

Furniture Insights®

Monthly Results

New Orders

New orders in November 2016 were up 8 percent over November 2015 following a 1 percent increase last month, according to our latest survey of residential furniture manufacturers and distributors. November 2015 orders were 4 percent higher than November 2014 so the 8 percent increase was on top of reasonable results last year. New orders were up for some 61 percent of our participants for the month, up from 52 percent last month.

Year-to-date, new orders were up 3 percent over the same period a year ago. Last year through November, new orders were up 4 percent over November 2014 year-to-date. New orders were up for approximately 43 percent of the participants, the same as reported last month.

Shipments and Backlogs

Shipments in November 2016 were 4 percent higher than November 2015. Shipments in November 2015 were up 5 percent over November 2014. Shipments were up for some 58 percent of the participants down from 82 percent reporting increased shipments last month.

Year-to-date, shipments were up 1 percent over the same period a year ago.

Backlogs increased 3 percent from October as new orders exceeded shipments. Backlogs in November were 2 percent higher than November a year ago, up from a 1 percent increase reported last month.



Receivables and Inventories

Receivables in November were 4 percent higher than November 2015, in line with the increase in shipments. Receivables were only 5 percent higher than October in spite of the 11 percent increase in shipments.

Inventories were flat with October and down 1 percent from November 2015. Overall, it appears that both receivable and inventory levels are in pretty good shape based on current conditions.

Furniture Insights®
A Monthly Newsletter

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Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees were up 2 percent from October 2016 and also up 2 percent from November 2015. Based on orders and shipments, this increase does not seem out of line.

Factory and warehouse payrolls actually fell 2 percent from October and were flat with November 2015. Most likely, this decrease was likely a timing issue as year-to-date payrolls were 1 percent higher than the same period a year ago, very much in line.

National

Consumer Confidence

The Conference Board *Consumer Confidence Index*[®], which had increased in December, retreated in January. The Index now stands at 111.8 (1985=100), down from 113.3 in December. The Present Situation Index increased from 123.5 to 129.7, but the Expectations Index decreased from 106.4 last month to 99.8.

“Consumer confidence decreased in January, after reaching a 15-year high in December (Aug. 2001, 114.0),” said Lynn Franco, Director of Economic Indicators at The Conference Board. “The decline in confidence was driven solely by a less optimistic outlook for business conditions, jobs, and especially consumers’ income prospects. Consumers’ assessment of current conditions, on the other hand, improved in January. Despite the retreat in confidence, consumers remain confident that the economy will continue to expand in the coming months.”

Consumers’ appraisal of current conditions improved in January. Those saying business conditions are “good” increased slightly from 28.6 percent to

29.3 percent, while those saying business conditions are “bad” decreased from 17.8 percent to 16.1 percent. Consumers’ assessment of the labor market was also more positive than last month. The percentage of consumers stating jobs are “plentiful” rose from 26.0 percent to 27.4 percent, while those claiming jobs are “hard to get” decreased from 22.7 percent to 21.5 percent.

University of Michigan Surveys of Consumers

The University of Michigan Surveys of Consumers report stated that consumers expressed a higher level of confidence in January than any other time in the last dozen years. The post-election surge in confidence was driven by a more optimistic outlook for the economy and job growth during the year ahead as well as more favorable economic prospects over the next five years. Consumers also reported much more positive assessments of their current financial situation due to gains in both incomes and household wealth, and anticipated the most positive outlook for their personal finances in more than a decade. Consumers have become more convinced that the stronger economy will finally prompt the Fed to increase interest rates at a quicker pace, which caused one-in-five consumers to favor borrowing-in-advance of anticipated increases in mortgage rates, the highest level in more than twenty years.

Surveys of Consumers chief economist, Richard Curtin said: “The post-election surge in consumer confidence was based on political promises, and not, as yet, on economic outcomes. Moreover, over the past half century the surveys have never recorded as dominant impact of partisanship on economic expectations. When the same consumers were re-

interviewed from six months ago, the survey recorded extreme swings based on political party, with Democrats becoming much more pessimistic and Republicans much more optimistic. Such divergences will ultimately converge since consumers form economic expectations to be useful decision guides, which will require both to temper their extreme views.”

Rising incomes as well as home and stock values meant that consumers held quite favorable views of the finances. When asked about their financial prospects for the year ahead, the highest proportion in a decade anticipate improved finances. The size of anticipated income gains was the largest since 2008. In addition to gains in stock values, the majority of homeowners anticipated the largest annual gains in home values since 2007.

An improving economy in the year ahead was anticipated by 44 percent of all consumers, the highest figure since 2004. A favorable long-term economic outlook was reported by 51 percent, tied with the recent cyclical peak; the last time a higher figure was recorded was in 2004. Perhaps the most remarkable result was that 33 percent of all consumers expected unemployment to fall below its already low level, the most optimistic view recorded since 1984.

Gross Domestic Product (GDP)

Real gross domestic product (GDP) increased at an annual rate of 1.9 percent in the fourth quarter of 2016, according to the “advance” estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 3.5 percent.

The increase in real GDP in the fourth quarter reflected positive contributions from personal consumption expenditures (PCE), private inventory investment,

residential fixed investment, nonresidential fixed investment, and state and local government spending that were partly offset by negative contributions from exports and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The deceleration in real GDP in the fourth quarter reflected a downturn in exports, an acceleration in imports, a deceleration in PCE, and a downturn in federal government spending that were partly offset by an upturn in residential fixed investment, an acceleration in private inventory investment, an upturn in state and local government spending, and an acceleration in nonresidential fixed investment.

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 0.5 percent in December to 124.6 (2010 = 100), following a 0.1 percent increase in November, and a 0.2 percent increase in October.

“The U.S. LEI increased in December, suggesting the economy will continue growing at a moderate pace, perhaps even accelerating slightly in the early months of this year,” said Ataman Ozyildirim, Director of Business Cycles and Growth Research at The Conference Board. “December’s large gain was mainly driven by improving sentiment about the outlook and suggests the business cycle still showed strong momentum in the final months of 2016.”

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased 0.3 percent in December to 114.3 (2010=100), following no change in November, and a 0.2 percent increase in October.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased 0.3 percent in December to 123.4 (2010=100), following a 0.4 percent increase in November, and a 0.2 percent increase in October.

Housing

Existing-Home Sales

Existing-home sales closed out 2016 as the best year in a decade, even as sales declined in December as the result of ongoing affordability tensions and historically low supply levels, according to the National Association of Realtors®.

Total existing-home sales, which are completed transactions that include single-family homes, townhomes, condominiums and co-ops, finished 2016 at 5.45 million sales and surpassed 2015 (5.25 million) as the highest since 2006 (6.48 million).

In December, existing home sales decreased 2.8 percent to a seasonally adjusted annual rate of 5.49 million in December from an upwardly revised 5.65 million in November. With last month's slide, sales were only 0.7 percent higher than a year ago.

Single-family home sales declined 1.8 percent to a seasonally adjusted annual rate of 4.88 million in December from 4.97 million in November, but were still 1.5 percent above the 4.81 million pace a year ago. The median existing single-family home price was \$233,500 in December, up 3.8 percent from December 2015.

Existing condominium and co-op sales dropped 10.3 percent to a seasonally adjusted annual rate of 610,000 units in December, and are now 4.7 percent below a year ago. The median existing condo price was \$221,600 in December, which was 5.5 percent above a year ago.

Lawrence Yun, NAR chief economist, says the housing market's best year since the Great Recession ended on a healthy but somewhat softer note. "Solid job creation throughout 2016 and exceptionally low mortgage rates translated into a good year for the housing market," he said. "However, higher mortgage rates and home prices combined with record low inventory levels stunted sales in much of the country in December."

Added Yun, "While a lack of listings and fast rising home prices was a headwind all year, the surge in rates since early November ultimately caught some prospective buyers off guard and dimmed their appetite or ability to buy a home as 2016 came to an end."

The median existing-home price for all housing types in December was \$232,200, up 4.0 percent from December 2015 (\$223,200). December's price increase marks the 58th consecutive month of year-over-year gains.

Total housing inventory at the end of December dropped 10.8 percent to 1.65 million existing homes available for sale, which is the lowest level since NAR began tracking the supply of all housing types in 1999. Inventory is 6.3 percent lower than a year ago (1.76 million), has fallen year-over-year for 19 straight months and is at a 3.6-month supply at the current sales pace (3.9 months in December 2015).

Housing affordability for both buying and renting remains a pressing concern because of another year of insufficient home construction," said Yun. "Given current population and economic growth trends, housing starts should be in the range of 1.5 million to 1.6 million completions and not stuck at recessionary levels. More needs to be done to address the regulatory and cost burdens preventing builders from ramping up production."

Regional

December existing-home sales in the Northeast slid 6.2 percent to an annual rate of 760,000, but were still 2.7 percent above a year ago. The median price in the Northeast was \$245,900, which was 3.8 percent below December 2015.

In the Midwest, existing-home sales decreased 3.8 percent to an annual rate of 1.28 million in December, but were still 2.4 percent above a year ago. The median price in the Midwest was \$178,400, up 4.6 percent from a year ago.

Existing-home sales in the South in December were at an annual rate of 2.25 million (unchanged from November), and were 0.4 percent above December 2015. The median price in the South was \$207,600, up 6.5 percent from a year ago.

Existing-home sales in the West fell 4.8 percent to an annual rate of 1.20 million in December, and were 1.6 percent below than a year ago. The median price in the West was \$341,000, up 6.0 percent from December 2015.

New Residential Sales

Sales of new single-family houses in December 2016 were at a seasonally adjusted annual rate of 536,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This was 10.4 percent below the revised November rate of 598,000 and was 0.4 percent below the December 2015 estimate of 538,000.

The median sales price of new houses sold in December 2016 was \$322,500; the average sales price was \$384,000. The seasonally adjusted estimate of new houses for sale at the end of December was 259,000. This represents a supply of 5.8 months at the current sales rate.

An estimated 563,000 new homes were sold in 2016. This was 12.2 percent above the 2015 figure of 501,000. For the December to December comparison, new houses sold were down 29 percent in the Midwest and even in the South. Sales were up 48.4 percent in the Northeast and 2 percent in the West.

Housing Starts

According to the U.S. Census Bureau and the Department of Housing and Urban Development, privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,226,000. This was 11.3 percent above the revised November rate of 1,102,000 and was 5.7 percent above the December 2015 rate of 1,160,000.

Single-family housing starts in December were at a rate of 795,000; this was 4.0 percent below the revised November figure of 828,000. The December rate for units in buildings with five units or more was 417,000.

An estimated 1,166,400 housing units were started in 2016. This was 4.9 percent above the 2015 figure of 1,111,800. Single-family starts for December 2016 were 3.9 percent ahead of December 2015. December to December, starts were up 13.4 percent in the Midwest and 13.5 percent in the West. Starts were down 1.6 percent in the Northeast and 1.7 percent in the South.

For the year, single-family starts were up 9.3 percent overall with starts up 10.1 percent in the Northeast, 12.7 percent in the Midwest, 8.8 percent in the South and 8.0 percent in the West.

Retail Sales

The U.S. Census Bureau announced that advance estimates of U.S. retail and food services sales for December 2016, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$469.1 billion, an increase of 0.6 percent from the previous month, and 4.1 percent above December 2015. Total sales for the 12 months of 2016 were up 3.3 percent from 2015. Total sales for the October 2016 through December 2016 period were up 4.1 percent from the same period a year ago.

Retail trade sales were up 0.8 percent from November 2016, and up 4.3 percent from last year. Nonstore retailers were up 13.2 percent from December 2015, while miscellaneous stores were up 7.1 percent from last year.

Sales at furniture and home furnishings stores were 3.1 percent higher than December 2015 and up 3.8 percent for the year, outpacing the total retail and food services of 3.3 percent.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.3 percent in December on a seasonally adjusted basis, according to the report from the U.S. Bureau of Labor Statistics. Over the last 12 months, the all items index rose 2.1 percent before seasonal adjustment.

Continuing their recent trends, the shelter and gasoline indexes increased in December and were largely responsible for the seasonally adjusted all items increase. The shelter index rose 0.3 percent in December, while the gasoline index increased 3.0 percent.

Recent trends also continued in the food indexes, as the food at home index again declined, offsetting an increase in the index for food away from home and

leaving the overall food index unchanged for the sixth consecutive month. The energy index continued to rise, advancing 1.5 percent in December, primarily due to an increase in the gasoline index.

The index for all items less food and energy rose 0.2 percent in December, the same increase as in November. Along with the shelter index, the indexes for motor vehicle insurance, medical care, education, airline fares, used cars and trucks, and new vehicles were among the indexes that increased. The indexes for apparel and communication declined in December.

The all items index rose 2.1 percent for the 12 months ending December. This figure has been steadily rising since July, and is the largest 12-month increase since the period ending June 2014. The index for all items less food and energy rose 2.2 percent for the 12 months ending December, and the energy index increased 5.4 percent. In contrast, the food index declined 0.2 percent over the last 12 months.

The CPI rose 2.1 percent in 2016, a larger increase than the 0.8 percent rise in 2014 and the 0.7 percent advance in 2015. This also represented a larger increase than the 1.8 percent average annual increase over the past 10 years.

The food index declined in 2016, falling 0.2 percent. This was its first yearly decline since 2009. The food at home index, which fell 0.4 percent in 2015, decreased 2.0 percent in 2016. This is the first time the food at home index declined in consecutive years since it declined four years in a row from 1952 through 1955.

The energy index rose 5.4 percent in 2016 after declining in 2015 and 2014. The gasoline index increased 9.1 percent in 2016 after sharp decreases in 2015 and 2014. The index for natural gas also turned up in 2016, rising 7.8 percent after

a 14.9-percent decline the prior year. The electricity index rose modestly in 2016, increasing 0.7 percent after a 1.2-percent decline in 2015. The energy index rose at a 0.4 percent annual rate over the past 10 years.

Employment

Total nonfarm payroll employment rose by 156,000 in December, and the unemployment rate was little changed at 4.7 percent, according to the report from the U.S. Bureau of Labor Statistics. Job growth occurred in health care and social assistance.

Durable Goods Orders and Factory Shipments

The U.S. Census Bureau announced that new orders for manufactured durable goods in December decreased \$1.0 billion or 0.4 percent to \$227.0 billion. This decrease, down two consecutive months, followed a 4.8 percent November decrease. Excluding transportation, new orders increased 0.5 percent. Excluding defense, new orders increased 1.7 percent.

Shipments of manufactured durable goods in December, up three of the last four months, increased \$3.3 billion or 1.4 percent to \$238.0 billion. This followed a 0.3 percent November increase.

Furniture and related products – Shipments were up 3.1 percent in November versus November 2015, while orders were up 3.8 percent. Year-to-date, shipments in this category were up 3.7 percent and orders were up 4.6 percent.



Executive Summary

According to our latest survey of residential furniture manufacturers and distributors, new orders in November 2016 were 8 percent higher than November 2015. This followed a 1 percent increase reported in October. Orders were up for some 61 percent of the participants for the month.

Year-to-date, new orders were up 3 percent over the same period a year ago. Only 43 percent of the participants reported increased year-to-date orders. Last year, November 2015 new orders were up 4 percent over year-to-date 2014.

Shipments were up 4 percent over November 2015 with 58 percent of the participants reporting increased shipments. Year-to-date, shipments were up 1 percent over the same period a year ago. Year-to-date, shipments in November 2015 were up 6 percent over the previous year.

Receivable and inventory levels appear to be in line for the most part with current conditions. Receivables were up 4 percent from November 2015 in line with the increase in shipments. Inventories were even with October and down slightly from November 2015.

The number of factory and warehouse employees was up 2 percent from last year and October, but payrolls were about even. Factory and warehouse payrolls were up 1 percent year-to-date, very much in line with current conditions.

Housing

Existing home sales “closed out 2016 as the best year in a decade,” according to the National Association of Realtors®. Single-family home sales were down slightly in

December, but were still 1.5 percent above December 2015 sales.

Existing home sales in December were higher than last year in all regions of the country except for the West where they were 1.6 percent below a year ago.

New residential home sales fell from November and were 0.4 percent lower than December a year ago. For the year though, sales of new homes were up 12.2 percent over 2015.

Housing starts were up 11.3 percent over November 2016 and up 5.7 percent above December 2015. Single-family starts in December 2016 were up 3.9 percent over December 2015. For the year, single-family starts were up 9.3 percent overall with all areas of the country posting nice increases.

Other

Other reports for the period were also mostly favorable. Retail sales were up slightly from November and 4.1 percent ahead of December 2015. Sales at furniture and home furnishings stores were up 3.1 percent from December 2015 and up 3.8 percent for the year.

The Consumer Price Index increased 0.3 percent in December and over the last 12 months, increased 2.1 percent. Most of this increase related to increases in energy, especially in gasoline, but that is a bit misleading since gas prices had fallen so much in the previous two years.

Nonfarm employment increased by 156,000 in December. The unemployment rate was little changed at 4.7 percent. Job growth was strong in health care and social assistance.

Consumer Confidence

The January consumer confidence reports were quite different this month. The Conference Board's report indicated a slight retreat after reaching a 15-year high in December. The decline was driven by a less optimistic outlook for business conditions, jobs and income prospects. Yet consumers' assessment of current conditions improved.

On the other hand, the University of Michigan's survey of consumers noted that consumers expressed a higher level of confidence in January than any other time in the last "dozen" years. "The surge in confidence was driven by a more optimistic outlook for the economy and job growth during the year ahead as well as more favorable economic prospects over the next five years."

Thoughts

Even though the Conference Board's survey was down slightly, both surveys indicate that consumer confidence is much stronger. Most of the other key factors for selling furniture are still positive. Even with the stock market slight pull back, overall, it is still strong. And from what we are hearing, while business can always be better, it seems to be doing fairly well. Though based on our survey, that is not true for everyone.

Apparently, except for rain, the Las Vegas Market was well attended with good reports. So hopefully as we begin 2017, business will continue to be good.



Estimated Business Activity (Millions of Dollars)						
	2016			2015		
	November	October	11 Months	November	October	11 Months
New Orders	2,296	2,232	24,159	2,126	2,221	23,562
Shipments	2,215	2,039	23,917	2,120	2,169	23,786
Backlog (R)	2,205	2,141		2,162	2,156	

Key Monthly Indicators			
	November 2016 From October 2016 Percent Change	November 2016 From November 2015 Percent Change	11 Months 2016 Versus 11 Months 2015 Percent Change
New Orders	+8	+8	+3
Shipments	+11	+4	+1
Backlog	+3	+2	
Payrolls	-2	-	+1
Employees	+2	+2	
Receivables	+5	+4	
Inventories	-	-1	

Percentage Increase or Decrease Compared to Prior Year				
	New Orders	Shipments	Backlog	Employment
2015				
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
August	+6	+6	-2	+1
September	+14	+7	+3	-
October	+1	-6	+1	-
November	+8	+4	+2	+2