



NORWICH
City Council

Norwich Economic Barometer September 2021

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Business news

Economy

- The latest Purchasing Managers Index (PMI) data compiled by IHS Markit and CIPS signalled a further loss of growth momentum in the UK private sector at the end of the third quarter. Rates of expansion in both output and new orders were each the weakest in the respective seven-month sequences of growth, as summarised in Figure 1. The rate of job creation remained elevated, however, driven by strong hiring at service providers. Meanwhile, inflationary pressures showed little sign of abating, with input costs up sharply again and charges raised to the greatest extent on record. The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index was at 54.1 in September, below August's reading of 54.8 and down for the fourth month in a row from May's series record. The latest figure also signalled the softest pace of expansion since the private sector returned to growth in March.

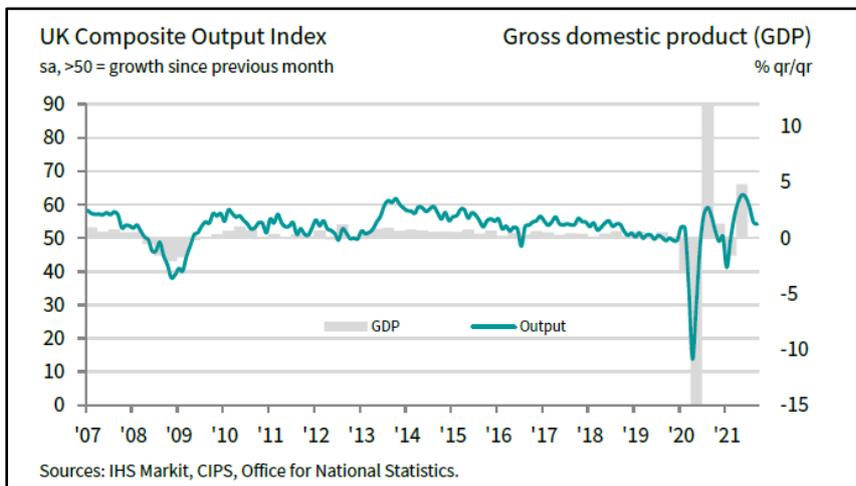


Figure 1 IHS Markit / CIPS Flash UK Composite Output Index

- September data indicated another strong recovery in UK service sector activity, but severe supply constraints contributed to escalating inflationary pressures and the slowest rise in new orders since the end of the winter lockdown. Rapid rises in fuel, energy and staff costs were passed on to customers in September. The rate of prices charged inflation accelerated sharply since August and was the fastest since the survey began in 1996. The headline seasonally adjusted IHS Markit/CIPS UK Services PMI Business Activity Index registered 55.4 in September, up slightly from August's six-month low (55.0) and well inside expansion territory. Figure 2 shows that although the latest reading signalled a solid increase in overall business activity, the rate of expansion was still much weaker than the peak seen in May (62.9). Around one-third of the survey panel reported an increase in output during September, while only one-sixth signalled a reduction. Higher levels of activity were mostly attributed to robust confidence among clients and favourable business conditions due to the end of pandemic restrictions. However, those noting a fall in activity often commented on supply chain disruptions and shortages of staff, especially in the hospitality sector.

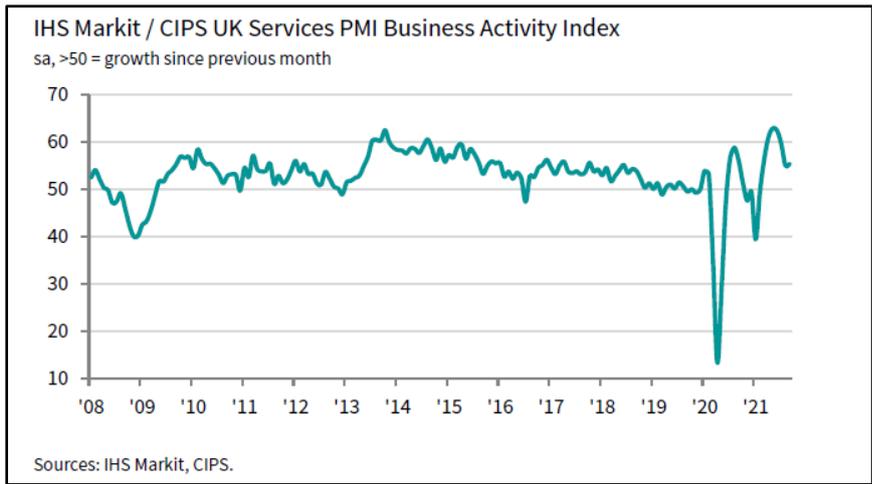


Figure 2 IHS Markit/CIPS UK Services PMI

- Supply chain delays, slower new order growth and rising material and labour shortages all constrained the UK manufacturing sector in September. At 57.1, down from 60.3 in August, the seasonally adjusted IHS Markit/CIPS Purchasing Managers’ Index (PMI) fell to a seven-month low. Figure 3 shows that manufacturing production increased for the sixteenth consecutive month in September. However, the rate of expansion eased for the fourth month in a row and to its weakest since February. Growth slowed across the consumer, intermediate and investment goods sectors. Data broken down by company size indicated that upturns at medium and large-scale producers were offset by a continued downturn among small firms. Production schedules were disrupted by a combination of input shortages, longer supplier lead times and capacity constraints (including difficulties with staff shortages and hiring required skills). Average vendor lead times increased to one of the greatest extents in the survey history, amid reports of delays to air, land and sea freight, staff shortages at vendors, COVID-19 and Brexit disruptions, a lack of delivery drivers and port delays.

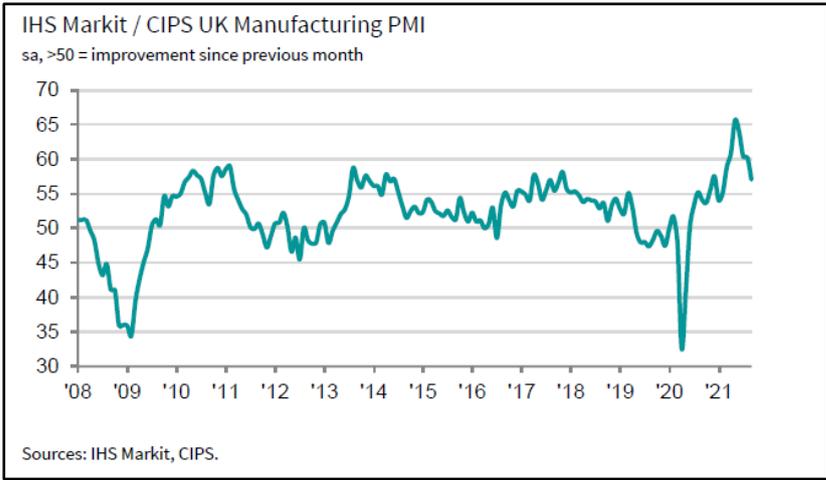


Figure 3 IHS Markit/CIPS UK Manufacturing PMI

- Figure 4 gives the latest data revealed another growth slowdown in the construction sector, with output volumes rising to the smallest extent for eight months. This partly

reflected softer demand conditions than the peak seen earlier in the summer. Survey respondents also cited disruptions on site from unavailable transport, a severe lack of materials and continued staff shortages. A rapid drop in sub-contractor availability was reported in September. Imbalanced demand and supply contributed to the steepest rise in sub-contractor charges since the survey began in April 1997. Some firms noted that the unpredictable pricing environment had slowed clients' decision-making on new orders and led to delays with contract awards. At 52.6 in September, down from 55.2 in August, the headline seasonally adjusted IHS Markit/CIPS UK Construction PMI Total Activity Index dropped further below the 24-year high seen in June (66.3). The latest reading signalled only a moderate expansion of total construction output and the weakest speed of recovery for eight months. Reports from survey respondents linked the slowdown to a combination of supply chain issues and softer demand. All three broad categories of construction activity saw a loss of momentum in September, with the biggest slowdown seen in civil engineering.

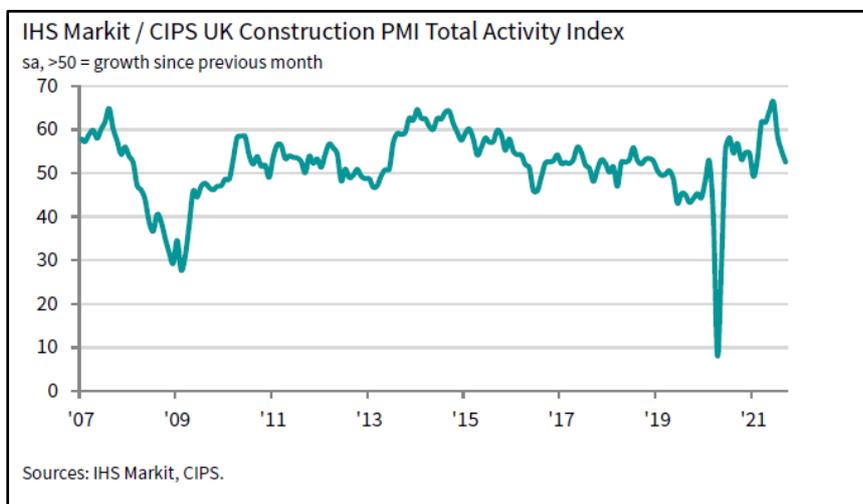


Figure 4 IHS Markit/CIPS UK Construction PMI

- After a strong first half, growth prospects for manufacturers in the East of England have flattened off as supply chain disruption and labour shortages bite but the medium term outlook is strong and there are signs that investment will rise towards the end of the year, says a survey by Make UK and BDO. Firms in the region report a strong domestic market in the third quarter but export orders fell and output was flat. However, investment and recruitment intentions should improve during the final months of the year and manufacturing nationally is set to grow by 7.1 per cent this year and 4.4 per cent next year, returning output to pre-pandemic levels, ahead of forecasts.
- Nearly a third of medium sized businesses in East Anglia are currently looking for private equity investment as they seek to grow after the pandemic and most firms think that now is the right time to invest, according to a survey from BDO. Its Rethinking the Economy survey of 500 mid-sized companies, showed that 30 per cent of companies are actively looking for an investor. The ability to develop new products and services was the biggest driver for firms seeking external investment followed by funding to cover immediate costs

and the ability to expand through mergers and acquisitions. Overall, 90 per cent of businesses in the region think that now is the right time to invest.

- Business confidence in the East fell in September as firms' views on their own prospects took a dip but optimism on the overall economic outlook improved and many more companies are planning to hire staff, according to a Lloyds Bank Commercial Banking survey. The bank's business barometer - taken before the recent fuel disruption - showed confidence amongst firms in the region fell 9 points to 30 per cent as firms' faith in their own prospects slumped by 23 points to 18 per cent. But firms' optimism in the economy shot up seven points to 43 per cent. The net balance of firms in the region planning to increase staff levels over the next year jumped to a new high for the year, up eight points to 27 per cent. Overall UK business confidence rose 10 points in September to 46 per cent, with all regions and nations reporting double-digit confidence levels.
- More than one-third of East Anglia businesses will have to temporarily reduce products or services to manage staff shortages and as stock and supply chain problems put pressure on firms, according to a survey. In a report Rethinking the Economy from BDO, 39 per cent of firms surveyed said that unexpected delays from domestic suppliers were significantly affecting their ability to operate at normal levels. The same share cited low stock levels and more than a quarter blamed staff shortages. A lack of overseas workers, exacerbated by the pandemic and Brexit, was seen as one of the biggest issues when recruiting and 39 per cent of mid-sized businesses pointed to a lack of available talent in the region. All respondents intended to reduce product lines or services to help manage staff shortages although many businesses expect the reduction to be temporary. Many firms also plan changes to make themselves more attractive to potential candidates. East Anglia companies are also optimistic about the rate of recovery, with nearly one-third stating that it will take less than 12 months for the business to return to pre-pandemic revenues.
- Amazon has reported that it has invested more than £5.2 billion in the East of England since 2010. According to data provided by an Amazon UK Economic Impact Hub, investment by the tech group has also created a ripple effect through the economy worth an estimated £6 billion to the region's GDP. To date, Amazon has created more than 9,000 full and part-time jobs in the East of England, more than 310 people have completed its employability skills training programme and more than 270 apprentices have qualified from its apprenticeship programme since 2010. More than 6,400 SMEs in the East sell on Amazon as independent selling partners and the group says small business from the region selling on Amazon recorded more than £380 million of exports in 2020.

Local business

- Hotels across Norfolk are seeing a boom in bookings as people swap winter sun for a break closer to home. Bookings for the October half term and beyond look strong for many hoteliers, with rates above average. St Giles House Hotel in Norwich is among the places to see an influx of guests, with only one single room currently available. Dunston Hall, on the edge of Norwich, has also seen an "exceptionally busy few months".

- The opening of a new city centre Burger King could generate around 26 jobs. Plans have been lodged with Norwich City Council which could see the fast-food chain open in Brigg Street. The application is for the 'change of use of ground and basement floor level from retail to hot food takeaway' as well as the 'installation of plant'. The former Virgin store has been vacant for 12 months and forms part of a larger three-storey building. The vacant retail unit is on the ground and basement floor levels.
- The building currently occupied by Evans Cycles in Norwich's Westlegate Street has been put up for let — with high rents believed to be behind the firm's decision to move. The retailer is expected to relocate elsewhere in the city.
- Franco Manca, the pizza chain, is securing a site in Norwich for its newest restaurant. It is understood the firm is currently looking at four potential sites, Gentleman's Walk, London Street, Tombland, or Chantry Place. The restaurant is currently in negotiations and is planned to have a spring 2022 opening. The pizza chain is owned by the same company as The Real Greek restaurant, which opened its 20th chain this month, located in Chantry Place, Norwich.
- Two groups which work to promote independent businesses in Norfolk have joined forces. Proudly Norfolk Food and Drink (PNFAD), which champions the county's hospitality scene, will be taken on by not-for-profit body Buy Local Norfolk. PNFAD, which was previously Norfolk Food and Drink, has hosted events around the county, including the popular Battle of the Bangers sausage competition. The current board of six directors, under the leadership of Sarah Daniels, of the RedCat Partnership, have spent the last three years growing its membership, and it now partners with businesses, venues and campaigns.
- Norwich's Royal Arcade has been sold for £3.375m to a private family investment company who have appointed management company LPC1 Ltd to take on the running of the Arcade. Simon Ashworth, director of LPC1 Ltd, has said the goal is to have the Arcade full and bustling as soon as possible.
- Birketts has appointed 19 new trainee solicitors across its offices in Cambridge, Chelmsford, Ipswich, London and Norwich. The firm has also retained 14 qualified solicitors from its 2019 trainee intake.
- Law firm Howes Percival is launching a recruitment drive to create over 30 new jobs as result of a sustained increase in demand for legal services and strategic hires in areas where it sees growth opportunities. The firm currently has 19 new jobs available in East Anglia where its Norwich and Cambridge offices are based.
- Housebuilder Lovell in East Anglia has been granted the order of distinction by the Royal Society for the Prevention of Accidents for winning 15 consecutive annual gold awards.
- Hamleys, the world's oldest toy retailer, has opened a store in Norwich on the ground floor of Chantry Place shopping centre. The retailer, founded in 1760, describes the store as "2,750 sq ft of fun, magic and theatre."

Education

- The University of East Anglia (UEA) has launched a new centre for engineering, technology and management focused on improving productivity and addressing current and future manufacturing challenges. Productivity East will be a facility for students, academics and businesses working together to find innovative ways to support the region's manufacturing and technology sectors. The £7.4m centre will support businesses to discover practical solutions and help them to create innovations that solve real-world problems now and in the future. Facilities available include a computer-aided design (CAD) studio and robotics laboratory, alongside the latest technology in 3D printers, computer numerical control (CNC) lathes and milling machines.
- A new education centre has been launched in West Earlham, one which is set to benefit thousands of young people from the most disadvantaged backgrounds in Norwich. It signals the start of a new partnership between the University of East Anglia (UEA) and IntoUniversity, the UK's largest university-access charity. Over half the funding for the centre, which employs five full-time members of staff, is being provided by UEA, with a mentoring programme with current university students and professionals strengthening the partnerships between local schools and UEA's Outreach team. The centre will be used between Mondays and Thursdays during term times, for both daytime and after-school activities, with the centre available for use by the rest of the community during the remainder of the week.
- UEA has maintained its place as a world top 100 university for Life Sciences degrees in the 2022 Times Higher Education (THE) World University Rankings by Subject. And, in a successful year for UEA, it was also named as the UK's second most cited university in both Life Sciences and Physical Sciences. THE revealed their annual World University Rankings by Subject tables for Health and Sciences in September, which drill down into the successes of universities in individual subject areas, and follow on from the announcement of their overall World University Rankings tables earlier in the month. UEA's greatest success was in Life Sciences, in which it rose from =94th to =92nd. The table highlights the universities leading across agriculture and forestry, biological sciences, veterinary science and sport science.
- Norwich University of the Arts (NUA) has risen 21 places in The Times and The Sunday Times' Good University Guide 2022 and is ranked 7 in the Modern Universities table and second top Arts University and the highest outside of London.

Claimant count unemployment

The trend in claimant count unemployment¹ since 2017 is summarised in Figure 5 - in 2017 the rate in the Norwich City Council area was just below the national rate. In 2019 rates began to slowly rise across each of the reported areas and the Norwich rate stood above that of the national rate. However, the 2020 impact of the Covid-19 pandemic has been one of steep growth with the most significant increase between March and May. Since then, the claimant count has remained relatively stable and the upward trend has slowed somewhat, braced by the government's furloughed worker schemes which finishes in October. Figure 5 shows that the increase in unemployment has been strongest in the Norwich City Council area.

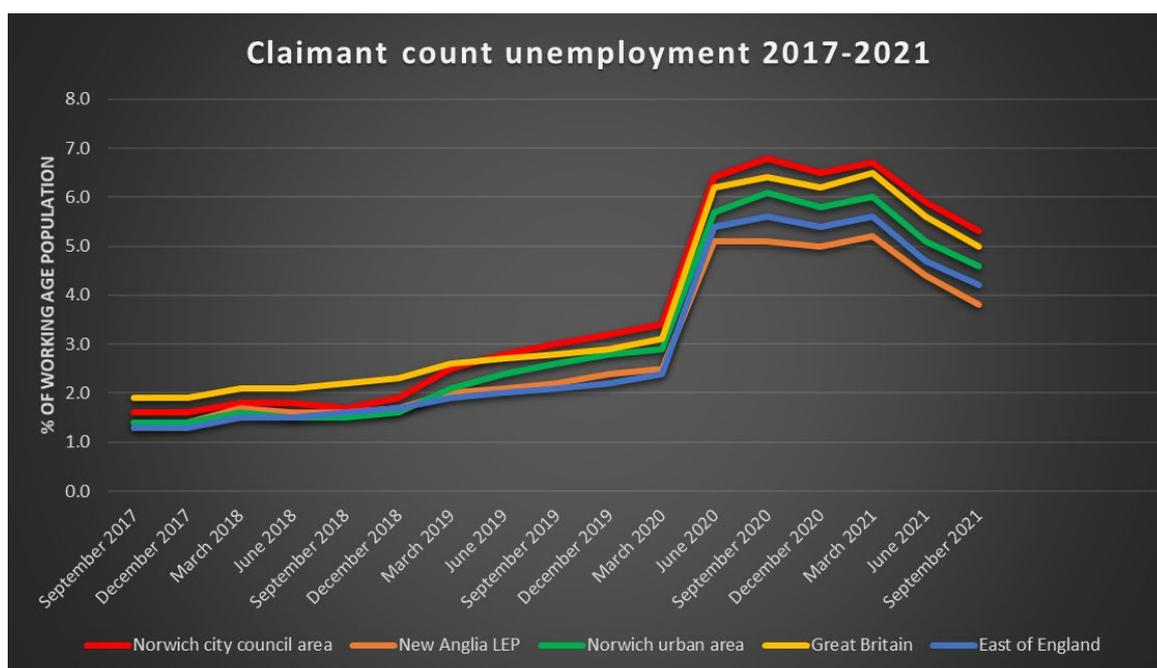


Figure 5 Claimant count unemployment 2017 to 2021

Table 1 Claimant count unemployment rate								
	September 2020		August 2021		September 2021		Monthly change	Annual change
Gt. Britain	2,595,285	6.4%	2,095,500	5.2%	2,031,155	5.0%	- 0.2%	- 1.4%
East of England	210,400	5.5%	163,705	4.3%	158,125	4.2%	- 0.1%	- 1.3%
New Anglia LEP	50,215	6.6%	38,525	5.4%	37,435	3.8%	- 0.1%	- 1.3%
Norwich City Council	6,455	5.1%	5,250	3.9%	5,105	5.3%	- 0.1%	- 1.3%
Norwich urban area	7,780	6.1%	6,155	4.8%	5,975	4.6%	- 0.2%	- 1.5%

Table 1 shows that claimant count unemployment rates have fallen markedly compared to the same time last year across each of the reported areas. Over the month of September rates fell slightly across each of the reported areas. Unemployment growth is likely to have

been tempered by the Government’s temporary furlough job subsidy scheme. The magnitude of the increase in unemployment will depend not only on the strength of the economic recovery but also on whether furloughed workers will be fully absorbed back into the workforce over the coming months.

Ward level claimant count unemployment

Table 2 Claimant count unemployment								
	September 2020		August 2021		September 2021		Monthly change	Annual change
Bowthorpe	470	5.7%	440	5.3%	415	5.0%	- 0.3%	- 0.7%
Catton Grove	575	8.1%	460	6.4%	455	6.3%	- 0.1%	- 1.8%
Crome	500	8.3%	410	6.8%	405	6.8%	0	- 1.5%
Eaton	195	3.9%	120	2.5%	120	2.5%	0	- 1.4%
Lakenham	510	9.0%	390	6.9%	385	6.8%	- 0.1%	- 2.2%
Mancroft	820	10.4%	690	8.8%	650	8.3%	- 0.5%	- 2.1%
Mile Cross	685	9.6%	600	8.4%	560	7.9%	- 0.5%	- 1.7%
Nelson	280	4.1%	165	2.4%	175	2.5%	+ 0.1%	- 1.6%
Sewell	520	7.3%	375	5.2%	375	5.2%	0	- 2.1%
Thorpe Hamlet	665	7.2%	565	6.2%	545	6.0%	- 0.2%	- 1.2%
Town Close	400	5.3%	315	4.2%	320	4.2%	0	- 1.1%
University	270	2.7%	225	2.3%	215	2.2%	- 0.1%	- 0.5%
Wensum	565	7.1%	495	6.3%	485	6.1%	- 0.2%	- 1.0%

Table 2 shows that compared to the previous month, September unemployment rates stayed the same in Crome, Eaton, Sewell and Town Close wards; Nelson saw a marginal increase. All other wards saw a slight fall in the rate over the month.

Over the year, rates dropped tremendously in every Norwich ward; the strongest falls took place in Lakenham and Mancroft, followed by Sewell ward.

Figure 6 demonstrates the wide variation in ward JSA rates across the city council area. The differential between the lowest (University) and the highest (Mancroft) rates currently stands at 6.1 percentage points.

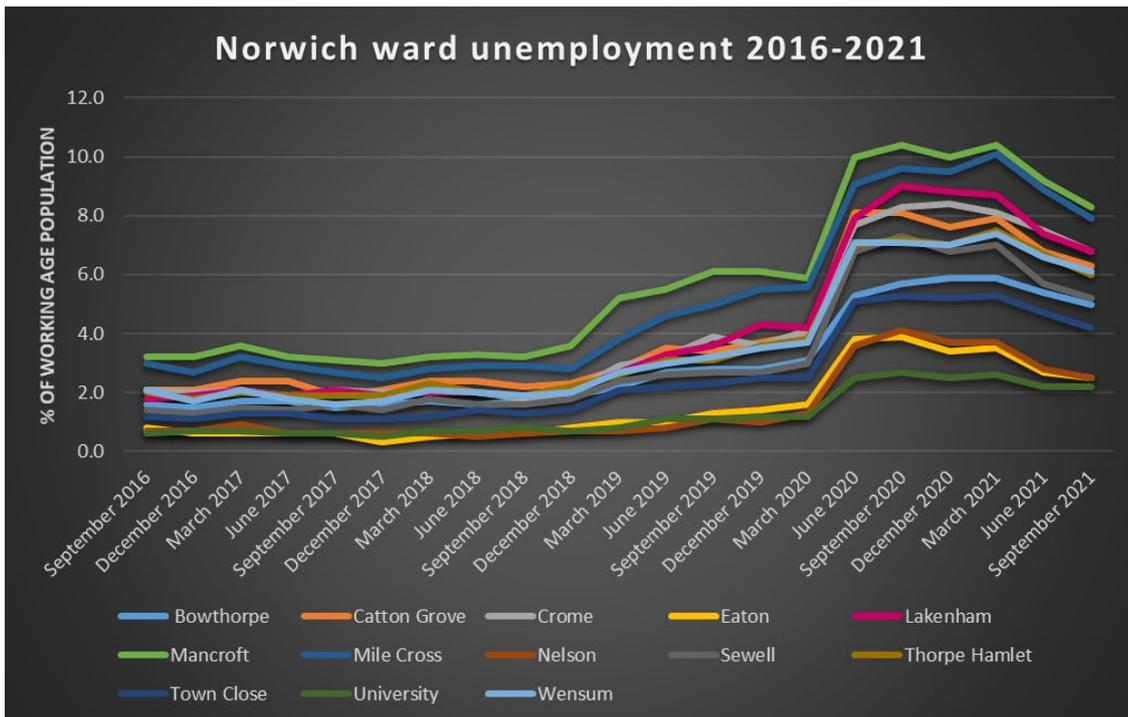


Figure 6 Norwich wards claimant count unemployment 2016 to 2021

Claimant count unemployment: male/female

In the Norwich city council area, two in every five (40%) out-of-work claimants are women. Over the month, female rates fell slightly across each of the reported areas: Norwich (4.3%), the LEP area (3.3%), regionally (3.6%) and nationally (4.1%).

The male unemployment rate is somewhat higher in Norwich (at 6.2% of working age males) than the rate nationally (5.8%), across the LEP area (4.4%) and regionally (4.7%). Over the month, rates saw a marginal fall 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. Historically, 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.

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 is a contributory factor to the number of people claiming housing benefit.

Table 3 Norwich City Council housing benefitⁱⁱ claimants		
	Number of claimants	Monthly change
September 2020	15,658	- 103
October 2020	15,655	- 3
November 2020	15,634	- 21
December 2020	15,547	+ 13
January 2021	15,476	- 71
February 2021	15,479	- 3
March 2021	15,299	- 180
April 2021	15,207	- 92
May 2021	15,258	+ 51
June 2021	15,205	- 53
July 2021	15,137	- 68
August 2021	15,088	- 49
September 2021	15,004	- 84

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area dropped by 84 claims during September. Over the year, housing benefit claims in Norwich have fallen by 4.2 per cent. Comparable national data is not available because of a time lag in data collection.

Average house prices

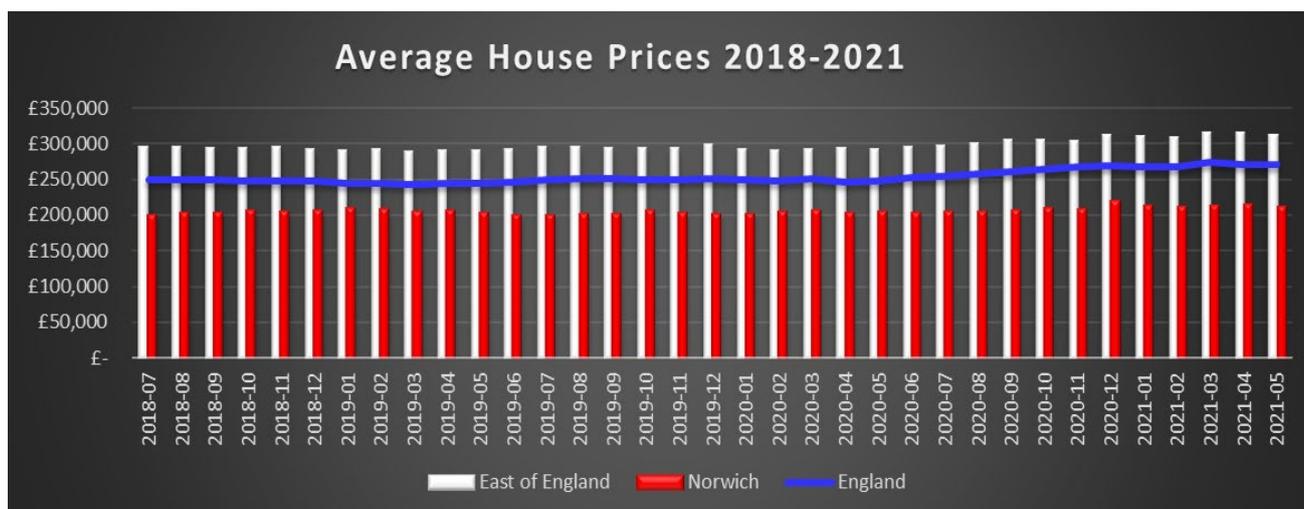


Figure 7 HM Land Registry average house prices 2018- 2021

The House Price Index (HPI) produced by HM Land Registry is the most accurate and independent house price index available for the UK.

According to HM Land Registry’s HPI (Crown copyright) over the year, average house prices grew by 1.3 per cent in Norwich; by 6.8 per cent in the East of England and by 7.0 per cent across England. Figure 7 summarises average house price movements since July 2018.

During the month of July, average house prices fell by 1.7 per cent in Norwich, by 3.8 per cent across the region and by 4.5 per cent across England as a whole.

The average house price in Norwich currently stands at £210,330 against £312,076 for the East of England and £270,973 for England.

City centre vitality

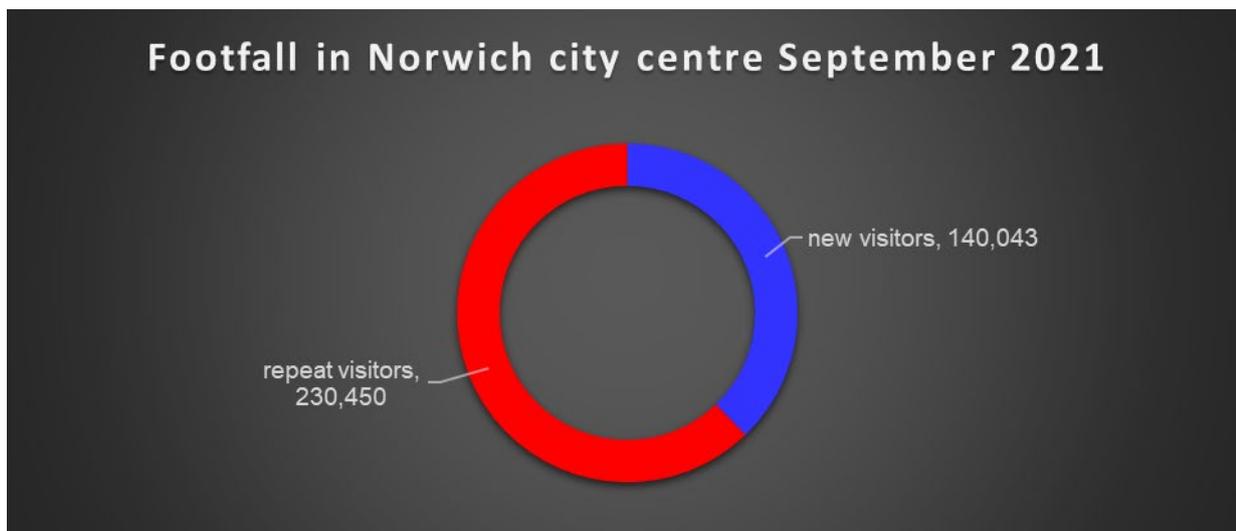


Figure 8 Footfall visitors to Norwich city centre (Norwich BID)

Figure 8 summarises visitor numbers to Norwich city centre provided by Norwich Business Improvement District (BID). The average number of city centre visitors per day was estimated to be 14,981 in September.

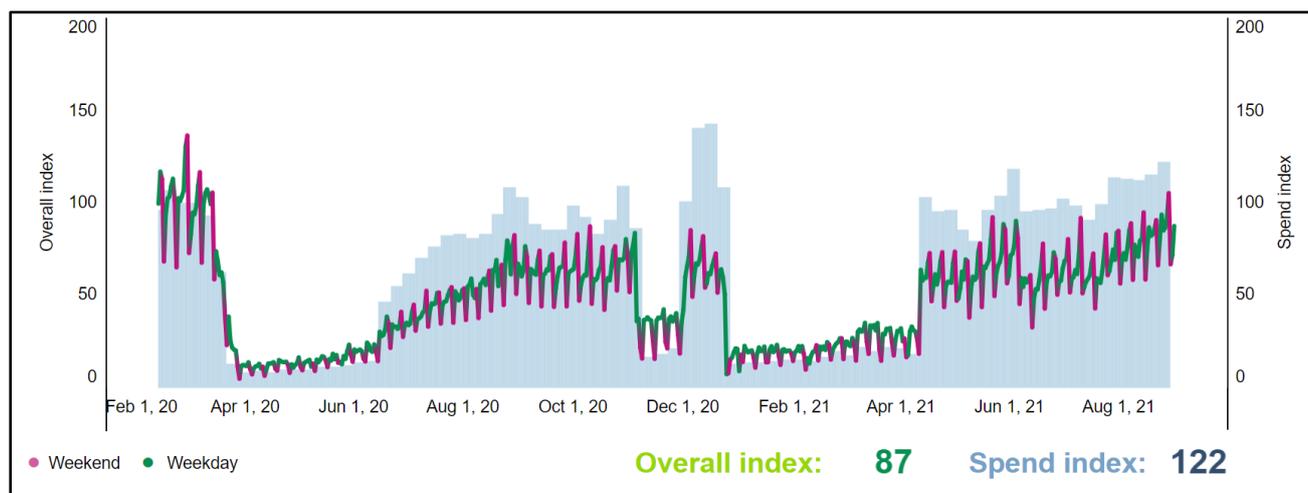


Figure 9 Overall recovery and spend index (Centre for Cities)

The overall recovery index looks at everyone who was in the city centre at any time of the day, compared to a pre-lockdown baseline of 100 - the index reading for Norwich at the end of August was 87.

The spend index looks at relevant offline sales made in the city centre at any time of the day, compared to a pre-lockdown baseline of 100 - the index reading for Norwich at the end of September was 122, indicating that spend is above pre-lockdown levels.

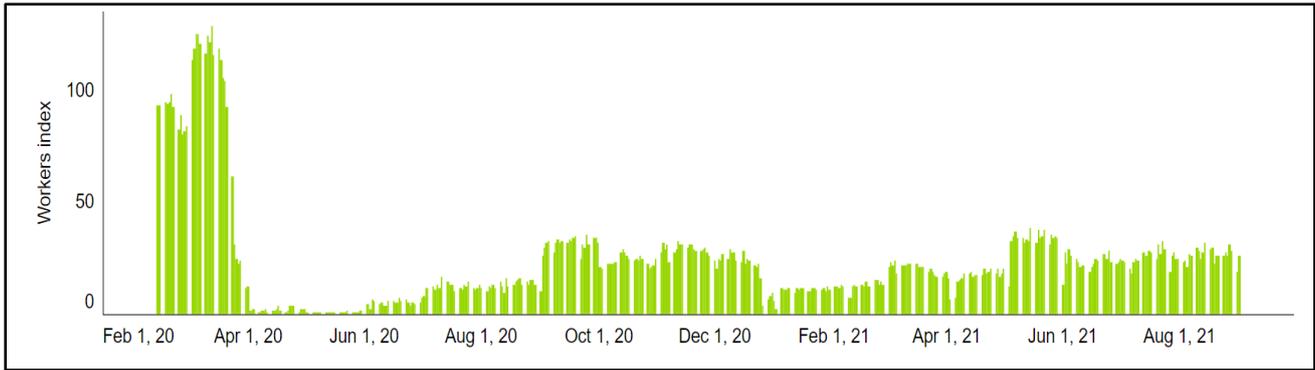


Figure 10 Workers index – Norwich city centre (Centre for Cities)

The Centre for Cities Workers Index given in Figure 10 looks at city-centre workers in the city centre in the daytime on weekdays, compared to a pre-lockdown baseline of 100. In Norwich city centre the level of workers at the end of August stood at 28.

The Index shows that pre-lockdown, around 42 per cent of city centre workers came from outside of the city, compared to a current level of 33 per cent of workers. An estimated 52 per cent of city centre workers came from the suburbs before lockdown, currently the proportion is 66 per cent. While 4 per cent of city centre workers came from the city centre itself prior to lockdown, the proportion is now 1 per cent.

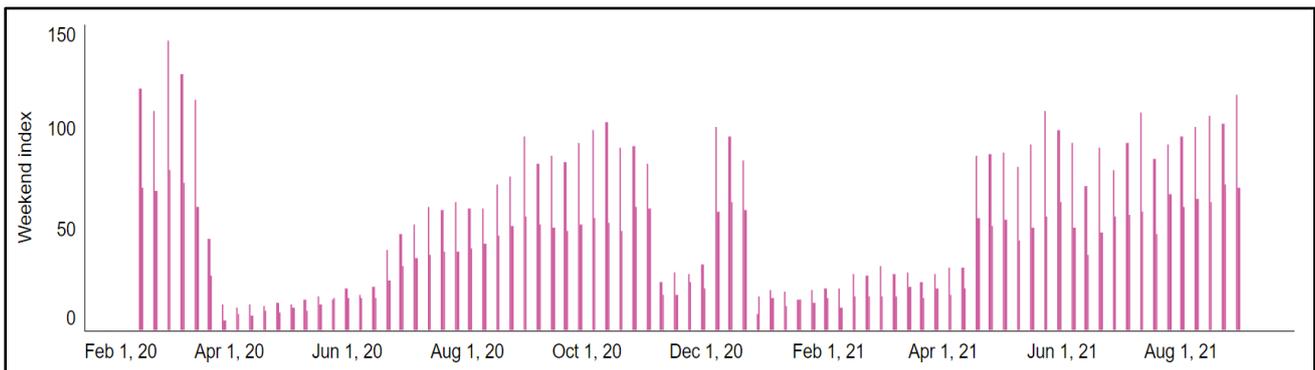


Figure 11 Daytime weekend visitor index – Norwich city centre (Centre for Cities)

The weekend visitor index for Norwich city centre shows the level of visitors to the city centre in the daytime compared to March’s pre-lockdown levels and the huge fall in visitors seen during the lockdown.

This index looks at people who were in the city centre during the daytime at weekends, compared to a pre-lockdown baseline of 100; at the end of August the index for Norwich stood at 95.

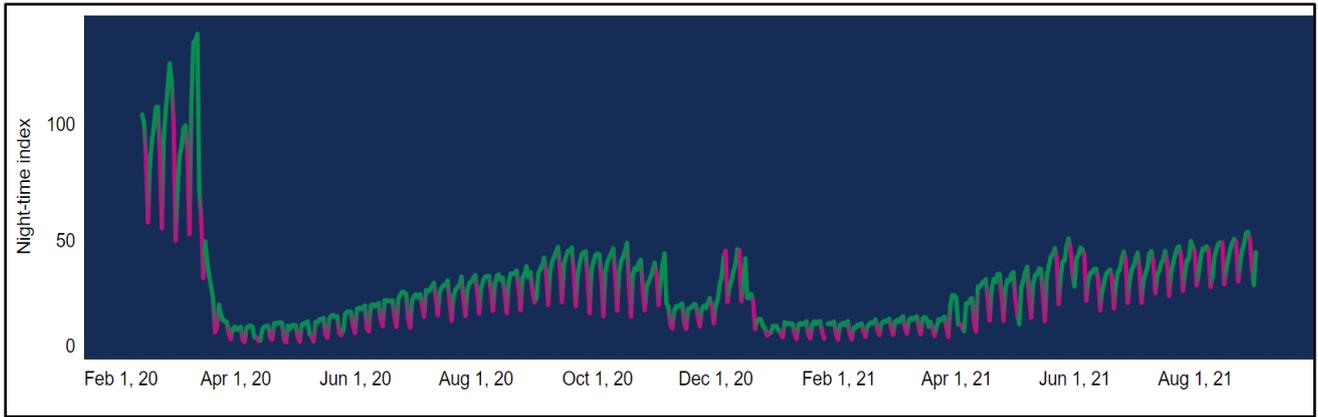


Figure 12 Night-time weekend visitor index – Norwich city centre (Centre for Cities)

A similar pattern is repeated in Figure 12 which shows the level of night-time city centre visitors compared to a pre-lockdown baseline of 100 (baseline Friday and Saturday evenings shown in purple and weekdays given in green) and the latest index reading of 52.

Appendix

Contact details

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Data Sources:

Figure 1: IHS Markit / CIPS Flash UK Composite Output Index

Figure 2: IHS Markit/CIPS UK Services PMI

Figure 3: IHS Markit/CIPS UK Manufacturing PMI

Figure 4: IHS Markit/CIPS UK Construction PMI

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 visitors to Norwich city centre – Norwich Business Improvement District (BID)

Figure 9: Overall recovery and spend index - Centre for Cities

Figure 10: Workers index – Norwich city centre - Centre for Cities

Figure 11 Daytime weekend visitor index – Norwich city centre- Centre for Cities

Figure 12 Night-time weekend visitor index – Norwich city centre - Centre for Cities

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 “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. It replaces Jobseeker’s Allowance claimants as the headline unemployment benefit indicator.

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