



While there are some indications of an improved economic condition in 2012, the outlook for construction remains guarded. Falling home prices, pending foreclosures and disciplined lending continue to challenge a stronger recovery of the U.S. economy. Overall construction spending has declined over 25% since the end of 2008. Public construction has declined almost 10% while private construction has fallen by more than a third. A majority of this differential was driven by the lack of construction financing opportunities. While power construction and health care are sectors likely to continue to see expansion in 2012, greater access to financing is critical to the recovery. The McGraw Hill Construction forecast for 2012 predicts that construction starts will be near \$412 billion, 4% less than the forecasted level for 2011. However, some positive signs can be seen in construction unemployment over the past three years as the average annual construction unemployment rate in 2011 was 16.4%, down from 20.6% in 2010 and 19% in 2009. Many view the best case scenario for recovery in the sector is mid-year 2012.

The power tool industry also experienced signs of recovery in 2011, but the outlook for 2012 is one of cautious optimism. Power tools used for concrete and metalworking applications experienced strong growth in 2011, while power tools used for residential construction grew at a more moderate rate. Cordless power tools continued to grow across all categories as innovation and the convenience of cordless continues to penetrate the corded power tool market. Although the corded and cordless power tool business experienced growth in 2011, the mix of corded power tools to cordless power tools continues to show that even a slow construction market cannot inhibit the penetration of cordless products into the once dominant portable corded electric power tool space. Thanks to a continued advancement in battery technology and on-target cordless application solutions, cordless power tools are not only becoming a dominant solution across the space, but driving the growth of portable power tools overall. With double digit growth in 2011 and continued growth expected in 2012, cordless tools remain as the potential growth catalyst to an industry heavily reliant on construction starts for growth.

Cordless growth is being supported by the introduction and continued investment in new technology. In an environment when most retrench, the power tool industry continues to invest in new technology targeted at taking users expectations to the next level. With a growth rate double that of corded electric tools, the true opportunity lies in the millions of products on the market utilizing old Nickel Cadmium battery technology. Although Lithium Ion technology is being implemented by most major power tool manufacturers, not all have embraced the technology, resulting in compressed pricing of the business. Similar comparisons can be made to the enormous adoption of tablet computers. Regardless of the plunging prices of laptops, consumers are voting with their wallets and buying tablets in droves. With a little more focus on converting these users hooked on old technology into Lithium Ion, the windfall of sales potential is tremendous regardless of where the economy may lead us.