

MONTHLY ECONOMIC REVIEW

April 2021



Tracking trends in **March 2021**

BFM MD Nick Garratt analyses trends and forecasts and considers their impact on furniture manufacturing as the UK shifts into a new financial year.

Reaction to the Budget, the Covid-19 vaccination programme and supply chain issues are among the factors examined.

BUDGET

Overall, the Chancellor's budget is positive for business, with requests from BFC and other associations taken into account.

The super-deduction incentive for investing in new equipment will be welcomed by furniture manufacturing businesses. A 130% super-deduction capital allowance can be claimed on qualifying new plant and machinery investments made between April 1 this year and March 31 2023. A 50% first-year allowance is also available for qualifying special rate assets.

More detail on exactly what these incentives will cover is eagerly awaited.

A less welcome, but expected rise in corporation tax was higher than anticipated, jumping from 19% to 25%.

The extension of the job retention scheme in its current form through to June and tapering through to the end of September is welcomed by both businesses and their employees.

But rising unemployment means wage increases continue to be low. Latest figures from the Office for National Statistics shows manufacturing pay increasing at 1.7% which is broadly in line with the most recent wages survey by BFM.

ECONOMY

The continued success of the vaccine roll-out combined with the planned reopening of the economy has given a boost to both customer confidence and retailers anticipating a return to trading in April.

Furniture retailers are upbeat about the rebound as they prepare for the re-opening of non-essential retail scheduled for April 12.

The GfK consumer confidence index records the highest level since the first lockdown since March last year, rising to -16 from -23 in February, with rising optimism in all components and an eight-point rise in the major purchase measure.

Springboard predicts a 47.9% rise in footfall, based on trends set following previous lockdowns, while Howard Archer, chief economic adviser at the EY Item Club, said the increase in major purchases intentions 'bodes well' for spending.

Separate data from the Bank of England estimates households have accumulated more than £160bn of bank savings, which could be released in spend on goods and services if they feel confident about their personal finances.

This could be a strong stimulus for the expected economic recovery and latest figures from the Office for Budget Responsibility forecast 4% growth for this year and 7% for 2022.



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SUPPLY

Raw material supply and shortages is one of the biggest issues facing businesses in Q1 of 2021.

Price rises have been noted across the board.

Ongoing issues with foam have been exacerbated by price increases of between 15% and 30% for materials such as metal parts, boards and fibres.

These costs are being passed on to selling prices, but passing on a price hike comes with the potential to stifle demand.

Shipping costs remain at record levels, and are currently five times higher than a year ago. This impacts on manufacturing, but has the benefit of making UK production more competitive compared to fully imported products.

ECONOMIC SNAPSHOT

0.7%

Inflation Rate
(CPI)

5.1%

ILO
unemployment rate

15.5%

GDP growth rate
(Q3 2020)

0.1%

Bank of England
base rate

NICK GARRATT'S ANALYSIS



"The optimism regarding consumer confidence preceded the recent rising concern about the third wave of pandemic in continental Europe that could easily migrate over to UK.

"Furthermore the 'vaccines war' could easily de-rail the great success of the UK vaccinations program.

"Recent events illustrate that we are far from out of the woods and whilst we look forward with optimism for a better future, the road is likely to be bumpy."