



January 2019

# Norwich Economic Barometer



**NORWICH**  
City Council

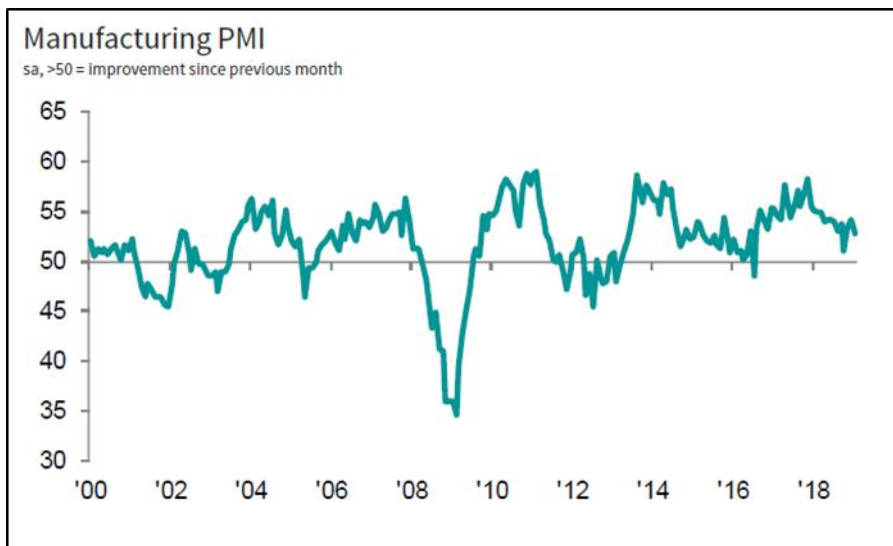
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# Business news

## Economy

- The Bank of England expects growth this year to be the slowest since 2009 when the economy was in recession. It is forecasting growth of 1.2 per cent this year, down from its previous forecast of 1.7 per cent made in November. The Bank said it had seen further evidence that businesses were being cautious in the run-up to Brexit, including evidence from its own survey of firms. It also noted a sharp fall in business investment at the end of last year. As expected the Bank kept interest rates on hold at 0.75 per cent.
- British consumers picked up the pace of their shopping in January which rose by the most in seven months, giving a bit of relief to retailers after their worst Christmas in a decade. The British Retail Consortium (BRC) said its members reported total sales increased by an annual 2.2 percent, helped by higher spending on food and New Year price cutting.

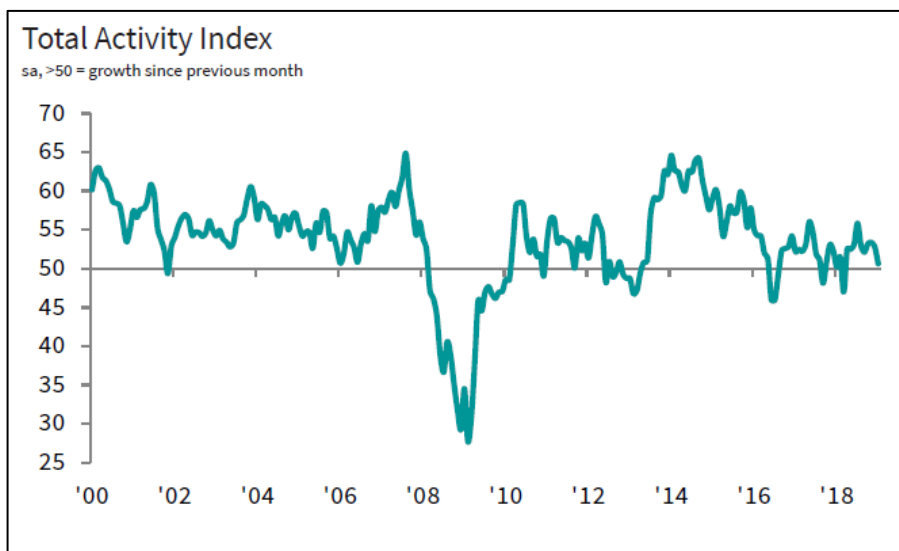


**Figure 1 IHS MARKIT / CIPS UK manufacturing PMI**

- Figure 1 shows that the manufacturing sector made a lacklustre start to 2019, as trends in output and new orders slowed and employment fell for only the second time in the past two-and-a-half years. Companies reported that Brexit preparations led to sharp rises in both purchasing activity and stockpiling of inputs at warehouses. The headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index® (PMI®) fell to a three-month low of 52.8, down from 54.2 in December and its second-weakest reading since July 2016 (the first survey month following the EU referendum result). The trend in production volumes was the weakest registered during the past two-and-a-half years. Although output rose solidly at consumer goods producers, this was largely offset by weaker expansion in the intermediate goods sector and the first decline

in investment goods output since July 2016. With January also seeing a marked slowdown in the rate of expansion in new order inflows, companies reporting an increase in output mainly linked this to stock-building activity. Inventories of finished goods rose at the third-fastest rate in the survey history, bested only by those seen in May and December of 2018. Regarding the trend in demand, the rate of increase in new work from domestic sources eased and growth of new export business slumped to near-stagnation. Where growth of new orders was reported this often reflected purchasing to build up stocks in advance of Brexit.

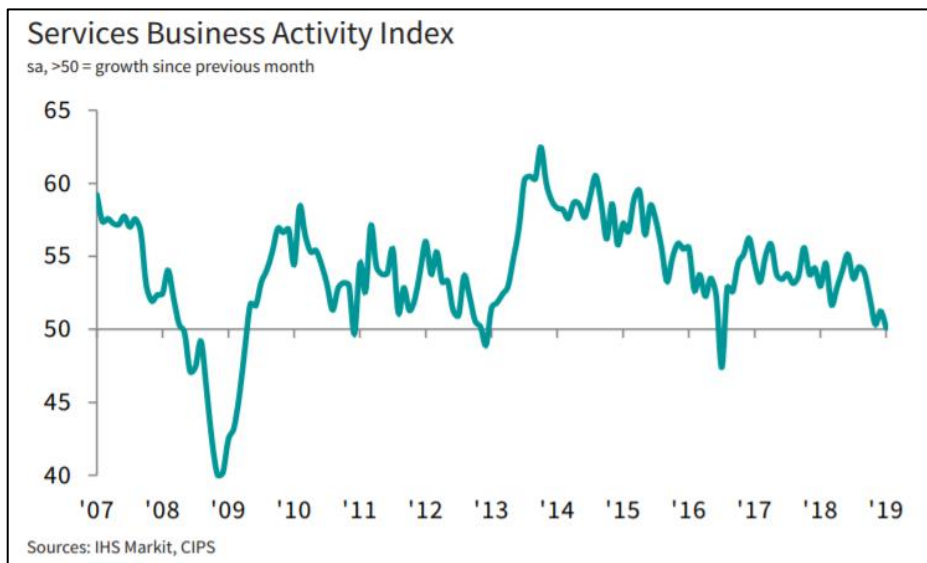
- January data pointed to a loss of momentum for the UK construction sector, with business activity growth easing to its weakest for ten months. New orders increased only marginally at the start of 2019, which contributed to the slowest expansion of employment numbers for two-and-a-half years. A number of survey respondents noted that Brexit uncertainty had led to hesitancy among clients and a corresponding slowdown in progress on new projects. Figure 2 shows that the Index dropped to 50.6 in January, from 52.8 in December. The index has posted above the 50.0 no-change mark in each month since the snow-related decline seen in March 2018, but the latest expansion was the weakest seen over this ten-month period of growth. New business growth eased to an eight-month low in January. Construction firms widely commented on softer demand conditions and longer sales conversion times, reflecting a wait-and-see approach to spending by clients. Concerns about the near-term outlook for new projects resulted in more cautious staff hiring policies at the start of 2019. The latest survey pointed to the slowest rise in employment numbers since July 2016.



**Figure 2 IHS MARKIT / CIPS UK construction PMI**

- Figure 3 demonstrates that January data indicated a renewed loss of momentum for the UK service sector, with a decline in incoming new work reported for the first time since July 2016. Subdued demand conditions meant that business activity was broadly flat at the start of 2019, while concerns about the economic

outlook weighed more heavily on staff recruitment. Latest data pointed to an overall reduction in payroll numbers for the first time in just over six years. At 50.1 in January, the headline seasonally adjusted IHS Markit/CIPS UK Services PMI® Business Activity Index was down from 51.2 in December and only fractionally above the crucial 50.0 no-change value. The latest reading was the lowest for two-and-a-half years and the second weakest since December 2012. Survey respondents overwhelmingly linked the slowdown in business activity growth to heightened political uncertainty at the start of 2019. A number of service providers reported that Brexit-related concerns had dampened client demand and resulted in delayed decision making on new projects.



**Figure 3 IHS MARKIT / CIPS UK services PMI**

- The tech sector experienced a difficult end to 2018, as business activity growth eased to its weakest for three years and new work remained subdued. Global trade frictions and Brexit-related uncertainty were widely reported to have acted as a headwind to client spending. At 52.4 in Q4, the KPMG UK Tech Monitor Index – which measures the strength of business activity across the sector - remained above the crucial 50.0 no-change value, which continued the upward trend since the summer of 2012. However, the latest reading was down from 54.0 in Q3 and pointed to the slowest rate of tech sector business expansion since Q4 2015. Tech companies also indicated the sharpest fall in backlogs of work for seven years, suggesting a lack of new work to replace completed projects at the end of 2018.
- Business confidence in the East fell to its lowest level in more than a year during January, according to a business barometer from Lloyds Bank Commercial Banking. Overall confidence slid four points to six per cent as companies' confidence in their own business prospects, slipped 10 points to 17 per cent. But East of England firms' pessimism about the economy lessened slightly, from six

per cent to four per cent although a net balance of eight per cent of firms in the region now expect to reduce their headcount during the next year.

- The number of profit warnings issued by stock exchange-quoted companies in East Anglia rose to ten last year – the highest number since 2015 - and up from just four 2017 according to EY's latest profit warnings report. The ten warnings made in 2018 came from FTSE and AIM-listed companies firms in the region in electronic and electrical equipment, health care equipment and services, software and computer services and technology hardware and equipment sectors. Across the UK, 2018 saw the second highest level of profit warnings since 2008, a 4 per cent rise to 287 with general retailers seeing the largest share of profit warnings.
- Lloyds Banking Group expects to support firms in the East of England with up to £1.7billion of lending during 2019, as part of a pledge to lend £18 billion to UK businesses this year. The bank will support start-ups, micro-businesses seeking to scale up and small businesses looking at trading internationally for the first time. It will also support established mid-sized businesses and large, multinational corporations seeking growth.
- A no deal Brexit could cost the East of England an annual loss of output worth £17 billion by 2034, according to an estimate by the CBI. It reports that with 53 per cent of the East of England's goods exports going to the EU, any increased trade friction, added costs or delays would hit the region particularly hard. The CBI also states that the region has many businesses likely to be affected by restrictions on the ability for people to move around Europe on business.
- A new sector skills plan has been officially signed to help provide the growing tourism sector in Norfolk and Suffolk with the skills needed to meet a projected demand for up to 11,000 new workers in the area by 2024. It aims to develop the sector's business and employment offer, overcome skills obstacles to growth and promote local and global career opportunities. Tourism employs more than 78,000 in Norfolk and Suffolk sector and the sector is predicted to grow at 3.8 per cent annually through to 2025, faster than the UK economy. The Visitor Economy (Tourism) Sector Skills Plan has been developed by the industry sector in Norfolk and Suffolk, working alongside the New Anglia Skills Board and supported by SkillsReach.
- City house prices in the UK have outpaced earnings growth by 11 per cent, causing home affordability to reach on average, its lowest level since 2007, when the ratio of house prices to earnings stood at 7.5. According to a Lloyds Banking Group report, Norwich is in the top 20 least affordable cities in the UK, with an affordability ratio of 8.2 compared to an average of 7.2.

## Local Business

- Norwich-based design agency Creative Sponge has secured a global agrochemical company, Rotam as a new client - under the new contract it will provide creative design, media buying, and social media support.
- Norwich Market has been named the best large outdoor market in the country. The title was awarded by The Great British Market Awards 2019 – beating hundreds of entries nationwide. A spokesman for the National Association of British Market Authorities (NAMBA), which organises the awards, described the city market as ‘a phoenix rising from the ashes’, adding: “(Norwich) Market has demonstrated the power of social media for the market; its work with partners and the local BID; the outreach to young traders and the marked increase in footfall and business expansion.” The site on Gentleman’s Walk in the city centre has been home to stalls for more than 900 years, making it the oldest permanent market in the UK.
- More than 200 jobs are at risk at the UK’s largest producer of electric water heating products with the closure of its factory in Norwich. The potential closure of Heatrae Sadia's site in the city was announced by its parent company Baxi Heating UK. The firm said it was transferring the production of water cylinders and electric water heaters from Norwich to its site in Preston.
- It was announced that the Jamie’s Italian restaurant in Norwich is to close because the landowner has found another tenant. This comes alongside the closure of several restaurants by the Jamie Oliver Group.
- Jakey Le Bakey, owned by chefs Jake Gower and Madeleine Hutt, has been bringing a taste of France to the market since July 2017 but is now looking to move to bigger premises. The pair’s French-inspired baked goodies and fresh hot food have won them many fans, including Nigella Lawson, who described their madeleines as ‘exquisite’ in a tweet last year. The company announced it is looking for a bigger site in the city.
- PureGym is moving into the Castle Mall. The 16,000 sqft site will be taken over by Britain’s biggest gym chain in the summer. The announcement is the latest push by the centre to attract firms that offer leisure opportunities. Bowling alley Superbowl is also set to open in the mall in the coming months. PureGym is also developing new premises at the old Lidl store on Aylsham Road in Norwich.
- Fitness Superstore, which has branches across the country, has opened in the former Multiyork building on St Stephens Road. The new store covers 9,000 sqft making it one of the largest fitness showrooms in Europe. It will house hundreds of cardio and strength machines which customers can try before they buy. Founded in 1994, Fitness Superstore is one of the largest suppliers of specialist fitness equipment in the UK and had a net turnover of more than £27 million in 2016.

- Norwich City Council has just launched the 2019-2024 Norwich economic strategy consultation. To take part in the consultation follow the link to the online survey and to the draft Norwich Economic Strategy 2019-2024 document.

[https://www.norwich.gov.uk/info/20238/current\\_consultations/2245/economic\\_strategy\\_consultation](https://www.norwich.gov.uk/info/20238/current_consultations/2245/economic_strategy_consultation)



## Claimant count unemployment

The “claimant count” measure counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit<sup>i</sup> and are required to seek work and be available for work and replaces the number of people claiming Jobseeker's Allowance as the headline indicator of the number of people claiming benefits principally for the reason of being unemployed. Figure 4 demonstrates the trend in claimant count unemployment since 2014. Rates have fallen noticeably since the beginning of the period. In 2014 the rate in the Norwich City Council area stood significantly above the other reported areas, but in the past year the gap has narrowed and has fallen rapidly below the national rate.

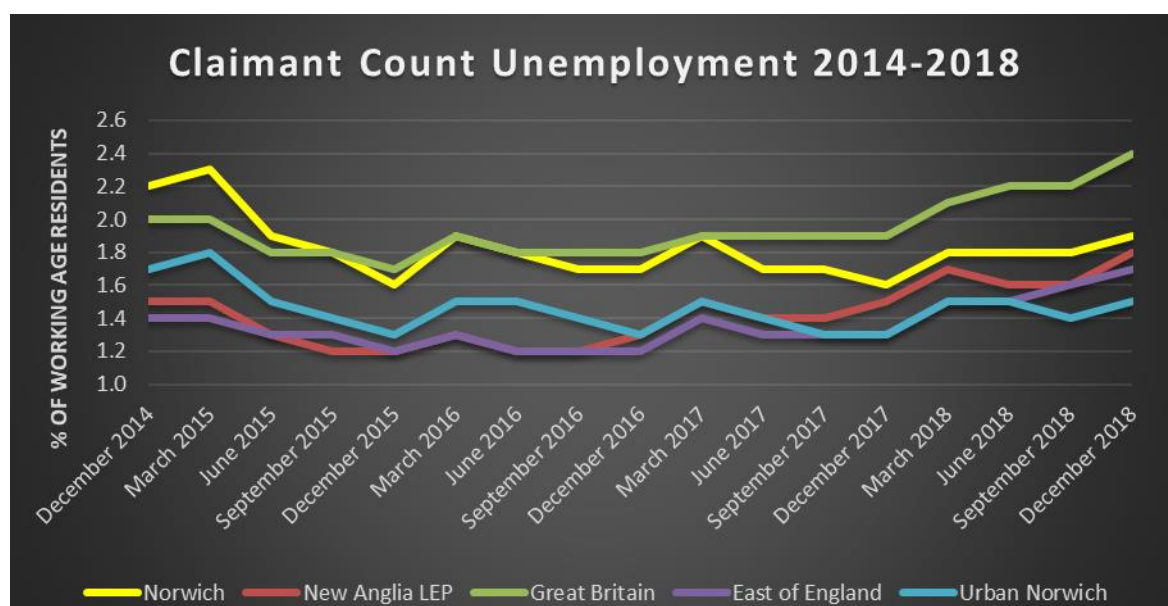


Figure 4 Claimant count unemployment 2014 to 2018

Table 1 Claimant count rate unemployment								
	December 2017		November 2018		December 2018		Monthly change	Annual change
Great Britain	772,505	1.9%	937,260	2.3%	956,745	2.4%	+ 0.1%	+ 0.5%
East of England	49,705	1.3%	63,280	1.7%	64,555	1.7%	0	+ 0.4%
New Anglia LEP	14,315	1.5%	16,750	1.7%	17,355	1.8%	+ 0.1%	+ 0.3%
Norwich City Council <sup>ii</sup>	1,530	1.6%	1,675	1.8%	1,840	1.9%	+ 0.1%	+ 0.3%
Norwich urban <sup>iii</sup>	1,880	1.3%	2,050	1.4%	2,235	1.5%	+ 0.1%	+0.2%

Table 1 shows that the each of the areas saw an increase in claimant count unemployment rates over the year. Over the month, unemployment rates grew across each of the areas bar the East of England where rates remained unchanged.

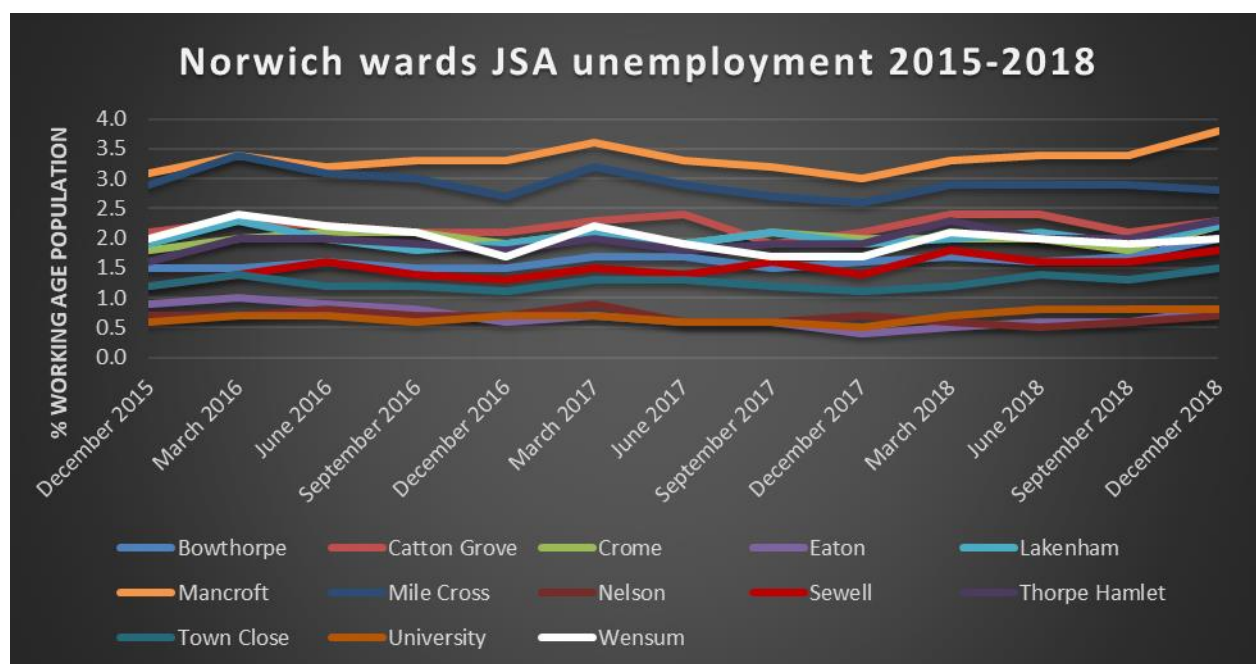
## Ward level Claimant count unemployment

<b>Table 2 Claimant count unemployment</b>								
	<b>December 2017</b>		<b>November 2018</b>		<b>December 2018</b>		<b>Monthly change</b>	<b>Annual change</b>
<b>Bowthorpe</b>	130	1.6%	145	1.8%	160	2.0%	+ 0.2%	+ 0.4%
<b>Catton Grove</b>	155	2.1%	170	2.3%	170	2.3%	0	+ 0.2%
<b>Crome</b>	120	2.0%	115	2.0%	125	2.2%	+ 0.2%	+ 0.2%
<b>Eaton</b>	20	0.4%	35	0.7%	35	0.8%	+ 0.1%	+ 0.4%
<b>Lakenham</b>	110	1.9%	110	1.9%	125	2.2%	+ 0.2%	+ 0.3%
<b>Mancroft</b>	230	3.0%	275	3.6%	290	3.8%	+ 0.2%	+ 0.8%
<b>Mile Cross</b>	180	2.6%	195	2.7%	200	2.8%	+ 0.1%	+ 0.2%
<b>Nelson</b>	45	0.7%	40	0.5%	50	0.7%	+ 0.2%	0
<b>Sewell</b>	105	1.4%	115	1.6%	125	1.8%	+ 0.2%	+ 0.4%
<b>Thorpe Hamlet</b>	170	1.9%	175	2.0%	200	2.3%	+ 0.3%	+ 0.4%
<b>Town Close</b>	85	1.1%	105	1.3%	120	1.5%	+ 0.2%	+ 0.4%
<b>University</b>	50	0.5%	65	0.7%	70	0.8%	+ 0.1%	+ 0.3%
<b>Wensum</b>	140	1.7%	135	1.7%	165	2.0%	+ 0.3%	+ 0.3%

Compared to November, unemployment rates grew slightly across each ward except Catton Grove where rates remained unchanged.

Over the year, rates were unchanged in Nelson ward; rates increased in every other Norwich ward.

On the next page, Figure 5 demonstrates the wide variation in ward JSA rates across the city council area. The differential between the lowest (Nelson) and the highest (Mancroft) rates currently stands at 3.1 percentage points.



**Figure 5** Norwich wards JSA unemployment 2015 to 2018

## Claimant count unemployment: age/duration

**Gender:** in the city council area, slightly more than one in every three (36 per cent) out-of-work claimants is a woman. Over the month, female rates increased across the Norwich area (1.4 per cent) and regionally (1.5 per cent); rates remained the same across the LEP area (1.4 per cent) and nationally (1.9 per cent).

The male unemployment rate is higher nationally and in Norwich (at 2.8 per cent and 2.5 per cent of working age males respectively) than in the LEP area (2.1 per cent) or regionally (2 per cent). Over the month, rates remained the same nationally and across the LEP area; rates increased across Norwich and regionally.

Norwich's male unemployment rate has remained higher than rates in the LEP area and at the regional and national levels since records began in 1992. However, the current male claimant count rate in Norwich is one of the lowest ever recorded and is now below the national rate.

It is likely that Norwich's relatively high levels of male unemployment can be attributed to the steady loss of manufacturing jobs and the dominance of the service sector in Norwich.

**Duration:** a certain level of churn takes place within the labour market as people move between unemployment, welfare benefits and employment. In Norwich 44.4 per cent of JSA<sup>iv</sup> unemployment claims are for a period of less than six months; higher than the proportion seen across the LEP area (40.4 per cent, nationally (31.3 per cent) and regionally (39.2 per cent).

The percentage of JSA claimants who are recorded as being unemployed for more than 12 months stands at 32.7 per cent in Norwich compared to 40.8 per cent in the LEP area; 43 per cent regionally and 49.7 per cent nationally. Relative to the previous month, the

percentage of long-term unemployed fell nationally but saw an increase across each of the other reported areas.

It is widely recognised that long periods of unemployment make it increasingly difficult for affected individuals to find work, particularly in a weak labour market. Over the year, the number of people recorded as long term unemployed in Norwich has grown from 285 people in December 2017 to 315 currently.

**Age:** In Norwich, 14.3% of JSA unemployed people are aged 18-24 year old; across the LEP area the proportion stands at 10 per cent; 11 per cent nationally and regionally.

At the other end of the age scale, Norwich has a lower proportion of JSA unemployment claimants aged 50 years and older (29.7 per cent) compared to the LEP area (36.9 per cent) and regionally (37.7 per cent) and nationally (36.1 per cent).

## Housing benefit

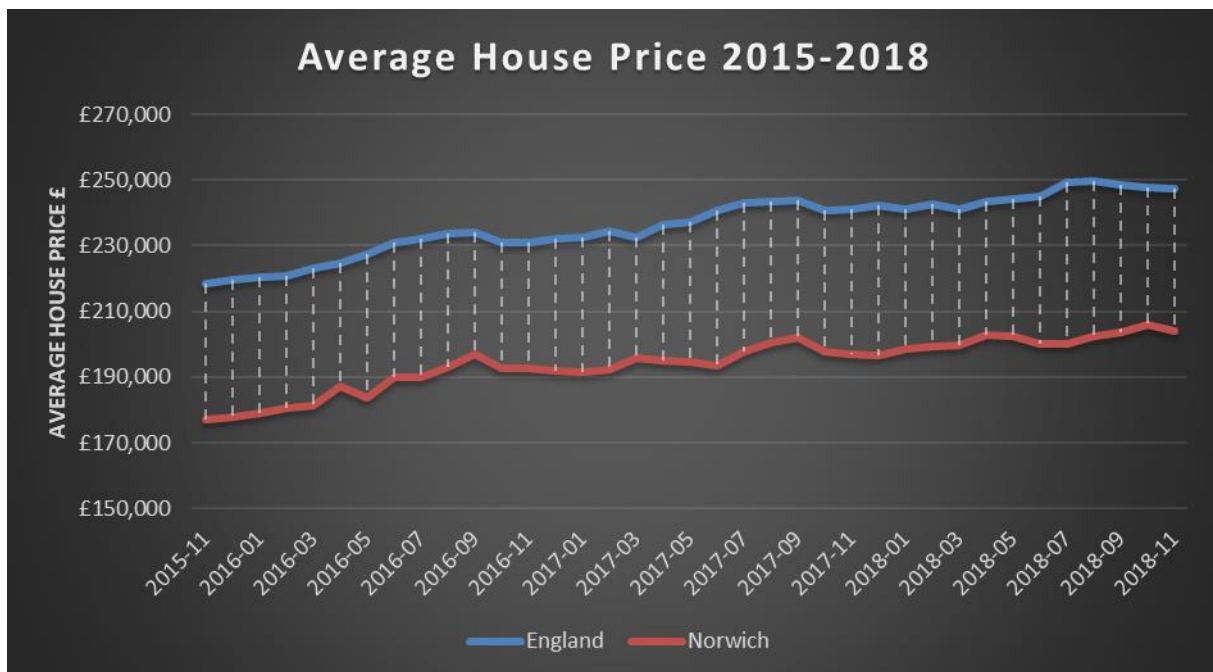
Housing benefit is an income related benefit designed to help people on low incomes pay for rented accommodation whether in, or out, of work.

Many housing benefit claimants are pensioners, people with disabilities, carers or people who are in low waged work. It should be noted that resident earnings in Norwich are relatively low and this will be a contributing factor to the number of people claiming housing benefit.

<b>Table 3      Norwich City Council housing benefit<sup>v</sup> claimants</b>		
	<b>Number of claimants</b>	<b>Monthly change</b>
<b>December 2017</b>	16,300	+ 2 (+ 0.01%)
<b>January 2018</b>	16,190	- 110 (- 0.7%)
<b>February 2018</b>	16,222	+ 32 (+ 0.2%)
<b>March 2018</b>	16,246	+ 24 (+ 0.1%)
<b>April 2018</b>	16,183	- 63 (- 0.4%)
<b>May 2018</b>	16,170	- 13 (0.03%)
<b>June 2018</b>	16,176	+ 6 (+ 0.03%)
<b>July 2018</b>	16,188	+ 12 (+ 0.03%)
<b>August 2018</b>	16,180	- 8 (- 0.04%)
<b>September 2018</b>	16,092	- 88 (- 0.5%)
<b>October 2018</b>	16,076	- 16 (- 0.09%)
<b>November 2018</b>	16,060	- 16 (- 0.09%)
<b>December 2018</b>	15,949	- 111 (- 0.7%)

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area fell by 111 claims during December. Over the year, housing benefit claims in Norwich have fallen by 2.1 per cent. Comparable national data is not available because of a time lag in data collection.

## Average house prices



**Figure 6** HM Land Registry average house prices 2015-18

The House Price Index produced by HM Land Registry is the most accurate and independent house price index available for England. According to HM Land Registry's House Price Index (Crown copyright) over the year, average house prices increased by 3.6 per cent in Norwich and 2.6 per cent across England. Figure 6 summarises average house price movements since November 2015.

During the month of November, average house prices fell by 0.8 per cent in Norwich and by 0.01 per cent in England compared to the previous month. The average house price in Norwich currently stands at £204,153 against £247,430 for England.

# Appendix

## Contact details

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## Data Sources:

Figure 1: IHS Markit/CIPS UK Manufacturing PMI

Figure 2: IHS Markit/CIPS UK Construction PMI

Figure 3: IHS Markit / CIPS UK Services PMI

Figure 4: Claimant count – NOMIS, Crown copyright

Figure 5: Ward unemployment – NOMIS, Crown copyright

Figure 6: House Price Index, HM Land Registry, Crown copyright

Tables 1 and 2: Claimant count – NOMIS, Crown copyright

Table 3: Housing benefit claimants - Norwich City Council

News stories from a variety of sources including EDP/Evening News; Business in East Anglia; Office of National Statistics; Reuters; BBC; Markit/CIPS PMI; Markit Monthly Economic Overview; University of East Anglia; Norwich University of the Arts; City College Norwich.

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<sup>i</sup> Under Universal Credit a broader span of claimants are required to look for work than under Jobseeker's Allowance. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise.

<sup>ii</sup> The Norwich City council area comprises the following wards: Bowthorpe, Catton Grove, Crome, Eaton, Lakenham, Mancroft, Mile Cross, Nelson, Sewell, Thorpe Hamlet, Town Close, University, Wensum

<sup>iii</sup> The Norwich urban area comprises the following wards: Drayton North, Drayton South, Hellesdon North West, Hellesdon South East, Old Catton and Sprowston West, Sprowston Central, Sprowston East, Taverham North, Taverham South, Thorpe St Andrew North West, Thorpe St Andrew South East, Bowthorpe, Catton Grove, Crome, Eaton, Lakenham, Mancroft, Mile Cross, Nelson, Sewell, Thorpe Hamlet, Town Close, University, Wensum, Cringleford, New Costessey, Old Costessey,

<sup>iv</sup> Claimant count data not yet available by age/duration

<sup>v</sup> Housing benefit numbers include people who are claiming council tax benefit only



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