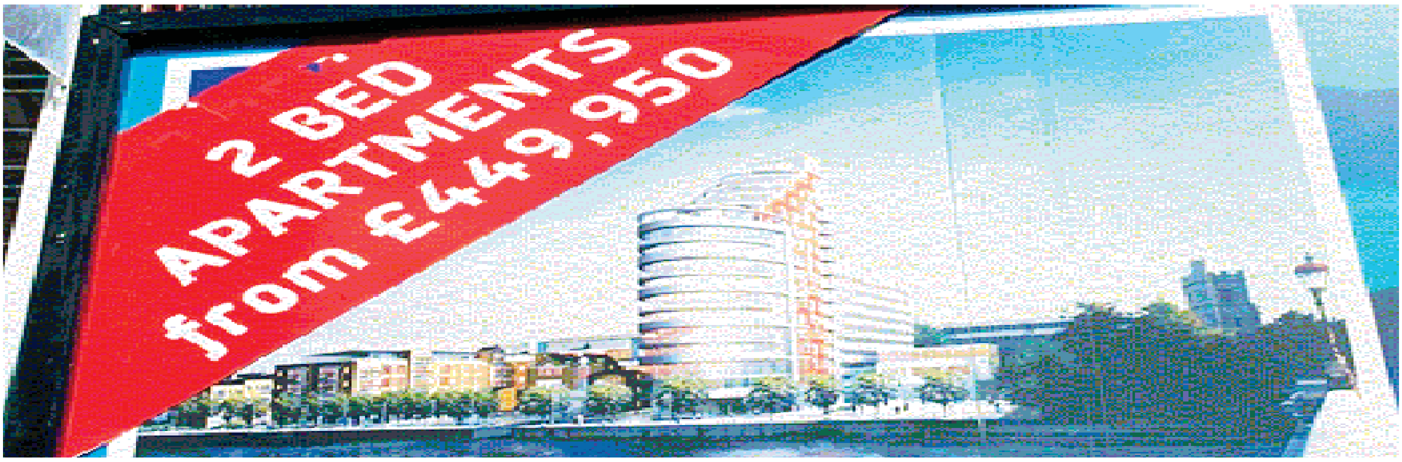
GLA ECONOMICS

London's Economy Today



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London's Economy Today is published by email and on www.london.gov.uk on the third Tuesday in every month. It provides an overview of the current state of the London economy, and a changing 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 and central government.

Short summer boost or turning point?

by Christopher Lewis

Despite disappointing results for UK gross domestic product (GDP) for the second quarter of 2003, the most up-to-date monthly snapshots of the economy suggest the short-term outlook for the UK and London is becoming more positive. An improved international environment, especially in the US where there are initial signs of a strong economic recovery, has supported this outlook. The UK economy has benefited from a summer boost to retail sales, signs of strong gains in new business in the service sector, and indications of a greater probability of a soft landing for the housing market rather than a crash. This month's supplement considers the state of the housing market, including analysis of specific sub-sectors. It shows that house price levels, growth and type of tenure vary considerably across London.

First, the disappointing second quarter output data

Much concern was expressed over the revised GDP numbers for the first quarter of 2003, released in late June, which revised growth down from 0.2 per cent in the quarter to just 0.1 per cent. This was followed by the Office for National Statistics' (ONS's) first estimate of GDP growth for the second quarter of 2003 of 0.3 per cent, giving an annual rate of growth of 1.8 per cent. This was below expectations (in its May Inflation Report, the Bank of England had been expecting GDP growth of 0.6 per cent for the second quarter) and the economy's long-run trend. Manufacturing output was flat over the quarter, while output of the service industries grew by 0.4 per cent. However, there was significant growth in the distribution, hotels and catering sector of 1.2 per cent without which overall service sector growth would only have been 0.1 per cent.

Small signs of recent improvement, especially in London

The ONS's most recent figures report that industrial production was up 0.7 per cent in June compared with May. In addition, the Chartered Institute of Purchasing and Supply's monthly purchasing managers index showed that Britain's manufacturing sector took on new business and grew in July for the first time in nine months. The survey also indicated that Britain's service sector grew in July at its fastest rate since May 2002 and that operating conditions were becoming 'increasingly favourable'. According to July's CBI Regional Trends Survey, business confidence may have fallen in nine of the UK's eleven regions, but it was London that recorded the highest positive balance.

The international environment: an American recovery?

Over the last month, there have been few signs of a worsening economic climate in the EU, but neither has there been a sustained upturn in economic sentiment. The most encouraging news was that the eurozone service sector grew in July for the first time since December 2002, but this needs to be weighed against technical recessions in Italy and Germany during the first half of 2003. In its monthly bulletin, the European Central Bank reported increasing reasons to expect a gradual pick-up in eurozone economic activity in the second half of 2003.

US growth, non-manufacturing activity and rising business confidence have fuelled hopes of a strong US recovery. US GDP grew at a seasonally adjusted annual rate of 2.4 per cent in the second quarter, well above consensus forecasts of 1.5 per cent. A combination of government spending (mainly in the form of defence spending), a bounce in consumer spending and a leap in business investment growth to 6.9 per cent caused the better than expected figures. In its annual assessment of the US economy, the IMF saw gathering economic momentum and the Federal Reserve's latest snapshot of business activity (the Beige Book) was the most optimistic in the past year with investment plans picking up. However, the latest survey of US consumer confidence showed an unexpected drop and July's non-farm payrolls fell for the sixth consecutive month. Despite this, the outlook still seems more positive than expected a few months ago. The Institute of Supply Management's index of factory activity moved to growth in July and its non-manufacturing activity index reached its highest level since records began in July 1997.

There are also initial signs of an improvement in UK tourism during July that may well have been supported by the better overseas economic environment. American Airlines, which represents a third of transatlantic flights to the UK, believes that volumes recovered sharply in July to the standard level for the peak season. The British Incoming Tour Operators Association (BITOA) reported that visitor arrivals in June 2003 were up by 0.2 per cent compared to June 2002 and forward bookings increased 3.3 per cent compared with the previous year. Seasonally adjusted monthly figures for overseas visitors also rose in June, though there was a tiny fall in overseas visitor earnings.

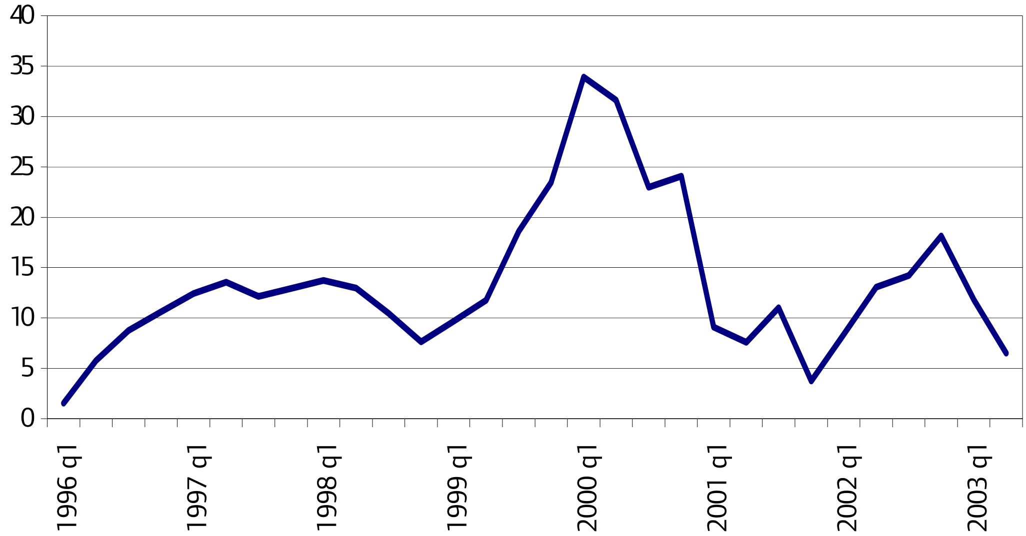
Summer shopping and housing market stability

British retail sales soared in the summer sun since June. The ONS reported that the volume of retail sales jumped by 1.9 per cent in June compared to May, and were 6 per cent higher than a year ago. (The three month annual rate rose from 3.3 per cent in May to 4.2 per cent.) The monthly rise was the sharpest since November 2001. July's CBI Retail Sales survey indicated that retail sales were growing at their fastest rate for over a year. Retailers' expectations for growth over the month ahead were running at their highest since December 2002. The FootFall index, which measures the number of visitors to retail centres in London, increased moderately on average for July when compared with the same time last year.

Anecdotal evidence indicates that the sunny weather has led to especially strong sales of drinks and barbecue food. Power companies are also set to receive a boost as greater use of air conditioning units prompts a surge in demand for electricity. The latest retail sales data, along with a significant improvement in consumers perceptions of the benefits of making big purchases in the present economic climate (Martin Hamblin GfK's July survey), show that any fear of a collapse in consumer confidence in the near future seems unfounded. There is more concern that record debt levels supporting retail sales will eventually become unmanageable. The Bank of England reported that total borrowing leapt nearly £10 billion between May and June, the largest-ever monthly increase and a record 14 per cent rise on a year earlier. Homeowners re-mortgaging was the main reason for the boost in debt levels.

With these levels of consumption and debt, a housing market crash would be a powerful force in reducing economic growth. Low interest rates, however, continue to support the market and the number of homes being repossessed has fallen to its lowest level in almost two decades. According to the Council of Mortgage Lenders, the first half of 2003 saw a 37 per cent fall in repossessions and a 20 per cent fall in mortgage arrears compared with the same period of 2002. Hometrack's July survey of London properties revealed that house prices stabilised in the capital after two months of minor falls of 0.1 per cent. London house prices recorded in Hometrack surveys have fallen only 0.6 per cent during 2003 so far. There were also continuing tentative signs of a recovery as prices achieved as a percentage of the asking price in London rose for the third month in a row to 92.1 per cent. Land Registry data showed that the average property price in Greater London rose by around 6 per cent in the second quarter of 2003, down from a rise of 12 per cent in the first quarter, when compared with the same period last year (Chart 1). In the second quarter, the volume of sales in the capital decreased by a quarter, to 28,911 from 38,681, for the same period in 2002.

Chart 1: Average house price growth in Greater London
per cent year-on-year growth, quarterly figures



Source: Land Registry

The national picture for July shows that Halfax's and Nationwide's annual measures of house price growth fell to 19.2 per cent and 17.9 per cent respectively, but a soft landing seemed more likely as July's monthly increases were higher than May's. Demand is moderating steadily as the number of first-time buyers falls to its lowest level since records began in 1974, as they struggle to get hold of sizeable deposits. Nationwide data shows that deposits vary from 11 per cent of house prices or over £7,000 in the North, to 17 per cent or nearly £30,000 in London. This is a factor causing house price growth to slow in the whole of the UK and to stagnate in London.

Medium-term dampening effect of company pension deficits
An annual survey of the pension schemes of Britain's top companies by actuaries Lane Clark and Peacock has shown that the pension deficits on these companies accounts have doubled over the past year to over £55 billion. This survey comes on top of the CBI's warning that a £160 billion pensions black hole faced by British business will hold back company's profits and investment. The CBI also believes that expected higher company pension contributions will lead to a fall in predicted corporation tax receipts as extra company pension contributions are tax deductible. The concern for the overall economy is that any additional company profits in an economic upturn will be used to rebuild balances on company pension funds rather than used for investment. This will put a drag on the speed of the expected recovery over the next few years.

Unbalanced growth
The short-term outlook for the UK and London economies is likely to be one of faster growth supported by the summer boost to retail sales, on-going public expenditure increases and ever higher household debt. There may also be the signs of an initial tentative improvement in London's weak tourist sector. However, a very strong recovery over the medium term appears less likely considering that the consumer sector is hugely indebted and business investment is picking up only very slowly. The current size of companies pension deficits will also weigh negatively on future business investment. Therefore, despite the likelihood that the second half of 2003 will prove to be a turning point to faster growth, the unbalanced nature of that growth seems set to continue. As Ian McCafferty, the CBI's chief economic advisor, recently said, 'The hoped-for rebalancing of the economy, in which the consumer slowdown is offset by a pick-up in business investment and exports, is not yet happening'.

Keeping track of London's workforce – GLA Economics' latest report

Workforce data is an important indication of the strength of London's economy. GLA Economics maintains its own workforce employment data which is used as the basis for many of the GLA Group's planning decisions for London.

The GLA's Workforce Employment Data describes the GLA's data set, including the primary sources and how they are compiled. It also contains an important study that GLA Economics commissioned from Dr Peter Urwin at the University of Westminster. Dr Urwin analyses some inconsistencies between the UK's primary employment data sources – the Annual Business Inquiry and the Labour Force Survey.

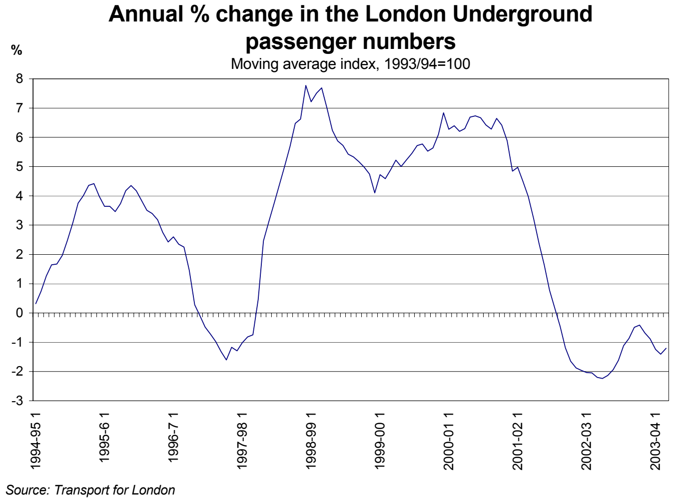
The report will be published by the end of August 2003 on the GLA Economics web pages: www.london.gov.uk/mayor/economic_unit

Economic indicators

Tube ridership goes up

Source: Transport for London
Latest release: 22/07/03
Next release: 20/08/03

- Tube ridership is higher for the first time since the closure of the Central Line in late January.
- The number of passengers using the London Underground increased 1 per cent in period 3 (25 May – 21 June) from the previous period, as the Central Line service was fully restored from 2 June.
- Although numbers have recovered slightly, they are lower than figures for the same period in 2002.

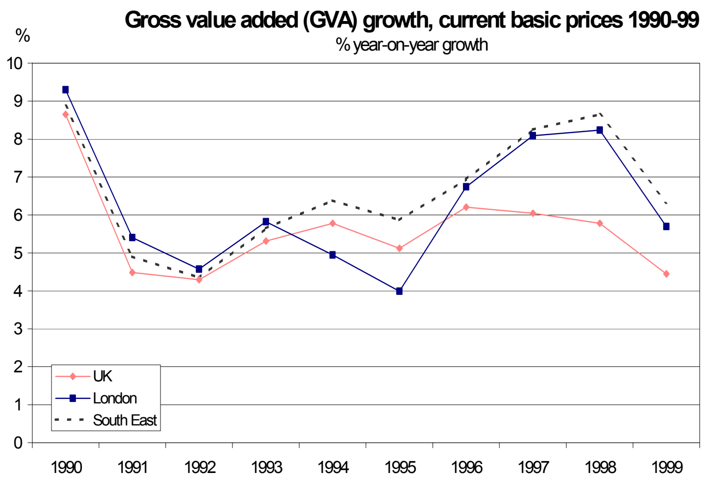


Source: Transport for London

Economic activity

Source: EBS and ONS
Latest release: 25/07/03
Next release: 24/10/03

- Preliminary ONS estimates of UK GDP for the second quarter indicate that the UK economy increased by 0.3 per cent from the previous quarter. This was stronger quarterly growth compared to 0.1 per cent in the first quarter of 2003, but it remains below the average trend growth of 0.6 per cent.
- The most recent official figures for regional GVA for 1999 indicate London's economy had the largest GVA of £127.7 billion, but the South East had the strongest growth.

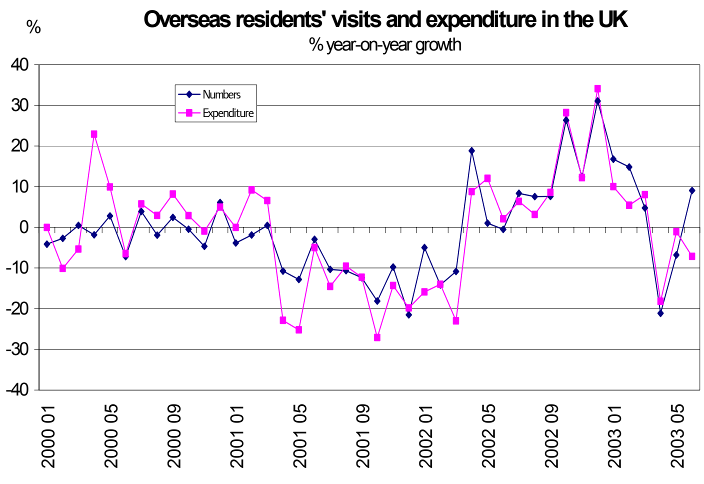


Source: ONS

Overseas visitors

Source: ONS
Latest release: 14/08/03
Next release: 5/09/03

- UK tourism activity showed a mixed picture in June. The number of overseas visitors continued to increase while expenditure by overseas visitors declined.
- The number of overseas visitors to the UK rose 9 per cent to 2.7 million. This was due to more tourists coming from North America, Western Europe and other areas. However, this recovery has been slow, as only the number of tourists from Western Europe were higher in June 2003 compared to June last year.

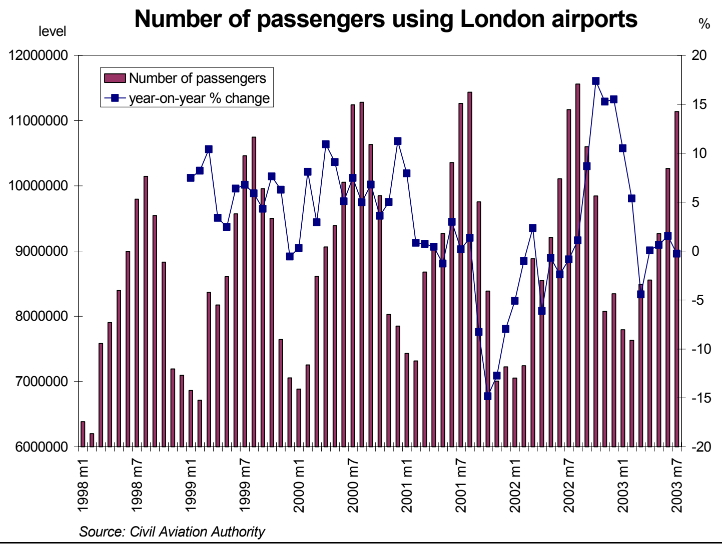


Source: ONS

More activity in London airports

Source: CAA
Latest release: 11/08/03
Next release: mid-September 2003

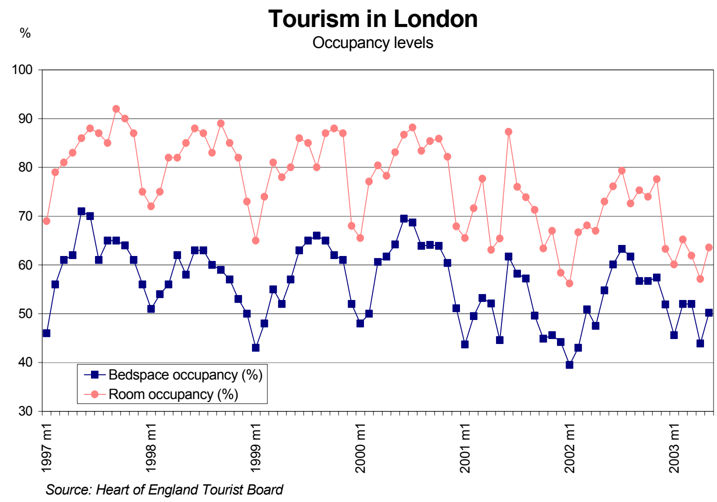
- The number of passengers using London airports rose by 1.4 per cent in July, despite the British Airways' strike.
- This is the second consecutive month of increasing air traffic in London airports, suggesting a possible recovery in visitors to London.
- Stanstead airport reported a strong 11.3 per cent increase, while Heathrow declined 0.7 per cent due to the strike.



Hotel occupancy levels improve

Source: Heart of England Tourist Board
Latest release: August 2003
Next release: October 2003

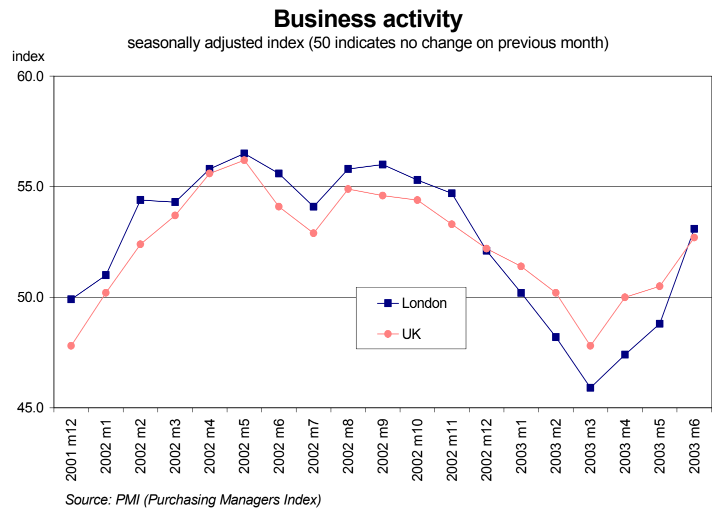
- Following the end of the Iraq war, people's confidence in travelling to London rebounded in May. The proportion of overseas guests staying in London rose above 60 per cent in May compared to the February low of 51 per cent (not shown in this chart).
- London's bed and room occupancy rates recovered in May after a subdued April.
- However, occupancy rates at London hotels have not increased to levels seen during 2002 and before 11 September 2001.



Business activity recovers

Source: PMI/Royal Bank of Scotland
Latest release: 11/08/03
Next release: 08/09/03

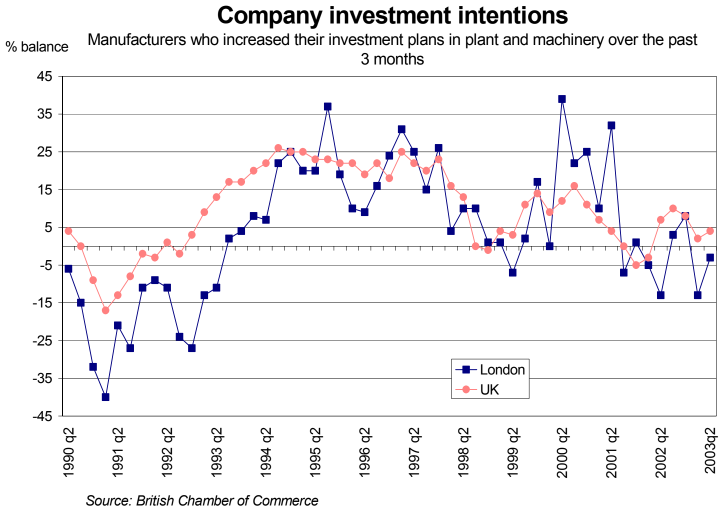
- Business activity in London and the UK continued to improve since the Iraq war.
- Companies feel their prospects have improved and they have expanded their business activity.
- London firms increased their business activity in June more than UK firms, for the first time since November 2002.



Manufacturing sector investment improves

Source: BCC
Latest release: late July
Next release: 16/10/03

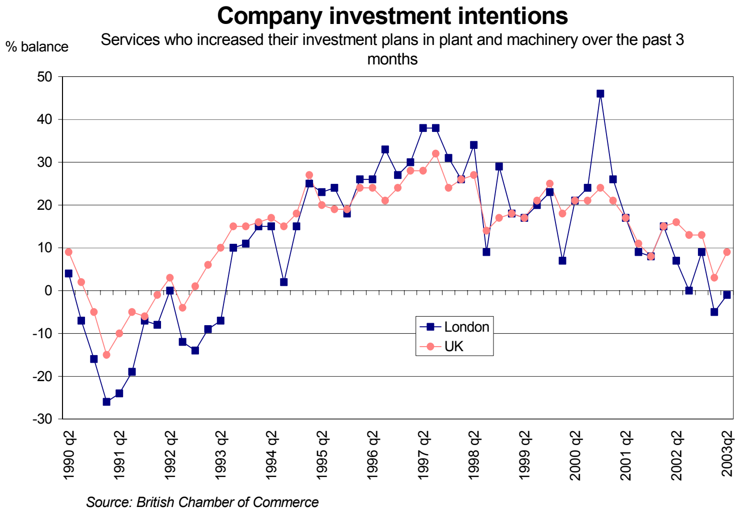
- The balance of manufacturers who increased their intentions to invest in plant and machinery in the UK and London improved in the second quarter.
- However, for London the balance remained negative, indicating that more firms in the manufacturing sector reduced their investment plans in the second quarter.
- Despite the recovery in UK investment in the manufacturing sector in the second quarter, the positive balance is lower than comparable levels in 2002.



Service sector investment improves

Source: BCC
Latest release: late July
Next release: 16/10/03

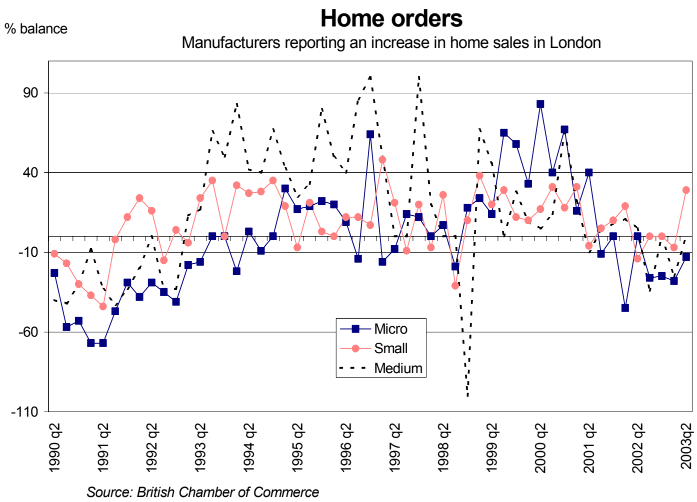
- UK service sector firms have also increased their investment plans in plant and machinery in the second quarter.
- The balance for London was still marginally negative in the second quarter.
- The service sector continued to be slightly more optimistic than the manufacturing sector regarding investment intentions.



Home orders recover in London

Source: BCC
Latest release: late July
Next release: 16/10/03

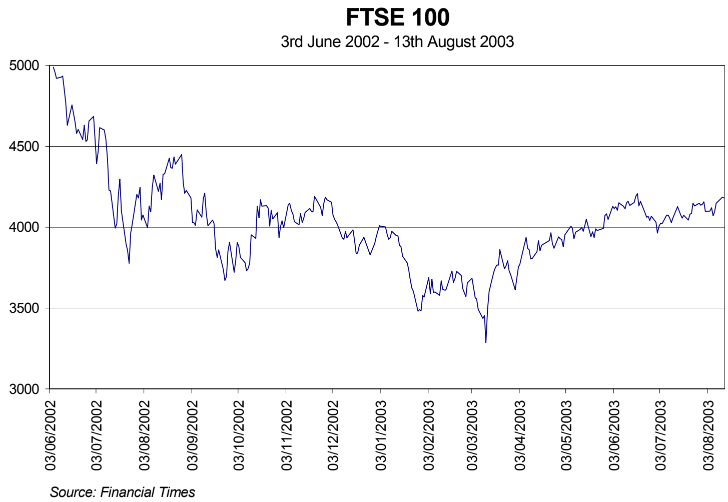
- The balance of manufacturers in London reporting increases in home orders improved in the second quarter.
- Small firms experienced the strongest recovery in home orders, recording a positive balance for the first time since the second quarter of 2002.
- Furthermore, small firms in London's manufacturing sector are feeling slightly less optimistic than they were before the economic slowdown.



UK equity market recovers

Release: Daily
Source: Financial Times

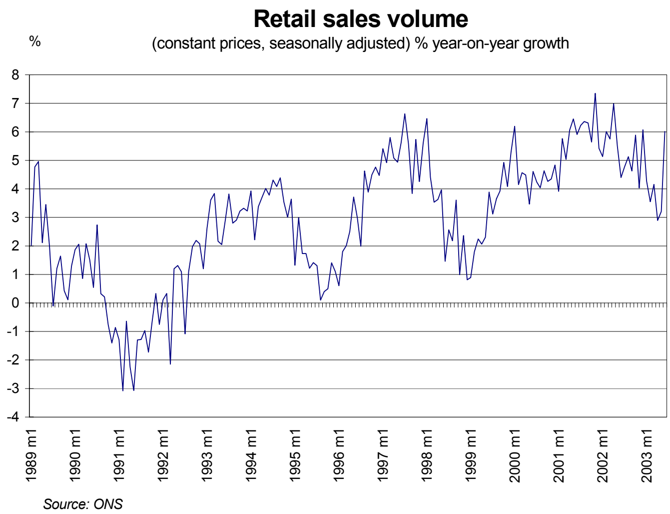
- The FTSE 100 grew 2 per cent since Issue 11 of *London's Economy Today*.
- The index rallied strongly during the second week in August, reaching 4,273, its highest level since late August 2002.
- Good corporate earnings momentum and better than expected economic prospects in the US and Japan has helped the UK equity market to recover.



Retail sales growth doubles in June

Source: ONS
Latest release: 24/07/03
Next release: 5/09/03

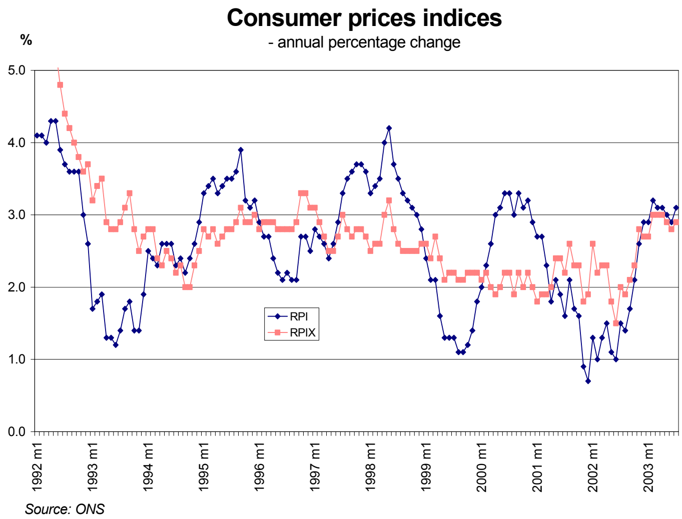
- UK consumer spending was surprisingly strong in June, with a monthly growth in retail sales of almost 2 per cent (not shown in the chart).
- This is the strongest monthly growth since January 2000. Moreover, the annual growth rate doubled in June, reaching 6 per cent.
- Record levels of consumer credit and the hot weather underpinned the upsurge in consumer demand during June.



Inflationary pressures rise

Source: ONS
Latest release: 12/08/03
Next release: 16/10/03

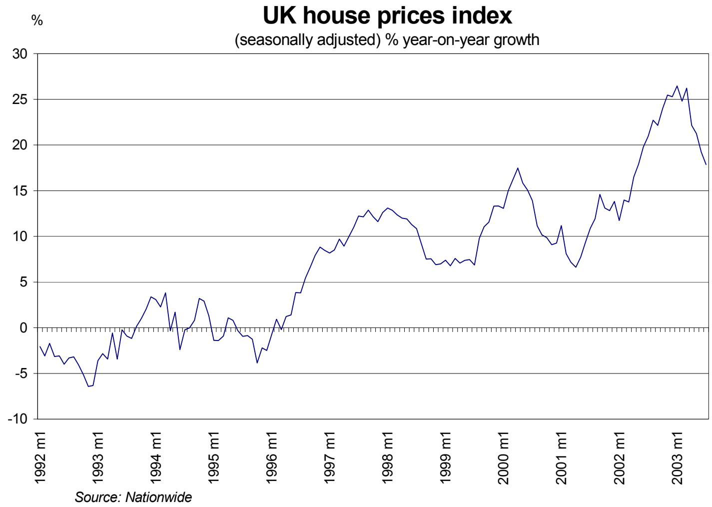
- The retail price index (RPI) rose to 3.1 per cent in July, up from 2.9 per cent in June. The RPIX, which is the RPI minus mortgage interest payments, increased by 2.9 per cent in July from 2.8 per cent in June.
- Clothing and fare and other travel costs were main items contributing to increases in inflation rate.
- The Bank of England's August Inflation Report acknowledged that pressures are temporary. However, inflation is expected to be below its target of 2.5 per cent during 2004.



UK housing market slows gently

Source: Nationwide
Latest release: early August 2003
Next release: early September 2003

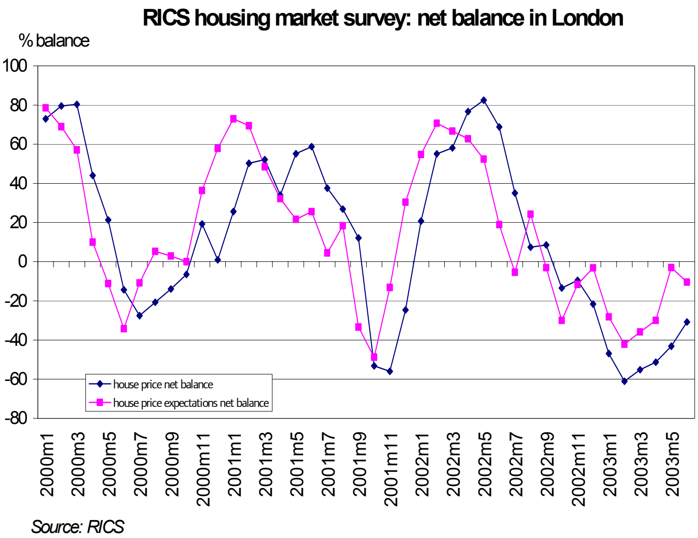
- UK house prices continued to rise at a steady pace in July, aided by recovering in consumer confidence since the Iraq war ended. The monthly Nationwide house price index grew 1.0 per cent in July, faster than 0.9 per cent in June.
- Annual house price inflation has continued to slow down gently since March, rather than show a sharp correction. UK house prices were 18 per cent higher in July than this time last year. This is down 1 per cent from annual house price inflation of 19 per cent in June.



House prices in London

Source: RICS
Latest release: late July
Next release: late August

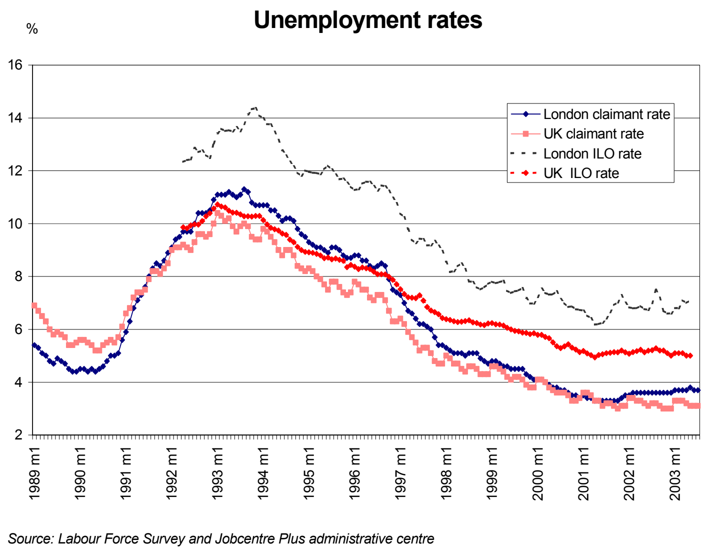
- London house prices showed signs of more stability in June than in past months. The monthly net balance rose in June, but remained negative.
- A higher proportion of surveyors are still reporting decreases rather than increases in London house prices in the previous three months. However, the balance is becoming less negative. In June, there was an increase in the balance of surveyors who were expecting house prices to decrease.



Labour markets are stable

Source: Jobcentre Plus administrative system
Latest release: 13/08/03
Next release: 17/09/03

- The UK and London labour markets remained generally stable in June and July.
- The UK and London claimant count rate (based on people claiming unemployment benefits) remained at 3.1 and 3.7 per cent respectively from June. Since April 2000, rates have been below 4 per cent compared to 11 per cent at the peak of the last recession.
- The ILO's UK unemployment rate (based on people out of work) also remained unchanged in the three months to June 2003 at 5 per cent. The exception was the ILO's figures for London, which rose by 0.1 percentage points to 7.1 per cent.



The state of London's housing market and 'sub-markets'

by Adarsh Varma

- London has a highly complex and polarised housing market. Housing structure, prices and attributes are very different across the 33 boroughs, as shown in the maps in this supplement.
- Average house prices range from £642,482 in Kensington and Chelsea to £142,891 in Barking and Dagenham.
- It is becoming increasingly difficult for Londoners to get on the property ladder. The average homebuyer in London pays £193,508 for their first home, almost double the UK average of £103, 294.[1]
- An inadequate supply of housing, coupled with a growing population, has serious implications for household welfare and the economy. In London, councils accepted 28,652 applications for homelessness in 2001-02, up 11 per cent since 1996-97.[2]
- Current economic indicators suggest that over the next year house price inflation will slow steadily rather than crash.

London's growing population, together with declining household size and rising incomes, requires a wider range of housing, in terms of property type and tenure, in London. Sub-markets are identified by type of property (eg flats, multiple-occupancy buildings and detached houses) and by tenure (eg social and private rented accommodation, and intermediate housing).

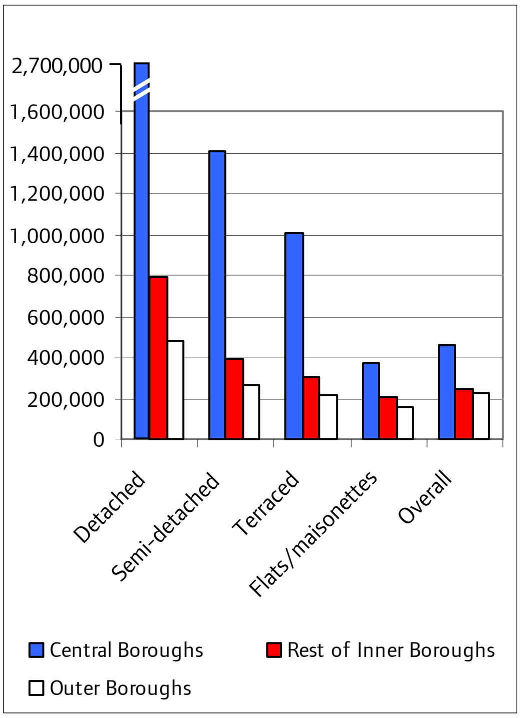
Housing in London

In recent years, property investment and the buoyant housing market has helped support the London economy in the wake of stock market downturns. Over the past three years, house prices in London have risen by 32 per cent, whereas the FTSE 100 index has fallen by 44 per cent over the same period.

The variation in house prices by property type is considerably greater in central and inner boroughs compared to outer boroughs. On average, semi-detached properties cost around 3.8 times more than flats and maisonettes in the central boroughs, but only around 2 and 1.7 times more in the rest of inner and outer boroughs respectively.

House prices in central London reflect high demand (and low supply) with an average dwelling density[3] of 5,300 per km^2 compared to the Greater London average of 3,150 per km^2.

Chart 1. House price by property type

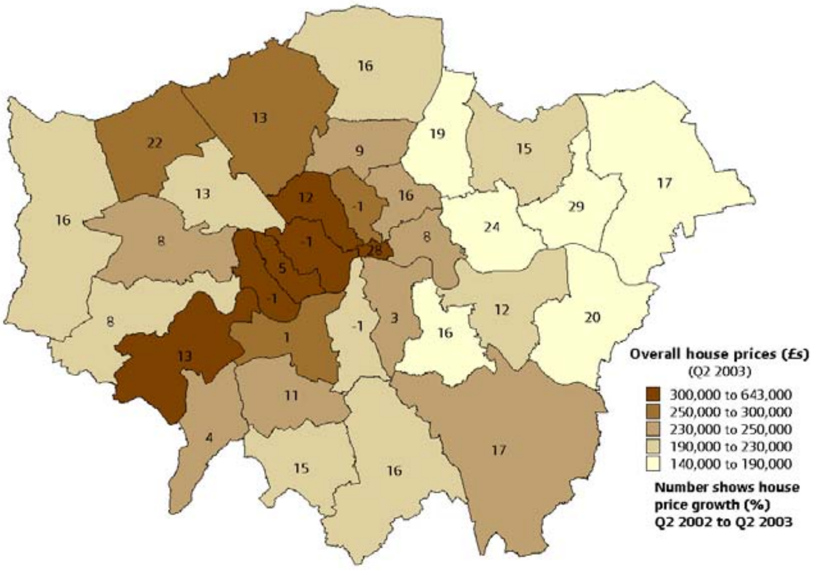


Source: Land Registry Q2 2003
Central boroughs: Kensington and Chelsea, City, Camden, Westminster, Islington, and Hammersmith and Fulham
Inner boroughs: Hackney, Haringey, Lambeth, Lewisham, Newham, Southwark, Tower Hamlets and Wandsworth
Outer boroughs: All boroughs apart from inner and central boroughs

[1] Halifax Bank of Scotland
[2] Housing in London, GLA, 2003
[3] Valuing Greenness, GLA, 2003

It is interesting to note that the boroughs with the highest house prices are different from the boroughs with the most rapid growth in house prices (Map 1). Outer boroughs such as Barking and Dagenham, Newham, Enfield, Redbridge and Hillingdon registered the highest percentage growth in house prices between the second quarters of 2002 and 2003.

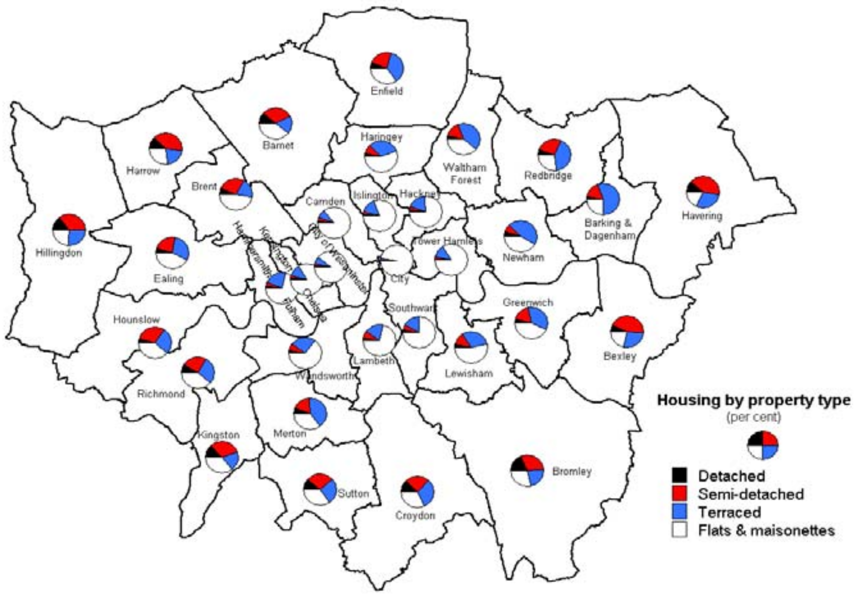
Map 1. House price levels and average house price growth for London Boroughs



Source: Land Registry

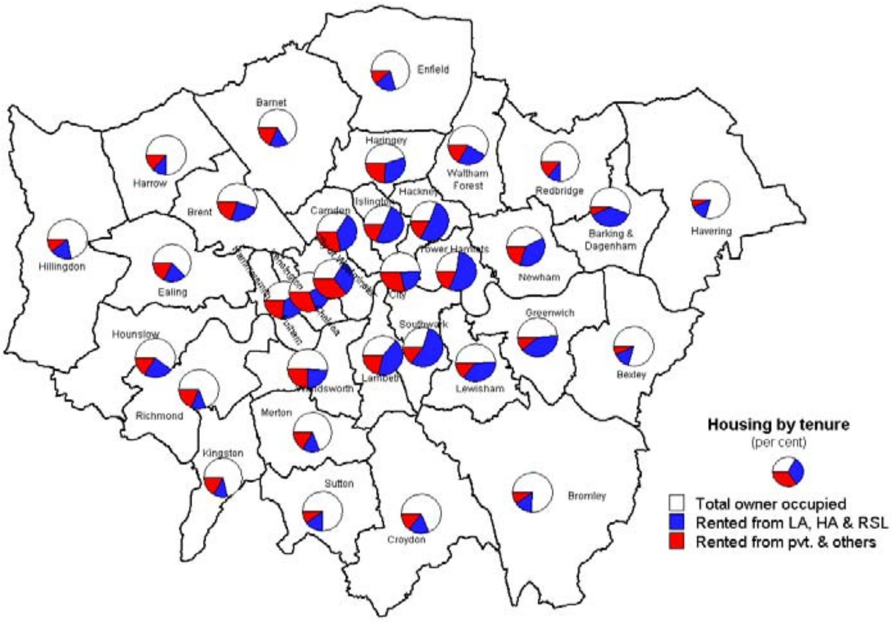
Map 2 shows the majority of households in inner and central London live in flats or maisonettes. There is a marked difference in housing stock between London and the rest of England. Only 4 per cent of London households live in detached properties compared to over 20 per cent nationally. In inner London, 29 per cent of households live in whole houses or bungalows and 71 per cent live in flats or maisonettes. The figures are 66 per cent and 34 per cent for outer London respectively.

Map 2. Housing by property type



Source: ONS neighbourhood statistics

Map 3. Housing by tenure



Note: Total owned includes owned outright or being bought with a mortgage/loan

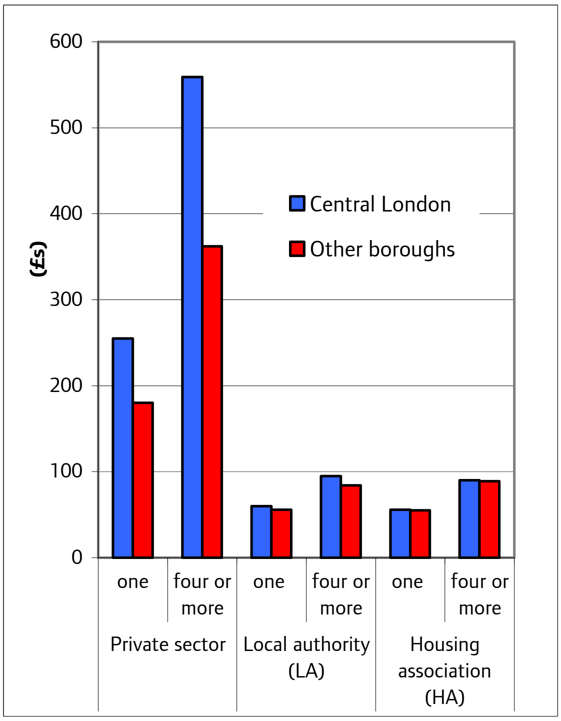
LA: Local Authority; HA: Housing Association; RSL: Registered Social Landlords

Maps 2 and 3 show the outer boroughs mainly have owner-occupied whole houses or bungalows. The total value of equity (value of homes minus any outstanding mortgages) among London's 1.8 million owner-occupiers is around £350 billion. In the inner boroughs, a large number of households live in private or socially rented flats or maisonettes.

Map 3 shows that boroughs with relatively high deprivation indices (over crowding and people receiving income support), such as Hackney, Newham and Tower Hamlets, have a large proportion of householders in socially rented accommodation.

Central London boroughs such as Camden, Westminster, and Kensington and Chelsea have a high proportion of rented housing, mainly attributed to young single households. In 2002-03, the average weekly rent in central London was £255 for a one-bedroom dwelling and £559 for four or more bedrooms.[4] For all other boroughs, the average was £180 and £362 respectively (Chart 2). There is not much difference in social rents between central London boroughs and other boroughs.

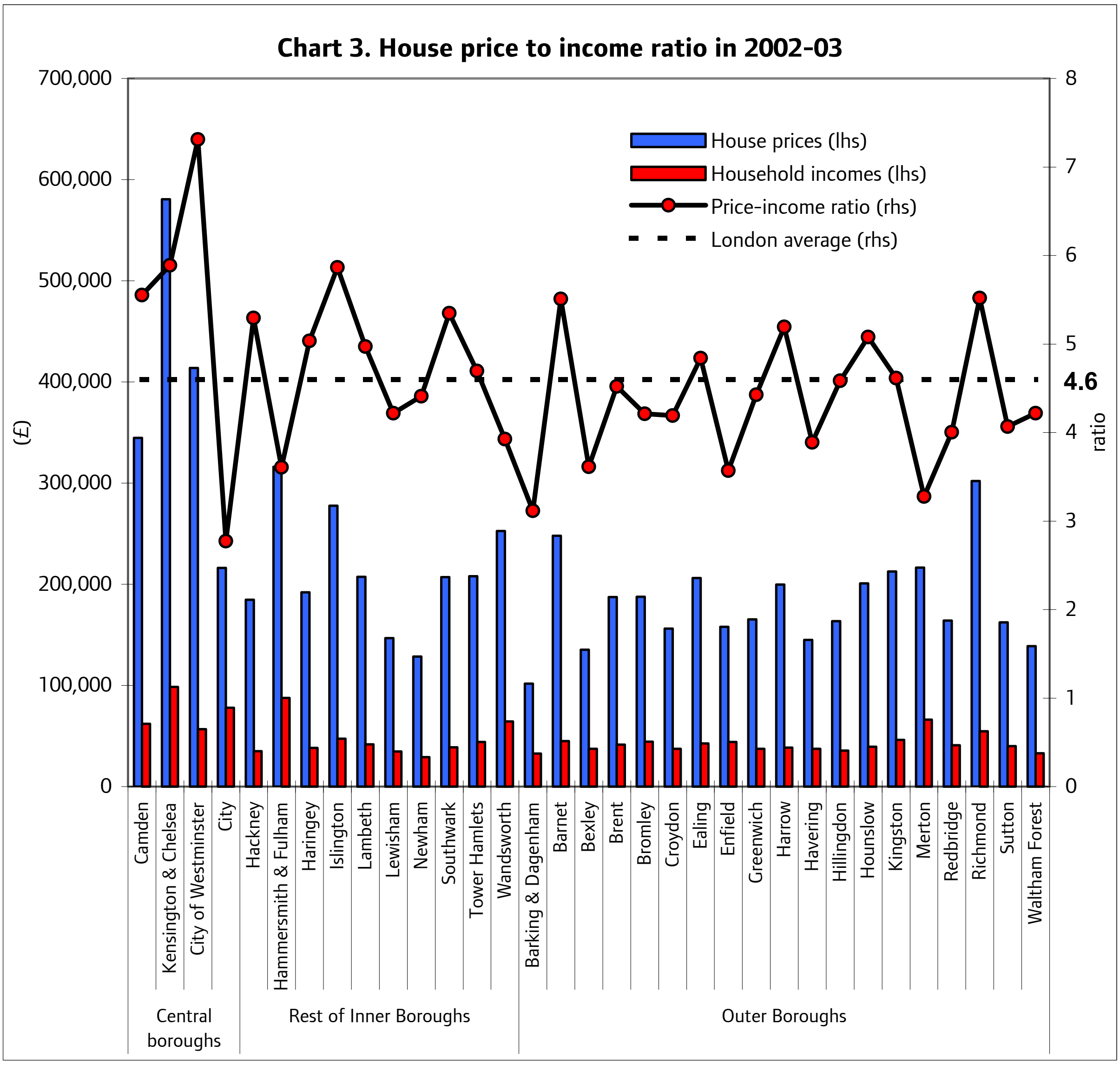
Chart 2. Average private and social weekly rents by number of bedrooms (2002-03)



Source: Housing in London 2003, GLA
Private sector rents bulletin, Winter 2002/03, GLA

[4] *Private sector rents bulletin*, GLA, Winter 2002-03

Can we afford it?
In London, the increase in the house price to income ratio, an indicator of affordability, has attracted a lot of attention in recent times. Chart 3 shows most London boroughs have a higher house price to income ratio than the England and Wales average of 4.3.



Source: Incomes of working households: Family Expenditure Survey 1998/99–2000/01 (uprated to 2002/03)
House prices: Land registry Q1 2003

Buying an average-priced home in London requires a single gross salary of over £62,055[5], assuming the lending limit is restricted to 3.5 times income. However, the average annual London salary is £32,448. In inner London, 79 per cent of all working households cannot afford 25 per cent of the least expensive four to five room dwellings, compared to 74 per cent in outer London.[6]

The house price to income ratio can be a misleading indicator of affordability if the level of interest rates is not taken into account. The ratio of average mortgage payments to incomes in London actually fell to 30 per cent in 2003 compared to around 40 per cent in 2000.[7] While the pain of buying higher priced houses has been eased slightly by low interest rates, mortgages have become larger.

First-time buyers are particularly hurt by a high

[5] *Tipping the balance*, London Housing Federation, 2003
[6], *Can work - can't buy*, Steve Wilcox, Joseph Rowntree Foundation, 2003

[7] Housing futures 2023, CEBR, 2003

price to income ratio. Using figures from the Council of Mortgage Lenders, GLA Economics calculations show the number of loans to first time buyers in London has fallen by 43 per cent from 17,220 in the second quarter of 2002 to 9,880 in the second quarter of 2003. Even when interest rates are low, rising house prices still require substantial deposits. Nationwide figures for July 2003 show that first-time buyers in London pay an average deposit of £30,000, compared to £11,610 for the rest of the UK.

What does it mean for Londoners and the economy?

An inadequate housing supply affects social welfare. High house prices can contribute to poor housing conditions, longer commuting times, overcrowding, temporary accommodation, and increased homelessness and people sleeping rough.

- In Autumn 2001, people working in central London travelled for an average of 57 minutes to get to work, compared to 25 minutes for Great Britain.[8]
- London has an average household size of 2.35. Newham has the largest in the country at 2.64 and the City has the smallest at 1.58.[9]
- There are now 59,767 households living in temporary accommodation.[10]
- Nearly 8 per cent of households in London do not have central heating.

Homes are also being bought as investments, rather than for their fundamental purpose. In the past five years, there has been an increase in the number of people buying properties to rent them out. In Britain, the value of an average buy-to-let portfolio was £686,000 in the first quarter of 2003, up 3 per cent since last year.[11] The total return from residential property in 2001 for London was nearly 19 per cent compared to –13 per cent for shares.[12] Buying houses for investment purposes is one reason for rapid house price growth. It can lead to a situation where middle-income earners and key workers find it difficult to buy houses and have to rent or buy shared properties as they do not qualify for social housing. When this occurs, the provision of intermediate low-cost housing and sub-market renting options becomes vital.

Where do we go from here?

The changing pattern of London's households will put more pressure on housing supply. London's population is projected to increase by 700,000 between 2001 and 2016, with an increase in households of about 370,000.

Table 1. Greater London household projections and forecasts by household type ('000s)

Households	2001	2016	Change
Married couple	1059	892	-167
Co-habiting couple	299	438	138
Lone parent	250	297	47
2+ person (no family)	364	458	94
One-person	1049	1309	260
Total	3023	3394	372
Average household size	2.35	2.30	

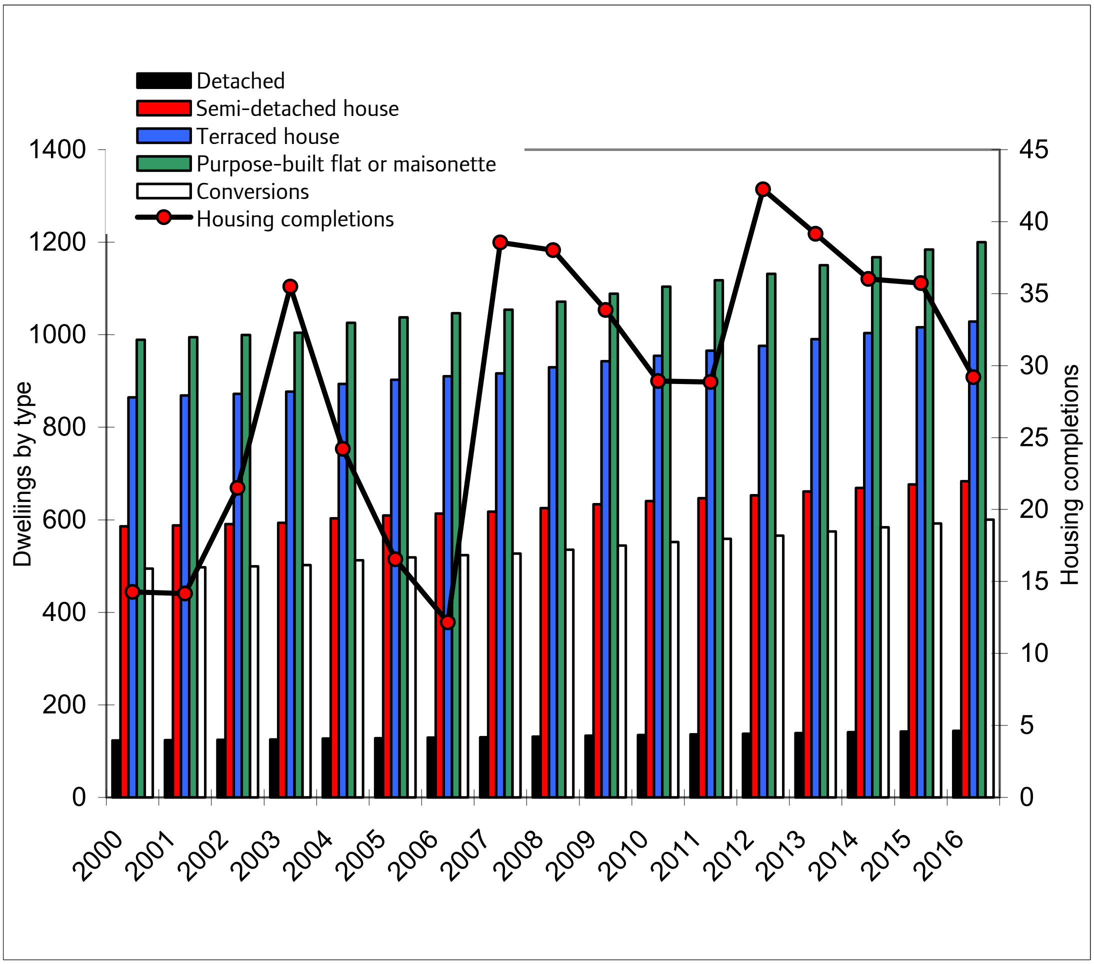
Source: GLA, Household Forecasts based on 2001 Census Key Statistics, DMAG 2003/10

Future changes in household size have serious implications for housing supply in terms of the type of property demanded. Table 1 shows that married couple households are decreasing, but a high increase in one-person households is expected. Independent lifestyles will require more one and two-bedroom flats instead of larger homes. For most one-person households, private renting will be one option for reasons such as job flexibility. As a result, the stock of housing from the private rented sector has to be maintained with individual and institutional investments.

[8] *London Travel Report*, 2002, TfL
[9] *DMAG Briefing 2003-14 2001 Census Key Statistics: People, Families and Households*, GLA, 2003
[10] *Monthly homelessness monitoring statistics*, GLA, May 2003
[11] *Paragon News*, March 2003, www.paragon-mortgages.co.uk
[12] *London Letting Review*, Knight Frank Research, 2002 Quarter 1

Chart 4 shows that changes in London's demography are likely to be addressed by building smaller dwellings for single occupancy and smaller families.

Chart 4. Dwelling by type and average housing completions ('000s)



Source: CEBR
Note: Forecasts are better understood when taken as averages over certain periods, rather than at a specific point in time

Conclusion

There are three probable scenarios for the housing market in London.

- House prices will grow as the economy gradually picks up
- The market will continue to weaken – but not crash – as low interest rates ease the pain of higher house prices
- An increase in interest rates could cause house prices to fall sharply. Prices could also fall if the number of first-time buyers continues to decline.

On the basis of recent consumer behaviour, interest rates and market conditions, GLA Economics believes the most likely outcome is a gradual weakening of the London housing market compared to previous years. Sales are expected to fall, and the number of first-time buyers is expected to decline. However, expectations of continued low interest rates and sustained high levels of employment are sound reasons to believe there will not be a slump in London's housing market.

Data sources

Tube Ridership	Further information: contact Transport for London on 020 7941 4500
FTSE 100 Index	Further information: see www.ft.com or the daily Financial Times
Brent Crude oil	Further information: see www.ft.com or the daily Financial Times
Office Space Demand	Further information: see www.cbhillierparker.com
House Prices	Nationwide house price data from www.nationwide.co.uk/hpi/ Land Registry data from http://www.landreg.gov.uk Royal Institute of Chartered Surveyors
Consumer Confidence	Further information: see www.martinhamblin.co.uk
Average earnings	Data available from www.statistics.gov.uk
Retail Price Index	Data available from www.statistics.gov.uk
MEW	Data available from www.bankofengland.co.uk
Retail Sales	Data available from www.statistics.gov.uk/rsi
Unemployment rates	Data available from www.statistics.gov.uk
GDP/GVA Growth	Data available from Experian Business Strategies on 020 7630 5959
Balance of Trade	Data available from www.statistics.gov.uk
Index of Production	Data available from www.statistics.gov.uk
Manufacturing Expectations	Further information see www.cbi.org.uk
Services Sector	Data available from www.cips.org
Profitability	Data available from www.statistics.gov.uk
Tourism - Overseas Visitors	Data available from www.statistics.gov.uk
Tourism - Domestic Visitors	Data available from www.londontouristboard.com
London Airports	Data available from www.caa.co.uk
New orders	Data available from www.rbs.co.uk/pmireports

Acronyms

BAA	British Airways Authority
CC	British Chamber of Commerce
CAA	Civil Aviation Authority
CBI	Confederation of British Industry
CIPS	The Chartered Institute of Purchasing and Supply
CML	Council of Mortgage Lenders
EBS	Experian Business Strategies
EMU	Economic and Monetary Union
FTSE 100	Financial Times Stock Exchange 100 index of stocks traded on the London Stock Exchange
GDP	Gross Domestic Product
GVA	Gross Value Added
ILO	International Labour Organisation
IPS	International Passengers Survey
LCC	London Chamber of Commerce
MEW	Mortgage Equity Withdrawal
ONS	Office of National Statistics
PMI	Purchasing Managers Index
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index

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5	Emerging trends in employment in London, 2000-2001
6	Recent developments in UK and London's business investment
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8	Contribution of open green spaces to London's economy
	Why are Londoners spending more than the average Briton?
9	Tourism and the London Economy
10	The UK and Economic and Monetary Union

GLA Economics welcomes a new Senior Economist

Christopher Lewis joins GLA Economics from London Economics where he was a senior economic consultant. Previously, Christopher worked as an economist at the Bank of England and in the Government Economic Service (GES) at the Health and Safety Executive (HSE). At the Bank of England he co-authored reports on the financing of small firms. Christopher's experience also includes surveillance work covering the economies of various emerging market countries as well as the UK. Christopher has an MA in Economics from the University of Kansas, US.

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Hindi

यदि आप इस दस्तावेज़ की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नम्बर पर फोन करें अथवा दिये गये पता पर सम्पर्क करें।

Vietnamese

Tiếng Việt
Nếu bạn muốn bản sao của tài liệu này bằng ngôn ngữ của bạn, hãy gọi điện theo số hoặc liên lạc với địa chỉ dưới đây.

Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন্ নম্বরে বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

Greek

Αν θα θέλατε ένα αντίγραφο του παρόντος εγγράφου στη γλώσσα σας, παρακαλώ να τηλεφωνήσετε στον αριθμό ή να επικοινωνήσετε στην παρακάτω διεύθυνση.

Urdu

اگر آپ اِس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہِ کرم نیچے دیئے گئے نمبر پر فون کریں یا دیئے گئے پتہ پر رابطہ قائم کریں.

Turkish

Bize telefon ederek ya da yukarıdaki adrese başvurarak bu belgenin Türkçe'sini isteyebilirsiniz.

Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، الرجاء الاتصال برقم الهاتف او الكتابة الى العنوان

Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ઉપર ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

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