



December 2022

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Life Alert: We often take for granted the very things that most deserve our gratitude.

Flooring Flashes:

1. There is a whole new line-up of **Pulse Seminars** coming to **TISE 2023**. The new **Pulse Seminars** are developed to ensure the industry has their finger on what is new, forecasted, future focused and must-know for the upcoming year and beyond. Developed as a-la-carte options that do not conflict with one another. Industry professionals have the freedom to build their own curated education schedule for the event. View the full schedule online <https://www.intlsurfaceevent.com/en/education/pulse-seminars.html> and add sessions to your badge when you register to attend The International Surface event (TISE): **SURFACES, Ston Expo, TileExpo 2023** at www.intlsurfaceevent.com/register.
2. I continue to feel that flooring sales for the first six months of 2022 were up between 7% and 10%. However, I continue to feel that the year will be up only 5%. I expect that carpet market share will once again 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.

Corporate Results Builders, Flooring, Home Centers:

1. **Home Depot** reported sales increases of 5.6% and 5.3% for their 3rd quarter and nine-month periods. Net income for both periods increased 5%. Comp sales were up in the 3rd quarter 4.3% and 4.2% for the nine-month period. Sales per square foot increased 5.3% to \$618.50. Flooring posted negative comp flooring sales for the 3rd quarter. They now have 2319 store locations.
2. **Lowes** reported a sales increase for their 3rd quarter of 2.4%. 3rd quarter comp sales were up 3%. For their nine-month period sales were down 4%. Net income was down substantially for both periods due to a non-cash asset repairment charge of over \$2 billion. They operate 2200 store locations. Flooring sales were not at the company's averages.
3. **Beazer Homes** reported an annual sales increase of 8.3%. Net income increased 8.1%. Their average selling price is up 20%, their dollar backlog is up 19% and their units in backlog is down 25%.

Positives Observations:

1. Retail sales rose sharply (1.3%) in October as consumers spent more on everyday staples and big ticket items such as autos and furniture.
2. The stock market indexes were strong in November. All three major indexes were up as follows: DJIA +5.11%, S&P +4.27% and the NASDAQ + 3.07%. See Exhibit IV for year-to-date numbers.
3. The DJIA rose 700 points on November 30 and exited the bear market.
4. Roughly 197 million American visited stores or shopped online between Thanksgiving Day and Cyber Monday, up 17% from last year,
5. The median sales of an existing family home last quarter was \$398,800, up 8.6% from a year earlier, but a slowdown from the previous quarters pace of 14.2%.

6. The CPI eased in October falling to 7.7% from a four-year high of 8.2% in September.
7. Inflation pressures are abating as they slowed in October.
8. The U.S. economy returned to growth in the 3rd quarter with the economy expanding 2.6% (GDP).
9. U.S. employers added 263,000 jobs in October and the jobless rate stayed at 3.7%. The unemployment rate is at a 50-year low.
10. Mortgage rates, although still high, have dropped for three weeks, and the 30-year fixed rate is now at 6.49%, down from highs of over 7%.

Neutral Observations:

1. There are now 8 billion people on earth.
2. 25% of cars sold in September in China were electric.
3. San Francisco International has been rated the best big U.S. airport.
4. Yale and Harvard are pulling out of the U.S. News & World report law-school rankings, a severe blow to high profile rankings.
5. U.K. unveils biggest tax increases and spending cuts to shore up finances.
6. It is now more expensive to be single and dating than it was 10 years ago.
7. The NFL quarterbacks with the highest net worth are: Roger Staubach \$600M, Fran Tarkenton \$300M, Peyton Manning \$250M, Tom Brady \$250M and Steve Young \$200M.

Negative Observations:

1. The global energy crisis is real. One billion people globally are living without electricity.
2. Gun deaths were at a 28 year high in 2021 reaching 48,953 deaths.
3. Mortgage rates are at the highest level in 40 years.
4. A half-million workers have dropped out of the labor force because of lingering Covid effects.
5. North American companies will have to come up with \$155 billion to cover interest costs in 2022 and 2023.
6. Amazon is set to lay off thousands of corporate workers, which is 1% of their global workforce.

7. **New** home sales rose in October over September by 7.5%, however, they were lower than last year by 5.8%. **See Exhibit II.**
8. Sales of **existing** homes dropped in October compared to September for the 9th consecutive month. Compared to last year sales were also down for the 16th consecutive month. The consistent lower level of sales is the longest in 15 years. **See Exhibit I.**
9. The minimum number of flu cases this year has reached 8.7 million, which created 78,000 hospitalizations and 4,500 deaths.
10. The personal savings of all Americans have plunged to a low of \$626 billion-down from \$4.85 trillion in 2020.

SUMMARY

I continue to be positive about the future of the economy. Consumer spending, which represents 2/3 of the economy rose 0.8% in October, compared to September, and rose 6% compared to a year ago, as inflation eased. Economists are forecasting a solid holiday season as unemployment is still low and wage growth is solid. A tight labor market with high demand for workers is helping to fuel household spending.

PREDICTION/OPINION

At the beginning of this year mortgage rates were around 3%. Today they are more than double that, which will hurt flooring sales now and, in the future. If you had a mortgage a year ago on a \$300,000 home and 20% down you would have paid \$1,000 a month compared to \$1,500 today. I fear these higher mortgage rates will hurt housing sales substantially, which in turn will affect flooring sales.

EXHIBIT I-WILL NOW INCLUDE ALL EXISTING HOME SALES CONDOS, ETC.
Numbers are approx. Annual Averages Based on Monthly Sales

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/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
Jan22	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
For 2019	5540	3.7	
For 2020	6760	22.2	
For 2021	6180	-7.1	

	Adjusted Number	Year/Year % Change	Month/Month % Change
		Flat	7.9
Jan 21	948	19.3	Flat
Feb 21	775	8.2	4.3
Mar 21	818	66.8	-18.2
Apr 21	863	48.3	20.7
May 21	734	12.8	-5.9
Jun 21	701	-19.4	-5.9
Jul 21	729	-27.2	-6,6
Aug 21	740	-24.3	1.1
Sep 21	800	-17.6	1.5
Oct 21	745	-23.1	14
Nov 21	646	-2.0	0,4
Dec 21	811	-14	1.9
Jan 22	801	-19	-4.5
Feb 22	772	-6.2	-2.0
Mar 22	763	-12.6	-8.6
Apr 22	591	-26.9	-16.6
May 22	696	-5.9	10.7
Jun 22	590	-17.4	-8.1
Jul 22	511	-29.6	-12.6
Aug 22	685	Flat	28.8
Sep 22	603	-17.6	-10.9
Oct 22	632	-5.8	7.5
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	

**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
Sep 22	-21.0	-25.0	-32.0
Oct 22	-9.92	-18.8	-29.8
Nov 22	-4.81	-14.4	-26.7

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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**Published monthly by N.L. Nagle, Inc.
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