

# **London's Economic Outlook: How is London Performing?**

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**GLA Economics**

**Thursday 26<sup>th</sup> June 2014**



# Overview

- The first part of the presentation provides the state of the London economy.
  - A range of indicators suggest London's current growth is stronger than the UK
- The second part of the presentation looks at current conditions and then presents our forecast through to 2016, and goes on to explore risks to the forecast

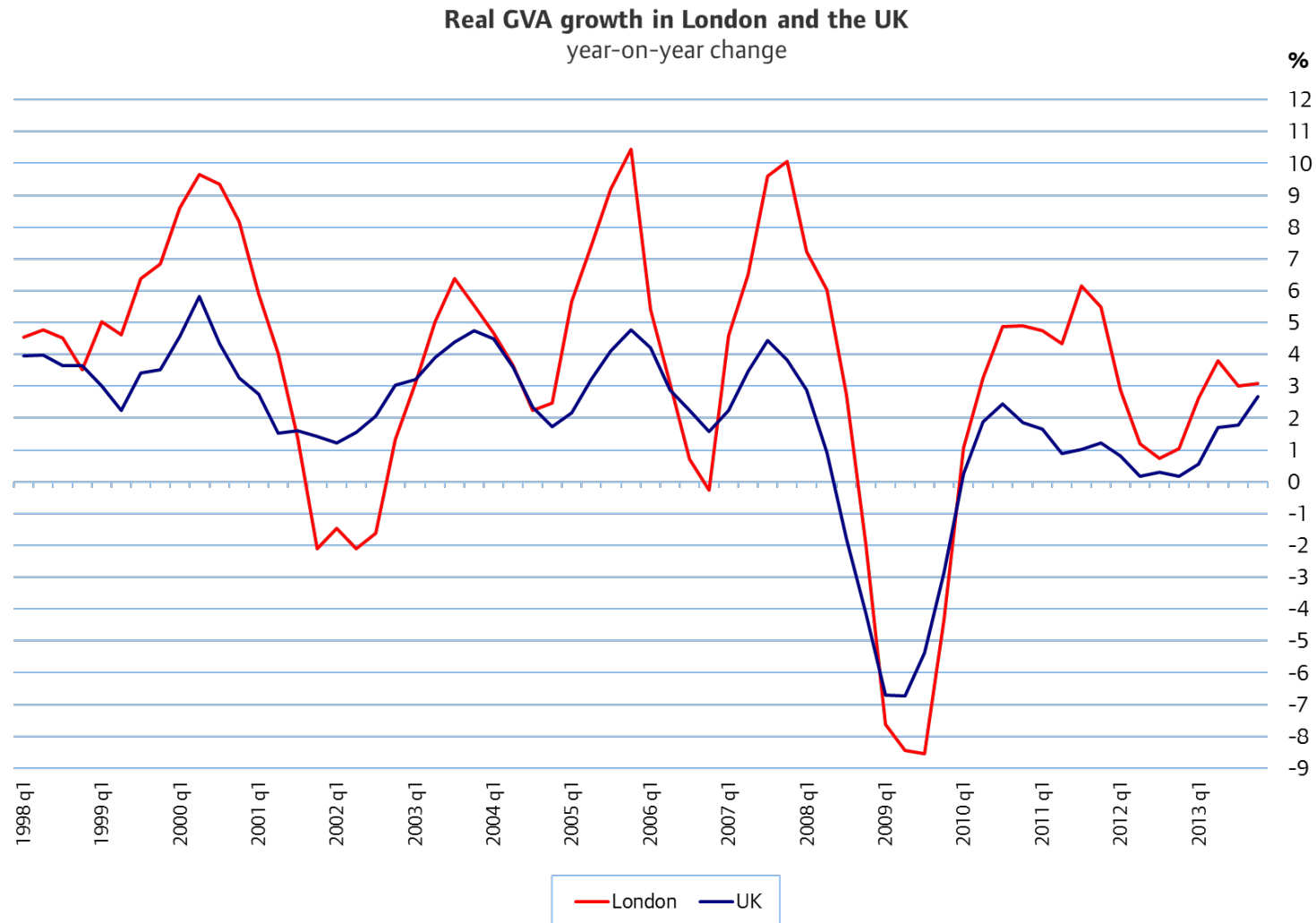


# London's Economy – Key Statistics

- In 2012, London's economy account for 22.4% of the UK's output
  - Up from 19.4% in 1997
- One fifth of London's output (£60 billion) was generated by the financial and insurance industry
  - With output increasing by over 150% since 1997



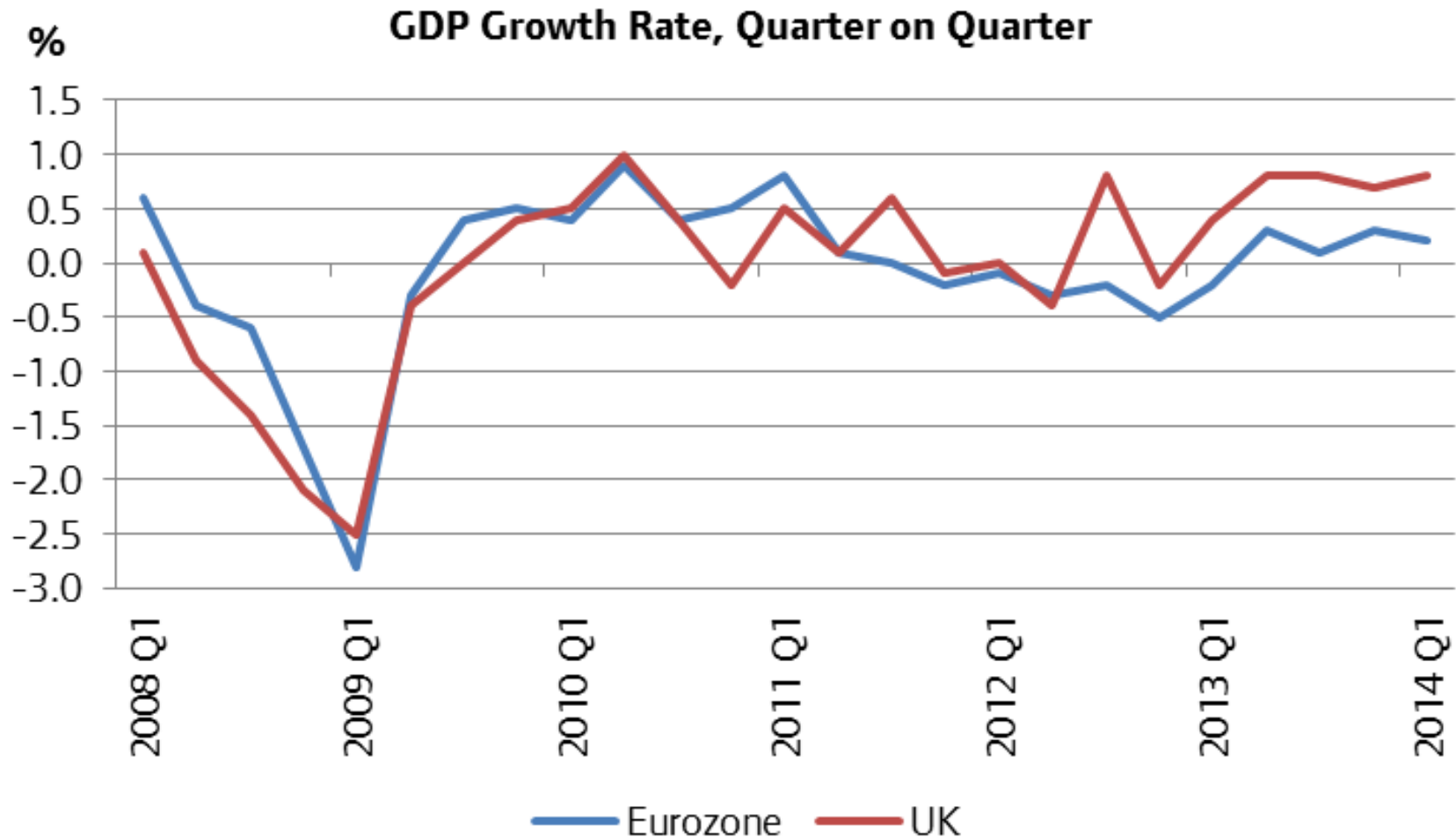
# London's economy growing faster than that of the UK



Source: Experian Economics, last data point Q4 2013



# UK output performance stronger than the Eurozone



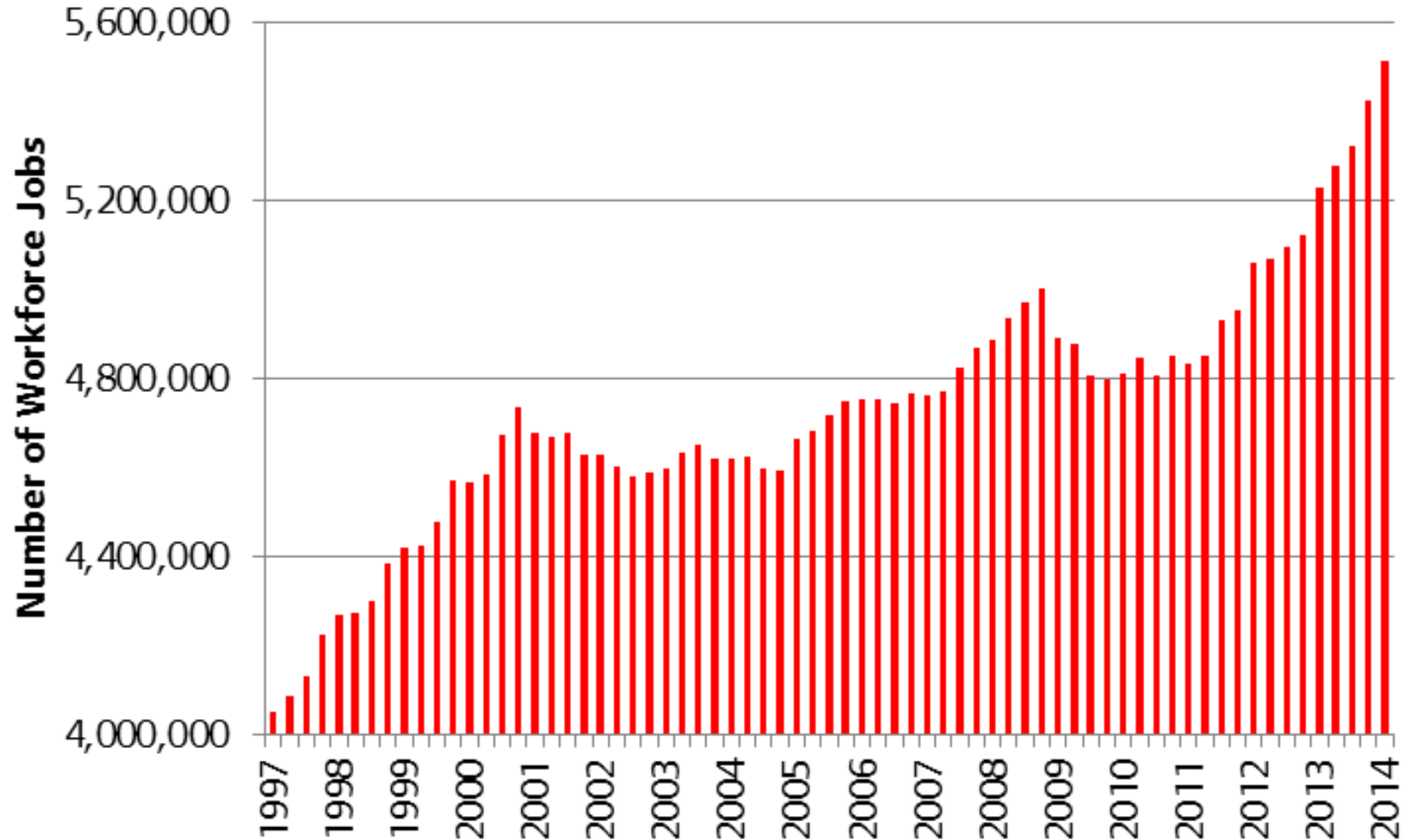


# Labour Market Summary

- London's labour market has shown resilience during and immediately following the recession period, and shows signs of continued growth
- The number of jobs in London is at record levels, employment rates are at record levels, and the unemployment rate is at its lowest level for over five years

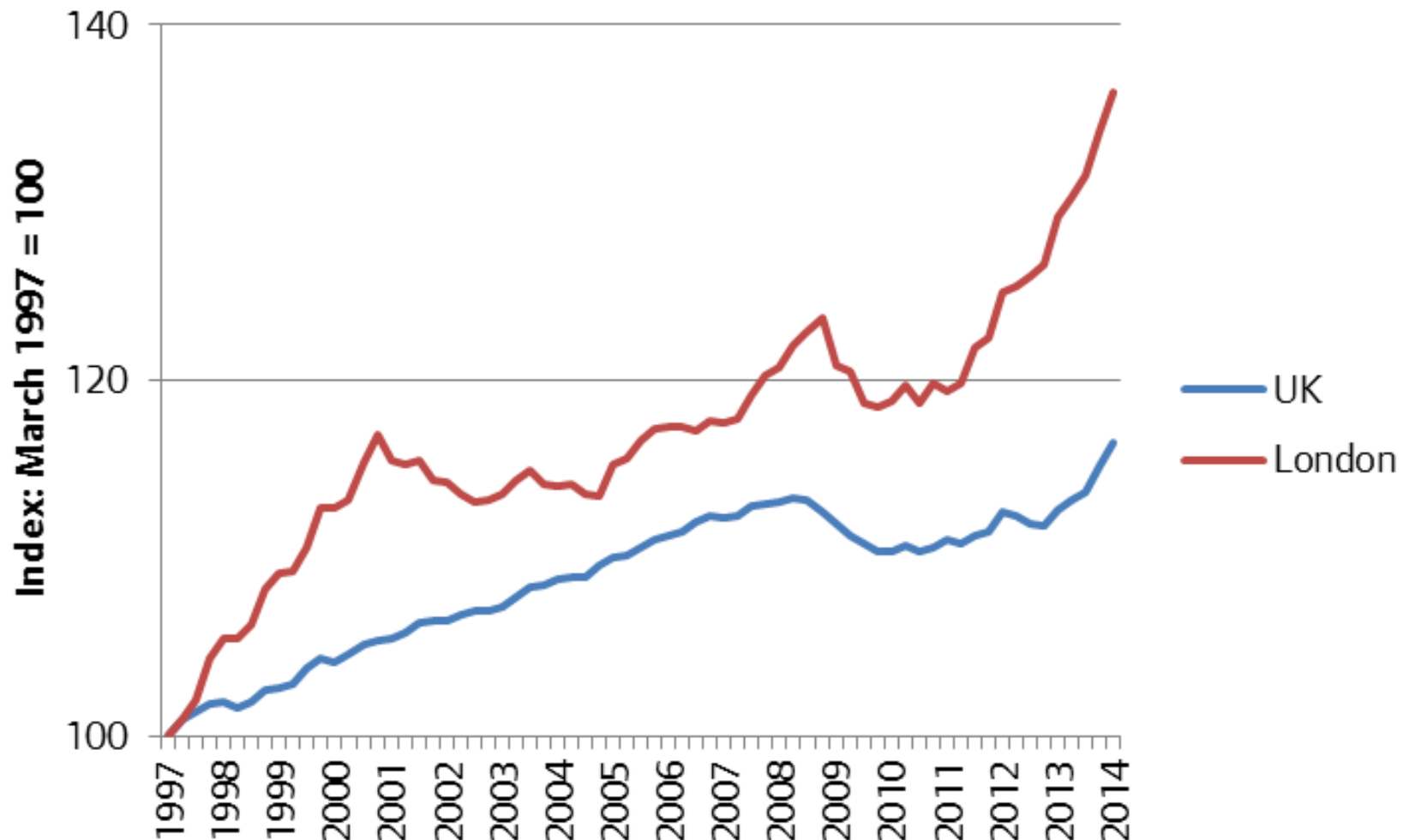


# Substantial growth in workforce jobs



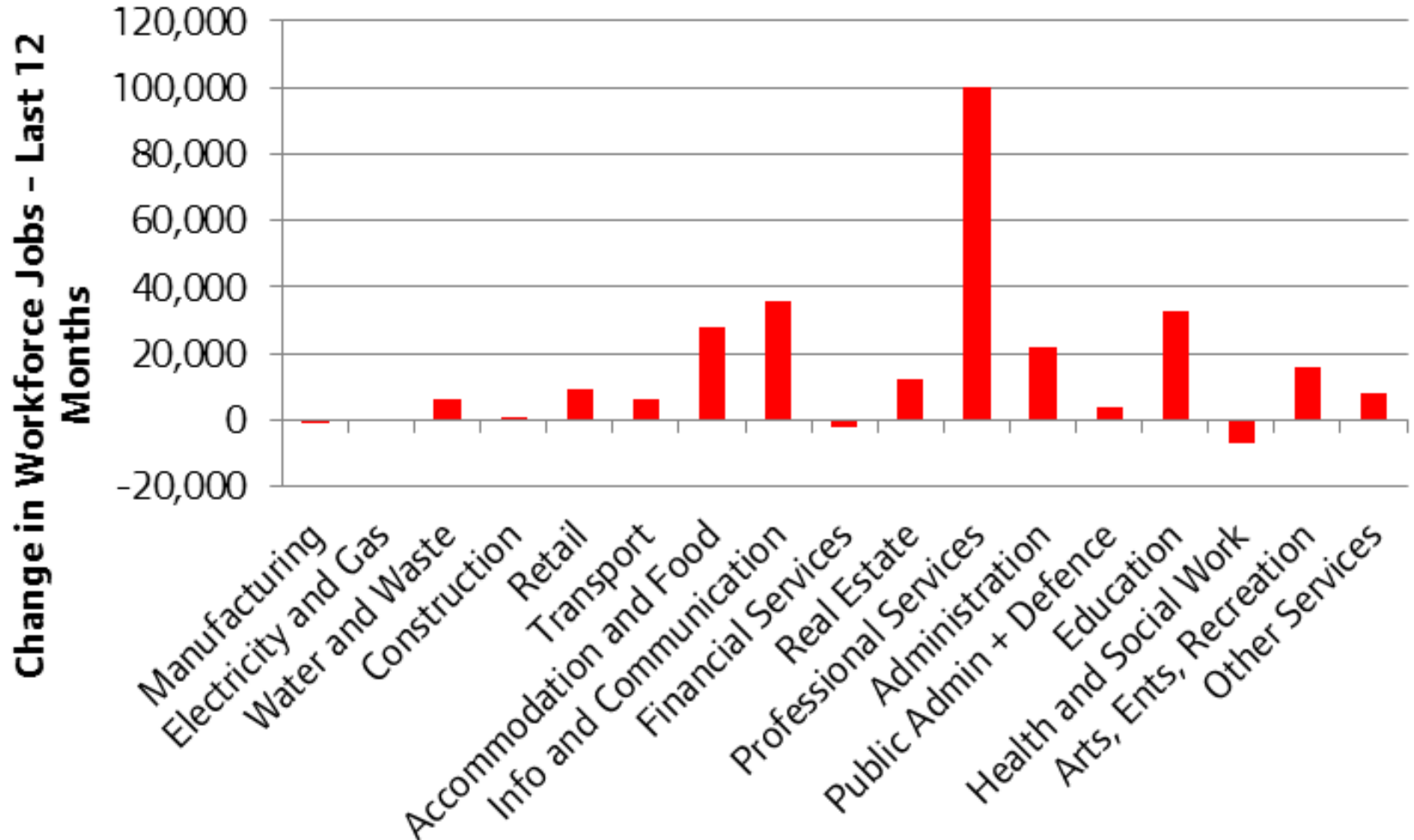


# Growth in total jobs in London accelerating faster than that of the UK





# Professional Services are driving London's change in employment





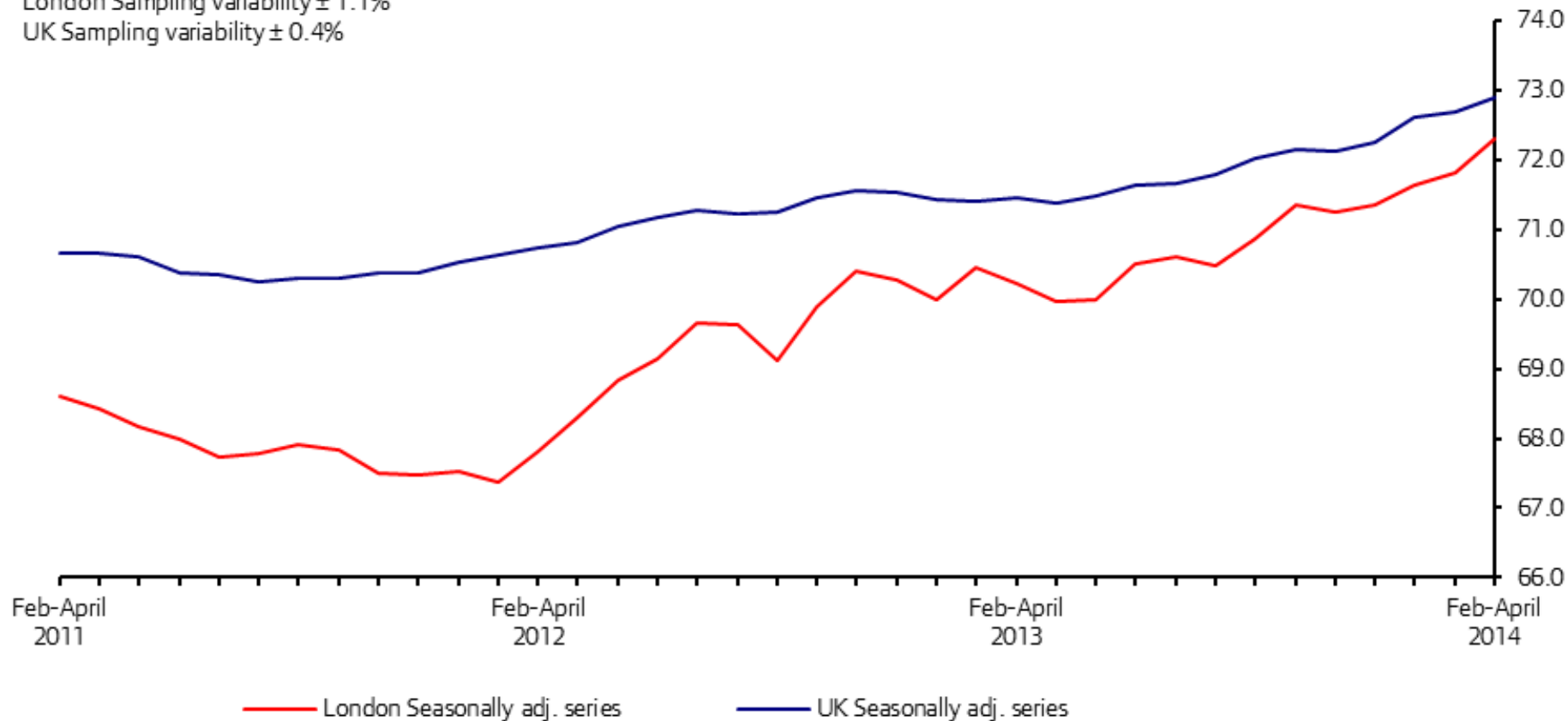
# Resident based employment rates continue at record highs

## Working age employment rate

London Sampling variability  $\pm 1.1\%$

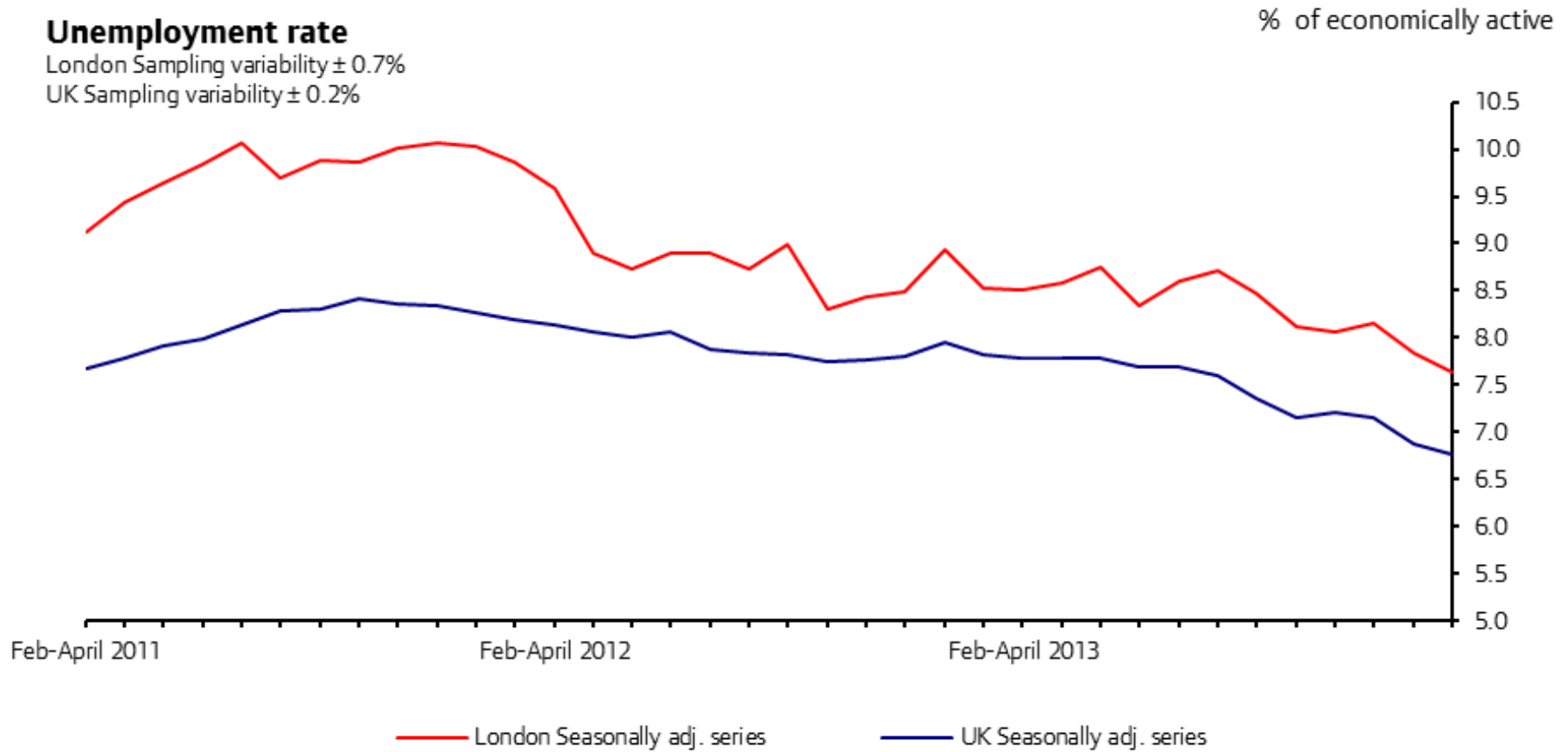
UK Sampling variability  $\pm 0.4\%$

% of working age



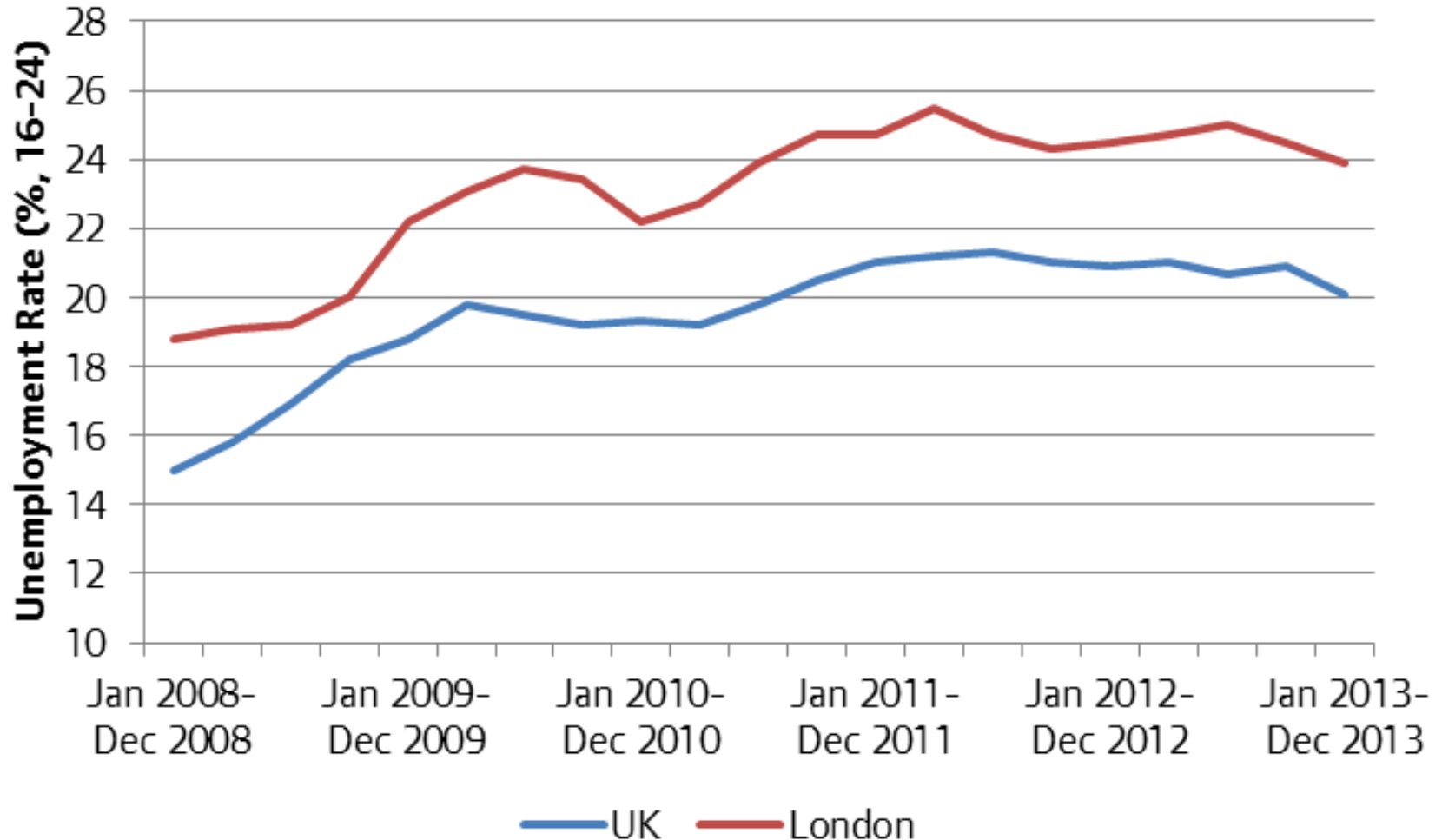


# Unemployment rate at lowest level since the end of 2008



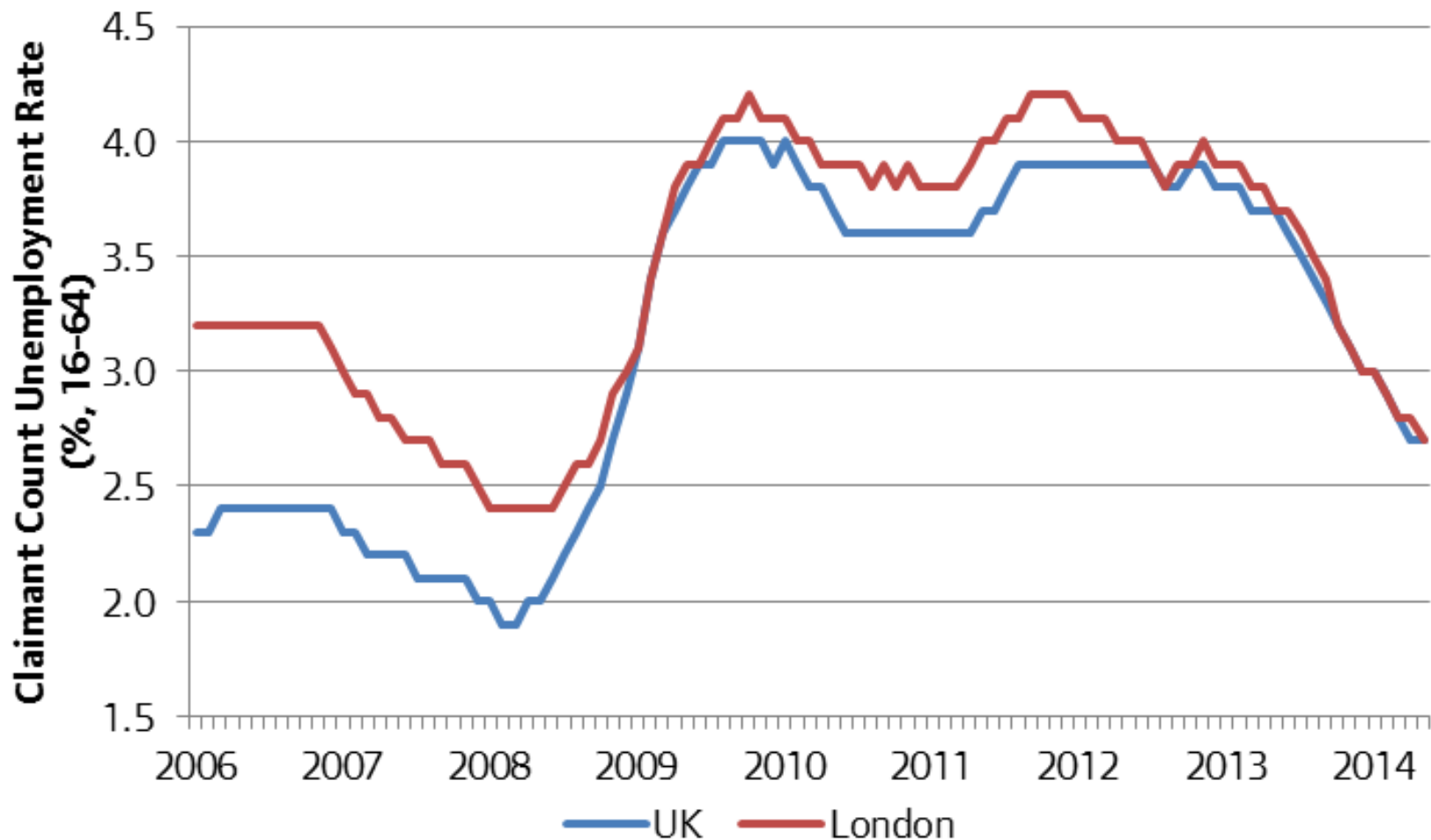


# Youth unemployment remains stubbornly high





# Claimant Count rates continue to fall



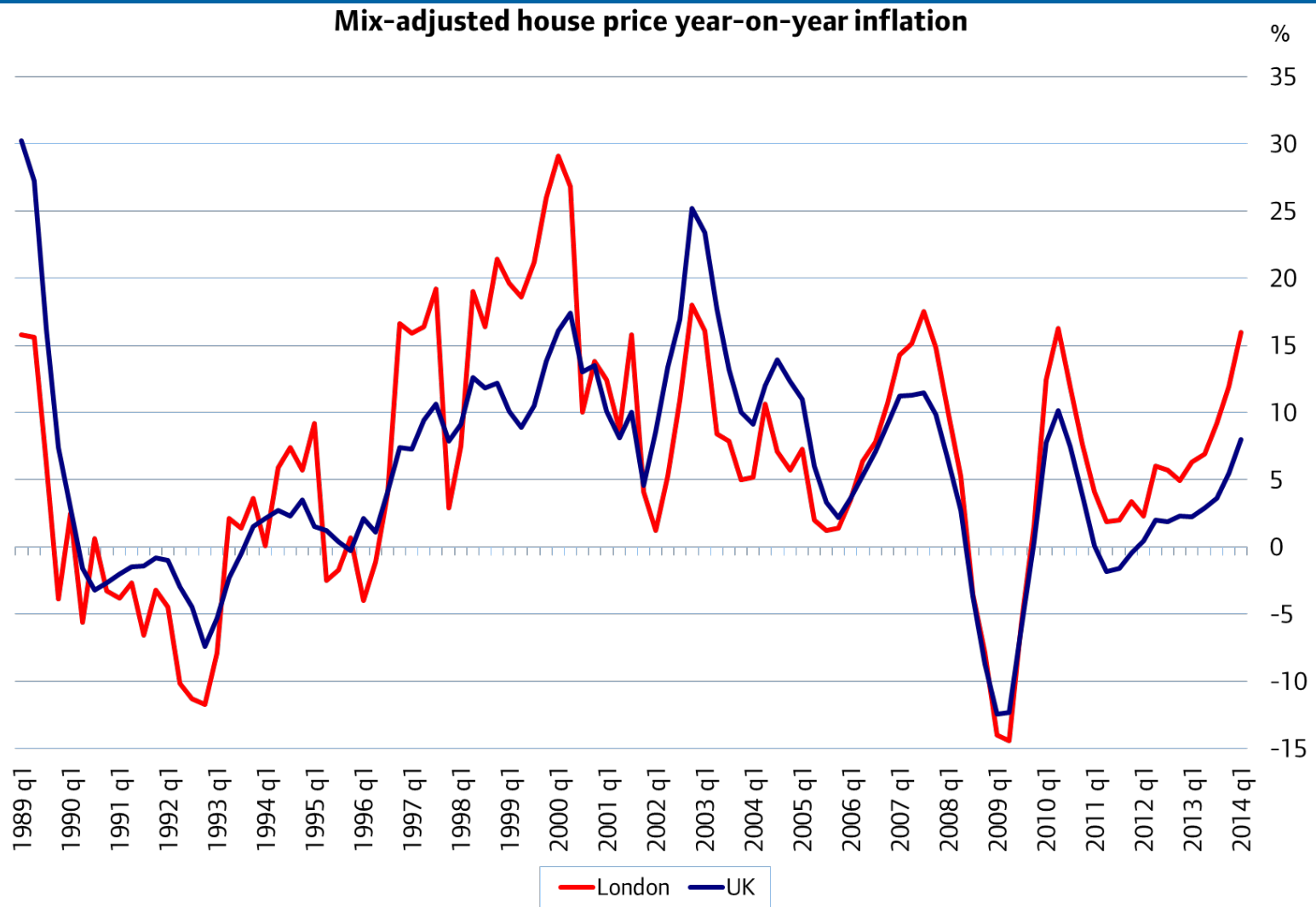


# Housing Market Summary

- House prices continue to rise in London, at a significantly quicker pace than for the rest of the UK
- Expectations all point for this trend to continue, however government and monetary policy may help to ease pressures on the housing market



# House prices in London continue to rise sharply

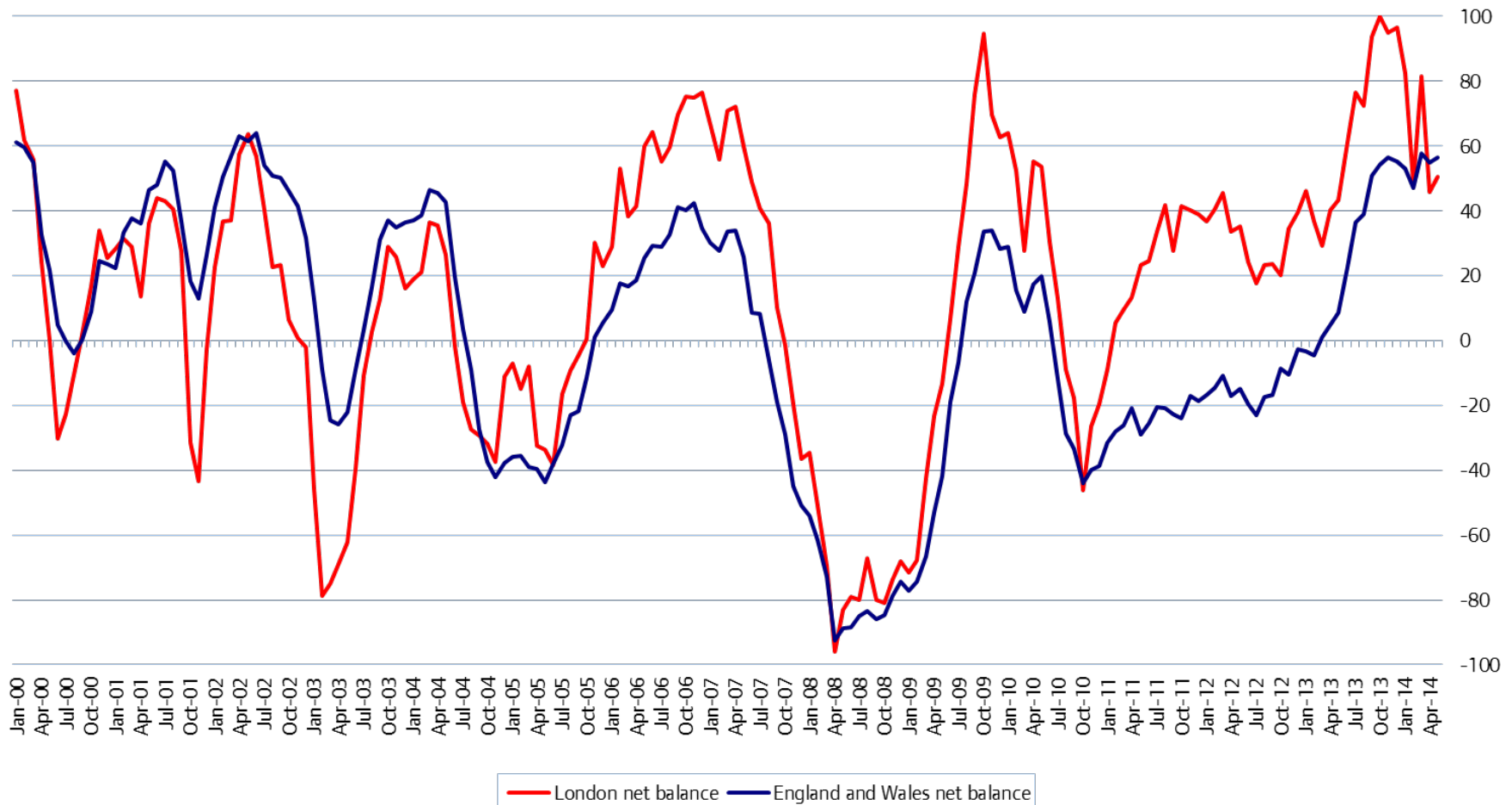




# House prices in London rising

## RICS Housing Market Survey

prices in previous three months; net balance in London and in England and Wales; seasonally adjusted data

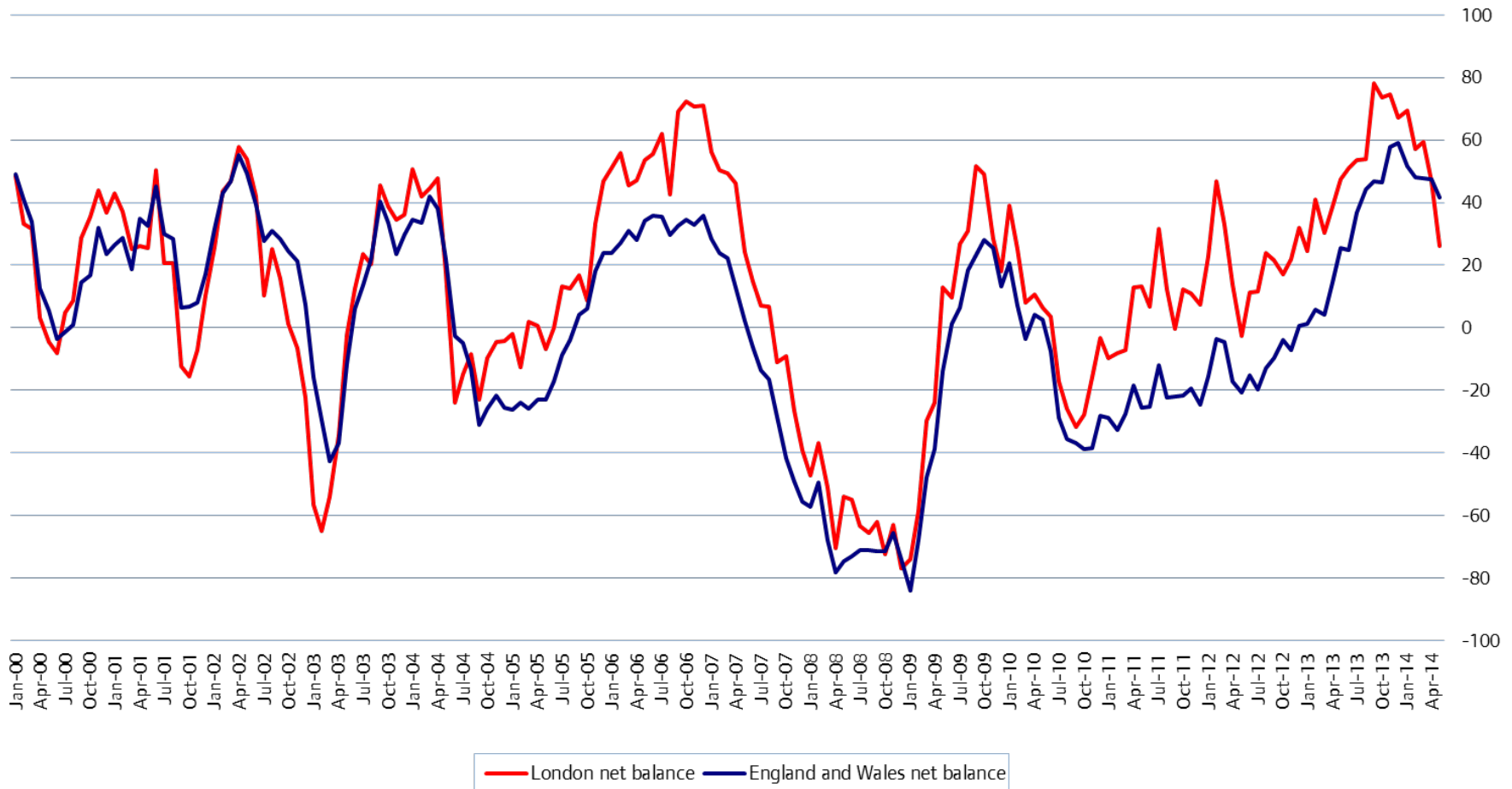




# Price rise expectations, but signs of easing...

## RICS Housing Market Survey

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





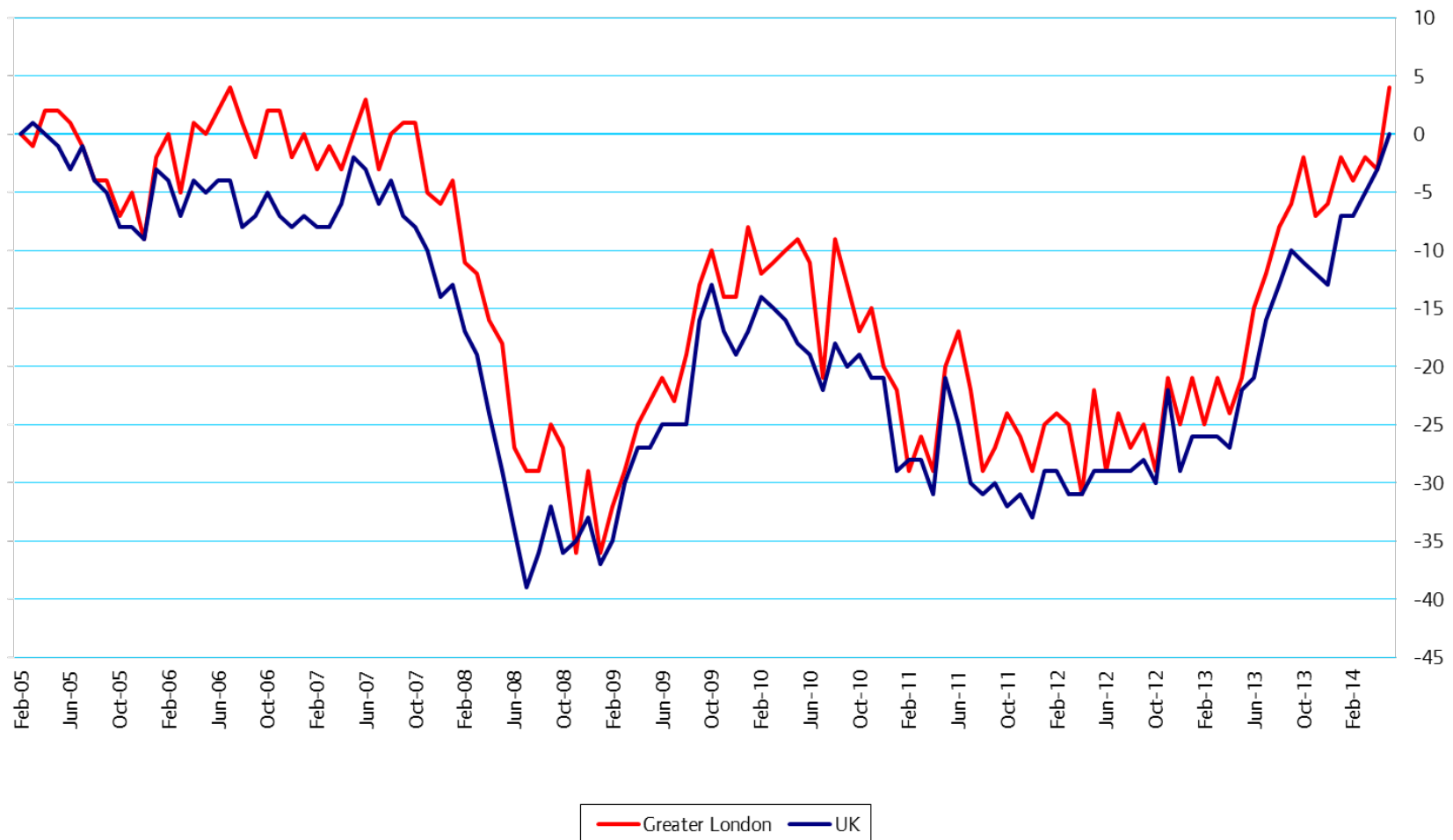
# Summary of Other Indicators

- Consumer Confidence has risen into positive territory in London for the first time since 2007, and non-negative for the UK as a whole for the first time since 2005
- Business surveys all point to improving conditions in London
- London's position in the context of the UK as a whole continues to strengthen



# Consumer Confidence in London positive for the first time since 2007

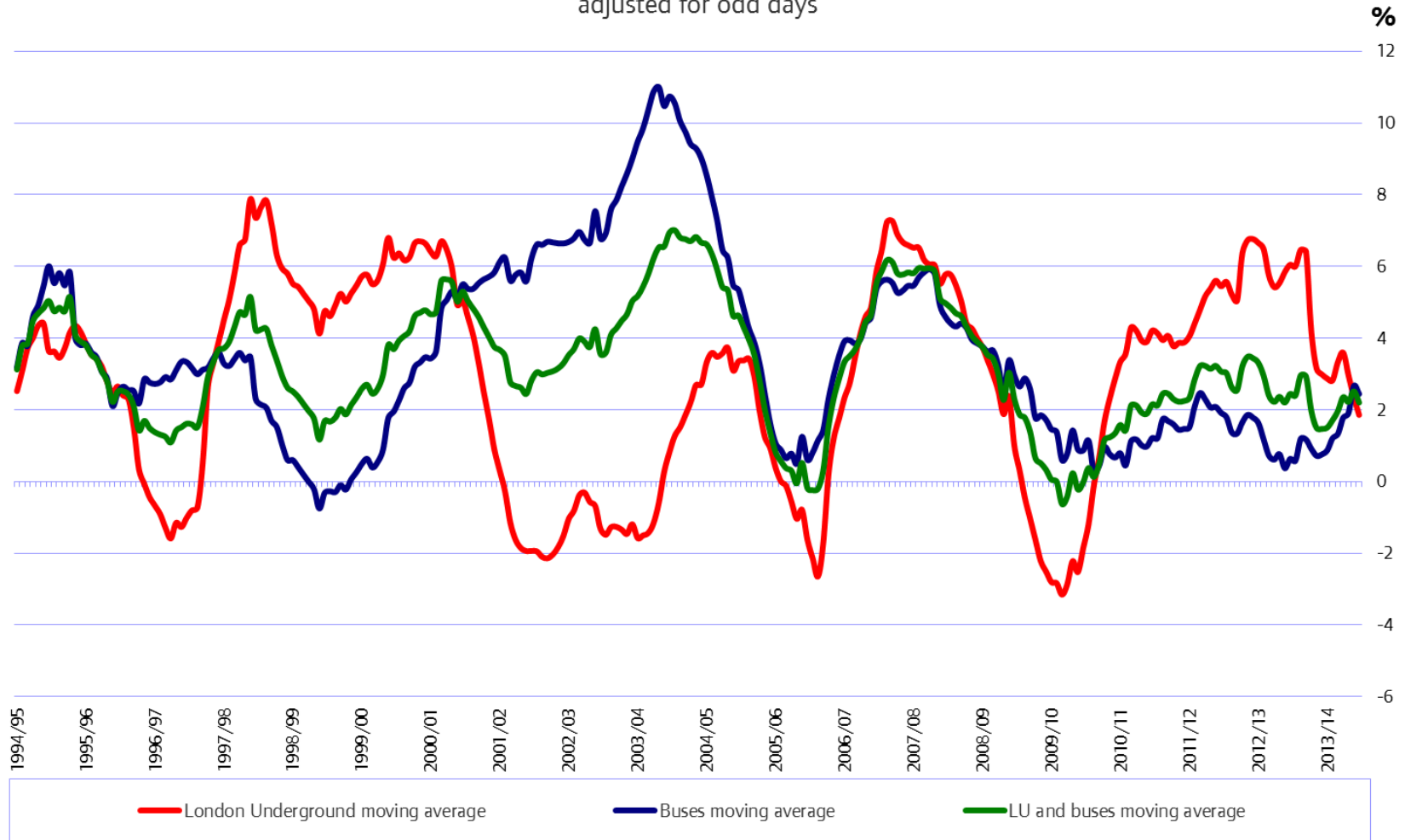
Consumer confidence barometer score





# Positive growth in public transport passenger numbers

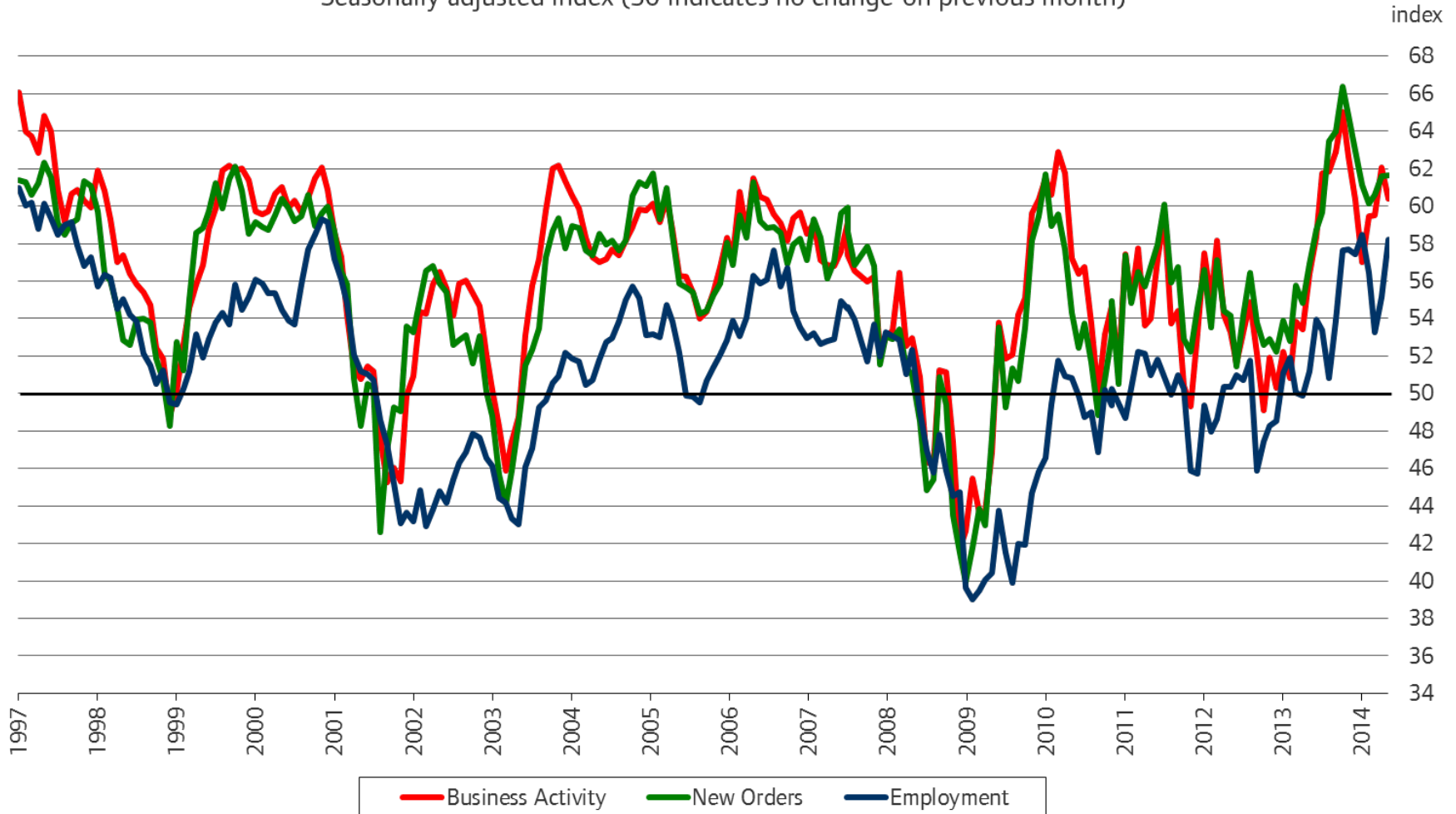
Annual moving average % change in passengers using London Underground and buses  
adjusted for odd days





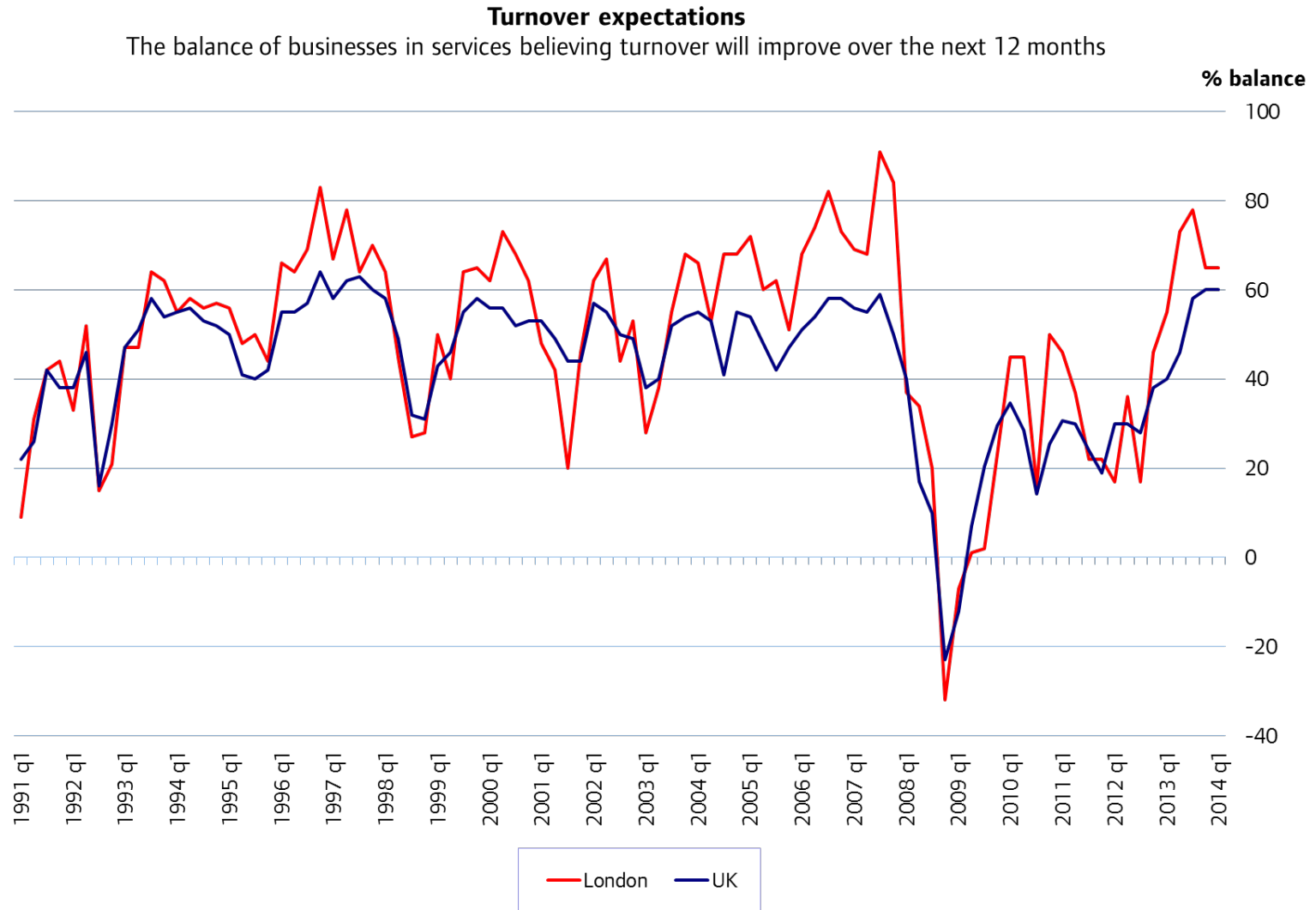
# Purchasing Manager Index (PMIs) indicating continued growth in London

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



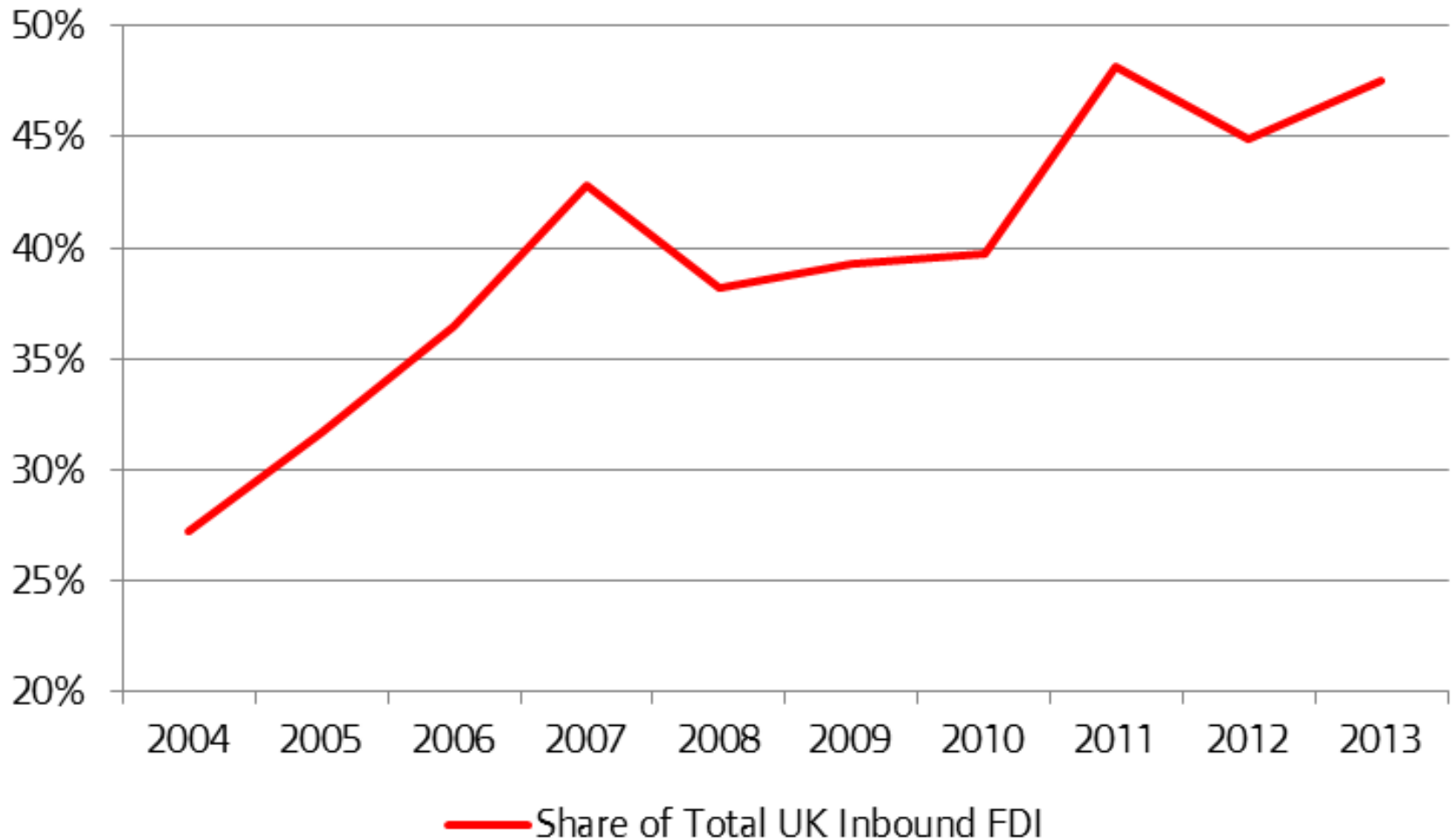


# Business turnover expected to rise over the next twelve months





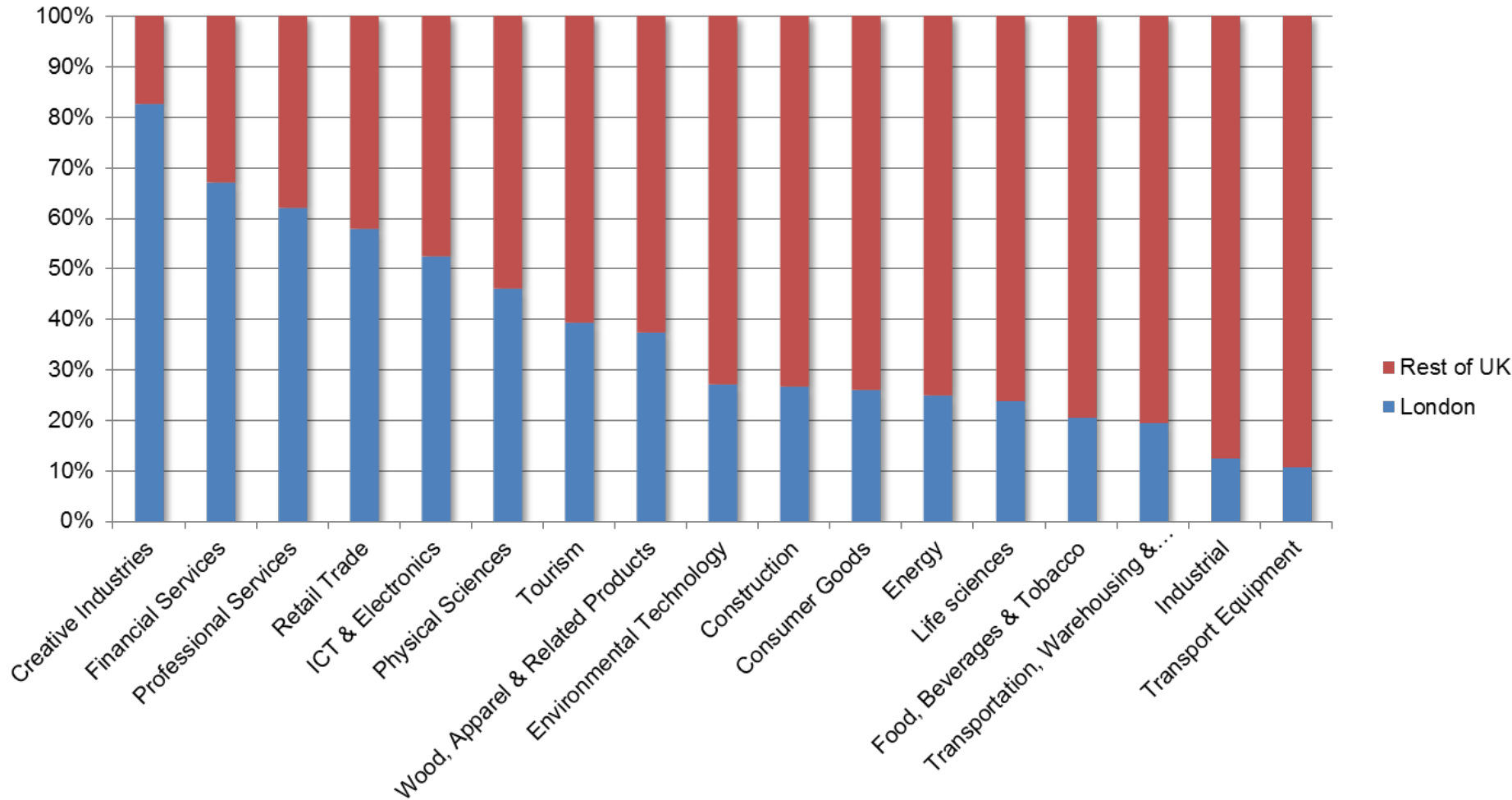
# London's share on inward FDI on upward path





# London's inward FDI heavily services based

London's share of FDI into the UK 2008-12 by Industry Cluster



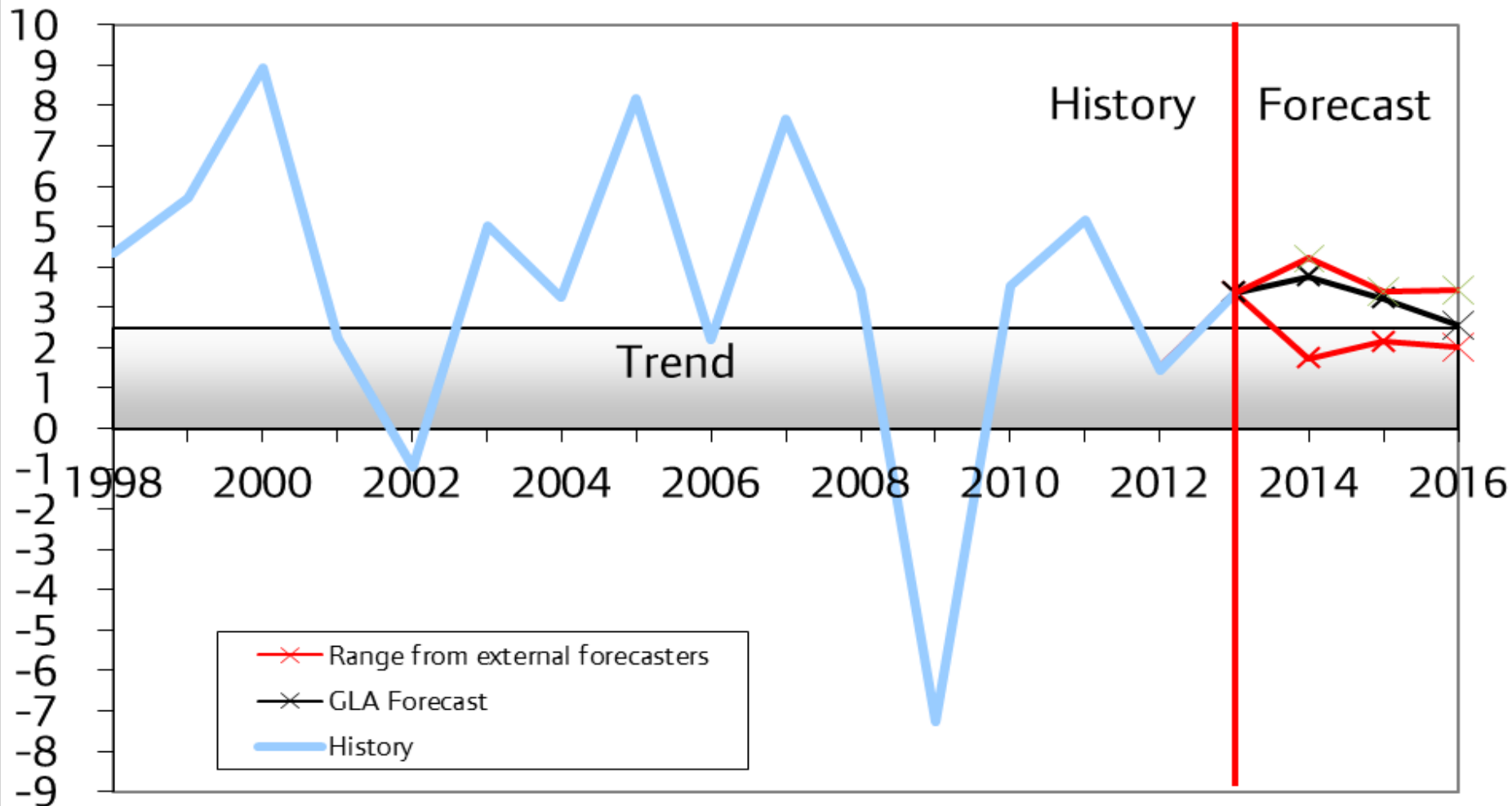


# GLA Economics Forecast

- GLA Economics published its 24<sup>th</sup> forecast in May – **“London’s Economic Outlook”**
- The following slides provide the detail of our forecast as well as an overview of the risks to the forecast



# GLA Economics' forecasts above trend but moderating growth in the coming years...

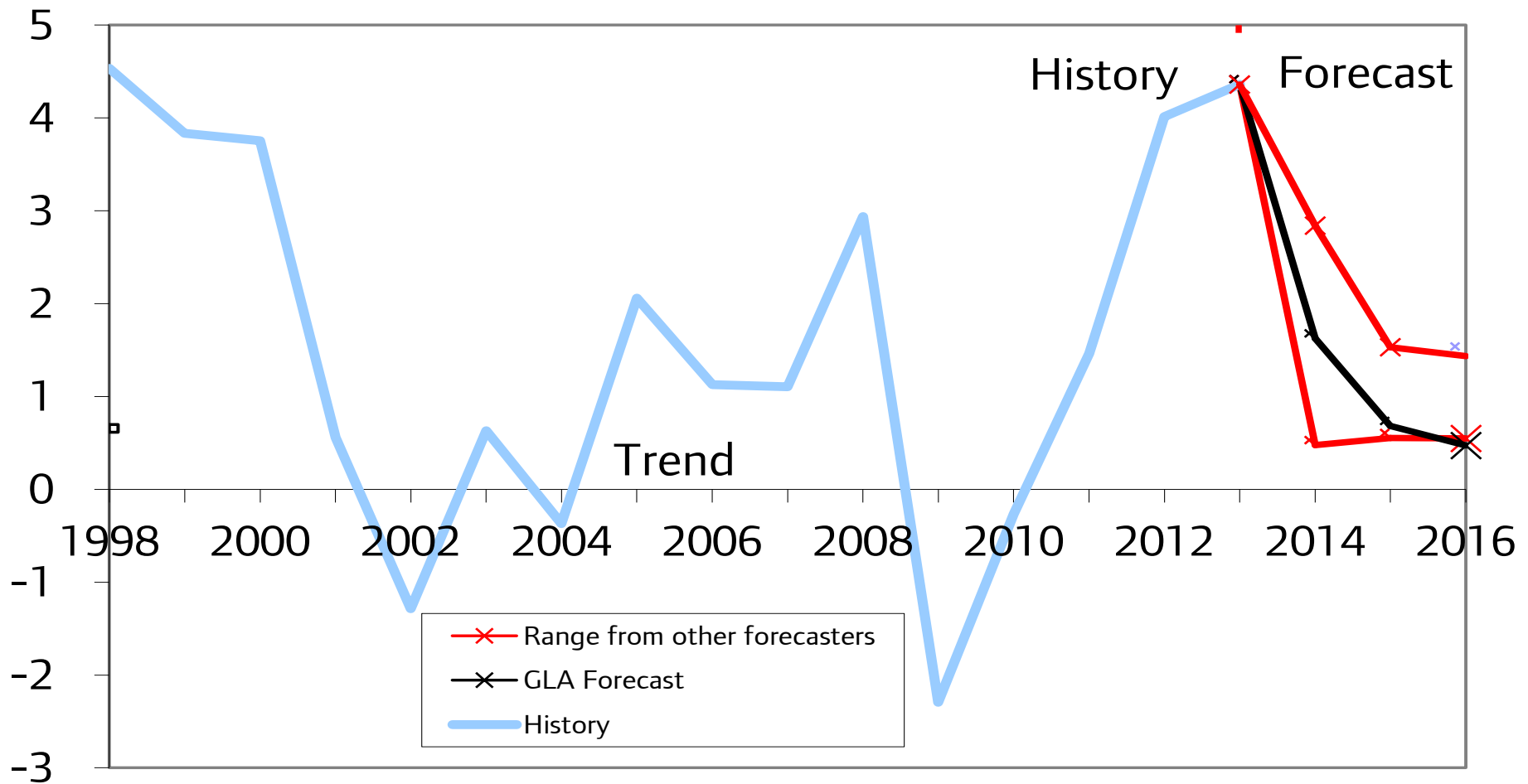


Source: GLA Economics – LEO (May 2014) / Experian Economics

Note: External forecasters are Cambridge Econometrics, Experian Economics, CEBR and Oxford Economics

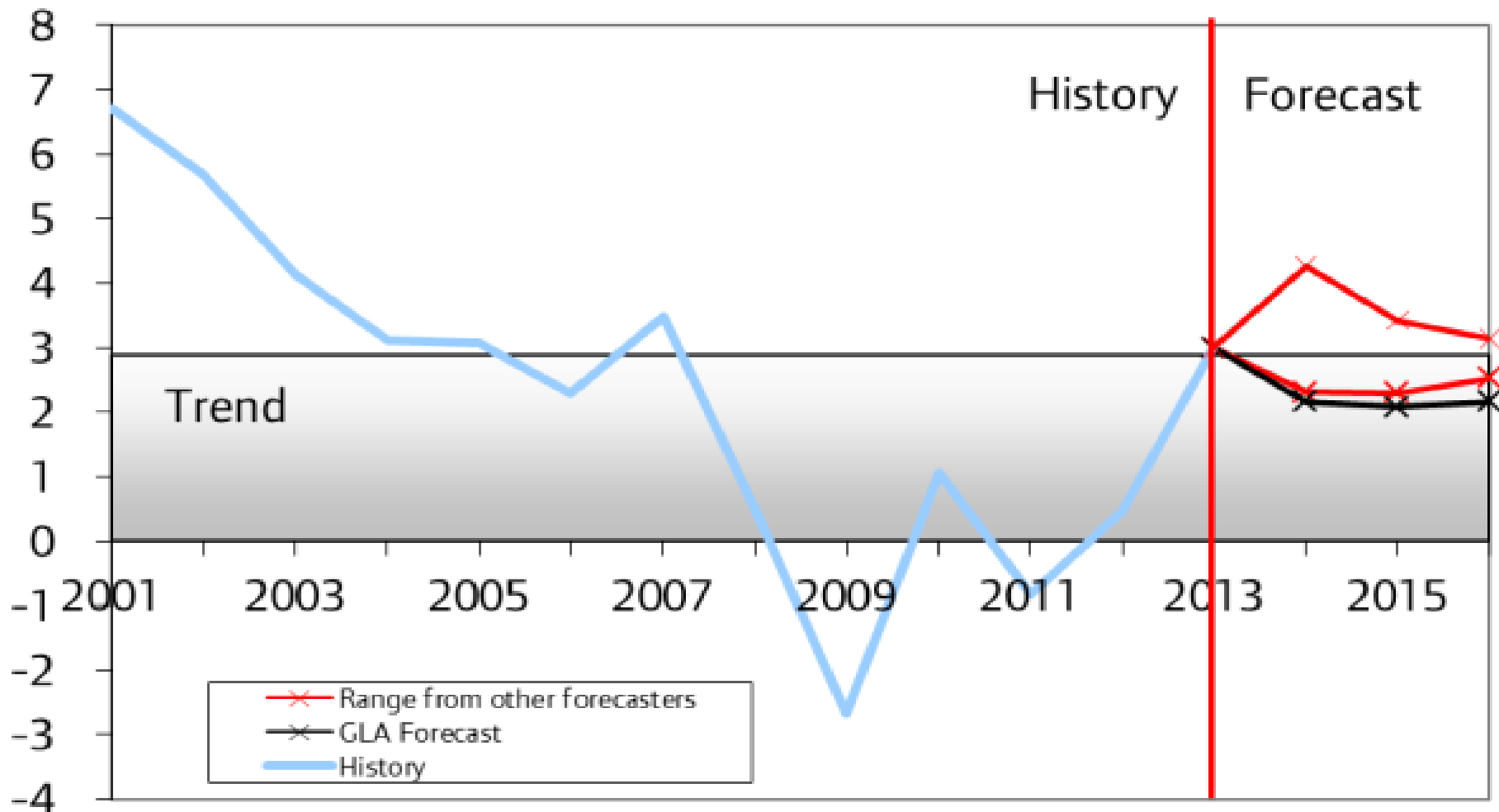


... although with a moderating growth in employment.



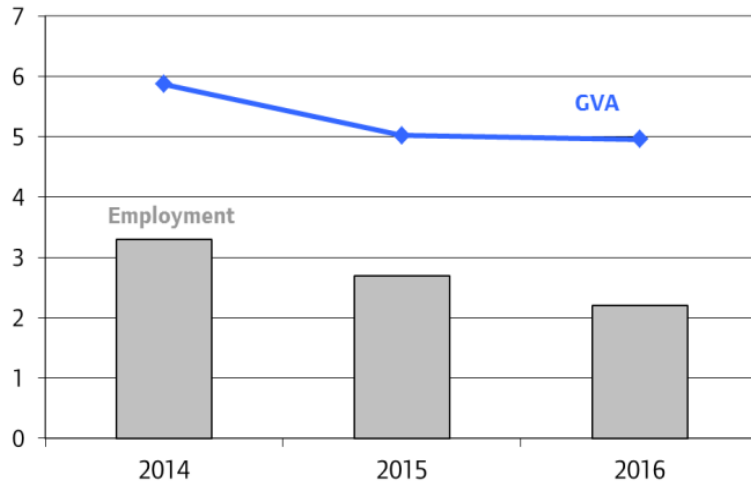


# ... and slightly slower household income growth



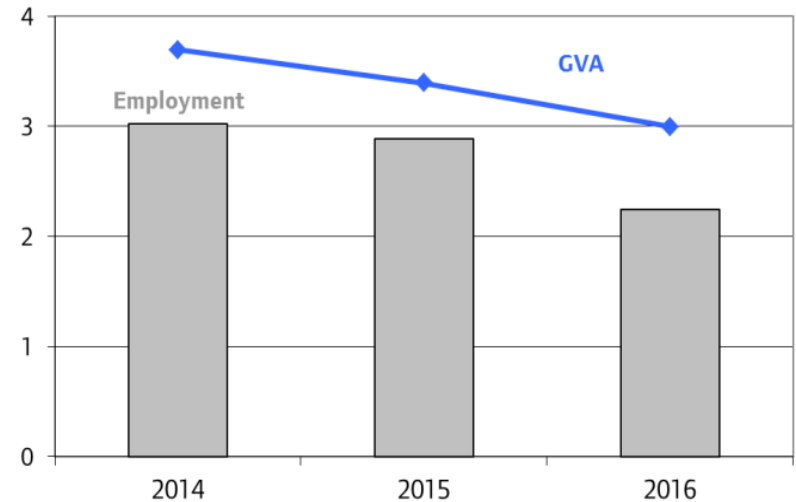


# With most sectors forecast to grow relatively strongly...

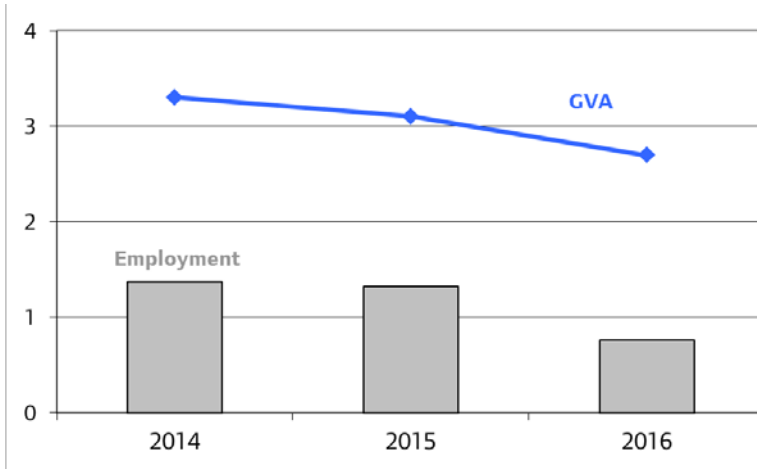


Business Services

Construction

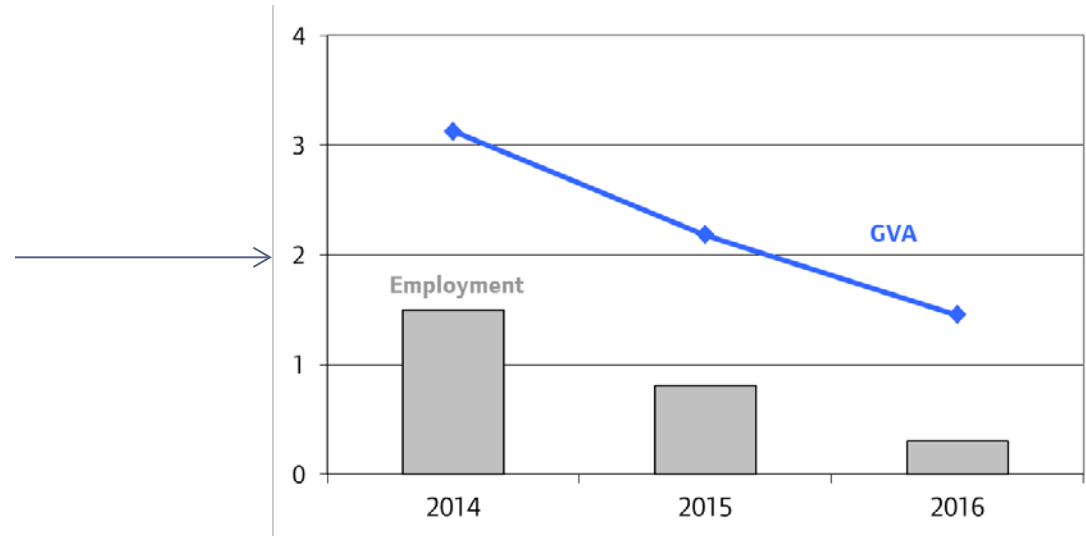






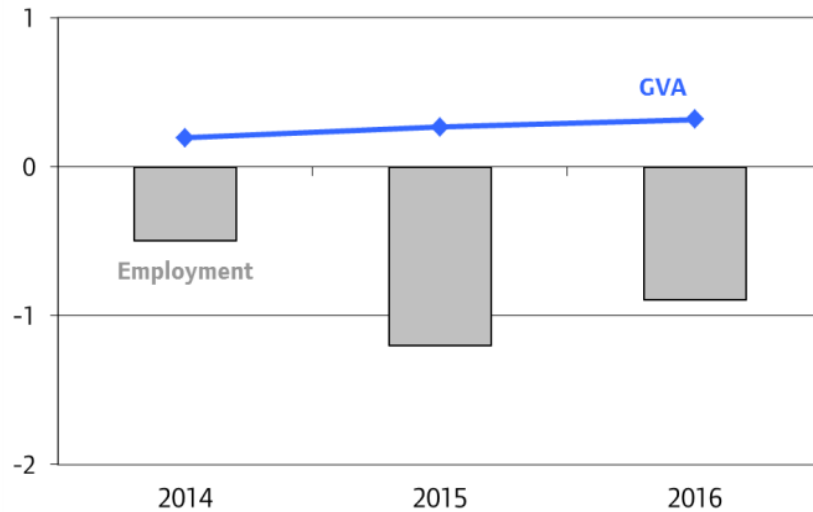
← Transportation and storage

Distribution,  
accommodation and  
food service activities





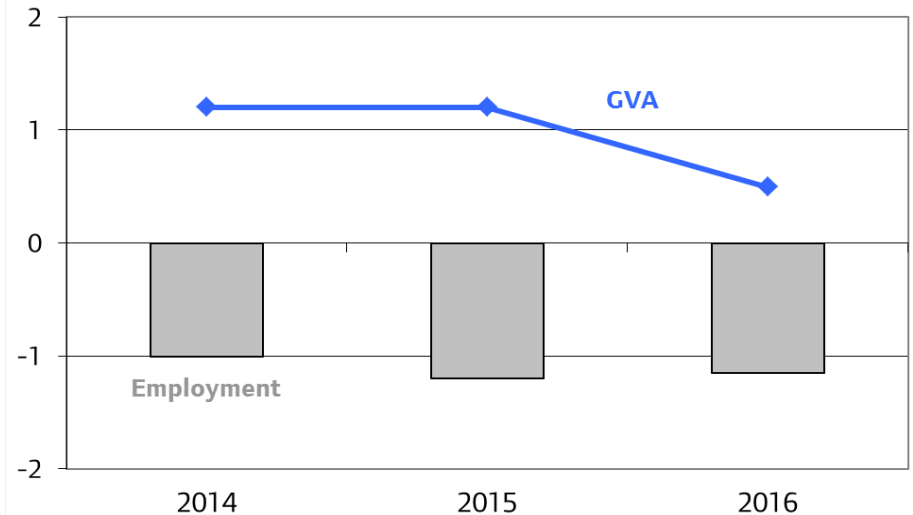
# ...but not all...



Manufacturing

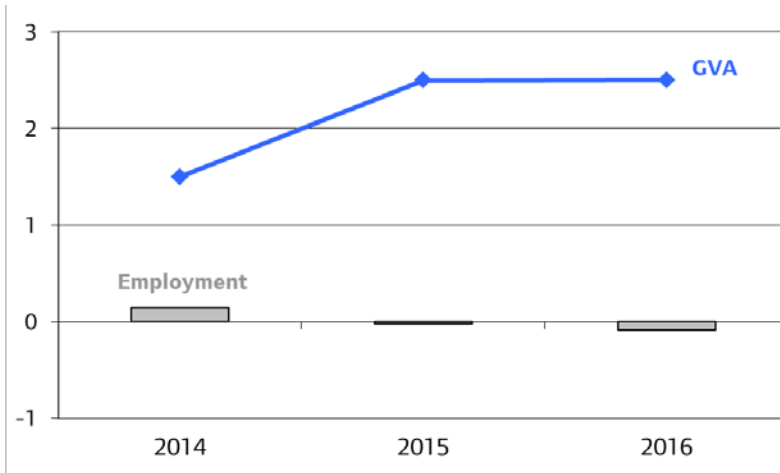


Other (public & private) services





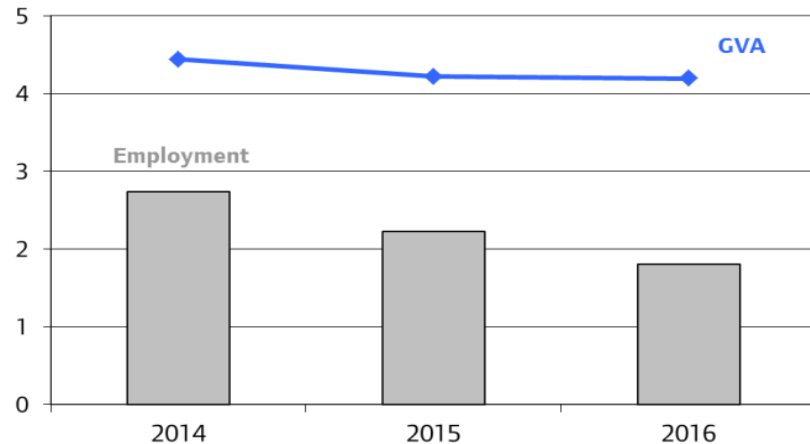
# ...and financial services stays in the doldrums



← Financial services

Financial and  
business services

→





# Forecasts for the UK have been revised up but are generally below those for London

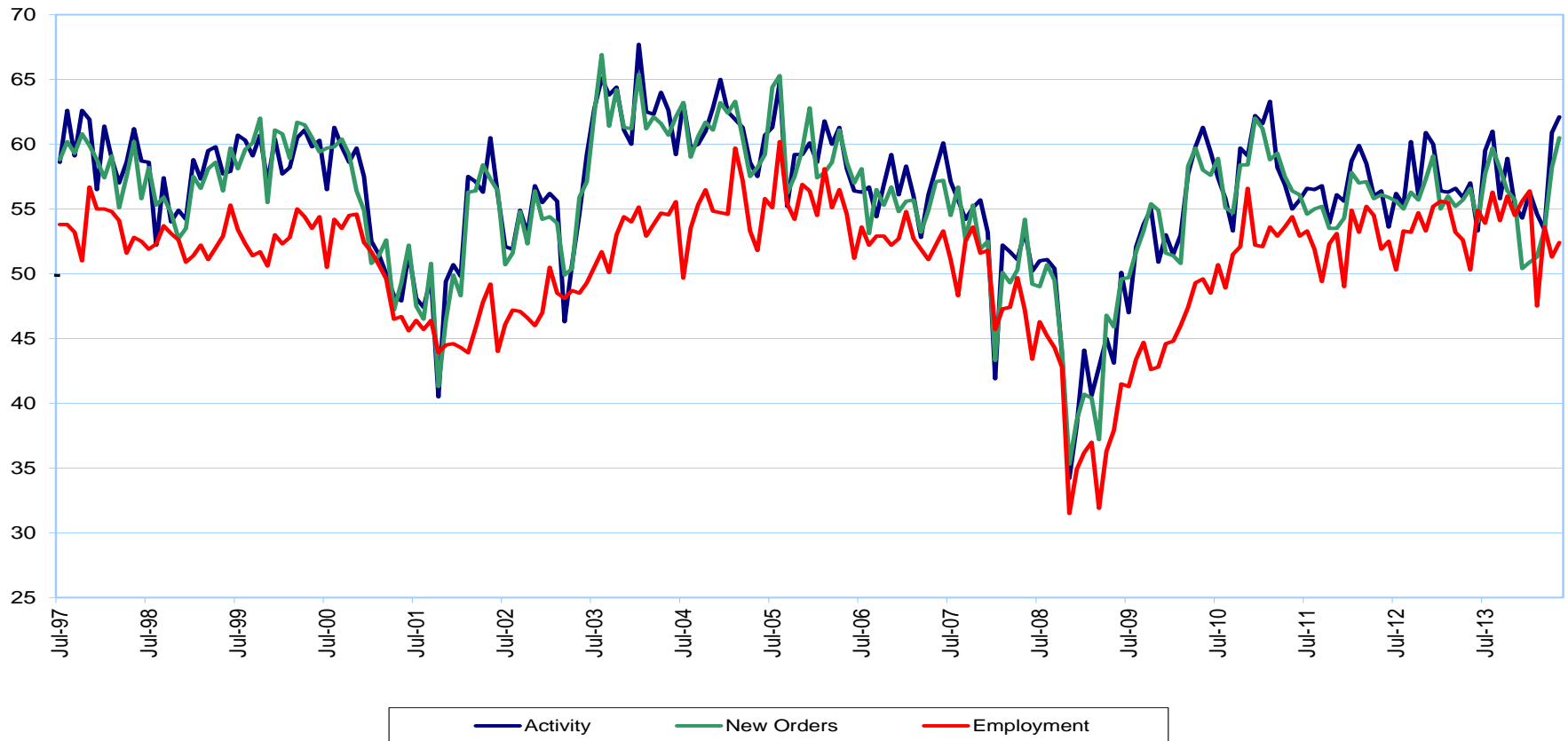
- The IMF forecasts that the UK economy will grow by 2.9% in 2014 and 2.5% in 2015.
- The OECD forecasts that the UK economy will grow by 3.2% in 2014 and 2.7% in 2015.
- The NIESR forecasts that the UK economy will grow by 2.9% in 2014 and 2.4% in 2015.
- The European Commission forecasts that the UK economy will grow by 2.7% in 2014 and 2.5% in 2015.



# The US after a bad start to the year has picked up

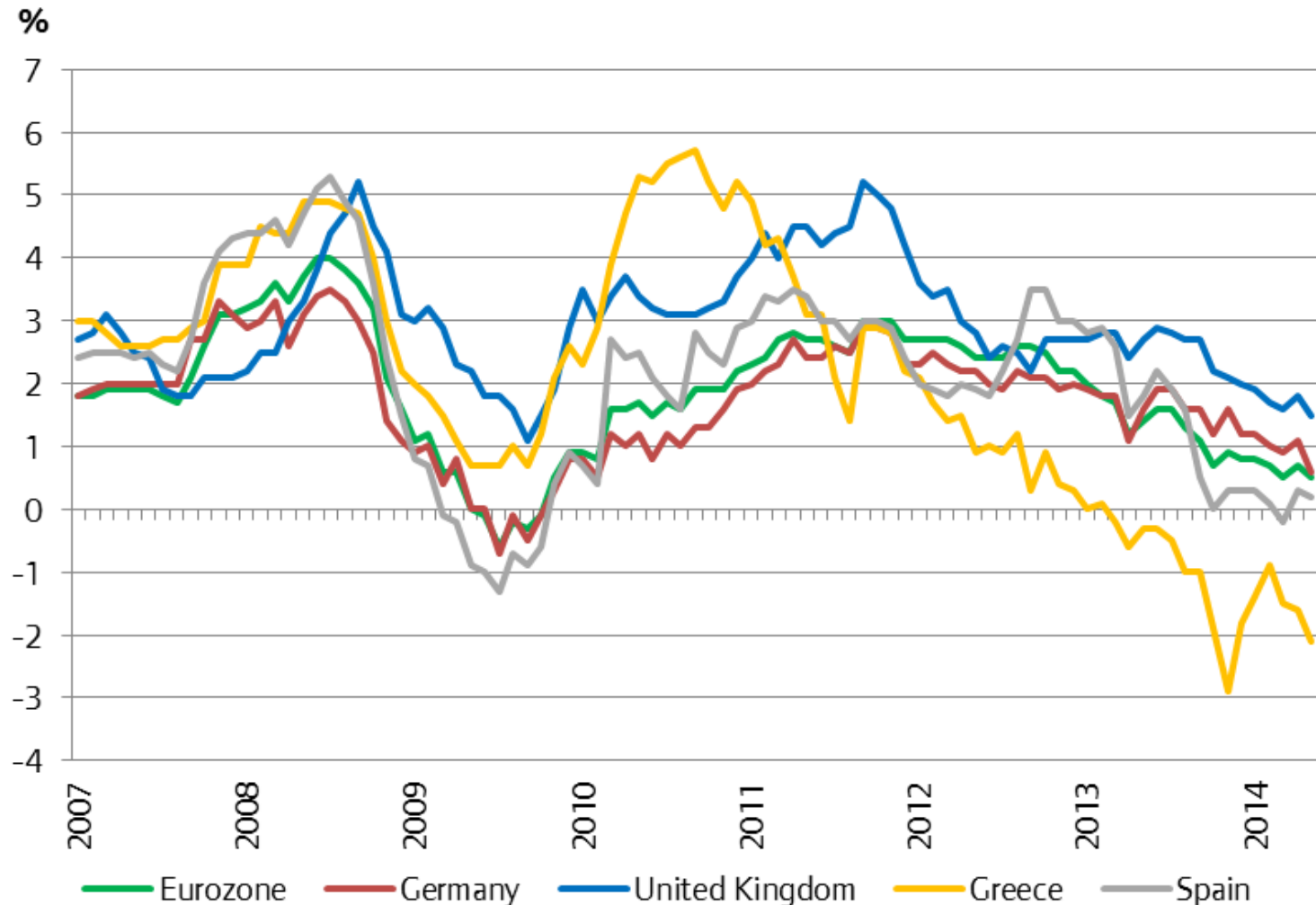
## ISM US non-manufacturing PMI

seasonally adjusted index (50 indicates no change on previous month)



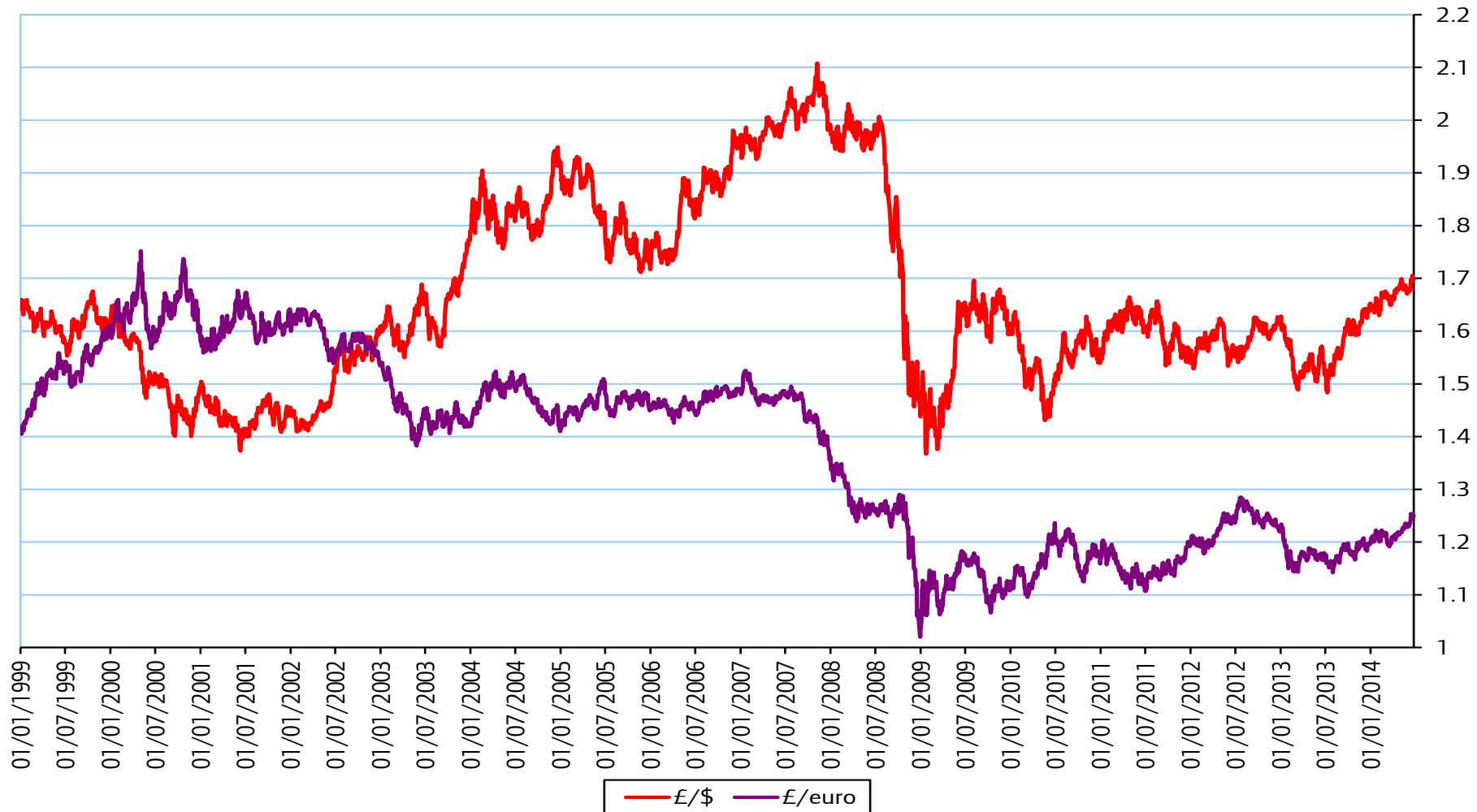


# Risk of deflation in the Eurozone growing





# Sterling continues to creep up



Last data point: 24/06/2013

Source: Bank of England



# The recovery in developed economies is forecast to continue...

The IMF forecasts that:

- the World economy will grow by 3.6% in 2014 and 3.9% in 2015.
- the US economy will grow by 2.8% in 2014 and 3% in 2015.
- the Eurozone economy will grow by 1.2% in 2014 and 1.5% in 2015.
- the Advanced Economies will grow by 3.0% in 2014 and 3.2% in 2015.
- that Emerging Market Economies will grow by 4.9% in 2014 and 5.3% in 2015.



# To conclude

- London's economy continues to grow at a generally faster pace than the UK as a whole.
- There is mounting evidence that this growth is relatively robust.
- Forecasts for London remain optimistic.
- Though there are risks to future growth (but these have moderated compared to recent years), for example the continuing structural problems in the Eurozone and the impact of US tapering on the wider global economy.



**Thank you**

**Brian Smith & Gordon Douglass**

**GLA Economics**

**<https://www.london.gov.uk/priorities/business-economy/publications/gla-economics>**