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Key information

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Contents

Overview

- UK sees strong GDP growth at the start of the year
- Bank of England cuts interest rates again
- UK inflation picked up strongly in April

Economic indicators

- In April, the sentiment of London’s PMI new business activity decreased and turned negative. The PMI new business index in London decreased from 50.9 in February to 48.6 in March. An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.
- Marginally less than half of all property surveyors in London reported house price increases in April. In April, more property surveyors in London reported falling prices than rising prices. The net balance index was -3, down from 0 in March. The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- The consumer confidence index in London slowed from 10 in April to 3 in May. The GfK index of consumer confidence reflects people’s views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

The Sectoral Composition of UK Investment: Divergences Abound

It is commonly acknowledged that the UK in general, including London, has experienced low rates of investment especially since the 2008 Financial Crisis. This supplement provides a detailed breakdown of investment by sector and asset.

- Despite the UK increasing its share of government investment, this has not translated effectively into growth over the past 15 years.
- Despite that increase in share, the UK still lags the OECD average and most other G7 countries.
- The asset composition of UK GFCF, while still disproportionately reliant on dwellings and other buildings, has shifted towards investment in transport, machinery and intellectual property over the past 25 years.
- That said, the asset composition of UK GFCF differs slightly from that of most other G7 countries. Building structures still compose a large share of total GFCF in the UK, and the country's share of investment in transport and intellectual property still lags that of most other G7 countries (as it has been since 2000).

The above key bullets potentially point to the challenges facing the UK as it attempts to promote productivity and growth via greater investment. While investment by asset type is transitioning away from dwellings and other buildings towards assets that lend themselves to supporting the country's service-based economy (especially transport and intellectual property), there has been little in the way of evolution by sector over the past 25 years, with government slightly increasing its share at the proportionate expense of private entities. That said, the challenges become more apparent when comparing UK GFCF with that of other G7 and OECD economies. In one sense, the UK differs from other G7 countries when it comes to the investment mix by sector and asset, with a reliance on asset types (e.g., other building structures) that these other countries broadly do not share. In addition, the amounts invested (whether as a percentage of GDP or per capita) tend to lag the averages for both the OECD and G7 economies.

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