

# Furniture Insights®

## Monthly Results

### New Orders

New orders in March 2015 were 2 percent higher than March 2014 orders, according to our latest survey of residential furniture manufacturers and distributors. The March results continued the string of positive results. While not as high as the 8 percent increase we reported last month, the 2 percent increase was good since it compared to a 9 percent increase reported in March 2014 comparing to March 2013.

New orders were up for 57 percent of our participants similar to last month but down from 70 percent reporting increases in January.

Year-to-date, new orders were up 5 percent over the first quarter of 2014, down from a 7 percent increase reported last month. Last year's first quarter was 3 percent higher than the first quarter of 2013. New orders were up for 68 percent of the participants, the same percentage as we reported last month.

### Shipments and Backlogs

Shipments in March were up 4 percent over March 2014 and up 12 percent over February. The increase over February was less than normal since there are normally several more working days in March, but this year there were only 2 more working days, or 10 percent more due to calendar days.

Year-to-date, shipments were up 8 percent over last year down from 11 percent reported last month. Shipments, year-to-date, were up for 72 percent of our



participants, down slightly from 76 percent reporting increases last month.

Backlogs were up 9 percent over last year, down slightly from 11 percent reported last month. But overall, backlogs remained at pretty solid levels.

## Furniture Insights®

A Monthly Newsletter

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### **Receivables and Inventories**

Receivable levels were 6 percent higher than last year, very much in line with the 8 percent increase in year-to-date shipments, though a bit higher than the 4 percent increase in shipments for the month. Overall though, receivable levels continue to be in good shape.

Inventory levels fell 2 percent from February and were 6 percent higher than March 2014 levels. This was down from a 7 percent increase reported last month comparing February to February. As with receivables, inventory levels seem to be in line with current business conditions.

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

Factory and warehouse employees were 2 percent higher than March 2014, the same as reported last month when compared to the previous month of the prior year. The number was actually down 1 percent compared to February.

Factory and warehouse payrolls were up 6 percent compared to March 2014, the same percentage as we reported last month. Factory and warehouse payrolls were 13 percent higher than February, primarily due to more working days in March versus February.

Overall, factory and warehouse payrolls and the number of employees seem very much in line with business conditions. From a local perspective, the labor market in upholstery manufacturing is very tight with several training initiatives going on trying to bring back a generation who decided not to follow in Dad or Mom's footsteps.

### **National**

#### **Consumer Confidence**

The Conference Board *Consumer Confidence Index*<sup>®</sup>, which had declined in April, increased moderately in May. The Index now stands at 95.4 (1985=100), up from 94.3 in April. The Present Situation Index increased from 105.1 last month to 108.1 in May. The Expectations Index edged down to 86.9 from 87.1 in April.

"Consumer confidence improved modestly in May, after declining sharply in April," said Lynn Franco, Director of Economic Indicators at The Conference Board. "After a three-month slide, the Present Situation Index increased, propelled by a more positive assessment of the labor market. Expectations, however, were relatively flat following a steep decline in April. While current conditions in the second quarter appear to be improving, consumers still remain cautious about the short-term outlook."

Consumers' assessment of current-day conditions improved in May. Those saying business conditions are "good" edged down from 25.5 percent to 25.2 percent. However, those claiming business conditions are "bad" also decreased from 19.2 percent to 17.4 percent. Consumers were mixed in their assessment of the job market. Those stating jobs are "plentiful" increased from 19.0 percent to 20.7 percent, while those claiming jobs are "hard to get" rose from 25.9 percent to 27.3 percent.

Consumers' optimism about the short-term outlook edged down in May. The percentage of consumers expecting business conditions to improve over the next six months inched up from 15.4 percent to 15.6 percent, while those expecting business conditions to worsen also increased, from 9.1 percent to 10.8

percent. Consumers' outlook for the labor market, however, improved.

### **Leading Economic Indicators**

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent in April to 122.3 (2010 = 100), following a 0.4 percent increase in March, and a 0.2 percent decline in February.

"April's sharp increase in the LEI seems to have helped stabilize its slowing trend, suggesting the paltry economic growth in the first quarter may be temporary," said Ataman Ozyildirim, Economist at The Conference Board. "However, the growth of the LEI does not support a significant strengthening in the economic outlook at this time. The improvement in building permits helped to drive the index up this month, but gains in other components, in particular the financial indicators, have been somewhat more muted."

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in April to 112.0 (2010 = 100), following a 0.1 percent decline in March, and a 0.2 percent increase in February.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.1 percent in April to 116.6 (2010 = 100), following a 0.5 percent increase in March, and a 0.2 percent increase in February.

## **Housing**

### **Existing-Home Sales**

Despite properties typically selling faster than at any time since July 2013, existing-home sales slowed in April but remained above an annual sales pace of five million for the second straight month, according to the National Association of Realtors®

(NAR). All major regions except for the Midwest experienced sales declines in April.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, declined 3.3 percent to a seasonally adjusted annual rate of 5.04 million in April from an upwardly revised 5.21 million in March. Despite the monthly decline, sales have increased year-over-year for seven consecutive months and are still 6.1 percent above a year ago.

Single-family home sales declined 3.7 percent to a seasonally adjusted annual rate of 4.43 million in April from 4.60 million in March, but are still 6.5 percent above the 4.16 million pace a year ago. The median existing single-family home price was \$221,200 in April, up 10.0 percent from April 2014.

Existing condominium and co-op sales were at a seasonally adjusted annual rate of 610,000 units in April (unchanged from March) and were 3.4 percent higher than April 2014 (590,000 units). The median existing condo price was \$206,100 in April, which was 0.4 percent higher than a year ago.

Lawrence Yun, NAR chief economist, says sales in April failed to keep pace with the robust gain seen in March. "April's setback is the result of lagging supply relative to demand and the upward pressure it's putting on prices," he said. "However, the overall data and feedback we're hearing from Realtors® continues to point to elevated levels of buying interest compared to a year ago. With low interest rates and job growth, more buyers will be encouraged to enter the market unless prices accelerate even higher in relation to incomes."

Total housing inventory at the end of April increased 10.0 percent to 2.21

million existing homes available for sale, but was still 0.9 percent below a year ago (2.23 million). Unsold inventory was at a 5.3-month supply at the current sales price, up from 4.6 months in March.

The median existing-home price for all housing types in April was \$219,400, which was 8.9 percent above April 2014. This marks the 38<sup>th</sup> consecutive month of year-over-year price gains and is the largest since January 2014 (10.1 percent).

With the demand far exceeding supply, properties sold in April faster (39 days) than at any time since July 2013 (42 days) and the second shortest time (37 days in June 2013) since NAR began tracking in May 2011. Short sales were on the market the longest at a median of 180 days in April, while foreclosures sold in 50 days and non-distressed homes took 38 days. Nearly half (46 percent) of homes sold in April were on the market for less than a month.

“Housing inventory declined from last year and supply in many markets is very tight, which in turn is leading to bidding wars, faster price growth and properties selling at a quicker pace,” says Yun. “To put it in perspective, roughly 40 percent of properties sold last month went at or above asking price, the highest since NAR began tracking this monthly data in December 2012.”

The percent share of first-time buyers remained at 30 percent in April for the second consecutive month. First-time buyers represented 29 percent of all buyers in April 2014.

### **Regional**

April existing-home sales in the Northeast declined 3.1 percent to an annual rate of 620,000, but were 1.6 percent above a year ago. The median price in the

Northeast was \$253,200, which was 3.6 percent higher than April 2014.

In the Midwest, existing-home sales increased 1.7 percent to an annual rate of 1.22 million in April, and were 13.0 percent above April 2014. The median price in the Midwest was \$173,700, up 11.4 percent from a year ago.

Existing-home sales in the South declined 6.8 percent to an annual rate of 2.04 million in April, but were still 3.6 percent above April 2014. The median price in the South was \$189,400, up 8.5 percent from a year ago.

Existing-home sales in the West decreased 1.7 percent to an annual rate of 1.16 million in April, but were still 6.4 percent above a year ago. The median price in the West was \$318,700, which was 10.0 percent above April 2014.

### **New Residential Sales**

Sales of new single-family houses in April 2015 were at a seasonally adjusted annual rate of 517,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 6.8 percent above the revised March rate of 484,000 and was 26.1 percent above the April 2014 rate of 410,000.

The median sales price of new houses sold in April 2015 was \$297,300; the average sales price was \$341,500. The seasonally adjusted estimate of new houses for sale at the end of April was 205,000. This represents a supply of 4.8 months at the current sales rate.

April new single-family house sales compared to April 2014 were up 20.0 percent in the Midwest; 26.4 percent in the South and 39.8 percent in the West. Sales declined 19.0 percent in the Northeast.

### **Housing Starts**

The U.S. Census Bureau and the Department of Housing and Urban Development jointly announced that privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,135,000. This was 20.2 percent above the revised March estimate of 944,000 and was 9.2 percent above the April 2014 rate of 1,039,000.

Single-family housing starts in April were at a rate of 733,000; this was 16.7 percent above the revised March figure of 628,000.

Single-family starts in April compared to April 2014 were up 14.7 percent overall and up 12.0 percent in the Northeast, 15.6 percent in the Midwest, 15.4 percent in the South and 13.5 percent in the West.

### **Retail Sales**

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for April, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$436.8 billion, virtually unchanged from the previous month, but 0.9 percent above April 2014. Total sales for the February 2015 through April 2015 period were up 1.5 percent from the same period a year ago.

Retail trade sales were down 0.1 percent from March 2015, and 0.1 percent below last year. Food services and drinking places were up 8.5 percent from April 2014 and nonstore retailers were up 6.3 percent from last year.

Sales on an adjusted basis at furniture and home furnishings stores were up 1.5 percent over April 2014 and up 4.6 percent year-to-date in 2015.

### **Consumer Prices**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in April 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 declined 0.2 percent before seasonal adjustment.

The index for all items less food and energy rose 0.3 percent in April and led to the slight increase in the seasonally adjusted all items index. The index for shelter rose, as did the indexes for medical care, household furnishings and operations, used cars and trucks, and new vehicles. In contrast, the indexes for apparel and airline fares declined in April.

The energy index declined in April, while the food index was unchanged. The indexes for gasoline, natural gas, and fuel oil all declined, while the electricity index was unchanged. The food at home index declined for the second month in a row, offsetting an increase in the index for food away from home. Major grocery store food group indexes were mixed.

The all items index declined 0.2 percent for the 12 months ending April. This represented a slightly larger decrease than the 0.1-percent decline for the 12 months ending March. The decline was driven by the energy index, which fell 19.4 percent over the last 12 months, with all the major components declining except electricity. The food index rose 2.0 percent over the last year, and the index for all items less food and energy rose 1.8 percent.

### **Employment**

Total nonfarm payroll employment increased by 223,000 in April, and the unemployment rate was essentially unchanged at 5.4 percent, according to the latest report from the U.S. Bureau of

Labor Statistics. Job gains occurred in professional and business services, health care and construction. Mining employment continued to decline.

In April, both the unemployment rate (5.4 percent) and the number of unemployed persons (8.5 million) were essentially unchanged. Over the year, the unemployment rate and the number of unemployed persons were down by 0.8 percentage point and 1.1 million, respectively.

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

According to the advance report of the U.S. Census Bureau, new orders for manufactured durable goods in April decreased \$1.2 billion or 0.5 percent to \$235.5 billion. This decrease, down two of the last three months, followed a 5.1 percent March increase. Excluding transportation, new orders increased 0.5 percent. Excluding defense, new orders increased 0.2 percent.

Transportation equipment, also down two of the last three months, drove the decrease, \$2.0 billion or 2.5 percent to \$77.9 billion.

Shipments of manufactured durable goods in April, down three of the last four months, decreased \$0.1 billion or 0.1 percent to \$240.5 billion. This followed a 1.5 percent March increase.

According to the full report, new orders for furniture and related products increased 6.5 percent for the month of March and were up 8.2 percent year-to-date. Shipments were up 8.0 percent for the month of March and up 7.6 percent year-to-date.



### **Executive Summary**

According to our latest survey of residential furniture manufacturers and distributors, new orders in March 2015 increased 2 percent over March 2014, following an 8 percent increase reported last month. The 2 percent March 2015 increase was compared to a 9 percent increase for March 2014 compared to March 2013.

Year-to-date, new orders were 5 percent higher than the first quarter of 2014, when they were 3 percent higher than the first quarter of 2013. New orders year-to-date were up for 68 percent of the participants.

Shipments in March were 4 percent higher than March 2014. Year-to-date, shipments were up 8 percent over last year. Shipments were up for 72 percent of the participants. Backlogs were up 9 percent over last March, down slightly from 11 percent last month, but remained at pretty solid levels.

Receivables continued to be in good shape at 6 percent higher than March 2014, but very much in line with the increase in shipments. Inventories were 6 percent higher than March 2014, also in line with current business conditions.

Factory and warehouse payrolls were up 6 percent from last March. The 13 percent increase over February was mostly related to extra working days in March. The number of employees was up 2 percent over last year. In many areas of manufacturing, workers are still hard to find. Many employers have started working with community colleges to attempt to bring more people into the workforce.

On a national level, consumer confidence picked up a bit in May after declining in April. We need it to continue to improve before all the negative presidential campaigns start – telling us how bad things are.

Housing continues to improve despite a slowdown of existing home sale in April. Properties continue to sell at faster paces than any time since July 2013. Prices continue to go up – up 8.9 percent over April 2014.

New house sales were up 6.8 percent over March and 26.1 percent over April 2014 and solid in all areas of the country except the Northeast. Single-family housing starts were up 16.7 percent over March 2015. So the all important housing results continue to be favorable. This should continue to help furniture sales and should help case goods, which has been slower to recover than upholstery.

Retail sales in April overall were up slightly over last year. Sales at furniture and home furnishings stores were up 4.6 percent year-to-date in 2015. Gas prices seem to be all over the place. We even had some news articles locally on the difference in prices just in High Point alone.

Overall, business seems to be good for most in the industry. According to another private survey we do, even case goods had a pretty good first quarter. The employment picture remains fairly strong, so that should continue to bolster consumer confidence. Hopefully, the great attitudes we saw at market are continuing to be felt out in the retail world.



Estimated Business Activity (Millions of Dollars)						
	2015			2014		
	March	February	3 Months	March	February	3 Months
New Orders	2,297	2,090	6,387	2,263	1,942	6,083
Shipments	2,334	2,026	6,393	2,259	1,809	5,916
Backlog	2,231	2,242		2,055	2,020	

Key Monthly Indicators			
	March 2015 From February 2015 Percent Change	March 2015 From March 2014 Percent Change	3 Months 2015 Versus 3 Months 2014 Percent Change
New Orders	+7	+2	+5
Shipments	+12	+4	+8
Backlog	-	+9	
Payrolls	+13	+6	+5
Employees	-1	+2	
Receivables	-	+6	
Inventories	-2	+6	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
<b>2014</b>				
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
<b>2015</b>				
January	+7	+10	+16	+3
February	+8	+12	+11	+2
March	+2	+4	+9	+2