



London's Economy Today: How is London performing?

Bridget Rosewell

Consultant Chief Economist, GLA Economics

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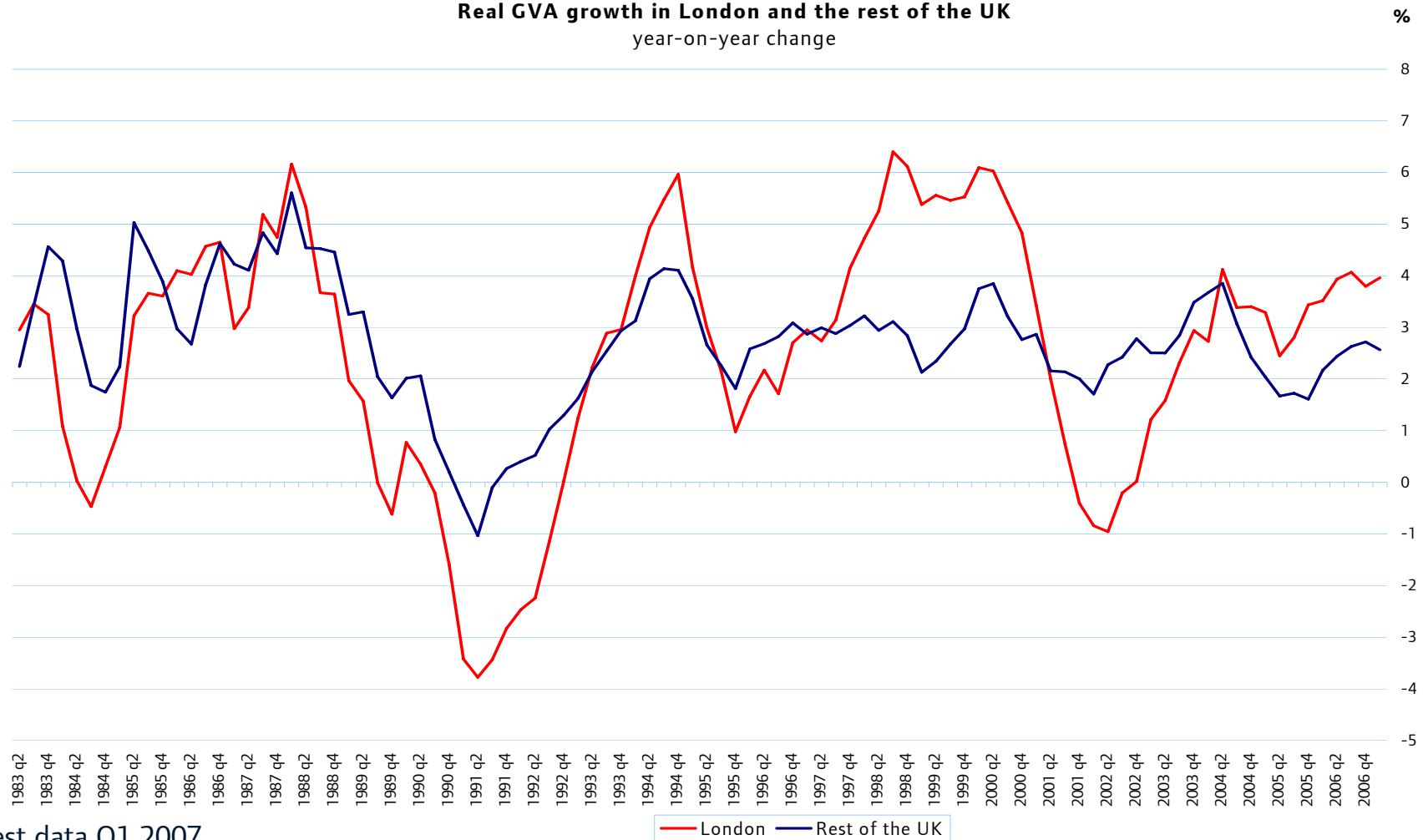
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Indicators for London

- **Headline economics**
 - Growth and employment
- **Activity in London**
 - Tube and buses, shopping, house prices
- **Confidence in London**
 - Business surveys, Stock markets
- **National and international economy**
 - Exchange rates and Oil prices
 - Earnings growth
- **FISIM and London's exports**

London growing faster than the rest of the UK

Real GVA growth in London and the rest of the UK
year-on-year change



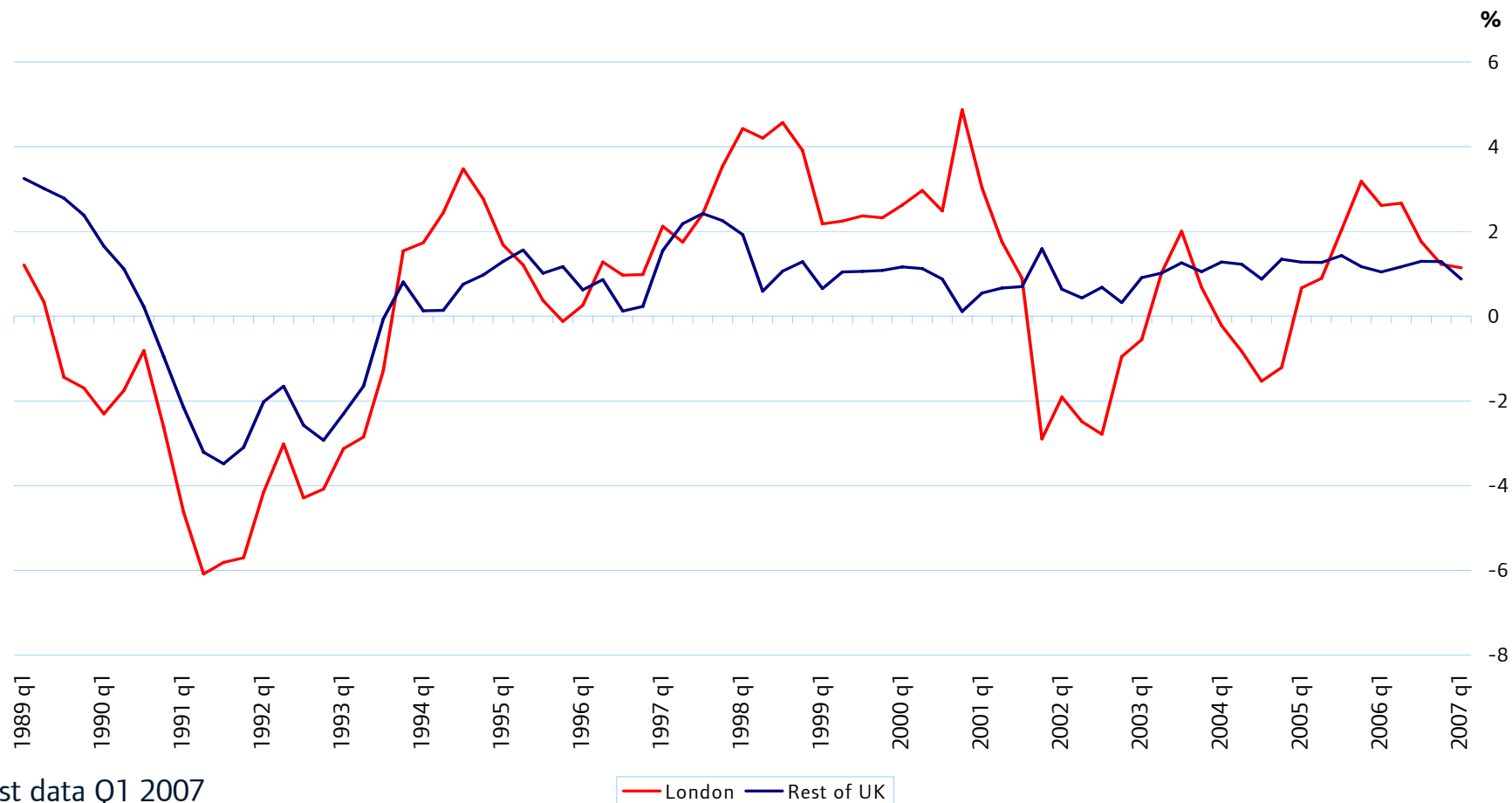
Latest data Q1 2007

London: 4.0 Rest of the UK: 2.6

Source: Experian Business Strategies

Similar employment growth in London and Rest of the UK

Full-time equivalent employment in London and the rest of the UK
year-on-year growth from quarterly figures



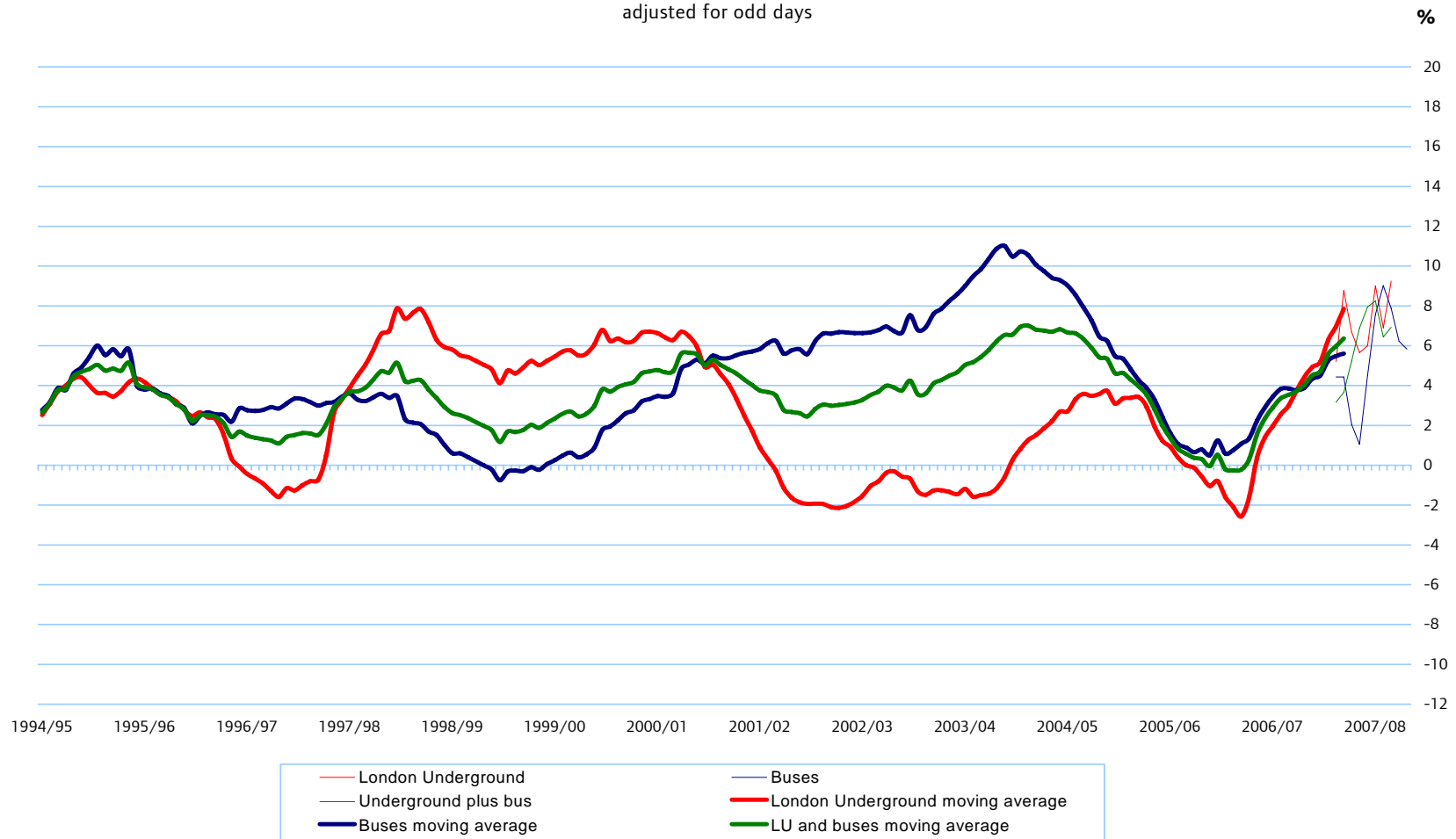
Latest data Q1 2007

London: 1.1 Rest of the UK: 0.9

Source: Experian Business Strategies

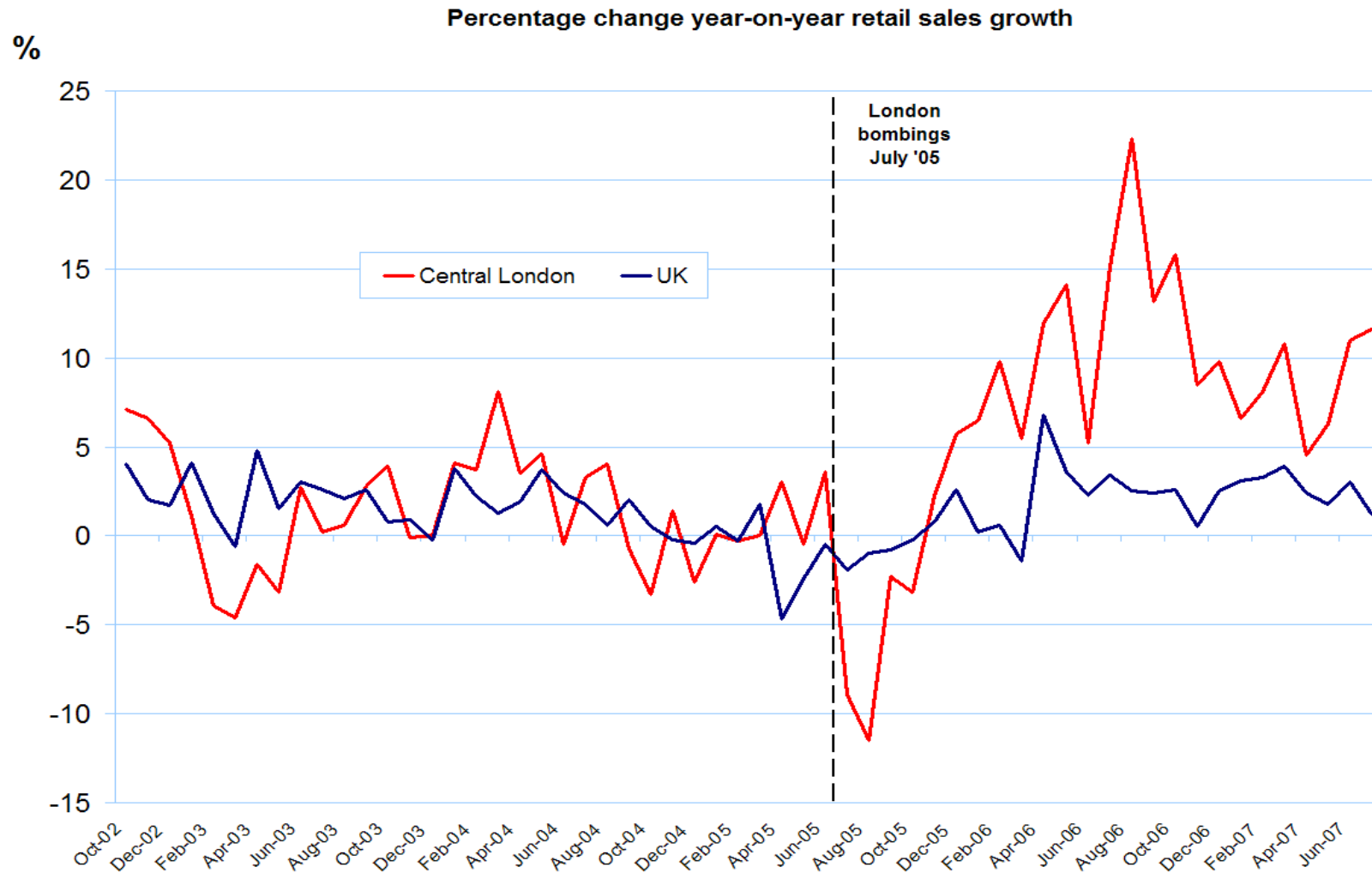
Growth on London's public transport

Annual % change in passengers using London Underground and buses
adjusted for odd days



Source: Transport for London

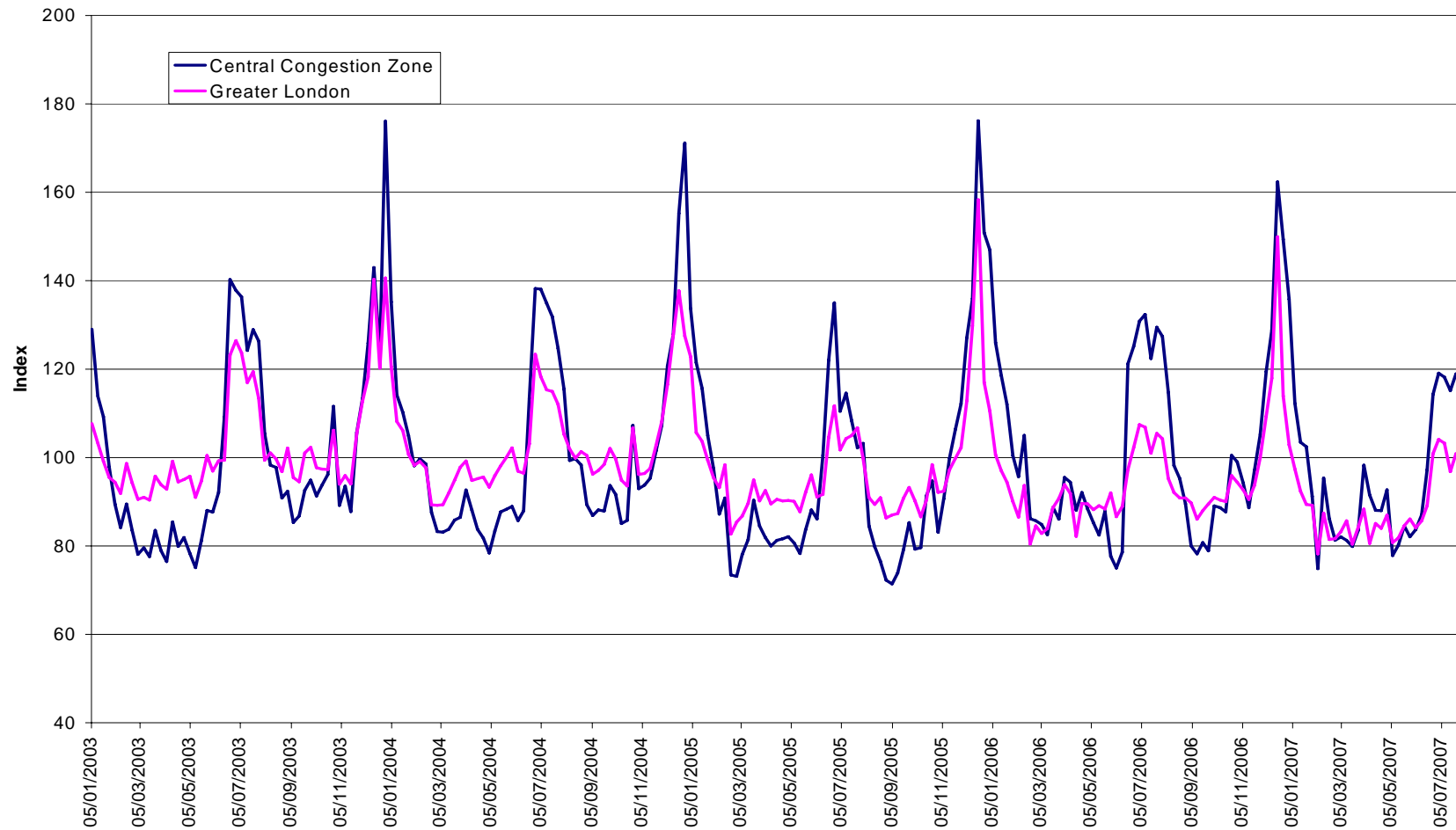
Central London sales performing well



Source: London Retail Consortium/ British Retail Consortium

As shoppers continue to visit

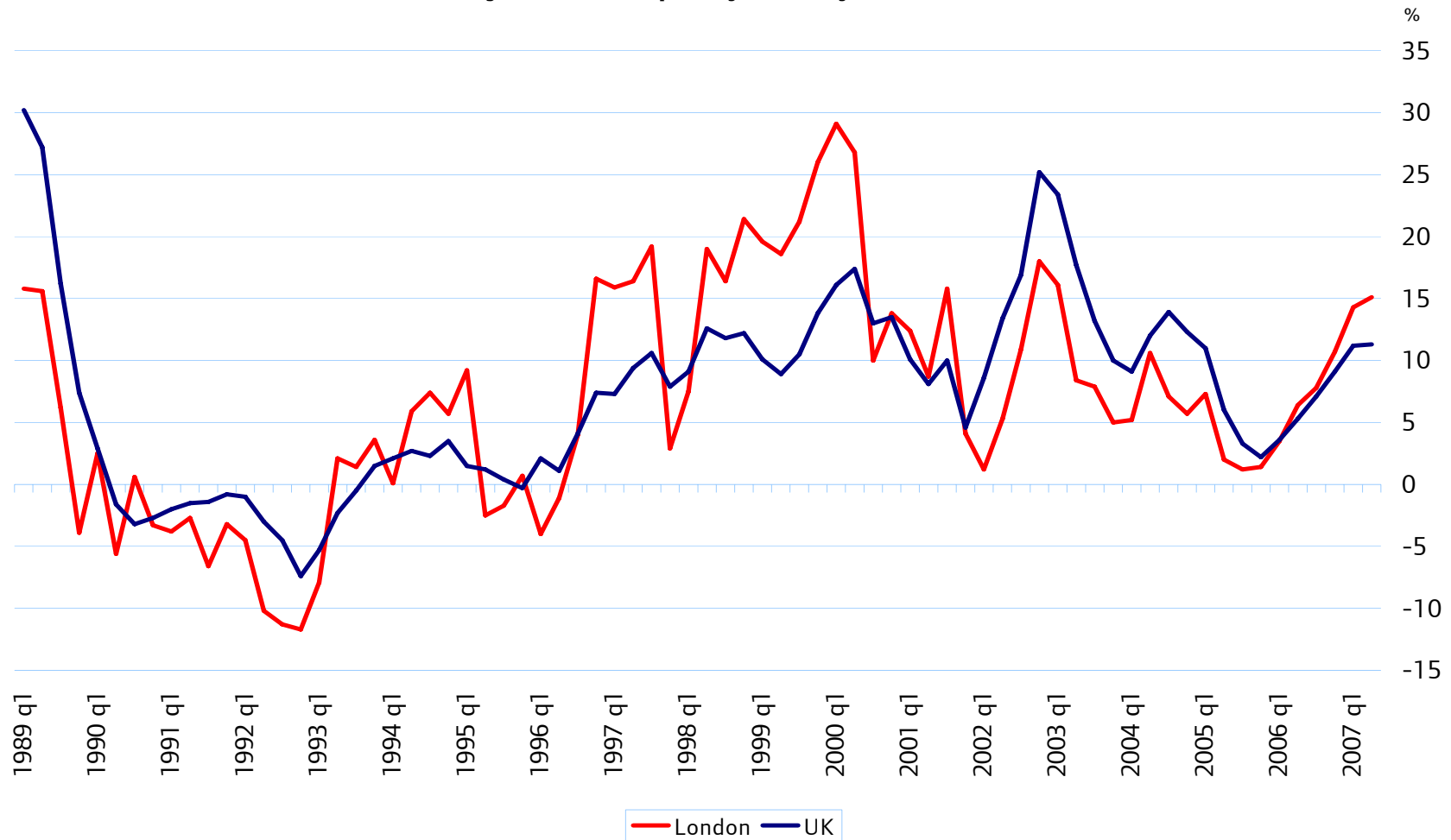
Retail Traffic Index



Source: SPSL Retail

London's house price growth continues

Mix-adjusted house price year-on-year inflation

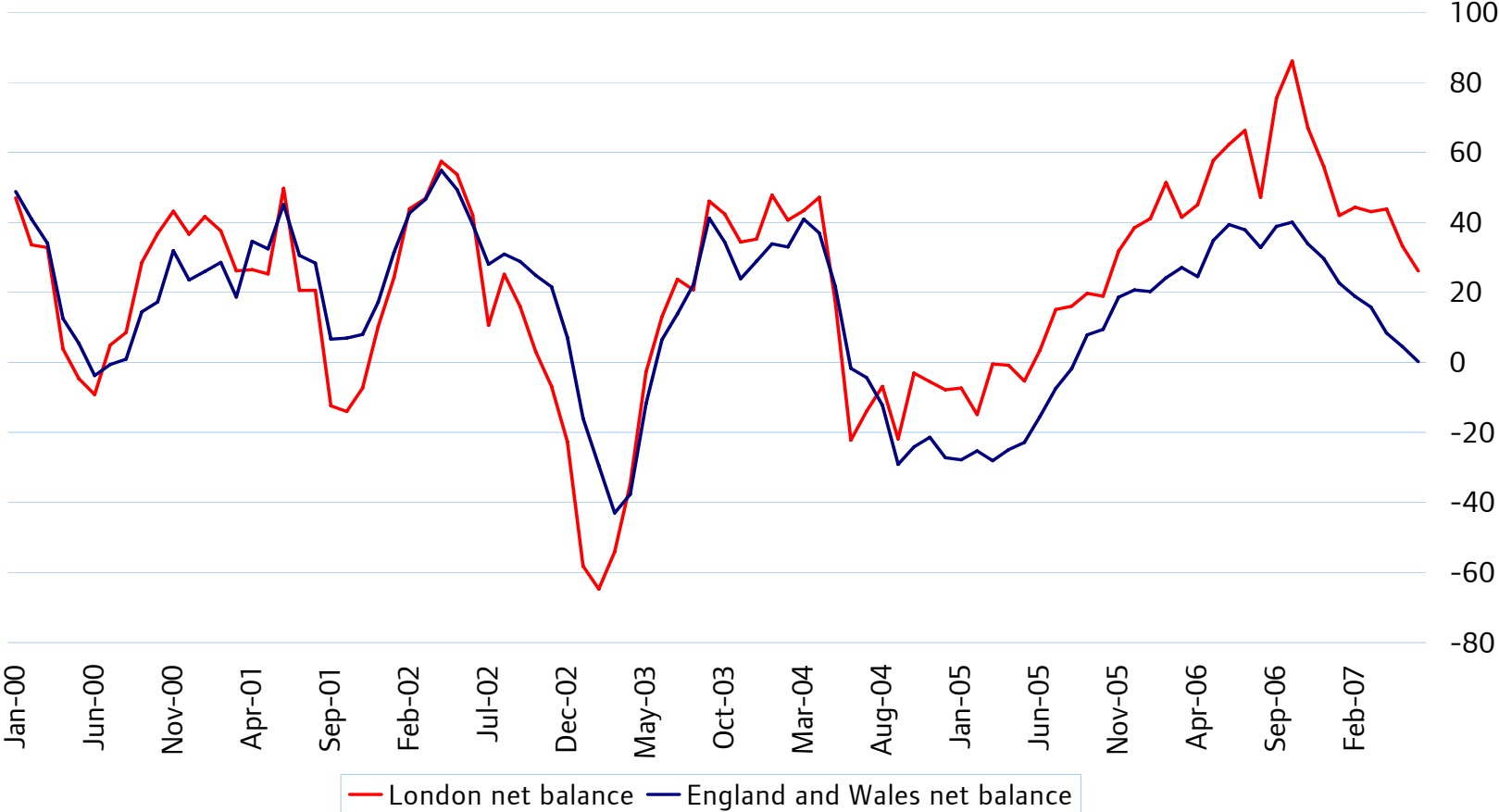


Source: Department of Communities and Local Government

Surveyors expect London house prices to increase

RICS housing market survey

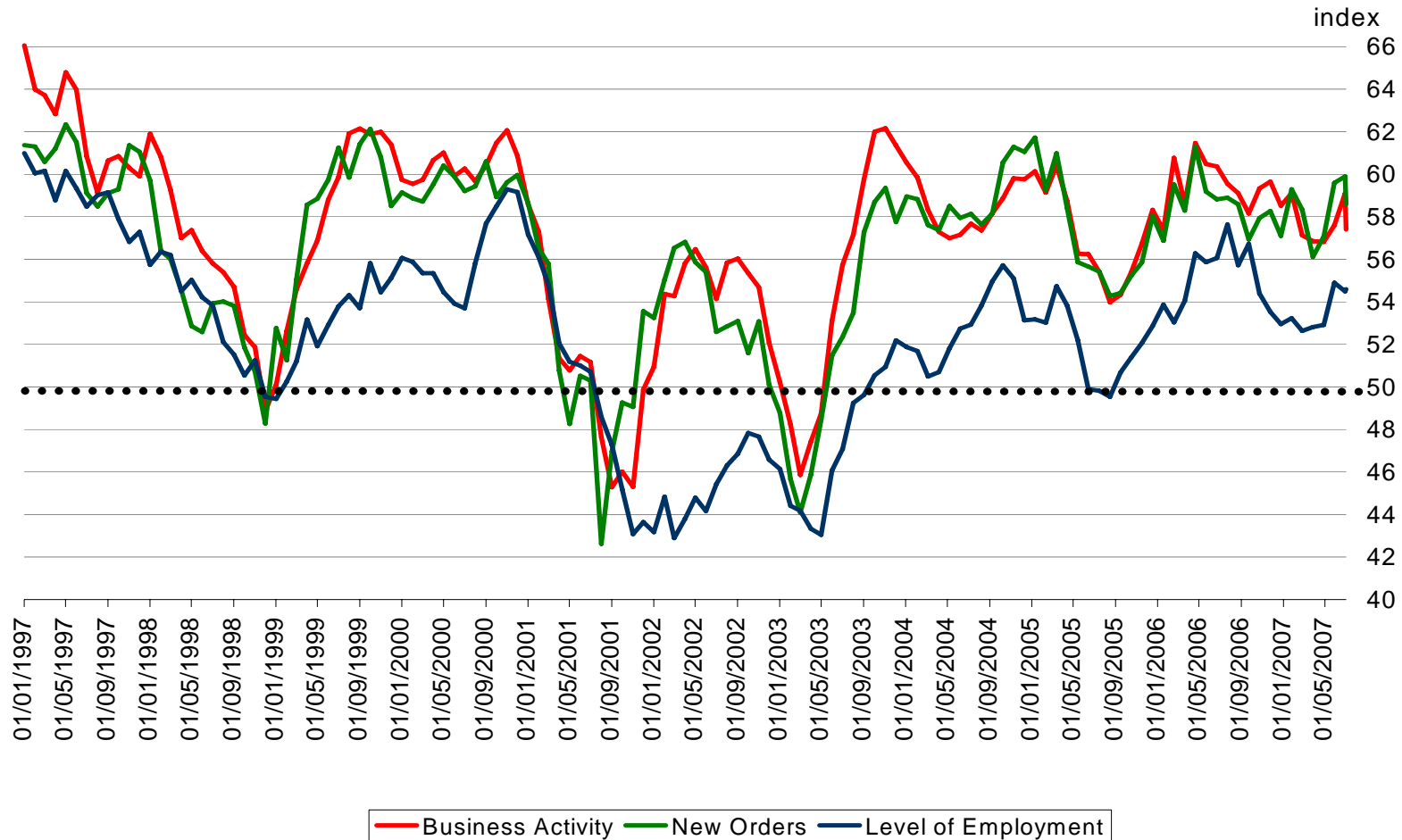
house price expectations; net balance in London, and in England and Wales;
seasonally adjusted data



Source: Royal Institute of Chartered Surveyors

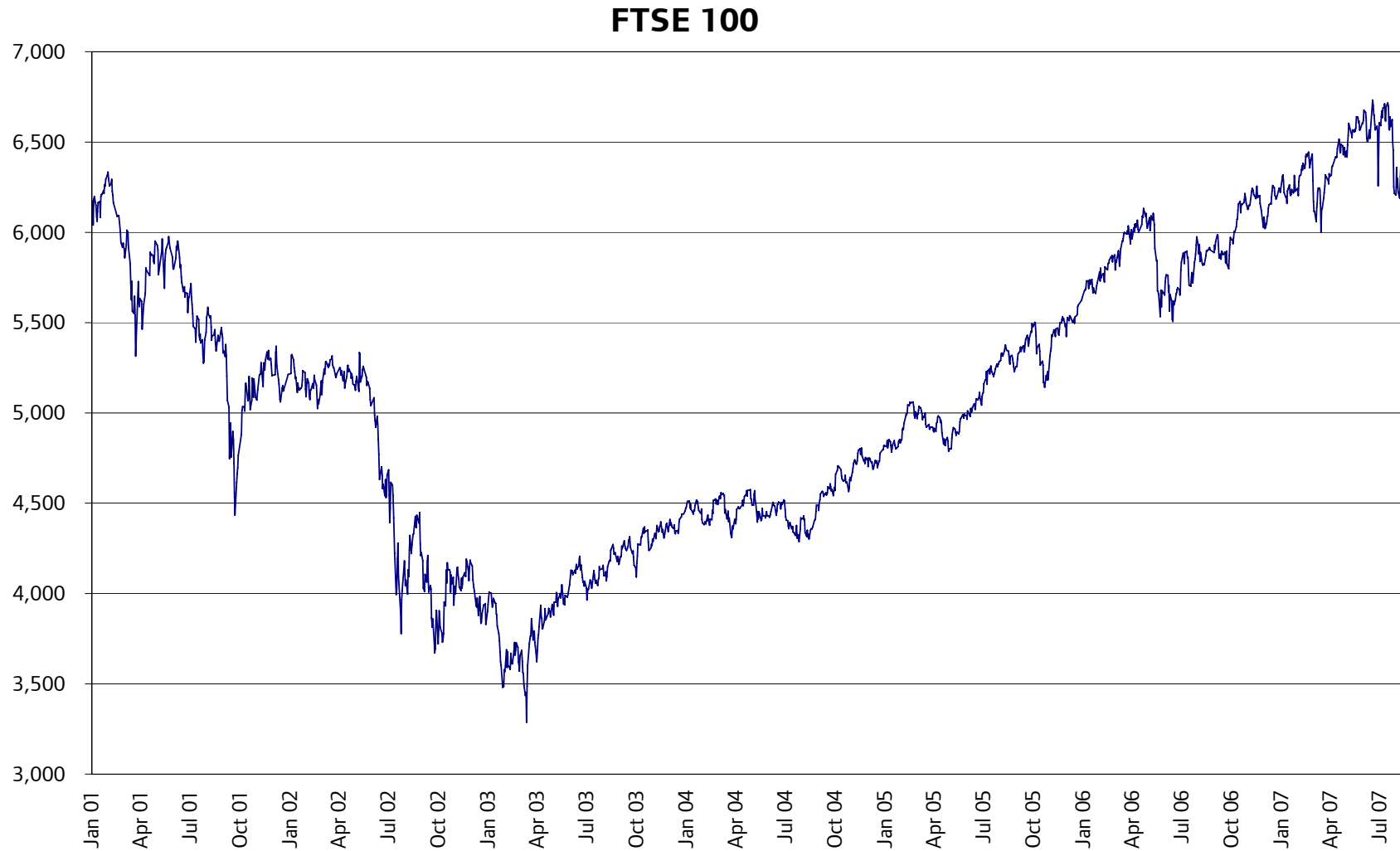
London's Purchasing Managers' Index survey optimistic

Business activity, New orders and Employment in London
 seasonally adjusted index (50 indicates no change on previous month)



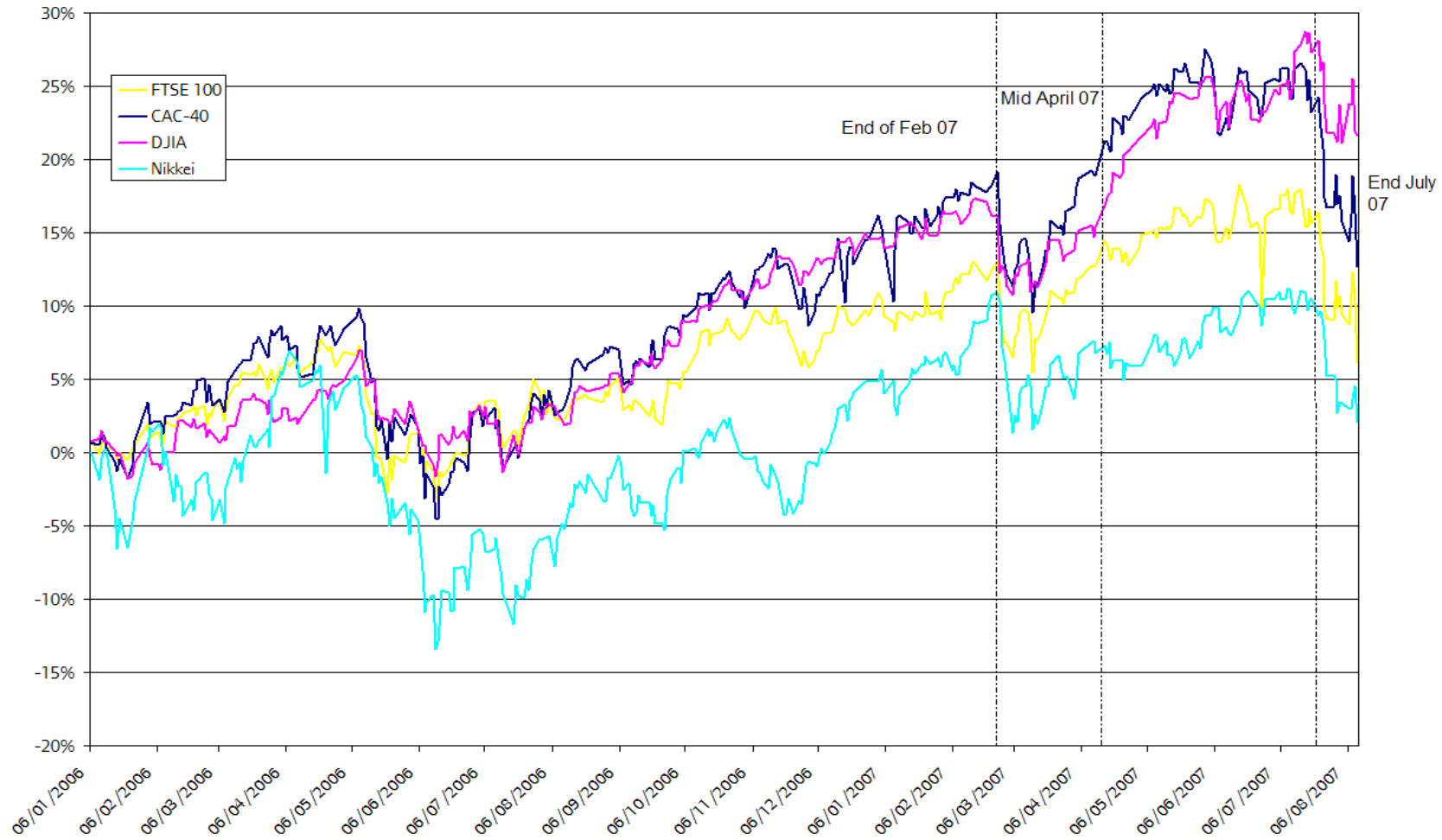
Source: Royal Bank of Scotland/PMI

London stock market has been doing well, although some turbulence at end of July



Source: FT

And similar story for others around the world



Source: FT

£ is strong...

US \$s per £ Exchange Rate



Source: Ecwin

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But US \$ is weak

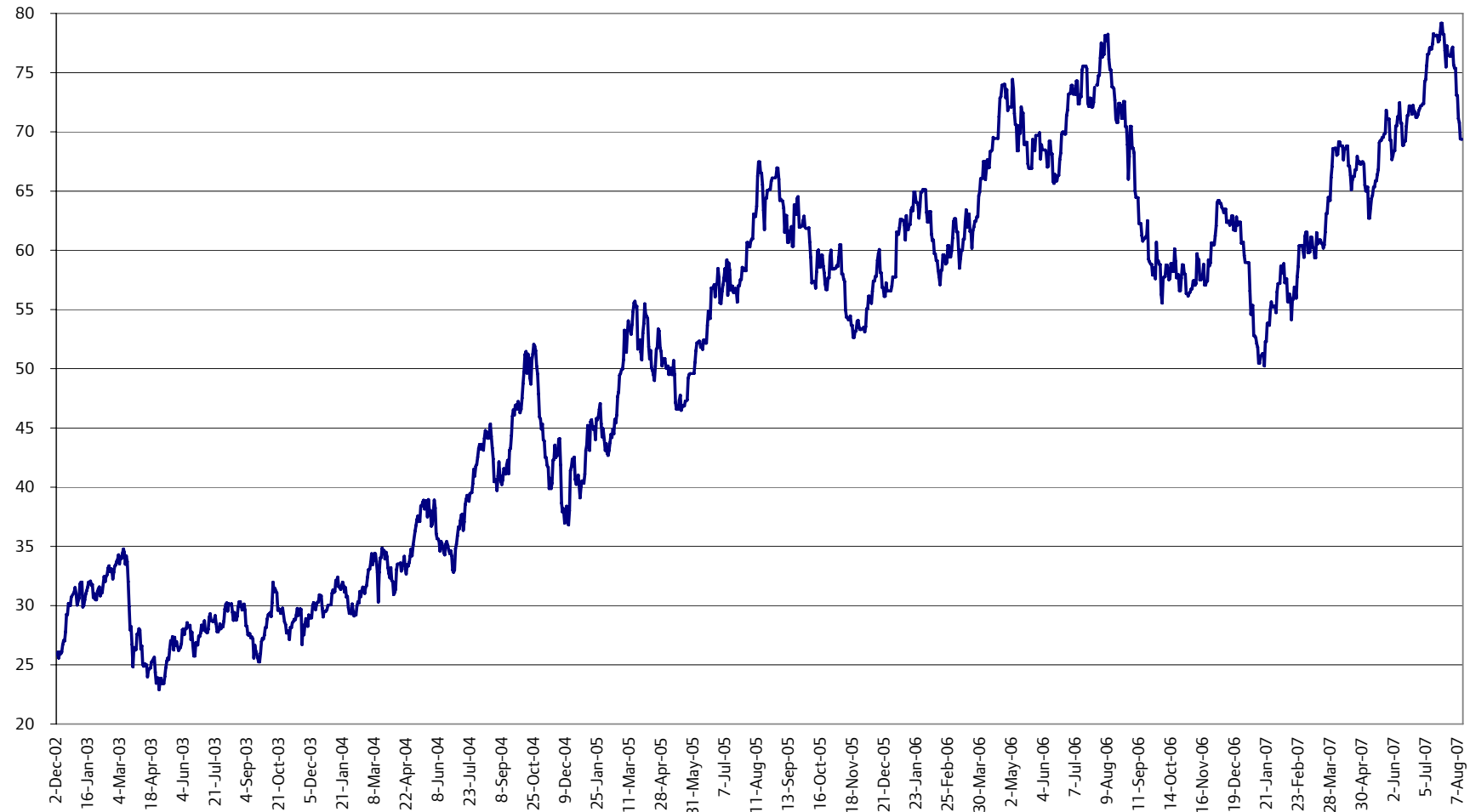
Euros per US \$



Source: Ecwin

Oil prices continue to rise

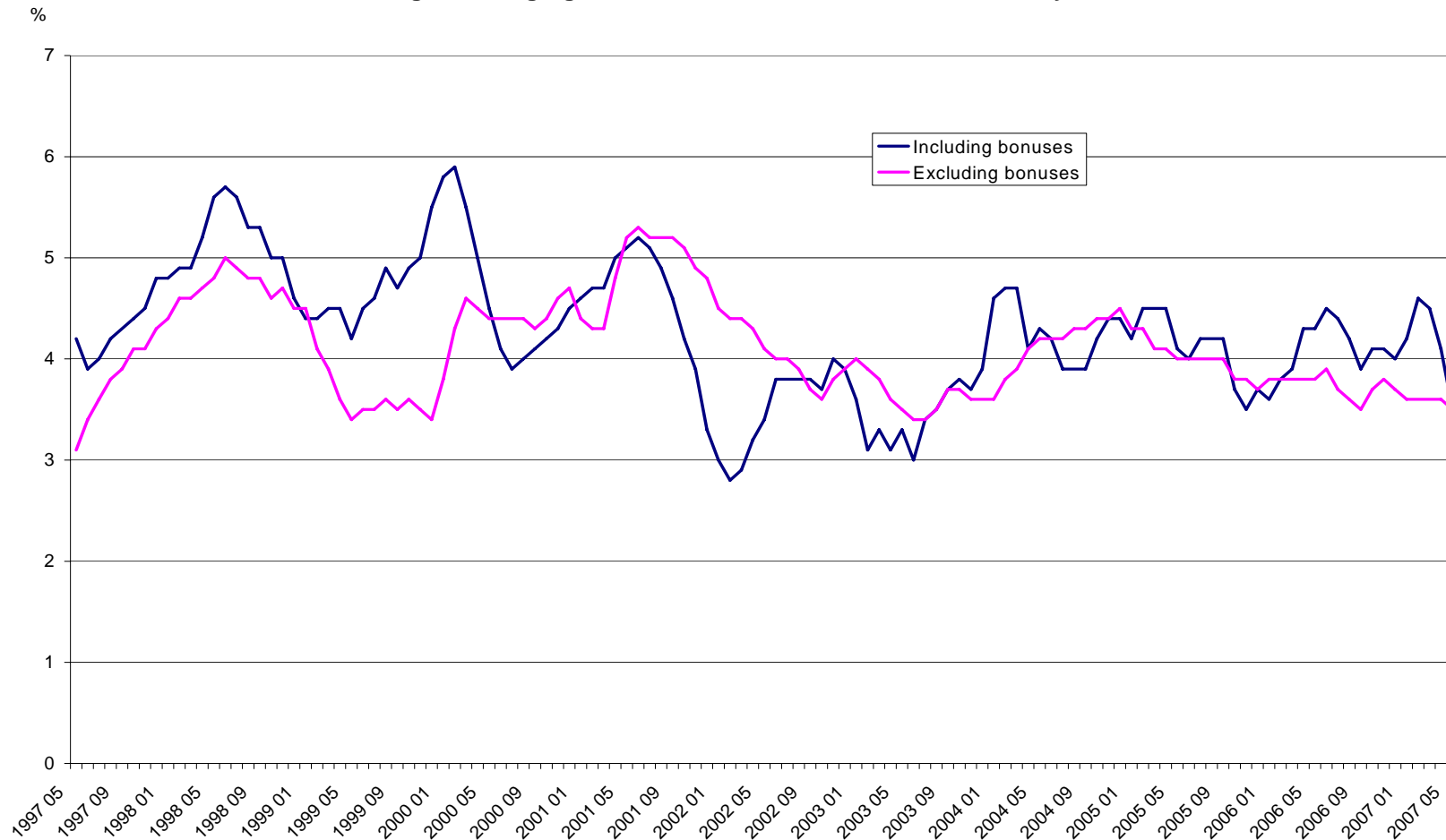
US \$ per barrel



Source: FT

Labour Market- earnings growth remains benign

Average earnings growth - latest 3 months on 3 months a year earlier



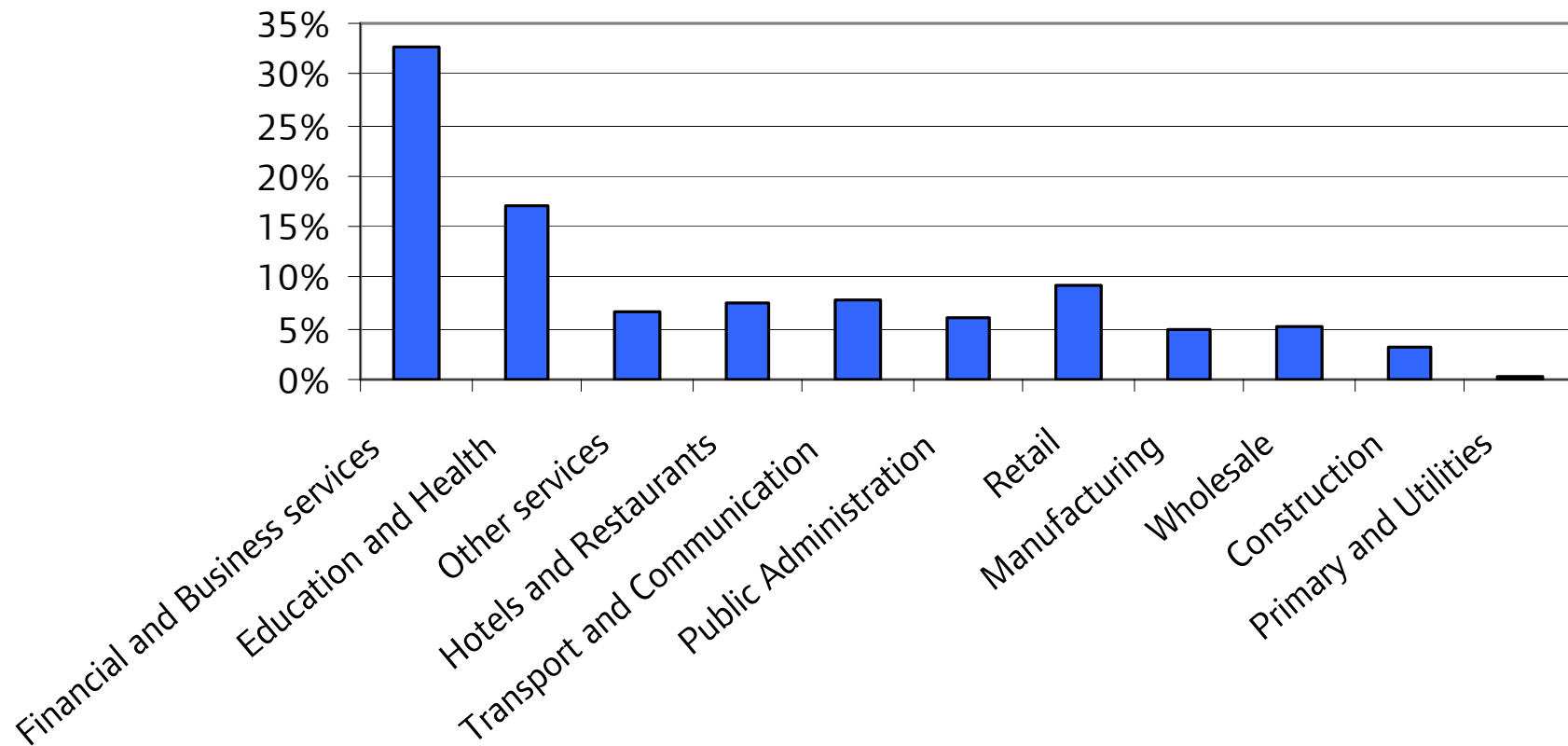
Latest data: May 07 , next release 15 August

Including bonuses: 3.5% Excluding bonuses: 3.5%

Source: Office for National Statistics

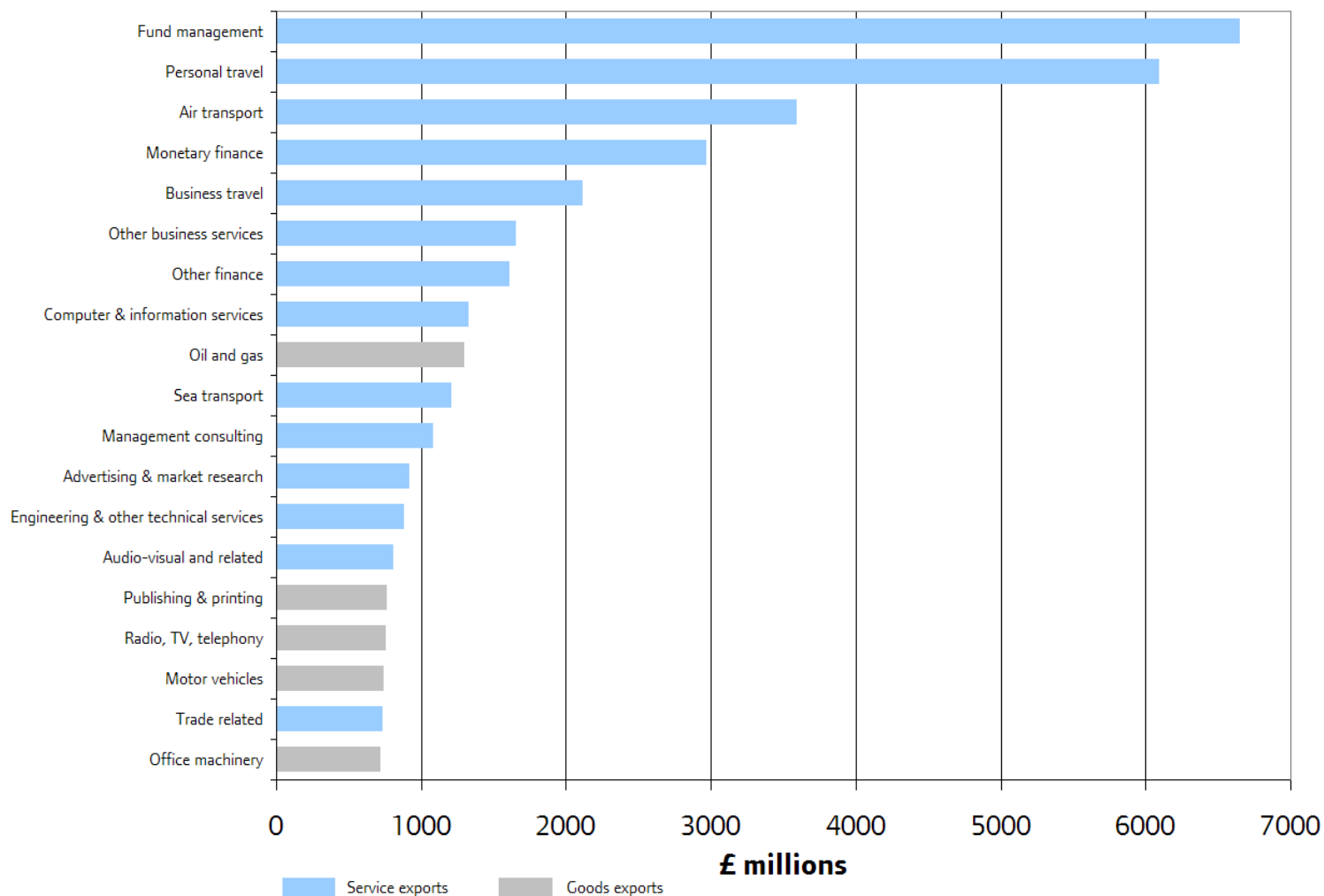
Financial and Business services are the major employer in London

Employees by business sector in London, 2005



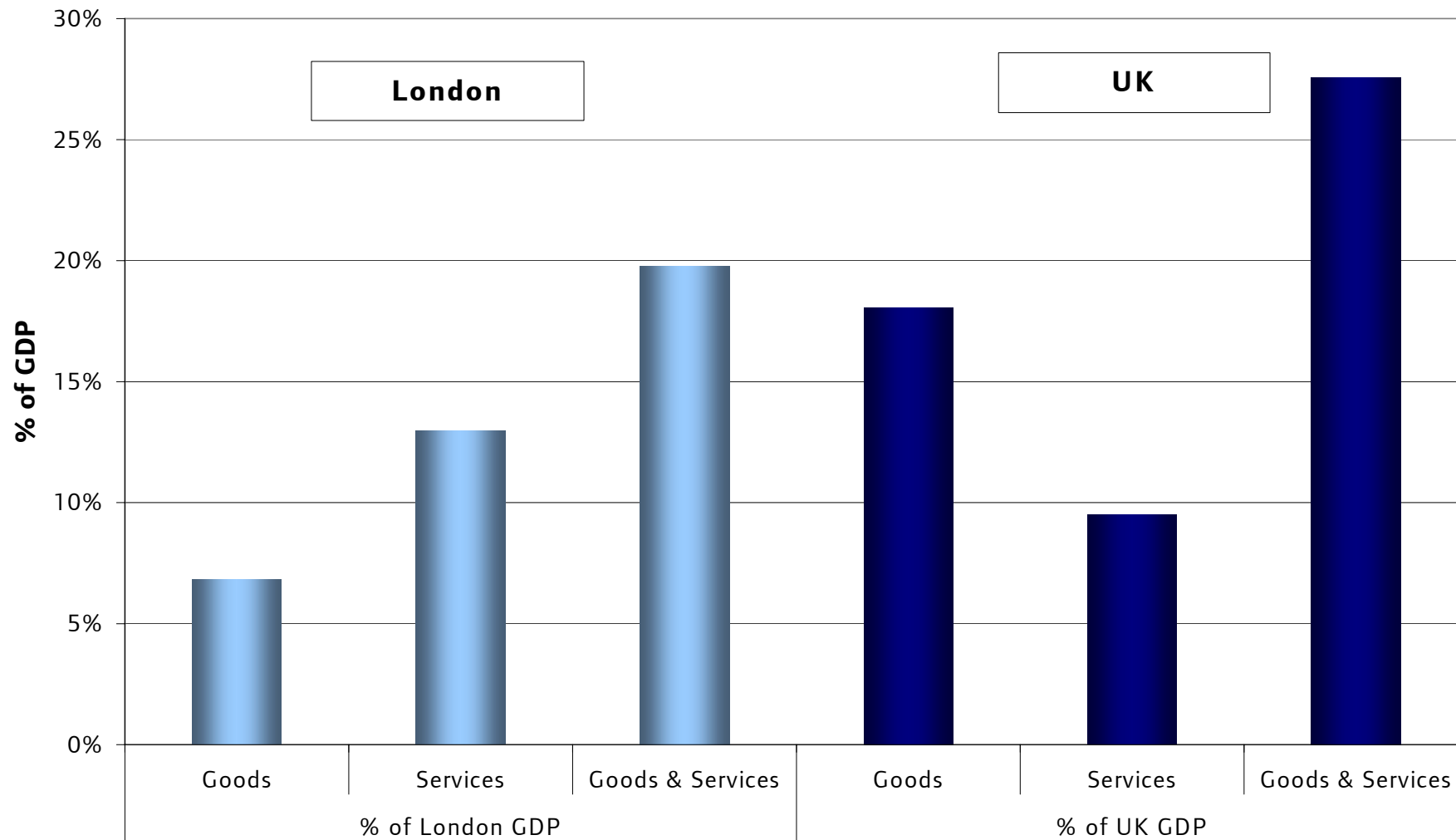
Source: ABI

London's exports



Source: GLA Economics calculations based on ONS, UK trade in Goods Analysed by Industry, ONS Pink Book, ABI and Northern Ireland Census of Employment

London's exports



Source: Source: GLA Economics calculations based on ONS, UK trade in Goods Analysed by Industry, ONS Pink Book , ABI and Northern Ireland Census of Employment

But, what do we really know about London's output?

- There are quality issues with London's output:
FISIM- *Financial Intermediation Services indirectly measured*
 - Direct charges + (lending – borrowing) = FISIM
- There is no official figure for the split in consumption so currently ONS takes its ALL off as intermediate consumption AND assumes that it is all *consumed* where it is *produced*.

London's output is underestimated

- The GVA for London is underestimated by:
 - The final consumption of FISIM in London
 - The proportion of the intermediate consumption that is consumed outside London (businesses etc)
- The GVA for each (non banking) industrial sector is overestimated by its (intermediate) consumption of FISIM
- The adjustment for London was **-£22 billion** in 2003 (**-14%** of London's GVA)
- ONS to allocate FISIM to consuming sectors in 2007