The UK economy has emerged from the second wave of the virus with limited short term damage. GDP contracted by 1.5% over the first quarter, less than feared at the onset of the third lockdown. Even better, high frequency indicators are pointing towards a brighter outlook. All 12 regions reported growth in April with Northern Ireland posting its first month of private sector expansion since last September. Local firms are the most optimistic about the year ahead since the pandemic struck.

Heating up. If you needed an illustration of just how distorted Covid-19 continues to make economic statistics see the GDP figures for Q1. In January the UK economy contracted by 2.5% – more than the loss of output experienced during the early 1990s recession. By March the economy grew 2.1% – normally a decent year’s worth of growth for an economy like the UK. Throw it all together and you get a quarterly decline of 1.5%. That’s actually far less than feared when the third lockdown was first announced, underscoring business adaptation. The reopening of schools helped propel the rebound in March. Construction chipped in by contributing almost a fifth of the monthly growth figure. And growth was registered in 14 of 18 sub-sectors.

Rising high. UK card spending hit 106% pre-pandemic levels in early May, a jump of 7ppts on the week and driven by our need to connect – yep, social spending. Furlough is down to 11% of the workforce, with online jobs in catering now above their Feb 2020 level (at 103%, a rise of 46ppt since early April). One often overlooked stat the huge rise in the number firms both being incorporated and dissolved, respectively up 19% and 34% on 2019 levels. Signs the economy is like a cereal packet (or, for Bond fans, a martini) being shaken around by creative disruption.

Turning a corner. Bricks-and-mortar retail has taken a hammering during lockdown. But the reopening of non-essential retail sales on 12th April for England & Wales provided a much needed shot in the arm for the high street. According to the British Retail Consortium, footfall jumped by 29% during the four weeks to 1 May relative to the previous month. Despite this improvement, footfall is still 40% below pre-pandemic levels. Yet UK retail sales are up 7.3% compared to April two years ago. Retailers should enjoy this sugar rush while it lasts. With the hospitality, leisure and tourism sectors still largely closed, competition for consumer wallet remains limited for now.

Encouraging. The latest monthly UK regional PMI survey revealed a broad-based pick-up in business confidence in April 2021, driven by the re-opening of the UK economy. NI businesses finally got on the right side of the expansion / contraction threshold (50.0) with a 55.5. That’s the fastest growth in 33 months.   Top of the table was the West Midlands, closely followed by Yorkshire and Humber. The most encouraging aspect of the latest monthly report was widespread evidence of rising hiring, a key support for consumer spending. Wales bucked the improving trend: labour shedding persists as companies remain focused on cost cutting. On the prices front, cost pressures continue to build across the UK, whilst there is increased evidence that companies are attempting to pass on higher input prices.

Backing up. The rise in demand is occurring alongside significant supply chain disruption. Supply cannot meet demand and this has resulted in increased costs, higher prices and a lengthening of suppliers delivery times. The April PMI revealed Northern Ireland firms posted their first rise in backlogs since July 2018. A surge in new orders explains part of this but mounting backlogs are a sign of supply chain disruption. Both manufacturing and construction firms saw their backlogs of work rise at record rates. A shortage of materials, components and parts is acting as a spanner in the works. Inflationary pressures are mounting too. Local firms reported a record rise in both input costs and in the prices they charge their customers in April.

Firm. The local residential property market has been one of the economy’s brightest spots. Buyer demand remained firm in April according to the RICS and Ulster Bank NI Residential Market Survey. More than three-quarters of surveyors reported a rise in new buyer enquiries. But supply is not keeping up with demand and this is contributing to rising prices. Indeed, almost 8 out of 10 surveyors said prices rose last month. There is no quick fix to address this current imbalance from a supply perspective. The number of new builds coming onto the market was falling before the pandemic. While a housebuilding recovery began last summer, supply chain disruption and soaring prices within building materials will act as a major headwind.

Open for trade. After a sharp drop in January, UK international trade continued to recover in March. While UK exports to both EU and non EU countries increased, the increase in latter was driven by strength of recovery in the US. Increase in exports and imports of goods with the EU and exports of goods to non-EU countries were all driven by trade in cars. Imports of goods from non EU countries exceeded those from EU for the first time since Jan-97 owing to large imports of clothing from China with shops preparing for easing of restriction on non-essential retail.

More mingling. We're ever the sociable bunch. It seems we just can't wait to get out and about again. One-third of us left home to meet-up with other people in the week to 9th May. And twice as many (19%) met-up with others indoors as the previous week. Early signs are that our appetite for hospitality is undimmed too, as nearly one-quarter of us headed to a pub or restaurant and 1 in 20 of the over 50s took a holiday or short-break in the UK. Life satisfaction nudged-up a little at the same time, suggesting all this is doing us some good.

Losses and gains. Catching up on lost learning is one of many priorities for countries recovering from the effects of the pandemic, but at least one age group is taking matters into their own hands. Pupils of school leaving age (16 & 17) staying on into further education in the UK has shot up by 16%. Much of that increase is likely to be driven by young people's unwillingness to enter a job market that is still hugely affected by the pandemic, but it may pay dividends in the long run nevertheless. Research shows that people who complete a further education qualification are more likely to be employed and typically receive wages that are around 10% higher than school leavers. A sound investment indeed.

Pause for breath. US retail sales were flat in April, below market expectations. Excluding autos, petrol and building materials, US retail sales dropped 1.5% last month. March retail sales were revised upwards to 10.7%: the main driver was the beneficial impact of $1400 stimulus cheques. With the fiscal boost fading, the outlook for consumer spending will be heavily influenced by labour market conditions. Meanwhile, consumer prices surged 0.8% mom in April, the biggest monthly rise since September 2009. As a result, the headline inflation rate jumped to 4.2% last month. With the Fed viewing the recent rise in US inflation as “transitory” an early QE tapering is unlikely.