



Analysis update on London's recovery

Presentation for the London Recovery Board
GLA City Intelligence Unit
November 2022

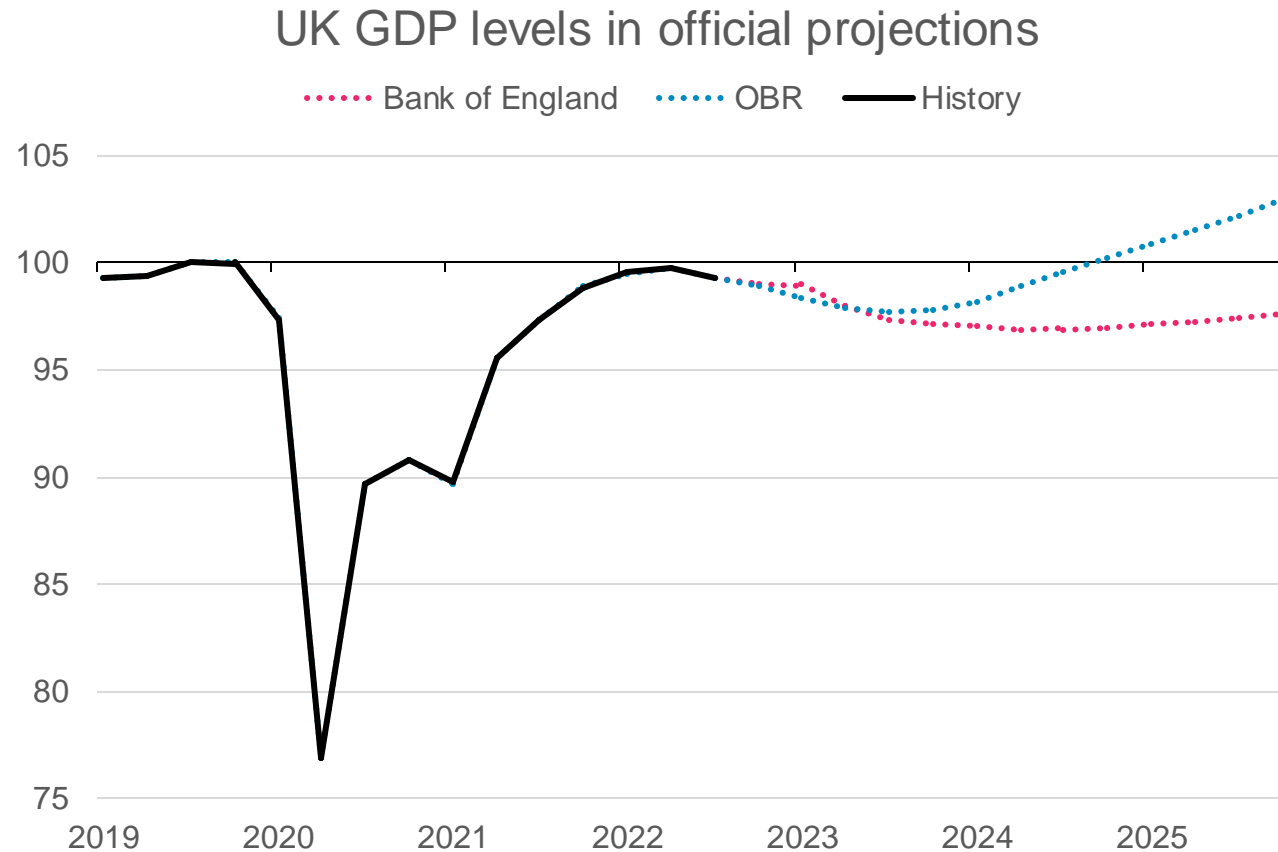
Conclusions

- Taking account of the fiscal measures set out in the Autumn Statement, the Office for Budget Responsibility (OBR) projects a recession lasting just over a year, less pessimistic than forecasts from the Bank of England.
- Rising costs, especially for food, are leaving many Londoners struggling to pay for essentials and increasingly going without. The Energy Price Guarantee has mitigated some of the worst possible outcomes over the winter, but food insecurity increased during 2022.
- Housing costs continue to increase, with those on mortgages now affected as well as private renters, due to rising interest rates. Pressure on housing is high with increased numbers sleeping rough, and an increase in asylum seekers and refugees.
- The labour market remains tight, with a shrinking workforce driving record lows in unemployment. Labour demand may be starting to fall. Pay increases are largely eroded by inflation and retail spend has fallen. Universal Credit claims are increasing among those not expected to look for work.

The economy

- The UK is highly exposed to global activity headwinds, including inflationary pressures.
- Taking account of the fiscal measures set out in the Autumn Statement, the OBR projects a recession lasting just over a year, less pessimistic than previous forecasts from the Bank of England, though evidence suggests London may be less affected than other regions.
- While key energy support measures will continue next year and benefits will rise with inflation, government spending plans are very tight from 2024-25.
- Consumer confidence is at some of the lowest levels since 2008. And while businesses are still positive about current conditions, confidence has fallen below long-term averages.
- Retail spend has fallen by 7% since a peak in July 2022. The High Streets & Town Centres that were more resilient during the pandemic have been less affected by the drop in expenditure.

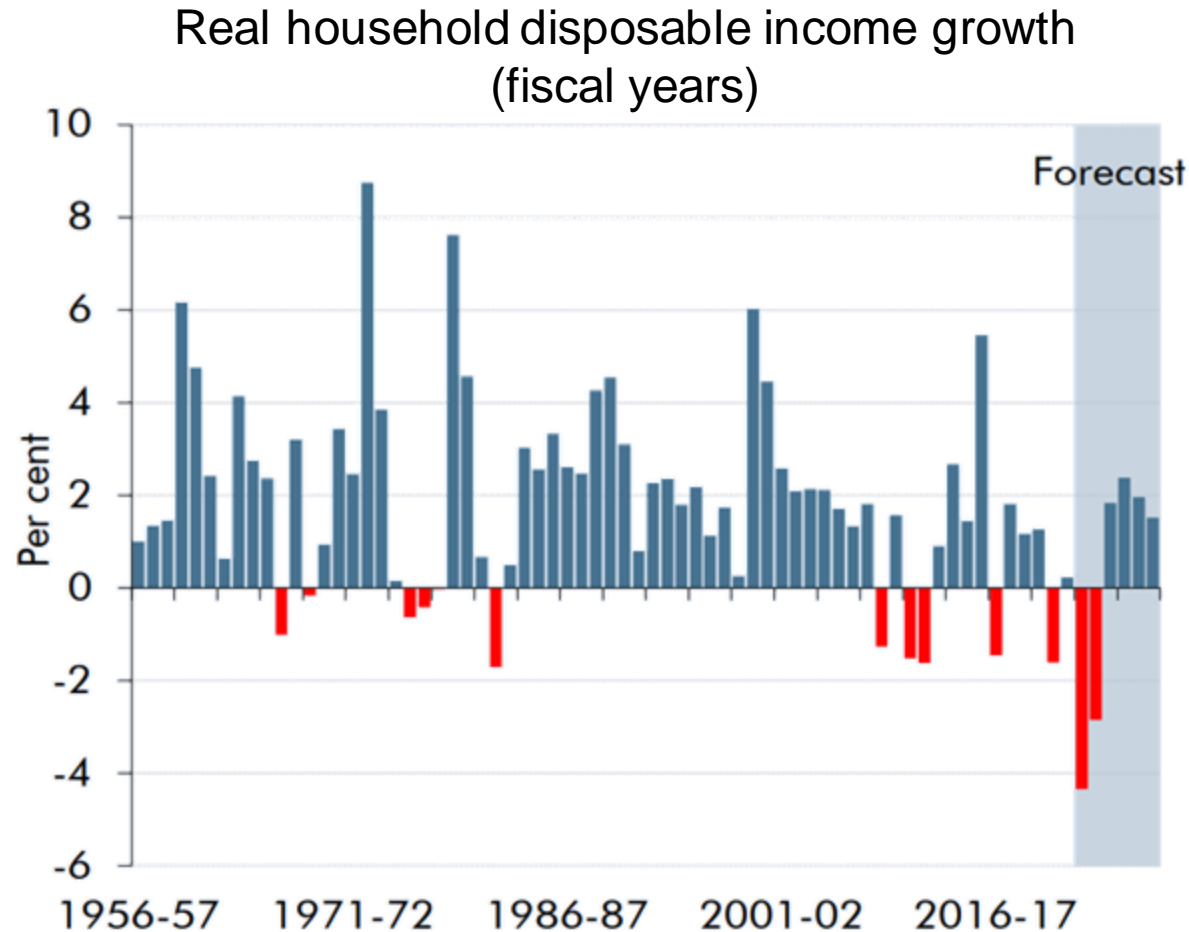
Official projections for economic activity are bleak, even before monetary and fiscal policy look set to tighten



Source: ONS, OBR, Bank of England

- The Bank of England's latest economic projections were bleak. Predicting inflation would stay high across 2023, while output would fall for two years from mid-2022.
- Yet the Bank focuses on inflation, and raised the policy interest rate by 0.75% to 3%, its highest since 2008.
- The Office for Budget Responsibility were less pessimistic, but still see a recession lasting over a year.
- But soaring borrowing costs have prompted a fiscal tightening of around 2% of GDP, involving both tax hikes and spending cuts.

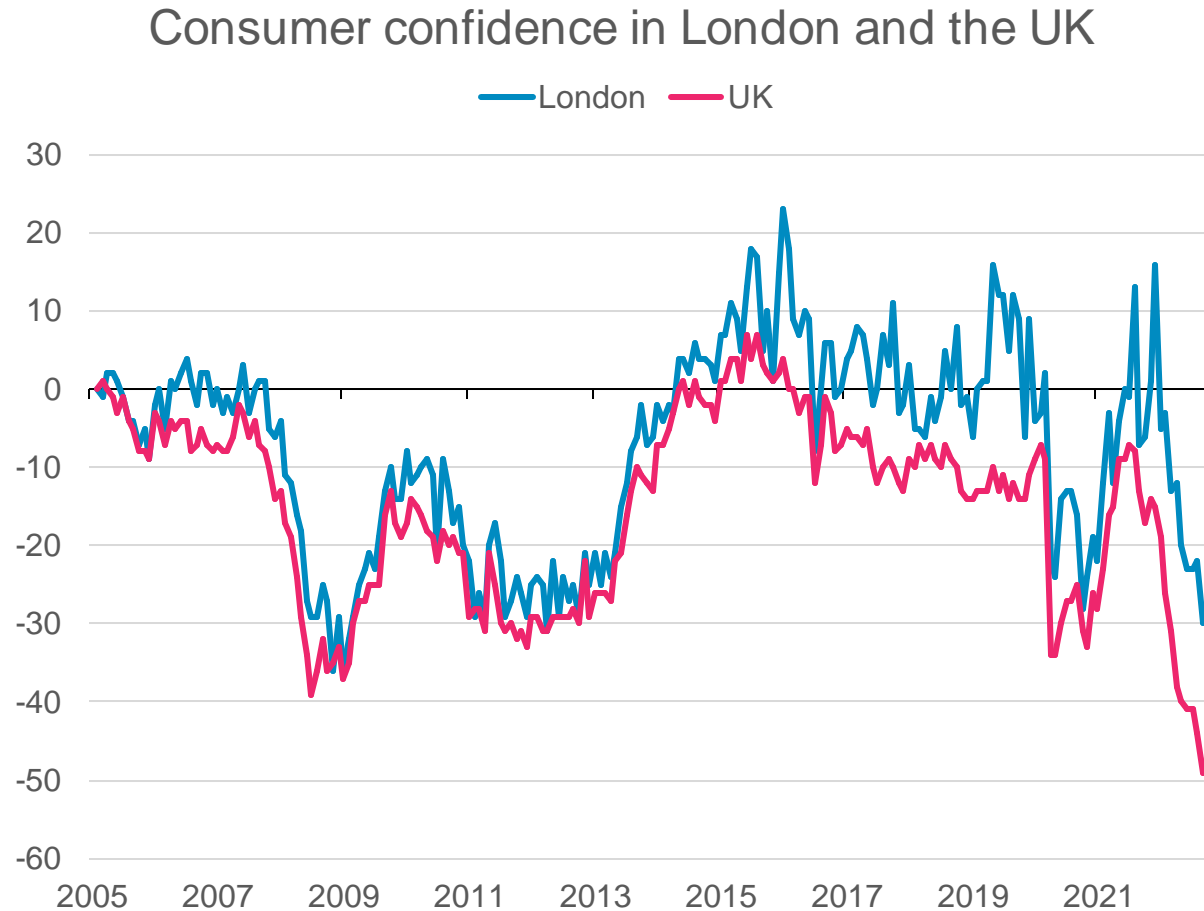
Autumn statement is a major fiscal tightening, and forecasts point to a crushing fall in incomes



Source: ONS, OBR

- Due to high inflation, the OBR projects the worst drop in incomes since the 1950s, with real income down 7% over 2022 and 2023.
- The Energy Price Guarantee will continue at a higher cap implying average bills of £3000 from April.
- Benefits and the state pension will rise in line with inflation in April. The benefit cap will also rise next year.
- But by 2027-28, public spending projections are down around 1% of GDP. Tax hikes also total around 1% of GDP, mainly by freezing tax thresholds despite rapid inflation.

London likely to be more resilient than other regions, but increasingly unlikely to avoid a downturn



Source: Office for National Statistics

- London's economy should be more resilient than the wider UK. Incomes are higher, and outputs is less focused in consumer sectors.
- Yet economic surveys suggest the capital is unlikely to escape a UK downturn. Consumers are nearly the most pessimistic since 2008, even if the UK average is worse. And while businesses are still positive about current conditions, confidence has fallen below long-term averages.
- London fared better than the wider UK during the pandemic but has fared worse in previous inflation-fighting recessions.

Retail spending has decreased from a July peak

London retail spending

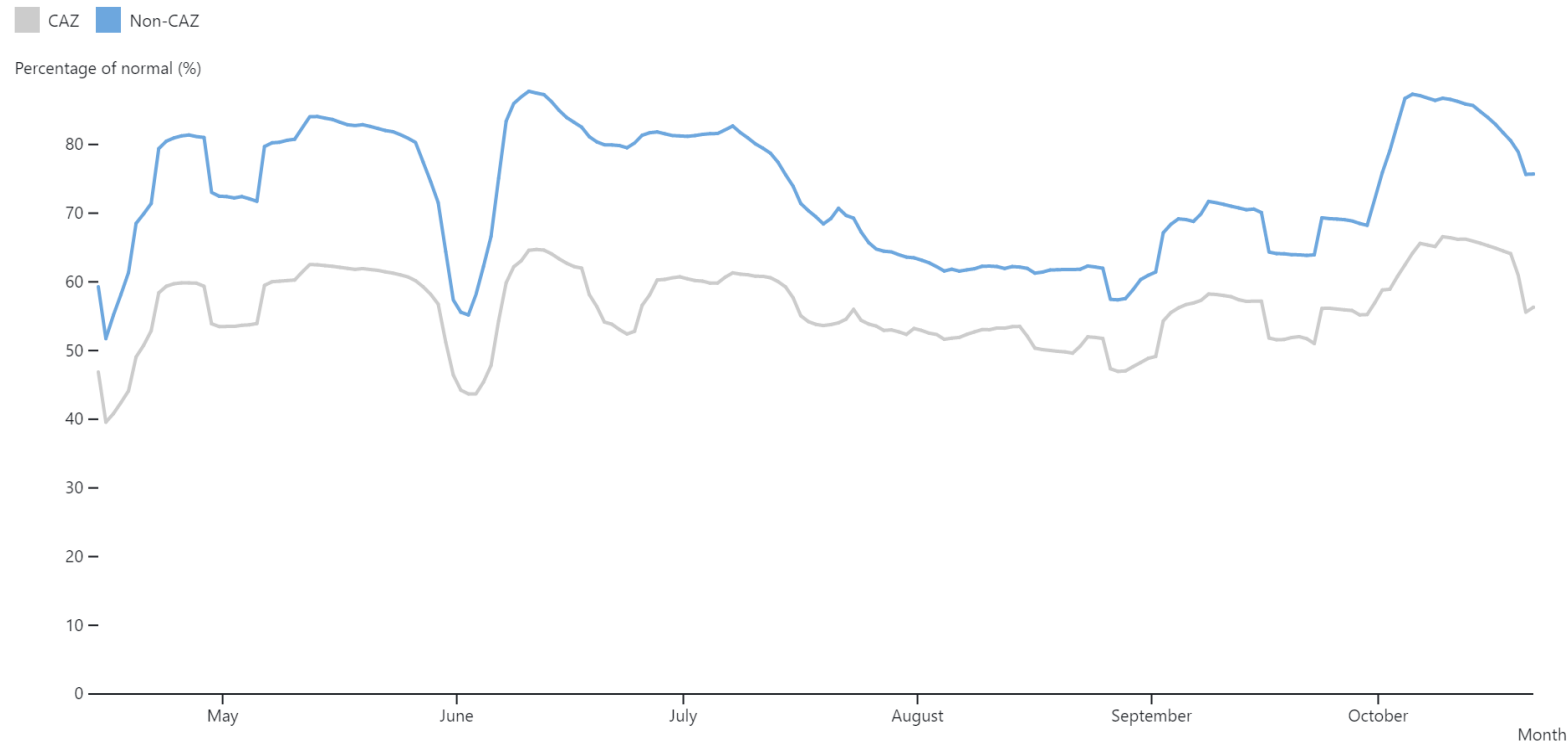
Mastercard adjusted spend index



- Retail spend across London for has decreased by 7% from its peak in July to September.
- Spend in **district & smaller high streets** (which typically proved more resilient during the pandemic) by 4.5% - 6% over the same period compared with 8-9% for **large centres** with significant service & leisure functions.
- London and Partners estimate that 'International nights' spent in London recovered to 53% of 2019 levels in 2022 (up from 20% in 2021) but are predicted to take several years to recover in line with global trends for international travel

Footfall for workers has recovered to a post-pandemic high after a summer holiday decline

Trend in weekday worker footfall (at 1pm) based on % of pre-pandemic numbers (CAZ and non-CAZ)



Source: Anonymised & Aggregated by O2

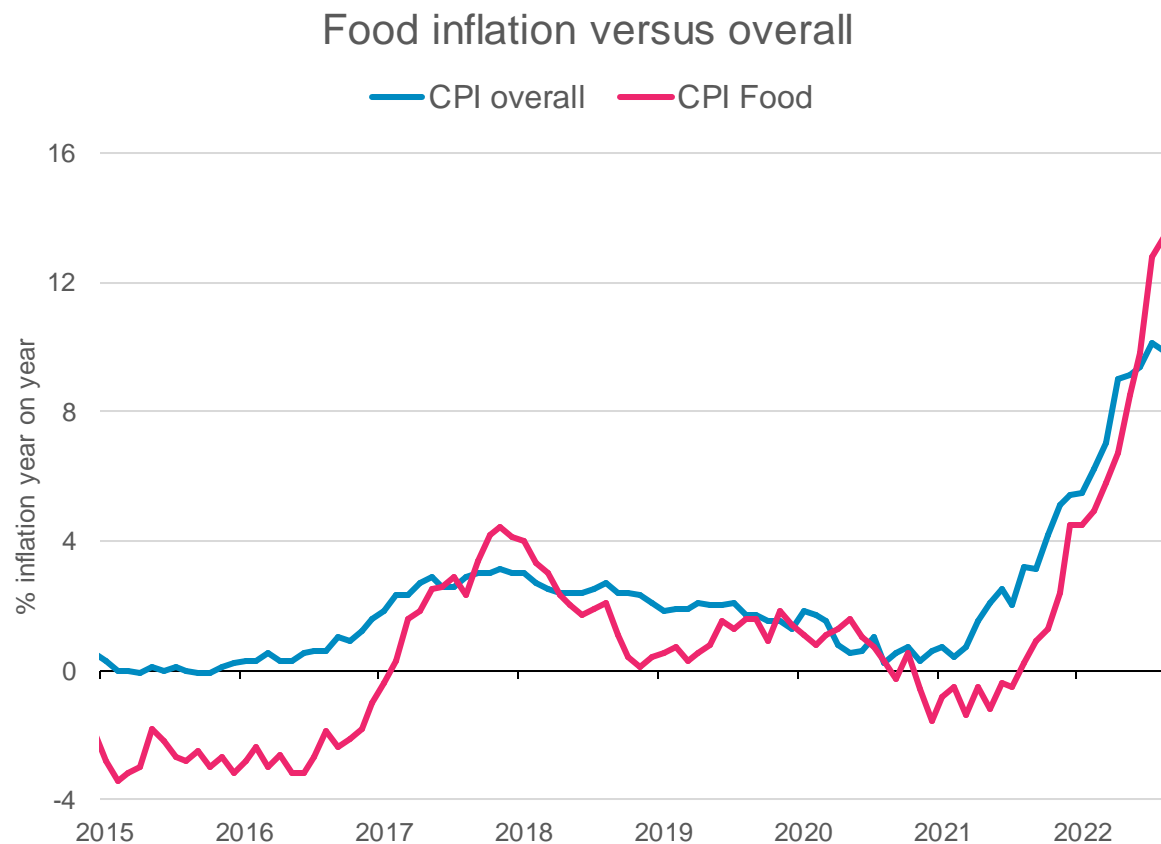
CAZ refers to the Central Activities Zone

- Worker footfall fell by around 24% from in July to September, but returned to the post-Covid peak again in October.
- Weekday worker footfall at 1PM dropped to an average of 45% of pre-pandemic numbers within the CAZ and 60% outside the CAZ over the summer holiday period from July to August.
- Visitor footfall has remained relatively steady from March to September 2022, rising to a post-pandemic peak of around 77% for within and outside the CAZ in September.

Prices and the cost of living

- Global pressures continue to push up prices across the economy
- The Energy Price Guarantee has mitigated some of the worst possible outcomes over the winter.
- But rising costs, especially for food, are leaving many Londoners struggling to pay for essentials and increasingly going without.
- Food insecurity is rising, and a quarter of London's households have low financial resilience.
- More of London's low-income households are experiencing hardship than low income households in other regions.
- Housing costs are also increasing - private rents are still growing fast, while Londoners with mortgages are more at risk from rising interest rates than other regions.

Inflation is at a 40-year high, with an uncertain path ahead

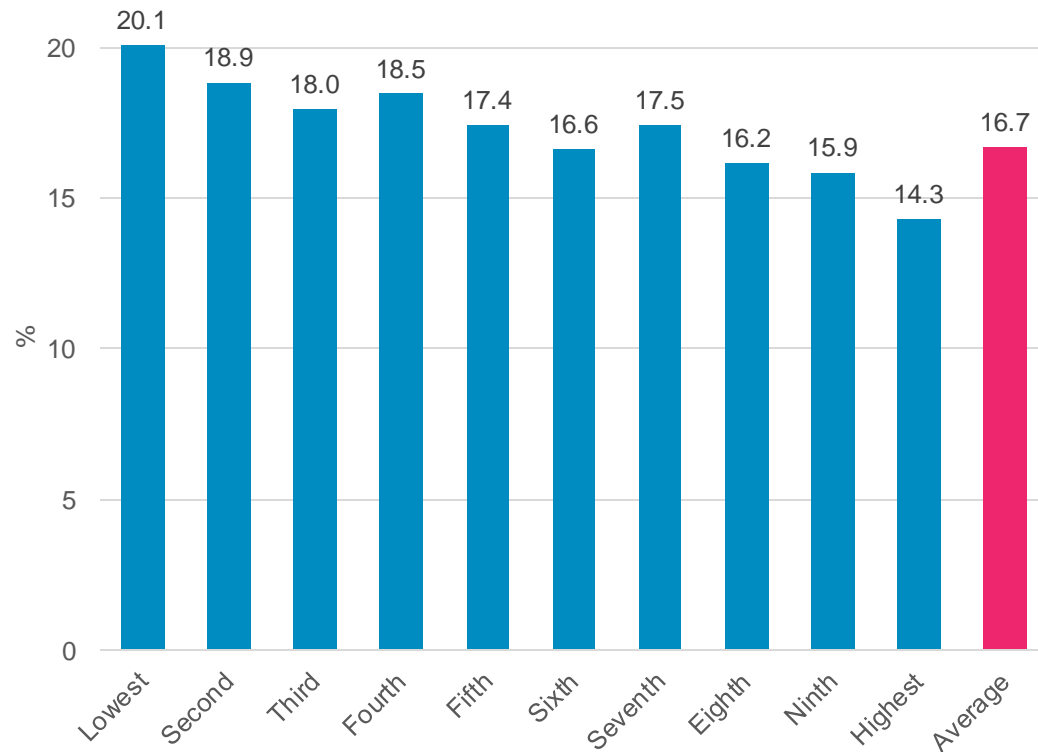


Source: GLA Economics, ONS Consumer price index

- CPI inflation has risen sharply since spring 2021. Initially driven by supply chain challenges, inflation is now dominated by surging energy and food costs due to the war in Ukraine.
- The Energy Price Guarantee capped unit prices for energy to hit average annual household bills of £2500.
- But this is still double the Ofgem cap a year earlier. And the EPG expires in its current form in April 2023.
- The Bank of England sees inflation peaking around 11% this year, then falling to around 5% by end-2023, assuming some further fiscal help.

Londoners may be hit less by high energy costs, but the lowest-income households are hit the hardest by inflation

Food spending as a share of overall spending, by income decile

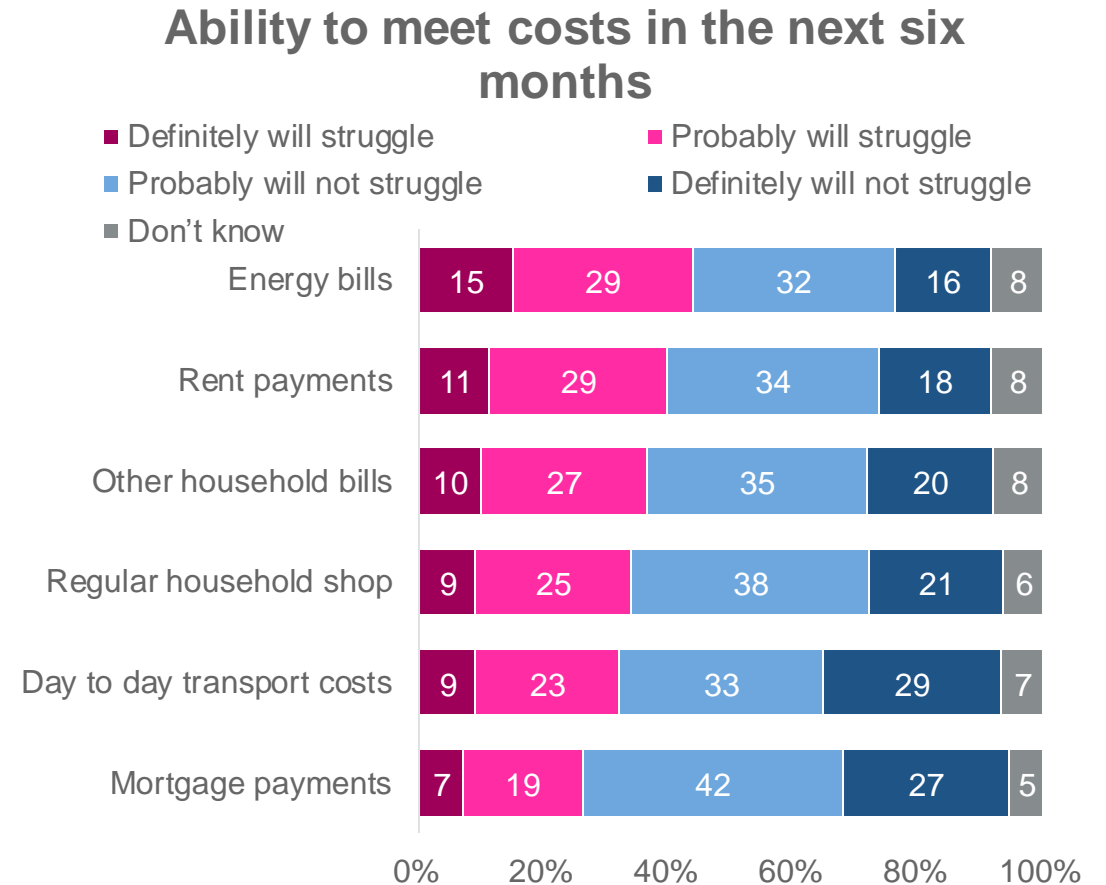


Source: ONS Living Costs and Food Survey

- National underlying inflation trends have caught up with London trends according to ONS local price quotes.
- Londoners tend to have lower energy costs due to more compact housing, but households in the capital spend similarly to the wider UK on essentials like food.
- The lowest-income Londoners tend to have some of the lowest spending power in the UK.
- And lower-income households tend to devote more of their spending to exactly the essentials seeing the highest inflation – food and energy.

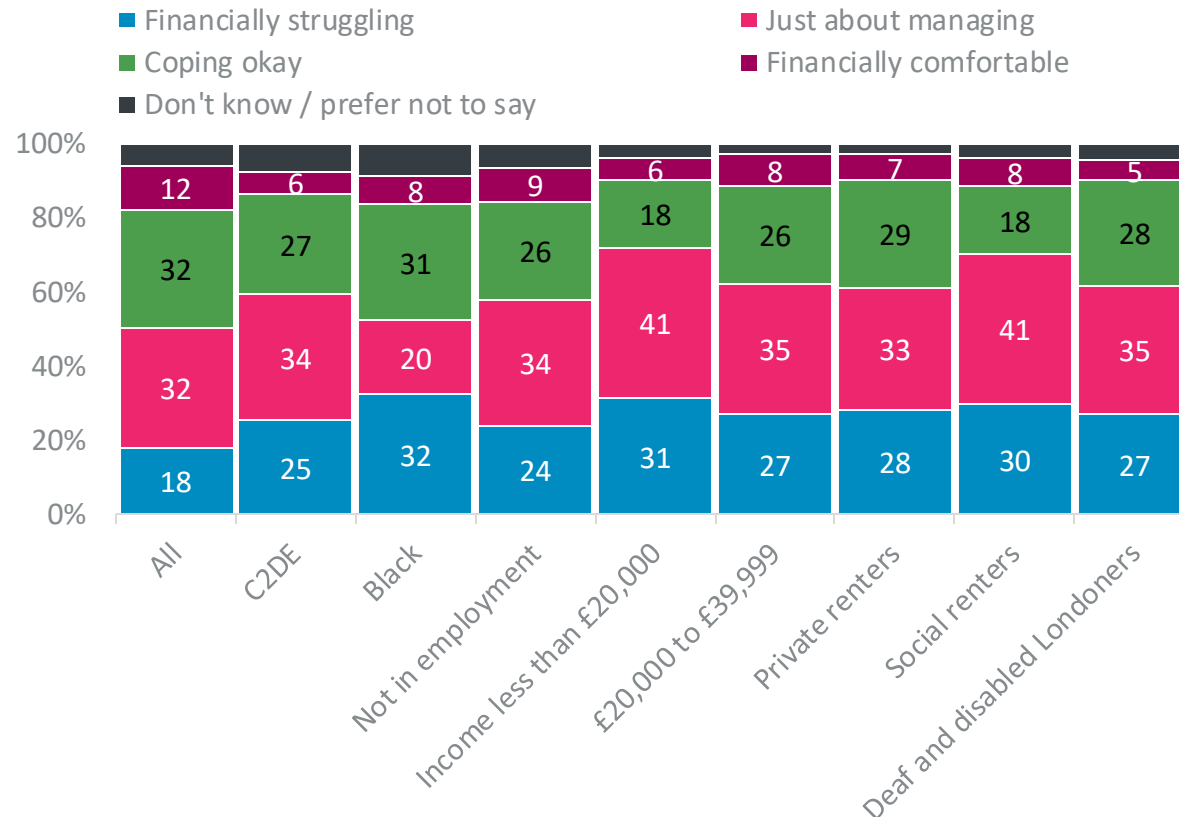
Rising living costs are leaving Londoners struggling to pay for essentials

- Eighteen per cent of Londoners say they are financially struggling. Twenty-eight per cent of this group say they are going without food and essentials.
- Fourteen per cent of Londoners have constantly struggled with either their rent or mortgage in the last 6 months and 7% of Londoners have fallen behind on either their rent or mortgage during this time.
- Looking forward to the next six months, over 4 in 10 Londoners think they will struggle to pay their energy bills (44%), or rent (40%) and over a quarter, mortgage (26%), regular household shop (34%), other household bills (37%) and transport costs (32%).



Nearly one in five Londoners (18%) said they were ‘struggling financially’ in October. In some demographic groups, almost one in three Londoners are financially struggling.

Londoners' financial situation: key demographic groups



- Almost one in three Londoners are financially struggling in some demographic groups - Black Londoners (32%), those with a gross household income of less than £20,000 (31%), and social renters (30%).

Note:1| Numbers less than 5% removed

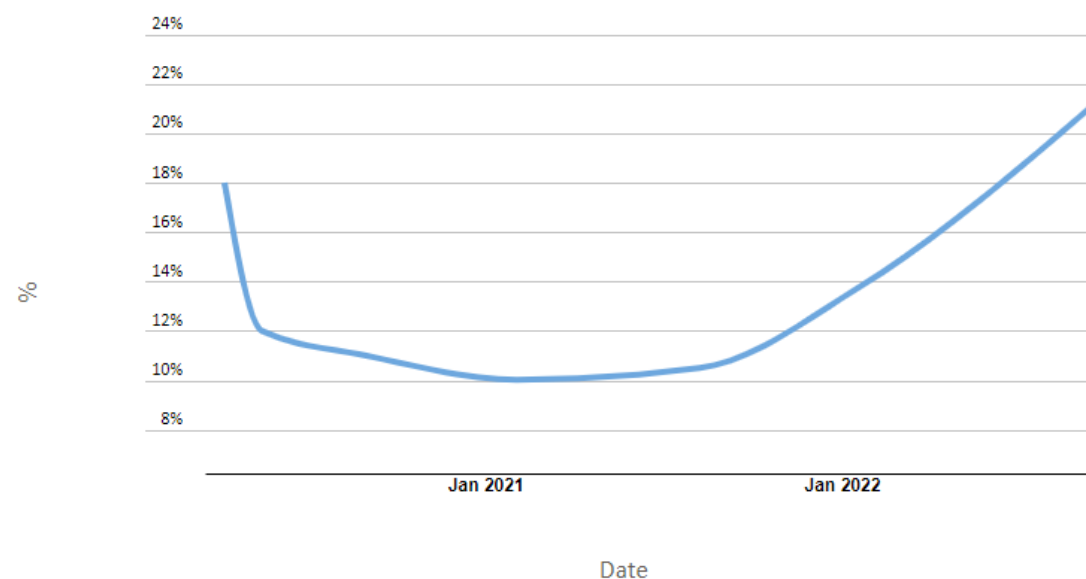
2| 'Financially struggling' comprises of 'I am having to go without my basic needs and/or rely on debt to pay for my basic needs' and 'I'm struggling to make ends meet' responses.

Source: GLA YouGov poll October 2022

Food insecurity has risen since the start of the year

- The [Food Foundation](#) has been tracking food insecurity since the first national lockdown was imposed as a result of the Covid-19 pandemic.
- In April 2020, they found that 18% of adult Londoners were food insecure.
- As restrictions eased, this decreased to 10% in January 2021.
- However, over the course of 2022, food insecurity in London has increased with 21% of Londoners reporting being food insecure in September 2022.

Proportion of adults who have experienced food insecurity since the start of lockdown



Source: Food Foundation

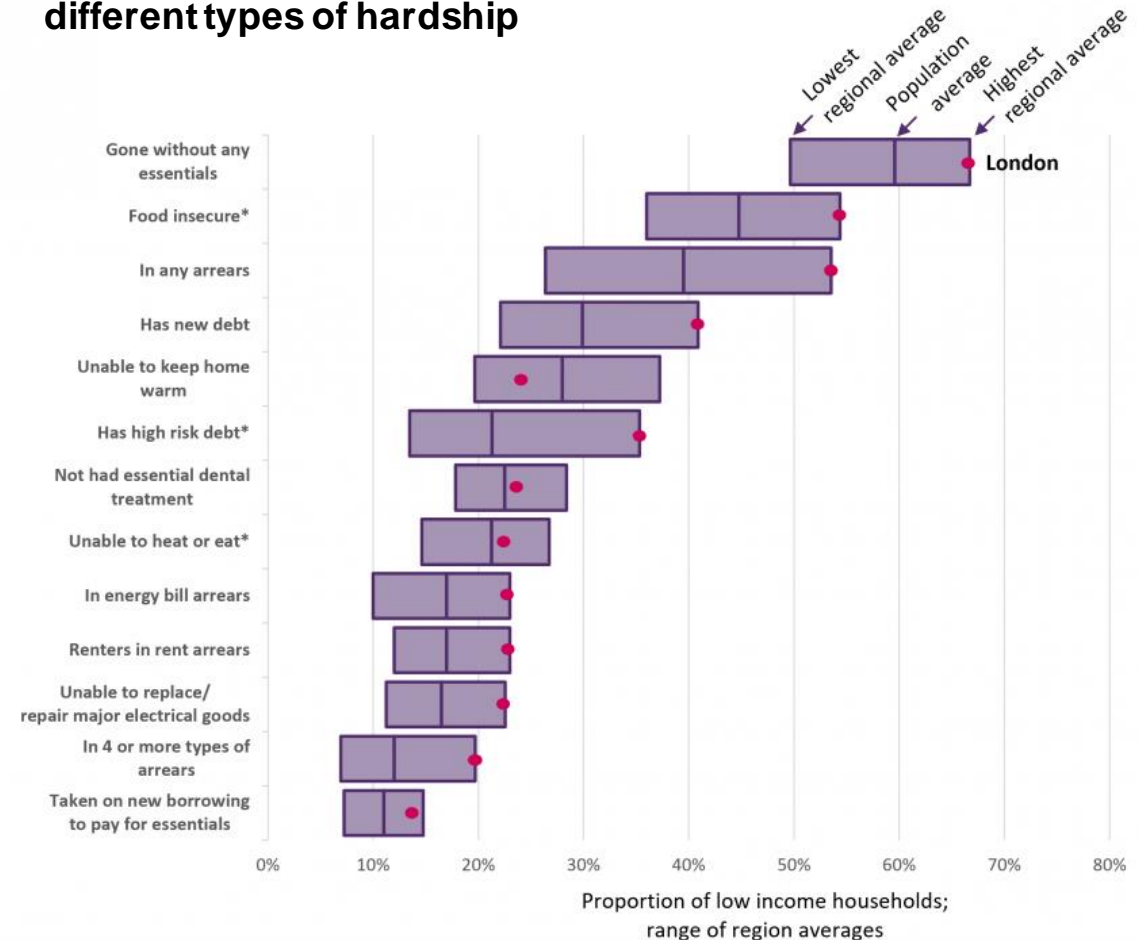
Note: The Food Foundation measures food insecurity using three questions about people's experiences in the last 6 months about having smaller meals or skipping meals; going hungry or not eating; and not eating for a whole day. They capture moderate and severe experiences of food insecurity.

London's low-income households are more likely to experience hardship than low-income households in other regions

- Research from mid-2022 by the Joseph Rowntree Foundation showed that London consistently had the highest proportion of low-income households experiencing hardship
- This included going without essentials, experiencing food insecurity, in arrears with any bills or outgoings, and taking out new debt since the start of the year.
- The FCA Financial Lives survey found that 1 in 4 London households has low financial resilience in May 2022, and increase of 6 percentage points since 2020.

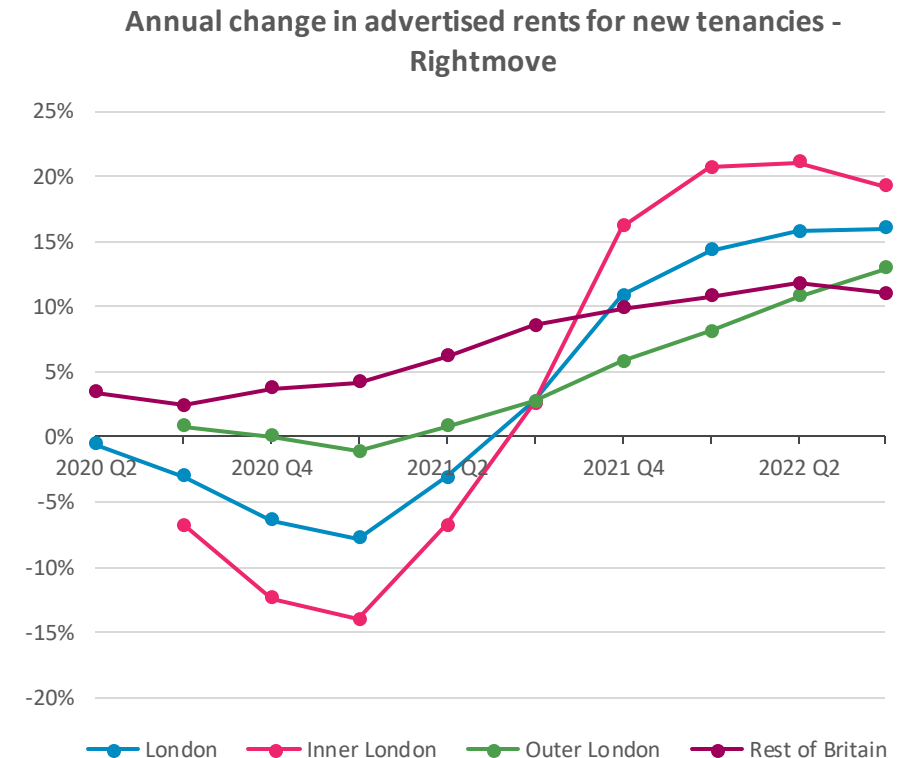
Note: The red dots represent the London region. The width of the bars demonstrate how much variability there is across regions. Some measures have smaller variation in regional averages - e.g. gone without essentials ranges from 50-67%, whereas in any arrears ranges from 26-54%. Source: Joseph Rowntree Foundation, [London, the North of England, and Scotland hit hardest by the crisis of spiralling prices](#), Oct 2022

Proportions of low-income households who are experiencing different types of hardship



Private rents are still growing fast – but the rate of growth may have peaked

- 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 the year to 2022 Q3, the same as in the previous quarter.
- Data from SpareRoom on the flatsharing market also indicates that we have passed a market peak, as measured by the number of ads from people looking for rooms compared to the number of 'room available' ads - but demand still far exceeds the available supply.
- Although cost of living pressures would be expected to reduce rental demand, this could be offset by increased demand from increased numbers of people unable to access home ownership due to higher interest rates.



Home-owning Londoners are more at risk from rising interest rates than those in other regions

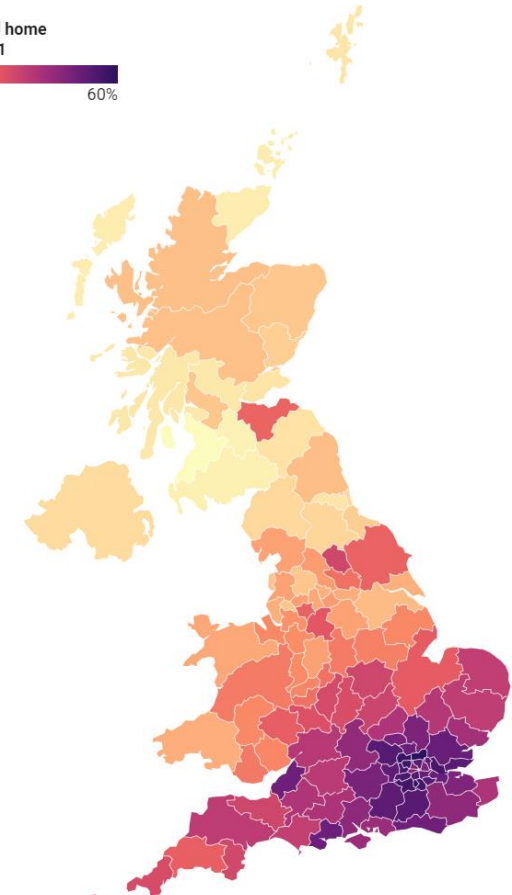
- Londoners are more at risk from rising rates because they are more likely to have large mortgages relative to their incomes (see map to right from [builtplace.com](https://www.builtplace.com)).
- The Resolution Foundation estimated in mid-October that households in London whose mortgage costs increase in the next couple of years (so excluding those on long-term fixed rates) would be paying an average of £8,000 a year more by the end of 2024.
- But interest rates have fallen slightly since then, and the Bank of England's statement on 3 November that the market is overstating future rate increases may soften them further.
- Interest rate rises and the wider economic slowdown mean house prices are still likely to fall somewhat in London - and Rightmove listings are already showing an increase in the number of asking price reductions.

High Loan-to-Income Lending (4+)

% of mortgaged home purchases, 2021



10% 60%



Source: FCA FOI data

Source: © Open Door Logistics • Created with [Datawrapper](https://datawrapper.de)



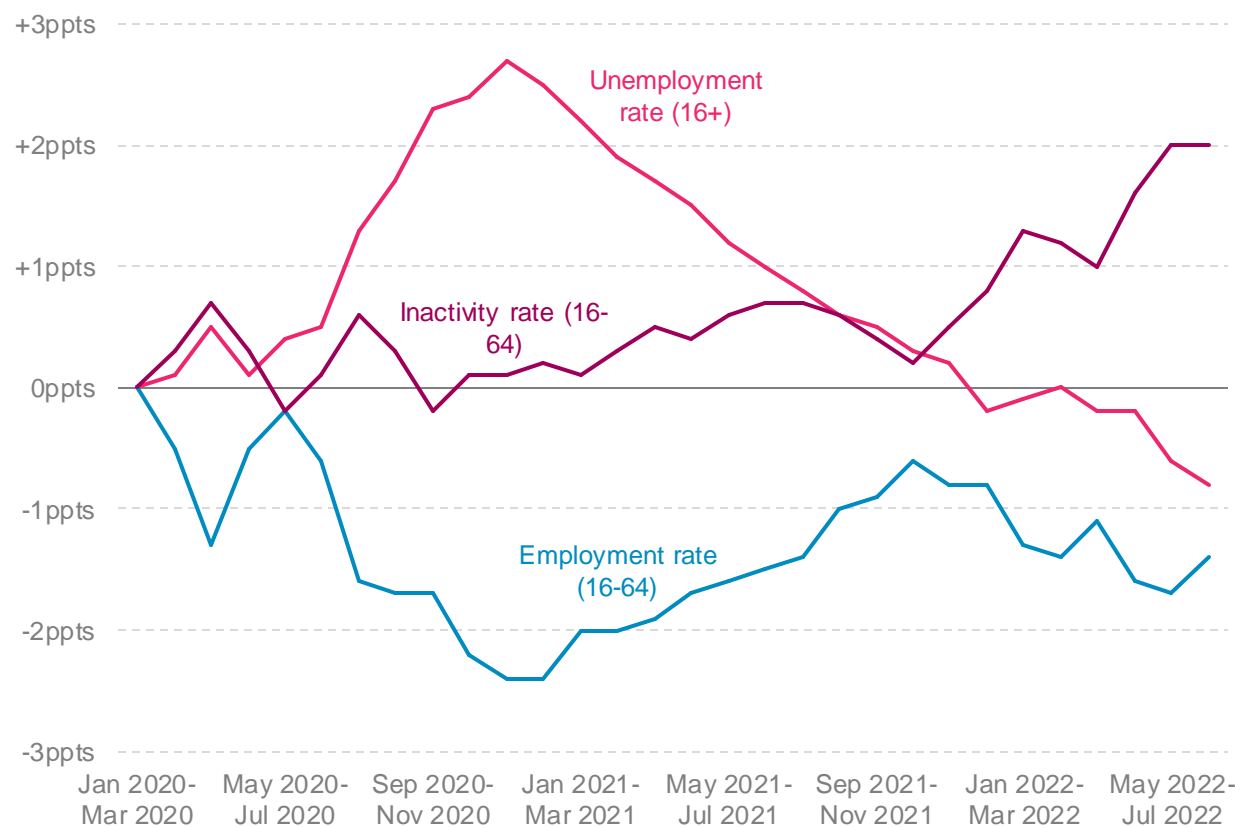
Economic activity, labour market and benefit claims

- There are some signs that labour demand is starting to soften: online job postings have fallen over the summer and the claimant count increased in September.
- But London's labour market remains tight, with unemployment falling to record lows.
- A shrinking labour force, not rising employment, has driven recent falls in unemployment, with rising economic inactivity reducing the supply of available workers in the capital.
- Despite relatively strong growth in cash terms, median pay growth is being eroded by high inflation – this is true for workers in most industries and areas of the capital
- Universal Credit claims show an increase in those who are not currently expected to work.

Unemployment is falling but 'economic inactivity' is rising

Change in labour market status since Jan-Mar 2020

London residents, latest data for period Jun-Aug 2022



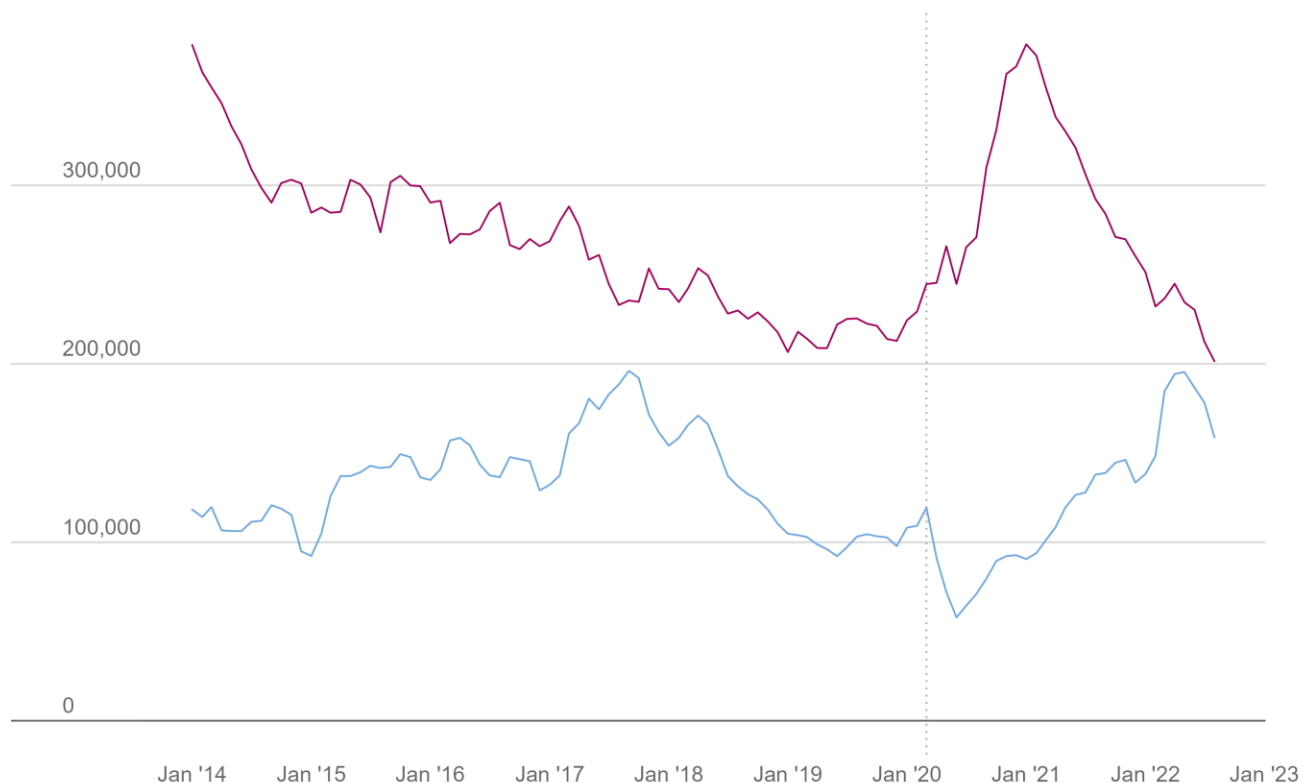
- London's unemployment rate fell to a record low in the latest quarter (4.0%, down from 7.5% at the end of 2020).
- At the same time, economic inactivity has continued to rise, reducing the supply of available workers.
- Key drivers of rising inactivity have been (early) retirement, rising student numbers, and long-term sickness.
- Over half (53%) of Londoners aged 50 to 64 who do not currently have a paid job say they would consider returning to work in the future – the highest rate for any UK region.*

Online job postings decreased over summer of 2022

Online job postings and unemployment levels, London

Data to August 2022, three-month moving average and unemployment level

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

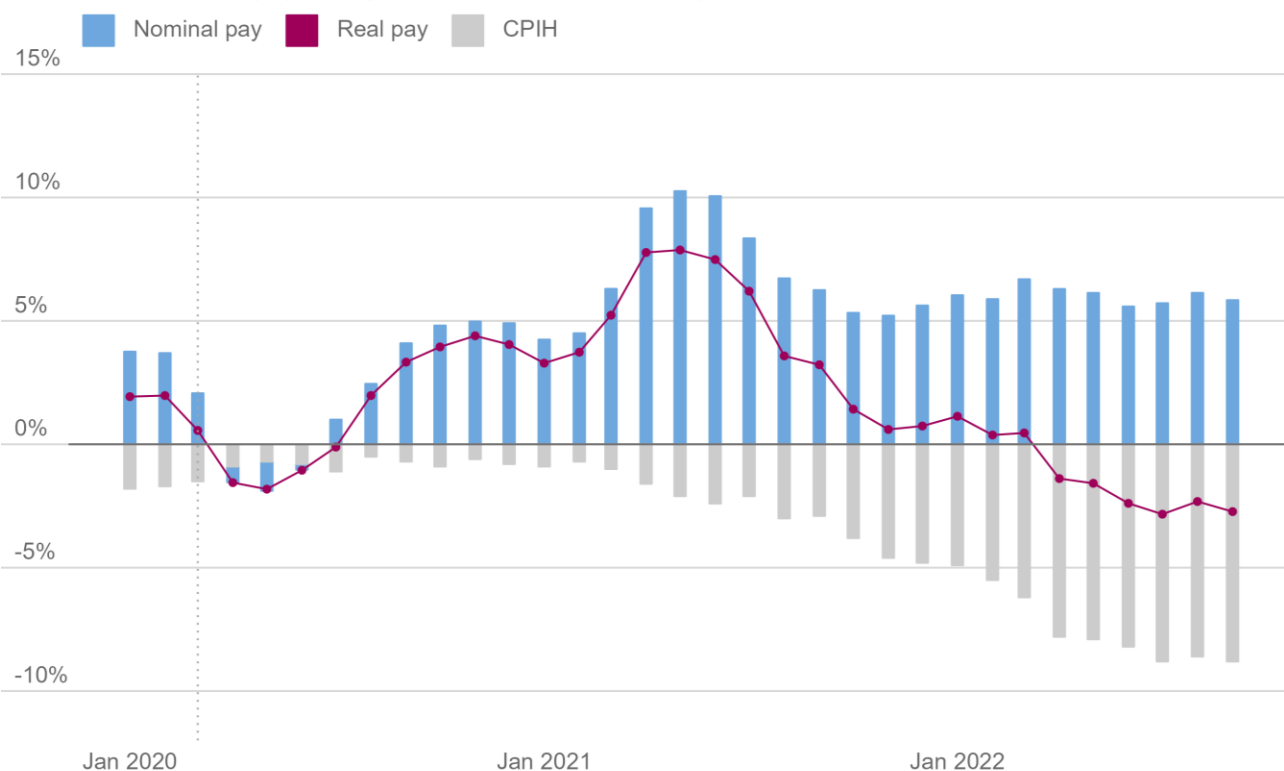


- Having peaked in March, the number of online postings for jobs in London has been falling over summer 2022 – a sign of falling labour demand.
- With unemployment at a record low, this could begin to ease concerns that the labour market is too tight for firms to find the workers they need.
- One measure of labour market tightness – the ratio of online postings to unemployed Londoners – has begun to ease, but remains elevated.

High inflation is eroding pay gains for those in work

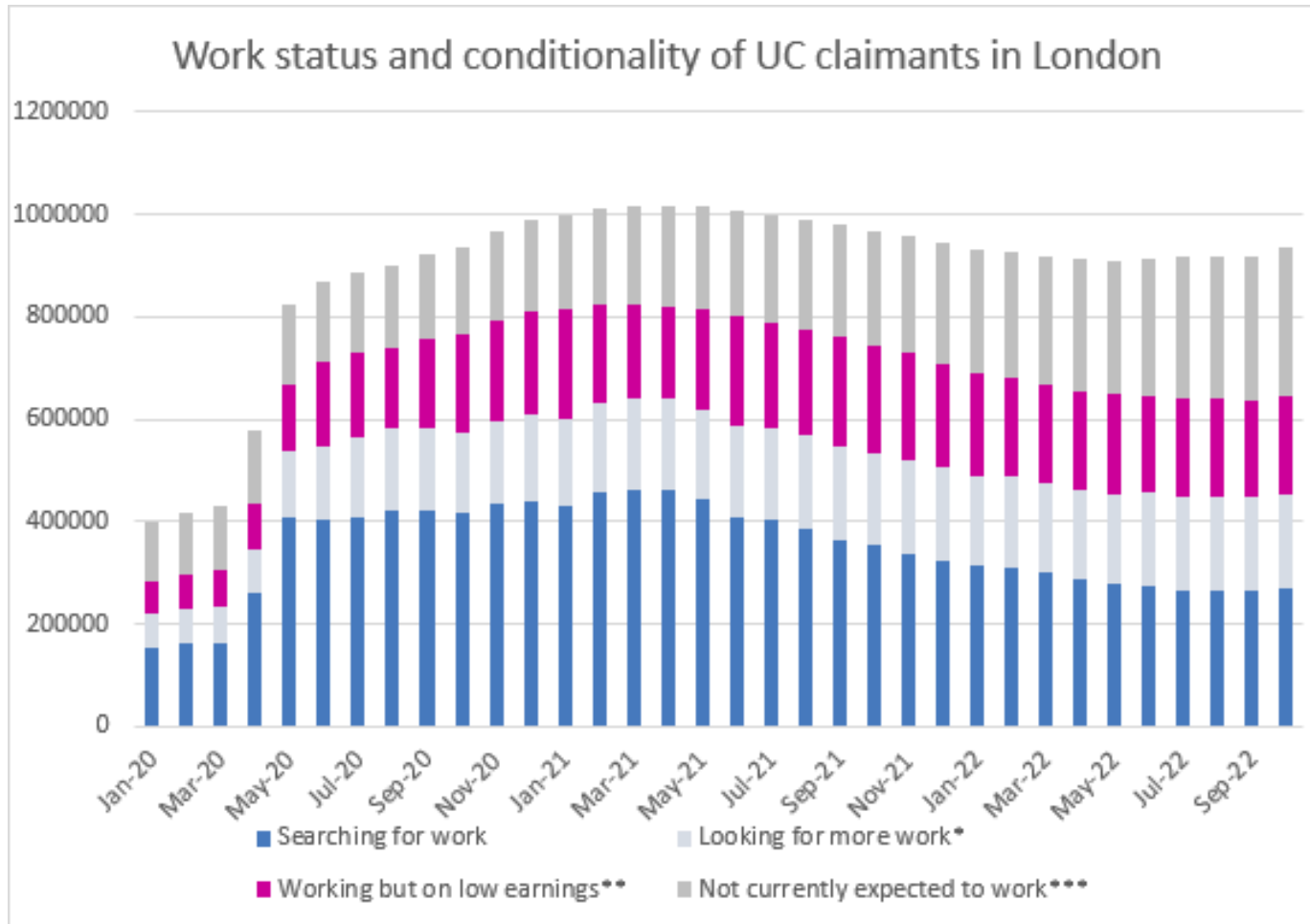
Decomposition of real median pay in London, % annual change

Effect from nominal pay change and CPIH inflation, to September 2022



- Median pay for payrolled employees living in London rose by 5.8% between September 2021 and 2022 – higher than the average rate pre-pandemic (2.8% from 2015-2019).
- Annual median pay growth ranged from 7.0% for employees living in ‘Inner London – West’ to 5.9% for ‘Inner London – East’.
- This means that the annual inflation rate outpaced average pay growth across London’s sub-regions in the year to September 2022.

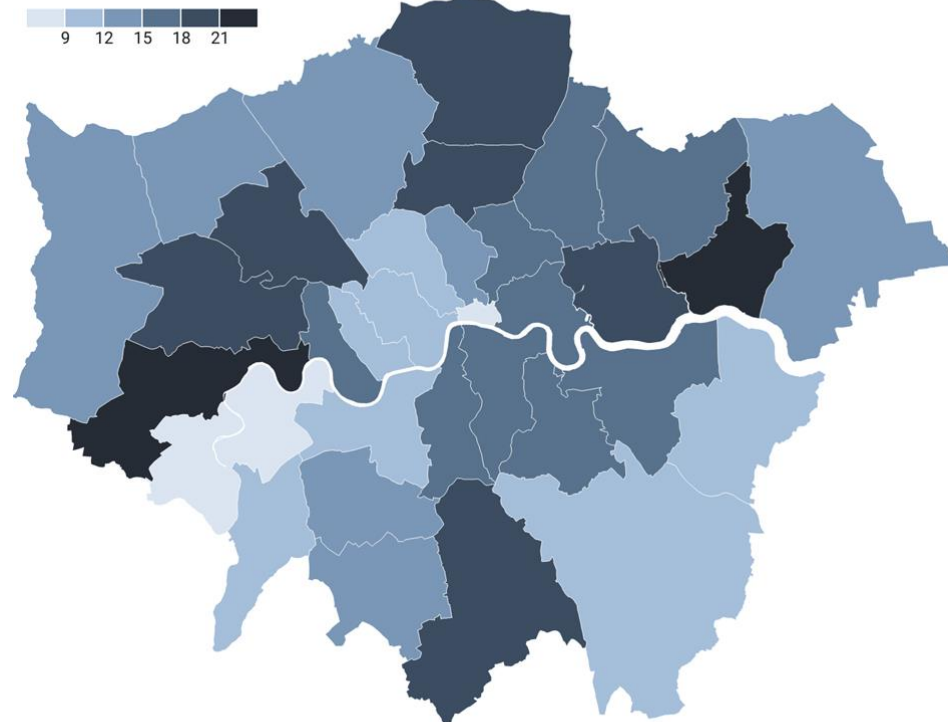
Universal credit claims are increasing among those who are not currently expected to work.



- Overall numbers of UC claimants in London are increasing, but almost all of the increase is among those not expected to work. There are no data yet available for recent months to see whether there is a corresponding decrease for legacy benefits.
- The numbers of claimants among the age groups under 35 have continued to fall since around March 2021, while the numbers in the age groups over 60 have been increasing since May 2020.
- While the number of claimants aged 20-24 has decreased, the decrease is only among those that are in work.

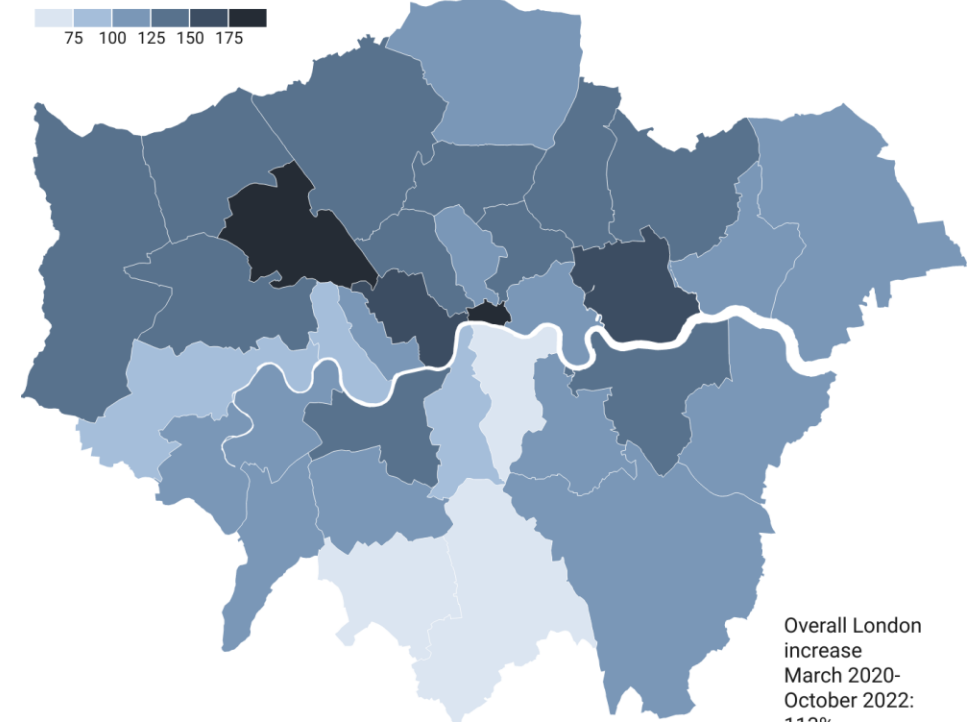
Barking and Dagenham and Hounslow have the highest rates of Universal Credit claims, but the largest increase since the pandemic started has been in Brent.

Universal Credit claimants as percentage of all aged 18-65, London boroughs, October 2022 (provisional)



Source: DWP benefit statistics and GLA population projections
Map data: © Crown copyright and database right 2018

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



Overall London increase
March 2020-
October 2022:
113%

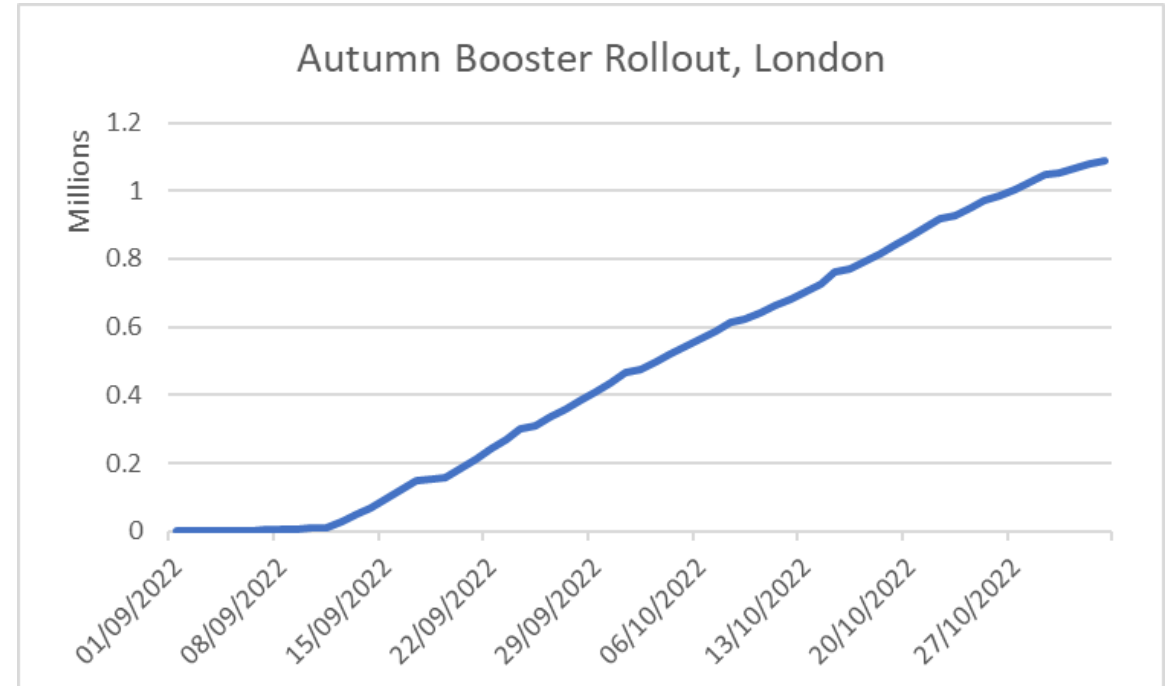
Source: DWP benefit statistics
Map data: © Crown copyright and database right 2018

Health and Wellbeing

- Fifty-three per cent of Londoners aged over 60 and 23% of those aged 50-59 have received an autumn booster jab, but rates are below the levels nationally. Around 1 in 40 Londoners are estimated to have Covid-19
- The number of people starting to sleep rough in London increased in the last year after falling during the pandemic
- Numbers of asylum seekers in London increase, and housing pressures remain high
- NHS waiting lists are increasing as fewer operations being completed due to staff and hospital bed shortages
- Rape and sexual offences are still higher than before the pandemic, but other recent increases in acquisitive crime appear to be seasonal.
- Education attainment in London continues to outperform England and Wales but long-term inequalities persist.

Fifty three per cent of Londoners aged 60+ and 23% of those aged 50-59 have received an autumn booster jab

- 804,551 (53%) Londoners aged 60 or over have received autumn boosters, compared with 68% for England.
- 285,666 (26%) of Londoners aged 50-59 have received a booster, compared with 31% for England.
- The latest ONS infection estimate for London is 221,800 (2.54%, around 1 in 40 Londoners), compared with around 1 in 10 in December 2021.
- 1,238 patients were in Hospital (16% of the peak value), 81 of which were on ventilator beds



Source: UK Government Covid-19 Dashboard
Latest data: 02/11/22

The number of people starting to sleep rough in London has grown again, after falling in the aftermath of the pandemic.

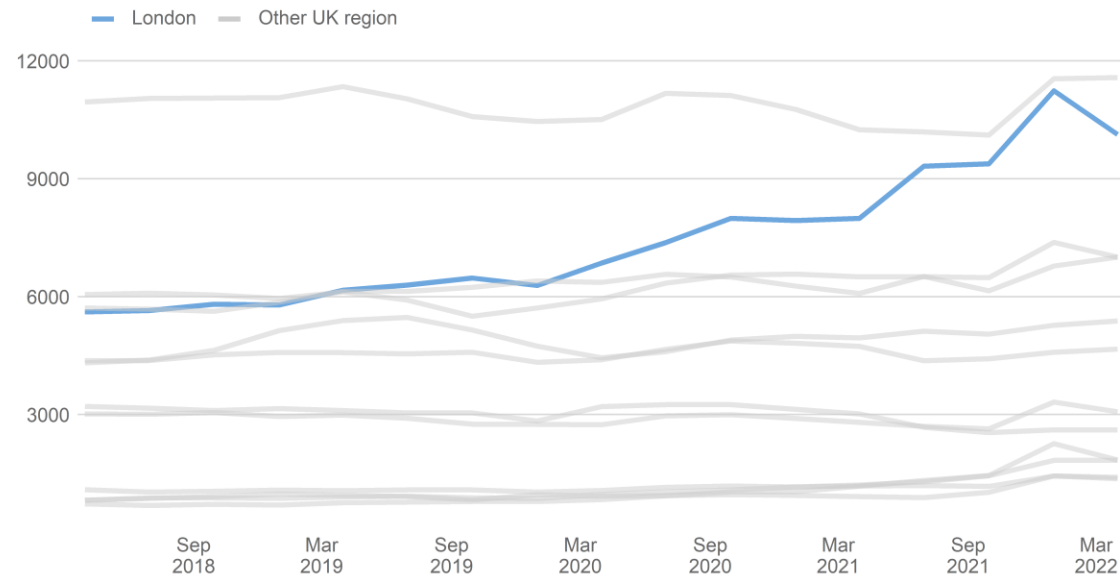
- According to data from the Combined Homelessness and Information Network (CHAIN) monitoring system, 1,844 people were recorded sleeping rough in London for the first time between July and September 2022.
- This figure represents an increase of 35% from the previous quarter and 28% from July-Sept 2021.
- 1,404 (76%) of those seen sleeping rough for the first time in July-Sept 2022 spent only one night on the streets. 396 spent a second night out without meeting for the criteria for living on the streets, while 44 went on to live on the streets.
- In total there were 481 people recorded as living on the streets, up 13% from July-Sept 2021.



Numbers of asylum seekers in London increase, and housing pressures remain high

- In contrast to other regions, the number of people seeking asylum in London greatly increased since 2018
- Distribution in London is uneven and official data (shown below) do not include those in hotels
- In February, the Home Office disclosed there were c.25,000 people seeking asylum and c.12,000 Afghan refugees in hotels - many of these were in London
- Providing dispersed accommodation is constrained by shortage of affordable and family-sized housing

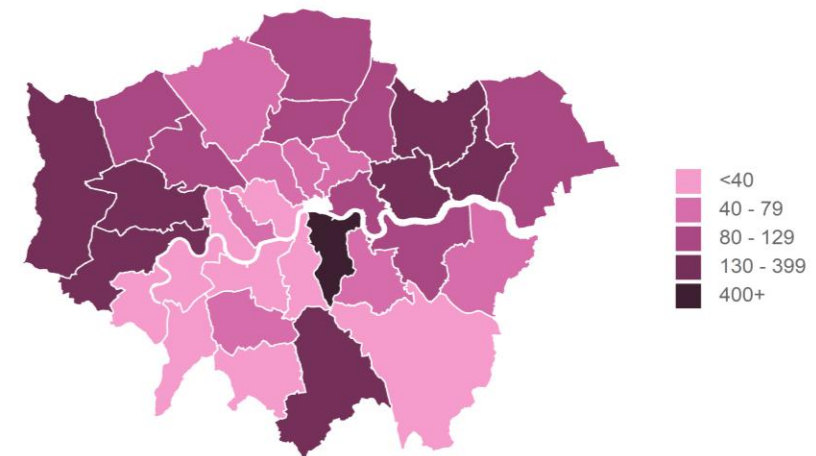
Number of asylum seekers in receipt of support by local authority



Source: Home Office. Chart: GLA demography

Number (adjusted for borough population) of asylum seekers in receipt of support by local authority, March 2022

Asylum seekers receiving support per 100,000 population



Source: Home Office. Chart: GLA demography

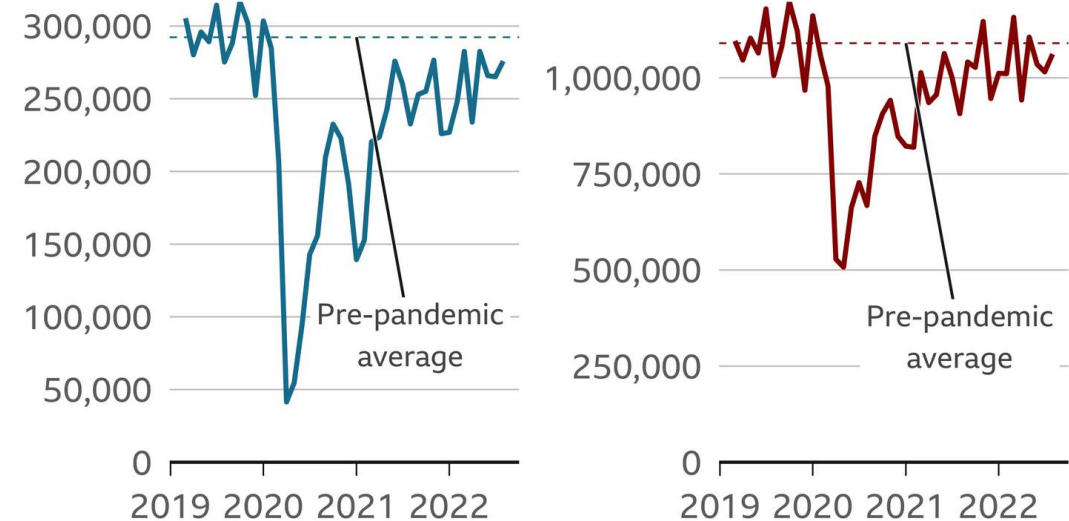
NB Numbers are misleadingly high in Southwark and Croydon. These boroughs include two permanent initial accommodation (hotels) for which residents are included in this dataset.

Waiting lists are increasing but fewer operations being done due to staff and hospital bed shortages

- There are 7 million people on NHS waiting lists for treatment nationally – of whom 1 million are patients registered in London
- Of these, 64% are waiting more than 18 weeks for treatment.
- Hospitals are seeing fewer patients than pre-Covid due to a lack of beds and staff.

Hospitals seeing fewer patients than pre-Covid

Number of **inpatient operations and treatments** and **clinics and minor procedures** per month in England. Charts on separate scales

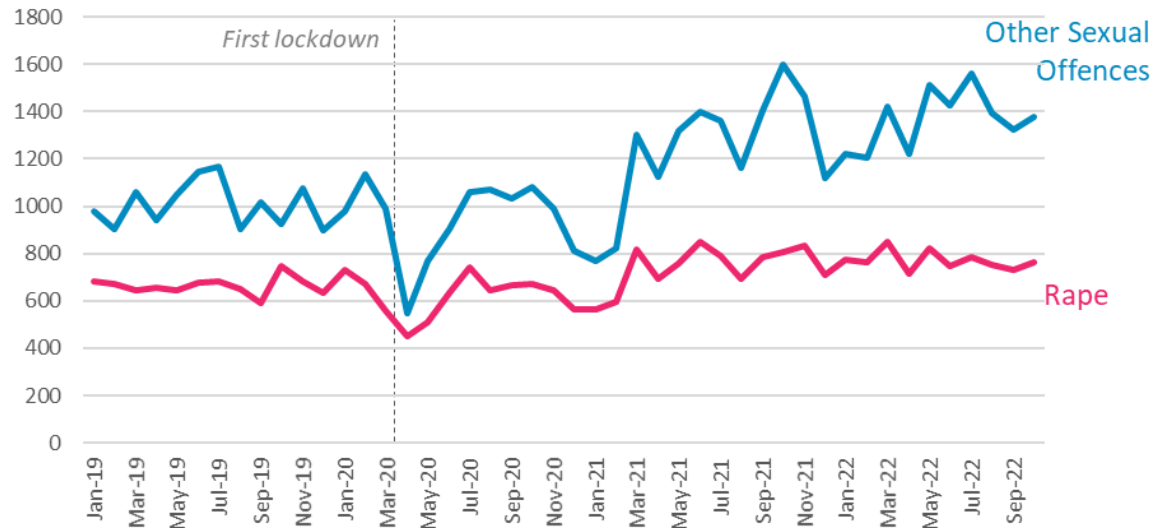


Source: NHS England

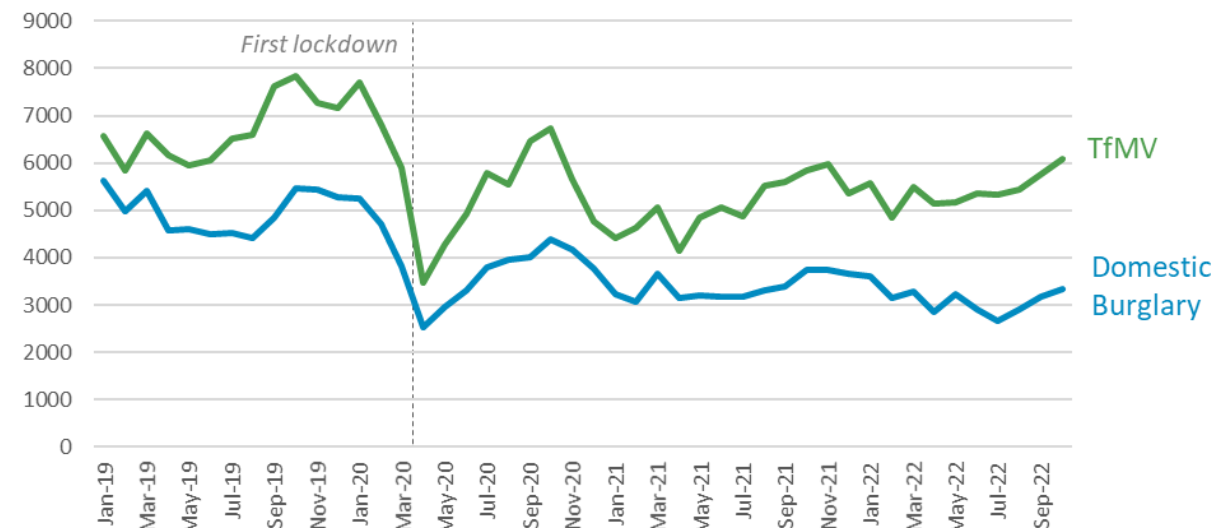
BBC

Sexual offences remain higher than pre-pandemic levels. Increases in some serious acquisitive crime types appear to be seasonal and not related to increased cost of living.

MPS Recorded Offences – Rape and Other Sexual Offences



MPS Recorded Offences – Domestic Burglary, and Theft from Motor Vehicle (TfMV)



Domestic Burglary and Theft from Motor Vehicle seasonally rise during summer months and peak during autumn, and this year has been no exception. There is further potential for the cost of living crisis to drive up a number of different crime types over the coming months, including serious acquisitive crime and sexual offences related to domestic abuse.



Latest Census data

- Office for National Statistics has started to release more Census 2021 data. This shows that the number of households increased by 5% over the decade since 2011 (half the increase of the number of dwellings)
- Average household size in London increased over the decade from 2.47 persons per household to 2.54 persons per household, the highest figure of any region. Newham has the highest average household size in England (3.02 people), and City of London the smallest (1.7 people)
- London has the lowest median age of any region (35 years) and Tower Hamlets is the local authority with the youngest population (30 years)
- 3.58 million Londoners (41%) were born outside the UK. The top 3 non-UK countries of birth for London residents were India, Romania and Poland.
- Households in England and Wales were classified by four selected household characteristics chosen to indicate different aspects of household deprivation - employment, education, health and disability and housing. Barking and Dagenham showed 62% of households deprived on at least one measure, along with Sandwell the highest rate of any local authority in England and Wales. Newham (61%) and Brent (60%) were next highest in London.