

London's Economy Today

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UK GDP growth beats expectations in second quarter



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Data [published this month](#) by the Office for National Statistics (ONS) showed that the UK economy continued to grow in the second quarter of 2025. Output increased by 0.3% in Q1 2025 after growing by 0.7% in Q1 2024 (Figure 1). This rate of growth was higher than the average anticipated from surveyed analysts who had expected the economy to grow by just 0.1%.

The ONS observes that the services sector, an important sector for London, grew by 0.4% in the quarter, while the construction sector grew by 1.2%. However, the production sector shrank by 0.3%. Compared to the same quarter a year earlier GDP is 1.2% higher and it is expected that the UK will have had the fastest annualised growth rate in the G7 for the first half of 2025. Real GDP per head also saw growth on the quarter of 0.2% and is 0.7% larger than the same quarter in 2024.

UK inflation continues to track upwards

The ONS has also published data on [July's Consumer Price Index \(CPI\) inflation](#) this month. This showed that CPI inflation increased to 3.8% in the 12 months to July 2025, up from 3.6% in the 12 months to June (Figure 2). This was higher than expected by most surveyed economists and UK inflation continues to remain significantly above the Bank of England's central symmetrical target of 2% \pm 1%. The ONS also noted that "the UK's CPI inflation rate of 3.8% was significantly higher than the first (or "flash") estimate of inflation for France (0.9%) and Germany (1.8%) in July 2025".

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Datastore

The main economic indicators for London are available to download from the [London Datastore](#).

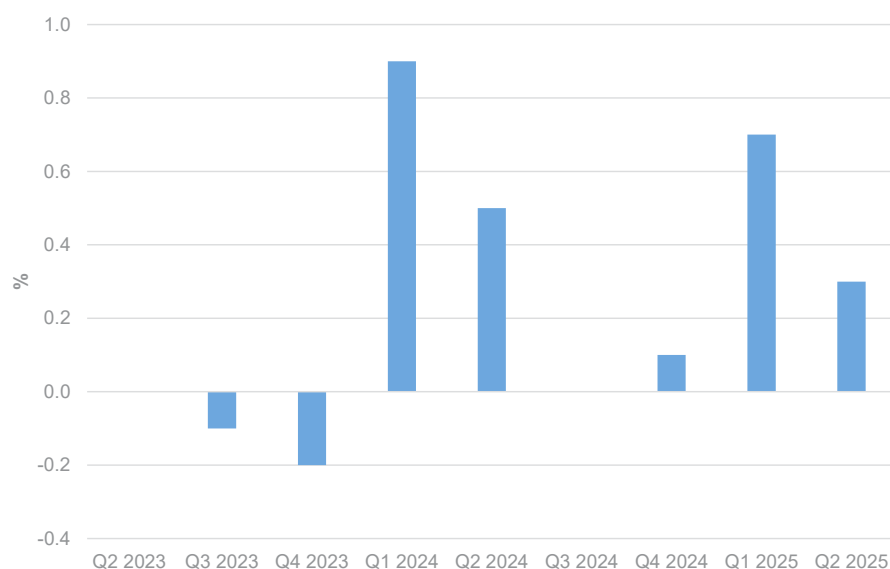


Figure 1: UK real quarterly GDP growth, Q2 2023 to Q2 2025

Source: ONS

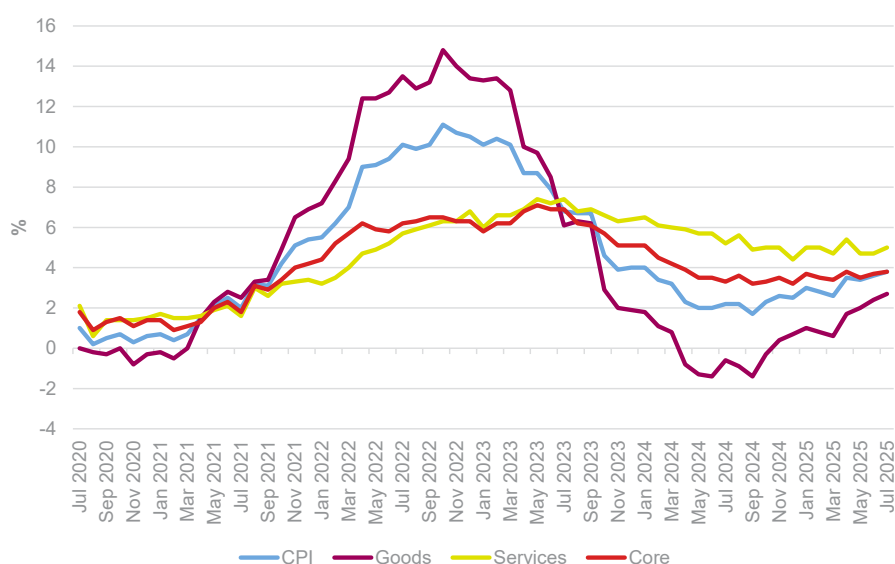


Figure 2: CPI, goods, services and core annual inflation rates, UK, July 2020 to July 2025

Source: ONS, GLA Economics

Looking at the data in more detail the ONS observed that “transport, particularly air fares, made the largest upward contribution to the monthly change”. Beyond the headline inflation figure other inflation measures also rose. Core CPI (excluding volatile energy, food, alcohol and tobacco prices) inflation rose to 3.8% over the year to July 2025, up from 3.7% in June. The CPI goods annual rate rose to 2.7% up from 2.4%. The CPI services annual rate climbed from 4.7% in June to 5.0% in July. The Retail Price Index (RPI) also rose and stood at 4.8% in July. The July RPI rate is often used by the government to set train fare increases for the coming year.

In other cost of living pressures, household energy costs are set to rise with Ofgem announcing an increase in the energy price cap from October. The new cap will mean a typical annual household energy bill for a dual-fuel customer paying by direct debit will cost £1,755, an increase of £35 from the current level of £1,720.

Bank of England cuts interest rates to 4%

Despite inflation remaining above its target, the Monetary Policy Committee (MPC) of the Bank of England voted, by 5 votes to 4, to lower interest rates by a quarter of a point to 4.0% in August. This is the fifth cut in rates since the Bank started lowering rates from their recent high of 5.25%. However, the MPC observed that “to ensure inflation stays low, we will judge how far and how fast to cut interest rates”. Adding “if the

economy evolves as expected, we expect to reduce interest rates further over time” although “there are risks around the path of inflation, which we will continue to assess carefully”.

The Bank also published its [latest economic forecast](#) this month. It said that inflation will likely peak at 4% in September before gradually falling back to target by 2027. While in terms of output it observed that “four-quarter GDP growth is projected to remain close to its recent average level, of around 1¼%, before picking up in the second half of the forecast period” into 2027.

Some mixed signals on US inflation

In the US, inflation held steady with consumer prices rising by 2.7% in the year to July. This was the same rate as in June. However, core inflation did pick up to its fastest rate in six months to stand at 3.1% indicating that some of the recent tariff rises may be being passed on to consumers. US wholesale prices also rose in July by 3.3% compared to a year earlier, up from 2.4% in June and significantly higher than the 2.5% expected by surveyed economists.

While in signs of a slowing economy US labour market statistics published by the Bureau of Labor Statistics (BLS) showed that only 73,000 jobs were added in July and the number of jobs added in May and June were revised down by a combined 258,000. These revisions indicate that only 106,000 jobs were added to the US economy between May and July.

Recent fiscal forecasts point to “an impossible trilemma” of problems for the Chancellor

In its latest [UK economic outlook](#), the National Institute of Economic and Social Research (NIESR) warned that the chancellor faced an “impossible trilemma” of (1) meeting self-imposed fiscal rules, (2) maintaining spending commitments, and (3) honouring manifesto tax pledges. NIESR forecasts the government will breach its [stability rule](#) by £41 billion by 2029-30, and needs to raise an additional £51 billion in revenue to restore fiscal headroom. This counters the more optimistic headroom projected in [March by the OBR](#).

With departmental budgets already agreed and strong internal resistance to further welfare cuts, tax rises now seem almost unavoidable. NIESR highlights (but does not explicitly recommend) that even a five-percentage-point increase in basic and higher rates of income tax could theoretically close the gap – but it is more likely that a package of “moderate but sustained” increases are on the table (e.g., extensions of income tax threshold freezes, higher employer national insurance contributions, changes to pension allowances).

Channels of impact for London are two-fold: for households, whether changes (expected to occur from 2026-28) are explicit or [stealth taxes](#), they will reduce disposable household income, and most severely affect those nearer the bottom of the income distribution. For firms, London’s attractiveness for investment and growth will be further undermined by persistently elevated borrowing costs and investor perceptions of fiscal uncertainty.

Data centres will deliver growth, but will strain grid demand

Data centre construction in the UK is ramping up, with forecasts pointing to the number of sites in the UK growing from [500 to 600 by 2030](#) (a doubling in market size to roughly £17bn). London is expected to account for almost [60% of new national capacity](#) and will remain the primary data centre hub, with 17 new centres planned for the Greater London area (and another 39 in surrounding counties) due to proximity to the capital’s finance, tech, and AI-related firms.

The expansion is projected to add [£44 billion in GVA](#) to the UK economy by 2035, by (1) enabling broad-based productivity gains and digital transformation across manufacturing, finance, logistics, and health, and (2) directly adding over [40,000 high-value operational jobs and 18,200 construction roles](#). However, energy

demand remains the main hurdle for data centre capacity. With UK data centre power consumption forecast to rise [sixfold by 2035](#) to 35 TWh (6% of the entire UK grid), planning frameworks will need to adapt to allow these industrial-scale developments to connect to the grid. To address these pressures, National Grid has already announced up to [£35 billion of transmission upgrades](#) over the next five years, which includes new substations for dedicated data centre clusters. Planning reforms such as classifying data centres as Critical National Infrastructure are also already underway to speed up delivery and simplify grid-application permissions.

The construction sector faces a shortfall of workers

The latest Construction Industry Training Board (CITB) [workforce outlook](#) points to continuing labour supply pressures, with UK construction needing 48,000 extra workers yearly (1.8% of the 2024 construction workforce) to meet growing demand in housing and infrastructure. There are currently more than [140,000 unfilled construction sector jobs nationwide](#), and a third of construction workers are set to retire by 2036. The sector's labour force is also an ageing demographic, with 35% of the sector already over 50 and just 20% under 30 years old.

In London, the problem is exacerbated by the loss of EU labour post-Brexit, with over [200,000 European workers](#) leaving the UK construction sector in total. [Industry surveys](#) show that tendering activity has declined, due to contractors facing the resulting high input costs and a shrunken skilled talent pool. Surveys also point to a change in the type of roles demanded, projecting that nearly half of forecasted roles required by 2029 will be in skilled trades (e.g., carpenters, joiners, and electricians), a shift away from the recent demand for professional/managerial roles.

Labour shortages (and resulting higher wage incentives) drive up costs, slow project delivery, and ultimately lead to failed infrastructure and housing targets in London. Firms are responding by expanding internal training, partnering with colleges, and recruiting more apprentices, but low completion rates remain an issue, with [just under 50% of apprentices finishing their training](#).

IFS says that inner London boroughs could lose out in proposed funding reforms

The Institute for Fiscal Studies (IFS) [published analysis](#) this month looking at the possible impact of the proposed new system for funding councils from central government that is due to be implemented in 2026-27. This system is designed to take account of new assessments of the councils' spending needs and their ability to fund them via council tax. There will be a three-year transition period with funding floors to limit losses for those receiving less funding under the new system. The IFS's analysis found that councils would fair differently under these changes and that "the biggest losers are set to be inner London boroughs, and especially those in inner West London. In particular, ... Camden, Hammersmith & Fulham, Kensington & Chelsea, Wandsworth and Westminster would see funding fall by over a quarter if the reforms were introduced immediately, and would all be on the lowest funding floor and so face a real-terms cut of 11-12% over the next three years even if they increased their council tax by the maximum allowed each year". While on a regional level it found that "London is the biggest loser, with a cash-terms increase in funding of only 8% over the next three years... driven by large losses in inner London (-1%), with outer London as a whole set to fare slightly better than average (+15%)".

GLA Economics will continue to monitor these (and other) aspects of London's economy over the coming months in our analysis and publications, which can be found on our [publications page](#) and on the [London Datastore](#).

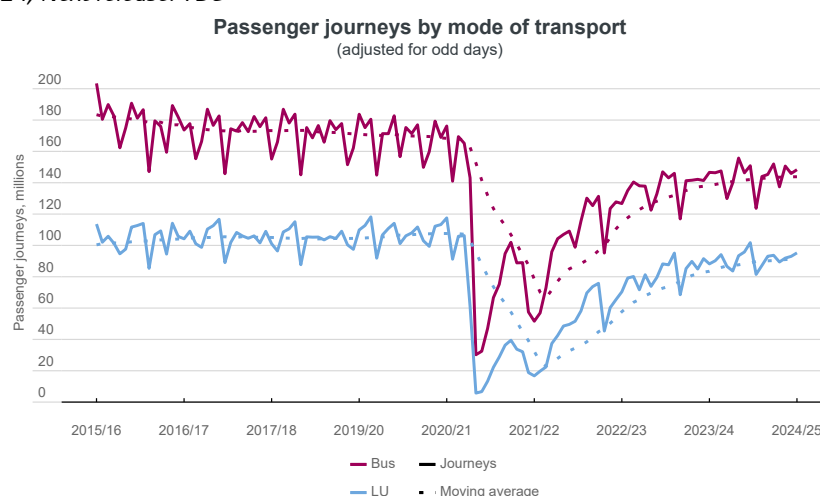
Economic indicators

The underlying trend in passenger journeys on London public transport marginally increased in July 2024

- In 2024, 243.5 million passenger journeys were registered between 23 June and 20 July, 4.7 million more than in the previous period. 238.9 million passenger journeys were registered between 26 May and 22 June.
- In the latest period, 95.2 million of all journeys were underground journeys and 148.3 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose marginally from 234.9 million in the previous period to 235.1 million in the latest period.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed

Source: Transport for London

Latest release: August 2024, Next release: TBC

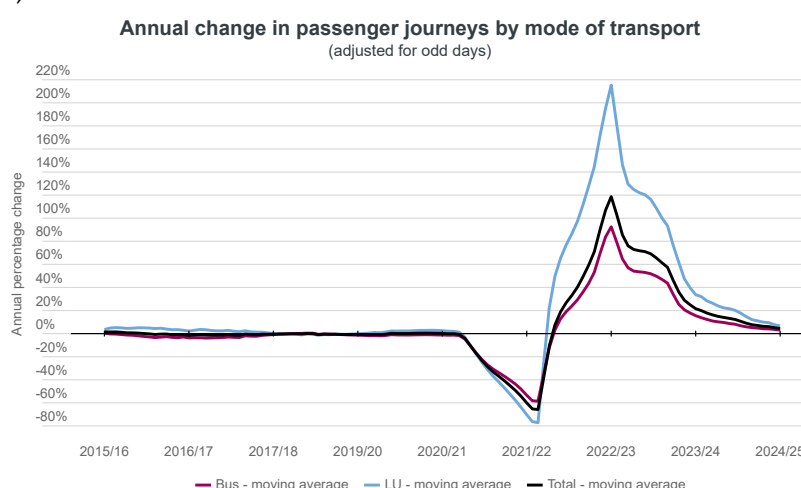


Annual growth in passenger journeys remained positive, if slowing

- In 2024, the 13-period moving average annual growth rate in the total number of passenger journeys was 4.4% between 23 June and 20 July, down from 5.1% between 26 May and 22 June.
- The moving average annual growth rate of bus journeys decreased from 3.6% to 3.1% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 7.7% to 6.6% between those periods.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed.

Source: Transport for London

Latest release: August 2024, Next release: TBC

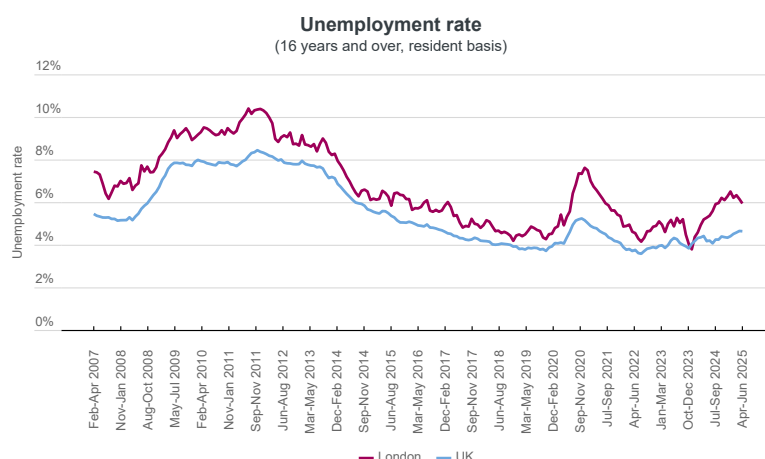


London's unemployment rate decreased over the last quarter

- Around 311,000 residents aged 16 and over were unemployed in London in the period from April to June.
- The unemployment rate in London for that period was 6.0%, a decrease from 6.2% in the previous quarter (January – March).
- The UK's unemployment rate increased to 4.7% in April – June, up from 4.5% in the previous quarter.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey

Latest release: August 2025, Next release: September 2025

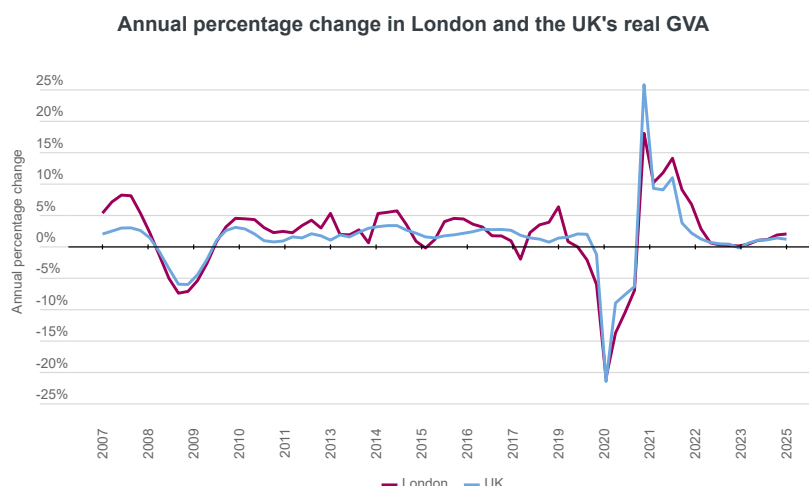


2024 saw renewed output growth in London and the UK

- The ONS has published the annual real GVA for London for 2023, alongside revised figures for 1998 to 2022. Based on these revisions, GLA Economics has updated its quarterly GVA estimates for 1998 Q1 to 2023 Q4, and produced nowcasts for 2024 Q1 to 2025 Q1.
- According to the latest data, London's real GVA grew by 0.3% in 2023, matching the UK-wide growth rate. This followed a significant upward revision to 2022, with growth now estimated at 8.1%, up from the previously reported 4.8%.
- GLA Economics nowcasts that London's output rose by 1.1% in 2024.
- In Q1 2025, GLAE estimates that London's economy grew by 0.7%, in line with the UK-wide growth rate. As of Q1 2025, London's GVA was 5.9% above its pre-pandemic level (Q4 2019), outpacing the UK as a whole, which stood 4.1% above its pre-pandemic level.

Source: ONS and GLA Economics calculations

Latest release: June 2025, Next release: December 2025

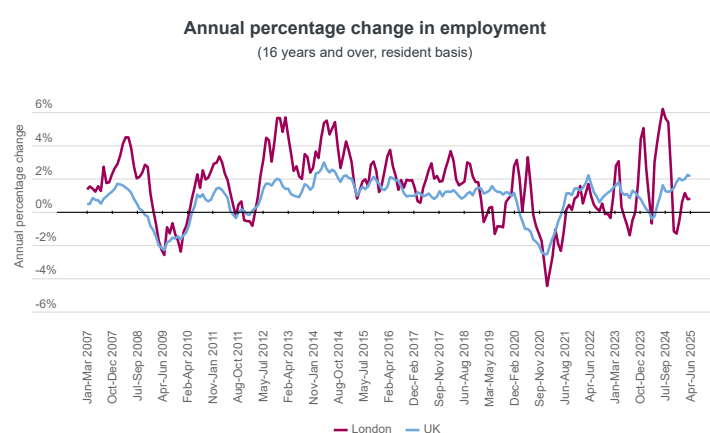


London's year-on-year employment growth rate increased in the quarter to June

- Around 4.9 million London residents aged 16 and over were in employment during the three-month period from April to June.
- London's annual change in employment rose by 0.8% in the year to this quarter, an increase from 0.6% in the previous quarter (January – March).
- Employment in the UK as a whole grew by 2.2% over the year to this quarter, up from 1.9% in the previous quarter.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey

Latest release: August 2025, Next release: September 2025

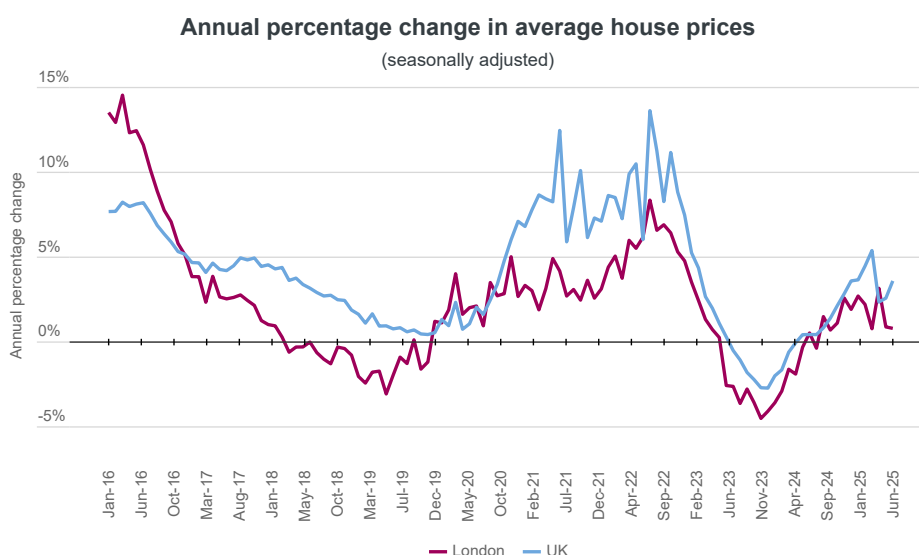


On an annual basis house price growth slightly slowed in London in June

- In June, the average house price in London was £563,000 while in the UK it was £272,000.
- Average house prices in London rose by 0.8% year-on-year in June, slightly lower than the increase of 0.9% in May.
- Average house prices in the UK rose by 3.6% on an annual basis in June, higher than the increase of 2.6% in the year to May.

Source: Land Registry and ONS

Latest release: August 2025, Next release: September 2025

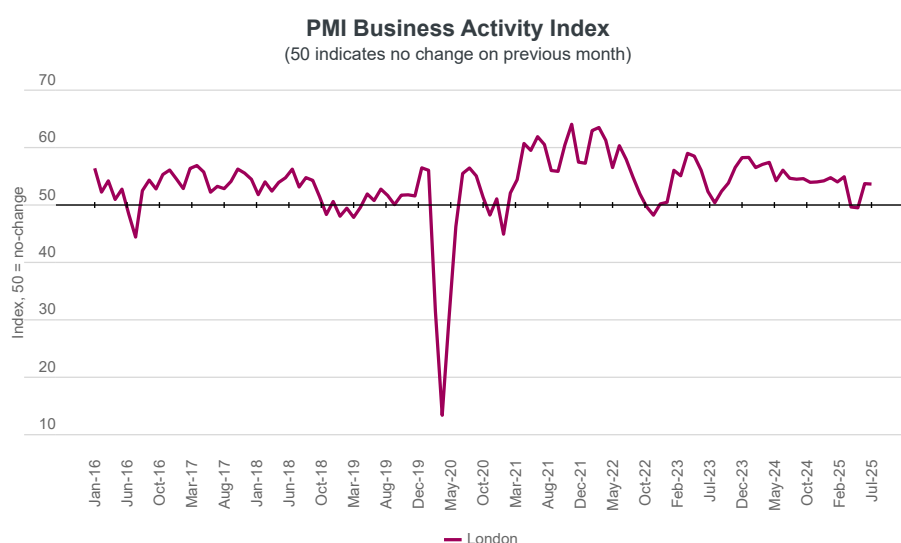


In July, the sentiment of London's PMI business activity index decreased marginally

- The business activity PMI index for London private firms decreased marginally from 53.7 in June to 53.6 in July.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

Source: IHS Markit for NatWest

Latest release: August 2025, Next release: September 2025

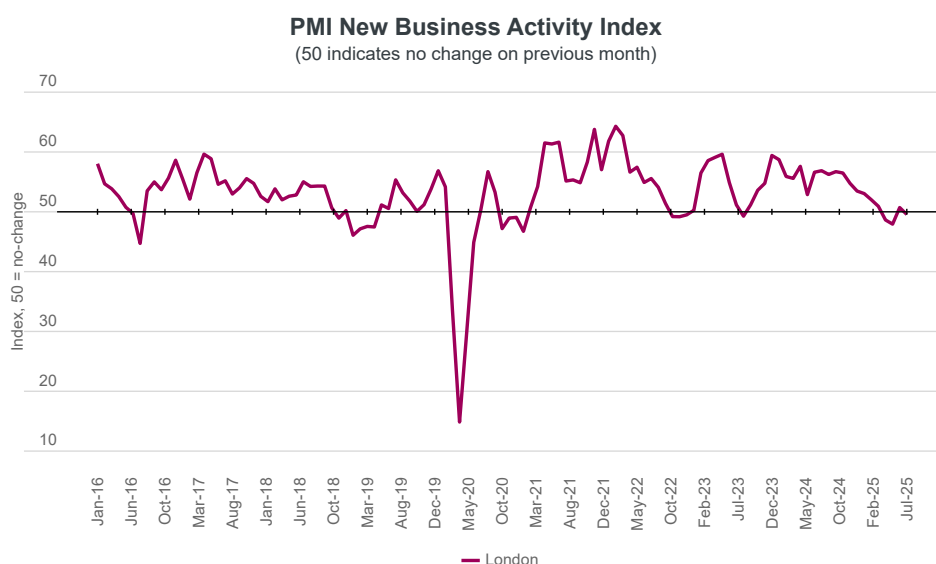


In July, the sentiment of London's PMI new business activity declined

- The PMI new business index in London fell from 50.7 in June to 49.6 in July.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

Source: IHS Markit for NatWest

Latest release: August 2025, Next release: September 2025

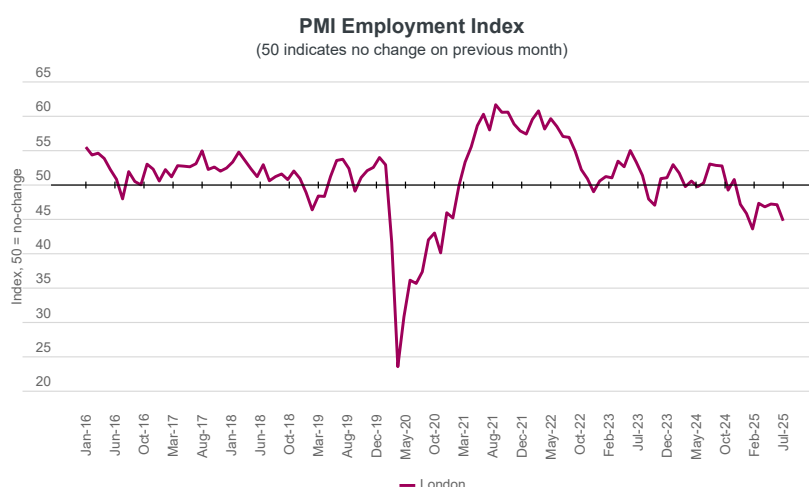


In July, the sentiment of the PMI employment index in London softened further

- The Employment Index for London decreased from 47.1 in June to 44.8 in July.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

Source: IHS Markit for NatWest

Latest release: August 2025, Next release: September 2025

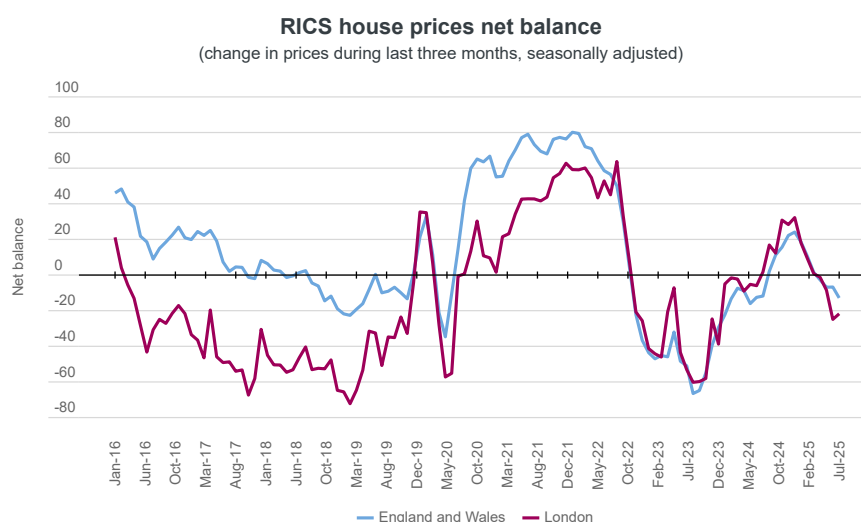


More than half of all property surveyors in London reported house price decreases in June

- In June, more property surveyors in London reported falling prices than rising prices. The net balance index was -22, and it was -25 in June.
- For England and Wales, the RICS house prices net balance index decreased from -7 in June to -13 in July.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors

Latest release: August 2025, Next release: September 2025

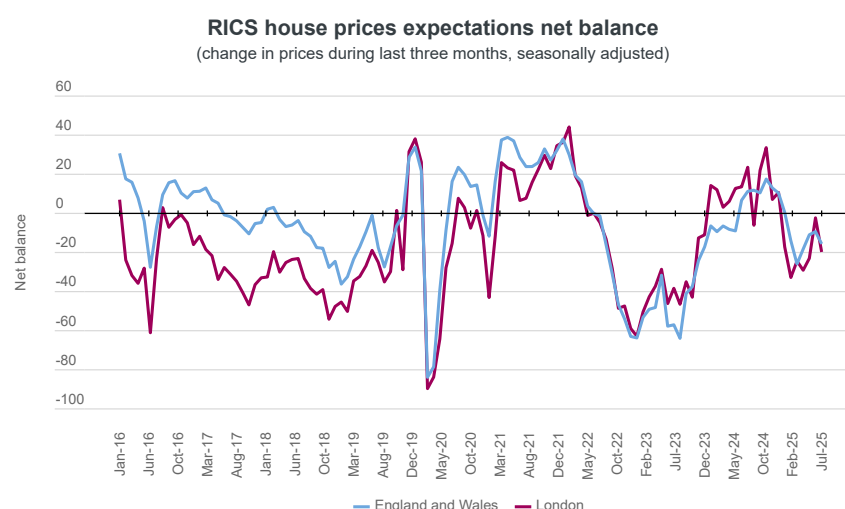


In July, less than half of all property surveyors expressed positive expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -20 in July, down from -2 in June.
- The index for England and Wales was -16 in July, and was -9 in June.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors

Latest release: August 2025, Next release: September 2025

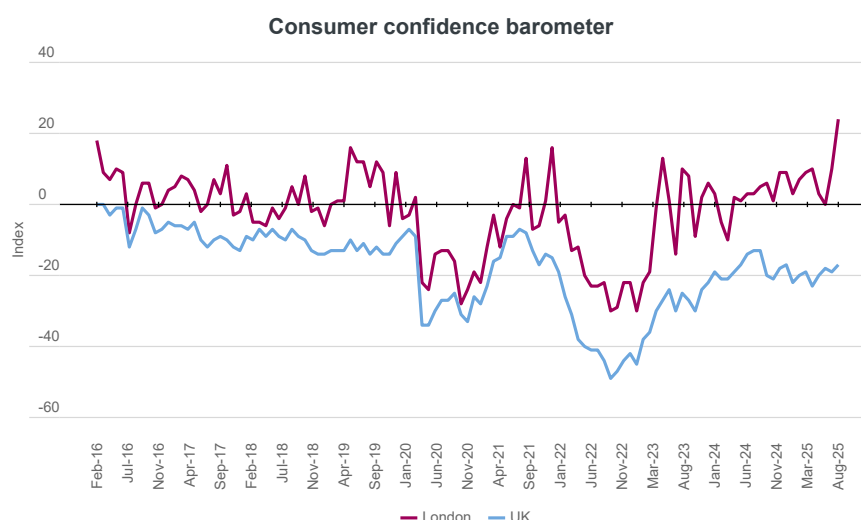


Consumer confidence in London reached a 20-year high in August

- The consumer confidence index in London jumped from 10 in July to 24 in August, marking the highest level recorded in the past two decades.
- The sentiment for the UK improved slightly from -19 to -17 over the two months. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK

Latest release: August 2025, Next release: September 2025



Potential approaches to addressing London's (and the UK's) investment, productivity and growth challenges

By **Adam Yousef**, Senior Manager



While it is widely acknowledged that the UK's poor investment record is undermining both productivity and sustainable growth, it is important that any investment is targeted at specific sectors and activities as opposed to being broadly scattered. In a rapidly-evolving economic context that includes the emergence of 'new economy' sectors and decarbonisation, such a judicious approach to investment promotion is more important than ever.

This supplement presents a broader discussion of potential approaches that could be adopted to address areas of underinvestment in London and the UK, and by extension tackling the productivity puzzle and relatively feeble growth that both have experienced since the 2008 Financial Crisis.

Before delving into the details, it is worth reminding ourselves of the definitions used by the ONS¹ to define certain important terms:

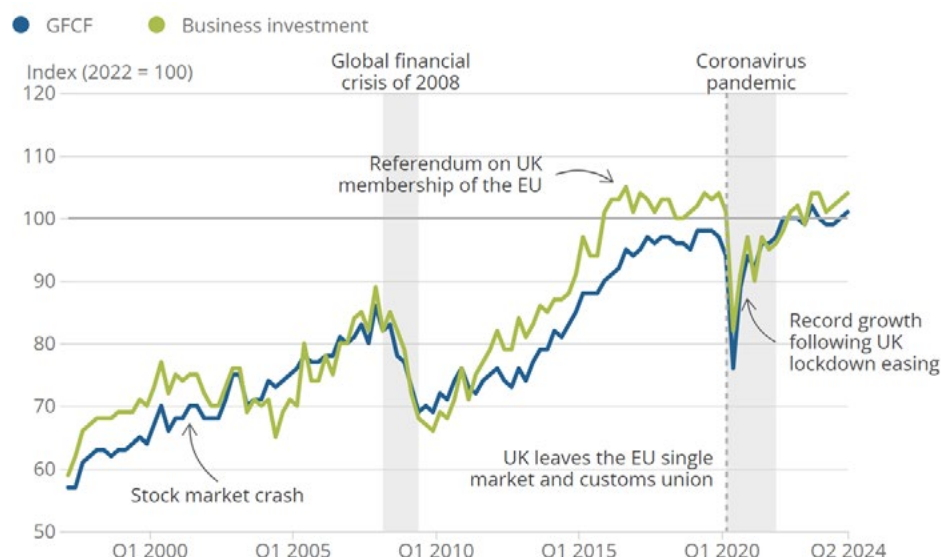
- **Gross Fixed Capital Formation (GFCF):** an estimate of net capital expenditure by both the public and private sectors.
- **Business investment:** Net capital expenditure by businesses within the UK; they exclude expenditure on dwellings and the costs associated with the transfer of ownership of non-produced assets, and capital expenditure by local and central government.
- **Chained volume, seasonally-adjusted data:** This supplement will only look at chained volume, seasonally-adjusted GFCF data as it would adjust for the impact of inflation over time as well as reveal underlying movements rather than incorporate seasonal variation in investment. For example, retailers typically hold more inventories in the run-up to Christmas and government organisations tend to spend more in Quarter 1 of each year at the end of the financial year. The seasonally-adjusted data removes such effects.

¹ Taken from the following source: ONS (2017). '[A short guide to gross fixed capital formation and business investment](#)', May 2017.

1. Reversing business underinvestment and poor capital formation

It is important to note that the latest ONS data on business investment show that it had only returned to pre-pandemic levels in the 2nd quarter of 2024 (see Figure A1). Not only that, but levels are virtually identical to where they were at the time of the 2016 Brexit referendum. By comparison, the picture is slightly better for GFCF; levels are nearly back to where they were in 2022 and slightly higher than where they were pre-COVID. That said, business investment has been increasing faster than GFCF since 2022.

Figure A1: Business investment and GFCF in the UK (1997-2024)



Source: Office for National Statistics

Meanwhile, compared to other OECD countries, the UK's performance on private-sector business investment remains underwhelming – in 2022, it ranked 28th out of 31 OECD countries and the lowest within the G7 since 2020. Moreover, the UK scored at the bottom of the G7 in business investment in 24 of the past 30 years.

With private businesses responsible for the lion's share of job creation in the London and UK economies, no comprehensive solution to the investment, productivity and growth challenges could bypass this issue. The discussion on private-sector investment promotion typically centres on the competitiveness of corporate tax rates. That said, recent economic evidence paints a more complex picture where business investment decisions overly rely on other factors, including but not limited to the provision of civil and transport infrastructure to facilitate production across different phases of the supply chain, political stability, a credible and robust national economic strategy, and subsidies and tax incentives to reduce business expenses (especially those related to innovation and R&D). Moreover, various studies have pointed to poorer management practices in the UK as a reason, singling out [management's limited focus on investment and growth](#) (compared to the US and other G7 countries) and the [limited pressure from their seniors to do so](#) (which correlates with the increasingly remote nature of ownership of UK-based enterprises).

Another major challenge to boosting business investment in the UK is that UK-based pension funds do not invest sufficiently in local businesses and alternative assets. For example, defined contribution (DC) schemes tend to be relatively small and fragmented, which inhibits them from making meaningful investment in UK business. To address this challenge would require measures to boost pension plan consolidation. Moreover, certain studies recommended that central government [devolve 'strategic planning powers'](#) on pension-fund investments to regional and combined authorities to ensure that such investments are channelled into sectors that would enhance outcomes in alignment with local growth plans.

Last but not least, providing a greater voice for workers in the management and administration of UK businesses [could promote further investment and boost productivity](#), as evidence from [South Korea](#) and [Europe](#) suggests, while further support to small and medium-sized enterprises (SMEs), which employ over 40% of Londoners and just under 40% of people in the UK, could certainly help such businesses navigate problems with access to finance and long-term capital.

Many of these potential solutions could also address the problems associated with GFCF accumulation. That said, as GFCF also includes public sector investment, a possible challenge would be public-sector underinvestment to alleviate budgetary pressures (see next section).

2. Ensuring adequate levels of public-sector investment

The share of GDP dedicated to capital formation has been low in the UK compared to the US, France and Germany in most years since the 1960s, and the gap has widened further since the late 2000s. Data from [UNESCO](#) shows that on average, between 2016 and 2022, UK government investment in R&D as a percent of GDP lagged that of many peers, including the US, Germany, Japan, South Korea, and Switzerland. In addition, in 2020, the UK devoted only 1.7% of its GDP on R&D expenditure, compared to France (2.3%), Germany (3.1%), and the US (3.5%). Increasing government spending on R&D as a percent of GDP is imperative in light of the gap between the UK and peer countries who also happen to outperform the country on productivity growth.

That said, public investment should also be targeted at civil and transport infrastructure. OECD data for 2021 shows that the UK's investment in infrastructure (rail, road, and air) lags that of France, Germany, Japan, and the United States. The economic literature clearly demonstrates the positive impact that infrastructure investment has on economic growth- whether by reducing production costs, increasing the productivity of capital, labour and other inputs, or by generating positive externalities that benefit the wider society. Research from the United States shows that the 'multiplier' effects of infrastructure investment are greater than those of other types of fiscal intervention, so that "[each \\$100 billion in infrastructure spending would boost job growth by roughly 1 million full-time equivalents \(FTEs\)](#)". That said, [evidence from the UK](#) would suggest that any such benefits would only materialise in the long run, as in the shorter term transport infrastructure does not significantly promote economic growth and development.

3. Promoting London's role as an incubator of innovation clusters

There is little doubt that nationally, London is the predominant engine driving national economic growth while also holding a competitive advantage in the very sectors that the country needs to retain its global economic competitiveness in the future. Most of these sectors are knowledge-based and rely on innovation to generate the products and services they produce and export. Capitalising on the city's strong reach in these areas is a positive-sum game for the rest of the country, and supporting growth of the city's innovation clusters (across different regions and sectors) is critical.

Recent analysis by Greater London Authority economists using innovative Real-Time Industrial Classification (RTIC) data provided by consultants The Data City points to the following sectors as key incubators of innovation and primary components of future growth:

- **Fintech:** This would include alternative credit, consensus services, crypto-asset exchange, digital banks, digital capital raising, digital custody, digital identity and lending, digital payments and savings, tech-based insurance, and tech-based wealth management. More than 55% of London-registered Fintech businesses are based in Inner London boroughs that are part of the Central Activities Zone (CAZ), which gives this region significant clout in ensuring sustainable economic growth nationally.
- **Artificial Intelligence (AI):** This includes blockchain, advanced data analysis, enabling platforms, green technology, image processing, automation, and machine learning as examples. AI companies exist and are registered in all of London's boroughs, with most concentrating in the CAZ.

- **Creative Industries:** This sector includes digital creative industries (e.g., advertising, architecture, culture and heritage, and design), photography, streaming, gaming, media and publishing. Across London, 3,370 creative industry companies are registered, with those tending to cluster in so-called Creative Enterprise Zones (CEZs) that spatially encompass artists and small creative businesses.
- **Life Sciences:** This sector includes biotech, life sciences manufacturing, “Pharma”, “Medtech” and biopharmaceuticals. London includes just under 2,000 such companies across all boroughs, and these also tend to cluster in Inner London boroughs (where known life sciences clusters such as MedCity are established).
- **Net Zero:** This sector covers energy generation, energy management, energy storage, clean technology and low emissions products and services. With over 4,400 companies, London shines in this sector, with clusters found beyond the CAZ area.

These sectors are likely to remain critical if London and the UK are to transition ecologically and economically towards a more sustainable path to protecting living standards. With London already enjoying a competitive edge in attracting businesses to such sectors and effectively reaping the agglomeration rewards underpinning such clustering, the city is in a privileged position to support the UK's drive towards higher and more sustainable economic growth.

In summary, we can deduce the following:

- The UK continues to lag peer countries in fostering business investment and accumulating gross fixed capital formation. This has played a significant role in undermining productivity and growth.
- Promoting business investment should go beyond reducing the headline corporation tax rate to examine the other subsidies and tax incentives that could be provided to support businesses with their investment needs (in particular SMEs), investment in infrastructure to reduce business costs, encourage regulatory reforms that would incentivise pension schemes to consolidate and invest domestically, and strategies to promote better management practices and greater employee participation in setting businesses' strategic direction.
- Given London's predominant economic position nationally and its competitive advantage in sectors of the 'knowledge-based economy', a national/regional combined strategy that supports London's existing and emerging innovation clusters in key sectors of the new economy would undoubtedly support national efforts to boost economic growth while accounting for the multifarious economic shocks and needs posed by the ongoing environmental transition.

Finally, it should be emphasised that addressing underinvestment is one piece of a bigger and more complex puzzle that relates to London's and the UK's poor productivity and growth record since 2008.

Our latest publications

We publish regularly on the state of London's economy, providing the latest economic data for London and interpret how this may affect policy. This includes analysis of recent developments in London's economy and forecasts for the next couple of years.

We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

We analyse recent developments in London's labour market, by sector and borough.

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The State of London - June 2025

One of our key annual publications, the sixth edition of the State of London report by City Intelligence brings together a wide range of outcome data relevant to the work of the Mayor, the London Assembly and other stakeholders, and measures how London is performing based on the most recent available data.

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Housing Affordability and Economic Productivity

This study estimates the relationship between housing affordability and productivity. Using data from all local authorities in the Greater Southeast Region of England between 2002 and 2021 and by applying econometric methods, the study finds that declining housing affordability has had a significant negative effect on London's economic productivity.

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London's real Gross Value Added (GVA) is forecast to grow by 1.6% in 2025, supported by moderating domestic inflation and improving household sentiment, though global trade disruptions and lingering inflationary risks remain key sources of uncertainty. Growth is expected to strengthen modestly to 1.7% in 2026 and 1.9% in 2027, with growth supported by a more stable macroeconomic environment.

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London's Economy Today is published towards the end of every month. It provides an overview of the current state of the London economy, and a selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA group.

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About GLA Economics

GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.