GLAECONOMICS

London's Economy Today

Issue 277 | September 2025

UK sees no growth in July

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

Data published this month by the Office for National Statistics (ONS) showed that the UK economy didn't grow in July (Figure 1). This followed growth of 0.4% in June although this lack of growth was what had been expected by surveyed economists.

Looking at the main components of GDP, services and construction saw growth in July with their outputs increasing by 0.1% and 0.2% respectively. However, output in the production sector fell by 0.9% in July. Looking at a slightly longer time period the ONS noted that "real gross domestic product (GDP) grew by 0.2% in the three months to July 2025 compared with the three months to April 2025, down from three-month-on-three-month growths of 0.3% in June 2025 and 0.6% in May 2025". The services sector, an important sector for London's economy, was the main driver of growth over the three months.

UK inflation holds steady in August

The ONS has also published data on August's Consumer Price Index (CPI) inflation this month. This showed that CPI inflation remained steady at 3.8% in the 12 months to August 2025, unchanged on the 12 months to July (Figure 2). This was in line with what surveyed economists had expected, but UK inflation continues to remain significantly above the Bank of England's central symmetrical target of 2% ±1%. The ONS noted that "the UK's CPI inflation rate of 3.8% was significantly higher than the first (or "flash") estimate of inflation for France (0.8%) and Germany (2.1%) in August 2025. The UK rate has been above that of the other two countries in each month of 2025 to date.".

Also in this issue

Datastore

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

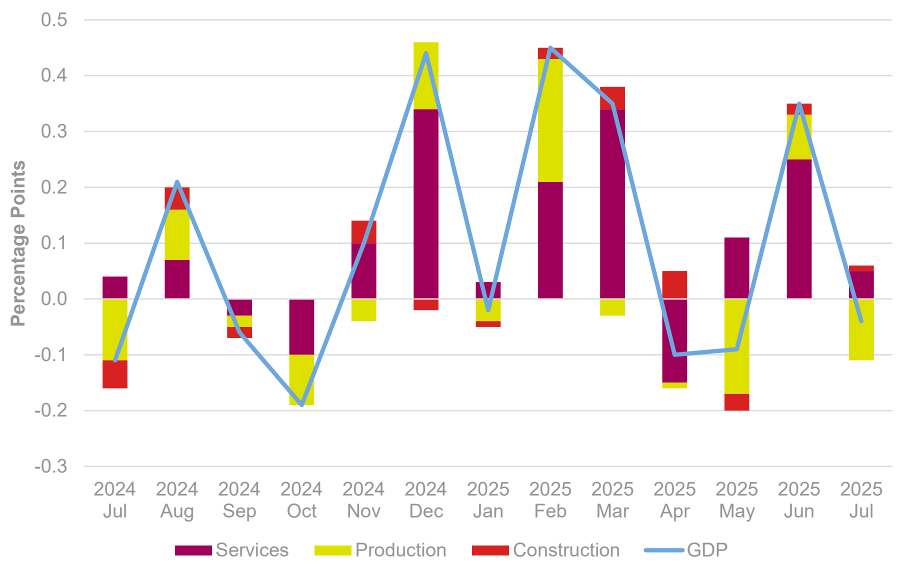


Figure 1: Contributions to monthly UK GDP growth, July 2024 to July 2025

Source: GDP monthly estimate from the ONS

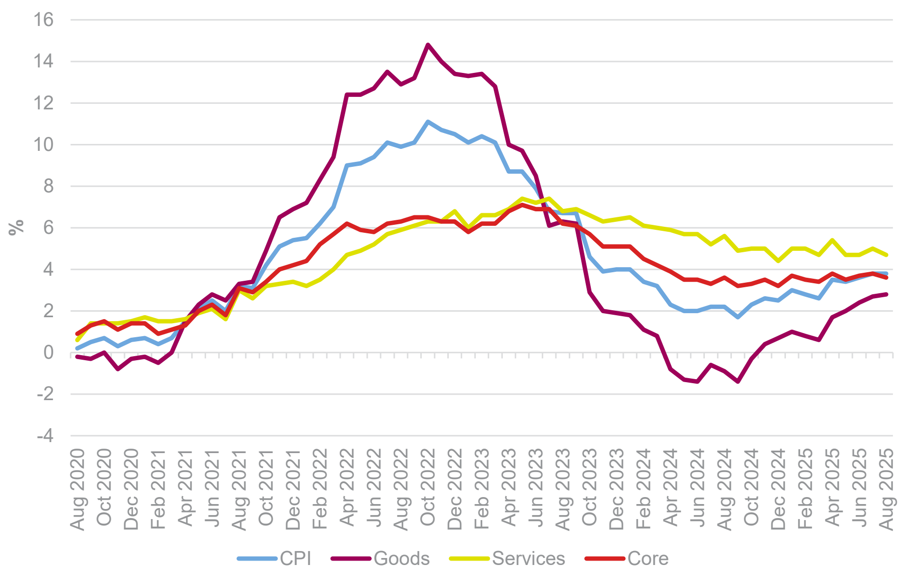


Figure 2: CPI, goods, services and core annual inflation rates, UK, August 2020 to August 2025

Source: ONS, GLA Economics

Looking at the data in more detail the ONS observed that "air fares made the largest downward contribution to the monthly change in [the CPI annual rate] …; restaurants and hotels, and motor fuels made large, partially offsetting, upward contributions". Beyond the headline inflation figure other inflation measures also remain elevated. Core CPI (excluding volatile energy, food, alcohol and tobacco prices) inflation slowed to 3.6% over the year to August 2025, down from 3.8% in July. The CPI goods annual rate rose to 2.8% up from 2.7%. The CPI services annual rate slowed from 5.0% in July to 4.7% in August.

UK government borrowing costs rise

UK long-term government borrowing costs hit their highest level since 1998 early this month, although have since dropped back a bit. Developed economy bond yields have risen for a number of countries recently driven in part due to geopolitical tensions and the impact of US trade policy. However, UK medium- and long-term costs are the highest in the G7 in part due to higher inflation and interest rates, although other factors such as a decline in demand from defined benefit pension funds has also had an impact.

These higher borrowing costs are likely to reduce the Chancellor's room for manoeuvre in the Autumn Budget on 26 November. It also came as there were reports that the Office for Budget Responsibility (OBR) would down grade their productivity forecast at the Budget. The Financial Times reported that this downgrade "could create an additional £9bn or more shortfall in public finances". This additional shortfall is based on an assumption that the OBR reduces its productivity growth forecast by 0.1 percentage points (pp) from its current forecast rate of 1.1% per year on average over the medium term. If the OBR were to reduce its forecast by 0.2pp this would lead to an £18billion shortfall everything else remaining constant.

UK study visa applications decline

Home Office data published this month showed that study visa applications stood at 120,100 in August this year a decrease of 1.5% on the same month last year and down 18% on 2023. The summer sees a lot of study visa applications with about a third of total annual applications happening in the month. This decline came at the same time that stricter rules on study visa applications have come into effect. Institutions now have to make sure that less than 5% of student visa applications are rejected rather than the 10% threshold previously set. Nevertheless, study visa applications were 1% higher in the three months to August this year compared to the same period last year, although they are 17% below their summer 2023 peak. Fees from international students have recently been used by UK universities to meet increasing funding pressures and the decline in foreign student numbers is likely to put further pressure on the university sector.

London's labour market continues to show some loosening

The ONS also published data this month looking at the recent performance of London's labour market which showed signs of loosening continuing to build, though not sharply. For the quarter up to June 2025 the total number of workforce jobs in London was estimated at 6.5 million, down 40,600 jobs on the quarter but up 16,200 on the year. Employee jobs rose by 9,790 on the quarter but self-employed jobs fell by 39,500, with government trainees and HM Forces accounting for the balance. On the year, employee jobs rose by 67,400 and self-employment jobs fell by 46,100. Looking more recently, the count of payrolled employees from HMRC's Pay As You Earn (PAYE) RTI dataset offers a timely measure of labour market trends. Early estimates of this indicate that there were around 4.4 million payrolled employees living in London in August 2025, a fall of 3,810 from July. The latest London estimate represents a decrease of 35,300 (0.8%) on the previous year (August 2024) compared to a decrease of 0.4% UK-wide. Compared to the pre-pandemic (February 2020) level, the number of payrolled employees in London was up by 218,000 or 5.3%. This compares to an increase of 4.3% across the UK.

Government gives go-ahead for second runway at Gatwick

The Government has given its approval for a £2.2 billion plan for a second runway at Gatwick airport. It is hoped that this new facility will be completed by the end of the decade. The project was given approval after the airport agreed to plans on noise abatement and the use of public transport by passengers to reach the airport. Other conditions on the second airport runway include helping affected households by providing triple glazing or covering moving costs. The airport estimates that once complete passenger numbers could rise to 80 million compared to the 46.5 million record set in 2019.

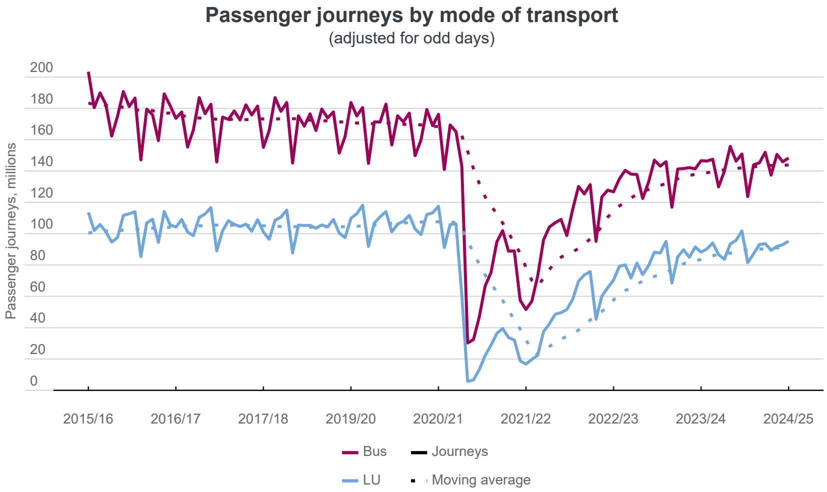
GLA Economics will continue to monitor these (and other) aspects of London's economy over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

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

- 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

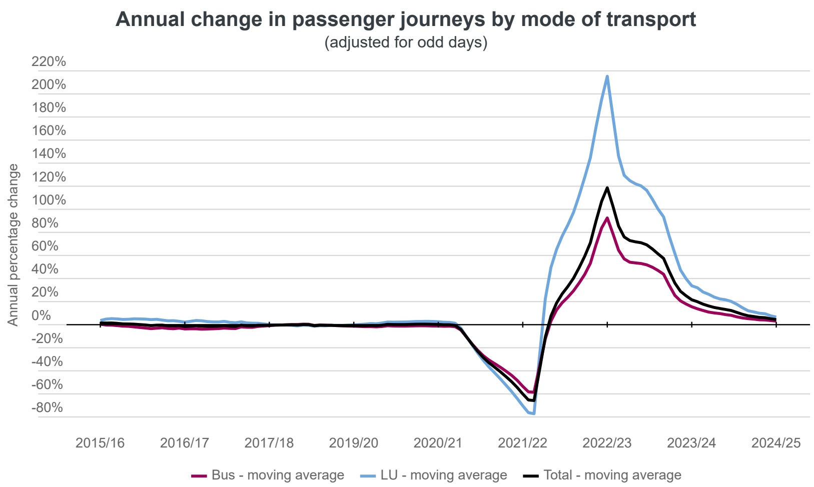
Source: Transport for London
Latest release: August 2024, Next release: TBC



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.

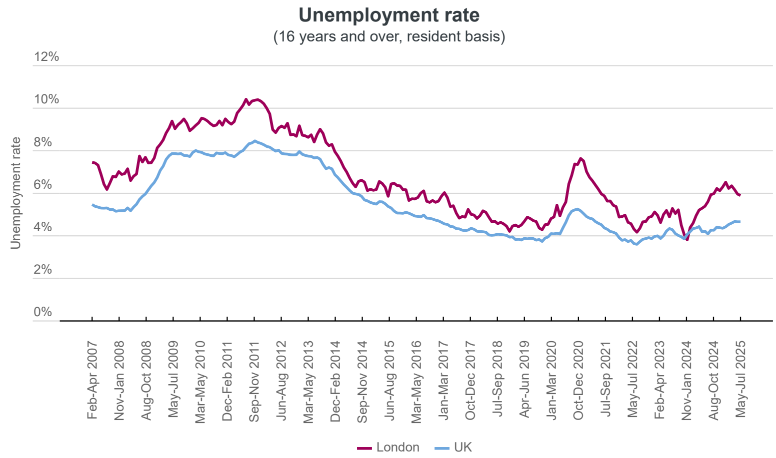
Source: Transport for London
Latest release: August 2024, Next release: TBC



London's unemployment rate decreased over the last quarter

- Around 311,000 residents aged 16 and over were unemployed in London in the period from May to July.
- The unemployment rate in London for that period was 5.9%, a decrease from 6.4% in the previous quarter (February – April).
- The UK's unemployment rate increased slightly to 4.7% in May - July, up from 4.6% 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.

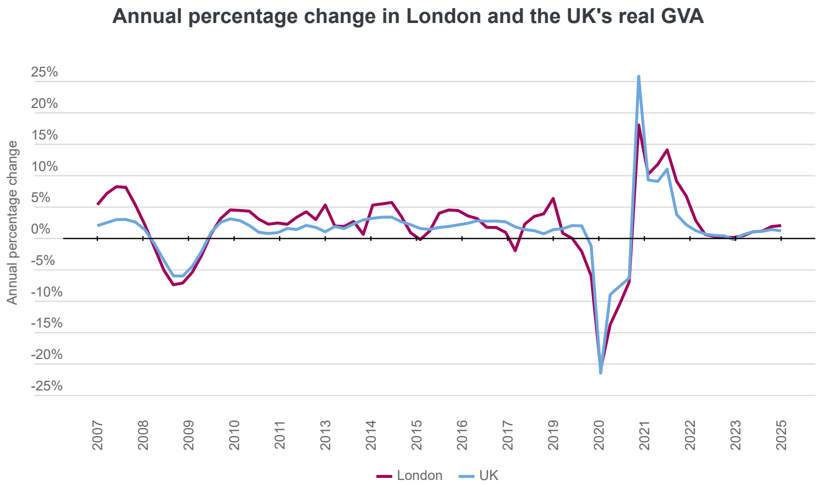
Source: ONS Labour Force Survey
Latest release: September 2025, Next release: October 2025



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.

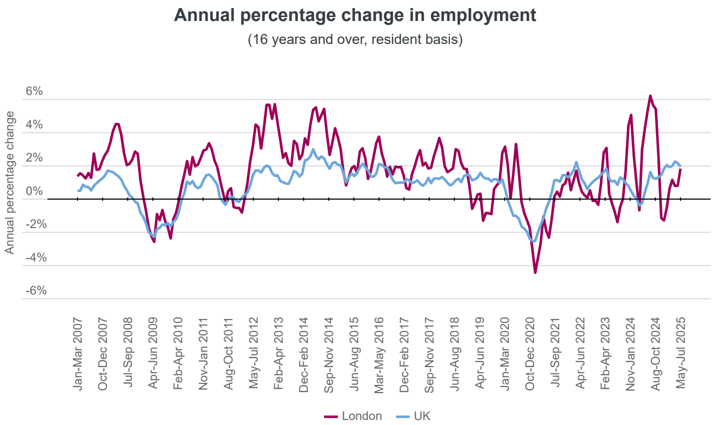
Source: ONS and GLA Economics calculations
Latest release: June 2025, Next release: December 2025



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

- Around 5 million London residents aged 16 and over were in employment during the three-month period from May to July.
- London's annual change in employment rose by 1.8% in the year to this quarter, an increase from 1.2% in the previous quarter (February-April).
- Employment in the UK as a whole grew by 1.9% over the year to this quarter, a slight decrease from 2.0% 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.

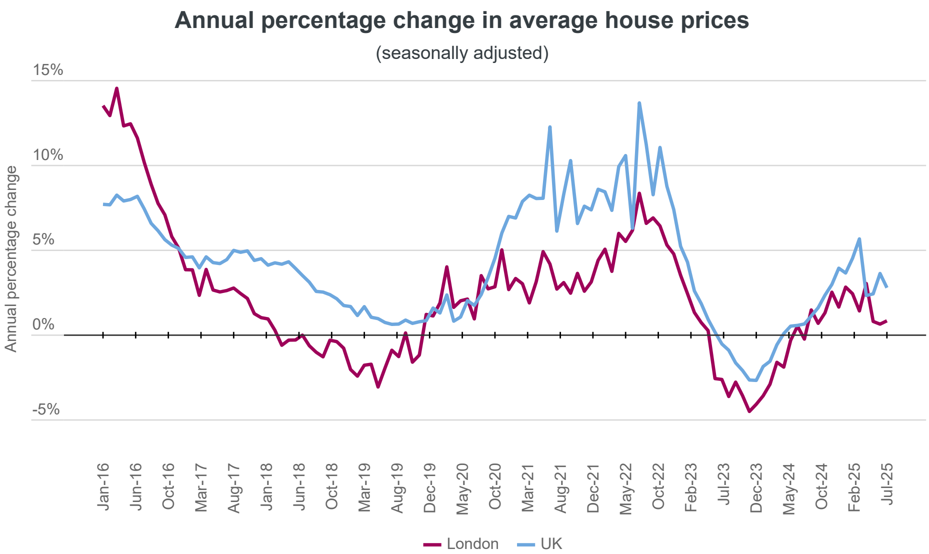
Source: ONS Labour Force Survey
Latest release: September 2025, Next release: October 2025



On an annual basis house prices increased in London in July

- In July 2025, the average house price in London was £560,000 while in the UK it was £267,000.
- Average house prices in London rose by 0.8% year-on-year in July, greater than the increase of 0.6% in June.
- Average house prices in the UK rose by 2.8% on an annual basis in July, lower than the increase of 3.6% in the year to June.

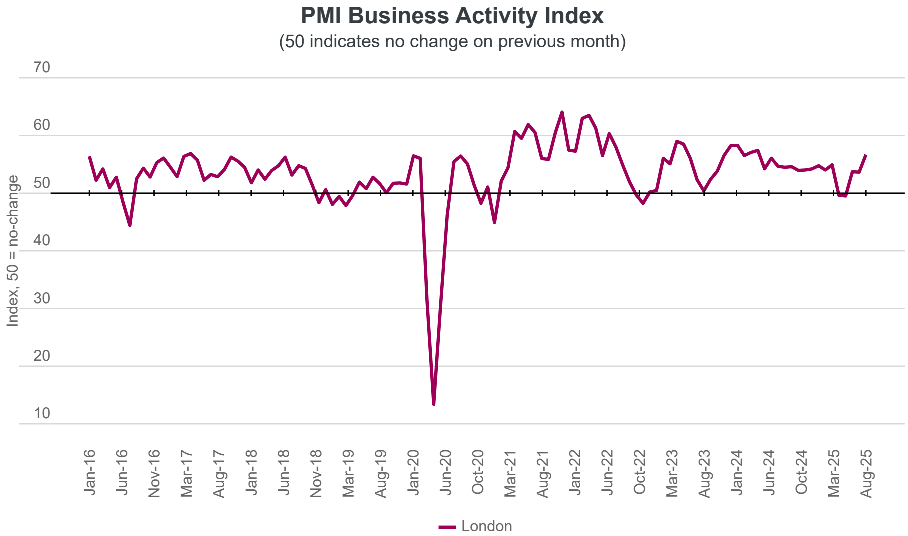
Source: Land Registry and ONS
Latest release: September 2025, Next release: October 2025



In August, the sentiment of London's PMI business activity index increased

- The business activity PMI index for London private firms increased from 53.6 in July to 56.7 in August.
- 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.

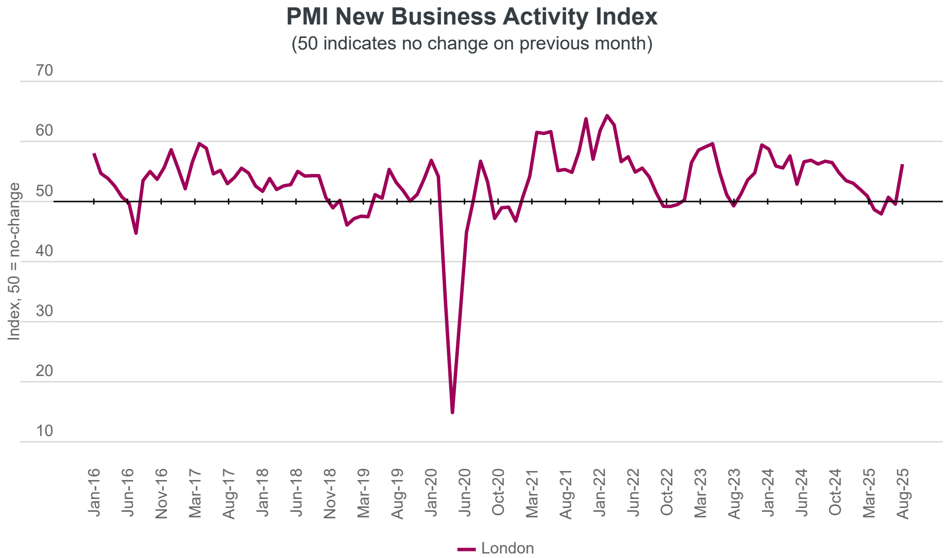
Source: IHS Markit for NatWest
Latest release: September 2025, Next release: October 2025



In August, the sentiment of London's PMI new business activity turned positive

- The PMI new business index in London increased from 49.6 in July to 56.2 in August.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

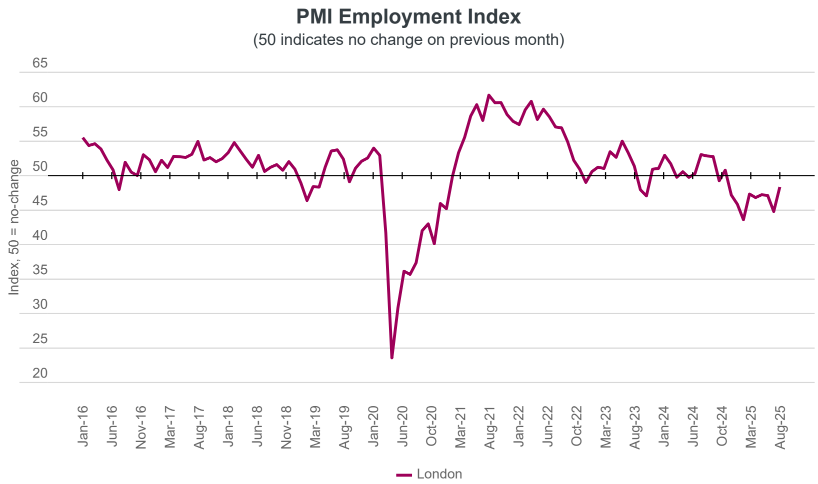
Source: IHS Markit for NatWest
Latest release: September 2025, Next release: October 2025



In August, the sentiment of the PMI employment index in London improved but was still negative

- The Employment Index for London increased from 44.8 in July to 48.4 in August.
- 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.

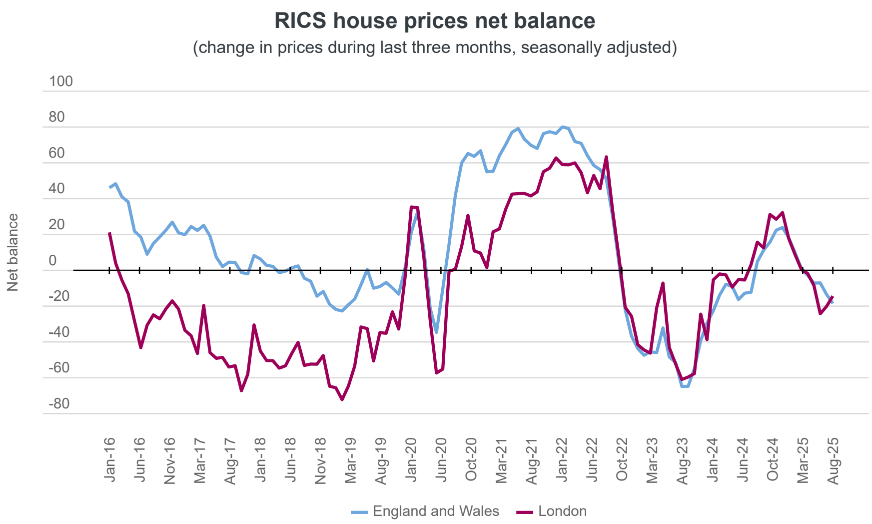
Source: IHS Markit for NatWest
Latest release: September 2025, Next release: October 2025



More than half of all property surveyors in London reported house price decreases in August

- In August, more property surveyors in London reported falling prices than rising prices. The net balance index was -14, and it was -20 in July.
- For England and Wales, the RICS house prices net balance index fell from -13 in July to -19 in August.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

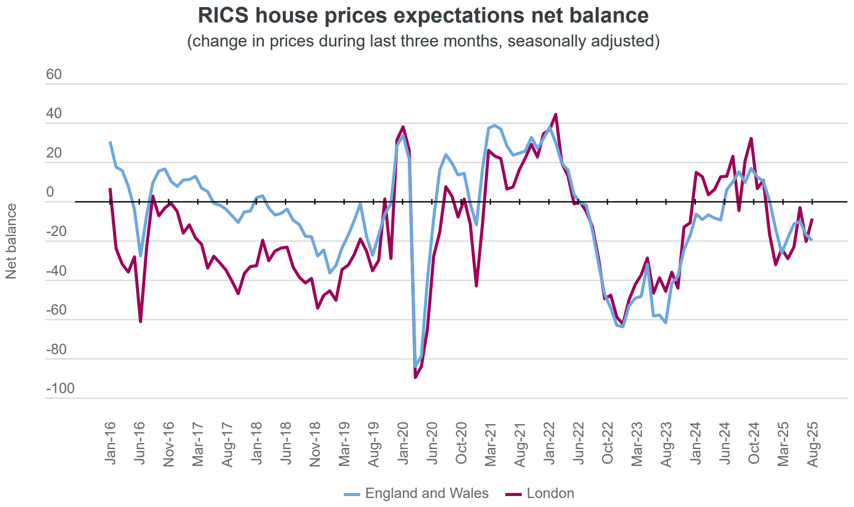
Source: Royal Institution of Chartered Surveyors
Latest release: September 2025, Next release: October 2025



In August, less than half of all property surveyors expressed positive expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -9 in August, improving from -20 in July.
- The index for England and Wales was -20 in August, and was -17 in July.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

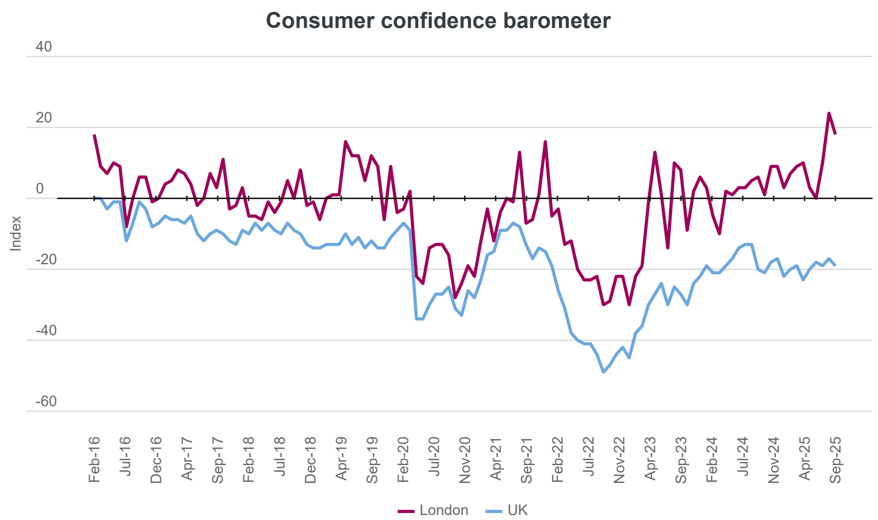
Source: Royal Institution of Chartered Surveyors
Latest release: September 2025, Next release: October 2025



Consumer confidence in London eased but remained strong in September

- The consumer confidence index in London decreased from 24 in August to 18 in September.
- The sentiment for the UK decreased from -17 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: September 2025, Next release: October 2025



A snapshot of tourist accommodation in London

By **Jubair Ahmed**, Economist

London is the world's third-most visited city, attracting roughly 21 million international visits in 2024 (more than half of all international visits into the UK), generating £17 billion in spending. Given the scale of these numbers, it is important for policymakers to understand if the supply of visitor accommodation that houses tourists (hotels, bnbs, Airbnb listings etc.) adequately meets demand.

This LET supplement uses a mixture of ONS and proprietary data to look into the post-pandemic recovery of visitor accommodation supply and demand in the capital.

It is an excerpt of a forthcoming GLA Economics publication on the same topic - which will expand on this analysis, explore geographical breakdowns, and provide long-term forecasts on aggregate supply and demand under various macroeconomic scenarios.

Key points:

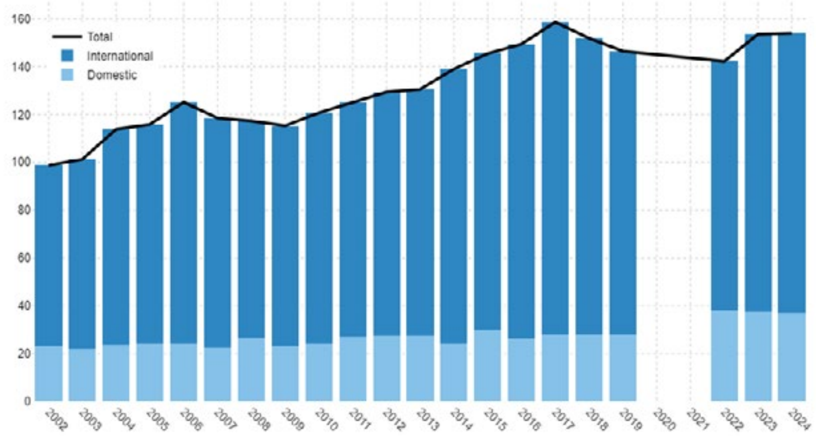
- Demand for visitor accommodation, expressed through the total number of nights spent in the capital, has recovered to (and now exceeded) pre-pandemic levels. Recovery has been driven entirely by growth in domestic demand.
- Visitors have shifted slightly towards short-term rentals (Airbnb and booking.com listings), and away from serviced accommodation rooms (hotels and bnbs).
- The total supply of visitor accommodation (measured as total available rooms) grew between 2019 and 2024, driven largely by growth in serviced accommodation rooms.
- The latest data on the supply of short-term rental rooms points to their steadily-falling supply, likely a result of regulatory tightening in London.

Overall demand

Looking at the number of nights visitors spent in the capital indicates that **demand for visitor accommodation has recovered beyond pre-pandemic levels, with recovery solely down to increased domestic demand**.

The total number of visitor nights in London has grown (Figure A1) from roughly 146 million in 2019 to 154 million in 2024 (+5.1%). The number of international visitor nights has fallen from 118 million to 117 million (-1.5%), while domestic visitor nights has risen sharply from 28 million to 37 million (+33.2%). This uneven recovery translates to a compositional shift - from an international and domestic split of 64% and 36% in 2019, to 58% and 42% in 2024.

Figure A1: UK visitor nights (millions), by domestic or international

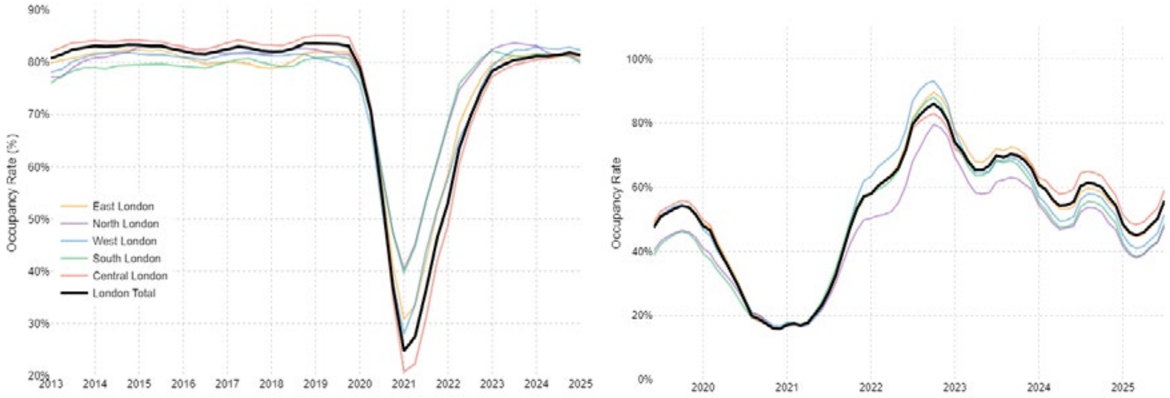


Source: ONS IPS and GB Tourism survey

Within the international share, the country of origin of tourists has also changed significantly. **London's international visitors are increasingly coming from fewer countries**, with the top ten countries responsible for bigger shares of all of London's visits (from 52% in 2019 to 59% as of 2024). The USA remains the biggest source of London's international tourists, increasing from a 12% share in 2019 to 18% in 2024. India has roughly doubled its share from 3% to 6%, while China's share has fallen from 4% to 2%.

How has this overall recovery in demand been felt by the visitor accommodation industry that houses the capital's visitors - and does it differ across London's regions? Demand for visitor accommodation can be measured using occupancy rates (the proportion of rooms filled at a given time). **Occupation rate data for serviced accommodation points to occupancy rates falling (Figure A2) from 83.6% in Q1 2019 to 81.4% in Q1 2025 (-2.2ppt)**, with Central London and North London experiencing the steepest occupancy falls, from 85.1% to 81.5% (-3.6ppt) and 82.5% to 80.2% (-2.3ppt) respectively. **In the same period, occupancy rates for short-term rentals have risen from 49.7% in Q1 2019 to 52.3% in Q1 2025 (+2.6ppt)**, with Central London and South London experiencing sharp occupancy growth, from 51.3% to 55.5% (+4.2ppt) and 41.3% to 45.5% (+4.2ppt) respectively.

Figure A2: Serviced accommodation occupancy rates (left panel), and unserviced accommodation occupancy rates (right panel), by London sub-region



Source: CoStar hotel supply data (left panel) and Deckard short-term let data (right panel)

Note: to minimise noise and seasonal trends, single month occupancy rate data has been smoothed using a 12-month trailing average for the left-panel chart. As the right-panel chart uses a data series starting in q1 2019, a 9-month trailing average has instead been used, to preserve the q2 2019 data point needed for pre-pandemic comparisons.

This rise in demand for unserviced accommodation is mirrored in total unserviced accommodation nights data. Total nights spent in short-term rentals was 12.8 million in 2019, and rose to 15.6 million in 2024 (+22%). As a share of all visitor nights, this represents a rise from 8.7% to 10.2% (+1.5 ppt), i.e., **following the pandemic, short-term rentals have captured a larger slice of London's visitor accommodation demand, but serviced accommodation still constitutes the majority of demand**.

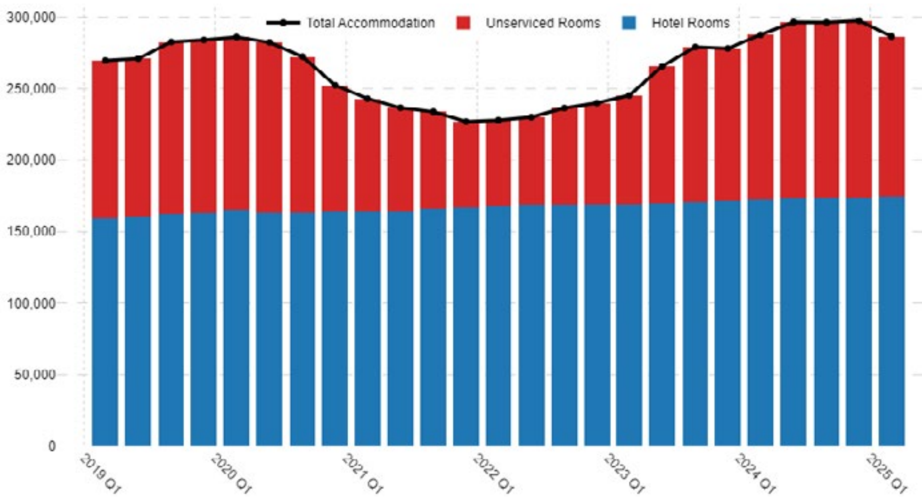
Overall supply

Having looked at the state of demand, how has supply evolved in the same period?

London's total visitor accommodation supply fell during the pandemic, entirely due to the supply of short-term rentals falling sharply - but as of Q1 2025, total supply has recovered and grown to roughly 286,000 rooms, a 6.2% increase over Q1 2019 (Figure A3).

The number of serviced rooms has grown steadily between Q1 2019 and Q1 2025, from 160,000 to 174,000 (+8.9%). Short-term rental supply has grown slightly from 110,000 to 112,000 (+2.3%) in the same period, following a period of sharp contraction during the pandemic period. As a result of this unequal growth, serviced accommodation has grown in market share, from 59.4% of all rooms in Q1 2019 to 60.9% in Q1 2025.

Figure A3: Accommodation room supply, by accommodation type

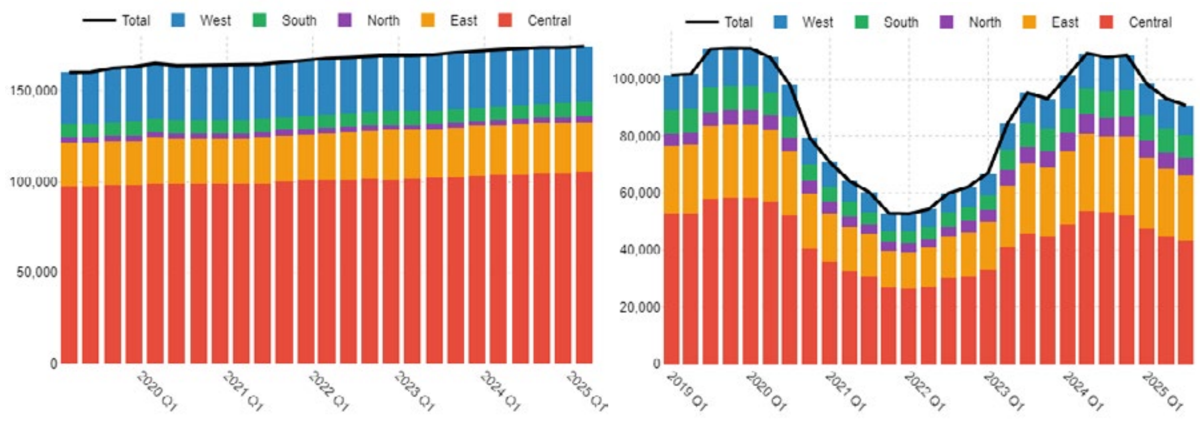


Source: Costar hotel supply data (left panel) and Deckard short-term let data (right panel)

Note: Unserviced accommodation room figures are calculated by aggregating Airbnb, booking.com, and vrbo listing-level data for "active listings" (properties with at least one booking in measurement period) by their room count.

Across London's regions, supply growth has been uneven, with the sharpest swings in Central and West London (Figure A4). Central London saw serviced accommodation supply grow from around 97,000 to 105,000 rooms (+8%), while short-term rental supply fell sharply from 53,000 to 48,000 rooms (-10%). West London saw serviced accommodation supply increase from roughly 29,000 to 31,000 rooms (+6.8%) and short-term rental room supply fell from 12,000 to 11,000 rooms (-9.1%).

Figure A4: Serviced accommodation rooms (left panel), and Unserviced accommodation rooms (right panel) by London sub-region



Source: Costar hotel supply data (left panel) and Deckard short-term let data (right panel)

Note: The London-wide totals in the right-panel chart (calculated by aggregating individual-borough data) is c. 8% higher than the London-wide total presented in figure 3 (which uses pre-coded London totals), due to listings data crossing borough boundaries, listings with no borough mapping, and rounding differences.

Looking at the latest few quarters of unserviced accommodation supply indicates that **London's short-term rental market is shrinking rapidly**, with room supply consistently falling since Q4 2024 (Figure A4). This decline likely reflects tighter regulations and rising operating costs - and the resulting market exit from providers.

This shift, and the broader visitor accommodation picture, will be examined in detail in our forthcoming publication.

Our latest publications

We publish regularly on the state of London's economy, providing the latest economic data for London and interpret how this may affect policy. This includes analysis of recent developments in London's economy and forecasts for the next couple of years.

We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

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

View all the GLA Economics publications on our website.

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.

Download the full publication.

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.

Download the full publication.

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.

GLAECONOMICS

City Hall
Kamal Chunchie Way
London E16 1ZE

Email glaeconomics@london.gov.uk
Internet www.london.gov.uk

© Greater London Authority
September 2025

ISSN 1740-9136 (print) ISSN 1740-9195 (online) ISSN 1740-9144 (email)

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.

Images
© Adobe

Subscribe
Subscribe online at https://www.london.gov.uk/what-we-do/research-and-analysis/join-our-mailing-list-research-and-analysis

Disclaimer
GLA Economics uses a wide range of information and data sourced from third party suppliers within its analysis and reports. GLA Economics cannot be held responsible for the accuracy or timeliness of this information and data.

GLA Economics, Transport for London and the Greater London Authority will not be liable for any losses suffered or liabilities incurred by a party as a result of that party relying in any way on the information contained in this publication.

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.

MAYOR OF LONDON