GLAECONOMICS

# London's Economy Today

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## Chancellor delivers Spring Statement

By **Gordon Douglass**, Supervisory Economist, **Jubair Ahmed**, Economist, and **Sixia Zhang**, Economist

**On 26 March the Chancellor of the Exchequer, Rachel Reeves, delivered the 2025 Spring Statement which had a heavy focus on improving government efficiency and increasing spending on defence. The Chancellor thus announced the creation of a £3.25bn Transformation Fund "to support the fundamental reform of public services, seize the opportunities of digital technology and Artificial Intelligence (AI), and transform frontline delivery to release savings for taxpayers over the long-term". Savings to back-office functions of government departments are expected to save £2.2bn by 2029-30.**

The Chancellor further reconfirmed the Government's intention to spend 2.5% of GDP on defence from April 2027 with an ambition to increase this to 3% in the next parliament. The Government also committed to have 10% of its defence equipment spending "on novel technologies like dual-use tech, uncrewed and autonomous systems and AI-enabled capabilities" from next year. And looking at exports, the Government committed to spend to further promote UK defence exports.

Other noteworthy announcements included an additional £2bn spend on social and affordable homes in 2026-27. The Chancellor said the OBR had assessed that the Government's previously announced planning reforms "will increase the level of GDP by 0.2% by 2029-30 and by over 0.4% by 2034-35".

### Also in this issue



### Datastore

The main economic indicators for London are available to download from the London Datastore.

## UK government sets out changes to the benefits system

Ahead of the Spring Statement the Secretary of State for Work and Pensions, Liz Kendall, announced a number of reforms to the benefits system including a £5bn cut to spending on health-related benefits, a duty for claimants to engage with job support programmes, and a £1bn investment in back-to-work programmes.

Looking at the announcement in more detail the headline level of Personal Independence Payments (PIP) will not be cut or frozen, as some had believed would happen, however, the health element of Universal Credit (UC) (currently LCWRA) will almost halve for new claimants – it will be frozen in cash terms for claimants. This is expected to come into effect from April 2026. The reduction in value for new claimants represents a reduction of around £2,500 a year. The basic rate of UC will increase by £7pw (or 8%) in order to 'rebalance' the different payments in UC. A new 'premium' will be added to the UC health element for those with severe, lifelong disabilities, and they will not need reassessment.

The daily living component of PIP will also become more difficult to access for some claimants from November 2026, with the introduction of a new requirement for at least 4 points to be scored against any one criteria to receive an award.

The Work Capability Assessment – which is used to determine a claimant's ability to work and eligibility for the health element in UC – will be scrapped from 2028. There will now be a single assessment, for PIP, that will also determine access to the health element of UC through qualification for the daily living component.

At the moment, only 63% of people receiving the health element of UC are also receiving PIP (although 95% of people receiving PIP currently receive a Daily Living Award). The remaining 37% - around a million people – would lose access to the health element within UC.

## UK faces slow growth

The Spring Statement was delivered against a backdrop of slow growth with the latest quarterly UK GDP data from the Office for National Statistics (ONS) pointing to the economy having grown by only 0.1% in the final quarter of 2024 (Figure 1), while timelier monthly data (for January 2025) shows a slight monthly contraction of 0.1% between December and January.

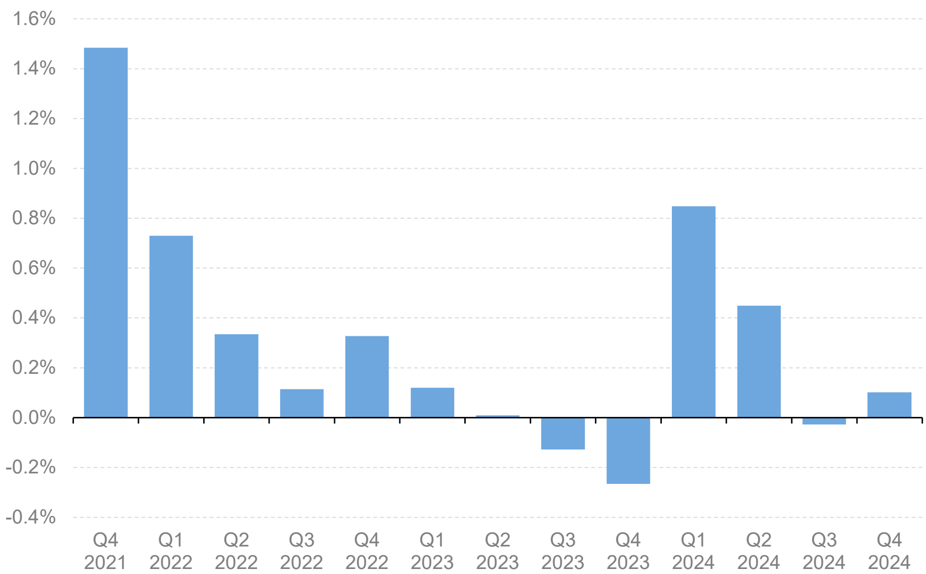



**Figure 1: UK real GDP quarterly growth, Q4 2021 to Q4 2024**

*Source: ONS*

In its March Economic and Fiscal Outlook (released after the Spring Statement), the OBR revised its forecast of UK GDP growth in 2025 downwards from 2% to 1%, but revised GDP growth upwards in every other year of their forecast period (which covers the fiscal year 2024-25 to 2029-30). In general, forecasters maintain a positive growth outlook for UK GDP for the coming year and beyond, but they vary in their short-term predictions. In its latest Monetary Policy Report (February 2025), the Bank of England (BoE) revised its GDP growth forecast for early 2025 down from 1.5% to 0.75% for early 2025. It attributed the revision to slowing global expected GDP growth and a few UK-specific factors: (1) lower-than expected outturn GDP growth (2) a slight loosening of the labour market, and (3) falling business confidence. The BoE does, however, expect GDP growth to return to the 1-1.5% range later this year and for the rest of the forecast period. The latest OECD global GDP forecast (March 2025) has also revised UK growth downwards, from a previously forecast growth rate of 1.7% this year to 1.4% (attributed to slowing global growth, rather than UK-specific factors). Recent forecasts from NIESR and the IMF (January 2025) maintain a positive growth outlook, forecasting a 1-1.5% growth rate for 2025.

## UK inflation sees marginal slowing, in line with forecasters' expectations

The latest UK Consumer Price Index (CPI) inflation data from the ONS (for February 2025), shows an annual CPI rate of 2.8% in February (compared to prices in February last year), down from 3% in January – a slight fall which was in line with surveyed forecasters' expectations (Figure 2). The ONS attribute this slight downtick to contributions from the clothing and footwear and recreation and culture buckets of goods and services.

Beyond the headline inflation measure, the ONS also report that core inflation (the basket of goods that excludes energy, food, alcohol and tobacco to strip out the volatile components of inflation) in February decreased to 3.5% on the year, down from 3.7% in January. Goods inflation decreased to 0.8% on the year, down from 1% last month - while services inflation remained at 5.0% on the year.

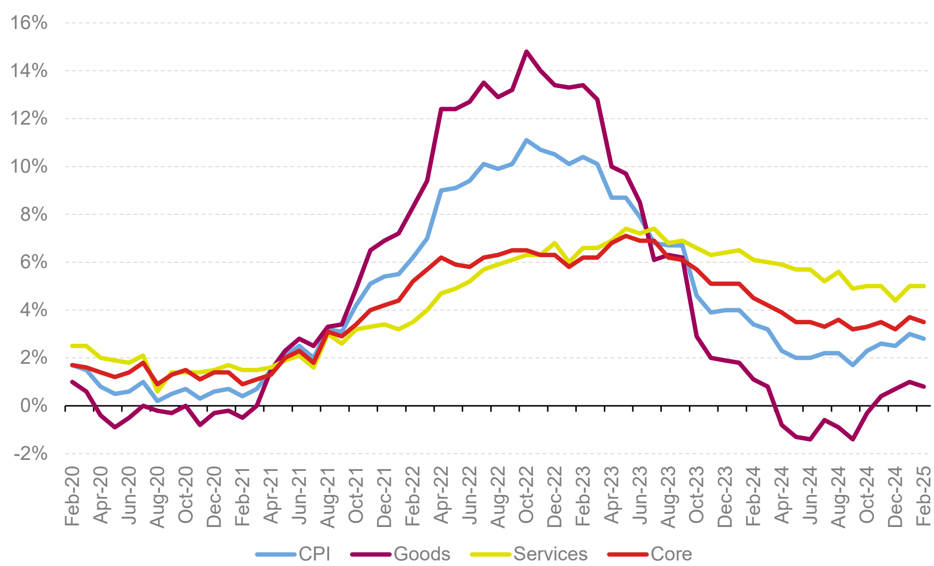



**Figure 2: CPI, goods, services and core annual inflation rates, UK, February 2020 to February 2025**

*Source: ONS, GLA Economics*

The forecasters' consensus currently predicts CPI inflation throughout 2025 to be above the BoE's 2% inflation target. The BoE forecasts CPI at roughly 3.5% throughout 2025 (attributed to higher global energy costs), while the latest OBR and NIESR forecasts have CPI at 3.2% and 2.6% respectively (which they believe is caused by a mixture of elevated energy prices, policy effects, and a modest positive output gap). The OECD forecasts CPI at 2.7% in 2025 (the highest among G7 nations), but unlike other forecasters it explains the elevated rate is due to robust wage and services inflation.

## Rising bills may hit consumption in the coming months

Coupled with this above target inflation, and with the end of the financial year approaching, Londoners face a flurry of rising costs across essential services (water, council tax, and energy), placing further pressure on household budgets and potentially dampening consumer spending across the broader economy.

From 1 April 2025, the average Band D council tax in London is set to rise by 4.7% (5% across England), with all London boroughs other than Wandsworth and Kensington and Chelsea pursuing around the maximum allowed increase (which has been explained as needed to maintain essential services amidst escalating costs). Newham council has received special permission to increase its council tax by 8.99% to address severe financial challenges. From April, many second-home owners in England will also now face doubled council tax rates (under the Levelling-up and Regeneration Act), a policy adopted by roughly 70% of local authorities and applicable to roughly half a million homes in England.

Also effective from 1 April, the energy price cap will be adjusted, resulting in an average annual increase of roughly 6% (£111) for households on standard tariffs. Ofgem attribute the adjustment to sustained high wholesale gas prices and reduced storage capacities in Europe. The energy secretary recently stated that the government would work with Ofgem to develop a potential debt relief scheme, noting the prevalence of household energy debt (which was roughly £4bn in 2024 and is expected to grow without intervention).

Thames Water has also announced that, starting 1 April, typical water and wastewater bills will increase significantly, with wholesale prices expected to rise roughly 31% compared to last year and household bills increasing roughly 39%. These adjustments are part of the company's strategy to address funding and infrastructure challenges. Thames Water states it had initially sought a 53% price increase over the next five years to support its investment program, but were met with an Ofwat decision of a 35% ceiling. Thames Water has appealed this decision to the Competition and Markets Authority (CMA).

As households allocate a larger share of their budgets to these essential services, discretionary expenditures are likely to decline, affecting spending in sectors reliant on "non-essential" consumer demand (such as retail, hospitality, and entertainment). This impact will be most acutely felt by lower-income households, who spend a greater proportion of their total expenditure on necessities – and consequently have less flexibility to absorb rising costs without reducing spending on non-essentials.

## US continues to announce new tariffs

The US government continued to announce the imposition of new tariffs this month. These include an additional 10% tariff on Chinese exports to the US, and the imposition of a 25% tariff on steel and aluminium imports into the US. This latter move led to retaliatory tariffs from some, with the EU imposing tariffs that would affect up to €26bn of American goods while Canada imposed tariffs of C$30bn on US goods. Meanwhile 25% tariffs on cars and car parts exports to the US have been announced to come into effect on 2 April.

The US Federal Reserve (Fed) has also downgraded in March its forecast for US GDP growth this year to 1.7% compared to the 2.1% growth it had forecast in December. The Fed also pushed up its forecast for inflation with it now expected to rise by 2.7% this year compared to the previous forecast of 2.5%. The Fed's chair, Jay Powell, acknowledged to reporters that the recent tariffs had been responsible for some of the forecast change with him saying that "clearly some of it, a good part of it" was due to tariffs. He further added that they "tend to bring growth down and push inflation up".

## Germany announces big spending package

The German parliament, the Bundestag, this month approved plans by Friedrich Merz, who is expected to be the next Chancellor of Germany, for plans to spend up to €1tn over the next decade in the country's military and infrastructure. Such a move required a two-thirds majority in the Bundestag in order to change the country's constitutional borrowing limit. In comments to MPs Merz said "this decision we are making today on our country's defence readiness, is no less than the first major step towards a new European defence community". Adding "we are combining the restoration of our defence capacity with the modernisation of our infrastructure".

Elsewhere, the European Central Bank (ECB) cut Eurozone interest rates again in March. Rates were reduced by a quarter of a percentage point to 2.5%. This was the sixth reduction in the Zone's rates since the ECB started cutting them in 2024 from their record high of 4%. However, in commenting on the move the ECB said "monetary policy is becoming meaningfully less restrictive" which has been taken as a hawkish statement on future cuts.

## The British Museum was the most visited attraction in 2024

Data from the Association of Leading Visitor Attractions (ALVA) showed that the British Museum was the most visited UK visitor attraction in 2024. The data showed that there were 6,479,952 visitors to the museum last year, an increase of 11% on 2023. This was the second year in a row that the museum had topped the list of attractions, after standing in third place in 2022. The second most visited UK attraction in 2024 was the Natural History Museum with 6,301,972 visitors, an increase of 11% on 2022. Of the top ten most visited attractions, nine were in London. However, the director of ALVA, Bernard Donoghue, did note that the post pandemic "recovery of visitor attractions and the broader cultural and heritage economies remains fragile".

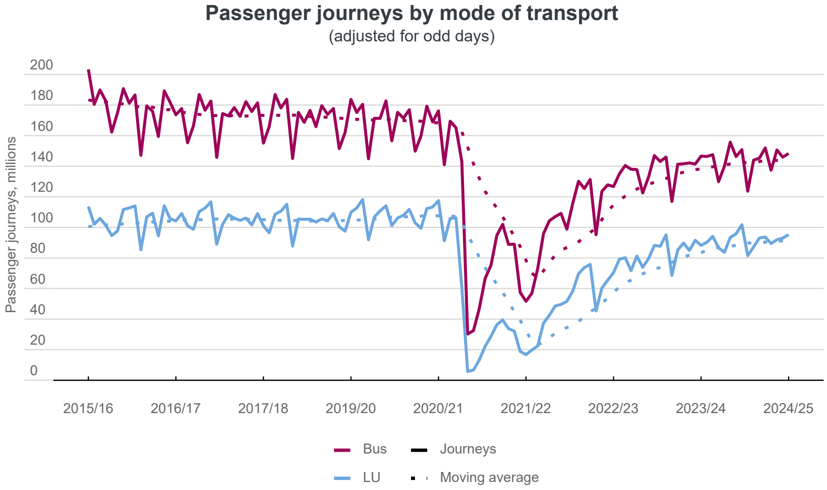
GLA Economics will continue to monitor these (and other) aspects of London's economy over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

# Economic indicators

## The underlying trend in passenger journeys on London public transport marginally increased in July 2024

- 243.5 million passenger journeys were registered between 23 June and 20 July, 4.7 million more than in the previous period. 238.9 million passenger journeys were registered between 26 May and 22 June.
- In the latest period, 95.2 million of all journeys were underground journeys and 148.3 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose marginally from 234.9 million in the previous period to 235.1 million in the latest period.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed

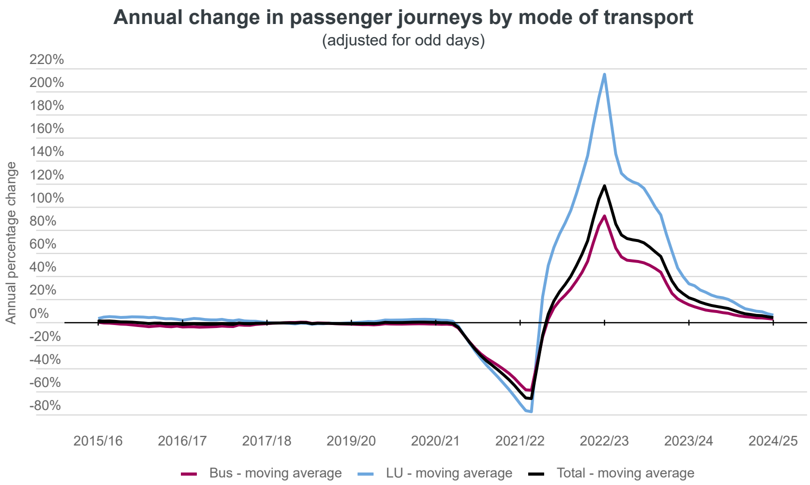
*Source: Transport for London*
*Latest release: August 2024, Next release: TBC*




## Annual growth in passenger journeys remained positive, if slowing

- In 2024, the 13-period moving average annual growth rate in the total number of passenger journeys was 4.4% between 23 June and 20 July, down from 5.1% between 26 May and 22 June.
- The moving average annual growth rate of bus journeys decreased from 3.6% to 3.1% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 7.7% to 6.6% between those periods.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed.

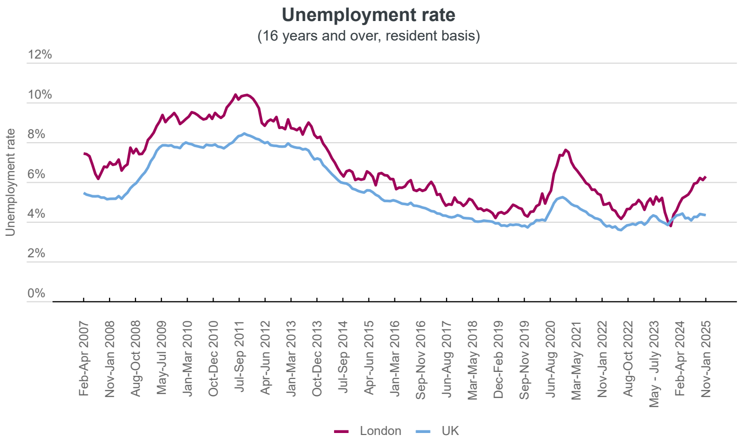
*Source: Transport for London*
*Latest release: August 2024, Next release: TBC*



## London's unemployment rate rose over the last quarter

- Around 323,000 residents aged 16 and over were unemployed in London in the period from November 2024 to January 2025.
- The unemployment rate in London for that period was 6.3%, up from 6.0% in the previous quarter August – October 2024.
- The UK's unemployment rate was 4.4% in the period from November 2024 to January 2025, unchanged from the previous quarter.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

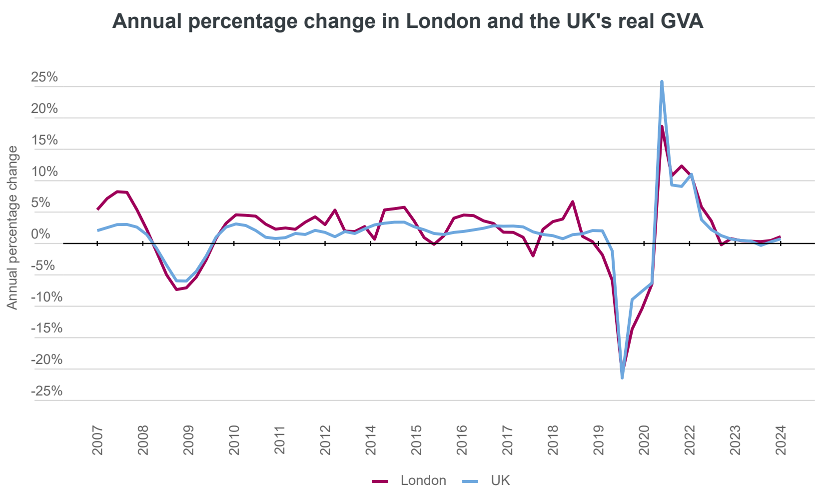
*Source: ONS Labour Force Survey*
*Latest release: March 2025, Next release: April 2025*




## London saw growth in the first half of 2024

- London experienced two consecutive quarters of economic growth in the first half of 2024, with real Gross Value Added (GVA) increasing by 0.6% in both Q1 and Q2 2024.
- In 2023, London's real GVA grew by 0.5%, outperforming the UK's growth rate of 0.3%.
- London's economy returned to pre-pandemic levels in Q4 2022, aligning with the UK's overall recovery timeline. By Q2 2024, London's real GVA was 2.0% above its pre-pandemic level (Q4 2019), though this remains below the UK's overall increase of 2.9%.
- London's real GVA quarterly estimates for the period Q1 1998 to Q4 2012, and from Q4 2022 onwards have been produced by GLA Economics. Estimates for the intervening period are based on outturn data from the ONS, which has not published up-to-date quarterly estimates for London's real GVA for the other periods.

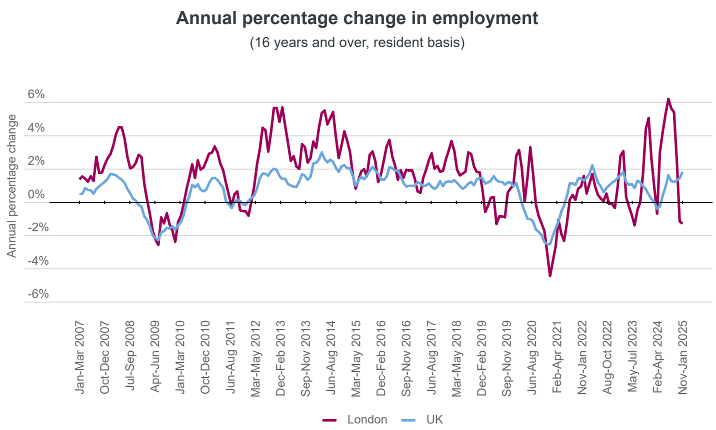
*Source: ONS and GLA Economics calculations*
*Latest release: December 2024, Next release: June 2025*



## London's year-on-year employment growth was negative in the quarter to January 2025

- Around 4.8 million London residents aged 16 and over were in employment during the three-month period from November 2024 to January 2025.
- London's annual change in employment saw a decline of 1.3% in the year to this quarter, a contrast to the 5.4% increase in the quarter leading up to October 2024.
- The UK experienced a 1.8% annual increase in employment in the last quarter, showing an uptick from 1.2% in the previous quarter.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

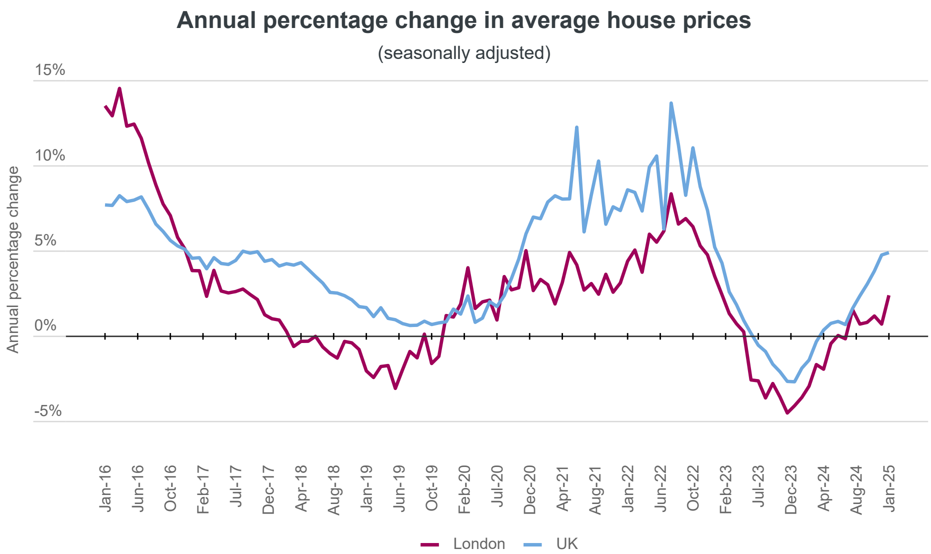
*Source: ONS Labour Force Survey*
*Latest release: March 2025, Next release: April 2025*




## On an annual basis house prices rose in London in January 2025

- In January 2025, the average house price in London was £564,000 while in the UK it was £269,000.
- Average house prices in London rose by 2.4% year-on-year in January 2025, greater than the increase of 0.5% in December 2024.
- Average house prices in the UK rose by 4.9% on an annual basis in January 2025, slightly higher than the increase of 4.8% in the year to December 2024.

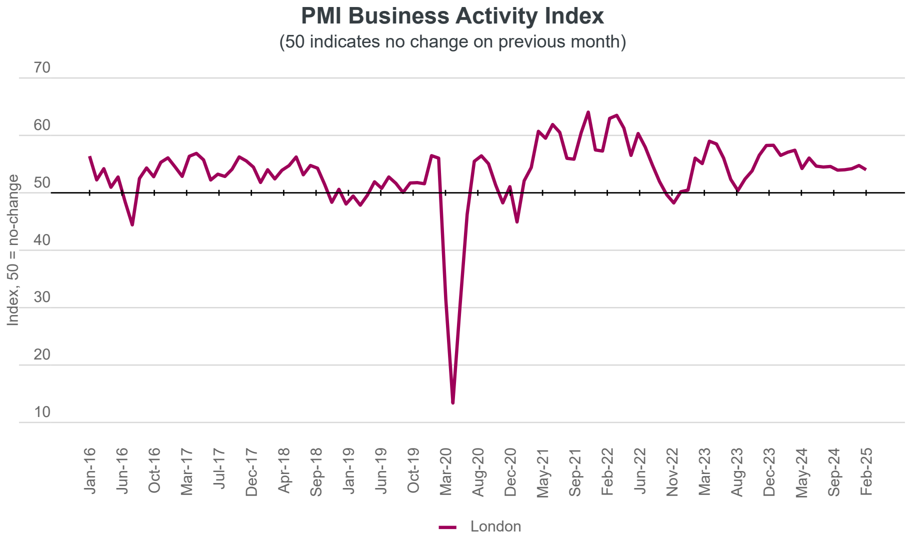
*Source: Land Registry and ONS*
*Latest release: March 2025, Next release: April 2025*



## In February 2025, the sentiment of London's PMI business activity index moderated

- The business activity PMI index for London private firms decreased from 54.8 in January to 54.0 in February.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

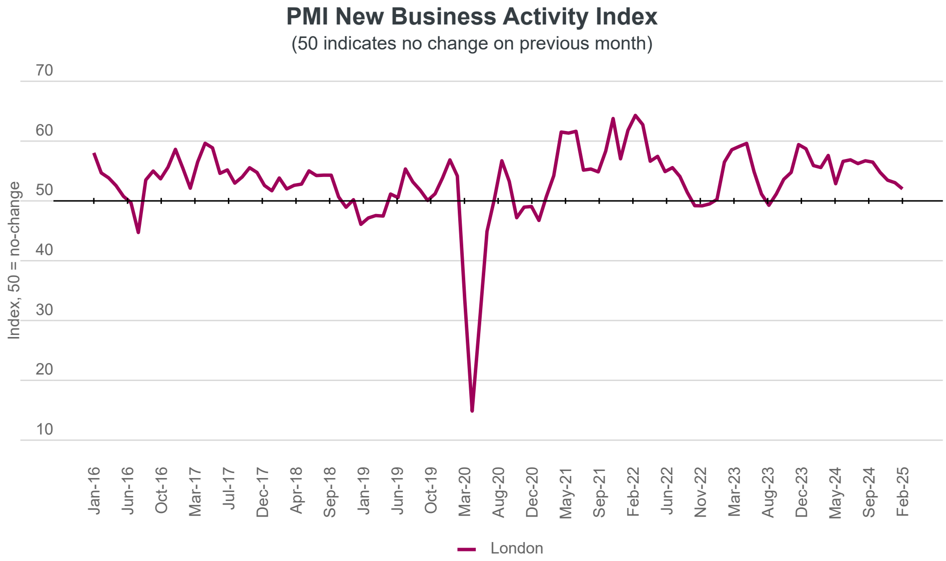
*Source: IHS Markit for NatWest*
*Latest release: March 2025, Next release: April 2025*




## In February 2025, the sentiment of London's PMI new business activity remained positive but decreased

- The PMI new business index in London decreased from 53.0 in January to 52.0 in February.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

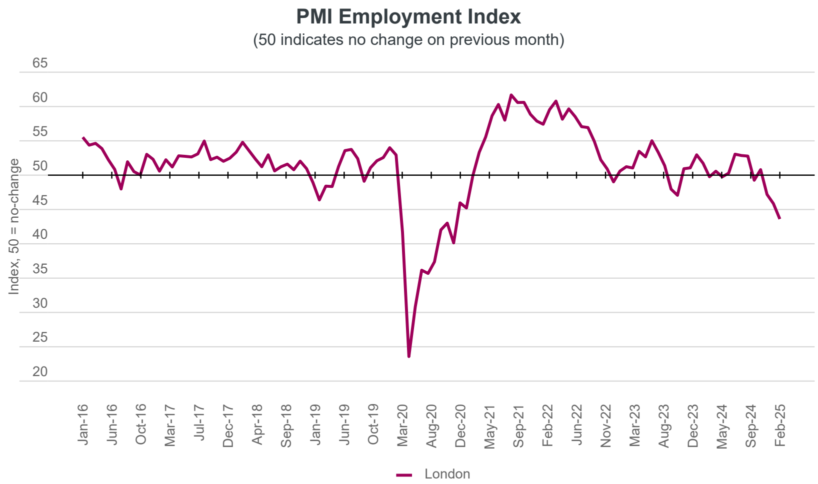
*Source: IHS Markit for NatWest*
*Latest release: March 2025, Next release: April 2025*



## In February 2025, the sentiment of the PMI employment index in London remained negative and declined

- The Employment Index for London decreased from 45.9 in January to 43.6 in February.
- The PMI Employment Index shows the net balance of private sector firms for the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

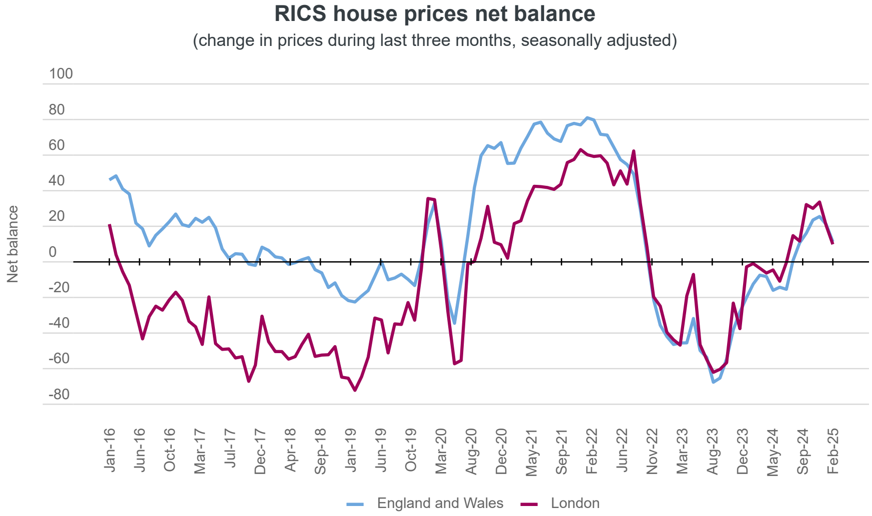
*Source: IHS Markit for NatWest*
*Latest release: March 2025, Next release: April 2025*




## Over half of property surveyors in London reported house price increases in February 2025

- In February, more property surveyors in London reported rising prices than falling prices. The net balance index was 10, and it was 20 in January.
- For England and Wales, the RICS house prices net balance index dropped from 21 in January to 11 in February.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

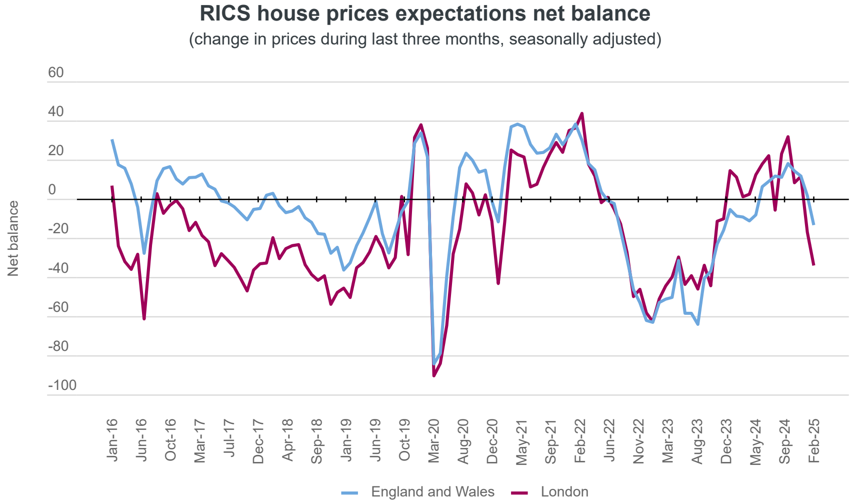
*Source: Royal Institution of Chartered Surveyors*
*Latest release: March 2025, Next release: April 2025*



## In February 2025, over half of property surveyors expressed negative expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -34 in February, a drop from -17 in January.
- The index for England and Wales was -13 in February, and was 2 in January.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

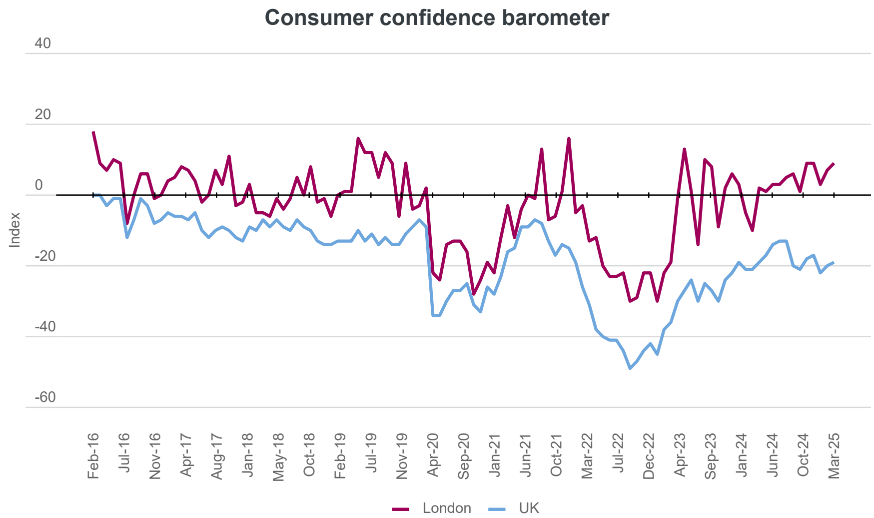
*Source: Royal Institution of Chartered Surveyors*
*Latest release: March 2025, Next release: April 2025*




## Consumer confidence in London increased in March 2025

- The consumer confidence index in London increased from 7 in February to 9 in March.
- The sentiment for the UK increased from -20 to -19 over the two months. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

*Source: GfK*
*Latest release: March 2025, Next release: April 2025*



# Investment in London: The Devil in the Detail

By **Adam Yousef**, Senior Manager

**London is commonly perceived as an 'investment magnet' not just by the UK but also by global standards. While this is true to a certain extent, it masks the devil in the detail, which is that this idea does not always hold.**

In this supplement, we aim to look specifically at London's investment performance - how it compares to that of other UK regions and global cities, as well as how it performs when it comes to gross fixed capital formation (GFCF) and foreign direct investment (FDI). While our capital is often considered the "Jewel in the Crown" when it comes to investment, there are both interesting and salient observations to note as we look towards the future.

## Gross fixed capital formation (GFCF) (2000-2019)

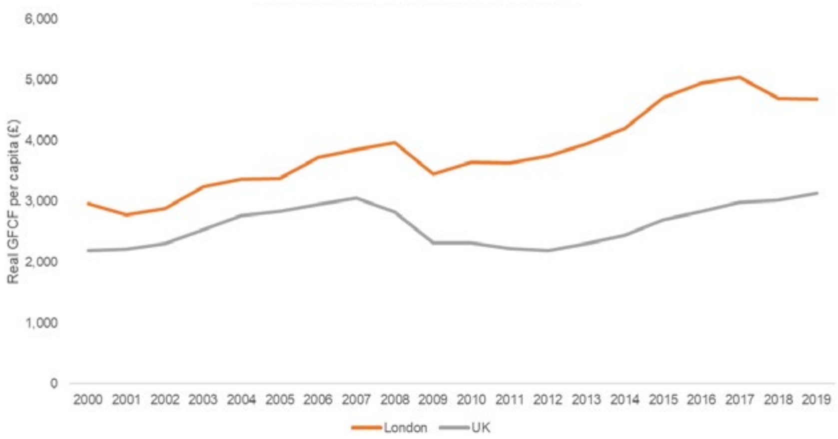
GFCF is a component of investment, and the Office for National Statistics (ONS) provides experimental data on regional GFCF in the UK for the years 2000-2019. Figure A1 shows London's real GFCF and its annual growth rate, compared to that for the UK. It is worth noting that at the start of this century, London's GFCF represented around 16% of the UK total. That share increased to a century-high of 23% in 2013, 2014, and 2015 before dropping to nearly 20% in 2019. Curiously, while London has been playing an increasingly significant role in the country's overall fixed capital formation buildup, the city's annual growth in GFCF has in fact been less impressive than the national growth since 2016. In fact, the UK's performance has been better than London's during much of the 2010s. However, looking at the whole period since 2000, London's real GFCF nearly doubled - hence growing much faster than the UK's and explaining the growth in its national share over the past two decades. This would suggest that growth during the noughties was responsible for that trend.

**Figure A1: Real GFCF levels and growth in London and the UK**


## Gross fixed capital formation per capita in London and the UK

London's strong performance in GFCF becomes more evident when comparing the city's real GFCF per capita to that of the UK (Figure A2).

**Figure A2: Real GFCF per capita in London and the UK**




Throughout this century, London has had more investment per capita than the UK, but the difference grew significantly since the 2008 financial crisis. By 2019, real GFCF per Londoner was about 50% higher than that per Briton.

## Gross fixed capital formation by sector

**Business services**

Real GFCF trends exhibit noticeable differences by sector. For example, London-registered business services firms have been responsible for the largest investment since 2005 (in 2019, this investment represented nearly 25% of total real GFCF invested in the business services sector (Figure A3)). Nevertheless, from 2000 to 2019, growth of real GFCF in this sector was lower in London than it was for all England regions except the Northern regions and the West Midlands (Figure A4).

**Figure A3: Real GFCF in business services by nation or English region**

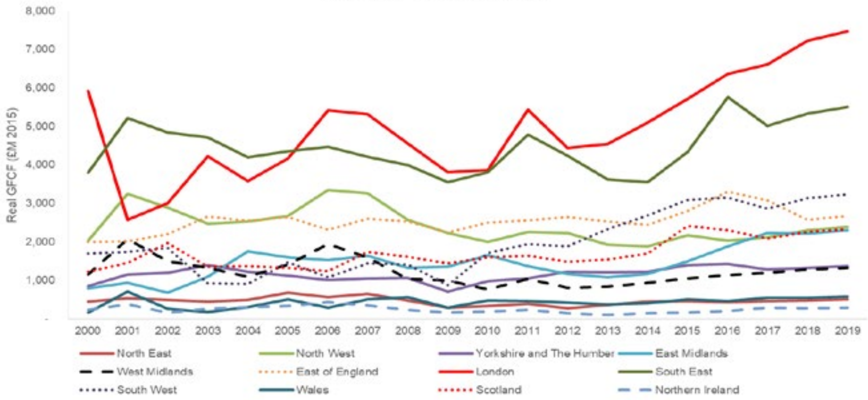
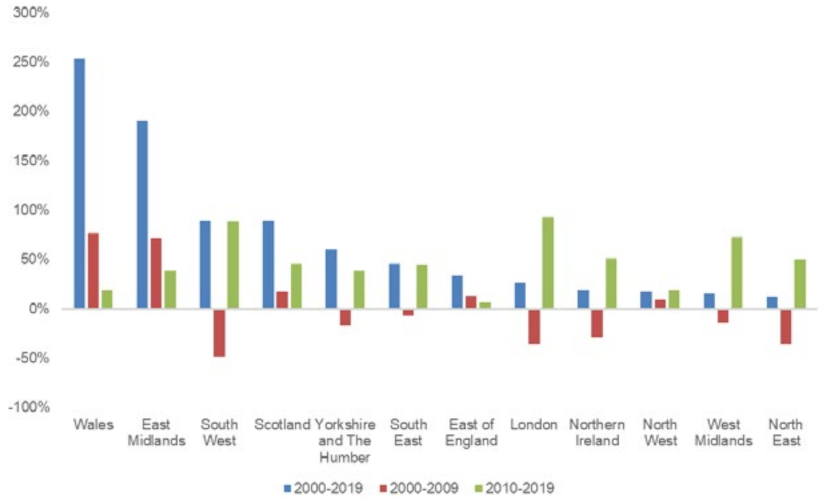


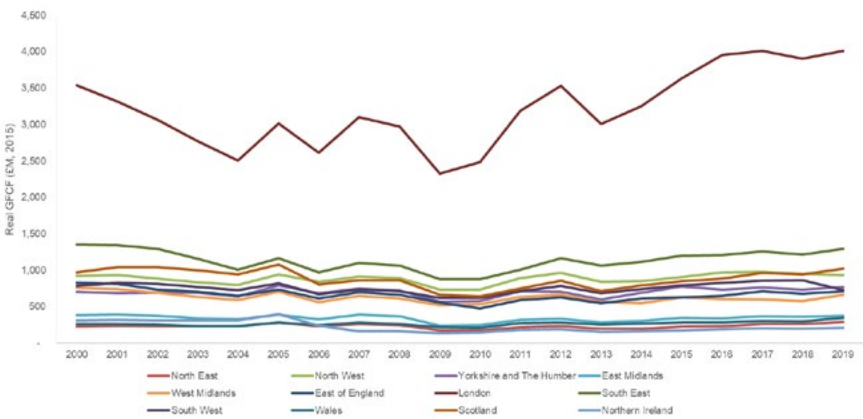

**Figure A4: Growth in real GFCF in business services by UK nation or English region**




## Financial and Insurance Activities

With regards to the “financial and insurance activities” sector, GFCF by London-registered firms represented a third of total GFCF by UK-registered firms over the past two decades (Figure A5). This may not be surprising given London’s eminent position in this sector, but when looking at growth in real GFCF from 2000 to 2019 (Table A1), London experienced the third-fastest growth rate across the UK (with Wales and the Northeast of England experiencing faster growth).

**Figure A5: Real GFCF in the financial and insurance sector by UK nation or English region**



Curiously, regional performance differs by decade: from 2010 to 2019, financial and insurance businesses in London grew their GFCF by more (percentage-wise) than any other region except the Northeast. However, from 2000 to 2009, real GFCF by London-based businesses dropped by a bigger percentage than most other regions (Table A1).

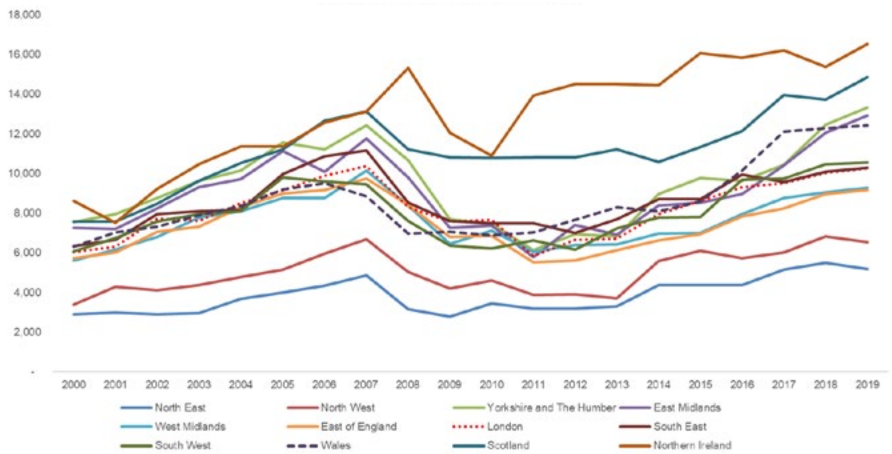
**Table A1: Percentage change in real GFCF in the financial and insurance sector by UK nation or English region**

| Region | % Change (2000-2019) | % Change (2000-2009) | % Change (2010-2019) |
|---|---|---|---|
| Wales | 31% | -17% | 61% |
| Northeast | 28% | -22% | 64% |
| London | 14% | -34% | 62% |
| Yorkshire and The Humber | 9% | -20% | 34% |
| Scotland | 5% | -32% | 60% |
| Northwest | 1% | -20% | 27% |
| East Midlands | -3% | -38% | 50% |
| Southeast | -4% | -35% | 48% |
| Southwest | -7% | -22% | 17% |
| West Midlands | -13% | -31% | 24% |
| East of England | -14% | -33% | 50% |
| Northern Ireland | -32% | -56% | 44% |

### Construction, real estate activities and new dwellings

When it comes to the 'construction and real estate activities' sector, London's record over the past two decades is unimpressive compared to other regions (Figure A6). While investment did grow during the 2010s (by 34% between 2010 and 2019), that growth rate still lagged all other UK regions except the West Midlands (Table A2); this becomes pertinent when accounting for the lack of housing supply and affordability issues impacting London, the East and Southeast of England.

**Figure A6: Real GFCF in the construction and real estate sector by UK nation or English region**



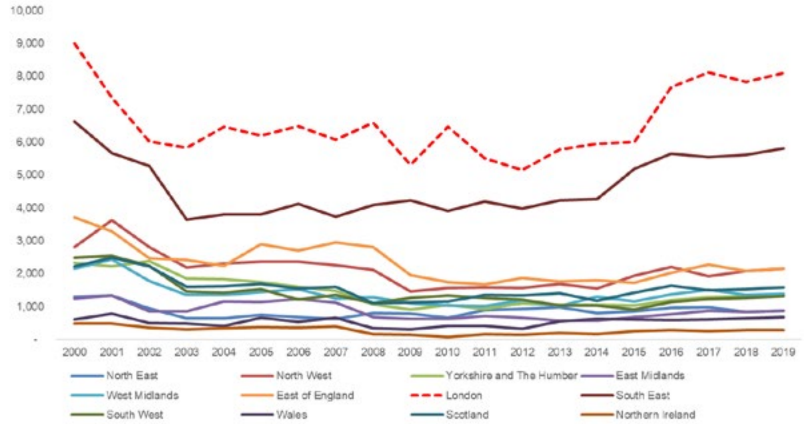
### Table A2: Percentage change in real GFCF in the construction and real estate sector by UK nation or English region

| | 2000-2019 | 2000-2009 | 2010-2019 |
|---|---|---|---|
| **Wales** | 97% | 12% | 80% |
| **Scotland** | 96% | 42% | 38% |
| **Northwest** | 93% | 24% | 42% |
| **Northern Ireland** | 92% | 40% | 52% |
| **East Midlands** | 78% | 0% | 75% |
| **Northeast** | 78% | -4% | 50% |
| **Yorkshire and The Humber** | 76% | 2% | 79% |
| **Southwest** | 74% | 5% | 69% |
| **London** | 70% | 26% | 34% |
| **West Midlands** | 65% | 15% | 30% |
| **Southeast** | 63% | 20% | 37% |
| **East of England** | 60% | 18% | 34% |

### Information, communication and technology (ICT)

With regards to the information, communication and technology (ICT) sector (Figure A7), we notice, rather remarkably, that between 2000 and 2009, real GFCF growth was negative across all UK regions including London (Table A3). This changed during the 2010s, when all regions experienced impressive real GFCF growth in that sector. Nevertheless, London's growth rate during the 2010s was lower than all regions except the East and the Southwest.

### Figure A7: Real GFCF in the ICT sector by UK nation or English region



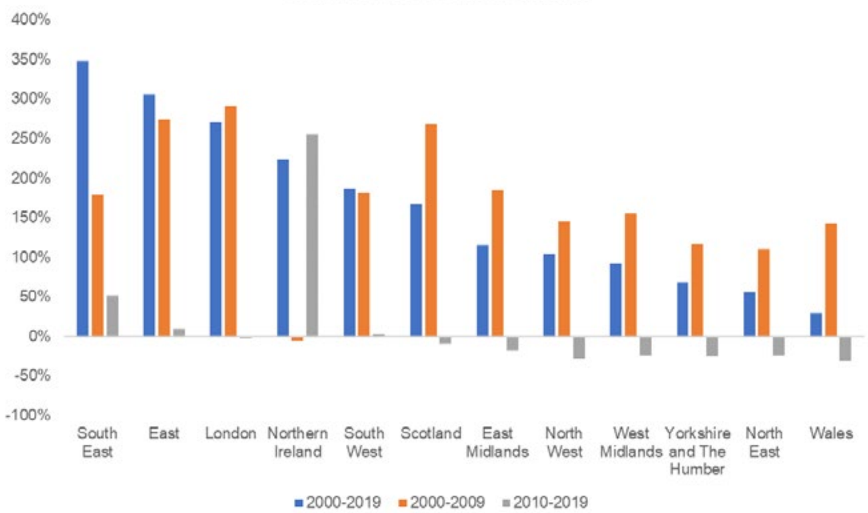

### Table A3: Percentage change in real GFCF in the ICT sector by UK nation or English region

| | 2000-2019 | 2000-2009 | 2010-2019 |
|---|---|---|---|
| **Wales** | 11% | -50% | 64% |
| **London** | -10% | -41% | 25% |
| **Southeast** | -12% | -36% | 49% |
| **Northwest** | -23% | -48% | 38% |
| **Scotland** | -28% | -50% | 37% |
| **East Midlands** | -29% | -49% | 40% |
| **Northeast** | -33% | -39% | 31% |
| **West Midlands** | -35% | -49% | 34% |
| **Northern Ireland** | -41% | -70% | 273% |
| **Yorkshire and The Humber** | -41% | -61% | 30% |
| **East of England** | -42% | -47% | 23% |
| **Southwest** | -47% | -49% | -2% |

## Local government investment

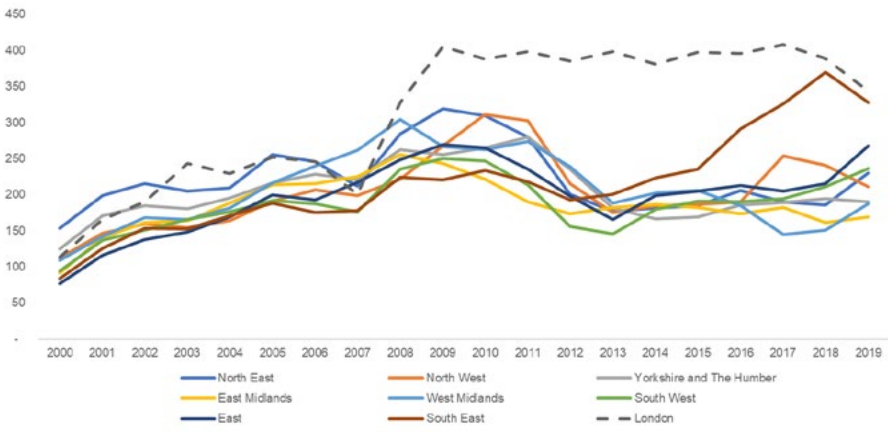
Looking at real local government investment in London and other UK regions, we see that while London has experienced 271% growth in GFCF over the two decades (Figure A8), this is still below the growth rates experienced by local governments in the East (306%) and Southeast (348%). Interestingly, growth in investment by local governments in London diminished between 2010 and 2019, while it grew in other areas such as the East, Southeast, and Southwest. However, between 2000 and 2009, London's local governments grew their GFCF more in real terms than all UK regions.

**Figure A8: Growth in real local government GFCF by UK nation or English region by decade**




Per-capita trends reveal a similar picture (Figure A9). Until the 2008 Financial Crisis, per-capita real GFCF by local government in London was comparable to that in other England regions. Since the Crisis, however, per-capita real GFCF per Londoner exceeded that of all other regions, with only the Southeast coming close.

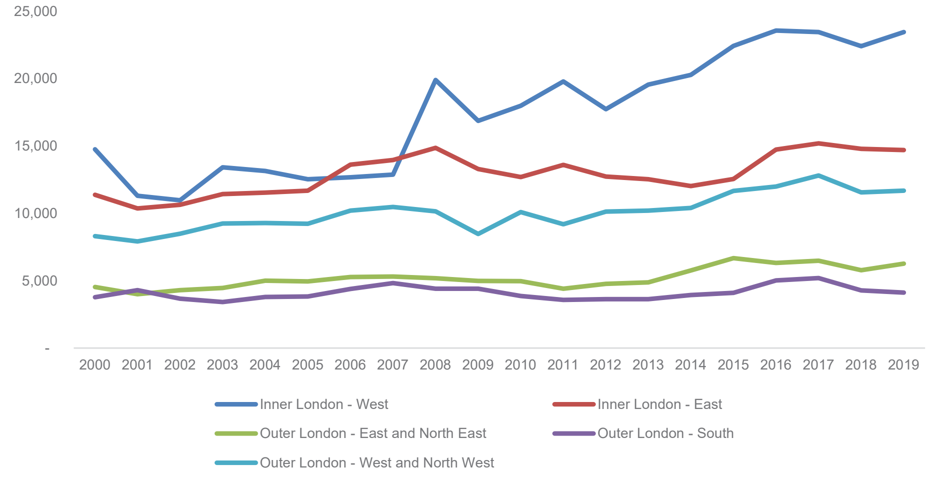
**Figure A9: Real GFCF per capita by local government by English region**




## GFCF by London region

The ONS provides a breakdown of real GFCF by different parts of London from 2000 to 2019 (Figure A10).

**Figure A10: Real GFCF by London International Territorial Level 2 (ITL2) region**




The discrepancy between Inner and Outer London boroughs is manifest and has been a feature of GFCF investment in London since 2000. However, this difference grew considerably since the 2008 Financial Crisis, with Inner Boroughs in West London being the main beneficiaries. For example, in 2007, GFCF in Inner London was 30% higher than that in Outer London. By 2019, the difference was 73% (having reached a high of 95% in 2011). In general, Outer boroughs in the East and South have and continue to accumulate less GFCF than other parts of London, especially Inner boroughs in the West.

## GFCF in London vs European metropolitan areas

Eurostat provides data on GFCF for NUTS2 European regions, which while not translating precisely to London in terms of geography, political structure and economic size, still provide some indication of how Greater London compares relative to similar metropolitan areas in Europe. Looking at total and per-capita real GFCF investment across key regions of Europe from 2014 to 2019 (years for which Eurostat data is available), one can see that London's per-capita real GFCF growth lagged that of many European metropolitan areas (Figures A11 & A12).

**Figure A11: Growth in real GFCF in select European metropolitan areas (2014-19)**

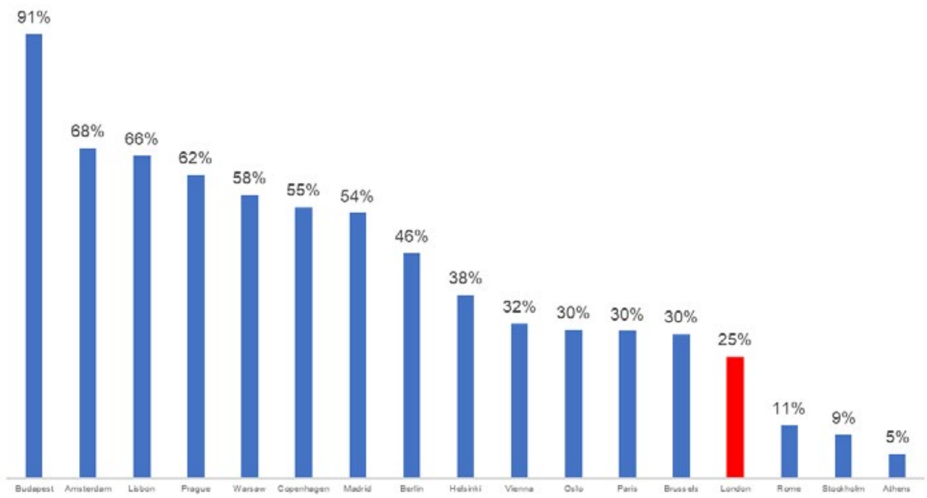
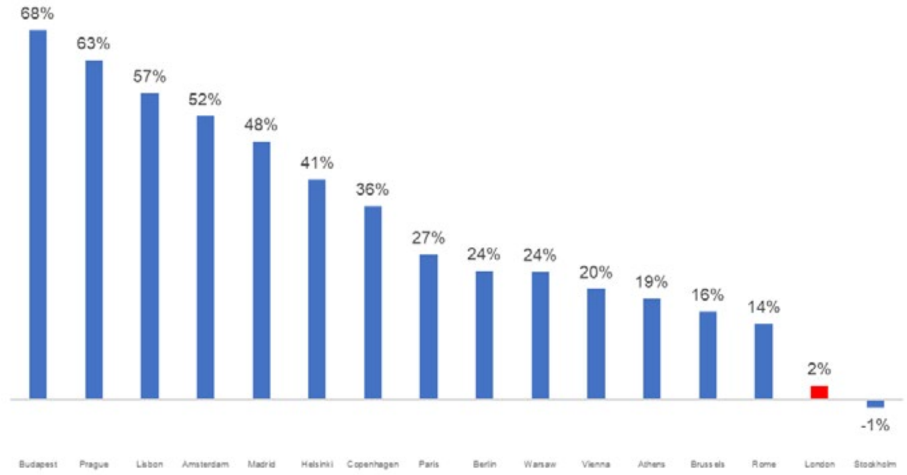


**Figure A12: Growth in per capita real GFCF in select European metropolitan areas (2014-19)**




What this shows is that when it comes to 'gross fixed capital formation' (which is one component of investment), London has lagged many comparable European metropolitan areas in recent years.

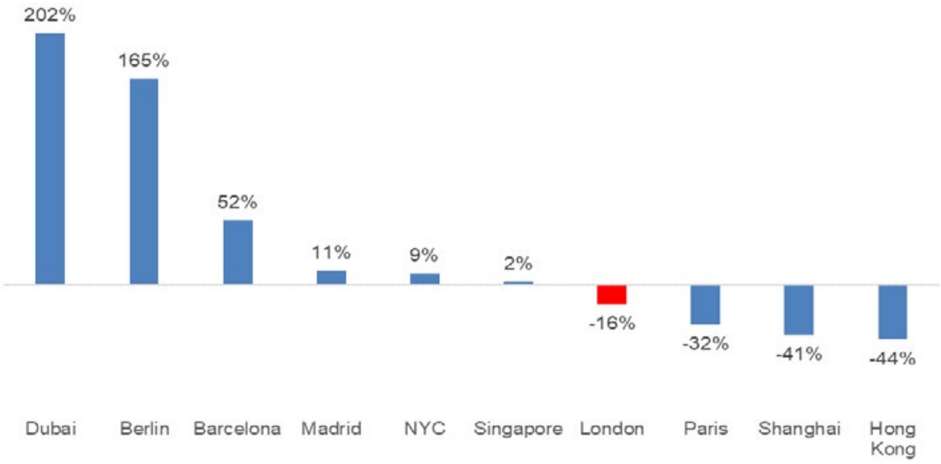
## Foreign Direct Investment (FDI) in London

FDI is the investment source where London continues to shine relative to other UK regions and global cities (Figure A13). Despite the many challenges that London faced in recent years, the city remains the UK's and the world's leading destination for FDI. Since 2017, 40% of the UK's FDI was destined to London; the UK's 2nd leading destination for FDI, Manchester, received only 3% by comparison. Over that same period, London received 3% of the world's FDI- the highest share amongst global cities.

**Figure A13: FDI projects by select city destination (2017-23)**


That said, if we look at the change in FDI projects for these 10 leading destinations between 2017 and 2022 (the last year for which full data on projects is available), London has seen a reduction in the percentage of annual FDI projects over that period, while other cities such as Dubai and Berlin have seen substantial increases (Figure A14). Whether such cities could challenge London's current lead remains to be seen, but it does point to a more competitive foreign investment scene that is set to continue into the foreseeable future.

**Figure A14: Change in FDI projects by select city destination (2017-22)**




## Concluding thoughts

In the UK, London is commonly considered the country's 'investment magnet'. That impression also seems to hold globally. What the data reveals is that this is true to a certain extent, but the picture is mixed depending on what type of investment we look at, what level of geography we are scrutinising, and what timeframe we are examining.

If we look strictly at FDI, then London remains the world's leading destination- a testament to the city's allure, economic resilience, and strong reputation. However, trends in FDI projects by year show that other cities such as Dubai are starting to catch up, which should give policymakers (both nationally and regionally) food for thought if London wants to retain its eminence in the future.

When it comes to gross fixed capital formation (GFCF), then it is true that London generates more GFCF investment per-capita than other regions, and the city continues to grow its share of the UK's total GFCF. Nevertheless, there are sectors (e.g., construction and business services) where London's real GFCF growth has been modest compared to other regions. Moreover, real GFCF accumulation varies considerably within London (with Inner Boroughs considerably outperforming their Outer Borough counterparts), and the city's record from the mid-to-late 2010s vis-à-vis European metropolitan areas is generally underwhelming.

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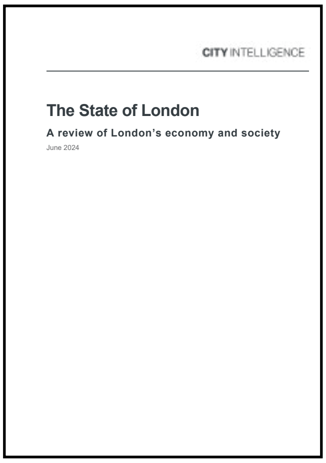


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