



# Analysis update on London's recovery

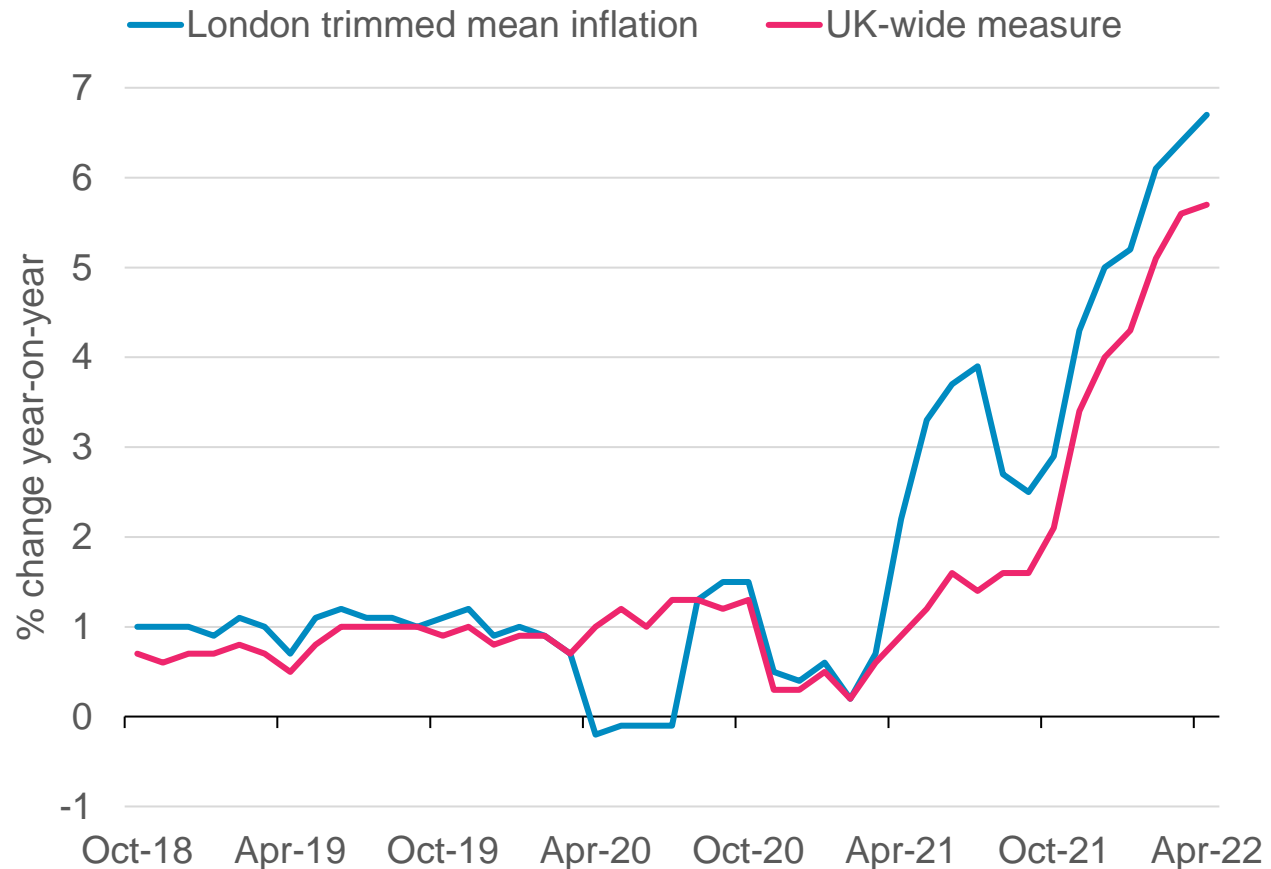
Presentation to the London Recovery Board

June 2022

# Inflation, the cost of living and impact on households/economy

- The rate of inflation in the UK is now at a 40-year high, with price pressures affecting a wider range of goods and services as a result of supply bottlenecks and higher energy prices –affecting real incomes and spending, and increasing inequality.
- According to NIESR, an estimated 236,000 or 6.5% of London households could face food and energy bills greater than their disposable income in 2022-23'.
- 1 in 7 Londoners (15%) said they were struggling financially in May, up from 12% in January. Since January there has been a significant increase in the proportion of Londoners saying that their living costs have increased a lot – from 29% in January to 44% in May.
- Business dynamism is on the wane as the net number of new businesses in London and the UK is in decline. Only inner London continued to have some growth in business numbers.
- Average rents for new tenancies are now rising faster in London than in other regions, although house prices are rising more slowly in the capital. In September 2021, around one in five (18%) renters in London reported not being up to date with their rent payments.

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

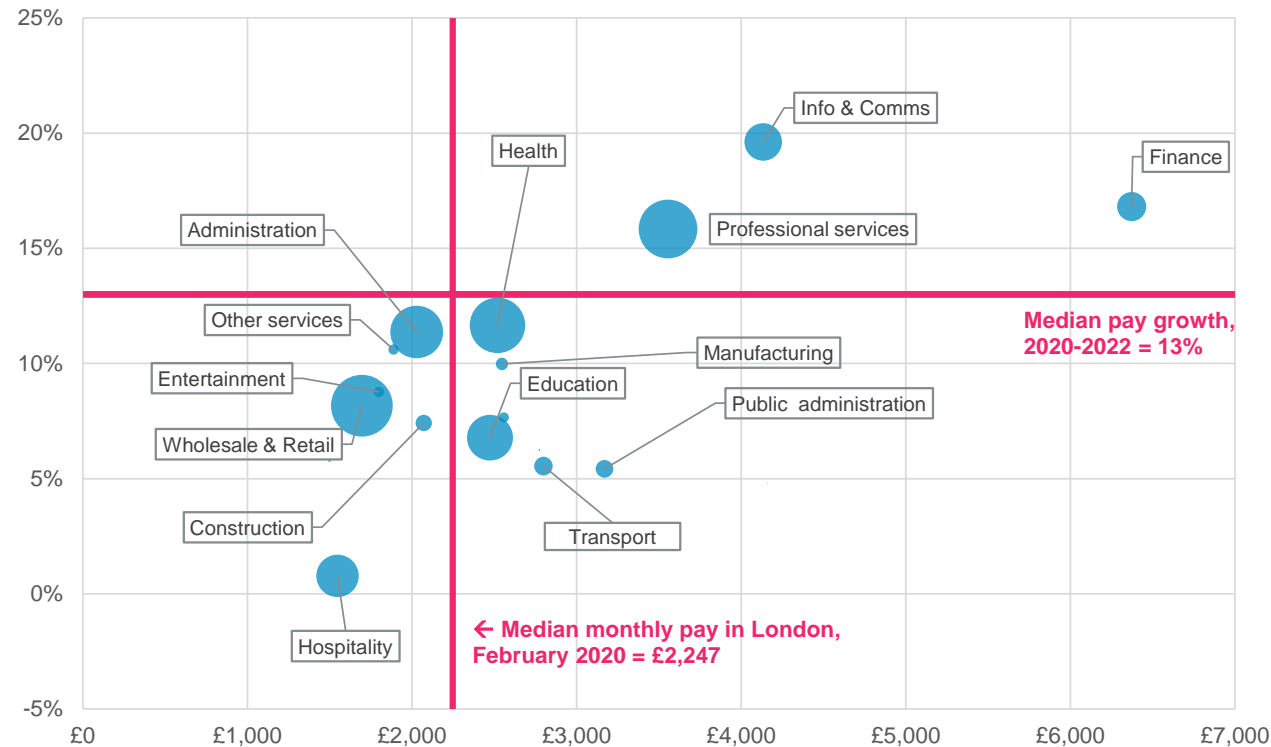


- Inflation reached 9% year-on-year in April, as supply chain challenges combined with pressure on fuel and food prices from the war in Ukraine.
- Price growth in London is also likely higher than in the wider UK. NIESR estimates London's underlying inflation as a percentage point faster.
- The Bank of England projects inflation averaging 9% from April to June, hitting 10% late in the year.
- Inflation's drag on real incomes will hit demand. UK GDP fell in both March and April, with declines in all major sectors in the latest month.

# The cost-of-living crisis will worsen inequalities as prices for essentials rise and the wage recovery skews to well-paid sectors

Median pay in 2020 vs. median pay growth 2020-2022

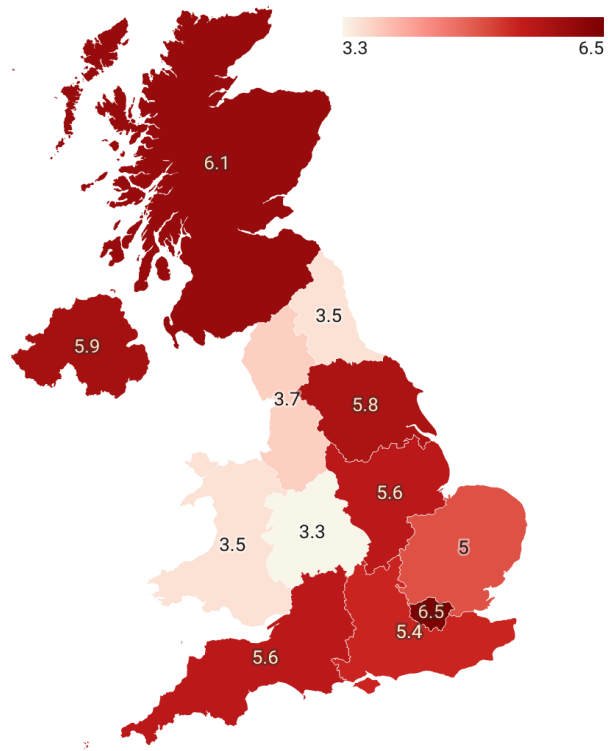
Bubble size represents size of sector



- Even before this crisis, the cost of living was a challenge for Londoners. Adjusting for national inflation, median weekly employee pay in London was 5.9% below 2010 levels in 2019, while the gap in the wider UK was 0.9%.
- Increases in the cost of living are likely to be most pronounced for the lowest-income Londoners. Lower-income households devote a larger share of their spending to food and fuel.
- Lower-paid sectors in London have also seen a weaker pay recovery since the pandemic, leaving lower-income households more vulnerable.

# An estimated 236,000 or 6.5% of London households could face food and energy bills greater than their disposable income in 2022-23

Share of households with food and energy bills above disposable income (2022-23)

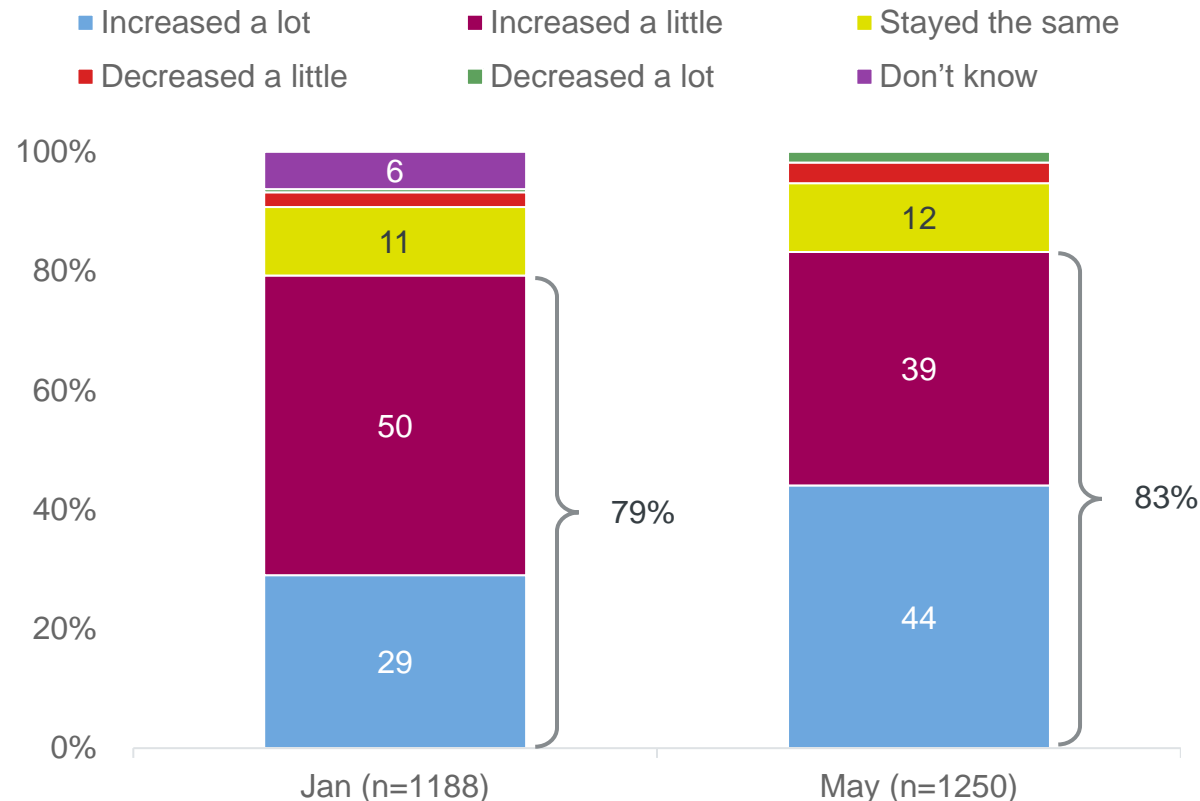


Source: NIESR modelling (using LINDA, NiReMS), Created in Datawrapper

- Based on a new measure of fuel poverty that relates to income and energy efficiency only, and does not account for actual fuel costs, the official rate of fuel poverty in London fell sharply in 2020 to below the UK average.
- London's housing stock tends to be more compact (e.g. flats) and energy efficient, which helps cut bills.
- But this understates the precariousness for low-income Londoners. At 18%, the capital has the third highest regional share of consumers on pre-payment meters, linked to rationing.
- Before the latest cost of living package from the Government, NIESR estimated that 236,000 London households could face food and energy bills above their disposable income in 2022-23. That makes up 6.5% of households – the highest share of any region.

# 83% of Londoners say their cost of living has increased over the last six months, with a large increase in the proportion of those saying costs have increased a lot

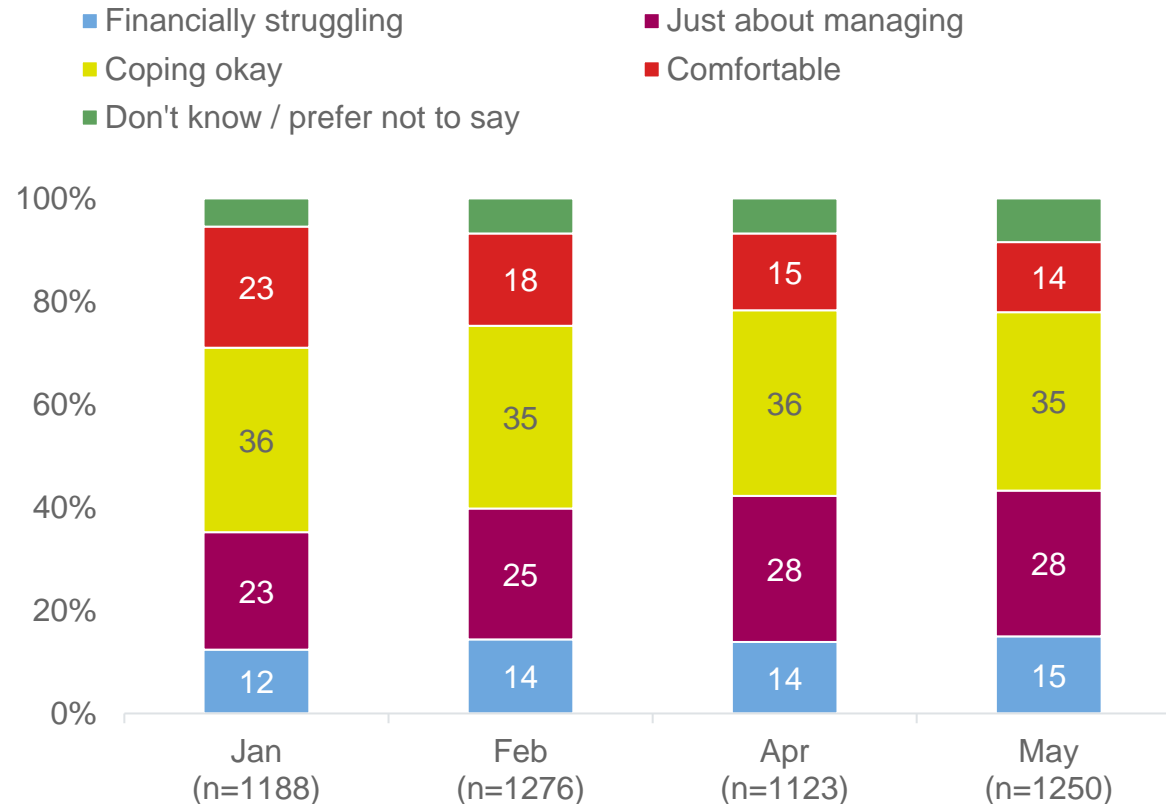
Cost of living changes over past six months



- Cost of living issues are now affecting a wider range of Londoners - those most likely to say they've seen an increase in living costs in the last six months are aged over 50 years old, White, inner Londoners, home owners, private renters, and with a household income over £40,000 per year.
- There has been a significant increase, from 29% in January to 44% in May, in the proportion of Londoners saying that living costs have increased a lot.

# 15% of Londoners said they were struggling financially in May, up from 12% in Jan – there has been a significant decrease in those saying they are comfortable

Londoners financial situation over time



- Those most likely to be financially struggling are C2DE Londoners, Asian, with a household income of less than £20,000, social renters, and disabled Londoners.
- Between January and May there has been a significant decrease in the proportion saying they are comfortable financially across almost all demographic groups.
- 12% of Londoners say they have fallen behind on some or all credit commitments in the last six months, up from 10% in January.

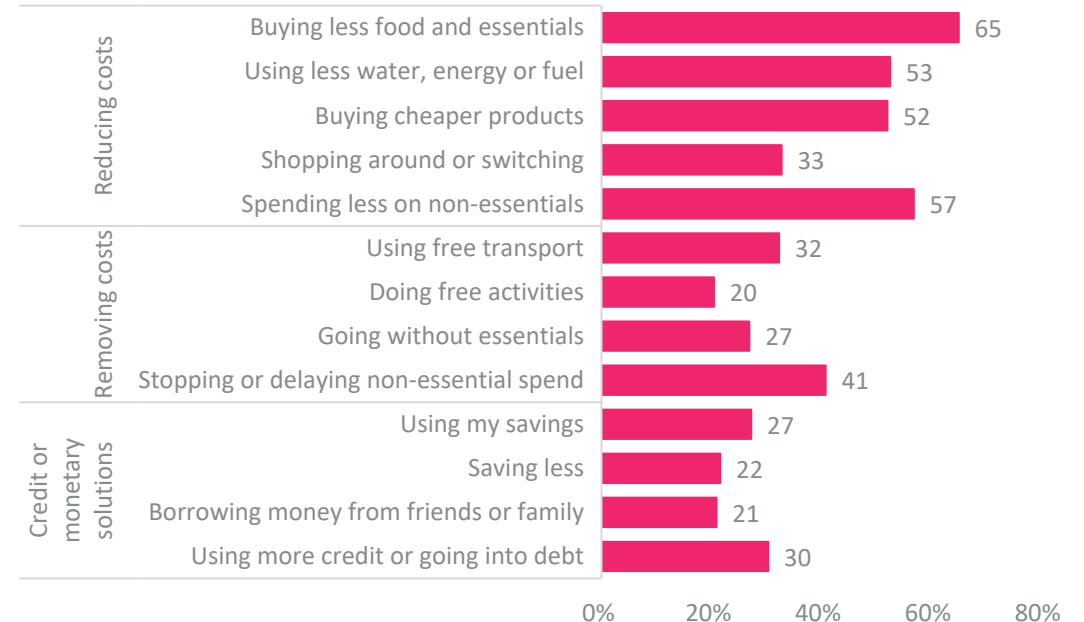
# Londoners 'struggling financially' are more likely to be going without essentials, and using more credit or going into debt than other Londoners

- 26% of Londoners (rising to 65% of those struggling financially) are buying less food and essentials
- Those who are struggling financially are more likely than other Londoners to be going without essentials (27% vs. 7%) and/or using more credit or going into debt (30% vs.12%)

How Londoners are managing living costs



How financially struggling Londoners are managing costs



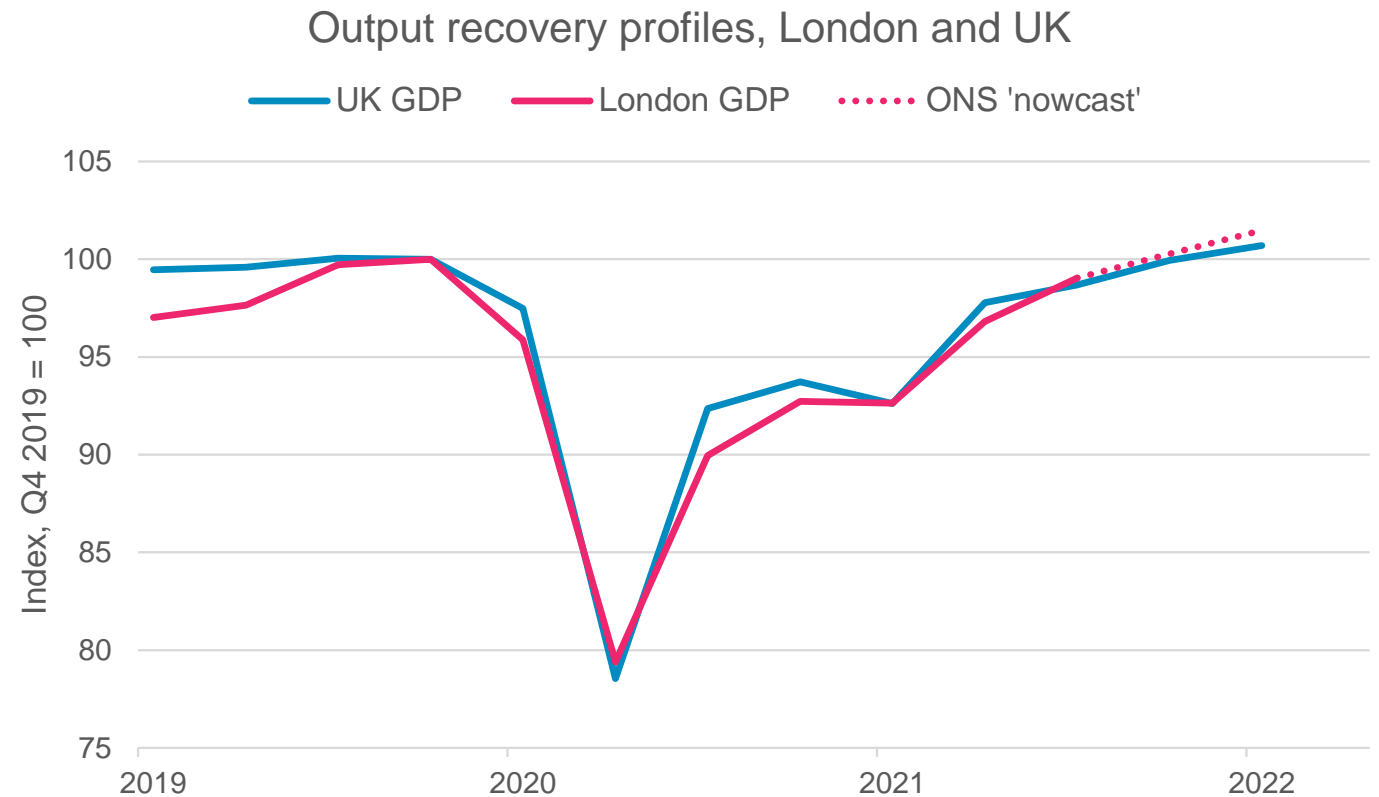
Note: 1| all sample n=1250, financially struggling n=187  
2| For full response options see appendix

Question: Which, if any, of the following are you doing to help manage living costs?



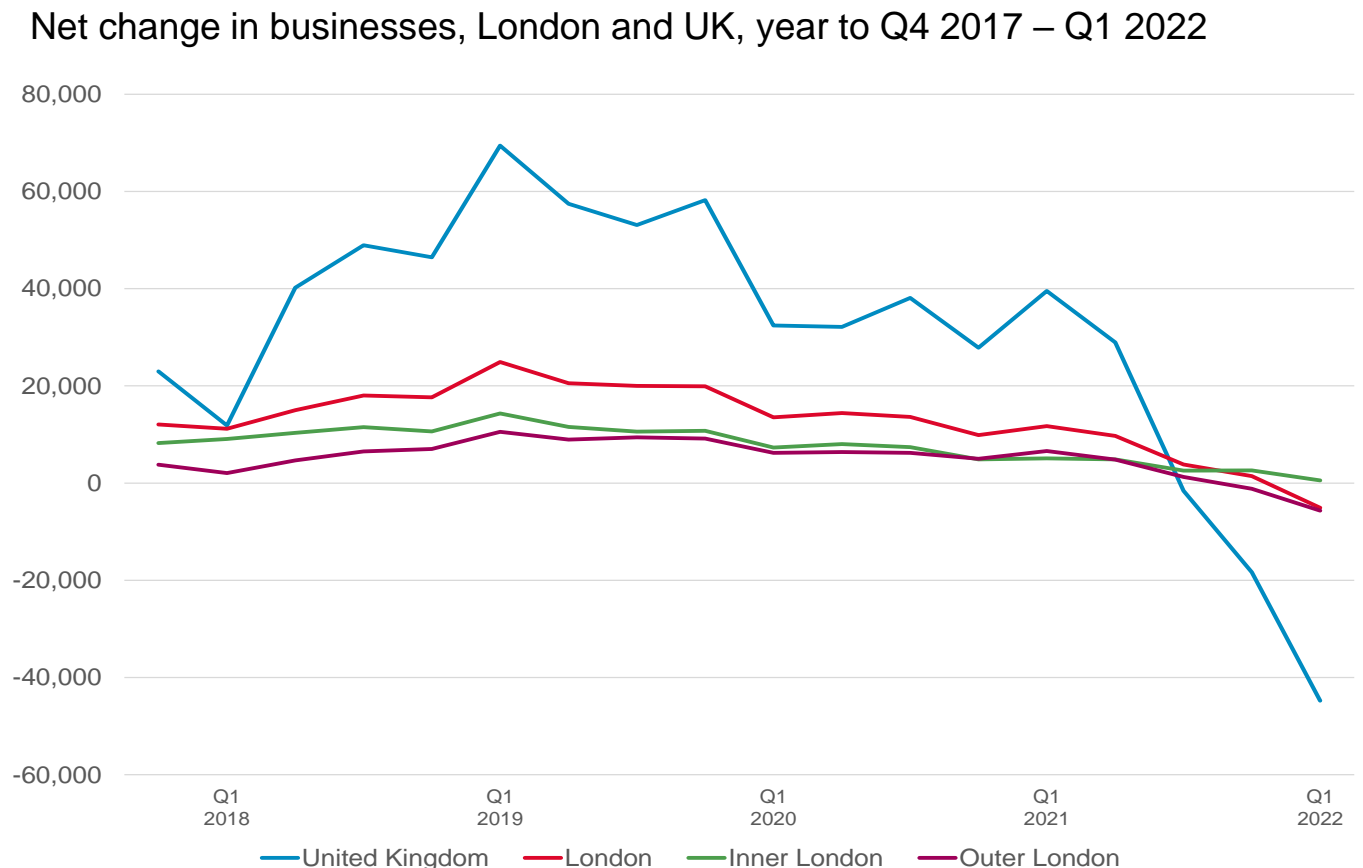
# After reaching pre-pandemic levels of output in late 2021, inflation is likely to lead to slower economic growth in the coming months, and worsen household circumstances

- The Bank of England expects real UK household incomes to fall by 1.75% in 2022 – the second largest contraction on record
- Retail sales have been falling since the Summer, and fell by 0.3% in the three months to April
- Sales rose by 1.4% in April, after a fall of 1.2% in March
- The contraction in consumer spending will depend on how much households use savings, or are willing to resort to credit



# Business dynamism is waning as the net number of businesses declines in London and the UK. Business sentiment remains positive in London.

- The number of business births across each geography has been fairly constant
- It is the number of business closures which has been rising
- London's share of UK births and closures has remained steady (at around a fifth)
- Only inner London continues to have some net growth in business numbers
- More optimistically, PMI business sentiment data for London continued to be positive in May

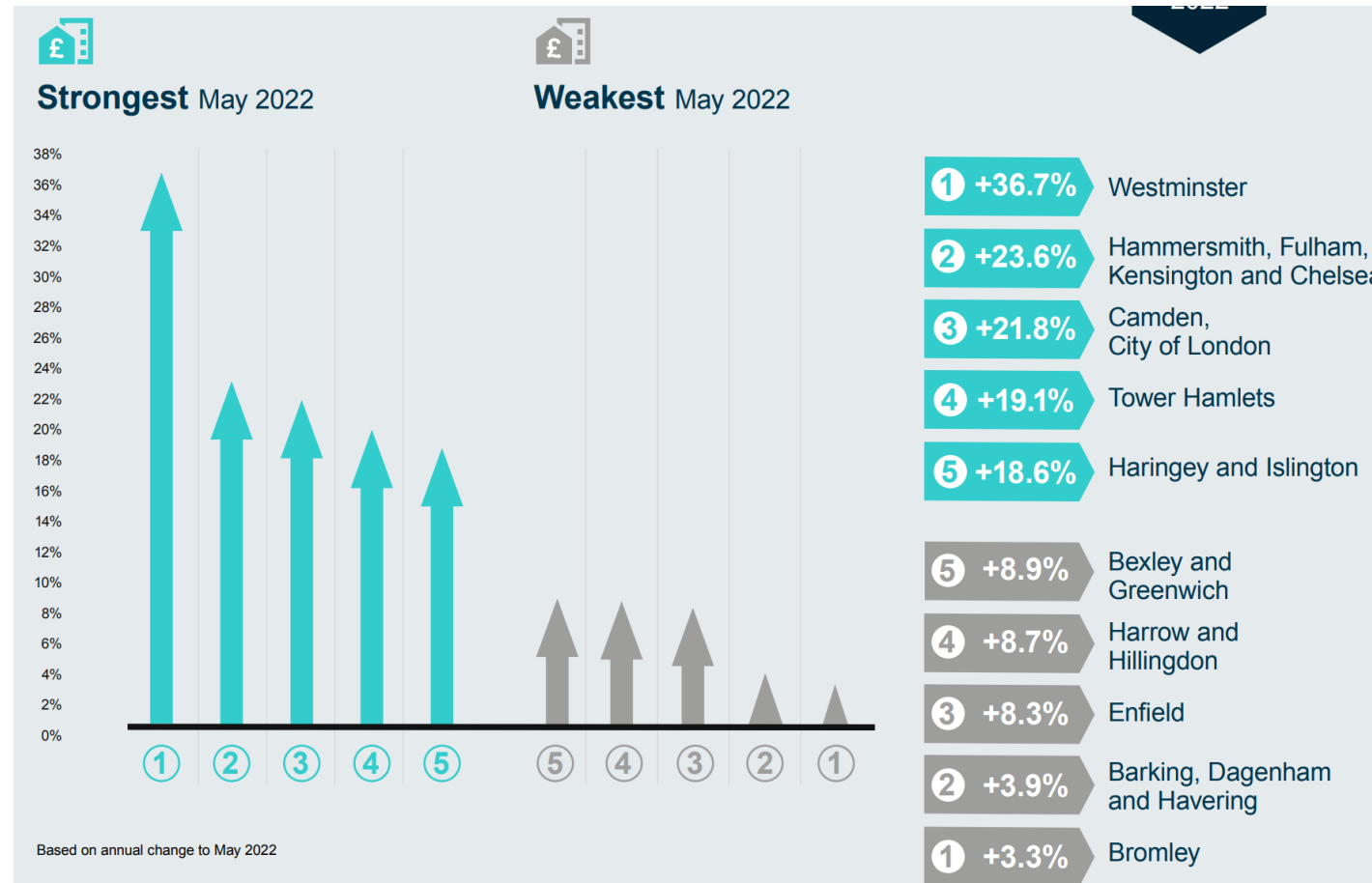


Source: ONS business demography statistics and GLA Economics calculations

# Average rents for new tenancies are now rising faster in London than in other regions, although house prices are rising more slowly in the capital

- Homelet report that average rents for new tenancies in London were 15.7% higher in May 2022 than in May 2021 (the fastest regional rate of growth Homelet have ever recorded), and 10.0% higher than 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.
- Rightmove report that average asking prices in London were 7.6% higher in May 2022 than they were a year before, still the lowest rate of growth among English regions. Similarly, ONS reported that the average price of completed sales in London rose 4.8% in the last year, below 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.

Average rents for new tenancies in inner London are growing very strongly, due to of resurgent demand and a substantial reduction in the availability of property to rent



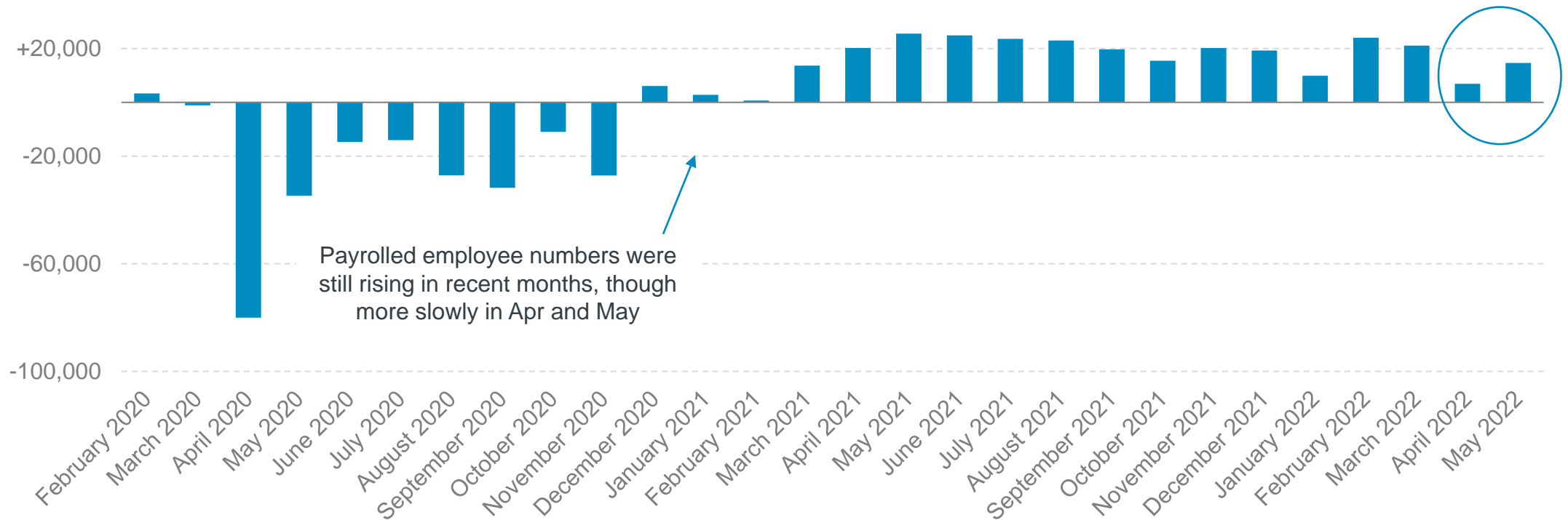
# Economic activity, the labour market and benefit claims

- Timely labour market data suggests that London's labour market recovery may be cooling – improvements in payrolled employees slowed in April and May.
- While the ILO unemployment rate is close to pre-pandemic levels, the number of Londoners in paid work is still down on pre-Covid levels following an increase in economic inactivity over recent months.
- Yet the labour market is still relatively tight and UK businesses continue to report recruitment difficulties – worker shortages are a particular issue in the construction, health and (especially) hospitality sectors.
- 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).

# Payrolled employee numbers continued to rise in May 2022, but the increase slowed in April and May

## Monthly change in payrolled employees

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



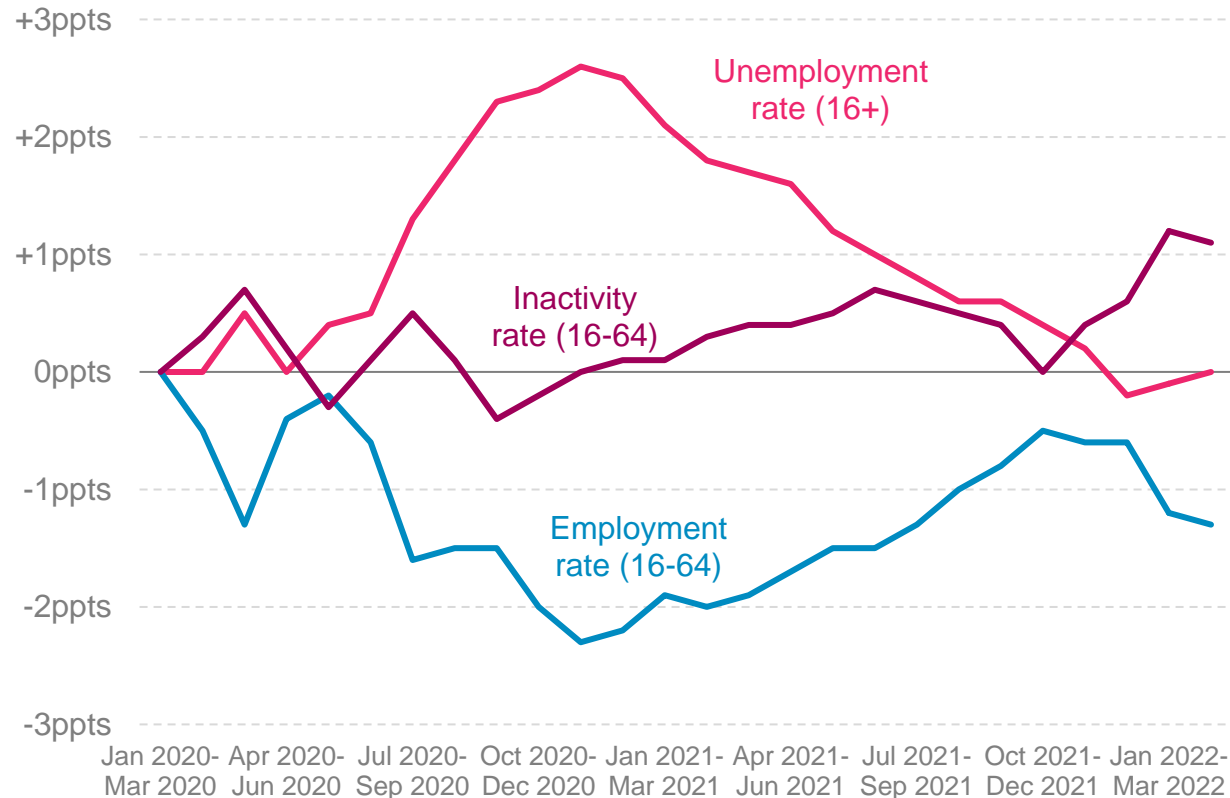
Payrolled employee numbers were still rising in recent months, though more slowly in Apr and May

Source: ONS HM Revenue and Customs – Pay As You Earn Real Time Information / ONS Claimant Count. Note: data is seasonally adjusted; payrolled employee estimate for May 2022 is provisional. Both estimates are residence-based.

# While the unemployment rate returned to pre-pandemic levels in the first quarter of 2022, the inactivity rate has increased recently

## Change in labour market status since Jan-Mar 2020

London residents, latest data for period Feb-Apr 2022

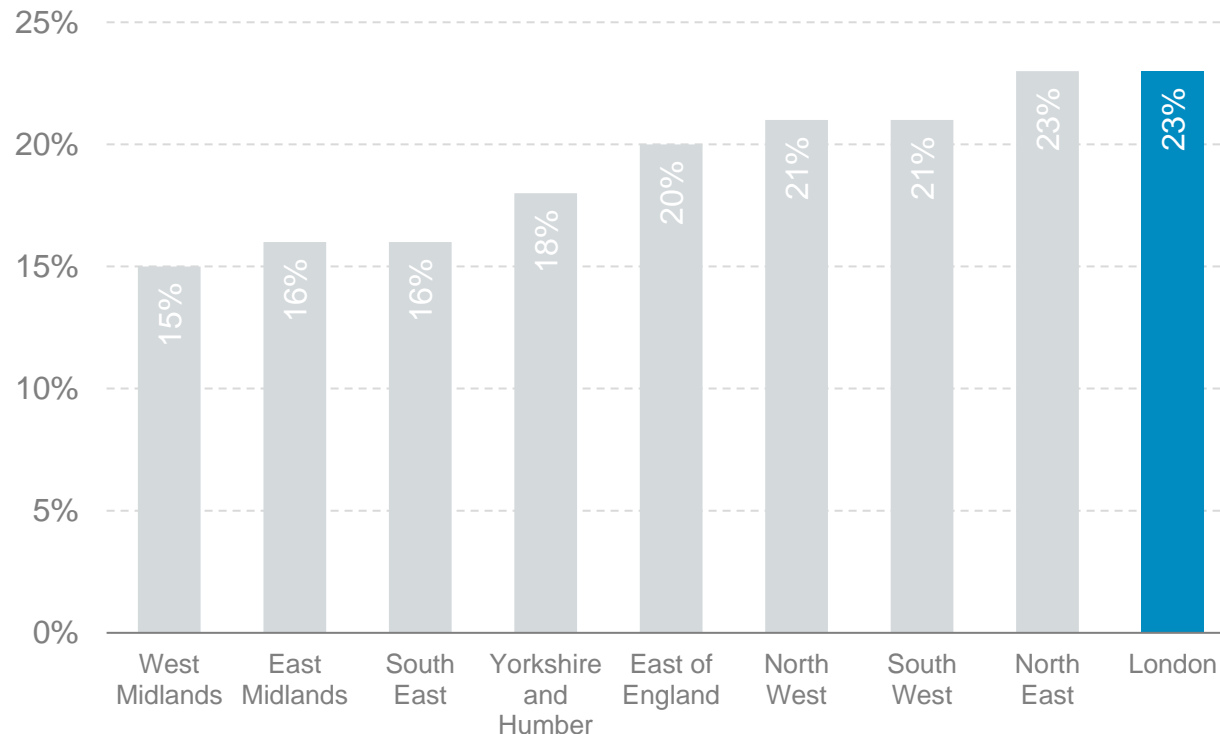


- The unemployment rate among Londoners aged 16 and over returned to pre-pandemic levels at the start of 2022.
- Despite this improvement, total **employment** (including self-employment) is still below where it was in early 2020.
- This is down to a recent increase in **economic inactivity** among working age Londoners, led by an rise in inactivity among those aged 50-64 years.
- London's inactivity rate remains below the UK average but the latest estimate rose by 0.6 percentage points on the previous quarter (Nov 2021-Jan 2022).

# A high share of Londoners aged 50-70 had returned to work during the pandemic, but this may have changed in the last year

## Percentage of 50-70 year-olds who left or lost their job during the pandemic who had returned to paid work

By English region, 8 to 13 February 2022



- An ONS survey in February indicated that a higher share (23%) of adults aged 50-70 years who left or lost their jobs during the pandemic had returned to work in London – partly because of financial necessity.
- But most of this group had not returned to paid employment, and recent data suggests that the inactivity rate for Londoners aged 50-64 has risen in the last year (having fallen in the year before).
- For workers aged 50-70 years who lost their job during the pandemic, the most common reasons for moving into inactivity were retirement and illness or disability.

For more on inactivity trends, see [here](#).

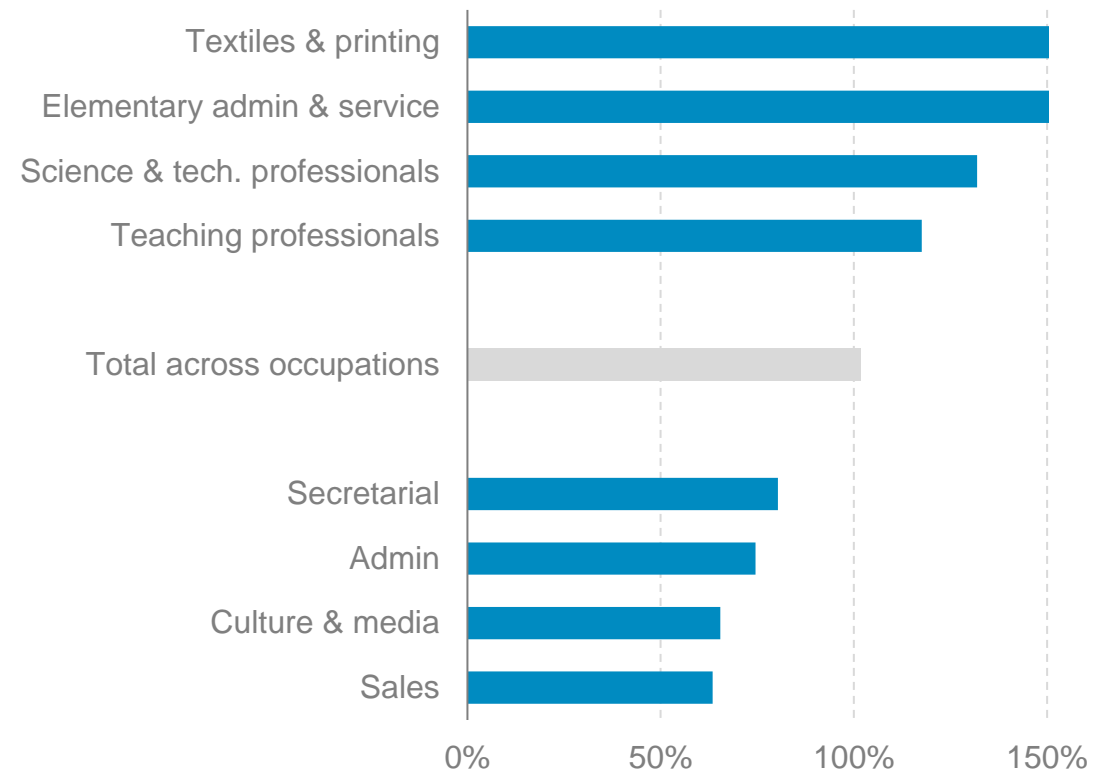


# The number of new online job postings in London rose to record levels in early 2022 – this partly reflects job churn, and not all roles have seen the same rate of recovery

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



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

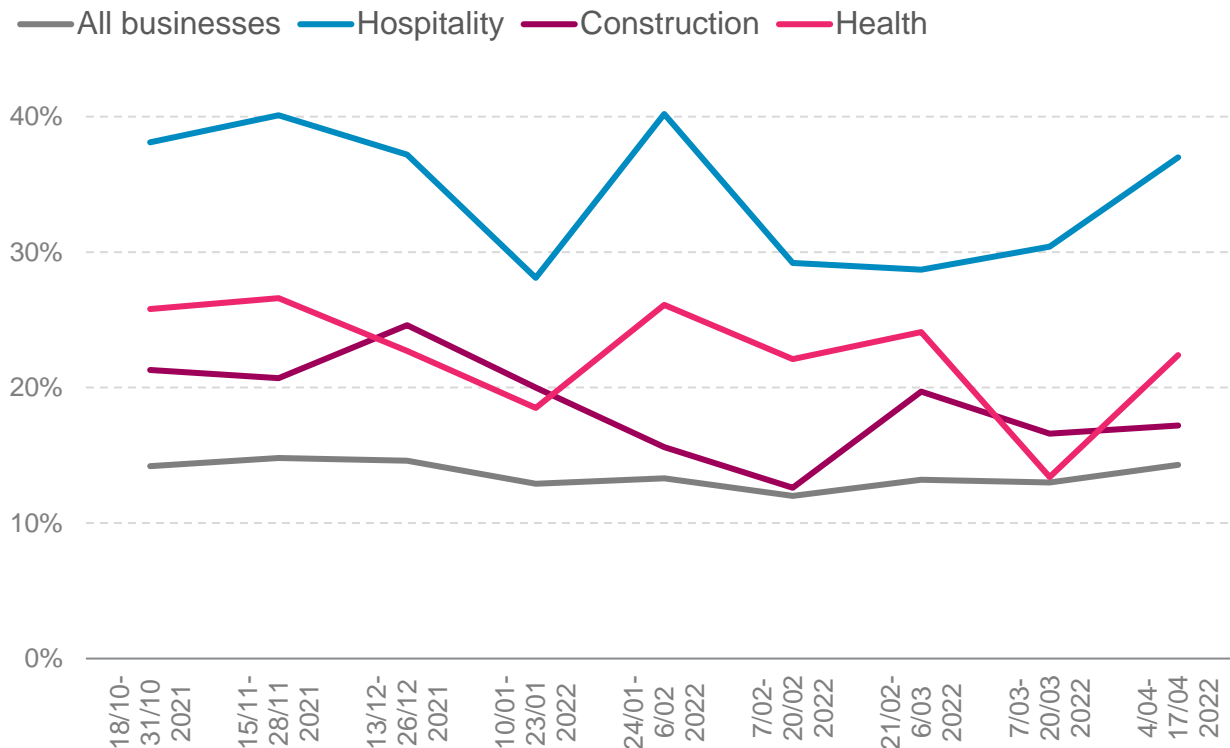


Source: Emsi Burning Glass 2022. Note: RHS chart only includes occupations with 2,500+ job postings.

# As the number of unemployed Londoners has fallen, survey data points to ongoing recruitment challenges for employers

## UK Businesses experiencing worker shortages

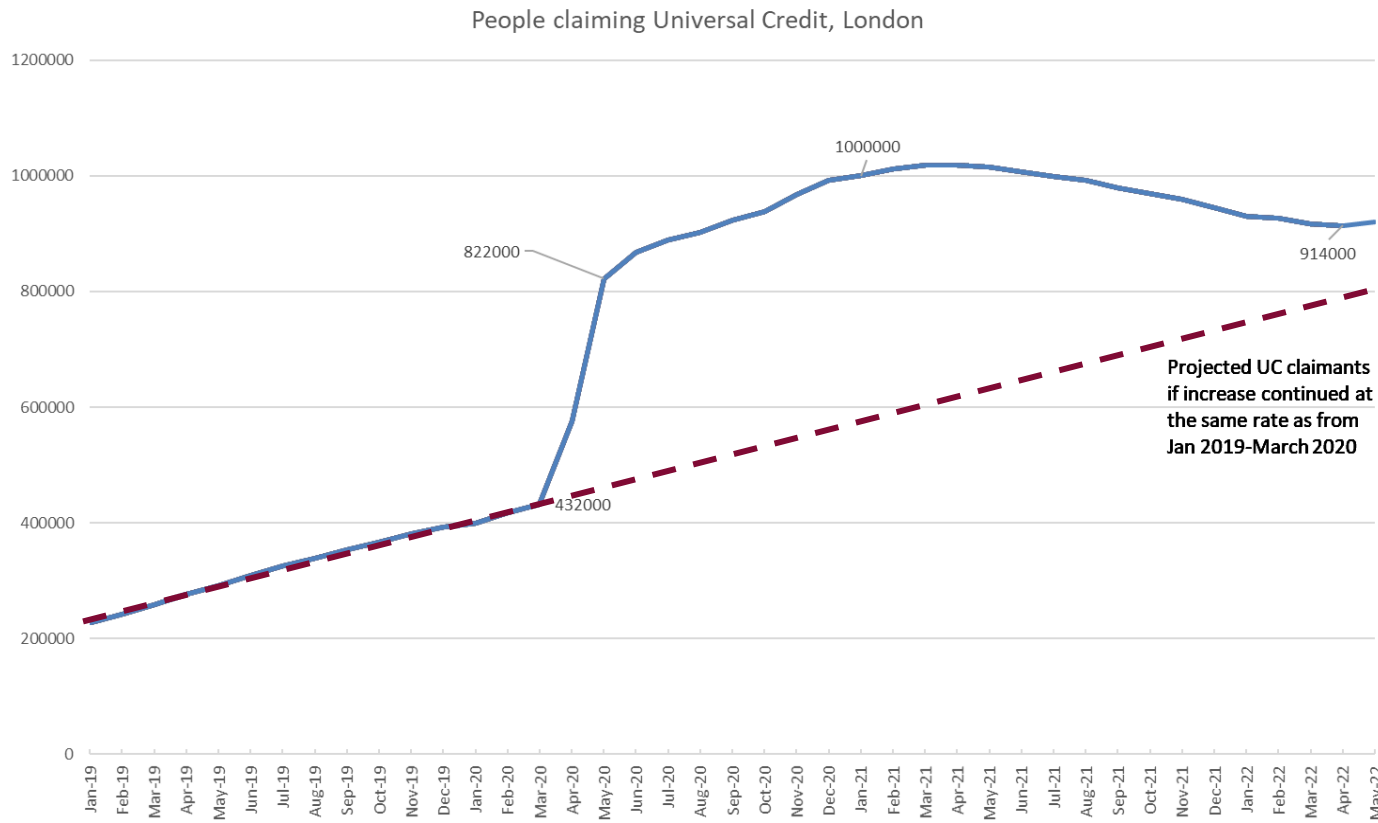
% businesses not permanently stopped trading, weighted counts.  
October 2021 to April 2022.



Source: ONS Business Survey (2022). \*Based on GLA Economics analysis of ONS Vacancy Survey.

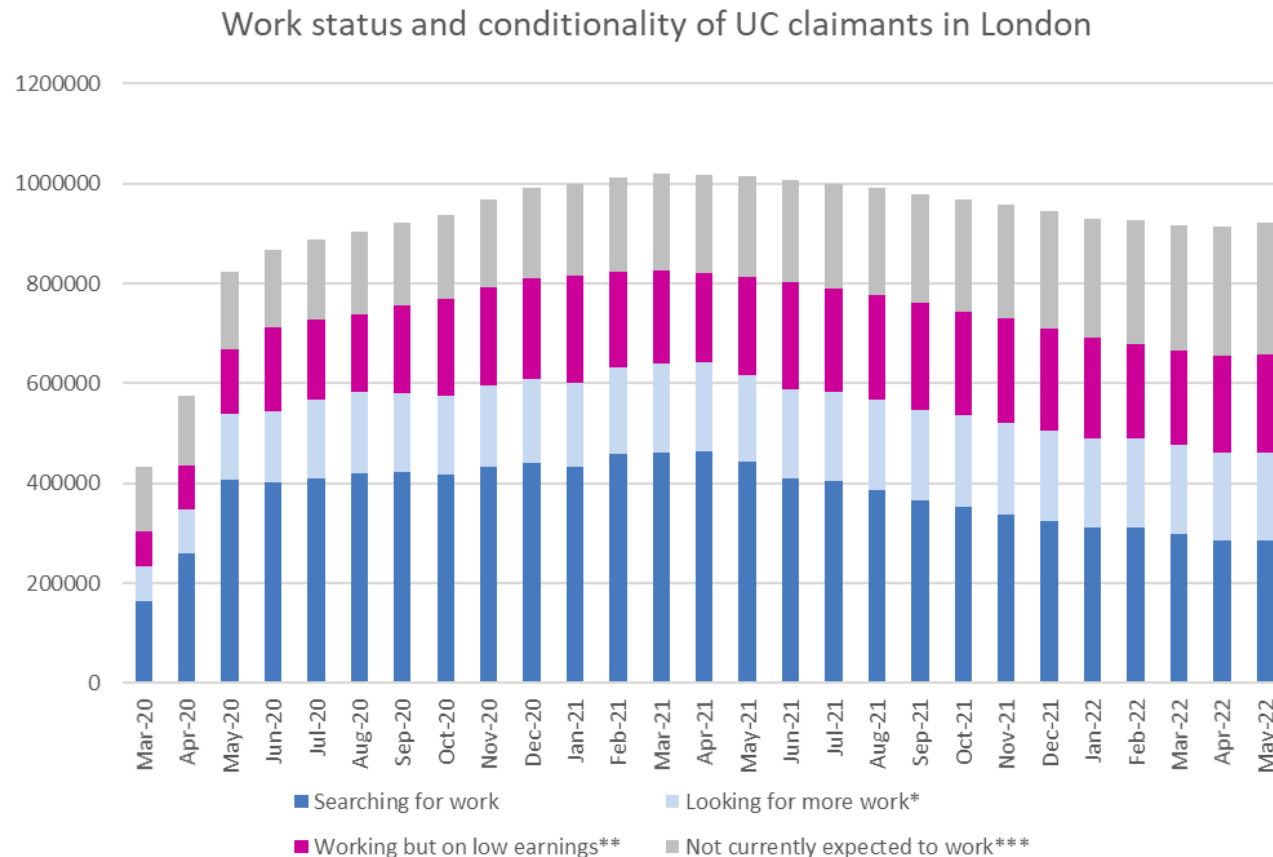
- At the UK level, the number of unemployed people fell below the number of job vacancies for the first time in the first quarter of 2022.
- Modelled estimates suggest that a similar picture holds in London, with around 1 London-based jobseeker per vacancy at the start of 2022 (down from 3-4 jobseekers in mid-2020).\*
- UK businesses continue to report recruitment difficulties – with a higher rate of worker shortages reported by employers in the construction, health and hospitality sectors.

# The number of Londoners claiming Universal Credit (UC) remains high – around 100,000 more claims than expected given the previous rate of growth before the pandemic\*



- \*The number of UC claims was increasing before the pandemic as legacy benefit claims were transferred to UC. Had this rate continued there would have been around 800,000 claimants in May 2022 rather than over 900,000.
- The number of UC claimants aged 60 and over is continuing to rise, while other age groups are decreasing (especially younger claimants).
- London is the only part of GB where the total number of UC claimants is more than double the number at March 2020.

# 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 high



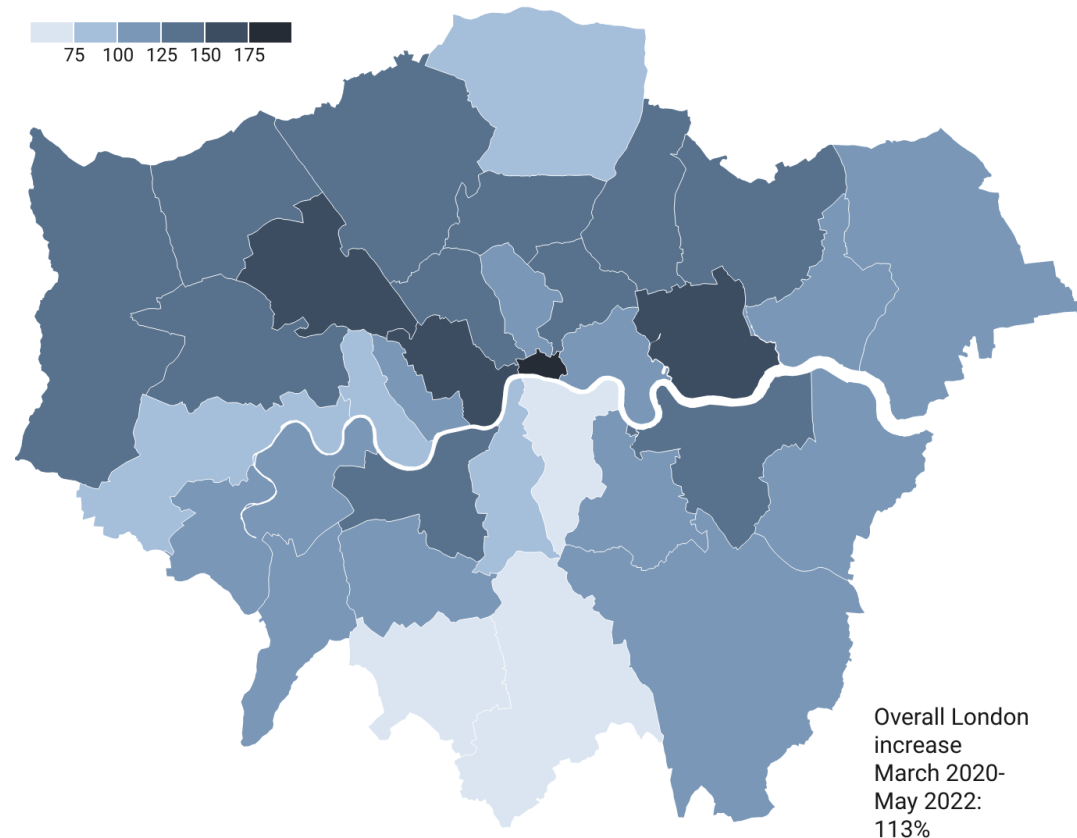
- The number of UC claimants searching for work has been falling since April 2021 and is now close to the level at April 2020.
- The share of UC claimants in employment at least some of the time is showing signs of falling slightly. Having risen from around 35% through most of the pandemic, to more than 41% in November and December 2021, the proportion is back to around 40%.
- The numbers of UC claimants in low-paid work needing support, either on low hours or low pay, is also falling slightly, but is still more than 2.5 times the pre-pandemic level.

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.

# Almost all boroughs in London are seeing monthly decreases in the number of UC claimants

## Percentage change in the number of people claiming Universal Credit March 2020-May 2022



Source: DWP benefit statistics

Map data: © Crown copyright and database right 2018

- Newham remains the borough with the largest number of UC claimants (more than 50,000 claimants, down nearly 5,000 from its peak), though Brent has the highest percentage increase (175%).
- Lambeth, Southwark and Waltham Forest have each seen reductions from a peak of over 5,000.
- At over 22%, Barking & Dagenham has the highest rate of the working age population claiming UC, having seen only a modest decrease of 1,300 claimants from its peak.
- UC claimant rates in Brent, Enfield, Haringey, Hounslow and Newham are also over 20% while the proportion of all working age Londoners claiming UC is around 15%.\*

\* there are higher levels of uncertainty than usual around these percentages as there is increased uncertainty around the population estimates. The working age population here is taken as aged 18-65 years.

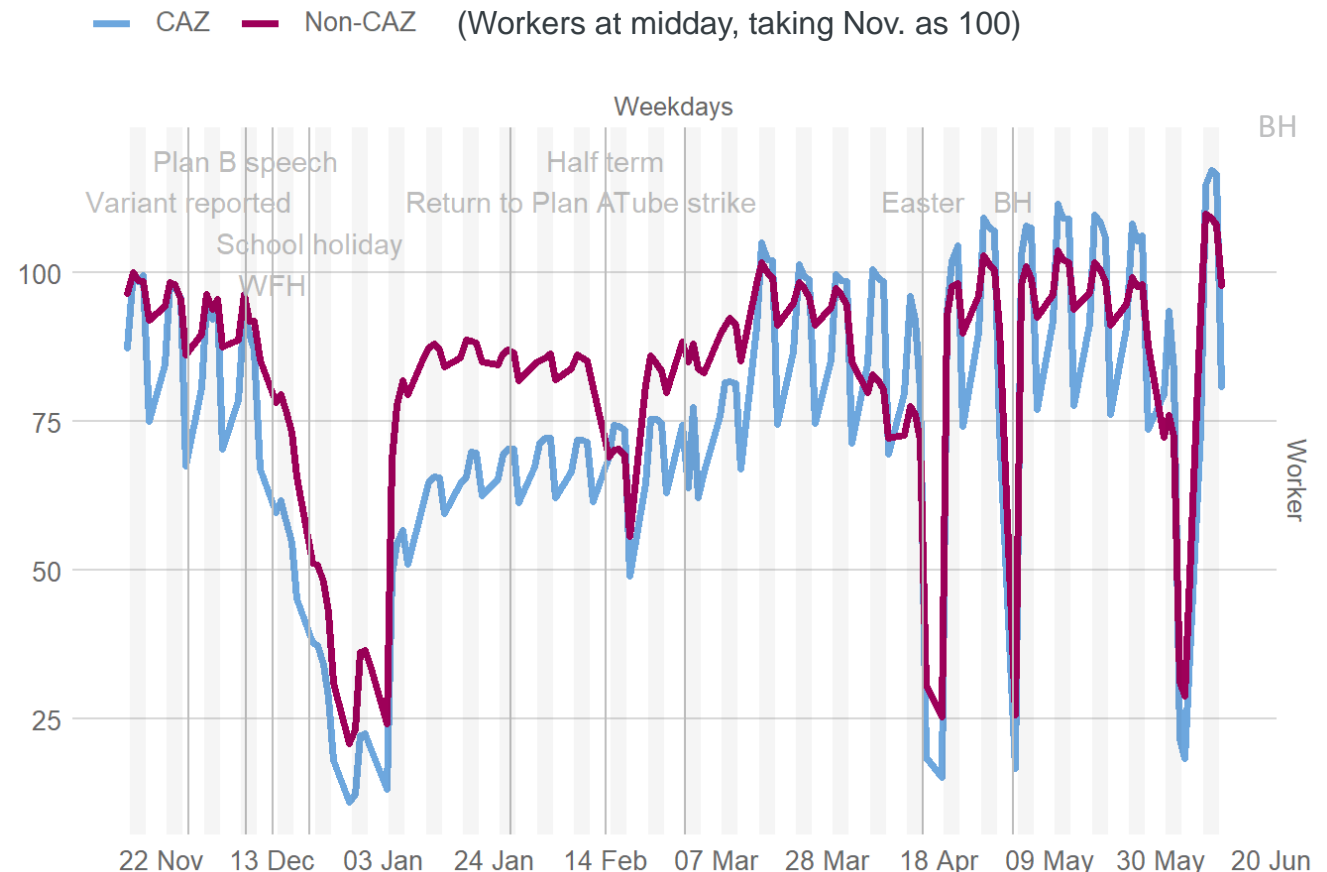
# Mobility and expenditure

- The number of workers travelling to the Central Activities Zone (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.
- Card spending dropped earlier in December and to a lower level than pre-pandemic, but has since recovered and is higher than before the pandemic

# The number of workers travelling to the Central Activities Zone (CAZ) is now exceeding the pre-Omicron November 2021 figures

- The number of workers in the CAZ at mid-day climbed from Sept. 2021 to level out in Nov. 2021 at around 60% of 2019 figures.
- There was a small decline following reporting of the new variant and a sharp decline following the Plan B restrictions.
- Since then, there has been a steady recovery in numbers back to around **73% of pre-pandemic figures during May 2022.**

Changes to midday worker activity levels

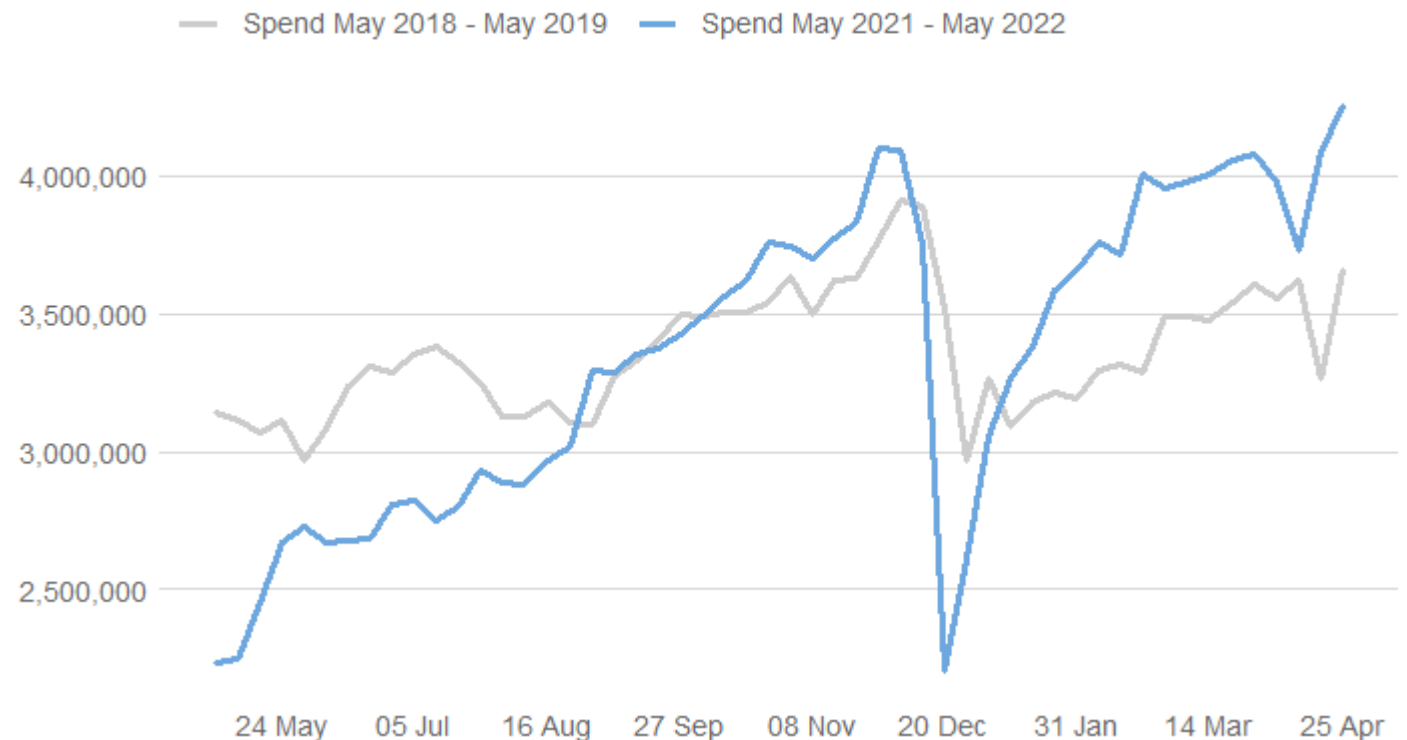


# Card spending dropped earlier in December and to a lower level than pre-pandemic, but has since recovered

- Following the reopening in May 2021, spend increased steadily week on week until Plan B. Spend for the CAZ and non-CAZ parts of London showed similar trends during this time.
- The introduction of Plan B suppressed activity levels in the 2-3 weeks leading up to the Christmas/New Year week (compared to 2018).
- Post Christmas, spend recovered, particularly following the end of Plan B.

## London retail spending

Mastercard adjusted spend index





# Other socio-economic impacts

- Depression and anxiety symptoms were higher in March than over the previous 11 months - similar to levels when first lockdown was eased in 2020
- After a surge in emergency food parcels distributed by the Trussell Trust in 2020-21, the overall number fell in 2021-22, though was still above 2019-20 levels
- Travel plans and access to non-Covid-19 related healthcare were the main issues still being affected by the pandemic in March. Almost 1 in 5 people had not met up or socialised with anyone outside their household in the previous week
- Concerns about non-Covid-related healthcare are reflected in hospital data showing timeliness of cancer referrals, as well as data on A&E and ambulance response times
- The latest data on rough sleepers for January - March 2022 show the recorded number of new rough sleepers was 17% lower than the same period last year
- Rape and Other Sexual Offences remain high in 2022, with offending levels currently above that seen pre-COVID. Theft offences continue to show an upward trend since the notable drop in March 2020, with Theft from Person recently rising beyond its pre-COVID level.

# Depression and anxiety symptoms were higher in March than over the past 11 months - similar to levels when first lockdown was eased in 2020\*

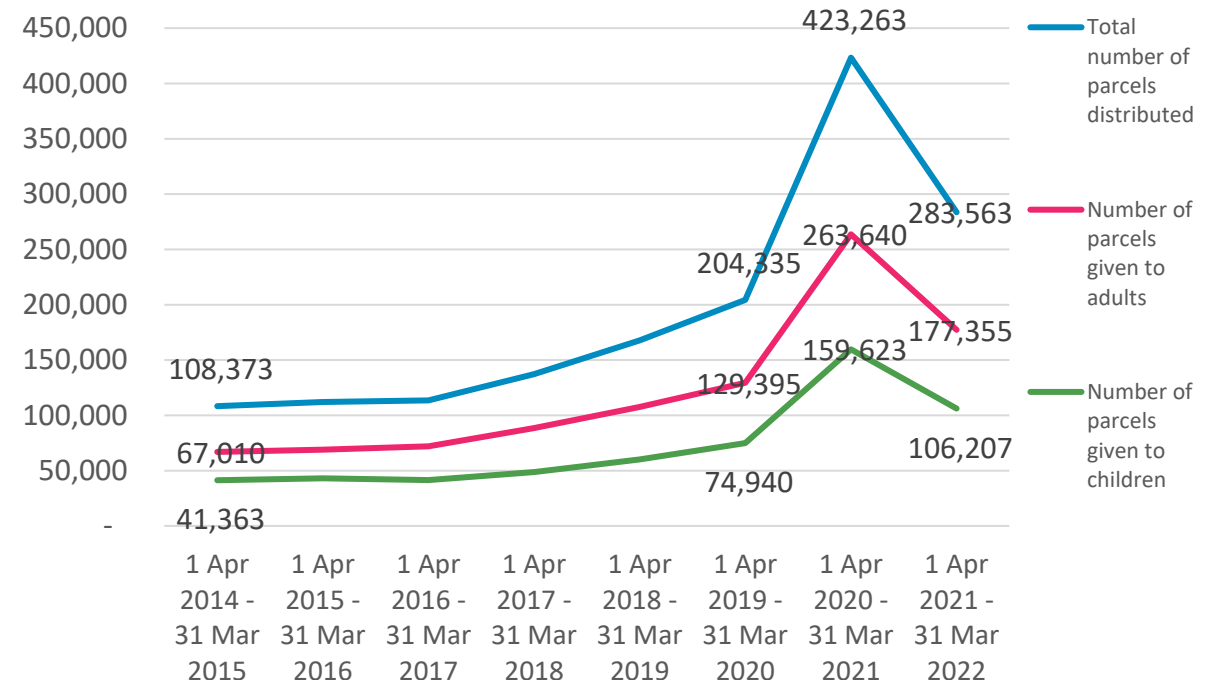
- People have increased their range of behaviours outside the home e.g. shopping, meeting up with friends and family, and going to work, but happiness had not improved by March 2022.
- Depression and anxiety symptoms remain on a par with levels when first lockdown was eased in 2020; higher than over the past 11 months. Levels remain higher amongst younger adults.
- Just 1 in 3 adults aged 18-29 felt in control of their mental health (35%), compared to 47% of adults ages 30-59 and 61% of older adults. These figures are worse than six months previously, when on average 54% of all adults said they felt in control of their mental health, compared to just 49% now.
- The [UK Covid-19 Social Study](#) run by University College London, has published its latest results covering up to 27 March 2022 (around two years after the first UK lockdown was announced). The study is moving to publishing every quarter, instead of weekly. Few studies remain that are collecting timely data on the social impacts of the pandemic.
- There is increasing qualitative evidence that the cost of living crisis is worsening mental health.

\*These data are for the UK, and are not London-specific

# After a surge in emergency food parcels distributed by the Trussell Trust in 2020-21, the overall number fell in 2021-22, though was still above 2019-20 levels

- There has been a 33% decrease in the number of emergency food parcels distributed by food banks in the Trussell Trust network in London in 2021-22, in comparison to the first year of the pandemic 2020-21.
- However, this does not offset the initial surge that occurred in 2020-21 from 2019-20 when the number of emergency food parcels distributed by the Trussell Trust in London increased by 107%.
- The number of emergency food parcels distributed by the Trussell Trust in London in 2020/21 is still 39% higher than in 2019-20.

Number of emergency food parcels distributed by food banks in the Trussell Trust network in London



Source: The Trussell Trust End of Year Statistics 2021/22.

Note: Trussell Trust figures cannot be used to fully explain the scale of food bank use across London because their figures relate to food banks in their network and not to the hundreds of independent food aid providers and community-groups also providing support.

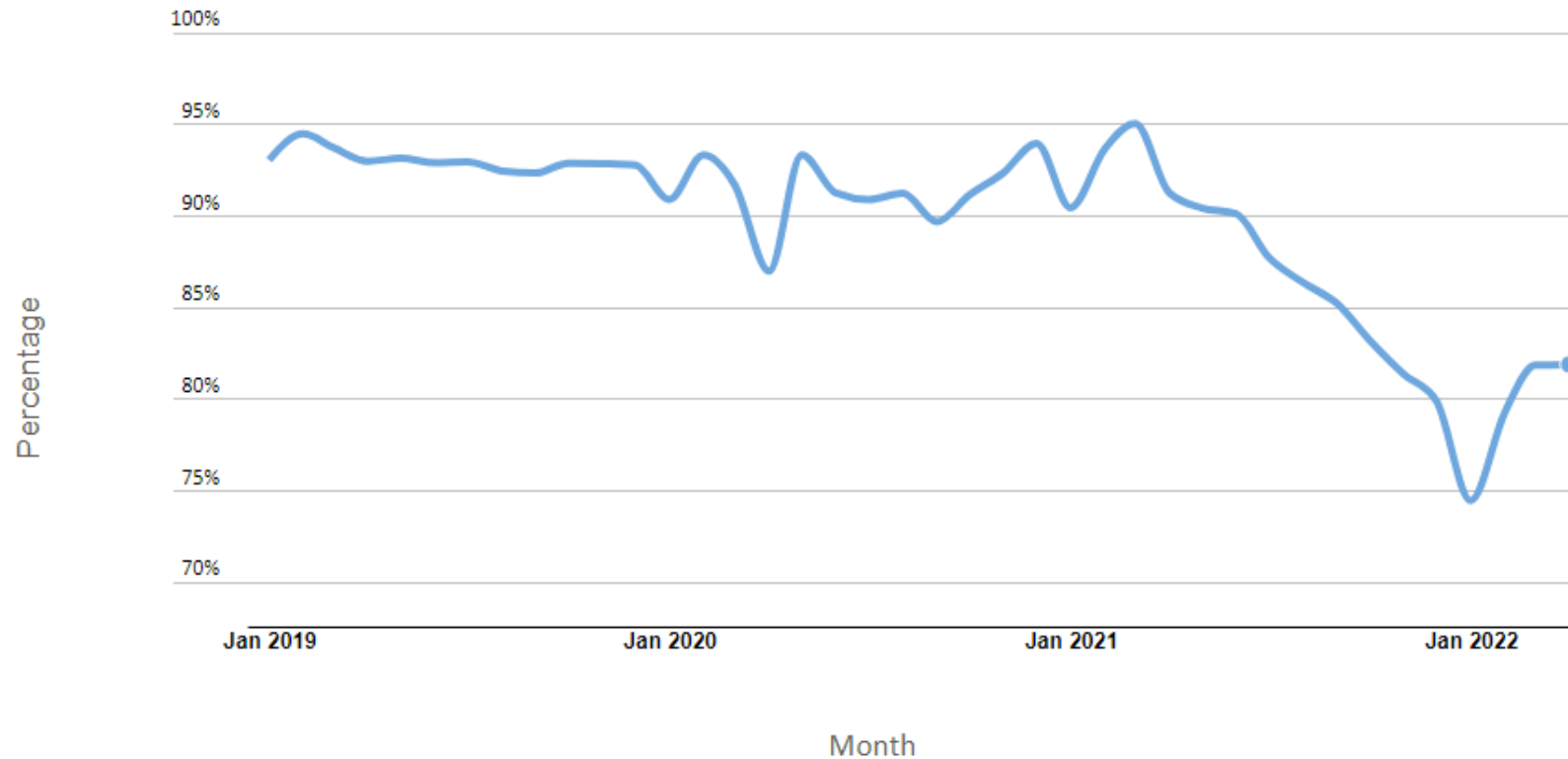
# In March 2022, travel plans and access to non-Covid-19 related healthcare were the main issues still being affected by the pandemic

- In March 2022, nearly half (45%) of Londoners cited travel plans being affected by the pandemic, with around a third (32%) citing access to healthcare and treatment for non-coronavirus (COVID-19) related issues being affected.
- Among working Londoners, nearly four in ten (37%) said that they had worked from home in the past seven days because of the pandemic.
- Around seven in ten (72%) Londoners feel comfortable or very comfortable about leaving their home due to the pandemic.
- Among Londoners who had left their home in the past seven days, the majority mentioned they had gone shopping (86%).
- Around one in five (19%) Londoners had not met up or socialised with anyone from outside their household in the past seven days (excluding work or education).

These data are taken from the Office for National Statistics (ONS) publication set up at the start of the pandemic '[Coronavirus and the social impacts on Great Britain](#)', covering 16 to 27 March 2022. This survey is now being conducted less frequently.

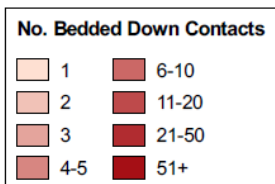
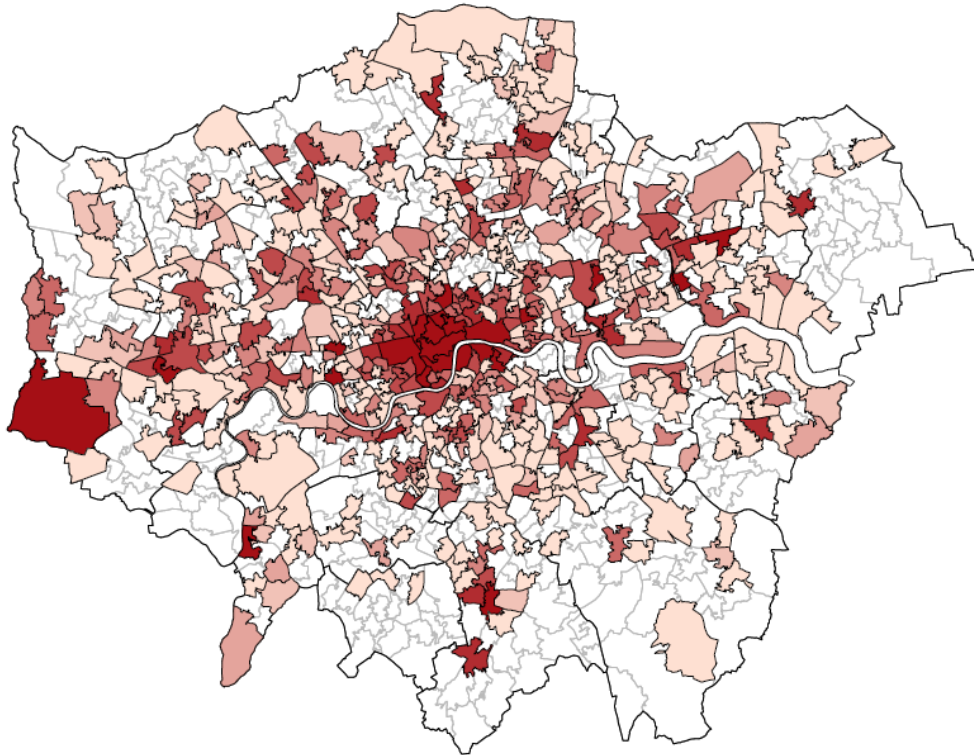
# Concerns about non-Covid-related healthcare are reflected in hospital data showing timeliness of cancer referrals, as well as data on A&E and ambulance response times

Percentage of 2-week cancer referrals in London within target



Source: NHS England portal

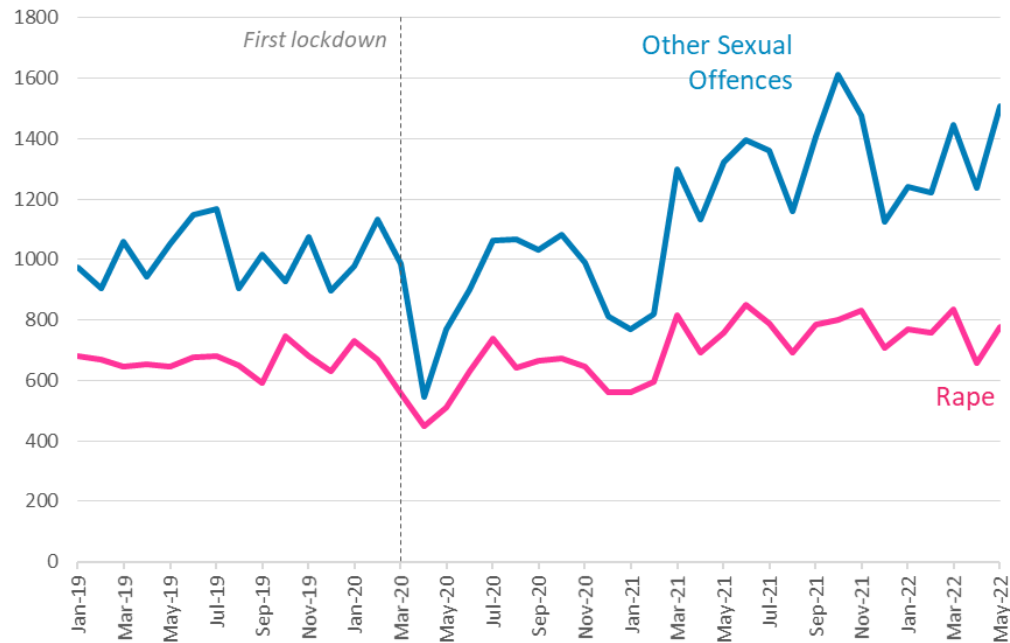
# The latest data on rough sleepers for January-March 2022 show the recorded number of new rough sleepers was 17% lower than the same period last year



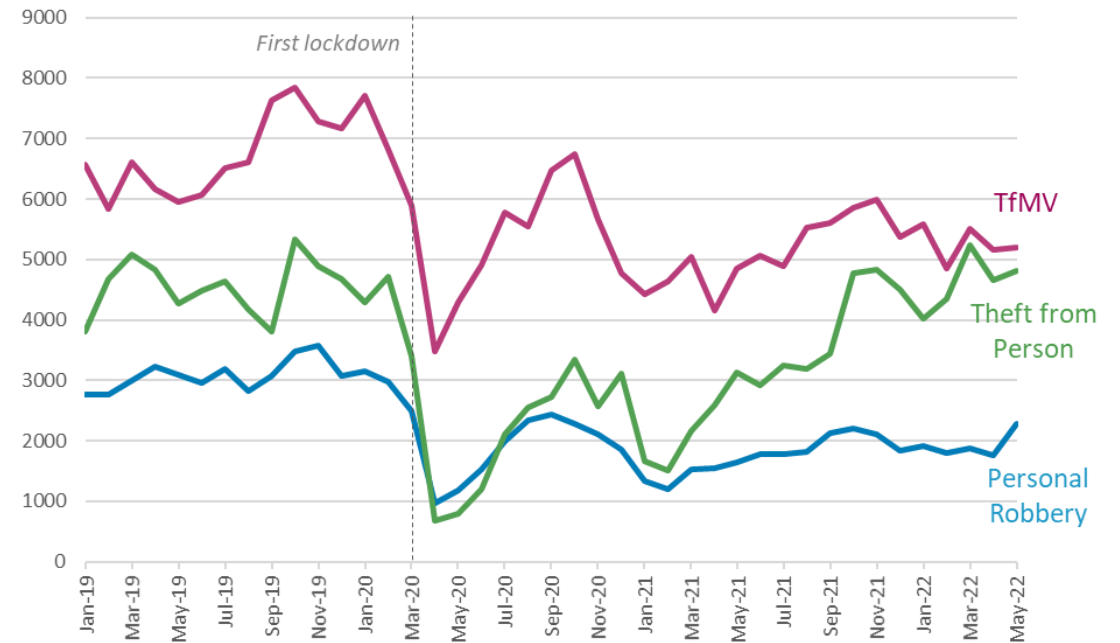
- In the period January - March 2022 outreach teams recorded 1,295 people in London sleeping rough for the first time
- Of these:
  - 993 (77%) spent just one night sleeping rough
  - 275 (21%) slept rough for more than one night but did not go on to live on the streets
  - 27 (2%) were deemed to be living on the streets

# Rape and Other Sexual Offences remain high in 2022, with offending levels currently above that seen pre-COVID. Theft offences continue to show an upward trend

MPS Recorded Offences – Rape and Other Sexual Offences



MPS Recorded Offences - Theft from Person, Robbery and Theft from Motor Vehicle (TfMV)



# Pandemic situation

- Covid-19 infections in London rose rapidly throughout March, with an estimated 1-in-14 of the population testing positive by the end of the month. Infection rates fell through April and have been at or below 1-in-50 since the start of May.
- 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 (72%), and almost 4.4 million (52%) have had a 3<sup>rd</sup> dose or a booster
- In the most recent week of data, the majority (52%) of new first vaccine doses were given to children age 5-11. The majority of vaccinations given to older children are now second doses.
- Just over one out of ten Londoners (12%) now say they are socially distancing, whereas the proportion carrying on as normal is the highest since the pandemic began.

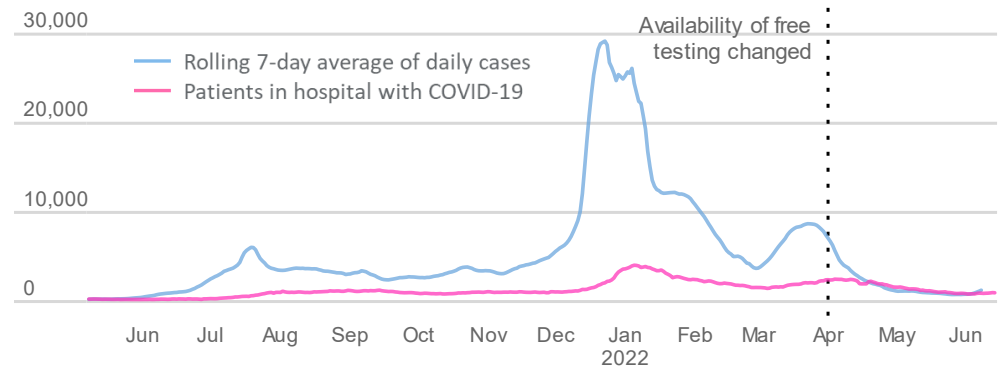


# COVID-19 infections surged in March, but deaths and hospitalisations remained lower than in earlier waves

- London infection rates peaked in late March at 1-in-14 and have since fallen back to 1-in-50
- Changes to the availability of free testing from 1 April are expected to lead to an increased proportion of new cases going unreported. Recent cases data will not be directly comparable to those published prior to the change.
- On 14 June, there were 982 patients with COVID-19 in London hospitals, of whom 57 were in mechanical ventilation beds
- Weekly COVID-19 deaths resulting from the latest surge peaked at 90 in the week to 8 April, before falling back to 21 deaths in the week to 20 May

## Changes to testing will impact reliability of cases data

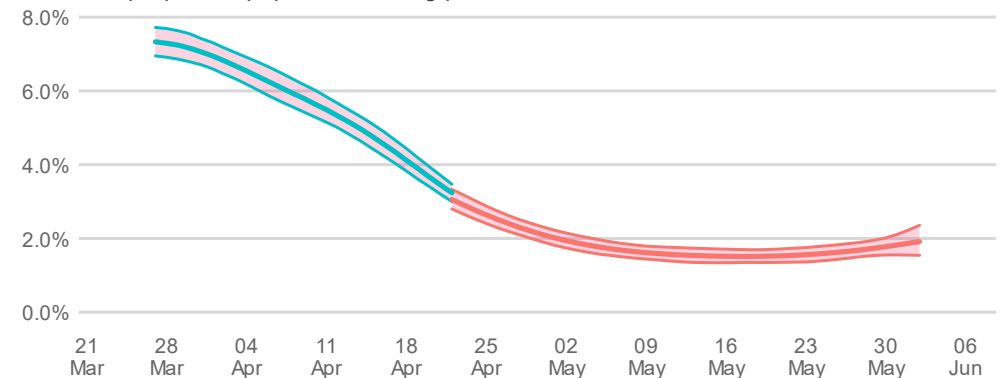
London - daily cases and patients in hospital with COVID-19



Source: UK Coronavirus Dashboard

## London infection rates have fallen back from their March peak

Modelled proportion population testing positive for Coronavirus



Source: Coronavirus Infection Survey, ONS 13 May 2022 and 10 June 2022

# Vaccinations are now being given to children age 5-11, but the overall pace of rollout has slowed

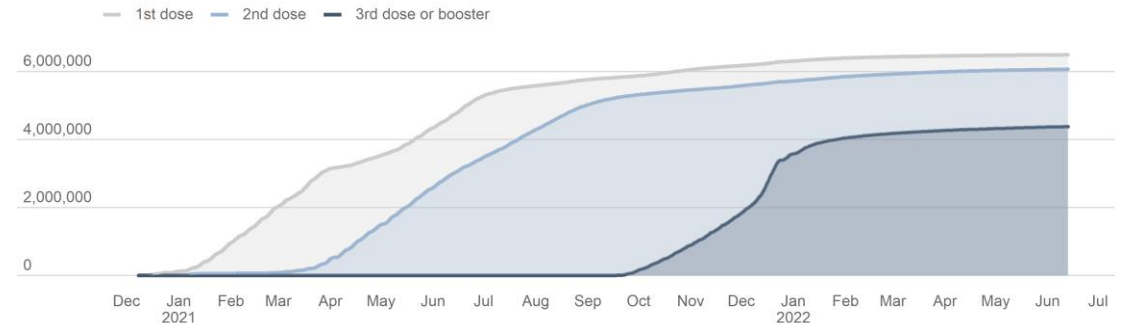
By 13 June:

- 78% (6.55 million) of London's population age 5+ had received a first dose
- 72% (6.07 million) had received two doses
- 52% (4.38 million) had received a 3rd dose or a booster

In the week to 13 June:

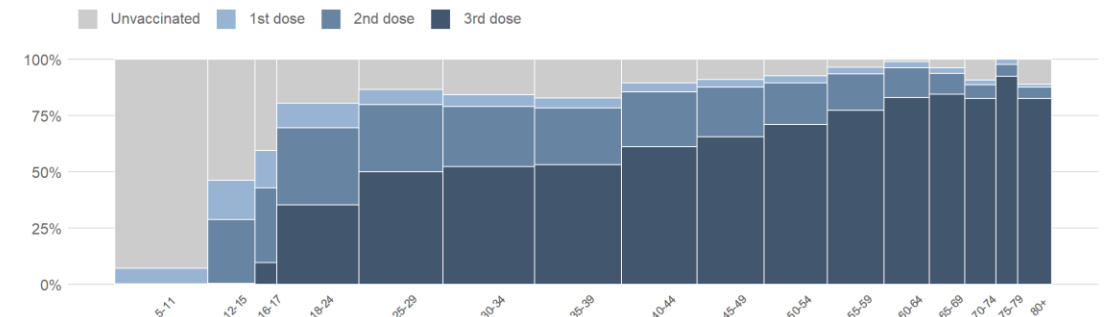
- 52% (2,216) of new first doses were given to children age 5-11. A total of 59,300 children in this group have now received at least one dose.
- 75% (1,773) of doses given to children age 12-15 were second doses.

London residents who have received vaccinations



Percentage of the population by age band who have received COVID-19 Vaccinations

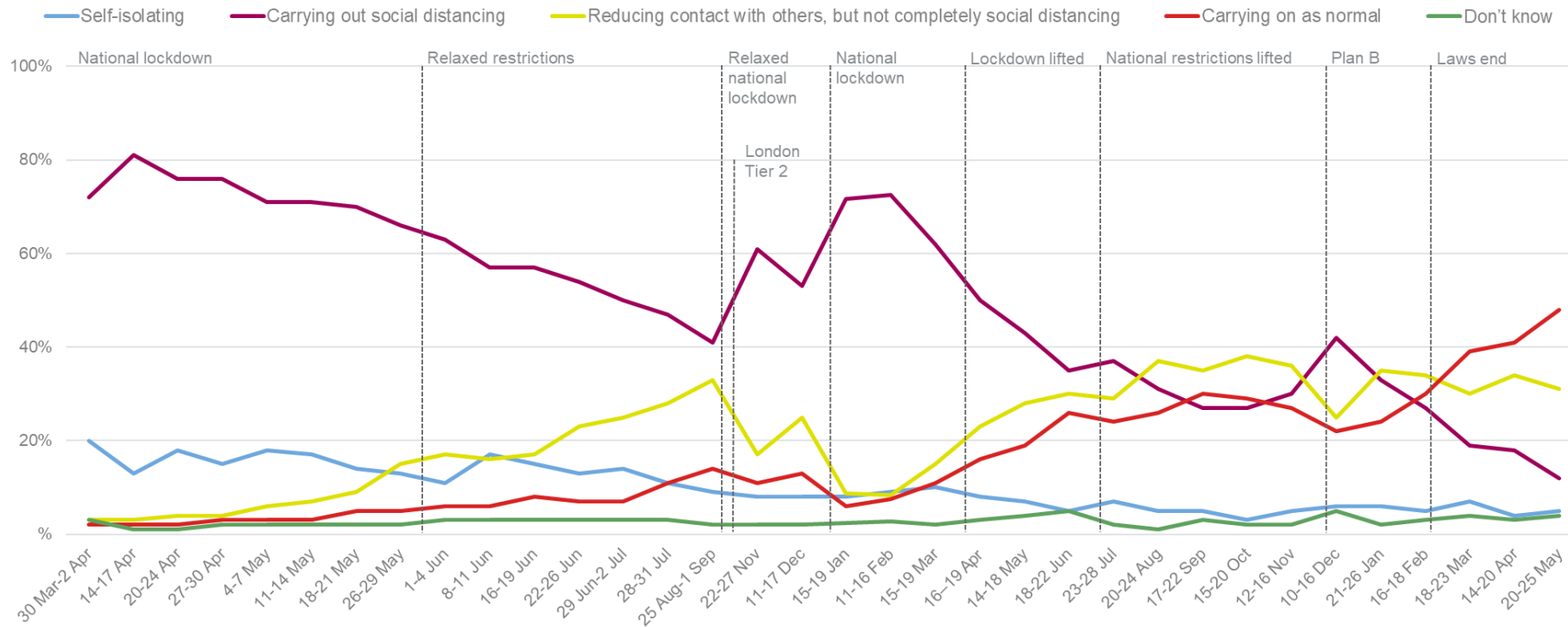
Vaccinations administered to London residents up to 13 June 2022  
Width of blocks is proportional to population size



Source: UK Government COVID-19 Dashboard  
Graphic by GLA City Intelligence

Just over 1 out of 10 Londoners (12%) now say they are socially distancing, whereas almost half (48%) are carrying on as normal – the latter is at an all-time high and continues to rise

Behaviours over time



- 21% of Londoners still think Covid poses a risk to themselves and 30% a risk to other Londoners.

Source: GLA polling (May 22)



# Conclusion

- High inflation and the increased cost of living continue to be a significant challenge to Londoners' wellbeing as well as a threat to economic recovery, now a greater threat than the direct impact of the pandemic.
- It is likely that the effects will be felt for some time and worsen existing inequalities, as the poorest are worse affected than those better off.
- While London's labour market is now relatively tight on some measures, there are also early signs of recovery cooling as the economy slows.
- But the number of benefit claims remains high, partly due to those claiming due to low income.
- Although the lives of Londoners are increasingly able to return to normal, there are still social issues with mental health (likely to get even worse with the cost of living crisis); issues with going out for some groups; access to non-Covid-related health care; and increasing rates of some crimes, especially rape and sexual offences.