



June 2018

Norwich Economic Barometer



NORWICH
City Council

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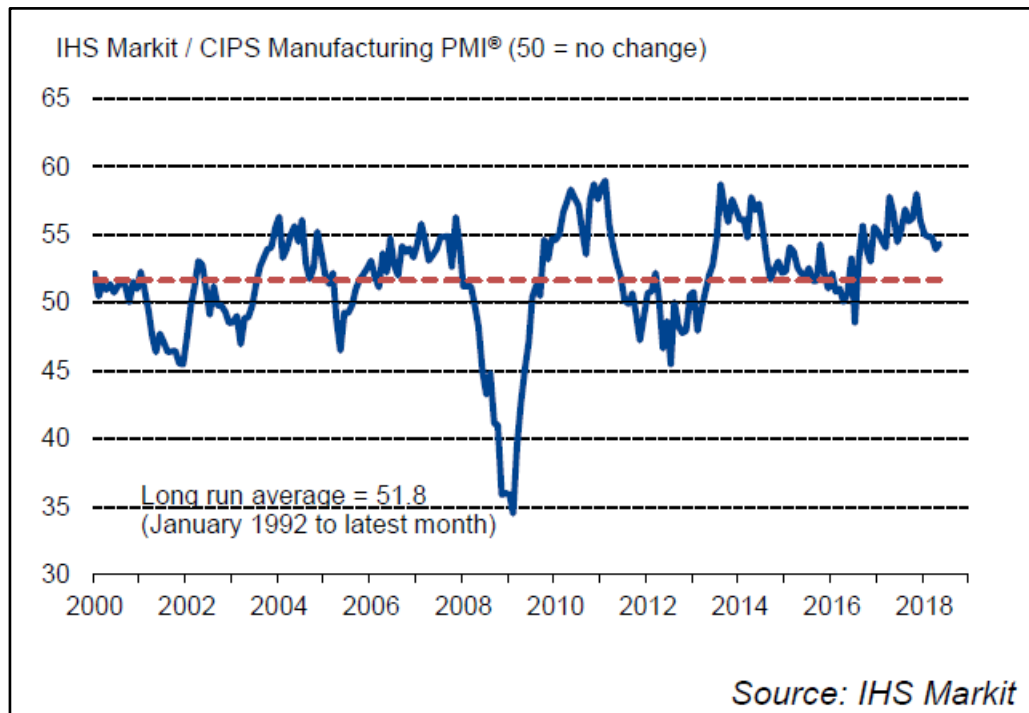


Figure 1 IHS Markit/CIPS Purchasing Managers' Index Manufacturing

- Figure 1 shows that May saw a mild improvement in the performance of the UK manufacturing sector. The seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index (PMI) rose to 54.4, up slightly from April's 17-month low of 53.9, to signal growth for the twenty-second straight month. The improved trend signalled by the PMI masked several areas of potential concern. Although growth of production accelerated to its best during the year-so-far, this was mainly achieved through the steepest build-up of finished goods inventories in the 26-year survey history and a sharp reduction in backlogs of work. Growth of incoming new business remained solid in May, but the pace of expansion eased to an 11 month low. The slower trend reflected a softer increase in new work from the domestic market, as inflows of new business from overseas strengthened slightly. Companies reported growth of new work from mainland Europe, North America, China, India, South America and Africa. The pace of job creation in the manufacturing sector also lost momentum in May. Employment rose only marginally, with the pace of increase the lowest in 15 months. Higher staffing levels at intermediate and investment goods producers were partially offset by job losses at consumer goods producers.
- Latest PMI data signalled only a modest improvement in UK construction activity midway through the second quarter, with the pace of expansion matching that registered in April. Commercial activity growth accelerated to a three-month high in May; however, softer expansions in both residential and civil engineering activity

were recorded. Furthermore, new order books contracted for the fourth time in the past five months amid general uncertainty in the sector. Figure 2 shows that at 52.5 in May, the seasonally adjusted IHS Markit/CIPS UK Construction Purchasing Managers' Index (PMI) remained unchanged since April. The figure was indicative of a moderate increase in total activity, albeit one that was subdued in the context of historical data. Some firms suggested that unusually good weather conditions had supported activity and enabled them to continue catching up after prior months' weather-related disruptions. Residential work remained the strongest of the three monitored sub-sectors for the third month running during May. The pace of expansion eased from April's 11-month high, which had seen house building activity rebound from heavy snow in March. Both the commercial and civil engineering sectors remained in growth territory for the second month running in May, with the former being the only category to record a faster rate of expansion than in April.

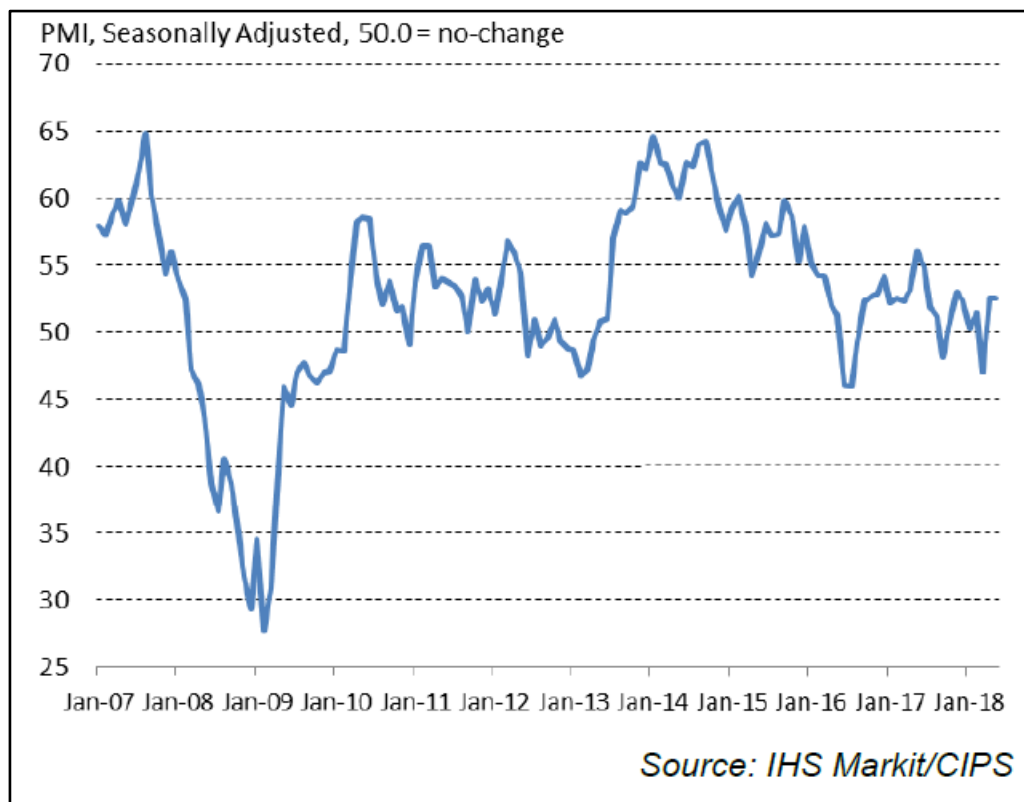


Figure 2 IHS Markit/CIPS Purchasing Managers' Index Construction

- Figure 3 demonstrates that the May data revealed another improvement in business activity growth across the service sector, with the latest expansion the fastest for three months. However, new business volumes continued to rise at a relatively subdued rate, with survey respondents noting that Brexit-related uncertainty remained a key factor holding back decision making among clients. At the same time, tight labour market conditions placed upward pressure on staff wages and difficulties recruiting suitably skilled staff in May. The latest increase in service sector employment numbers was the second-weakest since March 2017. Adjusted for seasonal influences, the IHS Markit/CIPS UK Services PMI® Business Activity

Index rose to 54.0 in May, up from 52.8 in April and comfortably above the 50.0 no-change value. The latest reading was the highest since February and signalled a solid upturn in overall business activity across the service economy. Service providers cited a catch-up from the snow-related disruption seen in the first quarter of 2018, alongside sustained growth of incoming new work. Improved sales volumes were attributed to competitive pricing strategies, greater business investment and successful new product launches in May. However, the latest increase in overall new work received by service sector firms was still one of the weakest seen since the summer of 2016. Reports from survey respondents suggested that subdued consumer spending and Brexit-related concerns among large corporate clients had weighed on new business growth in May.

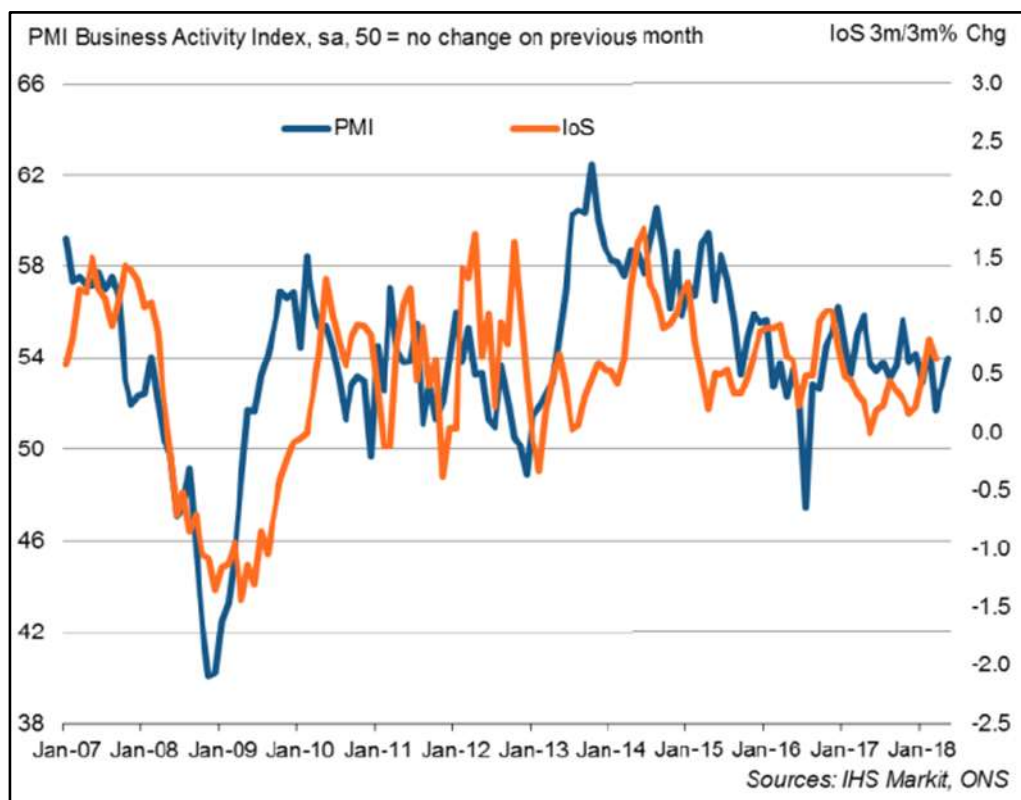


Figure 3 IHS Markit/CIPS Purchasing Managers' Index Service Sector

- UK wage growth fell short of expectations in April, raising further doubts over whether the Bank of England will raise interest rates this summer. The Office for National Statistics (ONS) reported that average total wages grew by 2.5 per cent year-on-year in the three months to April, down from the 2.6 per cent rate in the same period to March. Wage growth excluding bonuses, the measure the Bank of England tends to watch closely, slipped to 2.8 per cent, down from 2.9 per cent previously.
- Lloyds Banking Group has arranged a £2bn Clean Growth Finance scheme with new funding to help UK businesses invest in areas such as reducing carbon emissions, increasing energy efficiency and investing in low carbon vehicles. The bank has also

partnered with the University of Cambridge's Institute for Sustainability Leadership to provide specialist training to over 300 relationship managers.

- The European Commission has advised EU businesses to think twice before using parts and components made in Britain. The advice, which has the potential to seriously harm Britain's automotive industry, instructs European businesses such as car manufacturers to look elsewhere for parts if they want to continue benefiting from EU free trade agreements. Most international free trade agreements have so-called "rules of origin" which mean a product can only benefit from the low tariffs the deal negotiates if it can be proven to mostly originate from the country that signed the deal – in this case the EU. But because Britain is leaving the EU customs union as part of Brexit, anything made in Britain will no longer count as being made in the EU customs area. For car manufacturers based on the continent, this means using British-made components could now harm their access to dozens of countries the EU has free trade agreements with – making their exports uncompetitive compared to businesses that use EU-sourced components.
- Britain's manufacturing sector has shrunk in the past decade by almost 600,000 jobs to leave fewer than 3 million workers employed in the sector. A study by the GMB union found that every region in the UK has suffered a decline in manufacturing employment over 10 years, with London, Scotland and the north-west the worst affected. In 2007, the UK supported 3.5m permanent and temporary manufacturing jobs – more than 12 per cent of the all British employment – but by 2016 that had slumped to 2.9m, or 9.2 per cent of the total, the union said.
- Wage growth unexpectedly slipped to 2.8 per cent from 2.9 per cent in the three months to April, despite unemployment falling by 38,000 to 1.42 million, official figures show. Economists had expected wage growth to remain steady at 2.9 per cent. The slowdown is likely to dampen expectations of an interest rate rise in August. Wage growth is one of the key figures the Bank of England monitors to assess the health of the UK economy. Although it is currently above the level of inflation of 2.4 per cent, it remains well below inflation's five-year high of 3.1 per cent seen in November. This consumer spending squeeze is one of the reasons many shops are currently struggling. Economists said the latest figures reduce the chances of a near-term increase in interest rates.
- UK pump prices have risen to their highest level in nearly four years, despite the price of crude oil falling back in recent weeks. The UK average price of petrol rose to 129.37p per litre over the first weekend in June, the highest since August 2014, according to the latest figures from the AA. Meanwhile, diesel increased to 132.31p, the most expensive it has been since October 2014.
- Nearly 4 million adults in the UK have been forced to use food banks due to "shocking" levels of deprivation, figures have revealed for the first time. A poll commissioned by The Independent reveals one in fourteen Britons has had to use a food bank, with similar numbers also forced to skip meals and borrow money

as austerity measures leave them “penniless with nowhere to turn”. The findings come as a major report by the Joseph Rowntree Foundation (JRF) shows more than 1.5 million people were destitute in the UK last year alone. This includes 365,000 children, with experts warning that social security policy changes under the Tory government were leading to “destitution by design”. Destitution is defined as people lacking two “essential needs”, such as food or housing.

- Business activity across the East of England picked up sharply in May helped by an increase in new orders and robust demand although optimism has faded in the light of political and economic uncertainty, according to a key survey of purchasing managers. As businesses continued to catch-up after bad weather in March, the NatWest East of England business activity index rose to 55.8 in May, from 53.1 in April, pointing to a higher increase in output than the UK average. The survey noted client demand for goods and services produced in the East of England increased at a marked rate in May and an increase in payroll numbers although below the pace seen over the past year as skills shortages bite. New business growth was the fastest in three months and backlogs of work fell for the first time since last August although firms raised selling prices at a marked rate. Firms were generally positive on future business conditions but optimism fell to a 22-month low in May, reflecting political and economic uncertainty
- Manufacturers in the East of England have seen conditions ease in the second quarter and face a 'slightly more subdued outlook' although orders remain strong thanks to a pick-up in export business, says a sector survey from EEF and BDO. It says political uncertainty, slower global growth and a weaker construction sector is behind a fall in output from +32 per cent at the start of this year to +6 per cent . However total orders remained ‘very strong’ at +41 per cent , thanks to more overseas orders. Intentions to recruit and invest have also slowed in response to political uncertainty and EEF has cut its forecast for GDP growth slightly to 1.2 per cent in 2018 and 1.3 per cent in 2019.
- Unite is warning that the Constructionarium project, which gives undergraduates construction experience, is at risk of closure as result of the Construction Industry Training Board’s plans to close its HQ at Bircham Newton in north Norfolk and withdraw from direct construction training. Last year 900 students and 160 university staff attended the Constructionarium project at Bircham Newton. The training board’s plans include closing Bircham Newton, outsourcing more and moving its HQ to Peterborough.
- A record number of projects were started with direct foreign investment (FDI) in the East of England in 2017. The region ranked 7th out of 12 UK regions for Foreign Direct Investment (FDI) with a total of 59 projects supported, up from 40 in 2016, according professional services firm EY’s 2018 UK Attractiveness Survey. Digital overtook business services as the East’s most popular sector to invest in, representing a quarter (25 per cent) of all inward investment into the region in 2017.

Despite the level of FDI attracted, the number of jobs created in the East of England by overseas investors decreased by 4 per cent – from 2,953 in 2016 to 2,835 in 2017 – although EY said this is still regarded as a “substantial level” of new employment compared to previous years.

- Employers in the East of England are becoming more cautious about hiring, according to recruitment firm ManpowerGroup. Its measure of ‘hiring confidence’ in the region has fallen from +10 per cent to +1 per cent, compared with a national outlook of +4 per cent.

Business

- Innovative start-up businesses and high-growth companies in Norfolk and Suffolk could benefit from a new £1m allocation to New Anglia LEP’s ‘angel’ investment programme, New Anglia Capital. Since 2014, New Anglia Capital has invested almost £2m in 13 businesses across the East. A total of 30 ‘angels’ have also been recruited to Anglia Capital Group with a further three members anticipated in each county by the end of 2018. New Anglia Capital is a co-investment fund with New Anglia LEP and Anglia Capital Group, based at Norwich Research Park.
- House of Fraser has announced plans to shut 31 of its 59 stores across the UK and Ireland as part of a rescue deal, impacting around 6,000 jobs. The store in intu Chapelfield in Norwich is not one of the stores affected but its flagship store on Oxford Street in London will close. House of Fraser said it has already informed those whose jobs are impacted by its plans. The closures are part of a proposed Company Voluntary Arrangement, which will require approval from creditors who will make their decision on June 22.
- Cycling in Norwich has been handed a £1.7m safety boost after the city was named as one of six places to share a multi-million pound pot of cash. The money, from the Department for Transport Cycle Ambitions City fund, is likely to be used to make improvements to Earlham Road and the Fiveways roundabout, pending the results of public consultation. Just over £1m has been allocated to make improvements to the green pedalway, which stretches from Bowthorpe to Broadland Business Park. It would go towards a £1.6m scheme which would see a number of changes to Earlham Road, including new cycle lanes, improved crossings, a 20mph speed limit on a section of the road and alterations made to the roundabout where the outer ring road meets the road.
- Brightstar Recruitment has been founded by Mark Fletcher, who was previously operations director of Cooper Lomaz Recruitment. The agency, based in Princes Street, will focus on technology, marketing and leadership roles at businesses looking to grow their digital footprint.
- A Norwich-based home care company has been named one of the top 20 most recommended care providers in the UK. Home Instead Senior Care, which specialises in providing at-home care to the elderly, has been recognised at the

Home Care Awards 2018, which are based on nearly 10,000 reviews left on homecare.co.uk, a leading home care review website. This is the second time the Norwich office has taken a top spot. The business was rated highly across all categories and received an overall rating of 9.8/10.

- More than 200 homes could be built on a city centre site which has stood empty for almost a decade. Plans for the homes, on part of the former Jarrold printworks site, at Barrack Street in Norwich, are on the brink of being lodged. Permission for a £50m scheme, including 200 homes, a 60-bedroom hotel and offices, was granted to Jarrold in 2007. Essex-based housebuilder Hill are about to submit proposals for 216 homes and 450 square metres of commercial floorspace.
- Sapphire Controls, based in Roundtree Way, Norwich, has been taken over by chief executive Robert Doe and chairman Keith Reynolds in a management buy in and buy out (Bimbo) which has seen Andrew Rackham retire from the business after 30 years at the helm. The company works with customers such as the NHS, O2 Arena, Channel 4 and banks such as Barclays, Deutsche Bank and Royal Bank of Scotland.

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.

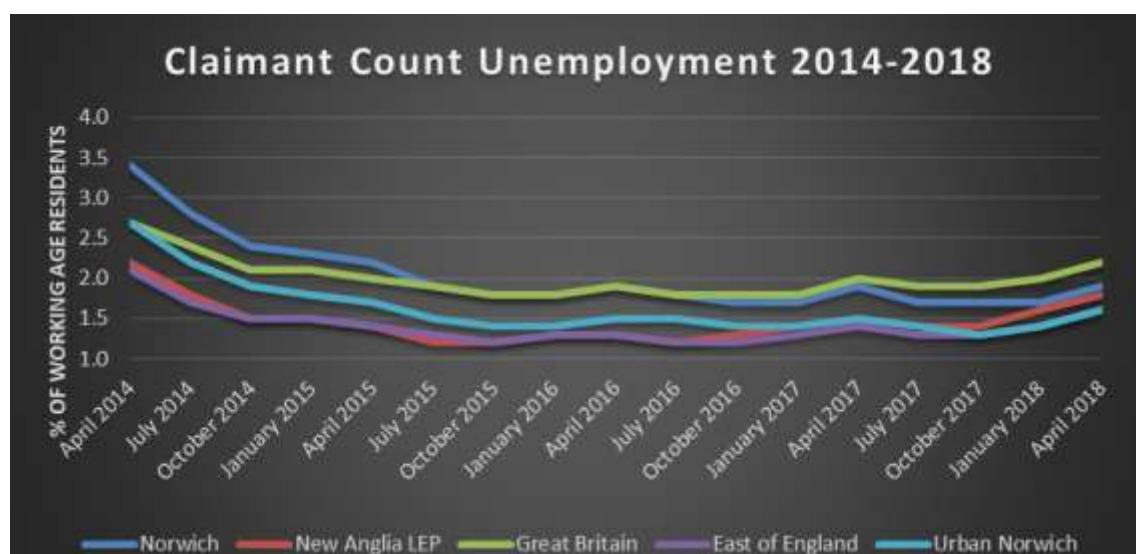


Figure 4 Claimant count unemployment 2014 to 2018

Table 1 Claimant count rate unemployment								
	April 2017		March 2018		April 2018		Monthly change	Annual change
Great Britain	790,050	2.0%	864,205	2.1%	896,295	2.2%	+ 0.1%	+ 0.2%
East of England	51,270	1.4%	57,135	1.5%	60,695	1.6%	+ 0.1%	+ 0.2%
New Anglia LEP	14,970	1.5%	16,355	1.7%	17,195	1.8%	+ 0.1%	+ 0.2%
Norwich City Council ⁱ	1,795	1.9%	1,745	1.8%	1,840	1.9%	+ 0.1%	0
Norwich urban ⁱⁱ	2,220	1.5%	2,190	1.5%	2,300	1.6%	+ 0.1%	+ 0.1%

Table 1 shows that the each of the areas saw an increase in claimant count unemployment rates over the year except for the Norwich city council area where the rate was unchanged. Over the month, unemployment rates increased cross each of the reported areas.

Ward level Claimant count unemployment

Table 2 Claimant count unemployment								
	May 2017		April 2018		May 2018		Monthly change	Annual change
Bowthorpe	150	1.8%	140	1.7%	150	1.8%	+ 0.1%	0
Catton Grove	175	2.4%	175	2.3%	185	2.5%	+ 0.2%	+ 0.1%
Crome	135	2.2%	120	2.0%	120	2.0%	0	+ 0.2%
Eaton	30	0.6%	25	0.5%	25	0.5%	0	+ 0.1%
Lakenham	120	2.1%	115	2.0%	115	2.0%	0	+ 0.1%
Mancroft	280	3.6%	250	3.3%	265	3.4%	+ 0.1%	- 0.2%
Mile Cross	225	3.1%	205	2.8%	210	2.9%	+ 0.1%	+ 0.2%
Nelson	55	0.8%	45	0.6%	55	0.7%	+ 0.1%	- 0.1%
Sewell	110	1.5%	130	1.8%	135	1.8%	0	+ 0.3%
Thorpe Hamlet	185	2.1%	205	2.3%	215	2.4%	+ 0.1%	+ 0.3%
Town Close	105	1.3%	95	1.2%	110	1.4%	+ 0.2%	+ 0.1%
University	60	0.7%	70	0.8%	85	0.9%	+ 0.1%	+ 0.2%
Wensum	165	2.0%	170	2.0%	175	2.1%	+ 0.1%	+ 0.1%

Compared to this time last year, unemployment rates fell slightly in Mancroft and Nelson wards. The rate in Bowthorpe was unchanged while all other wards saw a marginal increase.

Over the month, rates were unchanged in Crome, Eaton and Lakenham wards; 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 2.9 percentage points.

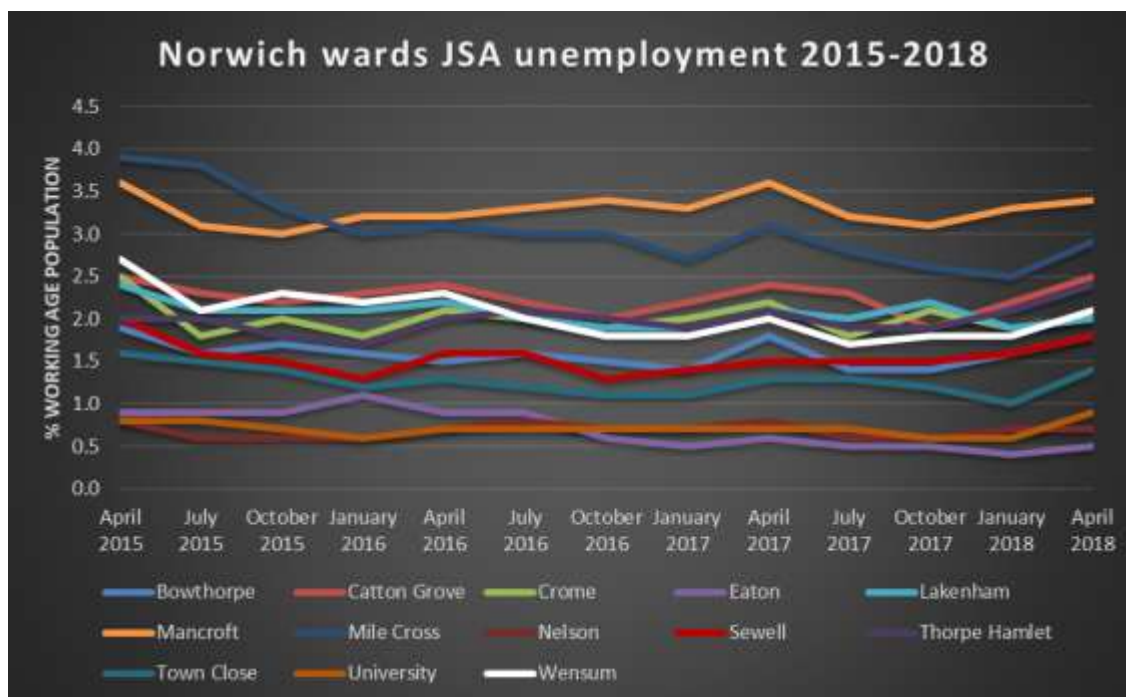


Figure 5 Norwich wards JSA unemployment 2015 to 2018

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 increased slightly across the Norwich area (1.3 per cent), the LEP area (1.4 per cent), regionally (1.3 per cent) and nationally (1.7 per cent).

The male unemployment rate is higher in Norwich (at 2.6 per cent of working age males) than in the LEP area (2.2 per cent), regionally (1.9 per cent) and nationally (2.7 per cent). Over the month, rates saw a marginal increase across each of the reported areas.

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 just 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 is to be expected within the labour market as people move between unemployment, welfare benefits and employment. In Norwich 64.6 per cent of JSAⁱⁱⁱ unemployment claims are for a period of less than six months; higher than the proportion seen across the LEP area (59.5 per cent, nationally (48.9 per cent) and regionally (52.5 per cent).

The percentage of JSA claimants who are recorded as being unemployed for more than 12 months stands at 23.8 per cent in Norwich compared to 28.1 per cent in the LEP area; 31.6 per cent regionally and 35 per cent nationally. Relative to the previous month, the

percentage of long-term unemployed fell slightly across Norwich and the LEP area but increased at the regional and national levels.

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 320 people in April 2017 to 300 currently.

Age: For the 18-24 year old age group, the JSA unemployment rate stands at 1 per cent in Norwich and nationally; 0.8 in the LEP area and regionally 0.7 per cent.

At the other end of the age scale, Norwich has a higher rate of JSA unemployment claimants aged 50 years and older (1.7 per cent) compared to the LEP area (0.6 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
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%)
April 2018	16,183	- 63 (- 0.4%)
May 2018	16,170	- 13 (0.03%)

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area fell by 13 claims during May. Over the year, housing benefit claims in Norwich have fallen by 3.8 per cent. Comparable national data is not available because of a time lag in data collection.

Average house prices

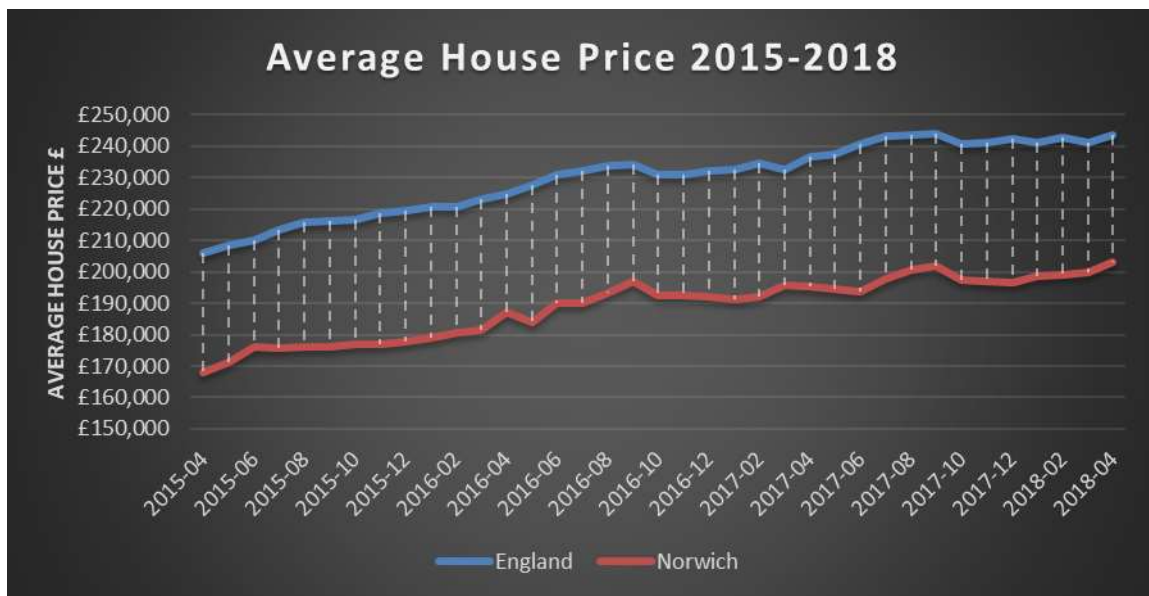


Figure 6 HM Land Registry average house prices 2015-18

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 3.4 per cent in Norwich and 3.7 per cent across England. Figure 6 summarises average house price movements since April 2015.

During the month of April, average house prices grew by 1.6 per cent in Norwich and 1 per cent in England compared to the previous month. The average house price in Norwich currently stands at £202,920 against £243,639 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.

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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