

London's Economy Today

Issue 134 | October 2013

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The LET presence on Datastore aims to create more interaction and a greater personal focus for London's Economy Today while also allowing for the incorporation of feedback and views from the readership.

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

UK growth builds momentum

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

UK GDP increased by 0.8 per cent in Q3 2013 according to the preliminary estimate by the Office for National Statistics (ONS) released on 25 October (see Figure 1). This above trend level of growth was expected by independent forecasters and was faster than the 0.7 per cent expansion in Q2 2013. GDP is now around 2.5 per cent lower than its pre 2008-09 recession peak. Compared with Q3 2012, GDP was 1.5 per cent higher in Q3 2013. The ONS noted that output from services provided the largest contribution to Q3 2013 GDP growth and service sector output is now "slightly above its previous peak in Q1 2008, prior to the economic downturn".

Latest news...

The Economic Contribution of Older Londoners

London is home to around two million Londoners aged 50 and above (older Londoners). This report aims to identify, quantify and value the economic contribution older Londoners make through their paid work, caring for adults, childcare and volunteering.

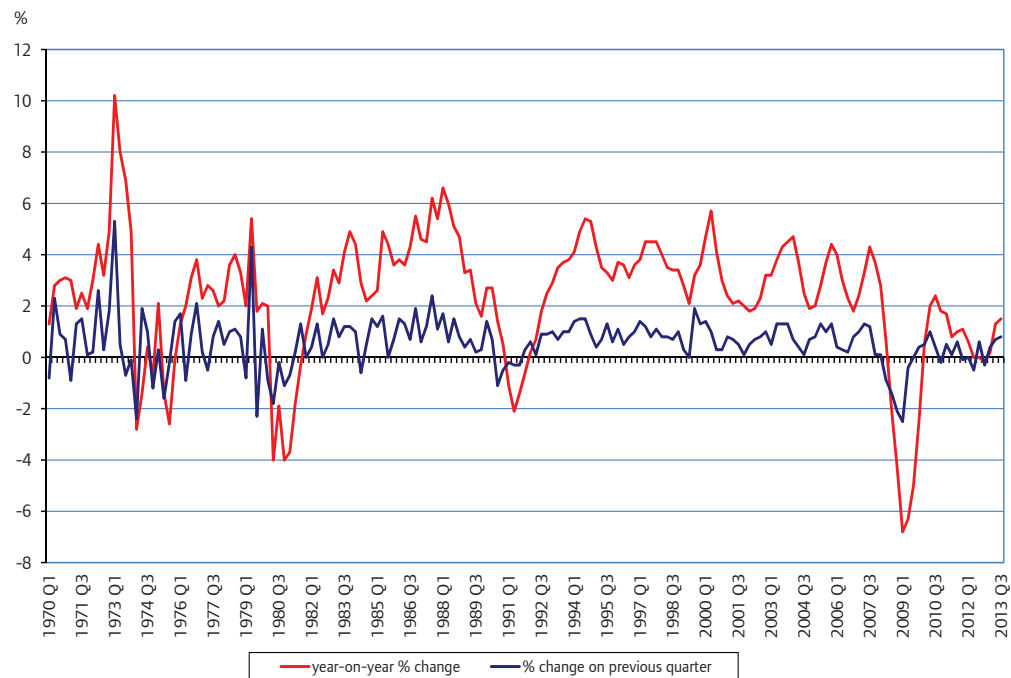
The paid work of older Londoners contributes an estimated £47bn per year to the capital, equivalent to around 18 per cent of the Capital's Gross Value Added.

You can download this report from GLA Economics at

<http://www.london.gov.uk/the-economic-contribution-of-older-londoners>

Figure 1: UK GDP Growth

Source: Office for National Statistics



The sectoral breakdown of the GDP figure shows that output in the construction sector increased by 2.5 per cent in Q3 2013, after increasing by 1.9 per cent in Q2 2013. Output in the production industries increased by 0.5 per cent in Q3 2013, after increasing by 0.8 per cent in Q2 2013. Total output in the services sector increased by 0.7 per cent in Q3 2013, after increasing by 0.6 per cent in the previous quarter. Output in business services and finance (a sector of importance to London) increased by 1.0 per cent in Q3 2013 after increasing by 0.7 per cent in Q2 2013. Between Q3 2012 and Q3 2013 construction output increased by 4.9 per cent, production industries output fell by 0.3 per cent whilst services sector output grew by 1.9 per cent (and within this, business services and finance grew by 2.1 per cent).

IMF upgrades the UK's growth forecast while many other countries are downgraded

In October the IMF published its latest World Economic Outlook in which it upgraded its forecast for UK economic growth in 2013 and 2014 to 1.4 per cent and 1.9 per cent respectively (an increase of 0.5 per cent on their July forecast for 2013 and 0.4 per cent for their forecast for 2014). However, the growth forecasts for a number of other economies were downgraded. The US is now forecast to grow by 1.6 per cent in 2013 and by 2.6 per cent in 2014, China by 7.6 per cent in 2013 and by 7.3 per cent in 2014 and India by 3.8 per cent in 2013 and by 5.1 per cent in 2014 (a decrease of 1.8 per cent on their July forecast for 2013 and 1.1 per cent for their forecast for 2014). The IMF's forecast for the Eurozone economy remained relatively unchanged with it forecasting a contraction of -0.4 per cent in 2013 and growth of 1.0 per cent in 2014.

In October the Irish Taoiseach announced that Ireland is on track to exit its international bailout programme by the end of 2013. The €85 billion bailout was required after the collapse of a number of banks. However, problems remain in the wider Eurozone with the head of the Slovenian central bank, Bostjan Jazbec, saying that the country may need help if its government debt funding costs remain high. With unemployment remaining at exceptionally elevated levels in Spain and Greece, and with the economic recovery in the Eurozone being described as "weak, fragile, uneven" by Mario Draghi the President of the European Central Bank, deep seated structural problems remain in the Eurozone.

The recent government shutdown in the US will have dampened the prospects for US Q4 2013 GDP growth and concerns remain about the long-term prospects for the country's finances. Credit ratings agency Fitch Ratings has placed the US triple A rating on negative watch with them observing that "the repeated brinkmanship over raising the debt ceiling also dents confidence in the effectiveness of the US government and political institutions, and in the coherence and credibility of economic policy".

London remains the leading global financial centre with a strengthening economy

The Global Financial Centres Index 14 produced by Z/Yen has again placed London as the preeminent global financial centre with it being ranked first above New York, Hong Kong and Singapore. The report noted that "London has traditionally been well rated by the professional services industry. In the last two editions however investment managers and government and regulatory professionals have been at least as favourable. Insurers and bankers are slightly less favourable in their assessments of London".

London economic survey data, such as PMI indicators and consumer confidence, shows that the Capital's economy is performing robustly. The UK economy is also doing better than was expected a few months ago. Recent minutes from the Bank of England's Monetary Policy Committee stated that "it now therefore seemed probable that unemployment would be lower, and output growth faster, in the second half of 2013 than expected at the time of the August Inflation Report". Therefore it would seem that although the UK economy remains a long way away from the boom conditions seen prior to the 2008/09 financial crisis the economic recovery has strengthened significantly. A driving force behind this pick up has been the London economy.

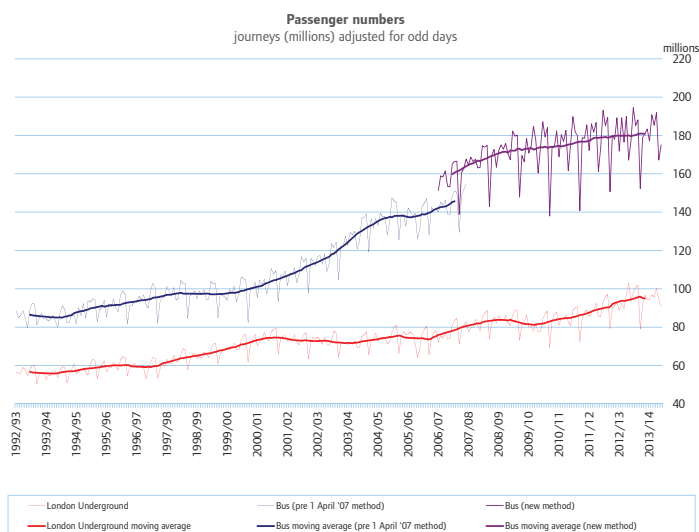
Economic indicators

Decrease in moving average of passenger numbers

- The most recent 28 day period is from 18 August 2013 to 14 September 2013. Adjusted for odd days, London's Underground and buses had 265.8 million passenger journeys; 175.0 million by bus and 90.8 million by Underground.
- The moving average of passengers every period decreased to 275.8 million from an upwardly-revised 276.2 million in the previous period. The moving average for buses was 180.8 million. The moving average for the Underground was 95.0 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: October 2013

Next release: November 2013



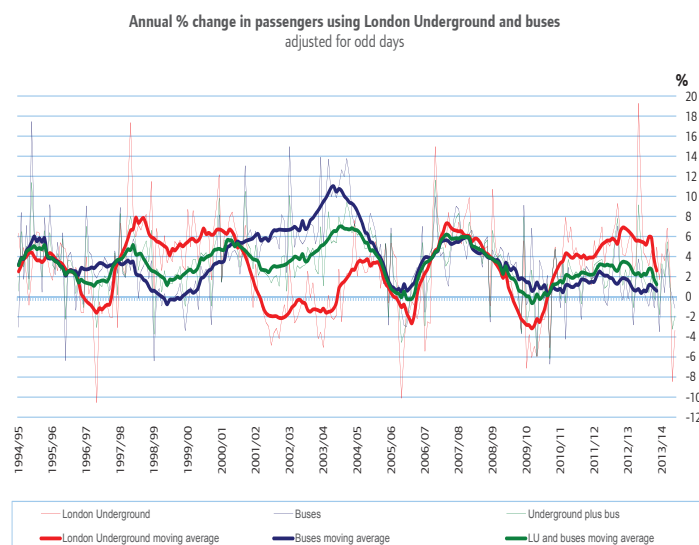
Source: Transport for London

Decrease in average annual growth rate of passengers

- The moving average annual rate of growth in passenger journeys decreased to 1.2% from an upwardly-revised 1.7% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers decreased to 0.6% from an upwardly-revised 0.8% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 2.6% from 3.6% in the previous period.

Latest release: October 2013

Next release: November 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 3.4% in September 2013.
- There were 192,200 seasonally adjusted unemployment claimants in London in September 2013 compared to a downwardly-revised 198,400 in August 2013.
- There were 1,351,100 seasonally adjusted unemployment claimants in the UK in September 2013 compared to a downwardly-revised 1,392,800 in August 2013.

Latest release: October 2013

Next release: November 2013



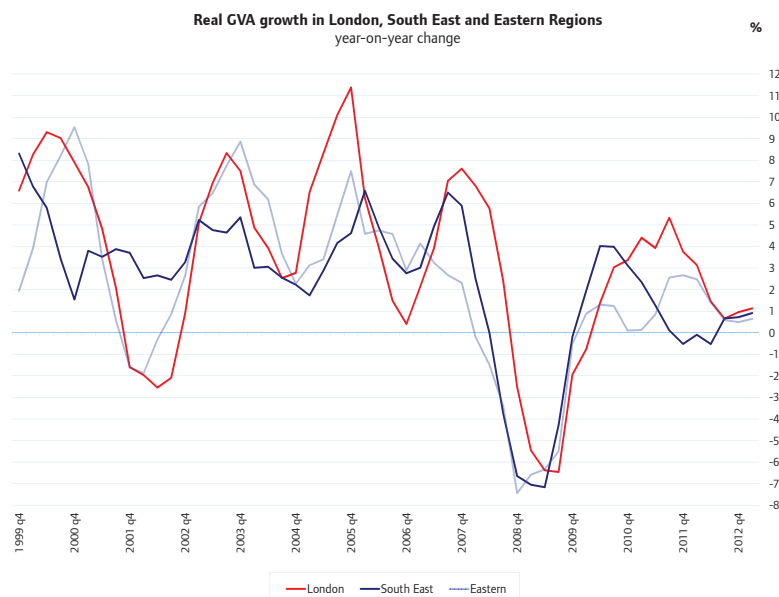
Source: Claimant Count, Nomis

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 South East increased to 0.9% in Q1 2013 from an upwardly-revised 0.7% in Q4 2012.
- Annual output growth in the Eastern region increased to 0.6% in Q1 2013 from an upwardly-revised 0.5% in Q4 2012.

Latest release: August 2013

Next release: November 2013



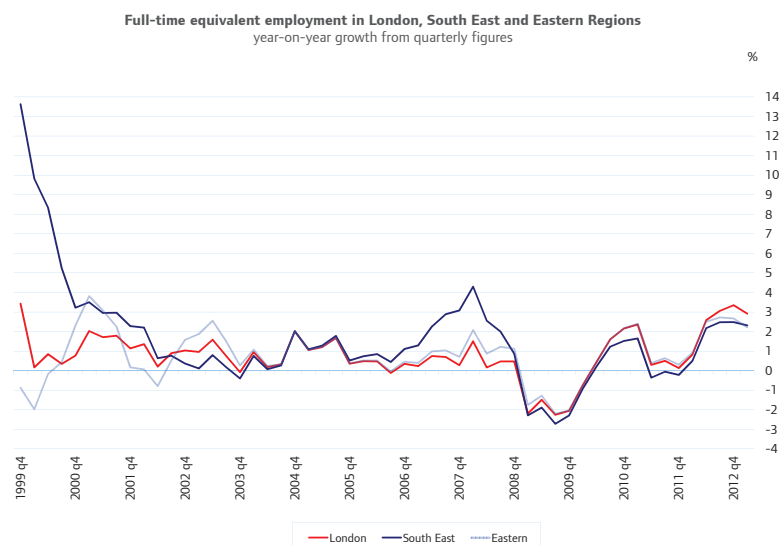
Source: Experian Economics

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 South East was 2.3% in Q1 2013, down from a downwardly-revised 2.5% in Q4 2012.
- Annual employment growth in the Eastern region was 2.2% in Q1 2013, down from a downwardly-revised 2.7% in Q4 2012.

Latest release: August 2013

Next release: November 2013



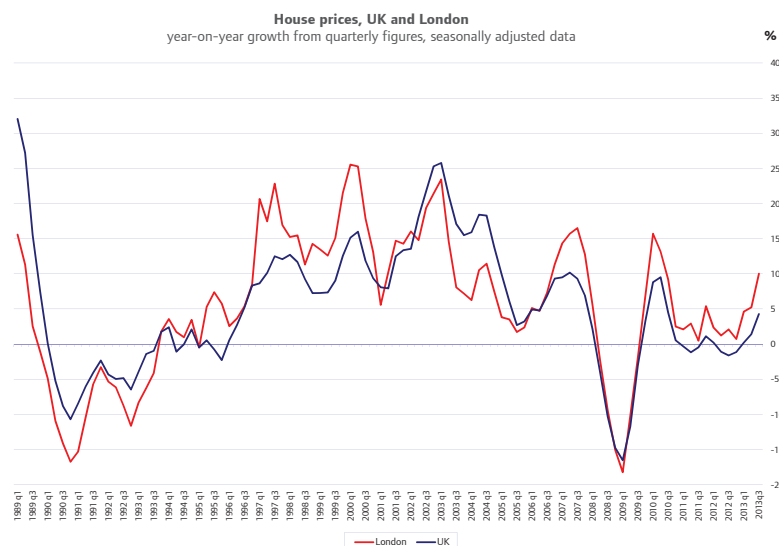
Source: Experian Economics

Annual house price inflation higher in London than in the UK

- House prices, as measured by Nationwide, were higher in Q3 2013 than in Q3 2012 in London and in the UK.
- Annual house price inflation in London was 10.0% in Q3 2013, up from 5.2% in Q2 2013.
- Annual house price inflation in the UK was 4.3% in Q3 2013, up from 1.4% in Q2 2013.

Latest release: October 2013

Next release: January 2014



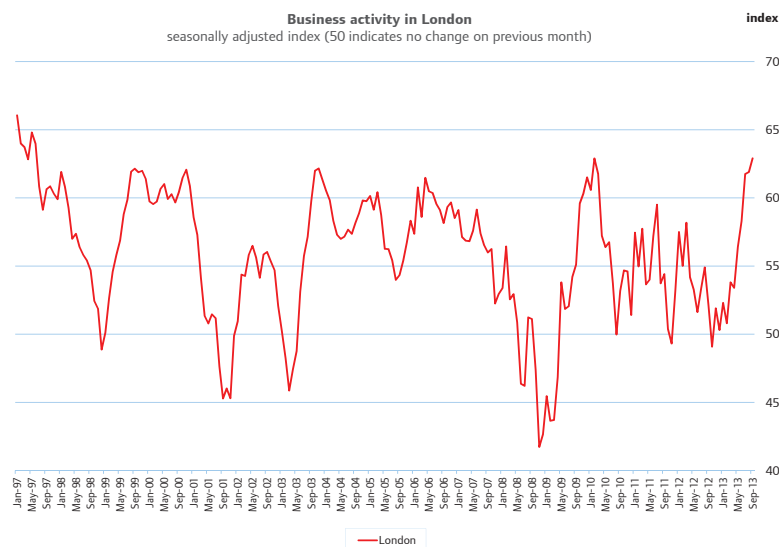
Source: Nationwide

London's business activity increasing

- London firms increased their output of goods and services in September 2013.
- The Purchasing Managers' Index (PMI) of business activity recorded 62.9 in September 2013 compared to 61.9 in August 2013.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: October 2013

Next release: November 2013



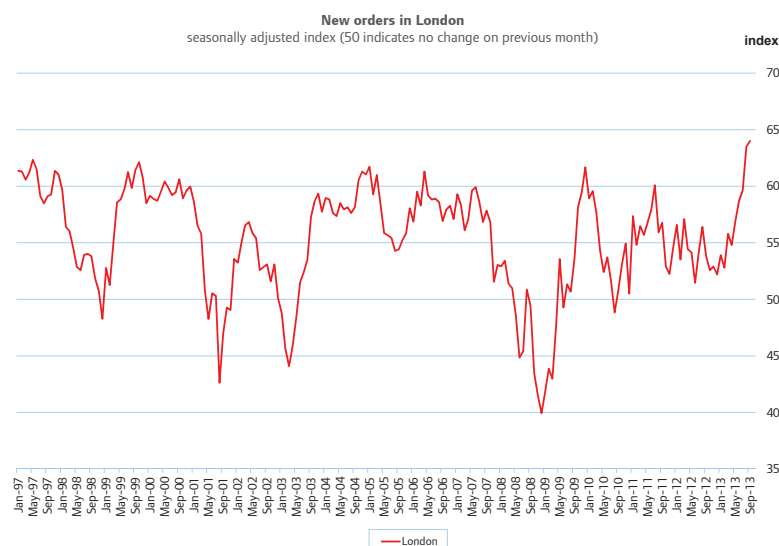
Source: Markit Economics

New orders in London rising

- September 2013 saw an increase in new orders for London firms.
- The PMI for new orders recorded 64.0 in September 2013 compared to 63.5 in August 2013.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: October 2013

Next release: November 2013



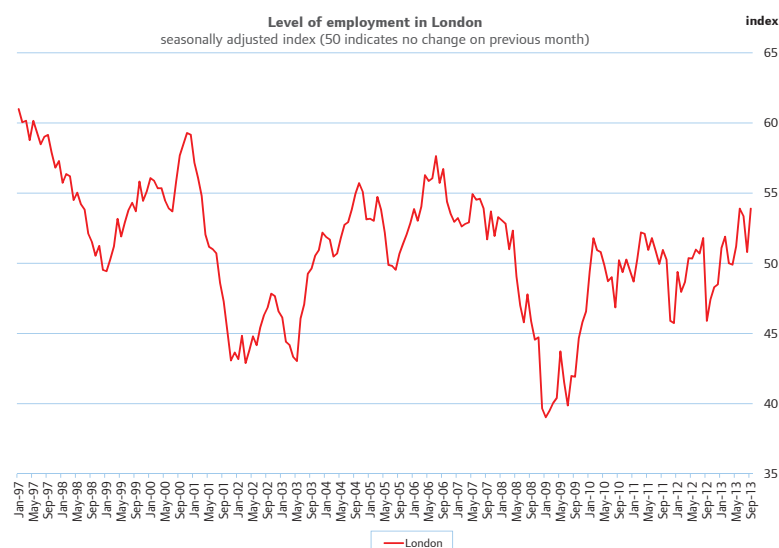
Source: Markit Economics

Businesses report higher employment in September

- The PMI shows that the level of employment in London firms increased in September 2013.
- The PMI for the level of employment was 53.9 in September 2013 compared to 50.8 in August 2013.
- A rate of above 50 on the index indicates an increase in the level of employment from the previous month.

Latest release: October 2013

Next release: November 2013



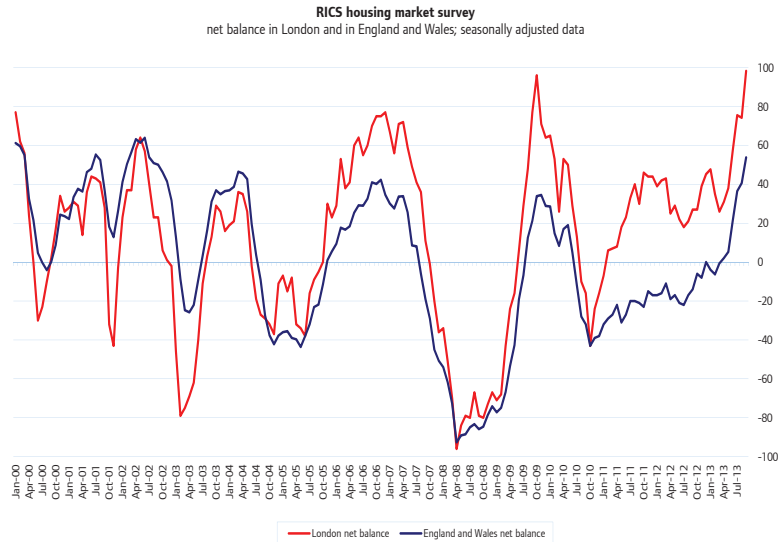
Source: Markit Economics

Surveyors report that house prices are rising

- The RICS survey shows a positive net balance of 98 for London house prices over the three months to September 2013.
- Surveyors reported a positive net house price balance of 54 for England and Wales over the three months to September 2013.
- London's net house price balance is higher than that of England and Wales.

Latest release: October 2013

Next release: November 2013



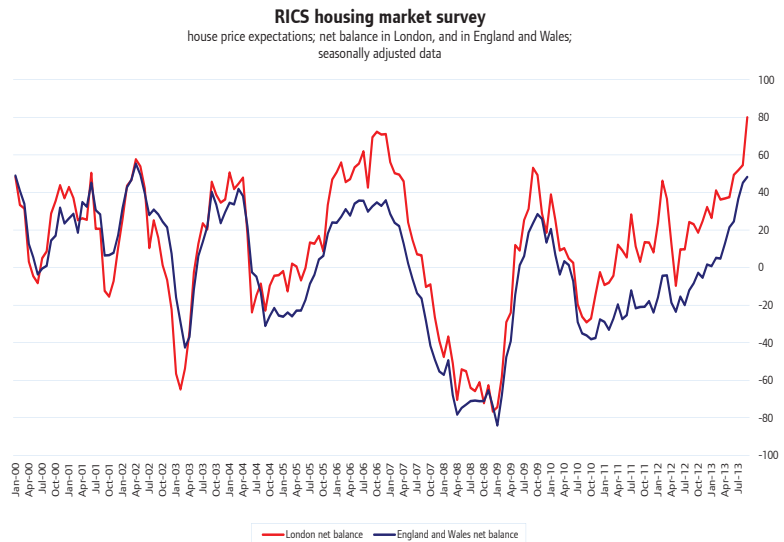
Source: Royal Institution of Chartered Surveyors

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 80 in September 2013.
- For England and Wales, the net house price expectations balance was 48 in September 2013.

Latest release: October 2013

Next release: November 2013



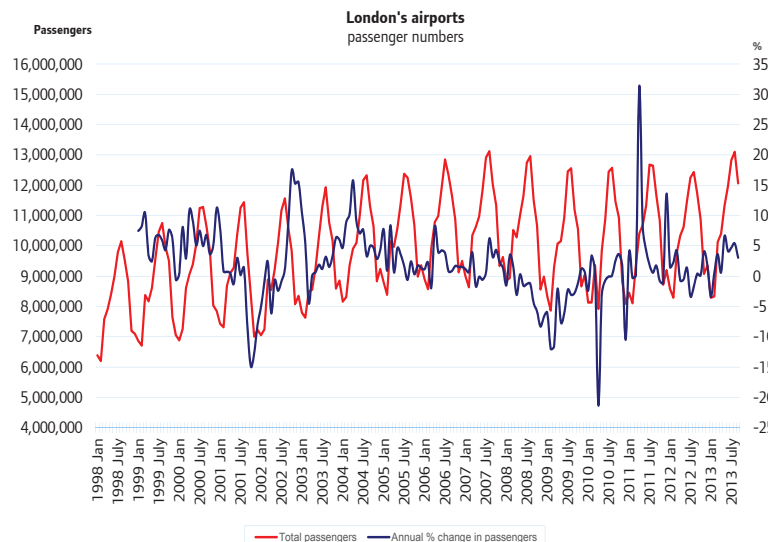
Source: Royal Institution of Chartered Surveyors

Increase in year-on-year airport passenger numbers

- 12.1 million passengers travelled through London's airports in September 2013.
- The number of passengers using London's airports increased by 3.1% from September 2012 to September 2013.
- Airport passenger numbers fell during the 2008/09 recession but have now recovered to around their pre-2008/09 recession levels.

Latest release: October 2013

Next release: November 2013



Source: Civil Aviation Authority

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
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

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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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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.