

MONTHLY ECONOMIC REVIEW

May 2021



Tracking trends in **April 2021**

BFM MD Nick Garratt analyses trends and forecasts and considers their impact on furniture manufacturing as pandemic restrictions across the UK begin to lift.

The re-opening of retail businesses, consumer confidence and the supply chain are among the factors considered.

CONSUMER CONFIDENCE

A strong rebound in spending is anticipated as businesses reopen as Britons are estimated to have saved an extra £180bn during the Covid-19 crisis according to calculations by the Bank of England.

Consumers across the developed world appear to be bullish with one measure of global confidence compiled by credit ratings agency Moody's saying global consumer confidence is at its highest since records began in 2005.

In the UK, the Bank of England- in their latest report- calculated Britons had saved an extra £180bn in their bank accounts during the crisis. This is paving the way for a strong rebound in spending as businesses reopen. The April GfK consumer confidence index increased by 1 point.

However, the impact of the pandemic has been highly unequal- across countries and within countries. It is estimated that nearly two-thirds of excess savings in the US were held by the richest 40 per cent of the population. It is likely that the UK figures will be similar- possibly limiting the economic boost because high-income households are more likely to hold on to more of these savings.



ECONOMY

UK GDP growth has been upgraded from 4.5% to 5.3% for 2021 and recent meetings of the IMF and the World Bank have highlighted that the world economy is recovering substantially more quickly than expected even six months ago.

The IMF now believes global GDP per head between 2019 and 2022 will be just 3 percentage points lower than forecast in January 2020. This is much better than the 6.5 percentage point shortfall last year and the 4-percentage shortfall forecast for this year.

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RETAIL RECOVERY

In the first three days after reopening, visits to retail and entertainment venues jumped from 50% below average levels in January 2020 to within 24% according to Google mobility data.

And Diane Wehrle, insights director at Springboard, said the first week of reopening delivered "an outstanding performance" for the UK retail sector.

This is likely to step up further with the reopening of indoor hospitality on May 17.

The footfall recovery was driven by retail parks, down only 2 per cent compared with the 2019 level, although footfall in high street stores was still down 35 per cent.

Online sales continue to be the big winner. In February 2021, online sales at non-essential retailers surged 82.2% compared with a rise of 3.6% during the same month the previous year, prior to the onset of Covid-19 in the UK.

Although shoppers have flocked back to stores it is clear that e-commerce will continue to comprise a more significant part of retail spend than it did pre-pandemic.

The Centre for Retail Research forecasts that 27.1% of retail sales will be online in 2021 – marginally down from 29.8% in 2020, but substantially up on the 19.1% share registered in 2019.

ECONOMIC SNAPSHOT

0.7%

Inflation Rate
(CPI)

5%

ILO
unemployment rate

1.3%

GDP growth rate
(Q4 2020)

0.1%

Bank of England
base rate

INFLATION AND SUPPLY CHAIN

Retail furniture inflation (imports and home produced) was up 4.1% in March compared to the same month last year. This follows jumps of 4.5% in January and 3.3% in February. This was significantly up on general consumer price inflation which rose by 0.7% in March after dipping to just 0.4% in February.

The costs of materials and fuel for UK furniture makers rose by 5.7% in March compared to March 2020.

This was up on February's figure which showed an increase of 5.2% and January of 4.7%. Members continue to report that supply chain shortages and price increases are one of the biggest issues facing the industry at present. Factory gate prices for all UK furniture manufacturers rose by just 0.9%

British inflation is set to rise in the coming months. The Bank of England forecast in February that inflation would reach 1.9% by the end of 2021 - many economists now expect it will exceed its 2% target before then.

NICK GARRATT'S ANALYSIS



There is much optimism fuelling a strong recovery in the economy and retail sales in the UK. Furniture and home related products are likely to remain the main beneficiaries of strong demand until hospitality, leisure and travel open up fully.

Whilst the vaccination program is driving optimism within developed countries, emerging and developing countries are likely to remain in great difficulty, as a result of the painfully slow rollout of vaccines. The strong recovery in the UK remains susceptible to possible further outbreaks of new variants where today's vaccines offer less protection.