

## **BEDDING INDUSTRY ECONOMIC INDICATORS: A PRIMER**

To enhance the usefulness of The Bedding Barometer (issued monthly) and the Econometric Forecast (issued three times per year), ISPA now provides a number of economic indicators that impact bedding sales to the monthly report. To help you get the most from this information, we have prepared this Primer to explain what the economic indicators mean and how they can help you and your company gain further insights on what the near future might hold for your company, the industry and the economy in general.

### **ECONOMIC INDICATORS**

The monthly mattress sales and unit data provided in The Bedding Barometer gives us a “snapshot” of where the industry is today and where it has been historically. Looking ahead, ISPA’s Econometric Forecast provides insight into what could happen 6-24 months from now.

For the short-term gap, ISPA’s Statistics Committee now provides a series of monthly economic indicators, based primarily on government data that allow users to interpret the most recent industry shipments data in a broader context.

In thinking about how these economic indicators might help you make more informed business decisions, we know that each mattress manufacturer is unique. Each of you has your own product mix, your own market niche and is influenced differently by local, regional and national business conditions. Exactly when different economic events will affect your business will also vary from one company to the next.

So, it is up to you – the user – to decide which of these indicators (if any) are meaningful to your business and what significance you will give them. To help you in this process we offer a brief discussion of the types of information that is behind each of the economic indicators included in the Bedding Barometer:

### **BEDDING & HOME FURNISHINGS INDUSTRY**

#### **FURNITURE AND HOME FURNISHINGS STORE SALES**

Monthly sales of retail companies are collected and published by the U.S. Census Bureau. Bedding is sold through furniture and home furnishings stores and specialty bedding is included in that category. Specialty bedding store sales represents less than 5% of the total.

#### **PRODUCER PRICE INDEX BEDDING**

This index represents the selling prices received by domestic producers of bedding. The Bureau of Labor Statistics conducts this survey.

## **CONSUMERS**

### **REAL DISPOSABLE PERSONAL INCOME**

The Bureau of Economic Analysis (BEA) estimates the National Income and Product Accounts (NIPA), which includes U.S. Personal Income and Outlays. Disposable personal income is personal income less personal tax and non-tax payments.

### **REAL PERSONAL CONSUMPTION EXPENDITURES**

This is the total goods and services purchased by U.S. residents, mainly from private business, as reported by the BEA.

### **REAL CONSUMPTION: DURABLE GOODS**

Durable goods are defined as tangible commodities that can be stored or inventoried and that have an average life of at least three years. This covers not only bedding and furniture, but also appliances, electronics, and automobiles. Figures published by the BEA.

### **PERSONAL CONSUMPTION DEFLATOR**

This measure, also produced by the Bureau of Economic Analysis (BEA) under the U.S. Department of Commerce, tracks changes in the price level of goods and services that are consumed. This is a broader measure of overall inflation for consumers since it is computed as current consumption in today's prices compared with consumption at prices from a base year. The other well-known measure of inflation is the Consumer Price Index, which is not as useful as a broad measure since it's based on a fixed market basket of goods that does not change over time.

### **INDEX OF CONSUMER SENTIMENT**

Based on surveys conducted by the University of Michigan's Survey Research Center, the index focuses on three areas: (1) how consumers view their own financial outlook; (2) how they view the national economy over the near term; and, (3) their take on the economy over the long term. This index has proven to be an accurate indicator of the future course of the economy and is part of the BEA's leading Indicator Composite Index.

### **PERSONAL SAVINGS RATE (%)**

Personal income less the sum of personal outlays and personal tax and non-tax payments is divided by disposable personal income to calculate this rate. Published by the BEA.

## **MANUFACTURING**

### **CAPACITY UTILIZATION TOTAL INDUSTRY (%)**

The Federal Reserve Board estimates capacity utilization as industrial output divided by the estimated capacity of the industrial sector. The average value of this ratio was 80.2% over 1972-2002. Only in war time are does the utilization rate exceed 90%.

## **CIVILIAN UNEMPLOYMENT RATE (%)**

One of the most familiar measures on the economy is the civilian unemployment rate. The Bureau of Labor Statistics tracks people who are jobless, looking for jobs and available for work, who are considered unemployed.

## **INTEREST RATES**

### **CORPORATE AAA BOND YIELD (%)**

The average yield of the highest rate, lowest risk bonds is produced by Moody's Investors Service, and is the standard measure of long-term interest rates.

### **THREE-MONTH CD RATE (%)**

The Federal Reserve Board is the source of the average rate for three-month certificates of deposit, a basic, short-term interest rate.

### **BANK PRIME LOAN RATE (%)**

The Prime Rate, published by the Federal Reserve Board, is the interest rate charged by banks for their most credit-worthy customers. Frequently, consumer-lending rates are pegged to this rate.

## **NATIONAL HOUSING MARKET**

### **EXISTING SINGLE-FAMILY HOME SALES**

Each month, the National Association of Realtors surveys the industry to determine the sales of existing single-family homes for the U.S. and four U.S. Census Regions. This is a short-term leading indicator for bedding since purchases often take place within 3-6 months of occupying the home.

### **NEW SINGLE-FAMILY HOUSING STARTS**

Privately-owned housing starts are recorded by the U.S. Census Bureau. This is an important, mid-term leading indicator as it can take 4-9 months for a single-family house to be completed.

### **NEW MULTI-FAMILY HOUSING STARTS**

Multi-family starts have an even longer lag to completion and the subsequent purchase of bedding products. These data show total starts for the U.S. as well as the four U.S. Census Regions.