City of London
Economic Development
Research Programme
Review of 2011

CITY OF LONDON

Independent in-depth research

Accurate, timely and well-focused

Informing evidence-based policy making

Understanding the City economy

2011 research

CITY OF LONDON

February 2012

Economic Development Research Programme Review of 2011
Introduction

The City of London's research is commissioned to be accurate, independent, and evidence-based. We undertake research to inform and support practitioners and policymakers both inside and outside the City of London Corporation, frequently working in partnership with others to help shape our work. The research programme has a wide remit, ranging from local communities and infrastructure through to the global trends affecting the City, London and the UK as world-leading providers of financial and professional services. The programme's agenda is the product of an active engagement with our staff, stakeholders and external partners.

The ripple effects from the 2008 financial crisis have continued to make their mark in 2011 as governments, policy makers, and markets responded to issues of high levels of national debt for many countries, high unemployment, the eurozone crisis, and low levels of economic growth.

Given London's position as a leading global financial centre, the programme of research undertaken during 2011 has responded to the ways in which London has been impacted on by the fallout from the economic crisis. Particular consideration has been given to the redrawing of the international and national financial regulatory frameworks that have such a big impact on the ability of the City of London to retain its prime world role in financial services.

Regulation has therefore been a major focus for the 2011 research programme, but the development and availability of world leading infrastructure such as airport capacity, and policy decisions in areas such as taxation for example have also been key, alongside new and developing areas of opportunity and alternative sources of financing, such as social enterprise investment and non-monetary capacity exchanges.

Whether we are looking at the threats and opportunities to the City's competitive position, informing development to meet the City's requirements for world-class infrastructure, or underpinning policy and business decisions relating to City businesses, we have continued to produce our reports in conjunction with some of the leading experts in their fields.

Over the year, we have published research in five overarching categories, as themed throughout this report. We have also expanded the types of reports we publish. The main Research Reports address an overarching research theme or set of issues in depth, generally involving new primary research or substantial review; Special Interest Papers look at a specific issue to generate discussion and inform debate or act as a thought piece, while Policy Practitioner Papers Focus on technical issues of particular relevance to our practitioner advisory groups. In 2011, we also introduced Topical Issues Papers – short pieces exploring a current issue, and Partner Publications, which are reports that may have been co-authored, jointly-commissioned or supported by the City of London Corporation.

During 2011, the research programme has covered five key areas:

- City Industries and Infrastructure
- Competitiveness and Taxation
- The EU and Regulation
- International Markets
- Corporate Responsibility and Community

Key Areas

City Industries and Infrastructure

The City of London's ability to retain its position as a leading global financial centre with a reputation for innovation and expertise in a wide range of financial services specialisms will be interlinked with its ability to continue to adapt to a changing global and local environment.

Having the necessary infrastructure in place, such as adequate airport capacity, will be critical to future success concludes the *Aviation Services in the City – 2011 update*, noting the possibility that capacity constraints could undermine London's competitive position.

Government policy decisions in 2011 could also have a longer term impact, whether this is the proposed planning changes discussed in *Relaxation of Planning Rules for Change of Use from Business to Residential*, or the more subtle effects of a migration cap which has already seen businesses facing higher administrative costs and continuing uncertainty about the UK's migration policy.

This area of work also considers the opportunities for London and the UK to continue to develop new specialisms, for example as highlighted in our report on *Capacity Trade and Credit*, which looks at innovative forms of business to business trade with the potential to support SMEs, particularly useful during times of constrained liquidity.

Publications 2011

- Aviation Services in the City – 2011 update
- Capacity Trade and Credit: Emerging Architectures for Commerce and Money
- Relaxation of Planning Rules for Change of Use from Business to Residential
- Electricity Regulation and London's Central Business District: Planning for the Future

Competitiveness and Taxation

As the political debate continues to focus on the need to stimulate and support economic growth, London's role in leading the economic recovery is clear. In 2009-10, London made a net contribution of £1.4 billion to the nation's finances and created 21% of the UK's total Gross Value Added. The financial services sector alone, of which the City of London plays such a vital part, contributed a total tax contribution of £63 billion while employing more than 1.1 m employees.

In *Competitiveness and Taxation: London's Competitive Place in the UK and Global Economies*, London's contribution to reducing the UK overall public debt back to manageable levels is highlighted but there are warnings of competitive threats from the other major international financial centres as well as concerns over issues like higher taxation, increased regulation, infrastructure issues and immigration.

With taxation policy such a key driver of competitiveness and growth, *The UK's Marginal Tax Rate* examines the impact of marginal tax rates and finds higher marginal tax rates can have a negative impact on areas like productivity, investment and innovation, and also lead to a loss of young, highly mobile talent.

Publications 2011

- Access to Global Talent – The Impact of Migration Limits on UK Financial and Professional Business Services
- London's Competitive Place in the UK and Global Economics
- Understanding Global Financial Networks: Business and Staff Location Decisions
- The UK's Marginal Tax Rate
- The Total Tax Contribution of UK Financial Services (Fourth Edition)

Key Areas

The EU and Regulation

After the financial crisis of 2008, the role that regulation has to play in preventing a similar crisis in future years has come under increased scrutiny. Both the UK and the EU regulatory authorities are in the process of changing their regulatory approach which is, according to *The Implications of the New Financial Regulatory Architecture*, creating a degree of tension between UK and EU policy makers in areas where there are seemingly divergent aims. Senior regulators as well as senior staff recognise the need for a fundamental appraisal of the regulator regime but there is concern that changes may not be transparent and subject to full consultation, and evidence based impact assessments.

Despite the reputational issues experienced by the financial services sector, however, *The Value of Europe's International Financial Centres to the EU Economy* demonstrates how financial services not only makes a substantial contribution to GDP and employment but also contributes to society as a whole, whether to government, households or the corporate sector.

Publications 2011

- Understanding the Impact of MiFID in the context of Global and National Regulatory Innovations – European Study
- The Value of Europe's International Financial Centres to the EU Economy
- Trends in IPO Listings by SMEs in the EU
- The Implications of the New Financial Regulatory Architecture
- Filling the Gap in Financial Regulation
- Balancing Growth and Stability in EU Financial reform

International Markets

Another area of opportunity for growth for the City of London and UK financial services is the developing economies. Pension funds and insurance companies have driven and shaped financial markets in the developed world and our report *Insurance Companies and Pension Funds as Institutional Investors* demonstrates that they have the potential to do the same in China and India, where the pension and insurance sectors are still relatively underdeveloped.

Publications 2011

- Insurance Companies and Pension Funds as Institutional Investors: Global Investment Patterns
- London's Capabilities as a Centre for Renminbi (RMB) Business – to be published 2012

Corporate Responsibility and Community

Initiatives such as the government's Big Society agenda and the growth of socially responsible investment could well be the cornerstones of a changing approach to corporate responsibility and a sense of community that many argue are values that have been missing, particularly in the years leading up to the financial crisis of 2008.

Where philanthropy and government however have led to a modest growth in socially responsible investing, the real growth that is needed in this area will come if the sector can attract the involvement of institutional investors: concludes *Investor Perspectives on Social Enterprise Financing*.

Publications 2011

- Investor Perspectives on Social Enterprise Financing
- Engaging London's Communities: the Big Society and Localism
- Current and Future Public Health and Primary Healthcare Needs of City Workers – to be published 2012

Key to publications

Research Report

Special Interest Paper

Policy Practitioner Paper

Periodical

Topical Issues Paper

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City Industries and Infrastructure

Aviation Services in the City – 2011 update

January 2011
Research Report

Aviation Services in the City – 2011 update, carried out by York Aviation, was commissioned by the City of London Corporation as a follow up to the City Aviation Study 2008, which had concluded that there was City support for a third runway at Heathrow. This 2011 update was produced to examine the implications for the City economy of a withdrawal of Government support for new runways at Heathrow and Stansted. It puts into context what the implications of these Government policy changes on aviation will be for the City of London and its role as a primary driver of the UK economy, as well as looking at the medium to short term options for addressing the current capacity constraints at South East Airports.

The key conclusion of the report finds that improved aviation infrastructure is urgently required in order to prevent London's overall competitive position being undermined by limited connectivity, reduced service quality and price pressures. Despite the recession and downturn in air travel, most firms interviewed suggest that their demand for air travel has now returned to positive territory and further increases will be fuelled by business growth.

The report showed that a third runway at Heathrow would enable the airport to evolve to meet long term needs. It should be recognised however that a third runway would not be a permanent solution, given that at some point in the future Heathrow would again become constrained by increased demand.

Other findings from the report include:

- Despite difficult times for London's airports since 2008, both Heathrow and London City Airport appear to be returning to growth;
- Heathrow continues to be the most important provider of business focussed connectivity amongst the London airports and there has been some improvement in service quality issues over recent years with Terminal 5 having made a significant difference to the passenger experience;
- Looking forward, capacity constraints must be a substantial concern although those consulted did not necessarily see increasing the size of London's airports as key in itself – they want a level of connectivity that will enable them to compete effectively in world markets with high levels or service quality;
- The Government appears to have recognised the need to look longer term through its review of aviation policy;
- Heathrow runway capacity could be increased without the addition of a third runway, by the introduction of mixed mode operation on the two existing runways although this would only be a short to medium term solution;
- The addition of further runway capacity at either Stansted or Gatwick would be helpful although the need is less urgent than foreseen in the 2008 City Aviation study given they have seen a greater downturn in demand during the recession;
- The construction of a major new airport in the Thames Estuary has its merits although the high cost makes this a very long term option;
- While high speed rail has the potential to reduce pressure on London's airports, the development of a high speed rail network would probably only lead to a 7%-9% reduction in passenger numbers at Heathrow.

Capacity Trade and Credit: Emerging Architecture for Commerce and Money

December 2011
Research Report

Prepared by Z/Yen on behalf of the City of London Corporation, the Economic and Social Research Council (ESRC), and Recipco, this report looks at the feasibility and benefits of establishing a capacity exchange, or hub of capacity exchanges, in the UK to help facilitate multilateral reciprocal trade. While still at an early stage of development, the research concludes that such exchanges represent an untapped opportunity for London particularly if a more solid regulatory framework was put in place to encourage progress.

The concept of capacity exchanges

This report defines capacity exchanges as "membership-based systems within which companies can trade available capacity in the form of goods, services and infrastructure within and across industries, using common tender as a medium of exchange".

While the majority of business-to-business trade uses money, companies and governments also conduct trade on a bilateral, reciprocal basis by exchanging goods for goods without money. Non-monetary capacity exchanges outside of the conventional financial system would allow businesses with spare capacity in their own goods, services, or infrastructure to utilise their surplus via an exchange to finance the purchase of other goods and services needed. This type of trade is often seen as less efficient than monetary trade since it requires finding a suitable counterparty at one point in time and is often more contractually complex.

Multilateral reciprocal trade (more common amongst SMEs in local or national trading networks) using common tender i.e. a means of exchange that is widely accepted without legal coercion, is not new but information technology is transforming its ease, familiarity and potential to develop at scale. The internet based multilateral exchange discussed in the report could potentially lower transaction costs through market clearing.

The research suggests five main areas where policy makers could foster multilateral reciprocal trading structures;

- Improve understanding of multilateral reciprocal trade;
- Regulation for common tender – to build confidence and prevent fraud for example;
- Regulation for capacity exchanges – to improve credibility, develop standards of business conduct, and advise on tax treatment and obligations;
- Establish a centre of excellence through an 'office of capacity exchanges';
- Integrate capacity exchange hub policies with wider government policies.

London is uniquely placed

The report finds that London, which has long been a centre for diversity in trade and exchange because of its people, business environment, market access, infrastructure and general competitiveness, is uniquely placed to facilitate the expansion in scale needed for larger government and multinational organisations to utilise capacity trading more efficiently. The potential however depends on the level of trust that participants place in the exchange model and the common tender, as well as the levels of liquidity. A clearer, more solid regulatory framework for capacity exchanges might encourage more rapid development.

Relaxation of Planning Rules for Change of Use from Business to Residential

November 2011
Topical Issues Paper

This topical issues paper, prepared for the City of London Corporation by Quod Research, looks at the implications for the City of London from the Government's proposals to change the Town and Country Planning (General Permitted Development) Order, to allow business premises to be used for residential use.

The paper makes the case for excluding the City of London from the change arguing that the continued success of London as the world's leading financial centre could be threatened by a change that could undo 30 years of town planning strategies which have been successively endorsed by Planning Inspectors and the GLA.

Other key findings include;

- The City is unique in hosting a planned concentration of business and supporting uses. The density and intensity of business use is essential for the 24/7 operation of the City and for its ability to renew itself through large scale development. Increased residential use would remove this flexibility;
- Evidence shows how residential use introduces longer lease structures and rights to light and privacy which can inhibit the ability of the City to adapt and develop;
- Residential values often exceed office values at different times in the economic cycle, meaning that as much as 13msq ft of office space could be at risk from the proposed relaxation of the planning rules.

The paper concludes that the proposed amendments to the Order can achieve their purpose nationally without applying them to the City of London. The City is a geographically small area where the benefits of relaxation are likely to be small in terms of residential uses generated, but would have seriously adverse consequences to the integrity and future of the City.

Electricity Regulation and London's Central Business District: Planning for the Future

Due to be published February 2012
Research Report

This report, co-funded by the City of London, London First and the City Property Association, looks at how utilities provision and regulation affects development in the City and Central London and associated investment in the Square Mile. The research is being carried out by South East Economics and Stephen Jones Associates.

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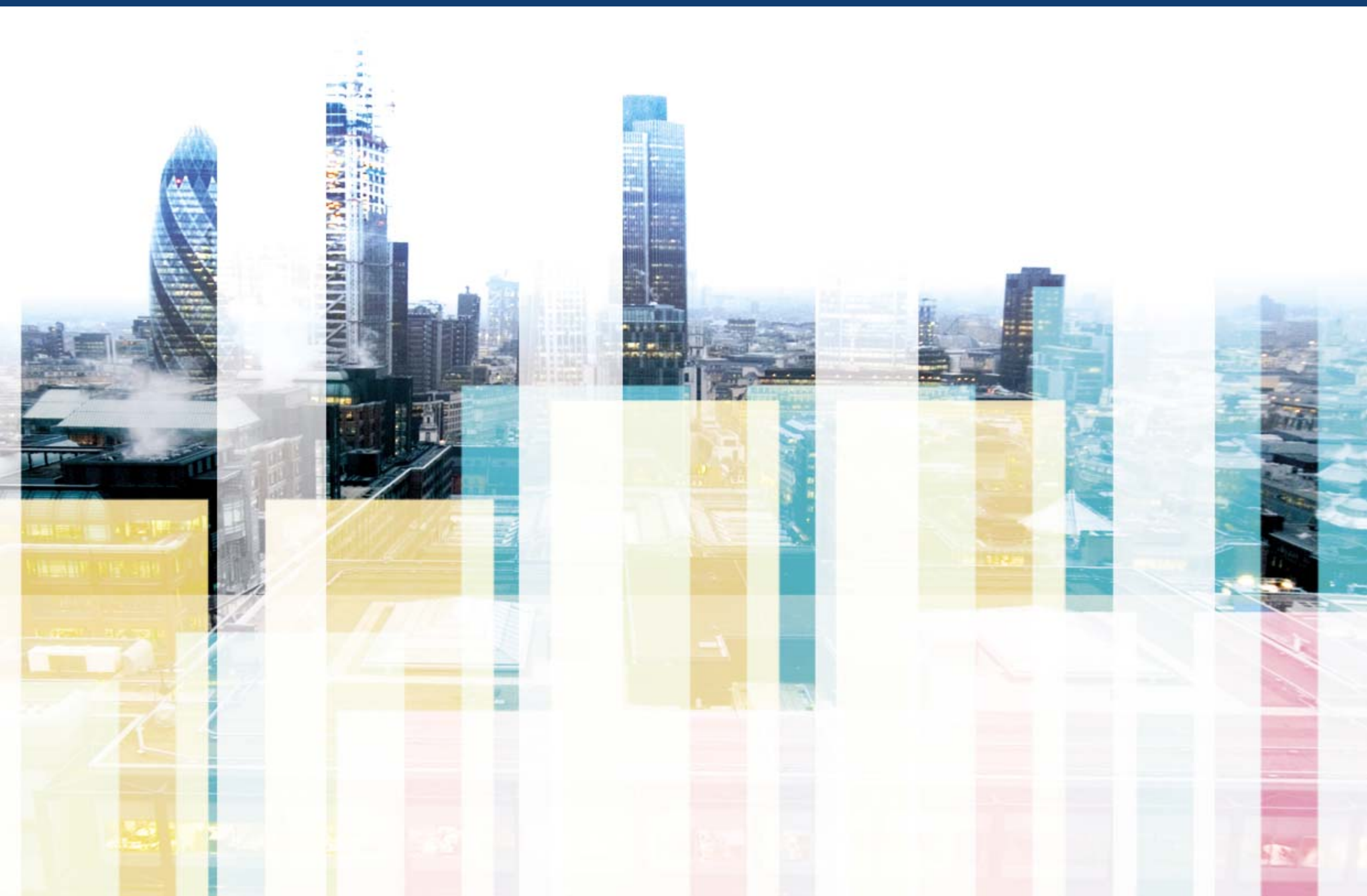
Competitiveness and Taxation



Access to Global Talent – The Impact of Migration Limits on UK Financial and Professional Business Services

November 2011
Special Interest Paper

Authored by Consensus Research, this special interest paper assesses the impact of changes to UK migration policy such as the introduction of the migration cap in April 2011, and what impact these changes might have on the attractiveness of the City of London and the UK for businesses which rely on non-EU/non-EEA skilled migrant workers. The research looks at a representative section of London businesses and explores what the impact of the new economic migration limits was on their first six month recruitment period under the new rules.

The initial findings suggest that while businesses had negative perceptions about the new migration limits, only a few reported problems in securing the visas required from April to October 2011, although this may have been related to the addition, by some businesses, of additional resources to manage the migration issue.

Delaying expansion

Longer term uncertainty around migration limits has meant some businesses have postponed or delayed expansion because of the on-going uncertainty around the direction the Government will take. Competitors in global locations however have been able to proceed with future planning which has provided these global locations with a planning advantage. Most global businesses interviewed reported a 'blind' recruitment approach, where the focus was on securing the 'brightest and the best' regardless of location.

Other key findings include:

- Businesses have faced higher costs as a result of their increased responsibilities such as ensuring visa applications and processes are compliant;
- Larger companies have been better equipped to absorb the additional resource requirements such as the hire of specialist migration specialists, while the proportional impact on smaller businesses has been greater;
- Businesses providing legal services have expressed concern around how the new rules would affect their recruitment while global businesses, which need to move staff between international locations on short and seasonal assignments, reported that the new rules have inhibited their ability to move staff;
- Outside London, the minimum income thresholds now required are more difficult to achieve in areas beyond the south east and the inability to bring in global talent for regional locations affects how businesses diffuse knowledge across their operations;
- Restricting the movement of talent to the UK could generate reciprocal policies from other countries – if a non-EU/non-EA based company cannot send talent to the UK, they would have a strong case in refusing UK-based talent access to their locations;
- Some businesses have reported losing internal teams to other global locations. While this was not widely reported, it could be an early sign of a silent and potentially devastating trend for the recovering UK economy.

Government has expressed a willingness to listen when it comes to migration policy and some businesses surveyed offered opinions around future direction which included the need for stability so they can plan their recruitment needs several years in advance. They also reiterated the critical nature of Intra Company Transfers (ICTs) which they believe should remain outside the quota system.

London's Competitive Place in the UK and Global Economies

January 2011
Research Report

In the context of an uncertain global economic climate, this study, authored by Oxford Economics, examines the globally competitive advantage that London offers for the UK and EU economies and the crucial role that the capital will play in driving the UK economic recovery.

A dynamic world city

Between 2000 and 2009, London's population rose by 7%, outstripping the growth in the national population of 4% over the same period with the capital hosting 1.7m working graduates in 2010, as well as being home to a disproportionately large number of alumni from the world's elite universities.

London creates 21% of the UK's total Gross Value Added (GVA) and made a net contribution of £1.4 billion in 2009-10 – the only positive figure among all other regions of the country. This figure however was well down on the average annual figure over the previous decade of £17 billion, reflecting the impact of the global economic downturn.

With its focus on global financial services, the report concludes that London's economy was always going to suffer significantly in terms of job losses and has probably experienced a recession on a par with that seen in other parts of the UK. Indeed, despite the 'high end' nature of London's economy capturing much of the publicity, significant pockets of deprivation, worklessness and economic under performance exist, with four London boroughs in the national top ten of most deprived locations.

Leading the UK recovery

London however is expected to lead the UK recovery with its fortunes closely linked to the flow of world investment which is likely to grow, giving rise to bullish expectations for the capital's economy in the medium term. This should result in a significant increase in future tax receipts with London's net contribution to the UK fiscal position forecast to rise substantially by 2015/16.

The risks ahead

The study concludes that there are significant risks ahead to the economic recovery given prevailing uncertainties – the scale and impact of public sector cuts, the state of the Eurozone economies, the sustainability of the global recovery – and growing challenges to London from global cities across the world. London's pre-eminence in global financial and business services cannot be taken for granted and concerns over issues like higher taxation, increased regulation, infrastructure issues and immigration need to be addressed as well as reputational damage from the financial crisis.

London's contribution to reducing the overall UK budget deficit back to manageable levels will be crucial although the level of tax and rates levied at businesses in London are a potential competitiveness issue for the capital and have become a significant source of uncertainty for companies looking at a London base.

Understanding Global Financial Networks: Business and Staff Location Decisions

May 2011
Research Report

Produced by Ipsos MORI, this report, based on interviews with 40 high-level financial services professionals, examines how businesses and highly-skilled internationally mobile staff take decisions about locating in particular financial sectors and how those decisions are influenced by a complex interaction of factors. The research also considers perceptions of the four leading global financial centres – London, New York, Hong Kong, and Singapore.

Influencing the choice

The three main sets of factors that global businesses and their highly skilled employees take into account when deciding where they will be based are proximity to clients, the business environment, and the availability of skilled local talent. Other sets of factors such as infrastructure and quality of life have less of a material impact on business location decisions, but do affect how staff view centres and consequently have an indirect impact such as the need to pay more to staff moving to centres perceived as less attractive.

Given these factors, each financial centre cannot be all things to all people and must play to its strengths. Centres must therefore clearly communicate their "vision" for what they want to be to those making decisions about where to locate their businesses, as well as mobile staff thinking about where they will move.

Characteristics of financial centres

- London and New York are characterised by their status as long-established hubs and their ability to offer a critical mass of talent, a wealth of technical knowledge and access to the largest clients and support service providers. London is seen as having developed a more international outlook by virtue of its geographical and time zone location while New York is seen as more internally focused and geared towards its huge domestic market. Those interviewed are aware of the shift in the centre of gravity in the financial sector towards the emerging markets, but there is no consensus as to what this might mean for the established centres;
- Singapore and Hong Kong by contrast are described in terms of their huge growth and potential for continued success, although this is constrained to some extent by factors such as size and limited access to the networks of expertise and clients that differentiates London and New York. Singapore is frequently discussed in positive terms particularly when it comes to the ease of doing business, which suggests a model approach for how to attract businesses to relocate.

London does however, according to the report, retain its reputation as the most global of all financial centres and is well placed to capitalise on its advantages particularly in the key factors of human talent and the business environment.

The Total Tax Contribution of UK Financial Services (fourth edition)

December 2011
Special Interest Paper

Prepared by PwC for the City of London Corporation, this is the fourth edition of The Total Tax contribution study and looks at UK tax payments by financial services companies in their accounts to the year end of 31 March 2011. The purpose is to show the size of the contribution that the financial services sector makes in tax revenues in the UK and how this has changed over time and been impacted on by the financial crisis.

Total tax contribution

The tax calculation methodology used looks at all the different taxes that companies pay and administer whether related to direct taxation such as corporation tax and business rates, or those that they collect such as employee income tax and NIC administered through the payroll, or insurance premium tax charged to customers.

In 2010/11, the report estimated that a total tax contribution of £63bn was made by the financial services sector, accounting for 12.1% of the total UK tax take. This figure represents a rise from the figure of £53.4bn (11.2% of tax receipts) reported for the 2010 study; a rise attributed to higher figures for corporation tax paid, irrecoverable value added tax, and employment taxes borne and collected.

The sector employs more than 1.1m employees, representing 3.9% of the workforce, and generating total employment taxes of £29.2bn, including both the employment taxes borne by employers, and those collected from employees under Pay As You Earn. Employment taxes are the largest borne and collected by financial services companies, totalling, on average, £20,269 for each employee. Since the last survey, employment taxes have also risen reflecting the one-off bank payroll tax charged on 2009 bonuses, as well as the withdrawal of personal reliefs and a higher top rate of income tax.

Other elements of the total tax contribution looked at by the study include:

- Corporation tax payments from the financial services sector rose 28.5% between 2010 and 2011 (but are still 40.7% lower when compared to the first edition of this study in 2007);
- Irrecoverable VAT contributed an estimated £5.9bn, with the average cost to financial services companies rising by 24%;
- The banks are the largest taxpayers in the sector paying 72.8% of the total taxes borne and 66.5% of the total taxes collected.

2012 will see the effect of further tax increases including the 20% VAT rate (which came in towards the end of the 2011 study period) and the new bank levy paid for the first time in 2011.

The UK's Marginal Tax Rate

October 2011
Topical Issues Paper

Prepared for the City of London Corporation by Llewellyn Consulting, this topical issues paper provides an economic analysis of the detrimental impact the 50p top rate of income tax could have on long-term growth in the UK.

Given the importance of economic growth as a key to raising living standards, and the influence that tax policy has on growth, the policy challenge for governments is to set up and maintain a tax system that collects sufficient revenue at least cost, while minimising the harm to growth.

Impact of taxes on growth

Taxes that are hardest to avoid by changing behaviour, such as poll taxes or property taxes, are generally seen as having the lowest impact on growth. Corporate taxes however are reckoned to have the most negative impact on growth by discouraging investment and entrepreneurship.

The UK's tax structure is similar to the OECD average at a total tax revenue of around 36% of GDP (compared to 28% for the US and well over 40% for the Nordic countries and some continental European countries). However, the UK's treatment of UK income tax does differ significantly from those in most other high per capita income OECD countries:

- Those in the UK who earn somewhat more than the average wage currently pay less in income taxes and social contributions (as a percentage of the gross amount paid by their employers) than in most European countries;
- The previous highest income tax rate of 40% however, kicked in at a level that is relatively close to the minimum wage. In the US, the highest marginal income tax rate of 42% starts to apply only to salaries that are nearly ten times the average.

The introduction of the 50p rate means high earners in the UK now face marginal income tax rates that are high by any standard, and if the national insurance contribution is also taken into account, the UK worker sees over 60% of his or her marginal income going to the state.

Does all this matter for growth? The impact of income taxes on influencers of growth such as productivity, investment, saving, innovation, employment, work effort and emigration are an important consideration:

- **Productivity**
The impact is significant but minor and indirect, by potentially discouraging youngsters from entering higher education in the hope of earning higher salaries thereafter;
- **Investment and innovation**
Income tax has little impact on investment but high marginal tax rates are found to discourage entrepreneurship and innovation;
- **Employment**
Faced with an increase in marginal tax rates, working individuals might conceivably decide to work longer hours because their income has fallen, or shorter hours, because the relative cost of leisure has fallen;
- **Emigration**
For young, single, talented individuals, the prospect of having to pay much higher taxes at a higher marginal rate for a significant part of their careers could well tip the balance in favour of moving to a country where the tax regime is less onerous.

The question of fairness

The paper concludes that while most people agree that the better-off should pay a higher proportion of their earnings in taxes than the worst off, the proposition that the highest earners should hand over to the state half of any extra earnings is an uncomfortable one, especially when this would raise only a small amount of extra tax revenue.

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The EU and Regulation

Understanding the Impact of MiFID in the Context of Global and National Regulatory Innovations – European Study

May 2011
Practitioner Policy Paper

In 2010, the City of London Corporation published 'Understanding the Future Impacts of MiFID' which looked at the Markets in Financial Instruments Directive (MiFID) and what effect it would have on secondary market equity trading and the perceptions of stakeholders in the UK with regard to pre- and post-trade transparency requirements. To verify whether those UK views are held more generally across the EU, this 2011 study, which has again been produced by London Economics, undertakes a similar survey of pre- and post-trade transparency in a number of financial centres outside of the UK.

Using the same questions as those directed towards their UK counterparts to allow a direct comparison of the results, a sample of brokers, buy-side firms and trading venues were consulted across financial centres including Amsterdam, Dublin, Brussels, Copenhagen, Frankfurt, Luxembourg, Madrid, Paris, Stockholm and Vienna. And in general, the largely positive views of MiFID expressed by those surveyed, echoed what UK stakeholders had revealed in 2010.

The key findings on pre-trade transparency include:

- Some difference between UK and European views when it comes to the desirability of the pre-trade transparency waiver regime and the price impacts of pre-trade transparency;
- Non-UK EU stakeholder views about the price impacts of pre-trade transparency requirements were not clear cut because they found it difficult to disentangle these effects from the impact of the financial crisis;
- In terms of liquidity, non-UK EU stakeholders felt that liquidity fragmentation had occurred because pre-trade transparency has increased exposure risk which has led liquidity to migrate towards/into dark markets.

The key findings on post-trade transparency include:

- Findings across UK and non-UK EU stakeholders were consistent when it comes to the importance of consolidated price information to achieving best-practice execution;
- Barriers identified to establishing consolidated prices included the reliance on commercial vendors to provide aggregate data solutions and the cost of acquiring post-trade information;
- As a way of addressing a lack of consolidated price information, non-UK EU stakeholders recommended that market participants compete with data vendors over data provision while data quality could be improved by clarifying precisely what information to provide and when, for best execution.

The Value of Europe's International Financial Centres to the EU Economy

July 2011
Practitioner Policy Paper

Commissioned by the City of London Corporation and TheCityUK on behalf of the International Regulatory Strategy Group (IRSG), and authored by Europe Economics, this practitioner policy paper explores the clustering of European financial centres – focusing primarily on Amsterdam, Dublin, Frankfurt, London Luxembourg, Madrid, Milan and Paris – and analyses the social contribution of the financial sector to households, business, and government.

Of the eight major International Financial Centres (IFCs) in the EU, London has the broadest cluster with specialisms ranging from international banking, to fund management, and maritime finance. Each cluster however has its relevant areas of specialism, making a key contribution to their host city's output and to national GDP, as well as accounting for a combined total of 800,000 jobs, around an eighth of EU financial services employment.

The financial sector in general and IFCs do however make a far broader contribution beyond GDP and employment. Their main social contribution is in the services they provide to consumers, corporates and governments; ranging from the issuances of bonds that enable business innovation to flourish, to enhancing individuals' standard of living and long-term security through cash-flow management and household insurance.

The report highlights the benefits that the financial sector and IFCs bring:

For society as a whole:

- The payments system, whether it's households or firms paying bills, or individuals receiving their wages or withdrawing money, has evolved so that 97% of monetary payments now take place via the financial system. The social value to society of using money is enormous allowing us to convert our work and assets into money and thence into the things we want to buy, rather than our needing to barter.

For households:

- IFCs provide opportunities for employment and career development across the EU;
- Savings, investment and loans are a critical provision for households whether it's a pension to support themselves after retirement or a loan to enable further education. Pensions funds for example use IFCs as key sites for investment, attracted by the diversification of investment and the matching of maturities of assets and liabilities that it would be harder to achieve in the absence of IFCs;
- Insurance and risk management is also an important function for households and IFCs play a key role in stimulating innovation to help people insure against new types of risk such as those associated with climate change.

For firms:

- IFCs play a key role in capital raising for investment. Firms raise funds in a number of ways, especially by selling shares and corporate bonds, and taking out bank loans. Some €280bn was raised, for example, through IPOs on European stock exchanges between 2002 and 2010;
- Speculation has the potential to add social value by identifying strengths and weaknesses in assets that others have missed. This can provide an early warning to the management of companies that their business is in trouble and give them time to turn things around. If a speculator has got it wrong, there are usually many alternative investors in an IFC who are willing to lend.

For government:

- Governments raise debt through the financial sector allowing them to avoid sudden tax rises, sudden spending cuts, or printing of money in an economic downturn. The value of bonds outstanding in the eight international centres totals €4.7 trillion.

Trends in IPO Listings by SMEs in the EU

October 2011
Practitioner Policy Paper

Recent trends in the US show a drop off in IPO activity particularly amongst small caps, with venture capitalist investors showing a preference to exit via a trade sale. This report, authored by Colin Mason at the Human Centre for Entrepreneurship at Strathclyde Business School, on behalf of the City of London Corporation and TheCityUK, examines the reasons behind the fall in US IPOs and assesses recent trends in European IPOs.

The report concludes that the number and value of IPOs across Europe remains well below 2006-2007 levels despite a recent upswing. This trend mirrors activity over the same period in the US market which, unlike Europe, has actually seen the population of publicly listed companies decline since the late 1990s.

US IPO listings

The decline in US IPO listings since 2001 is illustrated by the drop from an average of 539 IPOs per annum in the 1996-2000 period, to just 69 in 2009. Its market declined from 2001 and although there was a degree of recovery in 2003 and 2004, reaching a modest peak in 2007, it fell between 2007 and 2009. Reasons given for the decline range from regulatory changes, to differences in patterns of funding provision.

European IPO listings

In 2001 there were 309 IPOs across European exchanges. The number dropped in 2002 and 2003 but recovered strongly between 2004 and 2007 (reaching over 800) before falling back sharply in 2008 and 2009. In 2010 and the first half of 2011, numbers picked up again although both the number and the value remain well below the levels of the mid-2000s. Thus, the trend in IPOs in Europe since the start of the millennium has been volatile meaning it is hard to tell whether there is an underlying structural decline.

The European experience has therefore been different to that of the US. While the volume of IPOs has been twice that of the US throughout the 2000s there are reasons for being concerned about the health of the European markets, which are:

- Some of this IPO activity reflects international IPOs;
- Current IPO activity remains well below that of the mid-2000s;
- The experience of individual stock markets is variable with some thriving and others struggling.

IPO trends in Greater China have followed a different pattern to that of Europe and the US. While year-on-year trends have been volatile, China has recorded a big increase in IPO activity between 2009 and 2010, outperforming other global markets.

The paper concludes by exploring ways to ameliorate any decline in listings in Europe and to consider how investor demand for small caps can be raised in order to address liquidity issues.

The Implications of the New Financial Regulatory Architecture

October 2011
Practitioner Policy Paper

This paper, commissioned by the City of London and TheCityUK for the International Regulatory Strategy Group (IRSG) and authored by Charles River Associates, looks at the strategic implications of the new financial regulatory architecture within the EU and the UK. Based on a series of discussions with senior regulators within the EU and the UK, as well as senior staff from member companies of the IRSG, the report follows on from previous work which looked at examples in the financial services sector where UK regulation is super-equivalent to European directives. It now considers how the issue of super-equivalence could develop under new regulatory structures.

The findings confirm that financial services firms in the UK have significant concerns regarding recent and planned changes in the regulatory architecture and approach. There is also considerable tension between policymakers in the UK and the EU as the UK seeks to retain as much flexibility and national discretion as possible, whereas the EU authorities want to deliver a single EU rule book and maximum harmonisation.

Other key findings include:

- It is not clear how the new domestic regulators in the UK will ensure a balance between delivering stability and facilitating growth, particularly in the light of the apparent UK approach to go "further and faster" than the international and Europe regulators;
- It is understood that a fundamental reappraisal of the regulatory regime is necessary in the UK however there is a concern that sufficient regard will not be paid to ensuring the process of formulating rules is transparent and subject to full consultation, and evidence based impact assessments;
- The industry is concerned that there may be a shift towards decision making arising through supervisory decisions which are less transparent than rule-making processes. This could lead to super-equivalence arising "through the back door" without appropriate challenge.

As the new regulatory structure is built, the report also suggests some questions that should be considered including:

- How does the new structure ensure an appropriate balance between stability and growth?
- With the UK wishing to build a system of regulation based on the exercise of judgement while retaining as much national discretion as possible, how is this consistent with the UK's commitment to building a single European rule book and supervisory convergence across the EU?

Filling the Gap in Financial Regulation

March 2011
Partner Publication

This paper, produced by the Brookings Institution and supported by the City of London Corporation, looks at the use of macroprudential regulatory tools. Macroprudential refers to an approach to financial regulation that fills the gap between conventional macroeconomic policy and traditional "prudential" regulation of individual financial institutions. Given the recent severe financial crisis and the serious failure of economic management and financial regulation, the macroprudential concept is to manage factors that could endanger the financial system as a whole, even if they would not be obvious when viewed in the context of any single institution.

Amongst its conclusions, the paper's key findings include:

- There is a growing consensus that macroprudential policy tools are better for preserving overall financial stability and may well be essential;
- Conventional financial regulation is clearly important however the financial crisis highlighted the many ways in which systemic risks can render a seemingly strong bank weak;
- Macroprudential theory emphasises the risk from asset bubbles associated with credit booms;
- The overall macroprudential goal can be broken down in to reducing damage from cycles; and to identify those institutions that present substantial systemic risk and take action to increase their resilience across the board, not just when cyclical risks are most pressing.

Balancing Growth and Stability in EU Financial Reform

May 2011
Partner Publication

With policy makers across the EU facing the twin challenges of increasing economic growth while improving financial stability, this report, prepared for TheCityUK in partnership with the City of London Corporation by Oxford Economics, examines the impact of financial regulation on financial stability and on growth.

The report's key findings include:

- The financial crisis has forced a reappraisal of the regulatory architecture globally, and in the EU and its member states;
- Given the high costs of financial instability for Europe, it is natural for policy makers to make the avoidance of financial crises a high priority but it should be recognised that regulation also carries a high range of costs that can dilute the benefits of a competitive financial services sector;
- The financial system will play a key part in meeting the Europe 2020 agenda for unleashing private enterprise and creating jobs;
- The focus of policy reforms should be on forcing financial institutions to internalise the social costs of their risk-taking decisions rather than suppressing financial innovation;
- Policymakers should aim to put in place an objective, sustainable and flexible regulatory regime. International consistency is also important so as not to risk fragmentation of global capital markets;
- Changes to the regulatory regime should not restrict the potential of the financial sector to contribute to Europe's prosperity.

Economic Development
Research Programme
Review of 2011
Key Areas

International Markets

Insurance Companies and Pension Funds as Institutional Investors: Global Investment Patterns

November 2011
Special Interest Paper

As the growing economies of China and India develop their financial sectors, this report, prepared for the City of London Corporation by emerging markets research specialist Trusted Sources, looks at the role played by institutional investors – pension funds and insurers – in developing sophisticated financial markets, and the contribution they could make towards increasing liquidity and depth in debt and equity markets in both China and India.

Pension funds and insurance companies have shaped financial systems in developed economies while their involvement in China and India has so far been limited. Between 1980 and 2009 in the UK for example, pension assets grew from 20 per cent to 80 per cent of GDP, and insurance company assets increased from 20 per cent to 100 per cent of GDP. Pension funds and insurers also changed their investment approach over that time by investing more in equities and, in the US, in corporate bonds instead of government bonds.

The insurance and pensions sectors in China and India therefore offer huge potential for rapid growth finds the report, and their development will be key for enhancing China's and India's capital markets.

For India, the key findings include:

- The pension and insurance sectors are still relatively underdeveloped, with assets at 7 per cent and 16 per cent of GDP respectively;
- Much room exists for insurers and pension funds to shift asset allocation from government bonds to equities and corporate bonds;
- Restrictions still in place however include regulatory obstacles preventing insurance companies from investing more in equities and lower-rated corporate bonds, as well as an insufficient supply of long-term corporate bonds,
- Measures to help realise the potential contribution of pensions funds and insurance companies include further liberalising investment regulations for insurance companies such as lifting restrictions on equity investments, and removing tax and regulatory constraints on the corporate bond market.

For China, the key findings include:

- Insurance companies and pension funds only hold around 2 per cent of issued shares, although insurance companies do play a bigger role in the corporate bond market where they hold around one third of total non-financial bonds outstanding;
- Asset allocations are still very conservative with insurance companies investing only around 11 per cent in equities; one reason for this conservative approach is the guaranteed return received on Government bonds and negotiated–term deposits with very little downside risk;
- To stimulate greater participation in the capital markets by pension funds and insurance companies, competition among insurance companies should be encouraged, as well as providing tax incentives for Unit Linked Life Insurance Plans; a relaxation of qualification rules for private companies allowed to issue bonds would also be beneficial.

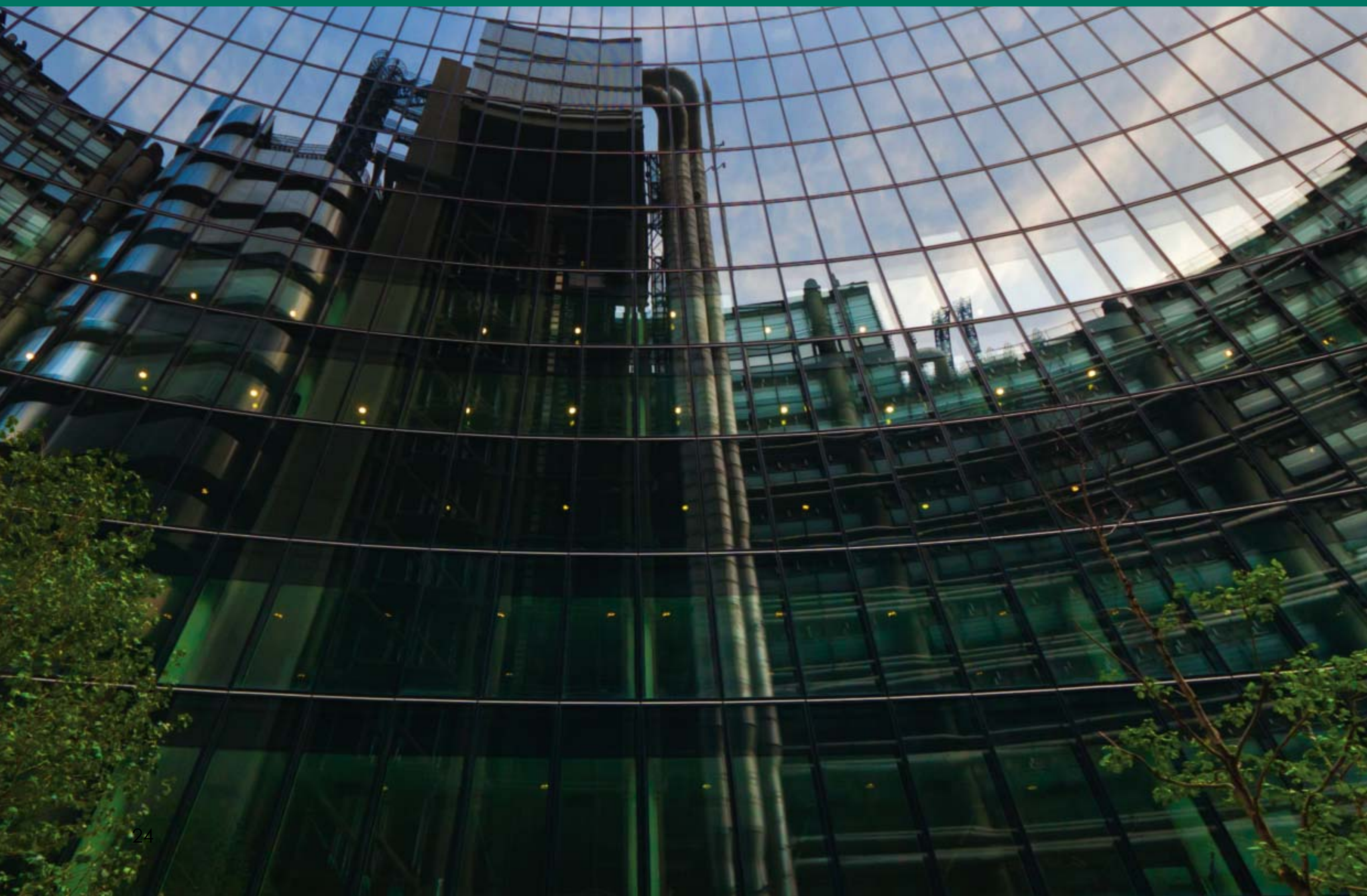
London's Capabilities as a Centre for Renminbi (RMB) Business

Due to be published March 2012
Special Interest Paper

Research to investigate London's current offer, attitudes of users of these RMB products and services, and the potential future growth of this market.

Economic Development
Research Programme
Review of 2011
Key Areas

Corporate Responsibility and Community



Investor Perspectives on Social Enterprise Financing

July 2011
Research Report

As interest grows in businesses which create financial and social returns by tackling society's current and future needs, this report, prepared by ClearlySo, on behalf of the City of London Corporation, the City Bridge Trust, and the Big Lottery Fund, seeks to understand more fully the perspectives of different types of institutional investors towards financing social enterprises. It asks what is the current level of interest, what is deterring investors, and what could improve and accelerate the take up?

Institutional investors are important to the social investment sector's long term growth which has mainly relied on government and philanthropy. To date, despite interest, there appears to be little engagement from the City and institutional investors to provide the financial backing required. The social finance sector is self-contained with the top ten providers of social finance being responsible for 96% of UK social investment in 2010. This report discusses practical ways to attract investors into the sector and develop larger scale new investment opportunities.

The key findings from the research include:

- Investors are more likely to engage if social investment can offer an expectation of market or close to market returns, as well as some guarantee or mitigation of risk, and liquidity if possible to help mitigate risk;
- There is no supply of suitable products to attract institutional investors; most are illiquid, making it hard for investors to exit an investment which adds to the investor's perception of risk. Encouragingly, there are signs that some of these products are being addressed in new product design;
- The Big Society Bank (BSB) could provide £600m of new capital for the social sector and can play a key role in developing the social investment marketplace. The BSB intends to develop new investment products, be an early adopter of social investment concepts, as well as acting as a champion to lever in additional finance.

To accelerate social investment, the report recommendations include:

- The support of intermediaries in building up the social investment market by helping to match investors' requirements with investees' needs;
- The development of infrastructure and products whether it is the BSB supporting platform development for example to allow access to a wide range of products for a wide range of investors, or the tailoring of products to suit particular target investors;
- Public policy changes will be an important driver whether it is lobbying for greater use of fiscal incentives to encourage investment for example, or a consultation on proposals to establish an appropriate finance regime for social and community finance;
- Hold investors' forums to understand the level and type of detail they seek to make and maintain a social investment;
- Analyse the sector and champion its key successes whether it's looking at the loan default rate, or the average length of time to reach sustainability.

Engaging London's Communities – the Big Society and Localism

November 2011
Partner Publication

Prepared for London Councils and the City of London Corporation by Tony Travers of the London School of Economics, this report considers what needs to happen, in terms of partnership between the public sector and community/voluntary organisations, for the government's two major policy reforms of the Big Society and 'localism' to be successful.

The research's main conclusion is that the creation of a new 'micro' institution such as a community improvement district would significantly support both the Big Society and localism agendas in London.

Amongst its key findings, the report found:

- London borough leaders, mayors, and chief executives interviewed were pragmatic about their willingness to use voluntary and private providers to deliver services;
- The voluntary and the charity sector was often highly fragmented, and many organisations would be likely to be too small to take over significant service provision;
- A number of boroughs believed there were services where it would not be possible to use external providers;
- There was little evidence of a groundswell of enthusiasm to 'join up and take part';
- There have been few initiatives to create parishes in London since the legislation was passed in 2007;
- A community-based version of a Business Improvement District – a Community Improvement District (CID) – would appear to offer a possible way forward for both boroughs and government.

Current and Future Public Health and Primary Healthcare Needs of City Workers

To be published 2012
Research Report

The City of London Corporation and the NHS have jointly appointed the Public Health Action Support Team (PHAST) to undertake research into the current and future public health and primary healthcare needs of City workers. The results will be used to inform future health provision in the City in light of the changes resulting from the Health and Social Care Bill introduced into Parliament in January 2011.

Research Events

City of London Research Conference

On 26 January 2011 Stuart Fraser, the City of London's Chairman of Policy and Resources hosted a research conference, and guests from policy making organisations, research associates, suppliers and partner organisations participated in the day. The annual networking reception offered an opportunity to launch and discuss key findings of the following City of London's research reports:

- Total Tax Contribution of UK Financial Services
- London's Competitive Place in the UK and Global Economies
- Understanding Global Financial Networks: Business and Staff Location Decisions

The keynote speaker for the event was Dr Andrew Sentance of the Bank of England's Monetary Policy Committee. The event also encompassed expert discussant responses, a presentation by Doug Elliott of the Brookings Institute, and question and answer sessions.

Investor Perspectives on Social Enterprise Financing

A breakfast seminar held on 13 July 2011 was co-hosted by the Lord Mayor, the City Bridge Trust and the Big Lottery Fund to launch this report (see p25). Starting with a presentation of key findings by report author Katie Hill, in conjunction with ClearlySo, the audience also heard from Alderman Michael Bear (Lord Mayor of the City of London), Nat Sloane (Big Lottery Fund), Rod Schwartz (ClearlySo), Adele Blakeborough (Social Business Trust), and Clare Thomas (City Bridge Trust). A lively audience question and answer session with the panel followed.

Capacity Trade and Credit: Emerging Architectures for Commerce and Money

A breakfast seminar was held on 8 December to launch and discuss this report (see p6). The event was hosted by Stuart Fraser, the City of London's Chairman of Policy and Resources, with a keynote introduction by Lord Sassoon, Commercial Secretary to the Treasury, followed by several expert speakers, and a presentation of key findings by the report's author Professor Michael Mainelli of Z/Yen. The event also included a panel discussion with Paul Sizeland, City of London Corporation, Alpesh Patel, UKTI Global Entrepreneurs Programme, and James Fierro, Recipco Holdings, and was chaired by Lynton Jones of Bourse Consult. The event concluded with a Q&A session on the research and an opportunity for networking.

Access to Global Talent – The impact of migration limits on UK financial and professional business services

The Deputy Chairman of the City of London's Policy and Resources Committee, Mark Boleat, chaired a roundtable meeting on migration to mark the publication of this report (see p9). The assembled roundtable, held on 15 November, included senior representatives of City businesses who had taken part in the research together with those from trade associations and government departments. Discussion was based around the on-going debate over the continued imposition of a migration cap

City of London Statistics

Employment Trends in the City

by Oxford Economics

Economic recovery, at least in labour market terms, has been more evident in London than any other UK region over the last year. Total employment has risen by just over 162,000 over the last 12 months (an increase of 3.4%), and by 101,300 over the last quarter alone (up 2.1%). No other region has experienced as large a percentage increase as London over those periods (Table 1). By the end of Q3 2011, which is the most up to date data for the region, total employment is reported to be approximately 4.93 million, suggesting that the region has regained the majority of its recession job losses.

Table 1: Change in total employment, UK regions

Total workforce jobs	Change last 12 months		Change last quarter	
	No.	(%)	No.	(%)
North East	-15,400	-1.3%	3,400	0.3%
North West	-86,200	-2.6%	-17,400	-0.5%
Yorkshire and The Humber	-20,100	-0.8%	7,000	0.3%
East Midlands	22,200	1.0%	-4,900	-0.2%
West Midlands	-11,400	-0.4%	20,400	0.8%
East	17,400	0.6%	31,200	1.1%
London	162,200	3.4%	101,300	2.1%
South East	36,600	0.8%	-19,100	-0.4%
South West	-29,800	-1.1%	15,700	0.6%
Wales	-1,900	-0.1%	-300	0.0%
Scotland	17,900	0.7%	11,400	0.4%
Northern Ireland	-1,600	-0.2%	1,900	0.2%
United Kingdom	**89,600**	**0.3%**	**150,500**	**0.5%**

Source: ONS workforce jobs, December 2011
Note1: Regions may not add to total UK figure due to rounding
Note2: Workforce job series is due to be benchmarked to the BRES results in March 2012, though it is a more timely indicator of regional performance.

The BRES data suggests a similar story in terms of regional performance, though the magnitudes differ. After facing the third largest proportion of job losses between 2008 and 2009 after the North East and West Midlands, London is only one of three regions (along with the West Midlands and South East) reported to have experienced a rise in total employment between 2009 and 2010.

Table 2: Change in total employment, UK regions

Total employment	2008-2009		2009-2010	
	No.	(%)	No.	(%)
North East	-50,442	-4.6%	-7,335	-0.7%
North West	-42,398	-1.3%	-44,117	-1.4%
Yorkshire and The Humber	-28,042	-1.2%	-40,837	-1.7%
East Midlands	-43,349	-2.1%	-16,747	-0.8%
West Midlands	-109,739	-4.4%	11,350	0.5%
East	-35,509	-1.4%	-39,108	-1.5%
London	-180,455	-4.0%	43,954	1.0%
South East	-88,917	-2.2%	50,513	1.3%
South West	34,371	1.4%	-29,105	-1.2%
Wales	-28,354	-2.2%	-12,154	-1.0%
Scotland	-73,852	-2.8%	-78,886	-3.1%
United Kingdom	**-646,688**	**-2.3%**	**-162,472**	**-0.6%**

Source: ONS Business Register and Employment Survey, September 2011
Note: Regions may not add to total UK figure due to rounding

Job creation over the last year was concentrated in wholesale and retail trade, accommodation and food services activities, information and communication and administration and support service activities, which combined to provide a net increase of over 179,000 jobs (Table 3). The same four sectors have created nearly 85,000 jobs in the last three months alone (or 84% of the total increase). These job gains were more than able to offset the losses that occurred in the financial and insurance activities sector and across the public sector. The government spending cuts have ushered in a new era for the UK; education, health and most importantly public administration will no longer be a source of employment growth. In the year to Q3 2011, London has lost 60,300 jobs within public services, with a fall of almost 37,000 jobs reported in the last quarter alone.

Table 3: Change in total employment by sector, London

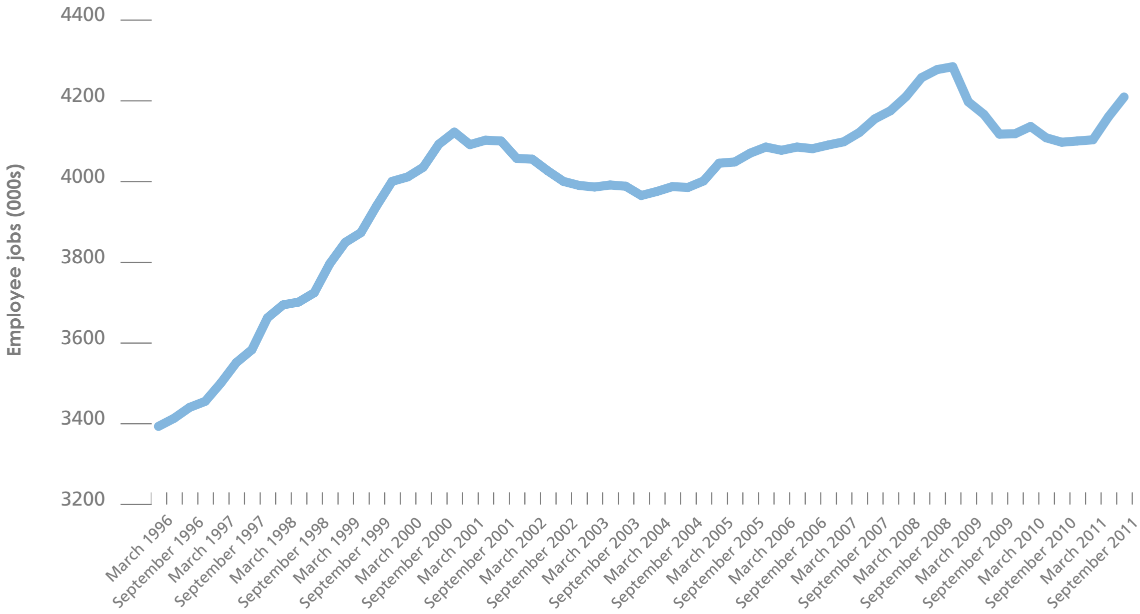
Total workforce jobs		Change last 12 months No.	(%)	Change last quarter No.	(%)
A:	Agriculture, forestry and fishing	-2,700	-90.0%	-1,200	-80.0%
B:	Mining and quarrying	-600	-18.8%	100	4.0%
C:	Manufacturing	-7,100	-5.9%	-3,300	-2.9%
D:	Electricity, gas, steam and air conditioning supply	-600	-8.6%	0	0.0%
E:	Water supply; sewerage, waste management and remediation activities	5,100	35.9%	100	0.5%
F:	Construction	41,800	17.8%	15,200	5.8%
G:	Wholesale and retail trade; repair of motor vehicles and motorcycles	31,400	5.5%	26,300	4.6%
H:	Transportation and storage	8,200	3.3%	-400	-0.2%
I:	Accommodation and food service activities	78,100	27.8%	12,800	3.7%
J:	Information and communication	32,700	10.2%	10,500	3.1%
K:	Financial and insurance activities	-18,100	-4.9%	-8,700	-2.4%
L:	Real estate activities	4,900	5.1%	2,500	2.5%
M:	Professional, scientific and technical activities	7,300	1.2%	28,700	4.8%
N:	Administrative and support service activities	37,200	8.5%	35,000	7.9%
O:	Public administration and defence; compulsory social security	-10,600	-4.4%	-100	0.0%
P:	Education	4,300	1.3%	-3,000	-0.9%
Q:	Human health and social work activities	-54,000	-9.3%	-33,700	-6.0%
R:	Arts, entertainment and recreation	-7,000	-4.0%	13,700	8.8%
S:	Other service activities	12,200	10.1%	7,300	5.8%
	Total	**162,200**	**3.4%**	**101,300**	**2.1%**

Source: ONS workforce jobs, December 2011
Note: Sectors may not add to total figure due to rounding

For the first time in a decade, the share of UK total output contributed by the financial and insurance activities sector has fallen in 2010, to 8.4%. Regardless, the sector continues to increase its share of gross value added in London, accounting for 19.2% of total economic activity in 2009. Approximately 1.12m people work in the financial services sector in the UK, with almost a third of these jobs located in London (351,000 jobs).

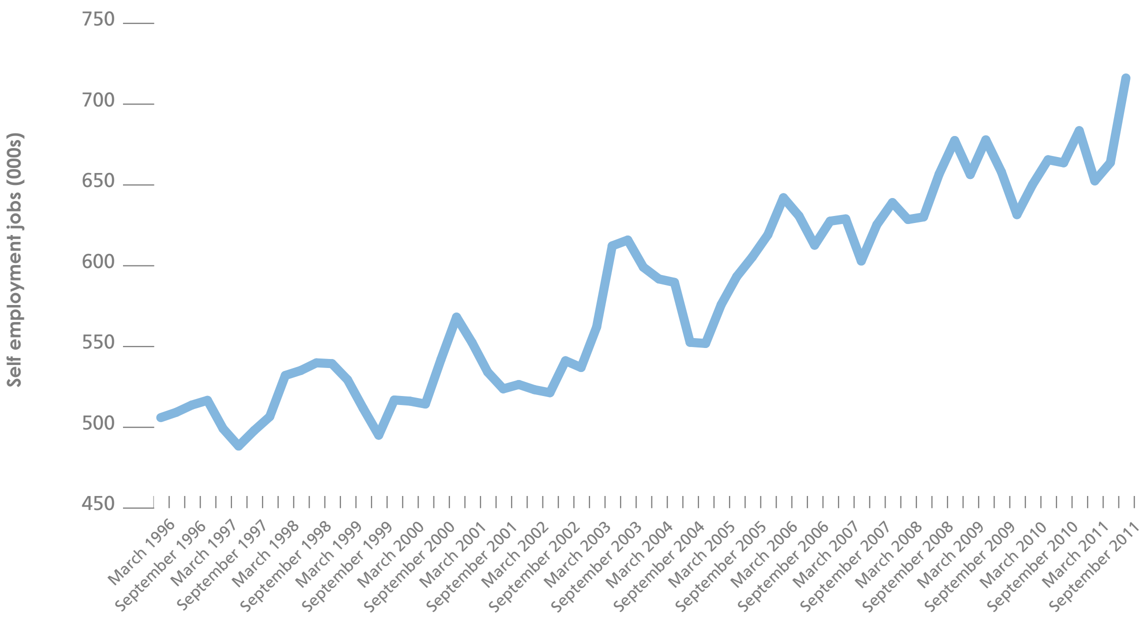
The rise in total workforce jobs in London over the past year has come as a result of a rise in both employee jobs and self-employment jobs (Figures 1 and 2). Employee jobs have risen by 112,000 over the last 12 months and by 49,100 over the last quarter. The rise in self-employment jobs of 52,500 over the last year has meant that self-employment jobs now makes up 15% of total workforce jobs (compared to 14% a year ago). It is also worth noting that the self-employment series, though rather volatile, continued to grow over the recession period.

Figure 1: Total employee jobs, London



Source: ONS workforce jobs, December 2011

Figure 2: Total self-employment jobs, London



Source: ONS workforce jobs, December 2011

Total numbers employed in the City rose by 23,876 (or 7.1%) during 2010 to a total of 359,663, more than offsetting the losses in the previous year. In comparison, total employment fell slightly again in Canary Wharf; just short of 107,000 people now work in the area.

The sectoral structure of total employment for the City of London and Canary Wharf is presented in Table 4. The finance and business services sectors (represented by K, L, M and N in Table 4) make up nearly 78% of total employment in the City of London, and over 69% in Canary Wharf, compared to around 20% in the UK. While employment in these sectors on the whole fell in Canary Wharf during 2010, it rose by 22,185 in the City of London.

A significant proportion of the recent losses within financial and insurance (table 3) are likely to have been lost from within both the City of London and Canary Wharf given, that they each respectively account for almost 50% and 15% of London's employment within this sector. Though growth in other less dominant sectors such as wholesale & retail trade, accommodation, information & communications and administration & support service activities should offset any finance losses. Overall, we would expect that the City of London continued its recent trend of employment growth in 2011, though at a more modest rate. Whereas the rate of decline in Canary Wharf should slow, with employment expected to have remained broadly flat in 2011.

Source: ONS Business Register and Employment Survey, September 2011
Note: Sectors may not add to total figure due to rounding
***Note:** Blackwall & Cubitt Town and Milwall wards add to make-up Canary Wharf

Table 4: Structure of total employment, City of London and Canary Wharf

Total workforce jobs	**Change last 12 months**			**Change last quarter**		
	2009	**2010**	**2010/09**	**2009**	**2010**	**2010/09**
A: Agriculture, forestry and fishing	100	0	-85.2%	0	0	-91.7%
B, D and E: Mining, quarrying & utilities	100	100	42.9%	200	200	-14.0%
C: Manufacturing	1,200	1,100	-7.2%	600	500	-15.3%
F: Construction	3,000	3,600	17.8%	3,700	2,800	-23.8%
G: Wholesale and retail trade; repair of motor vehicles and motorcycles	17,300	15,500	-10.4%	3,500	3,400	-2.0%
H: Transportation and storage (inc postal)	3,200	3,000	-5.2%	1,700	1,900	10.5%
I: Accommodation and food service activities	15,200	15,200	0.4%	3,600	4,100	11.6%
J: Information and communication	21,500	24,300	12.8%	8,300	12,600	51.4%
K: Financial and insurance activities	137,400	152,400	10.9%	51,500	46,200	-10.2%
L: Real estate activities	6,300	6,200	-0.6%	2,600	2,500	-2.3%
M: Professional, scientific and technical activities	86,400	88,000	1.8%	9,500	8,600	-9.6%
N: Administrative and support service activities	26,000	31,700	21.8%	15,800	16,700	6.0%
O: Public administration and defence; compulsory social security	4,300	4,200	-2.1%	3,200	3,600	13.6%
P: Education	3,600	3,800	4.8%	700	700	6.4%
Q: Human health and social work activities	3,100	3,100	0.2%	1,200	1,300	8.2%
R, S, T and U: Arts, entertainment, recreation and other services	7,100	7,400	4.4%	2,300	1,800	-22.3%
Total	**335,800**	**359,700**	**7.1%**	**108,400**	**107,000**	**-1.3%**

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London Economic Outlook

Produced in April and October by Oxford Economics, this publication looks at the forecasts for London's labour market, housing and GDP.

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