.

Source: www.acehardware.com

USA: TRUE VALUE Reports 2008 Results

TRUE VALUE performed well versus the home improvement retail sector this year. Revenue was \$2,013 million for the full year, a decrease of 1.4 percent versus 2007. Net margin was \$64.2 million after a one-time \$3.0 million benefit, comparable to last year despite significant headwinds from higher fuel and transportation costs.

TRUE VALUE experienced a record number of store openings in 2008, including over 60 new or converted stores, and added over 500,000 square feet of new retail selling space.

Source: www.truevaluecompany.com



Canada: The HOME DEPOT Gives Canadians More Reasons to Renovate

2 March 2009 -- THE HOME DEPOT CANADA today announced its Home Renovation Tax Credit (HRTC) Top Up program, where THE HOME DEPOT customers can earn up to \$1,000 over and above the Federal tax credit in THE HOME DEPOT gift cards.

"We know that now, more than ever, consumers are looking for value and our HRTC Top Up program delivers just that," said Annette Verschuren, President, THE HOME DEPOT CANADA & ASIA. "We've developed a retail incentive program for Canadians that is truly easy to understand and use."

The program runs from March 2 to April 12, 2009, and consists of three easy-to-use components:

- Consumers simply need to spend between \$1,000 and \$10,000 on any HRTC eligible products to receive up to \$1,000 back in THE HOME DEPOT gift cards, when using THE HOME DEPOT credit card.
- Choose from two convenient payment terms: six months deferred or 24 months equal payments.
- Consumers can easily track their HRTC eligible purchases and claim their gift cards at homedepot.ca as of July 2009. Another handy feature that will be available is a complete list of HRTC eligible products purchased on THE HOME DEPOT Credit Card which will be convenient at tax time.

Throughout 2009, additional HRTC Top Up programs focusing on key seasonal categories will be available to consumers so they can continue to accumulate purchases towards the program. To keep consumers informed, program updates will also be posted on homedepot.ca.

For the past 15 years, THE HOME DEPOT CANADA has been giving Canadians access to the know-how and value needed to take on any home renovation with the help of knowledgeable associates, free in-store workshops and step-by-step project guides available at homedepot.ca.

A recent survey commissioned by THE HOME DEPOT CANADA uncovered that the majority of Canadians (58%) think that for an improvement project to increase a home's worth it has to cost at least \$5,000, and this simply isn't the case. "Small home projects can have a huge impact on the overall feel and value of a home," said Verschuren. "We anticipate that our new HRTC Top Up program along with our Lower Prices Program will help Canadians take on projects, big and small so they can continue to invest in their homes."

Source: Canada NewsWire



Nepal: KOHLER CO. Makes Foray Into Nepali Market

KOHLER CO, a globally recognised player in kitchen and bath design, has on Thursday announced its foray into the Nepalese market with the launch of a range of bathroom products including toilets, lavatories, faucets, bathtubs and showers.

The U.S. based company's first showroom was inaugurated by American envoy to Nepal Nancy J Powell amidst a function held in the capital.

The KOHLER exclusive showroom is located at Baneshwor.

The company will distribute its products in Nepal through through KOHLER showrooms operated by BAJRA & BAJRACHARYA ENTERPRISES.

According to KOHLER CO, it has decided to make foray into the Nepalese market seeing the high growth in the sanitary ware market in Nepal.

"The booming real estate industry and growing upscale consumer market presents a big opportunity for the KOHLER brand," stated the company.

Source: www.nepalnews.com



USA: How Will the Bear Market End?

27 March 2009 -- After the U.S. stock market lost more than 50% of its value from its peak and hit new cyclical lows in early March 2009, the obvious question lingering on the minds of investors everywhere: When will it end? An 11% rise during the week of March 9-13 cheered investors, but did the market finally find a bottom?

Of course, no one can answer those questions precisely with any degree of certainty. There is no denying that the current economic backdrop looks dismal, with new data on many U.S. economic indicators frequently demonstrating multi-decade lows. Much of the rest of the world looks just as bad or worse. It is natural, faced with these circumstances, to assume that no end to the turmoil is in sight.

However, in a sense, this type of self-reinforcing negative psychology is similar to every other economic downturn that has occurred throughout history. When an economy enters recession, businesses respond to lower profits by cutting investments and laying off workers. Consumers respond to job losses or anxiety by cutting back spending. Banks tighten lending standards and pull back on credit in the face of deteriorating creditworthiness of consumers and businesses. All of these negative trends reinforce each other in a way that makes it difficult to envision how the chain can be broken.

Eventually, however, economies do recover. The recoveries vary in magnitude and timing, among different economies and different types of business cycles. But the self-correcting mechanism of the free markets, sometimes with a bigger or smaller push from government or central bank policies, in the past has eventually stabilized economic activity. Just as no stock market rises every day in perpetuity, no economy continues to contract forever.

Today's litany of problems -- from the crisis in the financial system, to a housing sector in free-fall, to heavily indebted consumers -- may together pose a more challenging economic backdrop than the United States has experienced in decades. But this does not mean the economy will never recover. And if the economy recovers, as it always has, business profits and the stock market are likely to reverse course as well.

Historical patterns of stock market rebounds

While the specific means and timing of exiting the current bear market are uncertain, there are historical patterns that may provide clues about how the market turnaround may unfold. There are three generalities that can be made about past market reversals:

#1 - The market rebounds early

In other words, the stock market begins to rise well before the economy starts to recover. The stock market -- a collective opinion of investor expectations -- is an anticipatory mechanism. Its movements are included in The Conference Board's Leading Economic Index (LEI), a widely used source on economic indicators, because stocks tend to move in advance of economic reversals. For instance, the U.S. market sold off abruptly in October 2007 in advance of the recession, which officially began in December 2007. The bigger market declines in the autumn of 2008 presaged a more severe economic contraction in late 2008 and in early 2009.

On the upside, the stock market has typically turned up well before an economic recovery occurs. During the past 14 recessions since 1926, the stock market has typically bottomed about halfway



through the recession -- about six months after a recession has begun. The median return thereafter, from the market low point until the end of a recession, has been 25%. Even during the worst of the Great Depression, the stock market bottomed and began to rebound a full nine months prior to the end of the 1933 recession. So historically, the market has looked beyond current conditions and begun to rally while the economic data still indicated contraction and the unemployment rate continued to go up. For the 11 recessions that coincided with stock bear markets since 1926, eight of them experienced the beginning of a bull market well before the end of the recession.

#2 - Individual investors arrive late

During bear markets, especially ones as severe as the current downturn, the obvious temptation for investors is to reduce their allocation to stocks and move into the safety of cash. A common refrain from investors is that they will "wait until things get better" to restore their allocation to stocks at a level that is consistent with their longer-term investment strategies. The criteria for improvement often implies the investor will hold out for some positive news about the economy, or possibly wait for the market to start rising again in a more sustained manner.

While this strategy may sound reasonable at a time when stock markets continue to decline and investors take comfort from avoiding losses, the flaws are exposed when the bear market comes to an end. As noted, the market tends to rise six months before the economy stops contracting, so waiting for good economic data to hit the headlines inevitably means missing out on the early stages of the rally. Of course, waiting for the stock market to go up as a signal of the end of the bear market also necessarily means an investor has to sit on the sidelines while a new bull market begins.

This pattern of investor behavior, and its pitfalls, can be demonstrated looking at the end of the 2000-2002 bear market. Investors moved into a record-high cash position by the end of 2002, during the exact period when the U.S. stock market was bottoming after a three-year downturn. It took investors roughly until February 2004 -- 15 months after the end of the bear market -- to reduce their cash position back to an average level, during which time many had missed out on the stock market's return of more than 30% during the simultaneous bull market rebound.

#3 - Late investors miss big returns

If new bull markets rose gradually and accrued their largest gains as the cycle matured over a multi-year period, perhaps missing out on the early stages of the rebound would be a small price to pay for the safety of making sure a bear market had truly ended. However, the reality has been the exact opposite. Bull market returns tend to be front-loaded, with the bulk of returns accruing to the earliest months of the rally. Being late to the party can mean the birthday cake is half eaten by the time you arrive.

For example, evaluating all the bull markets since 1930, the first month of a new bull market on average has provided more than 12% of an entire bull market's gains, with an average return of 14% during these initial months. Within six months, more than one quarter (27%) of an entire bull market's performance (on average) was already in the books. The first 12 months of the average bull market has provided more than 40% of an entire bull market's price appreciation, yielding on average 45% for investors -- well above the category's long-term average annual return of 10%. So while bull markets typically last an average of three years and have even spanned an entire decade, the biggest bang for the buck has typically come in the initial months of the rebound.

Because by definition bull markets account for all of the gains during stock market cycles, missing just



a few months of an early bull rally has historically meant missing out on a hefty chunk of the gains of an entire multi-year period.

Investment implications

No one can predict with exact certainty when the current bear market will end. But if historical patterns are a guide, the stock market will turn suddenly upward at some point during the recession, the biggest gains will come in the early months of the rally, and many investors who made a tactical move into cash will miss out on much of the rebound. This analysis may offer little guidance to those who are looking for the precise best moment to re-enter the stock market. However, it should be a cautionary tale for all investors about the risks of being too bearish after a huge stock market decline has already occurred.

Source: Fidelity.com

Global: CHARMIN Sponsors “Sit or Squat” Toilet Finder App

PROCTOR & GAMBLE is now behind (pardon pun) global public bathroom finder app “Sit or Squat.” Below the list of facilities in the area, a CHARMIN logo appears with the phrase “Gotta Go? Relax. We got your back.”

The app, offered gratis on iTunes, has info on where to find bathrooms, changing tables, handicap access and other amenities. Users can add new content to the service and rate featured toilets.

“Our goal is to connect CHARMIN with innovative conversations and solutions as a brand that understands the importance of bringing the best bathroom experience to consumers, even when they’re away from home,” explained Jacques Hagopian, Brand Manager for CHARMIN in the press release. “Helping people find a bathroom that is clean and comfortable is exactly what the SitOrSquat project is all about.”

So far, SitOrSquat has compiled information on more than 52,000 toilets in 10 countries worldwide. Some 1,600 users have downloaded the app, although complaints about the user interface and slow loading times are frequent.

Still, as far as corporate-sponsored apps go, it’s much better than COKE’s “spin the bottle” app or Target’s virtual snow ball.

Source: www.cultofmac.com