FURNITURE INSIGHTS®

Smith Leonard PLLC's Industry Newsletter

November 2024

HIGHLIGHTS – EXECUTIVE SUMMARY

New orders were down 9% in September 2024 compared to September 2023, which follows the 7% year over year decline last month. However, new orders were up 5% compared to the prior month of August 2024. Year to date through September 2024, new orders are now even compared to 2023.

September 2024 shipments were down 7% from September 2023, and also down 7% from August 2024. Year to date through September 2024, shipments are down 8% compared to 2023.

September 2024 backlogs were down 10% compared to September 2023, but up 1% from August 2024.

Receivable levels were down 1% from August 2024, and down 8% from September 2023, both of which are materially in line with the respective shipment trends.

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

Mark Laferriere

EXECUTIVE SUMMARY, CONT.

National

Consumer Confidence

The Conference Board ***Consumer Confidence Index®*** increased in November to 111.7 (1985=100), up 2.1 points from 109.6 in October.

The ***Present Situation Index***—based on consumers' assessment of current business and labor market conditions—increased by 4.8 points to 140.9.

The ***Expectations Index***—based on consumers' short-term outlook for income, business, and labor market conditions— ticked up 0.4 points to 92.3, well above the threshold of 80 that usually signals a recession ahead.

"Consumer confidence continued to improve in November and reached the top of the range that has prevailed over the past two years," said Dana M. Peterson, Chief Economist at The Conference Board. "November's increase was mainly driven by more positive consumer assessments of the present situation, particularly regarding the labor market. Compared to October, consumers were also substantially more optimistic about future job availability, which reached its highest level in almost three years. Meanwhile, consumers' expectations about future business conditions were unchanged and they were slightly less positive about future income."

On a six-month moving average basis, purchasing plans for homes stalled in November, while purchasing plans for autos were up slightly. When asked about plans to buy more durable goods or services over the next six months, consumers continued to express a slightly greater preference for purchasing goods. In addition, more consumers expressed uncertainty about future purchases. Consumer buying plans for most appliances and electronics were down.

Housing

Existing-home sales rose in October, according to the National Association of REALTORS®. Sales improved in all four major U.S. regions. Year-over-year, sales elevated in three regions but were unchanged in the Northeast.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – expanded 3.4% from September to a seasonally adjusted annual rate of 3.96 million in October. Year-over-year, sales progressed 2.9% (up from 3.85 million in October 2023).

Single-family home sales accelerated 3.5% to a seasonally adjusted annual rate of 3.58 million in October, up 4.1% from the prior year. The median existing single-family home price was $412,200 in October, up 4.1% from October 2023.

Existing condominium and co-op sales extended 2.7% in October to a seasonally adjusted annual rate of 380,000 units, down 7.3% from one year ago (410,000). The median existing condo price was $360,300 in October, up 1.6% from the previous year ($354,800).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.78% as of November 14. That's down from 6.79% one week ago and 7.44% one year ago.

Sales of new single-family houses in October 2024 were at a seasonally adjusted annual rate of 610,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 17.3% below the revised September rate of 738,000 and is 9.4% below the October 2023 estimate of 673,000.

Compared to October 2023 on a seasonally-adjusted basis, sales were down 9.4% overall with sales also down 19.7% in the South and 1.3% in the West, but up 35.3% in the Northeast and 15.9% in the Midwest.

EXECUTIVE SUMMARY, CONT.

Thoughts

I hope everyone here in the States had a relaxing and enjoyable Thanksgiving holiday.

This month, we saw a few of the national economic indicators trending in the right direction, particularly Consumer Confidence and existing-home sales, though new residential housing activity continues to lag behind. These gains will need to be sustained to meaningfully filter down to the furniture industry, as we continue to see a decline in current orders and shipments for participants in our survey compared to a year ago. However, a review of recent public company results does provide some hope in that the year over year declines have narrowed in their last quarterly filings on average.

Early reporting on Black Friday indicates that activity was up overall, though online purchases made up for the reduction at brick-and-mortar retail.

We also saw another 0.25% interest rate cut in November, which followed the 0.50% in September. The Fed meets again in mid-December, so it will be interesting to see how they approach possible tariffs and the potential impact on inflation, future interest rate adjustments, and ultimately housing that drives so much activity in the industry.

While we have seen most of our clients significantly reduce their reliance on China produced goods over the last 10 to 15 years, there is still little doubt that tariffs will be disruptive to the overall industry, providing both challenges and opportunities.

I suppose no one can say we don't live in interesting times.

EXECUTIVE SUMMARY, CONT.

National, Cont.

Other

Real gross domestic product (GDP) increased at an annual rate of 2.8% in the third quarter of 2024, according to the "second" estimate released by the U.S. Bureau of Economic Analysis. In the second quarter, real GDP increased 3.0%.

The increase in real GDP primarily reflected increases in consumer spending, exports, federal government spending, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the second quarter, the deceleration in real GDP in the third quarter primarily reflected a downturn in private inventory investment and a larger decrease in residential fixed investment. These movements were partly offset by accelerations in exports, consumer spending, and federal government spending. Imports accelerated.

Sales at furniture and home furnishings stores were down 1.3% in October 2024 from September 2024 on a seasonally-adjusted basis, but up 1.5% from October 2023. Sales were down 3.9% for year to date October 2024 compared to the same period for 2023 on an unadjusted basis.

HIGHLIGHTS – MONTHLY RESULTS

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders were down 9% in September 2024 compared to September 2023, which follows the 7% year over year decline last month. Approximately 63% of the participants reported a decrease in orders in September 2024 compared to a year ago. However, new orders were up 5% compared to the prior month of August 2024. Year to date through September 2024, new orders are now even compared to 2023.

Shipments and Backlogs

September 2024 shipments were down 7% from September 2023, and also down 7% from August 2024. Shipments in September 2024 were down for approximately 67% of the participants compared to September 2023.

Year to date through September 2024, shipments are down 8% compared to 2023 (same as last month).

September 2024 backlogs were down 10% compared to September 2023, but up 1% from August 2024 as new orders outpaced current shipments.

Receivables and Inventories

Receivable levels were down 1% from August 2024, and down 8% from September 2023, both of which are materially in line with the respective shipment trends.

Inventories were consistent with August 2024 at up 1% and down 9% from September 2023, which is in line with prior periods and current operational levels.

Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees was down 5% from September a year ago, but even with August 2024.

Payroll expense was flat in September 2024 compared to August 2024. Year to date through September 2024, payroll expense is down 3%, which is materially consistent with the employee headcount and prior periods.

ESTIMATED BUSINESS ACTIVITY (MILLIONS)

	2024		
	SEP	AUG	9 MOS
New Orders	2,324	2,188	19,461
Shipments	2,172	2,373	19,951
Backlog	2,452	2,416	
	2023		
	SEP	AUG	9 MOS
New Orders (R)	2,582	2,365	19,738
Shipments (R)	2,323	2,622	21,635
Backlog (R)	2,740	2,684	

KEY MONTHLY INDICATORS (PERCENT CHANGE)	Sep 2024 from Aug 2024	Sep 2024 from Sep 2023	9 Mos 2024 vs 9 Mos 2023
New Orders	+5	-9	-
Shipments	-7	-7	-8
Backlog	+1	-10	
Payrolls	-	-7	-3
Employees	-	-5	
Receivables	-1	-8	
Inventories	1	-9	

PERCENT INCREASE/DECREASE COMPARED TO PRIOR YEAR

	New Orders	Shipments	Backlog	Employment
2023				
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
April	+22	+2	-12	-6
May	-3	-4	-6	-4
June	-6	-8	-6	-6
July	-5	+6	-11	-4
August	-7	-10	-10	-5
September	-9	-7	-10	-5

A DEEPER DIVE – NATIONAL

Consumer Confidence

The Conference Board ***Consumer Confidence Index***® increased in November to 111.7 (1985=100), up 2.1 points from 109.6 in October.

The ***Present Situation Index***—based on consumers' assessment of current business and labor market conditions—increased by 4.8 points to 140.9.

The ***Expectations Index***—based on consumers' short-term outlook for income, business, and labor market conditions— ticked up 0.4 points to 92.3, well above the threshold of 80 that usually signals a recession ahead.

"Consumer confidence continued to improve in November and reached the top of the range that has prevailed over the past two years," said Dana M. Peterson, Chief Economist at The Conference Board. "November's increase was mainly driven by more positive consumer assessments of the present situation, particularly regarding the labor market. Compared to October, consumers were also substantially more optimistic about future job availability, which reached its highest level in almost three years. Meanwhile, consumers' expectations about future business conditions were unchanged and they were slightly less positive about future income."

Among age groups, November's gains were led by a large jump in confidence for consumers under 35 years old. Meanwhile, confidence among consumers aged 35 to 54 declined slightly after surging last month. All income groups reported higher confidence except those at the very top (earning over $125K) and bottom (earning less than $15K). On a six-month moving average basis, householders aged under 35 and those earning over $100K remained the most confident.

Peterson added: "The proportion of consumers anticipating a recession over the next 12 months fell further in November and was the lowest since we first asked the question in July 2022. Consumers' assessments of their Family's Current Financial Situation fell slightly but optimism for their finances over the next six months reached a new high. (These measures are not included in calculating the Consumer Confidence Index®)."

Consumers became even more optimistic about the stock market: 56.4% of consumers expected stock prices to increase over the year ahead, another record high for this measure. Only 21.3% expected stock prices to decline. The share of consumers expecting higher interest rates over the next 12 months declined to 43.6%. The share expecting lower rates increased to 34.6%, the highest since April 2020.

Meanwhile, average 12-month inflation expectations declined from 5.3% last month to 4.9% in November, the lowest since March 2020. In addition, references to inflation and prices declined in write-in responses, as attention and focus shifted to the US November elections.

However, elevated prices remain top of mind: In a special question about concerns and hopes for 2025, consumers overwhelmingly selected higher prices as their top concern and lower prices as their top wish for the new year; this was true across all income and age groups. That same question found higher taxes, wars and conflict, and social unrest are other major—although less acute—concerns for consumers. Meanwhile, household finances completed the top of consumers' wish list for 2025, including being able to save more money, paying lower taxes, and paying off debt.

NATIONAL UPDATE

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the US declined by 0.4% in October 2024 to 99.5 (2016=100), following a 0.3% decline in September (revised up from a 0.5% decline). Over the six-month period between April and October 2024, the LEI fell by 2.2%, slightly more than its 2.0% decline over the previous six-month period (October 2023 to April 2024).

"The largest negative contributor to the LEI's decline came from manufacturer new orders, which remained weak in 11 out of 14 industries," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "In October, manufacturing hours worked fell by the most since December 2023, while unemployment insurance claims rose and building permits declined, partly reflecting the impact of hurricanes in the Southeast US. Additionally, the negative yield spread continued to weigh on the LEI. Apart from possible temporary impacts of hurricanes, the US LEI continued to suggest challenges to economic activity ahead."

The Conference Board Coincident Economic Index® (CEI) for the US was unchanged for a second month in a row at 112.8 (2016=100). The CEI increased by 0.8% in the six-month period ending October 2024, higher than its 0.5% growth rate over the previous six-month period. 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. Personal income less transfer payments and manufacturing and trade sales, which are estimates for October, contributed positively but were offset by the second consecutive decline in industrial production. Payroll employment was virtually unchanged.

The Conference Board Lagging Economic Index® (LAG) for the US ticked down by 0.1% to 118.7 (2016=100) in October 2024, after a decline of 0.3% in September. The LAG's six-month growth rate was negative at 0.8% between April and October 2024, a partial reversal from a 1.2% increase over the six-month period from October 2023 to April 2024.

A DEEPER DIVE – NATIONAL, CONT.

Consumer Confidence, Cont.

On a six-month moving average basis, purchasing plans for homes stalled in November, while purchasing plans for autos were up slightly. When asked about plans to buy more durable goods or services over the next six months, consumers continued to express a slightly greater preference for purchasing goods. In addition, more consumers expressed uncertainty about future purchases. Consumer buying plans for most appliances and electronics were down. Regarding services, consumers' priorities were little changed, but they planned to spend a bit less in most categories going forward, except for travel and health care.

Write-in responses about politics, including the November elections, surged to above 2020 levels but were below 2016 levels.

Present Situation

Consumers' assessments of **current business conditions** improved in November.

- 21.3% of consumers said business conditions were "good," down from 22.0% in October.
- 15.3% said business conditions were "bad," down from 16.7%.

Consumers' appraisals of the labor market improved in November.

- 33.4% of consumers said jobs were "plentiful," down from 34.1% in October.
- 15.2% of consumers said jobs were "hard to get," down from 17.6%.

Expectations Six Months Hence

Consumers remained optimistic about the business conditions outlook in November.

- 23.5% of consumers expected business conditions to improve, up from 21.1% in October.
- 15.2% expected business conditions to worsen, up from 13.0%.

Consumers' assessments of the labor market outlook continued to improve.

- 21.7% of consumers expected more jobs to be available, up from 18.4% in October.
- 17.8% anticipated fewer jobs, up from 16.2%.

Consumers' assessments of their income prospects were slightly down in November.

- 19.0% of consumers expected their incomes to increase, down from 19.5% in October.
- 11.8% expected their incomes to decrease, unchanged from October.

Assessment of Family Finances and Recession Risk

- Consumers' assessment of their Family's Current Financial Situation were slightly less positive.
- Consumers were more optimistic about their Family's Expected Financial Situation in November.
- Perceived Likelihood of a US Recession over the Next 12 Months fell to a new low in November.

Gross Domestic Product

Real gross domestic product (GDP) increased at an annual rate of 2.8% in the third quarter of 2024, according to the "second" estimate released by the U.S. Bureau of Economic Analysis. In the second quarter, real GDP increased 3.0%.

The GDP estimate is based on more complete source data than were available for the "advance" estimate issued last month. In the advance estimate, the increase in real GDP was also 2.8%. The update primarily reflected upward revisions to private inventory investment and nonresidential fixed investment as well as downward revisions to exports and consumer spending. Imports, which are a subtraction in the calculation of GDP, were revised down.

The increase in real GDP primarily reflected increases in consumer spending, exports, federal government spending, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Compared to the second quarter, the deceleration in real GDP in the third quarter primarily reflected a downturn in private inventory investment and a larger decrease in residential fixed investment. These movements were partly offset by accelerations in exports, consumer spending, and federal government spending. Imports accelerated.

Current-dollar GDP increased 4.7% at an annual rate, or $337.6 billion, in the third quarter to a level of $29.35 trillion, an upward revision of $4.4 billion from the previous estimate.

The price index for gross domestic purchases increased 1.9% in the third quarter, an upward revision of 0.1 percentage point from the previous estimate. The personal consumption expenditures (PCE) price index increased 1.5%, the same as previously estimated. Excluding food and energy prices, the PCE price index increased 2.1%, a downward revision of 0.1 percentage point.

A DEEPER DIVE – HOUSING

Existing-Home Sales

Existing-home sales rose in October, according to the National Association of REALTORS®. Sales improved in all four major U.S. regions. Year-over-year, sales elevated in three regions but were unchanged in the Northeast.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – expanded 3.4% from September to a seasonally adjusted annual rate of 3.96 million in October. Year-over-year, sales progressed 2.9% (up from 3.85 million in October 2023).

"The worst of the downturn in home sales could be over, with increasing inventory leading to more transactions," said NAR Chief Economist Lawrence Yun. "Additional job gains and continued economic growth appear assured, resulting in growing housing demand. However, for most first-time homebuyers, mortgage financing is critically important. While mortgage rates remain elevated, they are expected to stabilize."

Single-family home sales accelerated 3.5% to a seasonally adjusted annual rate of 3.58 million in October, up 4.1% from the prior year. The median existing single-family home price was $412,200 in October, up 4.1% from October 2023.

Existing condominium and co-op sales extended 2.7% in October to a seasonally adjusted annual rate of 380,000 units, down 7.3% from one year ago (410,000). The median existing condo price was $360,300 in October, up 1.6% from the previous year ($354,800).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.78% as of November 14. That's down from 6.79% one week ago and 7.44% one year ago.

Total housing inventory registered at the end of October was 1.37 million units, up 0.7% from September and 19.1% from one year ago (1.15 million). Unsold inventory sits at a 4.2-month supply at the current sales pace, down from 4.3 months in September but up from 3.6 months in October 2023.

The median existing-home price for all housing types in October was $407,200, up 4.0% from one year ago ($391,600). All four U.S. regions registered price increases.

"The ongoing price gains mean increasing wealth for homeowners nationwide," Yun added. "Additional inventory and more home building activity will help price increases moderate next year."

According to the monthly REALTORS® Confidence Index, properties typically remained on the market for 29 days in October, up from 28 days in September and 23 days in October 2023.

First-time buyers were responsible for 27% of sales in October, up from 26% in September but down from 28% in October 2023. NAR's 2024 *Profile of Home Buyers and Sellers* – released earlier this month – found that the annual share of first-time buyers was 24%, the lowest ever recorded.

Regional

Existing-home sales in the Northeast in October grew 2.2% from September to an annual rate of 470,000, identical to October 2023. The median price in the Northeast was $472,900, up 7.6% from last year.

In the Midwest, existing-home sales bounced 6.7% in October to an annual rate of 950,000, up 1.1% from the prior year. The median price in the Midwest was $305,300, up 7.2% from October 2023.

Existing-home sales in the South climbed 2.9% from September to an annual rate of 1.77 million in October, up 2.3% from one year before. The median price in the South was $361,200, up 0.9% from one year earlier.

In the West, existing-home sales increased 1.3% in October to an annual rate of 770,000, up 8.5% from a year ago. The median price in the West was $627,700, up 4.4% from October 2023.

A DEEPER DIVE – HOUSING, CONT.

New Residential Sales

Sales of new single-family houses in October 2024 were at a seasonally adjusted annual rate of 610,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 17.3% below the revised September rate of 738,000 and is 9.4% below the October 2023 estimate of 673,000.

The median sales price of new houses sold in October 2024 was $437,300 ($426,300 in September 2024). The average sales price was $545,800 ($501,000 in September 2024).

The seasonally-adjusted estimate of new houses for sale at the end of October was 481,000 (470,000 in September 2024). This represents a supply of 9.5 months at the current sales rate (7.6 months in September 2024).

Compared to October 2023 on a seasonally-adjusted basis, sales were down 9.4% overall with sales also down 19.7% in the South and 1.3% in the West, but up 35.3% in the Northeast and 15.9% in the Midwest.

Housing Starts

Privately-owned housing starts in October were at a seasonally adjusted annual rate of 1,311,000. This is 3.1% below the revised September estimate of 1,353,000 and is 4.0% below the October 2023 rate of 1,365,000.

Single-family housing starts in October were at a rate of 970,000; this is 6.9% below the revised September figure of 1,042,000.

The October rate for units in buildings with five units or more was 326,000 (317,000 in September).

Single-family starts compared to October 2023, on a seasonally-adjusted basis, were down 0.5% in total as well as down 1.8% in the South and 9.1% in the West, while being up 9.8% in the Northeast and 19.1% in the Midwest.

Housing Completions

Privately-owned housing completions in October were at a seasonally adjusted annual rate of 1,614,000. This is 4.4% below the revised September estimate of 1,688,000, but is 16.8% above the October 2023 rate of 1,382,000.

Single-family housing completions in October were at a rate of 986,000; this is 1.4% below the revised September rate of 1,000,000.

The October rate for units in buildings with five units or more was 615,000 (671,000 in September).

Single-family completions compared to October 2023, on a seasonally-adjusted basis, were down 0.2% in total and also down 9.2% in the South, while up 30.6% in the Midwest, 5.3% in the West, and 17.6% in the Northeast.

A DEEPER DIVE – OTHER NATIONAL

Retail Sales

Advance estimates of U.S. retail and food services sales for October 2024, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $718.9 billion, an increase of 0.4% from the previous month, and up 2.8% from October 2023. Total sales for the August 2024 through October 2024 period were up 2.3% from the same period a year ago. The August 2024 to September 2024 percent change was revised from up 0.4% to up 0.8%.

Retail trade sales were up 0.4% from September 2024, and up 2.6% from last year. Nonstore retailers were up 7.0% from last year, while food services and drinking places were up 4.3% from October 2023.

Sales at furniture and home furnishings stores were down 1.3% in October 2024 from September 2024 on a seasonally-adjusted basis, but up 1.5% from October 2023. Sales were down 3.9% for year to date October 2024 compared to the same period for 2023 on an unadjusted basis.

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% on a seasonally adjusted basis in October, the same increase as in each of the previous 3 months, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all-items index increased 2.6% before seasonal adjustment.

The index for shelter rose 0.4% in October, accounting for over half of the monthly all-items increase. The food index also increased over the month, rising 0.2% as the food at home index increased 0.1% and the food away from home index rose 0.2%. The energy index was unchanged over the month, after declining 1.9% in September.

The index for all-items less food and energy rose 0.3% in October, as it did in August and September. Indexes that increased in October include shelter, used cars and trucks, airline fares, medical care, and recreation. The indexes for apparel, communication, and household furnishings and operations were among those that decreased over the month.

The all-items index rose 2.6% for the 12 months ending October, after rising 2.4% over the 12 months ending September. The all-items less food and energy index rose 3.3% over the last 12 months. The energy index decreased 4.9% for the 12 months ending October. The food index increased 2.1% over the last year.

Employment

Total nonfarm payroll employment was essentially unchanged in October (+12,000), and the unemployment rate was unchanged at 4.1%, the U.S. Bureau of Labor Statistics reported. Employment continued to trend up in health care and government. Temporary help services lost jobs. Employment declined in manufacturing due to strike activity.

The unemployment rate was unchanged at 4.1% in October, and the number of unemployed people was little changed at 7.0 million. These measures are higher than a year earlier, when the jobless rate was 3.8%, and the number of unemployed people was 6.4 million.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in September, down three of the last four months, decreased $2.1 billion or 0.7% to $284.8 billion. This followed a 0.9% August decrease. Transportation equipment, also down three of the last four months, drove the decrease, $3.1 billion or 3.1% to $95.4 billion. New orders for manufactured nondurable goods decreased $0.7 billion or 0.2% to $299.4 billion.

Shipments of manufactured durable goods in September, down two consecutive months, decreased $1.6 billion or 0.5% to $287.5 billion. This followed a 0.6% August decrease. Transportation equipment, also down two consecutive months, drove the decrease, $2.3 billion or 2.4% to $94.4 billion. Shipments of manufactured nondurable goods, down two consecutive months, decreased $0.7 billion or 0.2% to $299.4 billion. This followed a 0.7% August decrease. Petroleum and coal products, down four of the last five months, drove the decrease, $1.0 billion or 1.6% to $61.5 billion.

On a seasonally-adjusted basis, shipments for furniture and related products were up 0.3% compared to the prior month, while new orders were also up 2.0%. On a non-adjusted basis, year to date shipments for furniture and related products were up 0.8% compared to the prior year, while year to date new orders were up 1.6%.