

Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in June 2015 were up 10 percent over July 2014 and down just slightly from May. This followed a 5 percent increase reported last month comparing May 2015 to May 2014. New orders in June 2014 were 5 percent higher than June 2013.

Approximately 64 percent of the participants reported increased orders in June. Many of those reported double digit increases.

Year-to-date, new orders were 5 percent ahead of last year's first six months, but if not rounded, new orders were up almost 0.8 percent from last month's comparison. Year-to-date, new orders were up for 53 percent of the participants, about the same as reported last month.

Shipments and Backlogs

Shipments increased 6 percent over June 2014 and were slightly higher than May 2015 shipments. For the month, shipments were higher for some 61 percent of the participants, down from 69 percent reporting increases last month.

Year-to-date, shipments were up 7 percent over the first half of 2014. For the year, shipments were higher for 69 percent of the participants, down slightly from last month.

Backlogs fell slightly from May as shipments exceeded new orders.



Receivables and Inventories

Receivable levels were flat with May in spite of the 2 percent increase in shipments. Receivables were up 1 percent over June 2014 even with shipments up 6 percent over June 2014 and up 7 percent year-to-date. As we have noted before, receivables seem to be in very good shape.

Furniture Insights®

A Monthly Newsletter

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Inventory levels were 6 percent higher than June 2014 and up 1 percent over May 2015. This compared to a 7 percent increase reported last month. Inventories continue to appear to be in good shape overall considering current levels of business.

Factory and Warehouse Employees and Payrolls

The number of factory and warehouse employees was up 2 percent over June 2014, the same increase as reported last month. June 2014 numbers were up 6 percent over June 2013 so we have seen nice increases in the numbers of employees.

Factory and warehouse payrolls were up 3 percent from May 2015 and up 9 percent over June 2014. This brought year-to-date payrolls up 6 percent over the first half of last year, the same as reported last month. As with inventories, this increase seems to be very much in line with the increases in orders and shipments.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had declined in July, rebounded in August. The Index now stands at 101.5 (1985=100), up from 91.0 in July. The Present Situation Index increased from 104.0 last month to 115.1 in August, while the Expectations Index improved to 92.5 from 82.3 in July.

“Consumer confidence rebounded in August, following a sharp decline in July,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of current conditions was considerably more upbeat, primarily due to a more favorable

appraisal of the labor market. The uncertainty expressed last month about the short-term outlook has dissipated and consumers are once again feeling optimistic about the near future. Income expectations, however, were little improved.”

Consumers’ assessment of current conditions was considerably more favorable in August. Those saying business conditions are “good” decreased marginally from 23.4 percent to 23.2 percent. Those claiming business conditions are “bad” declined modestly from 18.2 percent to 17.6 percent. Consumers were considerably more positive about the job market. Those stating jobs are “plentiful” increased from 19.9 percent to 21.9 percent, while those claiming jobs are “hard to get” decreased from 27.4 percent to 21.9 percent.

Consumers’ optimism about the short-term outlook also improved in August. The percentage of consumers expecting business conditions to improve over the next six months increased slightly from 15.3 percent to 15.8 percent, while those expecting business conditions to worsen declined from 10.3 percent to 8.3 percent.

Consumers’ outlook for the labor market was more upbeat. Those anticipating more jobs in the months ahead increased from 13.7 percent to 14.6 percent, while those anticipating fewer jobs decreased sharply from 19.0 percent to 13.6 percent. The proportion of consumers expecting their incomes to increase declined moderately from 17.0 percent to 16.2 percent, while the proportion expecting a decline decreased from 11.3 percent to 10.0 percent.

Gross Domestic Product (GDP)

Real gross domestic product – the value of the goods and services produced by the nation’s economy less the value of the goods and services used up in production, adjusted for price changes – increased at an annual rate of 3.7 percent in the second quarter of 2015, according to the “second” estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 0.6 percent.

The increase in real GDP in the second quarter reflected positive contributions from personal consumption expenditures (PCE), exports, state and local government spending, nonresidential fixed investment, residential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

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

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 0.2 percent in July to 123.3 (2010 = 100), following a 0.6 percent increase in June, and a 0.6 percent increase in May.

“The U.S. LEI fell slightly in July, after four months of strong gains. Despite a sharp drop in housing permits, the U.S. LEI is still pointing to moderate economic growth through the remainder of the year,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at

The Conference Board. “Current conditions, measured by the coincident economic index, have been rising moderately but steadily, driven by rising employment and income, and even industrial production has improved in recent months.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in July to 112.5 (2010 = 100), following a 0.2 percent increase in June, and a 0.1 percent increase in May.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in July to 118.1 (2010 = 100), following a 0.7 percent increase in June, and a 0.3 percent increase in May.

Housing

Existing-Home Sales

Existing-home sales steadily increased for the third consecutive month in July, while stubbornly low inventory levels and rising prices are likely to blame for sales to first-time buyers falling to their lowest share since January, 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, increased 2.0 percent to a seasonally adjusted annual rate of 5.59 million in July from a downwardly revised 5.48 million in June. Sales in July remained at the highest pace since February 2007 (5.79 million), have now increased year-over-year for ten consecutive months and are 10.3 percent above a year ago (5.07 million).

Single-family home sales increased 2.7 percent to a seasonally adjusted annual rate of 4.96 million in July (highest since

February 2007 at 5.08 million) from 4.83 million in June, and were 11.0 percent above the 4.47 million pace a year ago. The median existing single-family home price was \$235,500 in July, up 5.8 percent from July 2014.

Existing condominium and co-op sales fell 3.1 percent to a seasonally adjusted annual rate of 630,000 units in July from 650,000 units in June, but were still up 5.0 percent from July 2014 (600,000 units). The median existing condo price was \$221,800 in July, which was 3.2 percent above a year ago.

Lawrence Yun, NAR chief economist, says the increase in sales in July solidifies what has been an impressive growth in activity during this year's peak buying season. "The creation of jobs added at a steady clip and the prospect of higher mortgage rates and home prices down the road is encouraging more households to buy now," he said. "As a result, current homeowners are using their increasing housing equity towards the downpayment on their next purchase."

The median existing-home price for all housing types in July was \$234,000, which was 5.6 percent above July 2014. July's price increase marks the 41st consecutive month of year-over-year gains.

"Despite the strong growth in sales since this spring, declining affordability could begin to slowly dampen demand," adds Yun. "NAR in some markets reported slower foot traffic in July in part because of low inventory and concerns about the continued rise in home prices without commensurate income gains."

Total housing inventory at the end of July declined 0.4 percent to 2.24 million existing homes available for sale, and was 4.7 percent lower than a year ago (2.35 million). Unsold inventory was at a 4.8-

month supply at the current sales pace, down from 4.9 months in June.

The percent share of first-time buyers declined in July for the second consecutive month, falling from 30 percent in June to 28 percent — the lowest share since January of this year (also 28 percent). A year ago, first-time buyers represented 29 percent of all buyers.

Regional

July existing-home sales in the Northeast decreased 2.8 percent to an annual rate of 700,000, but were still 9.4 percent above a year ago. The median price in the Northeast was \$277,200, which was 1.3 percent higher than July 2014.

In the Midwest, existing-home sales were at an annual rate of 1.32 million in July, unchanged from June and 10.9 percent above July 2014. The median price in the Midwest was \$186,500, up 6.6 percent from a year ago.

Existing-home sales in the South increased 4.1 percent to an annual rate of 2.29 million in July, and were 9.6 percent above July 2014. The median price in the South was \$203,500, up 7.0 percent from a year ago.

Existing-home sales in the West rose 3.2 percent to an annual rate of 1.28 million in July, and were 11.3 percent above a year ago. The median price in the West was \$327,400, which was 8.4 percent above July 2014.

New Residential Sales

Sales of new single-family houses in July 2015 were at a seasonally adjusted annual rate of 507,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 5.4 percent above the revised June rate of 481,000,

and was 25.8 percent above the July 2014 estimate of 403,000.

The median sales price of new houses sold in July 2015 was \$285,900; the average sales price was \$361,600. The seasonally adjusted estimate of new houses for sale at the end of July was 218,000. This represents a supply of 5.2 months at the current sales rate.

New single-family houses sales were up over July 2014 by 39.1 percent in the Northeast, 28.9 percent in the South and 29.6 percent in the West. The Midwest was flat compared to July 2014.

Housing Starts

The U.S. Census Bureau and the Department of Housing and Urban Development jointly announced that privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,206,000. This was 0.2 percent above the revised June estimate of 1,204,000 and was 10.1 percent above the July 2014 rate of 1,095,000.

Single-family housing starts in July were at a rate of 782,000; this was 12.8 percent above the revised June figure of 693,000.

Single-family starts were up 45.8 percent in the Northeast, 11.1 percent in the Midwest, 15.5 percent in the South and up 24.5 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for July, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$446.5 billion, an increase of 0.6 percent from the previous month, and up 2.4 percent above July 2014. Total sales for the May 2015 through July 2015

period were up 2.3 percent from the same period a year ago.

Retail trade sales were up 0.6 percent from June 2015, and up 1.6 percent above last year. Food services and drinking places were up 9.0 percent from July 2014 and motor vehicle and parts dealers were up 6.9 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were 6.1 percent higher than July 2014. Year-to-date, sales at these stores were up 5.6 percent over the same period a year ago.

Consumer Prices

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

The indexes for food, energy, and all items less food and energy all rose slightly in July. The food index rose 0.2 percent as all six major grocery store food group indexes increased. The energy index rose 0.1 percent as an increase in the gasoline index more than offset declines in other energy component indexes.

The index for all items less food and energy also rose 0.1 percent in July. A 0.4-percent advance in the shelter index was the main contributor to the increase, though the indexes for medical care and apparel also rose. In contrast, the index for airline fares fell sharply, and the indexes for used cars and trucks, household furnishings and operations, and new vehicles all declined.

The all items index increased 0.2 percent for the 12 months ending July. The 12-month change has been rising since April. The index for all items less

food and energy increased 1.8 percent for the 12 months ending July; this was the fourth time in 5 months the 12-month change was 1.8 percent. The food index increased 1.6 percent over the last 12 months. The energy index, however, continues to show a 12-month decline, falling 14.8 percent over the past year.

Employment

Total nonfarm payroll employment increased by 215,000 in July, and the unemployment rate was unchanged at 5.3 percent, according to the latest report from the U.S. Bureau of Labor Statistics. Job gains occurred in retail trade, health care, professional and technical services, and financial activities.

In July, both the unemployment rate (5.3 percent) and the number of unemployed persons (8.3 million) were unchanged. Over the year, the unemployment rate and the number of unemployed persons were down by 0.9 percentage point and 1.4 million, respectively.

In July, the number of long-term unemployed (those jobless for 27 weeks or more) was little changed at 2.2 million. These individuals accounted for 26.9 percent of the unemployed. Over the past 12 months, the number of long-term unemployed is down by 986,000.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in July increased \$4.6 billion or 2.0 percent to \$241.1 billion, according to the U.S. Census Bureau announcement. This increase, up two consecutive months, followed a 4.1 percent June increase. Excluding transportation, new orders increased 0.6 percent. Excluding defense, new orders increased 1.0 percent.

Shipments of manufactured durable goods in July, up two consecutive months, increased \$2.3 billion or 1.0 percent to \$243.2 billion. This followed a 0.9 percent June increase.

According to these reports, shipments of furniture and related products were up 6.9 percent for the June 2015 to June 2014 comparison and up 6.3 percent year-to-date. Orders were up 4.6 percent for the month and 5.9 percent year-to-date.

**Executive Summary**

According to our latest survey of residential furniture manufacturers and distributors, June 2015 orders continued to show growth, increasing 10 percent over June 2014. June 2014 orders were up 5 percent over June 2013 so the increase was comparing to a decent month in 2014. This marked the 15th straight month where orders increased over the same month of the prior year. And, new orders have increased now 23 of the last 24 months for a nice 2-year run.

Year-to-date, orders were up over 5 percent over the first half of 2014. For the first half of 2014, orders were also up 5 percent. Orders were up for 53 percent of the participants, year-to-date with several reporting double digit growth.

Shipments were up 6 percent over June 2014 and up 7 percent year-to-date. Shipments for first half of 2014 were up 6 percent over the first half of 2013 so we continued a nice trend. Backlogs fell 2 percent as shipments exceeded orders.

Receivable levels were up only 1 percent over last year in spite of increases in shipments both for the month and year-to-date. Inventories were up 6 percent over June 2014, very much in line with current business levels.

Factory and warehouse employees and payrolls were also in line with the number of factory and warehouse employees up only 2 percent over June 2014 results and payrolls were up 6 percent year-to-date. Very much in line with current business.

National

On a national level, consumer confidence rebounded in August, according to the Conference Board and the rebound was significant. Of course, this survey was taken before we started the stock market volatility since Friday the 21st. While we have had some rebound over the past couple of days (through August 27). Hopefully, the markets will at least return most of their losses over the next few days so that confidence doesn't fall again.

The Conference Board leading index fell slightly but it was noted that the index is still posting to moderate growth. All of the housing numbers continue to show improvement, with some concerns over rising prices and low inventories of existing homes.

The employment picture continues to improve in most parts of the country and that should also keep confidence up.

Retail sales numbers were good as was furniture and home furnishings stores sales (up 6.1 percent over July 2014). This along with no significant worries with inflation should help keep interest rates in check.

While low gas and energy costs are positive for consumers, for the most part, very low prices are causing some negative effects in the oil related industries.

The worldwide picture is the most significant issue on the horizon. China issues are causing ripple effects around the world. It is over our head to understand all the issues related to this, but we would say that a slower growth in their economy should not, in our opinion, have been a surprise. Growth at their rates in recent years is really not sustainable; at least we have not seen that in business.

Overall though, we continue to hear decent news from most in the industry. Certain sectors and companies are not all

doing well and business models that worked before are not working as well in some cases. But overall, we think, short of the market and China situation disrupting business, we feel pretty good about current business.

We have said before, consumer confidence is the real key to overall industry success. And while many consumers may not be significant investors, the news of market volatility makes people nervous. They also see effects on their retirement accounts, no matter large or small.

But the China impact is more than stock markets. Hopefully they will get their act together.



Estimated Business Activity (Millions of Dollars)						
	2015			2014		
	June	May	6 Months	June	May	6 Months
New Orders	2,179	2,180	12,843	1,990	2,069	12,177
Shipments	2,418	2,215	13,162	2,281	2,102	12,358
Backlog	2,122	2,168		1,895	2,026	

Key Monthly Indicators			
	June 2015 From May 2015 Percent Change	June 2015 From June 2014 Percent Change	6 Months 2015 Versus 6 Months 2014 Percent Change
New Orders	-1	+10	+5
Shipments	+2	+6	+7
Backlog	-2	+12	
Payrolls	+3	+9	+6
Employees	-	+2	
Receivables	-	+1	
Inventories	+1	+6	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2014				
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
February	+8	+12	+11	+2
March	+2	+4	+9	+2
April	+3	+5	+7	+3
May	+5	+5	+7	+2
June	+10	+6	+12	+2