

London's Economy Today - Issue 271 - March 2025

Key information

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Overview

- UK government sets out changes to the benefits system
- US continues to announce new tariffs
- The British Museum was the most visited attraction in 2024

Economic indicators

- The business activity PMI index for London private firms decreased from 54.8 in January to 54.0 in February. The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.
- Over half of property surveyors in London reported house price increases in February 2025. The net balance index was 10, and it was 20 in January. The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- The consumer confidence index in London increased from 7 in February to 9 in March. 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.

Investment in London: The Devil in the Detail

In this supplement, we look at London's investment performance - how it compares to that of other UK regions and global cities, as well as how it performs when it comes to gross fixed capital formation (GFCF) and foreign direct investment (FDI).

- In the UK, London is commonly considered the country's 'investment magnet'. That impression also seems to hold globally. What the data reveals is that this is true to a certain extent, but the picture is mixed depending on what type of investment we look at, what level of geography we are scrutinising, and what timeframe we are examining.
- If we look strictly at FDI, then London remains the world's leading destination - a testament to the city's allure, economic resilience, and strong reputation. However, trends in FDI projects by year show that other cities such as Dubai are starting to catch up, which should give policymakers (both nationally and regionally) food for thought if London is to retain its eminence in the future.
- When it comes to gross fixed capital formation (GFCF), then it is true that London generates more GFCF investment per-capita than other regions, and the city continues to grow its share of the UK's total GFCF. Nevertheless, there are sectors (e.g., construction and business services) where London's real GFCF growth has been modest compared to other regions. Moreover, real GFCF accumulation varies considerably within London (with Inner Boroughs considerably outperforming their Outer Borough counterparts), and the city's record from the mid-to-late 2010s vis-à-vis European metropolitan areas is generally underwhelming.

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