The Economic Outlook for London

London weathering the storm

Key points

- The global financial crisis, which began to unfold in mid-2007, has hit London's economy hard. But the labour market has shown considerable resilience and London's performance relative to other UK regions has been respectable.
- While the worst of the recession has passed, significant challenges and risks remain. The threat of tougher financial regulation cannot be entirely dismissed, while the origins of the crisis make London vulnerable to stiffer competition from emerging financial centres. And government cut backs will have a significant adverse impact on the capital's public sector.
- However, London's enduring appeal thanks to its natural advantages in the form of language, legal system and time zone will stand it in good stead once global investment flows recover.

FORECAST SUMMARY

	2007	2008	2009	2010	2011	2012
London forecast						
GDP (basic prices, % / year)	3.7	3.0	-5.1	0.2	2.5	3.9
Employment (thousands)	4651.4	4730.7	4660.7	4570.2	4571.8	4638.6
Employment (% / year)	0.7	1.7	-1.5	-1.9	0.0	1.5
Unemployment rate (%)	3.0	2.8	4.5	5.5	5.7	5.1
Employment by borough (000's)						
City of London	326.6	331.3	319.4	308.9	310.0	316.5
Westminster	617.1	626.8	610.7	599.2	598.0	606.1
Tower Hamlets	218.5	223.8	220.3	215.5	217.1	222.0
Rest of London	3489.3	3548.7	3510.3	3446.6	3446.6	3493.9
Employment by borough (% / year)						
City of London	0.4	1.4	-3.6	-3.3	0.4	2.1
Westminster	1.4	1.6	-2.6	-1.9	-0.2	1.4
Tower Hamlets	2.6	2.5	-1.6	-2.2	0.8	2.3
Rest of London	0.5	1.7	-1.1	-1.8	0.0	1.4
GVA by borough (% / year)						
City of London	4.3	5.0	-6.1	-0.3	3.3	5.1
Westminster	4.0	2.6	-6.1	-0.2	2.0	3.6
Tower Hamlets	5.7	6.9	-3.6	0.9	4.0	5.7
Rest of London	3.3	2.3	-4.9	0.3	2.2	3.6

Introduction

The present recession, which had its origins in the global financial crisis that began to unfold in mid-2007, has hit London's economy hard. And in the face of ongoing financial sector constraints, a debt overhang and rising unemployment, a strong bounce in the immediate future – of the kind seen in the wake of the early 1990s recession – cannot be realistically expected.

Nevertheless, Oxford Economics' forecasts show the recovery in the capital gaining traction by 2011, with growth into the medium term matching the robust performance of the decade prior to the recession. We expect growth over the period 2011-2019 to outstrip that of the rest of the UK and of most comparable cities across the western world.

London labour market displays resilience in the face of strong headwinds…

Despite the severe shocks hitting the London economy, the labour market has shown a relatively high degree of resilience. The latest quarterly employment figures, which it must be remembered are volatile and often subject to considerable revision, show employment in London falling only slightly faster than the national average between March and June this year.

However, the credit crunch has had a sizeable impact on the financial services sector with the shakeout in financial and business services playing out largely in line with anecdotal evidence and job announcements. The turnaround has been abrupt; London achieved net financial services job creation of 4.3% in 2007 and 0.7% in 2008, but data for the year to mid-2009 showed employment falling by 3.8%, making financial services the worst performing sector after the capital's small manufacturing industry. Similarly, business services – a sector closely linked to financial services – saw employment fall by 3.3% over the year to June. It is only really the public sector, notably health (3.3%) and education (2.9%), which has continued to create jobs over the past year, while the modest growth in construction employment is likely to reflect activity related to the 2012 Olympics.

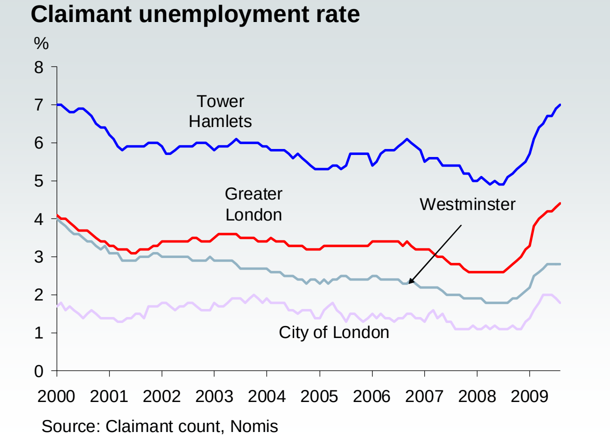
London's year on year employment growth by sector (%), 2006-09

	2006-07	2007-08	2008-09
Other production	7.6	18.6	-0.9
Manufacturing	-6.2	-1.7	-6.4
Construction	1.3	1.7	0.5
Retail & distribution	-1.3	0.8	-1.9
Hotels & restaurants	0.8	2.6	-2.5
Transport & communications	-0.5	0.8	0.0
Financial services	4.3	0.7	-3.8
Business services	3.4	2.6	-3.3
Public admin.	-4.7	-1.9	-0.1
Education	3.6	1.8	2.9
Health	-1.0	2.7	3.3
Other personal services	1.0	3.9	-1.7
Total	**0.7**	**1.7**	**-1.5**

Source: ABI, EMLR, Oxford Economics
Note: Other production includes agriculture, extraction and utilities

…with unemployment rising at slower pace than in other regions

In the year to September, claimant count unemployment rose by 86,500. While this is by no means an insignificant rise, the pace of unemployment increases has clearly started to ease and there are signs of stabilisation in the labour market. And over the course of the recession to date, the increase in London's claimant count unemployment rate has been no worse than the national average.



The ILO measure paints a better picture for London. While the claimant count measure includes only those who are claiming unemployment benefits, the ILO rate covers all of those who are out of work but available to work. This wider definition captures individuals who have lost their job but who either do not qualify for unemployment benefits or are not willing to claim. Given the concentration of high-income financial sector jobs in London one might expect the ILO rate to have moved much higher, yet in London it has risen more slowly than the UK average. It appears that the flexible and diverse labour force, as well as a significant public sector presence, has helped to prevent a more significant deterioration in the labour market.

London underperforming in the short term…

Despite the relative resilience of the labour market, London is likely to emerge more slowly from the recession than the rest of the UK. The London economy is heavily reliant on private services and our research suggests that this is driven by a combination of consumer spending and, in the case of the financial services sector in particular, services exports. Trade in services is, in turn, dependent upon world investment flows and, to a lesser extent, relative unit labour costs.

Although the worse of the pain appears to be over, with financial market volatility below pre-Lehmans levels and the FTSE Banks index bouncing back by 98% from its February low, it will take some time for investment flows to recover, particularly with credit conditions remaining constrained by the need for banks to recapitalise. Though some support will come from the persistent weakness of sterling, which will improve London's price competitiveness in terms of office rents and unit labour costs, it is likely that the near-term recovery in the key financial and business services sectors will be relatively sluggish. Our forecast shows output shrinking by 6.4% this year and 0.2% in 2010, with growth only resuming in 2011.

High levels of unemployment and the debt overhang will also prevent any significant take off in consumer spending. Hence with private services as a whole struggling to gain traction, London is likely to initially lag the national recovery. But, once global investment flows recover, London should accelerate strongly and our medium-term forecast shows London's GVA growing by an average of 3.7% a year between 2011 and 2019, compared with 2.9% for the UK

GVA growth
(% average growth)

	2008	2009	2010	2011-19
South East	1.2	-4.8	0.5	3.0
London	3.0	-5.1	0.2	3.7
East	0.2	-3.5	0.7	3.2
South West	1.2	-4.4	1.0	2.9
West Midlands	0.3	-5.4	1.3	2.7
East Midlands	-1.5	-4.2	1.2	2.7
Yorkshire & Humber	-0.3	-4.6	1.5	2.5
North West	0.2	-4.0	1.4	2.6
North East	-0.4	-4.3	1.1	2.4
Wales	-0.8	-4.7	1.4	2.4
Scotland	1.9	-4.2	0.8	2.5
Northern Ireland	0.8	-4.3	1.3	2.6
United Kingdom	0.9	-4.6	0.9	2.9

Source: Oxford Economics

as a whole.

Over the medium-term we expect the financial and business services sectors to return to the fore and become the main sources of job creation once again. In the run up to the London 2012 Olympic Games there should be strong employment growth in the construction sector but this is likely to fade.

London's year on year employment growth by sector (%), 2009-12

	2009-10	2010-11	2011-12
Other production	0.0	-0.6	-0.6
Manufacturing	-3.8	-2.5	-2.3
Construction	-7.3	1.9	4.8
Retail & distribution	-2.4	0.9	1.3
Hotels & restaurants	-0.3	1.3	2.8
Transport & communications	-1.3	0.5	1.2
Financial services	-5.2	0.3	2.0
Business services	-2.2	0.7	2.6
Public admin.	-1.4	-2.9	-0.8
Education	-0.7	-1.3	-0.4
Health	0.4	-0.5	0.0
Other personal services	0.0	-1.0	1.5
Total	**-1.9**	**0.0**	**1.5**

Source: Oxford Economics

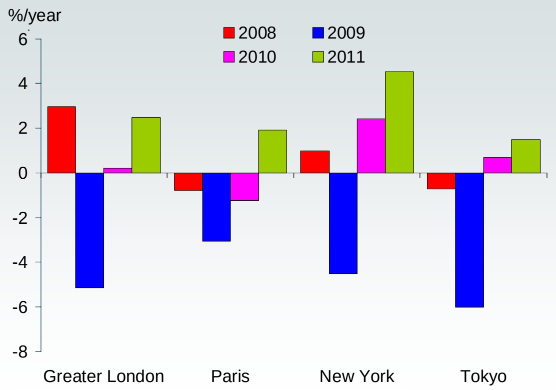
…and facing some challenges in the medium term…

Although we expect the London economy to recover strongly over the medium term, the scale of the financial meltdown, London's comparatively high dependency on the financial sector and the potential for competition from many cities around the world – including 'emerging giants' outside of the west – pose potential risks to the forecast.

In the wake of the financial instability there has been much talk that the government may impose burdensome regulatory or tax changes. Although the momentum had shifted against regulatory tightening of too radical a nature – and it is difficult to see the regulatory environment becoming tighter than in other EU locations – some threat still remains.

But even if regulation does not become too restrictive, London still faces stiff competition from other financial centres. London is not alone in being adversely affected by the nature of this recession, with New York, Tokyo and Paris also being heavily impacted. However, compared with other European centres, London is amongst the most badly affected due to greater exposure to the US sub-prime crisis and the UK's heavily indebted consumers, as well as a dependency on inter-bank markets.

GDP in global financial centres



Source : Oxford Economics

And given the western origins of the current crash, it is possible that some areas of the world will have less of an appetite for financial products provided by the Anglo-Saxon economies or that any new growth will go disproportionately to non-European, non-US locations.

A further risk factor for the London economy is the extent to which public spending is pared back in the coming years. There is no doubt that the public finances are in a dire state and the UK has already been warned by Standard & Poors that its credit rating is at risk if policy is not tightened more aggressively. Party conference season has confirmed that next spring's election will represent a break from the norm of pre-election giveaways and promises of tax cuts, with the major parties now campaigning on a platform of who represents the best party to implement the unavoidable tightening of fiscal policy. There appears to be a consensus that cuts in public spending will form the bulk of the tightening, which is logical given that the Treasury currently expect its share of the economy to rise to 48.1% by 2010/11, a level surpassed only in the mid-1970s. However, achieving the level of cost savings required will be no easy feat.

Though the Labour government has pursued a policy of gradual decentralisation over the past decade, the public sector remains particularly important to the capital. The next government is likely to try to protect the so called 'sacred cows' of health and education as far as possible, which points to further trimming down of the civil service and continued decentralisation. As such, we expect employment in public administration to fall in the coming years, with the outlook for health and education more stable with no continuation of the rapid growth of the past decade.

There is a concern that fiscal retrenchment will hit infrastructure investment. Already the government has reduced its commitments for long-term investment and it is vital that much-needed improvements, such as Crossrail, continue unimpeded if the UK is to maintain competitiveness. It is also important that any tax rises are enacted in such a way as to avoid damaging competitivess.

…but London will thrive once again with financial and business services at its heart

In spite of the challenges facing London's key financial and business services sectors, growth should return to a reasonable pace over the medium term. While the prospects for some wholesale banking activities are poor relative to the recent past, there is little reason why insurance should not continue to thrive. Retail banking, fund management and the 30-40% of business and professional services that are inextricably linked to financial activities (accountancy, tax consultancy and certain legal activities for example) also have the potential to remain important pillars of growth.

On this basis one of the major attractions to businesses of all kinds, namely the 'cluster' of financial and related services with its associated pool of capital and talent, would remain firmly in place. Other attractive aspects of London's economy – a comparatively business-friendly and flexible regulatory environment, a moderate business tax burden, the English language, trusted English legal system, and time zone for example – will also endure and offset any reputational damage from the credit crunch. Indeed, a ranking compiled by the World Economic Forum places the UK at the top of a list of 55 financially-focussed countries, with the rankings based on more than 120 different variables aimed at assessing the size and breadth of capital markets, institutional environments and financial stability.

Indeed, London should continue to thrive over the medium term even if the recent downward pressures on sterling went into reverse – a strong pound did not appear to hinder London in the few years prior to the downturn.

The key lesson of the past is that London has been through deep and/or prolonged recessions before – in the 1970s, 1980s and 1990s – but has bounced back robustly on each occasion. Just as now, London's economy was affected more adversely than elsewhere in the UK in those recessions, but subsequently bounced back and went on to sustain robust growth. This gives us confidence in our forecast that London's economy will return to economic buoyancy once the current struggles have been overcome.

Housing market upturn will be short-lived…

The UK as a whole has seen house prices stage somewhat of a recovery in recent months since hitting a low point in the spring. London has been at the forefront of the pickup with data from the major lenders and the Department for Communities and Local Government (DCLG) showing a firm bounce in prices in 2009Q3. As elsewhere, the recent upward movement is largely a reflection of severe supply shortages rather than any significant improvement in demand. But as the housing bubble expanded in 2007, London's house price-to-income ratio did not exceed its long run average to the same extent as in other regions, so a smaller correction was required, which is likely to explain why London has led the recent upturn.

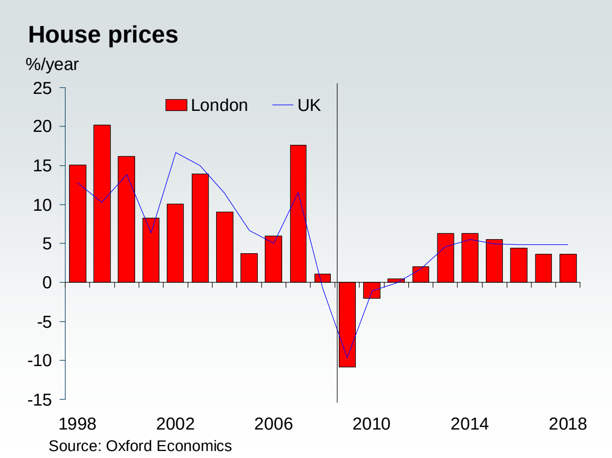
Quarterly house price growth

	DCLG	Halifax	Nationwide
£			
2007 Q1	311200	298500	281000
2007 Q2	324800	314600	292400
2007 Q3	341600	322800	302500
2007 Q4	339200	301800	303700
2008 Q1	342400	304800	296800
2008 Q2	341600	288400	285600
2008 Q3	329400	267600	274100
2008 Q4	312400	251600	258000
2009 Q1	292000	241000	242700
2009 Q2	289900	237300	256500
% change			
2007 Q1	-	-	-
2007 Q2	4.4	5.4	4.1
2007 Q3	5.2	2.6	3.5
2007 Q4	-0.7	-6.5	0.4
2008 Q1	0.9	1.0	-2.3
2008 Q2	-0.2	-5.4	-3.8
2008 Q3	-3.6	-7.2	-4.0
2008 Q4	-5.2	-6.0	-5.9
2009 Q1	-6.5	-4.2	-5.9
2009 Q2	-0.7	-1.5	5.7

Source: DCLG, Halifax, Nationwide

That said even in London the upturn appears to be built on shaky foundations. It is mostly being driven by transactions involving cash-rich buyers at the high end of the market. With prices still down around 15% from their end-2007 peak, potential sellers have been holding off putting their properties on the market for fear of locking in losses, while unattractive mortgage deals and high loan-to-value ratios have also discouraged owners from trading up. Over the longer term there is a clear link between transactions and prices and, with high levels of unemployment and the slow thaw of credit availability likely to limit demand, the recent upturn will swiftly peter out. Our forecast shows little movement in London house prices over the coming 2-3 years.

However, as the banks recapitalise and lending flows are restored, the London housing market is expected to outperform the UK average over the medium term, as supply shortages and rapid population growth exert upward pressure on prices. The support from demographics will come from a combination of natural population growth and migration flows. London has traditionally seen a net inflow of international immigrants, set against a net outflow domestically, including workers moving to neighbouring areas when starting families, or potentially further afield when retiring. Lower levels of inward international migration are expected over the next few years, with poorer job opportunities a legacy of the recession. However, in the longer run, the capital is likely to remain an attractive destination for younger, highly educated people from overseas, thus ensuring that migrants continue to flow inwards.



…but commercial property will see a very gradual recovery

The past twelve months has been a tenants' market in commercial property, with landlords forced into offering generous incentive packages and periods of rent-free letting. However, with the third quarter of 2009 behind us, reports show that demand for prime London offices are on the up, albeit from a very low base, and property agents have warned that increased demand will cause rents to stabilise.

Though rents remains weak, foreign investors have continued to do deals. The Libyan Investment Authority paid £155mn for Portman House in the West End in July, while Blackstone, the American private equity group, bought a 50% stake in British Land's Broadgate development for just over £1bn. However, with office employment continuing to fall, demand for office space remains subdued. Indeed, research from property agency BNP Paribas Real Estate (BNPRE), formerly Atisreal, warns that any recovery in capital values of commercial properties will be hindered by weak occupier demand.

Yet with rents having fallen significantly in relation to other global cities, and the pound having depreciated by 20% over the past two years, London's commercial property has become more attractive to foreign companies looking to relocate. Indeed, London has also become more competitive vis-à-vis the rest of the UK. There are signs that this is beginning to have an effect, with research from property consultants Cushman and Wakefield suggesting that take up of new office space across the main West End, City and Docklands markets has risen sharply in Q3.

As the economy gradually recovers, demand for office space will pickup. And with the recession having seriously constrained the building of new office space there will be no great increase in supply over the next couple of years. Hence, vacancy levels are likely to drift down as demand recovers and we expect prime office rents to increase from mid-2010, as the balance of power gradually moves back towards developers and landlords.

Focus on City of London

The City of London is the UK's primary financial hub and financial services accounted for more than 40% of jobs in the area in 2008. There was a steady fall in employment between 2000 and 2008, which partly reflects the movement of a number of large firms out of the City and into nearby Canary Wharf in Tower Hamlets. The pace of financial services job losses is expected to accelerate sharply this year and next, with a knock-on effect into related parts of business services.

The dominance of these sectors means that City of London employment is forecast to decline by 3.6% this year and a further 3.4% in 2010. Over the longer term we expect employment growth to recover, underpinned by the renaissance of financial and business services.

Change in employees in financial & business services in City of London

	2000-2008	2008-2010
651: Monetary intermediation	-21664	-6791
652: Other financial intermediation	-3686	-1654
660: Insurance & pension	-2100	-1668
671: Activities auxiliary to financial intermediatior	5109	-2259
672: Activities auxiliary to insurance & pension fu	-787	-2217
Financial services total	**-23127**	**-14591**
701: Real estate activities with own property	-495	-101
702: Letting of own property	-2073	19
703: Real estate activities on a fee or contract ba	415	-151
722: Software consultancy & supply	1568	-496
723: Data processing	392	-55
726: Other computer related activities	-250	-122
741: Legal, accounting, etc	13395	-4033
742: Architectural & engineering	796	-304
744: Advertising	-409	-73
745: Labour recruitment	-6207	-1858
746: Investigation & security activities	272	-73
747: Industrial cleaning	305	-168
748: Other business activities	718	-621
Other business nec	622	-265
Business services total	**9047**	**-8301**

Source: ABI/Oxford Economics

Focus on Westminster

In contrast to both Tower Hamlets and the City, Westminster's economy is less reliant on financial services, which accounted for just 5% of jobs in the borough in 2008 compared to 42% in the City and 33% in Tower Hamlets. However, this does not mean it is insulated from the effects of the recession, with business services being the predominant employer. Between 2005 and 2008, total employment grew continuously in Westminster however it is now forecast to fall for the next three years.

With its large public sector – in 2008 8% of jobs were in public administration – Westminster is particularly vulnerable to fiscal retrenchment and the ongoing move towards decentralisation of the civil service.

Change in employees in financial & business services in Westminster

	2000-2008	2008-2010
651: Monetary intermediation	-4474	-1340
652: Other financial intermediation	705	-612
660: Insurance & pension	-1961	-127
671: Activities auxiliary to financial intermediation	2422	-1366
672: Activities auxiliary to insurance & pension fur	163	-185
Financial services total	**-3144**	**-3631**
701: Real estate activities with own property	-2883	-1023
702: Letting of own property	-1251	-644
703: Real estate activities on a fee or contract bas	4862	-498
722: Software consultancy & supply	1287	-729
723: Data processing	835	65
726: Other computer related activities	-2720	-208
741: Legal, accounting, etc	9407	-4811
742: Architectural & engineering	-1643	-1479
744: Advertising	-2675	-1046
745: Labour recruitment	-1813	-2768
746: Investigation & security activities	438	-144
747: Industrial cleaning	2538	-547
748: Other business activities	875	-1850
Other business nec	820	-469
Business services total	**8077**	**-16151**

Source: ABI/Oxford Economics

Focus on Tower Hamlets

Tower Hamlets is another part of the capital that relies heavily on the financial services sector. In recent years it has benefited from the construction of Canary Wharf as a modern and high-profile global financial centre, attracting firms from the City of London and generating a 48% increase in employment between 2000 and 2008.

The shakeout from the credit crunch is expected to result in significant falls in financial and business services jobs, with employment set to keep falling until 2011.

The recovery phase will receive a short-term boost from activities associated with the 2012 Olympics, which should provide particular support for the construction and distribution sectors. Subsequently financial and business services dominate, with borough employment growth expected to average 2.1% between 2011 and 2016.

Change in employees in financial & business services in Tower Hamlets

	2000-2008	2008-2010
651: Monetary intermediation	19931	-1683
652: Other financial intermediation	13204	-1264
660: Insurance & pension	-704	-78
671: Activities auxiliary to financial intermediation	12607	-1591
672: Activities auxiliary to insurance & pension fur	-1406	-803
Financial services total	**43632**	**-5420**
701: Real estate activities with own property	-38	-128
702: Letting of own property	428	-66
703: Real estate activities on a fee or contract bas	68	-118
722: Software consultancy & supply	1762	-97
723: Data processing	292	-14
726: Other computer related activities	111	-126
741: Legal, accounting, etc	7449	-442
742: Architectural & engineering	264	-148
744: Advertising	464	-54
745: Labour recruitment	288	-322
746: Investigation & security activities	-883	-219
747: Industrial cleaning	2199	-344
748: Other business activities	2234	-310
Other business nec	64	-69
Business services total	**14702**	**-2457**

Source: ABI/Oxford Economics

CITY OF LONDON FORECASTS	2007	2008	2009	2010	2011	2012	2016
Employment (000s)							
Primary	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacturing	4.0	3.8	3.6	3.4	3.3	3.2	2.9
Construction	1.8	1.9	1.9	1.7	1.8	1.9	2.1
Wholesale distribution	4.0	4.1	4.0	4.0	4.0	4.1	4.3
Retail distribution	6.0	6.1	6.1	6.0	6.2	6.3	6.9
Hotels & catering	14.5	14.8	14.4	14.4	14.6	15.0	15.8
Transport & communications	10.0	10.1	10.0	9.8	9.8	9.9	10.1
Financial services	139.4	139.9	133.8	126.5	126.5	128.8	139.1
Business services	124.6	128.1	123.1	120.6	121.6	125.0	144.7
Public admin.	5.5	5.2	5.2	5.0	4.8	4.8	4.7
Health & education	7.2	7.2	7.4	7.4	7.4	7.3	7.7
Other services	9.5	10.0	9.8	9.9	9.9	10.1	10.7
Total employment	**326.6**	**331.3**	**319.4**	**308.9**	**310.0**	**316.5**	**349.0**
Output							
GVA (£2003, bn)	30.4	31.9	29.9	29.8	30.8	32.4	40.0
Property							
Office stock (mft^2)	82.2	84.4	86.4	87.8	87.9	90.1	97.0
Space per worker (ft^2)	298.4	296.7	295.9	301.3	296.0	295.0	306.9
Office rents (£/ft^2)	63.1	55.9	41.0	30.9	28.3	30.4	39.2
Vacancy rate (%)	4.2	5.8	12.1	15.2	16.4	16.9	10.2
							Average Growth Rate
Employment (%)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2011 - 2016**
Primary	-7.3	29.7	-0.6	-1.4	-2.2	-2.4	-2.3
Manufacturing	1.1	-3.1	-7.0	-4.1	-3.0	-2.8	-2.9
Construction	73.1	1.9	1.0	-7.3	1.8	4.8	3.0
Wholesale distribution	-18.2	1.5	-1.1	-1.7	1.7	2.1	1.6
Retail distribution	-16.4	2.3	-0.4	-0.9	2.4	2.7	2.2
Hotels & catering	1.2	2.5	-2.6	-0.3	1.3	2.8	1.6
Transport & communications	-0.1	0.4	-1.2	-1.5	0.3	1.0	0.5
Financial services	3.4	0.4	-4.4	-5.4	0.0	1.8	1.6
Business services	-2.0	2.8	-3.9	-2.1	0.8	2.8	3.1
Public admin.	-3.6	-5.0	-1.2	-2.4	-3.8	-1.8	-1.3
Health & education	-7.6	0.0	2.6	0.0	-0.8	-0.1	0.6
Other services	11.7	4.7	-1.3	0.7	-0.4	2.2	1.4
Total employment	**0.4**	**1.4**	**-3.6**	**-3.3**	**0.4**	**2.1**	**2.1**
Output							
GVA	4.3	5.0	-6.1	-0.3	3.3	5.1	5.0
Property							
Office stock	-3.4	2.6	2.4	1.5	0.1	2.5	1.7
Space per worker	-0.6	-0.6	-0.3	1.8	-1.7	-0.4	0.3
Prime office rents	16.6	-11.4	-26.6	-24.7	-8.5	7.4	4.0

WESTMINSTER FORECASTS

	2007	2008	2009	2010	2011	2012	2016
Employment (000s)							
Primary	2.4	3.1	3.2	3.1	3.1	3.0	2.8
Manufacturing	15.7	15.2	14.0	13.4	13.0	12.6	11.1
Construction	5.7	5.7	5.8	5.3	5.4	5.6	6.1
Wholesale distribution	18.2	18.1	17.6	17.1	17.1	17.2	17.2
Retail distribution	63.3	64.0	63.2	61.9	62.8	63.9	66.7
Hotels & catering	71.4	73.3	71.4	71.3	72.2	74.3	78.5
Transport & communications	30.1	30.2	29.9	29.5	29.6	30.0	30.7
Financial services	32.6	32.6	31.0	29.2	29.0	29.4	31.2
Business services	205.2	209.3	199.7	194.2	194.3	198.3	222.8
Public admin.	52.1	51.0	51.0	50.3	48.9	48.5	49.3
Health & education	53.1	54.2	55.6	55.7	55.3	55.2	57.4
Other services	67.4	69.9	68.3	68.1	67.3	68.1	69.9
Total employment	**617.1**	**626.8**	**610.7**	**599.2**	**598.0**	**606.1**	**643.6**
Output							
GVA (£2003, bn)	36.3	37.2	34.9	34.9	35.6	36.8	43.1
Property							
Office stock (mft^2)	72.9	74.1	74.8	75.0	75.7	75.8	80.0
Space per worker (ft^2)	294.5	291.7	301.2	316.0	323.9	322.5	306.5
Office rents (£/ft^2)	105.0	86.7	70.0	64.5	62.5	67.2	75.0
Vacancy rate (%)	3.9	4.7	7.1	5.9	4.4	3.1	2.7

Employment (%)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Average Growth Rate 2011 - 2016**
Primary	-2.1	31.4	0.7	-1.0	-1.7	-1.9	-1.9
Manufacturing	-7.3	-3.3	-7.7	-4.2	-3.2	-2.9	-3.1
Construction	-10.7	1.3	0.5	-7.9	1.2	4.1	2.3
Wholesale distribution	3.5	-0.2	-2.7	-3.2	0.1	0.6	0.1
Retail distribution	5.1	1.2	-1.4	-1.9	1.4	1.8	1.2
Hotels & catering	0.0	2.6	-2.5	-0.2	1.4	2.9	1.6
Transport & communications	6.7	0.5	-1.1	-1.3	0.5	1.2	0.7
Financial services	5.0	-0.1	-4.9	-5.9	-0.5	1.3	1.1
Business services	3.8	2.0	-4.6	-2.8	0.1	2.0	2.3
Public admin.	-7.3	-2.1	0.0	-1.3	-2.8	-0.8	-0.3
Health & education	1.6	2.0	2.7	0.1	-0.8	-0.1	0.5
Other services	-0.9	3.7	-2.3	-0.2	-1.3	1.2	0.4
Total employment	**1.4**	**1.6**	**-2.6**	**-1.9**	**-0.2**	**1.4**	**1.2**
Output							
GVA	4.0	2.6	-6.1	-0.2	2.0	3.6	3.6
Property							
Office stock	1.8	1.6	0.9	0.3	0.9	0.2	1.1
Space per worker	-0.5	-0.9	3.2	4.9	2.5	-0.4	-0.5
Prime office rents	30.1	-17.4	-19.3	-7.9	-3.1	7.5	2.5

TOWER HAMLETS FORECASTS

	2007	2008	2009	2010	2011	2012	2016
Employment (000s)							
Primary	1.9	2.5	2.5	2.5	2.4	2.4	2.2
Manufacturing	13.2	12.7	11.7	11.2	10.8	10.5	9.1
Construction	7.9	8.1	8.2	7.6	7.8	8.3	9.4
Wholesale distribution	7.4	7.3	7.0	6.7	6.7	6.6	6.3
Retail distribution	6.4	6.6	6.5	6.5	6.6	6.8	7.4
Hotels & catering	9.6	9.8	9.6	9.6	9.8	10.1	10.7
Transport & communications	9.1	9.2	9.1	9.0	9.0	9.1	9.2
Financial services	73.8	75.5	73.7	70.9	72.1	74.6	85.5
Business services	44.1	45.6	44.3	43.6	44.2	45.6	53.9
Public admin.	7.4	7.3	7.4	7.3	7.1	7.1	7.4
Health & education	26.6	27.6	28.6	28.8	28.8	29.0	30.9
Other services	11.3	11.8	11.7	11.8	11.8	12.0	12.9
Total employment	**218.5**	**223.8**	**220.3**	**215.5**	**217.1**	**222.0**	**245.1**
Output							
GVA (£2003, bn)	15.8	16.9	16.3	16.4	17.1	18.0	22.6
Property							
Office stock (mft^2)	23.2	23.7	24.2	24.3	24.5	24.8	28.1
Space per worker (ft^2)	184.7	180.2	176.0	176.2	171.7	167.3	176.7
Office rents (£/ft^2)	42.7	35.3	28.5	26.3	25.5	27.4	31.2
Vacancy rate (%)	6.2	7.8	14.1	17.2	18.4	18.9	12.2

Employment (%)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Average Growth Rate 2011 - 2016**
Primary	8.5	32.7	1.0	-0.7	-1.5	-1.7	-1.6
Manufacturing	-8.8	-3.8	-7.9	-4.4	-3.4	-3.2	-3.3
Construction	10.2	2.4	1.4	-6.7	2.5	5.4	3.6
Wholesale distribution	-4.3	-1.1	-3.6	-4.2	-0.9	-0.5	-1.0
Retail distribution	-0.7	2.5	-0.2	-0.9	2.4	2.8	2.2
Hotels & catering	3.5	2.8	-2.3	0.0	1.6	3.1	1.8
Transport & communications	0.9	0.6	-0.6	-1.5	0.3	1.0	0.5
Financial services	4.1	2.3	-2.3	-3.8	1.7	3.4	3.2
Business services	7.5	3.4	-2.9	-1.5	1.4	3.3	3.6
Public admin.	9.2	-0.5	0.6	-0.7	-2.2	-0.2	0.3
Health & education	-3.8	3.7	3.6	0.7	-0.1	0.5	1.1
Other services	2.7	4.8	-1.0	0.9	-0.2	2.3	1.5
Total employment	**2.6**	**2.5**	**-1.6**	**-2.2**	**0.8**	**2.3**	**2.2**
Output							
GVA	5.7	6.9	-3.6	0.9	4.0	5.7	5.5
Property							
Office stock	3.1	2.0	2.1	0.8	0.5	1.3	2.4
Space per worker	0.0	-2.4	-2.3	0.1	-2.5	-2.6	0.1
Prime office rents	16.6	-17.4	-19.3	-7.9	-3.1	7.5	2.9

GREATER LONDON FORECASTS

	2007	2008	2009	2010	2011	2012	2016
Employment (000s)							
Primary	14.9	17.6	17.5	17.5	17.4	17.3	16.9
Manufacturing	223.7	219.8	205.8	197.9	192.9	188.4	169.5
Construction	220.2	223.9	225.1	208.8	212.7	223.0	249.4
Wholesale distribution	212.6	221.0	218.3	211.6	211.5	214.0	221.8
Retail distribution	395.3	391.7	382.9	375.1	380.5	385.5	393.0
Hotels & catering	307.5	315.4	307.6	306.8	310.7	319.4	336.6
Transport & communications	338.9	341.8	341.9	337.3	338.9	343.0	350.6
Financial services	341.8	344.3	331.0	313.8	314.6	320.8	349.4
Business services	1233.7	1266.2	1224.5	1197.8	1206.0	1237.9	1426.0
Public admin.	221.7	217.5	217.2	214.1	207.9	206.1	209.6
Health & education	736.9	754.0	777.4	777.0	770.3	769.0	800.7
Other services	394.0	409.2	402.3	402.5	398.2	404.1	418.9
Total employment	**4647.9**	**4728.0**	**4657.1**	**4565.4**	**4567.0**	**4633.8**	**4947.9**
Population	7556.9	7619.8	7663.7	7699.6	7735.9	7793.2	8064.5
GVA (£2005, bn)	238.7	245.8	233.2	233.7	239.5	248.9	188.8

Employment (%)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Average Growth Rate 2011 - 2016**
Primary	7.6	18.5	-0.8	-0.1	-0.5	-0.6	-0.5
Manufacturing	-6.2	-1.7	-6.4	-3.8	-2.5	-2.3	-2.5
Construction	1.3	1.7	0.5	-7.3	1.9	4.8	3.0
Wholesale distribution	-1.7	3.9	-1.2	-3.1	0.0	1.2	0.8
Retail distribution	-1.1	-0.9	-2.2	-2.0	1.4	1.3	0.8
Hotels & catering	0.8	2.6	-2.5	-0.3	1.3	2.8	1.6
Transport & communications	-0.5	0.8	0.0	-1.3	0.5	1.2	0.6
Financial services	4.3	0.7	-3.8	-5.2	0.3	2.0	1.8
Business services	3.4	2.6	-3.3	-2.2	0.7	2.6	3.0
Public admin.	-4.7	-1.9	-0.1	-1.4	-2.9	-0.8	-0.3
Health & education	0.9	2.3	3.1	-0.1	-0.9	-0.2	0.5
Other services	1.0	3.9	-1.7	0.0	-1.0	1.5	0.7
Total employment	**0.8**	**1.7**	**-1.5**	**-2.0**	**0.0**	**1.5**	**1.4**
Population	0.6	0.8	0.6	0.5	0.5	0.7	0.8
GVA (£2005, bn)	3.7	3.0	-5.1	0.2	2.5	3.9	3.9