

London's Economy Today



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London's Economy Today is published by email and on www.london.gov.uk on the third Tuesday in every month. It provides an overview of the current state of the London economy, and a changing selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA and central government.

Moving on up

by Duncan Melville

The overall positive economic outlook that I discussed last month continues to hold firm. There is positive news flowing in from the US, UK and London economies. With positive economic prospects it is timely that this month's supplement focuses on London's leisure economy where we all get to spend our hard earned cash and enjoy the fruits of our labours.

US and UK economies are continuing to grow, but the Euro Area disappoints

Internationally, there were a number of encouraging signs from the US economy. The US Federal Reserve's Beige Book (a snapshot of economic conditions around the US) concluded that the strength of the economic expansion had picked up in most parts of the US. This positive assessment accorded with the news that payroll numbers rose by 57,000 in September compared to predictions among economic commentators that payrolls would fall by 30,000. The US retail sector also appeared to be in good health. Consumer confidence in the US rose in October and Walmart, the world's largest retailer, announced that its September sales were 6 per cent higher than in the same period last year.

In contrast with the US, continental Europe continues to disappoint. In both France and Germany industrial production fell in August compared with the same month in 2002 – by 1.9 per cent in Germany and by 1.2 per cent in France. The latest consensus among forecasters surveyed by the Economist magazine is for growth of just 0.4 per cent in France, and Germany's economy is not expected to grow at all this year. These numbers provide part of the explanation behind the plans in France and Germany to up the pace on economic reform.

Prospects for the UK economy look positive. The FTSE 100 is up by 6 per cent so far this month (close on Friday 17 October) and appears to have broken through the 4300 barrier in the last fortnight. This improvement in stock prices will have helped to improve corporate balance sheets. Surveys by both the Chartered Institute of Purchasing and Supply (CIPS) and the British Chambers of Commerce (BCC) reported improvements in the UK service sector. The CIPS index of service sector activity in September was at its highest level since April 2000. The BCC found

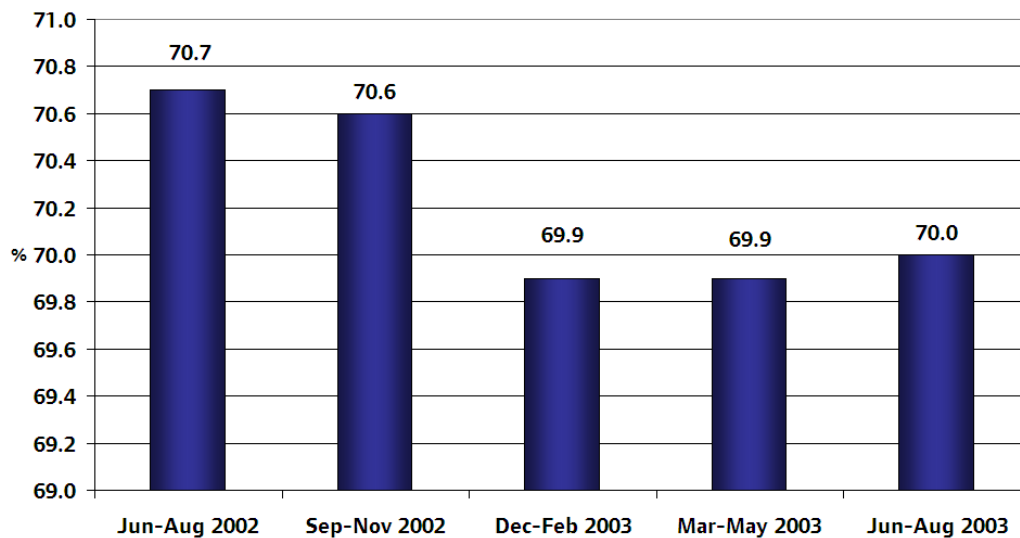
that service sector confidence rose by 12 points in the third quarter of 2003. The National Institute for Economic and Social Research's estimates of GDP for the third quarter of 2003 also showed strength in the service sector, with private services' output up by 0.7 per cent in the quarter and total GDP estimated to be up by 0.6 per cent.

The London economy is improving

These positive developments for the UK and US economies provide an encouraging backdrop for London's economy. The latest Royal Bank of Scotland London Poll business activity index rose to a three-year high of 59.8 in September, a significant improvement on August's reading of 57.1 and above the UK average of 56.7.

The tourism sector appears to be enjoying an upturn after stabilising in recent months. In the three months to August, overseas visitors to the UK and spending by these visitors rose by 11 per cent and 7 per cent respectively compared to the previous three months. Passenger numbers at the British Airports Authority's three London airports (Gatwick, Heathrow and Stanstead) were up by 1.7 per cent in September on the same month a year ago. However, out of line with these figures, the British Incoming Tour Operators Association reported a fall in visitor arrivals of 3.5 per cent in August 2003 compared to August 2002. Overall, however, the indicators for London's tourist sector appear positive.

Employment in London also appears to be encouragingly resilient given the slow down in economic activity seen in London in the recent past. The latest figures from the Office for National Statistics released this month show that workplace employment in London was 4,561,000 in June 2003 – up by 88,000 on June 2002. In addition, Chart 1 shows that the employment rate (the proportion of the population of working age in employment) of people living in London has been remarkably stable in the six months to the summer of 2003.

Chart 1. London's working age employment rate (seasonally adjusted)

Source: Labour Force Survey

The ILO unemployment rate in London did rise in the six months to June–August 2003 from 6.8 per cent to 7.3 per cent in spite of the stability in the employment rate. The reason for this apparent contradiction is that jobs appear to have been taken by people entering the labour market, as the (working age) inactivity rate in London fell from 24.9 per cent to 24.4 per cent over this period.

There are also signs that the take-up of central London offices has started to rise, suggesting that London's businesses are seeing an improvement in their situation. Jones Lang LaSalle, a leading property services company, reported that take-up in the third quarter of this year in Central London was around the average of the previous four to six quarters. The West End stood out, with take-up of offices 50 per cent higher than the first two quarters of the year. In the City, office take-up was reported to have continued to decline.

This picture of the City office market conflicts with that from chartered surveyors Ingleby Trice Kennard who recently reported an increase in office take-up in the City in the third quarter of this year of 6 per cent and an increase in the City Fringe areas of 16 per cent in the same period. However both companies' research suggested that increases in supply were continuing to outstrip demand in the City. Jones Lang LaSalle reported increasing office vacancy rates in the third quarter to 7 per cent in the West End and to 14 per cent in the City. Similarly, Ingleby Trice Kennard noted an increase in the availability of City offices of 6 per cent in the quarter. However, in the City

Fringe areas availability reportedly fell by 4 per cent.

With supply exceeding demand office rents have come under downward pressure. Jones Lang LaSalle reported that City office rents had fallen by 13 per cent in the first three quarters of 2003. Similarly, earlier research by property specialists CB Richard Ellis noted that office rents in central London in the second quarter of this year were down by at least 20 per cent year on year. Office rents are expected to continue falling over at least the next year or so. Declining office rents should help encourage businesses to take-up new office space and assist with the cost base of operating in London.

The immediate outlook is positive

The outlook for the UK and US economies has become more positive to the extent that some economic commentators are starting to discuss when interest rates might be expected to increase. In contrast, the Euro Area remains sluggish. The outlook for London's economy also appears favourable. Tourism appears to have turned the corner and the overall pace of business activity in London appears to have quickened in September. This improvement in the outlook for London's businesses presumably helps explain the bottoming out in the central London office market. However, with supply continuing to expand faster than rising demand office rents are likely to continue falling, which can only be beneficial for London's businesses.

Economic indicators

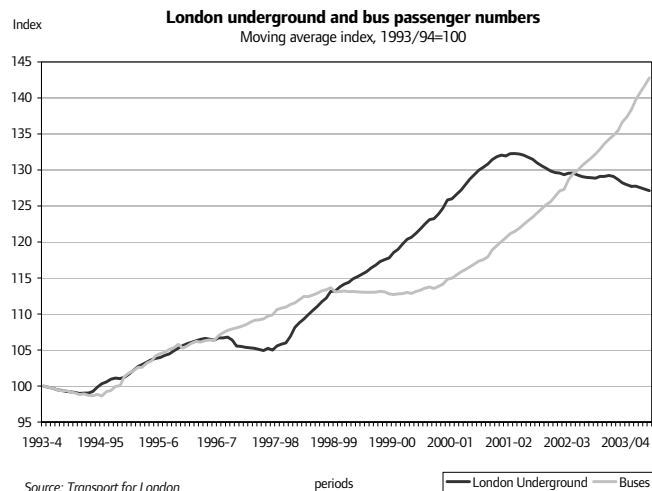
Tube and bus use – monthly figures

Source: Transport for London

Latest release: 14/10/03

Next release: 12/11/02

- Tube ridership measures the number of passengers on London Underground and has been a reliable indicator of economic activity in London.
- Tube ridership continued its downward trend in period 6 (17 August to 13 September), declining 0.1 per cent from the previous period.
- While this might suggest a slowdown in economic activity in London, bus usage increased further in period 6.



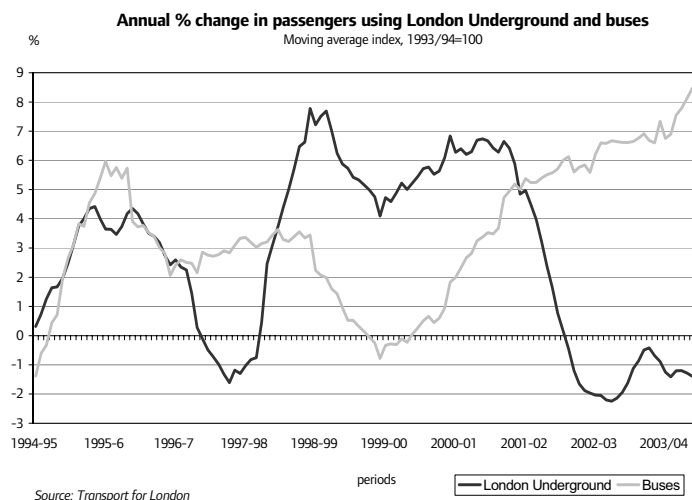
Tube and bus use – annual change

Source: Transport for London

Latest release: 14/10/03

Next release: 12/11/03

- The number of passengers using the tube in period 6 of 2003 was 1.4 per cent down on the same period in 2002. Tube ridership remained affected by the slow recovery in Central line demand and improved bus services in central London.
- Annual growth in bus usage continued to increase further in period 6, rising to 8.5 per cent. This suggests some people are switching from the tube towards more use of buses.



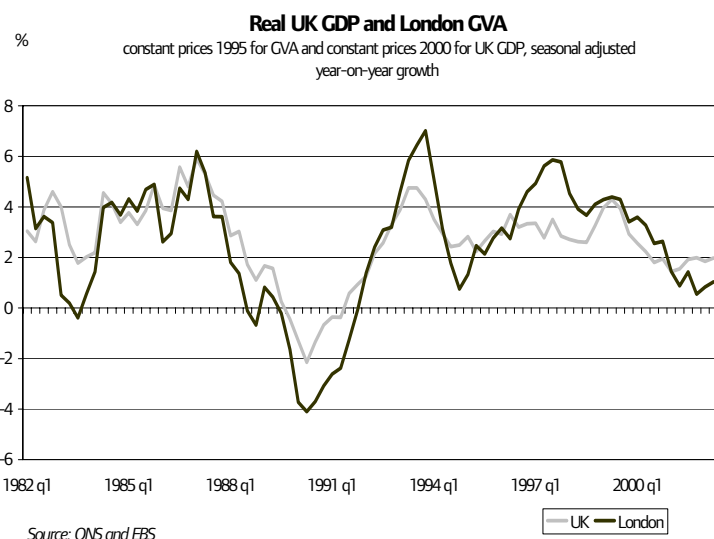
Economic activity

Source: EBS and ONS

Latest release: 30/09/03

Next release: 24/10/03

- Latest ONS figures show that the UK gross domestic product (GDP) grew faster in Q2 2003 (0.6 per cent) compared with the previous quarter (0.2 per cent). (Not shown in the chart.)
- Annual growth in UK GDP was 2 per cent in Q2 compared to 1.8 per cent in the previous quarter.
- EBS estimates for gross value added (GVA) in London indicate that the economy grew by 1.4 per cent in Q2 2003 from the previous year. (EBS data has not been updated since last issue and does not yet include changes due to the adoption of chain linking.)



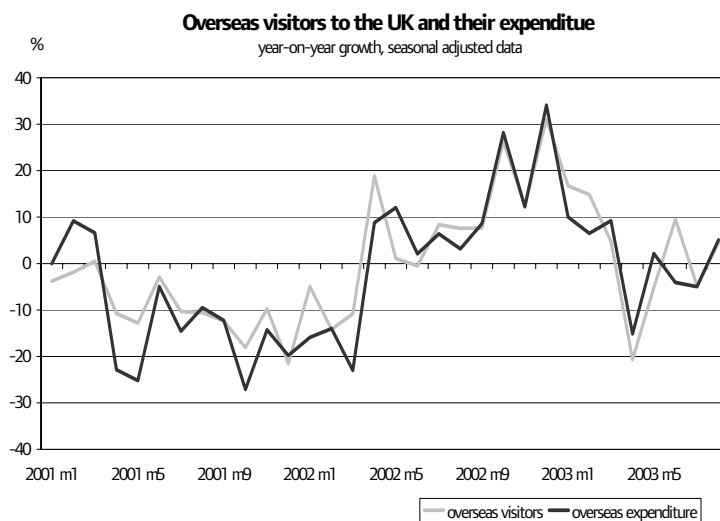
Overseas visitors

Source: ONS

Latest release: 8/10/03

Next release: 6/11/03

- UK tourism activity recovered in August. The number of overseas visitors to the UK increased sharply by almost 6 per cent from July. But these numbers stand slightly below the pre-Iraq war levels (not shown in the chart).
- Only the number of visitors coming from Western Europe showed a continuous upward trend since May. The number of tourists from North America and from other parts of the world declined from July.
- Also overseas visitors spending improved in August, rising 5 per cent from the previous year.



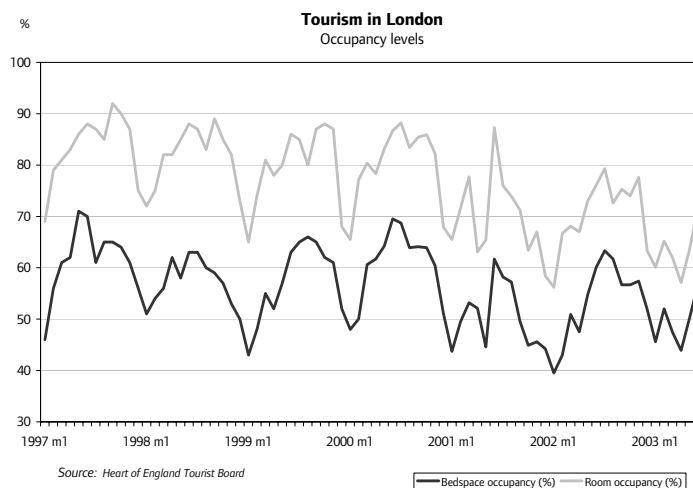
Hotel occupancy levels improve

Source: Heart of England Tourist Board

Latest release: October 2003

Next release: December 2003

- London's bed and room occupancy rates continued to recover in July. This is the second consecutive month that hotel occupancy levels increased after the end of war in Iraq.
- It is welcome news that bed and room occupancy rates are back at similar levels to those experienced before September 11 in 2001.



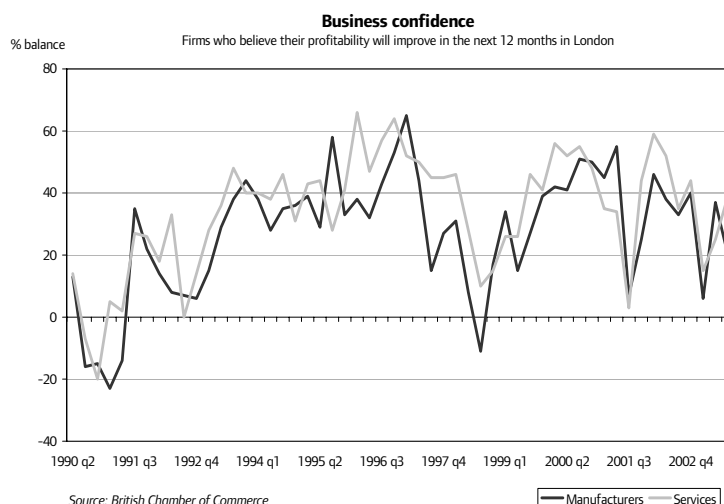
Business confidence in London

Source: BCC

Latest release: October 2003

Next release: December 2003

- Business confidence (towards future profits) in the service sector in London improved in Q3 from the previous quarter.
- In contrast, manufacturers in London feel less optimistic about their profits' prospects compared to the previous quarter.
- However, more manufacturers believe that their profits will improve rather than deteriorate in the next year.



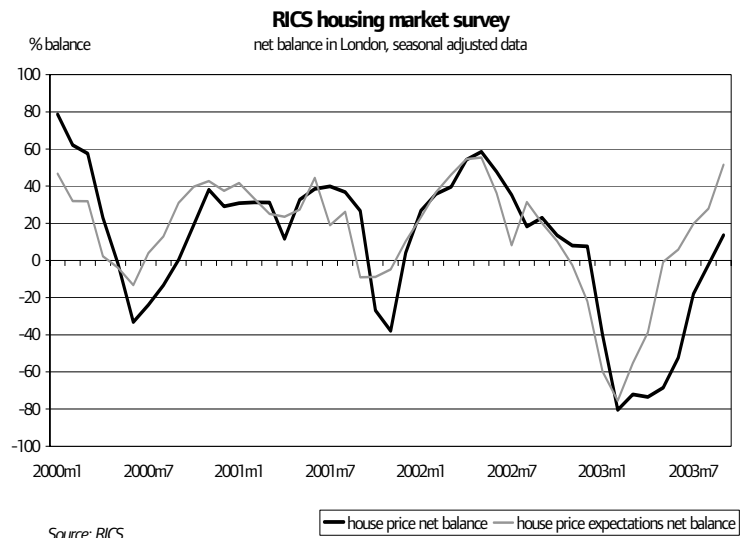
House prices in London increase

Source: RICS

Latest release: 20/10/03

Next release: mid November

- The London housing market recovered further in September. This is the first month that more surveyors reported increases rather than decreases in prices since December 2002.
- Also surveyors expect a continued recovery in house prices in the next three months. The net balance of surveyors expecting house prices to increase rather than decline increased to 51 per cent in September compared to 28 per cent in August.



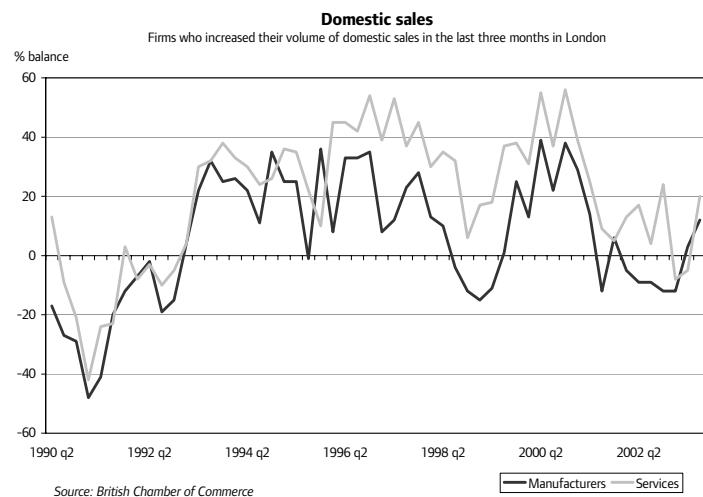
Domestic sales recover

Source: BCC

Latest release: October 2003

Next release: January 2004

- London manufacturing and service sector firms experienced a strong recovery in domestic sales in Q3. This follows a period of subdued domestic demand during the first half of this year.
- The improvement in domestic sales was slightly stronger in the service sector. Domestic sales have not reached the levels seen at the peak in 2000.



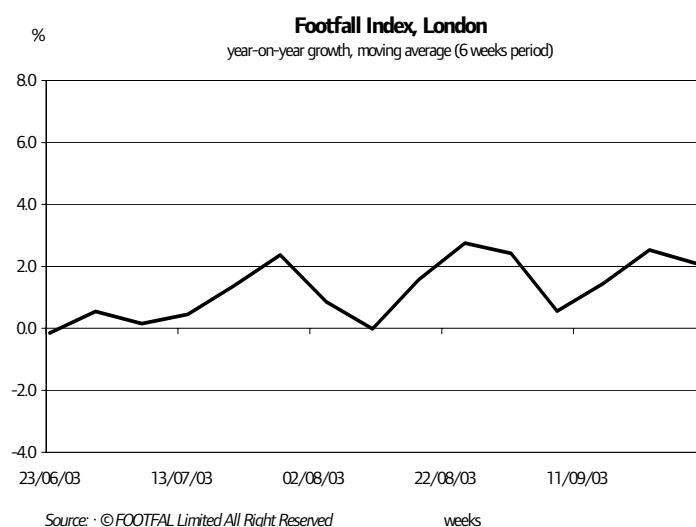
Potential London shoppers

Source: FootFall Limited

Latest release: last week September 2003

Next release: mid week

- The FootFall Index measures the average number of people passing through London shopping centres on a weekly basis. This index is positively correlated with UK retail spending so it can provide an indication of consumer spending in London.
- Since Issue 13, the FootFall Index slowed at the end of September, after recovering strongly during the last week in August. However, the annual growth in consumer spending remains positive. Also consumer spending is growing faster compared to June this year.



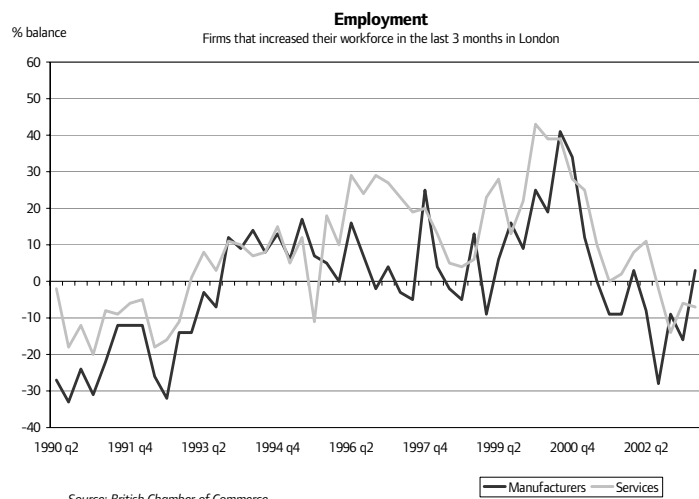
Employment

Source: BCC

Latest release: October 2003

Next release: January 2004

- There are signs of recovery in manufacturing employment in London.
- This is the first time since the end of 2000 that more manufacturers are reporting increases rather than decreases in employment.
- In London's service sector, more firms continued to report decreases rather than increases in their workforce in Q3.



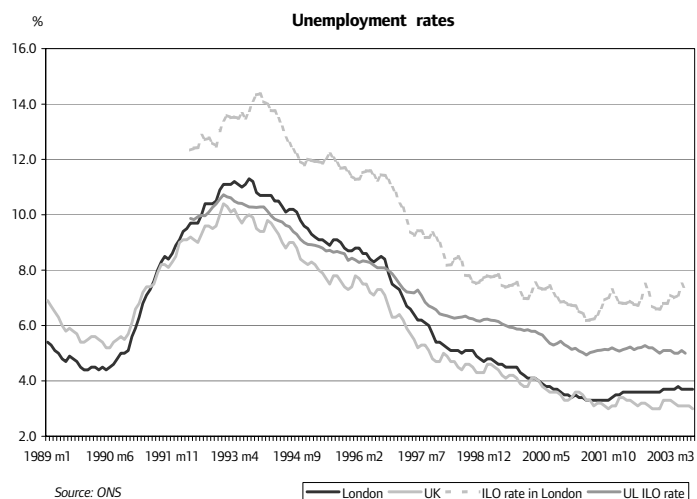
Stable labour markets

Source: ONS

Latest release: 15/10/03

Next release: 12/11/03

- Latest labour market figures indicate relative stability. The UK and London claimant count rates (based on people claiming unemployment benefits) remained constant in September at 3.1 and 3.7 per cent respectively.
- The UK ILO unemployment rate (based on people out of work) was unchanged at 5 per cent in the three months to August 2003. For London the ILO measure rose 0.3 percentage points to 7.3 per cent compared to the previous three months.



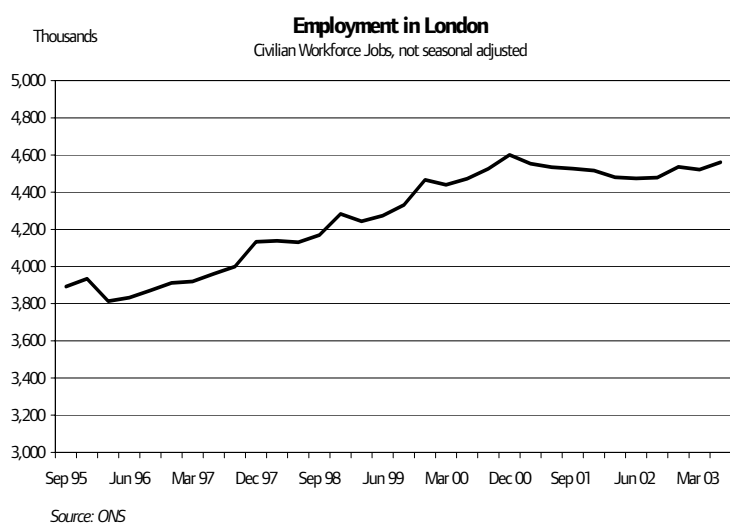
Jobs in London

Source: ONS

Latest release: 15/10/03

Next release: 12/11/03

- London civilian workforce jobs measure jobs at the workplace rather than where workers live. This indicator captures total employment in the London economy, including commuters.
- London's workforce employment rose by 2 per cent in June 2003 from the previous year, reaching 4.56 million.



Spending Time: London's Leisure Economy

by Damian Walne

GLA Economics has produced a report, *Spending Time: London's Leisure Economy*, which will be published in November. In this issue of *London's Economy Today*, we introduce the report and preview some of its main findings and highlights.

- Leisure is a growing sector and is important to sustaining job creation in London.
- London's leisure employs 290,000 people and has sales of over £9 billion.
- London households spend more on leisure than the national average.
- Leisure includes dining, drinking, entertaining, sports, gambling and visiting.

London's growing leisure economy

How people choose to spend their time is changing, and today's consumers have greater spending power and expectations than their predecessors. London, as a world city, is at the forefront of change but little has been done to illustrate how the changing leisure economy is shaping London as a whole.

Spending Time: London's Leisure Economy attempts to understand these changes from an economics perspective. It is a major reason why London is a vibrant place to live and work. As London's finance and business services thrive on face-to-face contact, leisure activities also help to support its world city status. The report considers what drives people's demand for, and the supply of, leisure activities. It assesses the implications for the market, businesses, employment and the geography of London.

Defining the leisure economy

Some leisure activities take place in the home – watching TV or hosting a party. In the report, leisure is more narrowly defined as activities that happen outside the home. It is what draws people outside to move around the city, to spend time and money purchasing the experience of leisure, fun and enjoyment out and about in London.

The leisure economy is taken to consist of six activities:

- dining in London's restaurants, cafés and takeaways
- drinking in the pubs, bars and nightclubs
- entertaining in theatres, concert halls and cinemas
- sporting through participation in sports or watching sporting events
- gambling in casinos, bookmakers and bingo halls
- visiting museums, historical attractions and theme parks.

Londoners often rate shopping as their favourite leisure activity, however, not all shopping is for leisure. The scale and breadth of retailing in London is so large it warrants a study in its own right, and this is something GLA Economics will return to in the future.

Leisure spending in London

As real incomes rise, consumers have more choice about how to spend their money and have done so increasingly on leisure, recreation and culture. The new Family Spending Survey provides a breakdown of household expenditure by region. London households spend around 20 per cent more than the national average on consumption.

Much of the leisure economy is captured in two household expenditure groups: restaurants and hotels, and recreation and culture. London households spend 30 per cent more than the national average on restaurants and hotels. They spend only 5 per cent more than average on recreation and culture, although this disguises spending patterns. Londoners spend less on recreation such as computer games, gardening, pets and open-air recreation but much more on entertainment and sports.

How leisure contributes to London

London represents almost 25 per cent of Britain's leisure market. Leisure is valuable to London's economy, generating over £9 billion in consumer sales and providing a major source of jobs. About 18 per cent of all leisure jobs in Britain are in London. Leisure activities in London employ almost 290,000 people, over 7 per cent of total jobs. Moreover, London's leisure economy is growing. There were 225,000 jobs in 1995. An additional 65,000 jobs by 2001 then represents employment growth of 29 per cent in six years.

London's leisure activities

- Dining is London's largest leisure activity, providing 122,000 jobs and consumer sales of £4.7 billion.
- Drinking employs over 58,000 people in London and sales of £2.4 billion. It has had the fastest rate of jobs growth, especially among high street bars.
- Entertaining provides jobs for 44,000 people in London and generates sales of £440 million. Over 40 per cent of Britain's entertainment jobs are in London, with a third of these in the West End.
- Participating in and watching sport generates 29,000 jobs in London and consumer sales of £700 million. However, sport underperforms in London compared to Britain as a whole.
- Gambling generates 20,000 jobs and has the second highest rate of jobs growth. It has sales of £860 million, or 40 per cent of all gambling in Britain.
- London's visitor attractions are a unique resource that generate 15,000 jobs and estimated consumer sales of £380 million. Visiting has grown faster in London than elsewhere in Britain.

The importance of leisure to London

The relative importance to London of activities that make up London's leisure sector varies greatly.

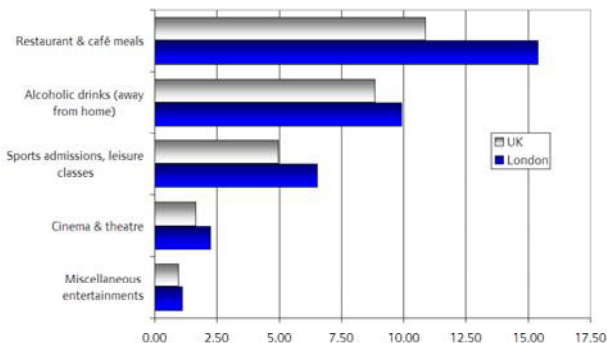
London is overwhelmingly the entertainment capital of the nation and the culinary heartland of Britain.

Leisure is, without doubt, a growing economic force in London. It provides jobs for the capital's growing population, often creating local jobs and boosting local economies. It also creates jobs that offer a wide range of skills, from entry-level to professional occupations. Leisure offers opportunities for small enterprise alongside big business. The liberalisation of licensing laws could spur the growth of leisure even further. However, the growth of leisure can also have associated costs; for example, in pollution and noise, and effects on health and wellbeing.

Spending Time: London's Leisure Economy explores all these issues in much greater detail, helping to identify the opportunities and constraints that face the leisure sector.

Spotlight on London's leisure economy

Higher leisure spending in London



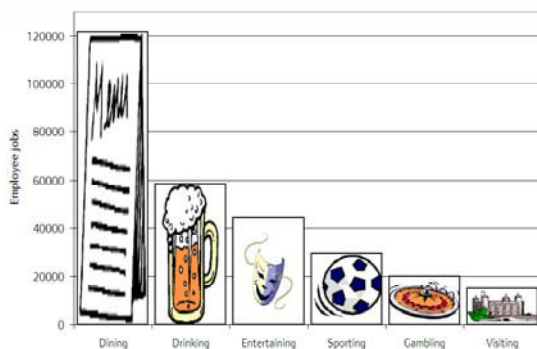
London households spend:

- 40 per cent more on meals
- 12 per cent more on drink
- 31 per cent more on sports
- 30 per cent more on theatre

than average households in the UK.

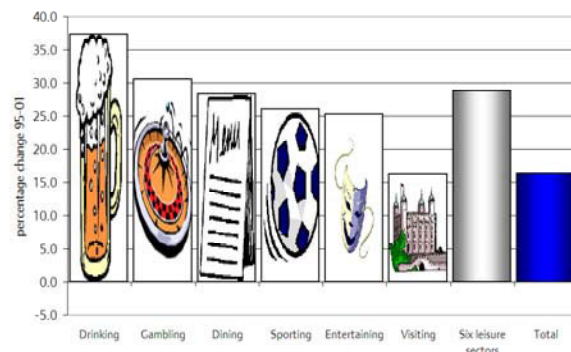
Source: Family Spending 2003

Employment in leisure



Source: Annual Business Inquiry 2001

Change in employment in leisure



Source: Annual Business Inquiry 2001

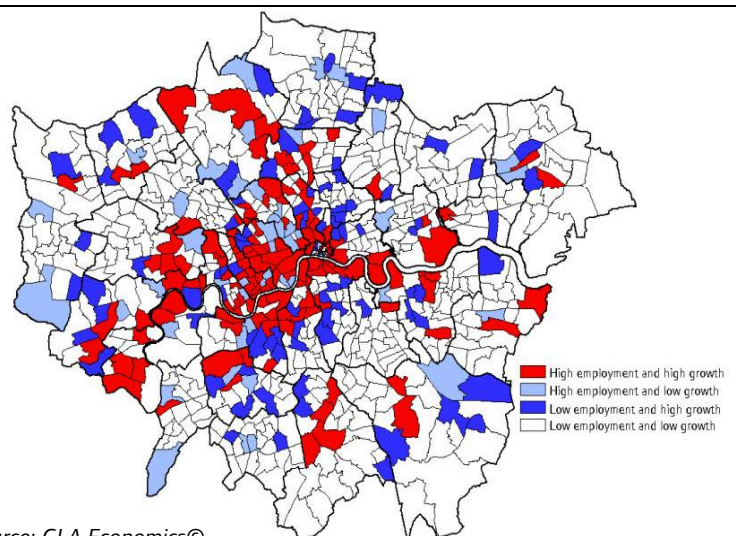
- Dining provides the largest number of jobs, approximately 122,000.
- Drinking employs over 58,000 people and has had the fastest rate of jobs growth.
- Entertaining provides jobs for 44,000 people.
- Sport has 29,000 employees.
- Gambling generates 20,000 jobs and has the second highest rate of jobs growth.
- Visiting employs almost 15,000 workers.

Geography of London's leisure

Central London is home to a lot of leisure activity, but leisure is growing across all parts of London.

Almost 20 per cent of leisure jobs are in the West End. The remaining 80 per cent of jobs are particularly in central boroughs of Camden, Islington, Kensington and Chelsea, Southwark and Lambeth.

There are high rates of growth away from the centre of London, especially in the south west, in the boroughs of Wandsworth, Richmond and Kingston.



Source: GLA Economics©

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Data sources

Tube Ridership	Further information: contact Transport for London on 020 7941 4500
FTSE 100 Index	Further information: see www.ft.com or the daily Financial Times
Brent Crude oil	Further information: see www.ft.com or the daily Financial Times
Office Space Demand	Further information: see www.cbhillierparker.com
House Prices	Nationwide house price data from www.nationwide.co.uk/hpi/ Land Registry data from http://www.landreg.gov.uk Royal Institute of Chartered Surveyors
Consumer Confidence	Further information: see www.martinhamblin.co.uk
Average earnings	Data available from www.statistics.gov.uk
Retail Price Index	Data available from www.statistics.gov.uk
MEW	Data available from www.bankofengland.co.uk
Retail Sales	Data available from www.statistics.gov.uk/rsi
Unemployment rates	Data available from www.statistics.gov.uk
GDP/GVA Growth	Data available from Experian Business Strategies on 020 7630 5959
Balance of Trade	Data available from www.statistics.gov.uk
Index of Production	Data available from www.statistics.gov.uk
Manufacturing Expectations	Further information see www.cbi.org.uk
Services Sector	Data available from www.cips.org
Profitability	Data available from www.statistics.gov.uk
Tourism - Overseas Visitors	Data available from www.statistics.gov.uk
Tourism - Domestic Visitors	Data available from www.londontouristboard.com
London Airports	Data available from www.caa.co.uk
New orders	Data available from www.rbs.co.uk/pmireports

Acronyms

BAA	British Airports Authority
BCC	British Chamber of Commerce
CAA	Civil Aviation Authority
CBI	Confederation of British Industry
CIPS	The Chartered Institute of Purchasing and Supply
CML	Council of Mortgage Lenders
EBS	Experian Business Strategies
EMU	Economic and Monetary Union
FTSE 100	Financial Times Stock Exchange 100 index of stocks traded on the London Stock Exchange
GDP	Gross Domestic Product
GVA	Gross Value Added
ILO	International Labour Organisation
IPS	International Passengers Survey
LCC	London Chamber of Commerce
MEW	Mortgage Equity Withdrawal
ONS	Office of National Statistics
PMI	Purchasing Managers Index
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index

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中文
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Hindi

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं,
तो कृपया निम्नलिखित नम्बर पर फोन करें अथवा दिये
गये पता पर सम्पर्क करें

Vietnamese

Tiếng Việt
Nếu bạn muốn bản sao của tài liệu này bằng
ngôn ngữ của bạn, hãy gọi điện theo số hoặc
liên lạc với địa chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি
(কপি) চান, তা হলে নীচের ফোন নম্বরে
বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θα θέλατε ένα αντίγραφο του
παρόντος εγγράφου στη γλώσσα
σας, παρακαλώ να τηλεφωνήσετε
στον αριθμό ή να επικοινωνήσετε
στην παρακάτω διεύθυνση.

Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے
ہیں، تو براہ کرم نیچے دیئے گئے نمبر پر فون کریں
یا دیئے گئے پتہ پر رابطہ قائم کریں۔

Turkish

Bize telefon ederek ya da yukarıdaki
adrese başvurarak bu belgenin
Türkçe'sini isteyebilirsiniz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، الرجاء
الاتصال برقم الهاتف أو الكتابة الى العنوان

Punjabi

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