The pace of recovery continues to build. Bumper readings for retail sales and the PMI surveys are helping firm up confidence in the outlook. And what’s even better, the pace of vaccination is building across Europe. But risks remain. Covid continues to pose a grave challenge to so many countries, particularly India.

Advancing. The UK composite PMI jumped to 60 in April, the highest level since November 2013. The increase was supported by both manufacturing and services sector, the latter outperforming the former. This was primarily due to the boost from the easing of restrictions in mid-April. Firms were upbeat about the sustainability of the recovery with expectations over the next 12 months remaining close to the record high of March. Job creation looks to be on the up, too, with the employment component at its highest since August 2017. Shining less brightly are export sales, while input cost prices (including fuel bills, commodities and freight surcharges) and prices charged continue to rise.

Building momentum. UK retail sales increased by 5.4% in March from February, surpassing consensus expectation of a modest rise (1.5%). If you refreshed your wardrobe ahead of reopening then you weren’t alone – clothing sales rose 17.5%! Another key contributor was a rise in automotive fuel sales, 11.1% m/m, as travel restrictions eased in the later part of the month. April data shows spending has continued to recover back toward pre-pandemic levels while consumer confidence is inching up, too. It will be interesting to see how much of households’ savings piles are getting spent as the economy reopens.

Back to life. Switching things round, you *could* blame it on the sunshine, or even on the good times (outside), but happiness levels, like spending, are rising. People reporting low levels of happiness have nearly halved since January, from close to one in five to almost one in ten. Meanwhile UK card spending leapt a staggering 26% in the week to the middle of April, reaching 89% of its pre-Covid level. Both traffic and job adverts are almost back to normal. And the somewhat baffling splurge in company formations is also subsiding – probably a positive sign that (some) things are normalising.

Strides. The UK labour market’s ability to confound appears undimmed, holding up far better than expected through the latest lockdown. Indeed, signs of steady improvement continue with the headline unemployment rate clocking in at 4.9% in the three months to February, down from 5%. With furlough extended to September firms have little incentive to make workers redundant, the pace of which is down to its lowest level since last July. Meanwhile surveys suggest many firms are intent on hiring, and vacancies keep on rising, meaning the decline in the number of payrolled employees in March was likely a blip.

Uneven. However, the gains witnessed in UK’s labour market are unevenly distributed across the regions. Scotland, Wales and Northern Ireland continued to see an increase in their unemployment rate in the three months to February. This can be partially attributed to relatively tighter pandemic restrictions compared to England, resulting in more cautious hiring plans. And even within England, London and South East have lagged behind others, reflecting the drop in hospitality and retail sector operations in city centres following the shift to homeworking.

Flat calm. New redundancies proposed in Northern Ireland slowed to a trickle with just 170 in Q1. That represents the lowest three month total since 2007. All is quiet on the unemployment front too with the claimant count down marginally in March following January’s mini-surge. Meanwhile NI’s headline unemployment rate remains below 4% and stood at 3.7% in the three months to February 2021. Employment growth appears to have stalled with the number of employees on NI payrolls slipping back in March following three months of progress. Two aspects of the labour market have yet to experience a recovery – the self-employed and the under 25s.

V-shaped recovery. The local recruitment market’s ‘V-shaped’ recovery is now complete – at least in terms of the overall job listings. According to NIJobs.com, job listings posted their third consecutive quarterly in Q1 2021. The latest quarterly increase in job postings (+40% q/q) means listings have more than trebled since Q2 2020’s ‘lockdown low’. Indeed, the first quarter of 2021 saw more jobs advertised than at any time during the last three years.While the pick-up in recruitment activity was broad-based, two-thirds of the quarterly increase was due to just two sectors – Nursing, healthcare and medical & IT. Hiring picked up in the hospitality sector too but vacancies in Q1 2021 are 85% lower than their pre-pandemic highs.

Climbing. The pandemic has dampened price pressures over the past year but that may now be coming to an end. The annual rate of CPI inflation rose to 0.7% in March, up from 0.4% in February, driven by rising costs of clothing, footwear and motor fuel. The inflationary pick-up would have been greater still, if not for unexpected falls in food prices last month. And the near-term trend is still gradually higher. Inflation looks likely to climb back towards the 2% target as households’ energy bills rise and the economic re-opening puts upward pressure on prices in the service sector.

Awaiting June. As expected, the ECB kept policy on hold at April’s Council meeting. ECB President Lagarde stressed that talk of reducing its emergency bond purchase programme is “premature” – there’s simply too long to go in the Eurozone recovery to discuss withdrawing monetary support. An improved vaccine rollout should boost economic growth in Q2 and prompt an upward revision to this year’s GDP forecast at the ECB’s next update in June. If so, hawkish ECB members could call for a tapering of ECB bond buying, highlighting divisions within the Council.

Race to zero. Some describe the coming decarbonisation of society as the fifth industrial revolution. If that’s the case then Earth Day provided the backdrop to a global Budget announcement as the biggest rich countries set out their updated climate ambitions for this decade. A blizzard of emissions reductions targets followed from the US, European Union, Japan, UK the rest of the G7. If met, these reductions would help limit further warming and they set the stage well for further commitments to be made at the Glasgow COP26 meetings in November. But meeting them will involve a transformation of the rules that govern our economy. The next blizzard will be from policymakers and it will affect everything from the homes we live in to the food we eat.

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