

London's Economy Today

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Chancellor announces additional capital allocation but with tight departmental spending increases in the Spending Review

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The Chancellor of the Exchequer, Rachel Reeves, delivered the [Spending Review 2025](#) on 11 June. In it she continued the government's approach to public investment, allocating an additional £115 billion in capital investment over the period to 2029-30.

Most importantly for London, the review cements an integrated funding settlement for the capital, aligning London with the funding mechanism used by some other combined authorities. The GLA will receive a consolidated budget (rather than separate allocations for specific policy/programme areas) to then allocate funds according to local priorities.

Other London funding decisions included a commitment to provide Transport for London (TfL) with the largest multi-year settlement for London in over a decade, with £2.2 billion of funding between 2026-27 and 2029-30 for its capital renewals programme. Another commitment was made to explore "options for delivery" of the Docklands Light Railway (DLR) to Thamesmead, while allocating £25.3 billion to progress delivery of HS2 from Birmingham Curzon Street to London Euston.



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Datastore

The main economic indicators for London are available to download from the [London Datastore](#).

Other national announcements may also have a large consequence for London such as the expansion of childcare support for working parents and direct assistance via the Healthy Starts scheme. The Review also allocates over £1 billion in industrial support to sectors where London retains a national and global competitive advantage (e.g., creative industries and life sciences) as well as ones where London is experiencing acute labour-market shortages (e.g., construction).

Beyond this £39 billion in additional investment (over ten years) was also announced for a new Affordable Homes Programme, aiming to support the delivery of 1.5 million new homes across England. While the programme is a national one, London's housing sector and stakeholders have welcomed the announcement, but exactly how much of the funding will be allocated to London remains uncertain.

The review also includes £950 million for local authorities to provide “good-quality” temporary accommodation, which is particularly relevant for London boroughs facing high costs for housing homeless residents. Although Local government funding will increase by an average of 3.1% in real terms across the review period, London Councils have highlighted that this may not fully address the capital's specific funding shortfalls, given the high cost of services and housing in London. Total departmental spending will grow by 2%-3% in real terms over the course of the current parliamentary term, although there is wide variation between departments.

UK's GDP contracts in April

The latest monthly UK GDP data from the Office for National Statistics (ONS) pointed to a [0.3% contraction in April 2025](#) (Figure 1), a sharper deceleration than anticipated, following robust Q1 growth of 0.7%. This monthly decline, the steepest since October 2023, was primarily a result of a sharp contraction in service sector output, a sector of high importance to London.

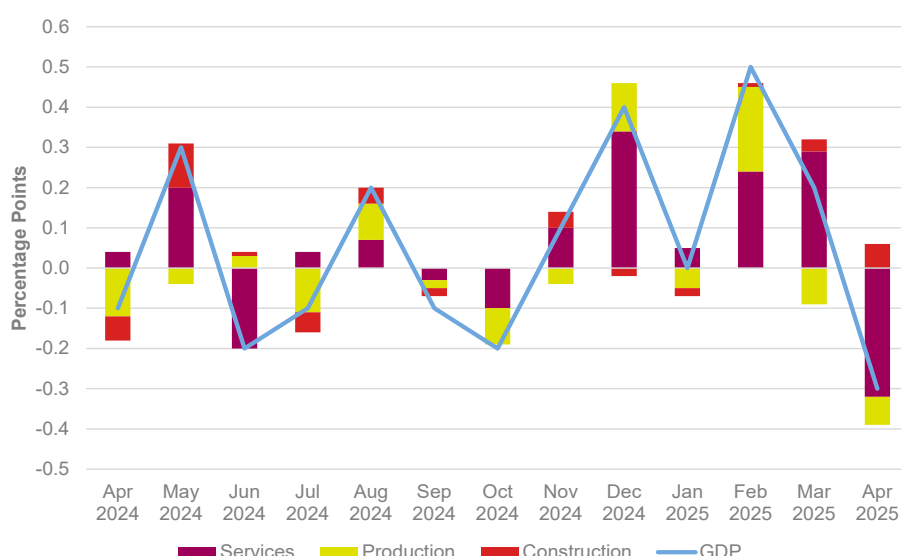


Figure 1:
Contributions to
monthly UK GDP
growth, April 2024 to
April 2025

Source: ONS

The contraction's timing coincides with significant policy interventions affecting business input costs and household consumption. April saw the implementation of increased employers' National Insurance contributions, water bill rises, and council tax increases – all of which could have dampened economic activity. More significantly, the introduction of US trade tariffs led to the [largest monthly decline in exports to the US on record](#).

For London, this UK contraction is particularly concerning, given as noted the capital's concentration in services and trade-sensitive sectors. The city is exposed to both tariff impacts and broader uncertainty effects – and we'd expect eventual data on London's output to reflect timelier UK data. The divergence between robust first quarter growth and April's contraction reiterates the volatility facing London's economy

– and the cautions raised in [our latest forecast for London](#), that recent growth may just reflect temporary factors, with the broader economic environment still subject to ongoing uncertainty, volatile inflation trends, tight monetary policy, and ongoing trade frictions.

UK inflation drops only slightly in May

The ONS has also published data on May's Consumer Price Index (CPI) inflation this month. This showed that CPI inflation fell slightly to 3.4% in the 12 months to May 2025, down from 3.5% in the 12 months to April (Figure 2). Inflation thus remains significantly above the Bank of England's central symmetrical target of 2% \pm 1%.

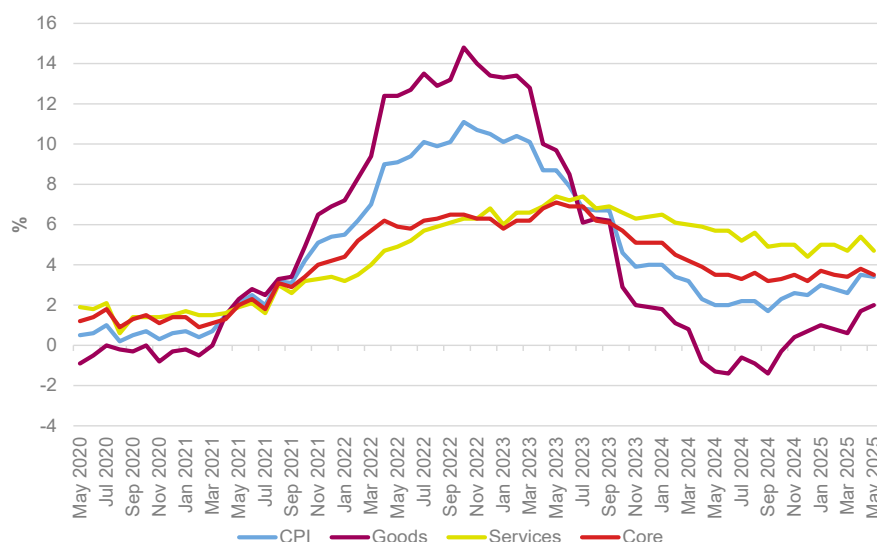


Figure 2: CPI, goods, services and core annual inflation rates, UK, May 2020 to May 2025

Source: ONS, GLA Economics

Looking at the data in more detail the ONS observed that the largest downward contribution to inflation “came from transport; the largest, partially offsetting, upward contributions came from food, and furniture and household goods”.

Beyond the headline inflation figure other inflation measures generally dropped back a touch. Core CPI (excluding volatile energy, food, alcohol and tobacco prices) inflation slowed to 3.5% over the year to May 2025, down from 3.8% in April. The CPI goods annual rate however rose to 2% up from 1.7%. Still the CPI services annual rate slowed to 4.7% in May down from 5.4% in April.

Trade uncertainty leads to sharp downward revisions to the World Bank's forecast

The World Bank's latest [Global Economic Prospects report](#) was published this month and contains sharp downward revisions to global growth. The downgrade affects [70% of the global economy](#) (including the UK) and is driven primarily by policy uncertainty and trade tensions. Global trade growth is projected at just 1.8% in 2025, down from 3.4% in 2024 and substantially below the 5.9% average of the 2000s.

Regarding London specifically, the report's findings have two critical implications. First, it projects a slowdown in emerging market growth, from an average of [6% in the 2000s and 5% in the 2010s](#) – to 3.8% in 2025. This will affect the capital's financial services revenues (and output), which are [increasingly involved in emerging market flows](#), with London's financial sector (roughly 18% of output) facing reduced demand for cross-border financial services and investment products.

Second, although harder to accurately quantify, the reported policy uncertainty is still the most substantial growth constraint. The capital's financial sector needs predictable, long-term international frameworks –

as business investment (and activity in general) [thrives when returns on capital are “secure”](#). Word Bank reporting notes that if trade disputes were resolved with eventual agreements halving current tariff levels, [global growth could be 0.2 percentage points stronger](#).

Ultimately, the report (alongside consensus thinking) highlights how London's economic performance is increasingly captive to geopolitical developments beyond domestic policy control. A summary of UK forecasts (OBR and BoE) and global forecasts (OECD and IMF) is available in chapter 3 of our latest [London's Economic Outlook](#) report.

London productivity drops below pre-pandemic levels

London was the only UK region to see a decline in its productivity as measured by output per hour worked between 2019 and 2023 according to ONS data published this month. London's output per hour worked declined by 1.1% over the period (Figure 3). The UK as a whole saw growth of 2.8% over the same period. Analysts have said a number of factors affected London's performance, with these including post-pandemic constraints in the financial sector, difficulties in attracting talent (in part due to Brexit and high living costs), and weaker investment in high-growth areas. Some caution is advised in analysing these results as they could also be impacted by the ONS's ongoing issues with labour market survey responses post the pandemic with these statistics being labelled by the ONS as “official statistics in development”.

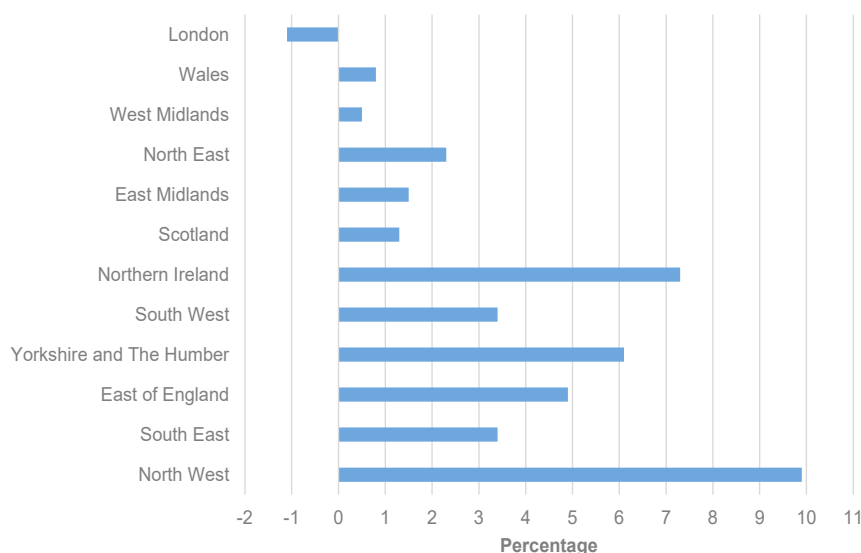


Figure 3: Growth in output per hour worked by International Territorial Level (ITL1) region, UK, 2019-2023

Source: ONS

Despite this the ONS observes that “labour productivity, whether measured by output per hour worked or by output per job, was higher in London and the South East than the UK average in the latest 2023 figures; in London, output per hour worked was 28.5% above that of the UK average (represented by 0.0%), and output per job was 35.3% above that of the UK average”.

City Business Investment Unit launched by the Corporation of London

The City of London Corporation launched the [City Business Investment Unit \(CBIU\)](#) on June 12th, a proactive institutional response to intensifying global competition (and forecasted reduced demand) for financial services. This “concierge-style” service will provide investors in high-growth sectors (FinTech, RegTech, green finance, artificial intelligence) with (1) support for navigating City processes, (2) strategic market intelligence to guide investment decisions, (3) structured relationship management with key stakeholders, and (4) evidence-led promotion to attract high-value businesses.

The launch follows recent robust economic performance in the City, with [annual economic output exceeding £100 billion](#), major banks and tech firms recently reaffirming their long-term presence in the City, and [Grade A office vacancies remaining at just 1.5%](#).

For London's medium-term growth, the CBIU marks a significant step in recognising that maintaining global competitiveness in financial services isn't a given. It requires active intervention in a period of global uncertainty and trade tensions that threaten London's traditional role as a bridge between European and global markets.

Lower Thames Crossing receives funding commitment

Separate to the TFL and integrated London settlements in the Spending Review, the government also announced [£590 million in funding for the Lower Thames Crossing](#) (on June 16th). This funding, part of a broader £1 billion structures renewal programme, moves the UK's [most significant road project in a generation](#) from planning limbo toward construction.

The project is [modelled to add £40 billion to the UK economy](#), primarily through (1) reduced congestion and subsequent increases in supply chain throughput, and (2) adding 400,000 jobs within an hour's commute of local communities (expanding London's accessible labour market and easing housing affordability pressures). It is also expected to improve freight connectivity between South East ports and manufacturing centres, strengthening London's role as a logistics and distribution hub.

The government is actively [pursuing private sector participation for funding the Crossing](#) to deliver the project at pace – through either (1) a hybrid model requiring around £4.3bn in private capital, or (2) a regulated private entity, with a private company financing, building, and operating the project and requiring £6.3bn in private capital. For London's financial sector, this represents potential opportunities in infrastructure finance and project delivery.

GLA Economics will continue to monitor all 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](#).

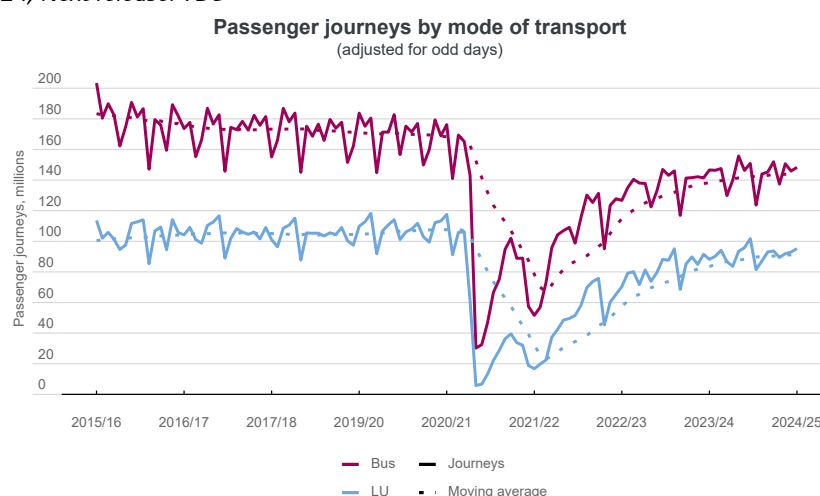
Economic indicators

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

- In 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

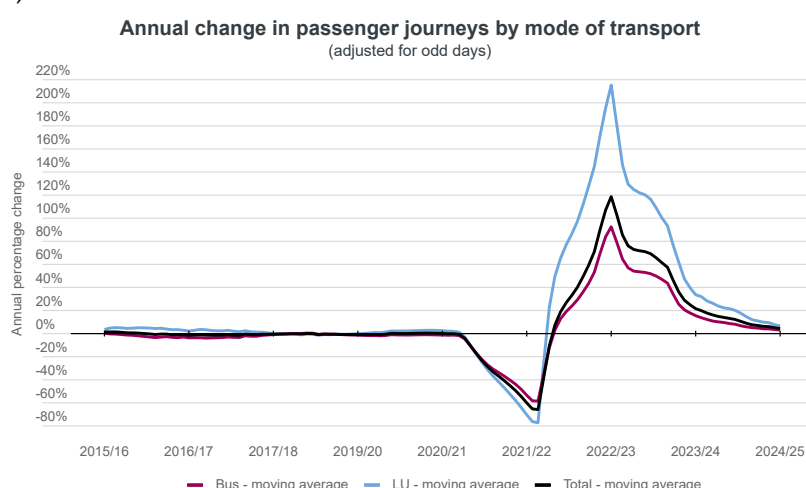


Annual growth in passenger journeys remained positive, if slowing

- 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

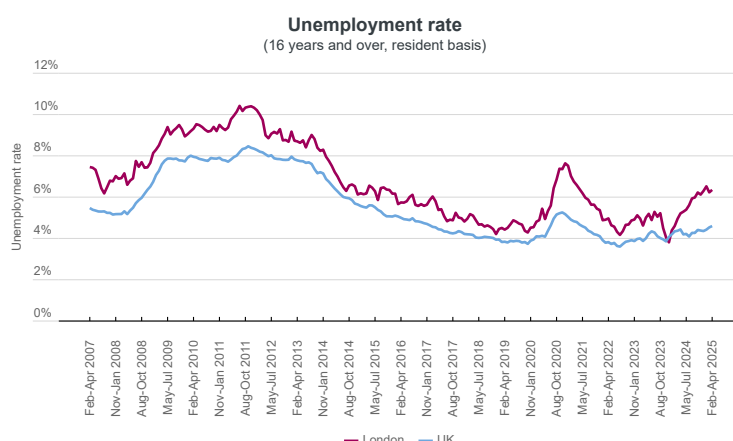


London's unemployment rate marginally increased over the last quarter

- Around 327,000 residents aged 16 and over were unemployed in London in the period from February to April 2025.
- The unemployment rate in London for that period was 6.4%, marginally up from 6.3% in the previous quarter (November 2024 – January 2025).
- The UK's unemployment was 4.6% in this latest measured period, up from 4.4% 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: June 2025, Next release: July 2025

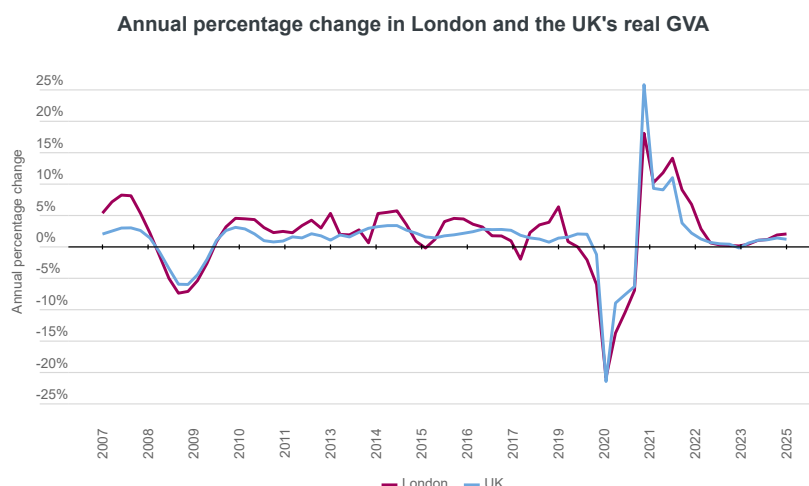


2024 saw renewed output growth in London and the UK

- The ONS has published the annual real GVA for London for 2023, alongside revised figures for 1998 to 2022. Based on these revisions, GLA Economics has updated its quarterly GVA estimates for 1998 Q1 to 2023 Q4, and produced nowcasts for 2024 Q1 to 2025 Q1.
- According to the latest data, London's real GVA grew by 0.3% in 2023, matching the UK-wide growth rate. This followed a significant upward revision to 2022, with growth now estimated at 8.1%, up from the previously reported 4.8%.
- GLA Economics nowcasts that London's output rose by 1.1% in 2024.
- In Q1 2025, GLAE estimates that London's economy grew by 0.7%, in line with the UK-wide growth rate. As of Q1 2025, London's GVA was 5.9% above its pre-pandemic level (Q4 2019), outpacing the UK as a whole, which stood 4.1% above its pre-pandemic level.

Source: ONS and GLA Economics calculations

Latest release: June 2025, Next release: December 2025

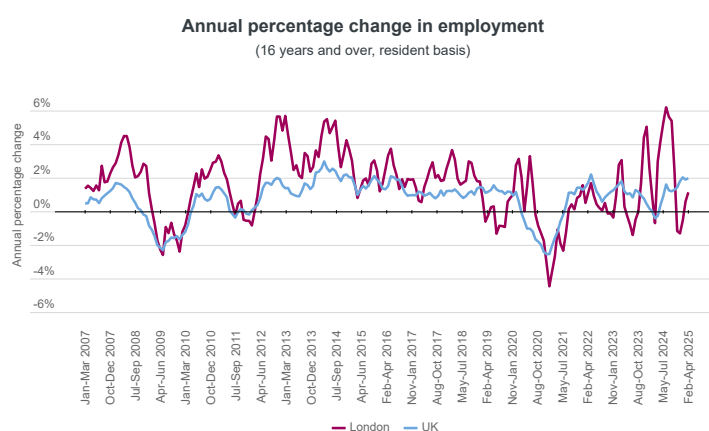


London's year-on-year employment growth rate increased in the quarter to April 2025

- Around 4.8 million London residents aged 16 and over were in employment during the three-month period from February to April 2025.
- Annual employment growth in London rebounded to 1.2% in the year to this quarter, after contracting by 1.3% in the previous period from November 2024 to January 2025.
- Employment in the UK as a whole grew by 2.0% over the year to this quarter, edging up from 1.8% 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: June 2025, Next release: July 2025

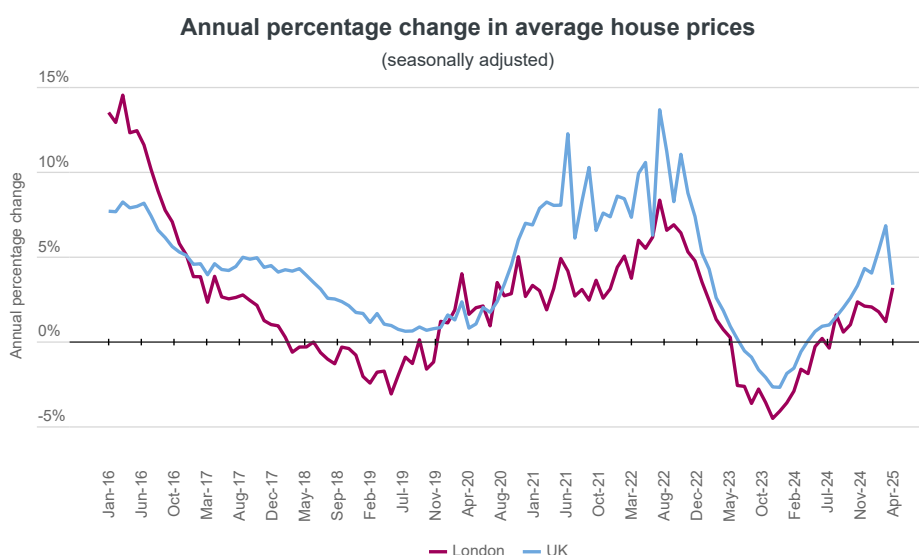


On an annual basis house prices increased in London in April 2025

- In April 2025, the average house price in London was £572,000 while in the UK it was £267,000.
- Average house prices in London rose by 3.2% year-on-year in April, higher than the increase of 1.2% in March.
- Average house prices in the UK rose by 3.4% on an annual basis in April, lower than the increase of 6.9% in the year to March.

Source: Land Registry and ONS

Latest release: June 2025, Next release: July 2025

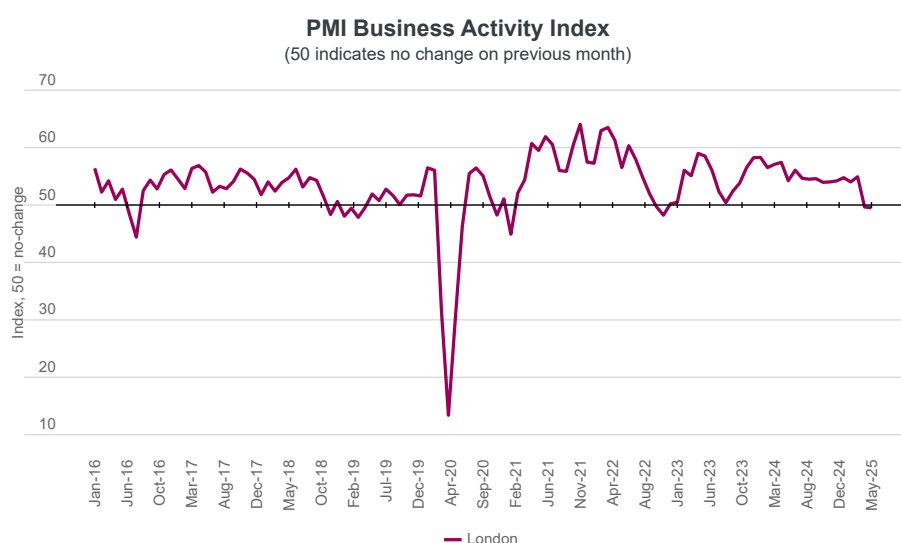


In May, the sentiment of London's PMI business activity index contracted

- The business activity PMI index for London private firms marginally decreased from 49.7 in April to 49.5 in May.
- 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: June 2025, Next release: July 2025

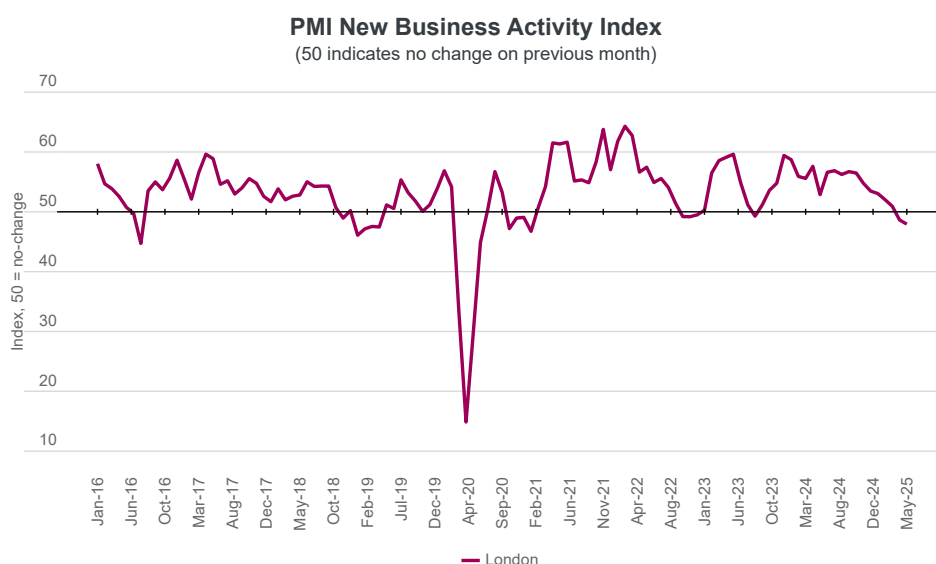


In May, the sentiment of London's PMI new business activity continued to contract

- The PMI new business index in London decreased from 48.6 in April to 47.9 in May.
- 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: June 2025, Next release: July 2025

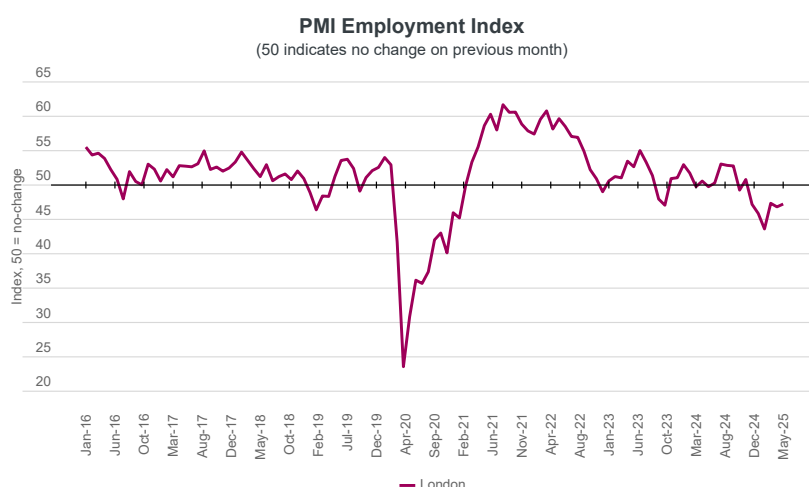


In May, the sentiment of the PMI employment index in London improved but remained negative

- The Employment Index for London increased from 46.8 in April to 47.2 in May.
- The PMI Employment Index shows the net balance of private sector firms of 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: June 2025, Next release: July 2025

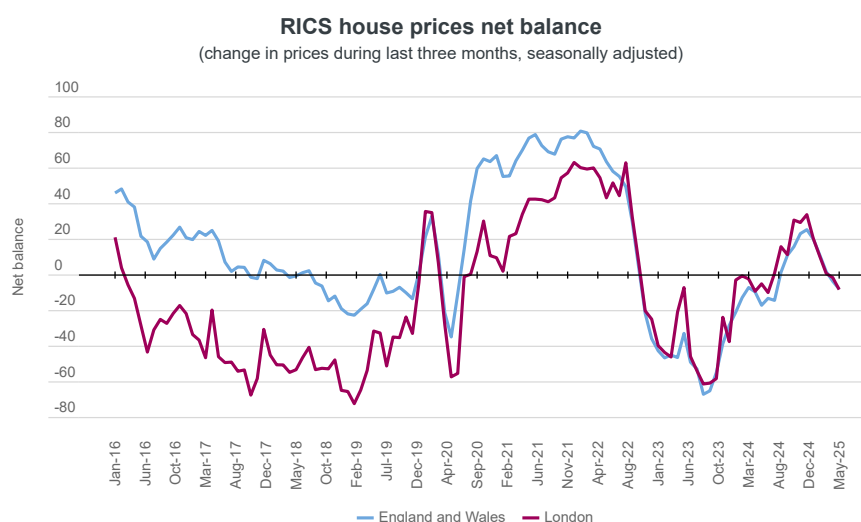


Less than half of all property surveyors in London reported house price increases in May

- In May, more property surveyors in London reported falling prices than rising prices. The net balance index was -8, and it was -1 in April.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- For England and Wales, the RICS house prices net balance index dropped from -3 in April to -8 in May.

Source: Royal Institution of Chartered Surveyors

Latest release: June 2025, Next release: July 2025

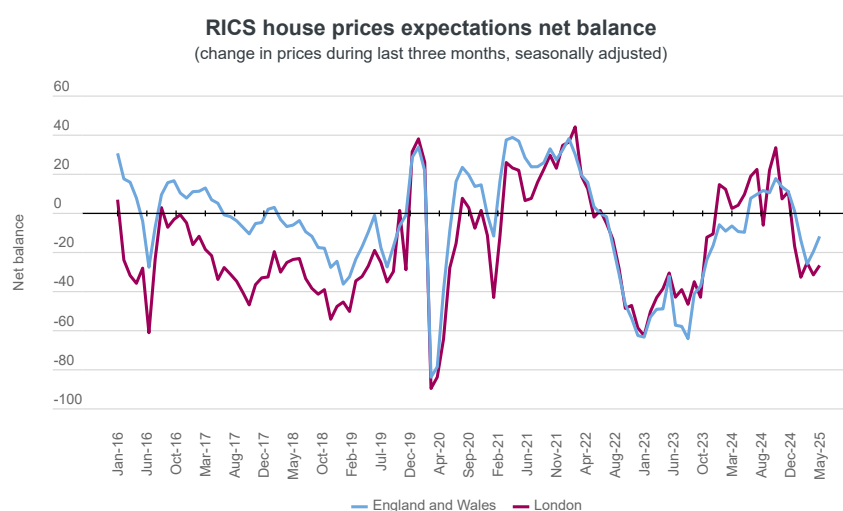


In May, over half of all property surveyors expressed negative expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -27 in May, improving slightly from -31 in April.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- The index for England and Wales was -12 in May, up from -20 in April.

Source: Royal Institution of Chartered Surveyors

Latest release: June 2025, Next release: July 2025

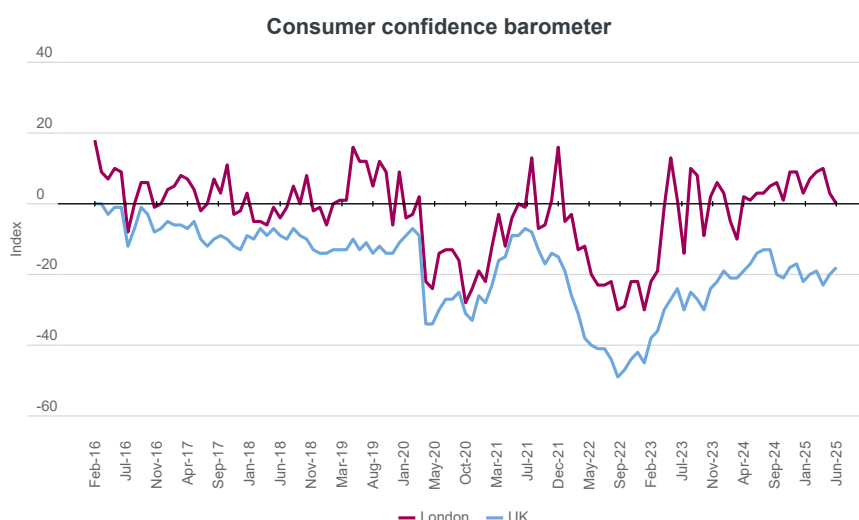


Consumer confidence in London falls to neutral in June

- The consumer confidence index in London fell from 3 in May to 0 in June.
- 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.
- The sentiment for the UK increased slightly from -20 in April to -18 in May. The UK has not seen a positive index score since January 2016.

Source: GfK

Latest release: June 2025, Next release: July 2025



London macroeconomic scenarios (June 2025 update)

By **Ali Ögcem**, Economist



GLA Economics published its [latest macroeconomic scenarios-based forecast for London](#) on 19th June. The two main outcome variables are real Gross Value Added (GVA) – a measure of London's output – and workforce jobs (WFJ) – a measure of employment. We project both variables over the medium term (to the end of 2027). Further, we have developed three main macroeconomic scenarios for London founded on three sets of plausible narratives for the economy.

- Fast recovery (an optimistic but plausible scenario)
- Gradual economic recovery (the GLA Economics baseline reference scenario)
- Slow recovery (a plausible downside scenario)

These scenarios are not definite predictions about the only possible paths for the economy, nor do they necessarily incorporate optimal policy responses. Instead, they use judgements around several key assumptions. The key dimensions of variation focus on resilience to external shocks, such as geopolitical tensions, energy price volatility, and disruptions to global trade, as well as the timing and scale of rate cuts as inflation stabilises and economic conditions improve. The scenarios do not capture the full range of uncertainty about the future, which is likely to be much wider.

The UK economy began 2025 with strong momentum, growing 0.7% in Q1, driven mainly by net trade and inventory changes. However, momentum weakened in Q2 so far. Inflation also remains elevated above the Bank of England's 2% central symmetrical target.

The Monetary Policy Committee (MPC), facing lacklustre growth and persistent price pressures, has reduced interest rates four times since last summer to 4.25%. Despite divisions within the MPC, market expectations anticipate two further quarter-point cuts this year, with the next anticipated in September. However, escalating geopolitical tensions in the Middle East have recently driven oil prices up sharply, posing renewed inflation risks. If these tensions persist, the Bank of England may be unable to proceed with near-term interest rate cuts, complicating the monetary policy outlook.

Labour market conditions have recently cooled after prolonged tightness with unemployment rising a touch. Job postings have declined, particularly in consumer-facing sectors. Further constraints emerge from tighter immigration regulations post-Brexit, exacerbating labour shortages in some sectors.

Fiscal headroom in the UK remains constrained by elevated public debt, which continue to limit London's capacity for targeted investment in critical sectors such as transport, housing, innovation, and skills development. The 2025 Spending Review sets tight public expenditure limits, with modest real-terms growth in departmental budgets over the next few years. These fiscal constraints and policy directions will influence London's growth prospects and the delivery of major infrastructure and social programmes in the medium term.

Despite recent trade deals between the US and UK and the EU and UK, trade frictions remain. Financial market volatility, driven by geopolitical tensions and fragmented global supply chains, further complicates London's economic outlook. Although trade diversion opportunities are limited by London's industrial capacity, niche opportunities may still arise in legal and advisory services.

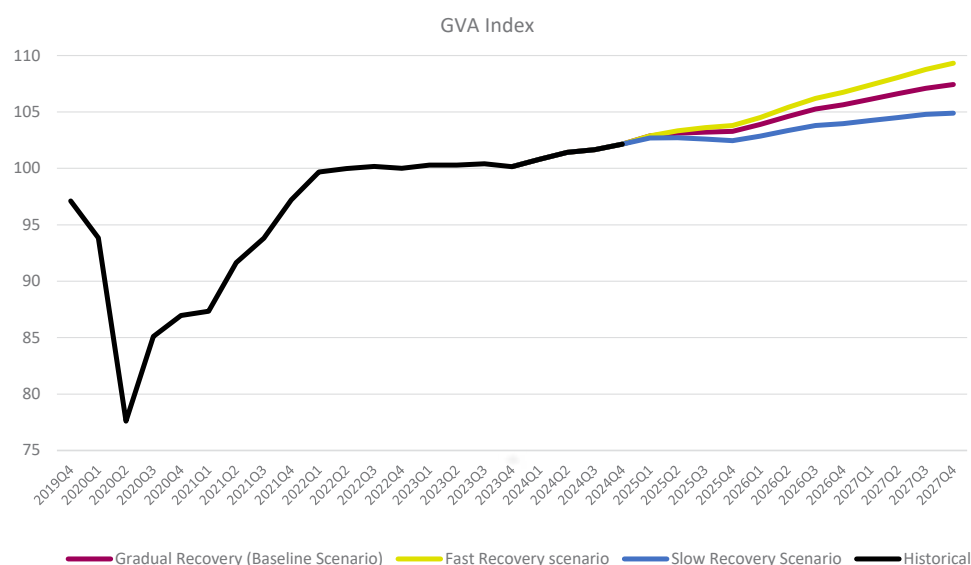
Despite these challenges, London is forecast to outperform the national average, benefiting from diverse, high-value service sectors, sustained consumer confidence buoyed by higher average incomes, and government investment. Under the baseline scenario, real GVA growth is projected at 1.6% in 2025, rising to 1.9% by 2027, driven primarily by finance, professional services, technology, and a recovering tourism sector. However, London's economy will likely remain below pre-pandemic projections due to lingering economic scarring and structural constraints.

The fast recovery scenario envisions a quicker rebound, with inflation stabilising faster, enabling earlier interest rate cuts by the Bank of England. London's higher aggregate incomes and stronger consumer confidence would buffer cost-of-living pressures, fostering stronger spending and investment cycles, potentially eliminating long-term scarring.

Conversely, the slow recovery scenario anticipates subdued growth amid prolonged geopolitical uncertainty, weaker global demand, and persistent productivity challenges. Real incomes remain constrained, particularly for lower-income households, due to sustained inflationary pressures, high borrowing costs, and tighter financial conditions. Further supply chain disruptions and reduced investment exacerbate productivity declines. Housing affordability pressures, worsened by higher interest rates, restrict consumer spending and overall growth. Inflation risks may rebound if external shocks intensify.

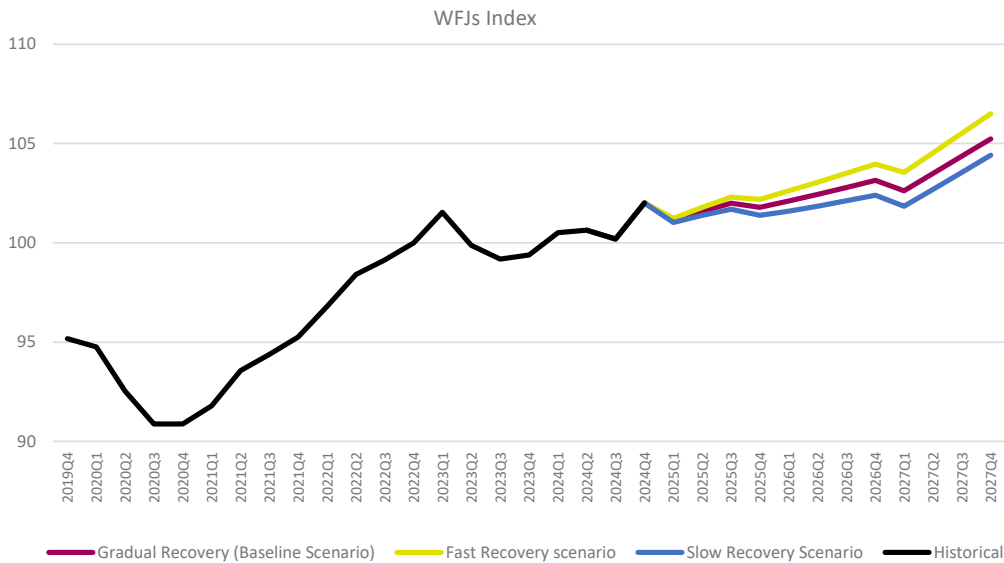
Figures A1 and A2 illustrate the estimated scenario paths for London's output and jobs, visually capturing potential recovery outcomes amid these complex dynamics.

Figure A1: Scenario paths for London's output over the medium term



Source: GLA Economics projections, built on ONS historical data; Note: level of output indexed to Q4 2022 100

Figure A2: Scenario paths for London’s workforce jobs over the medium term



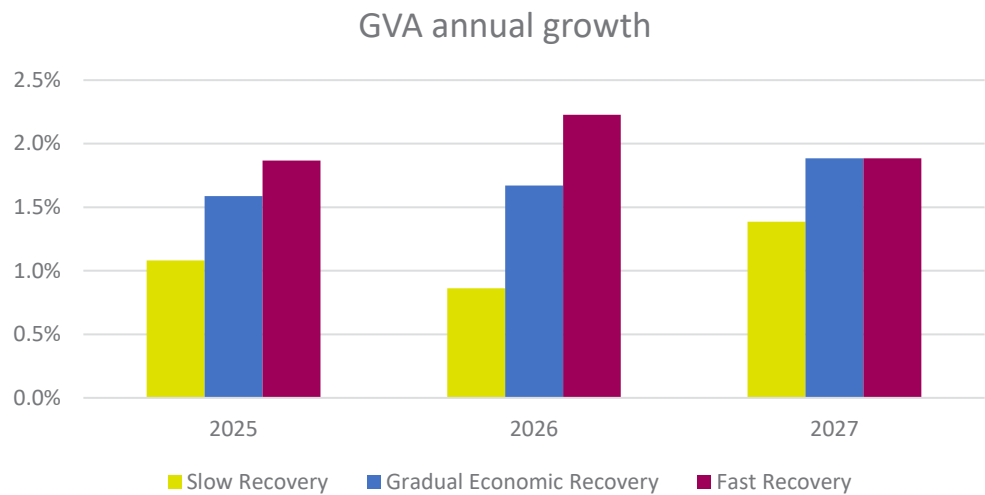
Source: GLA Economics projections, built on ONS historical data; Note: level of output indexed to Q4 2022 100

The main results are presented below:

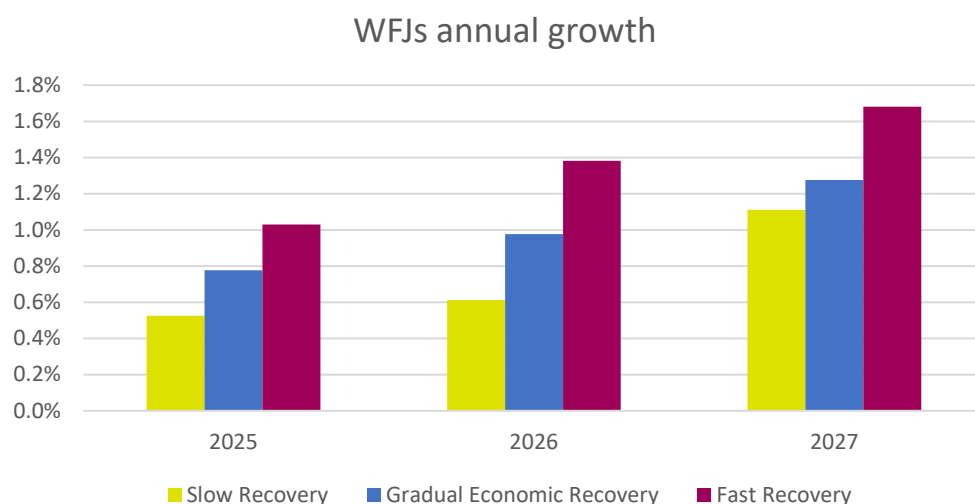
Headline forecast for London’s GVA and workforce jobs (2025 to 2027)

- Under the gradual economic recovery scenario, London’s real GVA growth forecast has been revised downward for the medium term. The December 2024 projections for 2025 and 2026 were 1.9% and 2.2%, respectively, whereas the latest forecasts now show more moderate growth of 1.6% in 2025 and 1.7% in 2026, extending to 1.9% in 2027 (Figure A3).
- Similarly, workforce jobs growth has been adjusted downward for the same period. The December 2024 forecasts expected workforce jobs to increase by 1.5% in 2025 and 1.6% in 2026, but current projections indicate slower growth of 0.8% in 2025 and 1.0% in 2026, with a modest pick-up to 1.3% in 2027 (Figure A4).
- These revisions reflect a more cautious medium-term outlook, influenced by evolving economic conditions, and labour market challenges observed since the December 2024 forecast.

Figure A3: Medium-term real GVA projections, annual growth rates



Source: GLA Economics, ONS

Figure A4: Medium-term real Workforce jobs projections, annual growth rates

Source: GLA Economics, ONS

Sectoral output recoveries in the medium term (2025 to 2027)

- London's real GVA growth is set to vary across sectors, reflecting ongoing structural shifts and evolving macroeconomic conditions (Table A1).
- Service-based sectors continue to be main engines of growth, with particularly good performances expected in Administrative and support service activities, and Arts, entertainment and recreation. These industries benefit from resilient consumer demand and a sustained recovery of discretionary spending.
- London's key knowledge-intensive industries, including Professional, scientific and technical activities and Information and communication, are forecast to expand steadily, reinforcing their pivotal role as core drivers of the capital's economic output.
- Goods-producing sectors show mixed trajectories. While Manufacturing is projected to experience modest but positive growth by 2027, Construction is expected to pick up more noticeably over the forecast period as large infrastructure and commercial development projects come online and the delayed effects of housing policy support materialise.
- The Transportation and storage sector is poised for a gradual recovery, with growth strengthening through 2027. This is driven by improving trade flows, rising demand for e-commerce logistics, continued return-to-office plans, tourism rebounds, and renewed investment in transport infrastructure across London.
- Public services, notably Education and Human health and social work activities, maintain output growth in later years, reflecting ongoing public sector stability and demand.
- Real estate activities are forecast to grow consistently through 2027, supported by improving market confidence and stabilising interest rates, though growth may moderate slightly over time.
- Overall, London's GVA growth in the medium term reflects strong contributions from consumer-facing services and knowledge-intensive industries, helping to balance out weaker or more volatile performances in selected goods-producing and utilities sectors.

Table A1: Real GVA projections, annual growth rates

Sector	Annual Growth		
	2025	2026	2027
Agriculture, forestry and fishing	2.3	2.3	2.0
Mining and quarrying	0.6	1.4	1.6
Manufacturing	0.4	0.9	1.0
Electricity, gas, steam and air-conditioning supply	4.7	5.2	4.7
Water supply; sewerage and waste management	-1.9	-1.8	-1.5
Construction	-0.3	0.3	0.7
Wholesale and retail trade; repair of motor vehicles	-0.1	0.5	0.9
Transportation and storage	0.8	0.9	1.1
Accommodation and food service activities	1.5	1.7	1.6
Information and communication	2.2	1.8	2.5
Financial and insurance activities	1.7	1.9	2.2
Real estate activities	1.8	1.6	1.5
Professional, scientific and technical activities	2.2	2.0	2.5
Administrative and support service activities	2.4	2.5	2.2
Public administration and defence; compulsory social security	1.1	1.4	1.2
Education	2.6	2.5	2.5
Human health and social work activities	-0.6	0.5	0.8
Arts, entertainment and recreation	2.8	2.7	2.5
Other service activities	2.5	2.4	1.9
Activities of households	0.7	1.0	1.0

Source: GLA Economics

Sectoral employment growth in the medium term (2025 to 2027)

- Workforce job projections indicate broad-based growth in London's labour market through 2025 and beyond, though sectoral performance varies (Table A2).
- Goods-producing industries continue to face challenges, with Manufacturing showing only modest growth and some related sectors experiencing contractions or slow gains.
- Contrary to previous expectations, Wholesale and retail trade is forecast to show modest employment growth rather than contraction, reflecting some resilience despite ongoing cost-of-living pressures and structural shifts toward e-commerce. However, the sector's growth remains subdued due to constrained consumer spending and changing retail dynamics.
- London's core specialist service sectors, such as Professional, scientific and technical activities and Information and communication, are forecast to maintain steady and even accelerating workforce expansion, supporting the city's knowledge economy.
- Public sector-led areas, including Education and Human health and social work activities, remain stable contributors to employment growth, reflecting ongoing public service demand.
- Overall, London's labour market outlook is characterised by resilient service sector growth and targeted gains in energy and public services, balancing more mixed prospects in traditional goods industries and household-related activities.

Table A2: Workforce jobs projections, annual growth rates

Sector	Annual Growth		
	2025	2026	2027
Agriculture, forestry and fishing	12.7	-2.0	-2.0
Mining and quarrying	5.8	-2.0	-0.9
Manufacturing	0.2	0.3	0.5
Electricity, gas, steam and air-conditioning supply	0.9	0.8	4.0
Water supply; sewerage and waste management	2.6	1.5	1.2
Construction	-0.1	0.5	0.3
Wholesale and retail trade; repair of motor vehicles	1.1	0.6	0.6
Transportation and storage	0.3	0.8	0.4
Accommodation and food service activities	0.9	1.7	2.0
Information and communication	0.9	1.0	1.4
Financial and insurance activities	0.9	0.8	1.2
Real estate activities	0.9	1.0	1.2
Professional, scientific and technical activities	0.9	0.9	2.5
Administrative and support service activities	0.9	1.3	1.8
Public administration and defence; compulsory social security	0.9	1.1	1.2
Education	0.9	1.2	1.3
Human health and social work activities	0.2	0.8	0.6
Arts, entertainment and recreation	0.9	1.4	0.4
Other service activities	0.9	1.0	0.7
Activities of households	8.4	-0.5	-2.5

Source: GLA Economics

The scenario results presented in this supplement come within a context of continuing unprecedented uncertainty. Overall, GLA Economics judges that risks are tilted to the downside. Structural challenges such as high housing costs, limited infrastructure capacity and skills mismatches in the labour market continue to weigh on London's economy. Rising rents and elevated mortgage rates reduce household affordability and constrain consumer spending, while businesses face higher costs and productivity bottlenecks. The global economic environment with weaker growth, supply chain disruptions and shifting trade patterns puts pressure on London's export sectors and investment climate. Geopolitical uncertainties, driven by energy price volatility, trade protectionism and ongoing conflicts, increase costs and disrupt economic stability. GLA Economics will continue to track the economic data to review these forecasts in the future. Future updates will continue to be published on the London Datastore.

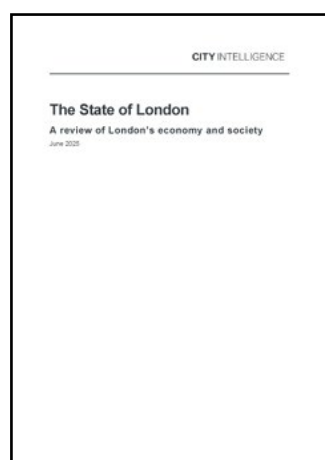
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We analyse recent developments in London's labour market, by sector and borough.

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The State of London - June 2025

One of our key annual publications, the sixth edition of the State of London report by City Intelligence brings together a wide range of outcome data relevant to the work of the Mayor, the London Assembly and other stakeholders, and measures how London is performing based on the most recent available data.

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Housing Affordability and Economic Productivity

This study estimates the relationship between housing affordability and productivity. Using data from all local authorities in the Greater Southeast Region of England between 2002 and 2021 and by applying econometric methods, the study finds that declining housing affordability has had a significant negative effect on London's economic productivity.

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London's Economic Outlook: Spring 2025

London's real Gross Value Added (GVA) is forecast to grow by 1.6% in 2025, supported by moderating domestic inflation and improving household sentiment, though global trade disruptions and lingering inflationary risks remain key sources of uncertainty. Growth is expected to strengthen modestly to 1.7% in 2026 and 1.9% in 2027, with growth supported by a more stable macroeconomic environment.

[Download](#) the full publication.

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London's Economy Today is published towards the end of every month. It provides an overview of the current state of the London economy, and a selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA group.

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About GLA Economics

GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.