

London's Economy Today

Issue 129 | May 2013

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

UK economy shows signs of improvement but Eurozone remains in recession

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

The European Central Bank (ECB) cut its interest rate in May to 0.5 per cent (the lowest rate it has been and the first cut in 10 months). The move was made against the backdrop of a raft of weak economic data including a drop in inflation to well beneath its target level. The Eurozone remained in recession in Q1 2013 with its output declining by -0.2 per cent (see Figure 1) the sixth quarter of decline. France and Finland re-entered recession in Q1 2013, joining Cyprus, Greece, Italy, the Netherlands, Portugal, and Spain that are all in recession.

Further, unemployment in the Eurozone has also hit a new record level of 12.1 per cent in March with Spain seeing it hit 26.7 per cent (and Greece hit 27 per cent in February). For those under 25 years old unemployment hit 23.5 per cent in the Eurozone and 55.9 per cent in Spain (and 64.2 per cent in Greece in February). The ECB's own deposit rate is already at zero but it was indicated that it will now consider adopting a negative rate which would effectively charge banks for depositing their funds at the ECB.

Latest news...

London labour market projections

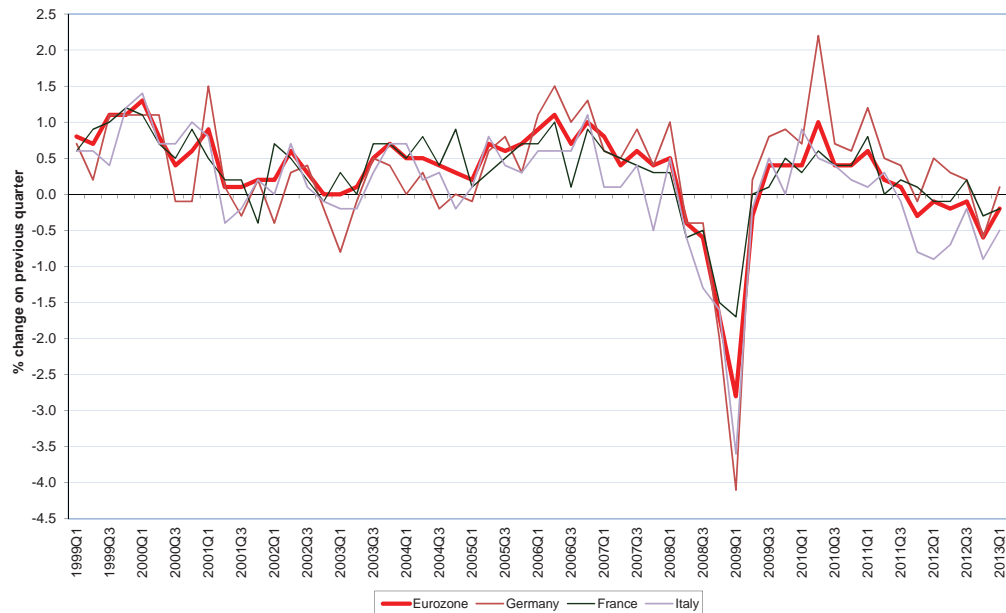
This report outlines GLA Economics' latest employment projections and shows that jobs in London are projected to grow by more than 850,000 by 2036. The report also provides future projections for both the occupations and qualifications of those employed in London. To download this report please go to: <http://www.london.gov.uk/mayor-assembly/mayor/publications/gla-intelligence/london-labour-market-projections>

Self-employment in London

Since 1996, the number of self-employment jobs has increased by 212,750 and is projected to increase by a further 208,000, to 896,000, by 2036. To download this paper please go to: <http://www.london.gov.uk/mayor-assembly/mayor/publications/gla-intelligence/working-paper-56-self-employment-in-london>

Figure 1: Quarterly GDP growth rates in the Eurozone and selected member countries

Source: Eurostat



Bank of England more upbeat on the prospects for the UK economy

In its May 2013 Inflation Report the Bank of England noted that its Monetary Policy Committee's (MPC) "best collective judgement is that the economy is likely to see a modest and sustained recovery over the next three years", but "inflation is likely to edge higher in coming months and is more likely than not to remain above 2 per cent for much of the next two years" before "fall(ing) back to around the 2 per cent target" in two years' time. The MPC noted that "the main risks to the recovery continue to emanate from abroad. Although financial tensions have abated since last summer, there remains a risk that the required adjustments to indebtedness and competitiveness within the euro area occur in a disorderly manner." Commenting on the May Inflation Report Mervyn King, the Governor of the Bank of England said that the "projections are for growth to be a little stronger and inflation a little weaker than we expected three months ago. That's the first time I've been able to say that since before the financial crisis. This hasn't been a typical recession and it won't be a typical recovery. Nevertheless, a recovery is in sight".

Some encouraging signs for the UK economy

Car sales in the UK were up 14.8 per cent in April compared with April 2012 according to data from The Society of Motor Manufacturers and Traders (SMMT) which reported 163,357 new registrations over the month – the fourteenth successive monthly increase and the highest level since April 2008. Sales to individuals drove the data higher with private car sales up more than 32 per cent on the year. The jump may be accounted for by pent-up demand after so long a difficult economic period. SMMT interim Chief Executive commented that "the UK continues to perform well ahead of the troubled Eurozone as consumer confidence, regular purchase cycles, attractive finance deals and wider market factors continue to make new car buying favourable for motorists." Howard Archer of IHS Global Insight suggested "a lot of people have delayed buying new cars, so more and more people are getting to the stage where their cars have had it".

Elsewhere data from the UK PMI for April 2013 showed that business activity in the services sector hit an eight month high, whilst the manufacturing and construction sectors showed some signs of stabilisation. Commenting on these figures Chris Williamson, Markit's Chief economist, said "the three UK PMI surveys collectively signalled the fastest rate of economic growth for eight months [reflecting]... a strengthening upturn in service sector business activity, a return to marginal growth in manufacturing and the near-stabilisation of construction".

UK growth expected to quicken into 2014

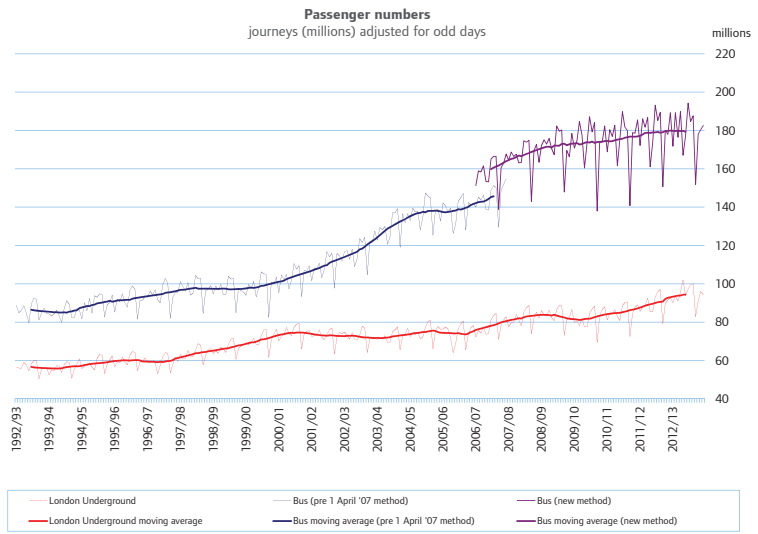
The economic situation in the Eurozone remains bleak and is acting as a drag on the global economy. However, other economies continue to grow although at a relatively subdued pace. Evidence continues to mount that China's economy is growing at a more sedate pace than previously experienced with for example industrial production rising at a smaller rate in April than had been expected by many commentators. In India the Reserve Bank of India lowered its interest rate to 7.25 per cent from 7.5 per cent, the third cut in rates this year, in response to its slowing economy. In more positive news Japan's economy grew by 0.9 per cent in Q1 2013 due to growth in consumer spending and exports implying that the expansionary policies that have been announced in that country may be having a positive effect. In the UK there are some signs of a pick-up in the economy (with the CBI forecasting in May that 2013 will see GDP growth of 1 per cent with 2 per cent growth in 2014) and there is a good chance that the ONS will revise away the double dip recession at the end of 2011/ beginning of 2012. However, the international economic environment still remains challenging and domestic demand is also unlikely to boom. Average earnings excluding bonuses rose by only 0.8 per cent when comparing January to March 2013 to a year earlier, the lowest rate since records began in 2001. Thus although the evidence would indicate that the UK economy's recovery is quickening, the prospects of anything but weak growth this year is unlikely. Meanwhile it still seems that the London economy is performing slightly better than the UK economy as a whole.

Economic indicators

Decrease in moving average of passenger numbers

- The most recent 29 day period is from 3 March 2013 to 31 March 2013. Adjusted for odd days, London's Underground and buses had 276.9 million passenger journeys; 182.6 million by bus and 94.3 million by Underground.
- The moving average of passengers every period decreased to 273.7 million from an upwardly revised 274.1 million in the previous period. The moving average for buses was 179.3 million. The moving average for the Underground was 94.4 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).

Latest release: May 2013
Next release: June 2013

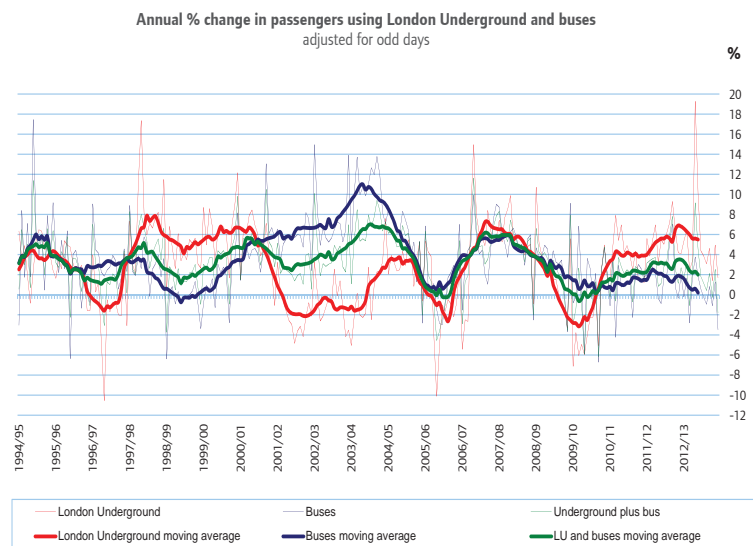


Source: Transport for London

Average annual growth rate of passengers decreases

- The moving average annual rate of growth in passenger journeys decreased to 2.0% from an upwardly revised 2.3% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers decreased to 0.2% from 0.6% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 5.5% from an upwardly revised 5.6% in the previous period.

Latest release: May 2013
Next release: June 2013

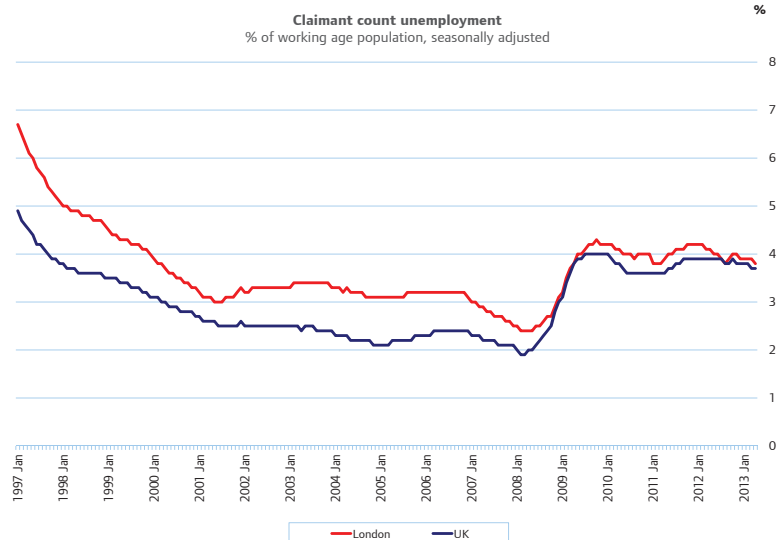


Source: Transport for London

Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 3.8% in April 2013.
- There were 216,800 seasonally adjusted unemployment claimants in London in April 2013 compared to a downwardly-revised 218,200 in March 2013.
- There were 1,520,800 seasonally adjusted unemployment claimants in the UK in April 2013 compared to a downwardly-revised 1,528,100 in March 2013.

Latest release: May 2013
Next release: June 2013



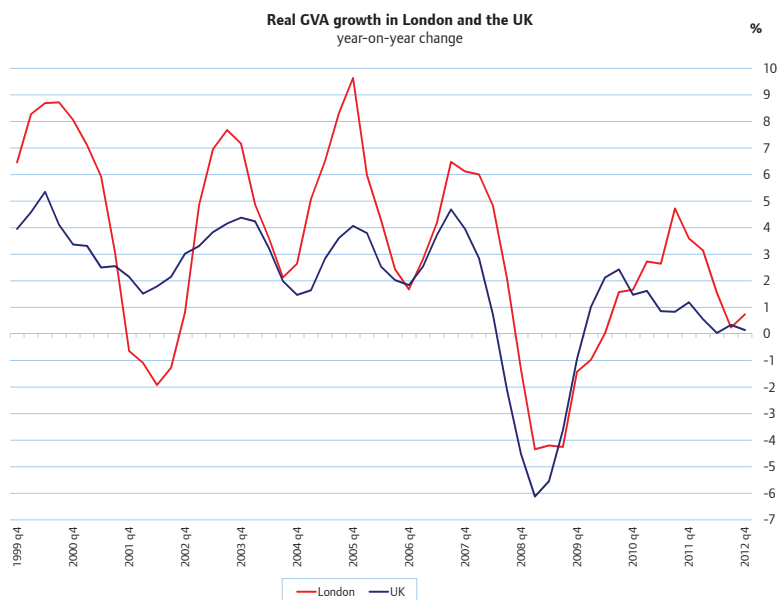
Source: Claimant Count, Nomis

Annual output growth positive in Q4 2012

- London's annual growth in output increased to 0.7% in Q4 2012 from an upwardly-revised 0.2% in Q3 2012.
- Annual output growth in the UK decreased to 0.1% in Q4 2012 from an upwardly-revised 0.3% in Q3 2012.
- In Q4 2012 London's annual growth rate was higher than the UK as a whole.

Latest release: May 2013

Next release: August 2013

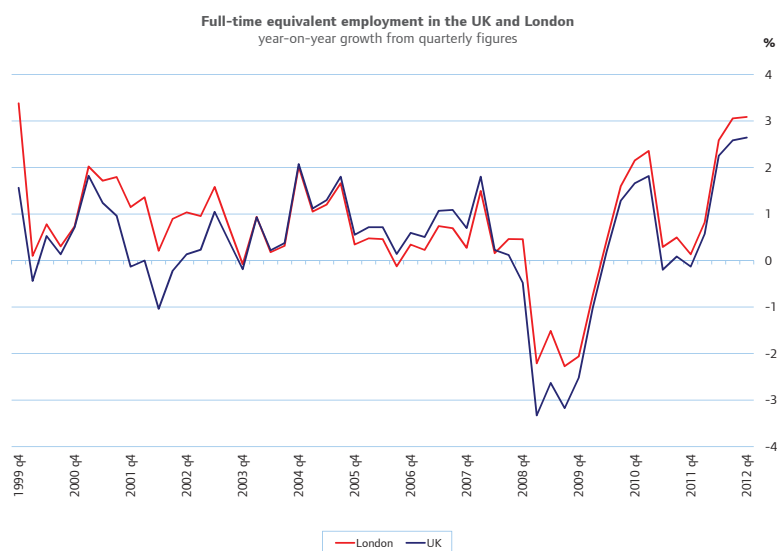


Strong annual employment growth in Q4 2012

- London's annual employment growth was 3.1% in Q4 2012 the same rate as the upwardly-revised figure for Q3 2012.
- Annual employment growth in the UK was 2.6% in Q4 2012 the same rate as in Q3 2012.
- In Q4 2012 London's annual employment growth was stronger than in the UK as a whole.

Latest release: May 2013

Next release: August 2013

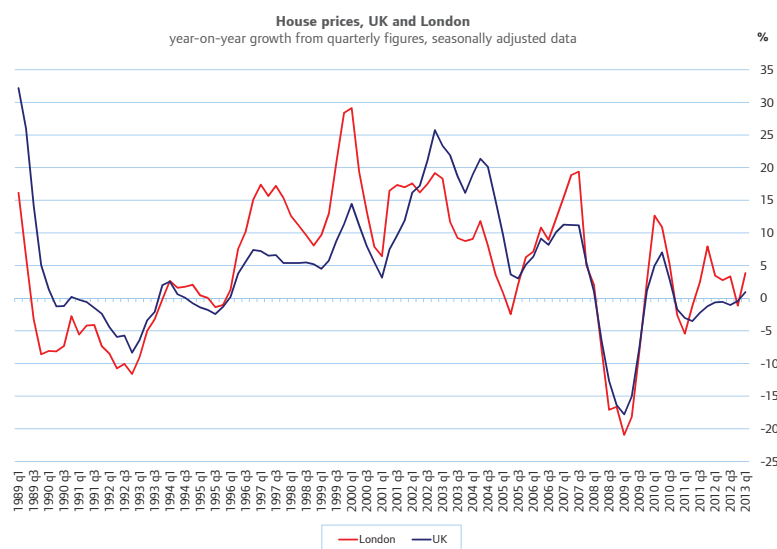


Annual house price inflation higher in London than in the UK

- House prices, as measured by Halifax, were higher in Q1 2013 than in Q1 2012 in both London and the UK.
- Annual house price inflation in London was 3.8% in Q1 2013, up from -1.1% in Q4 2012.
- Annual house price inflation in the UK was 0.9% in Q1 2013, up from -0.4% in Q4 2012.

Latest release: April 2013

Next release: July 2013

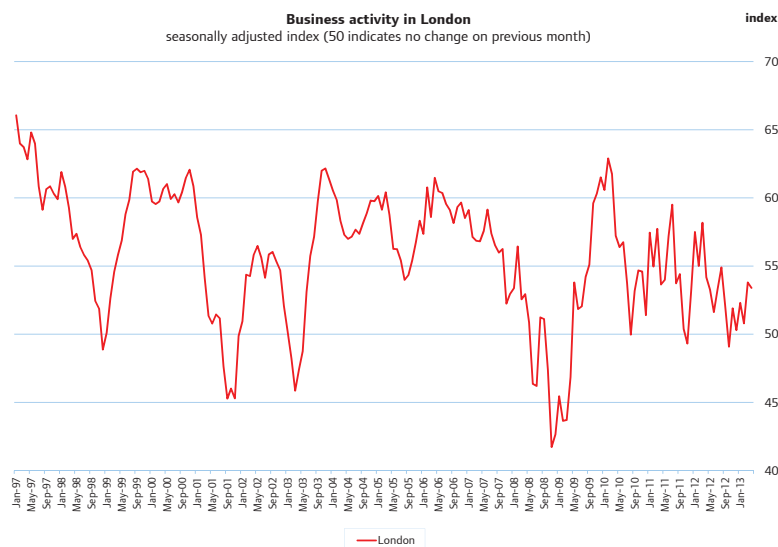


London's business activity increasing

- London firms increased their output of goods and services in April 2013.
- The Purchasing Managers' Index (PMI) of business activity recorded 53.4 in April 2013 compared to 53.8 in March 2013.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: May 2013

Next release: June 2013



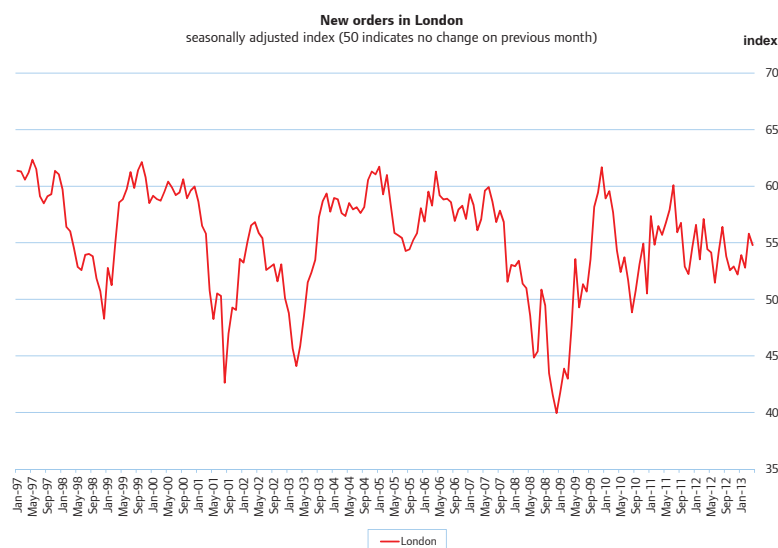
Source: Markit Economics

New orders in London rising

- April 2013 saw an increase in new orders for London firms.
- The PMI for new orders recorded 54.8 in April 2013 compared to 55.8 in March 2013.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: May 2013

Next release: June 2013



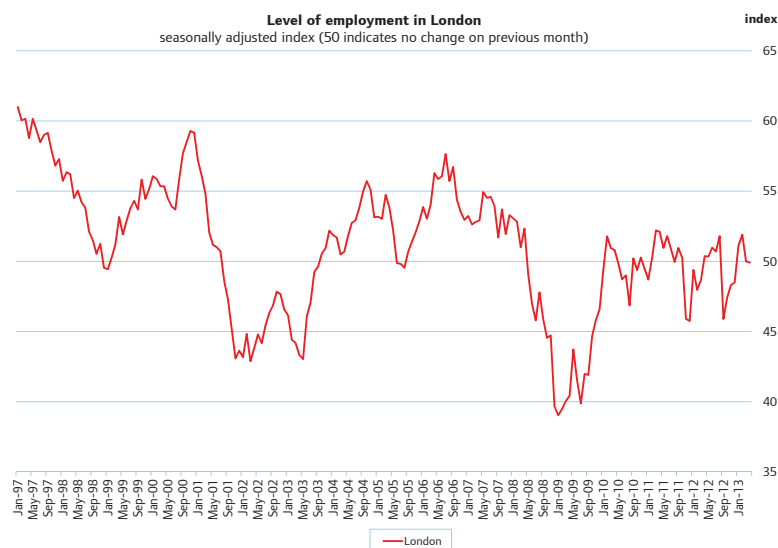
Source: Markit Economics

Businesses report slightly lower employment in April

- The PMI shows that the level of employment in London firms decreased slightly in April 2013.
- The PMI for the level of employment was 49.9 in April 2013 compared to 50.0 in March 2013.
- A rate of below 50 on the index indicates a decrease in the level of employment from the previous month.

Latest release: May 2013

Next release: June 2013



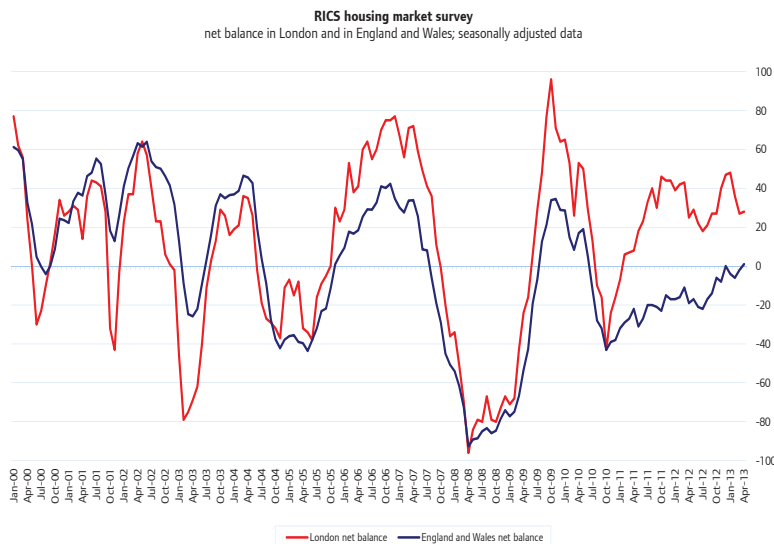
Source: Markit Economics

Surveyors report that house prices are rising

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

Latest release: May 2013

Next release: June 2013



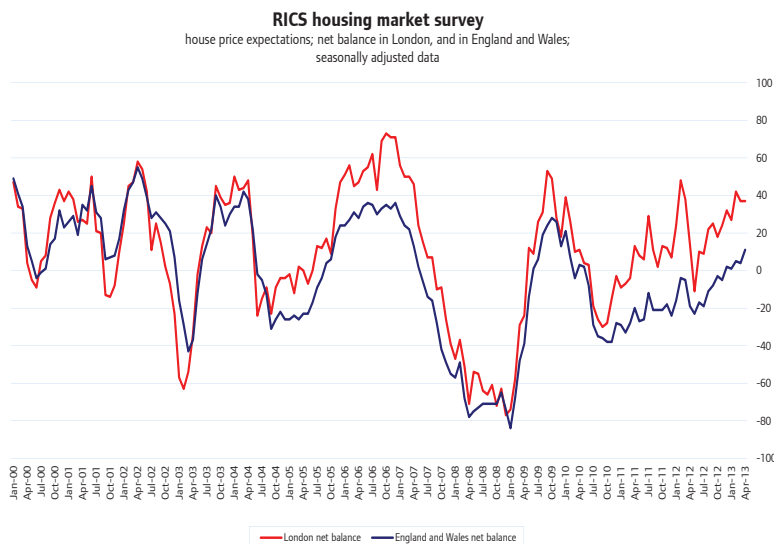
Source: Royal Institution of Chartered Surveyors

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 April 2013.
- For England and Wales, the net house price expectations balance was 11 in April 2013.

Latest release: May 2013

Next release: June 2013



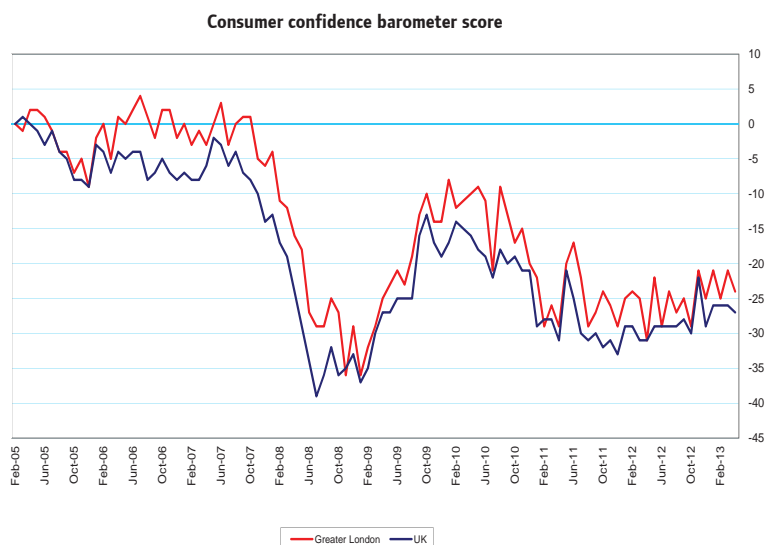
Source: Royal Institution of Chartered Surveyors

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 decreased to -24 in April 2013 from -21 in March 2013.
- For the UK the consumer confidence score decreased to -27 in April 2013 from -26 in March 2013.

Latest release: April 2013

Next release: May 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

GLA Economics
City Hall
The Queen's Walk
London SE1 2AA

Tel 020 7983 4922
Fax 020 7983 4674

Email glaeconomics@london.gov.uk
Internet www.london.gov.uk

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May 2013

ISSN 1740-9136 (print)

ISSN 1740-9195 (online)

ISSN 1740-9144 (email)

London's Economy Today is published by email and on www.london.gov.uk towards the end of every month. It provides an overview of the current state of the London economy, and a 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 group.

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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.