

Furniture Insights®

Monthly Results

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in March 2014 were up 9 percent over new orders in March 2013. New orders were up 13 percent over February with one more business day in March. Approximately 62 percent of the participants reported increased orders over March 2013, up from 52 percent reported last month.

Year-to-date, new orders were up 3 percent over the same period a year ago. Through February, new orders were basically flat with the first two months of 2013. Approximately one-half percent of the participants reported increased orders for the three-month period, but we would note that several participants are reporting nice double-digit growth in orders.

The first quarter results were clearly affected by weather conditions in many parts of the country, especially in February and much of March.

Shipments and Backlogs

Shipments were also up nicely over March 2013, increasing 10 percent. Shipments were up 21 percent over February, likely a result of one more shipping day, but also better weather for truckers to take loads out or deliver. Some 80 plus percent of our participants reported increased shipments over March 2013.

Year-to-date, shipments are now up 4 percent over the first quarter of 2013, up from 1 percent reported last month. Slightly over 60 percent of the participants reported



increases year-to-date, again with some reporting some nice double-digit gains, though there are some that continue to report double-digit declines.

Backlogs remained strong – up 14 percent from last March, the same as was reported last month. Backlogs increased 2 percent over February.

Furniture Insights®

A Monthly Newsletter

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Receivables and Inventories

Receivable levels were up 8 percent over March 2013, in line with the 10 percent increase in shipments. Receivables were up only 4 percent over February in spite of the 21 percent increase in shipments, so timing was likely a factor.

Inventories actually fell 2 percent from February. Inventories were 5 percent higher than March 2013, down from a 6 percent increase reported last month. Inventories continue to be in line with current business conditions.

Factory and Warehouse Employees and Payrolls

Factory and warehouse employee levels held steady compared to February. The number of employees was 5 percent higher than March 2013, the same as reported last month. These levels also appear very much in line with current business conditions.

Factory and warehouse payrolls were up 11 percent over March 2013 and up 12 percent from February. The increase from February probably resulted in one more working day and probably fewer weather days. Year-to-date, factory and warehouse payrolls remained 8 percent ahead of last year and while appearing a bit high, the percent has remained in line. This probably results in the higher increases in upholstery business versus case goods when we have more imported goods that does not increase as much with volume as it does in upholstery.

National

Consumer Confidence

The Conference Board Consumer Confidence Index®, which had decreased in April, improved moderately in May. The Index now stands at 83.0 (1985=100), up

from 81.7 in April. The Present Situation Index increased to 80.4 from 78.5, while the Expectations Index edged up to 84.8 from 83.9 in April.

Lynn Franco, Director of Economic Indicators at The Conference Board said: “Consumer confidence improved slightly in May, as consumers assessed current conditions, in particular the labor market, more favorably. Expectations regarding the short-term outlook for the economy, jobs, and personal finances were also more upbeat. In fact, the percentage of consumers expecting their incomes to grow over the next six months is the highest since December 2007 (20.2 percent). Thus, despite last month’s decline, consumers’ confidence appears to be growing.”

Consumers’ assessment of present-day conditions improved in May. Those stating business conditions are “good” decreased to 21.1 percent from 22.2 percent, while those stating business conditions are “bad” declined to 24.1 percent from 24.8 percent. Consumers’ assessment of the labor market was more favorable. Those claiming jobs are “plentiful” rose to 14.1 percent from 13.0 percent, while those claiming jobs are “hard to get” decreased slightly to 32.3 percent from 32.8 percent.

Consumers’ expectations increased slightly in May. The percentage of consumers expecting business conditions to improve over the next six months edged up to 17.5 percent from 17.2 percent, while those expecting business conditions to worsen decreased marginally to 10.2 percent from 10.5 percent.

Consumers were more positive about the outlook for the labor market. Those anticipating more jobs in the months ahead increased to 15.4 percent from 14.7 percent, while those anticipating fewer jobs edged up to 18.3 percent from 18.0

percent. The proportion of consumers expecting their incomes to grow increased to 18.3 percent from 16.8 percent, but those expecting a drop in their incomes also increased, to 14.5 percent from 12.9 percent.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.4 percent in April to 101.4 (2004=100), following a 1.0 percent increase in March, and a 0.5 percent increase in February.

“The LEI rose for the third consecutive month, driven largely by improving housing and financial market conditions,” said Ataman Ozyildirim, Economist at The Conference Board. “This latest report suggests the economy will continue to expand, and may even pick up steam through the second half of the year.”

“Despite a brutal winter which brought the economy to a halt, the overall trend in the leading economic index has remained positive,” said Ken Goldstein, Economist at The Conference Board. “If consumers continue to spend, and businesses pick up the pace of investment, the industrial core of the economy will benefit and GDP growth could move closer towards the 3 percent range.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in April to 108.5 (2004 = 100), following a 0.3 percent increase in March, and a 0.3 percent increase in February.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.2 percent in April to 123.3 (2004 = 100), following a 0.7 percent increase in March, and a 0.2 percent increase in February.

Housing

Existing-Home Sales

Existing-home sales increased for the first time this year in April, while inventory meaningfully increased and home price growth moderated, according to the National Association of Realtors® (NAR). Monthly sales gains in the West and South offset a modest decline in the Midwest while the Northeast was unchanged.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, rose 1.3 percent to a seasonally adjusted annual rate of 4.65 million in April from 4.59 million in March, but were 6.8 percent below the 4.99 million-unit level in April 2013.

Single-family home sales inched up 0.5 percent to a seasonally adjusted annual rate of 4.06 million in April from 4.04 million in March, but were 7.7 percent below the 4.40 million pace a year ago. The median existing single-family home price was \$201,100 in April, up 4.7 percent from April 2013.

Lawrence Yun, NAR chief economist, expected the improvement. “Some growth was inevitable after subpar housing activity in the first quarter, but improved inventory is expanding choices and sales should generally trend upward from this point,” he said. “Annual home sales, however, due to a sluggish first quarter, will likely be lower than last year.”

Total housing inventory at the end of April jumped 16.8 percent to 2.29 million existing homes available for sale, which represents a 5.9-month supply at the current sales pace, up from 5.1 months in March. Unsold inventory is 6.5 percent higher than a year ago, when there was a 5.2-month supply.

“We’ll continue to see a balancing act between housing inventory and price growth, which remains stronger than normal simply because there have not been enough sellers in many areas. More inventory and increased new-home construction will help to foster healthy market conditions,” Yun added.

The median existing-home price for all housing types in April was \$201,700, which was 5.2 percent above April 2013; in the first quarter the median price was 8.6 percent above a year earlier. “Current price data suggests a trend of slower growth, which bodes well for preserving favorable affordability conditions in much of the country,” Yun said.

Existing condominium and co-op sales rose 7.3 percent to an annual rate of 590,000 units in April from 550,000 units in March, but were unchanged from April 2013. The median existing condo price was \$205,500 in April, which was 8.3 percent higher than a year ago.

Regional

Regionally, existing-home sales in the Northeast were unchanged at an annual rate of 600,000 in April, but were 6.3 percent below April 2013. The median price in the Northeast was \$244,000, down 0.4 percent from a year ago.

Existing-home sales in the Midwest slipped 1.0 percent in April to a pace of 1.03 million, and were 9.6 percent below a year ago. The median price in the Midwest was \$157,200, which was 5.8 percent above April 2013.

In the South, existing-home sales increased 1.0 percent to an annual level of 1.94 million in April, but were 3.5 percent below April 2013. The median price in the South was \$173,200, up 3.2 percent from a year ago.

Existing-home sales in the West rose 4.9 percent to a pace of 1.08 million in April, but were 10.0 percent below a year ago. The median price in the West was \$291,200, which was 9.7 percent above April 2013.

New Residential Sales

Sales of new single-family houses in April 2014 were at a seasonally adjusted annual rate of 433,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 6.4 percent above the revised March rate of 407,000, but was 4.2 percent below the April 2013 estimate of 452,000.

The median sales price of new houses sold in April 2014 was \$275,800; the average sales price was \$320,100. The seasonally adjusted estimate of new houses for sale at the end of April was 192,000. This represents a supply of 5.3 months at the current sales rate.

Comparing April 2014 to April 2013, new house sales were down 31.3 percent in the Northeast, 9.6 percent in the South and 6.1 percent in the West. Sales were up 35.5 percent in the Midwest.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,072,000. This was 13.2 percent above the revised March estimate of 947,000 and was 26.4 percent above the April 2013 rate of 848,000.

Single-family housing starts in April were at a rate of 649,000; this was 0.8 percent above the revised March figure of 644,000. Comparing April 2014 to April 2013, single-family housing starts were up 7.4 percent in the Midwest, 15.1 percent in

the South and 10.5 percent in the West, while such starts were down 13.6 percent in the Northeast. Nationally, single-family starts were up 9.8 percent over last April.

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 \$434.6 billion, an increase of 0.1 percent from the previous month, and 4.0 percent above April 2013. Total sales for the February 2014 through April 2014 period were up 3.3 percent from the same period a year ago.

Retail trade sales were up 0.2 percent from March 2014, and 4.2 percent above last year. Auto and other motor vehicle dealers were up 10.5 percent from April 2013 and nonstore retailers were up 6.5 percent from last year.

Sales at furniture and home furnishings stores in April were down 0.6 percent from March, but up 3.5 percent over April 2013. Year-to-date, sales at these stores were up 1.8 percent over the first four months of 2013.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in April on a seasonally adjusted basis, according to the report issued by the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 2.0 percent before seasonal adjustment.

The indexes for gasoline, shelter, and food all rose in April and contributed to the seasonally adjusted all items increase. The gasoline index rose 2.3 percent; this led to the first increase in the energy index since January, despite declines in the electricity and fuel oil indexes. The food

index rose 0.4 percent for the third month in a row, as the index for meats rose sharply.

The index for all items less food and energy rose 0.2 percent in April, with most of its major components posting increases, including shelter, medical care, airline fares, new vehicles, used cars and trucks, and recreation. The indexes for apparel, household furnishings and operations, and personal care were all unchanged in April.

The all items index increased 2.0 percent over the last 12 months; this compares to a 1.5 percent increase for the 12 months ending March, and is the largest 12-month increase since July. The index for all items less food and energy has increased 1.8 percent over the last 12 months. The energy index has risen 3.3 percent, and the food index has advanced 1.9 percent over the span.

Employment

Total nonfarm payroll employment rose by 288,000, and the unemployment rate fell by 0.4 percentage point to 6.3 percent in April, according to the U.S. Bureau of Labor Statistics. Employment gains were widespread, led by job growth in professional and business services, retail trade, food services and drinking places, and construction.

In April, the number of unemployed persons, at 9.8 million, decreased by 733,000. Both measures had shown little movement over the prior 4 months. Over the year, the unemployment rate and the number of unemployed persons declined by 1.2 percentage points and 1.9 million, respectively.

Durable Goods Orders and Factory Shipments

According to the U.S. Census Bureau, new orders for manufactured durable goods in April increased \$1.9 billion or 0.8 percent to \$239.9 billion. This increase, up three consecutive months, followed a 3.6 percent March increase. Excluding transportation, new orders increased 0.1 percent. Excluding defense, new orders decreased 0.8 percent.

Transportation equipment, also up three consecutive months, led the increase, \$1.7 billion or 2.3 percent.

Shipments of manufactured durable goods in April, down following two consecutive monthly increases, decreased \$0.6 billion or 0.2 percent to \$237.2 billion. This followed a 1.3 percent March increase.

Transportation equipment, down following three consecutive monthly increases, drove the decrease, \$0.7 billion or 1.0 percent to \$69.5 billion.

According to the full report, shipments in March 2014 of furniture and related products were up 3.1 percent over March 2013 and were up 2.6 percent year-to-date. New orders were up 5.4 percent over last March and up 3.6 percent year-to-date.

**Executive Summary**

The results of our most recent survey of residential furniture manufacturers and distributors showed significant improvement over prior months. New orders in March 2014 were up 9 percent over March 2013 with approximately 62 percent of the participants reporting increased orders. This brought year-to-date orders to a positive 3 percent over the first quarter of 2013.

Shipments were up 10 percent over March 2013 with some 80 percent of the participants reporting increased shipments. Year-to-date, shipments were up 4 percent over the first quarter of 2013. Just over 60 percent of the participants reported increased shipments for the quarter.

We would note that in both orders and shipments, there are wide variances in the reports from participants. Some are reporting nice double-digit increases while others are reporting, in some cases, double-digit declines.

Backlogs remained steady, increasing 2 percent over February. Compared to March 2013, backlogs remained 14 percent ahead of last year.

Receivables were up 8 percent from March 2013, in line with the increase in shipments. Inventories were down 2 percent from February, due to the increase in shipments. Compared to March 2013, inventories were up 5 percent which appears to be in line with the increase in business.

Factory and warehouse payrolls were up 11 percent over last March and up 8 percent for the quarter. We think part of

this is attributable to better business in upholstery verses case goods. Payrolls in upholstery tend to vary with increased sales, whereas for case goods importers, payrolls do not increase proportionately with sales.

We think the positive results of March were somewhat attributable to weather finally easing up in most parts of the country. Consumer confidence, while still a bit soft, seems to continue to improve, though still up and down slightly. Even with the ups and downs, the trend line continues to be on a positive line.

Housing results are mixed, though at least out of the depths of the recession. Most of the other national news remains mostly positive. The economic indicators remain positive and results for durable goods are also positive. Unemployment continues to decline. While we did not see much GDP growth in the first quarter, most believe that was mostly weather related and believe we will see much stronger growth for the rest of the year.

After what appeared to be a very positive April High Point Market, for the most part, we are hearing that business has remained pretty good. Let's hope the late spring and summer months continue to improve. We really do not see any reason for anything but positive results for the rest of 2014, barring any unforeseen national or international occurrence.

Estimated Business Activity (Millions of Dollars)						
	2014			2013		
	March	February	3 Months	March	February	3 Months
New Orders	2,263	1,942	6,083	2,085	1,990	5,908
Shipments	2,259	1,809	5,916	2,054	1,846	5,688
Backlog (R)	2,055	2,020		1,805	1,774	

Key Monthly Indicators			
	March 2014 From February 2014 Percent Change	March 2014 From March 2013 Percent Change	3 Months 2014 Versus 3 Months 2013 Percent Change
New Orders	+13	+9	+3
Shipments	+21	+10	+4
Backlog	+2	+14	
Payrolls	+12	+11	+8
Employees	-	+5	
Receivables	+4	+8	
Inventories	-2	+5	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2013				
March	-1	-3	-	+2
April	+11	+2	+6	+6
May	+6	+3	+9	+3
June	+9	+8	+10	+3
July	+13	+9	+9	+2
August	+9	+3	+17	+2
September	+4	+11	+14	+3
October	+5	+9	+11	+4
November	+10	+10	+13	+3
December	+5	+4	+14	+4
2014				
January	+2	+3	+15	+5
February	-2	-2	+14	+5
March	+9	+10	+14	+5