



# HIGHLIGHTS

## Second Quarter Billings and Inquiries Remain in Growth Territory

Billings growth for the interior design industry remains positive at the end of the second quarter with a June score of 51.7, a decrease from the 60.9 reading in March. The June reading is weaker than its three-month moving average of 53.6 and indicates some slowing, but still exhibits positive revenue growth indicated by a score of 50 or above. The June new project inquiries index was 54.1 and its three-month moving average rate was 57.3, up slightly from the previous quarter's rating of 55.5.

## Billings' Growth for Small-sized Firms

Billings scores reported by firm size were mixed, with smaller-sized firms of 2-9 employees and sole practitioners reporting strong scores of 57.2 and 58.3, respectively; these scores are above 50 indicating an increase in design services during the second quarter.

## Billings Show Growth Across Geographic Sectors in Second Quarter

Design activity in the South (51.6) and West (52.4) showed moderate change from the first quarter. Firms in the Northeast (56.2) and Midwest (61.4) experienced greater growth in June billings than did other regions, moving up from March scores of 52.9 and 51.8, respectively.

## Second Quarter Billings Up Evenly Across Market Sectors

The pace of single-family design services activity fell from a very strong 59.5 in the first quarter of 2019 to a weaker, yet still positive score of 50.3 for the second quarter. The multi-family sector posted a strong second quarter (58.2), building upon a first quarter score of 54.1. Design activity for institutional and commercial purposes built upon a solid first quarter and continued into growth territory. Interior designers operating in the institutional sector reported a strong IDBI score of 59.6, while those in the commercial sector reported a lower but positive score of 50.9.

## Six Month Outlook – Stronger Business Conditions Expected

The design industry remains optimistic about the near-term business conditions with 87 percent of respondents believing conditions will either be about the same or better than they are now. Their six-month business conditions index score for June was 53.3, down slightly from March's outlook of 59.4.

The ASID six-month interior design business conditions index, the Conference Board's expectations index, and the Dodge Momentum index taken together, clearly reflect a sustaining growth economy but also a slower pace than past years due in part to public policies and associated uncertainties. Continued uncertainty may result in further volatility in these indexes and, at some point, result in a deterioration in the current expansion.

## Labor Market Continues to Expand

The last 12 months have been a roller-coaster ride for U.S. employment, especially for architectural and interior design firms. In June, employers added 244,000 in nonfarm payrolls with the private sector accounting for 191,000 and the remaining 33,000 supplied by the government. The three-month moving average through June is a positive 171,000 jobs per month, which remains a solid figure. The unemployment rate ticked up in June to 3.7 percent, back to the rate first reached in September 2018. As shown in Figure 10, architectural and interior design services job growth continues with net gains in jobs for both professions. There was a year-over-year (YoY) addition of 7,900 jobs in architectural design and 800 in interior design services for the month of May.

## Pace of Construction Spending Slowing

U.S. construction put-in-place was \$1.29 trillion in May, down 0.8 percent from April and 2.3 percent less than its May 2018 level. Residential construction spending was \$498.9 billion, a 0.7 percent decrease from April and a score 11.2 percent lower than a year ago. Within residential construction spending on new single-family homes, this sector declined 0.8 percent from the prior month and 6.3 percent for the same period a year ago. The decline in residential construction can be explained by less spending on home improvements. Spending on new multi-family homes rose 1.9 percent and was 9.3 percent higher than a year earlier. Nonresidential construction spending fell 0.9 percent for the month and was 0.1 percent lower than May 2018. Public construction spending in May declined 3.6 percent for the month but was 10.8 percent higher than in May 2018.

## According to Jack Kleinhenz, ASID economist

The most recent GDP data shows that while growth may be moderating, it is not floundering. In the first estimate of second quarter 2019 GDP, growth was reported at an increase of 2.1 percent, stronger than many analysts' expectations. Moreover, the consumer sector was a solid contributor to growth, and it is likely to carry over into the third quarter. While the recent ASID indexes reflect a slowing in the second quarter, they are also signaling growth. GDP growth, together with solid consumer spending, is encouraging, but must be balanced with shrinking construction and home improvement spending.

# THE SECOND QUARTER 2019 ASID BUSINESS PERFORMANCE SURVEY REPORT

## ASID Survey: Second quarter billings

Billings growth for the interior design industry remained positive at the end of the second quarter with a June score of 51.7, although it fell off from the 60.9 reading in March. The June index is weaker than its three-month moving average of 53.6, indicating slowing, but positive, revenue growth with a score above 50.<sup>1</sup> The June new project inquiries index was 54.1 and its three-month moving average rate was 57.3, up slightly from the previous quarter's rating of 55.5. All scores are reported in seasonally adjusted terms unless noted otherwise.<sup>2</sup>

Table 1: Billings and Inquiries

JUNE 2019

Question to ASID Survey Participant	Significantly increased (up 5% or more)	About the same	Significantly decreased (down 5% or more)	Index
How do billings compare to previous month?	22%	56%	22%	51.7
How do new project inquiries* compare to previous month?	25%	58%	17%	54.1

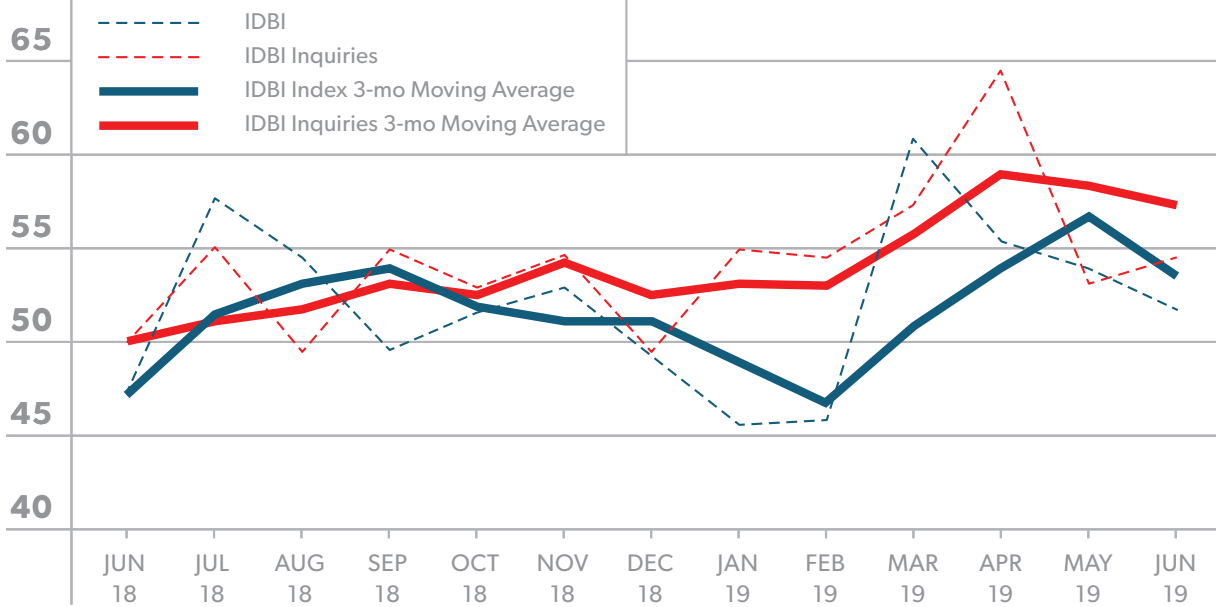
\*calls, emails, interviews, bids, solicitations, RFPs

<sup>1</sup> A score above 50 indicates that firms in the aggregate are indicate an increase in monthly activity compared to the previous month, while a score below 50 signals that firms report a decrease in monthly activity.

<sup>2</sup> To allow for meaningful comparisons, beginning in January 2019, all monthly scores are seasonally adjusted which provide a more accurate picture of the underlying changes affecting the data. For more information about how it impacts IDBI, please view the Seasonal Adjustment Calculation Guide on the ASID website: <https://www.asid.org/resources/resources/view/resource-center/224>

Figure 1: ASID Billings and Inquiries Index

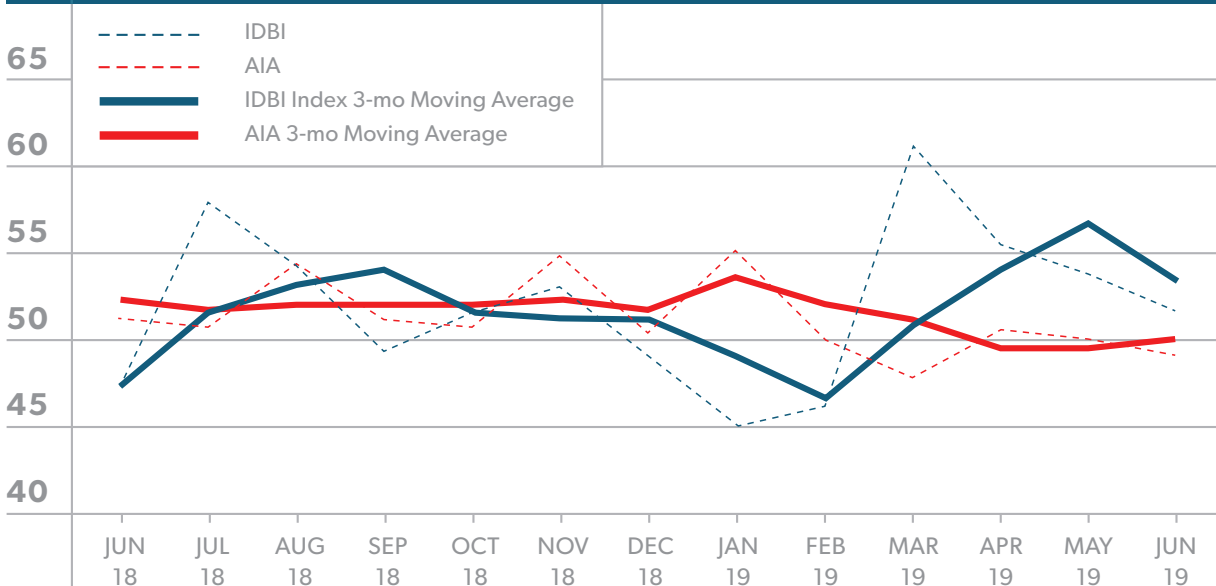
JUNE 2018 TO JUNE 2019



The ASID and American Institute for Architects (AIA) billings indices ended the second quarter on mixed notes. June’s IDBI index stayed in expansionary territory at 51.7 (above 50) but registered a decline from its March score of 60.9. In contrast, the AIA March billings score of 47.8 increased only slightly to 49.1 in June, staying in reduced-billings territory. AIA reports that its project inquiries index (not shown) now has reached its 10-year low.

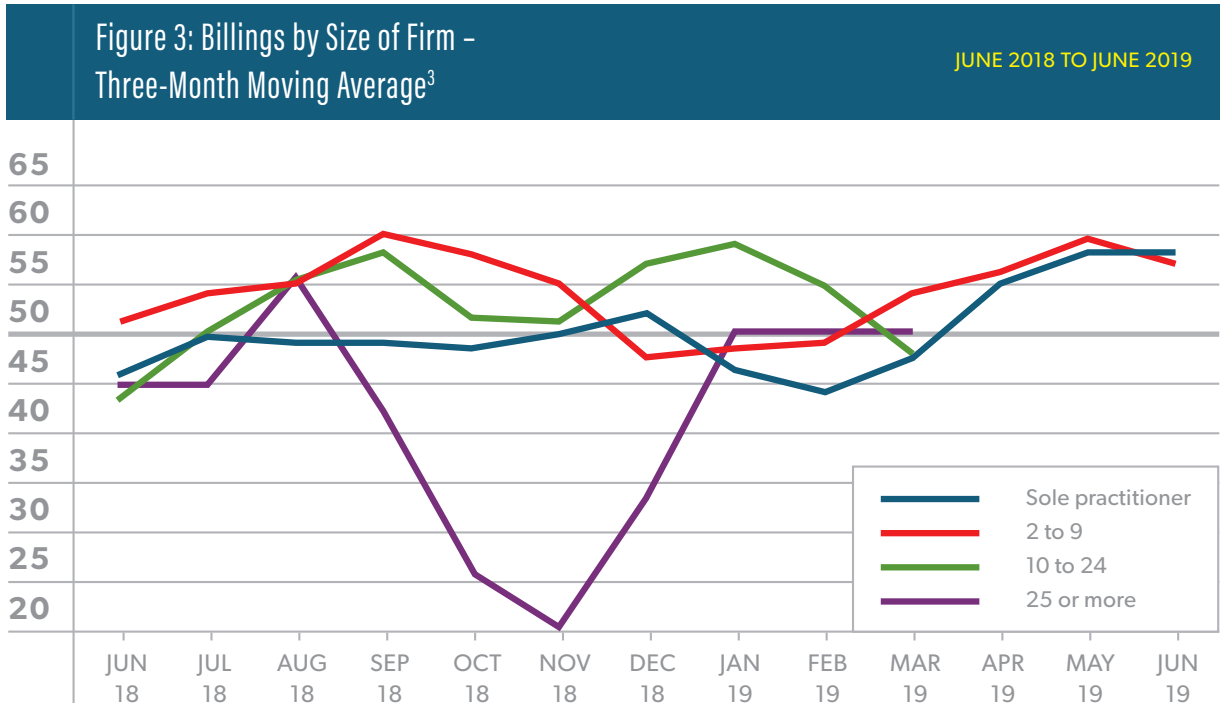
Figure 2: ASID and AIA Billings Indices

JUNE 2018 TO JUNE 2019



# BILLINGS BY FIRM SIZE

Billings by firm size, which are only calculated as a three-month moving average, were mixed with smaller-sized firms of 2-9 employees and sole practitioners, reporting scores of 57.2 and 58.3 respectively. These scores are above 50 and indicate an increase in design services during the second quarter.



<sup>3</sup> Due to a low sample size for firms within the '10 to 24' and '25 or more' categories during the second quarter of 2019 (April-June), these months have been removed from Figure 3 which is why these lines stop at March

# BILLINGS BY REGION

Interior design firms across all regions reported increased activity during the second three months of 2019 with scores above 50 as shown in Figure 4. Design activity in the South (51.6) and West (52.4) showed moderate changes from the first quarter. Firms in the Northeast (56.2) and Midwest (61.4) experienced greater growth in sales than did other regions, moving up from March's readings of 52.9 and 51.8, respectively.

Second quarter regional billings scores for architects and interior design firms showed a divergence in terms of second quarter performance. Figure 5 shows the AIA monthly regional billing index scores over the last 12 month. Only two regions demonstrated increased billings. Firms in the Midwest and the South recorded positive performance at the end of the second quarter with the same score of 51.9. Firms in the West (49.3) and the Northeast (46.1) struggled during this period with scores in contraction territory.

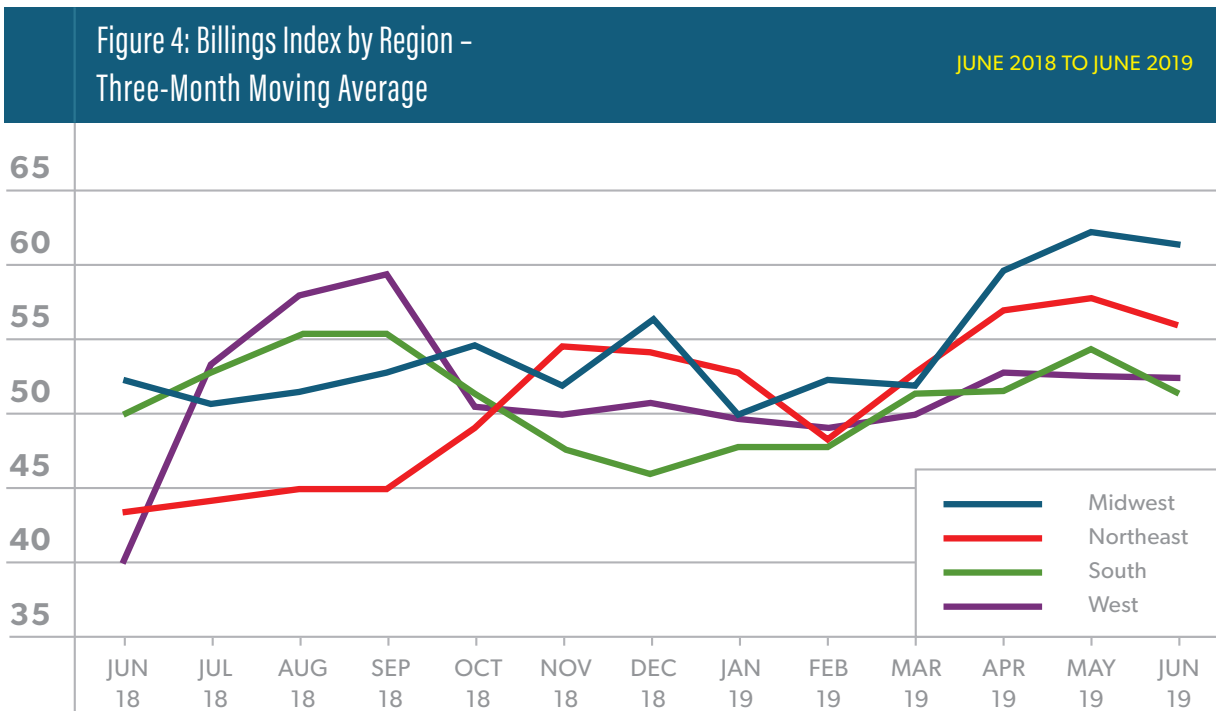
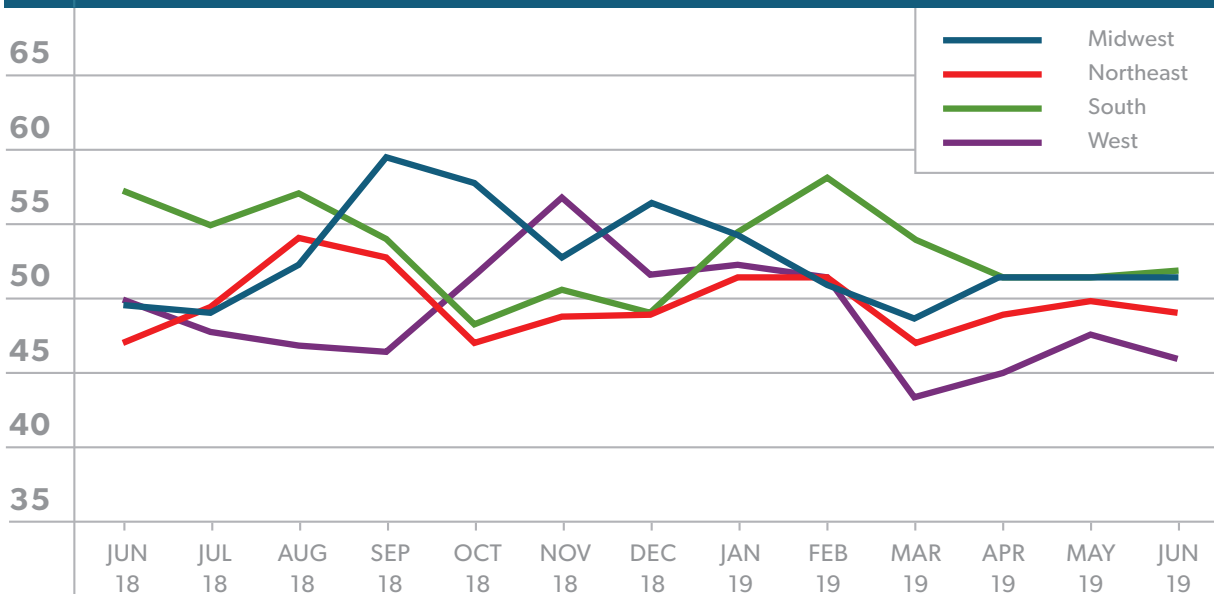


Figure 5: Billings Index by Region – AIA, Three-Month Moving Average

JUNE 2018 TO JUNE 2019



On a methodological note, the geographic distribution of June’s survey respondents closely mirrors the geographic distribution of all interior design firms as shown in Table 2; the respondents slightly over represent the South and underrepresent the West.

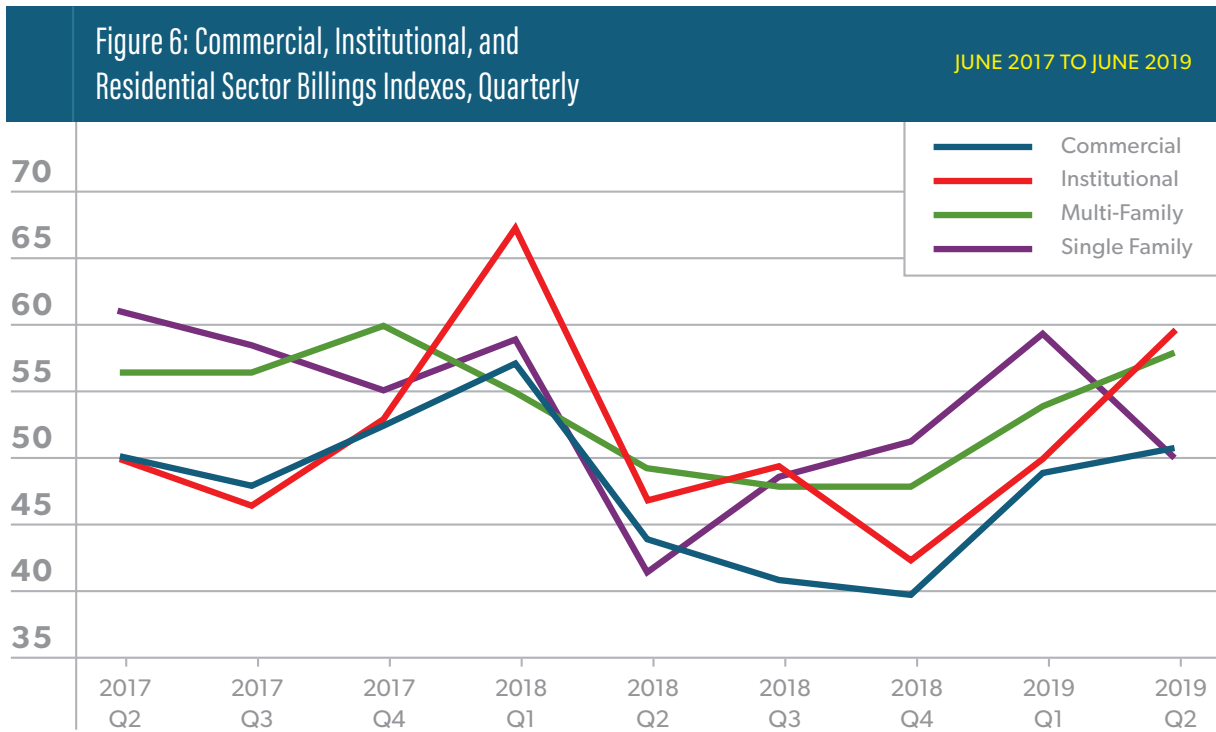
Table 2: Geographic Representation by Census Region

JUNE 2019

Census Region	ASID Survey Respondents	Distribution of Interior Design Population
Midwest	16%	15%
Northeast	23%	21%
South	39%	34%
West	23%	29%
Total	100%	100%

# BILLINGS BY SECTOR

Figure 6 illustrates the recent trends in billing performance by market sector on a quarterly basis. The residential sector had seen growth in billings since December 2018 and multi-family sector posted a strong second quarter (58.2), building upon a first quarter score of 54.1. However, single-family design services declined from a very strong first quarter performance of 59.5, to a weaker but still positive score of 50.3 for the second quarter. Interior design activity for institutional and commercial purposes built upon first quarter growth. Interior designers operating in the institutional sector reported an IDBI score of 59.6, while firms performing commercial design services reported a score of 50.9; both sectors recorded a first quarter score under 50.



# SIX MONTH OUTLOOK - INTERIOR DESIGN FIRMS REMAIN OPTIMISTIC BUT CAUTIOUS

The interior design industry remains optimistic about the near-term business conditions with 87 percent of respondents believing conditions will either be about the same or better than they are now. Their six-month business conditions index score for June was 53.3, down slightly from March's outlook of 59.4.

Table 3: Expectations for Interior Design Business Conditions

MARCH 2019

Expectations	ASID
About the same	66%
Better than they are now	20%
Worse than they are now	13%
Business Six-month Outlook Index	53.3

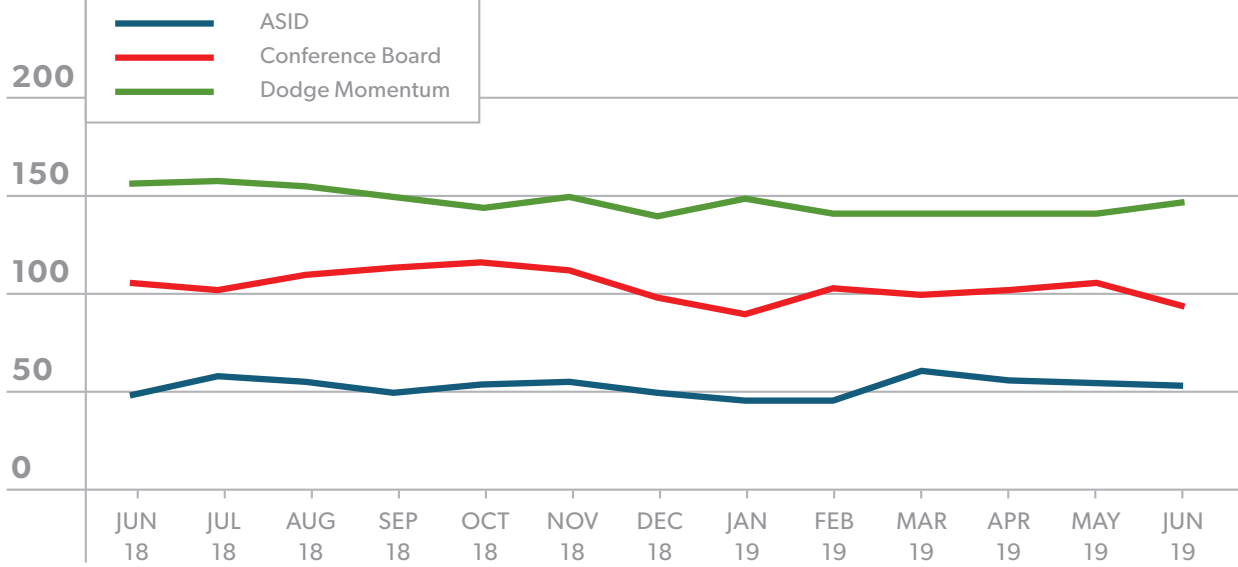
The Conference Board's June expectations sub-index of its overall consumer confidence measure dropped noticeably to 94.1, the lowest score since January and well below the 12-month average of 103.5. The good news is that confidence is still elevated, but it appears that the trade tensions are weighing on consumer and business sentiment. In fact, a portion of interior designers attribute the increased costs of products and materials on tariffs.

The Dodge Momentum Index moved 4.0 percent higher in June to 146.1 (2000=100) from the revised May reading of 140.5. As noted in the Dodge release, despite the improvement shown by the Momentum Index in June, planning for commercial and institutional building projects has clearly stepped back from the torrid pace set during the first half of 2018. The Momentum Index is a monthly measure of the first (or initial) report for nonresidential building projects in planning, which have been shown to lead construction spending for nonresidential buildings by a full year.

The ASID six-month interior design business conditions index, the Conference Board's expectations index, and the Dodge Momentum Index taken together, clearly reflect a sustaining growth economy at a slower pace than past years due in part to public policies and associated uncertainties. Continued uncertainty may result in further volatility in the indexes and, at some point, result in a deterioration in the current expansion.

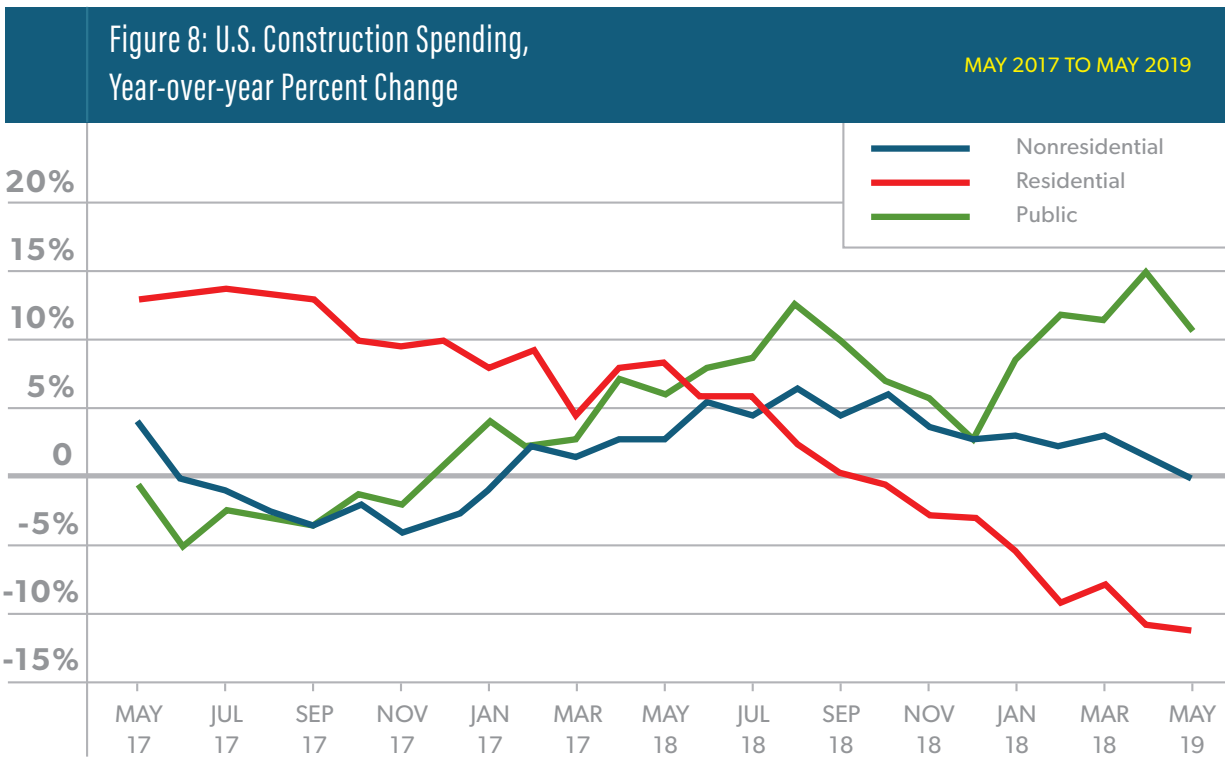
Figure 7: Six-Month Outlook Comparison -  
ASID, Conference Board, and Dodge Momentum

JUNE 2018 TO JUNE 2019

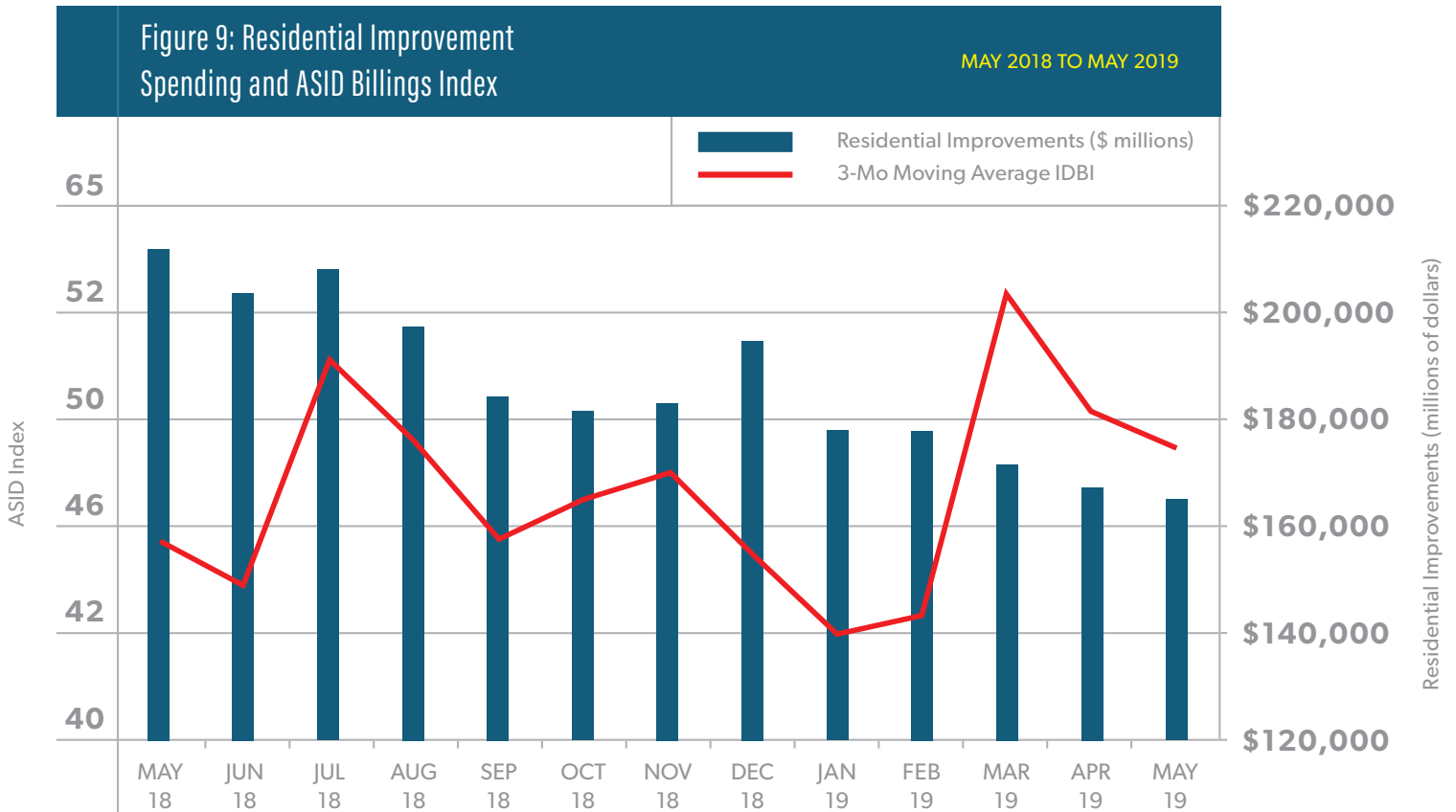


# PACE OF CONSTRUCTION SPENDING SLOWING

U.S. construction put-in-place was \$1.29 trillion in May, down 0.8 percent from April and 2.3 percent less than its May 2018 level. Residential construction spending was \$498.9 billion, a 0.7 percent decrease from April and 11.2 percent lower than a year ago. Within residential construction, spending on new single-family homes declined 0.8 percent from the prior month and was down 6.3 percent for the same period a year ago. Spending on new multi-family homes rose 1.9 percent and yet was 9.3 percent higher than a year earlier. The decline in residential construction was partly due to less spending on home improvements. Nonresidential construction spending fell 0.9 percent for the month and 0.1 percent lower than May 2018. Public construction spending in May declined 3.6 percent for the month but was 10.8 percent higher than in May 2018.

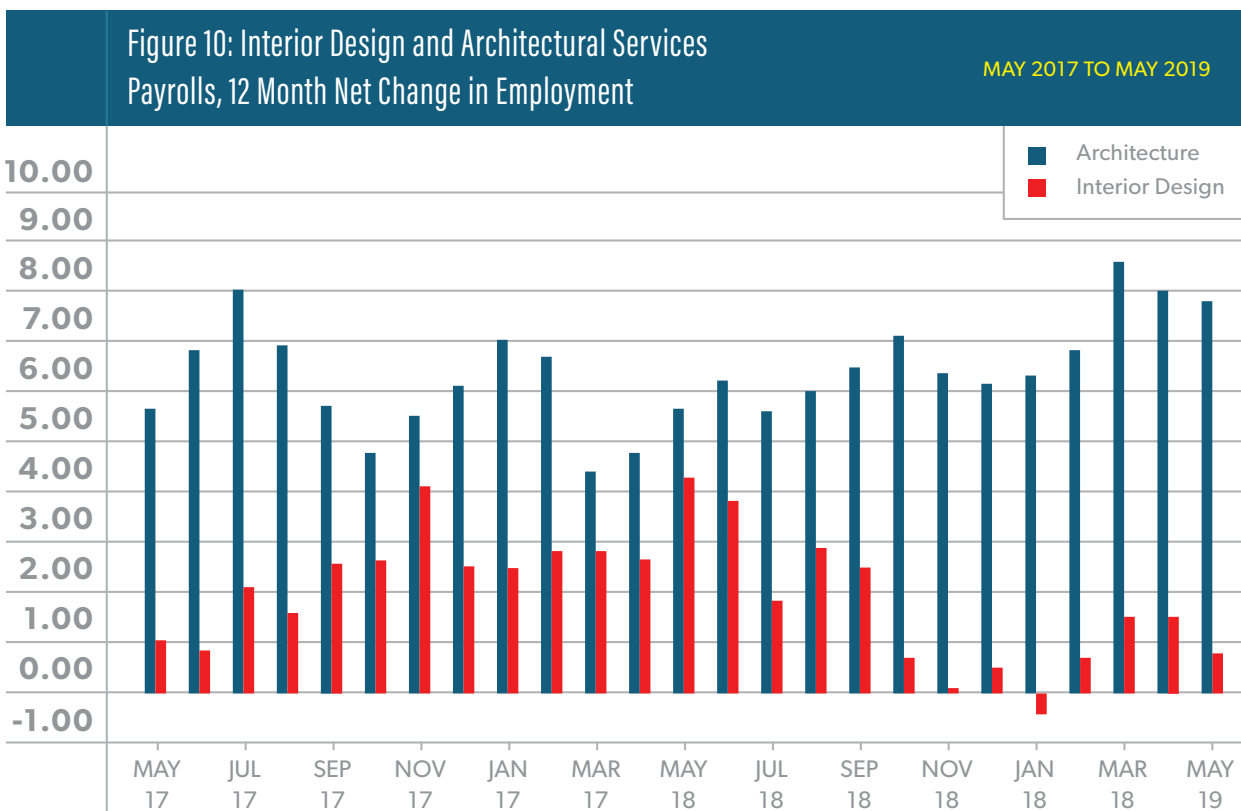


Residential improvement spending (Figure 9) amounted to \$165.6 billion in May, 22.0 percent lower than a year earlier and 4 percent below the level in March 2019. The Joint Center for Housing Studies of Harvard University reported that growth in residential remodeling spending is expected to slow considerably by the middle of next year. The center’s Leading Indicator of Remodeling Activity (LIRA) projects that annual gains in homeowner expenditures for improvements and repairs will shrink from 6.3 percent in the current quarter to just 0.4 percent by the second quarter of 2020.



# LABOR MARKET CONTINUES TO EXPAND

The employment market remains solid as it begins its historical 11th year of expansion. Employers in June added 244,000 in nonfarm payrolls with private payrolls adding 191,000 while government payrolls accounted for the remaining 33,000. The three-month moving average through June is a positive 171,000 jobs per month which remains a solid number. The unemployment rate ticked up in June to 3.7 percent, back to the rate first reached in September 2018. As shown in Figure 10, architectural and interior design services job growth continues with net gains in jobs for both professions. Since May 2018, there has been an addition of 7,900 jobs in architectural design and 800 in interior design services. Over the last twelve months, it has been a roller-coaster ride for U.S. employment, especially for architectural and interior design firms.



# ABOUT THE INTERIOR DESIGN BILLINGS INDEX (IDBI)

Beginning in November 2010, The American Society of Interior Designers launched its business performance index. The ASID survey, conducted monthly, is designed to provide a unique perspective on current and future business conditions for the interior design industry nationally and regionally for all sizes of firms. A total of 190 firms participate in this program. Firms included in this survey primarily offer interior design services. While many are interior design only firms, panelists report from architectural firms, engineering firms, and other related enterprises. Panelists are asked to report on their current billings relative to previous months and report on recent business inquiries. A business sentiment question is also asked regarding how general business conditions for the interior design industry will be six months from now. The results of the survey are compiled into diffusion indexes which are helpful indicators of changes in the direction of economic activity. The ASID indexes are centered on 50 percent (above 50 indicates expansion and below 50 contraction).