

Greater London Economic Outlook

Sample report



Greater London: Recent trends and short-term outlook

London continues to outperform UK benchmarks despite some slowing

As is the case across all UK regions, London's economy remains at risk as Brexit-related fears and uncertainty weigh on investment and hiring in all key sectors. For London, it is the issues of passporting rights and the rights of EU workers currently employed in the UK that form the basis of these fears. Should there be a hard Brexit, under which the rights of EU migrant workers and passporting rights are both revoked, this will have a real impact on London's economy. At the time of writing this report, there was still no clarity on what the final Brexit outcome would be for migrants and finance & business sector trading rules. However, at least in the short-term, London is still holding up well on most key economic indicators despite some slowing in growth. According to our recent estimates, London enjoyed GVA growth of 2% in xxxx, just ahead of the UK average. Job creation in the capital (FTE measure) was 1.6% in xxxx, while UK growth was 1.2%. The unemployment rate has edged down to 5.4% in xxxx (from over 10% in xxxx) although this does remain higher than the national average of about 4.4%. House prices in London saw growth of 3.1% in xxxx, falling short of the pace of increase seen across the UK. These indicators confirm that not only has London avoided a sharp slowdown, it continues to rank favourably on many measures.

London has outperformed the rest of the country despite its key sectors coming under pressure from Brexit. The capital has seen job creation continue at a reasonable pace. We expect the capital to see output rise by 1.7% in xxxx and by a further 2.1% p.a. over xxxx-xx.

Forecast highlights

Key sector trends

Our latest forecasts show that while the uncertainty caused by Brexit negotiations will weigh on investment and hiring, overall growth in the key sectors will be positive. In London, the financial sector is under the greatest threat from Brexit. Despite this, the sector still posted 1.9% growth in FTE jobs in the sector in xxxx and further 0.3% growth p.a. in xxxx-xx. This is weaker growth than seen in the previous decade but that is also due to a generally reduced appetite for risk and consolidation in the sector. Professional services will see better output growth of 2.6% p.a. over xxxx-xx and this will marginally strengthen to 2.7% p.a. after that. The construction sector will see more muted growth of 1% p.a. over xxxx-xx, picking up to over 1.5% p.a. over the longer term. The information & communication sector remains the strongest in London, posting robust growth of around 4.9% p.a. in xxxx, with further growth of 2.7% expected over xxxx-xx, as investment by high-tech firms into the capital continues.

Average Growth %	2016	2017	2018	2019	2020-22
Greater London					
Gross Value Added					
Full Time Equivalent Employment					
Unemployment Rate					
Disposable Income					
House Price Growth					
Working Age Population					
United Kingdom					
Gross Value Added					
Full Time Equivalent Employment					
Unemployment Rate					
Disposable Income					
House Price Growth					
Working Age Population					

Sources: ONS, DCLG, Experian

UK	Prospects & Key Risks
Recent Trends	UK GDP growth fell to a five-year low of just 0.1% (q-on-q) in the first quarter of xxxx. On a per-capita basis, the economy shrunk by 0.1%.
Business Planning Assumptions	The Bank Rate rose by 25bps, to 0.5% in November last year. An increase of the same magnitude is likely later this year.
2-Year Outlook	Real GDP growth is forecast to grow by 1.3% in 2018, down from 1.8% in xxxx. Key risks: The momentum gathering in the global economy falters. The emerging trade war between China and the USA is of particular concern. Wage growth fails to accelerate holding back consumer spending further.
Longer-Term Outlook	GDP growth of 1.6% a year in xxxx-xx, with annual employment growth of 0.5%. Key risks: Public finances suffer from low economic growth and relaxation of austerity to support the economy. High debt exposure of public and private sectors becomes a serious burden.
Consumer	Spending growth to be sustained but at a much slower pace than in recent years. Key risks: Lingered above target inflation and weak earnings growth inhibit spending. Further Bank Rate hikes hit highly-exposed borrowers.
Trade	Trade will benefit from sterling's decline and net trade will be less of a drag on GDP growth. Key risk: Sterling continues to appreciate, diminishing export price competitiveness.
Inflation	Inflation eased to 2.5% in March. Key risk: The recent appreciation of the sterling exchange rate reverses, and renewed import price pressures build. The upward trend in global oil prices continues.
Labour Market	The strong gains in employment growth in recent months is unlikely to be sustained. Competition for employees should see pay gains slowly accelerate through xxxx. Key risk: The recent pick-up in productivity growth falters, holding back wage growth.
Government	Fiscal policy expected to loosen in the coming year as suggested by the Chancellors Spring Statement. Key risk: An easier fiscal stance could raise concerns about the impact of high government debt on growth prospects.

Interest rates

At its meeting ending on 9 May xxxx, the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rate at 0.5%. The MPC voted seven-to-two against raising interest rates immediately, with the majority saying that there was a need "to see how the data unfolded over coming months to discern whether the softness in the first quarter might persist", leaving the path open for a rate rise in August or November this year.

(% per annum)	2015	2016	2017	2018	2019
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Base rate (y/e)

10 yr yield (y/e)

KEY RISK

The possibility of a fresh Sterling depreciation as Brexit uncertainties persist is a key inflation risk. This could lead to higher interest rates, earlier than in the Base case.

Exchange rates

The Bank of England's effective exchange rate index, a weighted average of the movements in cross-exchange rates against a basket of other currencies has been steadily rising on expectations of further increases in Bank Rate this year. Should the Bank disappoint on this front sterling could depreciate.

	2015	2016	2017	2018	2019
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US\$ per £ (y/e)

£ per € (y/e)

REER (Jan 2005=100)

KEY RISK S

Consumers will benefit as inflation slowly eases in line with softer import prices. However, household budgets remain under pressure and this is expected to continue to hold back outturns in the services industries, the main engine of the UK economy, throughout xxxx. Furthermore, the slight narrowing in the trade deficit in xxxx, is not enough to suggest that export led sectors such as manufacturing can plug the gap left by reduced services sector gains.

Regional Comparison

% Growth	Output			Employment (FTE)		
	2017	2018-20	2020-24	2017	2018-20	2020-24
UK						
Greater London						
South East						
East of England						
South West						
East Midlands						
West Midlands						
Yorkshire & the Humber						
North West						
North East						
Wales						
Scotland						
Northern Ireland						

Sources: ONS, Experian

Local area focus

To fully understand our forecasts, it is important to note the inter-dependence of local authorities as this is a key feature of our model. The charts below show the commuting patterns for 2 major centres in this region and how they depend upon both the jobs and the labour market of other local areas.

Westminster Commuting Flows

Areas where workers live

Camden Commuting Flows

Areas where workers live

Outer circle: Local areas from where workers employed in Westminster commute from
Inner circle: Local areas where residents of Westminster work

Source: Census, 2011

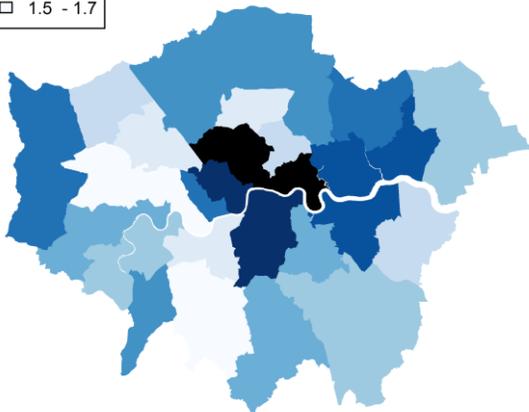
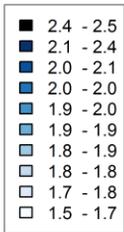
Outer circle: Local areas from where workers employed in Camden commute from
Inner circle: Local areas where residents of Camden work

Local area focus

Unemployment trends in the ten most populous local areas

	Unemployment Rate (%)				Employment Growth (%)
	2017	2018	2019	2020	2018=2022
Barnet					
Brent					
Bromley					
Croydon					
Ealing					
Enfield					
Lambeth					
Southwark					
Newham					
Wandsworth					

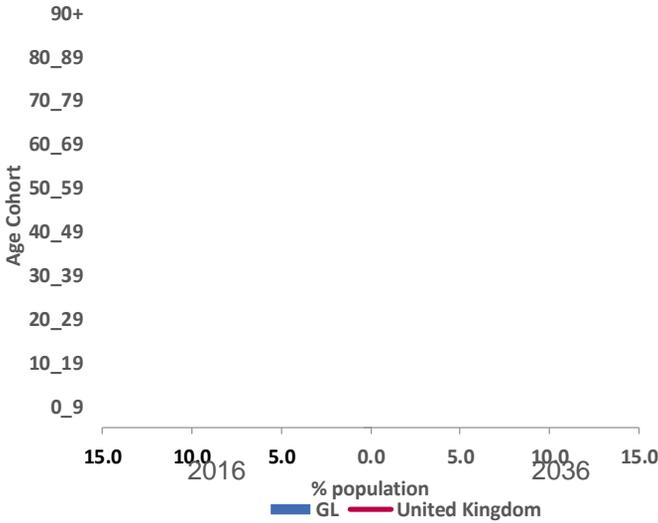
Sources: ONS, Experian



Top 5/Bottom 5	GVA Annual Growth (%)		
	2016	2017	2018-2022
Islington			
Tower Hamlets			
City of London			
Camden			
Westminster			
Brent			
Sutton			
Hammersmith and Fulham			
Merton			
Ealing			

Demographic outlook

Greater London and UK Projections



Sources: ONS, Experian

Greater London profile

Key indicators	2017
Total Population (thousands)	
Working-age population (thousands)	
Population: 0-14 years (thousands)	
Population: over 65 years (thousands)	
Workforce (thousands)	
Participation rate (% of workforce)	

Source: ONS

Greater London and UK Projections

2018-38 (% Change)	GL	UK
Total Population		
State Working Age		
Student		
State Retirement		

Sources: ONS, Experian

Sector composition

London's economy has a heavy bias towards the fast-growing business service sector. In particular, the financial and information & communication sectors have a strong presence in the capital. Manufacturing and construction are less important to the economy in terms of output contribution, but infrastructure investment remains important to London's development. Consumer services also make a notable contribution to jobs and output growth and while public services has a significant absolute presence in London, in relative terms its contribution is vastly overshadowed by that of the private sector.

Industry share

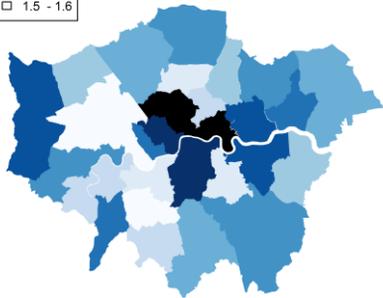
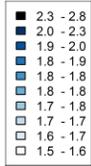
Location Quotient*

Sources: ONS, Experian

Sources: ONS, Experian

*The location quotient measures the concentration of industries in a region relative to the UK average. A value of 1 means that the region has the same share of an industry as the UK while above/below 1 denotes a larger/smaller share. Data for xxxx.

Long-term outlook Growth will outperform UK average

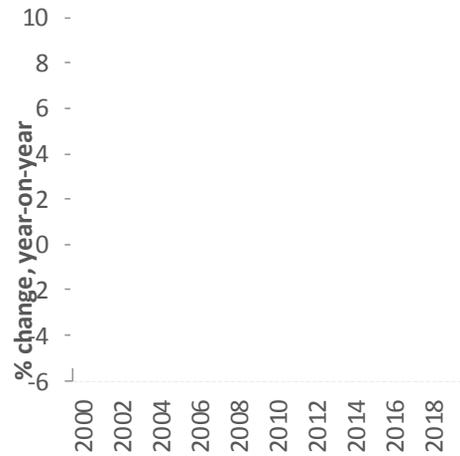


Source: Experian

Historically, London has held a growth premium over the UK average and we expect this to be maintained. Key to this will be London's favourable sectoral mix, its high-skilled work-force and the improving infrastructure will enable it to continue to grow at an average annual rate of about 2.1% between xxxx and xxxx. Furthermore, favourable demographic projections add momentum to the growth profile. Job creation in the capital will grow at a robust rate of about 0.7% p.a. in the long term, not far off the pace witnessed historically.

Avg. annual growth (%)	2001-08	2018-38
GVA		
FTE employment		
Unemployment rate (rate %)		
Working-age pop.		
Total population		
Real household income		
Real household spending		
Real house prices		

Sources: ONS, Experian

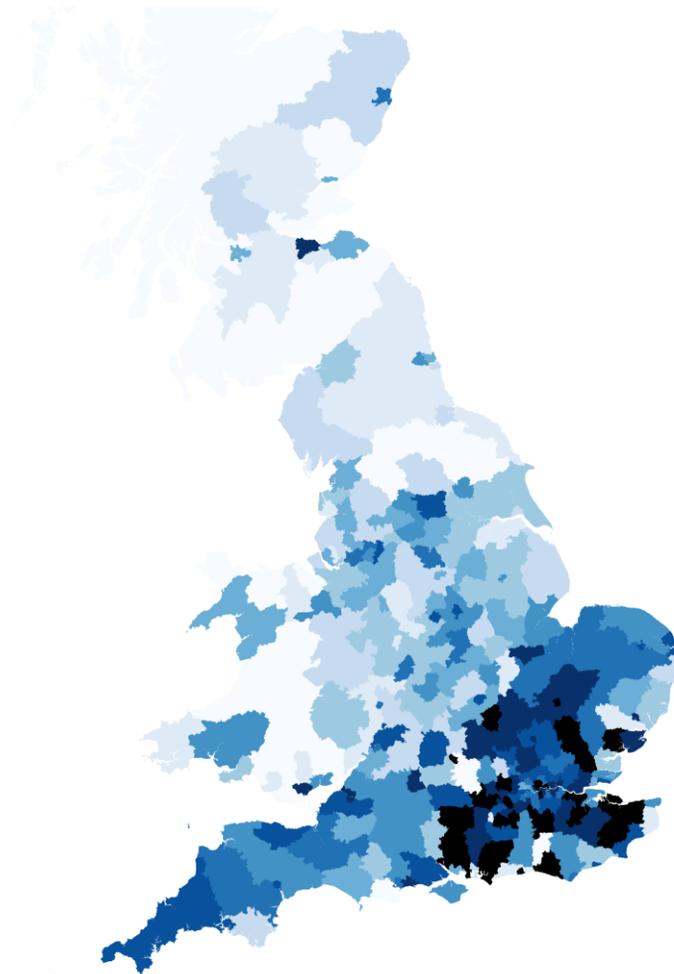


Sources: ONS, Experian

% growth		Greater London			United Kingdom		
		2004-09	2015-17	2018-38	2004-09	2015-17	2018-38
Output	Total GVA						
	Consumer services						
	Prof. services						
	Public sector						
Labour market	Total employment						
	Consumer services						
	Prof. services						
	Public sector						

Sources: ONS, Experian

UK local area outlook



Source: Experian

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