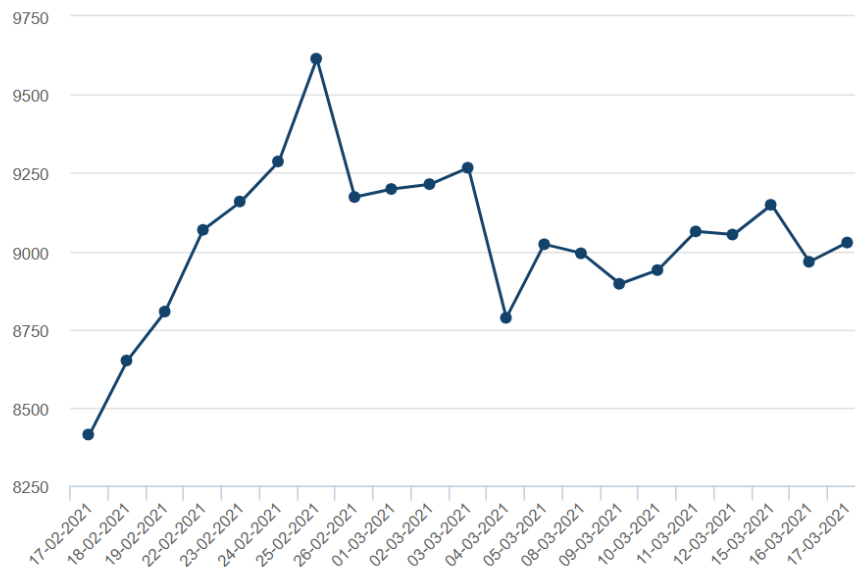


RAW MATERIALS PRICE INCREASE

LME COPPER HISTORICAL PRICE GRAPH



March 2021

Esharelife Foundation, Charity no. 1183101

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Introduction

Market conditions are driving up the cost of many raw materials, currently buyers are bombarded with price increases across multiple products.

The price of raw materials is increasing and manufacturers face cascading challenges through the supply chains. As prices continue their upward climb, manufacturers are still dealing with the two supply chain headwinds, plaguing the industry throughout the pandemic: slowing supplier deliveries and labour availability.

There are four significant trends affecting raw material prices:

- Strong global market demand, significantly China's V shape economic recovery, has led to shortages on many raw materials
- The oil price has risen by 58% since November 2020
- The global shortage of shipping containers has led to a sharp rise in transport costs from Asia to Europe thus further restricting supplies to Europe.
- Additional non-tariff costs related to the new UK customs arrangements with the EU are adding to the cost of imported raw materials into the UK from Europe.

Current global trends

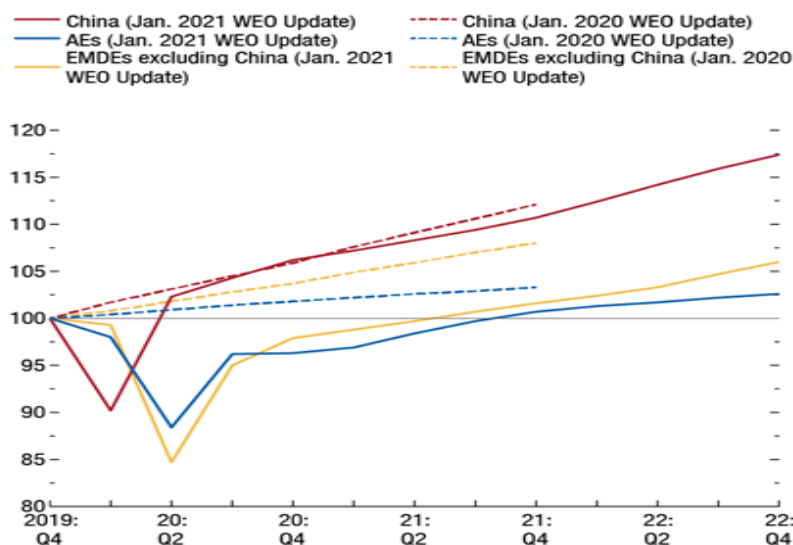
Economic recovery

Amid exceptional uncertainty, International Monetary Fund projects the global economy to grow 5.5 percent in 2021 and 4.2 percent in 2022.

The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spill overs, and structural characteristics entering the crisis.

A green investment push coupled with initially moderate but steadily rising carbon prices would yield needed emissions reductions while supporting the recovery from the pandemic recession.

Figure 1. Divergent Recoveries: WEO Forecast for Advanced Economies and Emerging Market and Developing Economies
(Index, 2019:Q4 = 100)



Source: IMF staff estimates.

Note: AEs = advanced economies; EMDEs = emerging market and developing economies; WEO = World Economic Outlook.

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Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2020	2021	2022
World Output	-3.5	5.5	4.2
Advanced Economies	-4.9	4.3	3.1
United States	-3.4	5.1	2.5
Euro Area	-7.2	4.2	3.6
Germany	-5.4	3.5	3.1
France	-9.0	5.5	4.1
Italy	-9.2	3.0	3.6
Spain	-11.1	5.9	4.7
Japan	-5.1	3.1	2.4
United Kingdom	-10.0	4.5	5.0
Canada	-5.5	3.6	4.1
Other Advanced Economies	-2.5	3.6	3.1
Emerging Markets and Developing Economies	-2.4	6.3	5.0
Emerging and Developing Asia	-1.1	8.3	5.9
China	2.3	8.1	5.6
India	-8.0	11.5	6.8
ASEAN-5	-3.7	5.2	6.0
Emerging and Developing Europe	-2.8	4.0	3.9
Russia	-3.6	3.0	3.9
Latin America and the Caribbean	-7.4	4.1	2.9
Brazil	-4.5	3.6	2.6
Mexico	-8.5	4.3	2.5
Middle East and Central Asia	-3.2	3.0	4.2
Saudi Arabia	-3.9	2.6	4.0
Sub-Saharan Africa	-2.6	3.2	3.9
Nigeria	-3.2	1.5	2.5
South Africa	-7.5	2.8	1.4
Memorandum			
Low-Income Developing Countries	-0.8	5.1	5.5

Source: IMF, *World Economic Outlook Update*, January 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. India's growth projections are -7.6 percent in 2020 and 11.0 percent in 2021 based on calendar year.

INTERNATIONAL MONETARY FUND

IMF.org

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USA

The current acceleration of vaccination suggests that the immediate goal of resuming economic activity seems to be within reach. It also suggests that the end of the pandemic—or, at least, of the immediate economic impact of the pandemic—may really be in sight.

This raises two questions for our economic forecast. The first is just how fast and how strong the economic recovery will be; the second is what the new normal will look like—and whether the pandemic has done permanent damage to the economy.

Institute for Supply Management's data released in the beginning of March show the U.S. economy has roared back to life in 2021, with first-quarter growth set to defy even the rosiest expectations as another fresh influx of cash looms.

Manufacturing grew in February, as the Manufacturing PMI® registered 60.8 percent, 2.1 percentage points higher than the January reading of 58.7 percent. This equals the highest reading since February 2018 (60.8 percent); prior to that, the PMI® registered 61.4 percent in May 2004. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.

The ISM Prices Index registered 86 percent. All 18 industries reported paying increased prices for raw materials in February, in the following order: Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; Primary Metals; Fabricated Metal Products; Plastics & Rubber Products; Nonmetallic Mineral Products; Machinery; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Textile Mills; Miscellaneous Manufacturing† ; Chemical Products; Food, Beverage & Tobacco Products; Printing & Related Support Activities; Wood Products; Transportation Equipment; and Computer & Electronic Products.

China

China's economic output is forecast to account for more than 17 percent of the world's economy in the coronavirus-plagued 2020. As the sole economy recording positive GDP growth last year, China will ramp up efforts and strive to achieve higher quality, more efficient, sustainable and safer development in 2021.

China's economic recovery is ahead of the recovery in Europe. In turn, China has a greater demand for raw materials for manufacturing which is straining the already stretched worldwide supply chain.

Data released in January 2021 by China's National Bureau of Statistics show that Producer Price Index (PPI) for manufactured goods rose by 0.3 percent year-on-year and 1.0 percent month-on-month. The purchasing price index for manufactured goods increased by 0.9 percent year-on-year and 1.4 percent month-on-month. Of the total, producer prices for mining and quarrying industry increased by 5.5 percent, that of raw materials industry increased by 1.8 percent and that of manufacturing and processing industry rose by 0.7 percent.

China's manufacturing activity remained in expansion territory in February, but at a slower pace compared with January, due to the impact of the Spring Festival holidays and COVID-19 flare-ups earlier this year. The official manufacturing Purchasing Managers' Index (PMI) fell from 51.3 in January to 50.6, data from the National Bureau of Statistics (NBS) released on 28 February, with supply and demand continuing to expand, but at the slowest level since May 2020.

Overall manufacturing activity remained stable. In particular, production and new orders in medicine, electrical machinery and equipment sectors remained robust.

The prices of raw materials continued to surge in February, imposing a greater burden on factories. Production by petroleum refineries, ferrous metals smelters and fabricators, and makers of metals, electrical and mechanical equipment showed the highest growth.

UK/Brexit impact

The IHS Markit/CIPS UK Manufacturing PMI was revised slightly higher to 55.1 in February of 2021 from a preliminary of 54.9 and 54.1 in January. Output rose at the weakest pace during the current nine-month sequence of increase. New orders expanded following a slight decrease in January, as domestic demand improved and new export business inched higher.

The UK Companies reported improved demand from several markets – including the US, Asia, Scandinavia and (in a few cases) mainland Europe – but noted that the ongoing impact of COVID-19, Brexit complications and shipping difficulties also constrained export order growth. Business optimism rose to a 77-month high in February, with over 63% of companies reporting that they expect output to be higher in one year's time.

Positive sentiment was linked to continued recovery from the pandemic, reopening of the global economy (including less transport restrictions) and reduced Brexit uncertainties

Brexit will have a lasting impact on the UK for years to come. Uncertainty around the Brexit deal and fears of disruption means many companies stockpiled materials to soften the impact of new legislation. This increased the demand for raw material over a period which already encounters high seasonal demand.

Brexit also brought a change in legislation around shipments between the UK and EU containing timber packaging. The timber must now be ISPM standard, this means heat treated. This, in particular, is driving demand for ISPM standard pallets. Changes in legislation around UK to EU shipments using wooden packaging have also driven demand for heat-treated materials like pallets and crate boxes. Yet another strain on the supply and cost of raw materials.

Brexit, combined with the pandemic, has created a shortage in shipping containers, driving up freight costs considerably. For example, there are thousands of PPE containers sitting in the UK waiting to be used by the NHS. The same situation is in every country of the world. So, it is a lot of containers out of action.

The cost of importing containers filled with consumer goods from Asia into the UK has reached a record high after a surge in demand in the weeks before Christmas and the UK's exit from the EU. Shipping experts believe the UK has been dealt a double blow by the impact of the coronavirus, which has disrupted global shipping supply chains, and the end of the Brexit transition period, which caused a large increase in imports in the last months of 2020. Container freight rates from Asia have increased almost fourfold since November to reach \$10,000 for a 40ft unit for the first time, amid a global rebound in demand for consumer goods and materials, and congestion across UK ports, where many empty containers have been left stranded.

Irish goods imports from Britain fell by 65% in January from the same month last year as traders grappled with new customs requirements, COVID-19 restrictions and pre-Brexit stockpiling.

The British Coatings Federation warned that sharp price increases for epoxy resins and supply bottlenecks are now adding to the difficulties of paint and coatings manufacturers in the UK and across Europe, and further compounding the already existing pressures caused by the Covid-19 pandemic and resulting disruption. On top of this some manufacturers are also reporting additional friction being caused by the new trading conditions the UK has with the EU where 60% of the UK industry's raw materials are sourced.

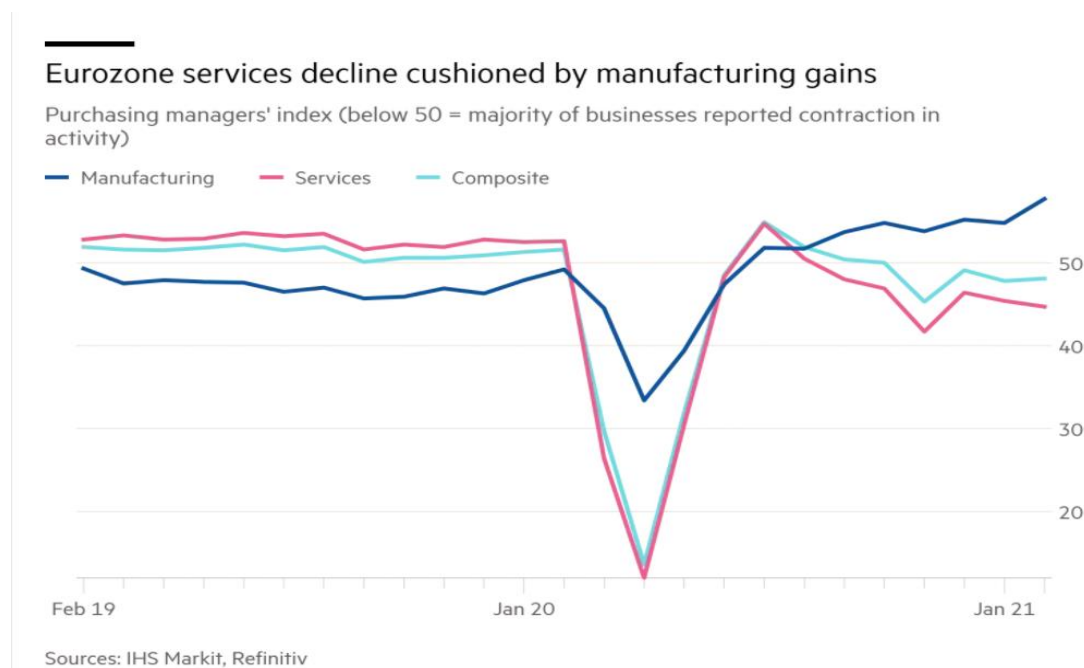
This complex mix of higher demand, capacity and supply problems together with restricted availability of transport resources is increasing uncertainty in the market and driving up raw material prices sharply. On top of this, the coatings industry in the UK is faced with additional non-tariff costs related to the new UK customs arrangements with the EU for both raw material imports, as well as exports and imports of finished paints, coatings and printing inks.

Thonet reported early in January that some materials such as lumber (raw material prices up 36% year to date), iron ore (raw material prices up 29% year to date) and aluminium (prices up 2% year to date) are driven by supply and demand, complicated to some extent by tariffs, while others are associated with our efforts to restore and diversify our supply chain. The combined impact of all these pressures cannot be mitigated by our cost reduction efforts or the small number of commodity offsets, therefore it is essential that we announce this modest increase.

EU

In February, the pan-eurozone manufacturing PMI hit a three-year high of 57.9, up from 54.8 in the previous month. This is a level “that has rarely been exceeded in more than two decades of survey history”, said Chris Williamson, chief business economist at IHS Markit.

At the same time, the equivalent services measure fell to 44.7 from 45.4 — the lowest reading in three months. The composite PMI, an average of both sectors, was 48.1.



The purchasing managers' indices published by IHS Markit were the latest illustration of Europe's two-speed economic recovery, as the manufacturing sector drives growth while services businesses are still burdened with regulations and lockdowns to curb the spread of the coronavirus pandemic.

According to McKinsey Global Institute, Germany, with initially the most effective COVID-19 response (both health and economic) and a strong labour market in both the service and industrial sectors, may recover first, followed by France and the United Kingdom. However, the

United Kingdom may have an opportunity to reopen sooner and recover faster, helped by its vaccination campaign, which in early 2021 was the fastest in Europe.

Factories in Italy and Spain are ramping up production to meet rising demand but also face growing shortages of raw materials and rising input costs, according to a closely watched survey of European businesses.

The manufacturing PMI for Italy, the eurozone's second-largest manufacturer after Germany, rose to a three-year high of 56.9 in February, up from 55.1 in the previous month, the data showed.

Spain's manufacturing PMI rose faster than most economists had expected to a seven-month high of 52.9, up from 49.3. A reading above the 50 mark indicates that a majority of businesses reported an expansion of activity. Manufacturing's positive performance was also illustrated by upward revisions to the German and French PMIs, lifting them to their highest levels since January 2018.

Input prices rose at the fastest pace since 2011 as a result of the shortages and factories in Spain raised their prices at the fastest rate since June 2018. Spanish factories said their backlogs of work increased for the first time in nearly two years. Despite the supply chain problems, confidence about the coming months rose among both Italian and Spanish manufacturers as they anticipated that a further loosening of pandemic-related activity restrictions could boost demand further.

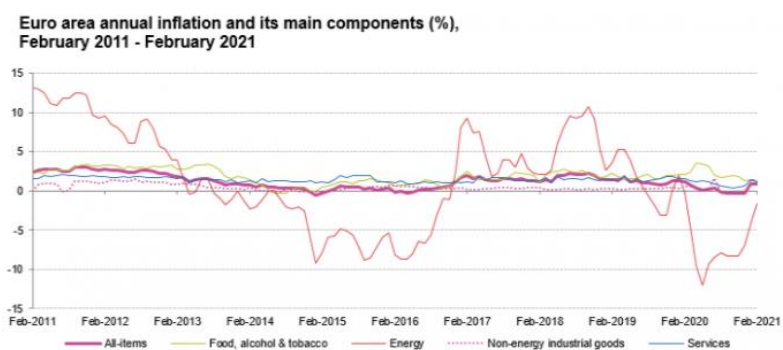
On February Manufacturing PMI data, Chris Williamson, Chief Business Economist at IHS Markit said: "Manufacturing is appearing as an increasingly bright spot in the eurozone's economy so far this year. The PMI has reached a three-year high to run at a level that has rarely been exceeded in more than two-decades of survey history – notably during the dot-com bubble, the initial rebound from the global financial crisis and in 2017-18.

"Producers are benefitting from resurgent demand for goods in both domestic and export markets, linked to post-COVID recovery hopes driving renewed stock building and investment in business equipment and machinery, as well as improved consumption. "The solid manufacturing expansion is clearly helping to offset ongoing virus-related weakness in many


consumer-facing sectors, alleviating the impact of recent lockdown measures in many countries and helping to limit the overall pace of economic contraction. “The growth spurt has brought its own problems, however, with demand for inputs not yet being met by supply. Shipping delays and shortages of materials are being widely reported, and led to near record supply chain delays. Prices paid for inputs are consequently rising at the fastest rate for nearly a decade, hinting at further increases in consumer price inflation in coming months, at least until supply and demand come back into balance.”

Additionally, European manufacturers are passing higher input costs on to their customers, sending eurozone inflation to its highest level for almost a year as shortages of materials and soaring shipping costs disrupt supply chains. Efforts to cushion rising costs are driven by the sentiment that supply chain bottlenecks are unlikely to ease in the short term, according to industry and shipping executives.

More expensive manufactured goods are in turn fuelling expectations of a further surge in inflation, which Germany’s central bank is already warning will reach its highest level since the 2008 financial crisis by the end of this year.



Source: Eurostat (online data code: prc_hicp_manr)

eurostat 

Euro area annual inflation and its main components (%), February
2011 - February 2021

Source: Eurostat (prc_hicp_manr)

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Eurostat released data showed overall eurozone inflation jumped to 0.9 per cent in January, breaking a five-month spell of falling prices. Higher prices for non-energy industrial goods were the biggest factor, contributing more than 40 per cent of the year-on-year increase in inflation. Input prices for eurozone manufacturers rose this month at a rate not seen for almost 10 years, according to the closely watched IHS Markit purchasing manager survey.

The impact was felt hardest in the car, chemicals, metal and mining, resources and basic materials sectors. As demand for many goods outstripped supply and exhausted the capacity of shipping companies, delivery times lengthened to the greatest extent since survey data started in 1997, with the exception of April 2020, when global factory closures wrecked supply lines.

Shortages of many products from semiconductors to steel have again caused some manufacturers to cut back production, leaving them scrambling to rebuild stocks and unable to meet rising demand.

Volkswagen warned recently that it may have to furlough thousands of staff again if chip shortages force it to close production lines as it and several other European carmakers did for the same reasons last month.

Raw materials' prices are increasing

Metals

There is currently no stopping of commodity prices increase. Whether copper, platinum, iron ore or tin – the prices of many industrial metals are rising rapidly. The situation is similar with polymers, as well with agricultural goods such as corn or soy.

The development ensures rising production costs and consumer prices. Especially since an end to the price boom is not in sight: Experts from large US banks such as Citigroup or JP Morgan are already talking of a new "super cycle" on the commodities market, a sustained rise in prices.

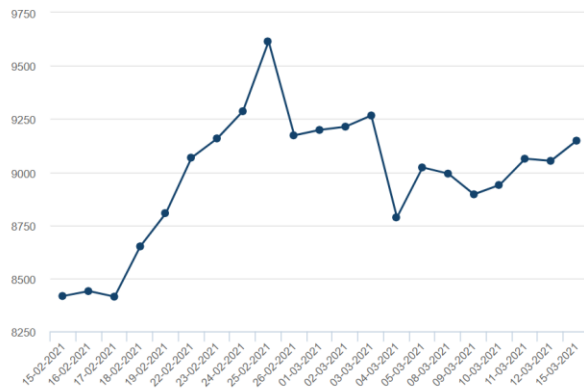
Most recently, raw material prices have risen particularly sharply for metals. The price of copper, which is considered an economic barometer due to its versatile uses, has roughly doubled within a year and is at the highest level in around nine years.

The precious metal platinum, known for its use in the production of automotive catalytic converters, is showing similarly strong price increases. The price of iron ore, from which steel is extracted, has also risen sharply in recent months.

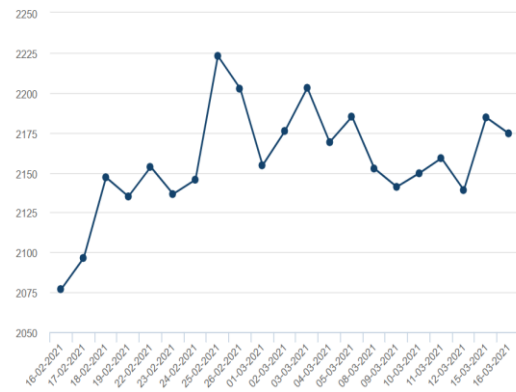
The price of hot rolled steel in Europe reached its highest level since 2008, and the cost of polymer resins used to make plastic rose by a quarter since December to a six-year high. So far, higher raw material costs are only partially being passed on by manufacturers raising prices to customers and they are not being matched by cost inflation in other sectors.

Manufacturers are also facing rising energy and commodity prices, after oil prices rose to their highest levels since the early days of the coronavirus pandemic.

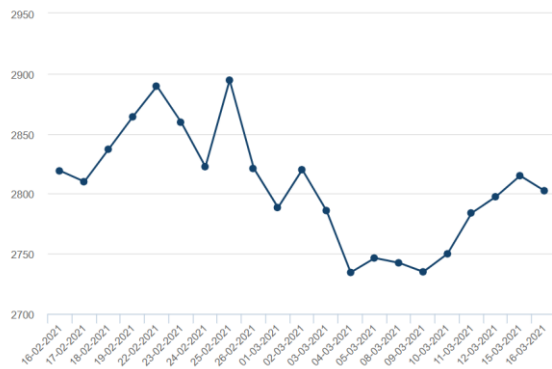
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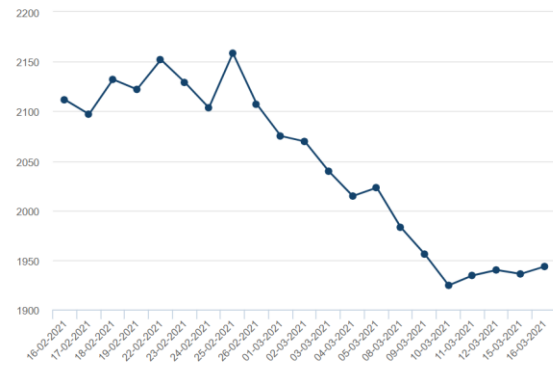
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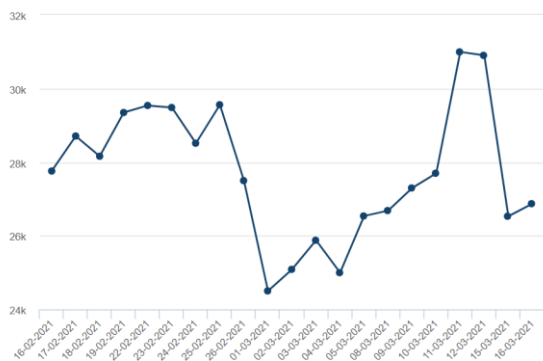
LME ZINC HISTORICAL PRICES GRAPH



LME LEAD HISTORICAL PRICE GRAPH



LME TIN HISTORICAL PRICE GRAPH



HISTORICAL PRICE GRAPH LME STEEL SCRAP



Source: London Metal Exchange

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There are many reasons for the price sharp increase. The supply of many raw materials is relatively scarce. This has not only to do with the continuing great hunger for raw materials in the second largest economy, China, which has long drawn a considerable part of the supply. Many mine operators also cut back their production during the pandemic. This has meant that stocks have become scarce – especially since the supply in the raw materials sector is typically inflexible and cannot be expanded quickly.

At least as important for the price increase is demand. The Covid-19 pandemic also plays a key role here. It is generally expected that the economic downturn, which is sluggish in many places, will pick up as the vaccination progresses and fewer restrictions. The demand for raw materials should also benefit from this, which is already being reflected in rising prices.

Oil prices have recovered

Similar to industrial metals, the situation with what is probably the most important raw material on earth: crude oil. During the first corona wave in spring 2020, prices had crashed so sharply that buyers of American crude oil were temporarily paid – instead of paying for the raw material as usual. Crude oil has now recovered from this historic crash. At around 60 US dollars, a barrel (159 litres) costs as much as it did shortly before the pandemic broke out. "On the oil market, too, the hope of an economic improvement and rising demand is providing a boost," says chief analyst Weinberg. In addition, the supply is kept tight by well-known producers such as Saudi Arabia.

As broad as the price surge may appear, there are exceptions on the raw materials market that do not benefit from the hope of a "post-corona period". This includes the precious and crisis metal gold, the price of which has stalled considerably in recent weeks. One important reason are rising capital market rates in the USA, which are making interest-free gold a little less shiny. The recently rising US dollar, which arithmetically makes the precious metal traded in the American currency more expensive for many buyers, has the same effect.

What consequences could the new boom in raw material prices have? In the shorter term, rising commodity prices are likely to fuel the already expected rise in inflation. The analysts of

the Frankfurt private bank Metzler speak of an "inflation cocktail" with reference to other price-driving factors. Because higher raw material prices increase production costs at company level. This, in turn, could be felt by consumers if the companies pass the increases on to consumers.

Polymers

According to a new report from EuPC, the European market for polymers has been under pressure for several months and the negative consequences of raw material shortages and price increases are seriously impacting the production of plastic products in the EU.

EuPC, a trade body representing European plastics converters, says that companies across the continent have been reporting difficulties in getting the necessary raw materials to keep their production running, and alarmingly low stocks.

Demand for polymers has recovered in the second half of 2020 after a strong drop in production due to the COVID-19 pandemic and corresponding lockdown measures. But while plastics converters have begun to re-increase their production, the supply of raw material has not grown accordingly.

"Since December 2020, the situation worsened rapidly. Additionally, extreme weather conditions in the USA lead to production losses also affecting the European market. In addition, European producers have also been declaring increased numbers of Force Majeure cases in the past months, as the Polymers for Europe Alliance reported already in January," explains EuPC's managing director, Alexandre Dangis.

The situation is further aggravated by shortages in shipping containers. EuPC reports that, as a result of these combined factors, prices for polymers have risen sharply, reaching record-high levels, limiting credit facilities as a consequence, and dramatically reducing the very tight margins of converting companies.

"There are about 50,000 small to medium plastic converter companies in Europe, that have to face the raw material shortages and significant price increases without any leverage in the negotiations with multinational polymer producers," says EuPC President Renato Zelcher.

“If the situation continues like this, more and more companies will have to reduce their production, leading in return to shortages of plastic products such as food packaging or parts for the construction or automotive industry.”

As consumers are forced to stay at their homes, their shopping habits were fulfilled by shopping online. Deliveries to our homes don't just rely on cardboard, and use protection like bubble wrap, air bags and tape or may use polythene mail bags instead. These are all polymer-based products and you'll find this is the same material being used in bulk to produce essential PPE. This all puts more strain on raw materials.

Financial Times reports that polyethylene and polypropylene prices, the most commonly used plastic resins, have risen 25 per cent since December to €1,500 per tonne, the highest level since 2015, according to market information service ICIS.

In the past few weeks, carmakers including Volkswagen, General Motors, Nissan and Honda have been forced to idle plants or slow production as parts makers struggled to secure supplies from contractors.

German carmakers are considering building up semiconductor stockpiles to prevent a repeat of the crippling chip shortages that brought assembly lines to a standstill and stalled the production of hundreds of thousands of vehicles worldwide.

More than 670,000 fewer cars will be produced in the first quarter of the year as a result of the shortages, according to research by data provider IHS Markit. The industry is now braced for weeks of further disruption as suppliers race to fill the backlog. Daimler's Källenius said the bottlenecks were “primarily a first quarter problem”, but IHS's report suggests supply constraints will last well into the second half of 2021.

The British Coatings Federation (BCF) has warned that the lack of availability of key raw materials and packaging as well as significant price increases could end up as the biggest issues of 2021 for the coatings and printing ink sectors.

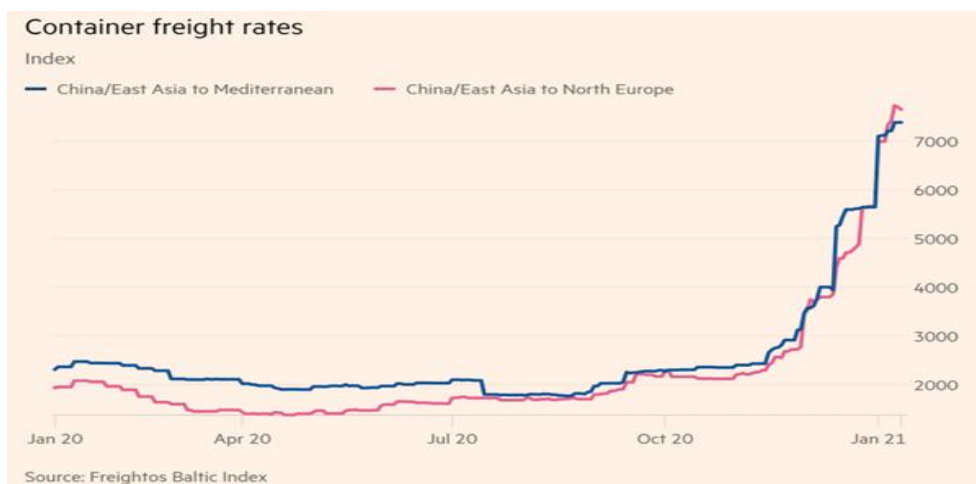
Shipping costs

The cost of shipping goods from China to Europe has more than quadrupled in the past eight weeks, hitting record highs as a shortage of empty containers stemming from the pandemic disrupts global trade. The cost of shipping a 40-foot container from Asia to northern Europe has increased from about \$2,000 in November to more than \$9,000, according to shippers and importers.

Lars Jensen at consultancy SeaIntelligence said: “It’s a bottleneck problem... These rates are being driven by customers fighting over a limited resource — containers.”

Thousands of empty containers were left stranded in Europe and the US in the first half of 2020 when shipping lines cancelled hundreds of trips as coronavirus lockdowns caused a sudden slowdown in global trade. When western demand for Asian-made goods rebounded in the second half of the year, competition among shippers for available containers sent freight rates soaring.

John Butler, president of the World Shipping Council, said: “We’ve gone from a tremendous drop-off to getting whipsawed into historically high cargo volumes and there’s now more than terminals can efficiently handle.” Congestion at ports is contributing to higher prices, with shipping lines charging extra fees to compensate for longer waiting times, he added.



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Since November the cost of shipping to Europe has been exacerbated by the diversion of containers to trans-Pacific routes. By contrast, the cost of shipping from China to the US has plateaued since October, when the Chinese government asked shipping companies to cap their rates.

Philip Edge, chief executive of UK freight forwarder Edge Worldwide, said some businesses were being charged \$12,000 per container, up from about \$2,000 in October. The UK's Association of Manufacturers of Domestic Appliances said in a statement that its members reported increases in shipping costs of up to 300 per cent since the start of 2020, including cases "where the increase in cost of shipping is greater than the retained profit from the goods...so these costs will have to be passed on to end users".

The disruption and delays are beginning to affect global supply chains, according to economists. "Signs of strains are building up," said Neil Shearing, chief economist at Capital Economics, who warned that the pressure was expected to "intensify before it eases".

A recent survey by IHS Markit found that, in December, eurozone manufacturing suppliers' delivery times reached the worst levels since the height of pandemic-related lockdowns last April, and delays in transportation and general goods shortages at suppliers "were widely reported". Surveyed companies said they were running down their stocks of raw materials and semi-manufactured goods, resulting in falling inventories, and reported a rapid increase in input prices. Bert Colijn, senior economist at ING, said "supply shortages and higher freight rates could dampen trade growth a bit" and contribute to "temporarily higher inflation pressures over the course of the year".

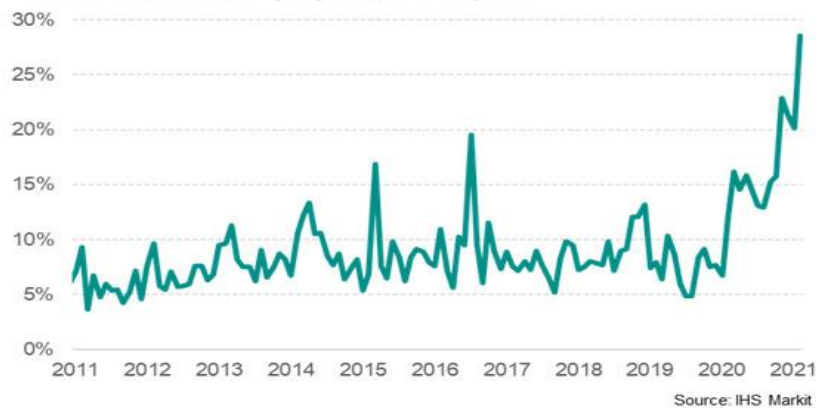
Pressure on maritime supply chains should ease "when people have more options to spend on services" because coronavirus-related restrictions have been lifted, Mr Butler said — but "when that happens is anyone's guess".

The coronavirus pandemic has left some of the world's biggest shipping lines facing mounting backlogs and delays, straining international supply chains and threatening to disrupt global trade. Operators say the container shipping industry — the backbone of global trade — is under severe pressure due to the combined impact of staff illness, quarantining and social

distancing, along with soaring consumer demand and disruption to factory output caused by lockdowns.

Global manufacturers reporting of port or shipping delays

as % of all companies reporting longer supplier delivery times



Economic forecast

- The reaction in trade in 2020 was consistent with the escalating global COVID-19 pandemic and steps taken by individual countries/territories in controlling or mitigating it.
- The situation in 2021 is likely to be similar with the development dependent on the success of mass vaccination programs and the severity of the third wave.
- The overall impact of COVID-19 on global trade and the global economy will depend on the duration, severity, and spatial distribution of the pandemic and associated severity of containment efforts taken by individual states.
- Optimism strongest since last February amid positive vaccine news

UK

In January 2021 the UK PMI was -7.20, which reflects the disappointment with the final UK-EU Trade Agreement and the first real consequences of Brexit on the external borders.

A month later, UK business confidence jumps to highest level since 2015, as Accenture/ IHS Markit UK Business Outlook finds out:

- UK service sector growth expectations highest in the world by a wide margin, with hotels and restaurants the most optimistic sector
 - Spending plans are at their highest since the pandemic began, with companies intending to increase investments in technology and hire more staff
 - A majority of businesses found that activity remains below pre-COVID levels, meaning that cashing-in on this newfound confidence is key to creating a sustainable recovery
- UK business optimism rose to its the highest since 2015, fuelled by the rollout of the COVID-19 vaccination programme

UK businesses are willing to look through the lockdown-related slowdown and are boosting spending plans in anticipation of an economic rebound during the latter half of 2021. The net

balance for capital expenditure moved back into positive territory, rising from -10% to +9% in February, and a similar trend was reported for research & development (+7%, up from -6% net balance). These improvements brought UK business investment plans back in line with European trends and much closer to global benchmarks than during earlier stages of the pandemic.

However, capital expenditure still lags behind the levels last seen in 2015, suggesting it will need to grow further in future months if a fledgling recovery is to gather momentum.

Hiring intentions also rose significantly, with approximately four-in-ten businesses now looking to bring onboard more staff over the next year.

At +30% in February, up from +5%, the net balance for UK employment was the highest since June 2015 and well above the worldwide figure (+15% in February, up from +9%).

To fuel the recovery, companies are rapidly pivoting towards investment in technology assets. Cloud technology was commonly cited as a priority area for tech spending in the next 12 months (55% of all survey respondents), followed by data analytics (46%) and cybersecurity technology (46%).

Global

HIS Markit recent survey predicts:

- Global recovery in 2021 with year-on-year real GDP growth rates predicted to reach 5.0% (4.2% in 2022) thus adjusted upwards in comparison to the January release.
- The growth rates are predicted to vary between 4.3% (3.7 in 2022), 5.9% (4.9%) for emerging, and 5.3% (4.5%) for developing states.
- A global recovery already in the Q1 of 2021 (3.0%) driven mostly by emerging states with a stronger boost only in Q2 of 2021 (9.1%)
- Apart from China, only two other economies out of the top ten group are predicted to grow in the first quarter of 2021, these are India (+1.2%) and South Korea (+0.4%).
- The major recovery in all the states has been predicted constantly for the second quarter of 2021

Restrictions to control the spread of coronavirus have kept many services businesses closed across the eurozone in the early weeks of this year. But the EU's manufacturing sector is experiencing a strong uptick in activity, boosted in part by demand from Asian economies including China.

Below is an overview of the most current main economic indicators for some of the most developed countries of the world.

COUNTRIES ▼	GDP	GDP YoY	GDP QoQ	Interest rate	Inflation rate	Jobless rate	Gov. Budget	Debt/GDP	Current Account	Population
United States	21433	-2.40%	4.10%	0.25%	1.70%	6.20%	-4.60%	107.60%	-2.30	329.48
China	14343	6.50%	2.60%	3.85%	-0.20%	5.50%	-3.70%	52.60%	1.00	1400.05
Euro Area	13336	-4.90%	-0.70%	0.00%	0.90%	8.10%	-0.60%	77.60%	2.30	341.90
Japan	5082	-1.40%	2.80%	-0.10%	-0.60%	2.90%	-2.40%	236.60%	3.60	126.01
Germany	3846	-3.70%	0.30%	0.00%	1.30%	4.60%	-4.80%	59.80%	7.10	83.20
India	2869	0.40%	7.90%	4.00%	5.03%	6.50%	-9.50%	69.62%	-0.90	1312.24
United Kingdom	2829	-7.80%	1.00%	0.10%	0.70%	5.10%	-16.90%	100.20%	-3.80	66.65
France	2716	-4.90%	-1.40%	0.00%	0.60%	8.00%	-3.00%	98.10%	-0.70	66.98
Italy	2001	-6.60%	-1.90%	0.00%	0.60%	9.00%	-9.50%	155.60%	3.00	60.36
Brazil	1840	-1.10%	3.20%	2.00%	5.20%	13.90%	-5.90%	75.79%	-0.90	210.15
Canada	1736	-3.20%	2.30%	0.25%	1.10%	8.20%	-15.90%	88.60%	-2.10	37.78
Russia	1700	-3.40%	1.50%	4.25%	5.67%	5.80%	1.80%	14.60%	3.90	146.80
South Korea	1647	-1.20%	1.20%	0.50%	1.10%	4.00%	-2.60%	37.70%	3.50	51.78
Spain	1394	-9.10%	0.40%	0.00%	0.00%	16.13%	-2.80%	95.50%	2.00	46.94
Australia	1393	-1.10%	3.10%	0.10%	0.90%	6.40%	-4.30%	45.10%	0.20	25.68
Mexico	1269	-4.30%	3.30%	4.00%	3.76%	4.70%	-1.60%	45.50%	2.40	126.58
Indonesia	1119	-2.07%	-0.42%	3.50%	1.38%	7.07%	-6.50%	38.50%	-2.70	270.20
Netherlands	909	-2.90%	-0.10%	0.00%	1.80%	3.60%	1.70%	48.60%	10.20	17.28
Saudi Arabia	793	-3.90%	2.50%	1.00%	5.20%	8.50%	-4.50%	22.80%	6.30	34.22
Turkey	754	5.90%	1.70%	17.00%	15.61%	12.20%	-2.90%	33.10%	1.20	83.15
Switzerland	703	-1.60%	0.30%	-0.75%	-0.50%	3.60%	1.50%	41.00%	10.90	8.54
Taiwan	611	5.09%	1.43%	1.13%	1.37%	3.75%	-4.50%	28.20%	9.50	23.55

Source: Trading economics

Expert views

Bert Colijn, senior economist at ING, said “supply shortages and higher freight rates could dampen trade growth a bit” and contribute to “temporarily higher inflation pressures over the course of the year”.

Pressure on maritime supply chains should ease “when people have more options to spend on services” because coronavirus-related restrictions have been lifted, Mr Butler said — but “when that happens is anyone’s guess”.

Experts can imagine that the price boom will continue for a long time. Analysts around the raw materials specialist Max Layton from the large US bank Citigroup are already talking about a new “super cycle”. There was last such a thing at the beginning of the millennium – mainly due to the steep economic rise of China.

Even now there are reasons that speak for further increases in raw material prices. This includes the immense demand from emerging countries such as India or the conversion of the economy to green technologies that many industrialized countries are aiming for, which also requires a lot of raw materials.

The supercycle hypothesis is controversial. “I doubt there will be a new super cycle,” says Weinberg. At most, he wants to speak of a temporary, albeit strong, price increase. Weinberg points out that there is also great uncertainty about the progress of the corona crisis. The question of how quickly and strongly the global economy will recover is as uncertain as the future strength of the demand for raw materials. In the oil sector, which is important for the global economy, there is also the fact that the electrification of the economy that is being sought in many places, for example through electric cars, will tend to lead to a weakening of demand.

The Economists, however, shares the view that higher prices at the factory gate will not be long-lasting and are being partly offset by more sluggish demand for many services hit by the pandemic, such as package holidays and travel, limiting the overall impact on inflation.

“Supply disruptions — ‘cost push’ — are largely a result of the pandemic and are likely to be only a temporary phenomenon,” said Andreas Rees, an economist at UniCredit. “Output gaps will remain negative for the time being, especially in the services sector, and therefore limit the scope of demand-pull inflation.” Central bankers are also less concerned about the supply-side driven inflation than if it reflected a recovery in overall demand.

Christine Lagarde, president of the European Central Bank, said: “It is going to be a while before we are worrying about inflation,” forecasting eurozone price growth will remain below its 2 per cent target for years.

Allianz’s Utermöhl said the ECB should not be worried about rises in the prices of goods: “If anything it is a positive story of restarting the engine and things moving in the right direction.”

On 18 March 2021, as expected, Bank of England has voted unanimously to leave UK interest rates unchanged at 0.1%. The Bank’s monetary policy committee has also left its £895bn quantitative easing programme unchanged, meaning it will continue to buy up to £875bn of UK government bonds (and hold £20bn of corporate debt).

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About us



Esharelife Think Tank is a non-profit, independent, non-governmental organization, not associated with any particular political parties or businesses. It will serve as an open

forum where like-minded people can freely share their ideas and knowledge on global development issues and the future of our planet.

Esharelife Think Tank aims to expand its membership among the circles of intellectuals, business' representatives, and academics. It will actively cooperate with several think tanks to promote the philosophy of **sharing life in the digital era**, disseminating information worth reading, and provoking lively discussion on matters that concern all of us.

Dr Lorenc Xhaferaj is leading the Esharelife Think Tank. He is a former diplomat, with a rich experience dealing with multilateral diplomacy, governments and international organizations' affairs, and skills covering multiple policy areas such as current international affairs, counter-terrorism and violent extremism, human rights, economic and environmental issues, energy and public diplomacy.



He holds a PhD in European Studies and shares an equal passion for current international affairs and the latest trends in the information technology sector.

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