

Furniture Insights®

Monthly Results

New Orders

New orders in April 2015 were up 3 percent over April 2014 orders based on our recent survey of residential furniture manufacturers and distributors. In 2014, orders for April were up 13 percent over April 2013, but as we mentioned last year, market dates have an impact of orders written in April. The April 2014 market started April 5, versus starting April 20 in 2013 and April 18th in 2015, so the lag in orders after each market shifts some results into May.

In April 2015, slightly over one-half of the participants reported increased orders down from 57 percent reporting increases in March and about that same percent in February.

Year-to-date, new orders were up 5 percent over last year. In 2014, orders were up 5 percent over the first few months of 2013, so the increase in 2015 is at least against some strong prior year numbers. New orders were up for 68 percent of the participants year-to-date, about the same percent as reported last month.

Shipments and Backlogs

Shipments in April were up 5 percent over April 2014 but down 8 percent from March, which is fairly typical for March to April comparisons. April 2014 shipments were up 12 percent over April 2013, so once again the 5 percent increase is off a really good month's report last year. Shipments were up for approximately 65 percent of the participants.



Year-to-date, shipments were up 7 percent over the same period a year ago. This was down slightly from the 8 percent reported last month. Similar to the results for new orders, shipments were up for some 68 percent of the participants. Last year through April, shipments were up 6 percent so the 7 percent gain this year remained very positive.

Furniture Insights® A Monthly Newsletter

Smith Leonard PLLC

Kenneth D. Smith, CPA

4035 Premier Drive, Suite 300
High Point, North Carolina 27265
Telephone (336) 883-0181 | facsimile: (336) 841-8764
E-Mail: ksmith@smithleonardcpas.com

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Backlogs were down slightly from March but up 7 percent over April 2014. Backlogs were up 9 percent in March versus March 2014, but shipments exceeded new orders in April, bringing backlogs down a bit. Last year in April, backlogs were 13 percent higher than April 2013 so backlogs remain at pretty high levels overall.

Receivables and Inventories

Receivables in April were 4 percent higher than April 2014, in line with the 5 percent increase in shipments. Receivables were 1 percent higher than March, even with shipments down 8 percent. But with shipments up 7 percent year-to-date, the 4 percent increase over April last year is very much in line.

Inventories in April were up 8 percent over April 2014 and up 3 percent from March. The 8 percent increase is up from 6 percent increase reported last month. While inventory levels appear a bit high, we will watch them over the next few months as at any given time, the numbers can be a bit high or low, so we will watch for trends.

Factory and Warehouse Employees and Payrolls

Factory and warehouse employees were 3 percent higher in April 2015 than April 2014 and up 1 percent over March. Last month, they were 2 percent higher than March 2014. Last year at this time, the employee count was 5 percent higher than April 2013.

Factory and warehouse payrolls were up 5 percent over April 2014 and also up 5 percent year-to-date. Payrolls appear also to be in good shape considering business conditions.

National

University of Michigan Surveys of Consumers

According to the Surveys of Consumers University of Michigan, consumers voiced in the first half of 2015 the largest and most sustained increase in economic optimism since 2004. Just as important, that same record was set by households in the top third of the income distribution as well as by the middle third and those in the bottom third of the income distribution. Moreover, the recent surveys recorded those same records when consumers were asked to evaluate prospects for the national economy, their personal finances, and buying conditions. Consumer spending will remain the driving force of economic growth in 2015. Overall, the data indicate growth in consumer spending of 3.0 percent in 2015.

Surveys of Consumers chief economist, Richard Curtin said: "The remarkably favorable economic assessments documented in the recent surveys were due to two factors. An improving economy was the most important component. But the gains were so outsized that they probably reflected the acceptance of a new lower comparison standard that was based on diminished expectations for long-term economic prospects. Parsing just how much has been due to an improving economy and how much to an acceptance of diminished economic standards will be revealed by their subsequent consumption behavior. Needless to say, the answer to this question has critical implications for appropriate economic policies."

According to the report, the economic slowdown has ended according to consumers. The fewest consumers thought the economy had worsened in the June

2015 survey than any time since August of 2000. Consumers reported hearing of fewer recent job losses in June, and the majority of consumers anticipated good times in the economy as a whole during the year ahead. When averaged over the first half of 2015, consumers were more likely to expect good times in the economy than in the first half of any other year since 2000.

During the first six months of 2015, consumers more favorably assessed their current finances as well as their future financial prospects than in the first half of any other year since 2007. These very favorable expectations were driven by remarkably low income expectations: across all households during the first half of 2015, an income increase of 1.5 percent was expected, down from 2.5 percent in the first half of 2007. A lower prevailing inflation rate, however, made real income gains higher in the first half of 2015 than any time since the first half of 2007.

Gross Domestic Product (GDP)

Real gross domestic product – the value of the production of goods and services in the United States, adjusted for price changes – decreased at an annual rate of 0.2 percent in the first quarter of 2015, according to the “third” estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.2 percent.

The GDP estimate released is based on more complete source data than were available for the “second” estimate issued last month. In the second estimate, the decrease in real GDP was 0.7 percent. With the third estimate for the first quarter, exports decreased less than previously estimated, and personal consumption expenditures (PCE) and imports increased more.

The decrease in real GDP in the first quarter primarily reflected negative contributions from exports, nonresidential fixed investment, and state and local government spending that were partly offset by positive contributions from PCE, private inventory investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent in May to 123.1 (2010 = 100), following a 0.7 percent increase in April, and a 0.4 percent increase in March.

“The U.S. LEI increased sharply again in May, confirming the outlook for more economic expansion in the second half of the year after what looks to be a much weaker first half,” said Ataman Ozyildirim, Director, Business Cycles and Growth Research, at The Conference Board. “While residential construction and consumer expectations support the more positive outlook, industrial production and new orders in manufacturing are painting a somewhat more mixed picture.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in May to 112.1 (2010 = 100), following a 0.2 percent increase in April, and no change in March.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.2 percent in May to 117.0 (2010 = 100), following a 0.2 percent increase in April, and a 0.5 percent increase in March.

Housing

Existing-Home Sales

Fueled partly by an increase in the share of sales to first-time buyers, existing-home sales increased in May to their highest pace in nearly six years, according to the National Association of Realtors® (NAR). Led by the Northeast, all major regions experienced sales increases in May.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, rose 5.1 percent to a seasonally adjusted annual rate of 5.35 million in May from an upwardly revised 5.09 million in April. Sales have now increased year-over-year for eight consecutive months and are 9.2 percent above a year ago (4.90 million).

Single-family home sales jumped 5.6 percent to a seasonally adjusted annual rate of 4.73 million in May from 4.48 million in April, and were 9.7 percent above the 4.31 million pace a year ago. The median existing single-family home price was \$230,300 in May, up 8.6 percent from May 2014.

Existing condominium and co-op sales increased 1.6 percent to a seasonally adjusted annual rate of 620,000 units in May from 610,000 units in April, and were 5.1 percent higher than May 2014 (590,000 units). The median existing condo price was \$216,400 in May, which was 1.9 percent higher than a year ago.

Lawrence Yun, NAR chief economist, says May home sales rebounded strongly following April's decline and are now at their highest pace since November 2009 (5.44 million). "Solid sales gains were seen throughout the country in May as more homeowners listed their home for sale and therefore provided greater choices for buyers," he said. "However, overall supply still remains tight, homes are selling fast

and price growth in many markets continues to teeter at or near double-digit appreciation. Without solid gains in new home construction, prices will likely stay elevated – even with higher mortgage rates above 4 percent."

Total housing inventory at the end of May increased 3.2 percent to 2.29 million existing homes available for sale, and was 1.8 percent higher than a year ago (2.25 million). Unsold inventory was at a 5.1-month supply at the current sales pace, down from 5.2 months in April.

The median existing-home price for all housing types in May was \$228,700, which was 7.9 percent above May 2014. This marks the 39th consecutive month of year-over-year price gains.

The percent share of first-time buyers rose to 32 percent in May, up from 30 percent in April and matching the highest share since September 2012. A year ago, first-time buyers represented 27 percent of all buyers.

"The return of first-time buyers in May is an encouraging sign and is the result of multiple factors, including strong job gains among young adults, less expensive mortgage insurance and lenders offering low down payment programs," said Yun. "More first-time buyers are expected to enter the market in coming months, but the overall share climbing higher will depend on how fast rates and prices rise."

Regional

May existing-home sales in the Northeast jumped 11.3 percent to an annual rate of 690,000, and were 11.3 percent above a year ago. The median price in the Northeast was \$269,000, which was 4.8 percent higher than May 2014.

In the Midwest, existing-home sales rose 4.1 percent to an annual rate of 1.27

million in May, and were 12.4 percent above May 2014. The median price in the Midwest was \$181,900, up 9.4 percent from a year ago.

Existing-home sales in the South increased 4.3 percent to an annual rate of 2.18 million in May, and were 6.9 percent above May 2014. The median price in the South was \$198,300, up 8.2 percent from a year ago.

Existing-home sales in the West climbed 4.3 percent to an annual rate of 1.21 million in May, and were 9.0 percent above a year ago. The median price in the West was \$324,000, which was 10.2 percent above May 2014.

New Residential Sales

Sales of new single-family houses in May 2015 were at a seasonally adjusted annual rate of 546,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 2.2 percent above the revised April rate of 534,000 and was 19.5 percent above the May 2014 estimate of 457,000.

The median sales price of new houses sold in May 2015 was \$282,800; the average sales price was \$337,000. The seasonally adjusted estimate of new houses for sale at the end of May was 206,000. This represents a supply of 4.5 months at the current sales rate.

New single-family houses sold were down 21.1 percent in the Northeast and down 12 percent in the Midwest. Sales of these homes were up 33.3 percent in the South and 25.5 percent in the West.

Housing Starts

The U.S. Census Bureau and the Department of Housing and Urban Development jointly announced that privately-owned housing starts in May

were at a seasonally adjusted annual rate of 1,036,000. This was 11.1 percent below the revised April estimate of 1,165,000, but was 5.1 percent above the May 2014 rate of 986,000.

Single-family housing starts in May were at a rate of 680,000; this was 5.4 percent below the revised April figure of 719,000.

Single-family starts were up 9.6 percent in the Northeast, 2.3 percent in the South and 24.6 percent in the West, but down 1 percent in the Midwest, comparing May starts with May 2014.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for May, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$444.9 billion, an increase of 1.2 percent from the previous month, and 2.7 percent above May 2014. Total sales for the March 2015 through May 2015 period were up 2.1 percent from the same period a year ago.

Retail trade sales were up 1.4 percent from April 2015, and 2.0 percent above last year. Motor vehicle and parts dealers were up 8.2 percent from May 2014 and food services and drinking places were up 8.2 percent from last year.

Sales at furniture and home furnishings stores were up 0.8 percent from April and up 6.2 percent from May 2014. Sales were up 5.1 percent year-to-date. This was 4th among all the categories behind food services and drinking places (8.9 percent), motor vehicle and parts dealers (7.1 percent), and sporting goods, hobby, book and music stores (6.0 percent).

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.4 percent in May on a seasonally adjusted basis, according to the report from the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index was unchanged before seasonal adjustment.

The gasoline index increased sharply in May, rising 10.4 percent and accounting for most of the seasonally adjusted all items increase. Other energy indexes were mixed, with the fuel oil index rising but the electricity index declining and the index for natural gas unchanged. The food index was unchanged for the second month in a row, as a decline in the food at home index offset an increase in the index for food away from home.

The index for all items less food and energy rose 0.1 percent in May, its smallest increase since December. The indexes for shelter, airline fares, and medical care all increased, as did the indexes for personal care, recreation, new vehicles, alcoholic beverages, and tobacco. In contrast, the indexes for apparel, for household furnishings and operations, and for used cars and trucks all declined in May.

The all items index was unchanged for the 12 months ending May after showing a 0.2-percent decline for the 12 months ending April. The energy index fell 16.3 percent over the last 12 months, with the gasoline index down 25.0 percent despite rising in May. The food index increased 1.6 percent over the last year, and the index for all items less food and energy rose 1.7 percent.

Employment

Total nonfarm payroll employment increased by 280,000 in May, and the unemployment rate was essentially unchanged at 5.5 percent, according to the latest report from the U.S. Bureau of Labor Statistics. Job gains occurred in professional and business services, leisure and hospitality, and health care. Mining employment continued to decline.

In May, both the unemployment rate (5.5 percent) and the number of unemployed persons (8.7 million) were essentially unchanged. Both measures have shown little movement since February.

Durable Goods Orders and Factory Shipments

According to the advance report of the U.S. Census Bureau, new orders for manufactured durable goods in May decreased \$4.1 billion or 1.8 percent to \$228.9 billion. This decrease, down three of the last four months, followed a 1.5 percent April decrease. Excluding transportation, new orders increased 0.5 percent. Excluding defense, new orders decreased 2.1 percent.

Shipments of manufactured durable goods in May, down four of the last five months, decreased \$0.2 billion or 0.1 percent to \$239.9 billion. This followed a 0.2 percent April decrease.

According to the full report, new orders for furniture and related products in April were up 2 percent over April 2014 and up 6.6 percent year-to-date. Shipments in April were up 5.7 percent over April 2014 and up 6.4 percent year-to-date.



Executive Summary

According to our latest survey of residential furniture manufacturers and distributors, new orders were up 3 percent in April 2015 versus April 2014. In 2014, orders in April were up 13 percent over April 2013, but as we noted last year, market dates being early in 2014 versus late in 2015 has some impact on when orders come in. We may see another shift in May.

Year-to-date, new orders were up 5 percent over last year where they were also up 5 percent over 2013. By the time we get the May results, we should have evened out the market issues and have a better feel. New orders year-to-date were up for 68 percent of the participants.

Shipments were 5 percent higher in April 2015 versus April 2014. April 2014 shipments were 12 percent higher than April 2013 so the 5 percent increase was a good one.

Year-to-date, shipments were up 7 percent over the same period a year ago. Last year through April, shipments were up 6 percent so this year is looking pretty good so far. Shipments were also up for 68 percent of the participants.

Backlogs were down slightly from March but still up 7 percent over April 2014. Last year, April backlogs were 13 percent higher than 2013, so backlogs remain at pretty high levels overall.

Receivable levels were up 4 percent over April 2014 and were in good shape considering shipments. Inventories rose 3 percent from March and were 8 percent higher than April 2014. We will need to watch the inventory levels over the next few months.

Factory and warehouse employees, up 3 percent over April 2014, and payrolls up 5 percent over April and 5 percent year-to-date, continue to be in line with current business.

On the national level, according to the University of Michigan's Surveys of Consumers, "Consumers voiced in the first half of 2015 the largest and most sustained increase in economic optimism since 2014. Just as important, the same record was set by households in the top third of the income distribution as well as by the middle third and those in the bottom third of the income distribution."

The Sentiment Index was 96.1 in June 2015, up from 90.7 in May and significantly above last June's 82.5. The Current Condition Index was up to 108.9 in June, up from 100.8 in May and last June's 96.6. The Expectations Index rose to 87.8 up from 84.2 in May and June 2014's 73.5.

(Note The Conference Board's Consumer Confidence results were not available at press time.)

The Conference Board's Leading Economic Index improved again in May, following increases in April and March. Existing-home sales in May were 9.2 percent ahead of last May (single-family sales were up 9.7 percent). New residential sales were up 19.5 percent from May 2014. Sales of existing homes were up in all from four regions of the country while new houses sold were up in the South and the West, but down in the Northeast and Midwest.

Retail sales in May were up 1.2 percent from April and up 2.7 percent over May 2014. Sales at furniture and home furnishings stores were up 0.8 percent from April and up 6.2 percent from May 2014. Sales in this category were up 5.1 percent year-to-date over last year.

So with very little inflation shown by the Consumer Price Index and the good jobs reports, the economic news seems to continue to be good and should be good for the furniture business.

Most of the complaints we are now hearing, especially from domestic manufacturers, relates to lack of ability to hire enough people. This appears to be true, not only in the furniture business, but other industries as well. And a common quote is not just finding people who want a job, but finding people who actually want to “work” for a job.

Our survey continues to show good improvement in business. Summer slowdowns sometimes makes us a bit uneasy, but overall we think business should remain steady with decent growth for the rest of the year.



Estimated Business Activity (Millions of Dollars)						
	2015			2014		
	April	March	4 Months	April	March	4 Months
New Orders	2,097	2,297	8,484	2,035	2,263	8,118
Shipments	2,136	2,334	8,529	2,034	2,259	7,950
Backlog	2,192	2,231		2,056	2,055	

Key Monthly Indicators			
	April 2015 From March 2015 Percent Change	April 2015 From April 2014 Percent Change	4 Months 2015 Versus 4 Months 2014 Percent Change
New Orders	-9	+3	+5
Shipments	-8	+5	+7
Backlog	-1	+7	
Payrolls	-8	+5	+5
Employees	+1	+3	
Receivables	+1	+4	
Inventories	+3	+8	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2014				
April	+13	+12	+13	+5
May	+3	+5	+13	+5
June	+5	+4	+10	+6
July	+4	+11	+5	+6
August	+5	+6	+3	+4
September	+8	+6	+3	+2
October	+12	+7	+9	+1
November	+3	+1	+8	+2
December	+15	+6	+17	+2
2015				
January	+7	+10	+16	+3
February	+8	+12	+11	+2
March	+2	+4	+9	+2
April	+3	+5	+7	+3