



Summary of recent evidence affecting London

Presentation for the London Partnership Board

GLA City Intelligence Unit

March 2024



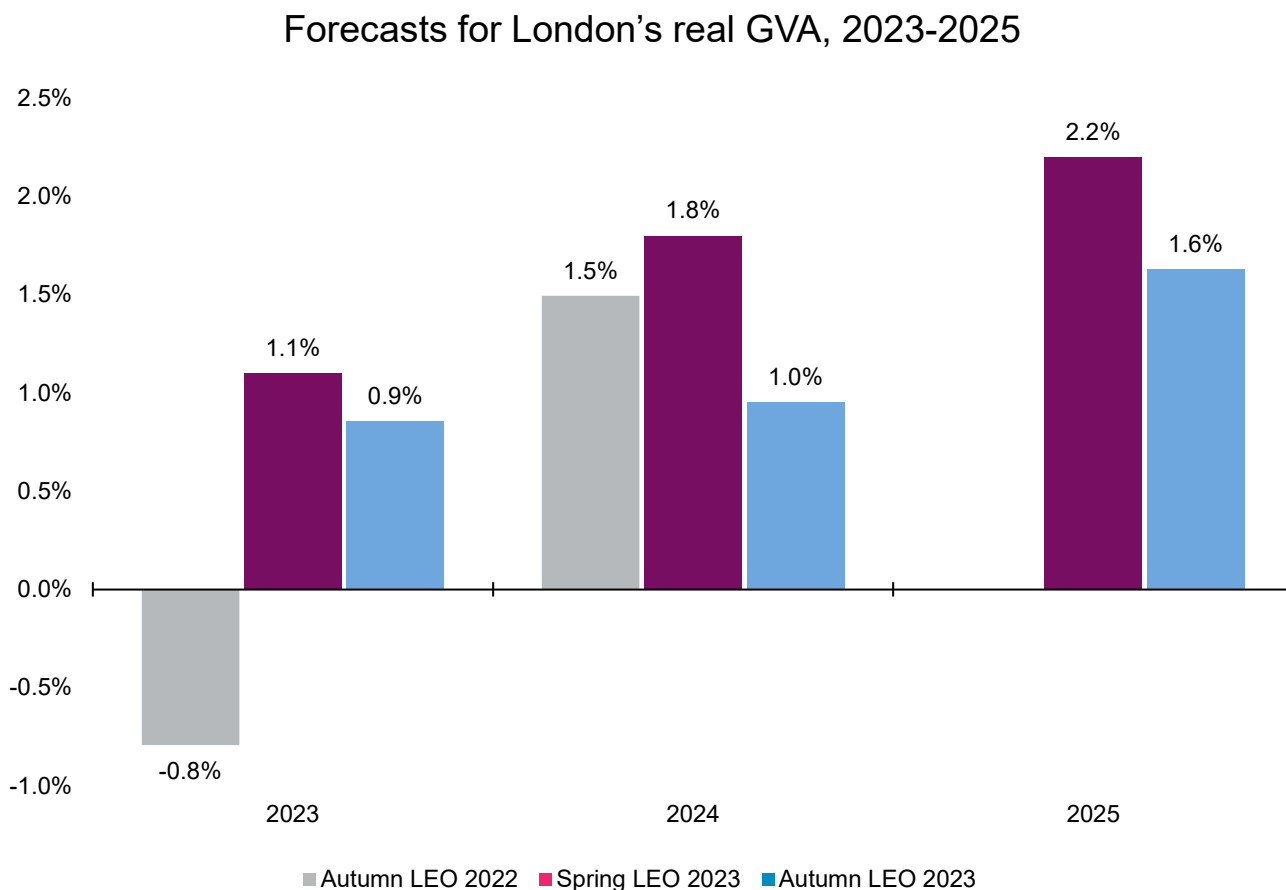
Content

- Overall summary
- Macroeconomic outlook
- Cost of living
- Housing
- Footfall and spending
- Benefits and employment
- Social outcomes

Summary

- The most up-to-date data shows that while London continues to demonstrate economic resilience compared to the rest of the country, some of the inequities and challenges across economic and social outcomes remain.
- In line with national trends, London's growth will moderate in the short to medium term. 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 problem in London.
- Overall, consumer confidence is higher than it is in the UK despite the higher cost of living. While visitor footfall in the CAZ exceeds pre-pandemic levels, that of workers lags pre-pandemic levels during weekdays.
- The proportion of Londoners who said they are struggling financially or just about managing remained high at 49% as of January 2024. Nearly a third of Londoners said they'll struggle with mortgage payments, and nearly 40% with rent and energy payments.
- Private rents are still high, although the rate of rent increases is slowing. That said, 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 is not as tight as it was in 2022.
- Social outcomes reveal a mixed picture: Londoners are happier with the 'greenness' of their local areas, but anxiety and satisfaction levels remain worse than they were pre-pandemic.

London's economy to see moderate growth through 2025



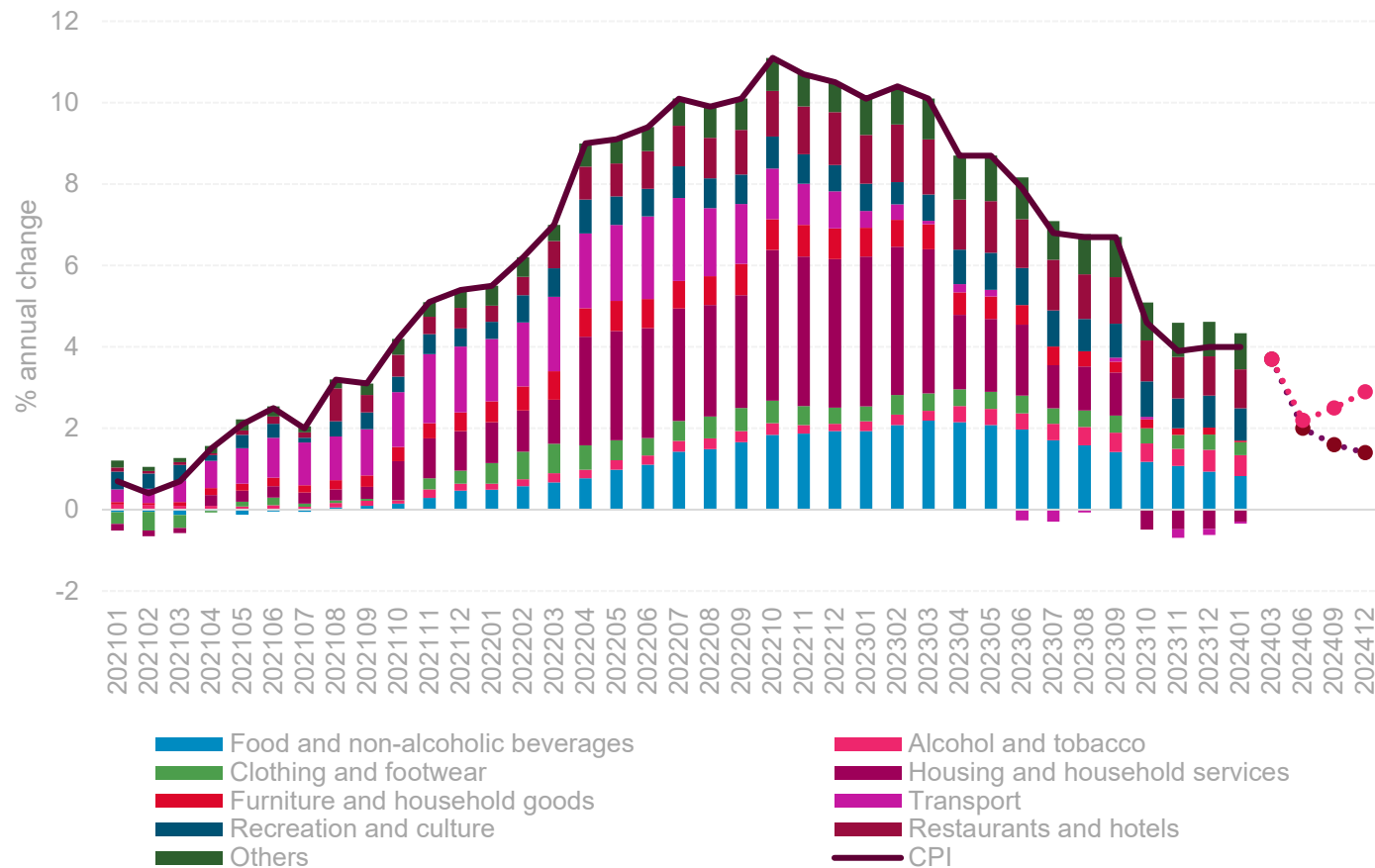
- London's economic growth slowed down considerably in 2023, falling below 1%. It is projected to meet the 1% level in 2024, before moderately rising to 1.6% in 2025.
- Economic forecasts for London have been revised downwards from earlier predictions, in light of downward revisions to national growth forecasts.
- Meanwhile, in Spring 2024, the OBR forecasted that GDP growth for the UK would be 0.8% in 2024 and 1.9% in 2025, before slightly moderating later in the decade.

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

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

Inflation is starting to fall from previous highs back in 2022

Inflation breakdown and official forecasts

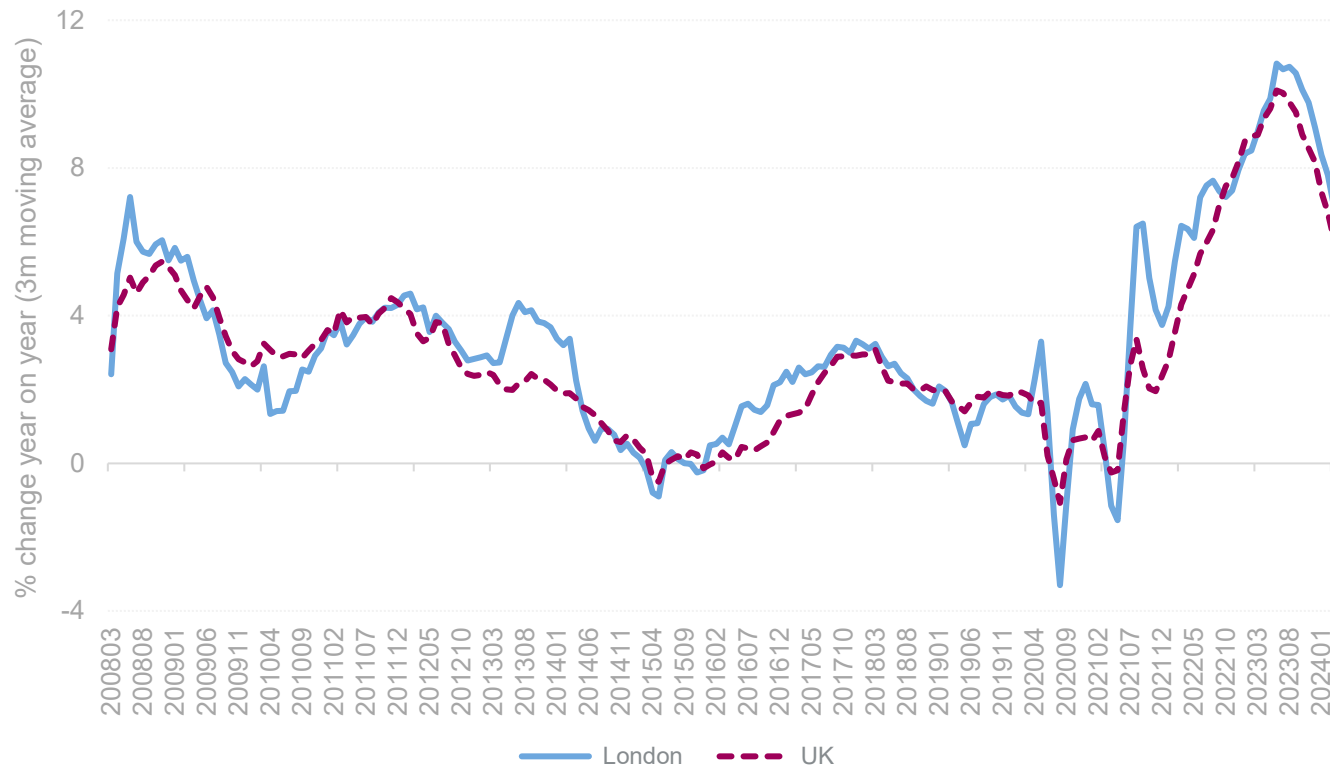


Source: ONS, Bank of England and Office for Budget Responsibility

- According to the OBR's March 2024 Economic and Fiscal Outlook, CPI inflation was 4.2% in the last quarter of 2024 (which is 0.6 pp lower than initially forecast in November).
- Gas price inflation fell by 26.5% in the year to January 2024, and motor fuel prices also decreased by 9.2% during the same period.
- The OBR suggests that inflation will drop to 1.4% in 2024, before returning to its conventional 2% target by 2028/29.

Food inflation eased from the recent peak but remains high

'Shelf-front' food inflation, London and UK



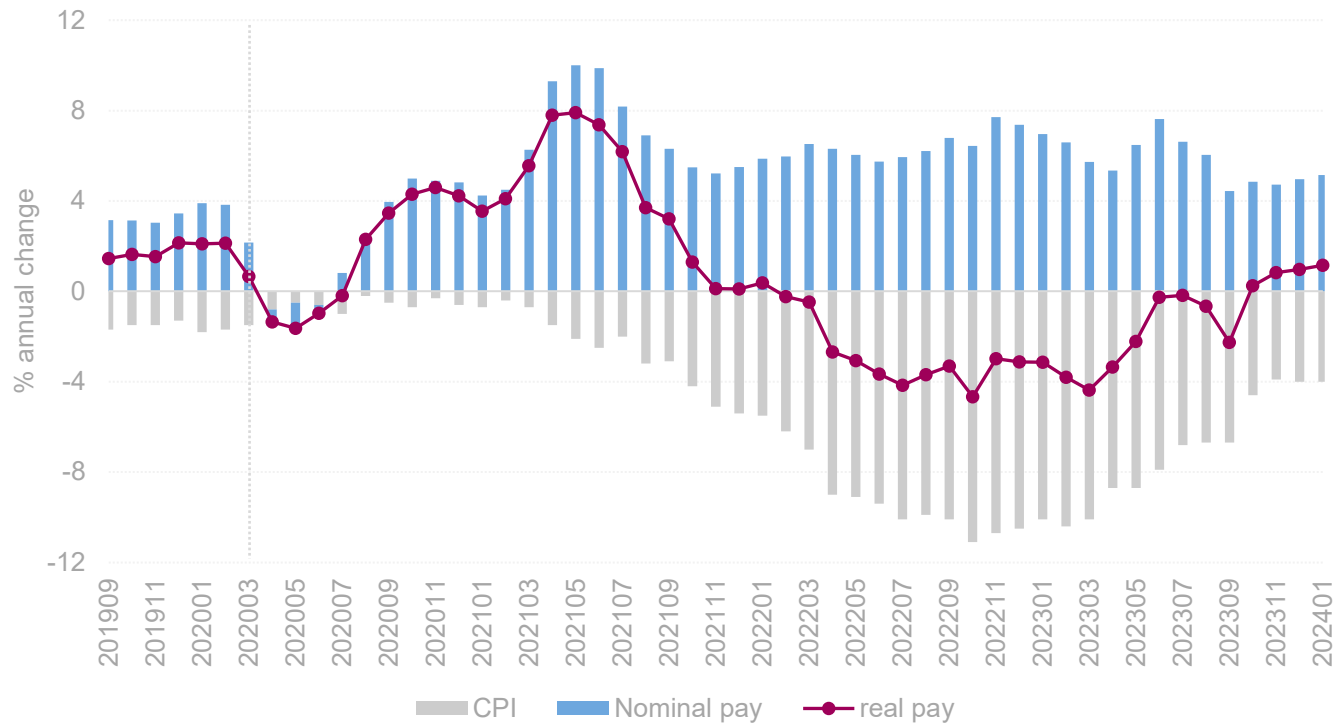
- Using ONS data on prices collected in the field (about half the CPI basket), GLA Economics has built a measure of 'shelf-front' inflation and its components.
- London's shelf-front food inflation decreased to 7.0% in January 2024, down from a peak of 10.8% in June 2023. A similar decline was observed at the UK level.
- Despite the drop in recent months, food inflation is still high compared to levels prior to 2022. Also, food prices remain higher in London than they are in other parts of the UK.

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

Year-on-year real pay growth is in positive territory, but more timely data suggests possible weakness

Decomposition of real median pay in London, % annual change

Effect from nominal pay change and CPI inflation, to January 2024



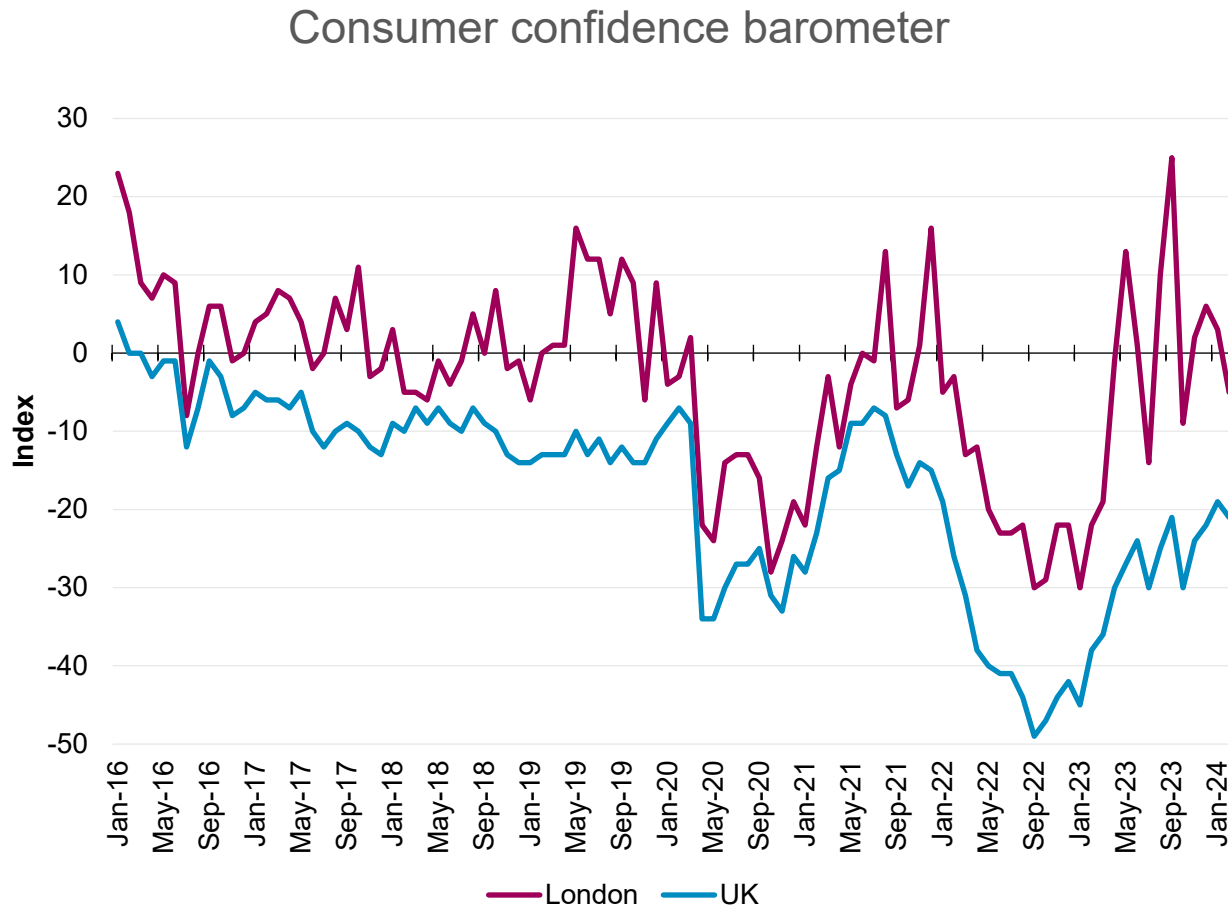
Source: HM Revenue and Customs – Pay As You Earn Real Time Information, ONS.

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).

- Real employee pay on an annual basis started rising in London in October 2023 and has edged higher in recent months, boosted by higher annual nominal pay growth while inflation has fallen.
- While this measure is important to households as it shows how pay has changed compared to a year ago, annualised growth rates of current trends present a more mixed picture.
- Annualised three-month growth in nominal pay in London has barely been above zero in recent months, and real pay growth rates have been volatile.

London's consumers are relatively optimistic.

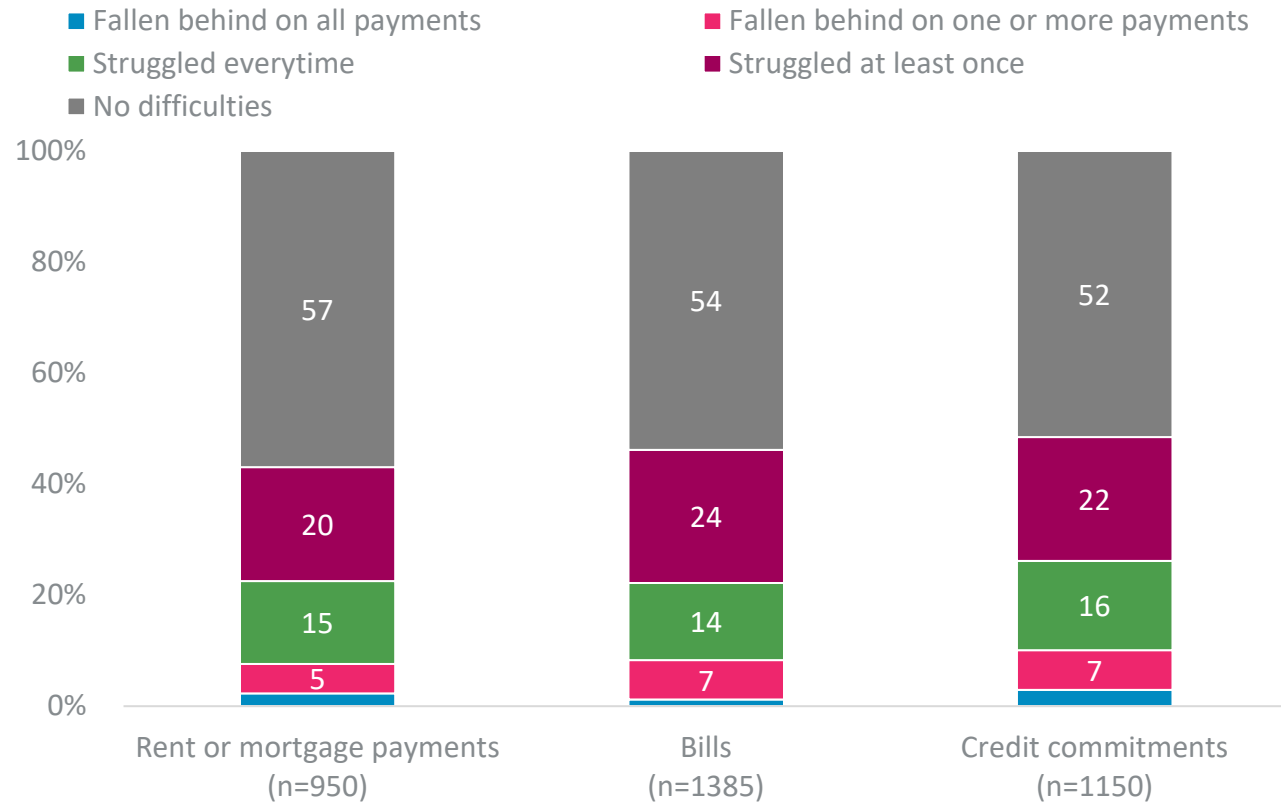


- According to GfK's consumer confidence barometer, London's consumers are more confident than their UK counterparts, with that difference growing during 2023.
- Nevertheless, for January 2024, the barometer for London shows a negative index reading, which is an indication of growing unease over the past quarter as Londoners continue to face an acute cost-of-living crisis, higher tax burdens, and uncertain economic conditions.

Source: GfK NOP

Londoners' experience of the financial situation is only easing slightly

Ability to meet financial commitments



- In January, nearly half of Londoners (46%) were unable to keep up with household bills without any difficulties. More than two-fifths (43%) could not meet their rent or mortgage payments without any difficulties. These polling results are comparable to those from a year ago.
- In January, 16% are 'financially struggling' saying they were going without their basic needs and / or relying on debt to pay for them. This has come down from the peak in June 2023 (23%) but still higher than January 2022 (12%) when the tracking started. An additional 33% are just about managing.
- The groups who are most likely to be struggling with their bills and food are C2DE social grade, Black, social renters, those living in inner London, those with a gross household income of less than £40,000 or those with disabilities.

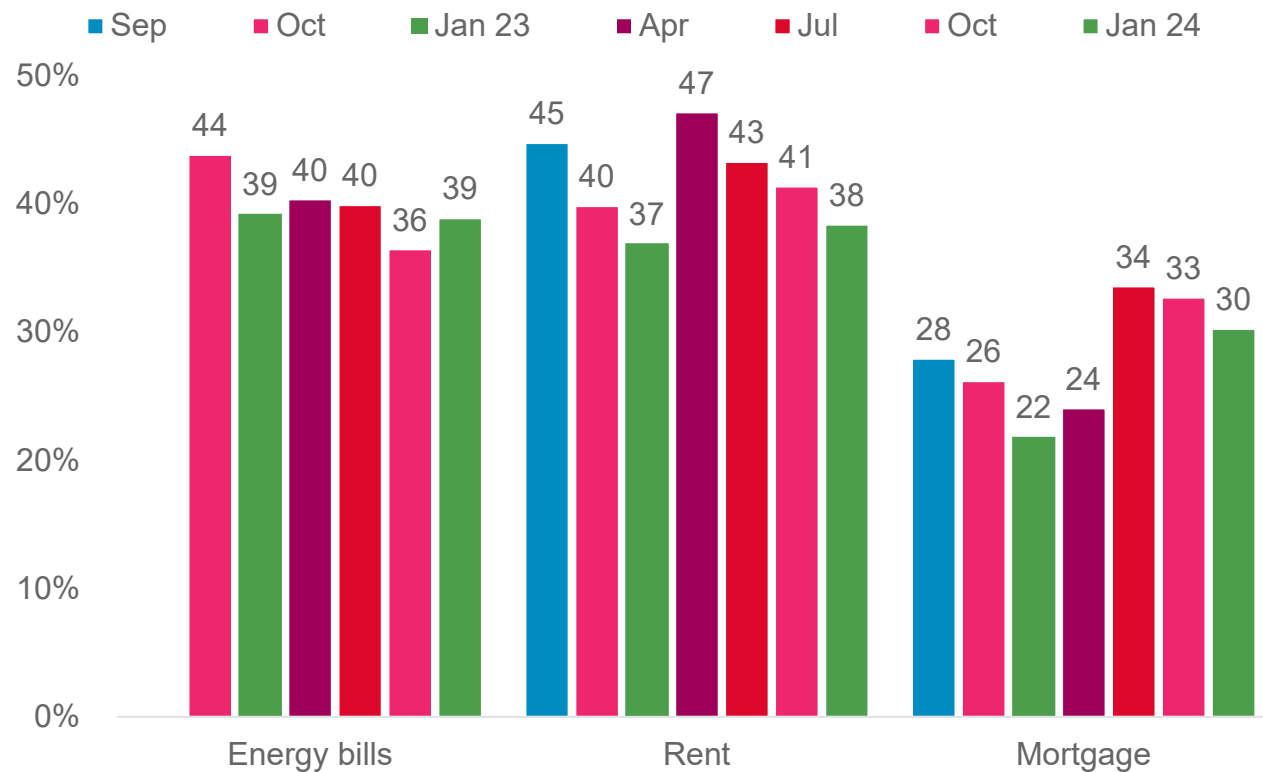
Note: Full response options are: I've fallen behind on all payments, I fell behind on one or more payments, I kept up with payments, but struggled every time, I kept up with payments, but it was a struggle to do so at least once, I kept up with payments without any difficulties, data excludes those who said not applicable, don't know or preferred not to say

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

Source: GLA YouGov poll January 2024, n=1546

As of January 2024, nearly a third of people said they'll struggle with mortgage payments, and nearly 40% with rent and energy payments

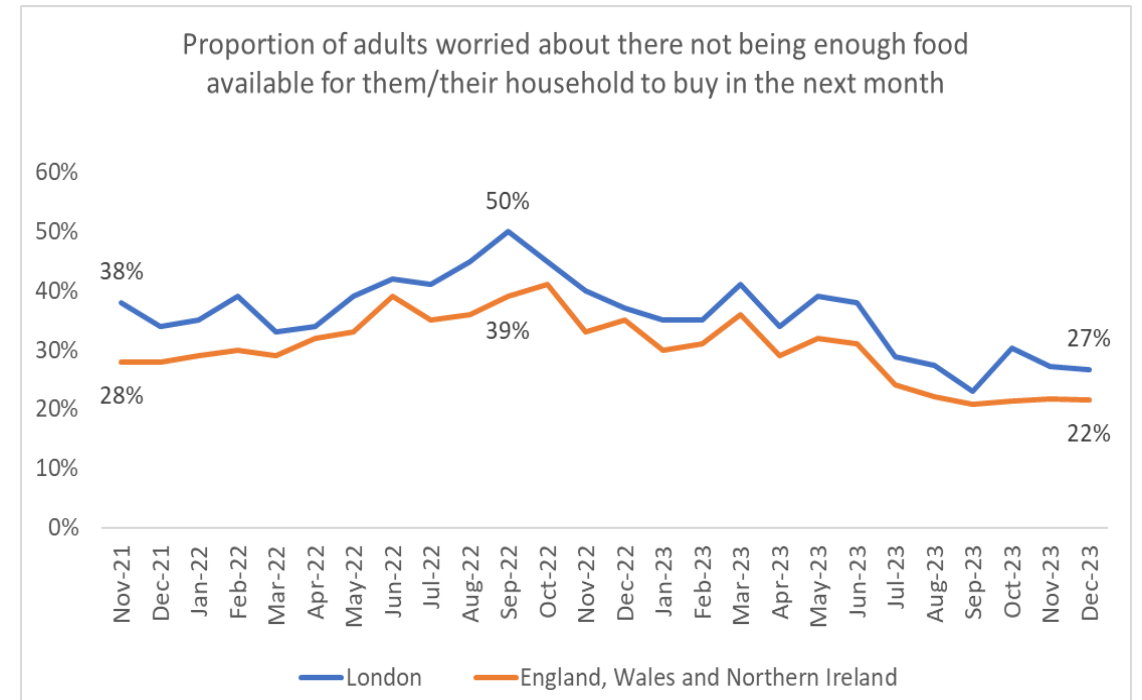
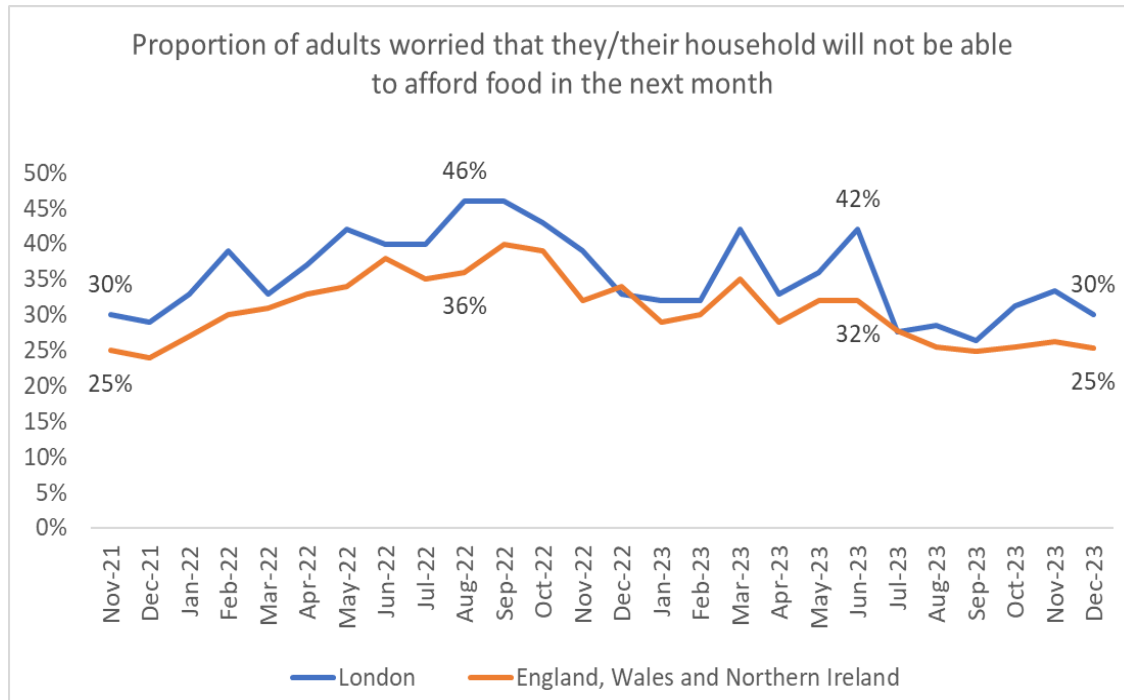
Proportion saying they will struggle with payments in the next six months



- Londoners remain most concerned about energy and rent payments, with almost two-fifths of Londoners saying they will struggle to pay these in the next six months.
- The proportion saying they will struggle to meet mortgage payments has declined to just less than a third (30%), but this is still higher than the percentage in April 23 and prior.
- Londoners of protected characteristics (e.g., women, older people, those not in employment, or in lower incomes) are more likely to struggle with their bills.
- Those who will struggle with their rent are more likely to be aged 18 to 24 (51%), Asian (49%), and have disabilities (52%).

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 for dates and sample see: <https://data.london.gov.uk/gla-cost-of-living-polling/2/>

Adult Londoners remain more affected by food insecurity than those in England, Wales and Northern Ireland



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

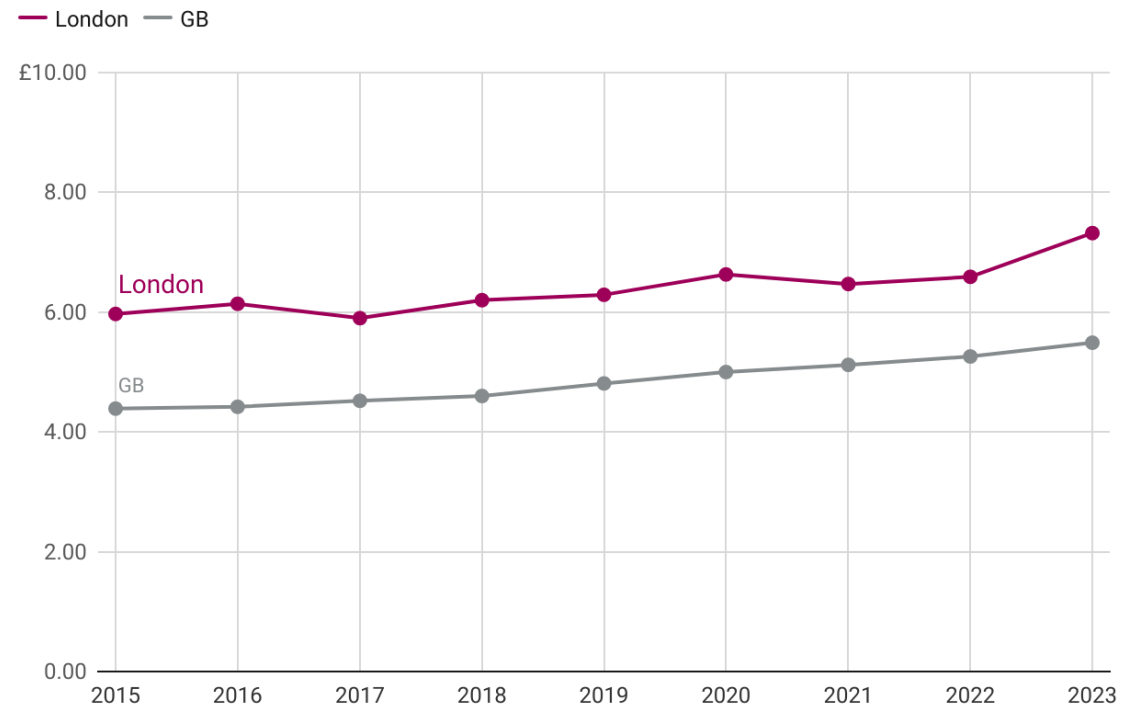
Source: Food Standards Agency. (2023). Consumer Insights tracking survey Waves 1-29.

In 2023, childcare costs continue to be much higher in London than across Great Britain

- Costs of childcare are between 25% and 33% higher in London than in Great Britain as a whole, with the gap having widened in 2023.
- The picture is complex, with considerable variation by age of child, type of setting and the number of hours required.
- The data suggest that the costs for all settings for pre-school age children have increased over the last year in London, while after-school care prices have been more stable.

Childcare Costs

Average hourly cost of part-time (25 hours) childcare for a child aged under 2

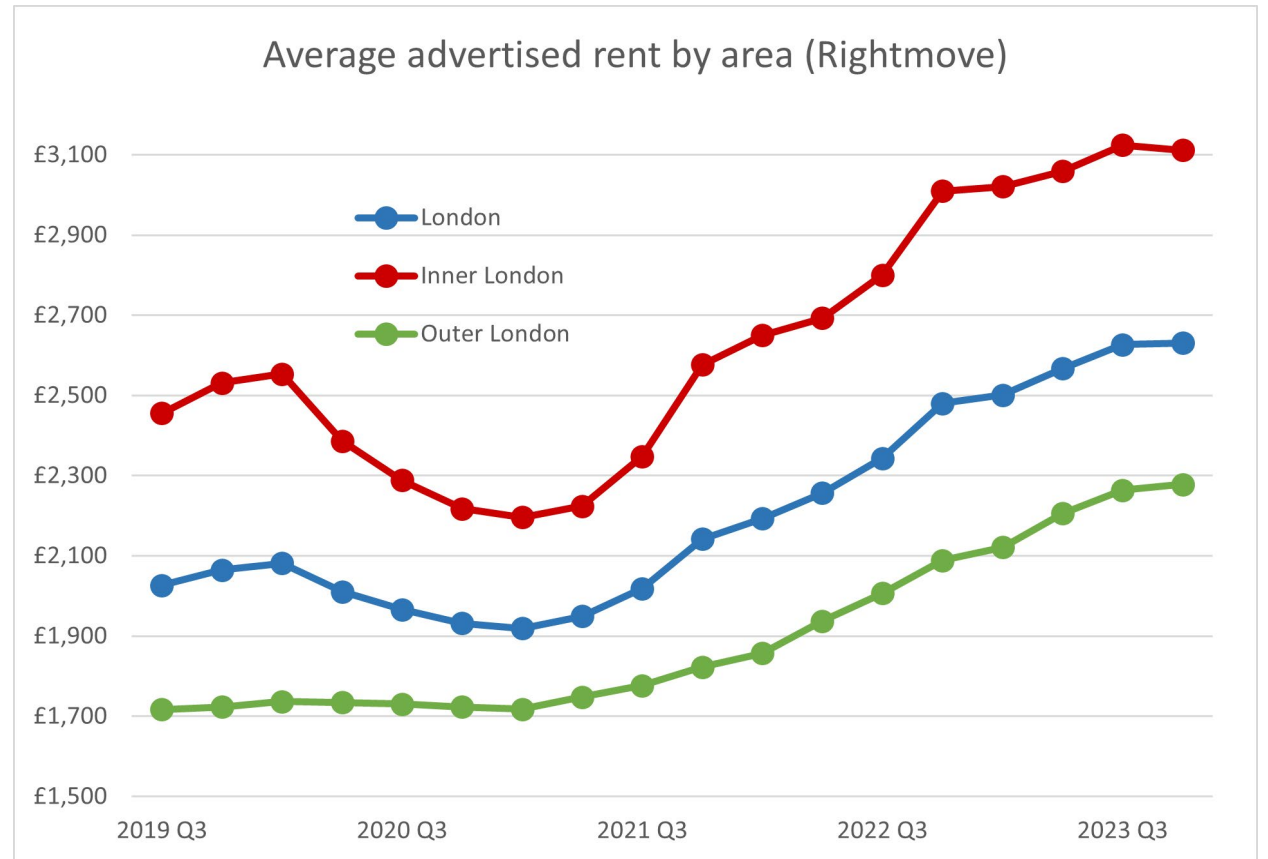


Data derived from Family and Childcare Trust

Chart: GLA Intelligence • Source: London Datastore • Created with Datawrapper

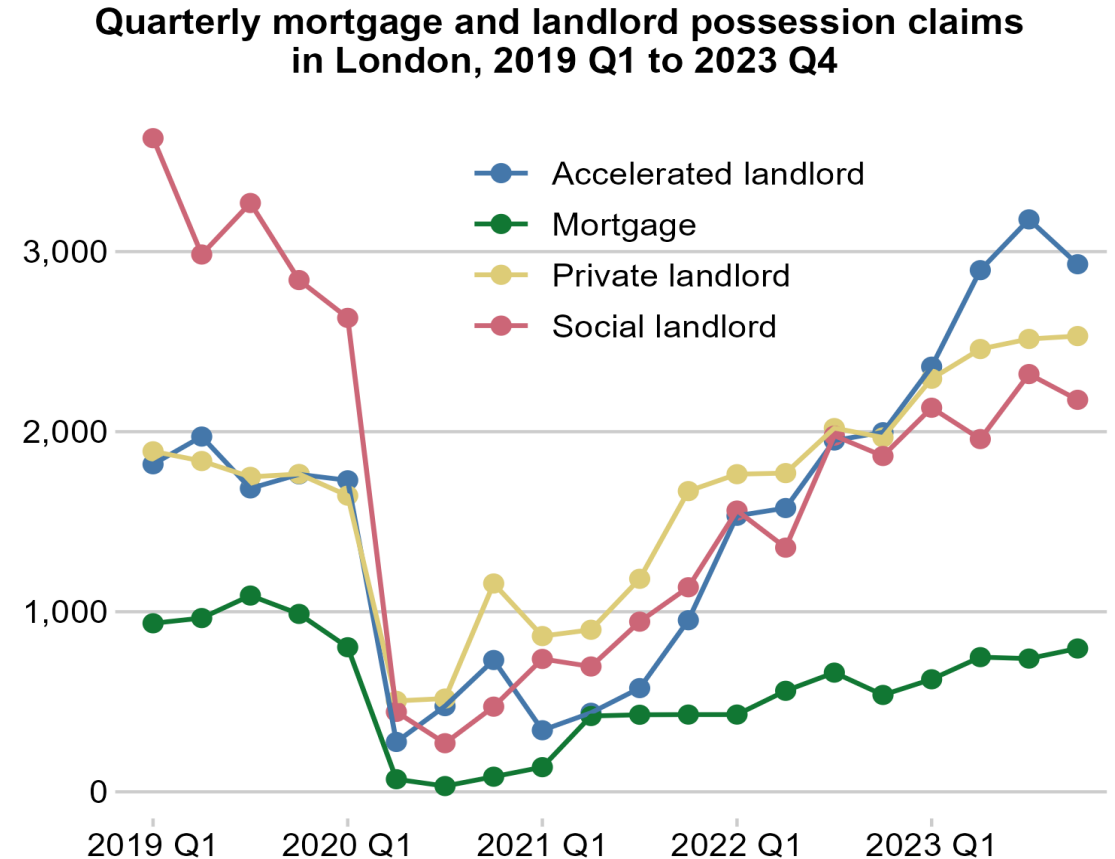
Private rent increases are slowing

- Year-on-year growth in average monthly rents for new tenancies in London was 6.1% in the last quarter (Q4 2023), around half the rate of the previous quarter (12.1%).
- Advertised rents continue to be well above their pre-pandemic levels across London.
- While Inner London rents remain much higher than the London average, they have fallen slightly (by 0.4%) over the last quarter for the first time since Q4 2020.



Private and 'accelerated' possession claims continue to be higher than their pre-pandemic levels

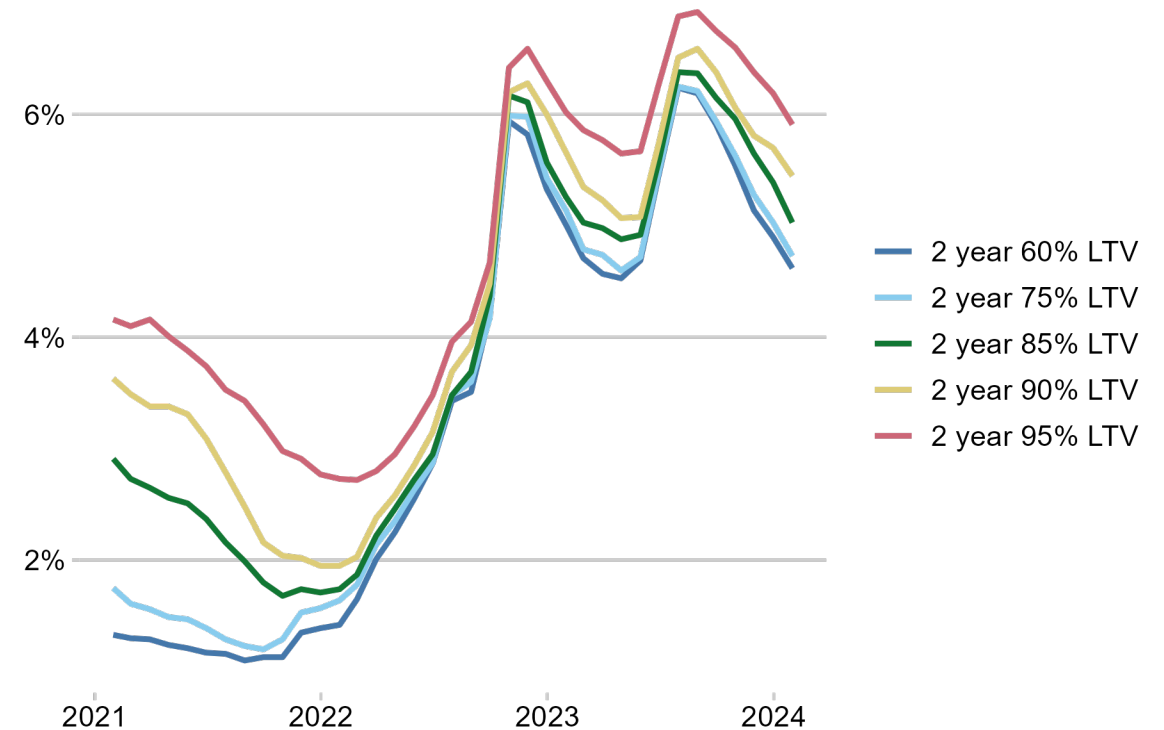
- Possession claims have risen sharply, and their composition has changed since the pandemic – a trend which continued in Q4 2023.
- Mortgage and social housing possession claims remain below pre-pandemic levels (92% and 82% of Q1 2020, respectively).
- Evictions by private landlords and claims using the 'accelerated procedure' under Section 21 'no fault' are now significantly higher than pre-pandemic levels (53% and 69% higher than Q1 2020 respectively).
- Some of the recent increases may be a result of clearing the backlog of cases accumulated during the pandemic.



After another spike in Summer 2023, mortgage rates have started to fall again

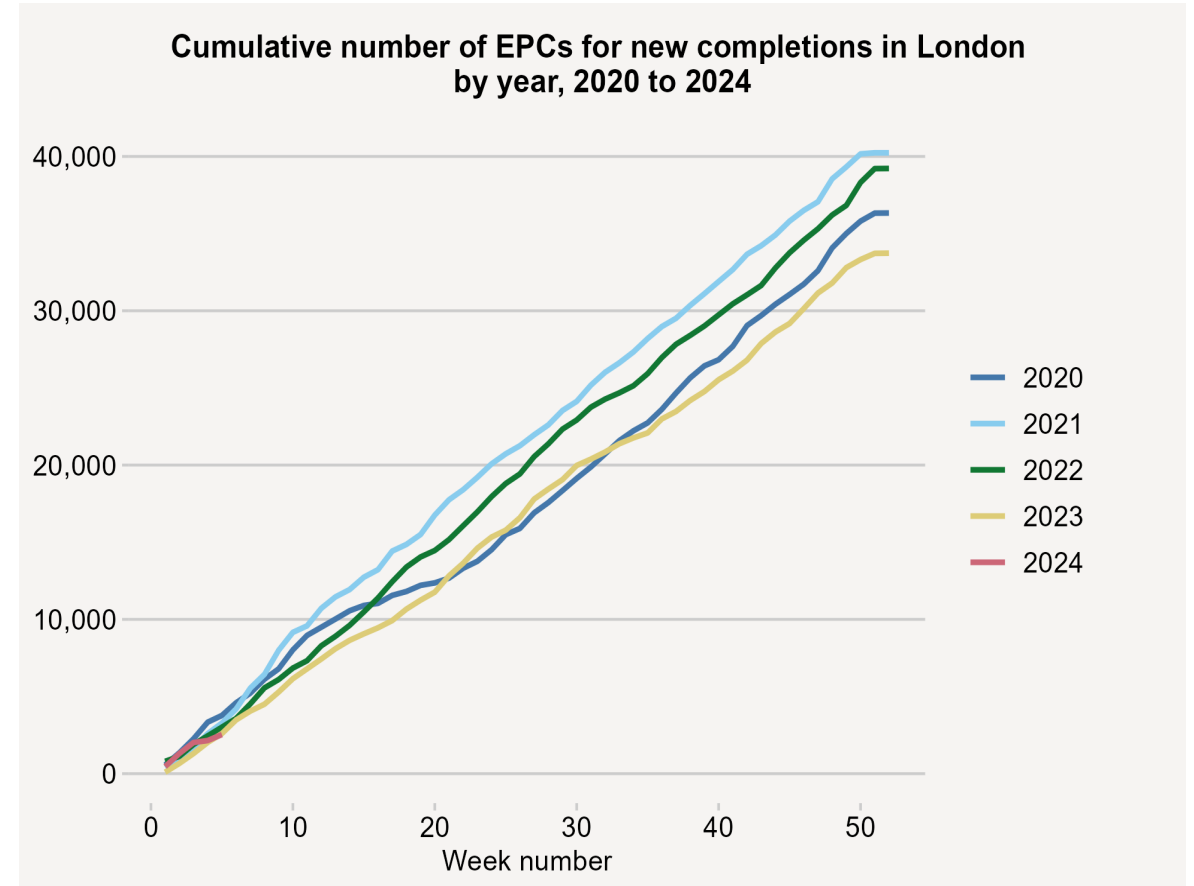
- Average quoted interest rates for new mortgages spiked again in Q3 2023 in response to higher-than-expected inflation figures, but have since fallen gradually during Q4 2023 and Q1 2024.
- Mortgage rates remain well above the rates paid on most existing fixed-rate mortgages (those taken out before late-2022), so more households now 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 January 2024



Early indications show lower rates of housebuilding in 2024 due to low demand and high costs

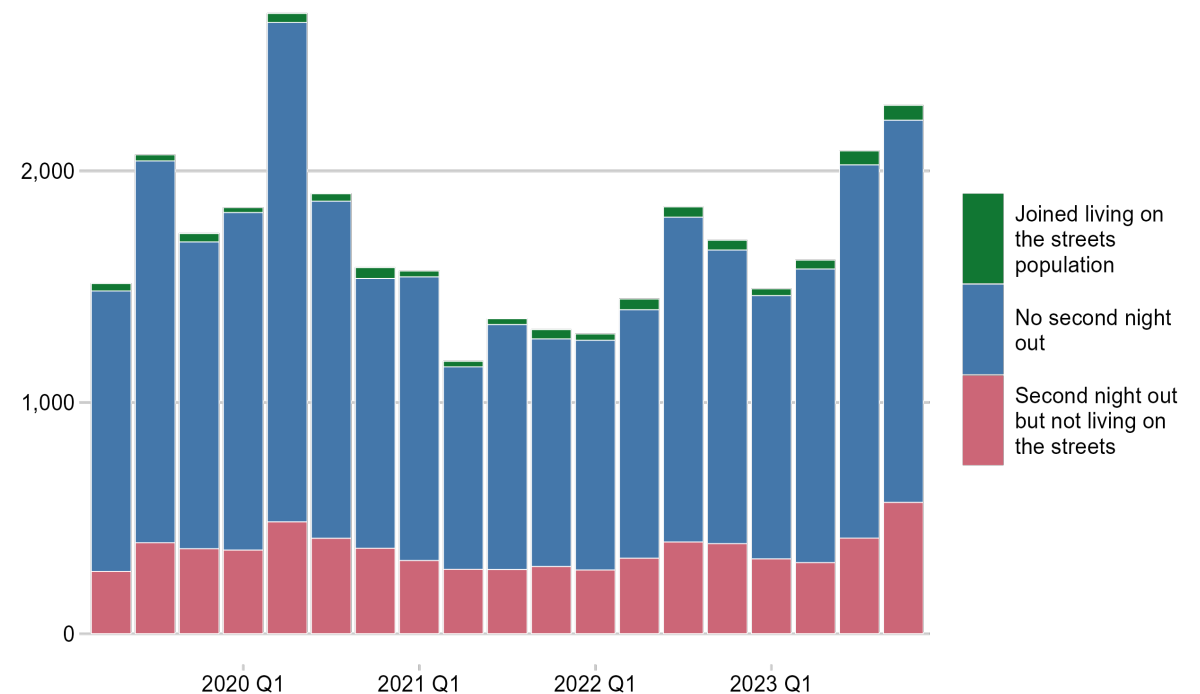
- 2023 saw high interest rates, an associated fall in effective demand and high construction costs bear down on the construction market (and housing supply), with data from Energy Performance Certificates showing that fewer homes (33,732) were completed than in each of the last four years, including 2020.
- While inflation has receded in recent months, early 2024 has also seen an emerging supply shock due to Red Sea disruption, potentially increasing construction costs further.
- 2,537 homes were completed in the first 5 weeks of 2024, which represents the lowest volume of completions compared to the same time in the previous four years.



Rough sleeping rose sharply during 2023

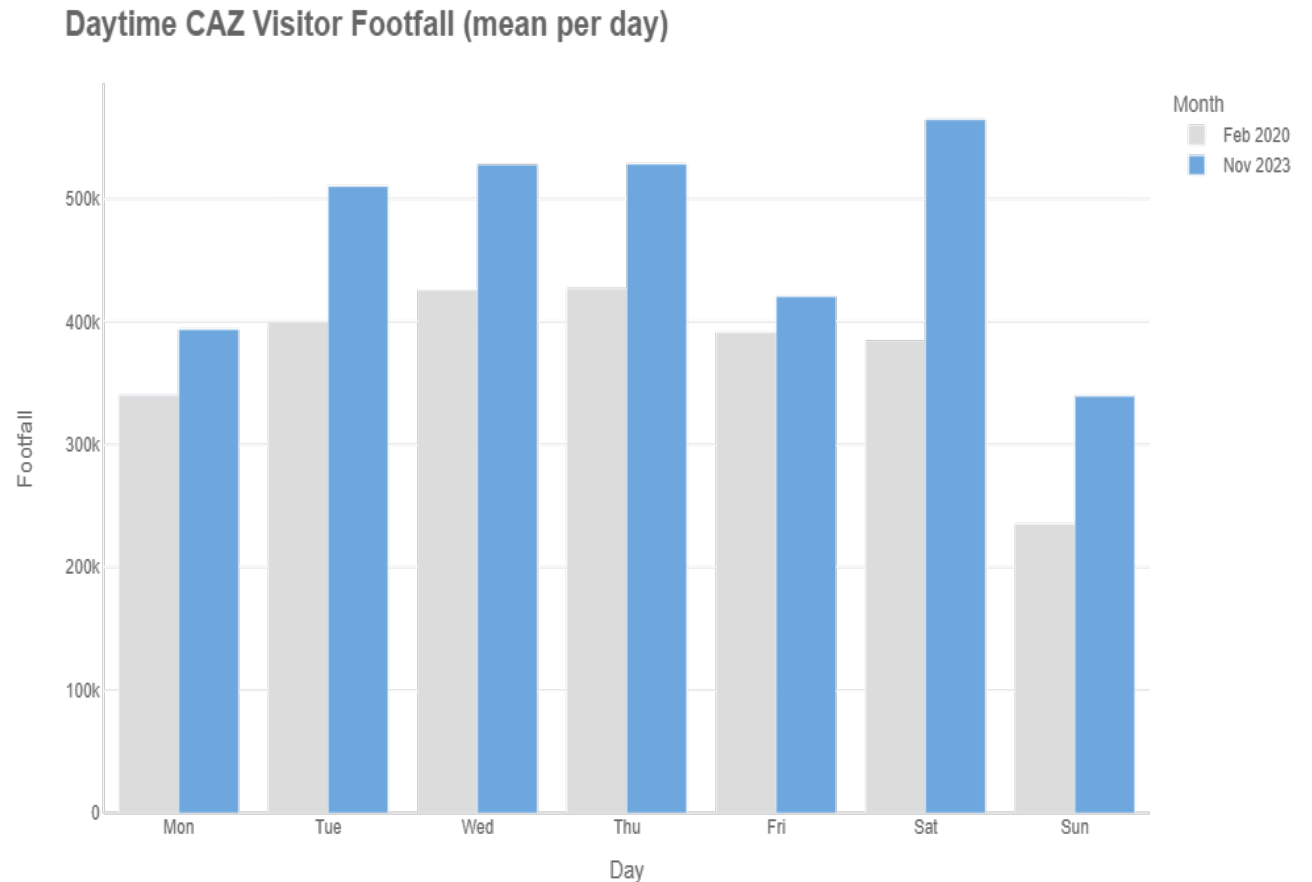
- According to data from the Combined Homelessness and Information Network (CHAIN) monitoring system, the number of people starting to sleep rough in London increased significantly in 2023.
- 2,283 people were recorded as sleeping rough for the first time between October and December 2023. This represents a 34% year-on-year increase.
- This is the highest number since the onset of the pandemic and is a 9% increase on the previous quarter.
- According to the latest data, 74% of first-time rough sleepers did not spend a second night out.

Number of people seen sleeping rough in London for the first time by outcome, 2019 Q2 to 2023 Q4



Daytime visitor footfall in the CAZ is higher than pre-pandemic levels

- Recent datapoints show that daytime visitor footfall in the Central Activities Zone (CAZ) in November 2023 exceeded pre-pandemic levels for all days of the week.
- Mean daytime CAZ visitor footfall per day saw bigger increases during the weekend than during weekdays.
- Daytime visitor footfall in the CAZ has recovered strongly despite the change in visitor patterns during and post-pandemic and some of the economic challenges that London has faced over recent years.

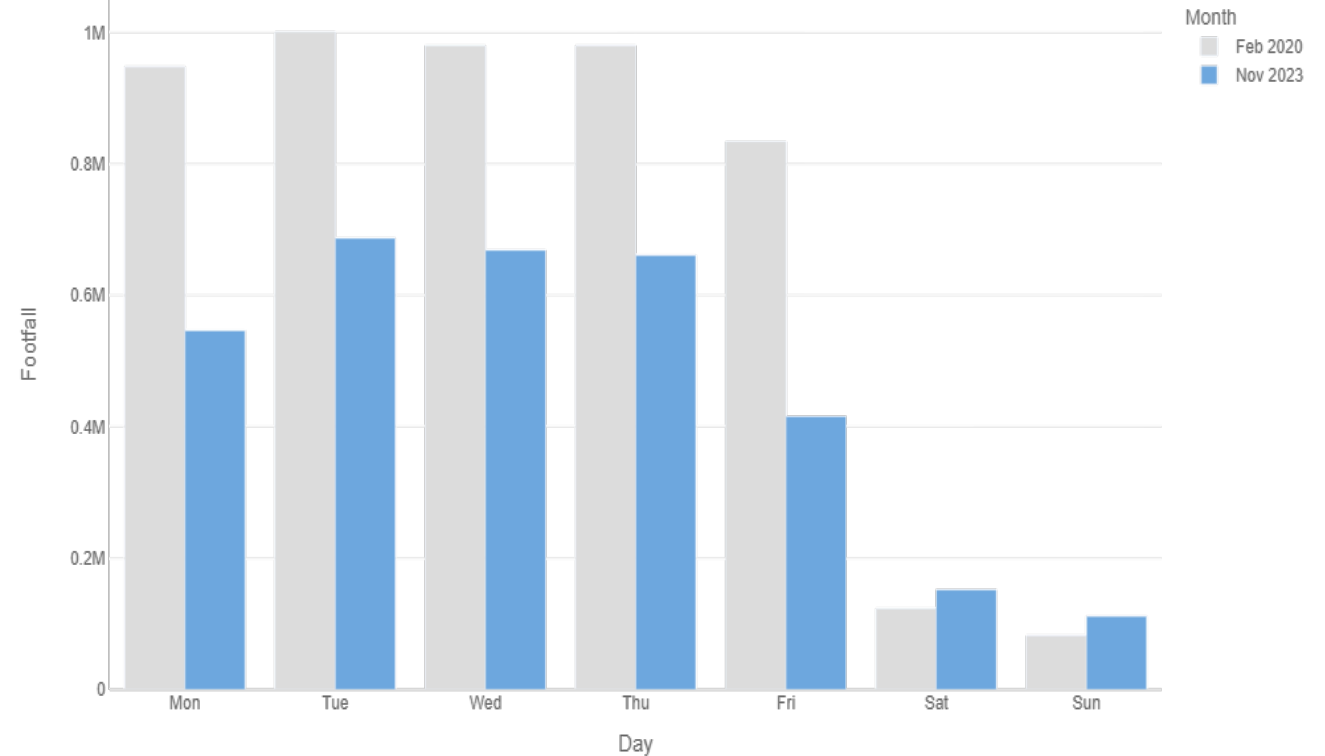


Note: Feb 2020 data was supplied by O2 and Nov 2023 data was supplied by BT. They used different methods for categorising workers and visitors.

Daytime worker footfall in the CAZ, however, is lower than pre-pandemic levels during weekdays

- For all weekdays, footfall remains much lower than it was pre-pandemic, with 'Zoom-shock' and changes to work patterns playing a part. This is similar to what data from TfL shows.
- That said, worker footfall is slightly higher during the weekends than pre-pandemic levels.
- Worker footfall on Mondays and Fridays in particular remain considerably lower. For example, mean worker footfall on Mondays dropped by at least 40% between Feb 2020 and Nov 2023, whereas it nearly halved on Fridays.

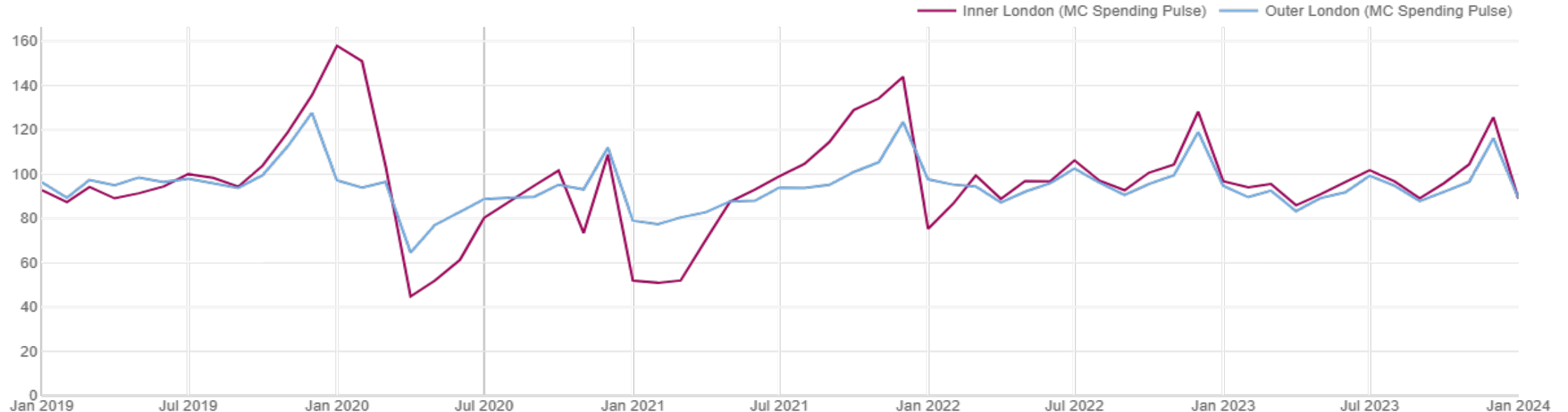
Daytime CAZ Worker Footfall (mean per day)



When adjusting for inflation, spending levels across London are slightly lower than they were pre-pandemic

- According to Mastercard data on spending patterns, real spending (i.e., adjusted for inflation) in Inner and Outer London in January 2024 remains slightly lower than it was in January 2019, with levels having dropped towards the end of 2023.

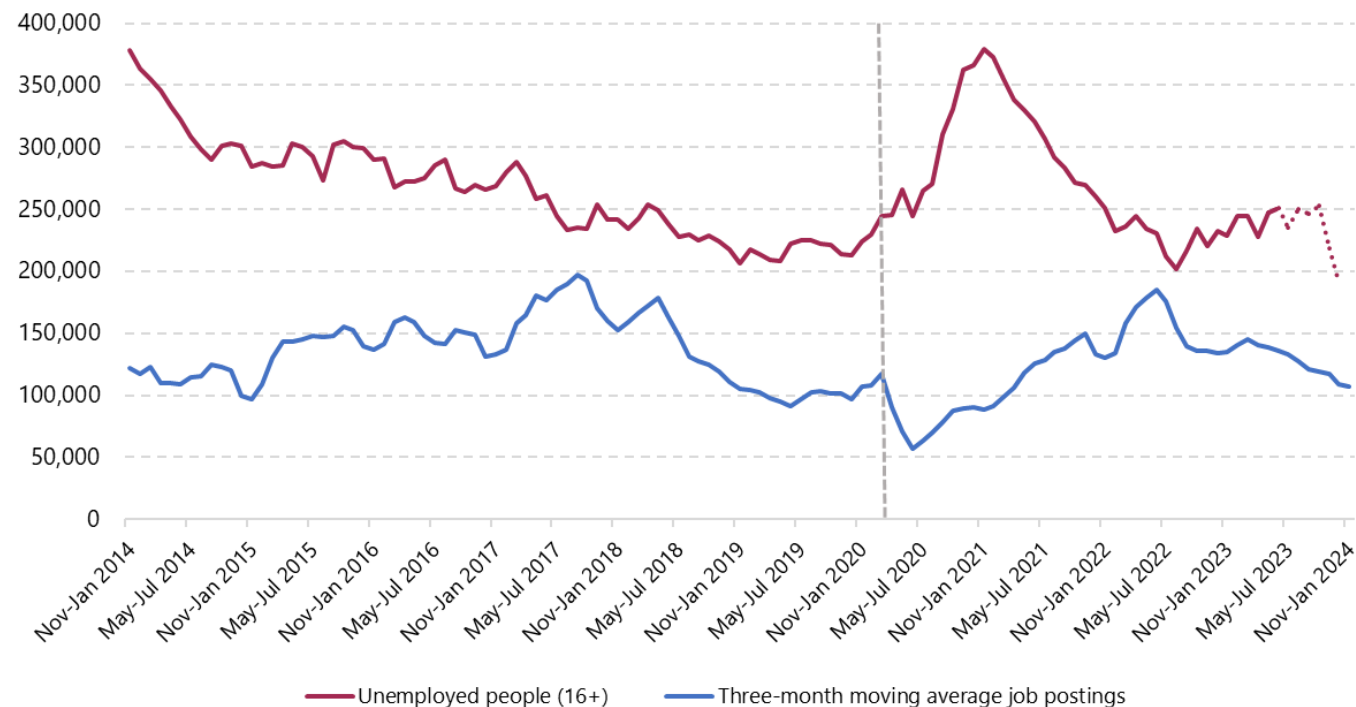
Inner vs Outer London



Job vacancies are falling but there is great uncertainty about the state of London's labour market

Online job postings and unemployment levels, London.

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



Source: Lightcast, ONS LFS

*Note: The ONS cautions that recent regional unemployment statistics should be treated with vigilance and used in conjunction with other indicators. Changes to [the way that the ONS collects data for the LFS](#) – made because sample sizes were becoming unreliable – are one possible reason for recent month's abnormally big swings in unemployment rate estimates. As data collections improvements start to feed through into published results, there is a possibility of large further revisions to these statistics.

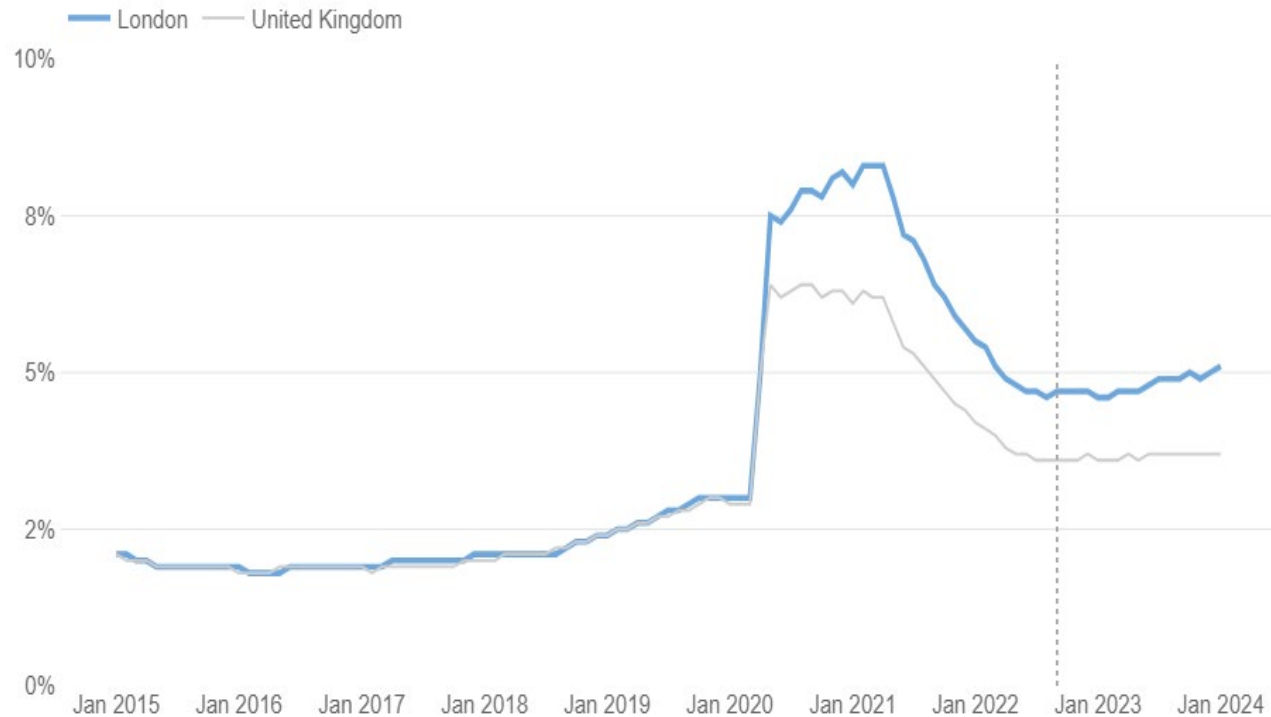
Note: Onset of COVID-19 pandemic in March 2020 indicated by dotted grey line.

- The number of online postings for jobs in London was well below levels in early 2022 and has been steadily falling back towards pre-COVID levels since the beginning of 2023. This is an indication of a softening labour market as unemployment continues to rise.
- The headline unemployment rate improved markedly in January 2024 to a record low of 3.8%. That said, this data needs to be treated with caution as there are doubts about the quality of the estimate due to methodological changes by the ONS.

The fast-rising Claimant Count rate also suggests that the labour market continues to soften

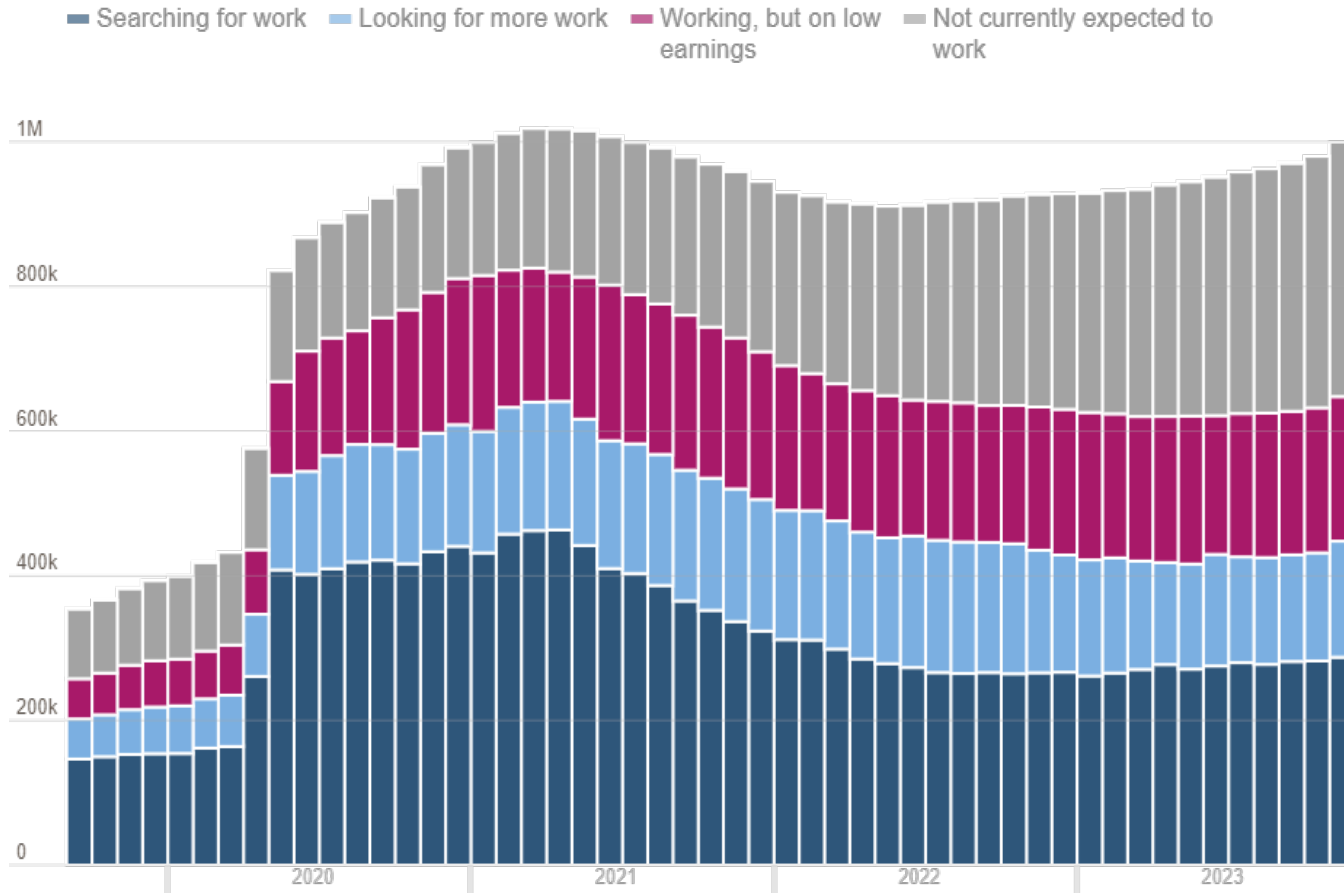
Claimant count (as a % of residents aged 16 to 64)

Latest data for period January 2024



- While there is considerable uncertainty about the rate of unemployment in London, the administrative Claimant Count measure continued to rise over recent months.
- There were 308,000 Londoners claiming unemployment-related benefits according to data as of January 2024.
- That represents a rise of 27,200, or 9.7%, on a year ago, which is a much bigger rise than the 4.0% in the UK overall. This would suggest that the London labour market remains soft especially when compared to 2021 and early 2022.

At the end of 2023, there were nearly one million Londoners claiming Universal Credit



- The number of Londoners claiming Universal Credit (UC) in November 2023 was just short of one million. This total has risen every month in London since mid-2022, with the highest increases happening at the end of 2023.
- The two main reasons for people claiming UC are because they are searching for work or that they are not expecting to work.
- The numbers not expected to work have increased and will continue to grow with the transition from previous benefits to UC, which is expected to be completed in 2024.

Source: DWP benefits data via Stat-Xplore

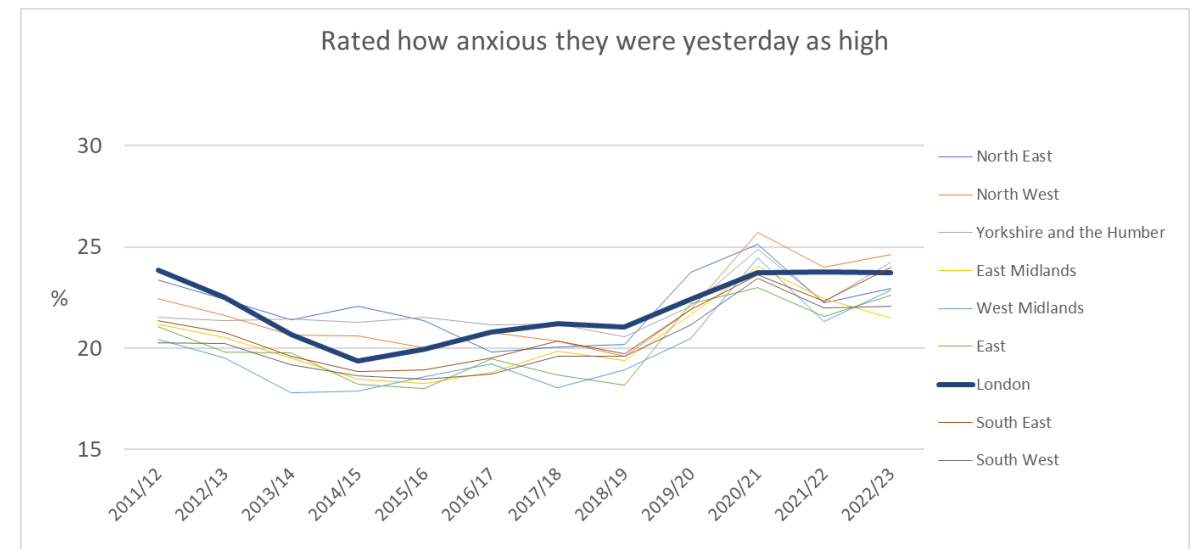
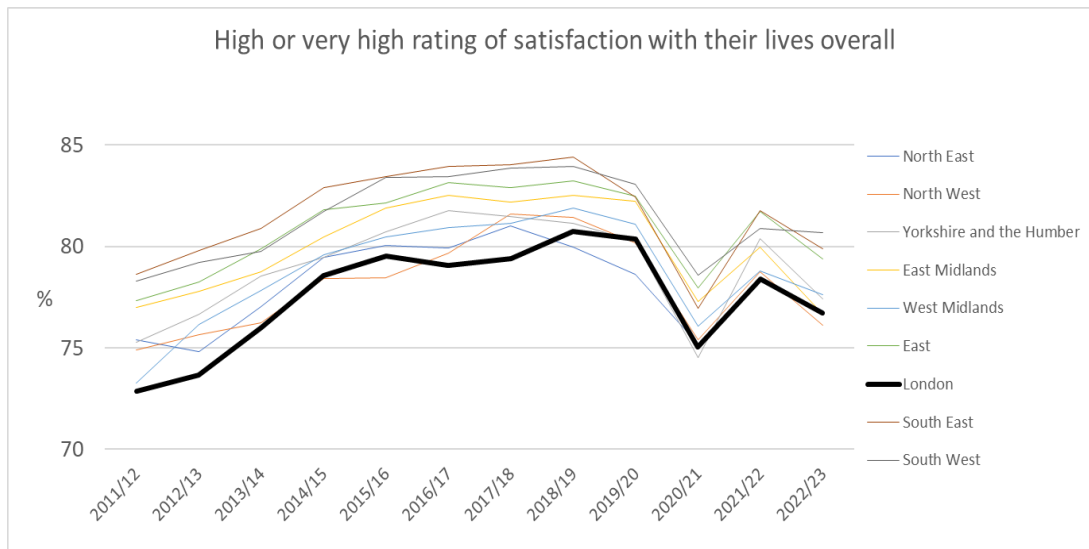
Notes: Looking for more work means in work but could earn more or partner has low earnings.

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.

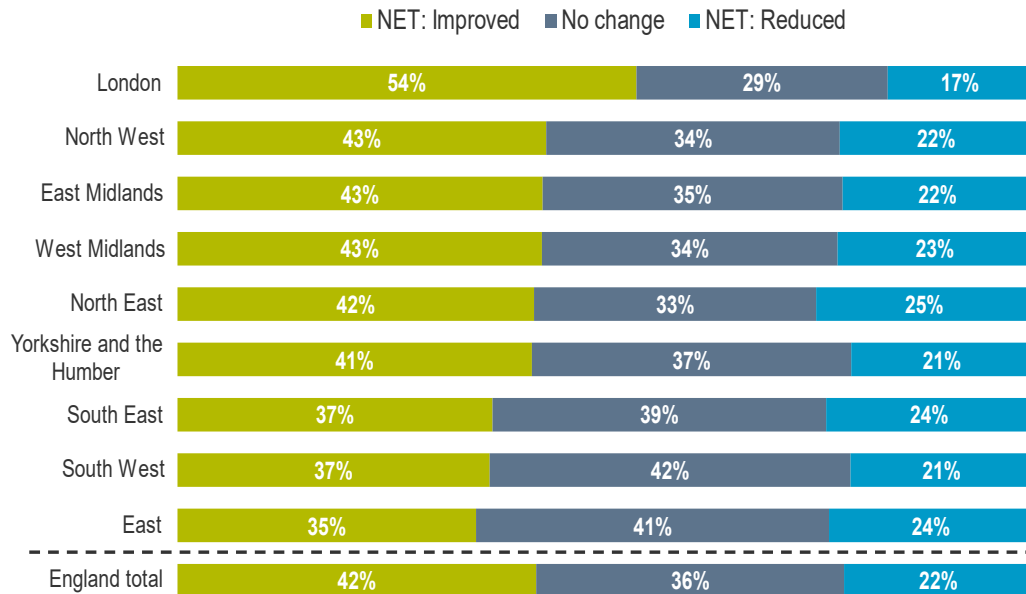
Londoners' satisfaction with life remains below pre-pandemic levels, and the proportion reporting high anxiety remains high

- In London, for the year ending March 2023, the proportion of people reporting high or very high satisfaction levels was 76.7%, compared to 78.4% in March 2022. The proportion continues to be lower than the pre-pandemic estimate of 80.4% (as of March 2020).
- Average ratings of personal wellbeing in the UK declined across all measures in the year ending March 2023.
- 23.7% of Londoners reported high anxiety, plateauing in recent years, though it remains much higher level now than its lowest point in the year ending March 2015 (19.4%).



Londoners were more likely to approve of the “greenness” of their local areas

Whether the quality of green and natural spaces close to where they live had improved in the last 5 years by region between April 2022 to March 2023 (Year 3)



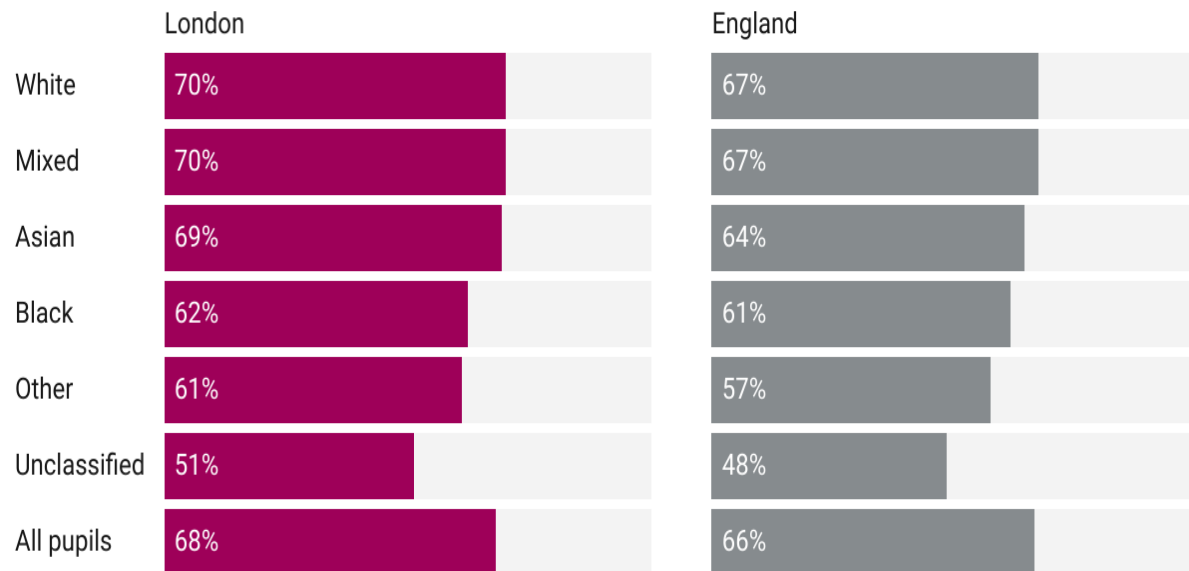
Source: Natural England, 2023, [The People and Nature Surveys for England: Data tables and publications from Adults' survey year 3 \(April 2022 - March 2023\)](#) (Official Statistics)

- The Adults People and Nature Survey for England is one of the main sources of data and statistics on how people experience and think about the environment in England.
- More people surveyed between April 2022 and March 2023 thought the quality of green and natural spaces in their local area had improved rather than reduced.
- People in London were more likely to agree that the quality of green and natural spaces where they live had improved over the last five years.
- Meanwhile, people in the East of England were least likely to agree that green and natural spaces where they lived had improved.

Londoners score higher on school readiness tests than those in other regions except the Southeast

Achievement in EYFSP by Ethnicity

Percentage achieving at least the expected standard in all ELGs (2022/23)



Source: Department for Education

Chart: GLA Intelligence • Source: London Datastore • Created with Datawrapper

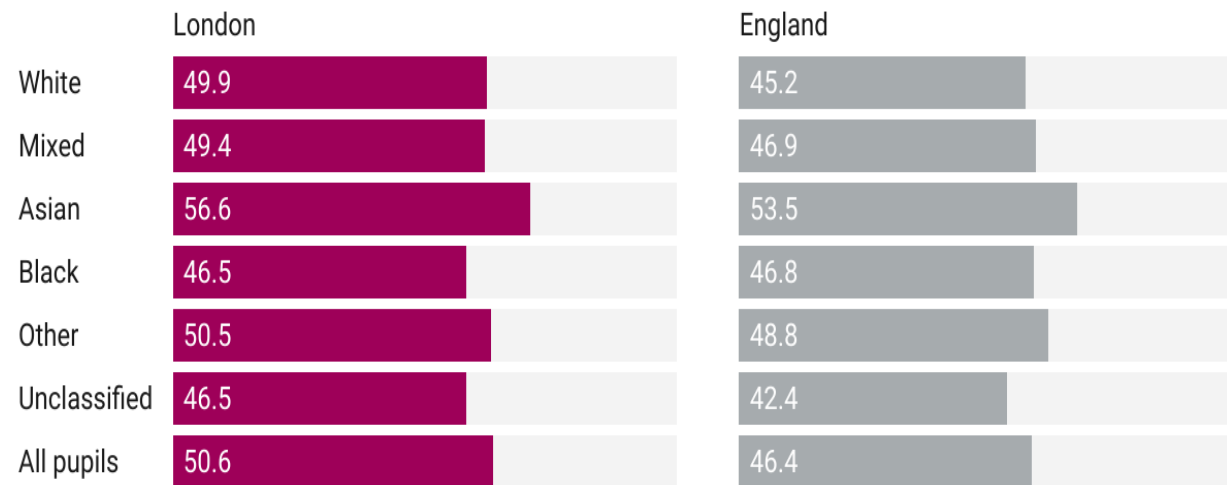
Note: There were no assessments in 2020 or 2021 due to the coronavirus pandemic.

- Early Years Foundation Stage test results have shown higher levels of school readiness among London's young children than those in nearly every other region of England. Only the Southeast scores higher overall.
- When broken down by various characteristics – ethnicity, first language, eligibility for free school meals, those with SEN support needs – London pupils do at least as well, and in most cases better, than those elsewhere who have the same characteristics.
- There are still differences between these sub-groups, however, with Chinese, Indian and Mixed ethnicity children most likely to achieve the expected standard across Early Learning Goals (ELG) in London than those of other ethnic backgrounds.

KS4 attainment results are generally higher for London's pupils than England's, with exceptions

Achievement in GCSEs by Ethnicity

Average Attainment 8 Score (2022/23)



Source: Department for Education

Chart: GLA Intelligence • Source: London Datastore • Created with Datawrapper

- Pupils at London's schools have higher GCSE scores than those in other regions.
- London pupils do better than those in England on each element of the Attainment 8 score and across all attributes (from ethnicity to FSM status).
- The exception to this (according to data on scores from 2022/23) is Black pupils. Both Black boys and girls in London had slightly lower average Attainment 8 scores than Black pupils in England as a whole.