

MONTHLY ECONOMIC REVIEW

June 2021



Forecasting from the figures in **May 2021**

BFM MD Nick Garratt examines emerging trends in Q2 of 2021, in relation to furniture manufacturing in Britain and the wider economy.

The easing of pandemic restrictions has seen a rise in retail sales, with the UK recovery 'surpassing expectations.'

RETAIL RECOVERY AND CONSUMER CONFIDENCE

Sales volumes in April jumped 9.2% month in the month according to figures from the Office for National Statistics (ONS).

That's twice the average forecast in a Reuters poll of economists and the biggest increase since June - after rising 5.1% in March.

Consumer confidence is also improving, with the strong performance of the vaccine roll out and reducing numbers of Covid19 infections.

The relaxing of Covid-19 related restrictions has boosted consumer sentiment across the UK and the GfK's consumer confidence index jumped six points to -9 in May from -15 in April. It has now regained all the ground lost as a result of the pandemic.

There was also a five-point improvement in the major purchase index.

As the economy fully opens up, it is likely that the spending focus will shift from the home to experience and social spending.

According to Capital Economics' chief UK economist Paul Dales: 'Economic recovery will continue.'

"It's just it will be driven by a surge in spending in the pubs, restaurants and cinemas rather than the shops."



ECONOMY

The UK recovery is surpassing expectations, with the Bank of England bringing forward forecasts for the economy and expecting growth of 7.5% this year.

The highest level of growth for 23 years has been recorded over the months of April and May 2021 by the flash, or interim, composite purchasing managers' index, published by IHS Markit.

The CIPS rose to 62 in May, up from 60.7 the previous month. Chris Williamson, chief business economist at IHS Markit said Britain is: 'enjoying an unprecedented growth spurt as the economy reopens.'

'The output and order book growth seen in May, and record level of business optimism, are consistent with GDP rising sharply in the second quarter and for strong momentum to be sustained through the rest of the year.'

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BFM TRADE SURVEY

The BFM Furniture Trade Survey April 2021 found that 40% of respondents reported a rise in new orders, while 84% reported that they are more confident about the general business situation than they were in October last year.

A total of 63% of respondents said trade was better than the equivalent period one year ago.

69% reported that output over the last six months had beat expectations and 42% of respondents are expecting to recruit new staff in the next six months.

ECONOMIC SNAPSHOT

1.5%

Inflation Rate
(CPI)

4.9%

ILO
unemployment rate

-1.5%

GDP growth rate
(Q1 2021)

0.1%

Bank of England
base rate

INFLATION AND SUPPLY CHAIN

ONS figures showed that factory input prices, covering goods such as oil and raw materials, were 9.9 per cent higher in April than a year earlier, up from a rate of 6.4 per cent in March and the highest reading on this element for 13 years.

This has been echoed in the BFM trade survey where the price and availability of raw materials is a major issue for the industry.

Feedback from the trade survey indicated increases of up to 20% for board and springs, 30% for plywood and steel, 15% for timber and 50% for foam.

NICK GARRATT'S ANALYSIS



The rising retail sales volumes reflecting the effect of easing of coronavirus restrictions and the reopening of all 'non-essential' retail has created another large surge in demand for member companies.

This huge influx in orders has been very welcome, although many businesses now have the frustration of not being able to fulfil orders due to the shortage of raw materials.

With full order books, many factory lead-times have now moved out to levels not seen in many years.

It is likely that supply side shortages and price increases will continue for a long time.

Longer term the threat of consumer spending rotating back to social and experience-based activities is likely to put a brake on demand later in the year.