



Analysis update on London's recovery

Presentation to the London Recovery Board

August 2022

Conclusions

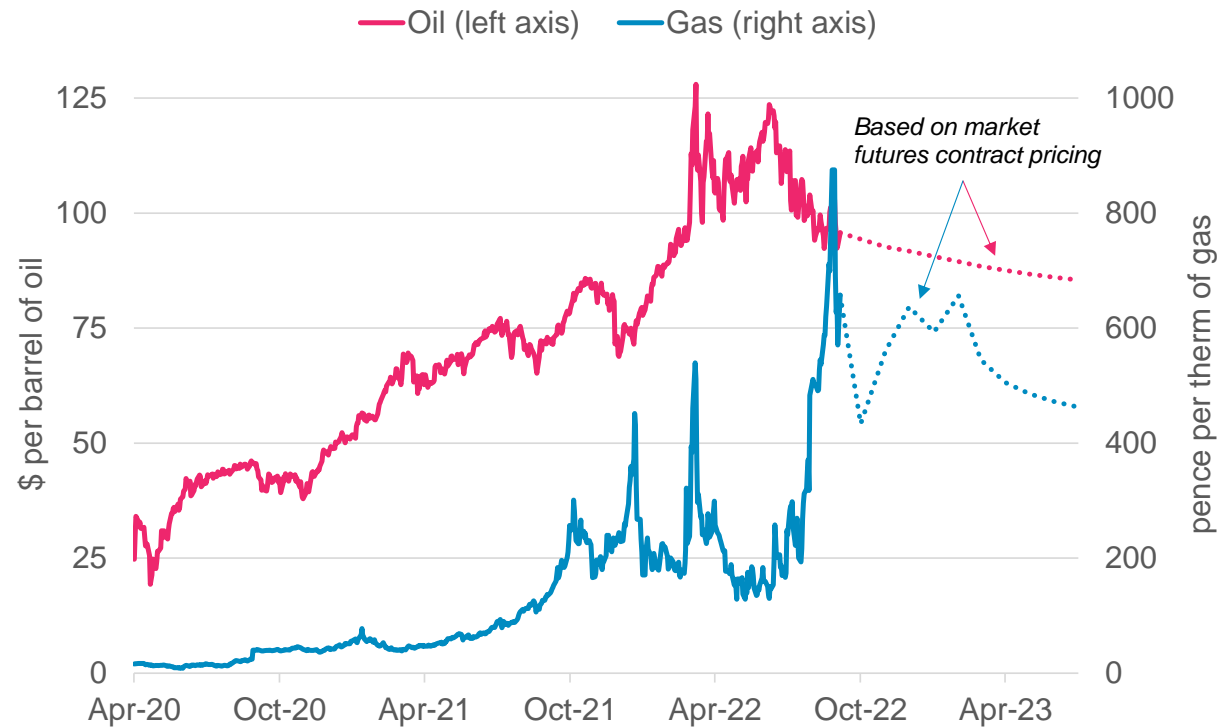
- High inflation and the increased cost of living dominate the current situation for Londoners. This is forecast to get significantly worse with growth stalling into 2023, although the London outlook is less pessimistic than at national level.
- The poorest Londoners are already struggling with the cost of food and other essentials, and these impacts are increasingly being felt further up the income distribution.
- The proportion of working-age Londoners in paid work is still down on pre-Covid levels due to sharp increases in economic inactivity over recent months. The number claiming benefits remains high. There are also early signs of recovery cooling as the economy slows.
- The improving pandemic situation means that Londoners are becoming more mobile. Despite falling real incomes and consumer cut-backs, London retail card spend has not yet been affected by the consumer cut-backs reported in polling data, and despite a downward trend for the UK overall.
- The latest wave of Covid has had less of an impact on health services than previous waves but total deaths in London remain high due to a range of other factors.

Inflation and its impact on households and the economy

- The cost-of-living crisis continues to deepen. Some downside scenarios have suggested that inflation could reach between 15% (Bank of England) or even close to 22% (based on gas price scenarios). Inflation is forecast to stall economic growth in London with a recession for the UK economy overall.
- While evidence suggests Londoners have lower energy bills than other regions, food and other prices are rising faster in London than elsewhere.
- Real wages are declining as rising costs erode the purchasing power of households' incomes and slow wage growth in the lowest-paid sectors is further reinforcing inequalities.
- Just under 1 in 5 Londoners (19%) said they were struggling financially in August, up from 12% in January. July's polling also showed that just under half (46%) of Londoners were struggling with or falling behind on their rent or mortgage payments.
- Data from the Survey of Londoners has shown how financial support with the cost of living needs to be better targeted to avoid increasing inequality.
- Average rents for new tenancies are now rising faster in London than in other regions. - there are roughly half the number of homes available for rent on the market in London than there were prior to the pandemic.

The rate of inflation in the UK is at a 40-year high and set to climb – affecting real incomes and spending

Energy commodity prices, including market projections of future prices

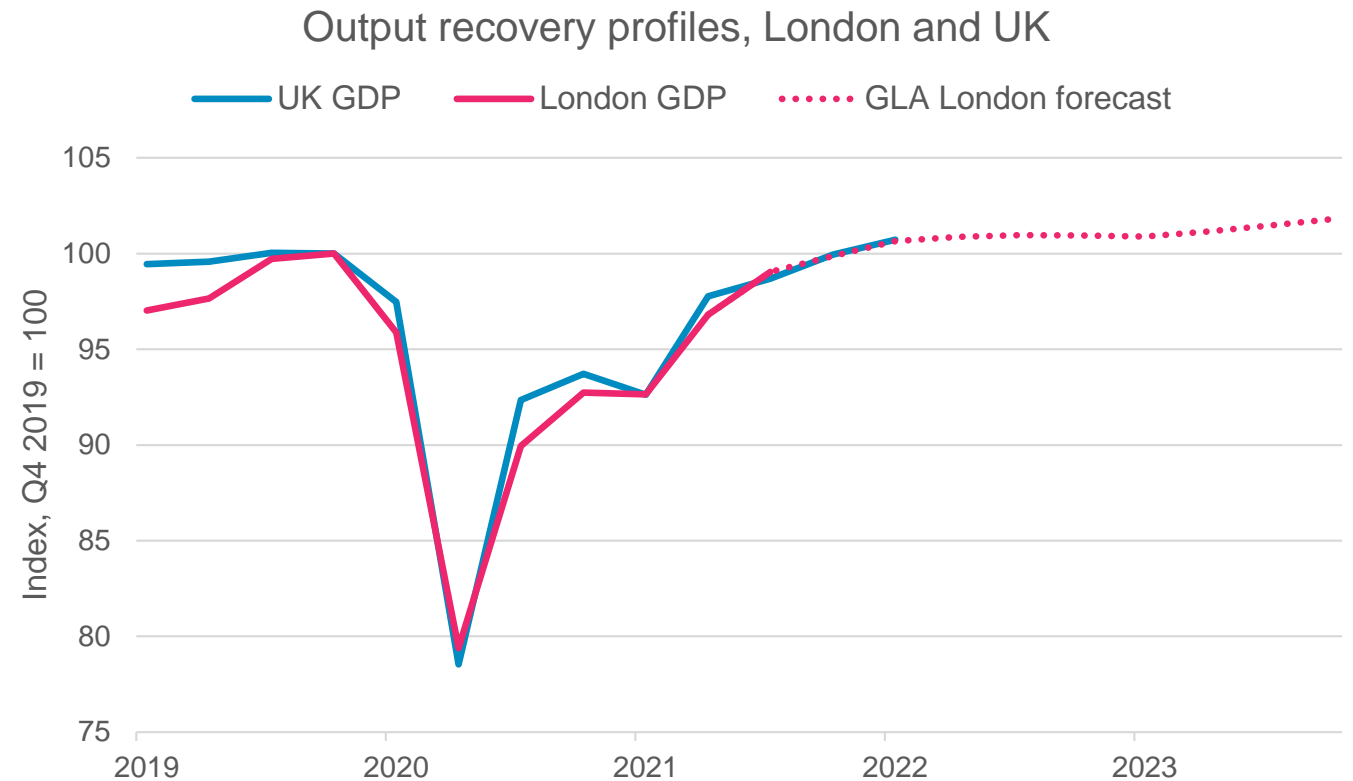


Source: MarketWatch

- CPI inflation hit 10.1% in July, as prices rose across the economy.
- Surging energy and food costs were the largest contributors to inflation as the war in Ukraine raises global prices for gas, oil and grain.
- Market signals suggest that while oil prices are set to steadily ease, gas prices may stay high as geopolitical risks surround Russian supplies.
- Some downside scenarios have suggested that inflation could reach as high as 22%. The Bank of England projects a peak inflation rate above 13% this winter.

After London reached pre-pandemic levels of output in late 2021, inflation will lead to stalling economic growth

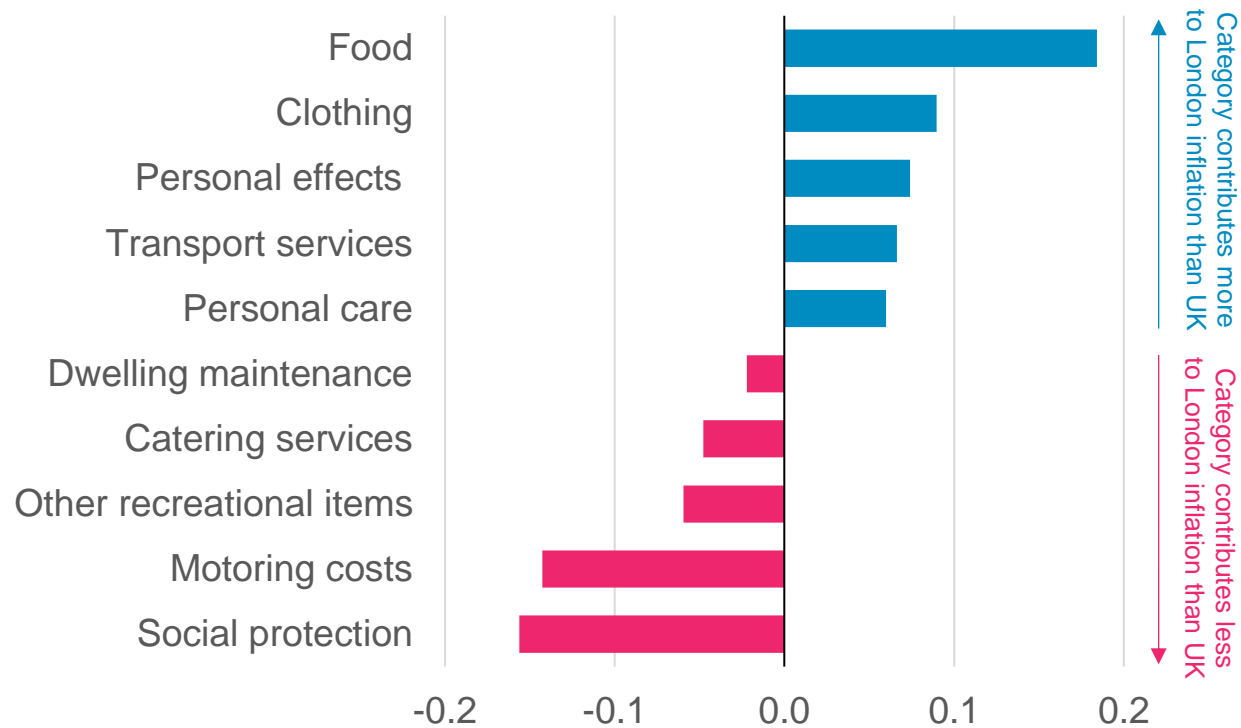
- With projections that UK real household incomes will fall 4% over 2022-23, the Bank of England is now forecasting a recession for the UK economy.
- UK GDP unexpectedly fell in Q2 2022.
- Average incomes in London are higher and consumer and business confidence are less pessimistic than UK averages.
- This means our latest forecast still sees the capital narrowly avoiding a recession, but the outlook is for stalled growth this year and next.



Source: ONS, GLA Economics

While evidence suggests Londoners have lower energy bills than other regions, food and other prices are rising faster in London than in other regions

Top five and bottom five price categories in terms of the difference between their contributions to London and UK inflation



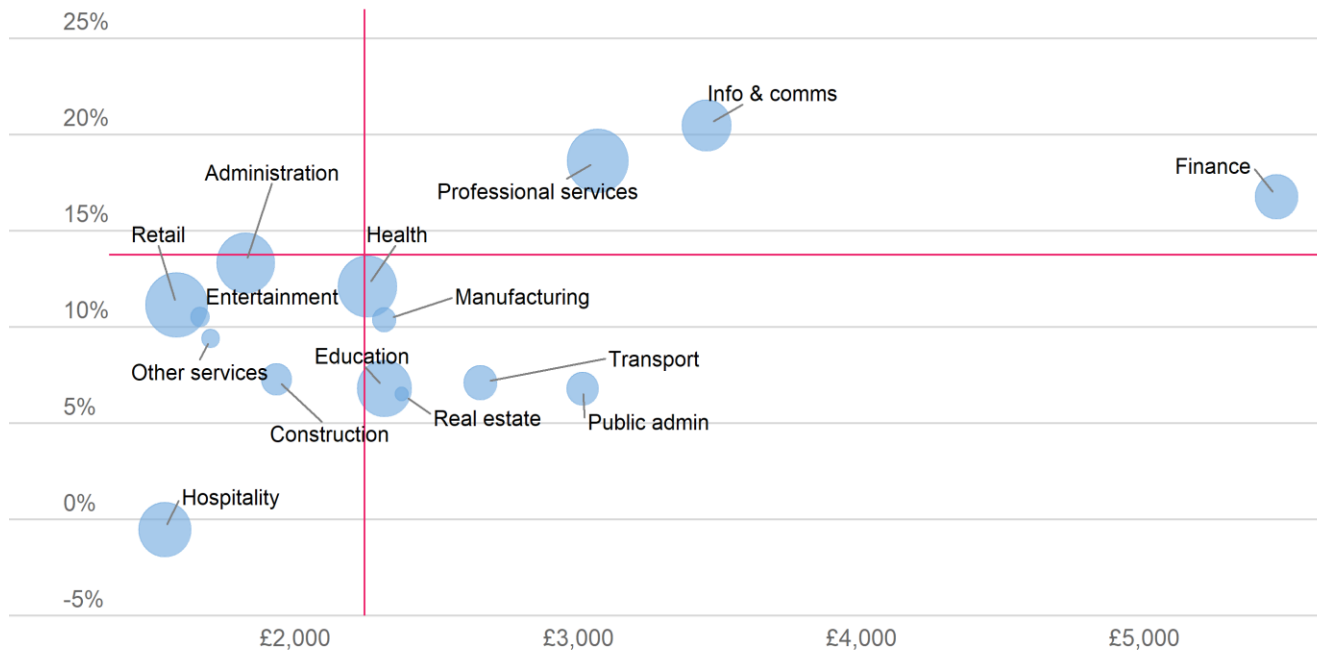
Source: GLA calculations, ONS price quotes, as compiled in the Long-Run Price Database by Prof. Richard Davies

- Using ONS price quotes, the GLA have built a measure of underlying local inflation for the capital. The measure suggests prices for these goods – around half the CPI basket – are rising faster than the UK average.
- Food is a key factor in London's price pressures, and as lower-income households tend to spend more on food, this will widen inequalities in the capital.
- Regional energy price data are not available for inclusion in this measure. But evidence suggests Londoners have lower energy bills than the UK average, so high energy inflation may affect London less.

The wage recovery has skewed towards well-paid sectors, further widening inequalities as real pay falls

Median pay level vs. median pay growth to July 2022, London

Growth relative to February 2020; bubble size represents size of sector



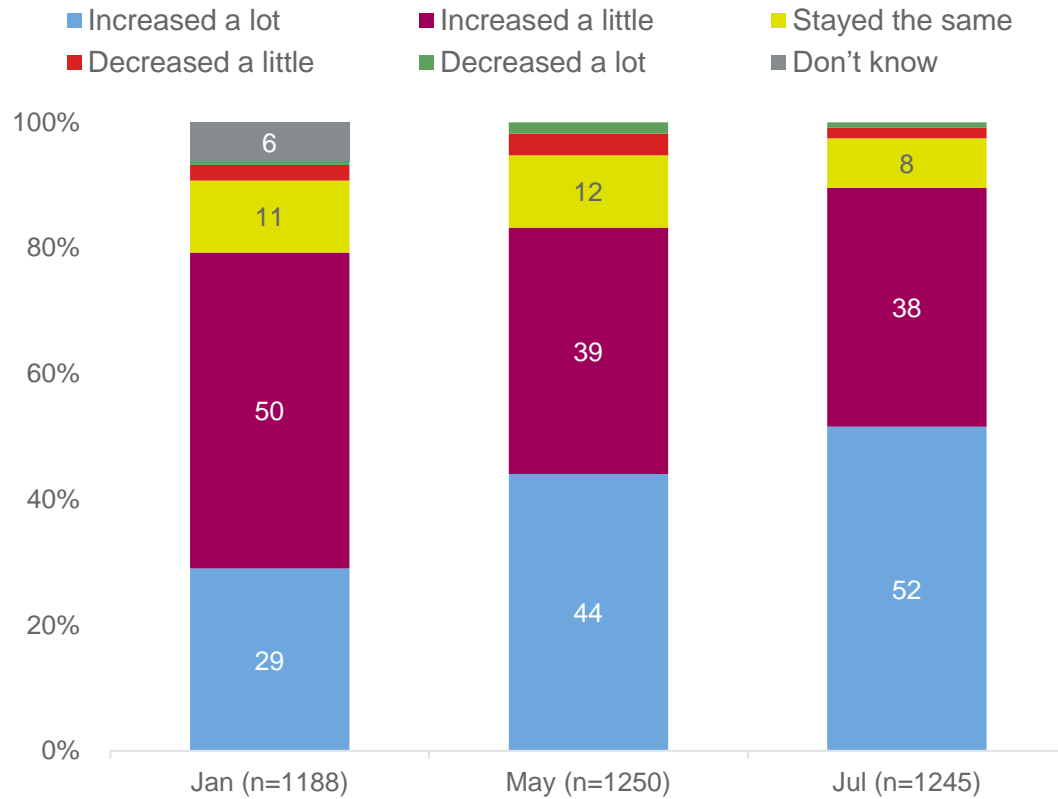
Source: HM Revenue and Customs - Pay As You Earn Real Time Information.

Note: Estimates are based on where employees live. Excludes sectors with less than 1% of workforce. Vertical line indicates level of median pay in London in February 2020, horizontal line indicates change in London median pay February 2020-July 2022

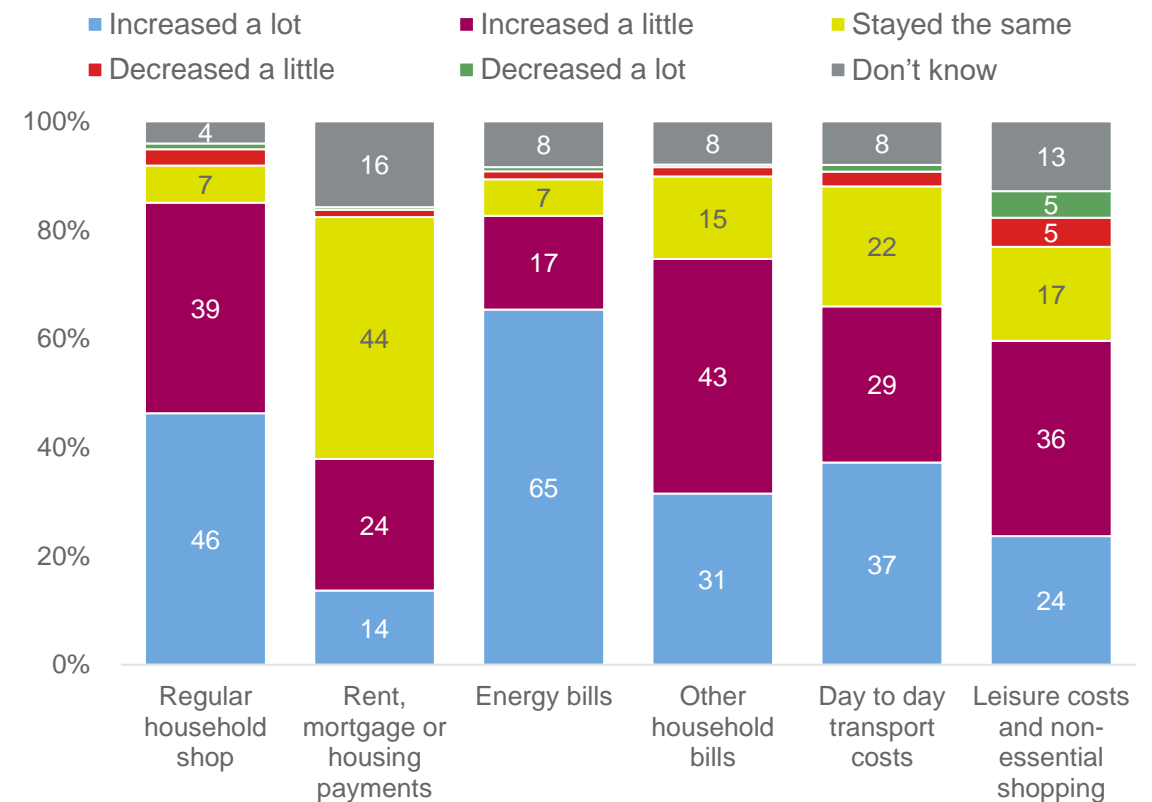
- Real wages initially recovered firmly from the pandemic, but have gone into reverse as inflation drags on pay.
- Lower-paid sectors in London have seen a weaker pay recovery since the pandemic, leaving low-income households more vulnerable.
- Hospitality has the lowest median pay in the private sector and has seen that fall by 1% since February 2020 even before taking inflation into account.
- Meanwhile median employee pay in ICT was over 50% higher than the London average before the pandemic, and grew by 20% up to July this year.

As of the end of July, 90% of Londoners said their cost of living had increased over the past six months, the largest increases being regular household shop and energy bills

Change in cost of living over past six months

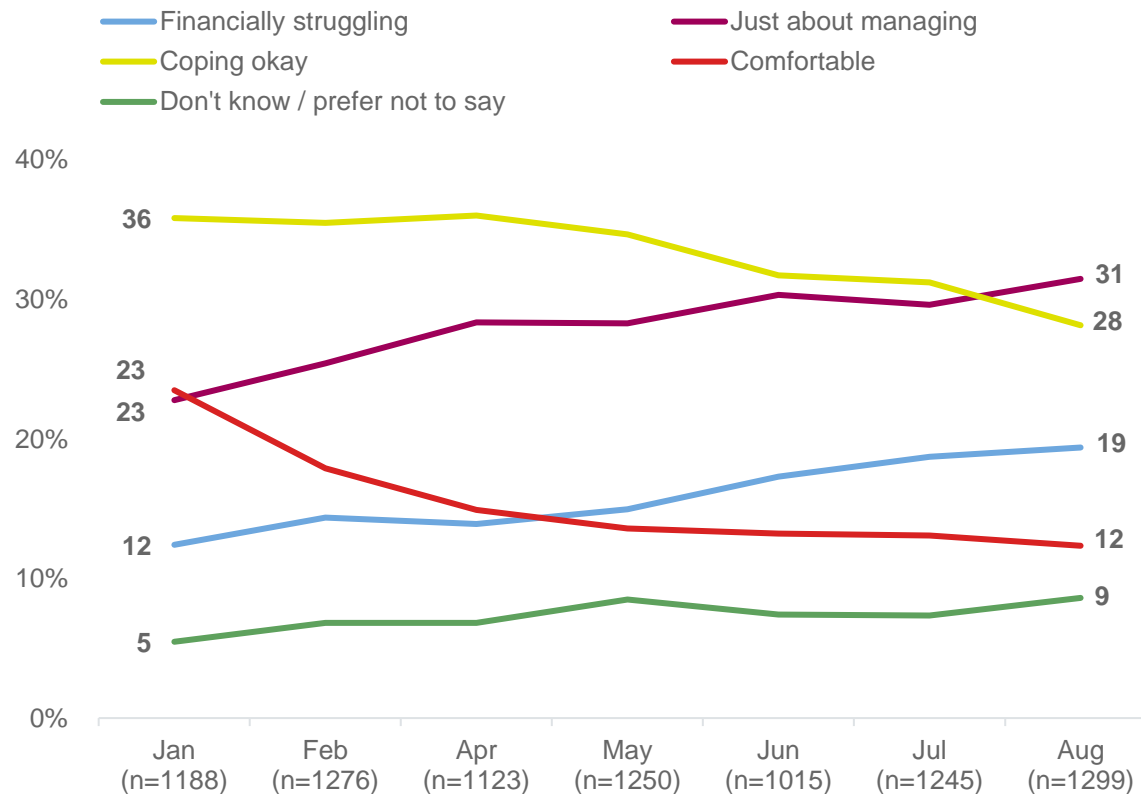


Change in cost of living by category (July)



19% of Londoners said they were struggling financially in August, up from 12% in January

Londoners financial situation over time

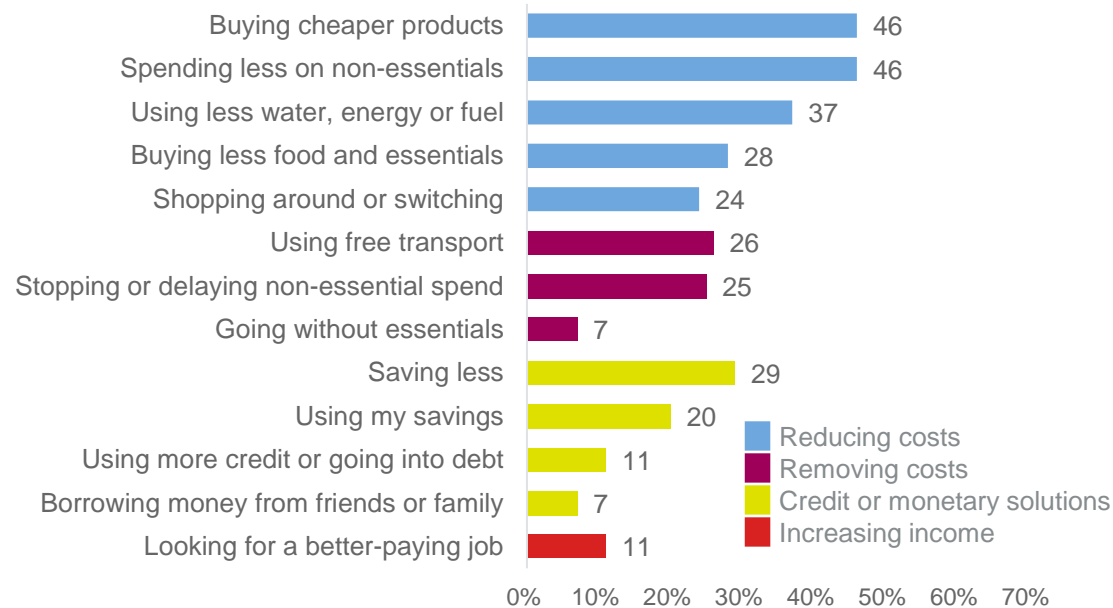


- Those most likely to be financially struggling are C2DE Londoners, Black, with a household income of less than £20,000, such as social renters and disabled Londoners.
- To help manage living costs, 46% of Londoners are buying cheaper products or spending less on non-essentials (46%). This is followed by using less water, energy or fuel (37%), saving less (29%), and buying less food and essentials (28%).
- In July, 12% of Londoners said they had regularly or occasionally been unable to buy food or essential items in the last six months.

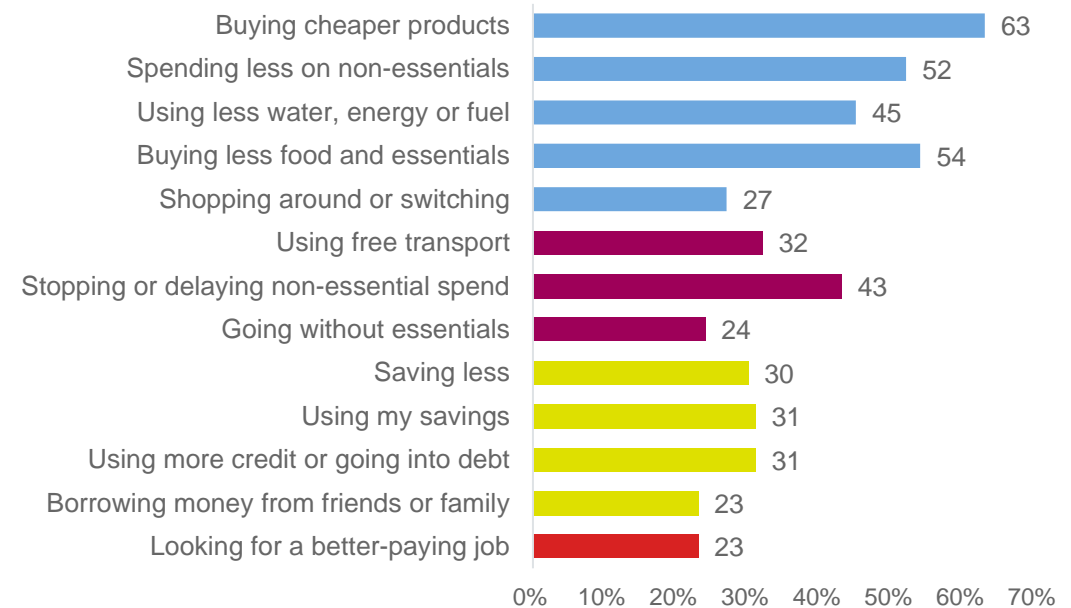
7% of survey respondents say they are going without essentials – GLA estimate this equates to around 500,000 Londoners

- Financially struggling Londoners are over 3 times as likely to be going without essentials (24% versus 7% of all Londoners)

Actions to manage living costs (all Londoners)



Actions to manage living costs (financially struggling)

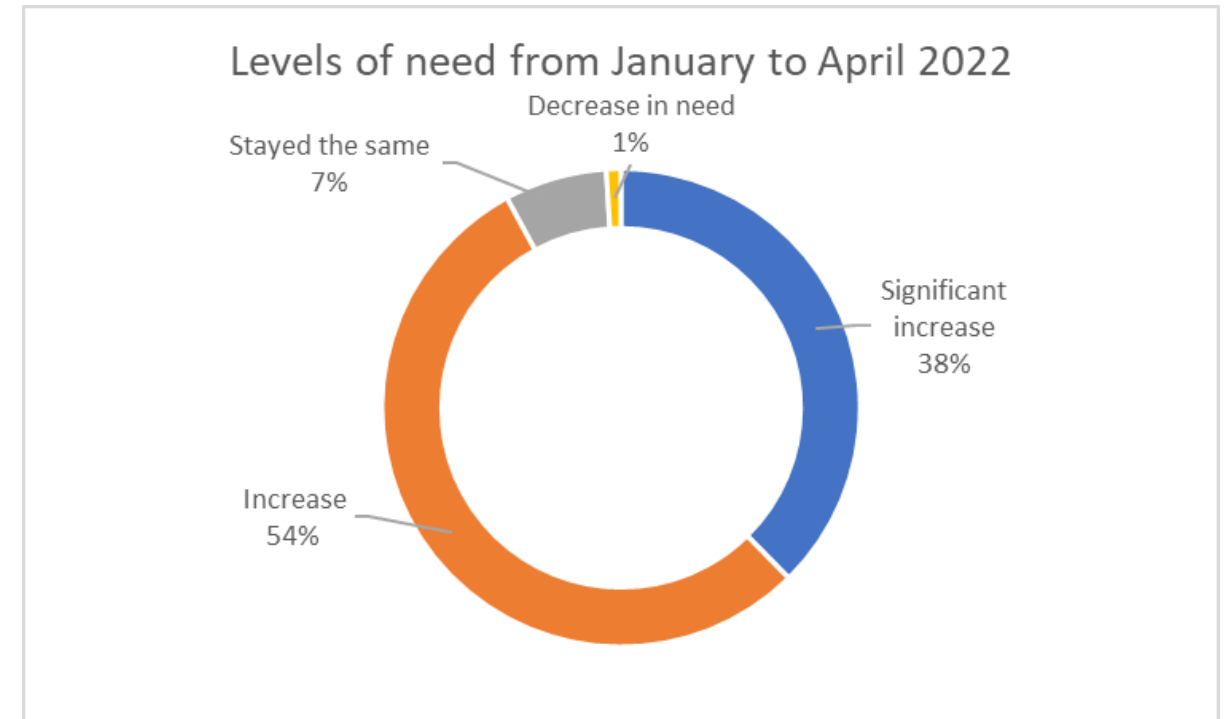


Source: GLA/YouGov poll – August 2022

Note: Based on ONS 2020 population estimate figures

When surveyed in May 2022, independent food banks reported struggling to cope with increases in demand for their services

- 92% of organisations in the Independent Food Aid Network of foodbanks (IFAN) that responded to their survey in May 2022 reported an increase or significant increase in the need for their services since the start of 2022.
- More than 80% of organisations reported that they had struggled with food supply issues over the last four months.
- 78% of these organisations had seen a drop in food and/or financial donations and half of these organisations said they needed to dip into their financial reserves to pay for food or vouchers.

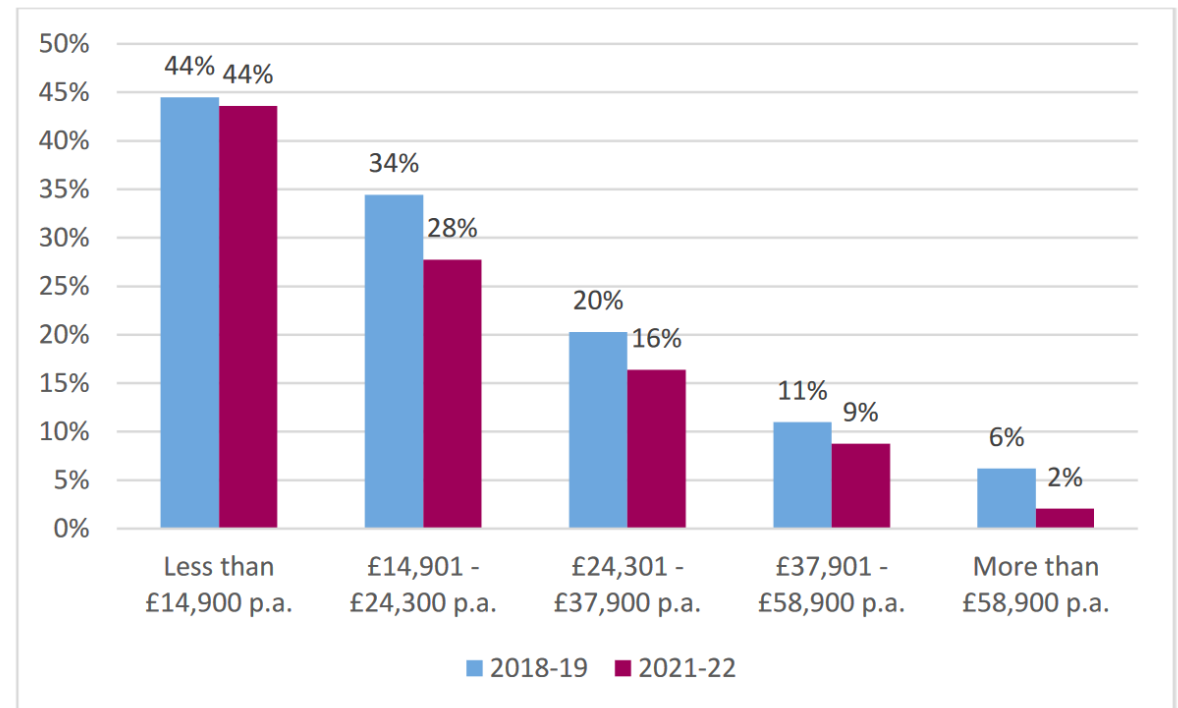


Source: Independent Food Aid Network, IFAN data since the outbreak of Covid-19, The [Independent Food Aid Network \(IFAN\)](#) represents hundreds of independent food banks across the UK. The Trussell Trust is a separate operator, so neither source considered on its own can explain the full scale of food bank use across the country.

New data from the Survey of Londoners has shown how financial support with the cost of living needs to be better targeted to avoid increasing inequality

- Initial findings from the Survey of Londoners (conducted at the end of 2021) showed how financial support provided to Londoners during the pandemic helped prevent financial hardship.
- However, inequality grew as the financial situation of higher-income Londoners improved since 2018-19, while it had not changed for lower-income Londoners.
- Adult food security improved for Londoners overall but not those with the lowest incomes.
- Similarly, the proportion of Londoners with debt and no savings fell overall but, again, not for lower-income Londoners.
- <https://data.london.gov.uk/dataset/survey-of-londoners-2021-22>

Nearly half of all Londoners (44 per cent) with a household income of less than £14,900 per annum were food-insecure, no change from 2018-19



Average rents for new tenancies continue to rise faster in London, with only half the number of homes available for rent on the market than prior to the pandemic

- Homelet report that average rents for new tenancies in London were 13.6% higher in July 2022 than in July 2021 (the fastest growth rate of any region, but down from a peak of 15.7% in May), and 17.8% higher than at the outset of the pandemic in March 2020.
- Rents are now generally rising more quickly in Inner London boroughs than in Outer London.
- This growth is driven by falling supply as well as rising demand: data from real estate portals indicates that there are roughly half the number of homes available for rent on the market in London than there were prior to the pandemic, while employment is increasing and students returning to the capital.
- Rightmove report that average asking prices in London were 5.2% higher in August 2022 than they were a year before, still the lowest rate of growth among English regions. ONS reported that the average price of completed sales in London rose 6.3% in the year to June, below most other regions.
- The sales market was very active in the second half of 2021 due to the end of Stamp Duty relief, and although lending volumes have since fallen back again they remain strong relative to pre-pandemic levels.

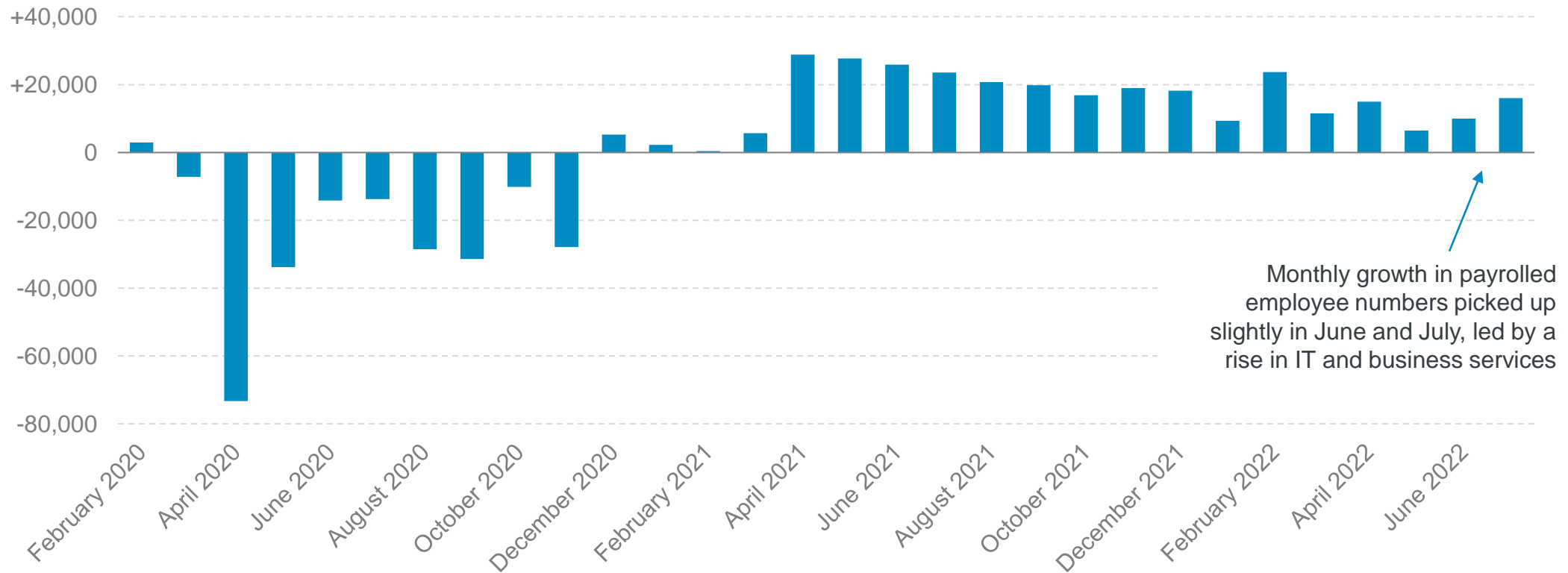
Economic activity, the labour market and benefit claims

- Following a rapid labour market recovery in 2021, the proportion of working age of Londoners in paid work is still down on pre-Covid levels due to sharp increases in economic inactivity over recent months.
- Despite a drop in job vacancies in the latest quarter, the labour market remains tight and UK businesses continue to report worker shortages, particular in transport & storage, health and hospitality.
- The total number of Londoners claiming Universal Credit (UC) also remains high, with over a fifth of working age Londoners still claiming UC in some boroughs.
- The number of UC claimants searching for work is continuing to fall – but the number of claimants in low paid work (which tripled in the first year of the pandemic) remains elevated.
- Numbers of UC claimants in London are still around 100,000 higher than would be expected in 2022 if claims had continued to increase at the rate seen before the pandemic (as legacy benefit claims transferred to UC).

Resident payrolled employee numbers continued to rise in June and July, albeit more slowly than in 2021

Monthly change in payrolled employees

Change on previous month, London, Feb 2020 to July 2022



Monthly growth in payrolled employee numbers picked up slightly in June and July, led by a rise in IT and business services

But London's employment rate is still below pre-pandemic levels due to rising inactivity

Change in labour market status since Jan-Mar 2020
London residents, latest data for period Apr-Jun 2022



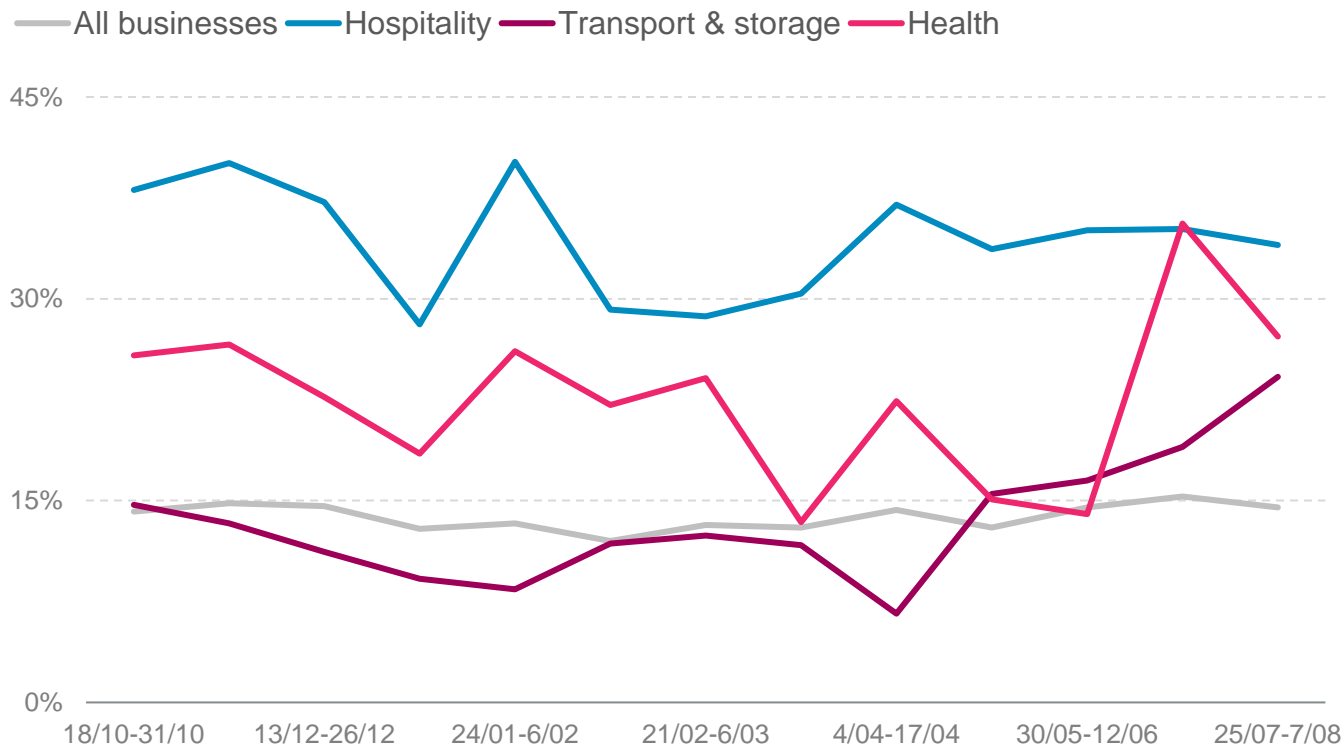
- The **unemployment** rate among Londoners aged 16 and over returned to pre-pandemic levels at the start of 2022.
- Despite this improvement, total **employment** (including self-employment) is still below where it was in early 2020 and is lower than peak levels in 2021.
- This is down to a sharp increase in **economic inactivity** among working age Londoners, led by a rise in inactivity among those aged 50-64 years.
- London's inactivity rate is now in-line with the UK average, having increased by 0.3 percentage points on the previous quarter (Jan-Mar to Apr-Jun 2022).

Source: ONS Labour Force Survey. Note: estimates are based on where people live.

Survey data show ongoing recruitment challenges for UK employers, particularly in hospitality and health

UK Businesses experiencing worker shortages

% businesses not permanently stopped trading, by industry, weighted by count from Oct 2021 to Jul/Aug 2022



Source: ONS Business Survey (2022).

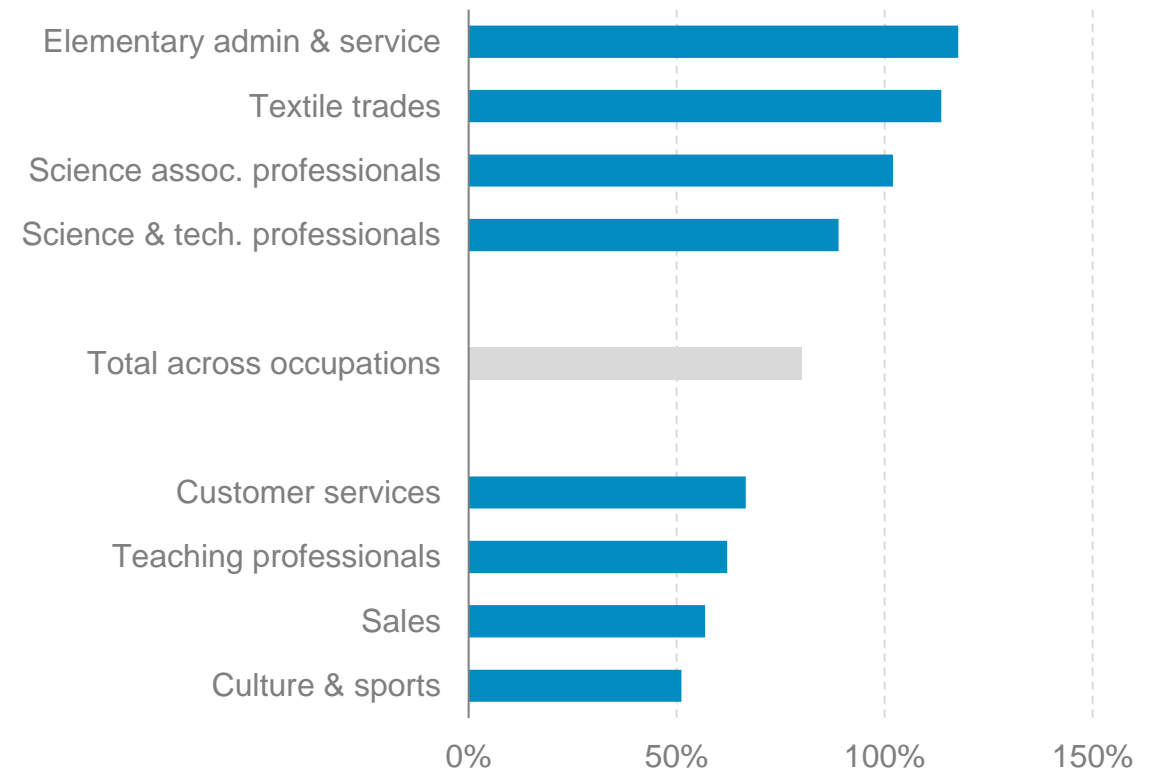
- In May to July 2022, the stock of UK job vacancies fell on the previous quarter for the first time since mid-2020, with the largest fall in admin and support services.
- Headline labour market statistics continue to indicate a **tight jobs market**, with parity between the stock of vacancies and the number of unemployed workers.
- According to ONS survey data, a high share of businesses in the transport & storage, health and hospitality sectors are experiencing **worker shortages**.

The volume of online postings for jobs in London also fell over recent months, but remains close to record highs

New online postings for jobs in London
Monthly and three-month smoothed average

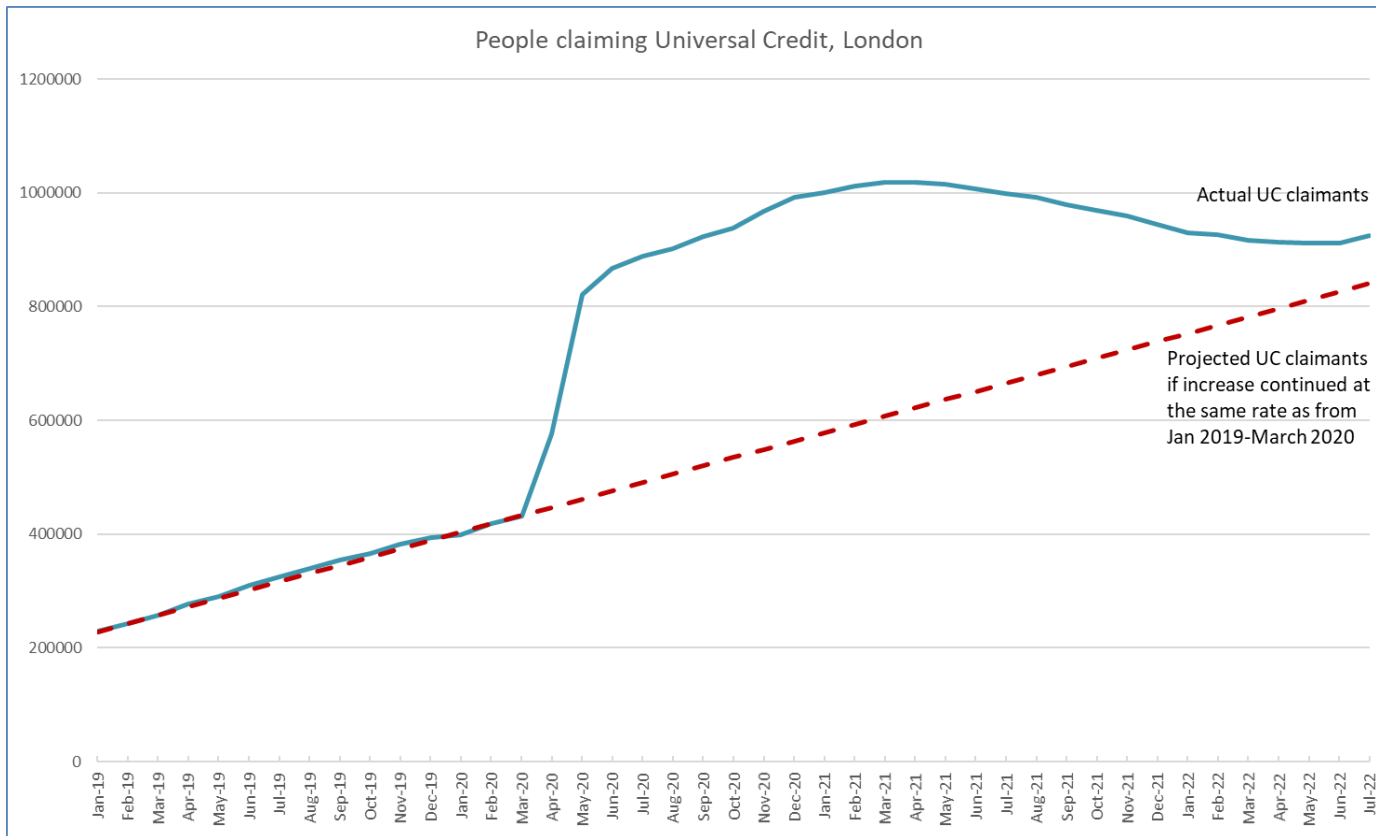


Change in new online job postings (2-digit SOC)
May-Jul 2022 vs. 2019, highest and lowest growth (%)



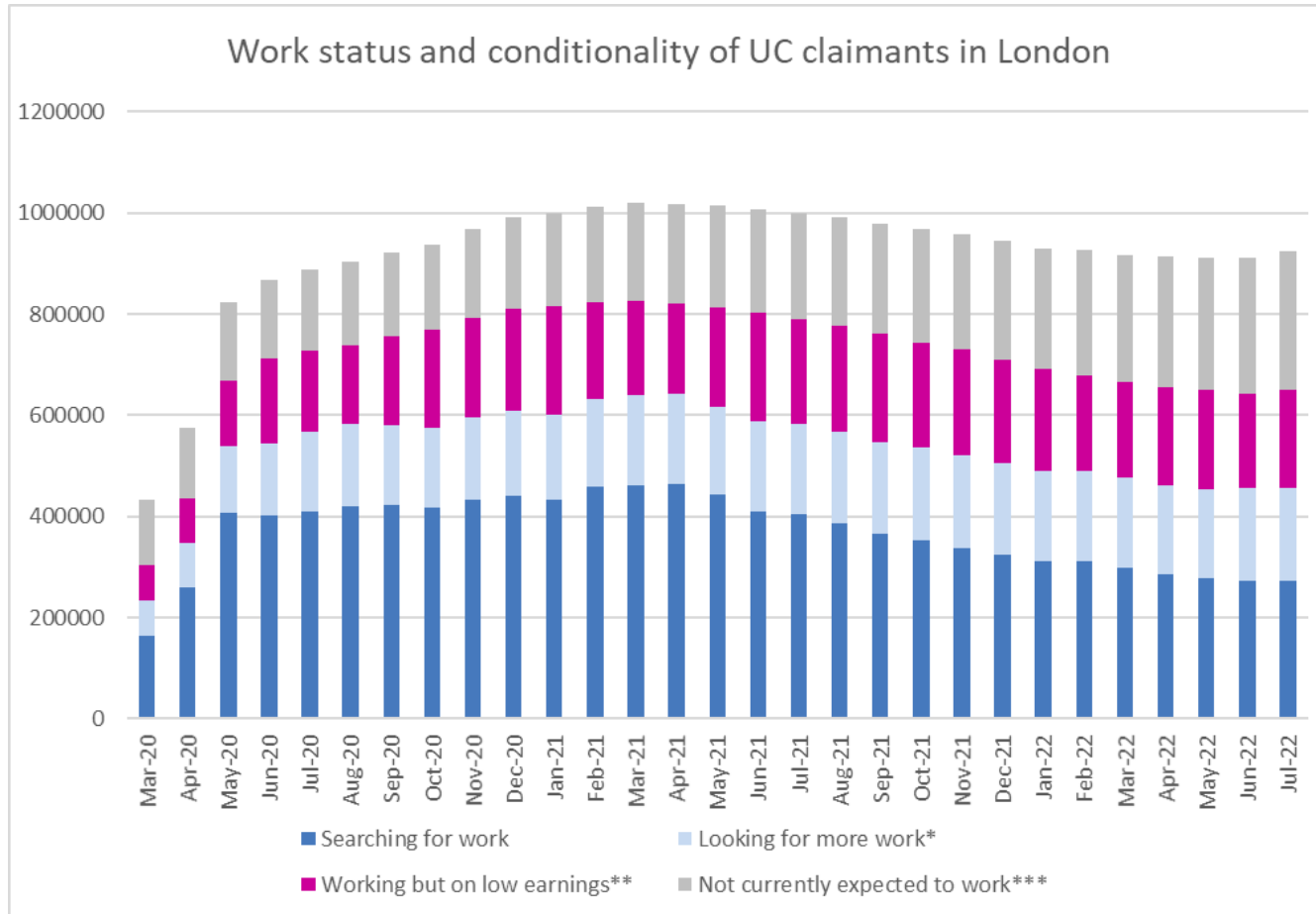
Source: Lightcast 2022. Note: RHS chart only includes occupations with 2,500+ job postings.

The number of Londoners claiming Universal Credit (UC) appears to have stabilised at a little over 900,000



- The number of UC claims was increasing before the pandemic as legacy benefit claims were transferred to UC. If this trend had continued, the number would still be below the current figure. All legacy benefit claimants will be moved to UC by 2024.
- The number of UC claimants aged 65 and over is still small, but is continuing to increase rapidly, despite State Pension Age now being fixed.
- The increase in London since March 2020 outstrips the increases in other regions by all measures.

Two in five UC claimants in London are in employment at least some of the month



- The number of UC claimants seeking work has fallen to the level of April 2020, but economic conditions remain difficult with the numbers on low pay and/or on shorter hours and needing support remain much higher than before the pandemic.
- The difference between this increase in UC claimants and the decrease in tax credit claimants from April 2020-April 2022 is much greater in London than for GB as a whole.
- The proportion of claimants not expected to work is increasing but remains clearly lower in London than nationally.

Source: DWP. Notes:

* Looking for more work means in work but could earn more or partner has low earnings; ** Working but on low earnings means no requirement to look for further work; *** Not currently expected to work because of health or caring responsibilities, though this may change in future.

Mobility and expenditure

- Measures vary, but indicate that the number of workers in the Central Activities Zone (CAZ) has returned to between 50 - 58% of pre-pandemic values
- The pattern of the working week (particularly in the CAZ) is now more concentrated in mid-week.
- As the pandemic has eased, Londoners have become more mobile and visits to museums and galleries by Londoners have increased.
- International visitor numbers remain subdued. Heathrow passenger numbers in July were 20% below the level in July 2019.
- Although evidence suggests Londoners are cutting back expenditure and consumption should be falling, retail expenditure has held up in London to July 2022, despite falling in the UK overall.

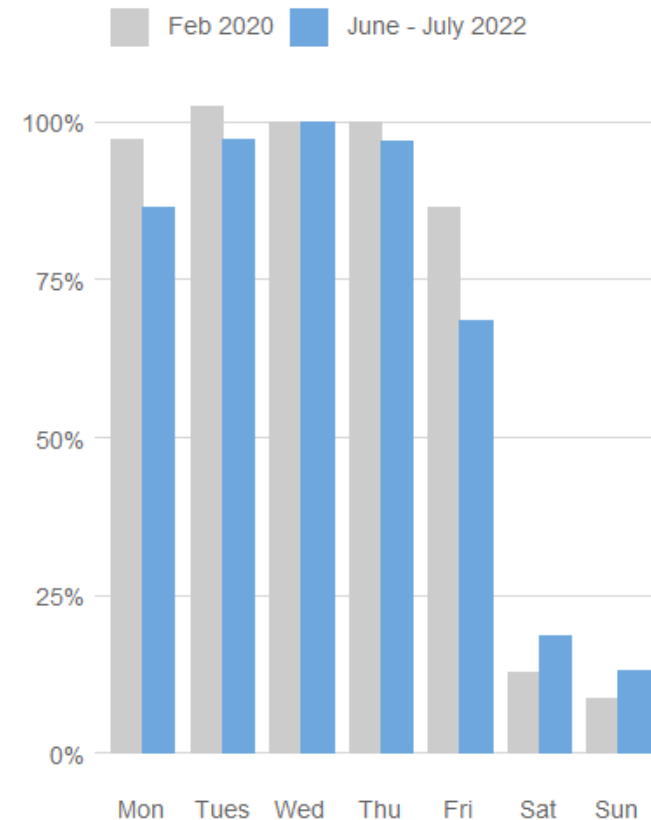
The proportion of workers in the CAZ has returned to between 50-58% of pre-pandemic levels, and patterns are now more concentrated in mid-week

- Measures vary, but indicate that the number of workers in the Central Activities Zone (CAZ) has returned to between 50 - 58% of pre-pandemic values.
- The number of workers travelling to the CAZ is now exceeding the pre-Omicron November 2021 figures. Weekday visits to the CAZ increased during the year and have recovered since the Christmas period.
- Pre-pandemic, Monday worker numbers were 97% of mid-week figures and Friday was 86% of mid-week.
- Monday worker counts are now 86% of mid-week and Friday is 68% for the CAZ
- The mid-week effect is much less pronounced outside the CAZ.

Daily working patterns in the CAZ taking Weds as 100%

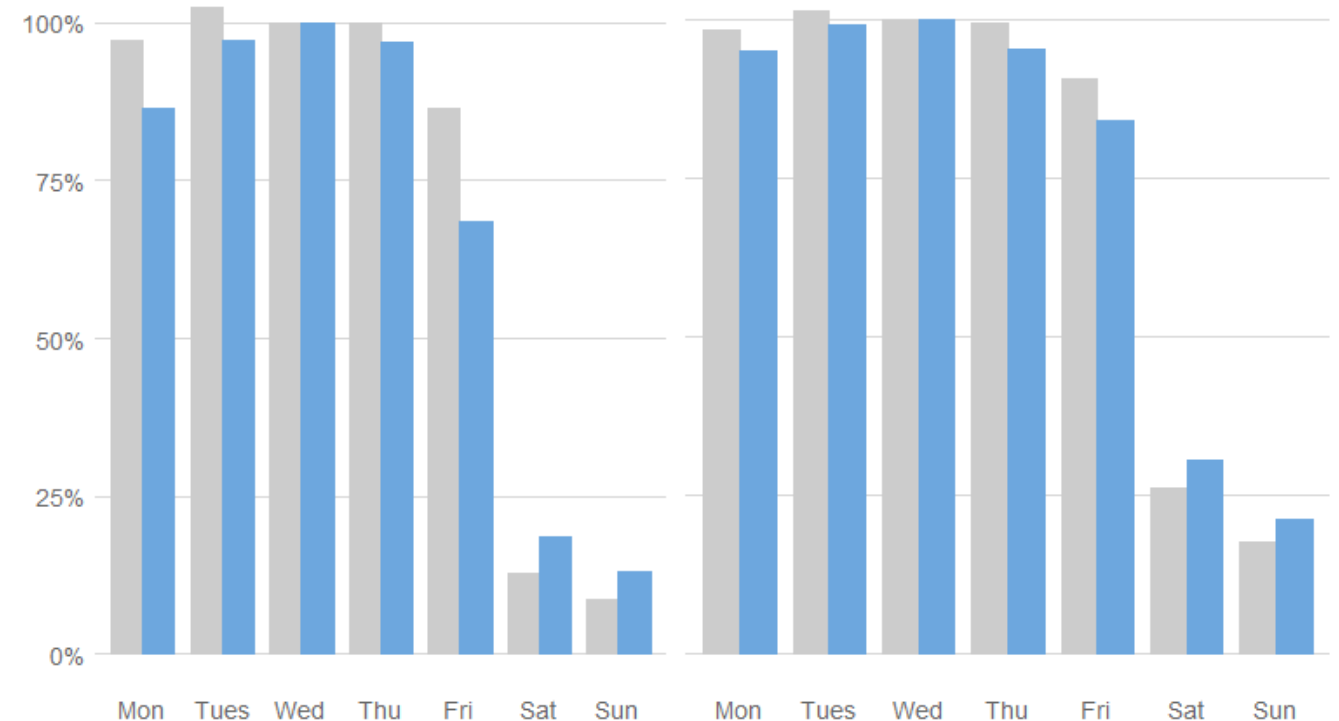
Worker levels in the CAZ

Indexed at Wednesday = 100%



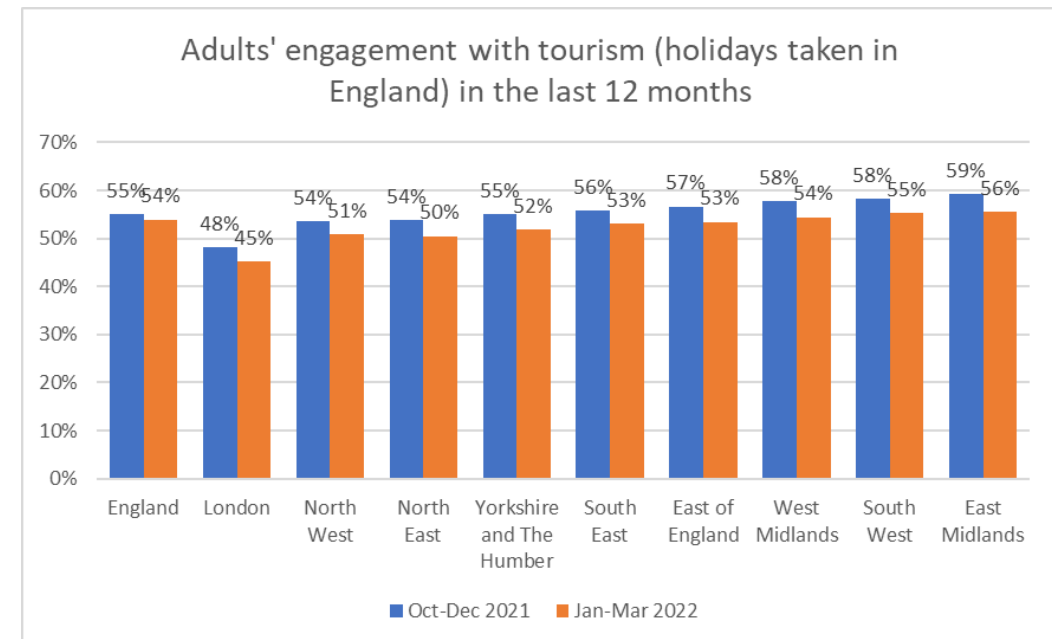
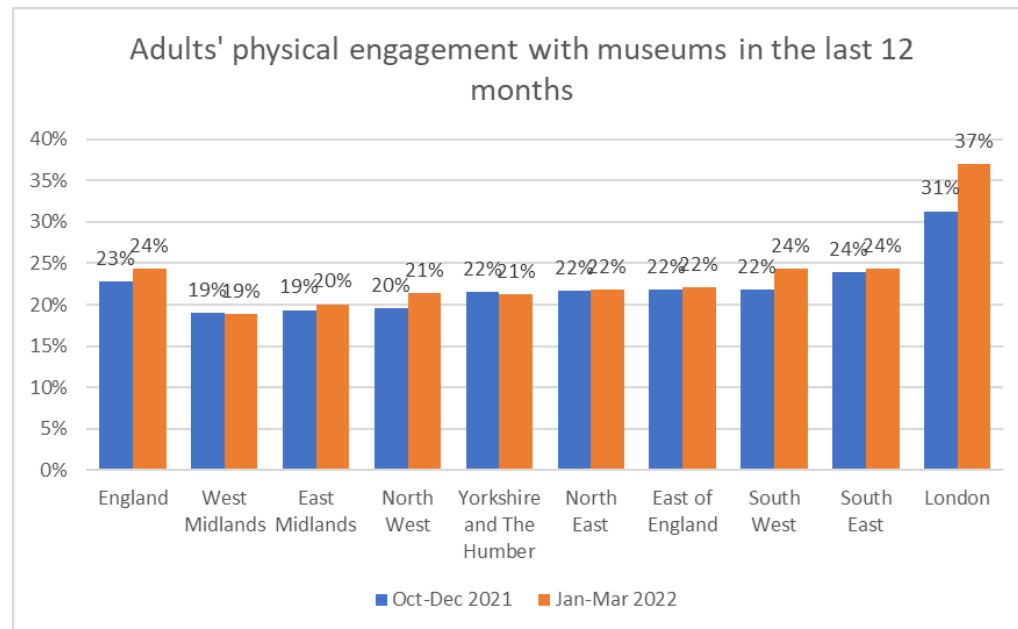
Worker levels outside the CAZ

Indexed at Wednesday = 100%



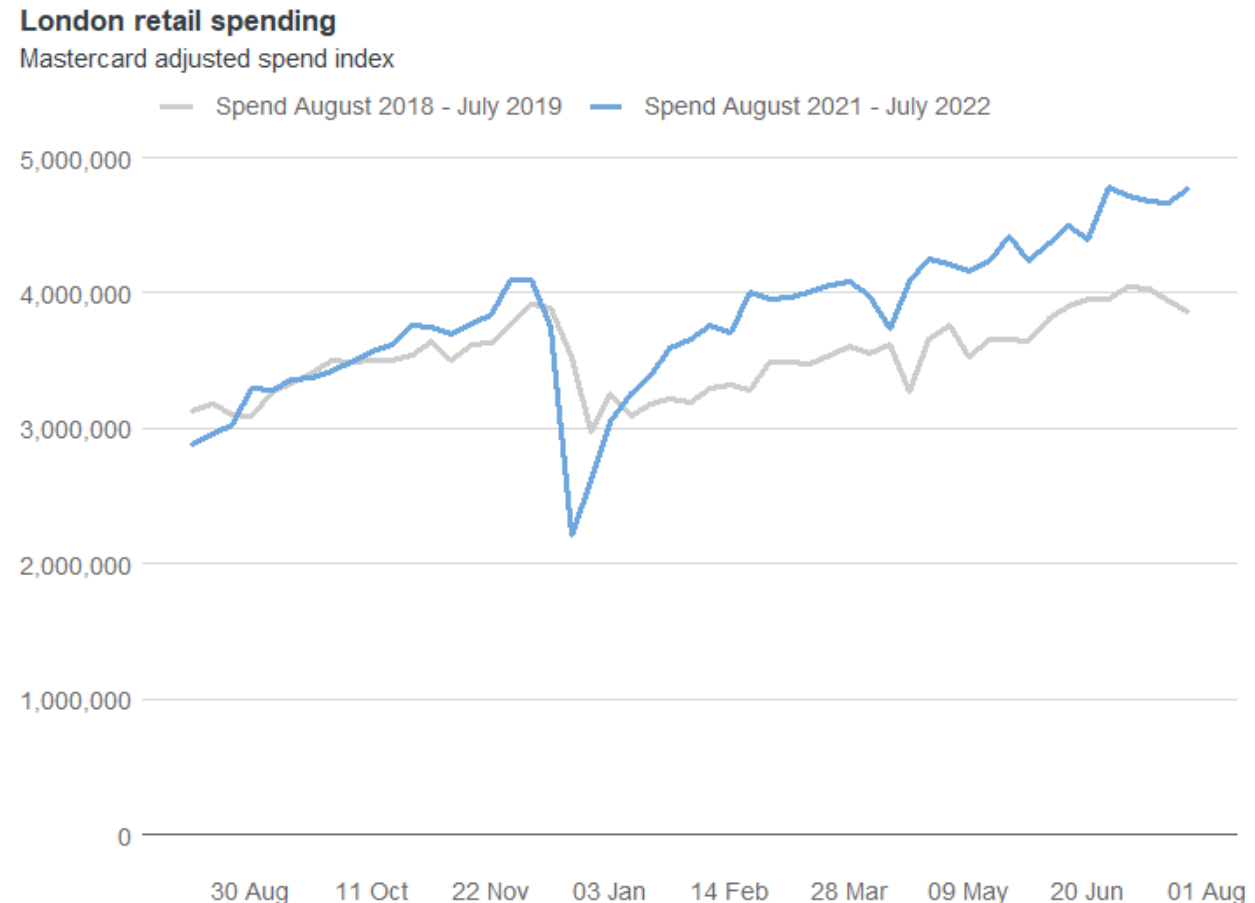
As the pandemic has eased, Londoners have become more mobile and visits to museums and galleries by Londoners have increased

- In London during January-March 2022, 37% of adults had engaged with museums and galleries physically (visited a museum or gallery in person at least once) in the last 12 months, an increase from 31% during October-December 2021.



While UK retail sales have been on a downward trend since summer 2021, retail card spending in London has continued to improve

- London expenditure on 'in person' retail (which also includes going out and spend by tourists) has now recovered to pre-pandemic levels
- Spend has continued to grow at a similar rate to previous years
- This is despite Londoners saying they are cutting back on spending, and overall UK retail spend being on a downward trend since summer 2021
- This may be at least partly explained by tourism spend and Londoners substituting online spend across the wider UK for physical outlets in the city.



Pandemic and other socio-economic data

- Covid-19 infections in London rose rapidly throughout June, with an estimated 1-in-16 of the population testing positive by early July. Infection rates have since fallen to less than 1-in-50.
- As was the case with the initial Omicron wave, hospital admissions and mortality were far below the levels seen in the previous waves of the pandemic
- Over 6.5 million Londoners aged 5+ have had a first vaccine (78%), over 6.0 million have had 2 doses (73%), and almost 4.4 million (52%) have had a 3rd dose or a booster
- The rate at which new vaccinations are being administered continues to fall, with just 10,400 new doses in the most recent week of data.
- The pandemic impact on children's mental health remains with higher rates among families with children with SEND, low-income families and single adult families
- In 2022, childcare costs continue to be much higher in London than the rest of England
- Headline 2021 Census results show a sharp re-adjustment of population in inner London

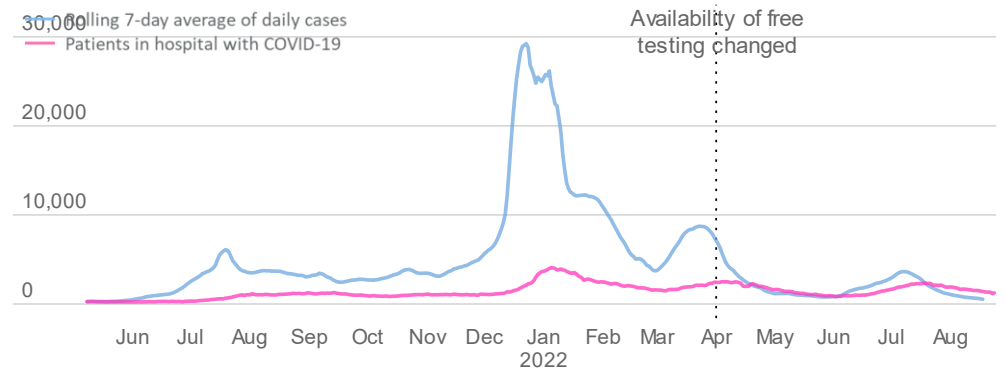
COVID-19 infections spiked again in August. Covid-related deaths and hospitalisations remain relatively low, but nationally total deaths are high for this time of year

- London infection rates peaked in early July at 1-in-16 and have since fallen back to 1-in-55*
- On 24 August, there were 1,243 patients with COVID-19 in London hospitals, of whom 67 were in mechanical ventilation beds
- Weekly COVID-19 deaths resulting from the latest surge peaked at 93 in the week to 22 July.
- The rate at which vaccinations are being administered has continued to fall, with just 10,400 in the most recent week of data.
- Nationally, total deaths are high for this time of year. ONS attribute this to an ageing population, heatwaves, overstretched health services due to Covid, and unhealthy behaviours during the pandemic.

* Changes to the availability of free testing since April resulted in increased proportion of new cases going unreported.

Changes to testing limit reliability of recent cases data

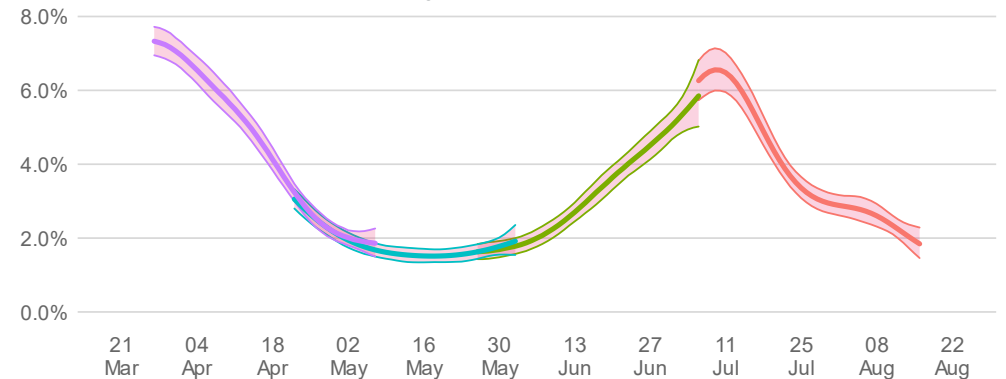
London - daily cases and patients in hospital with COVID-19



Source: UK Coronavirus Dashboard

London saw another wave of infections over summer

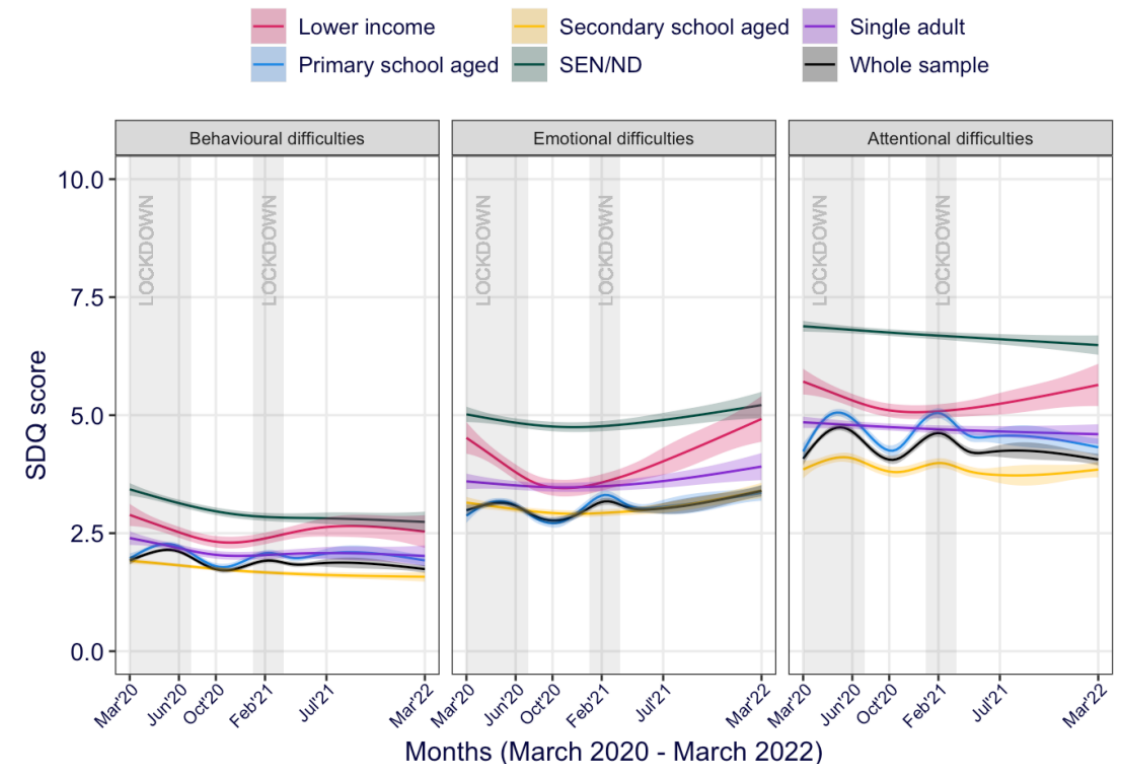
Modelled proportion population testing positive for Coronavirus



Source: Coronavirus Infection Survey, ONS 26 August, 15 July, 10 June, 13 May 2022

The pandemic impact on children's mental health remains, with higher rates among families with children with SEND, low-income families and single adult families

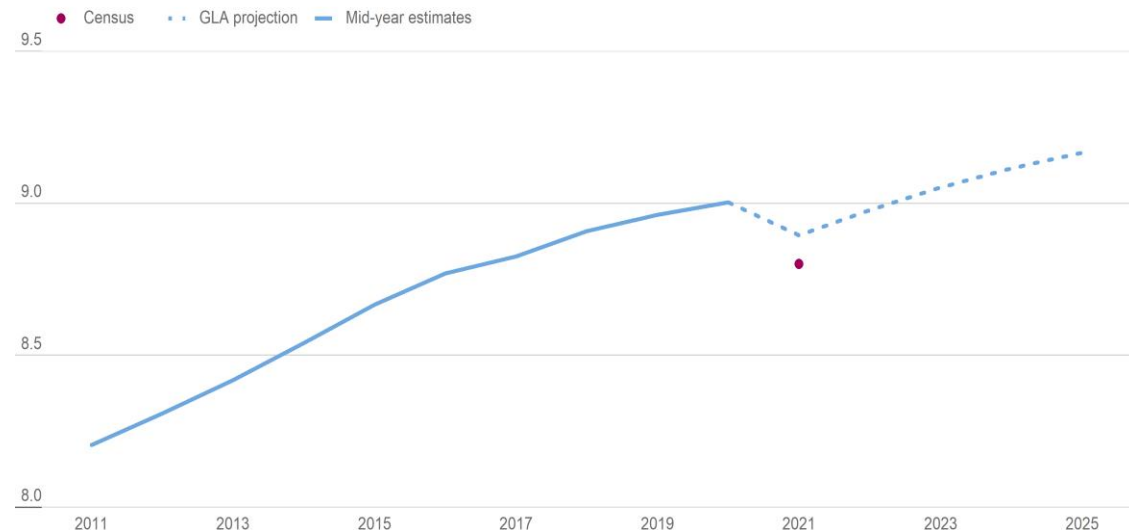
- The [Co-SPACE study](#) has tracked children and young people's mental health between March 2020 and March 2022.
- Children and young people's behavioural and attentional difficulties had remained relatively stable since their last report in July 2021.
- Emotional difficulties had, on average, increased since July 2021, though this may be due to the increasing age of the Co-SPACE sample since the beginning of the study.
- Children with SEND, those from low income families and single-adult households continued to show elevated behavioural, emotional, and attentional difficulties relative to the rest of the sample.



Headline 2021 Census results show a sharp re-adjustment of population in inner London

- The first census 2021 data was published on 28 June.
- London's population was 8.8 million, an increase of 626 thousand (7.7 percent) since 2011
- Population totals were quite different from the 2020 mid-year estimate. This is partly a covid effect, and partly because the census is a more accurate estimate than the MYE series which drifts over the decade.
- Inner boroughs in particular saw sharp re-adjustments of their populations. Camden, K&C and Westminster all had lower populations in 2021 than in 2011.
- Household growth between the last 2 censuses was lower than expected at 158k. Over the same period around 313k units were built. This would suggest empty units and lower-density living which are likely to be temporary covid impacts.

London's Population Past and Projected
persons (millions)



Source: UK Census, ONS; 2020-based projections, GLA
Chart: GLA City Intelligence

Further analysis of the initial results can be found [here](#). Detailed data will be released from November onwards.

In 2022, childcare costs continue to be much higher in London than the rest of England

- In March 2022, childcare prices were, on average, around 29% higher in Inner London and 18% higher in outer London, compared with England overall.
- The majority of nursery prices have risen since 2021.
- Local authorities were asked about the impact of COVID-19 on their local childcare sector – a notable proportion of local authorities reported decreasing quality across provision.
- The majority (94%) of local authorities reported that childcare providers were having difficulty in finding staff with the required qualifications and experience for childcare.

Source: [Coram's 21st annual Family and Childcare Survey](#),

Provision type	Age	Hours/week	Inner London % higher than England	Outer London % higher than England
Nursery (under three)	Under 2	25	30%	10%
Nursery (under three)	2	25	29%	16%
Childminder (under three)	Under 2	25	38%	19%
Childminder (under three)	2 and over	25	42%	20%
Nursery (under three)	Under 2	50	35%	11%
Nursery (under three)	2	50	31%	16%
Childminder (under three)	Under 2	50	45%	24%
Childminder (under three)	2 and over	50	47%	24%
Nursery	3 and 4	25 hours a week, including universal entitlement (paying for 10 hours)	28%	31%
Nursery	3 and 4	50 hours a week, including extended entitlement (paying for 20 hours)	34%	32%
Childminder	3 and 4	25 hours a week, including universal entitlement (paying for 10 hours)	-3%	-2%
Childminder	3 and 4	50 hours a week, including extended entitlement (paying for 20 hours)	-2%	-14%
After school club	5-11	After school	-3%	30%
Childminder to 6pm	5-11	To 6pm	51%	30%
AVERAGE			29%	18%