# Summary of recent evidence affecting London

Presentation for the London Recovery Board/London Partnership Board

GLA City Intelligence Unit

March 2023

*** Note this presentation has been prepared in advance of the Spring budget on 15 March 2023 and some analysis may be affected by measures announced on this date ***

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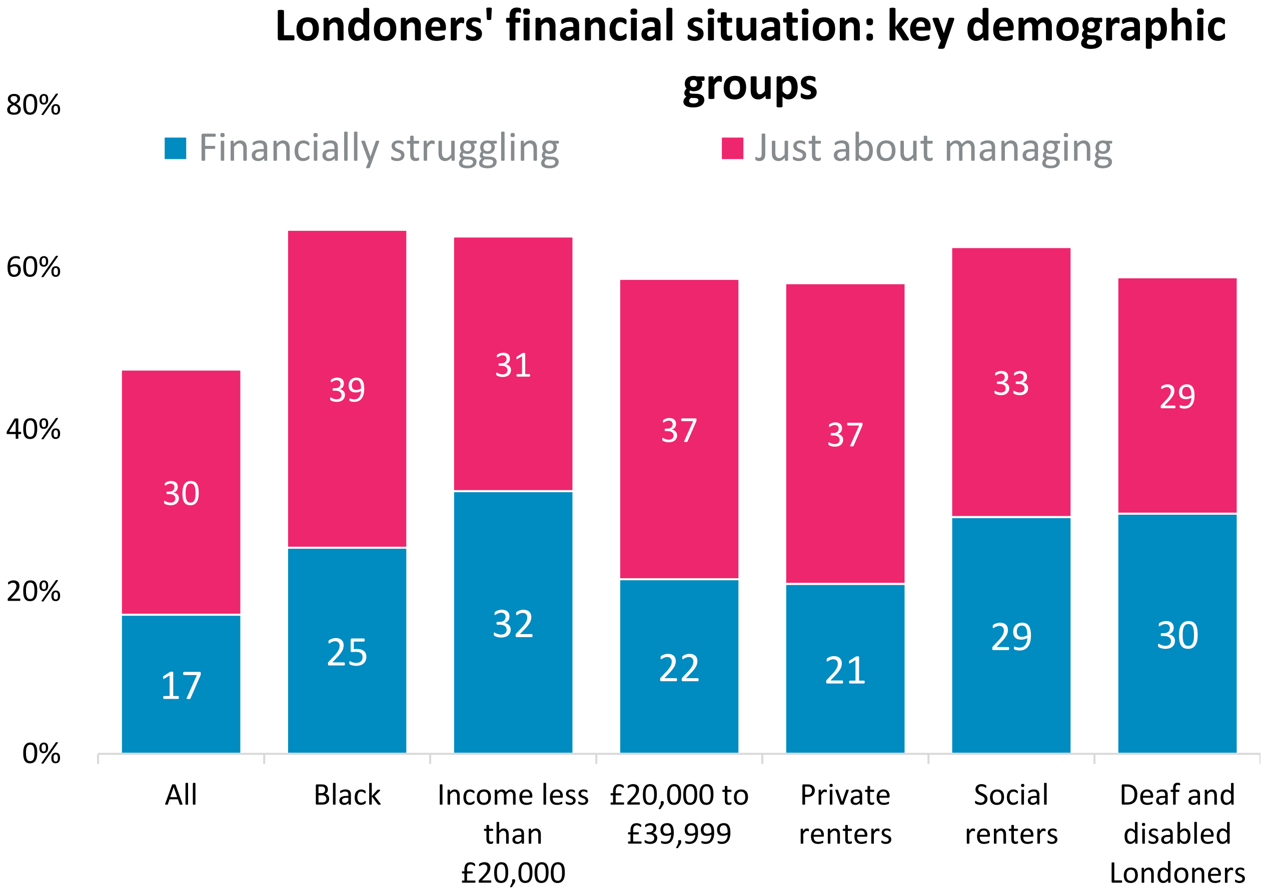
# Content

- Overall city summary and narrative
- Further detail on key issues
- Future projections

# Conclusions and implications

- One of the key issues for London is high inflation eroding living standards especially for those on low incomes. This is causing high levels of anxiety among affected Londoners.
- The pandemic and inflation have increased poverty. While some Londoners are still comfortable or managing their financial situation, almost 1 in 3 of some groups are financially struggling, in many cases with basic human needs such as food and warmth. Many financially vulnerable Londoners are getting into debt.
- We are still on a long-term trajectory back to pre-pandemic trends for some outcomes (mortality, crime, mobility). However it is increasingly likely that we are seeing a more permanent shift in behaviour, particularly the fall in mobility and expenditure in the centre of the city.
- In the short term, while inflation is likely to fall rapidly and London may yet avoid a recession, there are issues with housing affordability and the possibility of cooling demand from employers, as well as falling real incomes.
- As with the rest of the UK, stagnation is possible without further investment, as longer-term projections of population and jobs estimate slower growth than before.
- To increase prosperity and improve the resilience of the city to further shocks, we need a focused effort to address the drivers of poverty and inequality including low pay, housing, infrastructure, childcare, skills and the environment. These can also help incentivise global inward investment and business expansion.

# Nearly one in five Londoners (17%) said they were ‘struggling financially’ in February. In some demographic groups, almost one in three Londoners are financially struggling.




- Almost one in three Londoners are financially struggling in some demographic groups – Londoners with a gross household income of less than £20,000 (32%), and social renters (29%) and deaf and disabled Londoners (30%).
- 24% of this group say they are going without food and essentials.
- 14% of Londoners have struggled every time with either their rent or mortgage in the last 6 months and 8% of Londoners have fallen behind on either their rent or mortgage during this time.

**Note:** **1|** Numbers less than 5% removed
**2|** ‘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 February 2023

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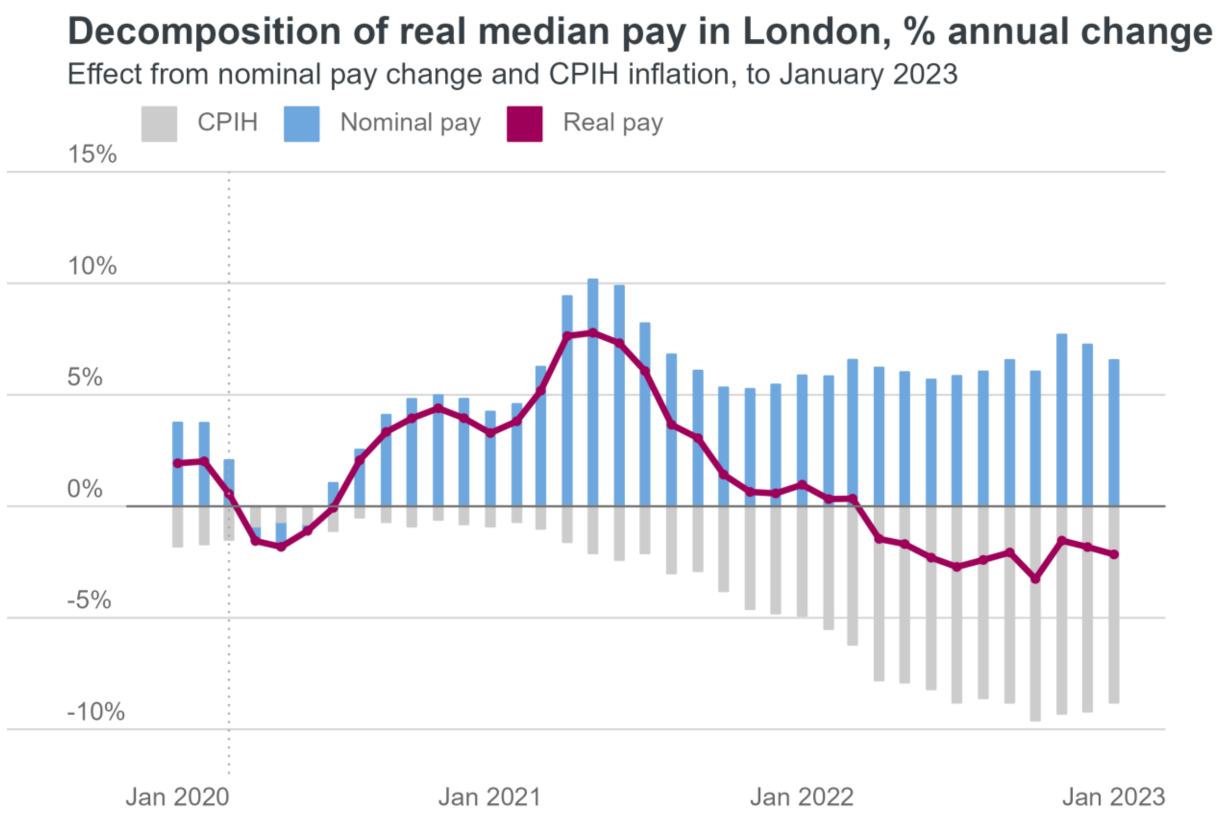
# Real incomes are falling as inflation affects employee pay




- Median pay for payrolled employees living in London rose by 6.6% from January 2022 to January 2023 – higher than the average rate pre-pandemic (2.8% from 2015-2019).
- Annual median pay growth ranged from 5.9% for employees living in 'Outer London – South' to 7.3% in 'Inner London – West'.
- This means that the inflation rate (8.8%) continued to outpace median pay growth across London's sub-regions in the year to January 2023.

Source: ONS / HMRC Pay As You Earn Real Time Information. Inflation measure does not account for region-specific price changes. Sign of inflation rates has been reversed (higher inflation rates are associated with lower real pay growth).

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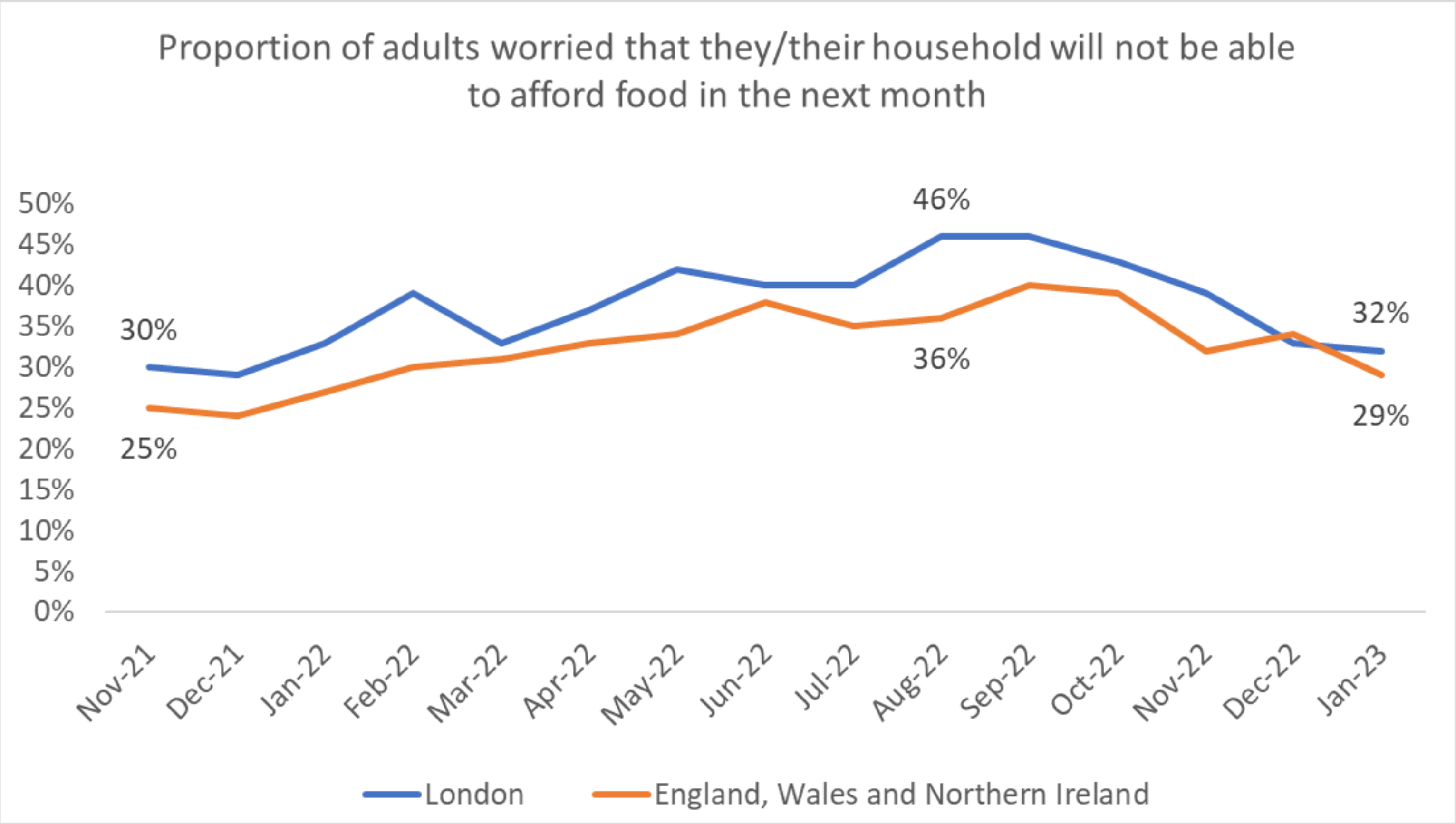
# London has seen higher levels of food affordability concerns over the last year than the rest of the UK

- The proportion of Londoners concerned about food affordability gradually increased over the first half of 2022, peaking in August at 46% (almost 1 in 2 Londoners).
- By January 2023 this had dipped to 32%.

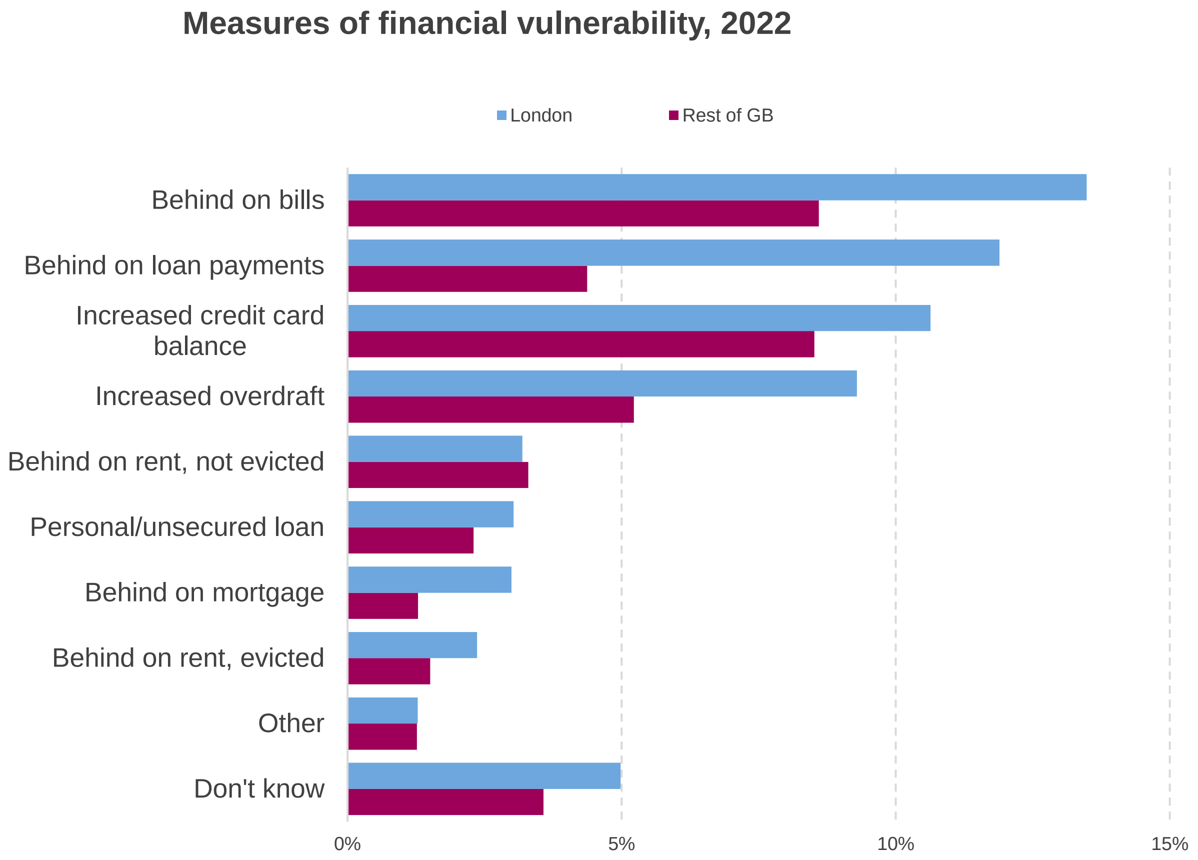



*Base: All adults aged 16-75 in England, Wales and Northern Ireland*

Source: Food Standards Agency. (2023). Consumer Insights tracking survey Waves 1-18.

# Londoners are more vulnerable than the rest of GB on a number of financial measures

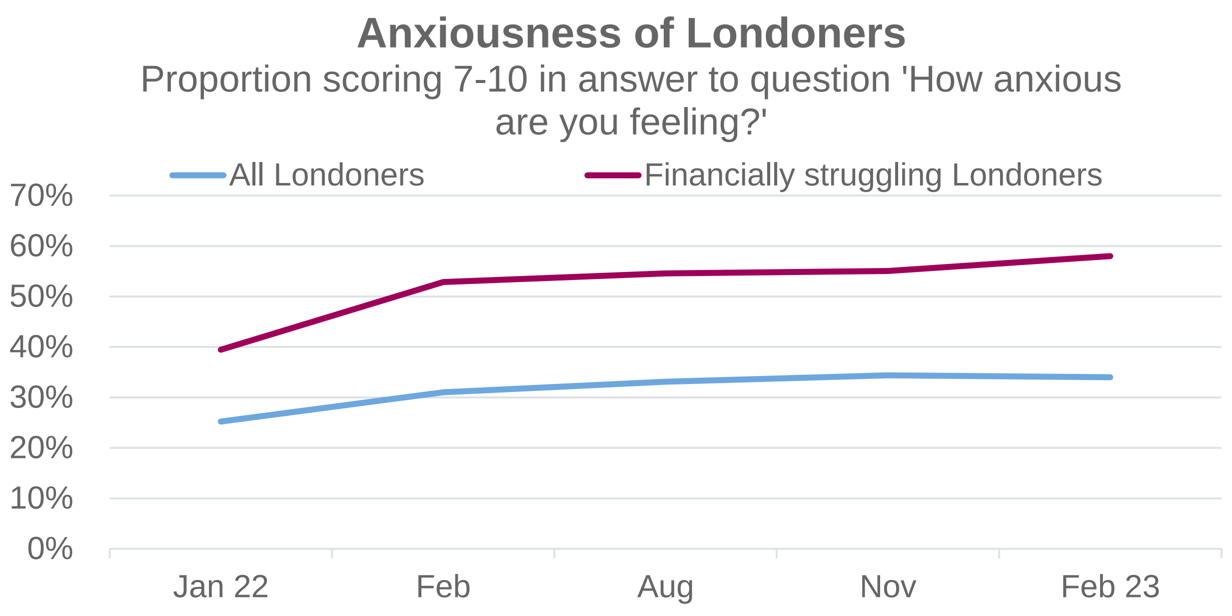
- A higher proportion of Londoners were financially vulnerable on a number of measures in 2022 compared with the rest of GB.
- The measures where Londoners were the most vulnerable include being behind on bills, being behind on loan repayments, increasing credit card balances and overdrafts.




*Source: Bank of England/NMG household survey; CEBR analysis*

# Around 3 in 5 financially struggling Londoners are experiencing high levels of anxiety, a level higher than during the peak of the Covid-19 pandemic

- The cost of living crisis is affecting Londoners’ mental health.
- Anxiety among Londoners is significantly higher among those who are financially struggling, with around 3 in 5 experiencing high levels of anxiety.
- Anxiety among financially struggling Londoners is higher than the that experienced by all Londoners during the peak of the Covid-19 pandemic.

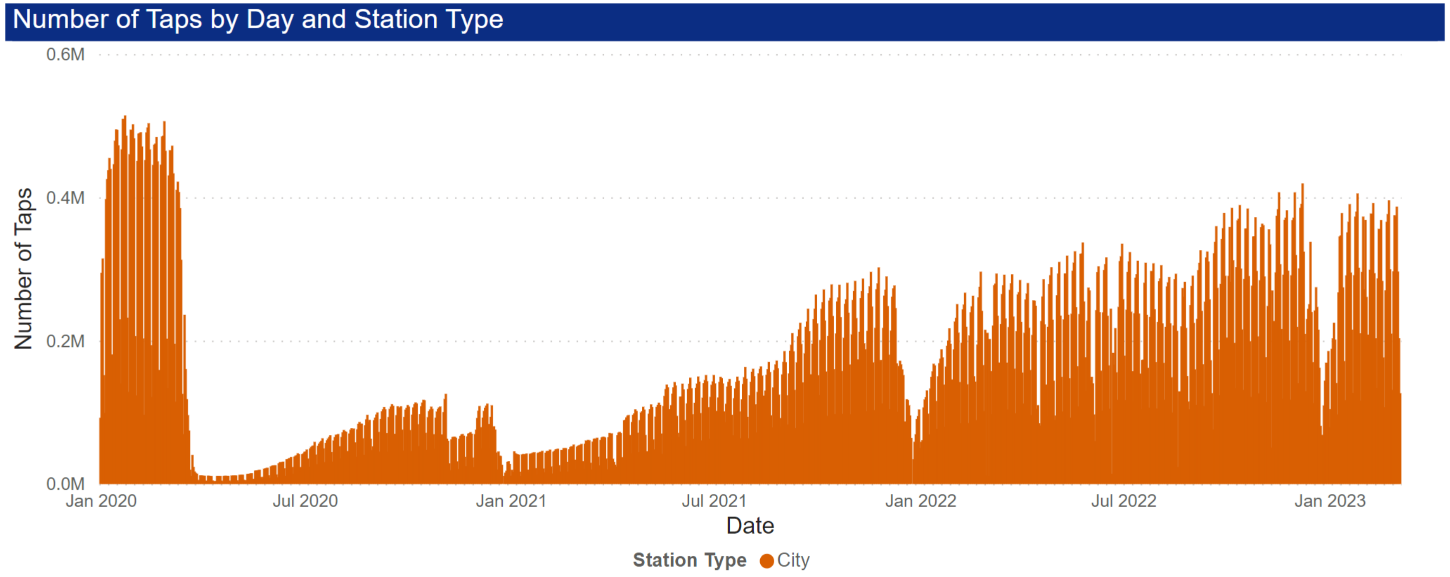



Source: GLA YouGov polling

**Note:** Question during Covid-19 ‘Overall how anxious would you say you felt yesterday?’ 0-Not at all anxious to 10-Extremely anxious. Question during cost of living ‘Overall, how anxious did you feel yesterday?’ 0-Not at all anxious to 10-Completely anxious

# Two years after the first lockdown, city footfall for workers has still not recovered to pre-pandemic levels

Tube exit taps in City of London stations, January 2020 – January 2023



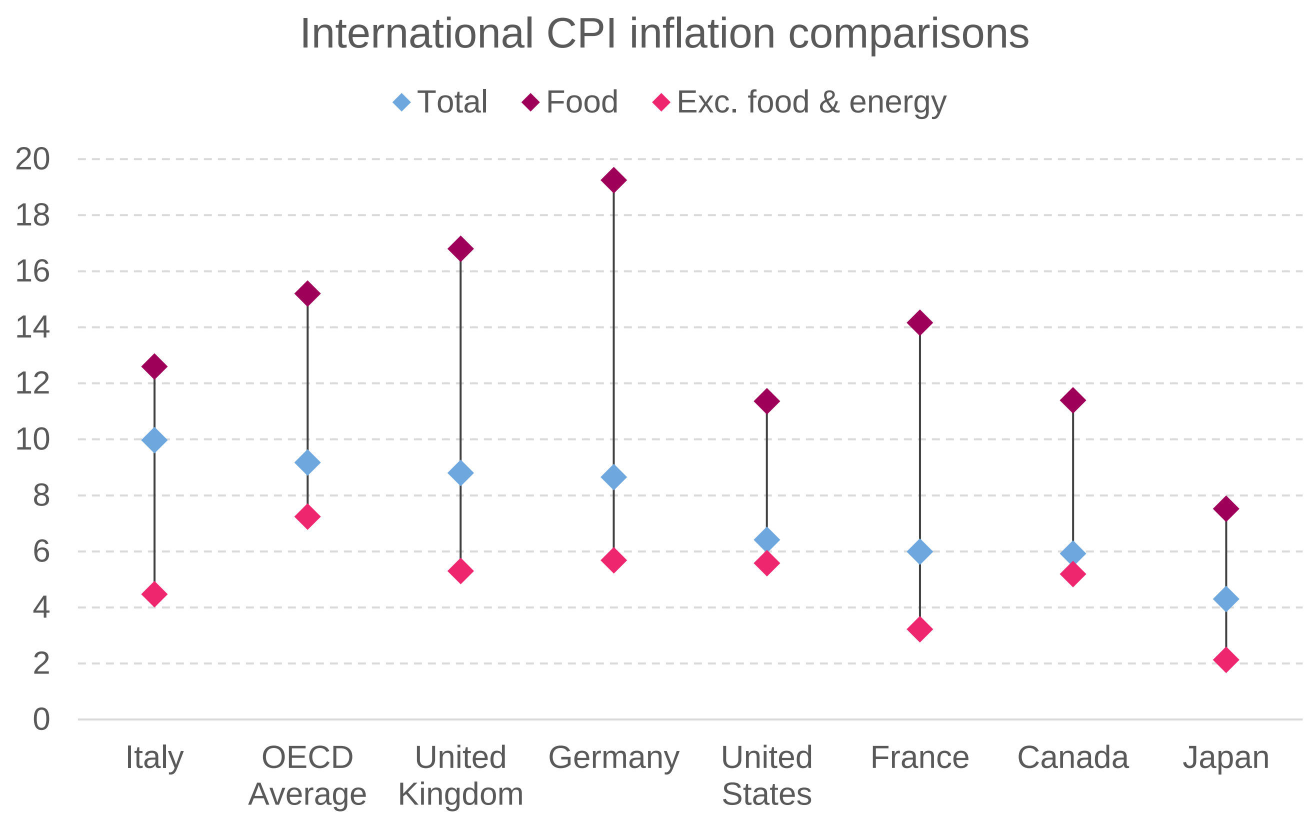

*Source: TfL data*

- Worker footfall is around between 60-80% of pre-pandemic levels in the City of London depending on day of the week (TfL data).
- Scenarios for office occupancy in central London suggest the capital will not to return to 2019 levels until the early 2030s.
- Although the situation is still changing it does now appear more likely that there may have been a permanent shift to hybrid working in the city centre.

*CAZ refers to the Central Activities Zone*

# Further detail and other recent stories about London’s performance

# UK inflation is still high internationally, but not the standout

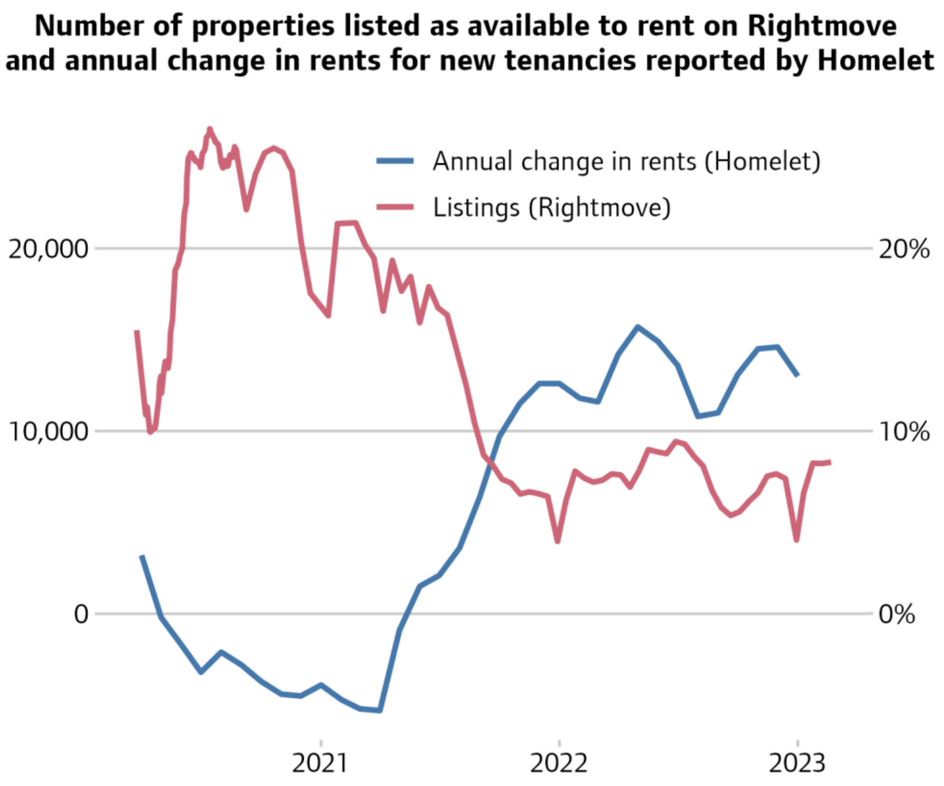



Source: OECD Data; Note: data is taken from January 2023, and UK figure uses the more internationally-comparable CPI including owner occupiers' housing costs (CPIH), which tends to run below the regular CPI.

- The UK has the second-highest CPI inflation in the G7 group of rich nations. However, its pace of inflation is below the average for the wider group of OECD nations.
- And the UK's inflation excluding food and energy is closer to the middle of the pack among its G7 peers, below the US and Germany.

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

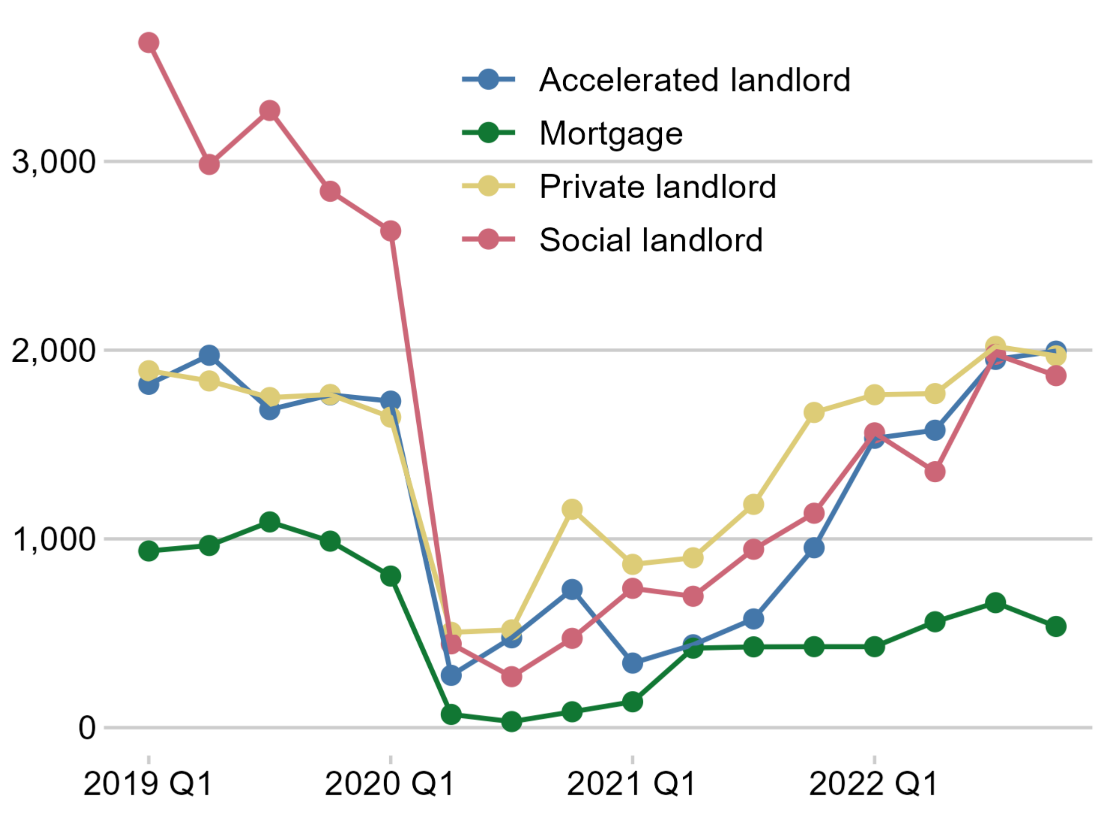
- Growth in average rents for new tenancies in London appears to have peaked for now. Rightmove reported that advertised rents in London increased 16% in 2022, in line with the previous two quarters. Homelet reported a similar trend in rents for new tenancies.
- Data from Rightmove and SpareRoom indicate that the availability of homes to rent has stabilised and may have improved slightly in recent months, but remains well below usual levels. As the chart shows, a lower volume of homes listed as available to rent is associated with a stronger annual increase in rents.
- High rents for new tenancies gradually feed into higher average rents for all tenants as the market turns over. According to the latest ONS data, the average private rent for all tenants in London increased by 4.3% in the year to January.



# Private landlord claims for possession (eviction) have risen back to 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 to pre-pandemic levels.
- In contrast, possession claims from social landlords remain well below pre-pandemic levels, while mortgage possession claims are so far showing no effects from the recent increases in mortgage interest rates.

**Quarterly mortgage and landlord possession claims in London, 2019 Q1 to 2022 Q4**

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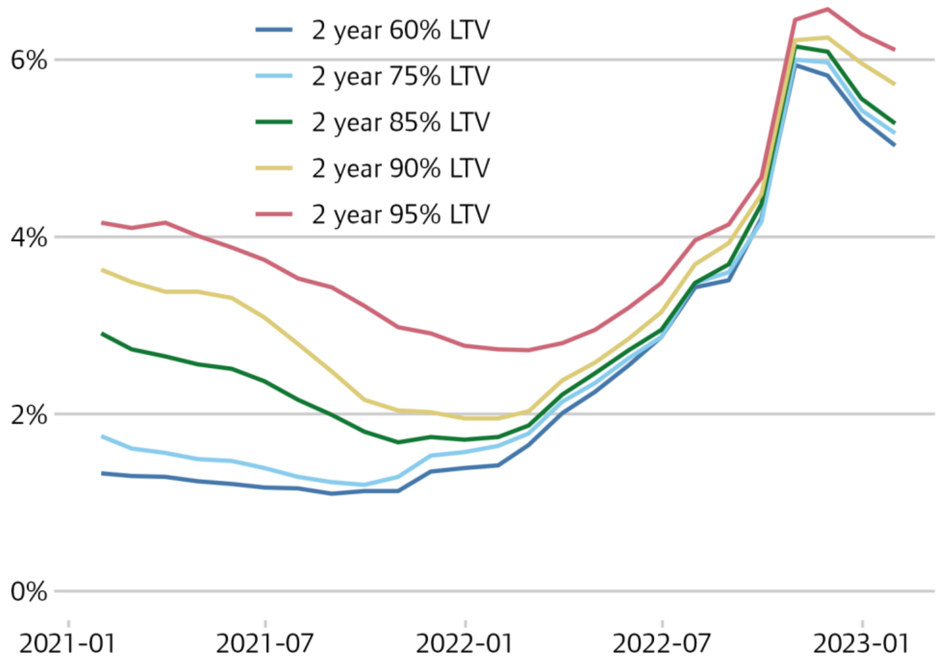
# Mortgage interest rates have come down from their peak but are still feeding into softer demand and falling price growth

- 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.
- So far, relatively few mortgage holders report difficulties covering their payments, compared to renters.
- Demand for new mortgages has fallen sharply, reflected in national mortgage lending falling to its lowest levels since the global financial crisis.
- Price growth has also softened considerably and is likely to turn negative, but the extent of price falls remains highly uncertain.

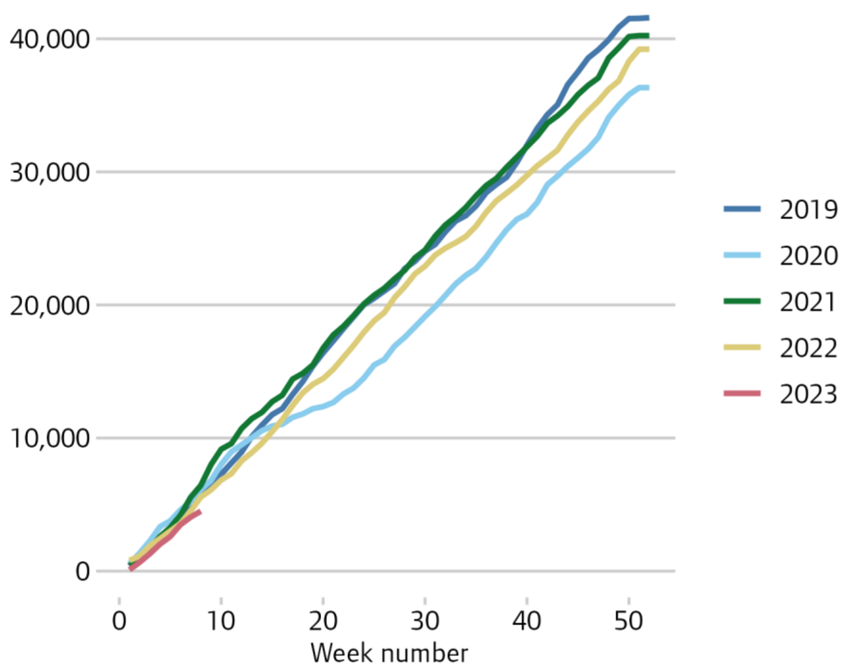
**Bank of England: Quoted household interest rates on 2 year fixed-rate mortgages, January 2021 to 2023**



# 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.

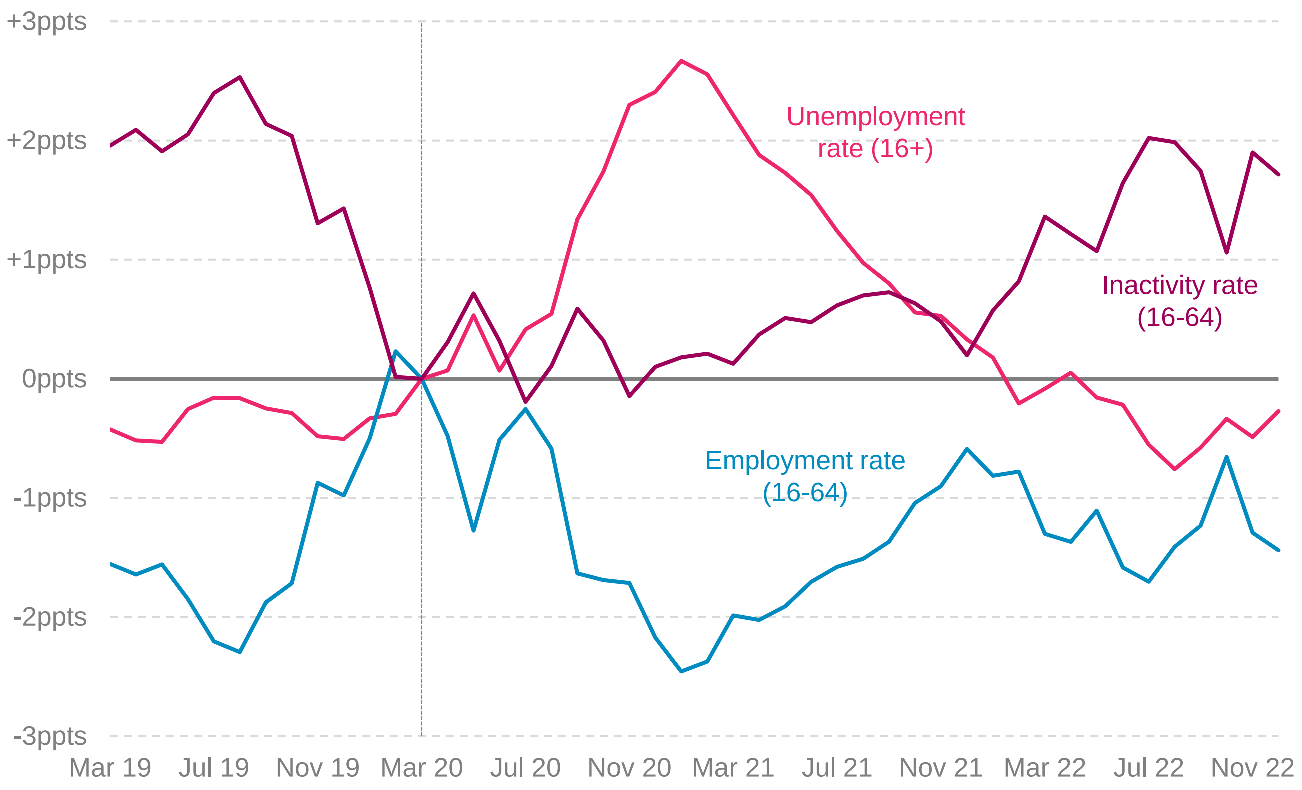
**Cumulative number of EPCs for newly completed homes in London by year, 2019 to 2023**



# Key labour market indicators are close to 2019 levels

**Changes in labour market status relative to Jan-Mar 2020**

London residents, latest data for period Oct-Dec 2022




- London's unemployment rate has steadied at around 4.5% in recent months, just above its record low of 4.0% recorded in Jun-Aug 2022.
- Employment and inactivity rates had returned to pre-pandemic levels, although both have been worsening in recent months.
- Increases in inactivity over the last year have been driven by the 16-24 and 50-64 age groups, offsetting declining inactivity among 25-49 year olds.*

Source: ONS, Labour Force Survey / *ONS Annual Population Survey (year to October 2022). Sampling variability approx. +/- 1.6ppt (employment rate and inactivity rate), and +/- 1ppt (unemployment rate).

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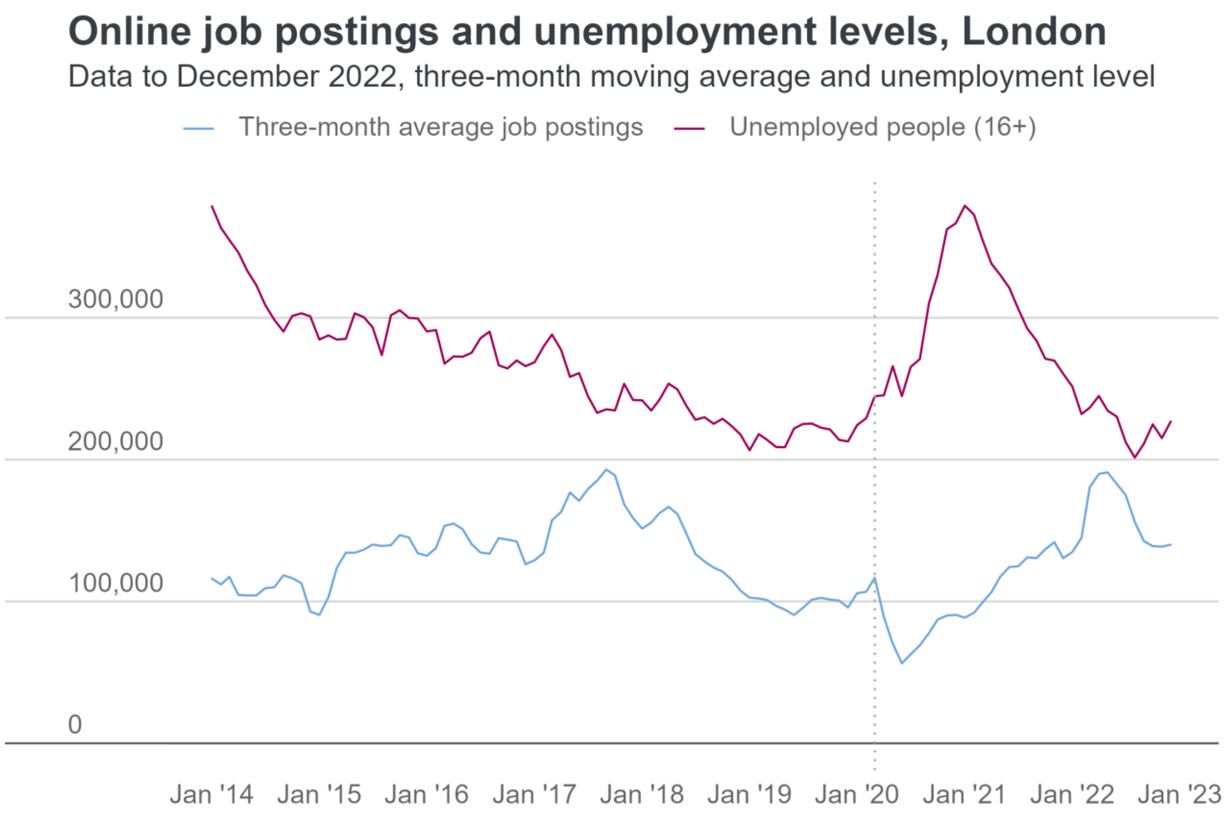
# But job postings data suggest the labour market is loosening




- Unemployment in London has risen slightly since reaching a record low in summer 2022, indicating that the recovery from the pandemic may have run its course. It remains close to historic lows, however.
- The number of online postings for jobs in London has also been falling from the post-pandemic peak in March 2022 – indicating cooling labour demand.

Source: Lightcast 2023 / ONS Labour Force Survey. Note: postings data is non-seasonally adjusted. March 2020 indicated by dotted line.

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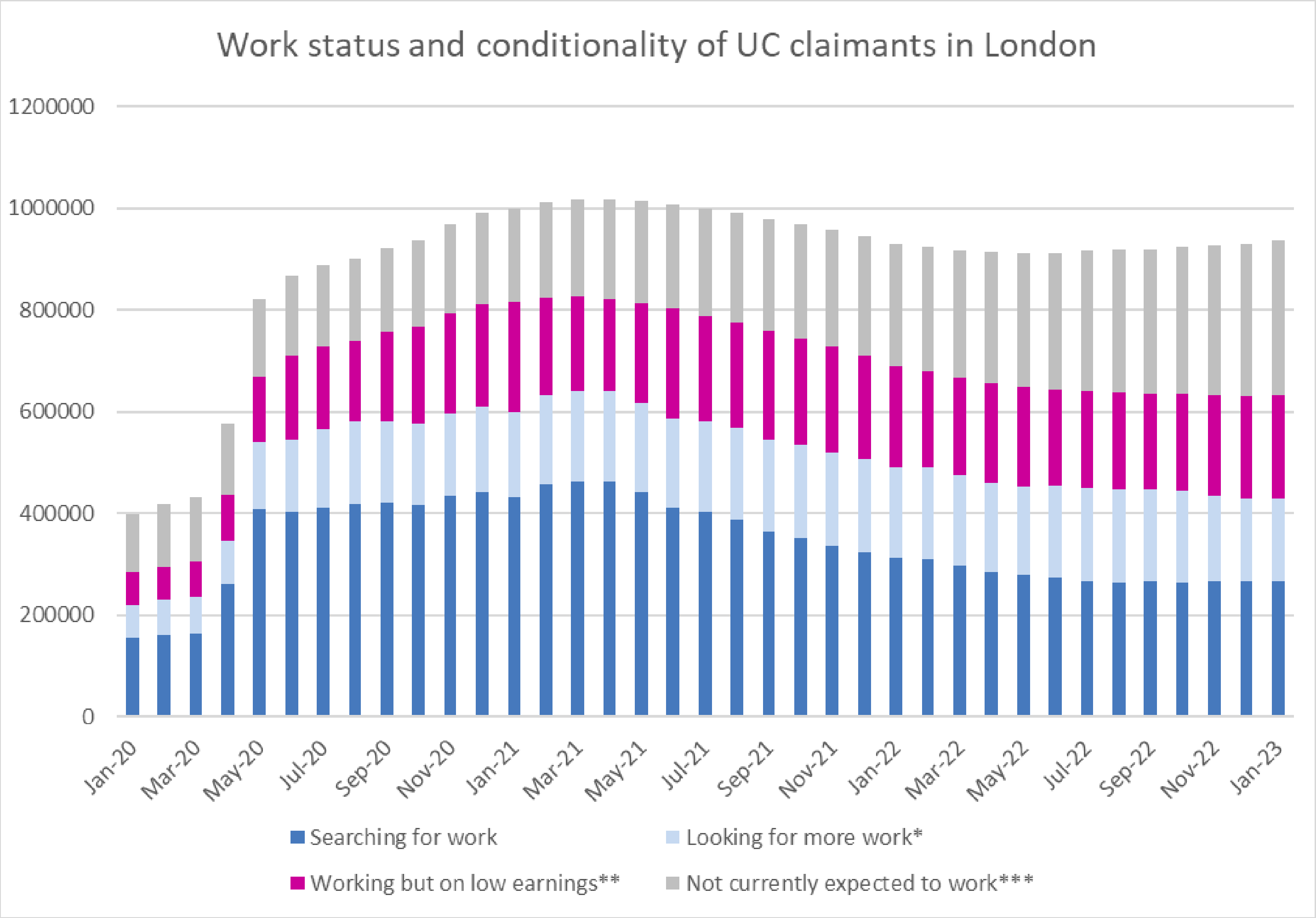
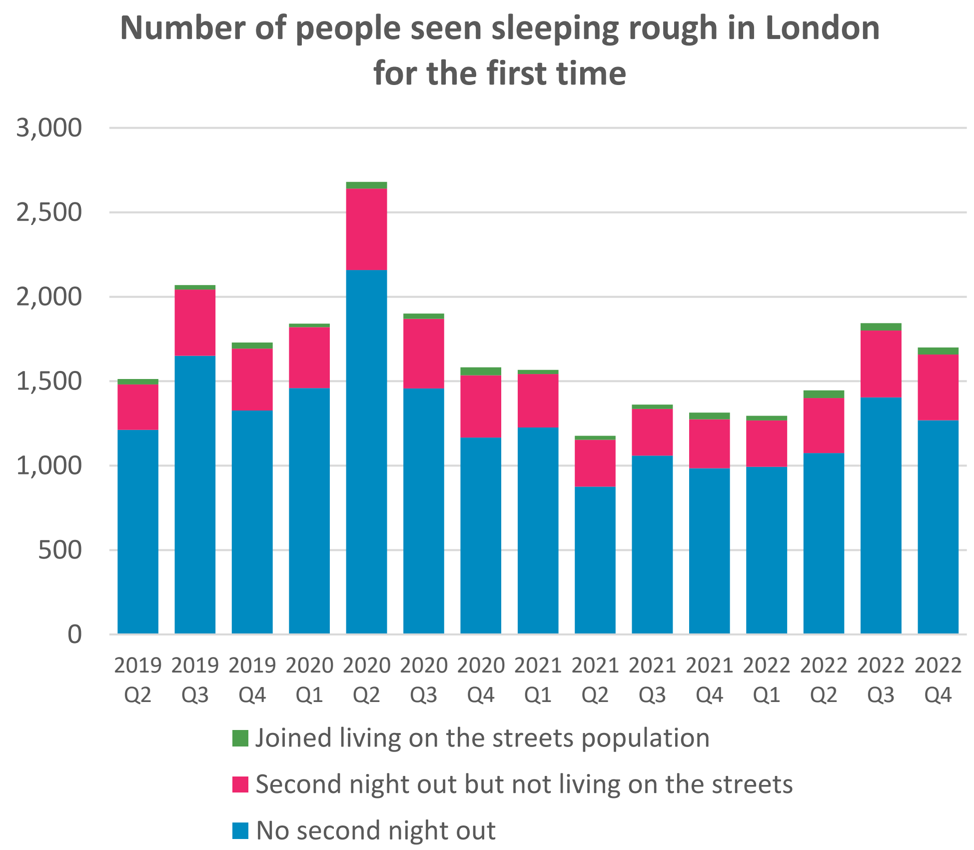
# Universal credit claims are increasing among those who are not currently expected to work.



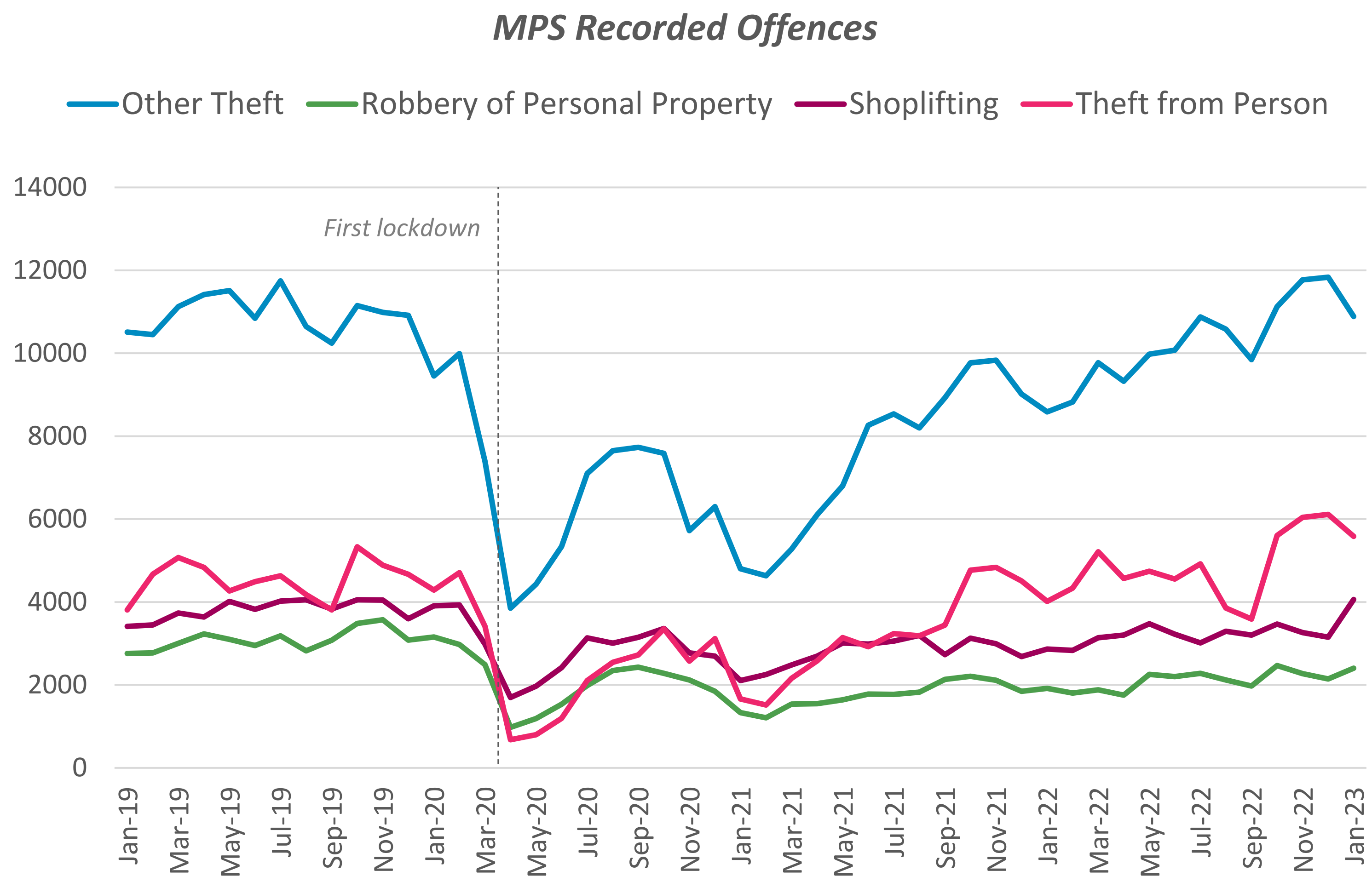

- Overall numbers of UC claimants in London are increasing, but the numbers that are searching for work have been stable for the latest six months. Most of the increase is among those not expected to work.
- As the transition onto UC picks up again, due to be completed by 2024, the numbers are likely to continue to increase. The numbers on legacy benefits have been decreasing. For example, the number of London families claiming tax credits fell by over 30,000 between April and December 2022.

# The number of people starting to sleep rough in London remains higher than during the pandemic, although it fell slightly in the last quarter

- According to data from the Combined Homelessness and Information Network (CHAIN) monitoring system, 1,700 people were recorded sleeping rough in London for the first time between October and December 2022.
- This figure represents a decrease from the previous quarter but a 29% increase from Oct-Dec 2021.
- 1,269 (75%) of those seen sleeping rough for the first time in Oct-Dec 2022 spent only one night on the streets. 389 spent a second night out without meeting for the criteria for living on the streets, while 42 went on to live on the streets.
- In total there were 451 people recorded as living on the streets, down 8% from Oct-Dec 2021.



# Acquisitive crime continues to rise, with the most prominent increases seen in Theft and Personal Robbery




- Acquisitive crime continues to trend upwards following the pandemic, with certain offence types recently rising beyond or close to their pre-COVID levels for the first time.
- The increases recorded from October onwards are seasonal, but greater than that seen the previous year, and may have been driven higher by the cost of living crisis.

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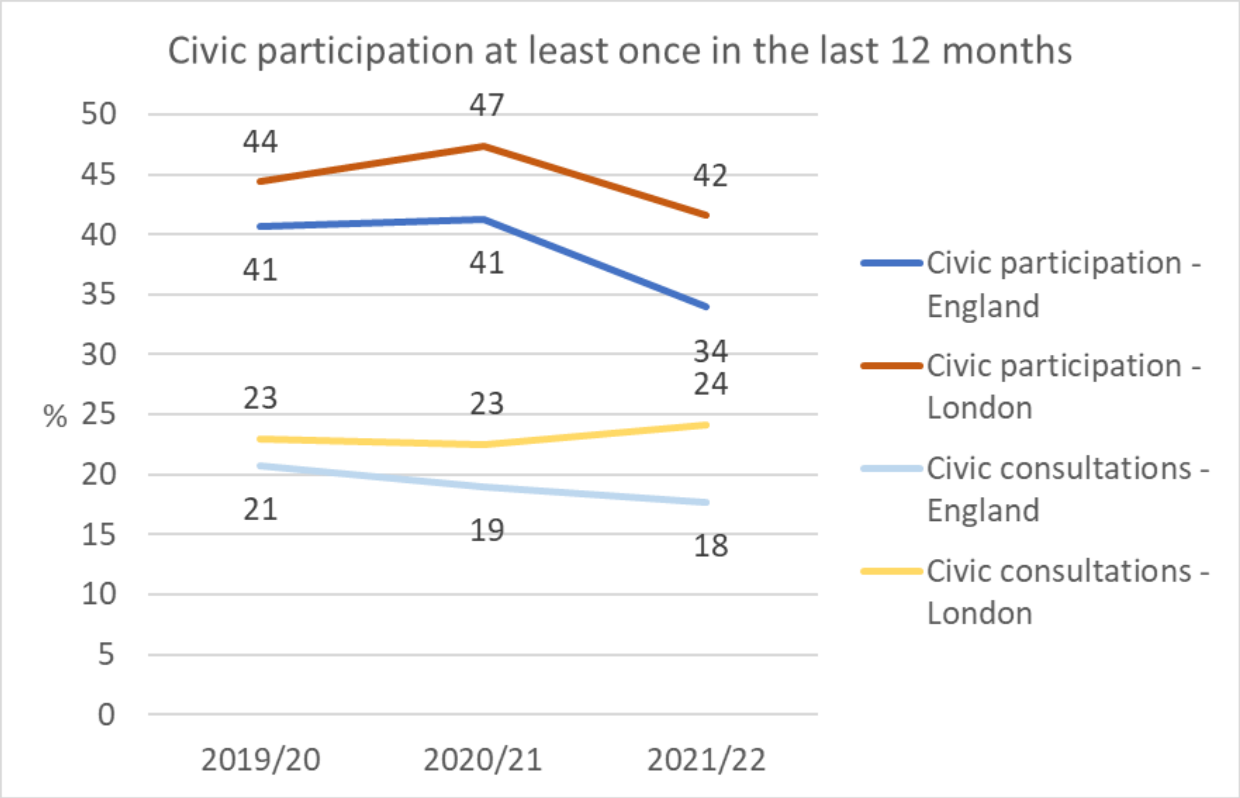
# Civic participation has fallen since the pandemic but Londoners are more likely to engage than other regions




*Base: All adults aged 16+ in England*

- Although participation fell in England as a whole, between October 2021 and September 2022, respondents in London were more likely to engage in civic participation (42%) than in all other regions (26-36%)
- While participation in civic consultations also fell for England as a whole for this period, engagement among Londoners remained higher at 24% (6 percentage points higher than for England as a whole)

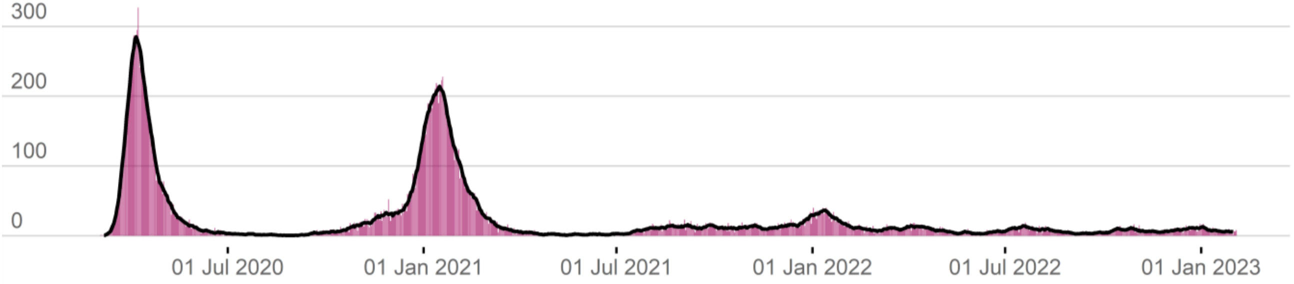
Note: Civic participation refers to engagement in democratic processes, both in person and online, including signing a petition or attending a public rally (does not include voting). Civic consultation refers to taking part in consultations about local service, both in person and online.

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

# There are only a few deaths related to COVID-19, but deaths from flu/pneumonia are 59% above the January average for the last 5 years

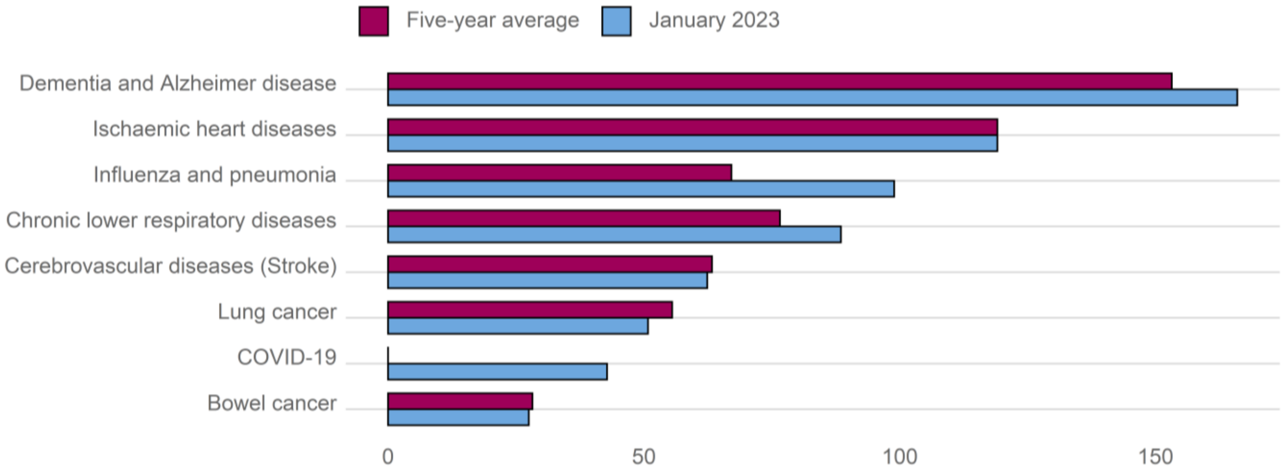
**Daily deaths in London with COVID-19 on the death certificate, by date of death**

Number of people whose death certificate mentioned COVID-19 as one of the causes




Source: coronavirus.data.gov.uk; Chart: GLA demography

Age-standardised mortality rate




Source: ONS, Chart: GLA demography

Note: The five-year average value was calculated using the years 2017 to 2019, 2021 and 2022

- In London on 31/1/23 the 7-day mean number of COVID-19 related deaths was 5.4. Numbers fell in Jan from the most recent maximum value 12.7 on 3/1/23 (highest value was 285 on 6/4/20).

In January 2023, in England:

- COVID-19 accounted for 3.3% of deaths;
- flu/pneumonia accounted for 7.6% deaths;
- the leading cause of death was dementia and Alzheimer's disease for the 19th consecutive month (12.8% of deaths);
- the leading cause of excess death was flu/pneumonia (59% above average);
- the age-standardised mortality rate was 1,291 deaths per 100,000 people, higher than Jan 2022 (1,051) but lower than Jan 2021 (1,485). This suggests deaths in colder months may be returning to rates seen before the pandemic.

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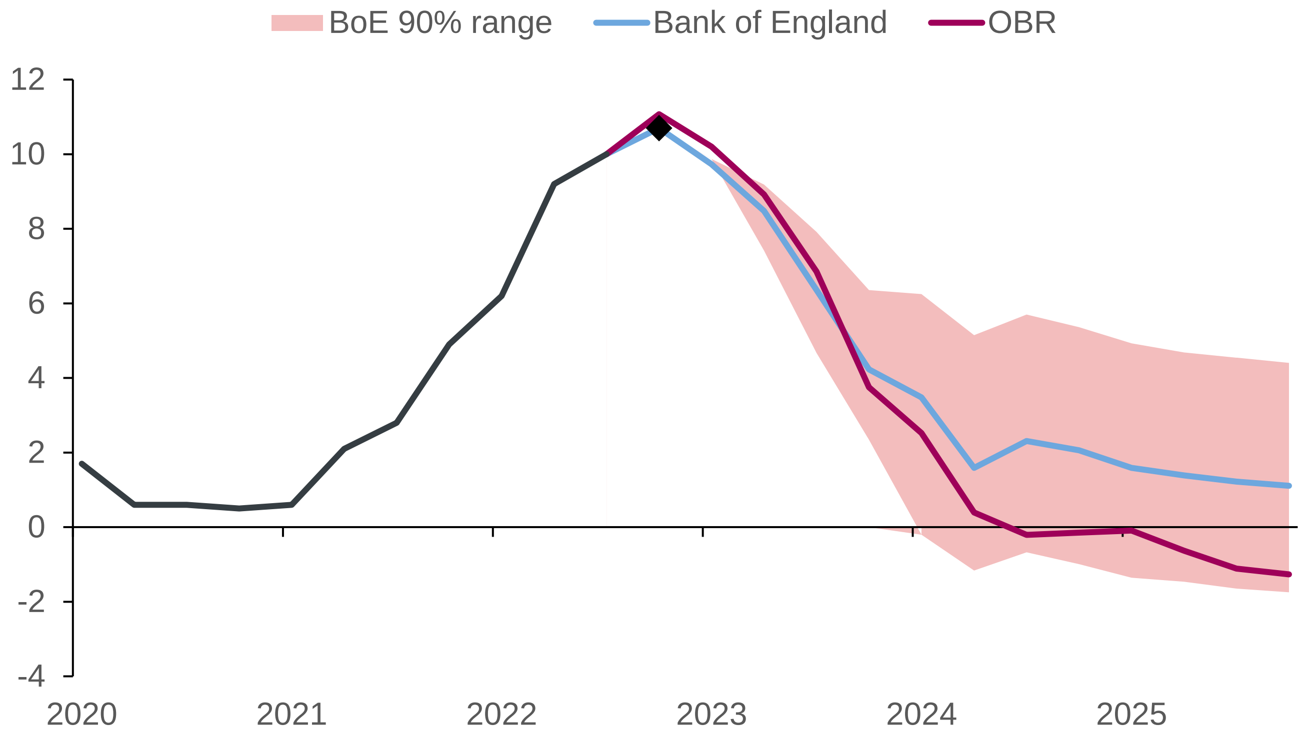
# Future Projections

# Inflation looks to have peaked, and should ease rapidly

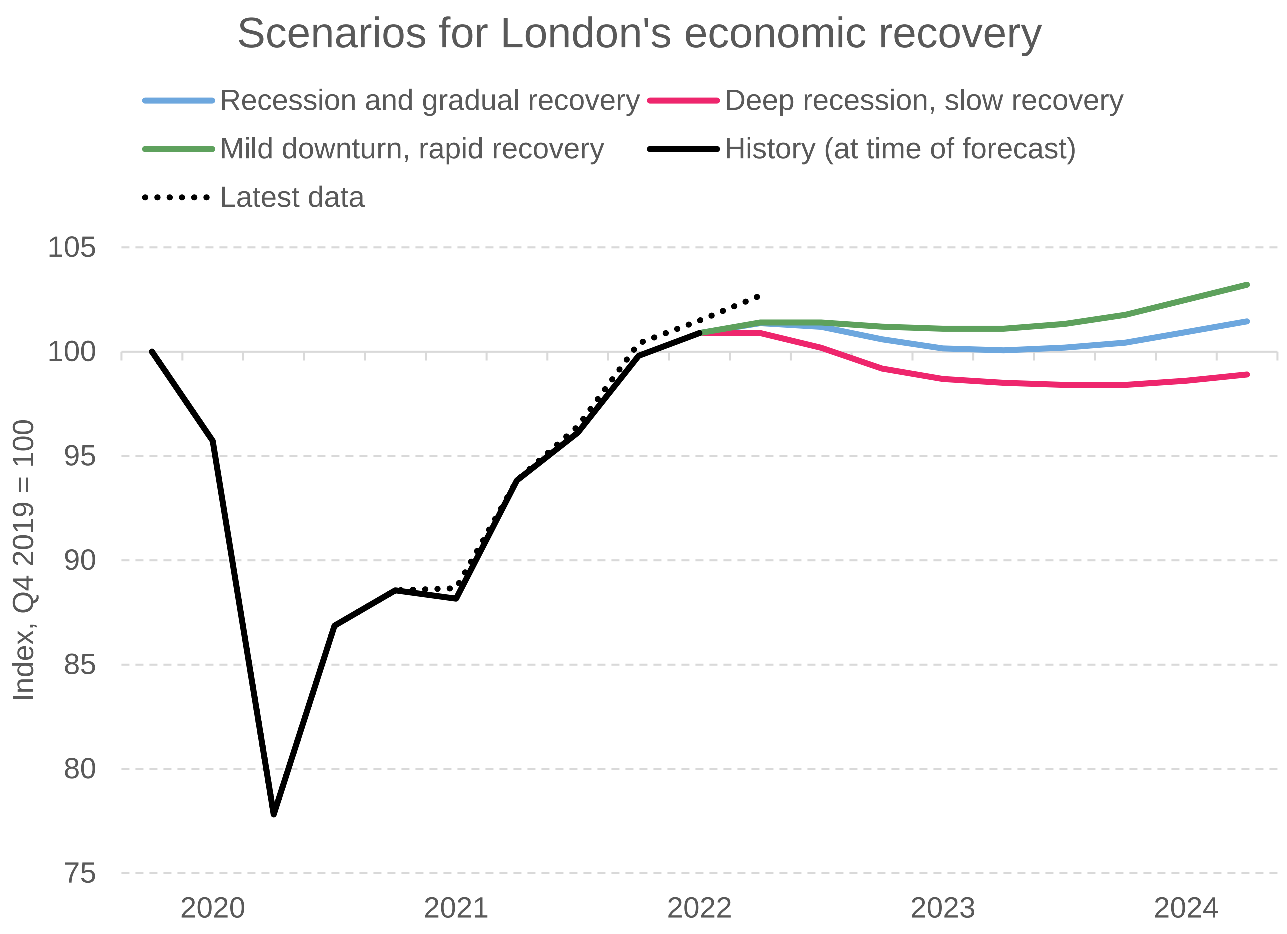
Inflation projections




Source: Bank of England, Office for Budget Responsibility

- CPI inflation is still at some of the highest levels in 40 years, at 10.1% in January 2023. But that figure has now fallen in the last three months.
- Global energy prices are falling, supply chain challenges are easing and the pound is stabilising.
- While household bills and business costs may take time to reflect shifting global patterns, the worst pressures are likely over.
- The Bank of England sees inflation falling to below 4% by the end of this year, and below 2% by mid-2024.

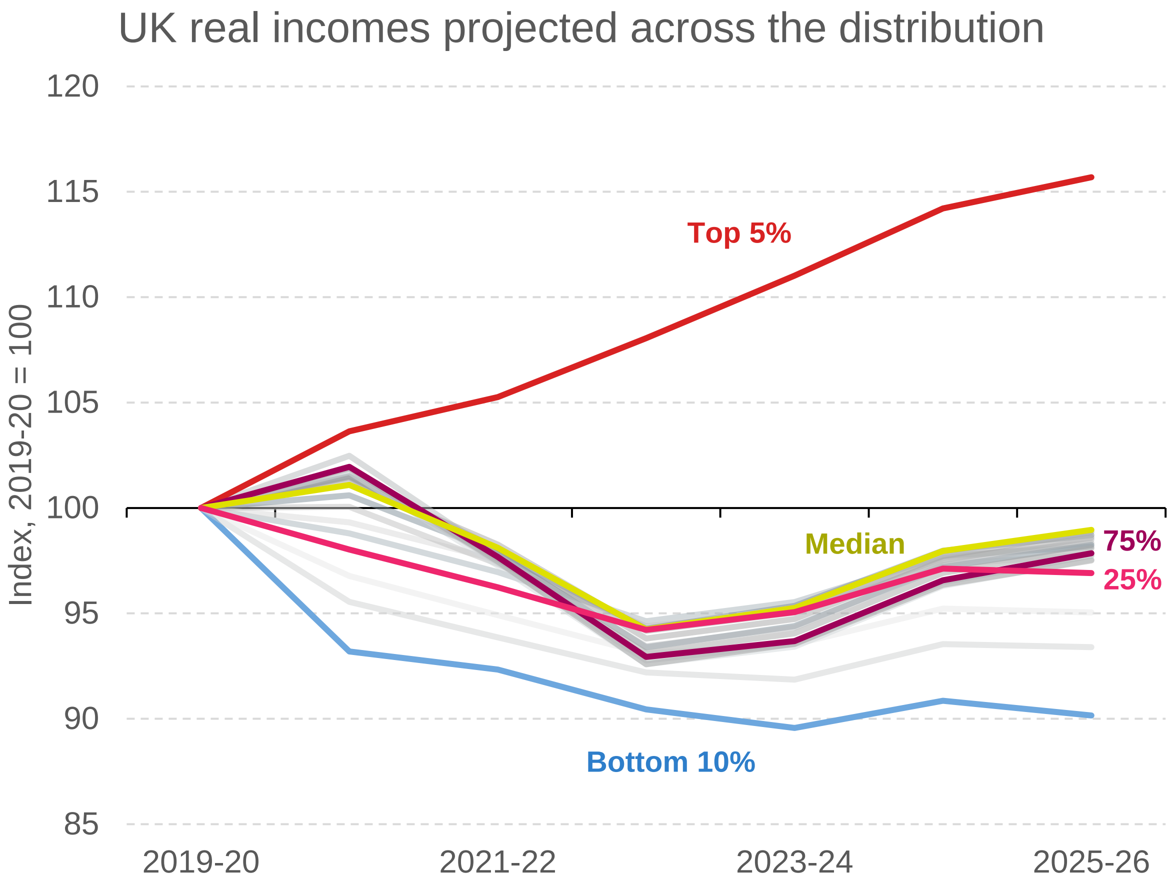
# London’s economy is likely to be more resilient than other regions, but there may still be a shallow downturn




Source: Office for National Statistics, GLA Economics projections

- The UK economy was largely flat in Q4 2022, against expectations the economy would fall into recession in 2023.
- London should be more resilient to the cost of living crisis. Average incomes are higher*, output is less focused in consumer sectors, and business and consumer sentiment is less pessimistic.
- Yet London will not entirely escape the impact of high inflation, falling real wages and tight economic policy.
- The GLA projects a recession – but shorter, shallower and with a faster recovery than at the UK level. But there remains a lot of uncertainty.
- *See earlier slides for disproportional impact of inflation for those on low incomes.

# Although overall London's economy will perform better than other regions, national projections suggest those on the lowest incomes will see the worst income growth to 2026

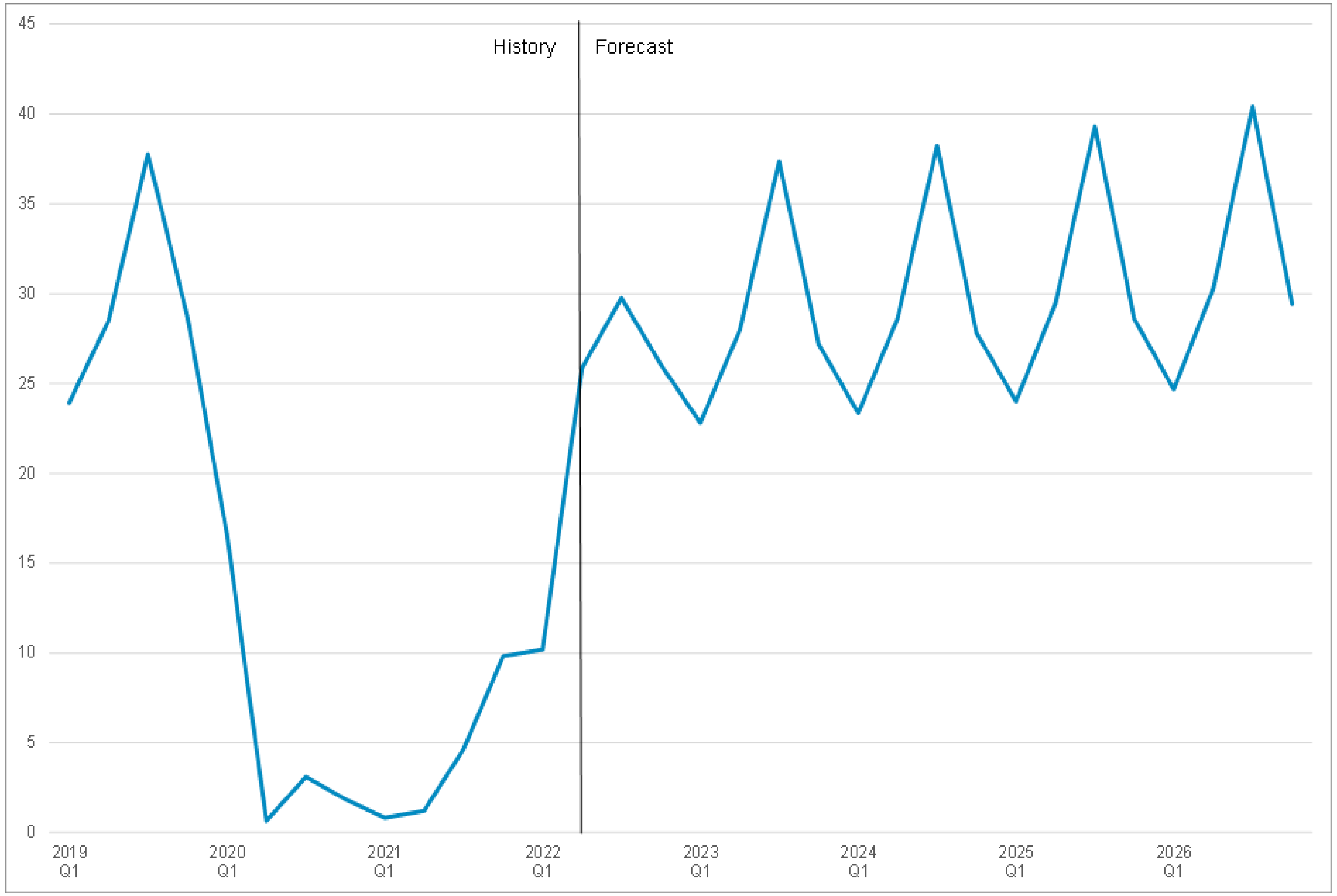



- The lowest-income Londoners also tend to have some of the lowest spending power in the UK, and rate the worst for key measures of financial vulnerability.
- Lower-income households tend to devote more of their spending to high-inflation essentials.
- National projections suggest they will also see the worst income growth in the coming years.

Source: GLA Economics, Resolution Foundation (Living Standards Outlook 2023); Note: Each line represents the projected path of incomes for a different chunk of 5% of the population. Selected lines have been highlighted, others left in grey.

# International tourism reached 90% of pre-pandemic levels by mid-2022, and is expected to recover fully by the middle of decade

**International visitor nights in London, 2019-2026, millions**

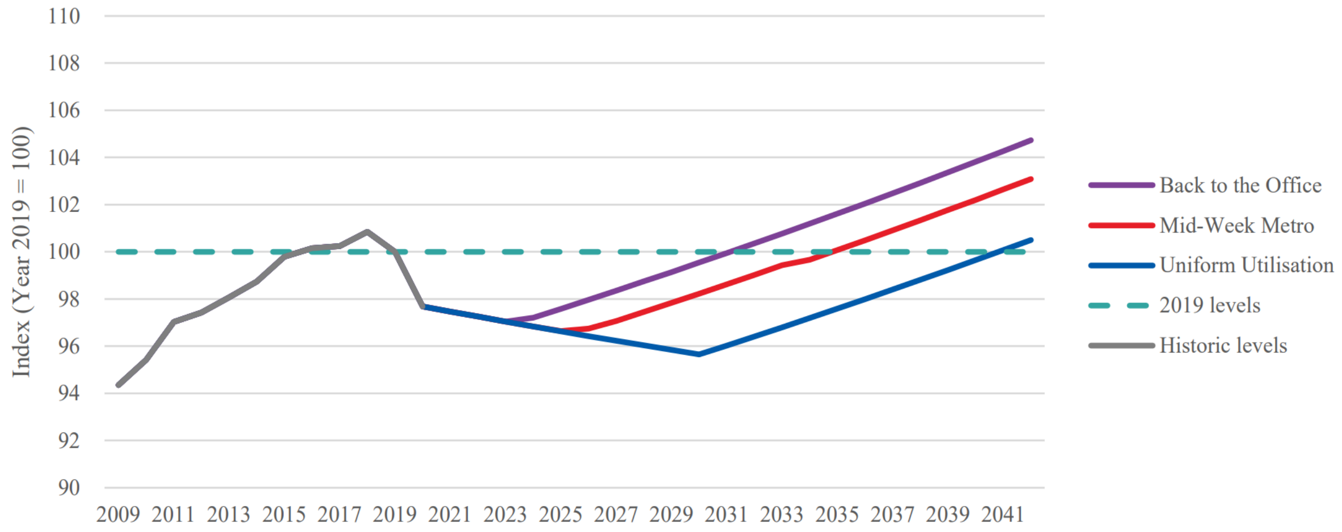



*Source: ONS International Passenger Survey, and GLA Economics calculations*

- London was the top trending world city by Americans in 2022, according to the online flight booking service Google Flights.
- Changes in the use of technology likely to have reduced travel demand.
- Expectation is that medium-term growth in tourism driven by world GDP growth.
- Longer term growth to 2032 slows as constrained by Heathrow capacity.
- GLA Economics projects 134 million visitor nights in 2032 compared with 130 million in 2017 and 119 million in 2019.

# But scenarios for office occupancy in central London suggest the capital will not to return to 2019 levels until the early 2030s

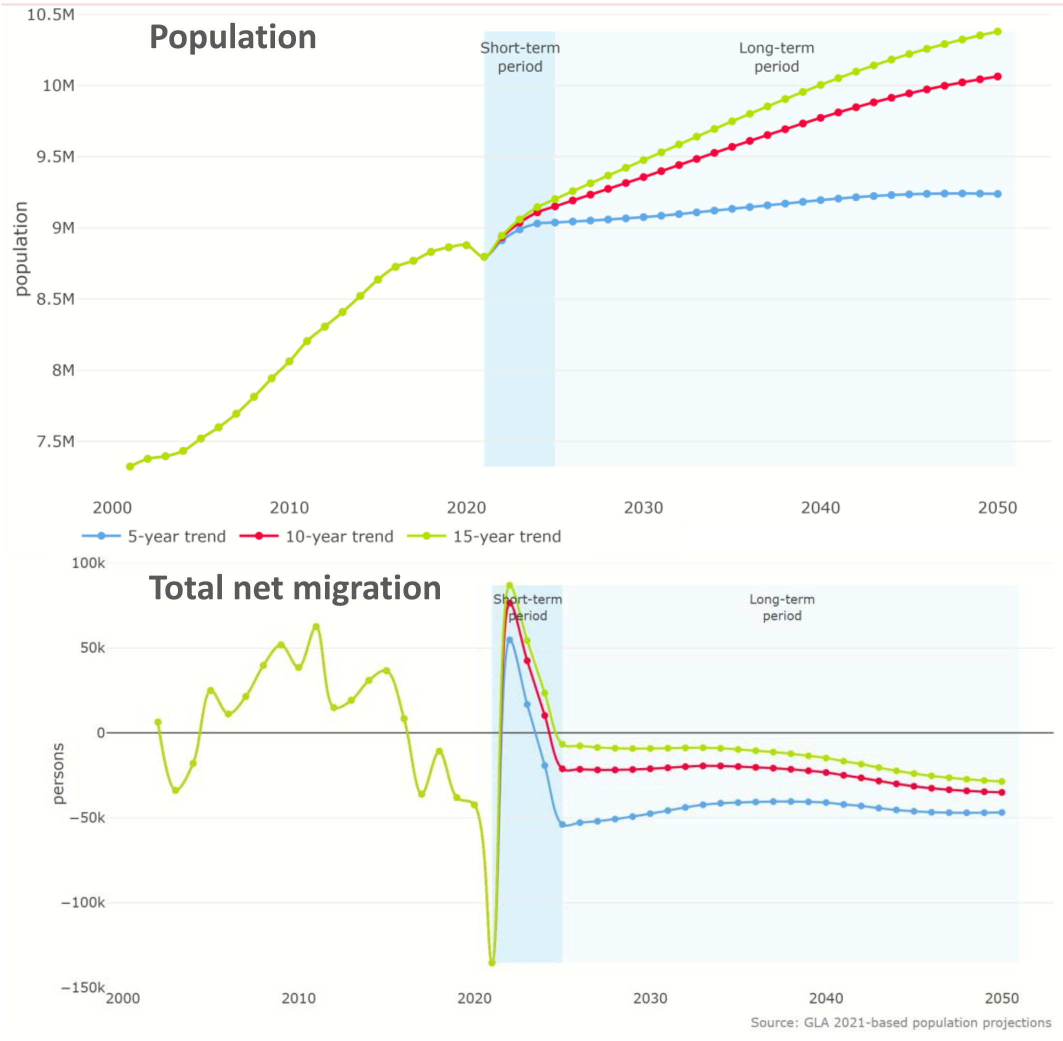
**Inhabited office floorspace projections compared to 2019 for central London**




Source: Arup analysis

- Central London Forward modelled three scenarios for the growth of office floorspace in central London through to 2041.
- All three scenarios see overall inhabited floorspace reaching 2019 levels by 2041, with the first two seeing that level by the early 2030s.

# GLA 2021-based population projections project lower future population growth than previous rounds




- GLA 2021-based projections have been updated to take account of 2021 Census data.
- These give lower future population growth than previous rounds, ranging from 9.2 million to 10.1 million by 2041, compared with 10.5 million to 10.9 million from the 2016-based projections
- These lower figures are the result of:
  - Brexit, falling births, recovery in domestic outflows since Financial Crisis
  - downward revision of estimates following 2021 Census
  - impacts of pandemic on migration.
- Results and blog

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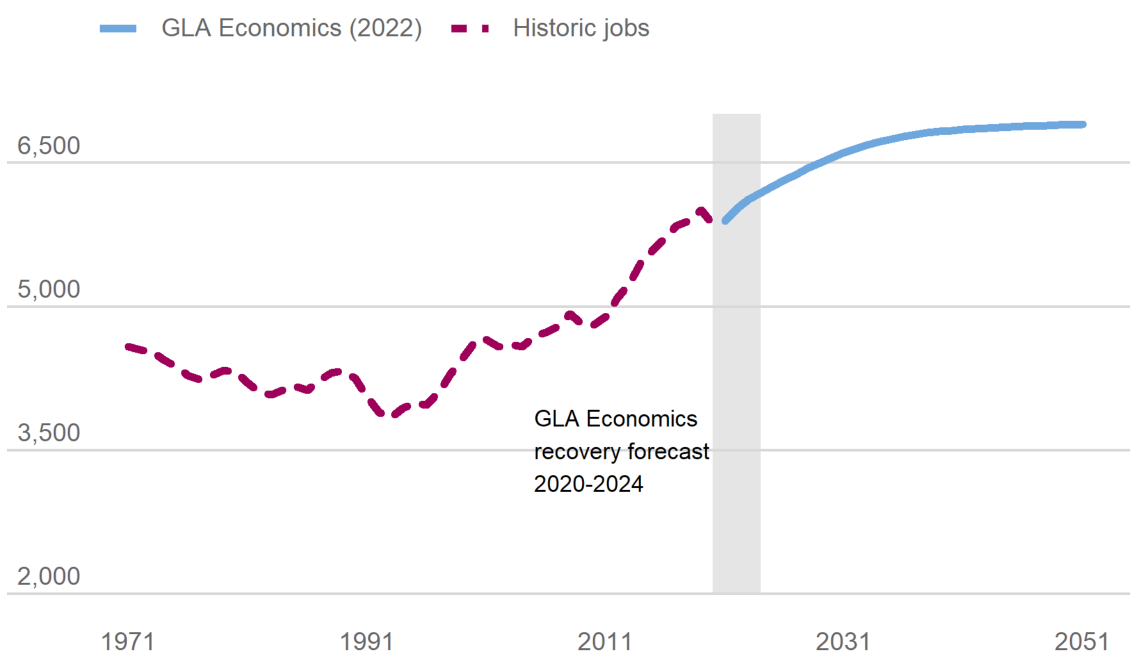
# And jobs growth projections for London have also been revised down

**London's employment history and projections**
Jobs, 000s




Source: [London labour market projections 2022, Interim update]

- Based on historic trends, we project employment in London to rise from around 6 million jobs in 2021 to 6.6 million in 2031, 6.8 million in 2041 and 6.9 million in 2051.
- This represents a downward revision from our 2017 projection of 7.1 million jobs in 2050, with the difference largely emerging in the 2040s.
- Downgraded long term GVA growth projections for the UK in the Office for Budget Responsibility's 2021 update were the main contributing factor to the lower jobs projections.
- The impacts of the COVID-19 pandemic, alongside Brexit and cost-of-living pressures, mean there is a significant degree of uncertainty around these projections.