

Furnishings Digest Newsletter

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Reading Time

16 minutes



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Celebrating 49 Years of Proprietary Furniture Research



Can furniture and mattress retail sales be too strong? I am serious.

I have retailer friends I have known for decades who would never admit sales were good. Instead they would say "they're OK" or "could be better" or "you have to work hard to get a sale". Some of these friends are now puzzled because sales are really strong compared to these same days any year in memory. They are anxious because this is unlikely to last forever.

"Maybe our time has come" was one comment. "People are not traveling for pleasure, using their vehicles very much, in need of new apparel for the vacation or work, and with so many staying at home, maybe they are buying for the home after years of putting it off" And even with 40 million Americans furloughed, they are receiving an income, occasionally more than they were making when fully employed. Others, still employed or working from remote locations have often benefited with extra income, too.

How long will this last? Enjoy it if this is your experience because it is not like this with all furniture retailers. We sense it is weaker on the West Coast and still in the oil belt even though oil prices have recovered to \$32 a barrel. The urban population belt is still severely impacted from Boston-New York City-Philadelphia-Baltimore-Washington, DC. Virus levels are high and the recent violent protests that started in Minneapolis are not helping.

Can we meet the consumer demand? (How many times have you heard that in our industry?) There are problems but so far, we are doing well. The domestic factories are up and running but, like in Asia, some factories are not getting all the pre-lay off employees back at work. Don't assume if a factory is running ads looking for employees that they are growing, they may just be replacing those that did not come back. The most serious problem may be the logistics, especially shipping from Asia. Shippers are still restarting their fleets and, in many cases, have overbooked current shipping, leading to higher prices and disappointed customers. As of this moment, retailers say it is easier to find wood furniture but harder to program upholstery. That makes sense.

Do NOT assume all the industry's majors are OK financially. Every time we have a slowdown, our stores and factories wind down and sell off inventory and collect receivables, creating good cash flow despite slow sales. We have a tougher time as business recovers because our companies need to rebuild inventories and fund receivables---and this is usually when we see failures. Plus, the banks and financial institutions have to make some tough decisions, as do some of the private equity groups. Often the problem companies are not in the headlines----they are laying low.

We can see more consolidation within our industry in the coming years. There are clear opportunities and prospects are getting better, not worse, as our population grows in the key age groups, as more women and minorities get better jobs thanks to better educations, and as our young population migrates to where the better jobs are.

Manufacturers and retailers alike are looking for the correct acquisitions to grow strategically. No doubt some will look back at 2020 and wish they had taken advantage of some affordable acquisitions when the uncertainty made some uncomfortable. And yes, some of these combinations will be across borders or across oceans as our firm has seen recently with our Sherwood and MOR Furniture transactions.



Some will surprise you like Amazon looking at J.C. Penney. With bankruptcies at Penney, Stage, J. Crew, Neiman-Marcus, Pier One and so many more, there will be real estate and employees available like not experienced in recent years.

The Economy

Don't expect our encouraging sales recently to be everywhere. It will be a LONG time before travel will return to normal, don't you agree? Unless someone comes up with an attractive denim casual hazmat suit, I believe air travel and cruises are going to be subpar for a while. Many stores, including many online, are very dependent on apparel which might be in the tank for months. Restaurants are another real concern. I just hope INN & OUT burger will still be there when I go west again.

Nothing about this Pandemic has been fair. The mass merchants and most internet retailers have been given every freedom, as have the Do It Yourself stores like Lowe's and Home Depot, which are now selling furniture and mattresses in a big way. And we doubt the coming months will see a full leveling of the playing field.

We continue to expect a slow summer in most product categories although furniture and mattresses may continue to outperform. There are so many things to watch, especially any resurgence in the virus infections, that could change the outlook. Even so I still believe we can see ongoing steady growth by the return to school season in late August and September with growth to an almost normal Christmas selling season.

A forecaster at Zack's just wrote the third quarter could see a 40% gain in GDP, with almost as much in the fourth quarter of this year. Of course, he is NOT speaking year to year but sequentially. Just as this June quarter will be weaker than weak; some recovery in the September quarter could look great statistically as we compare them. Just remember, we have made some easy to beat quarters for 2021. Imagine next year reporting sales in the June quarter vs. the June quarter with closed stores this year.

Do you love numbers? The unemployment level was 14.7% in April vs. 3.4% earlier in the year; overall consumer spending fell 6.9% in March and 13.6% in April; Americans' income grew 10.5% in April (wages and salaries dropped \$740 billion but income via government support grew \$3 trillion); and Americans' savings rate exploded to 33% of after tax income, a new record high, as consumers are concerned about the future. Source: Associated Press May 29, 2020

Monthly Numbers

Table 1.

% Change y/y	2020											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	8.0%	8.2%	(3.7%)	(27.4%)								
Furniture stores sales (a)	7.5%	9.7%	(19.0%)	(66.3%)								
Mattress factory shipments (b,d)	N/A	N/A	N/A	N/A								
Furniture factory shipments (c)	(3.0%)	4.0%	(11.0%)	N/A								
% Change y/y	2019											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total consumption of furniture & bedding (a)	2.8%	1.9%	3.6%	3.3%	5.4%	4.8%	5.5%	5.5%	6.2%	5.8%	4.5%	7.5%
Furniture stores sales (a)	(1.4%)	(1.4%)	(1.7%)	2.0%	0.7%	(2.6%)	1.8%	1.0%	2.6%	2.3%	1.9%	0.5%
Mattress factory shipments (b,d)	N/A	N/A	(3.5%)	N/A	N/A	(5.0%)	N/A	N/A	(2.3%)	N/A	N/A	9.8%
Furniture factory shipments (c)	14.2%	(2.6%)	(1.5%)	(2.5%)	(2.6%)	(4.0%)	1.0%	(5.7%)	6.4%	1.5%	(2.6%)	2.3%

Sources:

(a) U.S. Department of Commerce (b) International Sleep Products Assoc. (c) "Furniture Insights" a monthly publication by Smith Leonard (d) quarterly shipments

THE MOST INSIGHTFUL FURNITURE REPORT YOU WILL READ IN 2020

is being released by Mann, Armistead & Epperson, Ltd. in early June. The 2020 Residential Furniture and Mattress Import/Export Report is 30 pages of detailed information not available in this format anywhere else.

- The two most important furniture and mattress RETAIL statistical series from the government (Consumer Expenditures on Furniture and Mattresses and Furniture Store Sales) have been substantially restated, one up and one down.
- Imports experienced a weaker year in 2019, but more importantly we experienced dramatic shifts among our source nations. Detail is provided on the major furniture product categories (wood, upholstered, metal & other) and mattresses for last decade (2010-2019). Domestic shipments are shown since 1980; imports since 1996 (the oldest series available).
- U.S. made furniture showed gains in 2019, and modestly regained some market share on retail floors.
- Exports are given for the last decade, showing the destination countries.
- Our study also documents how imports and domestic production has evolved over that last decade. In the 1970's, imports were less than 10% of all residential furniture sold in the U.S.; in 2019, it was in excess of 60%.
- This reports and shows how the much discussed tariffs and the anti-dumping petition on Chinese mattresses has actually impacted shipments, both for China and its competitors.

This is the type of information Mann, Armistead & Epperson uses to study the progress and opportunities within the furniture and mattress industries, and to help accurately discuss various possible investments, mergers or acquisitions. It is released in this format as a service to furniture and mattress manufacturers, importers and retailers.

An Example:

The impact of the 2018 Anti-Dumping Petition on Chinese mattresses is shown below to contrast when it was enacted early in 2019 with the prior year. Please do not just look at the mattress numbers from China, but also at the shipments from Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey and Vietnam, which were named in a new anti-dumping petition on Chinese mattresses in 2019. This shows the value of these statistics.

Quarterly mattress imports by source nations

Table 2.

Country	2018				2019				Q/Q % Change			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Vietnam	3,254,979	3,667,402	3,022,475	2,893,951	12,784,778	38,287,183	78,451,408	117,588,040	292.8%	944.0%	2495.6%	3963.2%
Indonesia	77,008	257,021	1,442,769	3,850,314	4,719,652	19,992,002	59,976,716	84,100,004	6028.8%	7678.4%	4057.1%	2084.2%
Malaysia	15,232	20,968	10,903	235,400	2,954,767	12,586,484	34,242,767	51,165,221	19298.4%	59927.1%	313967.4%	21635.4%
Thailand	382,746	217,401	228,265	296,603	218,272	2,447,760	15,688,119	29,355,527	-43.0%	1025.9%	6772.8%	9797.2%
Mexico	28,996,093	34,359,534	36,365,068	31,739,550	29,495,914	36,690,260	37,502,442	27,984,249	1.7%	6.8%	3.1%	-11.8%
Cambodia	570,080	413,197	751,129	721,581	1,383,125	7,546,988	18,746,611	14,957,608	142.6%	1726.5%	2395.8%	1972.9%
Serbia	0	0	0	214,015	1,383,486	4,406,453	10,580,212	14,406,857	N/M	N/M	N/M	6631.7%
Turkey	436,711	542,473	699,352	776,466	522,601	3,812,853	7,885,673	11,362,595	19.7%	602.9%	1027.6%	1363.4%
Italy	2,295,987	1,745,675	1,510,645	1,085,803	1,557,217	1,685,224	3,800,893	6,299,714	-32.2%	-3.5%	151.6%	480.2%
Canada	7,242,437	5,124,021	6,076,881	5,725,342	5,414,203	5,650,095	5,929,240	4,735,543	-25.2%	10.3%	-2.4%	-17.3%
Taiwan	241,125	462,439	575,316	384,103	686,771	3,106,590	3,989,978	3,716,773	184.8%	571.8%	593.5%	867.7%
China	180,675,435	210,778,961	278,524,512	327,647,553	226,734,899	72,553,515	4,855,854	2,101,513	25.5%	-65.6%	-98.3%	-99.4%
Poland	1,783,795	3,141,493	2,659,574	1,622,637	910,704	1,970,122	2,216,775	1,814,853	-48.9%	-37.3%	-16.6%	11.8%
Philippines	---	---	---	---	3,988	378,986	1,541,625	1,563,549	N/M	N/M	N/M	N/M
United Kingdom	1,113,459	1,804,707	1,380,751	1,107,574	938,882	1,101,597	1,013,254	1,449,940	-15.7%	-39.0%	-26.6%	30.9%
South Korea	721,067	378,036	370,467	343,701	257,937	421,086	205,068	1,059,958	-64.2%	11.4%	-44.6%	208.4%
Total:	232,849,501	266,828,087	339,120,924	382,374,882	293,420,129	216,136,039	289,697,287	377,308,757	26.0%	-19.0%	-14.6%	-1.3%

This special new report is only available to Furniture and Mattress manufacturers, importers and retailers. If you do not receive yours please reach out to [Jimm Mann](mailto:jimm@maeltd.com) (jimm@maeltd.com), [Howard Armistead](mailto:Howard.Armistead@maeltd.com) (wha@maeltd.com), [Garrett Ford](mailto:Garrett.Ford@maeltd.com) (gtf@maeltd.com) or [Jerry Epperson](mailto:Jerry.Epperson@maeltd.com) (wwe@maeltd.com) at 804-644-1200.

Housing

There is no doubt that new and existing home sales are being impacted by the pandemic and its various restrictions and limits on person to person contact. Just prior to the break out, our housing numbers were looking good for this year and 2021. Should we be concerned?

Actually, the recent economic downturn and governmental actions have taken interest rates lower, and we are seeing extremely attractive mortgage rates that should invigorate home sales quickly. Since the summer and fall months are so important to home sales (and to furniture sales soon thereafter) we hope to see better home sale numbers soon.

April Housing Stats

Table 3.

	April Year/Year
Housing Permits	(19.2%)
Housing Starts	(29.7%)
Single Family	(24.8%)
Multi-Family	(38.6%)
Housing Completions	(11.8%)
New Single Family Home Sales	(6.2%)
Existing Home Sales	(17.2%)
Existing Home Inventory	(19.7%)

Source:

U.S. Census Bureau & National Association of Realtors

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About the Furnishings Digest Newsletter

Driven by founding partner Jerry Epperson's respected insight and long-term commitment to the furniture and mattress industries, Mann, Armistead & Epperson, Ltd. publishes the monthly Furnishings Digest Newsletter in addition to various manufacturing, retail, distribution, strategy and demographic reports that are available for purchase individually or by annual subscription. For more information, please email research@maeltd.com or call (804) 644-1200.