

# London's Economy Today

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The LET presence on Datastore aims to create more interaction and a greater personal focus for London's Economy Today while also allowing for the incorporation of feedback and views from the readership.

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

## Flat UK economy in 2012

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

**UK GDP contracted by 0.3 per cent in Q4 2012 according to the preliminary estimate by the Office for National Statistics (ONS) released on 25 January (see Figure 1). This compares to an expansion of 0.9 per cent in Q3 2012. GDP is now just over 3 per cent lower than its pre 2008-09 recession peak. For 2012 as a whole GDP was flat though GVA growth excluding oil and gas extraction was 0.2 per cent.**

In a commentary on the Q4 2012 GDP data the ONS noted that "growth in quarter four 2012 was affected by certain factors, which need to be taken into account in the interpretation of the latest figures:

- the growth rate was based on the level of GDP in the third quarter of 2012, which was boosted by the London 2012 Olympic and Paralympics Games (for example, ticket sales were estimated to have added 0.2 percentage points to growth). Some evidence of 'fall back' following this one-off event can be seen in the services industries.
- oil & gas extraction were significantly reduced in quarter four 2012 due to extended and later than usual maintenance at the largest North Sea oil field. Excluding oil & gas extraction, GDP falls by only 0.1 per cent compared with the actual fall of 0.3 per cent".

## Latest news...

GLAECONOMICS

Current Issues Note 39

Regional, sub-regional and local gross value added estimates for London, 1997-2011

Melina Wickham  
January 2013

### Current Issues Note 39: Regional, sub-regional and local gross value added estimates for London, 1997-2011

In December 2012 the ONS released provisional estimates of regional, sub-regional and local gross value added (GVA) for 2011. Inner London accounted for 69 per cent of London output and London accounted for 21.6 per cent of the UK's total output.

The report can be downloaded here:

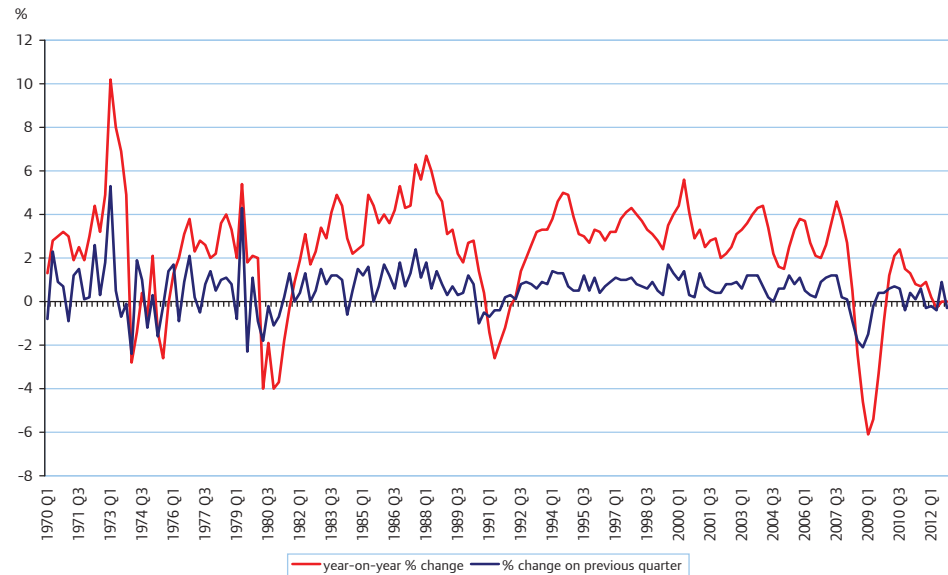
**<http://www.london.gov.uk/publication/current-issues-note-39-regional-sub-regional-and-local-gross-value-added-estimates-london-1997-2011>**



MAYOR OF LONDON

## Figure 1: UK GDP Growth

Source: Office for National Statistics



The sectoral breakdown of the Q4 GDP figure shows that output in the construction sector increased by 0.3 per cent in Q4 2012, after decreasing by 2.5 per cent in Q3 2012. Output in the production industries decreased by 1.8 per cent in Q4 2012, after increasing by 0.7 per cent in Q3 2012. Total output in the services sector was flat in Q4 2012, after increasing by 1.2 per cent in the previous quarter. Output in business services and finance (a sector of importance to London) increased by 0.4 per cent in Q4 2012 after increasing by 0.9 per cent in Q3 2012. Within the production industries mining and quarrying extraction fell by a huge 10.2 per cent in Q4 2012. Hence despite only representing just over 2 per cent of the UK economy mining and quarrying extraction made the major negative impact on the overall Q4 2012 GDP figure. The same negative impact from mining and quarrying extraction would not have been felt by the London economy at the end of 2012.

For 2012 as a whole UK construction output decreased by 9.3 per cent, production industries output fell by 2.5 per cent whilst services sector output grew by 1.2 per cent (and within this, business services and finance grew by 1.3 per cent). The sectoral composition of the London economy is more service based than the UK economy as a whole which along with other more positive economic indicators suggests that the capital's economy experienced positive growth in 2012.

### **Eurozone economy remains in the doldrums**

The Eurozone continues to experience the economic fallout from the ongoing sovereign debt crisis with Eurozone unemployment hitting 11.8 per cent in November 2012. Both Spanish and Greek unemployment is over 25 per cent with over half of under 25 year olds unemployed in these countries. The European Central Bank (ECB) has forecast that Eurozone economic 'growth' in 2013 will be between minus 0.9 per cent and plus 0.4 per cent.

## **US just avoids 'fiscal cliff' but debt ceiling negotiations loom large**

The US just avoided falling off the 'fiscal cliff' at the beginning of 2013 with US Congress passing a bill at the start of January that extended previous tax cuts for those earning under \$400,000. However, the US still faces further fiscal problems with a fraught political battle likely over raising the Federal government's debt ceiling in the Spring. On 23 January a law was passed that allows the US government to continue borrowing until 18 May and this has boosted market sentiment. There is now more time for an overarching solution to be reached though the risk remains that political negotiations could go to, or over, the wire in May or even completely collapse.

## **High street suffering but economy moving in the right direction**

The high street has experienced a challenging start to 2013 with a number of prominent retailers such as Blockbuster, HMV and Jessops going into administration as on-line sales grow rapidly. It is likely that there will be a sizeable rise in retail vacancies on the UK high street. However, the international economic background, with possibly the exception of the Eurozone, seems to have improved since the turn of the year. The US did not fall off a 'fiscal cliff' in January, stock markets have rallied to multi-year highs, the US housing market continues to recover and economic data from China has strengthened. Meanwhile Japan has announced further fiscal and monetary stimulus.

Despite flat UK output in 2012 the labour market performed remarkably well with the increase in private sector employment far outweighing public sector job losses. UK economic growth is expected to pick up in 2013 though it is likely to be moderate and bumpy whilst the rebalancing process continues to take place. As Mervyn King, the Governor of the Bank of England, said on 22 January "the challenge we face is ... the fact that there is no easy route to recovery after a major banking crisis. Recovery is inevitably slow and protracted. The healing process will take time ... Our economy is recovering, more slowly than we might wish, but we are moving in the right direction".

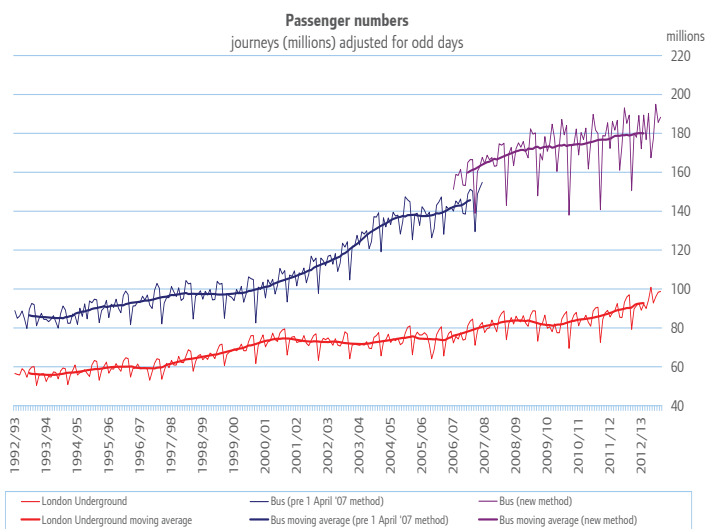
# Economic indicators

## Small increase in moving average of passenger numbers

- The most recent 28 day period is from 11 November to 8 December 2012. Adjusted for odd days, London's Underground and buses had 287.1 million passenger journeys; 188.3 million by bus and 98.8 million by Underground.
- The moving average of passengers every period increased to 272.8 million from 272.7 million in the previous period. The moving average for buses was 180.0 million. The moving average for the Underground was 92.7 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: January 2013

Next release: February 2013



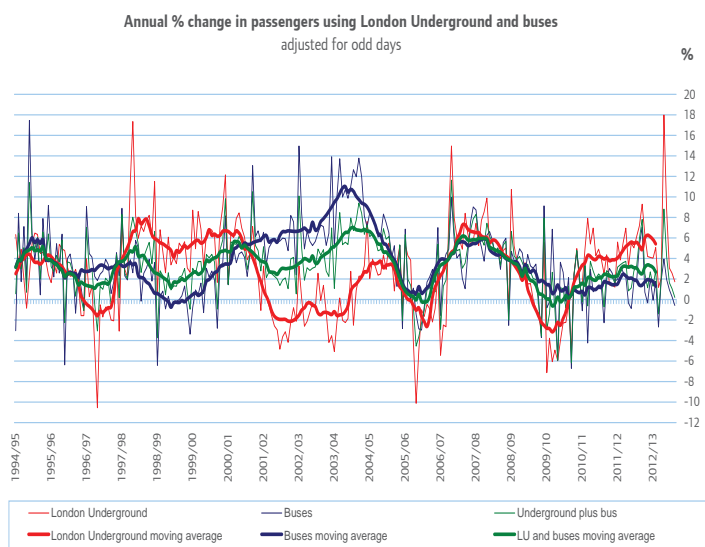
Source: Transport for London

## Average annual growth rate of passengers decreases

- The moving average annual rate of growth in passenger journeys decreased to 2.7% from 3.1% in the previous period.
- The moving average annual rate of growth in bus passenger journey numbers decreased to 1.3% from 1.7% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers decreased to 5.4% from 5.8% in the previous period.

Latest release: January 2013

Next release: February 2013



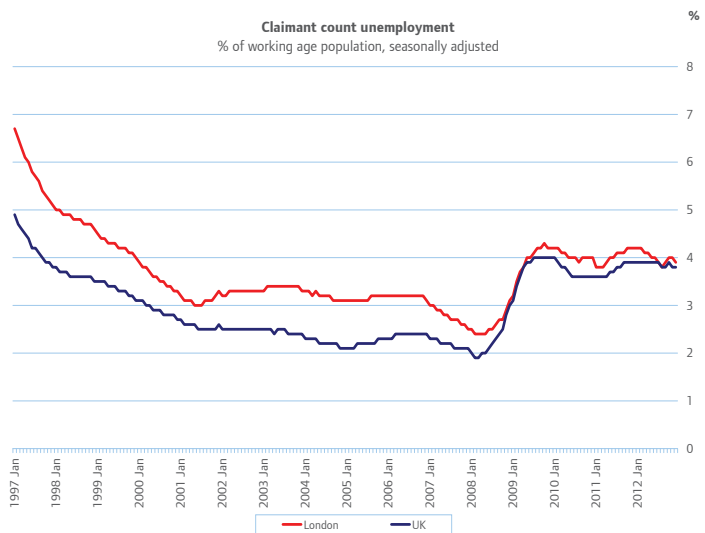
Source: Transport for London

## Claimant count unemployment

- The percentage of the resident working age population who are unemployed and claiming Jobseekers' Allowance (seasonally adjusted) in London was 3.9% in December 2012.
- There were 221,900 seasonally adjusted unemployment claimants in London in December 2012 compared to a downwardly revised 224,200 in November 2012.
- There were 1,557,100 seasonally adjusted unemployment claimants in the UK in December 2012 compared to a downwardly revised 1,569,200 in November 2012.

Latest release: January 2013

Next release: February 2013



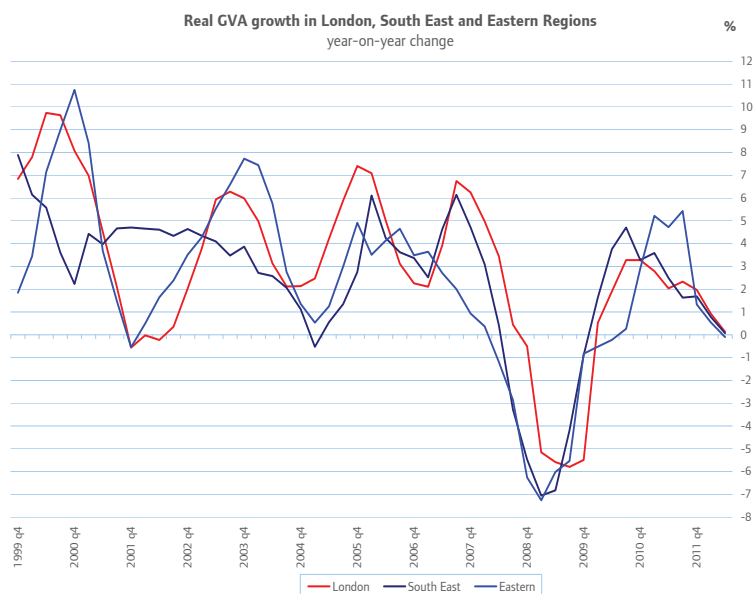
Source: Claimant Count, Nomis

## Annual output growth slowed in Q2 2012

- London's annual growth in output decreased to 0.1% in Q2 2012 from an upwardly-revised 0.9% in Q1 2012.
- Annual output growth in the South East decreased to 0.1% in Q2 2012 from an upwardly-revised 0.8% in Q1 2012.
- Annual output growth in the Eastern region decreased to -0.1% in Q2 2012 from an upwardly-revised 0.5% in Q1 2012.

Latest release: November 2012

Next release: February 2013



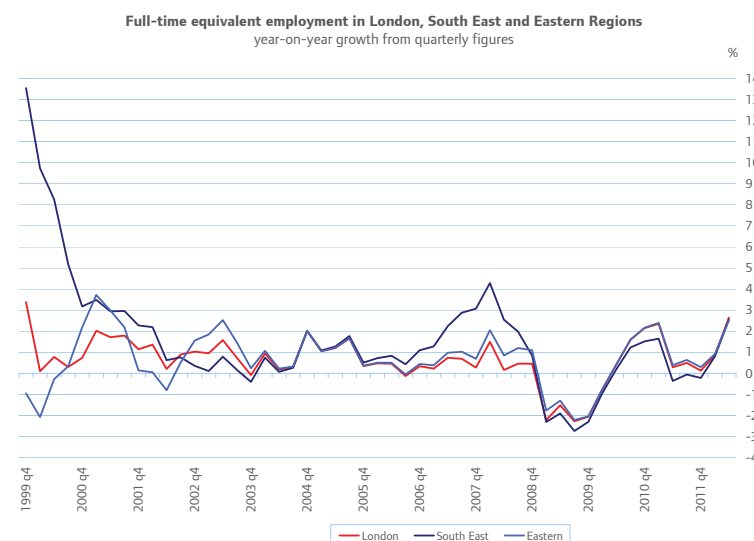
Source: Experian Economics

## Strong annual employment growth in Q2 2012

- London's annual employment growth increased to 2.6% in Q2 2012 from an upwardly-revised 0.9% in Q1 2012.
- Annual employment growth in the South East increased to 2.6% in Q2 2012 from an upwardly-revised 0.8% in Q1 2012.
- Annual employment growth in the Eastern region increased to 2.5% in Q2 2012 from an upwardly-revised 0.9% in Q1 2012.

Latest release: November 2012

Next release: February 2013



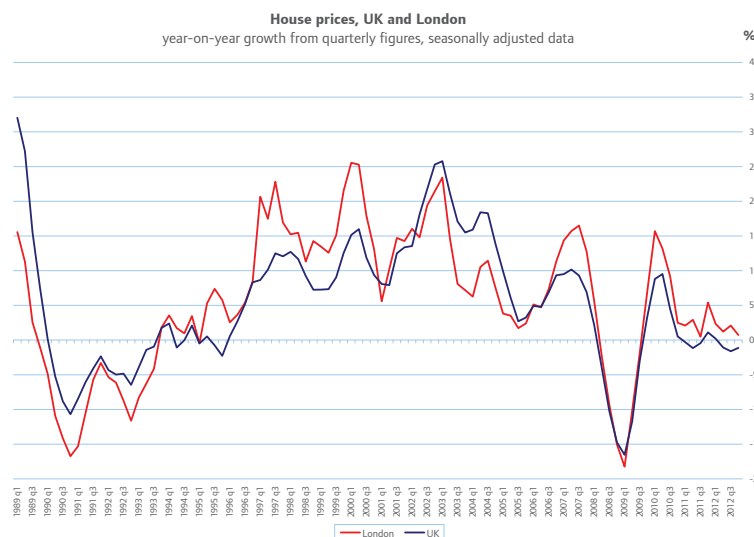
Source: Experian Economics

## Annual house price inflation higher in London than in the UK

- House prices, as measured by Nationwide, were higher in Q4 2012 than in Q4 2011 in London but not in the UK.
- Annual house price inflation in London was 0.7% in Q4 2012, down from 2.1% in Q3 2012.
- Annual house price inflation in the UK was -1.1% in Q4 2012, up from -1.6% in Q3 2012.

Latest release: January 2013

Next release: April 2013



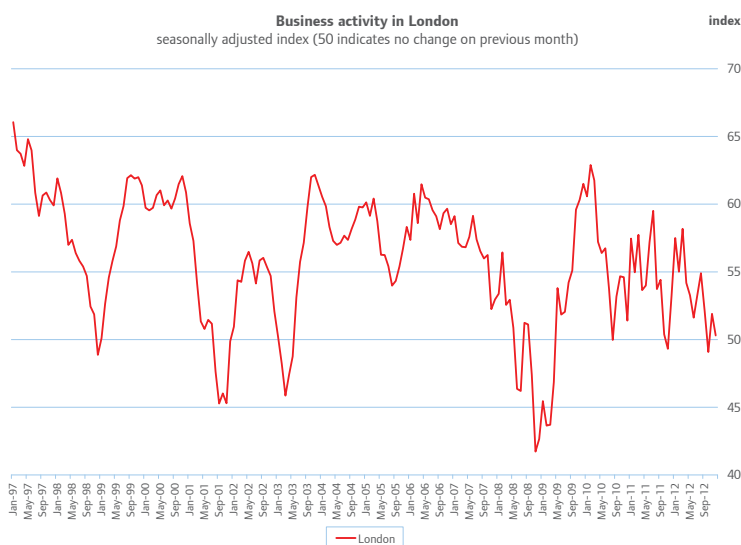
Source: Nationwide

## London's business activity increases slightly

- London firms increased their output of goods and services in December 2012.
- The Purchasing Managers' Index (PMI) of business activity recorded 50.3 in December 2012 compared to 51.9 in November 2012.
- A rate of above 50 on the index indicates an increase in business activity from the previous month.

Latest release: January 2013

Next release: February 2013



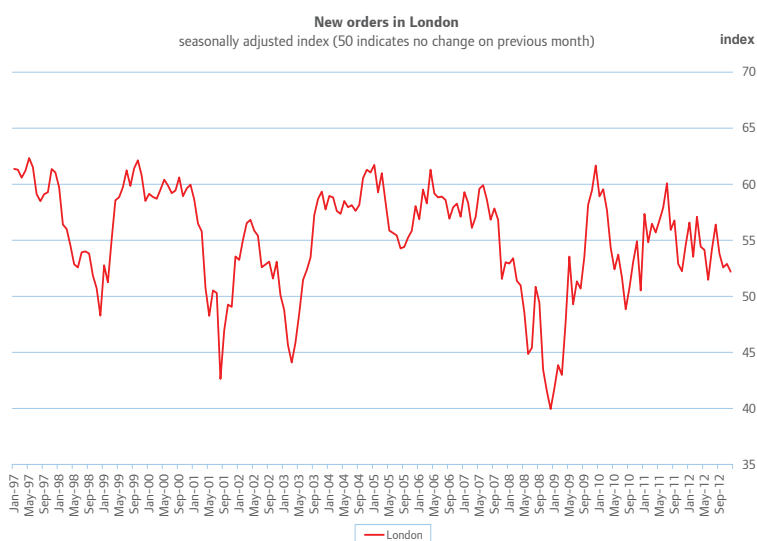
Source: Markit Economics

## New orders in London rising

- December 2012 saw an increase in new orders for London firms.
- The PMI for new orders recorded 52.2 in December 2012 compared to 52.9 in November 2012.
- A rate of above 50 on the index indicates an increase in new orders from the previous month.

Latest release: January 2013

Next release: February 2013



Source: Markit Economics

## Businesses report lower employment in December

- The PMI shows that the level of employment in London firms decreased in December 2012.
- The PMI for the level of employment was 48.5 in December 2012 compared to 48.3 in November 2012.
- A rate of below 50 on the index indicates a decrease in the level of employment from the previous month.

Latest release: January 2013

Next release: February 2013



Source: Markit Economics

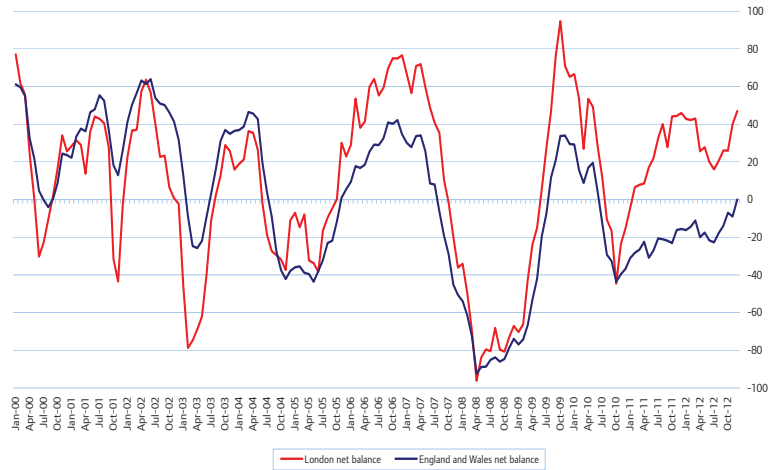
## Surveyors report that house prices are rising in London

- The RICS survey shows a positive net balance of 47 for London house prices over the three months to December 2012.
- Surveyors reported a zero net house price balance for England and Wales over the three months to December 2012.
- London's net house price balance is higher than that of England and Wales.

Latest release: January 2013

Next release: February 2013

RICS housing market survey  
net balance in London and in England and Wales; seasonally adjusted data



Source: Royal Institution of Chartered Surveyors

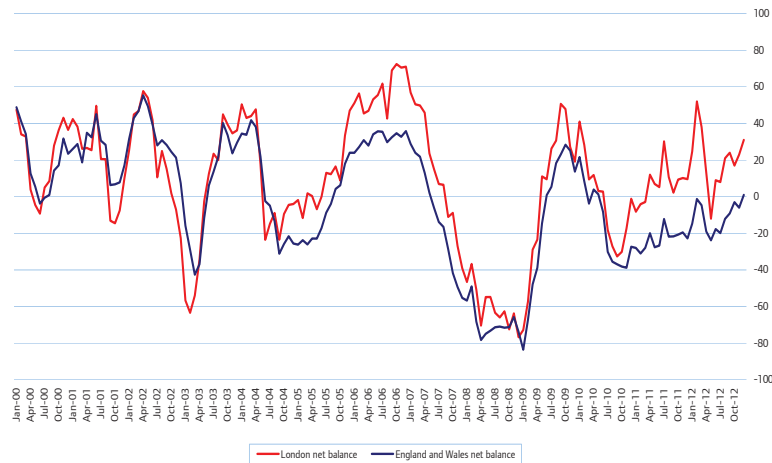
## Surveyors expect house prices to rise

- The RICS survey shows that surveyors expect house prices to rise over the next three months in London and in England and Wales.
- The net house price expectations balance in London was 31 in December 2012.
- For England and Wales, the net house price expectations balance was 1 in December 2012.

Latest release: January 2013

Next release: February 2013

RICS housing market survey  
house price expectations; net balance in London, and in England and Wales; seasonally adjusted data



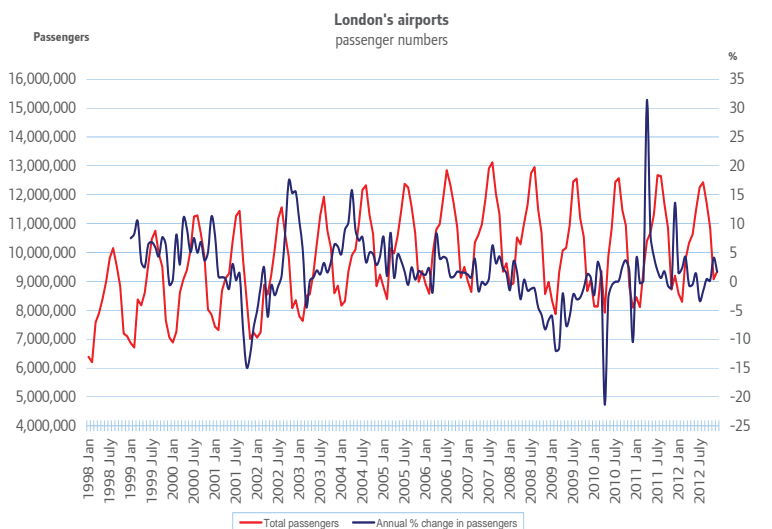
Source: Royal Institution of Chartered Surveyors

## Increase in year-on-year airport passenger numbers

- 9.3 million passengers travelled through London's airports in December 2012.
- The number of passengers using London's airports increased by 1.7% from December 2011 to December 2012.
- Airport passenger numbers fell during the 2008/09 recession and are still below pre-2008/09 recession levels.

Latest release: January 2013

Next release: February 2013



Source: Civil Aviation Authority



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



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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.