

Furniture Insights®

Monthly Results

New Orders

New orders in May 2015 were up 5 percent over both May 2014 and April 2015, according to our latest survey of residential furniture manufacturers and distributors. This followed a 3 percent increase reported last month. We noted last month that the smaller increase in April was probably due to a large increase in April 2014 compared to April 2013 due to an early April market in 2014.

The 5 percent increase in May 2015 compared to a 3 percent increase reported in May 2014 comparing to May 2013, so we think the market dates did affect the month-to-month comparison.

Assuming market orders were mostly in by the end of May, we would think that year-to-date orders would now be comparable. Year-to-date orders in this survey reflected a 5 percent increase for the first five months. In 2014, year-to-date orders were 5 percent higher than the first five months of 2013.

For the year-to-date, some fifty-five percent of the participants were reporting increased orders. This compared to almost 68 percent reporting increases last month.

Shipments and Backlogs

Shipments in May 2015 were also up 5 percent over May 2014. May 2014 shipments were 5 percent higher than May 2013. Shipments were up for approximately 69 percent of the participants, similar to last month's results.



Year-to-date, shipments remained 7 percent ahead of 2014. In 2014, year-to-date shipments were 6 percent ahead of 2013. Shipments were up for 71 percent of the participants, up slightly from last month.

Backlogs fell 1 percent as shipments exceeded new orders. Backlogs remained 7 percent ahead of May 2014 and seem to be in good shape.

Furniture Insights® A Monthly Newsletter

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Receivables and Inventories

Receivable levels in May remained flat with April levels and were up 3 percent over May 2014. This increase appears to be in very good shape with shipments up 5 percent from May 2015 to May 2014 and the 7 percent increase in year-to-date shipments. Receivable levels continue to trend favorably to current business conditions.

Inventories were flat with April and up 7 percent over May 2014. This was down from an 8 percent increase reported last month. Overall, inventory levels seem very much in line with current conditions.

Factory and Warehouse Employees and Payrolls

Factory and warehouse employees were 2 percent higher than reported in May 2014. This was down slightly from the 3 percent reported last month. May levels were flat with April 2015 levels.

Factory and warehouse payrolls were up 7 percent over May 2014 levels and were up 6 percent year-to-date. Payrolls in May 2014 year-to-date were up 6 percent over the same period in 2013, so payrolls continue to increase along with the increased business.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had improved in June, declined in July. The Index now stands at 90.9 (1985=100), down from 99.8 in June. The Present Situation Index decreased moderately from 110.3 last month to 107.4 in July, while the Expectations Index declined sharply to 79.9 from 92.8 in June.

Lynn Franco, Director of Economic Indicators at The Conference Board said: "Consumer confidence declined sharply in July, following a gain in June. Consumers continue to assess current conditions favorably, but their short-term expectations deteriorated this month. A less optimistic outlook for the labor market, and perhaps the uncertainty and volatility in financial markets prompted by the situation in Greece and China, appears to have shaken consumers' confidence. Overall, the Index remains at levels associated with an expanding economy and a relatively confident consumer."

Consumers' assessment of current conditions was somewhat less favorable in July. Those saying business conditions are "good" decreased from 26.1 percent to 24.2 percent. However, those claiming business conditions are "bad" was virtually unchanged at 17.9 percent. Consumers were slightly less positive about the job market. Those stating jobs are "plentiful" decreased from 21.3 percent to 20.7 percent, while those claiming jobs are "hard to get" increased marginally from 26.1 percent to 26.7 percent.

Consumers' optimism about the short-term outlook decreased sharply in July. The percentage of consumers expecting business conditions to improve over the next six months declined from 17.9 percent to 14.7 percent, while those expecting business conditions to worsen rose slightly from 10.2 percent to 10.7 percent.

Consumers' outlook for the labor market was less optimistic. Those anticipating more jobs in the months ahead decreased from 17.1 percent to 13.1 percent, while those anticipating fewer jobs increased from 15.2 percent to 20.0 percent. The proportion of consumers expecting growth in their incomes edged

down from 17.6 percent to 17.0 percent, while the proportion expecting a decline increased slightly from 10.6 percent to 11.2 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 2.3 percent in the second quarter of 2015, according to the “advance” estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP increased 0.6 percent (revised).

The Bureau emphasized that the second-quarter advance estimate released today (July 30) is based on source data that are incomplete or subject to further revision by the source agency.

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

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

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.6

percent in June to 123.6 (2010 = 100), following a 0.8 percent increase in May, and a 0.6 percent increase in April.

“The upward trend in the U.S. LEI seems to be gaining more momentum with another large increase in June pointing to continued strength in the economic outlook for the remainder of the year,” said Ataman Ozyildirim, Director, Business Cycles and Growth Research, at The Conference Board. “Housing permits and the interest rate spread drove the latest gain in the LEI, while labor market indicators such as average workweek and initial claims remained unchanged.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.2 percent in June to 112.5 (2010 = 100), following a 0.2 percent increase in May, and a 0.3 percent increase in April.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.7 percent in June to 117.6 (2010 = 100), following a 0.1 percent increase in May, and a 0.2 percent increase in April.

Housing

Existing-Home Sales

Existing-home sales increased in June to their highest pace in over eight years, while the cumulative effect of rising demand and limited supply helped push the national median sales price to an all-time high, according to the National Association of Realtors® (NAR). All major regions experienced sales gains in June and have now risen above year-over-year levels for six consecutive months.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, increased 3.2 percent to a

seasonally adjusted annual rate of 5.49 million in June from a downwardly revised 5.32 million in May. Sales are now at their highest pace since February 2007 (5.79 million), have increased year-over-year for nine consecutive months and are 9.6 percent above a year ago (5.01 million).

Single-family home sales increased 2.8 percent to a seasonally adjusted annual rate of 4.84 million in June from 4.71 million in May, and were 9.8 percent above the 4.41 million pace a year ago. The median existing single-family home price was \$237,700 in June, up 6.6 percent from June 2014 and surpassing the peak median sales price set in July 2006 (\$230,900).

Existing condominium and co-op sales rose 6.6 percent to a seasonally adjusted annual rate of 650,000 units in June from 610,000 units in May, up 8.3 percent from June 2014 (600,000 units) and the highest pace since May 2007 (680,000 units). The median existing condo price was \$226,500 in June, which was 5.5 percent above a year ago and the highest since August 2007 (\$229,200).

Lawrence Yun, NAR chief economist, said “Backed by June’s solid gain in closings, this year’s spring buying season has been the strongest since the downturn. Buyers have come back in force, leading to the strongest past two months in sales since early 2007. This wave of demand is being fueled by a year-plus of steady job growth and an improving economy that’s giving more households the financial wherewithal and incentive to buy.”

Yun added, “June sales were also likely propelled by the spring’s initial phase of rising mortgage rates, which usually prods some prospective buyers to buy now rather than wait until later when borrowing costs could be higher.”

The median existing-home price for all housing types in June was \$236,400, which was 6.5 percent above June 2014 and surpasses the peak median sales price set in July 2006 (\$230,400). June’s price increase also marks the 40th consecutive month of year-over-year gains.

Total housing inventory at the end of June inched up 0.9 percent to 2.30 million existing homes available for sale, and was 0.4 percent higher than a year ago (2.29 million). Unsold inventory was at a 5.0-month supply at the current sales pace, down from 5.1 months in May.

“Limited inventory amidst strong demand continues to push home prices higher, leading to declining affordability for prospective buyers,” said Yun. “Local officials in recent years have rightly authorized permits for new apartment construction, but more needs to be done for condominiums and single-family homes.”

The percent share of first-time buyers fell to 30 percent in June from 32 percent in May, but remained at or above 30 percent for the fourth consecutive month. A year ago, first-time buyers represented 28 percent of all buyers.

Regional

June existing-home sales in the Northeast climbed 4.3 percent to an annual rate of 720,000, and were 12.5 percent above a year ago. The median price in the Northeast was \$281,200, which was 3.9 percent higher than June 2014.

In the Midwest, existing-home sales rose 4.7 percent to an annual rate of 1.33 million in June, and were 12.7 percent above June 2014. The median price in the Midwest was \$190,000, up 7.2 percent from a year ago.

Existing-home sales in the South increased 2.3 percent to an annual rate of

2.20 million in June, and were 7.3 percent above June 2014. The median price in the South was \$205,000, up 7.2 percent from a year ago.

Existing-home sales in the West rose 2.5 percent to an annual rate of 1.24 million in June, and were 8.8 percent above a year ago. The median price in the West was \$328,900, which was 9.9 percent above June 2014.

New Residential Sales

Sales of new single-family houses in June 2015 were at a seasonally adjusted annual rate of 482,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 6.8 percent below the revised May rate of 517,000, but was 18.1 percent above the June 2014 estimate of 408,000.

The median sales price of new houses sold in June 2015 was \$281,800; the average sales price was \$328,700. The seasonally adjusted estimate of new houses for sale at the end of June was 215,000. This represents a supply of 5.4 months at the current sales rate.

Comparing new house sales in June 2015 to June 2014, new sales were up 23.1 percent in the Northeast, 5.7 percent in the Midwest, 23.7 percent in the South and 10.9 percent in the West.

Housing Starts

The U.S. Census Bureau and the Department of Housing and Urban Development jointly announced that privately-owned housing starts in June were at a seasonally adjusted annual rate of 1,174,000. This was 9.8 percent above the revised May estimate of 1,069,000 and was 26.6 percent above the June 2014 rate of 927,000.

Single-family housing starts in June were at a rate of 685,000; this was 0.9 percent below the revised May figure of 691,000. The June rate for units in buildings with five units or more was 476,000.

Single-family starts were up over June 2014 by 14.7 percent, but the results were not consistent as starts were down 20.0 percent in the Northeast and 14.2 percent in the Midwest. Those negatives were offset by increases of 33.0 percent in the South and 12.1 percent in the West.

Retail Sales

The U.S. Census Bureau announced 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 \$442.0 billion, a decrease of 0.3 percent from the previous month, but up 1.4 percent above June 2014. Total sales for the April 2015 through June 2015 period were up 1.7 percent from the same period a year ago.

Retail trade sales were down 0.3 percent from May 2015, but up 0.6 percent above last year. Food services and drinking places were up 7.7 percent from June 2014 and sporting goods, hobby, books and music were up 6.6 percent from last year. Gasoline stations were down 17.1 percent from the previous year.

On an adjusted basis, sales at furniture and home furnishings stores were down 1.6 percent from May 2015, but were up 4.1 percent over June 2014. Year-to-date, sales at these stores were up 5.4 percent over last year's first half. For the year-to-date, sales at these stores were in 4th place behind food services and drinking places (8.8 percent), auto and other motor vehicle dealers (8.3 percent),

and sporting goods, hobby, book and music stores (6.4 percent).

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in June 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 0.1 percent before seasonal adjustment.

The seasonally adjusted all items increase was broad-based, with advances in the indexes for gasoline, shelter, and food all contributing. The energy index rose for the second straight month as the indexes for gasoline, electricity, and natural gas all increased. The food index posted its largest increase since September 2014, partly due to a sharp increase in the eggs index.

The index for all items less food and energy rose 0.2 percent in June. In addition to the rise in the shelter index, the indexes for recreation, airline fares, personal care, tobacco, and new vehicles were among the indexes that increased in June. These advances more than offset declines in the indexes for medical care, household furnishings and operations, used cars and trucks, and apparel.

The all items index showed a 12-month increase for the first time since December, rising 0.1 percent for the 12 months ending June. Despite rising in May and June, the energy index has still declined 15.0 percent over the past year. However, the indexes for food and for all items less food and energy have both risen 1.8 percent over the past 12 months.

Employment

Total nonfarm payroll employment increased by 223,000 in June, and the unemployment rate declined to 5.3

percent, according to the latest report from the U.S. Bureau of Labor Statistics. Job gains occurred in professional and business services, health care, retail trade, financial activities, and in transportation and warehousing with the unemployment rate declining by 0.2 percentage point to 5.3 percent in June, and the number of unemployed persons declined by 375,000 to 8.3 million.

The number of long-term unemployed (those jobless for 27 weeks or more) declined by 381,000 to 2.1 million in June. These individuals accounted for 25.8 percent of the unemployed. Over the past 12 months, the number of long-term unemployed has declined by 955,000.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in June increased \$7.7 billion or 3.4 percent to \$235.3 billion, according to the report of the U.S. Census Bureau. This increase, up following two consecutive monthly decreases, followed a 2.1 percent May decrease. Excluding transportation, new orders increased 0.8 percent. Excluding defense, new orders increased 3.8 percent.

Transportation equipment, also up following two consecutive monthly decreases, led the increase, \$6.4 billion or 8.9 percent.

Shipments of manufactured durable goods in June, up following two consecutive monthly decreases, increased \$0.3 billion or 0.1 percent to \$239.4 billion. This followed a 0.3 percent May decrease.

Transportation equipment, also up following two consecutive monthly decreases, drove the increase, \$0.4 billion or 0.5 percent to \$77.5 billion.

According to this report, shipments of furniture and related products were up 5.5 percent in May over May 2014 and up 6.1 percent year-to-date. Orders were up 3.6 percent in May versus May 2014 and up 6.0 percent year-to-date.



Executive Summary

New orders in May 2015 increased 5 percent over May 2014 orders and were up 5 percent over April. Last month, we noted that the 3 percent increase was impacted by early market dates in 2013. This year, the comparison was not that great in terms of dates of market.

So now that we think most market orders are in, the 5 percent year-to-date increase in orders should be fairly representative of current business. Some 55 percent of the participants reported increased orders year-to-date so clearly all participants are not enjoying the increases. But we would note that the swings from high growth to higher decreases has narrowed for the most part from the last few years.

Shipments were also up 5 percent in May 2015 over May 2014 and remained 7 percent ahead of the first five months of 2014. Shipments were up year-to-date for some 71 percent of our participants, slightly higher than last months.

With orders slightly lower than shipments, backlogs fell 1 percent from April but remained 7 percent ahead of May 2015, the same as reported last month. Backlogs appear to be in pretty good shape considering current business levels and due to shipments continued higher increases than orders, have been reduced to more reasonable levels.

Receivables were 4 percent higher than May 2014 and remained in very good shape considering shipments being up 5 percent for May 2015 to May 2014 and up 7 percent year-to-date.

Inventories while flat with April 2014, were up 7 percent over May 2014, down

from 8 percent reported last month. We also think inventories seem to be at pretty good levels considering business conditions.

Factory and warehouse employees and payrolls were also in line with employees up 2 percent over May 2014 and payrolls up 6 percent year-to-date.

National

On the national front, the second quarter estimate for the gross national product increased at a rate of 2.3 percent up from 0.6 percent in the first quarter. The positive indicators included personal consumption expenditures, exports and residential fixed investment.

The negative news for this month was reflected in the consumer confidence survey from The Conference Board. The Consumer Confidence Index fell from 99.8 in June to 90.9 in July. The report noted that the current conditions were assessed favorably, but the short-term future expectations deteriorated. This was based on a less optimistic outlook for the labor market as well as uncertainty and volatility in financial markets prompted by the situations in Greece and China.

On the other hand, The Conference Board's Leading, Coincident and Lagging Indexes all improved in the month. Also, the employment situation continued to improve with more jobs created, lower unemployment rate and declines in the number of unemployed persons. There was also a significant decline in the number of long-term unemployed.

The housing results were also positive with both single-family and all existing-home sales increasing for the ninth consecutive month over the prior year. Sales were at the highest pace since February 2007. Sales were 9.6 percent higher than a year ago and, sales were up

over a year ago 12.5 percent in the Northeast, 12.7 percent in the Midwest, 7.3 percent in the South and 8.8 percent in the West.

The percent of first-time buyers was at 30 percent up from 28 percent a year ago. This should be good for the industry. Prices also continued to rise to highs not seen since 2006 and early 2007 for both houses and condos, etc.

New single-family house sales were up 18.1 percent in June over a year ago with sales up in all four regions. Single-family housing starts were up over June 2014 by 14.7 percent, but up only in the South and West and off in the Northeast and Midwest.

Retail sales were down 0.3 percent from May but up 0.6 percent from June 2014. Sales at gasoline stations were down 17.1 percent from a year ago, we think based more on prices than consumption. Sales at furniture and home furnishings were up 5.4 percent year-to-date, ranking this category in 4th place of the 13 categories for year-to-date growth.

While we normally hit some slower business in the summer, we continue to also hear that business has been pretty good for this time of year for many.

I just got back from a family vacation at the beach. If that trip was any indication, there is money being spent. Traffic to and from, as well as there, was crazy. The streets there were packed as were restaurants and the tourist attractions that we went to. Along the beach where we were (Cherry Grove section of North Myrtle Beach, S.C.), if the house had a rent sign on it, it was rented. At one of our favorite restaurants, the wait was 1 ½ hours at 5:30 in the afternoon (my family's eating time, not mine).

With, over the last couple of days, the stock market settling down and less news

about the world and especially Europe going to heck in a hand basket over tiny little Greece, let's hope we get some confidence back. All the other signs seem to point to all the pieces in place for continued growth for the industry.

Estimated Business Activity (Millions of Dollars)						
	2015			2014		
	May	April	5 Months	May	April	5 Months
New Orders	2,180	2,097	10,664	2,069	2,035	10,187
Shipments	2,215	2,136	10,744	2,102	2,034	10,052
Backlog	2,168	2,192		2,026	2,056	

Key Monthly Indicators			
	May 2015 From April 2015 Percent Change	May 2015 From May 2014 Percent Change	5 Months 2015 Versus 5 Months 2014 Percent Change
New Orders	+5	+5	+5
Shipments	+4	+5	+7
Backlog	-1	+7	
Payrolls	+2	+7	+6
Employees	-	+2	
Receivables	-	+3	
Inventories	-	+7	

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