

1 State of London's economy, trade and London's specialisation

Main findings

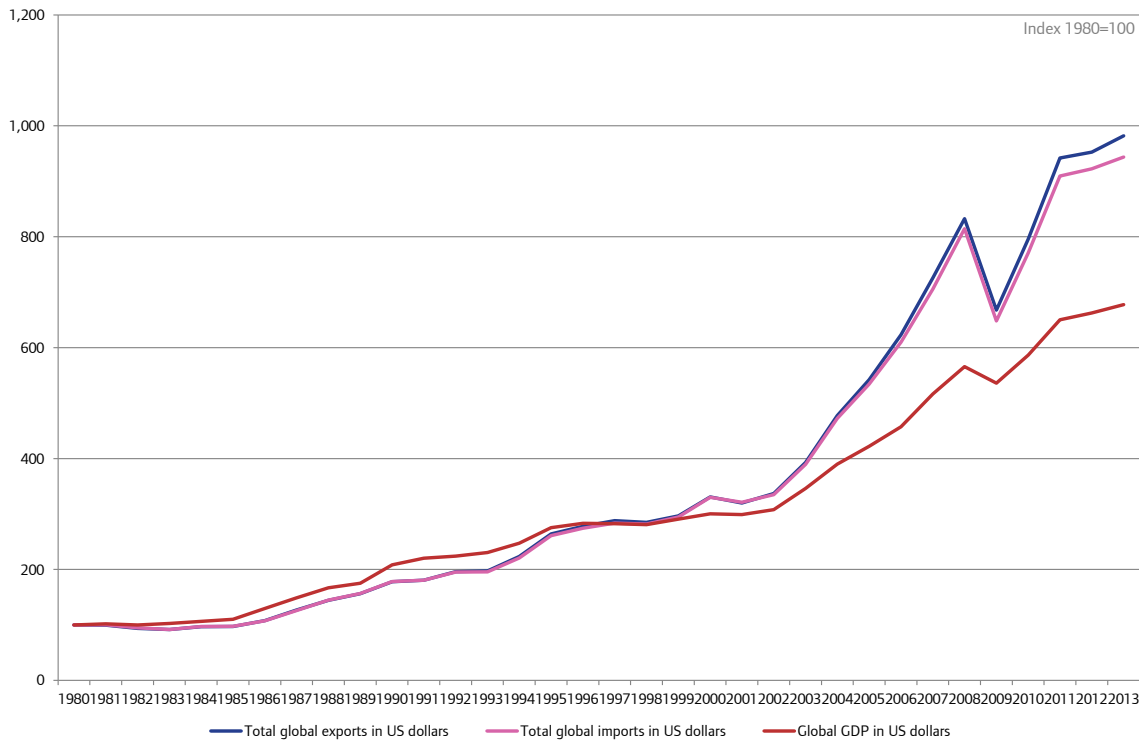
- London's industrial structure has changed significantly in the last three decades with a marked decline in manufacturing, and a strong shift towards a service-led economy.
- In 2014, London's economic output was estimated to total around £364 billion, 6.8 per cent higher than in 2013 and more than double the value in nominal terms compared to 1997. In 2014, London accounted for around 22.5 per cent of UK's economic output, a rise from around 18.9 per cent in 1997.
- London's exports in 2013 totalled around £139.9 billion with service exports accounting for the majority (77 per cent). Furthermore, London exported over half of all UK service exports, whilst London's goods exports accounted for around 11 per cent of total UK goods exports in 2013.
- London had a trade surplus with the rest of the world with exports totalling around £147 billion in the 12 months to mid-2014 compared to total imports of around £118 billion. Additionally, in the 12 months to mid-2014 London imported around £405 billion of goods and services from the rest of the UK providing a wider economic benefit to the rest of the UK.
- Around 44.6 per cent of the UK's goods and service exports went to the European Union (EU) in 2014, although this share has declined from around 54.8 per cent in 1999. In contrast, the UK's key service export destinations in 2013 were Europe and North American economies, accounting for almost three quarters of all UK exports of services.
- Relative to G7 countries¹, the UK's service exports currently specialise in: Personal, cultural and recreational services; Financial services; Insurance & pension services; Telecommunication, computer and information services; Other business services – all areas in which London specialises in.
- Financial and insurance activities accounted for just under a fifth of London's economy in 2014 as measured by Gross Value Added (GVA). In contrast, in terms of jobs the Professional, scientific and technical sector accounted for the largest proportion of jobs in London in 2014.
- London's specialises in Financial and insurance services, while other sectors of specialisation include Information and communication; Professional, scientific and technical services, as well as Real estate activities.
- London's employment composition is different to the UK as a whole and also differs to that of other cities in the UK such as Manchester, as well as other developed economies such as Germany. Manufacturing employment accounts for a considerably larger share in both Germany (around 20 per cent) and Japan (around 17 per cent) than in London (around 2 per cent).

This chapter looks at London’s economy over time, how the industrial structure has changed and how London’s current specialisation is likely to position the capital in the global economy going forward.

London’s trade

London’s economy has been shaped by globalisation – the increasingly connected and integrated nature of the international economy. This integrated international economy has, in large part, arisen through increases in trade over time. As a result, globalisation has led to structural change in the UK economy, as well as across the world; resources have moved from less productive to more productive uses. However, in the recent context, world import growth between 2010 and 2013 has been below its long-term pre-crisis average, and weak relative to global GDP growth². Comparisons between global trade and GDP suggest that historically trade growth has exceeded GDP growth. Yet, recent data suggests that this relationship has broken down and since the second half of 2011, global GDP growth has exceeded growth in global trade. Recent International Monetary Fund (IMF) research suggests that this breakdown in the relationship is not necessarily due to the change in the composition of trade but in “the slowing pace of international vertical specialisation”^{3,4}. However, the European Central Bank (ECB) research suggests that, while growth in goods trade slowed substantially following the financial crisis, growth in trade in services remained broadly stable. In light of London’s export specialisation in services, trade has most likely contributed positively to London’s economic performance since the financial crisis in 2008/09.

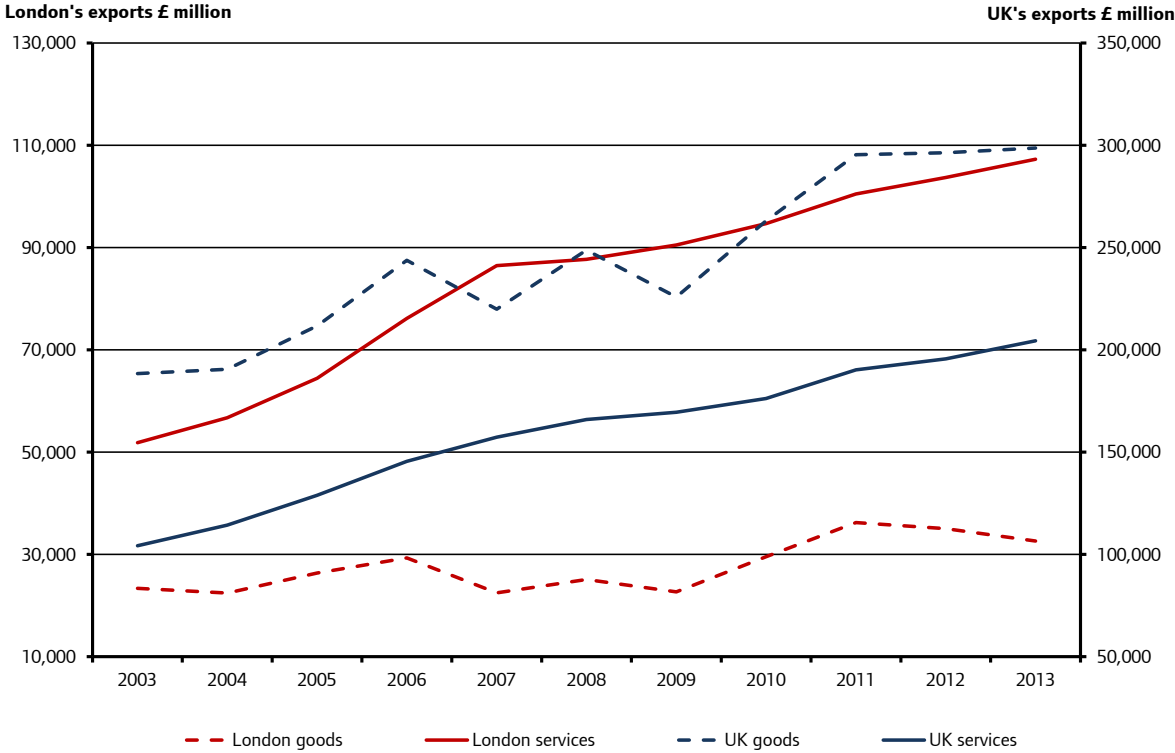
Figure 1.1: Changes in global trade and GDP over time



Source: GLA Economics calculations on data from World Trade Organisation, and IMF.

GLA Economics estimates that in 2013 London’s exports totalled around £139.9 billion, up by £64.7 billion compared to 2003 (Figure 1.2), with this trend mainly driven by a rise in service exports. GLA Economics further estimates that London’s service exports more than doubled between 2003 and 2013. In 2013, London’s service exports were around £107.3 billion, compared to £51.9 billion in 2003. Growth in London’s goods exports also increased over this period but at a more modest rate.

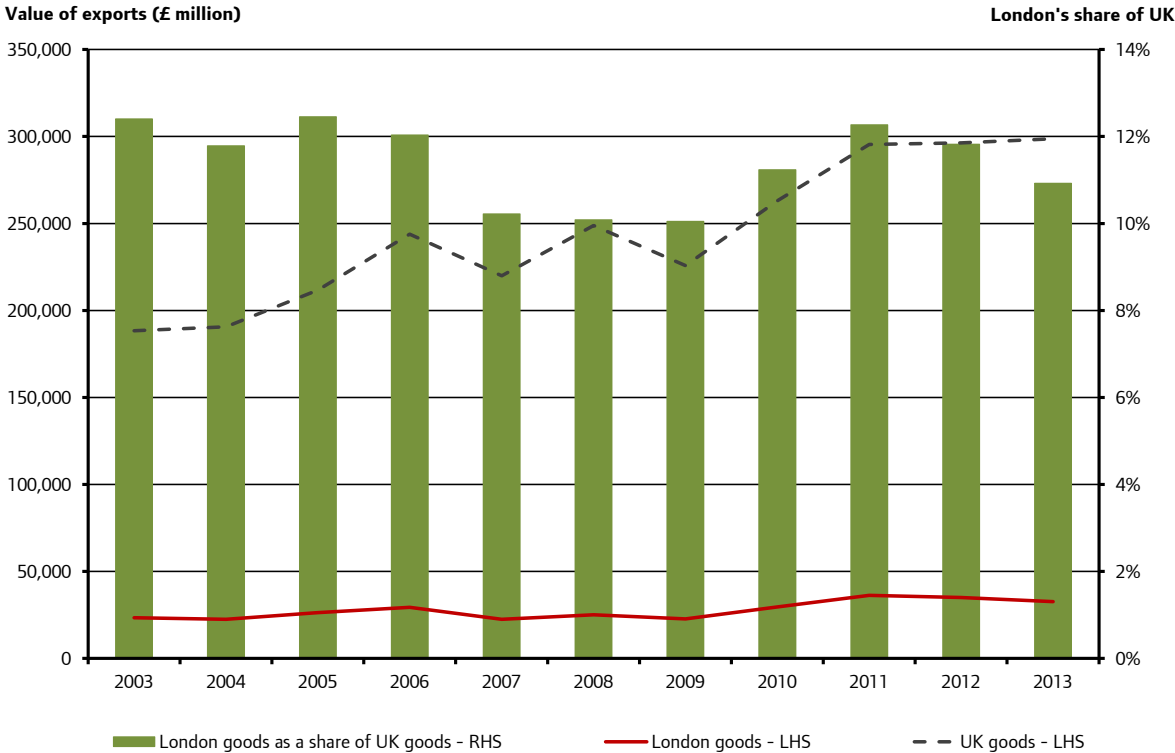
Figure 1.2: London’s exports over time



Source: Pink Book for UK level service exports data, ONS and GLA Economics modelling.

Figure 1.3 demonstrates how London’s goods exports have changed over time relative to the UK as a whole, whilst Figure 1.4 provides information on London’s goods exports by product category. In 2013, London exported around £32.6 billion worth of goods, a 40 per cent increase compared to 2003, when goods exports totalled around £23.4 billion. In contrast, UK goods exports grew by almost 60 per cent over the same period. London’s share of total UK goods exports remained broadly unchanged between 2003 and 2013. However, between 2007 and 2009, London’s share of the UK goods export share fell to around 10 per cent.

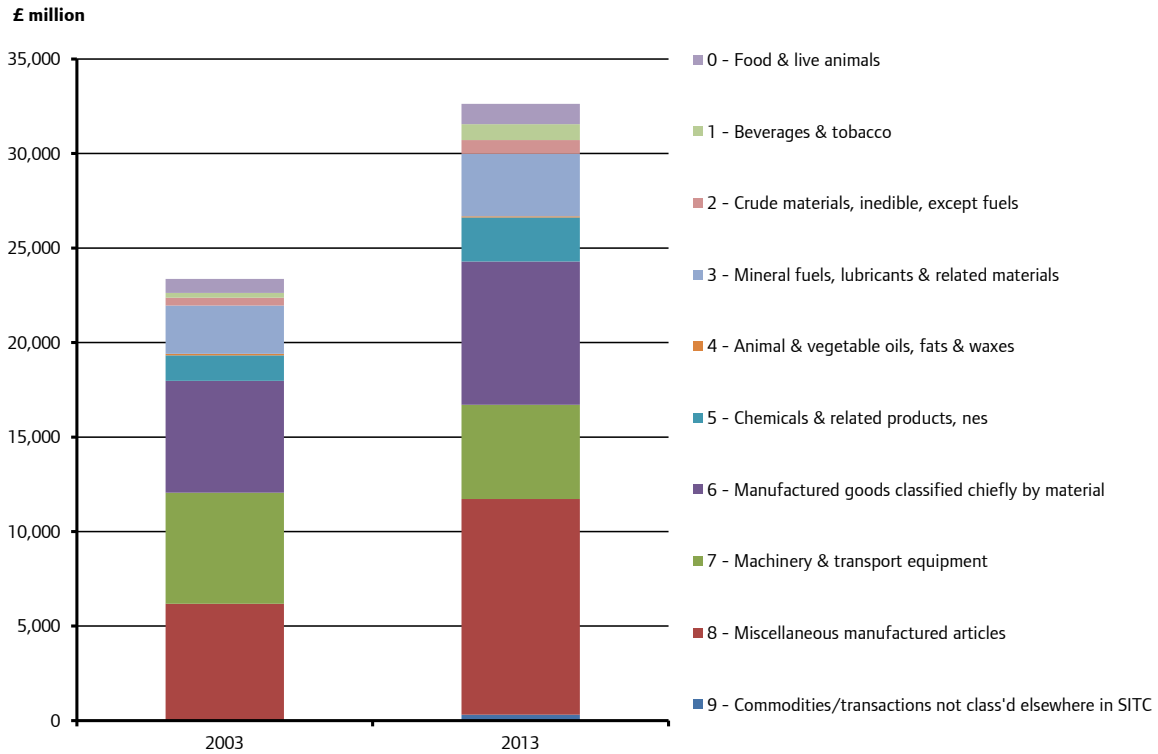
Figure 1.3: London’s goods exports over time



Source: Regional Trade Statistics, HMRC.

As shown in Figure 1.4, Miscellaneous manufactured articles (which include, for example, clothing, toys and games, works of art and antiques) was the most significant goods export category, with exports increasing by 85 per cent (equivalent to around £5.2 billion) between 2003 and 2013; in 2013, exports in this classification totalled £11.4 billion. In contrast, goods exports of Machinery and transport equipment fell by 15 per cent from £5.9 billion in 2003 to around £5.0 billion in 2013.

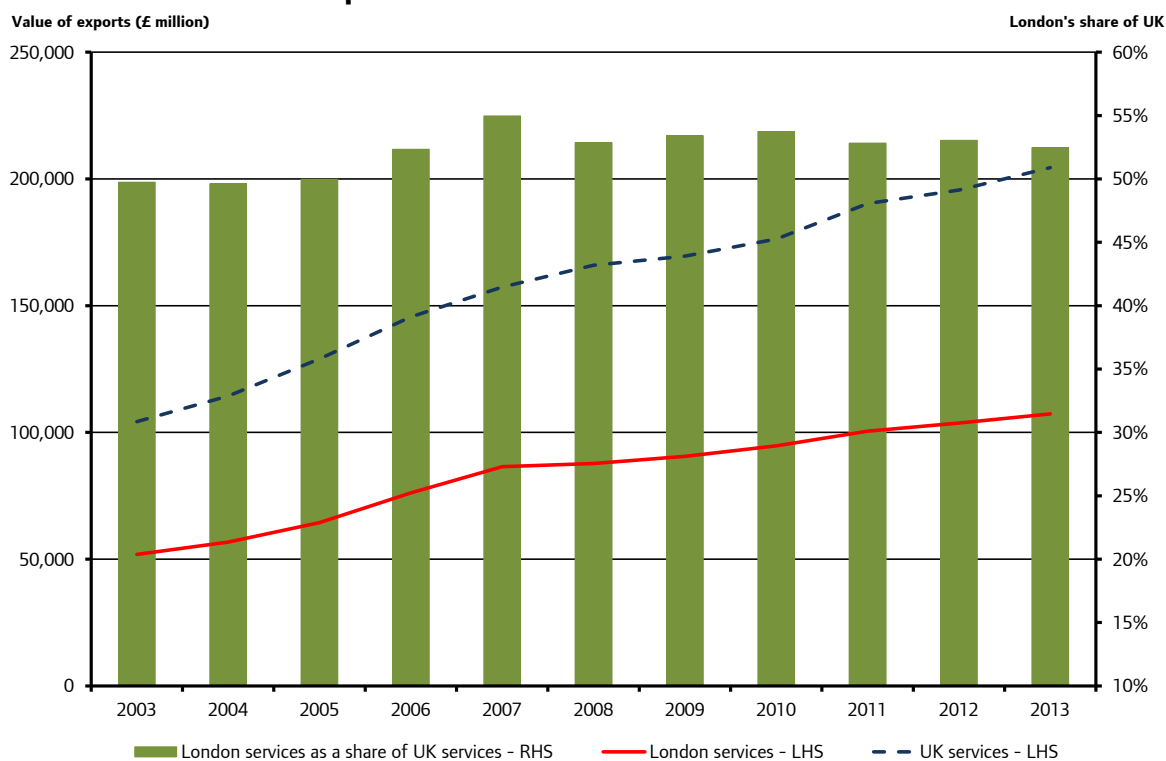
Figure 1.4: London’s goods exports – 2003 compared to 2013



Source: Regional Trade Statistics, HMRC

GLA Economics estimates that in 2013, London exported around £107.3 billion worth of services, compared to £204.5 billion for the UK as a whole (Figure 1.5). Overall, London’s service exports in 2013 were 107 per cent, or £55.4 billion, higher than in 2003. London’s service exports accounted for just over half of all UK service exports in 2013 (around 52 per cent), compared to around 50 per cent in 2003.

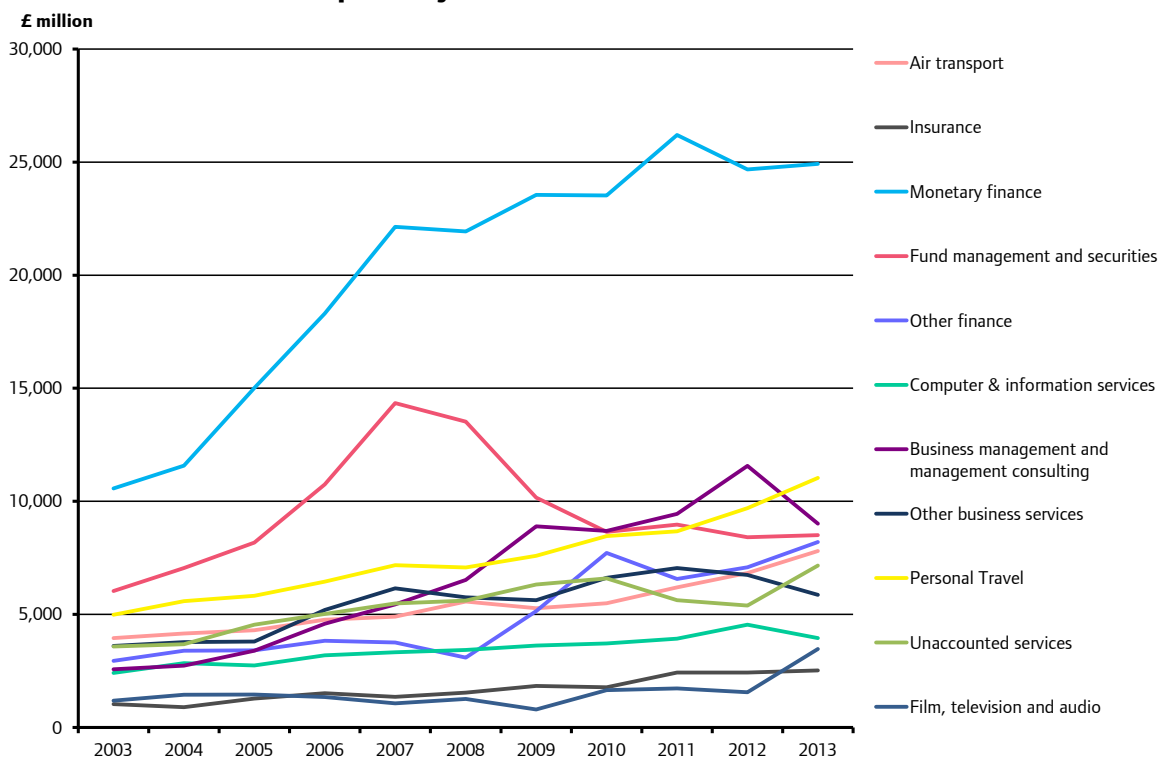
Figure 1.5: London’s service exports over time



Source: Regional Service Export analysis from the ONS.

In addition to the trends in total London’s service exports, the analysis also looked at how different service export sectors performed over time (Figure 1.6). Figure 1.6 shows that in 2013, Monetary finance was the largest service export sector with exports worth around £24.9 billion, compared to around £10.6 billion in 2003. The second largest service export sector was Personal travel worth around £11.0 billion, followed by Business management and management consulting with an export value of around £9.0 billion.

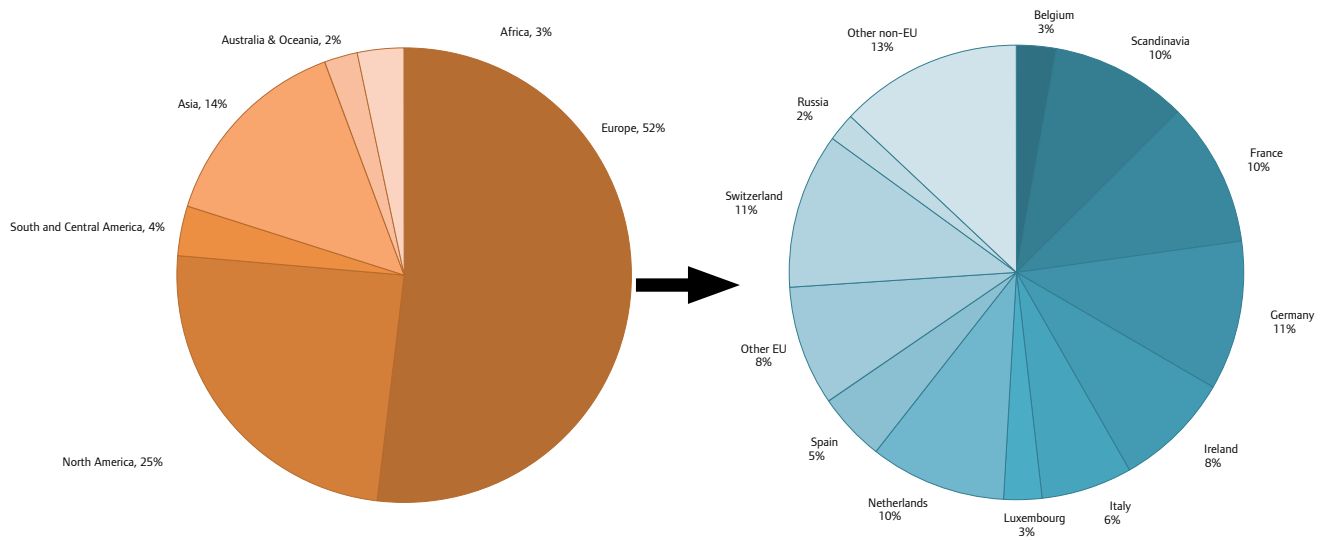
Figure 1.6: London’s service exports by sector over time^{5,6,7,8,9}



Source: UK service exports from The Pink Book 2014, ONS; London Business Survey, GLA; and GLA Economics modelling.

Figure 1.7 demonstrates UK’s key service export destinations in 2014 with Europe and North American economies accounting for over three quarters of all UK exports of services. Of all European exports, around 11 per cent go to Germany, while France, the Netherlands and Scandinavia respectively account for approximately 10 per cent of exports each.

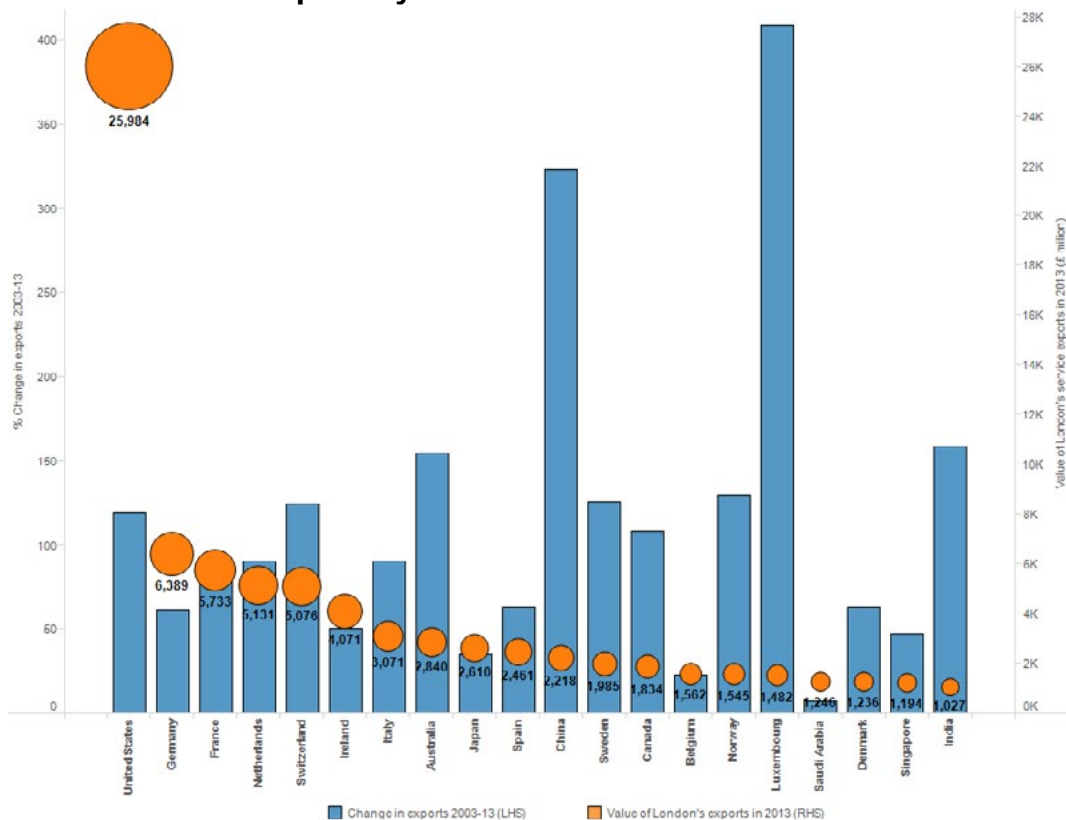
Figure 1.7: UK exports of services by destination in 2014



Source: The Pink Book 2015, ONS

GLA Economics analysis suggests that similarly to goods exports¹⁰, the United States is the most significant service export destination for London, followed by Germany and France (Figure 1.8). London exported around £26.0 billion worth of services to the US in 2013, with exports to Germany and France totalling around £6.4 billion and £5.7 billion respectively. Over time, London’s service exports to the US more than doubled between 2003 and 2013 (119 per cent), while service export growth to Germany and France was comparatively muted (61 per cent and 80 per cent respectively).

Figure 1.8: London’s service exports by destination in 2013



Source: International Trade in Services (ITIS) 2013, ONS and GLA Economics modelling.

Increased globalisation has led to London's specialisation in sectors that it is relatively better at producing compared to its key trading partners (more efficiently and at a lower opportunity cost); i.e. in what areas does London have a comparative advantage in. For London this has meant specialisation in the service industries and specifically in Professional services.

Table 1.1 shows London's relative comparative advantage in different service sectors compared to other G7 countries. Sectors with an index score of less than one indicate that the country doesn't specialise in that industry relative to other G7 economies (in relation to exports). An index score above one suggests export specialisation in that particular service industry for that country. Relative to the other G7 economies, it is evident that the UK's service exports currently specialise in: Personal, cultural and recreational services; Financial services; Insurance & pension services; Telecommunication, computer and information services; and Other business services. In comparison to other G7 countries, both the US and Germany specialise in five service industries, whilst France's service exports specialise in eight different service sectors.

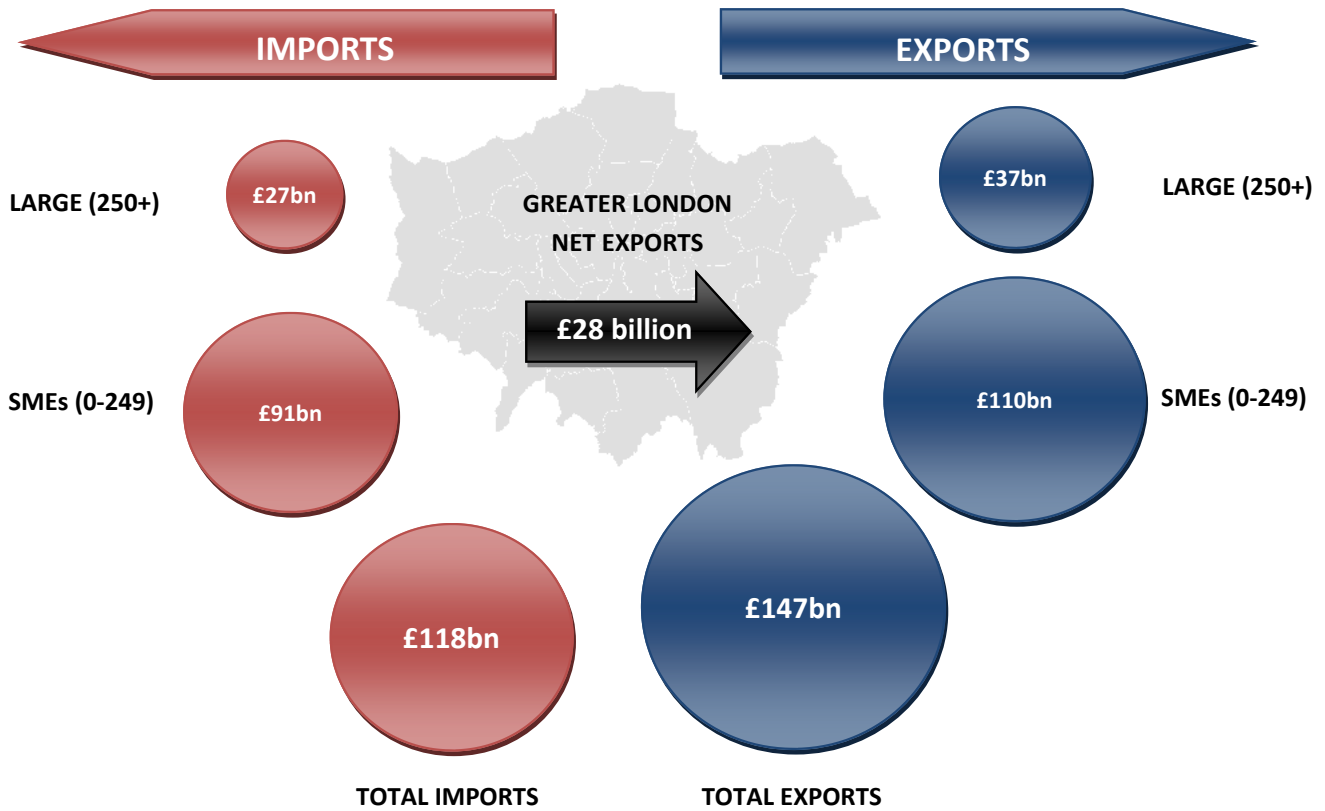
Table 1.1: Revealed Comparative Advantage in exports of services against the G7 advanced economies (2013)^{11,12,13,14}

	London	UK	France	US	Japan	Italy	Canada	Germany
Manufacturing Services on Physical Inputs Owned by Others	1.4	1.1	2.9	...	0.5	2.7	...	1.5
Maintenance and Repair Services n.i.e.	0.3	0.4	1.2	1.5	0.0	0.2	0.9	1.2
Transport	0.5	0.7	1.2	0.8	1.8	0.9	0.9	1.4
Travel	0.6	0.6	1.1	1.2	0.5	1.9	1.0	0.7
Construction Services	1.6	1.1	1.4	...	7.6	0.5	0.7	...
Insurance and Pension Services	0.6	2.6	1.0	0.7	0.0	0.6	0.6	0.7
Financial Services	3.3	2.0	0.4	1.1	0.3	0.4	0.7	0.8
Charges for the Use of Intellectual Property n.i.e.	0.4	0.5	0.4	1.7	2.1	0.3	0.4	0.4
Telecommunication, Computer, and Information Services	0.7	1.1	1.0	0.8	0.3	1.2	1.7	1.6
Other Business Services	0.9	1.1	1.2	0.7	0.9	1.0	1.3	1.2
Personal, Cultural, and Recreational Services	5.7	2.1	1.7	...	0.2	0.2	4.8	1.0
Government Goods and Services n.i.e.	0.3	0.6	0.2	1.6	0.9	0.5	0.8	1.0

Source: Balance of Payment Statistics, IMF, Pink Book, ONS and GLA Economics modelling

London is an internationally competitive centre for global business services, bringing trade to London and the UK as a whole. London's trade is not just international, there is significant trade with other UK regions. The more international trade London engages in, the more trade there is likely to be for the rest of the UK. Not only does London's service export account for a significant proportion of total UK service exports but London's trade draws in a net injection to the UK economy, with total exports exceeding imports by around £28 billion in the year to mid-2014, according to the London Business Survey 2014 (Figure 1.9)¹⁵. Other GLA Economics research suggests that London imports a significant level of goods and services from the rest of the UK across different sectors.¹⁶

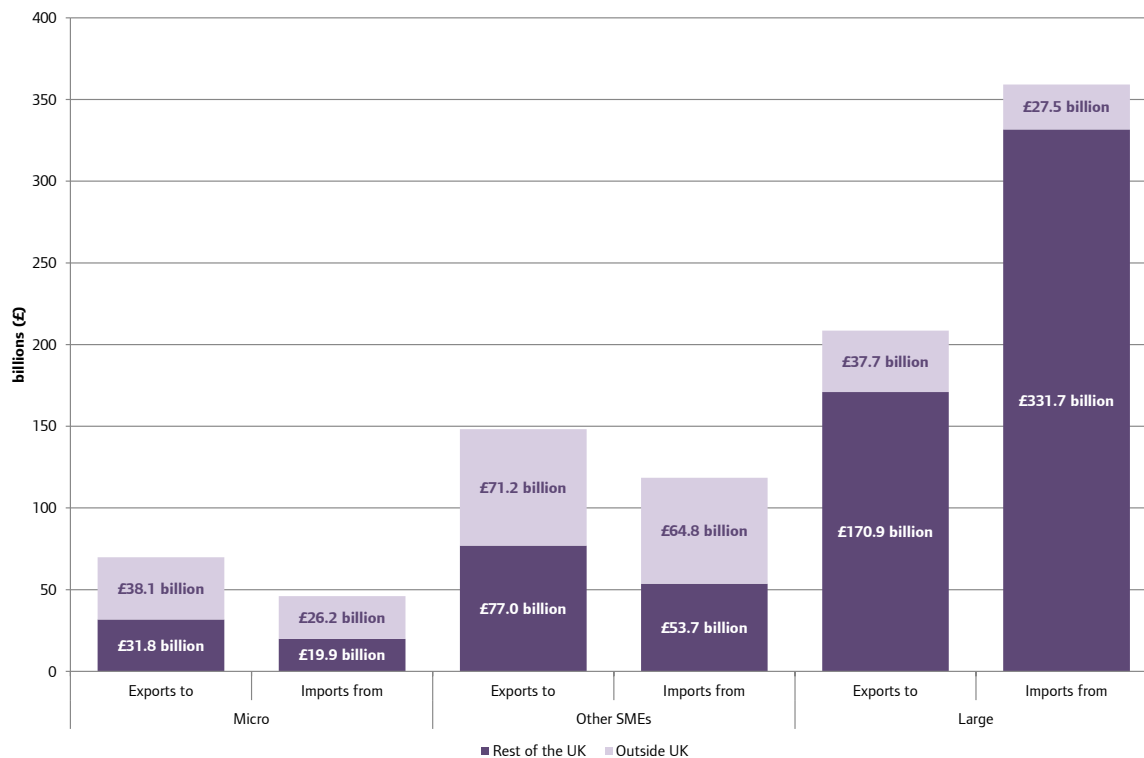
Figure 1.9: London’s international trade in the year to mid-2014



Source: London Business Survey 2014, GLA

This net injection to the economy doesn’t just benefit the capital but generates wider economic activity in the other UK regions. According to GLA Economics estimates, based on results from the London Business Survey 2014, London imported around £405.2 billion worth of goods and services from the rest of the UK in the year to mid-2014 (Figure 1.10). The breakdown of data by firm size suggests that large firms located in London more commonly used firms based outside London to source products and services. In the year to mid-2014, large corporations imported over £332 billion from the rest of the UK, compared to around £20 billion by micro and £54 billion by other SMEs.

Figure 1.10: Trade between London and the rest of the UK and world



Source: London Business Survey 2014, GLA and GLA Economics modelling.

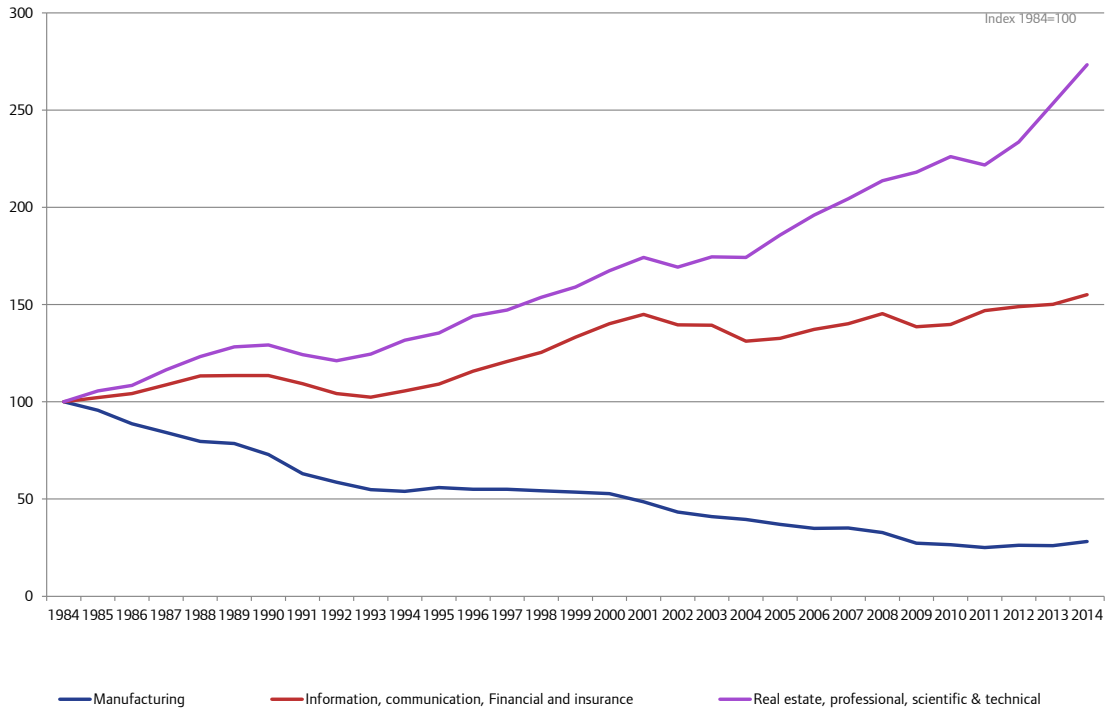
London’s industrial structure and sectors over time

The structure of London’s economy has seen substantial changes in the last three decades with a marked decline in manufacturing, and a strong shift towards a service-led economy.

London’s sectors and jobs over time

Globalisation has been one of the key driving forces behind these structural changes, demonstrated in Figure 1.11. The number of jobs in Manufacturing has fallen from around 476,000 in 1984 to around 134,000 in 2014; while jobs in Professional, real estate, scientific and technical activities have more than doubled to around 880,000 over the same period¹⁷.

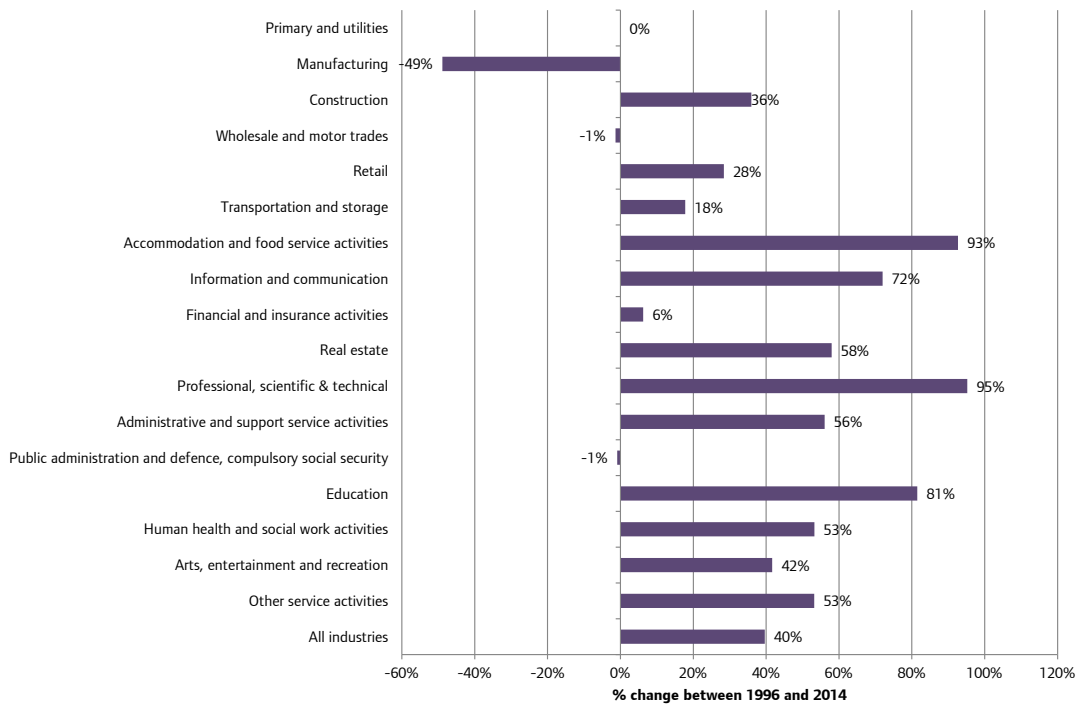
Figure 1.11: Employment in London by sector over time 1984 to 2014



Source: Workforce Jobs, ONS and GLA Economics modelling.

Figure 1.12 shows that between 1996 and 2014, the total number of jobs in London increased by 40 per cent over the period (equivalent to around 1.58 million jobs). The rise in the number of professional services jobs, and jobs in administrative services were the largest contributors to the total job increases over the period. Falls in manufacturing jobs were substantial; between 1996 and 2014, there were around 128,000 fewer jobs in the sector (equivalent to around a 49 per cent decline).

Figure 1.12: Changes in jobs in London by sector between 1996 and 2014

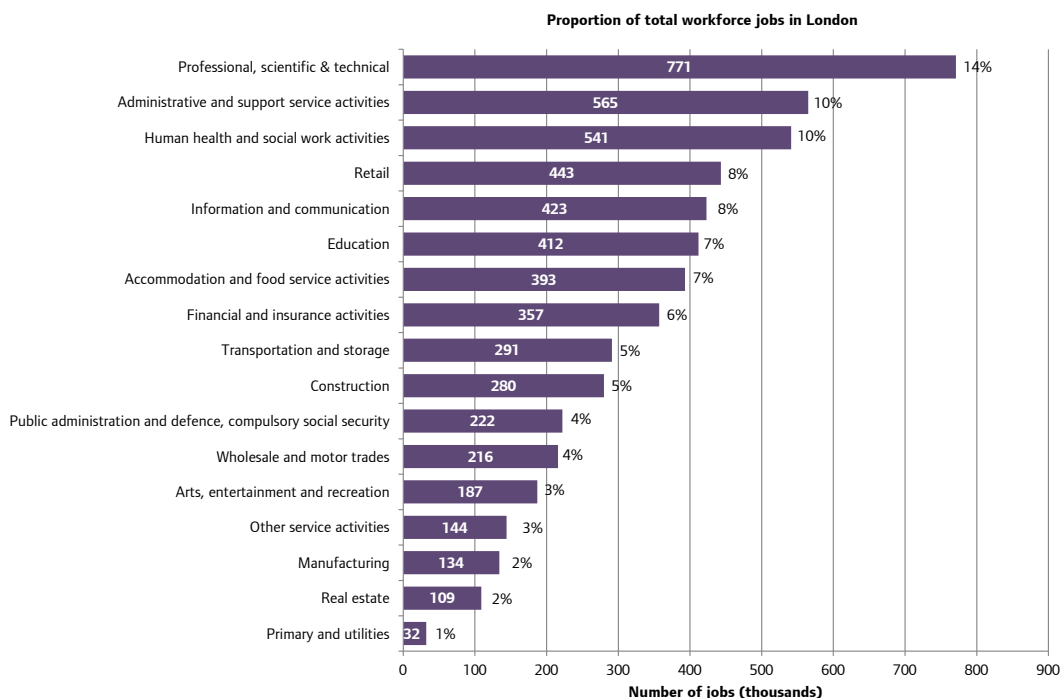


Source: Workforce jobs, ONS.

Figure 1.12 demonstrates growth in the three key broad sectors that saw the largest increases in total number of jobs between 1996 and 2014; these were Professional, scientific and technical activities (a 95 per cent increase), Accommodation and food service activities (93 per cent) and Education activities (81 per cent). Significant growth in workforce jobs was also observed in the Information and Communication sector.

The importance of Professional, scientific and technical activities has increased significantly since 1996 (Figure 1.13); in 2014 there were around 771,000 jobs in the sector accounting for 14 per cent of all jobs in London, compared to around 10 per cent in 1996. Other significant employers in terms of number of jobs in London in 2014 include: the Administrative and support service activities sector with around 565,000 jobs in 2014 (10 per cent), and the Human health and social work sector (10 per cent) that provides around 541,000 jobs. In addition, the retail sector provided around 443,000 jobs in 2014.

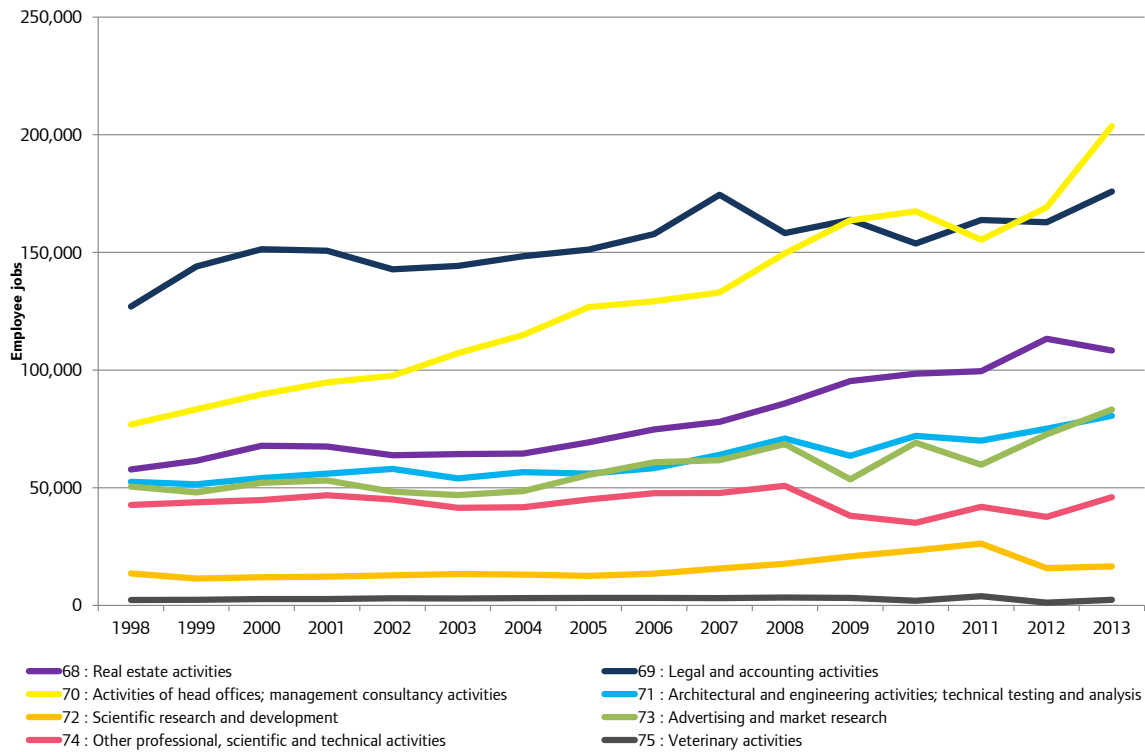
Figure 1.13: Jobs in London in 2014 by sector and proportion of the London total



Source: Workforce Jobs, ONS.

Previous GLA Economics analysis of sectors¹⁸ suggests that growth in Professional, scientific, technical and real estate activities since the late 1990s has been largely driven by the rise in the number of employee jobs in head office and management consultancy activities supported by growth in real estate, and legal and accounting services (Figure 1.14). ‘Activities of head offices; management consultancy activities’ include services from Public relations and communication activities, to Financial management, Activities of head offices and Management consultancy activities (other than financial management). Jobs in Management consultancy activities accounted for over half of the division’s jobs in 2013, with Activities of head offices accounting for just over a third of jobs in the sector. This analysis also suggests that despite the financial crisis and the recession that followed, the number of employee jobs in activities of head offices and management consultancies grew strongly between 1998 and 2013. In 2013, there were around 203,700 employee jobs in the sector.

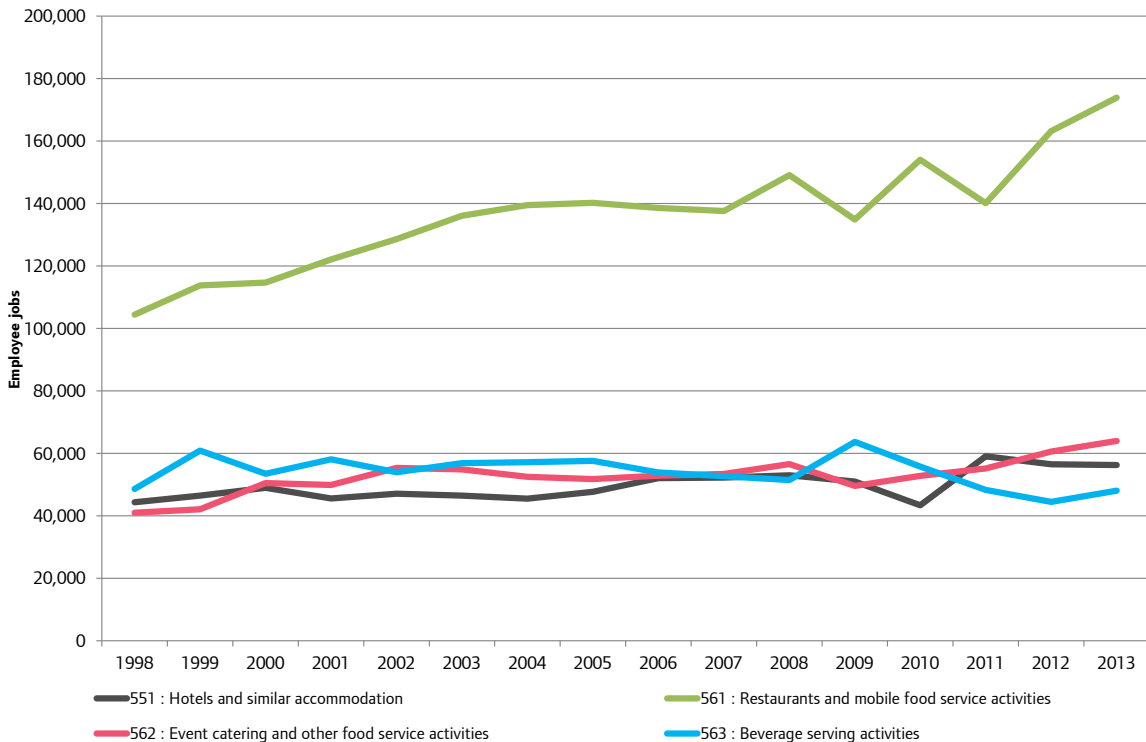
Figure 1.14: Detailed data on employee jobs in Professional, scientific, technical and real estate activities



Source: Annual Business Inquiry and Business Register and Employee Survey, ONS and GLA Economics modelling.

Jobs in the Accommodation and food service activities were another significant driver of total jobs in London between 1996 and 2013. Figure 1.15 suggests that a rise in the number of jobs in Restaurants and mobile food service activities were the largest contributor to jobs growth in this sector. Restaurants and mobile food service providers accounted for around 173,900 jobs in the sector in 2013, a 67 per cent rise from 1998.

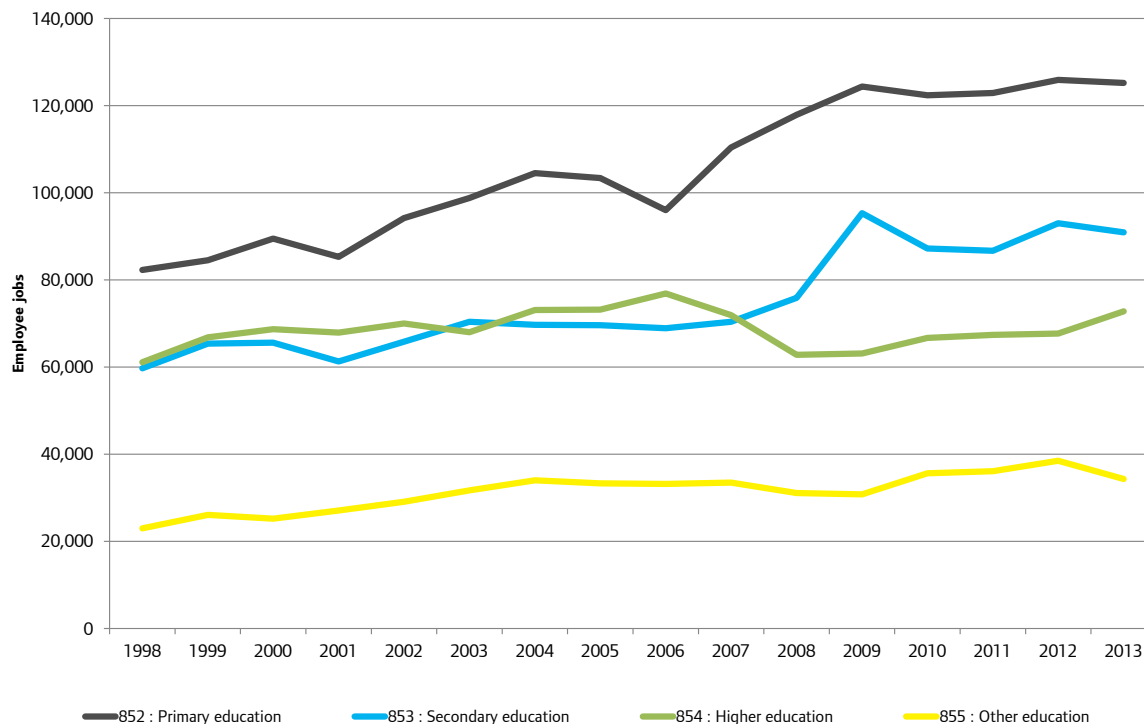
Figure 1.15: Detailed data on employee jobs in Accommodation and food service activities



Source: Annual Business Inquiry and Business Register and Employee Survey, ONS and GLA Economics modelling.

Growth in employee jobs in the education sector has been driven by the increase in jobs in Primary and Secondary education, with employee jobs in these sectors totalling around 125,200 and 90,900 respectively (Figure 1.16). Jobs in primary education have more than doubled from 1998, however, this rise can at least partially be explained by population growth in London (see Chapter 6). Employee jobs provided in Higher education (including jobs in Post-secondary non-tertiary, First-degree level higher education and Post-graduate level higher education) totalled 72,800 in 2013.

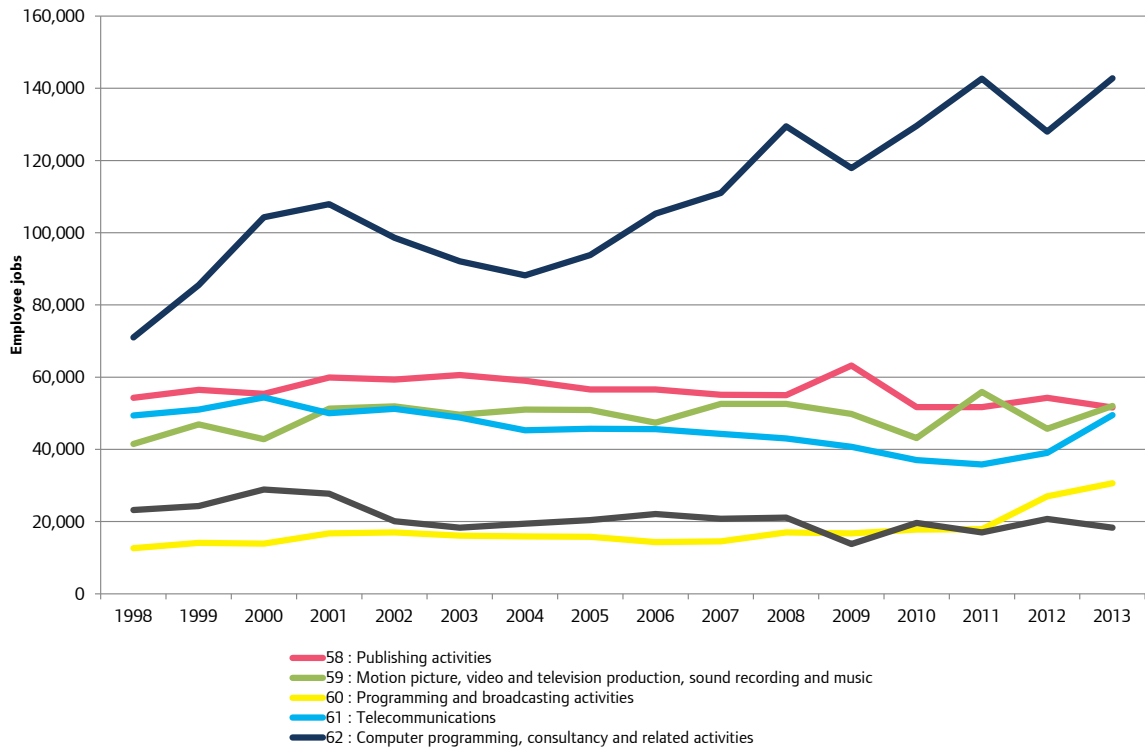
Figure 1.16: Detailed data on employee jobs in Education



Source: Annual Business Inquiry and Business Register and Employee Survey, ONS and GLA Economics modelling.

Another key sector in London; Computer programming, consultancy and related activities, has seen a substantial increase in employee jobs since 1998 with the sector more than doubling by 2013 to 142,800 (Figure 1.17). Employee jobs in Film and television production along with sound and music recording have also increased by 25 per cent from the late 1990s.

Figure 1.17: Detailed data on employee jobs in Information and communication activities

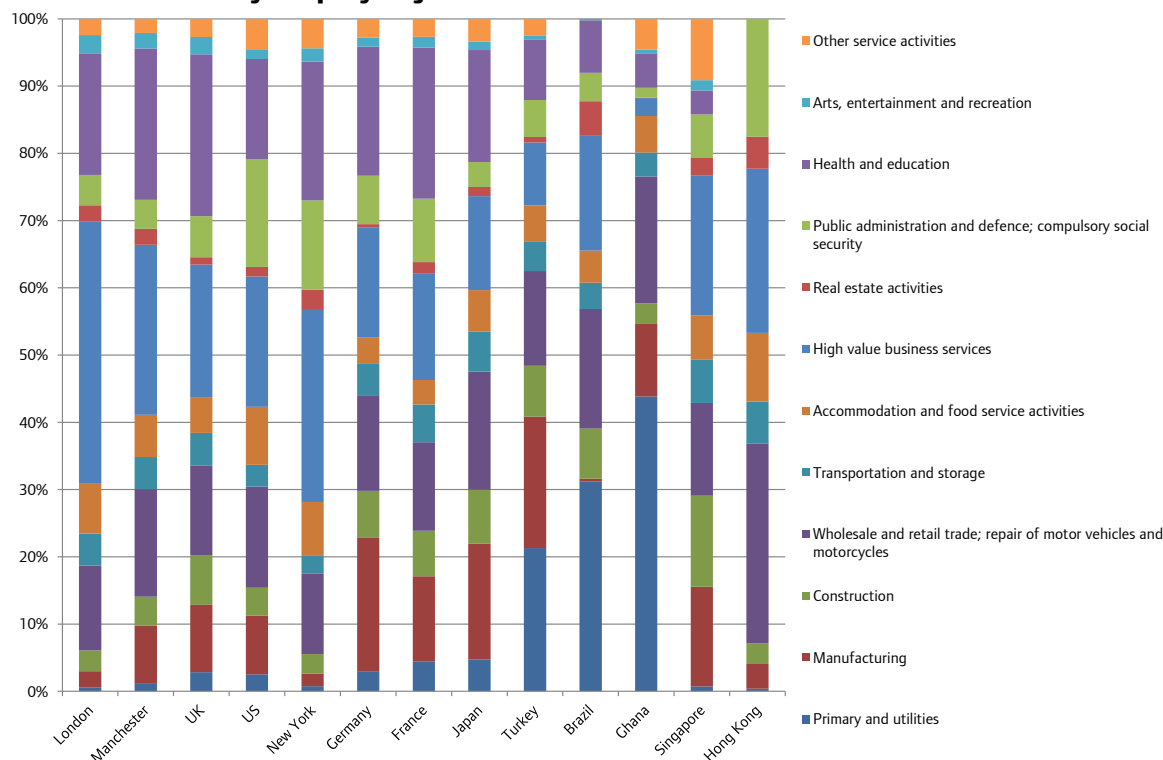


Source: Annual Business Inquiry and Business Register and Employee Survey, ONS and GLA Economics modelling.

As demonstrated in Figure 1.12, jobs in Manufacturing declined substantially between 1996 and 2014. However, detailed sector analysis suggests that some areas of manufacturing have performed more strongly in recent years. For example, while overall manufacturing jobs have fallen over the last decade or so, the number of jobs in the manufacturing of food products was 40 per cent higher in 2013 when compared to 1998¹⁹. Areas of food manufacturing that have seen increases over the period include bakery and other food products (including processing of tea and coffee; manufacture of prepared meals and dishes, and confectionary, for example).

Figure 1.18 demonstrates that the industrial structure of London is different to other global cities, as well as other industrialised and emerging economies. London’s employment composition is different to the UK’s but also differs to that of other cities in the UK such as Manchester and other developed economies such as Germany’s²⁰. Manufacturing accounts for a considerably larger share of activity in both Germany (around 20 per cent) and Japan (around 17 per cent) than in London or the UK (around 2 per cent and 10 per cent respectively). High value business services are more important to London than New York, for example.

Figure 1.18: Industrial composition of London and the UK compared to some other countries and cities as demonstrated by employee jobs^{21,22,23,24,25}



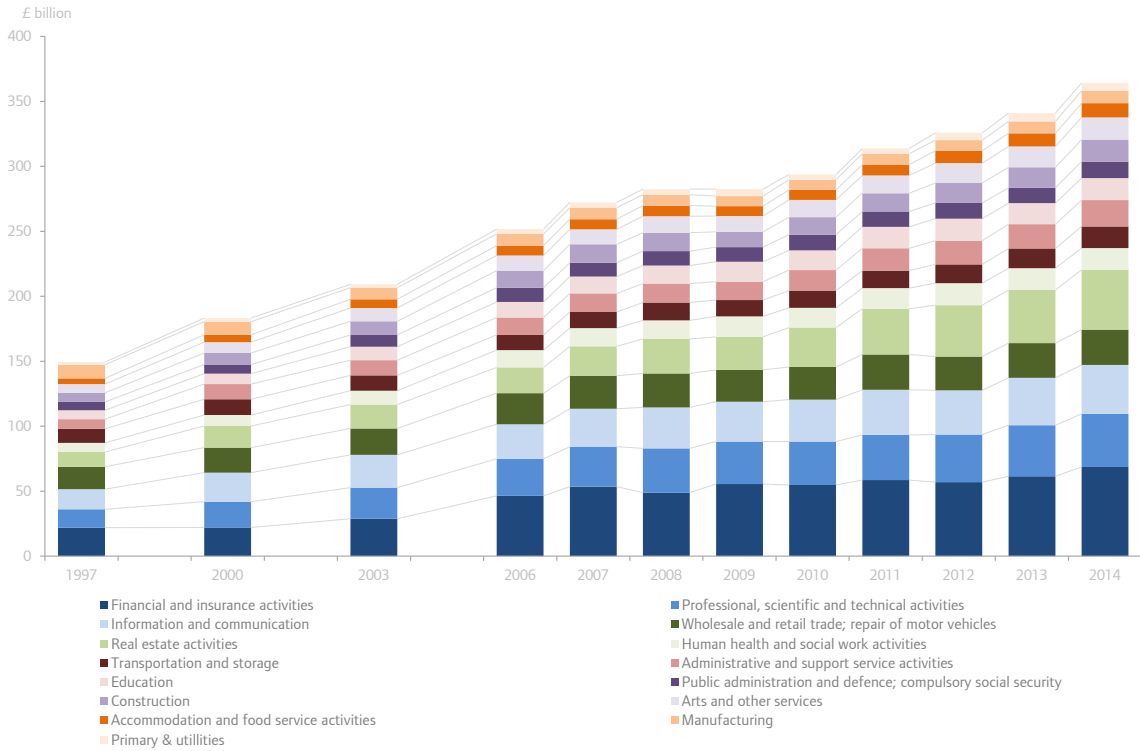
Source: Business Register and Employment Survey, ONS; Eurostat; International Labour Organization; Bureau of Labour Statistics, United States Department of Labour; Census and Statistics Department, Hong Kong; the Ministry of Manpower, Singapore Government.

Note: The latest data point varies across countries.

London’s Gross Value Added (GVA) across sectors

Based on the total numbers of employee jobs, the Professional, scientific and technical activities was the largest sector in London. However, in terms of Gross Value Added (GVA), the Financial and insurance activities accounted for just under a fifth of activity in London in 2014 (Figure 1.19). The value of this industry has grown by 212 per cent since 1997, the third fastest rate for any industry in London. The only industries to surpass this rate of growth were Electricity, gas, steam and air conditioning supply (356 per cent), and Real estate activities which has grown by 305 per cent since 1997 (this sector accounts for 12.6 per cent of London’s GVA in 2014). In 2014, 51.8 per cent of the UK’s GVA in the Financial and insurance industry was generated in London (up from 42.6 per cent in 1997). Indeed, London’s Financial and insurance industry made up 4.3 per cent of the UK’s total GVA in 2014. Professional, scientific and technical activities and Real estate activities both made a sizeable contribution towards London’s economy accounting for 11.2 per cent and 12.6 per cent respectively of London’s total GVA in 2014.

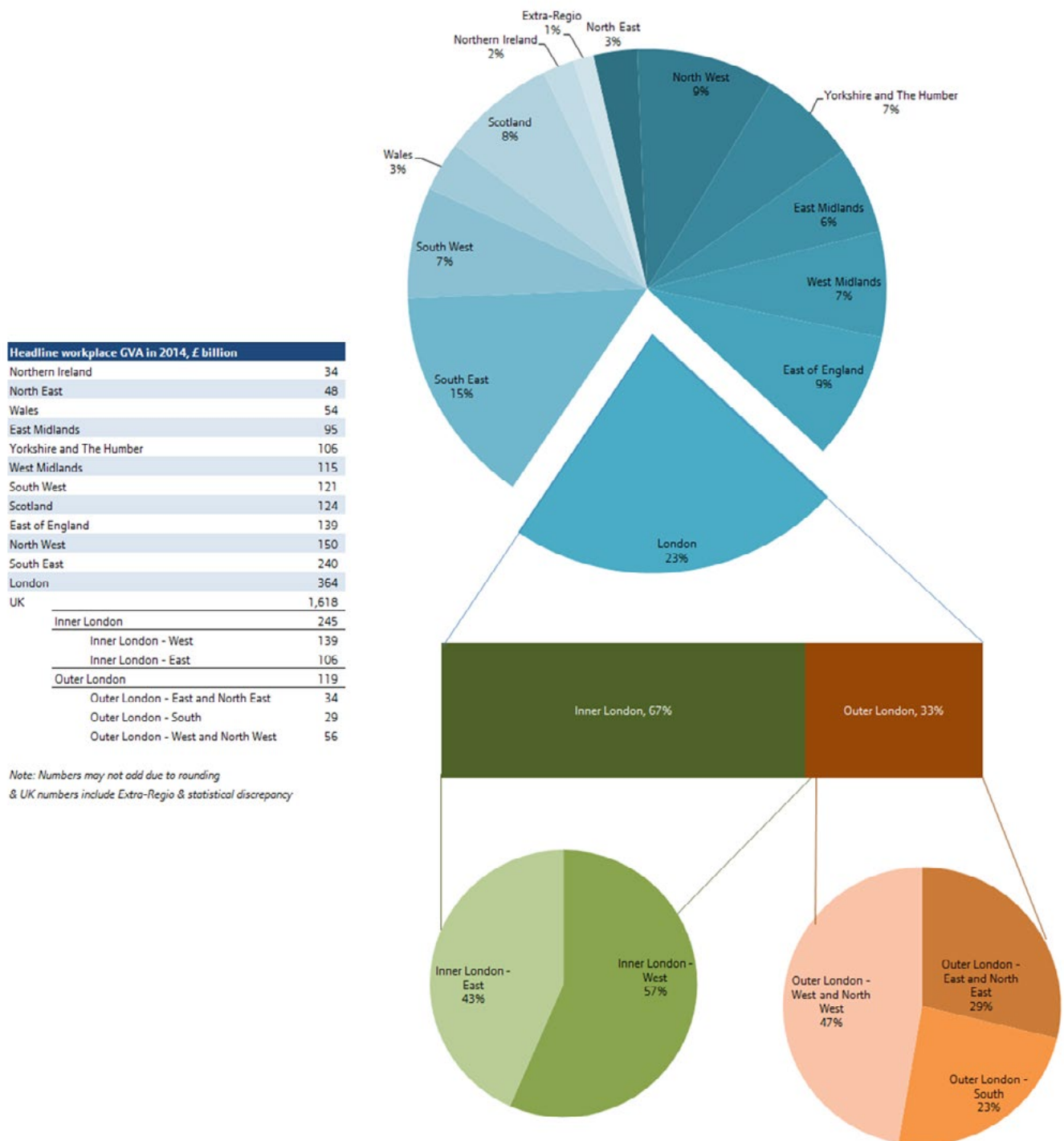
Figure 1.19: Gross Value Added (GVA) in London by sector over time



Source: *Regional Accounts, ONS*

As measured by GVA, London’s total economic output was worth around £364 billion²⁶ in 2014, 6.8 per cent higher than in 2013. In 2014, London accounted for 22.5 per cent of the UK’s total GVA, up from 18.9 per cent in 1997. The growth in London’s nominal GVA accounted for 32.6 per cent of the UK’s total GVA increase between 2013 and 2014. Over two-thirds of London’s GVA was produced in Inner London in 2014 (Figure 1.20). Almost two-fifths (38.0 per cent) of London’s total GVA was produced in Inner London-West alone, with it having a higher GVA than all UK regions except for the South East, the North West, the East of England (and, of course, London).

Figure 1.20: Geographic breakdown of headline UK²⁷ GVA in 2014²⁸

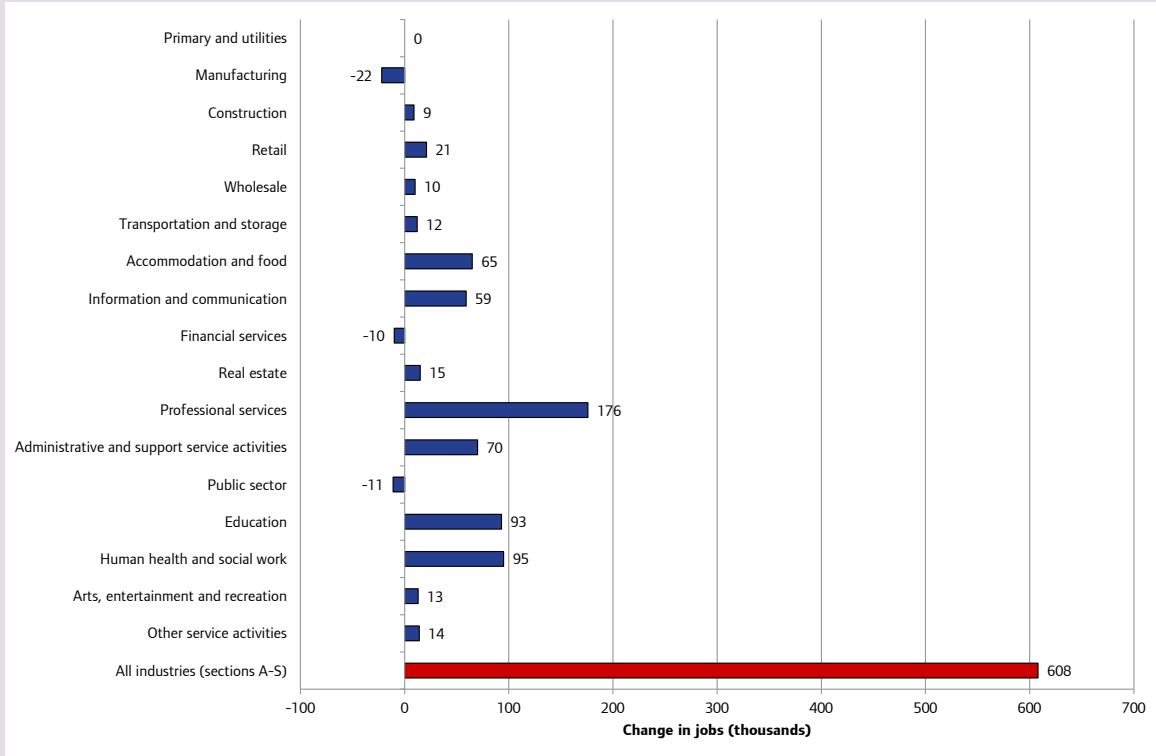


Source: Regional Accounts, ONS

Box 1.1: London’s economic performance since 2008

Since the 2008/09 recession output growth has been sluggish by historical post-recession standards while employment growth has been uncharacteristically and unexpectedly strong (Figure 1.21). This has led to a stalling in productivity growth (see Box 4.1 in Chapter 4). It has been argued that at least some of the strength seen in the labour market has come from increased labour market flexibility and, within that, potentially less stable employment. Similarly, it has been argued that wages have failed to keep up with rising costs of living²⁹.

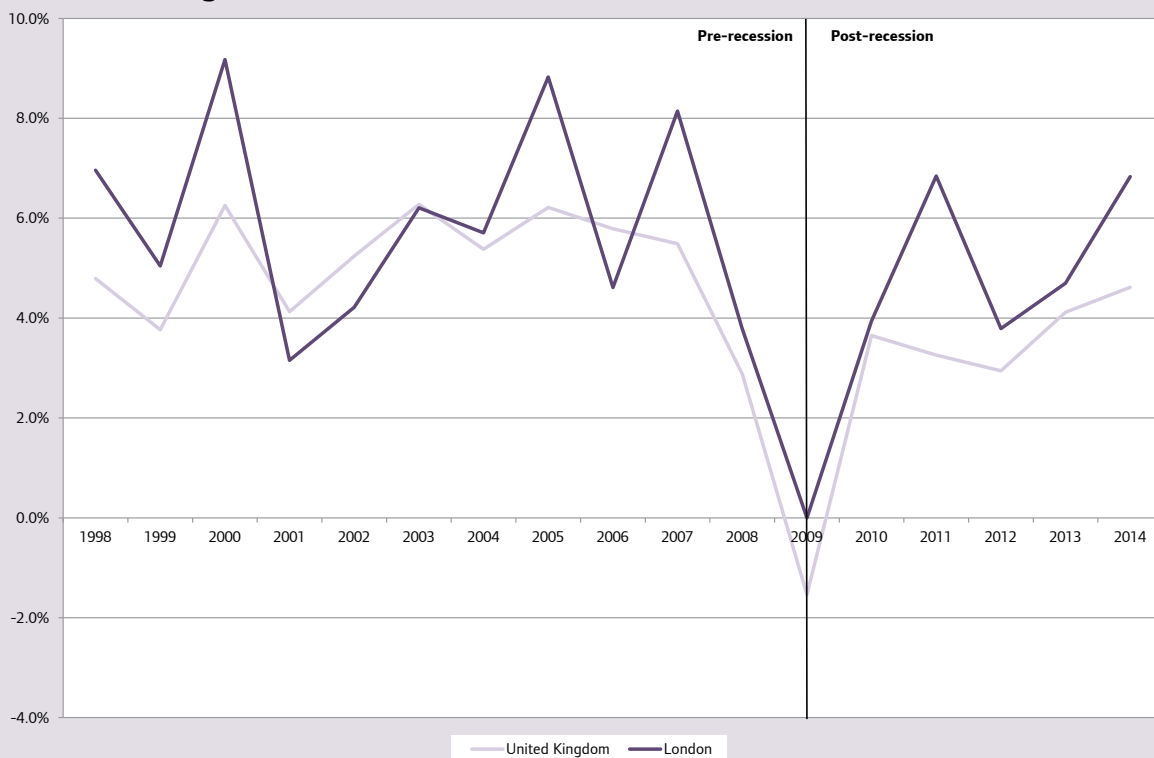
Figure 1.21: Percentage changes in jobs in London by sector between 2008 and 2014



Source: Workforce jobs, ONS

Since 2008, London’s GVA has increased 28.9 per cent in nominal terms (i.e. without taking account of inflation), compared to 18.2 per cent for the UK (Figure 1.22)³⁰. The growth in London’s nominal GVA accounted for 32.6 per cent of the UK’s total GVA increase between 2013 and 2014 (and has never accounted for less than 22 per cent since 2008 with an average of 30.5 per cent between 2010 and 2014, this compares to the 1997 to 2008 average of 23.1 per cent).

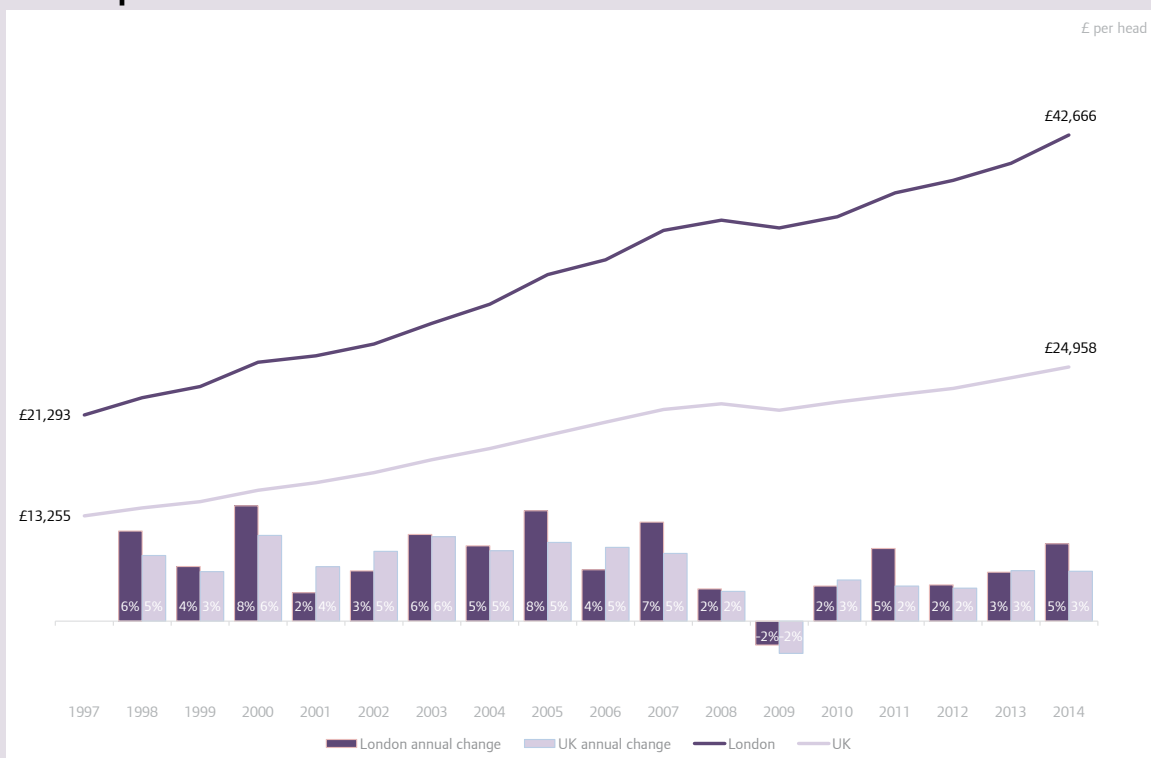
Figure 1.22: Nominal growth rates in GVA in London and the UK, between 1998 and 2014



Source: Regional Accounts, ONS.

London’s recent GVA performance remains impressive even after adjusting for its relative size³¹. GVA per head of population in the capital was £42,666 in 2014 (see Figure 1.23), the highest of any English region or UK nation and over 70 per cent higher than that for the UK as a whole which stood at £24,958. Over 2014, GVA per head in London has increased by 5.3 per cent. Since 2008, it has risen by 18.0 per cent, compared to a rate of increase of 12.7 per cent for the UK as a whole.

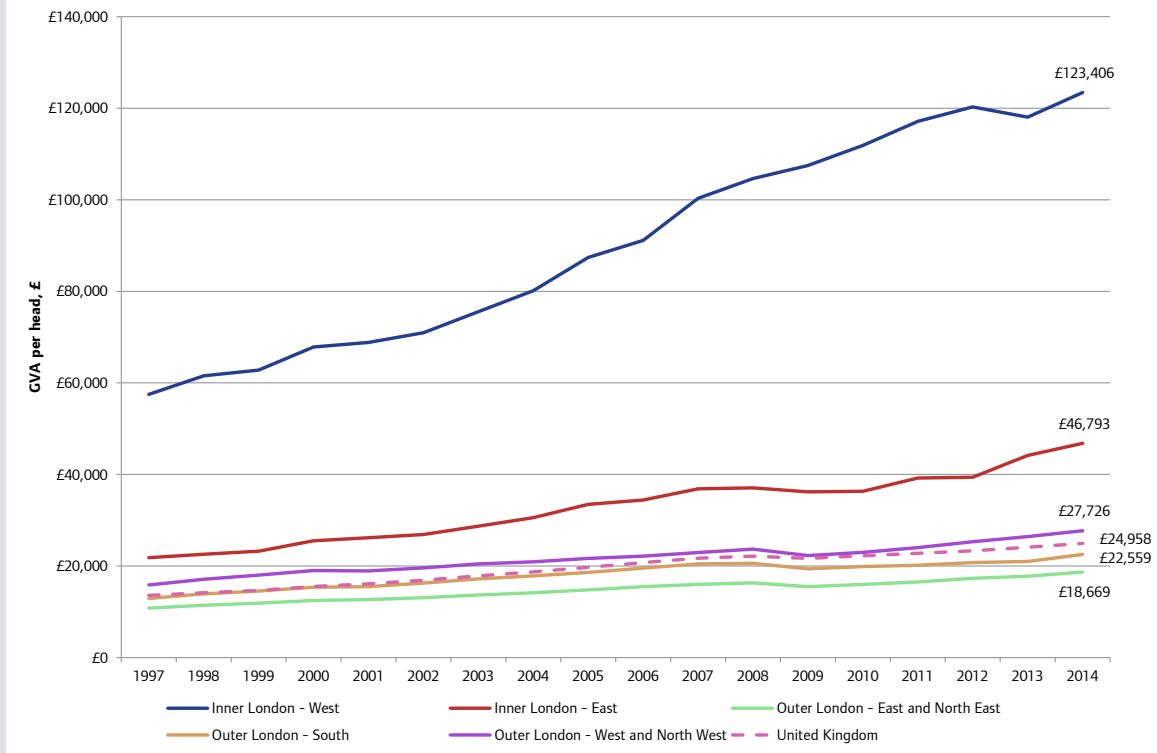
Figure 1.23: Headline GVA³² per head (£) and annual percentage change in London and UK over time³³, current prices



Source: Regional Accounts, ONS.

However, the London-wide GVA per head estimates hide some significant variation across the sub-regions and local areas. Between 2008 and 2014, GVA per head grew by 18.0 per cent in Inner London – West compared to 26.2 per cent in Inner London – East. Within the Outer London NUTS2 areas, GVA per head growth was highest at 16.9 per cent in Outer London – West and North West, and lowest in Outer London – South where growth was just 9.5 per cent since 2008³⁴. For comparison, GVA per head for the UK as a whole grew by 12.7 per cent between 2008 and 2014.

Figure 1.24: Headline GVA³⁵ per head at London NUTS 2 level and UK, 1997-2014³⁶, current prices

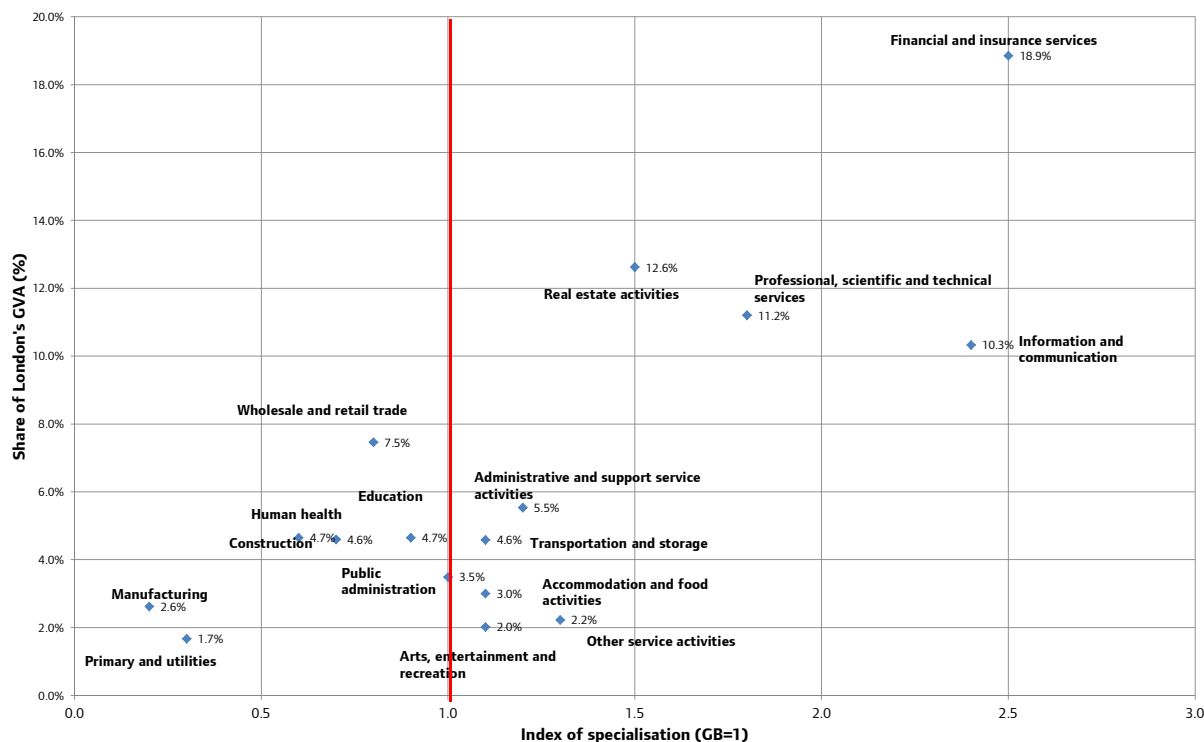


Source: Regional Accounts, ONS.

London’s economic specialisation

Figure 1.25 further demonstrates London’s current industrial structure and areas that London specialises in as represented by employee jobs; some of these areas London also has a relative comparative advantage compared to its trading partners (Table 1.1). If London reflected the same employee proportions as Great Britain (GB) as a whole, then all the sectors shown would be located on the vertical red line in the diagram. The vertical axis looks at the proportion of London’s total output each individual sector contributes. The diagram demonstrates that London’s economic activity is, in the main, concentrated in Financial and insurance services, whilst other sectors of concentration include Information and communication, Professional, scientific and technical services as well as Real estate activities (all sectors are located in the top right quadrant in the figure – with high specialisation and a relatively high proportion of total output). Table 1.2 provides a more detailed summary of the index of specialisation by broad industry category.

Figure 1.25: London’s index of specialisation and share of London’s total output, 2014³⁷



Source: Business Register and Employment Survey (BRES) - ONS, UK Regional Accounts – ONS.

The index of specialisation estimates for London suggest that the capital specialises in Financial services, Information and communication activities, and Professional services (Table 1.2). An index of specialisation of greater than one indicates that London has a greater proportion of employee jobs in that sector compared to the rest of Great Britain and as such a relative specialisation when compared to the rest of the country. The broad industry categories provide only a partial picture of London’s specialisations and the results of examination of more detailed industry level data are shown in Table 1.3.

More detailed data show that London particularly specialises in areas such as Fund management activities, Television programming and broadcasting activities, and media activities, such as advertising (Table 1.3). In 2014, Fund management activities provided around 28,200 jobs, with an index of specialisation score of 12.0, and employee jobs in the capital accounted for around 71.0 per cent of the GB total. Another particular specialisation for London in 2014 was in Security and commodity contracts brokerage with around 25,500 jobs in 2014, and with an index of specialisation score of 9.1. With around 80 per cent of all Television programming and broadcasting activities jobs in GB located within London, this is another area in which London has a particular specialisation in (with an index of specialisation score of 19.4). Advertising agencies were also an important provider of jobs (42,400) in 2014 accounting for almost 46 per cent of all GB jobs in the sector, with an index of specialisation score of 4.1.

Table 1.2: London's industrial structure and main specialisation, 2014

Sector	London employee jobs	Share of total London employee jobs	London share of rest of GB employee jobs	Index of specialisation
Total London	4,732,800	100.0%	16.9%	1.0
Primary and utilities (Sections A, B, D and E)	28,800	0.6%	5.1%	0.3
C : Manufacturing	113,300	2.4%	4.8%	0.2
F : Construction	144,800	3.1%	11.6%	0.6
G : Retail	406,700	8.6%	14.6%	0.8
G : Wholesale	187,900	4.5%	11.6%	0.7
H : Transportation and storage	227,300	4.8%	18.2%	1.1
I : Accommodation and food service activities	358,000	7.6%	18.1%	1.1
J : Information and communication	372,800	7.9%	32.6%	2.4
K : Financial and insurance activities	351,900	7.4%	34.1%	2.5
L : Real estate activities	107,600	2.3%	23.7%	1.5
M : Professional, scientific and technical activities	613,900	13.0%	27.3%	1.8
N : Administrative and support service activities	490,600	10.4%	20.2%	1.2
O : Public administration and defence; compulsory social security	220,000	4.6%	17.1%	1.0
P : Education	385,700	8.1%	15.0%	0.9
Q : Human health and social work activities	483,700	10.2%	12.9%	0.7
R : Arts, entertainment and recreation	125,200	2.6%	18.3%	1.1
S : Other service activities	114,600	2.4%	20.9%	1.3

Source: Business Register and Employment Survey, ONS. Sector letter prefixes relate to sector codes within the Standard Industrial Classification; SIC 2007, Office for National Statistics.

Table 1.3: London's detailed industrial structure and main specialisation, 2014

Sector	London employee jobs	Share of total London employee jobs	London share of rest of GB employee jobs	Index of specialisation
Total London	4,732,800	100.0%	16.9%	1.0
K : Financial and insurance activities	351,900	7.4%	34.1%	2.5
of which				
6630 : Fund management activities	28,200	0.6%	71.0%	12.0
6612 : Security and commodity contracts brokerage	25,500	0.5%	65.1%	9.1
6430 : Trusts, funds and similar financial entities	6,900	0.1%	54.3%	5.8
6419 : Other monetary intermediation	140,300	3.0%	35.0%	2.6
6619 : Other activities auxiliary to financial services, except insurance and pension funding	46,000	1.0%	34.0%	2.5
6499 : Other financial service activities, except insurance and pension funding, n.e.c.	13,200	0.3%	31.0%	2.2
6629 : Other activities auxiliary to insurance and pension funding	24,700	0.5%	30.3%	2.1
6622 : Activities of insurance agents and brokers	32,500	0.7%	29.8%	2.1
6512 : Non-life insurance	13,400	0.3%	19.9%	1.2
6511 : Life insurance	4,300	0.1%	13.9%	0.8
J : Information and communication	372,800	7.9%	32.6%	2.4
of which				

5913 : Motion picture, video and television programme distribution activities	4,500	0.1%	83.3%	24.5
6391 : News agency activities	7,700	0.2%	81.1%	21.0
6020 : Television programming and broadcasting activities	22,100	0.5%	79.8%	19.4
5912 : Motion picture, video and television programme post-production activities	8,600	0.2%	76.1%	15.6
5920 : Sound recording and music publishing activities	5,700	0.1%	70.4%	11.7
5911 : Motion picture, video and television programme production activities	35,900	0.8%	63.9%	8.7
6010 : Radio broadcasting	7,300	0.2%	61.9%	8.0
6312 : Web portals	4,400	0.1%	59.5%	7.2
5814 : Publishing of journals and periodicals	19,800	0.4%	50.5%	5.0
5811 : Book publishing	11,000	0.2%	45.1%	4.0
5813 : Publishing of newspapers	13,300	0.3%	33.9%	2.5
5819 : Other publishing activities	5,500	0.1%	32.7%	2.4
6120 : Wireless telecommunications activities	5,100	0.1%	31.5%	2.3
6201 : Computer programming activities	39,900	0.8%	27.0%	1.8
6202 : Computer consultancy activities	88,500	1.9%	26.6%	1.8
6209 : Other information technology and computer service activities	31,900	0.7%	26.1%	1.7
6190 : Other telecommunications activities	37,500	0.8%	22.5%	1.4
6311 : Data processing, hosting and related activities	9,600	0.2%	22.5%	1.4
M : Professional, scientific and technical activities	613,900	13.0%	27.3%	1.8
of which				
7021 : Public relations and communication activities	11,500	0.2%	58.4%	6.9
7312 : Media representation	7,500	0.2%	51.0%	5.1
7311 : Advertising agencies	42,400	0.9%	45.7%	4.1
7320 : Market research and public opinion polling	19,800	0.4%	40.9%	3.4
7410 : Specialised design activities	17,300	0.4%	36.2%	2.8
7111 : Architectural activities	23,500	0.5%	33.3%	2.5
6910 : Legal activities	86,400	1.8%	32.5%	2.4
7420 : Photographic activities	5,600	0.1%	32.2%	2.3
7022 : Business and other management consultancy activities	135,100	2.9%	30.9%	2.2
6920 : Accounting, bookkeeping and auditing activities; tax consultancy	87,000	1.8%	29.7%	2.1
7010 : Activities of head offices	75,100	1.6%	29.0%	2.0
7490 : Other professional, scientific and technical activities n.e.c.	24,600	0.5%	24.9%	1.6
7219 : Other research and experimental development on natural sciences and engineering	17,000	0.4%	15.9%	0.9
7500 : Veterinary activities	6,600	0.1%	13.6%	0.8
7112 : Engineering activities and related technical consultancy	46,100	1.0%	12.7%	0.7
7120 : Technical testing and analysis	4,100	0.1%	7.9%	0.4
L : Real estate activities	107,600	2.3%	23.7%	1.5
of which				
6832 : Management of real estate on a fee or contract basis	28,200	0.6%	31.4%	2.2

6831 : Real estate agencies	38,300	0.8%	26.6%	1.8
6820 : Renting and operating of own or leased real estate	39,100	0.8%	18.4%	1.1
S : Other service activities	114,600	2.4%	20.9%	1.3
of which				
9411 : Activities of business and employers membership organisations	7,800	0.2%	55.3%	6.1
9412 : Activities of professional membership organisations	16,100	0.3%	54.4%	5.9
9491 : Activities of religious organisations	16,300	0.3%	26.2%	1.7
9601 : Washing and (dry-)cleaning of textile and fur products	6,000	0.1%	21.1%	1.3
9499 : Activities of other membership organisations n.e.c.	20,400	0.4%	17.9%	1.1
9602 : Hairdressing and other beauty treatment	19,900	0.4%	17.0%	1.0
9609 : Other personal service activities n.e.c.	14,300	0.3%	15.8%	0.9

Source: Business Register and Employment Survey, ONS.

Note: London data are based on 4-digit Standard Industrial Classification level data (SIC2007).

Chapter 1 endnotes

- 1 The Group of 7 (G7) is a group of seven major advanced economies as reported by the International Monetary Fund (IMF) and consists of Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.
- 2 European Central Bank, '[Understanding the weakness in world trade](#)', ECB Economic Bulletin, Issue 3, 2015.
- 3 IMF working paper, '[The global trade slowdown: cyclical or structural?](#)', January 2015.
- 4 For example, "Chinese exporters are now using more domestically produced inputs than imported inputs; the share of Chinese imports of parts and components in total exports has decreased from 60 per cent in the mid-1990s to 35 per cent today".
- 5 More detailed data breakdowns of 'Other business services' are available in the data file published alongside GLA Economics working paper 'An analysis of London's exports'.
- 6 Insurance services don't appear to be a significant export sector for London in 2013. However, this may at least partially reflect the methodology used to apportion UK level insurance services down to the London level. The apportionment is based on London's relative productivity compared to the UK and as the earlier GVA per job analysis demonstrates GVA per job in the insurance industry for London is considerably lower than the GVA per job in the industry for the UK as a whole (GLA Economics, 'Gross Value Added per Workforce Job in London and the UK', February 2015).
- 7 'Other finance' includes 'Baltic exchange' that covers the brokerage and other service earnings of members of the Exchange for Chartering, sales and purchases of ships and other associated activities. Exports in 'Other finance' also include exports by 'Other financial institutions' that refer to financial service transactions not included elsewhere.
- 8 'Other business services' includes exports of other trade-related services; operational leasing; miscellaneous business, professional and technical services (such as legal, accounting, management consulting, recruitment and training and public relations; advertising and market research and development). For further details refer to the 'Methodological notes (BPM6 basis)' from the Office for National Statistics.
- 9 Unallocated services include 'Manufacturing on physical inputs owned by others', 'Maintenance and repair', 'Construction', 'Intellectual property', 'Recruitment of Business management and management consulting', 'Waste treatment and de-pollution, agriculture and mining services' and 'Other Business services exported by UK banks'.
- 10 GLA Economics applied the UK's export shares for each country to London's total service exports.
- 11 Balassa Index of Revealed Comparative Advantage, captures the degree of trade specialisation of a country, and is defined as $RCA = (x_{ij}/X_i)/(x_{aj}/X_a)$ where x_{ij} are exports of services j from country i ; x_i are total exports from country i ; x_{aj} are total exports of services j from the reference area (i.e. G7 countries); x_a are total service exports from reference area (i.e. G7 countries).
- 12 (...) in the table reflects a lack of statistical data available that can be reported or calculated from underlying observations.
- 13 London's service export estimates for Construction services, Manufacturing Services on Physical Inputs Owned by Others and Maintenance and Repair Services n.i.e. are based on UK service exports figures and London's average service export share of the UK industry level data.
- 14 Export data for G7 countries is based on data from the IMF Balance of Payments database, whilst London level data are based on GLA Economics estimates.
- 15 GLA Economics, 'London Business Survey 2014: Exports', November 2014.
- 16 GLA Economics, 'Growing Together II: London and the UK Economy', September 2014.
- 17 Figures for manufacturing jobs in 1984 are based on modelled estimates featured in a publication by GLA Economics, '[London's sectors – more detailed jobs data](#)', March 2015. In contrast, the latest figures for manufacturing jobs are based on official workforce jobs statistics published by the Office for National Statistics (ONS).
- 18 GLA Economics, 'London's sectors: more detailed jobs data', Working Paper 65.
- 19 For further details, see Working paper on 'London's sectors: more detailed jobs data', March 2015.
- 20 Data shown in Figure 26 are based on different surveys and definitions across countries and cities, and therefore these findings should be treated with some caution.
- 21 Data for London, Manchester, New York, Germany, France, Turkey and UK refer to 2014; US for 2012; Japan for 2013; Brazil for 2009 and Ghana for 2010. Data for London and Manchester are from BRES, whilst data for the UK is from Eurostat.
- 22 High value business services include: Information and communication; Financial and insurance activities; Professional, scientific and technical activities; and Administrative and support service activities (or our best estimate for the sectors that corresponds to the outlined sectors that data are available for).
- 23 Data for US and New York may differ from data provided on London, UK and the other European countries due to minor differences in Standard Industrial Classification system across the European Union and the US.
- 24 Education data for Singapore is included in Public administration.
- 25 Professional and administrative jobs data are grouped together for Hong Kong. In addition, Sections P to S are combined into one category in the source data. These sections include: P : Education; Q : Human health and social work activities; R : Arts, entertainment and recreation; S : Other service activities.
- 26 These figures on GVA are from the Regional Accounts published by the ONS and are in nominal terms, i.e. no changes have been made to account for the effects of inflation.
- 27 UK includes Extra-Regio (which comprises compensation of employees and gross operating surplus which cannot be assigned to regions)
- 28 2014 data are provisional.
- 29 See GLA Economics, 'London's changing economy since 2008', October 2015, for further details.
- 30 ONS, '[Regional Gross Value Added \(Income Approach\)](#)', December 2015.

- 31 Adjusting for relative size is important as it provides a clearer understanding of the regions relative prosperity and is generally correlated with living standards. The importance of this can be observed when we compare national incomes. China, for example, has significantly higher output than Singapore; however the output per head and living standards of Singapore are higher.
- 32 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.
- 33 2014 data are provisional.
- 34 The Nomenclature of Territorial Units for Statistics (NUTS) is a hierarchical classification of administrative areas, used across the European Union (EU) for statistical purposes. NUTS 2 areas within London are: Inner London – West, Inner London – East, Outer London – East and North East, Outer London – South, and Outer London – West and North West.
- 35 Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.
- 36 2014 data are provisional.
- 37 Index of specialisation calculations are based on Business Register and Employment Survey (BRES) data that include country-level data on employee jobs for Great Britain, England, Scotland and Wales. Index of specialisation is calculated as follows: (sector employee jobs in London / all employee jobs in London) / (sector employee jobs in Rest of GB / all employee jobs in Rest of GB). Both GVA and employee jobs numbers refer to 2014.