

15/01/2015

London thrives – widening the divide between the capital and the rest of the country

- The London economy has outperformed all other UK regions, increasing by 20.0% between 2009 and 2013 compared with the UK average of 13.4%.
- London saw the highest percentage increase in workforce jobs between September 2007 and September 2014 with a 15.6% rise.
- The capital has the highest Gross Disposable Household Income (GDHI) per head in the UK, at £21,446. This is 28% higher than the national average of £16,791.
- Home prices in London have risen by 49% from their 2009 Q2 trough compared with a 19% increase nationally.
- Property prices in the capital are now 10% above their 2007 peak. Nationally, prices remain 6% below their 2007 peak.
- Londoners have the lowest levels of savings relative to earnings. The average savings balance is equivalent to 26% of average earnings in the capital, whereas the average proportion in England and Wales is 35%.

The latest annual London Factor report from Halifax clearly demonstrates the economic and financial outperformance of the capital in recent years and the widening divide between it and the rest of the country.

London accounts for 13% of the UK's population yet produces 22% of the country's economic output. The capital's economy has outperformed all other regions since the economic downturn, increasing by 20% in monetary terms between 2009 and 2013 compared with a 13% increase for the UK as a whole.

Earnings and incomes are significantly higher than elsewhere in the country, and home prices in the capital have risen by 49% since mid-2009; significantly above the 19% rise nationally. Added to this, those living in London tend to be more highly educated and have above average life expectancy.

On the downside, savings in the capital are lower in relation to earnings than elsewhere in the UK – 26% of annual pre-tax earnings against 35% nationally – which may partly reflect its younger age profile. Crime is higher and property prices and costs associated with running a home are considerably higher than in any other region in the UK.

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Martin Ellis, Halifax Economist, said:

“As a leading global city, London provides major economic, social and cultural benefits not just to those who live in the capital but also for the rest of the country. The London economy has performed more strongly than any other part of the UK in recent years, resulting in a widening gap between the capital and the rest of the country.

“This economic success, however, comes at a cost. Property prices are substantially higher than elsewhere in the UK and the property divide has widened further in recent years. Crime also tends to be higher.”

Key London Factors

Economy

- The London economy has outperformed all other UK regions over the past few years. Gross Value Added (GVA) increased by 20.0% in monetary terms between 2009 and 2013; significantly above the UK average of 13.4%.
- London continued to expand more rapidly than any other part of the country in 2013, according to the latest figures. Provisional data from the Office for National Statistics show that London’s GVA grew by 4.0% between 2012 and 2013. (UK average of 3.3%.)
- The capital generates over a fifth (22%) of the UK’s total economic output. This is a larger share than any other UK region. London’s economic outperformance over recent years has seen its share rise from 20.6% in 2007 to 22.2% in 2013. Over the same period, every other region except the South East experienced a decline in its share of UK economic output.
- Labour productivity in London is almost a third¹ (31.2%) higher than the UK average. The South East is the only other region which is more productive than the UK average (7.7%).

Employment

- London saw the highest percentage increase (15.6%) in workforce jobs between September 2007 and September 2014 (rising from 4.8m jobs to 5.6m jobs). This was considerably higher than the 4.5% rise for the UK as a whole over the same period.
- But, at 71.8%, the employment rate in London is slightly below the UK average of 73.0%.
- The claimant count rate in London in November 2014 was lower than in November 2007; at 2.2% compared with 2.5%. In contrast, the claimant count in November 2014 in most other regions remained above its pre-downturn level.

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Income and Earnings

- London has the highest Gross Disposable Household Income (GDHI) per head in the UK, at £21,446¹. This is 28 per cent higher than the national average of £16,791.
- GDHI per head in London has risen from 24.5% to 27.7% above the UK average over the past decade¹.
- In 2014, London had the highest median full-time weekly earnings in the country at £618 (based on residence in the capital) and £661 (based on working in the capital), compared to £518 for the UK.

Housing

- At £356,054, the average house price in London is nearly £170,000 (90%) above the UK average of £187,362. On a per square metre basis, residential homes in the capital are more than twice as expensive as the national average (£3,952 against £1,916).
- Property prices in the capital have held their value better than the UK average since 2007, with average prices currently 10% above their 2007 peak. Nationally, prices remain 6% below their 2007 peak.
- Prices in London have risen 49% from their 2009 Q2 trough compared with a 19% increase nationally.
- Less than half (48.3%) of London's homes are occupied by their owner; the lowest owner occupation rate in England and Wales (63.6%). Outright ownership is also the lowest in London, at around a fifth (21.1%) compared to 30.8% in England and Wales.
- London is the most expensive place for a first-time buyer to own and run a house in the UK, with the average annual cost - at £15,699 - almost double the UK average of £8,126.
- Seven out of ten of all million pound home sales in Britain during the first half of 2014 were in London.

Savings

- Average customer savings balances of £9,745 in London are 2% higher than the England and Wales average (£9,592).
- London has areas with both the highest and lowest savers in England and Wales; in Kensington and Chelsea, Richmond upon Thames, Harrow and Westminster the average balance is above £13,000. Hackney, Newham, Barking and Dagenham, Lewisham and Southwark are all below £6,500.
- Londoners overall have the lowest levels of savings relative to earnings. The average savings balance is equivalent to 26% of average earnings in the capital, whereas the average proportion in England and Wales is 35%.

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Population

- London has a population of 8.4 million based on estimates for mid-2013; 13% of the total UK population. Over the past decade, London's population had the fastest population growth of any region, increasing by 14% - double the 7% rise in the UK population.
- London's age profile is younger than that of the UK as a whole, with a higher proportion of people aged under-16 (20.2% compared with 18.8% for the UK). Only Northern Ireland has a younger age profile with 21% of the population aged under 16. People aged 65 and over make up only 11.4% of the population compared with the UK average of 17.4%.

Skills

- London has the highest share of 16-64 year olds with NVQ level 4 or above (49.1%) in the UK. This is well above the UK average of 35.0%.
- In 2013/14, London had the highest percentage of pupils leaving Key Stage 4 with five GCSE A* to C grades including maths and English amongst the English regions, at 60.6%, against the England average of 52.6%.

Life expectancy

- Life expectancy at birth in London in the three-year period 2011 to 2013 was 80.0 years for males and 84.1 years for females, a little above the England & Wales averages of 79.4 and 83.1 years respectively.

Crime rate

- The average number of burglaries per 1,000 homes in London is more than double the average for England and Wales; at 79 against 37.
- Four of the worst five areas for burglaries in England and Wales are in London: Haringey (124 per 1,000), Brent (119 per 1,000), Redbridge (110 per 1,000) and Hillingdon (102 per 1,000).

ENDS

Editors' Notes

¹ 2012 ONS

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Data Sources:

- Economy: ONS December 2014
- Regional Gross Disposable Household Income 2012
- Employment and Earnings: NOMIS and ONS Workforce September 2014, Employment Rate August – October 2014, Claimant Count November 2014; Earnings April 2014
- Housing: Halifax House Price Index and ONS Q4 2014
- Price per Square metre: Halifax House Price database June 2014
- Owner Occupation: NOMIS census 2011
- First Time Buyers Buying v Renting: Halifax and ONS August 2014
- Million Pound Sales: Lloyds Bank and Land Registry October 2014
- Savings: Halifax Savings database October 2014
- Quality of life: Halifax December 2014
- Population: NOMIS and ONS Mid year estimates 2013
- Education: Department of Education GCSE A*-C inc English & Maths 2013/14 and NVQ level 4 and above NOMIS 2013
- Life expectancy: ONS 2011/13
- Crime rate: Crime Survey for England and Wales – ONS 2011/2012

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