Retail sales rise to best level in nearly three years - CBI

UK retail sales rose in June as the vaccination programme boosted consumer confidence, according to a survey released on Friday by the Confederation of British Industry.

The CBI's measure of the volume of sales increased to +25 from +18 in May, hitting its best level since August 2018 and coming in above consensus expectations of +11. The balance is the difference between the number of retailers who report higher sales and those who report lower sales.

However, internet sales growth slowed to its lowest since April 2020, with a similar pace of growth expected next month.

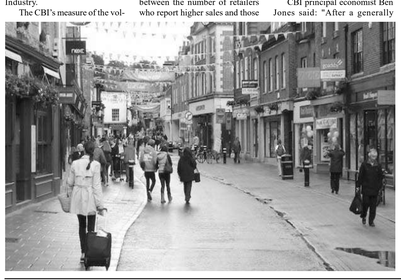
CBI principal economist Ben Jones said: "After a generally gloomy 2021 so far, the sun finally shone for retailers in June, with seasonal sales volumes the strongest since November 2016.

"This was the latest sign that the success of the vaccination programme is feeding through to stronger consumer confidence which, along with the re-opening of hospitality, is encouraging shoppers back onto the streets."

However, he also cautioned that the sector remains a long way from a full recovery.

"The return of demand is patchy, with inner-city footfall still well down. The outlook is also clouded somewhat by supply pressures, with stocks seen as too low compared with expected sales, as logistical and capacity challenges continue to hamper global activity," he said.

"Even as consumer demand returns, the legacy of lockdowns on retailers' balance sheets remains. Many will welcome the rent moratorium extension, but more support is needed, starting with holding off on tapering existing business rate reliefs." **Reuters**



Labor shortages are back to haunt Czech economy

Just two weeks after getting the green light to reopen Amano at the end of May, Ondrej Rakosnik was forced to pull the shutters down on his pizza restaurant once more.

The staff from Amano, which launched the business just ahead of the lockdown, will focus on keeping the five other more established and upmarket restaurants in Prague operated by Rakosnik's company La Collezione up and running.

Rakosnik is not the only entrepreneur having to juggle like this. Many businesses report that the labor shortages that blighted the Czech economy before the pandemic are already an issue amid the very earliest stages of reopening.

"Companies were already expecting in January that recruitment would be the biggest obstacle to the development of their businesses this year," Karina Kubelkova at the Czech Chamber of Commerce told DW, "and they're confirming that now."

Analysts note that while Czech unemployment expanded over the last year, it wasn't by much. Joblessness at the end of the first quarter stood at just 3.2%, the second-lowest in the EU after neighboring Poland.

The tight market means that the cost of labor continues to rise. In May, the average monthly wage rose by 3.2% compared with a year earlier to 35,285 Czech crowns (€1,383, $1647), and analysts expect it to accelerate sharply.

It's taken little time for these abstract macroeconomic data to become a very real headache for companies eager to make up for lost time.

"We're having to ask the staff we do have to work very long hours," Rakosnik grimaced. "They won't be able to keep it up for long, but people we interview are asking for more money than we can pay."

It's a familiar story. In the years ahead of 2020, the difficulties of recruiting staff plagued the Czech Republic and its neighbors. Despite the import of hundreds of thousands of workers from Ukraine and other selected source markets, the lack of factory hands, builders and drivers — as well as more skilled workers — had become a major brake on economic growth.

The signs are that the pandemic has done little to change the trend. "Government support has kept the labor market very stable," said Michal Brozek, an economist at Komerceni Banka in Prague. "Data shows that vacancies are already around the same high levels and that employment activity is rapid."

There is concern that, rather than easing labor market conditions, the pandemic has antagonized certain issues.

Some have found their employment prospects damaged. "It hit women and the young very hard," Tomas Prouza, president of the Confederation of Trade and Tourism, told DW. "It has pushed them from jobs in which they were gaining important experience, and they're finding it tough to get back into the market."

Those candidates are a big loss to a hospitality sector also struggling due to its high exposure to lockdown measures.

"Many lost belief in working in gastronomy," said Rakosnik. "They're working as couriers or in factories and warehouses.

They don't trust we'll stay open, so it's very hard to get them back."

A dearth of foreign workers is an issue for other sectors. The supply of Ukrainians and other nationalities invited to Czechia under government visa schemes dried up during the pandemic as embassies and borders closed and those already in the country began to wend their way home.

Construction has been particularly hard-hit. Further up the skills ladder, the IT sector's heavy reliance on foreign workers meant that before the pandemic it could take up to two years to fill vacancies, according to Kubelkova. The COVID-19 boost to digitalization suggests that such shortages are likely to become more acute.

Whether those foreign workers will soon start making their way back to Czechia is not yet clear. Border restrictions and limited transport links persist, while the government is only now discussing restarting its visa easing schemes.

But further than that, analysts insist that Czechia needs to ditch short-term thinking and populism and start dealing with immigration on a realistic and systemic basis.

One study by the Mendel University in Brno released in May called for politicians to stop training Czechs to view immigration as a security threat and instead help them understand that the country needs a long-term strategy to attract foreign workers.

The rhetoric since the migrant crisis of 2015 "actually went hand in hand with the admission of a large number of migrants in the industries that required it," the researchers noted with irony.

However, the likelihood that the long-term needs of the economy can push ahead of politics just four months ahead of national elections in October is slim.

Although not Czech-born, Prime Minister Andrej Babis was not shy of using anti-migrant rhetoric to help win the last election in 2017.

Now, with his ANO party trailing in polls, the populist billionaire is already beating a similar drum, warning voters that his opponents want to force them to share their houses with migrants.

Modernization a must

Czech industry rues the imbalance. "Anti-migrant rhetoric scores precious political points," said Prouza, a member of the previous Social Democrat-led government. "They're also not keen to take on the unions who oppose importing labor."

Analysts warn, however, that modernization strategies are becoming increasingly urgent for the Czech economy, the basic model of which remains the same as 30 years ago when, in the wake of communism, it was decided that bolting things together for Germany and other western European states was the future.

New York's economy is America's worst

New York (CNN Business)The US economy is inching back to normal. But the recovery remains uneven and some states are lagging behind in the race to get back to pre-pandemic strength — especially New York.

Although several states' economies have already fully recovered — and are even outpacing — their pre-Covid levels of economic activity, New York is by far the worst-performing state, according to the Back-to-Normal Index created by CNN Business and Moody's Analytics.

The index shows that the US economy as a whole was 93% back to normal as of June 18. But New York was only at 83%, leaving it with the furthest to go to get back into pre-Covid shape.

New York isn't the only state below the 90% mark, though it is at the bottom of the list.

How bad is the Empire State compared to the other 49 states?

In 2019, before Covid hit, New York had the third-strongest economy among US states, lagging only Texas and California. The state's gross domestic product — the broadest measure of economic activity — was nearly $1.8 trillion, on par with the GDP of Italy. More than $1 trillion of that came from economic activity in New York City. The state contributed more than 8% to America's overall GDP that year.

In 2020, New York's GDP dropped to $1.7 trillion. That might not sound like a big difference, but we're dealing in trillions of dollars here. When states that are economic powerhouses underperform, it's not great for the recovery of the entire nation.

New York's GDP contracted by 5.9% last year, a bigger decline than the total US GDP suffered, putting it at No. 47 out of all 50 states for economic growth.

The jobs situation looks even worse. At 7.8% unemployment, New York has one of the highest jobless rates in the nation. US unemployment as a whole stood at 6.1% in April and fell to 5.8% in May.

cnn

Europe's economy is booming as nations cast off crisis shackles

Europe's private-sector economy is booming, accompanied by mounting inflation pressures as coronavirus restrictions loosen across the region.

Surveys of purchasing managers by IHS Markit showed euro-area activity growing at the fastest pace in 15 years, with companies struggling to keep up with demand and prices surging. The equivalent U.K. index was only slightly below May's record, with firms hiring staff quicker than at any time since it began collecting data in 1998.

A global rebound from the coronavirus crisis is spreading through the region as the receding pandemic allows consumer-facing sectors to resume business. European Central Bank President Christine Lagarde acknowledged the pickup this week, saying the outlook "is indeed brightening" while insisting inflation pressures are purely temporary.

"Europe is recovering fast," Holger Schmieding, chief economist at Berenberg in London, said in a report. "The euro zone is following the U.K. which, from a lower base, started to bounce back in March after getting the pandemic under control with harsh lockdowns and a rapid vaccination campaign."

In the U.S., a measure of manufacturing activity expanded in June at the fastest pace in records dating back to 2007 -- fueled by easing pandemic restrictions and a strengthening domestic economy. Service providers also registered continued growth in costs and prices charged, providing further evidence of the inflationary pressures building across the economy.

In contrast, a similar survey in Japan showed private-sector activity contracting, led by services. Some business restrictions remain in place there to prevent flareups of the virus as the nation prepares for the Tokyo summer Olympics next month.

The euro-zone indexes showed buoyancy across the board. Confidence in the economic outlook reached the highest since sentiment data were first recorded in 2012 after slowing infection rates allowed services including bars and restaurants to reopen.

"With the deployment of the vaccines accelerating, we expect a gradual reopening of the economy, led by hospitality and non-essential retail stores, from May to help euro-area GDP expand by 1.2% in 2Q."

An uptick in services was especially pronounced in Germany, the region's largest economy. Manufacturers there also saw the first signs that the worst of a supply squeeze may be over, with a fall in reports of longer lead times and rising materials prices.

Average prices charged for goods and services in the euro area rose at by far the fastest pace since comparable data for both sectors were first available in 2002. Warehouses are increasingly depleted, and staffing pressures remain high, auguring further upward pressure on inflation in coming months.

In the U.K., there was also evidence that labor shortages are pushing up wage costs, suggesting the recent spike in inflation above the Bank of England's 2% target could prove "stickier" than initially hoped. That could embolden outgoing Chief Economist Andy Haldane to reiterate his call for a dial-down in stimulus at Thursday's decision.

Some ECB officials have warned of upside risks to outlook for consumer prices, though Lagarde earlier this week repeated the view that the pressure will be temporary, insisting also that spillovers from the U.S. will be moderate.

The central bank decided this month to continue its elevated pace of monetary stimulus.

Vice President Luis de Guindos echoed Lagarde's line on Wednesday, while acknowledging that the euro area is likely to see "very significant" economic growth in the second half of the year.

"The data set the scene for an impressive expansion of gross domestic product in the second quarter to be followed by even stronger growth in the third quarter," said IHS Markit Chief Business Economist Chris Williamson. "However, the strength of the upturn -- both within Europe and globally -- means firms are struggling to meet demand."

Argentina economy expanded most since 2018 in first quarter

Argentina's economy grew at the fastest pace since 2018 at the start of this year as higher agricultural prices boosted exports, while investment and consumer spending continued to recover from last year's crash.

Gross domestic product grew 2.6% from the previous quarter, higher than economists' expectations for a 2.3% increase. From a year ago, Argentina's economy grew 2.5% in the first quarter, its fastest pace in three years, according to government data published Wednesday.

Exports surged 19.2% on a quarterly basis, aided by rising prices for soy products and other commodities. Capital spending jumped 6.1%.

Argentina's economy will grow this year for the first time since 2017, according to analysts surveyed by the central bank, as business activity picks up after the downturn caused by the pandemic. Even so, business leaders complain that they are being held back by price controls, an overvalued exchange rate and export curbs designed to keep a lid on inflation.

Analysts forecast a contraction in the second quarter, according to the bank's monthly survey. A strict lockdown in part of May and a farmer's strike in protest of a temporary ban on beef exports likely weighed down activity during that period.

"The economy's exit from debt and poverty remains in flux," said Adriana Dupita, economist at Bloomberg Economics. "The pandemic will constrain the recovery in services and employment in the near term."

A ban on firing workers is also slowing the recovery by providing a deterrent to hiring new employees, according to Argentine industry chamber UIA. Annual inflation accelerated to 49% in May, its fastest pace since the pandemic hit the country last year, while wage growth hasn't kept up.

Although vaccinations have picked up in recent weeks, only 8% of Argentines are fully vaccinated, trailing regional peers such as Brazil, Mexico and Chile. Argentina has surpassed the U.S. in total deaths per million people.