

London's Economy Today

Issue 133 | September 2013

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

Evidence mounts of a more robust UK economic recovery

By **Gordon Douglass**, Economist, and **Simon Kyte**, Economist

Evidence of a stronger UK economic recovery continued to mount in September 2013, with survey measures of activity in construction, manufacturing and services indicating an acceleration in growth. Furthermore, a number of organisations have recently upgraded their forecast for UK economic growth in 2013.

The British Chambers of Commerce (BCC) has upgraded its forecast to 1.3 per cent growth this year compared to a previously forecast growth rate of 0.9 per cent. Forecast growth by the BCC for 2014 and 2015 was also upgraded to 2.2 per cent and 2.5 per cent respectively. This more generally positive picture for the UK economy has also been reflected in a recent appreciation of the sterling exchange rate (see Figure 1).

Latest news...

● Datastore and Dashboard September Update

The September 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.

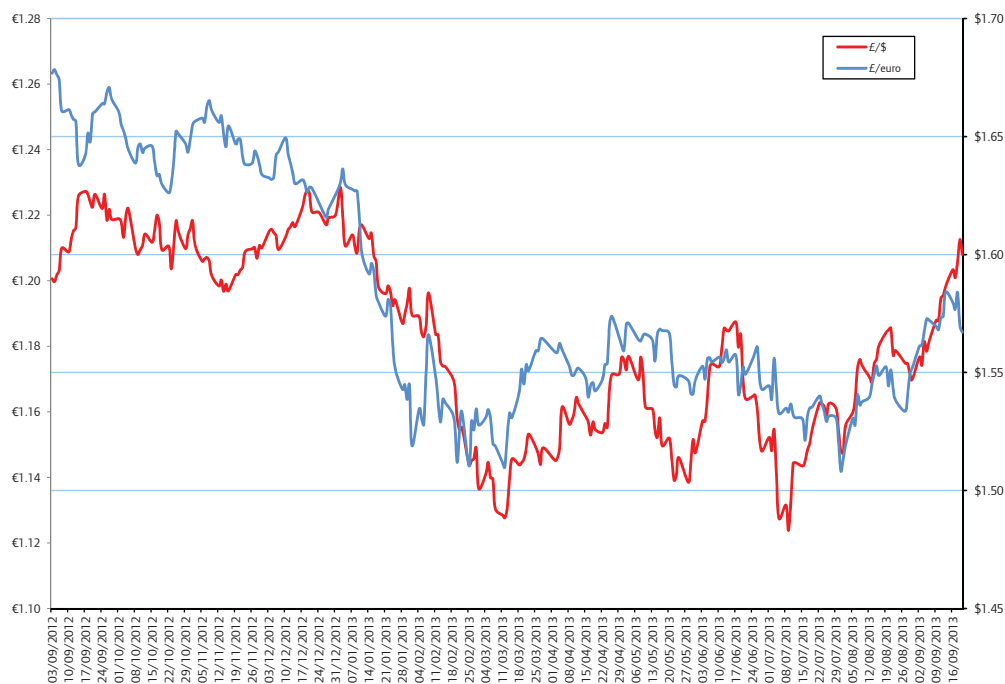
You can view all work published from GLA Economics and the wider GLA Intelligence Unit at

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

**Figure 1: Sterling/
Dollar and sterling/Euro
exchange rates**

Last data point:
20/9/2013

Source: Bank of England



Business confidence rising in London

The UK Business Confidence Monitor Q3 2013 by ICAEW/Grant Thornton reported an improving economic situation in London finding that “confidence in the capital has been rising steadily since Q3 2012 and has now reached its highest level since Q2 2010”. The report also found that “turnover is expected to rise by 5.1 per cent over the next 12 months, bolstered by accelerating domestic sales and export growth. Improved revenues are expected to lead to 4.4 per cent profit growth over the coming 12 months”. Business confidence in London is above the national average. For the UK as a whole the report noted that “business confidence continued to improve in the third quarter of 2013”, commenting that, “this quarter’s reading suggests that the economy will expand by 1.0 per cent in Q3 2013”. Export growth is expected to pick up over the next 12 months, despite a challenging global economic backdrop.

Two London universities have been ranked in the top ten in the world according to the latest QS World University Rankings. UCL and Imperial were placed 4th and 5th respectively behind MIT, Harvard and Cambridge. King’s College London was 19th in the list, making it one of six UK universities to be ranked in the top 20.

House prices in England exceed their previous peak

Activity in the UK housing market has picked up strongly in recent months after a long period of being relatively subdued. The ONS has released new house price data showing that house prices in England have exceeded their previous peak in January 2008. London is leading this recovery with a 9.7 per cent increase in house prices over the past year. London is the only region where house prices have been rising faster than the rate of inflation. When London and the South East are excluded from the data, house prices across the UK rose by only 0.8 per cent over the last year with falls registered in Scotland, Wales and both the North East and North West of England. A combination of the Bank of England’s Funding for Lending Scheme (FLS), which is credited with having brought down mortgage rates since its inception over a year ago, and the Government’s Help to Buy scheme are supporting demand for property purchases. This has led many forecasters, such as Rightmove and IHS Global

Insight, to revise up their expectations for future house price rises. The ONS has stated that construction activity increased by 2.2 per cent between June and July driven by a rise in house building.

UK infrastructure has room for improvement

According to the CBI/KPMG 'Connect more' 2013 infrastructure survey, the UK has become a more attractive location in which to invest in infrastructure since 2011 compared to other EU countries and much of Asia. However, businesses are increasingly doubtful that the improved policy environment will actually translate into tangible impacts on infrastructure on the ground. Almost half of respondents claimed that commuter rail services in the UK had deteriorated over the last five years but the vast majority said there had been improvements in the UK's digital networks. The UK is ranked only 28th for quality of overall infrastructure in the 2013-2014 World Economic Forum rankings, not just lower down than key traditional competitors such as France, Germany and the US but also behind countries such as Saudi Arabia and Barbados. The CBI called for the completion of all feasibility studies for road and rail projects outlined in the Spending Round and a commitment to detailed delivery plans.

Strengthening London labour market while global recovery seems to be maintaining momentum

Although the risks to the international economy remain significant with on-going issues in the Eurozone and instability in the Middle East, evidence suggests that the world economic outlook is improving with the exception of some emerging market economies such as India. For example, economic data for Japan's growth in Q2 2013 has been revised upwards to 0.9 per cent and the Chinese state statistical office has claimed that the country is on course to achieve the 7.5 per cent growth target for 2013. The Chinese Government has taken a series of measures including scrapping taxes on small enterprises, accelerating infrastructure projects, shifting away from export dependency and starting to liberalise interest rates. At the World Economic Forum in Dalian, the Chinese Prime Minister, Li Keqiang, stated "China is now at such a crucial stage that without structural transformation and upgrading, we will not be able to sustain economic growth".

Closer to home, London's labour market continues to surprise positively on the up-side and shows strength. London's workforce jobs (the number of jobs located in London, whether or not they are taken by residents of London) increased by 70,000 (1.4 per cent) in Q2 2013 to stand at 5.221 million. This is the highest level since the series began in 1996. Although household budgets remain tight it appears that the UK economic situation heading into the winter provides hope for a more prosperous new year with London leading the way.

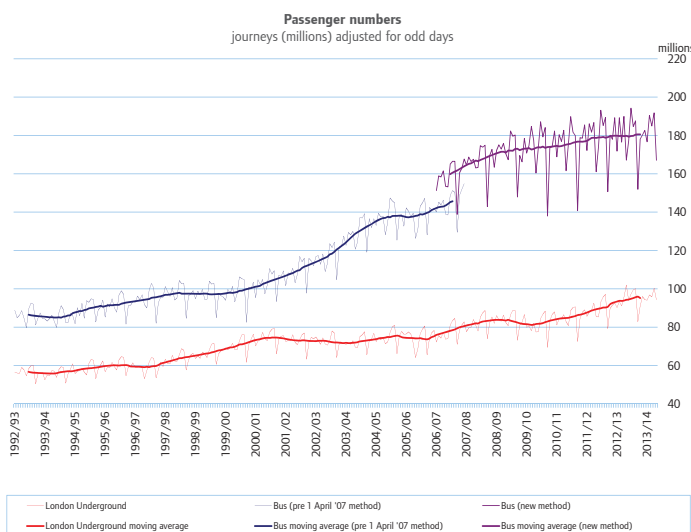
Economic indicators

Decrease in moving average of passenger numbers

- The most recent 28 day period is from 21 July 2013 to 17 August 2013. Adjusted for odd days, London's Underground and buses had 261.4 million passenger journeys; 167.1 million by bus and 94.3 million by Underground.
- The moving average of passengers every period decreased to 275.8 million from an upwardly-revised 276.5 million in the previous period. The moving average for buses was 180.6 million. The moving average for the Underground was 95.2 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: September 2013

Next release: October 2013



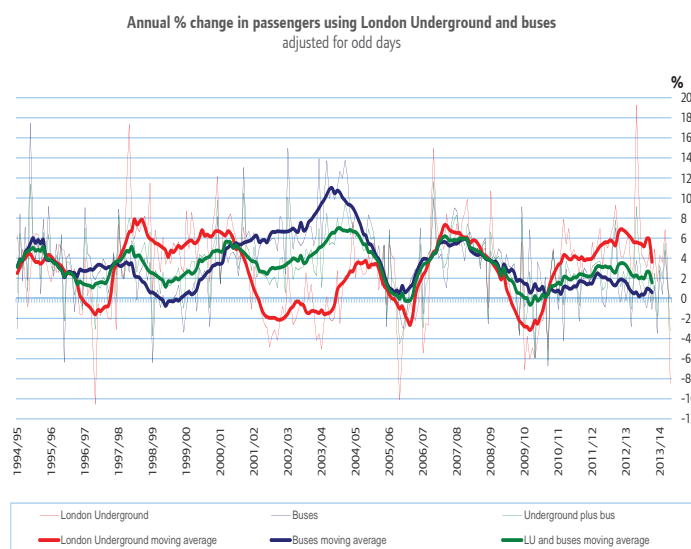
Source: Transport for London

Decrease in average annual growth rate of passengers

- The moving average annual rate of growth in passenger journeys decreased to 1.6% from 2.6% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers decreased to 0.6% from 0.9% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 3.6% from 5.9% in the previous period.

Latest release: September 2013

Next release: October 2013



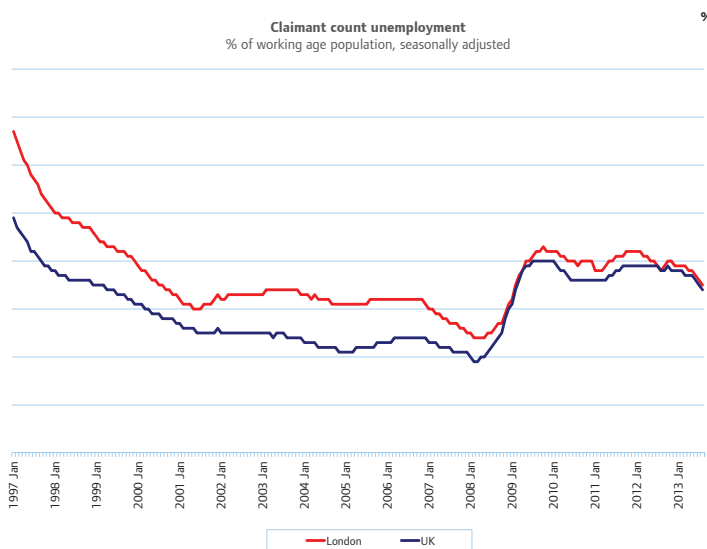
Source: Transport for London

Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 3.5% in August 2013.
- There were 200,700 seasonally adjusted unemployment claimants in London in August 2013 compared to a downwardly-revised 204,700 in July 2013.
- There were 1,401,800 seasonally adjusted unemployment claimants in the UK in August 2013 compared to a downwardly-revised 1,434,400 in July 2013.

Latest release: September 2013

Next release: October 2013



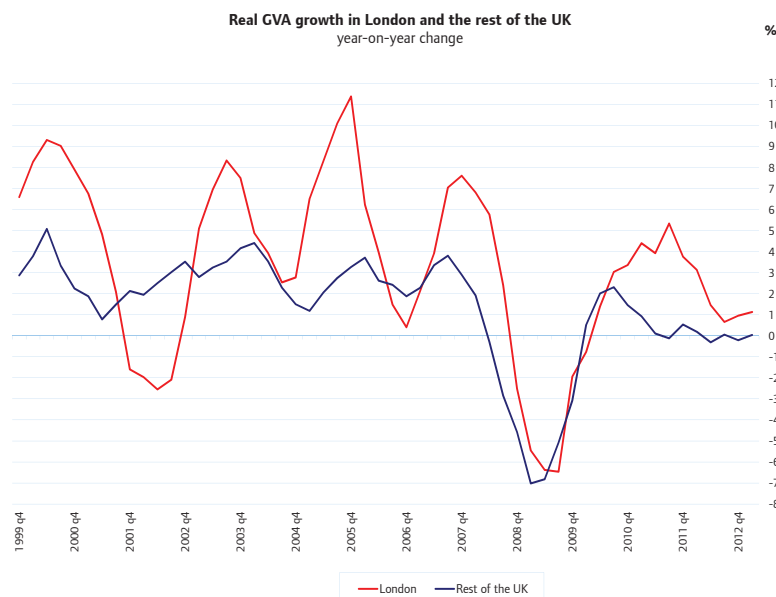
Source: Claimant Count, Nomis

Faster annual output growth in Q1 2013

- London's annual growth in output increased to 1.1% in Q1 2013 from an upwardly-revised 1.0% in Q4 2012.
- Annual output growth in the rest of the UK increased to 0.0% in Q1 2013 from a downwardly-revised -0.2% in Q4 2012.
- In Q1 2013 London's annual growth rate was higher than in the rest of the UK.

Latest release: August 2013

Next release: November 2013

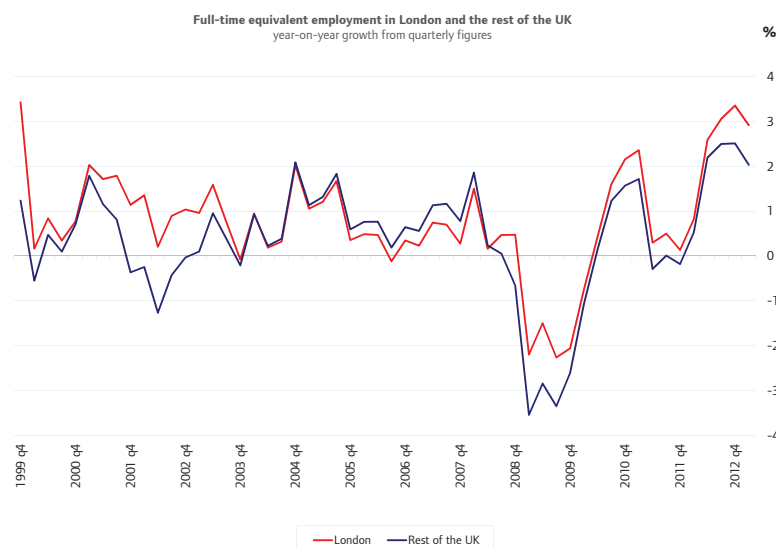


Annual employment growth slows in Q1 2013

- London's annual employment growth decreased to 2.9% in Q1 2013 from an upwardly-revised 3.3% in Q4 2012.
- Annual employment growth in the rest of the UK decreased to 2.0% in Q1 2013 from a downwardly-revised 2.5% in Q4 2012.
- In Q1 2013 London's annual employment growth was higher than in the rest of the UK.

Latest release: August 2013

Next release: November 2013

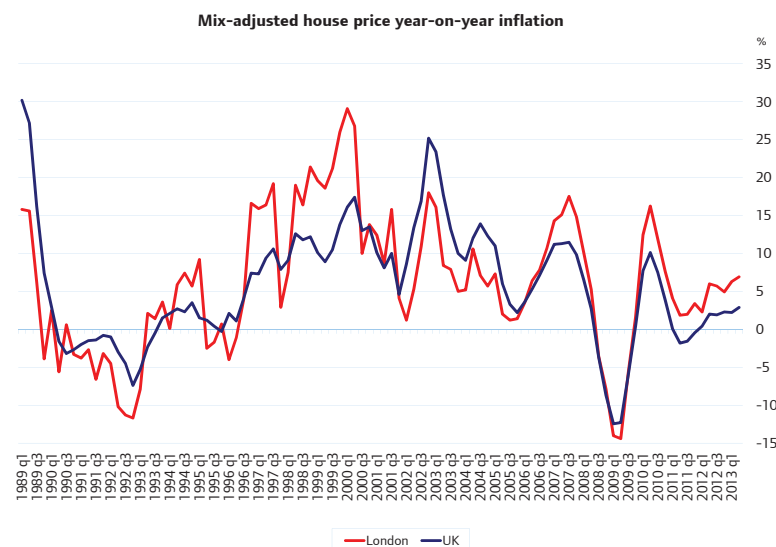


Annual house price inflation higher in London than in the UK

- The Office for National Statistics (ONS) house price index is an official measure of house prices. It is available up to Q2 2013.
- Annual house price inflation in London was 6.9% in Q2 2013, up from 6.3% in Q1 2013.
- Annual house price inflation in the UK was 2.9% in Q2 2013, up from 2.2% in Q1 2013.

Latest release: August 2013

Next release: November 2013

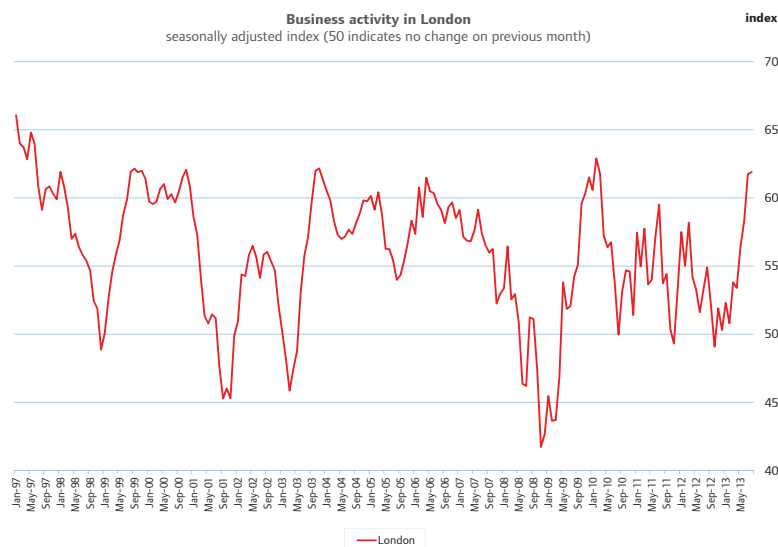


London's business activity increasing

- London firms increased their output of goods and services in August 2013.
- The Purchasing Managers' Index (PMI) of business activity recorded 61.9 in August 2013 compared to 61.8 in July 2013.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: September 2013

Next release: October 2013



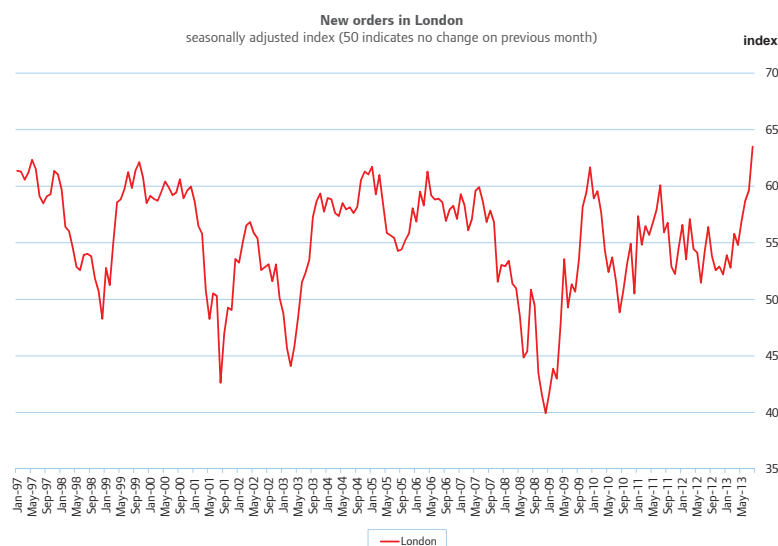
Source: Markit Economics

New orders in London rising

- August 2013 saw an increase in new orders for London firms.
- The PMI for new orders recorded 63.5 in August 2013 compared to 59.6 in July 2013.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: September 2013

Next release: October 2013



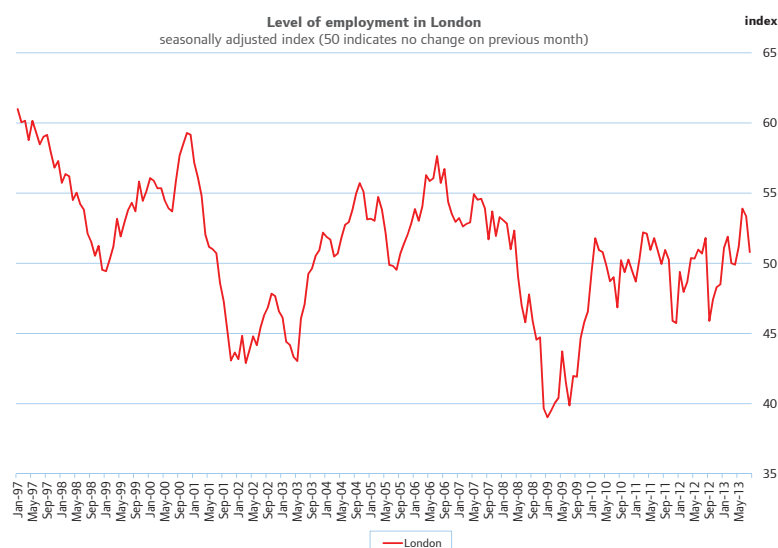
Source: Markit Economics

Businesses report higher employment in August

- The PMI shows that the level of employment in London firms increased in August 2013.
- The PMI for the level of employment was 50.8 in August 2013 compared to 53.4 in July 2013.
- A rate of above 50 on the index indicates an increase in the level of employment from the previous month.

Latest release: September 2013

Next release: October 2013



Source: Markit Economics

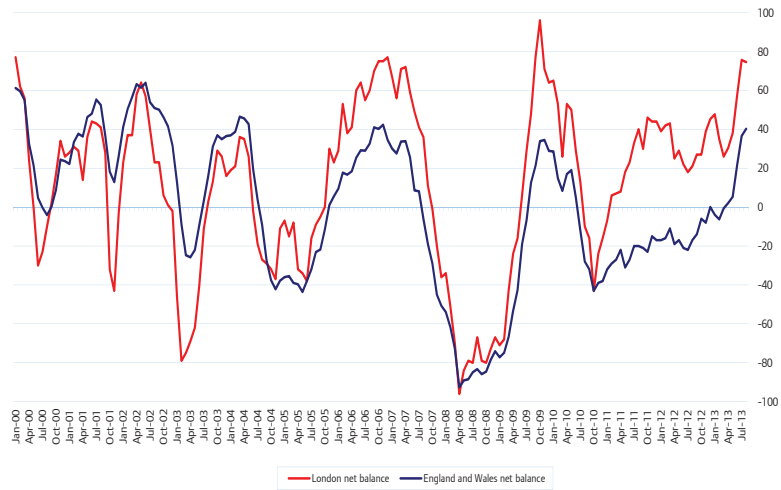
Surveyors report that house prices are rising

- The RICS survey shows a positive net balance of 75 for London house prices over the three months to August 2013.
- Surveyors reported a positive net house price balance of 40 for England and Wales over the three months to August 2013.
- London's net house price balance is higher than that of England and Wales.

Latest release: September 2013

Next release: October 2013

RICS housing market survey
net balance in London and in England and Wales; seasonally adjusted data



Source: Royal Institution of Chartered Surveyors

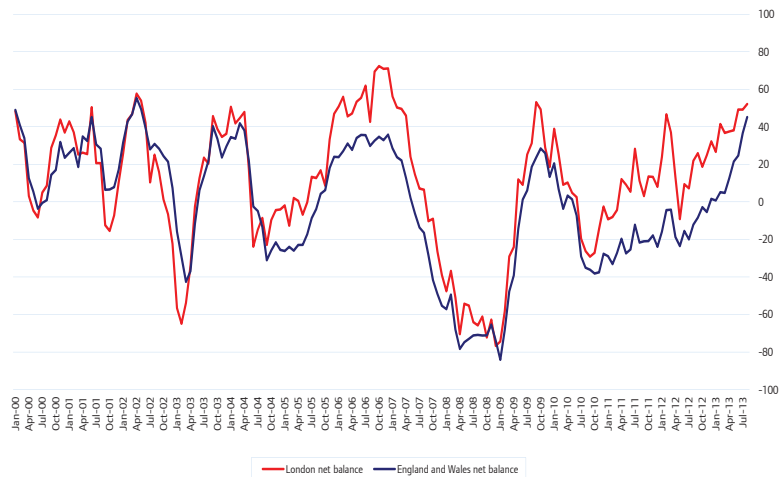
Surveyors expect house prices to rise

- 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 52 in August 2013.
- For England and Wales, the net house price expectations balance was 45 in August 2013.

Latest release: September 2013

Next release: October 2013

RICS housing market survey
house price expectations; net balance in London, and in England and Wales;
seasonally adjusted data



Source: Royal Institution of Chartered Surveyors

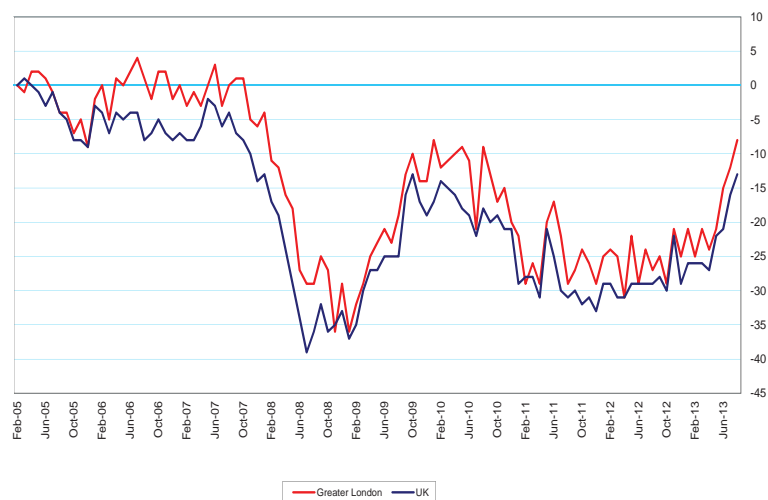
Consumer confidence shows improvement but still negative

- 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 -8 in August 2013 from -12 in July 2013.
- For the UK the consumer confidence score increased to -13 in August 2013 from -16 in July 2013.

Latest release: August 2013

Next release: September 2013

Consumer confidence barometer score



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 2013/14 there are eleven 28-day periods, one 27-day period and one 30-day period. Period 1 started on 1 April 2013.

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 2013/14 there are eleven 28-day periods, one 27-day period and one 30-day period. Period 1 started on 1 April 2013.

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.