

London's Economy Today

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

UK growth picks up at the beginning of 2013

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

UK GDP increased by 0.3 per cent in Q1 2013 according to the preliminary estimate by the Office for National Statistics (ONS) released on 25 April (see Figure 1). This compares to a contraction of 0.3 per cent in Q4 2012. GDP is now just over 2.5 per cent lower than its pre 2008-09 recession peak. Compared with Q1 2012, GDP was 0.6 per cent higher in Q1 2013. However, the ONS observed that GDP "has been broadly flat over the last 18 months", and that "by far the largest contribution to Q1 2013 GDP growth came from services; these industries increased by 0.6% contributing 0.47 percentage points to the 0.3% increase in GDP".

Latest news...

Datastore and Dashboard April Update

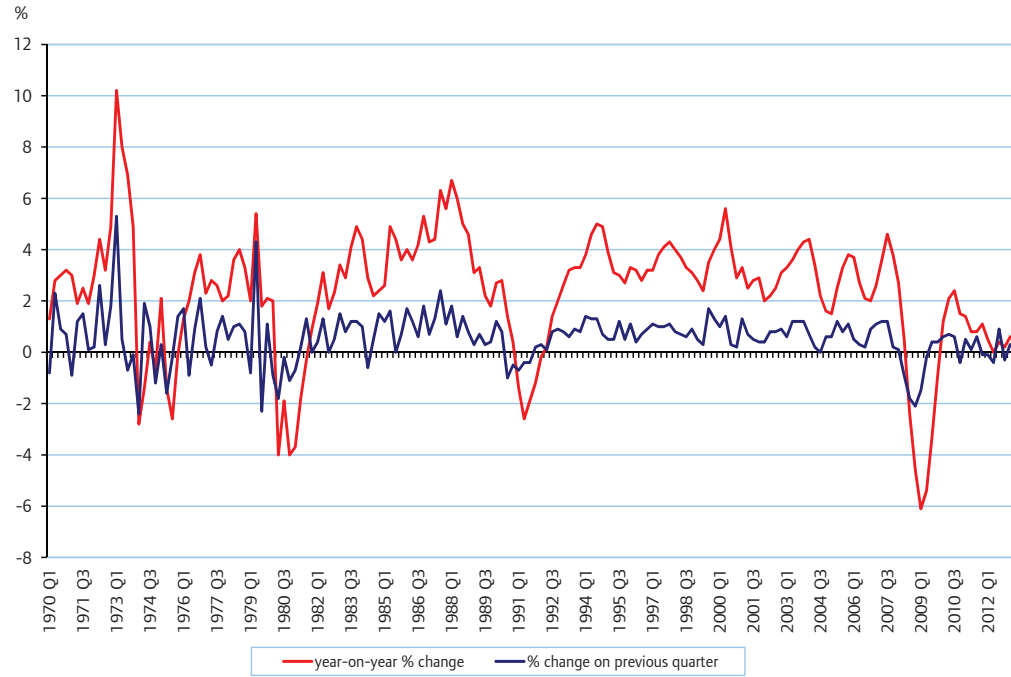
The March edition of a series of monthly updates, letting you know what is new on the **London Dashboard**, plus a list of some other highlights available on the **London Datastore** is now available to view. The London Dashboard's purpose is to further open up London's data, and use it to increase transparency, which will drive accountability and improvement in public services, ultimately so that the public has greater confidence in the organisations that deliver them. View the key trends and download any of the datasets for: Jobs and Economy; Housing; Transport; Policing & Crime; Fire & Rescue; Health; Environment; Communities; and Tourism.

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<http://www.london.gov.uk/gla-intelligence>

Figure 1: UK GDP Growth

Source: Office for National Statistics



In a commentary on the Q1 2013 GDP data the ONS observed that “coming out of the recession in 2008-09, the rate of GDP growth has been slower compared with the early-2000s, owing to weaknesses in the domestic and global markets. Services have continued to grow steadily from 2009, and ended 2012 above pre-recession levels seen at the start of 2008. Production began to decrease from the start of 2011 following a mild recovery in 2010, as increased inflation and slower wage growth began to reduce households’ real income. Compounding this subdued demand was the development of the euro area sovereign debt crisis, which affected business sentiment in the EU, a key export market for the UK. Construction activity saw a more marked increase than that of production in 2010. However, this was not sustained, with activity falling from the final quarter of 2011 due to a deteriorating economic outlook. Construction returned to growth in the final quarter of 2012, following five quarters of negative growth. This was short-lived, however, and construction has returned to negative growth again in Quarter 1 2013.”

The sectoral breakdown of the Q1 GDP figure shows that output in the construction sector decreased by 2.5 per cent in Q1 2013, after increasing by 0.8 per cent in Q4 2012. Output in the production industries increased by 0.2 per cent in Q1 2013, after decreasing by 2.1 per cent in Q4 2012. Total output in the services sector increased by 0.6 per cent in Q1 2013, after being flat in the previous quarter. Output in business services and finance (a sector of importance to London) increased by 0.2 per cent in Q1 2013 after increasing by 0.5 per cent in Q4 2012. Between Q1 2012 and Q1 2013 construction output decreased by 5.9 per cent, production industries output fell by 2.3 per cent whilst services sector output grew by 1.5 per cent (and within this, business services and finance grew by 1.6 per cent).

Spain and Slovenia warned on “imbalances”

The European Commission has warned Spain and Slovenia that they must tackle macroeconomic imbalances in their economies after examining the economies of 13 member states including the UK. Thus the Commission observed that in “Spain and Slovenia, imbalances can be considered excessive. In Spain, the very high domestic and external debt levels continue to pose serious risks for growth and financial stability. In Slovenia, the risks for financial sector stability stemming from corporate indebtedness and deleveraging are substantial, including through inter-linkages with public finances”. However, Slovenia insisted on 9 April that it will avoid an international bailout as the OECD warned that it had to more rapidly tackle a “severe banking crisis”. Slovenia says that it plans a “bad bank” to remove problem assets from struggling banks; however spreads on Slovenian government bonds have recently risen and the OECD expects the economy to contract by 2.1 per cent in 2013 which would be a second consecutive year of contraction. The bailout of the Cyprus financial sector also continued to rumble on into April with the cost of rescuing its banks now being put at €23 billion compared to a previous value of €17.5 billion with Cyprus having to find an extra €6 billion to fund the bailout. Meanwhile on 12 April agreement was reached to extend by seven years the maturity date on bailout loans made to Ireland and Portugal. Elsewhere Eurozone unemployment hit a new record high of 12 per cent in February with Spain and Greece continuing to experience unemployment rates above 25 per cent.

London businesses expect improving “business conditions over the next 12 months”

ICAEW/Grant Thornton’s Q1 2013 Business Confidence Monitor found that business confidence in London “has risen from the low levels seen in the second half of 2012, with companies expecting improved business conditions over the next 12 months”. Survey participants expected a growth in turnover of 5.4 per cent in the next 12 months with sales volume and gross profit “expected to rise by 5.9 per cent and 5.5 per cent respectively”. And “the proportion of London businesses reporting that access to capital is a greater challenge now than a year ago has fallen from 31 per cent in Q2 2012 to 19 per cent now”. The report found that for the UK as a whole “business expectations of future turnover and profit growth have improved slightly, though remain below levels typically seen before the financial crisis” but “business investment intentions remain very modest, and below the Office for Budget Responsibility’s (OBR) forecast for 2013”.

World economic growth remains sluggish

The international economy continues to experience a stuttering recovery. Disappointing economic growth data for the first quarter of 2013 was published for China in April, with the data indicating that its economy grew by only 7.7 per cent in Q1 2013 compared to a year earlier. The US economy added only 88,000 jobs in March, the lowest increase for nine months. The World Trade Organisation has cut its growth forecast for global trade this year to 3.3 per cent compared to 4.5 per cent previously forecast with it citing risks from the Eurozone crisis and greater protectionism. Recent weak global economic data has impacted on commodity prices with both the price of gold and crude oil falling in April. Meanwhile the Bank of Japan has announced that it will double Japan's monetary base by December 2014 in an attempt to achieve a 2 per cent inflation rate and escape the deflationary trap the country has been stuck in.

The outlook for the UK economy remains modest with the latest Ernst & Young Item Club forecast published in April forecasting slow growth of 0.6 per cent this year. The IMF in its latest World Economic Outlook also published in April forecasts that the UK economy will grow by 0.7 per cent in 2013 and by 1.5 per cent in 2014. For comparison it forecasts the US economy to grow by 1.9 per cent in 2013 and 3.0 per cent in 2014, whilst the Eurozone is expected to contract by -0.3 per cent this year and grow by 1.1 per cent in 2014. Although the UK economy faces a tough 2013 the majority of indicators for the London economy suggest that the capital may be performing somewhat better than this drab national picture. Growth should pick up as the year goes on and be stronger in 2014.

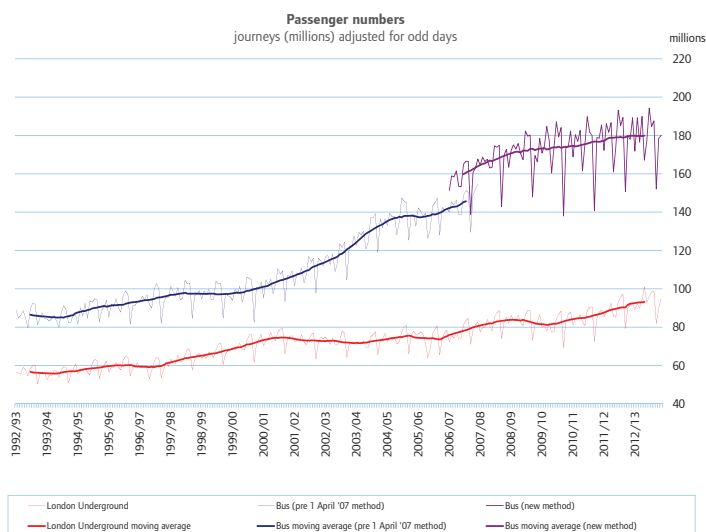
Economic indicators

Increase in moving average of passenger numbers

- The most recent 28 day period is from 3 February 2013 to 2 March 2013. Adjusted for odd days, London's Underground and buses had 274.8 million passenger journeys; 180.0 million by bus and 94.7 million by Underground.
- The moving average of passengers every period increased to 273.0 million from a downwardly-revised 272.6 million in the previous period. The moving average for buses was 179.8 million. The moving average for the Underground was 93.2 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: April 2013

Next release: May 2013



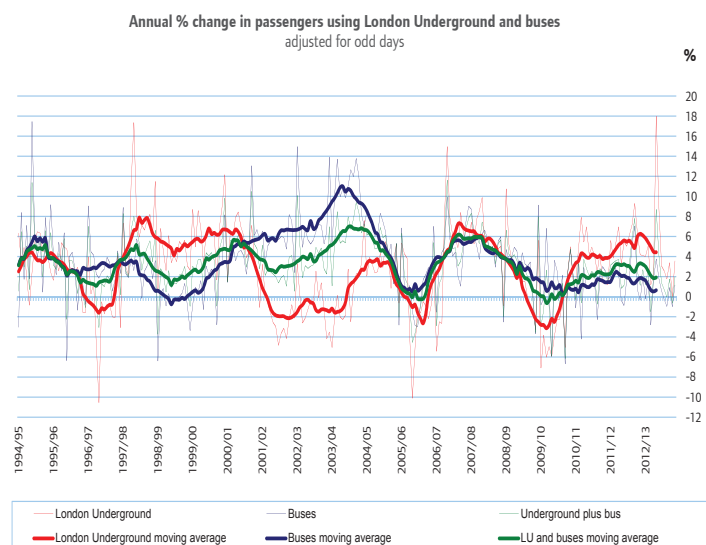
Source: Transport for London

Average annual growth rate of passengers unchanged

- The moving average annual rate of growth in passenger journeys remained unchanged at 1.9% from the downwardly-revised previous period.
- The moving average annual rate of growth in bus passenger journey numbers increased to 0.6% from a downwardly-revised 0.5% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 4.4% from 4.5% in the previous period.

Latest release: April 2013

Next release: May 2013



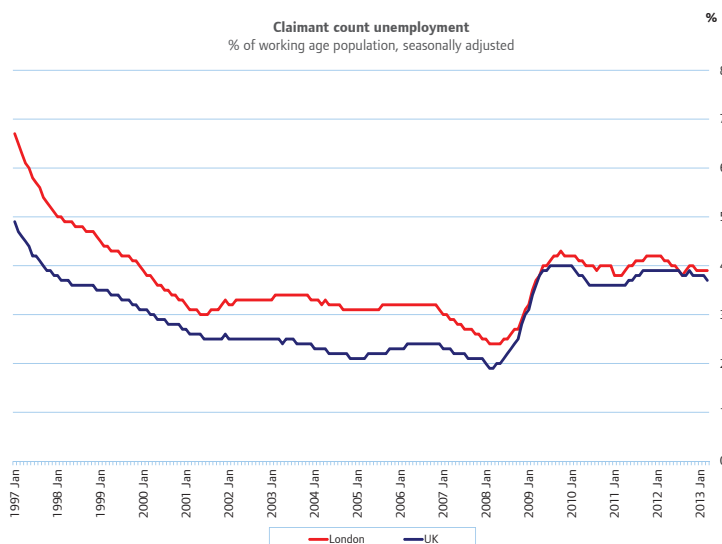
Source: Transport for London

Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 3.9% in March 2013.
- There were 218,700 seasonally adjusted unemployment claimants in London in March 2013 compared to a downwardly-revised 220,200 in February 2013.
- There were 1,531,000 seasonally adjusted unemployment claimants in the UK in March 2013 compared to a downwardly-revised 1,538,000 in February 2013.

Latest release: April 2013

Next release: May 2013



Source: Claimant Count, Nomis

Annual output growth positive in London in Q3 2012

- London's annual growth in output decreased to 0.1% in Q3 2012 from an upwardly-revised 1.5% in Q2 2012.
- Annual output growth in the South East increased to 0.7% in Q3 2012 from a downwardly-revised -0.5% in Q2 2012.
- Annual output growth in the Eastern region increased to 0.0% in Q3 2012 from a downwardly-revised -0.3% in Q2 2012.

Latest release: February 2013

Next release: May 2013

Real GVA growth in London, South East and Eastern Regions
year-on-year change



Source: Experian Economics

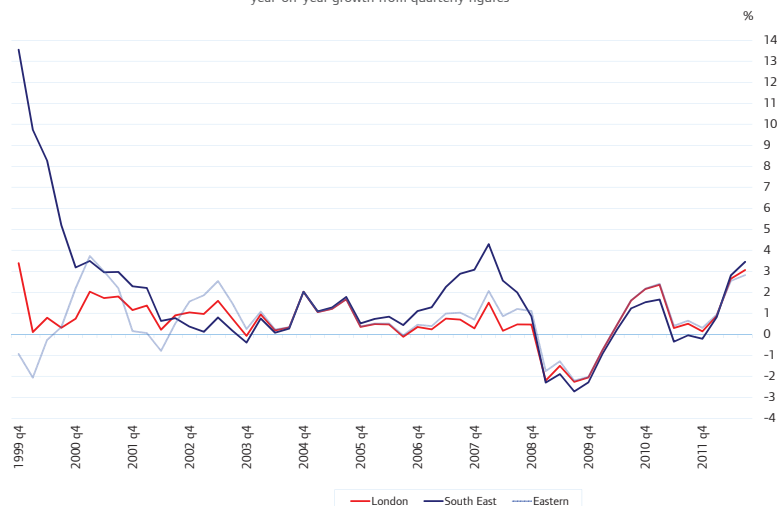
Strong annual employment growth in Q3 2012

- London's annual employment growth increased to 3.0% in Q3 2012 from 2.6% in Q2 2012.
- Annual employment growth in the South East increased to 3.4% in Q3 2012 from an upwardly-revised 2.8% in Q2 2012.
- Annual employment growth in the Eastern region increased to 2.8% in Q3 2012 from 2.5% in Q2 2012.

Latest release: February 2013

Next release: May 2013

Full-time equivalent employment in London, South East and Eastern Regions
year-on-year growth from quarterly figures



Source: Experian Economics

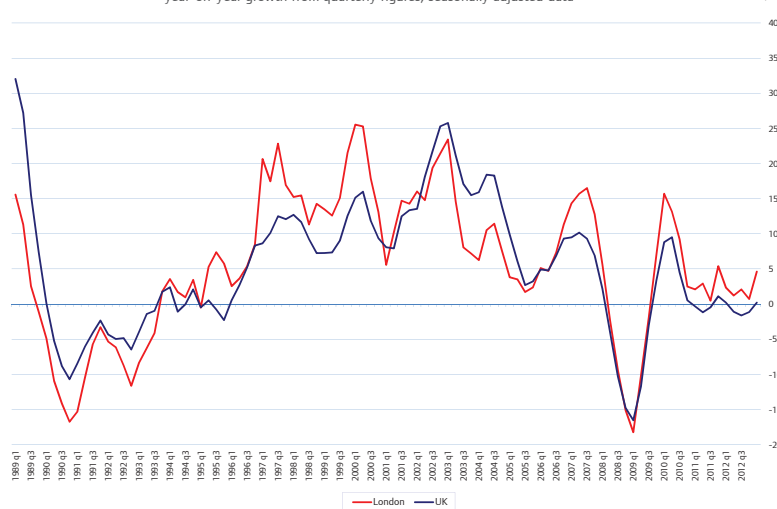
Annual house price inflation higher in London than in the UK

- House prices, as measured by Nationwide, were higher in Q1 2013 than in Q1 2012 in London and in the UK.
- Annual house price inflation in London was 4.6% in Q1 2013, up from 0.7% in Q4 2012.
- Annual house price inflation in the UK was 0.2% in Q1 2013, up from -1.1% in Q4 2012.

Latest release: April 2013

Next release: July 2013

House prices, UK and London
year-on-year growth from quarterly figures, seasonally adjusted data



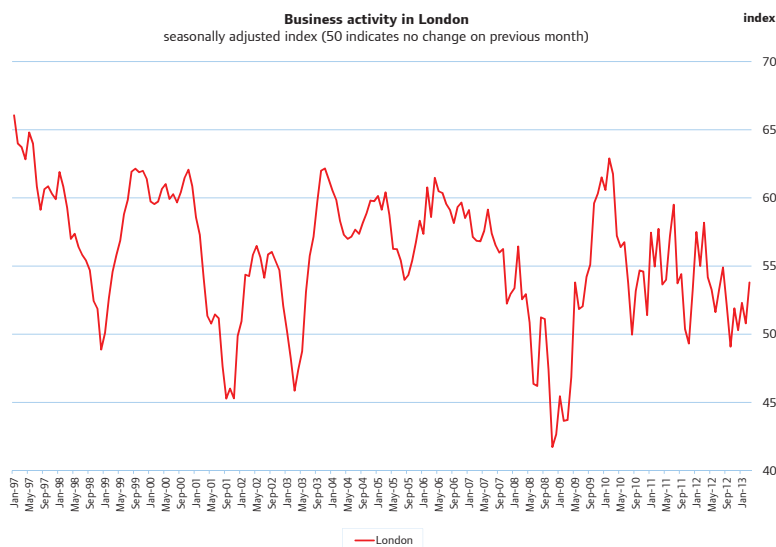
Source: Nationwide

London's business activity increasing

- London firms increased their output of goods and services in March 2013.
- The Purchasing Managers' Index (PMI) of business activity recorded 53.8 in March 2013 compared to 50.8 in February 2013.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: April 2013

Next release: May 2013



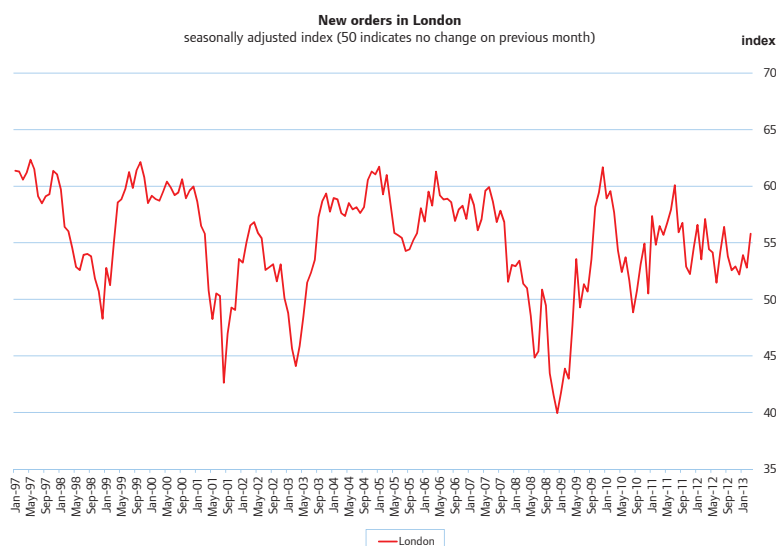
Source: Markit Economics

New orders in London rising

- March 2013 saw an increase in new orders for London firms.
- The PMI for new orders recorded 55.8 in March 2013 compared to 52.8 in February 2013.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: April 2013

Next release: May 2013



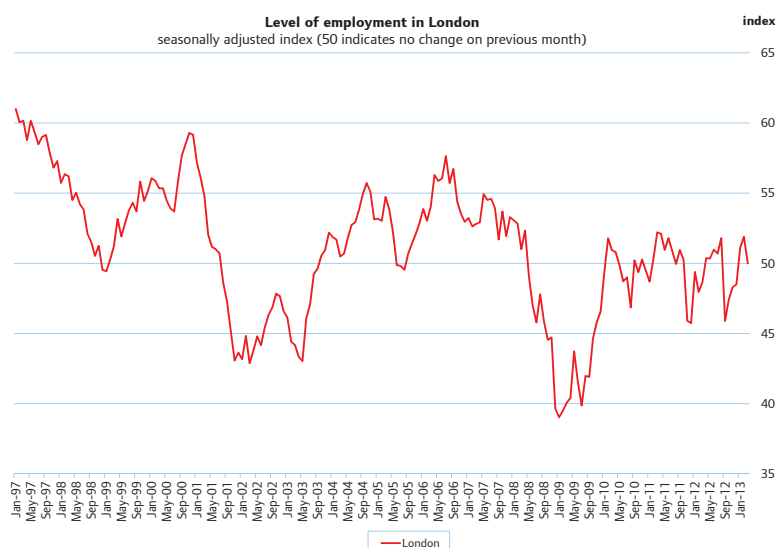
Source: Markit Economics

Businesses report stable employment in March

- The PMI shows that the level of employment in London firms was stable in March 2013.
- The PMI for the level of employment was 50.0 in March 2013 compared to 51.9 in February 2013.
- A rate of 50 on the index indicates no change in the level of employment from the previous month.

Latest release: April 2013

Next release: May 2013



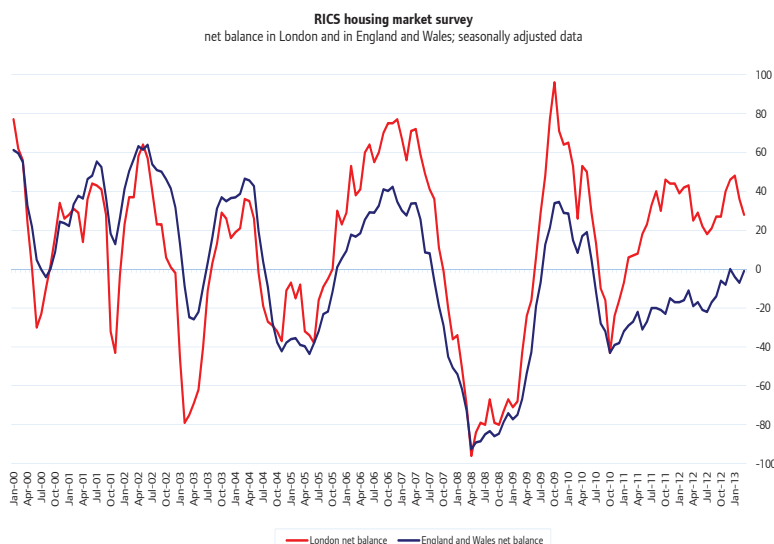
Source: Markit Economics

Surveyors report that house prices are rising in London

- The RICS survey shows a positive net balance of 28 for London house prices over the three months to March 2013.
- Surveyors reported a negative net house price balance of -1 for England and Wales over the three months to March 2013.
- London's net house price balance is higher than that of England and Wales.

Latest release: April 2013

Next release: May 2013



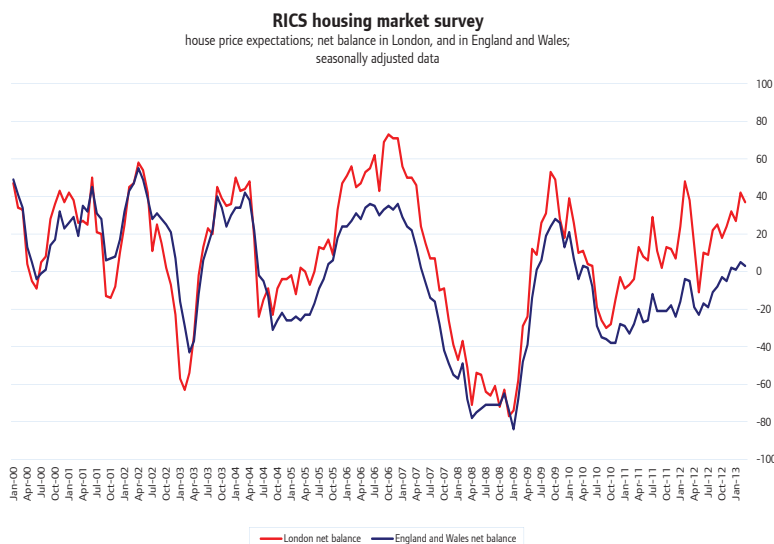
Source: Royal Institution of Chartered Surveyors

Surveyors expect house prices to rise

- The RICS survey shows that surveyors expect house prices to rise over the next three months in London and in England and Wales.
- The net house price expectations balance in London was 37 in March 2013.
- For England and Wales, the net house price expectations balance was 3 in March 2013.

Latest release: April 2013

Next release: May 2013



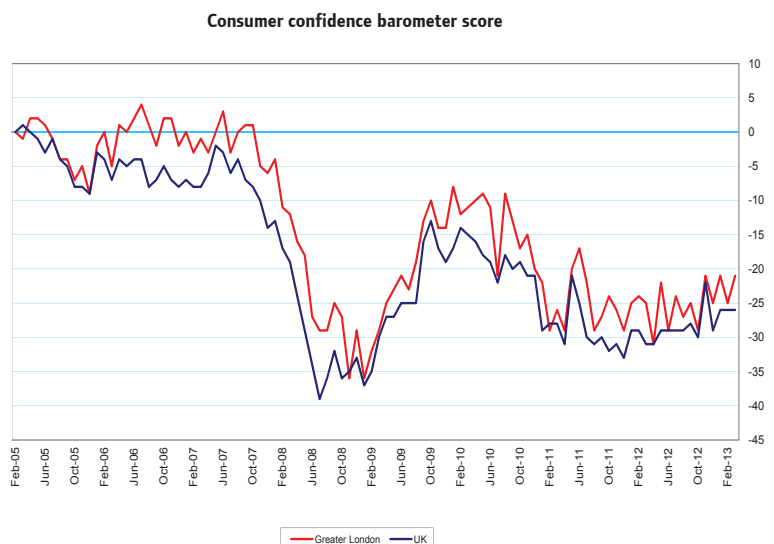
Source: Royal Institution of Chartered Surveyors

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 increased to -21 in March 2013 from -25 in February 2013.
- For the UK the consumer confidence score was -26 in March 2013 unchanged from February 2013.

Latest release: March 2013

Next release: April 2013



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

Acronyms

ABI	Annual Business Inquiry	IMF	International Monetary Fund
BCC	British Chamber of Commerce	LCCI	London Chamber of Commerce and Industry
CAA	Civil Aviation Authority	LET	London's Economy Today
CBI	Confederation of British Industry	MPC	Monetary Policy Committee
CLG	Communities and Local Government	ONS	Office for National Statistics
GDP	Gross domestic product	PMI	Purchasing Managers' Index
GVA	Gross value added	PWC	PricewaterhouseCoopers
ILO	International Labour Organisation	RICS	Royal Institution of Chartered Surveyors

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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.