

Furniture Insights®

Monthly Results

New Orders

New orders in July 2016 were down 5 percent from July 2015 orders, according to our latest survey of residential furniture manufacturers and distributors. The 5 percent decline followed a 5 percent increase in June 2016 versus June 2015. Some 80 percent of the participants reported declines in orders. Of some note, July 2015 orders were up 4 percent over July 2014.

Year-to-date, new orders were basically flat with the first seven months of 2015. But only 39 percent of the participants were reporting increased orders year-to-date. Through the first seven months of last year, new orders were up 5 percent of 2014.

Shipments and Backlogs

Shipments in July 2016 were down 9 percent from July 2015, where they were up 7 percent over July 2014. As with new orders, some 80 percent of the participants reported lower shipments.

Year-to-date, shipments were down 1 percent from the first seven months of 2015. Last year, the July year-to-date results showed a 7 percent increase over the previous year.

Backlogs were basically flat from June, but were down 2 percent from July 2015. Backlogs in July 2015 were 9 percent higher than July 2014 levels.



Receivables and Inventories

Receivable levels were down 8 percent from July 2015 and down 8 percent from June due to the declines in shipments. Receivable levels continue to appear to be in good shape.

Inventories were up 2 percent from July 2015 and up 2 percent from June 2016. Hopefully this was just a timing issue.

Furniture Insights®

A Monthly Newsletter

Smith Leonard PLLC

Kenneth D. Smith, CPA

Mark S. Laferriere, CPA

4035 Premier Drive, Suite 300

High Point, North Carolina 27265

Telephone (336) 883-0181 | facsimile: (336) 841-8764

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Factory and Warehouse Payrolls and Employees

Factory and warehouse payrolls were down 9 percent from July 2015, in line with the decline in shipments. The 22 percent decline from June was due to the holiday week for most in July. Year-to-date, payrolls were flat, again seemingly in line with current conditions.

The number of factory and warehouse employees was up 1 percent from last year, pretty much in line with current conditions. The 1 percent increase was the same as reported last month.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had decreased slightly in July, increased in August. The Index now stands at 101.1 (1985 = 100), compared to 96.7 in July. The Present Situation Index rose from 118.8 to 123.0, while the Expectations Index improved from 82.0 last month to 86.4.

“Consumer confidence improved in August to its highest level in nearly a year, after a marginal decline in July,” said Lynn Franco, Director of Economic Indicators at The Conference Board. “Consumers’ assessment of both current business and labor market conditions was considerably more favorable than last month. Short-term expectations regarding business and employment conditions, as well as personal income prospects, also improved, suggesting the possibility of a moderate pick-up in growth in the coming months.”

Consumers’ appraisal of current conditions improved in August. Those stating business conditions are “good” increased from 27.3 percent to 30.0 percent, while those saying business

conditions are “bad” remained virtually unchanged at 18.4 percent. Consumers’ assessment of the labor market was also more favorable. Those claiming jobs were more “plentiful” increased from 23.0 percent to 26.0 percent, however, those claiming jobs are “hard to get” also rose, from 22.1 percent to 23.4 percent.

Consumers’ optimism regarding the short-term outlook picked up in August. The percentage of consumers expecting business conditions to improve over the next six months increased from 15.7 percent to 17.3 percent, while those expecting business conditions to worsen decreased from 12.4 percent to 11.1 percent.

Consumers’ outlook for the labor market was also more favorable than in July. The proportion expecting more jobs in the months ahead rose from 13.5 percent to 14.2 percent, while those anticipating fewer jobs remained virtually unchanged at 17.5 percent. The percentage of consumers expecting their incomes to increase improved from 17.1 percent to 18.8 percent, while the proportion expecting a decline decreased marginally from 11.0 percent to 10.7 percent.

Leading Economic Indicators

The Conference Board Leading Economic Index[®] (LEI) for the U.S. declined 0.2 percent in August to 124.1 (2010 = 100), following a 0.5 percent increase in July, and a 0.2 percent increase in June.

“While the U.S. LEI declined in August, its trend still points to moderate economic growth in the months ahead,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. “Although strengths and weaknesses among the leading indicators are roughly balanced, positive contributions from the financial

indicators were more than offset by weakening of nonfinancial indicators, such as leading indicators of labor markets, suggesting some risks to growth persist.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.1 percent in August to 114.1 (2010=100), following a 0.3 percent increase in July, and a 0.3 percent increase in June.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.2 percent in August to 122.1 (2010=100), following a 0.2 percent increase in July, and a 0.2 percent decline in June.

Housing

Existing-Home Sales

Existing-home sales eased up in August for the second consecutive month despite mortgage rates near record lows as higher home prices and not enough inventory for sale kept some would-be buyers at bay, according to the National Association of Realtors® (NAR). Only the Northeast region saw a monthly increase in closings in August, where inventory is currently more adequate.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, declined 0.9 percent to a seasonally adjusted annual rate of 5.33 million in August from a downwardly revised 5.38 million in July. After last month's decline, sales are at their second-lowest pace of 2016, but were still slightly higher (0.8 percent) than a year ago (5.29 million).

Single-family home sales declined 2.3 percent to a seasonally adjusted annual rate of 4.70 million in August from 4.81 million in July, but were still 0.6 percent

above the 4.67 million pace a year ago. The median existing single-family home price was \$242,200 in August, up 5.3 percent from August 2015.

Existing condominium and co-op sales leaped 10.5 percent to a seasonally adjusted annual rate of 630,000 units in August from 570,000 in July, and were 1.6 percent above August 2015 (620,000 units). The median existing condo price was \$225,100 in August, which was 3.7 percent above a year ago.

Lawrence Yun, NAR chief economist, says recent job growth is not yielding higher home sales. “Healthy labor markets in most of the country should be creating a sustained demand for home purchases,” he said. “However, there’s no question that after peaking in June, sales in a majority of the country have inched backwards because inventory isn’t picking up to tame price growth and replace what’s being quickly sold.” Added Yun, “Hopes of a meaningful sales breakthrough as a result of this summer’s historically low mortgage rates failed to materialize because supply and affordability restrictions continue to keep too many would-be buyers on the sidelines.”

The median existing-home price for all housing types in August was \$240,200, up 5.1 percent from August 2015 (\$228,500). August’s price increase marks the 54th consecutive month of year-over-year gains.

Total housing inventory at the end of August fell 3.3 percent to 2.04 million existing homes available for sale, and was 10.1 percent lower than a year ago (2.27 million) and has declined year-over-year for 15 straight months. Unsold inventory is at a 4.6-month supply at the current sales pace, which is down from 4.7 months in July.

“It’s very concerning to see that inventory conditions not only show no

signs of improving but have actually worsened in recent months from their already suppressed levels a year ago,” added Yun. “While recent data from the U.S. Census Bureau (link is external) shows that household incomes rose strongly last year, home prices are still outpacing incomes in many metro areas because of the persistent shortage of new and existing homes for sale. Without more supply, the U.S. homeownership rate will remain near 50-year lows.”

Regional

August existing-home sales in the Northeast jumped 6.1 percent to an annual rate of 700,000, which was unchanged from a year ago. The median price in the Northeast was \$274,100, which was 0.8 percent above August 2015.

In the Midwest, existing-home sales decreased 0.8 percent to an annual rate of 1.27 million in August, but was still 0.8 percent above a year ago. The median price in the Midwest was \$190,700, up 5.5 percent from a year ago.

Existing-home sales in the South in August fell 2.7 percent to an annual rate of 2.16 million, but were still 0.9 percent above August 2015. The median price in the South was \$209,700, up 6.7 percent from a year ago.

Existing-home sales in the West lessened 1.6 percent to an annual rate of 1.20 million in August, but were still 0.8 percent higher than a year ago. The median price in the West was \$347,400, which was 9.2 percent above August 2015.

New Residential Sales

Sales of new single-family houses in August 2016 were at a seasonally adjusted annual rate of 609,000, according to estimates released jointly by the U.S. Census Bureau and the Department of

Housing and Urban Development. This was 7.6 percent below the revised July rate of 659,000, but was 20.6 percent above the August 2015 estimate of 505,000.

The median sales price of new houses sold in August 2016 was \$284,000; the average sales price was \$353,600. The seasonally adjusted estimate of new houses for sale at the end of August was 235,000. This represents a supply of 4.6 months at the current sales rate.

New single-family house sales in August 2016 versus August 2015 were up 39.7 percent in the Midwest, 15.9 percent in the South and 35 percent in the West. Sales in the Northeast were off 25.8 percent from August 2015.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in August were at a seasonally adjusted annual rate of 1,142,000. This was 5.8 percent below the revised July estimate of 1,212,000, but was 0.9 percent above the August 2015 rate of 1,132,000.

Single-family housing starts in August were at a rate of 722,000; this was 6.0 percent below the revised July figure of 768,000. Single-family starts were down 1.2 percent from August 2015, with the Northeast down 9.1 percent, and the South down 13.3 percent while single-family starts were up 10.5 percent in the Midwest and 29.2 percent in the West.

Retail Sales

The U.S. Census Bureau announced 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 \$456.3 billion, a decrease of 0.3 percent from the previous month, and

1.9 percent above August 2015. Total sales for the June 2016 through August 2016 period were up 2.4 percent from the same period a year ago.

Retail trade sales were down 0.5 from July 2016, and up 1.4 percent from last year. Nonstore retailers were up 10.9 percent from August 2015, while Health and Personal Care Stores were up 7.8 percent from last year.

On an adjusted basis, sales at furniture and home furnishings stores were down 0.7 percent from July 2016, but were up 1.6 percent from August 2015. Year-to-date, sales at these stores were up 3.8 percent over the same period a year ago.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in August on a seasonally adjusted basis, according to the latest report by the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index rose 1.1 percent before seasonal adjustment.

The seasonally adjusted increase in the all items index was caused by a rise in the index for all items less food and energy. It increased 0.3 percent in August, as the indexes for shelter and medical care advanced.

The energy and food indexes were both unchanged in August. Major energy component indexes were mixed, with increases in the indexes for natural gas and electricity offsetting declines in the gasoline and fuel oil indexes. The food at home index declined for the fourth month in a row, offsetting an increase in the index for food away from home.

The 0.3-percent increase in the index for all items less food and energy was the largest rise since February 2016. Along with shelter and medical care, the indexes

for motor vehicle insurance, apparel, communication, and tobacco all increased. In contrast, the indexes for used cars and trucks, household furnishings and operations, recreation, and airline fares all declined in August.

The all items index rose 1.1 percent for the 12 months ending August, a larger increase than the 0.8-percent rise for the 12 months ending July. The index for all items less food and energy rose 2.3 percent for the 12 months ending August. The food index was unchanged over the last year, while the energy index declined 9.2 percent.

Employment

Total nonfarm payroll employment increased by 151,000 in August, and the unemployment rate remained at 4.9 percent, according to the report from the U.S. Bureau of Labor Statistics. Employment continued to trend up in several service-providing industries.

The number of unemployed persons was essentially unchanged at 7.8 million in August, and the unemployment rate was 4.9 percent for the third month in a row. Both measures have shown little movement over the year, on net.

**Executive Summary**

Not too surprising were the results of our latest survey of residential furniture manufacturers and distributors. New orders were 5 percent lower in July 2016 than July 2015. July 2015 orders were 4 percent higher than July 2014. The decline in July brought the year-to-date results to basically flat with the first 7 months of 2015.

Some 80 percent of the participants reported declines in orders in July with approximately 61 percent reporting declines year-to-date.

Shipments in July were down 9 percent from July 2015 with 80 percent of the participants reporting declines. The decline from June 2016 shipments were due primarily to the vacation week taken in July by most companies.

Year-to-date, shipments were down 1 percent from 2015. Some 61 percent of participants reported declines in shipments.

Backlogs were down 2 percent from July 2015 and flat with June. Backlogs in July 2015 were up 9 percent over July 2014.

Receivables were down 8 percent, in line with the decline in shipments. Inventories were up 2 percent from June and were 2 percent higher than July 2015. While a bit high, it was probably difficult to react too quickly to the poor July results.

The factory and warehouse payrolls were in line with the lower shipment levels and the number of employees, up 1 percent, was reasonable and consistent with recent results.

National

Consumer confidence rebounded somewhat in August after confusing results in July. The University of Michigan report was not available at press time, but at least the Conference Board's survey was much more positive. According to the report, the index improved to its highest level in nearly a year. Obviously, we need that.

The Conference Board's Leading Economic Index declined slightly following two months of increases. The report noted that its trend "still points to moderate economic growth in the months ahead."

Housing

Existing home sales in August declined for the second straight month but were still slightly higher than August 2015 levels. Sales in August were at the second lowest pace of 2016. The report noted that in spite of near record low mortgage rates, higher home prices and low inventories kept sales at lower levels. Sales declined in all regions except in the Northeast.

New home sales also declined in August, but remained significantly ahead of sales in August 2015. All regions except the Northeast had increases in sales of single-family houses compared to August 2015.

Housing starts also fell in August but remained slightly ahead of August 2015. Single-family starts were down from August 2015 in the Northeast and South but were up in the Midwest and West.

Other

Advance estimates of U.S. retail and food services sales for August showed a decrease of 0.3 percent from July but were 1.9 percent higher than August 2015. Retail trade sales declined 0.5 percent

from July but were up 1.4 percent from August 2015. Sales at furniture and home furnishings stores were down 0.7 percent from July but up 1.6 percent over August 2015. Year-to-date, sales at these stores were up 3.8 percent.

The Consumer Price Index increased 0.2 percent in August. Over the last 12 months, the all items index rose 1.1 percent. While not quite as strong as July, the August employment numbers were still positive gaining 151,000. The unemployment rate remained at 4.9 percent.

We noted last month that on an overall basis, the national items that we look at for the furniture industry seem to be good enough for the furniture business to be better than it is. We continue to hear that business is ok but clearly not “good” for most.

With consumer confidence up in August, we have not seen strong results as of yet of the improved confidence. Most people we talk to seem to think the presidential election is keeping people concerned. Some say it’s not the rhetoric and negativity but concern over whomever wins.

For now, we think it’s best to deal with current business levels and keep trying to improve. Prepare for market and make it a good one. Hopefully when the elections are over and we know what we have, business will get better.



Estimated Business Activity (Millions of Dollars)						
	2016			2015		
	July	June	7 Months	July	June	7 Months
New Orders	1,904	2,280	14,812	2,014	2,179	14,857
Shipments	1,910	2,457	15,138	2,110	2,418	15,272
Backlog (R)	1,902	1,908		1,912	2,008	

Key Monthly Indicators			
	July 2016 From June 2016 Percent Change	July 2016 From July 2015 Percent Change	7 Months 2016 Versus 7 Months 2015 Percent Change
New Orders	-17	-5	-
Shipments	-23	-9	-1
Backlog	-	-2	
Payrolls	-22	-9	-
Employees	+1	+1	
Receivables	-8	-8	
Inventories	+2	+2	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2015				
July	+4	+7	+9	+3
August	+3	+8	+5	+3
September	-	+3	+3	+4
October	+1	+7	-	+3
November	+4	+5	-	+2
December	+1	+5	-4	+2
2016				
January	+2	-1	-	+1
February	-1	+3	-1	+1
March	-2	+4	-8	+2
April	-3	-3	-7	-
May	+2	-1	-6	+2
June	+5	+2	-5	+1
July	-5	-9	-2	+1