FURNITURE INSIGHTS®

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Ken Smith, CPA

HIGHLIGHTS – EXECUTIVE SUMMARY

The results of our latest survey of residential furniture manufacturers and distributors may be one of the last comparisons that may make sense for a while as this survey compares February 2022 to February 2021, and allows a comparison to February 2020, the last month before the effects of the pandemic setting in. Even those comparisons are not necessarily straight up. New orders fell 20% from February 2021 but 2021 orders were up 34% over February 2020. February results brought the year-to-date decline in orders to 16% compared to the 2021 31% increase over 2020. Some 75% of the participants reported a decline in orders for the month, with 63% reporting declines year to date.

Shipments were flat compared to February 2021 when they were up 18% over February 2020, bringing year-to-date shipments to a 1% decline. Backlogs were up 35% over February 2021 down from 43% reported in January. But all these results, especially for orders and shipments, are somewhat affected by the beginning of price increases that really began to take effect in the latter part of 2021.

Receivable levels remained in good shape considering shipment levels. Inventories increased 32% over last year when they were up 15% over February 2020. So, looking at the somewhat slowdown in orders, there is some concern over inventory levels. With backlogs so high, the increase may not be all that concerning for now but will need watching.

Employment levels continue to show some progress but according to most we talk with, finding people is at least one of the top two priorities whether manufacturing or distribution. Payrolls continue to climb as wages are increased along with the number of employees.

EXECUTIVE SUMMARY, CONT.

National

Consumer Confidence

The Conference Board Consumer Confidence Index® decreased slightly in April, after an increase in March. Lynn Franco, Senior Director of Economic Indicators at The Conference Board said “The Present Situation Index declined, but remains quite high, suggesting the economy continued to expand in early Q2. Expectations, while still weak, did not deteriorate further amid high prices, especially at the gas pump, and the war in Ukraine. Vacation intentions cooled but intentions to buy big-ticket items like automobiles and many appliances rose somewhat.”

Housing

Existing-home sales decreased in March, marking two consecutive months of declines. Month-over-month, sales in March waned in three of the four major U.S. regions while holding steady in the West. Sales were down across each region year-over-year.

The median existing single-family home price was $382,000 in March, up 15.2% from March 2021. Total housing inventory at the end of March totaled 950,000 units, up 11.8% from February and down 9.5% from one year ago.

Sales of new single-family houses in March 2022 were 8.6% below the revised February rate of 835,000 and were 12.6% below March 2021. Compared to March 2021, single-family sales were up 12.8% in the Northeast and 21.0% in the West while down 13.8% in the Midwest and 24.7% in the South.

The median sales price of new houses sold in March 2022 was $436,700. The seasonally adjusted estimate of new houses for sale represented a supply of 6.4 months at the current sales rate.

Single-family housing starts in March were 1.7% below the revised February rate and were 4.4% below March 2021. Single-family starts were down from March a year ago by 32.6% in the Northeast, 22.6% in the Midwest, and 0.6% in the South, while up 10.9% in the West.

EXECUTIVE SUMMARY, CONT.

National, Cont.

Other

Advance estimates of U.S. retail and food services sales for March 2022 were up 0.5% from the previous month, and 6.9% above March 2021. Total sales for the January 2022 through March 2022 period were up 12.9% from the same period a year ago.

Retail trade sales were up 0.4% from February 2022, and up 5.5% above last year. Gasoline stations were up 37.0% from March 2021, while food services and drinking places were up 19.4% from last year. Sales at furniture and home furnishings stores, in March 2022 compared to March 2021, were up 3.6% and up 5.5% year to date.

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.2% in March on a seasonally adjusted basis after rising 0.8% in February. Over the last 12 months, the all-items index increased 8.5% before seasonal adjustment.

Increases in the indexes for gasoline, shelter, and food were the largest contributors to the seasonally adjusted all items increase. The gasoline index rose 18.3% in March and accounted for over half of the all-items monthly increase; other energy component indexes also increased. The food index rose 1.0% and the food at home index rose 1.5%.

The all-items index rose 8.5% for the 12 months ending March, the largest 12-month increase since the period ending December 1981. The all items less food and energy index rose 6.5%, the largest 12-month change since the period ending August 1982. The energy index rose 32.0% over the last year, and the food index increased 8.8%, the largest 12-month increase since 1981.

Real gross domestic product (GDP) decreased at an annual rate of 1.4% in the first quarter of 2022, according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 6.9%.

The decrease in real GDP reflected decreases in private inventory investment, exports, federal government spending, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures (PCE), nonresidential fixed investment, and residential fixed investment increased.

Total nonfarm payroll employment rose by 431,000 in March, and the unemployment rate declined to 3.6%. Notable job gains continued in leisure and hospitality, professional and business services, retail trade, and manufacturing. The number of unemployed persons decreased by 318,000 to 6.0 million.

The Conference Board Leading Economic Index® (LEI) for the U.S. increased by 0.3% in March following a 0.6% increase in February. The LEI increased by 1.9% in the six-month period from September 2021 to March 2022.

“The US LEI rose again in March despite headwinds from the war in Ukraine,” said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. “This broad-based improvement signals economic growth is likely to continue through 2022 despite volatile stock prices and weakening business and consumer expectations.

EXECUTIVE SUMMARY, CONT.

Thoughts

The February results, while appearing negative were not all that bad considering how good the comparative prior year numbers were, but we are starting to feel some real slowing of business in general. We are hearing current business, March and April, while slowing down, is still respectable. It appears that the lower end may be hurting more than middle and upper price points as inflation is affecting those customers a bit more.

The drop in GDP estimates for the first quarter makes sense though apparently, it was not that negative at the consumer spending level. We have all expected that the current levels of business would not last forever so the slowdown is not unexpected even though we would all hope it could continue. But the overall economy being affected by inflation, supply chain issues for many products, the war in Ukraine and the uncertainties that brings, plus all the political negativity has had to affect consumer spending on furniture.

We think the comments from some at retail saying their warehouses are full, may be affected by the folks buying whatever they could get their hands on just to have product, but those products may just not be good selling products.

The next few months should be interesting. Hopefully, the price increases in raw materials, as well as imported products, have begun to subside as business returns to more normal levels. This should also help with the freight issues. While we don’t see container costs going back to the good ole days, as demand decreases, we should see some significant reductions from some of the very high prices.

For now, business should continue to be good as shipments catch up and decrease the high backlogs. Hopefully, that will keep goods flowing until some of the uncertainties shake out.

HIGHLIGHTS – MONTHLY RESULTS

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders in February 2022 fell 20% from February 2021 new order levels. February 2021 new orders were up 34% over February 2020, the last month before the effects of the pandemic in 2020. Compared to February 2020, new orders in February 2022 were up 8%. But it is hard to tell what the difference really is as price increases made in 2021 should be having some impact on the 2022 order levels. New orders were up for only about 25% of the participants in February. As we have noted before, the February 2022 comparison will likely be the last that really make results meaningful as the rest of 2020 was greatly impacted by the drop and then significant rises in business the rest of 2020.

For the first two months of 2022, new orders were down 16% after being up 31% in the first two months of 2021. For year to date, some 38% of the participants reported increased year to date order increases.

Shipments and Backlogs

Shipments in February 2022 were about even with shipments in February 2021 when they were up 18% over February 2020. So, shipments in 2022 were also up about 18% over February 2020. Again, some price increases probably had some impact. Approximately 66% of the participants reported increased shipments over February 2021.

Year to date, shipments were down 1% from 2021 when they were up 13% over 2020 shipments. Approximately 66% of the participants also reported increased shipments year to date.

Backlogs were up 35% in February over February 2021 levels, down from a 43% increase reported last month. For the first time in quite a while, backlogs actually fell slightly, as shipments were higher than new orders.

Receivables and Inventories

Receivable levels in February were down 4% from February 2021 and up 1% over January levels. Both results seem to be reasonable considering shipment levels. Inventory levels were up 4% from January and up 32% from February a year ago. February 2021 levels were up 15% over February 2020, so with business slowing and not expected to grow as fast as the last couple of years, we might need to pay attention to the inventory increases. Some of it we realize are from price increases but, these levels need to be watched.

Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees rose again in February, up 1% over January 2022 and up 4% over February 2021. Payrolls were up 12% over January and up 15% over last February. Year to date, payrolls were up 8% over the same period a year ago. These payroll increases are likely a combination of increased numbers of employees but also pay raises that have been put in to attract and maintain people.

ESTIMATED BUSINESS ACTIVITY (MILLIONS)

	2022		
	FEB	JAN	2 MOS
New Orders	2,462	2,548	5,010
Shipments	2,614	2,391	5,005
Backlog (R)	9,112	9,250	

	2021		
	FEB	JAN	2 MOS
New Orders	3,062	2,902	5,964
Shipments	2,627	2,408	5,035
Backlog	6,774	6,369	

MONTHLY RESULTS – APRIL 2022

KEY MONTHLY INDICATORS (PERCENT CHANGE)	February 2022 from January 2022	February 2022 from February 2021	2 Mos 2022 vs 2 Mos 2021
New Orders	–	-20	-16
Shipments	+8	–	-1
Backlog	-1	+35	
Payrolls	+12	+15	+8
Employees	+1	+4	
Receivables	+1	-4	
Inventories	+4	+32	

PERCENT INCREASE/DECREASE COMPARED TO PRIOR YEAR	New Orders	Shipments	Backlog	Employment
2021				
February	+34	+18	+184	-2
March	+96	+34	+251	–
April	+134	+196	+266	+14
May	+47	+64	+214	+7
June	+7	+38	+153	+8
July	-11	+21	+108	+20
August	-14	+10	+81	+6
September	-20	+4	+56	+5
October	-18	-2	+52	+5
November	–	+3	+50	+5
December	-6	-2	+46	+5
2022				
January	-12	-3	+43	+24
February	-20	–	+35	+4

A DEEPER DIVE – NATIONAL

Consumer Confidence

The Conference Board Consumer Confidence Index® decreased slightly in April, after an increase in March. The Index now stands at 107.3 (1985=100), down from 107.6 in March. The Present Situation Index—based on consumers' assessment of current business and labor market conditions—fell to 152.6 from 153.8 last month. However, the Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—ticked up to 77.2 from 76.7.

"Consumer confidence fell slightly in April, after a modest increase in March," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The Present Situation Index declined, but remains quite high, suggesting the economy continued to expand in early Q2. Expectations, while still weak, did not deteriorate further amid high prices, especially at the gas pump, and the war in Ukraine. Vacation intentions cooled but intentions to buy big-ticket items like automobiles and many appliances rose somewhat."

"Still, purchasing intentions are down overall from recent levels as interest rates have begun rising. Meanwhile, concerns about inflation retreated from an all-time high in March but remained elevated. Looking ahead, inflation and the war in Ukraine will continue to pose downside risks to confidence and may further curb consumer spending this year."

Present Situation

Consumers' appraisal of current business conditions was mixed in April.

- 20.8% of consumers said business conditions were "good," up from 19.6%.
- Conversely, 21.9% of consumers said business conditions were "bad," up from 21.4%.

Consumers' assessment of the labor market was less upbeat.

- 55.2% of consumers said jobs were "plentiful," down from 56.7%.
- 10.6% of consumers said jobs are "hard to get," up from 9.6%.

Expectations Six Months Hence

Consumers' optimism about the short-term business conditions outlook was mixed in April.

- 18.1% of consumers expect business conditions will improve, down from 19.0%.
- Conversely, 21.8% expect business conditions to worsen, down from 24.1%.

Consumers were less optimistic about the short-term labor market outlook.

- 17.4% of consumers expect more jobs to be available in the months ahead, down from 17.6%.
- 18.9% anticipate fewer jobs, up from 18.0%.

Consumers were less pessimistic about their short-term financial prospects.

- 16.5% of consumers expect their incomes to increase, up from 15.1%.
- 13.8% expect their incomes will decrease, virtually unchanged from 13.7%.

NATIONAL UPDATE

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the U.S. increased by 0.3% in March to 119.8 (2016 = 100), following a 0.6% increase in February. The LEI increased by 1.9% in the six-month period from September 2021 to March 2022.

"The US LEI rose again in March despite headwinds from the war in Ukraine," said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. "This broad-based improvement signals economic growth is likely to continue through 2022 despite volatile stock prices and weakening business and consumer expectations.

The Conference Board projects 3.0% year-over-year US GDP growth in 2022, which is slower than the 5.6% pace of 2021, but still well above pre-COVID trend. This rate also reflects a 0.5 ppt downgrade incorporated in our base case to include the effects of the war in Ukraine compared to before the war (3.5%). However, downside risks to the growth outlook remain, associated with intensification of supply chain disruptions and inflation linked to lingering pandemic shutdowns and the war, as well as with tightening monetary policy and persistent labor shortages."

The Conference Board Coincident Economic Index® (CEI) for the U.S. increased by 0.4% in March to 108.7 (2016 = 100), following a 0.4% increase in February. The CEI increased by 2.2% in the six-month period from September 2021 to March 2022.

The Conference Board Lagging Economic Index® (LAG) for the U.S. increased by 0.6% in March to 110.9 (2016 = 100), following a 0.2% increase in February. The LAG increased by 2.0% in the six-month period from September 2021 to March 2022.

A DEEPER DIVE – NATIONAL, CONT.

Gross Domestic Product

Real gross domestic product (GDP) decreased at an annual rate of 1.4% in the first quarter of 2022, according to the "advance" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 6.9%.

The decrease in real GDP reflected decreases in private inventory investment, exports, federal government spending, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures (PCE), nonresidential fixed investment, and residential fixed investment increased.

The decrease in private inventory investment was led by decreases in wholesale trade (mainly motor vehicles) and retail trade (notably, "other" retailers and motor vehicle dealers). Within exports, widespread decreases in nondurable goods were partly offset by an increase in "other" business services (mainly financial services). The decrease in federal government spending primarily reflected a decrease in defense spending on intermediate goods and services. The increase in imports was led by increases in durable goods (notably, nonfood, and nonautomotive consumer goods).

The increase in PCE reflected an increase in services (led by health care) that was partly offset by a decrease in goods. Within goods, a decrease in nondurable goods (led by gasoline and other energy goods) was partly offset by an increase in durable goods (led by motor vehicles and parts). The increase in nonresidential fixed investment reflected increases in equipment and intellectual property products.

A DEEPER DIVE – HOUSING

Existing-Home Sales

Existing-home sales decreased in March, marking two consecutive months of declines, according to the National Association of Realtors®. Month-over-month, sales in March waned in three of the four major U.S. regions while holding steady in the West. Sales were down across each region year-over-year.

Total existing-home sales, completed transactions that include single-family homes, townhomes, condominiums, and co-ops, dipped 2.7% from February to a seasonally adjusted annual rate of 5.77 million in March. Year-over-year, sales fell 4.5% (6.04 million in March 2021).

Single-family home sales decreased to a seasonally adjusted annual rate of 5.13 million in March, down 2.7% from 5.27 million in February and down 3.8% from one year ago. The median existing single-family home price was $382,000 in March, up 15.2% from March 2021.

Existing condominium and co-op sales were recorded at a seasonally adjusted annual rate of 640,000 units in March, down 3.0% from 660,000 in February and down 9.9% from one year ago. The median existing condo price was $322,000 in March, an annual increase of 11.9%.

"The housing market is starting to feel the impact of sharply rising mortgage rates and higher inflation taking a hit on purchasing power," said Lawrence Yun, NAR's chief economist. "Still, homes are selling rapidly, and home price gains remain in the double-digits." With mortgage rates expected to rise further, Yun predicts transactions to contract by 10% this year, for home prices to readjust, and for gains to grow around 5%.

Total housing inventory at the end of March totaled 950,000 units, up 11.8% from February and down 9.5% from one year ago (1.05 million). Unsold inventory sits at a 2.0-month supply at the present sales pace, up from 1.7 months in February and down from 2.1 months in March 2021.

The median existing-home price for all housing types in March was $375,300, up 15.0% from March 2021 ($326,300), as prices rose in each region. This marks 121 consecutive months of year-over-year increases, the longest-running streak on record. "Home prices have consistently moved upward as supply remains tight," Yun said. "However, sellers should not expect the easy-profit gains and should look for multiple offers to fade as demand continues to subside."

Properties typically remained on the market for 17 days in March, down from 18 days in February and 18 days in March 2021. Eighty-seven percent of homes sold in March 2022 were on the market for less than a month. First-time buyers were responsible for 30% of sales in March, up from 29% in February and down from 32% in March 2021. NAR's 2021 Profile of Home Buyers and Sellers – released in late 2021 – reported that the annual share of first-time buyers was 34%.

A DEEPER DIVE – HOUSING, CONT.

Regional

Existing-home sales in the Northeast slid 2.9% in March, recording an annual rate of 670,000, an 11.8% fall from March 2021. The median price in the Northeast was $390,200, up 6.8% from one year ago.

Existing-home sales in the Midwest declined 4.5% from the prior month to an annual rate of 1,270,000 in March, a 3.1% drop from March 2021. The median price in the Midwest was $271,000, a 10.4% jump from March 2021.

Existing-home sales in the South dipped 3.0% in March from the prior month, registering an annual rate of 2,620,000, a decrease of 3.0% from one year ago. The median price in the South was $339,000, a 21.2% surge from one year prior. For the seventh straight month, the South experienced the highest pace of price appreciation in comparison to the other three regions.

Existing-home sales in the West held steady compared to the previous month, posting an annual rate of 1,210,000 in March, down 4.7% from one year ago. The median price in the West was $519,900, up 5.4% from March 2021.

New Residential Sales

The U. S. Census Bureau reported that sales of new single-family houses in March 2022 were at a seasonally adjusted annual rate of 763,000, according to estimates released. This was 8.6% below the revised February rate of 835,000 and was 12.6% below the March 2021 estimate of 873,000. Compared to March 2021, single family sales were up 12.8% in the Northeast and 21.0% in the West while down 13.8 in the Midwest and 24.7% in the South.

The median sales price of new houses sold in March 2022 was $436,700. The average sales price was $523,900. The seasonally adjusted estimate of new houses for sale at the end of March was 407,000. This represents a supply of 6.4 months at the current sales rate.

Housing Starts

According to The U.S. Census Bureau and the U.S. Department of Housing and Urban Development joint announcement, privately-owned housing starts in March were at a seasonally adjusted annual rate of 1,793,000. This was 0.3% above the revised February estimate of 1,788,000 and was 3.9% above the March 2021 rate of 1,725,000. Single-family housing starts in March were at a rate of 1,200,000; this was 1.7% below the revised February figure of 1,221,000 and were 4.4% below March 2021.

Single family starts were down from March a year ago by 32.6% in the Northeast, 22.6% in the Midwest and 0.6% in the South, while up 10.9% in the West.

Housing Completions

Privately-owned housing completions in March were at a seasonally adjusted annual rate of 1,303,000. This was 4.5% below the revised February estimate of 1,365,000 and was 13.0% below the March 2021 rate of 1,497,000. Single-family housing completions in March were at a rate of 1,000,000; this was 6.4% below the revised February rate of 1,068,000.

Single family completions were down in the Northeast and West from March last year, basically flat in the South and up 8% in the Midwest.

A DEEPER DIVE – OTHER NATIONAL

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.2% in March on a seasonally adjusted basis after rising 0.8% in February, according to the U.S. Bureau of Labor Statistics. Over the last 12 months, the all-items index increased 8.5% before seasonal adjustment.

Increases in the indexes for gasoline, shelter, and food were the largest contributors to the seasonally adjusted all items increase. The gasoline index rose 18.3% in March and accounted for over half of the all-items monthly increase; other energy component indexes also increased. The food index rose 1.0% and the food at home index rose 1.5%.

The index for all items less food and energy rose 0.3% in March following a 0.5-percent increase the prior month. The shelter index was by far the biggest factor in the increase, with a broad set of other indexes also contributing, including those for airline fares, household furnishings and operations, medical care, and motor vehicle insurance. In contrast, the index for used cars and trucks fell 3.8% over the month.

The all-items index continued to accelerate, rising 8.5% for the 12 months ending March, the largest 12-month increase since the period ending December 1981. The all items less food and energy index rose 6.5%, the largest 12-month change since the period ending August 1982. The energy index rose 32.0% over the last year, and the food index increased 8.8%, the largest 12-month increase since the period ending May 1981.

Retail Sales

According to the U.S. Census Bureau, advance estimates of U.S. retail and food services sales for March 2022, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $665.7 billion, an increase of 0.5% from the previous month, and 6.9% above March 2021. Total sales for the January 2022 through March 2022 period were up 12.9% from the same period a year ago. The January 2022 to February 2022 percent change was revised from up 0.3% to up 0.8%.

Retail trade sales were up 0.4% from February 2022, and up 5.5% above last year. Gasoline stations were up 37.0% from March 2021, while food services and drinking places were up 19.4% from last year.

Sales and furniture and home furnishings stores, in March 2022 compared to March 2021, were up 3.6% and up 5.5% year to date.

Employment

Total nonfarm payroll employment rose by 431,000 in March, and the unemployment rate declined to 3.6%, the U.S. Bureau of Labor Statistics reported. Notable job gains continued in leisure and hospitality, professional and business services, retail trade, and manufacturing.

The unemployment rate declined by 0.2 percentage point to 3.6% in March, and the number of unemployed persons decreased by 318,000 to 6.0 million. These measures are little different from their values in February 2020 (3.5% and 5.7 million, respectively), prior to the coronavirus (COVID-19) pandemic.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in March increased $2.3 billion or 0.8% to $275.0 billion, according to the U.S. Census Bureau. This increase, up five of the last six months, followed a 1.7% February decrease. Excluding transportation, new orders increased 1.1%. Excluding defense, new orders increased 1.2%. Computers and electronic products, up two of the last three months, led the increase, $0.7 billion or 2.6% to $26.3 billion.

Shipments of manufactured durable goods in March, up ten of the last eleven months, increased $3.3 billion or 1.2% to $274.2 billion. This followed a 0.1% February increase. Transportation equipment, up five of the last six months, led the increase, $1.9 billion or 2.4% to $80.0 billion.

According to the final report for February, new orders for furniture and related products in February were up 0.5% over February 2021 and up 0.9% year to date. Shipments were up 5% over February 2021 and up 5.1% year to date.