

Furniture sales in doldrums for spring

BY PAUL NOWELL
AP BUSINESS WRITER

The signs are not pointing to a prosperous spring furniture market in High Point as debt-ridden consumers continue to stay away from furniture stores.

"The consumer is overextended," said industry analyst Jerry Epperson. "Debt is as high as it was prior to the 1989 recession."

That's not what manufacturers like to hear on the eve of the International Home Furnishings Market, which is running this week.

The good news is that there has been some recent improvement at the cash registers, with some retailers reporting better sales in February and March after a slow winter.

"High-end furniture is doing reasonably well and there's been a pickup in the ultra low-end," Epperson said. "The problem is with the middle-price points. These products are dependent on credit and they seem to be hurting the most."

About 70,000 people attend the semiannual trade show, which draws buyers from all 50 states and 85 foreign countries to the small North Carolina city.

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The furniture market is very important to the region, pumping more than \$200 million annually into the area's economy. Buyers, dealers and other visitors patronize hotels, restaurants and shops as far away as Greensboro and Winston-Salem.

Orders written by furniture buyers also are harbingers of things to come over the next few months for the industry. About 60 percent of all American furniture is made within a 200-mile radius of High Point.

After three solid years of growth, furniture sales slumped after the Federal Reserve Bank began to tighten credit in 1994. That slowed housing sales in early 1995, which in turn hurt furniture sales.

While housing has regained some strength, the furniture business has yet to recover.

"It hasn't been terribly fun for the

people in the industry," said analyst Bill Bavin, who follows furniture for Furrus, Baker Watts Inc. in Baltimore.

A number of factors are pulling down the furniture industry's profits, he said.

"Consumer sentiment is not as strong as it could be," he said. "Obviously, retailers would like people to be buying more."

Many people who took advantage of low mortgage rates in 1995 to buy a new house should now be in the position to start looking for furniture, Bavin said.

"Many of them have had their houses for a year and they now might want to furnish them a little better," he said.

The problem — many consumers are carrying high balances on their credit cards. Until they can pay them off, they won't be making any trips to

the local furniture store.

Epperson said the low point came right after Christmas.

"December and January were terrible months," he said. "It got better in February and March was a little better."

He attributed the drop in sales to the fact that many bargain-hungry shoppers waited until the last minute to buy Christmas gifts. That hurt spending on durables like cars, appliances and furniture.

Despite their concerns, both analysts showed some optimism.

"The premarket 30 days ago was pretty encouraging," Epperson said. "I don't know if it will flow through the market itself. But it was a lot stronger than I would have expected."

The premarket is a gathering of furniture executives that precedes the big trade show. It usually attracts the top managers from the largest furniture makers and retailers, as well as buyers from big department stores.

Manufacturers and retailers are hoping for pent-up consumer demand to let loose, Bavin said.

"Everybody seems to keep waiting for it to happen," he said. "I think we're closer to it than we've been."

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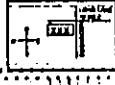
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