



## Norfolk short-term sectoral growth forecast for January 2021 and June 2021, based on OBR forecasts

### Key Points

- We have modelled the OBR short-term sectoral growth (GDP) rates onto GVA local forecasts.
- ONS publishes GDP quarterly national accounts, with a three-month time lag. Therefore, it is likely that national GDP figures for Quarter 1 (January to March) will be published in late June and figures for Quarter 2 (April to June) will be published in late September.
- Looking at the relative contribution to GVA, we can assess that by June 2021, the overall impact across districts is likely to be greater in Breckland, Great Yarmouth, North Norfolk and Norwich than other areas of Norfolk.
- Norfolk's GVA is expected to have contracted by £2,083.9m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Norfolk of £18,944.7m.
- Overall, for Norfolk it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £517.1m.
- Norfolk's GVA is expected to contract by £1,136.7m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Norfolk of £18,944.7m.
- By June 2021, activity in most sectors is expected to recover significantly, but OBR assumes that some voluntary distancing and residual official restrictions depress activity in some sectors, including accommodation and food, and transport.
- By June 2021, the only sectors expected to return to pre-January 2020 growth levels are the Public administration and defence sector and the Human health sector.
- For all districts it is expected that by January 2021 the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, with significant improvement expected by June 2021.
- For Breckland, the Agriculture sector is an important sector and is expected to be hit hard by January 2021, with negative GVA growth not expected to rebound by June 2021. Negative GVA growth in the Administration and support sector is not expected to rebound by June 2021. Manufacturing is an important sector and negative growth is expected to worsen by June 2021.
- For Broadland, the Wholesale and retail sector has a high level of negative GVA growth expected by January 2021, but with significant improvement expected by June 2021. Finance and insurance is an important sector, with growth not expected to rebound significantly by June 2021.
- For Gt Yarmouth, the Accommodation and food services sector is enormously important to the economy. It is expected that by January 2021 this sector will

have the highest level of negative GVA growth, compared with January 2020, with significant improvement expected by June 2021.

- For King's Lynn & West Norfolk, the Wholesale and retail sector has a high level of negative GVA growth expected by January 2021, with significant improvement expected by June 2021. Manufacturing is an important sector and negative growth is expected to worsen by June 2021.
- For North Norfolk, the Accommodation and food services sector is enormously important to the economy. It is expected that by January 2021, this sector will have the highest level of negative GVA growth, compared with January 2020, with significant improvement expected by June 2021.
- For Norwich, the Education sector has a high level of negative GVA growth expected by January 2021, with significant improvement expected by June 2021. The Wholesale and retail sector has a high level of negative GVA growth expected by January 2021, again with significant improvement expected by June 2021. The Transportation sector is important for Norwich, with little improvement in GVA growth expected by June 2021. The Administrative and support sector is important, with no improvement in GVA growth expected by June 2021.
- For South Norfolk, the Wholesale and retail sector has a high level of negative GVA growth expected by January 2021, with significant improvement expected by June 2021. The Education sector has a high level of negative GVA growth expected by January 2021, with improvement expected by June 2021. The Human health sector is important for South Norfolk and has a high level of negative GVA growth expected by January 2021, which is expected to rebound and exceed the January 2020 level by June 2021.
- It is worth noting that different economic experts have differing views on the rate of the UK's economic growth and recovery, which may contrast with the OBR forecasts.

## Context

The Office for Budget Responsibility (OBR) has published its Economic and fiscal outlook for March 2021, setting out a central forecast to 2025-26 taking account of latest data and Government policies announced up to and including the 2021 Budget.<sup>1</sup>

OBR has cross-checked their short-term output growth assumptions by considering the implications of the course of the pandemic, level of public health restrictions and other factors for individual sectors. **Figure 1** presents an illustrative short-term sectoral path of output consistent with OBR central forecast for January 2021 and June 2021, when only a residual level of public health restrictions are expected to remain. The OBR forecast growth rates represent a change in GDP relative to January 2020. In absolute terms, the level of output during the January 2021 lockdown lies between the level seen during the lockdowns in April and November last year in most sectors. By June 2021, activity in most sectors is expected to recover significantly, but OBR assumes that some voluntary distancing and residual

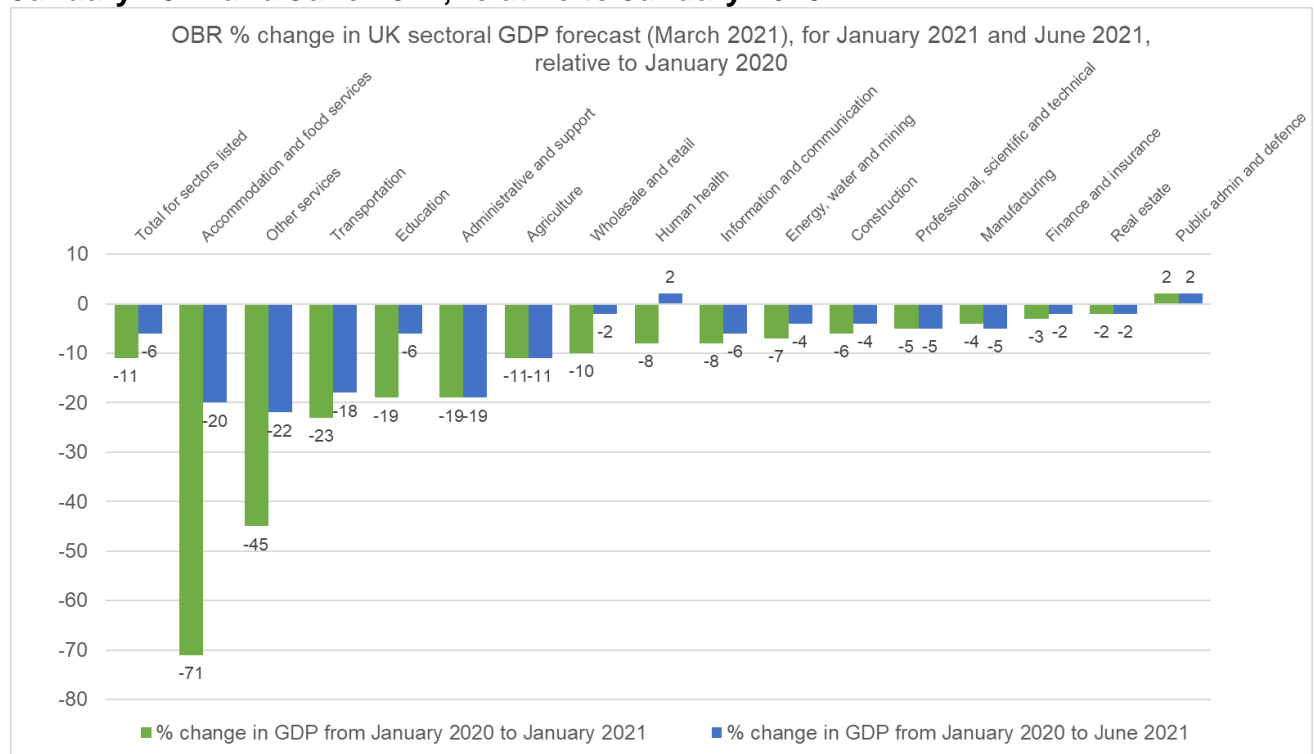
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<sup>1</sup> Office for Budget Responsibility, *Economic and fiscal outlook*, March 2021

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official restrictions depress activity in some sectors, including accommodation and food, and transport.

**Figure 1: OBR % change in UK sectoral GDP forecast (March 2021), for January 2021 and June 2021, relative to January 2020**



Source: OBR

It is worth noting that different economic experts have differing views on the rate of the UK’s economic growth and recovery, which may contrast with the OBR forecasts. For example, The Bank of England’s chief economist has reportedly said recently that there is evidence that the economy is growing rapidly, in contrast to his colleagues on the Monetary Policy Committee that are said to be more gloomy about the pace of recovery.<sup>2</sup> Therefore, this analysis of Norfolk’s sectoral growth based on the OBR forecasts must be considered within that context.

### Methodology

There are difficulties modelling GDP growth at the local level, where data is often inconsistent and not published in a timely manner. For example, ONS publishes GDP quarterly national accounts on a quarterly basis, with a three-month time lag, meaning it is likely that national GDP figures for Quarter 2 (April to June) will be published in late September; and this will not include local growth figures.

To enable modelling of the OBR growth forecasts for Norfolk, we have used the East of England Forecasting Model (EEFM) local Gross Value Added (GVA) data for 2019. The EEFM provides a set of baseline forecasts prepared by a leading independent forecasting house (Cambridge Econometrics) for the East of England

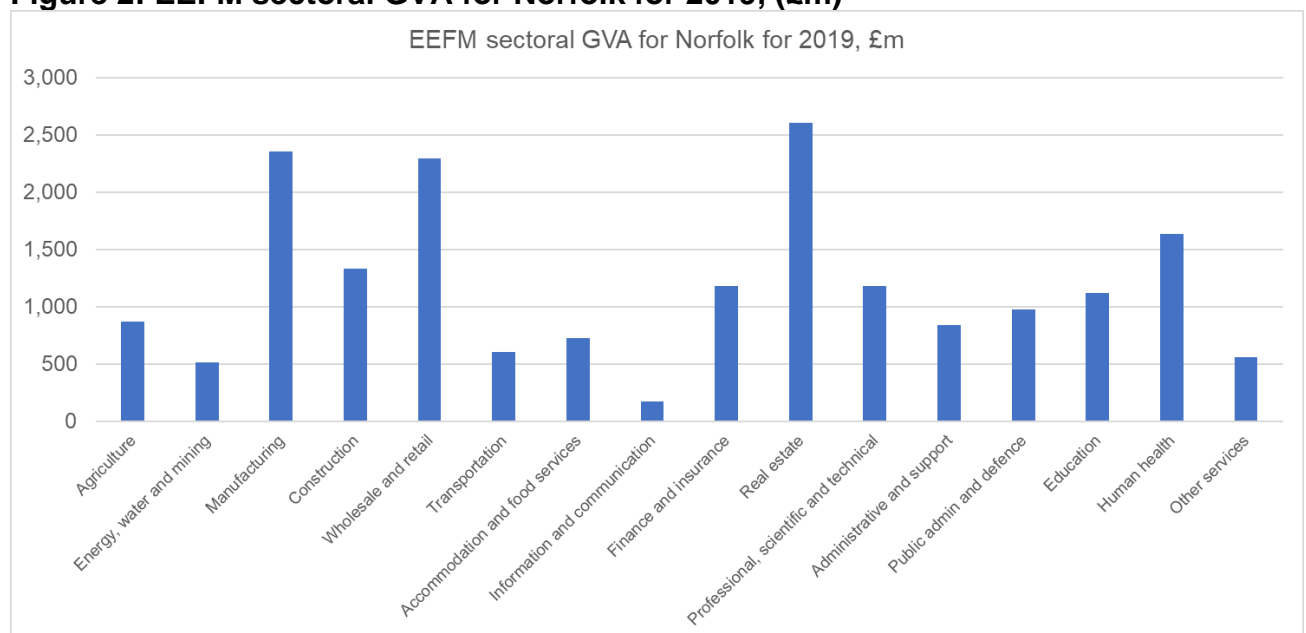
<sup>2</sup> Financial Times, Bank of England’s chief economist says colleagues are too gloomy on outlook, 11 May 2021 - <https://www.ft.com/content/1e328f03-29bb-4ffe-a60a-f7e09596462b>

region and sub-regions (counties, unitaries and district authorities), with GVA forecasts split by sector.<sup>3</sup> The Office for National Statistics (ONS) describes GVA as the value of an industry's outputs less the value of intermediate inputs used in the production process, and uses GVA as a proxy for GDP.<sup>4</sup> Therefore, we have modelled the OBR short-term sectoral growth (GDP) rates onto the EEFM 2019 GVA local forecasts.

### Analysis for Norfolk overall

**Figure 2** shows the EEFM sectoral GVA values (£m) for Norfolk for 2019, with Real estate having the highest value (£2,607.1m), closely followed by Manufacturing (£2,354.8m) and Wholesale and retail (£2,291.1m). For the sectors listed, total GVA for Norfolk for 2019 is estimated at £18,944.7m.

**Figure 2: EEFM sectoral GVA for Norfolk for 2019, (£m)**



Source: EEFM 2019

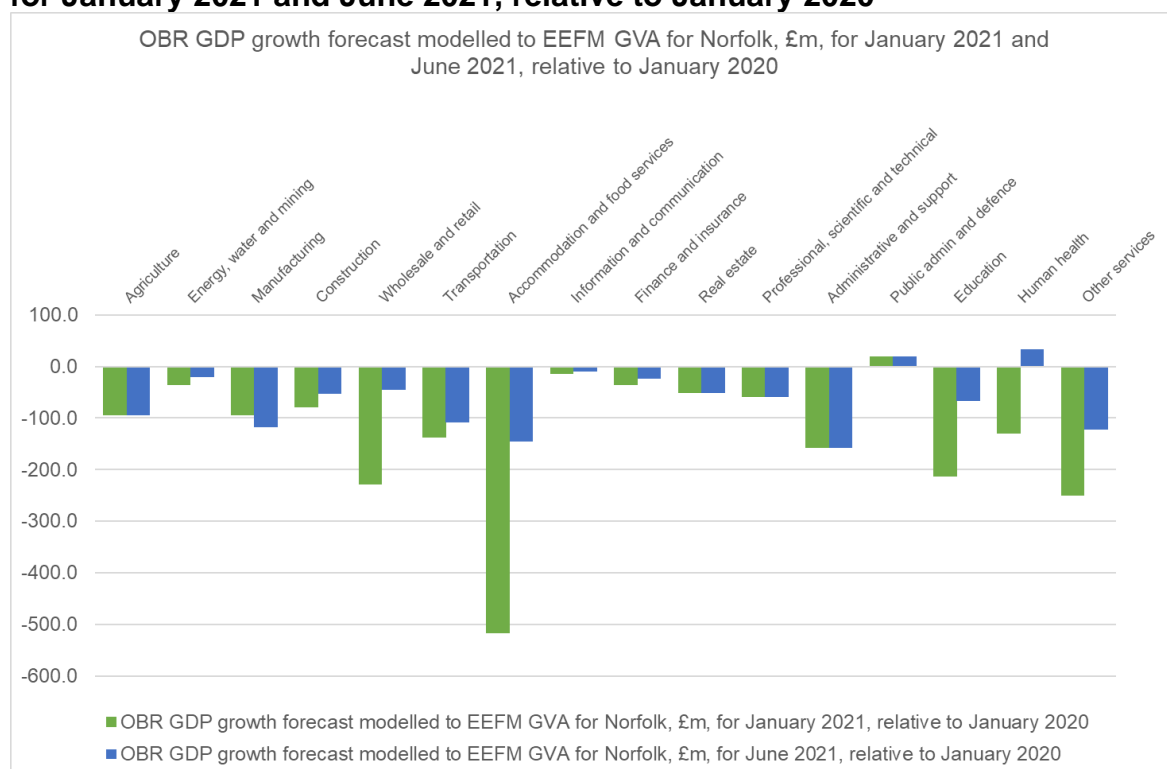
Using the OBR blanket sectoral growth rates, **Figure 3** shows that overall for Norfolk it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £517.1m. Other sectors that are expected to be hardest hit by January 2021 in terms of reduced levels of GVA compared with January 2020 are Wholesale and retail (GVA expected to contract by £229.1m) and Education (GVA expected to contract by £213.1m). For the sectors specified by OBR in their forecasting, Norfolk's GVA is expected to contract by £2,083.9m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Norfolk of £18,944.7m. By January 2021, the only sector expected to return to pre-January 2020 growth levels is the Public administration and defence sector.

<sup>3</sup> Cambridgeshire Insight – East of England Forecasting Model - <https://cambridgeshireinsight.org.uk/eefm/>

<sup>4</sup> Office for National Statistics, *A guide to interpreting monthly gross domestic product*, July 2018 <https://www.ons.gov.uk/economy/grossdomesticproductgdp/methodologies/aguidetointerpretingmonthlygrossdomesticproduct>

By June 2021, GVA growth for the Accommodation and food services sector is expected to improve significantly and stands at an estimated £145.7m below the January 2020 level. GVA growth is expected to improve for most sectors by June 2021. For the sectors specified by OBR in their forecasting, Norfolk's GVA is expected to contract by £1,136.7m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Norfolk of £18,944.7m. By June 2021, the only sectors expected to return to pre-January 2020 growth levels are the Public administration and defence sector and the Human health sector.

**Figure 3: OBR GDP growth forecast modelled to EEFM GVA for Norfolk, £m, for January 2021 and June 2021, relative to January 2020**



Source: OBR, EEFM

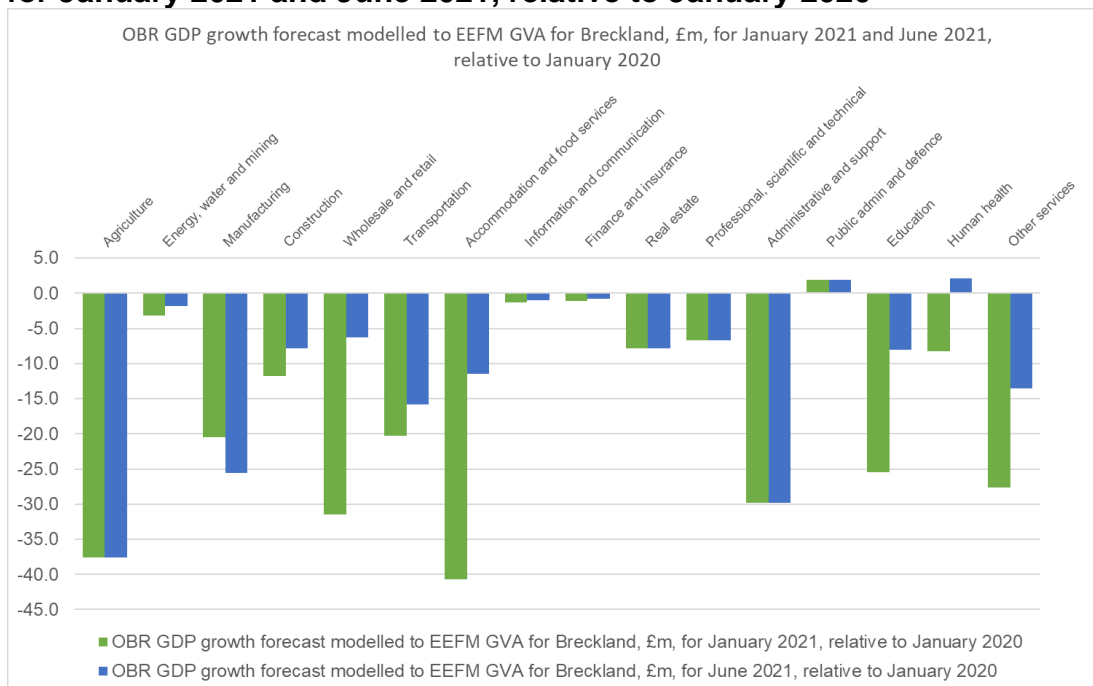
### Analysis for Norfolk's districts

In terms of Norfolk's districts, **Figures 4 to 10** show the OBR GDP growth forecast (March 2021) modelled to the EEFM GVA, using the OBR blanket sectoral growth rates. The Accommodation and food services sector is forecast to have the highest level of negative GVA growth for each of the districts for January 2021, compared with January 2020, with significant improvement expected by June 2021. Generally, GVA growth is expected to improve for most sectors by June 2021. By January 2021, the only sector expected to return to pre-January 2020 growth levels is the Public administration and defence sector. By June 2021, the only sectors expected to return to pre-January 2020 growth levels are the Public administration and defence sector and the Human health sector.

For Breckland (see **Figure 4**), it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £40.7m, with significant improvement expected by June 2021. The Agriculture sector is also expected to be hit hard by January 2021 in terms of reduced levels of GVA compared with January 2020 (GVA expected to contract by £37.6m), with growth not expected to rebound by June 2021. The Wholesale and retail sector and the Administrative and support sector both also have high levels of negative GVA growth expected (each contracting by around £30m by January 2021); the Administration and support sector is not expected to rebound by June 2021. Manufacturing is an important sector for Breckland and growth is expected to worsen by June 2021 (GVA expected to contract by £25.6m compared with January 2020). Education is an important sector, with GVA expected to contract by around £25m by January 2021, compared with January 2020. Transportation is an important sector, with GVA expected to contract by around £20m by January 2021, with growth not expected to rebound significantly by June 2021.

For the sectors specified by OBR in their forecasting, Breckland’s GVA is expected to contract by £295.3m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Breckland of £2,684.7m. Breckland’s GVA is expected to contract by £161.1m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Breckland of £2,684.7m.

**Figure 4: OBR GDP growth forecast modelled to EEFM GVA for Breckland, £m, for January 2021 and June 2021, relative to January 2020**

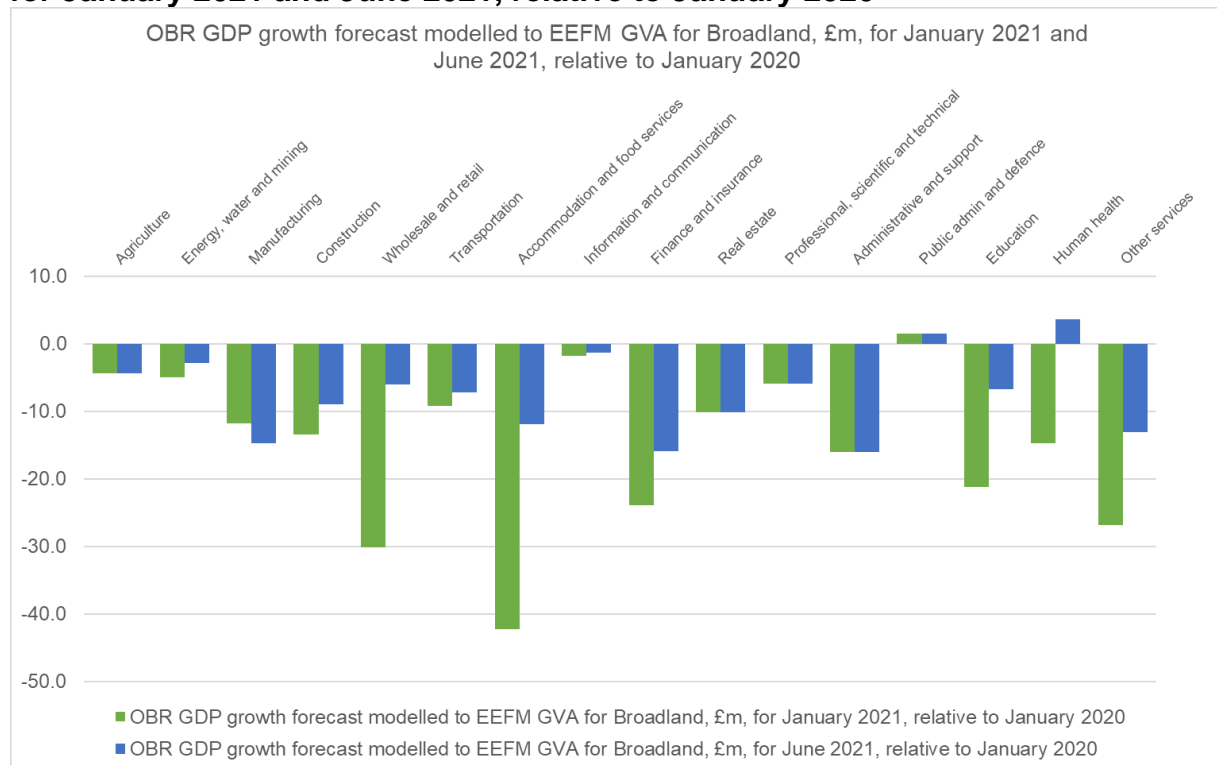


Source: OBR, EEFM

For Broadland (see **Figure 5**), it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £42.2m, with significant improvement expected by June 2021. The Wholesale and retail sector also has a high level of negative GVA growth expected, contracting by around £30m by January 2021, with significant improvement expected by June 2021. Finance and insurance is an important sector, with GVA expected to contract by around £24m by January 2021, compared with January 2020, with growth not expected to rebound significantly by June 2021.

For the sectors specified by OBR in their forecasting, Broadland’s GVA is expected to contract by £328.9m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Broadland of £2,989.6m. Broadland’s GVA is expected to contract by £179.4m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Broadland of £2,989.6m.

**Figure 5: OBR GDP growth forecast modelled to EEFM GVA for Broadland, £m, for January 2021 and June 2021, relative to January 2020**

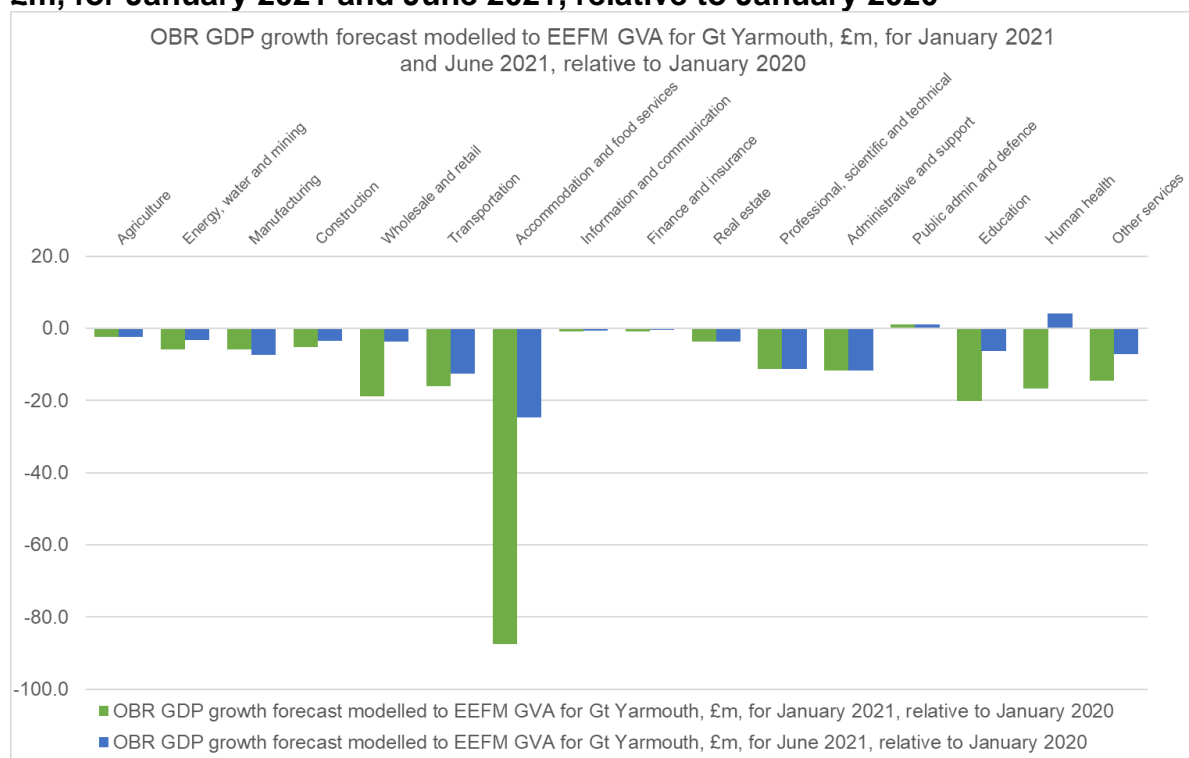


Source: OBR, EEFM

For Gt Yarmouth (see **Figure 6**), the Accommodation and food services sector is very important to the economy. It is expected that by January 2021, this sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £87.5m, with significant improvement expected by June 2021.

For the sectors specified by OBR in their forecasting, Gt Yarmouth’s GVA is expected to contract by £178.5m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Gt Yarmouth of £1,622.8m. Gt Yarmouth’s GVA is expected to contract by £97.4m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Gt Yarmouth of £1,622.8m.

**Figure 6: OBR GDP growth forecast modelled to EEFM GVA for Gt Yarmouth, £m, for January 2021 and June 2021, relative to January 2020**



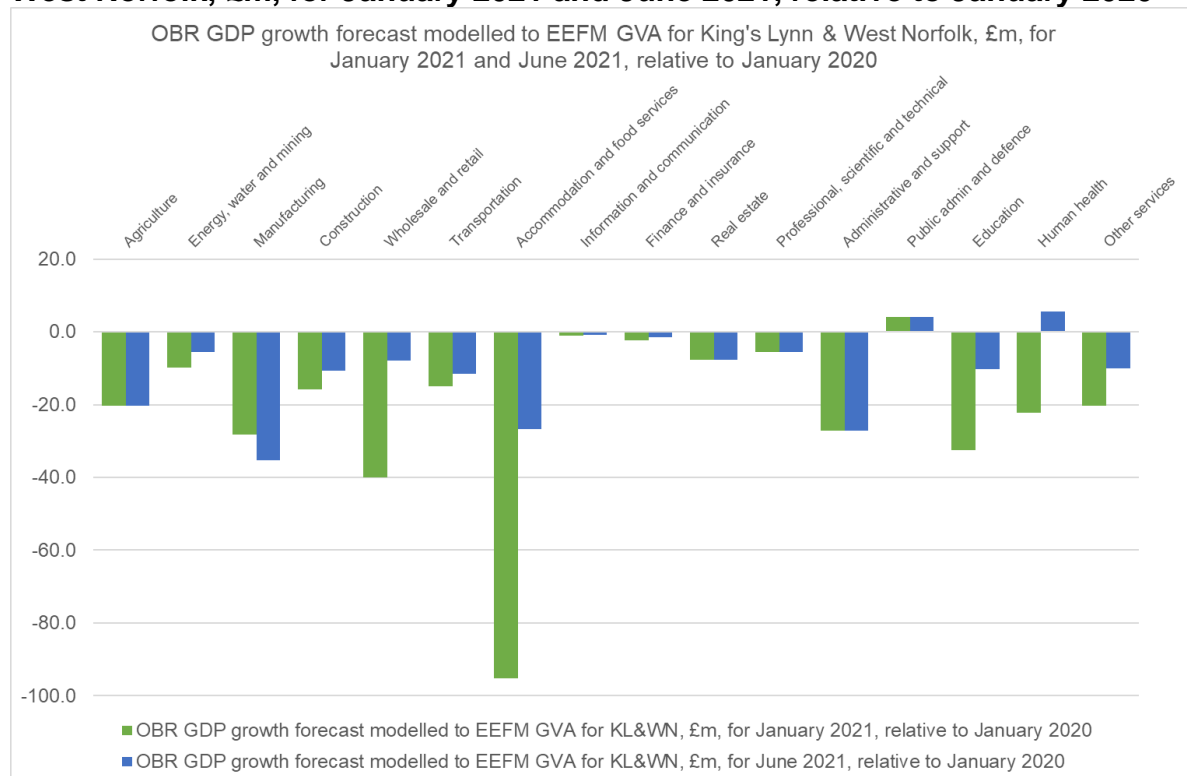
Source: OBR, EEFM



For King's Lynn & West Norfolk (see **Figure 7**), it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £95.2m, with significant improvement expected by June 2021. The Wholesale and retail sector also has a high level of negative GVA growth expected, contracting by around £40m by January 2021, with significant improvement expected by June 2021. Manufacturing is an important sector for King's Lynn & West Norfolk and growth is expected to worsen by June 2021 (GVA expected to contract by £35.3m compared with January 2020).

For the sectors specified by OBR in their forecasting, King's Lynn & West Norfolk's GVA is expected to contract by £364.8m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for King's Lynn & West Norfolk of £3,316.3m. King's Lynn & West Norfolk's GVA is expected to contract by £199.0m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for King's Lynn & West Norfolk of £3,316.3m.

**Figure 7: OBR GDP growth forecast modelled to EEFM GVA for King's Lynn & West Norfolk, £m, for January 2021 and June 2021, relative to January 2020**

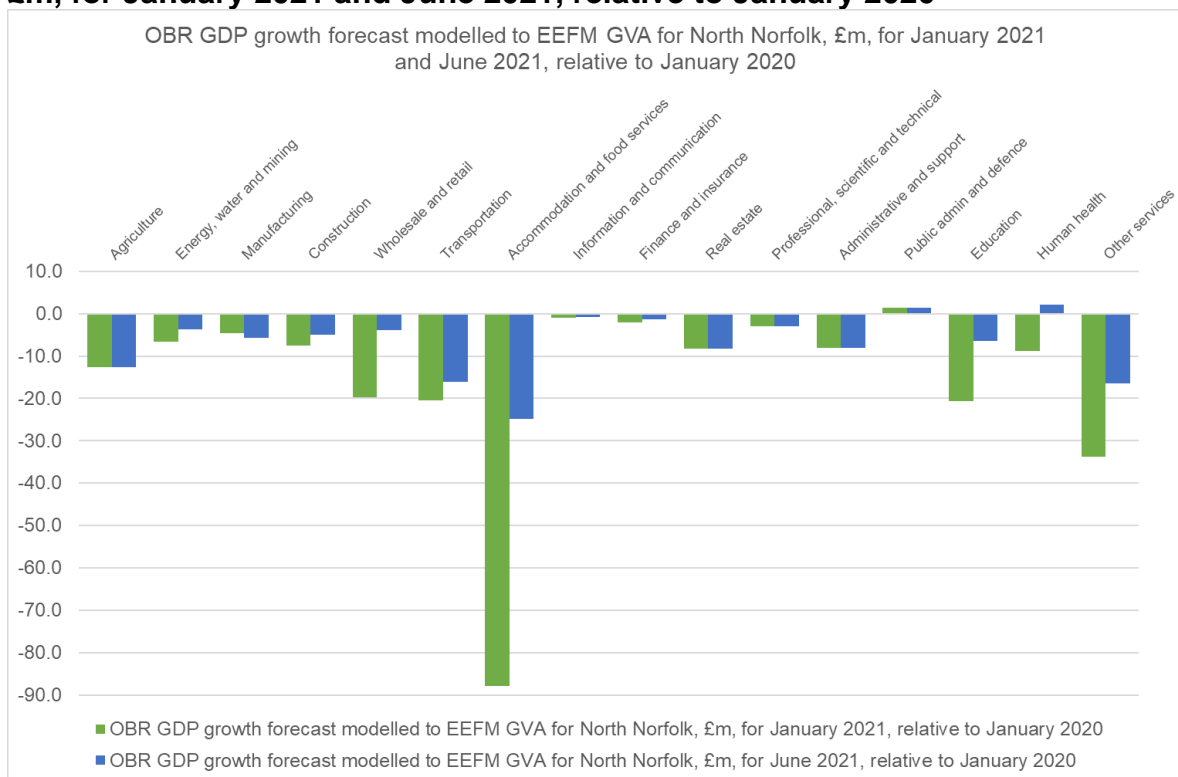


Source: OBR, EEFM

For North Norfolk (see **Figure 8**), the Accommodation and food services sector is very important to the economy. It is expected that by January 2021, this sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £87.9m, with significant improvement expected by June 2021.

For the sectors specified by OBR in their forecasting, North Norfolk's GVA is expected to contract by £200.2m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for North Norfolk of £1,820.0m. North Norfolk's GVA is expected to contract by £109.2m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for North Norfolk of £1,820.0m.

**Figure 8: OBR GDP growth forecast modelled to EEFM GVA for North Norfolk, £m, for January 2021 and June 2021, relative to January 2020**

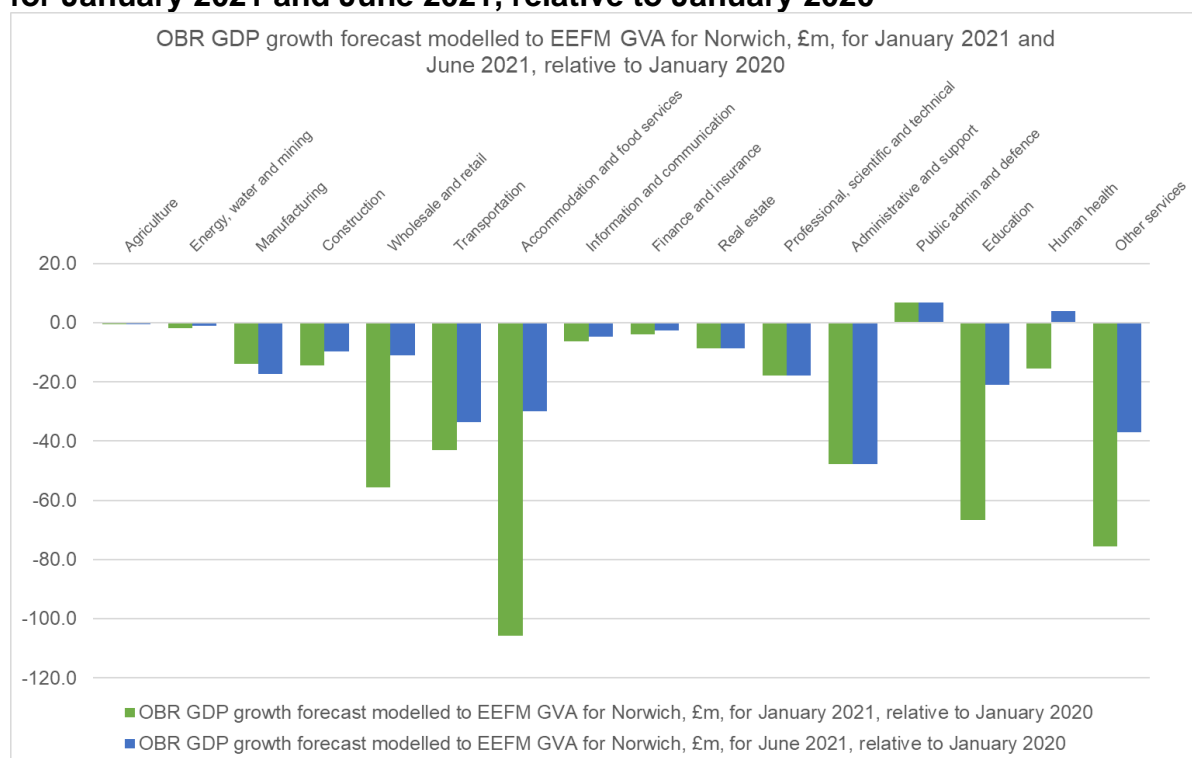


Source: OBR, EEFM

For Norwich (see **Figure 9**), it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £105.9m, with significant improvement expected by June 2021. The Education sector also has a high level of negative GVA growth expected, contracting by around £66m by January 2021, with significant improvement expected by June 2021. The Wholesale and retail sector also has a high level of negative GVA growth expected, contracting by around £56m by January 2021, again with significant improvement expected by June 2021. The Transportation sector is important for Norwich, with little improvement in GVA growth expected by June 2021, compared with January 2020. The Administrative and support sector is important, with no improvement in GVA growth expected by June 2021.

For the sectors specified by OBR in their forecasting, Norwich’s GVA is expected to contract by £419.9m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for Norwich of £3,817.2m. Norwich’s GVA is expected to contract by £229.0m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for Norwich of £3,817.2m.

**Figure 9: OBR GDP growth forecast modelled to EEFM GVA for Norwich, £m, for January 2021 and June 2021, relative to January 2020**

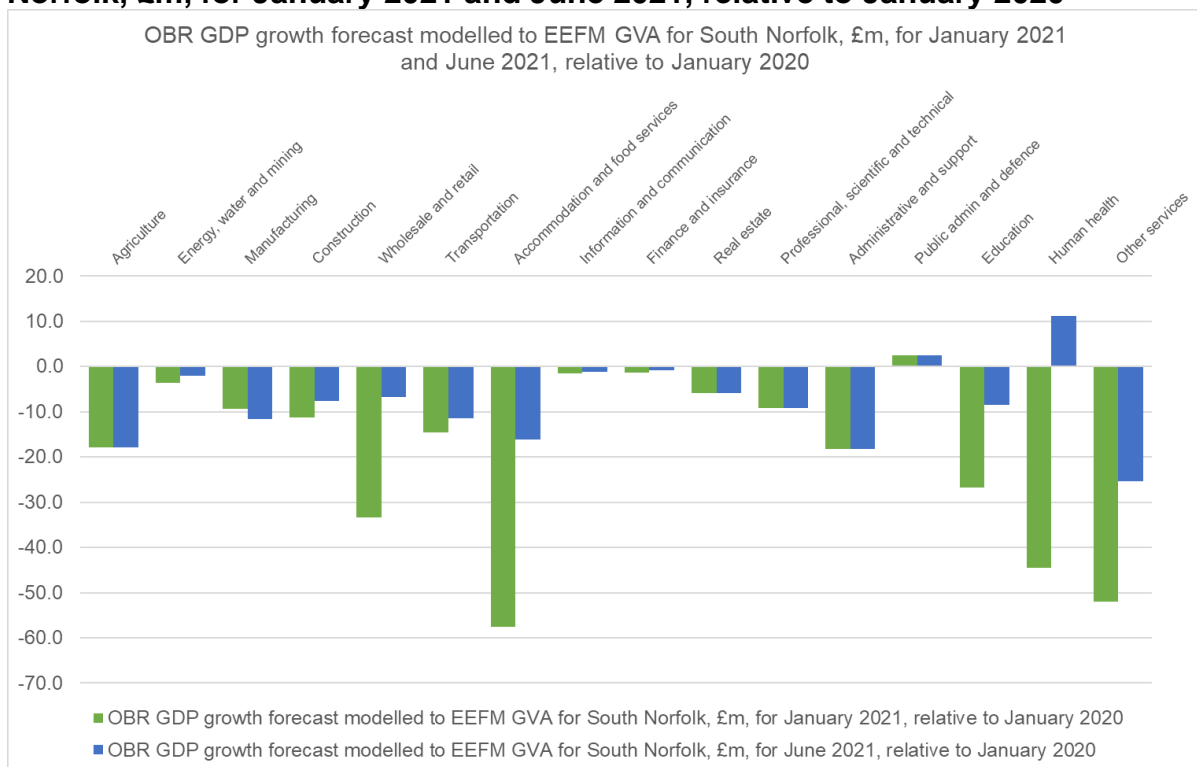


Source: OBR, EEFM

For South Norfolk (see **Figure 10**), it is expected that by January 2021, the Accommodation and food services sector will have the highest level of negative GVA growth, compared with January 2020, contracting by an estimated £57.6m, with significant improvement expected by June 2021. The Wholesale and retail sector also has a high level of negative GVA growth expected, contracting by around £33m by January 2021, with significant improvement expected by June 2021. Similarly, the Education sector has a high level of negative GVA growth expected, contracting by around £27m by January 2021, with improvement expected by June 2021. The Human health sector is important for South Norfolk and has a high level of negative GVA growth expected, compared with January 2020, contracting by around £45m by January 2021; this is expected to rebound and exceed the January 2020 level by around £11m by June 2021.

For the sectors specified by OBR in their forecasting, South Norfolk’s GVA is expected to contract by £296.4m (reduction of eleven per cent) by January 2021, compared with estimated January 2020 GVA for South Norfolk of £2,694.2m. South Norfolk’s GVA is expected to contract by £161.6m (reduction of six per cent) by June 2021, compared with estimated January 2020 GVA for South Norfolk of £2,694.2m.

**Figure 10: OBR GDP growth forecast modelled to EEFM GVA for South Norfolk, £m, for January 2021 and June 2021, relative to January 2020**



Source: OBR, EEFM

## Summary of relative GVA contribution

**Table 1** gives a sectoral summary of Norfolk's pre-pandemic GVA (£m), the OBR per cent impact by June 2021 relative to January 2020, and the Norfolk and national pre-pandemic relative contributions to GVA. It also gives the sectoral relative contributions to national GVA expected by June 2021, compared with Norfolk and districts. This shows that although not especially different, the impact for Norfolk is potentially slightly less than for the UK overall; Norfolk's economy is expected to be 94.6% by June 2021 compared to 94.4% for the UK, relative to pre-pandemic levels.

In Norfolk, the Public administration and defence sector and the Human Health sector make up a relatively larger proportion of the overall economy compared with the UK average, and these sectors are expected to grow. These may offset some reductions seen in other sectors, such as the Agriculture sector and Accommodation and food services sector.

Looking at the relative contribution to GVA, we can assess that by June 2021, the overall impact across districts is likely to be greater in Breckland, Great Yarmouth, North Norfolk and Norwich than other areas of Norfolk.

**Table 1: Summary of relative sectoral GVA contribution**

OBR Sector	Norfolk Pre Pandemic GVA £m	OBR % impact by June 2021, relative to Jan2020	Pre-Pandemic		By June 2021								
			Norfolk Relative Contribution	OBR National Relative Contribution	Norfolk Relative Contribution	OBR National Relative Contribution	Breckland	Broadland	Gt Yarmouth	KL&WN	North Norfolk	Norwich	South Norfolk
Agriculture	867.2	-11	4.58%	0.64%	4.07%	0.57%	11.30%	1.20%	1.20%	4.90%	5.60%	0.10%	5.40%
Energy, water and mining	509.4	-4	2.69%	3.81%	2.58%	3.66%	1.60%	2.30%	4.90%	4.00%	5.00%	0.70%	1.80%
Manufacturing	2354.8	-5	12.43%	10.06%	11.81%	9.56%	18.10%	9.40%	8.60%	20.20%	6.00%	8.60%	8.30%
Construction	1328.6	-4	7.01%	6.45%	6.73%	6.19%	7.00%	7.20%	5.20%	7.70%	6.60%	6.10%	6.70%
Wholesale and retail	2291.1	-2	12.09%	10.45%	11.85%	10.24%	11.50%	9.90%	11.30%	11.80%	10.60%	14.30%	12.10%
Transportation	602.4	-18	3.18%	4.04%	2.61%	3.32%	2.70%	1.10%	3.50%	1.60%	4.00%	4.00%	1.90%
Accommodation and food services	728.4	-20	3.84%	2.94%	3.08%	2.36%	1.70%	1.60%	6.10%	3.20%	5.40%	3.10%	2.40%
Information and communication	171.2	-6	0.90%	6.57%	0.85%	6.18%	0.60%	0.70%	0.50%	0.40%	0.70%	1.90%	0.70%
Finance and insurance	1180.4	-2	6.23%	6.77%	6.11%	6.63%	1.40%	26.10%	1.50%	2.30%	3.60%	3.40%	1.60%
Real estate	2607.1	-2	13.76%	13.50%	13.49%	13.23%	14.30%	16.60%	10.90%	11.30%	22.50%	11.00%	10.80%
Professional, scientific and technical	1183.1	-5	6.24%	7.69%	5.93%	7.30%	4.70%	3.70%	13.00%	3.20%	3.10%	8.90%	6.50%
Administrative and support	835	-19	4.41%	5.27%	3.57%	4.27%	4.70%	2.30%	3.10%	3.50%	1.90%	5.30%	2.90%
Public admin and defence	971.9	2	5.13%	4.91%	5.23%	5.01%	3.60%	2.60%	3.60%	6.20%	3.90%	9.20%	4.80%
Education	1121.8	-6	5.92%	5.68%	5.57%	5.34%	4.70%	3.50%	6.10%	4.90%	5.60%	8.60%	4.90%
Human health	1635.8	2	8.63%	7.53%	8.81%	7.68%	3.90%	6.30%	13.10%	8.60%	6.20%	5.20%	21.10%
Other services	556.6	-22	2.94%	3.69%	2.29%	2.88%	1.80%	1.60%	1.50%	1.10%	3.20%	3.40%	3.30%
Total for sectors listed	18944.7		100.00%	100.00%	<b>94.57%</b>	<b>94.40%</b>	<b>93.70%</b>	<b>96.00%</b>	<b>94.30%</b>	<b>94.80%</b>	<b>93.80%</b>	<b>93.90%</b>	<b>95.20%</b>

Source: OBR, EEFM



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