Another steady dose of upbeat economic data this past week. Starting with confirmation the UK recovery got underway back in February, despite lockdown restrictions, to increased restaurant reservations, job adverts and even traffic on the roads! Locally, hairdressers, beauty salons and non-essential retail are set to reopen this week with gyms and pubs with beer gardens following on 30th April. But there are clouds elsewhere. The world crossed 140 million COVID cases in the past week.

Growing again. Lockdown restrictions didn’t stop the UK economy from returning to growth in February. GDP expanded by 0.4% m/m following a 2.2% m/m decline in January. Despite this rise, UK GDP was 7.8% below its February 2020 level and 3.1% below October 2020’s recovery peak. So two-thirds of the output lost last has been recouped so far. Retail & wholesale grew as consumer spending rebounded. The accommodation and food sector grew 2.6%, despite the ongoing lockdown, with businesses finding new ways to reach customers. And construction and industrial production also contributed, rising 1.6% and 1.0% respectively. The recovery is underway and is currently moving up through the gears.

The only way is up. After months when whole weeks became indistinguishable, almost every economic and social indicator is on the move. From just 2% of 2019 reservations in January, table bookings in the UK are now up to 79%, suggesting some habits will spring back effortlessly. If you've ventured outside (and more of us have), you'll have spotted traffic's back to normal (91% of Feb'20 to be pedantic). It's the same for (online) job adverts. While new company formations jumped 19% on the week. No wonder our reported happiness levels are rising, just like the thermometer.

Primed. Looking to borrow money in the near future? Good news. UK lenders expect credit availability to improve substantially in the coming months, according to the Bank of England's Q1 survey of banks and building societies. Availability is expected to improve across all markets but the strongest shift is in secured lending. A robust housing market and a new help to buy scheme are the big drivers, so the benefits will particularly be felt by those borrowing at high loan-to-value ratios. 95% LTVs are back. But the improving economic outlook has contributed too, with easier conditions for corporate and unsecured credit just in time for the reopening of the economy and hopefully providing a further boost to growth.

Fluctuation. The last 12 months saw a number of record-breaking changes in economic indicators. But even with this background, the decline in UK exports (-42%) and imports (-30%) from and to the EU in January this year was dramatic. In February we saw a significant correction, but exports to the EU are still 15% and imports are 25% lower than in December 2020. It is early days to conclude what impact Brexit will have on trade with the EU. The next test will be in April when UK import checks are scheduled to be introduced.

Better times ahead? Most indicators in the NI Chamber of Commerce / BDO Quarterly Economic Survey showed signs of improvement in the first quarter of the year, although more businesses are still reporting falls in domestic and export sales / orders, cashflow and investment than those reporting an increase. Local firms are becoming more optimistic about turnover and profitability for the year ahead. As a result, more than twice as many firms are expecting to increase their staffing levels than reduce headcount. But price pressures remain a key headwind, particularly within manufacturing, with the COVID legacy casting a long shadow. Around 1 in 3 local firms report business conditions remain very challenging.

Opportunity knocks. The new post-Brexit trading arrangements have led to difficulties amongst 2 in 5 of local businesses with 14% of firms finding the new regime very difficult. The NI Chamber survey also highlights that the GB-NI trade channel has proved to be the most problematic. More than half of local firms reported the NI – Protocol had a negative impact on GB trade with close to one-fifth citing a major negative impact. But over two-thirds of local firms see opportunities for the NI economy stemming from its unique position within the EU/UK. Close to half of firms see opportunities for their own business going forward. Will these opportunities outweigh the costs? Time will tell.

Back in red. Eurozone industrial production contracted by 1% m/m in Feb, its worst performance since the trough was reached last April. This decline followed a strong performance in recent months, with January’s output almost back to pre-Covid levels. It now stands at -1.6% y/y. Battered by the recent lockdown, France recorded the worst country-level decline. Falls were observed across all categories, with the steepest in capital goods, energy, and durable consumer goods. A quickening vaccine rollout across Europe should pave the way for the sector to resume growing.

Getting there. In contrastEurozone retail sales grew 3%m/m in February, double the expected 1.5% monthly rise. Growth was seen across countries due to various degrees of relaxation of restrictions. Italy saw restrictions ease in February, resulting in a 8.4% increase in sales while the Netherlands allowed in-store pickups of online orders from mid-

February, which helped a 5.4% increase for the month. A stronger rebound is on the cards as many non-essential retail stores are still shuttered, but it won't be March's figure. As the virus surged, various countries re-imposed or extended restrictions in March.

Shoot the lights out. One country that did see a March surge in retail sales was the US – a whopping 9.8%m/m rise, well above expectations. The main driving force was the $1,400 stimulus payments. Strength was widespread in March 2021 with every single component rising, ranging from 23.5% mom for sporting goods, 18.3% mom for clothing and 15.1% mom for autos. The improving picture for the jobs market, evident from a 197k decline in latest weekly claims to 576k, the lowest level in the pandemic and accrued household savings over the pandemic point to continued strength in consumer spending, at least in the near-term. All this suggests the US economy is gathering strength as spring beckons.

Blockbuster. With economic indicators having been so depressed this time last year, prepare for a few months of blockbuster year over year readings. China's GDP is a case in point, rising 18%y/y in Q1, likely the country's fastest ever pace of growth. All good on the surface, but worth a look underneath. That GDP figure represented a rise of only 0.6% from the previous quarter, the second lowest in a series that goes back to 2011. The reason? A fresh outbreak of coronavirus that dented services growth and spending. The better news is that March retail sales data points to a revival as restrictions eased.

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