



**BANK OF ENGLAND**

# News release

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## **The City's Growth: The Crest of a Wave or Swimming with the Stream - Speech by Sir John Gieve**

In a speech given today to the London Society of Accountants, Sir John Gieve – Deputy Governor – discussed what underlies the City of London's rapid growth and, therefore, whether it should be expected to continue.

He argued that the economic factors which favour concentration in clusters or hubs in many industries are particularly strong for wholesale finance. The retention of London's international position in finance long after the UK had lost its leading position in the world economy shows how powerful they are.

Above all "London's comparative advantage lies in its skilled labour and financial know-how both in the financial firms and in the professions which support them... That concentration of skilled labour has spurred competition and innovation. We have seen a very striking illustration of this in the last few years with the rapid growth of hedge fund management and private equity firms in London".

He notes that while any position can be lost these underlying economic factors seem likely to favour further concentration of high value wholesale activity particularly with the growth of world trade, the growing prominence of capital markets relative to traditional banking, and the continuing rationalisation within the single European financial market.

"Fifteen years ago people worried that developments in information technology would undermine centres like the City of London. When anyone could log on to receive market information and trade in real time, wouldn't traders flee the hurley burley and relocate to other, quieter and cheaper financial centres or even out of cities altogether? What seems to have happened is the opposite. The reducing costs of collating information and trading at a distance have led to operations relocating to London, and the City becoming an even more important cluster for financial activity. The technology which could have allowed the dispersion of business has instead allowed greater concentration."

He concludes that, while financial markets are benefiting from cyclical factors at present, London is also benefiting from persistent and strong currents which should further enhance its position as a global financial centre in the longer term.

He notes that this will have implications for the development of the rest of the economy and for the risks that it faces, and plans to return to those issues in a future speech.

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2007/speech306.pdf>