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City jobs increasing in 2010 but will remain below peak levels for at least a decade

cebr upwardly revises forecasts since its last release in April, but the number of City workers is 14 per cent below peak levels. We estimate that the credit crunch will have reduced wholesale finance employment in London by 49,000 but jobs will start to come back next year

These are the findings of the latest issue of *London and the City prospects*, a regular publication to be released on Monday 19 October by the **centre for economics and business research (cebr)** — one of the country's leading economic consultancies and respected commentators on the capital's economic trends.

We estimate that the financial crisis cost 30,000 wholesale finance jobs in 2008; a further 18,000 will have been lost over the course of 2009 as containment operations are put into effect. Two of the worst hit sectors have been derivatives and investment banking with job numbers declining by around 31 per cent and 29 per cent from peak respectively as demand for complex products dried up. Merger and acquisition related corporate finance jobs have been hit even harder declining by around 42 per cent from 2007 levels.

In our forecasts for 2009 produced in April, we predicted a greater total loss with 29,000 fewer wholesale finance jobs this year. **The reason for the upward revision to 2009 is the unexpected speed with which the economy has turned the corner.** Many banks are now reporting healthy profits and interest rate spreads have fallen considerably. The FTSE has also shown a marked improvement over the last six months posting its largest ever quarterly gain in the third quarter.

However, we are not out of the woods just yet. The Bank of England will need to maintain its loose monetary policy stance for some time - in part to counter the fiscal drag on economic growth produced by a sharp public sector correction over the coming years.

A sluggish recovery and a lower rate of job creation mean employment in the City will take time to return to pre-recession levels. Looking forward our forecast for the medium term is that the City job numbers will gradually recover from 2010 and rise to 325,000 in 2012. This is still well short of the 354,000 in 2007. Under our central scenario, wholesale financial services employment in

London is not expected to return to 2007 levels until 2021. We expect to see a more cautious City rise from the embers with tougher regulation that sets limits to its growth.

Benjamin Williamson, economist at cebr and one of the report's authors, commented:

'Re-regulation of London's wholesale financial services sector will act to limit its economic activity over the medium term. Whilst the City is still expected to retain its position as one of the world's leading financial centres, growth is likely to remain below recent levels owing to tougher capital requirements and lower yields reducing firms' profits. This means a diminished rate of job creation with employment in the City not expected to return to peak levels for over a decade.'

Table 1. Summary of cebr City Jobs forecasts (year average)

1998	290,000
1999	313,000
2000	323,000
2001	312,000
2002	308,000
2003	317,000
2004	325,000
2005	327,000
2006	343,000
2007	354,000
2008	324,000
2009	305,000
2010	314,000
2011	320,000
2012	325,000

Table 2. City jobs by sector, thousands

	2005	2006	2007	2008	2009	2010	2011	2012
Investment banking	57.9	60.9	62.4	56.0	44.2	46.8	50.4	55.8
Equities and bonds	81.9	83.7	84.8	81.5	74.0	76.8	78.7	79.5
Derivatives and forex	15.5	15.7	16.5	13.9	11.4	11.5	11.7	11.8
Corporate finance	13.2	13.7	15.1	11.0	8.7	9.2	9.9	11.0
Fund management	39.5	43.7	48.5	44.6	49.0	54.1	56.7	57.4
Insurance	40.6	43.0	45.5	42.1	43.7	41.4	39.9	38.6
Professional services	78.2	82.3	81.3	74.7	74.3	74.5	72.7	70.6

*These forecasts are contained in the latest issue of **London and the City prospects** produced by cebr. The forecasts are updated every six months and are available, with subscription to the **prospects** service from cebr (020 7324 2850)*

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NOTES TO EDITORS

London and the City prospects is the quarterly cebr publication on the prospects for the London economy. The forecasts are based on cebr's bespoke economic models and draw on cebr's renowned research on the UK and London economies. Forecasts look at three to five years ahead and provide detail by quarter for Greater London's GDP, jobs, disposable income, consumers' expenditure, wages, inflation and more than 70 critical business variables.

cebr is a leading independent commercial economics consultancy with particular strengths in macroeconomic and market forecasting. The report has been co-authored by cebr staff (for details see below).

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City jobs are defined as 'city type jobs in London'. They include securities dealing, international banking, corporate finance, derivatives and forex activity, fund management (including hedge funds), specialist insurance (eg Lloyds) and professional services such as legal, accountancy and consultancy directly supporting other city jobs. They include jobs in Canary Wharf and in the West End as well as those in the Square Mile and do *not* include non city type jobs – eg in hairdressers, retail or wine bars – even if they are based within the Square Mile. The definition was constructed originally by Professor Tim Congdon of Lombard Street Research for the Corporation of London and was subsequently refined by Douglas McWilliams of cebr.