MAYOR OF LONDON LONDON ASSEMBLY

London's Economy Today - Issue 276 - August 2025

Key information

Publication type: General

Publication date: Thursday 28 August 2025

Contents

Overview

- UK GDP growth beats expectations in second quarter
- The construction sector faces a shortfall of workers
- IFS says that inner London boroughs could lose out in proposed funding reforms

Economic indicators

- In July, the business activity PMI index for London private firms decreased marginally from 53.7 in June to 53.6 in July.
- In July, less than half of all property surveyors expressed positive expectations for house prices in London over the next three months with the net balance of house prices expectations in London at -20 in July, down from -2 in June. The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- Consumer confidence in London reached a twenty-year high in August with the consumer confidence index in London jumping from 10 in July to 24 in August. 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.

Potential approaches to addressing London’s (and the UK’s) investment, productivity and growth challenges

This supplement presents a broader discussion of potential approaches that could be adopted to address areas of underinvestment in London and the UK.
The key points to note are:

- The UK continues to lag peer countries in fostering business investment and accumulating gross fixed capital formation. This has played a significant role in undermining productivity and growth.
- Promoting business investment should go beyond reducing the headline corporation tax rate to examine the other subsidies and tax incentives that could be provided to support businesses with their investment needs (in particular SMEs), investment in infrastructure to reduce business costs, encourage regulatory reforms that would incentivise pension schemes to consolidate and invest domestically, and strategies to promote better management practices and greater employee participation in setting businesses' strategic direction.
- Given London's predominant economic position nationally and its competitive advantage in sectors of the 'knowledge-based economy', a national/regional combined strategy that supports London's existing and emerging innovation clusters in key sectors of the new economy would undoubtedly support national efforts to boost economic growth while accounting for the multifarious economic shocks and needs posed by the ongoing environmental transition.

Finally, it should be emphasised that addressing underinvestment is one piece of a bigger and more complex puzzle that relates to London's and the UK's poor productivity and growth record since 2008.

Read the full newsletter

Download the pdf

Join our mailing list

Sign up to receive our work
Back to table of contents