

# MONTHLY ECONOMIC REVIEW

October 2021



## Tracking trends in **September 2021**

**BFM MD Nick Garratt** examines emerging trends in Q3 of 2021, in relation to furniture manufacturing in Britain and the wider economy.

The strong rebound in economic growth (4.8%) in Q2, is now waning and the latest CBI (Confederation of British Industry) consensus forecast for Q3 is growth of 2.7%.

The recovery is thought to be impacted by labour and supply shortages, as well as the public spending money on social activities now restrictions have been lifted.

### ECONOMY/INFLATION

The UK's GDP expanded by just 0.1% month-on-month in July, 0.5% less than the CBI's prediction of 0.6% in their consensus forecast. The recovery is thought to be impacted by labour and supply shortages, with data suggesting global supply chain disruption is the likely cause.

The Bank of England signalled additional concern about rising inflation in mid-September, predicting on Thursday (23rd September) it was now likely to peak above four per cent and stay at this level into the second quarter of next year.

Despite the rise in inflation, the Monetary Policy Committee voted unanimously to hold its main policy rate at the historic low of 0.1 per cent, stressing that no immediate action was needed to control price rises.

It expects CPI inflation to fall back close to the 2% target in the medium term, however, recent soaring gas prices and price inflation due to supply chain issues may have complicated this.



### CONSUMER CONFIDENCE

Consumer confidence levels have continued to drop amid concerns of rising prices.

GfK's consumer confidence index for September has dropped to -13, 5 points down from August 2021.

The major purchase index decreased by three points to -6. Even though it's 15 points higher than it was this time last year.

Joe Staton, client strategy director at GfK said "When consumer confidence drops, shoppers tend to spend less, and this dampens the overall economic prospects for the UK.

"The drop has come on the back of concerns about rising prices for fuel and food, the growth in headline inflation, tax hikes, empty shelves and the end of the furlough scheme.

"This really is an unwelcome picture if this continues into 2022 and beyond."

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## SUPPLY CHAIN

Supply-side shortages and rising costs continue to be a major problem for furniture makers.

The cost for materials and fuel in August 2021 increased by 20.7%, compared to August 2020.

In July, the same comparative figure was 16.6%.

Shortages and price hikes are not exclusive to the furniture trade, with most manufacturing businesses reporting similar problems according to the CBI.

There may finally be some light at the end of the tunnel, with early indications of flattening prices in foam and shipping rates.

## ECONOMIC SNAPSHOT

3.2%

Inflation Rate  
(CPI)

4.7%

ILO  
unemployment  
rate

4.8%

GDP growth rate  
(Q2 2021)

0.1%

Bank of England  
base rate

## LABOUR SHORTAGES

The labour market has continued to strengthen. The number of pay-rolled employees rose above its pre-pandemic level in August, growing by 241 thousand over the month.

Vacancies, meanwhile, exceeded 1 million for the first time since records began.

The UK unemployment rate decreased slightly to 4.6%, moving closer to the pre-pandemic level (of 4.0%).

We have heard numerous anecdotes from businesses over the last few months about the impact of labour shortages on operations with shortages of skills biting hard.

## NICK GARRATT'S ANALYSIS



"Whilst order books for furniture remain strong, we are seeing the signs of consumers opting to spend their money in the entertainment and leisure sectors.

"Combining this with weakening consumer confidence, these factors may impact order intake in the coming months.

"With strong order books and problems with output due to labour and material shortages, many businesses are still operating on long lead times and it will be some months before weakening demand is felt in factories."