

London's Economy Today - Issue 249 - May 2023

Key information

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Overview

- London accelerates ahead of UK in latest growth data
- Bank of England and IMF raise growth projections, but expect higher inflation for longer
- Mixed signals in London's labour market

Economic Indicators

- London's economy had surpassed pre-pandemic levels of output by Q4 2021, and continued to grow to Q3 2022. By Q3 2022 London's GVA was 4.4% above its pre-pandemic level (Q4 2019), and UK GDP was 0.7% below. London's real GVA increased by 0.9% in Q3 2022 - compared with Q2 2022 - after increasing by 1.4% in the previous quarter.
- In April the sentiment of London's PMI new business activity index remained positive and improved. The PMI new business index in London increased from 58.6 in March to 59.1 in April. An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.
- Consumer confidence in London improved noticeably in May to 13 (from -1 in April) and became positive. The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

LET supplement: Updated London Finance Commission tables

- A broader tax base for local government, with stronger fiscal controls at the local level, might support growth through the delivery of more integrated and efficient services and increased infrastructure investment.
- London receives a low share of public expenditure relative to its economic contribution, receives less per person than the rest of the country, and consistently made net financial contributions to the exchequer (pre-pandemic).
- The capital's spending priorities are different from the rest of the country, and yet it continues to rely significantly on central government to fund its spending choices.

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