

MONTHLY ECONOMIC REVIEW

September 2020



Forecasting from the figures in **September 2020**

In this latest monthly Economic Review, **BFM MD Nick Garrett** examines analysis of the economy, highlighting trends and forecasts in a swiftly-changing financial climate – and the potential impact on the manufacture of furniture in Britain.

Currently, home improvements – **including furniture sales** – remain a priority for Brits preparing for uncertain times ahead. But rising unemployment as the furlough scheme ends and the uncertainty regarding Brexit are expected to impact on the sector.

CONSUMER SPENDING

Strong spending in September saw a total increase in sales of 5.6% – the best growth since December 2009 excluding Easter distortions according to the British Retail Consortium.

Over the three-months to September, non-food retail sales increased by 5.2% on a like-for-like basis and 3.2% on a total basis. Online non-food sales grew by a stunning 39.7% in the same period.

Data for September from Barclaycard revealed spending on non-essential items grew 0.6%, **with strong increases in home improvement and DIY (25.7%) and furniture (28%)** as the nation spruced up homes ahead of the winter months.

30% of Brits say they are spending more on home improvements than usual in case new lockdown restrictions lead to more time inside.



ECONOMY

The UK economy's initial recovery from recession has been much faster than expected but future growth is likely to slow. According to The EY Item Club, GDP grew around 16-17% during the three months to the end of September.

However, EY predict that these effects will wane heading into the fourth quarter, while the economy faces the end of the furlough scheme and the likelihood of higher unemployment, tighter Covid-19 restrictions and uncertainties around the future of the UK-EU trading relationship.

Flying the flag for British manufacturing

www.bfm.org.uk

 @BritishFurnitureManufacturers



@BFM_LTD



British Furniture Manufacturers

Stronger together



EMPLOYMENT

The Bank of England has forecast that the jobless rate would hit 7.5% by the end of the year and the number of people unemployed would almost double to 2.6 million. Britain's official unemployment rate rose by more than expected in the three months to August - the rate hit 4.5%, its highest in more than three years and above most economic forecasts of 4.3%.

GB-EU Border Operating Model- The UK has left the EU and the transition period after Brexit comes to an end this year. Look out for the new BFM guidance summarising and signposting latest Government guidelines on what you need to do.

ECONOMIC SNAPSHOT

0.2%

Inflation Rate
(CPI)

4.1%

ILO
unemployment rate

-19.8%

GDP growth rate
(Q2 2020)

0.1%

Bank of England
base rate

LIBOR

The discontinuation of LIBOR will impact all types of businesses across economic sectors. The Bank of England and the FCA are committed to phasing out LIBOR before the end of 2021, so make sure you understand the milestones and challenges ahead, so your business is prepared.

Identify any products linked to LIBOR, check your contract terms and obtain information from your provider/advisor as you consider how to prepare for transition. BFM can provide a practical guide prepared between CBI and UK Finance.

NICK GARRATT'S ANALYSIS

"With restrictions on other consumer spending categories and office workers still at home for the foreseeable future, the sales of furniture are likely to remain high in the short term.

"However, this month's strong sales are against poor figures in September 2019, so caution remains vital.

"Last year, the prospect of a no-deal Brexit loomed but now that same prospect is accompanied by the recent resurgence of COVID-19 numbers and rising unemployment. Combined, these factors could have a significant impact on retail growth over future months."

