

Current Issues Note 43

Regional, sub-regional and local gross value added estimates for London, 1997-2013

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Executive summary

- In 2013, London's total nominal GVA (as measured by GVA (I)¹) was over £338 billion (up 4.0 per cent on 2012). Inner London accounts for 70 per cent of this, with Inner London-West alone accounting for 45 per cent of the total.
- London now accounts for 22.2 per cent of the UK's total GVA².
- In 2012, just under a fifth of London's GVA was generated by the financial and insurance industry, accounting for half of the UK's total GVA in the financial and insurance industry and 4.1 per cent of the UK's total GVA.
- In 2012, Inner London produced 95 per cent of London's GVA in the financial and insurance industry, and over three-quarters of its GVA in the professional, scientific and technical activities; information and communication; and real estate industries. Outer London accounted for over three-fifths of London's GVA in three industries (transportation and storage; construction; and manufacturing).

¹ This is GVA as measured by the income approach.

² Unless otherwise stated, UK output/GVA in this document refers to United Kingdom including Extra-Regio and statistical discrepancy. Extra-Regio, comprises compensation of employees and gross operating surplus which cannot be assigned to regions.

Introduction

In December 2014 the Office for National Statistics (ONS) released provisional estimates of regional, sub-regional and local gross value added (GVA) for 2013 (although industry breakdowns of the data are for 2012)³ measured by the income approach. Also published in December 2014 were experimental results for regional real GVA as measured by the production approach for the years 1998 to 2012⁴. This note presents the findings for London from the main GVA release (using the income approach) and then outlines the results from the experimental real GVA data. In addition, the note will cover recent changes to the National Accounts methodology and borough-level GVA estimates produced by GLA Economics.

³ [Regional Gross Value Added \(Income Approach\), December 2014](#)

⁴ [Regional Gross Value Added \(Production Approach\), December 2014](#)

Background notes

- “Gross Value Added (GVA) is a measure of the increase in the value of the economy due to the production of goods and services”⁵. The GVA estimates in this note are workplace-based, where GVA is allocated to the area in which the economic activity takes place.
- The GVA estimates measured by the income approach are in current prices, meaning no adjustment has been made to remove the effects of inflation. Over time, even if the true (economic) value of GVA is unchanged, GVA in current prices would increase in line with price rises (inflation).
- The GVA estimates measured by the production approach (currently experimental statistics) are in real (or constant prices, via chained volume measures (CVM)) prices, meaning adjustment has been made to remove the effects of inflation and therefore the two measures of GVA in this publication are not directly comparable.
- The GVA data cover London, its sub-regional and local areas. At the sub-regional (NUTS2⁶) level, London has two areas: Inner London and Outer London. At the local (NUTS3) level London has five areas⁷: Inner London – West, Inner London – East, Outer London – East and North East, Outer London – South, and Outer London – West and North West.

Box 1: Revisions to the National Accounts estimates of GDP

Since the publication of the last estimate of regional GVA in December 2013, significant changes have been made in the reporting of the national accounts, ensuring that the data meet the definition of Gross National Income as defined by the European Commission and in order to meet the European System of National and Regional Accounts (ESA 2010). Perhaps the most headline catching change was the inclusion of “estimates of the value added to the economy of illegal activity relating to drugs and prostitution”. However the ONS remarks that “inconsistencies in these data sources, over time and between regions of the UK, have meant that reliable estimates of the regional variation in these activities have not been possible at this time. We have therefore allocated the UK total figure for each activity across the regions according to the adult population in each area”. They thus note that “it is not possible to draw any conclusions about areas of the UK that have higher or lower than average use of illegal drugs or prostitution services from these regional GVA estimates”.

The ONS observe that changes to meet ESA2010 “are many and varied, and will be implemented in the UK National Accounts over a number of years”, with the UK Regional Accounts aiming “to implement any relevant changes (those requiring a different treatment to be implemented in order to allocate the national total across regions of the UK) in the first regional publication following their introduction to the National Accounts”. Thus the two most notable changes implemented this year in order to be ESA2010 consistent were:

- To the treatment of research and development (R&D); this activity was previously counted as part of intermediate consumption but is now counted as capital formation. It is noted that

⁵ [Regional Gross Value Added \(Income Approach\), December 2014](#)

⁶ NUTS stands for Nomenclature of Units for Territorial Statistics. It is a European classification for areas based on their size to ensure data across countries at different geographical levels are comparable.

⁷ The analysis is based on the current NUTS3 classification that was valid until the end of 2014. The new classification was effective from January 2015.

“the R&D change has had the greatest impact on regional GVA of all changes implemented this year”.

- And to changes to the treatment of government spending on weapon systems, which was formerly classed as current spending but is now treated as investment. The ONS comments that “the regional allocation is done separately for three product categories: weapons and ammunition; ships and boats; and aircraft. All three are allocated according to the regional distribution of armed forces personnel, with ships and aircraft being restricted to only the bases with such equipment”.

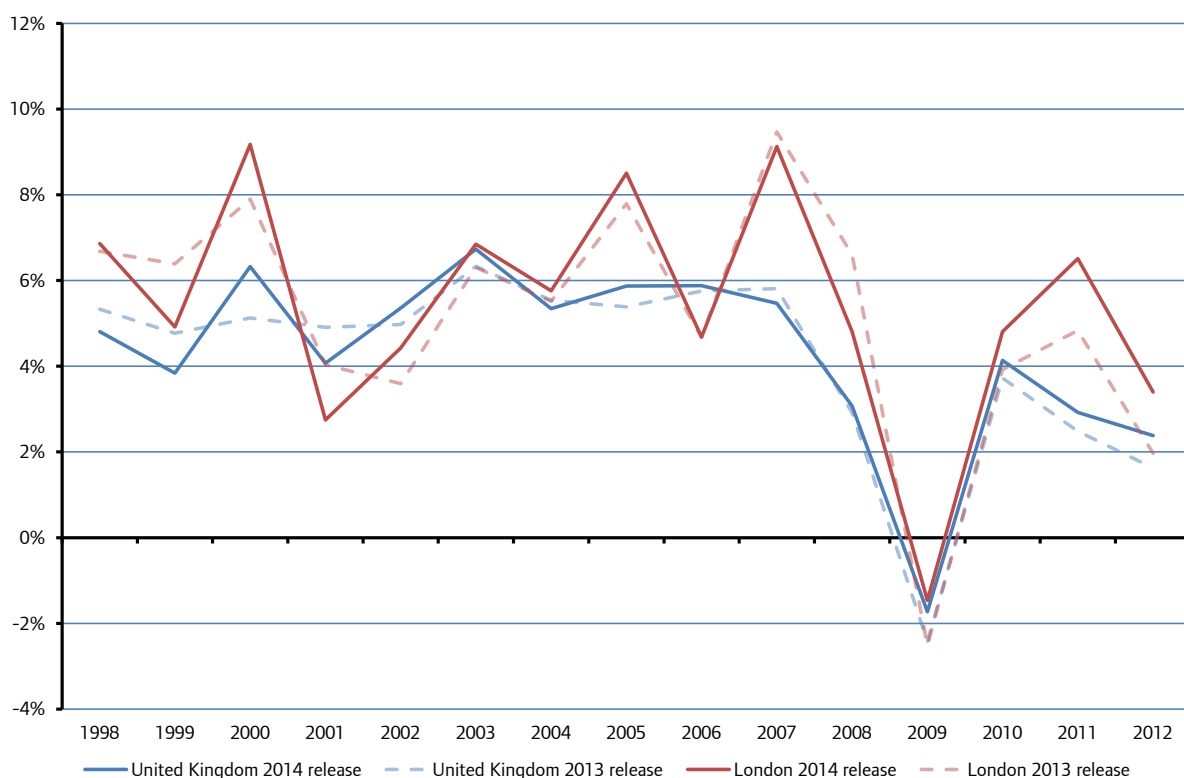
Other changes in order “to satisfy the requirements of Gross National Income or ESA2010”, have impacted “upon the regional GVA estimates in the form of different national totals for the various components of income, even where no explicit changes to the regional allocation have been needed. Of these, changes to the treatment of non-profit institutions serving households (NPISH) have resulted in the greatest impact on the national figures”.

London GVA (I)

In 2013, London's total GVA was over £338 billion. This was up 4.0 per cent on 2012 and accounted for 22.2 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 over 26 per cent of the UK's total GVA increase between 2012 and 2013. As a result of the changes to the National Accounts in 2014, the historic data for London's GVA has seen significant revisions, with, for example, nominal GVA in 2011 in London now standing at £315 billion, compared to a previously estimated figure of £303 billion. These revisions have also impacted on the historic nominal growth rate of GVA; for example the GVA growth rate for London between 2010 and 2011 now stands at 6.5 per cent compared to a previously estimated 4.8 per cent (see Figure 1).

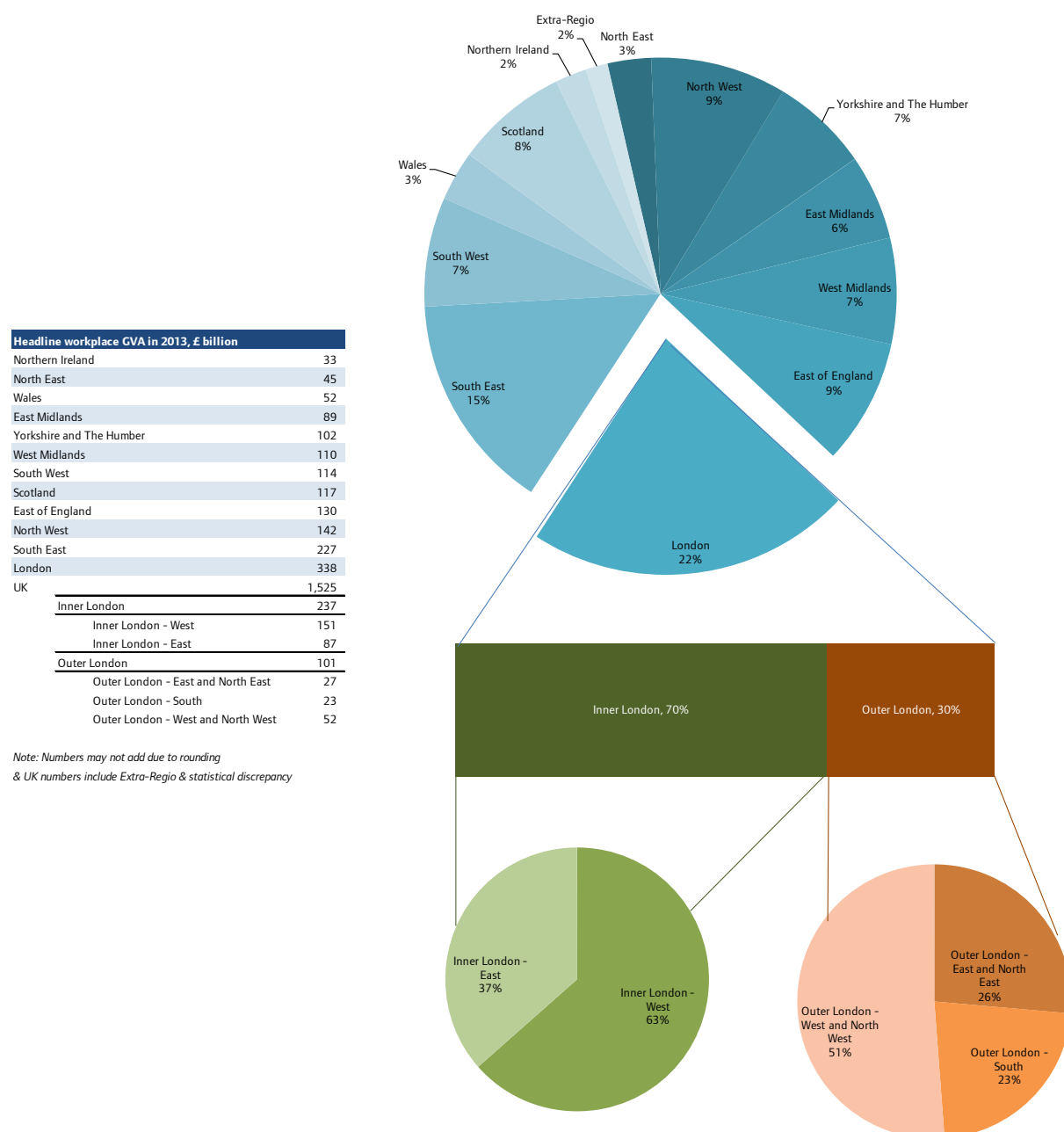
Over two-thirds of London's GVA was produced in Inner London in 2013 (Figure 2). In fact, almost half (45 per cent) of London's total GVA was produced in Inner London-West alone (Figure 3). Indeed, Inner London-West has a higher GVA than all UK regions except for the South East (and, of course, London). However, Inner London-East has seen the greatest change in its relative importance to London's economy. Having accounted for 19 per cent of London's GVA in 1997, by 2013 this was up to 26 per cent (Figure 3).

Figure 1: Comparison of the nominal growth rates in GVA in London and the UK 1998 to 2012 from the 2013 and 2014 regional accounts releases



Source: Regional Accounts, ONS

Figure 2: Geographic breakdown of Headline UK⁸ GVA in 2013⁹

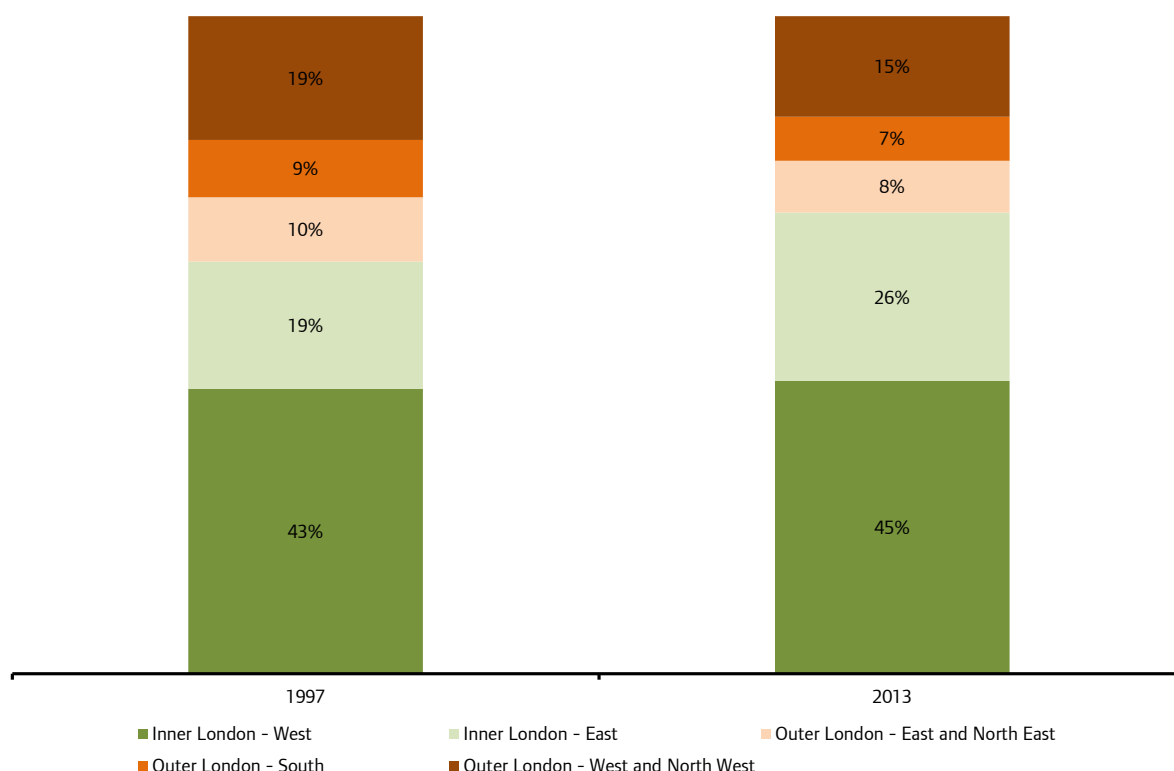


Source: Regional Accounts, ONS

⁸ UK includes Extra-Region (which comprises compensation of employees and gross operating surplus which cannot be assigned to regions)

⁹ 2013 data are provisional.

Figure 3: Geographical breakdown of London's headline GVA¹⁰, 1997 and 2013¹¹, current prices



Source: *Regional Accounts, ONS*

Since 2008, London's GVA has increased by 18.2 per cent in nominal terms (i.e. without taking account of inflation), compared to 11.4 per cent for the UK. And, unlike any other region, London's GVA has more than doubled (by 128 per cent) since 1997 (when it was around £148 billion), compared to a 94 per cent increase for the UK as a whole.

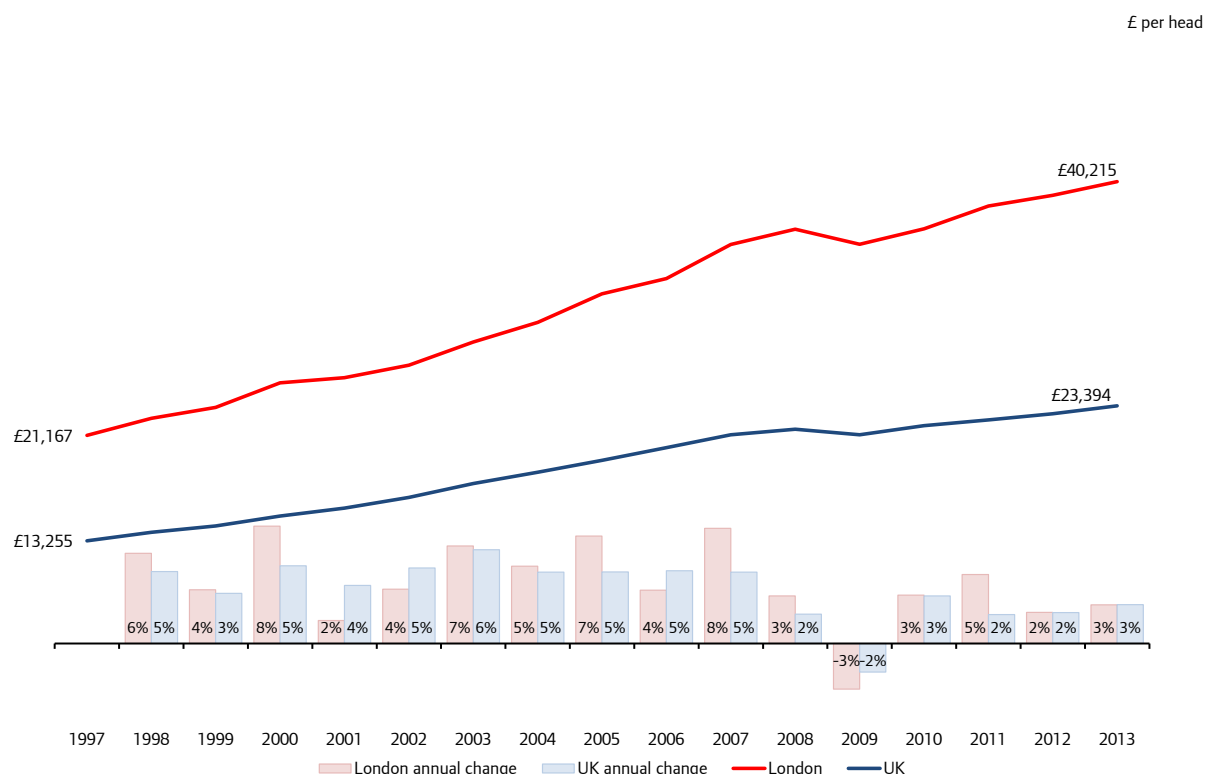
London's GVA performance remains impressive even after adjusting for its relative size¹². GVA per head of population in the capital was £40,215 in 2013 (see Figure 4, which shows the time series for London versus the UK as a whole), the highest of any English region or UK nation and over 70 per cent higher than that for the UK as a whole which stood at £23,394. Over 2013, GVA per head in London increased by 2.6 per cent. Since 2008, it has risen by 9.7 per cent, compared to a rate of increase of 8.1 per cent for the UK as a whole.

¹⁰ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

¹¹ 2013 data are provisional.

¹² 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 with, for example, China having significantly higher output than Singapore; however the output per head and living standards of Singapore are higher.

Figure 4: Headline GVA¹³ per head (£) and annual percentage change for London and UK 1997-2013¹⁴, current prices



Source: *Regional Accounts, ONS*

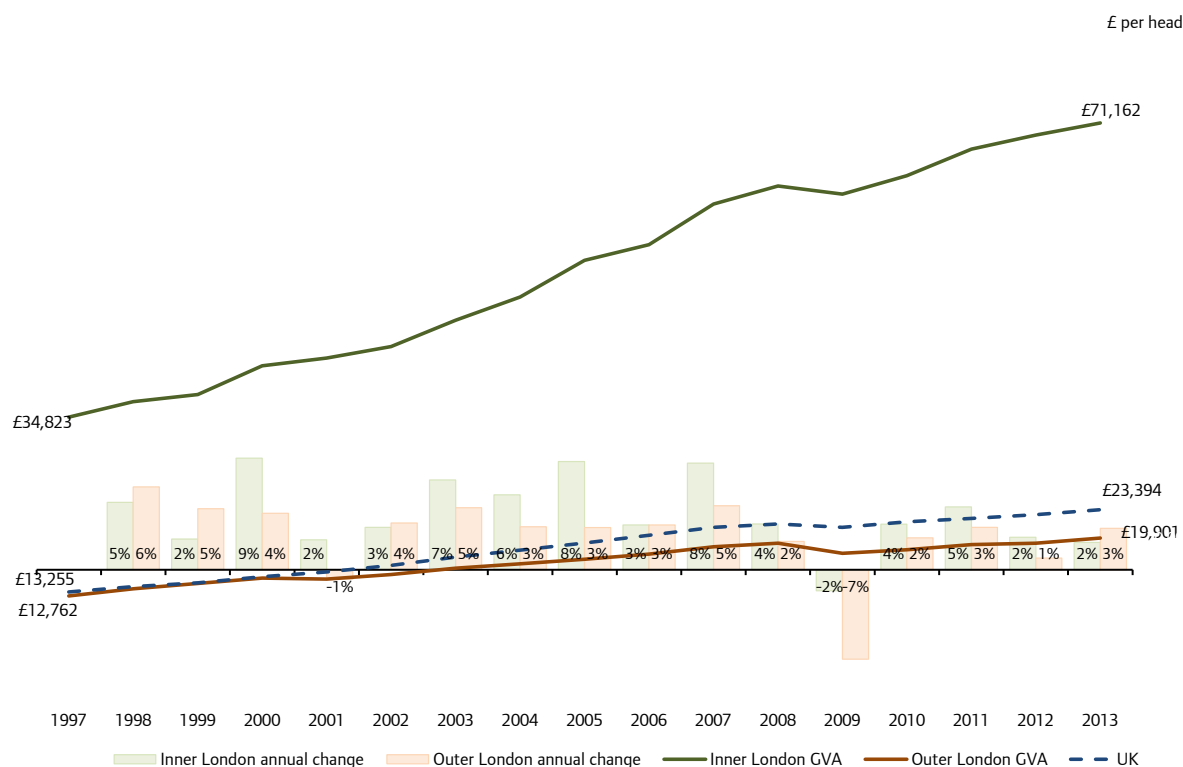
However, the London-wide GVA per head estimates hide some significant variation across its sub-regions and local areas. Figures 5 and 6 show GVA per head across London since 1997. Whilst London has a higher GVA per head than the UK, this is driven by Inner London. GVA per head in Outer London is lower than in the UK as a whole, and it has grown more slowly than the UK since 1997. The difference between Inner and Outer London's GVA per head was £51,261 in 2013, more than double the £22,061 difference that existed in 1997.

Looking at smaller areas in London (Figure 6) the variance is even larger; in 2013 there was a GVA per head difference of £121,157 between the highest (Inner London – West) and the lowest (Outer London – East and North East). Since 2008, all of London's NUTS3 areas saw a rise in GVA per head, yet the differences between inner and outer London were significant and have increased. GVA per head in Outer London as a whole increased by 3.3 per cent between 2008 and 2013 with Outer London East and North East rising by 5.8 per cent, compared to rises of 1.5 per cent and 2.9 per cent in Outer London South and West and North West respectively. In comparison, GVA per head for Inner London increased by 12.3 per cent over the same period with Inner London East recording an 18.0 per cent increase over the period. Over the period of the data series, Inner London – East has seen a 136 per cent increase in the value of its GVA per head, the fastest growth of any local area in the UK.

¹³ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

¹⁴ 2013 data are provisional.

Figure 5: Headline GVA¹⁵ per head and annual percentage change at London NUTS2 level and UK, 1997-2013¹⁶, current prices.

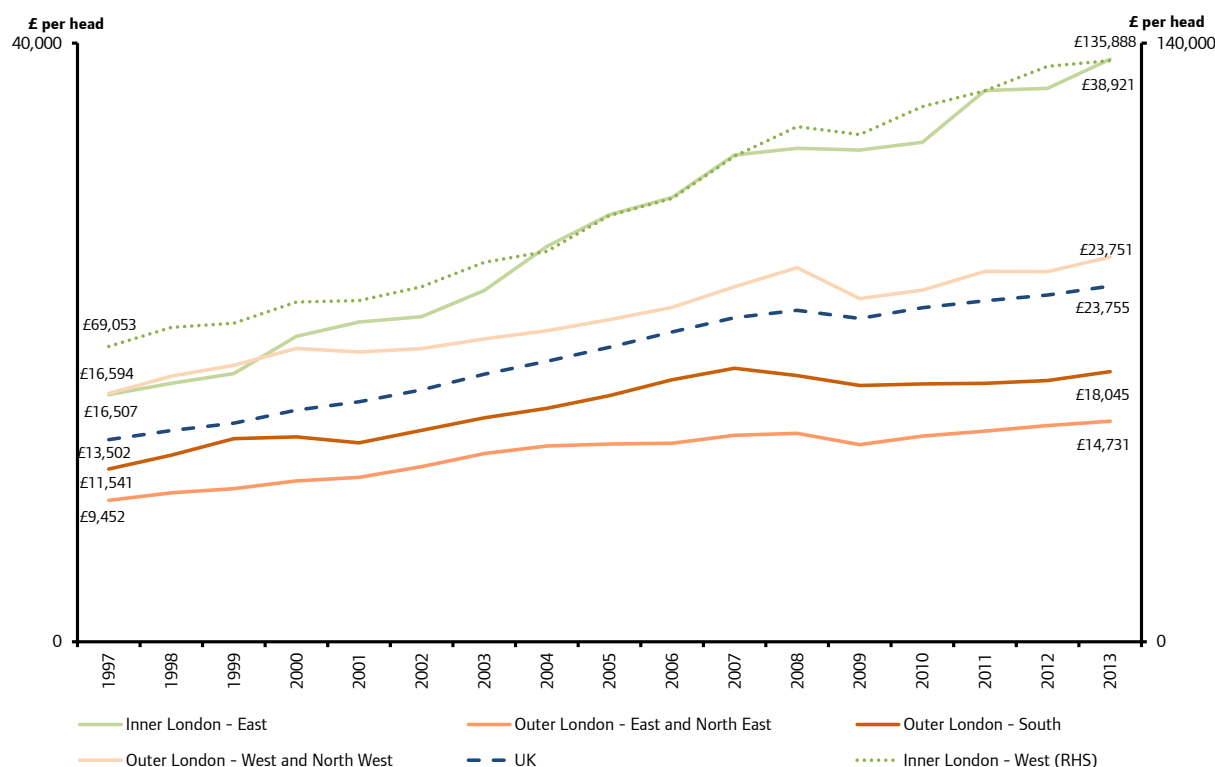


Source: Regional Accounts, ONS

¹⁵ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

¹⁶ 2013 data are provisional.

Figure 6: Headline GVA¹⁷ per head at London NUTS3 level and UK, 1997-2013¹⁸, current prices.



Source: *Regional Accounts, ONS*

Given the importance of commuters in producing London's output, GVA per head in London might be considered a somewhat misleading statistic. In terms of productivity, a more representative measure is GVA per worker (see Figure 7.) As can be observed GVA per worker is significantly higher in London when compared to the UK as a whole, with it standing in 2013 in London at £63,692 compared to a figure of £47,283 for the UK as a whole. However, in 2013 GVA per worker declined by 0.5 per cent in London, compared to a growth rate of 1.9 per cent for the UK. Figure 8 further highlights the difference between GVA per worker and GVA per head in London¹⁹.

¹⁷ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

¹⁸ 2013 data are provisional.

¹⁹ In this paper the analysis looks at GVA per workforce job. However, more detailed work on GVA per job, for potential use for appraisal and evaluation purposes for instance, was recently published by GLA Economics in Working Paper 63: Gross Value Added per Workforce Job in London and the UK.

Figure 7: Headline GVA²⁰ per job²¹ (£) and annual percentage change for London and UK 1997-2013²², current prices



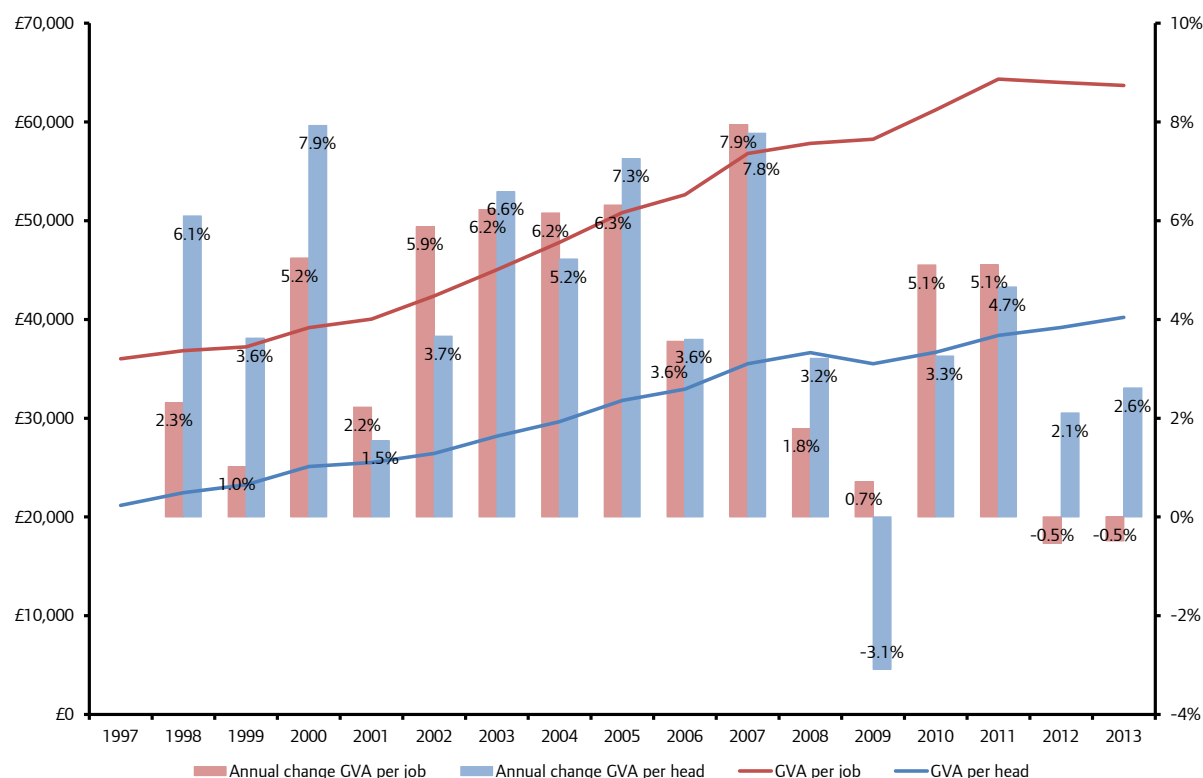
Source: Regional Accounts, ONS, Nomis and GLA Economics calculations

²⁰ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

²¹ Calculated by dividing headline GVA by the average work force jobs level per annum.

²² 2013 data are provisional.

Figure 8: Comparison of headline GVA²³ per job²⁴ and GVA per head (£) and annual percentage change for London, 1997-2013²⁵, current prices



Source: Regional Accounts, ONS, Nomis and GLA Economics calculations

²³ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

²⁴ Calculated by dividing headline GVA by the average work force jobs level per annum.

²⁵ 2013 data are provisional.

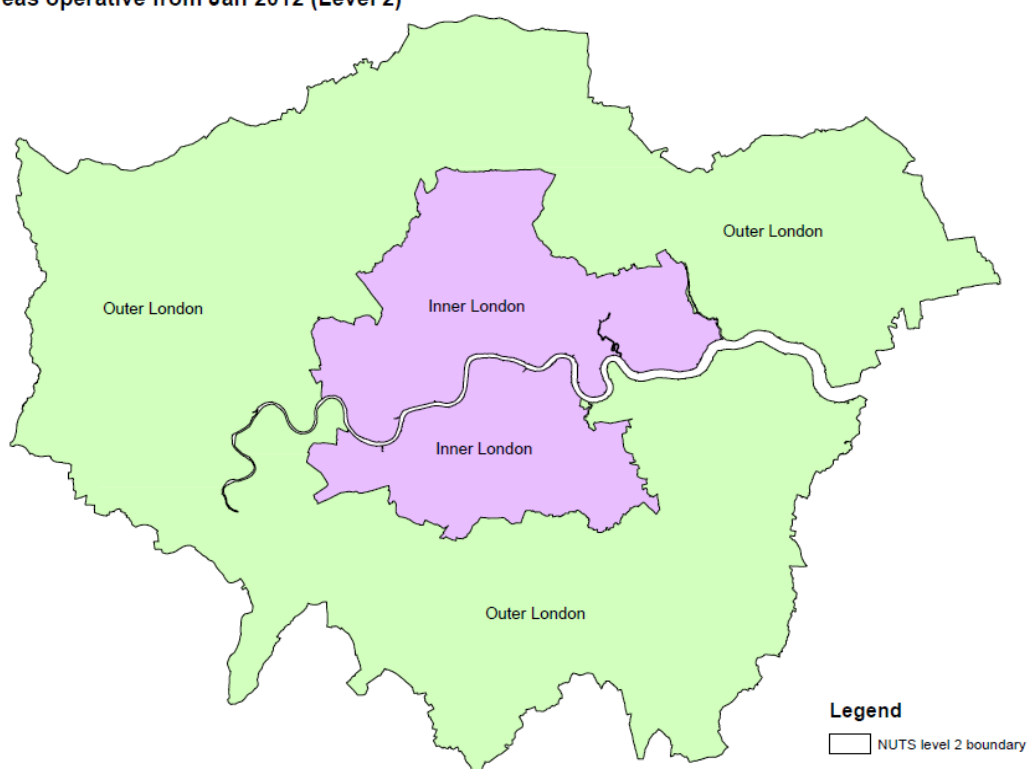
Box 2: Upcoming changes to NUTS3 level and GLA Economics borough-level GVA estimates

The estimates of GVA(I) and GVA(P) at the NUTS2 & 3 levels that were published in December 2014 by the ONS were based on the NUTS system in place before 1 January 2015. This system had two geographies at the NUTS2 level:

- Inner London,
- Outer London.

Figure 9: NUTS2 level geographies in London prior to January 2015

NUTS areas operative from Jan 2012 (Level 2)



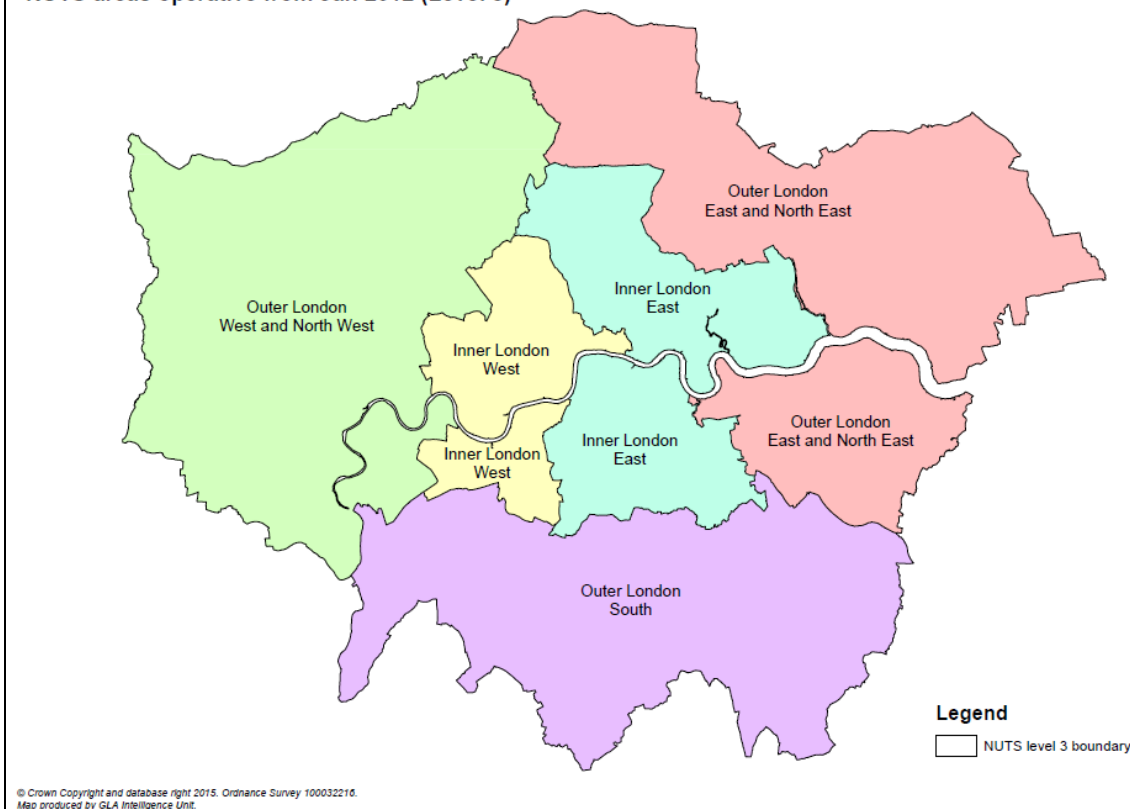
© Crown Copyright and database right 2015. Ordnance Survey 100032210.
Map produced by GLA Intelligence Unit.

At NUTS3 level London was split into five geographies:

- Inner London – West,
- Inner London – East,
- Outer London – East and North East,
- Outer London – South,
- Outer London – West and North West.

Figure 10: NUTS3 level geographies in London prior to January 2015

NUTS areas operative from Jan 2012 (Level 3)



Following a review carried out in 2013 and agreed by the European Commission from 1 January 2015 at NUTS2 level Inner London will now be split into two geographies²⁶:

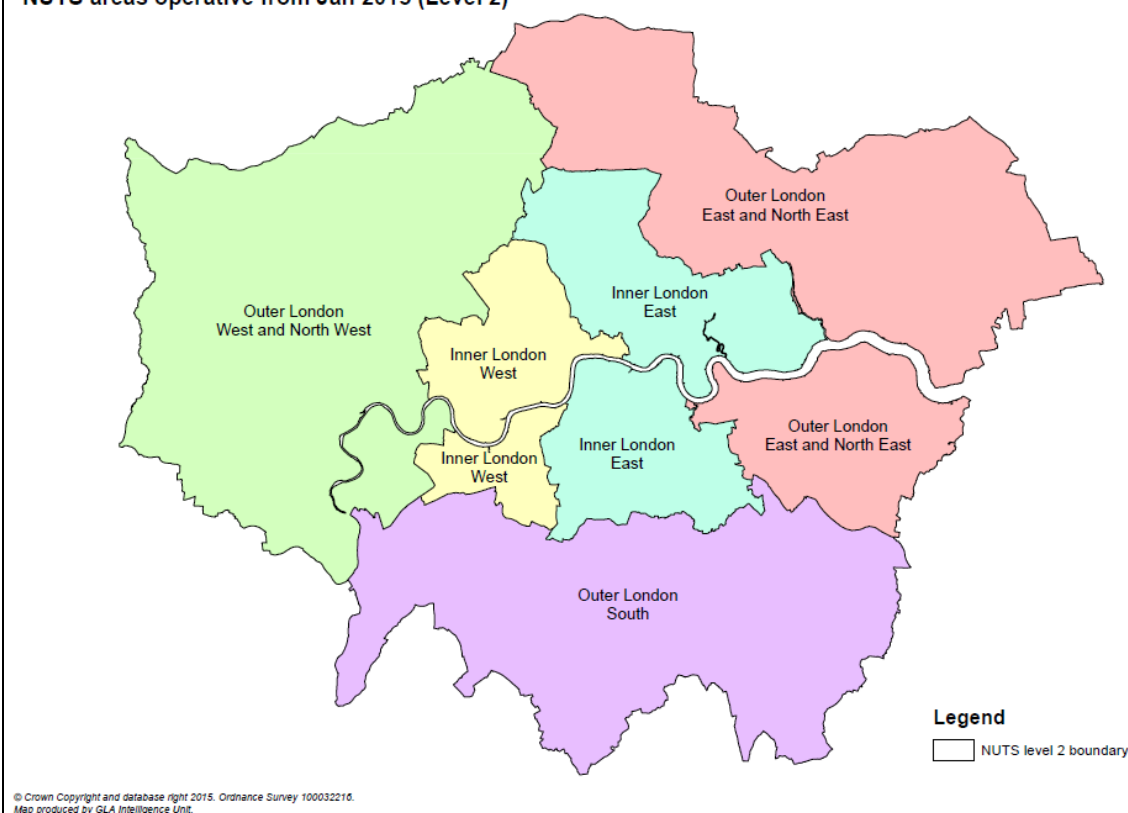
- Inner London – West,
- Inner London – East,

while Outer London will be split into three geographies:

- Outer London – East and North East,
- Outer London – South,
- Outer London – West and North West.

Figure 11: NUTS2 level geographies in London post January 2015

NUTS areas operative from Jan 2015 (Level 2)



²⁶ Both the inner and outer London NUTS2 level geographies are the same as the pre 2015 NUTS3 level geographies.

At NUTS3 level Inner London – West will now be split into four geographies:

- Camden and City of London,
- Kensington & Chelsea and Hammersmith & Fulham,
- Westminster,
- Wandsworth,

with Inner London – East split into five geographies:

- Hackney and Newham,
- Haringey and Islington,
- Lambeth,
- Lewisham and Southwark,
- Tower Hamlets,

Outer London – East and North East will now be split into four geographies:

- Barking & Dagenham and Havering,
- Bexley and Greenwich,
- Enfield,
- Redbridge and Waltham Forest,

Outer London – South will be split into three geographies:

- Bromley,
- Croydon,
- Merton, Kingston upon Thames and Sutton,

and Outer London – West and North West will be split into five geographies:

- Barnet,
- Brent,
- Ealing,
- Harrow and Hillingdon,
- Hounslow and Richmond upon Thames.

Figure 12: NUTS3 level geographies in London post January 2015

NUTS areas operative from Jan 2015 (Level 3)



As can be observed from the NUTS3 level geography introduced in January 2015 unique estimates of GVA at the borough level will be available for some, but not all, of the London local authorities. These estimates will not however be published by the ONS until the publication of their next estimate of Regional Gross Value Added which is due to be published in December 2015. Thus in order to in part prepare for this change over but also in order to better understand the sub-regional nature of London's economy GLA Economics has attempted to estimate local authority level GVA(I) for all London's local authorities for 2012.

The methodology used²⁷ in order to do this was to take the estimate for sector level GVA(I) at NUTS3 level and apportion it to the constituent London local authorities for that NUTS3 level geography based on the local authorities employment in those sectors compared to overall employment in the sector at NUTS3 level using BRES²⁸ data. It should be emphasised that these numbers are estimates based on GLA Economics' calculations and are not official ONS statistics. The results of this analysis are given in Table 1²⁹:

²⁷ In detail the methodology used calculated full-time equivalent employment from BRES data for 2012 in both the NUTS3 level geography and its constituent boroughs for 10 broad sectors that cover the totality of the economy. This was used to calculate each borough's share of employment for the NUTS3 level geography for each of the 10 broad sectors. This share was then multiplied by the sectors GVA at the NUTS3 level to give the borough's estimated GVA for that sector; this was repeated for all 10 broad sectors and summed to give the estimate of the borough's GVA. It should be noted that this methodology makes a number of simplifying assumptions such as productivity is constant in sectors across boroughs etc.

²⁸ Business Register and Employment Survey.

²⁹ Note due to rounding by the ONS the sum of the sectors GVA at the NUTS3 level does not perfectly match the stated level of total GVA for each NUTS3 geography; for London this discrepancy at the NUTS3 level is around $\pm£1$ to 2 million. Therefore the

Table 1: Calculations of London local authorities GVA(I) in 2012³⁰ (£ million rounded to the nearest £10 million)

Inner London - West		Inner London - East	
Borough	GVA (£ million)	Borough	GVA (£ million)
Camden	21,920 ³¹	Hackney	6,590
City of London	45,550	Haringey	4,040
Hammersmith and Fulham	8,980	Islington	14,970
Kensington and Chelsea	9,050	Lambeth	8,340
Wandsworth	7,440	Lewisham	3,890
Westminster	55,120	Newham	5,470
		Southwark	13,230
		Tower Hamlets	24,240
Total	148,061³²	Total	80,769
Outer London – West & North West		Outer London – East & North East	
Borough	GVA (£ million)	Borough	GVA (£ million)
Barnet	7,190	Barking and Dagenham	2,670
Brent	6,400	Bexley	3,660
Ealing	7,360	Enfield	5,240
Harrow	4,000	Greenwich	3,490
Hillingdon	10,570	Havering	3,970
Hounslow	9,130	Redbridge	3,600
Richmond upon Thames	4,600	Waltham Forest	3,200
Total	49,246	Total	25,843
Outer London - South			
Borough	GVA (£ million)		
Bromley	5,210		
Croydon	5,760		
Kingston upon Thames	3,450		
Merton	3,900		
Sutton	3,370		
Total	21,694		

Source: ONS, BRES and GLA Economics' calculations

As can be observed the London local authorities with the highest calculated GVA in 2012 were Westminster, the City of London and Tower Hamlets (all in Inner London), whilst the boroughs with the lowest calculated GVA in 2012 were Barking and Dagenham, Waltham Forest and Sutton (all in Outer London). The Inner London borough with the lowest calculated GVA in 2012 was Lewisham, whilst the Outer London borough with the highest calculated GVA in 2012 was Hillingdon.

calculated sum of borough level GVA for each NUTS3 level geography deviated slightly from that published by the ONS before rounding to the nearest £10 million was undertaken.

³⁰ In order to establish Borough-level estimates calculations require industry level data and the latest data point for NUTS3 by industry refer to 2012.

³¹ These estimates have been rounded to the nearest £10 million and for this reason the sum of borough level estimates may differ from the NUTS3 level estimates.

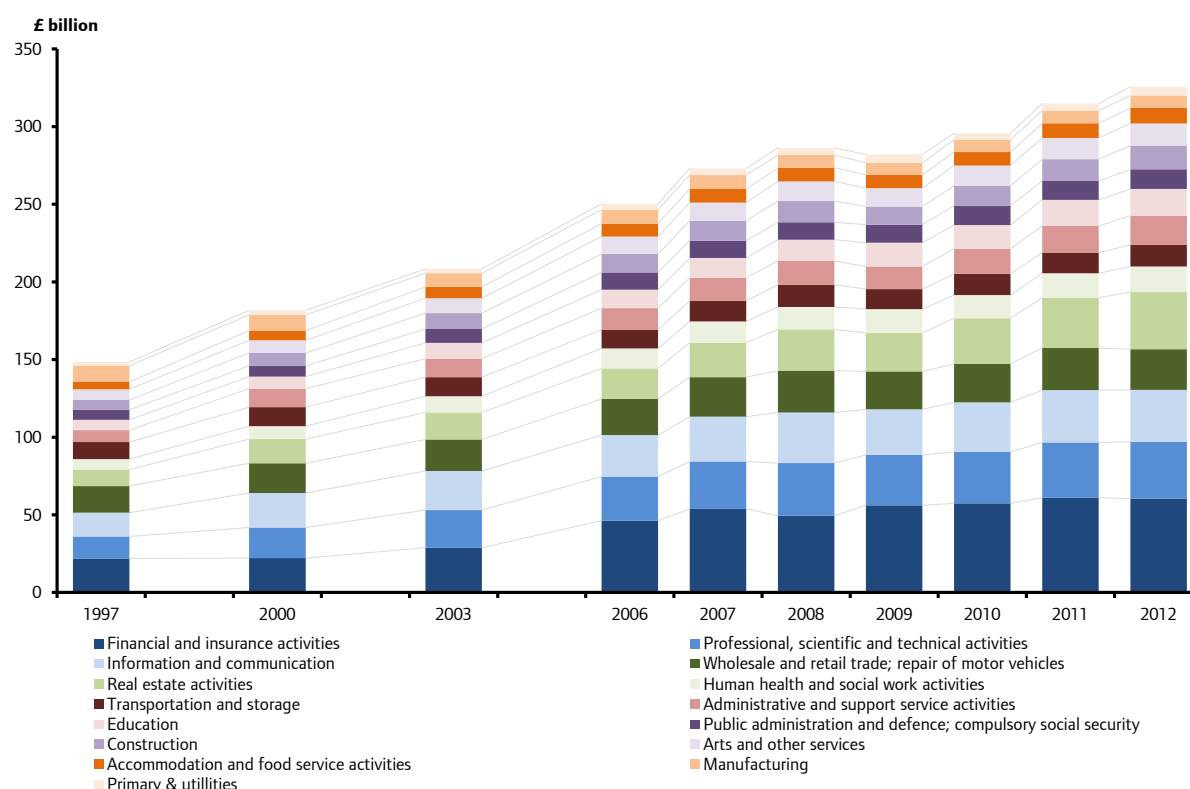
³² The NUTS level totals are totals from the Regional Accounts release.

London GVA (I) by industry

In 2012 just under a fifth of London's GVA was generated by the financial and insurance industry (£60.5 billion) (see Figure 13 and Table 2). The value of this industry has grown by 175 per cent since 1997, the second fastest rate for any industry in London. The only industry to surpass this rate of growth was real estate activities which has grown by 247 per cent since 1997, and accounted for 11 per cent of London's GVA in 2012. In 2012, just over half of the UK's GVA in the financial and insurance industry was generated in London (up from 43 per cent in 1997) (see Figure 14). Indeed, London's financial and insurance industry made up 4.1 per cent of the UK's total GVA in 2012.

Professional, scientific and technical activities; and information and communication industries also play an important role in London's GVA generation. In 2012, these two industries combined accounted for around 22 per cent of London's GVA (up slightly from 20 per cent in 1997). Further, London's professional, scientific and technical activities; and information and communication account for over a third of the UK's GVA in both industries respectively, whilst administrative and support service activities GVA account for over a quarter of the sector's GVA in the UK.

Figure 13: Headline GVA³³ in London by industry, 1997-2012, current prices



Source: Regional Accounts, ONS

³³ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

Table 2: Headline GVA³⁴ in London by industry (£ million and as per cent of total London GVA), 1997, 2008 and 2012, current prices

Industry	1997		2008		2012	
	Industry GVA	Total (%)	Industry GVA	Total (%)	Industry GVA	Total (%)
Primary & utilities	2,419	1.6	4,596	1.6	5,624	1.7
Manufacturing	10,456	7.0	8,143	2.8	7,996	2.5
Construction	6,338	4.3	13,610	4.8	15,170	4.7
Wholesale and retail trade; repair of motor vehicles	17,055	11.5	26,897	9.4	26,215	8.1
Transportation and storage	10,949	7.4	14,390	5.0	13,938	4.3
Accommodation and food service activities	4,735	3.2	8,835	3.1	9,943	3.1
Information and communication	15,422	10.4	32,586	11.4	33,508	10.3
Financial and insurance activities	21,956	14.8	49,539	17.3	60,473	18.6
Real estate activities	10,581	7.1	26,631	9.3	36,701	11.3
Professional, scientific and technical activities	14,066	9.5	33,821	11.8	36,496	11.2
Administrative and support service activities	7,666	5.2	15,212	5.3	18,740	5.8
Public administration and defence; compulsory social security	6,511	4.4	11,231	3.9	12,664	3.9
Education	6,600	4.4	13,777	4.8	17,195	5.3
Human health and social work activities	6,830	4.6	14,364	5.0	16,551	5.1
Arts and other services	6,896	4.6	12,662	4.4	14,398	4.4
Total	148,480		286,294		325,612	

Source: *Regional Accounts*, ONS

From 2008 to 2012, three industries in London have seen a fall in GVA:

- Manufacturing, which has fallen by 2 per cent to £8.0 billion,
- Wholesale and retail trade; repair of motor vehicles, which has fallen by 3 per cent to £26.22 billion
- Transportation and storage, which has fallen by 3 per cent to £13.94 billion

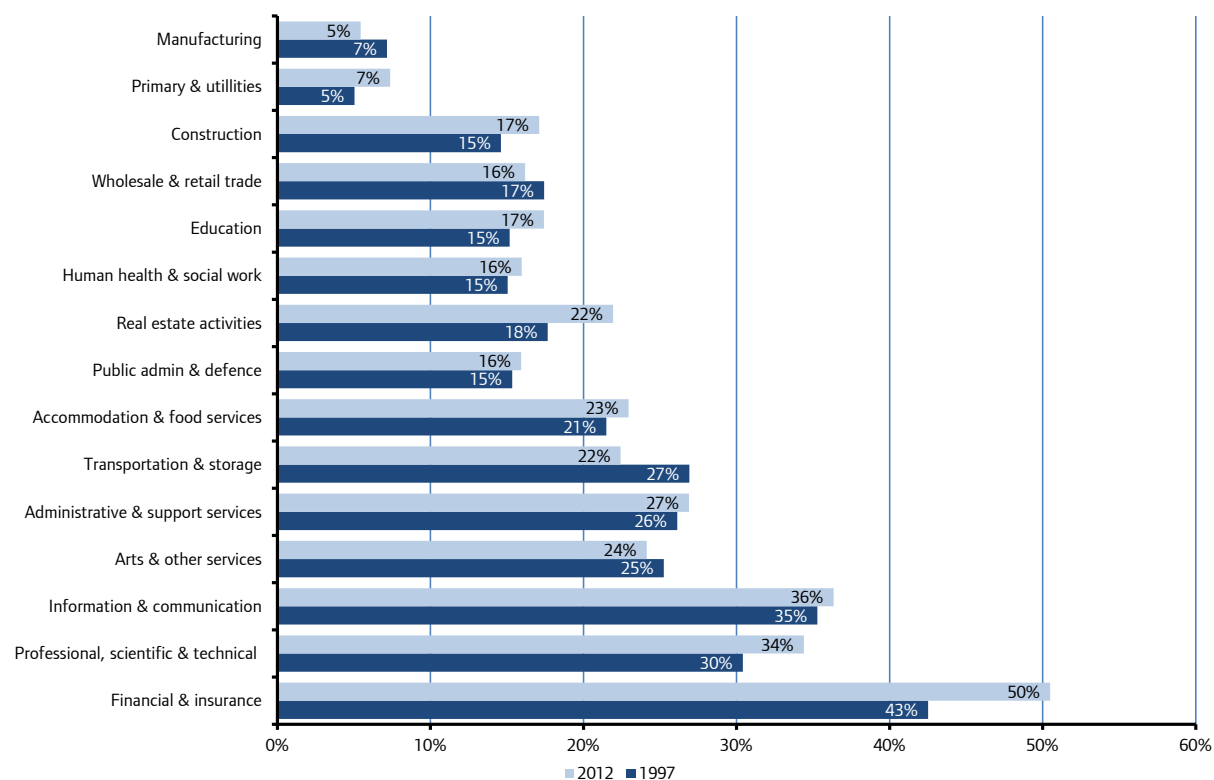
However, over the longer time period, only the GVA of manufacturing in London has seen a fall in its nominal value, having declined by 24 per cent between 1997 and 2012.

Figure 15 shows how London's GVA by industry is spread between Inner and Outer London in 1997 and 2012. For three industries Outer London hosted over half of London's GVA in those industries in 2012: manufacturing (69 per cent); transportation and storage (63 per cent); and construction (57 per cent). However in 2012, Outer London produced only a 5 per cent share of London's total financial and insurance industry GVA (down from 13 per cent in 1997). Meanwhile, Inner London produced over three-quarters of London's GVA in financial and

³⁴ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

insurance activities; professional, scientific and technical activities; information and communication; and real estate industries.

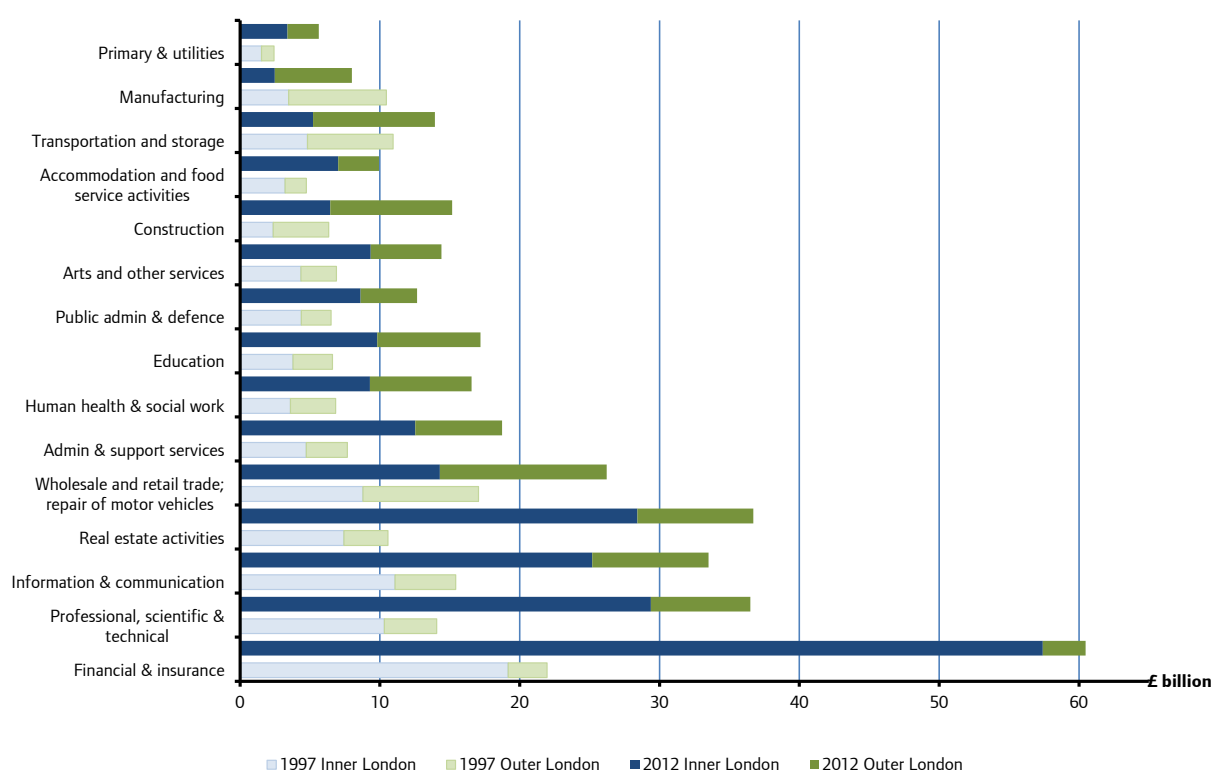
Figure 14: London's share of UK headline GVA³⁵ by industry, 1997-2012, current prices



Source: *Regional Accounts, ONS*

³⁵ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

Figure 15: Inner and Outer London GVA³⁶ by industry, 1997 and 2012



Source: Regional Accounts, ONS

³⁶ Estimates are for workplace based GVA allocating incomes to the region in which the economic activity takes place.

London GVA (P)

In December 2014 the ONS published its second estimate of full regional Gross Value Added using the production approach in both nominal and real terms for the years 1998 to 2012³⁷. It should be noted that the ONS observes that “as these are experimental statistics, users should note that there are quality issues affecting some of the industry chained volume measures (CVMs). Several industries show a conspicuous difference from the GVA compiled using the income approach (GVA (I)).” Furthermore, the ONS suggests that “where the GVA (P) results differ significantly from the existing GVA (I) measure, the latter should take precedence.”³⁸

The deflation methodology for the constant price GVA (P) used for the estimates in this note was reformed following the publication of estimates in December 2013³⁹. Based on the reformed methodology the GVA estimates are consistent with the UK GDP (O)⁴⁰ statistics and estimates are constrained to sum to the national total in constant prices. Previously published unconstrained estimates are still available to be used for comparisons of the relative industry performance of different industries in London. Given the experimental nature of the data described below, it should not be viewed as a definitive measure of any regions’ real GVA in 2012 or its growth over the preceding years.

Figure 16 shows the growth rate of real GVA(P) against nominal GVA(I) in London over the years 1999 to 2012. As would be expected the growth rate of real GVA was lower than the growth in nominal GVA for most of this period. Between 1998 and 2012 London’s real GVA index increased by around 53 per cent, the highest of any NUTS1 region, followed by Northern Ireland (36 per cent), and the South West (34 per cent). Further between 1998 to 2007 (pre downturn) London experienced the largest increase in real GVA, with its index increasing by around 46 per cent, followed by Northern Ireland (44 per cent), and Yorkshire and Humber (35 per cent). In terms of real GVA, London’s GVA in 2012 was 4 per cent higher than in 2007, whilst GVA in the South East was 5 per cent higher. In contrast, real GVA in Yorkshire and the Humber remained 8 per cent below the pre-recession peak in 2007 and for Northern Ireland it was 5 per cent below its 2007 level. In addition, real GVA in East of England was 4 per cent below 2007 level, whilst in North West, East Midlands and West Midlands GVA remained 1 per cent lower than in 2007.

³⁷ [Regional Gross Value Added \(Production Approach\), December 2014, ONS.](#)

³⁸ Ibid.

³⁹ [Development of a regional measure of real Gross Value Added using a production approach, January 2014, ONS.](#)

⁴⁰ GDP from the output (O) or production approach – GDP (O) measures the sum of the value added created through the production of goods and services within the economy. This approach provides the first estimate of quarterly GDP and can be used to show the different contributions of industries (for example, agriculture) within the economy.

Figure 16: Headline real GVA(P) for all industry totals (chained volume measure) and nominal GVA(I) annual percentage change for London 1999-2012



Source: *Regional Accounts, ONS, GLA Economics Calculations*

In terms of industries between 1998 and 2012 the index of real GVA in the information and communication sector increased by 108 per cent, with real GVA increasing by over 80 per cent in the financial and insurance activities; professional, scientific and technical activities; real estate activities; and human health and social work activities sectors. However, over this period real GVA declined in the manufacturing sector by just over a third; whilst arts, entertainment and recreation; and wholesale and retail trade declined by 1 per cent and 2 per cent respectively. Despite a 4 per cent increase in the index of real GVA in London between 2007 and 2012, GVA in a number of industry sectors remained below the 2007 level. In 2012, the real GVA index for wholesale and retail trade was 23 per cent lower than in 2007. In addition, GVA in arts, entertainment and recreation fell by 21 per cent, whilst real GVA in transport and storage; and public administration and defence both fell by 13 per cent over the period.

Figure 17 shows the annual growth rate of the real GVA index for Inner and Outer London between 1998 and 2012. As can be observed there was a large variance in the growth rate of the real GVA index between Inner and Outer London between 1998 and 2012. Inner London's real GVA index increased by 72 per cent between 1998 and 2012, whilst Outer London's real GVA index increased by 23 per cent. This large discrepancy in growth rates is in part due to the impact of the 2008/09 recession and the recovery that followed. As the growth rates of the real GVA indices between 2007 and 2012 demonstrate, real GVA in Inner London was 10.9 per cent higher in 2012 than in 2007, compared to Outer London where GVA fell by 8.3 per cent over the same period. The data would indicate that the recession hit Outer London particularly hard with the real GVA index falling by 8 per cent in 2008 and 7 per cent in 2009, whilst for Inner London the index fell by 5 per cent in 2009 before growing by 3 per cent in 2010.

In terms of industries the ONS observes that “in Inner London the post 2009 increases were largely due to industry sections I (accommodation and food service activities), J (information and communication), L (real estate activities), N (administrative and support service activities) and Q (human health and social work activities).”⁴¹ In comparison, “in Outer London the main drivers were industry sections L (real estate activities), P (education) and T (activities of households)”⁴².

Figure 17: Headline real GVA(P) for all industry totals (chained volume measure) annual percentage change for Inner and Outer London 1998-2012



Source: *Regional Accounts, ONS, GLA Economics Calculations*

A comparison between GVA(P) and GVA(I) data expressed in current basic prices demonstrates that there are differences between the two measures used. Undertaking this analysis the ONS observes that “in London GVA(P) was noticeably higher than GVA(I) for all years”⁴³ (see Figure 18). The ONS notes that this is due to GVA(P) being higher than GVA(I) in a number of London’s key industry sectors including wholesale and retail trade; information and communication; professional, scientific and technical activities and administrative and support service activities. In addition, the growth rates of GVA(P) and GVA(I) in current prices differ over time and in 2008 the discrepancy between the two measures is the greatest (Figure 19); growth rate in GVA(I) exceeds growth in GVA(P) by around 4.0 percentage points.

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

Figure 18: Comparison of current price GVA(I) and current price GVA(P) all industries totals for London, 1998 to 2012



Source: Regional Accounts, ONS

Figure 19: Comparison of growth rates of current price GVA(I) and current price GVA(P) all industries totals for London, 1999 to 2012



Source: Regional Accounts, ONS

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