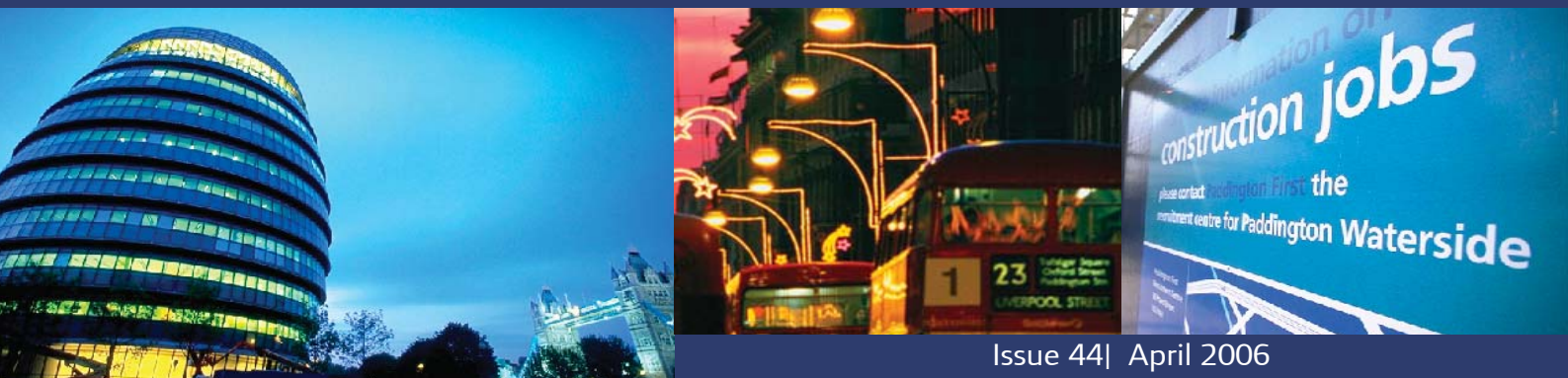


London's Economy Today



Issue 44| April 2006

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Oil prices hit record highs

Christopher Lewis, Senior Economist

Women play a key role in London's economy and labour market. However, London has lower female employment rates than elsewhere in the UK. This month's supplement 'Women, Ethnicity and Part time work in London's Labour Market', by Margarethe Theseira, expands on this important finding.

London's economy continues to grow and is currently outperforming other regions in the UK. In March, the Purchasing Managers' Index (PMI) measures of seasonally adjusted new orders and the level of employment for London were above that of all other regions. Meanwhile, the seasonally adjusted business activity measure for London was the second highest among all the regions. All three indices for London are well above 50, which is the level consistent with no change on the previous month. At 54.0 the seasonally adjusted level of employment index for London is at its highest level since March 2005. The rates of expansion for new orders and business activity remain sharp, though they did ease slightly in March.

The City of London is currently doing well due to the strong performance of financial markets. Over the long-term the improving status of the City is expected to continue as highlighted by a recent report from the IBM's Institute for Business

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Latest news...

GLA Economics' is holding its 'London and the Local Economy' seminar on Thursday 1 June 2006. For further information or to reserve your place, please email glaeconomics@london.gov.uk

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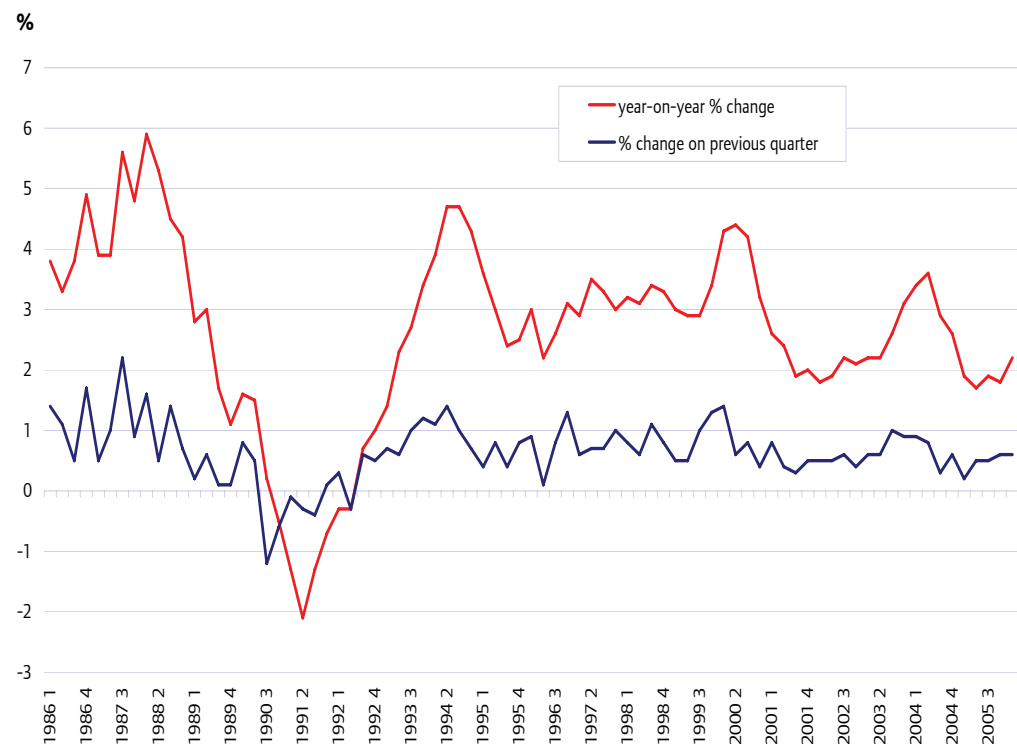
Value and The Economist Intelligence Unit. The report predicts that the City of London will become an even stronger magnet for international employee talent as it cements its reputation as the cosmopolitan capital of commerce. More restrictive financial regulations in the US are expected to lead to more US companies and executives coming to London to do business.

Annual rate of UK economic growth picked up slightly in Q1 2006

The UK economy is estimated to have grown by 0.6 per cent in the first quarter (Q1) of 2006, the same rate as in Q4 2005. However, the annual growth rate in Q1 2006 picked up to 2.2 per cent from 1.8 per cent in Q4 2005 (see Figure 1). This is the fastest pace of annual growth since Q4 2004. After a dreadful 2005 industrial production expanded in Q1 2006 but remains below the levels seen a year ago. Meanwhile, the service sector grew at a strong annual rate of 3.0 per cent in Q1. Within the service sector, the business services and finance sector continues to be buoyant with a robust annual growth rate of 4.0 per cent in Q1. This is especially good news for the capital's economy where this sector plays an important role.

Figure 1. UK GDP growth

Source: Office for National Statistics



The UK housing market has started the year quite healthily led primarily by London. Despite this UK retail sales and consumer confidence remain subdued. In March, seasonally adjusted UK house prices, as measured by the Nationwide and Halifax rose strongly by 1.1 per cent and 0.9 per cent respectively. The Halifax index shows house prices in the three months to March 6.2 per cent higher than a year earlier compared with a 5.5 per cent rate in the three months to February 2006. This is the highest annual growth rate on the Halifax index since April 2005. In April 2006, seasonally adjusted UK house prices rose by only 0.1 per cent on the Nationwide measure giving an annual rate of house price inflation of 4.8 per cent (slightly down from 5.3 per cent in March).

The UK financial sector is continuing its robust performance. UK financial services firms' are at their most upbeat about business volumes in the next three months for nine years and the stock market remains buoyant with the FTSE 100 recently touching a five year high. The overall outlook for the UK economy is for continued growth near trend and inflation close to target. The IMF forecasts that the UK economy will grow by 2.5 per cent this year (up from their previous forecast of 2.2 per cent) and despite increasing energy prices CPI inflation actually fell just below target in March to 1.8 per cent.

Oil prices rise further to all-time highs

Oil prices have hit record highs above \$70 per barrel due to further disruption to Nigerian oil supply and amid concerns that the international crisis over Iran's nuclear programme is escalating. In addition global demand for oil remains very strong. However, it should be noted that real oil prices (i.e. when inflation is taken into account) are still below the levels seen in the late 1970s and early 1980s. Iran's nuclear standoff with the international community has also provided further support to rising gold prices, which have now climbed to their highest level since 1980.

Despite high oil prices most survey and activity indicators in the eurozone show signs of gradual economic improvement notably the German IFO survey of business conditions in April, which recorded its highest level since 1991. However, household consumption growth is still weak and underlying structural difficulties remain with labour markets still relatively inflexible. The IMF forecasts that eurozone growth will be 2 per cent in 2006.

Japan's economic recovery continues to strengthen with unemployment falling, industrial production rising and the Nikkei share index reaching levels last achieved in 2000. After years of deflation there are initial signs that low levels of positive inflation may be returning to the Japanese economy leading to speculation that interest rates may rise later this year. Meanwhile the Chinese economy continues its blistering growth and driven by investment it actually picked up pace in Q1 2006. With a historically low unemployment rate the US economy continues to perform well. However, growth may slow this year as consumption potentially moderates due to a cooling housing market and the lagged impact of previous monetary tightening. US interest rates at 4.75 per cent are now at their highest since April 2001.

IMF expects world economy to remain strong in 2006

Global growth continues to be robust and exceed expectations despite high oil prices and recent monetary tightening in many countries. In its latest World Economic Outlook the IMF has revised upwards its forecast for world growth this year to 4.9 per cent (this compares to growth of 4.8 per cent in 2005). China's booming economy is also expected to grow even faster than previously forecast (by 9.5 per cent in 2006). However, the IMF believes that the risks to continued strong world growth are slanted to the downside. Imbalances in the world economy remain especially in the form of the large US current account deficit and the correspondingly large surpluses in Asia, especially China and Japan. Any sharp and rapid adjustment to these imbalances, through say a collapsing US dollar, would raise risks to the current healthy performance of the global economy.

In the UK, despite rising unemployment, the economy continues to improve for now with the financial and business services sector, which is of particular importance for London, expanding strongly. The London economy looks set to outperform the UK economy this year.

Over the next couple of years the economic climate facing London is certainly not all calm. On the positive side equity markets are performing well, asset prices are firm, mergers and acquisitions activity is buoyant and the global economy is currently strong as it benefits from globalisation and a booming China. Underneath these positive factors though are areas of concern and weakness. The full negative consequences of still rising oil prices has yet to be felt, global imbalances are increasing and remain unaddressed, interest rates across the world are expected to rise a bit further (though from low starting points), unemployment is trending upwards and consumer confidence and consumption remain subdued. Overall, prospects for London still look good but as a world city there may be choppy national and global economic waters ahead for the capital to face over the next couple of years.

Economic indicators

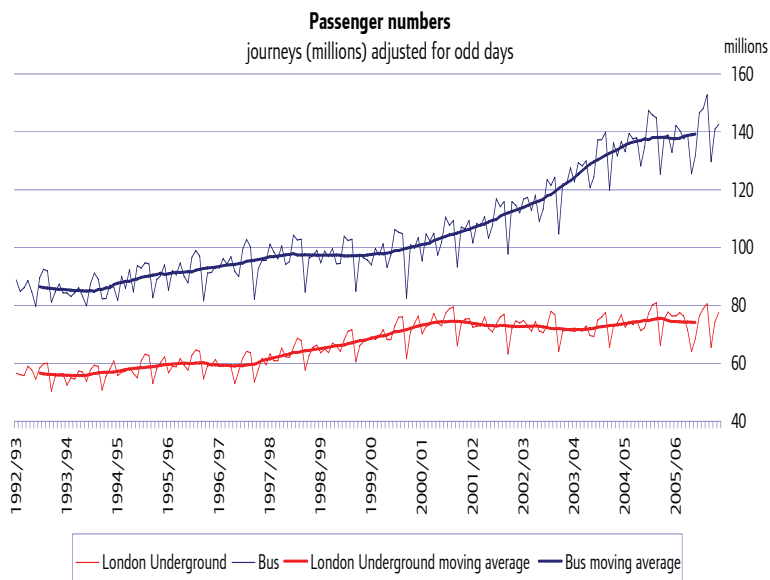
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Small increase in moving average of passenger numbers

- The most recent 28-day period is from 5 February 2006 to 4 March 2006. London's public transport had 220.2 million passenger journeys; 142.6 million by bus and 77.6 million by Underground.
- The moving average increased slightly from 213.2 million to 213.5 million passengers every period.
- The moving average for buses was 139.2 million passenger journeys. The moving average for the Underground was 74.2 million.

Latest release: April 2006

Next release: May 2006



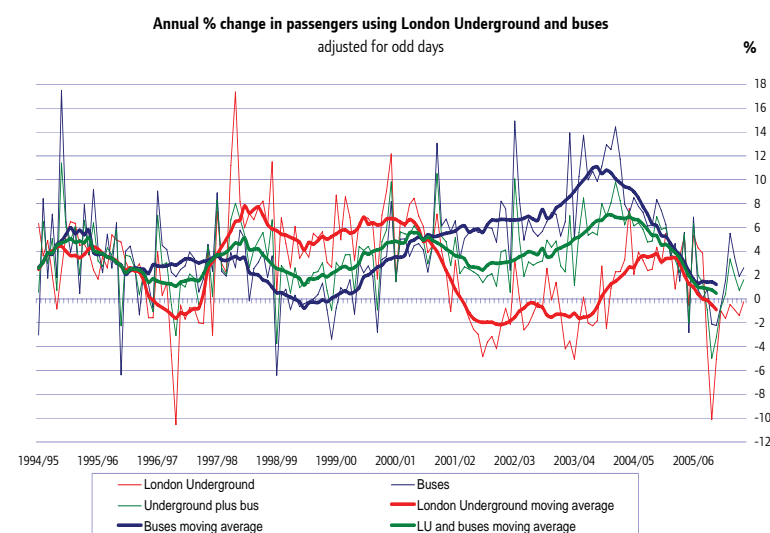
Source: Transport for London

Passenger journeys' annual growth rate slows further

- The moving average annual rate of growth in passenger journeys decreased slightly to 0.5% from 0.7% in the previous period.
- The moving average annual rate of growth in bus journey numbers declined to 1.2% from 1.4% in the previous period.
- The moving average annual rate of growth in Underground passenger journey numbers was -0.9% down from -0.5% in the previous period.

Latest release: April 2006

Next release: May 2006



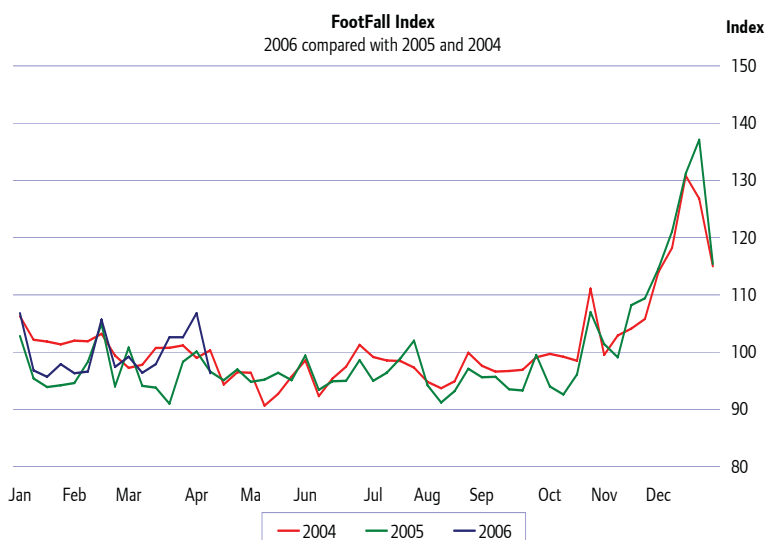
Source: Transport for London

March 2006 shopper numbers above March 2005 levels

- The Footfall Index of shoppers in London was 96.3 in the second week of April. It reached its peak so far this year of 106.8 in the first week of April.
- In March 2006 the number of shoppers was above the level in 2005 during the same period.
- The FootFall Index measures the number of shoppers and does not necessarily reflect the level of spending.

Latest release: mid-April

Next release: every week



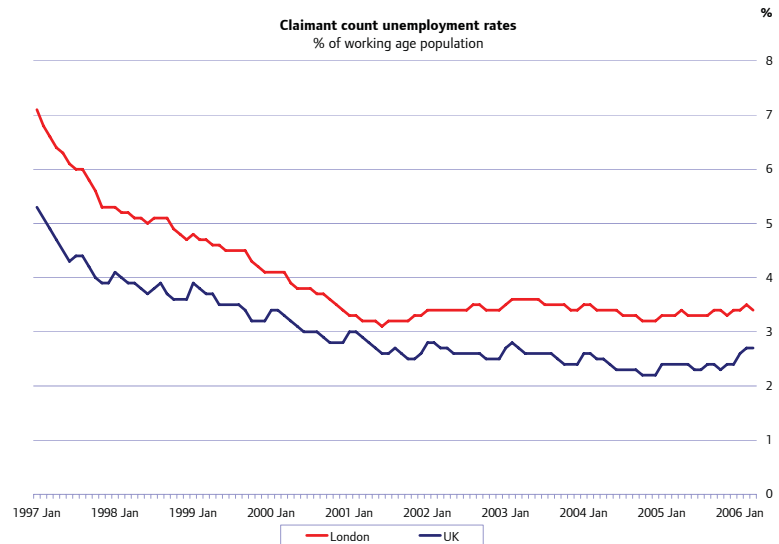
Source: FootFall Limited

Claimant count unemployment

- The rate of claimant count unemployment, people unemployed and claiming Jobseeker's Allowance, in London was 3.4% in March 2006.
- There were 170,300 unemployment claimants in London in March 2006 compared with 164,200 in March 2005.
- The claimant count unemployment rate in the UK remains below that of London's.

Latest release: April 2006

Next release: May 2006

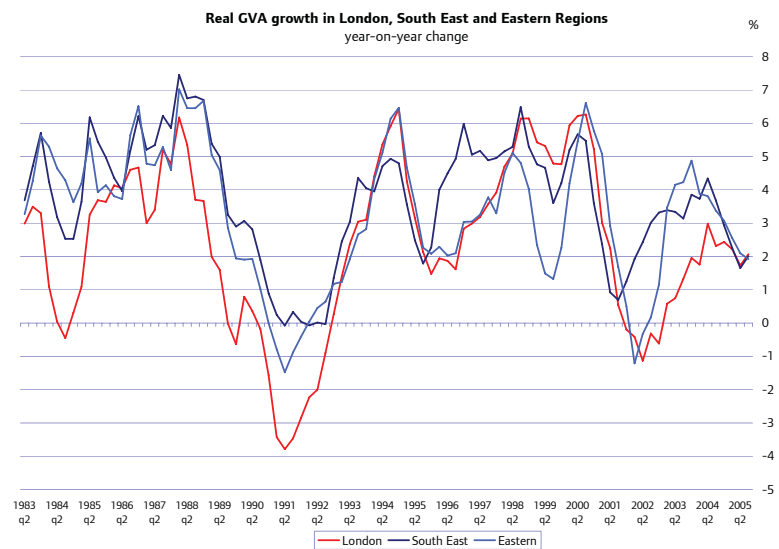


London growing at a similar rate as the South East and Eastern regions

- London's annual growth in output was 2.1% in Q3 2005, slightly above the annual growth of 1.7% in Q2 2005.
- The South East region's and the Eastern region's annual output growth rates were 2.0% and 1.9% in Q3 2005.
- London and its two neighbouring regions continue to have similar growth rates.

Latest release: February 2006

Next release: May 2006

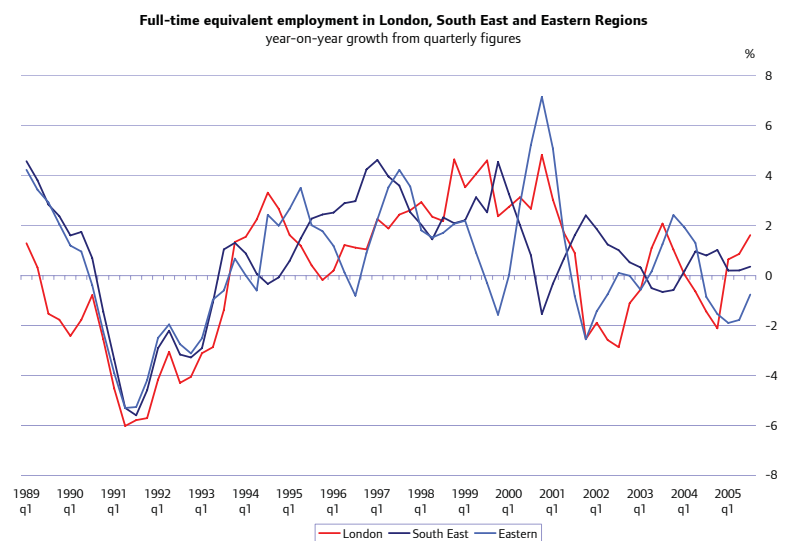


London's annual employment growth rate continues to increase

- London's year-on-year employment growth increased to 1.6% in Q3 2005 from 0.9% in Q2 2005.
- The South East's year-on-year employment growth was 0.4% in Q3 2005, a small increase from 0.2% in Q2 2005.
- The Eastern region's year-on-year employment change was -0.8% in Q3 2005 up from -1.8% in Q2 2005.

Latest release: February 2006

Next release: May 2006

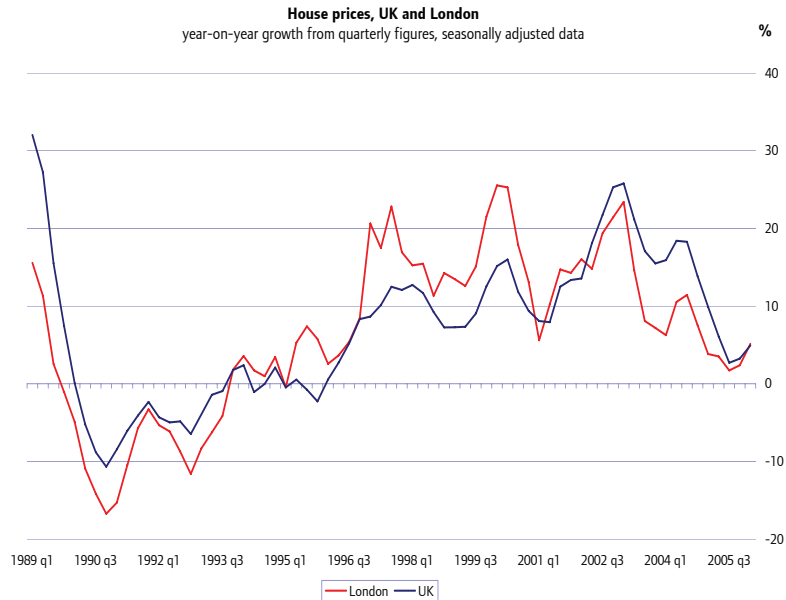


Continued recovery in the rate of house price growth

- Nationwide provides an index of house prices derived from their lending data. This is available up to Q1 2006 and shows a continued recovery in London and across the UK.
- Annual house price growth in London increased to 5.1% in Q1 2006 from 2.4% in Q4 2005.
- Annual house price growth for the UK increased to 4.9% in Q1 2006 from 3.2% in Q4 2005.
- Annual house price growth was stronger in London than in the UK for the first time since Q1 2002.

Latest release: April 2006

Next release: July 2006



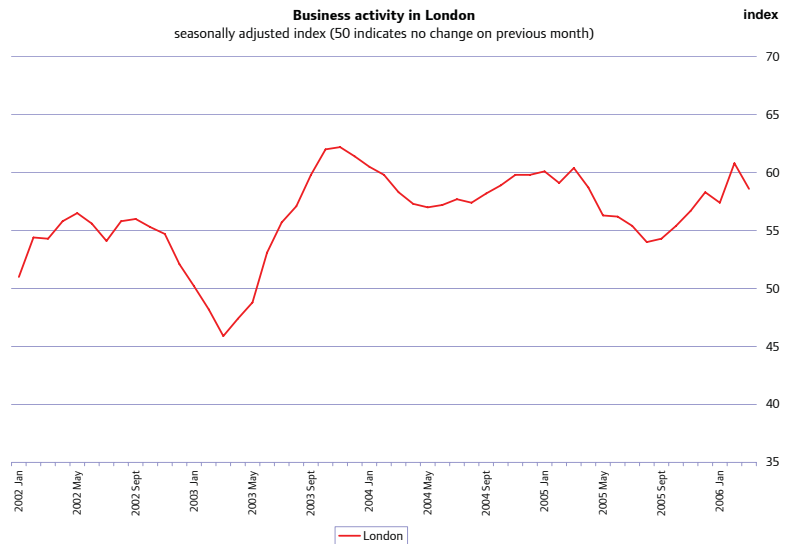
Source: Nationwide

Expanding business activity in London

- London firms continued to expand their output of goods and services in March 2006.
- The Purchasing Managers' Index (PMI) of business activity recorded 58.6 in March compared to 60.8 in February.
- A rate above 50 on the index indicates an increase in business activity from the previous month.

Latest release: April 2006

Next release: May 2006



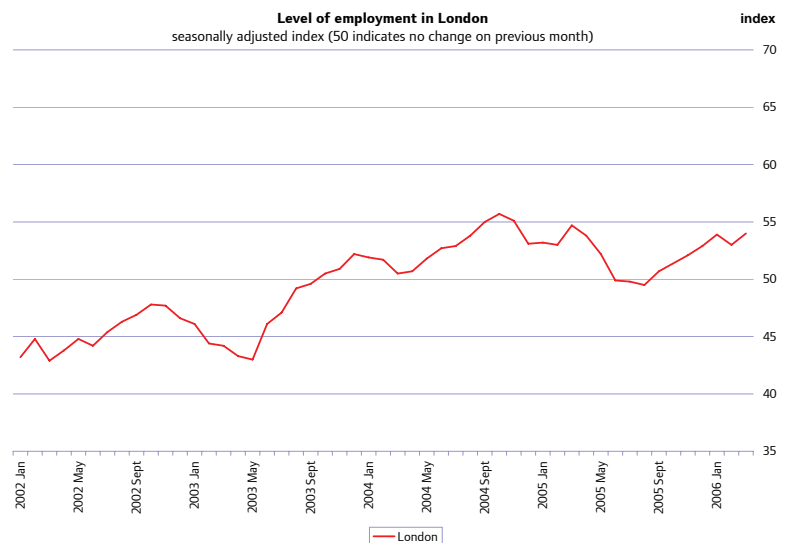
Source: PMI/The Royal Bank of Scotland

London's employment expanding quicker

- London firms continue to increase their level of employment. The PMI for the level of employment was 54.0 in March 2006, above the 53.0 recorded in February.
- The PMI for the level of employment is at its highest recording since March 2005.
- A rate above 50 on the index indicates an increase in the level of employment from the previous month.

Latest release: April 2006

Next release: May 2006



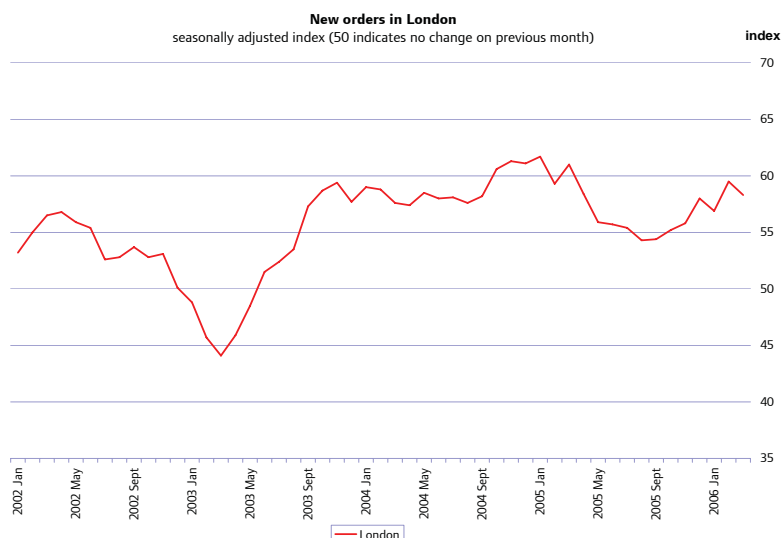
Source: PMI/The Royal Bank of Scotland

Growth in new orders still strong

- New orders for London firms continued to rise in March 2006. The PMI for new orders recorded 58.3 in March 2006, a decrease from 59.5 in February.
- The PMI shows that new orders in London have increased continuously since May 2003.
- A rate above 50 on the index indicates an increase in new orders from the previous month.

Latest release: April 2006

Next release: May 2006



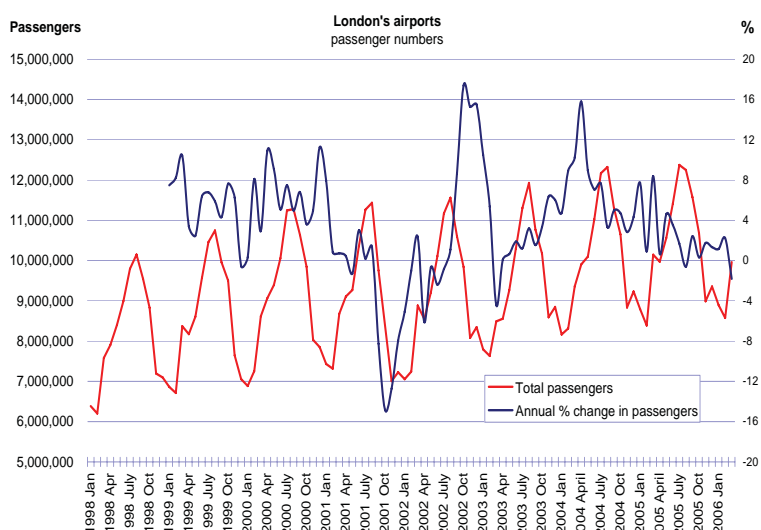
Source: PMI/The Royal Bank of Scotland

Small year-on-year fall in airport passenger numbers

- 9.96 million passengers travelled through London's airports in March 2006.
- The number of passengers using London's airports decreased by 1.8% from March 2005 to March 2006.
- August 2005 was the last time year-on-year growth in international travel through London's airports was negative.

Latest release: April 2006

Next release: May 2006



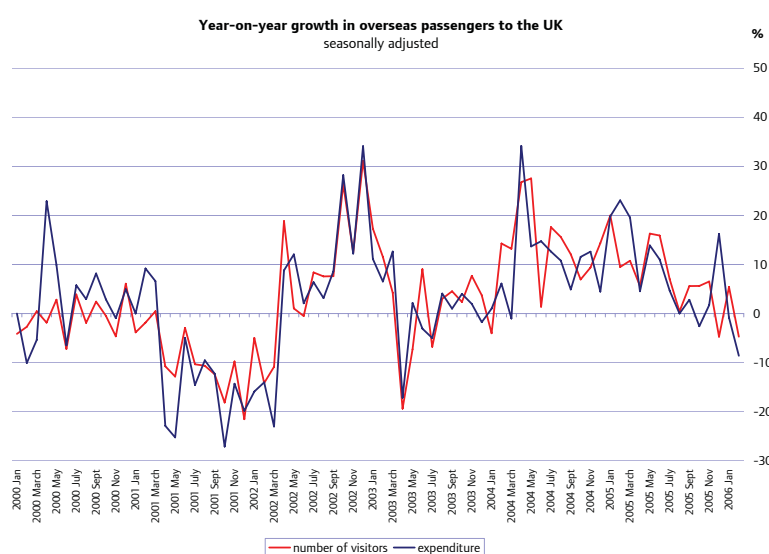
Source: Civil Aviation Authority

Negative annual growth in overseas visitors to the UK and their expenditure

- February 2006 saw negative annual growth in both overseas visitor numbers to the UK and expenditure from overseas visitors to the UK. Up to half of overseas visitors spend time in London.
- The annual growth rate of overseas visitors to the UK was -4.7% in February 2006, down from 5.4% in January.
- The year-on-year growth in expenditure by overseas visitors in the UK was -8.6% in February 2006, a decrease from -0.8% in January.

Latest release: April 2006

Next release: May 2006



Source: Office for National Statistics

Women, ethnicity and part-time work in London's labour market

Margarethe Theseira
Knowledge Manager
GLA Economics

Research from the GLA's Women in London's Economy report¹ has shown that one of the reasons for lower female employment rates in London than elsewhere in the UK is that a lower proportion of women work part-time in London than elsewhere. This article expands on this key finding to include the interaction of ethnicity along with hours status at work.

Two out of three women resident in London are of white ethnicity (including white British, white Irish and other white) compared with nine out of ten women in the rest of the UK². Looking at working aged women, 70 percent are of White British ethnicity in London compared to 90 percent elsewhere³.

There is a distinctive work pattern for London women compared to women elsewhere in the UK. In London, both white and black and minority ethnic women are more likely to work full-time than their counterparts in the rest of the UK.

White women in London are much less likely to be in part-time employment than white women in the rest of the UK with a difference of nine percentage points. For black and minority ethnic women there is less of a difference at 1.5 percentage points.

Figure 2 shows employment rates of women broken down for London and the rest of the UK, by ethnicity and by full-time/part-time working patterns. Due to sample size issues it is only possible to disaggregate part-time workers into white and black and minority ethnic groups. Employment rates vary by ethnicity, potentially reflecting differences in age profile, education level, the assumptions and expectations of employers and cultural and religious beliefs⁴. It is widely recognised that black and minority ethnic groups face labour market disadvantages and that there is a wide variability in employment rates between different ethnic minority groups. The labour market disadvantages for black and minority ethnic groups holds for both London and the rest of the UK as shown in Figure 2.

¹Available online at http://www.london.gov.uk/mayor/economic_unit

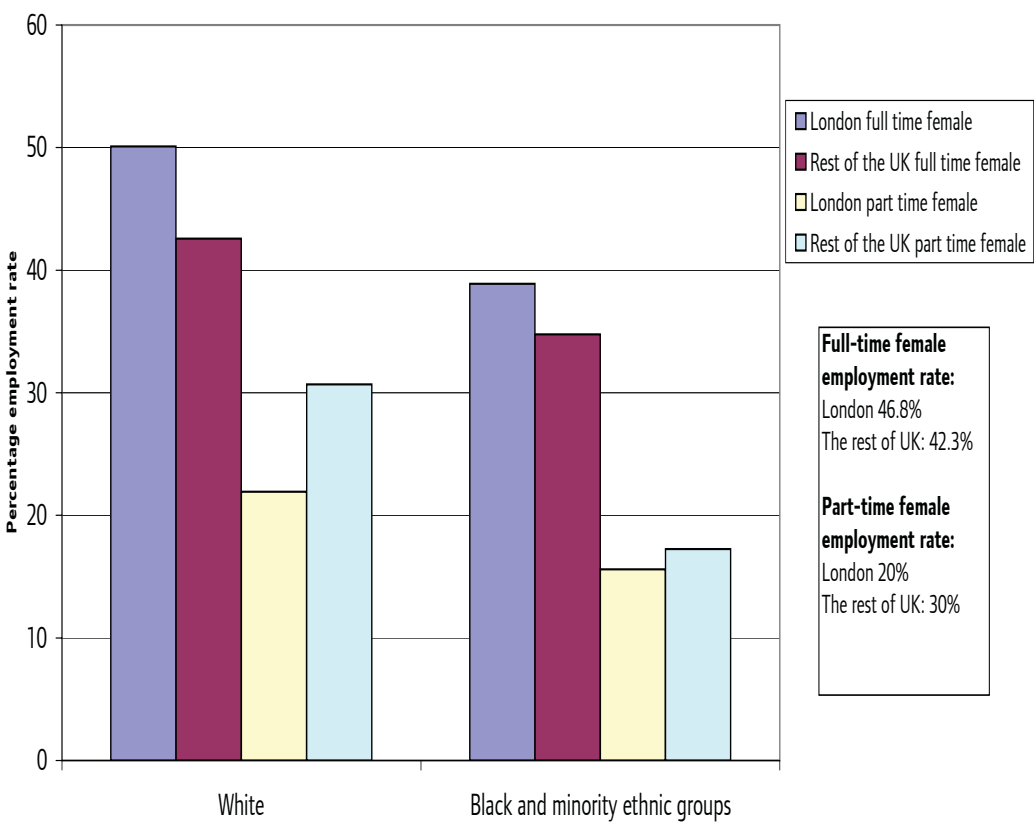
²Source: Census Table EE1, Estimated resident population by full ethnic group and sex for England, GORs, counties and local authority districts, mid-2003, Office for National Statistics, Crown Copyright 2006.

³Source: Census Table S101, Office for National Statistics, Crown Copyright 2006

⁴For a more detailed study of labour market prospects for Pakistani and Bangladeshi women, please see: The labour market prospects for Pakistani and Bangladeshi women by Angela Dale, E. Fieldhouse, Nusrat Shaheen and Virinder Kalra, University of Manchester

Figure 2. Employment rates by ethnicity and part-time/full-time status

Source: Labour Force Survey, 2003



Lower employment rates in London are partly a reflection of lower employment rates among certain ethnic groups⁵. It appears that women in London from Black and Minority Ethnic Groups have only slightly greater difficulty accessing part-time work in London compared with their counterparts in the rest of the UK. The lower employment rates for women working part-time in London is very largely accounted for by white women being less likely to take up part-time work in London compared with their counterparts in the rest of the UK.

⁵Figures on ethnicity from Census Table ST101, Census 2001 Crown Copyright.

Additional information

Data sources

Tube and bus ridership	Transport for London on 020 7941 4500
GDP/GVA growth	Experian Business Strategies on 020 7630 5959
Tourism – overseas visitors	www.statistics.gov.uk
Tourism – domestic visitors	www.visitlondon.com
London airports	www.caa.co.uk
Business activity	www.rbs.co.uk/pmireports
Employment	www.rbs.co.uk/pmireports
London FootFall	www.footfall.com
Office space demand	www.cbhillierparker.com
House prices	www.nationwide.co.uk/hpi/
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 rate

Unemployment rate 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.

FootFall Index

Measures the average number of people passing through London shopping centres on a weekly basis. This index is positively correlated with UK retail spending so it can provide an indication of consumer spending in London.

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.

ILO unemployment rate

The International Labour Organisation's calculation of the number of people out of work.

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 – twelve 28-day periods and one 29-day period. Period 1 starts at the beginning of the financial year rather than the calendar year.

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
BITOA	British Incoming Tour Operators Association	MPC	Monetary Policy Committee
CAA	Civil Aviation Authority	ODPM	Office of the Deputy Prime Minister
CBI	Confederation of British Industry	ONS	Office of National Statistics
EBS	Experian Business Strategies	PMI	Purchasing Managers' Index
GDP	Gross domestic product	PWC	PricewaterhouseCoopers
GVA	Gross value added	RICS	Royal Institute of Chartered Surveyors
ILO	International Labour Organisation		

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