



March 2018

Norwich Economic Barometer



NORWICH
City Council

Contents

BUSINESS NEWS	2
ECONOMY	2
BUSINESS	5
EDUCATION	8
CLAIMANT COUNT UNEMPLOYMENT	9
<i>Table 1 Claimant count rate unemployment.....</i>	<i>9</i>
WARD LEVEL CLAIMANT COUNT UNEMPLOYMENT	10
<i>Table 2 Claimant count unemployment</i>	<i>10</i>
CLAIMANT COUNT UNEMPLOYMENT: AGE/DURATION	11
HOUSING BENEFIT	13
<i>Table 3 Norwich City Council housing benefit claimants</i>	<i>13</i>
AVERAGE HOUSE PRICES	14
APPENDIX	15

Business news

Economy

- The Office for National Statistics (ONS) reported that falling petrol prices and a slower rise in the cost of food contributed to a drop in UK consumer price inflation during February. The rate fell from 3 per cent to 2.7 per cent, the lowest figure since July 2017. The fall eases pressure on the Bank of England to raise interest rates at its next policy meeting later this week. Consumer price inflation hit a six-year high of 3.1 per cent in November and then edged lower to 3 per cent, where it had stayed for the past two months. The figures suggest the squeeze on households, caused by rising inflation and stagnant wages, may be coming to an end.
- Trade figures show that the gap between what the UK exports and imports narrowed in February. The ONS released figures showing that the UK's goods trade deficit with the rest of the world narrowed to £10.2bn. January's figure had been £12.2bn. Exports of goods declined slightly, but imports fell more sharply, both in value and in volume. As a result of the reduction in the goods deficit, the UK's overall trade deficit in February shrank from £3bn to £1bn. But over the past three months - which is a more reliable measure - the deficit widened, mainly because of a drop in exports to countries outside the EU.

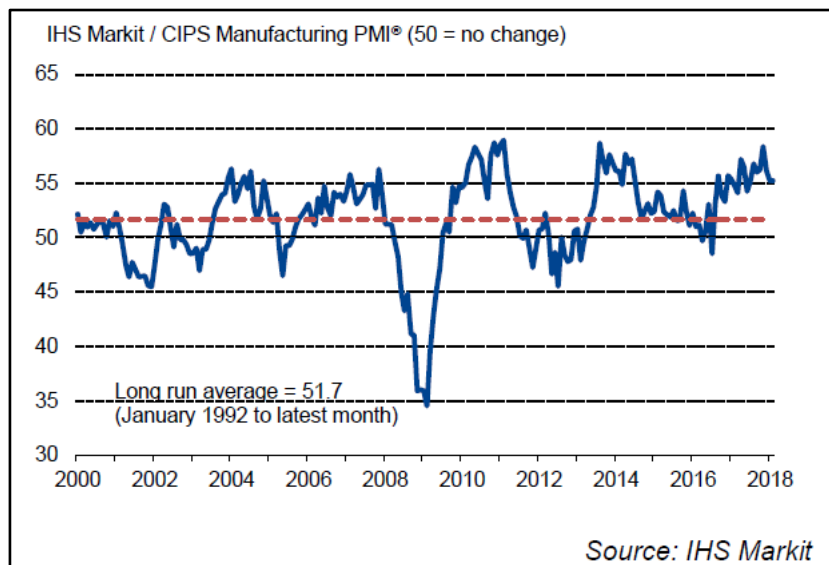


Figure 1 IHS Markit/CIPS Purchasing Managers' Index Manufacturing

- The upturn in the UK manufacturing sector slowed further during February. At 55.2, the seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index (PMI) fell to an eight-month low and lost further ground after hitting a 51-month high last November. Manufacturing production increased at the slowest pace for 11 months in February, with decelerations seen across the consumer, intermediate and investment goods sectors. Brighter news was provided by the trend in new orders, which rose at a faster pace than in January. Companies indicated that domestic

demand strengthened, while new export business rose at a solid (albeit slower) pace. New export business rose for the twenty-second successive month in February. Where an increase was reported, this was linked to improved sales to clients in the USA, China, Europe, Brazil and East Asia. However, the overall pace of expansion eased to a four-month low.

- The construction industry is deep in recession. It has contracted by 3 per cent in the past year, with private house building being the only bright spot. All other sectors have shrunk in size, with public housing building and the construction of infrastructure, such as road and rail projects, down on this time last year. Spending is also down on new commercial and industrial buildings, and there has also been a fall in repair and maintenance of buildings, which makes up a third of the industry. February data pointed to a continuation of the subdued growth conditions reported across the UK construction sector at the beginning of 2018. Total business activity increased only marginally during the latest survey period, while new work decreased for the second month running. Anecdotal evidence suggested that fragile business confidence and ongoing political uncertainty remained key factors holding back client demand. At the same time, strong input cost pressures were reported in February, with higher raw material prices, fuel bills and staff wages reported by survey respondents. At 51.4 in February, the seasonally adjusted IHS Markit/CIPS UK Construction PMI edged up from January's four-month low of 50.2. This signalled a marginal increase in construction output during February, with the index also weaker than seen on average in 2017 (52.3). New business volumes fell during February, although the rate of decline was only marginal and slightly slower than seen at the start of the year. Survey respondents cited fragile client confidence, a headwind from political uncertainty and a continued lack of tender opportunities to replace completed work on infrastructure projects.

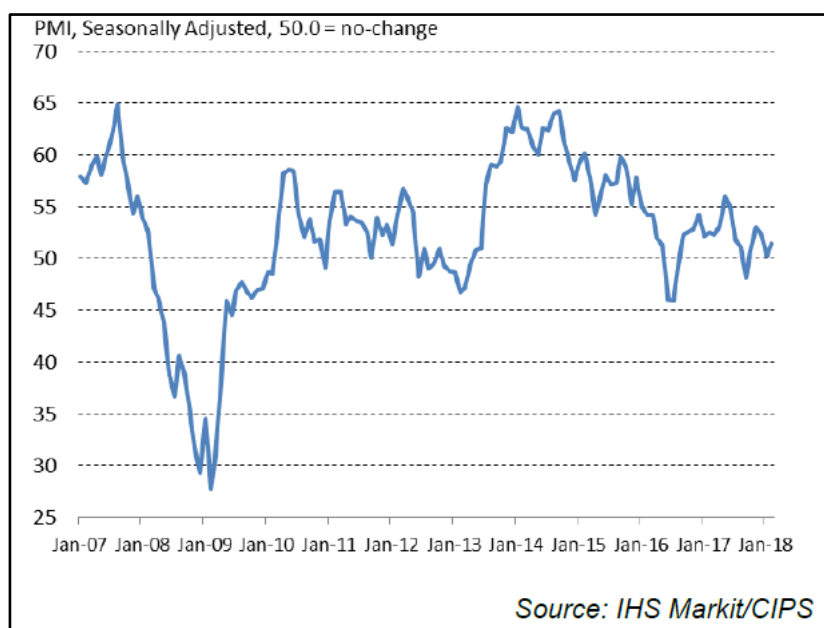


Figure 2 IHS Markit/CIPS Purchasing Managers' Index Construction

- UK service providers experienced a modest rebound in business activity growth during February, supported by the fastest rise in new work since May 2017. The latest survey also pointed to stronger job creation across the service economy, with payroll numbers rising to the greatest extent for five months as firms sought to boost operating capacity in response to improved order books. At the same time, cost pressures moderated to their lowest for a year-and-a-half, which contributed to a further slowdown in prices charged inflation. A number of survey respondents commented on efforts to stimulate demand through competitive pricing strategies and new promotional initiatives. The seasonally adjusted IHS Markit/CIPS UK Services PMI Business Activity Index registered 54.5 in February, up from 53.0 in January, to signal the strongest rate of service sector output growth for four months. Higher levels of business activity were attributed to the resilient economic backdrop and an associated upturn in new work.

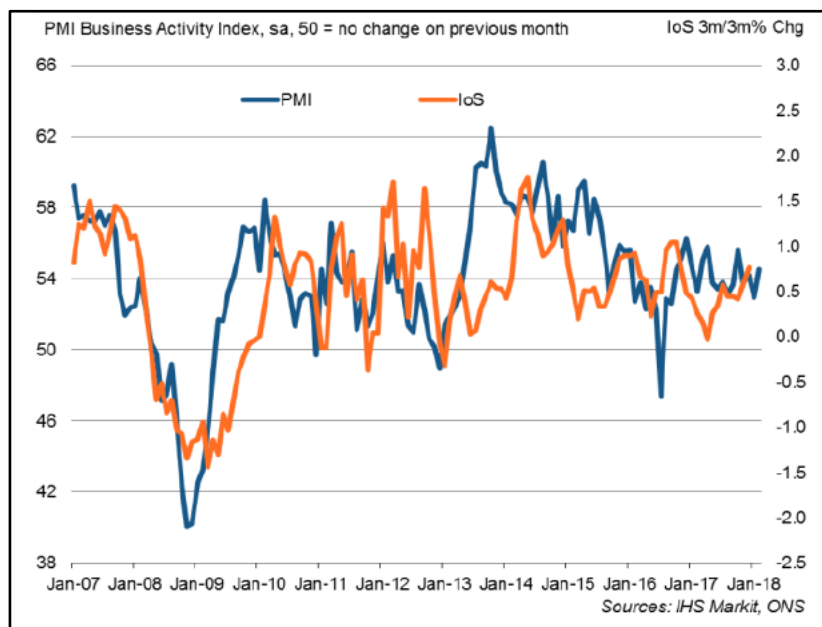


Figure 3 IHS Markit/CIPS Purchasing Managers' Index Service Sector

- Around 4,000 UK employers are now paying the voluntary Living Wage. Chemicals company, Croda, is the latest firm to be accredited to the Living Wage Foundation and commit to pay an hourly wage of at least £8.75 to staff and contractors outside London. This is more than the government's national minimum wage of £7.50 for over 25-year-olds. Croda is the 35th FTSE 100 firm to be accredited.
- The share of Eastern region companies with an elevated insolvency risk has risen to 39 per cent - up from 25 per cent in February 2017 according to figures from the Eastern branch of insolvency and restructuring body R3. Businesses involved in tourism in the region are among the more vulnerable with around two-in-five local operators at a 'higher than normal' risk of insolvency and above the UK average. However, East of England agriculture businesses are the most financially stable in the country.

- East of England businesses could generate an extra £5 billion for the region's economy by boosting productivity and overcoming barriers and by following the examples set by fast-growing businesses in the area, according to a report from Grant Thornton. The East is the fourth largest UK regional economy -worth £150 billion in 2016 - but it ranked only eighth for growth at 3.3 per cent. Given the considerable strengths of the region's economy including a world-leading technology, pharmaceutical and renewable sectors, key ports and a strong food and beverage heritage, there are clearly missed opportunities for growth.
- Lower inflation, progress on Brexit talks and a positive Spring Statement are helping confidence among the East of England's small businesses to recover, according to a report from the Federation of Small Business (FSB). Around a third (32 per cent) of the region's firms expect their performance to improve over the next three months, while nearly four in 10 (38 per cent) expect it to remain the same, the FSB said. Its quarterly small business index (SBI) also found 64 per cent of small firms are seeing revenues either stable or increasing, while almost half (48 per cent) expect to expand their operations over the next year and 28 per cent are planning to increase investment. The quarterly SBI measure for the East was 0 for the first quarter of 2018, up from -4 in the final quarter of 2017. The domestic economy remains the biggest barrier to small business growth for firms in the East, with almost half (48 per cent) of firms polled raising it as an issue. Consumer demand, regulation and appropriately skilled staff are other frequently flagged problems.
- East of England employers emerged as the most confidence of any UK region in terms of hiring with heavy demand for a wide range of roles and more jobs expected in the region although candidates are becoming scarcer as more East European workers return home. A survey by recruitment firm Manpower Group showed a hiring confidence of +10 per cent in the East, compared to a national average of +6 per cent.
- Exports of goods rose by 8.2 per cent to £28.9billion in the East of England in 2017, according to HMRC figures. They show the region is home to more than 15,000 exporters with an average value per exporter of £1.9million.
- Investment in commercial property across the East of England was up in the final quarter of 2017 and above the five-year average, according to figures from consultancy Lambert Smith Hampton. It says Q4 investment in the region stood at £0.6bn, against a five-year average of just over £0.35bn.

Business

- Norwich-based artificial intelligence company, Rainbird Technologies, has been chosen to take part in a development programme which has helped well-known technology companies to reach the next stage of growth. Rainbird Technologies, based on Muspole Street, will be part of the Upscale 3.0 cohort, a programme run by London-based Tech City UK, which will see it given coaching and support to grow.

Alumni of the scheme include energy firm Bulb, online music community Boiler Room and funding-platform Seedrs. Coaches have included Skype founder Niklas Zennstrom, Skyscanner general manager Shane Corstorphine and Graze chief executive Anthony Fletcher.

- Jamie Oliver's restaurant chain has announced it will cut 12 sites as part of a restructure – but its Norwich eatery will stay put. Jamie Oliver Restaurant Group, which has a Jamie's Italian restaurant in the Royal Arcade in Norwich city centre, has said it will close restaurants at Bath, Bristol, Bluewater, Chelmsford, Greenwich, Harrogate, Kingston, Milton Keynes, Piccadilly Diner, Reading, St Albans and Threadneedle St as part of a company voluntary arrangement (CVA). The remaining 25 sites and international business will be unaffected and continue to trade normally.
- Google and parent company Alphabet formed two significant partnerships with local tech firms. Norwich-based creative AI firm, ubisend, has partnered with Archant Media and the Google Digital News Initiative to digitise Archant's 150 year-old archive. The project – known as LocalRecall – will benefit from just under €1m from Google over the next two years. Archant Media is also headquartered in Norwich, and has published over 130 titles since 1870. ubisend will create a digital archive platform with voice-activated search function. When complete, the content will be available in chatbot, voice bot, home assistant and a mobile-first website.
- Norwich-based virtual reality startup, Immersive VR, has partnered with Norwich University of the Arts (NUA) to prepare graduates for the world of work. Immersive VR has created a virtual reality game to sharpen their skills and get a taste for working in the creative sector. The VR experience will place students in scenes like a fashion shoot or film set, and will ask them to complete tasks as if they are working there. The project is funded by £95,000 from NUA and £165,000 from the Higher Education Funding Council for England
- Plans to develop a new Institute of Productivity and an engineering centre at the University of East Anglia to help tackle skills shortages are to be outlined at an energy conference in Norwich in later this month. The new engineering centre would be developed with pump prime funding, and would train engineers and provide high-end equipment and technology to be shared with FE colleges and employers to train apprentices and raise the profile of the sector in the region
- Local authorities in Thetford, Ipswich, Norwich and South Norfolk (Cringleford) have secured more than £37m in government grants to fund infrastructure projects involving more than 10,000 new homes. The £12.2m grant for Norwich City Council from the Housing Infrastructure Fund is for Anglia Square. Norwich, Ipswich and Thetford are deemed priority places in the Norfolk and Suffolk Economic Strategy, which are seen as having significant potential for growth and a pressing need for new housing. The £2.3 billion Housing Infrastructure Fund aims to provide the final piece of infrastructure funding to get additional sites allocated or existing sites unblocked.

- Private and public sector employers, from HM Prison Service to Bernard Matthews, welcomed around 400 jobseekers and others at the Ready for Work fair in Norwich – with more than 250 people coming through the door in the first hour. While there has been a rush of job losses announced in the county in recent months for some employers the fair, organised by Norwich City Council and Jobcentre Plus, was an opportunity to drum up interest in the midst of recruitment difficulties. In particular, companies in the care sector reported some trouble in finding staff.
- Alan Boswell Group has been named as a finalist in the Independent Broker of the Year and Commercial Broker of the Year categories at the Insurance Times Awards 2017. The company launched Alan Boswell Risk Management in April this year, providing health and safety and engineering inspection services nationwide. The news comes just a fortnight before the UK Broker Awards 2017, where the group has been shortlisted for the Customer Service Award.
- Creditors of the Italian restaurant business Prezzo have backed a restructuring plan that will see it close 92 outlets - about a third of the chain including one at Thorpe Road in Norwich.
- Eight bedrooms at the Maids Head Hotel in Tombland were re-opened on Thursday following a refurbishment which included the installation of a high-tech new heating system. The rooms, in the oldest part of the hotel, have capillary mats fitted in the walls and ceilings which distribute heat around the room. The temperature can be controlled through the in-room iPads. Installing the mats involved a two-year process to reroute hot water pipes to the rooms, in the listed part of the building.
- A Norwich-based project which helps people who have been homeless has registered itself as a charity. The Feed Foundation teaches people skills required to work in the food and retail industries, and will initially fund places on The Feed Academy training programmes. It is also working with partners in the food industry and local government on other longer term projects to help homeless people in Norwich. The Feed, which works in partnership with Kettle Foods, has been running for four years and in addition its market stall also runs a catering business providing corporate lunches and other catering services. All profits from The Feed's social enterprise activities, including the stall in Norwich market, will now be gifted to the charity called The Feed Foundation. It will be officially launched in May, and is now accepting donations to support the training programme.
- Norwich Credit Union is to move to a new office in the city after a surge in membership and loans in the past full year. The not-for-profit lender saw its member roll grow by 20 per cent, or 164 people, while the amount borrowed also rose from £251,000 to £308,000, in 2016-17, while the current financial year has seen the trend continue. The union says that the growth has been down to increases in demand in its service points across the county as well as online. The new premises are shared with the YMCA at 35-37 Exchange Street, giving it a ground-floor shop front.

- Norwich City FC is launching a £3.5m five year bond to raise funds to build a state-of-the-art academy as part of a strategy to produce more home-grown players and give supporters a chance to invest in the club. The money raised by the Canaries min-bond - which has a maximum £5m threshold - will be ring-fenced to invest in facilities at Colney and maintain the category 1 status of the academy. The unsecured bond will pay 5 per cent gross interest annually, with an additional 3 per cent gross in club credit, and investors will be paid a one-off 25 per cent bonus if the club is promoted during the lifetime of the bond. The minimum subscription is £500 with no upper limit.
- Loganair has announced it will not be operating planned flights between Norwich and Inverness this summer. Loganair said pre-sales for the Inverness route had been “disappointing”, making it unviable. It is the second service Loganair has cancelled from Norwich Airport in the last three months, after announcing in December that it would no longer run flights to Durham Tees Valley – a route which had been in operation for less than three months. In February its sister airline BMI Regional stopped flights between Norwich and Aberdeen, also citing lack of demand.
- A fitness app which aims to reward people for staying fit has been selected for a national growth programme. Norwich-based Fit Link is among 11 start-ups chosen by UKactive for its ActiveLab accelerator which aims to speed up development at companies with innovative solutions to physical inactivity. The 12-week scheme is backed by Public Health England as well as international tech firms Jonas Software and Life Fitness and will offer training and support for the firms.

Education

- More than 1.2 million children could be falling behind at school because of slow broadband speeds at home, a new study shows. According to research by uSwitch, internet access is now required for around half of all homework set, with 69 per cent of parents agreeing the internet is “essential” to their child’s education. Just 7 per cent of parents said their child does not use the online resources for homework, while 32 per cent said their child uses BBC Bitesize, 38 per cent cited Wikipedia and 40 per cent said their child uses YouTube for educational purposes.

Claimant count unemployment

The “claimant count” measure counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit 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 shows the trend in claimant count unemployment since 2014. Rates have fallen noticeably since the beginning of the period. The rate in the Norwich City Council area started the period significantly above the other reported areas, but throughout the past year the gap narrowed and has fallen below the national rate.

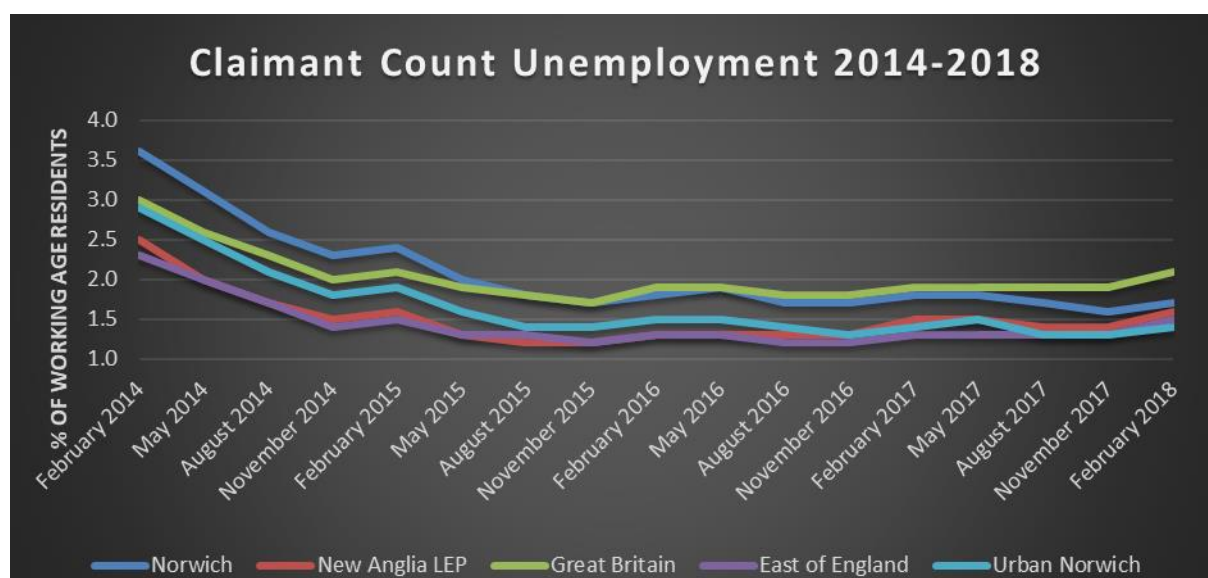


Figure 4 Claimant count unemployment 2014 to 2018

Table 1 Claimant count rate unemployment								
	February 2017		January 2018		February 2018		Monthly change	Annual change
Great Britain	767,895	1.9%	800,490	2.0%	841,210	2.1%	+ 0.1%	+ 0.2%
East of England	50,285	1.3%	51,955	1.4%	54,980	1.5%	+ 0.2%	+ 0.1%
New Anglia LEP	14,525	1.5%	15,135	1.6%	15,875	1.6%	0	+ 0.1%
Norwich City Council ⁱ	1,690	1.8%	1,620	1.7%	1,675	1.7%	0	- 0.1%
Norwich urban ⁱⁱ	2,100	1.4%	2,010	1.4%	2,095	1.4%	0	0

Table 1 shows that the each of the areas saw an increase in claimant count unemployment rates over the year except for the two Norwich areas; across the city council area the rate fell slightly and it remained unchanged in the urban area. Unemployment rates remained

static across both Norwich areas and the LEP area. all the areas compared to the previous month, regionally and nationally rates increased.

Ward level Claimant count unemployment

Table 2 Claimant count unemployment								
	February 2017		January 2018		February 2018		Monthly change	Annual change
Bowthorpe	140	1.7%	135	1.6%	135	1.6%	0	- 0.1%
Catton Grove	170	2.3%	165	2.2%	170	2.3%	+ 0.1%	0
Crome	115	1.9%	115	1.9%	120	2.0%	+ 0.1%	+ 0.1%
Eaton	30	0.6%	20	0.4%	20	0.4%	0	- 0.2%
Lakenham	100	1.7%	105	1.8%	105	1.8%	0	- 0.1%
Mancroft	270	3.5%	260	3.3%	260	3.4%	+ 0.1%	- 0.1%
Mile Cross	205	2.8%	185	2.5%	190	2.6%	+ 0.1%	- 0.2%
Nelson	55	0.7%	50	0.7%	60	0.8%	- 0.1%	- 0.1%
Sewell	105	1.4%	120	1.7%	120	1.7%	0	+ 0.3%
Thorpe Hamlet	185	2.0%	190	2.1%	195	2.2%	+ 0.1%	+ 0.2%
Town Close	90	1.2%	75	1.0%	85	1.0%	0	- 0.2%
University	65	0.7%	55	0.6%	65	0.7%	+ 0.1%	0
Wensum	165	2.0%	145	1.8%	150	1.8%	0	- 0.2%

Compared to this time last year, unemployment rates increased slightly in Crome, Sewell and Thorpe Hamlet wards. and University wards. Rates in Catton Grove and University were unchanged while all other wards saw a marginal reduction.

Over the month, the unemployment rate fell slightly in Nelson ward. Bowthorpe, Eaton, Lakenham, Sewell, Town Close and Wensum rates were unchanged; rates in the remaining wards increased slightly.

Figure 5 demonstrates the wide variation in ward JSA rates across the city council area. The differential between the lowest (Eaton) and the highest (Mancroft) rates currently stands at 3 percentage points.

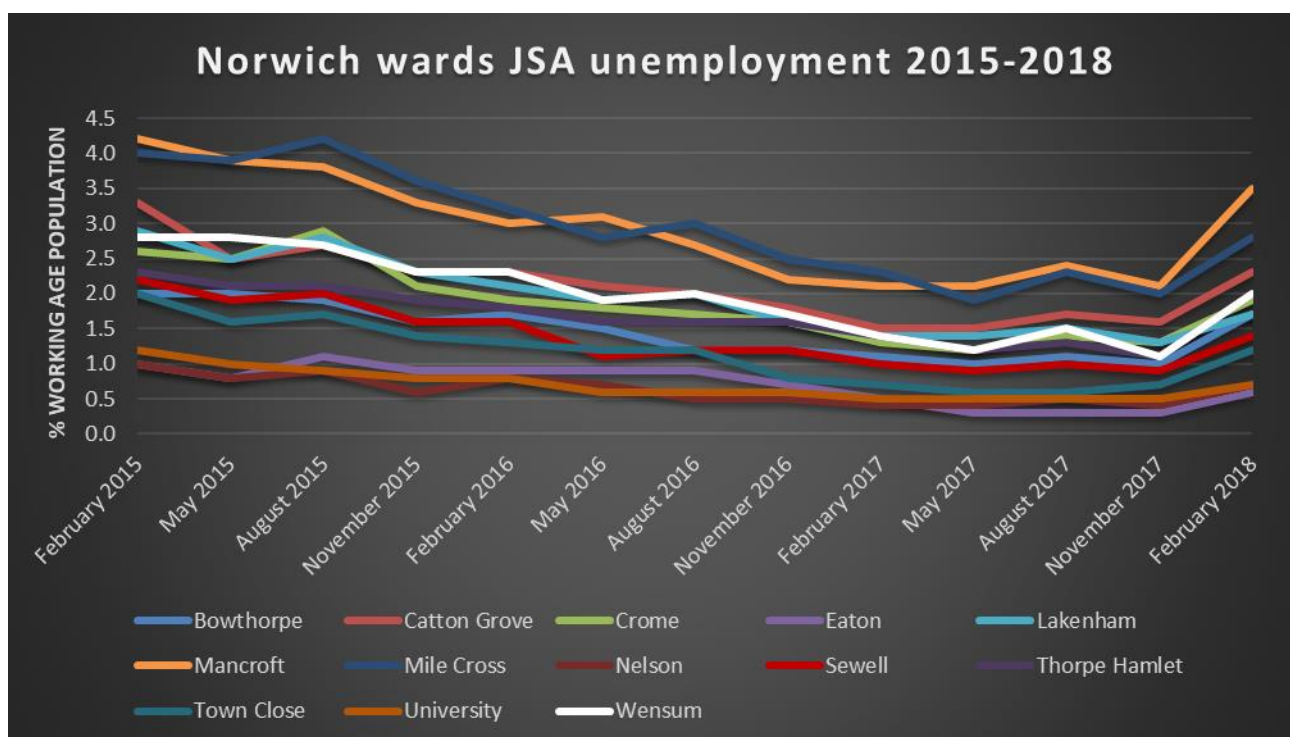


Figure 5 Norwich wards JSA unemployment 2015 to 2018

Claimant count unemployment: age/duration

Gender: in the city council area, one in every three (32 per cent) out-of-work claimants is a woman. Over the month, female rates have remained unchanged across the Norwich area and the LEP area (both 1.1 per cent), but increased regionally (1.2 per cent) and nationally (1.6 per cent).

The male unemployment rate is higher in Norwich (at 2.2 per cent of working age males) than in the LEP area (2 per cent), regionally (1.7 per cent) and nationally (2.6 per cent). Over the month, rates remained unchanged in Norwich and regionally and saw a marginal increase across the LEP area and nationally.

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 on par with 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 is to be expected within the labour market as people move between unemployment, welfare benefits and employment. In Norwich 62.6 per cent of JSAⁱⁱⁱ unemployment claims are for a period of less than six months; higher than the proportion seen across the LEP area (58.7 per cent, nationally (50.8 per cent) and regionally (54.1 per cent).

The percentage of JSA claimants who are recorded as being unemployed for more than 12 months stands at 27.1 per cent in Norwich compared to 29.7 per cent in the LEP area; 30.8 per cent regionally and 30.8 per cent nationally. Relative to the previous month, the percentage of long-term unemployed fell slightly across each of the 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 fallen from 330 people in February 2017 to 300 currently.

Age: For the 18-24 year old age group, the JSA unemployment rate stands at 0.8 per cent in Norwich; 0.7 in the LEP area and regionally and 0.9 per cent nationally.

At the other end of the age scale, Norwich has a higher rate of JSA unemployment claimants aged 50 years and older (1.6 per cent, 320 people) compared to the LEP area (0.7 per cent) and regionally (0.8 per cent) and nationally (1.2 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.

Table 3 Norwich City Council housing benefit^{iv} claimants		
	Number of claimants	Monthly change
March 2017	16,811	- 60 (- 0.3%)
April 2017	16,720	- 91 (- 0.5%)
May 2017	16,806	+86 (+ 0.5%)
June 2017	16,782	- 24 (- 0.01%)
July 2017	16,709	- 73 (- 0.4%)
August 2017	16,631	- 78 (- 0.4%)
September 2017	16,521	- 110 (- 0.7%)
October 2017	16,366	- 155 (- 0.9%)
November 2017	16,298	- 68 (- 0.4%)
December 2017	16,300	+ 2 (+ 0.001%)
January 2018	16,190	- 110 (- 0.7%)
February 2018	16,222	+ 32 (+ 0.2%)
March 2018	16,246	+ 24 (+ 0.1%)

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area increased by 24 claims during March. Over the year, housing benefit claims in Norwich have fallen by 3.4 per cent. Comparable national data is not available because of a time lag in data collection.

Average house prices

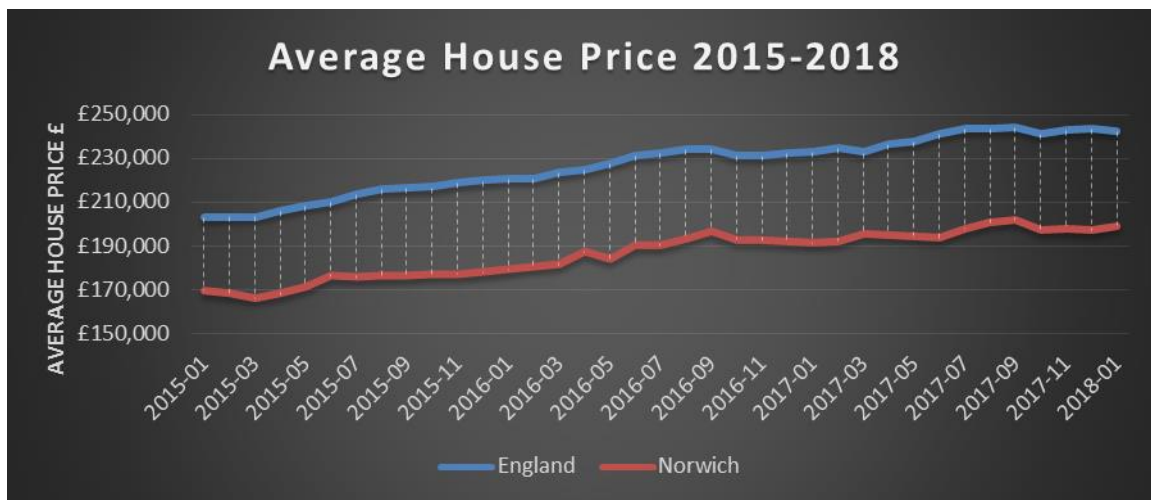


Figure 6 HM Land Registry average house prices 2015-18

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 3.9 per cent in Norwich and 4.6 per cent across England. Figure 6 summarises average house price movements since January 2015.

During the month of January, average house prices grew by 1.14 per cent in Norwich and fell by 0.5 per cent in England compared to the previous month. The average house price in Norwich currently stands at £199,300 against £242,286 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; B

i 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

ii 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,

iii Claimant count data not yet available by age/duration

iv Housing benefit numbers include people who are claiming council tax benefit only



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