



Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in September were 10% lower than orders in September 2016. These results followed reported increases of 1% in August, 11% in July and 6% in June. We had reported increases for 13 straight months before the September decline. September orders were down for some 62% of the participants.

We should note that the 10% decline in September orders from September 2016 is comparing to a September 2016 when orders were up 14% over September 2015, so the decline may not be as bad as it seems.

Year to date, new orders were up 4%, down from 6% reported through August. Approximately 61% of the participants have reported increased new orders year to date. The year to date increase of 4% compares to a 2% increase reported through September 2016.

Shipments and Backlogs

Shipments in September 2017 were 4% higher than September 2016. September 2016 shipments were 7% higher than September 2015 shipments. In spite of the overall 4% increase, shipments were up for only 44% of the participants. Several participants were only off 1%-3%.

Year to date, shipments remained 5% ahead of the first 9 months of 2016. Shipments in 2016 for the 9 months were only up 1%. Approximately two-thirds of the participants have reported increased shipments year to date over the same period last year.



Backlogs in September were about equal to August backlog levels as shipments and orders were about equal. Backlogs were 4% lower than September 2016.

Furniture Insights®

A Monthly Newsletter

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Receivables and Inventories

Receivable levels were 3% higher this September than they were in September 2016, in line with the increase in shipments, both year to date as well as for the month. Receivable levels appeared a bit high in August, so we were glad to see them get back in line in September.

Inventory levels were 7% higher than they were in September 2016, up from a 3% increase reported last month. But, inventories were only up 1% over August levels, so we will check next month to see if the variations were just timing issues.

Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees was down 2% from September 2016 and even with August 2017. The number of employees was down 3% in August compared to August 2016.

Factory and warehouse payrolls were up 2% over September 2016, the same as reported last month. Year to date payrolls remained 2% ahead of the same period last year. Overall, factory and warehouse payrolls seem to be in line.

National

Consumer Confidence

The Conference Board Consumer Confidence Index, which had improved in October, increased further in November. The Index now stands at 129.5 (1985 = 100), up from 126.2 in October. The Present Situation Index increased from 152.0 to 153.9, while the Expectations Index rose from 109.0 last month to 113.3.

"Consumer confidence increased for a fifth consecutive month and remains at a 17-year high (Nov. 2000, 132.6)," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved

moderately, while their expectations regarding the short-term outlook improved more so, driven primarily by optimism of further improvements in the labor market. Consumers are entering the holiday season in very high spirits and foresee the economy expanding at a healthy pace into the early months of 2018."

Consumers' assessment of current conditions improved moderately in November. The percentage saying business conditions are "good" increased from 34.4% to 34.9%, while those saying business conditions are "bad" declined from 13.5% to 12.7%. Consumers' assessment of the labor market also improved. Those stating jobs are "plentiful" increased from 36.7% to 37.1%, while those claiming jobs are "hard to get" decreased slightly from 17.1% to 16.9%.

Consumers' optimism about the short-term outlook was also more favorable in November. The percentage of consumers expecting business conditions to improve over the next six months increased slightly from 22.1% to 22.4%, while those expecting business conditions to worsen decreased from 7.0% to 6.5%.

University of Michigan Surveys of Consumers

Surveys of Consumers chief economist, Richard Curtin, said "Consumer sentiment narrowed its loss from mid-month, although it was still slightly below last month's decade peak. Overall, the Sentiment Index has remained largely unchanged since the start of the year at the highest levels since 2004. What has changed recently is the degree of certainty with which consumers hold their economic expectations. In contrast to the media buzz about approaching cyclical peaks and an aging expansion, with the implication of greater uncertainty about future economic trends, consumers have voiced greater certainty about their expectations for income, employment, and



inflation. Inflation expectations have shown the smallest dispersion on record, and increased certainty about future income and job prospects has become a key factor that has supported discretionary purchases. To be sure, caution is warranted given that the current expansion will soon be the second longest expansion since the mid-1800s, as well as the potential for significant changes in tax policies and the new Fed leadership and Board members. Interestingly, the data indicate that neither changes in fiscal nor monetary policies have yet had any noticeable impact on consumer expectations. Overall, the data signal an expected gain of 2.7% in real consumption expenditures in 2018, and more importantly for retailers, the best runup to the holiday shopping season in a decade.”

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 1.2% in October to 130.4 (2010 = 100), following a 0.1% increase in September, and a 0.4% increase in August.

"The US LEI increased sharply in October, as the impact of the hurricanes dissipated," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "The growth of the LEI, coupled with widespread strengths among its components, suggests that solid growth in the US economy will continue through the holiday season and into the new year."

The Conference Board Coincident Economic Index (CEI) for the U.S. increased 0.3% in October to 116.2 (2010 = 100), following a 0.1% increase in September, and no change in August.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.2% in October to 125.5 (2010 = 100),

following no change in September, and a 0.2% increase in August.

Housing

Existing-Home Sales

Existing-home sales increased in October to their strongest pace since earlier this summer, but continual supply shortages led to fewer closings on an annual basis for the second straight month, according to the National Association of Realtors.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, increased 2.0% to a seasonally adjusted annual rate of 5.48 million in October from a downwardly revised 5.37 million in September. After last month's increase, sales are at their strongest pace since June (5.51 million), but still remain 0.9% below a year ago.

Single-family home sales climbed 2.1% to a seasonally adjusted annual rate of 4.87 million in October from 4.77 million in September, but are still 1.0% under the 4.92 million pace a year ago. The median existing single-family home price was \$248,300 in October, up 5.4% from October 2016.

Existing condominium and co-op sales increased 1.7% to a seasonally adjusted annual rate of 610,000 units in October (unchanged from a year ago). The median existing condo price was \$236,800 in October, which was 6.9% above a year ago.

Lawrence Yun, NAR chief economist, says sales activity in October picked up for the second straight month, with increases in all four major regions. "Job growth in most of the country continues to carry on at a robust level and is starting to slowly push up wages, which is in turn giving households added assurance that now is a good time to buy a home," he said. "While the housing market gained a little more momentum last month, sales are still below year ago levels because low inventory



is limiting choices for prospective buyers and keeping price growth elevated."

The median existing-home price for all housing types in October was \$247,000, up 5.5% from October 2016 (\$234,100). October's price increase marks the 68th straight month of year-over-year gains.

Total housing inventory at the end of October decreased 3.2% to 1.80 million existing homes available for sale, and is now 10.4% lower than a year ago (2.01 million) and has fallen year-over-year for 29 consecutive months. Unsold inventory is at a 3.9-month supply at the current sales pace, which is down from 4.4 months a year ago.

"Listings—especially those in the affordable price range—continue to go under contract typically a week faster than a year ago, and even quicker in many areas where healthy job markets are driving sustained demand for buying," said Yun. "With the seasonal decline in inventory beginning to occur in most markets, prospective buyers will likely continue to see competitive conditions through the winter."

According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage rose to 3.90% in October (matches highest rate since June) from 3.81% in September. The average commitment rate for all of 2016 was 3.65%.

First-time buyers were 32% of sales in October, which is up from 29% in September but down from 33% a year ago. NAR's 2017 Profile of Home Buyers and Sellers—released last month—revealed that the annual share of first-time buyers was 34%.

Regional

October existing-home sales in the Northeast rose 4.2% to an annual rate of 740,000 (unchanged from a year ago). The median price in the Northeast was \$272,800, which was 6.6% above October 2016.

In the Midwest, existing home sales inched forward 0.8% to an annual rate of

1.31 million in October, but were still 1.5% below a year ago. The median price in the Midwest was \$194,700, up 7.1% from a year ago.

Existing home sales in the South increased 1.9% to an annual rate of 2.16 million in October, but were still 1.8% lower than a year ago. The median price in the South was \$214,900, up 4.6% from a year ago.

Existing home sales in the West grew 2.4% to an annual rate of 1.27 million in October and were 0.8% above a year ago. The median price in the West was \$375,100, up 7.8% from October 2016.

New Residential Sales

Sales of new single-family houses in October 2017 were at a seasonally adjusted annual rate of 685,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 6.2% above the revised September rate of 645,000 and was 18.7% above the October 2016 estimate of 577,000.

The median sales price of new houses sold in October 2017 was \$312,800. The average sales price was \$400,200.

The seasonally-adjusted estimate of new houses for sale at the end of October was 282,000. This represents a supply of 4.9 months at the current sales rate. New house sales in October 2017 compared to October 2016 were up 64.7% in the Northeast, 16.2% in the Midwest, 14.0% in the South and 20.1% 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 October were at a seasonally adjusted annual rate of 1,290,000. This was 13.7% above the revised September estimate of 1,135,000, but was 2.9% below the



October rate of 1,328,000. Single family housing starts in October were at a rate of 877,000; this was 5.3% above the revised September figure of 833,000. The October rate for units in buildings with 5 units or more was 393,000.

New privately-owned single family starts were down 13.2% in the Northeast and 5.6% in the West when compared to October 2016 starts, but were up 10.4% in the Midwest and up 3.0% in the South.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for October 2017, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$486.6 billion, an increase of 0.2% from the previous month, and 4.6% above October 2016. Total sales for the August 2017 through October 2017 period were up 4.3% from the same period a year ago.

Retail trade sales were up 0.2% from September 2017, and were up 4.7% from last year. Building materials and garden equipment and supplies dealers were up 8.8% from October 2016, while gasoline stations were up 7.5% from last year.

Sales at furniture and home furnishings stores in October were up 4.4% over October 2016 sales. Sales at these stores were up 3.9% year to date.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.1% in October on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics report. Over the last 12 months, the all items index rose 2.0%.

The shelter index increased 0.3% and was the main factor in the seasonally adjusted all items increase. The energy index fell, as a decline in the gasoline index outweighed increases in other energy

component indexes. The food index was unchanged over the month.

The index for all items less food and energy increased 0.2% in October. In addition to the shelter index, the indexes for medical care, used cars and trucks, tobacco, education, motor vehicle insurance, and personal care were among those that increased. The indexes for new vehicles, recreation, and apparel all declined.

The all items index rose 2.0% for the 12 months ending October, a smaller increase than the 2.2% increase for the period ending September. The index for all items less food and energy rose 1.8% over the past year, a slightly larger increase compared to the 1.7% increase for the 12 months ending September. The energy index increased 6.4% over the last 12 months, and the index for food rose 1.3%.

Employment

Total nonfarm payroll employment rose by 261,000 in October, and the unemployment rate edged down to 4.1%, according to the U.S. Bureau of Labor Statistics. Employment in food services and drinking places increased sharply, mostly offsetting a decline in September that largely reflected the impact of Hurricanes Irma and Harvey. In October, job gains also occurred in professional and business services, manufacturing, and health care.

The unemployment rate edged down by 0.1 percentage point to 4.1% in October, and the number of unemployed persons decreased by 281,000 to 6.5 million. Since January, the unemployment rate has declined by 0.7 percentage point, and the number of unemployed persons has decreased by 1.1 million.

In October, the number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 1.6 million and accounted for 24.8% of the unemployed.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in October decreased \$2.8 billion or 1.2% to \$236.0 billion, according to the U.S. Census Bureau. This decrease, down following 2 consecutive monthly increases, followed a 2.2% September increase. Excluding transportation, new orders increased 0.4%. Excluding defense, new orders decreased 0.8%. Transportation equipment, also down following two consecutive monthly increases, drove the decrease.

Shipments of manufactured durable goods in October, up five of the last six months, increased \$0.3 billion or 0.1% to \$241.0 billion. This followed a 1.0% September increase. Primary metals, up three of the last four months, led the increase, \$0.3 billion or 1.5% to \$19.9 billion.

According to the final report for furniture and related products in September, new orders were down 2.0% and shipments were up 0.8%. Year to date, orders for these products were up 1.2% and shipments were up 1.8%.



Executive Summary

After several positive monthly results from our surveys of residential furniture manufacturers and distributors, the September survey showed a 10% drop in new orders. Even though we had heard that retail slowed some in September, that 10% drop surprised us. But, as we looked at the results, we looked back to last year and realized that September 2016 new orders were up 14% over September 2015. So comparing September 2017 to September 2015, new orders were up 3%, making the results not as bad as first glance.

For sure, 3% growth in 2 years is not all that exciting. That growth followed a 1% increase reported in August. So, clearly, things slowed late in the third quarter. For the month, some 62% of the participants reported decreased orders.

Year to date, the new order increase dropped from 6% reported last month to 4% through September. Approximately 61% of the participants reported increased orders year to date.

Shipments were up 4% for the month vs. September 2016 and remained up 4% year to date. Last year at this time, shipments were only up 1%. Approximately two-thirds of the participants are reporting increased shipments year to date.

Backlogs were about even with August, but were down 4% from September 2016.

Receivable levels got back in line after being a bit high last month. Inventories were 7% higher than September 2016, but were up only 1% over August. We will need to watch as business conditions change through the end of the year.

The number of factory and warehouse employees held steady from August and was down 2% from last September. Factory and

warehouse payrolls remained 2% ahead of last year in September, as well as year to date.

National

Housing

Existing home sales increased 2% in October to the strongest pace since June 2017, but remained 0.9% below a year ago. Single family sales were up 2.1%, but were still 1% below a year ago. Once again the lack of inventory was blamed for the slowdown, as well as some effects of the hurricanes in Florida and Texas.

Regionally, existing home sales in October were up from September: 4.2% in the Northeast, 0.8% in the Midwest, 1.9% in the South and 2.4% in the West. Sales in the Midwest and South were down slightly from a year ago.

New houses sold were up 6.2% in October from September and up 18.7% above October 2016. New house sales were up from last year very nicely in all regions of the country.

Privately-owned housing starts were also up from September (13.7%), but were 2.9% below October 2016. Single family starts in October compared to October 2016 were down 13.2% in the Northeast and 5.6% in the West, but were up 10.4% in the Midwest and up 3% in the South.

Other

The advance report of estimated U.S. retail and food services sales for October 2017 indicates those numbers were up 0.2% from September and 4.6% from October 2016. Retail trade sales were up 0.2% from September and up 4.7% from October last year. Year to date, retail trade sales were up 4.0%.



Sales at furniture and home furnishings stores were up 4.4% over October 2016. Sales at these stores were up 3.9% year to date.

The Consumer Price Index for all urban consumers rose 0.1% in October as was up 2.0% over the last 12 months. The index for all items, less food and energy, increased 0.2% with a 1.8% increase over the last 12 months. The energy index increased 6.4% over the last 12 months with the food index rising 1.3%.

The unemployment rate dropped another 0.1% to 4.1% in October. Total non-farm employment rose by 261,000 in October. The number of unemployed persons decreased by 281,000.

After a drop in the Conference Board's Leading Economic Index in September, the index increased sharply in October, rising 1.2%. The large increase was due to the effects of the hurricanes no longer affecting the index.

Consumer Confidence

The Conference Board Consumer Confidence Index improved again in November. The index improved to 129.5 (1985=100) with both the Present Situation and Expectation Indexes improving.

The index improved for the fifth straight week and is now at a 17-year high (November 2000 - 132.6).

The University of Michigan Survey of Consumers fell slightly in November from last month's decade peak, but remained at high levels.

Thoughts

The results from September were somewhat expected as our recent conversations, including our Market visits, had indicated that business had softened. In addition, hurricanes impacted business and even slowed some Market traffic. We would expect

to see some pick-up over the next few months as those affected in Texas and Florida and other areas begin to try to recover and rebuild.

With consumer confidence at highest levels in years, unemployment also at lowest in some time, and interest rates still low, all signs should be good for the industry. While some of the housing results are not as positive as we might want, we need to keep in mind that housing has been recovering since 2009. Eventually, as we see with our own businesses, it is hard to keep beating last year's numbers over and over again. So we think both existing and new home sales are at good enough levels to keep furniture buying reasonably strong.

While the residential furniture business overall is pretty good, as always we have some winners and some not doing as well. Obviously all models are not the same, whether in product or customer base. Each of these continually change. But, hopefully, business will continue to pick up for all.

We hope you had a happy Thanksgiving. We all have lots to be thankful for, and since we won't write again before the end of December, happy holidays to all.



Estimated Business Activity (Millions of Dollars)						
	2017			2016		
	September	August	9 Months	September	August	9 Months
New Orders	2,343	2,238	20,442	2,603	2,216	19,631
Shipments	2,365	2,376	20,674	2,270	2,255	19,663
Backlog (R)	1,940	1,942	2,054	2,021	1,688	

Key Monthly Indicators			
	September 2017 From August 2017 Percent Change	September 2017 From September 2016 Percent Change	9 Months 2017 Versus 9 Months 2016 Percent Change
New Orders	+5	-10	+4
Shipments	-	+4	+5
Backlog	-	-4	
Payrolls	+7	+2	+2
Employees	-	-2	
Receivables	+3	+3	
Inventories	+1	+7	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2016				
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
March	+12	+6	+8	-2
April	+7	+2	+11	-2
May	+8	+7	+11	-2
June	+6	+7	+6	-1
July	+11	+10	+8	-3
August	+1	+5	+6	-3
September	-10	+4	-4	-2