

Furniture Insights®

Monthly Results

New Orders

After falling three months in a row, new orders recovered slightly in May, increasing 2 percent over May 2015, according to our recent survey of residential furniture manufacturers and distributors. The decline in orders from 2015 had been 3 percent in April, 2 percent in March and 1 percent in February. This month's increase was certainly not across the board as there were wide swings in individual participant results with about half reporting increases. Last month, 69 percent reported decreases from the prior year.

Year-to-date, new orders were about even with the same 5 month period a year ago. Some 61 percent of our participants reported lower orders year-to-date, again with large swings in reported results.

Shipments and Backlogs

Shipments were down 1 percent in May 2016 versus May 2015, but up 6 percent from April. Shipments were down 3 percent in April versus April 2015. In May, shipments were lower for some 58 percent of the participants. The decline in shipments in both months was the result of the declining orders in the months prior to May.

Year-to-date, as with orders, shipments were even with the same period a year ago. About half of the participants reported increased shipments year-to-date.

Backlogs were up 2 percent from April as orders exceeded shipments but were down 6 percent from May 2015 (from a 7 percent decline reported last month). The



change in backlogs resulted from shipments year-to-date exceeding new orders resulting in the decline.

Receivables and Inventories

Receivable levels were about even with April results but were 5 percent below May 2015. As with April results, receivables being down 5 percent with shipments down 1 percent from May 2015 and about even year-to-date, receivable levels continue to appear to be in really good shape.

Furniture Insights®

A Monthly Newsletter

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Inventories in May 2016 were 3 percent higher than May 2015, falling 2 percent from April levels. Inventories continue to inch down each month, moving them back to closer in line with current business.

Factory and Warehouse Employees and Payrolls

The number of factory and warehouse employees increased 1 percent from April to May and were up 2 percent over May 2015. This 2 percent increase over May 2015 compared to being flat in the April to April comparison.

Factory and warehouse payrolls were down 1 percent from April 2016 and down 1 percent from May 2015 so the increase in the number of employees did not result in increased payrolls. Year-to-date, payrolls were up 2 percent versus last year, down from a 3 percent increase reported last month.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had increased in June, was relatively unchanged in July. The Index now stands at 97.3 (1985 = 100), compared to 97.4 in June. The Present Situation Index increased from 116.6 to 118.3, while the Expectations Index edged down to 83.3 from 84.6 in June.

“Consumer confidence held steady in July, after improving in June,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers were slightly more positive about current business and labor market conditions, suggesting the economy will continue to expand at a moderate pace. Expectations regarding business and labor market

conditions, as well as personal income prospects, declined slightly as consumers remain cautiously optimistic about growth in the near-term.”

Consumers’ assessment of present-day conditions improved slightly in July. Those stating business conditions are “good” increased from 26.8 percent to 28.1 percent, however those saying business conditions are “bad” also rose, from 18.3 percent to 19.0 percent. Consumers’ appraisal of the labor market was little changed from last month. Those claiming jobs are “plentiful” declined marginally from 23.2 percent to 23.0 percent, however those claiming jobs are “hard to get” also decreased, from 23.7 percent to 22.3 percent.

Consumers’ optimism regarding the short-term outlook was slightly less favorable in July. The percentage of consumers expecting business conditions to improve over the next six months decreased from 16.6 percent to 15.9 percent, while those expecting business conditions to worsen increased from 11.2 percent to 12.3 percent.

Leading Economic Indicators

The Conference Board Leading Economic Index[®] (LEI) for the U.S. increased 0.3 percent in June to 123.7 (2010 = 100), following a 0.2 percent decline in May, and a 0.5 percent increase in April.

“The U.S. LEI picked up in June, reversing its May decline,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. “Improvements in initial claims for unemployment insurance, building permits, and financial indicators were the primary drivers. While the LEI continues to point to moderating economic growth in the U.S. through the end of 2016, the expansion still appears resilient enough to

weather volatility in financial markets and a moderating outlook in labor markets.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.3 percent in June to 113.8 (2010=100), following no change in May, and a 0.2 percent increase in April.

The Conference Board Lagging Economic Index® (LAG) for the U.S. declined 0.1 percent in June to 121.9 (2010=100), following a 0.4 percent increase in May, and a 0.2 percent increase in April.

Housing

Existing-Home Sales

Boosted by a greater share of sales to first-time buyers not seen in nearly four years, existing-home sales maintained their upward trajectory in June and increased for the fourth consecutive month, according to the National Association of Realtors® (NAR). Only the Northeast saw a decline in closings in June, and sales to investors fell their lowest overall share since July 2009.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, climbed 1.1 percent to a seasonally adjusted annual rate of 5.57 million in June from a downwardly revised 5.51 million in May. After last month's gain, sales were up 3.0 percent from June 2015 (5.41 million) and remain at their highest annual pace since February 2007 (5.79 million).

Single-family home sales increased 0.8 percent to a seasonally adjusted annual rate of 4.92 million in June from 4.88 million in May, and were 3.1 percent higher than the 4.77 million pace a year ago. The median existing single-family

home price was \$249,800 in June, up 5.0 percent from June 2015.

Existing condominium and co-op sales grew 3.2 percent to a seasonally adjusted annual rate of 650,000 units in June from 630,000 in May, and were 1.6 percent above June 2015 (640,000 units). The median existing condo price was \$231,600 in June, which was 3.2 percent above a year ago.

Lawrence Yun, NAR chief economist, says the impressive four month streak of sales gains through June caps off a solid first half of 2016 for the housing market. “Existing sales rose again last month as more traditional buyers and fewer investors were able to close on a home despite many competitive areas with unrelenting supply and demand imbalances,” he said. “Sustained job growth as well as this year's descent in mortgage rates is undoubtedly driving the appetite for home purchases.”

Cautions Yun, “Looking ahead, it's unclear if this current sales pace can further accelerate as record high stock prices, near-record low mortgage rates and solid job gains face off against a dearth of homes available for sale and lofty home prices that keep advancing.”

The median existing-home price for all housing types in June was \$247,700, up 4.8 percent from June 2015 (\$236,300). June's price increase marks the 52nd consecutive month of year-over-year gains and surpasses May's peak median sales price of \$238,900.

Total housing inventory at the end of June dipped 0.9 percent to 2.12 million existing homes available for sale, and was 5.8 percent lower than a year ago (2.25 million). Unsold inventory is at a 4.6-month supply at the current sales pace, which is down from 4.7 percent months in May.

The share of first-time buyers was 33 percent in June, which is up from 30 percent in May and a year ago and is the highest since July 2012 (34 percent). Through the first six months of the year, first-time buyers have represented an average of 31 percent of buyers; they were 30 percent in all of 2015.

“The modest bump in June sales to first-time buyers can be attributed to mortgage rates near all-time lows and perhaps a hopeful indication that more affordable, lower-priced homes are beginning to make their way onto the market,” adds Yun. “The odds of closing on a home are definitely higher right now for first-time buyers living in metro areas with tamer price growth and greater entry-level supply – particularly areas in the Midwest and parts of the South.”

Regional

June existing-home sales in the Northeast declined 1.3 percent to an annual rate of 760,000, but were still 5.6 percent above a year ago. The median price in the Northeast was \$284,800, which was 1.4 percent above June 2015.

In the Midwest, existing-home sales jumped 3.8 percent to an annual rate of 1.35 million in June, and were 4.7 percent above June 2015. The median price in the Midwest was \$199,900, up 5.7 percent from a year ago.

Existing-home sales in the South in June remained unchanged from May at an annual rate of 2.26 million, and were 3.2 percent above June 2015. The median price in the South was \$217,400, up 5.5 percent from a year ago.

Existing-home sales in the West rose 1.7 percent to an annual rate of 1.20 million in June, but were still 0.8 percent below a year ago. The median price in the

West was \$350,800, which was 7.2 percent above June 2015.

New Residential Sales

Sales of new single-family houses in June 2016 were at a seasonally adjusted annual rate of 592,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 3.5 percent above the revised May rate of 572,000 and was 25.4 percent above the June 2015 estimate of 472,000.

The median sales price of new houses sold in June 2016 was \$306,700; the average sales price was \$358,200. The seasonally adjusted estimate of new houses for sale at the end of June was 244,000. This represents a supply of 4.9 months at the current sales rate.

Comparing June 2016 sales to June 2015, sales of new houses were up 30.8 percent in the Northeast, 44.1 percent in the Midwest, 21.1 percent in the South and 24.6 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 June were at a seasonally adjusted annual rate of 1,189,000. This was 4.8 percent above the revised May estimate of 1,135,000, but was 2.0 percent below the June 2015 rate of 1,213,000.

Single-family housing starts in June were at a rate of 778,000; this was 4.4 percent above the revised May figure of 745,000. The June starts were up over June 2015 13.4 percent overall with single-family starts up 74.4 percent in the Northeast, 20.4 percent in the Midwest, 7.2 percent in the South and 7.7 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for June, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$457.0 billion, an increase of 0.6 percent from the previous month, and 2.7 percent above June 2015. Total sales for the April 2016 through June 2016 period were up 2.6 percent from the same period a year ago. The April 2016 to May 2016 percent change was revised from up 0.5 percent to up 0.2 percent.

Retail trade sales were up 0.7 percent from May 2016, and up 2.4 percent from last year. Nonstore retailers were up 14.2 percent from June 2015, while Health and Personal Care Stores were up 8.4 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were up 0.5 percent from May and up 2.7 percent over June 2015. Year-to-date, sales at these stores were up 3.9 percent.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in June 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.

For the second consecutive month, increases in the indexes for energy and all items less food and energy more than offset a decline in the food index to result in the seasonally adjusted all items increase. The food index fell 0.1 percent, with the food at home index declining 0.3 percent. The energy index rose 1.3 percent, due mainly to a 3.3 percent increase in the gasoline index; the indexes for natural gas and electricity declined.

The index for all items less food and energy increased 0.2 percent in June. The shelter index rose 0.3 percent, and a broad array of indexes also increased, including medical care, education, airline fares, motor vehicle insurance, and recreation. In contrast, the indexes for used cars and trucks, apparel, communication, and household furnishings and operations all declined in June.

The all items index rose 1.0 percent for the 12 months ending June. This is the same increase as for the 12 months ending May, but smaller than the 1.7 percent average annual increase over the past 10 years.

Employment

Total nonfarm payroll employment increased by 287,000 in June, and the unemployment rate rose to 4.9 percent, according to the report from the U.S. Bureau of Labor Statistics. Job growth occurred in leisure and hospitality, health care and social assistance, and financial activities. Employment also increased in information, mostly reflecting the return of workers from a strike.

The unemployment rate increased by 0.2 percentage point to 4.9 percent in June, and the number of unemployed persons increased by 347,000 to 7.8 million. These increases largely offset declines in May and brought both measures back in line with levels that had prevailed from August 2015 to April.

The number of persons unemployed less than 5 weeks increased by 211,000 in June, following a decrease in the prior month. At 2.0 million, the number of long-term unemployed (those jobless for 27 weeks or more) changed little in June and accounted for 25.8 percent of the unemployed.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in June decreased \$9.3 billion or 4.0 percent to \$219.8 billion, according to the report from the U.S. Census Bureau. This decrease, down following two consecutive months, followed a 2.8 percent May increase. Excluding transportation, new orders decreased 0.5 percent. Excluding defense, new orders decreased 3.9 percent.

Transportation equipment, also down two consecutive months, led the decrease, \$8.5 billion or 10.5 percent.

Shipments of manufactured durable goods in June, up two of the last three months, increased \$0.9 billion or 0.4 percent to \$232.5 billion. This followed a 0.3 percent May decrease.

Transportation equipment, also up two of the last three months, drove the increase, \$1.1 billion or 1.4 percent.

According to the final report, new orders for furniture and related products increased 4.8 percent in May 2016 over May 2015 and were up 7.5 percent year-to-date. Shipments were up 4.5 percent for the month and up 6.6 percent year-to-date. Obviously, this category includes a lot more than residential furniture.

**Executive Summary**

According to our latest survey of residential furniture manufacturers and distributors, new orders in May 2016 recovered slightly from three consecutive months of declines, with orders increasing 2 percent. The three declines had been 1 percent in February, 2 percent in March and 3 percent in April, so the reversal was good news.

The reversal was definitely not across the board as only about half of the participants reported increased orders over May of 2015. The good news was that, for April, some 69 percent of the participants reported declining orders, so the improvement to half was good.

Year-to-date, after the May gain, new orders through the five months were about even with last year. Yet some 61 percent of the participants reported lower orders year-to-date.

Both the monthly and year-to-date results showed wide ranges of increases and decreases.

Shipments were down 1 percent from May 2015 after a 3 percent decline in April. In May, shipments were down for some 58 percent of the participants. The declines in April and May were likely the result of shipments in the earlier months exceeding orders so sooner or later that would have to catch up.

Backlogs were 2 percent higher than April with orders exceeding shipments but were down 6 percent from May 2015. The decline in backlogs resulted from shipments year-to-date exceeding new orders.

Receivables continued in good shape at 5 percent below May 2015 in spite of shipments being flat. Inventories were 3

percent higher than May 2015 and were down 2 percent from April levels. Inventories have continued to decline over the last several months moving closer to current business conditions. We were glad to see that decline.

Factory and warehouse number of employees was up 2 percent over last May yet payrolls were down 1 percent so the increase should not have had a major impact on profitability. Year-to-date, payrolls were up 2 percent over last year so payrolls may need some attention. Some of this increase may be the result of some pay raises as we know some have been given raises for the first time in a while.

National

Consumer Confidence according to the Conference Board was basically flat according to the July survey with consumers slightly more positive about current business and labor market conditions. Consumers' assessment of current conditions improved slightly while optimism regarding the short term outlook was slightly less favorable.

The Conference Board's Leading Economic Index for the U.S. increased 0.3 percent in June after a 2 percent decline in May and a 0.5 percent increase in April. Improvements in initial claims for unemployment insurance, building permits and financial indicators were the primary drivers.

Housing

Existing-home sales continued to move upward boosted by a greater show of first-time buyers, not seen in nearly four years. Only in the Northeast were existing-home sales down from May and that was only 1.3 percent. Those sales were still up 5.6 percent over June of 2015. Each of the

other regions were up nicely in spite of rising home prices.

New residential sales in June were up 3.5 percent above May and were up 25.4 percent over June of 2015. Sales of these houses were up in all four regions of the country.

Housing starts were up 4.8 percent over May but were 2 percent below June 2015. Single-family housing starts were up 13.4 percent over May 2015 and up nicely in all four regions.

The concern over housing is that the inventories are down with more demand, which has caused prices to rise. This may mean that the growth in this area could begin to slow in the near future.

Other National

Advanced estimates for retail sales in June showed a 0.6 percent increase over May and 2.7 percent above June 2015, up slightly from May's results of 2.5 percent. Sales at furniture and home furnishings stores were up 0.5 percent from May and up 2.7 percent over June 2015. Year-to-date, sales at these stores were up 3.9 percent down from 4.1 percent reported last month.

Inflation continues in check with the Consumer Price Index up 1 percent over past 12 months. And the employment increase in June of 287,000 was more good news.

The stock market continues to give us good news replacing the losses of the UK and the Euro, in spite of the Presidential connections and all those accusations thrown back and forth.

With all that said, from what we heard from manufacturers and distributors, June furniture sales were not that great for some. July has been a bit of a mixed bag with some saying late July has been pretty decent.

It has been so hot in many parts of the nation, it's amazing anyone is out shopping but we guess the furniture stores are cooler places to be. The Las Vegas Market is about to get started so at least many market goers will be a bit used to the heat.

We hope all of the industry can withstand the election and get back to good business soon.



Estimated Business Activity (Millions of Dollars)						
	2016			2015		
	May	April	5 Months	May	April	5 Months
New Orders	2,232	2,034	10,628	2,180	2,097	10,664
Shipments	2,199	2,069	10,771	2,215	2,136	10,744
Backlog (R)	1,976	1,946		2,101	2,140	

Key Monthly Indicators			
	May 2016 From April 2016 Percent Change	May 2016 From May 2015 Percent Change	5 Months 2016 Versus 5 Months 2015 Percent Change
New Orders	+10	+2	-
Shipments	+6	-1	-
Backlog	+2	-6	
Payrolls	-1	-1	+2
Employees	+1	+2	
Receivables	-	-5	
Inventories	-2	+3	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2015				
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	-
May	+2	-1	-6	+2