



Summary of recent evidence affecting London

Presentation for the London Partnership Board

GLA City Intelligence Unit

June 2023



Content

- Overall summary
- Economy
- Cost of living
- Housing
- Footfall and spending
- Benefits and employment
- Social recovery from the pandemic



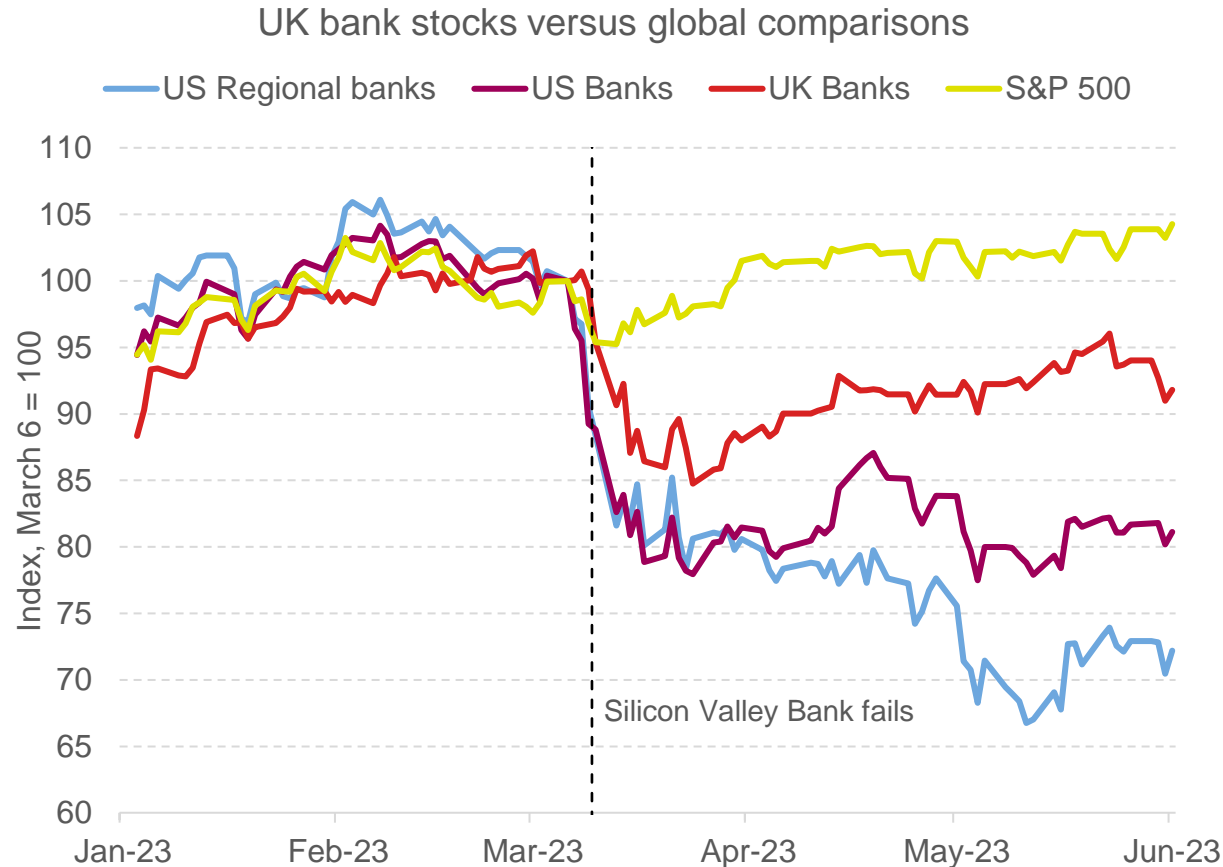
Summary

- The last few months have provided a mixed picture of resilience and prosperity within the city.
- Concerns about recession have eased, inflation has peaked, but it is persistent, and this is having a big impact on food affordability. Different sources concur that this is a particular issue in London.
- Overall consumer confidence is high compared to long run averages despite the cost of living crisis and continued negative real growth in employee pay.
- But the proportion of Londoners who say they are struggling financially reached a new high of 22% in May 2023. Eighteen per cent of Londoners said they regularly or occasionally went without food during this month. The number of emergency foodbank parcels delivered by the Trussell Trust in London rose sharply over 2022/23.
- Private rents are still growing fast although the rate of growth has stabilised. But private landlord claims for possession (eviction) have now exceeded pre-pandemic levels.
- Universal Credit numbers have not fallen back to their pre-pandemic numbers and are starting to increase again.
- An increase in the claimant count and a lower level of online job postings suggest the labour market is not as tight as it was in summer 2022.
- Further evidence has emerged of the social recovery from the pandemic though not all indicators have returned to pre-pandemic levels.



Main slides

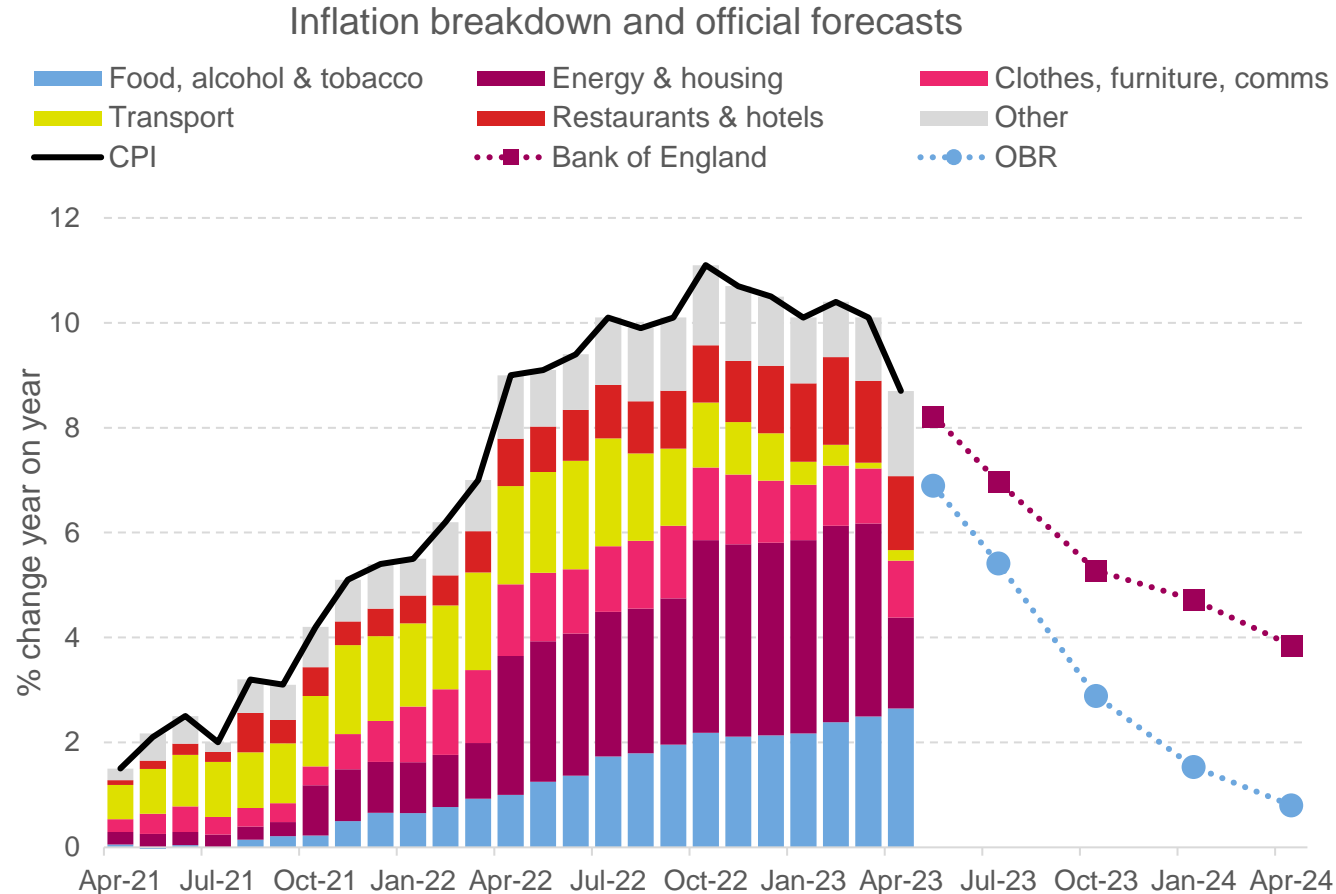
Financial turbulence is unlikely to prompt a UK crisis



Source: MarketWatch

- High inflation is prompting central banks to raise interest rates, creating financial turbulence.
- Some banks' balance sheets proved over-exposed to interest rate risk, leading to failures, mostly in the US.
- UK banks are well capitalised and tightly supervised. They should be resilient to current turbulence, as suggested by UK bank stocks outperforming global benchmarks.

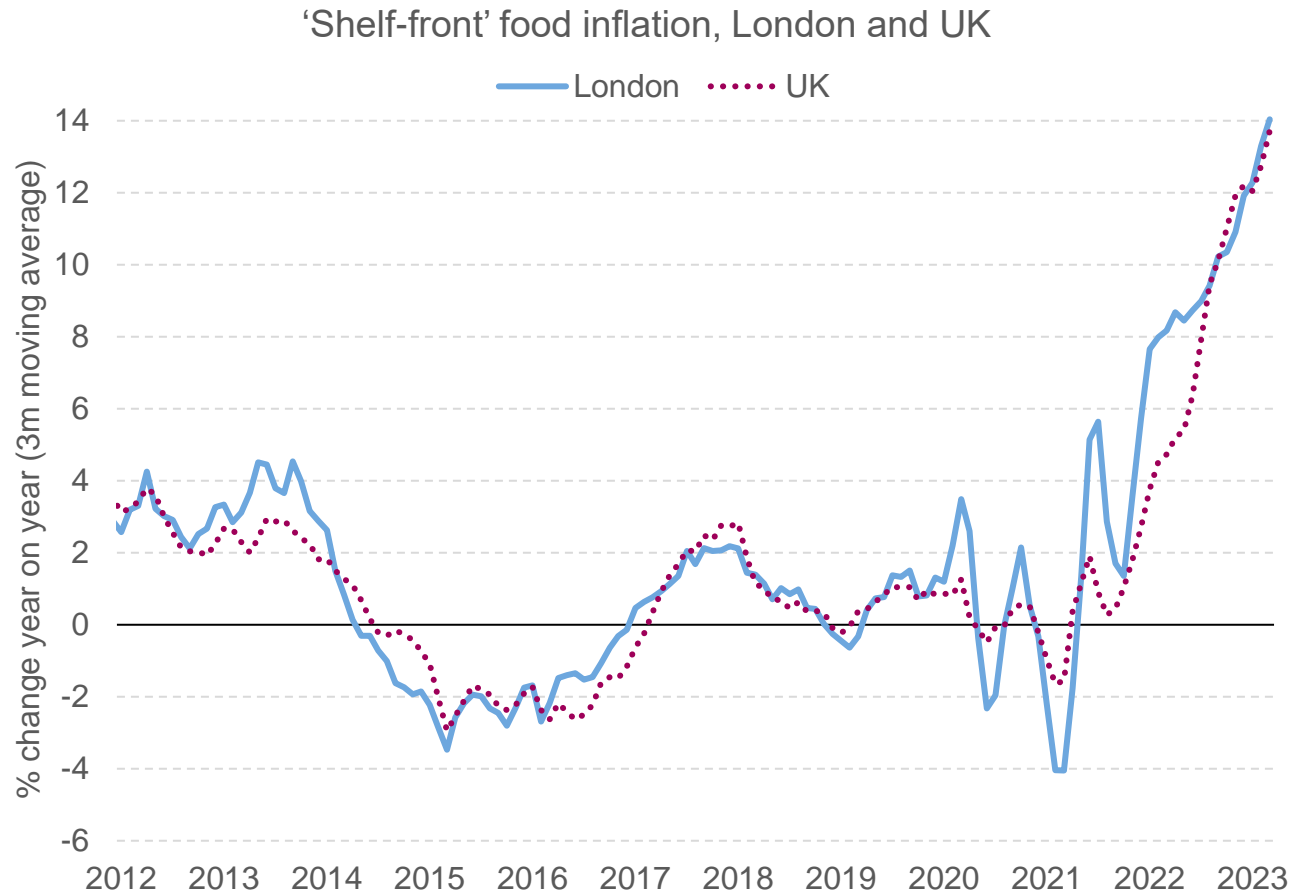
Inflation has peaked, but is proving more persistent



Source: Bank of England, Office for Budget Responsibility

- CPI inflation fell to 8.7% in April, its lowest in a year, but this was higher than expected.
- Energy inflation is down sharply from its high levels a year ago. Bills should fall in July.
- Food inflation ticked down in April, but at 19.3% year-on-year, this is still close to forty-year highs.

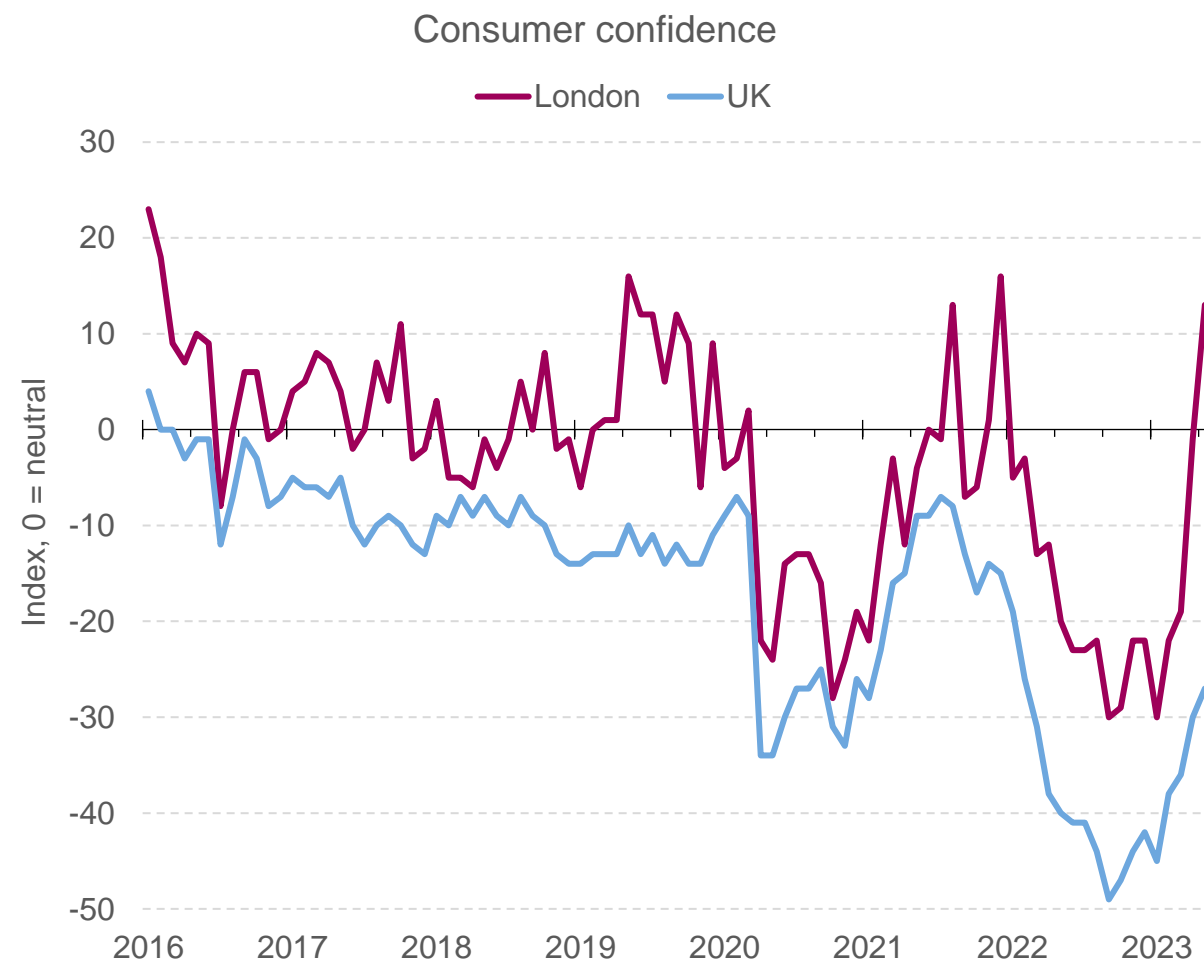
Food inflation took off faster in London, and is yet to peak



Source: GLA Economics, ONS price quotes in the [Long-Run Price Database](#) by Prof. Richard Davies

- Using ONS data on prices collected in the field (about half the CPI basket), GLA Economics has built a measure of '[shelf-front](#)' inflation and its components.
- Shelf-front food inflation in London rose faster than the UK average at the outset of the cost of living crisis, and has accelerated further.
- Some specific examples are stark. The price for a kilo block of cheddar is 63% higher in London than in March 2021, while on average across the UK, the same product is up 37% in price.

London's economy resilient to cost of living crisis



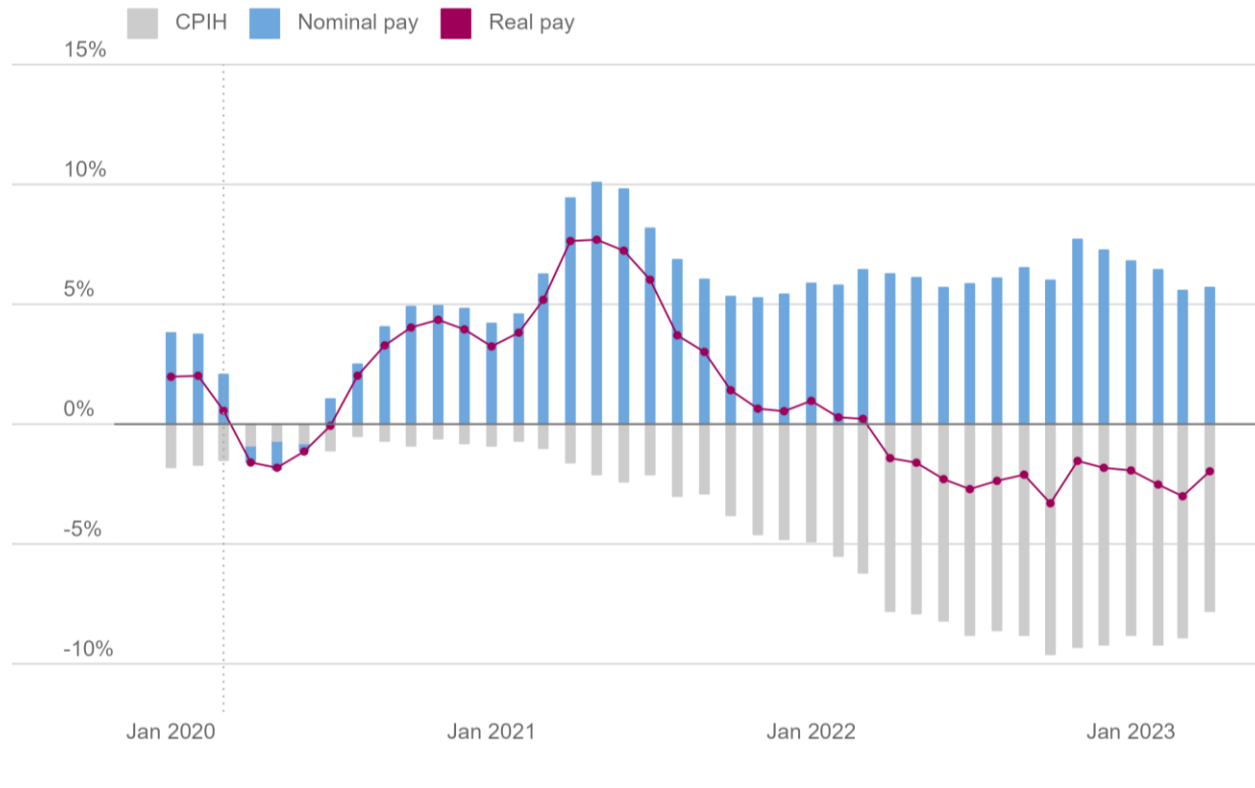
Source: GfK NOP

- Despite the cost of living crisis and interest rate hikes, the UK economy looks likely to avoid a recession, though activity has been flat across late 2022 and early 2023.
- London's economy should outperform the UK average. Its pandemic recovery has been stronger, average incomes are higher, output is less focused in consumer sectors, and business and consumer sentiment are optimistic.

This is despite a negative trend in median employee pay

Decomposition of real median pay in London, % annual change

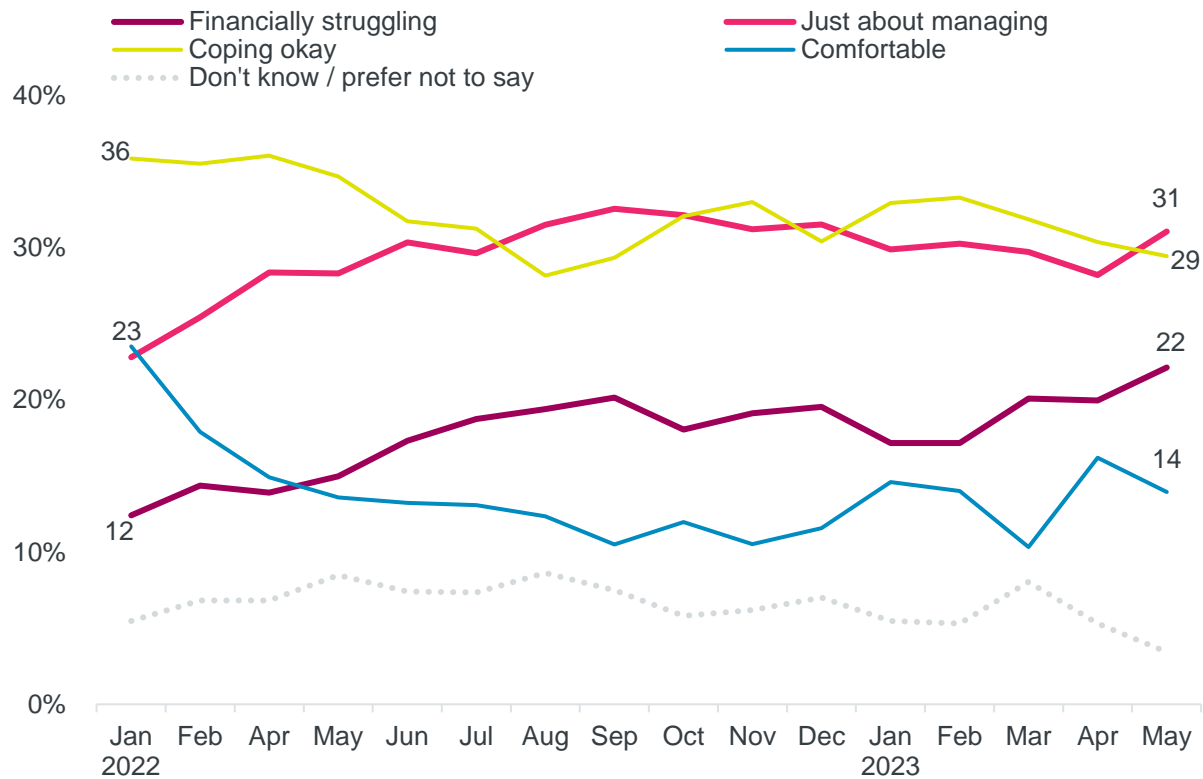
Effect from nominal pay change and CPIH inflation, to April 2023



- In real terms, annual growth in employee pay was negative for 13th consecutive month in April 2023.
- Despite a slowdown, the rate of inflation still outpaced growth in median pay for payrolled employees living in London (which rose by 5.7% in the year to April 2023).

Polling shows one in five Londoners (22%) said they were 'struggling financially' in May, taking it to a new high

Londoners' financial situation over time



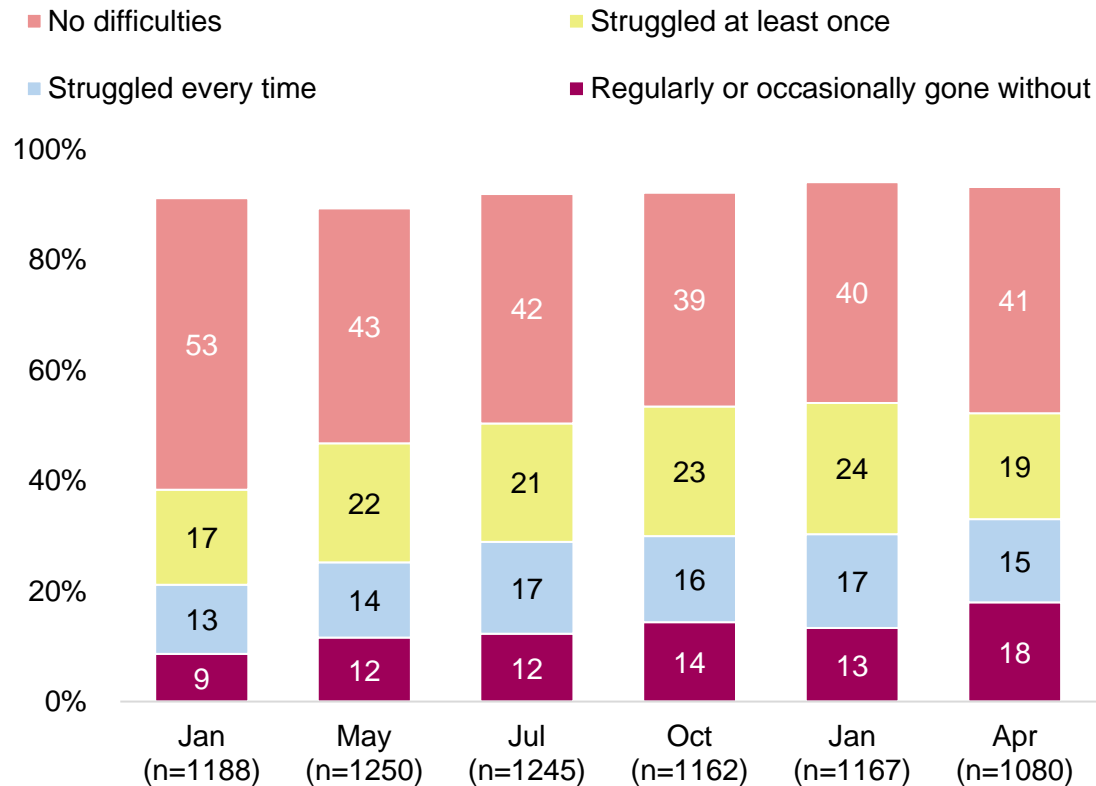
- Amongst all the key demographic groups, in May, over a quarter are struggling financially including 29% of private renters and 30% of social renters.

Note: 'Financially struggling' comprises of 'I am having to go without my basic needs and/or rely on debt to pay for my basic needs' and 'I'm struggling to make ends meet' responses.

Source: GLA YouGov poll May 2023, n= 1,100, 19th to 25th May 2023; April 2023, n=1080, 28th April-3rd May 2023;

Food is a key part of this, with 18% of Londoners regularly or occasionally going without food in May

Ability to meet essential food and shopping needs



- 18% of all Londoners have ‘regularly or occasionally bought less, been unable to buy food or essential items or relied on outside support’.
- Londoners ‘struggling financially’ are around three times as likely (27%) to regularly buy less or go without food or essential needs or rely on outside support than the London average (8%).

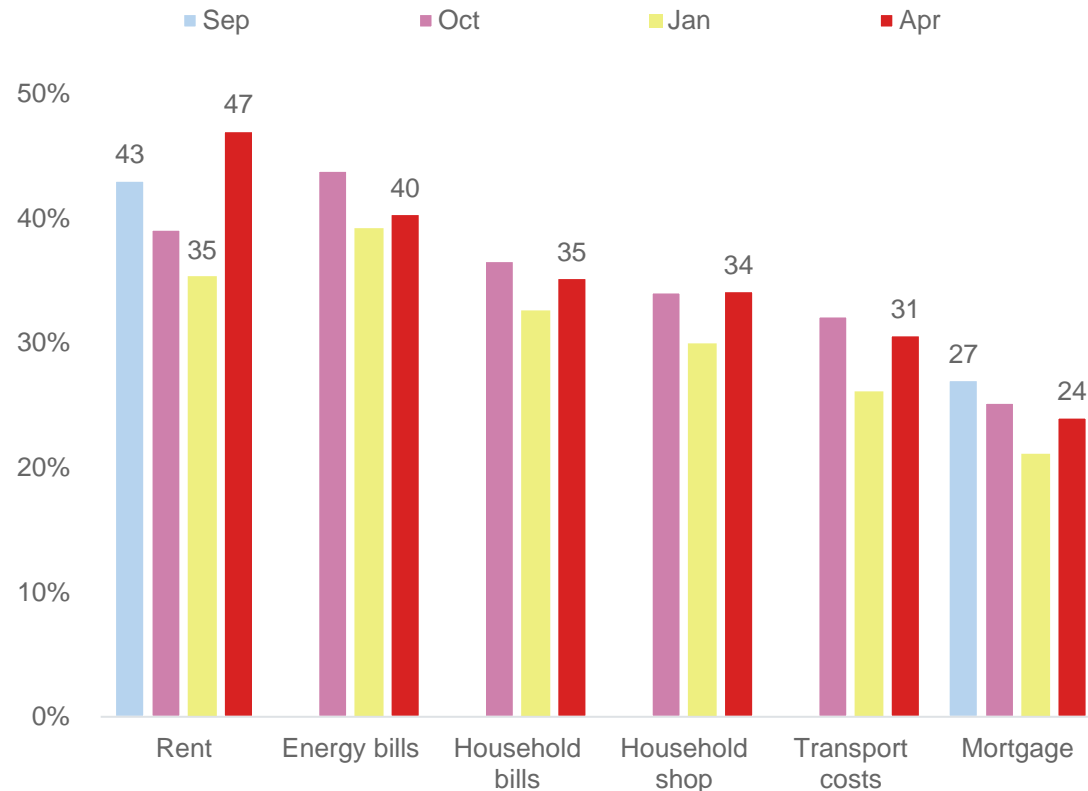
Note: Response options were amended in April 2023 which could be the cause for an increase in those regularly or occasionally going without. For full response options see appendix

Question: Thinking about the last six months, which of the following statements describes you?

Source: GLA YouGov poll April 2023, n=1080, 28th April-3rd May 2023

And 47% of renters think they will struggle to pay their rent in the next six months (highest tracked) and 40% of Londoners think they'll struggle with energy bills

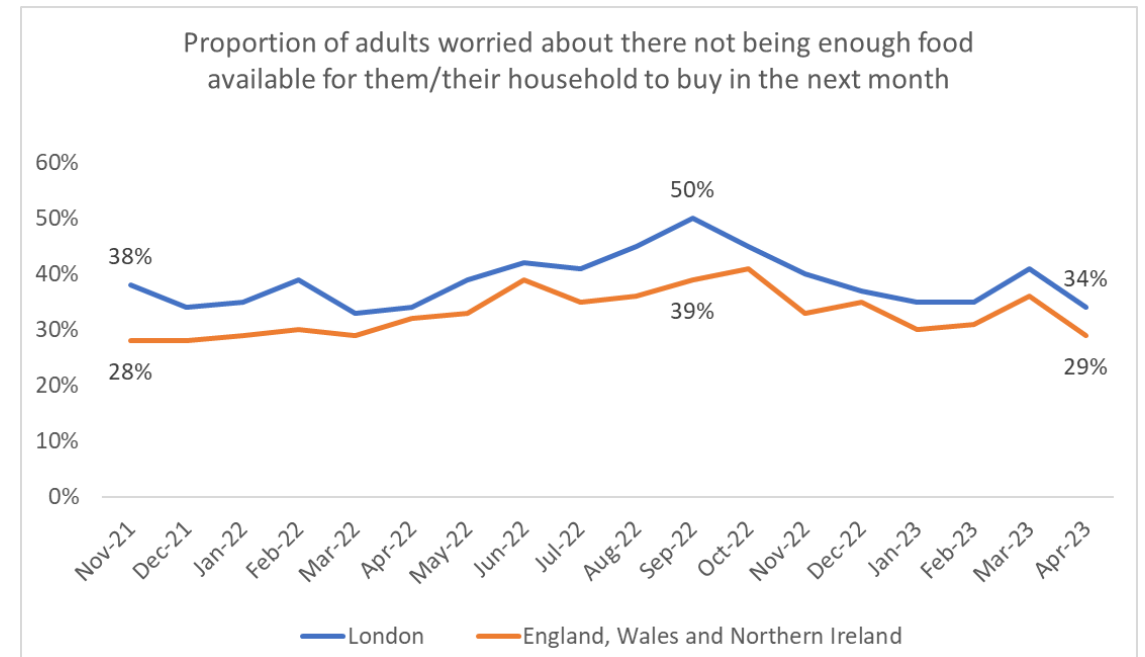
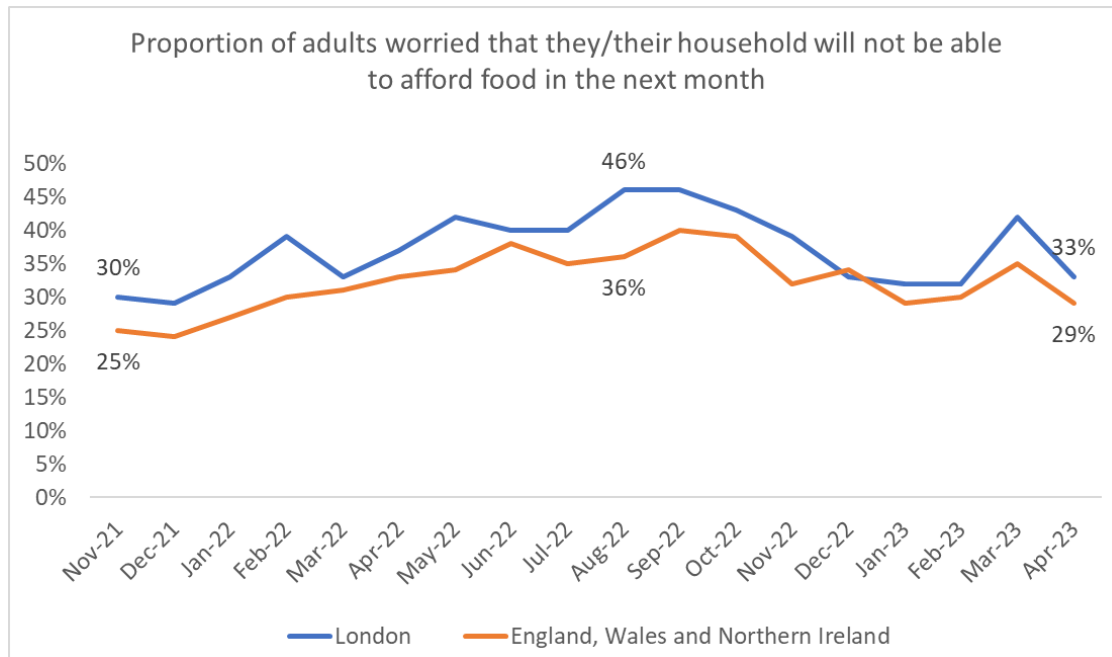
Proportion saying they will struggle in the next six months: All Londoners



- 8% of Londoners who rent or have a mortgage say they have fallen behind on one or more rent or mortgage payments in the last six months. A further 16% say they have struggled every time.
- Renters also think they will struggle with energy bills (53%), their household shop (48%), other household bills (48%) and transport costs (43%).

Note: Rent / mortgage ability amongst those who pay rent or have a mortgage
Question: And do you think you will, or will not struggle to meet the following payments in the next six months?
Excluding not applicable responses
Source: GLA YouGov poll April 2023, n=1080, 28th April-3rd May 2023

And national data shows Londoners have consistently been affected to a greater extent on two measures of food insecurity than adults nationally, since November 2021

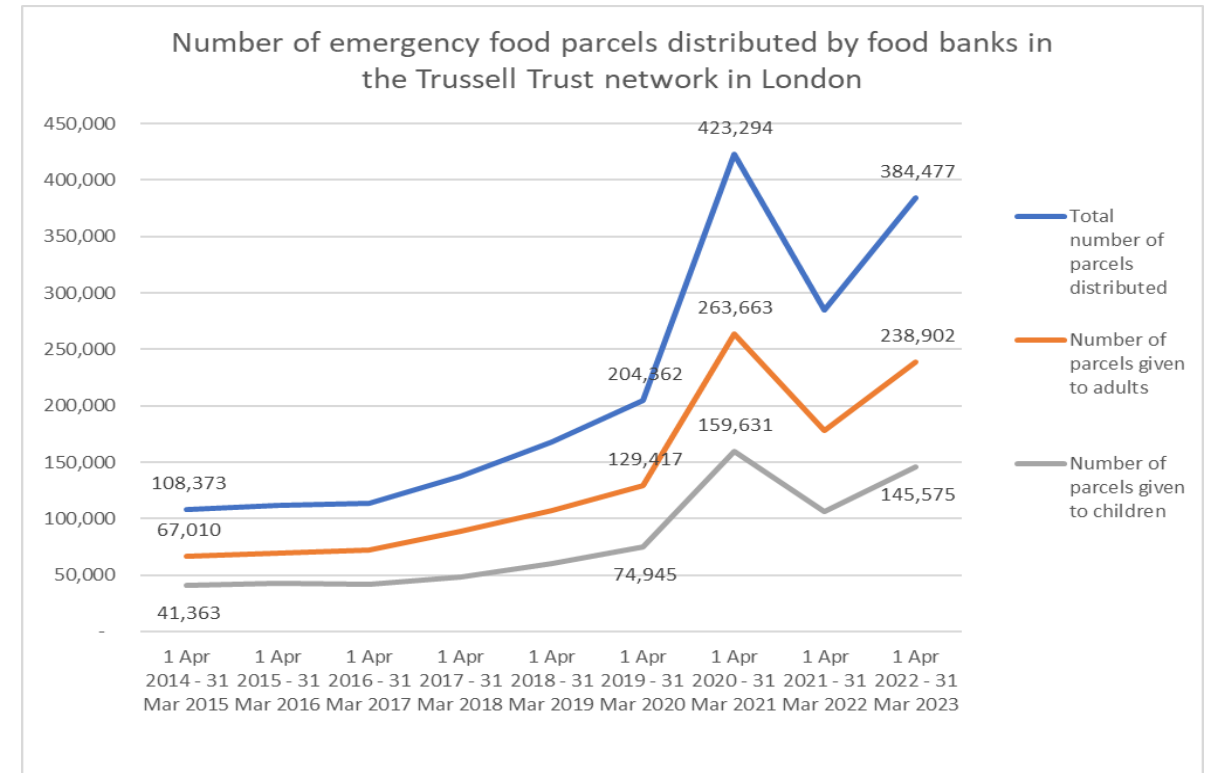


Base: All adults aged 16-75 in England, Wales and Northern Ireland

Source: Food Standards Agency. (2023). [Consumer Insights tracking survey Waves 1-21](#).

The overall number of emergency food parcels in London distributed by the Trussell Trust rose sharply again in 2022/23, after the onset of the cost of living crisis

- There has been a 35% increase in the number of emergency food parcels distributed by food banks in the Trussell Trust network in London in 2022/23 compared with 2021/22.
- The number of emergency food parcels distributed by the Trussell Trust in London in 2022/23 is now 88% higher than in 2019/20.

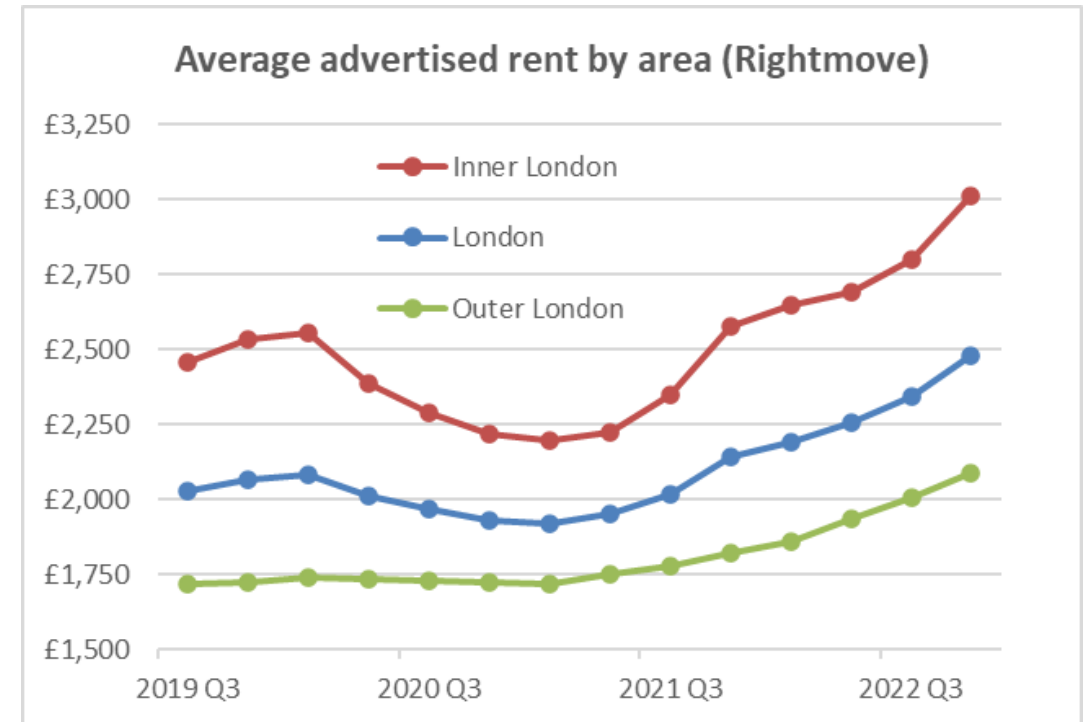


Source: [The Trussell Trust, End of Year Stats](#)

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.

Private rents are still growing fast – but the rate of growth has stabilised

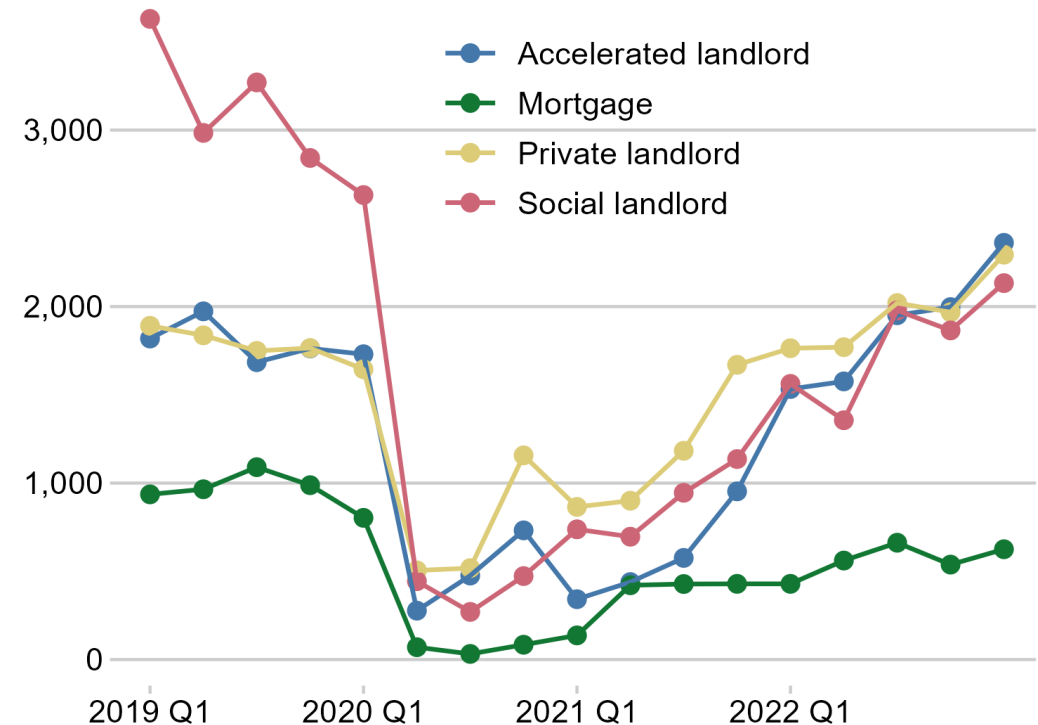
- Growth in average rents for new tenancies in London appears to have peaked for now. Rightmove reported that advertised rents in London increased 14% in the year to Q1 2023, slightly down from recent quarters. Advertised rents are now well above pre-pandemic levels across London (see chart).
- According to the latest ONS data, the average private rent for all tenants in London increased by 5.0% in the year to April, the fastest growth since 2012.



Private landlord claims for possession (eviction) have now exceeded pre-pandemic levels

- Mortgage and landlord possession claims fell sharply in London courts (as in other regions) in mid-2020 due to pandemic restrictions, but have since increased again.
- The quarterly number of possession claims by private landlords, and the number of 'accelerated' claims (mostly by private landlords) have risen above pre-pandemic levels, although some of this increase may be due to clearing a backlog of cases accumulated during the pandemic.

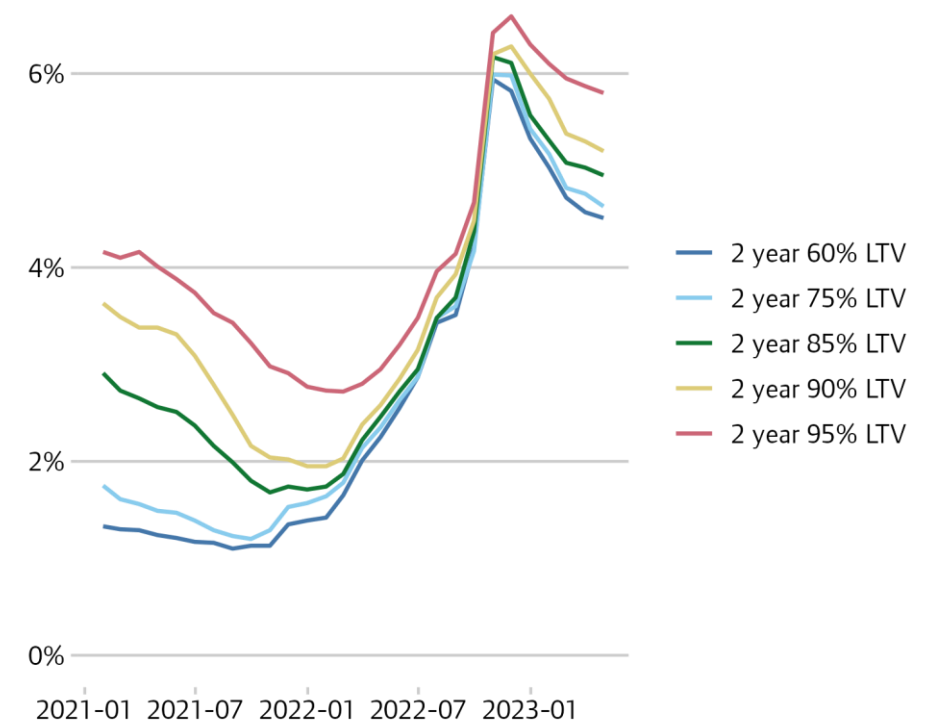
Quarterly mortgage and landlord possession claims in London, 2019 Q1 to 2023 Q1



Mortgage interest rates have come down from their peak but are still feeding into softer demand and falling house price growth

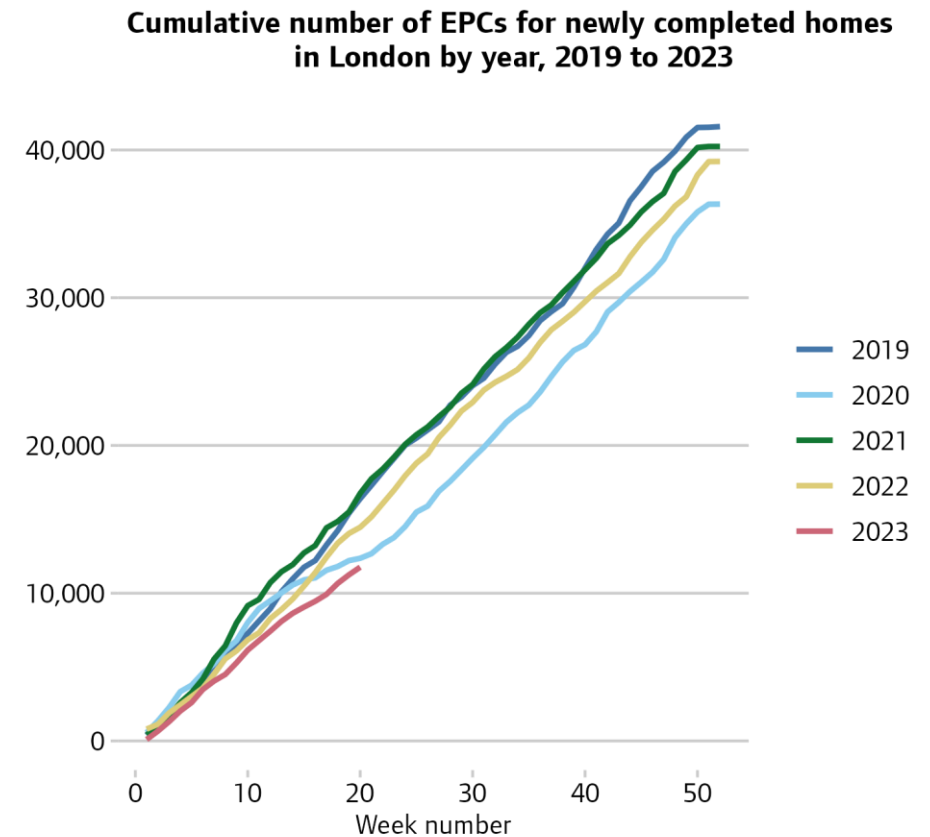
- Interest rates for new mortgages have come down from the peaks reached in late 2022 but are still well above the rates paid on most existing mortgages, so growing numbers of households face paying higher rates as they exit fixed-term arrangements, remortgage or take out new loans.
- Demand for new mortgages has fallen in response to rates rises, though perhaps not as sharply as expected.

Bank of England: Quoted household interest rates on 2 year fixed-rate mortgages, January 2021 to April 2023



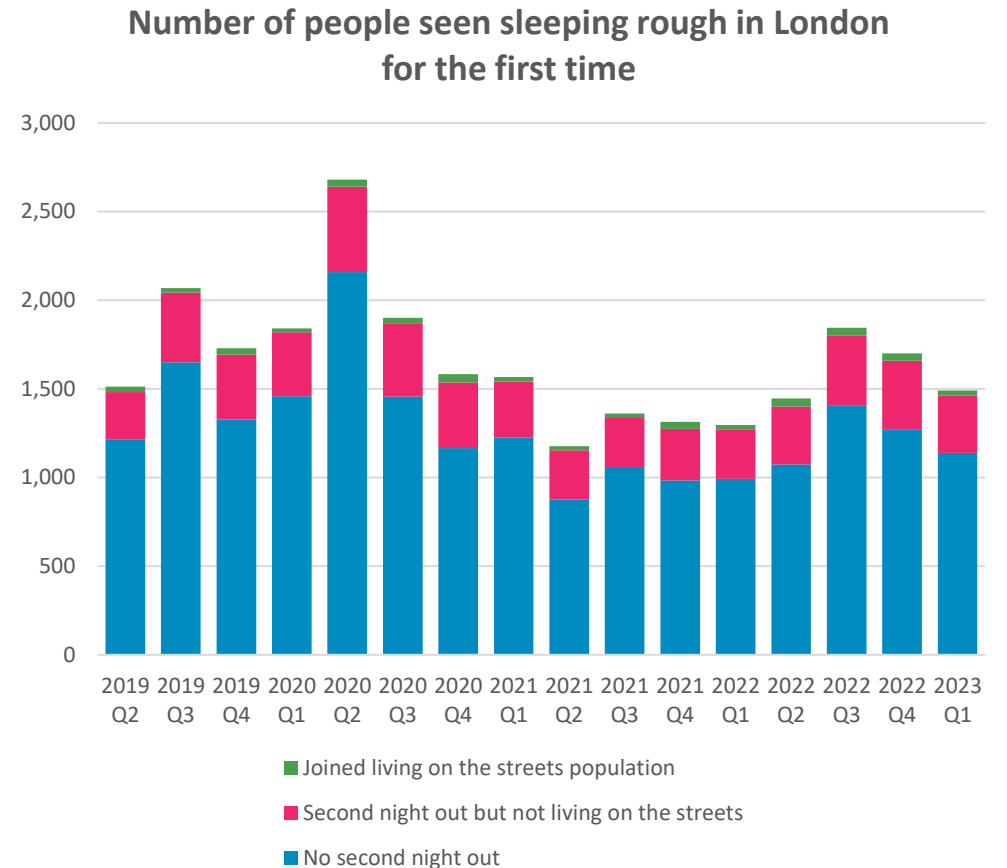
There are early indications of new housing supply dipping due to falling demand and high construction costs

- Higher interest rates and lower volumes of mortgage lending have translated into falling buyer demand in the market, and major housebuilders have lowered their sales and activity forecasts in response.
- This lower demand is coinciding with sharply increased construction costs due to trade disruptions and the energy crisis.
- Data from Energy Performance Certificates indicates that the number of new homes completed so far in 2023 is below the number completed by this point in each of the previous four years.



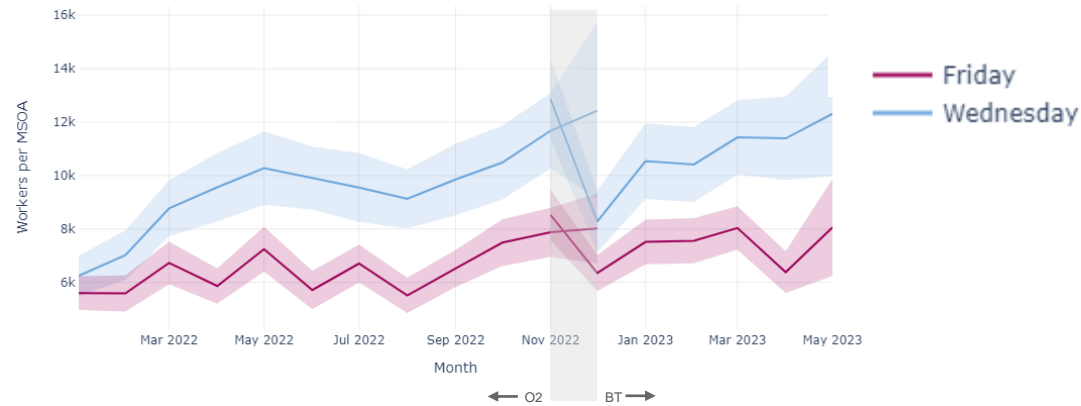
The number of people starting to sleep rough in London fell slightly in the last quarter

- According to data from the Combined Homelessness and Information Network (CHAIN) monitoring system, 1,490 people were recorded sleeping rough in London for the first time between January and March 2023.
- This figure represents a decrease from the previous quarter but a 15% increase from Jan-Mar 2022. It is similar to before the pandemic.



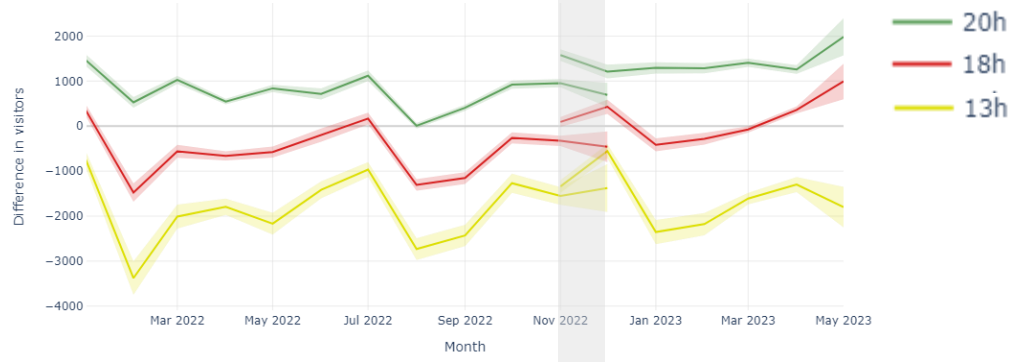
Post-pandemic, there is a greater difference between the number of workers between Wednesdays and Fridays in the CAZ. But visitor numbers are higher on Friday evenings

Mean worker counts (inside CAZ): Wednesday vs. Friday, 1PM



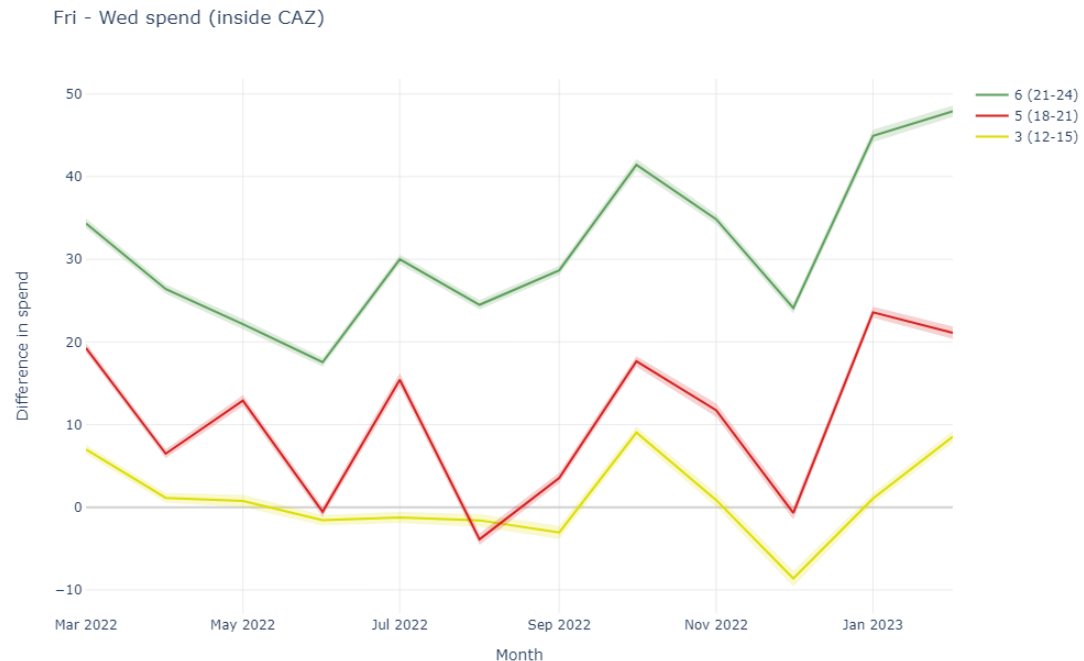
- Pre-pandemic, the number of CAZ workers on Fridays was 13% lower than Wednesdays (Feb 2020), but this is now 30% lower.
- Daytime visitor numbers are also lower on Fridays, however, early and late evening visitor numbers are higher on Fridays.
- Outside the CAZ, the number of workers on Fridays was only 9% lower than Wednesdays for May 2023 (which is the same as Feb 2020).

Fri - Wed visitor difference (inside CAZ)



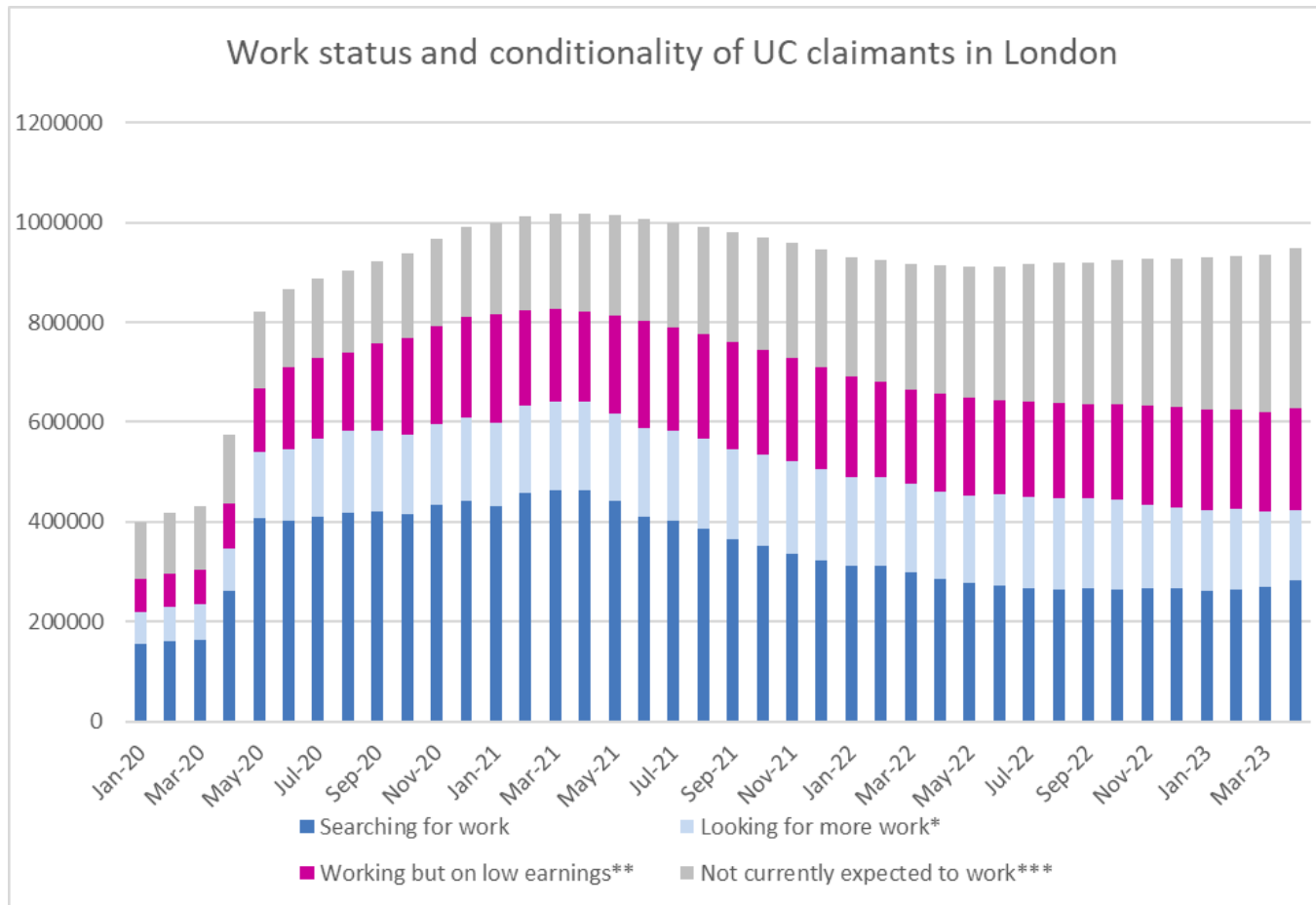
Sources: anonymised and aggregated data from BT and O2

The fall in worker numbers between Wednesdays and Fridays is not mirrored by a fall in spend – particularly important for central London businesses.



- Daytime spend (12 – 3pm) on Fridays is comparable with Wednesdays
- Early evening spend (6 - 9pm) has been consistently higher on Fridays than Wednesdays.
- Night time spend (9 – 12pm) is significantly higher on Fridays than Wednesdays.

Universal Credit claims are increasing among those looking for work and those who are not currently expected to work



- Having fallen from mid-2021 to mid-2022, the number of Londoners claiming Universal Credit (UC) has started to increase again over the last year.
- Shifts in conditionalities have occurred recently, with an uptick in UC claimants who are jobless and searching for work, and fewer claimants looking for more work.

Source: DWP benefits data via Stat-Xplore

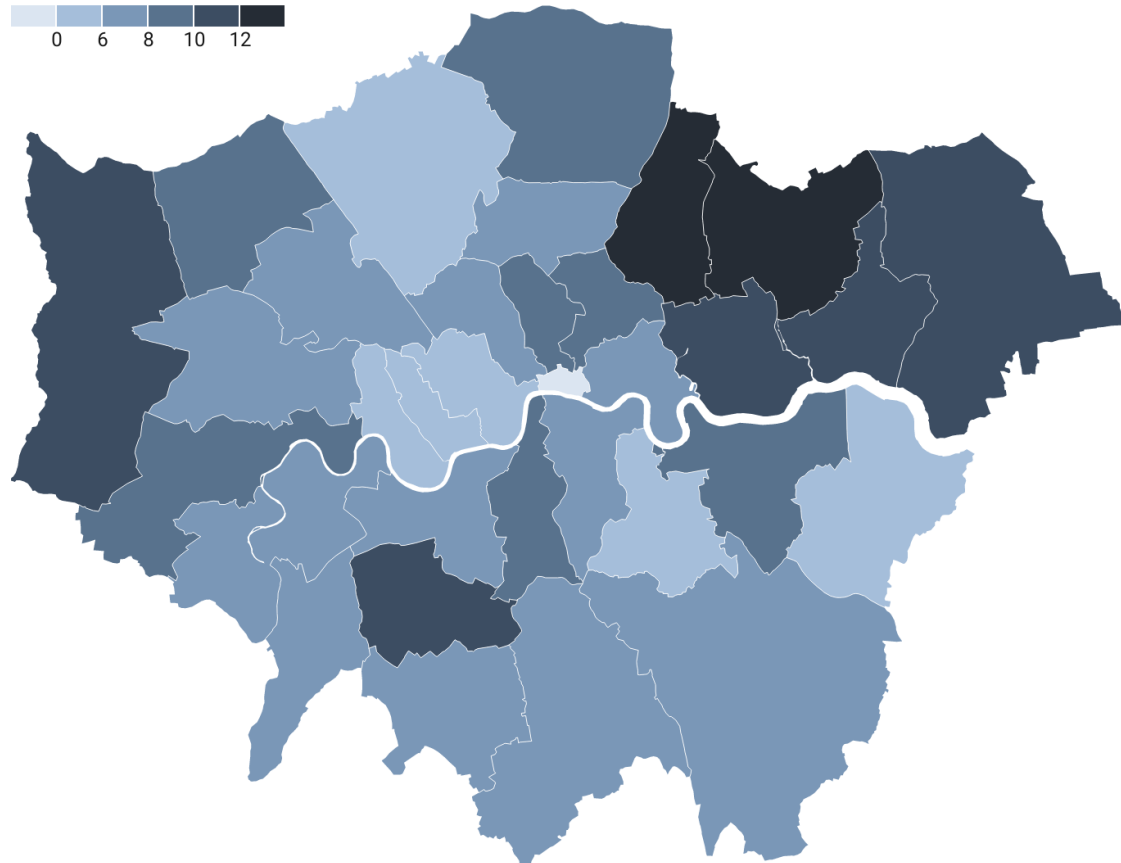
Notes: * Looking for more work means in work but could earn more or partner has low earnings

** 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

The recent increase in UC claimants searching for work is greatest in north-east London

Percentage change in Universal Credit claimants searching for work
Jan-Apr 2023, London boroughs

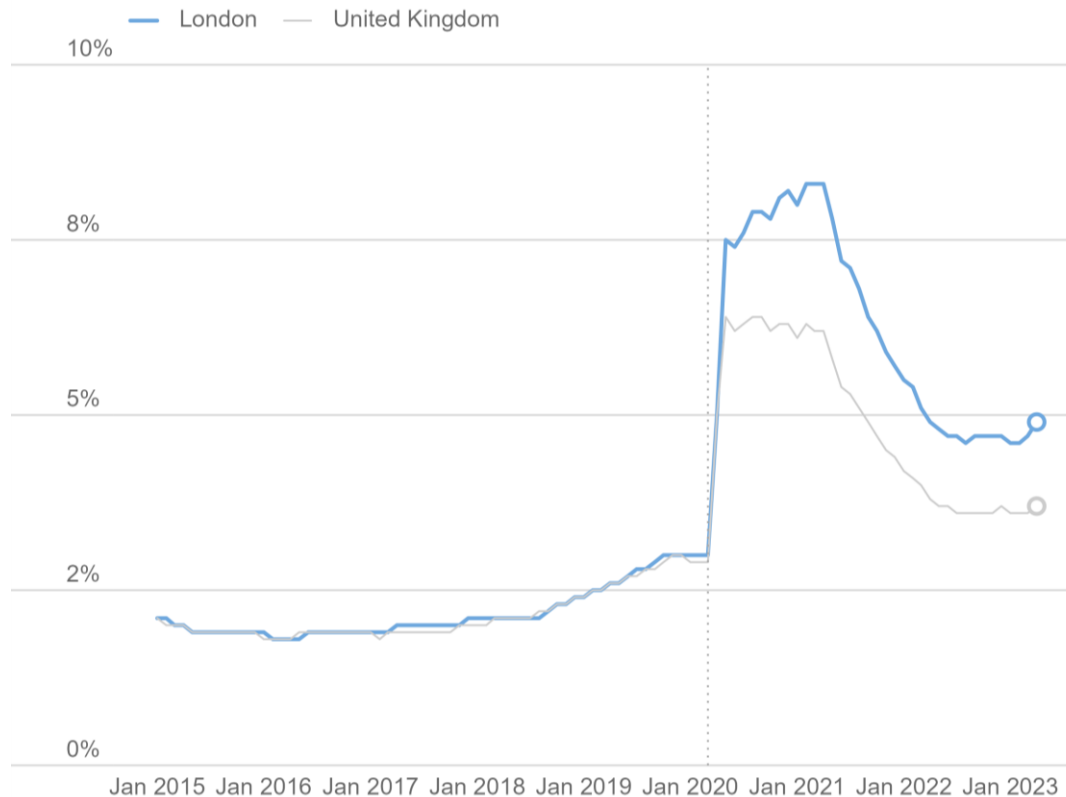


- The increase in UC claimants searching for work between January and April was over 13% in Waltham Forest and Redbridge, and over 10% in neighbouring boroughs of Newham, Barking & Dagenham and Havering.
- There was a cluster of boroughs from Camden to Waltham Forest* where 1 in 3 UC claimants were searching for work. Sutton stands out as having the lowest proportion searching for work among their UC claimants (21.5%).

This is reflected in an increase in the Claimant Count and suggests unemployment may be on the rise...

Claimant count (as a % of residents aged 16 to 64)

Latest data for period April 2023



- The claimant count includes both people claiming UC who are required to seek work, as well as those claiming Jobseeker's Allowance.
- Overall, 294,000 or 4.9% of Londoners aged 16-64 were claiming these unemployment-related benefits in April 2023, up from 4.6% in February 2022.
- Haringey (6.9%), Barking & Dagenham and Redbridge (both 6.7%) continue to have the highest claimant rates in the capital.

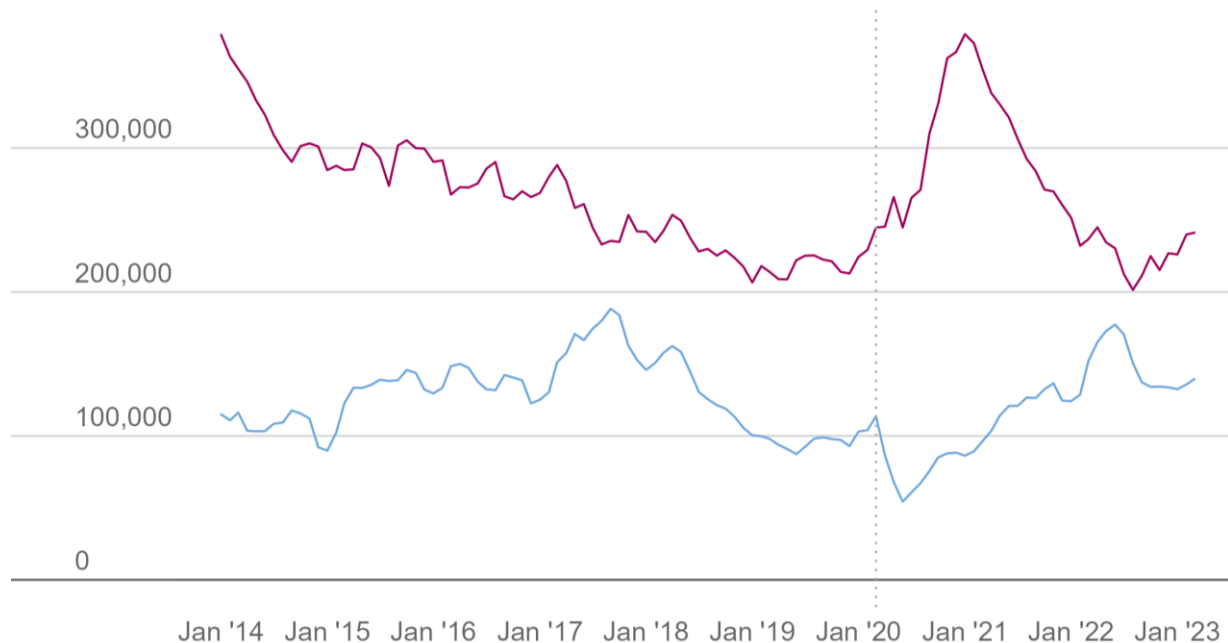
Source: Claimant count by sex and age (Nomis) – data is not seasonally adjusted.

... which alongside lower job postings numbers suggests that the labour market is not as tight as in mid-2022

Online job postings and unemployment levels, London

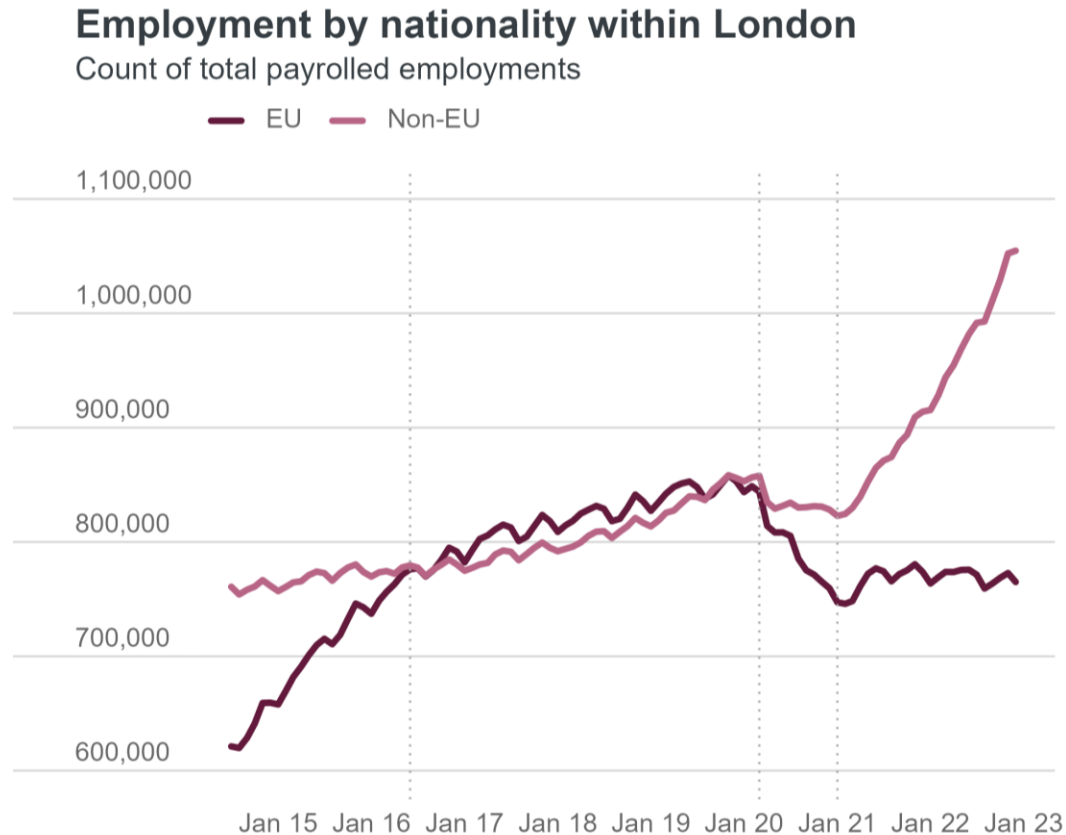
Data to March 2023, three-month moving average and unemployment level

— Three-month average job postings — Unemployed people (16+)



- The number of online postings for jobs in London was well below peak levels in early 2022 and has been relatively stable over the past six months.
- With unemployment also on the rise, London's labour market is likely to have cooled since mid-2022.

The number of non-EU payrolled employees has increased recently, while EU nationals have fallen



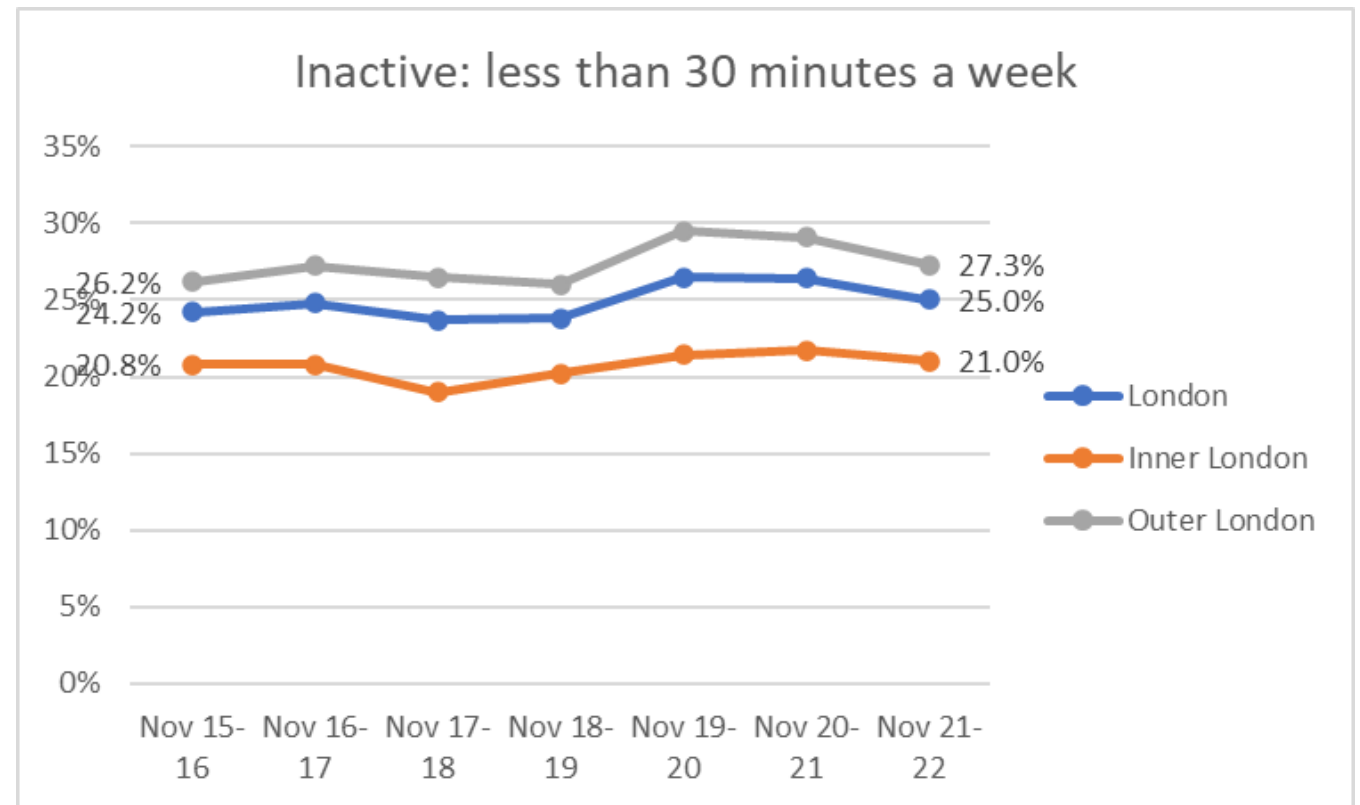
- Lockdowns and the end of free movement led to a decline in EU workers living in London.
- But the number of employee jobs held by resident non-EU nationals (from outside the UK and EU) has increased since 2021 to more than one million in December 2022, compared to 765 thousand held by EU workers.
- Several factors are behind this, including: changes to the immigration system; increased demands from the NHS; liberalisation of post-study work rules for international students; as well as the Hong Kong and Ukraine schemes.

Source: HM Revenue and Customs – Pay As You Earn Real Time Information (non-seasonally adjusted) and Migrant Worker Scan.

Note: Estimates are based on where employees live. Vertical lines indicate Brexit vote of June 2016, beginning of lockdowns in March 2020, and end of free movement in January 2021, respectively. Note: Non-EU excludes UK nationals.

Evidence of the social recovery from the pandemic continues as inactivity rates in London fell in 2021-22 compared with 2020-21.

- There has been a decrease in the proportion of adult Londoners aged 16 and over who were inactive.
- Inactivity rates remain higher in outer London compared with inner London (27% and 21% respectively).

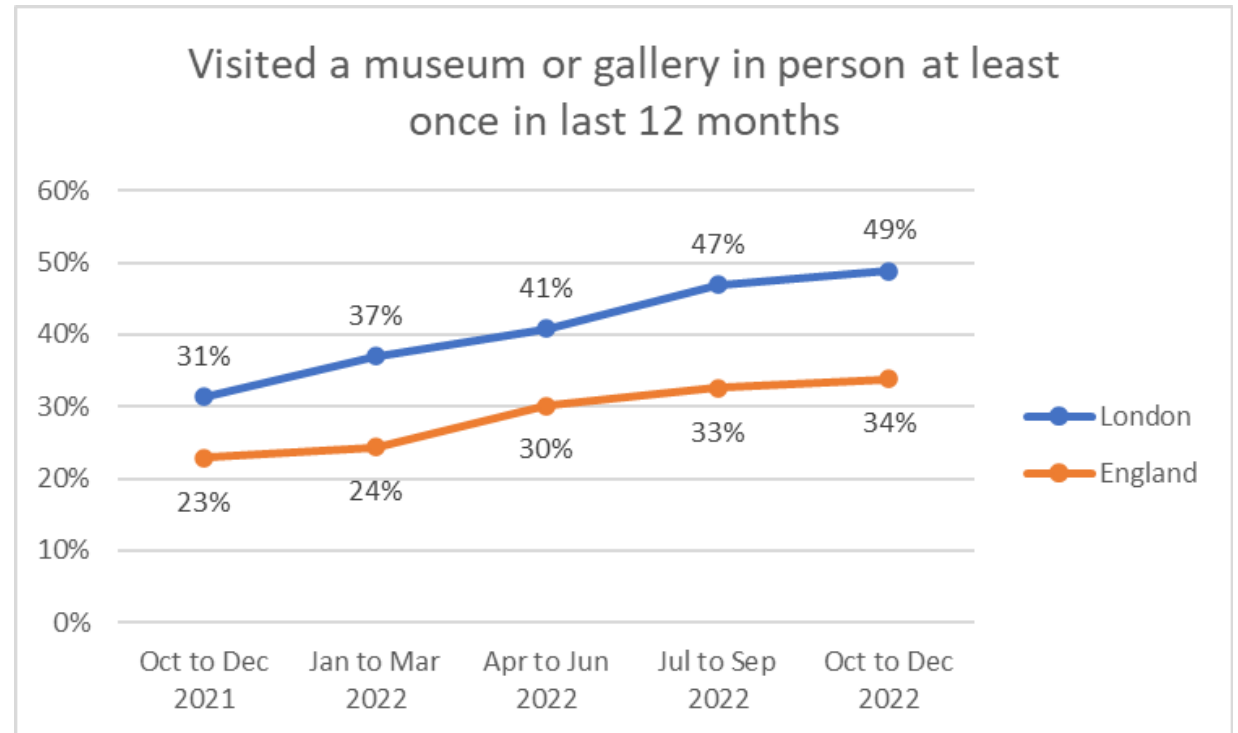


Source: [Sport England, Active Lives Survey](#)

Note: 'Inactive' means doing less than 30 minutes of physical activity a week.

A higher proportion of adults in London visited museums and galleries

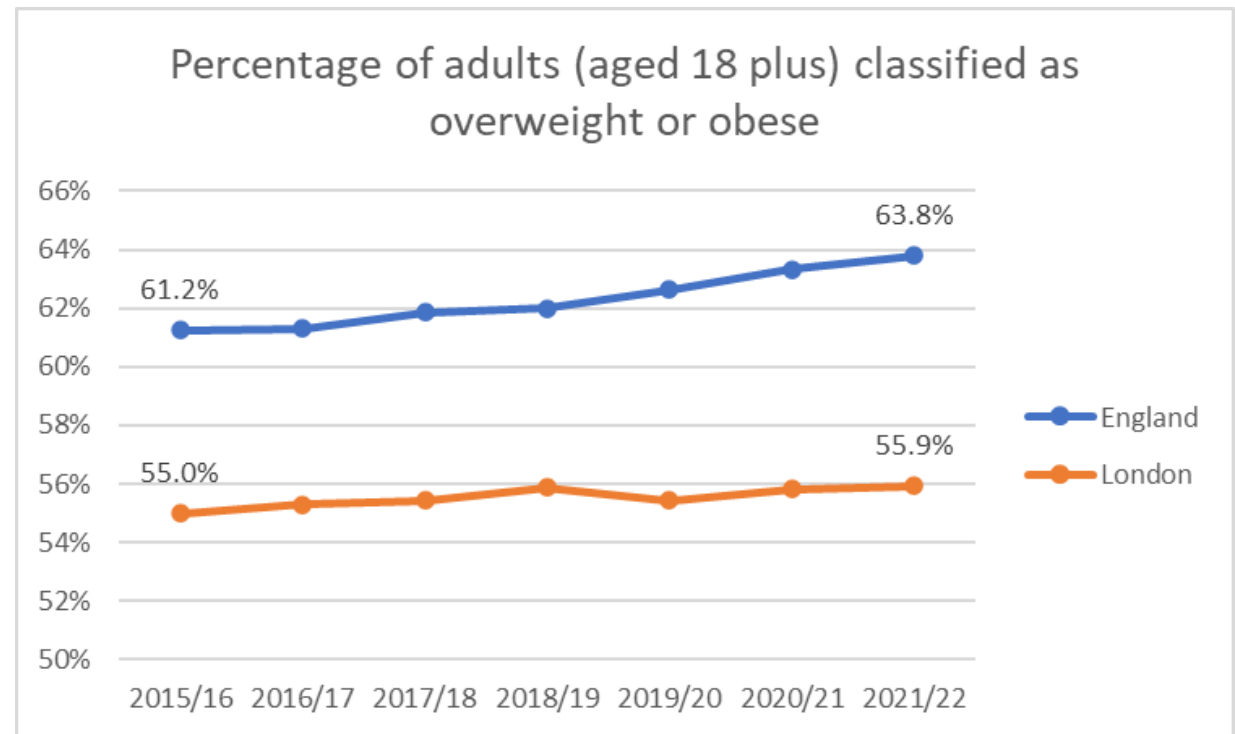
- In October to December 2022, around half (49%) of adults in London had visited a museum or gallery in person in the last 12 months. This compares with 34% of adults across England.
- Since late 2021, there has been an increase in the proportion of adults across both London and England who have visited a museum or gallery in person at least once in the last 12 months.



Source: [Department for Digital, Culture, Media & Sport, Participation Survey](#)

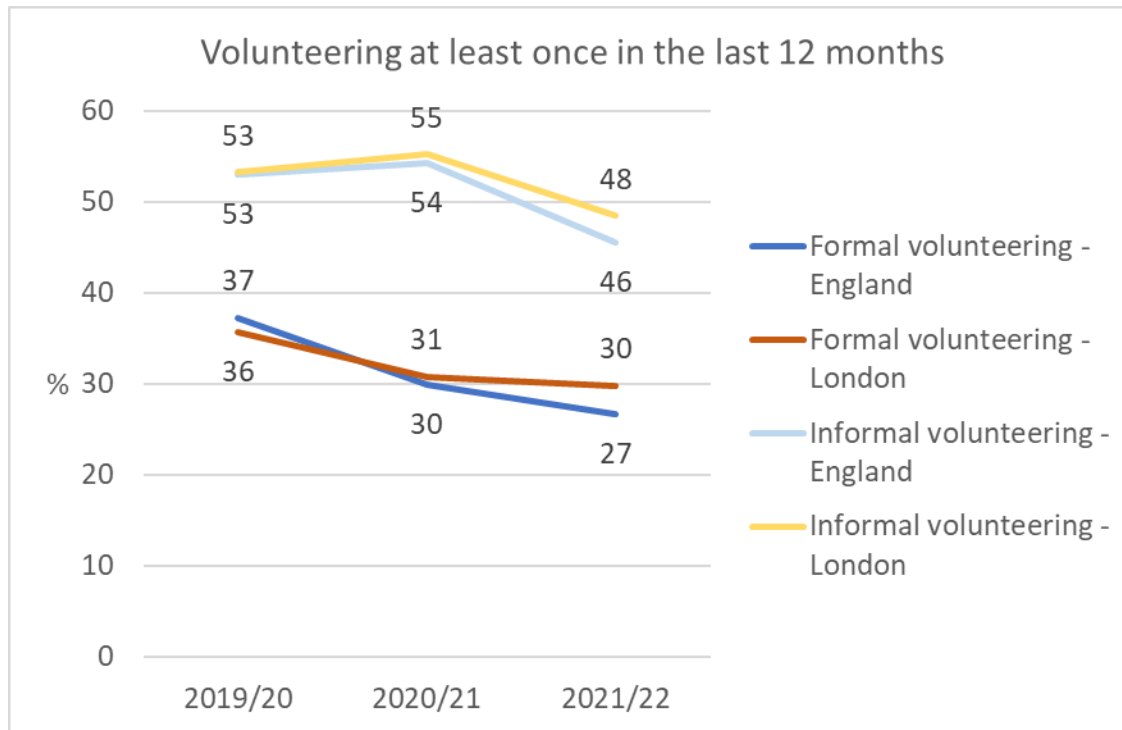
The prevalence of adults in London who are overweight or living with obesity did not increase between 2020/21 and 2021/22, compared with a small rise in England

- In 2021/22, 56% of adults aged 18 years and over in London were estimated to be overweight or living with obesity. There was no change from 2020/21.
- In contrast, 64% of adults aged 18 years and over in England were estimated to be overweight or living with obesity.



Source: [Office for Health Improvement and Disparities \(based on the Active Lives Adult Survey, Sport England\)](#)

Neither formal or informal volunteering rates have recovered to pre-pandemic levels but are higher in London than for England as a whole.



Source: Department for Digital, Culture, Media & Sport. (2023). [Community Life Survey 2021/22](#).

Note: Formal volunteering refers to giving unpaid help through clubs or organisations. Informal volunteering refers to giving unpaid help to individuals who are not a relative.

- Respondents in London were more likely to report taking part in formal volunteering at least once in the last year (30%) than across England (27%)
- This is, however, still below the pre pandemic level of 36% in 2019/20.
- There was a noticeable decline in informal volunteering rates in London and across England in 2021/22 compared with 2020/21 (a decline of 7 and 9 percentage points respectively).