

# London's Economy Today

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

## UK economy bounces back in Q3 2012

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

**UK GDP grew by 1.0 per cent in Q3 2012 according to the preliminary estimate of Q3 output from the Office for National Statistics (ONS) released on 25 October (see Figure 1). This compares to a contraction of 0.4 per cent in Q2 2012. The UK economy has therefore exited recession after contracting for three quarters. However GDP is still just over 3 per cent lower than its pre 2008-09 recession peak. In relation to the output rise in Q3 2012 the ONS stated that "the largest contribution to the increase came from the services sector. There was also an increase in activity in the production sector. Activity in the construction sector fell." GDP was flat in Q3 2012 compared with Q3 2011.**

The UK economy bounced back in Q3 2012 partly as a result of the Diamond Jubilee bank holiday in June 2012 which depressed output in Q2 2012. UK growth was also boosted by ticket sales for the Olympic and Paralympic Games. The majority of tickets were sold in Q2 2011 but ticket expenditure is recognised by the ONS when the output actually occurs (i.e. Q3 2012). This added 0.2 per cent to the level of GDP in Q3 2012. However, taken as a whole with regard to Q3 2012 GDP the ONS stated "it is not possible to quantify the overall impact of the Olympics".

## Latest news...

### GLA Intelligence Update 20-2012 - Worklessness in London 2012

This report looks at the recent release of worklessness statistics from the Office for National Statistics and presents the key messages for London.

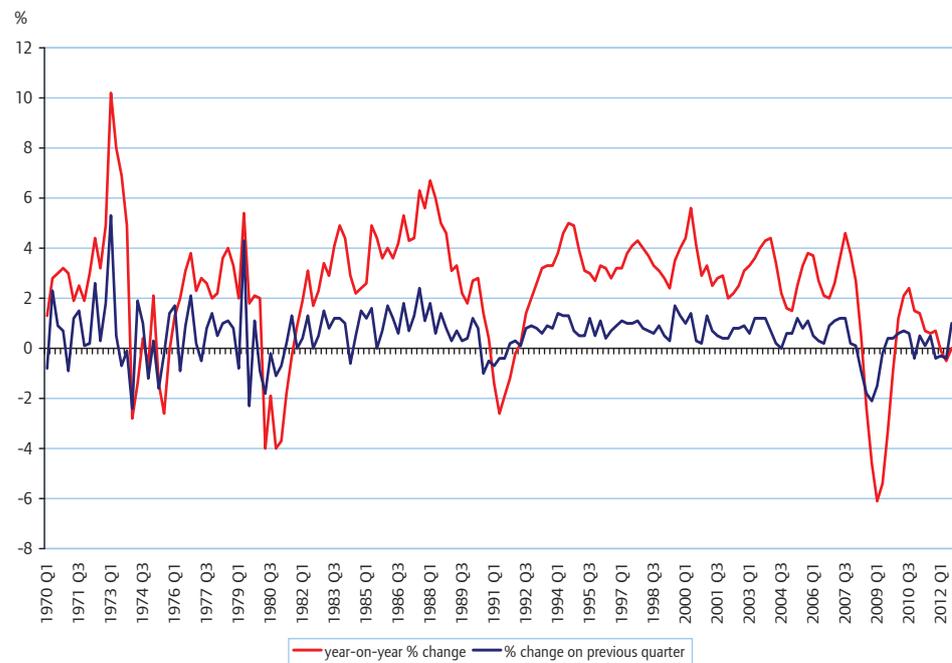
The proportion of households in London with both working and non-working adults has been rising faster than for most of the UK, while workless households have been decreasing, particularly in Inner London.

The update can be downloaded from the GLA Intelligence website

<http://www.london.gov.uk/publication/worklessness-london-2012> If you have any questions related to the research please contact GLA Intelligence, email [intelligence@london.gov.uk](mailto:intelligence@london.gov.uk).

**Figure 1: UK  
GDP Growth**

Source: Office for  
National Statistics



With respect to the Queen’s Diamond Jubilee the ONS observed that “the latest GDP estimate was affected by the changes made to the quarter two Bank Holidays in May and June 2012 as part of the celebrations for the Queen’s Diamond Jubilee. The end of May Bank Holiday moved to June and there was an additional day’s holiday in June. Over the second quarter, this resulted in one fewer working days. The change to the Bank Holidays was not a regular event so no adjustment was made to account for it as part of the seasonal adjustment process. This means that any impact of the changes fed directly through to the GDP estimate. In comparison to quarter two, the latest quarter had one more working day and this will impact on the growth between the second and third quarters”. Taking Q2 2012 and Q3 2012 together suggests that there has been modest underlying UK growth over the last six months.

The sectoral breakdown of the Q3 GDP figure shows that output in the services sector increased by 1.3 per cent in Q3 2012, after decreasing by 0.1 per cent in Q2 2012. Output in business services and finance (a sector of importance to London) increased by 1.0 per cent in Q3 2012 after being flat in Q2 2012. Output in the production industries grew by 1.1 per cent in Q3 2012, after decreasing by 0.7 per cent in Q2 2012. However output in the construction sector decreased by 2.5 per cent in Q3 2012, after decreasing by 3.0 per cent in Q2 2012. Between Q3 2011 and Q3 2012 construction output decreased by 10.8 per cent, production industries output fell by 1.2 per cent whilst services sector output grew by 1.3 per cent (and within this, business services and finance grew by 1.0 per cent).

## **IMF revises downwards its growth forecasts across the globe**

In their latest World Economic Outlook which was published in October, the IMF downgraded a number of countries forecast economic growth rates. The IMF has downgraded its forecast for the UK with it now expecting the economy to contract by -0.4 per cent in 2012 and to grow by just 1.1 per cent in 2013. For the world economy as a whole it now forecasts it to expand by 3.3 per cent in 2012, with growth of 3.6 per cent forecast for 2013. The Eurozone is forecast to contract by -0.4 per cent in 2012 and to grow by just 0.2 per cent in 2013, with the US economy forecast to grow by 2.2 per cent in 2012 and then by

2.1 per cent in 2013. The IMF expects growth in emerging and developing economies to be 5.3 per cent in 2012 and 5.6 per cent in 2013. In relation to the world economy the IMF notes that “the recovery continues, but it has weakened. In advanced economies, growth is now too low to make a substantial dent in unemployment” and that the “forces pulling growth down in advanced economies are fiscal consolidation and a still-weak financial system”.

### **London in virtual tie with New York for top ‘city of opportunity’**

PricewaterhouseCoopers (PwC) published their fifth Cities of Opportunity Index in October and placed London in a virtual tie with New York for top place. The report examines 27 global cities that are “all capitals of finance, commerce and culture”. The cities were chosen to cover capital market centres, to ensure the report has a broad geographic sampling and to cover both mature and emerging economies. London came in the top 10 of 8 of the 10 indicator groups that PwC examined with it finishing top in the “city gateway” measure which is a measure of “global connections and attractions beyond its local borders”.

### **UK inflation fell in September**

Consumer Price Index (CPI) annual inflation fell to 2.2 per cent in September 2012, down from 2.5 per cent the previous month. This is the lowest rate of CPI inflation since November 2009 and the majority of the downward pressure on prices came from the housing and household sector. September’s CPI inflation rate will be used in the setting of a range of welfare benefit increases in April 2013 including Jobseeker’s Allowance and Income Support. Retail Price Index (RPI) annual inflation fell to 2.6 per cent in September (down from 2.9 per cent in August). Lower inflation will ease the pressure on real household disposable incomes.

### **A slow bumpy recovery expected over the next couple of years**

In their latest forecast published in October Ernst and Young’s Item Club expects the UK economy to grow in the second half of 2012. However, they believe that this will not be enough to offset the output contraction experienced in the first half of the year with the UK economy expected to contract by 0.2 per cent over 2012 as a whole, before growing by 1.2 per cent in 2013 and by 2.4 per cent in 2014 and 2015. Elsewhere, US unemployment fell unexpectedly in September to 7.8 per cent, the lowest level since January 2009. However, problems persist in the Eurozone with Spain having published a new austerity budget for 2013 as it continues to face pressure from the financial markets. Despite extra austerity measures, analysts expect the Spanish Government to require a financial bailout and its sovereign debt credit ratings continue to be downgraded. Meanwhile China’s economy is slowing and the World Bank has downgraded its forecast for Chinese economic growth in 2012 to 7.7 per cent from a previously forecast 8.2 per cent. Hence, the international economic background facing the London economy remains choppy and with many Eurozone economies in deep trouble the capital’s economic recovery is unlikely to be rapid.

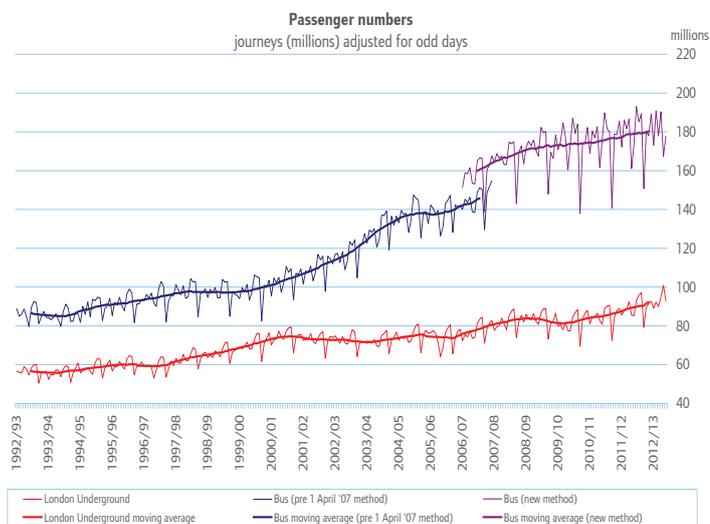
# Economic indicators

## Increase in moving average of passenger numbers

- The most recent 28 day period is from 19 August to 15 September 2012. Adjusted for odd days, London's Underground and buses had 270.6 million passenger journeys; 177.8 million by bus and 92.8 million by Underground.
- The moving average of passengers every period increased to 272.5 million from 271.6 million in the previous period. The moving average for buses was 180.2 million. The moving average for the Underground was 92.2 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: October 2012

Next release: November 2012



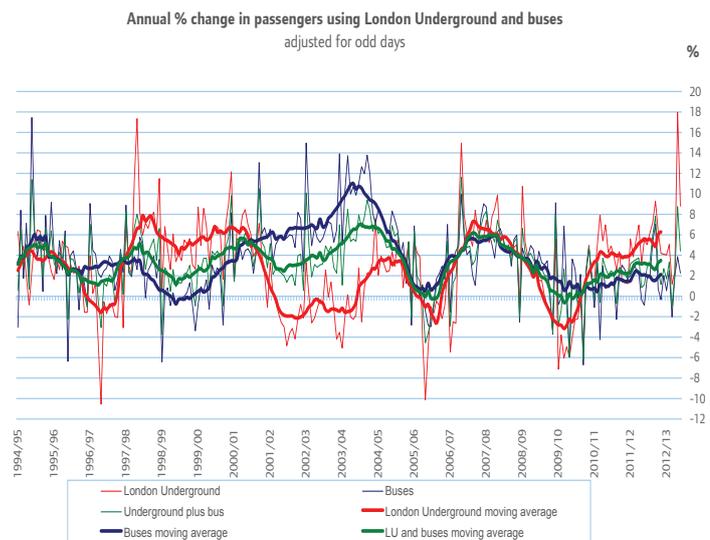
Source: Transport for London

## Average annual growth rate of passengers increases

- The moving average annual rate of growth in passenger journeys increased to 3.5% from 3.3% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers increased to 2.1% from an upwardly-revised 1.9% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers increased to 6.3% from a downwardly-revised 6.0% in the previous period.

Latest release: October 2012

Next release: November 2012



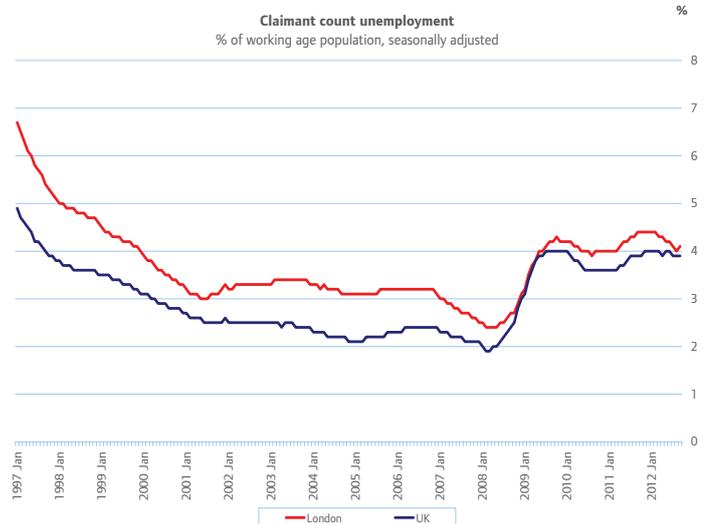
Source: Transport for London

## 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 September 2012.
- There were 219,900 seasonally adjusted unemployment claimants in London in September 2012 compared to an upwardly revised 218,000 in August 2012.
- There were 1,567,300 seasonally adjusted unemployment claimants in the UK in September 2012 compared to an upwardly revised 1,571,300 in August 2012.

Latest release: October 2012

Next release: November 2012



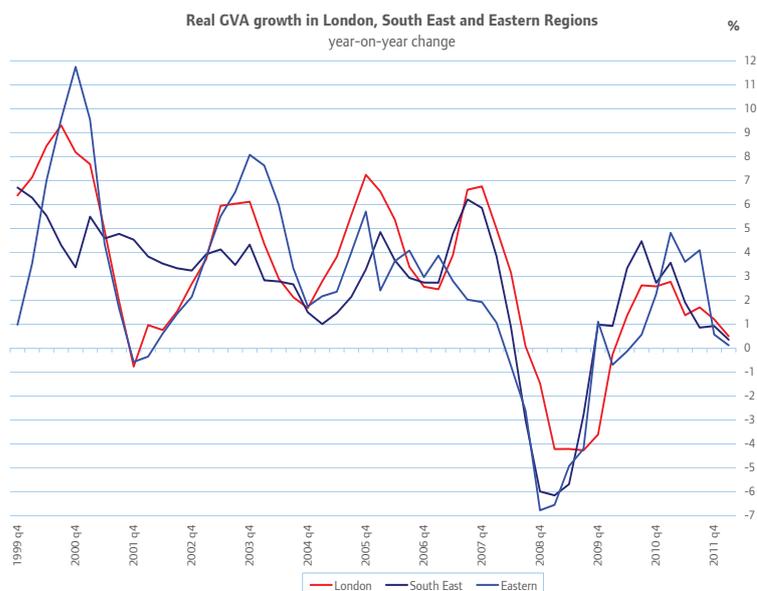
Source: Claimant Count, Nomis

## Annual output growth slowed 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 South East decreased to 0.4% in Q1 2012 from a downwardly revised 0.9% in Q4 2011.
- Annual output growth in the Eastern region decreased to 0.1% in Q1 2012 from a downwardly revised 0.6% in Q4 2011.

Latest release: August 2012

Next release: November 2012



## Positive annual employment growth 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 South East increased to 0.7% in Q1 2012 from -0.4% in Q4 2011.
- Annual employment growth in the Eastern region increased to 0.5% in Q1 2012 from -0.2% in Q4 2011.

Latest release: August 2012

Next release: November 2012

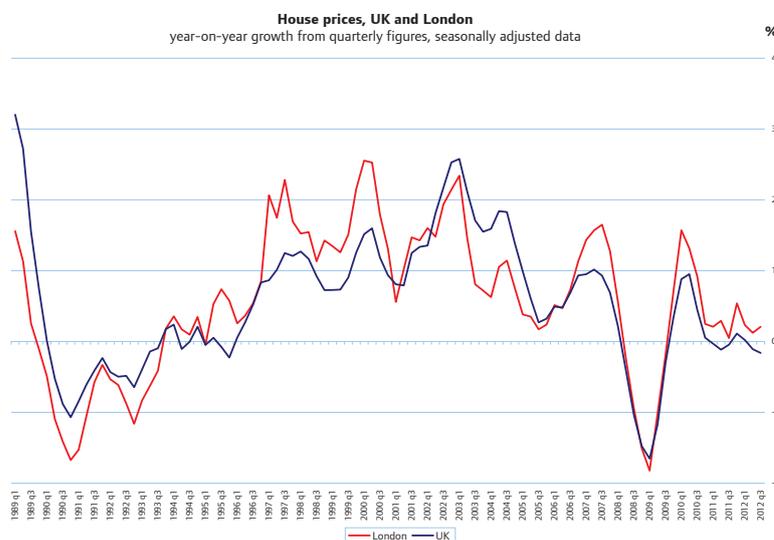


## Annual house price inflation rising in London

- House prices, as measured by Nationwide, were higher in Q3 2012 than in Q3 2011 in London but not in the UK.
- Annual house price inflation in London was 2.1% in Q3 2012, up from 1.2% in Q2 2012.
- Annual house price inflation in the UK was -1.6% in Q3 2012, down from -1.1% in Q2 2012.

Latest release: October 2012

Next release: January 2013

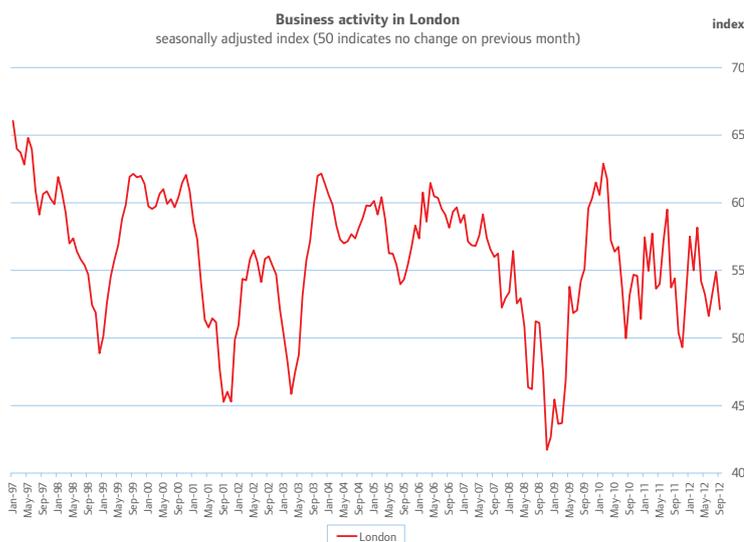


## London's business activity increasing

- London firms increased their output of goods and services in September 2012.
- The Purchasing Managers' Index (PMI) of business activity recorded 52.1 in September 2012 compared to 54.9 in August 2012.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: October 2012

Next release: November 2012



Source: Markit Economics

## New orders in London rising

- September 2012 saw an increase in new orders for London firms.
- The PMI for new orders recorded 53.8 in September 2012 compared to 56.4 in August 2012.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: October 2012

Next release: November 2012



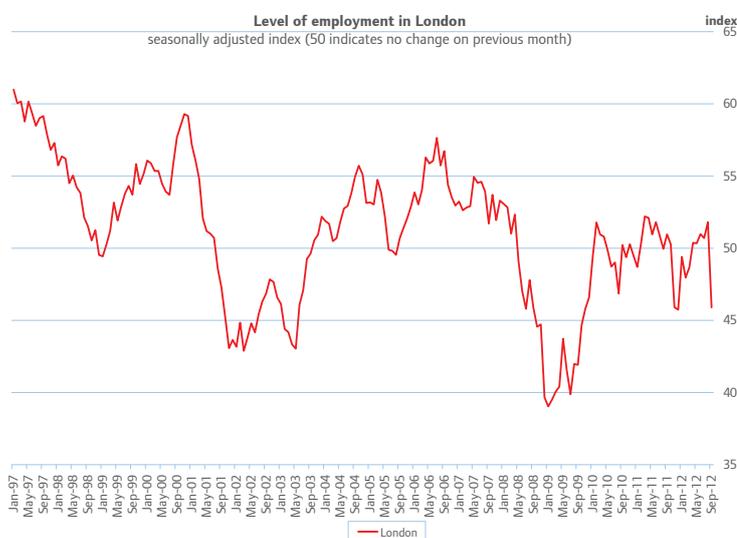
Source: Markit Economics

## Businesses report lower employment in September

- The PMI shows that the level of employment in London firms decreased in September 2012.
- The PMI for the level of employment was 45.9 in September 2012 compared to 51.8 in August 2012.
- A rate of below 50 on the index indicates a decrease in the level of employment from the previous month.

Latest release: October 2012

Next release: November 2012



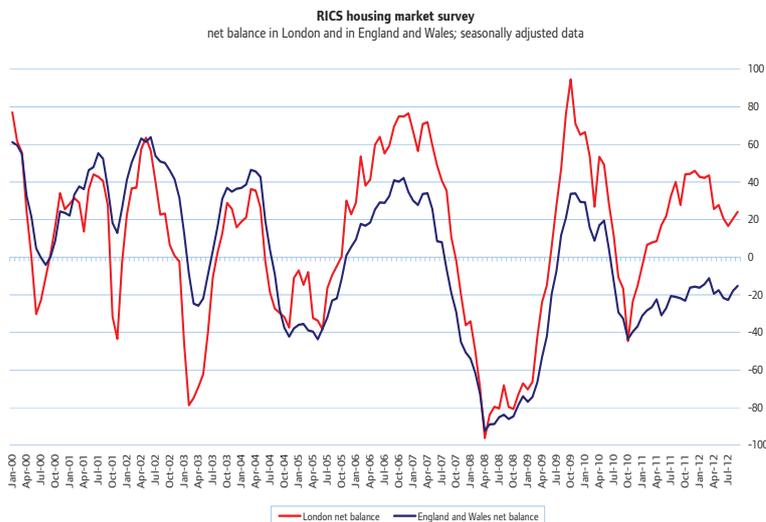
Source: Markit Economics

## Surveyors report that house prices are rising in London

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

Latest release: October 2012

Next release: November 2012



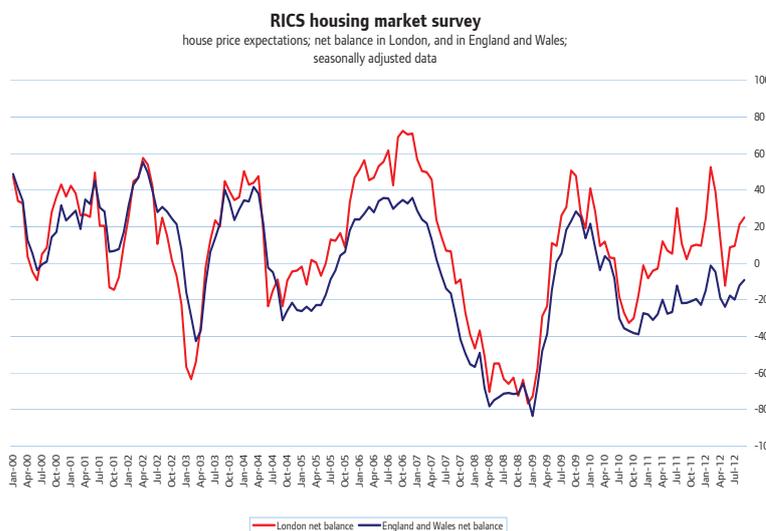
Source: Royal Institution of Chartered Surveyors

## 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 25 in September 2012.
- For England and Wales, the net house price expectations balance was -9 in September 2012.

Latest release: October 2012

Next release: November 2012



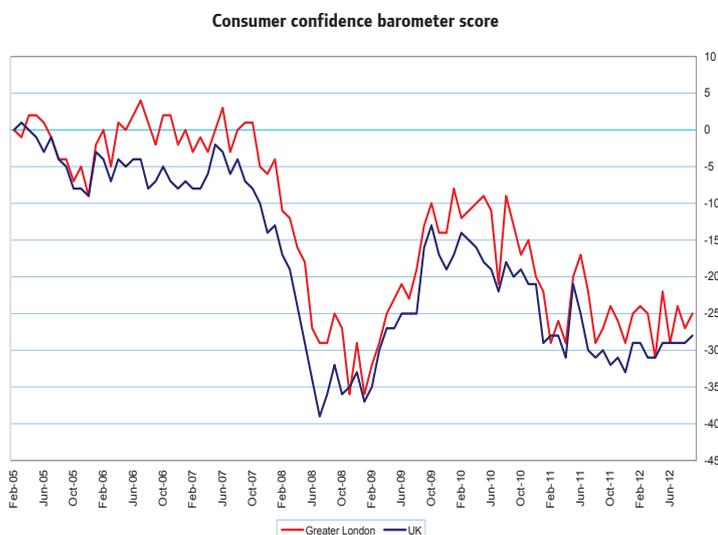
Source: Royal Institution of Chartered Surveyors

## 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 -25 in September 2012 from -27 in August 2012.
- For the UK the consumer confidence score increased to -28 in September 2012 from -29 in August 2012.

Latest release: September 2012

Next release: October 2012



Source: GfK NOP on behalf of the European Commission

## Data sources

<b>Tube and bus ridership</b>	Transport for London on 020 7222 5600 or email: <a href="mailto:enquire@tfl.gov.uk">enquire@tfl.gov.uk</a>
<b>GVA growth</b>	Experian Economics on 020 7746 8260
<b>Unemployment rates</b>	<a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>

## 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

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