FURNITURE INSIGHTS®

Smith Leonard PLLC's Industry Newsletter

May 2025

HIGHLIGHTS – EXECUTIVE SUMMARY

New orders were up 1% in March 2025 compared to March 2024. New orders were also up 1% compared to the prior month of February 2025. However, year to date through March 2025, new orders are down 2% compared to 2024.

Shipments were up 1% in March 2025 compared to March 2024. Shipments were up 6% compared to the prior month of February 2025, which was likely a function of the prior short month (when down 8% to January). Year to date through March 2025, shipments remain flat compared to 2024.

March 2025 backlogs were down 6% compared to March 2024 (same as last month), and down 1% from February 2025 as new orders were relatively consistent with shipments during the month.

Receivable levels were down 3% from February 2025, and down 2% from March 2024.

Mark Laferriere and Patrick Willis, Tax Partner

Inventories were up 1% from February 2025 and up 3% from March 2024, which are materially in line with prior periods and current operational levels.

Inventories and employee/payroll levels are again materially in line with recent months and the prior year.

EXECUTIVE SUMMARY, CONT.

National

Consumer Confidence

The Conference Board ***Consumer Confidence Index®*** increased by 12.3 points in May to 98.0 (1985=100), up from 85.7 in April.

The ***Present Situation Index***—based on consumers' assessment of current business and labor market conditions—rose 4.8 points to 135.9.

The ***Expectations Index***—based on consumers' short-term outlook for income, business, and labor market conditions—surged 17.4 points to 72.8, but remained below the threshold of 80, which typically signals a recession ahead.

"Consumer confidence improved in May after five consecutive months of decline," said Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board. "The rebound was already visible before the May 12 US-China trade deal but gained momentum afterwards. The monthly improvement was largely driven by consumer expectations as all three components of the Expectations Index—business conditions, employment prospects, and future income—rose from their April lows. Consumers were less pessimistic about business conditions and job availability over the next six months and regained optimism about future income prospects. Consumers' assessments of the present situation also improved. However, while consumers were more positive about current business conditions than last month, their appraisal of current job availability weakened for the fifth consecutive month."

Compared to April, purchasing plans for homes and cars and vacation intentions increased notably, with some significant gains after May 12. Plans to buy big-ticket items—including appliances and electronics—were also up. Likewise, consumers' intentions to purchase more services in the months ahead, with almost all services categories rising. Dining out remained number one among spending intentions, followed by streaming services, while plans to spend on movies, theater, live entertainment, and sporting events increased the most over last month.

Housing

Existing-home sales slowed in April, according to the National Association of REALTORS®. Sales dipped in the Northeast and West, grew in the Midwest and were unchanged in the South. Year-over-year, sales declined in three regions and remained steady in the Northeast.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – slipped 0.5% from March to a seasonally adjusted annual rate of 4.00 million in April. Year-over-year, sales descended 2.0% (down from 4.08 million in April 2024).

Single-family home sales waned 0.3% to a seasonally adjusted annual rate of 3.63 million in April, down 1.4% from the prior year. The median existing single-family home price was $418,000 in April, up 1.7% from April 2024.

Existing condominium and co-op sales faded 2.6% in April to a seasonally adjusted annual rate of 370,000 units, down 7.5% from one year ago. The median existing condo price was $370,100 in April, up 1.4% from the previous year ($364,900).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.81% as of May 15. That's up from 6.76% one week before but down from 7.02% one year ago.

Sales of new single-family houses in April 2025 were at a seasonally-adjusted annual rate of 743,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 10.9% above the March 2025 rate of 670,000, and is 3.3% above the April 2024 rate of 719,000.

Compared to April 2024 on a seasonally-adjusted basis, sales were up 3.3% overall with sales also up 6.5% in the South, up 1.2% in the Midwest, up 1.3% in the West, but down 25.8% in the Northeast.

EXECUTIVE SUMMARY, CONT.

Thoughts

This month we saw another tariff reprieve as negotiations continue, which hopefully provides some guidance to the industry as to how the situation is going to ultimately play out. Not surprisingly, with this reversal indicating an eventual resolution (or at least short-term stability), consumer confidence rebounded after 5 months of declines and respondents indicated an increase in purchasing plans for homes and other big-ticket items.

That is welcome news to the 75% of the Top 100 retailers that posted declines in 2024 as reported recently by Furniture Today. However, the U.S. Census Bureau reported that year-to-date sales at furniture and home furnishings stores through April 2025 were approximately 8% higher than the same period of 2024. That 8% is ahead of the relatively flat average orders and shipments reported by the participants in our monthly stats through March 2025, but hopefully indicates some help is on the way in the form of additional activity, whether driven by looming tariffs or pent-up demand. Early returns on Memorial Day activity also seem generally positive based upon industry reports.

So, with some stock market stability, a slow shift in the housing market, manageable inflation, and a rate cut (or two) later in the year, hopefully the worst of the uncertainty and volatility is behind us and the industry as a whole can adjust accordingly and look forward to a bit of a rebound in the second half of the year.

EXECUTIVE SUMMARY, CONT.

National, Cont.

Other

Real gross domestic product (GDP) decreased at an annual rate of 0.2% in the first quarter of 2025 (January, February, and March), according to the second estimate released by the U.S. Bureau of Economic Analysis. In the fourth quarter of 2024, real GDP increased 2.4%.

Sales at furniture and home furnishings stores in April 2025 were up less than 0.1% compared to March 2025 on a seasonally-adjusted basis, but up 7.8% from April 2024. Year to date on a non-adjusted basis, sales were up 6.2% (4.9% last month).

HIGHLIGHTS – MONTHLY RESULTS

New Orders

According to our latest survey of residential furniture manufacturers and distributors, new orders were up 1% in March 2025 compared to March 2024. Approximately two-thirds of participants reported increases versus decreases in March 2025 compared to a year ago.

New orders were also up 1% compared to the prior month of February 2025.

Year to date through March 2025, new orders are down 2% compared to 2024 (down 4% last month).

Shipments and Backlogs

March 2025 shipments were up 1% compared to March 2024, and up 6% compared to February 2025. Consistent with new orders, shipments in March 2025 were up for approximately two-thirds of the participants compared to March 2024. Year to date through March 2025, shipments remained flat compared to 2024.

March 2025 backlogs were again down 6% compared to March 2024, and down 1% from February 2025 as new orders and current shipments were relatively in sync.

Receivables and Inventories

Receivable levels were down 3% from February 2025, and down 2% with March 2024, which seems to be a reversal of last month's apparent timing difference driven increase.

Inventories were up 1% from February 2025 and up 3% from March 2024, which are in line with prior periods and current operational levels.

Factory and Warehouse Employees and Payroll

The number of factory and warehouse employees were down 4% from March a year ago, but again relatively even with the prior month (down 1%).

Payroll expense was up 5% in March 2025 compared to February 2025, presumably due to the prior short month (down 7% last month). March 2025 payroll expense was down only 1% compared to March 2024. However, year to date through March 2025, payroll expense was up 2%.

ESTIMATED BUSINESS ACTIVITY (MILLIONS)

	2025		
	MAR	FEB	3 MOS
New Orders	2,151	2,083	6,284
Shipments	2,260	2,147	6,634
Backlog	2,374	2,373	

	2024		
	MAR	FEB	3 MOS
New Orders	2,140(R)	2,193	6,496
Shipments	2,238	2,322	6,712
Backlog	2,539(R)	2,588	

A DEEPER DIVE – NATIONAL

Consumer Confidence

The Conference Board ***Consumer Confidence Index***® increased by 12.3 points in May to 98.0 (1985=100), up from 85.7 in April.

The ***Present Situation Index***—based on consumers' assessment of current business and labor market conditions—rose 4.8 points to 135.9.

The ***Expectations Index***—based on consumers' short-term outlook for income, business, and labor market conditions—surged 17.4 points to 72.8, but remained below the threshold of 80, which typically signals a recession ahead. The cutoff date for preliminary results was May 19, 2025. About half of the responses were collected after the May 12 announcement of a pause on some tariffs on imports from China.

"Consumer confidence improved in May after five consecutive months of decline," said Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board. "The rebound was already visible before the May 12 US-China trade deal but gained momentum afterwards. The monthly improvement was largely driven by consumer expectations as all three components of the Expectations Index—business conditions, employment prospects, and future income—rose from their April lows. Consumers were less pessimistic about business conditions and job availability over the next six months and regained optimism about future income prospects. Consumers' assessments of the present situation also improved. However, while consumers were more positive about current business conditions than last month, their appraisal of current job availability weakened for the fifth consecutive month."

May's rebound in confidence was broad-based across all age groups and all income groups. It was also shared across all political affiliations, with the strongest improvements among Republicans. However, on a six-month moving average basis, confidence in all age and income groups was still down due to previous monthly declines.

Guichard added: "High financial market volatility in April pushed consumers' views about the stock market deeper into negative territory, with 48.5% expecting stock prices to decline over the next 12 months (the highest share since October 2011). Meanwhile, average 12-month inflation expectations reached 7% in April—the highest since November 2022, when the US was experiencing extremely high inflation."

Write-in responses on what topics are affecting views of the economy revealed that tariffs are still on top of consumers' minds. Notably, consumers continued to express concerns about tariffs increasing prices and having negative impacts on the economy, but some also expressed hopes that the announced and future trade deals could support economic activity. While inflation and high prices remained an important concern for consumers in May, there were also some mentions of easing inflation and lower gas prices.

Consumers' views of their Family's Current and Future Financial Situations improved. The share of consumers expecting a recession over the next 12 months declined. (These measures are not included in calculating the Consumer Confidence Index®). Consumers' expectations for interest rates ahead were little changed, while average 12-month inflation expectations eased to 6.5% after spiking at 7% in April.

NATIONAL UPDATE

Leading Economic Indicators

The Conference Board Leading Economic Index® (LEI) for the US fell sharply by 1.0% in April 2025 to 99.4 (2016=100), after declining by 0.8% in March (revised downward from the –0.7% originally reported). The LEI declined by 2.0% in the six-month period ending April 2025, the same rate of decline as over the previous six months (April–October 2024).

"The U.S. LEI registered its largest monthly decline since March 2023, when many feared the US was headed into recession, which did not ultimately materialize," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "Most components of the index deteriorated. Notably, consumers' expectations have become continuously more pessimistic each month since January 2025, while the contribution of building permits and average working hours in manufacturing turned negative in April. Widespread weaknesses were also present when looking at six-month trends among the LEI's components, resulting in a warning signal for growth. However, while the six-month growth rate of the LEI went deeper into negative territory, it did not fall enough to trigger the recession signal. The Conference Board currently forecasts US real GDP to grow by 1.6% in 2025, down from 2.8% in 2024, with the bulk of the impact of tariffs likely to hit the economy in Q3."

The Conference Board Coincident Economic Index® (CEI) for the US inched up by 0.1% in April 2025 to 114.8 (2016=100), after a 0.3% increase in March. The CEI rose by 1.1% over the six-month period between October 2024 and April 2025, slightly up from its 0.9% growth over the previous six months. The CEI's four 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. Industrial production, while little changed compared to the previous month, was the weakest contributor to the index in April.

The Conference Board Lagging Economic Index® (LAG) for the US increased by 0.3% to 119.3 (2016=100) in April 2025, after a 0.1% decrease in March. The LAG's six-month growth rate was also positive at 0.8% between October 2024 and April 2025—a reversal of its 0.8% decline over the previous six months (April–October 2024).

A DEEPER DIVE – NATIONAL, CONT.

Consumer Confidence, Cont.

Compared to April, purchasing plans for homes and cars and vacation intentions increased notably, with some significant gains after May 12. Plans to buy big-ticket items—including appliances and electronics—were also up. Likewise, consumers' intentions to purchase more services in the months ahead, with almost all services categories rising. Dining out remained number one among spending intentions, followed by streaming services, while plans to spend on movies, theater, live entertainment, and sporting events increased the most over last month.

In a special question, consumers were asked if they changed their spending and financial behavior recently. More than a third (36.7%) said they put money aside for future spending. Around a quarter of consumers dug into their savings to pay for goods and services (26.6%) and postponed major purchases (26%). However, there were notable differences between income groups: Consumers in households making over $125K were more likely to say that they saved money while less wealthy households were more likely to have dug into their savings or postponed purchases. In addition, only 19% indicated having advanced purchases ahead of tariffs, but that share was higher for consumers in wealthier households (26%).

This month's survey also asked consumers how worried they were about being laid off, not being able to afford necessities, and not being able to afford desired goods and services. Overall, they were more anxious about affordability than job security: Nearly half of consumers said they were concerned about not being able to buy the things they need or want, compared to less than a quarter worried about losing their jobs.

Present Situation

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

- 21.9% of consumers said business conditions were "good," up from 19.2% in April.
- 14.0% said business conditions were "bad," down from 16.3%.

Consumers' views of the **labor market** weakened in May.

- 31.8% of consumers said jobs were "plentiful," up slightly from 31.2% in April.
- 18.6% of consumers said jobs were "hard to get," up from 17.5%.

Expectations Six Months Hence

Consumers were less pessimistic about future **business conditions** in May.

- 19.7% of consumers expected business conditions to improve, up from 15.9% in April.
- 26.7% expected business conditions to worsen, down from 34.9%.

Consumers' outlook for the **labor market outlook** was also less negative in May.

- 19.2% of consumers expected more jobs to be available, up from 13.9% in April.
- 26.6% anticipated fewer jobs, down from 32.4%.

Consumers' outlook for their **income prospects** turned positive in May.

- 18.0% of consumers expected their incomes to increase, up from 15.9% in April.
- 13.8% expected their income to decrease, up from 17.7%.

Assessment of Family Finances and Recession Risk

- Consumers' assessments of their Family's Current Financial Situation improved in May.
- Consumers' assessments of their Family's Expected Financial Situation also improved.
- Consumers' Perceived Likelihood of a US Recession over the Next 12 Months declined in May.

Gross Domestic Product

Real gross domestic product (GDP) decreased at an annual rate of 0.2% in the first quarter of 2025 (January, February, and March), according to the second estimate released by the U.S. Bureau of Economic Analysis. In the fourth quarter of 2024, real GDP increased 2.4%.

The decrease in real GDP in the first quarter primarily reflected an increase in imports, which are a subtraction in the calculation of GDP, and a decrease in government spending. These movements were partly offset by increases in investment, consumer spending, and exports.

Real GDP was revised up 0.1 percentage point from the advance estimate, reflecting an upward revision to investment that was partly offset by a downward revision to consumer spending.

Compared to the fourth quarter, the downturn in real GDP in the first quarter primarily reflected an upturn in imports, a deceleration in consumer spending, and a downturn in government spending that were partly offset by upturns in investment and exports.

Real final sales to private domestic purchasers, the sum of consumer spending and gross private fixed investment, increased 2.5% in the first quarter, revised down 0.5 percentage point from the previous estimate.

A DEEPER DIVE – NATIONAL, CONT.

Gross Domestic Product, Cont.

The price index for gross domestic purchases increased 3.3% in the first quarter, revised down 0.1 percentage point from the previous estimate. The personal consumption expenditures (PCE) price index increased 3.6%, the same as previously estimated. Excluding food and energy prices, the PCE price index increased 3.4%, revised down 0.1 percentage point from the previous estimate.

A DEEPER DIVE – HOUSING

Existing-Home Sales

Existing-home sales slowed in April, according to the National Association of REALTORS®. Sales dipped in the Northeast and West, grew in the Midwest and were unchanged in the South. Year-over-year, sales declined in three regions and remained steady in the Northeast.

Total existing-home sales – completed transactions that include single-family homes, townhomes, condominiums and co-ops – slipped 0.5% from March to a seasonally adjusted annual rate of 4.00 million in April. Year-over-year, sales descended 2.0% (down from 4.08 million in April 2024).

"Home sales have been at 75% of normal or pre-pandemic activity for the past three years, even with seven million jobs added to the economy," said NAR Chief Economist Lawrence Yun. "Pent-up housing demand continues to grow, though not realized. Any meaningful decline in mortgage rates will help release this demand."

"At the macro level, we are still in a mild seller's market," Yun said. "But with the highest inventory levels in nearly five years, consumers are in a better situation to negotiate for better deals."

Single-family home sales waned 0.3% to a seasonally adjusted annual rate of 3.63 million in April, down 1.4% from the prior year. The median existing single-family home price was $418,000 in April, up 1.7% from April 2024.

Existing condominium and co-op sales faded 2.6% in April to a seasonally adjusted annual rate of 370,000 units, down 7.5% from one year ago. The median existing condo price was $370,100 in April, up 1.4% from the previous year ($364,900).

According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.81% as of May 15. That's up from 6.76% one week before but down from 7.02% one year ago.

Total housing inventory registered at the end of April was 1.45 million units, up 9.0% from March and 20.8% from one year ago (1.2 million). Unsold inventory sits at a 4.4-month supply at the current sales pace, up from 4.0 months in March and 3.5 months in April 2024.

The median existing-home price for all housing types in April was $414,000, up 1.8% from one year ago ($406,600). The Northeast and Midwest posted price increases, and the South and West registered price decreases.

According to the monthly REALTORS® Confidence Index, properties typically remained on the market for 29 days in April, down from 36 days in March but up from 26 days in April 2024.

First-time buyers were responsible for 34% of sales in April, up from 32% in March and 33% in April 2024. NAR's 2024 *Profile of Home Buyers and Sellers* – released November 2024 – found that the annual share of first-time home buyers was 24%, the lowest ever recorded.

Regional

In April, existing-home sales in the Northeast fell 2.0% from March to an annual rate of 480,000, identical to April 2024. The median price in the Northeast was $487,400, up 6.3% from one year earlier.

In the Midwest, existing-home sales improved 2.1% in April to an annual rate of 970,000, down 1.0% from the prior year. The median price in the Midwest was $313,300, up 3.6% from April 2024.

Existing-home sales in the South were unchanged from March at an annual rate of 1.81 million in April, down 3.2% from one year before. The median price in the South was $365,300, down 0.1% from last year.

In the West, existing-home sales contracted 3.9% in April to an annual rate of 740,000, down 1.3% from a year ago. The median price in the West was $628,500, down 0.2% from April 2024.

A DEEPER DIVE – HOUSING, CONT.

New Residential Sales

Sales of new single-family houses in April 2025 were at a seasonally-adjusted annual rate of 743,000, according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development. This is 10.9% above the March 2025 rate of 670,000, and is 3.3% above the April 2024 rate of 719,000.

The median sales price of new houses sold in April 2025 was $407,200. This is 0.8% above the March 2025 price of $403,700, and is 2.0% below the April 2024 price of $415,300. The average sales price of new houses sold in April 2025 was $518,400. This is 3.7% above the March 2025 price of $499,700, and is 3.6% above the April 2024 price of $500,600.

Compared to April 2024 on a seasonally-adjusted basis, sales were up 3.3% overall with sales also up 6.5% in the South, up 1.2% in the Midwest, up 1.3% in the West, but down 25.8% in the Northeast.

Housing Starts

Privately-owned housing starts in April were at a seasonally adjusted annual rate of 1,361,000. This is 1.6% above the revised March estimate of 1,339,000, but is 1.7% below the April 2024 rate of 1,385,000.

Single-family housing starts in April were at a rate of 927,000; this is 2.1% below the revised March figure of 947,000.

The April rate for units in buildings with five units or more was 420,000 (371,000 in March).

Single-family starts compared to April 2024, on a seasonally-adjusted basis, were down 1.7% in total, as well as down 14.8% in the South, down 7.7% in the Midwest, and down 14.9% in the West, but up 17.5% in the Northeast.

Housing Completions

Privately-owned housing completions in April were at a seasonally adjusted annual rate of 1,458,000. This is 5.9% below the revised March estimate of 1,549,000 and is 12.3% below the April 2024 rate of 1,662,000.

Single-family housing completions in April were at a rate of 943,000; this is 8.0% below the revised March rate of 1,025,000.

The April rate for units in buildings with five units or more was 507,000 (503,000 in March).

Single-family completions compared to April 2024, on a seasonally-adjusted basis, were down 16.6% in total, as well as down 14.5% in the South, down 0.7% in the Midwest, down 41.6% in the Northeast, and down 20.7 in the West.

A DEEPER DIVE – OTHER NATIONAL

Retail Sales

Advance estimates of U.S. retail and food services sales for April 2025, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $724.1 billion, up 0.1% from the previous month, and up 5.2% from April 2024. Total sales for the February 2025 through April 2025 period were up 4.8% from the same period a year ago. The February 2025 to March 2025 percent change was revised from up 1.5% to up 1.7%. Retail trade sales were up 1.4% from February 2025, and up 4.6% from last year. Motor vehicle and parts dealers were up 8.8% from last year, while nonstore retailers were up 4.8% from March 2024.

Retail trade sales were down 0.1% from March 2025, and up 4.7% from last year. Motor vehicle and parts dealers were up 9.4% from last year, while food service and drinking places were up 7.8% from April 2024.

Sales at furniture and home furnishings stores in April 2025 were up less than 0.1% compared to March 2025 on a seasonally-adjusted basis, but up 7.8% from April 2024. Year to date on a non-adjusted basis, sales were up 6.2% (4.9% last month).

Consumer Prices

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% on a seasonally adjusted basis in April, after falling 0.1% in March, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all-items index increased 2.3% before seasonal adjustment.

The index for shelter rose 0.3% in April, accounting for more than half of the all-items monthly increase. The energy index also increased over the month, rising 0.7% as increases in the natural gas index and the electricity index more than offset a decline in the gasoline index. The index for food, in contrast, fell 0.1% in April as the food at home index decreased 0.4% and the food away from home index rose 0.4% over the month.

The index for all-items less food and energy rose 0.2% in April, following a 0.1-percent increase in March. Indexes that increased over the month include household furnishings and operations, medical care, motor vehicle insurance, education, and personal care. The indexes for airline fares, used cars and trucks, communication, and apparel were among the major indexes that decreased in April.

The all-items index rose 2.3% for the 12 months ending April, after rising 2.4% over the 12 months ending March. The April change was the smallest 12-month increase in the all-items index since February 2021. The all-items less food and energy index rose 2.8% over the last 12 months. The energy index decreased 3.7% for the 12 months ending April. The food index increased 2.8% over the last year.

Employment

Total nonfarm payroll employment increased by 177,000 in April, and the unemployment rate was unchanged at 4.2%, the U.S. Bureau of Labor Statistics reported. Employment continued to trend up in health care, transportation and warehousing, financial activities, and social assistance. Federal government employment declined.

The unemployment rate was unchanged at 4.2% in April and has remained in a narrow range of 4.0% to 4.2% since May 2024. The number of unemployed people, at 7.2 million, changed little in April.

Durable Goods Orders and Factory Shipments

New orders for manufactured durable goods in March, up three consecutive months, increased $26.6 billion or 9.2% to $315.7 billion, unchanged from the previously published increase. This followed a 0.8% February increase. Transportation equipment, also up three consecutive months, led the increase, $26.6 billion or 27.1% to $124.6 billion. New orders for manufactured nondurable goods decreased $0.9 billion or 0.3% to $303.2 billion.

Shipments of manufactured durable goods in March, up four consecutive months, increased $0.3 billion or 0.1% to $293.0 billion, unchanged from the previously published increase. This followed a 1.3% February increase. Primary metals, up six of the last seven months, led the increase, $0.3 billion or 1.2% to $28.0 billion. Shipments of manufactured nondurable goods, down following five consecutive monthly increases, decreased $0.9 billion or 0.3% to $303.2 billion. This followed a 0.1% February increase. Petroleum and coal products, down two consecutive months, drove the decrease, $1.5 billion or 2.4% to $62.4 billion.

On a seasonally-adjusted basis, March shipments for furniture and related products were up 0.9% compared to the prior month, while new orders were also up 0.5%. On a non-adjusted basis, year to date shipments for furniture and related products were down 1.4% compared to the prior year, while year to date new orders were down 1.5%.