GLAECONOMICS

London's Economy Today

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Cost of living crisis not easing yet, despite Government measures

By **Gordon Douglass**, Supervisory Economist, **Mike Hope**, Economist, and **James Watson**, Economist

Inflation rose unexpectedly in February, with signs that some price pressures may take longer to ease. Consumer Price Index (CPI) inflation unexpectedly hit 10.4% year-on-year last month, up from 10.1% in January.

The three main reasons were prices for restaurants and cafes, food and clothing. Alcohol served in restaurants, cafes and pubs saw prices rise particularly sharply, partly due to January discounts ending. But buying food at the shops offered no relief, with food and drink price inflation up to a 45-year high of 18.2%. While some of the hit came from short-term factors, like vegetable shortages, the figures are still a worrying reminder that price pressures remain widespread across the economy. Even if we strip out volatile energy and food prices, inflation is accelerating, which creates challenges for monetary policy. Core non-energy, non-food inflation rose to 6.2% year-on-year from 5.8% in January (Figure 1).

While the headline inflation news was discouraging, this month's Budget offered some relief for the cost of living. Most importantly, the Energy Price Guarantee (EPG) will continue to cap unit costs so that the average annual household bill will hold below £2,500. The original cap would have raised the threshold to £3,000 in April. But falling global wholesale prices for gas made hiking the threshold seem out of step with global economic conditions, and increasingly unnecessary as a measure to curb the cost of the scheme for the Exchequer. Between extending the EPG and freezing fuel duty, the Office for Budget Responsibility (OBR) estimated that Budget measures should cut 0.7

Also in this issue

Datastore

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

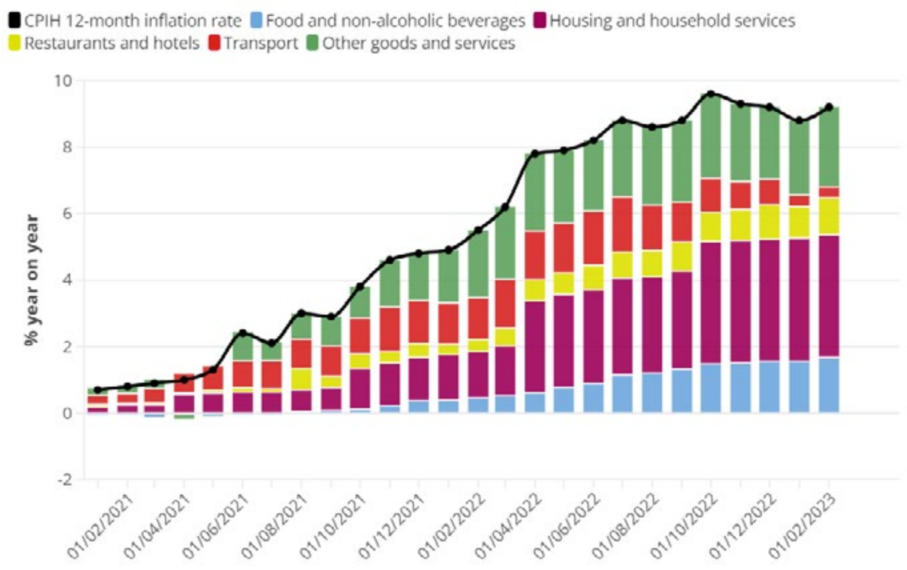


Figure 1: Contributions to UK CPIH inflation

Source: GLA Economics, Office for National Statistics

percentage points off inflation this year. Meanwhile, uprating benefits and the National Living Wage in line with inflation will offer help to those on low incomes.

Extending the EPG on its current terms should offer some relief to the poorest Londoners. Lower-income households typically devote more of their spending to energy bills, so the measure will give the most help to those on the lowest incomes. Using data on the different spending shares, the richest households in the UK may be experiencing inflation nearly 4 percentage points lower than the poorest households. Holding the EPG steady should roughly halve the gap by April, while raising it would have kept it nearly the same.

Other measures have a more mixed impact on low-income Londoners. Those in the capital are likely to get less relief from the freeze on fuel duty, as on average London households use cars less and public transport more. But Londoners may be more likely to benefit from banning higher costs for prepayment meters, as the capital has the lowest share of energy bills paid by direct debit in the UK. Households with prepayment meters are also disproportionately the poorest, and tend to be renters.

Inflation has some way to go before it returns to more normal levels. The OBR projected earlier this month that price rises would be around 3% by the end of this year, but the latest figures present upside risks to that forecast. What is more, even as inflation comes down, many of the poorest households will still be left struggling. Whether due to higher debt, poorer health or simply an ongoing squeeze as real incomes fall and costs stay high, the cost of living crisis will last some time.

Bank of England raises interest rates for the 11th time in a row

Continuing high inflation may have increased the Bank of England's nervousness about 'second-round effects' where households and businesses come to expect higher inflation in future and bid up wages and prices. The minutes from the March 2023 meeting of the Bank's Monetary Policy Committee (MPC) did note however that inflation "remains likely to fall sharply over the rest of the year".

Still views of the members of the MPC are likely mixed on this issue. Thus Catherine Mann, thinks today's high inflation will change the way households build their expectations in future, demanding stronger monetary tightening than current data suggest. However, other policymakers, such as Swati Dhingra, have previously pointed out that most of this 'core' inflation increase is still due to how import prices boost producer costs. And long-term inflation expectations did fall in the most recent Bank of England survey. Raising interest rates is also exposing weaknesses in some bank balance sheets, leading to financial sector jitters (see below).

Balancing these views, the Bank raised interest rates for the 11th time in a row this month, with rates rising to 4.25% from 4.0%. However, this was a smaller increase than the 0.5% hike in February, and many commentators feel that the current round of increases may be approaching an end.

Looking forward the Bank now expects the UK to avoid a technical recession. Policymakers continue to expect the economy to contract by 0.1% in Q1 2023. However, unlike in February, the Bank now thinks that GDP "will increase slightly in the second quarter, compared with the 0.4% decline" they had previously expected.

UK economic outlook improves, but stagnation still likely ahead

The OBR's new set of forecasts accompanying the Budget showed an improvement in the outlook for the UK economy. Among the key headlines, perhaps the most eye-catching was the assertion, like the Bank's later in the month, that the UK would ultimately avoid a recession. Forecasts for GDP, unemployment and inflation all improved, and the better outlook formed the foundation of spending increases and tax cuts. But there are some important caveats. The UK economy is still expected to stagnate this year, real incomes face their worst squeeze in decades and the share of interest spending and taxes in the economy is headed up.

In terms of the overall economy, the OBR's forecast for GDP has picked up, but the UK economy is still expected to shrink by 0.2% across 2023 overall. Growth then picks up to 1.8% in 2024 and 2.5% in 2025. The combination of the changes across the next five years leaves GDP 0.5% higher in the longer term than at the November 2022 forecast. This is mainly down to improved assumptions around medium-term energy prices and higher inward migration. But the Government's labour market policies, including more free childcare (see below), benefits changes and training schemes, are also expected to boost employment.

CPI inflation is set to fall to below 3% by the end of this year in their baseline and below 1% by the middle of next year. While unemployment is set to climb to a peak of around 4.4% in 2024, this is down from an expected peak of 4.9% in the previous forecast. That amounts to 170,000 fewer people unemployed between the new projections and the old.

Yet not all is well in the OBR's forecast. Despite lower inflation and lower unemployment, the OBR still projects that we are in the middle of the worst two-year drop in real incomes since records began in the mid-1950s, at -5.7%.

The OBR's projections are also quite optimistic compared to most other professional forecasts. This points to downside risks, and the OBR's own fan chart envisions a one in five chance the UK economy could fail to return to growth in the entire forecast (Figure 2).

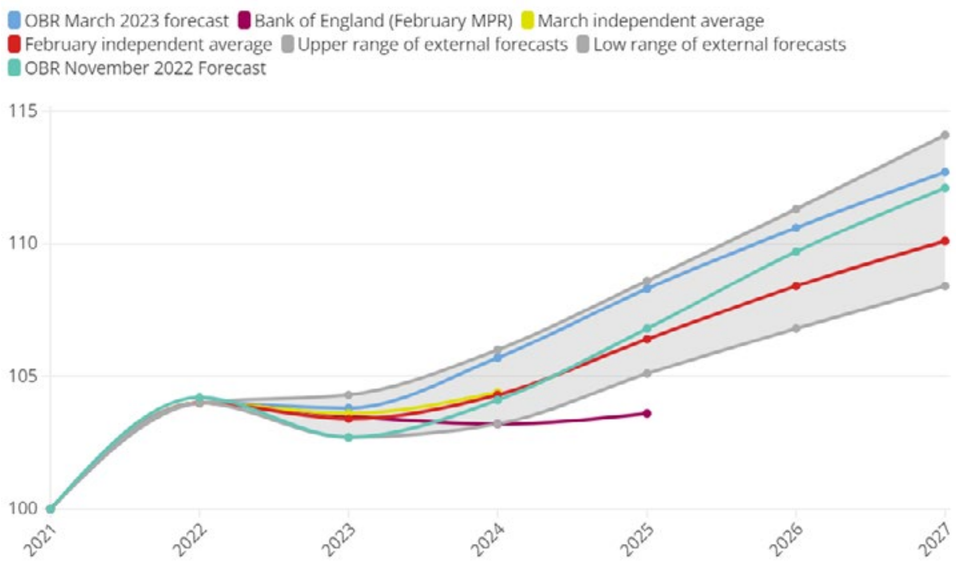


Figure 2: The OBR's GDP projections in comparison with other professional forecasts

Source: Office for Budget Responsibility

Even if downside risks remain, the OBR's profile points to potential upward revisions to our forecasts for London's economy. Overall, we think that due to higher average incomes, lower energy bills and less pessimistic consumers, London is better placed to avoid a recession than the wider UK.

On the fiscal side, the OBR projects that public sector net borrowing (PSNB) will be 5.1% of GDP in the coming fiscal year (£131.6 billion). This is certainly a large deficit compared to pre-pandemic levels, but it is down from the estimated deficit of 6.1% of GDP in the fiscal year just ending. The OBR project that borrowing will ease steadily to a deficit of 1.7% of GDP by 2027-28, which is well below November's expectation of 2.4% of GDP. Meanwhile debt as a share of GDP (excluding the Bank of England) is set to rise from just under 89% of GDP in 2022-23 to just under 95% of GDP by 2026-27. Debt then eases slightly to 94.6% of GDP in 2027-28.

While the deficit and debt profiles are both improved from the November forecasts, there are still clear signs that fiscal policy is in a tight spot. Debt interest spending as a share of GDP is increasing. By 2027, this measure is set to hold highs not sustained since the late 1980s. Meanwhile, the tax take required to keep the fiscal accounts trending in the right direction is large. Government revenues are projected to rise sharply to nearly 38% of GDP by 2027 – the highest levels since immediately after the Second World War. At the same time, this would still place the UK below many European peers.

Chancellor announces extension of free childcare

The OBR forecasts were published alongside the Budget which the Chancellor delivered on 15 March. Beyond the already discussed measures on the cost of living crisis other measures of interest to London included that the government will extend the scheme of offering 30 hours of free childcare to children from the age of 9 months, in addition to the current scheme which covers children aged 3-4 years old. The scheme will be extended gradually, with the full 30 hours offer only applying to all eligible working parents from September 2025. Parents on Universal Credit will also receive funding for childcare costs upfront rather than claiming it back in arrears and will also be able to receive a higher level of support.

Beyond this the other headline grabbing announcement was that the government will remove the threshold capping the "tax-free" pensions Lifetime Allowance from April 2023 and abolishing it from 2024. It has been observed that this change is likely to disproportionately benefit wealthier individuals. The Chancellor also announced that the pension contributions Annual Allowance will increase to £60,000 (from £40,000).

However, the Budget had no new devolution announcements specific to London, although it remains to be seen how the trailblazer deals for Greater Manchester and the West Midlands would affect London's local government powers going forward. A refocused Investment Zones programme was also announced. This would concentrate on 12 "knowledge-intensive" growth clusters across the UK, although none of these are in London. There was however £8.4 million in regeneration funding for Waltham Forest. And Mayoral Combined Authorities and the Greater London Authority will share £161 million for regeneration projects.

Jitters around the stability of some banks

Global interest rates have been rising over the last year or so and this has led to challenges for some banks whose asset profiles had adapted to the low interest rate environment of the last decade or more. Thus, mid-March saw the US Federal Deposit Insurance Corporation take over Silicon Valley Bank (SVB), a bank that focused on the tech industry, after depositors withdrew $42bn in a single day. That was around a quarter of the Bank's total deposits. This followed on from an unsuccessful share sale to raise additional capital for the bank. The collapse of SVB required the UK government and Bank of England to organise the fire sale of its UK subsidiary, SVB UK, to HSBC for £1. There were worries that without this sale a number of UK tech firms would have faced serious trouble.

Following this collapse, attention focused on Credit Suisse, which had been facing challenges for a few years. Concerns were raised further when the Saudi National Bank, its largest shareholder, said in March that it would not provide any further funding. This led the bank to announce plans to borrow 50bn francs from the Swiss National Bank. However this was seen as insufficient to guarantee the stability of the bank and led to UBS announcing that it was taking over Credit Suisse.

Despite this banking uncertainty, in the minutes to the MPC meeting the Bank of England noted that its Financial Policy Committee (FPC) "judges that the UK banking system maintains robust capital and strong liquidity positions, and is well placed to continue supporting the economy in a wide range of economic scenarios, including in a period of higher interest rates. The FPC's assessment is that the UK banking system remains resilient". Nevertheless, bank shares remained jittery at the end of March.

Notwithstanding these issues the OECD has called for central banks to "stay the course" and to continue raising interest rates. In particular it observed that "interest rate increases are still needed in many economies, including the United States and the euro area. With core inflation receding slowly, policy rates are likely to remain high until well into 2024".

OECD upgrades its world economic outlook

Looking at the global economy the OECD has improved their global growth forecast for this year and next. They now forecast global growth of 2.6% in 2023 and 2.9% in 2024 upgrades of 0.4 percentage points (pp) and 0.2pp respectively on their previous forecast. The Eurozone is forecast to grow by 0.8% (0.3pp higher than previously forecast) this year and 1.5% (0.1pp higher than previously) next year. While the US is expected to grow by 1.5% in 2023 (1.0pp higher than previously forecast) and 0.9% in 2024 (-0.1pp lower than previously). The forecast for UK growth was significantly lower than these forecasts this year with the economy expected to contract by 0.2% in 2023 (although this was 0.2pp higher than previously forecast) before growing by 0.9% in 2024 (0.7pp higher than previously).

Looking at global inflation they project it "to moderate gradually over 2023 and 2024 but to remain above central bank objectives until the latter half of 2024 in most countries. Headline inflation in the G20 economies is expected to decline to 4.5% in 2024 from 8.1% in 2022. Core inflation in the G20 advanced economies is projected to average 4.0% in 2023 and 2.5% in 2024". Despite this expected improvement they note that inflationary risks are "tilted to the downside".

Study argues London has impacted on poor UK productivity

A report from the Centre for Cities which was published this month has argued that a significant factor affecting the slow growth of UK productivity since the financial crisis has been the slow growth of productivity in London. It thus noted that between 2007 and 2019 productivity in "the Capital grew by just 0.2 per cent per year, accounting for 42 per cent of the overall slowdown nationally". They argue this is a productivity performance that lags London's global competitors. And they therefore observe that if London's productivity had kept up with cities such "as New York, Paris, Stockholm and Brussels (all of which performed better than their respective national average) this would have added £54 billion to the UK economy in 2019 alone, which would have generated an extra £17 billion for the exchequer to spend". In terms of what has happened to the capital's productivity growth, they argue it's hard to pinpoint but note that "rising costs for office space appear to have been eating up business budgets and crowding out investment associated with innovation". While, "increasing housing prices and a restrictive migration policy also appear to have reduced London's ability to compete for global talent".

Still, despite the current slowdown of the economy the number of workforce jobs in London continued to rise in the latest data and this was at a faster pace than the rest of the UK. However, the employment rate (which declined) and inactivity rate (which increased) provide a more cautionary note in the latest labour market data for the capital.

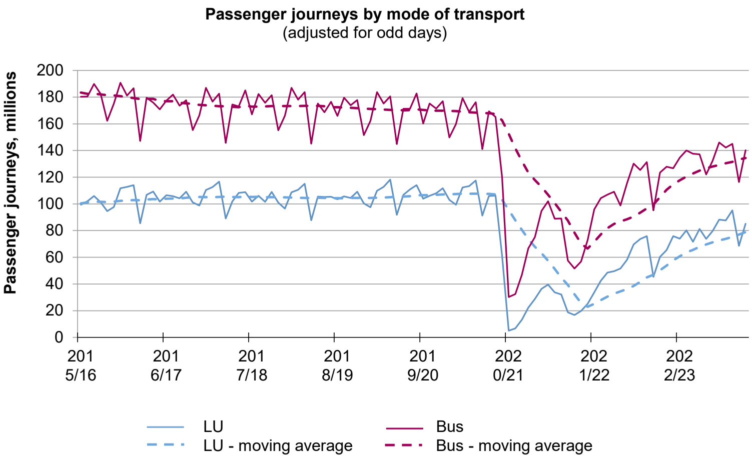
GLA Economics will continue to monitor all these aspects of London's economy over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

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

- 225.5 million passenger journeys were registered between 8 January 2023 and 4 February 2023, 40.6 million journeys more than in the previous period. 184.8 million passenger journeys were registered between 11 December 2022 and 7 January 2023.
- In the latest period, 85.2 million of all journeys were underground journeys and 140.3 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose from 210.2 in the previous period to 213.4 in the latest period.

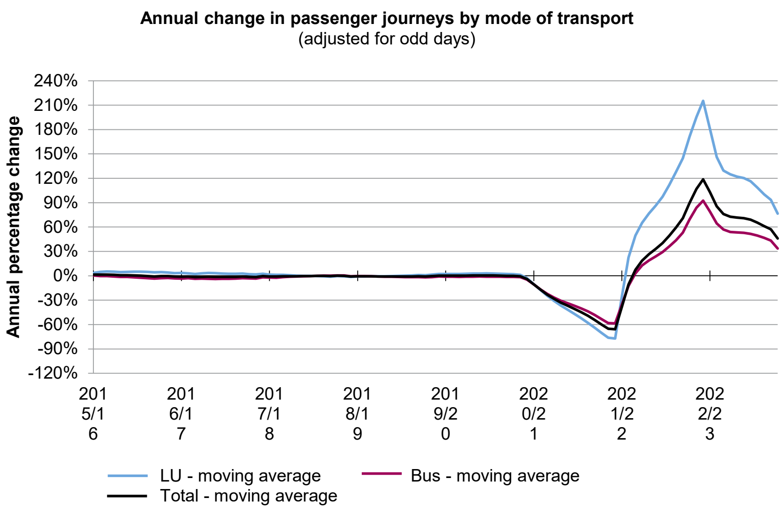
Source: Transport for London
Latest release: March 2023, Next release: April 2023



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 45.9% between 8 January 2023 and 4 February 2023, down from 57.1% between 11 December 2022 to 7 January 2023.
- The moving average annual growth rate of bus journeys decreased from 43.3% to 33.6% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 93.4% to 76.6% between those periods.

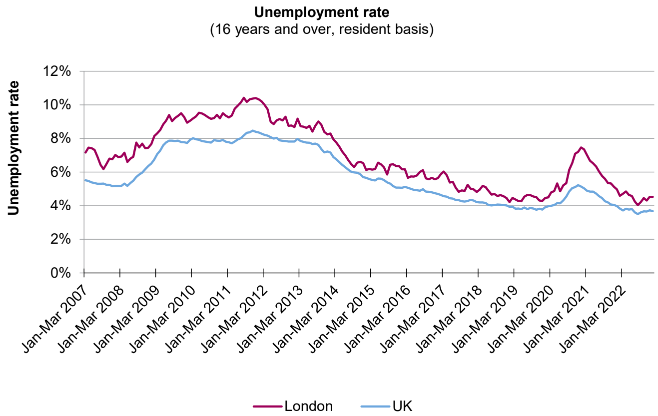
Source: Transport for London
Latest release: March 2023, Next release: April 2023



London's unemployment rate remained low in the quarter to January 2023

- Around 226,000 residents 16 years and over were unemployed in London in November – January 2023.
- The unemployment rate in London was 4.5% in that period, the same as in the previous quarter, August – October 2022.
- The UK's unemployment also remained the same at 3.7% in August - October 2022 and November – January 2022.

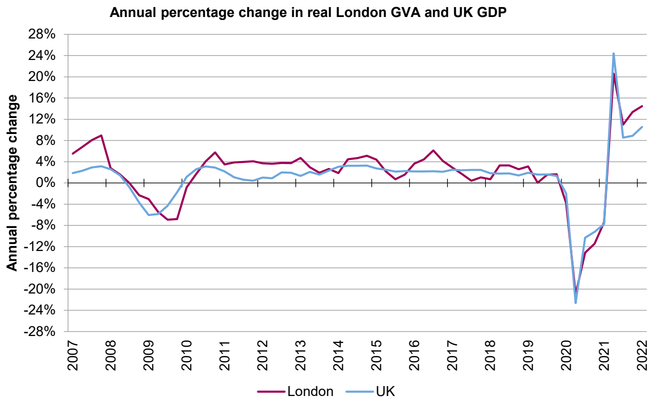
Source: ONS Labour Force Survey
Latest release: March 2023, Next release: April 2023



London's economy had surpassed pre-pandemic levels of output by Q4 2021, and continued to grow in Q2 2022

- By Q2 2022 London's GVA was 2.7% above its pre-pandemic level (Q4 2019), and UK GDP was 0.6% below.
- London's real GVA increased by 1.2% in Q2 2022 - compared with Q1 2022 - after increasing by 1.1% in the previous quarter.
- The UK's real GDP growth rate in the quarter to Q2 2022 was 0.1% after increasing by 0.5% 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 is 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.

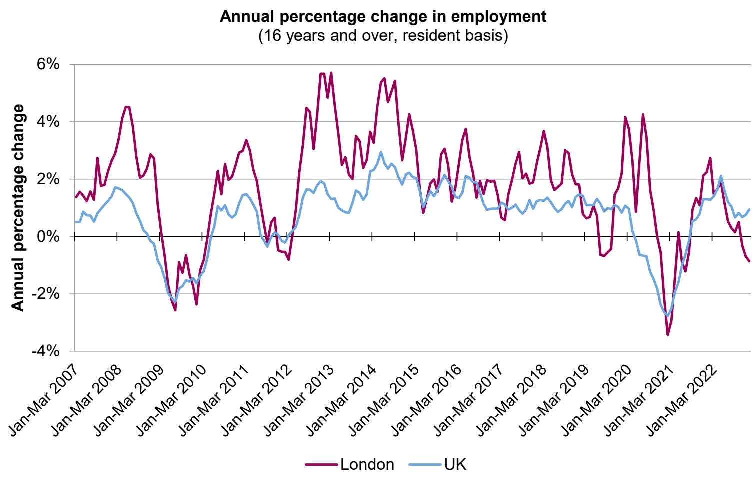
Source: ONS and GLA Economics calculations
Latest release: February 2023, Next release: May 2023



London's employment growth remained negative in the quarter to November 2023

- Around 4.8 million London residents over 16 years old were in employment during the three-month period of November – January 2023.
- The rate of employment growth in the capital declined to -0.9% in the year to this quarter, lower than in the previous quarter to October 2022 of 0.5%.
- The change in the UK's employment annual growth rate was 0.9% in the most recent quarter, slightly faster than the rate of 0.8% in the previous quarter.

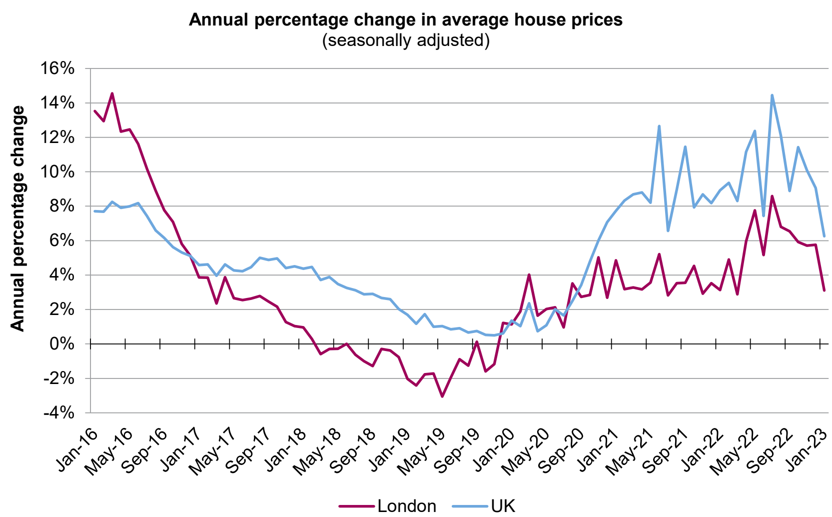
Source: ONS Labour Force Survey
Latest release: March 2023, Next release: April 2023



House price growth in London remained positive, but continued to slow in January

- In January 2023, the average house price in London was £530,000 while for the UK it was £288,000.
- Average house prices in London rose by 3.1% year-on-year in January, less than the rate of 5.8% in December.
- Average house prices in the UK rose by 6.3% in January on an annual basis, lower than the rate of 9.1% in December.

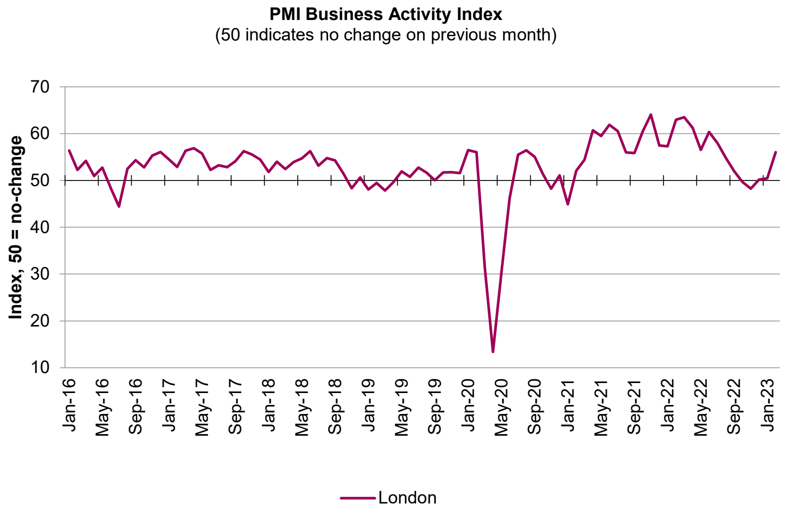
Source: Land Registry and ONS
Latest release: March 2023, Next release: April 2023



In February, the sentiment of London's PMI business activity index remained positive and improved

- The business activity PMI index for London private firms increased from 50.5 in January to 56.0 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.

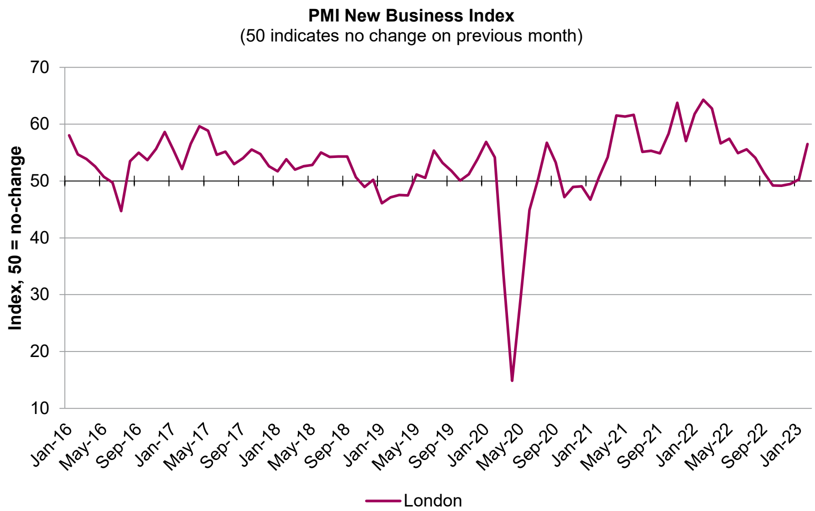
Source: IHS Markit for NatWest
Latest release: March 2023, Next release: April 2023



In February the sentiment of London's PMI new business activity index remained positive and improved

- The PMI new business index in London increased from 50.2 in January to 56.5 in February.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

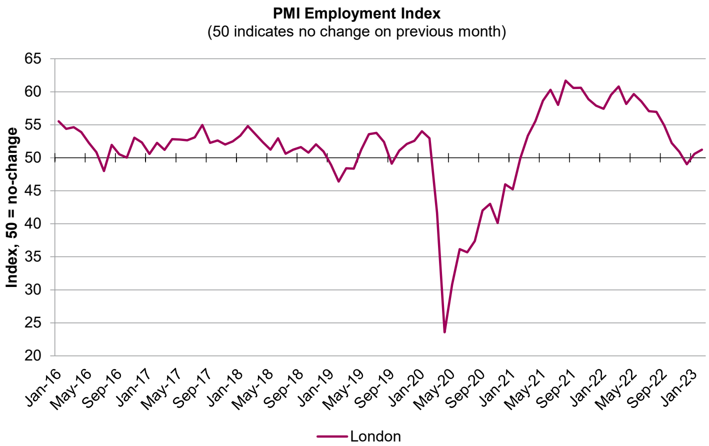
Source: IHS Markit for NatWest
Latest release: March 2023, Next release: April 2023



In February, the sentiment of the PMI employment index in London increased slightly and remained marginally positive

- The Employment Index for London increased slightly from 50.6 in January to 51.2 in February.
- 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.

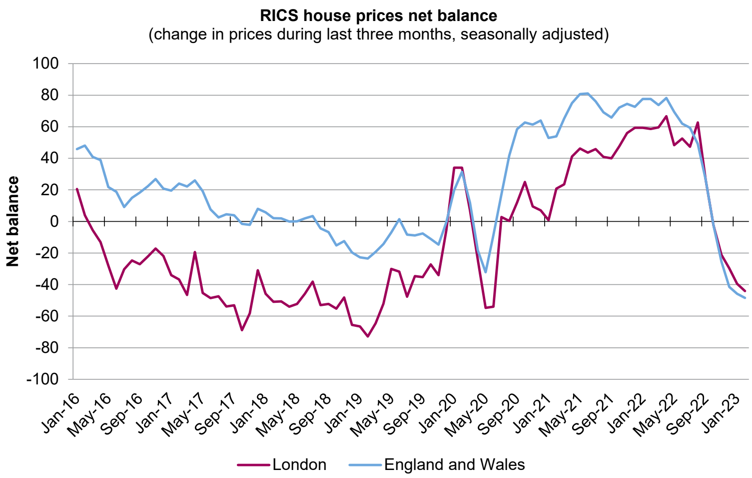
Source: IHS Markit for NatWest
Latest release: March 2023, Next release: April 2023



The number of property surveyors in London expecting house price falls in February increased slightly

- In February 2023, more property surveyors in London reported falling prices. The net balance index was -44 and in January 2023 it was -40.
- For England and Wales, the RICS house prices net balance index decreased from -46 in January to -48 in February.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

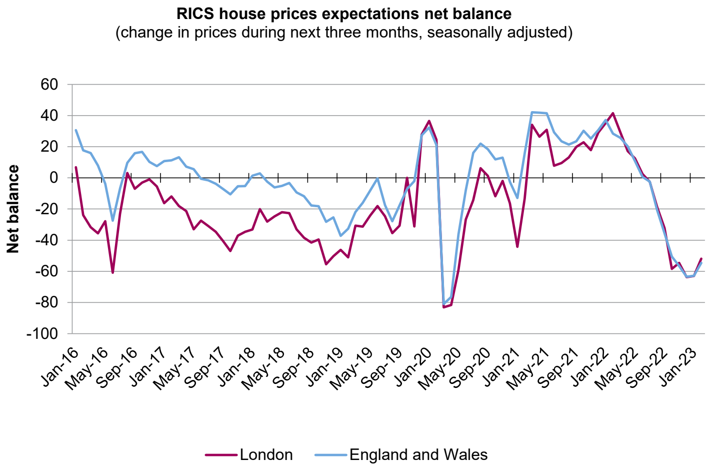
Source: Royal Institution of Chartered Surveyors
Latest release: March 2023, Next release: April 2023



In February, net expectations for house prices in London for the next three months increased but remained highly negative, according to surveyors

- The net balance of house prices expectations in London was -52 in February 2023 up from -66 in January 2023.
- The index for England and Wales was -63 January and -55 in February.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

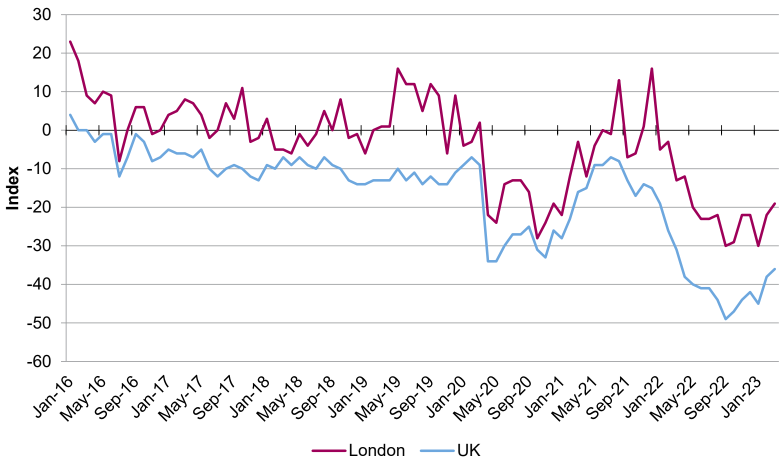
Source: Royal Institution of Chartered Surveyors
Latest release: March 2023, Next release: April 2023



Consumer confidence in London improved but remained negative in March

- The consumer confidence index in London improved from -22 in February to -19 in March.
- The sentiment for the UK increased from -38 in February to -36 in March. 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: March 2023, Next release: April 2023



Post-pandemic international visitors to London

By **Mike Hope**, Economist

Last Summer there was a significant recovery in international tourism after it nearly fell to nothing during the pandemic. This supplement reports on what is driving those trends, and how they differ from pre-pandemic trends.

GLA Economics also publishes tourism forecasts for both domestic and international visitors. This analysis will feed into the development of the next set of forecasts.

The data

This analysis uses data from the Office for National Statistics (ONS) International Passenger Survey. Data collection ceased during 2020, and has been re-introduced in stages. There was no interviewing at Dover until October 2021, and none at the Eurotunnel until July 2022 – interviews with Eurostar passengers re-started in 2021. This means that only the Q3 2022 data provides a complete picture of international tourism. To provide an indication of the potential importance of these factors, in 2019 all tunnel crossings on visits to London accounted for 22% of all visits from Europe, and sea crossings (which will include crossings to other ports from elsewhere in Europe, such as Ireland and Holland, as well as France) accounted for 9% of all visits. The small number of travellers in 2021 also had the consequence that the number of interviews were insufficient to provide some of the breakdowns available for earlier years and 2022.

Trends by market

Prior to the pandemic in 2019 there were 21.7 million visitors to London, who stayed 118.9 million nights, and spent £15.7 billion. Europeans accounted for 56% of stays, 44% of nights, and 38% of spend. The corresponding figures for North Americans are between 15% and 18% (Table A1). These are the two largest markets for visitors to London.

Table A1: International visitors to London by market, 2019

	Numbers			Shares		
	stays	nights	spend	stays	nights	spend
	(million)	(million)	(£ billion)	% of total	% of total	% of total
Europe	12.2	52.2	5.9	56%	44%	38%
North America	3.6	17.5	2.9	17%	15%	18%
World	21.7	118.9	15.7	100%	100%	100%

Source: ONS International Passenger Survey

As well as significant seasonal variation in travel patterns there is also marked changes over time. Figure A1 takes account of seasonal variation by comparing visitor nights for a quarter compared with the same quarter in 2019 – this is the approach adopted throughout for analysis over time. Over the period 2002 to 2019 the numbers of visitor nights increased steadily, but this was not uniform across markets. For Europe, numbers rose before declining after 2013. For North America, visitor nights declined to 2009 before holding fairly steady, and picking up after 2014. The numbers declined markedly in 2018 and 2019.

Post-pandemic visitor nights from across the world picked up slightly in 2021 before falling back again. There has been a more sustained improvement in 2022 to around 85% of levels in 2019. Nights stayed by North American visitors has more than exceeded numbers in 2019, if still below numbers in 2017.

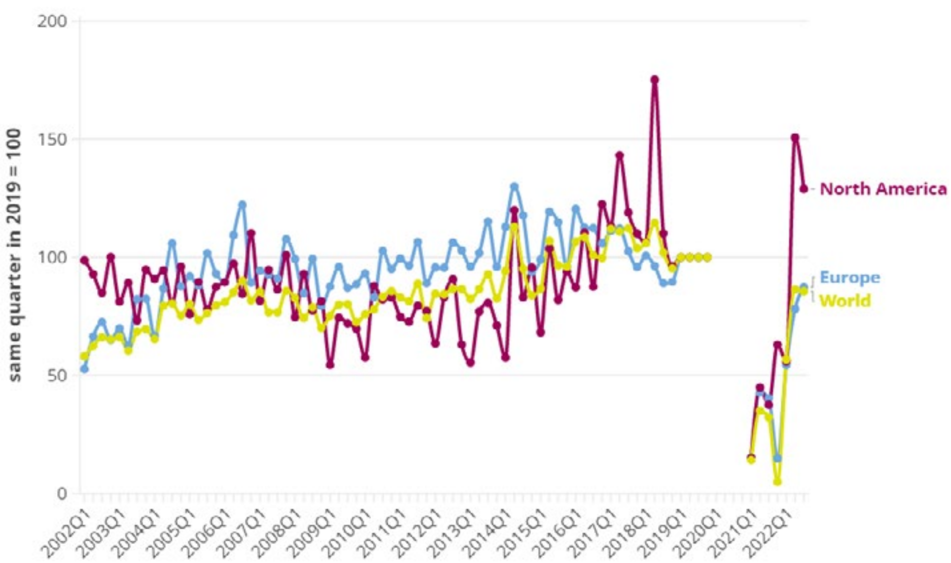


Figure A1: Trends in international visitor nights to London by main markets, 2002 Q1 to 2022 Q3, relative to nights for same quarter in 2019

Source: ONS International Passenger Survey

Note: data not collected in 2020

There is a similar picture for stays and spend (after inflation). In both cases activity n 2022 returned to around 80% of 2019 levels (for the corresponding quarter). Activity by North Americans for both stays and spend was higher than the highest levels recorded previously – the pound depreciated against major currencies over 2022, but it is not clear why London became relatively more attractive to North Americans.

Trends by purpose of visit

Pre-pandemic in 2019 around half of visits to London and associated spend was on holidays. Holidays accounted for 45% of nights away. Visiting friends and relatives (VFR) was the next most important purpose making up around a quarter of stays, although relatively more nights at 32%, and relatively less spend at 18%. Business trips were 18% of stays, but relatively fewer nights at 14%, and relatively higher spend at 23% (Table A2).

Table A2: International visitors to London by purpose of visit, 2019

	Numbers			Shares		
	stays	nights	spend	stays	nights	spend
	(million)	(million)	(£ billion)	% of total	% of total	% of total
VFR	5.2	38.0	2.8	24%	32%	18%
Business	4.0	16.6	3.6	18%	14%	23%
Holiday	11.1	53.9	8.2	51%	45%	52%
Other	1.3	10.4	1.1	6%	9%	7%

Source: ONS International Passenger Survey

For these three main purposes of visit the general trend was of rising numbers pre-pandemic. Figure A2 reports this for stays as the trend is more discernible by this metric. In 2022 the recovery has been strongest for VFR exceeding 85% of its previous level globally by 2022 Q3, while holidays were a little under 80%, and business trips were two-thirds of where they previously were in 2019 (for the corresponding quarter).

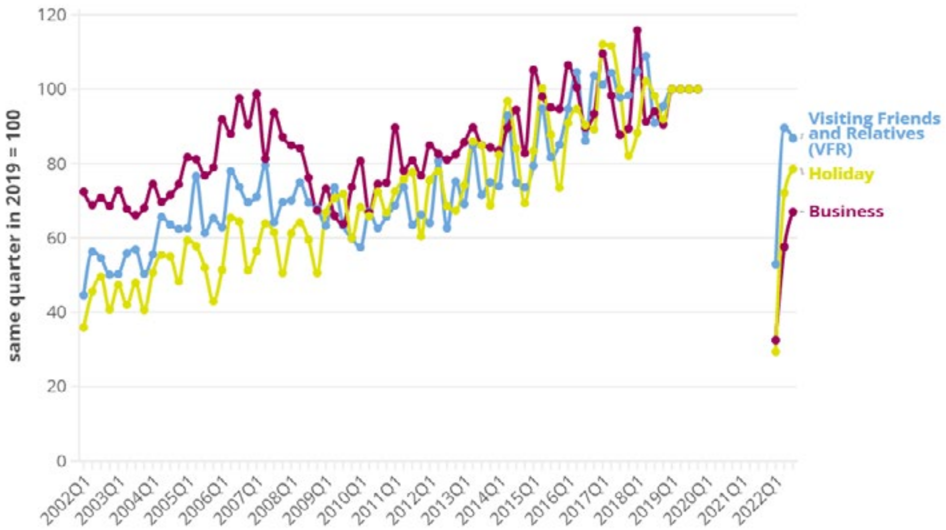


Figure A2: Trends in international visitors to London by purpose, 2002 Q1 to 2022 Q3, relative to nights for same quarter in 2019

Source: ONS International Passenger Survey

Note: data not collected in 2020, and not available in 2021 due to sample sizes

VFR had more than returned to the previous number of nights in 2019, and spending was at 90% of its previous levels (in constant 2019 prices). Holiday nights had returned to just under 80% of their former 2019 level, and 80% of their former spend. Business nights had reached 65% of their former level, and 85% of spend.

An interpretation of these findings is that the comparatively strong recovery in VFR reflects a desire to catch up with family and friends after the pandemic, and that this might be more likely to be combined with a holiday so stays are longer, and spend is higher. Higher spend may be making use of savings built up during the pandemic. It is possible that this will be a one off effect once links have been re-established. The weaker recovery in business trips may reflect ongoing greater use of videoconferencing, and so may be a permanent effect.

Figure A3 repeats Figure A2 for the North American market. It shows that VFR and holidays reached their highest recorded levels in 2022, and that the weakest recovery was in business trips. For nights and spend all purposes of visit have more than recovered their 2019 levels.

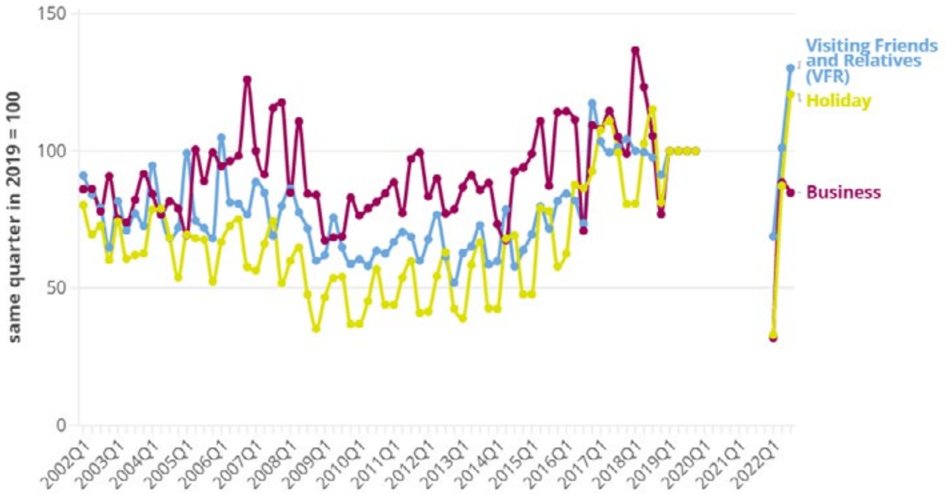


Figure A3: Trends in international visitors from North America to London by purpose, 2002 Q1 to 2022 Q3, relative to nights for same quarter in 2019

Source: ONS International Passenger Survey

Note: data not collected in 2020, and not available in 2021 due to sample sizes

For Europe, VFR and holidays had recovered by 2022 Q3 to 85% of their 2019 levels (in the corresponding quarter), while business trips were at 70% of their former level. Nights spent VFR were over 120% of their previous level while spend was at 80%. Nights and spend on holiday had reached around 80% of their former level, while for business trips nights were at 60% and spend was at 70%.

Conclusion

During 2022 there was a rapid recovery in the international travel market led by North Americans and in visits to friends and relatives. There is also evidence that spend per visit and per night has been higher than previously, even after adjusting for inflation. Some of this may be temporary as people re-connect after the pandemic, and use savings built up during this time. Business trips have been the slowest to recover, and this may be a permanent phenomenon, perhaps reflecting greater use of videoconferencing facilities.

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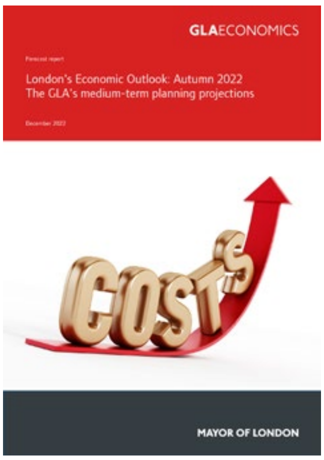

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the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

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