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Greensboro Office
100 S. Elm St., Suite 400
Greensboro, NC 27401
Phone: (336) 271-6539
Fax: (336) 271-6540
triadbjournals.com

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Signs of life in furniture industry

Durables such as automobiles, appliances and furniture tend to be hit hard during a recession. But, says consumer durables are necessities, but they generally have an important competitor in the minds of consumers: getting by with the old one for a little longer. That option is more attractive during a recession, when even those who remain employed get skittish about big purchases.

The Great Recession was especially tough on the furniture industry. The U.S. economy eased into recession in December 2007, only to be driven deeper in September 2008 by the financial crisis. But it was all the way back in January 2006 when real i.e. inflation-adjusted retail sales by furniture and home furnishings stores started falling.

Furniture’s peak, by the way, was right about when the housing boom began to tilt over into bust, thus validating numerous rules of thumb linking furniture sales to home purchases.

Real furniture sales fell only gradually in 2006, and the total for the year was actually a bit higher than 2005. But that was followed by drops of 3.6 percent in 2007, 11.8 percent in 2008, and 10.7 percent in 2009.

Employment in furniture stores, which had risen to nearly 600,000 in mid-2006, had fallen 26 percent by late 2009. There hadn’t been so few furniture retail jobs in the U.S. since 1994.

Then there’s furniture manufacturing, in which employment declines are driven by long-term trends as much as by business cycles. Nationally, furniture manufacturing employment held steady at around 570,000 for a few years after the 2001 recession. But it started its latest free-fall in mid-2006 and is now closing in on 350,000 jobs.

But this spring there are finally some good signs coming from the furniture industry. It took furniture sales a year longer than the rest of the retail sector to start recovering, but since October, real retail sales have climbed more than 5 percent and retail employment is up over 1 percent. Clearly, furniture retailers aren’t doing much new hiring yet, but if sales keep moving in the right direction, the jobs will follow.

Other good news came from the April furniture market in High Point. Market attendance figures are held close to the vest, but indications are that registrations were up. More importantly, the mood at market was optimistic, and orders were up after a number of markets dominated by window-shopping.

Some of the good news sounds a little like bad news. For example, there are concerns that the global furniture supply chain won’t be able to meet expected post-recession increases in demand. Every recession shrinks productive capacity, but the losses in this one were particularly deep. Adding to the problem is the growth of domestic demand in China, to which Asian production is increasingly being routed. Even so, this qualifies as a good problem to have.

There are even hints of good news from the manufacturing sector. Rising labor costs and fuel prices are making production in China less attractive, with the result that in some categories, notably bedroom furniture, some production is being moved back to the U.S. Upholstered furniture is getting more firmly entrenched, as indicated by United Furniture’s recent announcement that it will open a new factory in Lexington.

Not all the news is good. Furniture plants are still closing, and in spite of new niches, furniture manufacturing will never be what it once was. Moreover, the economic recovery is young and far from robust, and a reversal could be around the corner. But things sure look a lot brighter than they did last spring.

Andrew Brod is the Director of UNCG’s Center for Business and Economic Research and a member of The Business Journal’s Editorial Board of Contributors. Each him at (336) 334-4867 or Andrew.Brod@uncg.edu. His column is available at http://cbereung.edu.