

# Furniture Insights®

## Monthly Results

### New Orders

New orders in July 2013 increased 13 percent over orders in July 2012, according to our latest survey of residential furniture manufacturers and distributors. New orders were 2 percent lower than June 2013 but that is pretty normal for the July to June comparison. Approximately 76 percent of the participants reported increased orders in July over July comparisons. This was up from 64 percent last month.

Year-to-date, new orders were up 6 percent through July (new orders were up 4 percent year-to-date in July 2012 over July 2011). Some 78 percent of the participants are now reporting increased orders year-to-date. This was up from 76 percent reported last month and 67 percent in May.

### Shipments and Backlogs

Shipments in July 2013 were 9 percent higher than July 2012 but were down 20 percent from June. The June to July decrease is normal due to the shutdowns for the week of the 4<sup>th</sup> that most companies take. This increase followed an 8 percent increase reported last month in comparing June over June 2012.

Year-to-date, shipments were up 4 percent over the same period a year ago. Last year at this time, shipments were 8 percent higher than the year before. Shipments were up for 73 percent of the participants, up from 67 percent reported last month.



Backlogs were up 12 percent over July a year ago, up from a 10 percent increase reported last month. With backlogs up, we should expect shipments to continue to rise over the next several months.

## Furniture Insights®

A Monthly Newsletter

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### **Receivables and Inventories**

Receivable levels increased 6 percent over last July, a little higher than the year-to-date shipments increase of 4 percent. But considering the 9 percent increase for the month's shipments, these levels appear to be in line.

Inventories, while up 3 percent from June levels, were flat compared to July 2012. Most likely the increase from June was the planning for the week of the 4<sup>th</sup> shutdown.

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

Factory and warehouse payrolls in July were down 12 percent from June levels, again expected due to vacation time. Payrolls were up 24 percent from July a year ago. We think that was probably timing of payrolls in the month. Year-to-date, factory and warehouse payrolls were up 6 percent over the same period last year, pretty much in line with shipment and order rates.

The number of factory and warehouse employees was up 2 percent from a year ago and up 1 percent from last month. With payrolls up 6 percent and employee only up 2 percent, it appears that maybe the employees are getting more hours.

## **National**

### **Consumer Confidence**

According to The Conference Board, the Consumer Confidence Index®, which had increased slightly in August, decreased in September. The Index now stands at 79.7 (1985=100), down from 81.8 in August. The Present Situation Index grew to 73.2 from 70.9. The Expectations Index fell to 84.1 from 89.0 last month.

Lynn Franco, Director of Economic Indicators at The Conference Board said:

“Consumer Confidence decreased in September as concerns about the short-term outlook for both jobs and earnings resurfaced, while expectations for future business conditions were little changed. Consumers’ assessment of current business and labor market conditions, however, was more positive. While overall economic conditions appear to have moderately improved, consumers are uncertain that the momentum can be sustained in the months ahead.”

Consumers’ appraisal of present-day conditions improved moderately. Those claiming business conditions are “good” increased to 19.5 percent from 18.7 percent, while those claiming business conditions are “bad” decreased to 23.9 percent from 24.5 percent. Consumers’ assessment of the labor market was also more favorable. Those saying jobs are “plentiful” increased slightly to 11.5 percent from 11.3 percent, while those saying jobs are “hard to get” decreased to a five-year low of 32.7 percent from 33.3 percent.

Consumers’ expectations, which had increased in August, declined in September. The percentage of consumers expecting business conditions to improve over the next six months edged up to 20.9 percent from 20.6 percent, while those expecting business conditions to worsen was virtually unchanged at 11.0 percent.

### **Leading Economic Indicators**

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.7 percent in August to 96.6 (2004=100), following a 0.5 percent increase in July, and no change in June, according to the Conference Board.

“After a brief pause, the U.S. LEI rose sharply in July and August, resuming its upward trend,” said Ataman Ozyildirim,

Economist at The Conference Board. “If the LEI’s six-month growth rate, which has nearly doubled, continues in the coming months, economic growth should gradually strengthen through the end of the year. Despite weakness in residential construction, consumer expectations, and the stock market, improvements in the LEI’s labor market and financial components, as well as new manufacturing orders, drove this month’s gain.”

Ken Goldstein, Economist at The Conference Board said: “The latest reading points to more pep in the pace of economic activity in the near term. One unknown is how resilient confidence will remain, both consumer and business, given the mixed signals from the housing and labor markets. Perhaps the bigger question is a satisfactory resolution to federal budget squabbles.”

## **Housing**

### **Existing-Home Sales**

Existing-home sales increased in August and reached the highest level in six-and-a-half years, while the median price shows nine consecutive 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, rose 1.7 percent to a seasonally adjusted annual rate of 5.48 million in August from 5.39 million in July, and were 13.2 percent higher than the 4.84 million-unit level in August 2012.

Sales are at the highest pace since February 2007, when they hit 5.79 million, and have remained above year-ago levels for the past 26 months.

Single-family home sales rose 1.7 percent to a seasonally adjusted annual rate of 4.84 million in August from 4.76 million in July, and were 12.8 percent above the 4.29 million-unit pace in August 2012. The median existing single-family home price was \$212,200 in August, which was 14.4 percent higher than a year ago.

Lawrence Yun, NAR chief economist, said the market may be experiencing a temporary peak. “Rising mortgage interest rates pushed more buyers to close deals, but monthly sales are likely to be uneven in the months ahead from several market frictions,” he said. “Tight inventory is limiting choices in many areas, higher mortgage interest rates mean affordability isn’t as favorable as it was, and restrictive mortgage lending standards are keeping some otherwise qualified buyers from completing a purchase.”

Total housing inventory at the end of August increased 0.4 percent to 2.25 million existing homes available for sale, which represents a 4.9-month supply at the current sales pace, down from a 5.0-month supply in July. Unsold inventory is 6.3 percent below a year ago, when there was a 6.0-month supply. “Limited inventory in some areas means multiple bidding remains a factor; 17 percent of all homes sold above the asking price in August, although 63 percent sold below list price.”

The national median existing-home price for all housing types was \$212,100 in August, up 14.7 percent from August 2012. This is the strongest year-over-year price gain since October 2005 when the median rose 16.6 percent, and marks 18 consecutive months of year-over-year price increases.

**Regional**

Regionally, existing-home sales in the Northeast were unchanged at an annual rate of 710,000 in August but were 12.7 percent above August 2012. The median price in the Northeast was \$268,800, up 7.6 percent from a year ago.

Existing-home sales in the Midwest increased 3.1 percent in August to a pace of 1.32 million, and were 18.9 percent higher than a year ago. The median price in the Midwest was \$166,100, which was 10.0 percent above August 2012.

In the South, existing-home sales rose 3.8 percent to an annual level of 2.19 million in August and were 13.5 percent above August 2012. The median price in the South was \$181,000, up 14.6 percent from a year ago.

Existing-home sales in the West declined 2.3 percent to a pace of 1.26 million in August but were 7.7 percent higher than a year ago. With the tightest regional inventory conditions, the median price in the West rose to \$287,500, which was 18.8 percent above August 2012.

**New Residential Sales**

Sales of new single-family houses in August 2013 were at a seasonally adjusted annual rate of 421,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 7.9 percent above the revised July rate of 390,000 and was 12.6 percent above the August 2012 estimate of 374,000.

The median sales price of new houses sold in August 2013 was \$254,600; the average sales price was \$318,900. The seasonally adjusted estimate of new houses for sale at the end of August was 175,000. This represents a supply of 5.0 months at the current sales rate.

New houses sold in August 2013 versus August 2012 were up 27.6 percent in the Northeast, 15.1 percent in the Midwest, and 28.2 percent in the South. Sales were down 21.2 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 August were at a seasonally adjusted annual rate of 891,000. This was 0.9 percent above the revised July estimate of 883,000 and was 19.0 percent above the August 2012 rate of 749,000.

Single-family housing starts in August were at a rate of 628,000; this was 7.0 percent above the revised July figure of 587,000. Single-family starts in August 2013 versus August 2012 were up 18.8 percent in the Northeast; 21.8 percent in the Midwest, 8.2 percent in the South and 35.8 percent in the West.

**Retail Sales**

The U.S. Census Bureau reported that advance estimates of U.S. retail and food services sales for August, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$426.6 billion, an increase of 0.2 percent from the previous month, and 4.7 percent above August 2012. Total sales for the June through August 2013 period were up 5.4 percent from the same period a year ago.

Retail trade sales were up 0.2 percent from July 2013 and 4.8 percent above last year. Auto and other motor vehicle dealers were up 12.3 percent from August 2012 and nonstore retailers were up 10.2 percent from last year.

Sales on an adjusted basis at furniture and home furnishings stores in August 2013 were up 0.9 percent over July and up 4.9 percent from August 2012. Year-to-date, sales at these stores were up 3.5 percent over the same period a year ago.

### **Consumer Prices**

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.1 percent in August on a seasonally adjusted basis, according to the U.S. Bureau of Labor Statistics report. Over the last 12 months, the all items index increased 1.5 percent before seasonal adjustment.

Increases in the indexes for shelter and medical care contributed to the increase in the seasonally adjusted all items index; they also accounted for most of the 0.1 percent increase in the index for all items less food and energy. Within all items less food and energy, the indexes for personal care, tobacco, and apparel rose as well, while the indexes for airline fares, household furnishings and operations, and used cars and trucks declined.

The food index rose slightly in August, with the fruits and vegetable index rising 1.2 percent and four of the six major grocery store group indexes increasing. The energy index declined 0.3 percent, due mostly to a sharp decline in the index for natural gas. The gasoline and electricity indexes also declined slightly, while the index for fuel oil rose.

The all items index increased 1.5 percent over the last 12 months. The index for all items less food and energy has risen 1.8 percent over the last year; the 12-month change has remained in the range of 1.6 percent to 2.3 percent since June of 2011. The food index rose 1.4 percent over the last 12 months, a figure that has held steady since May. The energy index

declined 0.1 percent over the last 12 months.

### **Employment**

Total nonfarm payroll employment increased by 169,000 in August, and the unemployment rate was little changed at 7.3 percent, according to the latest from the U.S. Bureau of Labor Statistics report. Employment rose in retail trade and health care but declined in information.

The number of unemployed persons, at 11.3 million, changed little in August. The jobless rate is down from 8.1 percent a year ago.

The number of persons employed part time for economic reasons (sometimes referred to as involuntary part-time workers) declined by 334,000 to 7.9 million in August. These individuals were working part time because their hours had been cut back or because they were unable to find a full-time job.

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

New orders for manufactured durable goods in August increased \$0.3 billion or 0.1 percent to \$224.9 billion, according to the U.S. Census Bureau. This increase, up four of the last five months, followed an 8.1 percent July decrease. Excluding transportation, new orders decreased 0.1 percent. Excluding defense, new orders increased 0.5 percent.

Transportation equipment, also up four of the last five months, drove the increase, \$0.5 billion or 0.7 percent. This was driven by motor vehicles and parts, which increased \$1.1 billion.

Shipments of manufactured durable goods in August, up following two consecutive monthly decreases, increased \$2.1 billion or 0.9 percent to \$231.5 billion. This was at the highest level since

the series was first published on a NAICS basis in 1992, and followed a 0.1 percent July decrease.

Transportation equipment, also up following two consecutive monthly decreases, led the increase, \$1.0 billion or 1.5 percent to \$69.7 billion.

Shipments in the furniture and related products category in July 2013 were up 5.0 percent over July 2012 and are now up 3.4 percent year-to-date. New orders in this category were up 5.1 percent over July 2012 and up 2.9 percent year-to-date.



### **Executive Summary**

New orders in July were up 13 percent over July 2012, according to our latest survey. This was the fourth month in a row that orders were up good solid percentages (starting with April – 11 percent, May – 6 percent, June – 9 percent and now July – 13 percent). This has brought the year-to-date orders to a 6 percent increase over last year's first seven months.

Shipments were also up nicely, increasing 9 percent and bringing the year-to-date up 4 percent. Backlogs were up 12 percent over last year so we expect shipments will continue to improve over the next few months.

Receivable and inventory levels remain in good shape based on the current business conditions. Also the number of factory and warehouse employees as well as their payrolls seemed to be in line.

Overall, we continue to hear that business continues to improve, maybe not at levels we would like, but still improving. While consumer confidence slipped a bit, the economic indicators still look good for the near future.

Housing continues to improve both in sales and values. We should pay attention to the housing numbers by region of the country (see existing and new housing sales section of our National section). Depending on which regions you are selling to both at retail and wholesale, housing is not the same all across the country. Focusing on some of the faster growing regions, may pay off in the coming months.

Retail sales in general are holding up and consumer prices continue in the

reasonable ranges. Until this week, stock prices have also been favorable.

Now all we have to worry about is what will our folks in Washington, DC do next to mess all the good signs up. The potential of a government shutdown does not seem like a good thing. Somehow we wish we could get back to a more reasonable level of doing what is right for the country versus what is right for a political party.

Let's hope we can avoid losing the ground we have gained in the last couple of years. Most businesses have now settled into models that are sustainable, if we can keep the bottom from dropping out of sales.



Estimated Business Activity (Millions of Dollars)						
	2013			2012		
	July	June	7 Months	July	June	7 Months
New Orders	1,847	1,902	13,464	1,629	1,753	12,761
Shipments	1,769	2,213	13,481	1,623	2,058	13,022
Backlog	1,920	1,858		1,708	1,696	

Key Monthly Indicators			
	July 2013 From June 2013 Percent Change	July 2013 From July 2012 Percent Change	7 Months 2013 Versus 7 Months 2012 Percent Change
New Orders	-2	+13	+6
Shipments	-20	+9	+4
Backlog	+7	+12	
Payrolls	-12	+24	+6
Employees	+1	+2	
Receivables	-7	+6	
Inventories	+3	-	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
<b>2012</b>				
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
<b>2013</b>				
January	+7	+10	-	+3
February	-3	-2	-1	+3
March	-1	-3	-	+2
April	+11	+2	+6	+6
May	+6	+3	+9	+3
June	+9	+8	+10	+3
July	+13	+9	+9	+2