

London's place in the UK economy

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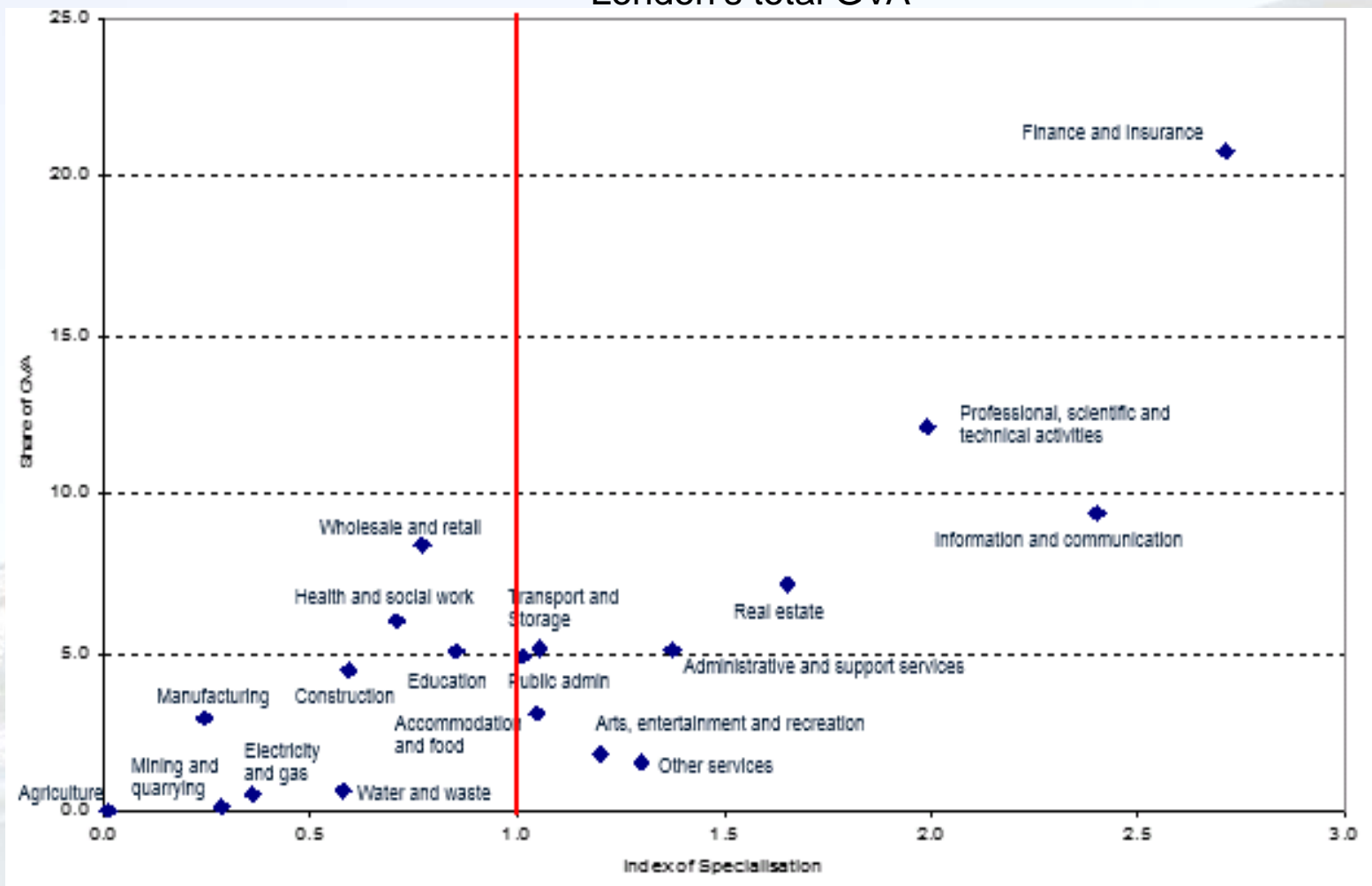
Matthew Waite (Senior Economist, GLA Economics)

Overview

- Brief context on London's economy
- How London's economy has grown and some projections
- Some of the common issues raised about London's place in the UK economy
- Policy priorities for the Mayor

Areas specialise because of trade and London specialises in financial and business services ...

London's broad sectors: Index of specialisation (relative to GB) and share of London's total GVA



... with businesses attracted to locating in London ...

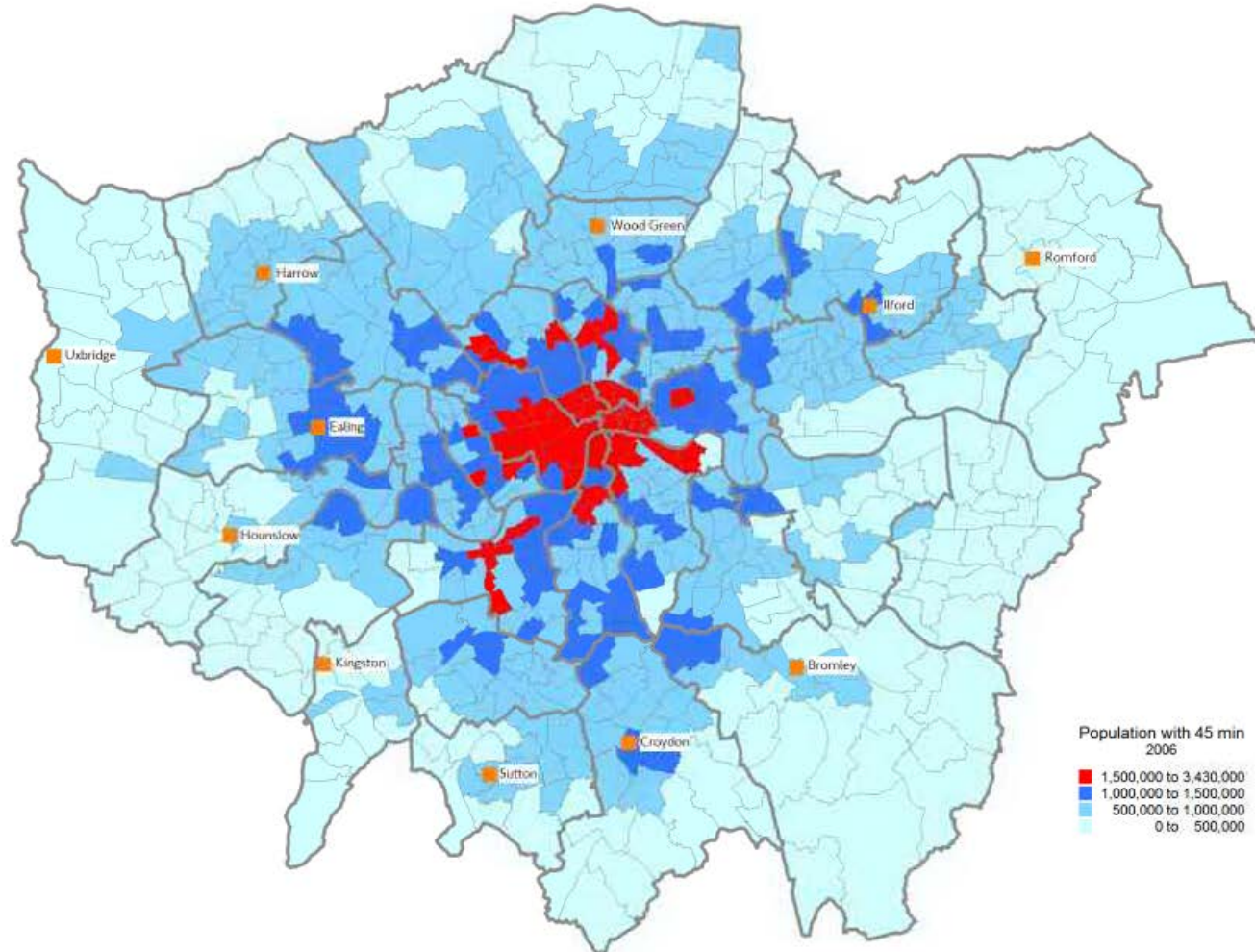
Attractiveness of London to business

	2011	2010	2009	2008	2011 Lead
Availability of qualified staff	1	1	1	1	London
Easy access to markets	1	1	1	1	London
Quality of telecommunications	1	1	1	1	London
External transport links	1	1	1	1	London
Cost of staff	=30	29	28	29	Bucharest
Climate for doing business	3	2	4	5	Dublin
Language spoken	1	1	1	1	London
Office space - value for money	=24	26	23	24	Warsaw
Internal transport	1	1	1	1	London
Availability of office space	10	=4	2	5	Berlin
Quality of life	10	10	11	14	Barcelona
Freedom from pollution	25	=25	29	27	Stockholm

Source: European Cities Monitor, Cushman & Wakfield (2008-2011)

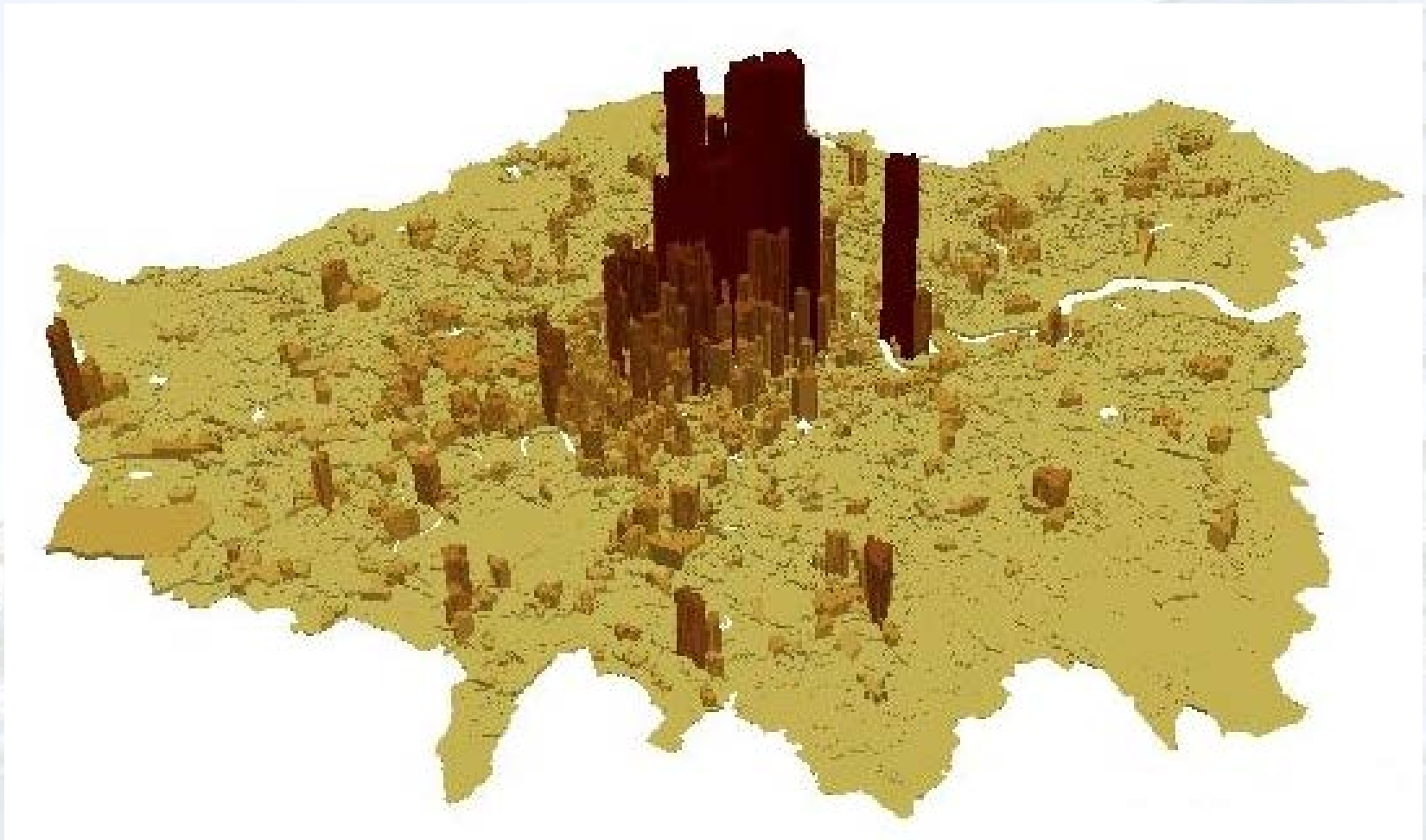
... being able to access a large volume of people who themselves are attracted to live and work in London.

Number of residents accessible by public transport in 45 minutes

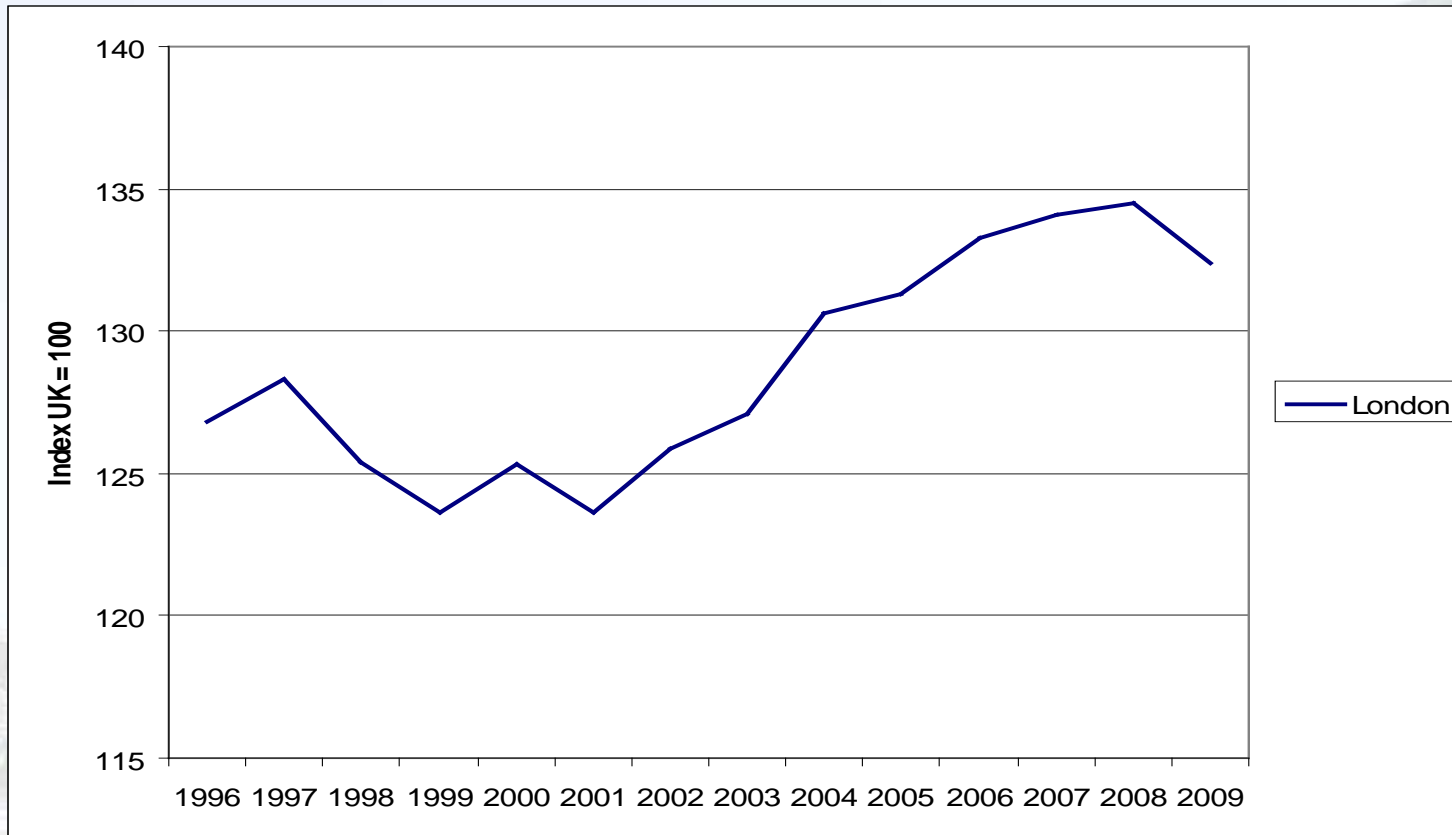


So there is a concentration of employment in London, particularly central London.

Number of people in employment per sq km, all sectors

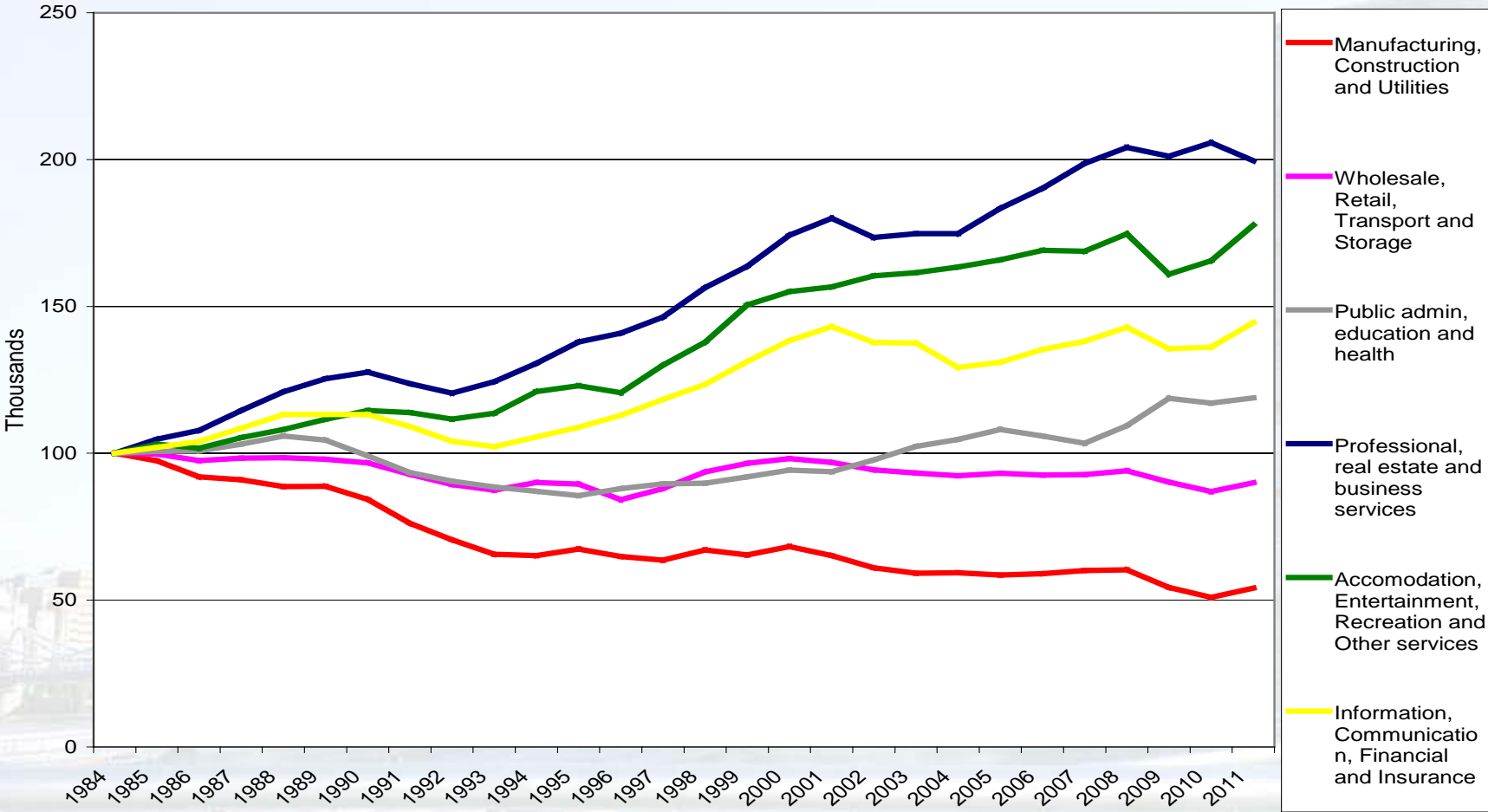


London's labour productivity



GVA per hour worked index, London, 1996 – 2009, UK = 100 (Source: ONS/BIS 2010)

London has seen growth in professional business services over time, together with a decline in manufacturing.



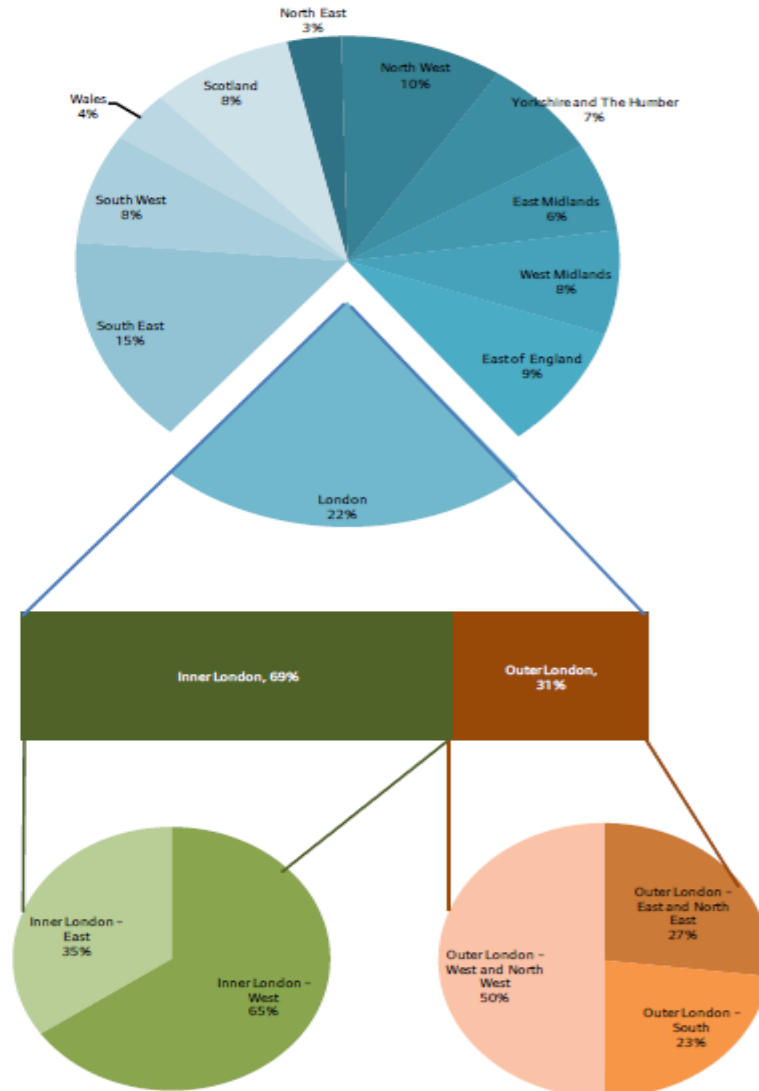
Source: 1996 to 2011: ONS Workforce Jobs series; before 1996: GLAE Economics using various ONS sources and modelling assumptions

London's economy now accounts for 22% of the UK economy...

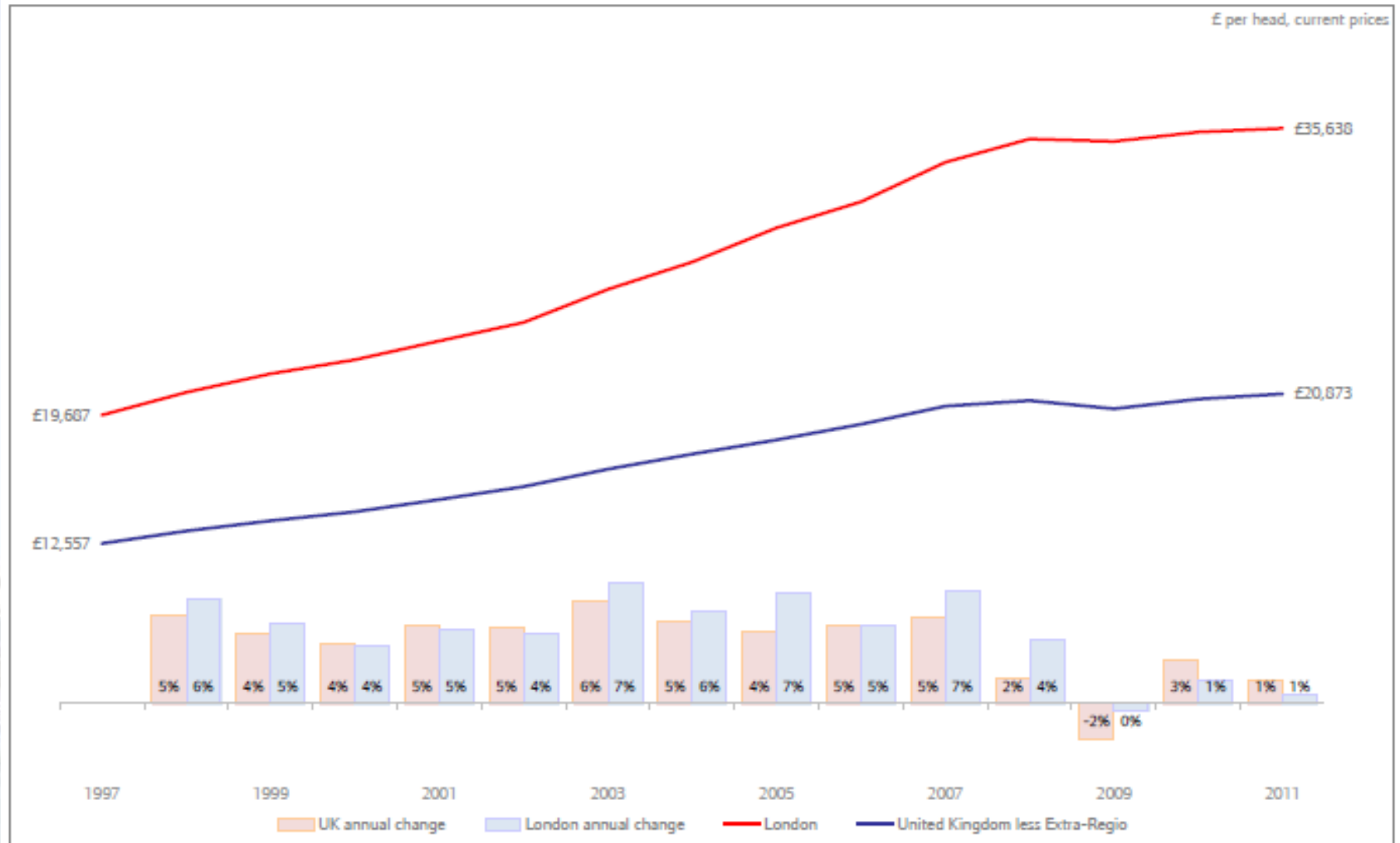
Headline ³ workplace GVA in 2011, £ billion, current prices

Northern Ireland	30
North East	42
Wales	47
East Midlands	82
Yorkshire and The Humber	91
West Midlands	96
South West	101
Scotland	108
East of England	114
North West	124
South East	192
London	283
Inner London	195
Inner London - West	128
Inner London - East	68
Outer London	88
Outer London - East and North East	24
Outer London - South	20
Outer London - West and North West	44

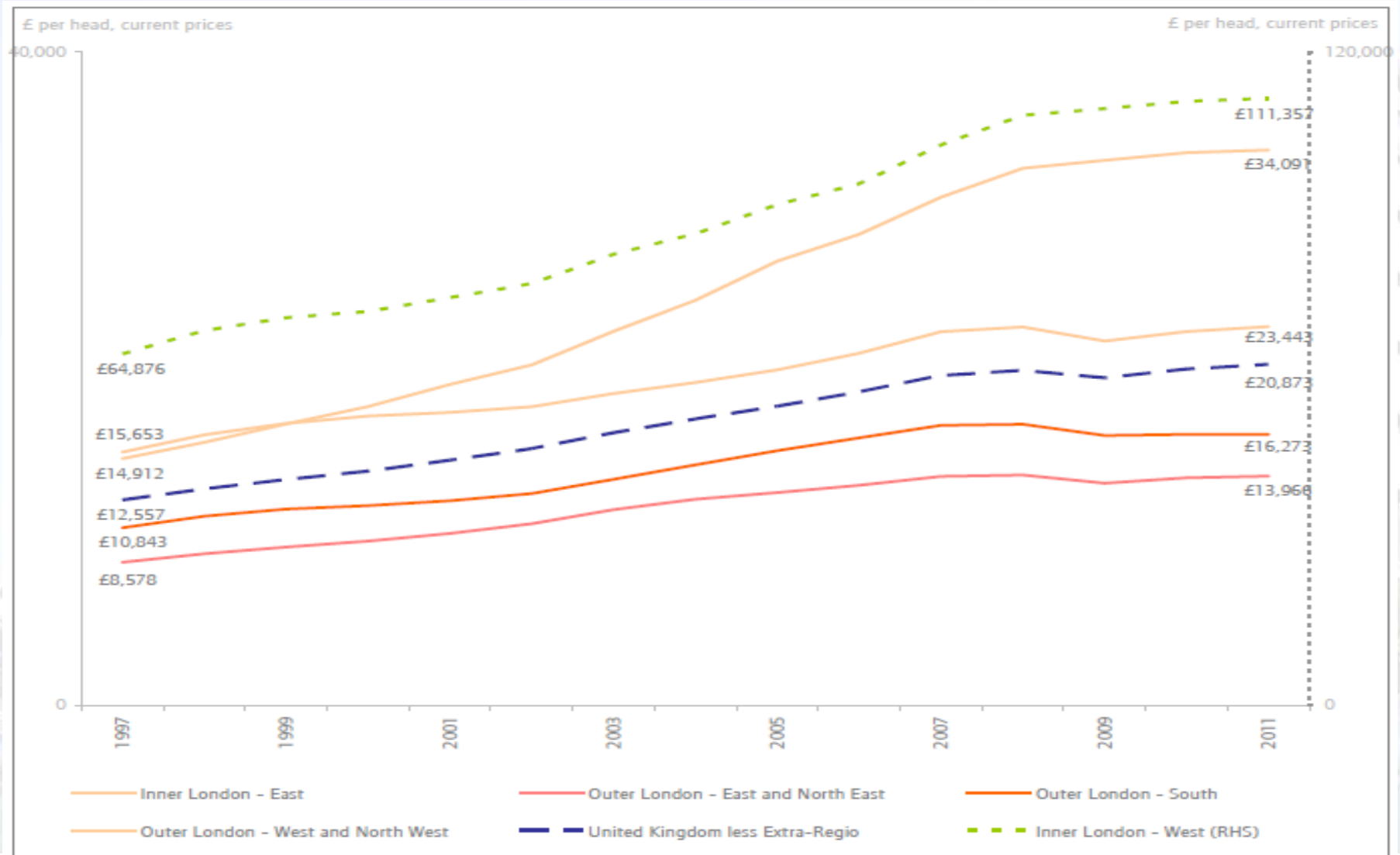
Note: Numbers may not add due to rounding



... with stronger growth than the UK as a whole over the past decade and a half ...



... with particularly strong growth in 'inner London'.



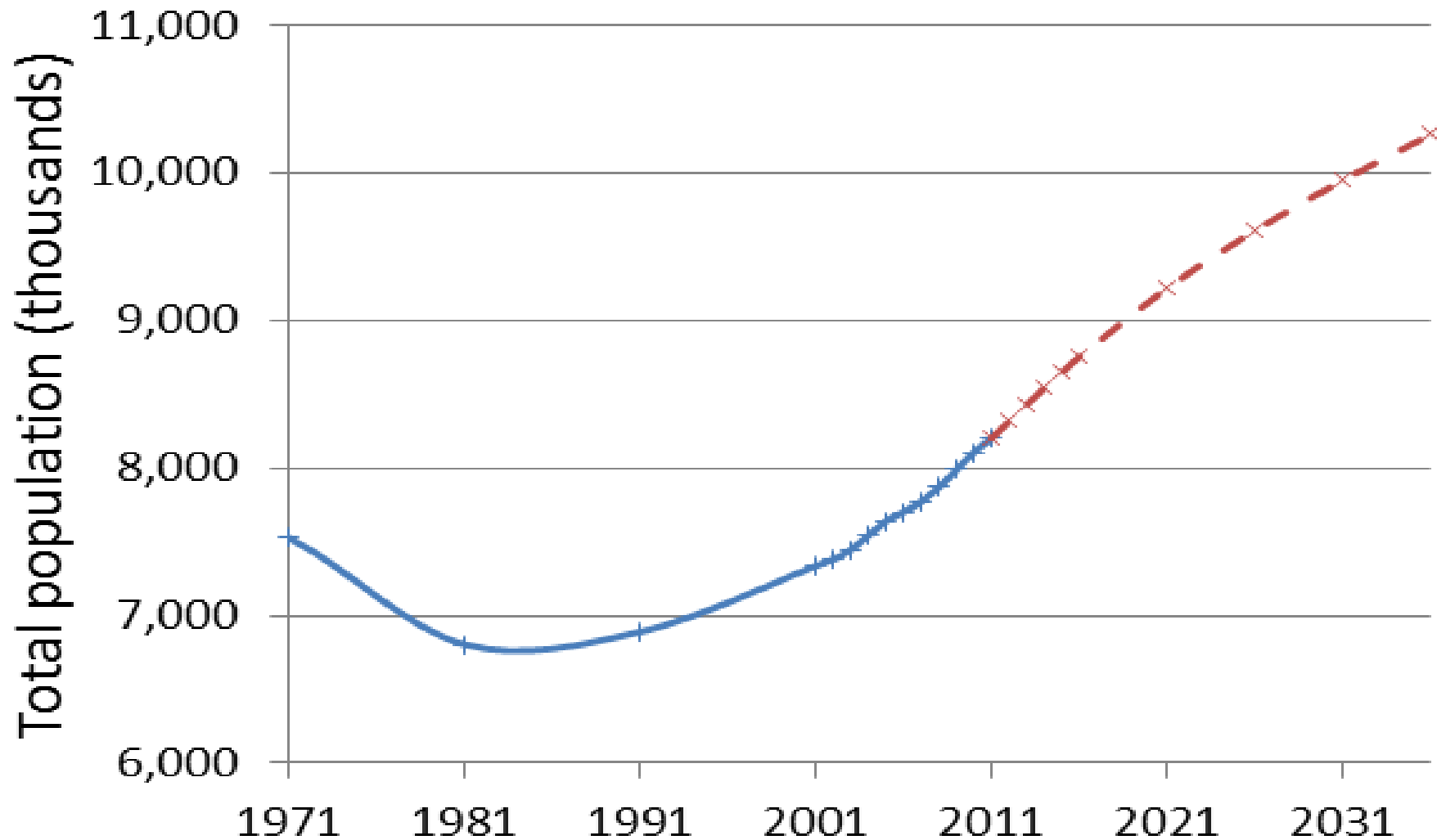
Source: GLA Economics

GLA Economics' forecast and historical growth rates (Annual % change) – November 2012

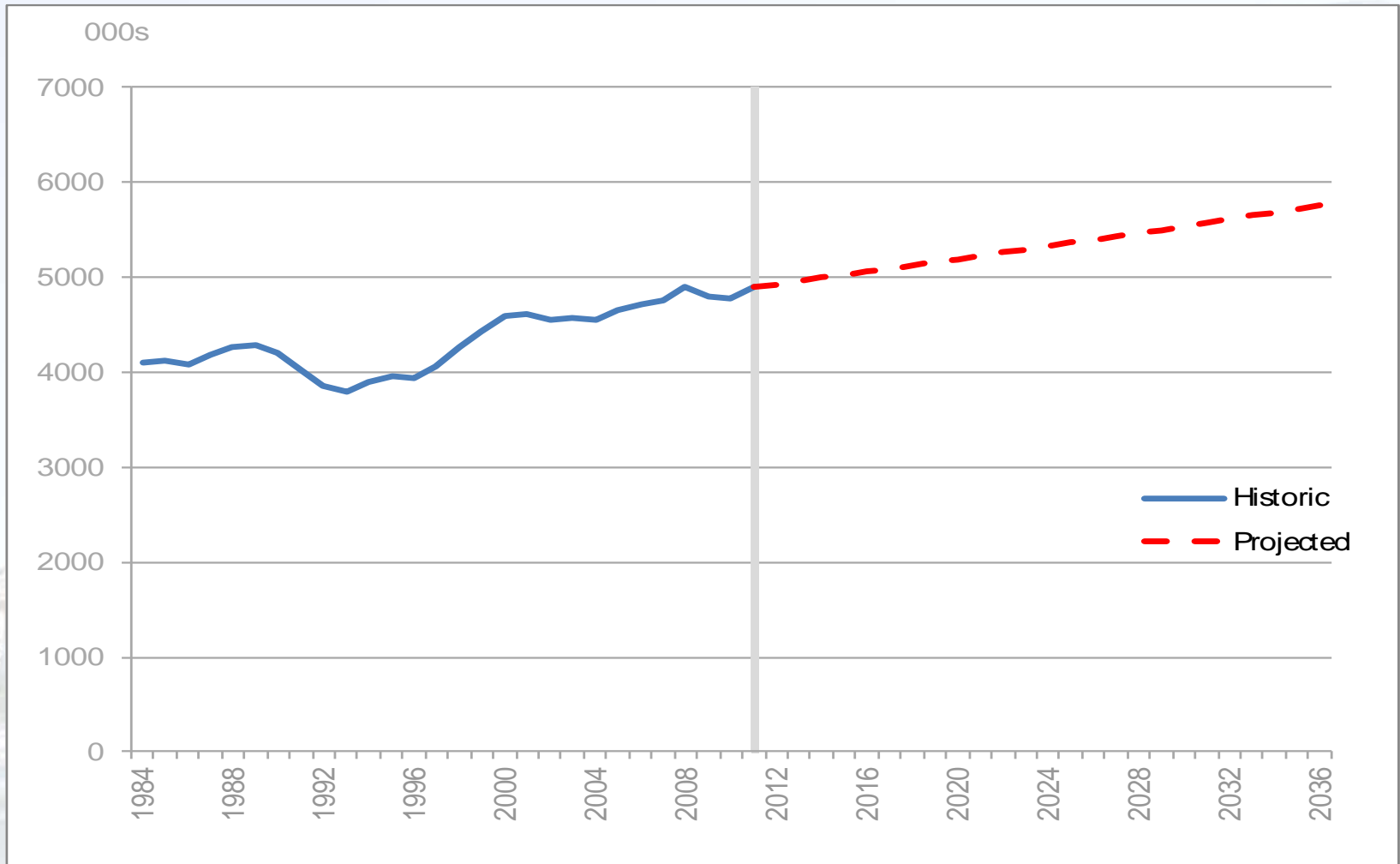
Annual % change

	2006	2007	2008	2009	2010	2011	2012	2013	2014
GVA	4.4	4.9	1.6	-4.1	1.6	1.8	0.9	1.8	2.4
Workforce jobs	1.1	1.1	3.0	-1.8	-0.6	2.6	1.0	0.2	0.4
Household spending	2.1	2.9	-0.4	-2.8	2.1	-0.2	1.1	1.3	2.3
Household income	3.0	3.2	0.8	1.8	-0.2	-0.2	0.6	1.1	2.4

Looking ahead London's population is projected to grow significantly ...

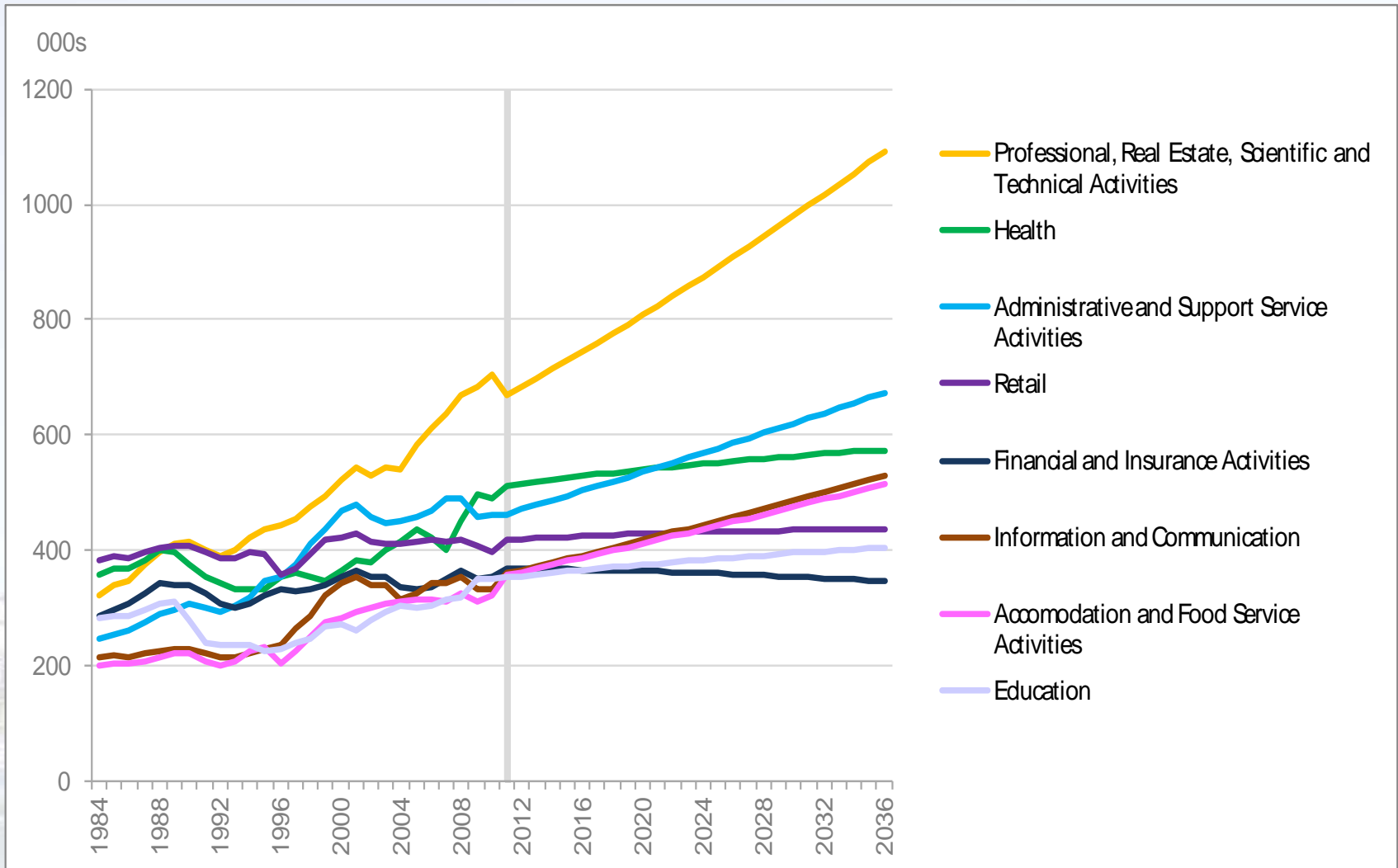


... as is London's employment ...



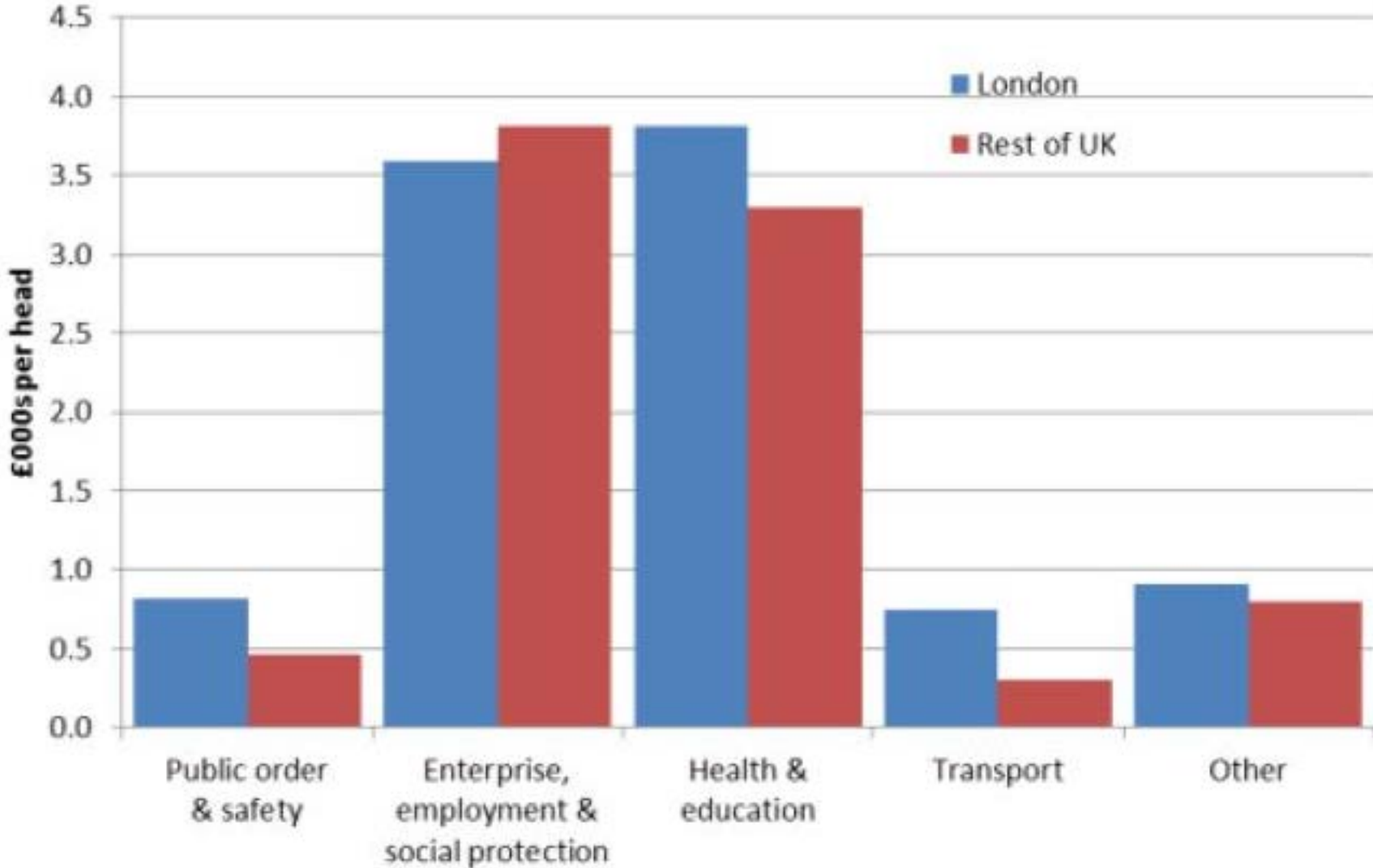
Source: GLA Economics Working Paper 52, Workforce Jobs series (ONS), GLA Economics calculations

... particularly in the professional business services sector.



Source: GLA Economics Working Paper 52, Workforce Jobs series (ONS), GLA Economics calculations

There is a higher level of public spending (per head) in London than the rest of the UK ...

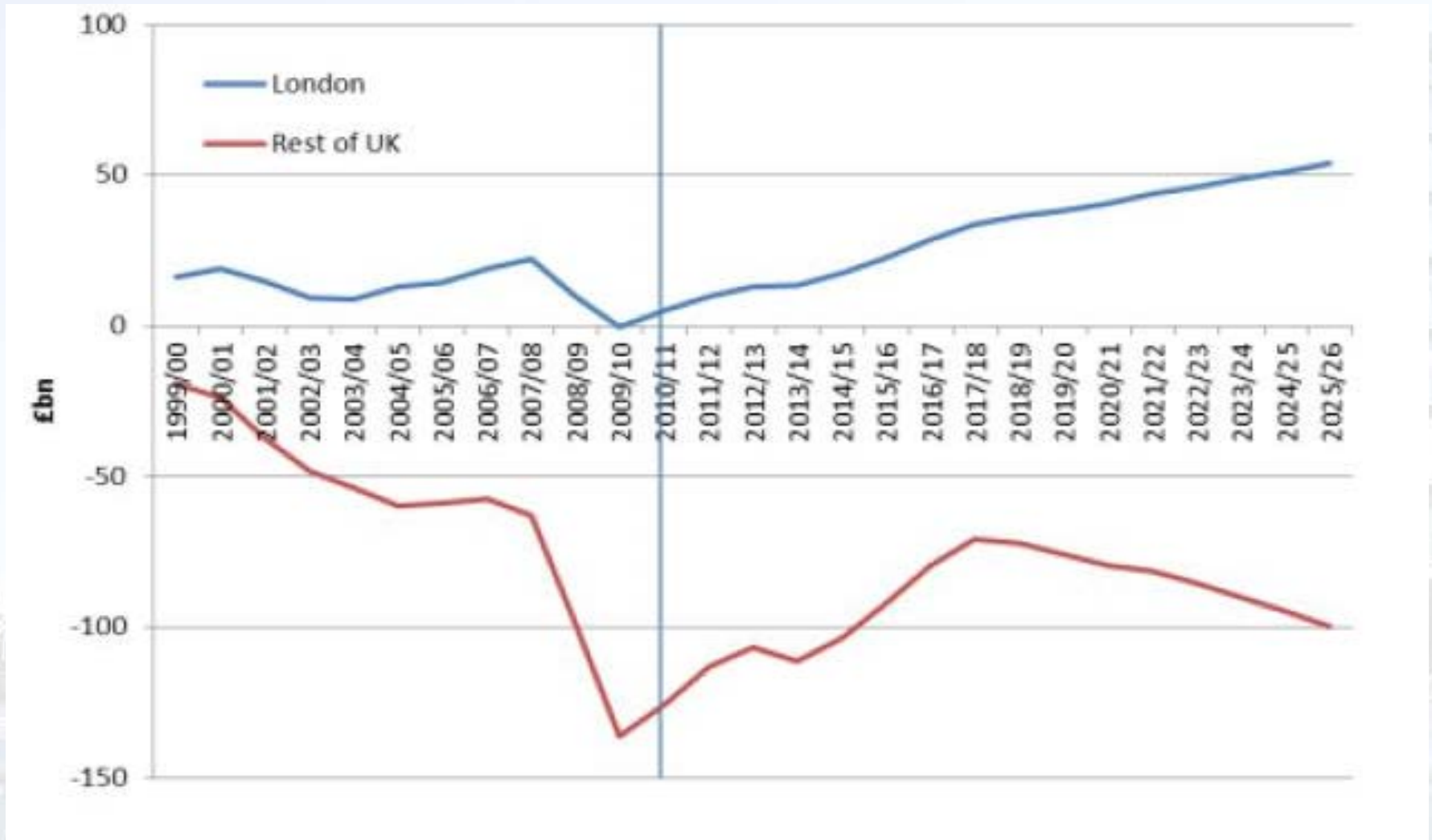


Source: City Corporation

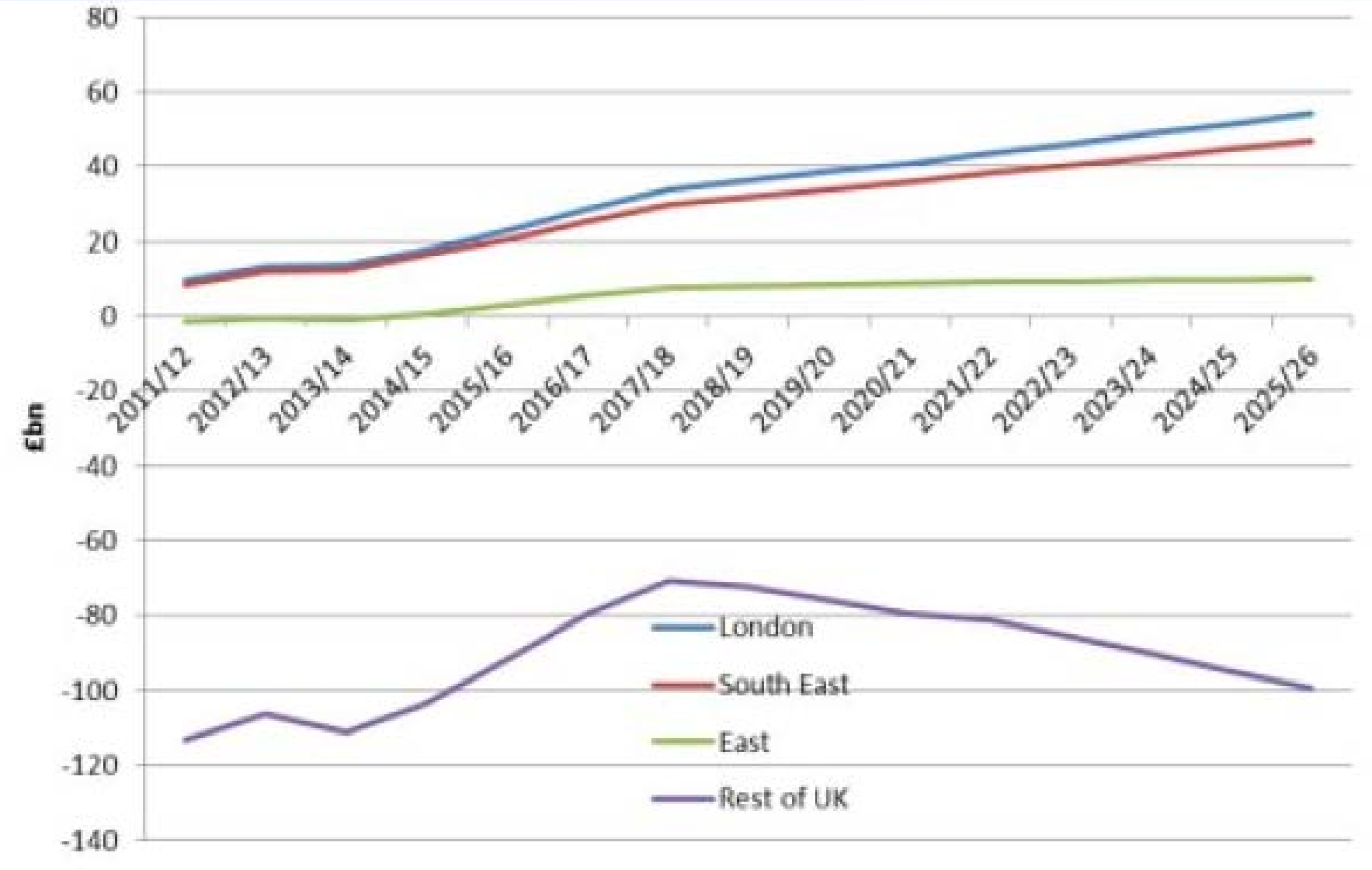
... particularly in transport and (with the exception of Northern Ireland) public order & safety.

	£ per capita					
	Public order & safety	Enterprise & employment policies	Transport	Health	Education & training	Social protection
North East	524	214	257	2107	1534	4133
North West	534	161	333	2033	1486	3928
Yorkshire & the Humber	480	154	278	1935	1429	3638
East Midlands	407	126	235	1742	1392	3479
West Midlands	467	150	237	1867	1454	3695
Eastern	375	95	329	1730	1318	3336
Greater London	816	132	750	2140	1676	3455
South East	399	81	238	1701	1288	3198
South West	393	108	213	1757	1341	3584
Wales	490	285	394	1990	1465	4159
Scotland	491	243	537	2072	1541	3972
Northern Ireland	875	308	360	2107	1508	4008
UK	510	151	361	1913	1448	3632

Net fiscal contribution over time (and forecast)

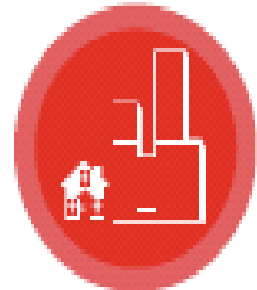


Forecast fiscal contribution by region



Source: City Corporation

Expenditure in London supports UK activity



Central London
office
development



GVA
per annum



Jobs
per annum

UK
economy

£1.7bn

34,600

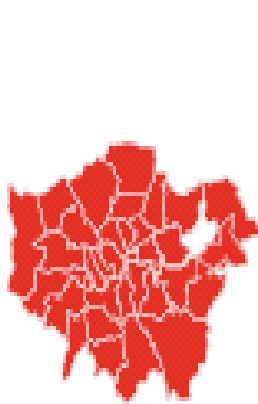


=

London
economy

£0.6bn

12,200



+

Regional
economies

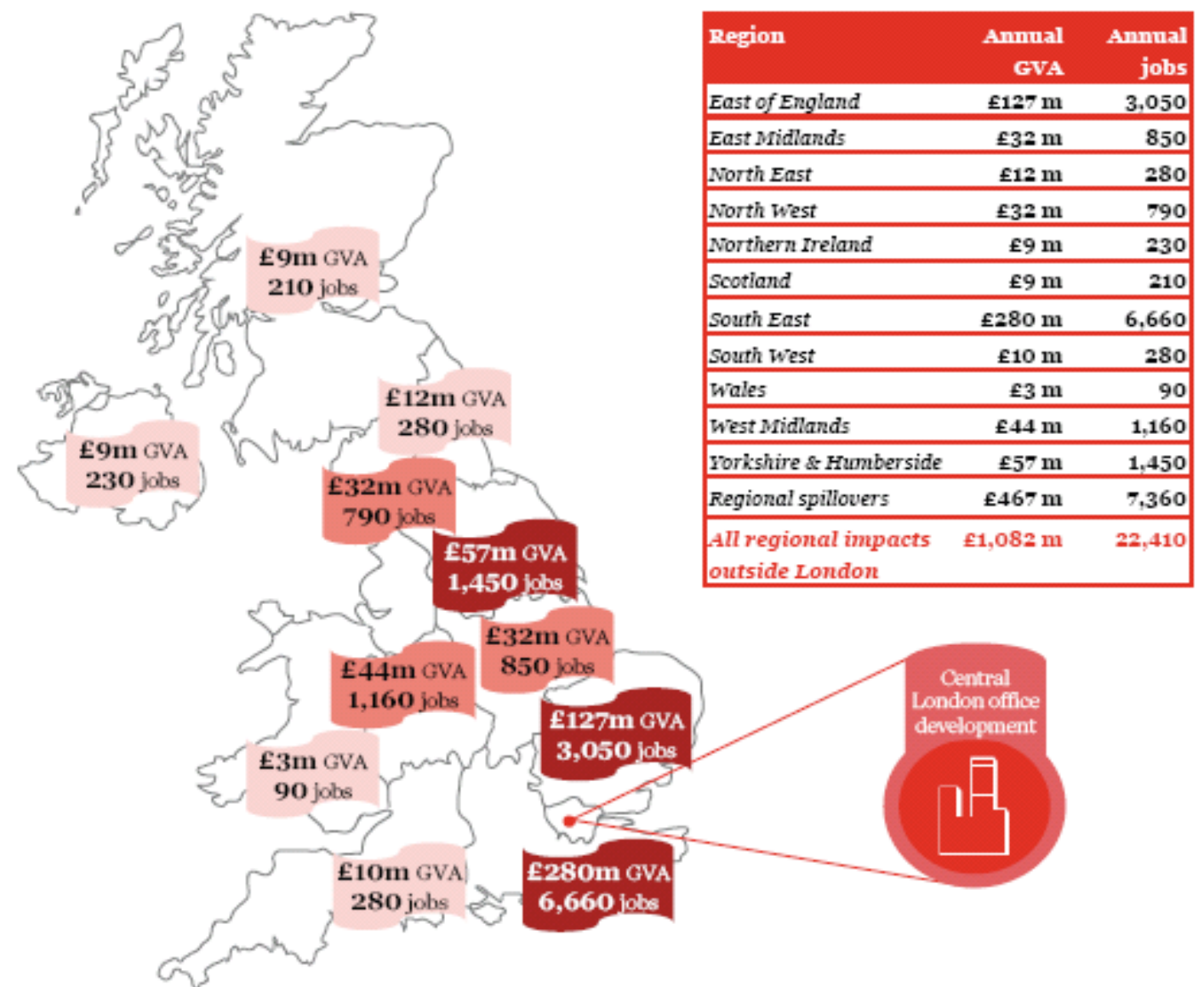
£1.1bn

22,400



Source: London First

Expenditure in London supports UK activity



Source: London First

The role of the Mayor

- Statutory responsibility for the London Plan and Economic Development Strategy
- Strategic powers: transport, planning, housing
- Regeneration: Outer London Fund, Mayor's Regeneration Fund
- London Enterprise Panel: SMEs; science and tech; skills and employment; infrastructure; GPF - £111m; SLGF - £??m
- Co-ordination, convening and agenda-setting

Key Policy Priorities

- Mayor's 2020 Vision and the recommendations of London Finance Commission
- Economic diversification, especially linked to science, tech and HE base
- Next round of infrastructure – Crossrail 2, housing, cycling, airport capacity
- Expansion of CBD – Kings Cross, Battersea, Canary Wharf etc
- Links to Greater South East and the UK
- Economic opportunity: 250k apprenticeships target; 200k jobs from GLA investment; London Living Wage

Conclusion

- London specialises in globally competitive professional business services;
- It attracts businesses, in part, because of the agglomeration benefits they derive from being in London (close to similar and related businesses);
- This global competitiveness in service activities has led London to grow strongly over recent decades.
- London contributes more by way of taxation than it receives in public expenditure.
- Investment in London benefits the rest of the UK