April 2016

Furniture Insights®

Monthly Results

New Orders

New orders in February 2016 fell 1 percent from new orders in February 2015, according to our latest survey of residential furniture manufacturers and distributors. This was the first time since February 2014 that new orders were down from the previous year and only the second time since March 2013. New orders in February 2015 were up 8 percent over February 2014, so at least the decline was against some pretty good comparative results. As has been the case in recent years, the results were mixed, with approximately 54 percent of the participants reporting lower orders.

Year-to-date, new orders were flat with the first two months of 2015. The percent of participants was about the same with slightly more than half reporting decreased orders, though several were right at equal to last year. Those reporting increases were up from only 32 percent reporting increases last month.

Shipments and Backlogs

Shipments in February were up 3 percent from February 2015 and also up 3 percent from January 2016. Shipments in February 2015 were up 12 percent from February 2014 so, as with orders, the comparisons are to some strong results from last year. Some 57 percent of the participants reported increased shipments over last year. This improved from only 24 percent reporting increased shipments last month.

Year-to-date, shipments were up 1 percent over the first two months of 2015. But February 2015 year-to-date shipments were up 11 percent over the first two months of 2014, so once again, the comparison is to some strong results last year.

Backlogs were down 3 percent from February 2015 and just slightly under January 2016.

Furniture Insights®
A Monthly Newsletter

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Receivables and Inventories

Receivable levels were down 5 percent from February 2015 and down 2 percent from January, in spite of 3 percent increase in shipments. These results probably had some timing issues involved, so we will watch next month to see if the results are still as good as this month.

Inventories were 5 percent higher than February 2015, down from 6 percent reported last month. Inventories were also down 1 percent from January. As we noted before, inventories are a bit high compared to current business levels, but at least headed in the right direction.

Factory and Warehouse Employees and Payrolls

Factory and warehouse employees were up 1 percent over February 2015, the same as reported last month. The number of employees was even with January levels.

Factory and warehouse payrolls were up 9 percent over February 2015 and up 12 percent from January. Apparently, there were some timing issues last month as after the February results, year-to-date payrolls were only up 2 percent, much more in line with current business.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index®*, which had increased in March, declined moderately in April. The Index now stands at 94.2 (1985 = 100), down from 96.1 in March. The Present Situation Index increased from 114.9 to 116.4, while the Expectations Index decreased from 83.6 to 79.3 in April.

"Consumer confidence continued on its sideways path, posting a slight decline in April, following a modest gain in March," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved, suggesting no slowing in economic growth. However, their expectations regarding the short-term have moderated, suggesting they do not foresee any pickup in momentum."

Consumers' appraisal of current conditions improved somewhat in April. Those saying business conditions were "good" decreased from 24.9 percent to 23.2 percent. However, those saying business conditions are "bad" also declined, from 19.2 percent to 18.1 percent. Consumers' appraisal of the labor market was also mixed. Those claiming jobs are "plentiful" decreased from 25.4 percent to 24.1 percent, however those claiming jobs are "hard to get" also declined from 25.2 percent to 22.7 percent.

Consumers were less optimistic about the short-term outlook in April than last month. The percentage of consumers expecting business conditions to improve over the next six months decreased from 14.7 percent to 13.4 percent, while those expecting business conditions to worsen rose to 11.0 percent from 9.5 percent.

Gross Domestic Product (GDP)

Real gross domestic product – the value of the goods and services produced by the nation's economy less the value of the goods and services used up in production, adjusted for price changes – increased at an annual rate of 0.5 percent in the first quarter of 2016, according to the "advanced" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 1.4 percent.

The increase in real GDP in the first quarter reflected positive contributions from personal consumption expenditures (PCE), residential fixed investment, and state and local government spending that were partly offset by negative contributions from nonresidential fixed investment, private inventory investment, exports, 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 larger decrease in nonresidential fixed investment, a deceleration in PCE, a downturn in federal government spending, an upturn in imports, and larger decreases in private inventory investment and in exports that were partly offset by an upturn in state and local government spending and an acceleration in residential fixed investment.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.2 percent in March to 123.4 (2010 = 100), following a 0.1 percent decline in February, and a 0.2 percent decline in January.

"With the March gain, the U.S. LEI's six-month growth rate improved slightly but still points to slow, although not slowing, growth in the coming quarters," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "Rebounding stock prices were offset by a decline in housing permits, but nonetheless there were widespread gains among the leading indicators. Financial conditions, as well as expected improvements in manufacturing, should support a modest growth environment in 2016."

The Conference Board Coincident Economic Index® (CEI) for the U.S. was unchanged in March, remaining at 113.3 (2010 = 100), following a 0.1 percent increase in February, and a 0.3 percent increase in January.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.4 percent in March to 120.9 (2010 = 100), following a 0.5 percent increase in February, and a 0.1 percent increase in January.

Housing

Existing-Home Sales

Bolstered by big gains in the Northeast and Midwest, existing-home sales bounced back in March and remained slightly up from a year ago, according to the National Association of Realtors® (NAR).

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, jumped 5.1 percent to a seasonally adjusted annual rate of 5.33 million in March from a downwardly revised 5.07 million in February. Sales rose in all four major regions last month and were up modestly (1.5 percent) from March 2015.

Single-family home sales increased 5.5 percent to a seasonally adjusted annual rate of 4.76 million in March from 4.51 million in February, and were now 2.6 percent higher than the 4.64 million pace a year ago. The median existing single-family home price was $224,300 in March, up 5.8 percent from March 2015.

Existing condominium and co-op sales rose 1.86 percent to a seasonally adjusted annual rate of 570,000 units in March from 560,000 in February, but were still 6.6 percent below March 2015 (610,000 units). The median existing condo price was $209,600 in March, which was 4.6 percent above a year ago.

Lawrence Yun, NAR chief economist, says home sales had a nice rebound in March following February's uncharacteristically large decline. "Closings came back in force last month as a greater number of buyers – mostly in the Northeast and Midwest – overcame depressed inventory levels and steady price growth to close on a home," he said. "Buyer demand remains sturdy in most areas this spring and the mid-priced market is doing quite well. However, sales are softer both at the very low and very high ends of the market because of supply limitations and affordability pressures."

The median existing-home price for all housing types in March was $222,700, up 5.7 percent from March 2015 ($210,700). March's price increase marks the 49th consecutive month of year-over-year gains.

Total housing inventory at the end of March increased 5.9 percent to 1.98 million existing homes available for sale, but is still 1.5 percent lower than a year ago (2.01 million). Unsold inventory is at a 4.5-month supply at the current sales pace, up from 4.4 months in February.

"The choppiness in sales activity so far this year is directly related to the unevenness in the rate of new listings coming onto the market to replace what is, for the most part, being sold rather quickly," adds Yun. "Additionally, a segment of would-be buyers at the upper end of the market appear to have been spooked by January's stock market correction."

Matching the lowest share since August 2015, properties typically stayed on the market for 47 days in March, a decrease from 59 days in February and below the 52 days in March 2015. Short sales were on the market the longest at a median of 120 days in March, while foreclosures sold in 50 days and non-distressed homes took 46 days. Forty-two percent of homes sold in March were on the market for less than a month – the highest since July 2015 (43 percent).

The share of first-time buyers was 30 percent in March, unchanged both from February and a year ago. First-time buyers in all of 2015 also represented an average of 30 percent.

Regional

March existing-home sales in the Northeast ascended 11.1 percent to an annual rate of 700,000, and were now 7.7 percent above a year ago. The median price in the Northeast was $254,100, which was 5.8 percent above March 2015.

In the Midwest, existing-home sales jumped 9.8 percent to an annual rate of 1.23 million in March, and were now 0.8 percent above March 2015. The median price in the Midwest was $174,800, up 7.0 percent from a year ago.

Existing-home sales in the South rose 2.7 percent to an annual rate of 2.25 million in March, and were 2.3 percent above March 2015. The median price in the South was $194,400, up 4.6 percent from a year ago.

Existing-home sales in the West climbed 1.8 percent to an annual rate of 1.15 million in March, but were 2.5 percent lower than a year ago. The median price in the West was $320,800, which was 5.9 percent above March 2015.

New Residential Sales

Sales of new single-family houses in March 2016 were at a seasonally adjusted annual rate of 511,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 1.5 percent below the revised February rate of 519,000, but was 5.4

percent above the March 2015 estimate of 485,000.

The median sales price of new houses sold in March 2016 was $288,000; the average sales price was $356,200. The seasonally adjusted estimate of new houses for sale at the end of March was 246,000. This represents a supply of 5.8 months at the current sales rate.

New single-family house sales compared to March 2015 were up 30.0 percent in the Northeast, 10.3 percent in the Midwest and 15.4 percent in the South, but were down 20.7 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 March were at a seasonally adjusted annual rate of 1,089,000. This was 8.8 percent above the revised February estimate of 1,194,000, but was 14.2 percent above the March 2015 rate of 954,000.

Single-family housing starts in March were at a rate of 764,000; this was 9.2 percent below the revised February figure of 841,000. The March rate for units in buildings with five units or more was 312,000. Single-family starts were up from March 2015 20.5 percent in the Northeast, 41.4 percent in the Midwest, 17.5 percent in the South and 24.3 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for March, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $446.9 billion, a decrease of 0.3 percent from the previous month, and 1.7 percent above March 2015. Total sales for the January 2016 through March 2016 period were up 2.8 percent from the same period a year ago.

Retail trade sales were down 0.2 percent from February 2016, and up 1.3 percent from last year. Building material and garden equipment and supplies dealers were up 10.8 percent from March 2015, while gasoline stations were down 15.6 percent from last year.

Sales at furniture and home furnishings stores were flat with February on an adjusted basis and up 3.4 percent from March 2015. Year-to-date, sales at these stores were up 5.5 percent.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 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 0.9 percent before seasonal adjustment.

The food index declined in March, while the indexes for energy and for all items less food and energy rose, leading to the slight seasonally adjusted increase in the all items index. The food index fell 0.2 percent after rising in February, as five of the six major grocery store food groups declined. The energy index rose for the first time since November, with all of its major components except natural gas increasing.

While the index for all items less food and energy increased in March, the 0.1 percent advance was the smallest increase since August. Major component indexes were mixed in March. The indexes for shelter, recreation, medical care, education, tobacco, and personal care were among those that rose, while the indexes for apparel, airline fares, communication, household furnishings and operations, and used cars and trucks all declined.

The all items index rose 0.9 percent over the last 12 months, a slightly smaller increase than the 1.0-percent change for the 12 months ending February. The index for all items less food and energy has risen 2.2 percent over the last 12 months, and the food index has increased 0.8 percent. Despite rising in March, the energy index has declined 12.6 percent over the last year.

Employment

Total nonfarm payroll employment rose by 215,000 in March, and the unemployment rate was little changed at 5.0 percent, according to the report from the U.S. Bureau of Labor Statistics. Employment increased in retail trade, construction, and health care. Job losses occurred in manufacturing and mining.

In March, the unemployment rate (5.0 percent) and the number of unemployed persons (8.0 million) were little changed. Both measures have shown little movement since August.

The number of persons employed part time for economic reasons (also referred to as involuntary part-time workers) was about unchanged in March at 6.1 million and has shown little movement since November. These individuals, who would have preferred full-time employment, were working part-time because their hours had been cut back or because they were unable to find a full-time job.

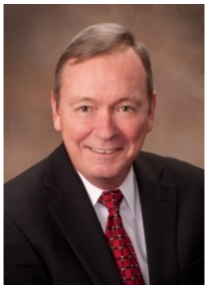
Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in March increased $1.8 billion or 0.8 percent to $230.7 billion, according to the U.S. Census Bureau announcement. This increase, up two of the last three months, followed a 3.1 percent February decrease. Excluding transportation, new orders decreased 0.2 percent. Excluding defense, new orders decreased 1.0 percent.

Shipments of manufactured durable goods in March, down three of the last four months, decreased $1.1 billion or 0.5 percent to $237.0 billion. This followed a 1.0 percent February decrease.

Transportation equipment, also down three of the last four months, drove the decrease, $1.4 billion or 1.8 percent to $77.5 billion.

According to the final report for February, orders for furniture and related products were up 9.8 percent comparing February to February 2015 and up 6.2 percent year-to-date. Shipments were up 7.6 percent and 5.4 percent, respectively.



Executive Summary

According to our latest survey of residential furniture manufacturers and distributors, new orders fell 1 percent from February 2015, the first decline in orders reported since February 2014. This was also only the second decline in orders versus the previous year since March 2013.

The drop in orders in February put the year-to-date results at about even. About 46 percent of the participants reported increases in orders.

Shipments were up 3 percent bringing year-to-date shipments through February to a 1 percent increase after a 1 percent decrease in January.

While neither of these results were what everyone was looking for, they did seem to reflect much of what we have been hearing in that the first quarter seemed a bit soft. But, we need to keep in mind that through February 2015, orders were up year-to-date 7 percent and shipments were up 11 percent so we were comparing to some pretty healthy increases in the prior year.

Backlogs held about even with orders and shipments about the same in dollars.

Receivable levels were in very good shape based on shipment levels while inventories inched down a bit but still showing a 5 percent increase over last year. While a bit high, they do not seem too far out of line.

Factory and warehouse employees held steady at a 1 percent increase over last February and year-to-date payrolls fell back in line showing a 2 percent increase. We must have had some timing issues around payrolls last month.

National

Consumer confidence fell slightly after a modest gain in March. Consumer assessments of current conditions improved; however, expectations in the short term “moderated.” Those saying business conditions are good fell slightly but those saying business conditions are bad also declined.

The initial report in the GDP for the first quarter showed a weak 0.5 percent growth rate signaling slow growth. Yet, the Conference Board’s Leading Economic Index increased slightly after 2 months of slight declines. According to the report, rebounding stock prices were offset by a decline in housing permits, but there were widespread gains among the leading indicators.

Existing-home sales were up nicely in all four regions but especially in the Northeast and Midwest, and all regions were up nicely compared to last year. This came after weak February results.

Single-family new house sales were also up nicely from a year ago. Sales were up 30 percent in the Northeast, 10 percent in the Midwest, 15 percent in the South, but down 21 percent in the West.

Housing starts in March were down from February but up nicely from March 2015. Single-family starts were up 20.5 percent in the Northeast, 41.4 percent in the Midwest, 17.5 percent in the South and 24.3 percent in the West from March 2015.

Retail sales over all in March were down slightly from February but 1.7 percent above March 2015. Sales at furniture and home furnishings stores on an adjusted basis were up 3.4 percent from March 2015 and up 5.5 percent year-to-date. These results appear to be at odds with some of the talks in the industry. Maybe it was mattress sales.

Inflation remains reasonable with a 0.1 percent increase over February and up 0.9 percent over the last twelve months

Market Summary

We just finished another, what we hope will be remembered as a successful market here in High Point. Of course, we really will not know for a few weeks as we wait on "compliments" to turn into orders and then more importantly shipments (then dollars).

Of course, the talk of market typically turns to attendance. Based on our travels from Thursday to Wednesday, we heard it all. From traffic is really off (but the quality of who was here was good from some) to traffic was about equal, to traffic was up in the showrooms. And we believed all of those we heard as we did pay attention to clients who tell us the truth.

We believe that attendance is all a matter of your customer base. If you sell primarily to the top 100, then you are typically flat, with the exception of maybe a few smaller representatives from a given company. If you sell high end European leather, etc. then your April market may be off from October due to the Milan show. If you had great new collections or products and did your homework, your traffic was probably up and we know that was true in several showrooms we visited late in market.

So after all these years, we finally decided how to measure traffic. We know that registrations really do not tell us. Badge scanning in a given building also does not tell for sure, though probably gives us an idea. But we believe the only way to tell is to have every single buyer, designer, executive and others that come to market to go to every showroom every market for 2 years in a row. Then we can tell if attendance is up or down at both April and October markets. ☺

Seriously, we know that will never happen so we will just have to live with what we have. We all know, it really doesn't matter how many come in total, it's only how many of your good customers and prospects come to your space.

As for market itself, we saw some really great products and some new collections, as well as new occasional and upholstery. Most of the showrooms looked great (retailers and designers – if you don't come to market to see great new product – at least you should come to see how it should be displayed).

And more importantly for us for sure, the weather was maybe the best ever. Not a drop of rain and nice cool mornings and warm days. Plus, the food was great.

Final

We continue to hear business is choppy but we still believe, considering comparisons to a good year last year, we should continue to grow this year, though maybe at a bit lesser pace than the last couple of years. Let's hope business improves in May so those who did not order at market will feel better about placing those orders.

Estimated Business Activity (Millions of Dollars)						
	2016			2015		
	February	January	2 Months	February	January	2 Months
New Orders	2,077	2,030	4,107	2,090	2,000	4,090
Shipments	2,077	2,003	4,080	2,026	2,033	4,059
Backlog (R)	2,087	2,090		2,164	2,100	

Key Monthly Indicators			
	February 2016 From January 2016 Percent Change	February 2016 From February 2015 Percent Change	2 Months 2016 Versus 2 Months 2015 Percent Change
New Orders	+3	-1	–
Shipments	+3	+3	+1
Backlog	-1	-3	
Payrolls	+12	+9	+2
Employees	–	+1	
Receivables	-2	-5	
Inventories	-1	+5	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2015				
February	+8	+12	+11	+2
March	+2	+4	+9	+2
April	+3	+5	+7	+3
May	+5	+5	+7	+2
June	+10	+6	+12	+2
July	+4	+7	+9	+3
August	+3	+8	+5	+3
September	–	+3	+3	+4
October	+1	+7	–	+3
November	+4	+5	–	+2
December	+1	+5	-4	+2
2016				
January	+2	-1	–	+1
February	-1	+3	-1	+1