Encouraging signs of an economic recovery in the US, EZ and the UK were upstaged by a boat stuck in a canal. Pre-COVID, the phrase “a lorry has broken down on the Westlink” struck fear into Belfast’s rush hour commuters. Imagine that lorry blocking traffic for days or even weeks. Then scale that up to the global Westlink that is the Suez canal.

Blockage. 2021 has been characterised by supply chain disruption. Brexit and a new Irish Sea border is one aspect. But the global shipping industry has also struggled to deliver the surge in demand for goods during lockdown. Containers have been in short supply and prices have soared as a result. Last week saw a new trade barrier erected with the Ever Given – a 400 metre long mega-container ship – becoming wedged in the Suez canal. 19,000 vessels per annum carrying 12% of global trade and 10% of the world’s oil supply use the channel. With £7bn of goods each day being held up, removing this blockage quickly is a global priority.

Rip roaring. A “rip-roaring” recovery is possible according to the Bank of England’s Andy Haldane. Indeed the latest PMIs back up this claim. Following two months of decline, March’s UK composite PMI rose strongly to 56.6. All the more impressive given lockdown restrictions remain in place. But the prospect of an imminent easing of restrictions triggered a spring surge in demand. Both services and manufacturing posted strong rates of growth in output, orders and increased staffing levels. Meanwhile accelerating input cost inflation and supply chain disruptions failed to dent business sentiment. Confidence surged, with services firms their most optimistic since January 2004.

Back on it. The UK economy was reviving before the recent loosening of restrictions. Retail sales rose 2.1% in February from January. For the romantics amongst us it seems Valentine’s Day provided a boost to food stores where a meal out might have been the first choice. Non-food store sales also rose. While the proportion of sales occurring online reached another record level of 36.1% (around 20% pre-Covid). Spending looks to have recovered a bit further this month and the reopening of shops in a couple of weeks will likely provide another fillip. Top of that list for many might be some new threads. Clothing sales were down a staggering 50% compared to February ’20. Fewer laptops, more loafers for the spring!

Resilience. The UK labour market is no longer deteriorating, for now at least. The unemployment rate edged down to 5% in the three months to January from 5.1% previous (NI = 3.7%). And there are other tentative signs of an improving picture. A separate measure of Pay-As-You-Earn employees, while still down 2.4% compared to last year, rose 0.2% in February compared to January, the third straight monthly rise. Job vacancies are steadily recovering and the employment component of the PMI survey is also improving. It all makes for an estimated peak in unemployment that keeps retreating.

Where 1980s-esque levels of joblessness were forecast, the latest is a notch above 6%.

A second coming? 2020 saw a record number of redundancies proposed in Northern Ireland some of which were confirmed in January and February. Encouragingly there have been no new redundancies proposed so far in 2021. Signs of a deterioration are evident elsewhere. February saw the fifth biggest monthly rise in the claimant count of all-time. The 2,200 increase ended the eight months of falling unemployment related benefit claimant numbers. Rather than unemployment per se, this may be linked to the renewed lockdowns and increase in furloughed staff. As of 28 February 1 in 7 jobs (106,500) were furloughed. The reduction in pay to 80% of earnings may have pushed more low income individuals over the threshold requiring Universal Credit income support.

Same storm, different boats. In a recession 'we are not all in this together'. In the labour market the younger generation has been once again hit hardest and different sectors have fared differently. In Northern Ireland, public sector employment hit a six-year high in Q4 2020 while the private sector lost 10,290 jobs in the last three quarters. To date, the scale of the job losses are nowhere near the magnitude of the last recession. That's true for the private sector, manufacturing, construction but not the self-employed or services sectors. In Q4 2020, employees within the services sector (-1.6% y/y) and the self-employed (-20% y/y) posted their biggest annual falls to date. Within services, the wholesale and retail and hospitality sectors posted record declines in employment. And that is before you consider half of the 106,500 furloughed jobs are within these sectors too.

New shores. Like me, it's foolhardy and deeply flawed. But let's imagine that, after the tumultuous sea journey of the past year, an outline of the new world is emerging. (It's not totally barmy as the waters are settling – a bit.) Both card spending and traffic have climbed to c. 4/5th their pre-Covid levels. Online job adverts are 94%. Yet despite the rise in traffic and activity, only half of workers commute (51%) while company formation rates easily outpace both 2020 and 2019 (by 30% and 7% respectively). So, we’re working from home and increasingly working for ourselves.

Anaemic, for now. A year from the beginning of Covid pandemic we are still living under heavy restrictions which depress activity and prices. During the 12 months to February consumer prices increased by meagre 0.4%, well below the Bank of England’s target of 2%, and 0.3 pp slower than during the 12 months to January. 69 items (8.3% by weight) from the consumer basket are still identified as unavailable. And there is an unusually high uncertainty about the future path of inflation – the confidence intervals around the Monetary Policy Committee’s two-year-ahead inflation projections, are currently twice as large as normal.

On a high. The UK and NI residential property markets posted their strongest February sales figures since 2007. UK sales jumped by 49% y/y while the 2,540 local transactions marked an increase of 26% y/y. Despite five consecutive months of outperformance, local residential sales for the last twelve months to February 2021 are still down 14% relative to the previous year. The non-residential property market’s recovery – i.e. industrial and commercial – has been less significant. Both the UK and NI markets posted a 10% rise in sales relative to February 2020. NI’s transactions marked the best February in 13 years but sales over the last 12 months are still down one-fifth year-on-year.

Reassuring. The flash Euro area composite PMI index increased to 52.5 in March, from 48.8 in February. This was the first time the headline index has moved above 50, signalling expansion, since July 2020. Manufacturing business activity reached a record high in March (63). Service sector output improved, but remained in negative territory. Meanwhile, the US composite PMI index slipped to 59.1 in March 2021, from February (59.5), but still too an encouraging figure. Strength was widespread, driven by the success of the vaccine rollout, firmer demand and news of another fiscal stimulus. Price components increased further at the end of Q1 2021, fuelled by mounting supply chain disruptions.

Share this:

- Twitter
- Facebook
- LinkedIn
- Email