GLAECONOMICS

Forecast report

London's Economic Outlook: Autumn 2025
The GLA's medium-term planning projections

December 2025

MAYOR OF LONDON

Contents

1 Executive summary

London's economy grew modestly through 2024 and into 2025, with output and employment expanding but remaining below pre-pandemic trends.

- GLA Economics estimates London's GVA grew 1.1% in 2024, with workforce jobs up 0.4% to 6.5 million by Q2 2025 - 6.4% above pre-pandemic levels and outperforming the UK average.
- London's sectoral tilt toward knowledge-intensive business services (KIBS) continued, with KIBS now accounting for 43.5% of output (up since 2019) and 31.1% of employment – having experienced the strongest post-pandemic jobs growth of any broad sector.
- In the last decade, borough-level growth has polarised. In 2002–2012, all boroughs recorded positive growth. In 2013–2023, ten boroughs contracted, and output growth concentrated in a small group of inner-east areas.
- Business survey indicators and consumer confidence remain positive - consistent with real wage growth and easing inflation. Housing market indicators have softened, but the broader picture supports expectations of continued modest growth.

The UK economy continued its gradual recovery through 2024 and early 2025, though inflation remains above target and borrowing costs are expected to stay elevated.

- UK GVA grew by 1.1% in 2024, and the OBR upgraded its 2025 forecast for output to 1.5%. However, medium-term growth is projected at 1.2–1.5%, constrained by weak productivity assumptions.
- CPI inflation eased to 3.6% in October 2025, down from a peak in October 2022 of 11.1%. Cumulative price rises since 2019 (31.5%) remain more than double the cumulative increase that would be consistent with achieving the Bank of England's 2% annual target rate.
- The Bank Rate was held at 4% in November 2025, with markets now expecting rates to stay higher for longer.
- Major forecasters project UK GDP growth of 1.3–1.5% in 2025 (slightly upgraded from earlier in the year) slowing to around 1.2–1.5% over the medium term. The OBR has revised down its productivity assumptions, reinforcing the picture of a prolonged period of modest growth.

Since the previous LEO, global risks remain elevated while domestic fiscal uncertainty has intensified, and structural pressures continue to reshape London's economy.

- Global trade growth is projected to slow sharply, from 4.2% in 2025 to 2.3% in 2026, as US tariffs and retaliatory measures raise costs and uncertainty. The World Bank forecasts global growth of just 2.3% in 2025 - the weakest pace since 2008 outside outright recessions.
- Business confidence has fallen to its lowest level since the 2022 mini-budget following November's £25–30 billion tax-raising package. Investment intentions are at a five-year low, and the OBR has downgraded medium-term productivity growth to 1%.
- AI adoption presents both opportunity and risk, with evidence suggesting that displacement has begun. However, London's concentration in AI-adopting sectors positions it to capture productivity gains. Any correction in stretched AI-related equity valuations (i.e., a bubble bursting) will also likely dampen investment and hiring in the capital's tech and professional services sectors.

GLA Economics' 47ᵗʰ London forecast[1] suggests that:

- London's real Gross Value Added (GVA) is forecast to grow by 1.9% in 2025, 1.7% in 2026, and 2.1% in 2027.
- London's Workforce jobs[2] (WFJ) are projected to increase by 0.9% in 2025, 1.1% in 2026, and 1.2% in 2027.
- Household spending is expected to rise by 0.6% in 2025, 2.0% in 2026, then 1.9% in 2027.
- Household income is expected to grow by 2.1% in 2025, 1.5% in 2026, and 1.3% in 2027.

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

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

Annual growth rates (per cent)	2024[3]	2025	2026	2027
London GVA (constant 2022, £ billion)	**1.1%**	**1.9%**	**1.7%**	**2.1%**
Consensus (average of independent forecasts)		1.7%	1.7%	1.8%
London workforce jobs	**0.9%**	**0.9%**	**1.1%**	**1.2%**
Consensus (average of independent forecasts)		1.0%	0.9%	1.1%
London household expenditure (constant 2022, £ billion)	–2.4%	0.6%	2.0%	1.9%
London household income (constant 2022, £ billion)	3.0%	2.1%	1.5%	1.3%
Memo: Projected UK RPI[4] (Inflation rate)	4.3%	4.2%	3.6%	3.2%
Projected UK CPI[4] (Inflation rate)	3.6%	3.4%	2.6%	2.2%

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

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[1] The forecast is based on judgements and GLAE's recently updated econometric model. For more details see 'The new GLA Economics forecast models for London's economy, GLAE Working Paper No.98, June 2020'.
[2] Unless stated otherwise, any reference to jobs in the main text refers to total workforce jobs.
[3] Historic data for London's real GVA and workforce jobs are based on ONS actual data, while household spending and household income are based on GLA Economics regional modelling of UK data.
[4] RPI = Retail Price Index and CPI = Consumer Price Index. Values are not forecasted by GLAE, but instead sourced from published ONS data and HM Treasury consensus forecasts.

Figure 1.1: Historic and forecast output growth (GLA Economics reference scenario)

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

Figure 1.2: Historic and forecast employment growth (GLA Economics reference scenario)
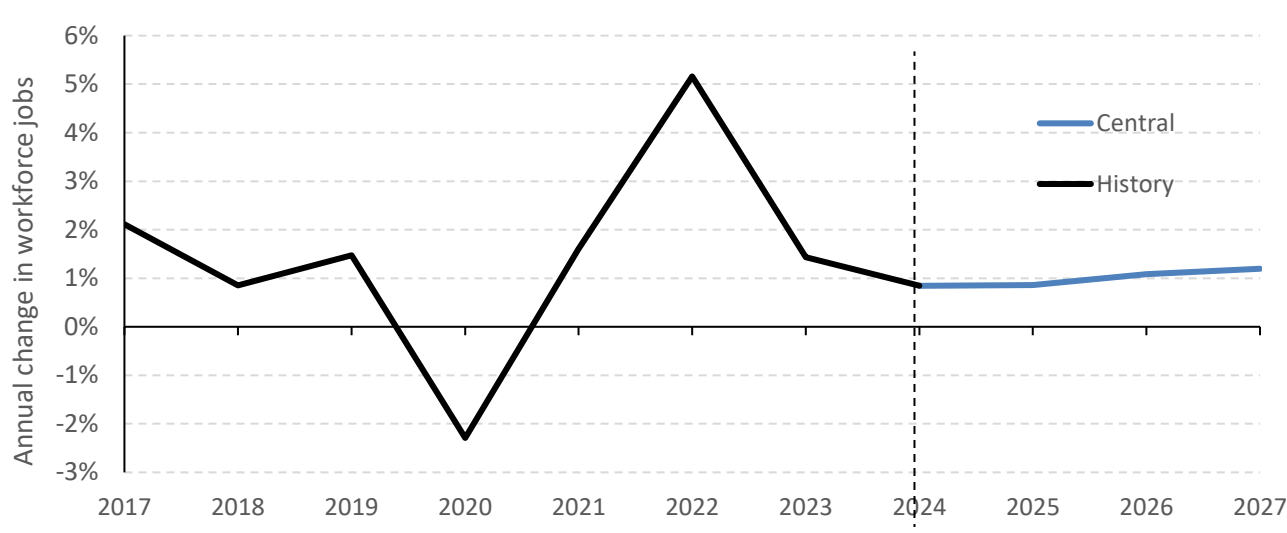
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

Figure 1.3: Expected shape of economic recovery under the GLA Economics reference scenario (values indexed to Q1 2019)
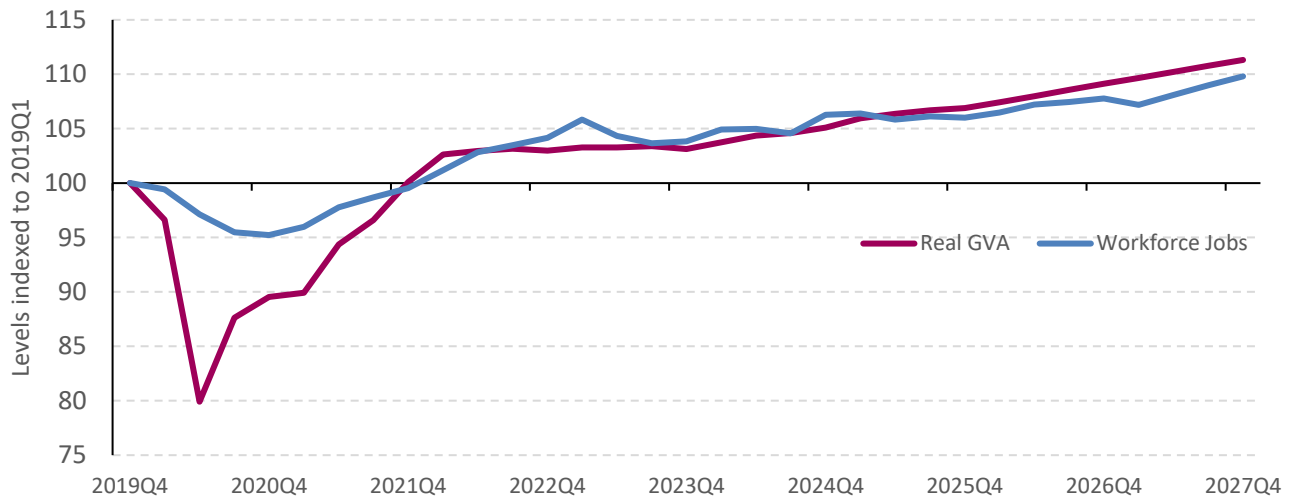
Source: GLA Economics

Figure 1.4: History of reference scenarios for London annual real GVA growth rates 2024-2027
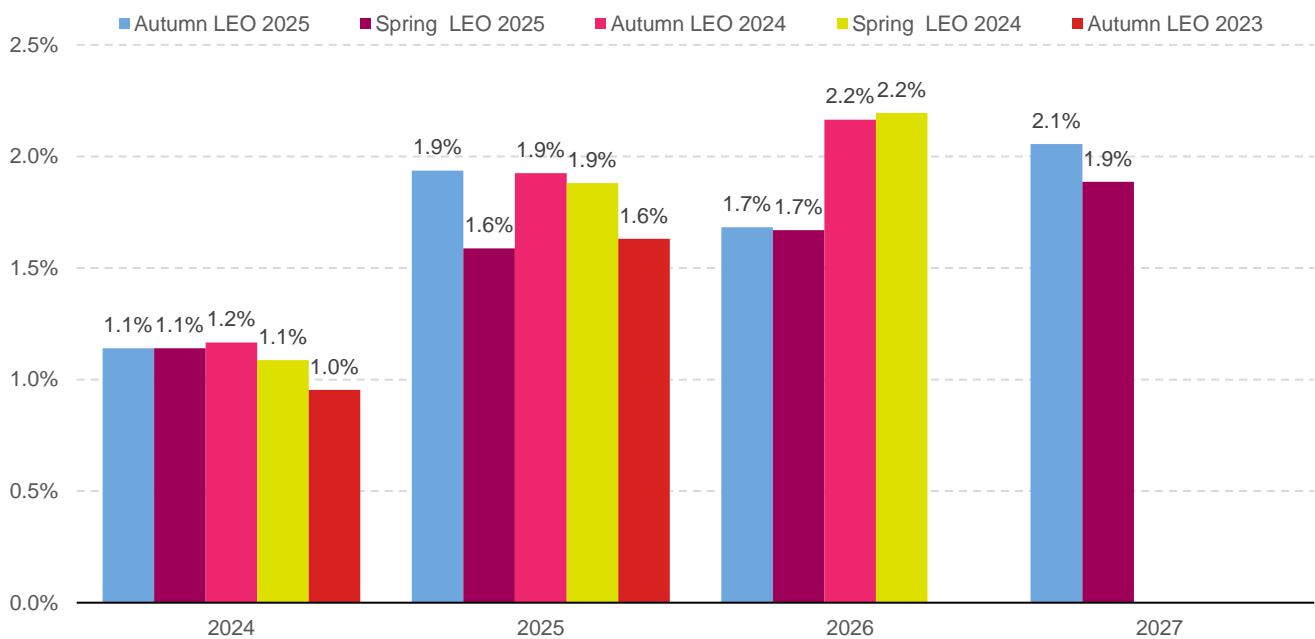
Source: GLA Economics

Figure 1.5: History of reference scenarios for London annual jobs growth rates 2025-2027

Legend: Autumn LEO 2025, Spring LEO 2025, Autumn LEO 2024, Spring LEO 2024, Autumn LEO 2023

Source: GLA Economics

2 Introduction

The Autumn 2025 edition of London's Economic Outlook (LEO) is GLA Economics' 47th London forecast. The forecasts are issued roughly every six months to assist those preparing planning projections for London in the medium term. The report contains the following:

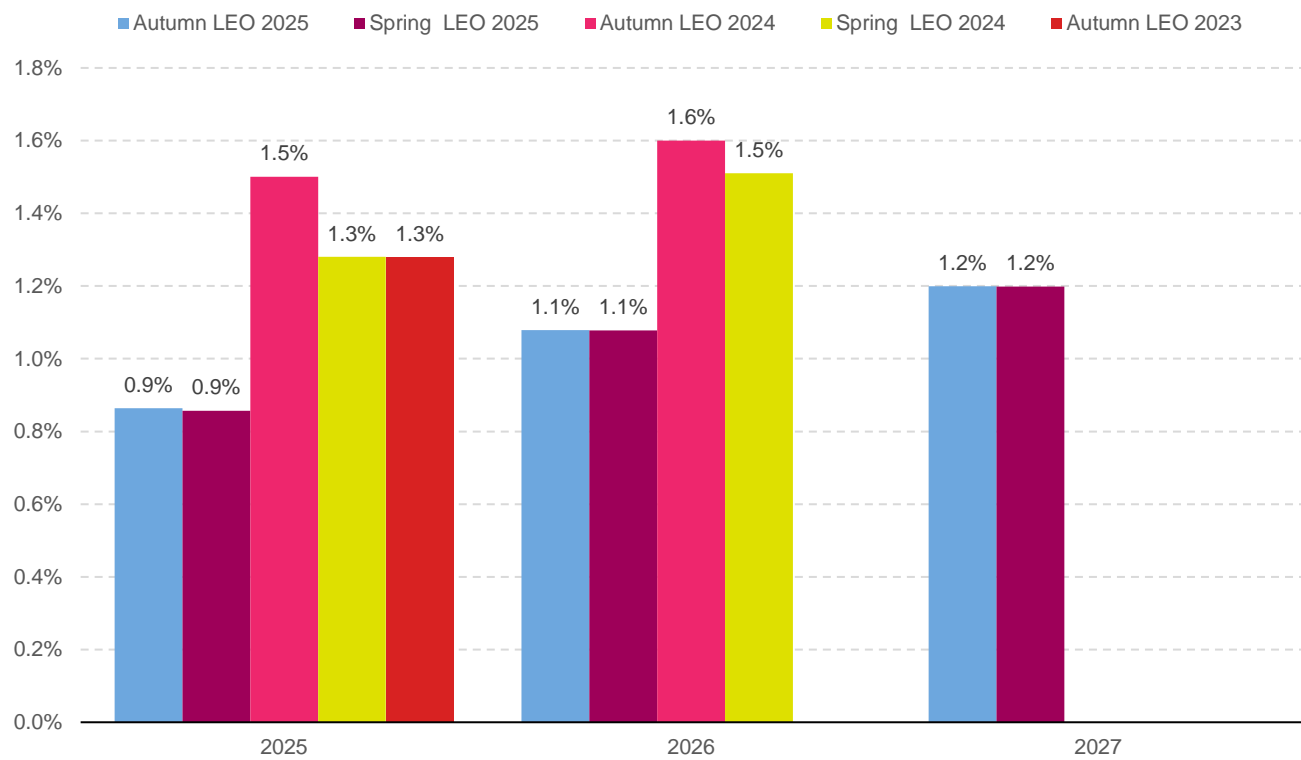- An overview of recent economic conditions in London, the UK, and the world economy -including analysis of important events, trends, and risks to short and medium-term growth.
- The 'consensus forecast' – a review of independent forecasts, indicating the range of views about London's economy and the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

Note on the forecast

Any economic forecast represents the forecaster's view of most likely future paths for the economy and is inherently uncertain as a result. Both modelling and data uncertainty, as well as unpredictable events, contribute to the potential for forecast error. Since the spring 2016 LEO, GLA Economics' forecast is based on a blend of an in-house model built by GLA Economics[5] and the team's judgements. Before 2016, previous forecasts were based on an in-house model built by Volterra Consulting Limited. GLA Economics' review of independent forecasts provides an overview of the range of alternative opinions. Independent forecasts are supplied to the GLA for the main macroeconomic variables by the following organisations:

- The Centre for Economic and Business Research (CEBR)
- Experian Economics (EE)
- Oxford Economics (OE)
- S&P Global Market Intelligence (SP)[6]

GLAE builds these projections to scenarios consistent with the latest Bank of England's[7] forecast and OBR[8] forecasts, published in November – but economic forecasting is not a precise science. Our forecasts provide an indication of what is, in GLA Economics' view, *most likely* to happen, not what will *definitely* happen. As a result, there are significant risks, mainly on the downside, associated with the presented central scenario.

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

[6] S&P do not provide a forecast for household expenditure in London.

[7] BoE (2025), "Monetary Policy Report", November 2025

[8] OBR (2025), "Economic and fiscal outlook", November 2025

3. Economic outturn: Modest growth continues, as inflation and interest rates ease

A range of indicators - from output and employment data to business surveys – indicate growth for the UK and London through 2024 and into 2025. With the Bank Rate and inflation now past their peaks, we expect steady, modest growth to continue into the medium-term

This Chapter discusses:
1) Output and jobs in London (how London's economy is performing structurally)
2) Fast-moving indicators for London's economy, such as consumer and business sentiment surveys (what's happening right now)
3) UK economy and implications for London (the national context that London operates within)
4) Risks to London's economy (what could affect the future)
5) Global prospects (what external forces will shape the UK's and London's future)

3.1 London's economy

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

The latest ONS data, for 2023, indicates that real economic output (the value of output accounting for inflation) has a rate of growth that remains below the pre-pandemic trend - and is marginally above pre-pandemic levels (see LHS of Figure 3.1). London's economy grew by 0.3% in 2023, an expected slowdown from pandemic-recovery growth in 2022. London's recovery has tracked the UK average, with both slightly above their 2019 levels in 2023 (RHS of Figure 3.1). While some regions have grown more since 2019, London remains in the middle of the regional growth range.

Figure 3.1: Real output in London, in £bn (LHS) and indexed to 2019 (RHS)
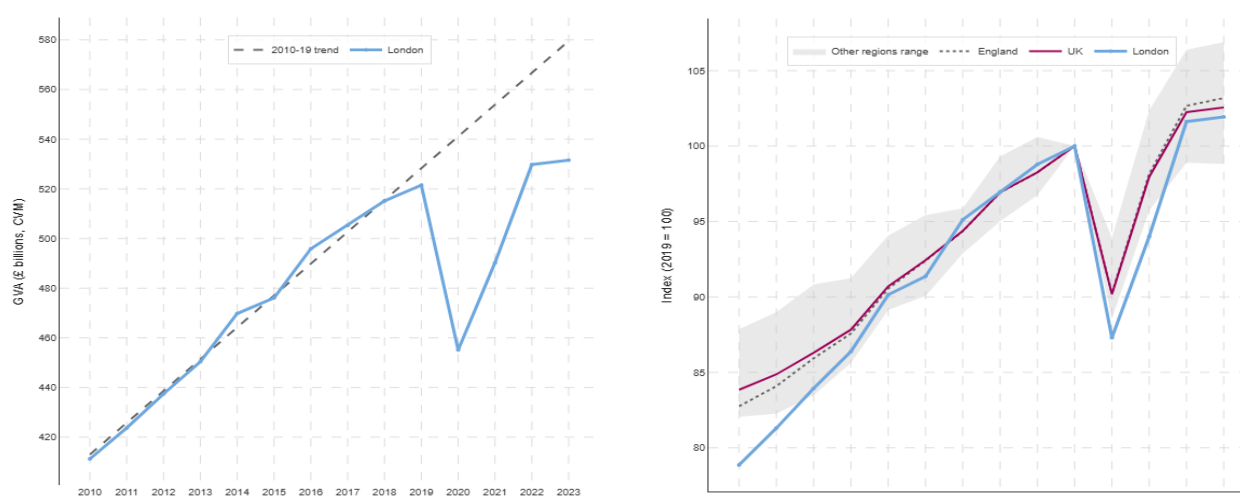
Source: GLA analysis of ONS regional GVA data

Annual growth in 2023 reflected mixed sector performance (see Figure 3.2), with Foundational Services (retail, transport, hospitality, real estate, administrative services, arts, and other services) providing the main contribution to growth, and Construction contracting and dragging on growth. Knowledge-intensive Business Services (ICT, financial services, professional services) and Public Services made modest positive contributions, while Production & Utilities (agriculture, mining, manufacturing, utilities) held flat.[9]

Figure 3.2: London's annual GVA growth and sector contributions to growth

Source: GLA analysis of ONS regional GVA data

- Knowledge-intensive Business Services (KIBS) is still London's largest sector (£231bn in output in 2023), growing 0.3% on the year and 7.7% since 2019 (see Figure 3.3).
- Foundational Services (£191bn in 2023) grew 1% on the year, but remains 2.1% below 2019 levels.
- Construction (£20.7bn in 2023) was the only sector to contract on the year (-6.8%) and is 10.2% below 2019 levels).

KIBS' share of London's GVA rose by 2.3 percentage points (pp) since 2019 to 43.5% in 2023. Foundational Services fell to 35.9%, Public Services to 13.6%, and Construction to 3.9%. Production & Utilities edged up to 3.1%. **Together, the three service sectors represented 93% of London's output, 0.3pp higher than in 2019.** This reflects a gradual shift toward high-productivity, knowledge-based services and away from construction.

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

Figure 3.3: Summary of London's broad industry GVA, 2019 to 2023

Source: GLA analysis of ONS regional GVA data

This aggregate picture, however, masks significant variation across London's boroughs – explored in Box 3.1.

Box 3.1: London's shifting economic map[10]

London has repeatedly demonstrated resilience through disruptions – but this has differed across boroughs. This box examines how growth has become increasingly uneven across the capital's boroughs over the past two decades.

The post-pandemic rebound was stronger than most estimates – with recent revisions showing real GVA rose 8.1% in 2022, the fastest among UK regions. Yet headline growth captures only part of the picture. Understanding what drove this economic resilience requires looking beneath the city-wide aggregates. **At the borough level, London's output and jobs growth varies greatly**, with local economies moving in different directions, responding differently to the same shocks – patterns that city-wide figures obscure.

London's two differing growth decades

When we compare the last two decades of data (2002 to 2012 and 2013 to 2023), a clear contrast emerges. Over the more recent decade, growth has become more polarised, more spatially uneven and more concentrated in a small group of high-performing inner-east boroughs. To assess these changes, we use compound annual growth rates[11].

As shown in Figure 3.4, **looking back at 2002 to 2012, London's economic landscape appears relatively balanced.** All boroughs recorded positive growth over the decade and the difference between the fastest and slowest performers was noticeable but not extreme. The weakest borough still grew by around 0.5% a year and the strongest reached a little over 4%. Several central and west-central areas such as Kensington and Chelsea, Southwark, Lambeth, Tower Hamlets, Hounslow, Islington, the City of London and Hammersmith and Fulham achieved annual growth rates of around 3% to 4%. Altogether, eleven

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[10] In this box, "boroughs" refers to London's 32 boroughs and the City of London.
[11] CAGR (Compound Annual Growth Rate) represents the smoothed annual rate of growth over a multi-year period, capturing the effect of compounding. It calculates by taking how many times the value has grown in total, spreading that evenly across the number of years, and converting it into an equivalent yearly percentage. CAGR is preferable to simple averages when comparing decade-long economic performance because it accounts for volatility, avoids distortions from year-specific shocks, and provides a comparable, time-neutral metric for assessing borough-level growth across different periods.

boroughs grew by more than 3% a year. This gave London a pattern of broadly shared and relatively even expansion.

In the decade after 2013, however, growth has become sharply uneven - and boroughs are now spread across a much wider range of outcomes. Hackney stands out as the most exceptional case. Its economy grew at an annual rate of 6.6% and expanded by almost 90% over the decade. The City of London and Camden followed with annual growth rates of 3.4% and 3.1% respectively. Outside this small group, performance has been far more subdued. Ten boroughs experienced negative growth over the period, which did not occur at all in the previous decade.

Kensington and Chelsea, which was the fastest-growing borough in the 2000s, contracted. Hounslow, which achieved an annual growth rate of 3.6% during the first period, recorded no growth between 2013 and 2023.

The contrast is clear. A city that once showed broadly positive and relatively similar growth across its boroughs now displays a far more uneven pattern, with a small group of inner-east areas advancing much faster than the rest of London.

The overall picture suggests not only a slowing of growth, but a fundamental reorganisation of the city's economic geography.

Figure 3.4: Long-run shifts in borough economic performance
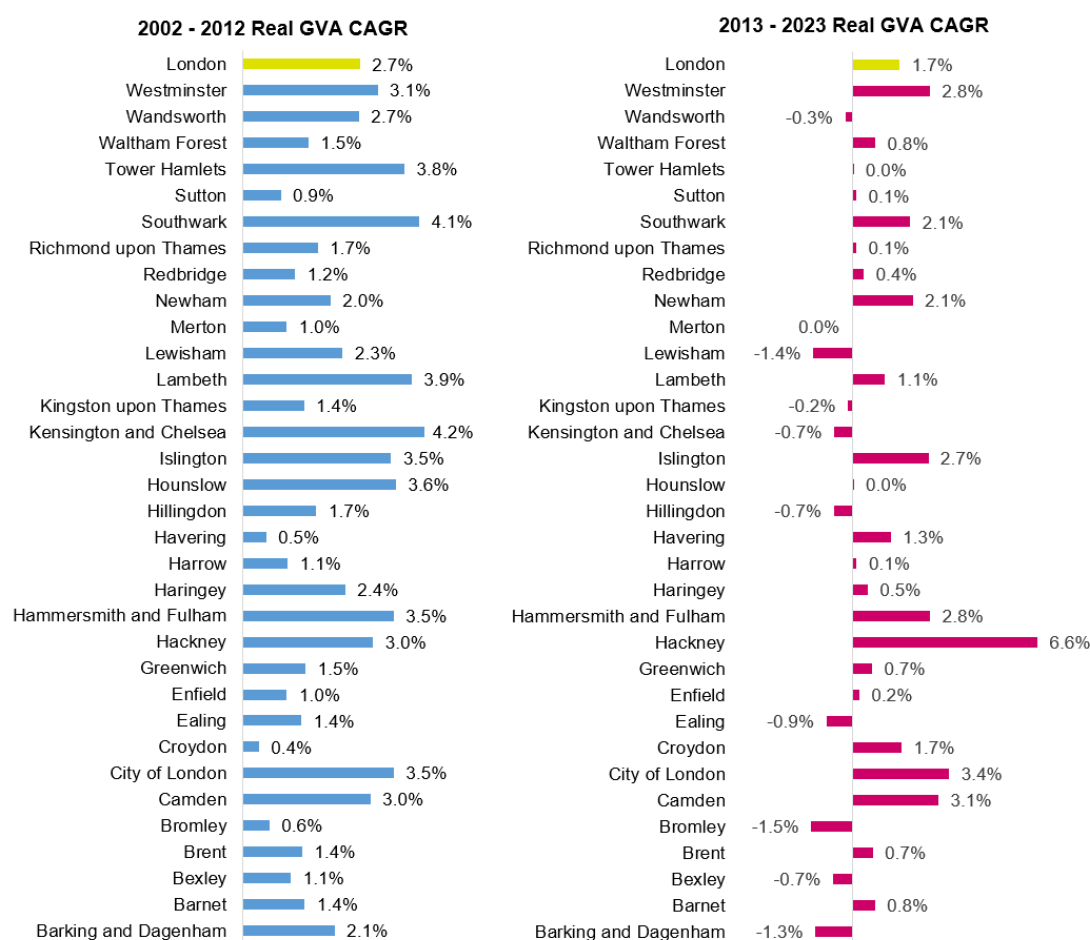
Source: ONS, GLA Economics.
Note: The chart compares compound annual growth rates for all boroughs across the two decades 2002–2012 and 2013–2023.

Another perspective: What workforce jobs reveal
Economic output alone does not capture the full picture. Jobs growth (in this case measured through workforce jobs growth) is also a measure of London's productive capacity. **Over the decade from 2013 to 2023, almost every borough expanded its workforce and only one saw a decline (Figure 3.5)**. When we compare GVA and workforce jobs over this period, three broad patterns emerge[12].

- The first group - Hackney, City of London, Camden - combines **strong output and jobs growth**. Hackney is the clearest example: 6.6% annual GVA growth alongside 5.5% employment growth.

- The second group shows **employment growing despite weak or negative output growth**. Barking and Dagenham, Lewisham, Wandsworth and Kensington and Chelsea all recorded GVA falls but rising workforce jobs. Barking and Dagenham most strikingly, with employment up over 3% annually while output fell. Merton is the reverse: the only borough with falling employment, yet its output decline was milder than several others.

- The third group - much of outer London - shows **modest growth in both measures.**

These patterns show that London's recent evolution cannot be understood through output alone. Although GVA growth has become more uneven, employment growth has been broad-based – and most boroughs saw jobs grow faster than output. Where jobs steadily outpace output in a borough, it typically reflects a shift in sectoral mix. Yet this employment still expands London's labour supply and productive capacity as a whole - even where local output is weaker.

Figure 3.5: Workforce jobs growth across boroughs, 2013–2023
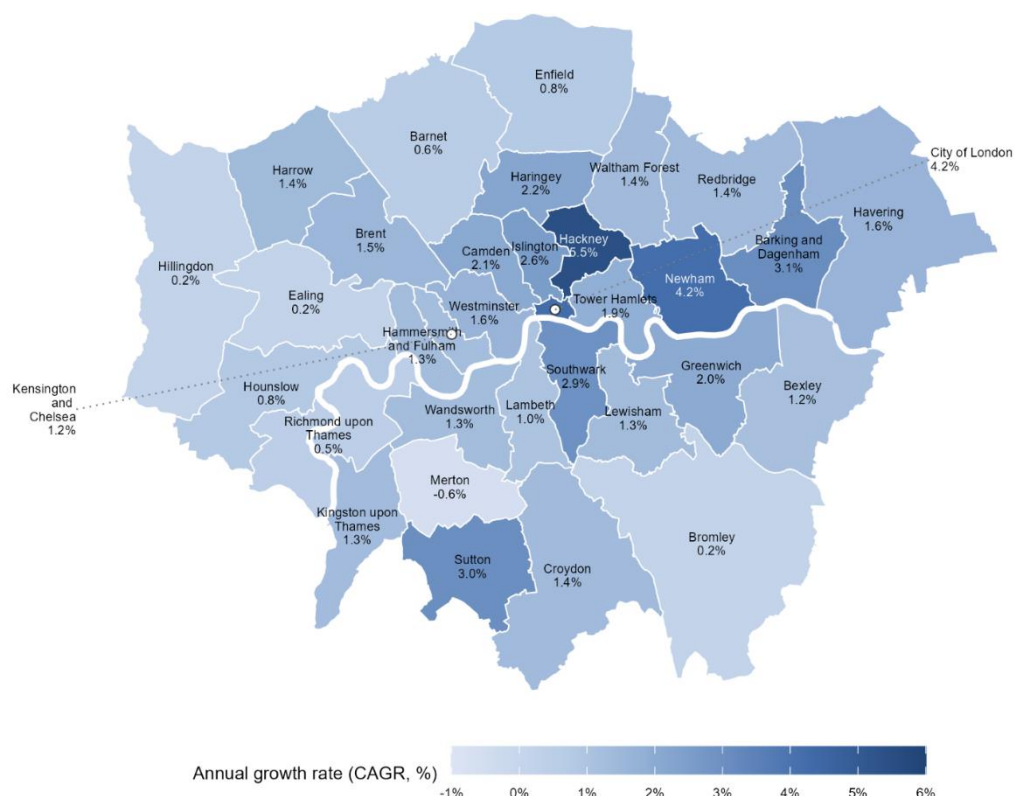
Source: ONS, GLA Economics.

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[12] Borough-level workforce jobs (WFJ) data begins in 2006; earlier periods cannot be analysed due to limited data availability.

Why growth patterns have changed

To understand why London's two decades of growth look so different requires examining how the city's economy reorganised itself. Several factors explain this shift:

- **Part of the story lies in how London's sectoral base evolved.** The sectors that drove growth in the 2000s were not those that expanded most rapidly after 2013. Established centres of finance and business services continued to matter, but newer forms of work (digital services, creative production, technology) tended to expand where younger firms could find affordable space and new clusters could emerge. Much of this occurred in the inner east and south, areas that had not been the centre of London's earlier cycle.

- **Transport investment also accelerated this shift.** The Overground, the Elizabeth Line and improved local stations changed what proximity meant in practice, spreading activity across boundaries that had previously acted as barriers. Shoreditch, Dalston, Peckham and Stratford became more accessible and attracted people and businesses who might once have gravitated west.

- **Policy effort towards regeneration was another factor.** King's Cross, Stratford, Old Street, Canada Water and parts of Southwark underwent major transformation. Many were still in development during the 2000s - but after 2013, new offices, cultural venues and housing brought workers and activity into places that had not previously been economic centres.

- **Population movements followed**. Younger professionals settled in neighbourhoods offering affordability, cultural life and proximity to emerging employment hubs, while several western and south-western boroughs experienced slower inflows as mature economies and higher costs limited their ability to capture fast-growing sectors.

- **External shocks also mattered.** Post-2013, digitalisation, Brexit and the pandemic affected boroughs unevenly. Areas dependent on retail and hospitality recovered more slowly, while those with diverse, knowledge-intensive sectors proved more resilient.

Together, these forces shifted where jobs appeared, where firms located and where people chose to live. **The result is a new geography of growth, not centred on the established west but on the parts of the city with room for growth.**

To understand these changes in detail (and to support policymaking across the city), GLA Economics is developing forecasts for both output and employment at the borough-level and sub-regional levels. The work will strengthen London's forecasting ecosystem and provide a clearer picture of how growth may be distributed across the city in the years to come.

With this spatial context in mind, we return to the aggregate picture.

To understand post-2023 output, we can look at timelier UK output data, business indicators, and GLAE modelling on London's output:

(1) **UK annual output** grew by 1.1% in 2024, with growth continuing through the first three quarters of 2025. Services led this expansion, so London's service-intensive economy is likely to have seen similar growth. London is around 93% services (compared with roughly 80% nationally) and produces about 25% of UK services output. Within that, KIBS account for 44% of London's economy and London generates an estimated 41% of UK KIBS output. With UK services growing by around 1.3–1.6% in 2024 and business-facing services expanding faster than consumer-facing ones, London's tilt towards these sectors points to ongoing growth.

(2) **The GLA Economics nowcast** provides an estimate of London's GVA using UK output data and London specific indicators. It suggests London's GVA grew by 1.1% in 2024, with growth continuing into 2025. Further details on the methodology and results are set out in Chapter 5.

(3) **Purchasing Managers' Indexes (PMIs)** report whether firms see expansion or contraction in output and employment. The business activity PMI was 55.5 in September 2025, indicating more firms reported rising output than falling (1.1 points higher than a year earlier). The new business PMI, which tracks orders and contracts, was 55.1, again in expansion territory. October 2025 single-month readings for both indicators were 55.9, pointing to continued expansion (Figure 3.6). December data will capture reactions to the Autumn Budget. With no major new cost measures for firms, any drag on activity or orders is likely to be limited.

Figure 3.6: Purchasing Manager Indexes on business activity and new business (three-month average and single-month)
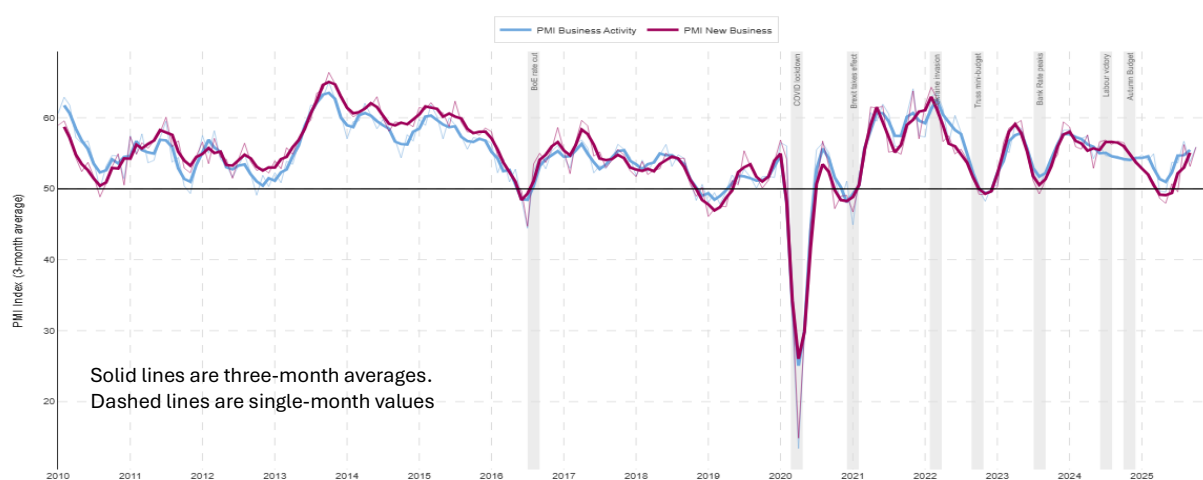
Source: GLA analysis of S&P PMI data.

With all the above considered, we expect that London saw steady, but small growth through 2024 (1.1% on the year), and similar growth throughout 2025.

London's workforce
ONS Labour Force Survey data provide the timeliest headline indicators for London's labour market, and indicates the following[13]:

- The **employment rate** in London was estimated at 74.5% for the three months ending September 2025, a fall of 1.2pp on the same period in the previous year, and a fall on the quarter. London's employment rate was slightly lower than the UK average (75%).

- London's **unemployment rate** was estimated at 6.5%, an increase on the quarter and an increase of 0.6pp from a year earlier. The UK average was 5%.

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

- London's **inactivity rate** (the measure of those not looking and/or not available to work) was estimated at 20.2%. This was an increase of 0.6pp on the previous year, and an increase on the quarter. It is lower than the UK-wide estimate of 21%.

The rest of the chapter will use Workforce Jobs data to assess the labour market, due to:

(1) the ONS's acknowledged concerns about low Labour Force Survey response rates and data volatility affecting industry breakdowns, and

(2) WFJ data being workplace-based, counting jobs in London's economy rather than jobs for those living in London.

Workforce jobs totalled 6.45 million in Q2 2025, up 0.4% on the year. This was above the pre-pandemic level but 8% below a continuation of the pre-pandemic trend (LHS of Figure 3.7), implying London would have had roughly 500,000 more jobs had that trajectory persisted. Recent quarters have been volatile, with jobs falling 0.6% quarter-on-quarter in Q2 2025 (47,000 fewer jobs) after a 0.1% decline in Q1. London's workforce jobs have nonetheless outperformed the UK average since the pandemic (RHS of Figure 3.7). By Q2 2025, London's jobs total was 6.4% above its Q1 2019 baseline, compared with 3.3% for the UK and between 0.9% and 5.0% across other regions.

Figure 3.7: Workforce Jobs in London (seasonally-adjusted) in thousands (LHS) and indexed to 2019 (RHS)
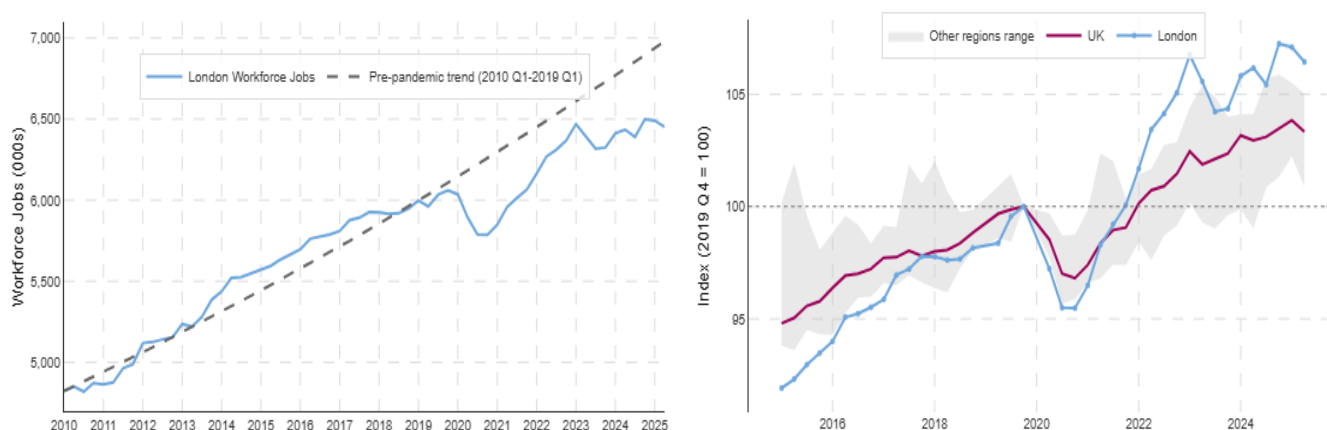
Source: GLA analysis of ONS Workforce Jobs data

The 0.4% jobs growth between 2023 and 2024 reflected gains in Knowledge-Intensive Business Services (KIBS) and Public Services, offset partly by declines in Foundational Services and Production & Utilities (see LHS of Figure 3.8). More recent data shows jobs fell 0.7% in Q2 2025 (see RHS of Figure 3.8), with declines across almost all broad sectors – perhaps reflecting economy-wide caution ahead of the Autumn Budget.

Figure 3.8: London's WFJ jobs growth and sector contributions to WFJ growth, annual (LHS) and Quarterly (RHS)
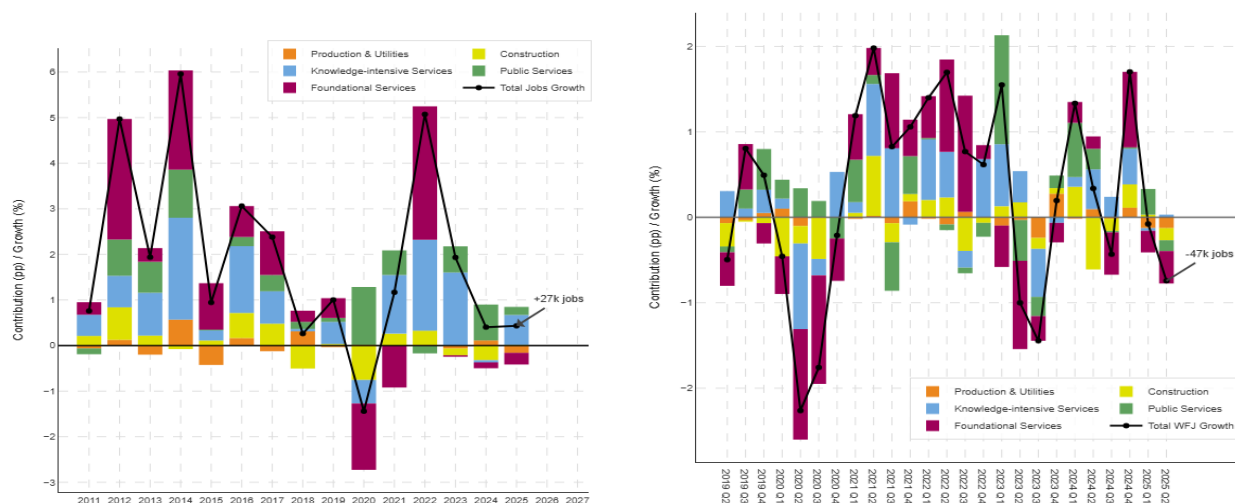
Source: GLA analysis of ONS Workforce Jobs data

- **Foundational Services** remained London's largest employer in 2024 with 2.57 million jobs, but employment fell 1% on the year and was only 1.9% above 2019 (see Figure 3.9).

- **KIBS** employed 2 million people, up 2.1% year-on-year and 17.3% above 2019, the strongest post pandemic jobs growth of any broad sector.

- **Public Services** reached 1.4 million jobs, rising 0.8% on the year and 15.4% since 2019.

- **Construction**, at 280,000 jobs, was broadly flat over the year but remained 12.2% below 2019, the only broad sector still materially below its pre-pandemic level.

- **Production & Utilities** employed 169,000 people, with jobs down 5.6% on the year and 2.9% below 2019

These sectors' shares of London employment have also shifted since 2019. KIBS gained 2.4pp of London's workforce jobs share, now accounting for 31.1% of employment. Public Services rose to 22.1%, while Foundational Services fell to 39.8%. Construction's share declined to 4.3% and Production & Utilities to 2.6%. Together, the three service groups account for 93.0% of London's workforce jobs in Q2 2025, up 1.3pp from 2019. As with output, London's labour market continues to tilt towards knowledge based and public services.

Figure 3.9: Summary of London's Industry WFJ, 2019 to 2025

Source: GLA analysis of ONS Workforce Jobs data

The latest employment related PMI data provide a timely read on jobs. The employment PMI, which captures sentiment on hiring and staffing levels, was 48.5 in September 2025, below the "expansion" threshold of 50, and 3.1 points lower than a year earlier – suggesting softer hiring and lower staffing levels[14] (see Figure 3.10). The index had been below 50 since May 2025, indicating subdued labour market confidence. However, the October 2025 reading rose to 50.4, 1.1 points higher than a year before and just back into marginal expansion. December data will capture any impact from the Autumn Budget; with no new direct cost measures on employers, any immediate drag on hiring sentiment is likely to be limited.

Figure 3.10: Purchasing Manager Indexes on employment (three-month average and single-month values)
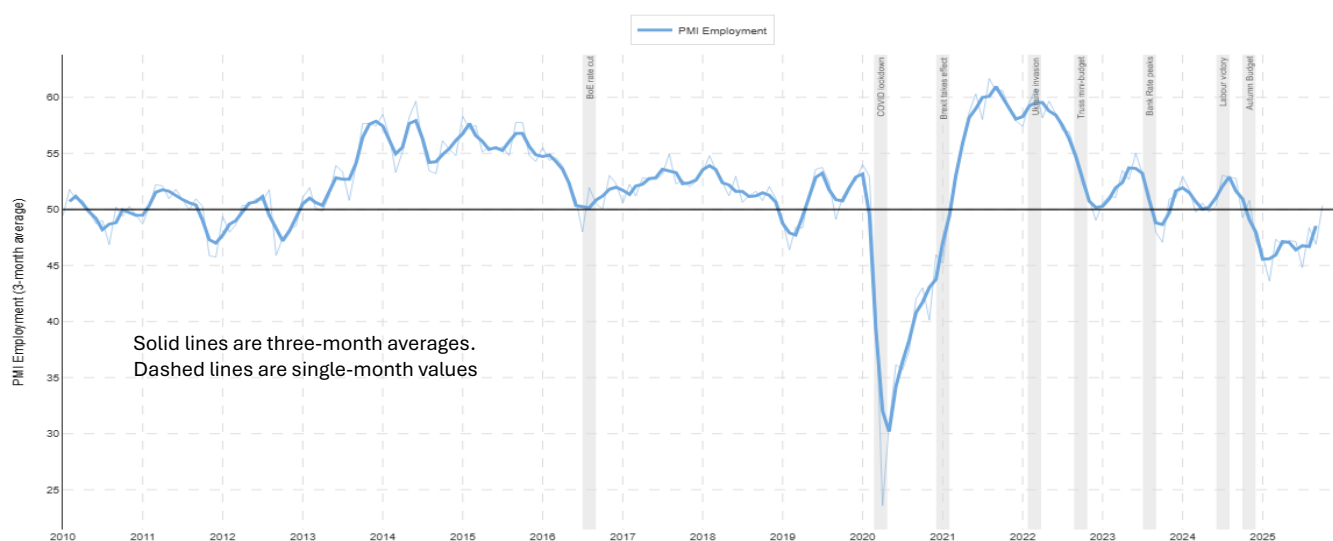
Source: GLA analysis of S&P PMI data.

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

Other indicators of economic activity
Consumer confidence and house prices can also provide timely signals on the economy:[15]

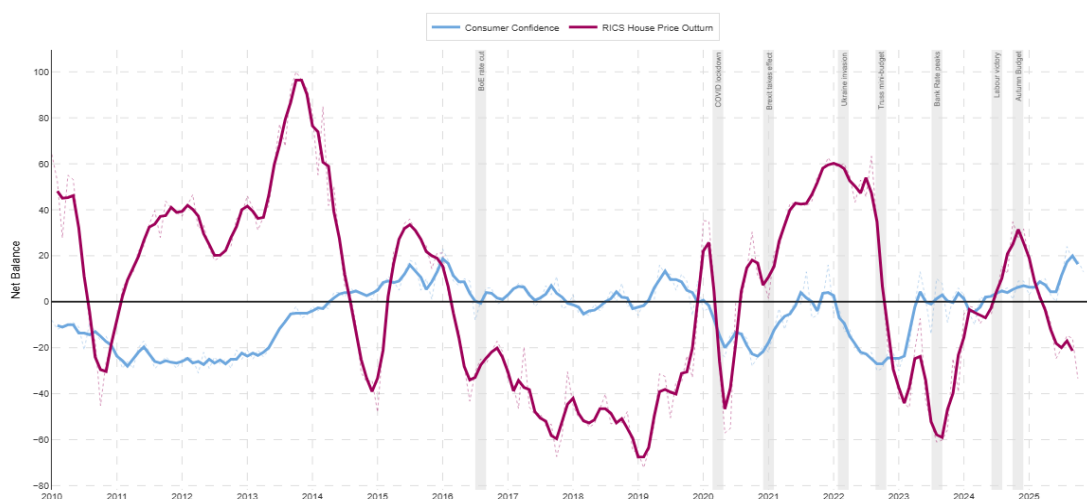- **Consumer confidence**: The GfK consumer confidence index (which tracks household views on personal finances and the wider economy), was 16.3 in October 2025, up 4 points on the year – and consistent with real wage growth and falling inflation improving household purchasing power (Figure 3.11). The latest reading in November showed a slight fall to 13. December readings will capture any Budget effects. Direct tax changes were limited for most households, though extended threshold freezes and fiscal consolidation messaging will likely temper consumer sentiment.[16]

- **Housing market**: The RICS house price balance (which measures whether surveyors report prices rising or falling) was -21.3 in October 2025, down 68 points on the year – with more surveyors reporting falls than rises. The measure has been negative since April 2025, coinciding with stamp duty changes and ongoing mortgage rate uncertainty. November's reading weakened further to -33.4, the lowest since early 2023. December data will capture the possible negative effects from Budget measures on stamp duty surcharges and investment property taxation.

Figure 3.11: Consumer confidence barometer and RICS house price index (three-month average and single-month values)

Source: GLA analysis of RICS house expectations and GFK consumer confidence data.

3.2 The UK economy (and impacts on the capital)
The following section is a brief overview of UK outturn performance and implications for London. For detailed analysis on the UK's economy, public finances, and the policy landscape, the latest Office for Budget Responsibility EFO (Nov 2025) and Bank of England MPR (Nov 2025) are comprehensive reads.

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[15] Previous editions of LEO have used weekly public transport usage to measure economic activity in London. Although this data does not differentiate between work and leisure journeys, both drive the city's economic activity. Following the TfL cyber incident, passenger journey data has been suspended since July 2024. LEO will re-incorporate this indicator once publication resumes.
[16] 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. In the base data, a score above zero suggests net positive opinions of survey participants; a score below zero indicates net-negative sentiment.

UK GDP (output and expenditure)

The latest ONS data show UK GVA growth remains below the pre-pandemic trend (1.6% per year, 2010–2019), though output stands 2.0% above pre-pandemic levels. **UK GVA Growth was 0.2% in 2023 and 1.1% in 2024** (see LHS of Figure 3.12). Public Services contributed most to this expansion, followed by Foundational Services and KIBS (+0.3pp). Production & Utilities contracted, weighing on aggregate growth. More recent data (see RHS of Figure 3.12) shows continued growth in the first three quarters of 2025. This has been driven by growth in Public Services and Foundational Services – and contractions in Production and Utilities.

Figure 3.12: UK GVA growth and broad industry growth contributions, annual (LHS) and Quarterly (RHS)
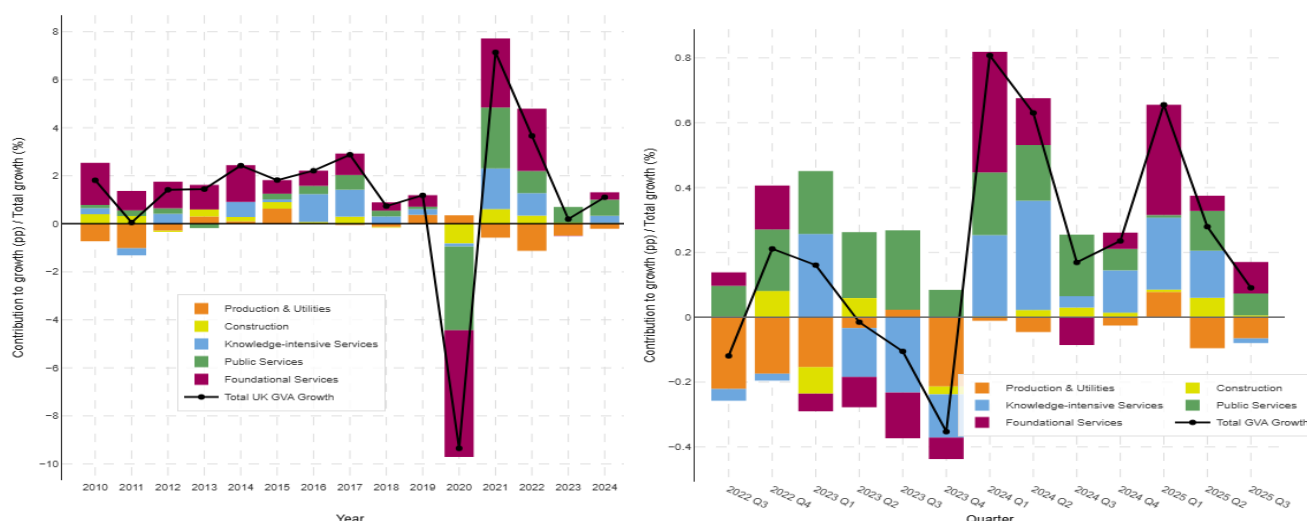
Source: GLA analysis of ONS UK national accounts data

UK sectoral output shares have shifted in a similar direction to London's, since the pandemic.
KIBS rose from 20.7% to 22.9% (+2.2pp), while Public Services increased from 18.8% to 19.4%. Production & Utilities fell sharply from 16.1% to 13.9% (-2.2pp). Foundational Services fell as a share from 38.5% to 37.9%. Construction held at a 5.9% share. The UK's KIBS gain (+2.2pp) matches London's (+2.3pp) in magnitude, though London's KIBS concentration remains nearly double the national level (43.5% versus 22.9%).

GVA data measure the economy through the "output approach", summing the value of what is produced across industries. An alternative "expenditure approach" measures aggregate GDP from the demand-side[17]. Rather than splitting activity by industry, it decomposes GDP into private consumption, investment, government consumption and net trade – showing whether growth stems from domestic demand (households and firms), public spending, or external conditions (net trade)[18].

Of the 1.1% GDP growth in 2024, investment was the primary contributor (+1.1pp). However, less than a third came from Gross Fixed Capital Formation (GFCF) – investment in buildings, machinery, and equipment (see LHS of Figure 3.13). The majority reflected valuables and inventory accumulation, volatile components that do not build productive capacity. Private consumption and net trade were slight drags. Q1

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[17] [ONS (2022), "Gross domestic product (GDP) QMI," Quality and Methodology Information report, April 2022](#)

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

2025 growth (0.6%) was broad-based and driven by GFCF, private consumption, and net trade. Q2 growth slowed to 0.4%, and was driven by government consumption.

Although regional expenditure data are not available, the national picture provides useful context for London. The unusually large role of inventories and valuables in 2024 suggests some caution when interpreting headline GDP as evidence of strong underlying demand, whereas **the composition of growth in early 2025** (supported more by GFCF and government consumption) **points to firmer foundations for London's expansion over the period.**

Figure 3.13: UK GDP growth and expenditure component growth contributions, annual (LHS) and Quarterly (RHS)[19]
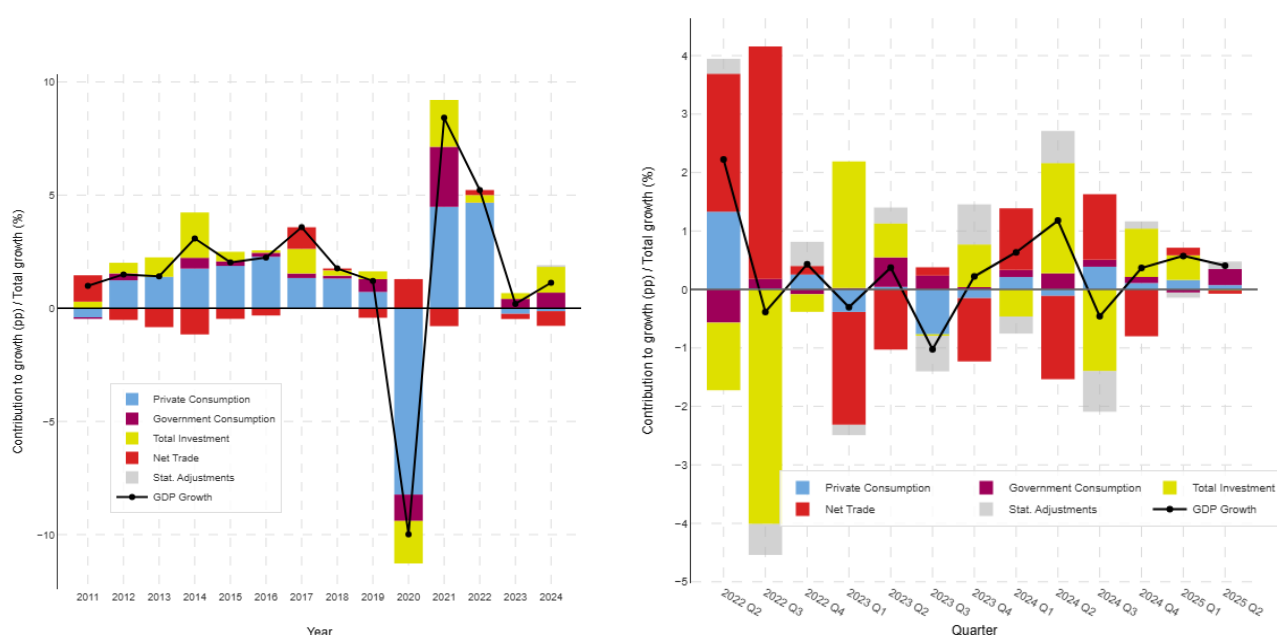
Source: GLA analysis of ONS UK national accounts data

Looking ahead, **the latest round of forecasts from major institutions indicates a continued period of mild but sustained UK growth,** with forecasters generally modelling stronger growth in 2025 than they did last year for 2024.

The OBR's November 2025 forecast projects real GDP growth of 1.5% for 2025 – upgraded by 0.5pp from their March forecast, reflecting stronger-than-expected momentum in late 2024 and early 2025 (see Figure 3.14). However, the OBR revised medium-term growth down, due to weaker productivity assumptions. Other **major forecasters cluster between 1.3% to 1.5% for 2025** (IMF, OECD, HMT independent average). The Bank of England projects gradual recovery as monetary easing feeds through - though it flags household consumption as a key uncertainty, noting elevated saving rates may reflect persistent behavioural shifts rather than temporary responses to recent shocks.

Forecasts for 2026–27 generally lie in the 1.2–1.5% range. The OECD and IMF expect some slowdown in 2026 from fiscal tightening and global uncertainty, before a modest pickup in 2027. The OBR and BCC

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[19] Component groupings: Individual expenditure components have been aggregated into five broad categories. Private Consumption is grouped from Household Final Consumption Expenditure and Non-Profit Institutions. Total Investment combines Gross Fixed Capital Formation (GFCF) with Changes in Inventories and Acquisitions less Disposals of Valuables. Net Trade is Exports minus Imports. Statistical Adjustments combines the Alignment Adjustment and Statistical Discrepancy.

project a flatter profile around 1.5% per year. **Overall, the new projections are slightly stronger for 2025 than those in the previous LEO** but reinforce the same message: the UK faces a prolonged period of low but positive growth, with uncertainty around whether policy can unlock higher productivity and business investment over the medium term.

Figure 3.14: Historic data and external forecasts of UK real GDP growth
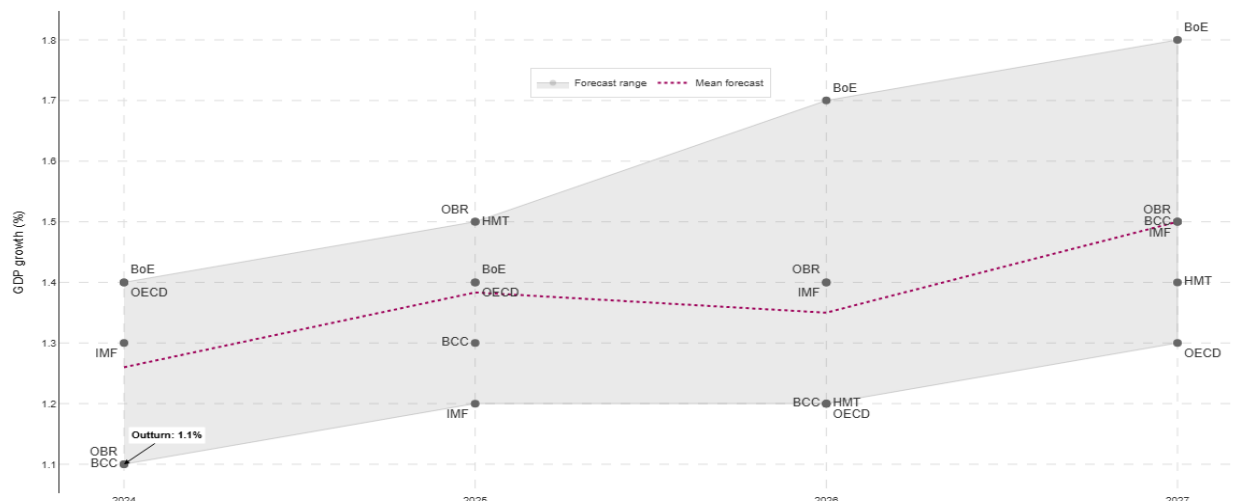
Source: ONS (GDP outturn), HM Treasury (average of independent forecasts), Bank of England, OECD, IMF, BCC, and OBR projections

Prices

Inflation

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

UK consumer prices have risen 31.5% cumulatively since January 2019, more than double the 14.3% that would have been consistent with the 2% target (see LHS of Figure 3.15). This 17.2pp gap represents permanent purchasing power loss. Energy saw the largest increase (+42%), followed by food (+39.6%) and services (+33%). Core CPI rose 28.5%, i.e., underlying prices are nearly a third above pre-pandemic levels even excluding volatile components. The services-goods gap has widened. Service inflation (+33%) outpaced goods (+28.6%), reflecting persistent wage and cost pressures in the labour-intensive services sector.

As of October 2025, CPI stood at 3.6%, above the Bank's target rate, but down from its October 2022 peak of 11.1% (see RHS of Figure 3.15). Services inflation (4.5%) exceeds goods (2.6%), a 1.9pp gap reflecting domestic wage pressures. Core CPI (3.4%) suggests underlying pressures remain firm. Year-on-year, CPI rose 1.3pp (from 2.3% to 3.6%). Goods inflation swung sharply (+2.9pp, from -0.3% to +2.6%), while services eased 0.5pp. This suggests the **recent uptick in headline inflation primarily reflects goods prices normalising from earlier outright declines, rather than a renewed acceleration in domestically driven services inflation.**

Figure 3.15: Cumulative CPI inflation since 2019 (LHS) and Annual CPI inflation (RHS)
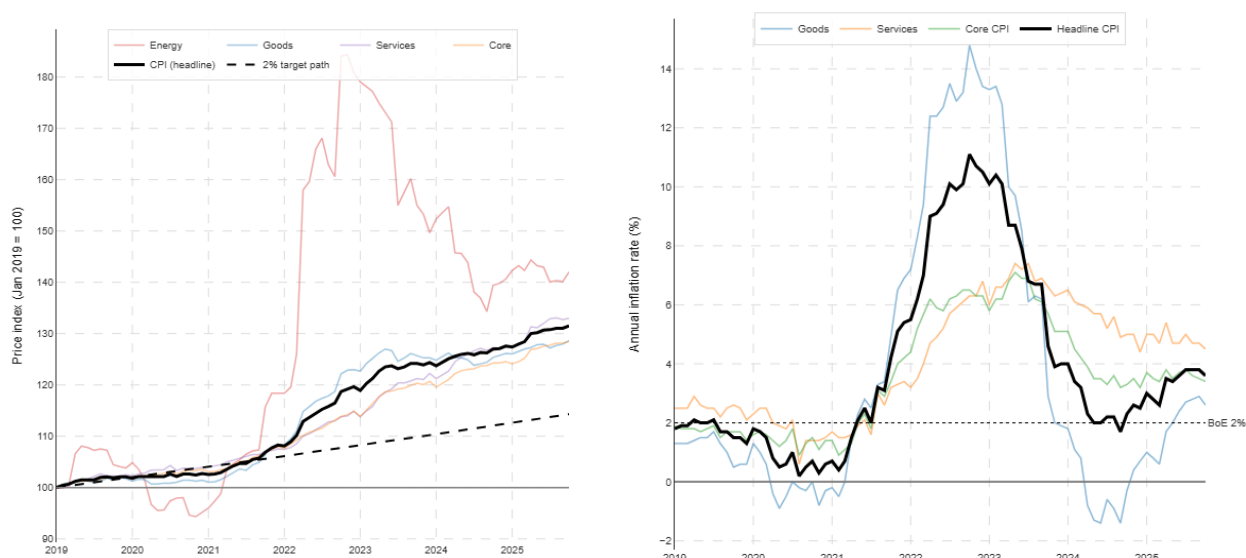
Source: ONS CPI data

While CPI captures domestic price pressures, exchange rate movements provide a window into external inflation dynamics. Currency markets react quickly to economic data and policy announcements, reflecting sentiment about the UK's relative monetary stance and growth outlook.

Sterling rose against USD through 2024, peaking at 1.34 USD in September – as the Bank of England held rates at 5.25% while the Federal Reserve signalled cuts. GBP-USD fell to 1.22 in January 2025, amid post-US-election dollar strength – then rose to 1.37 USD in July (its highest since early 2022). As of early December 2025, it stands at 1.33 USD. Against the EUR, the picture is less favourable. GBP-EUR fell 6% on the year (as of early December) to around 1.14 EUR, as the ECB's slower easing path narrowed the UK's rate advantage. **On a trade-weighted basis, sterling remains above its post-mini-budget lows, but below pre-Brexit averages.**

These movements matter for prices: a weaker pound raises import costs, feeding through to consumer prices. The split paths (stronger against the dollar, weaker against the euro) have partially offsetting effects – though since eurozone trade is larger for the UK, sterling's euro weakness is more relevant for imported inflation.

Borrowing costs

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

The MPC held the Bank Rate at 4% in November 2025, in a narrow 5–4 vote (four members voted for a cut to 3.75%). Financial markets now expect the Bank Rate to stay higher for longer than they did in mid-2024 – expecting fewer cuts and a persistently higher rate (see Figure 3.16). This shift in consensus reflects persistent services inflation and uncertainty around global trade policy – topics the MPC have flagged as reasons to be cautious about easing[20]. The UK path remains above the US path, where the Federal Reserve

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[20] Market rate expectations are derived from Overnight Index Swap (OIS) pricing, which reflects where traders expect Bank Rate to be at future dates. Since summer 2024, the implied forward curve has shifted upward: markets now price a terminal rate of approximately 3.25–3.5% by late 2026, compared with earlier expectations closer to 3.0%.

is expected to ease to 3.0–3.25% by late 2026. The European Central Bank has completed its easing cycle, with its deposit rate at 2% since June 2025. For London, with its concentration of rate-sensitive sectors, the pace of monetary easing will be a key determinant of activity and investment over the medium-term.

How quickly rates fall depends on how quickly inflation falls. **The Bank of England's November 2025 Monetary Policy Report (MPR) judged that CPI inflation has peaked,** with the headline rate at 3.8% in September and 3.6% in October. Inflation is projected to fall to 3.2% by March 2026, easing to around 2.5% by Q4 2026, before reaching 2% by Q2 2027. This should drive further cuts to the Bank rate, but the MPC has emphasised "more evidence is needed" on how inflation, growth, and global risks will evolve, before cutting rates further.

Figure 3.16: Market-implied interest rate path for the UK
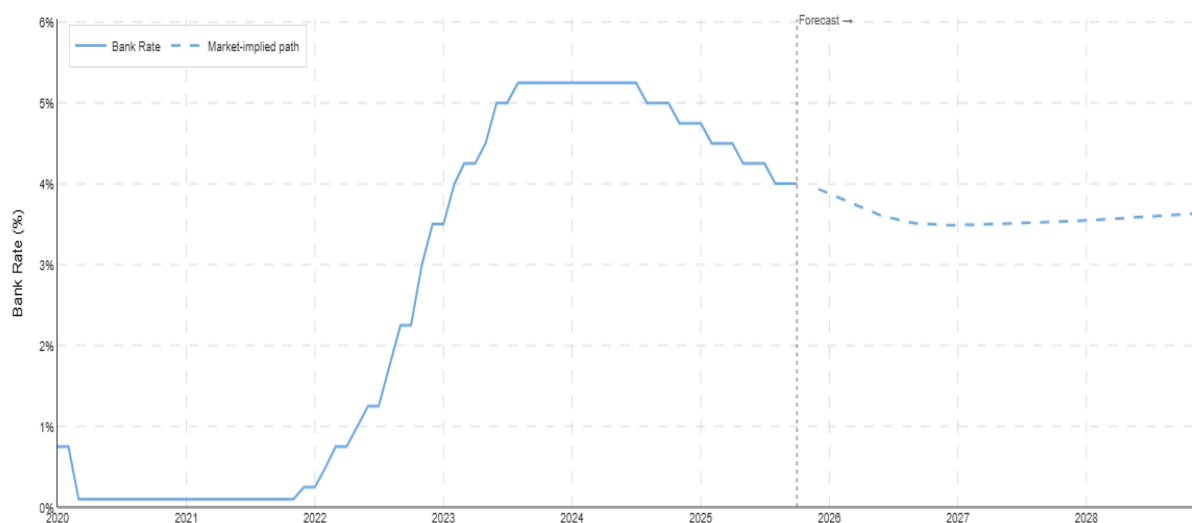
Source: Bank of England (November 2025 MPR)

3.3 Global

Growth

Global growth is forecast to slow in the coming years, with the world economy navigating trade tensions, policy uncertainty, and subdued investment. According to the OECD's latest December 2025 Economic Outlook, global GDP growth is projected at 3.2% in 2025, 2.9% in 2026, then 3.1% in 2027[21]. The World Bank takes a more pessimistic view, forecasting global growth of just 2.3% in 2025, marking the weakest pace since 2008 outside of outright global recessions[22]. The latest IMF forecasts (October 2025) project global GDP growth of 3.2% in 2025 and 3.1% in 2026, with the organisation citing trade policy volatility, elevated uncertainty, and labour supply constraints as key barriers to growth[23].

For the **United States**, the OECD forecasts the economy to grow 2% in 2025 (revised up from 1.8% in September), 1.7% in 2026, and 1.9% in 2027[24]. These projections reflect AI-driven investment offsetting the drag from tariffs, reduced immigration, and federal spending cuts. However, the OECD warns that US fiscal policy remains on an "unsustainable path" with substantial budget deficits and rising debt requiring significant future adjustment. The World Bank is more cautious, cutting its US 2025 forecast by 0.9

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[21] OECD (2025), "OECD Economic Outlook, Volume 2025 Issue 2", December 2025
[22] World Bank (2025), "Global Economic Prospects, June 2025: Press Release," June 2025
[23] IMF (2025), "World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim", October 2025
[24] OECD (2025), "United States: OECD Economic Outlook, Volume 2025 Issue 2", December 2025

percentage points to 1.4%, citing record-high uncertainty and elevated financial market volatility weighing on consumption, trade, and investment[25].

The **Eurozone** is projected to experience modest but steady growth, with the OECD expecting GDP growth of 1.3% in 2025, 1.2% in 2026, and 1.4% in 2027[26]. The European Central Bank (ECB), which delivered eight rate cuts between June 2024 and June 2025 (bringing the deposit rate to 2.0%), projects broadly similar growth: 1.2% in 2025, 1% in 2026, and 1.3% in 2027[27]. The acceleration remains constrained by trade policy uncertainty, budget tightening in France and Italy, and structural challenges including demographic pressures, fiscal constraints, and weak productivity growth. The ECB has slowed monetary easing in recognition of persistent inflation risks, particularly service-sector price pressures.

China's economy is forecast to experience strong, front-loaded growth, with the OECD projecting 5% growth in 2025 (upgraded from 4.9%), 4.4% in 2026 and 4.3% in 2027[28]. The World Bank is more cautious, forecasting 4.5% in 2025 and 4% in 2026, noting the impacts of US tariffs, and dampened consumption due to weak household confidence and labour market softness[29]. The property sector correction continues to represent one of the most severe economic adjustments in China's modern history, with real estate investment down 50% from its peak and new housing starts down 75% – wiping trillions of dollars from Chinese household wealth. This, coupled with demographic pressures (an estimated 300 million people aged 50–60 are set to leave the workforce over the next decade), has driven elevated precautionary savings and constrained domestic consumption precisely as the economy attempts to shift away from investment-led growth[30].

India continues its path of robust growth, with the OECD projecting GDP growth of 6.7% in 2025, 6.2% in 2026, and 6.4% in 2027 – making it the world's fastest-growing major economy[31]. The IMF is similarly optimistic, forecasting 6.6% growth in 2025 (revised up from 6.4%) and 6.2% in 2026. Both organisations attribute growth to robust domestic demand, strong infrastructure investment, and monetary and fiscal policy easing[32].

Geopolitical and economic risks persist across major economies. The global trading environment has deteriorated, with new US tariffs and retaliatory measures raising costs and uncertainty. Global trade growth is projected to slow dramatically from 4.2% in 2025 to just 2.3% in 2026 as tariffs weigh on investment and consumption[33]. The World Bank forecasts trade growth of only 1.8% in 2025 – roughly a third of the 5.9% average seen in the 2000s[34]. Inflationary pressures have resurfaced in some economies, driven by tariff pass-through and wage growth, prompting most central banks to slow monetary policy loosening.

Financial conditions

Global financial conditions shape the backdrop for the UK and London outlook, because they influence the cost and availability of credit, the value of assets, and how willing investors are to take investment risks. A global move into "risk off" behaviour – when investors become more cautious – would raise borrowing costs

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[25] World Bank (2025), "Global Economic Prospects – June 2025" (Full Report, Chapter 1), June 2025
[26] OECD (2025), "Euro area: OECD Economic Outlook, Volume 2025 Issue 2,", December 2025
[27] European Central Bank (2025), "ECB staff macroeconomic projections for the euro area, September 2025," September 2025
[28] OECD (2025), "China: OECD Economic Outlook, Volume 2025 Issue 2", December 2025
[29] World Bank (2025), "China Economic Update, June 2025: Unlocking Consumption", June 2025
[30] Carnegie Endowment (2024), "The Impact of Household Consumption Growth on China's GDP Growth", December 2024
[31] OECD (2025), "India: OECD Economic Outlook, Volume 2025 Issue 2", December 2025
[32] IMF (2025), "India: World Economic Outlook Projections, October 2025," October 2025
[33] OECD (2025), "Euro area: OECD Economic Outlook, Volume 2025 Issue 2", December 2025
[34] Reuters (2025), "World Bank cuts global growth forecast as trade tensions bite", June 2025

for UK companies, especially those reliant on bond markets and foreign lenders – and may place downward pressure on sterling.

US equity markets are high by historical standards. The S&P 500's 12-month forward price-to-earnings ratio (a measure of how highly priced shares are relative to expected profits over the next year) is close to the highest levels seen over the past three decades, and the IMF estimates valuations are roughly 10% above fundamentals, about half the stretch seen before the dot-com crash.[35] Valuations are particularly high for AI linked firms, and the IMF cautions that this apparent calm hides vulnerabilities: investors are receiving very little extra return for holding riskier assets, and markets may not be fully pricing geopolitical and policy risks.

Many sovereign debt markets are strained, which matters for the UK as a large borrower integrated into global bond markets. Many advanced economies face record borrowing needs, and the investor base has shifted away from more stable holders (such as central banks and some long-term insurers) toward more price-sensitive investors, including asset managers and hedge funds. The IMF estimates that term premia – the extra return investors demand for holding longer-dated government bonds – have returned to levels not seen since before the global financial crisis, and are likely to rise further as central banks shrink their bond holdings and governments issue more debt[35]. At current global yields, **UK government 10-year borrowing costs remain well above the 2010s average, even after recent falls**. Higher and more volatile term premia increase the risk of sudden moves in bond yields, which can trigger forced selling, liquidity strains and contagion across asset classes, including when highly indebted investment funds are forced to sell as prices fall[36].

3.4 Risks to London's economy

Beyond the global economic and financial conditions just discussed, **London's economy faces key structural challenges,** including (1) commercial real-estate adjustment, (2) an uncertain fiscal landscape, and (3) labour market restructuring due to AI. This section examines these three issues, their transmission mechanisms, and how they impact the capital's macroeconomic stability and growth trajectory[36].

Domestic fiscal uncertainty

The November 2025 Budget introduced £25–30 billion of tax rises by 2029–30, combining income tax threshold freezes with higher property and capital-income taxes – and raising the cost of both labour and capital[37]. Recent employer NIC increases have already disproportionately affected London's employers, given the capital's concentration in services, KIBS, hospitality and admin roles where labour costs are a large share of total costs. Income tax threshold freezes are also likely to bite harder in London, which has a higher share of top rate and higher rate taxpayers than any other UK region. Property, dividend and other capital income tax changes also fall more heavily on London, as the city accounts for almost one quarter of UK housing wealth (roughly £2.6 trillion) – and has a large, financially engaged workforce holding property, equity and savings assets[38].

The underlying risk is a period of persistently weak investment. Recent CBI data show investment intentions at their lowest in nearly five years, with around one quarter of firms reporting cuts to capital expenditure. The OBR has downgraded medium-term productivity growth to just 1%, consistent with the

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[35] IMF (2025), Global Financial Stability Report, Chapter 1, October 2025

[36] These risks are not ordered by likelihood of crystallisation or impact. They reflect areas where risks appear elevated relative to recent history and where London faces particular exposure. The risks discussed in the previous edition of LEO (high housing costs and associated productivity impacts, infrastructure capacity bottlenecks, and fiscal pressures weighing on London's economic potential) have not subsided but are not repeated here.

[37] OBR (2025), "Economic and fiscal outlook", November 2025

[38] IFS (2019), "The characteristics and incomes of the top 1%", April 2019

subdued outlook for productive investment. Although higher inflation and a more tax-rich composition of output offset the impact of the productivity revision on forecasted tax receipts, in aggregate the productivity downgrade still reduced forecast revenues by around £16 billion. The fiscal headroom of £22 billion against the current budget rule appears fragile: a 1pp rise in Bank Rate and gilt yields would reduce the surplus by £16 billion – and yields have fluctuated by 0.6pp since March 2025[37].

AI labour market exposure

Continued AI adoption will structurally reshape London's economy and employment. It will raise productivity (whether at the aggregate level or in concentrated sectors) and support new "high value" economic activity, but will also reshape the labour market and wage composition of the capital.

The Department for Education identifies London and the South East as having the highest AI labour market exposure of any region. Around 44% of London jobs are in the most exposed occupational quartile, compared with 29% in England excluding London and 24% in the North East[39]. The 20 most exposed occupations include financial managers, accountants, management consultants, and finance analysts – roles disproportionately located in the capital[40]. Evidence suggests displacement has already begun. King's College London research in October 2025 found that since the widespread adoption of ChatGPT, firms in industries classed as "high AI exposure" reduced total employment by 4.5% (9.6% in high-paying firms) – with junior positions falling 5.8% [41]. PwC reports job postings for high-exposure roles fell 38% between 2022 and 2025, while wages for AI-skilled workers were found to command a 56% premium[42].

London does hold structural advantages, however, that will capture economic benefit. Around 75% of UK financial firms already deploy AI, and the capital accounts for the majority of UK AI company registrations and investment[43]. PwC business polling suggests that sectors most exposed to AI (financial services, professional services, and IT) are experiencing nearly five times higher labour productivity growth than less-exposed sectors, with revenue per employee growth rising as generative AI becomes a mainstream tool[42]. The Tony Blair Institute estimates AI could boost UK GDP by 1% over five years and 5–14% by 2050 – gains London is well-positioned to capture[44].

The risk is not necessarily mass unemployment, but instead substantial wage compression in mid-tier professional roles, disruption to junior entry pathways, and productivity divergence between AI-adopting and non-adopting firms.

GLA Economics is currently undertaking dedicated analysis on London's labour market exposure to AI – mapping sectoral and occupational vulnerability, estimating employment at risk, and identifying where the capital's structural advantages may yield net benefit.

Commercial real estate structural adjustment

London's commercial real estate is in a K-shaped adjustment (where prime assets recover while secondary stock does not) that reflects deeper structural change in how space is used. Hybrid working has reduced the need for traditional offices – especially older, lower-rated buildings with poorer energy performance and less flexible layouts. Although Central London office vacancy rates have fallen from a pandemic-era peak of around 10–11% to about 7–8%, this remains above the pre-pandemic level of 4–5% and the ten-year average of 6.4%. Vacancies in Canary Wharf are close to 18–19% and could rise further if additional space

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[39] North East Evidence Hub (2023), "Impact of AI on North East occupations", November 2023
[40] DfE (2023), "The impact of AI on UK jobs and training", November 2023
[41] Kings College London (2025), "Generative AI and Labor Market Outcomes: Evidence from the United Kingdom", October 2025
[42] PWC (2025), "2025 Global AI Jobs Barometer", June 2025
[43] BoE (2024), "Artificial intelligence in UK financial services - 2024", September 2024
[44] Tony Blair Institute for Global Change (2024), "The Impact of AI on the Labour Market", November 2024

coming back to market is not re-let[45]. UK office capital values have fallen by roughly 20–25% since mid 2022, and office total returns have underperformed other commercial segments[46]. New lending to UK commercial real estate has picked up, but survey data show overall default rates on commercial real estate loans rising to 6%, with debt funds reporting default rates above 20%.

The adjustment channels into London's economy through several routes. Lower property valuations and higher vacancy rates in secondary stock weigh on investment, redevelopment and construction pipelines. Lower valuations for office assets affect institutional balance sheets, including some pension and insurance investors with large commercial real estate portfolios, while higher default rates increase credit risk for lenders. Local business rate bases may also come under pressure in areas with persistent vacancy rates, even as prime retail and hospitality locations in the West End see low vacancies and rising rents supported by tourism and visitor spending[47].

Over the medium term, increased office-to-residential conversion and retrofit could support housing supply and green investment, but if secondary space remains under used there is a risk of "stranded" buildings and a gradual erosion of economic density in parts of the office core, with implications for London's agglomeration benefits. That said, industry research indicates capital values appear to have troughed in 2024, with investment volumes forecast to rise 15% in 2025. Schroders expects momentum to improve further in 2026, though recovery remains concentrated in prime, ESG-compliant assets at the top end of the market[48].

3.5 Conclusion
UK output data, GLAE modelling, and business sentiment data point to growth in London's economy through 2024 and the first three quarters of 2025. This tracks broader UK recovery.

At the borough level, London's economic geography has shifted over the past decade. Growth has become more polarised, concentrated in a small group of inner-east areas, while parts of outer and west London have stagnated or contracted. **The structural tilt toward high-productivity services will likely continue, across boroughs and at the aggregate level**. Knowledge-intensive business services now account for 43% of London's output and 31% of its jobs, while construction output remains below pre-pandemic levels.

Looking ahead, there is cause for cautious optimism. London's service-led economy provides structural advantages in capturing productivity gains from AI adoption – but AI is already displacing roles in high-exposure sectors. Business confidence has likely weakened since the Autumn Budget, and domestic fiscal uncertainty and global financial conditions will weigh on the near-term outlook.

In short, **London enters 2026 on a firmer footing than seemed likely last year, but structural risks around the future of the labour market and uncertain fiscal picture remain.**

Considering all of these elements, GLA Economics provides its medium-term scenario-based forecasts for London's economy in of this document.

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[45] Savills (2025), "Central London Office Market Watch Q3 2025", October 2025
[46] CBRE (2025), "UK Commercial Property Monitor", January 2025
[47] Savills (2025), "Market in Minutes: Central London Retail", February 2025
[48] CBRE (2024), UK Real Estate Market Outlook 2025, December 2024

4. Review of independent forecasts

GLA Economics forecasts four economic indicators: workforce jobs, real GVA, private consumption (household expenditure) and household income in London. This chapter summarises the consensus view as of **1 December 2025** on these indicators[49], drawing on forecasts from outside (independent) organisations[50]. Chapter 5 then provides a summary of GLA Economics' own projections.

All the external forecasts were produced over the period February to November. Both annual growth rates and 'standardised' absolute levels are reported. All money-valued data is in real terms (constant 2022 prices). The source for the historic data on GVA and workforce jobs presented in the following tables and charts is GLA Economics modelling using ONS data[51]. The source of historical data for Household Income and Expenditure is a mixture of Experian Economics (EE) for growth rates and GLA Economics modelling using EE data for the absolute levels. Beyond the headline, both the external consensus and GLA Economics deliver forecasts for employment and output growth in six broad sectors[52]:

- Manufacturing
- Construction
- Transport and storage
- Distribution[53], accommodation and food services
- Finance and business services[54]
- Other (public & private) services[55].

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[49] The consensus forecast for GVA and employment is based on the latest available forecast from the Centre for Economics and Business Research, Experian Economics, Oxford Economics and S&P Global.

[50] S&P Global do not provide household expenditure forecasts.

[51] The main underlying ONS sources for output are the Quarterly country and regional GDP series and the Regional gross value added (balanced) by industry: all ITL regions series, and the main underlying ONS source for employment is Workforce jobs by region and industry.

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

[53] Distribution is made from the summation of Wholesale and Retail.

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

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

Output

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

The consensus (mean average) forecast puts real output growth at 1.7% in 2025, followed by 1.7% in 2026 and 1.8% in 2027. This indicates that London's economy is performing broadly in line with expectations for 2025, but growth prospects for 2026 and 2027 have been downgraded.

In the Spring 2025 LEO, the consensus had anticipated growth of 1.7% in 2025, 1.8% in 2026, and 2.3% in 2027.

The range of estimates has narrowed compared with the Spring forecast. The widest dispersion appears in the current year, with a 0.7 percentage point (pp) gap between the highest and lowest growth estimates. Under the highest-growth profile, London's economy is projected to be 0.9% larger than the consensus path by 2027. Conversely, under the lowest-growth profile, it is projected to be 0.8% smaller than the consensus path by 2027. Overall, the difference in output levels between the highest- and lowest-growth profiles in 2027 is approximately 1.7%.

Annual growth
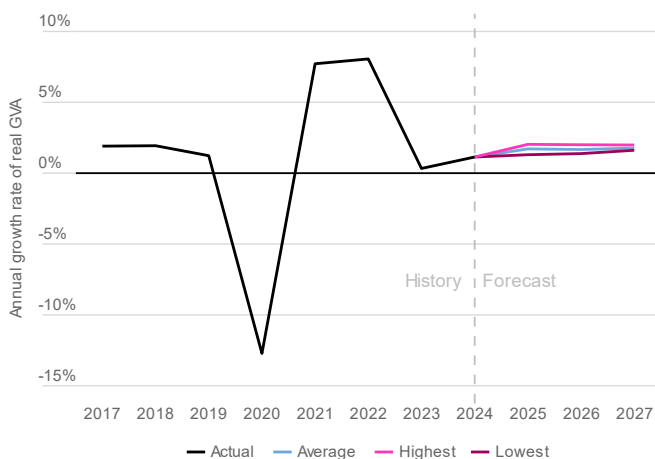
Level (constant year 2022, £ billion)
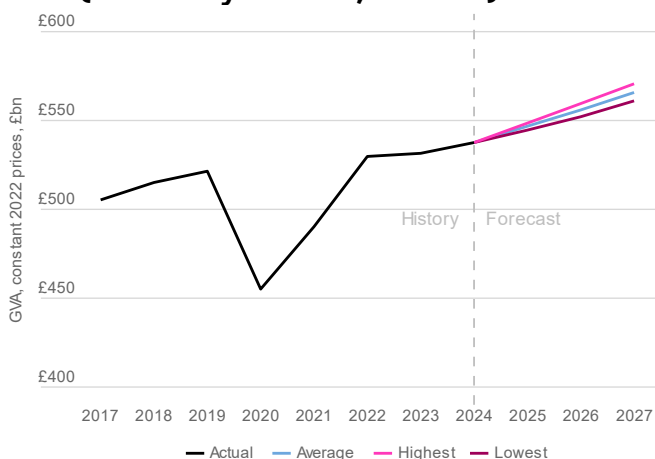
Annual growth (%)			
	2025	**2026**	**2027**
Average	1.7	1.7	1.8
Lowest	1.3	1.4	1.6
Highest	2.0	2.0	2.0

Level (constant 2022 prices, £ billion)			
	2025	**2026**	**2027**
Average	546.8	555.9	565.8
Lowest	544.6	552.1	561.0
Highest	548.5	559.5	570.6

History: Annual growth (%)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1.3	4.2	1.9	1.9	1.2	-12.7	7.7	8.1	0.3	1.1

History: Level (constant 2022 prices, £ billion)

| 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
476.1	495.9	505.3	515.1	521.5	455.1	490.3	529.8	531.5	537.6

Employment

(London workforce jobs)

The consensus forecast for workforce jobs anticipates growth of 1.0% in 2025, 0.9% in 2026, and 1.1% in 2027. Compared with the Spring 2025 LEO, this represents a slight expected cooling in the labour market. The previous consensus expected job growth of 1.1% in both 2025 and 2026, followed by 0.9% in 2027.

The widest range of growth projections occurs in 2026, with a 1.0 pp difference between the highest and lowest estimates. The range narrows to 0.8pp in 2027. By 2027, the lowest-growth profile would result in employment 1.2% below the consensus level, while the highest-growth profile would place employment 1.4% above the consensus. This implies a 2.7% difference in total jobs between the highest and lowest projections by 2027.

Annual growth
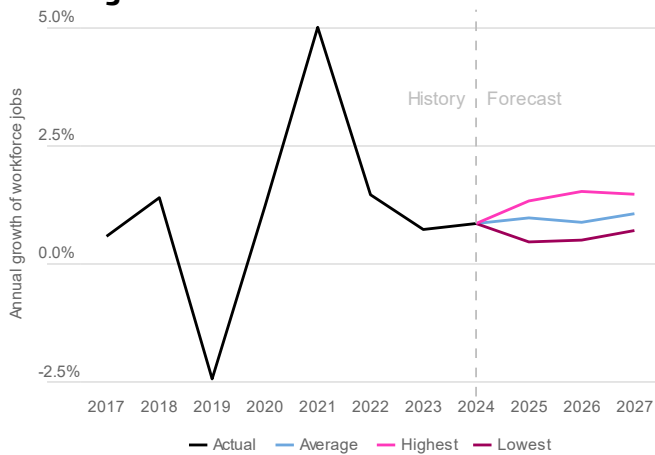
Level (millions of workforce jobs)
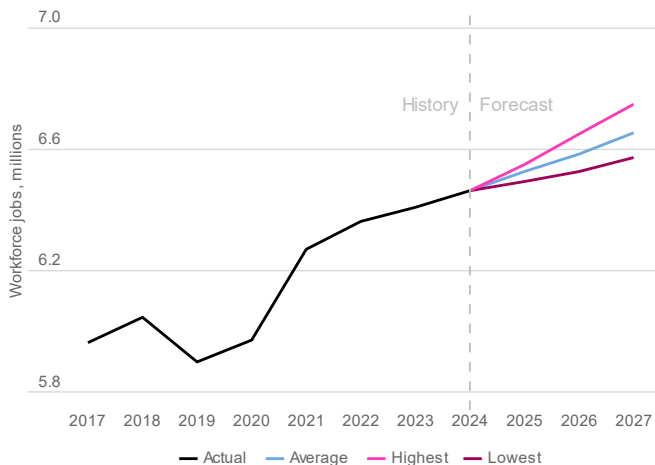
Annual growth (%)			
	2025	**2026**	**2027**
Average	1.0	0.9	1.1
Lowest	0.5	0.5	0.7
Highest	1.3	1.5	1.5

Level (millions of workforce jobs)			
	2025	**2026**	**2027**
Average	6.5	6.6	6.7
Lowest	6.5	6.5	6.6
Highest	6.6	6.7	6.7

History: Annual growth (%)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2.0	2.5	2.1	0.9	1.5	-2.3	1.6	5.2	1.6	0.9

History: Level (millions of persons)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
5.6	5.8	5.9	5.9	6.0	5.9	6.0	6.3	6.4	6.4

Household expenditure

(Constant prices (base year 2022), £ billion)

With 2025 now drawing to a close, it is increasingly clear that consumer spending has been weaker than anticipated in the Spring 2025 consensus.

At that time, forecasters expected a robust 2.1% rise in spending in 2025, followed by 2.3% in 2026 and a stable 2.1% in 2027. The latest consensus now points to a markedly softer outlook, with spending growth revised down to 0.9% in 2025 and expected to remain subdued through 2026 and 2027.

Annual growth
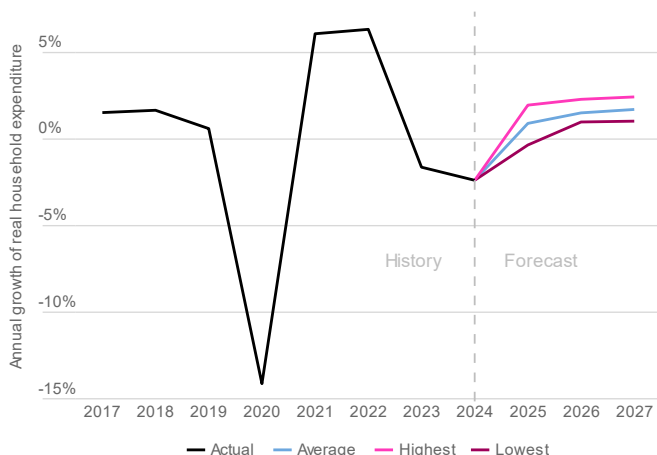
Level (constant 2022 prices, £ billion)
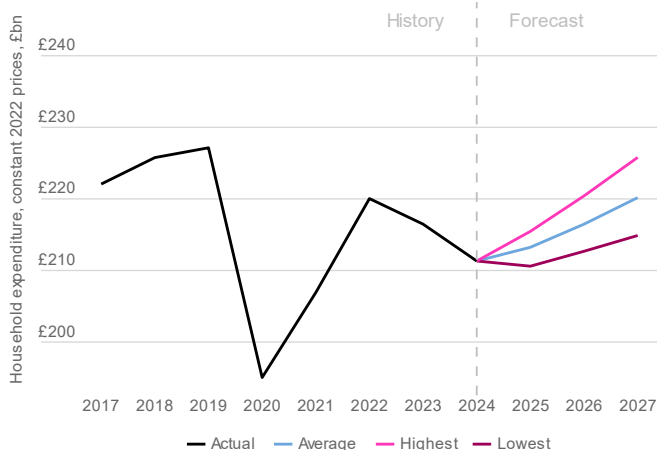
Annual growth (%)			
	2025	**2026**	**2027**
Average	0.9	1.5	1.7
Lowest	-0.3	1.0	1.0
Highest	2.0	2.3	2.4

Level (constant 2022 prices, £ billion)			
	2025	**2026**	**2027**
Average	213.2	216.5	220.2
Lowest	210.6	212.7	214.9
Highest	215.5	220.4	225.8

History: Annual growth (%)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2.6	3.4	1.5	1.7	0.6	-14.1	6.1	6.3	-1.6	-2.4

History: Level (constant 2022 prices, £ billion)

| 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
211.6	218.7	222.1	225.8	227.1	195.1	206.9	220.0	216.5	211.3

Household income

(London real disposable household income, constant prices (base year 2022), £ billion)

The consensus forecast for household income is for growth of 3.6 % in 2025, before falling sharply to 1.0% in 2026 and edging up slightly to 1.2% in 2027.

In the Spring 2025 LEO, the consensus expected growth of 3.7% in 2025, moderating to 1.4% in both 2026 and 2027. External forecasters therefore continue to hold a similarly positive view of household income growth in 2025, but have slightly downgraded their expectations for 2026 and 2027.

Annual growth
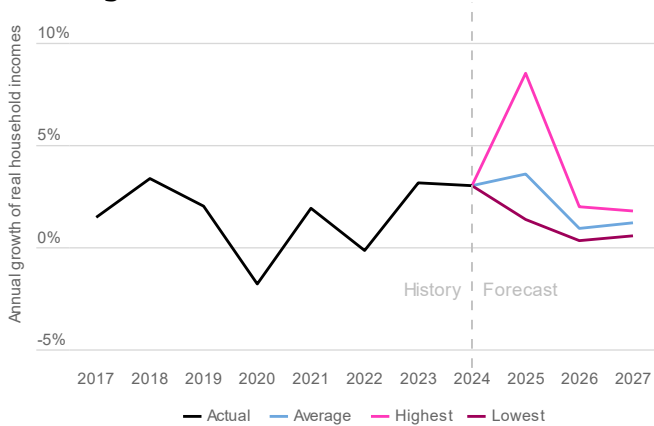
Level (constant 2022 prices, £ billion)
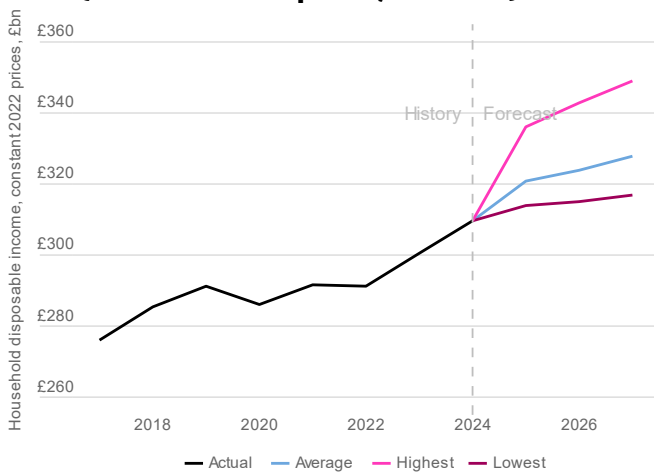
Annual growth (%)			
	2025	**2026**	**2027**
Average	3.6	1.0	1.2
Lowest	1.4	0.4	0.6
Highest	8.5	2.0	1.8

Level (constant 2022 prices, £ billion)			
	2025	**2026**	**2027**
Average	320.8	323.9	327.8
Lowest	313.9	315.0	316.9
Highest	336.1	342.8	349.0

History: Annual growth (%)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
7.7	1.8	1.5	3.4	2.0	-1.8	1.9	-0.1	3.2	3.0

History: Level (constant 2022 prices, £ billion)

| 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
267.3	272.0	276.1	285.4	291.2	286.1	291.6	291.2	300.5	309.6

Output growth by sector

The consensus forecast most of London's sectors will maintain growth over the next three years, although Transport and Storage is expected to decline in 2025. Transport and Storage also shows the widest divergence in views.
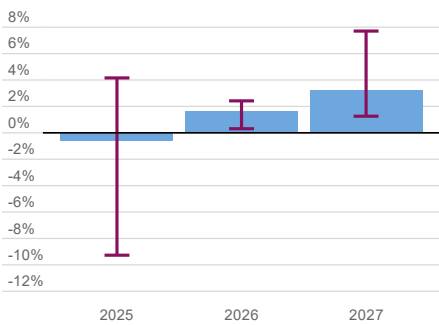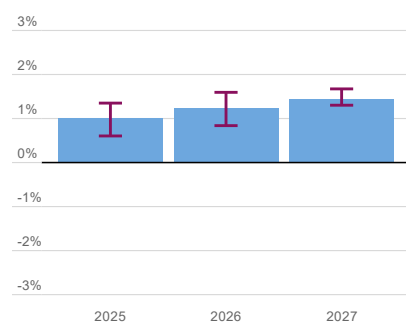
Manufacturing
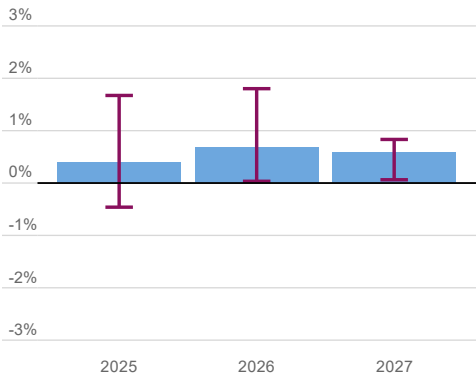
Finance and business
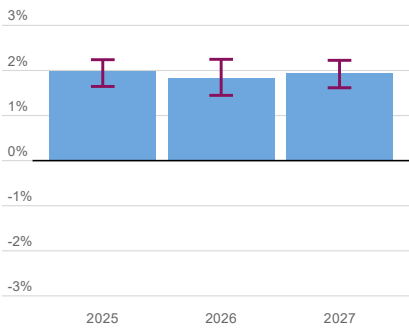
Transport and storage

Distribution, accommodation and food service activities
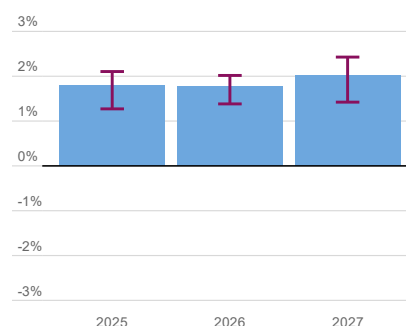
Construction

Other services (public and private)
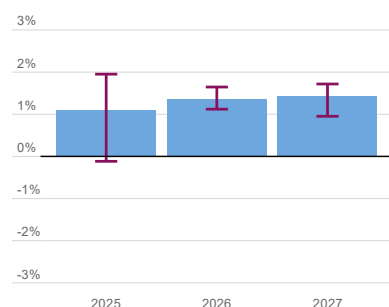
		2025	2026	2027			2025	2026	2027
Manufacturing	Average	0.4	0.7	0.6	**Construction**	Average	1.8	1.8	2.0
	Lowest	-0.5	0.0	0.1		Lowest	1.3	1.4	1.4
	Highest	1.7	1.8	0.8		Highest	2.1	2.0	2.4
Distribution, accommodation and food	Average	1.0	1.2	1.4	**Transport and storage**	Average	-0.6	1.6	3.2
	Lowest	0.6	0.8	1.3		Lowest	-9.3	0.3	1.3
	Highest	1.4	1.6	1.7		Highest	4.2	2.4	7.7
Finance and business	Average	2.0	1.8	1.9	**Other services (public and private)**	Average	1.1	1.4	1.4
	Lowest	1.6	1.4	1.6		Lowest	-0.1	1.1	1.0
	Highest	2.2	2.2	2.2		Highest	2.0	1.6	1.7

Employment growth by sector

The profile of sectoral job growth is expected to show moderate gains across most industries from 2025 to 2027.

Manufacturing

Finance and business
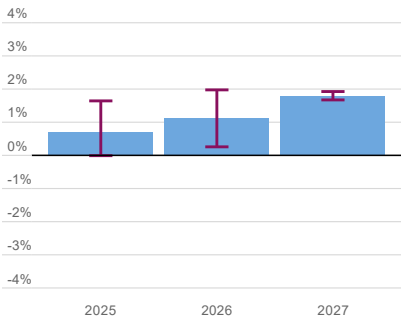
## Transport and storage

Distribution, accommodation and food service activities
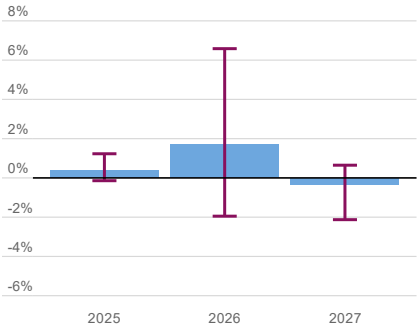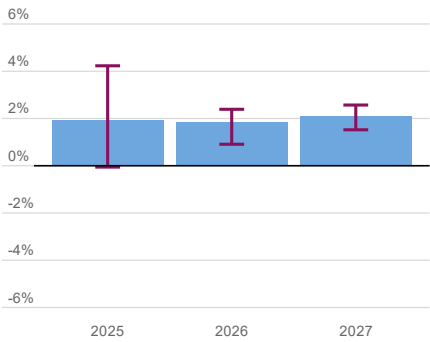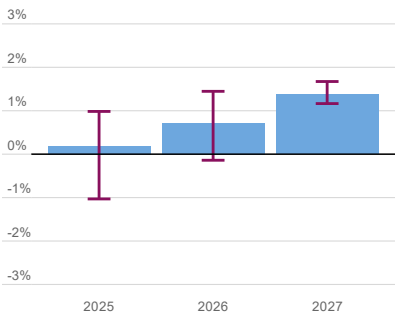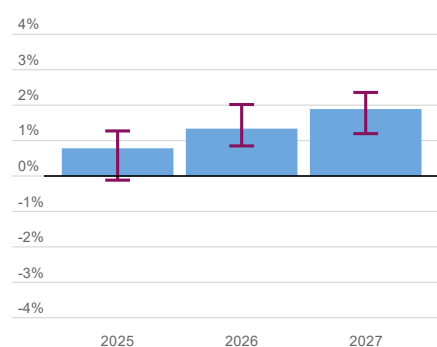
Construction

Other services (public and private)
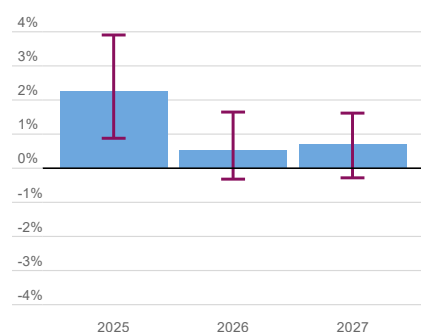
		2025	2026	2027			2025	2026	2027
Manufacturing	Average	0.4	1.7	-0.3	**Construction**	Average	0.8	1.3	1.9
	Lowest	-0.1	-1.9	-2.1		Lowest	-0.1	0.8	1.2
	Highest	1.2	6.6	0.6		Highest	1.3	2.0	2.4
Distribution, accommodation and food	Average	0.2	0.7	1.4	**Transport and storage**	Average	0.7	1.1	1.8
	Lowest	-1.0	-0.1	1.2		Lowest	0.0	0.3	1.7
	Highest	1.0	1.4	1.7		Highest	1.6	2.0	1.9
Finance and business	Average	1.9	1.8	2.1	**Other services (public and private)**	Average	2.3	0.5	0.7
	Lowest	-0.1	0.9	1.5		Lowest	0.9	-0.3	-0.3
	Highest	4.2	2.4	2.6		Highest	3.9	1.6	1.6

5. The GLA Economics reference forecast

For GLA business planning purposes (budgeting, revenue forecasting, resource allocation etc.), GLA Economics produces estimates of job numbers and output at key points in time. [56]

This medium-term forecast differs from the GLA's long-term employment projections, which are trend-based and do not incorporate cyclical variations[57]. Long-term projections are essential for capacity planning (assessing office space, housing, and transport needs) and for accommodating the economy's needs through peaks and troughs. Business planning, however, also requires estimates of actual economic aggregates (including their cyclical paths) in the medium-term. **The source for historical data in the following tables and charts is primarily GLA Economics modelling using ONS data.**

This analysis incorporates uncertainty around the central scenario using alternative scenarios. **The upside scenario models steady recovery supported by London's relatively affluent consumers and stabilising macroeconomic conditions**. Although inflation remains above the Bank of England's 2% target, the latest Monetary Policy Report indicates it should return close to target over 2026 as domestic price pressures ease. A more predictable interest rate environment, combined with gradual real income improvements, should support household spending and business investment. London's finance and tech sectors -particularly firms adopting AI tools - together with rising international tourism and green infrastructure investment, are expected to create jobs and underpin sustainable growth.

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

5.1 Results

Summary
- **London's output** expanded at a steady rate in the years preceding the pandemic, averaging a little above 2% annually between 2011 and 2019, although momentum softened toward the end of the decade as uncertainty over the United Kingdom's future trading relationship with the European Union increased. This period of moderate growth came to an abrupt halt in 2020 when real GVA contracted by 12.7% as the pandemic severely disrupted activity across the capital. The economy rebounded strongly in 2021 and 2022, recording growth rates of 7.7% and 8.1% respectively. Growth then slowed to 0.3% in 2023 amid persistent inflation and cost-of-living pressures before picking up to 1.1% in 2024. Our baseline central forecast projects continued growth, **with real GVA rising by 1.9% in 2025, 1.7% in 2026, and 2.1% in 2027** as economic conditions gradually stabilise.

- **The labour market** was not as hard hit – and showed resilience throughout this period. Workforce jobs declined by 2.3% in 2020, then increased by 1.6% in 2021 and by 5.2% in 2022. Growth has been moderate since, with workforce jobs expanding by 1.6% in 2023 and 0.9% in 2024. Looking

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[56] Unless stated otherwise, all data presented in this chapter are GLAE medium-term forecast results.
[57] GLA Economics (2022). 'London labour market projections 2022'.

ahead, **jobs are forecast to grow by 0.9% in 2025, 1.1% in 2026, and 1.2% in 2027**, reflecting a gradually strengthening labour market.

- **Household spending** followed a similar pattern, contracting sharply by 14.1% in 2020 – then recovered in 2021 and 2022 with growth of 6.1% and 6.3%, respectively. Spending then fell by 1.6% in 2023 and fell further in 2024 by 2.4%, reflecting the lagged impact of high inflation and tighter financial conditions. **Growth is forecast to pick up to 0.6% in 2025, to 2.0% in 2026, then to 1.9% in 2027**, reflecting easing inflation and improving consumer confidence.

- **Real disposable household income** also declined in 2020 (−1.8%) but recovered in 2021 (1.9%). After a slight fall in 2022 (−0.1%), income grew by 3.2% in 2023 and 3.0% in 2024, supported by stabilising inflation and continued wage growth. Looking forward, **income growth is forecast at 2.1% in 2025, before easing to 1.5% in 2026 and 1.3% in 2027,** as wage pressures soften and economic conditions stabilise.

- **In absolute terms**, London's real GVA reached approximately £531.5 billion in 2023, rising to £537.6 billion in 2024. It is forecast to increase to £568.7 billion by 2027. Workforce jobs numbered around 6.4 million in 2024 and are projected to reach 6.6 million by 2027. Household spending, estimated at £211.3 billion in 2024, is expected to rise to £221.1 billion by 2027. Real household income, having reached £309.6 billion in 2024, is forecast to grow to £316.2 billion in 2025, £321.0 billion in 2026, and £325.3 billion by 2027.

Figure 5.1: GLA Economics' forecasts and scenarios for employment (top) and output (bottom)
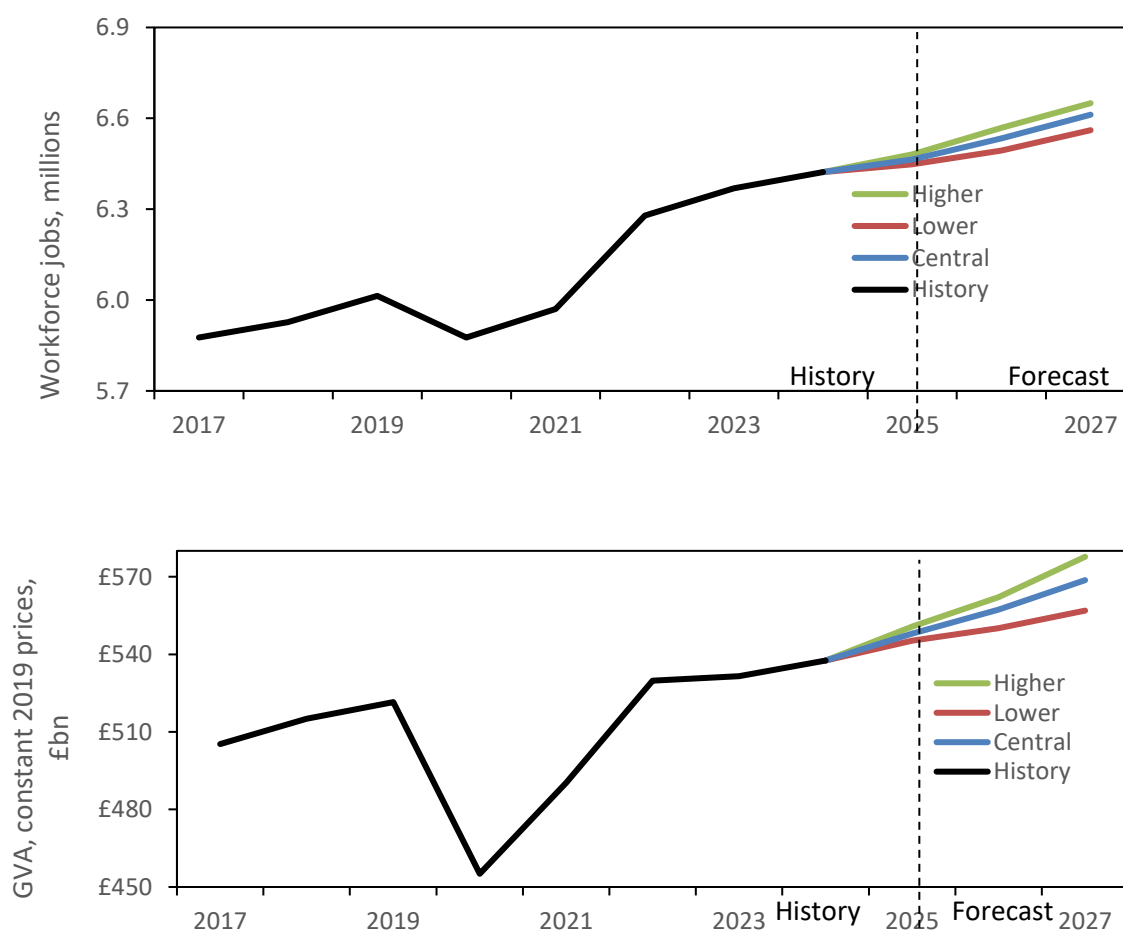
Table 5.1: Central scenario-based forecast and historical growth rates

(Annual % change)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
GVA	1.9	1.2	-12.7	7.7	8.1	0.3	1.1	1.9	1.7	2.1
Workforce jobs	0.9	1.5	-2.3	1.6	5.2	1.6	0.9	0.9	1.1	1.2
Household spending	1.7	0.6	-14.1	6.1	6.3	-1.6	-2.4	0.6	2.0	1.9
Household income	3.4	2.0	-1.8	1.9	-0.1	3.2	3.0	2.1	1.5	1.3

Table 5.2: Scenario-based forecast and historical levels

(constant 2022 prices, £ billion except jobs)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
GVA	515.1	521.5	455.1	490.3	529.8	531.5	537.6	548.0	557.2	568.7
Workforce jobs (million)	5.9	6.0	5.9	6.0	6.3	6.4	6.4	6.5	6.5	6.6
Household spending	225.8	227.1	195.1	206.9	220.0	216.5	211.3	212.7	217.0	221.1
Household income	285.4	291.2	286.1	291.6	291.2	300.5	309.6	316.2	321.0	325.3

Output

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

Initial estimates indicate that London's real GVA grew by **1.1% in 2024**. Growth is then expected to continue at a moderate pace over the medium term, rising to **1.9% in 2025**, **1.7% in 2026**, and **2.1% in 2027** under the baseline **Gradual Economic Recovery** scenario.

In 2024, Consumer Prices Index (CPI) inflation fell faster than expected earlier in the year and, although it has since remained slightly above the Bank of England's 2%±1% target, inflationary pressures appear broadly contained. At the same time, the UK economy showed resilience through the first half of the year. Reflecting these developments, our baseline scenario projects a steady recovery, with growth strengthening from **1.9% in 2025** to **2.1% by 2027**, supported by stable interest rates, reduced economic uncertainty, and continued expansion in London's **service sectors.**

In our **upside scenario (Fast Recovery)**, economic conditions improve more quickly. Growth reaches **2.4% in 2025**, **2.2% in 2026**, and **2.6% in 2027**, driven by stronger consumer spending—supported by rising confidence and the release of accumulated savings—alongside a more robust recovery in global trade and investment. Under this scenario, London's output reaches **£577.2 billion in 2027**, around **1.5% higher** than the baseline. Conversely, the **downside scenario (Slow Recovery)** reflects a more subdued path. Growth slows to **1.4% in 2025**, **0.9% in 2026**, and **1.6% in 2027**, reflecting the potential for prolonged geopolitical and trade uncertainty, weaker global demand, or slower productivity gains. Output reaches **£556.9 billion in 2027**, significantly below the fast recovery path.

By 2027, London's output in the upside scenario is **3.6% higher** than in the downside scenario. This divergence underscores the importance of consumer spending momentum, the global economic environment, and productivity growth in shaping the capital's medium-term outlook.

Annual growth (%)
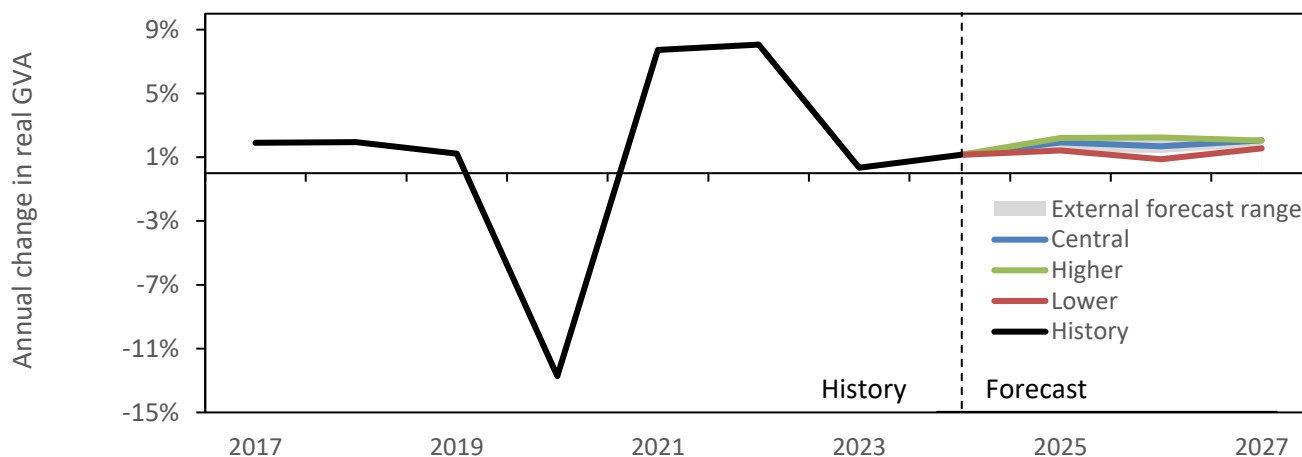
Level (constant 2022 prices, £ billion)
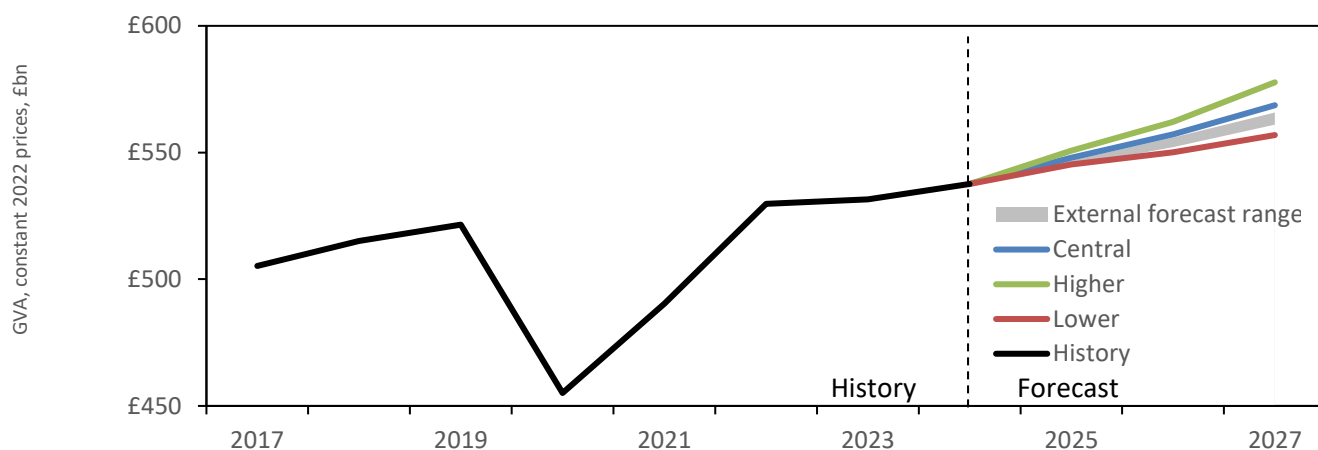
Growth (annual %)				
	2024	2025	2026	2027
Gradual economic recovery	1.1	1.9	1.7	2.1
Fast recovery		2.4	2.2	2.6
Slow recovery		1.4	0.9	1.6

| Level (constant 2022 prices, £ billion)				
	2024	2025	2026	2027
Gradual economic recovery	537.6	548.0	557.2	568.7
Fast recovery		550.7	562.5	577.2
Slow recovery		545.3	550.0	556.9

Employment

(London workforce jobs)

London's workforce jobs grew by **1.6% in 2023** and **0.9% in 2024**, reflecting continued adjustment in the labour market following the pandemic. Recently released data for the first half of 2025 show that labour force participation in London remains resilient, supported by steady hiring across professional services, hospitality, and health sectors.

Under our baseline **Gradual Economic Recovery** scenario, we expect this expansion to continue, with job growth projected at **0.9% in 2025**, rising to **1.1% in 2026**, and **1.2% in 2027**. This implies that total workforce jobs increase from **6.4 million in 2024** to **6.6 million by 2027**. The outlook represents a slightly softer profile than previous forecasts, reflecting weaker data in late 2024 and early 2025.

In the **Fast Recovery** scenario, labour market momentum strengthens further, with job growth of **1.1% in 2025**, **1.4% in 2026**, and **1.2% in 2027**, bringing workforce jobs to **6.6 million** by the end of the forecast period. This scenario assumes stronger economic activity, increased business investment, and improved productivity growth. Conversely, the **Slow Recovery** scenario projects a more subdued path, with workforce jobs increasing by **0.6% in 2025**, **0.7% in 2026**, and **1.0% in 2027**. This reflects the possibility of prolonged economic uncertainty, tighter financial conditions, or slower hiring intentions. Even under this downside case, workforce jobs still rise steadily to **6.6 million by 2027**, although the pace of growth remains modest.

While recent data point to a slightly slower trajectory than previously anticipated, the overall labour market remains stable. Our forecast is somewhat more cautious than many external projections but given that the labour market continues to underpin improvements in broader economic activity, we judge the risks to job growth to be broadly balanced, with a slight tilt to the downside.

Annual growth (%)
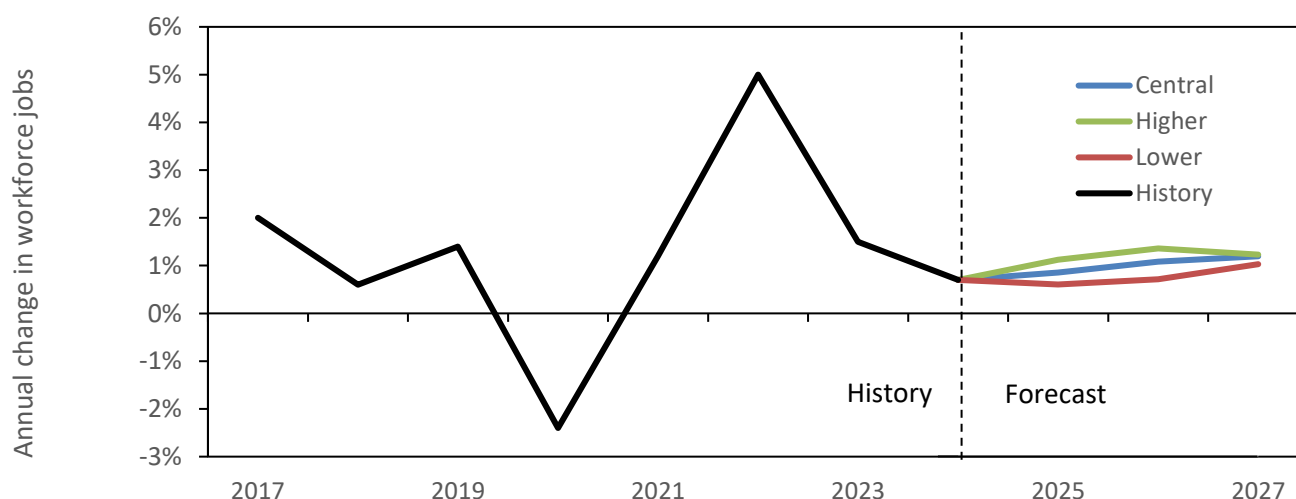
Level (millions of workforce jobs)
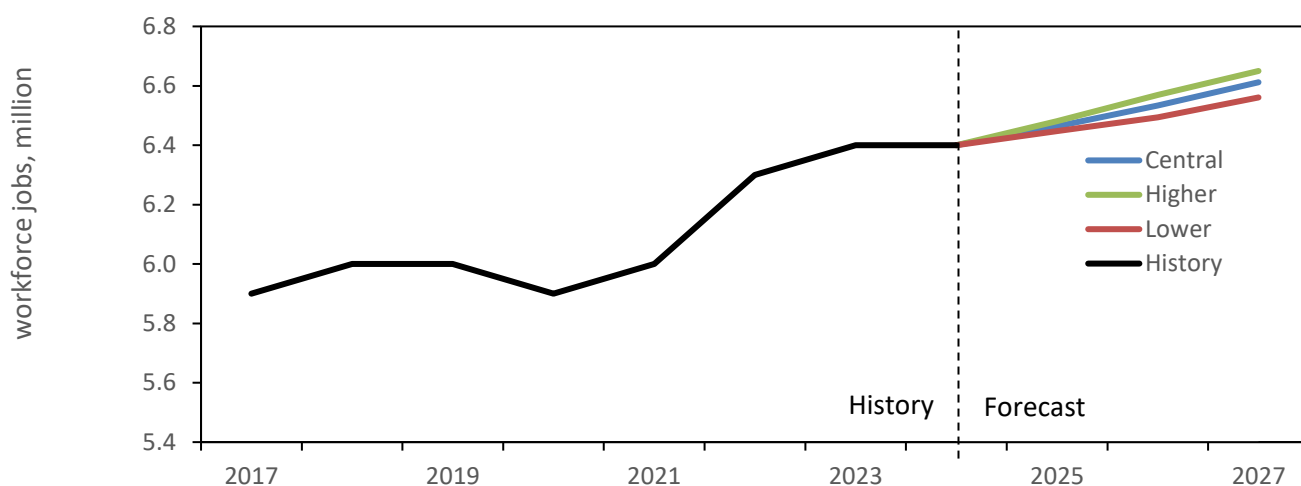
Growth (annual %)				
	2024	2025	2026	2027
Gradual economic recovery	0.7	0.9	1.1	1.2
Fast recovery		1.1	1.4	1.2
Slow recovery		0.6	0.7	1.0

Level (millions of workforce jobs)				
	2024	2025	2026	2027
Gradual economic recovery	6.4	6.5	6.6	6.6
Fast recovery		6.5	6.6	6.7
Slow recovery		6.5	6.5	6.6

Household expenditure
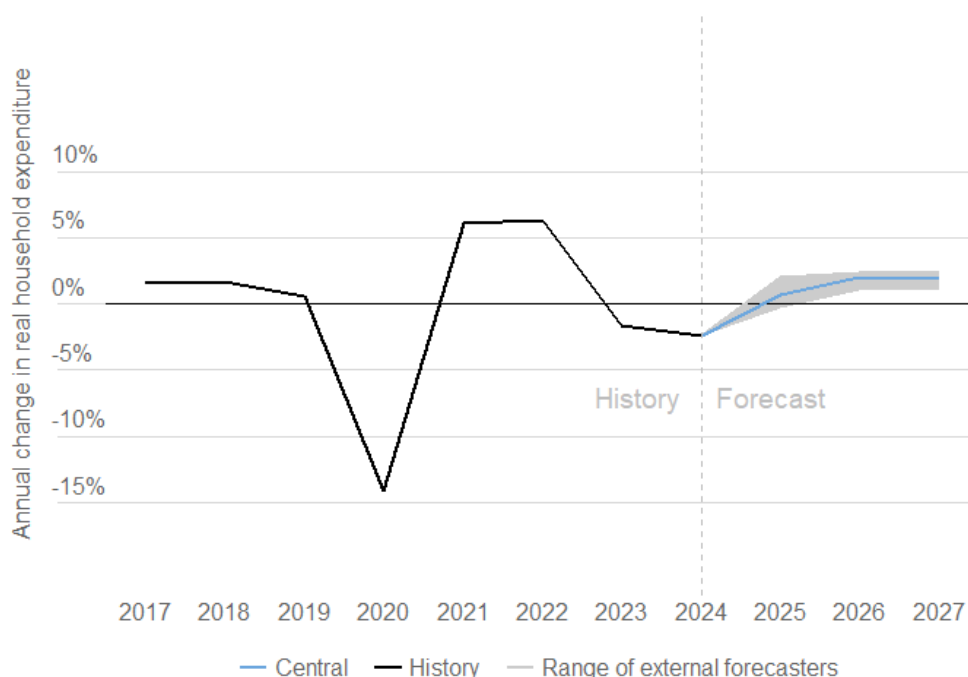(London household spending, constant prices (base year 2022), £ billion)

GLA Economics forecasts that household spending fell by **2.4% in 2024**, reflecting the lagged impact of high inflation, elevated interest rates, and subdued real income growth in the aftermath of the cost-of-living crisis. This contraction follows a decline of **1.6% in 2023**, marking two consecutive years of reduced consumer activity. Spending is expected to stabilise and begin recovering from 2025 onwards. Under our **central forecast**, household spending is projected to grow by **0.6% in 2025, by 2.0% in 2026 and 1.9% in 2027**. These rates reflect improving real incomes, gradually easing financial pressures on households, and a more supportive macroeconomic environment as inflation moderates and confidence slowly rebuilds.

Compared with the July LEO forecast, the new outlook represents a **downward revision**, with the updated outturn data indicating a deeper fall in spending during 2023–24 than previously expected. However, the medium-term recovery path remains broadly similar, with spending growth over 2025–26 remaining within the 2% range across forecast iterations.

External forecasters show a wide range of expectations for consumer spending growth. For 2025, projections vary from **0.3%** decline at the lower end to **3.0%** at the upper end, with GLA Economics' central estimate of **0.6%** at the cautious end of the distribution. By 2026 and 2027, this range narrows but remains notable, with external forecasts spanning **1.0% to 2.3%** for 2026 and **1.0% to 2.4%** for 2027. This variation highlights the uncertainty surrounding the pace of recovery, particularly given differing views on inflation persistence, monetary policy, and the resilience of household finances.

In level terms, household spending is estimated at **£211.3 billion in 2024**, rising to **£212.7 billion in 2025**, **£217.0 billion in 2026**, and **£221.1 billion by 2027** under the central forecast. External projections imply a significantly wider range for 2027, from **£214.9 billion** at the lower bound to **£225.8 billion** at the upper bound, underscoring the sensitivity of consumer demand to macroeconomic conditions.

Annual growth (%)

Level (constant year 2022, £ billion)
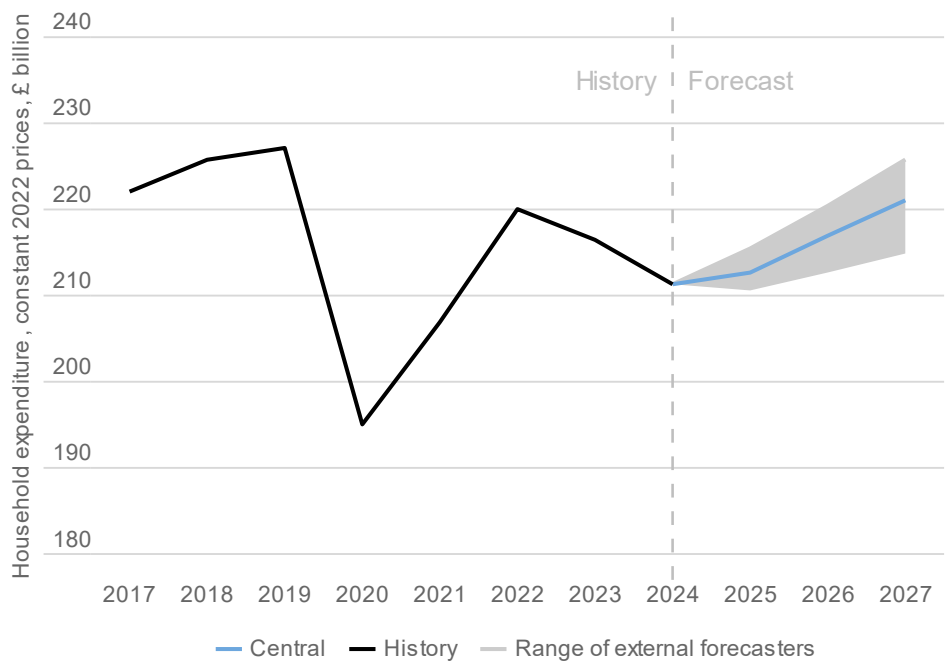
Household income

(London real disposable household income, constant prices (base year 2022), £ billion)

GLA Economics forecasts real disposable household income grew by **3.0% in 2024 and 2.1 % in 2025. We forecast growth of 1.5% in 2026 and 1.3% in 2027**. This profile broadly aligns with the consensus of external forecasters for 2024, sits slightly below the midpoint of external projections for 2025, and is within the lower end of the forecast range for 2026–27.

These new projections represent a **downward revision** compared with the July LEO forecast. The previous outlook had anticipated stronger near-term income growth, but updated data now point to a more subdued recovery, especially across 2025 and 2026. The revision reflects a softer outlook for wage growth, the cumulative impact of higher borrowing costs, and slower improvements in labour market conditions than previously expected.

Recent UK-level data indicate that real income growth strengthened in late 2023 and early 2024, supported by easing inflation and wage growth continuing to outpace price increases. This has helped boost purchasing power, particularly for lower- and middle-income households facing accumulated cost-of-living pressures. We expect this improvement to continue in the short term as inflation stabilises at lower levels and labour market conditions remain relatively favourable.

However, income growth is expected to **moderate over the medium term**. As wage pressures ease, inflation volatility diminishes, and the economy transitions to a slower but more stable growth path, real income gains are likely to settle at more modest rates. This is consistent with the lower end of external projections, where 2026 forecasts range from **0.4% to 2.0%**, and 2027 forecasts from **0.6% to 1.8%**.

In level terms, real disposable household income is expected to have risen from **£309.6 billion in 2024** to **£316.2 billion in 2025**, increasing further to **£321.0 billion in 2026** and **£325.3 billion in 2027**. External forecasters present a significantly wider range of possible outcomes for 2026, from **£316.9 billion** at the lower bound to **£349.0 billion** at the upper bound, underscoring the uncertainty surrounding income dynamics over the next two years.

Annual growth (%)
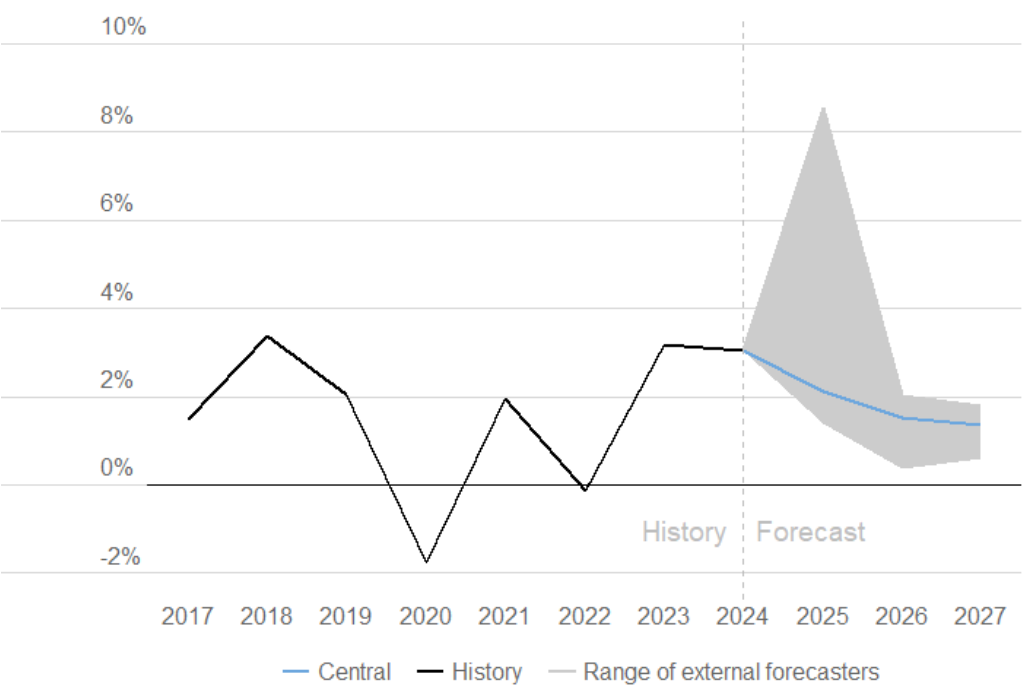
Level (constant year 2022, £ billion)
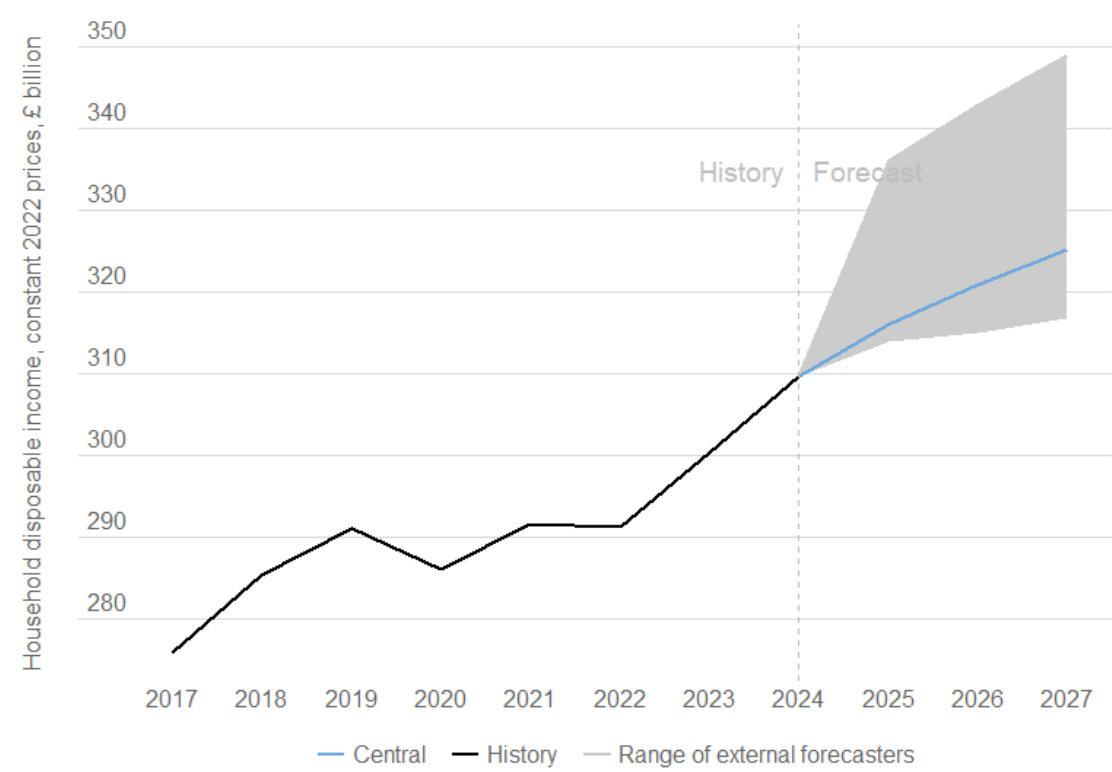
Output and employment growth by sector

(% annual change)

Growth across London's main sectors is expected to remain uneven over the forecast period, with service-sector activities continuing to lead the expansion while goods-producing industries show limited momentum.

Financial services
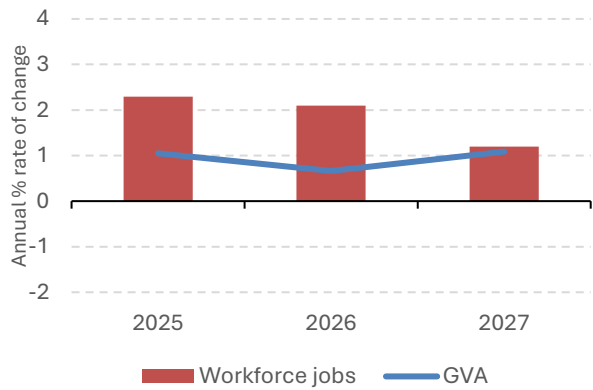
Business services
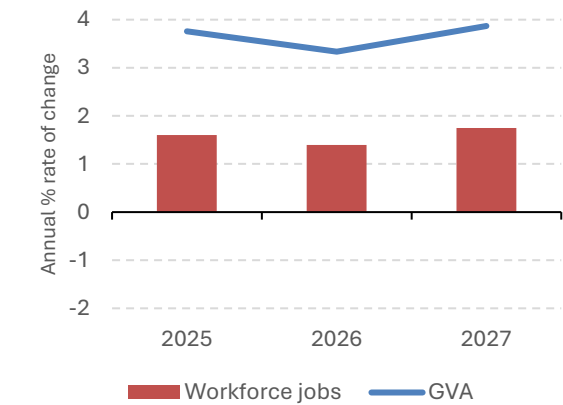
Finance and business (combined)

Other (public & private) services

Distribution, accommodation and food services

Manufacturing
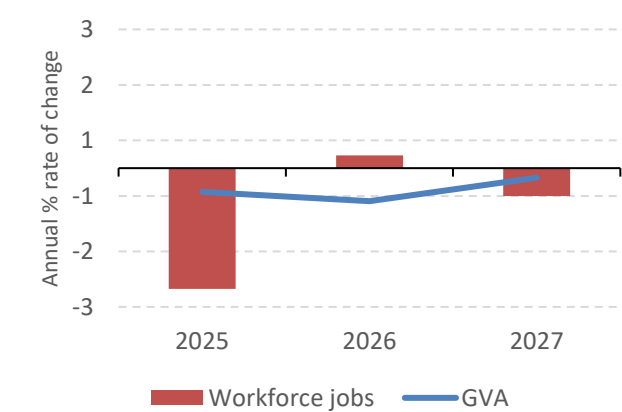
Transport and storage
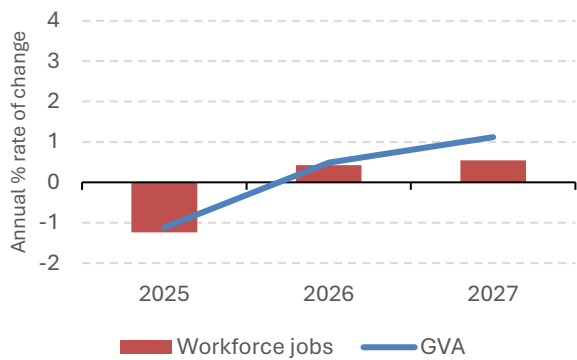
Construction
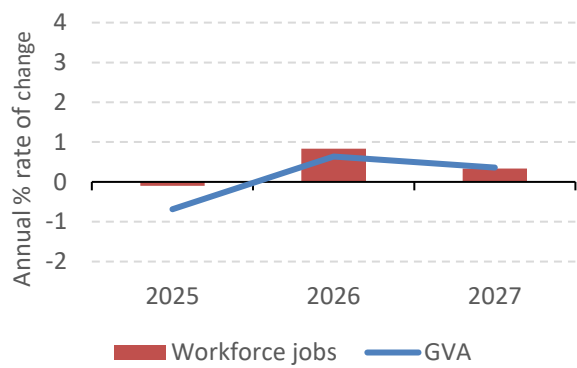
Output and employment growth by sector
(% annual change)

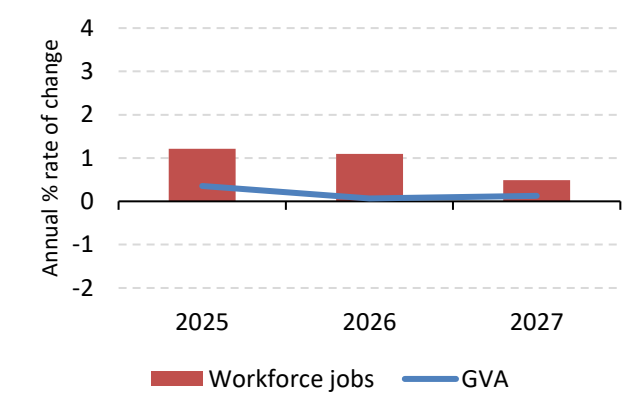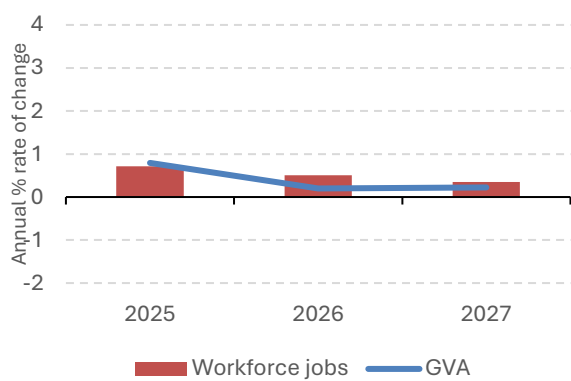| Main sector	2025	2026	2027
Financial services			
Output	1.0	0.7	1.1
Jobs	2.3	2.1	1.0
Business services			
Output	3.8	3.3	3.9
Jobs	1.6	1.4	1.7
Financial and business services			
Output	3.0	2.6	3.1
Jobs	1.7	1.5	1.6
Distribution, accommodation and food services			
Output	0.8	0.2	0.2
Jobs	0.7	0.6	0.3
Transportation and storage			
Output	-1.1	0.5	1.1
Jobs	-1.2	0.4	0.5
Other (public & private) services			
Output	0.4	0.1	0.1
Jobs	0.4	1.0	1.6
Manufacturing			
Output	-0.4	-0.6	-0.2
Jobs	-2.2	0.2	-0.5
Construction			
Output	-0.7	0.6	0.4
Jobs	-0.1	0.8	0.3
(Memo: non-manufacturing)			
Output	2.0	1.7	2.1
Jobs	1.0	1.1	1.2

5.2 Comparison with previous forecasts
This section compares the latest forecast with previous projections in the London Economic Outlook (LEO) series. Because base years and ONS historical datasets are revised regularly, all forecasts have been rebased to a common base year in Figures 5.2 and 5.3 to allow for meaningful comparison.

The considerable variation in projections produced over the past three years reflects both ongoing revisions to output and labour market data by the ONS and the highly uncertain economic environment following the

pandemic and the cost-of-living crisis. Shifts in public health restrictions, inflation dynamics, and monetary policy have all contributed to forecast divergence across vintages.

Workforce jobs

London's workforce jobs returned to their 2019 level in early 2022 and are not expected to fall below this threshold again over the forecast horizon. As highlighted previously, the reweighting of the Labour Force Survey in September 2022 introduced a step-change discontinuity in ONS labour market estimates. This adjustment has widened the gap between projections produced before and after the reweighting, particularly those from 2022 and 2023.

The latest forecast shows a similar overall profile to the July 2024 LEO but with slightly softer growth rates in each of the next three years. Workforce jobs are now projected to grow by 0.9% in 2025, 1.1% in 2026, and 1.2% in 2027. These values represent a downward revision from the December 2024 forecast (1.3%, 1.5% and 1.6%) and are significantly lower than forecasts published in 2022 and 2023, when strong post-pandemic momentum and high migration inflows led to unusually rapid job creation.

Despite this revision, the underlying trend remains positive. Employment growth stabilises at close to 1% per year—broadly in line with long-term averages—and continues to reflect resilient labour demand across London's service-dominated economy. The similarity between the latest projection and the July 2024 forecast means the two paths are nearly indistinguishable in Figure 5.2.

The evolution of these forecasts illustrates the shifting balance of risks facing London's labour market. Forecasts produced in 2021–22 were shaped by uncertainty around the end of furlough and the pace of economic reopening, whereas more recent vintages have been influenced by tighter monetary conditions as the Bank of England raised interest rates in response to renewed inflation pressures. Slowing hiring intentions, reflected in business surveys such as the CBI—which reports that UK firms expect to cut jobs at rates only previously seen in recessions—have also weighed on the outlook. In addition, revised ONS population estimates and emerging structural shifts, including the early adoption of AI technologies, are contributing to a more cautious assessment of labour demand.

Taken together, these factors help explain the divergence across recent forecast rounds and the softer employment path shown in Figure 5.2.

Figure 5.2: Employment – latest forecast compared with previous forecasts

(millions of workforce jobs)
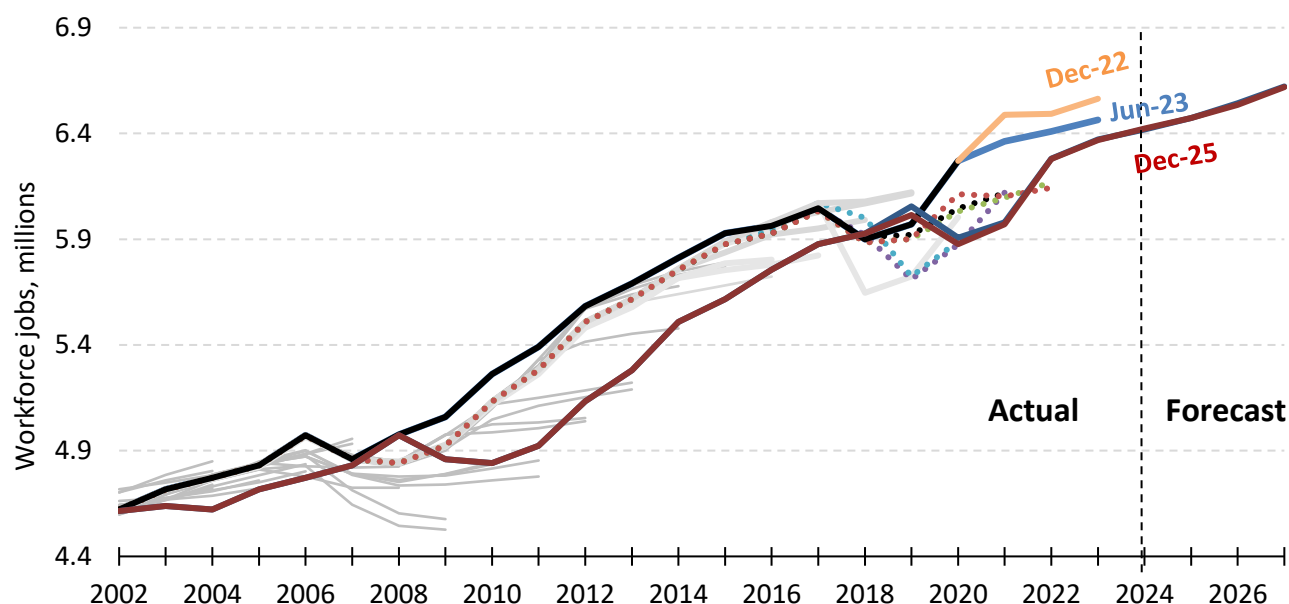
Source: ONS, GLA Economics; Note: grey lines show job levels under historic GLA Economics forecasts of employment growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.3: Comparisons with previous published forecasts[58]

(London workforce jobs, % annual growth)

Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Jun-25												0.9%	1.1%	1.2%
Dec-24											1.3%	1.5%	1.6%	
Jul-24											4.0%	1.3%	1.5%	
Dec-23										3.5%	0.1%	1.3%		
Jun-23										3.4%	0.4%	1.2%		
Dec-22									3.6%	-0.2%	0.7%			
Jun-22									2.2%	1.1%	1.2%			
Dec-21								0.2%	2.1%	1.2%				
May-21								-3.6%	2.9%	4.2%				
Dec-20							-1.1%	-4.6%	3.0%					
Jun-20							-7.0%	1.4%	4.9%					
Dec-19						1.5%	0.1%	0.7%						
Jun-19						0.8%	0.7%	0.8%						
Nov-18					1.5%	0.5%	0.7%							
May-18					0.6%	0.3%	0.7%							
Nov-17				1.4%	0.3%	0.5%								
Jun-17				0.7%	0.5%	0.7%								
Nov-16			2.5%	1.2%	0.3%									
May-16			0.7%	0.7%	0.7%									
Nov-15		1.7%	1.2%	0.7%										

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[58] This table only reports forecasts for 2014 onwards unlike Figure 5.2. For earlier GLA Economics forecasts please see previous editions of London's Economic Outlook.

Output

The most recent medium-term forecast for London's GVA level remains broadly consistent with the one published in July 2024. The updated profile shows real GVA growing by 1.1% in 2024, 1.9% in 2025, 1.7% in 2026, and 2.1% in 2027 – and the slight revision reflects the latest data on short-term economic indicators and more recent information on household income and spending dynamics.

Larger differences between the latest forecasts and those produced before 2023 are driven mainly by **extensive ONS data revisions, rather** than changes in underlying economic conditions. In its latest release of regional output estimates, the ONS significantly revised downward GVA levels for **2020 and 2021**, which now show a deeper pandemic-related contraction and a more muted initial recovery than previously reported. These revisions create visible breaks between past forecast vintages and more recent ones, making direct comparison of levels across years more challenging.

Despite the data revisions, the overall story is unchanged: London experienced a severe shock in 2020, a strong rebound in 2021–22, and a marked slowdown in 2023 as inflation and monetary tightening constrained activity. The current and July 2024 forecasts both capture a gradual return to more typical growth rates from 2024 onwards, with the differences between the two forecasts in Figure 5.3 almost indistinguishable.

Figure 5.3 illustrates how recent forecast vintages cluster closely together, while older projections—particularly those produced between 2020 and 2022—show substantially different levels and paths for London's output. These discrepancies primarily reflect the evolving understanding of the pandemic's impact and methodological improvements.

Figure 5.3: Output – latest forecast compared with previous forecasts

(constant prices (base year 2022), £ billion)
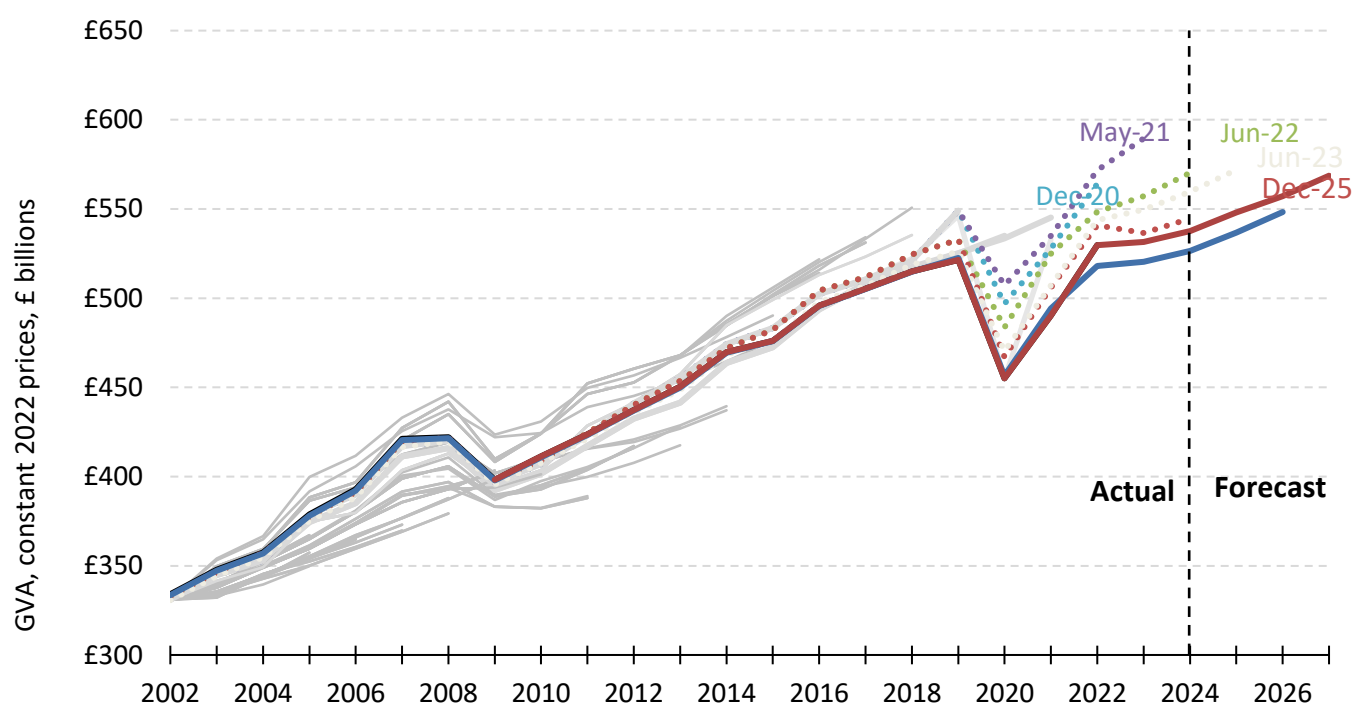
Source: ONS, ESCoE, GLA Economics; Note: the grey lines show levels of GVA given historic GLA Economics forecasts of GVA growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.4: Comparisons with previous published forecasts[59]

(London GVA, % annual growth)

Forecast	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Dec-25	**4.3%**	**1.3%**	**4.2%**	**1.9%**	**1.9%**	**1.2%**	**-12.7%**	**7.7%**	**8.1%**	**0.3%**	**1.1%**	**1.9%**	**1.7%**	**2.1%**
Jun-25											1.1%	1.6%	1.7%	1.9%
Dec-24											1.2%	1.9%	2.2%	
Jul-24											1.1%	1.9%	2.2%	
Dec-23										0.9%	1.0%	1.6%		
Jun-23										1.1%	1.8%	2.2%		
Dec-22									6.9%	-0.8%	1.5%			
Jun-22									4.5%	1.6%	2.3%			
Dec-21								6.4%	5.0%	3.1%				
May-21								5.4%	6.9%	3.1%				
Dec-20							-9.5%	6.2%	6.9%					
Jun-20							-16.8%	17.2%	4.5%					
Dec-19						1.8%	1.1%	1.8%						
Jun-19						1.5%	1.6%	2.2%						
Nov-18					1.9%	1.6%	1.9%							
May-18					1.6%	1.9%	2.2%							
Nov-17				2.1%	1.8%	2.6%								
Jun-17				2.3%	2.4%	2.9%								
Nov-16			2.8%	2.0%	2.3%									
May-16			2.9%	3.4%	3.3%									
Nov-15		3.4%	3.2%	2.7%										
May-15		3.6%	3.2%	2.5%										
Nov-14	4.8%	3.3%	3.1%											
May-14	3.8%	3.2%	2.6%											

Source: ONS, ESCoE, GLA Economics

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[59] This table only reports forecasts for 2014 onwards, unlike Figure 5.3. For earlier GLA Economics forecasts please see previous editions of London's Economic Outlook.

Appendix A: Explanation of terms and some sources

Definitions, differences, and revisions

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

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

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

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

At the time of writing national statistics estimates of real regional GVA are available up to 2023 from the ONS[60]. The historic real London GVA figures used in this GLA Economics' forecast are estimates produced by GLA Economics using ONS data.

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

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[60] ONS Regional GVA (balanced approach).

Appendix B: Glossary of acronyms

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

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