



November 2019

Norwich Economic Barometer



NORWICH
City Council

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Business news

Economy

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.5 per cent in October 2019, down from 1.7 per cent in September 2019. The largest downward contribution to change in the CPIH 12-month inflation rate, between September and October 2019, came from electricity, gas and other fuels as a result of changes to the energy price cap. Further downward contributions from furniture, household equipment and maintenance; and recreation and culture, were partially offset by rises in clothing and footwear prices. The Consumer Prices Index (CPI) 12-month inflation rate was 1.5 per cent in October 2019, down from 1.7 per cent in September 2019.
- Ongoing uncertainties surrounding Brexit, the economic outlook and the political situation continued to weigh on the UK manufacturing sector during October. Output and new order inflows contracted, leading to further job losses. Firms also ramped up stock-building and purchasing activity in the lead-up to the (postponed) October Brexit departure date. Figure 1 shows that the headline seasonally adjusted IHS Markit/CIPS Purchasing Managers' Index (PMI) rose to 49.6 in October, up for the second successive month but remaining below the neutral 50.0 mark separating expansion from contraction. The downturn in manufacturing production continued, although the rate of contraction slowed. Firms reported that weaker inflows of new business, especially from the domestic market, had led to a further scaling back of output. This was partly offset by manufacturers who raised production to build-up stocks in advance of the October Brexit deadline.



Figure 1 UK Manufacturing IHS Markit/CIPS Purchasing Managers' Index

- October data pointed to a sustained decline in UK construction output, with overall volumes of work falling for the sixth consecutive month. The latest survey also revealed a sharp drop in new work, although the rate of contraction was the slowest for three months summarised in Figure 2. Meanwhile, construction companies

continued to reduce their workforce numbers in October, which was linked to weak order books and concerns about their near-term business outlook. At 44.2 in October, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index registered below the crucial 50.0 no-change threshold. The latest reading was up from 43.3 during the previous month, but still close to the ten-year low seen in June (43.1). Construction companies noted that client demand remained subdued in response to domestic political uncertainty and the economic backdrop. In some cases, survey respondents noted that unusually wet weather in October had acted as an additional headwind to construction output. Lower volumes of work were recorded across all three broad categories of activity. Civil engineering was the worst-performing area, with business activity falling at the sharpest pace since October 2009. House building also decreased at a faster rate in October. Latest data pointed to the greatest drop in residential work for over three years. At the same time, commercial construction fell for the tenth month running, but at the slowest rate since May.



Figure 2 HIS Markit/CIPS UK Construction Total Activity Index

- Figure 3 demonstrates that the UK service sector registered no change in output in October compared with one month previously, according to the latest IHS Markit / CIPS PMI survey data. Although this represented a slight improvement on September's contraction, business levels were supported by existing contracts as the volume of new work declined further. This led to more job losses in the sector, albeit at a slower rate. The outlook improved slightly as a number of firms expected Brexit to be resolved early next year, reducing uncertainty, but overall sentiment remained historically weak. The seasonally adjusted IHS Markit/CIPS UK Services PMI Business Activity Index ticked up to 50.0 in October, from September's 49.5, signalling no change in service sector output. The latest figure was among the lowest registered in the past ten-and-a-half years, and below each of the trend levels for the first, second and third quarters of 2019 (50.1, 50.5 and 50.5 respectively). Service providers reported lower intakes of new business for the second month running in October. New work has now declined seven times in the first ten months

of 2019. The rate of contraction in the latest period was the fastest since April, but modest overall. Companies continued to link lower new work to uncertainty surrounding Brexit. Uncertainty around Brexit also undermined international demand for UK-based services. New export business fell at a rate unchanged from September's near-record pace.

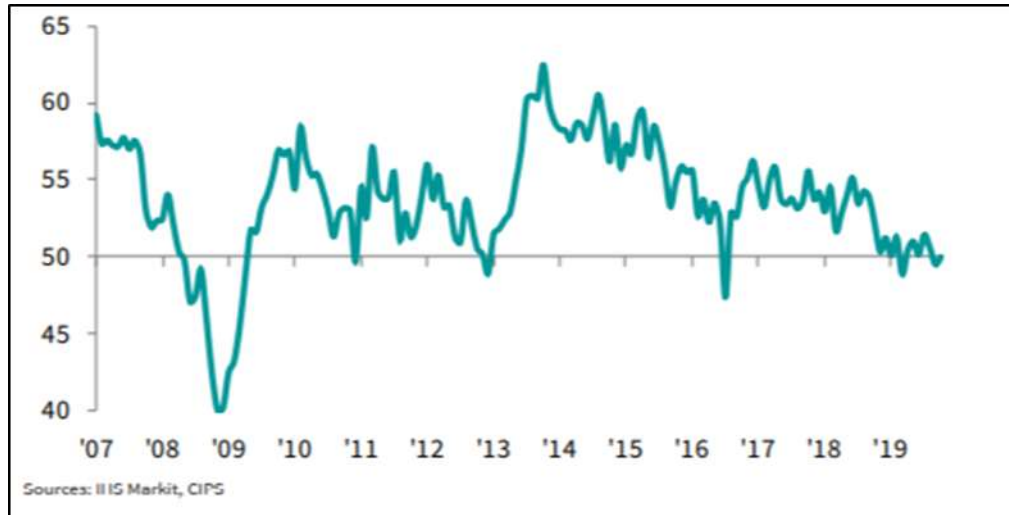


Figure 3 IHS Markit/CIPS UK Services PMI Business Activity Index

- A surge in building and construction business failures was partly behind a 35 per cent increase in the number of companies going into administration in the third quarter of the year, according to KPMG. A total of 417 companies went into administration between July and September, up from 310 in the previous quarter and 322 in the period last year.
- According to the latest KPMG and REC, UK Report on Jobs data recruitment consultancies across the UK continued to register subdued hiring trends during October. Permanent staff appointments fell solidly at the start of the fourth quarter, which was widely linked to Brexit-related uncertainty, as many employers had chosen to cancel or postpone hiring until there was greater clarity over the outlook. Growth of temp billings meanwhile eased to a marginal pace. Demand for staff was likewise relatively lacklustre, with vacancies expanding at the slowest rate for over seven-and-a-half years. Notably, growth of demand weakened for both permanent and short-term staff. An uncertain outlook also weighed on overall candidate availability, which fell at the quickest rate since June. Reduced labour supply meant that employers had to up pay offers again, with starting salaries and temp wages rising at marked rates.
- Visa's UK Consumer Spending Index, compiled by IHS Markit, indicated that expenditure fell on an annual basis for the thirteenth month in a row during October. That said, the rate of decline softened from -2.3 per cent on the year in September to -1.1 per cent, to indicate the weakest pace of contraction for six months. Household spending also slipped on a month-on-month basis (-0.3 per cent). However, the three-month-on-three-month measure showed an increase (+0.2 per

cent) for the first time since January. Expenditure split by channel showed a renewed increase in eCommerce spend (+1.1 per cent year-on-year), which ended a two-month sequence of decline. At the same time, Face-to-Face expenditure fell at a softer pace compared to September (-2.4 per cent).

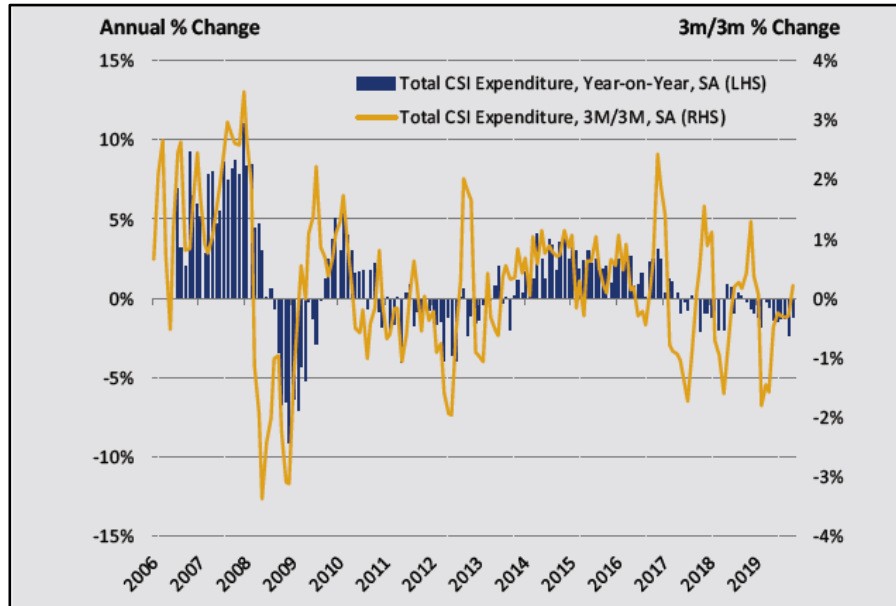


Figure 4 Visa/HIS Markit Total Consumer Spending Index,

- The number of children growing up in poverty in working households has increased by 800,000 since 2010, a new study by the TUC suggests. The analysis indicates that child poverty in working families rose to 2.9 million cases last year, an increase of 38 per cent since the start of the decade. In 2010, one in five children in working households were growing up in poverty, but by 2018 this had increased to one in four, the union organisation found. The TUC claims government policies accounted for most of the in-work poverty increase. More than 485,000 children in working households have been pushed below the breadline as a direct result of the government's in-work benefit cuts.
- Figures pointing to an encouraging rise in research and development in the region have emerged in statistics showing a 22 per cent rise in claims for R&D tax credits in the East of England over 2017/18. HMRC statistics show firms in the region submitted 4,710 claims for tax credits, up from 3,870 previously. Meanwhile, the level of support rose by 41 per cent. The improvement was in line the national trend; across the UK, the amount of R&D support claimed rose to £4.3bn, a rise of £1bn from the previous year.
- The third quarter rise in insolvencies are further evidence that the economic and political turbulence of the last 12 months has taken its toll on businesses, according to insolvency trade body 3R. Underlying corporate insolvencies in the July-September rose by 1.6 per cent compared to the third quarter last year and were up by 0.4 per cent on the previous three months.

- Quoted companies in East Anglia issued seven profit warnings in the first nine months of the year - the highest level for three years - after four warnings appeared in the third quarter, according to a survey from EY.
- SMEs which export are seeing stronger growth and profits although many firms see finance as an obstacle to selling overseas, according to research for UK Export Finance. It shows that firms which export have been growing at 15.2 per cent over the past five years, compared to 8.4 per cent for those with a more domestic focus. The survey of more than 1,000 UK SMEs by YouGov also showed that exporting has boosted profits by up to 20 per cent and a minority say it has lifted them by more. Around a fifth of SMEs believe they could export but don't with late payment seen as the key issue preventing them. Around 45 per cent of export sales are on credit. Other potential issues include difficulty managing exporting procedures and the time taken to get paid by foreign buyers.
- Business confidence in the East of England fell in October but a growing number of firms in the region plan to hire more staff over the coming year, according to a 'business barometer' survey from Lloyds Bank Commercial Banking. Overall confidence amongst firms in the East fell two points in October to two per cent and firm's confidence in their own business prospects fell ten points to seven per cent. But hiring intentions showed that a net balance of 8 per cent of businesses in the region expect to hire more staff during the next year, up eight points on September. Across the country, overall confidence rose four points to six per cent as firms' confidence in their own prospects climbed slightly.

Local business

- Hardwick House, Agricultural Hall Plain, which has been empty since September 2018, has been sold to Create Consulting, spearheaded by Jonathan Cage, who is also president of the Norfolk Chamber of Commerce. Create Consulting is a specialist engineering firm providing a range of technical services to the construction and property industry, established in 2009 by Mr Cage, a chartered engineer, and currently based in Princes Street. The firm later opened a second office in Norwich, housing its administration team, and expanded further with a central London office and then in Braintree, Glasgow and Chelmsford.
- Work has started on a project to create a £7m hangar and workshop at Norwich Airport capable of taking two Boeing 737 aircraft. The new airside 54,000 sq ft hangar and 15,500 sq ft workshop are being built to accommodate the expansion of KLM UK engineering group, giving them more space to maintain, service and repair aircraft to customers worldwide. KLM UK Engineering, which has been headquartered in Norwich for more than 40 years, currently has five heavy maintenance bays across three hangars at the airport. With KLM moving into the new hangar, the vacated space will be taken up by Satys Air Livery UK. The aircraft repainting company will be making Norwich the head office for its painting and

aftermarket division. With four hangers used for repainting narrow body aircrafts this will now make Norwich Airport the largest site in Europe used for this purpose.

- According to independent surveyors Censuswide, more than twice as many business owners in the East of England would choose to recruit an older worker than a younger candidate - despite having the same skills and experience. Nationally 36 per cent of SME owners said they would rather recruit a 55-year-old than a Millennial - but this figure rose to 40 per cent in the East of England.
- Further, a Norwich-based digital marketing agency, has been acquired by an international B2B agency, Gravity Global. Further, which also has offices in London and Cambridge, employs 35 and specialises in search, content and social media marketing for clients including Avast, Aetna International, British Safety Council and Virgin Wines. The agency has been ranked in the Top six small search agencies in Europe for the past five years, picking up several UK and European search awards.
- New Anglia LEP is launching a call for innovative projects which support growth across Norfolk and Suffolk. Its £1.5 million Innovative Projects Fund invites submissions from new revenue projects which help to deliver its economic and local industrial strategy.
- According to a new report from Savills, Norfolk and Norwich are well-placed to meet future challenges and adapt to change helped by further development in the A11 'Tech Corridor'. The report states that the route between Norwich and Cambridge has the potential to create £500m of innovation-led growth.

Education

- Five University of East Anglia (UEA) scientists have been named in the top 1 per cent of the world's most highly cited researchers. The annual Highly Cited Researchers 2019 List identifies influential researchers who have demonstrated significant global influence through publication of multiple highly cited papers in the last decade. The UEA professors named in the list are: Prof Phil Jones; Professorial Fellow, School of Environmental Sciences, Prof Corinne Le Quéré; Professor of Climate Change Science, School of Environmental Sciences and Tyndall Centre for Climate Change Research, Prof David Livermore; Professor in Medical Microbiology, Norwich Medical School, Prof Robert Nicholls, Tyndall Centre for Climate Change Research and Prof Carlos Peres; Professor of Environmental Sciences, School of Environmental Sciences. Researchers were selected for their exceptional performance in one or more of 21 fields, with the 2019 analysis using papers that were published and cited between 2007 and 2017.
- Norwich University of the Arts (NUA) has been ranked 2nd in the UK for Overall Quality and 1st for Resources in the AdvanceHE Postgraduate Taught Experience Survey 2019. The Postgraduate Taught Experience Survey (PTES) is carried out by AdvanceHE and is the leading survey of Taught Postgraduates in the UK and is used to gain insight from taught postgraduate students about their learning and

teaching experience. The Postgraduate Taught Experience Survey results follow NUA's shortlisting for the two Times Higher Awards, and success at this year's Guardian University Awards, where NUA won the Employability and Entrepreneurship Award.

- A team of girls from Jane Austen College are one of 10 winners selected and recognised for their work by the Engineering Development Trust (EDT), a charity offering young people active learning experiences in STEM-related careers. The group, named the Stemettes, from Jane Austen College, Norwich, secured a Bronze level award at the 2019 Industrial Cadets Awards. Their creation, an eco-hotel, was the result of research into reducing energy consumption, development of a prototype and a 40-page report.
- A group of Norfolk schoolchildren have made a step closer towards a career in technology, finance and coding thanks to the University of East Anglia's (UEA's) world-leading Moneyhack programme. Moneyhack is a series of free Saturday classes for selected 15-year old children from schools across Norfolk. The Moneyhack initiative looks to produce future bankers, lawyers, accountants, business consultants and insurance specialists, in a way that doesn't just teach them what skills they will need to work in these industries now, but also anticipates what they will need to succeed in the future as technology continues to advance.
- A UEA student is set to launch a range of spectacles made from recycled fishing nets in a bid to remove plastics harming marine life, and human health, from our oceans. Second year student George Bailey is launching Coral Eyewear, a range of frames made from ghost fishing nets, which have been abandoned at sea and would have otherwise remained in the marine ecosystem for hundreds of years. The student has now secured £50,000 worth of funding from the University to launch what is thought to be the first-of-its-kind range of glasses and sunglasses frames, early next year.

Claimant count unemployment

The “claimant count” measure counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Creditⁱ 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 5 demonstrates the trend in claimant count unemployment since 2015. In 2015 the rate in the Norwich City Council area stood significantly above the other reported areas. In 2018 the gap narrowed and fell rapidly below the national rate. However, since the beginning of 2019 unemployment rates have begun to rise across each of the reported areas; the increase has been strongest in the Norwich city council area where the rate is once again above the national rate.

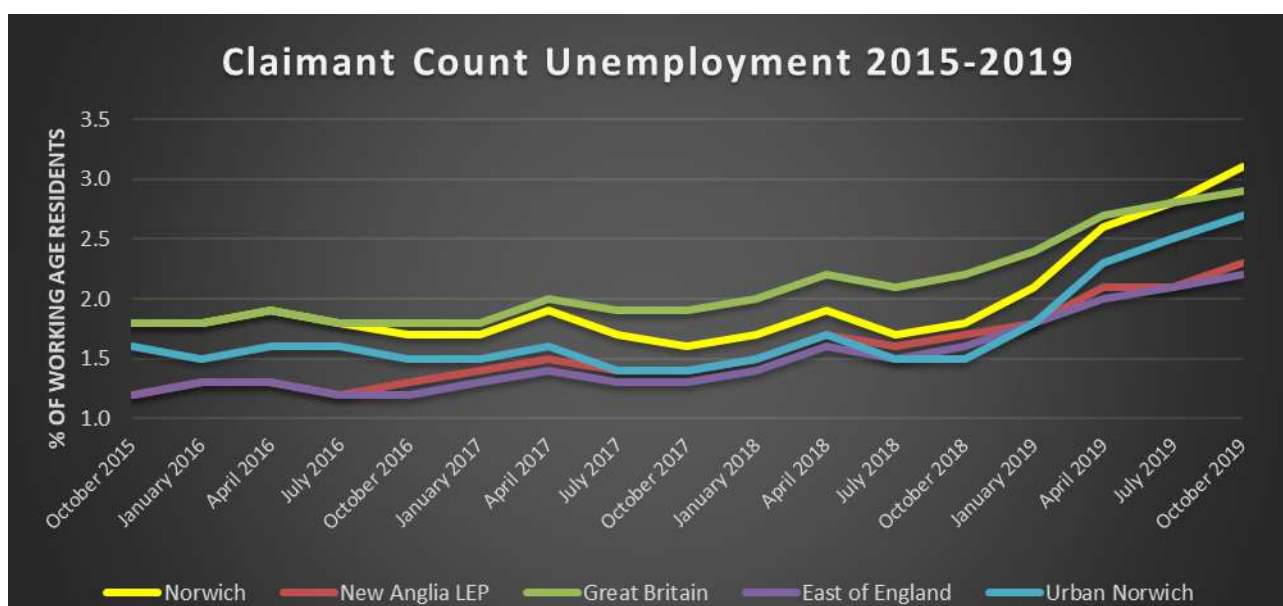


Figure 5 Claimant count unemployment 2015 to 2019

Table 1 Claimant count rate unemployment								
	October 2018		September 2019		October 2019		Monthly change	Annual change
Gt. Britain	902,215	2.2%	1,135,235	2.8%	1,163,740	2.9%	+ 0.1%	+ 0.7%
East of England	16,155	1.7%	21,305	2.2%	22,055	2.3%	+ 0.1%	+ 0.6%
New Anglia LEP	61,055	1.6%	80,070	2.1%	82,755	2.2%	+ 0.1%	+ 0.6%
Norwich City Councilⁱⁱ	1,715	1.8%	2,900	3.0%	3,020	3.1%	+ 0.1%	+ 1.23
Norwich urbanⁱⁱⁱ	2,085	1.4%	3,535	2.4%	3,685	2.5%	+ 0.1%	+ 1.1%

Table 1 shows that the claimant count unemployment rates grew in each of the areas over the year; the Norwich areas saw the strongest rate of increase. Over the month,

unemployment rates increased slightly across each of the reported areas bar Norwich city council area which saw a small increase.

Ward level claimant count unemployment

Table 2 Claimant count unemployment								
	October 2018		September 2019		October 2019		Monthly change	Annual change
Bowthorpe	145	1.8%	230	2.8%	240	2.9%	+ 0.1%	+ 1.1%
Catton Grove	165	2.2%	245	3.4%	260	3.6%	+ 0.2%	+ 1.4%
Crome	115	1.9%	230	3.9%	230	3.9%	0	+ 2.0%
Eaton	35	0.7%	60	1.3%	65	1.3%	0	+ 0.6%
Lakenham	110	1.9%	205	3.6%	230	4.1%	+ 0.5%	+ 2.2%
Mancroft	280	3.7%	485	6.4%	485	6.4%	0	+ 4.7%
Mile Cross	205	2.8%	355	5.0%	380	5.3%	+ 0.3%	+ 2.5%
Nelson	35	0.5%	75	1.0%	65	0.9%	- 0.1%	+ 0.4%
Sewell	125	1.8%	195	2.7%	190	2.6%	- 0.1%	+ 0.8%
Thorpe Hamlet	175	2.0%	285	3.2%	300	3.4%	+ 0.2%	+ 1.4%
Town Close	105	1.3%	170	2.2%	180	2.3%	+ 0.1%	+ 1.0%
University	80	0.8%	110	1.1%	115	1.2%	+ 0.1%	+ 0.4%
Wensum	145	1.8%	255	3.1%	275	3.4%	+ 0.3%	+ 1.6%

Table 2 shows that compared to September, unemployment rates fell slightly in Nelson and Sewell wards. Rates remained unchanged in Crome, Eaton and Mancroft; the remaining wards saw a slight increase.

Over the year, rates increased in every Norwich ward; the strongest growth took place in Mancroft ward.

Shown on the next page, Figure 6 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 5.5 percentage points.

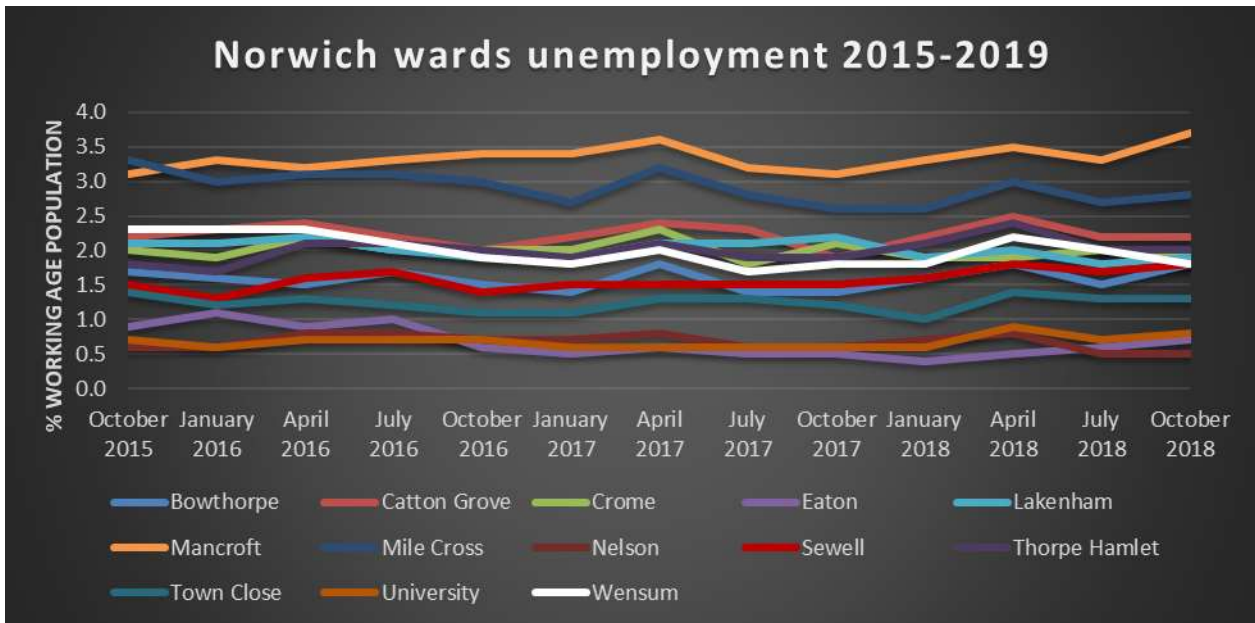


Figure 6 Norwich wards claimant count unemployment 2016 to 2019

Claimant count unemployment: age/duration

Gender: in the city council area, slightly more than one in every three (40 per cent) out-of-work claimants is a woman. Over the month, female rates increased across each of the reported areas: Norwich (2.5 per cent); regionally across the LEP area (2.0 per cent) and nationally (2.4 per cent).

The male unemployment rate is slightly higher in Norwich (at 3.8 per cent of working age males) than nationally (3.3 per cent), across the LEP area (2.6 per cent) or regionally (2.4 per cent). Over the month, rates remained the same nationally and regionally but increased slightly in Norwich and the LEP area.

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. During 2018 the male claimant count rate in Norwich was one of the lowest ever recorded but since April it has again risen above that of the national rate.

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

Duration: a level of churn takes place within the labour market as people move between unemployment, welfare benefits and employment. In Norwich just 17.8 per cent of JSA^{iv} unemployment claims are for a period of less than six months; much lower than the proportion seen across the LEP area (27.0 per cent, nationally (21.1 per cent) and regionally (29.7 per cent). The situation has worsened dramatically over the year in Norwich compared to the other areas and means that there has been a sizeable increase in the proportion of people who have been unemployed for more than six months.

The percentage of JSA claimants who are recorded as being unemployed for more than 12 months stands at 79.2 per cent in Norwich compared to 68.4 per cent in the LEP area; 64.3 per cent regionally and 73.6 per cent nationally. Relative to the previous month, the percentage of long-term unemployed increased 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 grown from 345 people in October 2018 to 425 currently.

Age: In Norwich, 7.5 per cent of JSA unemployed people are aged 18-24 year old; across the LEP area the proportion stands at 5.6 per cent; 5.4 per cent nationally and 5.1 per cent regionally.

At the other end of the age scale, Norwich has a lower proportion of JSA unemployment claimants aged 50 years and older (42.7 per cent) compared to the LEP area (47.2 per cent), regionally (45.6 per cent) and nationally (44.2 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^v claimants		
	Number of claimants	Monthly change
October 2018	16,076	- 16 (- 0.09%)
November 2018	16,060	- 16 (- 0.09%)
December 2018	15,949	- 111 (- 0.7%)
January 2019	15,703	- 246 (- 1.5%)
February 2019	15,651	- 52 (- 0.3%)
March 2019	15,630	- 21 (- 0.1%)
April 2019	15,677	+ 47 (+ 0.3%)
May 2019	15,603	- 74 (- 0.4%)
June 2019	15,612	+ 9 (+ 0.05%)
July 2019	15,515	- 97 (- 0.6%)
August 2019	15,456	- 59 (- 0.3%)
September 2019	15,333	- 123 (- 0.8%)
October 2019	15,313	- 20 (- 0.1%)

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area reduced by 20 claims during July. Over the year, housing benefit claims in Norwich have fallen by 4.7 per cent. Comparable national data is not available because of a time lag in data collection.

Average house prices

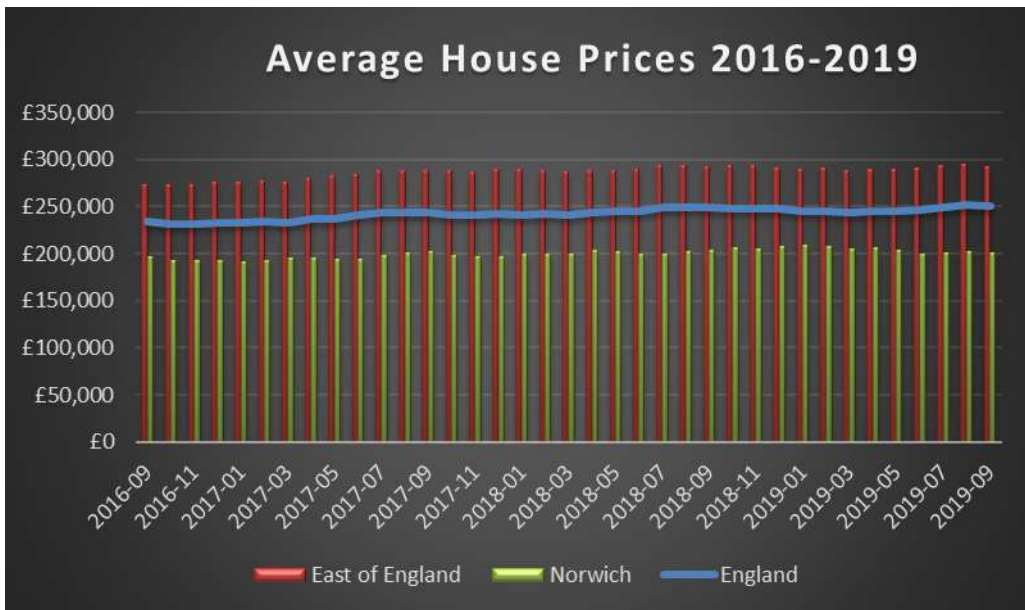


Figure 7 HM Land Registry average house prices 2016-19

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 fell by 1.59 per cent in Norwich and by 0.20 per cent in the East of England and increased by 0.98 per cent across England. Figure 7 summarises average house price movements since June 2016.

During the month of September, average house prices dropped by 0.64 per cent in Norwich, 0.41 per cent regionally and by 0.09 per cent in England compared to the previous month. The average house price in Norwich currently stands at £201,352 against £291,993 for the East of England and £250,677 for England.

Footfall

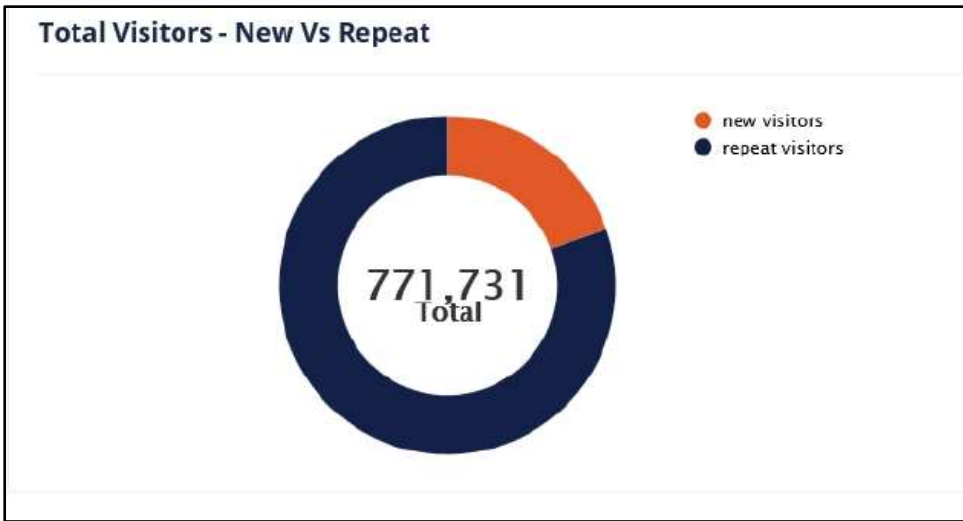


Figure 8 Total visitors to Norwich city centre during October 2019

According to figures from the Norwich Business Improvement District (BID) and shown in Figures 8 and 9, during the month of October, 771,731 visitors^{vi} visited Norwich city centre. Around 20 per cent of these were new visitors.



Figure 9 Total visitors per day to Norwich city centre during October 2019

The average number of visitors per day is estimated at 24,894 and the average dwell-time per visitor i.e. the time spent in the city centre, is 142 minutes.

As would be expected, the busiest time in the city centre is the lunch hour, from 1pm to 2pm.

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: Visa/HIS Markit Total Consumer Spending Index

Figure 5: Claimant count – NOMIS, Crown copyright

Figure 6: Ward unemployment – NOMIS, Crown copyright

Figure 7: House Price Index, HM Land Registry, Crown copyright

Figure 8: Footfall, total visitors for month, Norwich BID

Figure 9: Footfall, total visitors per day, Norwich BID

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 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.

ⁱⁱ 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

ⁱⁱⁱ 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,

^{iv} Claimant count data not yet available by age/duration

^v Housing benefit numbers include people who are claiming council tax benefit only

^{vi} Visitors are defined as people linking via mobiles to the city centre free Wi-Fi network, new visitors are those whose IP address has not linked previously



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