

MONTHLY ECONOMIC REVIEW

September 2020



Spotting signals in **August 2020**

Each month, BFM MD **Nick Garrett** examines analysis of the economy, highlighting trends and forecasts in an ever-shifting financial climate – and the impact of the manufacture of furniture in Britain.

The furniture market is currently buoyant, fuelled by pent-up demand and consumers' focus on homes, but there could be difficult times ahead.

According to the British Retail Consortium (BRC) retail sales saw their best growth since the start of the pandemic last month thanks to consumers working and shopping from home, with total sales rising by 3.9% in August compared to the same period last year.

The furniture sector was among those to see growth, despite an overall loss of momentum in the first half of August, according to the CBI distributive trades survey.

But looking forward it seems likely that a strong recovery in retail sales for Q3 will be short-lived after the Bank of England warned of the biggest annual decline in 100 years.

In its first forecast since the beginning of the pandemic, the Bank predicted the economy would shrink by 9.5% in 2020, adding that unemployment was likely to rise to 7.5% by the end of the year.

Evidence of job losses is already mounting and the Office for National Statistics (ONS) has reported that the UK's decrease in employment (730,000 jobs) over Q2 this year is the biggest seen since the same period in 2009.

There are an estimated 3.8M people currently on the Coronavirus Job Retention Scheme and with this scheduled to end on October 31, it is likely that consumer spending will be constrained after Q3 by cautious consumers and markedly higher unemployment.

The Chancellor is under pressure to provide further support, but this is likely to be limited. In addition, any significant spike in cases of coronavirus could magnify consumer caution and weigh on shopper footfall.

On a positive note, four months of net repayment of unsecured consumer debt totalling £15.7 billion over March to June has improved many households' balance sheets and combined with low inflation and interest rates, this will boost many consumers' purchasing ability.

And the boom in the housing market continues, fuelled by the temporary cut in stamp duty and pent-up demand. Property prices reached a record high in August and as the property market tends to correlate with furniture sales, the market is currently buoyant.

However, with further risks surrounding the uncertainty of a trade deal with the EU, companies need to be taking this opportunity to build their balance sheet in readiness for a difficult period ahead.



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