

London's Economy Today

Issue 278 | October 2025

UK inflation remains steady in September

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

The Office for National Statistics (ONS) published data on September's [Consumer Price Index \(CPI\) inflation](#) this month. This showed that CPI inflation remained unchanged at 3.8% in the 12 months to September 2025; it has remained at this level since July (Figure 1). This was lower than anticipated by most surveyed economists who had expected it to rise to 4%. Inflation however continues to remain significantly above the Bank of England's central symmetrical target of 2% $\pm$ 1%.

The September CPI numbers are of particular importance as these are typically used for the raising of a number of benefits in the following financial year. Looking at the data in more detail the ONS observed that "transport made the largest upward contribution to the monthly change [in the annual rate]; recreation and culture, and food and non-alcoholic beverages made the largest offsetting downward contributions". UK inflation remains above that seen in other countries with the ONS noting that "the UK's CPI inflation rate of 3.8% was higher than the inflation rates for Germany (2.4%), France (1.1%) and the EU (2.6%), in September 2025. The last time the UK rate was lower than the EU rate was December 2024".



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Datastore

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

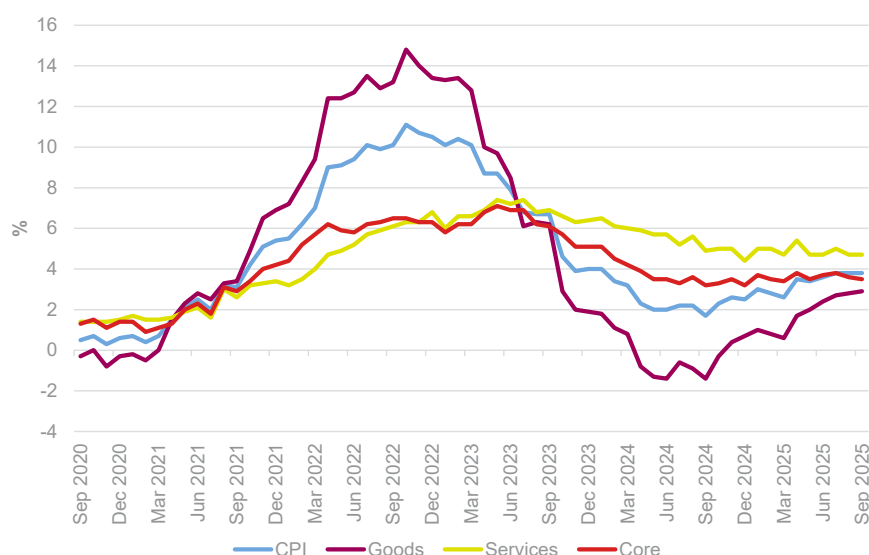


Figure 1: CPI, goods, services and core annual inflation rates, UK, September 2020 to September 2025

Source: ONS, GLA Economics

Beyond the headline inflation figure other inflation measures generally remained steady. Core CPI (excluding volatile energy, food, alcohol and tobacco prices) inflation slowed slightly to 3.5% over the year to September 2025, down from 3.6% in August. The CPI goods annual rate rose to 2.9%, up from 2.8%. While the CPI services annual rate remained unchanged at 4.7%.

UK GDP sees slight monthly growth in August

The latest monthly UK GDP data from the ONS showed that the UK economy [grew by 0.1% in August](#) (Figure 2). This followed a revised down contraction of 0.1% in July and was in line with the expectations of polled economists.

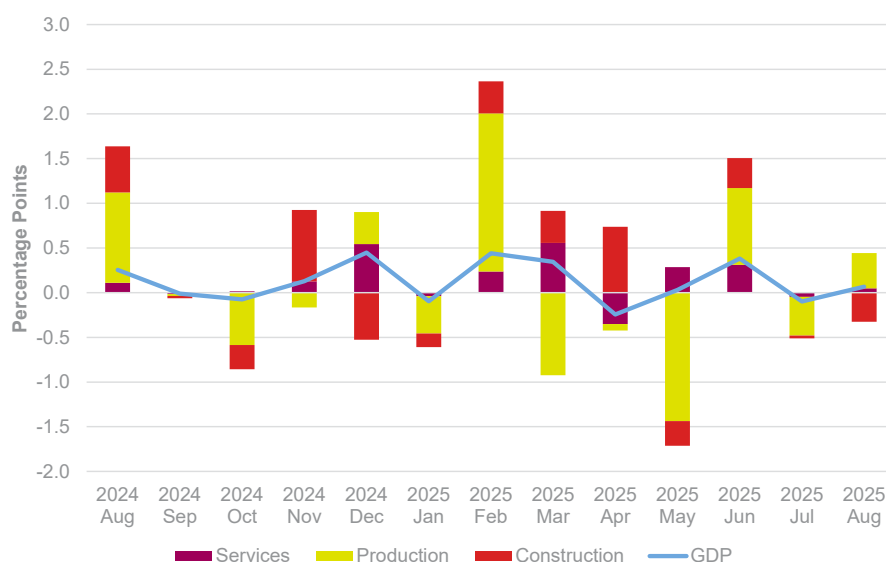


Figure 2: Contributions to monthly UK GDP growth, Aug 2024 to Aug 2025

Source: ONS

Looking at the main components of GDP only production saw growth in August with its output increasing by 0.4%. Output in the services sector saw no growth in August while output in construction fell by 0.3%. Still, looking at a slightly longer time period the ONS notes that “real gross domestic product (GDP) is estimated to have grown by 0.3% in the three months to August 2025, compared with the three months to May 2025”.

Fiscal speculation as budget nears

As the Chancellor of the Exchequer, Rachel Reeves, prepares next month's Autumn budget, she is faced with plugging an expected shortfall in public finances – largely a result of higher-than-expected borrowing costs and slow economic growth. There is much speculation over how she could close this gap, with credible chatter suggesting that the Treasury is considering (1) [a targeted wealth tax](#), (2) [reforms to capital gains tax](#), (3) [levies on quantitative easing](#), and/or (4) [bank surcharge increases](#).

Any new wealth tax would disproportionately affect London's economy, given a quarter of UK household wealth (about £2.5 trillion) is concentrated in the capital. Proponents argue a wealth tax could potentially raise [£10bn annually](#) from property and financial assets, capturing “unearned” gains largely accrued by the wealthiest. However, past experience (and orthodox economic theory) point to [risks of capital flight, lower business investment](#), and reduced economic growth.

Some of the other potential revenue options under consideration (listed above) would also land on London's property and banking sectors. With nearly a [third of all UK Capital Gains Tax liabilities generated in London](#), changes would affect buy-to-let markets and high-value residential sales in the capital. Beyond property, reforms would also impact London's financial services sector, affecting how private equity managers are paid, the stock options tech workers receive, the sale prices of small businesses etc. A levy on [quantitative easing](#) could provide [£5–8 billion in annual revenues](#). Increased taxes on the financial sector could generate [£1.5–2 billion yearly](#) (through higher banking surcharges, increased corporation tax rates, or additional Stamp Duty on premium London assets) – but all of these measures would inevitably alter investment and lending behaviour.

IMF projects UK growth improvement, but fiscal and financial pressures remain high

The [IMF's October 2025 World Economic Outlook](#) delivered mixed news for the UK and London. The report revised projected UK GDP growth upwards to 1.3% in 2025 and 2026, to reflect stronger-than-expected growth in the first half of the year. However, the IMF also caution that living standards will remain flat, as households face ongoing cost-of-living pressures (particularly from utility costs). Trade frictions could shave 0.1–0.3 percentage points off UK GDP, with London's open, finance-driven economy particularly exposed to such external shocks. Inflation is also forecast to remain elevated at 3.4% in 2025, well above the G7 average (2.7%) and the Bank of England's 2% target. These elevated rates, coupled with April's employer-side national insurance hike, are expected to constrain growth through [persistently high UK borrowing costs](#).

Globally, the IMF forecasts subdued but steady growth. World output growth is projected at 3.2% in 2025 and 3.1% in 2026. Advanced economies will grow around 1.6% in both years, and emerging markets and developing economies are expected to grow by 4.2% and 4.0% respectively. Fiscal pressures are also forecast to persist, with the [IMF Fiscal Monitor](#) forecasting public debt in advanced economies to on average exceed 100% of their GDP by 2029. For the UK, the report highlights the limited flexibility in the UK's fiscal headroom – a result of relatively large public sector wage bills (“[current spending](#)”) and lower discretionary capital spending. Central government current expenditure is currently [£557.2 billion](#) (September 2025), up 9.3% on the year. In contrast, net public investment (capital expenditure) fell to £44 billion, down nearly £12 billion from a year earlier and representing less than 8% of current total government outlays.

The IMF echoes the usual sentiment: rebalance spending toward productive public investment and encourage it through streamlined review and procurement processes. Overall, the IMF portrays a UK economy that is constrained, with recent stronger-than-expected performance offset by structural fiscal pressures.

SME financing under pressure

Recent trends in Small and Medium sized Enterprise (SME) financing point to rising financial strain for smaller firms. [Roughly a quarter of UK SMEs now reports insufficient revenues or savings](#), up from 18% in 2023. Survey data highlight particular vulnerability among sole traders and businesses under 50 employees, many of whom state they are delaying borrowing amid policy uncertainty and high input costs. Over 30% cite energy and wage bills as their biggest external pressures, while taxation remains the main obstacle for roughly 60% of SMEs with employees.

Although [gross SME lending \(i.e., the total value of supplied credit\) has seen a modest uptick](#), volumes (the number of new loan agreements) remain below pre-pandemic levels. Notably, only about 10% of firms plan to apply for new finance, with another 15% considered “future seekers” – those held back by the tough trading environment. London's SME base is [especially sensitive](#), because so many SMEs operate in lower-margin service, creative, and consumer-facing sectors. These businesses tend to have less pricing power, fewer tangible assets to secure borrowing, and are more exposed to swings in customer demand and input costs.

London consumer confidence remains high

Consumer confidence in London, as measured by the GfK index of consumer confidence, has shown strength in recent months. Thus, it hit a high not seen in two decades in August and although it has slightly moderated since then remains elevated compared to historic averages. This compares sharply with the UK as a whole which has not seen positive measures of consumer confidence since 2016.

Business confidence in the capital also seems to be holding up according to the Q3 2025 London Quarterly Economic Survey for the London Chamber of Commerce and Industry by Savanta. This polled over 500 business leaders in the capital and found that “business confidence among London firms slightly eased in Q3, although overall sentiment remains positive”. While in terms of the economic outlook “London businesses remain more optimistic about the capital's prospects than the UK as a whole, signalling a recovery from the earlier decline in confidence. The proportion of firms expecting an improvement in their own outlook remained steady at 37%, in line with previous quarters”.

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](#).

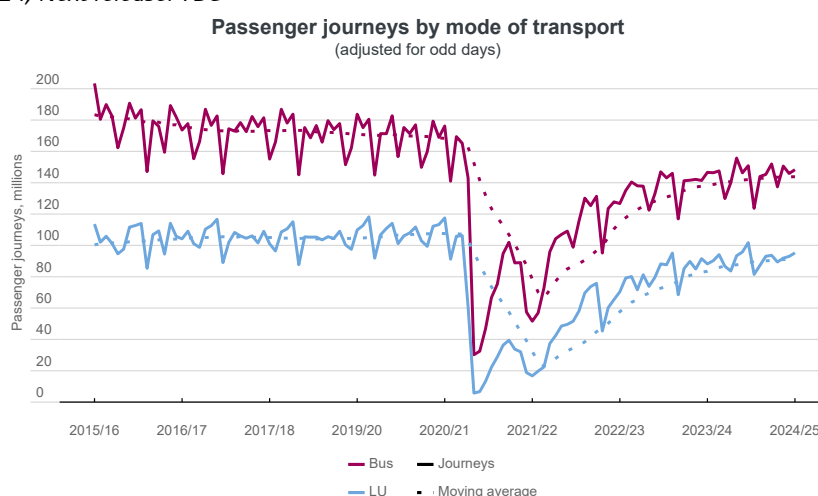
Economic indicators

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

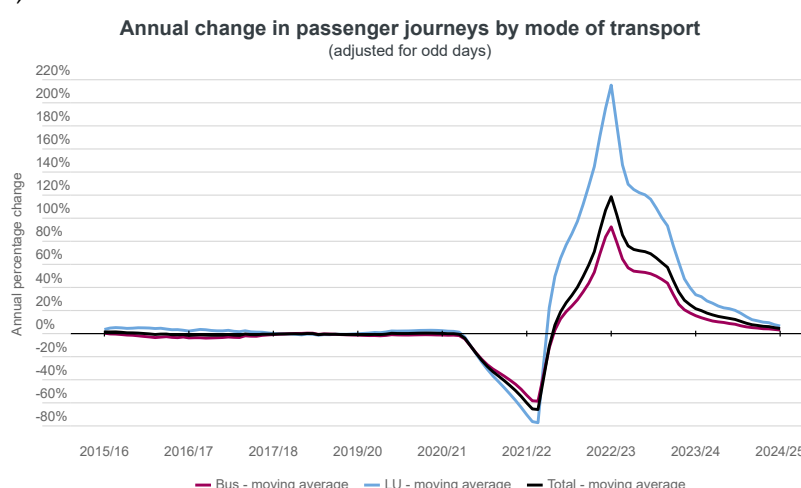


Annual growth in passenger journeys remained positive, if slowing

- 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

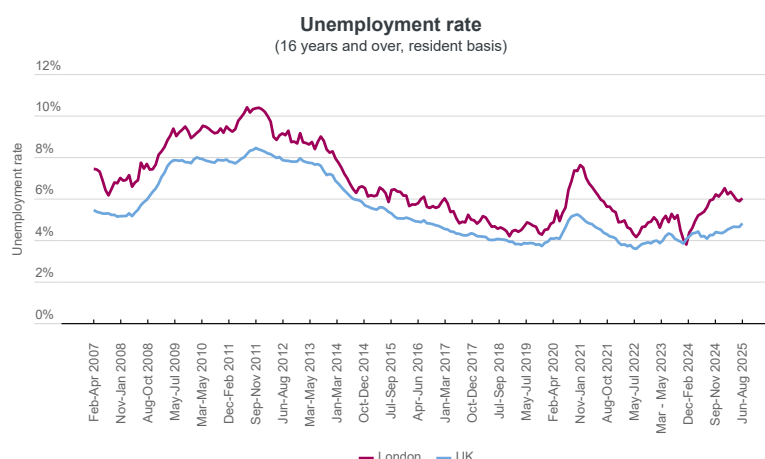


London's unemployment rate decreased over the last quarter

- Around 316,000 residents aged 16 and over were unemployed in London in the period from June to August.
- The unemployment rate in London for that period was 6.0%, a decrease from 6.2% in the previous quarter (March – May).
- The UK's unemployment increased marginally to 4.8% in June – August, up from 4.7% 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: October 2025, Next release: November 2025

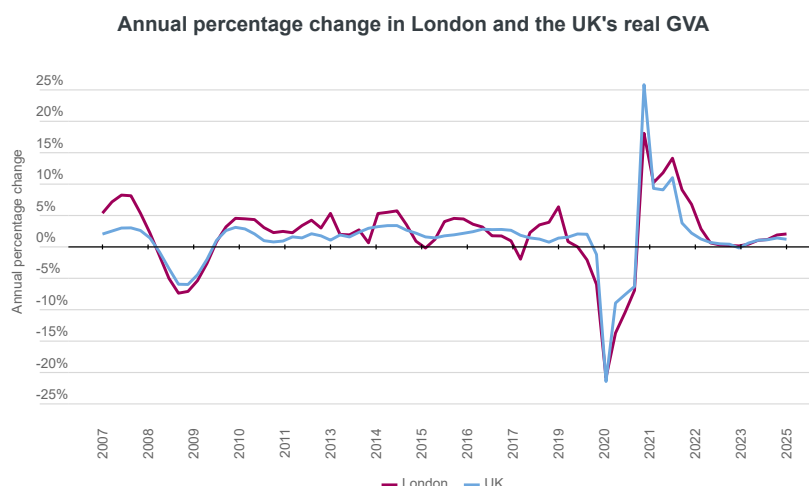


2024 saw renewed output growth in London and the UK

- 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

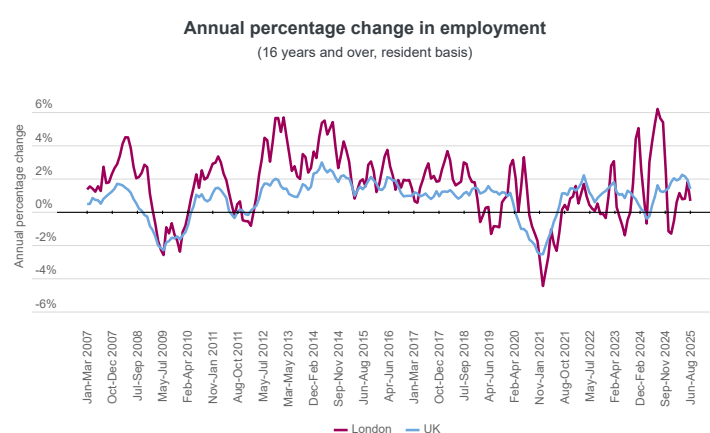


London's year-on-year employment growth rate decreased in the quarter to August

- Around 4.9 million London residents aged 16 and over were in employment during the three-month period from June to August.
- London's annual change in employment rose by 0.7% in the year to this quarter, a decrease from 0.8% in the previous quarter (March – May).
- Employment in the UK as a whole grew by 1.4% in the year to this quarter, a decrease from 2.3% 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: October 2025, Next release: November 2025

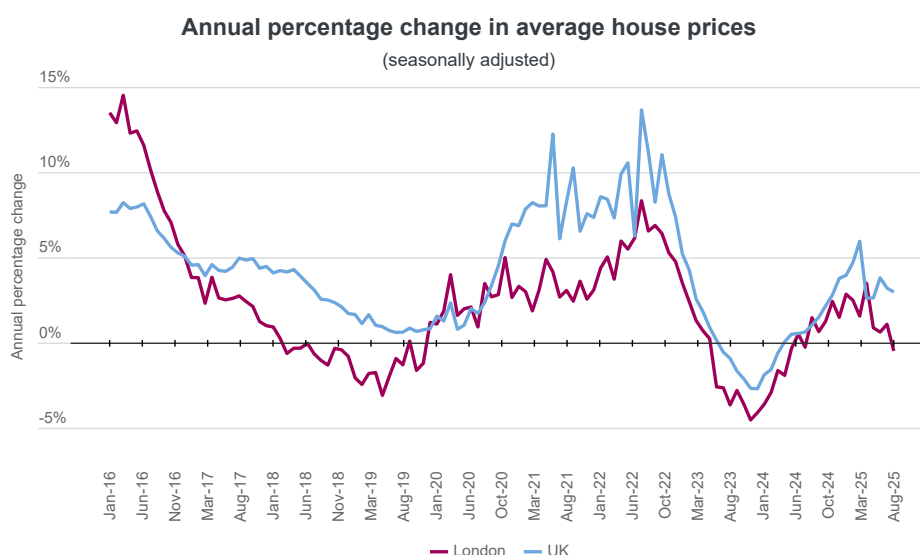


On an annual basis house prices dropped in London in August

- In August, the average house price in London was £559,000 while in the UK it was £269,000.
- Average house prices in London fell by 0.4% year-on-year in August, compared to an increase of 1.1% in July.
- Average house prices in the UK rose by 3.0% on an annual basis in August, lower than the increase of 3.2% in the year to July.

Source: Land Registry and ONS

Latest release: October 2025, Next release: November 2025

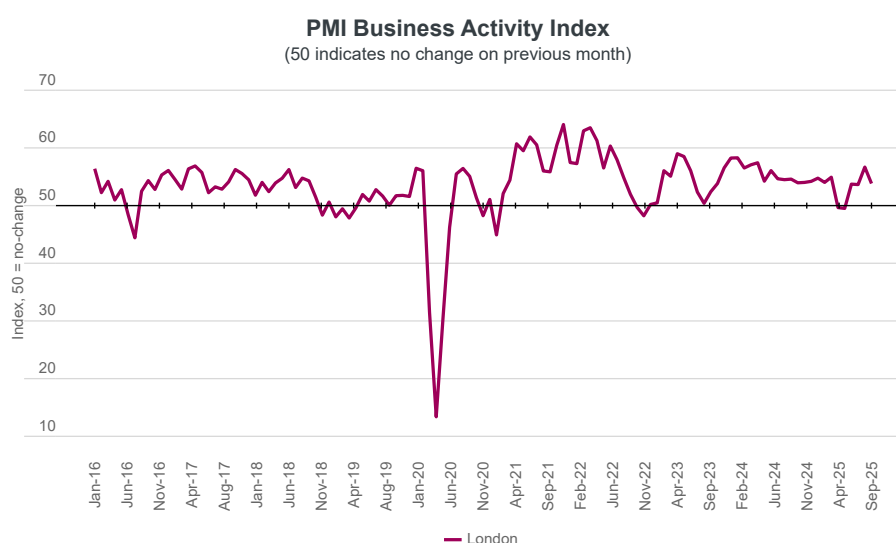


In September, the sentiment of London's PMI business activity index moderated

- The business activity PMI index for London private firms decreased from 56.7 in August to 53.8 in September.
- 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: October 2025, Next release: November 2025

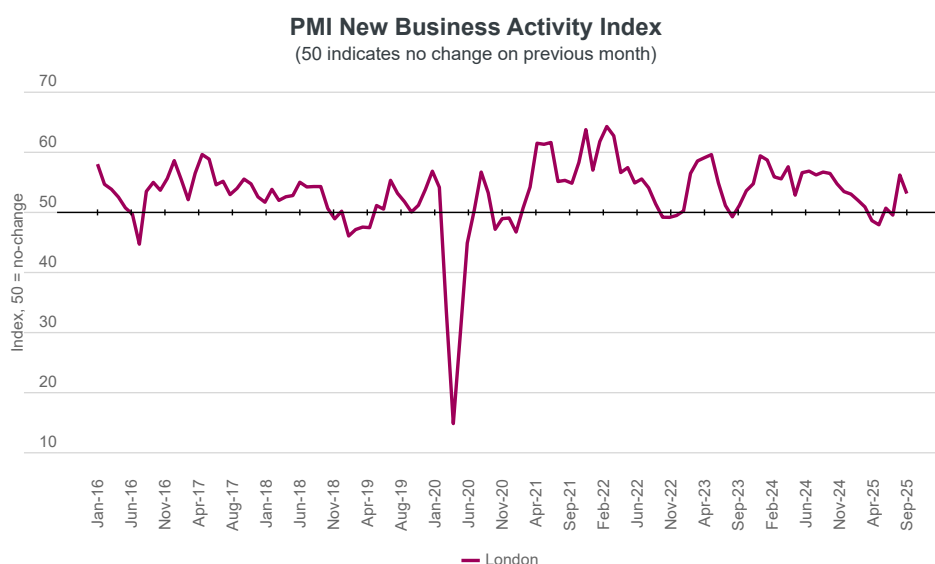


In September, the sentiment of London's PMI new business activity slowed

- The PMI new business index in London decreased from 56.2 in August to 53.1 in September.
- 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: October 2025, Next release: November 2025

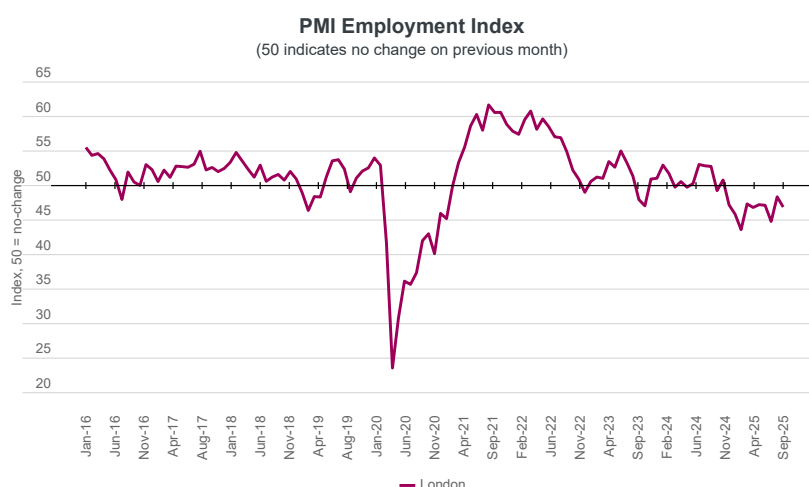


In September, the sentiment of the PMI employment index in London decreased

- The Employment Index for London decreased from 48.4 in August to 46.9 in September.
- 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: October 2025, Next release: November 2025

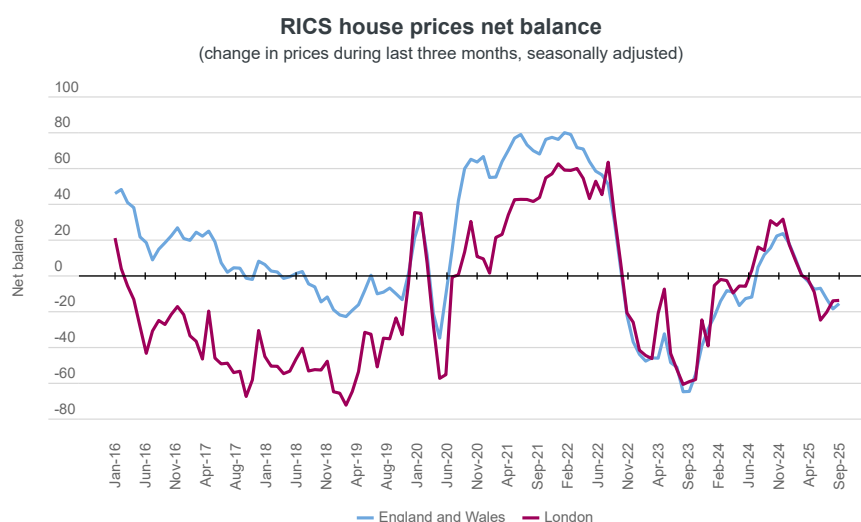


More than half of all property surveyors in London reported house price decreases in September

- In September, more property surveyors in London reported falling prices than rising prices. The net balance index was -14, the same as in August.
- For England and Wales, the RICS house prices net balance index improved from -18 in August to -15 in September.
- 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: October 2025, Next release: November 2025

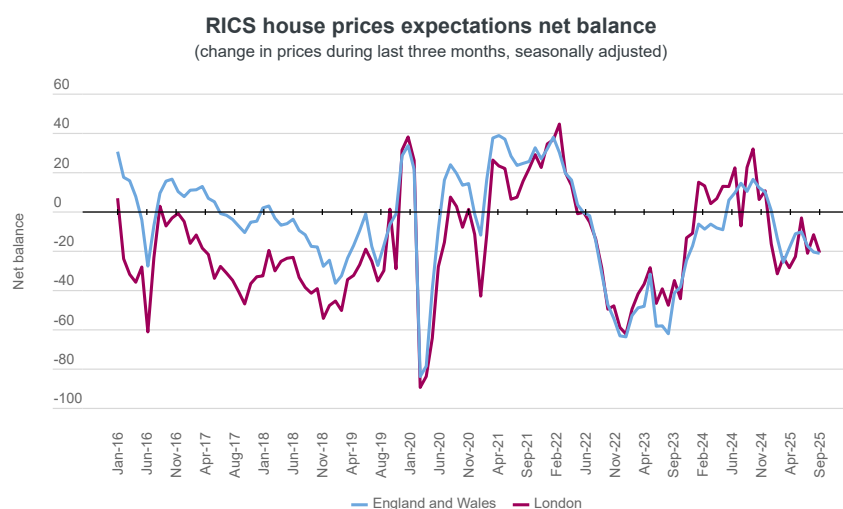


In September, less than half of all property surveyors expressed positive expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -21 in September, down from -12 in August.
- The index for England and Wales was -21 in September as well, and was -20 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: October 2025, Next release: November 2025

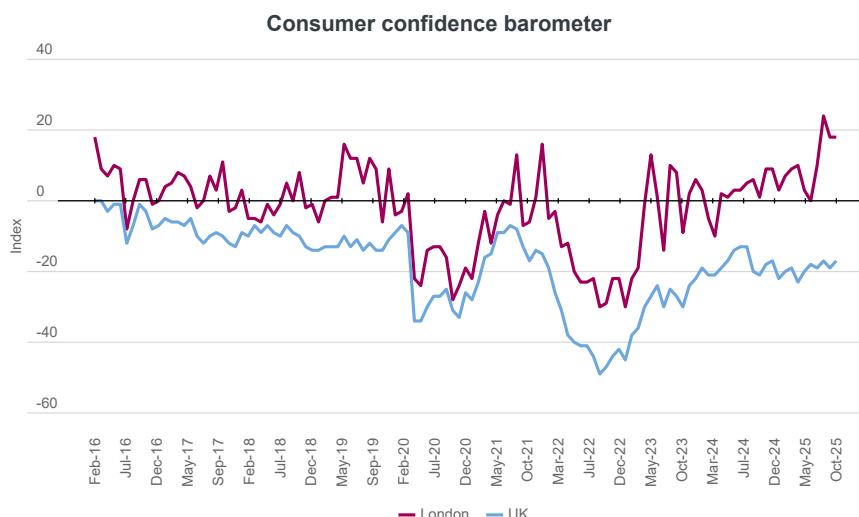


Consumer confidence in London remained unchanged in October

- The consumer confidence index in London was 18 in October, the same as in September.
- The sentiment for the UK improved from -19 to -17 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.

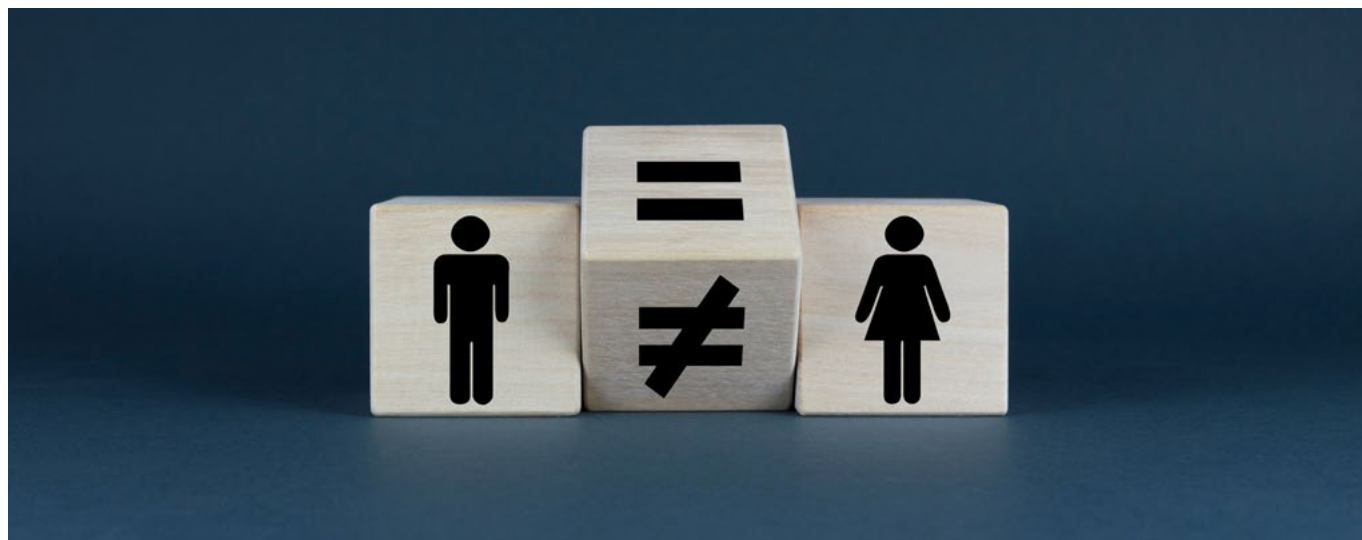
Source: GfK

Latest release: October 2025, Next release: November 2025



The impact of motherhood on employment and earnings in London

by **Pauline Bucher**, Economist



Gender inequalities in the UK and London labour markets are large. Recent data show that women living in London are around 10 percentage points less likely to be in work than men; and earn on average 19% less per hour than men.¹

Economists highlight the role of children in gender inequality, with international studies finding evidence for a “motherhood penalty” (often known as a “child penalty”), which refers to **the measurable economic disadvantages women experience after having children**. These disadvantages include lower employment rates, reduced working hours, and lower earnings compared to their pre-birth circumstances and to women without children.

The Office for National Statistics (ONS) has [recently published](#) an analysis that quantifies how much less women earn and how much less likely women are to be in paid employment after the birth of a child.²

The ONS estimates that **five years after the birth of a first child, women in England earn 42% less** than they would have done without having a child.³ Part of that reduction is due to the decline in employment. The probability that **a woman is in paid employment after five years is 11 percentage points lower** than it would have been.⁴

The ONS also published data tables showing how the motherhood penalty affects different socio-economic groups, and how it varies by region of residence. This note highlights two key findings for London:

¹ [ONS Regional labour market: headline indicators for London](#) (Dataset) and [ONS Gender Pay Gap](#) (Dataset)

² [The impact of motherhood on monthly employee earnings and employment status in England](#)

³ The ONS extends the analysis to second and third children, finding that the earnings penalty decreases for the second child but rises again for the third (remaining still much below that of the first birth).

⁴ Academic work in [Kleven et al. \(2019\)](#) identified a long-run earnings penalty of approximately 44% for the UK (compared to one year before first birth), which closely aligns with the ONS’s more recent estimate.

- among those who remain in work, the earnings penalty is slightly smaller than in England as a whole
- the employment penalty is larger and continues to worsen over time.

Figure A1: The motherhood penalty in terms of earnings in London is 38%, slightly less than in England as whole



Looking at the relative reduction in monthly earnings compared to one year before birth (Figure A1), London tracks England closely through the first year, with both falling steeply to around 62% down on pre-birth earnings after two quarters.⁵

However, the long-run penalty diverges: London mothers suffer a 38% reduction in earnings after five years, compared to before first childbirth, compared to a 42% relative loss in England.

In 2023 prices, **mothers in London are paid around £1,200 a month less five years after the birth of their first child** than they would otherwise have been. This is larger than the figure for England, but mainly reflects higher pre-birth earnings.⁶

The largest monetary drop occurs two quarters after birth: approximately down £2,000 per month in London versus £1,600 in England. Both recover partially after one year (4 quarters) to around £1,200 in London and £1,000 in England. In the long run (20 quarters or five years), earnings remain depressed.

The penalty in terms of employment is much larger, with **women in London 17 percentage points less likely to be in employment** five years after the birth of a first child than otherwise. In most other English regions, the probability of a mother being in paid work starts to increase after an initial fall in the first year after the birth of a child.

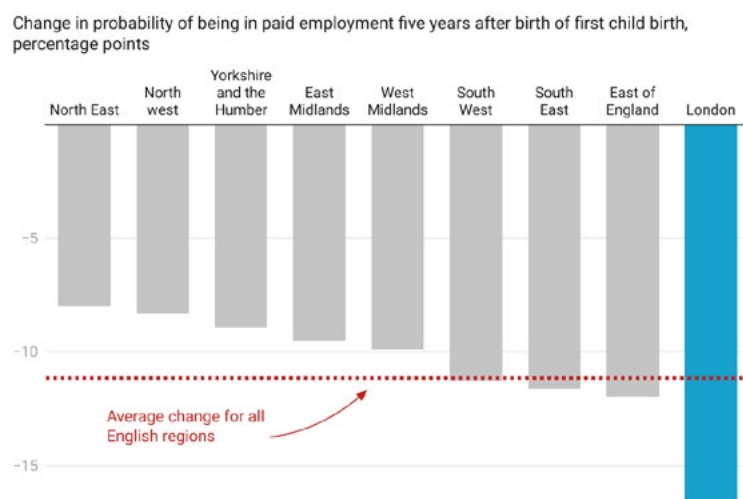
Uniquely in London, **the probability of employment continues to decline between one and five years after birth**. London mothers have the largest fall in probability of being in paid employment after their first birth, and London is the only region where the five-year probability is lower than the one-year one.

⁵ Statutory maternity pay is 90% of average weekly earnings for the first 6 weeks of leave, then falls to, at most, £187 for the next 33 weeks. [Maternity leave and pay](#), UK government (2025). The data cannot determine whether employees are receiving maternity pay or other earnings, only all payments through the Pay-As-You-Earn system.

⁶ This larger absolute drop in London reflects higher baseline earnings: annual average (mean) gross pay for women in London in 2023 was £42,627, around 45% higher than in England overall (£29,161). [ONS Annual Survey of Hours and Earnings](#) (Dataset)

In London, the probability of being in paid employment for new mothers relative to the pre-birth level is almost 15 percentage points lower one year after childbirth, and this gap widens to 17 percentage points after five years as shown on Figure A2. London is the only region where the five-year probability is worse than the one-year outcome, whereas all other regions experience at least a 2-percentage-points improvement between one- and five-years post-birth.

Figure A2: London mothers are less likely to return to work within five years of first child



Source: GLA Economics analysis of ONS "The impact of motherhood on monthly employee earnings and employment status, England: April 2014 to December 2022". • Created with Datawrapper

This combination of earnings falling less than in the rest of the UK, while employment falling more is a puzzle, and a potential avenue for future research.

Data and further reading

The [data tables published by ONS](#) include many other breakdowns by socioeconomic characteristics at the UK level, including: age band at first birth, country of birth, disability, ethnic group and Index of Multiple Deprivation (IMD) quintiles. The published results also include estimates for second and third births.

The publication is one of a series that uses a large number of linked datasets (such as PAYE information, health records, the Census and others) [to explore the impacts of health and other factors on labour market outcomes](#).

Generally, studies find that women often adjust their working patterns and priorities after having children, which helps explain much of the gender wage gap. Mothers prioritise family-friendly job amenities – such as flexible hours or shorter workweeks – more highly than fathers do.⁷ This preference leads them to accept jobs with fewer advancement opportunities and less bargaining power, effectively narrowing their employment options and reducing their earning potential.⁸

Academic research on the “motherhood penalty” has also revealed a “fatherhood premium” following the birth of the first child.⁹ While mothers experience reduced earnings and employment, fathers typically see improved career outcomes. This divergence largely reflects gendered patterns in work adaptation: mothers often reduce hours, change jobs, or temporarily withdraw from the labour market, while fathers typically

7 See academic work by [Mas et al. \(2017\)](#) for gendered demand for flexibility or [Wasserman \(2023\)](#) for hours constraint and occupational choice by gender.

8 [Caldwell et al. \(2022\)](#) estimate that the effective reduced size of the labour market for mothers explains 20% of the gender wage gap in Germany.

9 [Research led by Nobel Prize-winning economist Claudia Goldin \(2022\)](#) found that fathers earn about 14–20% more than similar men without children (“fatherhood premium”).

increase their career investment and specialisation. These different responses reinforce the existing gender wage gap, which currently stands at 7% in the UK.¹⁰

For further reading on the economics of gender inequality in the workplace – including the motherhood penalty, pay gaps and the impact of marriage – see the comprehensive review by [Olivetti et al. \(2024\)](#)

In general, this data and research findings can serve as an evidence base for policymakers when designing future policies to support mothers' employment and earnings outcomes. The motherhood penalty is driven by labour supply adjustments (i.e. how mothers are able or choose to work after having a child), job choice constraints, and structural barriers (e.g. childcare costs and availability). These factors are key levers for policymakers aiming to improve maternal labour market outcomes

¹⁰ The most recent (2024) [ONS update on the gender pay gap](#).

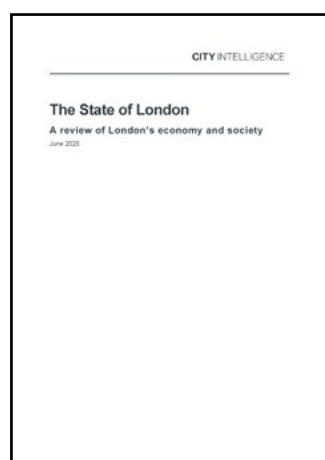
Our latest publications

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.

City Hall
Kamal Chunchie Way
London E16 1ZE

Email glaeconomics@london.gov.uk

Internet www.london.gov.uk

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October 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.

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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.