

# Furniture Insights®

## Monthly Results

### New Orders

Somewhat in line with our expectations, new orders in March were down 1 percent from March 2012, according to our latest survey of residential furniture manufacturers and distributors. Orders were up 4 percent from February 2013. Just over 60 percent of the participants reported increased orders over last March, but most of those increases were small and there were several larger participants who reported declines in orders.

Year-to-date, the March results brought new orders down from a 2 percent increase reported last month to a 1 percent increase through March. Still approximately two-thirds of the participants reported increased orders through March, but as happened for the month, some decreases are being reported by some of the larger participants.

### Shipments and Backlogs

Shipments fell 3 percent from March 2012. Only 42 percent of the participants reported increased shipments in March.

March results brought the year-to-date shipments down to a 1 percent increase, down from a 4 percent increase reported at the end of February.

Backlogs were even with March 2012 levels and were up 1 percent over February as the dollar amount of orders exceeded the dollar amount of shipments.

Overall, the results for shipments and orders were in line with what we had heard through most of the first quarter.



### Receivables and Inventories

Receivable levels in March were 1 percent below March 2012 levels (last month they were 2 percent higher than February a year ago). Surprisingly, receivables were down 2 percent from February 2013 in spite of the increase in shipments from February to March. We continue to believe that receivable levels overall are in pretty good shape.

## Furniture Insights®

A Monthly Newsletter

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Inventories fell 4 percent from February, which we think was a good thing based on current business levels. But they remained 6 percent above March 2012, so they still appear a bit high, but certainly moving in the right direction.

### **Factory and Warehouse Employees and Payrolls**

The number of factory and warehouse employees was unchanged from February and was 2 percent higher than March 2012. This was down from a 3 percent increase reported last month.

Factory and warehouse payrolls were down 2 percent from March 2012 but were up 9 percent from February. The increase from February was likely due to timing as well as the increase in shipments from February to March. Overall, these payrolls were up only 1 percent year-to-date, which was in line with year-to-date shipments and orders.

## **National**

### **Consumer Confidence**

According to The Conference Board, the Consumer Confidence Index<sup>®</sup>, which had improved in April, increased again in May. The Index now stands at 76.2 (1985=100), up from 69.0 in April. The Present Situation Index increased to 66.7 from 61.0. The Expectations Index improved to 82.4 from 74.3 last month.

Lynn Franco, Director of Economic Indicators at The Conference Board said: “Consumer Confidence posted another gain this month and is now at a five-year high (Feb. 2008, Index 76.4). Consumers’ assessment of current business and labor-market conditions was more positive and they were considerably more upbeat about future economic and job prospects. Back-to-back monthly gains suggest that

consumer confidence is on the mend and may be regaining the traction it lost due to the fiscal cliff, payroll-tax hike, and sequester.”

Consumers’ appraisal of present-day conditions improved in May. Those saying business conditions are “good” increased to 18.8 percent from 17.5 percent, while those stating business conditions are “bad” decreased to 26.0 percent from 27.6 percent. Consumers’ assessment of the labor market was also more positive. Those claiming jobs are “plentiful” increased to 10.8 percent from 9.7 percent, while those claiming jobs are “hard to get” edged down to 36.1 percent from 36.9 percent.

Consumers were considerably more optimistic about the short-term outlook. Those expecting business conditions to improve over the next six months increased to 19.2 percent from 17.2 percent, while those expecting business conditions to worsen decreased to 12.1 percent from 14.8 percent.

### **Leading Economic Indicators**

The Conference Board Leading Economic Index<sup>®</sup> (LEI) for the U.S. increased 0.6 percent in April to 95.0 (2004=100), following a 0.2 percent decline in March, and a 0.4 percent increase in February, according to the Conference Board.

Ataman Ozyildirim, economist at The Conference Board said: “After a slight decline in March, the U.S. LEI rebounded in April, led by housing permits and the interest rate spread. Labor market conditions also contributed, although consumers’ outlook on the economy remains weak. In general, the LEI points to a continuing economic expansion with some upside potential. Meanwhile, the CEI, a measure of current conditions, has

returned to a slow growth path, despite declining industrial production in April.”

Ken Goldstein, economist at The Conference Board said: “The index is 3.5 percent higher (annualized) than six months ago, suggesting expansion. However, the biggest risk right now is the adverse impact of cuts in federal spending. The biggest positive factor is the potential for improvement in the recovering housing and labor markets. The biggest unknown is the resiliency in confidence, both consumer and business.”

## **Housing**

### **Existing-Home Sales**

Existing-home sales rose in April but remain below underlying demand because of limited inventory and tight credit, according to the National Association of Realtors® (NAR). All regions are showing strong price gains from a year ago.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, increased 0.6 percent to a seasonally adjusted annual rate of 4.97 million in April from an upwardly revised 4.94 million in March. Resale activity is 9.7 percent above the 4.53 million-unit level in April 2012.

Single-family home sales rose 1.2 percent to a seasonally adjusted annual rate of 4.38 million in April from 4.33 million in March, and are 9.0 percent above the 4.02 million-unit level in April 2012. The median existing single-family home price was \$193,300 in April, which is 11.0 percent higher than a year ago.

Lawrence Yun, NAR chief economist, said the market is solidly recovering. “The robust housing market recovery is occurring in spite of tight access to credit and limited inventory. Without these

frictions, existing-home sales easily would be well above the 5-million unit pace,” he said. “Buyer traffic is 31 percent stronger than a year ago, but sales are running only about 10 percent higher. It’s become quite clear that the only way to tame price growth to a manageable, healthy pace is higher levels of new home construction.”

Existing-home sales are at the highest pace since November 2009 when the market spiked to 5.44 million in response to the home buyer tax credit. Total sales have been above year-ago levels for 22 consecutive months, while prices show 14 consecutive months of year-over-year price increases.

Total housing inventory at the end of April rose 11.9 percent, a seasonal increase to 2.16 million existing homes available for sale, which represents a 5.2-month supply at the current sales pace, compared with 4.7 months in March. Listed inventory is 13.6 percent below a year ago, when there was a 6.6-month supply, with current availability tighter in the lower price ranges.

The national median existing-home price for all housing types was \$192,800 in April, up 11.0 percent from April 2012. The last time there were 14 consecutive months of year-over-year price increases was from April 2005 to May 2006.

### **Regional**

Regionally, existing-home sales in the Northeast rose 1.6 percent to an annual rate of 640,000 in April and were 4.9 percent above April 2012. The median price in the Northeast was \$245,100, up 5.1 percent from a year ago.

Existing-home sales in the Midwest fell 3.4 percent in April to a pace of 1.12 million but were 9.8 percent above a year ago. The median price in the Midwest was \$149,300, up 6.7 percent from April 2012.

In the South, existing-home sales rose 2.0 percent to an annual level of 2.01 million in April and were 14.9 percent above April 2012. The median price in the South was \$168,700, which was 10.6 percent above a year ago.

Existing-home sales in the West increased 1.7 percent to a pace of 1.20 million in April and were 4.3 percent above a year ago. Given limited choices and multiple bidding, the median price in the West was \$263,600, up 17.5 percent from April 2012.

### **New Residential Sales**

Sales of new single-family houses in April 2013 were at a seasonally adjusted annual rate of 454,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 2.3 percent above the revised March rate of 444,000 and was 29.0 percent above the April 2012 estimate of 352,000.

The median sales price of new houses sold in April 2013 was \$271,600; the average sales price was \$330,800. The seasonally adjusted estimate of new houses for sale at the end of April was 156,000. This represents a supply of 4.1 months at the current sales rate.

New houses sold were up over April 2012 3.4 percent in the Northeast; 18.0 percent in the Midwest; 37.5 percent in the South and 26.8 percent in the West.

### **Housing Starts**

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in April were at a seasonally adjusted annual rate of 853,000. This was 16.5 percent below the revised March estimate of 1,021,000, but was 13.1

percent above the April 2012 rate of 754,000.

Single-family housing starts in April were at a rate of 610,000; this was 2.1 percent below the revised March figure of 623,000. Single-family starts were up over April 2012 by 39.1 percent in the Northeast, 17.2 percent in the Midwest; 11.7 percent in the South and 40.0 percent in the West.

### **Retail Sales**

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for April, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$419.0 billion, an increase of 0.1 percent from the previous month, and 3.7 percent above April 2012. Total sales for the February through April 2013 period were up 3.7 percent from the same period a year ago.

Retail trade sales were virtually unchanged from March 2013 and 3.6 percent above last year. Nonstore retailers were up 15.4 percent from April 2012 and auto and other motor vehicle dealers were up 8.8 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were virtually unchanged from March to April and were up 3.9 percent from April 2012. Year-to-date, sales at these stores were up 3.6 percent.

### **Consumer Prices**

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.4 percent in April on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 1.1 percent before seasonal adjustment.

As was the case in March, a sharp decrease in the gasoline index was the primary cause of the decline in the seasonally adjusted all items index. The fuel oil index also declined while the electricity and natural gas indexes increased; the net result was a 4.3 percent decrease in the energy index. The food index, unchanged in March, rose 0.2 percent in April.

The index for all items less food and energy increased 0.1 percent in April, the same increase as in March. The indexes for shelter, used cars and trucks, new vehicles, and tobacco all increased in April. These increases were partially offset by declines in the indexes for apparel, airline fares, and recreation.

The all items index increased 1.1 percent over the last 12 months; the smallest 12-month increase since November 2010. The index for all items less food and energy increased 1.7 percent over the span; this was its smallest 12-month increase since June 2011. The food index rose 1.5 percent while the energy index declined 4.3 percent.

### **Employment**

Total nonfarm payroll employment rose by 165,000 in April, and the unemployment rate was little changed at 7.5 percent, according to the U.S. Bureau of Labor Statistics. Employment increased in professional and business services, food services and drinking places, retail trade, and health care. The number of unemployed persons, at 11.7 million, was also little changed over the month; however, unemployment has decreased by 673,000 since January.

### **Durable Goods Orders and Factory Shipments**

New orders for manufactured durable goods in April increased \$7.2 billion or 3.3 percent to \$222.6 billion, according to the U.S. Census Bureau. This increase, up two of the last three months, followed a 5.9 percent March decrease. Excluding transportation, new orders increased 1.3 percent. Excluding defense, new orders decreased 2.1 percent.

Transportation equipment, also up two of the last three months, led the increase, \$5.1 billion or 8.1 percent. This was led by nondefense aircraft and parts, which increased \$1.9 billion.

Shipments of manufactured durable goods in April, down following two consecutive monthly increases, decreased \$1.3 billion or 0.6 percent to \$227.1 billion. This followed a 0.9 percent March increase.

Computers and electronic products, down three of the last four months, led the decrease, \$0.8 billion or 2.9 percent to \$27.6 billion. This followed a 3.3 percent March increase.

According to the full report released, shipments of furniture and related products increased 1.5 percent over March a year ago with shipments up 2.0 percent year-to-date. New orders for this category on a year-to-date basis were down 0.2 percent and off 0.3 percent for the March 2013 to March 2012 comparison.



### **Executive Summary**

Based on our conversations with various furniture executives, the March results of our survey were somewhat expected. New orders were down 1 percent from March 2012. This decline resulted in an increase in new orders year-to-date of 1 percent, down from 2 percent through February. Approximately, two-thirds of the participants have reported increased orders year-to-date.

Shipments also fell in March, down 3 percent from March 2012 with only 42 percent of the participants reporting increased shipments. Year-to-date, shipments were up 1 percent over the first quarter last year.

The results for the other indicators appeared to be in line with receivable levels in good shape. Inventories declined, as would be expected, but are still 6 percent higher than last year. Factory and warehouse payrolls also appear in line on a year-to-date basis.

While business through March was none too exciting, business seemed to improve somewhat in April and May with what appeared to be a really good High Point Market for most. Most of our recent conversations, while not too exciting, seems to indicate that there is more optimism out there.

If you think about it, there is good reason for optimism. Consumer confidence in May reached the highest level in 5 years. The furniture industry surely needs this as we continue to believe that is the most important factor in furniture sales.

The housing industry is also clearly in a recovery mode with both sales and prices improving. Existing home sales are being held back in some areas of the country by a lack of inventory. New home sales continue to improve. Housing starts in April, while down from March, were well ahead of April 2012.

Mortgage rates and other interest rates remain low and inflation is running at the lowest 12-month rate since 2010. While the employment picture is not as good as we would like to see it, at least it continues to improve.

Then, to top it all off, the stock market has been very kind to most people recently. While many expect a pull back at some point, most do not feel that a correction will be severe.

The bad news has been Mother Nature, though for certain parts of the country, this will at least temporarily boost sales.

It has been quite a long time since so many things were so favorable to the industry. While the industry seldom sees hockey stick growth (that is fast growth on a chart), it sure seems like the industry should begin the benefit from these positives.

Hopefully Memorial Day sales were good and summer sales continue. It appears that spring has also finally arrived in most parts of the country. Let's hope June brings in summertime and good business for all.



Estimated Business Activity (Millions of Dollars)						
	2013			2012		
	March	February	3 Months	March	February	3 Months
New Orders	2,085	1,990	5,908	2,106	2,052	5,871
Shipments	2,054	1,846	5,688	2,128	1,884	5,631
Backlog (R)	1,918	1,903		1,910	1,915	

(R) Revised

Key Monthly Indicators			
	March 2013 From February 2013 Percent Change	March 2013 From March 2012 Percent Change	3 Months 2013 Versus 3 Months 2012 Percent Change
New Orders	+4	-1	+1
Shipments	+9	-3	+1
Backlog	+1	-	
Payrolls	+9	-2	+1
Employees	-	+2	
Receivables	-2	-1	
Inventories	-4	+6	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
<b>2012</b>				
March	+2	+7	+18	+6
April	-13	+7	+3	+6
May	+10	+7	+5	+4
June	+3	+7	+3	+4
July	+4	+3	+2	+3
August	+8	+6	+6	+3
September	+10	-1	+13	+4
October	+6	+5	+15	+4
November	-1	+3	+8	+4
December	-7	-1	+5	+3
<b>2013</b>				
January	+7	+10	-	+3
February	-3	-2	-1	+3
March	-1	-3	-	+2