

Furniture Insights®

Monthly Results

New Orders

For the third month in a row, new orders fell in April 2016 from the same month a year ago, according to our latest survey of residential furniture manufacturers and distributors. New orders declined 3 percent in April from April 2015, after falling 2 percent in March and 1 percent in February. New orders declined for 69 percent of our participants up from 56 percent reporting declines last month.

For the first time this year, new orders year-to-date, fell in negative territory, falling below the first four months of 2015 just less than 1 percent. The first four months of 2015 were 5 percent ahead of the same period in 2014. Some 64 percent of the participants have now reported lower orders for the first four months of the year.

Shipments and Backlogs

Shipments were also 3 percent lower in April 2016 versus April 2015. This decline followed two months of 4 and 3 percent gains respectively in the prior two months. But with orders falling three months in a row, sooner or later shipments had to fall. Shipments were down 15 percent from March, but April had fewer working days, likely causing some of that decline.

Year-to-date, shipments remained 1 percent above the first four months of 2015. Some 47 percent of the participants reported increased shipments year-to-date.

Backlogs fell 1 percent from March as shipments were slightly higher than orders. Backlogs in April 2016 were down 7 percent



from April a year ago, similar to the 8 percent decline reported last month.

Receivables and Inventories

Receivable levels were down 6 percent from April 2015 levels, a bit more than the 3 percent decline in shipments. Receivables were down 2 percent from March in spite of the 15 percent decline in shipments but we think that probably relates to the more working days.

Furniture Insights® A Monthly Newsletter

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Inventory levels were up 4 percent over last year down from a 5 percent increase reported last month. We will need to continue to watch inventories as we continue along this slowdown in business.

Factory and Warehouse Employees and Payrolls

The number of factory and warehouse employees remained steady with March levels and last April. This was down from a 2 percent increase last month comparing March 2016 to March 2015.

Payrolls were up 3 percent from April 2016, down from a 4 percent increase reported last month. Payrolls were down 10 percent from March, but we believe that decline was primarily due to fewer days in the month.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*®, which had decreased in May, improved in June. The Index now stands at 98.0 (1985 = 100), up from 92.4 in May. The Present Situation Index increased from 113.2 to 118.3, while the Expectations Index rose from 78.5 to 84.5 in June.

"Consumer confidence rebounded in June, after declining in May," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers were less negative about current business and labor market conditions, but only moderately more positive, suggesting no deterioration in economic conditions, but no strengthening either. Expectations regarding business and labor market conditions, as well as personal income prospects, improved moderately. Overall, consumers remain cautiously optimistic about economic growth in the short-term."

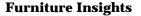
Consumers' appraisal of current conditions improved in June. Those stating business conditions are "good" increased slightly from 26.1 percent to 26.9 percent, while those saying business conditions are "bad" decreased from 21.4 percent to 17.7 percent. Consumers' assessment of the labor market was mixed. Those claiming jobs are "plentiful" declined from 24.5 percent to 23.4 percent, however those claiming jobs are "hard to get" also decreased from 24.5 percent to 23.3 percent.

Consumers' optimism regarding the short-term outlook improved in June. Those expecting business conditions to improve over the next six months increased from 15.0 percent to 16.8 percent, while those expecting business conditions to worsen decreased slightly, from 11.7 percent to 11.4 percent.

Consumers' outlook for the labor market was more favorable than last month. The percentage anticipating more jobs in the months ahead increased from 12.5 percent to 14.2 percent, while those anticipating fewer iobs decreased marginally from 18.2 percent to 17.9 percent. The proportion of consumers expecting their incomes to increase improved from 16.5 percent to 18.2 percent, while the proportion expecting a reduction edged down from 12.6 percent to 11.5 percent.

University of Michigan Surveys of Consumers

According to the Surveys of Consumers University of Michigan, consumers were a bit less optimistic in June due to rising concerns about prospects for the economy. While no recession is anticipated, consumers increasingly expect a slower pace of growth in the year ahead. Importantly, the persistent strength in





personal finances will keep consumer spending at relatively high levels and support an uninterrupted economic expansion. Although the data are consistent with GDP growth falling slightly below 2.0 percent in 2016, real consumer spending can be expected to rise by 2.5 percent in 2016 and 2.7 percent in 2017.

of Consumers Surveys chief economist, Richard Curtin said: "Consumer sentiment has remained at high levels and has shown only minor month-to-month variations in the past 18 months. This relative stability stands in sharp contrast to the much more volatile path of GDP. Most of the persistent strength can be traced to more favorable personal finances, despite rather small income gains. Overall, these favorable assessments represent an accommodation for financial planning purposes, but not an acceptance of the inevitability of such a lackluster outcome. Indeed, when asked to evaluate current economic policies, nearly twice as many consumers in June judged economic policies as poor rather than rating them favorably."

Consumers voiced the most positive assessments of their finances since late 2000 due to near record references to and income increases the fewest complaints about inflation. Recently improved finances were cited by 49 percent in June, unchanged from May, and the highest level in the last decade. Indeed, expected gains in inflation adjusted incomes reached their highest level since January 2007 despite the fact that consumers anticipated nominal income gains of just 1.6 percent in June.

Favorable vehicle buying plans were dominated by low interest rates on credit purchases, especially among higher income and middle age groups, the most likely to purchase new vehicles. Home selling conditions have benefitted from higher home prices but home buying conditions became slightly less favorable due to those same price gains. Low mortgage rates, however, have dominated both buying and selling conditions, especially among households who have a higher probability of purchase.

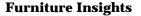
Gross Domestic Product (GDP)

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 1.1 percent in the first quarter of 2016, according to the "third" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2015, real GDP increased 1.4 percent.

The current GDP estimate is based on more complete source data than were available for the "second" estimate issued last month. In the second estimate, the increase in real GDP was 0.8 percent. With the third estimate for the first quarter, the general picture of economic growth remains the same; exports increased more than previously estimated.

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

The deceleration in real GDP in the first quarter primarily reflected a deceleration in PCE, a larger decrease in nonresidential fixed investment, and a downturn in federal government spending





that were partly offset by upturns in state and local government spending and exports and an acceleration in residential fixed investment.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.2 percent in May to 123.7 (2010 = 100), following a 0.6 percent increase in April, and a 0.1 percent increase in March.

"The U.S. LEI declined in May, primarily due to a sharp increase in initial claims for unemployment insurance. The growth rate of the LEI has moderated over the past year," said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. "While the LEI suggests the economy will continue growing at a moderate pace in the near term, volatility in financial markets and a moderating outlook in labor markets could pose downside risks to growth."

The Conference Board Coincident Economic Index® (CEI) for the U.S. was unchanged in May, remaining at 113.5 (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 0.3 percent in May to 121.9 (2010=100), following a 0.2 percent increase in April, and a 0.6 percent increase in March.

Housing

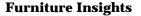
Existing-Home Sales

Existing-home sales sprang ahead in May to their highest pace in almost a decade, while the uptick in demand this spring amidst lagging supply levels pushed the median sales price to an all-time high, according to the National Association of Realtors® (NAR). All major regions except for the Midwest saw strong sales increases last month.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, grew 1.8 percent to a seasonally adjusted annual rate of 5.53 million in May from a downwardly revised 5.43 million in April. With last month's gain, sales were up 4.5 percent from May 2015 (5.29 million) and were at their highest annual pace since February 2007 (5.79 million).

Single-family home sales increased 1.9 percent to a seasonally adjusted annual rate of 4.90 million in May from 4.81 million in April, and were 4.7 percent higher than the 4.68 million pace a year ago. The median existing single-family home price was \$241,000 in May, up 4.6 percent from May 2015. Existing condominium and co-op sales rose 1.6 percent to a seasonally adjusted annual rate of 630,000 units in May from 620,000 in April, and were 3.3 percent above May 2015 (610,000 units). The median existing condo price \$229,600 in May, which is 6.0 percent above a year ago.

Lawrence Yun, NAR chief economist, says existing sales continue to hum along, rising in May for the third consecutive month. "This spring's sustained period of ultra-low mortgage rates has certainly been a worthy incentive to buy a home, but the primary driver in the increase in sales is more homeowners realizing the equity they've accumulated in recent years and finally deciding to trade-up or downsize," he said. "With first-time buyers still struggling to enter the market, repeat buyers using the proceeds from the sale of their previous home as their down payment are making up the bulk of home purchases right now."





Surpassing the peak median sales price set last June (\$236,300), the median existing-home price for all housing types in May was \$239,700, up 4.7 percent from May 2015 (\$228,900). May's price increase marks the 51st consecutive month of year-over-year gains.

Total housing inventory at the end of May rose 1.4 percent to 2.15 million existing homes available for sale, but was still 5.7 percent lower than a year ago (2.28 million). Unsold inventory is at a 4.7-month supply at the current sales pace, which is unchanged from April.

"Existing inventory remains subdued throughout much of the country and continues to lag even last year's deficient amount," adds Yun. "While new home construction has thankfully crept higher so far this year, there's still a glaring need for even more, to help alleviate the supply pressures that are severely limiting choices and pushing prices out of reach for plenty of prospective first-time buyers."

The share of first-time buyers was 30 percent in May, down from 32 percent both in April and a year ago. First-time buyers in all of 2015 also represented an average of 30 percent.

Regional

May existing-home sales in the Northeast increased 4.1 percent to an annual rate of 770,000, and were 11.6 percent above a year ago. The median price in the Northeast was \$268,600, which was 0.1 percent below May 2015.

In the Midwest, existing-home sales dropped 6.5 percent to an annual rate of 1.30 million in May, but were still 3.2 percent above May 2015. The median price in the Midwest was \$190,000, up 4.8 percent from a year ago.

Existing-home sales in the South expanded 4.6 percent to an annual rate of

2.28 million in May, and were now 6.5 percent above May 2015. The median price in the South was \$211,500, up 5.9 percent from a year ago.

Existing-home sales in the West jumped 5.4 percent to an annual rate of 1.18 million in May, but were still 1.7 percent lower than a year ago. The median price in the West was \$346,900, which was 7.7 percent above May 2015.

New Residential Sales

Sales of new single-family houses in May 2016 were at a seasonally adjusted annual rate of 551,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 6.0 percent below the revised April rate of 586,000, but was 8.7 percent above the May 2015 estimate of 507,000.

The median sales price of new houses sold in May 2016 was \$290,400; the average sales price was \$358,900. The seasonally adjusted estimate of new houses for sale at the end of May was 244,000. This represents a supply of 5.3 months at the current sales rate.

New single-family sales were up over May 2015 30.8 percent in the Northeast, 16.7 percent in the Midwest and 13.3 percent in the South. Sales were down from last May 8.8 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 1,164,000. This was 0.3 percent below the revised April estimate of 1,167,000, but was 9.5 percent above the May 2015 rate of 1,063,000.





Single-family housing starts in May were at a rate of 764,000; this was 0.3 percent above the revised April figure of 762,000 and 10.1 percent above May 2015. The May rate for units in buildings with five units or more was 396,000. Privately owned single-family housing starts were up 12.7 percent in the Northeast, 7.8 percent in the Midwest and 17.1 percent in the South but were down 4.8 percent in the West.

Retail Sales

The U.S. Census Bureau recently 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 \$455.6 billion, an increase of 0.5 percent from the previous month, and 2.5 percent above May 2015. Total sales for the March 2016 through May 2016 period were up 2.4 percent from the same period a year ago.

Retail trade sales were up 0.4 percent from April 2016, and up 2.0 percent from last year. Nonstore retailers were up 12.2 percent from May 2015, while Health and Personal Care Stores were up 8.3 percent from last year.

Sales at furniture and home furnishings stores, on an adjusted basis, were up 0.2 percent over May 2015 and 4.1 percent up year-to-date.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in May on a seasonally adjusted basis, according to the latest report by the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index rose 1.0 percent before seasonal adjustment.

The food index declined in May, but the indexes for energy and all items less food and energy rose, resulting in the seasonally adjusted all items increase. The food index fell 0.2 percent, as all six major grocery store food group indexes declined. The energy index increased 1.2 percent as the gasoline index rose 2.3 percent and the indexes for fuel oil and natural gas also advanced.

The index for all items less food and energy increased 0.2 percent in May. The shelter index rose 0.4 percent, and the indexes for medical care, apparel, motor vehicle insurance, and education were among indexes that also increased. These advances more than offset declines in an array of indexes including used cars and trucks, communications, household furnishings and operations, airline fares, and new vehicles.

The all items index rose 1.0 percent for the 12 months ending May, compared to a 1.1-percent increase for the 12 months ending April. The index for all items less food and energy rose 2.2 percent over the last 12 months. The food index has risen 0.7 percent over the last year, with the index for food at home declining 0.7 percent and the index for food away from home rising 2.6 percent. The energy index has declined 10.1 percent over the past 12 months, with all major components falling over the span.

Employment

The unemployment rate declined by 0.3 percentage point to 4.7 percent in May, and nonfarm payroll employment changed little (+38,000), according to the report from the U.S. Bureau of Labor Statistics. Employment increased in health care. Mining continued to lose jobs.

In May, the unemployment rate declined by 0.3 percentage point to 4.7 percent, and the number of unemployed persons declined by 484,000 to 7.4 million.

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Both measures had shown little movement from August to April.

The number of long-term unemployed (those jobless for 27 weeks or more) declined by 178,000 to 1.9 million in May. These individuals accounted for 25.1 percent of the unemployed. The number of persons unemployed less than 5 weeks decreased by 338,000 to 2.2 million.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in May decreased \$5.3 billion or 2.2 percent to \$230.7 billion, according to the U.S. Census Bureau. This decrease, down following two consecutive monthly increases, followed a 3.3 percent April increase. Excluding transportation, new orders decreased 0.3 percent. Excluding defense, new orders decreased 0.9 percent.

Transportation equipment, also down following two consecutive monthly increases, led the decrease, \$4.8 billion or 5.6 percent to \$81.9 billion.

Shipments of manufactured durable goods in May, down three of the last four months, decreased \$0.5 billion or 0.2 percent to \$231.7 billion. This followed a 0.4 percent April increase.

According to the final report, this survey indicated that shipments for furniture and related products were up in April 5.3 percent over April 2015 and up 7.3 percent year-to-date. New orders in the category were up 2.5 percent over April 2015 and up 8.4 percent year-to-date.





Executive Summary

Our latest survey of residential furniture manufacturers and distributors continued to show slower business conditions for this part

of the industry through April 2016. New orders were down 3 percent from April 2015 with 69 percent of the participants reporting lower orders. This decline brought year-t0-date orders to the negative, falling 1 percent from the first four months of last year. (Last year at this time, new orders were up 5 percent.)

Year-to-date, new orders were down for 64 percent of the participants. This compared to 56 percent reporting lower orders last month. The April decline in orders marked the 3rd straight month of declining orders, following 1 and 2 percent declines the previous two months.

Shipments also declined 3 percent in April, bringing the year-to-date results to just under a 1 percent increase. In April, only 36 percent of the participants reported increased shipments. Year-to-date, 53 percent are reporting declines in shipments.

Backlogs fell 1 percent from March as shipments exceeded orders. Backlogs were 7 percent lower than April 2015.

Receivable levels remained in good shape, down 6 percent from April 2015. Inventories need to be watched as they were 4 percent higher than April 2015, with orders and shipments not really growing. Overall factory and warehouse payrolls and employee levels were reasonably in line, though payrolls were a bit high.

National

As with last month, the two consumer confidence surveys were somewhat opposite, though they flipped this month with the Conference Board's survey showing improvement and the University of Michigan survey showing confidence off a bit. The Conference Board survey indicated the consumers were moderately more positive about current business and labor market conditions.

And while the Michigan survey was a bit less optimistic in June, the survey did note that "consumers voiced the most positive assessments of their finances since late 2000" due to income increases and few complaints about inflation.

The latest report on GDP indicated first quarter growth of 1.1 percent up from 0.8 percent reported in the last estimate. The Conference Board's Leading Economic Index declined 0.2 percent in May following a 0.6 percent increase in April and a 0.1 percent increase in March.

Housing

Existing-home sales increased in May to their highest pace in almost a decade. This increase, coupled with a lagging supply, pushed the median sales price to an all-time high. Single-family home sales increased in May 1.9 percent over April and were up 4.7 percent over last year with all regions of the country increasing except the Midwest.

New house sales in May were down 6 percent from April but were 8.7 percent above May 2015. Sales were up in all regions except for the West. Housing starts were down 0.3 percent from April but up 9.5 percent over May 2015. Starts were up in all regions except the West.

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Other National

Retail sales were up 0.5 percent over April and up 2.5 percent over May 2015. Sales at furniture and home furnishings stores were up 0.2 percent over May and 4.1 percent year-to-date.

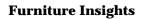
Inflation continued to be at reasonable levels, rising 1 percent for all items for the 12 months ending May and while there were not that many jobs created in May (38,000), the unemployment rate dropped to 4.7 percent.

On a more current news basis, the U.K. pull-out of the European Union has caused both international and national concerns. The stock market fell substantially for two days but has rebounded part of the losses in the last two days (through Wednesday the 29th). The terrorists actions in Turkey and here at home in Orlando have also been alarming.

And as we have discussed over and over, the election campaigns are full of bad so called news. Only it seems to be getting worse with the candidates really laying it on with attacks on each other.

As for the residential furniture business, we are hearing from a few of you that business may be improving a bit, though the time of year tends not to be the best part of the year for sales.

We hope you all have a safe July 4th holiday here in the U.S. Hopefully most people can relax over the long weekend and come back ready to go, to start the normal better last half of the year.





Estimated Business Activity (Millions of Dollars)								
		2016			2015			
	April	March	4 Months	April	March	4 Months		
New Orders	2,034	2,255	8,396	2,097	2,297	8,484		
Shipments	2,069	2,420	8,572	2,136	2,334	8,529		
Backlog (R)	1,946	1,975		2,101	2,140			

Key Monthly Indicators						
	April 2016 From March 2016 Percent Change	April 2016 From April 2015 Percent Change	4 Months 2016 Versus 4 Months 2015 Percent Change			
New Orders	-10	-3	-1			
Shipments	-15	-3	+1			
Backlog	-1	-7				
Payrolls	-10	+3	+3			
Employees	-	-				
Receivables	-2	-6				
Inventories	+1	+4				

Percentage Increase or Decrease Compared to Prior Year						
	New Orders	Shipments	Backlog	Employment		
2015						
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		
March	-2	+4	-8	+2		
April	-3	-3	-7	-		