

Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in April were 11 percent higher than April 2012. April 2012 orders were down significantly from 2011 but we attributed that to the fact that April 2012 High Point Market was held late in the month versus an early market in 2011. But the 2013 market dates were almost the same as 2012 so that should not be a factor.

What we did hear at market was that there was some good order writing for a change so we suspect that had some impact. Some 80 percent of our participants reported increased orders over April 2012. This was the highest percentage of participants in recent memory.

The April results brought the year-to-date order increase to 3 percent, up from a 1 percent increase reported last month. Just over 71 percent of the participants have now reported year-to-date increased orders, up from about two-thirds last month.

Shipments and Backlogs

Shipments in April were 2 percent higher than April 2012 leaving the year-to-date increase at 1 percent. The results for shipments remains a mixed bag as 55 percent of the participants have reported increased shipments year-to-date.

Backlogs remained about even with March, dropping just slightly. Backlogs were up 6 percent over April last year,



which makes sense with orders being so much higher.

Receivables and Inventories

Receivable levels were 4 percent lower than April 2012. They were 13 percent lower than March, but that makes sense as shipments in April were 14 percent lower than March. Overall receivable levels remain in good shape.

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A Monthly Newsletter

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Inventories were 4 percent higher than April 2012, down from a 6 percent increase reported last month in March over March comparisons. Inventories in April were even with March 2013 levels and appear to be getting in line with current business conditions.

Factory and Warehouse Employees and Payrolls

Factory and warehouse payrolls were 6 percent higher than April 2012 but were down 11 percent from March. Year-to-date these payrolls were 2 percent higher than last year which makes sense. We are not sure why the monthly results were so different unless there were more pay periods in March versus April (there were 5 Friday's in March and only 4 in April) as some participants likely report payroll by date of pay, not working days.

The number of factory and warehouse employees was up 2 percent over April 2012. This increase was the same as reported last month.

National

Consumer Confidence

According to The Conference Board, the Consumer Confidence Index®, which had improved in May, increased again in June. The Index now stands at 81.4 (1985=100), up from 74.3 in May. The Present Situation Index increased to 69.2 from 64.8. The Expectations Index improved to 89.5 from 80.6 last month.

Lynn Franco, Director of Economic Indicators at The Conference Board said: "Consumer Confidence increased for the third consecutive month and is now at its highest level since January 2008 (Index 87.3). Consumers are considerably more positive about current business and labor market conditions than they were at the

beginning of the year. Expectations have also improved considerably over the past several months, suggesting that the pace of growth is unlikely to slow in the short-term, and may even moderately pick up."

Consumers' assessment of current conditions continued to improve in June. Those stating business conditions are "good" held steady at 19.1 percent, while those saying business conditions are "bad" decreased to 24.9 percent from 26.0 percent. Consumers' appraisal of the job market was also more positive. Those claiming jobs are "plentiful" increased to 11.7 percent from 9.9 percent, while those claiming jobs are "hard to get" edged up to 36.9 percent from 36.4 percent.

Consumers' expectations regarding the short-term outlook improved again in June. Those expecting business conditions to be better over the next six months increased to 20.3 percent from 18.7 percent, while those expecting business conditions to worsen decreased to 11.4 percent from 12.2 percent.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.1 percent in May to 95.2 (2004=100), following a 0.8 percent increase in April, and a 0.3 percent decline in March, according to the Conference Board.

Ataman Ozyildirim, economist at The Conference Board said: "Despite month-to-month volatility, the LEI's six-month growth rate remains steady, suggesting that conditions in the economy remain resilient. Widespread gains in the leading indicators over the last six months suggest there is some upside potential for economic activity in the second half of the year."

Ken Goldstein, economist at The Conference Board said: "Growth will

depend on continued improvement in the housing market and an easing of consumer and business caution which would allow overall consumption and investment to gain traction. Cutbacks in public spending programs and the drag from foreign trade remain headwinds.”

Housing

Existing-Home Sales

Existing-home sales improved in May and remain solidly above a year ago, while the median price continued to rise by double-digit rates from a year earlier, 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 4.2 percent to a seasonally adjusted annual rate of 5.18 million in May from 4.97 million in April, and was 12.9 percent above the 4.59 million-unit pace in May 2012.

Single-family home sales rose 5.0 percent to a seasonally adjusted annual rate of 4.60 million in May from 4.38 million in April, and were 12.7 percent higher than the 4.08 million-unit pace in May 2012. The median existing single-family home price was \$208,700 in May, up 15.8 percent above a year ago, the strongest increase since October 2005 when it jumped 16.9 percent from a year earlier.

Lawrence Yun, NAR chief economist, said the recovery is strengthening and to expect limited housing supplies for the balance of the year in much of the country. “The housing numbers are overwhelmingly positive. However, the number of available homes is unlikely to grow, despite a nice gain in May, unless new home construction ramps up quickly by an

additional 50 percent,” he said. “The home price growth is too fast, and only additional supply from new homebuilding can moderate future price growth.”

Existing-home sales are at the highest level since November 2009 when the market jumped to 5.44 million as buyers took advantage of tax stimulus. Sales have stayed above year-ago levels for 23 months, while the national median price shows 15 consecutive months of year-over-year increases.

Total housing inventory at the end of May rose 3.3 percent to 2.22 million existing homes available for sale, which represents a 5.1-month supply at the current sales pace, down from 5.2 months in April. Listed inventory is 10.1 percent below a year ago, when there was a 6.5-month supply.

The national median existing-home price for all housing types was \$208,000 in May, up 15.4 percent from May 2012. This marks six straight months of double-digit increases and is the strongest price gain since October 2005. The last time there were 15 consecutive months of year-over-year price increases was from March 2005 to May 2006.

Regional

Regionally, existing-home sales in the Northeast rose 1.6 percent to an annual rate of 650,000 in May and were 8.3 percent above May 2012. The median price in the Northeast was \$269,600, up 12.3 percent from a year ago.

Existing-home sales in the Midwest jumped 8.0 percent in May to a pace of 1.21 million, and were 16.3 percent higher than a year ago. The median price in the Midwest was \$159,800, up 8.2 percent from May 2012.

In the South, existing-home sales rose 4.0 percent to an annual level of 2.09

million in May and were 16.1 percent above May 2012. The median price in the South was \$183,300, which was 15.0 percent above a year ago.

Existing-home sales in the West increased 2.5 percent to a pace of 1.23 million in May and were 7.0 percent above a year ago. With the tightest regional supply, the median price in the West was \$276,400, up 19.9 percent from May 2012.

New Residential Sales

Sales of new single-family houses in May 2013 were at a seasonally adjusted annual rate of 476,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 2.1 percent above the revised April rate of 466,000 and was 29.0 percent above the May 2012 estimate of 369,000.

The median sales price of new houses sold in May 2013 was \$263,900; the average sales price was \$307,800. The seasonally adjusted estimate of new houses for sale at the end of May was 161,000. This represents a supply of 4.1 months at the current sales rate.

Sales were up from May 2012 76.6 percent in the Midwest, 27.9 percent in the South and 18.6 percent in the West. Sales were flat in the Northeast compared to May 2012.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in May were at a seasonally adjusted annual rate of 914,000. This was 6.8 percent above the revised April estimate of 856,000 and was 28.6 percent above the May 2012 rate of 711,000.

Single-family housing starts in May were at a rate of 599,000; this was 0.3

percent above the revised April figure of 597,000. Single-family starts were up 6.8 percent in the Northeast, 8.2 percent in the Midwest, 19.5 percent in the South and 18.3 percent in the West.

Retail Sales

The U.S. Census Bureau reported that advance estimates of U.S. retail and food services sales for May, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$421.1 billion, an increase of 0.6 percent from the previous month, and 4.3 percent above May 2012. Total sales for the March through May 2013 period were up 3.7 percent from the same period a year ago.

Retail trade sales were up 0.7 percent from April 2013 and 4.3 percent above last year. Nonstore retailers were up 11.3 percent from May 2012 and building material and garden equipment and supplies dealers were up 10.1 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were off 0.5 percent from May 2012. Sales at these stores were up 2.3 percent for the first 5 months of the year.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in May on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 1.4 percent before seasonal adjustment.

The shelter index rose 0.3 percent and accounted for more than half of the seasonally adjusted all items increase in May. The energy index rose modestly, with the gasoline index flat but increases in the electricity and natural gas indexes

accounting for the rise. The food index, however, turned down in May, with the food at home index falling 0.3 percent.

The index for all items less food and energy increased 0.2 percent in May. Besides the shelter increase, advances in the indexes for airline fares, recreation, and apparel also contributed to the rise. In contrast, the indexes for medical care and used cars and trucks declined in May.

The all items index increased 1.4 percent over the last 12 months, an increase from last month's 1.1 percent figure. The 12-month change in the index for all items less food and energy remained at 1.7 percent. The food index has risen modestly over the last 12 months, advancing 1.4 percent, while the index for energy has declined, falling 1.0 percent.

Employment

Total nonfarm payroll employment increased by 175,000 in May, and the unemployment rate was essentially unchanged at 7.6 percent, according to the U.S. Bureau of Labor Statistics. Employment rose in professional and business services, food services and drinking places, and retail trade.

The number of unemployed persons, at 11.8 million, were essentially unchanged in May.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in May increased \$8.0 billion or 3.6 percent to \$231.0 billion, according to the U.S. Census Bureau. This increase, up three of the last four months, followed a 3.6 percent April increase. Excluding transportation, new orders increased 0.7 percent. Excluding defense, new orders increased 3.5 percent.

Transportation equipment, also up three of the last four months, led the increase, \$6.9 billion or 10.2 percent. This was led by nondefense aircraft and parts, which increased \$6.3 billion.

Shipments of manufactured durable goods in May, up three of the last four months, increased \$2.8 billion or 1.2 percent to \$229.7 billion. This followed a 0.6 percent April decrease.

Transportation equipment, also up three of the last four months, led the increase, \$2.4 billion or 3.6 percent to \$69.3 billion. This followed a 0.9 percent April decrease.

According to this report, new orders for furniture and related products were up 7 percent for April 2013 versus April 2012 and up 1.4 percent year-to-date. Shipments for the month were up 4.8 percent and up 2.6 percent year-to-date.



Executive Summary

The results of our survey for April were encouraging with new orders up 11 percent over April 2012. As we noted in the details, last year April orders were off 13 percent from April 2011, but we had attributed that decline to the timing of market. The High Point Market was held in early April in 2011 and late April in 2012 so we thought more market related orders were booked in 2011 versus 2012. But this year's April Market was held on about the same dates as 2012, so the comparisons should be good.

We did hear at market that order writing was better this year than in quite some time.

Shipments were up 2 percent for the month of April over April 2012 and held at 1 percent above last year for the first four months. Backlogs were steady compared to March but were 6 percent higher than last year due to the increased April orders.

Receivables and inventory levels seemed to be in line with inventories up 4 percent over last year. That is probably a bit high but has been trending in the right direction over the past few months.

Factory and warehouse payrolls are 2 percent above last year for the first four months, which seems very much in line with current business conditions. The number of factory and warehouse employees was 2 percent higher than last year, also seemingly in line.

The economic news continues to be favorable for the most part. Consumer confidence showed another nice gain in June reaching the highest level since January 2008, which is certainly good news. Housing continues to show

improvements and that good news seems to be fairly widespread throughout the country. Especially housing starts have been very upbeat and good news for the economy as it puts people back to work that maybe have been working part time.

Except for a few bleeps in the stock market and the continued worry over the effects of the health care act on business and the economy in general, the stars seem to be lining up in our favor. Obviously we are not seeing major gains all over, but overall the picture does seem brighter, and that is a good thing.

Happy 4th of July to all of you. Have a safe one.

Estimated Business Activity (Millions of Dollars)						
	2013			2012		
	April	March	4 Months	April	March	4 Months
New Orders	1,794	2,085	7,702	1,616	2,106	7,487
Shipments	1,816	2,054	7,504	1,780	2,128	7,411
Backlog	1,911	1,918		1,805	1,910	

Key Monthly Indicators			
	April 2013 From March 2013 Percent Change	April 2013 From April 2012 Percent Change	4 Months 2013 Versus 4 Months 2012 Percent Change
New Orders	-14	+11	+3
Shipments	-14	+2	+1
Backlog	-	+6	
Payrolls	-11	+6	+2
Employees	-	+2	
Receivables	-13	-4	
Inventories	-	+4	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2012				
April	-13	+7	+3	+6
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