

# Furniture Insights®

## Monthly Results

### New Orders

New orders in August 2014 increased 5 percent over August 2013, according to our latest survey of residential furniture manufacturers and distributors. New orders increased 3 percent over July. New orders were up for some 60 percent of the participants, down slightly from 64 percent reported last month.

Year-to-date, new orders remained 5 percent ahead of the same period a year ago. Last year at this time, new orders were 6 percent ahead of the first eight months of 2012. Approximately 69 percent of the participants have reported increased orders year-to-date, the same that we reported last month.

### Shipments and Backlogs

Shipments in August 2014 were up 6 percent over August 2013, the same as we reported last month. Shipments were up for some 74 percent of our participants.

Year-to-date, shipments were up 6 percent over the first eight months of 2013. In 2013, shipments for the first eight months were 4 percent higher than the same period from 2012. Some 69 percent of our participants have reported increased shipments over 2013 for the year-to-date results.

Backlogs were up 3 percent over August 2013.



### Receivables and Inventories

Receivables in August were 6 percent higher than August 2013, in line with both the increase in shipments for August 2014 versus August 2013, as well as the increase in year-to-date shipments.

## Furniture Insights®

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](mailto:ksmith@smithleonardcpas.com)

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Inventories were up 6 percent over 2013 levels, down from 9 percent reported last month. Inventories fell 1 percent from July. These results indicated that inventories in September were much more in line with current conditions.

### **Factory and Warehouse Employees and Payrolls**

The number of factory and warehouse employees fell 1 percent from July. August 2014 levels were 4 percent higher than August 2013 down from a 6 percent increase reported last month.

Factory and warehouse payrolls were up 1 percent over August 2013 and up 5 percent year-to-date. This was down from a 6 percent increase reported last month, but still in line for the most part with current conditions.

### **National**

#### **Consumer Confidence**

The Conference Board Consumer Confidence Index®, which had decreased in September, rebounded in October. The Index now stands at 94.5 (1985=100), up from 89.0 in September. The Present Situation Index edged up from 93.0 to 93.7, while the Expectations Index increased sharply to 95.0 from 86.4 in September.

Lynn Franco, Director of Economic Indicators at The Conference Board said: “Consumer confidence, which had declined in September, rebounded in October. A more favorable assessment of the current job market and business conditions contributed to the improvement in consumers’ view of the present situation. Looking ahead, consumers have regained confidence in the short-term outlook for the economy and labor market, and are more optimistic

about their future earnings potential. With the holiday season around the corner, this boost in confidence should be a welcome sign for retailers.”

Consumers’ appraisal of current conditions was moderately more favorable in October than in September. Their view of business conditions was mixed; while the proportion saying conditions are “good” inched up from 24.2 percent to 24.5 percent, those claiming business conditions are “bad” also increased slightly, from 21.2 percent to 21.7 percent. Consumers’ assessment of the job market improved moderately, with the proportion stating jobs are “plentiful” increasing marginally from 16.3 percent to 16.5 percent, and those claiming jobs are “hard to get” declining slightly from 29.4 percent to 29.1 percent.

Consumers’ optimism, which had declined considerably in September, improved in October. The percentage of consumers expecting business conditions to improve over the next six months increased from 19.0 percent to 19.6 percent, while those expecting business conditions to worsen fell from 11.4 percent to 9.3 percent. Consumers’ outlook for the labor market also improved markedly. Those anticipating more jobs in the months ahead increased to 16.8 percent from 16.0 percent, while those anticipating fewer jobs fell from 16.9 percent to 13.9 percent. The proportion of consumers expecting growth in their incomes rose from 16.9 percent in September to 17.7 percent in October, while the proportion expecting a drop in income fell from 13.4 percent to 11.6 percent.

### **Leading Economic Indicators**

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.8 percent in September to 104.4 (2004=100), following no change in August, and a 1.1 percent increase in July.

“The LEI picked up in September, after no change in August, and the strengths among its components have been very widespread over the past six months,” said Ataman Ozyildirim, Economist at The Conference Board. “The outlook for improving employment and further income growth are expected to support the moderate expansion in the U.S. economy for the remainder of the year.”

“The financial markets are reflecting turmoil and unease, but the data on the leading indicators continue to suggest moderate growth in the short-term,” said Ken Goldstein, Economist at The Conference Board. “Meanwhile, the weak advances in the housing market remain a bigger risk to the outlook than short-term financial gyrations.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.4 percent in September to 110.2 (2004 = 100), following a 0.1 percent increase in August, and a 0.3 percent increase in July.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.1 percent in September to 125.1 (2004= 100), following a 0.3 percent increase in August, and a 0.2 percent increase in July.

### **Housing**

#### **Existing-Home Sales**

After a modest decline last month, existing-home sales bounced back in September to their highest annual pace of

the year, according to the National Association of Realtors® (NAR). All major regions except for the Midwest experienced gains in September.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, increased 2.4 percent to a seasonally adjusted annual rate of 5.17 million in September from 5.05 million in August. Sales are now at their highest pace of 2014, but still remain 1.7 percent below the 5.26 million-unit level from last September.

Single-family home sales rose 2.0 percent to a seasonally adjusted annual rate of 4.56 million in September from 4.47 million in August, but remain 1.9 percent below the 4.65 million pace a year ago. The median existing single-family home price was \$210,300 in September, up 5.9 percent from September 2013.

Lawrence Yun, NAR chief economist, says the improved demand for buying seen since the spring has carried into the fall. “Low interest rates and price gains holding steady led to September’s healthy increase, even with investor activity remaining on par with last month’s marked decline,” he said. “Traditional buyers are entering a less competitive market with fewer investors searching for available homes, but may also face a slight decline in choices due to the fact that inventory generally falls heading into the winter.”

The median existing-home price for all housing types in September was \$209,700, which was 5.6 percent above September 2013. This marks the 31<sup>st</sup> consecutive month of year-over-year price gains.”

Total housing inventory at the end of September fell 1.3 percent to 2.30 million existing homes available for sale, which represents a 5.3-month supply at the

current sales pace. Despite fewer homes for sale in September, unsold inventory is still 6.0 percent higher than a year ago, when there were 2.17 million existing homes available for sale.

According to Freddie Mac, after falling for four consecutive months, the average commitment rate for a 30-year, conventional, fixed-rate mortgage rose to 4.16 percent in September from 4.12 percent in August. Despite the slight increase, interest rates are 33 basis points less than a year ago (4.49 percent).

The percent share of first-time buyers continues to underperform historically, remaining at 29 percent for the third consecutive month. First-time buyers have represented less than 30 percent of all buyers in 17 of the past 18 months.

### **Regional**

Regionally, September existing-home sales in the Northeast climbed 1.5 percent to an annual rate of 680,000, but remain 1.4 percent below a year ago. The median price in the Northeast was \$249,800, which was 4.8 percent higher than a year ago.

In the Midwest, existing-home sales declined 5.6 percent to an annual level of 1.17 million in September, and remain 4.9 percent below September 2013. The median price in the Midwest was \$165,100, up 4.9 percent from a year ago.

Existing-home sales in the South increased 5.0 percent to an annual rate of 2.12 million in September, and were 1.4 percent above September 2013. The median price in the South was \$180,900, up 5.1 percent from a year ago.

Existing-home sales in the West jumped 7.1 percent to an annual rate of 1.20 million in September, but remain 4.0 percent below a year ago. The median

price in the West was \$294,200, which was 4.0 percent above September 2013.

### **New Residential Sales**

Sales of new single-family houses in September 2014 were at a seasonally adjusted annual rate of 467,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 0.2 percent above the revised August rate of 466,000 and was 17.0 percent above the September 2013 estimate of 399,000.

The median sales price of new houses sold in September 2014 was \$259,000; the average sales price was \$313,200. The seasonally adjusted estimate of new houses for sale at the end of September was 207,000. This represents a supply of 5.3 months at the current sales rate.

Compared to September 2013, new home sales were up 20.0 percent in the Northeast, 6.7 percent in the Midwest, 18.6 percent in the South and 19.1 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 September were at a seasonally adjusted annual rate of 1,017,000. This was 6.3 percent above the revised August estimate of 957,000 and was 17.8 percent above the September 2013 rate of 863,000.

Single-family house starts in September were at a rate of 646,000; this was 1.1 percent above the revised August figure of 639,000. The September rate for units in buildings with five units or more was 353,000. Compared to September 2013, new privately-owned housing starts were up 15.8 percent in the Midwest, 9.9

percent in the South and 14.6 percent in the West. Starts were flat in the Northeast.

### **Retail Sales**

The U.S. Census Bureau announced recently that advance estimates of U.S. retail and food services sales for September, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$442.7 billion, a decrease of 0.3 percent from the previous month, but 4.3 percent above September 2013. Total sales for the July through September 2014 period were up 4.5 percent from the same period a year ago.

Retail trade sales were down 0.4 percent from August 2014, but 4.0 percent above last year. Auto and other motor vehicle dealers were up 10.4 percent from September 2013 and food services and drinking places were up 7.1 percent from last year.

Sales on an adjusted basis at furniture and home furnishings stores were up 0.3 percent from September 2013 and up 2.5 percent year-to-date.

### **Consumer Prices**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in September on a seasonally adjusted basis, according to a recent report by the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index increased 1.7 percent before seasonal adjustment.

Increases in shelter and food indexes outweighed declines in energy indexes to result in the seasonally adjusted all items increase. The food index rose 0.3 percent as five of the six major grocery store food group indexes increased. The energy index declined 0.7 percent as the indexes for gasoline, electricity, and fuel oil all fell.

The index for all items less food and energy increased 0.1 percent in September. Along with the shelter index, the index for medical care increased, and the indexes for alcoholic beverages and for personal care advanced slightly. Several indexes were unchanged, and the indexes for airline fares and for used cars and trucks declined in September.

The all items index increased 1.7 percent over the last 12 months, the same increase as for the 12 months ending August. The 12-month change in the index for all items less food and energy also remained at 1.7 percent. The 12-month change in the shelter index has been gradually increasing, and reached 3.0 percent for the first time since January 2008. The food index has also risen 3.0 percent over the span, while the energy index has declined 0.6 percent.

### **Employment**

Total nonfarm payroll employment increased by 248,000 in September, and the unemployment rate declined to 5.9 percent, according to the report from the U.S. Bureau of Labor Statistics. Employment increased in professional and business services, retail trade, and health care.

In September, the unemployment rate declined by 0.2 percentage point to 5.9 percent. The number of unemployed persons decreased by 329,000 to 9.3 million. Over the year, the unemployment rate and the number of unemployed persons were down by 1.3 percentage points and 1.9 million, respectively.

### **Durable Goods Orders and Factory Shipments**

New orders for manufactured durable goods in September decreased \$3.2 billion or 1.3 percent to \$241.6 billion, according

to the advance report by the U.S. Census Bureau. This decrease, down two consecutive months, followed an 18.3 percent August decrease. Excluding transportation, new orders decreased 0.2 percent. Excluding defense, new orders decreased 1.5 percent. Transportation equipment, also down two consecutive months, led the decrease, \$2.8 billion or 3.7 percent to \$73.4 billion.

Shipments of manufactured durable goods in September, up three of the last four months, increased \$0.1 billion or 0.1 percent to \$245.6 billion. This followed a 1.8 percent August decrease. Fabricated metal products, up eight of the last nine months, drove the increase, \$0.2 billion or 0.6 percent to \$30.5 billion.

According to the full report, new shipments and orders for furniture and related products were up 2.2 and 2.7 percent, respectively.





**Executive Summary**

In line with most of what we had been hearing, new orders in August 2014 increased 5 percent over new orders in August 2013, according to our latest

survey of furniture manufacturers and distributors. These results left the year-to-date increase at 5 percent, the same as last month. The year-to-date through August 2013 was an increase of 6 percent over 2012.

Approximately 69 percent of the participants reported increased orders year-to-date. This was about the same percentage as reported last month.

Shipments in August were 6 percent higher than August 2013 and remained 6 percent higher for the eight months ended August 2014. The eight months ended August 2013 showed a 4 percent increase in shipments. Shipments increased year-to-date for 69 percent of our participants. Backlogs were 3 percent higher than August 2013, down from a 5 percent increase reported last month.

Receivables were 6 percent higher in August 2014 compared to August 2013, very much in line with the monthly and year-to-date shipment results. Inventories were also up 6 percent versus August 2013, down from a 9 percent increase reported last month and more in line with current conditions.

The number of factory and warehouse employees was up 4 percent from last August, down from 6 percent reported last month. Factory and warehouse payrolls were up 1 percent over last August, but up 5 percent year-to-date, which is more in line with current conditions.

On a national level, there was good news from The Conference Board. Consumer confidence increased to 94.5, up from 89 reported last month. The Present Situation Index increased to 93.7 from 93, but the Expectation Index increased substantially to 95 from 86.4. Future expectations for job and economic growth were the drivers for the Expectation Index.

The Conference Board's Leading Economic Index also improved as the outlook for improving employment and income growth was good. Housing continued to stay pretty steady. Existing home sales improved in September to the highest level of 2014 and were just slightly below the 2013 pace. Sales of these homes improved significantly in all regions of the country except the Midwest.

New residential sales were up from August and 17 percent ahead of September 2013, with sales up in all four regions of the country. Housing starts were also up nicely in each of the regions except for being flat in the Northeast.

Retail sales trended down slightly in September but were still up 4 percent over last year. Sales at furniture and home furnishings stores were up 2.5 percent year-to-date.

The recent upticks led to one of the most positive High Point Markets we have seen in some time. While the "mood" of market always seems good, this one actually felt good for other reasons. Some of the exhibitors who do write substantial orders at market said their order writing was the highest in years.

We felt like attendance was also up significantly, at least at some showrooms. Attendance being up or down is showroom by showroom. We did try to explain to a few who "felt" attendance might be off a bit that as far as we knew, every dealer

does not go to every single showroom, so there is no real way to measure “traffic.”

The weather was awesome with no bad days, allowing folks to enjoy some outside strolls in addition to the buses. Overall, we felt that it was one of the best markets in years. Except for those who write a lot of business at market, the proof of how good will be known in the next two weeks to two months.

We hope each of you had a good one whether looking for new merchandise, making commitments, writing orders (on both sides) or good feelings about new product introduction. While we are not merchandise experts, we noted a good number of new introductions, styles and fabrics that certainly looked good to us.

Let's hope that business at retail continues to improve with increased consumer confidence, making those responsible for ordering the commitments made at market, feel comfortable doing so.





Estimated Business Activity (Millions of Dollars)						
	2014			2013		
	August	July	8 Months	August	July	8 Months
New Orders	2,024	1,928	16,129	1,936	1,847	15,400
Shipments	1,966	1,964	16,208	1,855	1,769	15,336
Backlog (R)	2,030	1,965		1,961	1,880	

Key Monthly Indicators			
	August 2014 From July 2014 Percent Change	August 2014 From August 2013 Percent Change	8 Months 2014 Versus 8 Months 2013 Percent Change
New Orders	+3	+5	+5
Shipments	+9	+6	+6
Backlog	-	+3	
Payrolls	+9	+1	+5
Employees	-1	+4	
Receivables	+2	+6	
Inventories	-1	+6	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
<b>2013</b>				
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
<b>2014</b>				
January	+2	+3	+15	+5
February	-2	-2	+14	+5
March	+9	+10	+14	+5
April	+13	+12	+13	+5
May	+3	+5	+13	+5
June	+5	+4	+10	+6
July	+4	+11	+5	+6
August	+5	+6	+3	+4