



FEBRUARY 2023

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Life Alert: Hardship Often prepares an ordinary person for an extraordinary destiny.

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.
2. 2023 sales for the flooring industry will be difficult to accurately predict. Interest increases will not help sales. Low unemployment will help sales. Housing sales, both new and existing will help but current trends do not look great. We should have a better view of what flooring sales will look like in 2023 after first-quarter results are reported.

Corporate Results Builders, Flooring, Home Centers:

1. **NVR** reported sales increases for their 4th quarter and yearly revenue of increases of 22.6% and 18.8%. Net income for both periods increased 36% and 40%. Unit backlog at the end of the year was down 28% and dollar backlog was down 24%.
2. **Pulte** reported 4th quarter and annual sales increases of 18.6% and 16.5%. Net income for both periods increased 33% and 34% respectively. At the end of the year the backlog in units were down 27% and in dollars 17%.
3. **Beazer Homes** reported flat first quarter 2023 sales. Net income was down 33%. New selling prices were up 21.6%, new orders were down 58%, and cancellations were up 37%. Their backlog in units were down 40% and in dollars 33%.

Positives Observations:

1. The unemployment rate dropped to 3.4% in January. The economy added 517,000 jobs. The unemployment rate is at the lowest level in 53 years. **See Exhibit IV.**
2. The GDP grew 2.9% in the 4th quarter of 2022.
3. Jay Kopelson, VP of Mannington, was awarded the WFCA'S Luminary award. Deservedly so-he has been with Mannington for over 30 years. Both personally and professionally, he has a passion for helping others.
4. U.S. inflation eased significantly in December dropping to 6.5% after reaching a peak of 9.1%. This is the sixth straight month of easing inflation.
5. The U.S. cancer death rate has dropped by a third in the past 30 years.
6. The U.S. deficit shrunk by \$1.2 trillion in 2022. It is now at \$1.4 trillion.
7. Three in 10 U.S. adults bought a luxury item on the past month and more than a third of that group spent over \$100 on the purchase.

8. Walmart's new starting hourly wage in the U.S. will be \$14 next month an increase from \$12. The Federal minimum wage is \$7.25 per hour.
9. The stock market indexes had a good January. In fact, it was the best January in 22 years. The DJIA was up 2.8% compared to being down in January 2022 by 9%. The S&P was up 6.2% compared to being down a year ago 19% and the NASDAQ was up 11% compared to being down a year ago 33%. **See Exhibit IV.**

Neutral Observations:

1. Even after their sharp selloff, the five largest U.S. companies-Apple, Microsoft, Amazon, Alphabet, and Berkshire Hathaway account for 18.9% of the S&P 500. That is well above the historical value of about 15%.
2. The FRB continued its tightening policy by increasing interest rates one-quarter point. The ECB and the BOE at the same time raised rates by half a percentage point.
3. 10% of all new cars sold world-wide are electric vehicles.
4. The last 8 years were the hottest on record.
5. Gambling revenues nationwide hit record highs in 2022.
6. For the first time since 2018 larger hedge funds outperformed smaller hedge funds.
7. The high end of the pay range for a flight attendant that Netflix is seeking for its private jet job is \$385,000. The median flight attendant annual salary in 2021 was \$61,000.
8. The world population is now 7,947,522,024 as of 1/23/2023.
9. Exxon earned a record annual profit of \$55.7 billion in 2022. Shell also posted record earnings of \$41.6 billion.

Negative Observations:

1. Overall retail sales fell 1.1% in December compared to November. This was the biggest decline of 2022.
2. Google's parent company, Alphabet, says it is planning to cut 12,000 jobs.
3. Microsoft lays off 10,000 as slowdown hits software business.
4. Amazon to cut more than 18,000 jobs.
5. In total the tech industry will lay off more than 216,000 jobs.
6. China's economic growth fell to near historic lows in 2022.
7. China's population growth fell in 2022 for the first time in 62 years.
8. The Covid-19 pandemic has entered its 4th year in the U.S.
9. The New Year shooting in Monterey Park is the 33rd mass shooting of 2023.
10. U.S. sales of **existing** homes had a record 11th straight month of declines in December. Sales dropped 1.5% compared to November and dropped 17.8% compared to a year ago. The streak of declines is the longest on record dating back to 1999. **See Exhibit I.**
11. **U.S.** sales of **new** homes fell in 2022 that was 16.4% below the 2021 sales figure. **See Exhibit II.**
12. **Serta Simmons** bedding filed for bankruptcy.
13. Sixty-seven journalists were killed around the world in 2022, the most in five years. The price of a first-class stamp has gone up to 63 cents compared to the current price of 55 cents.

SUMMARY

Inflation continues to be on a downward trend. The FRB approved an interest rate increase of a quarter percentage point and signaled plans to raise rates again next month. This was the 7th consecutive month that interest rates were raised. This last year the FRB lifted its benchmark federal-funds rate from near zero to a range between 4.5% and 4.75%, a level last reached 16 years ago. Regardless, the unemployment rate is now the lowest in 53 years.

PREDICTION/OPINION

Can the U.S. avoid a recession? I think so. Inflation has been moderating. It looks like the aggressive stance that FRB has taken with raising interest rates has been working. The key to avoid a recession is whether policymakers can bring down inflation without driving up unemployment and putting millions out of work. So far, they have been successful in accomplishing this philosophy. Regardless, I expect business for the floorcovering industry to be bumpy in 2023. The first six months will give us a good indication how this year will work out.

**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		Adjusted Number	Year/Year % Change	Month/Month % Change
						Flat	7.9
Jan 21	6690	23.7	0.6	Jan 21	948	19.3	Flat
Feb 21	6220	9.1	-6.6	Feb 21	775	8.2	4.3
Mar 21	5300	12.3	-3.7	Mar 21	818	66.8	-18.2
Apr 21	5850	33.9	-2.7	Apr 21	863	48.3	20.7
May 21	5730	46.9	-0.9	May 21	734	12.8	-5.9
Jun 21	5860	22.9	1.4	Jun 21	701	-19.4	-5.9
Jul 21	5900	1.5	2.0	Jul 21	729	-27.2	-6.6
Aug 21	5880	-2.1	-2.0	Aug 21	740	-24.3	1.1
Sep 21	6290	-2.3	7.0	Sep 21	800	-17.6	1.5
Oct 21	6340	-5.8	0.8	Oct 21	745	-23.1	14
Nov 21	7440	-14	12.4	Nov 21	646	-2.0	0,4
Dec 21	6180	-7.1	-4.6	Dec 21	811	-14	1.9
Jan22	6500	-2.3	6.7	Jan 22	801	-19	-4.5
Feb 22	6021	-2.4	-7,2	Feb 22	772	-6.2	-2.0
Mar 22	5770	-4.5	-2.7	Mar 22	763	-12.6	-8.6
Apr 22	5610	-5.9	-2.4	Apr 22	591	-26.9	-16.6
May 22	5410	-8.6	-3.4	May 22	696	-5.9	10.7
Jun 22	5120	-14.2	-5.4	Jun 22	590	-17.4	-8.1
Jul 22	4810	-20.2	-5.9	Jul 22	511	-29.6	-12.6
Aug 22	4800	-19.9	--0.1	Aug 22	685	Flat	28.8
Sep 22	4710	-21.6	-0.2	Sep 22	603	-17.6	-10.9
Oct 22	4430	-28.4	-5.9	Oct 22	605	-5.8	7.5
Nov 22	4090	-35.4	-7.7	Nov 22	640	-15.3	-5.8
Dec 22	5030	-17.8	-1.5	Dec 22	616	-26.6	2.3
For 2019	5540	3.7		For 2019	681		10.3
For 2020	6760	22.2		For 2020	923		9.6
For 2021	6180	-7.1		For 2021	801		-1.9
For 2022	5030	-17.8		For 2022	644		-16.4

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

	<u>2021</u>	<u>2022</u>	<u>2023</u>
January	6.3	4.0	3.4
February	6.2	3.8	
March	6.0	3.6	
April	6.1	3.6	
May	5.8	3.6	
June	5.9	3.6	
July	5.4	3.5	
August	5.2	3.7	
September	4.8	3.5	
October	4.6	3.7	
November	4.3	3.7	
December	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 22	-9	-19	-33
Feb 22	-6.8	-8.4	-12.4
Mar 22	-4.6	-4.9	-9.1
Apr 22	-4.9	-8.8	-13.3
May22	-9.2	-13.3	-22.8
Jun 22	-15.3	-20.6	-29.5
Jul 22	-9.6	-13	-21
Aug 22	-21	-25	-32
Sep 22	10.6	14.7	12.
Oct 22	-10	-19	-30
Nov 22	-5	-14	-27
Dec 22	-9	-19	-33
Jan 23	2.8	6.2	11
Feb 23			

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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