



Summary of recent evidence affecting London

Presentation for the London Partnership Board

GLA City Intelligence Unit

October 2023



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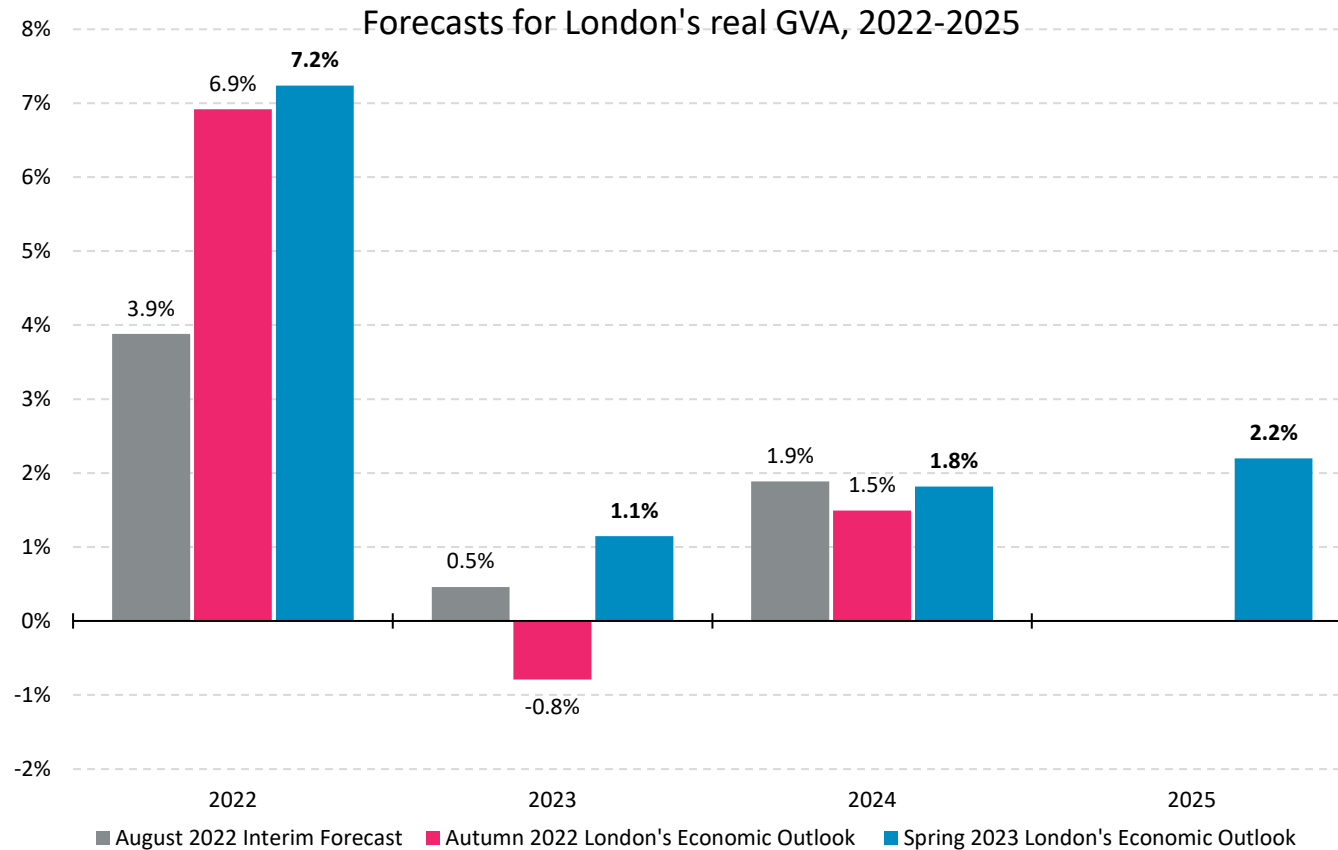
Summary

- The most up-to-date data provides a mixed picture of London: a resilient economy that is affected by unequal social and economic outcomes.
- Concerns about an economic slowdown have risen recently. Inflation rates, while dropping, remain high, and this is having a big impact on housing and 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 poor real growth in employee pay.
- But the proportion of Londoners who say they are struggling financially or just about managing exceeded 50% in September 2023. Seventeen per cent of Londoners said they struggle whenever they shop for essentials.
- Private rents are still growing fast, although the rate of growth has stabilised. But private landlord claims for possession (eviction) continue to exceed pre-pandemic levels.
- An increase in the claimant count and a lower level of online job postings suggest that the labour market, while still tight, 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.



Macroeconomic outlook

Forecasts for London's economy have improved but the outlook remains relatively fragile

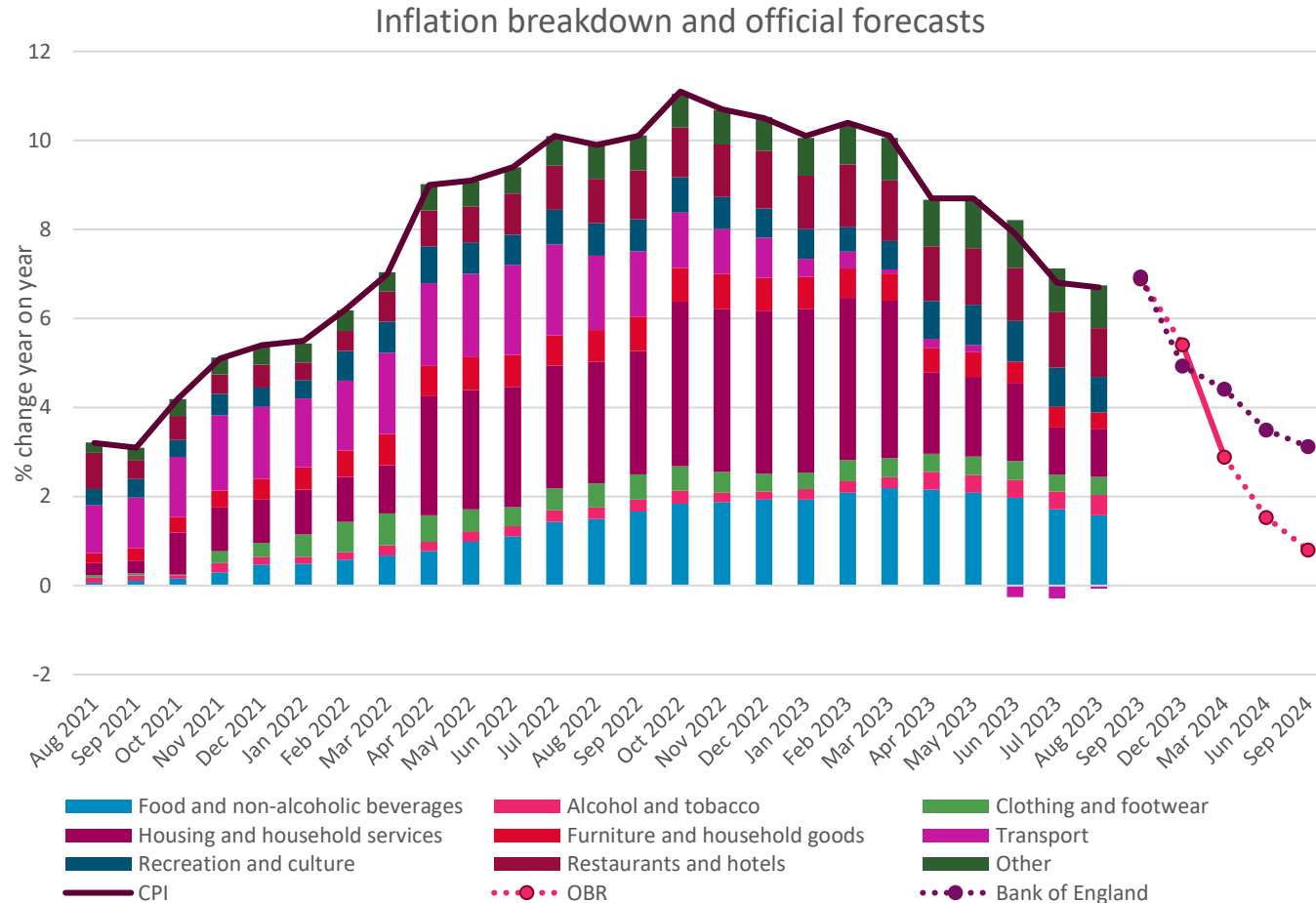


- After growing strongly in 2022 London's economy is expected to slow down in the coming years.
- Despite the slower growth, the forecasts for London's economy have improved compared to what was expected at the end of last year.
- London's economy is now expected to grow by 1.1% in 2023 and 1.8% in 2024 and 2.2% in 2025.
- Meanwhile, the OBR forecasted in March that GDP growth for the UK would be -0.2% in 2023 and 1.8% in 2024.

Source: GLA Economics - [London's Economic Outlook – June 2023](#)

Note: The Spring London's Economic Outlook 2023 figure for 2022 is actually a nowcast rather than a forecast as the ONS has not released 2022 data yet. It will be updated once that number is released.

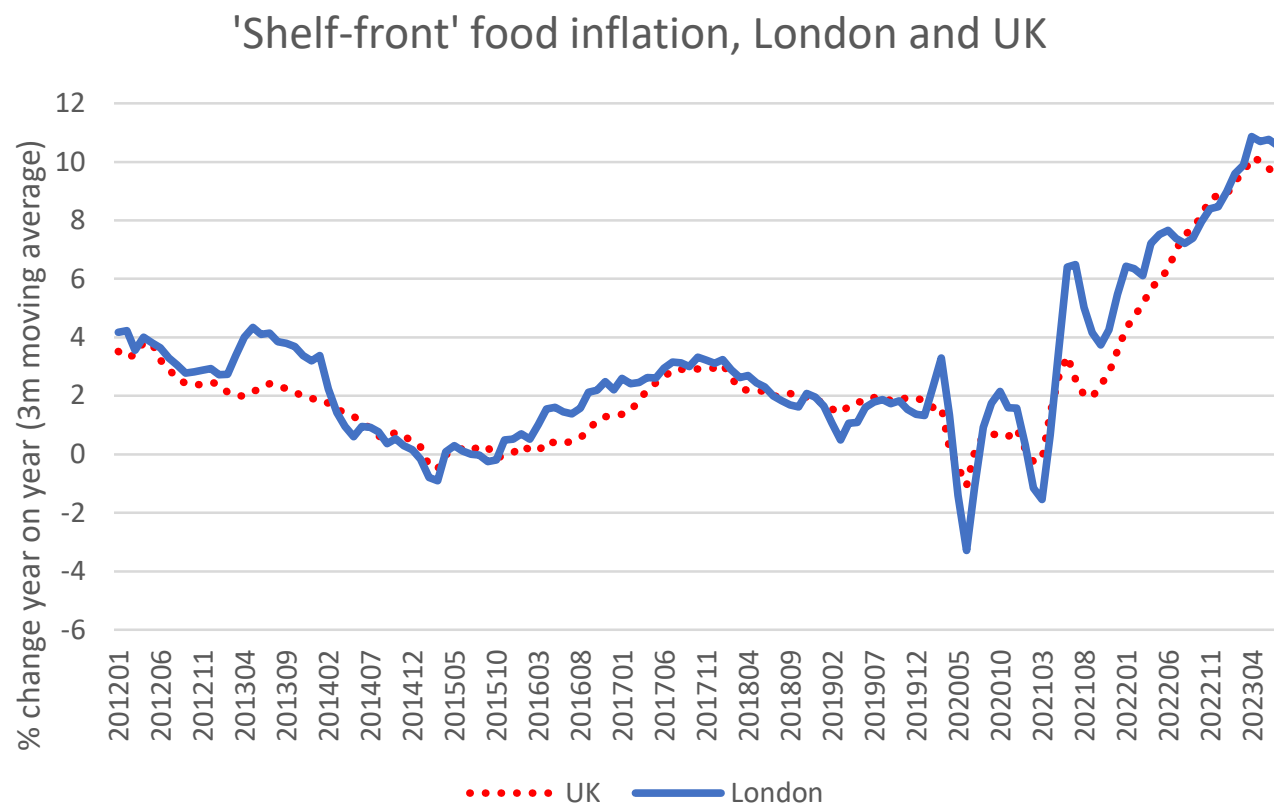
Inflation has peaked, but is still higher than it was pre-2022



Source: Bank of England, Office for Budget Responsibility

- CPI inflation fell to 6.7% in August, its lowest since February 2022, and was lower than economists and forecasters had expected.
- Energy inflation is down from its high levels a year ago, though this could potentially increase following the recent rise in oil prices.
- Food inflation continued to drop in August, but at 13.6% year-on-year, this is still high compared to levels in recent years.
- The OBR forecasts that inflation will drop below 2% in 2024, while the Bank of England foresees a rate of under 4%.

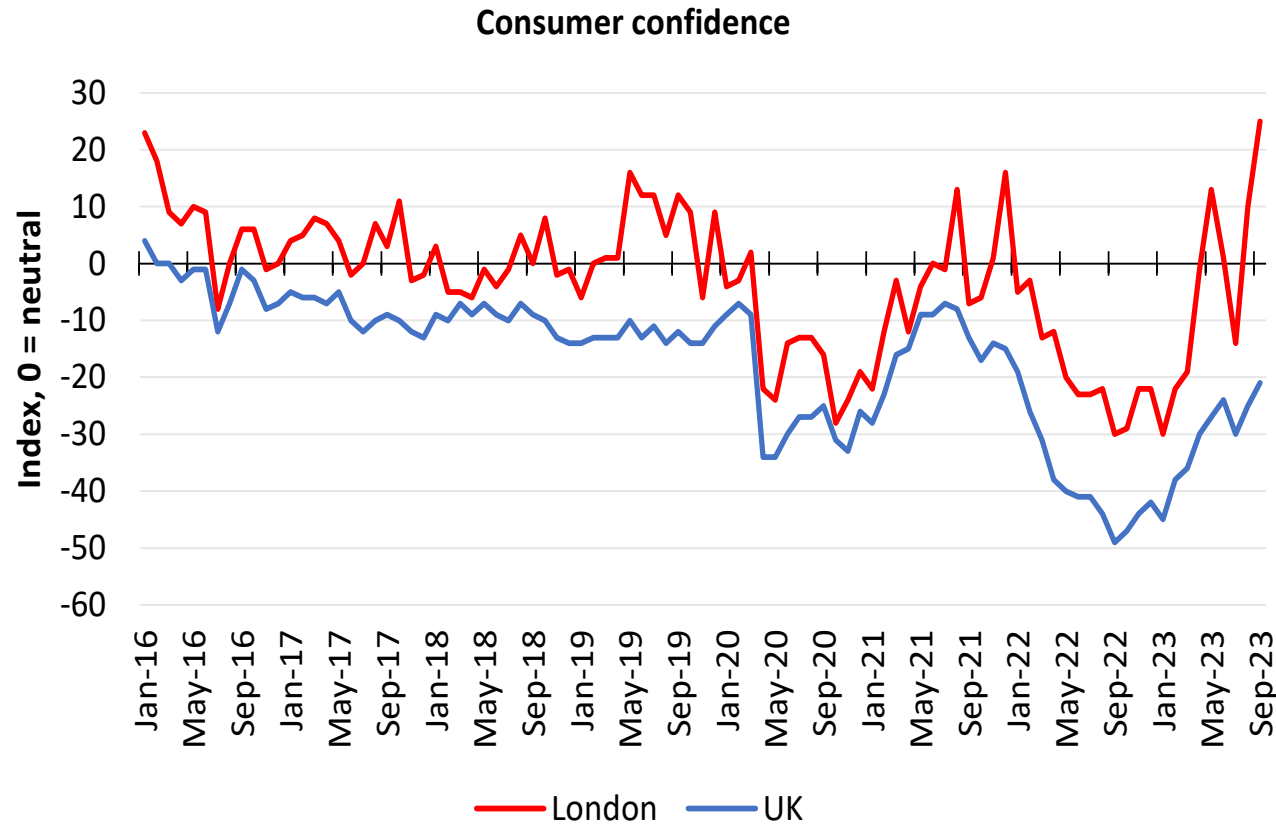
Food inflation took off faster in London, and is yet to peak



- 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 over 61% higher in July 2023 London than in March 2021, while on average across the UK, the same product is up around 37% in price.

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

However, London's consumers are relatively optimistic.

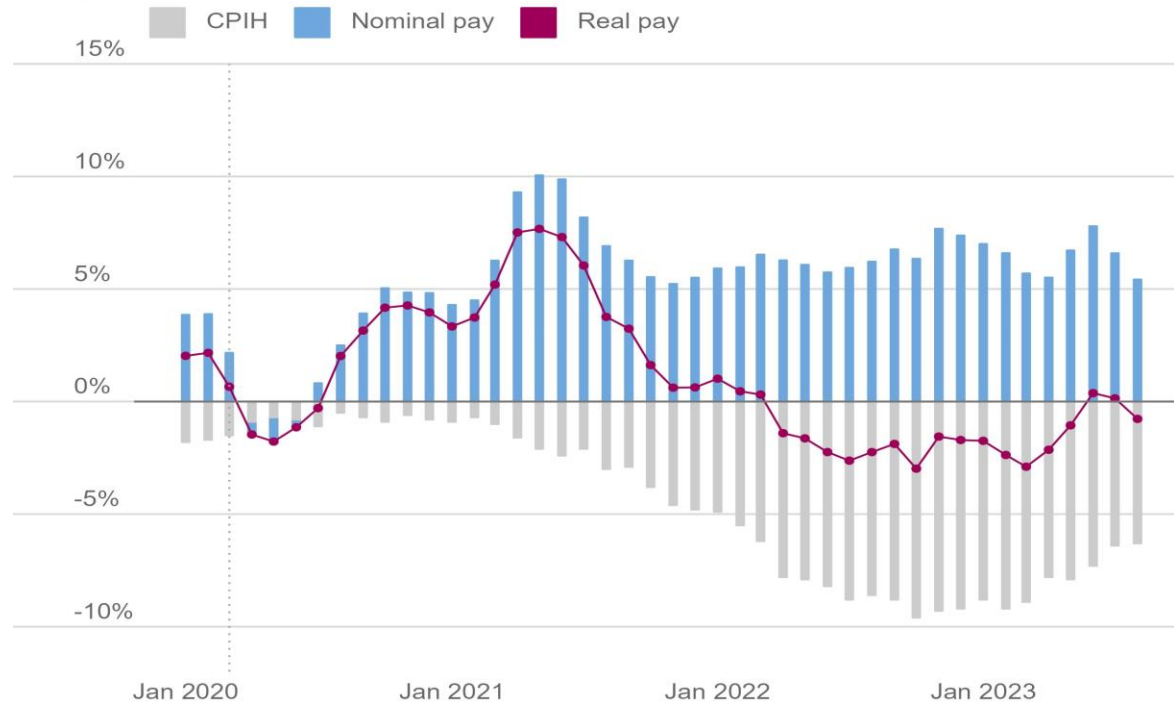


- In spite of the cost of living crisis and interest rate hikes, the UK economy looks likely to avoid a recession, though activity has been flat across late 2022 and the first half of 2023.
- London's economy should outperform the UK average. Its pandemic recovery has been stronger, average incomes are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

This is in spite of 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 August 2023



Source: HM Revenue and Customs – Pay As You Earn Real Time Information, ONS.

Note: March 2020 indicated by dotted line.

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). Only pay data is available for the most recent month as inflation data is released later.

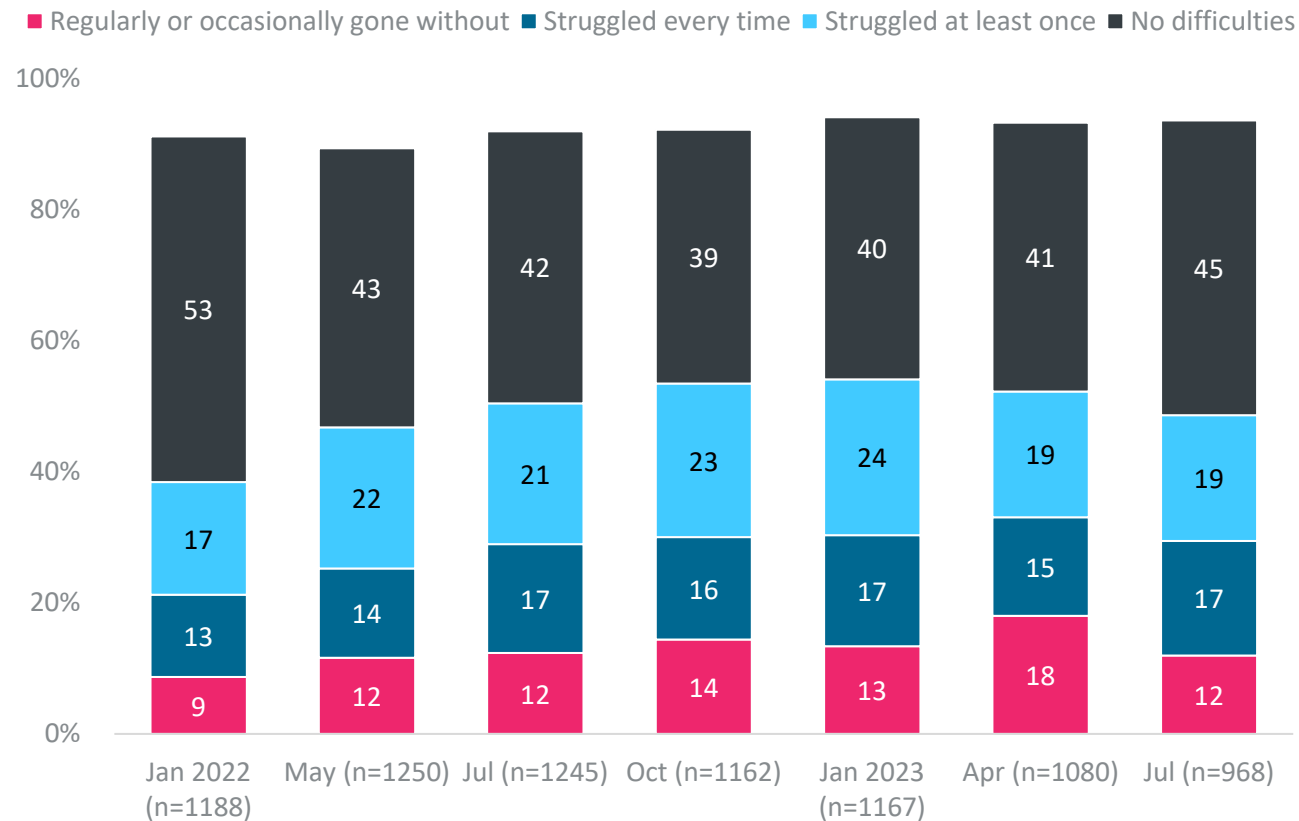
- In real terms, annual growth in employee real pay is negative according to the latest HMRC data.
- Despite a slowdown, the rate of inflation has continued to largely outpace growth in median pay for payrolled employees living in London (which rose by over 5% in the year to August 2023).



Cost of Living

... and nearly half of Londoners struggling regularly or occasionally with meeting their essential food and shopping needs.

Ability to meet essential food and shopping needs



- In July, 35% of Londoners ‘struggling financially’ said they regularly or occasionally went without food and essentials or relied on outside support in the last six months and 46% said they struggled every time they shopped to meet their needs.
- Around half of social renters (54%) have regularly, or occasionally gone without food and essentials or struggled every time they shopped for these things, as have those with a gross household income of less than £20,000 (51%).

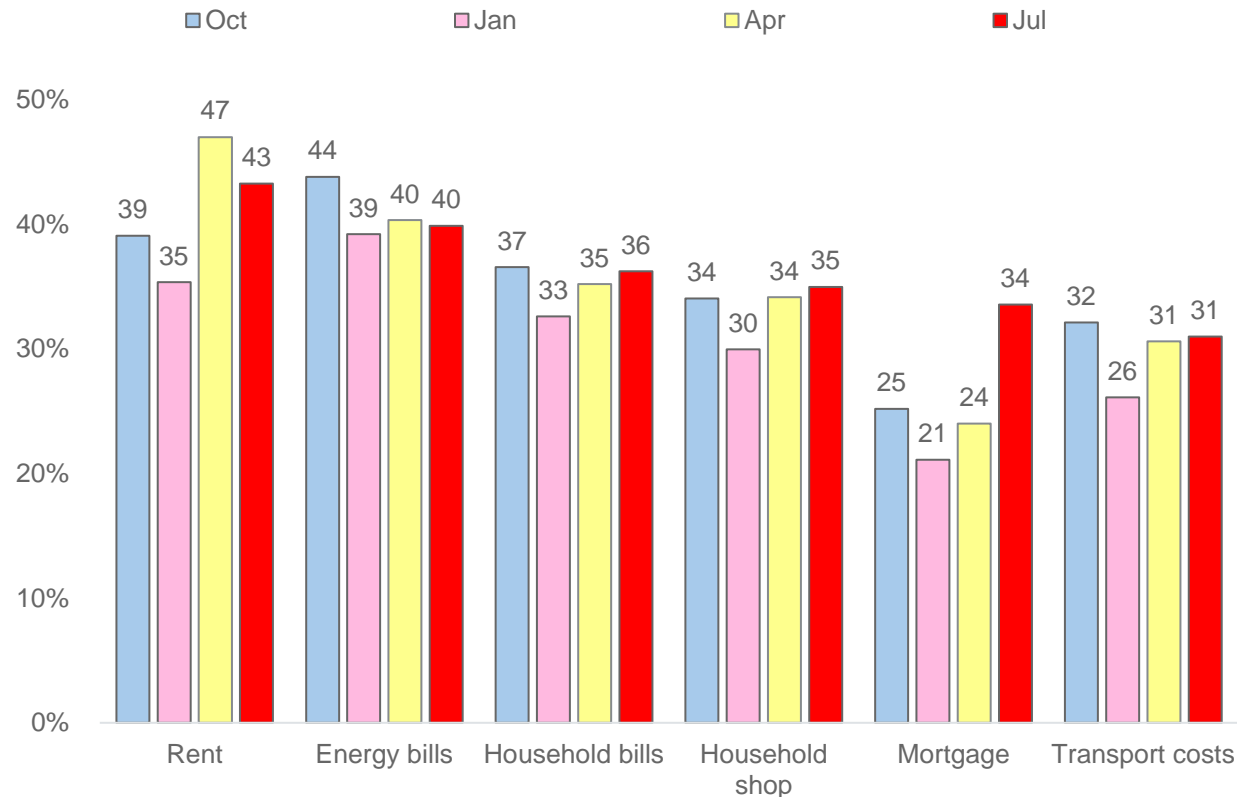
Note: Response options were amended in April 2023 which could be the cause for an increase in those regularly or occasionally going without. For full response options see appendix

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

Meanwhile, 43% of Londoners said they would struggle to afford their rent in the next six months, and 40% of them would struggle to meet their energy payments.

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



- Mortgage payments showed the biggest increase in concern about meeting payments between April and July, a 10pp increase, to 34% of mortgage holders saying they thought they would struggle to meet their mortgage payments in the next six months.
- 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 14% say they have struggled every time.
- Renters also think they will struggle with energy bills (54%), their household shop (49%), other household bills (49%) and transport costs (41%).

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

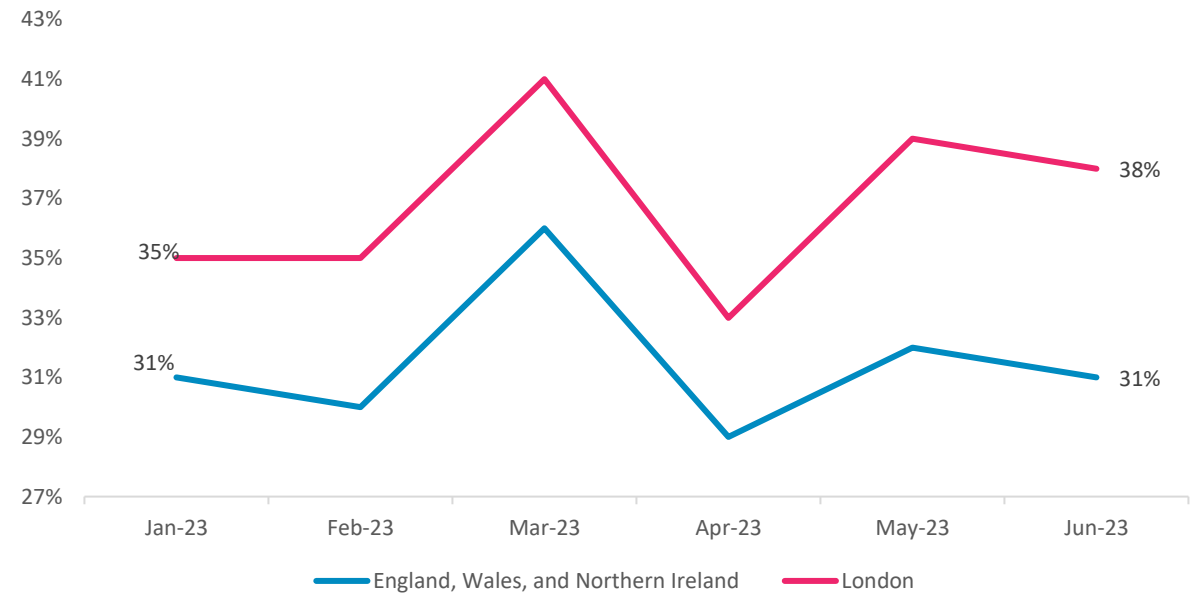
Source: GLA YouGov poll Jul 2023, n=968, 21st to 27th July 2023

National data shows Londoners continue to be affected to a greater extent on two measures of food insecurity than adults in England, Wales and Northern Ireland.

Proportion of adults worried their households will not be able to afford food next month



Proportion of adults worried there will not be enough food available for them to buy next month

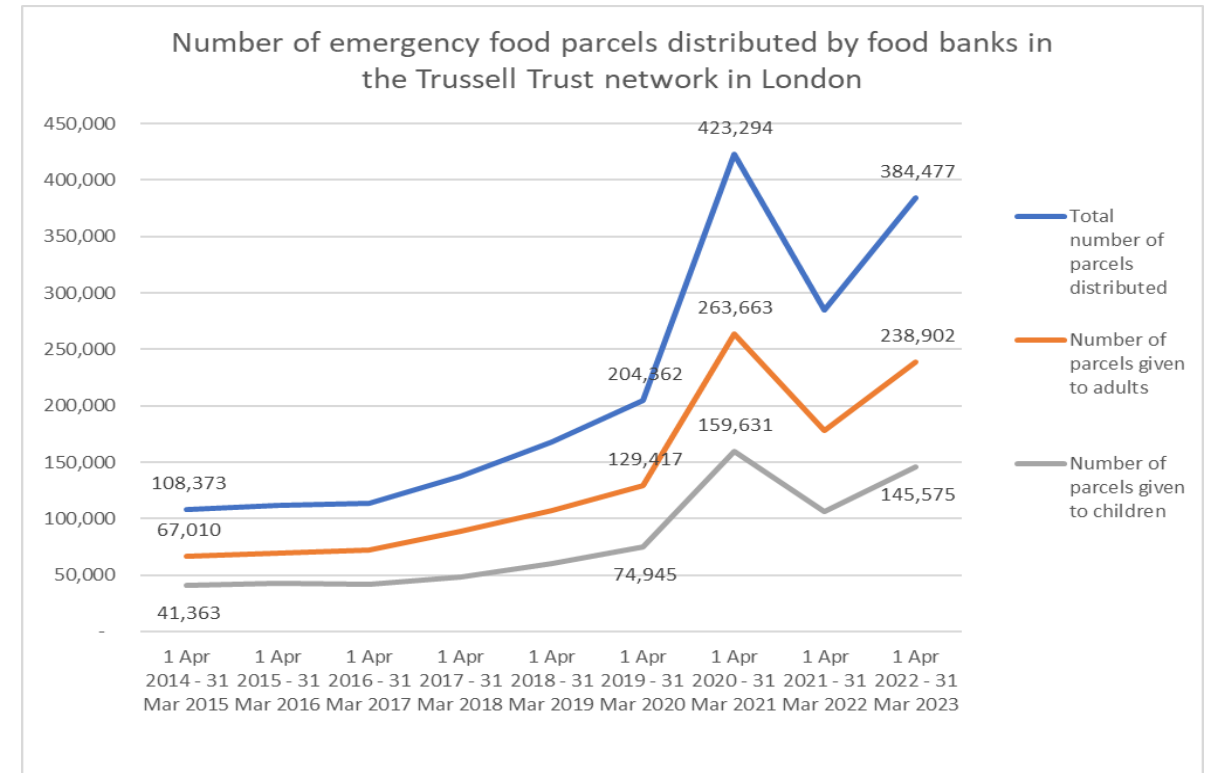


Base: All adults aged 16-75 in England, Wales and Northern Ireland

Source: Food Standards Agency. (2023). Consumer Insights tracking survey Waves 1-23.

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](#)

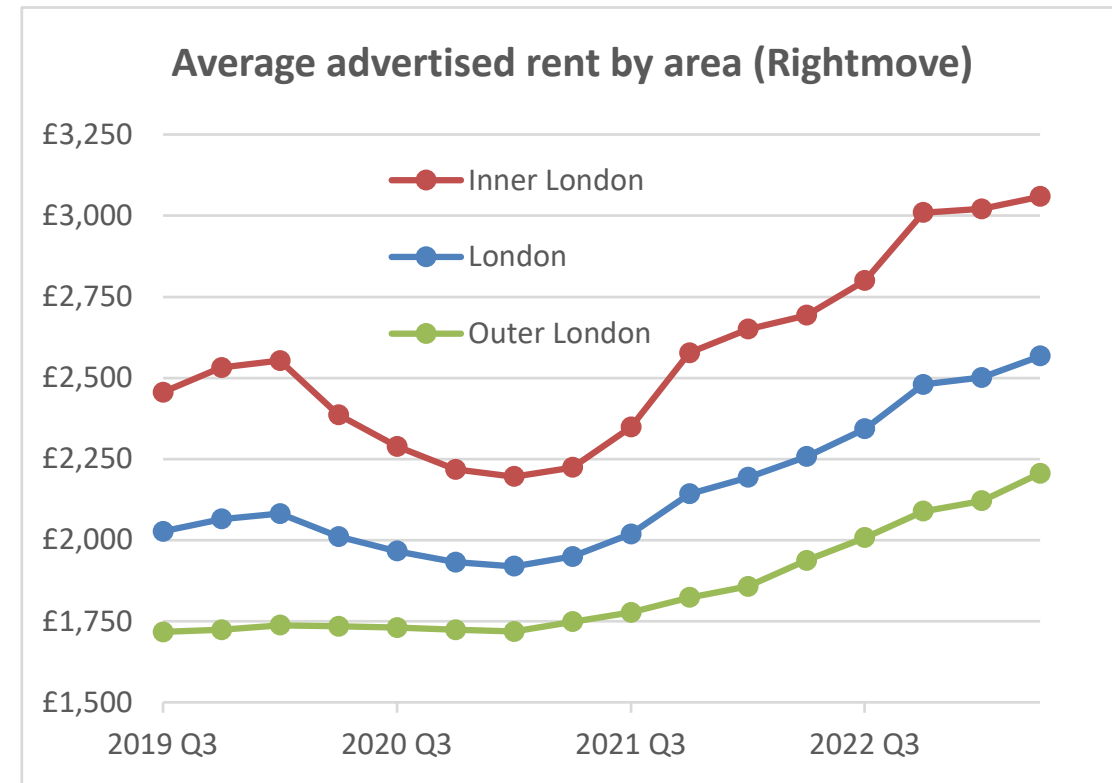
Note: Trussell Trust figures cannot be used to fully explain the scale of food bank use across London because their figures relate to food banks in their network and not to the hundreds of independent food aid providers and community-groups also providing support.



Housing

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

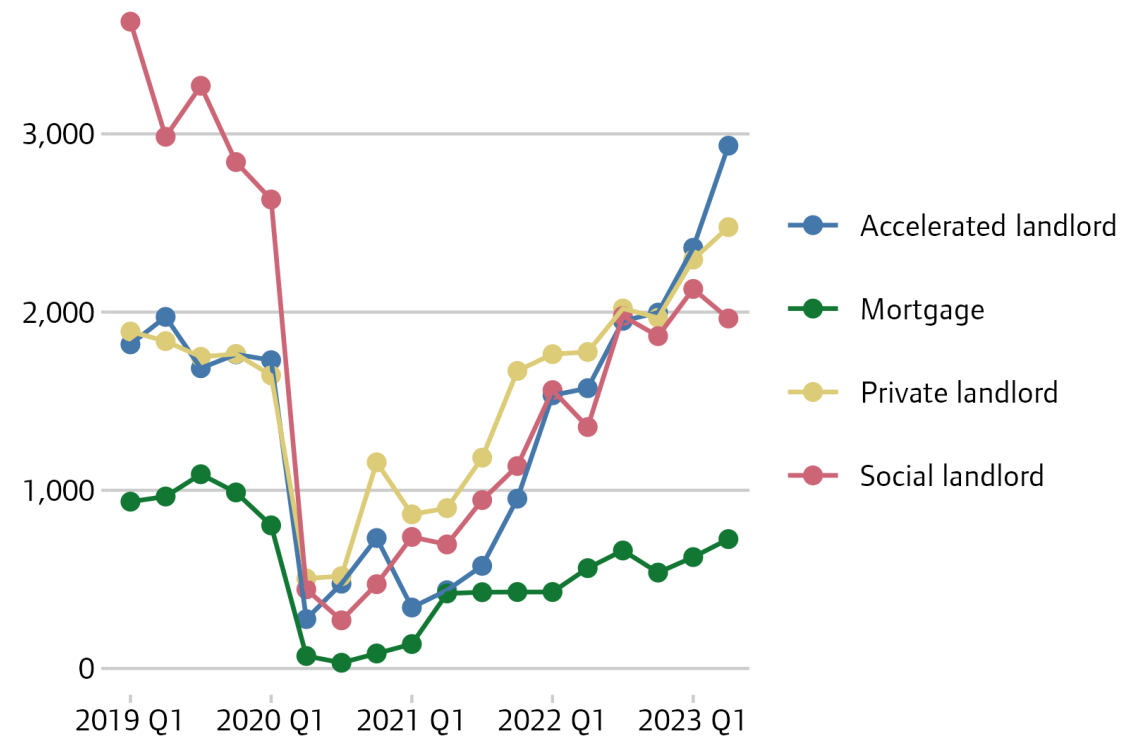
- Growth in average rents for new tenancies in London appears to have peaked for now. Rightmove reported that advertised rents in London increased 13.7% in the year to Q2 2023, slightly down from recent quarters. Advertised rents are now well above pre-pandemic levels across London (see chart).
- According to the latest ONS data, the average private rent for all tenants in London increased by 5.9% in the year to April, the fastest growth since data records began in 2006.



Private landlord claims for possession (eviction) continue to exceed 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.

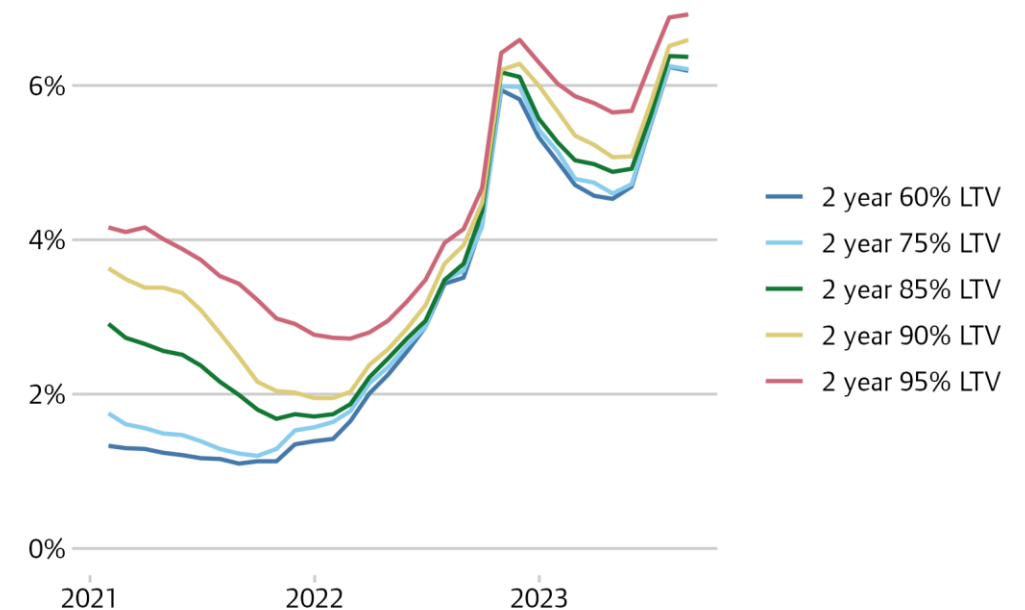
Quarterly mortgage and landlord possession claims in London, 2019 Q1 to 2023 Q2



Mortgage interest rates spiked again in late summer but are predicted to fall gradually as inflation fears ease.

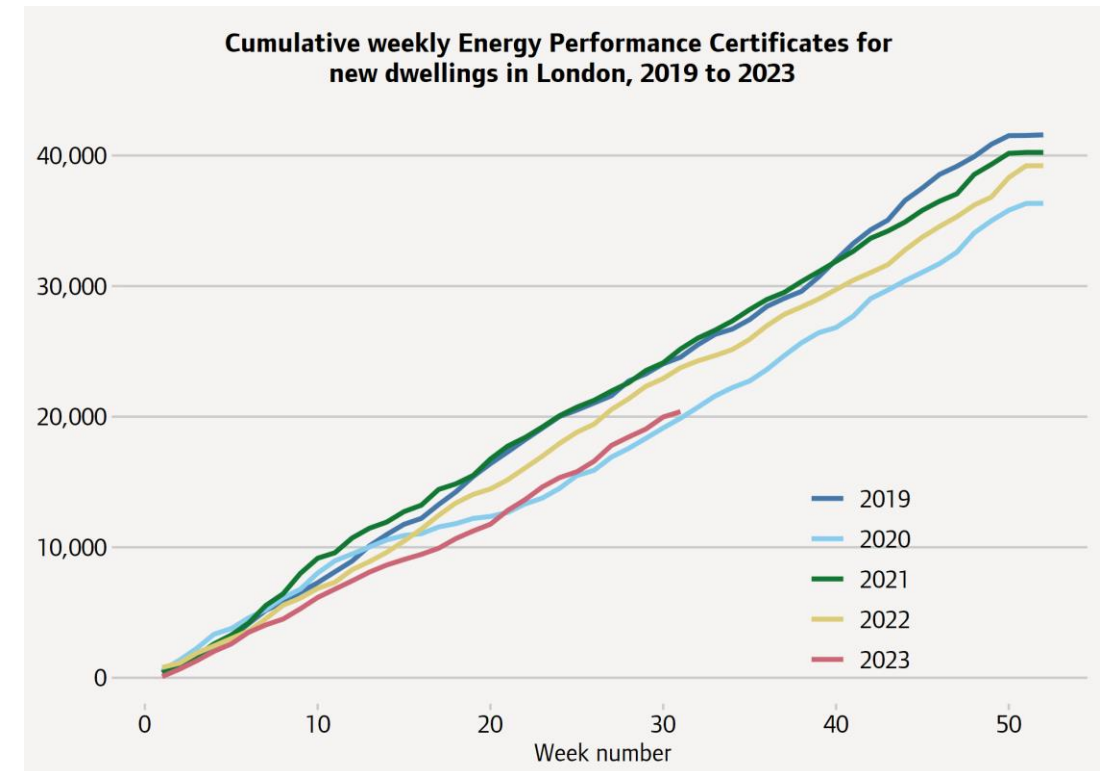
- Interest rates for new mortgages spiked again in late summer in response to higher than expected inflation figures, but are expected to fall gradually now that inflation appears to have peaked.
- However, rates for new mortgages could still remain well above the rates paid on most existing fixed-rate mortgages for some time, so growing numbers of households face paying higher rates as they exit fixed-term arrangements, remortgage or take out new loans.

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



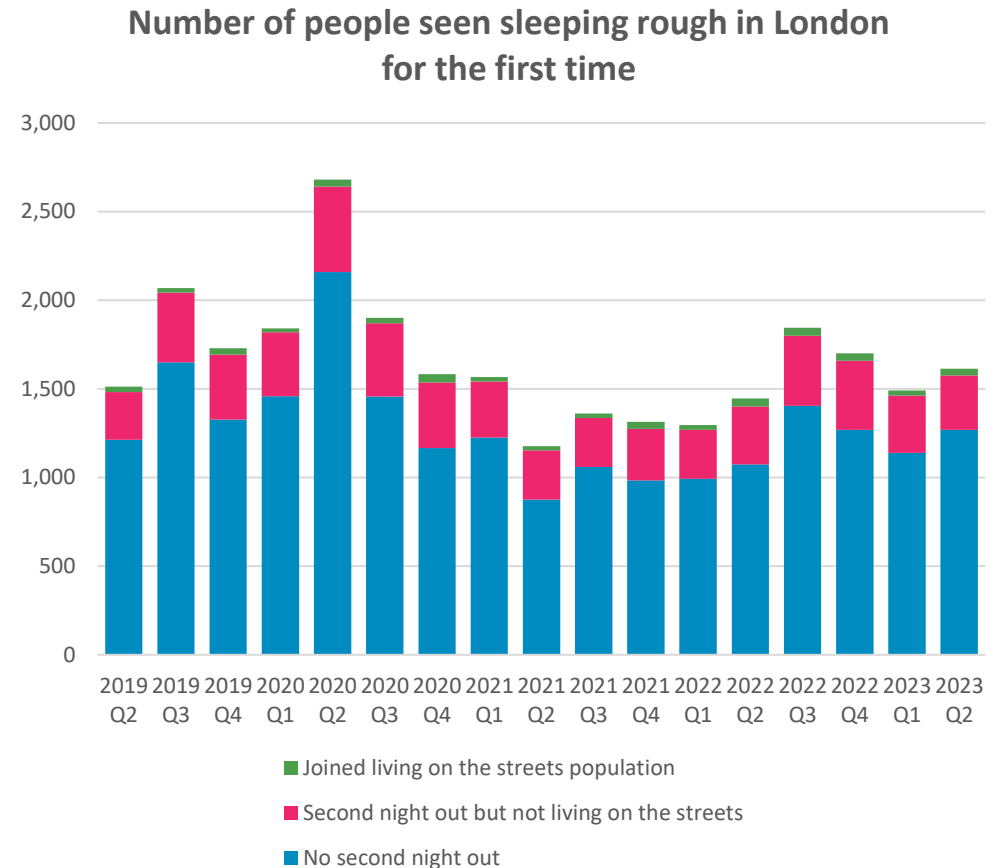
Housing supply has fallen compared to previous years due to falling demand and high construction costs.

- 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 rise in energy prices.
- Data from Energy Performance Certificates indicates that the number of new homes completed so far in 2023 is below that completed by this point in each of the last two years, but is still ahead of 2020 levels.



The number of people starting to sleep rough in London rose in the last quarter.

- According to data from the Combined Homelessness and Information Network (CHAIN) monitoring system, 1,614 people were recorded sleeping rough in London for the first time between April and June 2023.
- This figure represents an increase from the previous quarter and from the same quarter in 2022, but remains below the spike in rough sleeping seen early in the pandemic's onset.

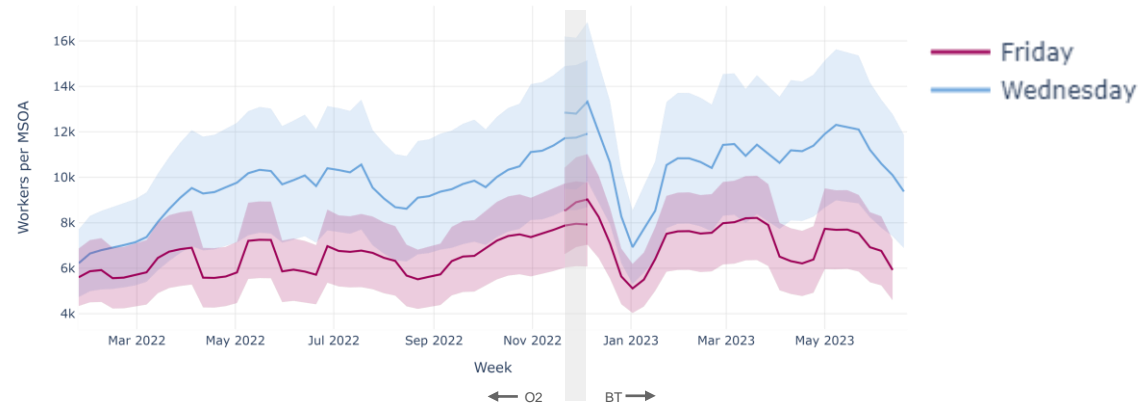




Footfall and spending

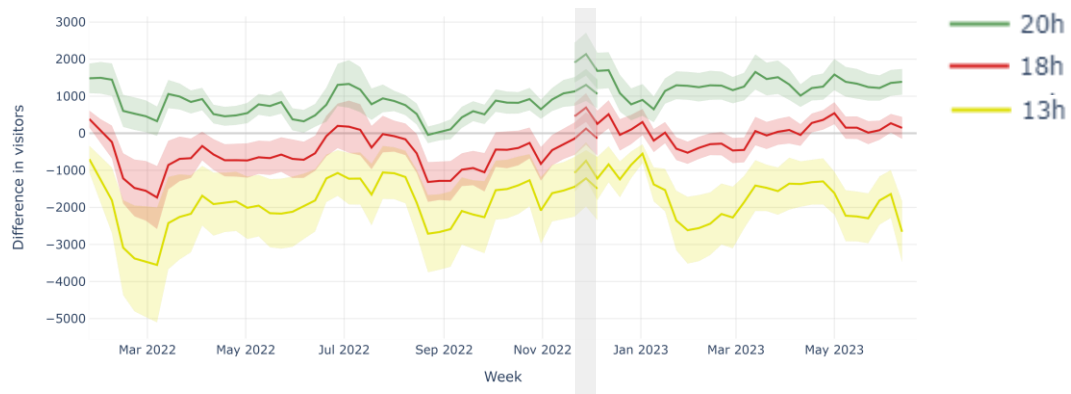
Post pandemic, there is a bigger difference between the number of workers in the CAZ on Wednesdays vs. Fridays. But visitor numbers are higher on Friday evenings.

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



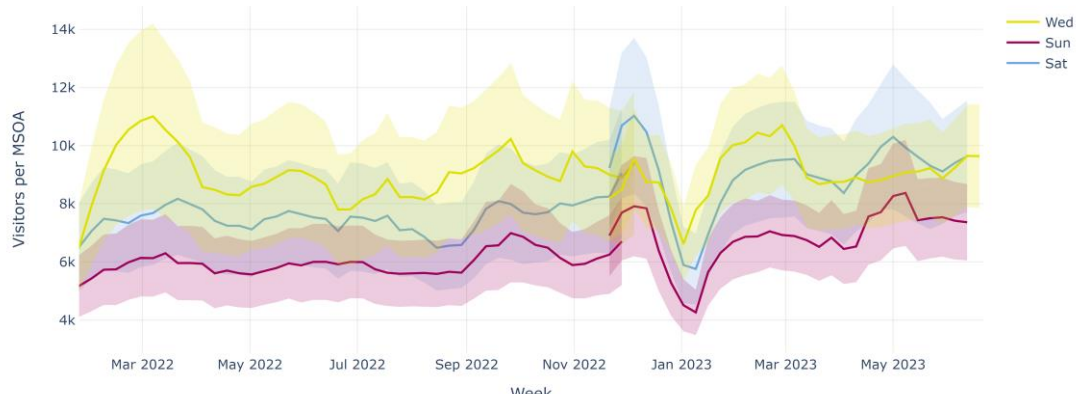
- Pre-pandemic, the number of CAZ workers on Fridays was 13% lower than on Wednesdays (Feb 2020), but is 34% lower as of May 2023.
- Daytime visitors to the CAZ are also lower on Fridays, however, evening visitor numbers are higher on Fridays.
- Outside the CAZ, the number of workers on Fridays was only 6% lower than Wednesdays for May 2023 (compared to 9% in Feb 2020).

Fri - Wed visitor difference (inside CAZ)

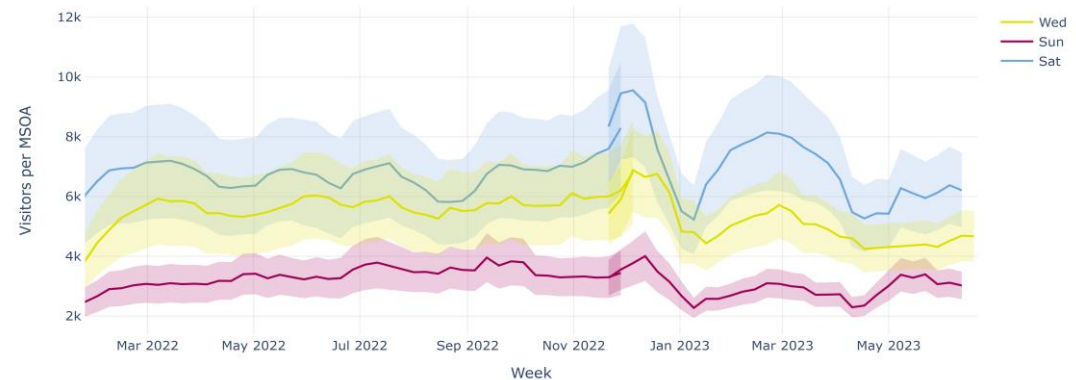


CAZ footfall trends during the weekend differ according to the day and time, with Saturday's visitor footfall consistently higher than Sunday's.

Mean visitor counts (inside CAZ), 1PM

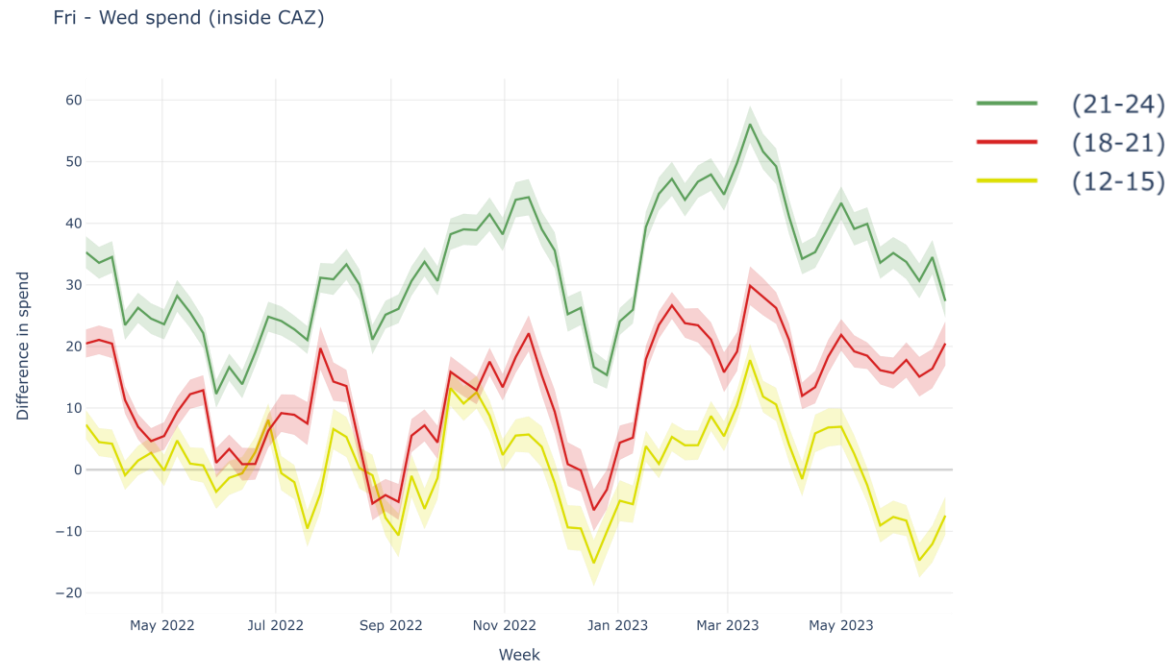


Mean visitor counts (inside CAZ), 8PM



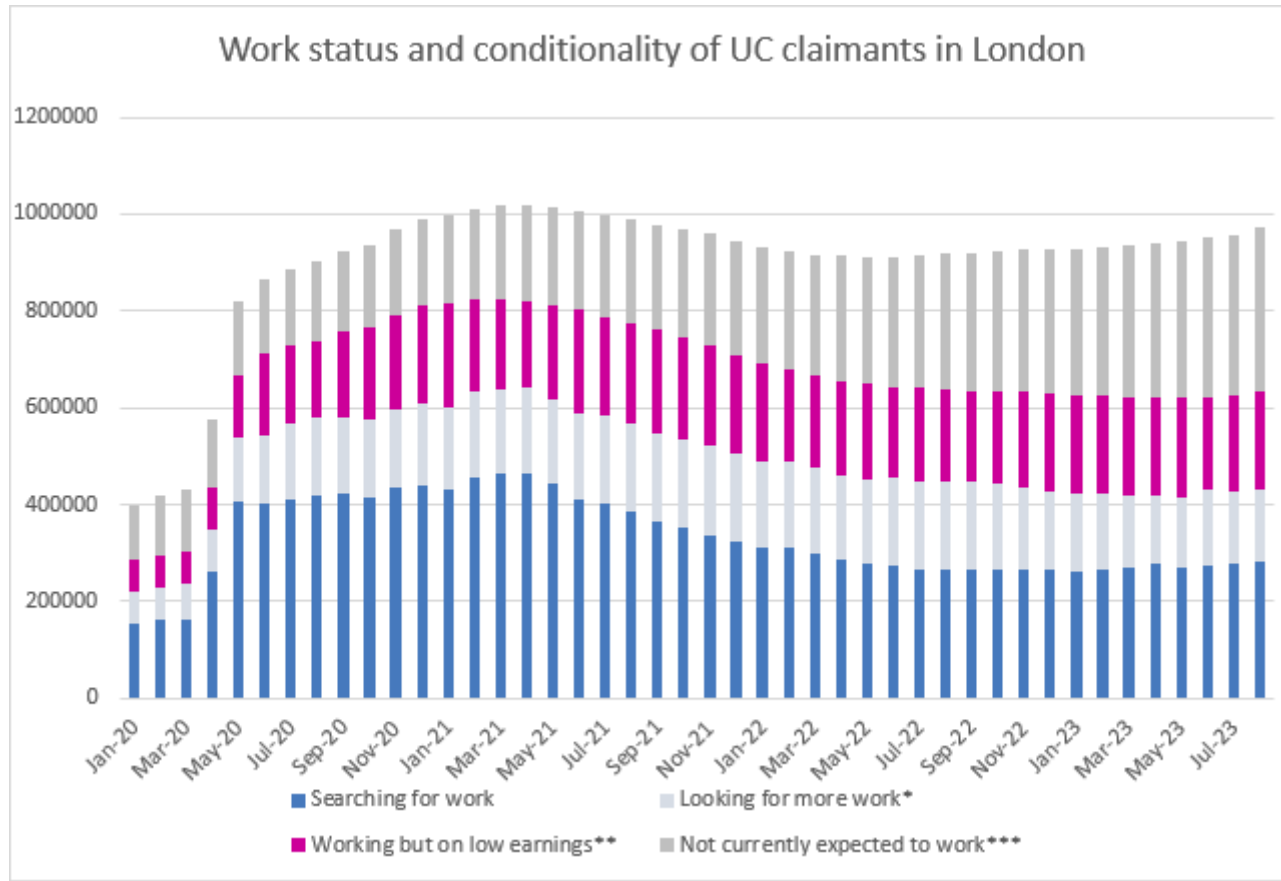
- Saturday's CAZ visitor footfall is consistently higher than Sunday's, with that difference considerably higher in the evenings (see bottom chart) than during the day (see upper chart).
- During the daytime, neither weekend day has the same level of visitor footfall as Wednesday's.
- During the evening, however, Saturday's CAZ visitor footfall continually outperforms Sunday's and Wednesday's.

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 not currently expected to work.



- Having fallen from mid-2021 to mid-2022, the number of Londoners claiming Universal Credit (UC) has continued to increase in accordance to the trend over the past six months.
- 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

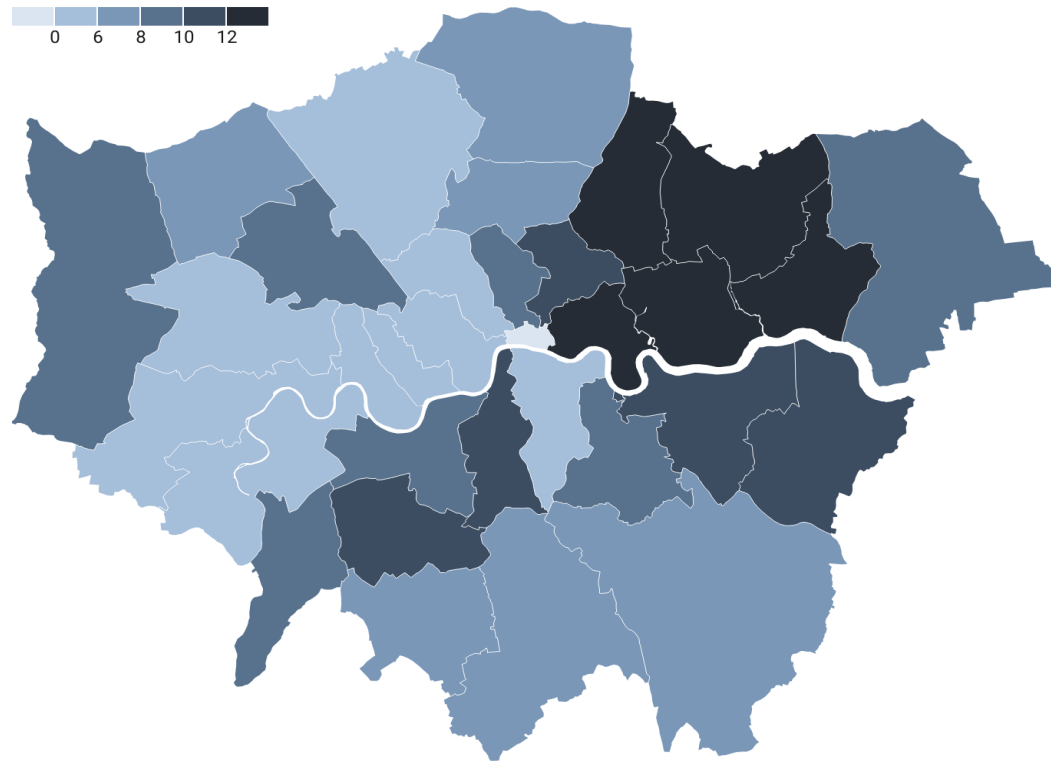
Notes: * Looking for more work means in work but could earn more or partner has low earnings

** 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 increase in UC claimants searching for work is greatest in north-east London.

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

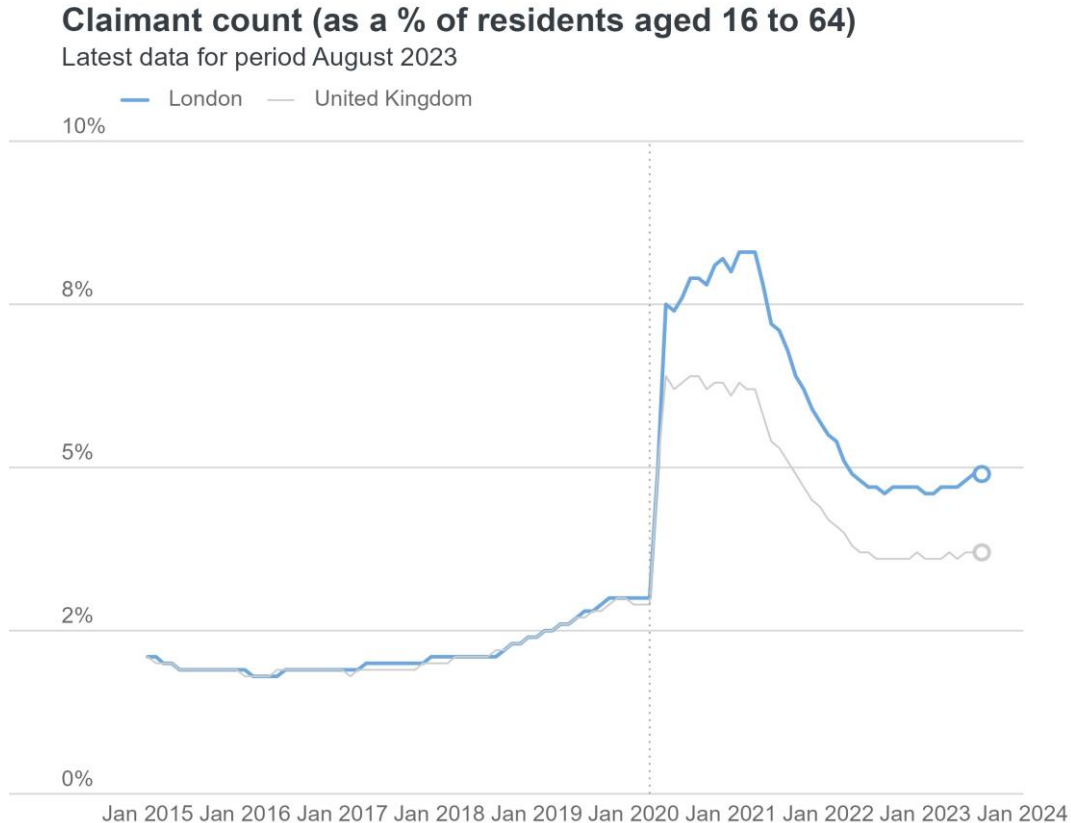


- The increase in UC claimants searching for work between January and August was over 13% in Waltham Forest and Redbridge, and over 10% in neighbouring boroughs of Newham, Barking & Dagenham and Havering.
- Barking and Dagenham (14%), Waltham Forest (13%) and Redbridge (13.5%) saw the largest percentage increase in UC claimants searching for work.

Source: DWP benefit statistics

Map data: © Crown copyright and database right 2018 · Created with Datawrapper

This is reflected in an increase in the Claimant Count amidst a rise in unemployment.



Source: ONS Claimant Count by sex and age (seasonally adjusted).

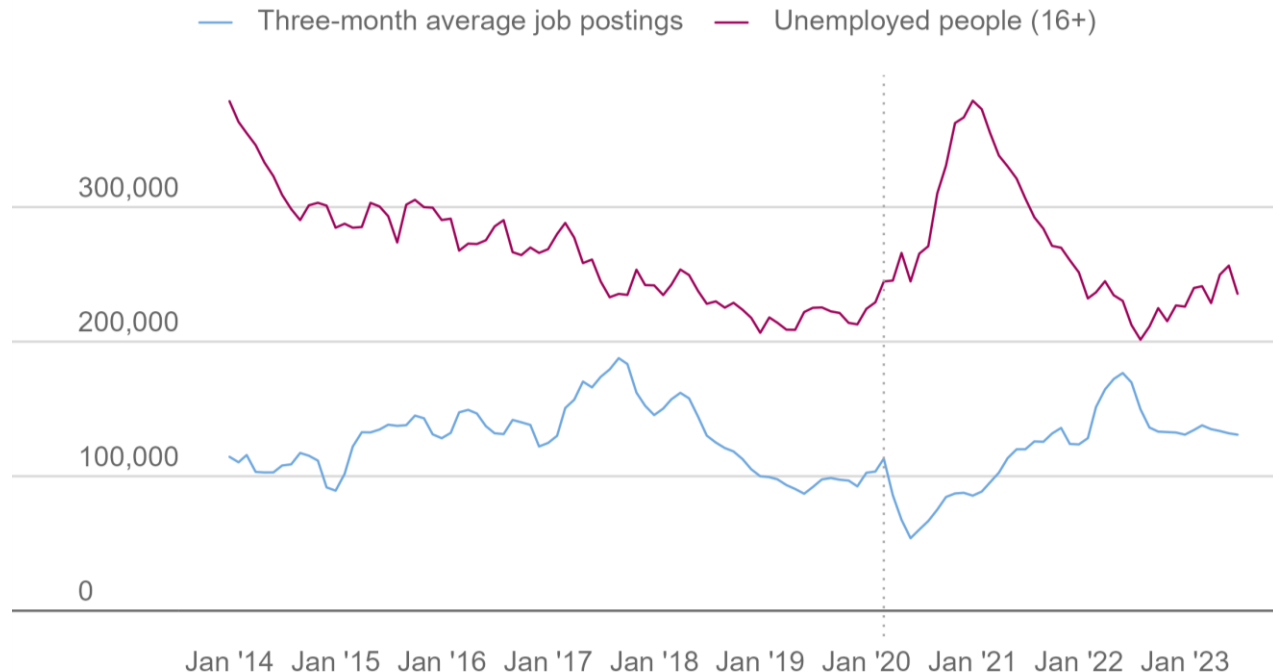
Note: may include some employed claimants on low hours or earnings.
March 2020 indicated by dotted line.

- The claimant count includes both people claiming UC who are required to seek work, as well as those claiming Jobseeker's Allowance.
- Overall, 299,000 or 4.9% of Londoners aged 16-64 were claiming these unemployment-related benefits in August 2023, up from 4.6% in February 2022.
- Barking & Dagenham and Haringey (both 6.8%) and Newham (6.7%) have the highest claimant rates in the capital as of August 2023.

... which alongside lower job postings numbers suggests that the labour market is not as tight as it was last year.

Online job postings and unemployment levels, London

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

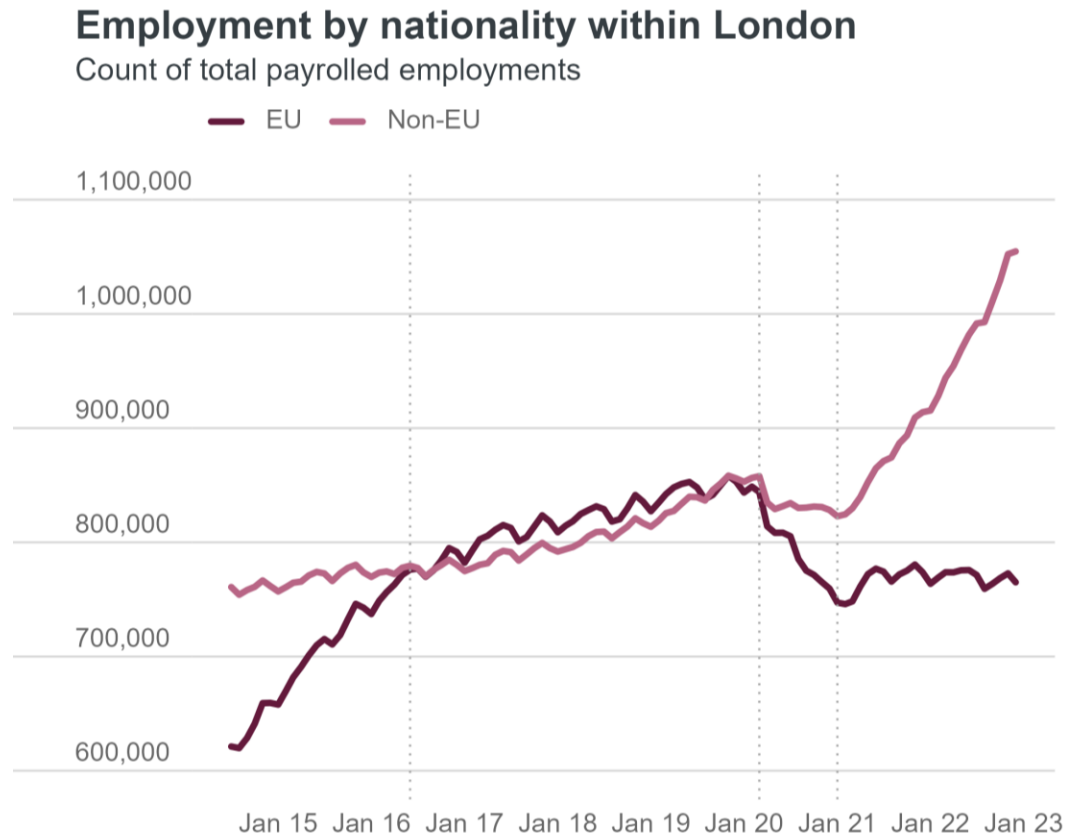


Source: Lightcast data, non-seasonally adjusted; ONS Labour Force Survey.

Note: March 2020 indicated by dotted line.

- 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 especially when compared to mid-2022.

The number of non-EU payrolled employees has been increasing, while the number of EU nationals has recently stabilised.



- Lockdowns and the end of free movement led to a decline in EU workers living in London (compared to 2019 levels), as the annual data in the chart to the left show.
- 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: 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.



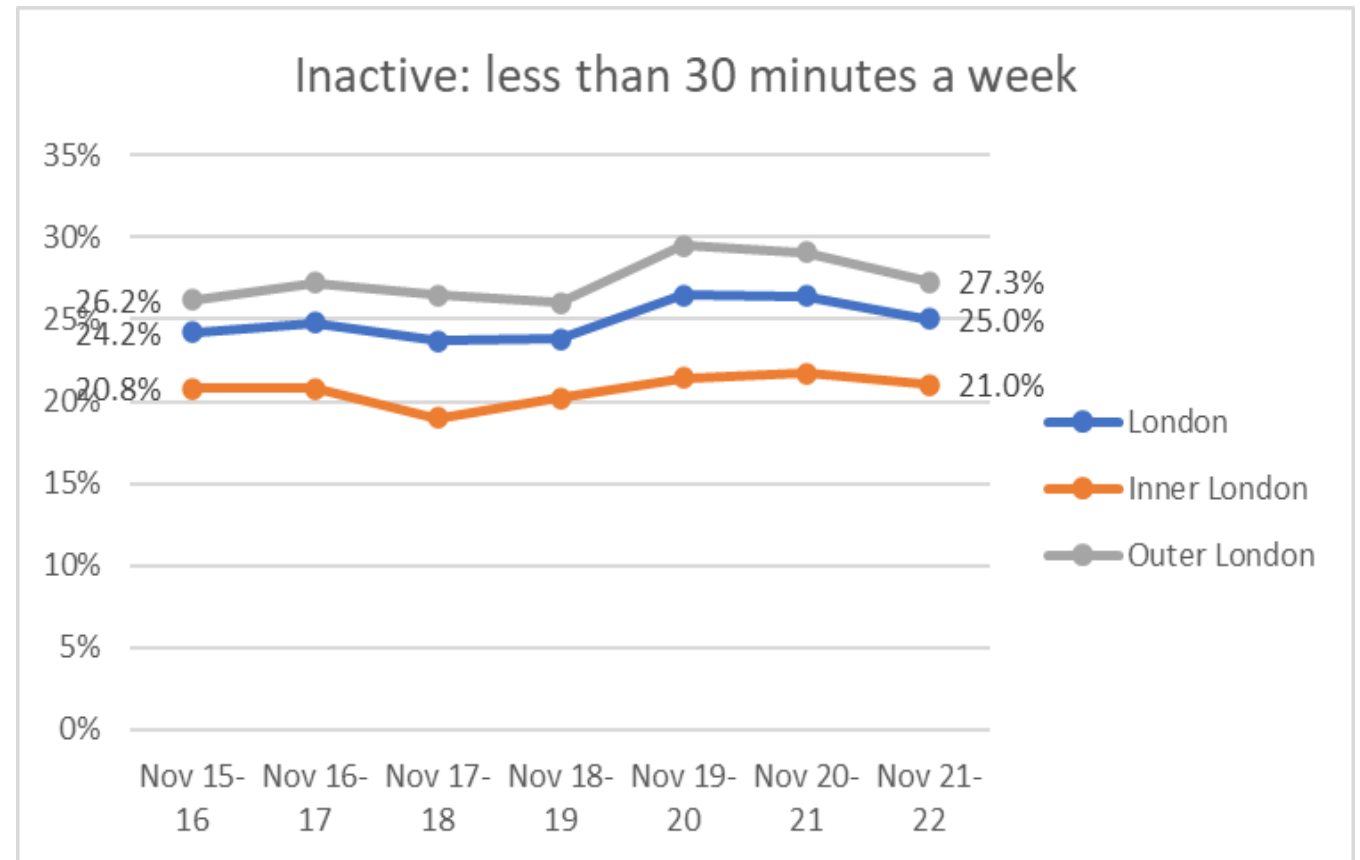
Social Outcomes

Some indicators of social activity show recovery. For example, physical inactivity rates have fallen since 2019.

- There has been a decrease in the annual proportion of adult Londoners (those aged 16 and over) who were inactive since the onset of the pandemic, which continues a trend that began in 2020-21.
- Nevertheless, there's a noticeable inequality with regards to inactivity rates by borough. For example, the rates are higher in outer London compared with inner London (27% and 21% respectively).

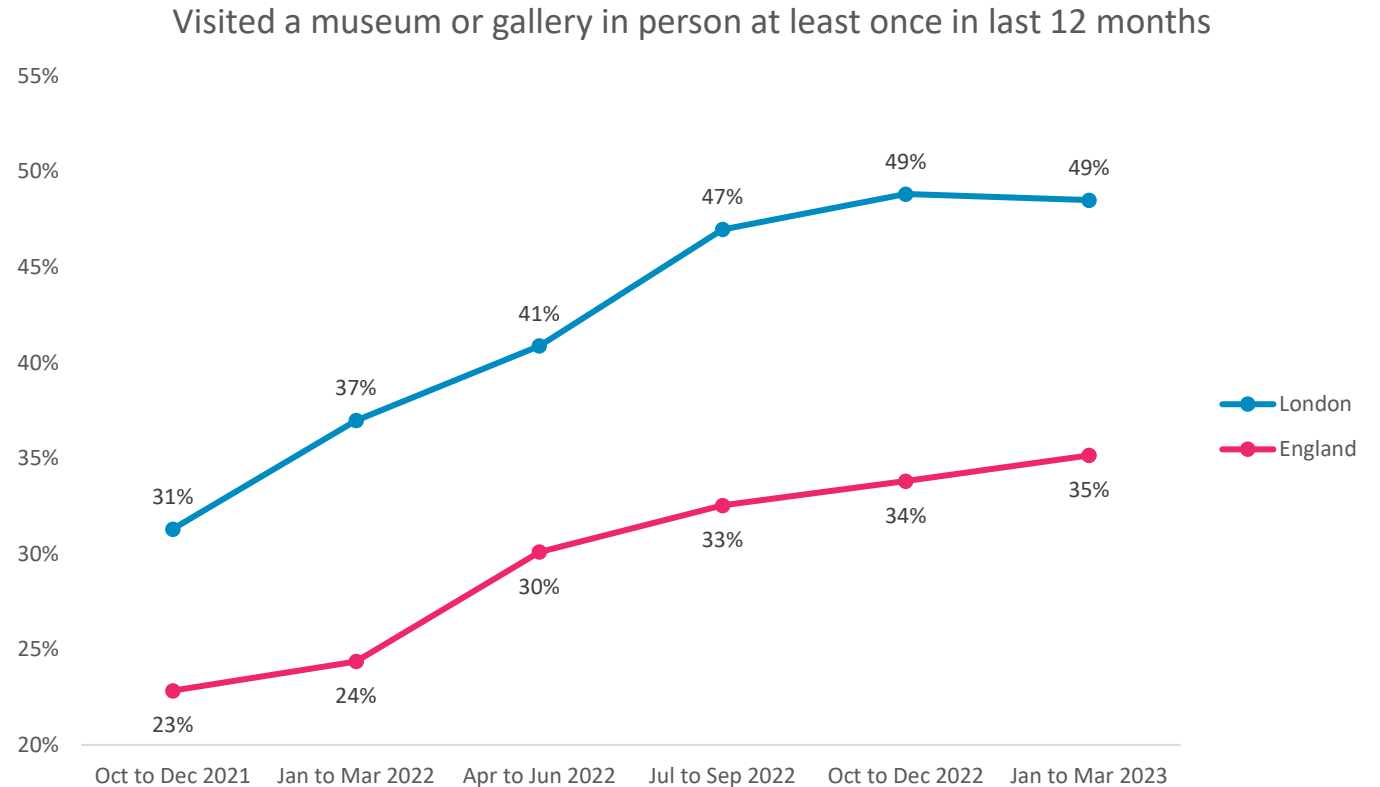
Source: [Sport England, Active Lives Survey](#)

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 2023 compared to previous years.

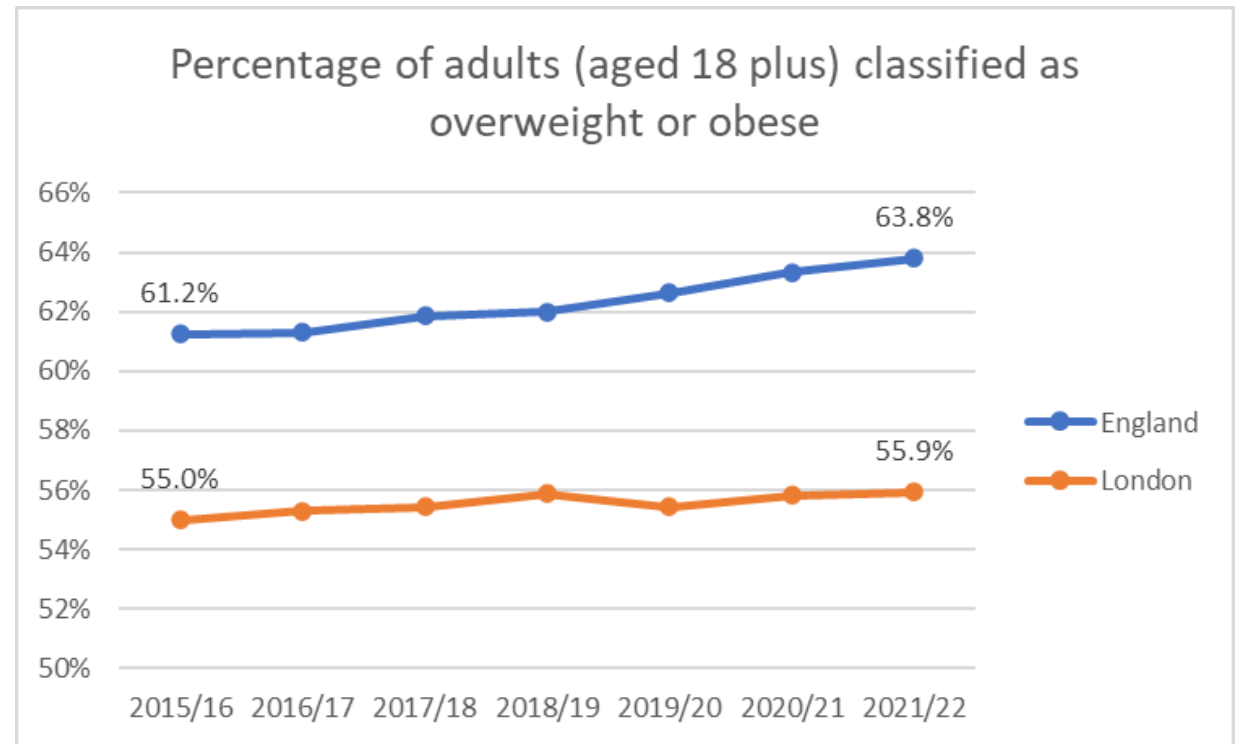
- In January to March 2023, around half (49%) of adults in London had visited a museum or gallery in person in the last 12 months. This compares with 35% of adults across England.
- Since late 2021, there has been an increase in the proportion of adults across both London and England who have visited a museum or gallery in person at least once in the last 12 months.



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

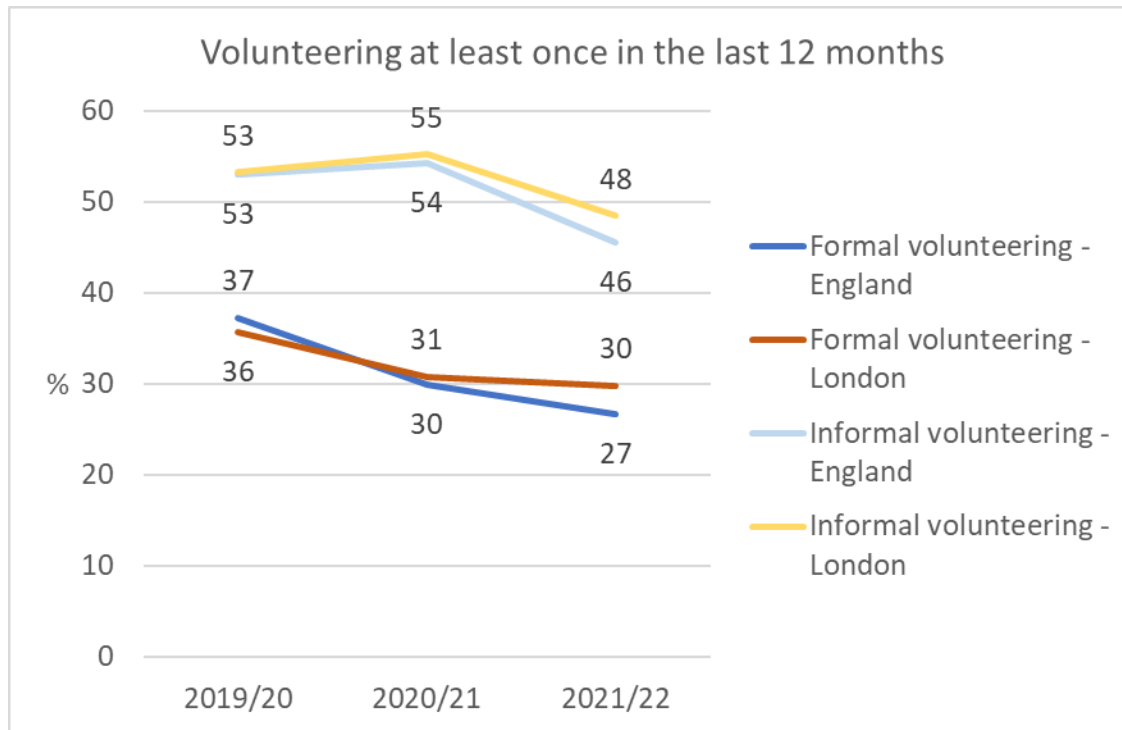
The prevalence of adults in London who are overweight or living with obesity did not increase between 2020/21 and 2021/22, compared with a small rise in England.

- 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, and a less than 1% increase compared to 2015/16.
- In contrast, 64% of adults aged 18 years and over in England were estimated to be overweight or living with obesity, a near-3% increase compared to 2015/16 rates.



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 both were higher in London than for England as a whole.



- 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).

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.