SMITH LEONARD
Accountants & Consultants

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Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in February 2017 increased 4 percent over February 2016 and also increased over January 2017.

Year-to-date, new orders were up 2 percent over the same period a year ago. New orders increased year-to-date for 58 percent of the participants. For the month of February, orders were up for two-thirds of the participants.

Last year at this time, orders were flat year-to-date with 2015.

Shipments and Backlogs

Shipments in February increased 2 percent over February 2016 and were up 3 percent year-to-date. February 2016 year-to-date shipments were up 1 percent over the previous year. Year-to-date, shipments were up for approximately 61 percent of the participants.

Shipments were up 1 percent over January 2017 in spite of fewer shipping days.

Backlogs were up 1 percent versus last year. Backlogs were up slightly from last month as orders exceeded shipments.

Receivables and Inventories

Receivable levels were up 5 percent over February 2016. This was slightly higher than the 3 percent increase in shipments for the month as well as year-to-date. Since receivable levels have been in pretty good shape for quite a while now, we do not see need to worry for now, but we will need to watch them.

Inventories fell 3 percent from last February as well as from January levels. January levels were 3 percent lower than January 2016 as well. But February 2016 inventories were 5 percent higher than February 2015, so it appears that the decline is a result of rebalancing inventory levels to reflect current business conditions.

Furniture Insights®
A Monthly Newsletter

Smith Leonard PLLC

Kenneth D. Smith, CPA
Mark S. Laferriere, CPA

4035 Premier Drive, Suite 300
High Point, North Carolina 27265
Telephone (336) 883-0181 | facsimile: (336) 841-8764

Factory and Warehouse Employees and Payroll

Factory and warehouse payrolls were down 4 percent from February 2016 after increasing 6 percent last month. Payrolls were actually up 1 percent from January. It appears there may be some timing and or reporting issues as year-to-date, payrolls were up 1 percent over last year, pretty much in line.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index®*, which had increased in March, declined in April. The Index now stands at 120.3 (1985=100), down from 124.9 in March. The Present Situation Index decreased from 143.9 to 140.6 and the Expectations Index declined from 112.3 last month to 106.7.

"Consumer confidence declined in April after increasing sharply over the past two months, but still remains at strong levels," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers assessed current business conditions and, to a lesser extent, the labor market less favorably than in March. Looking ahead, consumers were somewhat less optimistic about the short-term outlook for business conditions, employment and income prospects. Despite April's decline, consumers remain confident that the economy will continue to expand in the months ahead."

Consumers' assessment of current conditions eased in April. Those saying business conditions are "good" declined from 32.4 percent to 30.2 percent, while those saying business conditions are "bad" increased slightly, from 13.1 percent to 13.8 percent. Consumers' assessment of the labor market was moderately less favorable. Those stating jobs are "plentiful" declined from 31.8 percent to 30.8 percent, while those claiming jobs are "hard to get" was virtually unchanged at 19.1 percent.

Consumers were less optimistic about the short-term outlook in April. The percentage of consumers expecting business conditions to improve over the next six months decreased from 26.9 percent to 24.8 percent, while those expecting business conditions to worsen rose from 8.5 percent to 10.9 percent.

Consumers' outlook for the labor market was also less upbeat. The proportion expecting more jobs in the months ahead declined from 23.8 percent to 23.0 percent, while those anticipating fewer jobs increased from 12.7 percent to 13.1 percent. The percentage of consumers expecting their incomes to increase declined from 22.5 percent to 19.3 percent, while the proportion expecting a decrease held steady at 7.5 percent.

Gross Domestic Product (GDP)

Real gross domestic product (GDP) increased at an annual rate of 0.7 percent in the first quarter of 2017, according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2016, real GDP increased 2.1 percent.

The increase in real GDP in the first quarter reflected positive contributions from nonresidential fixed investment, exports, residential fixed investment, and personal consumption expenditures (PCE), that were offset by negative contributions from private inventory investment, state and local government spending, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The deceleration in real GDP in the first quarter reflected a deceleration in PCE and downturns in private inventory investment and in state and local government spending that were partly offset by an upturn in exports and accelerations in both nonresidential and residential fixed investment.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.4 percent in March to 126.7 (2010 = 100), following a 0.5 percent increase in February, and a 0.6 percent increase in January.

"The March increase and upward trend in the U.S. LEI point to continued economic growth in 2017, with perhaps an acceleration later in the year if consumer spending and investment pick up," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "The gains among the leading indicators were very widespread, with new orders in manufacturing and the interest rate spread more than offsetting declines in the labor market components in March."

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in March to 114.9 (2010=100), following a 0.2 percent increase in February, and no change in January.

The Conference Board Lagging Economic Index® (LAG) for the U.S. was unchanged in March, remaining at 123.6 (2010=100), following a 0.2 percent increase in both February and January.

Housing

Existing-Home Sales

Existing-home sales took off in March to their highest pace in over 10 years, and severe supply shortages resulted in the typical home coming off the market significantly faster than in February and a year ago, according to the National Association of Realtors®. Only the West saw a decline in sales activity in March.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, ascended 4.4 percent to a seasonally adjusted annual rate of 5.71 million in March from a downwardly revised 5.47 million in February. March's sales pace was 5.9 percent above a year ago and surpasses January as the strongest month of sales since February 2007 (5.79 million).

Single-family home sales climbed 4.3 percent to a seasonally adjusted annual rate of 5.08 million in March from 4.87 million in February, and were 6.1 percent above the 4.79 million pace a year ago. The median existing single-family home price was $237,800 in March, up 6.6 percent from March 2016.

Existing condominium and co-op sales increased 5.0 percent to a seasonally adjusted annual rate of 630,000 units in March, and were 5.0 percent higher than a year ago. The median existing condo price was $224,700 in March, which was 8.0 percent above a year ago.

Lawrence Yun, NAR chief economist, says existing sales roared back in March and were led by hefty gains in the Northeast and Midwest. "The early returns so far this spring buying season look very promising as a rising number of households dipped their toes into the market and were successfully able to close

on a home last month," he said. "Although finding available properties to buy continues to be a strenuous task for many buyers, there was enough of a monthly increase in listings in March for sales to muster a strong gain. Sales will go up as long as inventory does."

The median existing-home price for all housing types in March was $236,400, up 6.8 percent from March 2016 ($221,400). March's price increase marks the 61st consecutive month of year-over-year gains.

Total housing inventory at the end of March increased 5.8 percent to 1.83 million existing homes available for sale, but was still 6.6 percent lower than a year ago (1.96 million) and has fallen year-over-year for 22 straight months. Unsold inventory is at a 3.8-month supply at the current sales pace (unchanged from February).

Added Yun, "Bolstered by strong consumer confidence and underlying demand, home sales are up convincingly from a year ago nationally and in all four major regions despite the fact that buying a home has gotten more expensive over the past year."

Properties typically stayed on the market for 34 days in March, which is down significantly from 45 days in February and 47 days a year ago. Short sales were on the market the longest at a median of 90 days in March, while foreclosures sold in 52 days and non-distressed homes took 32 days (shortest since NAR began tracking in May 2011). Forty-eight percent of homes sold in March were on the market for less than a month.

Regional

March existing-home sales in the Northeast surged 10.1 percent to an annual rate of 760,000, and were 4.1 percent above a year ago. The median price in the Northeast was $260,800, which was 2.8 percent above March 2016.

In the Midwest, existing-home sales jumped 9.2 percent to an annual rate of 1.31 million in March, and were 3.1 percent above a year ago. The median price in the Midwest was $183,000, up 6.2 percent from a year ago.

Existing-home sales in the South in March rose 3.4 percent to an annual rate of 2.42 million, and were 8.5 percent above March 2016. The median price in the South was $210,600, up 8.6 percent from a year ago.

Existing-home sales in the West decreased 1.6 percent to an annual rate of 1.22 million in March, but were 5.2 percent above a year ago. The median price in the West was $347,500, up 8.0 percent from March 2016.

New Residential Sales

Sales of new single-family houses in March 2017 were at a seasonally adjusted annual rate of 621,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 5.8 percent above the revised February rate of 587,000 and was 15.6 percent above the March 2016 estimate of 537,000.

The median sales price of new houses sold in March 2017 was $315,100. The average sales price was $388,200.

The seasonally-adjusted estimate of new houses for sale at the end of February was 266,000. This represents a supply of 5.4 months at the current sales rate.

New privately-owned houses sold in March 2017 were up 21.9 percent in the Northeast, 23.5 percent in the Midwest, 5.9 percent in the South and 32.6 percent in the West compared to March 2016.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in March were at a seasonally adjusted annual rate of 1,215,000. This was 6.8 percent below the revised February estimate of 1,303,000, but was 9.2 percent above the March 2016 rate of 1,113,000. Single-family housing starts in March were at a rate of 821,000; this was 6.2 percent below the revised February figure of 875,000. The March rate for units in buildings with five units or more was 385,000.

Compared to housing starts in March 2016, March 2017 single-family housing starts were up 19.0 percent in the Northeast, 14.5 percent in the South and 6.2 percent in the West, which starts fell 8.6 percent in the Midwest.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for March 2017, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $470.8 billion, a decrease of 0.2 percent from the previous month, and 5.2 percent above March 2016. Total sales for the January 2017 through March 2017 period were up 5.4 percent from the same period a year ago.

Retail trade sales were down 0.2 percent from February 2017, and up 5.5 percent from last year. Gasoline stations sales were up 14.3 percent from March 2016, while nonstore retailers were up 11.9 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were up 2.9 percent from March 2016 and up 2.1 percent year-to-date. Sales at these stores were down 0.3 percent from February.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) decreased 0.3 percent in March 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 rose 2.4 percent before seasonal adjustment.

The March decline was the first 1-month decrease in the seasonally adjusted all items index since February 2016. A decline in the gasoline index was the largest factor, with a decrease in the index for wireless telephone services also contributing.

The energy index declined 3.2 percent, with the gasoline index falling 6.2 percent, and other major energy component indexes decreasing as well. The food index rose 0.3 percent, with the index for food at home increasing 0.5 percent, its largest increase since May 2014.

The index for all items less food and energy fell 0.1 percent in March, its first decline since January 2010. The shelter index rose 0.1 percent, and the indexes for motor vehicle insurance, medical care, tobacco, airline fares, and alcoholic beverages also increased in March. These increases were more than offset by declines in several indexes, including those for wireless telephone services, used cars and trucks, new vehicles, and apparel.

The all items index rose 2.4 percent for the 12 months ending March, a smaller increase than the 2.7-percent rise for the period ending February. The index for all items less food and energy rose 2.0 percent over the last 12 months, the smallest 12-month increase since November 2015. The energy index rose

10.9 percent over the last year, while the food index increased 0.5 percent.

Employment

The unemployment rate declined to 4.5 percent in March, and total nonfarm payroll employment edged up by 98,000, according to the report from the U.S. Bureau of Labor Statistics. Employment increased in professional and business services and in mining, while retail trade lost jobs.

The unemployment rate decreased by 0.2 percentage point to 4.5 percent in March, and the number of unemployed persons declined by 326,000 to 7.2 million. Both measures were down over the year.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in March increased $1.6 billion or 0.7 percent, according to the report from the U.S. Census Bureau. This increase, up three consecutive months, followed a 2.3 percent February increase. Excluding transportation, new orders decreased 0.2 percent. Excluding defense, new orders increased 0.1 percent. Transportation equipment, also up three consecutive months, drove the increase, $2.0 billion or 2.4 percent.

Shipments of manufactured durable goods in March, up four of the last five months, increased $0.6 billion or 0.2 percent. This followed a 0.2 percent February increase. Transportation equipment, up following two consecutive monthly decreases, led the increase, $0.4 billion or 0.5 percent to $81.7 billion.

According to the final report, shipments of furniture and related products were even with February 2016 and up 1.4 percent year-to-date. New orders were up 1.5 percent versus February 2016 and up 3.9 percent year-to-date.

Executive Summary

According to our latest survey of residential furniture manufacturers and distributors, new orders in February were up 4 percent over February 2016 new orders. This increase brought the year-to-date increase up to a 2 percent increase after flat results in January. Year-to-date, orders were up for 58 percent of the participants. The good news was that orders in February were up for two-thirds of the participants.

Shipments in February were up 3 percent over February 2016 and up 1 percent from January. Last year in February, shipments were up 3 percent over 2016. Year-to-date, shipments were up 3 percent with some 61 percent of the participants reporting increased shipments.

Backlogs were pretty stable for the month of February with the results being just slightly higher than last year. Last year, February backlogs were down 3 percent from February 2015.

Receivable levels, up 5 percent, were a bit higher than the 3 percent increase in shipments for the month, as well as year-to-date. Overall though, based on results for some time now, receivables generally appear to be in pretty good shape.

Inventory levels fell 3 percent from February 2016 as well as 3 percent from January. February 2016 levels were up 5 percent from the previous year, so it appears that participants are getting inventories in line.

Overall, the factory and warehouse payrolls and employee levels seem to be back in line with current conditions after some unusual results last month.

National

Housing

March existing-home sales rose again, this time surpassing January as the strongest month since February of 2007. The big issue now is the lack of inventory as homes come off the market significantly faster than normal.

Sales were up in all regions except the West, but compared to last year, sales were up 4.1 percent in the Northeast, 3.1 percent in the Midwest, 8.5 percent in the South and 5.2 percent in the West.

The median existing single-family home sales price was $237,800, up 6.6 percent from March 2016.

New home sales were also up, increasing 5.8 percent above February and were 15.6 percent above March 2016. New privately-owned house sales in March were up 21.9 percent in the Northeast, 23.5 percent in the Midwest, 5.9 percent in the South and 32.6 percent in the West compared to March 2016.

Privately-owned housing starts were down 6.8 percent from February but remained 9.2 percent ahead of March 2016. Starts were up in all regions except for the Midwest.

Other

U.S. retail and food services sales in March fell 0.2 percent after an increase of 0.1 percent last month. Still these sales were up 5.2 percent over March 2016. Sales for the quarter ended March were up 5.4 percent over the same period a year ago.

Sales at furniture and home furnishings stores were up 2.9 percent over March 2016 and up 2.1 percent year-to-date. Sales were down 0.3 percent from February.

Consumer prices decreased 0.3 percent in March led by a 3.2 percent decline in the energy index, with the

gasoline index falling 6.2 percent. The food index rose with food at home index increasing 0.5 percent.

Nonfarm employment increased only 98,000 jobs but the unemployment index fell to 4.5 percent. The number of unemployed persons fell by 326,000.

Consumer Confidence

Consumer confidence declined to 120.3 after increasing to 124.9 in March. The Present Situation Index fell to 140.6 from 143.9 and the Expectations Index fell to 106.7 from 112.3 last month.

According to the report, consumers' assessment of business conditions fell as did expectations from the labor market. Consumers were less optimistic about the short-term outlook with expectations for improving business conditions falling to 24.8 percent from 26.9.

Thoughts

Based on our conversations at the High Point market, recent results have been mixed. We used the term "spotty" at times though we thought that might be a bit negative, yet many agreed with that term.

With that said, overall we felt that the market was a good one. Some seemed to think traffic was down, but many we talked to, said their showroom traffic was up. Even though some said their traffic was down, those folks said it was a great market.

The April market was an unusual one for sure. In all our years, we did not recall an April market where it rained three days straight. Actually a few times, it didn't just rain, it poured. But the transportation system did its job, at least for us, and we felt that most people got around pretty well.

The overall U.S. economy, according to the advance reports on GDP, started the year rather sluggish. We are not really certain why unless it relates to the lack of cooperation in Congress keeping things from happening. The reality is that overall things are still pretty good. Interest rates are still low in spite of a few raises in rates expected. The stock market is good, housing is good and despite a small drop in consumer confidence this month, the indexes are still very strong.

We continue to expect 2017 to be a good year for the residential furniture business.

By the way, while we are not fashion gurus, we felt most of the showrooms we visited really stepped up a notch or two. We sure added to our list of the best looking showrooms at market.

Estimated Business Activity (Millions of Dollars)						
	2017			2016		
	February	January	2 Months	February	January	2 Months
New Orders	2,168	2,035	4,203	2,077	2,030	4,107
Shipments	2,139	2,043	4,182	2,077	2,003	4,080
Backlog (R)	2,036	2,028		2,008	2,008	

Key Monthly Indicators			
	February 2017 From January 2017 Percent Change	February 2017 From February 2016 Percent Change	2 Months 2017 Versus 2 Months 2016 Percent Change
New Orders	+4	+4	+2
Shipments	+1	+3	+3
Backlog	–	+1	
Payrolls	+1	-4	+1
Employees	–	-2	
Receivables	-2	+5	
Inventories	-3	-3	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2016				
February	-1	+3	-1	+1
March	-2	+4	-8	+2
April	-3	-3	-7	–
May	+2	-1	-6	+2
June	+5	+2	-5	+1
July	-5	-9	-2	+1
August	+6	+6	-2	+1
September	+14	+7	+3	–
October	+1	-6	+1	–
November	+8	+4	+2	+2
December	+11	+15	+1	-1
2017				
January	–	+2	–	-2
February	+4	+3	+1	-2