Trade News

July 2018

President's Message

Michelle St. John
Industrial Bolt & Supply
Auburn, WA

In lieu of her July President's Message, here is Michelle's Region 8 Report.

Region 8 may have breached its construction boom crest, but it continues to ride the growth wave with 2018 construction spending predicted to again outpace the national average (6% NW vs. 5% U.S.). According to a report by DDA, the Puget Sound area tide responsible for most of the Region's construction surge experienced an 11% dip in total construction starts versus 2017. Fending off fears of a post-construction bust amid a 54% drop in commercial starts, residential starts are up 42%, nearly matching prior year non-residential values. Predictably, Seattle's crane count is down to less than 50 for the first time in two years, but is still the greatest of any U.S. city, boosting Washington States' construction employment by nearly 12k jobs (+5.9%) in the last 12 months with another wave anticipated this summer as construction starts on four multi-billion dollar projects: the **Sound Transit East Link Extension**, the **Spring District Multi-Use Development**, the **Sound Transit Link Light Rail** extension, and ongoing **Alaska Way** tunnel project.

Oregon, hard hit by the recession, ranks 6th in percentage of gain (7.4%) among U.S. states for construction jobs added in the last 12 months with more than 7k jobs.

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STAFDA Board of Directors Reports

At last month's Mid-Year Board meeting, Directors were asked to comment on business conditions in their region. Here's a summary of what they're seeing:

Region 1: Brian Gersten, On Time Supply, Inc., Suffern, NY: The Northeast region came out of one of its wildest winter seasons with many irregularities. We endured much lower than normal temperatures and a major increase in the number of snowfall events, 24 events to be exact with 74" of snow (37.8" of snow was dropped in our last event in March). To say the least, contractors and distributors had a very difficult time conducting their respective businesses.

In 2018, its expected Real Gross Domestic Product (GDP) growth will be 2.1%, the unemployment will further improve to 4.6%, and inflation will be 2.3%. Construction is expected to grow almost 5% nationally in '18, which is a bit higher than 2017. Single-family homes will experience the most growth at 9% and multi-family dwelling starts are said to decline with a 1% drop. Education and Public Buildings will both grow approximately 6% with a 4% increase that will be seen with Non-Residential. Non-Building is expected to grow 4% led by growth in the Roads and Bridges market (6%).

Overall construction costs are expected to increase another 2-3% in 2018 led by 3-4% higher construction labor costs. Material costs are expected to uptick another 2-3% with gypsum products expected to show the largest price increase (6-7%) followed by cement, aggregates, concrete, and lumber, all in the 3-4% range. The tariffs of up to 25% on foreign steel and 10% on foreign aluminum **President Trump** said he'll enact will push up domestic prices even further, reaching levels we haven't seen in decades. This will impact everything from rebar, nails, nuts, bolts, to threaded rod.

The Northeast is expected to stay around 3% growth for 2018. The performance is below national figures mostly due to declines in New York City, Boston, and some of the larger markets. On top of that, the largest end-market in this region – multi-

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New Members

Please be sure to visit the members-only section of STAFDA's website, **www.stafda.org**, to get detailed information on the following members.

Distributor

Burggraf's Hardware – Grand Rapids, MN

Associates

Pneu. Tubing, Hose, Fittings, Hose Reels
Advanced Technology Products – Milford Center, OH

Overhead Lifting, Rigging Prods., Below-the-hook Devices
Bison Lifting Equipment – Fairview, NJ

Quick Connect Prods., Hydraulic Hoses
CEJN Industrial Corp. – Gurnee, IL

Composite Wrap Pipe Leak Repair & Rehab Prods.
InduMar Products, Inc. – Houston, TX

Heat Shrink Terminal & Tubing, Crimping & Heating Tools
National Standard Parts Associates, Inc. – Pensacola, FL

Safety Footwear Accessories
Swenco Limited – Waterloo, ON

Hand Chain/Lever Chain Hoists, Beam Clamps
Tiger Lifting North America, Inc. – Gonzales, LA

Rep Agents

Beal Enterprises – South Pasadena, CA
Mayhew Marketing Group – Las Vegas, NV

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family housing – is expected to decline 2% together with hotels (-3%). Infrastructure, the second largest end-market, is expected to be stable. Good growth is expected in the single-family (10%) and industrial (11%) markets.

Many contractors are seeking sustainable construction and energy efficient materials. Sustainable building appears to be a bright spot in the sector with nearly half of builders reporting its ability to give them a competitive business advantage. Four out of five contractors report customers are requesting energy efficient materials and for most contractors, green building experience is critical to finding new project work in the government, education and healthcare sectors.

The **New York Building Congress Committee** forecasted $45.3 billion in New York City construction spending in 2017, a 13% decline from 2016 but still the second highest total in New York City history. The Committee expects a rapid return to last year's mark with $52 billion in construction costs estimated for this year.

With so many active projects in the tri-state area, many local and state governments are working together and from a construction standpoint, New York City and the Northeast have had the most productive two years in history all while steel prices have risen dramatically.

Contractors are in their busiest months of the year and while confidence is high, it's tempered by a narrow pipeline and lack of workers. Nine out of 10 contractors report a skilled labor shortage. These results affirm over 12 months of data showing skilled worker shortages haven't improved the commercial building sector – an important corner of the Northeast and the U.S. economy.

Region 2: Sean Baird, Hampton Roads Fastener & Construction Supply, Virginia Beach, VA: The Mid-Atlantic Region continues the very positive business trend which began in 2016. The attitude among most distributors and vendors is very energetic. Most all members are experiencing either better than prior year sales if not on pace for a record breaking sales year. Everyone is at maximum capacity and in need of additional personnel.

At this time, there appears to be no slowing down of activity for the near future. Building permits are up and on an increasing trend. Major commercial construction projects are being sent out for bid every month and don't appear to be slowing down. Hopefully, this will turn into approved projects and keep the activity up. All metro areas have an array of major projects going on. Baltimore/D.C. area is booming. The Metro line in putting in a new line in Maryland. Richmond, VA, has a $1 billion **Facebook Data Center** starting up. The natural gas pipeline in Pennsylvania was approved but has been stopped by the courts. There are power stations and an energy station being built in Pennsylvania. A bridge replacement in New Jersey. In the region, there are hundreds of convenient stores, hotels, office space, warehouses, roads, and some type of new work going on every block.

There are three areas of concern for 2018 from distributors. The first is the escalating costs on steel and wood. There doesn't seem to be an end in sight for these increases. For one distributor, their cost for wood has doubled in the last year. The steel mills are quoting pricing that is good for one day to the manufacturers of steel goods. The steel goods manufacturers are quoting pricing to distributors that is good for one week.

The second big concern is the lack of qualified labor. This has been an ongoing problem but has really been magnified due to the increase in overall business activity. Many associations are trying to develop a workforce through organized programs. The **Association of General Contractors (AGC) of Virginia** currently has 800 students in six different trade apprentice training programs. The AGC is active in safety training and various construction management programs. They have even started a "Build Your Future Virginia" with programs focused on the middle to high school students.

The third concern is the rising transportation costs. The new law regulating drivers hours through electronic logs has created a driver shortage resulting in longer delivery times and higher costs.

2018 so far has been a challenging year and very busy for all members. Although there are many new hurdles to clear, the positive energy among the members is very apparent.

Region 3: Jeff Brown, Colony Hardware, dba Brinker Brown Fastener & Supply, Ft. Myers, FL: Like the majority of the country, the Southeast is experiencing unprecedented growth. In fact, growth is so rapid many states are having trouble finding enough qualified workers to keep up with the demand for construction services.

Last year, Florida and Georgia added the third and fourth most construction jobs in the country, respectively, with Florida adding nearly 35,000 and Georgia at almost 14,000. Construction costs are increasing rapidly, with steel (up 13% YOY), lumber (up 15% YOY), and concrete seeing large jumps in their prices. This may be a result of tariffs that have either been enacted or the threat of said tariffs. The threat of a trade war, however, has done little to dampen the boom in the Southeast. What some are calling a "Trump effect" may be boosting the region's new construction projects as lower taxes have increased building opportunities.

Several hurricanes devastated the region in 2017, especially in Florida and Puerto Rico. Hurricane Irma is said to have caused upwards of $50 billion in damages which is an astonishing amount, and one of the worst natural disasters in terms of economic cost this millennium. The effects of Irma can still be seen in Collier County (Naples and Marco Island) with blue tarps on many homes. As a result, the roofing business has seen an immense boom the past year. While the economic cost of Irma was unprecedented, the aftermath of Maria was even worse for Puerto Rico. The category 5 storm destroyed the entire electrical grid and much of the infrastructure in Puerto Rico and is estimated to have cost the small island nearly double that of Irma.

According to **Oldcastle's 2018 North American Construction Forecast Report**, every state in the region is projected to experience growth this year. Mississippi is forecasted to experience a massive 13% increase in construction projects, and leads in percentage of growth. Most metropolitan areas are expected to see increases in new construction starts in 2018 and beyond. Birmingham, AL, is expected to see a 13% increase in construction activity, the highest percentage for a metro area in the Southeast. Perhaps most stunning is the massive drop-off in growth in Miami. In 2017, the city saw 18% growth; compared to this year's 0%. With an overabundance of luxury high rise condos in the city, there is said to be a five year supply remaining on the market. There were 2,067 condos listed on the market last year for over $3 million, and a total of 681 were sold. This could be a huge factor as to why the construction market in Miami took such a dramatic nosedive. It's not all bad news for Miami, however. The proposed **American Dream Miami Mall**, recently approved by Miami-Dade county commissioners, would be the largest mall in the U.S., the most expensive mall in the world, cost an estimated $4 billion, and sit on a 174-acre site. Atlanta saw new home starts increase by as much as 17% last year. According to sources, that number is said to be sustainable through 2018 and beyond. Charlotte's development boom doesn't show any signs of stopping either. With rising populations in the city center, and nearly triple the amount of people that lived in the city in 2003, there is massive demand for every type of construction. The Nashville division of Metro Planning has seen more permits for buildings four stories and above in the last year than in the previous 14 years. The future of the Southeast, as well as the industry as a whole, looks extremely promising.

Region 4: Greg Hughes, Kinnunen Sales & Rentals, Stillwater, OK: Distributors and Manufacturers Representatives are very optimistic about the regional construction numbers as we move into the second half of 2018; with increasing oil prices comes lower unemployment rates, increased consumer confidence and as a result, increased construction spending. Oil prices over the past 12 months have experienced steady growth from $45.64 in June 2017 to $65.69 in June 2018. Although a far cry from what this region saw in 2014, we are still enjoying the increase which in turn builds confidence in a region that relies heavily on that commodity. With U.S. construction spending expected to grow 5%, Region 4 or the South as a whole is expected to top that list with estimated growth figures at 6%. Texas is forecasted to have the strongest growth at 10%, Oklahoma 9%, Arkansas 5%, and Louisiana remaining somewhat flat. Also included are the Top 50 MSAs for metro areas including Oklahoma City at 17%, Houston at 14%, San Antonio at 13%, Tulsa at 12%, and Austin at 7%.

The National Unemployment Rate from April currently stands at 3.9% and Region 4 is following closely with Texas at 3.8%, Louisiana 4.5%, Oklahoma 4.0%, and Texas at 4.1%. Texas remains strong as one of the leading states in terms of percentage job growth and new construction projects added over the previous year. Notable projects are: the **George Bush Intercontinental Airport** (4B); which includes the **Mickey Leland International Terminal** (1.5B), **General Motors Plant Expansion** (1.4B), **American Airlines Headquarters** (300MM), and the **Facebook Ft. Worth Data Center** (531MM).

Arkansas continues to invest in their roads with the I-630 and the I-30 projects as well as other notable projects like **St. Bernard's Medical Center** in Jonesboro estimated at 75MM. As a whole there may not be as many noteworthy projects that others are seeing, but distributors we talked to are having a great year and are very optimistic about the second half of 2018.

Louisiana is definitely facing some construction challenges however there are some bright spots in the LNG markets with the **Cameron LNG Project** (10B) and the **Sasol Plant** in Westlake (11B); as well as the **Coastal Protection and Restoration Authority Projects** that will be surfacing soon. Project estimates range from 1.2B for the **Mid-Barataria Diversion** project and the **Mid-Breton Diversion** (600MM). Also breaking ground is the 460MM redevelopment of the 33-story **New Orleans World Trade Center** tower into **the Four Seasons Hotel and Residence**.

Oklahoma continues to invest in wind energy with the largest U.S. project in the Oklahoma panhandle (4.5B) as well as transportation with I-40 (130MM), **Gilcrease Turnpike** (220MM), **Turner Turnpike** (150MM), and the **Kilpatrick Turnpike** (150MM). Also in development is the **Oklahoma City Convention Center** and new **Omni Hotel** (600MM).

Region 5: Steve Bailey, Bailey Tools & Safety, a Total Tool Co., Louisville, KY: Overall construction in Region 5 is strong and will maintain a steady pace. Contractors in almost all types of services expect continued growth in both commercial and industrial projects, this includes new construction and expansions. The positive growth is seen in the public and private segments with the current economic conditions and consumer confidence driving the trend. The biggest challenge in all markets continues to be the lack of skilled labor. This shortage is causing contrac-

tors to invest heavily in technology for the purpose of improving efficiencies in all aspects of their business. Another focus for firms is workforce development and safety awareness as many of the workers available are novice or lacking the basic skills of the trades. Companies are also facing an increase in wages and benefits in order to attract the experienced worker who is in high demand. Wages for the construction worker are expected to rise between 3 – 5 % dependent on the trade and industry. Other challenges include an increase in competition which tends to drive down pricing and impact the contractor's bottom line. State and local regulations have been a growing hurdle for all projects. These regulations slow down the pace of the jobs and add to construction costs.

Wisconsin continues to see growth in most construction segments. Pipeline construction will be led by the $8 billion dollar investment in the **Line 3** replacement project. The job includes the replacement of close to 400 miles of oil pipeline in the U.S. from Canada. Alongside this project will be other multi-billion dollar expansions of oil refineries in the area. Green Bay is preparing for a $500 million dollar paper mill to start this September with expected completion in 2021. Wisconsin was also able to secure and keep the **Oshkosh Corporation's** headquarters resulting in not only new commercial construction activity but also a large infrastructure spend. Appleton will receive an economic bump with the announcement of the U.S. **Venture** headquarters. This project will be followed by numerous infrastructure jobs resulting in several years of work. The biggest construction news for southeast Wisconsin is Taiwanese electronics manufacturer, **Foxconn**, breaking ground on a new plant in Pleasant Prairie after receiving a controversial $4 billion package of tax breaks and other incentives. Foxconn is promising to hire 13,000 workers and place its North American corporate headquarters in Milwaukee. The company said it'll spend up to $10 billion on the new plant.

A new bio-fuel refinery plant is planned in Michigan on the site of an old paper mill in Ontonagon. The $300 million dollar project will begin later this year and last approximately three years. Road projects in Michigan will also add to the construction spend with several billion dollars of work currently on the calendar. The construction segment is expected to add an additional 5,700 jobs to the workforce in the state for 2018.

Indiana will benefit from the redevelopment of the **GM** stamping plant in Indianapolis which should start later this year. The $550 million dollar project will include residential structures, commercial and retail space covering the 103 acre site. Other projects include government buildings in several major cities and infrastructure spending in excess of $4.7 billion for new roads and bridges throughout the state.

Medical facilities along with the tourism and hospitality industries lead the way for many projects around Kentucky. New hospitals continue to be built while others expand and remodel adding several hundreds of millions to the state wide construction spend. Hotels are still coming out of the ground in Louisville to support the expanded and renovated convention space downtown. Kentucky tourism also supports the liquor industry with new distilleries being built and large welcome centers added to many of the popular bourbon brands.

Worker safety remains to be on the forefront of all contractors with new regulations being put in place along with the need to protect the inexperienced worker. OSHA has made its presence known on all size projects and will continue to influence the attitude of the contractors. Training is key and investments in personnel and programs from the builders will continue for the next several years.

Region 6: Dan Esch, Esch Construction Supply, St. Paul, MN: I spoke with distributors, manufacturer representatives, association directors, and contractors and compiled the following construction market information from Region 6:

Construction activity is strong but tough weather including snow and cold contributed to a slow construction start to the year. Most distributors are reporting flat to small single digit sales increases through May of this year compared to last year at this time. Nearly all are very optimistic about levels of business activity for the balance of 2018. Construction starts for 2018 in Region 6 show growth in the chart below:

Dodge Data - Construction Starts in $ by State for Region 6

Region 6 States	2017	2018	2019
Iowa	$8,361,000,000	$10,444,000,000	$9,647,000,000
Kansas	$5,222,000,000	$8,193,000,000	$7,497,000,000
Minnesota	$12,466,000,000	$15,475,000,000	$12,473,000,000
Missouri	$11,160,000,000	$15,185,000,000	$12,791,000,000
North Dakota	$2,161,000,000	$2,647,000,000	$4,063,000,000
Nebraska	$5,786,000,000	$6,509,000,000	$6,647,000,000
South Dakota	$3,016,000,000	$2,793,000,000	$3,717,000,000
Region 6 Totals	$48,172,000,000	$61,246,000,000	$56,835,000,000
U.S. Totals	$759,149,000,000	$783,857,000,000	$780,184,000,000

(Source: *Dodge Data & Analytics,* Second Quarter 2018)

Total growth for Region 6 Construction starts in 2018 over 2017 is +27%. Growth rates for construction starts are positive in non-residential at +34%, residential at +9%, and non-building (civil) at +42%. Forecast for 2019 show construction starts slowing in many Region 6 states.

Economics: Employment is at or very near full capacity. Here is a list of construction employment figures for May 2017 vs May 2018.

# of Employees in Construction by State May 2017 - May 2018

State	May 2017	May 2018	12 mo. % Change
Iowa	78,300	76,700	-2%
Kansas	60,100	60,100	0%
Minnesota	115,400	122,400	+6%
Missouri	118,400	121,200	+2%
North Dakota	30,500	26,200	-14%
Nebraska	51,100	52,900	+4%
South Dakota	22,700	24,200	+7%
Totals	**476,500**	**483,700**	**+2%**

(Source: *U.S. Bureau of Labor Statistics,* May 2018)

Wages, hiring practices, and workforce development: AGC reports average hourly earnings in construction climbed to $29.33, a rise of 2.9% from a year earlier. Distributors and contractors report that attracting qualified new employees is their number one challenge. Recruitment efforts include: paying employee referral bonuses; hiring recruiters; and a more active use of online tools like **LinkedIn** and **ZipRecruiter**. The lack of qualified candidates is putting upward pressure on wages. Employee retention is a key focus and includes more paid training, employee recognition, free lunches, and culture improvements. Workforce development efforts by construction associations are growing and gaining momentum at the legislative level in Minnesota and other states.

Other important notes and concerns from STAFDA distributors: STAFDA distributors are concerned about rising interest rates. Prime interest rate is up to 5% (4.25% one year ago) and expected by many economists to rise another half point in 2018. Online price-based competition continues to put serious pressure on profit margins. Increased price of fuel and concerns about further increases was raised by several distributors. Construction material tariffs have contractors and distributors concerned about possible adverse effects on overall construction activity. Outside sales representatives find that getting facetime with buyers is more challenging than ever. There is a positive outlook on new tax relief legislation. New deductibility rules for certain expenses like entertainment will change how business is conducted.

Large Projects: Minnesota Dept. of Transportation plans a record $1.2 billion spend on roads and bridges in 2018; a $1 billion **Facebook Data Center** in Papillion, NE; **Cerner Corp.** in Kansas is in the fourth year of building a $4.5 billion campus; a $2 billion **Southwest Light Rail** project in Minnesota is expected to start by year end.

In Summary: Overall STAFDA distributors and representatives are optimistic about our industry and the state of distribution. More focus than ever is on training employees to be more efficient and better serve our customers. A continued emphasis on providing solutions drives STAFDA members to find innovative products and services. To leverage those efforts, STAFDA members are reporting that they will be sending their people to our Convention in Phoenix, October 28-30.

Region 7: Linda Trotter, Bright Bolt Enterprises, El Paso, TX: Among the states in the Rocky Mountain Region, employment growth has been mixed, with the strongest gains in Colorado and Utah. Unemployment rates reported by the Bureau of Labor Statistics are: Colorado, 2.9%; Utah, 3%; Wyoming, 3.8%; Arizona, 4.9%; and New Mexico, 5.4%.

Colorado continues to experience strong and consistent growth. Denver and the surrounding area's construction market continues to be very robust with an emphasis on multi-unit housing. Construction starts are expected to climb 7% this year with a 10% rise in residential work. However, the lack of housing affordability threatens to slow growth. The **Denver International Airport** is starting a three year, $1.5 billion, gate expansion of all three concourses. The **Gaylord Rockies Resort and Convention Center**, an 80-acre property, is scheduled for completion at the end of 2018. There is also a $237 million I-25 expansion underway.

In New Mexico, a new **Facebook Data Center** (located in Los Lunas), is projected at $250 million for the first phase alone and is expected to be fully operational by the end of 2018. There is potential for five additional phases and could include hiring up to 300 employees over the next seven years. The new **Albuquerque Complex of the National Nuclear Security Administration**, a $174.7 million project is expected to begin in July. The 333,000-sf structure is expected to be finished in the summer of 2022. **N3B** was awarded the legacy $1.3 billion cleanup contract at **Los Alamos National Laboratory** by the **Department of Energy**. The contract will bring a wide variety of jobs to Los Alamos. The Permian Basin located in West Texas and Southeastern New Mexico, which includes Hobbs, Carlsbad, and Artesia, is expected to become the third-largest oil producing region in the world. The ***Houston Chronicle*** reports research shows the Permian Basin is on track to produce more oil within five years than any OPEC nation except Saudi Arabia.

Arizona's economy is very good although it still hasn't reached pre-recession levels for employment and construction spending. Notable jobs include the **Sky Harbor Airport/Sky Train project** in Phoenix which is reported at $186 million. The 855,000 sf **Amazon Fulfillment Center** in Tucson is expected to add $600 million to the regional economy and bring 1,500 jobs over the next five years.

Wyoming is gaining momentum in their economy now that oil production is rebounding and gas plants are upcoming. Distributors remain positive and report increased growth.

Utah's construction industry continues to forge ahead with a number of large projects underway. The **Utah Department of**

Transportation lists its largest project as I-15 Technology Corridor, a $450 million project which started this spring. Distributors and manufacturers' representatives throughout Region 7 voiced an optimism about new construction, increased sales, and continued strong economic growth throughout 2018.

Region 9: Al Talbot, Western States Tool & Supply Corp., Hayward, CA: STAFDA members across the far west continue to enjoy strong markets in most industry segments. Double digit sales growth was the norm for most members in Q4 2017 and continued in Q1 2018.

"Mega" projects continue to dominate the region: Rail and highway, sports venues, airports, hospitals, and utilities all have major projects under construction or planned in California, Nevada, and Hawaii. Housing markets, both single and multi-family remain relatively strong as well, although monthly housing starts in the last two quarters have been sporadic. "Affordable" housing continues to be in huge demand, but is problematic, particularly in California due to building, zoning, and environmental restrictions. This will likely be exacerbated by rising interest rates and tighter financing requirements in the future. Warehouse and mixed use retail/residential high rise construction starts are up substantially YOY. Office vacancy rates are at historic lows in many areas as well, with San Francisco and Oakland having the lowest vacancy rates in the country at 5-6%. Tech giants **Facebook**, **Google**, **Amazon**, **Microsoft,** and others are leasing and developing space throughout the region at unprecedented rates. Several major commercial and residential high rise developments are under way in greater Los Angeles and San Diego.

The continuing constraint to current, and more importantly, future activity in the region is the labor shortage across all trades and supervisory roles. Signing bonuses are becoming prevalent in some markets. Restrictions on H-2B visas are compounding the issue and a construction industry source stated, *"There is a war for talent on all levels."* Material and labor cost increases further hamper continued growth. An average 3.5% rise in construction wages was reported for April and raw material and commodity price increases are escalating. Tariffs are adding to these pressures. Labor and material cost uncertainties are creating "headwinds" for the construction industry and causing concern for near term growth prospects. Offsetting some of these concerns is the increasing use of technology throughout the construction industry. This will continue and accelerate as Millennials advance in their careers and assume greater management and decision making responsibilities. This is borne out of the fact **ALL** Baby Boomers will be 55 + by 2020. Furthermore, technology is increasing efficiencies in all AEC tasks and accelerating a transformation of the industry.

With these facts in mind, we would expect that the near term will remain quite strong while the longer term appears somewhat clouded.

Region 10: Marc Krofchick, Crispo Canada, Inc., Bolton, ON: Trending now is the on-going negotiations of NAFTA which seems to change daily and the potential for more tariffs between Canada and USA will certainly start to take its toll on both economies. But as of June 10, 2018, here's the economy in review:

Canada's Real GDP is at a current level of $1.771T up from $1.722T one year ago. This is a change of 2.87% from one year ago. The unemployment rate in Canada stood at 5.8% in May 2018.

After hitting a 20-year high last year, overall Canadian retail sales growth has eased off in recent months. For the three months ending January, total sales were up 5.3% YOY. While still quite respectable, this is down from the 6.7% increase recorded for the same period in 2017. The underlying 12-month growth trend has now gone flat and is likely to weaken further. As well, the three-month growth trend has been declining since mid-2017.

Retail sales for Q1 '18 gained 3.9% YOY which, in the big scheme of things, is on the low side, but not a complete disaster, says **Ed Strapagiel**, a retail consultant. Nevertheless, it's the lowest growth quarter in about a year and a half and the same thing seems to be happening in most retail sectors and retail business types. The top performers were electronics and appliance stores at 14.9% and building material and garden equipment/supplies dealers at 7.5%. Canadian eCommerce sales were up 14.8% YOY in the quarter. While this looks like a strong gain, it's actually down from the 27.4% annual increase recorded for 2017. While it still remains high, it appears that eCommerce retail sales growth may be slowing down.

Spending on home renovations is down 7% to about $11,000 – the lowest in five years – as more homeowners focus on home maintenance and repairs, finds the annual ***CIBC Home Renovations Poll***. The study revealed nearly half of homeowners do plan to renovate, they're just focusing on lower cost projects this year. In western Canada, there will be fewer big ticket renovations than two years ago. Popular projects out west include budget-friendly quick fixes such as painting, flooring, and general repairs. Homeowners aged 55+ would prefer to stay put and renovate their current home than sell it and move elsewhere. Boomers plan to spend about $10,800 on average, down 36% from $16,800 last year.

Investment in residential construction increased by 8% to $30.5 billion in the first quarter of 2018 compared with the same quarter in 2017, says **Statistics Canada**. All components, with the exception of mobile homes, contributed to the quarterly year-over-year increase in spending on residential construction. The growth was led by spending on apartment buildings, which accounted for 39.5% of the total increase, followed by investment in renovations.

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According to the **Oregon Office of Economic Development**, concern over housing affordability is predicted to wane as the Federal Tax Cuts and Jobs Act induces companies to hire and incomes to increase, encouraging new construction to follow. While the construction sector may be responding slowly, logging, mining, food processing, metals, and machinery manufacturing sectors are expanding and are prime for MRO distributors.

Idaho continues to enjoy steady economic growth with construction sector employment outpacing the U.S. (at 6.3%) with 2,800 jobs and a healthy pipeline of public sector projects including new school construction and two major road projects this year, plus the ongoing development of Boise's downtown core, according to **AGC of Idaho**.

Montana and Alaska continue to face economic challenges that limit their post-recession construction sector growth. The **Alaska DOL** reports the state is still in a recession with only 600 new construction jobs added in the last 12 months. **AGC of Alaska** reports the petroleum industry recovery will encourage some construction spending; without which, overall spending would be down. Still, Alaskans are hopeful 2018 marks the start of a turnaround. Montana's housing market continues to flatten out while new construction has not recovered to pre-recession levels. The upside, amid devastating ag-sector draught and wildfires, is the demand for Montana forest products and an increase in prices which should signal a rise in production and opportunities for MRO distributors selling into mills.

With growth, comes growing pains which include the chronic demand for skilled workers and quality labor throughout the supply channel — a concern that has surpassed taxes as the most cited issue for small businesses due to the economic impact of inflated recruiting, training, and retention costs on top of premium wages being paid for unskilled workers. States are responding with education and trade development programs, but for now, the cost of developing labor largely rests with the employer. Cost management remains an ongoing challenge for distributors who anticipate tariff-induced price increases and invest in technology as they endeavor to defend their wallet share and satisfy customer demands, conditioned by e-retailers, for effortless, expedient, low price, high-quality supply. Distributors threatened by the predatory nature of these players are fighting back by exploiting de-digitized services that augment customer profitability in areas where online giants fail.

Germane to all Region 8 is a pragmatic sense of optimism fueled by a supportive economy, strong consumer confidence and spending, the 2017 tax reform bill, and the prospect of an infrastructure package; an environment poised to promote future, although slower, industry (construction) growth, through the balance of 2018 and into 2019.

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British Columbia posted the biggest gains in spending on residential construction, followed by Quebec. Saskatchewan was the only province to post a quarterly year-over-year decline, mainly due to reduced spending on single home construction, down $34.3 million compared with the previous year.

83% of Canadian shoppers made an online purchase from an international retailer, indicating a need for competitive prices and priority international shipping, says the ***UPS Pulse of the Online Shopper*** study. While online shoppers still find value in shopping at physical stores, higher prices and lack of product availability are driving Canadians to shop internationally, more so than all the other countries surveyed.

Member News

Hahn Systems, Indianapolis, has announced **Spencer Jessee** as their new VP of Revenue and Market Strategies. He has over 29 years of fastening industry experience and will focus on building customer and vendor engagement for both Hahn Systems and its parent company, **Descours & Cabaud**.

Patrick Kearl has joined the sales team at **Champion Cutting Tool Corp.**, Rockville Centre, NY. He has over 20 years of industry experience, most recently with **Relton Corp.**, and will serve Champion's distributors and their customers in Southern California and Clark County, Nevada.

Wanted: New Reps

STAFDA has a unique opportunity for associate members looking to add new, qualified rep agents to their team. Log into the members-only section of **www.stafda.org** and hover over the **Member Benefits** tab. From there, click on the **Rep Leads** link. Manufacturers can download a brief PDF form where they can describe their company and coverage needed. Simply return the form to STAFDA HQ, and it will be uploaded to the website for 45 days. There's no charge for this service.

Reps: Be sure to check the page frequently for new lines. Contact the manufacturers directly to discuss the details.

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