

Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in November 2014 were 3 percent higher than November 2013. November 2013 new orders were up 10 percent over November 2012 so the 3 percent compares to a good month last year. New orders were up for some 75 percent of our participants, one of the highest percentages we have had for a long time.

Year-to-date, new orders remained 6 percent ahead of 2013. New orders year-to-date were up for 71 percent of the participants, about the same as the last two months. We have now reported positive order percentages for nine consecutive months and 19 of the last 20 months.

Shipments and Backlogs

Shipments in November 2014 were 1 percent higher than November 2013. Shipments in November 2013 were 10 percent higher than November 2012 so the 1 percent increase was still very positive. Shipments were up for approximately 61 percent of the participants, down from 70 percent reported last month.

Year-to-date, shipments remained 6 percent ahead of the first 11 months of 2013. Shipments were up 6 percent year-to-date for the 2013 to 2012 comparison. Year-to-date, shipments were up for approximately 74 percent of the participants up from 68 percent reporting the last two months.



Backlogs were up 2 percent over October. November backlogs were 8 percent higher than November 2013. This was down from a 9 percent increase reported last month.

Furniture Insights®

A Monthly Newsletter

Smith Leonard PLLC

Kenneth D. Smith, CPA

4035 Premier Drive, Suite 300
High Point, North Carolina 27265
Telephone (336) 883-0181 | facsimile: (336) 841-8764
E-Mail: ksmith@smithleonardcpas.com

Material discussed is meant to provide general information and should not be acted on without obtaining professional advice appropriately tailored to your individual needs. Furniture Insights® is a registered trademark of Smith Leonard PLLC.

Receivables and Inventories

Receivables were 3 percent higher than November 2013 and up 4 percent over October. Receivable levels continue to be very much in line with shipment results.

Inventories were up 5 percent over last November and even with October 2014. The 5 percent increase compares to a 6 percent increase reported last month. Overall, these levels seem to be consistent with current business levels.

Factory and Warehouse Employees and Payrolls

Factory and warehouse payrolls in November 2014 were even with payrolls reported in November 2013 but down 4 percent from October. Payrolls in November 2013 were 15 percent higher than November 2012. Payrolls actually fell 4 percent from October, likely due to fewer working days in November.

The number of factory and warehouse employees was up 2 percent from November 2013, up from a 1 percent increase reported last month. November employees were even with October 2014.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had increased in December, rose sharply in January. The Index now stands at 102.9 (1985=100), up from 93.1 in December. The Present Situation Index rose to 112.6 from 99.9, while the Expectations Index increased to 96.4 from 88.5 in December.

Lynn Franco, Director of Economic Indicators at The Conference Board said: "Consumer confidence rose sharply in January, and is now at its highest level since August 2007 (Index, 105.6). A more positive assessment of current business

and labor market conditions contributed to the improvement in consumers' view of the present situation. Consumers also expressed a considerably higher degree of optimism regarding the short-term outlook for the economy and labor market, as well as their earnings."

Consumers' assessment of present-day conditions was considerably more favorable in January than in December. Those saying business conditions are "good" increased from 24.7 percent to 28.1 percent, while those claiming business conditions are "bad" decreased from 18.9 percent to 16.8 percent. Consumers were also much more positive in their assessment of the job market. Those stating jobs are "plentiful" increased from 17.2 percent to 20.5 percent. Those claiming jobs are "hard to get" decreased from 27.3 percent to 25.7 percent.

Consumers' optimism about the short-term outlook improved in January. The percentage of consumers expecting business conditions to improve over the next six months rose from 17.8 percent to 18.4 percent, while those expecting business conditions to worsen declined from 9.9 percent to 7.7 percent.

Consumers' outlook for the labor market was also more optimistic. Those anticipating more jobs in the months ahead increased from 14.6 percent to 16.7 percent, while those anticipating fewer jobs declined from 16.5 percent to 15.0 percent. The proportion of consumers expecting growth in their incomes improved from 16.2 percent to 20.0 percent. However, the proportion expecting a decrease increased marginally, from 10.2 percent to 11.3 percent.

Gross Domestic Product (GDP)

Real gross domestic product – the value of the production of goods and services in the United States, adjusted for price changes – increased at an annual rate of 2.6 percent in the fourth quarter of 2014, according to the “advance” estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 5.0 percent.

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

The deceleration in real GDP growth in the fourth quarter primarily reflected an upturn in imports, a downturn in federal government spending, and decelerations in nonresidential fixed investment and in exports that were partly offset by an upturn in private inventory investment and an acceleration in PCE.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.5 percent in December to 121.1 (2010 = 100), following a 0.4 percent increase in November, and a 0.6 percent increase in October. Note that the benchmarks were revised to 2010 = 100 versus 2004 = 100.

“December’s gain in the LEI was driven by a majority of its components, suggesting the short-term outlook is getting brighter and the economy continues to build momentum,” said Ataman Ozyildirim, Economist at The Conference Board. “Still, a lack of growth

in residential construction and average weekly hours in manufacturing remains a concern. Current economic conditions measured by the coincident indicators show employment and income gains are helping to keep the U.S. economy on a solid expansionary path despite some weakness in industrial production.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in December to 111.4 (2010 = 100), following a 0.5 percent increase in November, and a 0.3 percent increase in October.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in December to 115.0 (2010 = 100), following a 0.3 percent increase in November, and no change in October.

Housing

Existing-Home Sales

Despite low inventory conditions, existing-home sales bounced back in December and climbed above an annual pace of 5 million sales for the sixth time in seven months, according to the National Association of Realtors® (NAR). Median home prices for 2014 rose to their highest level since 2007.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, rose 2.4 percent to a seasonally adjusted annual rate of 5.04 million in December from a downwardly-revised 4.92 million in November. From a year ago, December sales were higher by 3.5 percent and are now above year-over-year levels for the third straight month.

For all of 2014, there were 4.93 million sales, a 3.1 percent decline from 2013 (5.09 million). The national median

existing-home price was \$208,500, the highest since 2007 (\$219,000) and a 5.8 percent increase from 2013 (\$197,100).

Single-family homes sales increased 3.5 percent to a seasonally adjusted annual rate of 4.47 million in December from 4.32 million in November, and are 4.0 percent above the 4.30 million pace a year ago. The median existing single-family home price was \$210,200 in December, up 6.3 percent from December 2013.

Lawrence Yun, NAR chief economist, said, “sales picked up in December to close a 2014 that got off to a sluggish start but showed encouraging signs of activity the second half of the year. Home sales improved over the summer once inventory increased, prices moderated and economic growth accelerated. Sales were measurably better in the second half – up 8 percent compared to the first six months of the year.”

Total housing inventory at the end of December dropped 11.1 percent to 1.85 million existing homes available for sale, which represents a 4.4-month supply at the current sales pace – down from 5.1 months in November. Unsold inventory is now 0.5 percent lower than a year ago (1.86 million).

“A drop in housing supply in December raises some affordability concerns in the months ahead as minimal selection and the potential for faster price appreciation could offset the demand from buyers encouraged by a stronger economy and sub-4 percent interest rates,” says Yun. “Housing costs – both rents and home prices – continue to outpace wages and are burdensome for potential buyers trying to save for a down payment while looking for available homes in their price range.”

The median existing-home price for all housing types in December was \$209,500, which is 6.0 percent above December 2013. This marks the 34th consecutive month of year-over-year price gains.

The percent share of first-time buyers was 29 percent in December, down from 31 percent in November but up from a year ago (27 percent). First-time buyers in 2014 represented an average of 29 percent for the second straight year. A separate NAR survey released in late 2014 revealed that the annual share of first-time buyers fell to its lowest level in nearly three decades.

Regional

December existing-home sales in the Northeast declined 2.9 percent to an annual rate of 660,000, but were 3.1 percent above a year ago. The median price in the Northeast was \$246,600, which was 3.2 percent above a year ago.

In the Midwest, existing-home sales fell 3.5 percent to an annual level of 1.09 million in December, and were now 2.7 percent below December 2013. The median price in the Midwest was \$159,100, up 5.3 percent from a year ago.

Existing-home sales in the South climbed 3.8 percent to an annual rate of 2.17 million in December, and were 7.4 percent above December 2013. The median price in the South was \$184,100, up 6.6 percent from a year ago.

Existing-home sales in the West jumped 9.8 percent to an annual rate of 1.12 million in December, and were 2.8 percent above a year ago. The median price in the West was \$299,600, which was 5.6 percent above December 2013.

New Residential Sales

Sales of new single-family houses in December 2014 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 11.6 percent above the revised November rate of 431,000 and was 8.8 percent above the December 2013 estimate of 442,000.

The median sales price of new houses sold in December 2014 was \$298,100; the average sales price was \$377,800. The seasonally adjusted estimate of new houses for sale at the end of December was 219,000. This represents a supply of 5.5 months at the current sales rate.

An estimated 435,000 new homes were sold in 2014. This was 1.2 percent above the 2013 figure of 429,000. For the December comparison to last December, sales were up 72 percent in the Northeast, 0.8 percent in the South and 23.6 percent in the West, but were down 10 percent in the Midwest.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,089,000. This was 4.4 percent above the revised November estimate of 1,043,000 and was 5.3 percent above the December 2013 rate of 1,034,000.

Single-family housing starts in December were at a rate of 728,000; this was 7.2 percent above the revised November figure of 679,000. An estimated 1,005,800 housing units were started in 2014. This was 8.8 percent above the 2013 figure of 924,900. For the December to December monthly

comparison, starts were up 8.2 percent in the Northeast, 0.8 percent in the Midwest, 4.9 percent in the South and 21.6 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for December, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$442.9 billion, a decrease of 0.9 percent from the previous month, but up 3.2 percent above December 2013. Total sales for the 12 months of 2014 were up 4.0 percent from 2013. Total sales for the October through December 2014 period were up 4.1 percent from the same period a year ago.

Retail trade sales were down 1.1 percent from November 2014, but 2.6 percent above last year. Auto and other motor vehicle dealers were up 9.8 percent from December 2013 and food services and drinking places were up 8.2 percent from last year.

Sales at furniture and home furnishings stores in December were up 5.8 percent over December 2013 and up 3.0 percent for the year.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) declined 0.4 percent in December 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 increased 0.8 percent before seasonal adjustment.

The gasoline index continued to fall sharply, declining 9.4 percent and leading to the decrease in the seasonally adjusted all items index. The fuel oil index also fell sharply, and the energy index posted its

largest one-month decline since December 2008, although the indexes for natural gas and for electricity both increased. The food index, in contrast, rose 0.3 percent, its largest increase since September.

The index for all items less food and energy was unchanged in December, following a 0.2 percent increase in October and a 0.1 percent rise in November. This was only the second time since 2010 that it did not increase. The shelter index continued to rise, and the index for medical care posted its largest increase since August 2013. However, these increases were offset by declines in a broad array of indexes including apparel, airline fares, used cars and trucks, household furnishings and operations, and new vehicles.

The all items index increased 0.8 percent over the last 12 months. This is notably lower than the 1.3 percent change for the 12 months ending November. The energy index has declined 10.6 percent over the span. In contrast, the 3.4 percent increase in the food index is its largest 12-month increase since February 2012. The index for all items less food and energy has increased 1.6 percent over the last 12 months, its smallest 12-month change since the 12 months ending February 2014.

Employment

Total nonfarm payroll employment rose by 252,000 in December, and the unemployment rate declined to 5.6 percent, according to the report from the U.S. Bureau of Labor Statistics. Job gains occurred in professional and business services, construction, food services and drinking places, health care, and manufacturing.

The unemployment rate declined by 0.2 percentage point to 5.6 percent in

December, and the number of unemployed persons declined by 383,000 to 8.7 million. Over the year, the unemployment rate and the number of unemployed persons were down by 1.1 percentage points and 1.7 million, respectively.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in December decreased \$8.1 billion or 3.4 percent to \$230.5 billion, the U.S. Census Bureau reported. This decrease, down four of the last five months, followed a 2.1 percent November decrease. Excluding transportation, new orders decreased 0.8 percent. Excluding defense, new orders decreased 3.2 percent.

Transportation equipment, also down four of the last five months, led the decrease, \$6.8 billion or 9.2 percent to \$66.7 billion.

Shipments of manufactured durable goods in December, up following two consecutive monthly decreases, increased \$2.6 billion or 1.1 percent to \$246.8 billion. This followed a 0.7 percent November decrease.

Transportation equipment, up three of the last four months, led the increase, \$2.2 billion or 3.1 percent to \$74.5 billion.

According to this report, shipments of furniture and related products increased 3.1 percent over November 2013 and were up 3 percent year-to-date. Orders were up 2.8 percent over last December and up 4 percent year-to-date.



Executive Summary

The results of our recent survey of furniture manufacturers and distributors was positive again for the November 2014. New

orders were up 3 percent against November of 2013. The good news about the 3 percent increase is that it compares to a 10 percent increase reported last year when November 2013 were up against November 2012.

Year-to-date, new orders remained 6 percent ahead of the same period a year ago. November 2013 year-to-date orders were also 6 percent ahead of the same period in 2012. Also good news was that 75 percent of the participants reported increased orders for the month and 71 percent reported increases for the year-to-date.

We have now reported positive order percentages for nine consecutive months and 19 of the last 20.

Shipments were up 1 percent over November 2013, but that compared to November 2013 when shipments were up 10 percent over 2012. Shipments were up for 61 percent of the participants, down from 70 percent reported last month.

Backlogs were up 8 percent versus 9 percent reported last month. We have heard on the street that some backlogs are getting a bit high due to numerous factors.

Receivables, up 3 percent over last November and 4 percent over October were still very much in line with current shipment levels. Inventories up 5 percent over last year and flat compared to October are also in line with current business conditions.

Factory and warehouse payrolls were flat compared to last year but up 4 percent year-to-date. Again, this is very much in

line with current conditions. The number of factory and warehouse employees was up 2 percent over last year.

On the national scene, consumer confidence hit its highest mark since August of 2007 with both the present situation and expectation indexes improving rather substantially. Pretty much each of the factors that make up both indexes improved. The leading economic indicators also improved in December, but noted that the lack of growth in residential construction and average weekly hours in manufacturing remains a concern.

For the year, sales of existing homes declined slightly but most of that was affected by sluggish sales early in the year. Sales in December were positive compared to December 2013 in each of the four regions of the country.

New residential sales were also up over November and December a year ago. For the year, sales of new homes were up 1.2 percent over last year. Housing starts for the year were 8.8 percent above the 2013 starts.

Retail sales were up 3.2 percent over December 2013 and sales at furniture and home furnishings stores were up 5.8 percent over December 2013. For the year, sales at these stores were up 3.0 percent.

There were nice gains in the employment sector but not all new jobs are paying well as some older ones. Consumer prices get confused with the effect of gas and energy prices.

Overall, our conversations with those in the industry have been positive and our survey results seem to prove that. And based on the positive national news noted above, (especially consumer confidence) along with low interest rates and a good stock market, the furniture business should be good in most sectors. Notice, we

said good as most would not describe it as great.

On the horizon, there are concerns about the Feds increasing interest rates, but even if they do, the rates will still be historically low so hopefully the media will not make a huge deal out of it.

There is also concern that we are due a pullback in the markets, but most feel this will be just a correction and not a major event.

Now if we can avoid more weather like recently in New England, business should remain good throughout 2015.

Hopefully we have a good super bowl and deflate gate goes away soon.



Estimated Business Activity (Millions of Dollars)						
	2014			2013		
	November	October	11 Months	November	October	11 Months
New Orders	2,037	2,190	22,634	1,969	1,948	21,434
Shipments	2,028	2,019	22,345	2,003	1,880	21,180
Backlog (R)	2,240	2,207		2,075	2,100	

Key Monthly Indicators			
	November 2014 From October 2014 Percent Change	November 2014 From November 2013 Percent Change	11 Months 2014 Versus 11 Months 2013 Percent Change
New Orders	-6	+3	+6
Shipments	-	+1	+6
Backlog	+2	+8	
Payrolls	-4	-	+4
Employees	-	+2	
Receivables	+4	+3	
Inventories	-	+5	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2013				
November	+10	+10	+13	+3
December	+5	+4	+14	+4
2014				
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