HIGHLIGHTS

First Quarter Billings and Inquiries Indices Reflect COVID-19 Impact

The Billings’ index for the interior design industry was 28.4 for March 2020, reflecting a widespread reduction in billings from February (49.0) and down sharply from the prior quarter’s December score of 52.2. The March index is weaker than its three-month moving average of 42.9 indicating a downward trend (score of less than 50). The March new project inquiries index was 23.1, indicating a downturn in future business.

Billings’ Decline for Small-sized Firms

Billings by firm size show sole practitioners reporting declining billings in the past six months, dropping from 51.4 in October 2019 to 36.4 in March 2020. Larger-sized firms, those employing between two and 24 employees, fared better than sole practitioners; however, they still found themselves in negative reporting territory in March. Firms employing between two and nine employees had an index of 47.4 and firms of 10 to 14 employees an index of 41.7.

Billings Growth Mixed Across Geographies in First Quarter

With the exception of the South, interior design firms reported decreased billings over the first quarter of 2020. The Midwest had a score of 42.9; the West, a score of 42.4; and the Northeast, a score of 36.8. The South decreased from a 61.1 in January to a March score of 51.2, indicating a decline in billings growth rate, yet, an overall growth in billings compared to February.

First Quarter Billings Down Across All Market Sectors

Nearly one out of two design firms in the multi- and single-family markets reported significant declines in billings compared to February billings. These high negatives resulted in IDBI’s of 33.3 and 36.5 for the respective multi- and single-family sectors. Commercial sector design firms reported an IDBI of 34.9 and design firms in the Institutional design space a 48.8.

Six Month Outlook – Interior Design Firms Pessimistic

First quarter 2020 reported IDBI six-month outlook scores for January of 58.7, February of 29.1 and now, March with 32.4. While 60 percent of panelists expect worsening business conditions, 25 percent of interior designers felt conditions in six months would be better than today.

While the Conference Board and ASID indicators clearly reflect a fall-off in business and consumer economic activity but not so evident in the Dodge Momentum index, it is still very early in the COVID-19 (Coronavirus) crisis to capture any potential impact of the pandemic. The economy undoubtedly is backsliding and these indicators are consistent with that fact. The weights on consumers and businesses at present are numerous.
Labor Market: Bad and Will Worsen
Payroll employment gains surprised increased for February as employers hired 273,000 more workers. These gains were very short term as payrolls fell by a considerable 701,000 in March. Job losses were seen across a wide range of industries and unemployment rose significantly as well, presaging further significant increases in unemployment in the months ahead. Household employment fell by three million, and the unemployment rate shot up from 3.5 percent to 4.4 percent, an increase of 1.4 million unemployed people.

Pace of Construction Spending Moderating
The construction industry will not be able to avoid the adverse impacts of widespread shutdown of the economy to slow the spread of COVID-19. Even before the crisis, construction spending appears to have moderated. Total U.S. construction spending put-in-place in February totaled $1.37 trillion, 1.3 percent lower than in January but six percent higher compared with February 2019. Certain municipalities and states have allowed work on public works construction, housing, and construction for the public health emergency. Nonetheless, construction is not immune from COVID-19, and its contagion is expected to lower spending levels.

According to Jack Kleinhenz, ASID economist
Considerable uncertainty surrounding the near- and longer-term impacts of the pandemic remain and the limited data available indicates the economy is already in a recession. Large sections of the economy are shut down in an effort to slow the spread of COVID-19 and there is no doubt that the ripple effects will affect the interior design industry. Different regions and localities of the economy are feeling the impact of the slowdown differently. Interior design clients have likely dialed backed their expectation about the outlook and are cautious about spending. They await the full effect of the pandemic on their incomes and wealth. The big question is: can we get back to normal and how fast? Answer: it all depends since there is no handbook to follow. The primary priority is to contain and control the spread of the virus.
ASID Survey: First Quarter Billings

March’s IDBI index of 28.4 reflected the worst month-over-month decline in billings since the index was conceived in 2010. Over half of the respondents reported sales decreases of at least five percent since February. A lucky few, 13 percent, reported increases while 35 percent were likely relieved to be able to report no change in billings from February. The first quarter three-month moving average IDBI score was 42.9. Inquiries for the month fell off as well with a March score of 23.1, well below the three-month average of 38.0. All scores are reported in seasonally adjusted terms unless noted otherwise.

<table>
<thead>
<tr>
<th>Question to ASID Survey Participant</th>
<th>Significantly increased (up 5% or more)</th>
<th>About the same</th>
<th>Significantly decreased (down 5% or more)</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do billings compare to previous month?</td>
<td>13%</td>
<td>35%</td>
<td>51%</td>
<td>28.4</td>
</tr>
<tr>
<td>How do new project inquiries* compare to previous month?</td>
<td>6%</td>
<td>35%</td>
<td>59%</td>
<td>23.1</td>
</tr>
</tbody>
</table>

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

1 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. A score above 50 indicates that firms in the aggregate are indicating an increase in monthly activity compared to the previous month, while a score below 50 signals that firms are reporting a decrease in monthly activity. For more information regarding the seasonally adjusted calculation, please click on the following link: [https://www.asid.org/resources/resources/view/resource-center/224](https://www.asid.org/resources/resources/view/resource-center/224)
The ASID and AIA billings indices both show status quo results through February. However, billings indices for both associations paralleled one another as they declined sharply in March. The March IDBI index of 28.4 was only slightly lower than the AIA Billings index of 33.3.
Billings by firm size, calculated as a three-month moving average, were mixed with sole practitioners and firms with 10 to 24 employees showing negative monthly billings growth and IDBI scores of 36.4 and 41.7, respectively. The sole practitioners’ score was six points lower than its lowest score, a 42.8 reported just this past January. Firms with between 10 and 24 employees reported a very low 38.8 score in September. However, those respondents are fewer in number reporting and their index experiences greater volatility. Firms employing between two and nine employees dipped below 50, reporting an IDBI score of 47.4. Larger firms, those employing more than 25 people, reported greatly improved billings conditions, yet, like firms employing between 10 to 24 employees the sample size from this category was very small and shows significant variability and thus interpretation of results must be tempered.
With the exception of the South, interior design firms reported decreased billings over the first quarter. The Midwest had a score of 42.9; the West, a score of 42.4; and the Northeast, a score of 36.8. The South decreased from a 61.1 in January to a March score of 51.2, indicating that fewer firms had billings increases in March than in January; yet, enough reported increases that the IDBI score for March stayed in growth territory (above 50).

ARCHITECTURAL FIRMS REPORTED BILLINGS DECLINE AS WELL. REGIONAL AIA INDICES ARE NOT AS DEPRESSED AS THE NATIONAL SCORE SINCE THEY ARE CALCULATED ON A THREE-MONTH MOVING AVERAGE. THE AIA WEST HAD A SCORE OF 45.3; THE SOUTH A SCORE OF 44.2; THE MIDWEST A SCORE OF 44.2; AND THE NORTHEAST A SCORE OF 38.4.
On a methodological note, the geographic distribution of March ASID respondents closely mirrors the geographic distribution of all interior design firms as shown below. The respondents overrepresent the West and underrepresent the South.

<table>
<thead>
<tr>
<th>Census Region</th>
<th>ASID Survey Respondents</th>
<th>Distribution of Interior Design Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>17%</td>
<td>15%</td>
</tr>
<tr>
<td>Northeast</td>
<td>19%</td>
<td>21%</td>
</tr>
<tr>
<td>South</td>
<td>30%</td>
<td>34%</td>
</tr>
<tr>
<td>West</td>
<td>34%</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2: Geographic Representation by Census Region

Figure 5: Billings Index by Region - AIA – March 2019 to March 2020

Three-Month Moving Average
Figure 6 illustrates the recent trends in billing performance by market sector on a quarterly basis. While not in unison, all sectors experienced billings growth during the first three quarters of 2019. The fourth quarter of 2019 saw a slowdown in that growth rate followed by actual decline in billings during the first quarter of 2020. During the first quarter of 2020, 45 percent of design firms in the multi- and single-family reported significant declines in billings from February. These high negatives resulted in IDBI’s of 33.3 and 36.5 for the respective multi- and single-family sectors. Commercial sector design firms reported a sub-par score of 34.9 and design firms in the Institutional design space a 48.8.
First quarter 2020 reported IDBI six-month outlook scores are January of 58.7, February of 29.1, and now March with 32.4. While a majority of 60 percent expect worsening business conditions, 25 percent of interior designers felt conditions in six months would be better than today.

<table>
<thead>
<tr>
<th>Expectations</th>
<th>ASID</th>
</tr>
</thead>
<tbody>
<tr>
<td>About the same</td>
<td>15%</td>
</tr>
<tr>
<td>Better than they are now</td>
<td>25%</td>
</tr>
<tr>
<td>Worse than they are now</td>
<td>60%</td>
</tr>
<tr>
<td>Business Six-month Outlook Index</td>
<td>32.4</td>
</tr>
</tbody>
</table>

The Conference Board’s March expectations components of its overall consumer confidence measure fell from 108.1 to 88.2, the lowest since 2016. The decline at the end of the first quarter is likely to be the first of a series of declines in the months ahead, as households and businesses grapple with the COVID-19 economic shutdown and the effects of the stress in the financial markets.

The Dodge Momentum Index declined slightly by 0.6 percent in March to 146.5 (2000=100) from the revised February reading of 147.4. According to Dodge, the drop in March evident in the commercial component fell 0.8 percent while the institutional component was 0.2 percent lower.

While the Conference Board and ASID indicators clearly reflect a fall-off in business and consumer economic activity, such a fall-off is not so evident in the Dodge Momentum index. It is still very early in the COVID-19 (Coronavirus) crisis to capture the potential impact of the pandemic that the Dodge Momentum index might reflect. The economy undoubtedly is backsliding and these indicators are consistent with that fact. The weights on consumers and businesses at present are numerous.
Figure 7: Six-Month Outlook Comparison ASID, Conference Board, and Dodge Momentum Index

MARCH 2018 TO MARCH 2020

- ASID
- Conference Board
- Dodge Momentum Index
WEAKNESS ACROSS CONSTRUCTION SPENDING

The construction industry will not be able to avoid the adverse impacts of widespread shutdown of the economy to slow the spread of COVID-19. Even before the crisis, construction spending appears to have moderated. Total U.S. construction spending put-in-place in February was $1.37 trillion, 1.3 percent lower than in January but six percent higher compared with February 2019. Certain municipalities and states have allowed work on public works construction, housing, and construction for the public health emergency to continue. Nonetheless, construction is not immune from COVID-19, and its contagion is expected to lower spending levels. Residential construction spending was $564.3 billion, a 0.6 percent decline from the previous month but an 11.3 percent increase year-over-year. New single-family home spending increased 3.9 percent compared with January and rose 16.1 percent from February 2019. Spending on new multi-family homes rose 0.1 percent but was 5.7 percent below its year-ago level. Nonresidential construction spending was $795.1 billion, a 1.8 percent decline from January these outlays were 2.5 percent higher than in February 2019. Public construction spending totaled $340.9 billion in February, down 1.5 percent on the month but up 7.2 percent compared with a year earlier.

Figure 8: U.S. Construction Spending, Year-over-year Percent Change
Residential improvement spending amounted to $194,347 million in February, ten percent higher than a year earlier and one percent below the level in November 2019. The Joint Center for Housing Studies of Harvard University (JCHS) reported that expenditures for home renovations and repairs are expected to decline at least through the first quarter of next year due to fallout from the COVID-19 pandemic. Pre-pandemic, the center pointed to a healthy rebound in-home remodeling spending with annual growth of 3.9 percent by the first quarter of 2021. However, the latest data incorporating both actual and forecasted impacts of the economic shutdown point to spending declines this year with further worsening into 2021.
Payroll employment gains surprised on the upside in February as employers hired 273,000 more workers. These gains were very short term as payrolls fell by a considerable 701,000 in March. Job losses were seen across a wide range of industries and unemployment rose significantly as well, presaging further significant increases in unemployment in the months ahead. Household employment fell by three million, and the unemployment rate shot up from 3.5 percent to 4.4 percent, an increase of 1.4 million unemployed people. As shown below, the year started off on a strong note with payrolls. Architectural and interior design services both had shown gains on a year over year basis through February. However, these gains are bittersweet. The data for the March employment report were collected in the first half of March, before the wave of businesses closing and layoffs rising. Looking forward it is expected that this will lead to a sharp acceleration in the nation’s unemployment rate in the months ahead.

**Figure 10: Interior Design and Architectural Services**  
**Payrolls, 12 Month Net Change in Employment** (February 2018 to February 2020)
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 200 firms are being invited to participate in this program. Firms included in this survey primarily are offering Interior Design services. While many are Interior Design only firms, panelists are reporting from architectural firms, engineering and other related enterprises. Panelists are asked to report on their current billings relative to the previous months and report on recent business inquires. 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).