



May 2020

Norwich Economic Barometer



NORWICH
City Council



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Business news

Economy

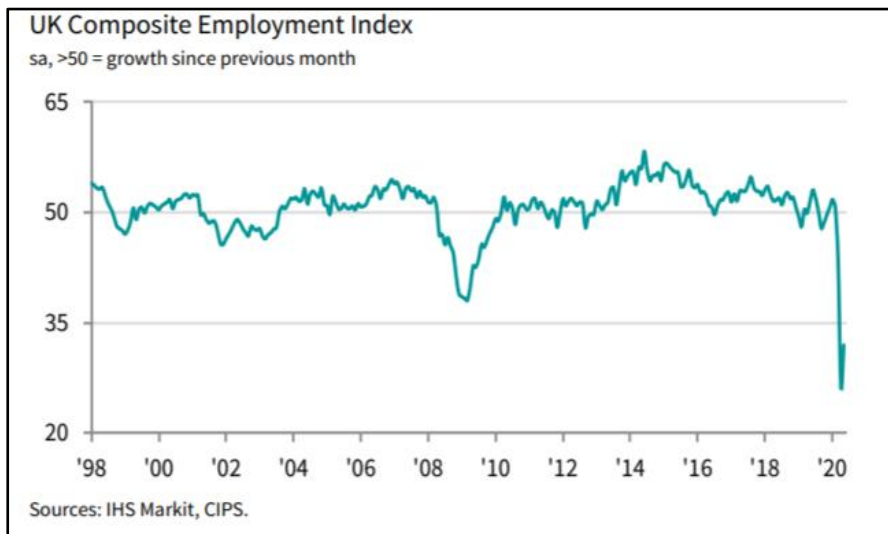


Figure 1 IHS Markit / CIPS UK Composite PMI

- As shown in Figure 1, UK private sector output remained on a steep downward trajectory in May, according to the latest IHS Markit / CIPS Flash UK Composite PMI survey. The rate of decline in overall business activity eased since April but was much faster than at any other time since comparable data were first compiled in January 1998. The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index registered 28.9 in May, to remain well below the crucial 50.0 no-change threshold. Although the index was up from 13.8 in April, the latest reading still signalled a far steeper pace of contraction than at the worst point of the global financial crisis (index at 38.1 in November 2008). Lower volumes of business activity were almost exclusively linked to business shutdowns, cancellations of customer orders and a general slump in demand amid the coronavirus disease 2019 (COVID-19) pandemic. May data also signalled rapid declines in new work and employment across the UK private sector, with both rates of contraction the second-fastest in more than 20 years of data collection (exceeded only by that seen in April). Survey respondents commented on a severe lack of new business to replace completed contracts. Among those noting that staff had been placed on furlough, anecdotal evidence indicated that this often accounted for more than half of all employees.
- At 29.0 in May, the headline seasonally adjusted IHS Markit/ CIPS UK Services PMI Business Activity Index remained well below the 50.0 mark as summarised in Figure 2. The latest reading was also up from 13.4 in April, to signal a slower pace of decline than in the previous month. UK service providers signalled a steep reduction in business activity during May, which was again almost exclusively linked to a slump in business and consumer spending amid the coronavirus disease 2019 (COVID-19) pandemic. The rate of decline in service sector output moderated from April's survey record but was still faster than at any other time since the survey began in July 1996.

Just over one-half of the survey panel reported a drop in business activity during May, while only 13 per cent signalled an increase. Those indicating a decrease in output since April often commented on a severe lack of new business to replace work that had been completed after the lockdown, following deep cutbacks to corporate spending in response to the COVID-19 pandemic.

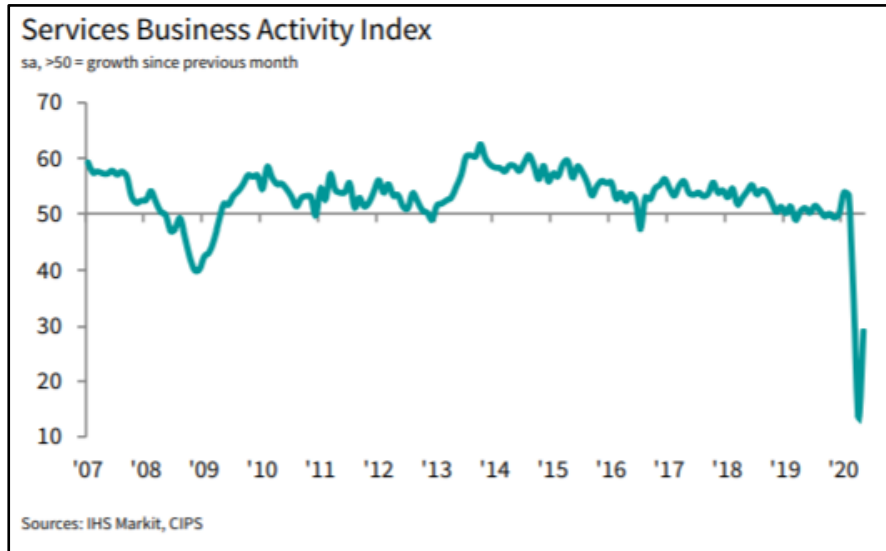


Figure 2 IHS Markit/ CIPS UK Services PMI Business Activity Index

- The rapid downturn in the UK manufacturing sector continued during May, as the public lockdowns, company shutdowns and social distancing measures mandated to combat the spread of coronavirus disease 2019 (COVID19) caused further disruption. Output, new orders and employment contracted at some of the fastest rates during the 28-year survey history, albeit less sharply than the records set in April. Figure 3 shows that the seasonally adjusted IHS Markit/CIPS PMI rose to 40.7 in May, up from a record low of 32.6 in April. Despite the increased level of the PMI, it still signalled a marked deterioration in overall operating conditions. The headline index is at its seventh-lowest level ever and at depths unseen outside of the current pandemic and the global financial crisis of 2008-09. The impacts of the COVID-19 pandemic were felt across the manufacturing sector in May. Rates of contraction in output, new orders and new export business were among the steepest in the survey history across consumer, intermediate and investment goods producers alike. That said, rates of decline eased from the survey records of the prior month. Pockets of growth were generally linked to healthcare related or PPE products. Some firms also noted that inflows of new business showed signs of restarting as clients began the process of reopening and the lockdown restrictions implemented both in the UK and overseas are gradually easing.

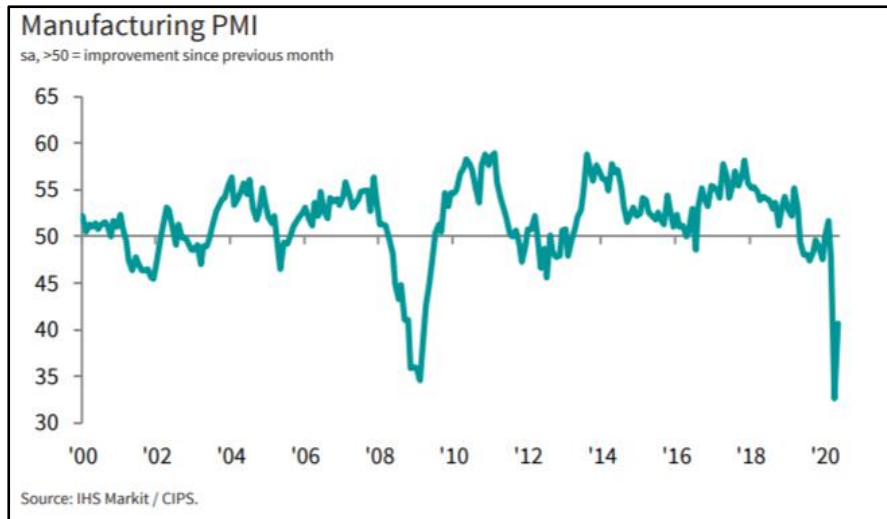


Figure 3 IHS Markit/CIPS Manufacturing PMI

- UK construction companies indicated a sustained downturn in business activity during May. The latest survey highlighted a softer pace of decline than the record slump seen in the previous month, largely reflecting a gradual reopening of construction sites as lockdown measures were eased in England. At 28.9 in May, the headline seasonally adjusted IHS Markit/CIPS UK Construction Total Activity Index picked up from 8.2 in April but was the second-lowest since February 2009. Any figure below 50.0 indicates an overall decline in output. Construction companies recording a drop in activity during May (two thirds of the survey panel) often cited furloughed staff across the supply chain, as well as prolonged business closures in other parts of the economy and disruptions from social distancing measures on existing projects.

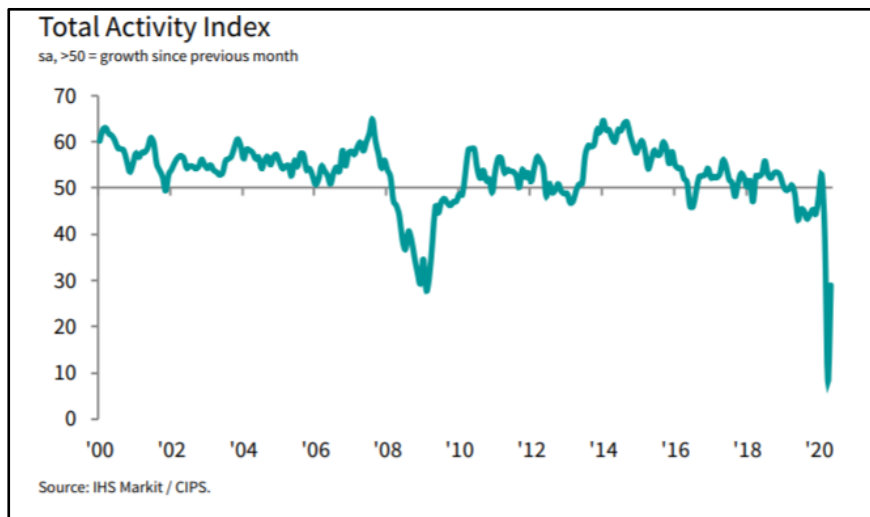


Figure 4 IHS Markit/CIPS UK Construction Total Activity Index

- Hundreds more fatalities from Covid19 in the north-west of England and in care homes have driven up the number of excess deaths since the UK went into lockdown to more than 63,000, believed to be greater than those anywhere else except the US. However, the number of deaths from the virus in England and Wales fell to 1,822 in

the last week of May, the fewest for eight weeks, according to the latest data from the Office of National Statistics (ONS).

- According to an ONS business survey undertaken between 4 -17 May 2020 around 16 per cent of businesses in the UK who have temporarily closed or paused trading, reported they expect to restart trading in the next two weeks and 9 per cent expect to start trading again in the next two to four weeks. Nationally, 62 per cent of all businesses continuing to trade reported their turnover had been lower than normal between 4 May and 17 May 2020. Of businesses intending to restart trading in the next two weeks, from the point of completion of the survey, 12 per cent of the workforce are expected to return from remote working, while 33 per cent are expected to return from furlough. The two most common measures that businesses indicated they intend to implement when they restart trading were social distancing and personal protective equipment (PPE), at 89 per cent and 82 per cent respectively.
- The outlook for UK jobs is the most pessimistic in almost 30 years, according to the latest employment survey by recruitment firm ManpowerGroup. It found that companies in all big sectors of the economy are more likely to cut jobs than to hire people over the three months from July to September, the weakest forecast since records began in 1992. Businesses are expected to announce a wave of redundancies in the coming weeks, as the government gradually reduces the support available through the scheme.
- More than a quarter of the UK workforce is now being supported by the government's furlough scheme and the cost so far has reached £19.6bn. The scheme, brought in to mitigate the effects of coronavirus, allows employees to receive 80 per cent of their monthly salary up to £2,500. A similar programme for self-employed workers has seen 2.6 million claims made worth £7.5bn.
- The British Retail Consortium (BRC) reported that May was another tough month for retail as coronavirus lockdown measures continued. Total UK sales fell by 5.9 per cent compared with the previous year, dragged down by temporary shop closures. Online sales of non-food goods jumped 60.2 per cent but failed to offset the drop in spending on the High Street. While the month showed record growth in online sales, many retailers will be anxious to see whether demand returns to our High Streets when non-essential shops reopen from 15 June.
- Business confidence has seen its largest quarterly fall on record and corporate revenues in 2020 are set to come in some 22 per cent below the level firms were expecting before the Covid-19 crisis, according to a survey of chief finance officers (CFOs) at FTSE 100 and 250 companies by Deloitte. Although revenues are expected to pick up in the second half, no quick snap back is expected.
- Signs that a growing number of businesses in the region are restarting trading and expect problems with their supply chains to improve over the next three months have emerged in a wide-ranging survey of firms in the region from Lloyds Bank. Its business

barometer showed that the share of firms in the East which were not operating fell to just 14 per cent in May, down by 16 points from April and a sign that some businesses resumed trading in May, according to the bank. And although nearly three quarters of businesses reported some disruption to their supply chain during May, a fifth expected the situation to improve within three months. However firms in the East reported lower confidence in their own business prospects in May; the figure stood at -32 per cent, down from -13 per cent in April.

Local business

- The East of England benefitted from an 11 per cent rise in the number of foreign direct investment (FDI) projects to 40 last year, up from 36 in the previous year, according to the EY 2020 UK Attractiveness Survey. The FDIs - of which 23 were new to the region – created nearly 3,000 jobs across the East, an average of average of 117 jobs per project and more than double the average level for UK projects. Cambridge remained the leading city for FDI in the East with one- quarter of the region's total investment; Norwich attracted three FDI projects.
- Norwich food processing equipment manufacturer Fabcon Food Systems has won a six-figure contract to supply and install bespoke machinery for a seasoning and distribution line for Belgian snack producer Nutradia at the firm's plant in Andenne.
- Norfolk & Suffolk's offshore firms are hoping to export their supply chain know-how to the largest wind farm being planned in the US, off the coast of Virginia. An online event organised by the Norfolk & Suffolk Unlimited brand and the City of Virginia Beach saw 20 local businesses meet with operators and developers involved in Dominion Energy's Coastal Virginia Offshore Wind scheme, where construction and commissioning is set to start in 2024.
- An online platform to help engineering and manufacturing companies in Norfolk and Suffolk share employees by enabling them to move to another business during quieter periods is being set up thanks to a £180,000 grant. The New Anglia Advanced Manufacturing & Engineering group has received the award from New Anglia LEP's innovative projects fund. It will be used to launch Engineering Success, an initiative to map and accelerate the engineering and manufacturing cluster across Norfolk and Suffolk. It will also involve setting up a talent-sharing platform which will enable employees at companies where work patterns are seasonal to move to other firms in helping provide all-year-round employment for staff and broadening the talent pool.
- Pubs and restaurants in Norwich are calling for the pedestrianisation of St Benedicts Street so that they can use the outdoor space to seat more customers. The move would give restaurants more room for covers - giving their revenue streams a lift.
- In preparation for many of its shops opening on June 15, the Castle Quarter Shopping Centre is currently implementing safety measures such as markers ensuring people keep at least two metres apart, direction signs around the centre and hand sanitiser stations.

- Retail chain Ikea has reopened 19 stores across England including the Norwich collection point but with strict new rules. The stores reopened from June 1 and social distancing wardens will patrol them to ensure customers keep their distance.
- A new Caribbean takeaway selling jerk chicken has opened during lockdown. The Big Jerk is running from the kitchen at Mr Postles Apothecary kitchen in Norwich.
- RICS (Royal Institution for Chartered Surveyors) has announced the winners of its Social Impact Awards for the East of England with Crown Place in Norwich taking home the best student accommodation award. Crown Place in St Stephens Street features a gym as well as built-in appliances and a cinema room.

Education

- After seven weeks and hundreds of hours worked by volunteers, the University of East Anglia's (UEA) production of visors and Ear Comfort Bands (ECBs) has come to an end, with the final assembly totals exceeding 12,000 of each. The UEA-led project has helped to keep thousands of the region's key workers protected during the fight against COVID-19, with the voluntary help of over 20 local organisations and individuals including Norwich University of the Arts' (NUA). These helpers came together to supply the University with 3D printed parts, raw materials and labour to produce over 12,000 visors and over 12,000 ECBs.
- Face-to-face teaching of students is being planned by the UEA and Norwich University of Arts (NUA) from September. Both Norwich universities said they were currently modelling practical ways to deliver as much teaching in person as possible. However, it is likely that face-to-face sessions and lectures will remain limited and mixed with online sessions.
- The pioneering research of Prof Corinne Le Quéré, from the University of East Anglia's (UEA's) School of Environmental Sciences, into the impact of climate change on the world's oceans has won a prestigious international prize. The Heineken Prizes for Arts and Sciences are the Netherlands' most prestigious international science prizes and are awarded every two years to five researchers performing outstanding work in their fields. Prof Le Quéré, Royal Society Research Professor of Climate Change Science at UEA, was awarded this year's Heineken Prize for Environmental Sciences for her interdisciplinary research on the interactions between climate change and the carbon cycle.
- A research paper led by a University of East Anglia academic has been named as the best peer reviewed article published internationally on journalism in 2019. The article, 'Foundation funding and the boundaries of journalism', has won the 2020 Wolfgang Donsbach Outstanding Article of the Year Award. It reports the findings of a study looking at how funding by private foundations is inadvertently changing the international journalism it supports.

Claimant count unemployment

The “claimant count” measure counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit¹ and are required to seek work and be available for work. It replaces Jobseeker's Allowance claimants as the headline unemployment benefit indicator. Figure 5 summarises 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. From 2019 unemployment rates have risen across each of the reported areas. While most downturns in the economic cycle occur over a number of months the impact of COVID19 has seen claimant count unemployment rates spike across each of the reported areas in a few weeks; the increase has been strongest in the Norwich city council area.

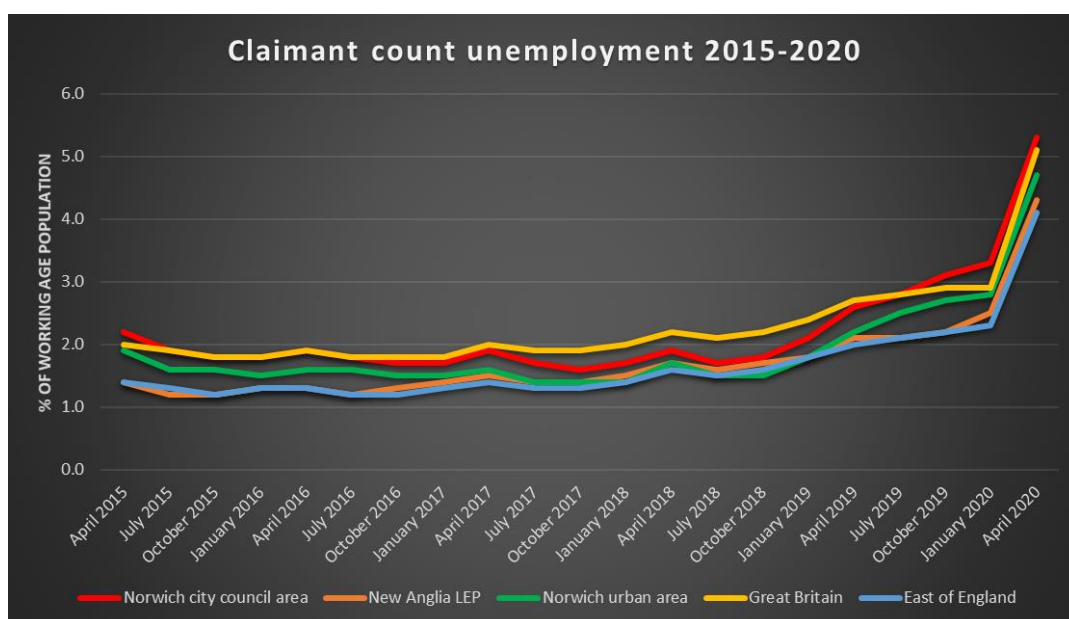


Figure 5 Claimant count unemployment 2015 to 2020

	April 2019		March 2020		April 2020		Monthly change	Annual change
Gt. Britain	1,077,045	2.7%	1,238,420	3.1%	2,061,030	5.1%	+ 2.0%	+ 2.4%
East of England	74,690	2.0%	90,675	2.4%	156,150	4.1%	+1.7%	+ 2.1%
New Anglia LEP	20,140	2.1%	24,550	2.5%	42,225	4.3%	+ 1.8%	+ 2.2%
Norwich City Councilⁱⁱ	2,495	2.6%	3,220	3.3%	5,060	5.3%	+ 2.0%	+ 2.7%
Norwich urban area	2,885	2.2%	3,750	2.9%	6,070	4.7%	+ 1.8%	+2.5%

Table 1 shows that the claimant count unemployment rates have grown strongly compared to the same time last year; the number of people claiming unemployment benefits has seen a twofold increase across all the reported areas bar nationally, where it has almost doubled. Over the month of April, the COVID19 lockdown generated a sharp increase in unemployment rates across each of the reported areas. This increase is likely to have been tempered by the Government's temporary furlough job subsidy scheme but given the scale of the economic shock it is unlikely that the scheme will prevent further significant increases in unemployment in the coming months. The magnitude of the increase in unemployment will depend not only on the strength of the economic recovery but also on whether furloughed workers can be fully absorbed back into the workforce.

Ward level claimant count unemployment

Table 2 Claimant count unemployment								
	April 2019		March 2020		April 2020		Monthly change	Annual change
Bowthorpe	205	2.5%	255	3.1%	370	4.5%	+ 1.4%	+ 1.1%
Catton Grove	210	2.9%	290	4.0%	460	6.4%	+ 2.4%	+ 1.2%
Crome	185	3.2%	240	4.1%	380	6.4%	+ 2.3%	+ 1.5%
Eaton	50	1.0%	80	1.6%	125	2.6%	+ 1.0%	+ 0.7%
Lakenham	170	2.9%	240	4.2%	385	6.8%	+ 2.6%	+ 2.2%
Mancroft	405	5.1%	460	5.9%	690	8.8%	+ 2.9%	+ 2.7%
Mile Cross	295	4.1%	400	5.6%	565	7.9%	+ 2.3%	+ 2.2%
Nelson	55	0.8%	90	1.3%	185	2.6%	+ 1.3%	+ 0.5%
Sewell	175	2.5%	215	3.0%	390	5.4%	+ 2.4%	+ 0.8%
Thorpe Hamlet	265	2.9%	345	3.8%	560	6.2%	+ 2.4%	+ 1.2%
Town Close	165	2.15	195	2.5%	305	3.9%	+ 1.4%	+ 0.8%
University	90	0.9%	115	1.2%	200	2.0%	+ 0.8%	+ 0.3%
Wensum	220	2.7%	295	3.6%	440	5.4%	+ 1.8%	+ 1.3%

Table 2 shows that compared to March, COVID19 impacted on unemployment rates which increased in each of the Norwich wards; the strongest rates of growth took place in Mancroft and Lakenham, the weakest growth was seen in University ward.

Over the year, rates increased in every Norwich ward; the strongest growth took place in Mancroft, Mile Cross and Lakenham wards.

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 6.6 percentage points.

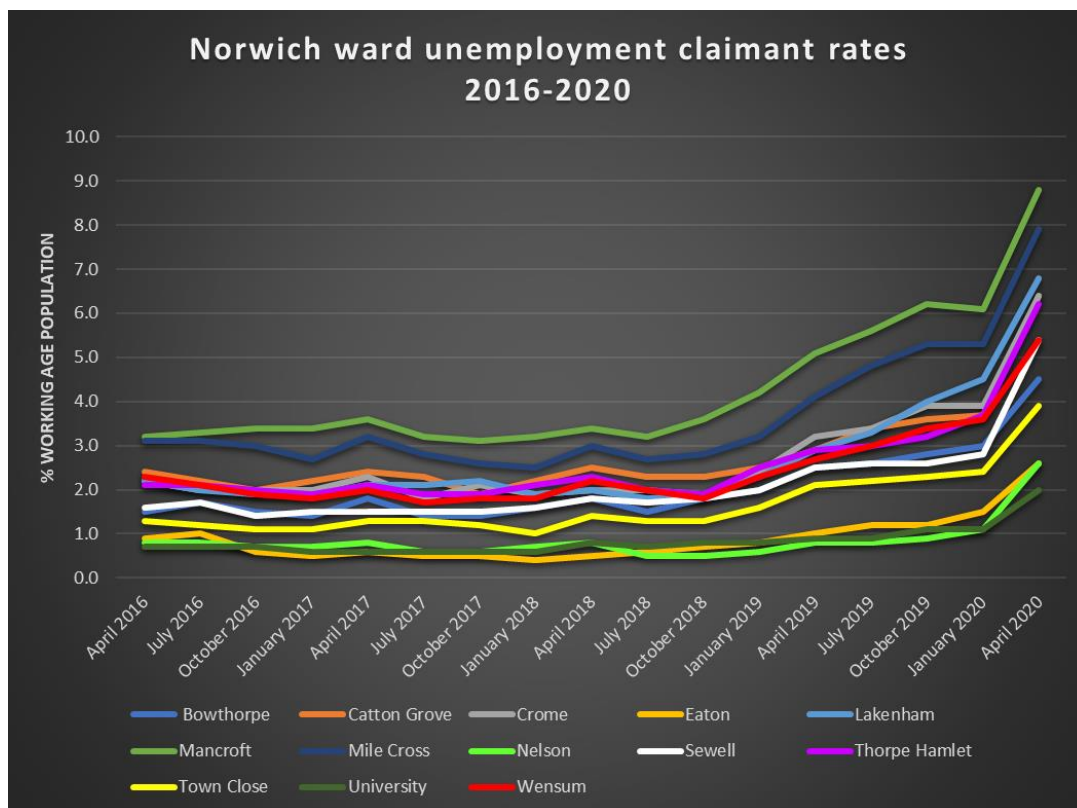


Figure 6 Norwich wards claimant count unemployment 2016 to 2020

Claimant count unemployment: age/duration

Gender: in the city council area, slightly more than one in every three (38 per cent) out-of-work claimants is a woman. Over the month, female rates increased across each of the reported areas: Norwich (4.0 per cent); regionally (3.5 per cent) across the LEP area (3.6 per cent) and nationally (4.1 per cent).

The male unemployment rate is slightly higher in Norwich (at 6.5 per cent of working age males) than nationally (6.1 per cent), across the LEP area and regionally (both 4.8 per cent). Over the month, rates increased cross 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.

Duration: a level of churn takes place within the labour market as people move between unemployment, welfare benefits and employment. In Norwich 46.1 per cent of JSAⁱⁱⁱ unemployment claims are for a period of less than six months; much lower than the proportion seen across the LEP area (63.2 per cent), nationally (55.3 per cent) and regionally (66.7 per cent).

Prior to the pandemic, the situation in Norwich had worsened dramatically over the year compared to the other areas and a sizeable increase in the proportion of people who had been unemployed for more than six months had taken place.

The percentage of JSA claimants who are recorded as being unemployed for more than 12 months stands at 50.2 per cent in Norwich compared to 33.3 per cent in the LEP area; 30.7 per cent regionally and 41.8 per cent nationally. Relative to the previous month, the percentage of long-term unemployed fell across each of the reported areas because of the rise in unemployment related to COVID19.

Age: In Norwich, the share of JSA unemployed people is lower than across the other reported areas with 7.5 per cent of JSA unemployed people aged 18-24 year old; across the LEP area the proportion stands at 7.8 per cent; 7.0 per cent nationally and 8.1 per cent regionally.

At the other end of the age scale, Norwich has a lower percentage of JSA unemployment claimants aged 50 years and older (35.4 per cent) compared to the LEP area (41.2 per cent), regionally (38.3 per cent) and nationally (39.3 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 is 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 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%)
November 2019	14,352	- 961 (- 6.3%)
December 2019	15,216	+ 864 (+ 6.0%)
January 2020	15,080	- 136 (- 0.9%)
February 2020	15,054	- 26 (- 0.2%)
March 2020	15,045	- 9 (- 0.01%)
April 2020	15,354	+ 309 (+ 2.0%)
May 2020	15,030	- 314 (- 2.0%)

Table 3 shows that the number of housing benefit claimants in the Norwich local authority area reduced by 314 claims during May. Over the year, housing benefit claims in Norwich have fallen by 3.7 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 2017- 2020

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 1.30 per cent in Norwich and grew by 1.55 per cent in the East of England and by 2.18 per cent across England. Figure 7 summarises average house price movements since March 2017.

During the month of March, average house prices dropped by 1.18 per cent in Norwich and by 0.13 per cent in England compared to the previous month, house prices remained unchanged at the regional level. The average house price in Norwich currently stands at £203,473 against £291,254 for the East of England and £248,271 for England.

Appendix

Contact details

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Data Sources:

Figure 1: IHS Markit / CIPS UK Composite PMI

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

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 Claimant count data not yet available by age/duration

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