FURNITURE INSIGHTS®
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HIGHLIGHTS – EXECUTIVE SUMMARY

As we have continued to report, the results of our latest survey of residential are hard to do justice to comparisons. We suggest you see the results reported later in this issue in "Highlights – Monthly Results" for the previous year comparisons. That said, new orders were down 25% from January last year when they were down 12% after a 27% increase in January 2021. New orders compared to last year were down for some 77% of the participants. This decline was pretty much in line with the conversations we have had lately with industry people. There has been some flattening and even slight increases reported late this quarter so we will see when those results are in.

Shipments were down 4% from December and 3% from last year as shipment comparisons continue to be difficult due to so many issues related to the consistency of imports, as well as continued issues with shortages of workers for domestic producers. The shipment results were about even for gains and losses compared to last year. Backlogs continued to fall, down 40% from last year January. While still high compared to 2019 levels, some of that increase is reflective of significant price increases that were put in over the last couple of years, that have yet to be shipped.

Receivable levels seem in line for the most part, though we think these will need to be watched closely as business at retail has slowed. This can cause some cashflow issues for those folks to be able to keep as current as they were able to do when business was really good.

Inventory levels continue to decline, down 5% from December and up only 20% from last year, down from 40 to 50% increases shown in some prior months.

EXECUTIVE SUMMARY, CONT.

National

Consumer Confidence

The Conference Board Consumer Confidence Index increased slightly in March to 104.2 from 103.4. The Present Situation Index decreased slightly but was offset by an increase in Expectations Index, up to 73.0, which is still under the magic number of 80.0 as it has been in 12 of the last 13 months. A score of below 80 is the measure for which recession is expected in the next year.

"While consumers feel a bit more confident about what's ahead, they are slightly less optimistic about the current landscape. The share of consumers saying jobs are 'plentiful' fell, while the share of those saying jobs are not so 'plentiful' rose. The latest results also reveal that their expectations of inflation over the next 12 months remain elevated—at 6.3%. Overall purchasing plans for appliances continued to soften while automobile purchases saw a slight increase."

Housing

Existing-home sales reversed a 12-month slide in February, registering the largest monthly percentage increase since July 2020. Month-over-month sales rose in all four major U.S. regions. All regions continued to post year-over-year declines.

Total existing-home sales increased 14.5% from January to February. Year-over-year, sales fell 22.6%.

Single-family home sales were up 15.3% but down 21.4% from the previous year. The median existing single-family home price was $367,500 in February, down 0.7% from February 2022.

Sales of new single-family houses in February 2023 were 1.1% above the revised January rate but were 19.0% below the February 2022 and were down in all regions. Privately-owned housing completions in February were 12.2% above the revised January estimate and 12.8% above February 2022 rate. Single-family housing completions in February were 1.0% above the revised January rate.

Other

Advance estimates of U.S. retail and food services sales for February 2023, were down 0.4% from the previous month, but up 5.4% above February 2022. Total sales for the December 2022 through February 2023 period were up 6.4% from the same period a year ago.

Retail trade sales were down 0.1% from January 2023, but up 4.0% above last year. Food services and drinking places were up 15.3% from February 2022, while general merchandise stores were up 10.5% from last year.

Sales at furniture and home furnishings stores were just slightly ahead in February 2023 versus February 2022 and were up 3.5% over last year, year to date.

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% in February on a seasonally adjusted basis, after increasing 0.5% in January. Over the last 12 months, the all-items index increased 6.0%.

The index for shelter was the largest contributor to the monthly all-items increase, accounting for over 70% of the increase, with the indexes for food, recreation, and household furnishings and operations also contributing.

The Conference Board Leading Economic Index® (LEI) for the U.S. fell again by 0.3% in February 2023 after also declining by 0.3% in January. The LEI is down 3.6% over the six-month period between August 2022 and February 2023.

EXECUTIVE SUMMARY, CONT.

Thoughts

We have had several conversations with executives over the last month trying to stay somewhat current with what is going on daily with business. Obviously, the actual results and resulting opinions changes from day to day. As we have noted before, the old days of worrying about orders on a monthly or even weekly basis have changed to results almost on an hourly basis. But the overall answer we are getting is that business is "slow" no matter the comparisons. With backlogs coming down and deliveries getting back to more normal times, we think this may help business at retail when customers will not have to consider how long the wait may be before getting product delivered.

We will not go into trying to make complete sense of the business comparisons as we have put comparisons in both parts of this report. This is really for individual companies to determine how they stack up with their own business. Needless to say, it does make it difficult for companies and their stockholders and bankers, and others to make sense of the comparisons.

Looking outside the industry, there are so many things being reported, it makes it hard to determine how things really are. Recession now, or not, or one coming or how harsh, is all up for grabs. So much negative news makes it hard to feel really great about where we are heading. Heck, we don't even have any number-one seeds left in the NCAA tournament (ok, maybe that isn't all bad for some like FAU fans).

We understand that Premarket was slightly above expectations for most and accomplished what most expect, like tweaking products, or as some told us, at least it makes us much more ready for market when it really happens. We hope Springtime will be here in High Point when you come and we can return to a market that might be a little closer to normal than the last few.

EXECUTIVE SUMMARY, CONT.

National, cont.

Other, cont.

Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board said "Negative or flat contributions from eight of the index's ten components more than offset improving stock prices and a better-than-expected reading for residential building permits. While the rate of month-over-month declines in the LEI has moderated in recent months, the leading economic index still points to risk of recession in the US economy. The most recent financial turmoil in the US banking sector is not reflected in the LEI data but could have a negative impact on the outlook if it persists. Overall, The Conference Board forecasts rising interest rates paired with declining consumer spending will most likely push the US economy into recession in the near term."

HIGHLIGHTS – MONTHLY RESULTS

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in January 2023 were up 5% from December 2022, but fell 25% from January 2022. That comparison is difficult though as more historical reference needs to be considered. In January 2020, before the start of the pandemic, new orders were up 2%, a reasonable increase to follow an 8% increase in January 2019. Then January 2021 orders were up 27% over January 2020. January 2022 orders followed with a decline of 12%. So, putting that all together and adding in price increases, it is difficult to compare what the results really mean.

Considering all of that, the results for January 2023 pretty much show what most described as a "slowing" of business for early part of 2023. Approximately 77% of our participants reported negative growth in orders compared to January 2022.

ESTIMATED BUSINESS ACTIVITY (MILLIONS)

	2023	2022
	JAN	DEC
New Orders	1,976	1,880
Shipments	2,403	2,478
Backlog	3,599	3,869

	2022	2021
	JAN	DEC
New Orders	2,651	2,718
Shipments	2,490	2,418
Backlog (R)	9,109	8,809

Shipments and Backlogs

Shipments in January 2023 were 4% below December 2022 and down 3% from January 2022. The results for shipments were not consistent as just over half the participants reported a decrease in shipments versus the prior year. Shipments comparisons have not fluctuated with orders due to so many issues with goods coming out of Asia as well as difficulties for domestic manufacturers in getting materials as well as shortages of labor in the U.S.

Backlogs fell 7% from December and were down 40% from January 2022. The decline in backlogs continued to try to get backlogs caught up with the large increase in orders in late 2020 and 2021, that with the issues above, caused backlogs to grow to unprecedented levels. Backlogs remain higher than 2019 levels, but much of the price increases of 20 to 30% we think are reflected in the dollar amount of backlogs reported.

Receivables and Inventories

Receivable levels fell 1% from December and were 8% below January 2022. Most of what we are seeing says that receivable levels remain in pretty good shape but will need to be watched as business at retail has slowed which will slow retailer abilities to stay as current as they were when good business required staying current in order to get product shipped.

Inventories fell 5% from December but were up 20% from January 2022. That result is much better than the 40 to 50% increases that have been reported for several months as inventories were increased to cover demand, as well as shortages of product and materials.

Factory and Warehouse Employees and Payroll

The number of factory employees was down a bit from December as well as last year. We imagine turnover has taken care of the need for fewer employees as business has slowed. Many domestic manufacturers still complain that they need more workers, but that does not seem to be across the board.

Payrolls were up 5% from last year, reflecting higher wages as discussed before, offset somewhat by the lower number of employees.

MONTHLY RESULTS – MARCH 2023

KEY MONTHLY INDICATORS (PERCENT CHANGE)	January 2023 From December 2022	January 2023 From January 2022
New Orders	+5	-25
Shipments	-4	-3
Backlog	-7	-40
Payrolls	–	+5
Employees	-2	-4
Receivables	-1	-8
Inventories	-5	+20

PERCENT INCREASE/DECREASE COMPARED TO PRIOR YEAR	New Orders	Shipments	Backlog	Employment
2022				
January	-12	-3	+43	+24
February	-20	–	+35	+4
March	-26	+19	+20	+4
April	-20	+13	+9	+5
May	-41	+10	-4	+3
June	-39	+10	-17	+2
July	-37	-6	-25	+1
August	-34	+9	-35	+1
September	-26	+5	-40	–
October	-30	+2	-47	-1
November	-35	+1	-52	-2
December	-31	+3	-43	-2
2023				
January	-25	-3	-40	-4

A DEEPER DIVE – NATIONAL

Consumer Confidence

The Conference Board *Consumer Confidence Index®* increased slightly in March to 104.2 (1985=100), up from 103.4 in February. The *Present Situation Index*—based on consumers' assessment of current business and labor market conditions—decreased to 151.1 (1985=100) from 153.0 last month. The *Expectations Index*—based on consumers' short-term outlook for income, business, and labor market conditions—ticked up to 73.0 (1985=100) from 70.4 in February (a slight upward revision).

However, for 12 of the last 13 months—since February 2022—the Expectations Index has been below 80, the level which often signals a recession within the next year. The cutoff date for the survey was March 20th, about ten days after the bank failures in the United States.

"Driven by an uptick in expectations, consumer confidence improved somewhat in March, but remains below the average level seen in 2022 (104.5). The gain reflects an improved outlook for consumers under 55 years of age and for households earning $50,000 and over," said Ataman Ozyildirim, Senior Director, Economics at The Conference Board.

"While consumers feel a bit more confident about what's ahead, they are slightly less optimistic about the current landscape. The share of consumers saying jobs are 'plentiful' fell, while the share of those saying jobs are not so plentiful' rose. The latest results also reveal that their expectations of inflation over the next 12 months remains elevated—at 6.3%. Overall purchasing plans for appliances continued to soften while automobile purchases saw a slight increase."

In a special question this month, the *Consumer Confidence Survey®* asked about consumers' spending plans on services over the next six months.

The results reveal that consumers plan to spend *less* on highly discretionary categories such as playing the lottery, visiting amusement parks, going to the movies, personal lodging, and dining.

However, they say they will spend *more* on less discretionary categories such as health care, home or auto maintenance and repair, and economical entertainment options such as streaming. Spending on personal care, pet care, and financial services such as tax preparation is also likely to be maintained.

Present Situation

Consumers' assessment of current business conditions worsened in March.

- 18.4% of consumers said business conditions were "good," up slightly from 18.0%.
- However, 19.3% said business conditions were "bad," up from 17.4%.

Consumers' appraisal of the labor market was less favorable.

- 49.1% of consumers said jobs were "plentiful," down from 51.2%.
- 10.3% of consumers said jobs were "hard to get," about the same as last month.

Expectations Six Months Hence

Consumers became slightly less pessimistic about the short-term business conditions outlook in March.

- 15.5% of consumers expect business conditions to improve, up from 14.6%.
- 18.5% expect business conditions to worsen, down from 21.6%.

Consumers' assessment about the short-term labor market outlook was slightly more positive.

- 15.0% of consumers expect more jobs to be available, up from 14.5%.
- 19.9% anticipate fewer jobs, down from 21.2%.

Consumers' short-term income prospects was, on balance, less upbeat.

- 14.9% of consumers expect their incomes to increase, up from 14.4% last month.
- On the contrary, 13.6% expect their incomes will decrease, up from 11.6% last month.

NATIONAL UPDATE

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. fell again by 0.3% in February 2023 to 110.0 (2016=100), after also declining by 0.3% in January. The LEI is down 3.6% over the six-month period between August 2022 and February 2023—a steeper rate of decline than its 3.0% contraction over the previous six months (February–August 2022).

"The LEI for the US fell again in February, marking its eleventh consecutive monthly decline," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "Negative or flat contributions from eight of the index's ten components more than offset improving stock prices and a better-than-expected reading for residential building permits. While the rate of month-over-month declines in the LEI have moderated in recent months, the leading economic index still points to risk of recession in the US economy. The most recent financial turmoil in the US banking sector is not reflected in the LEI data but could have a negative impact on the outlook if it persists. Overall, The Conference Board forecasts rising interest rates paired with declining consumer spending will most likely push the US economy into recession in the near term."

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.1% in February 2023 to 109.8 (2016=100), after an increase of 0.2% in January. The CEI is now up 0.6% over the six-month period between August 2022 and February 2023 are included among the data used to determine recessions in the US.

A DEEPER DIVE – HOUSING

Existing-Home Sales

Existing-home sales reversed a 12-month slide in February, registering the largest monthly percentage increase since July 2020, according to the National Association of REALTORS®. Month-over-month sales rose in all four major U.S. regions. All regions posted year-over-year declines.

Total existing-home sales, completed transactions that include single-family homes, townhomes, condominiums and co-ops – increased 14.5% from January to a seasonally adjusted annual rate of 4.58 million in February. Year-over-year, sales fell 22.6% (down from 5.92 million in February 2022).

Single-family home sales increased to a seasonally adjusted annual rate of 4.14 million in February, up 15.3% from 3.59 million in January but down 21.4% from the previous year. The median existing single-family home price was $367,500 in February, down 0.7% from February 2022.

Existing condominium and co-op sales were at a seasonally adjusted annual rate of 440,000 units in February, up from 410,000 in January but down 32.3% from one year ago. The median existing condo price was $321,000 in February, an annual increase of 2.5%.

According to Freddie Mac, the 30 year fixed rate mortgage averaged 6.60% as of March 16. That's down from 6.73% from the previous week but up from 4.16% one year ago.

"Conscious of changing mortgage rates, home buyers are taking advantage of any rate declines," said NAR Chief Economist Lawrence Yun. "Moreover, we're seeing stronger sales gains in areas where home prices are decreasing and the local economies are adding jobs."

Total housing inventory registered at the end of February was 980,000 units, identical to January and up 15.3% from one year ago (850,000). Unsold inventory was at a 2.6-month supply at the current sales pace, down 10.3% from January but up from 1.7 months in February 2022.

"Inventory levels are still at historic lows," Yun added. "Consequently, multiple offers are returning on a good number of properties."

The median existing-home price for all housing types in February was $363,000, a decline of 0.2% from February 2022 ($363,700), as prices climbed in the Midwest and South yet declined in the Northeast and West. This ends a streak of 131 consecutive months of year-over-year increases, the longest on record.

Properties typically remained on the market for 34 days in February, up from 33 days in January and 18 days in February 2022. Fifty-seven percent of homes sold in February were on the market for less than a month.

First-time buyers were responsible for 27% of sales in February, down from 31% in January and 29% in February 2022. NAR's 2022 Profile of Home Buyers and Sellers – released in November 2022 – found that the annual share of first-time buyers was 26%, the lowest since NAR began tracking the data.

A DEEPER DIVE – HOUSING, CONT.

Regional

Existing-home sales in the Northeast improved 4.0% from January to an annual rate of 520,000 in February, down 25.7% from February 2022. The median price in the Northeast was $366,100, down 4.5% from the previous year.

In the Midwest, existing-home sales grew 13.5% from the previous month to an annual rate of 1.09 million in February, declining 18.7% from one year ago. The median price in the Midwest was $261,200, up 5.0% from February 2022.

Existing-home sales in the South rebounded 15.9% in February from January to an annual rate of 2.11 million, a 21.3% decrease from the prior year. The median price in the South was $342,000, an increase of 2.7% from one year ago.

In the West, existing-home sales were up 19.4% in February from the prior month to an annual rate of 860,000, down 28.3% from the previous year. The median price in the West was $541,100, down 5.6% from February 2022.

New Residential Sales

Sales of new single-family houses in February 2023 were at a seasonally adjusted annual rate of 640,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 1.1% above the revised January rate of 633,000 but was 19.0% below the February 2022 estimate of 790,000.

Compared to February 2022, sales were down 55.3% in the Northeast, 20.2% in the Midwest, 8.8% in the South and 33.2% in the West.

The median sales price of new houses sold in February 2023 was $438,200. The average sales price was $498,700.

The seasonally adjusted estimate of new houses for sale at the end of February was 436,000. This represents a supply of 8.2 months at the current sales rate.

Housing Starts

Privately-owned housing starts in February were at a seasonally adjusted annual rate of 1,450,000. This was 9.8% above the revised January estimate of 1,321,000 but was 18.4% below the February 2022 rate of 1,777,000. Single-family housing starts in February were at a rate of 830,000; this was 1.1% above the revised January figure of 821,000.

Compared to February 2022, single-family starts were down 11.3% in the Northeast, 42.0% in the Midwest, 25.3% in the South and 45.1% in the West.

Housing Completions

Privately-owned housing completions in February were at a seasonally adjusted annual rate of 1,557,000. This was 12.2% above the revised January estimate of 1,388,000 and was 12.8% above the February 2022 rate of 1,380,000. Single-family housing completions in February were at a rate of 1,037,000; this was 1.0% above the revised January rate of 1,027,000.

A DEEPER DIVE – OTHER NATIONAL

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% in February on a seasonally adjusted basis, after increasing 0.5% in January, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all-items index increased 6.0% before seasonal adjustment.

The index for shelter was the largest contributor to the monthly all items increase, accounting for over 70% of the increase, with the indexes for food, recreation, and household furnishings and operations also contributing. The food index increased 0.4% over the month with the food at home index rising 0.3%. The energy index decreased 0.6% over the month as the natural gas and fuel oil indexes both declined.

The index for all items less food and energy rose 0.5% in February, after rising 0.4% in January. Categories which increased in February include shelter, recreation, household furnishings and operations, and airline fares. The index for used cars and trucks and the index for medical care were among those that decreased over the month.

The all-items index increased 6.0% for the 12 months ending February; this was the smallest 12-month increase since the period ending September 2021. The all items less food and energy index rose 5.5% over the last 12 months, its smallest 12-month increase since December 2021. The energy index increased 5.2% for the 12 months ending February, and the food index increased 9.5% over the last year.

Retail Sales

Advance estimates of U.S. retail and food services sales for February 2023, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $697.9 billion, down 0.4% from the previous month, but up 5.4% above February 2022. Total sales for the December 2022 through February 2023 period were up 6.4% from the same period a year ago.

Retail trade sales were down 0.1% from January 2023, but up 4.0% above last year. Food services and drinking places were up 15.3% from February 2022, while general merchandise stores were up 10.5% from last year.

Sales and furniture home furnishings stores were just slightly ahead in February 2023 than February 2022 but were up 3.5% over last year, year to date.

Employment

Total nonfarm payroll employment rose by 311,000 in February, and the unemployment rate edged up to 3.6%, the U.S. Bureau of Labor Statistics reported. Notable job gains occurred in leisure and hospitality, retail trade, government, and health care. Employment declined in information and in transportation and warehousing.

Both the unemployment rate, at 3.6%, and the number of unemployed persons, at 5.9 million, edged up in February. These measures have shown little net movement since early 2022.

Durable Goods Orders and Factory Shipments

According to the advance reports, new orders for manufactured durable goods in February, down three of the last four months, decreased $2.6 billion or 1.0% to $268.4 billion, the U.S. Census Bureau announced. This followed a 5.0% January decrease. Excluding transportation, new orders were virtually unchanged. Excluding defense, new orders decreased 0.5%. Transportation equipment, also down three of the last four months, drove the decrease, $2.6 billion or 2.8% to $89.4 billion.

According to the final report, shipments of furniture and related products were up 5.2% in January over January 2022. New orders were up 7.0% over the same period a year ago.