



JANUARY 2023

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Life Alert: Invest for retirement by building friendships and hobbies, not just your 401(K).

Flooring Flashes:

1. I continue to feel that flooring sales for the first six months of 2022 were up between 7% and 10%. However, the past six months have not been good for flooring sales, therefore, the industry will do well to be up 5% for the year 2022. Once again on a yearly basis, carpet market share will slip in 2022 with hard surface products, especially LVT gaining in share. The total flooring sales, due to inflation, will achieve the highest dollar results in history, and should reach at least \$36 billion.
2. TISE announces first ever pavilion for high end rugs. TISE brings the industry together for exhibits January 31 to February 2.

Corporate Results Builders, Flooring, Home Centers:

1. Hovnanian reported a 4th quarter and 12-month sale increases of 8.9% and 5% respectively. Net income for the 4th quarter was flat with a year ago and for the 12-month period was down significantly.

2. **Lennar** reported 4th quarter and 12-month sales increases of 21.5% and 24% respectively. Net income for both periods was up 11% and 4% respectively.

Positives Observations:

1. The unemployment rate dropped to 3.5% in December. The economy added 223,000 jobs. See Exhibit IV for year-to-date numbers.
2. U.S. inflation eased significantly in November dropping to 7.1% after reaching a peak of 9.1%.
3. U.S. gas prices are now lower than a year ago.
4. Black Fridays foot traffic was down 10% this year compared to last year.
5. America's population grew 0.4% (1.3 million) in 2022 but the growth was at a historic low.
6. Murder in large U.S. cities are down more than 5% so far in 2022 compared to the same time last year. Last year the total murders were 9,059-in 2022 they are 8,580.

Neutral Observations:

1. The DJIA outpaced the S&P this past year by the widest margin in nearly 100 years.
2. In theory, savers could have earned \$42 billion more in interest in the 3rd quarter if they moved their money out of the five largest banks to the highest-yield savings accounts.
3. Aaron Judge a Yankee baseball player just signed a 9-year contract for \$360 million.
4. In a recent survey Tesla, Audi and Land Rover had the most quality problems. Chevrolet, Kia, and Dodge had the fewest.
5. The richest people in the world are: Elon Musk (\$219B), Jeff Bezos (\$171B), Bernard Arnault & Family (\$158B) Bill Gates (\$129B) and Warren Buffet (\$118B).

6. Consumer spending rose modestly in November compared to October by 0.1%.
7. 20% of Americans bet on sports this year.
8. EV sales leapt by two-thirds in 2022.

Negative Observations:

1. Covid has killed approximately 1.1 million Americans since 2020. As of December 14, 2022, Covid-19 disease in the U.S. has reached 99 million.
2. Projections are that one million could die in China due to Covid.
3. Stocks did not do well in 2022. It was one of the worst years for markets since 2008. For the year the DJIA was down 8.8%, the S&P was down 19% and the NASDAQ was down 33%. **See Exhibit IV.**
4. Tesla stock fell 65% in 2022, which was \$700 billion in dollars.
5. The FRB raised interest rates 0.5% and signaled they planned to continue the interest rate increases until inflation is under control.
6. The European Central Bank also raised its interest rate by 0.5% to its highest level in 15 years.
7. The monthly federal deficit was a record-setting \$249 billion in November. That is \$57 billion more than in the same month last year.
8. Japan's economy, which is the world's 3rd largest, shrank 0.8% in the 3rd quarter.
9. Overall retail sales fell in November compared to October by 0.6%.
10. Guns are now the number one cause of deaths among American children and teens, ahead of car crashes, other injuries and congenital disease. The U.S. now has more guns in circulation than people.
11. Life expectancy dropped to its lowest level in 2022 since 1996. Mostly due to Covid and drug use. Life expectancy is now about age 78.
12. Home prices fell in October for the 4th consecutive month. The drop was 0.5%.
13. U.S. auto industry's overall sales for 2022 are forecast to decline to 13.7 vehicles, the lowest figure in ten years.
14. Amazon to cut more than 18,000 jobs.

15. U.S. sales of **existing** homes had a record 10th straight month of declines in November. Sales dropped 7.7% compared to October and dropped 35.4% compared to a year ago. The streak of declines is the longest on record dating back to 1999. **See Exhibit I.**
16. U.S. sales of **new** homes fell in November compared to last year by 15.3% but was better than October by 5.8%. **See Exhibit II.**
17. Coronavirus continues to plague everyone. The average number of new cases daily exceeds 60,000.
18. Revenue at wall street banks are down about 40%, wiping out more than \$50 billion in revenue. That's the biggest year-over-year dollar decline on record.
19. Movie sales in 2022 are off 30% compared to 2019.
20. Bed Bath & Beyond is facing potential bankruptcy filing.
21. **The** effect of extreme weather became more common in 2022.

SUMMARY

This economy is in better shape than during prior downturns, however, inflation has hit middle-income households the hardest. Unemployment remains near historic lows; U.S. consumers are flush with stimulus-derived savings; and household debt relative to GDP is at a 20 year low. Also, Americans are settling in to a new normal, even as Covid-19 persists. It is hard to believe but 2023 will be the 4th year of this pandemic and most Americans have returned to their pre-pandemic routines.

PREDICTION/OPINION

Purchasing power from paychecks in 2022 fell close to 3% for middle income families. Coronavirus continues to plague the whole country. Political unrest continues to divide the country. Home sales are not doing well. U.S. mortgage rates having almost doubled recording their largest increase in any calendar year in 2022. These factors, plus others, will challenge flooring retail sales as well as other household products revenue in 2023.

EXHIBIT I-WILL NOW INCLUDE ALL EXISTING HOME SALES CONDOS, ETC.

Numbers are approx. Annual Averages Based on Monthly Sales

| | Adjusted Number | Year/Year % Change | Month/Mon % Change |
|----------|-----------------|--------------------|--------------------|
| Jan 21 | 6690 | 23.7 | 0.6 |
| Feb 21 | 6220 | 9.1 | -6.6 |
| Mar 21 | 5300 | 12.3 | -3.7 |
| Apr 21 | 5850 | 33.9 | -2.7 |
| May 21 | 5730 | 46.9 | -0.9 |
| Jun 21 | 5860 | 22.9 | 1.4 |
| Jul 21 | 5900 | 1.5 | 2.0 |
| Aug 21 | 5880 | -2.1 | -2.0 |
| Sep 21 | 6290 | -2.3 | 7.0 |
| Oct 21 | 6340 | -5.8 | 0.8 |
| Nov 21 | 7440 | -14 | 12.4 |
| Dec 21 | 6180 | -7.1 | -4.6 |
| Jan 22 | 6500 | -2.3 | 6.7 |
| Feb 22 | 6021 | -2.4 | -7.2 |
| Mar 22 | 5770 | -4.5 | -2.7 |
| Apr 22 | 5610 | -5.9 | -2.4 |
| May 22 | 5410 | -8.6 | -3.4 |
| Jun 22 | 5120 | -14.2 | -5.4 |
| Jul 22 | 4810 | -20.2 | -5.9 |
| Aug 22 | 4800 | -19.9 | -0.1 |
| Sep 22 | 4710 | -21.6 | -0.2 |
| Oct 22 | 4430 | -28.4 | -5.9 |
| Nov 22 | 4090 | -35.4 | -7.7 |
| For 2019 | 5540 | 3.7 | |
| For 2020 | 6760 | 22.2 | |
| For 2021 | 6180 | -7.1 | |

EXHIBIT II-WILL NOW INCLUDE ALL HOUSING, INCLUDING CONDOS, ETC.

New Single Family Home Sales Averages Based on Monthly Sales

| | Adjusted Number | Year/Year % Change | Month/Month % Change |
|----------|-----------------|--------------------|----------------------|
| Jan 21 | 948 | Flat | 7.9 |
| Feb 21 | 775 | 19.3 | Flat |
| Mar 21 | 818 | 8.2 | 4.3 |
| Apr 21 | 863 | 66.8 | -18.2 |
| May 21 | 863 | 48.3 | 20.7 |
| Jun 21 | 734 | 12.8 | -5.9 |
| Jul 21 | 701 | -19.4 | -5.9 |
| Aug 21 | 729 | -27.2 | -6.6 |
| Sep 21 | 740 | -24.3 | 1.1 |
| Oct 21 | 800 | -17.6 | 1.5 |
| Nov 21 | 745 | -23.1 | 14 |
| Dec 21 | 646 | -2.0 | 0.4 |
| Jan 22 | 811 | -14 | 1.9 |
| Feb 22 | 801 | -19 | -4.5 |
| Mar 22 | 772 | -6.2 | -2.0 |
| Apr 22 | 763 | -12.6 | -8.6 |
| May 22 | 591 | -26.9 | -16.6 |
| Jun 22 | 696 | -5.9 | 10.7 |
| Jul 22 | 590 | -17.4 | -8.1 |
| Aug 22 | 511 | -29.6 | -12.6 |
| Sep 22 | 685 | Flat | 28.8 |
| Oct 22 | 603 | -17.6 | -10.9 |
| Nov 22 | 605 | -5.8 | 7.5 |
| Nov 22 | 640 | -15.3 | -5.8 |
| For 2019 | 681 | 10.3 | |
| For 2020 | 923 | 9.6 | |
| For 2021 | 801 | -1.9 | |

EXHIBIT III***Unemployment Percentages-Month End***

| | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-----------|-------------|-------------|-------------|
| January | 3.6 | 6.3 | 4.0 |
| February | 4.5 | 6.2 | 3.8 |
| March | 4.4 | 6.0 | 3.6 |
| April | 14.7 | 6.1 | 3.6 |
| May | 13.3 | 5.8 | 3.6 |
| June | 11.1 | 5.9 | 3.6 |
| July | 10.2 | 5.4 | 3.5 |
| August | 8.4 | 5.2 | 3.7 |
| September | 7.9 | 4.8 | 3.5 |
| October | 6.9 | 4.6 | 3.7 |
| November | 6.7 | 4.3 | 3.7 |
| December | 6.7 | 3.9 | 3.5 |

**EXHIBIT IV-Stock Market Analysis YTD
(Percentages) At the End of the Month**

| | <u>DJIA</u> | <u>S&P</u> | <u>NASDAQ</u> |
|--------|-------------|----------------|---------------|
| Jan 21 | -2 | -1 | 1 |
| Feb 21 | 1.1 | 1.5 | 2.4 |
| Mar 21 | 8.3 | 7.0 | 4.6 |
| Apr 21 | 10.7 | 9.7 | 8.3 |
| May 21 | 13.0 | 12.0 | 7.0 |
| Jun 21 | 13.8 | 15.2 | 13.3 |
| Jul 21 | 14.2 | 17.0 | 13.9 |
| Aug 21 | 15.5 | 20.4 | 18.4 |
| Sep 21 | 10.6 | 14.7 | 12. |
| Oct 21 | 17 | 23 | 20 |
| Nov 21 | 12.7 | 21.6 | 20 |
| Dec 21 | 18.9 | 27.0 | 27.0 |
| Jan 22 | -3.32 | -5.2 | -8.98 |
| Feb 22 | -6.8 | -8.4 | -12.4 |
| Mar 22 | -4.6 | -4.9 | -9.1 |
| Apr 22 | -4.9 | -8.8 | -13.3 |
| May 22 | -9.2 | -13.3 | -22.8 |
| Jun 22 | -15.3 | -20.6 | -29.5 |
| Jul 22 | -9.6 | -13.-0 | -20.8 |
| Aug 22 | -20.9 | -24.8 | =32.4 |
| Sep22 | -21.0 | -25.0 | -32.0 |
| Oct 22 | -9.92 | -18.8 | -29.8 |
| Nov 22 | -4.81 | -14.4 | -26.7 |
| Dec 22 | --8.6 | --19 | -33 |

BIBLIOGRAPHY/SOURCES: CATALINA RESEARCH, WSJ, NYT, FORBES, FORTUNE, NEWSWEEK, TIME, BUSINESS WEEK, SUN-SENTINEL, GOLF POETRY, VARIOUS INVESTMENT STRATEGY REPORTS, CNN, USA TODAY, U.S. NEWS, INVESTORS BUSINESS DAILY, U.S. COMMERCE DEPT., FLOOR COVERING NEWS, FLOOR COVERING WEEKLY, TALKFLOOR, BLOOMBERG BUSINESSWEEK, OXFORD DICTIONARY OF QUOTATIONS.

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