

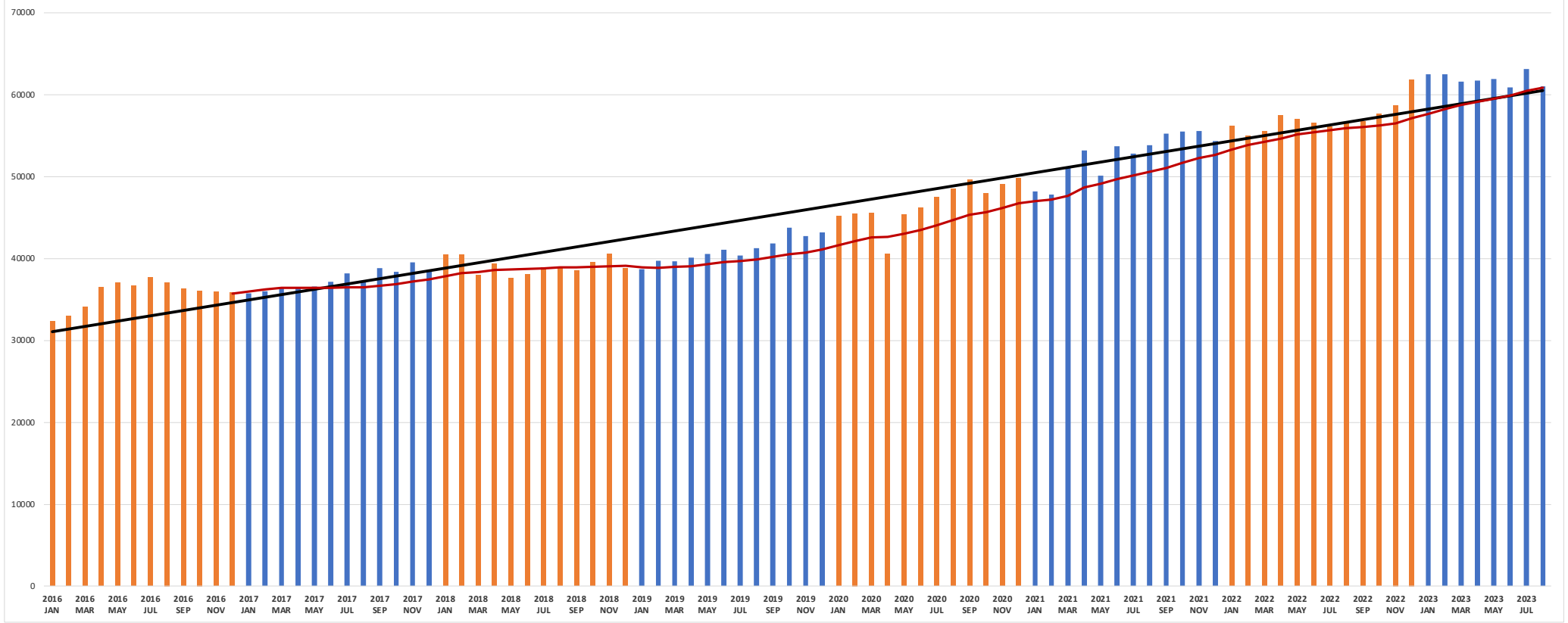


**The Current
Green Industry
Economic
Situation &
Outlook**

**October 2023
Update**



Flowers, seeds, and potted plants
ADJUSTED FOR INFLATION



Overview, from the 'Comparisons - 5 Numbers' Dashboard, using the "All" filter, August 2023

Median results:

Sales: +0.2% (i.e. flat) compared to YTD Aug 2022 but still **+31.2% up against YTD Aug 2019**

Customer Count: **-1.4%** compared to YTD Aug 2022 but **+9% up against YTD Aug 2019**

G. Margin \$: **-0.3%** compared to YTD Aug 2022 but still **+47.6% up against YTD Aug 2019 (wowza!)**

Labor \$: **+3.5%** compared to YTD Aug 2022 and now **+28.1% up against YTD Aug 2019 (hmmm...)**

Labor Hours: **-2%** compared to YTD Aug 2022 and (whoop whoop) only **+0.7% against YTD Aug 2019 (turning that one green because it's a big victory to hold it that tight!)**

Unit Sold Count: **-1.9%** compared to YTD Aug 2022 and **+0.8% against YTD Aug 2019**



Overview, from the 'Comparisons - Offspring Calculations' Dashboard, using the "All" filter, August 2023 Median results:

Average Sale: +1% compared to YTD Aug 2022 and now +32.6% since YTD Aug 2019 *(Compared to 20% inflation...)*

Sales Per Labor Hour: -2.9% compared to YTD Aug 2022 and +25% since YTD Aug 2019

Gap \$: -2.6% compared to YTD Aug 2022 but a whopping(!) +55.8% against YTD Aug 2019 *(another wowza!)*

AND NOW, the emerging relevance of our new "sixth" number (lots of 'hmmms' here...)

Basket Size: -0.2 units less than YTD Aug 2022 and -0.3 less than YTD Aug 2019 *(there's fewer items in your baskets)*

Average Unit Price: + 2.4% compared to YTD Aug 2022 but +30% against YTD Aug 2019 *(...you're charging more for it!)*

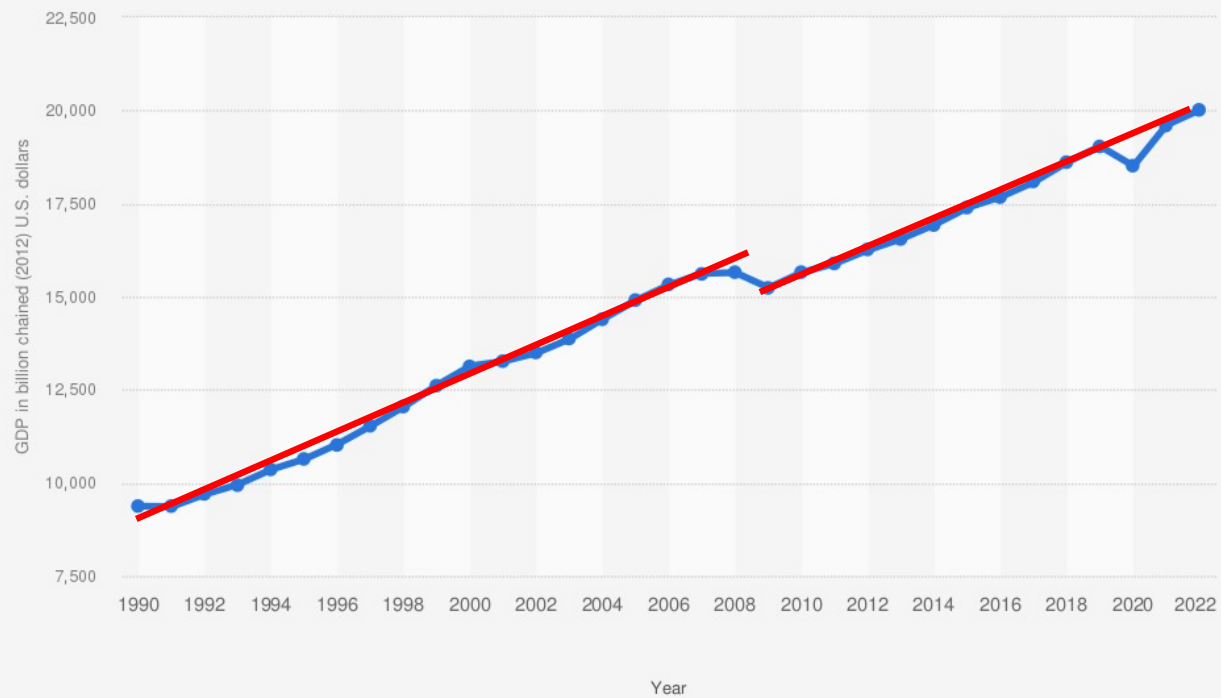


What will impact the industry going forward?

- Overall growth of the economy
- Supply chain performance
- Labor availability and cost
- Cost of inputs
- Housing market correction
- Inflation outlook
- Likelihood of recession
- Response of end consumer



Real gross domestic product of the United States from 1990 to 2022 (in billion chained 2012 U.S. dollars)

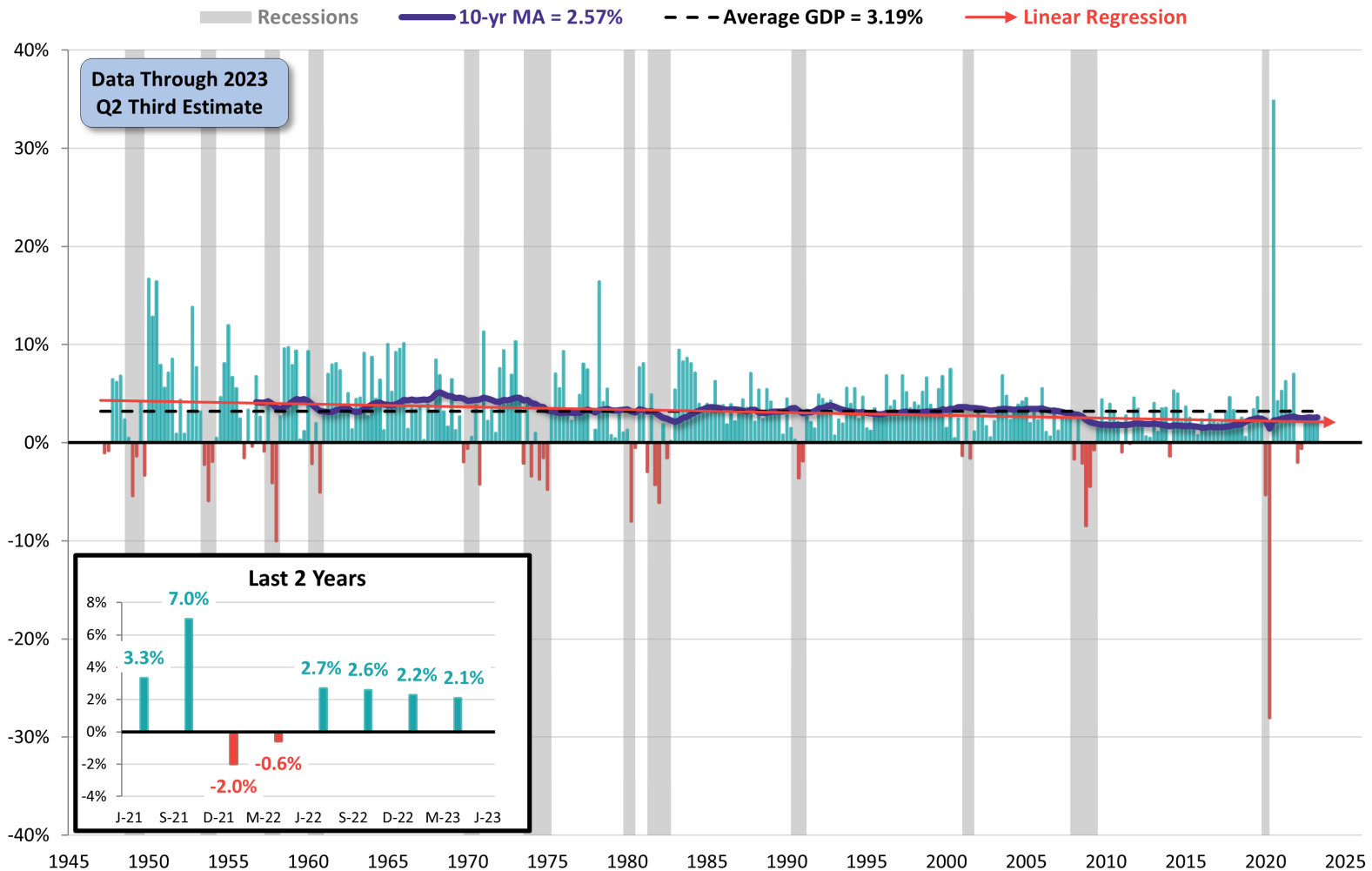


Sources
BEA; US Department of Commerce
© Statista 2023

Additional Information:
United States; 1990 to 2022

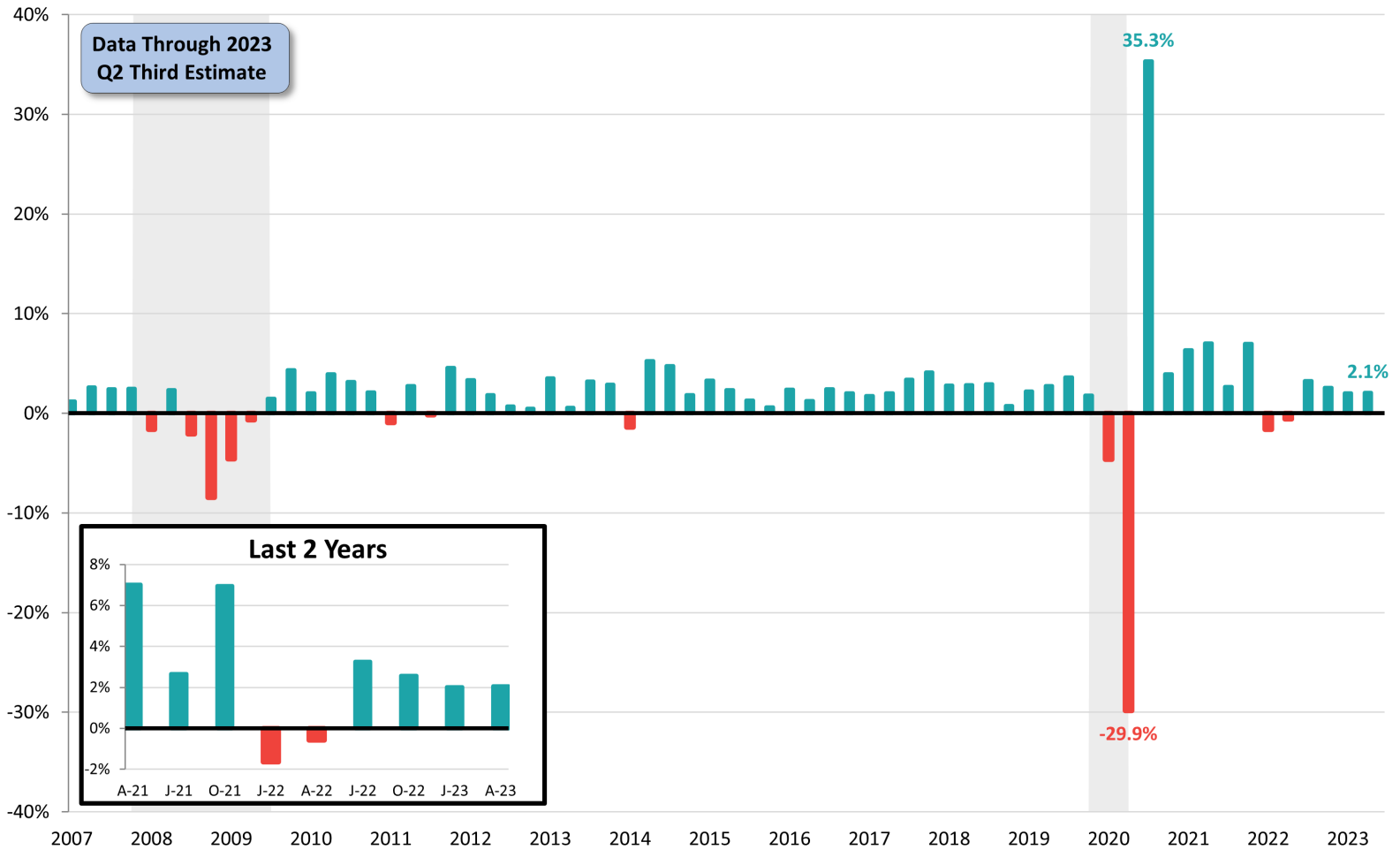


Real Quarterly GDP Compounded Annual Rate of Change

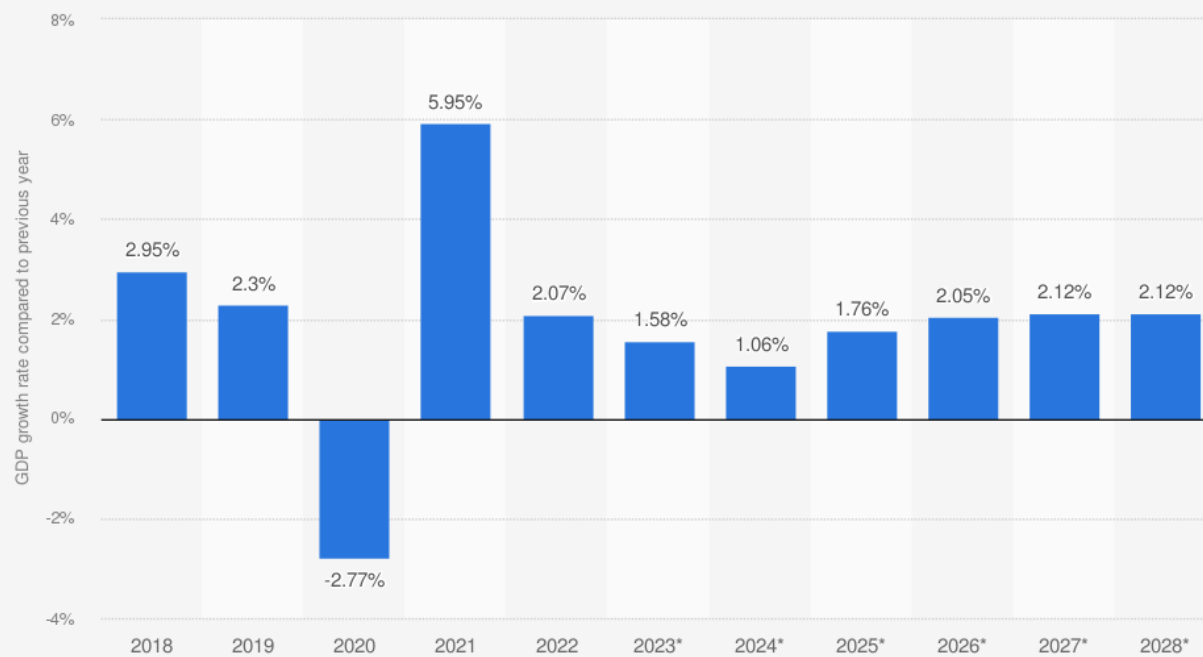


Gross Domestic Product (GDP)

Recessions GDP Negative GDP



Real gross domestic product (GDP) growth rate in the United States from 2018 to 2028 (compared to the previous year)



Source
IMF
© Statista 2023

Additional Information:
United States; IMF



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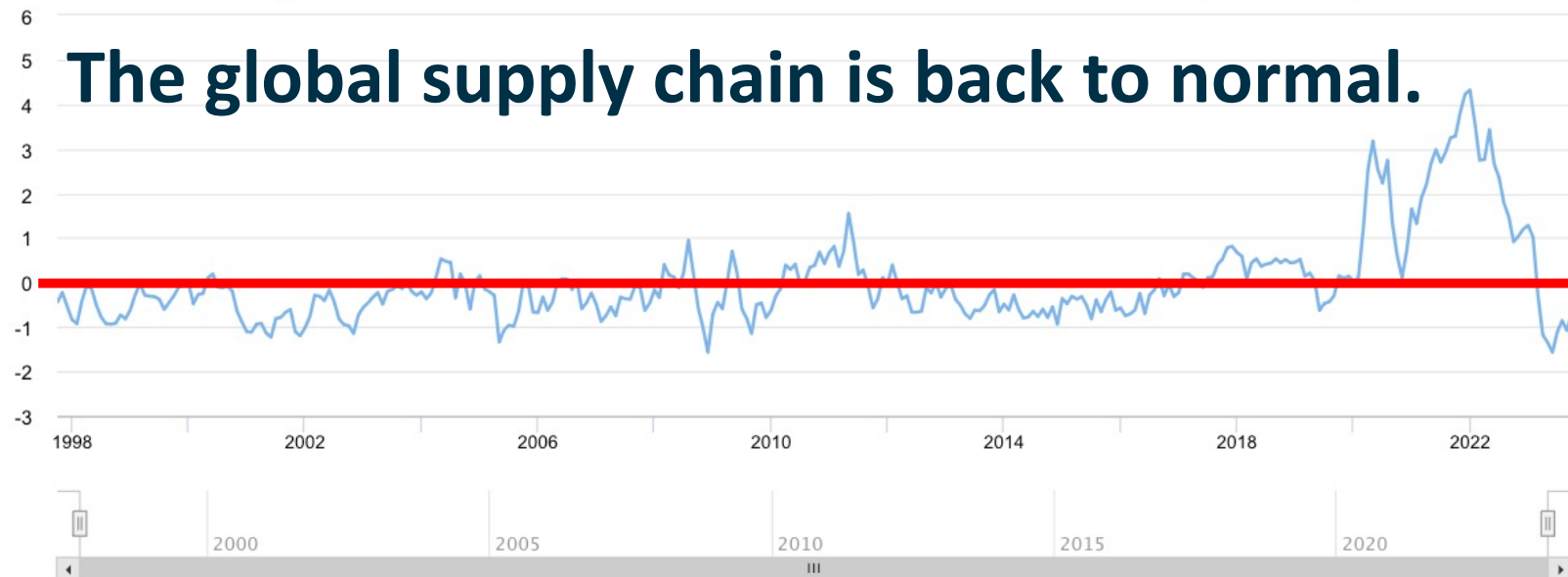
- The GSCPI rose to -0.69 in September, up from -1.08 in August (revised down from an initial reading of -0.86). GSCPI readings measure standard deviations from the index's historical average.

Latest Update September 2023

Enter a date range to see monthly estimates or use the slider below to view a specific date range.

Standard deviations from average value

From Sep 30, 1997 To Sep 30, 2023



Sources: Bureau of Labor Statistics; Harper Petersen Holding GmbH; Baltic Exchange; IHS Markit; Institute for Supply Management; Haver Analytics; Refinitiv; authors' calculations.

Notes: GSCPI readings for the most recent months can be revised as realized data become available, replacing the imputed values generated through principal component analysis. Further, for some series, mainly the BLS airfreight cost indices, each new release comes with revisions to up to twelve months of previous data. Thus, revisions can have an impact up to a year back in time.





Boats transit the Soo Locks in Michigan, part of a water-transportation system dating from the 19th century. PHOTO: KEITH KING FOR THE WALL STREET JOURNAL



Some companies are using software to schedule warehouse workers for flexible shifts, according to staffing agency Ignite Industrial Professionals. PHOTO: LUKE SHARRETT/BLOOMBERG NEWS



A Yellow terminal in Kansas City, Mo., over the summer as the carrier was shutting down. PHOTO: CHARLIE RIEDEL/ASSOCIATED PRESS



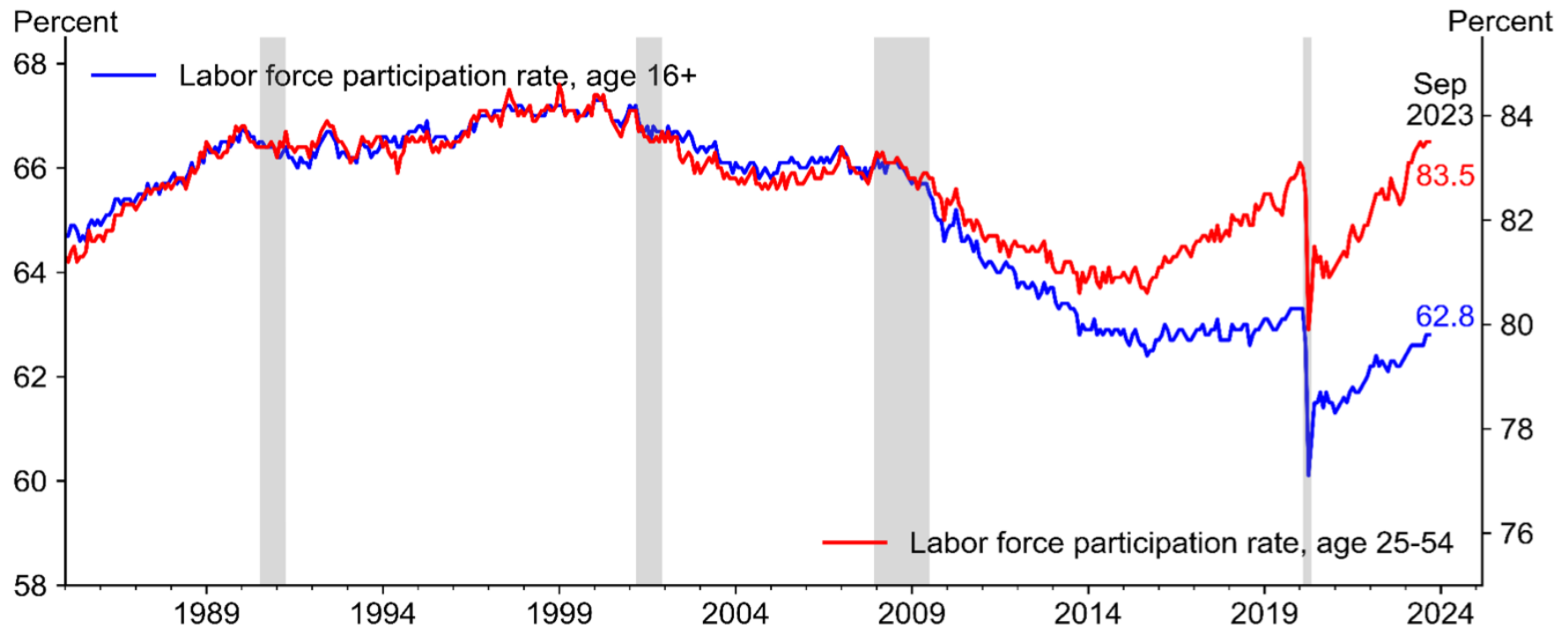
An Air Liquide liquid-hydrogen storage in North Las Vegas, Nev. PHOTO: BRIDGET BENNETT/REUTERS

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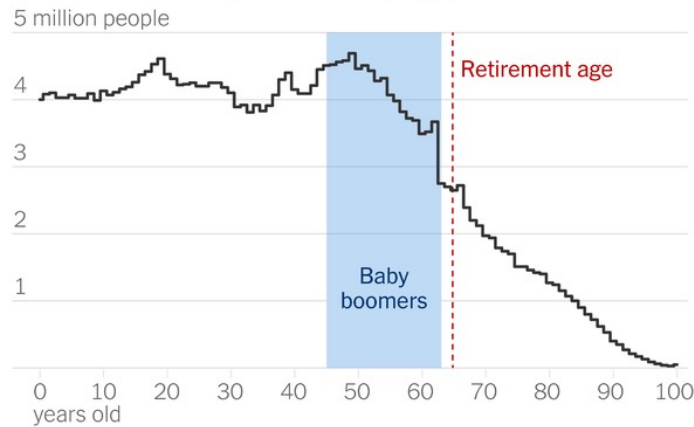


Labor Force Participation

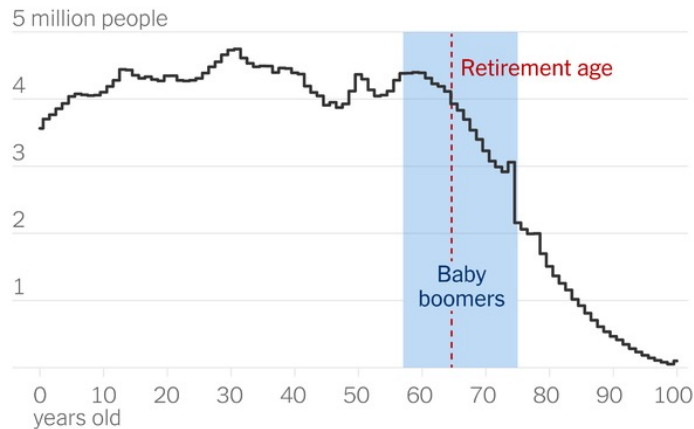


SOURCES: Bureau of Labor Statistics.

U.S. population by age, 2009

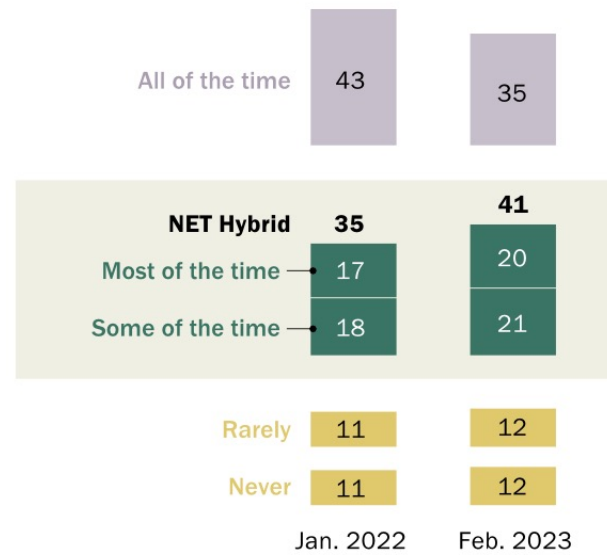


U.S. population by age, 2021



Growing share of U.S. workers are working a hybrid schedule

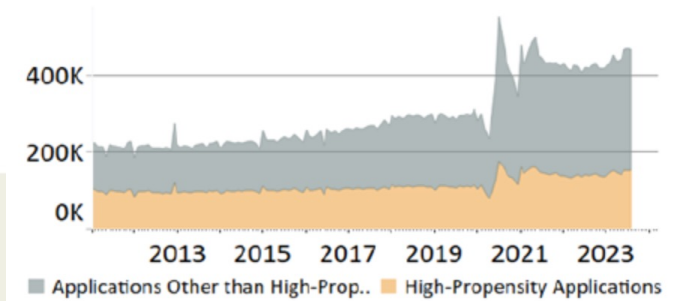
Among employed adults with a teleworkable job, % saying they are working from home ...



Note: Adults with a teleworkable job are those who say, for the most part, the responsibilities of their job can be done from home. Share of respondents who didn't offer an answer not shown.
Source: Survey of U.S. workers conducted Feb. 6-12, 2023.

PEW RESEARCH CENTER

Monthly Business Applications
(Seasonally Adjusted)



Source: U.S. Census Bureau, Business Formation Statistics, September 18, 2023



JOLTS Report for Total Nonfarm Employment: Job Openings and Labor Turnover

advisorperspectives.com
Data through August 2023

■ Recessions • Job Openings • Hires • Quits • Layoffs & Discharges

Monthly data points with the solid lines
showing their six-month moving averages

Thousands

14,000

12,000

10,000

8,000

6,000

4,000

2,000

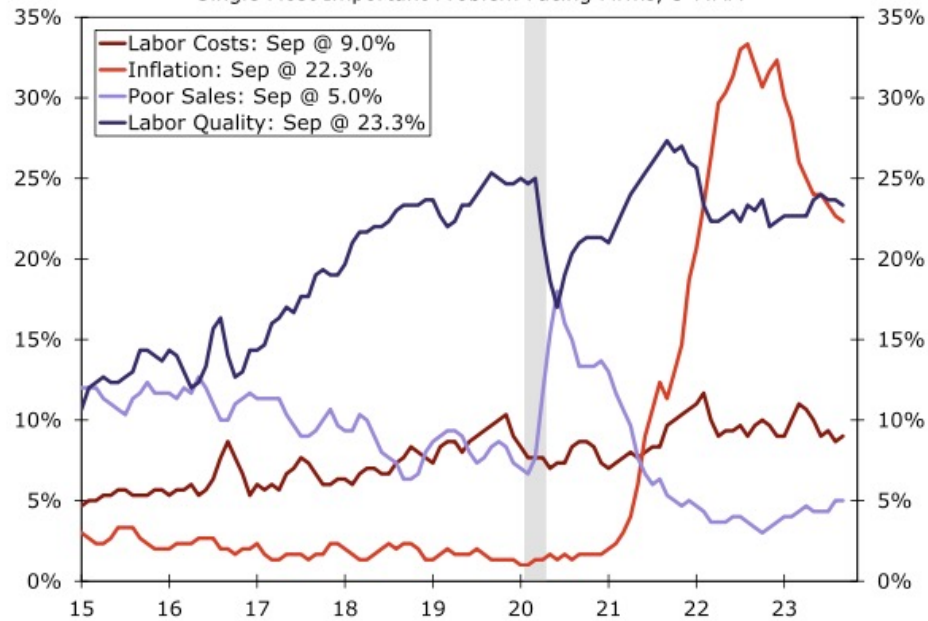
0

Labor situation is still strong but weakening.

2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022

Small Business Important Problems

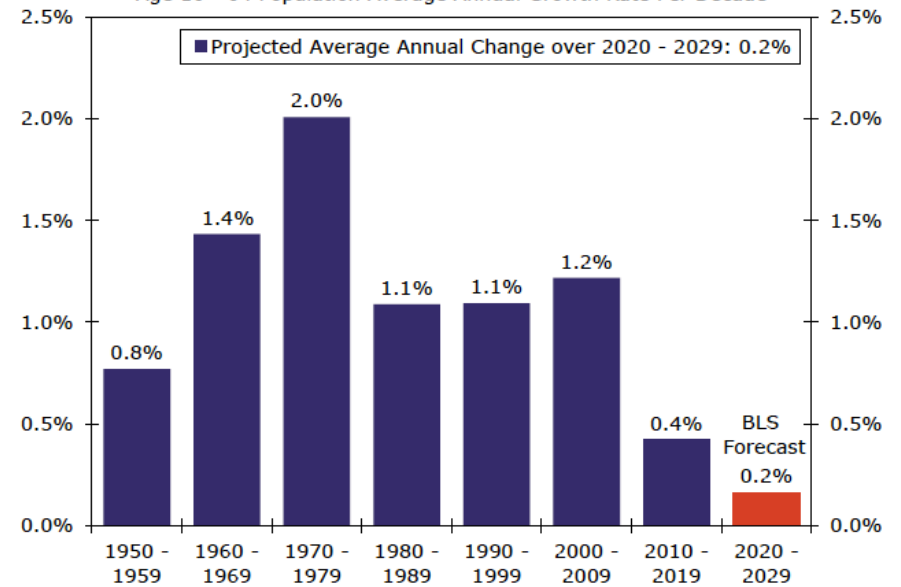
Single Most Important Problem Facing Firms, 3-MMA



Source: NFIB and Wells Fargo Economics

U.S. Population Growth

Age 16 - 64 Population Average Annual Growth Rate Per Decade

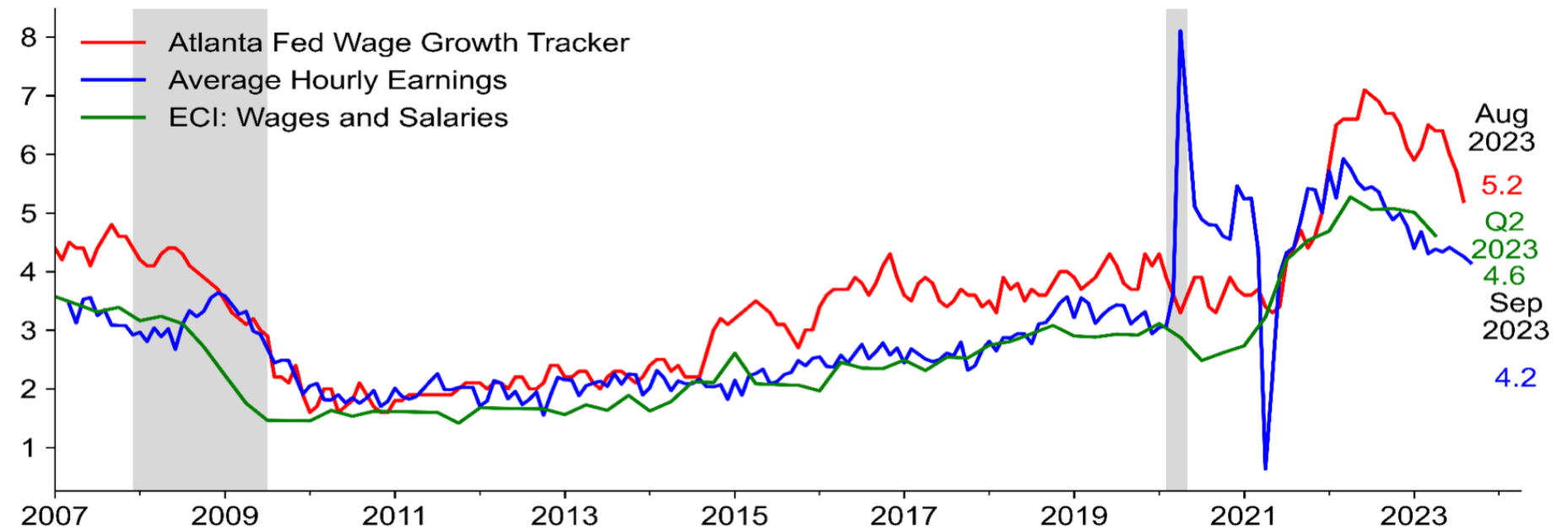


Source: U.S. Department of Labor and Wells Fargo Economics



Wage Growth

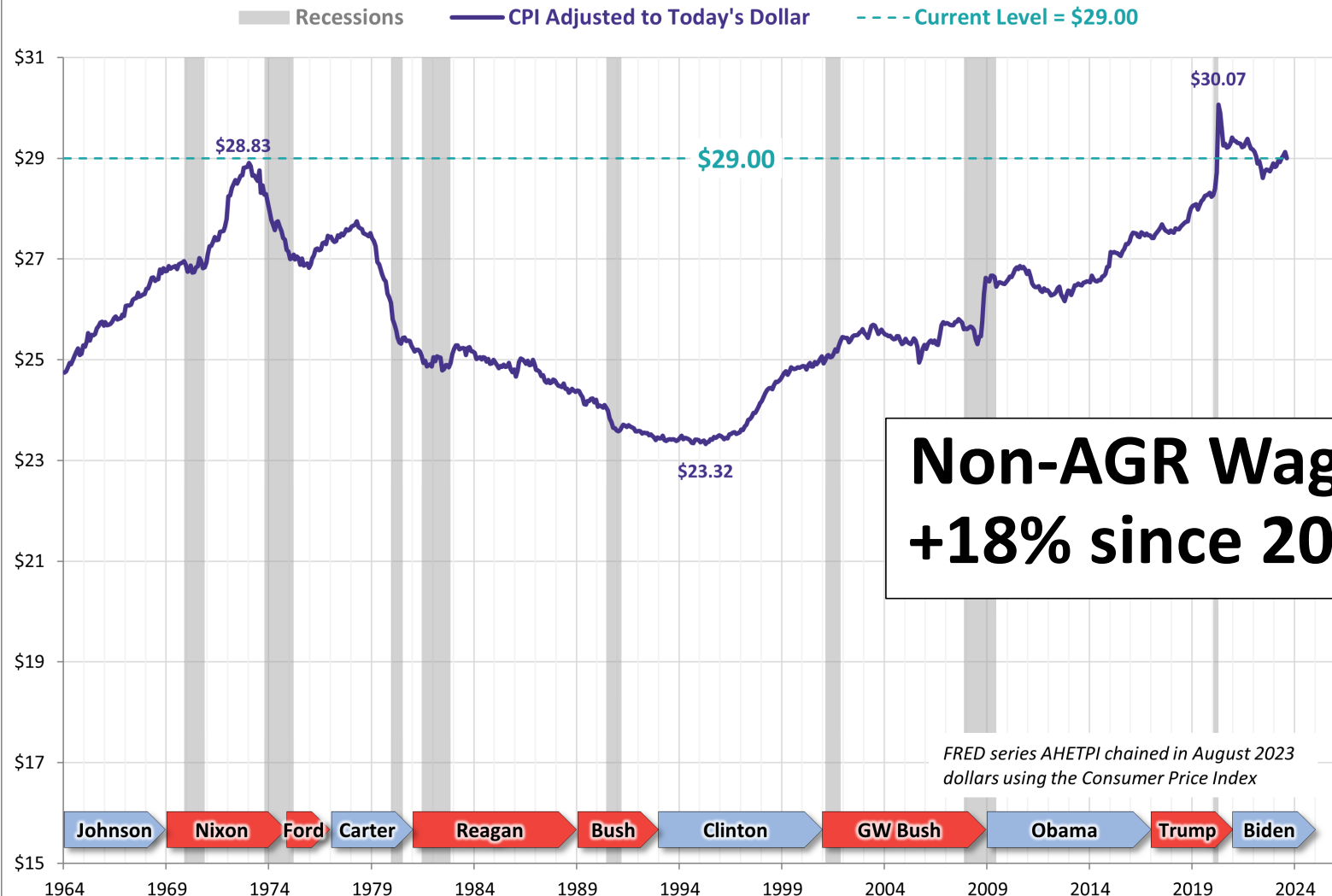
Percent, year-over-year



SOURCES: Federal Reserve Bank of Atlanta; Bureau of Labor Statistics.



Real Average Hourly Earnings

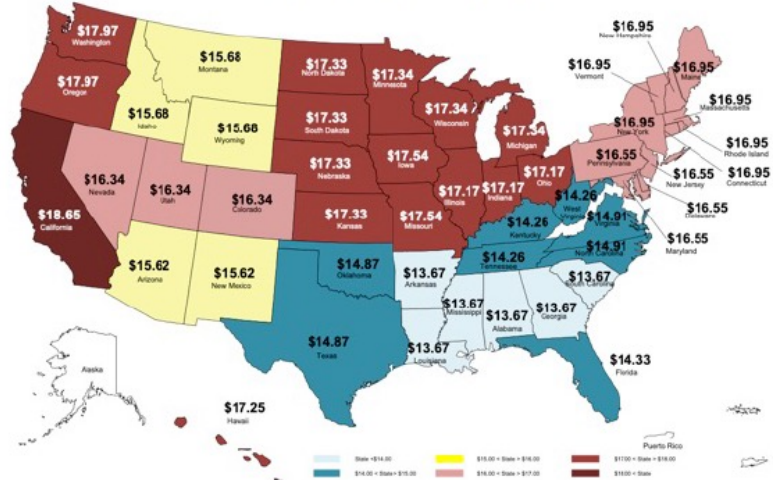


Adverse Effect Wage Rates by State 2018-2022

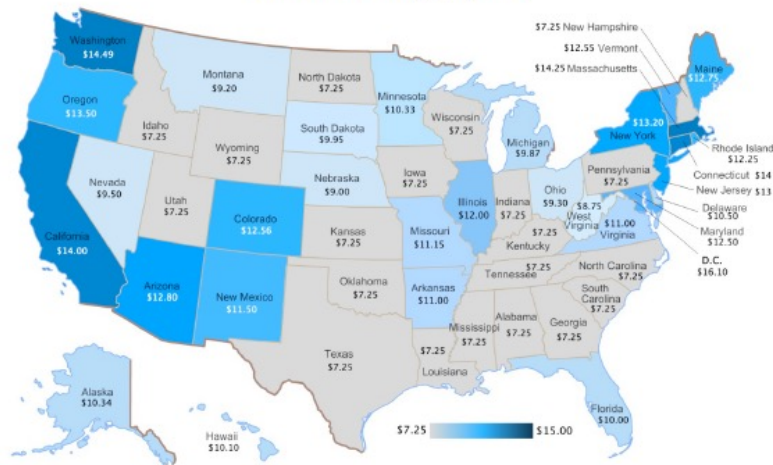
State	2019 AEWR	2020 AEWR	2021 AEWR	2022 AEWR	2023 AEWR	YOY increase 2022 to 2023	Percent increase from 2019 to 2023
(effective date)	1/9/19	1/1/20	2/23/21	12/29/21	1/1/23		
Alabama	11.13	11.71	11.81	11.99	13.37	11.51%	20.13%
Arizona	12.00	12.91	13.67	14.79	15.62	5.61%	30.17%
Arkansas	11.33	11.83	11.88	12.45	13.67	9.80%	20.65%
California	13.92	14.77	16.05	17.51	18.65	6.51%	33.98%
Colorado	13.13	14.26	14.82	15.58	16.34	4.88%	24.45%
Connecticut	13.25	14.29	14.99	15.66	16.95	8.24%	27.92%
Delaware	13.15	13.34	14.05	15.54	16.55	6.50%	25.86%
Florida	11.24	11.71	12.08	12.41	14.33	15.47%	27.49%
Georgia	11.13	11.71	11.81	11.99	13.67	14.01%	22.82%
Hawaii	14.73	14.90	15.56	16.54	17.25	4.29%	17.11%
Idaho	13.48	13.62	14.55	14.68	15.68	6.81%	16.32%
Illinois					17.17	8.06%	29.49%
Indiana					17.17	8.06%	29.49%
Iowa					17.54	8.34%	31.48%
Kansas					17.33	5.22%	20.51%
Kentucky					14.26	2.66%	22.61%
Louisiana					13.67	9.80%	20.65%
Maine					16.95	8.24%	27.92%
Maryland					16.55	6.50%	25.86%
Massachusetts					16.95	8.24%	27.92%
Michigan					17.34	12.82%	28.06%
Minnesota					17.34	12.82%	28.06%
Mississippi					13.67	9.80%	20.65%
Missouri					17.54	8.34%	31.48%
Montana					15.68	6.81%	16.32%
Nebraska					17.33	5.22%	20.51%
Nevada					16.34	4.88%	24.45%
New Hampshire					16.95	8.24%	27.92%
New Jersey					16.55	6.50%	25.86%
New Mexico					15.62	5.61%	30.17%
New York					16.95	8.24%	27.92%
North Carolina					14.91	5.30%	21.71%
North Dakota					17.33	5.22%	20.51%
Ohio					17.17	8.06%	29.49%
Oklahoma					14.87	7.13%	21.59%
Oregon					17.97	3.22%	19.56%
Pennsylvania					16.55	6.50%	25.86%
Rhode Island					16.95	8.24%	27.92%
South Carolina					13.67	14.01%	22.82%
South Dakota	14.38	14.99	15.89	16.47	17.33	5.22%	20.51%
Tennessee	11.63	12.40	12.96	13.89	14.26	2.66%	22.61%
Texas	12.23	12.67	13.03	13.88	14.87	7.13%	21.59%
Utah	13.13	14.26	14.82	15.58	16.34	4.88%	24.45%
Vermont	13.25	14.29	14.99	15.66	16.95	8.24%	27.92%
Virginia	12.25	12.67	13.15	14.16	14.91	5.30%	21.71%
Washington	15.03	15.83	16.34	17.41	17.97	3.22%	19.56%
West Virginia	11.63	12.40	12.96	13.89	14.26	2.66%	22.61%
Wisconsin	13.54	14.40	14.72	15.37	17.34	12.82%	28.06%
Wyoming	13.48	13.62	14.55	14.68	15.68	6.81%	16.32%
Average	\$12.96	\$13.68	\$14.28	\$15.03	\$16.13	7.44%	24.47%
YOY increase	-----	5.56%	4.38%	5.27%	7.30%		
	2019	2020	2021	2022	2023		

**AGR
Wages
+25%
since
2019**

FY2023 Adverse Effect Wage Rates



State Minimum Wage (July 2022)



What will impact the industry going forward?

- Overall growth of the economy
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Projected input cost increases

Index of Prices Paid by Growers in the Green Industry (2007=100)

Cost category	Weight	2007	2018	2019	2020	2021	2022	2023f	2024p
Containers & other plastics	10.24%	100.0	126.9	127.3	126.4	143.5	166.8	167.7	168.9
Media (peat-based)	3.94%	100.0	128.9	126.5	152.8	177.1	151.1	154.1	155.0
Propagative materials	23.62%	100.0	125.0	128.1	131.0	142.6	149.7	157.2	158.8
Plant protection products	1.57%	100.0	112.9	109.8	107.0	115.1	160.5	168.0	169.3
Fertilizers	1.57%	100.0	106.9	109.5	103.5	138.6	200.3	186.3	187.2
Labor	34.65%	100.0	136.7	144.2	149.6	158.1	169.8	178.4	183.4
Fuel/Energy	3.94%	100.0	97.9	93.3	79.3	105.6	149.7	119.5	120.7
Supplies & repairs	3.15%	100.0	124.1	127.6	129.6	138.9	154.6	159.5	161.1
Freight and trucking	17.32%	100.0	130.0	130.5	124.9	143.1	151.1	146.6	148.1
Weighted index (2007=100)		100.0	128.7	132.0	133.9	147.4	159.8	162.9	165.5
YOY increase/decrease		---	5.3%	2.5%	1.4%	10.1%	8.4%	1.9%	1.6%





Economic Impact of War

Global growth and inflation impact of three scenarios for how the Israel– Hamas conflict could evolve

Scenario	Details	Impact on oil prices and VIX*	Impact on global GDP and inflation**
Confined war	<ul style="list-style-type: none"> - Ground invasion of Gaza - Limited broader regional conflict - Lower Iranian crude output 	Oil: +\$4/barrel VIX: No impact	GDP: −0.1 ppts. Inflation: +0.1 ppts.
Proxy war	<ul style="list-style-type: none"> - Multifront war in Gaza, West Bank, Lebanon, Syria - Unrest in wider Middle East 	Oil: +\$8/barrel VIX: +8 points	GDP: −0.3 ppts. Inflation: +0.2 ppts.
Direct war	<ul style="list-style-type: none"> - Israel and Iran in direct conflict - Unrest in wider Middle East 	Oil: +\$64/barrel VIX: +16 points	GDP: −1.0 ppts. Inflation: +1.2 ppts.

Source: Bloomberg Economics

*Impact calibrated based on 2014 Gaza War, 2006 Israel–Lebanon War, and 1990–1991 Gulf War.

**Impact on year on year change in global GDP and inflation for 2024, estimated using Bayesian Global VAR

Confined Conflict or Regional War?

Three scenarios for how the Israel–Hamas conflict could evolve

Confined war

Hostilities largely confined to Israel and the Palestinian territories



Proxy war

Spill-over to Lebanon and Syria, proxy war between Israel and Iran



Direct war

Military exchanges between regional enemies Israel and Iran

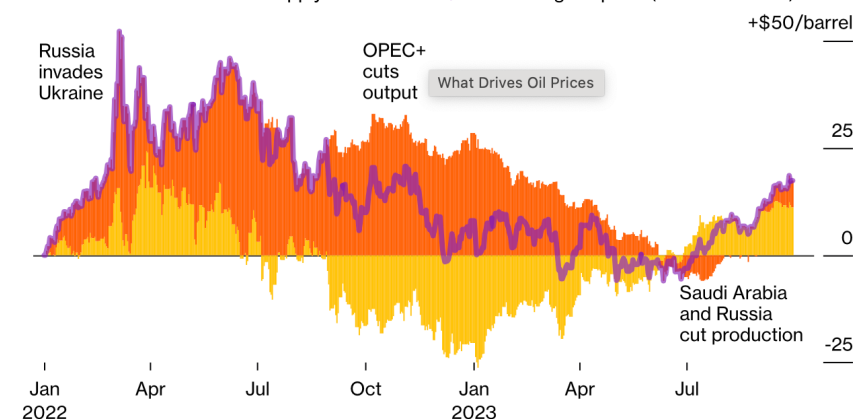


Source: Bloomberg Economics

What Drives Oil Prices

Contribution of demand and supply shocks to the change in the price of oil

■ Demand contribution ■ Supply contribution ■ Net change in price (1 Jan. 2022 = 0)



Source: Bloomberg Economics

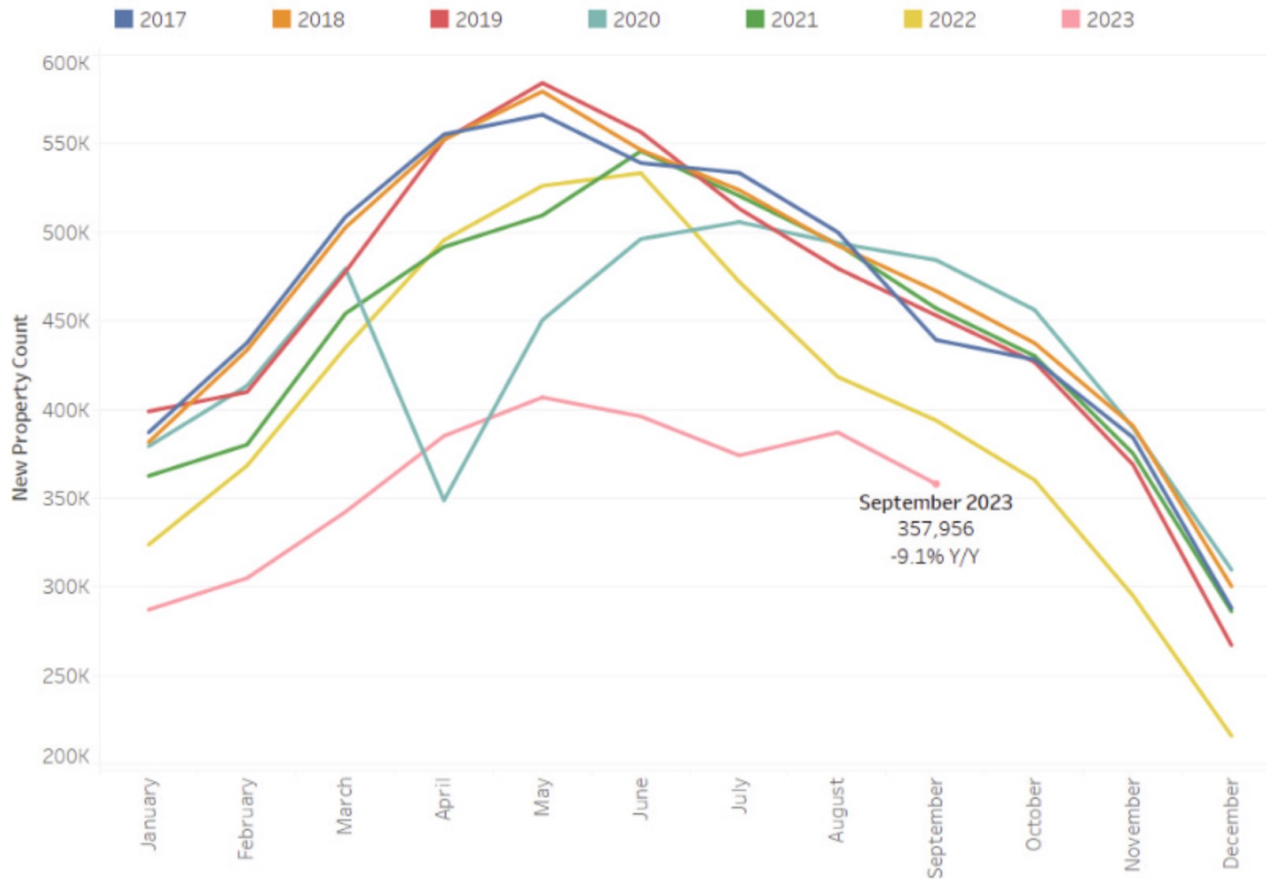
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Newly Listed Homes

Down 9.1% Y/Y in September 2023



Here is a graph of new listing from Realtor.com's September 2023 Monthly Housing Market Trends Report showing new listings were down about 9.1% year-over-year in September. The year-over-year decline was much smaller in August and September than in previous months, mostly because new listings collapsed in the 2nd half of 2022.

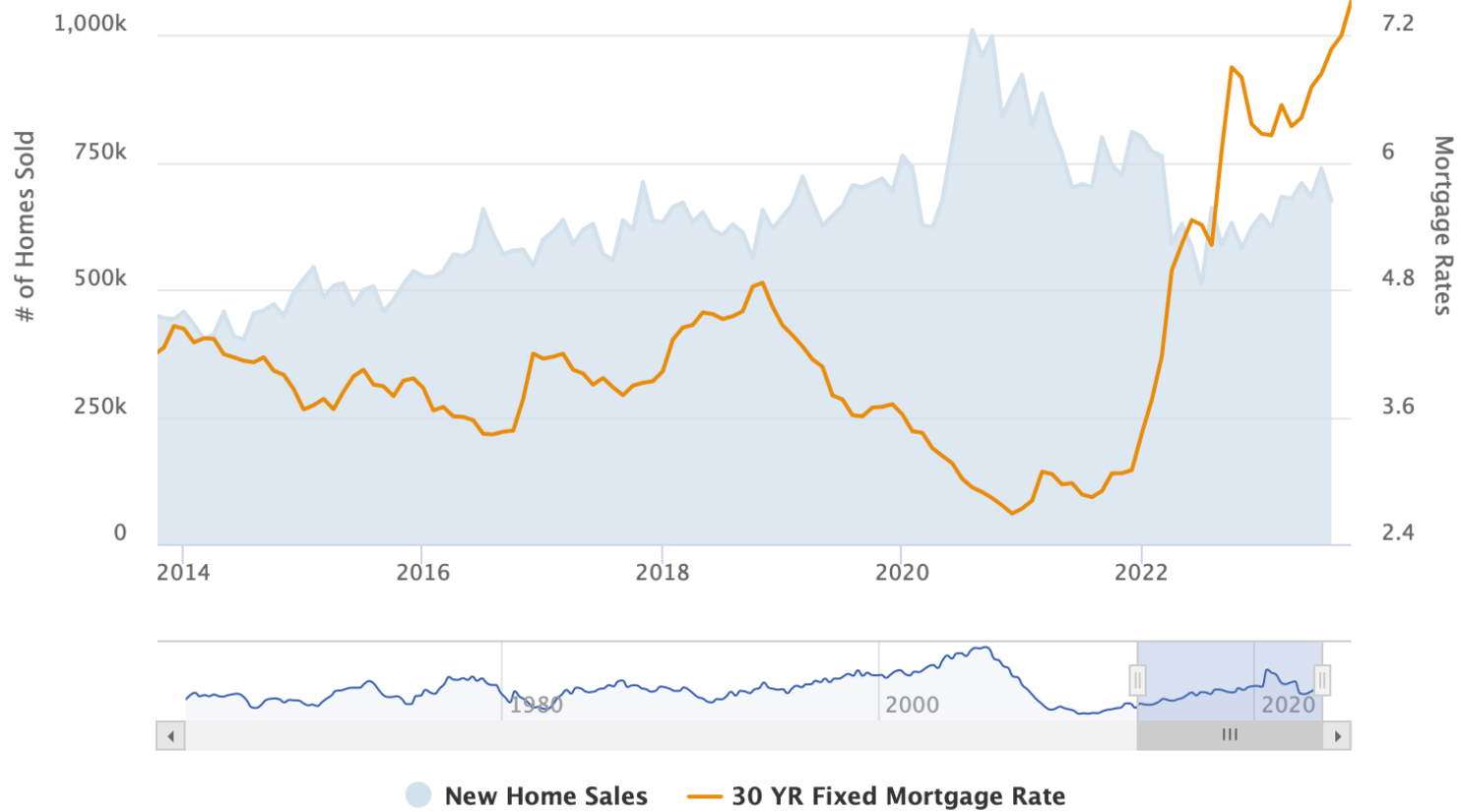
While newly listed homes showed an unusual seasonal increase from July to August, higher mortgage rates and more typical seasonality reset the trend to a decline from August to September. Higher mortgage rates impact selling activity through homeowners feeling 'locked-in' to previously low rates and thus the inventory of existing homes continued to be limited this past month.



New Home Sales vs. 30 YR Fixed Rate Mortgage

Zoom 1YR 5YR 10YR MAX

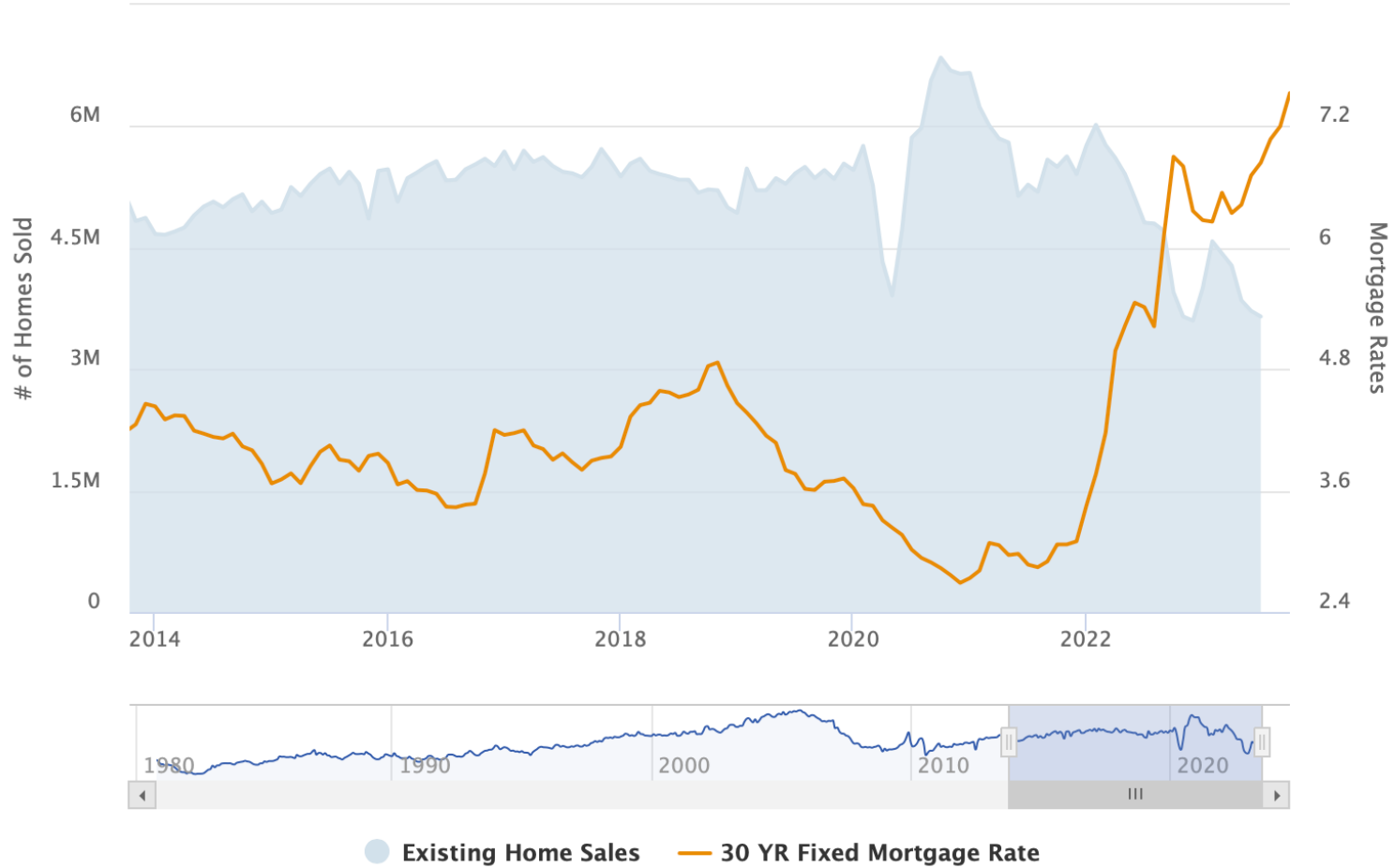
Oct 12, 2013 → Oct 12, 2023



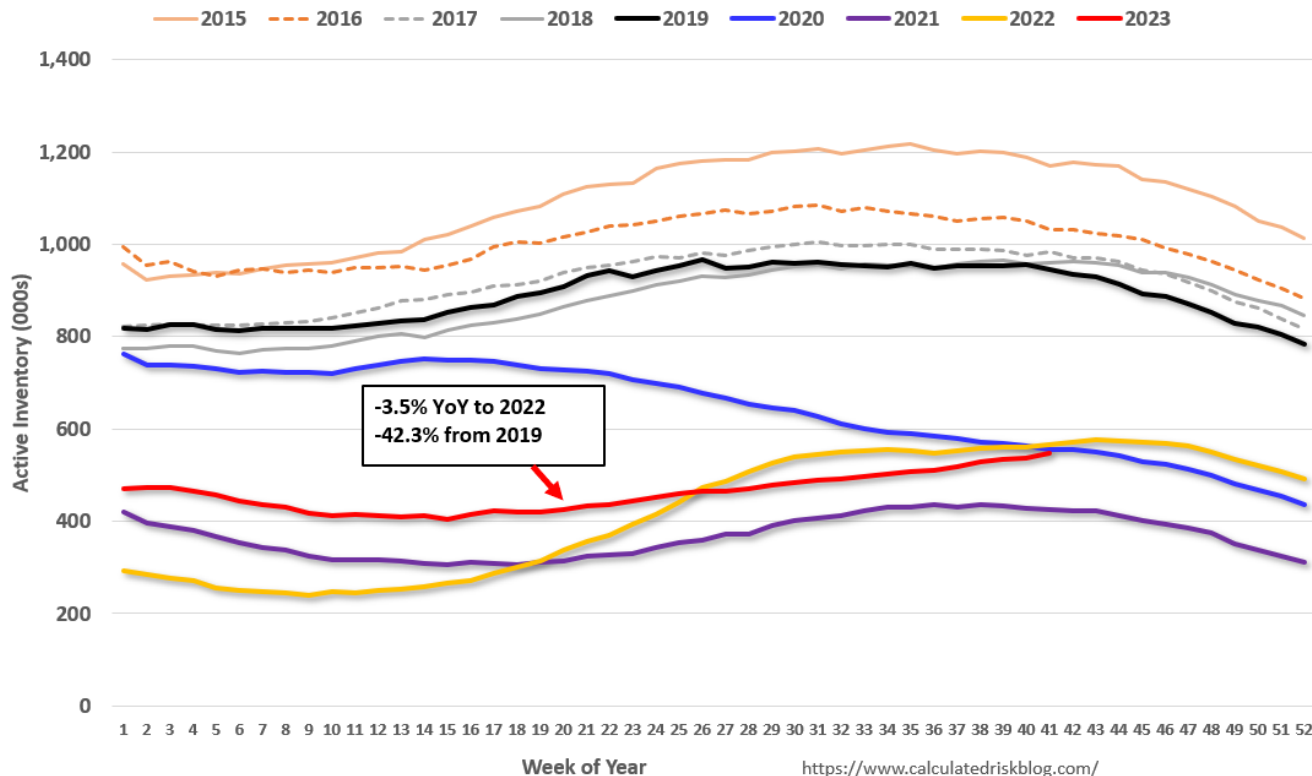
Existing Home Sales vs. 30 YR Fixed Rate Mortgage

Zoom 1YR 5YR 10YR MAX

Oct 12, 2013 → Oct 12, 2023



Altos Single Family Active Inventory (7-Day Average)



This graph shows the seasonal pattern for active single-family inventory since 2015 from Altos Research. The red line is for 2023 and the black line is for 2019.

Note that inventory is up from the record low for the same week in 2021, but below last year and still well below normal levels.

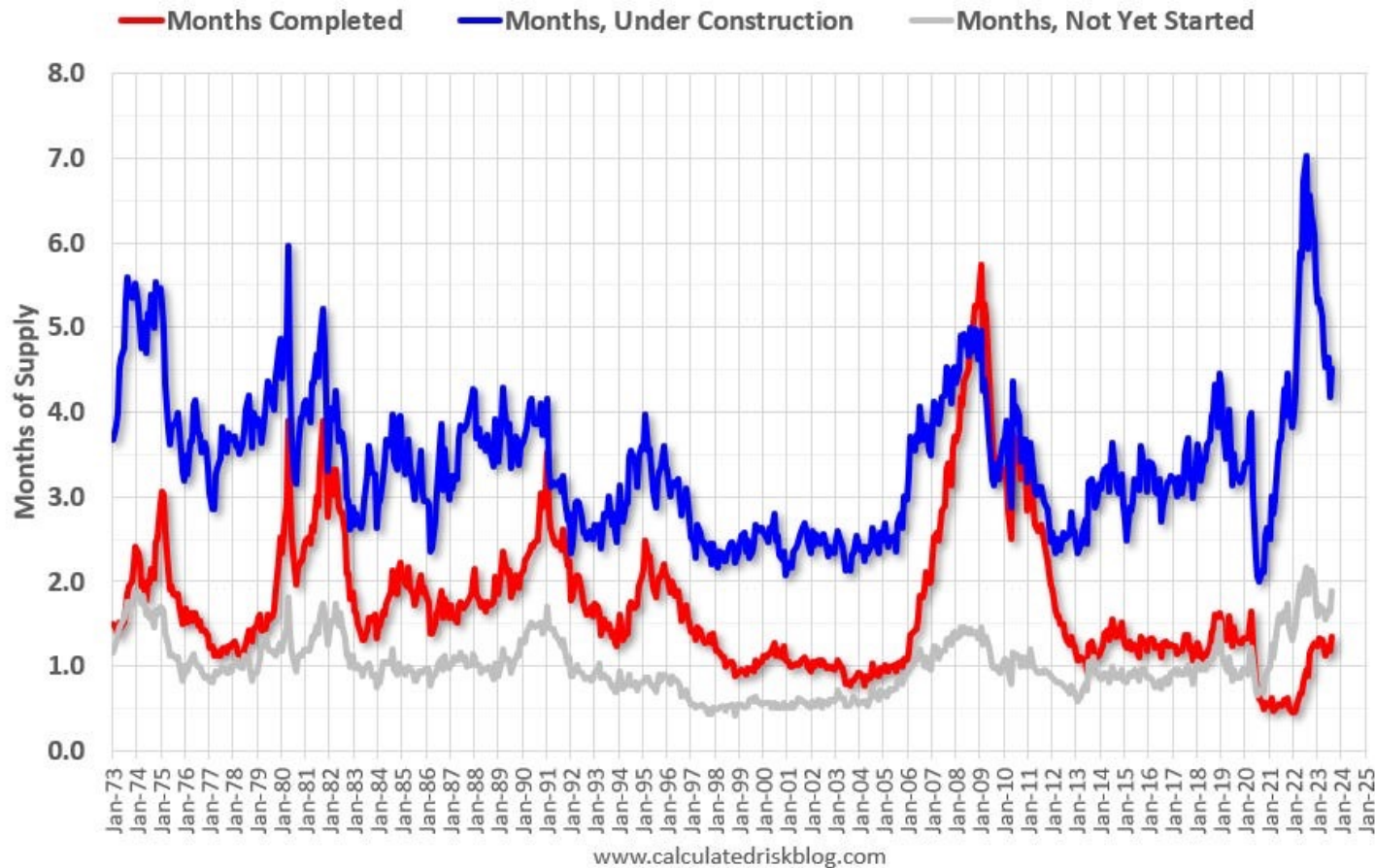
Inventory was down 3.5% compared to the same week in 2022 (last week it was down 4.3%), and down 42.3% compared to the same week in 2019 (last week down 43.8%).

In 2022, inventory didn't peak until late October, and it appears same week inventory will be below 2022 levels for the remainder of the year - depending on when inventory finally peaks this year.

It also seems likely that inventory will be above 2020 levels (dark blue line) sometime in the next few weeks.



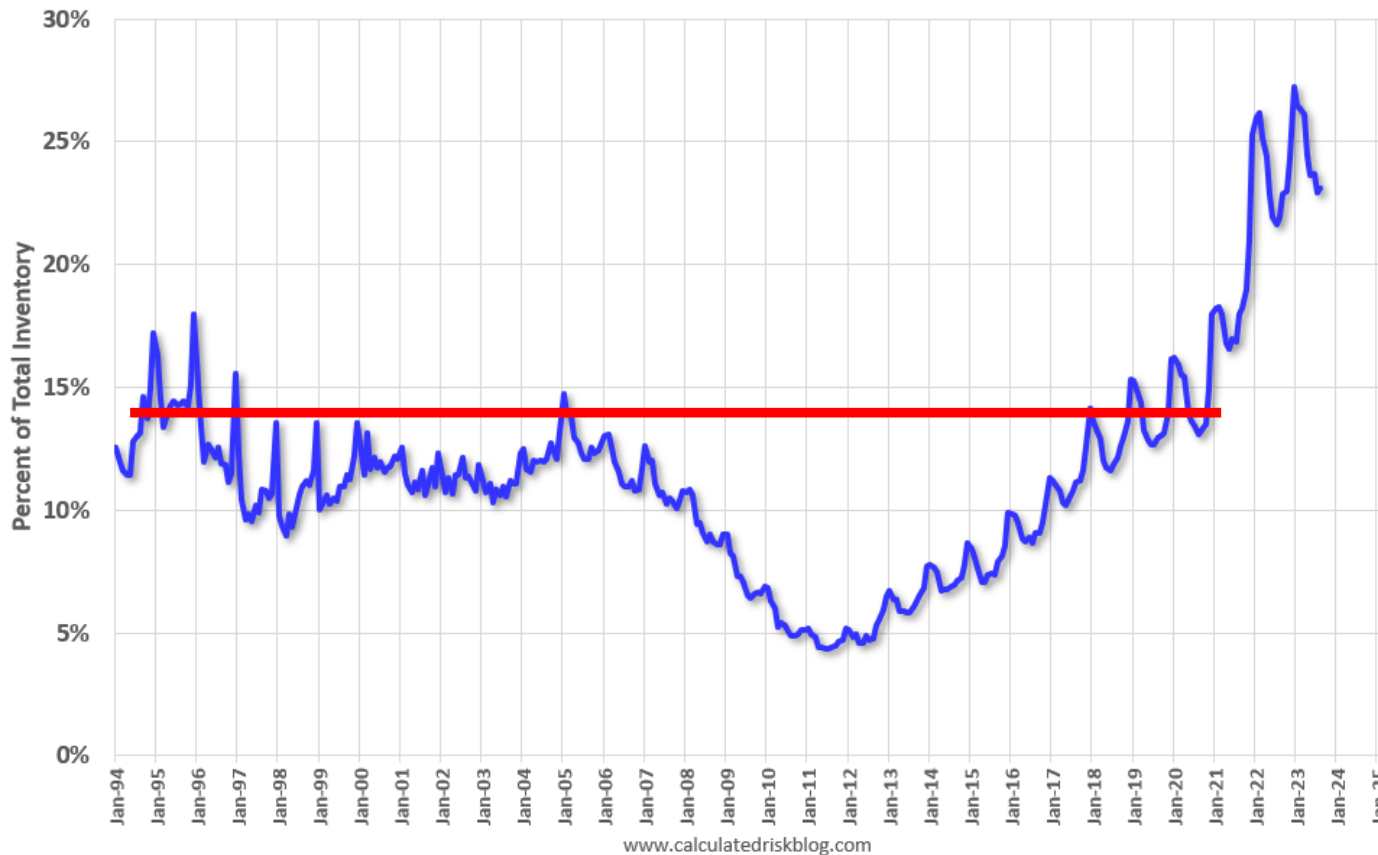
New Home Sales, Months of Supply by Stage of Construction



For new homes, there are 4 1/2 months of homes under construction (blue line), well above the normal level, but declining. This elevated level of homes under construction is **due to supply chain constraints**. There are 1.4 months of completed supply (red line). This is close to the normal level.



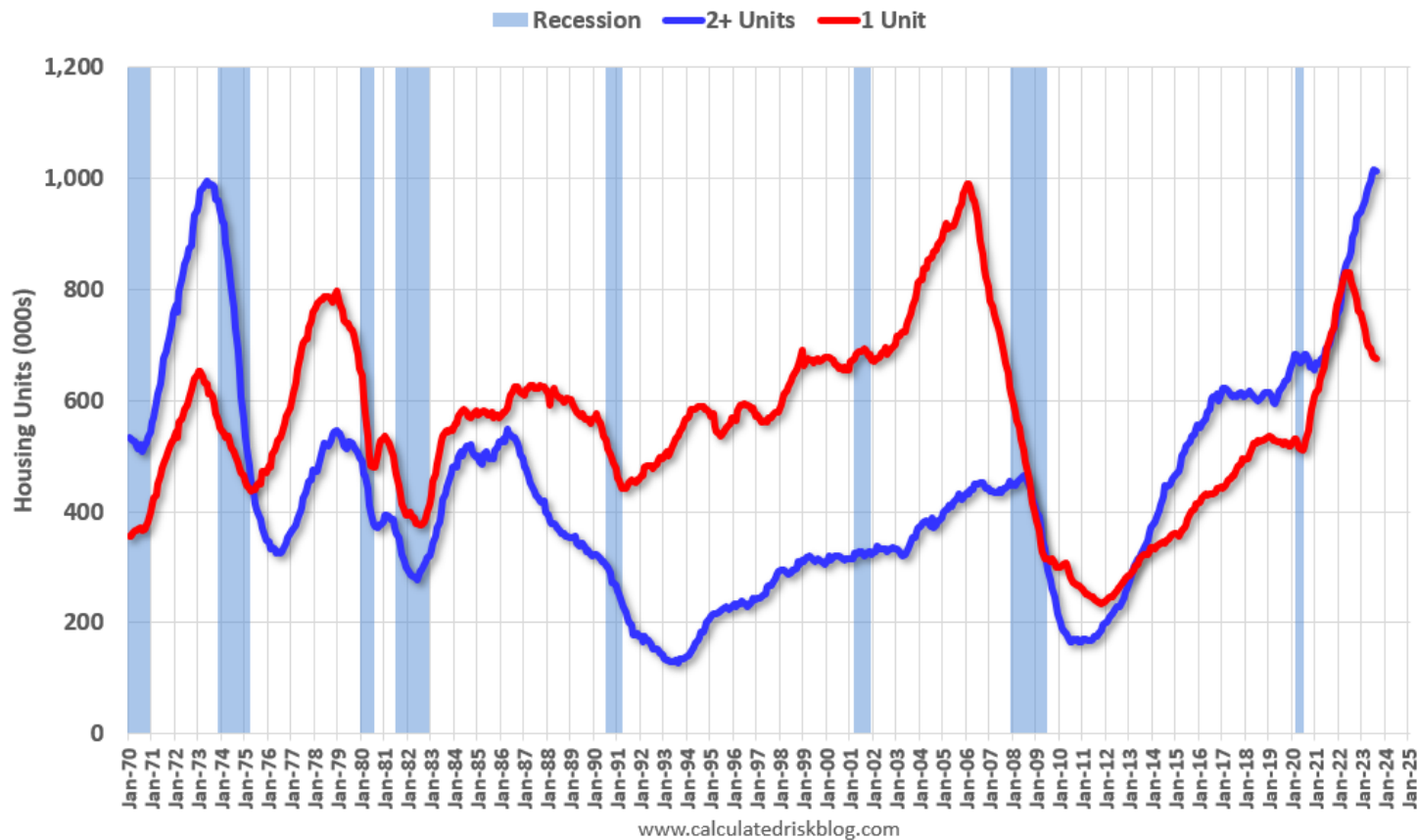
New Home Percent of Total Inventory



It took a number of years following the housing bust for new home inventory to return to the pre-bubble percent of total inventory. Then, with the pandemic, existing home inventory collapsed and now the percent of new homes is 23% of the total for sale inventory. The lack of existing home inventory, and few distressed sales, has been a positive for homebuilders.



Housing Units Under Construction, SA

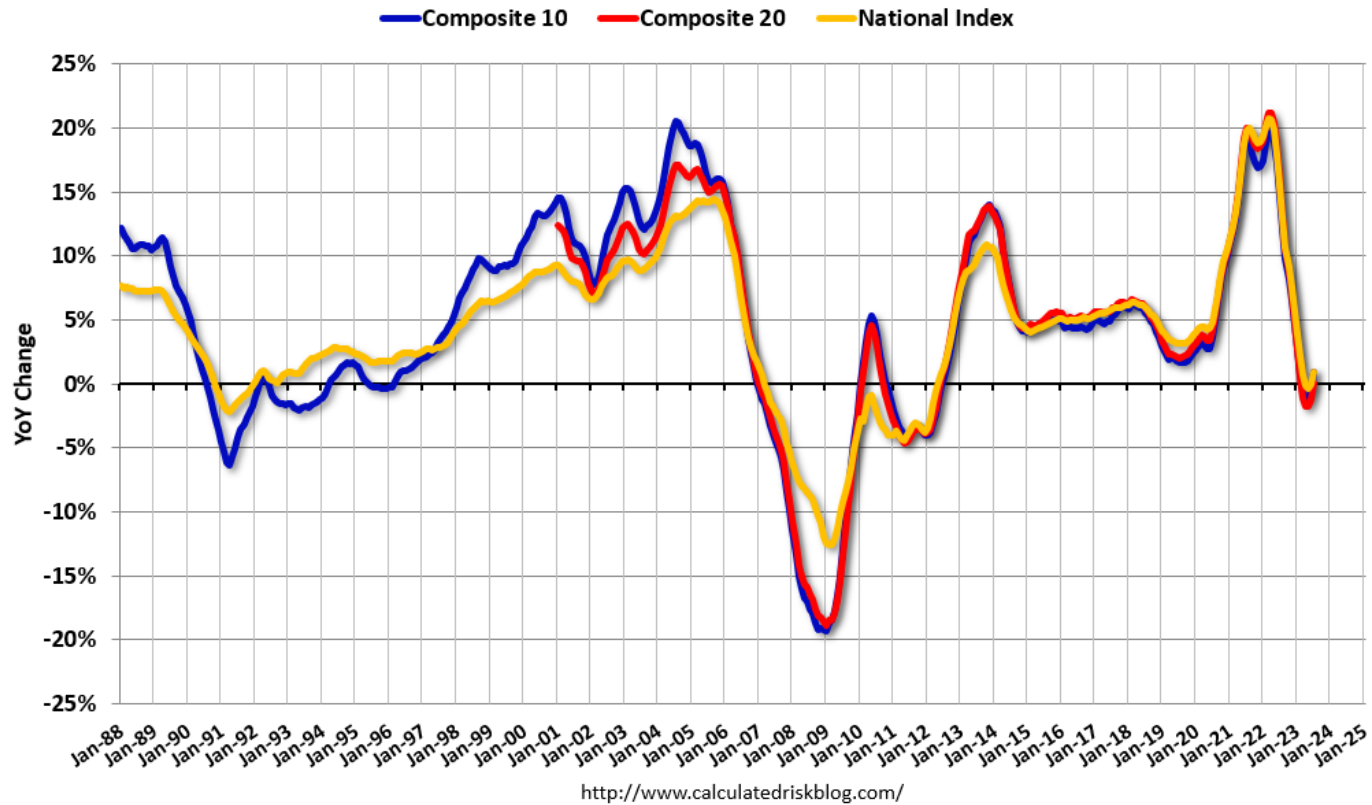


Red is single family units. Currently there are 676 thousand single family units (red) under construction (SA). Blue is for 2+ units. Blue is for 2+ units. Blue is for 2+ units. Currently there are 1,012 thousand multi-family units under construction. This is slightly below the record set last month of 1,014 thousand.

Combined, there are 1.688 million units under construction, just 22 thousand below the all-time record of 1.710 million set in October 2022.



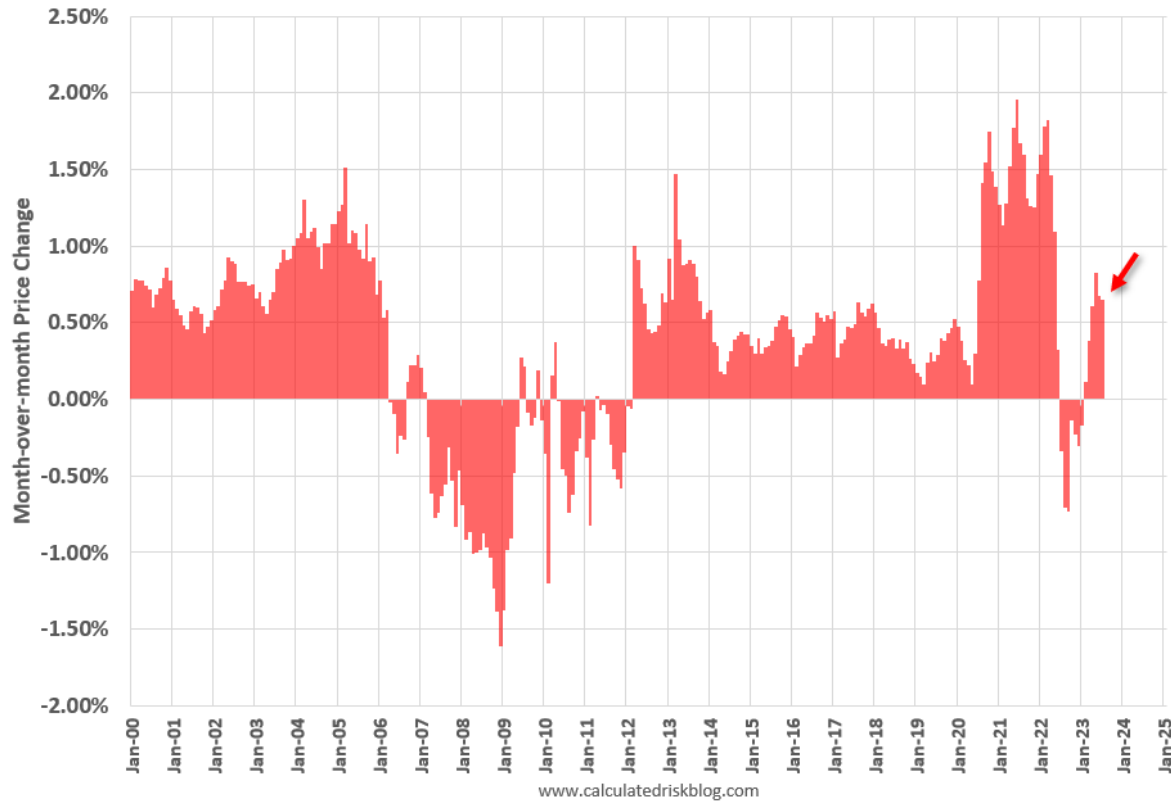
Case-Shiller National and Composite Indices SA, Year-over-year Change



The Case-Shiller National Index was increased 1.0% year-over-year in July and will turn more positive YoY in August (based on other data).



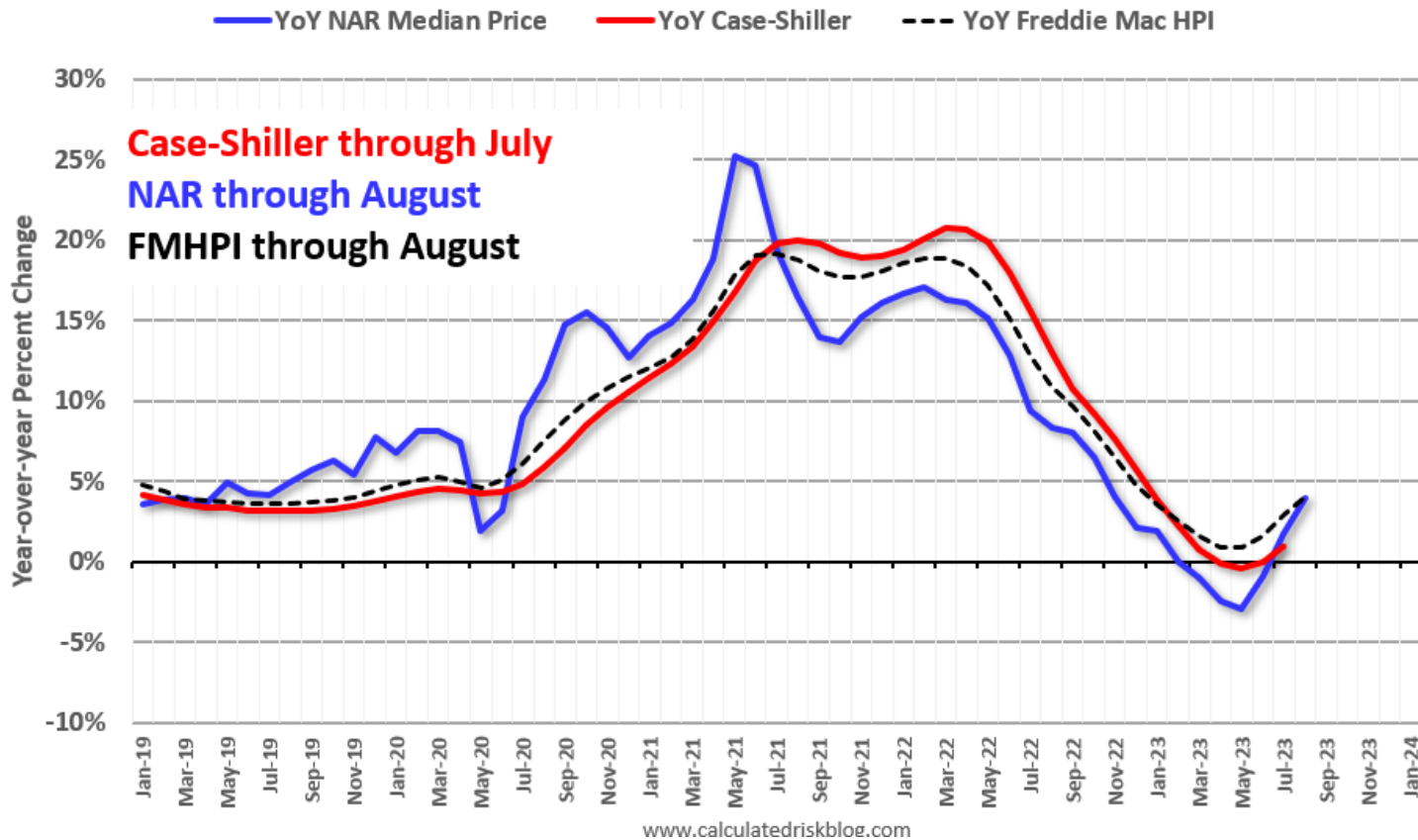
Case-Shiller National Index, Month-over-month, Seasonally Adjusted



The MoM increase in the seasonally adjusted Case-Shiller National Index was at 0.65%. This was the sixth consecutive MoM increase following seven straight MoM decreases.



Year-over-year Change: NAR Median Price vs Case-Shiller and Freddie Mac HPI



Most measures of house prices have shown an increase in prices over the last several months, and a key question I discussed in June was whether house prices will decline further later this year?

The FMHPI and the NAR median prices appear to be leading indicators for Case-Shiller. Based on recent monthly data, and the FMHPI, the YoY change in the Case-Shiller index will increase further in the report for August.

In real terms, the Case-Shiller National index is down 3.4% from the peak, seasonally adjusted. Historically it takes a number of years for real prices to return to the previous peak.



MortgageNewsDaily.com shows 30-year mortgage rates were at 7.81% on October 6th, the **highest in 23 years**. A year ago, 30-year mortgage rates were at 7.04%, and **two years ago rates were at 3.13%**.

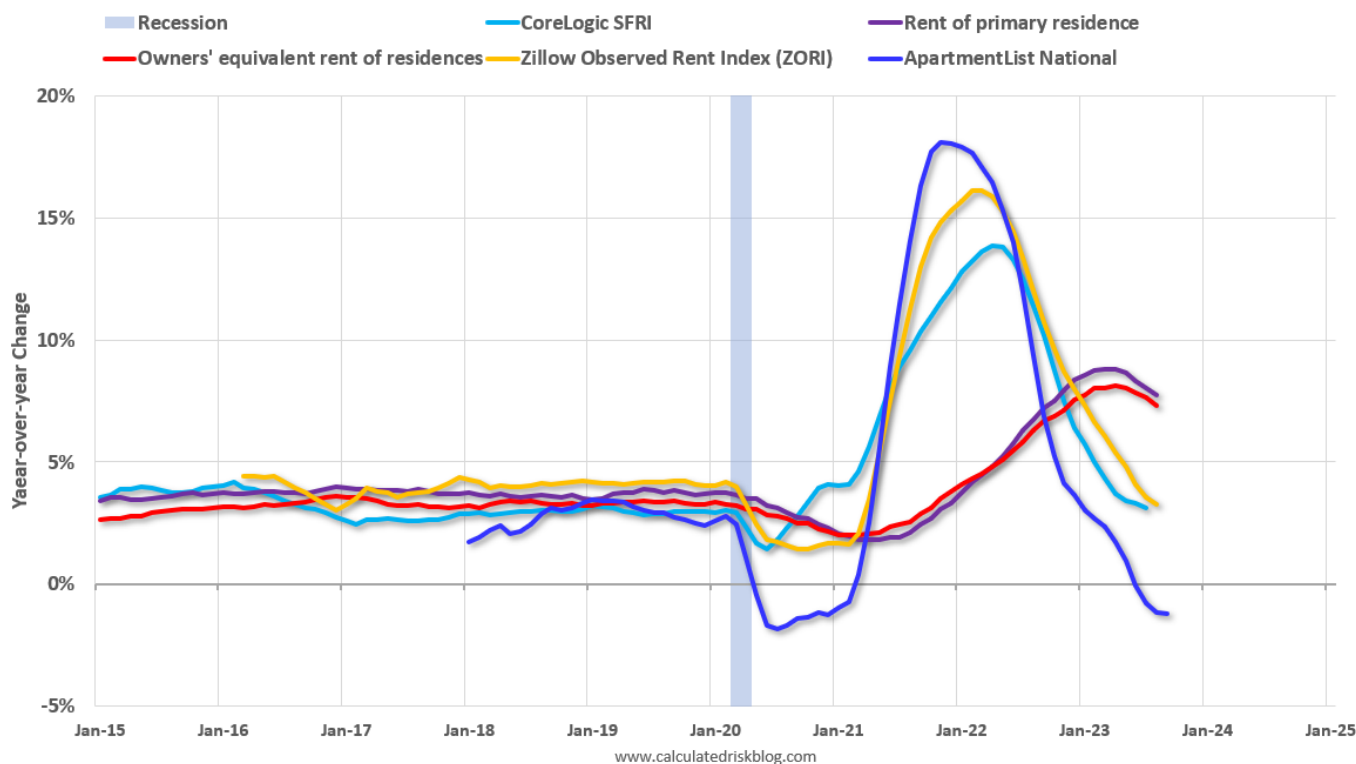
A year ago, the payment on a \$500,000 house, with a 20% down payment and 7.04% 30-year mortgage rates, would be around **\$2,672** for principal and interest. The monthly payment for the same house, with house prices up slightly YoY and mortgage rates at 7.81%, would be **\$2,910** - an increase of 9%.

However, if we compare to two years ago, there is huge difference in monthly payments. In September 2021, the payment on a \$500,000 house, with a 20% down payment and 3.13% 30-year mortgage rate, would be around **\$1,715** for principal and interest. The monthly payment for the same house, with house prices up 16.7% over two years and mortgage rates at 7.81%, would be **\$3,364** - an increase of 96% -- almost double!

This increase in mortgage rates is probably the **key reason new listings have declined sharply** year-over-year - especially since a large number of homeowners refinanced at lower rates in 2020, 2021 and early 2022. Many potential move-up or move-down buyers have “golden handcuffs” and are **unwilling to sell and give up their low mortgage payment**.



Rent Measures: Year-over-year Change



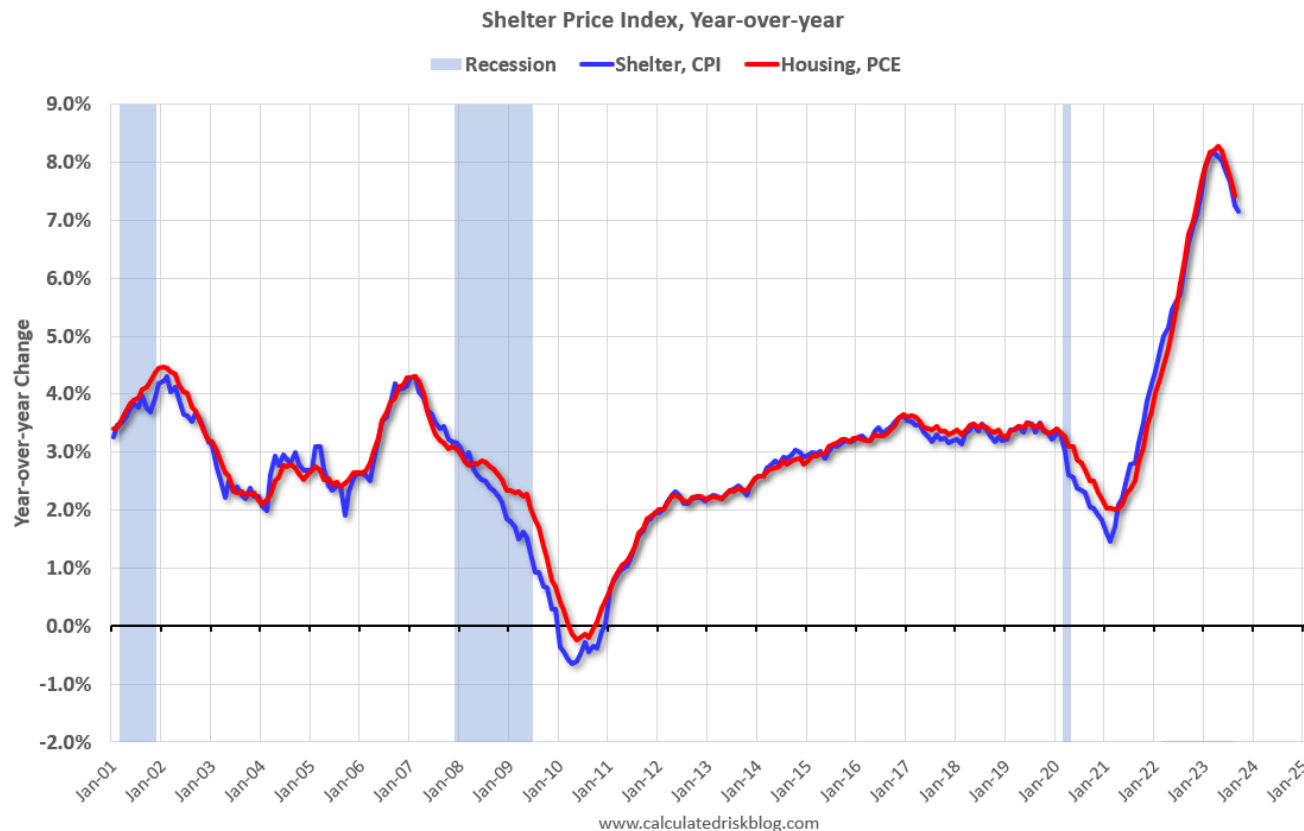
Asking rents are down YoY, and with **new supply coming on the market**, we will likely see further declines in asking rents.

Last month, the BLS noted in the CPI report: “The index for gasoline was the largest contributor to the monthly all items increase, accounting for over half of the increase. Also contributing to the August monthly increase was continued advancement in the shelter index, which rose for the 40th consecutive month.”

This is important for housing and also for monetary policy. **Fed Chair Powell mentioned he was watching services less rent of shelter earlier this year.**







Here is a graph of the year-over-year change in shelter from the CPI report (through August) and housing from the PCE report (through July 2023)

Shelter was up 7.1% year-over-year in September, down from 7.2% in August. Housing (PCE) was up 7.4% YoY in August, down from 7.7% in July.

The BLS noted "The index for shelter was the largest contributor to the monthly all items increase, accounting for over half of the increase."

Core CPI ex-shelter was up 1.9% YoY in September, down from 2.3% in August.





NATIONAL
ASSOCIATION OF
REALTORS®

October 9, 2023

The Honorable Jerome Powell, Chair
Board of Governors, Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

RE: Providing Market Certainty on Rate Path, MBS Sales

Dear Chairman Powell,

The Mortgage Bankers Association (MBA), National Association of REALTORS® (NAR), and National Association of Home Builders (NAHB) write today to the Board of Governors of the Federal Reserve System (hereinafter "the Fed") to convey profound concern shared among our collective memberships that ongoing market uncertainty about the Fed's rate path is contributing to recent interest rate hikes and volatility. This has exacerbated housing affordability and created additional disruptions for a real estate market that is already straining to adjust to a dramatic pullback in both mortgage origination and home sale volume. These market challenges occur amidst a historic shortage of attainable housing.

According to MBA's latest Weekly Applications Survey data, mortgage rates have now reached a 23-year high, dragging application activity down to a low last seen in 1996. The speed and magnitude of these rate increases, and resulting dislocation in our industry, is painful and unprecedented in the absence of larger economic turmoil.

Today, the spread between 30-year mortgage rates and the 10-year Treasury yield is at historically high levels, signaling deep-seated uncertainty about where the Fed is headed.

The difference between the current spread and the long-run average indicates mortgage rates for homebuyers across the country that are at least 120 basis points higher than they otherwise would be. In other words, the uncertainty-induced mortgage-to-Treasury spread is costing today's homebuyers an extra \$245 in monthly payment on a standard \$300,000 mortgage. Further rate increases and a persistently wide spread pose broader risks to economic growth, heightening the likelihood and magnitude of a recession.

Furthermore, a leading source of inflation in recent months has been increases in shelter costs. In the August CPI report, consumer prices were up 3.7%, while shelter costs were up 7.3%. In July, shelter inflation was responsible for 90% of the gain for consumer prices. The most effective approach to tame shelter costs, and assist on the broader inflation fight, is to facilitate the construction of attainable, affordable housing. Sustained wide spreads or further increases in interest rates make this economic goal more challenging by limiting lot development and home construction, exacerbating housing supply, and pricing out millions of households from the goal of homeownership.

RE: Providing Market Certainty on Rate Path, MBS Sales
October 9, 2023
Page 2 of 2

We strongly urge the Fed to make two clear statements to the market:

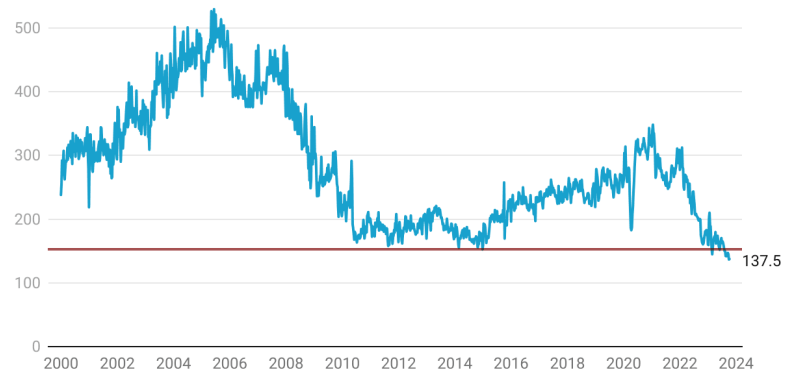
- The Fed does not contemplate further rate hikes;
- The Fed will not sell off any of its MBS holdings until and unless the housing finance market has stabilized and mortgage-to-Treasury spreads have normalized.

These steps will provide the market greater certainty about the Fed's rate path and its plans for the MBS portfolio and reduce volatility for traders and investors.

Housing activity accounts for nearly 16% of GDP according to NAHB estimates. We urge the Fed to take these simple steps to ensure that this sector does not precipitate the hard landing the Fed has tried so hard to avoid.

Mortgage Purchase Application Index

Seasonally adjusted

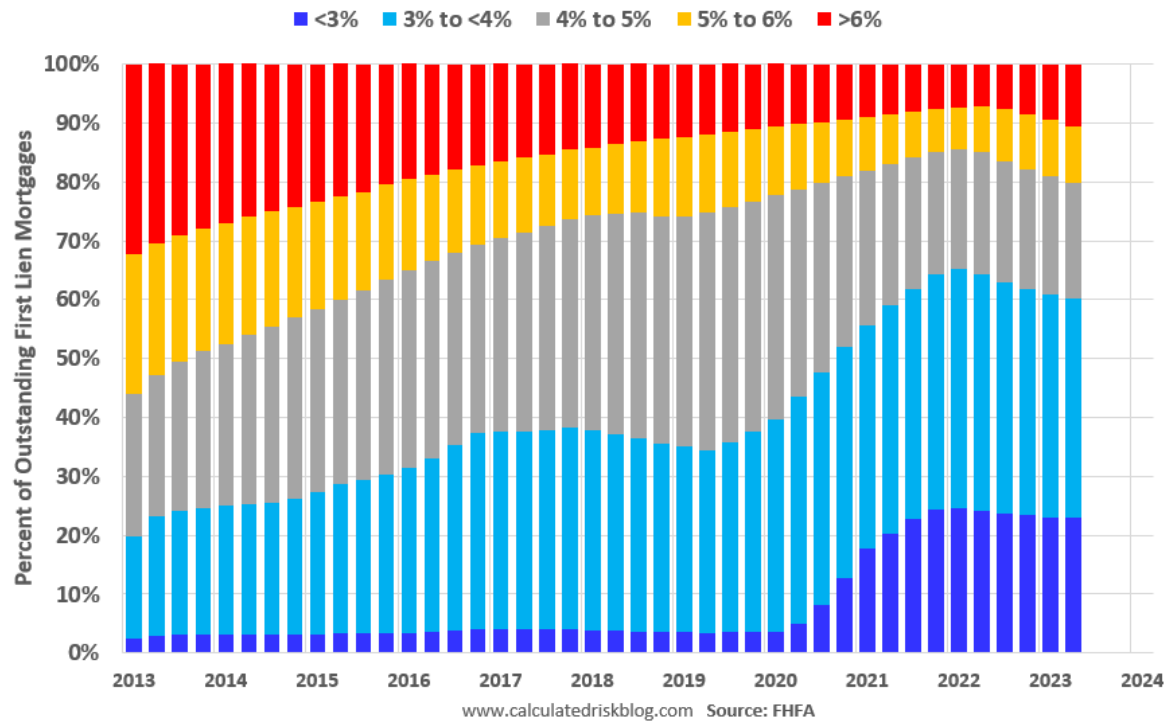


The red line marks the low point at the bottom of the GFC era bust

Chart: Lance Lambert • Source: The Mortgage Bankers Association • Created with Datawrapper



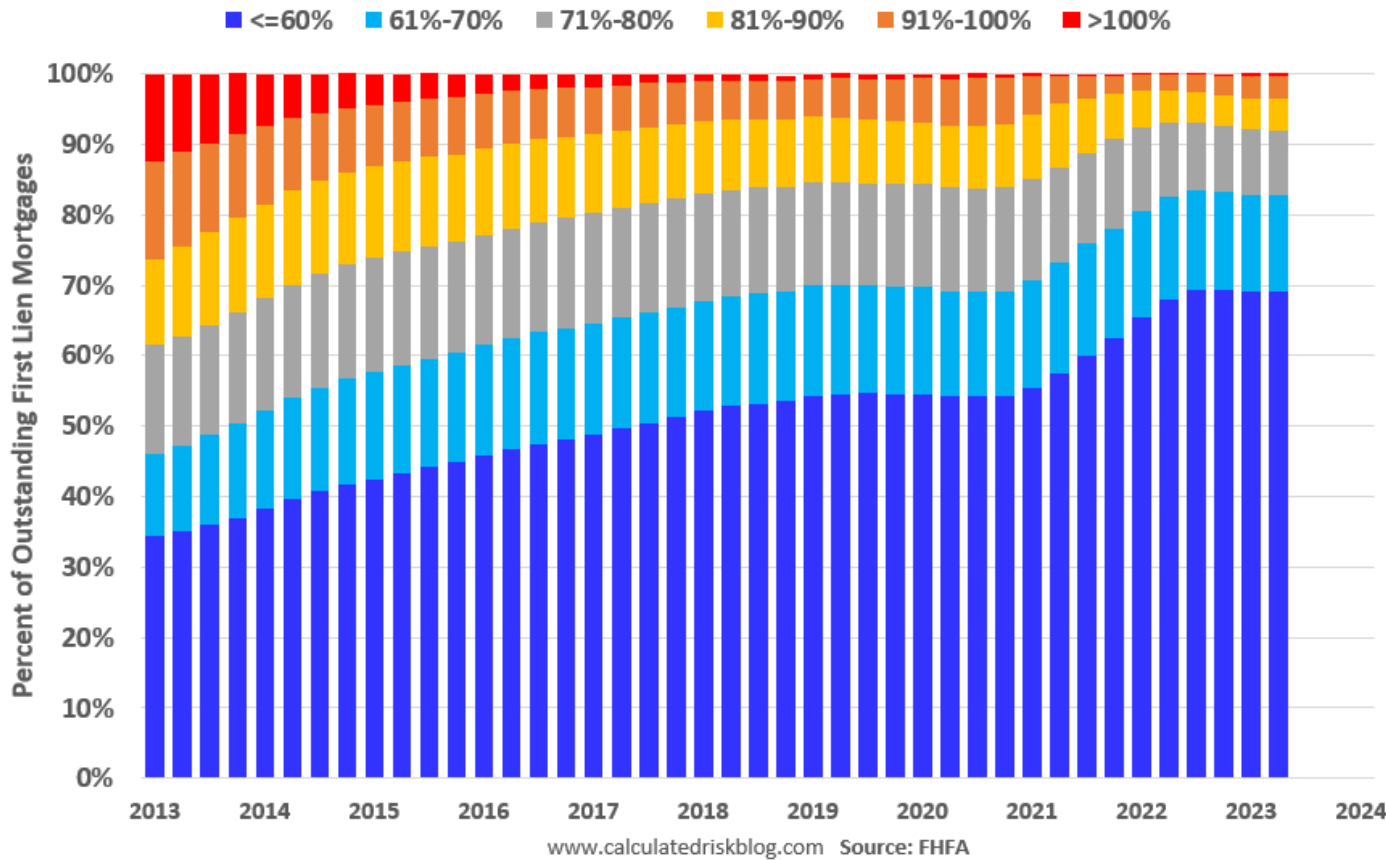
Percent of Closed-End, First-Lien Mortgages Outstanding by Interest Rate



Since lending standards have been solid and most homeowners have substantial equity, there will not be a huge wave of single-family foreclosures this cycle. And that means we will not see cascading price declines like following the housing bubble. Here is some data showing the distribution of interest rates on closed-end, fixed-rate 1-4 family mortgages outstanding at the end of each quarter since Q1 2013 through Q2 2023.



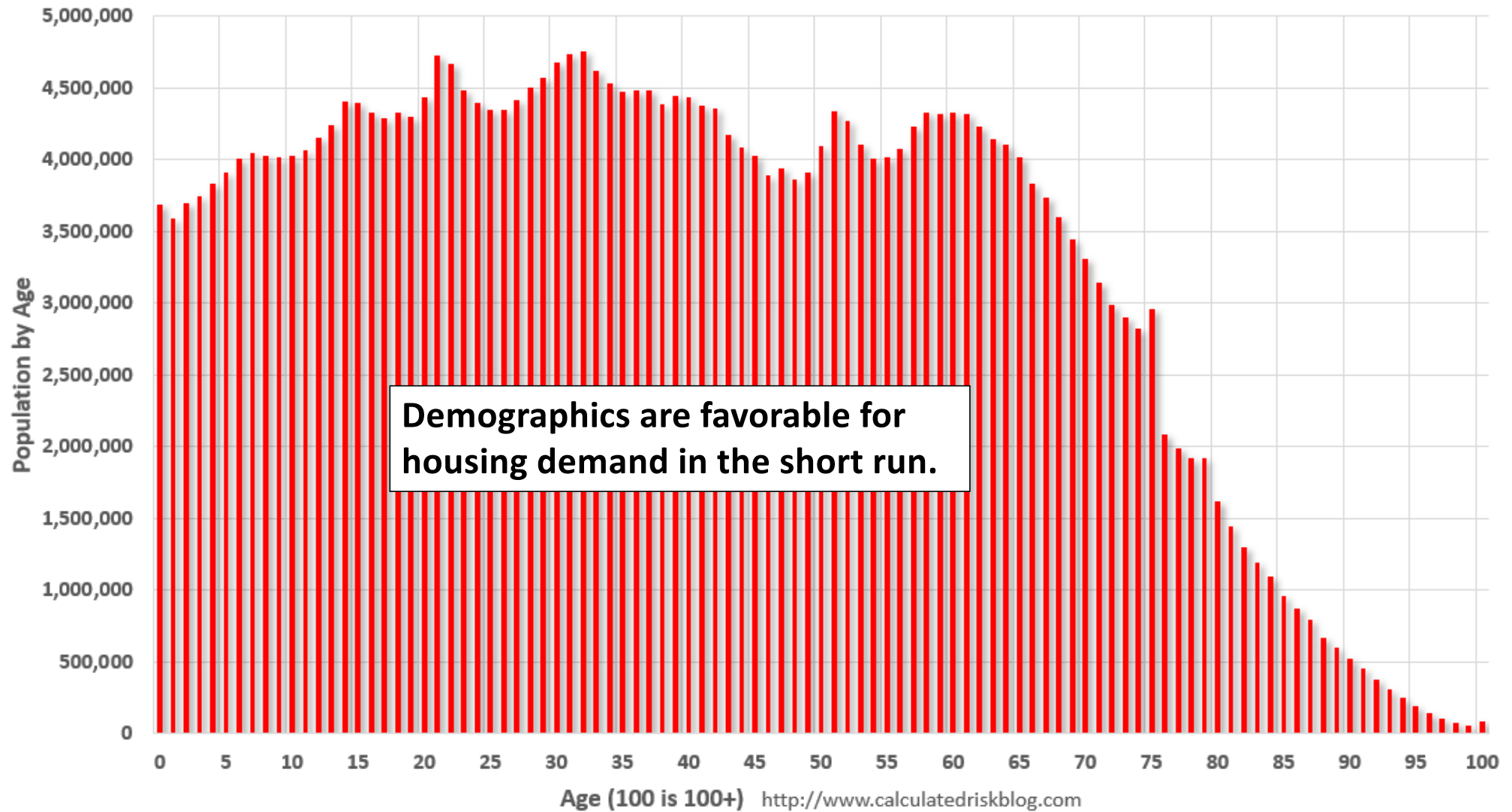
Percent of Closed-End, First-Lien Mortgages by Current Loan-to-Value



Over 69% of borrowers have current LTVs under 60% (and this doesn't include all the homes without a mortgage). And 91.9% of borrowers have LTVs under 80%. This is very different than during the housing bubble and bust, when a large percentage of borrowers had little or no equity.



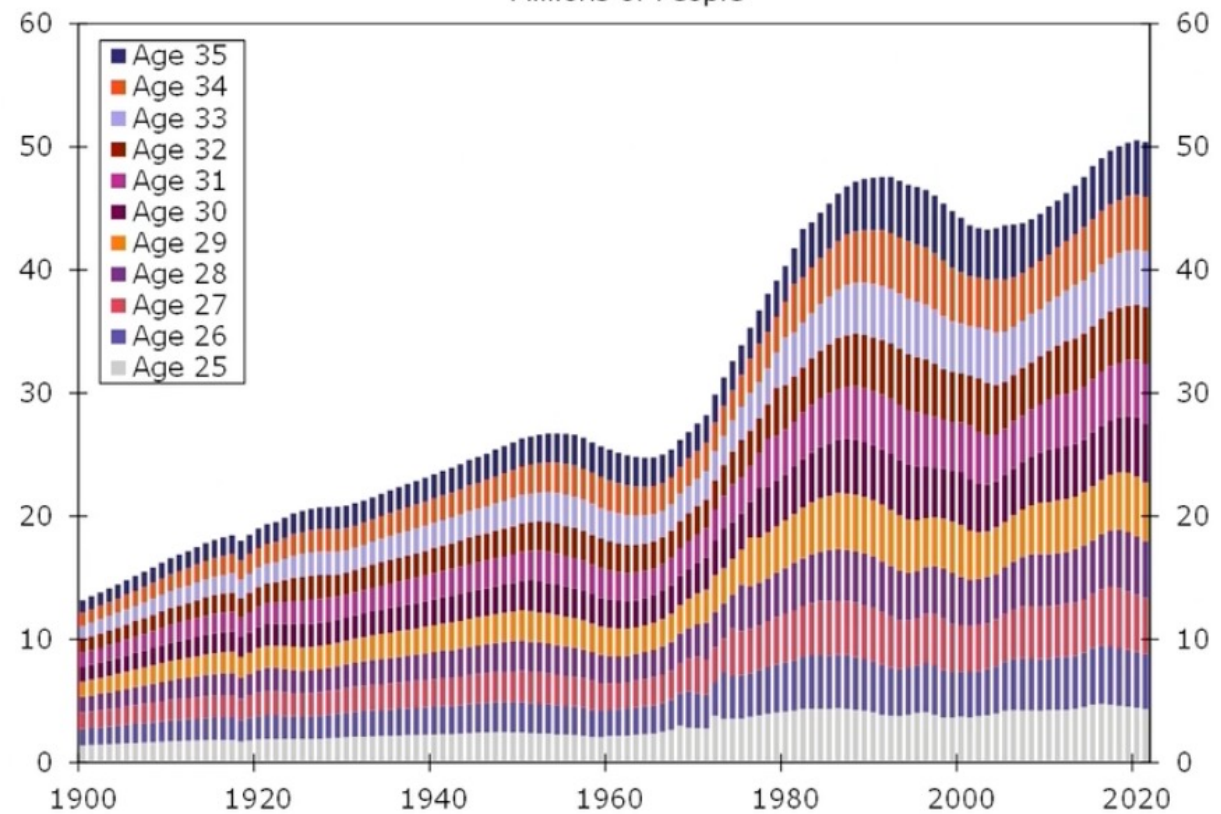
U.S. Population by Age, 2022 Census Estimate



The current wave of potential first-time home buyers is unmatched in recent history.

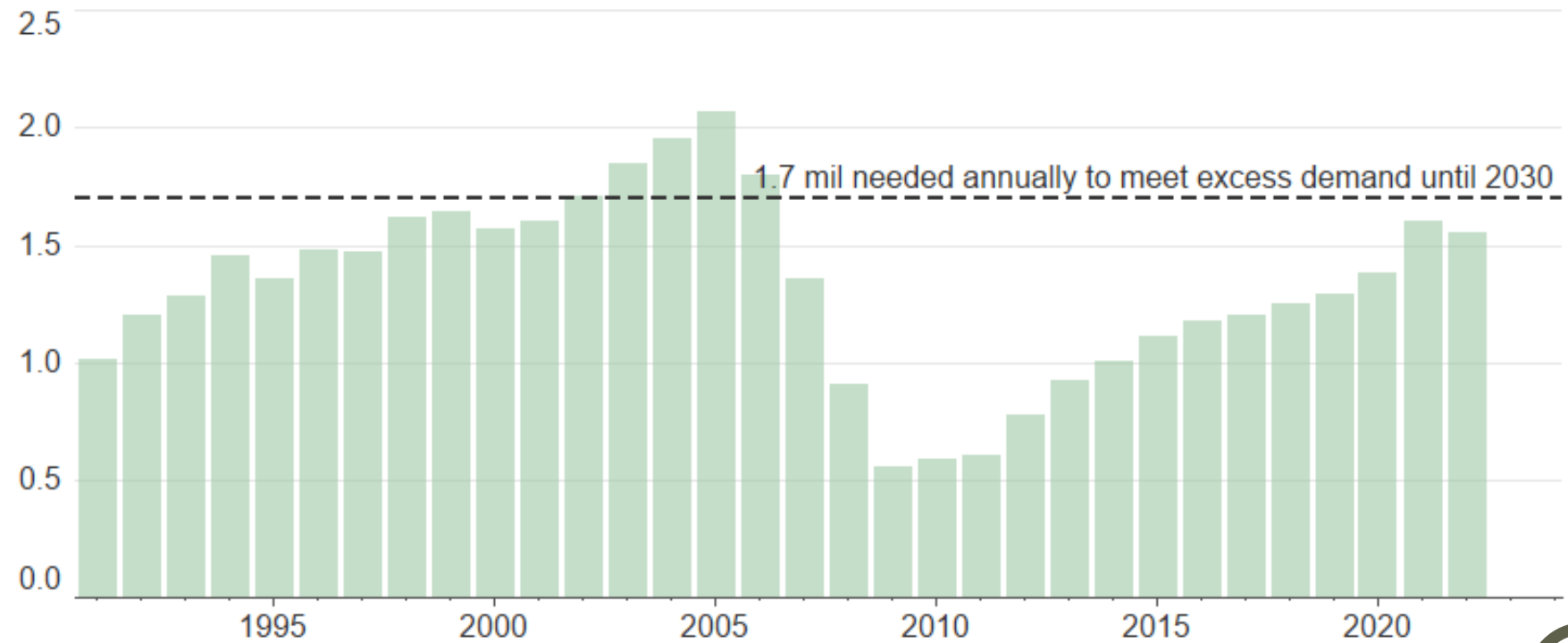
Number of 25-35 Year Olds Over Time

Millions of People



U.S. housing starts, annually

Millions



Source: Census Bureau, RSM US

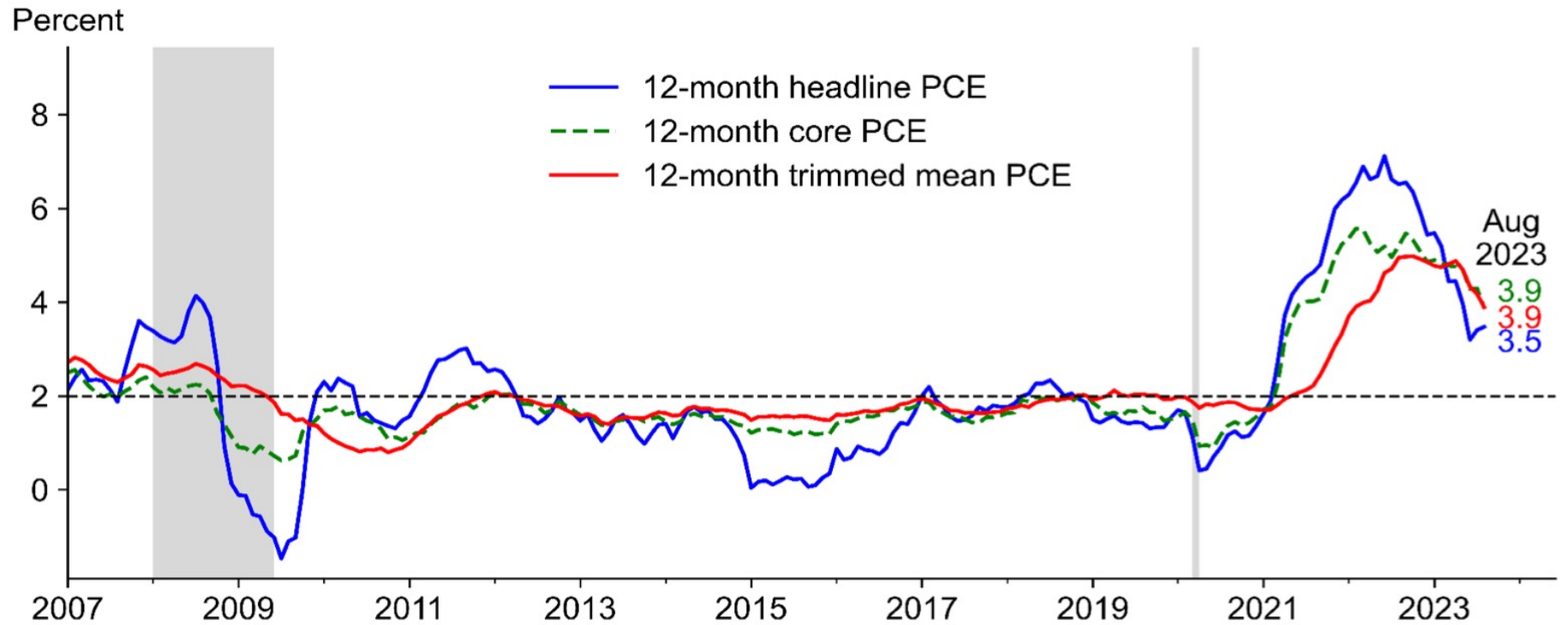


What will impact the industry going forward?

- Overall growth of the economy
- Supply chain performance
- Labor availability and cost
- Cost of inputs
- Housing market correction
- **Inflation outlook**
- Likelihood of recession
- Response of end consumer



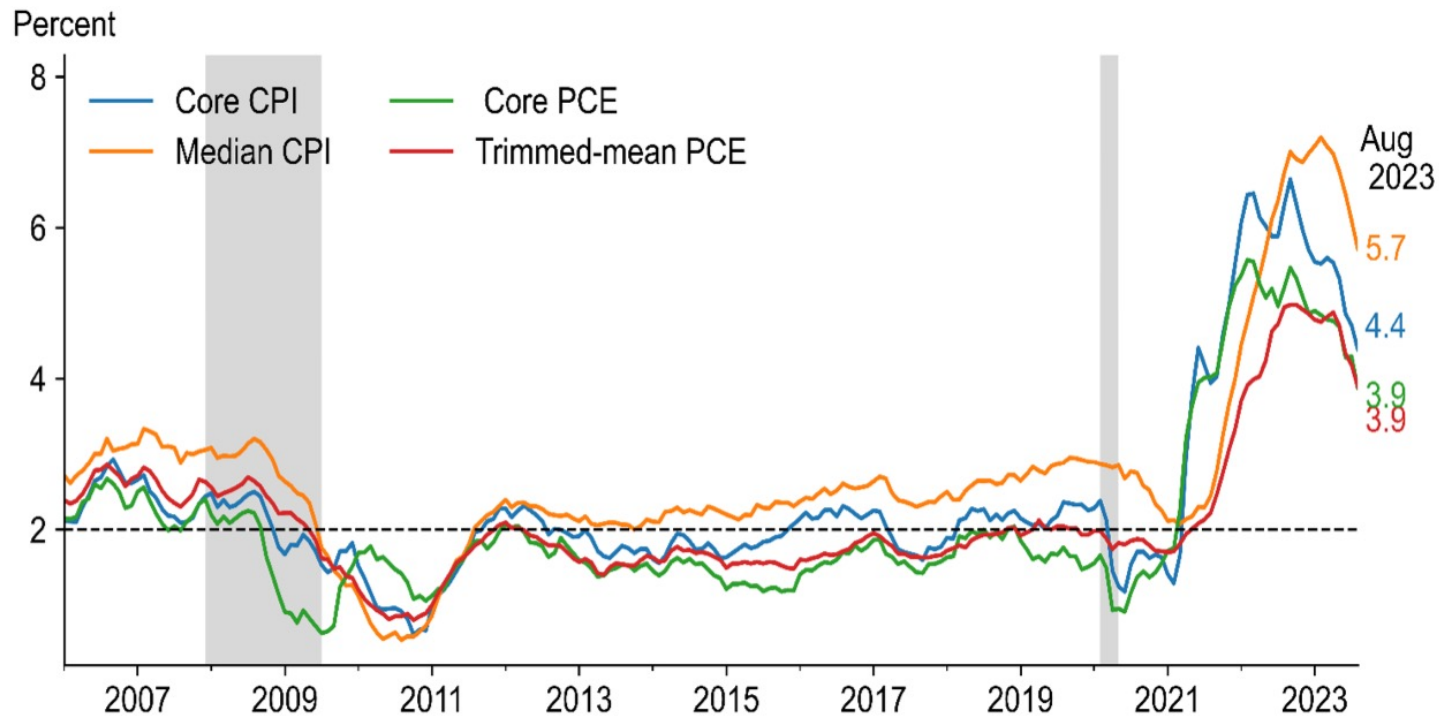
PCE Inflation



SOURCES: Bureau of Economic Analysis; Federal Reserve Bank of Dallas.



Core Inflation

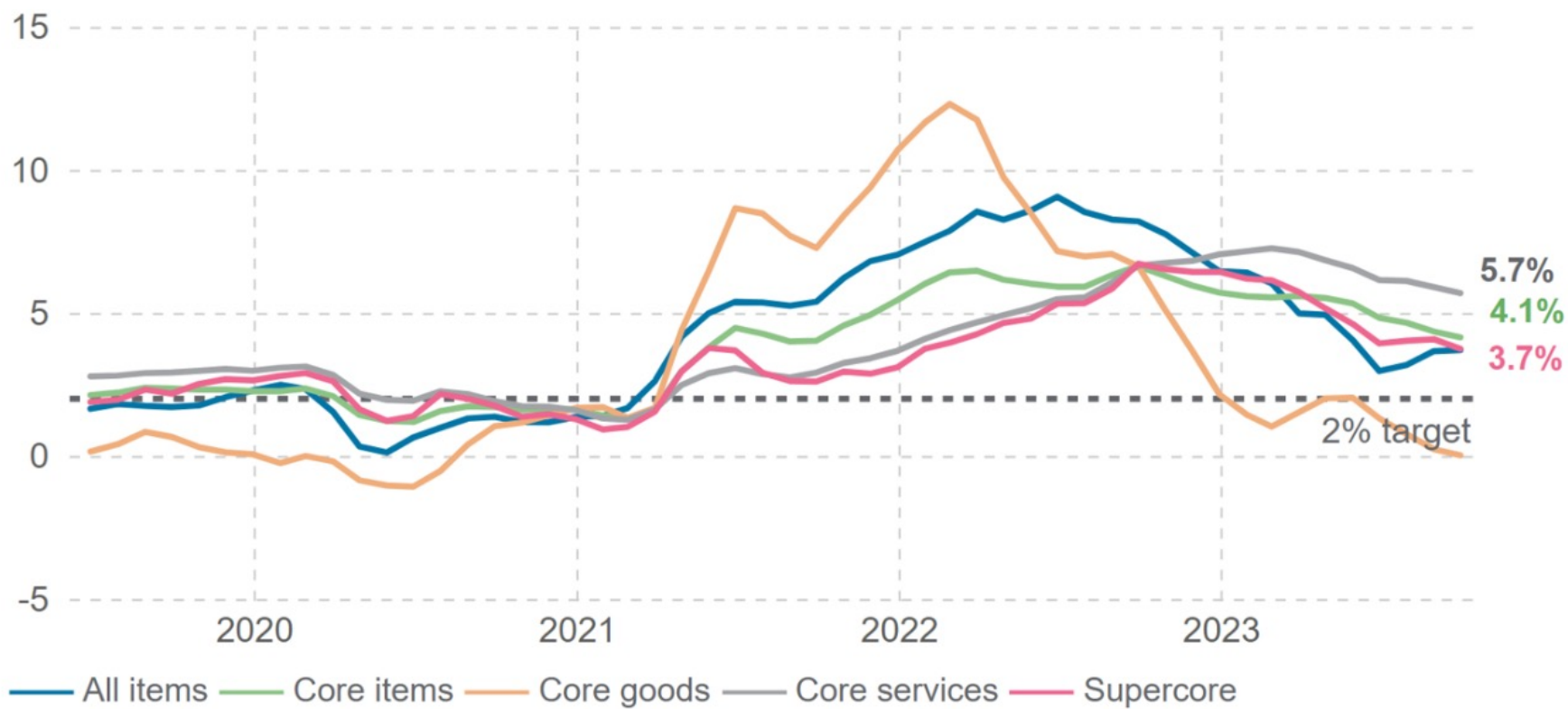


SOURCES: Federal Reserve Bank of Cleveland; Bureau of Economic Analysis; Bureau of Labor Statistics; Federal Reserve Bank of Dallas.

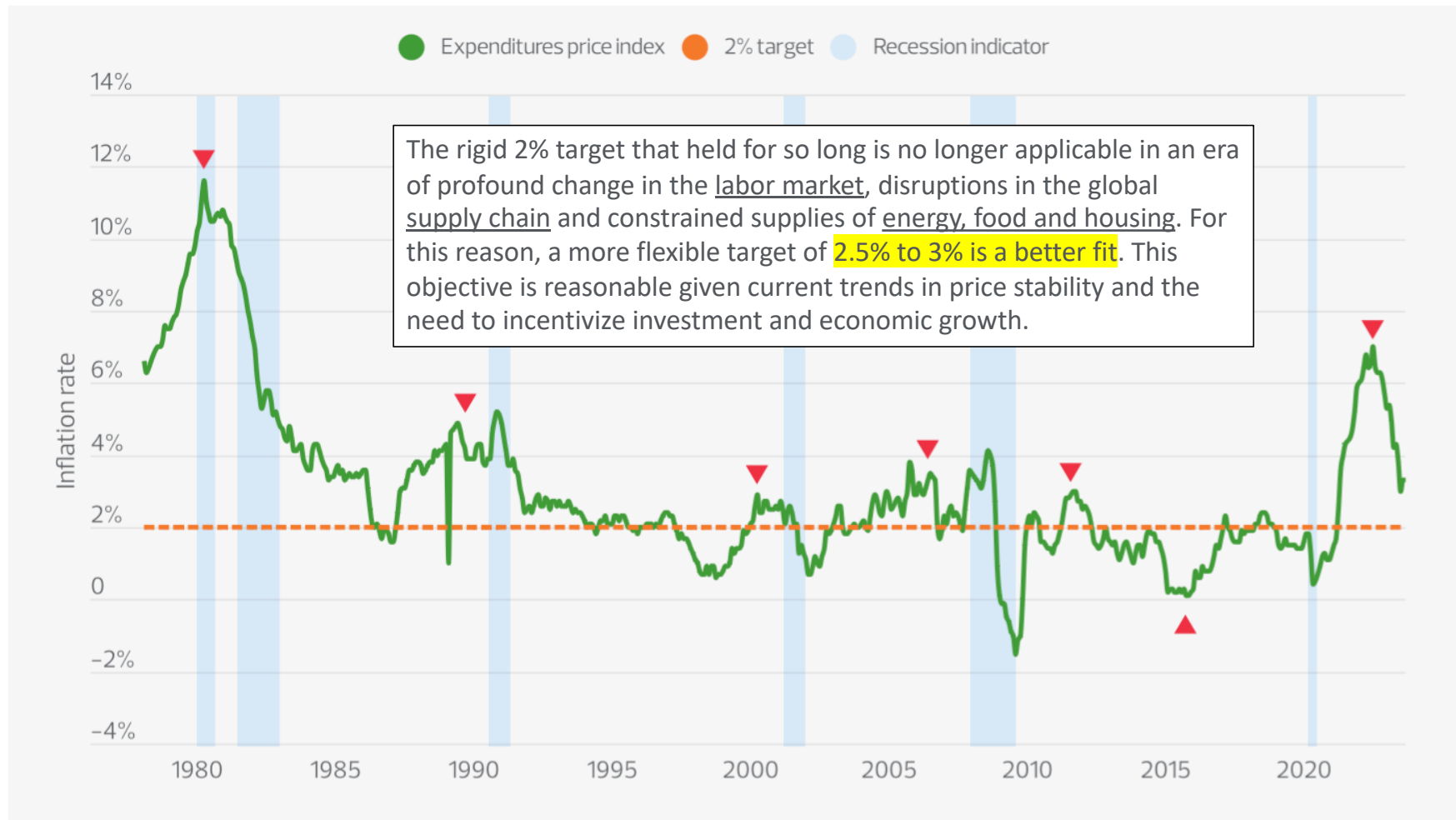


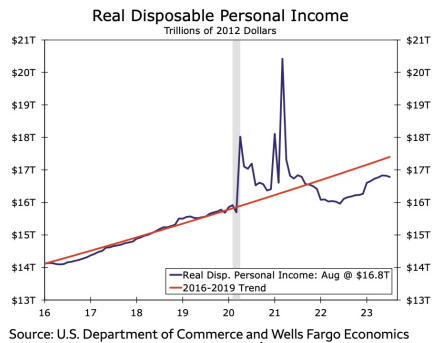
Year-over-year CPI changes

Percentages



PCE inflation rate in the era of monetary policy and the Fed's 2% inflation target*

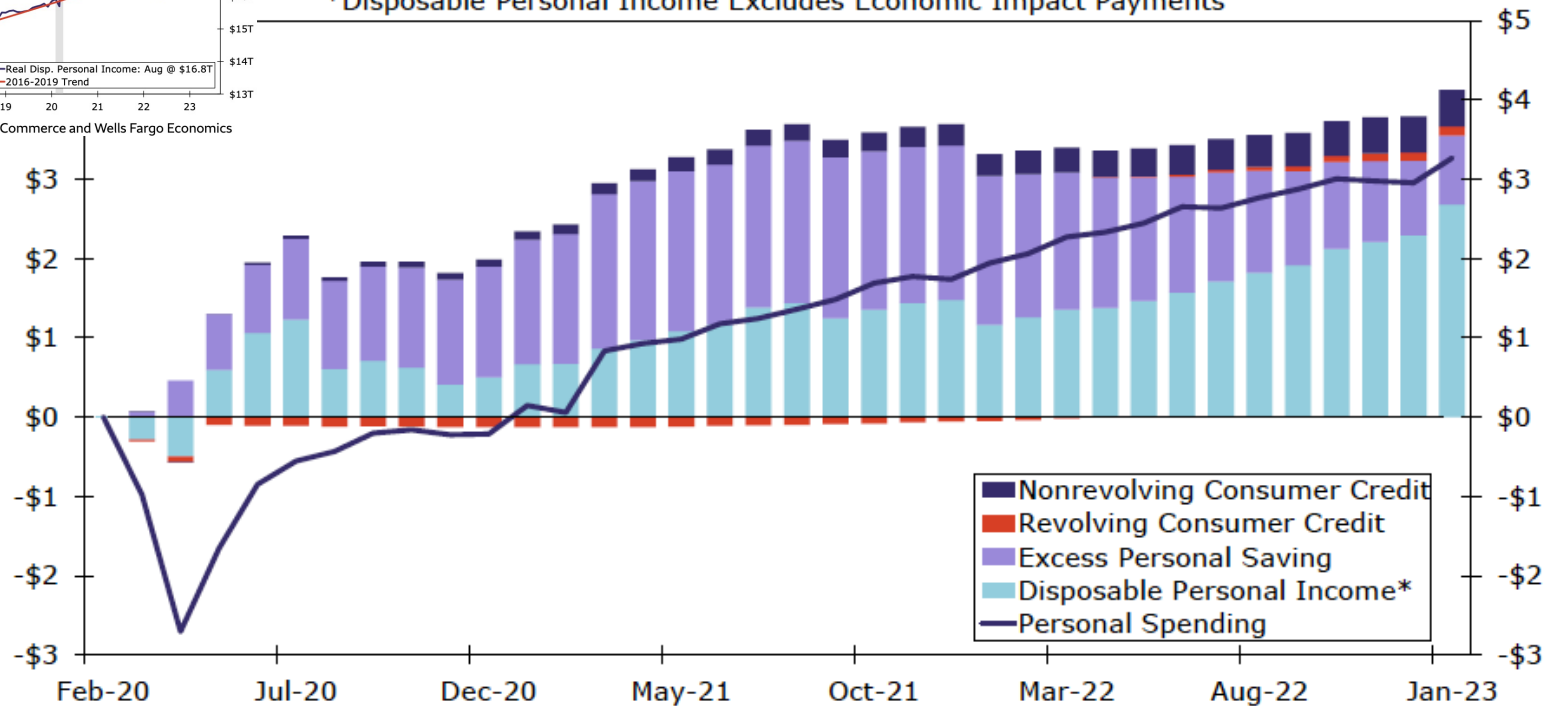




Consumer Outlays vs. Capacity to Spend

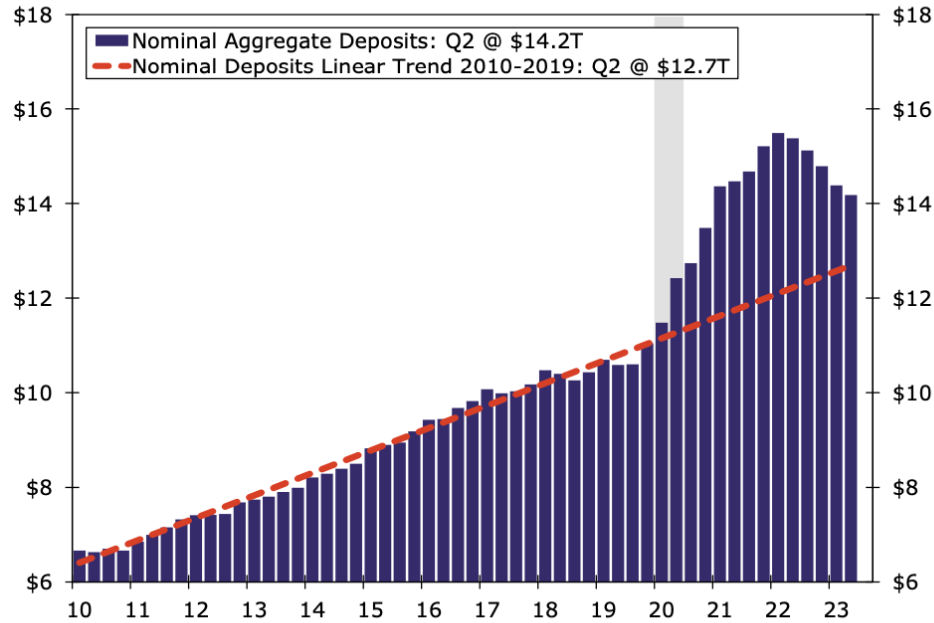
Change since Feb-2020; Trillions of USD

*Disposable Personal Income Excludes Economic Impact Payments



Household Checking and Savings Deposits

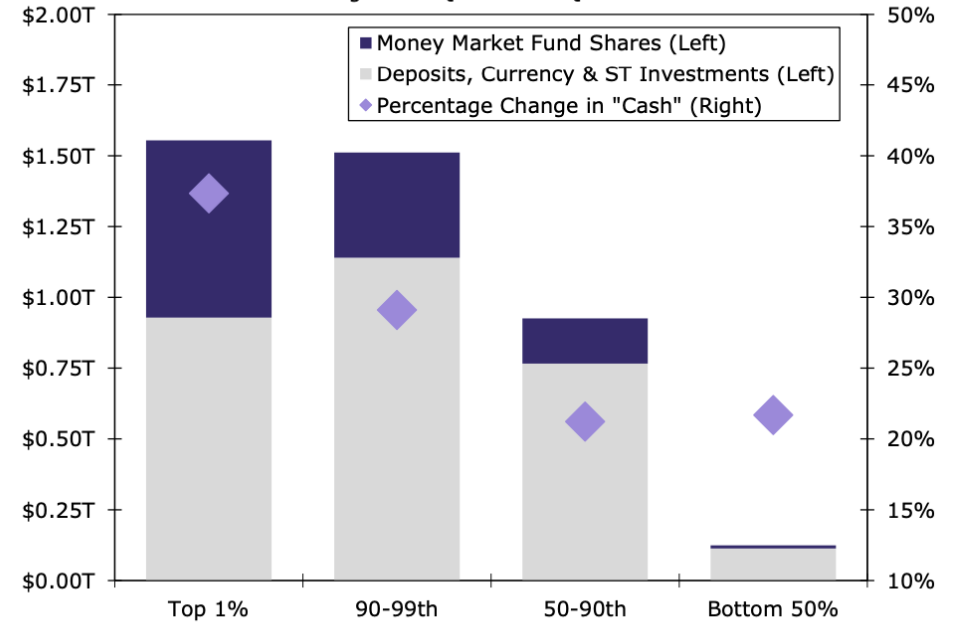
Trillions of USD



Source: Federal Reserve Board and Wells Fargo Economics

Gain in "Cash" Assets by Wealth Cohort

Change from Q4-2019 to Q2-2023



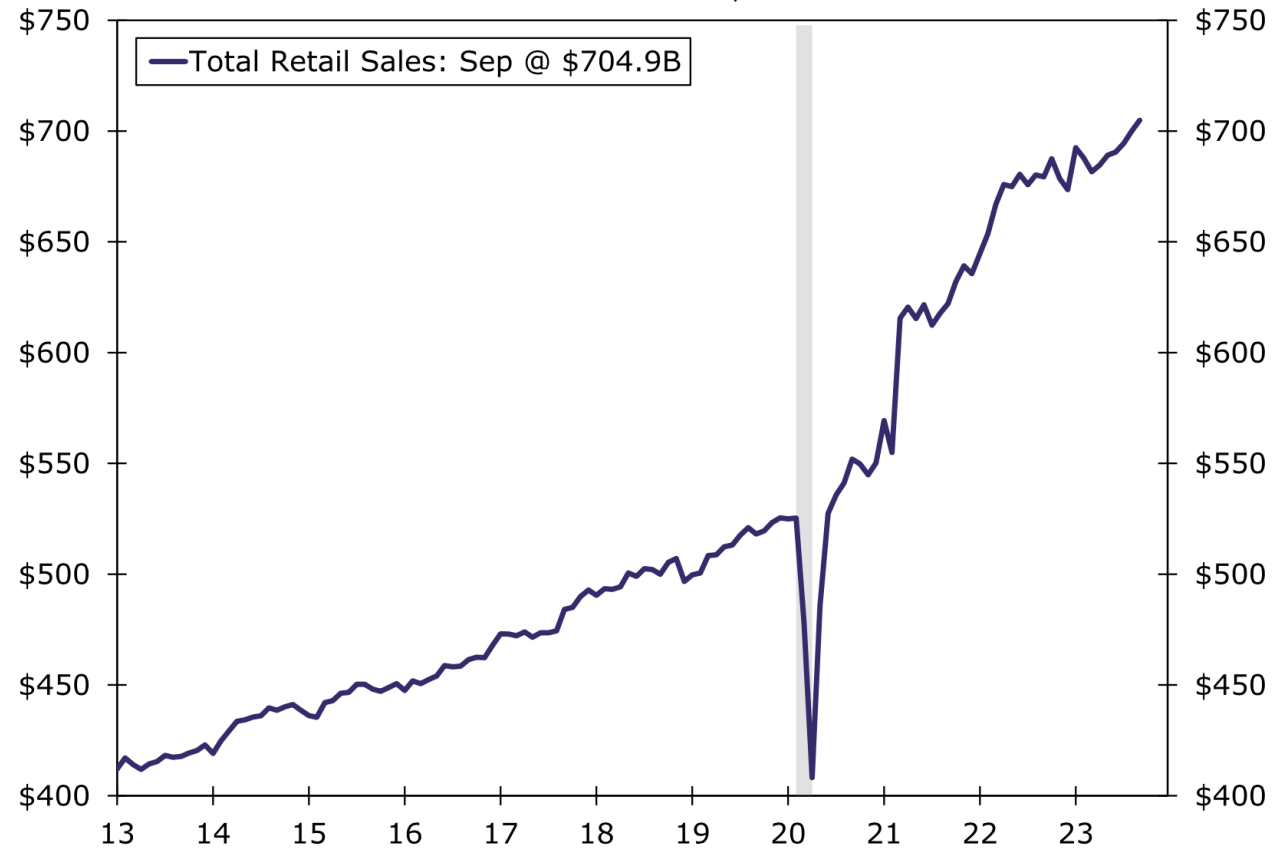
Source: Federal Reserve Board and Wells Fargo Economics

2021 Average Annual Wages

Group	Avg. Wages
Top 0.1% of Earners	\$3,312,693
Top 1% of Earners	\$819,324
Top 5% of Earners	\$335,891
Top 10% of Earners	\$167,639

Retail Sales

Billions of Dollars, SA

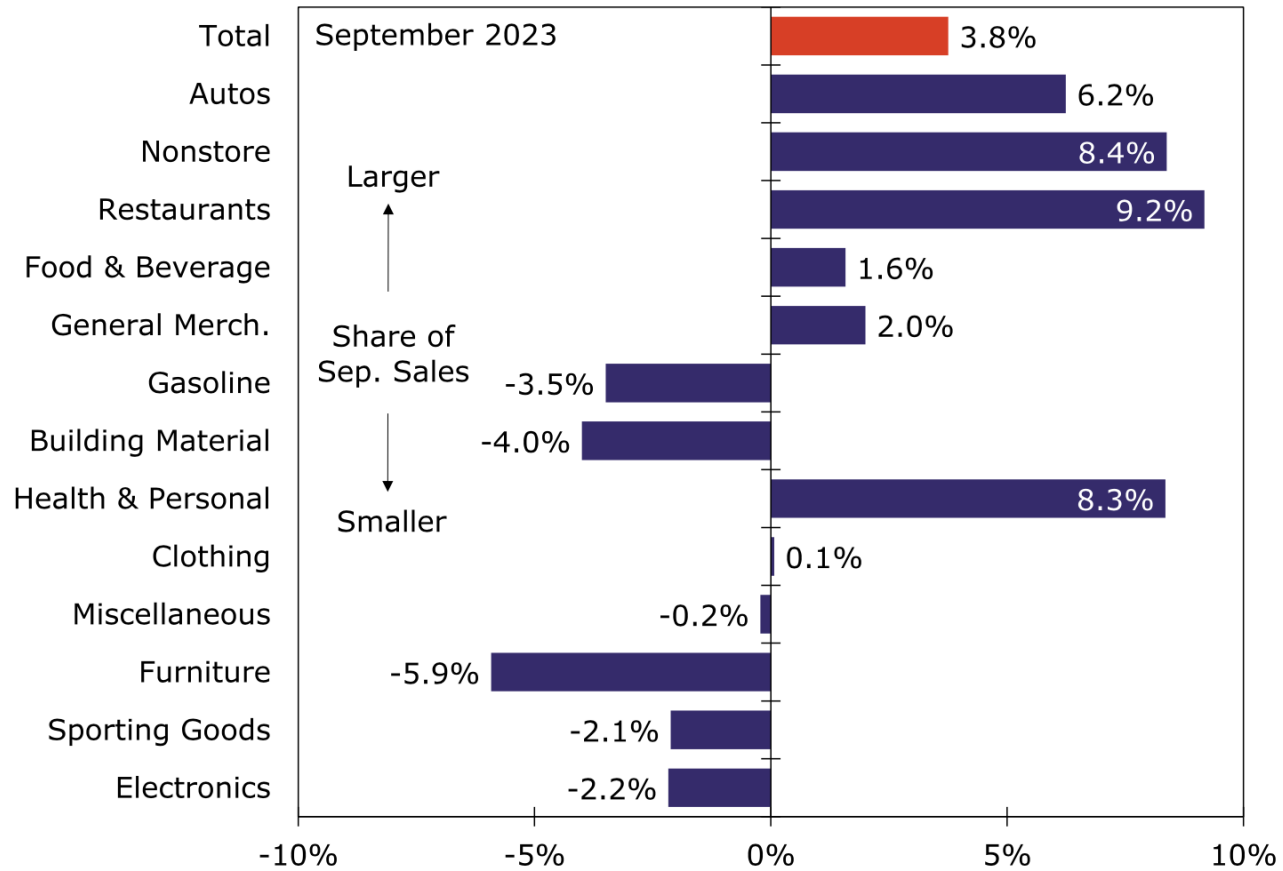


Source: U.S. Department of Commerce and Wells Fargo Economics



Change in Retail Sales

Year-over-Year Percent Change

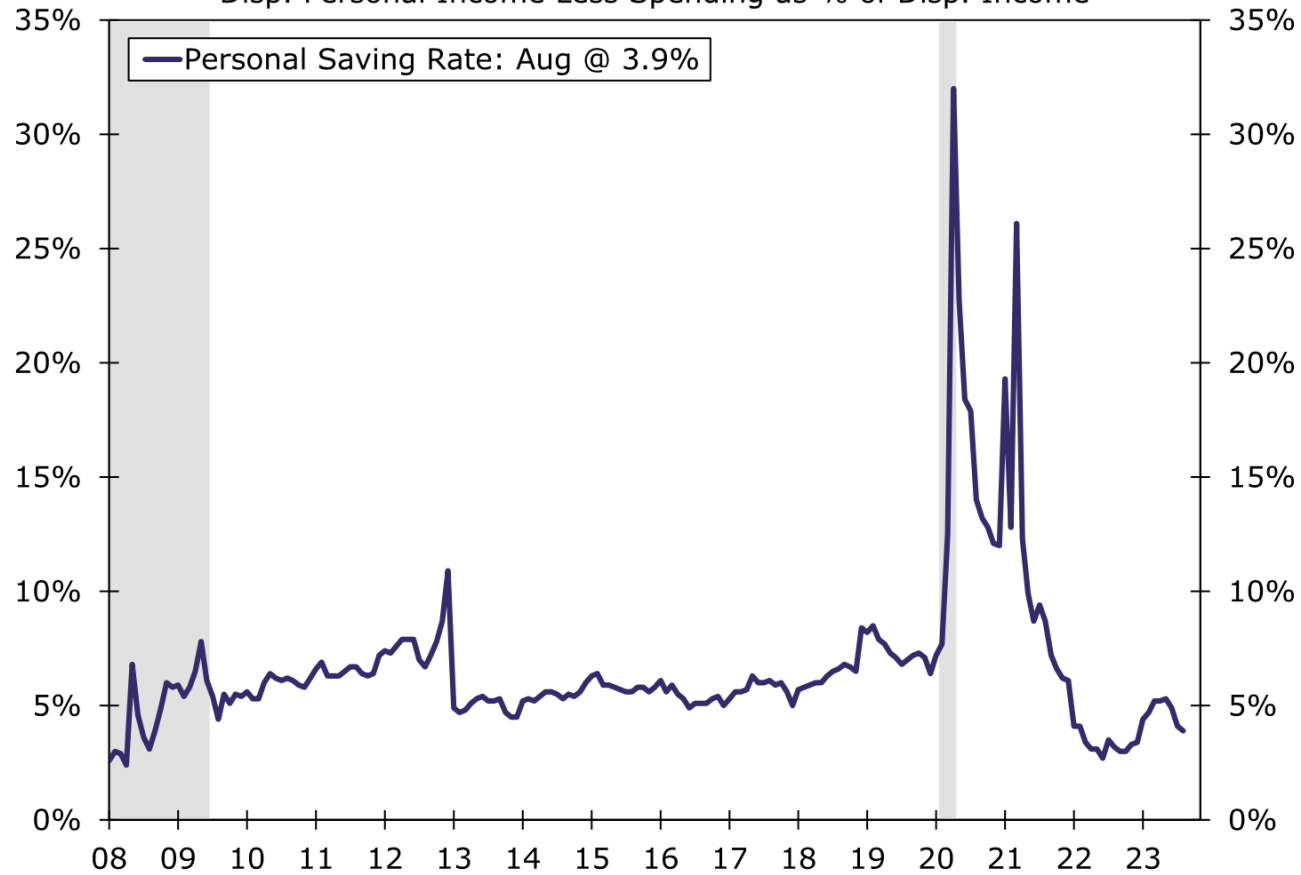


Source: U.S. Department of Commerce and Wells Fargo Economics



Personal Saving Rate

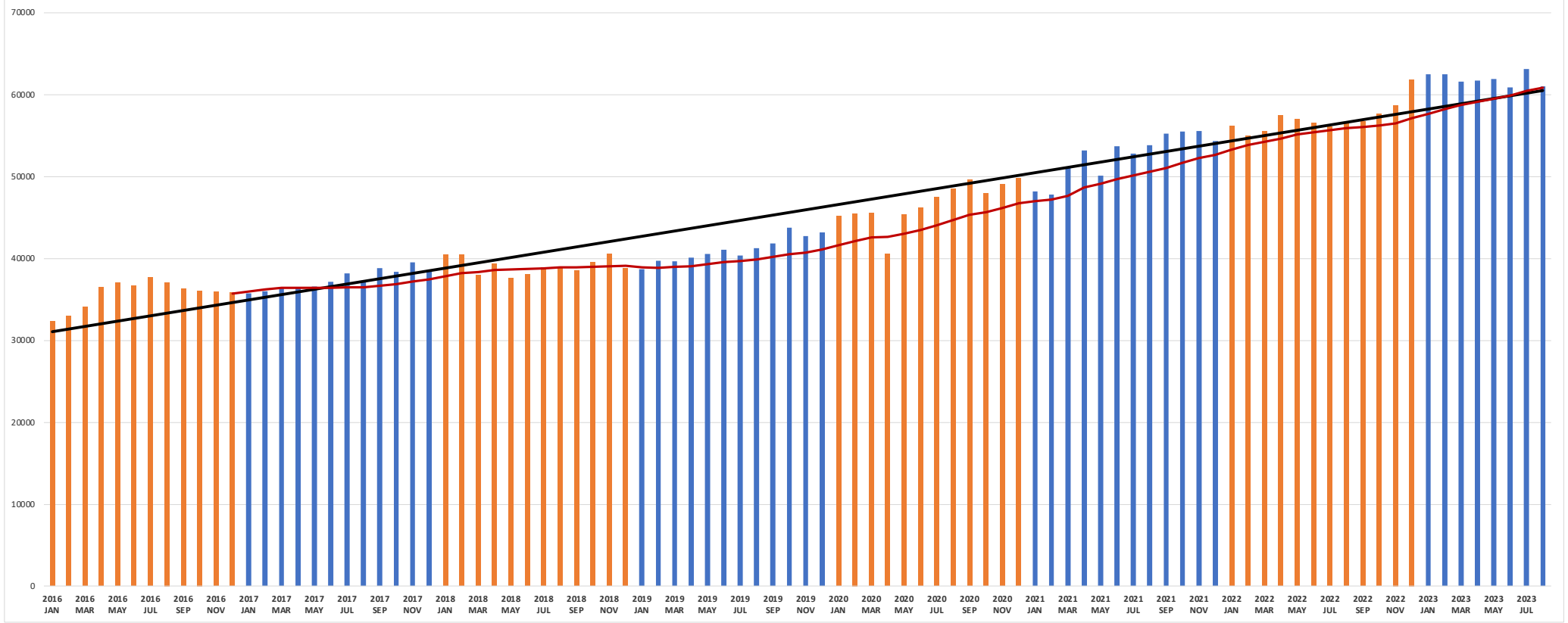
Disp. Personal Income Less Spending as % of Disp. Income



Source: U.S. Department of Commerce and Wells Fargo Economics



Flowers, seeds, and potted plants
ADJUSTED FOR INFLATION



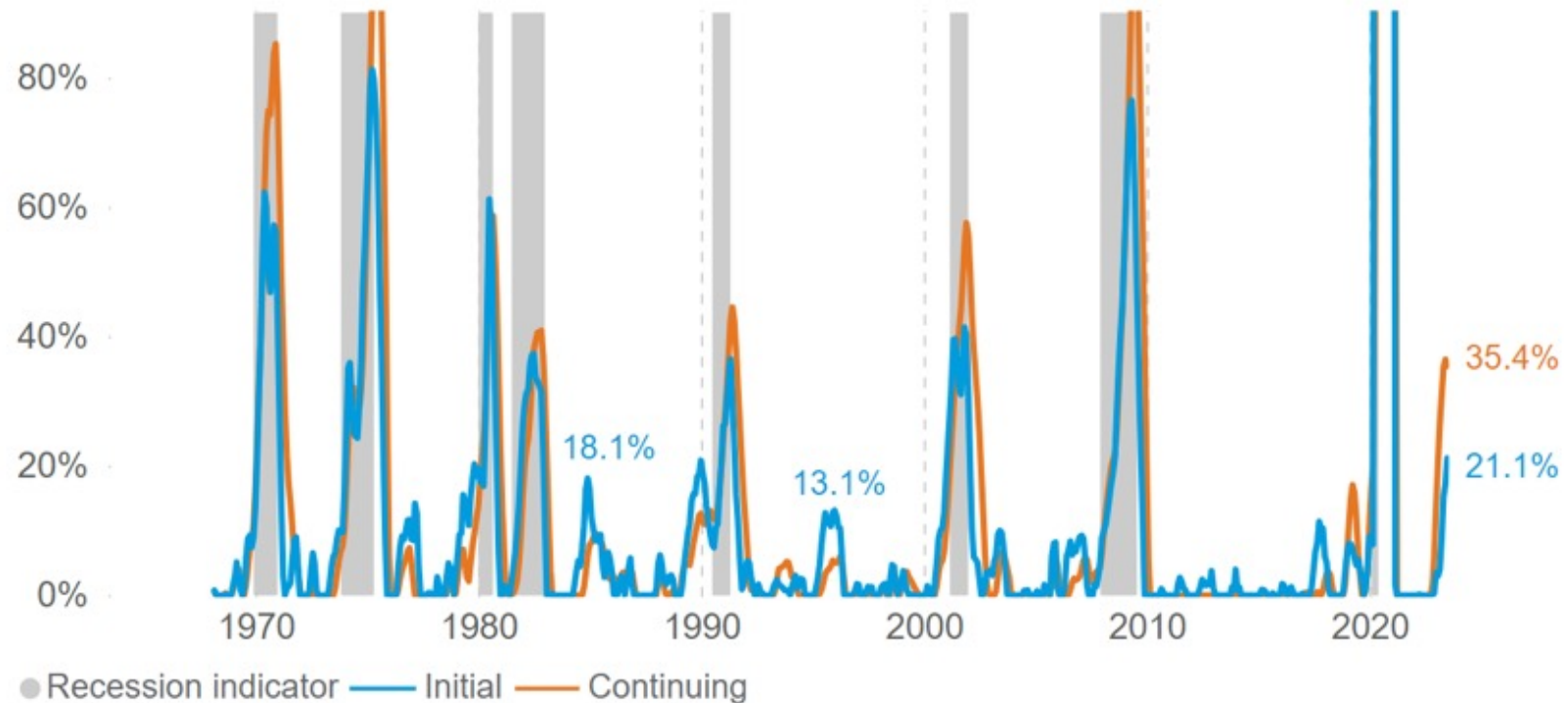
What will impact the industry going forward?

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- Cost of inputs
- Housing market correction
- Inflation outlook
- **Likelihood of recession**
- Response of end consumer



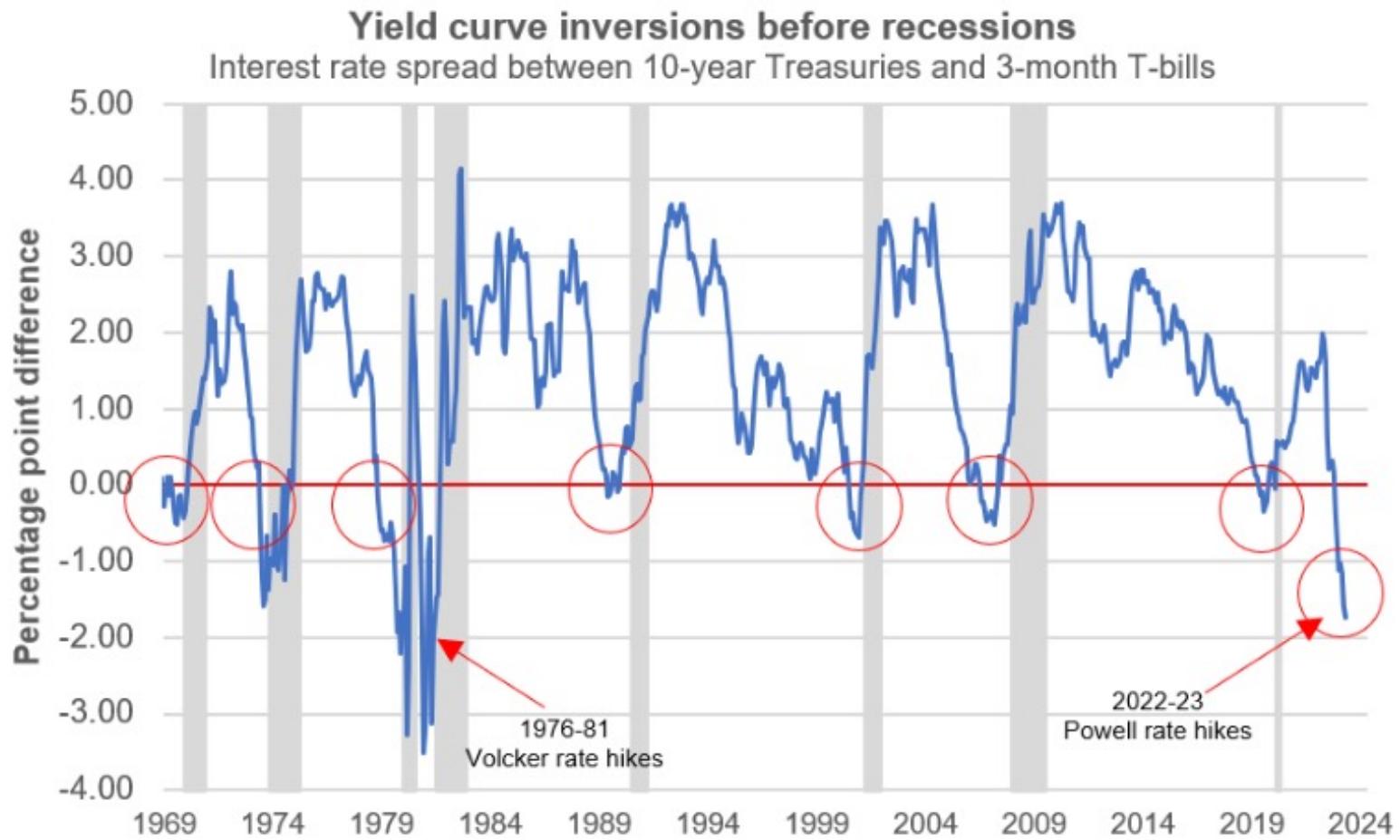
Increasing jobless claims flash recession signs

Percentage difference between the 3-month moving average and the 12-month minimum



Note: Values above 100% are truncated. Source: BLS, BEA, RSM US

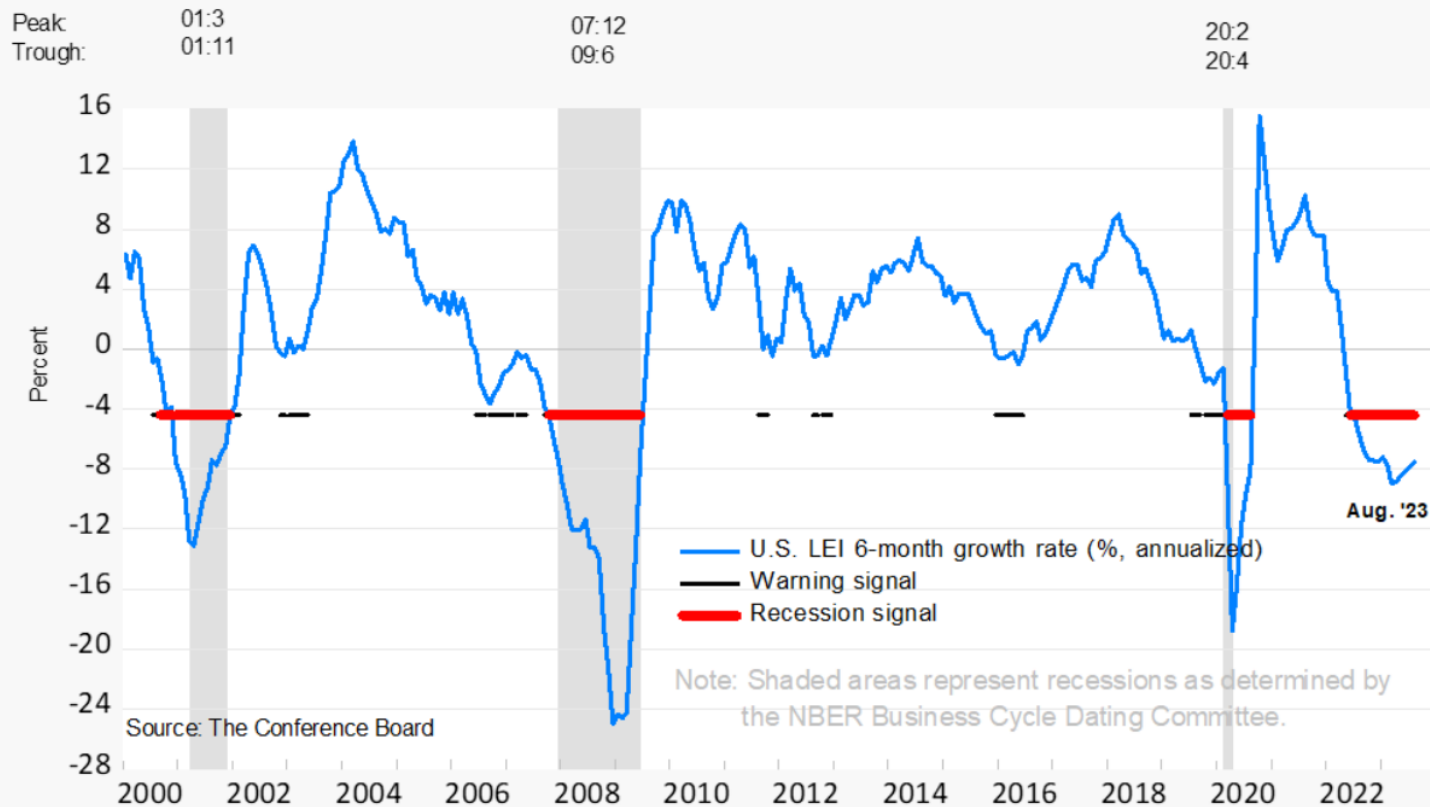




Source: NY Fed; RSM US



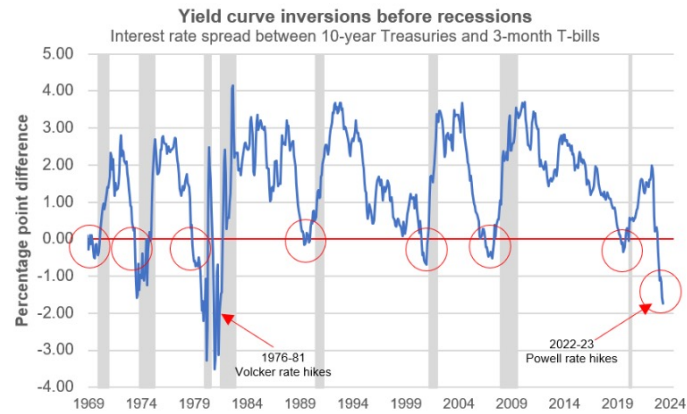
The US LEI continues to signal a recession ahead



Note: The chart illustrates the so-called 3D's rule which is a reliable rule of thumb to interpret the **duration, depth, and diffusion** – the 3D's – of a downward movement in the LEI. Duration refers to how long-lasting a decline in the index is, and depth denotes how large the decline is. Duration and depth are measured by the rate of change of the index over the last six months. Diffusion is a measure of how widespread the decline is (i.e., the diffusion index of the LEI ranges from 0 to 100 and numbers below 50 indicate most of the components are weakening). The 3D's rule provides signals of impending recessions 1) when the diffusion index falls below the threshold of 50 (denoted by the black dotted line in the chart), and simultaneously 2) when the decline in the index over the most recent six months falls below the threshold of -4.2 percent. The red dotted line is drawn at the threshold value (measured by the median, -4.2 percent) on the months when both criteria are met simultaneously. Thus, the red dots signal a recession.



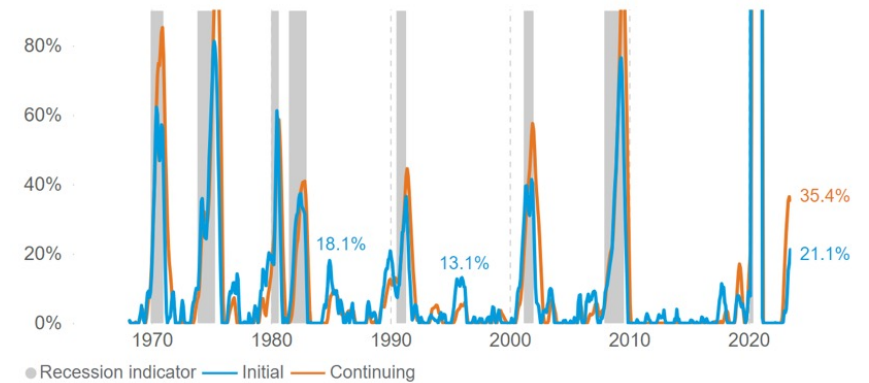
NY Fed yield curve model = 56.2%
Cleveland Fed yield curve model = 67.6%



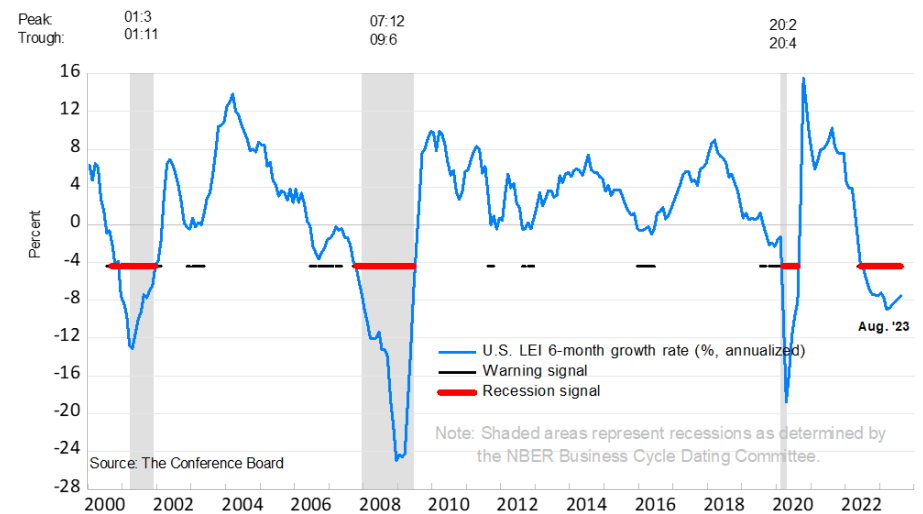
Source: NY Fed; RSM US

Increasing jobless claims flash recession signs

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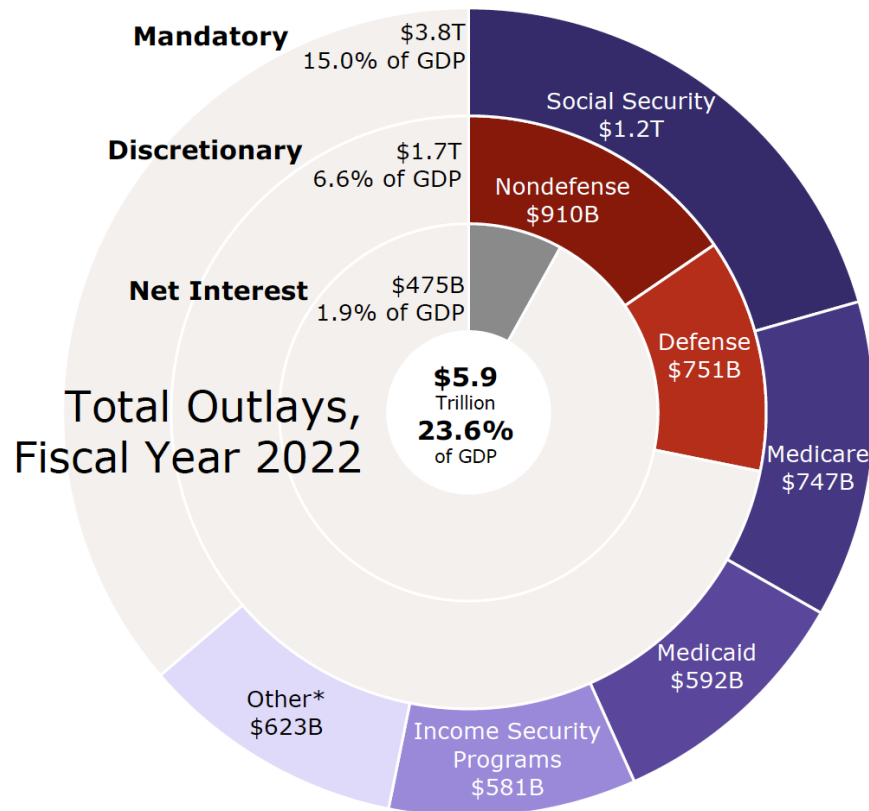


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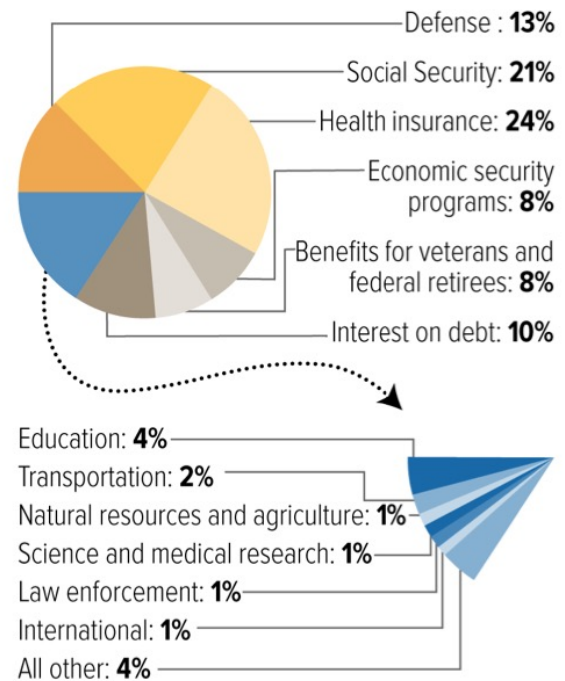


Note: Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.

Source: The Conference Board



Most of the Budget Goes Toward Defense, Social Security, and Major Health Programs



Note: Percentages do not add to 100 percent due to rounding.
 Source: 2023 figures from the Congressional Budget Office, May 12, 2023

Policy-induced dislocations of financial conditions

RSM US Financial Conditions Index



Source: Bloomberg; RSM US calculations

Notes: This figure plots the NFCI, along with contributions to the index from the three categories of financial indicators (risk, credit, and leverage). The contributions sum to the overall index.

- Demographics
- Health care costs
- Entitlements
- Inflation
- US national debt



Resist irrational exuberance.

Manage working capital.

Focus on value.



Value can come internally...or conveyed externally, by:

1. Focusing on **production efficiencies** across the entire value chain, with continued investment in (a) automation and productivity-boosting technologies, (b) improving supply chain and inventory management, or (c) streamlining processes and upskilling employees to improve efficiencies.
2. Diversifying and optimizing product offerings with a focus on high-margin products (**margin mixing**) and/or enhancing marketing strategies and post-sales support to differentiate further from competitors.

Other questions?

- Overall growth of the economy
- Supply chain performance
- Labor availability and cost
- Cost of inputs
- Housing market correction
- Inflation outlook
- Likelihood of recession
- Response of end consumer

