

# London's Economy Today

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

## Central banks take action in an attempt to stabilise the world economy

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

**On 6 September the European Central Bank (ECB) unveiled a government bond buying scheme to ease tensions in the Eurozone. The scheme which has been called outright monetary transactions (OMT) will see the ECB buy Eurozone countries' sovereign bonds in the secondary bond market but only after a country has requested a bailout. Mario Draghi, the president of the ECB said the scheme would provide a "fully effective backstop".**

The OMTs will be carried out in tandem with the European Financial Stability Facility or European Stability Mechanism programmes meaning that any country wishing to take advantage of this ECB action would first have to request a bailout. The OMTs would also be conditional on the relevant government implementing fiscal reforms that had been agreed with the Eurozone financial authorities and that were monitored by the IMF.

## Latest news...

### ● Soon to be published - Alcohol consumption in the night-time economy (NTE)

This work looks at the most effective ways to mitigate the costs associated with alcohol in the NTE. It is combined with a tool which estimates (currently measurable) pros and cons for each London Local Authority. The tool estimates a range of variables including the value of output, additional tax revenue from alcohol sales and the value drinkers receive (over and above the price they pay). It also estimates the associated crime (including drink driving), acute alcohol illness and lost economic output from NTE patrons being off sick from work. The policy options assessed cover pricing, licensing, premise design and operations, public realm design, service interventions, and community mobilisation.

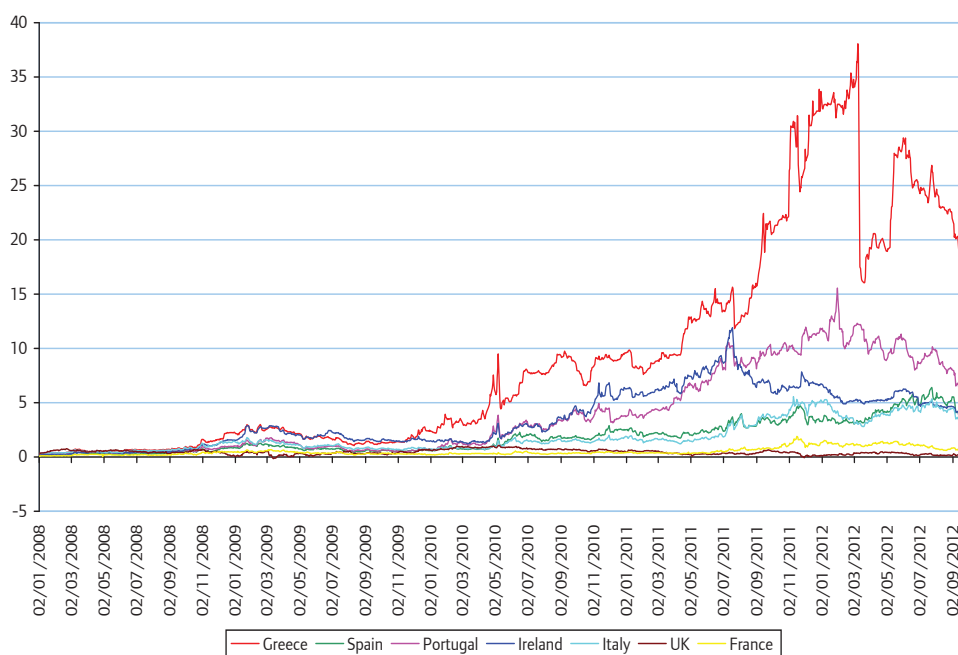
This work will be published in the very near future. If you are on our mailing list and have expressed an interest in this area of work you will be emailed automatically. You can view all work published from GLA Economics and the wider GLA Intelligence Unit at <http://www.london.gov.uk/gla-intelligence>

The OMT scheme was welcomed by stock markets which rose after the announcement. Long-term government bond yield spreads between Eurozone countries have also fallen slightly but remain elevated (see Figure 1). However, signs of the economic stress in the Eurozone continue to abound particularly in Spain, where in recent weeks four regions (Andalusia, Catalonia, Murcia and Valencia) accounting for 45 per cent of national output have requested bailouts from the Spanish Government. Furthermore the Bank of Spain reported that 9.9 per cent of bank loans were in arrears in July, the highest bad loan ratio since records began in 1962. The Purchasing Managers Index for August continued to show that business activity is declining in the Eurozone with the composite index experiencing its steepest contraction since June 2009.

**Figure 1: Ten-year government bond spreads over German government bonds, percentage points**

Last data point is 25/09/2012

Source: EcoWin



## Business confidence in London may have fallen back in early summer

The Institute of Chartered Accountants in England and Wales (ICAEW)/Grant Thornton Q3 2012 UK Business Confidence Monitor Report, which is based on interviews conducted over 30 April to 19 July, found that business confidence in London “fell back into negative territory this quarter and remains below the levels seen in 2010 and start of 2011”. However, the report also found that “export growth for firms in London has been holding up relatively well recently despite adverse international economic conditions” and “at the same time, firms in London saw capital investment rising over the past year by 2.2 per cent, an annual growth rate that has remained broadly unchanged since mid-2011”. London firms expected slow “increases in employee numbers” and “more than one in four businesses in London” reported that “their access to capital to be a greater challenge now than a year before”. More recently London’s PMI for August showed overall business activity, new orders and employment all expanding.

## Two London universities rated in the top 10 in the world

UCL and Imperial College London have been ranked in the top 10 universities in the world for 2011-12 in the 'QS World University Rankings', coming fourth and sixth respectively. Two other UK universities were also ranked in the top 10 with Cambridge coming second and Oxford fifth; the remaining top 10 universities were in the US. The rankings were based on a number of factors including academic reputation, citations per faculty and international orientation and rates 700 universities throughout the world.

## UK growth forecasts for 2012 revised downwards

The OECD in its Interim Economic Outlook (published in September) downgraded its forecast for UK growth in 2012 to a contraction of 0.7 per cent, compared to a previous forecast of growth of 0.5 per cent. Other organisations have also downgraded their forecasts with the CBI now expecting that the UK economy will contract by 0.3 per cent in 2012 compared to a previously forecast growth rate of 0.6 per cent. For 2013 growth is now forecast to be 1.2 per cent, compared to a previously forecast 2 per cent. Commenting on the current UK economic situation, John Cridland, the director general of the CBI said "at present I believe the economy is flat rather than falling but, nonetheless, momentum seems to have weakened". The British Chambers of Commerce (BCC) also downgraded its growth forecast for 2012 suggesting that output will decline by 0.4 per cent in 2012, followed by growth in 2013 of only 1.2 per cent.

## Stuttering global growth

The global economy continues to show signs of stalling with the OECD in its latest forecast observing that "the global economy has weakened since spring, led by developments in the euro area where recession is again taking hold. Economies both inside and outside the OECD area have been adversely affected by the euro area crisis through trade and confidence channels". The OECD has cut its growth forecast for both Germany and the US in 2012 to 0.8 per cent and 2.3 per cent respectively. A Chinese economic slowdown is also causing some concerns. In the US, the Federal Reserve (Fed) has continued its economic stimulus package by restarting its programme of quantitative easing (QE), announcing that it will buy "additional agency mortgage-backed securities at a pace of \$40bn per month". This will be the third round of QE that the Fed has performed with it previously having bought \$2.3 trillion in bonds. The Bank of Japan also extended its asset purchase programme in September in response to the deteriorating international economic environment.

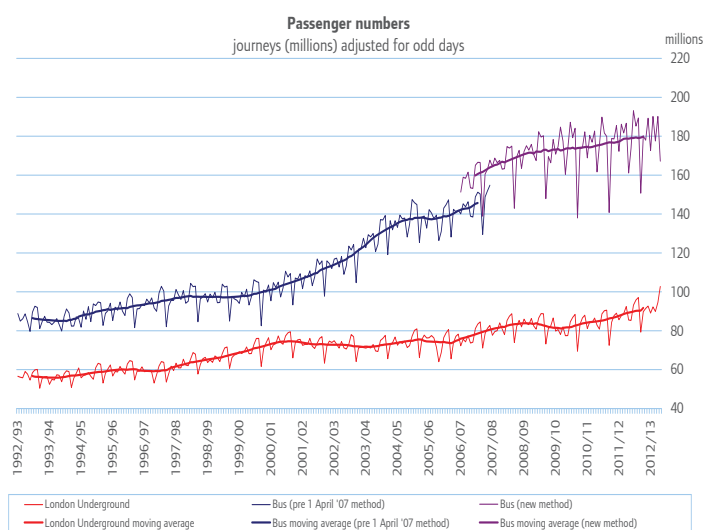
# Economic indicators

## Increase in moving average of passenger numbers

- The most recent 28 day period is from 22 July to 18 August 2012. Adjusted for odd days, London's Underground and buses had 270.0 million passenger journeys; 167.2 million by bus and 102.8 million by Underground.
- The moving average of passengers every period increased to 271.6 million from a downwardly-revised 269.8 million in the previous period. The moving average for buses was 179.8 million. The moving average for the Underground was 91.8 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).

Latest release: September 2012

Next release: October 2012



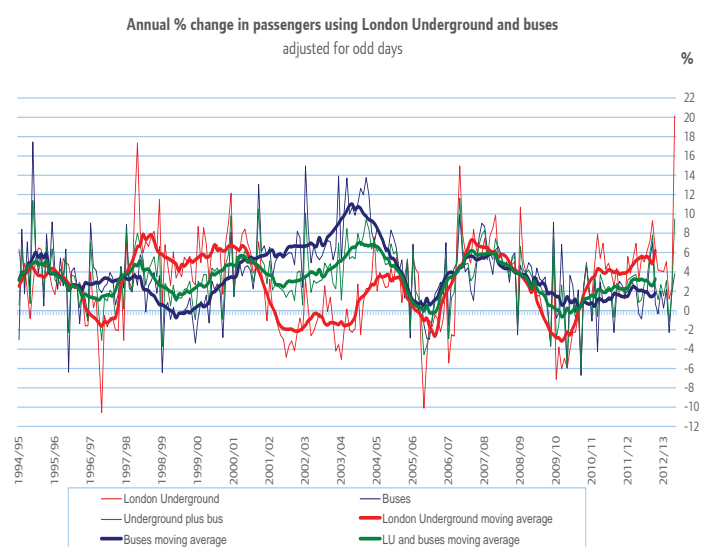
Source: Transport for London

## Average annual growth rate of passengers increases

- The moving average annual rate of growth in passenger journeys increased to 3.3% from a downwardly-revised 2.6% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers increased to 1.8% from a downwardly-revised 1.5% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers increased to 6.2% from 4.9% in the previous period.

Latest release: September 2012

Next release: October 2012



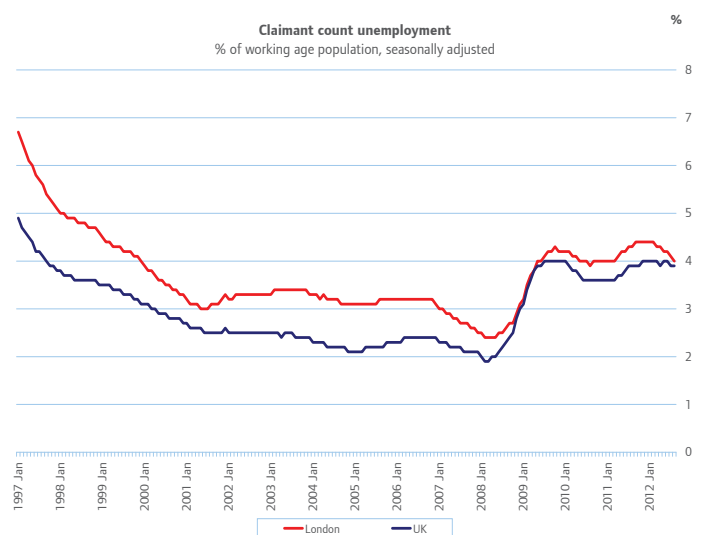
Source: Transport for London

## Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 4.0% in August 2012.
- There were 216,600 seasonally adjusted unemployment claimants in London in August 2012 compared to a downwardly revised 222,100 in July 2012.
- There were 1,570,500 seasonally adjusted unemployment claimants in the UK in August 2012 compared to a downwardly revised 1,585,500 in July 2012.

Latest release: September 2012

Next release: October 2012



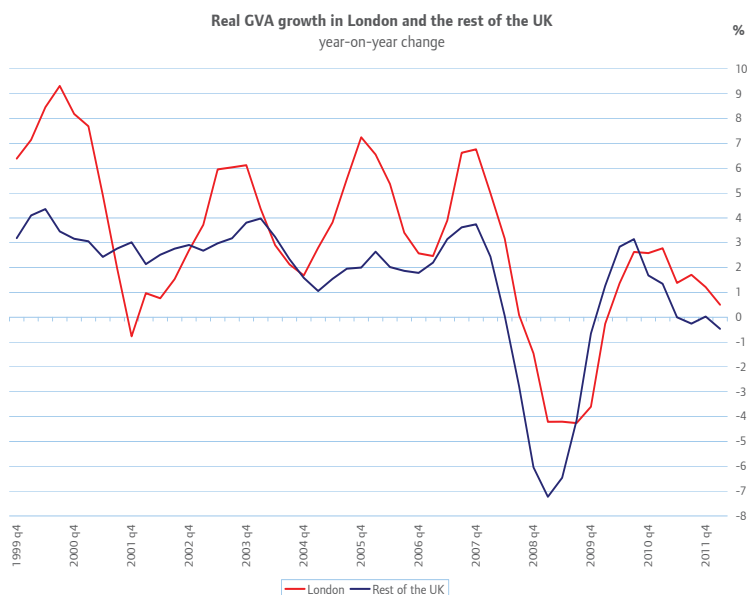
Source: Claimant Count, Nomis

## Faster annual output growth in London than in the rest of the UK in Q1 2012

- London's annual growth in output decreased to 0.5% in Q1 2012 from 1.2% in Q4 2011.
- Annual output growth in the rest of the UK decreased to -0.5% in Q1 2012 from 0.0% in Q4 2011.
- In Q1 2012 London's annual growth rate was faster than in the rest of the UK.

Latest release: August 2012

Next release: November 2012



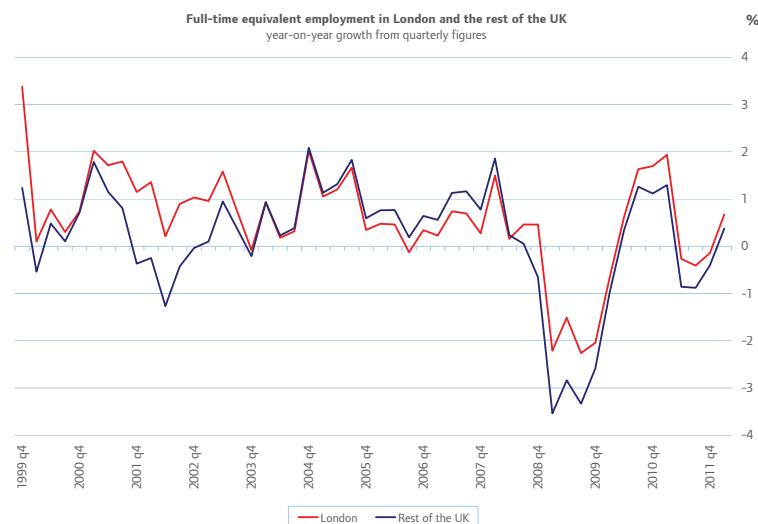
Source: Experian Economics

## Stronger annual employment growth in London than in the rest of the UK in Q1 2012

- London's annual employment growth increased to 0.7% in Q1 2012 from an upwardly revised -0.1% in Q4 2011.
- Annual employment growth in the rest of the UK increased to 0.4% in Q1 2012 from -0.4% in Q4 2011.
- In Q1 2012 London's annual employment growth was stronger than in the rest of the UK.

Latest release: August 2012

Next release: November 2012



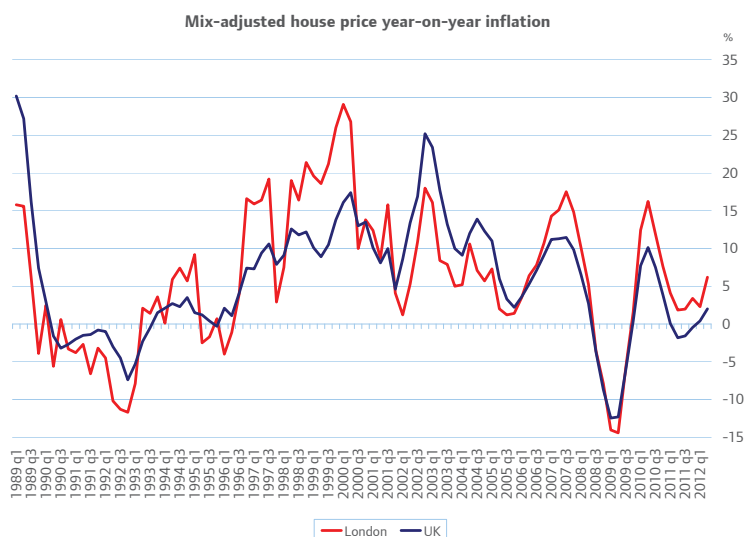
Source: Experian Economics

## Annual house price inflation rising

- The Office for National Statistics (ONS) house price index is an official measure of house prices. It is available up to Q2 2012.
- Annual house price inflation in London was 6.2% in Q2 2012, up from 2.3% in Q1 2012.
- Annual house price inflation in the UK was 2.0% in Q2 2012, up from 0.4% in Q1 2012.

Latest release: August 2012

Next release: November 2012



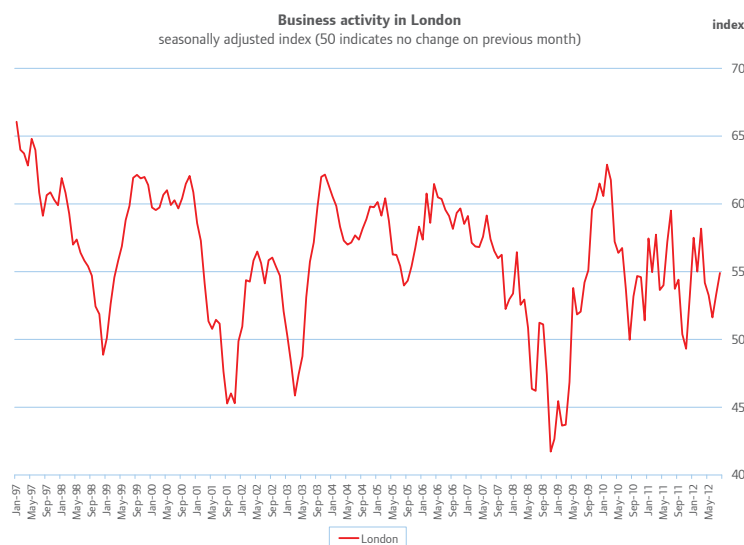
Source: Office for National Statistics

## London's business activity increasing

- London firms increased their output of goods and services in August 2012.
- The Purchasing Managers' Index (PMI) of business activity recorded 54.9 in August 2012 compared to 53.3 in July 2012.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: September 2012

Next release: October 2012



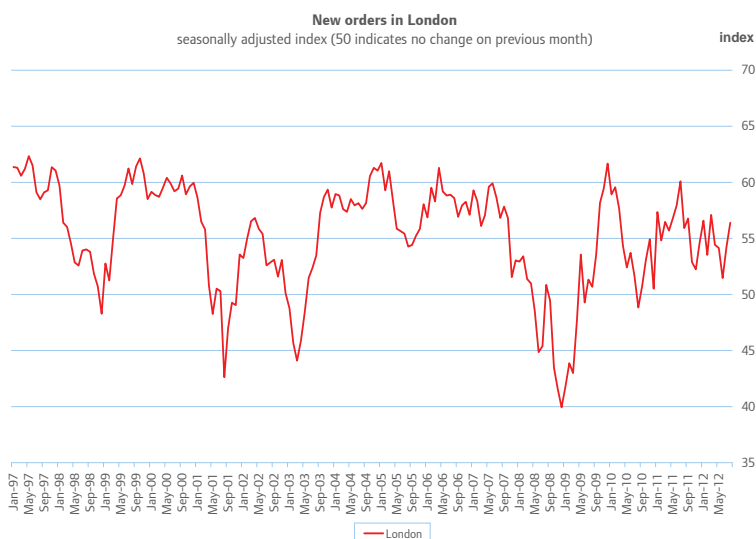
Source: Markit Economics

## New orders in London rising

- August 2012 saw an increase in new orders for London firms.
- The PMI for new orders recorded 56.4 in August 2012 compared to 54.2 in July 2012.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: September 2012

Next release: October 2012



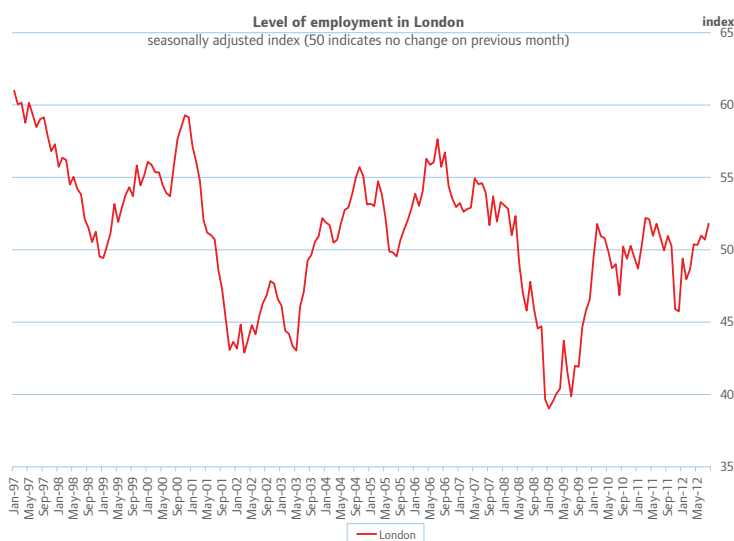
Source: Markit Economics

## Businesses report higher employment in August

- The PMI shows that the level of employment in London firms increased in August 2012.
- The PMI for the level of employment was 51.8 in August 2012 compared to 50.7 in July 2012.
- A rate of above 50 on the index indicates an increase in the level of employment from the previous month.

Latest release: September 2012

Next release: October 2012



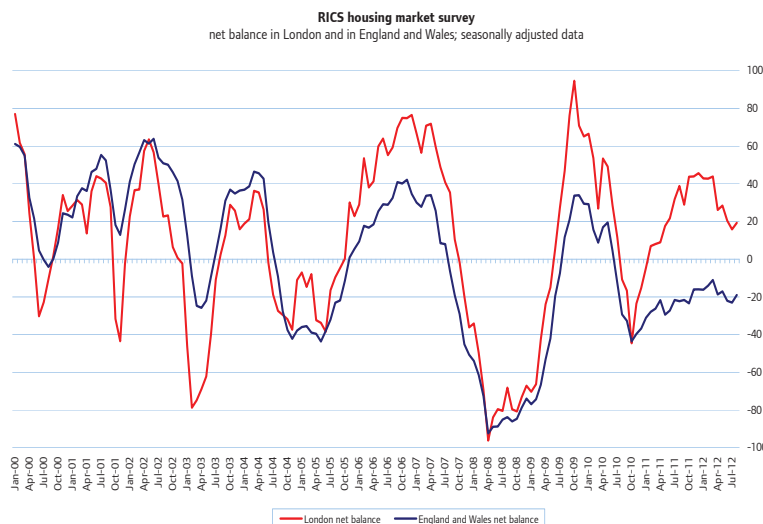
Source: Markit Economics

## Surveyors report that house prices are rising in London

- The RICS survey shows a positive net balance of 19 for London house prices over the three months to August 2012.
- Surveyors reported a negative net house price balance for England and Wales of -19 over the three months to August 2012.
- London's net house price balance is higher than that of England and Wales.

Latest release: September 2012

Next release: October 2012



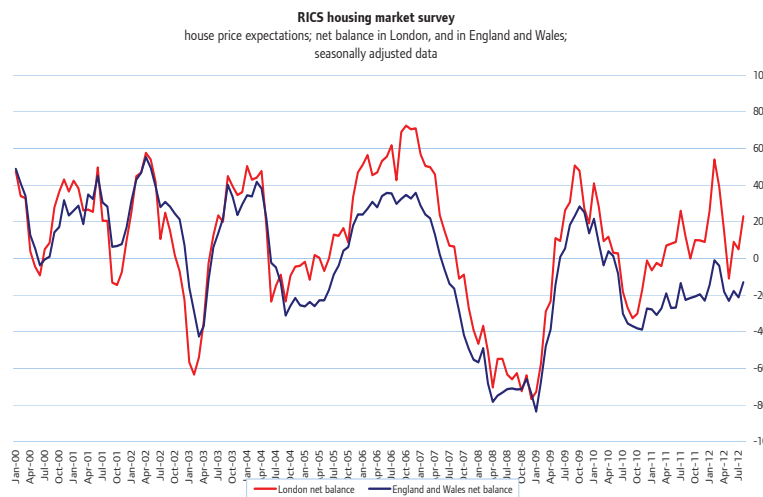
Source: Royal Institution of Chartered Surveyors

## Surveyors expect house prices to rise in London

- The RICS survey shows that surveyors expect house prices to rise over the next three months in London but to fall in England and Wales.
- The net house price expectations balance in London was 23 in August 2012.
- For England and Wales, the net house price expectations balance was -13 in August 2012.

Latest release: September 2012

Next release: October 2012



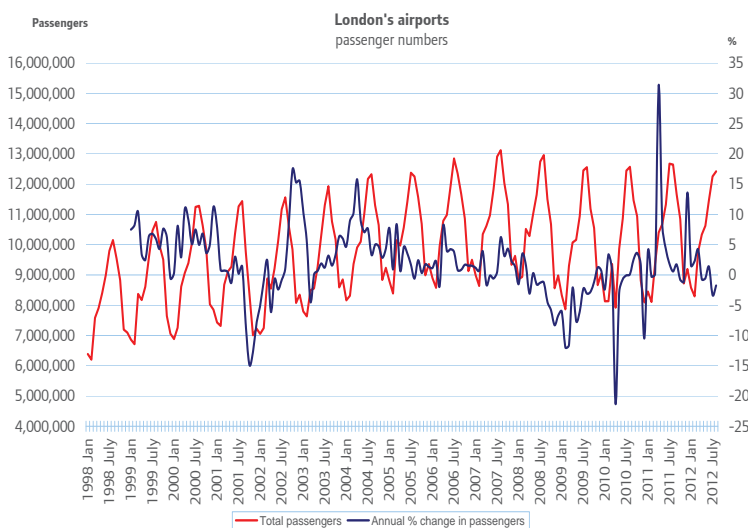
Source: Royal Institution of Chartered Surveyors

## Decrease in year-on-year airport passenger numbers

- 12.4 million passengers travelled through London's airports in August 2012.
- The number of passengers using London's airports decreased by 1.8% from August 2011 to August 2012.
- Airport passenger numbers fell during the 2008/09 recession and are still below pre-2008/09 recession levels.

Latest release: September 2012

Next release: October 2012



Source: Civil Aviation Authority

## Data sources

### Tube and bus ridership

Transport for London on 020 7222 5600  
or email: [enquire@tfl.gov.uk](mailto:enquire@tfl.gov.uk)

### GVA growth

Experian Economics on 020 7746 8260

### Unemployment rates

[www.statistics.gov.uk](http://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 2012/13 there are twelve 28-day periods, and one 29-day period. Period 1 started on 1 April 2012.

### 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 2012/13 there are twelve 28-day periods, and one 29-day period. Period 1 started on 1 April 2012.

## Acronyms

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

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

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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.