

# North America Bathroom News

## December 2009



International Market Strategy

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## World: Plumbing, Bathroom Furniture, Accessories, Kitchen Market Reports

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Source: BRG CONSULT NORTH AMERICA



## USA: Home Sales in October Rose to a 2-Year High

23 November 2009 -- Existing-home sales in October rose to the highest level in more than two years, according to a report released Monday, driven by the popularity of a credit for first-time home buyers. The surge far outpaced expectations and nurtured hope that the stubbornly frail housing market might be on the upswing.

Sales of existing homes were up 10.1 percent in October to an annual rate of 6.1 million, the National Association of Realtors said in a report Monday. That was a level last seen in February 2007, before the collapse of the housing sector. Analysts surveyed by Bloomberg News had predicted a 2.3 percent increase.

The group attributed the gain to the popularity of a government-financed credit of up to \$8,000 for first-time home buyers. The credit was originally set to expire at the end of November, and economists said the looming deadline probably provoked a buying frenzy in October. (Earlier this month, lawmakers voted to extend the credit through April.)

Inventories continued to shrink, the report said, and prices, while still lower, fell by the smallest amount in more than a year. Sales of lower-cost homes fueled the gains.

Total sales were up 23.5 percent from the October 2008 rate of 4.94 million. In addition, sales for the 12-month period from October 2008 to October 2009 reached 4.4 million, up slightly from the October 2007 to October 2008 levels.

The gains, which were most robust in the Midwest and weakest in the West, surprised even Lawrence Yun, the chief economist for the National Association of Realtors. Mr. Yun cautioned that future results might be more modest. "With such a sale spike, a measurable decline should be anticipated in December and early next year before another surge in spring and early summer," he said.

Economists closely monitor trends in home sales because their effects ripple through the economy. Consumers, in effect, are not just buying houses: they are also furnishing them with items like washers, tables and mattresses, and they must take out loans to finance them. Once Americans begin to spend again, analysts expect businesses will resume hiring and the economy will be on firmer ground.

The report examined sales of single-family homes, as well as condos and co-ops. The group revised its September figures, saying home sales rose by 8.8 percent rather than the 9.4 percent it originally reported, to an annual rate of 5.54 million.

Even amid inklings of a turnaround for the housing market, there are still reminders that the sector remains very weak.

Celia Chen, senior director at Moody's Economy.com, noted that sales of existing homes — especially those that have been foreclosed and tend to be cheaper — might be slowing the pace of home construction, as builders grapple with low demand for expensive new homes.

"The housing sector needs help," she said. "It's important to shore up the market because that is a large part of the economy and will be helpful in stabilizing the broader economy."



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And while home sales may be picking up, consumers are still struggling to keep up with bills. The Mortgage Bankers Association said last week that nearly one in 10 homeowners with mortgages — about five million households — was at least one payment behind in the third quarter.

Source: New York Times



## USA: US Manufacturing Activity Expands

2 November 2009 -- The U.S. factory sector saw its best month of expansion in October since April 2006.

Meanwhile, construction spending in the U.S. unexpectedly surged in September as a rebound in housing and outlays in the public sector offset a decline in commercial activity. Separately, a forecasting gauge of housing-market activity rose far more than expected in September as first-time homebuyers rushed to sign contracts in time to collect government tax credits originally scheduled to expire this month.

The Institute for Supply Management reported Monday that its index of manufacturing activity jumped to 55.7 last month, after standing at 52.6 in September and 52.9 in August. October's reading was well above 53.3, which was the consensus forecast of economists.

"It appears that inventories are balanced and that manufacturing is in a sustainable recovery mode," said Norbert Ore, who directs the survey for the ISM.

The continued growth of the manufacturing sector, while modest, is a further sign that the U.S. economy is emerging from its worst recession in many decades. But the relatively modest increase in factory activity also shows that while output may again be expanding, it is doing so at a decidedly modest pace. This soft recovery is likely to persist from some time, in the view of most forecasters.

In the report, the ISM said that its production index moved to 63.3, from 55.7, while the new orders index, which points to future activity, hit 58.5, from 60.8 the month before. Inventories, the rebuilding of which has been a major driver of the recovery so far, contracted at a slower pace, at a reading of 46.9, from 42.5.

Hiring increased for the first time in over a year, with the employment index at 53.1, from September's 46.2. "The improvement in employment is due to some callbacks and opportunities for temporary workers," Ore said.

Meanwhile, inflation increased, with the prices index at 65.0, after 63.5 the month before.

### **Construction Spending Climbs**

Total construction spending increased by 0.8% to a seasonally adjusted annual rate of \$940.28 billion compared to the prior month, the Commerce Department said Monday. Wall Street had expected a small, 0.1% decline.

However, August spending was revised down deeply. Spending that month dipped by 0.1%, the report said. Originally, Commerce estimated August spending rose by 0.8%.

Year over year, spending was 13.0% lower since September 2008.

Spending in September on residential construction projects rose 3.9% to \$264.1 billion. Residential spending rose 3.4% in August, a revision from an originally reported jump of 4.2% for the month. Yet year over year, residential spending was 26% below the September 2008 level. The housing sector is recovering from a long bust; construction has been rising as sales of new homes increase.



Commercial construction slid in September. Non-residential construction spending decreased 0.4%, as outlays fell for things like hotels and factories. Year over year, spending for commercial construction was down 6.5%. Vacancy rates for office space have been rising and rents have fallen. Also, financing is difficult.

Construction spending in the private sector during September increased by 0.5% to \$613.9 billion. Spending rose 0.4% in August.

September public-sector construction spending advanced 1.3% to \$326.4 billion, as federal stimulus funds helped municipalities deal with budget constraints.

### **Pending Home Sales Jump**

The National Association of Realtors' index for pending sales of previously owned homes surged 6.1% to 110.1 in September from 103.8 in August, the industry group said Monday.

The increase marks the eighth consecutive rise in pending home sales. Analysts surveyed by Dow Jones Newswires had expected pending sales would rise by 0.7%.

The NAR pending home sales index in September was 21.2% higher than the 90.9 it was a year earlier and at its highest level since December 2006.

Despite the relatively positive report, problems remain in the housing sector.

"We're clearly not out of the woods because an excess of homes remains on the market despite recent improvements," NAR Chief Economist Lawrence Yun said, noting that new foreclosures will continue to inflate inventory figures.

He predicts new home sales may continue to suffer as builders hold back production to drive down inventory and as construction loans remain elusive.

The NAR index is based on pending sales of existing homes, including single-family homes and condominiums. A home sale is pending when the contract has been signed but the transaction hasn't closed. Pending sales typically close within one or two months of signing.

Pending sales historically have been a reliable leading indicator of actual sales of existing homes.

By region, seasonally adjusted pending sales in the Northeast fell 2.0% in September but still are 16.9% higher than a year earlier. Midwest activity rose 8.1% in September and is 17.8% higher than a year earlier. Activity in the South climbed 4.9% in September, reaching a level that is 22.8% higher than September 2008. In the West, pending sales surged 10.2% in September, reaching a level that is 23.7% higher than September 2008.

Source: The Wall Street Journal



## USA (& World): OECD Sees Bumpy Path to Recovery

19 November 2009 -- China has helped to pull countries in the Organization for Economic Cooperation and Development back toward economic recovery, but the path to sustained growth will be bumpy, the association said Thursday in a cautious assessment of the global economy.

“Growth in the OECD area has resumed after the most virulent recession in decades,” the 30-nation association of free-market democracies said in its twice-yearly Economic Outlook.

“The upturn in the major non-OECD countries, especially in Asia and particularly in China, is now a well-established source of strength for the more feeble OECD recovery.”

But it noted that economic growth among its members would most likely “fluctuate around a modest underlying rate for some time to come.”

The countries that belong to the organization accounted for about 71% of global gross domestic product in 2007, according to the World Bank. Several of the faster-growing developing nations, including China, Brazil and India, are not members of the organization.

The Chinese economy, bolstered by easy bank lending and a stimulus package of 4 trillion yuan, or \$585 billion, has been expanding at a strong pace in comparison with other large economies. The International Monetary Fund forecasts the Chinese economy will grow 8.5% this year.

While the economies in the OECD are growing again, the combined gross domestic product of the member nations will still decline by 3.5% for 2009, the report said, recovering to 1.9% growth next year and 2.5% growth in 2011.

It said unemployment was expected to rise from 8.2% this year to 9% next year and then decline to 8.8% in 2011.

While the world economy has come back from the edge of the abyss at which it stood early in the year, the OECD said, efforts to repay debts by households, banks, companies “and, eventually, governments” will keep downward pressure on economic growth. As a result, it said, “unemployment is set to move higher and already-low inflation will be under further downward pressure. It is only some time down the line that the recovery will become sufficiently strong to begin to reduce unemployment.”

The organization, which is based in Paris, noted that its projections could prove too optimistic if households sought to repair their finances more quickly than anticipated and that the forecasts might prove too modest if business investment were to rebound significantly.

It projected the US economy would contract this year by 2.5%. But thanks to government stimulus efforts, improving financial conditions and export demand, a return to normal inventory levels and a more stable housing market, it forecast the United States would post growth of 2.5% next year and 2.8% in 2011.

“Employment should respond quickly to economic activity and unemployment may peak in the first half of 2010,” it said.



The Japanese economy is expected to shrink 5.3% this year, it said, and grow 1.8% next year and 2% in 2011.

“Japan is well positioned to benefit from strong growth in the rest of Asia,” the OECD noted, but in the absence of renewed domestic demand, unemployment will remain high and deflation will linger in Japan.

The 16-member euro-zone economy is forecast to contract 5.3% this year, the OECD said, and grow 1.8% in 2010 and 2% in 2011.

“With unemployment not set to peak before the end of 2010 or the beginning of 2011, household confidence is likely to be weak and sap the strength of the recovery,” the OECD said. World trade will contract by 12.5% this year, it estimated, and trade will increase next year by 6% and by 7.7% in 2011.

With interest rates at or near historic lows in most member nations, the organization said monetary policy was appropriate for current conditions, and rates should move back to normal levels only “by the time inflationary pressures begin to be felt.” And it said fiscal measures to bolster demand should not be withdrawn in a manner that undermined output. Still, governments need to consider how they will end fiscal stimulus measures and raise interest rates toward normal levels, the report said.

“Well-articulated exit strategies will increase confidence that there is a way out,” it said, adding that it was “regrettable that so few exit strategies have so far been articulated.”

Source: New York Times



## USA: NABE Issues Forecast for 2010

24 November 2009 -- The November 2009 NABE (National Association for Business Economics) Outlook presents the consensus of macroeconomic forecasts made by a panel of 48 professional forecasters. The survey, covering the outlook for 2009 and 2010, was taken October 24-November 5.

Following is the summary of the report prepared by NABE:

Reaffirming last month's call that the Great Recession is over, NABE panelists have marked up their predictions for economic growth in 2010 and expect performance to exceed its long-term trend. "While the recovery has been jobless so far, that should soon change. Within the next few months, companies should be adding instead of cutting jobs," said NABE president Lynn Reaser, chief economist at Point Loma Nazarene University.

Panelists predict a relatively sluggish consumer upturn but look for a sizable housing rebound, low inflation, and further rise in stock prices. Importantly, panelists are mostly (though not entirely) optimistic that the Federal Reserve's policies will not lead to higher inflation. At the same time, NABE panelists are "extremely" concerned about high federal deficits over the next five years.

The fourth quarter of 2009 is now slated for a 3.0% pace of real GDP growth and 2010 is predicted to experience a gain of 3.2% over its four quarters. For the two years combined, growth is expected to be one-half of a percentage point above the forecast made in October.

Economic growth is projected to slightly exceed its trend pace — which NABE panelists estimate at 2.7% — over the next five quarters. Real GDP growth should also be enough to recover losses from the recession and return output to an all-time high by the end of 2010.

The recovery will not remain "jobless" for long. With more than 7.3 million jobs lost since December 2007, NABE panelists believe the end of net employment losses is near, with modest declines during the fourth quarter followed by a "bottom" in the first quarter of 2010 and gains thereafter. Still, given the severity of employment losses during the past two years, most panelists (61%) do not expect a complete recovery of the previously lost jobs until 2012.

Additionally, the unemployment rate is predicted to remain stubbornly high, averaging 9.6% in the final quarter of next year. When asked to rank "concerns" over the next five-year period, panelists ranked high unemployment second only to the federal deficit.

The nascent housing recovery will be uninterrupted and will gather momentum. After a steep and extended four-year decline, housing starts and residential investment will rise sharply in 2010. Housing starts will increase 36% and residential investment will grow 9%; thus, 2010 will be the first year since 2005 that the housing sector will contribute to overall growth. After bottoming out this year, house prices are slated for a modest gain of 2% in 2010. When asked what factors were driving the housing rebound, panelists identified low house prices and interest rates as the two most important determinants. The first-time homebuyer federal tax credit was also seen as important, though less so than affordability.

Source: The Wholesaler



## USA: Earnings Fall but HOME DEPOT Raises Outlook

17 November 2009 -- ATLANTA (AP) — The home improvement retailer HOME DEPOT said Tuesday that third-quarter earnings fell 8.9 percent as the housing and renovation markets remained weak.

The company also raised its full-year earnings outlook as the quarter's earnings topped expectations. The chief executive, Frank Blake, said in a statement that the company had seen signs of stabilization in real estate and has added market share in the quarter.

HOME DEPOT and other home improvement retailers have faced sales declines as consumers hold back on do-it-yourself projects amid worries over jobs and home values. Although the American housing market is stabilizing after a nearly three-year decline, home prices remain far below their peak.

On Monday LOWE'S COMPANIES, HOME DEPOT's smaller rival, reported that third-quarter profit fell 30 percent as sales declined 3 percent. LOWE'S also observed that some of the hardest-hit home markets are stabilizing and said it expects this year's fourth quarter to be stronger than last year's.

HOME DEPOT said declines in the average checkout receipt eased a bit in the quarter, falling 7.1 percent to \$51.89, compared with 8.2 percent for the year to date. Falling purchases of big-ticket items like major appliances have been a particular worry for HOME DEPOT and LOWE'S.

Net income was \$689 million, or 41 cents a share, for the quarter ended Nov. 1.

Revenue fell 8 percent to \$16.36 billion.

Analysts polled by THOMSON REUTERS expected a profit of 36 cents a share on revenue of \$16.27 billion.

Sales at stores open at least a year fell 6.9 percent. That figure is considered a key measurement for retailers because it excludes the effect of store expansions or closings.

For the year, HOME DEPOT now expects earnings from continuing operations of about \$1.50 a share. That would be a 9.5 percent increase from last year, better than the company's previous expected range of flat to up to 7 percent.

HOME DEPOT now expects adjusted earnings of \$1.55 a share for the year. Analysts polled by THOMSON REUTERS expected \$1.52.

Source: New York Times



## USA: WOLSELEY 3Q Results Continue To Slump; FERGUSON Faced Commercial/Industrial Woes

18 November 2009 -- Overall, WOLSELEY's third quarter revenue was down 13% compared to the same time last year. However, the majority of the Group's business units maintained or improved their market share in this quarter. The overall gross margin was 50 basis points down from the same time in 2008 and it is likely that this pricing pressure will continue.

As anticipated, net debt in the third quarter was higher at £1,223 million than in the second quarter (£959 million). The level of net debt is expected to be lower at the half year stage and should be further reduced by the second quarter in 2010.

According to Ian Meakins, group chief executive of WOLSELEY: "The overall trading environment continues to be extremely tough and we remain firmly focused on driving operational performance."

### **FERGUSON's Woes**

In North America, third quarter revenue was down 17% compared to the same time last year. Trading profit was down by around 44% reflecting lower profitability in FERGUSON. On a constant currency basis, revenue and trading profit were around 24% and 49% respectively, lower than the corresponding period in the prior year.

FERGUSON experienced a further decline in the Commercial and Industrial market in the third quarter due to continued shortage of funds for project financing available. However, most of the Residential markets are showing increasing signs of stabilization. Revenue in local currency for the third quarter was down around 26% and underlying trading profit excluding property profits for the quarter was down around 47%.

The gross margin was marginally lower compared to the first quarter of FY2009 and it is likely that the increasing pricing pressure will continue.

Local currency revenue for WOLSELEY Canada decreased by around 16% with trading profit down around 33% due to the lower level of sales and a lower gross margin.

Source: Supply House Times

## USA: KALDEWEI Creates Further Partnerships

KALDEWEI has added two independent sales agency partners that will call on architects, interior designers, mechanical contractors, hospitality developers, plumbing wholesalers, kitchen and bath showrooms and builders. THE WEINSTEIN GROUP will cover Washington, D.C., Delaware, Maryland and Pennsylvania. ESAR COMERCIALIZADORA SA DE CV will cover Mexico and the Dominican Republic.

Source: Bath & Kitchen Pro E-News



## USA: LAUFEN Creates Stunning New Exhibition, Visitor Center

18 November 2009 -- LAUFEN, Switzerland's largest bathroom manufacturer, announced the opening of Forum, its new visitor and exhibitor center. Located in Laufental in the canton of Baselland, Forum serves as a brand architectural statement and as a hub for inspirational bathrooms.

The structure is impressive at 21,325 square feet. It houses exhibition, presentation and training space in addition to LAUFEN's product displays. Visitors can even take a dip in the bathtub while exploring the many vignettes.

According to the company, Forum is LAUFEN's tribute to its product range, which has evolved three fold since its ceramic beginnings in 1892. LAUFEN created Forum as a stunning architectural backdrop for its bathroom collections for all to enjoy.

Forum is surrounded by LAUFEN's offices and production facilities. Basel-based architecture firm NISSEN & WENTZLAFF collaborated with LAUFEN's art department to come up with the design. Viewed from above, the building's layout resembles a well-known LAUFEN washbasin. Viewed from the ground, it resembles an organic sculpture cast in exposed concrete.

The building was cast in one piece, exactly like its ceramic model. The virtually windowless concrete structure is based on a design principle akin to that of bridge construction. The extensively projecting free-form structure is poised on a slope.

As a well-insulated and low-energy building, it operates on a low amount of extra heating via concrete core activation, a Swiss invention that activates the concrete of a structure by continuously circulating water (or a different temperature conductor) through flexible pipes that have been incorporated in the floors, resulting in an even temperature everywhere.

The reinforced concrete roof features 48 built-in sky lights, which play an integral role in the building's ventilation system. Lamellar vents are located between the retaining walls that separate the exhibition booths on the ground floor. Their dimensions are the same size as the skylights, which can be opened to let air into the building for a green air conditioning method.

Source: Supply House Times



## USA: The Return Of The American Consumer

1 November 2009 -- Back when markets were riding high, when home prices were setting records, unemployment was low and jobs were plentiful, consumer spending made up two-thirds of the U.S. economy. That means the spending decisions of consumers -- as opposed to the government -- determined what and how much U.S. businesses produced and how many people those businesses employed. Americans were spending enough to sustain our economy and plenty of other economies as well.

Even as the recession first started to unfold in December 2007, there was hope that consumers from other growing economies -- the Middle East, Russia, India and China -- would keep buying and traveling, sustaining the global economy until the U.S. consumer could return to the spending fold. But we underestimated our impact. There's no creature on Earth as determined to shop as the American consumer. Or at least, the prerecession American consumer.

The "new" American consumer is chastened, and we've pulled back so drastically that the government chose to step in with a massive stimulus package to make up for what consumers are not spending. It's all part of an effort to keep stores and factories open until consumers kick back in and start spending at prior levels. It's a noble effort, though one that has taken an already critical national debt and made it much worse, raising fears of higher interest rates and inflation in coming years. The return of the consumer will mean more jobs, more tax revenues, less government spending and lower debt. A strong consumer who spends seems like the best solution. However, there are many economists -- and many Americans -- who worry that we're pushing ourselves to resume the dangerous habits that helped push us into this recession.

Aboard the CNN Express, we logged more than 3,000 miles on our 45-foot motor coach, stopping in farming communities, industrial towns, urban centers, suburbs, exurbs, state fairs and college campuses to talk about the economy. The people to whom we talked spanned the socioeconomic spectrum, but they all had one thing in common: They are participants in the consumer-driven economy that makes up the United States. So how is the "new normal" really affecting people in the cities, suburbs and towns of America? Things have changed, yes, but have they changed enough? Can the once almighty American consumers get up off the mat and get the U.S. economy rolling again? And if they can, should they?

Consider what a few students at the University of Wisconsin-Madison had to say when we stopped there: "It's definitely nice to think we can live really well without buying new things and just saving and not using a credit card," said junior Julian Moncada, "but -- an I'm not afraid to say it -- I like to get things now; I like to spend money." Kelly Gauthier, who is getting her MBA, said Americans who have been conditioned to expect their "McMansions and SUVs" need to readjust their expectations -- if they haven't already: "We have to live more within our means." Matt Beemsterboer, a senior studying finance, agreed: "Moderation is something that, as a society we're not used to. We want to have as much as we can, as soon as we can."

But an alternative suggestion is emerging, based on what many consumers are actually doing. It's a "new frugality"; a change in habits imposed on us either by choice or by force. Short term, that's bad news, because right now we don't have anything to replace all of that housing-, credit-, and stock market-fueled spending. If we're stuck eschewing credit, and spending only the money that we are able to save, our economy could be stalled for a while. So whether we want it or not, we need the American consumer to bulk back up and reclaim her rightful place in the checkout line. So what's the



best way to achieve that?

If there is going to be a "new consumer," one who is more frugal, but who *does* still spend wisely, it's likely going to be one who:

- sees the value of his/her home increasing;
- sees the value of investments for leisure, retirement or his/her kids' education increasing;
- sees his/her income increasing, hopefully at a rate that outpaces inflation.

All three of those things don't have to be happening at the same time, but there needs to be a reasonable prospect of at least a couple of them happening. Most importantly -- and I heard this in every village, town and city I stopped in -- people have to feel secure about their job prospects and the promise of an ongoing income.

The new consumer is likely going to be more of a value player, looking for substance before style and focusing on needs before wants.

At the Missouri State Fair in Sedalia, Missouri, fair director Mark Wolfe told me about a new feature called "rural lifestyles," an exhibition touting that same new frugality. The fair featured presentations about growing your own vegetables (I'm told \$4 worth of tomato seed yield the equivalent of \$1,000 worth of store-bought tomatoes!) and canning what you grow. The idea: You can't control the housing market, the job market or the stock market; at least try to control what you can and maybe save some money at the same time.

Most Americans are not going to be able to switch to sustenance farming. (I suspect that if I planted \$4 worth of tomato seed, it would yield \$4 worth of mushy, failed tomato seed.) But we know that families are nesting: cooking, baking, computing and watching more from home. Prices for electronics continue to drop (a net book for every child?). Sales of cookware and kitchen appliances are up. Baking from scratch is back in, Rachael Ray's family meals for under \$10 are fashionable and, for the first time, many families are switching from the packaged household brands they've used for year to the cheaper but often just as good private-label alternatives.

Before buying new clothes, we'll be more likely to shop our closets and resurrect old forgotten fashions. We'll still go to the mall, but now we may spend our money on a few select novelty items, relieving the pent-up demand for shopping, or for things we need to fill a gap in a basic wardrobe.

The theme for shoppers this year has been the trade-down. Teen shoppers are deserting the Abercrombie & Fitches (conspicuous consumption) for the Aeropostales (value fashion), essentially leaving costly brands in favor of those their parent, who are paying the bills, would probably prefer. WAL-MART is giving the trendier TARGET -- the consumer and investor darling for years -- a serious run for its money, as parents themselves are looking for deals. At higher income levels, NEIMAN MARCUS and NORDSTROM shoppers are discovering KOHL'S, and those who insist on brand names are trying out discounters such as T.J. MAXX and ROSS STORES.

One thing to consider now: You may not see the holiday shopping deals this year that you saw last year. Retailers order their merchandise months ahead, and last year the downturn came too fast for most of them to trim their order to adjust for a much slower holiday season, so you saw blow-outs at high-end stores such as SAKS, which offered up to 70 percent off at one point. This time around, retailers have had the entire year to think about things. This season, they're just not going to have as



much inventory to mark down. I hope you took pictures of yourself at last year's holiday sales, because you may never live to see retail discounts like that again.

The "new frugality" (or rural lifestyles or whatever you want to call it), isn't just about saving money or controlling those things you can. To some, it's also about image. Getting a deal is more in vogue now than ever before. It's fashionable to shop for larger quantities at COSTCO, and to brag that you paid less than you would have buying the same things around the corner from your own home. Even those who don't have to are trying harder to avoid conspicuous consumption.

And the value proposition is working for large ticket items as well. Old-style stimulus was about cutting people a check, or a tax refund, and *hoping* they'd spend it in a way that benefits the economy. Now it's about rewarding people for purchases that have a direct and immediate impact on businesses and jobs. Take the first-time home buyers' tax credit that, combined with historically low mortgage rates and relatively low home prices, is helping to stabilize the housing market.

Another "stimulus" of sorts, "Cash for Clunkers" was such a blowout success that the initial billion dollars the government allocated for the program was quickly tripled. For up to \$4,500 cash back, hundred of thousands of otherwise frugal American -- they were, after, driving old cars -- traded them in for brand-new ones. The old American consumer may be injured and in hiding, but he or she can, it seems, be lured back out of the cave with the prospect of a good deal.

Of course, you do have to have money, or access to money via credit, in order to be a consumer. While the credit freeze at the highest levels (think BEAR STEARNS, LEHMAN BROTHERS, etc) is over, individuals, students and small businesses are still having trouble. Credit scores are still low and, while we're doing better, we're still not much of a saving culture. In fact, a few years back, when homes and stocks and wages were riding high, we saved less than nothing; the U.S. savings rate was actually negative. I mean, why would you need to save if your house value kept increasing? you could just refinance into one of those low-interest home equity loans the banks kept offering. Why would you need to save when your 401(k) or IRA was worth so much more every time you checked the balance? And why would you have to save when the unemployment rate was under 5 percent, jobs were plentiful and your raises were outpacing inflation year after year? Why would you have to save when everywhere you went people were offering you stuff for "No Money Down?" "Don't Pay a Cent!" and "No Interest for 2 years"?

Thankfully, we're starting to save again. We *need* to save more to protect us from this sort of recession happening again and to save us if it does. But we also *need* to spend, to create jobs and get jobs and pay taxes to pay down our record national debt. If we spend, businesses can produce more and hire more people to work at factories and stores. Those people can earn money and pay taxes and spend, and their spending can create more demand and more hiring and more prosperity.

Which need is more important? Can both needs be met? Maybe they can, once we, as individual consumers, have paid down enough debt and saved up enough money to feel comfortable spending again. Maybe then we'll reward ourselves for our discipline during this period of relative austerity -- with a new fridge or a family vacation. It'll help when house prices start to show some real gains, or when we've made back half the money we lost in the stock market or when we switch from monthly job losses to job gains.

The economy -- and the American consumer who held it up -- have both taken a beating. And they'll both recover. But the "new normal" may feel different. Perhaps, instead of buying a TV on cheap



credit and paying for it over a year, we'll save up and pay cash. Either way, I have a feeling we'll eventually get that new TV.

Source: Delta Sky Magazine



## USA: Survey Finds Efficiency Playing Second Fiddle Once Again

19 November 2009 -- Americans are once again preferring aesthetic home improvements over money-saving ones according to the latest Energy Pulse survey by SHELTON GROUP. A refinished kitchen or bathroom is higher on a homeowner's wish list than energy-efficient windows or a high-efficiency furnace, the study finds. Consumers are reverting to their old priorities as the recession wanes, the researchers say, perhaps at the expense of the environment.

More visible, exciting home improvement projects are on consumer wish lists, says Suzanne Shelton, whose firm conducted the study. "Anyone selling energy-efficient products must either focus heavily on the aesthetic or comfort aspects of their products or play up their environmental benefits in a big way."

The survey polled 504 Americans by telephone in September and asked: "Assuming you were suddenly given \$10,000 to make home improvements, which two of the following would you choose?" The top answers were:

- Refinish the kitchen or bathroom (37%)
- Replace carpet or add hardwood or tile (33%)
- Replace windows (31%)
- Replace HVAC/furnace (23%)

Last year's top answers were:

- Replace windows (35%)
- Replace HVAC/furnace (27%)
- Remodel kitchen or bathroom (26%)
- Replace carpet or add hardwood or tile (25%)

The survey also uncovered:

- Consumers are willing to watch their energy bills go up more than 70%, on average, before feeling forced to make energy-efficient home improvements. Respondents said their bills would need to go up an average of \$129 a month to make them undertake renovations.

Shelton described this phenomenon as the "Apathy Gap," or the price people are willing to pay to do nothing. "Here consumers are willing to waste more than \$1,500 a year, or more than \$4 a day, before they take action. For that same amount, a homeowner could install insulation or purchase one or two new Energy Star appliances to start seeing immediate savings."

- There is a lot of pent-up demand for solar power. The survey asked, "How likely would you be to buy a solar electricity system for your home, knowing that a mid-size system that would provide around 63% of the average household's electricity, costs \$35,000-\$40,000 that could be offset by a \$2,000 federal tax incentive along with additional rebates in many states."

Nearly 28% said they would be likely or very likely to buy such a system. Fewer than 1% reported they already had such a system.

This indicates a great potential market for solar, Shelton said. "Consumers have been waiting for



solar to become more accessible and more affordable. Now, with prices projected to fall even further, and with new federal tax incentive greater than they've ever been, solar power will be on the rise."

Consumers have good intentions, but not very good follow-through. SHELTON surveys over the past five years, including this year, show consistently large discrepancies between intentions and actions. Around 20% or more consumers say they are planning to get an energy audit, yet the percentage of U.S. homeowners who've actually gotten one has languished in the 10-15% range.

Shelton refers to home energy audits as the "colonoscopy" of energy efficiency. "Everyone knows they should get one, but too few actually do," she says.

Source: Supply House Times



## USA (& World): Study Suggests Rainwater Safe To Drink

13 November 2009 -- Researchers in a world-first study by Monash University in Australia found rainwater is safe for household use.

The study was led by Associate Professor Karin Leder from the Department of Epidemiology and Preventive Medicine in conjunction with Water Quality Research Australia (previously the Cooperative Research Centre for Water Quality and Treatment).

"Until now, there has been no prospective randomised study to investigate the health effects of rainwater consumption, either in Australia or internationally," Leder reports.

The study involved 300 volunteer households in Adelaide that were given a filter to treat their rainwater. Only half of the filters were real while the rest were "sham" filters that looked real but did not contain filters.

The homeowners did not know whether they had a real filter. Families recorded their health over a 12-month period, after which time the health outcomes of the two groups were compared.

"The results showed that rates of gastroenteritis between both groups were very similar. People who drank untreated rainwater displayed no measurable increase in illness compared to those that consumed the filtered rainwater," Leder says.

Researchers chose Adelaide as the location for the study since it is the city with the highest use of rainwater tanks in Australia.

In the announcement, Leder said some health authorities had doubts about drinking rainwater due to safety concerns, particularly in cities where good-quality mains-water is available.

"This study confirms there is a low risk of illness. The results may not be applicable in all situations; nevertheless these findings about the low risk of illness from drinking rainwater certainly imply that it can be used for activities such as showering/bathing where inadvertent or accidental ingestion of small quantities may occur.

"Expanded use of rainwater for many household purposes can be considered and in current times of drought, we want to encourage people to use rainwater as a resource," she said.

Source: Supply House Times



## USA: BOEING Lands in North Charleston

28 October 2009 -- North Charleston will be home to a new BOEING 787 jet assembly plant, ending a hotly sought-after deal that thrusts the state into the front lines of aircraft manufacturing.

North Charleston won the fiercely fought battle for a BOEING 787 aircraft assembly plant Wednesday, thrusting South Carolina onto the world stage of aircraft manufacturing.

The BOEING CO. will build the new line at its Charleston International Airport property instead of Everett, Wash., the nation's aviation nerve center and longtime home of the company's commercial airplane business.

The decision was announced after state lawmakers wrapped up a two-day special session in which they approved a rich basket of financial incentives for BOEING valued at \$450 million by state Sen. Hugh Leatherman, a Florence Republican who heads the Senate Finance Committee.

The aerospace giant would have to create at least 3,800 jobs and invest more than \$750 million within seven years to take advantage of the various inducements.

Tim Coyle, vice president of BOEING Charleston, said the company plans to break ground on the 584,000-square-foot expansion near its existing factory within the next few weeks. Work on the first locally made 787 Dreamliner is expected to begin in 2011.

BOEING had said previously that its stormy relationship with the International Association of Machinists was a key factor in its decision to look beyond its highly unionized operation in Washington. Last year, the union staged a damaging eight-week strike in the Seattle area that compounded the delays that have been dogging the 787 program for two years.

The company began taking a hard look at building the second line for its newest jet in North Charleston in August, meaning that the Dreamliner plant went from a dream to a reality in less than three months, said Senate President Pro Tem Glenn McConnell, R-Charleston.

It wasn't South Carolina's low unionization rate, the incentive deal or any other single factor that sold BOEING, McConnell and Leatherman said. Coyle agreed, saying BOEING considered the business environment, logistics and the infrastructure in North Charleston and Everett.

"Being able to deliver on schedule, the company decided two sites were better than one," Coyle said.

Leatherman said he expects the company to exceed its job and capital investment projections, not fall short.

Gov. Mark Sanford said he will sign the incentive legislation.

The deal comes at a time when unemployment is near a record high in South Carolina, with manufacturing particularly hit hard by the recession.

BOEING also could give a big kick to a small but promising industry for South Carolina, with many officials likening the prize to the BMW car plant that opened in the Upstate 15 years ago.



“Just as the similarly monumental BMW investment catalyzed a now extensive automotive presence across South Carolina more than 15 years ago, we believe BOEING landing decisively in North Charleston will spur on an already growing aerospace hub in our state,” Sanford said in a statement.

North Charleston Mayor Keith Summey called the BOEING deal wonderful.

“It’s the reversal of the shipyard closing,” Summey said, referring to the gradual shutdown of the Charleston Naval Base and Shipyard in the 1990s.

Doug Woodward, director of research and an economics professor at the University of South Carolina’s Moore School of Business, said the BOEING expansion will have a huge impact on the state by raising its global profile.

“BOEING is one of those rarefied companies which everyone knows and recognizes as a leader in the field, and to have that in South Carolina is an intangible benefit aside from jobs and income generated,” Woodward said. “It will help sell our state to other companies ... and I think it will put Charleston on a lot of people’s lists of the hottest places to be in 2010.”

The launch of the cutting-edge 787 — BOEING’s first new jet in more than a decade — is being closely watched within the aviation world. Unlike most large commercial airplanes, which are made from aluminum, about half of the Dreamliner’s structural components are a mix of epoxies and strong lightweight composite materials, such as graphite and carbon, to cut fuel consumption

Also, the major sections of the plane are being made by suppliers around the world and then flown to the Seattle area on giant cargo jets for final assembly. When the new line opens, some of those parts will be put together off International Boulevard.

BOEING needs a second production line for its long-delayed but fast-selling Dreamliner jet to ensure production gets back on track and to minimize penalties incurred from late deliveries.

After six delays in two years, the first test flight for the lightweight, all-composite jet is expected before the end of 2009. The first deliveries are expected in late 2010.

To date, 55 airlines have placed orders for 840 of the wide-body aircraft totaling \$140 billion, “making this the most successful launch of a new commercial airplane in BOEING’s history,” according to the company.

One reason Washington state did not win the line was an impasse between BOEING and the machinists union, which represents thousands of the manufacturer’s production workers in Everett. As the company evaluated where to build a second new production line, it sought a 10-year no-strike guarantee from the union. But those talks collapsed and efforts to revive them Wednesday were too late.

Production workers at BOEING’s local plant recently severed their ties with the union, which likely tilted the 787 line in South Carolina’s favor.

BOEING already makes rear fuselages for the Dreamliner in North Charleston, a factory it acquired over the summer from VOUGHT AIRCRAFT INDUSTRIES INC. in a deal valued at \$1 billion.



BOEING also owns half of a neighboring 787 supplier, GLOBAL AERONAUTICA, that works on mid-fuselage sections.

“Establishing a second 787 assembly line in Charleston will expand our production capability to meet the market demand for the airplane,” said Jim Albaugh, president and chief executive of BOEING COMMERCIAL AIRPLANES. “This decision allows us to continue building on the synergies we have established in South Carolina with BOEING Charleston and GLOBAL AERONAUTICA.”

The idea of losing the 787 line to South Carolina triggered panic in the Seattle area, where officials are still stinging from BOEING’s decision to move its corporate headquarters to Chicago in 2001. The concern in the Pacific Northwest now is that the company will be more likely to move more manufacturing jobs beyond Washington as it develops new planes or replaces existing jets.

State Rep. Chip Limehouse, R-Charleston, vowed Wednesday that South Carolina will be ready when that time comes.

“There will be potential for other aircraft to be built here.” Limehouse said.

Source: The Post & Courier - Charleston



## USA: Toilets

19 November 2009 -- In case you didn't know (and honestly, why would you?), Nov. 19 is World Toilet Day — an event hosted by the World Toilet Organization to raise awareness for the 2.5 billion people around the world who live without proper sanitation. But even for those of us with access to modern plumbing, how often do we really think about our toilets? From outhouses to water closets — even former MERRILL LYNCH CEO John Thain's \$35,000 "commode on legs" (technically a table, not a toilet) — humans have been devising creative ways to go to the bathroom since, well, the first person crossed his legs with an urgent need to go.

It's unclear who first invented the toilet. Early contenders for the honor are the Scots and the Greeks. Skara Brae, a Neolithic settlement on the Scottish mainland dating back to 3,000 B.C., features stone huts equipped with drains extending from recesses in their walls — a feature that historians believe were for residents' bathroom needs. The Palace of Knossos on Crete, built around 1,700 B.C., features definite latrines: large, earthenware pans connected to a water supply that ran through terra-cotta pipes. Europeans had nothing of comparable sophistication until well into the 16th century.

Ancient Rome is famous for its public bathhouses — the Baths of Caracalla are six times larger than St. Paul's Cathedral and could serve 1,600 people at once — and the Roman commitment to hygiene didn't stop with just bathing. At one point Rome boasted 144 communal lavatories. The city's giant toilets, with their long, benchlike seats, were not used every day; for the most part, Romans threw their waste onto the streets.

Medieval England wins the gross-out award for its invention of the castle garderobe — a protruding room with a tiny opening out of which royalty would do their business. The garderobe was usually suspended over a moat that collected all manner of human discards, making for a particularly uninviting hurdle for an invading army. Peasants and serfs relieved themselves in communal privies located at the end of their streets, or in the case of those living along the London Bridge, right into the River Thames.

Garderobes and public toilets were eventually replaced with something slightly more recognizable to the modern-day defecator: a box with a lid. France's Louis XI hid his toilet behind curtains and used herbs to keep his bathroom scented; England's Elizabeth I covered her commode in crimson velvet bound with lace.

In 1596, England leapt into modern sanitation when Sir John Harrington, godson of Elizabeth I, published *Metamorphosis of Ajax*, in which he described a new kind of water closet: a raised cistern with a small pipe down which water ran when released by a valve. The Queen installed Harrington's invention in her palace at Richmond, but it took another 200 years before a man named Alexander Cummings developed the S-shaped pipe underneath the basin to keep out foul odors. At the end of the 18th century, the flushable toilet went mainstream.

In the 1880s, England's Prince Edward (later to become King Edward VII) hired a prominent London plumber named Thomas Crapper to construct lavatories in several royal palaces. While Crapper patented a number of bathroom-related inventions, he did not — as is often believed — actually invent the modern toilet. He was, however, the first one to display his bathroom wares in a showroom, so that when customers needed a new fixture, they would immediately think of his name.

Bathroom technology really took off in the 20th century. Flushable valves, water tanks that rest on top



of the bowl rather than above, toilet-paper rolls (invented in 1890 but not heavily marketed until 1902) — these minor improvements seem like necessities now. And if you think the toilet hasn't changed recently, think again: in 1994 Congress passed the Energy Policy Act, requiring common flush toilets to use only 1.6 gallons of water, less than half of what they consumed before. The "low flow" law left a lot of consumers dissatisfied (and a lot of toilets clogged) until companies developed better models, many of which — if we're lucky enough to be counted among the 60% of the world's population with access to proper sanitation — we use today.

Source: Time Magazine