

Furniture Insights®

Monthly Results

New Orders

New orders in January 2015 were 7 percent higher than January 2014 orders, according to our latest survey of residential furniture manufacturers and distributors. January 2014 orders were 2 percent higher than January 2013 orders. New orders in January were up for 70 percent of the participants, down slightly from last month, but still a good percentage.

While some participants were down, we saw some very nice double digit increases. With the way the import world goes, as well as some specials for some of the big box stores, orders in a given month can fluctuate significantly so it will be the end of the quarter before we can really get a clear picture.

Shipments and Backlogs

Shipments were up 10 percent over January 2014, where they were 3 percent higher than January 2013. Shipments were up for 63 percent of the participants, but down slightly from December.

Backlogs fell 1 percent from December but were still 16 percent higher than January 2014. Backlogs had fallen during late summer and early fall into the low single digit gains, but have slowly risen during late fall and early winter.

Receivables and Inventories

Receivable levels were flat with December and up only 4 percent over last year, in spite of the 10 percent increase in shipments. While the percentage change



in receivables has moved around quite a bit from month to month, overall it appears that they are in pretty good shape. This has also been the case we have seen with our work with clients.

Inventories were up 1 percent from December and up 5 percent over January 2014. This was down from a 7 percent increase reported last month. Considering the results for last year and the start of this year, we think inventories are also in good shape on an overall basis.

Furniture Insights®

A Monthly Newsletter

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Factory and Warehouse Employees and Payrolls

Factory and warehouse employees were up 1 percent over December 2014. There was a 3 percent increase over January 2014, up from 2 percent reported last month. Payrolls were also up 3 percent over last January.

With business conditions overall improving, these increases seem in line as well. Some of the increase in business is likely the result of direct containers, but we are also seeing hiring, especially in upholstery, as well as some in distribution as well.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had decreased in February, improved in March. The Index now stands at 101.3 (1985=100), up from 98.8 in February. The Expectations Index increased from 90.0 last month to 96.0 in March. The Present Situation Index, however, decreased from 112.1 in February to 109.1.

Lynn Franco, Director of Economic Indicators at The Conference Board, said: “Consumer confidence improved in March after retreating in February. This month’s increase was driven by an improved short-term outlook for both employment and income prospects; consumers were less upbeat about business conditions. Consumers’ assessment of current conditions declined for the second consecutive month, suggesting that growth may have softened in Q1, and doesn’t appear to be gaining any significant momentum heading into the spring months.”

Consumers’ assessment of present-day conditions turned moderately less

favorable for a second straight month. The percentage saying business conditions are “good” was unchanged at 26.7 percent, while those claiming business conditions are “bad” increased from 16.7 percent to 19.4 percent. Consumers were mixed in their assessment of the job market. The proportion stating jobs are “plentiful” edged up from 20.3 percent to 20.6 percent, while those claiming jobs are “hard to get” also edged up from 25.1 percent to 25.4 percent.

Consumers’ optimism about the short-term outlook, which had declined last month, rebounded in March. The percentage of consumers expecting business conditions to improve over the next six months decreased slightly, from 17.6 percent to 16.7 percent; however, those expecting business conditions to worsen also fell, from 8.9 percent to 8.0 percent.

University of Michigan Surveys of Consumers

According to the Surveys of Consumers University of Michigan, consumer optimism reached a ten-year peak of 95.5 in the 1st quarter of 2015—its highest level since the 3rd quarter of 2004. Although optimism has eased back slightly since the start of the year, January’s surge in confidence was largely due to falling gasoline prices and the small retreat since then was largely due to the unusually harsh winter. Most of the recent variation was among lower income households, whose budgets are more sensitive to higher utility costs and disruptions in work hours. Households with incomes in the middle and top thirds of the distribution, in contrast, recorded gains in confidence in the March survey. While consumer spending weakened in the 1st

quarter of 2015, it is still likely to post a gain of 3.3 percent for the year as a whole.

Surveys of Consumers chief economist, Richard Curtin said: “The harsh winter weather and the small rebound in gas prices caused some slippage in consumer confidence since the start of the year. Nonetheless, expanding job opportunities as well as more favorable wage gains have meant that consumer spending will strongly rebound during the balance of the year. The appeal of attractive pricing as a spending driving force has begun to fade, and has been increasingly replaced by more attractive credit conditions. The greater sensitivity of consumers to credit conditions will increase the power of the Fed’s actions, so that they can accomplish more with a smaller change than was true in the past.”

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.2 percent in February to 121.4 (2010 = 100), following a 0.2 percent increase in January, and a 0.4 percent increase in December.

“Widespread gains among the leading indicators continue to point to short-term growth,” said Ataman Ozyildirim, Economist at The Conference Board. “However, easing in the LEI’s six-month change suggests that we may be entering a period of more moderate expansion. With the February increase, the LEI remains in growth territory, but weakness in the industrial sector and business investment is holding economic growth back, despite improvements in labor markets and consumer confidence.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in February to 111.9 (2010 = 100), following a 0.2 percent

increase in January, and a 0.3 percent increase in December.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in February to 115.8 (2010 = 100), following a 0.3 percent increase in January, and a 0.2 percent increase in December.

Housing

Existing-Home Sales

Existing-home sales increased modestly in February, but constrained inventory levels pushed price growth to its fastest pace in a year, according to the National Association of Realtors® (NAR).

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, rose 1.2 percent to a seasonally adjusted annual rate of 4.88 million in February from 4.82 million in January. Sales are 4.7 percent higher than a year ago and above year-over-year totals for the fifth consecutive month.

Single-family homes sales increased 1.4 percent to a seasonally adjusted annual rate of 4.34 million in February from 4.28 million in January, and were 5.9 percent above the 4.10 million pace a year ago. The median existing single-family home price was \$204,200 in February, up 8.2 percent from February 2014.

Existing condominium and co-op sales were at a seasonally adjusted annual rate of 540,000 units in February, unchanged from January, but 3.6 below February 2014 (560,000 units). The median existing condo price was \$190,200 in February, which was 2.8 percent higher than a year ago.

The median existing-home price for all housing types in February was \$202,600, which was 7.5 percent above February

2014. This marks the 36th consecutive month of year-over-year price gains and the largest since last February (8.8 percent).

Lawrence Yun, NAR chief economist, says although February sales showed modest improvement, there's been some stagnation in the market in recent months. "Insufficient supply appears to be hampering prospective buyers in several areas of the country and is hiking prices to near unsuitable levels," he said. "Stronger price growth is a boon for homeowners looking to build additional equity, but it continues to be an obstacle for current buyers looking to close before rates rise."

Yun also noted, "Severe below-freezing winter weather likely had an impact on sales as more moderate activity was observed in the Northeast and Midwest compared to other regions of the country."

Total housing inventory at the end of February increased 1.6 percent to 1.89 million existing homes available for sale, but remains 0.5 percent below a year ago (1.90 million). For the second straight month, unsold inventory is at a 4.6-month supply at the current sales pace.

"With all indications pointing to a rate increase from the Federal Reserve this year – perhaps as early as this summer – affordability concerns could heighten as home prices and rents both continue to exceed wages," said Yun.

Regional

February existing-home sales in the Northeast dropped 6.5 percent to an annual rate of 580,000, but were 3.6 percent above a year ago. The median price in the Northeast was \$241,800, which was 3.3 percent above a year ago.

In the Midwest, existing-home sales were at an annual level of 1.08 million in

February, unchanged from January and 4.9 percent above February 2014. The median price in the Midwest was \$152,900, up 8.8 percent from a year ago.

Existing-home sales in the South increased 1.9 percent to an annual rate of 2.11 million in February, and were 6.0 percent above February 2014. The median price in the South was \$177,900, up 8.5 percent from a year ago.

Existing-home sales in the West climbed 5.7 percent to an annual rate of 1.11 million in February, and were 2.8 percent above a year ago. The median price in the West was \$290,100, which was 4.2 percent above February 2014.

New Residential Sales

Sales of new single-family houses in February 2015 were at a seasonally adjusted annual rate of 539,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 7.8 percent above the revised January rate of 500,000, and was 24.8 percent above the February 2014 estimate of 432,000.

The median sales price of new houses sold in February 2015 was \$275,500; the average sales price was \$341,000. The seasonally adjusted estimate of new houses for sale at the end of February was 210,000. This represents a supply of 4.7 months at the current sales rate.

New houses sold were up over February 2014 87.0 percent in the Northeast, 22 percent in the South and 34 percent in the West. Sales were down 3.6 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 February were at a seasonally adjusted annual rate of 897,000. This was 17.0 percent below the revised January estimate of 1,081,000 and was 3.3 percent below the February 2014 rate of 928,000.

Single-family housing starts in February were at a rate of 593,000; this was 14.9 percent below the revised January figure of 697,000. The February rate for units in buildings with five units or more was 297,000. Single-family starts in February compared to February 2014 were down 40.7 percent in the Northeast and 13.8 percent in the Midwest, but were up 4.7 percent in the South and up 10.4 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for February, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$437.0 billion, a decrease of 0.6 percent from the previous month, but up 1.7 percent above February 2014. Total sales for the December 2014 through February 2015 period were up 2.9 percent from the same period a year ago.

Retail trade sales were down 0.6 percent from January 2015, but up 1.0 percent above last year. Nonstore retailers were up 8.6 percent from February 2014 and food services and drinking places were up 7.7 percent from last year. Gasoline stations were down 23.0 percent from the previous year.

Sales at furniture and home furnishings stores were up 5.8 percent over February 2014 and were flat with January 2015. December through February sales at these stores were up 7.0 percent from the same period a year ago.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in February 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 was unchanged before seasonal adjustment.

The seasonally adjusted increase in the all items index was broad-based, with increases in shelter, energy, and food indexes all contributing. The energy index rose after a long series of declines, increasing 1.0 percent as the gasoline index turned up after falling in recent months. The food index, unchanged last month, also rose in February, though major grocery store food group indexes were mixed.

The index for all items less food and energy rose 0.2 percent in February, the same increase as in January. In addition to shelter, the indexes for used cars and trucks, apparel, new vehicles, tobacco, and airline fares were among those that increased. The medical care index was unchanged, while the personal care index declined.

The all items index was unchanged over the last 12 months, after showing a 0.1-percent decline for the 12 months ending January. Over the last 12 months the food index rose 3.0 percent and the index for all items less food and energy increased 1.7 percent. These increases were offset by an 18.8-percent decline in the energy index.

Employment

Total nonfarm payroll employment rose by 295,000 in February, and the unemployment rate edged down to 5.5 percent, according to the report from the U.S. Bureau of Labor Statistics. Job gains occurred in food services and drinking

places, professional and business services, construction, health care, and in transportation and warehousing. Employment in mining was down over the month.

Both the unemployment rate (5.5 percent) and the number of unemployed persons (8.7 million) edged down in February. Over the year, the unemployment rate and the number of unemployed persons were down by 1.2 percentage points and 1.7 million, respectively.

Transportation and warehousing added 19,000 jobs in February, with most of the gain occurring in couriers and messengers (+12,000). Employment in transportation and warehousing grew by an average of 14,000 per month over the prior 12 months.

Manufacturing employment continued to trend up in February (+8,000). Within the industry, petroleum and coal products lost 6,000 jobs, largely due to a strike.

Durable Goods Orders and Factory Shipments

According to the U.S. Census Bureau's advance report on durable goods manufacturers' shipments, inventories and orders for February 2015, new orders for manufactured durable goods in February decreased \$3.2 billion or 1.4 percent to \$231.3 billion. This decrease, down three of the last four months, followed a 2.0 percent January increase. Excluding transportation, new orders decreased 0.4 percent. Excluding defense, new orders decreased 1.0 percent.

Transportation equipment, also down three of the last four months, led the decrease, \$2.5 billion or 3.5 percent.

Shipments of manufactured durable goods in February, down four of the last five months, decreased \$0.5 billion or 0.2

percent. This followed a 1.4 percent January decrease.

Primary metals, down five consecutive months, led the decrease, \$0.3 billion or 1.1 percent.

According to the full report issued for January, shipments of furniture and related products were up 7.8 percent over January 2014 and orders were up 6.8 percent.



Executive Summary

The results of our recent survey of furniture manufacturers and distributors were positive again for January. New orders in January 2015 were up 7 percent over January 2014. Orders in January 2014 were 2 percent higher than January 2013. New orders were up for some 70 percent of the participants.

New orders have been positive compared to the previous year, 12 consecutive months and 22 of the last 23 months.

Shipments were up 10 percent over January 2014, when they were 3 percent higher than January 2013. Shipments were up for approximately 63 percent of the participants. Backlogs remained healthy, up 16 percent over January 2014, but were down 1 percent from December.

Receivables were up 4 percent over last year, in spite of the 10 percent increase in shipments. Inventories were up 1 percent over December and up 5 percent over January 2014. Overall, both receivables and inventory levels seem very reasonable considering current business conditions.

Factory and warehouse employees and payrolls continue very much in line with the number of employees up 3 percent over last year and payrolls were also 3 percent higher than last January. While lower increases than overall business, the import business does not fluctuate as much directly with sales as does the manufacturing process.

On the National front, most of the news remains good. Consumer confidence was mixed, depending on the report you read. The Conference Board's overall

index was up to 101.3 from 98.8, while the University of Michigan report was down slightly. Overall though, both reports were very positive. The Leading Economic Indicators increased again in February after increases in January and December. Housing markets continued to show improvement, with single-family home sales up 5.9 percent over February 2014.

New house sales were up substantially over both January 2015 and February 2014. Housing starts were down somewhat but that decline was driven by lower starts in the Northeast and Midwest, apparently due to weather.

Retail sales in February were off slightly from January but up 1.7 percent over February. Sales at furniture and home furnishings stores were up 5.8 percent over February 2014. While weather seemed bad this year, it seems that overall it was worse last year, which may have some impact on these numbers.

Though the stock market has been somewhat volatile, overall most of the things that make furniture move, have been positive. While not everyone is doing great, our surveys recently seem to show that the industry is moving along nicely.

The industry has seen substantial change in the last 20 years, but people are still buying furniture. We have said for years, it is not about selling all the furniture that is being sold, it's all about selling your share.

Let's hope business continues to be good as winter finally leaves us and we approach the High Point Market with good weather and good business.



Estimated Business Activity (Millions of Dollars)				
	January 2015	December 2014	January 2014	December 2013
New Orders	2,000	2,033	1,877	1,775
Shipments	2,033	2,094	1,848	1,985
Backlog	2,192	2,208	1,898	1,880

Key Monthly Indicators		
	January 2015 From December 2014 Percent Change	January 2015 From January 2014 Percent Change
New Orders	-3	+7
Shipments	-3	+10
Backlog	-1	+16
Payrolls	-	+3
Employees	+1	+3
Receivables	-	+4
Inventories	+1	+5

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
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
December	+15	+6	+17	+2
2015				
January	+7	+10	+16	+3