What does a combination of households sitting on cash piles and firms on a hiring spree give you? A roaring UK economy. Add to this the low base from last year and growth figures are going through the roof. But a note of caution is due. The end of government support plus (hopefully) transitory inflation could take some of the shine away.

Upbeat. The latest flash UK composite PMI increased to 62 in May, from 60.7 in April. This is the fastest pace of expansion since records began in January 1998. Strength was widespread across both the manufacturing and services sectors. However, the chink in the armour is rise in the composite output price index which rose to 58.7 in May. The unwinding of pent-up demand, helped by easing of Covid-19 restrictions, has resulted in demand hitting against supply side bottlenecks. What's more, firms now feel increasingly confident to pass on higher input prices to consumers.

Picking up. UK consumer prices increased further in April, up by 1.6% over the year. The rise was primarily due to increased energy prices and clothing. Furthermore, the extension to the Stamp Duty suspension helped the upward contribution from the housing and household services (0.57pp). This was partially offset by drag from recreational services as the industry slowly opens fully. Looking ahead, inflationary pressures are likely to build further as prices for some services, notably, air travel and holidays, will likely jump in response to rebound in consumer spending. But the rise should only be transitory, a view echoed by the Bank of England.

Momentum. Latest indicators suggest that the UK economic recovery is on track with consumer spending taking centre stage. The reopening of indoor dining has resulted in a sharp spike in restaurant reservations as bookings on 17th May alone (the day it opened) were 49% higher than the same period in 2019 (NI's indoor hospitality sector opens today). The modest decline in card data last week is unlikely to last, driven by higher spending on socialising. Business confidence is also improving, with the share of firms trading high at 83%, workers exiting furlough and job adverts surpassing their pre-Covid levels.

Shooting up. Retail sales rose sharply in April, a 9.2% increase over the month, leaving them c.10% above their pre-pandemic level. UK households went on a spending spree as restrictions were lifted on non-essential retail during the month. Not surprisingly, the largest contribution came from non-food stores, most notably, clothing. With physical stores opening, share of online sales decreased from their record high levels to 30%. Looking ahead, May is likely to see strong growth as GfK consumer confidence improved to -9 in May, surpassing its 2019 average of -13.

Fancy a job? UK job vacancies between Feb and April were 657k, c. 50k higher than previous quarter. The growth was most notable in the food and accommodation sector where vacancies doubled, underlining the impact of easing of restrictions. 'Electricity, gas, steam and air conditioning supply' also saw an increase of 42% due to ongoing recruiting. However, small firms saw a decrease in vacancies over this period, highlighting the lopsided nature of the impacts. And, there is still plenty to cover to reach pre-Covid levels of c. 800k, with vulnerable sectors such as leisure and retail having seen only limited recovery.

Varied recoveries. Every UK region and country recorded a similar pattern in the labour market after the pandemic hit us last year – rapid decline before gradual recovery, albeit to varied degrees. There was an initial rise in unemployment rate everywhere, except Wales. In 2021 Q1, the highest unemployment rate estimate in the UK was in London (6.8%) and the lowest in the South East (3.4%) – just below Northern Ireland (3.6%). The decline in the count of payrolled employees in April 2021 from Feb 2020 range from 1.3% in the West Midlands -just ahead of Northern Ireland (1.5%) – to 5.0% in London. As the UK reopens steadily, the situation will continue to improve across the UK.

Still on the up. UK average house prices continued to rise during Q1, reaching an annual growth rate of 10.2% in March. The pandemic has caused home buyers to reassess their housing preferences, with the average price of detached properties increased by c.12% in the year to March. In comparison, the average price of flats increased by just 5%. With the end of the Stamp Duty Holiday in sight, buyers are now battling to complete sales. Meanwhile, many sellers are also cashing in on this opportunity by increasing their selling price, because of lower overall buyer costs.

Race for space. As in the rest of the UK, detached properties have been in demand in Northern Ireland. Sales of detached properties jumped by over one-third year-on-year in Q1 2021 with prices rising by almost 8%. That was four times the annual increase for apartments. Overall, the local residential property market saw prices rise by 6% y/y taking the standardised price of a house in Northern Ireland to £149,178. That represents a 12-year high. Despite the best Q1 for housing starts in 11 years, housing supply is set to significantly lag demand for the year ahead. Supply chain disruption and skills shortages provide a headwind for a sustained pick-up in supply. Prices look set to push higher.

How green is your future? Over 110 countries, including the UK, have now moved to enshrine net zero emission targets in policy or law. Transition to net zero will take decades with massive opportunities but also risks along the way. The Network for Greening the Financial System (NGFS) which includes 90 central banks and regulators launched a project to co-design climate scenarios together with world leading climate scientists. Next month the Bank of England will be the first regulator to conduct mandatory stress test on banks and insurers to assess the resilience of the UK financial system to climate risks.