



FURNITURE INSIGHTS®

Smith Leonard PLLC's Industry Newsletter

May 2024



HIGHLIGHTS – EXECUTIVE SUMMARY

New orders were up 2% in March 2024 compared to March 2023, continuing our streak of 9 out of the last 10 months with overall order growth over the prior year. New orders were flat compared to February 2024. Year to date through March 2024, new orders are up 5% compared to 2023.

However, shipments in March 2024 were down (17)% from March 2023, and also down (4)% from February 2024. Year to date through March 2024, shipments are down (12)% compared to 2023.

March 2024 backlogs were down (17)% compared to March 2023, but up 2% from February 2024.

Receivable levels were down (3)% from February 2024, and down (9)% from March 2023, which is materially in line with the decline in shipments for the same periods.

Inventories and employee levels are again materially in line with recent months, but down from 2023, indicating that companies have substantially adjusted levels to match current operations.



**Mark Laferriere (left) with Ben Duckett,
Tax Partner**

EXECUTIVE SUMMARY, CONT.

National

Consumer Confidence

The Conference Board **Consumer Confidence Index**® rose in May to 102.0 (1985=100) from 97.5 in April.

The **Present Situation Index**—based on consumers' assessment of current business and labor market conditions—increased to 143.1 (1985=100) in May from 140.6 in April.

Meanwhile, the **Expectations Index**—based on consumers' short-term outlook for income, business, and labor market conditions—rose to 74.6 (1985=100) from 68.8 last month. Despite this improvement, for the fourth consecutive month, the Expectations Index was below 80, the threshold which usually signals a recession ahead.

"The survey also revealed a possible resurgence in recession concerns. The *Perceived Likelihood of a US Recession over the Next 12 Months* rose again in May, with more consumers believing recession is 'somewhat likely' or 'very likely'. This contrasts with CEO assessments of recession risk: according to our CEO Confidence survey, only 35% of CEOs surveyed in April anticipated a recession within the next 12 to 18 months. Consumers were nonetheless upbeat about the stock market, with 48.2% expecting stock prices to increase over the year ahead, compared to 25.4% expecting a decrease and 26.4 expecting no change."

On a six-month moving average basis, purchasing plans for homes were unchanged in May at their lowest level since August 2012. While still relatively depressed, buying plans for autos rose slightly for a second month, and buying plans for most big-ticket appliances increased for the first time in several months. Meanwhile, buying plans for electronics products were largely unchanged except for smartphones, which saw renewed interest.

Housing

Existing-home sales receded in April, according to the National Association of REALTORS®. All four major U.S. regions posted month-over-month declines. Year-over-year, sales decreased in the Northeast, Midwest and South but increased in the West.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – slid 1.9% from March to a seasonally adjusted annual rate of 4.14 million in April. Year-over-year, sales fell 1.9% (down from 4.22 million in April 2023).

Single-family home sales decreased to a seasonally adjusted annual rate of 3.74 million in April, down 2.1% from 3.82 million in March and 1.3% from the prior year. The median existing single-family home price was \$412,100 in April, up 5.6% from April 2023.

At a seasonally adjusted annual rate of 400,000 units in April, existing condominium and co-op sales were unchanged from last month and down 7% from one year ago (430,000 units). The median existing condo price was \$365,300 in April, up 5.4% from the previous year (\$346,700).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.02% as of May 16. That's down from 7.09% the previous week but up from 6.39% one year ago.

Sales of new single-family houses in April 2024 were at a seasonally adjusted annual rate of 634,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 4.7% below the revised March rate of 665,000 and is 7.7% below the April 2023 estimate of 687,000.

Compared to April 2023 on a seasonally-adjusted basis, sales were down (7.7)% overall with sales up 27.5% in the Midwest, down (15.1)% in the South and (5.0)% in the West, and flat in the Northeast.

EXECUTIVE SUMMARY, CONT.

Thoughts

With the first quarter of 2024 in the books for purposes of our monthly stats, and approaching the mid-year mark on the calendar, available data continues to provide conflicting and somewhat perplexing indications for what the remainder of 2024 will hold.

Consumers continue to be anxious about future prospects despite certain positive economic trends (e.g. employment), and this seems to be negatively impacting discretionary spending on items such as home furnishings.

In addition, it now seems unlikely that the Fed will make any meaningful rate cuts in the next 6 months that would potentially drive additional housing activity and furniture purchases, with inflation still a focus and the elections looming large.

At this stage, it would seem the remainder of 2024 will continue to be challenging at the macro level, though nothing that the industry hasn't managed through many times before. Individual operators will continue to look for opportunities amongst the challenges to be well-positioned for when things inevitably swing in the other direction.

EXECUTIVE SUMMARY, CONT.

National, Cont.

Other

Real gross domestic product (GDP) increased at an annual rate of 1.3% in the first quarter of 2024, according to the "second" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2023, real GDP increased 3.4%.

The increase in real GDP primarily reflected increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the fourth quarter, the deceleration in real GDP in the first quarter primarily reflected decelerations in consumer spending, exports, and state and local government spending and a downturn in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports accelerated.

Sales at furniture and home furnishings stores were down 0.5% in April 2024 from March 2024 on a seasonally-adjusted basis, and 8.4% from April 2023.

HIGHLIGHTS – MONTHLY RESULTS

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders were up 2% in March 2024 compared to March 2023, continuing our streak of 9 out of the last 10 months with overall order growth over the prior year. Approximately half of the participants reported increased orders in March 2024 compared to a year ago. However, new orders were flat compared to February 2024. Year to date through March 2024, new orders are up 5% compared to 2023.

Shipments and Backlogs

Shipments in March 2024 were down (17)% from March 2023, and also down (4)% from February 2024. Shipments in March 2024 were down for approximately 85% of the participants compared to March 2023. March 2024 backlogs were down (17)% compared to March 2023, but up 2% from February 2024.

Receivables and Inventories

Receivable levels were down (3)% from February 2024, and down (9)% from March 2023, which is materially in line with the decline in shipments for the same periods.

Inventories were also down (2)% from February 2024, and down (22)% from March 2023, which is consistent with current operational levels.

Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees was down (6)% from March a year ago, and down slightly from February 2024 with a reduction of (1)%. Similarly, payroll expenses were down (6)% from March a year ago, though up 5% from February 2024, likely due to the short prior month.

ESTIMATED BUSINESS ACTIVITY (MILLIONS)			
	2024		
	MAR	FEB	3 MOS
New Orders	2,190	2,193	6,496
Shipments	2,238	2,322	6,712
Backlog	2,639	2,588	
	2023		
	MAR	FEB	3 MOS
New Orders (R)	2,158	2,053	6,224
Shipments (R)	2,713	2,444	7,745
Backlog	3,180	3,383	

MONTHLY RESULTS – MAY 2024

KEY MONTHLY INDICATORS (PERCENT CHANGE)			
	Mar 2024 from Feb 2024	Mar 2024 from Mar 2023	3 Mos 2024 vs 3 Mos 2023
New Orders	—	+2	+5
Shipments	-4	-17	-12
Backlog	+2	-17	
Payrolls	+5	-9	-7
Employees	-1	-6	
Receivables	-3	-9	
Inventories	-2	-22	

PERCENT INCREASE/DECREASE COMPARED TO PRIOR YEAR				
	New Orders	Shipments	Backlog	Employment
2023				
March	-14	-16	-63	-6
April	-19	-28	-64	-9
May	+15	-18	-61	-9
June	+23	-28	-58	-9
July	+28	-21	-54	-8
August	+29	-17	-51	-8
September	+13	-20	-45	-7
October	+12	-13	-43	-7
November	+26	-16	-35	-6
December	+6	-14	-33	-7
2024				
January	-1	-13	-27	-7
February	+7	-5	-24	-7
March	+2	-17	-17	-6

A DEEPER DIVE – NATIONAL

Consumer Confidence

The Conference Board **Consumer Confidence Index®** rose in May to 102.0 (1985=100) from 97.5 in April.

The **Present Situation Index**—based on consumers' assessment of current business and labor market conditions—increased to 143.1 (1985=100) in May from 140.6 in April.

Meanwhile, the **Expectations Index**—based on consumers' short-term outlook for income, business, and labor market conditions—rose to 74.6 (1985=100) from 68.8 last month. Despite this improvement, for the fourth consecutive month, the Expectations Index was below 80, the threshold which usually signals a recession ahead.

"Confidence improved in May after three consecutive months of decline," said **Dana M. Peterson, Chief Economist at The Conference Board**. "Consumers' assessment of current business conditions was slightly less positive than last month. However, the strong labor market continued to bolster consumers' overall assessment of the present situation. Views of current labor market conditions improved in May, as fewer respondents said jobs were 'hard to get,' which outweighed a slight decline in the number who said jobs were 'plentiful.' Looking ahead, fewer consumers expected deterioration in future business conditions, job availability, and income, resulting in an increase in the Expectation Index. Nonetheless, the overall confidence gauge remained within the relatively narrow range it has been hovering in for more than two years."

"Compared to last month, confidence improved among consumers of all age groups. In terms of income, those making over \$100K expressed the largest rise in confidence. On a six-month moving average basis, confidence continued to be highest among the youngest (under 35) and wealthiest (making over \$100K) consumers."

Peterson added: "According to May's write-in responses, consumers cited prices, especially for food and groceries, as having the greatest impact on their view of the U.S. economy. Notably, **average 12-month inflation expectations** ticked up from 5.3% to 5.4%. Perhaps as a consequence, the share of consumers expecting higher **interest rates** over the year ahead also rose, from 55.2% to 56.2%. Meanwhile, consumers' assessment of their **Family's Financial Situation** both currently and over the next six months (measures not included in calculating the Consumer Confidence Index) deteriorated slightly."

"The survey also revealed a possible resurgence in **recession** concerns. The *Perceived Likelihood of a US Recession over the Next 12 Months* rose again in May, with more consumers believing recession is 'somewhat likely' or 'very likely'. This contrasts with CEO assessments of recession risk: according to our CEO Confidence survey, only 35% of CEOs surveyed in April anticipated a recession within the next 12 to 18 months. Consumers were nonetheless upbeat about the **stock market**, with 48.2% expecting stock prices to increase over the year ahead, compared to 25.4% expecting a decrease and 26.4% expecting no change."

On a six-month moving average basis, **purchasing plans** for homes were unchanged in May at their lowest level since August 2012. While still relatively depressed, buying plans for autos rose slightly for a second month, and buying plans for most big-ticket appliances increased for the first time in several months. Meanwhile, buying plans for electronics products were largely unchanged except for smartphones, which saw renewed interest.

NATIONAL UPDATE

Leading Economic Indicators

The **Conference Board Leading Economic Index®** (LEI) for the U.S. decreased by 0.6% in April 2024 to 101.8 (2016=100), after decreasing by 0.3% in March. Over the six-month period between October 2023 and April 2024, the LEI contracted by 1.9%—a smaller decrease than its 3.5% decline over the previous six months.

"Another decline in the U.S. LEI confirms that softer economic conditions lay ahead," said **Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board**. "Deterioration in consumers' outlook on business conditions, weaker new orders, a negative yield spread, and a drop in new building permits fueled April's decline. In addition, stock prices contributed negatively for the first time since October of last year. While the LEI's six-month and annual growth rates no longer signal a forthcoming recession, they still point to serious headwinds to growth ahead. Indeed, elevated inflation, high interest rates, rising household debt, and depleted pandemic savings are all expected to continue weighing on the US economy in 2024. As a result, we project that real GDP growth will slow to under 1% over the Q2 to Q3 2024 period."

The **Conference Board Coincident Economic Index®** (CEI) for the U.S. rose by 0.2% in April 2024 to 112.3 (2016=100), after also increasing by 0.2% in March. As a result, the CEI was up 0.9% over the six-month period ending April 2024, slightly ahead of its 0.8% increase over the previous six months. The CEI's component indicators—payroll employment, personal income less transfer payments, manufacturing and trade sales, and industrial production—are included among the data used to determine recessions in the US. All four components of the index improved last month. Personal income less transfer payments made the largest positive contribution to the Index.

The **Conference Board Lagging Economic Index®** (LAG) for the U.S. increased by 0.4% in April 2024 to 119.5 (2016=100), after remaining unchanged in March. The LAG was up by 1.1% over the six-month period from October 2023 and April 2024, a substantial improvement of a 0.3% increase over the previous six months.

A DEEPER DIVE – NATIONAL, CONT.

Consumer Confidence, Cont.

Present Situation

Consumers' assessment of current **business conditions** was slightly less positive in May.

- 20.3% of consumers said business conditions were "good," down from 20.8% in April.
- 17.6% said business conditions were "bad," unchanged from last month.

Consumers' appraisal of the **labor market** improved, on balance, in May.

- 37.5% of consumers said jobs were "plentiful," down from 38.4% in April.
- But just 13.5% of consumers said jobs were "hard to get," down from 15.5%.

Expectations Six Months Hence

Consumers were less pessimistic about the **short-term business conditions outlook** in May.

- 13.3% of consumers expected business conditions to improve, down from 13.4% in April.
- 16.8% expected business conditions to worsen, down from 19.1%.

Consumers' assessment of the **short-term labor market outlook** was also less negative in May.

- 12.6% of consumers expected more jobs to be available, up from 12.3% in April.
- 18.2% anticipated fewer jobs, down from 19.8% last month.

Consumers' assessment of their **short-term income prospects** improved in May.

- 16.9% of consumers expected their incomes to increase, up from 16.8% in April.
- 11.0% expected their incomes to decrease, down from 14.0%.

Assessment of Family Finances and Recession Risk

- Consumers' assessment of their **Family's Current Financial Situation** was less positive in May.
- Consumers were also slightly less optimistic about their **Family's Financial Situation** going forward.
- Consumers' **Perceived Likelihood of a US Recession over the Next 12 Months** rose for the second consecutive month in May.

Gross Domestic Product

Real gross domestic product (GDP) increased at an annual rate of 1.3% in the first quarter of 2024, according to the "second" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2023, real GDP increased 3.4%.

The current GDP estimate is based on more complete source data than was available for the "advance" estimate issued last month. In the advance estimate, the increase in real GDP was 1.6%. The update primarily reflected a downward revision to consumer spending.

The increase in **real GDP** primarily reflected increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the fourth quarter, the deceleration in **real GDP** in the first quarter primarily reflected decelerations in consumer spending, exports, and state and local government spending and a downturn in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports accelerated.

The **price index for gross domestic purchases** increased 3.0% in the first quarter, a downward revision of 0.1 percentage point from the previous estimate. The **personal consumption expenditures (PCE) price index** increased 3.3%, a downward revision of 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 3.6%, a downward revision of 0.1 percentage point.

A DEEPER DIVE – HOUSING

Existing-Home Sales

Existing-home sales receded in April, according to the National Association of REALTORS®. All four major U.S. regions posted month-over-month declines. Year-over-year, sales decreased in the Northeast, Midwest and South but increased in the West.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – slid 1.9% from March to a seasonally adjusted annual rate of 4.14 million in April. Year-over-year, sales fell 1.9% (down from 4.22 million in April 2023).

"Home sales changed little overall, but the upper-end market is experiencing a sizable gain due to more supply coming onto the market," said NAR Chief Economist Lawrence Yun.

Single-family home sales decreased to a seasonally adjusted annual rate of 3.74 million in April, down 2.1% from 3.82 million in March and 1.3% from the prior year. The median existing single-family home price was \$412,100 in April, up 5.6% from April 2023.

At a seasonally adjusted annual rate of 400,000 units in April, existing condominium and co-op sales were unchanged from last month and down 7% from one year ago (430,000 units). The median existing condo price was \$365,300 in April, up 5.4% from the previous year (\$346,700).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 7.02% as of May 16. That's down from 7.09% the previous week but up from 6.39% one year ago.

Total housing inventory registered at the end of April was 1.21 million units, up 9% from March and 16.3% from one year ago (1.04 million). Unsold inventory sits at a 3.5-month supply at the current sales pace, up from 3.2 months in March and 3.0 months in April 2023. For homes priced \$1 million or more, inventory and sales increased by 34% and 40%, respectively, from a year ago.

The median existing-home price for all housing types in April was \$407,600, an increase of 5.7% from the previous year (\$385,800). All four U.S. regions registered price gains.

"Home prices reaching a record high for the month of April is very good news for homeowners," Yun added. "However, the pace of price increases should taper off since more housing inventory is becoming available."

According to the monthly REALTORS® Confidence Index, properties typically remained on the market for 26 days in April, down from 33 days in March but up from 22 days in April 2023.

First-time buyers were responsible for 33% of sales in April, up from 32% in March and 29% in April 2023. NAR's 2023 [Profile of Home Buyers and Sellers](#) – released in November 2023 – found that the annual share of first-time buyers was 32%.

Regional

Existing-home sales in the Northeast waned 4% from March to an annual rate of 480,000 in April, a decline of 4% from April 2023. The median price in the Northeast was \$458,500, up 8.5% from the previous year.

In the Midwest, existing-home sales slipped 1% from one month ago to an annual rate of 1 million in April, down 1% from one year ago. The median price in the Midwest was \$303,600, up 6% from April 2023.

Existing-home sales in the South descended 1.6% from March to an annual rate of 1.9 million in April, down 3.1% from the prior year. The median price in the South was \$366,200, up 3.7% from last year.

In the West, existing-home sales retracted 2.6% from a month ago to an annual rate of 760,000 in April, an increase of 1.3% from one year before. The median price in the West was \$629,600, up 9.3% from April 2023.



A DEEPER DIVE – HOUSING, CONT.

New Residential Sales

Sales of new single-family houses in April 2024 were at a seasonally adjusted annual rate of 634,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 4.7% below the revised March rate of 665,000 and is 7.7% below the April 2023 estimate of 687,000.

The median sales price of new houses sold in April 2024 was \$433,500. The average sales price was \$505,700. The median sales price of new houses sold in March 2024 was \$430,700. The average sales price was \$524,800.

The seasonally-adjusted estimate of new houses for sale at the end of April was 480,000 (477,000 in March). This represents a supply of 9.1 months at the current sales rate (8.3 months in March 2024).

Compared to April 2023 on a seasonally-adjusted basis, sales were down (7.7)% overall with sales up 27.5% in the Midwest, down (15.1)% in the South and (5.0)% in the West, and flat in the Northeast.



Housing Starts

Privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,360,000. This is 5.7% above the revised March estimate of 1,287,000, but is 0.6% below the April 2023 rate of 1,368,000.

Single-family housing starts in April were at a rate of 1,031,000; this is 0.4% below the revised March figure of 1,035,000.

The April rate for units in buildings with five units or more was 322,000 (290,000 in March).

Single-family starts compared to April 2023, on a seasonally-adjusted basis, were up 17.7% in total and also up 16.6% in the South, 40.9% in the Midwest, 18.4% in the West, while being down (9.5)% in the Northeast.

Housing Completions

Privately-owned housing completions in April were at a seasonally adjusted annual rate of 1,623,000. This is 8.6% above the revised March estimate of 1,495,000 and is 14.6% above the April 2023 rate of 1,416,000.

Single-family housing completions in April were at a rate of 1,092,000; this is 15.4% above the revised March rate of 946,000.

The April rate for units in buildings with five units or more was 516,000 (502,000 in March).

Single-family completions compared to April 2023, on a seasonally-adjusted basis, were up 13.6% in total and also up 18.2% in the South and 21.8% in the West, while being down (10.2)% in the Midwest and (2.8)% in the Northeast.

Retail Sales

Advance estimates of U.S. retail and food services sales for April 2024, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$705.2 billion, virtually unchanged from the previous month, but up 3.0% above April 2023. Total sales for the February 2024 through April 2024 period were up 3.0% from the same period a year ago. The February 2024 to March 2024 percent change was revised from up 0.7% to up 0.6%.

Retail trade sales were virtually unchanged from March 2024, but up 2.7% above last year. Nonstore retailers were up 7.5% from last year, while food services and drinking places were up 5.5% from April 2023.

Sales at furniture and home furnishings stores were down 0.5% in April 2024 from March 2024 on a seasonally-adjusted basis, and 8.4% from April 2023.

A DEEPER DIVE – OTHER NATIONAL

Consumer Prices

The Consumer Price Index for All Urban Consumers increased 0.3% in April on a seasonally adjusted basis, after rising 0.4% in March, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all-items index increased 3.4% before seasonal adjustment.

The index for shelter rose in April, as did the index for gasoline. Combined, these two indexes contributed over seventy percent of the monthly increase in the index for all-items. The energy index rose 1.1% over the month. The food index was unchanged in April. The food at home index declined 0.2%, while the food away from home index rose 0.3% over the month.

The index for all-items less food and energy rose 0.3% in April, after rising 0.4% in each of the 3 preceding months. Indexes which increased in April include shelter, motor vehicle insurance, medical care, apparel, and personal care. The indexes for used cars and trucks, household furnishings and operations, and new vehicles were among those that decreased over the month.

The all-items index rose 3.4% for the 12 months ending April, a smaller increase than the 3.5% increase for the 12 months ending March. The all items less food and energy index rose 3.6% over the last 12 months. The energy index increased 2.6% for the 12 months ending April. The food index increased 2.2% over the last year.

Employment

Total nonfarm payroll employment increased by 175,000 in April, and the unemployment rate changed little at 3.9%, the U.S. Bureau of Labor Statistics reported. Job gains occurred in health care, in social assistance, and in transportation and warehousing.

Both the unemployment rate, at 3.9%, and the number of unemployed people, at 6.5 million, changed little in April. The unemployment rate has remained in a narrow range of 3.7% to 3.9% since August 2023.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in April, up three consecutive months, increased \$1.9 billion or 0.7% to \$284.1 billion, the U.S. Census Bureau announced. This followed a 0.8% March increase. Excluding transportation, new orders increased 0.4%. Excluding defense, new orders were virtually unchanged. Transportation equipment, also up three consecutive months, led the increase, \$1.1 billion or 1.2% to \$96.2 billion.

Shipments of manufactured durable goods in April, up three consecutive months, increased \$3.4 billion or 1.2% to \$285.7 billion. This followed a 0.1% March increase. Transportation equipment, also up three consecutive months, led the increase, \$3.1 billion or 3.4% to \$93.0 billion.

On a seasonally-adjusted basis, shipments for furniture and related products were up 0.4 % compared to the prior month, while new orders were up 1.2%. On a non-adjusted basis, year to date shipments for furniture and related products were down (0.1)% compared to the prior year, while new orders were flat (0.0)%.