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City bonuses bounce back by fifty per cent– but still far lower than 2007/8 peaks

Despite public concern over growing bonuses, more competition is the right approach

The bonus payout by the City for 2009 – to be paid at the start of 2010 – is forecast to rise to £6.0 billion, an increase of 50 per cent compared with payments made earlier this year. However, this is still significantly lower than the £10.2 billion paid out for 2007, owing to a poor start to the year and far fewer people now working in the City.

These are the key findings of updated research into the London and City economy by the centre for economics and business research (cebr) – one of the country's leading economics consultancies and respected commentators on the capital's economic trends.

cebr has upwardly revised its April 2009 forecast for bonus payments in 2010 from £4.1 billion. This is principally due to better than expected second and third quarter profits for many leading financial institutions. Although a revision in the methodology has also contributed to the higher estimate.

'Bonuses are beginning to bounce back but will not reach the levels of 2007 anytime soon' says Benjamin Williamson, cebr economist and co-author of the research. 'Profits of major financial sector institutions have jumped sharply; therefore bonuses, which to some extent are a profit sharing scheme have also risen'.

cebr recently estimated that the credit crunch has cut the number of City jobs by 49,000, or 14 per cent, from its 2007 peak. Furthermore, the number of wholesale financial sector jobs in London is unlikely to return to peak levels for at least a decade. Cash bonuses are therefore likely to remain below peak levels for at least five years.

Douglas McWilliams, CEO at cebr, added:

'Banks' profits have risen very sharply this year, reflecting a lack of competition in the market. It is not surprising that the increase in bonuses has matched these higher levels of profitability. Any attempt to deal with bonuses is likely to be either unsuccessful or very damaging unless it addresses the issue of lack of competition which is at the heart of the sharp rise in profitability.

City bonus payout, current prices £ million, attributable year

Year	£ million
2001	3,921
2002	3,329
2003	4,893
2004	5,695
2005	7,130
2006	10,059
2007	10,241
2008	4,008
2009	6,012
2010	6,654
2011	7,098
2012	7,546

NOTES TO EDITORS

cebr's estimates and forecasts for City bonuses are published in *London and the City Prospects*, released to subscribers only on Wednesday 21 October

London and the City Prospects is the bi-annual 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 London's GDP, jobs, disposable income, consumers' expenditure, wages, inflation and more than 70 critical business variables.

The City bonus calculations are based on Office for National Statistics earnings data.

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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