

# Furniture Insights®

## Monthly Results

### New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in December 2014 were 15 percent higher than December 2013 orders. In 2013, new orders were 5 percent ahead of December 2012, so the 15 percent increase appears to be a pretty strong increase. New orders were up for some 76 percent of our participants, just slightly higher than last month. As in last month, it was one of the highest percentages we have seen in a long time.

For the year 2014, new orders were up 7 percent (actually 6.5 percent rounded to 7 percent). This compared to a 6 percent increase reported for the 2013 to 2012 comparison. Some 74 percent of the participants reported increased orders for the year. Many of those that reported declines were in the minus 1 to 10 percent range.

### Shipments and Backlogs

Shipments in December 2014 were 6 percent higher than December 2013 and about flat with November. Shipments in December were up for some 74 percent of our participants, up from 61 percent in November and 70 percent in October. In December 2013, shipments were 4 percent higher than December 2012.

For the year, shipments were up 6 percent over 2013, when they were 5 percent higher than 2012. Shipments for the year were up for 74 percent of the participants. Several of the participants were in the minus 1 to 10 percent range.



Backlogs fell slightly (1 percent) from November but were 17 percent higher than December, up from an 8 percent increase noted last month. The increase over last December was a result of a lower order month in December 2013 with much higher orders this December yet shipments did not increase as much.

## Furniture Insights®

A Monthly Newsletter

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### **Receivables and Inventories**

Receivable levels were up 2 percent over December 2013, which compared very favorably to the shipment increase of 6 percent. Receivable levels actually declined 4 percent from November when shipments were flat month to month.

Inventories were up 7 percent over last December, up from a 5 percent increase reported last month. The 7 percent increase is in line with the 7 percent increase in orders and 6 percent increase in shipments.

### **Factory and Warehouse Employees and Payrolls**

Factory and warehouse payrolls were up 4 percent over December 2013 and up 4 percent from November. These payrolls were also up 4 percent for the year which appears to be in line with current business conditions.

The number of factory and warehouse employees was up 2 percent over December 2013 and up 1 percent over November 2014.

## **National**

### **Consumer Confidence**

The Conference Board *Consumer Confidence Index*<sup>®</sup>, which had increased in January, declined in February. The Index now stands at 96.4 (1985=100), down from 103.8 in January. The Present Situation Index decreased to 110.2 from 113.9, while the Expectations Index declined to 87.2 from 97.0 in January.

According to Lynn Franco, Director of Economic Indicators at The Conference Board: "After a large gain in January, consumer confidence retreated in February, but still remains at pre-recession levels (September 2007, Index, 99.5). Consumers' assessment of current conditions remained positive, but short-

term expectations declined. While the number of consumers expecting conditions to deteriorate was virtually unchanged, fewer consumers expect conditions to improve, prompting a less upbeat outlook. Despite this month's decline, consumers remain confident that the economy will continue to expand at the current pace in the months ahead."

Consumers' appraisal of current conditions was moderately less favorable in February than in January. Those saying business conditions are "good" decreased from 28.2 percent to 26.0 percent, however those claiming business conditions are "bad" decreased from 17.3 percent to 17.0 percent. Consumers were also somewhat less positive in their assessment of the job market, with the proportion stating jobs are "plentiful" decreasing slightly from 20.7 percent to 20.5 percent, and those claiming jobs are "hard to get" increasing from 24.6 percent to 26.2 percent.

Consumers' optimism about the short-term outlook was considerably less positive in February. Those expecting business conditions to improve over the next six months decreased from 18.9 percent to 16.1 percent, while those expecting business conditions to worsen increased from 8.2 percent to 8.7 percent.

Consumers' outlook for the labor market was also more optimistic. Those anticipating more jobs in the months ahead decreased from 17.3 percent to 13.4 percent. However, those anticipating fewer jobs declined from 14.8 percent to 14.3 percent. The proportion of consumers expecting growth in their incomes declined from 19.5 percent to 15.1 percent. The proportion expecting a decrease rose from 10.8 percent to 12.0 percent.

### **Leading Economic Indicators**

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.2 percent in January to 121.1 (2010 = 100), following a 0.4 percent increase in December, and a 0.3 percent increase in November.

“The U.S. Leading Economic Index increased again in January, but its pace of growth has moderated in recent months,” said Ataman Ozyildirim, Economist at The Conference Board. “While the LEI suggests a positive short-term outlook in 2015, the lack of strong momentum in residential construction, along with a weak outlook for new orders in manufacturing, poses a downside risk for the U.S. economy.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in January to 111.6 (2010 = 100), following a 0.2 percent increase in December, and a 0.5 percent increase in November.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in January to 115.3 (2010 = 100), following a 0.3 percent increase in December, and a 0.3 percent increase in November.

### **Housing**

#### **Existing-Home Sales**

Existing-home sales declined in January to their lowest rate in nine months, but the pace was higher than a year ago for the fourth straight month, according to the National Association of Realtors® (NAR). All major regions experienced declines in January, with the Northeast and West seeing the largest.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums

and co-ops, fell 4.9 percent to a seasonally adjusted annual rate of 4.82 million in January (lowest since last April at 4.75 million) from an upwardly-revised 5.07 million in December. Despite January’s decline, sales are higher by 3.2 percent than a year ago.

Single-family homes sales dropped 5.1 percent to a seasonally adjusted annual rate of 4.27 million in January from 4.50 million in December, but are 3.9 percent above the 4.11 million pace a year ago. The median existing single-family home price was \$199,800 in January, up 6.3 percent from January 2014.

Lawrence Yun, NAR chief economist, said, “the housing market got off to a somewhat disappointing start to begin the year with January closings down throughout the country. January housing data can be volatile because of seasonal influences, but low housing supply and the ongoing rise in home prices above the pace of inflation appeared to slow sales despite interest rates remaining near historic lows,” he said. “Realtors® are reporting that low rates are attracting potential buyers, but the lack of new and affordable listings is leading some to delay decisions.”

Total housing inventory at the end of January increased 0.5 percent to 1.87 million existing homes available for sale, but is 0.5 percent lower than a year ago (1.88 million). Unsold inventory is at a 4.7-month supply at the current sales pace – up from 4.4 months in December.

The median existing-home price for all housing types in January was \$199,600, which was 6.2 percent above January 2014. This marks the 35<sup>th</sup> consecutive month of year-over-year price gains.

“Although sales cooled in January, home prices continued solid year-over-year growth,” adds Yun. “The labor

market and economy are markedly improved compared to a year ago, which supports stronger buyer demand. The big test for housing will be the impact on affordability once rates rise.”

According to Freddie Mac, the average commitment rate for a 30-year, conventional, fixed-rate mortgage in January fell to 3.67 percent, its lowest level since May 2013 (3.54 percent), and down from 3.86 percent in December. The average annual rate was 4.17 percent in 2014. The percent share of first-time buyers declined to 28 percent in January, the lowest since June 2014 (also 28 percent) and down from 29 percent in December. First-time buyers represented 26 percent of sales last January.

### **Regional**

January existing-home sales in the Northeast fell 6.0 percent to an annual rate of 630,000, but were 3.3 percent above a year ago. The median price in the Northeast was \$247,800, which was 2.7 percent above a year ago.

In the Midwest, existing-home sales declined 2.7 percent to an annual level of 1.08 million in January, but were still 0.9 percent above January 2014. The median price in the Midwest was \$151,300, up 8.2 percent from a year ago.

Existing-home sales in the South decreased 4.6 percent to an annual rate of 2.07 million in January, but were still 5.6 percent above January 2014. The median price in the South was \$171,900, up 7.4 percent from a year ago.

Existing-home sales in the West dropped 7.1 percent to an annual rate of 1.04 million in January, but were still 1.0 percent above a year ago. The median price in the West was \$291,800, which was 7.2 percent above January 2014.

### **New Residential Sales**

Sales of new single-family houses in January 2015 were at a seasonally adjusted annual rate of 481,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 0.2 percent below the revised December rate of 482,000, but was 5.3 percent above the January 2014 estimate of 457,000.

The median sales price of new houses sold in January 2015 was \$294,300; the average sales price was \$348,300. The seasonally adjusted estimate of new houses for sale at the end of January was 218,000. This represents a supply of 5.4 months at the current sales rate.

Comparing January 2015 to January 2014, sales of new single-family homes were up 21.6 percent in the Midwest, 8.6 percent in the South and 5.0 percent in the West but were off 50.0 percent in the Northeast.

### **Housing Starts**

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in January were at a seasonally adjusted annual rate of 1,065,000. This was 2.0 percent below the revised December estimate of 1,087,000, but was 18.7 percent above the January 2014 rate of 897,000.

Single-family housing starts in January were at a rate of 678,000; this was 6.7 percent below the revised December figure of 727,000. Single-family starts in January compared to January 2014 were up 13.5 percent in the Northeast, 73.6 percent in the Midwest, 12.5 percent in the South and 5.3 percent in the West.

### **Retail Sales**

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for January, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$439.8 billion, a decrease of 0.8 percent from the previous month, but up 3.3 percent above January 2014. Total sales for the November 2014 through January 2015 period were up 3.8 percent from the same period a year ago.

Retail trade sales were down 1.0 percent from December 2014, but up 2.4 percent above last year. Food services and drinking places were up 11.3 percent from January 2014 and auto and other motor vehicle dealers were up 10.7 percent from last year. Gasoline stations were down 23.5 percent from the previous year.

Sales at furniture and home furnishings stores were up 5.5 percent over January 2014 on an adjusted basis and up 5.3 percent unadjusted.

### **Consumer Prices**

The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.7 percent in January 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 decreased 0.1 percent before seasonal adjustment.

The energy index fell 9.7 percent as the gasoline index fell 18.7 percent in January, the sharpest in a series of seven consecutive declines. The gasoline decrease was overwhelmingly the cause of the decline in the all items index, which would have risen 0.1 percent had the gasoline index been unchanged. The fuel oil index also fell sharply, and the index for natural gas turned down, although the electricity index rose. The food index was unchanged in January, with the food at

home index falling for the first time since May 2013.

The index for all items less food and energy rose 0.2 percent in January. The shelter index rose 0.3 percent, and the indexes for personal care, for apparel, and for recreation increased as well. The medical care index was unchanged, while an array of indexes declined in January, including those for household furnishings and operations, alcoholic beverages, new vehicles, used cars and trucks, airline fares, and tobacco.

The all items index declined 0.1 percent over the last 12 months, the first negative 12-month change since the period ending October 2009. The energy index fell 19.6 percent over the span, with the gasoline index down 35.4 percent. The food index rose 3.2 percent, and the index for all items less food and energy increased 1.6 percent.

### **Employment**

Total nonfarm payroll employment rose by 257,000 in January, and the unemployment rate was little changed at 5.7 percent, according to the report from the U.S. Bureau of Labor Statistics. Job gains occurred in retail trade, construction, health care, financial activities, and manufacturing.

The unemployment rate, at 5.7 percent, changed little in January and has shown no net change since October. The number of unemployed persons, at 9.0 million, was little changed in January.

In January, the number of long-term unemployed (those jobless for 27 weeks or more) was essentially unchanged at 2.8 million. These individuals accounted for 31.5 percent of the unemployed. Over the past 12 months, the number of long-term unemployed is down by 828,000.



### **Durable Goods Orders and Factory Shipments**

New orders for manufactured durable goods in January increased \$6.5 billion or 2.8 percent to \$236.1 billion, according to the U.S. Census Bureau. This increase, up following two consecutive monthly decreases, followed a 3.7 percent December decrease. Excluding transportation, new orders increased 0.3 percent. Excluding defense, new orders increased 3.0 percent.

Transportation equipment, also up following two consecutive monthly decreases, led the increase at 9.1 percent.

Shipments of manufactured durable goods in January, down three of the last four months, decreased 1.1 percent. This followed a 1.5 percent December increase.

Transportation equipment, down two of the last three months, led the decrease, 1.7 percent.

According to the full report, shipments of furniture and related products in December 2014 were up 8.8 percent with orders up 7.6 percent. For the year 2014, shipments were up 3.5 percent and orders were up 4.3 percent.

**Executive Summary**

Once again, the results of our recent survey of residential furniture manufacturers and distributors were very positive. New orders were up in December 2014 by 15 percent over December 2013. This brought orders up 7 percent for the year versus last year. Orders for the year were up over 2013 for 74 percent of our participants. This was one of the highest percentages of participants reporting increases in a long time.

Orders have been up 20 of the last 21 months. Last year, new orders were up 6 percent over 2012 so we are comparing to a pretty good year.

Shipments were up 6 percent over December 2013. For the year, shipments were also up 6 percent over 2013, when they were up 5 percent over 2012. Shipments were also up for 74 percent of the participants with a fair number of participants off less than 5 percent.

Backlogs were up 17 percent over December 2013, but with orders up 15 percent over December 2013 and shipments up only 6 percent, a large increase in backlogs would be expected.

Receivables, up only 2 percent, and inventories up 7 percent appear very much in line with current order and shipment levels. The number of factory and warehouse employees, up 2 percent, and total factory and warehouse payrolls, up 4 percent, also seem very much in line.

So overall, the results for 2014 were very positive – though we are sure not as positive as some would want. Some of the participants enjoyed nice double digit growth in orders and shipments.

On the national front, most of the results were also positive though some not quite as positive as some previous reports. Housing remained positive, even with existing home sales off a bit, they still exceeded last year's January total. New single-family sales were also up over last year in all regions except the Northeast. Housing starts were off slightly from December but were 18 percent above January 2014 and were up in all four regions of the country.

The economic indicators continue the positive trends though maybe not as robust as previous indications. While retail overall was down slightly for the month, they were up over 3 percent versus last year. Sales at furniture and home furnishings stores were up nicely at 5 plus percent.

Consumer confidence slid a little this month with the present situation index falling a bit as well as the expectations index. But the stock market remains strong, interest rates are great, inflation is not a problem, housing continues to improve, at least when looking at the big picture. While gasoline has jumped back up a bit, several months ago we would have all been thrilled with low \$2 gas.

Non furniture people constantly ask me how the industry is doing. My response has been, overall I think it is doing pretty good – maybe not great – but pretty darn good for some time now. Certainly not every category. Case goods in most sectors of bedroom and dining room continue to have issues. But we really need housing to be strong to help that category.

The big current concern for current business is the impact of all this bad weather the last few weeks will have. The Northeast has been hammered and even Texas and the South have had issues. Hopefully, all the folks stuck in, will build up a buying frenzy when the thaw comes.

Estimated Business Activity (Millions of Dollars)						
	2014			2013		
	December	November	12 Months	December	November	12 Months
New Orders	2,033	2,037	24,718	1,775	1,969	23,209
Shipments	2,094	2,028	24,440	1,985	2,003	23,165
Backlog	2,208	2,240		1,880	2,075	

Key Monthly Indicators			
	December 2014 From November 2014 Percent Change	December 2014 From December 2013 Percent Change	12 Months 2014 Versus 12 Months 2013 Percent Change
New Orders	-3	+15	+7
Shipments	-	+6	+6
Backlog	-1	+17	
Payrolls	+4	+4	+4
Employees	+1	+2	
Receivables	-4	+2	
Inventories	+2	+7	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
<b>2013</b>				
December	+5	+4	+14	+4
<b>2014</b>				
January	+2	+3	+15	+5
February	-2	-2	+14	+5
March	+9	+10	+14	+5
April	+13	+12	+13	+5
May	+3	+5	+13	+5
June	+5	+4	+10	+6
July	+4	+11	+5	+6
August	+5	+6	+3	+4
September	+8	+6	+3	+2
October	+12	+7	+9	+1
November	+3	+1	+8	+2
December	+15	+6	+17	+2