

Furniture Insights®

Monthly Results

New Orders

New orders in May 2013 were 6 percent higher than May 2012 orders, according to our recent survey of residential furniture manufacturers and distributors. New orders in May were 13 percent higher than April 2013. May 2012 new orders were 10 percent higher than May 2011, so the May results were good considering they were compared to a good previous period. Orders were up for 68 percent of the participants, down from 80 percent reported last month.

Year-to-date, new orders were 4 percent higher than the first five months of 2012, up from 3 percent reported last month. Approximately two-thirds of the participants have reported increased orders so far this year, down slightly from 71 percent last month.

Shipments and Backlogs

Shipments in May were up 3 percent over May 2012 and up 9 percent over April 2013. As with last month, the results for shipments were a mixed bag for participants with only 53 percent of the participants reporting increased shipments.

Year-to-date, shipments were up 2 percent over the same period a year ago.

Backlogs were 8 percent higher than May 2012 up from a 6 percent increase reported last month as orders exceeded shipments.



Receivables and Inventories

Receivable levels in May were about even with May 2012 but were up 6 percent from April levels. With shipments up 3 percent from last year and 9 percent from April, the receivable results were very much in line. In fact, receivable levels continue to look very good overall.

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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

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Inventories increased 1 percent over April and were also 1 percent higher than May 2012. So inventories appear to be in line with current business conditions.

Factory and Warehouse Employees and Payrolls

Factory and warehouse payrolls were up 8 percent over May 2012, which was a little surprising considering the level of shipments, but with orders up, there could be some timing issues. The number of factory and warehouse employees was even with April but up 3 percent over last May, up from a 2 percent increase reported last month.

Year-to-date, payrolls are only up 3 percent so overall, it seems that the employee indicators are very much in line.

National

Consumer Confidence

According to The Conference Board, the Consumer Confidence Index®, which had improved in June, pulled back slightly in July. The Index now stands at 80.3 (1985=100), down from 82.1 in June. The Present Situation Index increased to 73.6 from 68.7. The Expectations Index decreased to 84.7 from 91.1 last month.

Lynn Franco, Director of Economic Indicators at The Conference Board said: “Consumer Confidence fell slightly in July, precipitated by a weakening in consumers’ economic and job expectations. However, confidence remains well above the levels of a year ago. Consumers’ assessment of current conditions continues to gain ground and expectations remain in expansionary territory despite the July retreat. Overall, indications are that the economy is strengthening and may even gain some momentum in the months ahead.”

Consumers’ appraisal of current conditions continues to improve. Those stating business conditions are “good” increased to 20.9 percent from 19.4 percent, while those stating business conditions are “bad” decreased to 24.5 percent from 24.9 percent. Consumers’ assessment of the job market was also more positive. Those claiming jobs are “plentiful” increased to 12.2 percent from 11.3 percent, while those claiming jobs are “hard to get” declined to 35.5 percent from 37.1 percent.

Consumers’ expectations regarding the short-term outlook weakened in July. The percentage of consumers expecting business conditions improve over the next six months decreased to 19.1 percent from 21.4 percent. However, those expecting business conditions to worsen remained virtually unchanged at 11.2 percent.

Thomson Reuters/University of Michigan Surveys of Consumers

According to the Surveys of Consumers Thomson Reuters/University of Michigan, consumer confidence reached its highest level in six years in the July 2013 survey. This was the third consecutive month that consumer confidence has been higher than in any prior month since the July 2007 survey. This persistently high level of confidence points toward a continued expansion in consumer spending during the year ahead. Importantly, along with renewed signs of income and job growth, consumers hold favorable buying attitudes, especially for interest sensitive purchases of vehicles and homes. Rising stock and home values continued to bolster confidence, especially among higher income households. Home values were reported to have increased by the highest proportion of homeowners in the past six years.

Surveys of Consumers chief economist, Richard Curtin said: “The July survey suggests a growing resilience among consumers that will enable them to more easily withstand the cross-current inevitable in a slow growth economy. Mixed trends were evident in July as current economic conditions were judged more favorably while future prospects were viewed slightly less favorably, and optimism among lower income households moved up while optimism among upper income households moved down. These differences reflected the expectation that interest rates would rise in the future. Nonetheless, this was a robust sign that consumers expect the expansion to continue and act to speedup their buying plans.”

The Sentiment Index was 85.1 in the July 2013 survey, up from 84.1 in June and 84.5 in May, and well above last July’s 72.3. The Expectations Index fell to 76.5 in July from June’s 77.8 but remained well above last July’s 65.6. The Current Conditions Index, in contrast, rose strongly to 98.6 in the July 2013 survey, from 93.8 in June and last July’s 82.7.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. was unchanged in June, remaining at 95.3 (2004=100), following a 0.2 percent increase in May, and a 0.8 percent increase in April, according to the Conference Board.

Ataman Ozyildirim, economist at The Conference Board said: “The U.S. LEI was flat in June. Declines in building permits, new orders and stock prices were offset by gains in consumer expectations, initial claims for unemployment insurance, and other financial indicators. However, the LEI’s six-month growth rate remains positive, suggesting the economy will

continue expanding through the end of the year.”

Ken Goldstein, economist at The Conference Board said: “Some segments of the economy are turning around faster than others, resulting in positive but moderate growth. The biggest uncertainties remain the pace of business spending, the improvements in consumer spending power and the impact of slower global growth on U.S. exports.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in June to 105.9 (2004=100), following a 0.2 percent increase in May, and a 0.2 percent increase in April.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in June to 119.0 (2004=100), following a 0.4 percent increase in May, and a 0.2 percent increase in April.

Housing

Existing-Home Sales

Existing-home sales declined in June but have stayed well above year-ago levels for the past two years, while the median price shows seven straight months of double-digit year-over-year increases, 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, dipped 1.2 percent to a seasonally adjusted annual rate of 5.08 million in June from a downwardly revised 5.14 million in May, but are 15.2 percent higher than the 4.41 million-unit level in June 2012.

Single-family home sales slipped 1.1 percent to a seasonally adjusted annual rate of 4.50 million in June from 4.55 million in May, but were 14.5 percent above the 3.93 million-unit pace in June 2012. The median existing single-family home price was \$214,700 in June, which was 13.2 percent above a year ago.

Existing condominium and co-op sales fell 1.7 percent to an annualized rate of 580,000 units in June from 590,000 in May, but were 20.8 percent higher than the 480,000-unit level a year ago. The median existing condo price was \$210,200 in June, up 15.4 percent from June 2012.

Lawrence Yun, NAR chief economist, said there is enough momentum in the market, even with higher interest rates. "Affordability conditions remain favorable in most of the country, and we're still dealing with a large pent-up demand," he said. "However, higher mortgage interest rates will bite into high-cost regions of California, Hawaii and the New York City metro area market."

According to Freddie Mac, the national average commitment rate for a 30-year, conventional, fixed-rate mortgage rose to 4.07 percent in June from 3.54 percent in May, and is the highest since October 2011 when it was also 4.07 percent; the rate was 3.68 percent in June 2012.

Total housing inventory at the end of June rose 1.9 percent to 2.19 million existing homes available for sale, which represents a 5.2-month supply at the current sales pace, up from 5.0 months in May. Listed inventory remains 7.6 percent below a year ago, when there was a 6.4-month supply.

The national median existing-home price for all housing types was \$214,200 in June, up 13.5 percent from June 2012. This marks 16 consecutive months of year-

over-year price increases, which last occurred from February 2005 to May 2006.

Regional

Regionally, existing-home sales in the Northeast declined 1.6 percent to an annual rate of 630,000 in June but were 16.7 percent above June 2012. The median price in the Northeast was \$270,400, which was 6.8 percent above a year ago.

Existing-home sales in the Midwest were unchanged in June at a pace of 1.21 million, and were 17.5 percent higher than a year ago. The median price in the Midwest was \$170,100, up 8.9 percent from June 2012.

In the South, existing-home sales slipped 1.5 percent to an annual level of 2.03 million in June but were 16.0 percent above June 2012. The median price in the South was \$186,300, which was 13.7 percent above a year ago.

Existing-home sales in the West declined 1.6 percent to a pace of 1.21 million in June but were 11.0 percent above a year ago. With ongoing supply constraints, the median price in the West was \$282,000, a jump of 19.9 percent from June 2012.

New Residential Sales

Sales of new single-family houses in June 2013 were at a seasonally adjusted annual rate of 497,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 8.3 percent above the revised May rate of 459,000 and was 38.1 percent above the June 2012 estimate of 360,000.

The median sales price of new houses sold in June 2013 was \$249,700; the average sales price was \$295,000. The seasonally adjusted estimate of new

houses for sale at the end of June was 161,000. This represents a supply of 3.9 months at the current sales rate.

Compared to June 2012, sales in June were up 100 percent in the Northeast, 36.7 percent in the Midwest; 46.5 percent in the South and 14.8 percent in the West.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in June were at a seasonally adjusted annual rate of 836,000. This was 9.9 percent below the revised May estimate of 928,000, but was 10.4 percent above the June 2012 rate of 757,000. Single-family housing starts in June were at a rate of 591,000; this was 0.8 percent below the revised May figure of 596,000. Single-family starts were up 9.4 percent in the Midwest, 15.2 percent in the South and 9.2 percent in the West compared to June 2012. Starts were flat in the Northeast.

Retail Sales

The U.S. Census Bureau reported that advance estimates of U.S. retail and food services sales for June, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$422.8 billion, an increase of 0.4 percent from the previous month, and 5.7 percent above June 2012. Total sales for the April through June 2013 period were up 4.6 percent from the same period a year ago.

Retail trade sales were up 0.6 percent from May 2013 and 6.0 percent above last year. Nonstore retailers were up 13.8 percent from June 2012 and auto and other motor vehicle dealers were up 12.9 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were up 4.6 percent in June 2013 compared to June 2012. Year-to-date, sales at these stores were up 2.3 percent.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.5 percent in June on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 1.8 percent before seasonal adjustment.

The gasoline index rose sharply in June and accounted for about two thirds of the seasonally adjusted all items change. Other energy indexes were mixed, with the electricity index rising, but the indexes for natural gas and fuel oil declining. The food index increased in June as the index for food at home turned up after declining in May.

The index for all items less food and energy increased 0.2 percent in June, the same increase as in May. Advances in the indexes for shelter, medical care, and apparel accounted for most of the rise, with increases in the indexes for new vehicles and household furnishings and operations also contributing. The indexes for airline fares, used cars and trucks, and recreation all declined in June.

The all items index increased 1.8 percent over the last 12 months, an increase from last month's 1.4 percent figure. The index for all items less food and energy has risen 1.6 percent over the last year, the smallest 12-month change since June 2011. The energy index has risen 3.2 percent over the span, and the food index has increased 1.4 percent.

Employment

Total nonfarm payroll employment increased by 195,000 in June, and the unemployment rate was unchanged at 7.6 percent, according to the report from the U.S. Bureau of Labor Statistics. Employment rose in leisure and hospitality, professional and business services, retail trade, health care, and financial activities.

The number of unemployed persons, at 11.8 million, was unchanged in June. Both the number of unemployed and the unemployment rate have shown little change since February.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in June increased \$9.9 billion or 4.2 percent to \$244.5 billion, according to the U.S. Census Bureau. This increase, up four of the last five months, followed a 5.2 percent May increase and was at the highest level since the series was first published on a NAICS basis in 1992. Excluding transportation, new orders increased slightly. Excluding defense, new orders increased 3.0 percent.

Transportation equipment, also up four of the last five months, led the increase, \$9.9 billion or 12.8 percent to \$87.1 billion. This was led by nondefense aircraft and parts, which increased \$6.5 billion.

Shipments of manufactured durable goods in June, down two of the last three months, decreased slightly to \$229.8 billion. This followed a 1.3 percent May increase.

Machinery, also down two of the last three months, drove the decrease, \$0.4 billion or 1.2 percent to \$34.2 billion. This followed a 1.1 percent May increase.

According to this report, shipments of furniture and related products were up 3.7 percent in May compared to May 2012, with year-to-date shipments up 2.8 percent. Orders were up 3.7 percent from May a year ago with year-to-date orders up 1.9 percent.



Executive Summary

According to our latest survey, new orders in May 2013 were 6 percent higher than May 2012, pulling the year-to-date comparison up to a gain of 4 percent. Shipments were up 3 percent over last year for the month but up only 2 percent year-to-date.

Receivable and inventory levels remained in good shape with receivable levels flat with last year in spite of the increase in shipments. Inventories, up only 1 percent from last year, were also very much in line.

Factory and warehouse payrolls and the number of employees also appear in good shape. While payrolls ticked up a bit in May versus last year, year-to-date, they seem in good shape based on business levels.

The last couple of month's results of our survey have been pretty good, yet from what we hear on the street, no one seems overly excited. We continue to hear the same stories. Business is good for a few days or even a couple of weeks, and then it falls off again. There just doesn't seem to be consistency or as we call it, a lack of traction.

We asked someone recently how business was and he reminded me of something we told him that we heard several markets ago. The exhibitor said, when I asked how market was going, something like, well we used to count orders, then we quit writing as many orders, then we counted people but the dealers brought less people. So we counted dealers. Then some dealers quit coming. But this market, our compliments are up 25 percent.

It seems we have repeated the same story about business conditions for several months now, but it really does seem to describe what is happening. As we noted last month, there are several stars lined up in the right direction. While the two consumer confidence reports were not quite in sync, consumer confidence is improving. Housing continues to improve, interest rates are low (though rising slightly), and the stock market has been kind. One of the main negatives lately is gas prices jumping around for no seemingly apparent reason. The employment picture, while improving, continues to make people a bit nervous. But in general, the whole economy is just shuffling along and the industry seems to be shuffling along with it.

At least we can continue to say we are improving, as slow as it seems. We guess we just dug a deep hole and inching our way out seems so slow compared to how fast the hole was dug.



Estimated Business Activity (Millions of Dollars)						
	2013			2012		
	May	April	5 Months	May	April	5 Months
New Orders	2,013	1,794	9,715	1,892	1,616	9,379
Shipments	1,995	1,816	9,499	1,930	1,780	9,341
Backlog	1,948	1,911		1,796	1,805	

Key Monthly Indicators			
	May 2013 From April 2013 Percent Change	May 2013 From May 2012 Percent Change	5 Months 2013 Versus 5 Months 2012 Percent Change
New Orders	+13	+6	+4
Shipments	+9	+3	+2
Backlog	+2	+8	
Payrolls	+3	+8	+3
Employees	-	+3	
Receivables	+6	-	
Inventories	+1	+1	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2012				
May	+10	+7	+5	+4
June	+3	+7	+3	+4
July	+4	+3	+2	+3
August	+8	+6	+6	+3
September	+10	-1	+13	+4
October	+6	+5	+15	+4
November	-1	+3	+8	+4
December	-7	-1	+5	+3
2013				
January	+7	+10	-	+3
February	-3	-2	-1	+3
March	-1	-3	-	+2
April	+11	+2	+6	+6
May	+6	+3	+9	+3