HIGHLIGHTS

Second Quarter Billings Reflect Continued Stress while the Inquiries Index Gives Hope
The ASID Interior Design Billings Index (IDBI) score for June was a sub-par reading of 49.2, with many firms reporting reduced billings from May. However, this June quarterly score compares favorably to March’s IDBI of 27.8. The second quarter IDBI 3-month moving average was 36.7. Inquiries were up for the month of June and were widespread, leading to a positive IDBI inquiry score of 52.3.

Billings’ Decline Across All Firm Sizes
Sole practitioners reported an IDBI score of 34.6, substantially unchanged from the March score of 36.6. Firms with 2 to 9 employees reported a solid 47.2 score in March but succumbed to market conditions and in June reported a 35.6. Larger interior design firms, employing more than 24 people, reported a June IDBI score of 38.9, well below their March score of 69.4. Firms with between 10 and 24 employees improved their lot somewhat increasing from a 41.7 in March to a 46.7 in June, still below the growth level of 50.

Billings Growth Down and Very Depressed by Region, especially in the Northeast
The Northeast’s economic shutdown was apparent in the IDBI score of 23.2 reported by interior designers for the second quarter. In this region, 70% of designers reported reduced billings and the other 30% reported no change in billings. The Midwest had a score of 35.4; the West, 33.8; and the South, 33.1.

Second Quarter Billings Choppy Across Market Sectors
The single-family home sector reported some improvement, moving from an IDBI score of 35.4 in March to a score of 44.0 in June but stayed below 50. Commercial and multi-family sectors’ IDBI scores for June remained virtually unchanged from March at 34.6 and 32.5, respectively. Interior designers in the institutional sector space reported further billings declines, dropping from 48.1 in March to 33.7 in June.

Six Month Outlook – Improved Business Conditions Expected by Panelists
The six-month outlook index has improved, from a March score of 32.4 to a current score of 54.4, meaning that more interior design firms see their business conditions improving over the next six months. Three out of four designers (76%) expect conditions to be better or the same by the end of the year. However, 24% of respondents expect weaker conditions by December. While the ASID panel is expecting a positive outlook over the next six months, it could be misplaced if continued high unemployment and virus infections hamper growth.

The Dodge Momentum Index dropped 6.6% in June from the revised May reading of 130.1. The Momentum Index has shifted noticeably lower as the fallout from recession continues to hold its grip on the construction sector. The Conference Board’s expectations component rose from 86.8 in March to 106 in June, putting it very close to that seen in February, which was prior to COVID-19. Consumer confidence has improved but the latest reading in June was measured before the recent rise in COVID-19 cases.
Employment has increased from a very low level but remains depressed

The reopening of businesses resulted in a net gain of 4.8 million total nonfarm U.S. jobs in June, following the 2.7 million gain in May (revised up from 2.5 million). The strong and broad-based recovery has been encouraging in showing that businesses have been able to get up and running quickly. While employment gains were broad-based in the economy, interior design firms reduced employment by 6,200 job during April and May. Architectural and Interior Design services reduced payrolls by 12,200. According to the latest edition of the Federal Reserve’s Beige Book report (released on July 6), demand for professional and business services (which includes both architectural and interior design services) increased but was still weak.

Pace of Construction Spending Impeded by COVID-19

Total U.S. construction spending in May was $1.35 trillion, essentially showing no growth on a year-over-year (YoY) basis but declining 2.9% from April. The recent monthly and annual declines reflect the lingering negative effects of the COVID-19 lockdowns. Most of the drop was owed to a drop in residential spending, but nonresidential also registered a slight decline. Private residential construction spending was $536.8 billion, approximately one percent higher than the same month a year ago. Private nonresidential spending was $465.3 in May, 3.0% lower than May of 2019 and a decline of 2.4% compared to April. Private construction put-in-place will remain weak throughout the year and into 2021 reflecting the potential disabling effects of the COVID-19.

According to Jack Kleinhenz, ASID economist

The economic picture remains mixed and fluid. Two months of record-breaking employment and income data indicate the recession has ended and the economy is inching forward in a recovery; however, it will still be a bumpy ride. While the reopening of the economy has reactivated spending, the infection rate has also spiked. Of course, the prospects for the economy are much better now but flare-ups and partial shutdowns in different parts of the economy will remain challenging and potentially slow the return to more normal levels of spending. The path of the virus will dictate the outlook and the performance of the economy. The consumer remains the most important force driving the economy when they are safe, healthy, and confident.
**ASID Survey: Second Quarter Billings**

Billings appear to have leveled off, with 43% of respondents reporting that billings in June were about the same as billings in May. Although 25% of respondents reported an increase in monthly billings, the ASID IDBI score remained at a sub-par level of 49.2 for June but this compares favorably to March’s IDBI of 28.4. The second quarter IDBI 3-month moving average was 36.7. Inquiries were up for the month of June and were widespread, leading to a positive IDBI inquiry score of 52.3. All scores are reported in seasonally adjusted terms unless noted otherwise.¹

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### Table 1: Billings and Inquiries

<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>25%</td>
<td>43%</td>
<td>32%</td>
<td>49.2</td>
</tr>
<tr>
<td>How do new project inquiries* compare to previous month?</td>
<td>37%</td>
<td>31%</td>
<td>32%</td>
<td>52.3</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 tracked well through February (Figure 2). The March IDBI index of 28.4 was only slightly lower than the AIA Billings index of 33.3. The June reports indicate a slightly sharper rebound for interior designers as their IDBI score was 49.2, well above the AIA June score of 40.0. Yet, both scores reflect a retraction in billings with scores under 50.
Billings by firm size (calculated as a three-month moving average) reflected the broader sub-par IDBI score as all categories were below 50, indicating reduced billings for June. Sole practitioners reported an IDBI score of 34.6, substantially unchanged from the March score of 36.6. Firms with 2 to 9 employees reported a solid 47.2 score in March but succumbed to market conditions and in June reported a 35.6. Firms with between 10 and 24 employees improved their lot somewhat increasing from a 41.7 in March to a 46.7 in June, still below the growth level of 50. Larger interior design firms, employing more than 25 people, reported a June IDBI score of 38.9, well below their March score of 69.4. The sample size from firms employing more than 9 people was very small and interpretation of results must be tempered (Figure 3).

Figure 3: Billings by Size of Firm – Three-Month Moving Average

JUNE 2019 TO JUNE 2020
BILLINGS BY REGION

All of the regional IDBI scores for June fall within the mid-30’s and indicate billing declines. The dismal exception is the Northeast whose interior designers report an IDBI score of 23.2; in that region, 70% of designers reported reduced billings and the other 30% reported no change in billings. The Midwest had a score of 35.4; the West, a score of 33.8; and the South a score of 33.1 (Figure 4).

Architectural firms reported billings decline as well across all regions. The AIA West region had a score of 36.8, down from March’s score of 45.3; the South a score of 35.9 in June, down from March’s score of 44.2; the Midwest also reported a score of 36.8 in June, lower than its reported March score of 44.2; and the Northeast had a June score of 34.3, less than is March score of 38.4. The Northeast score of 34.3 implies reduced billings yet is not as drastic as the IDBI June value of 23.2 (Figure 5).
On a methodological note, the geographic distribution of June ASID respondents closely mirrors the geographic distribution of all interior design firms as shown in Table 2. The respondents slightly underrepresent the West.

Table 2: Geographic Representation by Census Region

<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>23%</td>
<td>21%</td>
</tr>
<tr>
<td>South</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>West</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Figure 6 illustrates the recent trends in billing performance by market sector on a quarterly basis. The first quarter of 2020 saw a huge downturn as all sectors went from positive billings growth to negative. While all sectors remain in billings decline territory, the single-family home sector has reported improvement, moving from an IDBI score of 35.4 in March to a score of 44.0 in June. Commercial and multi-family sectors’ June IDBI scores remained virtually unchanged from March at 34.6 and 32.5, respectively. Interior designers in the institutional sector space reported further billings declines, dropping from 48.1 in March to 33.7 in June.
SIX MONTH OUTLOOK – INTERIOR DESIGN OUTLOOK HAS IMPROVED SINCE MARCH

The six-month outlook index has improved, from a March score of 32.4 to a current score of 54.4, meaning that more interior design firms see their business conditions improving over the next six months. Three out of four designers (76%) expect conditions to be better or the same by the end of the year.

<table>
<thead>
<tr>
<th>Expectations</th>
<th>ASID</th>
</tr>
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<tbody>
<tr>
<td>About the same</td>
<td>44%</td>
</tr>
<tr>
<td>Better than they are now</td>
<td>32%</td>
</tr>
<tr>
<td>Worse than they are now</td>
<td>24%</td>
</tr>
<tr>
<td>Business Six-month Outlook Index</td>
<td>54.4</td>
</tr>
</tbody>
</table>

Table 3: Expectations for the Interior Design Business Condition

The Conference Board’s overall consumer confidence index improved markedly during the second quarter. The expectations component graphed below rose from 86.8 in March to 106 in June, putting it very close to that seen in February, which was prior to COVID-19. Consumer confidence has improved but the latest reading in June was measured before the recent rise in COVID-19 cases. Consequently, consumer sentiment will be tested as the COVID-19 infections have accelerated and a number of states have either paused or rolled back their reopening plans.

The Dodge Momentum Index dropped 6.6% in June to 121.5 (2000=100) from the revised May reading of 130.1. The Momentum Index, issued by Dodge Data & Analytics, 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 Momentum Index has shifted noticeably lower as the fallout from recession continues to hold its grip on the construction sector; the overall Momentum Index fell 13% in the second quarter from the first three months of the year.

The ASID panel is expecting a positive outlook over the next six months. It could be misplaced if continued high unemployment and virus infections hamper growth. Nonetheless do not be surprised that the recovery is erratic and fitful. Recessions end when economic activity picks up and although a recovery appears to be underway, recoveries do not proceed in a straight line. No two recoveries are the same and the economy is far from normal and it will require a lengthy time period to absorb the unemployed; this holds true for the interior design industry.
Figure 7: Six-Month Outlook Comparison ASID, Conference Board, and Dodge Momentum Index

JUNE 2018 TO JUNE 2020

ASID
Conference Board
Dodge Momentum Index

JUNE 18
AUG 18
OCT 18
DEC 18
FEB 19
APR 19
JUN 19
AUG 19
OCT 19
DEC 19
FEB 20
APR 20
JUN 20
PACE OF CONSTRUCTION SPENDING IMPEDED BY COVID-19

Total U.S. construction spending in May was $1.35 trillion, essentially showing no growth on a year-over-year (YoY) basis but declining 2.9% from April. The recent monthly and annual declines reflect the lingering negative effects of the COVID-19 lockdowns. Most of the drop was owed to a drop in residential spending, but nonresidential also registered a slight decline. Private residential construction spending was $536.8 billion, approximately one percent higher than the same month a year ago. Private nonresidential spending was $465.3 in May, 3.0% lower than May of 2019 and a decline of 2.4% compared to April. Private construction put-in-place will remain weak throughout the year and into 2021 reflecting the potential disabling effects of the COVID-19. Public construction spending was $355.2 billion, increased 5.0% since May 2019 and posted a 1.23% gain since April. Home improvements, (Figure 9) which are also factored into residential construction spending, helped offset some of the decline in new residential construction. Private construction put-in-place will likely remain weak reflecting the potential disabling effects of the COVID-19.

Figure 8: U.S. Construction Spending, Year-over-year Percent Change

<table>
<thead>
<tr>
<th>MAY 18</th>
<th>JUL 18</th>
<th>SEP 18</th>
<th>NOV 18</th>
<th>JAN 19</th>
<th>MAR 19</th>
<th>MAY 19</th>
<th>JUL 19</th>
<th>SEP 19</th>
<th>NOV 19</th>
<th>JAN 20</th>
<th>MAR 20</th>
<th>MAY 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>0</td>
<td>-5%</td>
<td>-10%</td>
<td>-15%</td>
<td>20%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
<td>0</td>
</tr>
</tbody>
</table>

Nonresidential
Residential
Public
The Joint Center for Housing Studies (JCHS) of Harvard University recently wrote that the remodeling market was buoyed through the early months of the pandemic as owners spent a considerable amount of time at home and realized the need to update or reconfigure indoor and outdoor spaces for work, school, play, exercise, and more. However, sharp declines in home sales and project permitting activity this spring, as well as record unemployment, suggest many homeowners will likely scale back plans for major renovations this year and next according to the latest Leading Indicator of Remodeling Activity (LIRA).
The reopening of businesses resulted in a net gain of 4.8 million total nonfarm U.S. jobs in June, following the 2.7 million gain in May (revised up from 2.5 million). The strong and broad-based recovery has been encouraging in showing that businesses have been able to get up and running quickly. While employment gains were broad-based in the economy, interior design firms reduced employment by 6,200 job during April and May as shown in Figure 10; architectural and interior design services reduced payrolls by 12,200.

According to the latest edition of the Federal Reserve’s Beige Book report (released on July 6), demand for professional and business services (which includes both architectural and interior design services) increased but was still weak. Construction remained subdued, but picked up in some Districts. Furthermore, nearly every District noted difficulty in bringing back workers because of health and safety concerns, childcare needs, and generous unemployment insurance benefits.
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).