

London's Economy Today

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<http://data.london.gov.uk/londons-economy-today>

Global economy remains sluggish

By **Christopher Lewis**, Senior Economist, **Gordon Douglass**, Economist and **Simon Kyte**, Economist

Problems in the Eurozone have continued with Moody's downgrading German sovereign debt to a 'negative outlook' due to the increased chance of a Greek exit from the Eurozone which it said "would set off a chain of financial sector shocks". Spreads on government bond yields are elevated between various European countries (see Figure 1) as concerns about the long-run future of the Euro remain. The Greek economy contracted by 6.2 per cent in the year to the second quarter of 2012 and Spain is still in recession with output contracting by 0.4 per cent in Q2 2012. The Spanish unemployment rate has risen to nearly 25 per cent. Meanwhile the Bank of France has forecast that France will see a fall in output in Q3, compared to zero growth in the past three quarters.

Latest news...

Mini-jobs in the London labour market

A mini-job is the term given to employment requiring less than 16 hours per week.

This analysis sets a baseline for the future exploration of mini-jobs in London. It provides a snapshot of the quantity and relative quality of mini-jobs, as well as enabling us to understand the wider characteristics and composition of the mini-job workforce.

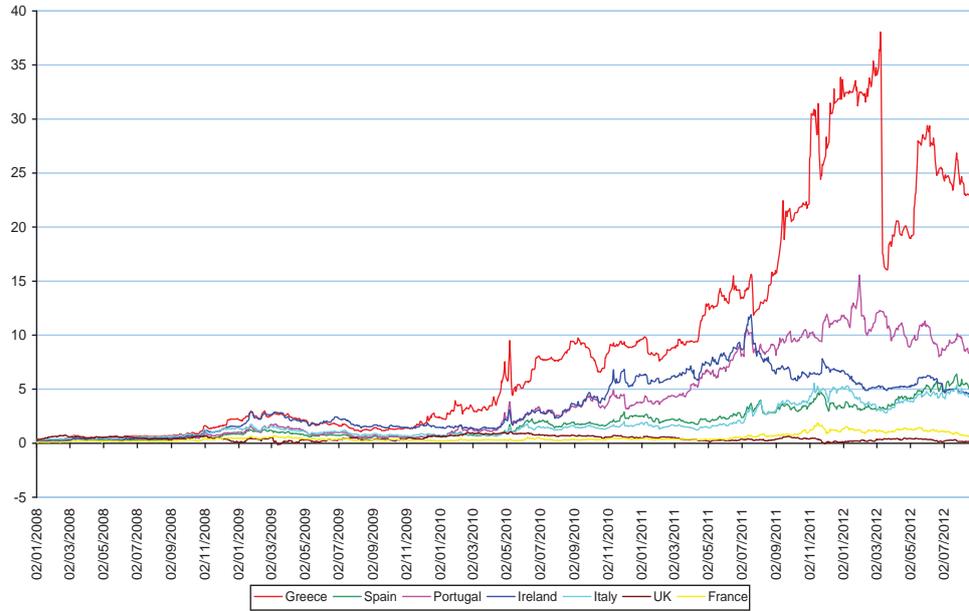
During 2010, 240,000 Londoners were employed in roles requiring less than 16 hours per week..

Visit <http://www.london.gov.uk/publication/mini-jobs-london-labour-market> to download this publication.

Figure 1: Ten-year government bond spreads over German government bonds, percentage points

Last data point:
17/08/2012

Source: EcoWin



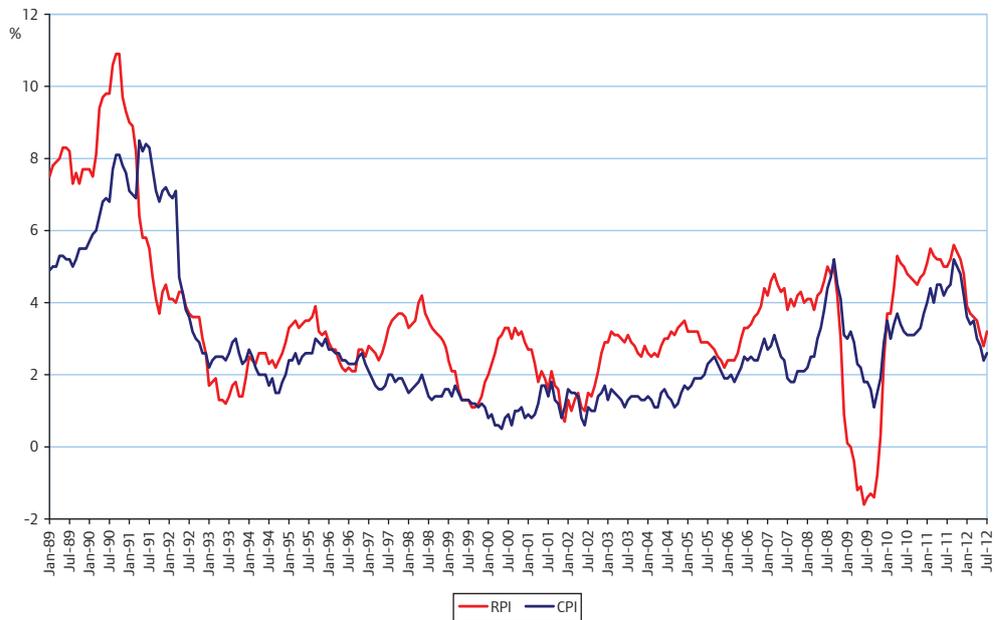
UK inflation rose in July but downward trend expected during rest of year

Consumer Price Index (CPI) annual inflation unexpectedly rose to 2.6 per cent in July, up from 2.4 per cent in June (see Figure 2). The Office for National Statistics noted that “the largest upward pressures on the change in the CPI rate came from transport (particularly air fares) and clothing & footwear”. Retail Price Index (RPI) annual inflation also rose in July to stand at 3.2 per cent, up from 2.8 per cent in June. The Bank of England, however, expects CPI inflation to ease to around 2 per cent by the end of the year.

Figure 2: UK annual inflation rate

Last data point is
July 2012

Source: Office for National Statistics



A slow pick-up for the UK economy in 2013

In its August Inflation Report, the Bank of England downgraded its central forecast for economic growth in 2012 to around zero per cent with only subdued growth in 2013. The report notes “weaker world growth has pulled down export growth. And although the squeeze on real income growth is lessening, it continues to weigh on consumption growth. That squeeze should continue to ease and, alongside the policy stimulus announced since May, spur a gradual recovery in GDP growth”. The Bank of England’s Governor Mervyn King observed that “the economy will continue to face headwinds over the forecast period, from the fiscal consolidation and tight credit conditions at home, as well as from the difficulties in the euro area and a broader slowing in the world economy. The recession in the euro area is damaging demand for our exports; a black cloud of uncertainty is hanging over investment; and the weakening euro is a further obstacle to the adjustment we need to make in our net trade position”. He further commented that the continuing Eurozone crisis made the future unpredictable saying “it’s a saga that goes on, and on, and on. (The idea) that we have come to the end of it is unrealistic. There’s still a long way to go”.

London’s economy performing better than that of the UK

Many economic indicators including the latest labour market data from the ONS suggest that London’s economy is currently stronger than the UK as a whole. In their Q2 2012 Quarterly Economic Survey, the London Chamber of Commerce and Industry found that “confidence amongst London’s businesses has risen for the second consecutive quarter, while employment has also increased as firms seem to be preparing for an increase in activity this summer”. However, it found that “sales and orders in both domestic and export markets remained weak in Q2. Only the balance figure for export orders was in positive territory during Q2.” Investment plans amongst London’s businesses showed little change from the previous quarter and companies continue to struggle with cashflow.

Dark clouds overhang the world economy

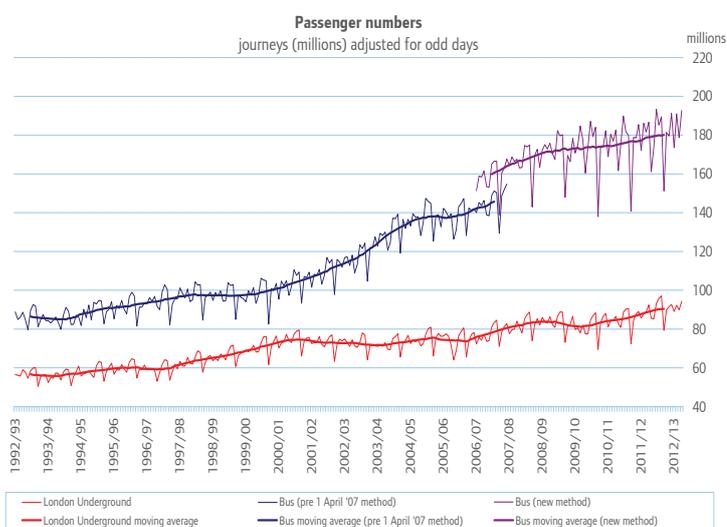
The global economy remains sluggish as the Eurozone sovereign debt crisis drags on. The US economy continued to grow in the second quarter of 2012 but the unemployment rate rose to 8.3 per cent in July. The Chinese economy is slowing down with inflation declining to a 30-month low in July. Oil prices have begun to rise again on the back of supply concerns, with the price of Brent crude hitting above \$110 a barrel. This will put downward pressure on global growth. In the UK the Chartered Institute of Personnel and Development found that almost a third of surveyed firms were maintaining staff levels higher than they need, but that they will start making redundancies if economic growth doesn’t improve soon. Recent economic indicators suggest that London’s economy is performing more strongly than the UK’s as a whole, however the continuing uncertainty in the Eurozone is dampening overall economic prospects.

Increase in moving average of passenger numbers

- The most recent 28 day period is from 24 June to 21 July 2012. Adjusted for odd days, London's Underground and buses had 286.9 million passenger journeys; 192.7 million by bus and 94.3 million by Underground.
- The moving average of passengers every period increased to 270.6 million from 270.0 million in the previous period. The moving average for buses was 180.2 million. The moving average for the Underground was 90.4 million.
- The methodology used to calculate the number of bus passenger journeys was changed by TfL from 1 April 2007. For a detailed explanation please see LET issue 58 (June 2007).

Latest release: August 2012

Next release: September 2012



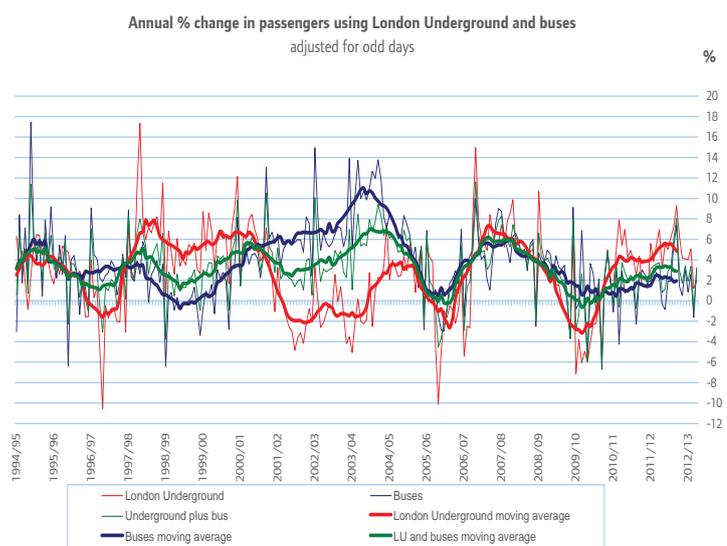
Source: Transport for London

Average annual growth rate of passengers decreases

- The moving average annual rate of growth in passenger journeys decreased to 2.9% from 3.0% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers remained constant from the previous period at 1.9%.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 4.9% from 5.2% in the previous period.

Latest release: August 2012

Next release: September 2012



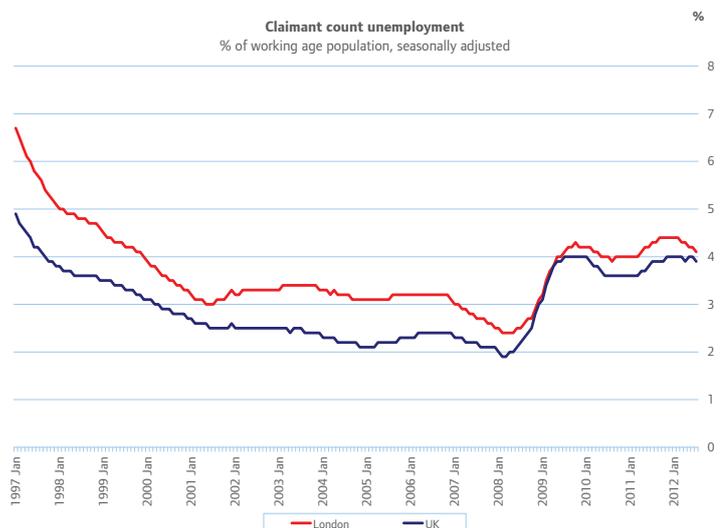
Source: Transport for London

Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 4.1% in July 2012.
- There were 223,800 seasonally adjusted unemployment claimants in London in July 2012 compared to a downwardly revised 226,600 in June 2012.
- There were 1,593,200 seasonally adjusted unemployment claimants in the UK in July 2012 compared to a downwardly revised 1,599,100 in June 2012.

Latest release: August 2012

Next release: September 2012



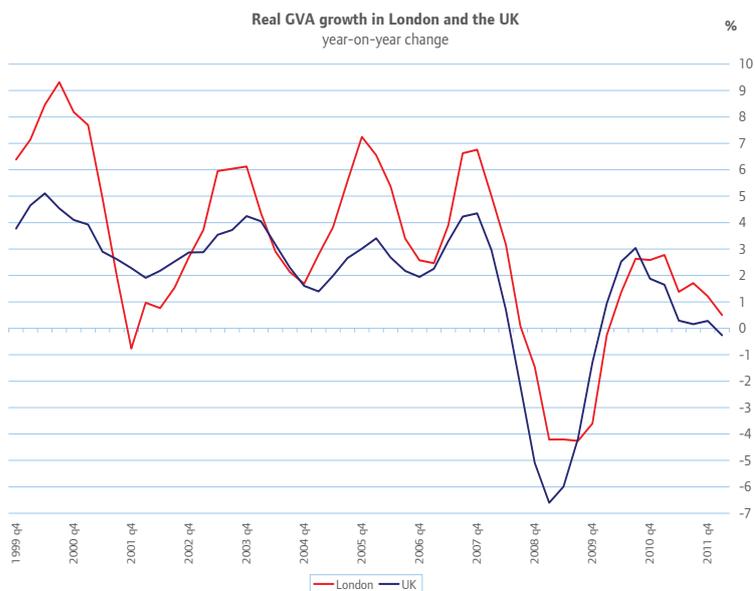
Source: Claimant Count, Nomis

Faster annual output growth in London than in the UK in Q1 2012

- London's annual growth in output decreased to 0.5% in Q1 2012 from 1.2% in Q4 2011.
- Annual output growth in the UK decreased to -0.3% in Q1 2012 from 0.3% in Q4 2011.
- In Q1 2012 London's annual growth rate was faster than in the UK as a whole.

Latest release: August 2012

Next release: November 2012

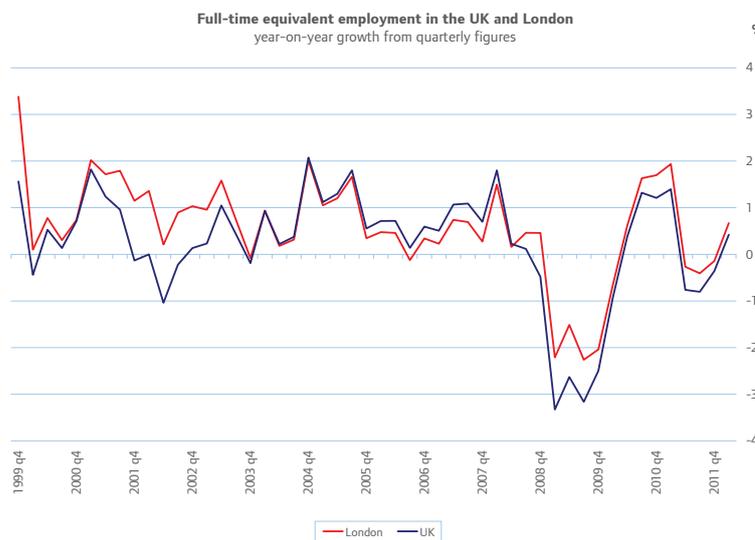


Stronger annual employment growth in London than in the UK in Q1 2012

- London's annual employment growth increased to 0.7% in Q1 2012 from an upwardly revised -0.1% in Q4 2011.
- Annual employment growth in the UK increased to 0.4% in Q1 2012 from -0.4% in Q4 2011.
- In Q1 2012 London's annual employment growth was stronger than in the UK as a whole.

Latest release: August 2012

Next release: November 2012

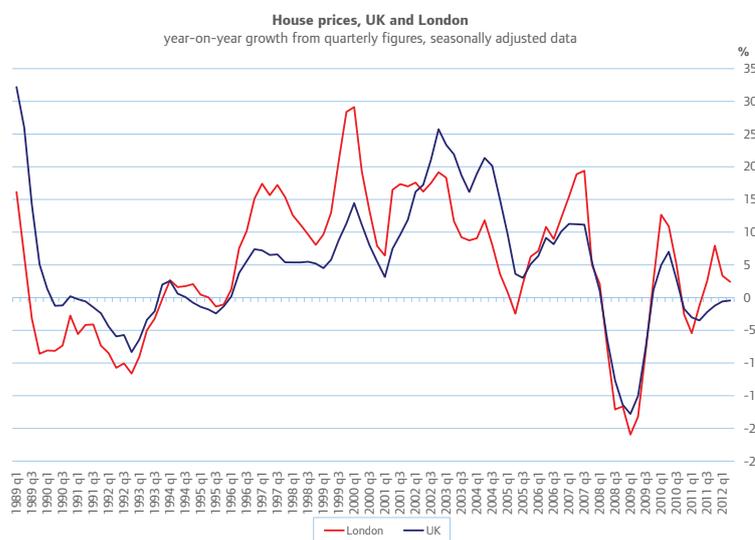


Annual house price inflation falling in London

- House prices, as measured by Halifax, were higher in Q2 2012 than in Q2 2011 in London but not in the UK.
- Annual house price inflation in London was 2.4% in Q2 2012 down from 3.3% in Q1 2012.
- Annual house price inflation in the UK was -0.4% in Q2 2012 up from -0.6% in Q1 2012.

Latest release: July 2012

Next release: October 2012

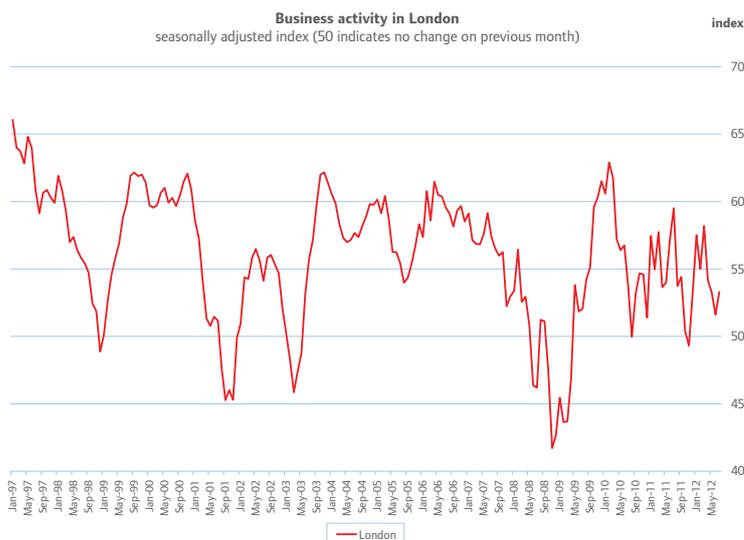


London's business activity increasing

- London firms increased their output of goods and services in July 2012.
- The Purchasing Managers' Index (PMI) of business activity recorded 53.3 in July 2012 compared to 51.6 in June 2012.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: August 2012

Next release: September 2012



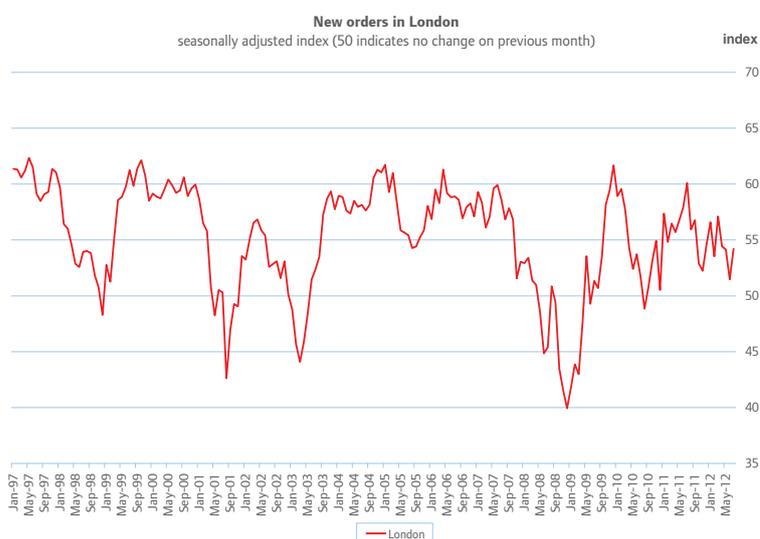
Source: Markit Economics

New orders in London rising

- July 2012 saw an increase in new orders for London firms.
- The PMI for new orders recorded 54.2 in July 2012 compared to 51.5 in June 2012.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: August 2012

Next release: September 2012



Source: Markit Economics

Businesses report higher employment in July

- The PMI shows that the level of employment in London firms increased in July 2012.
- The PMI for the level of employment was 50.7 in July 2012 compared to 51.0 in June 2012.
- A rate of above 50 on the index indicates an increase in the level of employment from the previous month.

Latest release: August 2012

Next release: September 2012

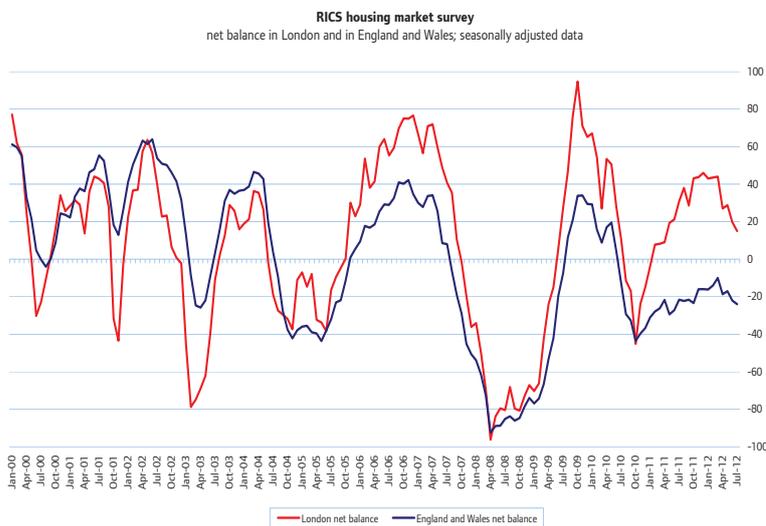


Source: Markit Economics

Surveyors report that house prices are rising in London

- The RICS survey shows a positive net balance of 15 for London house prices over the three months to July 2012.
- Surveyors reported a negative net house price balance for England and Wales of -24 over the three months to July 2012.
- London's net house price balance is higher than that of England and Wales.

Latest release: August 2012
Next release: September 2012

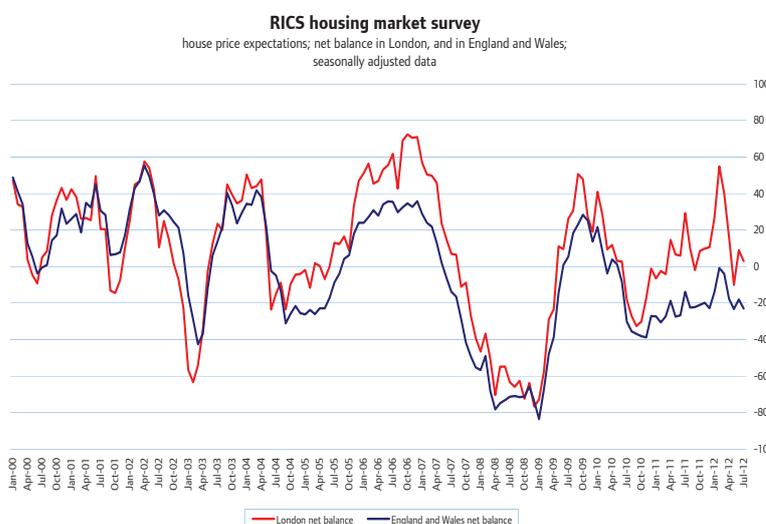


Source: Royal Institution of Chartered Surveyors

Surveyors expect house prices to rise in London

- The RICS survey shows that surveyors expect house prices to rise over the next three months in London but to fall in England and Wales.
- The net house price expectations balance in London was 3 in July 2012.
- For England and Wales, the net house price expectations balance was -23 in July 2012.

Latest release: August 2012
Next release: September 2012

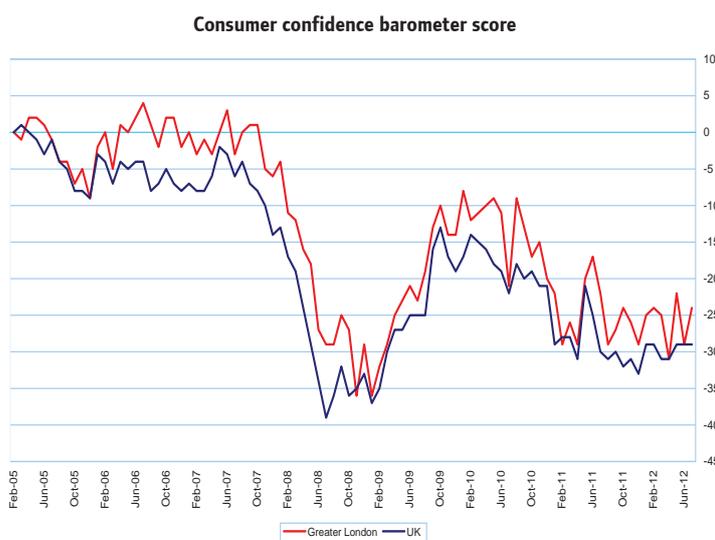


Source: Royal Institution of Chartered Surveyors

Consumer confidence remains negative

- The GfK index of consumer confidence reflects people's views on their financial position and the general economic situation over the past year and their expectations for the next 12 months (including whether now is a good time to make major purchases). A score below zero signifies negative views of the economy.
- For Greater London the consumer confidence score increased to -24 in July 2012 from -29 in June 2012.
- For the UK the consumer confidence score remained constant at -29 in July 2012.

Latest release: July 2012
Next release: August 2012



Source: GfK NOP on behalf of the European Commission

Data sources

Tube and bus ridership

Transport for London on 020 7222 5600
or email: enquire@tfl.gov.uk

GVA growth

Experian Economics on 020 7746 8260

Unemployment rates

www.statistics.gov.uk

Glossary

Civilian workforce jobs

Measures jobs at the workplace rather than where workers live. This indicator captures total employment in the London economy, including commuters.

Claimant count unemployment

Unemployment based on the number of people claiming unemployment benefits.

Employee jobs

Civilian jobs, including employees paid by employers running a PAYE scheme. Government employees and people on training schemes are included if they have a contract of employment. Armed forces are excluded.

Gross domestic product (GDP)

A measure of the total economic activity in the economy.

Gross value added (GVA)

Used in the estimation of GDP. The link between GVA and GDP is that GVA plus taxes on products minus subsidies on products is equal to GDP.

Tube ridership

Transport for London's measure of the number of passengers using London Underground in a given period. There are 13 periods in a year. In 2012/13 there are twelve 28-day periods and one 29-day period. Period 1 started on 1 April 2012.

Bus ridership

Transport for London's measure of the number of passengers using buses in London in a given period. There are 13 periods in a year. In 2012/13 there are twelve 28-day periods and one 29-day period. Period 1 started on 1 April 2012.

Acronyms

ABI	Annual Business Inquiry	IMF	International Monetary Fund
BAA	British Airports Authority	LCCI	London Chamber of Commerce and Industry
BCC	British Chamber of Commerce	LET	London's Economy Today
CAA	Civil Aviation Authority	MPC	Monetary Policy Committee
CBI	Confederation of British Industry	ONS	Office for National Statistics
CLG	Communities and Local Government	PMI	Purchasing Managers' Index
GDP	Gross domestic product	PWC	PricewaterhouseCoopers
GVA	Gross value added	RICS	Royal Institution of Chartered Surveyors
ILO	International Labour Organisation		

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About GLA Economics

GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.