Inflation eases, but cost of living still bites Londoners hard

By **Gordon Douglass**, Supervisory Economist, **Mike Hope**, Economist, **James Watson**, Economist and **Jasmine Farquharson**, Project Management Apprentice

The outlook for the cost of living may finally be stabilising, with tentative signs of a peak in inflation. But even as price rises decelerate, incomes are unlikely to catch up, leaving real living standards lower and consigning the economy to recession.

UK Consumer Price Index (CPI) inflation eased a little to 10.7% year on year in November, from 11.1% in October. The two largest contributions to the headline figure were once again energy and food, which made up 3.2 and 1.7 percentage points of annual inflation respectively. While vehicle fuel had also previously been a major driver, the third-largest contribution has now shifted to catering services, principally due to alcohol served in restaurants, cafes and pubs. Yet inflation remains broad-based (Figure 1). For example, overall services inflation, which tends to reflect overall domestic price pressures, held at 6.3% year on year.

It is probably too soon to be sure that inflation has past its peak – the last year shows the range of global and domestic risk factors that could push up prices again. Food inflation continues to accelerate and housing costs may start to exert upward pressure as soaring asking rents pass into the overall housing stock. However, the deceleration is in line with Bank of England projections that headline inflation should peak around its current level.
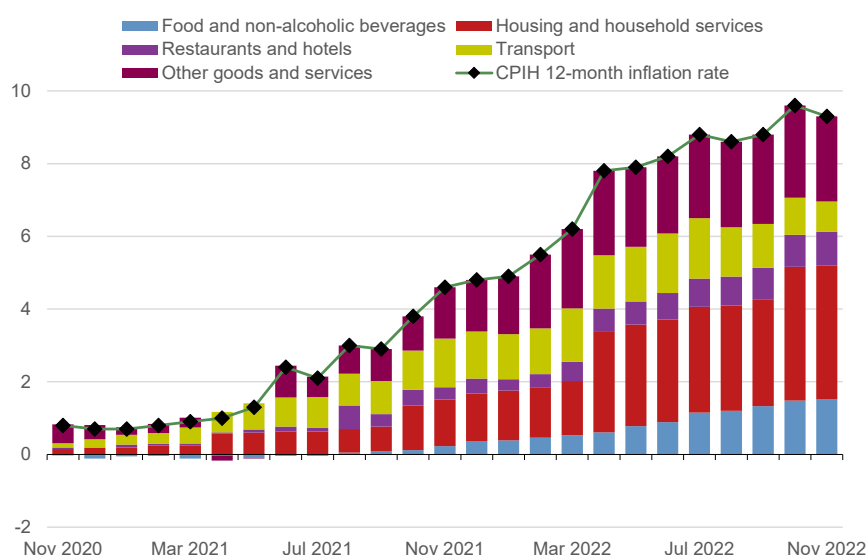
Datastore

The main economic indicators for London are available to download from the London Datastore.

Figure 1: Contributions to UK inflation

Source: Office for National Statistics. Note: CPIH is CPI including owner occupier housing costs, which tends to run slightly slower than the standard CPI

Yet even if inflation does sustain a downward trend, this is likely to be quite gradual for some months and those in a difficult financial situation will still face a much higher cost of living. A recent report from the Joseph Rowntree Foundation (JRF) found that among low-income households across the UK, those in London are likely to be hit the hardest of any region. London has higher average incomes than other UK regions, and its housing stock tends to be relatively easier to heat. And yet despite this, the JRF's survey data found that "London consistently had the highest proportion of low-income households experiencing hardship including going without essentials, experiencing food insecurity, in arrears with any bills or outgoings, and taking out new debt since the start of the year."

Advanced economy central banks tighten policy despite easing inflation

The UK was not the only country to see inflation decelerate in November, with several key advanced economies seeing price rises ease. The US saw CPI inflation ease to 7.1% year-on-year, down from 7.7% in October and a peak of 9.1% in June. Eurozone inflation also pulled back, easing to 10.1% from October's 10.6%.

But tentative signs of a peak in inflation across several major economies were still not enough to persuade central banks to stop hiking interest rates across the advanced economy world. The Federal Reserve, the European Central Bank (ECB) and the Bank of England all raised their policy interest rates by 0.5%. All three also signalled more rate hikes ahead. In the UK, this is the Bank's ninth straight increase, putting the policy rate at a 14-year high of 3.5%.

Perhaps most surprising of all was the Bank of Japan's (BoJ) decision to loosen its yield curve control policy – passively allowing long-term interest rates to rise higher. The BoJ is the last major holdout against tightening monetary policy, after years of chronically low inflation and minimal wage growth in Japan. While inflation is now above the BoJ's 2% target, at 3.7% it is still well below the pace in other advanced economies. And policymakers say they will not begin to actively tighten until they see evidence of accelerating wage growth.

Global inflation pressures may be peaking, but China reopening creates uncertainty

Slowing inflation in the UK, along with the US and Eurozone, reflects a growing range of signs that key global price pressures are peaking. The New York Fed's Global Supply Chain Pressure Index eased sharply across this summer and autumn and is now at some of its lowest levels in the last two years. This should

bring relief to parts of the economy with highly globalised supply chains, such as the car market. Second-hand cars, which had been an early inflation driver, are now seeing prices in the UK falling 5.8% year-on-year.

Global oil prices have also steadily declined over recent weeks, with Brent crude hovering at around $80 per barrel. These are some of the lowest levels for global oil costs in a year, which showed up in decelerating vehicle fuel inflation in the US, Eurozone and UK. Even natural gas prices have come off a recent bump, though these remain very elevated compared to levels from before Russia's invasion of Ukraine.

More broadly, the S&P Global PMI Commodity Price & Supply Indicators showed commodity prices now rising at around half their normal pace, the joint lowest since June 2020, while supply shortages were at their least severe since October 2020.

But a wide range of uncertainties remain, including the future path of China's economy. After almost two years of very tight restrictions in response to COVID-19 outbreaks, China has now reversed course on its 'Zero COVID' policy. However, natural and vaccine immunity to the disease remain low in the world's most populous country, meaning looser restrictions are spurring massive virus outbreaks. Official data shows cases are still low, but this is likely due to a collapse in testing. With reportedly low rates of vaccination among the elderly population and a growing strain on health services, the rapid reversal of the Zero COVID policy could carry a high human cost. There is even the risk that such a high level of circulation in a susceptible population could lead to a new variant of concern of COVID-19.

In economic terms, the impact could also be significant. While a looser policy towards COVID was expected to prompt improved growth in China and fewer supply chain disruptions due to lockdowns, this conclusion is now in doubt. Anecdotal evidence suggests that the outbreak is keeping workers at home, which may prompt fresh disruptions to key production and distribution sites. And even if the current outbreak proves short-lived, stronger Chinese demand could prompt higher prices in commodities. In either case, developments in China could yet prompt continued global inflationary pressure.

Tourism numbers in London are recovering

Looking closer to home GLA Economics has published its latest tourism forecasts. International tourism has recovered more rapidly than expected, and visitor nights in 2022 Q2 were around 90% of their level in 2019 Q2 according to the ONS. On the online flight booking search service Google Flights, London was the top trending world city by Americans in 2022. There is expected to be steady growth, and international visitor nights are estimated to exceed their pre-pandemic peak by the middle of the decade, (Figure 2). Over a longer time frame the number of nights will grow more slowly constrained by airport capacity.
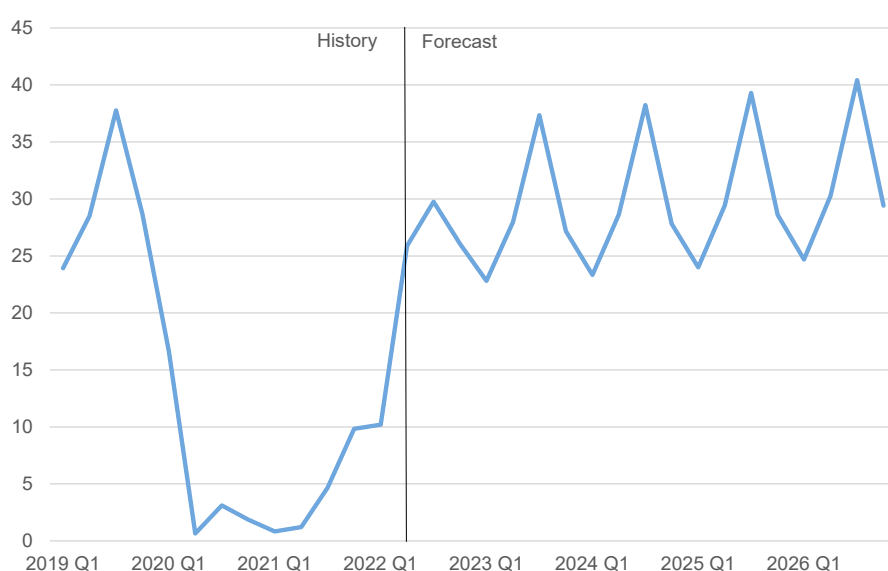
Figure 2: International visitor nights in London, 2019-2026, millions

Source: ONS International Passenger Survey, and GLA Economics calculations

London forecast for recession, but a shallower drop than the wider UK

Alongside the detailed London's Economic Outlook report, GLA Economics published its latest macroeconomic scenarios-based forecast for London on 14 December. Our central scenario now anticipates a recession in London's output, starting in the second half of this year and contracting through to the middle of 2023. While the pandemic recovery in 2021 was rapid, high inflation is increasingly dragging on real incomes and aggregate demand in the capital.

This Recession and gradual recovery scenario is our new baseline, and is a significant downgrade on our previous forecast. Yet it is still better than projections for the wider UK economy. The Office for Budget Responsibility sees the UK economy contracting by just over 2% peak to trough, and the Bank of England anticipates a downturn of nearly 3% in UK GDP. GLA Economics expects London's output to fall 1.3% from peak to trough in the coming recession. This is because on average Londoners have higher incomes, devote a smaller share of their spending to energy and are less pessimistic about the economy in surveys.

The central scenario is accompanied by two others, a plausible upside (Mild downturn, rapid recovery) and a plausible downside (Deep recession, slow recovery). A range of risks could push the forecast in either direction. Perhaps the key question for scenario planning is how households absorb the shock of rapidly rising prices. The ONS has revised up its estimate of the stock of excess savings built up during the pandemic. Who has these savings and whether they will draw on them in the year ahead is pivotal in determining the size of the coming recession. Other key risks include how persistent inflation proves, whether the energy market settles, how businesses respond and the path of fiscal and monetary policy.

Despite the downgrade to our baseline, risks are skewed to the downside. All three of our forecast scenarios anticipate a recession in output in the coming quarters (Figure 3). The Deep recession, slow recovery scenario involves output falling back below pre-pandemic levels by the end of this year, and not returning above them by the end of 2024. In this scenario, the disproportionate impact of the cost of living crisis on low-income Londoners becomes probably the defining feature of the outlook – these are also the households with the highest propensity to spend their income. The recession in this scenario is slightly worse than OBR projections for the UK average, with London's economy declining 2.5% peak to trough. This scenario also sees output failing to catch up with its pre-pandemic trend growth path, even in the long run.
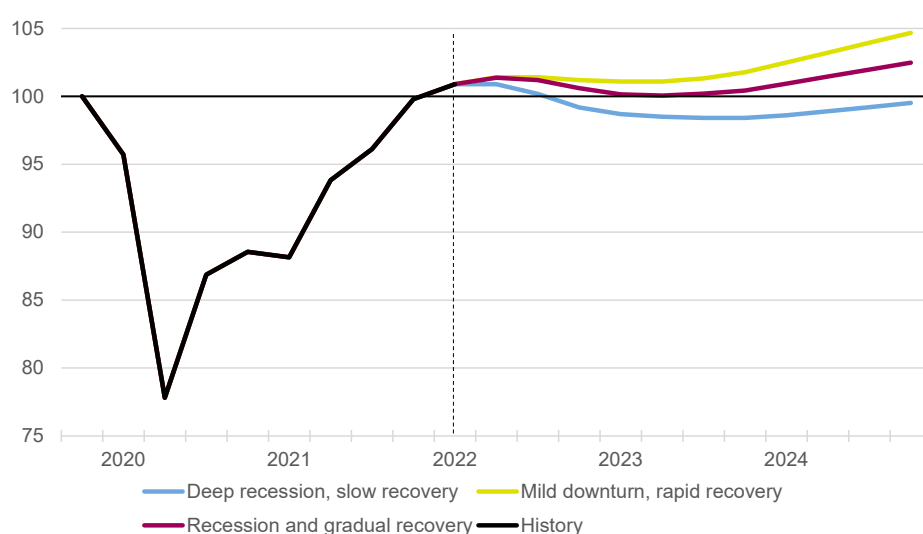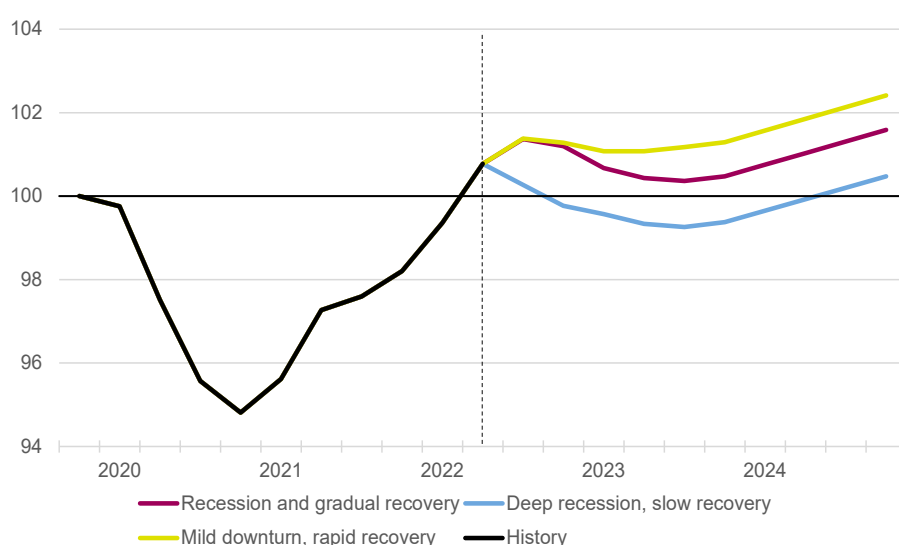

Figure 3: Scenario paths for London's output over the medium term

Source: GLA Economics projections, built on ONS historical data; Note: level of output indexed to Q4 2019 = 100

On the other hand, our Mild downturn, rapid recovery scenario sees the London economy weather the shock of high inflation much better. In this scenario, the savings buffer accrued by high-income households allows them to keep spending, supporting the wider economy. The peak to trough decline in output is just 0.3%, with activity never coming close to falling back to pre-pandemic levels. Output flattens out sooner and the recovery is complete by mid-to-late-2023, compared to mid-2024 in the baseline.

As overall output and activity goes into reverse, this will also have consequences for London's labour market. We expect a jobs recession to accompany the GDP recession, though employment is likely to see a shallower fall (Figure 4). After jobs reached pre-pandemic levels in Q2 2022, only the downside scenario sees employment falling back below those levels. And even in this downside, recovery takes place by late 2024.

We expect employment to be less volatile than output. Starting from a tight jobs market means labour demand goes into the recession in a position of strength, and a relatively shallow output recession means firms are likely to keep workers to avoid re-hiring costs. Our baseline forecast anticipates a peak-to-trough decline of 1.0% for employment, while our Mild downturn, rapid recovery scenario, sees a decline of 0.3%. And even in our Deep recession, slow recovery scenario, jobs are expected to see a relatively shallow 1.5% decline.

Figure 4: Scenario paths for London's workforce jobs over the medium term

Source: GLA Economics projections, built on ONS historical data; Note: level of jobs indexed to Q4 2019 = 100

It is important to note that these profiles do not capture the full range of uncertainty about the future, which is likely to lie outside the range of the scenarios. If the Bank of England's more pessimistic projections for the UK economy are borne out, this could imply a profile for London below our current downside scenario. And in the long term, uncertainty rises further, with trends in labour market inactivity and inward migration hard to pin down.

Even in our baseline Recession and gradual recovery scenario, there is a wide range of outcomes for different industries in London's economy. The sectors facing the deepest declines in the coming year are likely to be those most exposed to consumer spending or the housing market.

London enters the new year facing challenges

As noted above London's economy is experiencing a downturn and a number of economic indicators have started showing this. As shown in the indicators section of this newsletter the business activity and new business PMIs for London have been showing contractions since October although the employment PMI continues to show growth.

Looking at official ONS data for London's labour market gives an insight into the current state of the economy and provides evidence of some continuing strength but perhaps also some indication of the slowdown. So, London's unemployment rate was estimated at 4.5% in the three months to October 2022. This was up 0.2 percentage points (pp) on the quarter but was still down 0.9pp from a year earlier. The employment rate in London showed more strength and was estimated at 75.9% for the same three months. This was up 1.0pp on the previous quarter and also up 0.4pp on the same period in the previous year.

Despite the slowdown London remains an attractive business location as shown by Microsoft agreeing to take a £1.5 billion (or 4%) stake in the London Stock Exchange Group (LSEG). This is part of a 10-year strategic partnership. David Schwimmer, LSEG chief executive, described the agreement as "a significant strategic partnership where we're building products together and accessing markets together".

Meanwhile, the Government has announced a series of reviews and reforms to financial services regulation. These will include a review of the rules separating retail banking from investment operations.

GLA Economics will continue to monitor all these trends and other aspects of London's economy over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

The underlying trend in passenger journeys on London public transport remains marginally upward

- 229.8 million passenger journeys were registered between 16 October 2022 to 12 November 2022, 4.6 million less than in the previous period, 18 September to 15 October 2022.
- In the latest period, 87.6 million of all journeys were underground journeys and 142.2 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose from 201.9 million in the previous period to 204.3 million in the latest period.

Source: Transport for London
Latest release: December 2022, Next release: January 2023

**Passenger journeys by mode of transport**
(adjusted for odd days)
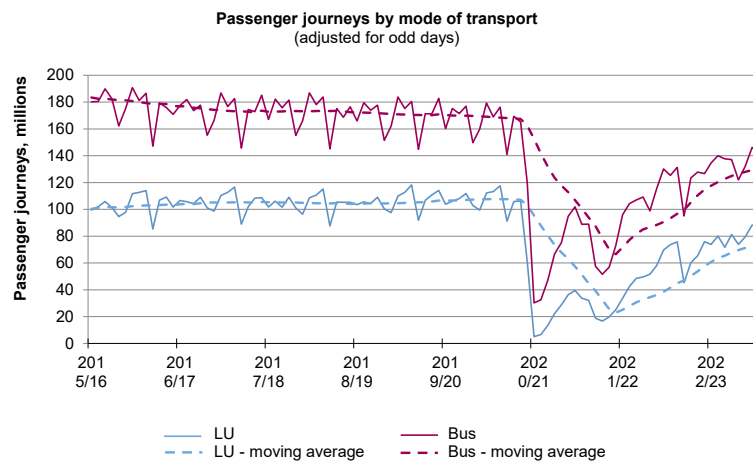
Annual growth in passenger journeys remained strongly positive, if slowing

- The 13-period moving average annual growth rate in the total number of passenger journeys was 65.4% between 16 October 2022 to 12 November 2022, down slightly from 69.0% between 18 September to 15 October 2022.
- The moving average annual growth rate of bus journeys decreased from to 51.6% to 49.5% between the above-mentioned periods.
- Likewise, the moving annual average growth rate of underground passenger journeys decreased from 116.5% to 108.8% between those periods.

Source: Transport for London
Latest release: December 2022, Next release: January 2023

Annual change in passenger journeys by mode of transport
(adjusted for odd days)
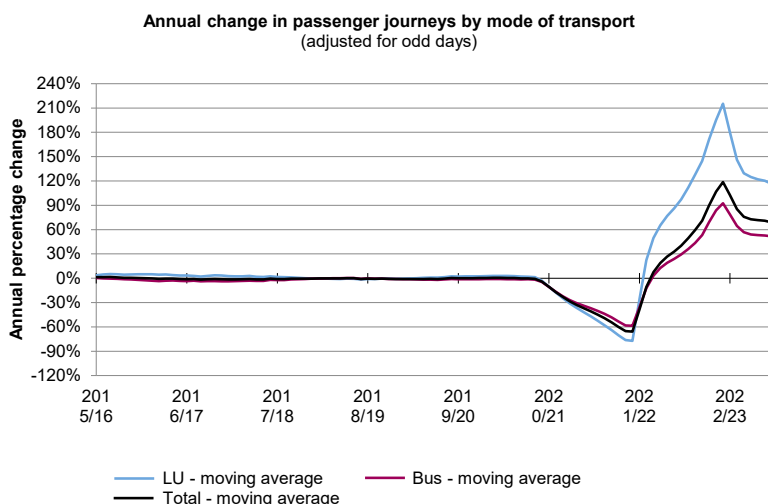
London's unemployment rate remains low but increased slightly to 4.5% in the quarter to October 2022

- Around 225,000 residents 16 years and over were unemployed in London in August – October 2022.
- The unemployment rate in London was 4.5% in that period, more than in the previous quarter, May – July 2022, at 4.2%.
- The UK's unemployment increased slightly, from 3.6% in May - July 2022 to 3.7% in August – October 2022.

Source: ONS Labour Force Survey
Latest release: December 2022, Next release: January 2023

Unemployment rate
(16 years and over, resident basis)
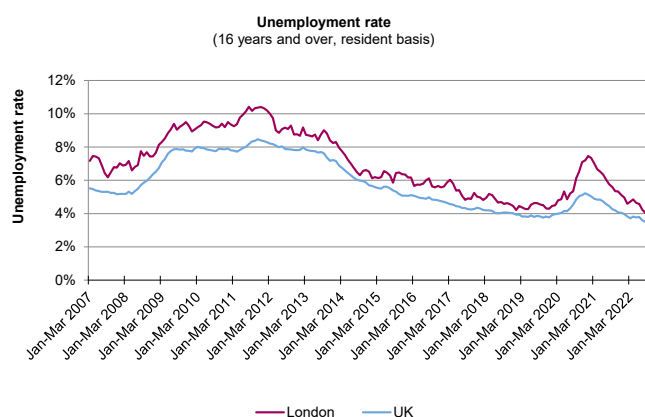
London's economy had surpassed pre-pandemic levels of output by Q1 2022

- By Q1 2022 London's GVA was 0.9% above its pre-pandemic level (Q4 2019), and UK GDP was 0.5% below.
- London's real GVA increased by 1.1% in Q1 2022 - compared with Q4 2021 - after increasing by 3.8% in the previous quarter.
- The UK's real GDP quarterly growth rate for Q1 2022 was 0.7% after increasing by 1.6% in the previous quarter.
- While GDP and GVA are different measures in output their trends have been comparable. UK GDP estimates incorporate a broader range of data than GVA estimates, and so are more robust.
- London's real GVA quarterly estimates for the period Q1 1999 to Q4 2012 have been produced by GLA Economics. Estimates for the intervening period are outturn data from the ONS, which does not publish quarterly estimates for London's real GVA prior to 2013.

Source: ONS and GLA Economics calculations
Latest release: November 2022, Next release: February 2023

**Annual percentage change in real London GVA and UK GDP**

London's year-on-year employment continued to grow in the quarter to October 2022

● Around 4.8 million London residents over 16 years old were in employment during the three-month period of August – October 2022.
● The rate of employment growth in the capital was 0.5% in the year to this quarter, the same rate in the previous quarter to July 2022.
● The change in the UK's employment annual growth rate was 0.8% in the most recent quarter, slower than the rate of 1.2% in the previous quarter.

Source: ONS Labour Force Survey
Latest release: December 2022, Next release: January 2023

Annual percentage change in employment
(16 years and over, resident basis)
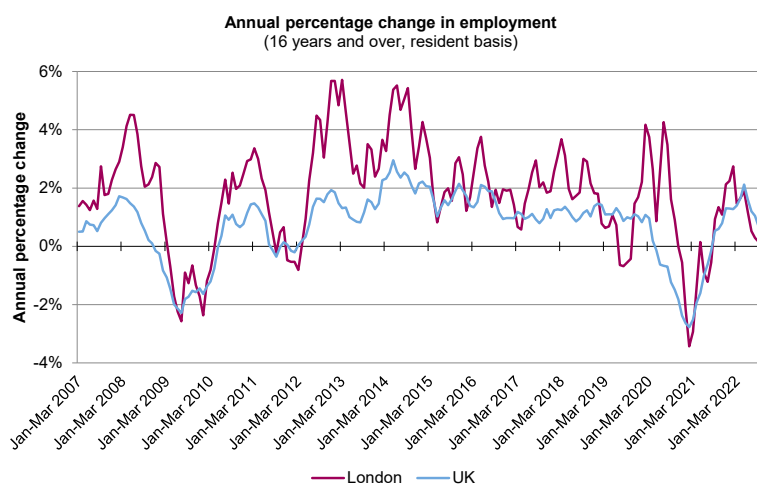
House price growth in London remained positive, but continued to decrease in October

● In October 2022, the average house price in London was £540,000 while for the UK it was £291,000.
● Average house prices in London rose by 6.6% year-on-year in October, less than the rate of 7.1% in September.
● Average house prices in the UK rose by 11.8% in October on an annual basis, higher than the rate of 9.8% in September.

Source: Land Registry and ONS
Latest release: December 2022, Next release: January 2023

Annual percentage change in average house prices
(seasonally adjusted)
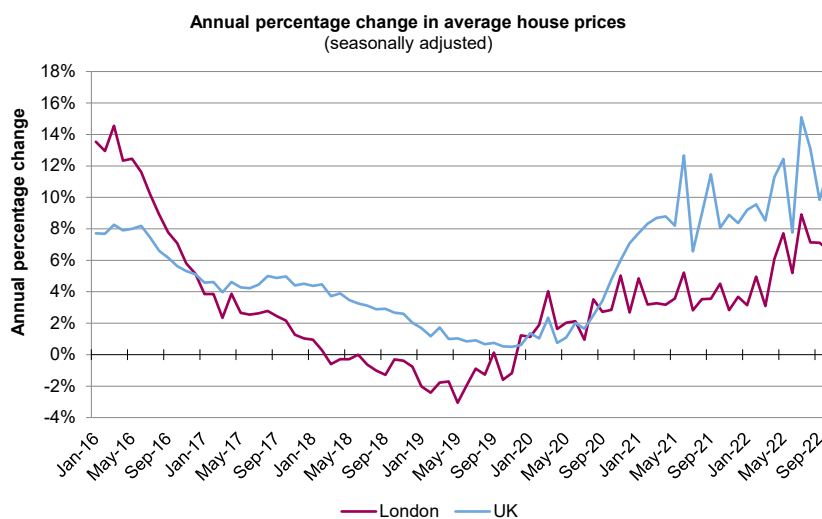
In November, the sentiment of London's PMI business activity index decreased and was negative

● The business activity PMI index for London private firms decreased from 49.7 in October to 48.2 in November.
● The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

Source: IHS Markit for NatWest
Latest release: December 2022, Next release: January 2023

PMI Business Activity Index
(50 indicates no change on previous month)
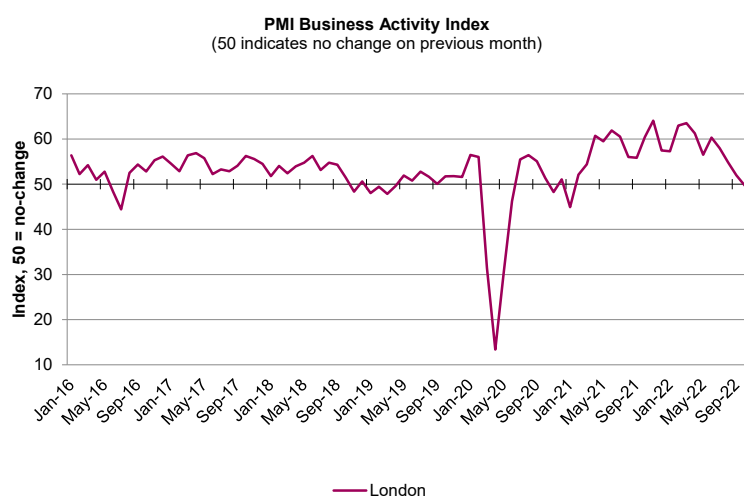
In November the sentiment of London's PMI new business activity index remained marginally negative

● The PMI new business index in London stayed the same at 49.2 in October and November.
● An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

Source: IHS Markit for NatWest
Latest release: December 2022, Next release: January 2023

PMI New Business Index
(50 indicates no change on previous month)
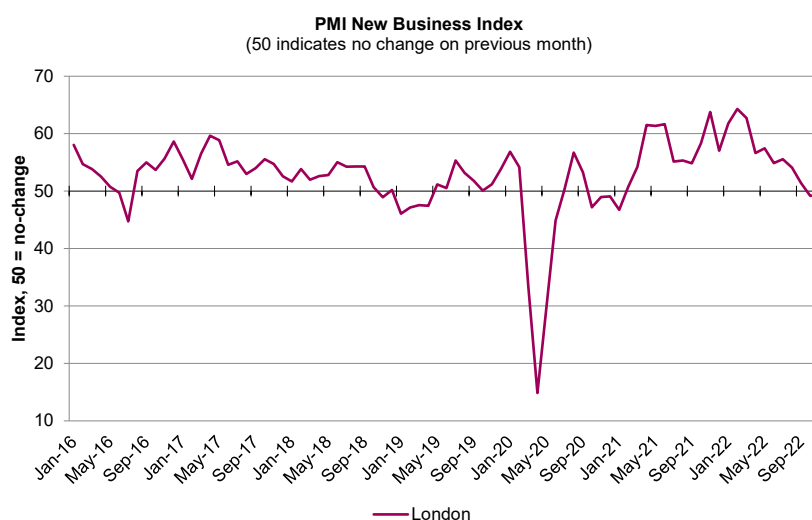
In November, the sentiment of the PMI employment index in London decreased slightly but remained marginally positive

- The Employment Index for London decreased slightly from 52.2 in October to 50.9 in November.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

Source: IHS Markit for NatWest
Latest release: December 2022, Next release: January 2023

PMI Employment Index
(50 indicates no change on previous month)
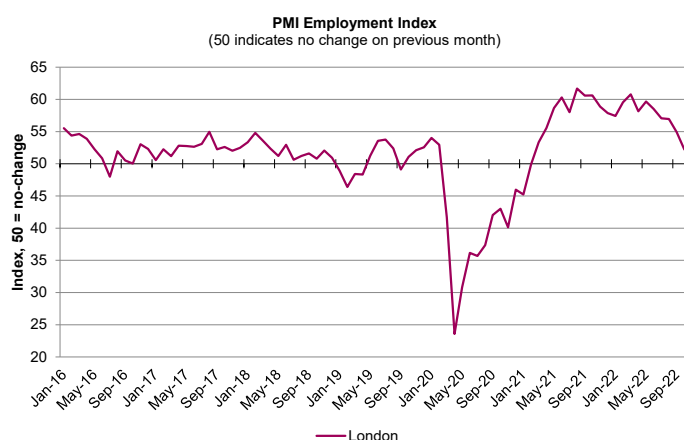
The number of property surveyors in London expecting house price falls in November increased markedly

- In November, property surveyors in London saw an increase in the net balance of those reporting falling prices. The net balance index was -22, and in October it was -3.
- For England and Wales, the RICS house prices net balance index decreased from -2 in October to -25 in November.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: December 2022, Next release: January 2023

RICS house prices net balance
(change in prices during last three months, seasonally adjusted)
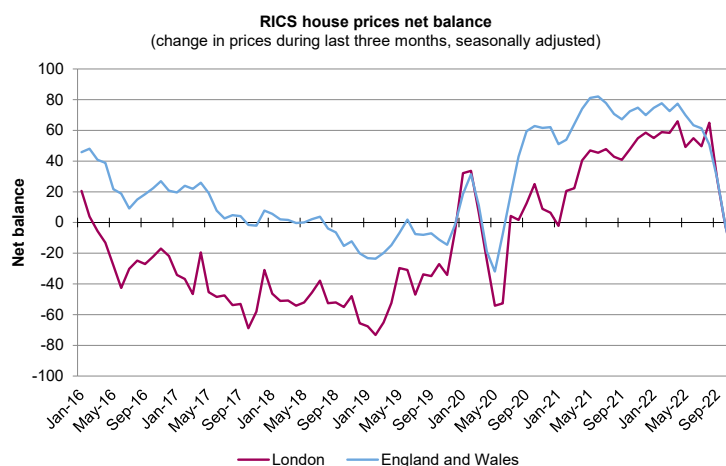
In November, net expectations for house prices in London for the next three months remained highly negative, according to surveyors

- The net balance of house prices expectations in London was -55 in November, slightly higher than the balance of -58 in October.
- The index for England and Wales was -57 in November, lower than the value of -50 in October.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: December 2022, Next release: January 2023

RICS house prices expectations net balance
(change in prices during next three months, seasonally adjusted)
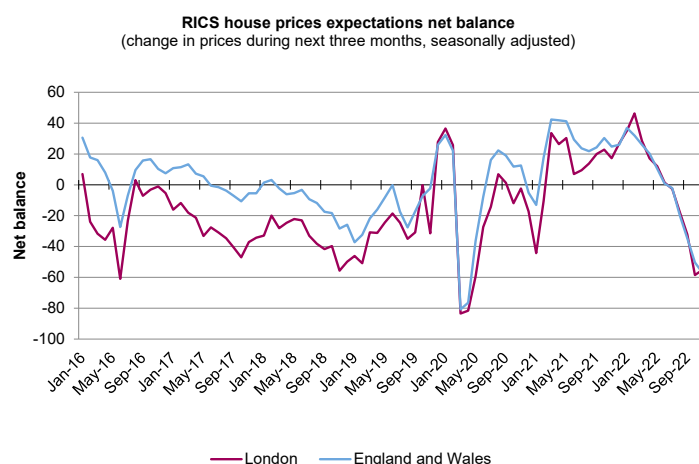
Consumer confidence in London remained strongly negative in December

- The consumer confidence index in London stayed the same at -22 in November and December.
- The sentiment for the UK increased from -44 in November to -42 in December. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.
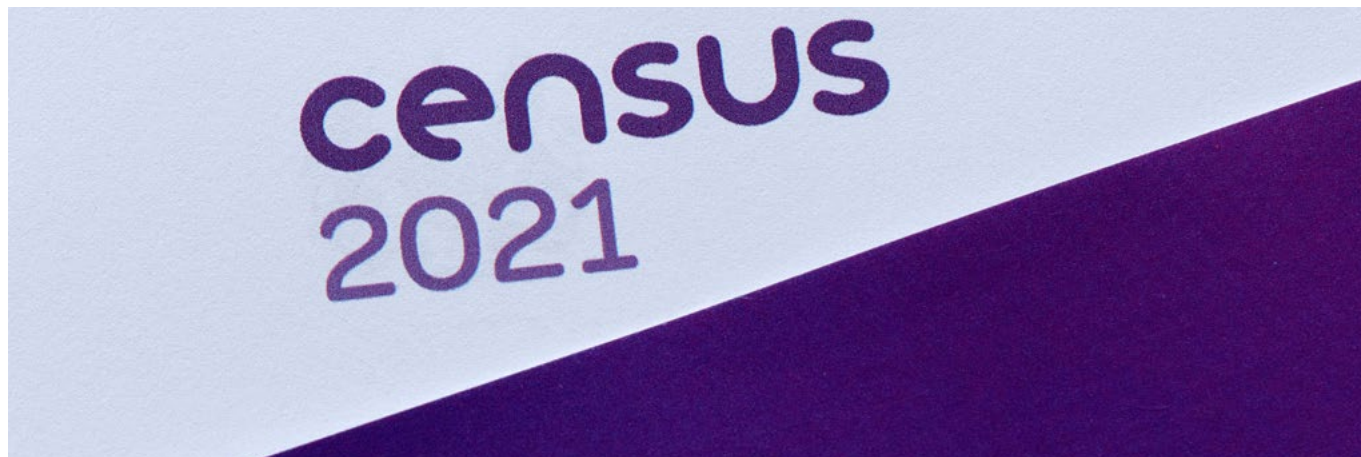
Source: GfK
Latest release: December 2022, Next release: January 2023

Consumer confidence barometer
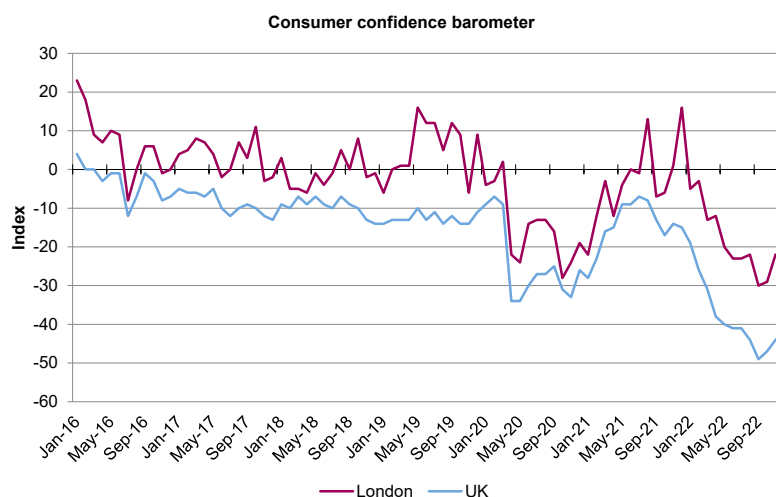
Census 2021 releases on migration and identity November 2022

**Richard Cameron**, Census Data Service Manager

Over November 2022 to January 2023, the Office for National Statistics are releasing the first detailed statistics from the March 2021 census.

Data released in November comprise population and household structures, migration, and identity characteristics. Further releases in December and January will cover labour market, housing, education, sexual orientation and gender identity, and health and unpaid care.

The November releases includes data on people's country of birth and migration to the UK, ethnic group, main language and English proficiency, and Religion.

Total population and households
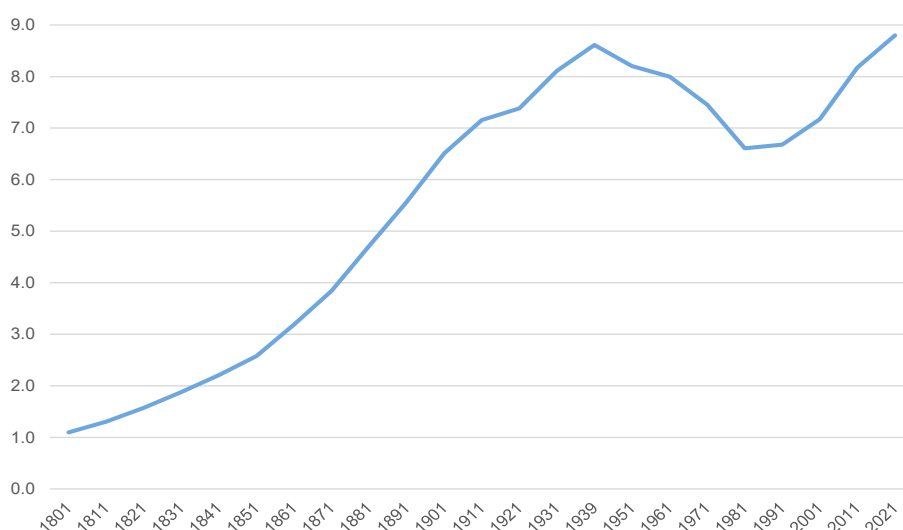
Figure A1: London's population, 1801–2021, (persons, millions)

Source: England and Wales census, ONS
Chart, City Intelligence Unit

- London's population in 2021 was 8.80 million, the largest ever recorded Census total representing an increase 626 thousand (8 per cent) since 2011.

- Tower Hamlets saw the greatest population growth over the decade (22 per cent) followed by Barking and Dagenham (up 18 per cent). Kensington & Chelsea (down nearly 10 per cent), Westminster (-7 per cent) and Camden (-5 per cent) all saw population decreases.

- There were 3.42 million households in London, an increase of 158 thousand (4.6 per cent) since 2011. This was only around half the recorded growth in dwellings over the decade.

- Average household size in London increased over the decade from 2.47 persons per household to 2.54 persons per household, the highest figure of any region.

- The local authority with the largest average household size in England and Wales was Newham (3.02 persons per household) followed by Slough (3.02). Redbridge, Barking and Dagenham, Harrow and Brent all had average household sizes over 2.8 persons per household. Conversely, some boroughs had the smallest average household sizes: City of London was smallest in England and Wales (1.70 persons per household) while Kensington & Chelsea and Westminster were equal fourth smallest at 2.11 persons per household.

- The median age at last birthday for London was 35 years, the lowest of any region. The local authority with the lowest median age in England and Wales was Tower Hamlets (30 years), followed by university towns Nottingham, Cambridge, Oxford and Manchester (all 31 years) then London boroughs Newham and Hackney (both 32 years). Only Bromley and Richmond upon Thames (both 41 years) were higher than the England and Wales figure (40 years)

Country of birth and migration
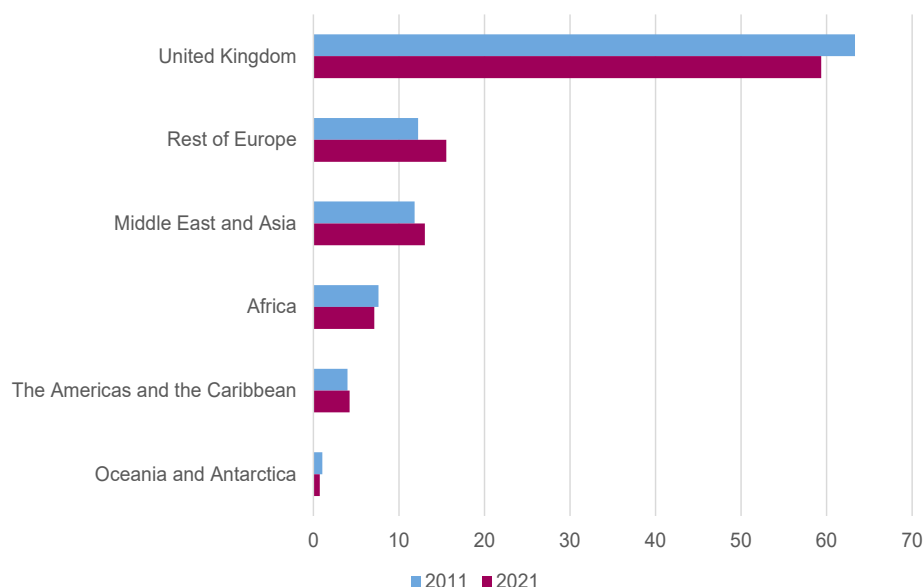
Figure A2: Countries of birth in London, percentage of population, 2011 and 2021

- The number of London residents born outside UK in 2011 was 3.58 million up from 3.00 million in 2011. The proportion non-UK born rose slightly from 37 per cent to 41 per cent. These remained the largest number and highest percentage non-UK born residents of any region.

- 1.37 million London residents were born in Europe outside the UK, 1.15 million were born in the Middle East and Asia and 1.06 million in the rest of the world including Africa, the Americas and Oceania.

- Of the top 20 local authorities with the highest proportions of non-UK born residents, 18 were in London. The areas with the highest proportions were Brent and Westminster (each 56 per cent), Kensington & Chelsea and Newham (each 54 per cent) and Harrow and Ealing (each 51 per cent). The two top 20 local authorities outside London were Slough (44 per cent) and Leicester (41 per cent).

- The top 10 countries of birth for non-UK born Londoners in 2021 were:

  ○ India   323,000
  ○ Romania   176,000
  ○ Poland   149,000
  ○ Bangladesh   139,000
  ○ Pakistan   130,000
  ○ Italy   126,000
  ○ Nigeria   117,000
  ○ Ireland   97,000
  ○ Sri Lanka   80,000
  ○ France   78,000

- The number of Romanian-born nearly quadrupled from 45,000 in 2011 to 176,000 in 2021. Other large increases were Italians up 64,000 over the decade, Indians up 60,000 and Bangladeshis up 29,000. Conversely the number of Irish-born Londoners fell by 33,000, Jamaicans by 12,000 and Australians by 11,000.

- 914,000 migrants, over 10 per cent of London's total population arrived in the UK between 2001 and 2010. 309,000 arrived 2011 to 2013, 434,000 between 2014 to 2016 and 502,000 arrived 2017 to 2020.

- In just the year before Census, 545,000 migrants came to England and Wales from outside the UK, some 0.9 per cent of the total population. London received 150,000 non-UK migrants or 1.7 per cent of the London population.
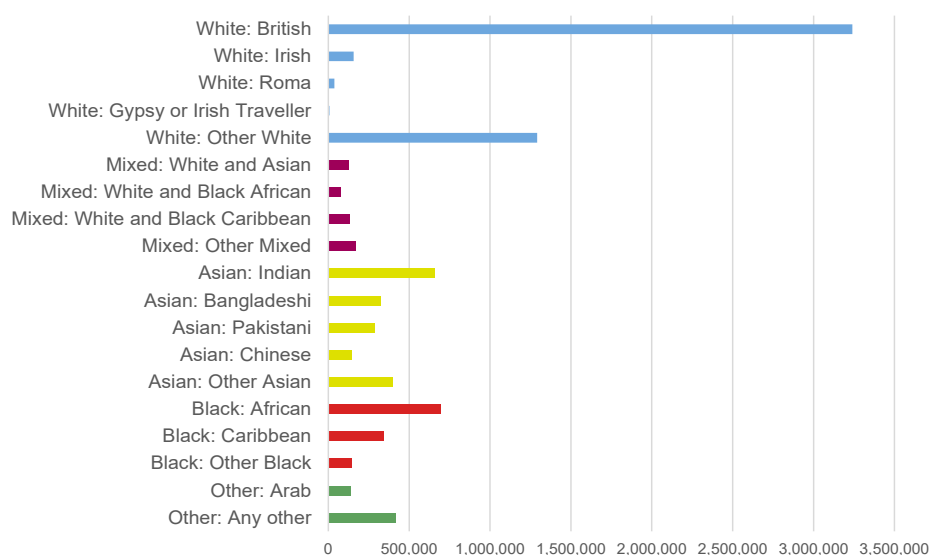
**Figure A3: Ethnic groups in London, counts of population, 2021**

- The top destinations within London were Tower Hamlets (10,500 new migrants), Westminster (9,900), Camden (8,200) and Newham (7,600). Recent migrants made up over 6 per cent of the population of City of London, and nearly 5 per cent in Westminster the highest proportions of any local authorities in England and Wales.

Ethnic group

- In 2021, London's population of 8.80 million comprised 4.73 million White, 1.82 million Asian, 1.19 million Black, 0.51 million Mixed or multiple ethnicities and 0.56 million Other ethnic groups.

- White groups made up 54 per cent of London's population in 2021, a decrease of 6 percentage points since 2011. Of the remaining 46 per cent, Asian groups made up 21 per cent (up 2 percentage points from 2011), and Black groups 14 per cent, a similar share to 2011. Mixed groups increased in share a little from 5 per cent in 2011, to 6 per cent while the share of Other ethnic groups nearly doubled over the decade from 3 to 6 per cent of London's total.

- 3.24 million people, 37 per cent of the total identified as White British. The largest individual groups other than White British were Black African, 697,000 and Indian 656,000. These two groups combined were almost matched by the 1.29 million, 15 per cent of London's population, identifying with Other White groups.

- The largest growth in population over the decade was in Other White groups which increased by 295,000, up from 13 per cent in 2011 to 15 per cent in 2021. 'Other' ethnicities increased 242,000 (from 2 per cent to nearly 5 per cent). Black African increased by 123,000, Indian by 113,000 and Bangladeshi by 99,000. The White British population fell by 430,000 (from 45 per cent in 2011 to 37 per cent in 2021) Other Black fell 24,000, and White Irish 20,000 with the population shares in each case remaining around 2 per cent.

- Black, Asian, Mixed and Other ethnicities made up more than half the total population in ten London boroughs up from six boroughs in 2011. These six boroughs were Newham, Brent, Redbridge, Harrow, Tower Hamlets, and Ealing and these were joined in 2021 by Hounslow, Barking & Dagenham, Hillingdon, and Croydon. As in 2011, Newham had the highest combined proportion of Black, Asian, Mixed and Other ethnicities of any local authority in England and Wales, 69 per cent.

- Over three-quarters of a million (763,000) households in London included individuals from multiple ethnic groups. This was nearly a third (31 per cent) of households with more than person. The next highest proportion was in the South East region (16 per cent multi ethnic group households).

Religion
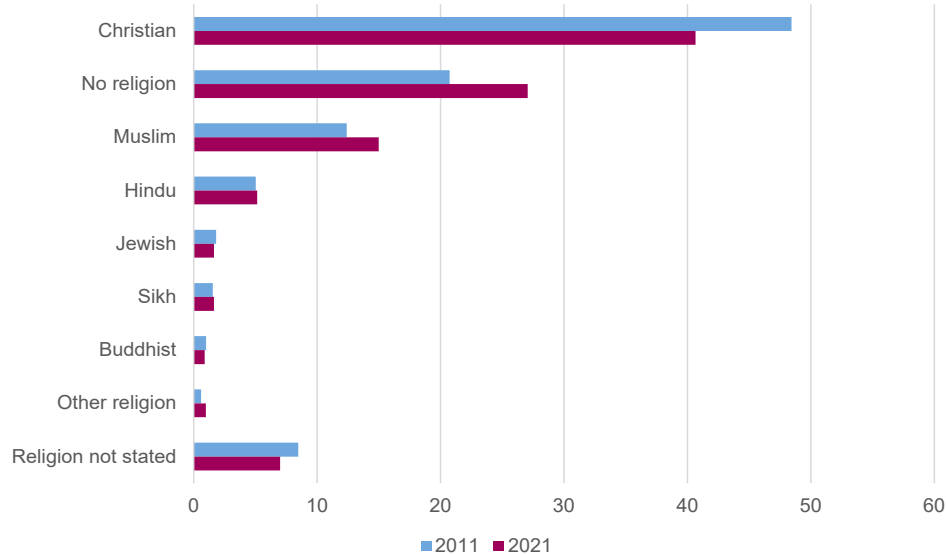
Figure A4: Religions in London, percentage of population, 2011 and 2021

- 3.58 million Londoners reported their religion as Christian, some two-fifths (41 per cent of London's total population). There were 1.32 million Muslims (15 per cent), 453,000 Hindus (5 per cent), and 454,000 (5 per cent) who reported another religion. 2.38 million people stated no religion, a quarter (27 per cent) of all Londoners. The census question on religion is voluntary and 616,000 people (7 per cent of all people) chose not to answer.

- The number of London residents that identified as Christian fell by 380,000 since the 2011 census. This represented a decrease of 7.7 percentage points from 48 per cent of London's population in 2011 to 41 per cent in 2021. Muslims increased by 306,000 (up 2.6 percentage points) and Hindus by 42,000 (a marginal 0.1 percentage points increase). However, the largest change was in people reporting no religion, up 686,000 over the decade from 21 per cent in 2011 to 27 per cent in 2021.

- Despite the fall in overall numbers, Christian was the most prevalent religion in every borough except Tower Hamlets and Redbridge. In two boroughs, Havering (52 per cent) and Bexley (50 per cent), Christians constituted a majority of the total. In Camden, City of London, Hackney, and Islington there were more residents reporting no religion than reported Christian.

- In Tower Hamlets and Redbridge, Islam was the most widespread religion (124,000 Muslims in Tower Hamlets and 97,000 in Redbridge); there were also 122,000 Muslims in Newham.

- Sikhs and Jews each accounted for less than 2 per cent of London's population, and Buddhists less than 1 per cent, as did all other religions combined. At borough level, Sikhs were most numerous in Hillingdon, Hounslow, and Ealing (around 8 per cent of the population in each borough), Jews were most numerous in Barnet (15 per cent), while Hindus made up more than one in four of Harrow's population.

Language and English Proficiency
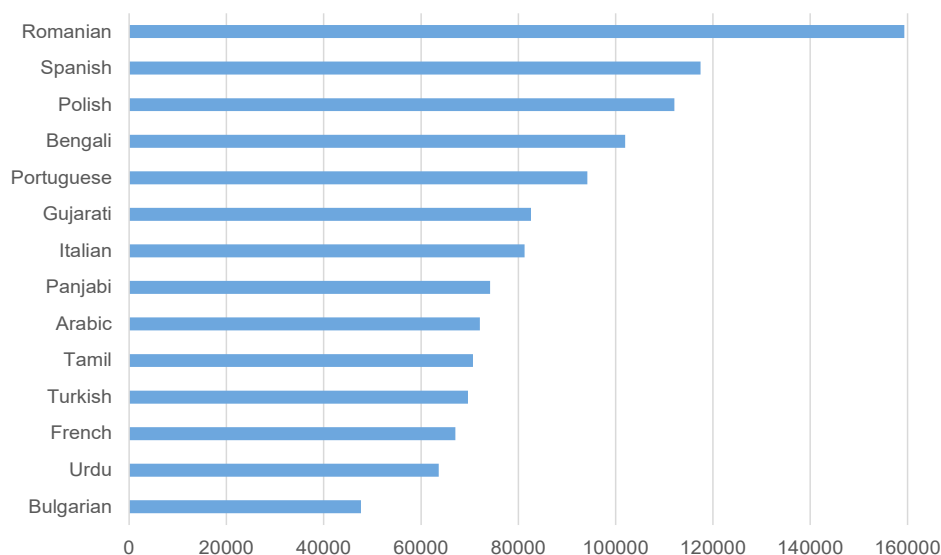
Figure A5: Languages (other than English) spoken by more than 40,000 people in London, 2021

- 1.83 million London residents aged 3 and over reported a main language other than English. This was over a fifth (22 per cent) of London's population. For England excluding London, 7 per cent reported a main language other than English.

- Top main languages other than English in London were Romanian with 159,000 speakers, Spanish (117,000), Polish (112,0000) and Bengali (102,000).

- Romanian speakers increased the most over the decade since 2011 up 120,000. Other increases were Spanish, up 46,000 speakers, Italian (up 32,000), Bulgarian (up 25,000) and Portuguese (up 23,000). The numbers of Polish-speakers fell by 36,000, as did those speaking Gujarati (down 19,000), Somali (down 18,000) and French (down 17,000).

- The main language spoken by most residents in an individual borough was Bengali spoken by 33,000 residents of Tower Hamlets, a tenth of the borough's total population. Bengali was also the main language for 21,000 residents of Newham. Numbers using other languages include Gujarati, spoken in Brent by 22,000 residents and Harrow (17,000); Romanian in Harrow (19,000), Newham (18,000) and Brent (16,000). Ealing had the most Panjabi speakers (17,000) and Polish speakers (15,000).

- The majority of Londoners with a main language other than English reported they were able to speak English very well (840,000, 46 per cent) or well (636,000, 35 per cent) but a fifth could not speak English well (303,000, 17 per cent) or at all (52,000, 3 per cent). This means that around 4 per cent of London's residents could not speak English well or at all.

- Boroughs with the highest numbers of residents that could not speak English well or at all were Newham (27,000), Brent (25,000), Ealing (23,000) and Enfield (21,000).

Our latest publications

We publish regularly on the state of London's economy, providing the latest economic data for London and interpret how this may affect policy. This includes analysis of recent developments in London's economy and forecasts for the next couple of years.

We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

We analyse recent developments in London's labour market, by sector and borough.

View all the GLA Economics publications on our website.

The State of London

This new report by GLA City Intelligence brings together a wide range of outcome data relevant to the work of the Mayor and the London Assembly, which will also be of interest to other stakeholders in London.

Download the full publication.

Cost of living - August 2022 update

The cost of living crisis in London threatens to widen existing inequalities, halt the economic recovery from the pandemic and leave many unable to afford necessities.

This report (and accompanying online blog) builds on previous work at the start of this year to set out an evidence base on the impact of the cost of living crisis on Londoners.

Download the full publication.

London's Economic Outlook: Autumn 2022

GLA Economics' 41st London forecast suggests that:

London's real Gross Value Added (GVA) growth rate is forecast to be 6.9% due to the rebound from the COVID-19 crisis. Growth is expected to fall by 0.8% in 2023 due to the cost of living crisis before improving to growth of 1.5% in 2024.

Download the full publication.

About GLA Economics
GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.

MAYOR OF LONDON