

Forecast report

London's Economic Outlook: Summer 2026

The GLA's medium-term planning projections

July 2026



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Contents

1 Executive summary2

2 Introduction5

3. Economic outturn: Growth expected to continue despite a challenging global backdrop6

4. The GLA Economics reference forecast34

Appendix A: Explanation of terms and some sources43

Appendix B: Glossary of acronyms44

Appendix C: Bibliography.....45

1 Executive summary

London's economy grew in 2024 and 2025, but at a slower pace compared to the pre pandemic period. London's labour market softened towards the end of last year.

The UK entered 2026 with decent Q1 growth, however this was against a backdrop of modest growth in 2025 and continued inflationary pressures. Global growth is expected to ease over the coming year as various economic shocks act as a dampener on it. **The balance of risks to London's economy is thus tilted to the downside** led by the fallout from the wars in the Middle East and the on again off again closing of the Strait of Hormuz. This has seen a significant disruption to key commodity supplies such as oil and gas and components for fertilizer production and has led to concerns around inflationary pressures and the cost of living.

London's economy summary

- GLA Economics estimates London's GVA grew 1.4% in 2025, but workforce jobs were down on the year by 0.4% to 6.46 million by Q1 2026 although they continue to outperform the post pandemic UK average.
- Business survey indicators and consumer confidence remain positive - consistent with positive economic sentiment. Although housing market indicators remain subdued, the broader picture supports expectations of continued subdued growth.
- Productivity, however, has been broadly flat since 2010. As of the latest Office for National Statistics (ONS) data (for 2023), productivity (expressed as output-per-job) fell 1.1% in 2023, leaving it 3.1% below its 2019 level; on the ONS-preferred output-per-hour basis, it fell by 0.7%, 1.1% below its 2019 level.

The UK economy summary

- GVA grew by 1.4% in 2025, while forecasts from major institutions point to a continued period of mild but sustained UK growth.
- UK CPI inflation was 2.8% in the year to May 2026, unchanged from April. Inflation is expected to tick up in the near term and the Bank of England's June 2026 forecast points to CPI just below 3% in Q3 and around 3¼% by Q4 2026 before moderating later.
- The Bank held interest rates at 3.75% in June 2026. However, the market-implied path has since shifted up: following the early-2026 energy shock, with markets pricing no further cuts and the possibility of a modest rise towards 4.0% - a reversal of the previous easing path.

Global summary

- Global growth is forecast to slow in 2026, following price shocks from the Middle East conflict, elevated trade barriers, policy uncertainty and subdued investment.
- World trade growth is also set to slow sharply, with the OECD expecting it to ease from 5.0% in 2025 to 3.1% in 2026 and 2.9% in 2027.
- Global stock markets are also very elevated and the risk of a disorderly correction cannot be ruled out.

GLA Economics' 48th London forecast¹ suggests that:

- London's real Gross Value Added (GVA) is forecast to grow by 1.7% in 2026, 2.0% in 2027, and 2.1% in 2028.
- London's workforce jobs² (WFJ) are projected to grow by 0.5% in 2026, 0.8% in 2027, and 1.0% in 2028.
- Household spending is expected to grow by 1.0% in 2026, 1.2% in 2027, and 1.4% in 2028.
- Household income is expected to grow by 1.2% in 2026, 1.3% in 2027, and 1.5% in 2028.

Table 1.1 summarises this report's forecast growth rates for GVA, jobs, household expenditure, and household income. Forecasts presented in this document should be interpreted as a baseline scenario for London's economy in the medium term. This is the most likely scenario in GLA Economics' judgment, but there are many plausible alternatives.

Table 1.1: Summary of economic forecasts under GLA Economics reference scenario

Annual growth rates (per cent)	2025 ³	2026	2027	2028
London GVA (constant 2022, £ billion)	1.4	1.7	2.0	2.1
<i>Consensus (average of independent forecasts)</i>	–	1.4	1.6	2.1
London workforce jobs	–0.3	0.5	0.8	1.0
<i>Consensus (average of independent forecasts)</i>	–	0.6	1.0	1.3
London household expenditure (constant 2022, £ billion)	1.4	1.0	1.2	1.4
London household income (constant 2022, £ billion)	1.8	1.2	1.3	1.5
<i>Memo: Projected UK RPI⁴ (Inflation rate)</i>	4.1	4.3	3.9	2.8
<i>Projected UK CPI⁴ (Inflation rate)</i>	3.4	3.6	2.7	1.8

Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

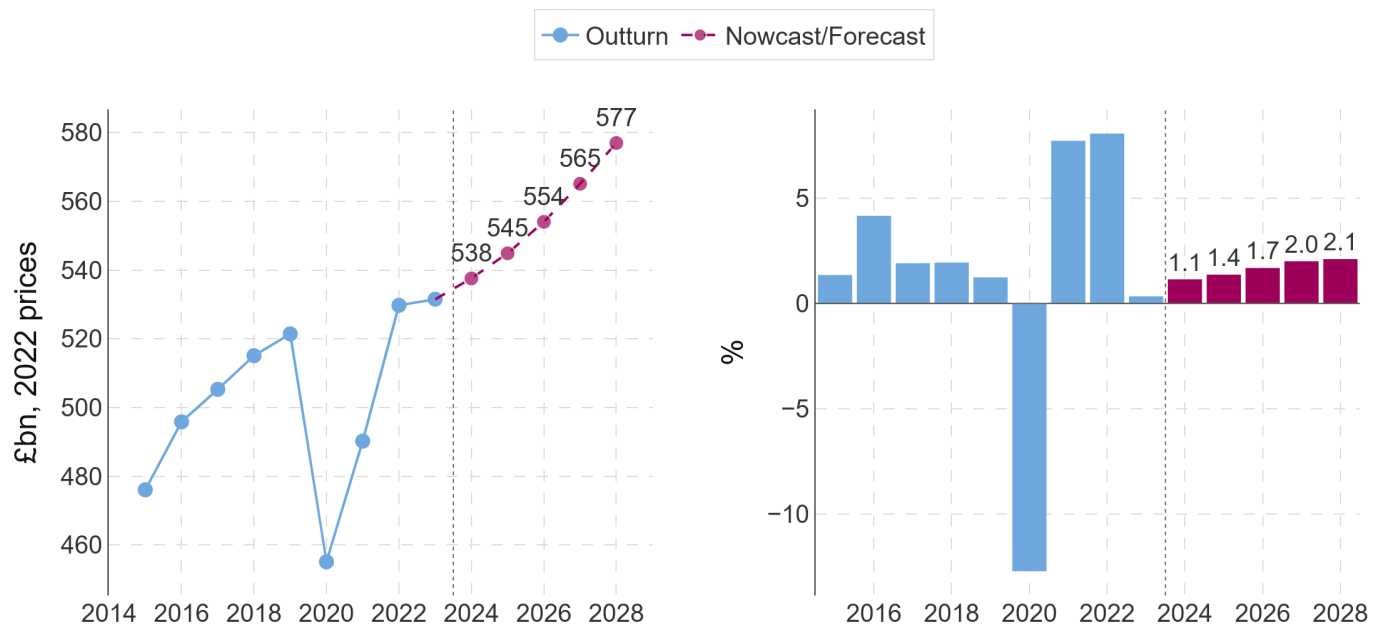
¹ The forecast is based on judgements and GLAE's recently updated econometric model. For more details see 'The new GLA Economics forecast models for London's economy, GLAE Working Paper No.98, June 2020'.

² Unless stated otherwise, any reference to jobs in the main text refers to total workforce jobs.

³ Historic data for London's real GVA and workforce jobs are based on ONS actual data, while household spending and household income are based on GLA Economics regional modelling of UK data.

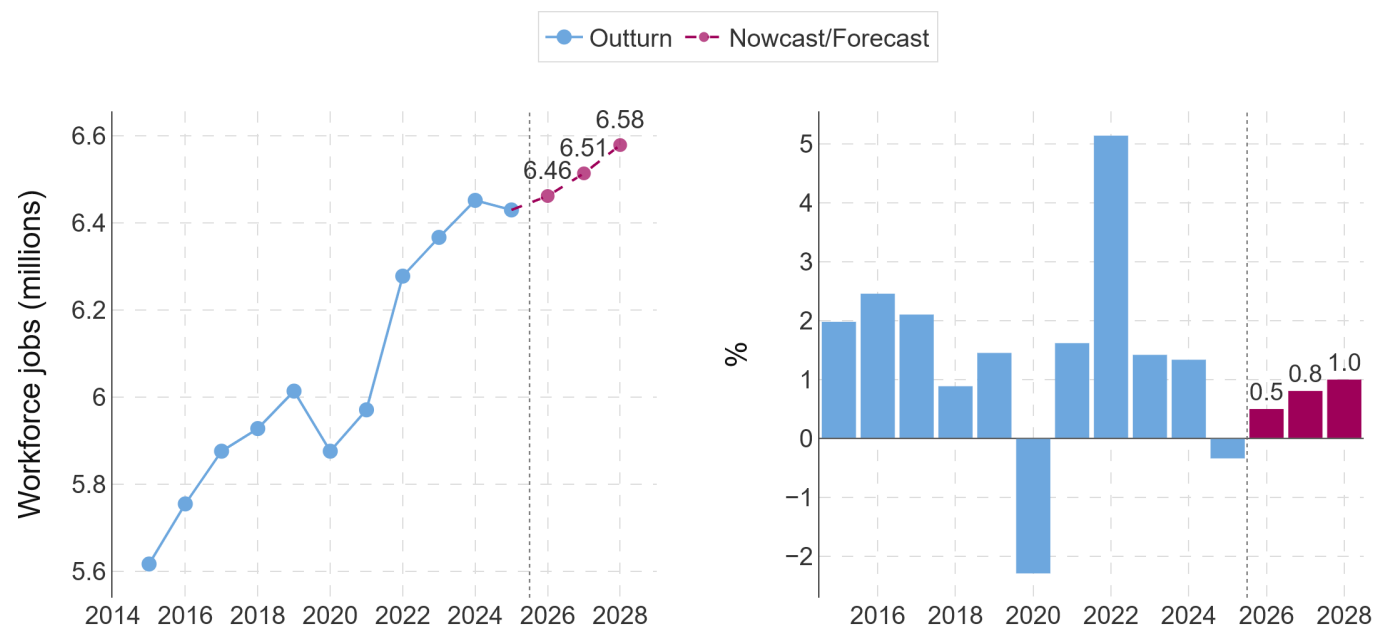
⁴ RPI = Retail Price Index and CPI = Consumer Price Index. Values are not forecasted by GLAE, but instead sourced from published [ONS data](#) and [HM Treasury consensus forecasts](#).

Figure 1.1: Historic and forecast growth in output, levels (LHS) and annual growth rates (RHS)



Source: ONS regional GVA data for historic data until 2023) and GLA Economics' nowcast and forecast beyond

Figure 1.2: Historic and forecast growth in workforce jobs, levels (LHS) and annual growth rates (RHS)



Source: ONS workforce jobs data for historic data (until 2026) and GLA Economics' forecast beyond

2 Introduction

The summer 2026 edition of London's Economic Outlook (LEO) is GLA Economics' 48th London forecast. The forecasts are issued roughly every six months to assist those preparing planning projections for London in the medium term. The report contains the following:

- An overview of recent economic conditions in London, the UK, and the world economy -including analysis of important events, trends, and risks to short and medium-term growth.
- The GLA Economics forecast for output (real gross value added), employment (workforce jobs), household expenditure, and household income in London.
- The 'consensus forecast' – a review of independent forecasts, indicating the range of views about London's economy and the possible upside and downside risk. In this document, 'consensus forecast' refers to the average of the independent forecasters listed below.

Note on the forecast

Any economic forecast represents the forecaster's view of most likely future paths for the economy and is inherently uncertain as a result. Both modelling and data uncertainty, as well as unpredictable events, contribute to the potential for forecast error. Since the spring 2016 LEO, GLA Economics' forecast is based on a blend of an in-house model built by GLA Economics⁵ and the team's judgements. Before 2016, previous forecasts were based on an in-house model built by Volterra Consulting Limited. GLA Economics' review of independent forecasts provides an overview of the range of alternative opinions. Independent forecasts are supplied to the GLA for the main macroeconomic variables by the following organisations:

- The Centre for Economic and Business Research (CEBR)
- Experian Economics (EE)
- Oxford Economics (OE)

GLAE builds these projections to scenarios consistent with the latest Bank of England's⁶ forecast published in April and are guided by the OBR⁷ forecasts, published in March – but economic forecasting is not a precise science. Our forecasts provide an indication of what is, in GLA Economics' view, *most likely* to happen, not what will *definitely* happen. As a result, there are significant risks, mainly on the downside, associated with the presented central scenario.

⁵ The forecast model used in this forecast has updated the model described in this publication: Douglass, G & van Lohuizen, A (2016). ['The historic performance of the GLA's medium-term economic forecast model'](#), GLA Economics Current Issues Note 49, November 2016. A description of this new forecast model can be found in Orellana, E. (2020) ['The new GLA Economics forecast models for London's economy'](#), GLA Economics Working Paper 98.

⁶ [Bank of England \(2026\), "Monetary Policy Report", April 2026](#)

⁷ [OBR \(2026\), "Economic and fiscal outlook", March 2026](#)

3. Economic outturn: Growth expected to continue despite a challenging global backdrop

A range of indicators – from output and employment data to business surveys – indicate growth for the UK and London through 2025 and into 2026. Although the conflict with Iran (and its impact on the cost of living) will put pressure to raise the Bank Rate (or at least hinder further rate cuts), we expect steady, modest growth to continue into the medium-term.

This chapter discusses:

- Output, jobs, firms, and household finances in London (how London's economy is doing structurally)
- Fast-moving indicators for London's economy, such as consumer and business sentiment surveys (what's happening right now)
- UK economy and implications for London (the national context that London operates within)
- Risks to London's economy (what could affect the future)
- Global prospects (what external forces will shape the UK's and London's future)

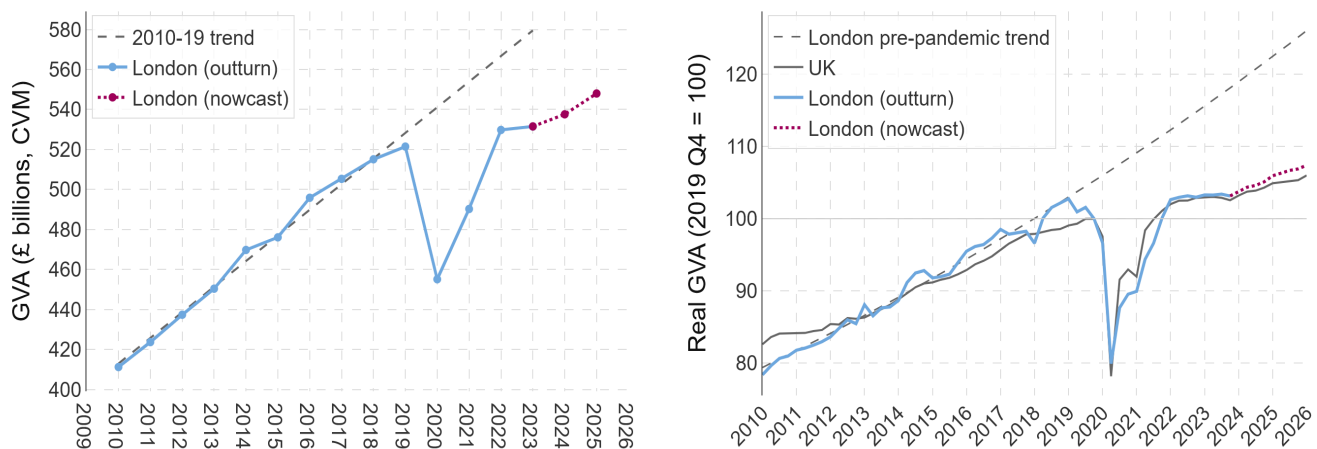
3.1 London's economy

Output

Since the last edition of LEO (December 2025), and for some time now, no new Office for National Statistics (ONS) data on London's output (measured in gross value added, GVA) has been published. Our findings regarding London's real GVA therefore remain unchanged. We do, however, continue to supplement measurement of London's GVA with high-frequency economic indicators relevant to the capital – to provide timelier insight into London's economic trends.

The latest ONS data, for 2023, indicates London's real economic output (the value of output accounting for inflation) grew by 0.3% in 2023, to £532 billion (see Figure 3.1). London's post-pandemic recovery and recent growth have broadly tracked the UK's. Indexed to 2019, both stood just above their pre-pandemic level in 2023. Extending beyond the ONS series, **GLA Economics nowcasting estimates real GVA grew 1.1% in 2024 to £538 billion and 1.4% in 2025, to £545 billion.**

Figure 3.1: Real GVA in London, in £bn (LHS) and indexed to 2019 (RHS)

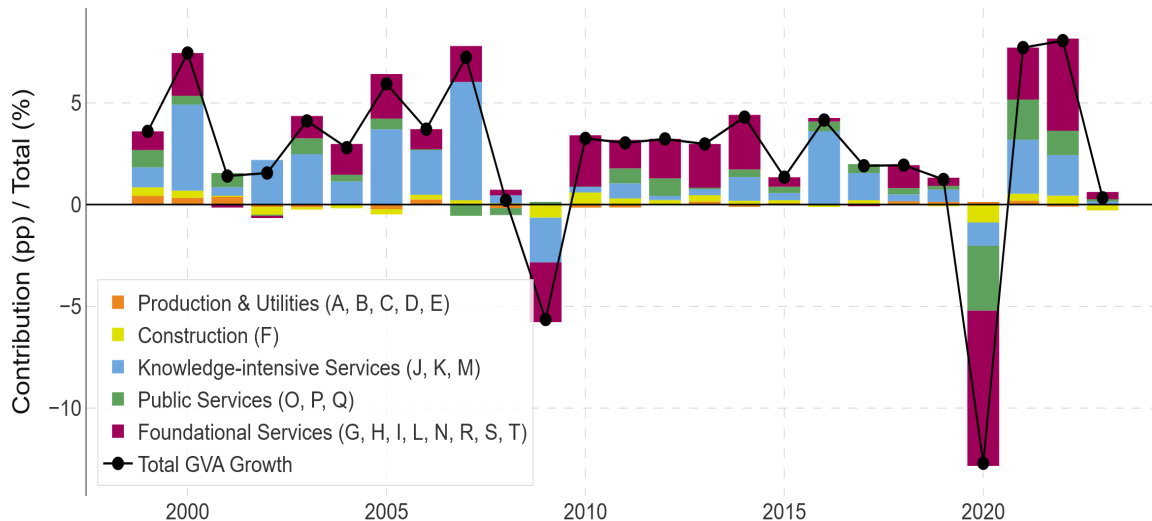


Source: GLA Economics analysis of ONS Regional GVA data; GLA Economics nowcast for 2024-26

Annual growth in 2023 reflected mixed sector performance (see Figure 3.2), with:

- Foundational Services (retail, transport, hospitality, real estate, administrative services, arts, and other services) providing the main contribution to growth (+0.4 percentage points, pp);
- Knowledge intensive Business Services (ICT, financial services, professional services) and Public Services making modest positive contributions;
- Production & Utilities (agriculture, mining, manufacturing, utilities) holding flat⁸;
- and Construction contracting and dragging on growth (-0.3pp)

Figure 3.2: GVA growth in London, broad sector contributions (annual), 1999 to 2023



Source: GLA Economics analysis of ONS regional GVA

Figure 3.3 summarises London's real GVA by broad sector and industry from 2010 to 2023. Each row is the sector's real GVA in £bn, shaded by its growth over time.

- Knowledge-intensive Business Services (KIBS) remained London's largest sector (£231bn of output in 2023), growing 0.3% on the year.
- Foundational Services (£191bn in 2023) grew 1% on the year.
- Construction (£20.7bn in 2023) was the only sector to contract on the year (-6.8%).
- Public Services (£72.5bn in 2023) grew 0.7% on the year.
- Production & Utilities (£16.5bn in 2023) grew 1.1% on the year.

⁸ The broad sector classifications used in this chapter are based on ONS Standard Industrial Classifications: Production & Utilities (agriculture, mining, manufacturing, utilities); Construction; Knowledge-intensive Business Services or KIBS (ICT, financial services, professional services); Public Services (public administration, education, health); and Foundational Services (retail, transport, hospitality, real estate, administrative services, arts, other services).

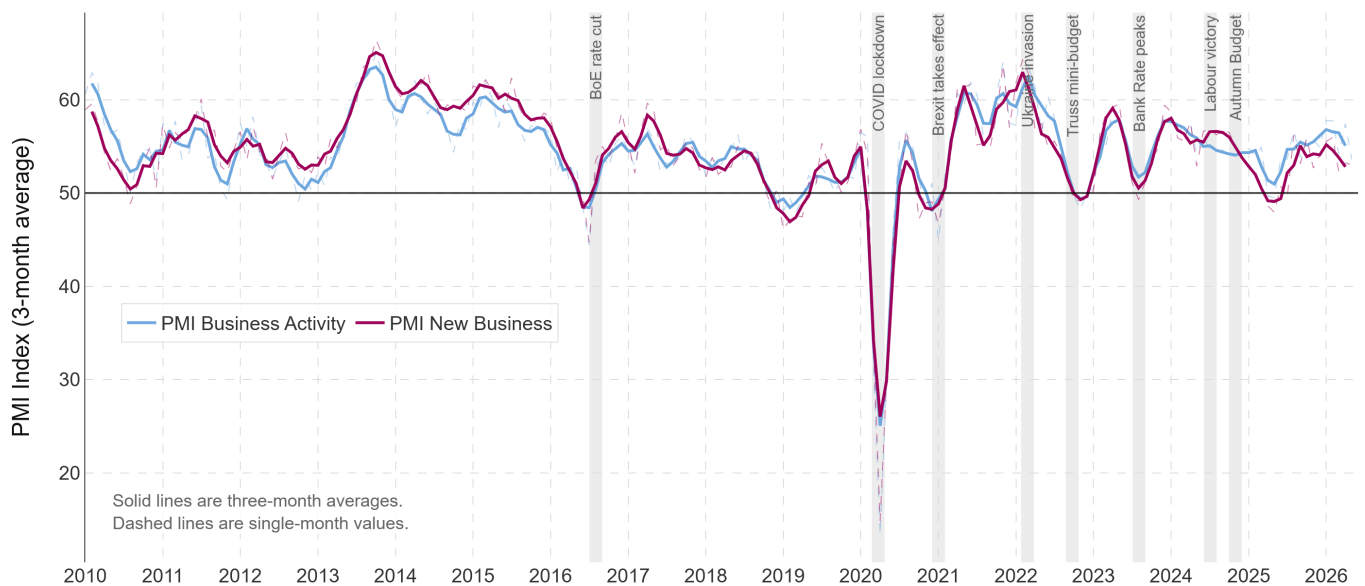
Figure 3.3: London GVA performance by sector, 2010–2023 (£bn, chained volume measure)

Sector	GVA (£bn, CVM)														YoY
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Production & Utilities	14	13	13	14	14	14	14	14	15	15	16	17	16	16	▲ +1.1% (+0.2bn)
Construction	18	19	20	21	22	23	23	24	24	23	19	20	22	21	▼ -6.8% (-1.5bn)
Knowledge-intensive Services	174	177	178	179	184	186	203	210	211	215	209	221	230	231	▲ +0.3% (+0.7bn)
Public Services	57	60	64	64	66	67	69	71	73	74	57	66	72	73	▲ +0.7% (+0.5bn)
Foundational Services	149	155	163	172	184	186	187	187	193	195	155	167	189	191	▲ +1.0% (+1.9bn)
Manufacturing	8.7	8.4	8.8	9.2	9.1	8.8	8.5	8.9	9.6	9.7	8.9	10	10	9.9	▼ -2.8% (-0.3bn)
Utilities (elec/gas)	2.3	2.2	2.0	2.2	2.0	2.5	2.8	2.5	2.6	3.1	4.1	3.8	3.6	4.3	▲ +19.7% (+0.7bn)
Water & waste	2.6	2.5	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.1	2.2	2.1	2.0	1.9	▼ -5.1% (-0.1bn)
Construction	18	19	20	21	22	23	23	24	24	23	19	20	22	21	▼ -6.8% (-1.5bn)
Financial services	99	99	97	92	92	87	97	102	100	99	98	102	100	100	▲ +0.9% (+0.9bn)
Professional services	47	47	48	53	55	59	62	62	63	65	60	64	71	71	▲ +0.4% (+0.3bn)
Information & comms	28	31	32	34	37	40	44	45	48	51	51	54	60	59	▼ -0.7% (-0.4bn)
Health & social	24	25	27	28	28	29	31	32	32	32	21	26	27	27	▼ -0.9% (-0.2bn)
Education	18	20	20	20	21	21	20	21	22	23	18	21	24	25	▲ +3.6% (+0.9bn)
Public admin	15	15	16	16	17	17	18	19	19	20	19	19	21	21	▼ -0.8% (-0.2bn)
Real estate	50	51	59	63	67	71	70	66	71	68	67	68	68	67	▼ -1.7% (-1.2bn)
Wholesale & retail	35	35	35	34	39	39	38	40	39	40	32	36	41	40	▼ -2.3% (-0.9bn)
Admin services	19	21	22	25	27	29	29	29	30	31	24	25	30	33	▲ +10.6% (+3.2bn)
Transport	17	17	17	18	19	17	18	19	19	20	8.8	9.7	16	16	▲ +1.4% (+0.2bn)
Accommodation & food	12	14	14	15	15	14	15	16	16	16	9.4	11	16	15	▼ -3.9% (-0.6bn)
Arts & entertainment	8.3	8.9	8.5	9.0	9.4	9.5	9.1	9.6	9.9	11	7.3	8.7	9.6	10	▲ +7.0% (+0.7bn)
Other services	6.5	6.5	6.6	6.9	7.1	7.0	7.1	7.5	7.8	7.8	6.0	6.8	7.5	8.1	▲ +8.0% (+0.6bn)

Source: GLA Economics analysis of ONS regional GVA

To understand post-2023 output, we can look to Purchasing Managers' Indexes (PMIs), a timelier measure of economic activity and proven leading indicator of output, capturing whether firms report expansion or contraction. On average, London's PMIs signalled modest expansion through 2024 and 2025, generally holding above the 50 no-change mark (see Figure 3.4). This is consistent with GLA Economics estimates of continued but mild output growth. London's business activity PMI (3-month smoothed) was 55.1 in April 2026, 3.7 points higher than a year earlier and comfortably in expansion territory (above 50). The new business PMI, which tracks new orders, was 52.8 - also expansionary. The latest single-month readings (May 2026) were 53.6 for business activity and 53 for new business, both above the 50 no-change mark.

Figure 3.4: Purchasing Manager Indexes on business activity and new business (three-month average and single-month)



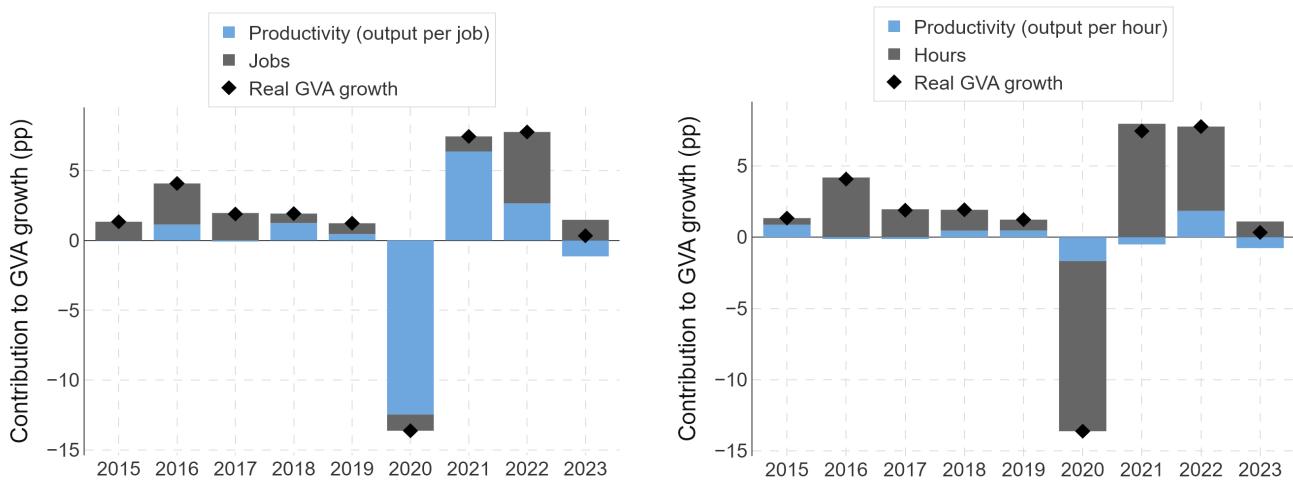
Source: GLA Economics analysis of S&P Global PMI

Note: The PMIs are diffusion indices from S&P Global's survey of firms. The business activity index tracks output and the new business index tracks new orders. A reading above 50 indicates expansion (more firms reporting an increase than a decrease), below 50 a contraction, and 50 no change.

Productivity

Output growth comes from two sources: a more productive economy (more output per unit of input) – or more inputs, namely more jobs and hours worked. **Output growth in 2023 was not driven by growth in productivity – but rather by growth in jobs and hours worked** (see Figure 3.5). If looking at productivity as output per hours worked in the economy, we see the 0.3% output growth in 2023 was actually dragged down –0.7pp from falling productivity. On an output-per-job basis, that same 0.3% growth in 2023 was dragged down –1.1pp from falling productivity. The pattern is long-running: since 2011, the bulk of output growth has come almost entirely from rising employment and hours rather than from productivity.

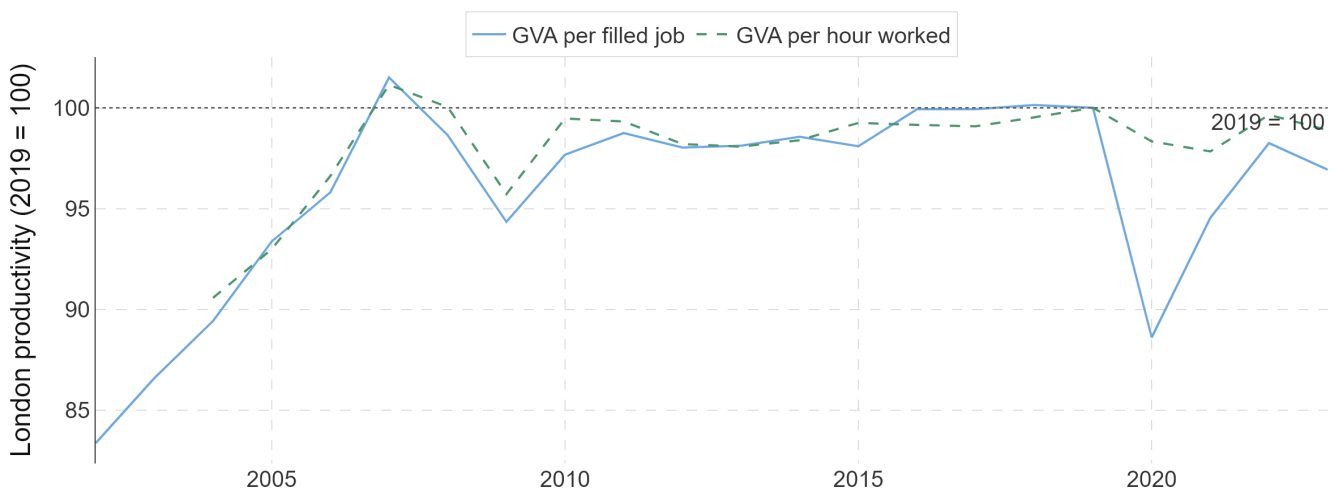
Figure 3.5: Contributions of productivity and labour input to London's GVA growth, with labour input measured as jobs (LHS) and as hours worked (RHS)



Source: ONS regional GVA and productivity hours and workforce jobs; GLA Economics calculations.

Shifting to productivity as the measure, rather than a component of output, we see that **productivity has been broadly flat since 2010** (see Figure 3.6). As of the latest ONS data (for 2023), productivity (expressed as output-per-job) fell 1.1% in 2023, leaving it 3.1% below its 2019 level; on the ONS-preferred output-per-hour basis, it fell by 0.7%, 1.1% below its 2019 level.

Figure 3.6: London's labour productivity, output per filled job and per hour worked (indexed to 2019)

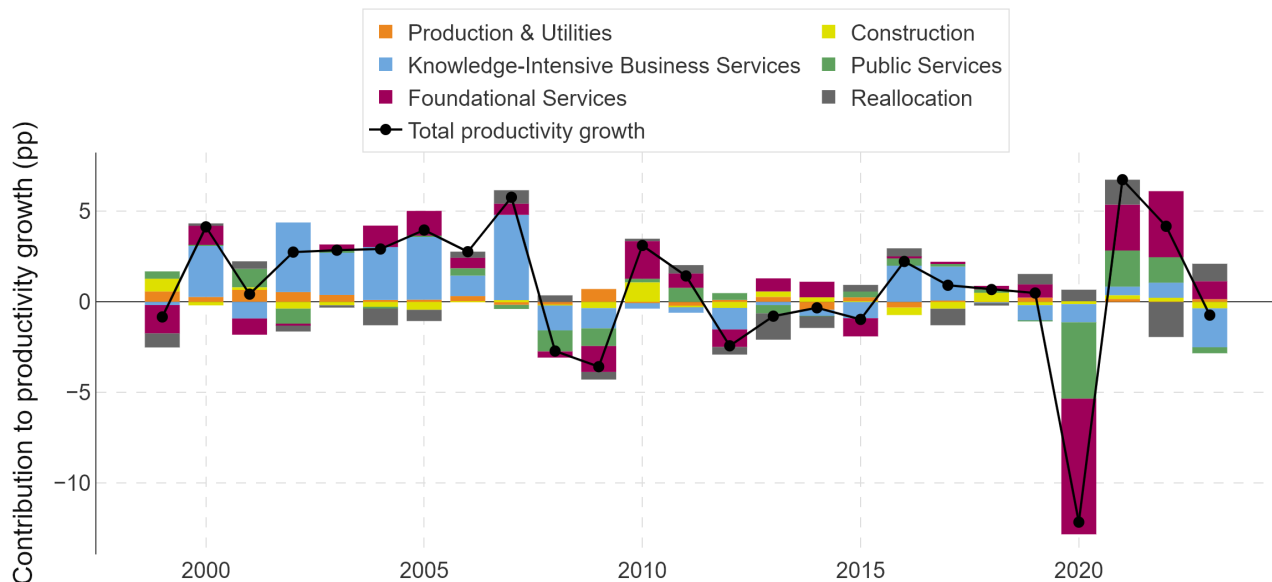


Source: GLA Economics calculations of ONS subregional productivity data

Ideally, to see how productivity in different industries has affected overall productivity, we would decompose productivity by sector on an output-per-hour basis, but consistent per-hour data by sector are not readily available for London. So, the decomposition below uses output per workforce job – yielding an illustrative measure of productivity, rather than an output-per-hour one. Splitting the fall in productivity into within-sector changes (productivity moving within each sector) and reallocation (the shifting mix of

jobs between sectors) **shows the fall in productivity in 2023 was driven by falling productivity within sectors - notably knowledge-intensive services, public services and construction - rather than by a changing mix of jobs across sectors** (see Figure 3.7). Over 2022 to 2023, within-sector changes subtracted 1.7pp while reallocation between sectors added 1pp.

Figure 3.7: London productivity growth, within-sector and reallocation contributions



GLA Economics quarterly GVA; ONS workforce jobs; GLA Economics calculations

Labour market

ONS Labour Force Survey data provide the timeliest headline indicators for London's labour market, and indicates the following:⁹

- **London's employment rate** was estimated at 74.2% for the three months to April 2026, little changed on the year and up 0.5pp on the quarter. This remained slightly below the UK average of 75%.
- **London's unemployment rate** was estimated at 6.6%, the highest of any UK region and above the UK average of 4.9%. The rate was 0.2pp higher than a year earlier.
- **London's economic inactivity rate** was estimated at 20.3%, down 0.3pp on the year but up 0.5pp on the quarter. It remained below the UK average of 21%.

The size of London's labour market can be read through several measures:

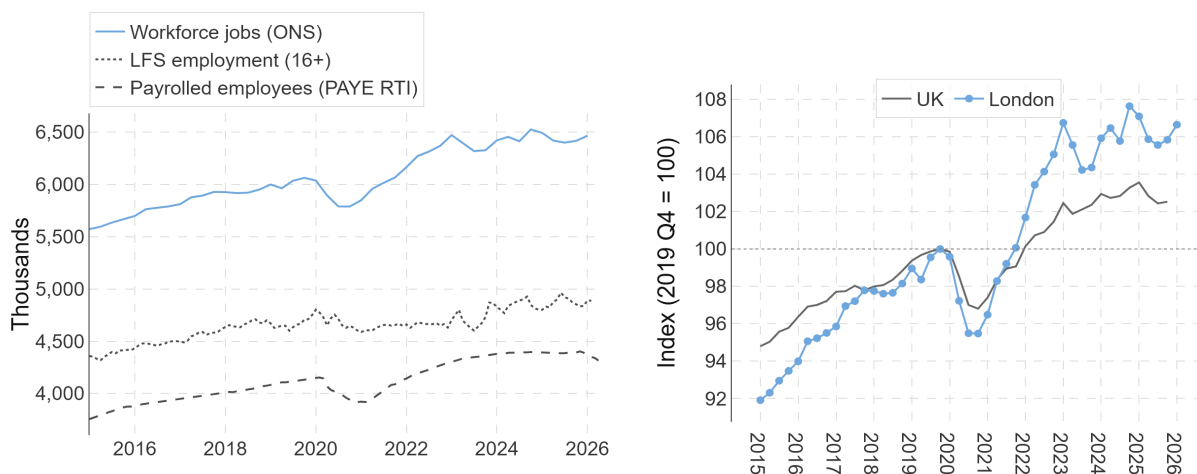
- The **Labour Force Survey employment level** (people aged 16+ in work) was 4.9 million in for February to April 2026 (up 1.2%, around 58,000 on the year);
- **Payrolled employees** (employee jobs paying PAYE tax) totalled 4.3 million in April 2026 (down 1.7%, around 75,000, on the year).
- **Workforce jobs** (the broadest measure, counting employee jobs, self-employment and second jobs) totalled 6.46 million in 2026 Q1 (down 0.4%, around 27,000 jobs, on the year).

⁹ For more detailed labour market analysis, including commentary on earnings, claimant count, and PAYE RTI data, see November's GLAE [Labour Market Update](#).

The rest of the chapter will use Workforce Jobs data to assess the “size” of the labour market, due to: (1) the ONS's concerns about low Labour Force Survey response rates and data volatility affecting industry breakdowns; and (2) WFJ data being workplace-based, counting jobs in London's economy rather than jobs for those living in London.

The number of workforce jobs rose 0.8% quarter-on-quarter in Q1 2026 (49,000 more jobs) but was down 0.4% (around 26,000 fewer jobs) on the year. The recent softness reflects the cooling in labour demand, consistent with online job adverts well below their pre-pandemic level and a fall in the share of London businesses reporting worker shortages (to 7.2% from a mid-2022 peak of 18.2%). London's workforce jobs have nonetheless outperformed the UK average since the pandemic (see RHS of Figure 3.8).

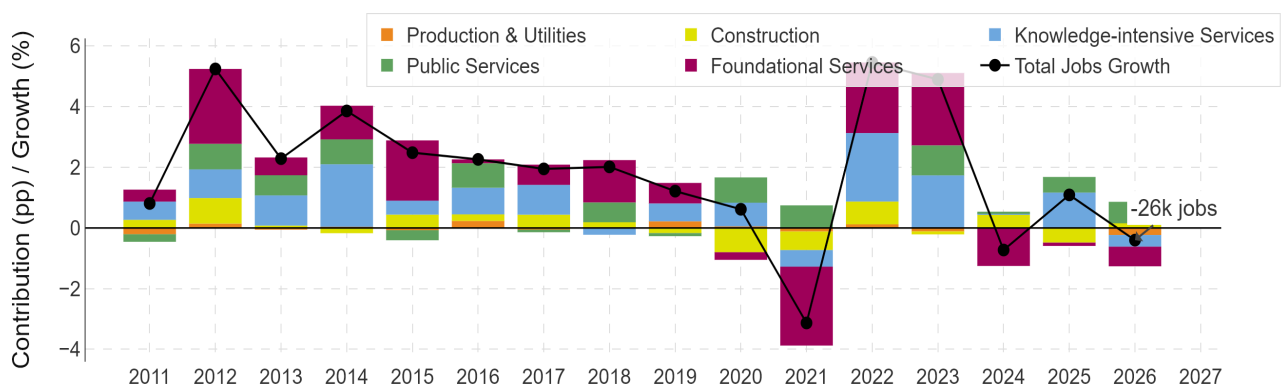
Figure 3.8: London's workforce size through workforce jobs, LFS employment levels, and payrolled employees (LHS), and workforce jobs growth since 2019 (RHS)



Source: ONS workforce jobs (London, SA); ONS Labour Force Survey (London, 16+ in employment, rolling three-month); HMRC PAYE RTI (payrolled employees, London)

Beneath the headline, the composition of the fall in jobs on the year was uneven across sectors (see Figure 3.9). Public Services made the largest positive contribution to 2025 jobs growth (+0.7pp, +46,000 jobs), while Foundational Services (retail, transport, hospitality and administrative services) was the main drag (-0.6pp, -42,000 jobs), with Knowledge-Intensive Services also subtracting (-0.4pp, -25,000 jobs).

Figure 3.9: London workforce jobs growth: broad sector contributions



Source: ONS Workforce Jobs, GLA Economics calculations

Figure 3.10 shows London workforce jobs by broad sector (Q1 of each year, 2010–2025), with each row shaded by its own jobs level over time and year-on-year growth alongside. Knowledge-Intensive and Foundational Services remain London's largest employers. Jobs in Public Services has grown steadily in the last decade, while Construction and Production & Utilities jobs remain a small section of jobs.

- Foundational Services remained London's largest employer, with 2.53 million jobs in 2026 Q1, down 1.6% on the year.
- Knowledge-Intensive Services employed 2.00 million, down 1.2% on the year.
- Public Services reached 1.48 million jobs, up 3.2% on the year.
- Construction employed 294,000, up 3.5% on the year.
- Production & Utilities employed 160,000, down 8.6% on the year.

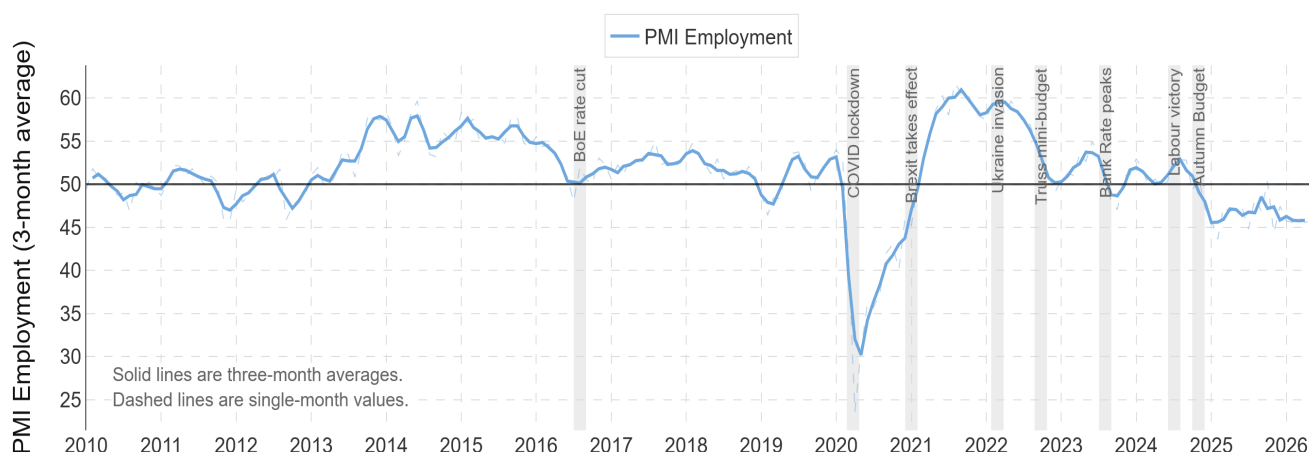
Figure 3.10: London workforce jobs by broad sector, Q1 2010–2026

Sector	WFJ (000s, SA, Q1)																	YoY
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Production & Utilities	161	151	158	156	158	154	167	164	165	178	181	174	181	174	175	175	160	▼ -8.6% (-15k)
Construction	225	238	279	283	274	298	310	335	345	335	287	250	294	288	315	284	294	▲ +3.5% (+10k)
Knowledge-intensive Services	1306	1335	1381	1432	1540	1565	1614	1670	1657	1692	1739	1706	1838	1945	1948	2023	1998	▼ -1.2% (-25k)
Public Services	1080	1068	1109	1143	1186	1168	1213	1208	1246	1240	1290	1335	1335	1396	1399	1432	1478	▲ +3.2% (+46k)
Foundational Services	2052	2071	2191	2221	2279	2387	2394	2432	2513	2553	2538	2381	2517	2664	2583	2576	2534	▼ -1.6% (-42k)
Manufacturing	136	116	123	127	126	123	131	129	128	135	142	135	136	134	132	134	122	▼ -9.0% (-12k)
Utilities (elec/gas)	5	12	8	6	6	8	10	10	16	17	17	16	14	13	17	19	16	▼ -15.8% (-3k)
Water & waste	18	20	19	17	21	17	16	19	16	17	20	19	26	20	18	18	16	▼ -11.1% (-2k)
Construction	225	238	279	283	274	298	310	335	345	335	287	250	294	288	315	284	294	▲ +3.5% (+10k)
Professional services	627	604	624	676	744	754	788	831	804	823	831	810	901	938	922	960	934	▼ -2.7% (-26k)
Information & comms	334	371	374	382	430	440	435	450	468	472	506	465	513	564	575	613	600	▼ -2.1% (-13k)
Financial services	345	360	383	374	366	371	391	389	385	397	402	431	424	443	451	450	464	▲ +3.1% (+14k)
Health & social	476	474	511	540	546	536	562	580	599	588	613	644	626	675	696	704	735	▲ +4.4% (+31k)
Education	365	356	372	378	411	408	423	405	415	406	424	424	437	431	421	439	445	▲ +1.4% (+6k)
Public admin	239	238	226	225	229	224	228	223	232	246	253	267	272	290	282	289	298	▲ +3.1% (+9k)
Wholesale & retail	588	587	638	626	627	678	642	643	681	654	664	659	655	637	618	657	635	▼ -3.3% (-22k)
Admin services	472	504	517	521	521	570	564	581	613	612	579	532	585	662	617	628	632	▲ +0.6% (+4k)
Accommodation & food	332	309	341	357	372	370	393	416	423	450	453	382	448	482	444	450	434	▼ -3.6% (-16k)
Transport	258	261	251	263	267	268	287	306	282	313	307	302	286	295	305	276	286	▲ +3.6% (+10k)
Arts & entertainment	146	154	168	174	188	201	198	188	198	203	203	186	209	190	224	217	202	▼ -6.9% (-15k)
Other services	135	138	143	147	159	156	145	162	162	161	157	167	161	208	184	180	175	▼ -2.8% (-5k)
Real estate	109	102	117	115	115	132	142	121	138	137	154	144	157	176	171	151	164	▲ +8.6% (+13k)

Source: ONS Workforce Jobs, GLA Economics calculations

Consistent with the easing pace of jobs growth seen above, timelier employment PMIs points in the same direction: The latest employment-related PMI, ¹⁰, stood at 45.8 (3-month average values in Figure 3.11) in May 2026 – below the expansion threshold of 50, and 0.2 points lower than a year earlier, pointing to softer hiring. The latest single-month reading (May 2026) was 45.7, also below the 50 no-change mark. The index has sat below 50 for much of the past year, consistent with a cooling labour market.

Figure 3.11: London PMI employment (3-month moving average)



Source: GLA Economics analysis of S&P Global PMI data

The labour market is already being affected by the impacts of generative artificial intelligence, and this is likely to ramp up in the coming years. The box below outlines the latest evidence of its impacts on London's labour market, and its adoption by firms.

Box 3.1: How will artificial intelligence change London's labour market?

Generative Artificial Intelligence (GenAI) is evolving quickly, with the potential to reshape London's labour market. But its overall impact on employment remains uncertain.

In a recent GLA Economics Working Paper, '[London's workforce exposure to generative artificial intelligence](#)' we use measures of GenAI exposure at a task level to examine how AI could change London's labour market. The analysis provides high-level estimates of the degree to which different types of occupations are most likely to be affected but notes that AI has the potential to have both positive and negative impacts on jobs and the labour market. Together with near real-time job postings and business survey data, this analysis highlights both where changes are most likely to occur and where impacts are already starting to emerge.

What is 'occupational exposure'?

We use the International Labour Organisation (ILO) framework for classifying occupational exposure on a five-point scale based on the potential for GenAI to automate tasks (see Table 3.1).

¹⁰ A value below 50 indicates that more firms reported falling than rising staff headcount, signalling a period of net job losses.

Table 3.1: Definitions and interpretation of GenAI exposure levels

GenAI Exposure level	Interpretation	Example occupations
Exposed: Level 4 <i>(High task exposure, Low task exposure variability)</i>	High and consistent exposure to GenAI across tasks within the occupation. Most tasks in these jobs have a high potential of automation , with little variability in task-level exposure.	Administrative / clerical roles, Bookkeepers
Exposed: Level 3 <i>(Significant task exposure, high task exposure variability)</i>	Above-moderate occupational exposure. Even though some key tasks remain less exposed, the overall potential of automation of the current tasks with GenAI is growing in these occupations.	Economists, Software developers, Accountants
Exposed: Level 2 <i>(Moderate task exposure, high task exposure variability)</i>	Moderate occupational GenAI exposure, with high task-level variability. These occupations include a mix of some tasks that are exposed to GenAI and others not at risk, making the impact uneven.	Mgmt. consultants, Marketing professionals, IT system designers
Exposed: Level 1 <i>(Low task exposure, high task exposure variability)</i>	Low overall GenAI exposure at the occupational level, but high variability across tasks. Some tasks within these roles have automation potential, even if the occupation as a whole remains reliant on non-automatable tasks.	Sales assistants, Lab technicians, Legal associate professionals
Limited Exposure All other occupations <i>(Low task exposure, low-mod task exp. variability)</i>	Occupations with minimal-low GenAI occupational exposure, where most tasks remain relatively unaffected. Low-moderate task exposure variability, also makes these occupations less likely to be impacted by AI automation, although not immune .	Carpenters, Care workers, Primary school teachers

Note: Occupational GenAI exposure scores are not forecasts of jobs losses. Rather they indicate only the technical potential for tasks within roles to be automated by GenAI.

What did we find?

- **At least 46% of London's workers (around 2.4 million people) are in roles where GenAI could automate a share of their tasks**, based on the ILO's occupational exposure estimates. This is substantially higher than the UK average of 38%.

- **However, high exposure, as defined in the report, does not signal definitive job losses, nor does low exposure guarantee job and occupational security.**
- **Around 6% of workers (313,000) are in Level 4, the highest-exposure group, where most tasks could be automated using current GenAI capabilities.** A further 14% (748,000) are in Level 3, where exposure is high but varies across tasks, with some key tasks remaining less exposed. Together, these groups make up just over one-fifth of London's workforce and are the most likely to experience earlier and more pronounced role changes as GenAI adoption grows (see Figure 3.12).

Figure 3.12: Almost half of London's workforce is in GenAI-exposed occupations

London | 2022-2024 employment estimates

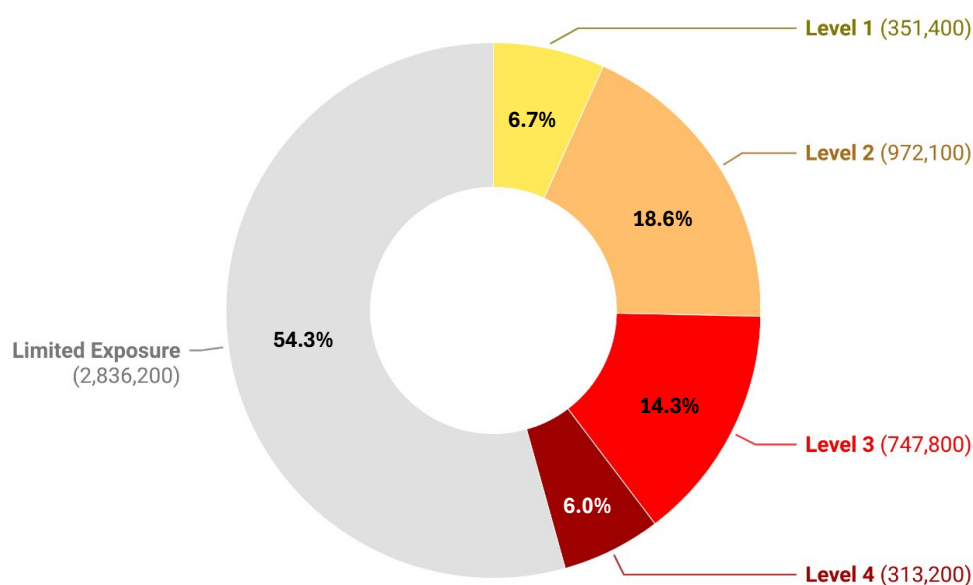


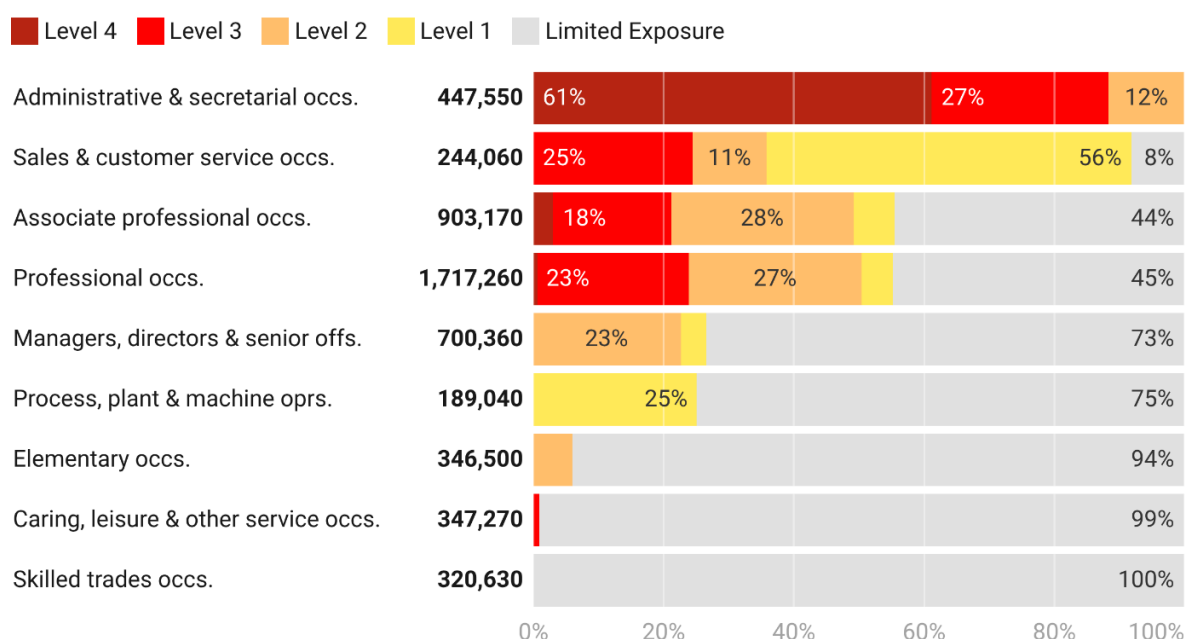
Chart: GLA Economics adaption of ILO (2025) approach • Source: ONS Annual Population Survey - Pooled Annual (2022-2024) - Percentages may not sum to 100% due to rounding. Location is place of employment. • Created with Datawrapper

- **London's high exposure to GenAI presents both opportunity and risk.** The technology could deliver productivity gains by improving task efficiency, but it may also create a risk of disruption and reduced demand for some roles, even while increasing the need for some new or existing roles.
- In addition to the technology's capabilities, longer-term GenAI **labour market impacts will depend on a range of other factors**, including adoption patterns, the availability of complementary skills, public trust in AI outputs and business integration strategies, as well as wider economic conditions.
- **GenAI exposure – and its potential impact – is heavily concentrated within specific occupations and industries.** Over 300,000 workers – predominantly in routine administrative roles – face the highest levels of exposure and risk of AI automation, as their clerical tasks align most closely with GenAI capabilities. Many professional white-collar occupations are also highly exposed, reflecting the language-, digital- and analysis-intensive nature of their work. However, roles requiring high-stakes judgement, accountability and client interaction are considered by the ILO measures to be less directly automatable. They are more likely to be reshaped through augmentation than replaced by GenAI.
- **ICT, finance, professional services, and public administration sectors face the highest overall exposure to GenAI** (see Figure 3.13). These are industries that are fundamental to London's

economy. Sectors that rely on physical presence employing skilled trades, or care professionals, for example are less directly exposed, though no sector is likely to remain entirely unaffected. Some sectors with relatively low direct exposure to GenAI – such as transport – may see faster change in the future when other forms of AI such as computer vision advance, increasing the potential of robotics and other automation technologies.

Figure 3.13: Administrative roles at most risk of GenAI disruption, with large numbers of workers in professional roles also exposed

Distribution of GenAI exposure levels across broad occupational groups
London | 2022-2024 employment estimates | Major SOC 2020 groups



Note: Numbers in **bold** are the estimated number of total workers in each category.

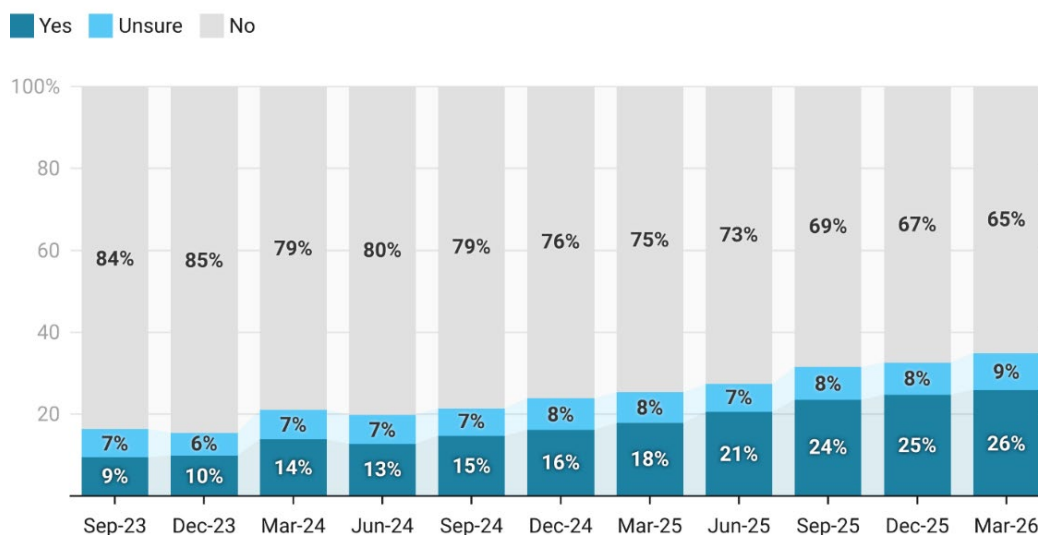
Chart: GLA Economics adaptation of ILO (2025) approach • Source: ONS - Annual Population Survey - Pooled Annual (2022-2024) • Created with Datawrapper

- **Exposure estimates suggest uneven impacts are likely across London's workforce.** Differences in exposure across groups largely reflect existing occupational patterns, although no group is entirely insulated from potential effects. Workers with higher levels of educational attainment are among the most exposed, reflecting their concentration in knowledge-intensive occupations. Women are overrepresented in highly exposed administrative and clerical roles.
- **Many younger workers, those at the start of their professional careers, are concentrated in high-exposure digital and knowledge-intensive roles.** GenAI may also affect “stepping-stone” jobs that traditionally provide entry routes into careers, with implications both for young people trying to gain a foothold in the labour market and for longer-term talent pipelines into more senior roles.
- **Exposure alone does not drive labour market change, but early signals from GenAI adoption trends suggest it is beginning to translate into tangible workplace impacts.** Worker- and business-reported AI adoption has almost doubled over the last two years to between 26%-35% and continues to steadily rise as use cases become clearer, particularly in highly exposed knowledge-intensive sectors (see Figure 3.14).

- **Adoption (and intensity of adoption) remains uneven**, with larger and more digitally mature businesses leading the uptake. Organisations' ability to manage change and the risks around data protection, quality, and accountability may be slowing use in some settings.

Figure 3.14: AI adoption rates are rising steadily among UK firms

Share of businesses using AI technologies
UK businesses | Sep 2023 - Mar 2026 | All business sizes



'Yes' value imputed from question: "Which of the following AI technologies, if any, does your business currently use?"

Chart: GLA Economics • Source: ONS Business Insight and Conditions Survey • Created with Datawrapper

- **So far, task change within roles appears to be the main employment effect**, with early adoption evidence to date pointing to tentative productivity gains, sub-task automation and role redesigns, rather than wholesale job replacement with AI. Business-reported impacts of adoption on specific roles broadly align with the ILO's occupational exposures, with limited evidence of changes in headcount.
- Job postings evidence also shows **demand for specialist AI roles is growing rapidly**, although these jobs remain a relatively small part of the overall labour market. AI-focused firms are also expanding quickly, generating new employment opportunities.
- **Demand may be softening for some highly exposed roles in administration and some professional services, but the evidence remains inconclusive.** The slowdown may partly reflect AI-related change, but it remains difficult to disentangle these effects from the wider labour market cooling of recent years. While reported AI-related headcount reductions remain limited to date, employers in some industries anticipate that automation-related efficiencies arising from AI adoption will allow them to reduce their hiring needs or workforce size over time.

London's potential exposure to GenAI is relatively high, reflecting the capital's concentration of professional and knowledge-intensive work. However, exposure should be understood as an indication of where job content is most likely to change, rather than a forecast of job losses.

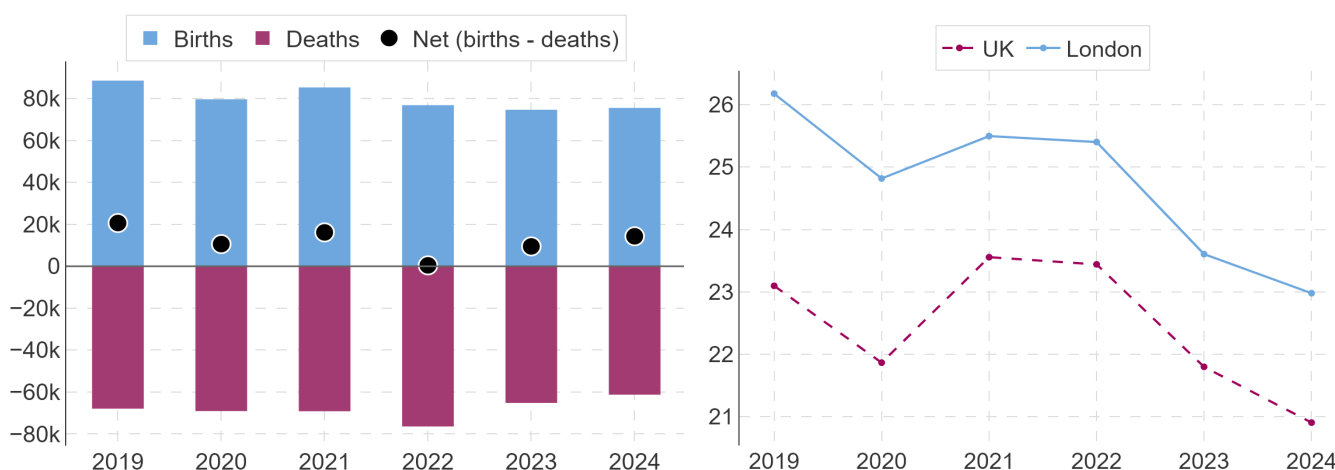
At this stage, the evidence suggests employers are mainly using GenAI to support workers and automate parts of jobs rather than replacing whole roles. This aligns with the expectation that, at least initially, GenAI is more likely to be complementary: it is driving task reallocation and augmentation in many

occupations, with displacement risk more concentrated in a narrower set of routine roles. While the analysis is necessarily preliminary given the rapid evolution of GenAI capabilities, this report provides a foundational evidence base on an increasingly important issue for businesses and policymakers.

Firms

A dynamic business base (with relatively high rates of firm entry, exit and turnover)¹¹ can support output and productivity growth - as labour and capital move from less productive, closing firms to new and growing ones. **As of the latest data (for 2024), London's business base remains dynamic, with high rates of business creation, churn and the strongest scale-up intensity of any English region.** London recorded roughly 76,000 business births in 2024 and roughly 61,000 deaths, a net addition of around 14,000 firms. Business churn (the sum of births and deaths as a share of the active stock of firms) was 23% in London in 2024, down from 24% in 2023 and 26% in 2019, but still above the UK's 21%. A higher rate is generally a sign of a dynamic, reallocating economy, but persistently high churn can also signal instability (see Figure 3.15).

Figure 3.15: London business dynamism, births and deaths (LHS) and churn rate (RHS)

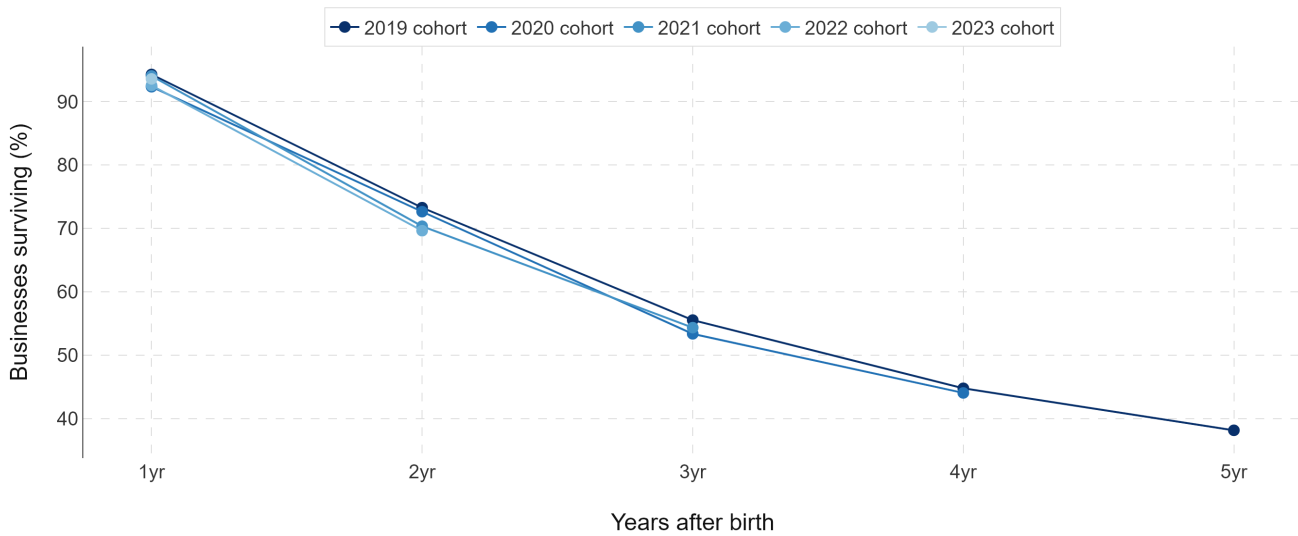


Source: ONS Business Demography data

Turning from business creation to survival - of London businesses born in 2019, 94.3% survived their first year and 38.2% were still active five years later in 2024, in line with the UK rate (38.4%). Looking at more recent cohorts indicates one-year survival has ranged from 92.4% (the 2020 cohort, born into the pandemic) to 94.3%, and two-year survival from 69.7% to 73.3%. As with across the UK, the steepest attrition comes between years one and two. One-year survival fell from 94.3% (for the 2019 cohort) to 92.4% (the 2020 cohort), and two-year survival from 73.3% to 69.7% - suggesting the first couple of years have become slightly harder for more recently born firms (see Figure 3.16).

¹¹ In the ONS Business Demography framework, a business 'birth' is the creation of a new enterprise (a new VAT and/or PAYE registration) and a 'death' is its cessation (de-registration with no successor); the churn rate is the sum of births and deaths as a share of the active business stock.

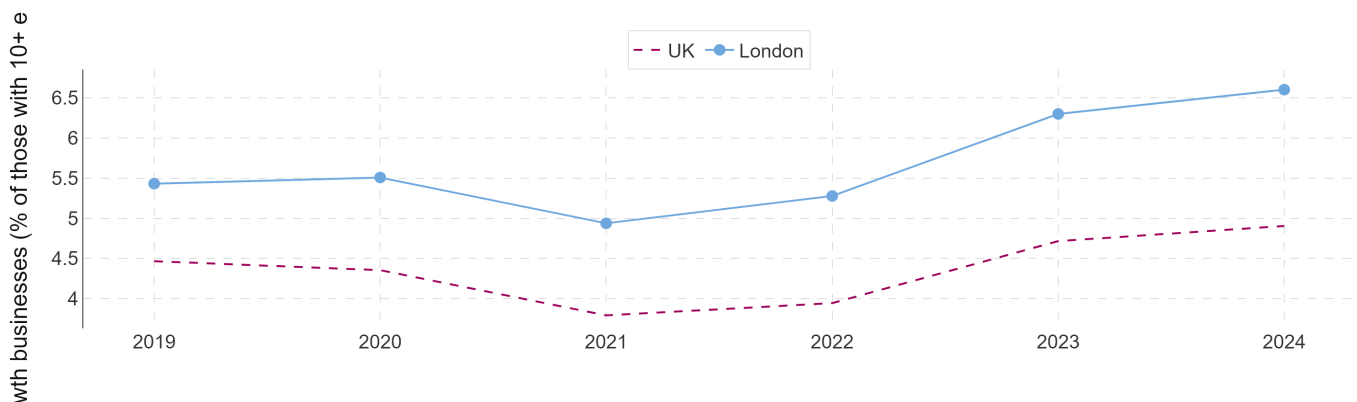
Figure 3.16: London business survival by birth cohort, 2019–2023 cohorts



Source: ONS Business Demography data

Looking at high-growth firms in the capital, in 2024, 6.6% of London businesses with 10 or more employees were high-growth (scale-ups), up from 6.3% in 2023 - compared to 4.9% for the UK and the highest share of any English region (see Figure 3.17).

Figure 3.17: London high-growth businesses (scale-ups) vs the UK

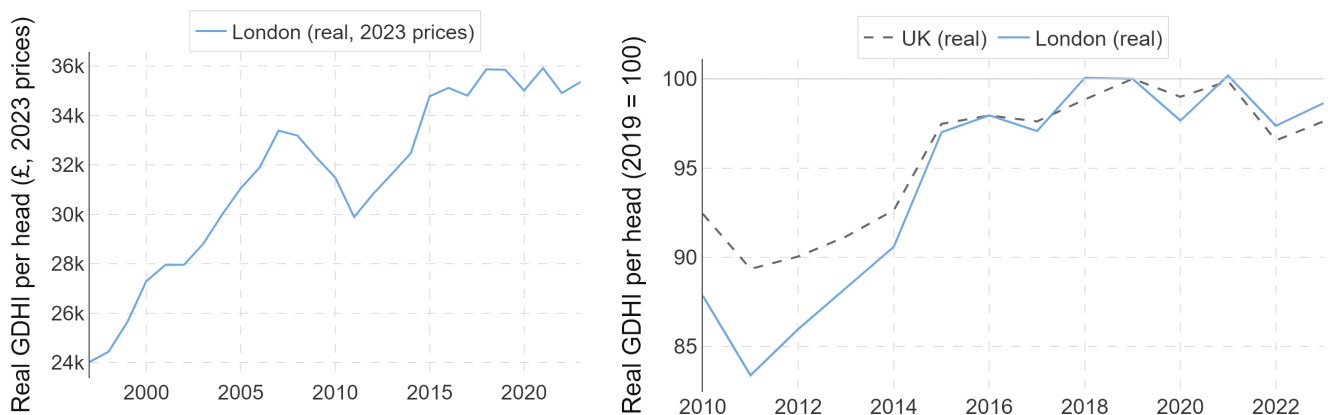


Source: ONS Business Demography data

Household incomes and spending

Households' income and spending are also key to economic growth, as household consumption is the largest single component of demand (and thus output). As of the latest published data for 2023, in real terms (constant 2023 prices), **London's real gross disposable household income (GHDH) per head was roughly £35,400 (the highest of any UK region), up 1.3% from £35,000 in 2022 – but 1.4% below its 2019 level of £35,800** (see Figure 3.18).

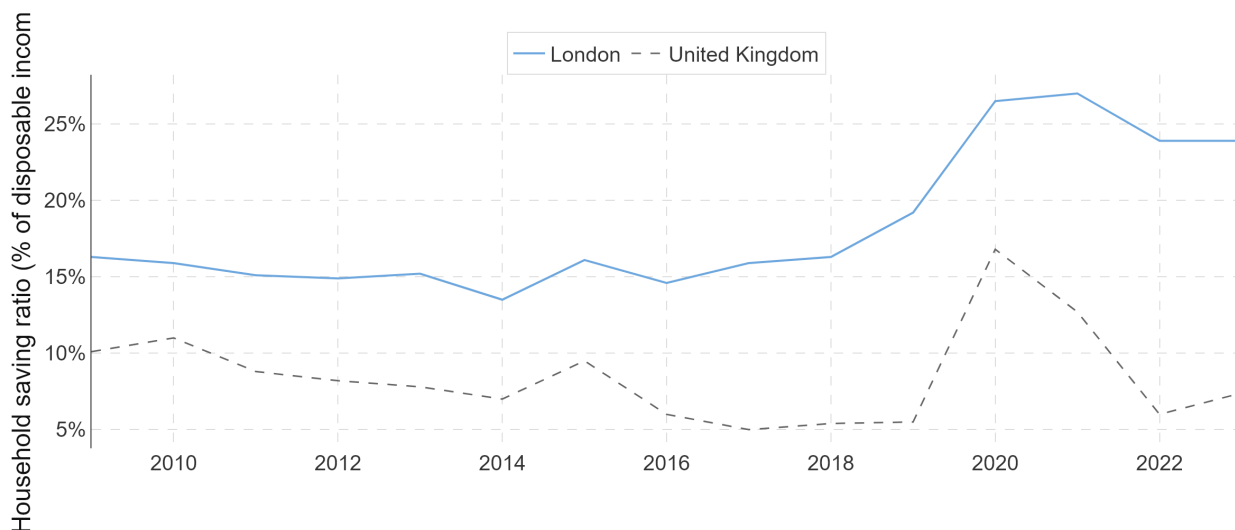
Figure 3.18: London real household disposable income per head, absolute value (LHS) and indexed to 2019 (RHS)



Source: GLA calculations of ONS Regional household income data

How much households save rather than spend also shapes consumption and economic growth. **In 2023, London's household saving ratio was 23.9% of disposable income, unchanged from 23.9% in 2022 and far above the UK average of 7.4%** (see Figure 3.19). A higher saving ratio points to more financial resilience, but also reflects the capital's concentration of higher-income households, who tend to save a larger share of their income. The elevated post-pandemic rate (around 24%, up from the low-20s before 2020) may further reflect either precautionary saving amid cost-of-living pressures, or the greater reward to saving as interest rates rose over 2022–24. By definition, income that is saved is not spent, so an elevated saving ratio does hold down consumption for a given level of income.

Figure 3.19: London household saving ratio vs the UK



Source: ONS Regional household consumption expenditure data

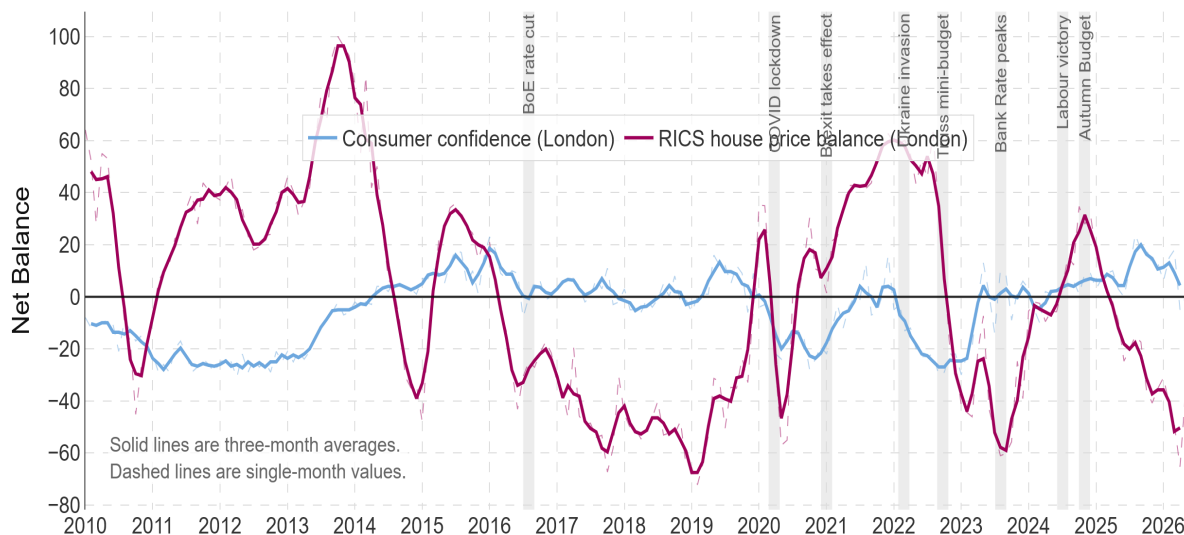
Consumer confidence and housing-market sentiment can also provide timely signals on household finances and consumption:

- **Consumer confidence:** the GfK consumer confidence index (which tracks household views on personal finances and the wider economy) recovered to around 0 in May 2026 (up from –5 in April), well above

the UK headline of around –23, though still subdued by cost-of-living pressures, weaker views of personal finances and job-security concerns (see Figure 3.20).

- **Housing market:** the RICS residential house-price balance – the net share of surveyors reporting prices rising rather than falling – has turned sharply negative in London, at around –52 on a three-month average and –65 in April 2026 (seasonally adjusted), well below the equivalent balance for England and Wales. Surveyors have linked the weakness to higher borrowing costs and geopolitical uncertainty weighing on buyer confidence.

Figure 3.20: London demand sentiment indicators (consumer confidence + RICS)



Source: GfK/NIQ Consumer Confidence Barometer (London); RICS Residential Market Survey (London, seasonally adjusted)

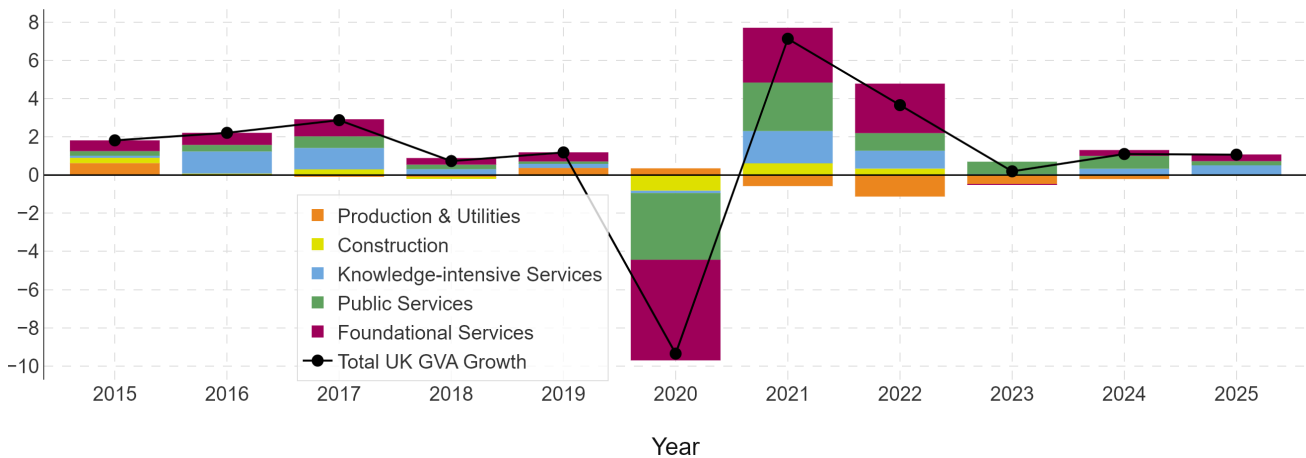
3.2 UK & global

The following section is a brief overview of UK outturn performance and implications for London. For detailed analysis on the UK's economy, public finances, and the policy landscape, the latest Office for Budget Responsibility [EFO \(March 2026\)](#) and Bank of England [MPR \(February 2026\)](#) are comprehensive reads

UK GDP (output and expenditure)

The latest ONS data show UK GVA grew by 1.4% in 2025. Growth was broad-based: Knowledge-Intensive Business Services (information & communication, finance and professional services) made the largest contribution (around +0.6pp), followed by government, health and education (+0.4pp) and distribution, transport and hospitality (+0.3pp). Only production detracted from growth, and only slightly (see Figure 3.21).

Figure 3.21: UK annual GVA growth and broad sector contributions

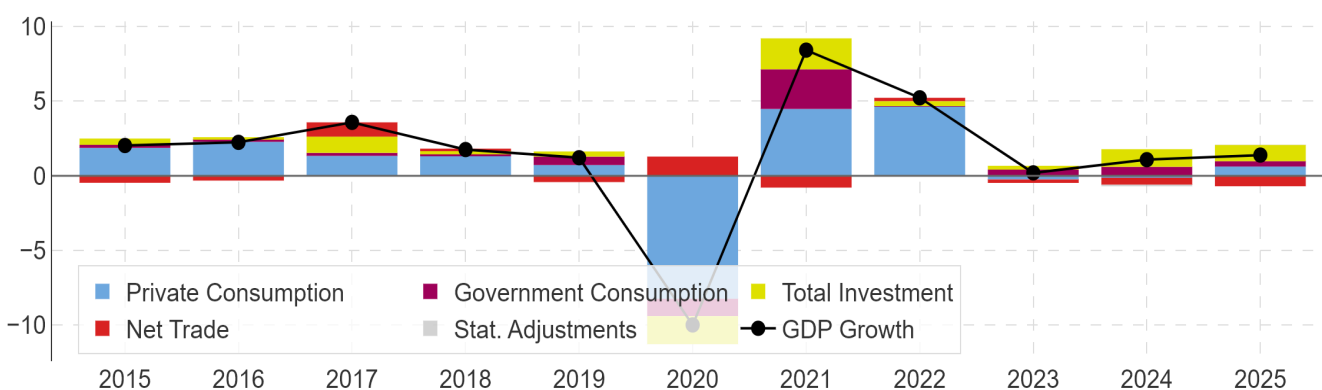


Source: GLA analysis of ONS UK national accounts data (balanced GVA, series ABMM)

GVA data measure the economy through the "output approach", summing the value of what is produced across industries. An alternative "expenditure approach" measures aggregate GDP from the demand-side¹². Rather than splitting activity by industry, it decomposes GDP into private consumption, investment, government consumption and net trade – showing whether growth stems from domestic demand (households and firms), public spending, or external conditions (net trade)¹³.

UK GDP grew by 1.4% in 2025, with total investment the largest contributor (+1.1pp) and private consumption adding 0.6pp, while net trade subtracted 0.7pp from growth. Within the +1.1pp investment contribution, the majority came from gross fixed capital formation (business investment in buildings, machinery and equipment), which added around +0.8pp, with inventories and valuables contributing the remaining +0.3pp (see Figure 3.22).

Figure 3.22: UK annual GDP growth and expenditure component contributions



Source: ONS GDP expenditure real-time database

¹² ONS (2022), "Gross domestic product (GDP) QMI," Quality and Methodology Information report, April 2022

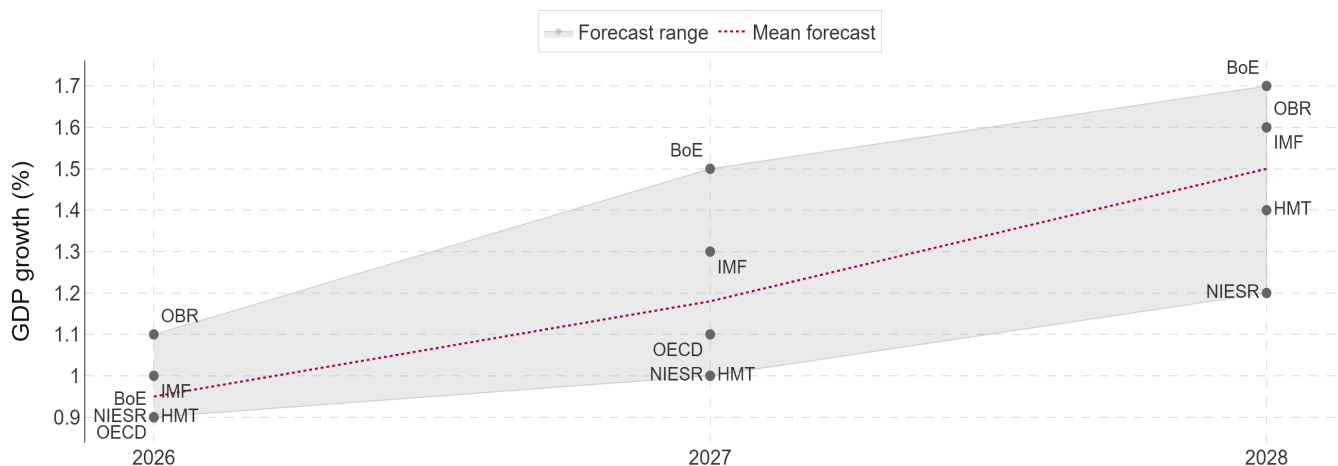
¹³ Expenditure data is also split into an "other" category, which comprises of statistical discrepancies, changes in inventory, acquisitions, and expenditure-aligned adjustments. Find more information in [ONS expenditure releases](#)

Looking ahead, **the latest round of forecasts from major institutions points to a continued period of mild but sustained UK growth.** The independent consensus is around 0.9% in 2026, rising to roughly 1.0-1.5% in 2027 and 1.2-1.7% by 2028 (see Figure 3.23).

The OBR (in their March 2026 EFO) recently revised its medium-term growth path down in its March 2026 EFO, citing weaker productivity assumptions – and forecast UK growth of 1.1% in 2026 rising to 1.6% by 2028. The Bank of England's central forecast path projects a gradual recovery as eventual monetary easing feeds through, while flagging household consumption as a key uncertainty – and forecast growth at 0.9% then 1.5 and 1.7%; the IMF's latest forecasts have growth at 1% in 2026, rising to 1.3% and 1.6%; and NIESR are more cautious at 0.9%, 1.0% and 1.2%. The HM Treasury panel average estimates growth at 0.9%, 1.0%, and 1.4%.

Overall, the new projections are broadly consistent with the previous LEO but reinforce the same message: the UK faces a prolonged period of low but positive growth, with uncertainty around whether policy can unlock higher productivity and business investment over the medium term.

Figure 3.23: UK GDP growth forecasts (range across forecasters)



Source: OBR, Bank of England, IMF, OECD, HM Treasury, NIESR

Prices

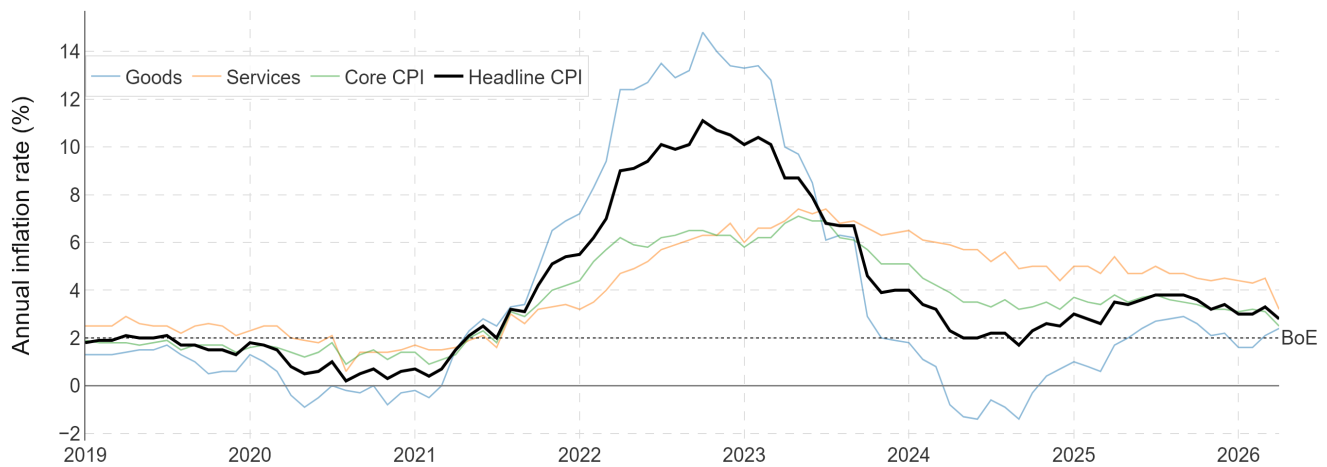
Headline inflation

Inflation reflects the balance between demand and the economy's productive capacity. When demand outpaces supply, or when cost shocks hit, prices rise. For households, elevated inflation erodes their incomes' purchasing power. For businesses, it compresses margins and affects investment decisions. The Bank of England's mandate to maintain Consumer Price Inflation (CPI) at $2\% \pm 1\%$ determines the path of the Bank Rate, which in turn affects borrowing costs for households and firms across the economy.

UK CPI inflation was 2.8% in the year to May 2026, unchanged from April, with services inflation (3.2%) continuing to run above goods (2.4%) – a gap consistent with persistent domestic, wage-driven price pressure beyond elevated energy costs (see Figure 3.24). **Inflation is expected to tick up in the near term:** the Bank of England's June 2026 forecast points to CPI just below 3% in Q3 and around $3\frac{1}{4}\%$ by Q4 2026, lifted by the 13% rise in the Ofgem energy price cap from July and higher motor-fuel costs (transport CPI reached 6.8% in May, its highest since December 2022). The June 2026 ceasefire with Iran has since drained much of the oil-price risk premium, though wholesale energy prices remain elevated and

volatile. **Most forecasters expect inflation to ease back towards the 2% target through 2027, contingent on Middle East de-escalation holding.**

Figure 3.24: CPI, goods, services and core annual inflation rates, UK



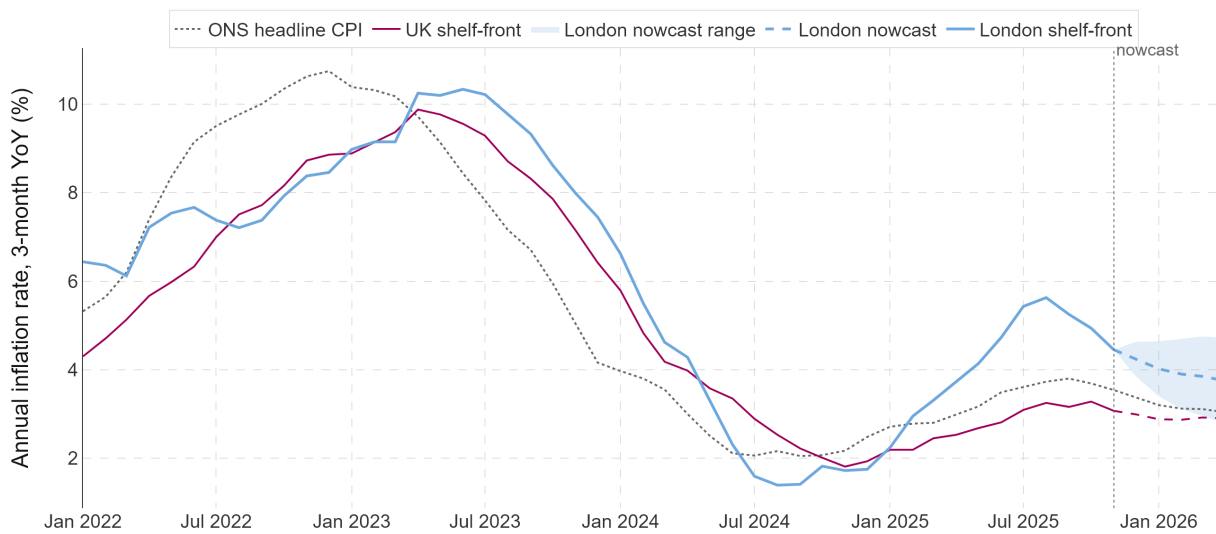
Source: ONS Consumer Price Inflation data

Shelf-front inflation

Headline UK CPI does not fully capture the prices London's consumers face. **Shelf-front inflation measures (built from the in-store prices ONS collectors record for the CPI inflation basket) gives a more locally-specific read on the cost of everyday goods and services**, which matters for gauging impacts on Londoners' consumption. Observed shelf-front data run only to November 2025, so the most recent months are nowcast¹⁴. **In the year to November 2025, London shelf-front inflation was 4.5%, above both the UK shelf-front rate (3.1%) and headline CPI (3.5%)** (see Figure 3.25). London's premium has been persistent and is now close to its widest in the data, reflecting the capital's high-cost service economy, where local wages, rents and operating costs feed more directly into prices. Nowcast estimates of shelf-front inflation, for the year to April 2026, estimate London shelf-front inflation has eased to around 3.8%, still above both the UK shelf-front rate (2.9%) and headline CPI (3.0%).

¹⁴ The latest months, where firm data are not yet collected, are estimated with a simple statistical model (an AR(1) on the gap to CPI) for both London and the UK. Treat them as indicative rather than observed.

Figure 3.25: UK and London shelf-front inflation vs UK and ONS CPI



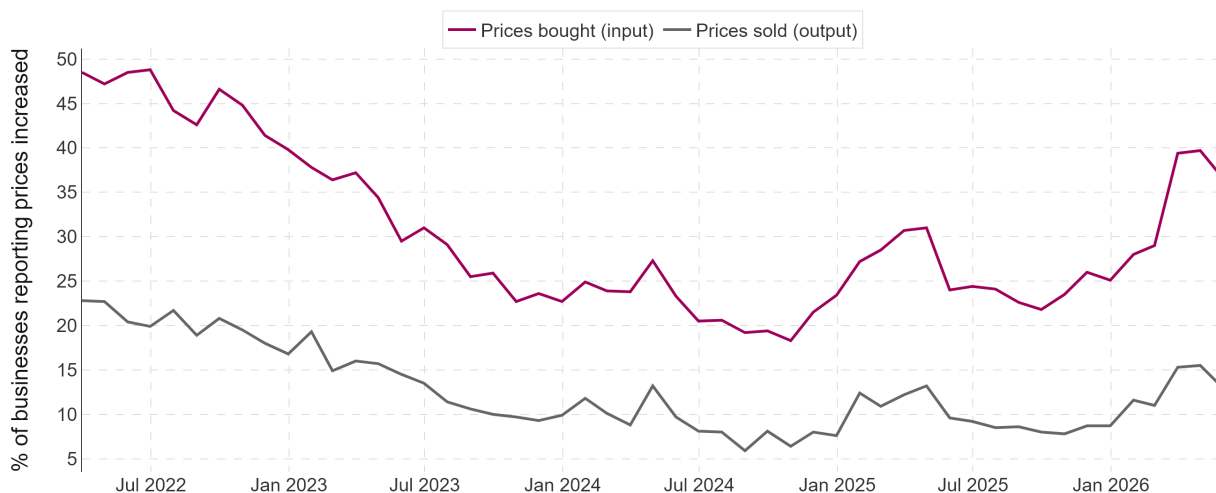
Source: GLA Economics calculations of Long-Run Price Database (R. Davies); ONS Consumer Prices Index

Firm prices

Firms' own pricing decisions are a key channel through which cost pressures feed into consumer prices. The share of businesses raising the prices they pay (input) and charge (output) signals where inflationary pressure is building in supply chains and how much is being passed on to customers - with implications for households' spending power and, in turn, for output and consumption.

In May 2026, 36.5% of UK businesses reported that the prices they paid (input prices) had risen, while 12.9% reporting that the prices they charged (output prices) had risen. Input-price pressure has eased from a peak of 48.8% in June 2022, but has picked up again in recent months (see Figure 3.26). Input prices rising faster than output prices is consistent with margin pressure, as firms absorb part of their cost increases rather than passing them fully on to customers.

Figure 3.26: UK business price pressures: input vs output prices



Source: ONS Business Insights and Conditions Survey (BICS), UK (weighted, all businesses)

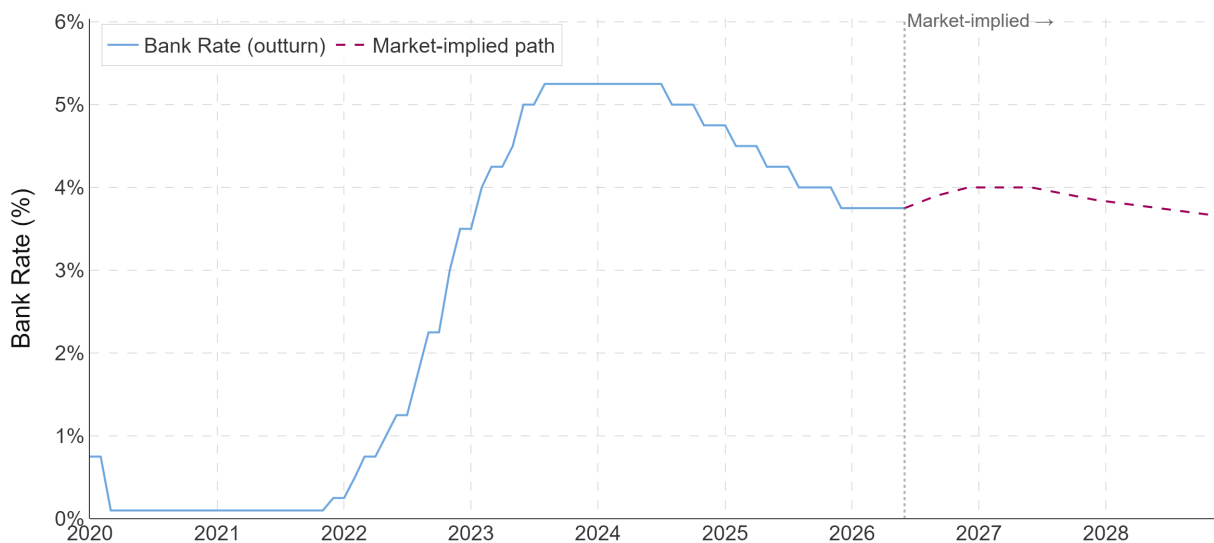
While the measures discussed above capture domestic price pressures, they do not explicitly measure external inflation dynamics. This can be done by observing exchange-rate movements. A weaker pound raises the sterling cost of imported energy and goods, adding to consumer-price pressure and to input costs for London's import-dependent firms and households. Sterling rose through 2025, with GBP/USD reaching a multi-year high of around \$1.37 on 1 July 2025 before easing to about \$1.34 by year-end – a gain that largely reflected dollar weakness rather than domestic strength, while the pound was softer against the euro. After a brief move towards \$1.38 in January 2026, the early-2026 Iran / Strait of Hormuz energy shock lifted oil prices and UK inflation expectations, halting the Bank of England's easing and pushing the pound to around \$1.32 and €1.15 by mid-June 2026.

Borrowing costs

Beyond consumer prices, borrowing costs are also a price signal for economic activity. Interest rates set by the Bank of England's Monetary Policy Committee (MPC) influence household mortgage costs, business investment decisions, and financial asset pricing.

The MPC held the Bank Rate at 3.75% in June 2026 (a 7–2 vote, with two members favouring a rise to 4.0%), 1.5pp below its 5.25% peak in August 2023 (see Figure 3.27). The market-implied path has since shifted up: following the early-2026 energy shock, the Overnight Index Swap (OIS) curve¹⁵ – a reversal of the easing path priced a year earlier.

Figure 3.27: Bank of England Bank Rate and market-implied forecasts



Source: Bank of England, November 2025 Monetary Policy Report (Chart 3.5, market path for Bank Rate)

3.3 Global growth

The UK's prospects are, in turn, shaped by a global backdrop that has become more uncertain.

Global growth is forecast to slow in 2026, with the world economy navigating an energy-price shock from the Middle East conflict, elevated trade barriers, policy uncertainty and subdued investment. The

¹⁵ The overnight index swap (OIS) curve shows the future path of interest rates implied by financial markets. It is derived from swaps referencing the Bank of England's overnight rate (SONIA) and is the standard market-based proxy for the expected Bank Rate

OECD's June 2026 Economic Outlook projects global GDP growth easing from 3.4% in 2025 to 2.8% in 2026, before recovering to 3.1% in 2027. The World Bank takes a more pessimistic view, forecasting global growth of just 2.5% in 2026 (the weakest pace since the pandemic) rising to 2.8% in 2027 and in 2028. The latest IMF forecasts (April 2026) project global growth of 3.1% in 2026 and 3.2% in 2027, supported by resilient AI-related investment but constrained by tariffs and geopolitical risk. World trade growth is set to fall sharply. The OECD expects it to slow from 5.0% in 2025 to 3.1% in 2026 and 2.9% in 2027 – as tariffs and uncertainty weigh on investment and consumption.

For the **United States**, the OECD forecasts growth of 2% in 2026 and 1.8% in 2027. The IMF is slightly more optimistic, forecasting US growth at 2.3% in 2026 and 2.1% in 2027,¹⁶ while the World Bank projects 2.2% in 2026, 2.1% in 2027 and 2.0% in 2028.¹⁷ Growth reflects resilient AI-driven investment offsetting the drag from tariffs, reduced immigration and tighter fiscal policy across advanced economies. The OECD warns, however, that US fiscal policy is on an unsustainable trajectory, with large structural deficits and a rising debt-to-GDP ratio.¹⁸

The **Eurozone** is projected to experience modest but steady growth. The OECD expects the Zone to expand 0.8% in 2026 and 1.2% in 2027;¹⁹ the World Bank projects 0.8% in 2026, rising to 1.3% in 2027 and 2028;²⁰ and the European Central Bank's June 2026 staff projections show growth of 0.8%, 1.2% and 1.5% across 2026 to 2028.²¹ In a notable turn, the ECB raised its deposit facility rate by 25 basis points to 2.25% on 11 June 2026 – its first increase since 2023, partly reversing the 2024–25 easing cycle of eight consecutive cuts (to 2%) in response to energy-driven inflation, with Eurozone HICP at 3.2% in May.²² Growth remains constrained by trade-policy uncertainty, fiscal tightening and structural challenges including demographic pressures and weak productivity

China's economy is forecast to experience a continued, gradual slowdown. The OECD projects growth of 4.5% in 2026, easing to 4.3% in 2027;²³ the World Bank projects 4.2% in 2026, 4.3% in 2027 and 4.2% in 2028;²⁴ and the IMF is broadly consistent, at 4.4% in 2026 and 4.0% in both 2027 and 2028.²⁵ The deceleration reflects subdued domestic demand, weak consumer confidence and a continued property-sector correction (real-estate investment fell 17.2% in 2025) alongside demographic pressures, with the population falling for a fourth consecutive year, down 3.4 million to 1.405 billion at end-2025.²⁶

India continues its path of robust growth and remains the world's fastest-growing major economy. The OECD projects growth of 6.3% in FY2026–27 and 6.4% in FY2027–28;²⁷ the World Bank 6.6%, 7.2% and 7.0% across FY2026–29,²⁸ and the IMF 6.5% in each of 2026, 2027 and 2028.²⁹ Growth is underpinned by resilient domestic demand (strong rural consumption and a Goods and Services Tax cut) alongside infrastructure investment, lower US tariffs and new free-trade agreements, even as higher energy costs moderate the near-term pace.

¹⁶ IMF, [World Economic Outlook, April 2026](#)

¹⁷ World Bank, [Global Economic Prospects, June 2026](#)

¹⁸ OECD, [OECD Economic Outlook, Volume 2026 Issue 1](#)

¹⁹ OECD, [OECD Economic Outlook, Volume 2026 Issue 1](#)

²⁰ World Bank, [Global Economic Prospects, June 2026](#)

²¹ ECB, Eurosystem [staff macroeconomic projections](#)

²² ECB, [Monetary policy decisions](#)

²³ OECD, [OECD Economic Outlook, Volume 2026 Issue 1](#)

²⁴ World Bank, [Global Economic Prospects, June 2026](#)

²⁵ IMF, [World Economic Outlook, April 2026](#)

²⁶ National Bureau of Statistics of China, [Statistical Communiqué](#)

²⁷ OECD, [OECD Economic Outlook, Volume 2026 Issue 1](#)

²⁸ World Bank, [Global Economic Prospects, June 2026](#)

²⁹ IMF, [World Economic Outlook, April 2026](#)

3.4 Risks to London's economy

Beyond the global economic and financial conditions just discussed, London's economy faces key structural challenges. The balance of risks is skewed heavily to the downside. This section examines in detail the three risks where London's exposure looks most elevated relative to recent history: (1) the acute energy shock caused by the Middle East conflict, (2) fiscal tightening, and (3) financial-market and funding fragility – setting out their transmission mechanisms and how they impact the capital's macroeconomic stability and growth trajectory. It should however be noted that outside of these risks other downside risks also remain such as the ongoing impact of Brexit, the cost of climate change etc.

(1) The energy shock and subsequent economic impact from the conflict with Iran

The dominant near-term risk caused by the conflict is a classic stagflationary shock – i.e., rising input costs coinciding with weakening demand. The conflict and its channels of impact are discussed in the box below.

Box 3.2. London's economy amidst the war in the Middle East

On February 28, 2026, the US and Israel launched a series of attacks on Iran, triggering a war that has rocked the fragile foundations of the global economy. As the war evolved, successive actions – including, for example, the shutting-down of the Straits of Hormuz and attacks on energy and civilian infrastructure – have turned what commenced as a limited attack into a major one with severe implications for economies across the world. London's is not an exception, and while the extent of the damage depends on multiple uncertain factors such as the holding of the ceasefire agreed in June and associated de-escalation or conversely any reescalation, the impacts have already started scarring the capital's economy as it has for the rest of the UK. This box examines some of the main implications of this conflict on London's economic trajectory.

Growth and productivity

A direct result of the conflict is reduced global trade and economic growth. For example, the International Monetary Fund's (IMF) World Economic Outlook recently stated that "Under the reference forecast, global growth is projected to be 3.1 percent in 2026 and 3.2 percent in 2027, slower than its recent pace of about 3.4 percent in 2024–25, and to settle at about that rate in the medium term, slower than its historical (2000–19) average of 3.7 percent"³⁰. Compounding this ominous forecast is the underlying international economic environment prior to the War, which was characterised by growing ruptures in global supply chains due to an increased drive towards reshoring production and securing critical commodities by major powers. This drive has grown in parallel with the rise in trade barriers that have also undermined global economic growth.

By national and global standards, London is a very open economic jurisdiction: the capital's trade openness ratio³¹ in 2023, for example, stood at 85%; this compares with 77.5% for the UK. Moreover, export destinations have been relatively diverse especially in a post-Brexit environment. In a context of diminished global trade, this would curtail London's ability to export goods and services to boost its growth. This would not only harm London's potential growth, but it would have ramifications on the rest of the UK, since London's exports represent just under a third (29%) of the UK's. It is no wonder that the

³⁰ IMF, [World Economic Outlook, April 2026: Global Economy in the Shadow of War](#)

³¹ The trade openness ratio is the sum of exports and imports as a share of GDP. Data sourced from [ONS trade statistics](#)

London Growth Plan³² prioritised services export performance as a key ambition due to its benefits not just for the capital but also for the rest of the country.

The slowdown of growth would not solely emanate from reduced trade. Reduced oil and gas output and exports from the Strait of Hormuz and the Gulf region have already begun to add to production costs for businesses in London and across the UK³³. Other things equal, this is likely to reduce business activity and investment (especially among small and medium-sized enterprises), with downscaling a likely outcome. This reduced activity is also likely to undermine productivity, with wider macroeconomic implications. For London, the consequences are grave: the capital, while being the most productive region nationally, has experienced one of the slowest year-on-year productivity growth rates in the UK in recent years. With London being the nation's economic engine, a further productivity slowdown would exacerbate an already grave situation.

Energy and industrial strategy

Adding gravity to the situation is the UK's status as an energy importer. For example, in 2024, the UK's net energy import dependency stood at "43.8%, 3.4 percentage points higher than in 2023"³⁴. Meanwhile, our consumption of energy continues to grow: "between 2023 and 2024 final energy consumption in the UK increased by 2.6 per cent to 128.1 million tonnes of oil equivalent"³⁵. This puts London's sectoral development strategy, as outlined in the Growth Plan, at considerable risk³⁶.

Key to this plan is building on the competitive advantage the capital exhibits in fundamental industrial sectors while developing those at the frontier of innovation and modern progress. Frontier innovation sectors such as Artificial Intelligence (AI), life sciences, creative industries and technologies and green innovation require considerable amounts of energy to power their production processes. High global energy costs combined with an acute reliance on imports renders important elements of London's industrial strategy vulnerable to the tides of this ongoing conflict.

Furthermore, the Plan supports the growth of industrial clusters meant to reconcile collective economic progress with spatial development to enhance socioeconomic realities in different parts of London. High energy costs are thus likely to worsen existing spatial inequalities in London- undermining the Plan's attempts to rectify these over time.

Moreover, businesses in other important sectors for London, such as hospitality, retail and culture, would also be impacted by higher energy and production costs. Other things equal, these cost pressures would probably undermine these businesses' viability, leading to reduced job creation and business activity at a time when the hospitality and tourism sectors is already facing considerable challenges prior to the War.

Uncertainty and investment

A major feature of this conflict is political uncertainty due to fast-evolving events and rapid decision-making by the key actors. For example, the World Uncertainty Index (see Figure 3.28) shows that while uncertainty dropped in 2026 relative to 2025, it remains elevated by historical standards. Meanwhile, Grant Thornton's International Business Report (IBR) noted a sharp fall in mid-market optimism by 6 percentage points as a result of the War³⁷, while a survey by the National Association of Business Economics (NABE) in the US recorded that "nearly half of survey respondents (48%) said the Iran war has

³² Greater London Authority (2025): [London Growth Plan](#)

³³ ICAEW (2026): [Business confidence recovery thwarted by Iran war | ICAEW](#)

³⁴ [Digest of UK Energy Statistics, 2025](#)

³⁵ Department for Energy Security and Net Zero (2025): [Energy Consumption in the UK \(ECUK\) 2025 - GOV.UK](#)

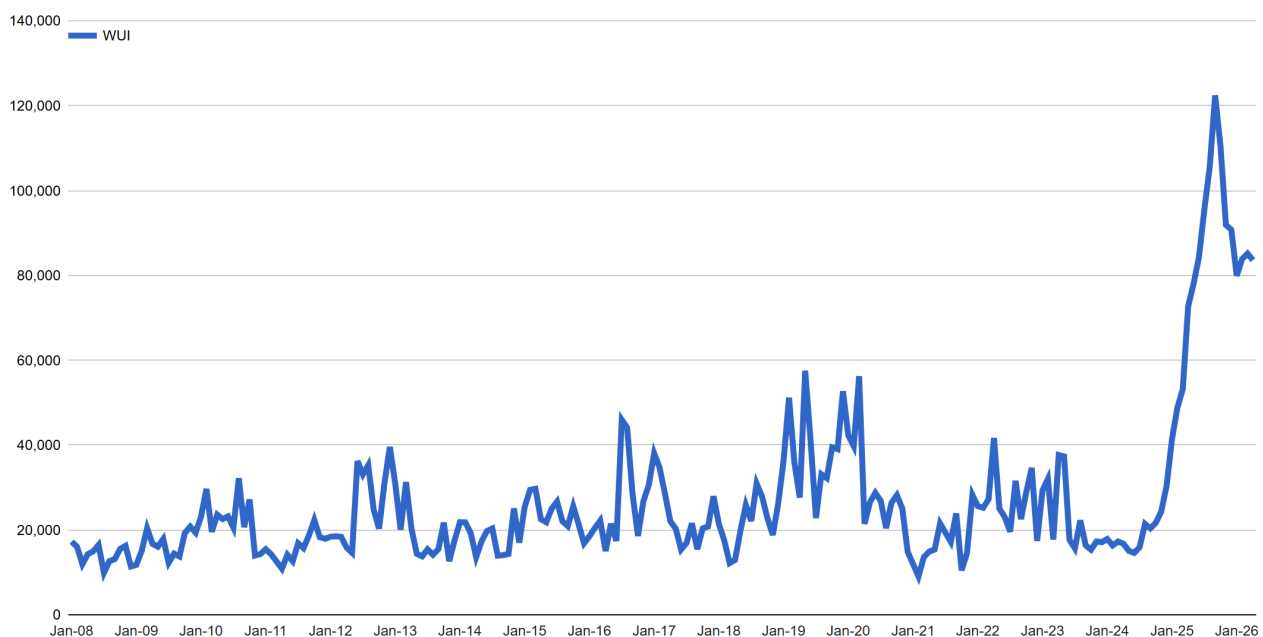
³⁶ See [London's growth plan - London Growth Plan](#)

³⁷ [Mid-market optimism drops as Iran war drives uncertainty | Grant Thornton International](#)

harmed their business, with 44% saying input costs have risen and 24% planning to downgrade plans for investment and hiring. One out of three respondents (34%) ranked geopolitical hazards among their top three business risks³⁸.

Chronic business underinvestment has been a major problem for both London and the UK, with various reasons often cited, including but not limited to the fact that pension funds invest limited amounts in UK equities, no mandatory requirements for employees to sit on corporate boards in the UK, and a restrictive planning system³⁹. The same report notes that "if UK business investment had matched the average of France, Germany and the US since 2008 – something that would have required just over 2 per cent of GDP additional investment each year – our GDP would be nearly 4 per cent higher today, enough to raise average wages by around £1,250 a year"⁴⁰.

Figure 3.28: World Uncertainty Index, Global



Source: <https://worlduncertaintyindex.com>

There is a strong negative correlation between heightened uncertainty and business investment. Given that business underinvestment has played a major part in reducing London's (and the UK's) productivity growth since the 2008 Financial Crisis, it becomes clear that the elevated uncertainty induced by the War will aggravate the feeble productivity and growth records London has been experiencing in recent years, with implications for every Londoner but especially those households and businesses that are most in need of financial support.

Inflation, fiscal precarity and cost of living

Another direct consequence of the conflict is prolonged and persistent inflation. As an example, the IMF has already projected that "under an adverse scenario with larger and more persistent increases in energy prices, global growth would slow further to 2.5 percent in 2026, and inflation would reach 5.4 percent. Under a more severe scenario in which there is more damage to energy infrastructure in the conflict

³⁸ [Iran war inflation crimps profits, plans for investment, hiring, survey finds | HR Dive](#)

³⁹ Resolution Foundation 2030 Report: [Beyond Boosterism - The Inquiry](#)

⁴⁰ Ibid.

region, the impact would be even larger: Global growth would be cut to only about 2 percent in 2026, while headline inflation would be just above 6 percent by 2027"⁴¹.

In the UK, the National Institute of Economic and Social Research (NIESR) projected in March that there could be a 'significant upward shock' to inflation such that it could reach 3.7% in a pessimistic scenario in July⁴². Although this scenario is less likely now what the analysis significantly notes is that the impact of inflationary pressures is likely to be delayed especially if conflict continues, with inflation possibly reaching 5% post July. In fact, ONS data for April and May has already shown a direct increase in certain components of inflation after the War started.

The consequences of this are grave and multi-fold:

- The price of items in our consumption basket (including necessities such as food and utilities) will increase
- Inflationary pressures would force the Bank of England to keep interest rates relatively higher than originally expected
- Households with mortgages that need renewal would find themselves facing even higher servicing costs
- Businesses are less likely to borrow to expand activity and finance new investments
- Higher interest rates mean higher public debt servicing costs for the Treasury.

This latter point is fundamental, seeing as how the UK's debt-to-GDP ratio is almost 100%, there are ongoing pressures on our welfare state due to an ageing society and rising demands following a decade of austerity policies, and new challenges requiring added investment (e.g., defence). Higher interest rates due to the War's induced inflationary pressures constrict the fiscal space within which the government could operate, impacting its borrowing policies and by extension its ability to finance the welfare state.

For London in particular, the ramifications are acute. London is the least affordable region in the UK by a clear margin: higher inflation would render necessities even more expensive (with recent GLA/YouGov polling showing that almost 50% of surveyed individuals in London are either financially struggling or just about managing⁴³), while higher interest rates would hurt both homeowners with mortgages and those who are privately renting (who represent nearly a third of Londoners). Add this to the fiscal precarity induced by this interest-rate situation and the UK's overly centralised revenue-generating framework and it becomes very difficult for Londoners to receive the support they need to cope with rising cost-of-living pressures.

Concluding thoughts

Benjamin Franklin once said that "wars are not paid for in wartime, the bill comes later"⁴⁴. Ominous his words may be, but it is unfortunate that London, much like the rest of the UK and other parts of the world, has already begun to receive some of that bill. The conflict has already provoked sizeable economic damage that has come in many forms- from reduced trade and growth to curtailed investment to higher inflation to undermined economic planning. All this in a context that was already challenging prior to the war.

⁴¹ IMF World Economic Outlook (April 2026): [World Economic Outlook, April 2026: Global Economy in the Shadow of War](#)

⁴² NIESR (2026): [Possible Effects on UK Inflation in 2026 of the US-Iran Conflict - NIESR](#)

⁴³ See [GLA cost of living polling – London Datastore](#)

⁴⁴ [Quotes show that ending war is the greatest problem: Plans, propaganda and prejudices - London School of Science & Technology](#)

The significance of the conflict's impact on London's economy should not be underestimated from a national perspective. With London accounting for nearly a quarter of the UK's GDP, a fifth of its workforce jobs and under a third of its exports, this economic engine risks unravelling the entire national growth mission if it stalls even further.

(2) Domestic fiscal uncertainty

The underlying risk is a prolonged period of weak investment. The November 2025 Budget introduced around £26bn of tax rises by 2029–30, raising the cost of both labour and capital, and left fiscal headroom against the rules fragile (around £22bn, or 0.6% of GDP) in a higher-rate environment.⁴⁵ The incidence falls disproportionately on London: employer National Insurance rises hit the capital's services, knowledge-intensive and hospitality concentration; income-tax threshold freezes bite hardest where earnings – and so the share of higher- and additional-rate taxpayers – are greatest (London generates about 27% of UK income tax from 14% of the population); and property and capital-income measures fall on a city holding roughly a quarter of UK housing wealth, with about 70% of the new high-value council-tax surcharge's properties in London. The OBR's medium-term productivity assumption, downgraded to around 1% at the November 2025 Budget and maintained in March, reinforces the subdued outlook for productive investment.

(3) Financial-market and funding fragility

Distinct from the macroeconomy, conditions in global and UK financial markets pose a stability risk that runs straight through the City. Two related channels stand out. First, stretched AI-linked equity valuations: with AI firms a record share of US market capitalisation (roughly 45% of the S&P 500) and forward multiples (at roughly 26x — that is, share prices at around 26 times expected annual earnings) well above historical norms (of 19x), a disorderly correction would create financing difficulties for highly leveraged firms and transmit through global markets. Second, leveraged and funding-market fragility: the Bank of England flags around £100bn of leveraged hedge-fund positioning in the gilt repo market, heavily concentrated in a few funds, alongside fast-growing private credit and elevated term premia, as vulnerabilities that could amplify a sovereign-debt sell-off.⁴⁶ For London, both channels run through asset-manager, pension and insurance balance sheets and financial-services revenues, which would be exposed to a sharp repricing or a move into "risk-off" sentiment.

In short, UK output data, GLAE modelling, and business sentiment data point to growth in London's economy through 2025 and the first quarter of 2026. This tracks broader UK growth. **The balance of risks is however, firmly tilted to the downside.** The conflict with Iran has layered an acute, energy-driven inflation shock on top of structural challenges around fiscal policy, financial-market fragility, living standards and commercial property – how quickly these pressures ease depends on developments largely outside the capital's control. Against this backdrop, GLA Economics sets out its medium-term scenario-based forecasts for London in the following chapter.

⁴⁵ OBR, November 2025 Budget; OBR, [March 2026](#).

⁴⁶ [BoE FSR, December 2025](#); FPC, April 2026.

4. The GLA Economics reference forecast

For GLA business planning purposes (budgeting, revenue forecasting, resource allocation etc.), GLA Economics forecasts four economic indicators: workforce jobs, real GVA, private consumption (household expenditure) and household income in London⁴⁷. This chapter summarises forecasting results, and presents them alongside a consensus view from independent forecasters⁴⁸. All the external forecasts were produced over the period December 2025 to May 2026. Both annual growth rates and 'standardised' absolute levels are reported. All money-valued data is in real terms (constant 2022 prices). Beyond the headline, both the external consensus and GLA Economics deliver forecasts for employment and output growth in six broad sectors⁴⁹:

- Manufacturing
- Construction
- Transport and storage
- Distribution⁵⁰, accommodation and food services
- Finance and business services⁵¹
- Other (public & private) services⁵².

This medium-term forecast differs from the GLA's long-term employment projections, which are trend-based and do not incorporate cyclical variations⁵³. Long-term projections are essential for capacity planning (assessing office space, housing, and transport needs) and for accommodating the economy's needs through peaks and troughs. Business planning, however, also requires estimates of actual economic aggregates (including their cyclical paths) in the medium-term.

This analysis incorporates uncertainty around the central scenario using alternative scenarios. **The upside scenario models steady recovery supported by London's relatively affluent consumers and stabilising macroeconomic conditions.** In this scenario, a more predictable interest rate environment, combined with gradual real income improvements, should support household spending and business investment. London's finance and tech sectors - particularly firms adopting AI tools - together with rising international tourism and green infrastructure investment, are expected to create jobs and underpin sustainable growth.

The downside scenario places greater weight on persistent risks. With inflation above target and monetary policy remaining tight, borrowing costs may restrain investment and consumption more than anticipated. Subdued productivity growth limits London's capacity for stronger output gains, while structural frictions - including EU trade barriers, energy cost shocks and slower global growth - weigh on export-oriented industries. Heightened geopolitical uncertainty could also constrain London's role as an international hub. In this scenario, weaker demand and prolonged adjustment pressures could produce more pronounced scarring effects on output and employment.

⁴⁷ Unless stated otherwise, all data presented in this chapter are GLAE medium-term forecast results.

⁴⁸ The consensus forecast for GVA and employment is based on the latest available forecast from the Centre for Economics and Business Research, Experian Economics, and Oxford Economics.

⁴⁹ Since our Spring 2012 forecast, GLA Economics has been using the 2007 Standard Industrial Classification (SIC 2007). For more information see Appendix A of '[London's Economic Outlook: Spring 2012](#)', GLA Economics, June 2012.

⁵⁰ Distribution is made from the summation of Wholesale and Retail.

⁵¹ Business services is made from the summation of Information and Communication, Professional, scientific and technical services, Real estate, and Administrative and support service activities.

⁵² This is the sum of Public admin and defence, Education, Health, Arts, entertainment and recreation and Other services. While this set of sectors neglects primary industry and utilities, these made up 1% of London's 2023 output.

⁵³ GLA Economics (2022). '[London labour market projections 2022](#)'.

4.1 Results

Summary

- **London's output is forecast to grow, under the GLA Economics central scenario, by 1.7% in 2026, 2.0% in 2027 and 2.1% in 2028.** In absolute terms (and in 2022 prices), real GVA reaches £554.1 billion in 2026, £565.1 billion in 2027 and £577.0 billion in 2028. The GLAE central forecast values for output growth sit at or towards the top of the independent forecasters' range.
- **Workforce jobs are forecast to grow by 0.5% in 2026, 0.8% in 2027 and 1.0% in 2028,** reaching 6.46 million, 6.51 million and 6.58 million respectively - around the middle of the independent forecasters' range.
- **Household spending is forecast to grow by 1.0% in 2026, 1.2% in 2027 and 1.4% in 2028,** reaching £225.7 billion, £228.4 billion and £231.6 billion (2022 prices) - within the independent forecasters' range.
- **Real disposable household income is forecast to grow by 1.2% in 2026, 1.3% in 2027 and 1.5% in 2028,** reaching £327.7 billion, £332.0 billion and £336.9 billion (2022 prices) – within the independent forecasters' range.

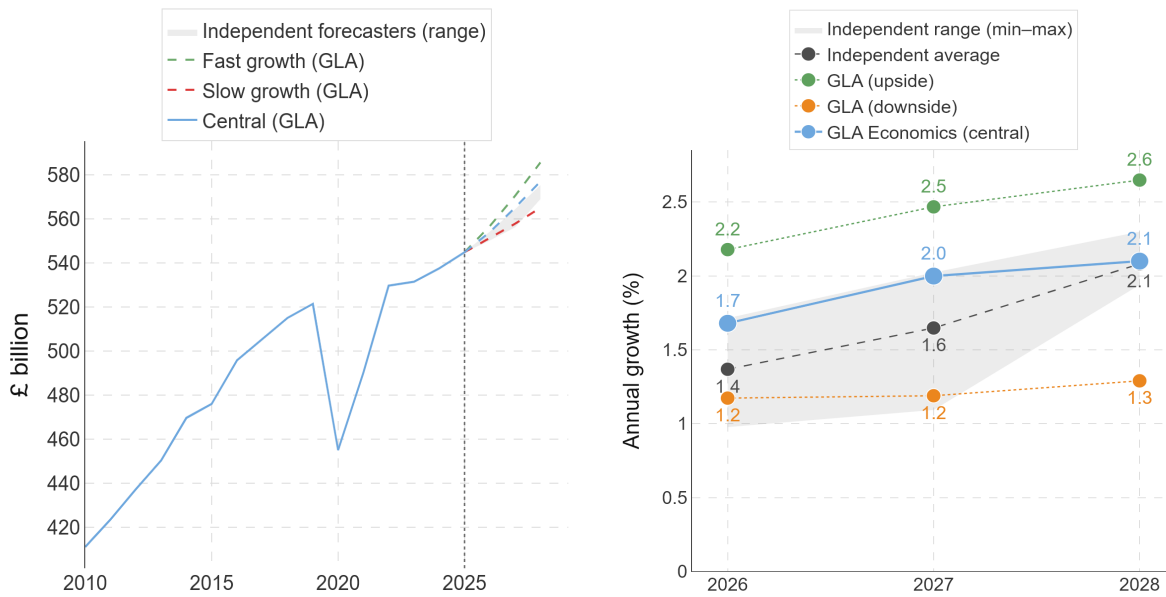
Output (London GVA, constant prices (base year 2022), £ billion)

Under **the central scenario**, growth is forecast to continue at a moderate pace over the medium term, rising to 1.4% in 2025, 1.7% in 2026, 2.0% in 2027 and 2.1% in 2028. This profile reflects modest growth held back by elevated global uncertainty, with the inflationary impact of the Iran conflict and the closure of the Strait of Hormuz feeding into the later quarters of 2026 - before a mild recovery towards growth rates more normal for the capital. London's projected growth remains of a larger magnitude than that forecast for the UK as a whole, consistent with the capital's more service-oriented, export-facing economy. In level terms, output is projected to rise from £537.6 billion in 2024 to £544.9 billion in 2025, £554.1 billion in 2026, £565.1 billion in 2027 and £577.0 billion by 2028.

In our upside scenario, economic conditions improve more quickly. Growth reaches 2.2% in 2026, 2.5% in 2027 and 2.6% in 2028, driven by stronger consumer spending - supported by rising confidence and the release of accumulated savings - alongside a more robust recovery in global trade and investment. Under this scenario, London's output reaches £570.5 billion in 2027 and £585.6 billion in 2028, around 1.5% higher than the baseline by 2028.

Conversely, the downside scenario reflects a more subdued path. Growth slows to 1.2% in 2026, 1.2% in 2027 and 1.3% in 2028, reflecting the potential for prolonged geopolitical and trade uncertainty, weaker global demand, or slower productivity gains. Output reaches £557.9 billion in 2027 and £565.1 billion in 2028, significantly below the fast recovery path.

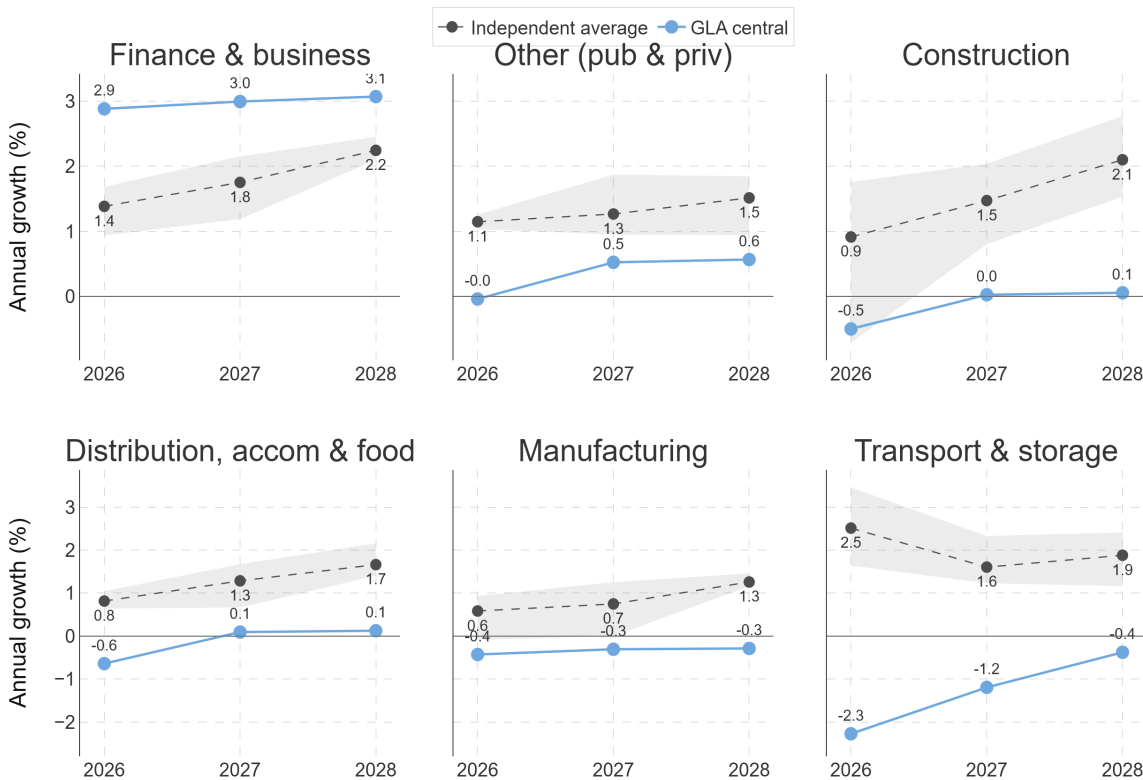
Figure 4.1: London real GVA forecast, levels (LHS) and annual growth rates (RHS)



Source: GLA Economics reference forecast and independent forecasters

Across 2026 to 2028, the GLA central forecast for sector GVA growth estimates strongest growth for Finance & business services (+2.9% in 2026 to +3.1% in 2028) and weakest for Transport & storage (−2.3% to −0.4%). The GLA path diverges most from the independent consensus in Transport & storage, where the GLA's −2.3% in 2026 sits well below the independent average of +2.5%.

Figure 4.2: Forecast GVA growth by broad sector, GLA and independent forecasters



Source: GLA Economics reference forecast and independent forecasters

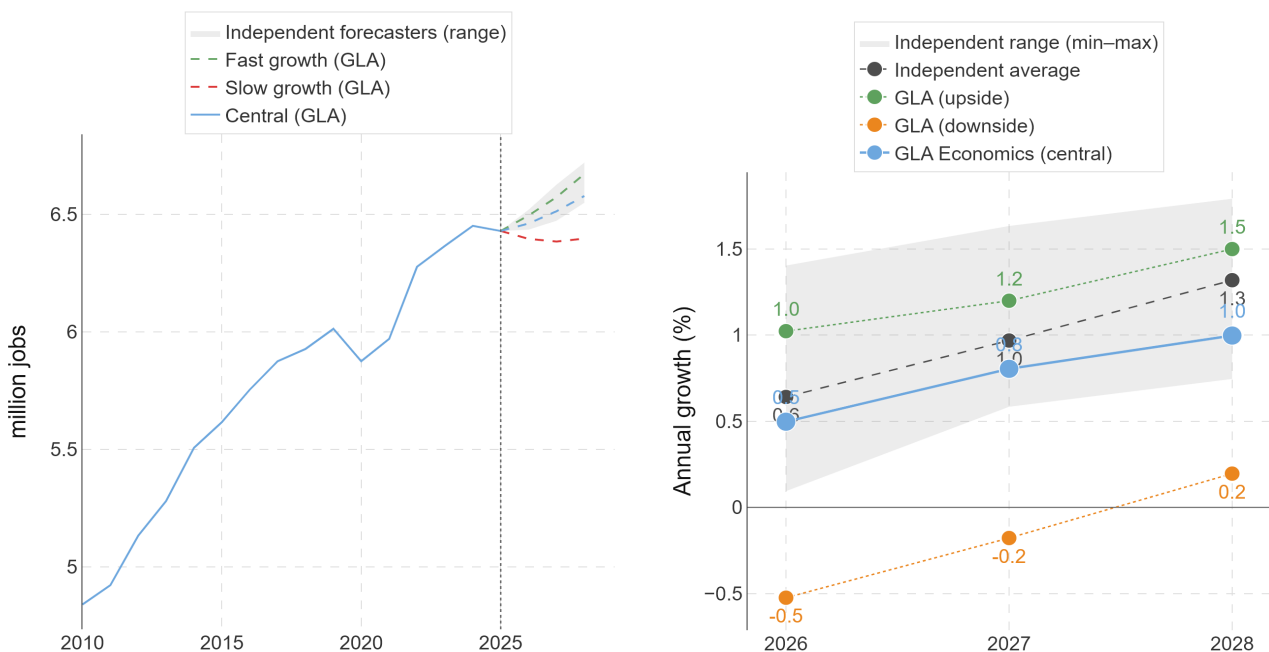
Employment (London workforce jobs)

The latest outturn points to workforce jobs falling in Q1 2026. Under **the central scenario**, employment is forecast to return to growth at a moderate pace over the medium term, rising by 0.5% in 2026, 0.8% in 2027 and 1.0% in 2028. This reflects a gradually strengthening labour market, with hiring held back near-term by elevated global uncertainty – including the inflationary impact of the Iran conflict and the closure of the Strait of Hormuz feeding into the later quarters of 2026 – before a firmer recovery as activity normalises. The pace is more cautious than many external forecasts, with independent forecasters averaging 0.6% in 2026, 1.0% in 2027 and 1.3% in 2028. In level terms, workforce jobs rise from 6.45 million in 2024 to 6.46 million in 2026, 6.51 million in 2027 and 6.58 million by 2028.

In the **upside scenario**, labour-market conditions improve more quickly, with job growth of 1.0% in 2026, 1.2% in 2027 and 1.5% in 2028, supported by stronger consumer spending and a firmer recovery in global trade and investment. London's workforce jobs reach around 6.57 million in 2027, roughly 0.9% above the baseline.

Conversely, the **downside scenario** is more subdued: employment falls by 0.5% in 2026 and a further 0.2% in 2027 before edging up 0.2% in 2028, reflecting prolonged geopolitical and trade uncertainty, weaker global demand or slower productivity gains. Workforce jobs reach around 6.39 million in 2027, well below the upside path.

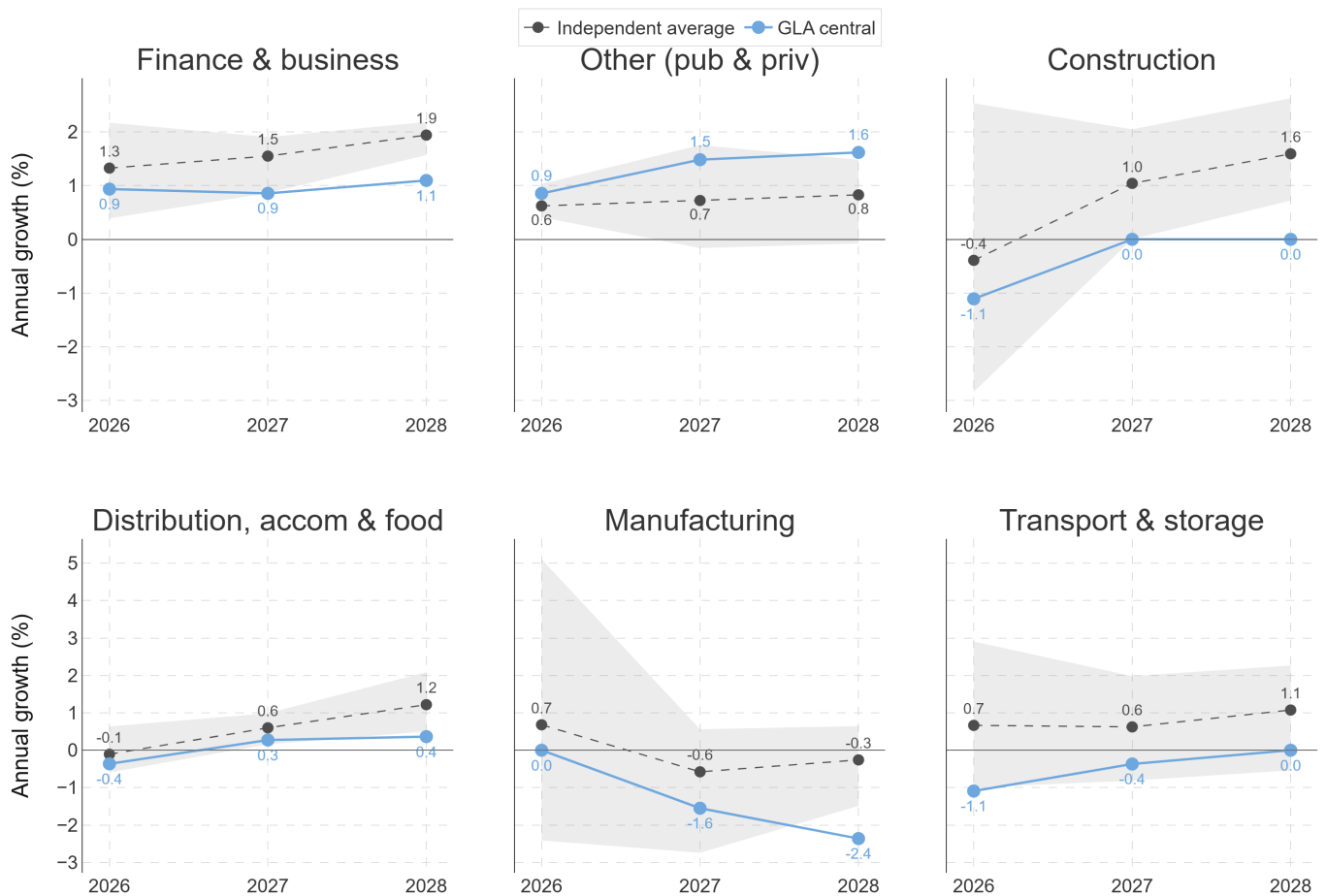
Figure 4.3: London workforce jobs forecast, levels (LHS) and annual growth rates (RHS)



Source: GLA Economics reference forecast and independent forecasters

Across 2026–28, the GLA central forecast for sector workforce-jobs growth is strongest for Other (public & private) services (+0.9% to +1.6%) and weakest for Manufacturing (+0.0% to –2.4%). The widest gap to the independent consensus is in Transport & storage, where the GLA's –1.1% in 2026 is below the independent average of +0.7%.

Figure 4.4: Forecast workforce jobs growth by broad sector, by year: GLA and independent forecasters

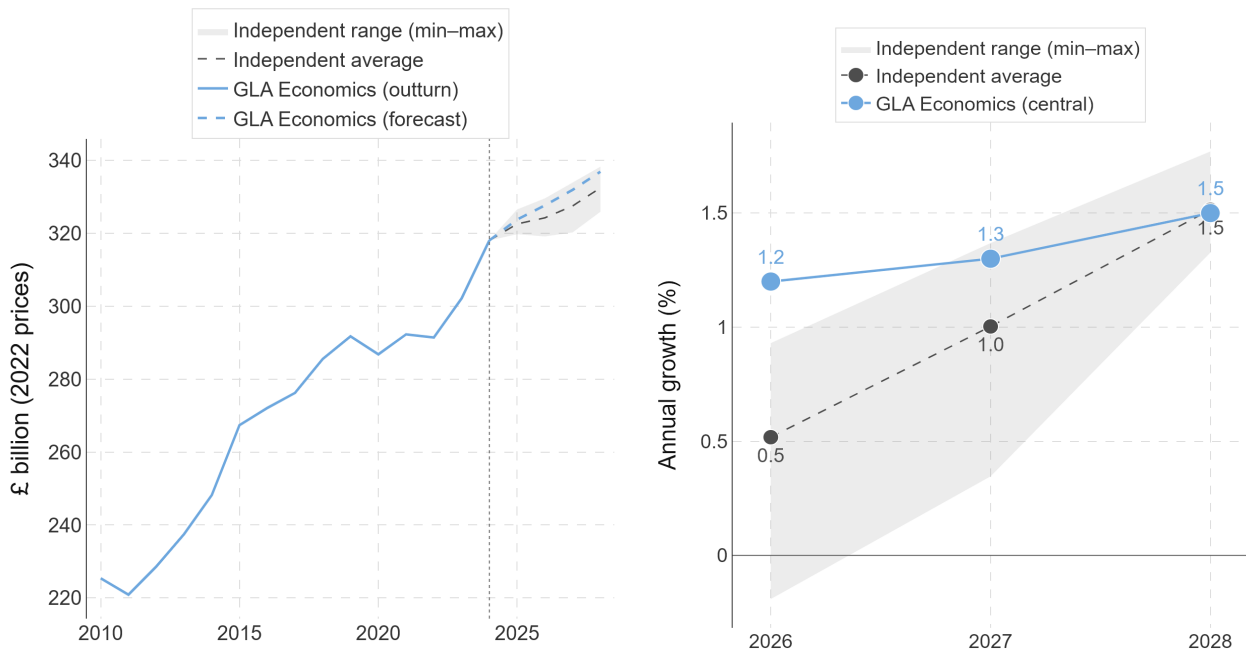


Source: GLA Economics reference forecast and independent forecasters

Household income (London real disposable household income, £ billion in constant 2022 prices)

GLA Economics estimates that real disposable household income grew steadily in the recent past, by 3.7% in 2023 and by 5.3% in 2024, supported by easing inflation and wage growth that outpaced prices. Income growth is forecast to moderate over the medium term, to 1.2% in 2026, 1.3% in 2027 and 1.5% in 2028. Persistent above-target inflation, driven by the commodity-price shock from the Iran conflict, is expected to squeeze Londoners' real disposable incomes over the near term, with the pressure falling most heavily on lower-income households. In level terms, real household income is projected to rise from £318.1 billion in 2024 to £323.8 billion in 2025, £327.7 billion in 2026, £332.0 billion in 2027 and £336.9 billion by 2028.

Figure 4.5: London household income forecast, levels (LHS) and annual growth (RHS)

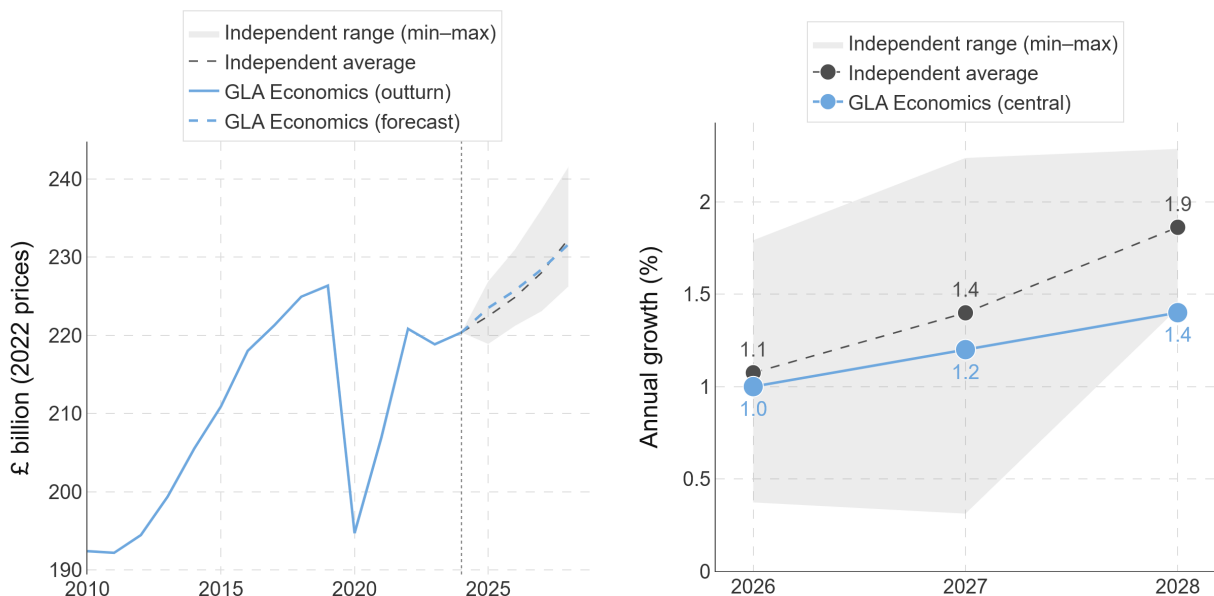


Source: GLA Economics reference forecast and independent forecasters

Household expenditure (London household expenditure, £ billion in constant 2022 prices)

Household spending is forecast to continue gradual growth, at 1.0% in 2026, 1.2% in 2027 and 1.4% in 2028. The recovery tracks the projected paths for output, employment and real incomes, and assumes inflation gradually moderates and consumer confidence slowly rebuilds, though near-term spending remains constrained by the renewed cost pressures from the commodity-price shock. In level terms, household spending is projected to rise from £220.4 billion in 2024 to £223.5 billion in 2025, £225.7 billion in 2026, £228.4 billion in 2027 and £231.6 billion by 2028.

Figure 4.6: London household spending forecast, levels (LHS) and annual growth (RHS)



Source: GLA Economics reference forecast and independent forecasters

Table 4.1: Summary of forecasts: GLA scenarios and independent forecasts (annual growth and levels)

	Forecast	2026 (level)	2026 (growth)	2027 (level)	2027 (growth)	2028 (level)	2028 (growth)
London GVA (£bn)	GLA – central	554.1	1.7	565.1	2.0	577.0	2.1
	GLA – faster growth	556.8	2.2	570.5	2.5	585.6	2.6
	GLA – slower growth	551.3	1.2	557.9	1.2	565.1	1.3
	Independent – lowest	552.6	1.0	560.7	1.1	573.6	1.9
	Independent – average	554.8	1.4	564.0	1.6	575.7	2.1
	Independent – highest	557.2	1.7	567.4	2.0	578.4	2.3

	Forecast	2026 (level)	2026 (growth)	2027 (level)	2027 (growth)	2028 (level)	2028 (growth)
Workforce jobs (m)	GLA – central	6.46	0.5	6.51	0.8	6.58	1.0
	GLA – faster growth	6.50	1.0	6.57	1.2	6.67	1.5
	GLA – slower growth	6.40	-0.5	6.39	-0.2	6.40	0.2
	Independent – lowest	6.49	0.1	6.54	0.6	6.58	0.7
	Independent – average	6.53	0.6	6.59	1.0	6.68	1.3
	Independent – highest	6.58	1.4	6.69	1.6	6.78	1.8

	Forecast	2026 (level)	2026 (growth)	2027 (level)	2027 (growth)	2028 (level)	2028 (growth)
Household income (£bn)	GLA – central	327.7	1.2	332.0	1.3	336.9	1.5
	Independent – lowest	319.2	-0.2	320.3	0.3	326.0	1.3
	Independent – average	324.3	0.5	327.6	1.0	332.5	1.5
	Independent – highest	329.6	0.9	333.9	1.4	338.3	1.8

	Forecast	2026 (level)	2026 (growth)	2027 (level)	2027 (growth)	2028 (level)	2028 (growth)
Household spending (£bn)	GLA – central	225.7	1.0	228.4	1.2	231.6	1.4
	Independent – lowest	221.2	0.4	223.1	0.3	226.3	1.4
	Independent – average	224.9	1.1	228.0	1.4	232.3	1.9
	Independent – highest	231.0	1.8	236.1	2.2	241.5	2.3

Source: GLA Economics reference forecast and independent forecasters

Table 4.2: Forecast growth by sector: GLA central vs independent forecasts (GVA and workforce jobs)

GVA growth (%)

	Forecast	2026	2027	2028
Manufacturing	GLA	-0.4	-0.3	-0.3
	Lowest	-0.1	0.0	1.2
	Average	0.6	0.7	1.3
	Highest	0.9	1.3	1.5
Distribution, accom and food	GLA	-0.6	0.1	0.1
	Lowest	0.6	0.7	1.4
	Average	0.8	1.3	1.7
	Highest	1.0	1.7	2.2
Finance and business	GLA	2.9	3.0	3.1
	Lowest	0.9	1.2	2.1
	Average	1.4	1.8	2.2
	Highest	1.7	2.2	2.5
Construction	GLA	-0.5	0.0	0.1
	Lowest	-0.7	0.8	1.5
	Average	0.9	1.5	2.1
	Highest	1.8	2.0	2.8
Transport and storage	GLA	-2.3	-1.2	-0.4
	Lowest	1.6	1.2	1.2
	Average	2.5	1.6	1.9
	Highest	3.5	2.3	2.4
Other (public & private) services	GLA	-0.0	0.5	0.6
	Lowest	1.0	1.0	0.9
	Average	1.1	1.3	1.5
	Highest	1.3	1.9	1.8

Workforce jobs growth (%)

	Forecast	2026	2027	2028
Manufacturing	GLA	0.0	-1.6	-2.4
	Lowest	-2.4	-2.7	-1.5
	Average	0.7	-0.6	-0.3
	Highest	5.1	0.6	0.6
Distribution, accom and food	GLA	-0.4	0.3	0.4
	Lowest	-0.6	0.2	0.5
	Average	-0.1	0.6	1.2
	Highest	0.6	1.0	2.1
Finance and business	GLA	0.9	0.9	1.1
	Lowest	0.4	0.9	1.6
	Average	1.3	1.5	1.9
	Highest	2.2	1.9	2.2
Construction	GLA	-1.1	0.0	0.0
	Lowest	-2.8	0.0	0.7
	Average	-0.4	1.0	1.6
	Highest	2.5	2.0	2.6
Transport and storage	GLA	-1.1	-0.4	0.0
	Lowest	-1.0	-0.8	-0.5
	Average	0.7	0.6	1.1
	Highest	2.9	2.0	2.3
Other (public & private) services	GLA	0.9	1.5	1.6
	Lowest	0.4	-0.2	-0.1
	Average	0.6	0.7	0.8
	Highest	1.0	1.8	1.5

Source: GLA Economics reference forecast and independent forecasters

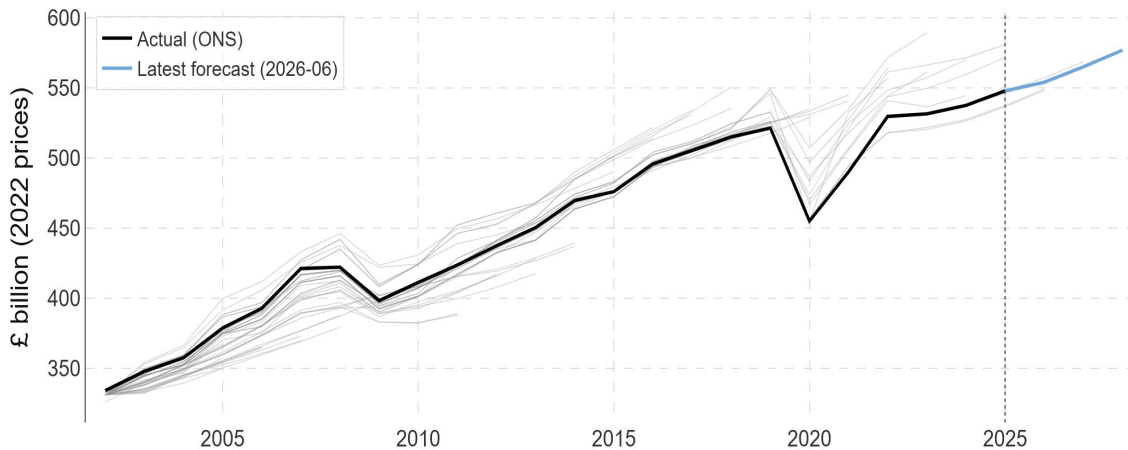
4.2 Comparison with previous forecasts

This section compares the latest forecast with previous projections in the London Economic Outlook (LEO) series. The considerable variation in projections produced over the past four years reflects both ongoing revisions to output and labour market data by the ONS and the highly uncertain economic environment following the pandemic and the cost-of-living crisis. Shifts in public health restrictions, inflation dynamics, and monetary policy have all contributed to forecast divergence across vintages.

Output

The most recent medium-term forecast for London's GVA remains broadly consistent with the previous published vintage (December 2025)⁵⁴. The updated profile shows real GVA growing by 1.4% in 2025, 1.7% in 2026, 2.0% in 2027 and 2.1% in 2028; the slight revisions reflect the latest data on short-term momentum.

Figure 4.7: London output - latest forecast vs previous GLA forecasts

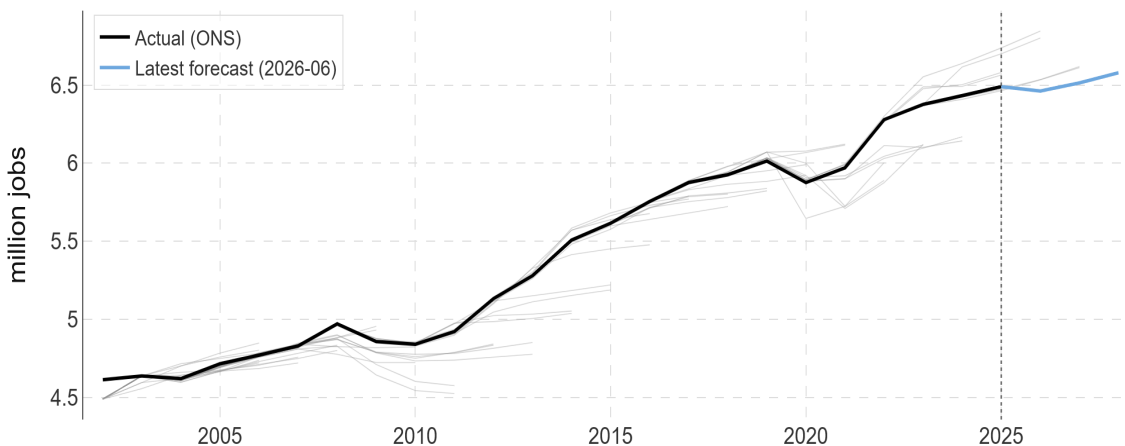


Source: ONS for outturn; GLA Economics forecasts

Workforce jobs

The latest medium-term forecast for London's workforce jobs is also broadly consistent with the previous vintage (December 2025), but a touch softer. The updated profile shows jobs growing by 0.5% in 2026, 0.8% in 2027 and 1.0% in 2028 — a modest downward revision (December had around 1.1% in 2026 and 1.2% in 2027) — while the 2025 outturn is now a 0.3% fall rather than the around 0.9% growth previously pencilled in. The revisions reflect cooler hiring intentions and moderating pay in recent business surveys, monetary conditions that remain tighter for longer, and revised ONS population and workforce estimates.

Figure 4.8: London workforce jobs - latest forecast vs previous GLA forecasts



Source: ONS for outturn; GLA Economics forecasts

⁵⁴ GLA Economics' December 2025 forecast figures shown here for comparison have been revised to reflect subsequent ONS data revisions; the previously published vintages are available on the [London Datastore](#)

Appendix A: Explanation of terms and some sources

Definitions, differences, and revisions

Forecasting organisations use varying definitions of the regional indicators they supply. It is therefore not always possible to assign a completely consistent meaning to the terms used.

Throughout this report 'employment' refers to 'workforce jobs' and uses the ONS historical series as a base for the forecast.

Forecasters' definitions are broadly compatible with this but in some cases, differences arise from the treatment of small items such as participants in government training schemes or the armed forces. The GLA uses civilian workforce employment throughout.

Output refers to GVA, a term introduced by the 1995 revision of the European System of Accounts (ESA95). GLA Economics' [London's Economic Outlook: December 2003](#) provides a more detailed explanation of this term.

At the time of writing national statistics estimates of real regional GVA are available up to 2023 from the ONS⁵⁵. The historic real London GVA figures used in this GLA Economics' forecast are estimates produced by GLA Economics using ONS data.

Consumption refers to private consumption, otherwise known as household expenditure; in some cases, the expenditure of non-profit organisations is included and in other cases it is not.

⁵⁵ ONS Regional GVA (balanced approach).

Appendix B: Glossary of acronyms

Abbreviation	Full Term
ADB	Asian Development Bank
BIS	The Bank for International Settlements
BoE	Bank of England
bn	Billion
CE	Cambridge Econometrics
CEBR	The Centre for Economic and Business Research
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
ECB	European Central Bank
EE	Experian Economics
EERI	Effective Exchange Rate Index
Fed	Federal Reserve
FT	Financial Times
GDP	Gross Domestic Product
GLA	Greater London Authority
GVA	Gross Value Added
HM Treasury	His Majesty's Treasury
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
IMF	International Monetary Fund
LEO	London's Economic Outlook
LFS	Labour Force Survey
LHS	Left Hand Scale
m	Million
MPC	Monetary Policy Committee
OBR	Office for Budget Responsibility
OE	Oxford Economics
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PMI	Purchasing Managers' Index
Q2	Second Quarter
QE	Quantitative Easing
RHS	Right Hand Scale
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
TfL	Transport for London

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