

London's Economy Today

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<http://data.london.gov.uk/londons-economy-today>

Preliminary estimate from the ONS that the UK economy continued to contract in Q1 2012

By **Christopher Lewis**, Senior Economist, **Gordon Douglass**, Economist, and **Simon Kyte**, Economist

According to the preliminary estimate of Q1 2012 UK GDP from the Office for National Statistics (ONS) released on 25 April, UK GDP contracted by 0.2 per cent in Q1 2012 (see Figure 1). This compares to a contraction of 0.3 per cent in Q4 2011. It should be noted that at "the time this first estimate of GDP is produced, these data cover only about 40 per cent of the economic activity which will be included in the more mature estimates published around 12 months later. The remainder of the early estimate is based largely on forecast models". The second estimate ONS release of Q1 2012 GDP, which is likely to have revisions, is due to be published on 24th May 2012.

Latest news...

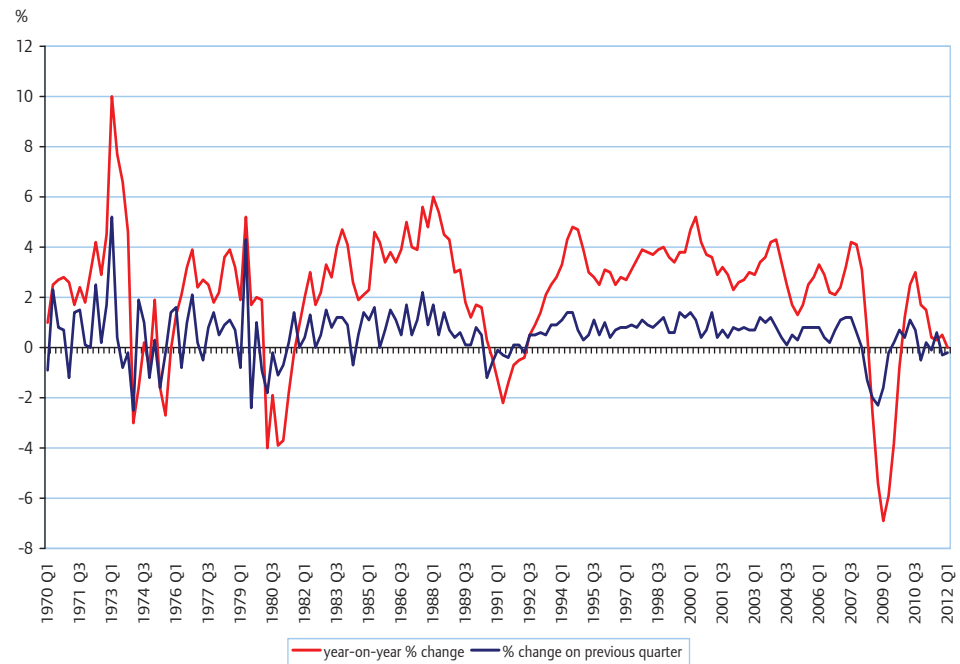
London Elections Results Summary, Ward, Borough and Constituency

The Intelligence Unit has published the results from the last three London elections in a single place on the London Datastore. This includes data from the Mayoral, Assembly list, and Constituency member elections since 2000. Data for three levels of geography - Constituencies, Boroughs and Wards, are included. This is the first time data from all three elections and all three levels of geography have been brought together for analysis in a single place.

<http://data.london.gov.uk/datastore/package/london-elections-results-summary-ward-borough-and-constituency>

Figure 1: UK GDP Growth

Source: Office for National Statistics



GDP is now more than 4 per cent below its pre-2008/09 recession peak. Unless either the Q4 2011 or Q1 2012 GDP growth estimate is revised up to a non negative figure (which is quite possible) the UK has now re-entered a technical recession, which is defined as two consecutive quarters of negative growth. The ONS notes that the decrease in GDP in Q1 2012 was “driven by weakness in the construction sector and the production sector”. Meanwhile the larger services sector grew slightly in Q1 2012.

The sectoral breakdown of the Q1 GDP figure shows that not all sub-sectors of the UK economy contracted. For example output in ‘Distribution, hotels and restaurants’ rose by 0.1 per cent, output in ‘Transportation, storage and communication’ increased by 0.4 per cent and output in ‘Government and other services’ rose by 0.2 per cent. Total output in the services sector increased by 0.1 per cent in Q1 2012, after decreasing by 0.1 per cent in the previous quarter. Output in business services and finance (a sector of importance to London) decreased by 0.1 per cent in Q1 2012 after also decreasing by 0.1 per cent in Q4 2011. Output in the construction sector decreased by 3.0 per cent in Q1 2012, though this may well be revised significantly in later ONS releases, after decreasing by 0.2 per cent in Q4 2011. Output in the production industries fell by 0.4 per cent in Q1 2012, after decreasing by 1.3 per cent in Q4 2011. GDP was unchanged in Q1 2012 compared with Q1 2011. Between Q1 2011 and Q1 2012 construction output decreased by 0.5 per cent, production industries output fell by 3.0 per cent whilst services sector output grew by 1.0 per cent (and within this, business services and finance grew by 1.2 per cent).

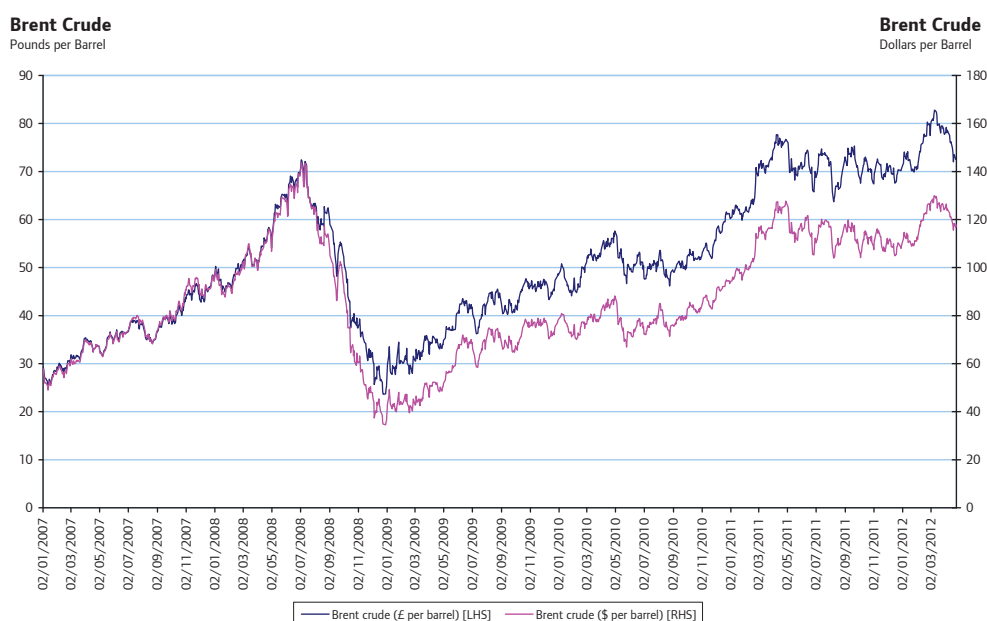
High petrol prices weighing down on the economy

In US dollar terms Brent crude in March and early April was trading at near record highs of just above \$125 per barrel before falling back slightly since. As Figure 2 shows, in sterling terms the oil price has exceeded its 2008 level for much of 2012 so far. The high price of oil has been reflected at the petrol pumps where the price of a litre of unleaded has hit new record highs. The US, UK, France and Japan may agree to the release of strategic petroleum stocks. However, the agreements underpinning the International Energy Agency say that strategic stocks can only be released when there is a 'severe' and 'serious' threat to supply. It is possible that oil prices could rise further and the Ernst & Young ITEM Club has warned that heightened political tensions in the Middle East could push the price of oil up to \$150 per barrel. This would place upward pressure on inflation and hit real disposable household incomes dampening economic prospects.

Figure 2: Brent crude oil price (pounds per barrel (left hand axis), dollars per barrel (right hand axis))

Last data point is
24/04/2012

Source: Bank of England/FT



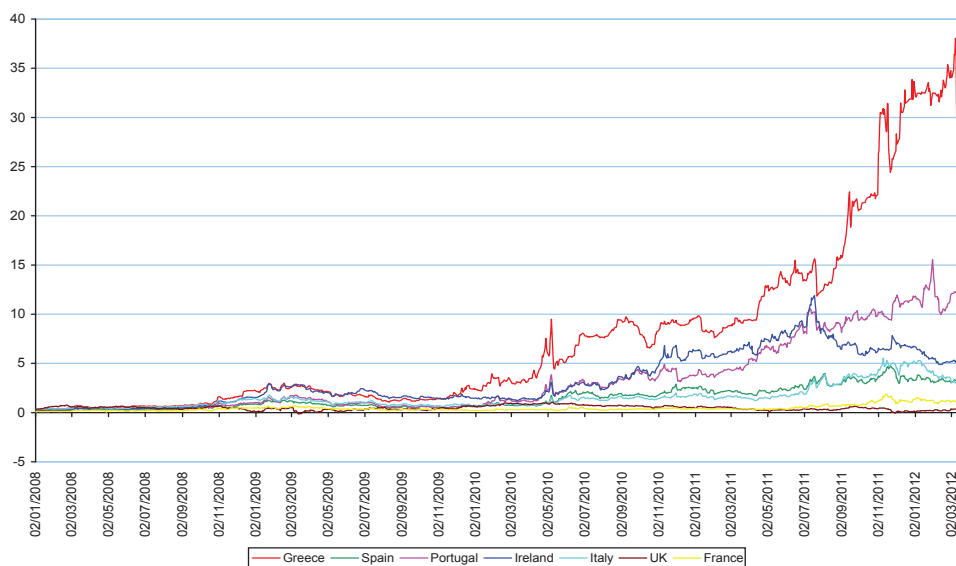
Eurozone crisis turns to Spain

A great deal of attention concerning fiscal and competitiveness problems within the Eurozone has now switched to Spain. The country's Finance Minister, Cristobal Montoro unveiled a budget of €27 billion in cuts and tax increases on 30 March in order to try and get Spain's budget deficit down from 8.5 per cent of GDP last year to 5.3 per cent this year. For 2013, Spain has promised to bring the budget deficit down to 3 per cent of GDP. Cuts are being implemented at a time when Spain's labour market is performing exceptionally badly with the unemployment rate now exceeding 23 per cent and youth unemployment having edged above 50 per cent. The country is a worry in terms of the size of any potential bailout it would need as its economy is far bigger than any of the three countries (Greece, Portugal and Ireland) that have so far required a financial rescue package. By mid April the yields on 10-year Spanish government bonds hit 6 per cent (over 4 per cent above German 10-year bunds - see Figure 3) raising the realistic possibility that the country will need a bailout at some point. Furthermore, Standard & Poor's (S&P) has announced that in its central forecast for 2013 Spain is the only country in the EU expected to have negative growth (although Italy is expected to be stagnant). For 2012 the IMF has recently forecast negative growth of -1.8 per cent for Spain, -4.7 per cent for Greece, -3.3 per cent for Portugal, -1.9 per cent for Italy, with growth of just 0.5 per cent for France and Ireland and 0.6 per cent for Germany compared to 0.8 per cent for the UK.

Figure 3: Ten-year government bond spreads over German government bonds, percentage points

Last data point is 24/04/2012

Source: EcoWin



London remains top Global Financial Centre

The latest Global Financial Centres Index (published by the Z/Yen Group and the Qatar Financial Centre Authority in March 2012 and covering 2011) shows that London continues to rank first as a Global Financial Centre and has actually widened its lead over New York and Hong Kong. It also suggests that for now at least the trend of large rises in the ratings of Asia-Pacific centres has paused with significant declines for Shanghai and Beijing. However, in the long run, most analysts believe that Asian centres will continue to become more significant. Elsewhere, the latest CBI Financial Service Survey (published early April 2012) shows that financial firms in the UK are more optimistic than they were three months earlier for the first time in a year. Volumes of business grew slightly faster than average and more strongly than expected. Financial firms believe that those volumes will accelerate in the next quarter. Meanwhile, London and Partners, has released forecasts for leisure visitors during 2012. The forecasts suggest that an estimated 12.7 million overnight leisure visits will be made to London this year, an increase of 5.2 per cent on 2011.

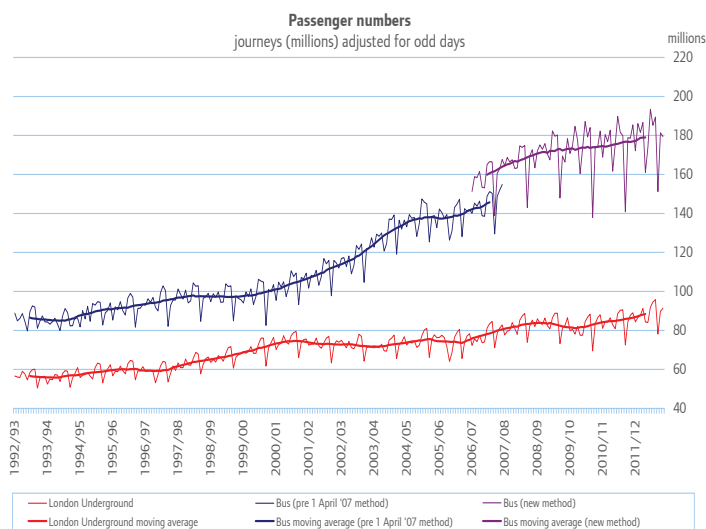
2012 expected to be a year of weak UK and global growth with contraction in the Eurozone

With continuing downward pressure on household finances in the UK, consumer confidence is negative. Petrol prices are high, credit conditions are tight and the turbulent economic background concerning the Eurozone shows no signs of abating. Over 2012 as a whole the UK is only expected to grow slowly and a slightly stronger pick up is not expected until 2013. At least the IMF in its latest World Economic Outlook, which was published in April, has made a small upward revision to its growth forecast for the UK economy this year. It now expects growth of 0.8 per cent in 2012 and still below trend growth of 2.0 per cent in 2013. The IMF forecasts that the world economy will grow by 3.5 per cent in 2012 and 4.1 per cent in 2013, with the US economy growing by 2.1 per cent and 2.4 per cent respectively. However, the Eurozone is forecast to contract by 0.3 per cent this year and grow by only 0.9 per cent next year. In relation to the UK, S&P has reaffirmed the country's AAA credit rating whilst also keeping it on a stable outlook unlike the two other major ratings agencies which have placed the country on a negative outlook. However, the economy remains subdued with the potential for further economic ill winds to blow across from the ongoing Eurozone sovereign debt crisis.

Economic indicators

Increase in moving average of passenger numbers

- The most recent 28 day period is from 5 February to 3 March 2012. Adjusted for odd days, London's Underground and buses had 270.9 million passenger journeys; 179.4 million by bus and 91.5 million by Underground.
- The moving average of passengers every period increased to 267.4 million from 267.0 million in the previous period. The moving average for buses was 179.0 million. The moving average for the Underground was 88.4 million.
- The methodology used to calculate the number of bus passenger journeys was changed by TfL from 1 April 2007. For a detailed explanation please see LET issue 58 (June 2007).



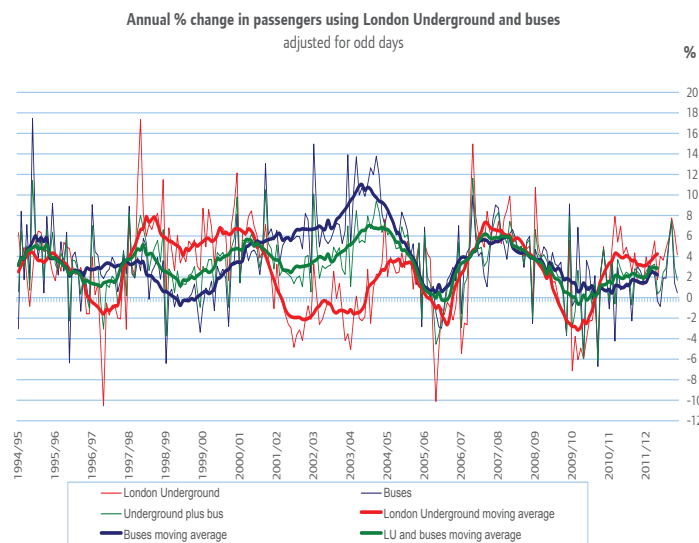
Source: Transport for London

Latest release: April 2012

Next release: May 2012

Average annual growth rate of passengers remains unchanged

- The moving average annual rate of growth in passenger journeys stayed constant at 2.9% from the previous period.
- The moving average annual rate of growth in bus passenger journey numbers decreased to 2.2% from 2.4% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers increased to 4.3% from 4.0% in the previous period.



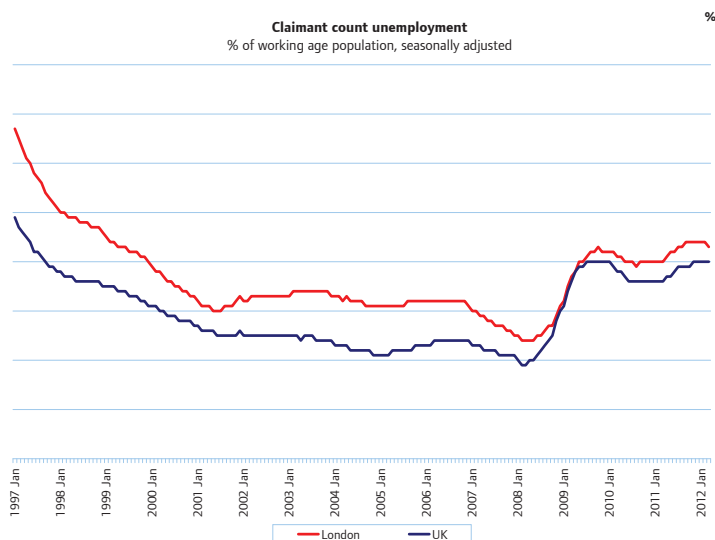
Source: Transport for London

Latest release: April 2012

Next release: May 2012

Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 4.3% in March 2012.
- There were 234,500 seasonally adjusted unemployment claimants in London in March 2012 compared to a downwardly revised 235,800 in February 2012.
- There were 1,613,000 seasonally adjusted unemployment claimants in the UK in March 2012 compared to a downwardly revised 1,609,400 in February 2012.



Source: Claimant Count, Nomis

Latest release: April 2012

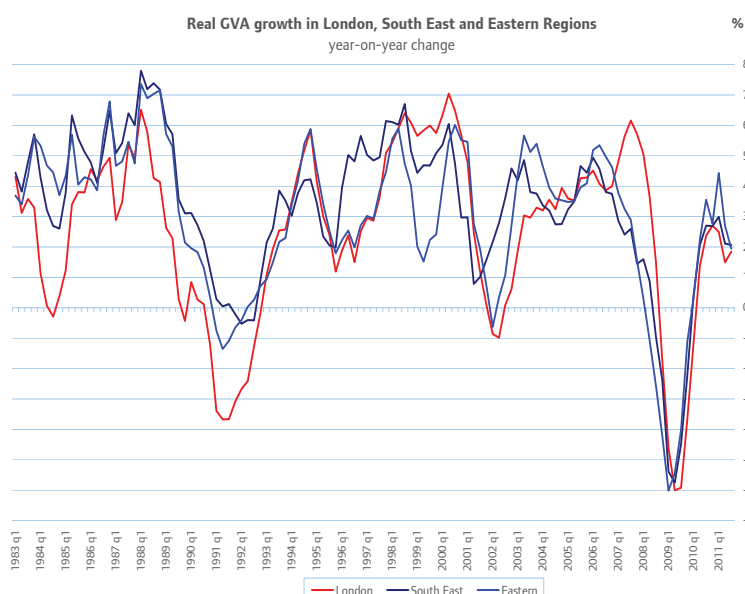
Next release: May 2012

Annual output growth in London increased in Q3 2011

- London's annual growth in output increased to 1.9% in Q3 2011 from 1.5% in Q2 2011.
- Annual output growth in the South East stayed constant at 2.1% in Q3 2011.
- Annual output growth in the Eastern region decreased to 1.9% in Q3 2011 from 2.7% in Q2 2011.

Latest release: February 2012

Next release: May 2012



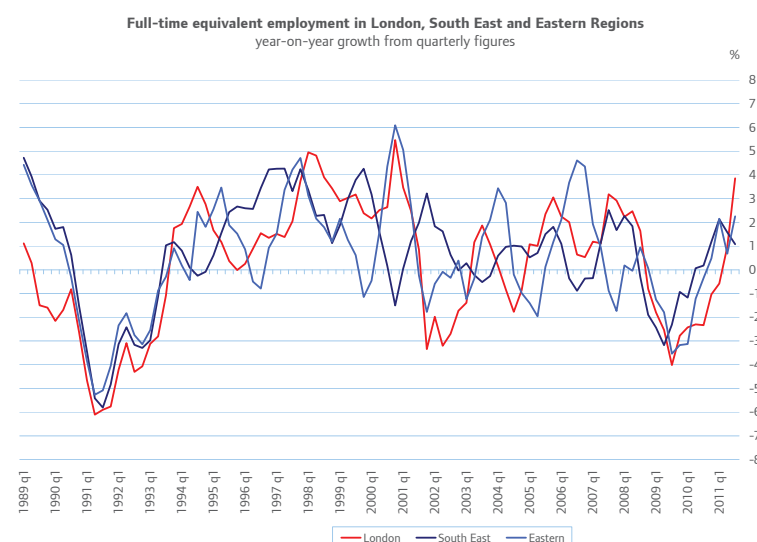
Source: Experian Economics

Faster annual employment growth in London in Q3 2011

- London's annual employment growth increased to 3.9% in Q3 2011 from 1.0% in Q2 2011.
- Annual employment growth in the South East decreased to 1.1% in Q3 2011 from 1.6% in Q2 2011.
- Annual employment growth in the Eastern region increased to 2.3% in Q3 2011 from 0.7% in Q2 2011.

Latest release: February 2012

Next release: May 2012



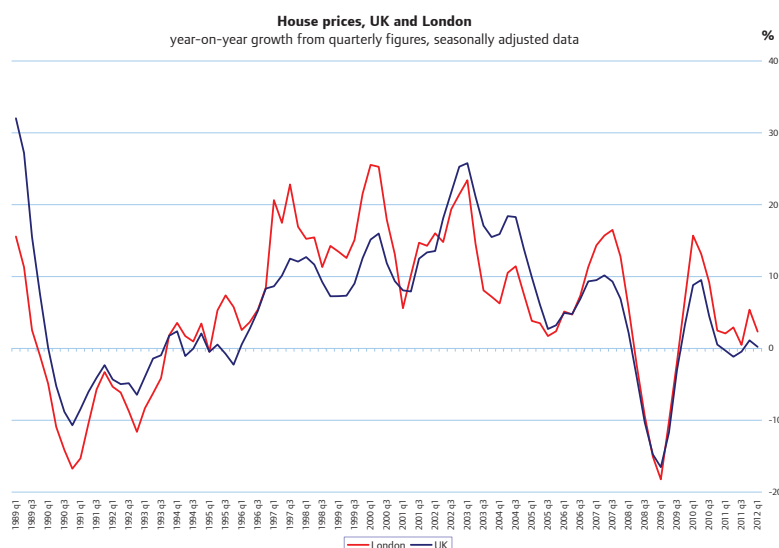
Source: Experian Economics

Annual house price inflation falling

- House prices, as measured by Nationwide, were higher in Q1 2012 than in Q1 2011 in London and in the UK.
- Annual house price inflation in London was 2.3% in Q1 2012, down from 5.4% in Q4 2011.
- Annual house price inflation in the UK was 0.2% in Q1 2012, down from 1.1% in Q4 2011.

Latest release: April 2012

Next release: July 2012



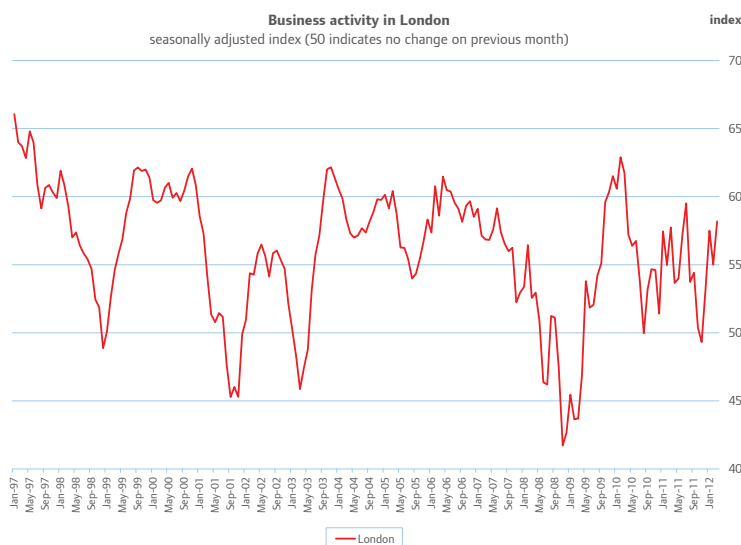
Source: Nationwide

London's business activity increasing

- London firms increased their output of goods and services in March 2012.
- The Purchasing Managers' Index (PMI) of business activity recorded 58.2 in March 2012 compared to 55.0 in February 2012.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: April 2012

Next release: May 2012



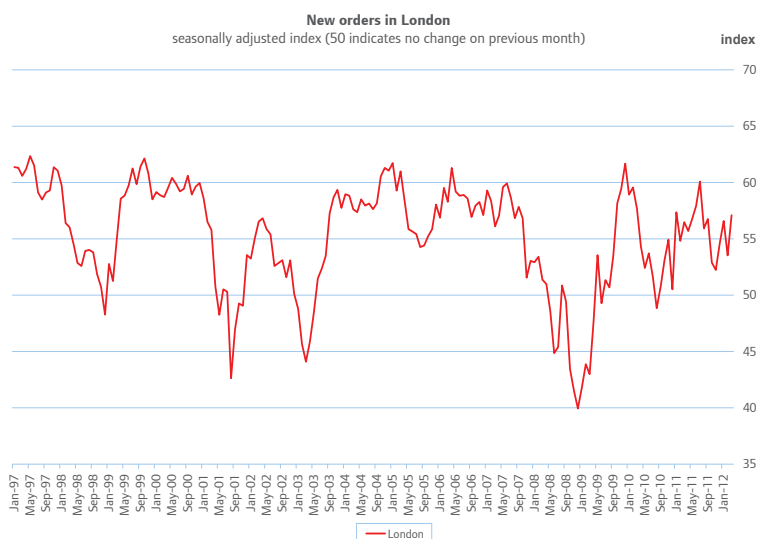
Source: Markit Economics

New orders in London rising

- March 2012 saw an increase in new orders for London firms.
- The PMI for new orders recorded 57.1 in March 2012 compared to 53.5 in February 2012.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: April 2012

Next release: May 2012



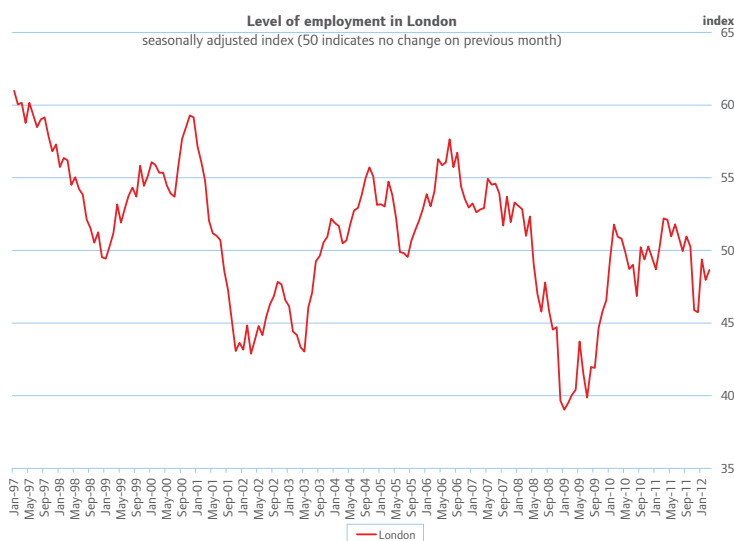
Source: Markit Economics

Businesses report lower employment in March

- The PMI shows that the level of employment in London firms decreased in March 2012.
- The PMI for the level of employment was 48.7 in March 2012 compared to 48.0 in February 2012.
- A rate of below 50 on the index indicates a decrease in the level of employment from the previous month.

Latest release: April 2012

Next release: May 2012



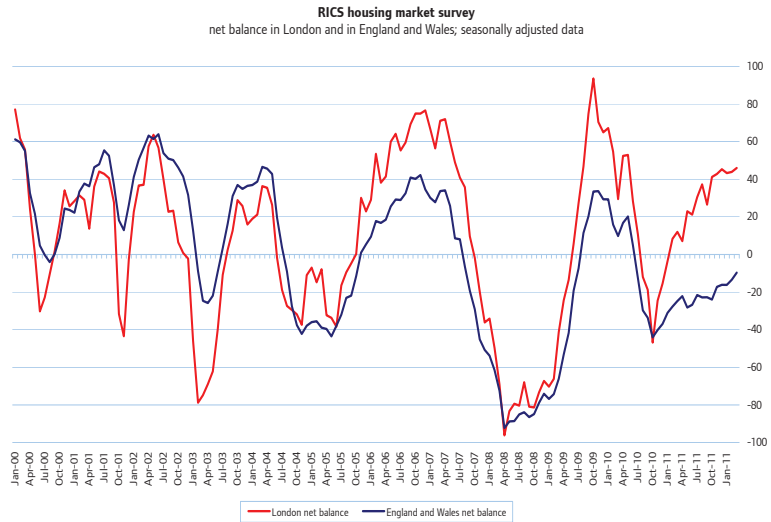
Source: Markit Economics

Surveyors report that house prices are rising in London

- The RICS survey shows a positive net balance of 46 for London house prices over the three months to March 2012.
- Surveyors reported a negative net house price balance for England and Wales of -10 over the three months to March 2012.
- London's net house price balance is higher than that of England and Wales.

Latest release: April 2012

Next release: May 2012



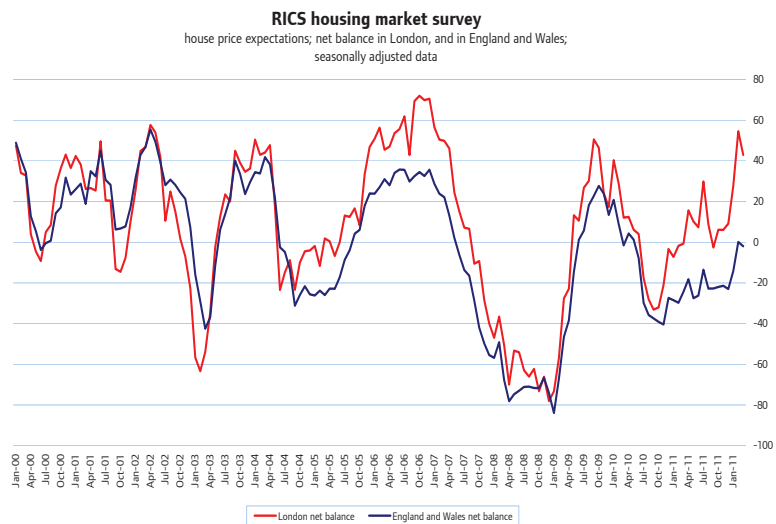
Source: Royal Institution of Chartered Surveyors

Surveyors expect house prices to rise in London

- The RICS survey shows that surveyors expect house prices in London to rise over the next three months but to fall in England and Wales.
- The net house price expectations balance in London was 43 in March 2012.
- For England and Wales, the net house price expectations balance was -2 in March 2012.

Latest release: April 2012

Next release: May 2012



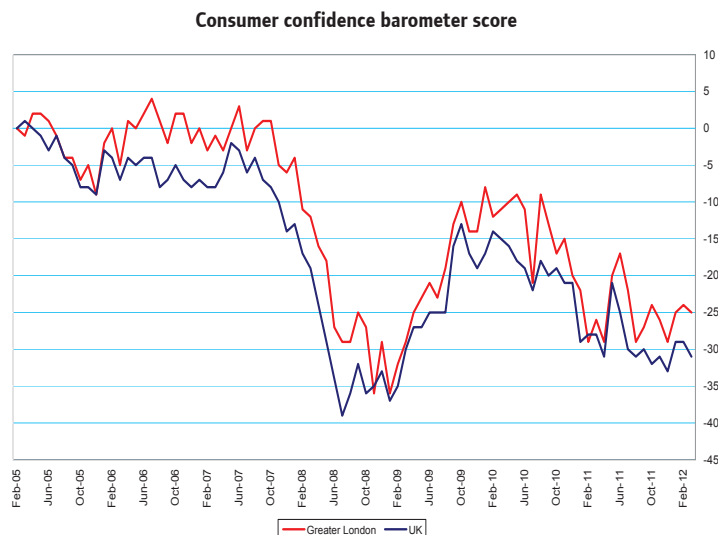
Source: Royal Institution of Chartered Surveyors

Consumer confidence remains negative

- The GfK index of consumer confidence reflects people's views on their financial position and the general economic situation over the past year and their expectations for the next 12 months (including whether now is a good time to make major purchases). A score below zero signifies negative views of the economy.
- For Greater London the consumer confidence score decreased to -25 in March 2012 from -24 in February 2012.
- For the UK the consumer confidence score decreased to -31 in March 2012 from -29 in February 2012.

Latest release: March 2012

Next release: April 2012



Source: GfK NOP on behalf of the European Commission

Data sources

Tube and bus ridership

Transport for London on 020 7222 5600
or email: enquire@tfl.gov.uk

GVA growth

Experian Economics on 020 7746 8260

Unemployment rates

www.statistics.gov.uk

Glossary

Civilian workforce jobs

Measures jobs at the workplace rather than where workers live. This indicator captures total employment in the London economy, including commuters.

Claimant count unemployment

Unemployment based on the number of people claiming unemployment benefits.

Employee jobs

Civilian jobs, including employees paid by employers running a PAYE scheme. Government employees and people on training schemes are included if they have a contract of employment. Armed forces are excluded.

Gross domestic product (GDP)

A measure of the total economic activity in the economy.

Gross value added (GVA)

Used in the estimation of GDP. The link between GVA and GDP is that GVA plus taxes on products minus subsidies on products is equal to GDP.

Tube ridership

Transport for London's measure of the number of passengers using London Underground in a given period. There are 13 periods in a year. In 2011/12 there were eleven 28-day periods, one 27-day period and one 30-day period. Period 1 started on 1 April 2011.

Bus ridership

Transport for London's measure of the number of passengers using buses in London in a given period. There are 13 periods in a year. In 2011/12 there were eleven 28-day periods, one 27-day period and one 30-day period. Period 1 started on 1 April 2011.

Acronyms

ABI	Annual Business Inquiry
BAA	British Airports Authority
BCC	British Chamber of Commerce
CAA	Civil Aviation Authority
CBI	Confederation of British Industry
CLG	Communities and Local Government
GDP	Gross domestic product
GVA	Gross value added
ILO	International Labour Organisation

IMF	International Monetary Fund
LCCI	London Chamber of Commerce and Industry
LET	London's Economy Today
MPC	Monetary Policy Committee
ONS	Office for National Statistics
PMI	Purchasing Managers' Index
PWC	PricewaterhouseCoopers
RICS	Royal Institution of Chartered Surveyors

GLA Economics

City Hall
The Queen's Walk
London SE1 2AA

Tel 020 7983 4922

Fax 020 7983 4137

Email glaeconomics@london.gov.uk

Internet www.london.gov.uk

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Public Liaison Unit
Greater London Authority
City Hall
The Queen's Walk
London SE1 2AA

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About GLA Economics

GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.