GLAECONOMICS

London's Economy Today

Issue 188 | April 2018

IMF slightly upgrades UK growth forecasts, though these remain weaker than most other advanced economies

By **Eduardo Orellana**, Economist, and **Mark Wingham**, Economist

The IMF upgraded in April its forecasts for UK GDP for this year from 1.5% to 1.6%, although this is still a slowdown compared to the 1.7% rate of output growth achieved last year.

The stronger outlook for the British economy this year was mainly due to a strengthening of the world economy whose annual GDP growth forecast has been revised up to 3.9% for both this year and the next. Within the advanced economies, the US is expected to grow by 2.9% in 2018, Germany by 2.5%, and France by 2.1%. Except for Japan, medium-term forecasts are more optimistic for the major advanced economies than for the UK (see Figure 1). The IMF forecast for the UK for the year 2019 remains unchanged at 1.5%, with weak business investment due to "heightened uncertainty about post-Brexit arrangements" highlighted as the key reason for slowing growth. In line with this argument, an independent analysis made for The Society of Motor Manufacturers and Traders (SMMT) on the UK automotive sector in March 2018 found that investments in this industry have halved over the last two years. It went on to predict that British car production could fall by 8% in the next five years if carmakers do not invest in their manufacturing processes to adapt to the new environment after Brexit. In more global risks the IMF also warned about the threat of trade wars for the world economy, with obvious knock-on consequences for the UK.

Also in this issue

Datastore

The main economic indicators for London are available to download from the London Datastore.

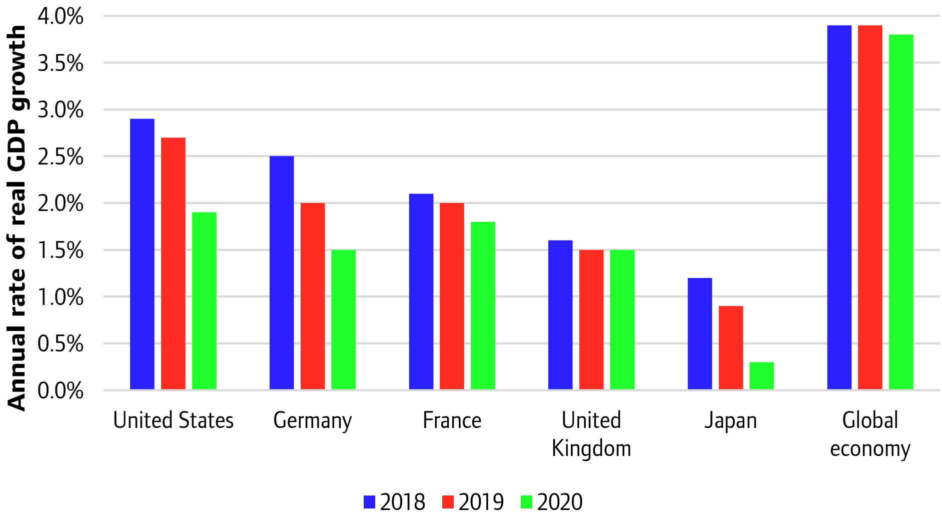


Figure 1: Real GDP growth forecasts for selected countries

Source: IMF

The IMF forecast compares similarly to the latest HM Treasury Summary of Independent forecasters which revised up slightly the GDP growth forecast for the UK economy from 1.5% to 1.6% for 2018 and kept unchanged the forecast for 2019 at 1.5%.

Although it seems that the uncertainty generated by the Brexit process and the potential for trade wars are considered as the main risks for the UK economy at present, other major forecasters take a different view from IMF and HM Treasury on UK growth over the next few years These differences can be observed in Table 1 where the latest UK GDP growth forecasts for the years 2018 and 2019 from some of the major forecasters are presented. To put these numbers in perspective, in 2017 UK real GDP growth registered its lowest rate in five years (1.7%). This means that only the Bank of England expects an inflection point towards stronger growth in the short term.

Institution	2017	2018	2019	2020	2021
IMF	1.7%	1.6%	1.5%	1.5%	1.6%
HM Treasury	1.7%	1.6%	1.5%	-	-
OECD	1.7%	1.2%	1.1%	-	-
BoE	1.7%	1.7%	1.8%	1.7%	1.7%
OBR	1.7%	1.5%	1.3%	1.3%	1.4%
EC	1.7%	1.4%	1.1%	-	-

Table 1: Forecasts for real UK GDP growth

Source: IMF, HM Treasury, OECD, BoE, OBR and European Commission

Prospect for further UK interest rate rises

Alongside the UK forecasts which are generally pointing to a marginally stronger economy, there has been increasing speculation of an interest rate rise by the Bank of England. Minutes from the March Monetary Policy Committee meeting showed that two members voted for an increase in interest rates (though ultimately the rate was left unchanged); something that the financial markets interpreted as increasing the likelihood of a rate rise in May or June. However, the exact timing of an interest rate rise is uncertain with the Bank's Governor, Mark Carney, highlighting the "mixed data" on the UK economy and not wanting to get "too focussed on the precise timing"; it being "more about the general path". However, other committee members at the Bank are reportedly privately considering being more forthcoming about their future plans for interest rates – an approach that would be similar to the one adopted by the US Federal Reserve. Despite this uncertainty most commentators agree that the one bit of certainty regarding interest rates is that there will be a few increases over the next few years. For example, the EY Item Club predicts that there will be two interest rate rises in 2018 and a further two increases in 2019.

As the Governor pointed out, the decision to raise interest rates will partly depend on the data for the UK economy. Consumer Price Index (CPI) inflation eased back from its recent highs to 2.5% in March – a one-year low – though it still remains above the Bank's target of 2%. So, while an above target inflation rate may suggest an increase in interest rates, the recent downward trend could mean inflation would fall to target without the need for any changes. Regarding the real economy, the Agents' summary of business conditions report for Q1 2018 published by the Bank of England in March 2018 showed that the continued squeeze on household incomes had a continuing negative effect on retail sales values during the first quarter of 2018, reflecting weaker consumer spending growth compared to the same quarter last year. Overall growth in corporate credit demand remained subdued due to persistent economic uncertainty. Consumer goods price inflation remained elevated as well, both of which suggest that consumer spending will remain subdued in the short term. However, there were some signs of improvement during the last three months. As the Bank explains, "robust growth in goods exports had tightened capacity and, together with improving profit margins, strengthened investment intentions in manufacturing slightly". However, as overall investment intentions were modest some caution must remain.

The UK's labour market continues to perform strongly.

The UK's employment rate in the three months to February was the highest since data collection began in 1971 and the unemployment rate was the lowest since 1975. It also came alongside news that labour productivity – as measured by output per hour – increased for the second time in a row, rising 0.7% quarter-on-quarter in Q4 2017. That said, while this headline quarterly rate of productivity growth was slightly higher than the average seen since the financial crisis, it remains much lower than the pre-crisis average. Overall, the ONS estimated that productivity is approximately 16.4% below what it would have been if it had followed its pre-downturn trend.

The flip-side of this is that these data suggest a 'tightening' of the labour market which is potentially linked to signs that real pay growth is improving. Average regular pay after accounting for inflation increased marginally by 0.2% in the three months to February 2018. This was the first increase in real earnings for a year and could lead to future inflationary pressures. However, it is perhaps too early to say for certain that real earnings growth is back and this comes alongside new research by the Resolution Foundation that indicated average annual real earnings were still £800 lower than 10 years ago.

Sterling sees some improvement as Brexit negotiations continue

Speculation of an UK interest rate rise soon has been a factor behind an appreciation of sterling in the middle of April, though this gain has dissipated somewhat since then. Still at one point, the sterling to US dollar exchange rate was above $1.43 – its highest level since the Brexit referendum result.

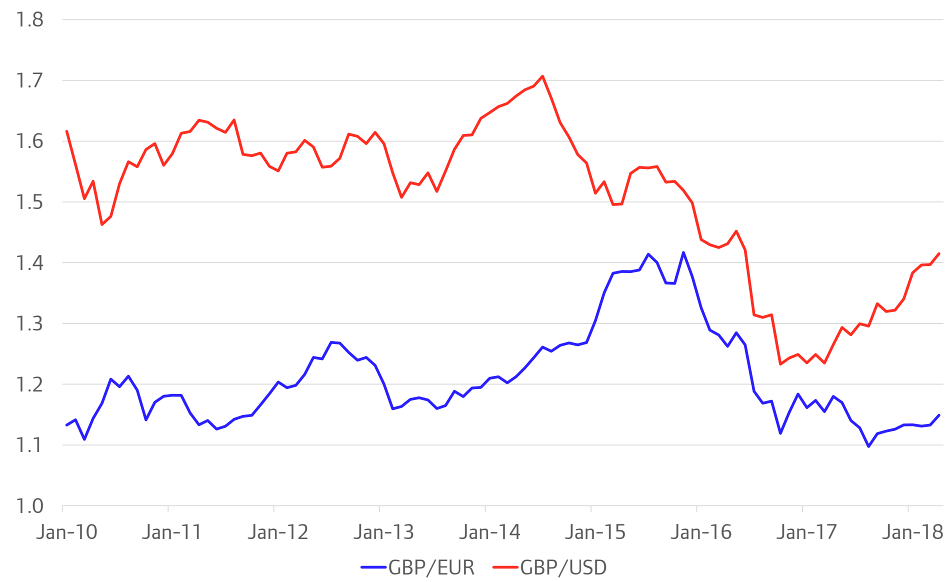


Figure 2: GBP/USD and GBP/EUR exchange rates

Source: Bank of England

Another proposed factor behind sterling's gains is the recent progress in the Brexit negotiations. Talks between the UK and European Commission restarted this month with a focus on finalising the details regarding the transition deal and continuing discussions about the future trade deal and the Irish border. Still while the negotiations continue, a new report by the Migration Advisory Committee (MAC) reported that UK firms are concerned about their ability to recruit EU workers. While the MAC acknowledges that this could be offset by attracting UK workers instead, they conclude that lower migration in the UK will "very likely lead to lower growth".

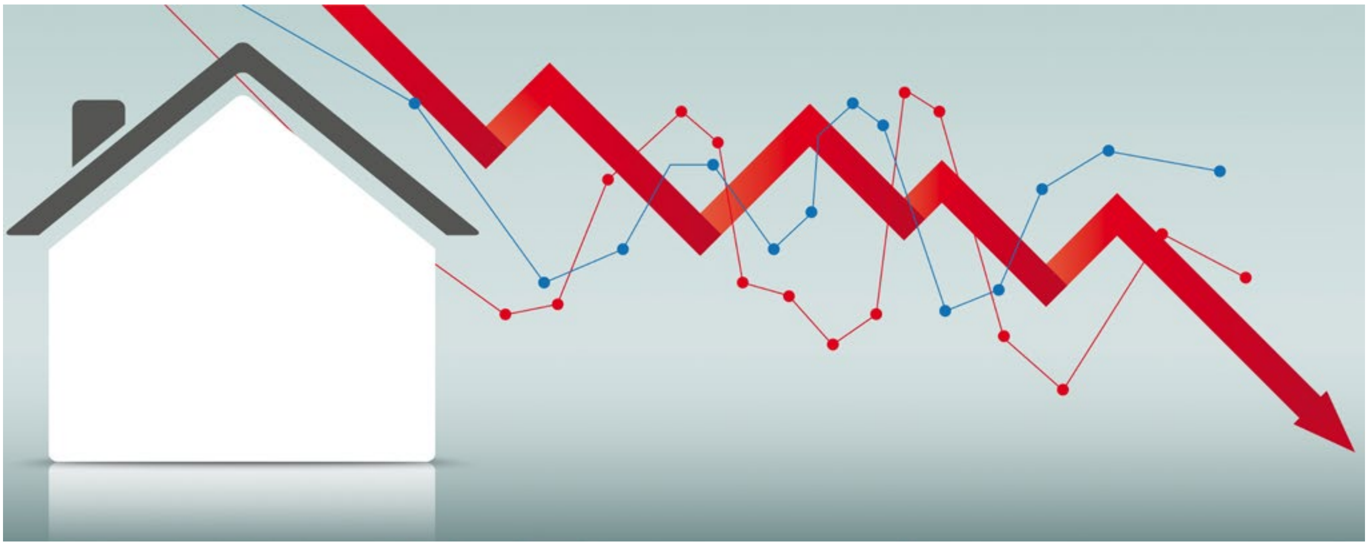
Meanwhile, a survey of firms by the CBI identified that the majority of respondents wanted the UK to remain regulatorily close to the EU after Brexit. That is partly because firms think that a change in regulations could result in more costs than benefits, though the impact would be sector-dependent with industries like agriculture, tourism and shipping potentially benefiting more.

The impact of Brexit will, however, also depend on several other factors like the trade deals that the UK agrees to. Focussing on global trade, at the end of March, the International Trade Secretary, Liam Fox, said that he hoped to have 40 trade deals with 70 countries in place by the end of the Brexit transition period in 2020. The majority of these would be extensions to existing trade deals that the EU has with other countries, though Dr Fox also announced that talks have already begun with Australia, New Zealand and the US.

While the UK is looking outwards, global trade could be impacted by the rising trade tensions between the US and China. The US imposed a 25% tariff on 1,300 Chinese products targeting its tech and steel industries among others. China has responded by imposing its own 25% tariff on US products such as food, aircrafts and cars. Overall, the tariffs are expected to impact around $50bn of Chinese goods and $50bn of US goods. While both sides have said that they do not want a trade war with each other, the World Trade Organisation (WTO) highlighted the importance of thriving global trade to support the world economy. However, the WTO said that "restrictive trade policies, especially in a tit-for-tat process that could lead to an unmanageable escalation" could quickly undermine economic growth. Still, the WTO expects global trade to grow 4.4% in 2018 – above the post-crisis average of 4% but below the 1990s average of 4.8% - before slowing to 4% in 2019 with the risks however on the downside.

Meanwhile, China's economy grew 6.8% year-on-year in Q1 2018. That was broadly in line with the average annual rate of growth for 2017 of 6.9%. Growth was supported by the fastest increase in private sector investment for over two years, while investment by state-owned companies increased at the weakest pace since data collection began amid government policies to reorient the economy. However, there are early signs of a slowdown in China's economy with, for instance, factory output growth falling to a seven-month low in March.

Sharpest fall in annual house prices in London since the start of 2011



London's house prices fell 3.8% year-on-year in the first quarter of 2018 according to data from the Halifax House Price Index. House prices have been falling in the capital since the third quarter of 2017 on this index, though this was the steepest decline since the start of 2011.

Overall, the Halifax estimated that the standardised price of a home in London was £430,749 in the first quarter of 2018, the lowest since the end of 2015. By contrast, prices grew elsewhere in the country for the same period, giving a 2.8% average annual increase for the whole UK. In similar news, the Royal Institution of Chartered Surveyors (RICS) published recently that demand from house buyers in London fell for the 12th month in a row in March 2018, with 25% of surveyed respondents seeing demand fall away. Commenting on this Simon Rubinsohn, chief economist at RICS said, "The latest RICS results provide little encouragement that the drop in housing market activity is likely to be reversed anytime soon, especially in London and the South East of England".

Official house price statistics published by the ONS in April 2018 corroborate the downward trend of London's housing prices and highlight the recent contractions. On this measure London property prices fell 1% on the year in February 2018, being the largest drop in more than eight years and the latest sign of this weakness in the capital's housing market. "London prices have shown a general slowdown in their annual growth rate since mid-2016" says the ONS and a change of this trend in the short term seems unlikely. London house prices growth and house prices expectations are presented in Figure 3. More data related to housing prices in London can be found further down in this document, in the 'Economic Indicators' section.

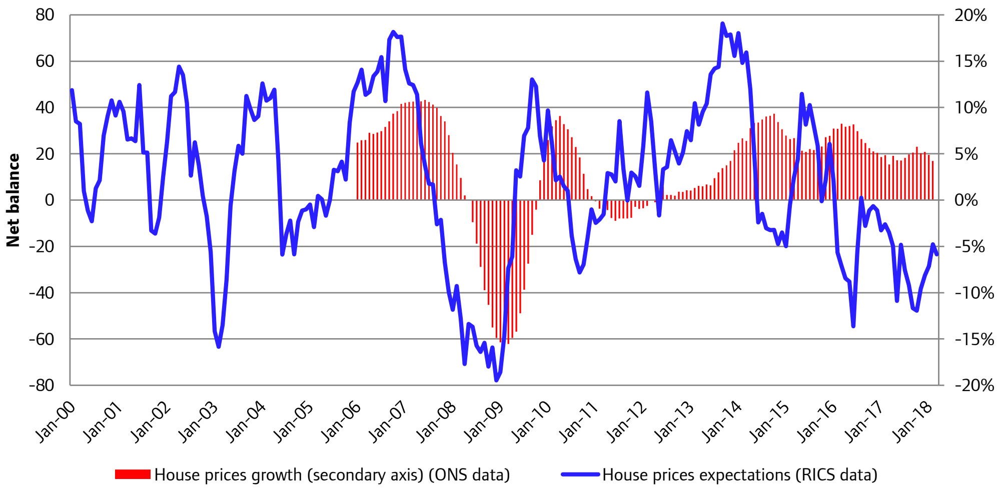


Figure 3: London annual percentage change in average house prices and London house prices expectations net balance, seasonally adjusted

Source: ONS and RICS Residential Market Survey

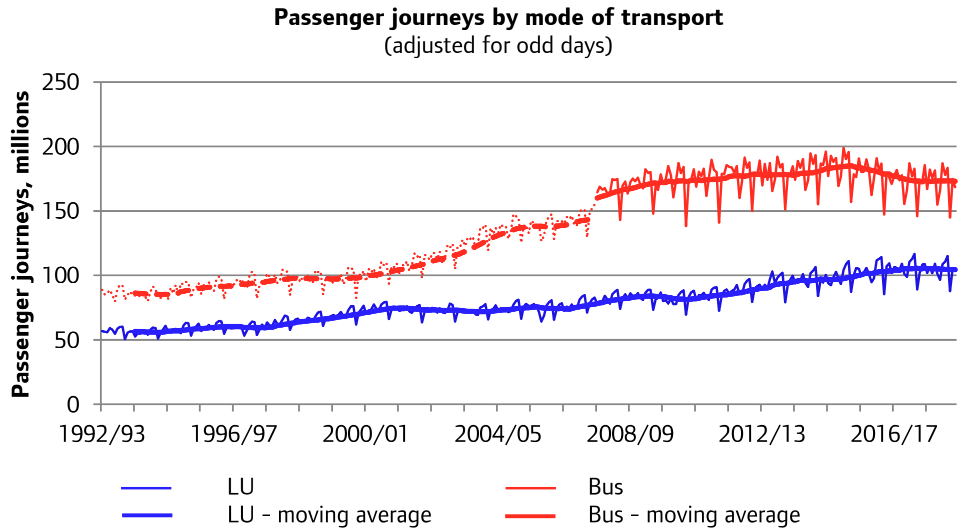
Despite this, in general, the latest economic indicators show that the UK's economy outlook is improving slowly. Stronger global growth and a responsive monetary policy is expected to mitigate in the short-term the uncertainty caused by Brexit. Thus, the UK and London's economy are still expected to grow in 2018 and the coming years although at a relatively modest pace.

Economic indicators

TfL passenger journeys decrease slightly

- A total of 273.5 million passenger journeys were registered between 4 February and 4 March 2018; 7.0 million less than the previous period accounting for odd days. 105.3 million of these journeys were Underground journeys and 168.3 million were bus journeys.
- The 12-month-moving average in the total number of passenger journeys decreased from 278.0 million to 277.4 million.
- The methodology used to calculate the number of bus passenger journeys was changed by TfL on 1 April 2007. For a detailed explanation, please see LET issue 58 (June 2007).

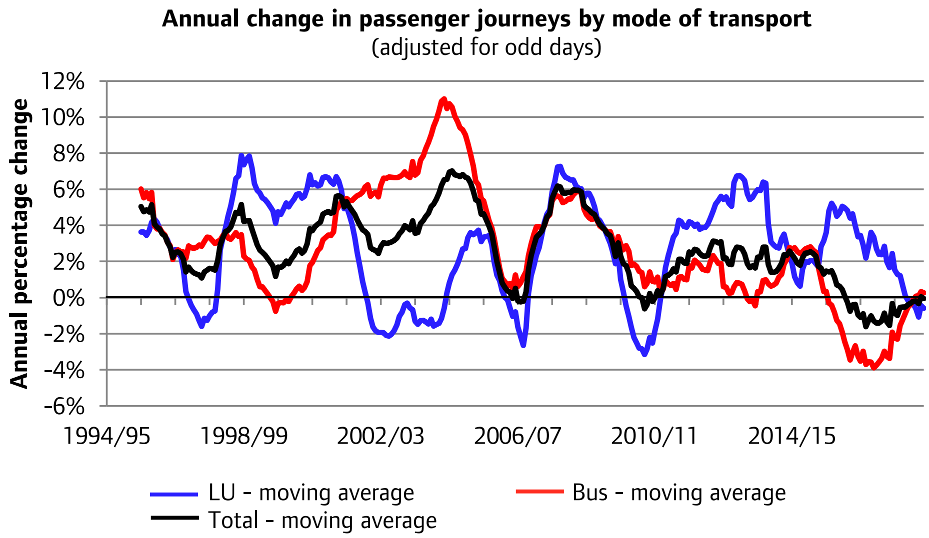
Source: Transport for London
Latest release: April 2018, Next release: May 2018



Annual growth in passenger journeys remained broadly stable

- The moving average annual growth rate in the total number of passenger journeys changed from 0.0% to -0.1%.
- The moving average annual growth rate of bus journeys remained at 0.3%.
- The moving average of Tube passenger journeys decreased from -0.4% to -0.6%.

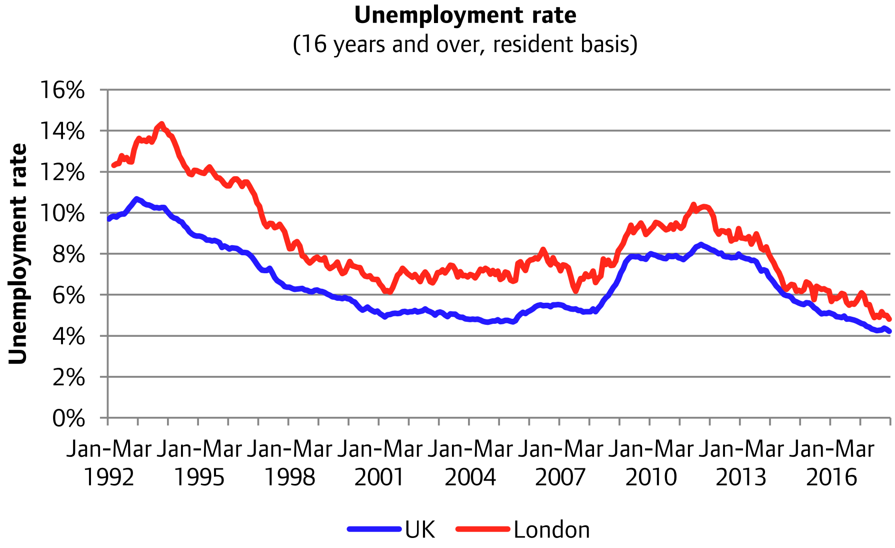
Source: Transport for London
Latest release: April 2018, Next release: May 2018



London's unemployment reaches its lowest rate in history

- 238,523 residents over 16-years-old were unemployed in London for the period December 2017-February 2018; 16,281 persons less than the three-month period to November 2017.
- The unemployment rate in London decreased to 4.8% from 5.2% in the previous three-month period, reaching the lowest historical rate since the register of data started in Q1 1992.
- The UK's unemployment rate also reached a historic low of 4.2%, down from 4.3% in the period September-November 2017.

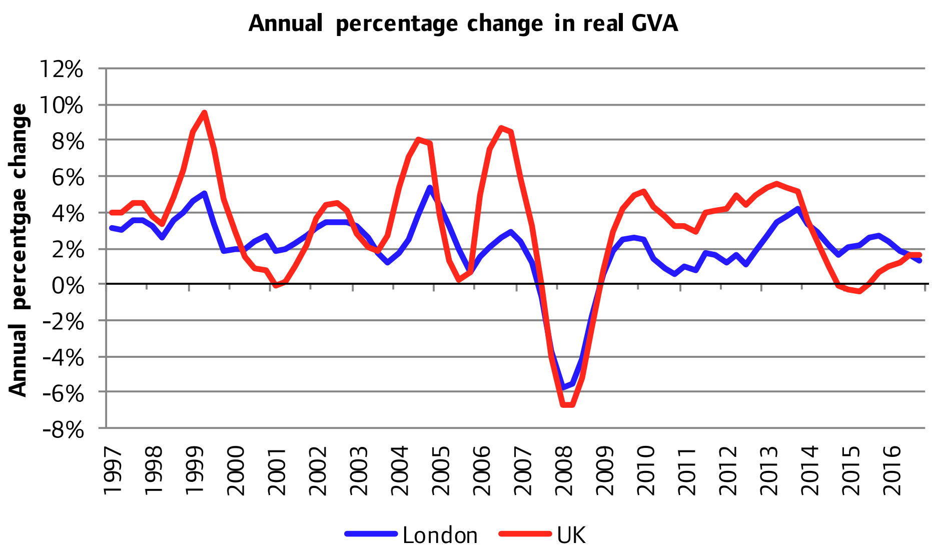
Source: ONS Labour Force Survey
Latest release: April 2018, Next release: May 2018



London's annual output growth remained at 1.6%

- London's annual GVA growth was 1.6% in Q4 2017 - the same rate as in Q3, and the joint highest level since Q2 2015.
- In the UK, the downward trend from Q4 2016 has continued. Output growth was 1.3% annually in Q4 2017 - 0.4 percentage points lower than the previous quarter, and representing the weakest expansion in four years.
- From LET Issue 165 (May 2016), GLA Economics now reports our own GVA estimates for London and ONS data for the UK.

Source: ONS and GLA Economics
Latest release: April 2018, Next release: July 2018

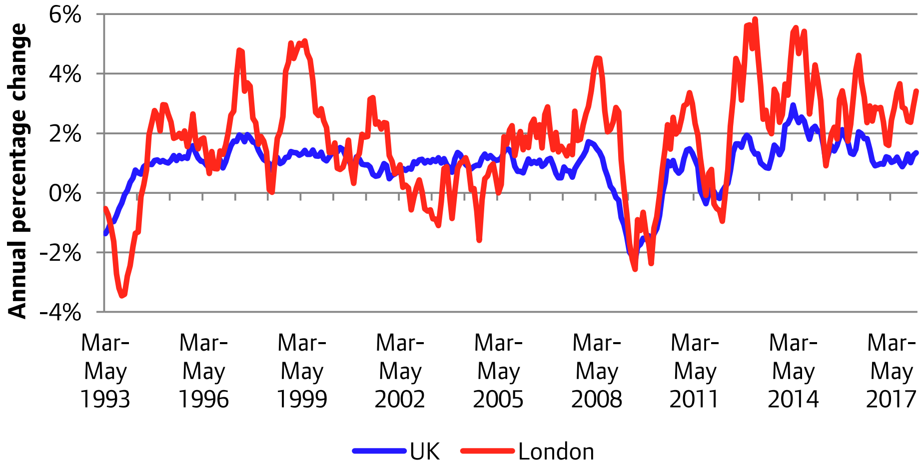


Employment grew by an annual rate of 3.4% in London

- Over 4.72 million residents over 16 years old were employed in London between December 2017 and February 2018.
- The rate of annual employment growth for the capital was 3.4% for the period, 1.0 percentage points up from the previous three-month period, and the highest rate since June - August 2017.
- During the same period December 2017 - February 2018, the UK grew annually at the same rate as the previous three-month period (1.3%).

Source: ONS Labour Force Survey
Latest release: April 2018, Next release: May 2018

Annual percentage change in employment
(16 years and over, resident basis)

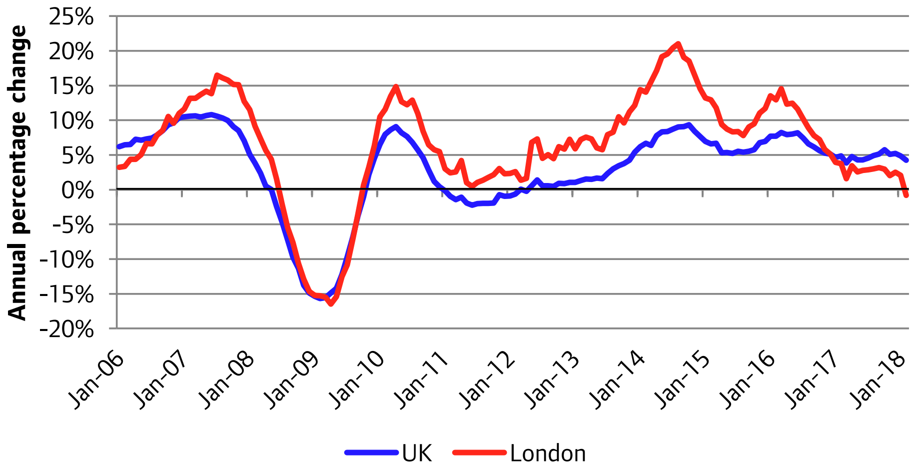


London house prices decreased for the first time since September 2009

- In February, the average house price in London was £473,737, while for the UK, the average was £225,369.
- The annual growth rate in house prices in London was -0.8% in February, 2.9 percentage points lower than January. This rate implies the first annual decrease in house prices in London since September 2009.
- For the UK, house prices grew by 4.2% year-on-year in February, 0.7 percentage points slower than January, but still much stronger than London.

Source: Land Registry and ONS
Latest release: April 2018, Next release: May 2018

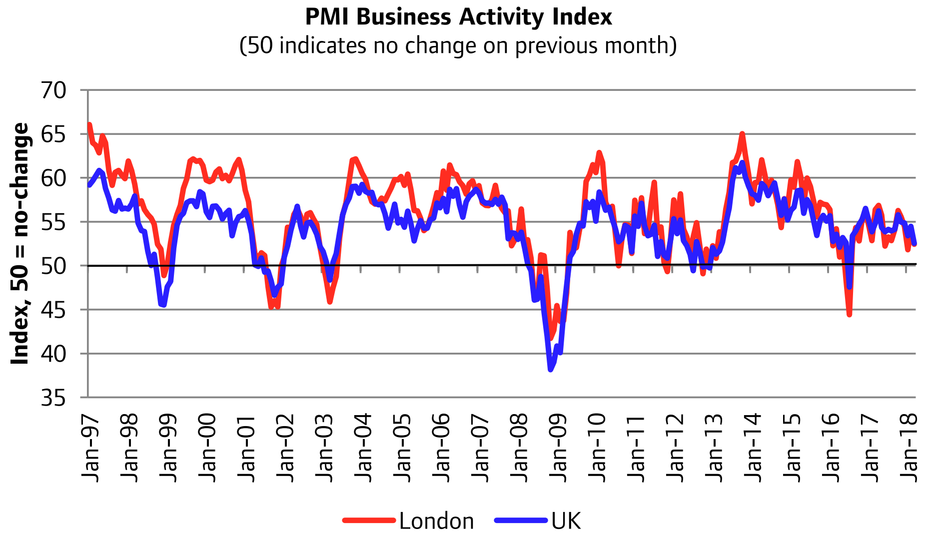
Annual percentage change in average house prices
(seasonally adjusted)



Growth in London business activity continued in March

- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50.0 suggest a month-on-month increase in that variable, while readings below indicate a decrease.
- Business activity growth at London private firms was 52.4 in March, lower than February (54.0).
- The UK index also decreased, from 54.5 in February, to 52.5 in March.

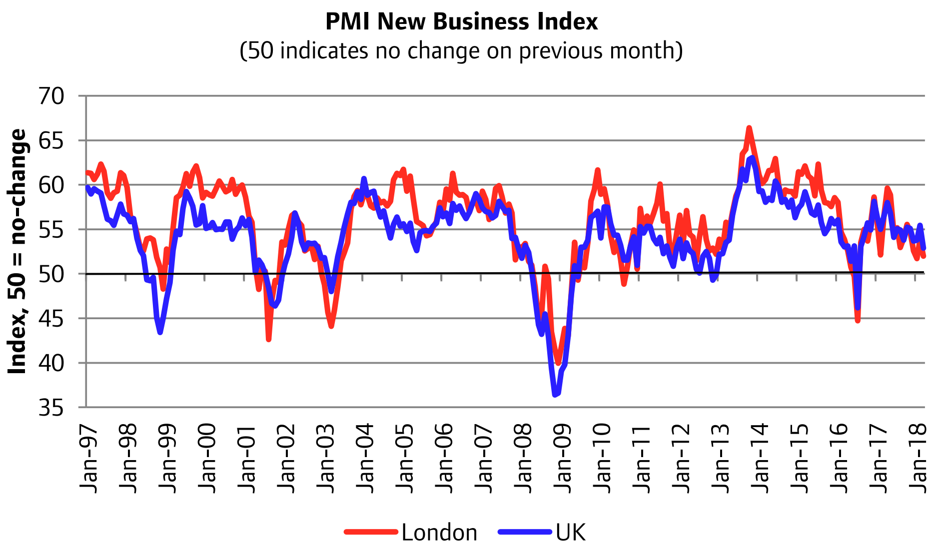
Source: IHS Markit
Latest release: April 2018, Next release: May 2018



Growth slows in new business in London

- The PMI New Business Index was 52.0 in London in March, down from 53.8 in February.
- UK firms reported an index of 52.9 in March, compared to 55.5 in February.
- An index reading above 50.0 indicates an increase in new orders from the previous month.

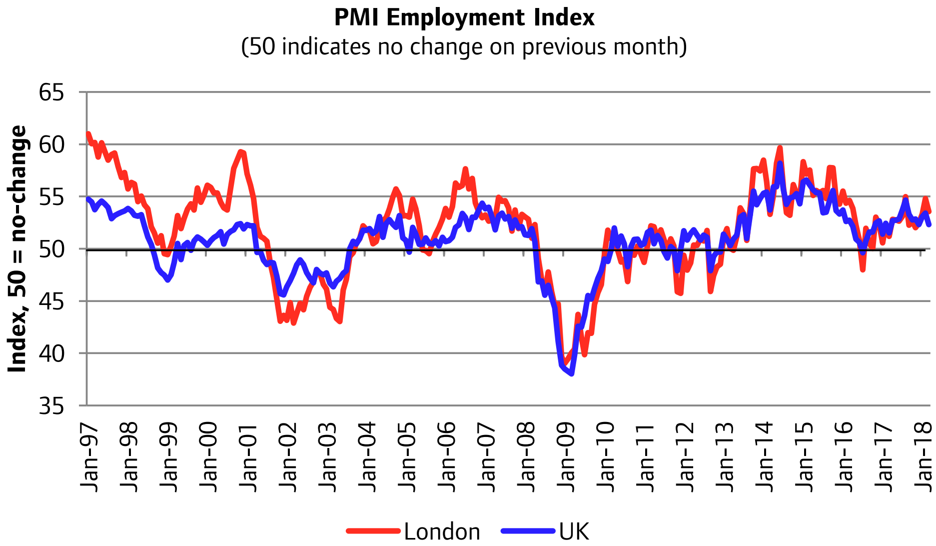
Source: IHS Markit
Latest release: April 2018, Next release: May 2018



Employment growth in London remains solid

- The PMI Employment Index shows the monthly change in employment at private sector firms. Readings above 50.0 suggests an increase, whereas a reading below indicates a decrease in employment from the previous month.
- The Employment Index for London was 53.6 in March, lower than in February (54.8)
- The employment levels increased at a slower rate across the UK in March (52.3) compared to London.

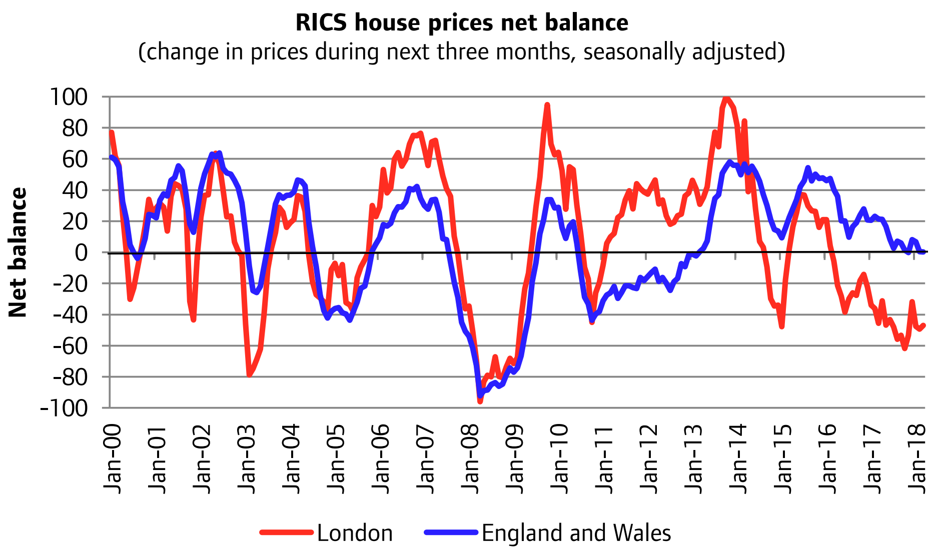
Source: IHS Markit
Latest release: April 2018, Next release: May 2018



Contraction in London's house prices continues according to most property surveyors

- During the period January-March, the net balance of property surveyors reported a similar number of surveyors reporting a reduction in London house prices (-47) compared to the previous two periods.
- The RICS house prices net balance index for England and Wales remained at 0.
- The net balance index measures the proportion of respondents reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: April 2018, Next release: May 2018

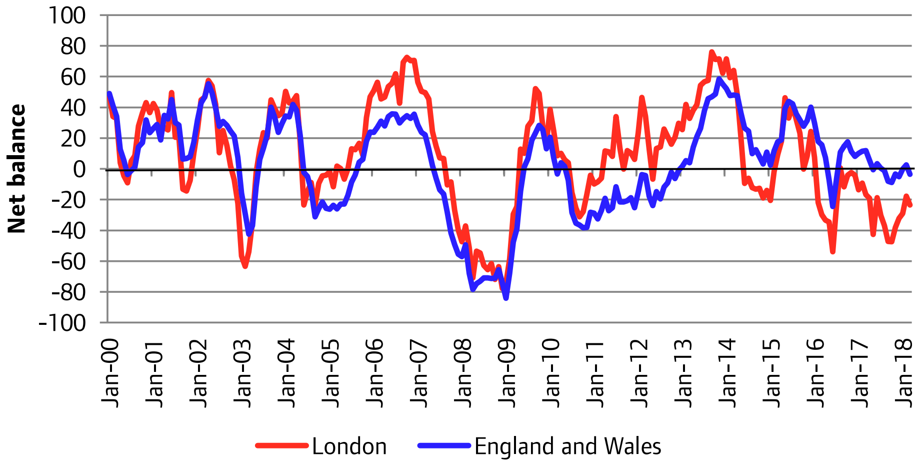


House prices expectations in London remain negative

- Most surveyors continued to have negative expectations for the next three months for house prices in London. The RICS index decreased from -18 in February to -23 in March.
- London remains the region with the most negative expectations for house prices.
- Sentiment in England and Wales was also negative in March (-3), down from 3 in February.

Source: Royal Institution of Chartered Surveyors
Latest release: April 2018, Next release: May 2018

RICS house prices expectations net balance
(change in prices during next three months, seasonally adjusted)

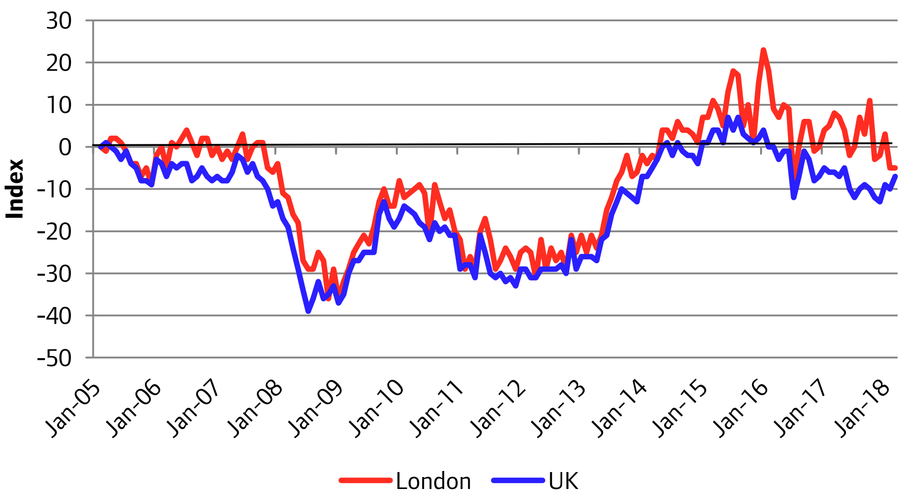


Consumer confidence remains negative in London

- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.
- The consumer confidence index in London was negative (-5) in March - the same level as in February.
- Sentiment was less negative for the UK (-7) compared to the previous month (-10), with the index having remained negative since April 2016.

Source: GfK NOP on behalf of the European Commission
Latest release: March 2018, Next release: April 2018

Consumer confidence barometer



Childcare demand – drivers and projections

By **Mike Hope**, Economist

1. Overview

Last month GLA Economics published an analysis of the drivers of childcare demand and projections, and made the projections available on the London Datastore.

This supplement briefly assembles the available evidence on childcare use and drivers of it at a London and national level. It considers it in two ways by assessing:

- the reasons for differences in the use of childcare, both formal and informal, between London and the rest of the country;
- developments in the drivers in terms of policy, cost, and demographic effects, how this might have impacted on the historic demand for formal childcare, and what this might mean for the future.

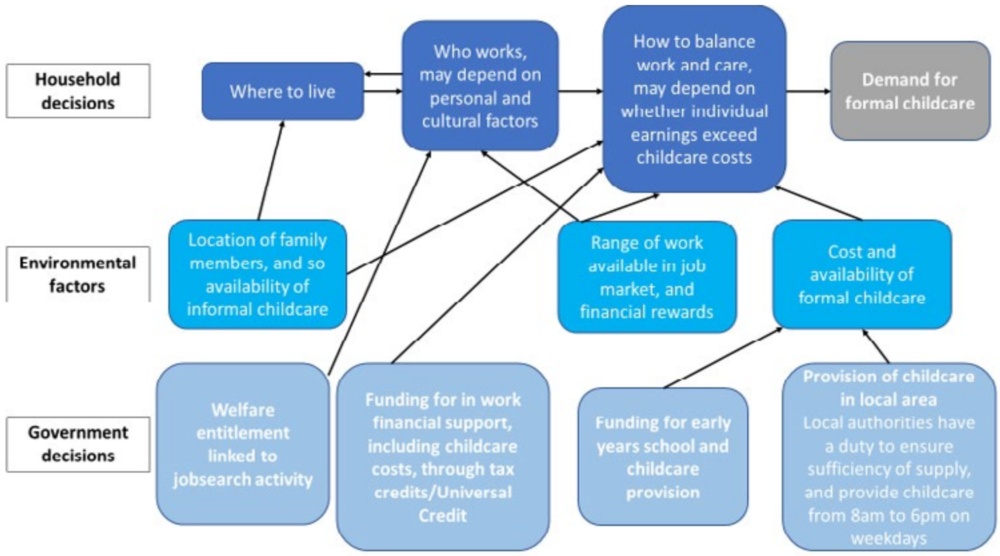
The evidence presented in this supplement relates to all children who might require childcare, that is 0-14 year olds. The definitions used of formal and informal childcare are very broad, and there are some children who receive both formal and informal childcare.

2. Drivers of formal childcare demand

Figure A1 provides a conceptual framework which sets out the interplay of factors which influence the use of formal childcare.

Figure A1: Flowchart of drivers of formal childcare demand

Source: GLA Economics



Around formal childcare there are three questions:

- **Who pays?** Either the state or the household pays.
  - The state pays at the present time for provision in early years settings, which may be schools or childcare providers.
  - Households will pay, typically, from earnings

- **What are the alternatives?**
  - One is informal childcare. Adults will use this where there are family members nearby, which depends on household decisions where to live. For some households informal childcare might be a substitute for formal childcare.
  - Couples[1] also have a decision on how to divide work and caring responsibilities. Almost all men with dependent children work, while female partners tend to make a more balanced decision, which can depend on whether income from earnings is greater than childcare costs. State-funded provision can provide a contribution to these costs for young children.
  - Lone parents have, in the past, received benefit income solely to recognise their caring responsibilities, although increasingly benefit receipt has been conditional on jobsearch activity.

- **Do I want formal childcare?**
  - There may be personal and cultural factors which influence decisions on work and childcare.
  - One of the purposes of state-funded provision is to promote child development, and its use is not necessarily linked to the working patterns of parents.

At all stages in the decision-making process around the use of formal childcare there is government intervention, either in terms of:

- the provision of financial support for households whether in or out-of-work, which subsidises demand;
- funding for early years provision, which may both subsidise demand which would otherwise have occurred, and increase supply; or
- managing the market to ensure a sufficient supply of childcare in a local area.

One of the themes of the paper is the role government intervention has taken in encouraging formal childcare demand.

The interaction between these factors has changed over time and also depends on a range of personal and household characteristics. The relative impact varies by type of household, whether lone parent or couple, and other household characteristics such as ethnicity and qualifications. It also varies by age of child, where for example for children under 5 childcare costs are highest, and there is state-funded provision.

What distinguishes London is that its inhabitants are highly qualified and ethnically diverse. Lower employment rates for women from ethnic minorities are consistent with lower use of formal childcare. Employment rates are higher for more qualified women. The expectation is that London will become more diverse in the future, while women with younger children are relatively more qualified than their older counterparts. These are opposing influences on the trend in the demand for formal childcare.

3. Trends in childcare demand

There has been strong growth in demand[2] for all types of childcare and formal childcare specifically, both in London and nationally[3] over the period 2004/5 to 2017 (Figure A2). At the beginning and end of the period use of formal childcare was similar for both areas and its usage has increased from 30% to 55% of 0-14 year olds. There has been faster growth in the use of formal childcare in London since 2011 reflecting its stronger labour market conditions. The divergence in trends in use of formal childcare from 2008 is perhaps also indicative that the use of formal childcare in London is more sensitive than nationally to labour market conditions.

1 The analysis of couples in this paper concentrates on heterosexual couples. There are same sex couples with children, but in the datasets used the sample sizes are small for London, and so it has not been possible to draw any robust conclusions.

2 For the past period the terms demand and use are used interchangeably.

3 The analysis in this paper comes from a number of datasets. For national comparisons the highest level geography is used. In some cases this is England, or, England & Wales, and others it is the UK. The titles of tables and figures report which geography has been used.

Overall demand for any type of childcare has also risen both in London and nationally over 2004/5 to 2017, being used by 47% of 0-14 years old children in London in 2004/5 and rising to 61% by 2017. For both years it was eight percentage points lower than the national rate. The source of this difference is the much lower use of informal childcare in London, which can be attributed to demographic factors (London being a large city with a large migrant population). As such, there are more limited opportunities for informal childcare provided by family members, who are less likely to live nearby, than in other parts of the country. That said informal childcare use has risen slightly in the last few years in London with improving labour market conditions.

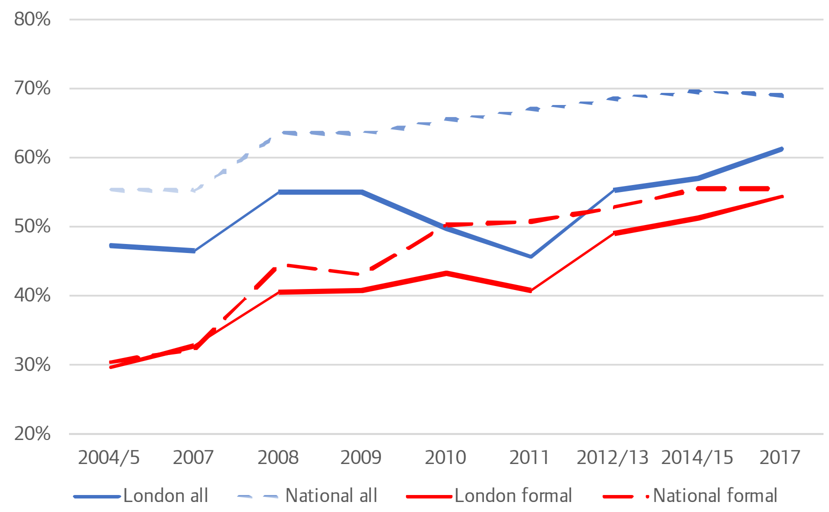


Figure A2: Trends in demand for childcare, and formal childcare, proportion of 0-14 years old children, London and England, 2004/5 to 2017

Source: Childcare and Early Years Survey of Parents

Demand for childcare, whether any, formal or informal, has been lower in London than England for all children 0-14, and across all child age and household ethnicity groups, and for almost all years for which there is survey data for the years 2004/5 to 2017. The different composition of London's population relative to that seen nationally does not explain variations in the use of childcare[4].

The link between formal childcare use and labour market participation is not direct, in part because the state provides free childcare[5] to young children to support child development. Formal childcare use is - and has been - highest for 3-4 year olds for this reason.

The observed rates of increase in formal childcare use are not sustainable over longer term planning horizons, and they have been diminishing. For example, for 3-4 year olds the rate of use of formal childcare is currently very high at around 90% of children, and is likely to be approaching its limit.

4. Affordability of childcare

The available evidence indicates that childcare costs have been persistently higher and rising faster in London than nationally, reaching 30-40% higher in early years settings in 2016. While average earnings are also higher in London, median earnings growth has been slower. This is a factor which might explain why formal childcare use has been persistently lower in London across age and ethnicity groups. Comparable information on earnings is not available at a household level for London, or for families with children, but **the available information would suggest that the affordability of childcare is worsening in London, which other things equal will reduce the demand for childcare.**

4 It should also be noted that some children receive both formal and informal childcare, and so use of any childcare is lower than the sum of the use of individual types of childcare.

5 School attendance for the under 5s is considered to be formal childcare by the Department for Education.

There is evidence that:

- childcare has become relative more expensive in London, and that median London earnings growth has not kept pace with the national trend, so childcare has become less affordable in London;
- the use of each of any, formal, and informal childcare has been lower in London than England for all children 0-14, and across all age and ethnicity groups, and for almost all years for which there is survey data for the years 2004/5 to 2017.

At the same time (and in seeming contradiction):

- the rate of worklessness in London for lone parent and couple households has fallen to national levels;
- the rate of use of formal childcare in London has returned to the national rate after a period of divergence;
- the use of formal childcare in London and nationally is similar by family working status and income.

The nature of maternal labour supply helps to provide an explanation of where the relative lack of affordability of childcare might have affected demand in London. Not all working lone parents or women in couples make use of childcare. Further, in couples the female employment rate is 7 percentage points lower in London than the UK in 2016. It is also noticeable that:

- part-time working amongst women is much lower in London than elsewhere;
- on average, hourly pay (excluding overtime) of part-time workers is lower than for full-time work (which, in itself, is a discouragement to part-time work) both in London and for the UK;
- mothers who work part-time see little wage progression in real terms;
- it is relatively uncommon for low income in-work couple families in London on tax credits to receive support for formal childcare (through the childcare element) both in absolute terms, and relative to the UK.

This is all suggestive that in London the costs of childcare can be a deterrent to part-time work. This is one interpretation of the evidence, and there may be other factors. While it is difficult to measure changes in working practices in the economy[6], there is evidence of increasing numbers of workers wanting to work more hours[7], and of constraints in the availability of childcare, particularly for parents who work atypical hours. It is therefore possible that there is imperfect responsiveness of certain types of childcare provision to demand, and that this may have a bearing on labour supply.

5. Childcare demand projections

As understanding of causal relationships of the demand for formal childcare is incomplete and there are limitations in the available data, GLA Economics has reached the view that a simple methodology should be adopted to estimate childcare demand projections. As there are factors which might both increase or reduce the demand for formal childcare it has assumed that the rate of formal childcare receipt in the future is the same as that of the latest data available for 2017[8]. This rate has been applied to the GLA Intelligence population projections[9] for 0-14 year olds to produce London-level childcare demand projections. There are also London-level projections by age group.

6 See Good work: the Taylor review of modern working practices - GOV.UK which brings together much of the available evidence
7 See Chapter 9 of Economic Evidence Base for London 2016 | London City Hall for evidence for London
8 This is from the Department for Education Childcare and Early Years Survey of Parents, available at Statistics: childcare and early years - GOV.UK.
9 See, in particular the 2016-based central variant, GLA Population and Household Projections

The finding of this analysis is that the numbers of 0-14 year olds in London attending formal childcare is expected to grow from 0.9m in 2016 to 1.0m in 2041, an increase of 100,000 childcare places, at a compound annual growth rate of 0.4%, and an annual growth rate of 4,000 places. Children over 5 are expected to account for three quarters of the increase in childcare demand.

6. Further reading

If this brief summary has been of interest you can find further analysis of childcare demand in the paper this supplement is drawn from. While other analysis on London's economy can be found on our publications page.

Results from our recent 'London's Economy Today' readers' survey

The Mayor of London established GLA Economics in May 2002 to provide economic analysis and a firm statistical, factual and forecasting basis for policy decision-making by the GLA and its functional bodies.

GLA Economics produces a monthly newsletter: *London's Economy Today* which contains analysis on the current state of London's economy and, also, how it sits in relation to the wider UK economy as well as the world economy. A key goal of *London's Economy Today* is to track cyclical economic conditions. And an important point to note is that *London's Economy Today* is limited by the amount of data that is available about the London economy specifically and also in terms of timeliness.

The newsletter is divided into three parts. First, there is an editorial overview highlighting news of the London, UK and, where relevant, world economies. Second, an economic indicators section shows various latest data on aspects of the economy such as employment, business activity, house prices and transport journeys. The indicators can provide valuable insight into London's economy. For example, due to its position at the heart of London's transport system, Tube journey activity is an extremely sensitive indicator of economic, and, in particular, employment activity. Publication of *London's Economy Today* is normally synchronised each month with the release of data on transport passenger journeys. Finally, a supplement section focussing on a recent piece of GLA Economics analysis provides a summary of that work (within the confines of the newsletter).

The results of the survey

As might be expected, the majority of our readers (76%) read LET for work purposes. (Note, the options were not mutually exclusive and hence why it adds to more than 100%.)

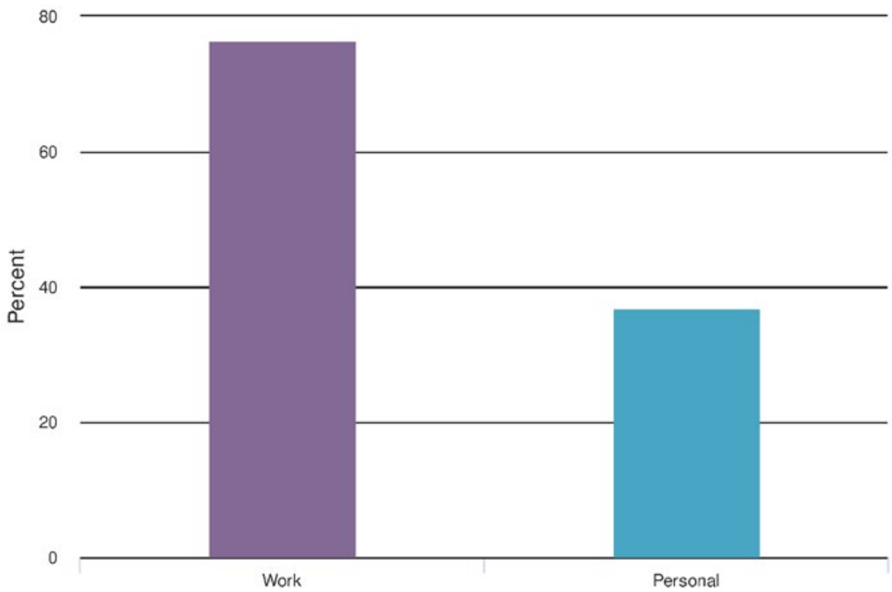
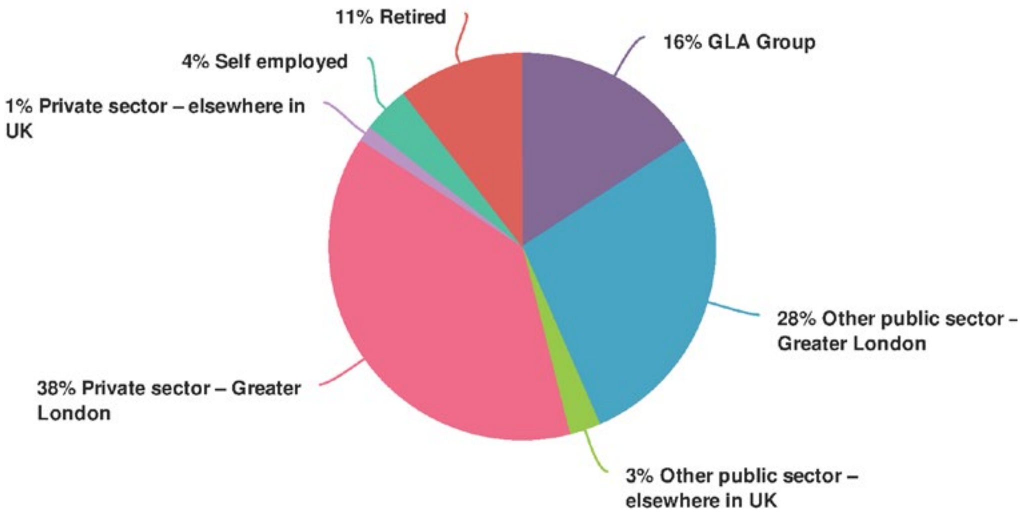


Figure B1: Do you read London's Economy Today for work or personal interest purposes?

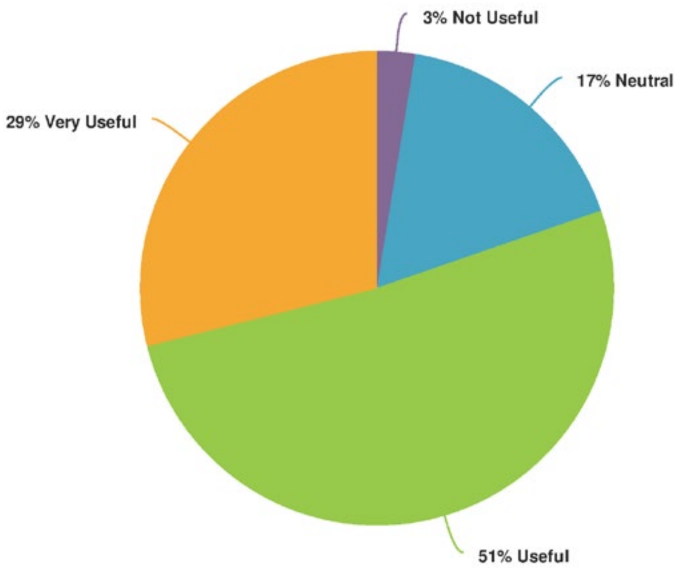
And also, unsurprisingly, the majority of our readers are from the Greater London public and private sectors. Together with those from the GLA Group that equates to 82% of our readership.

Figure B2: What type of employment are you in?



Through the survey we wanted to know how useful each of the sections of London's Economy Today is to our readers. And we are pleased to report that all sections of the newsletter are considered either useful or very useful to the majority of our readers. The editorial section was found to be useful or very useful to 80% of our readers. The economic indicators section was useful or very useful to 87% of our readers. And 67% of our readers found the supplement section useful or very useful.

Figure B3: How useful do you find the editorial section?



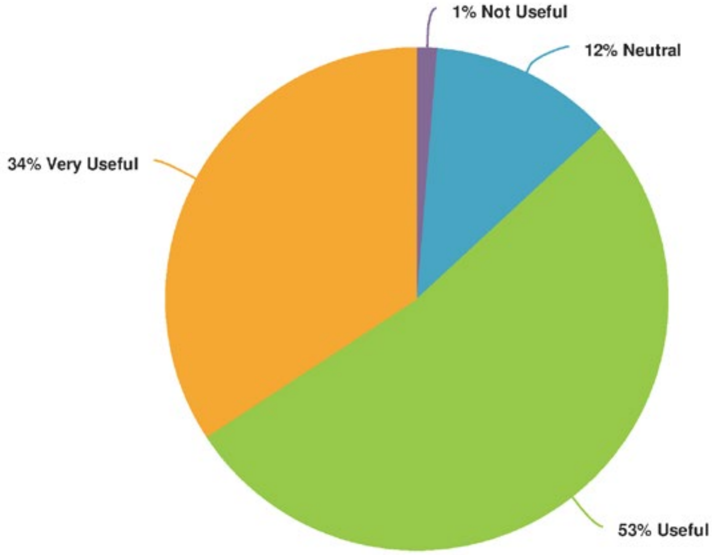


Figure B4: How useful do you find the economic indicators section?

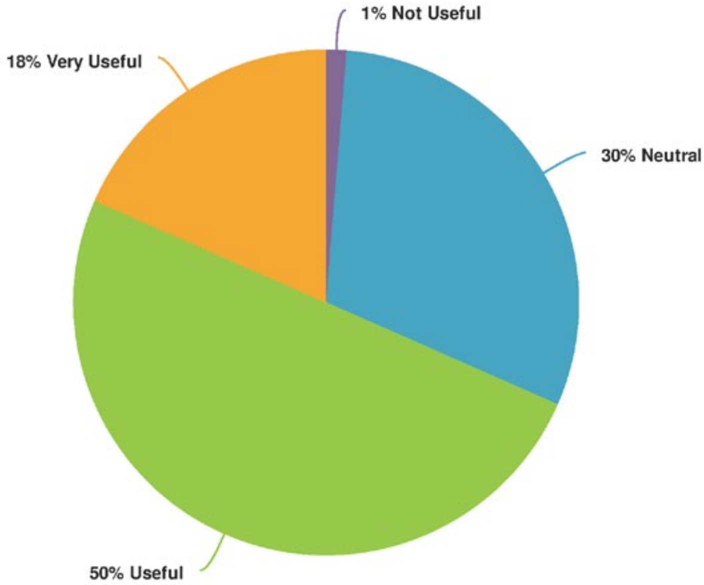


Figure B5: How useful do you find the supplement section?

In response to a few comments on the look of the newsletter, and understandably the need to update it, we have made some improvements. Good design is important and with that in mind we have tweaked the newsletter's style (but keeping within the overall look and feel of the suite of GLA Economics publications). The front page, for example, is less cluttered with our 'latest work' section moved to a new page which highlights a few pieces of recent work rather than focussing on just one. The contents section is more detailed taking the reader to the topic they are most interested in. The economic indicators section is less crowded and the charts enlarged. More pictures throughout should help to break up stories and aid understanding.

We will continue to monitor *London's Economy Today* in order to bring you a publication that is informative and attractive to read. If you have any comments then please email glaeconomics@london.gov.uk.

Our latest publications

We publish regularly on the state of London's economy, providing the latest economic data for London and interpret how this may affect policy. This includes analysis of recent developments in London's economy and forecasts for the next couple of years.

We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

We analyse recent developments in London's labour market, by sector and borough.

View all the GLA Economics publications on our website.

Demand for childcare in London - drivers and projections
Working Paper 94 identifies the drivers of formal childcare demand and provides London-level projections of formal childcare demand.

- In the period since 2004 there has been strong growth in the use of both any and formal childcare, and a fall in the use of informal childcare both in London and nationally.
- Childcare is less affordable in London, and this situation may have worsened. This may be a deterrent to some mothers taking up part-time work.

Download the full publication.

London's Architecture sector - Update 2018
Some of the key points from Working Paper 93 include:

- London's architecture sector had 4,515 workplaces (in 2017) and contained approximately 26,200 jobs (in 2016).
- Around half of these jobholders were female and one-third had a non-UK nationality in 2016.
- In terms of gross value added (constant 2015 prices), London's architecture sector produced £1.9 billion of output in 2016.

Download the full publication.

London's Economic Outlook
Our last London forecast published in November 2017 suggested that:

- London's Gross Value Added (GVA) growth rate is forecast to be 2.1 per cent in 2017. The growth rate is expected to slow slightly to 1.8 per cent in 2018, before picking up to 2.6 per cent in 2019.
- London is forecast to see increases in the number of workforce jobs in 2017, 2018 and 2019.
- London's household income and spending are both forecast to increase over the next three years, albeit at slower rates than for 2016.

Download the full publication.

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April 2018

ISSN 1740-9136 (print) ISSN 1740-9195 (online) ISSN 1740-9144 (email)

London's Economy Today is published towards the end of every month. It provides an overview of the current state of the London economy, and a selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA group.

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About GLA Economics
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.

MAYOR OF LONDON