GLAECONOMICS

Forecast report

London's Economic Outlook: Autumn 2023
The GLA's medium-term planning projections

December 2023

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Contents

1 Executive summary

GLA Economics' 43rd London forecast[1] suggests that:

- London's real Gross Value Added (GVA) growth rate is forecast to be 0.9% in 2023 as rising interest rates and the cost of living crisis slows down the post-pandemic economic rebound. Growth is expected to improve slightly to 1.0% in 2024 and 1.6% in 2025.
- London is forecast to see a 3.5% rise in the number of workforce jobs[2] in 2023, although this will slow sharply in 2024 (0.1%) and ease towards longer-term averages in 2025 (1.1%).
- Household income is forecast to decline this year by 0.5%, after a contraction in 2022, followed by a recovery, with growth of 1.2% in 2024 and 2.6% in 2025.
- Household spending grows in 2023 (up 0.2%), as, despite the cost of living crisis, households release savings accrued during the pandemic. Expenditure continues to rise by 0.8% in 2024 and 1.9% in 2025.

Table 1.1 summarises this report's forecast growth rates for GVA, jobs, household expenditure, and household income. Unprecedented levels of uncertainty abound due to the cost of living crisis, the war in Ukraine and the lingering aftereffects of the pandemic. As a result, the forecasts presented in this document should be interpreted as a baseline scenario for London's economy in the medium-term. This is the most likely scenario in GLA Economics' judgement, but there are a wide range of plausible alternatives.

Table 1.1: Summary of economic forecasts under GLA Economics reference scenario

Annual growth rates (per cent)	2022[3]	2023	2024	2025
London GVA (constant 2019, £ billion)	7.7%	0.9%	1.0%	1.6%
Consensus (average of independent forecasts)		1.0%	1.0%	2.0%
London workforce jobs	4.7%	3.5%	0.1%	1.1%
Consensus (average of independent forecasts)		2.7%	0.3%	1.2%
London household expenditure (constant 2019, £ billion)	5.4%	0.2%	0.8%	1.9%
London household income (constant 2019, £ billion)	-0.3%	-0.5%	1.2%	2.6%
Memo: Projected UK RPI[4] (Inflation rate)	11.6%	9.6%	4.4%	2.4%
Projected UK CPI[5] (Inflation rate)	9.1%	7.4%	3.1%	2.0%

Source: GLA Economics' Spring 2023 forecast

Since the Spring 2023 LEO[6], the economic news has continued to centre on two trends: ongoing if declining above target inflation and slow economic growth. Russia's invasion of Ukraine and the disruption to energy and grain supplies it has created has acted as a break on the global economy. In the UK, this has led to a

[1] The forecast is based on judgements and a recently updated econometric model built by GLA Economics. For more details see 'The new GLA Economics forecast models for London's economy, GLAE Working Paper n°98, June 2020'.
[2] Unless stated otherwise, any reference to jobs in the main text refers to total workforce jobs.
[3] Historic data for London's workforce jobs is based on ONS actual data, real GVA is based on actual ONS data and GLA economics estimates, while household spending and household income are based on GLA Economics estimates.
[4] RPI = Retail Price Index. Although not part of the GLA Economics forecast for London. Instead, the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2023), 'Forecasts for the UK economy: a comparison of independent forecasts', November 2023. Data for 2022 is from the ONS and GLAE estimates, Inflation and price indices - Office for National Statistics.
[5] CPI = Consumer Price Index. Although not part of the GLA Economics forecast for London. Instead, the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2023), 'Forecasts for the UK economy: a comparison of independent forecasts', November 2023. Data for 2022 is from the ONS and GLAE estimates, Inflation and price indices - Office for National Statistics. Since December 2003, the Bank of England's symmetrical inflation target is annual CPI inflation at 2%.
[6] GLA Economics (2023), 'London's Economic Outlook: Spring 2023', June 2023

cost of living crisis as high inflation and lagging wage growth has made us all poorer. Despite this, UK economic data has shown some resilience to this shock, although looking forward near-term forecasts have been downgraded compared to those produced earlier in the year. A strong labour market and savings left over from the pandemic among richer households seemed to support consumer spending and overall activity at the beginning of the year but more recent data shows a weakening. Still, London has outperformed the wider UK in most recent data, so any upside surprises for the country should mean a resilient outlook in the capital.

A UK recession appears unlikely but the outlook is weak. Projections from the Bank of England and the Office for Budget Responsibility (OBR) point to weak growth into the coming year. In the medium-term other challenges persist due to the UK's low investment compared to other major economies, a lingering increase in economic inactivity after the pandemic and slow trade growth after Brexit. London remains the UK's region with the highest productivity, and a hub for foreign investment and trade, but it is unlikely to escape these long-term challenges entirely although service exports have recovered well.

UK economic data demonstrate the generally weak state of the economy. After falling by 10.4% in 2020 due to the pandemic shock, revised data from the Office for National Statistics (ONS) show that UK GDP grew 8.7% in 2021 and 4.3% in 2022. The UK has thus recovered its pre-pandemic levels of output in this revised data. However, since Q2 2022, GDP has generally stagnated, with quarterly growth in the last quarter, Q3 2023, being flat and only increasing by 0.2% in Q2 2023[7]. Thus while the UK has avoided two successive quarters of contraction – technically dodging a recession – the cost of living crisis has hit the economy hard.

Employment data also reflect a weaker UK economy. The unemployment rate has been ticking up in recent months with it standing at 4.2% in the three months to October 2023, up 0.5 percentage points on the year. Still, UK employment is up marginally with it standing at 75.7% in October 2023, up 0.1 percentage points on a year earlier.

A reason to be cautious about the prospects for the economy is because of high inflation. Although CPI inflation eased to 3.9% year on year in November, core measures of inflation remain stubbornly high and the OBR has slowed its forecast for future drops in inflation. Despite falling energy costs, energy and food are significantly higher than they were at the start of 2022 and the poorest households are being hit hardest by the surging costs of essential goods. As a result, avoiding a recession may prove scant comfort for those on low incomes.

To fight inflation, macroeconomic policy has countered dramatically. The Bank of England has responded with its sharpest rate hiking cycle since the 1980s. These higher interest rates will act as a drag on the economy over time. While to maintain fiscal credibility, and despite cuts in National Insurance, the Government has let the tax take rise with it expected to hit levels as a percentage of GDP not seen since the 1940s. Meanwhile the Government plans further painful real spending cuts in the coming years.

Tighter monetary policy is also affecting the financial sector. As interest rates rise and central banks unwind their post-pandemic asset purchases, some banks are seeing their balance sheets come under strain. International forecasts also remain subdued but haven't been noticeably downgraded since the middle of the year. Thus international headwinds offer another reason for caution in the outlook.

Still, London's economy shows some grounds for optimism, though it faces many of the same risks as the wider UK. The capital's economic output exceeded pre-pandemic levels by the third quarter of 2021 in a rapid recovery. After growing strongly in 2021 the data has continued to show firm growth, with London's

[7] ONS (2023), 'GDP first quarterly estimate, UK: July to September 2023', November 2023.

GDP up 1.5% year-on-year in Q3 2023. While we expect momentum to have pulled back in the later quarters of 2023, our baseline sees London continuing to outpace the wider UK.

Jobs growth has also been striking with the Coronavirus Job Retention Scheme (CJRS), or 'furlough', cushioning the labour market during the pandemic with strong growth in the years immediately following it. But unemployment has been picking up during 2023 with it, as noted, standing at 4.2% in the three months to October, up 0.5 percentage points on the year. In London too, the unemployment rate has been rising, reaching 5.3% in October 2023, up 0.8 percentage points on the year. Inactivity rates have been volatile. It should however be observed, as is covered in more detail in Box 3.1, that problems have arisen in measuring UK regional labour market outcomes which the ONS is attempting to address.

Survey data also point to greater resilience in London. Businesses in the capital have largely shrugged off the disruptions from higher inflation, with the headline PMI only dipping below neutral for two months in late 2022. The index has however weakened compared to levels seen in the first half of the year or its post-pandemic levels while strengthening again in the last few months. Employment data was negative in September and October. Meanwhile consumer confidence in the capital, where 0 indicates a neutral reading, has bounced between positive and negative readings in recent months, although this is more optimistic than the consistently negative readings seen at the national level.

Given this background, the GLA Economics reference scenario for London sees the capital's output slowing this year, to a downwardly revised 0.9%. Growth should recover slightly in 2024 before picking up in 2025 but remains below historic averages. Employment growth is expected to outpace output this year given the momentum from 2022 before slowing in 2024 (see **Figures 1.1 & 1.2** and Chapter 5 for more detail). The continued effects of high inflation on incomes are likely to drag on consumer-facing sectors in the near term. Higher interest rates will hit manufacturing and real estate, and pose challenges to the financial sector. But we expect other core services to prove resilient due to an improved global outlook and London's continued agglomeration benefits. Neither jobs nor output are set to fall into a recession, let alone return to below pre-pandemic levels **(Figure 1.3**).

The economic outlook for both London and the UK is subject to a high level of uncertainty. Although inflation has likely peaked how long it takes to reach the 2% target is unclear with forecasters such as the OBR extending out the time period in which this will be achieved. The slower this fall, the harsher and longer lasting is the likely reaction from monetary policy, and the greater the risk of financial dislocations. Any global downturn could also affect London worse than the rest of the UK due to its higher trade exposure to the global economy. The housing market also represents a risk to the outlook. London house prices, have been declining, and are a shock to owner-occupiers' household wealth, while average rents have been increasing acting as a cut to renters households' budgets.

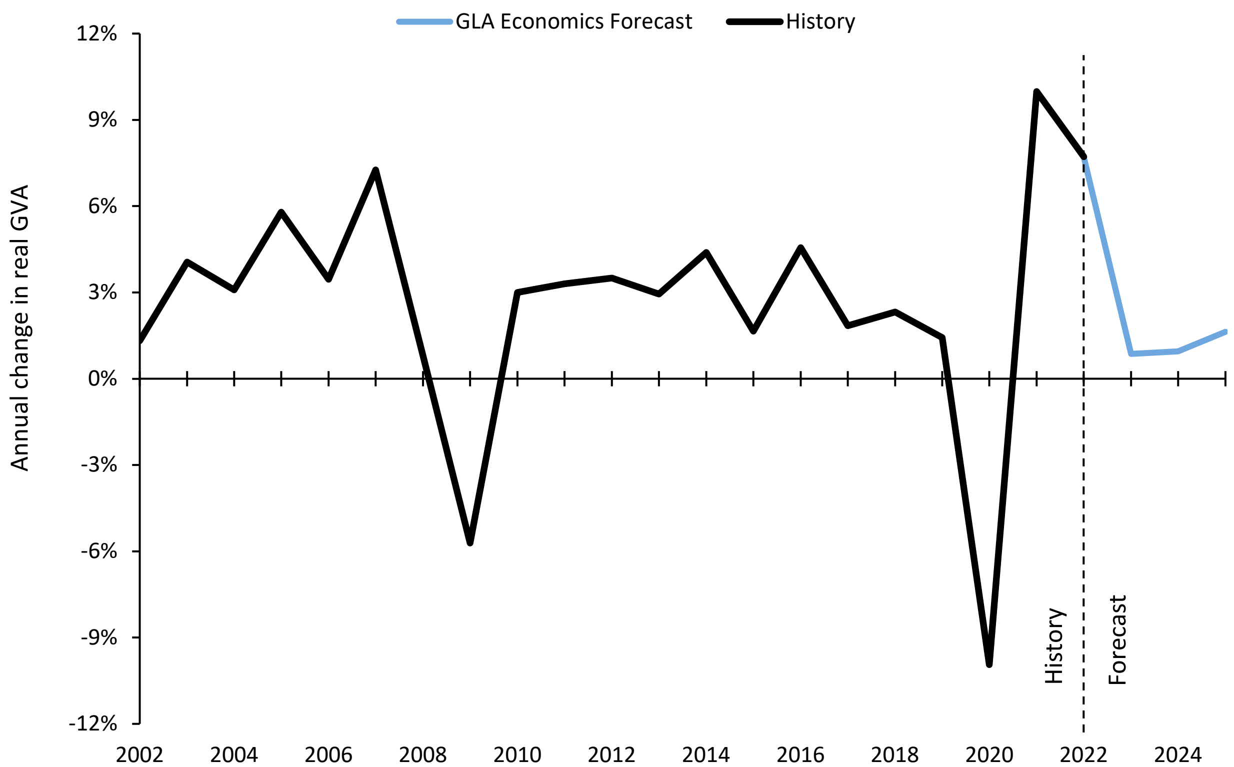
In the longer term, the impact of Brexit continues to pose a risk to the economic outlook. With the UK-EU trade agreement not covering services, non-tariff barriers (NTBs) making imports more expensive and the end of freedom of movement cutting EU migration, many issues remain despite some improvements in relations such as the Windsor Framework. A further example is while there has been a fall in EU net migration this has been outweighed by a rise in non-EU net migration, however London has benefited less from this trend. Box 3.2 covers Brexit in more depth.

Other risks could also play a role in the medium term. At home, a large fiscal deficit and high levels of debt could prompt higher tax takes and spending cuts, dragging on the economy's performance. And cuts to planned public investment projects could dent the economy's long-term potential. Productivity growth remains an issue for the UK economy, and London has not escaped this national trend. Further stagnation could put the capital's status as a global city and a business hub at risk. Across the world, US-China decoupling, slowing globalisation and a trend towards protectionism threaten global potential growth. The rise of green technologies offers upside potential in the medium term, but the race to cut carbon emissions also carries risks around trade, capital scrappage and sectoral reallocation. The war in Ukraine has shown how major conflicts can affect the global economy. If conflict in the Middle East or rising geopolitical tensions elsewhere spilled over into armed clashes, this could rapidly change the outlook. And the impact of Artificial Intelligence technologies on work and the economy remains unclear.

In response to elevated uncertainty, GLA Economics has developed macroeconomic scenarios around our baseline, which we update regularly to reflect changing conditions. These are also set out in Chapter 5.

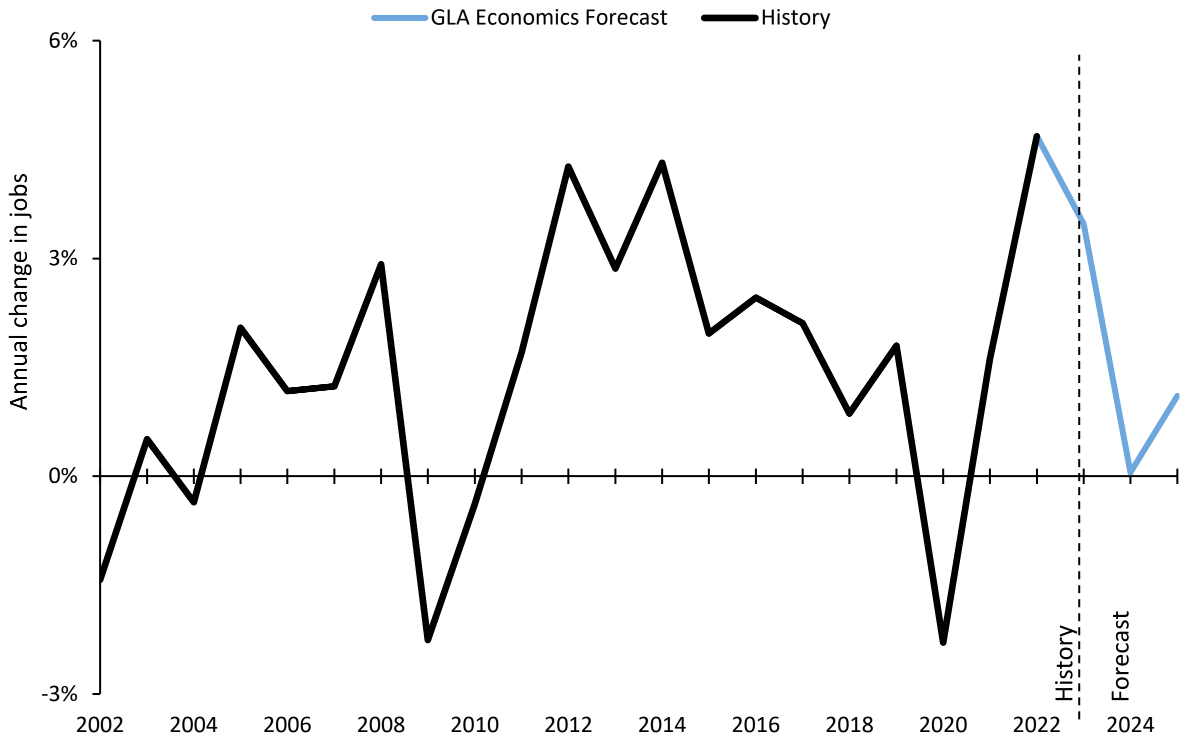
In conclusion, the macroeconomic environment remains tough and the near term outlook has weakened slightly in recent months, despite inflation continuing to drop, as shown in the evolution of our London Forecast (**Figures 1.4 & 1.5**). After an unprecedented drop in output in 2020, there had been a good recovery. But growth has slowed this year, and output looks unlikely to return to pre-pandemic trends in the near term. Jobs growth has been strong, and while we expect a sharp deceleration, employment looks unlikely to go into reverse. London, along with the UK, looks likely to avoid a recession, but many risks cloud the outlook. Inflation, the war in Ukraine, high interest rates, Brexit and other pressures combine with the still-evolving fallout from the pandemic. As London's economy restructures in response, it is still unclear what the 'new normal' will look like.

Figure 1.1: Historic and forecast output growth (GLA Economics reference scenario)



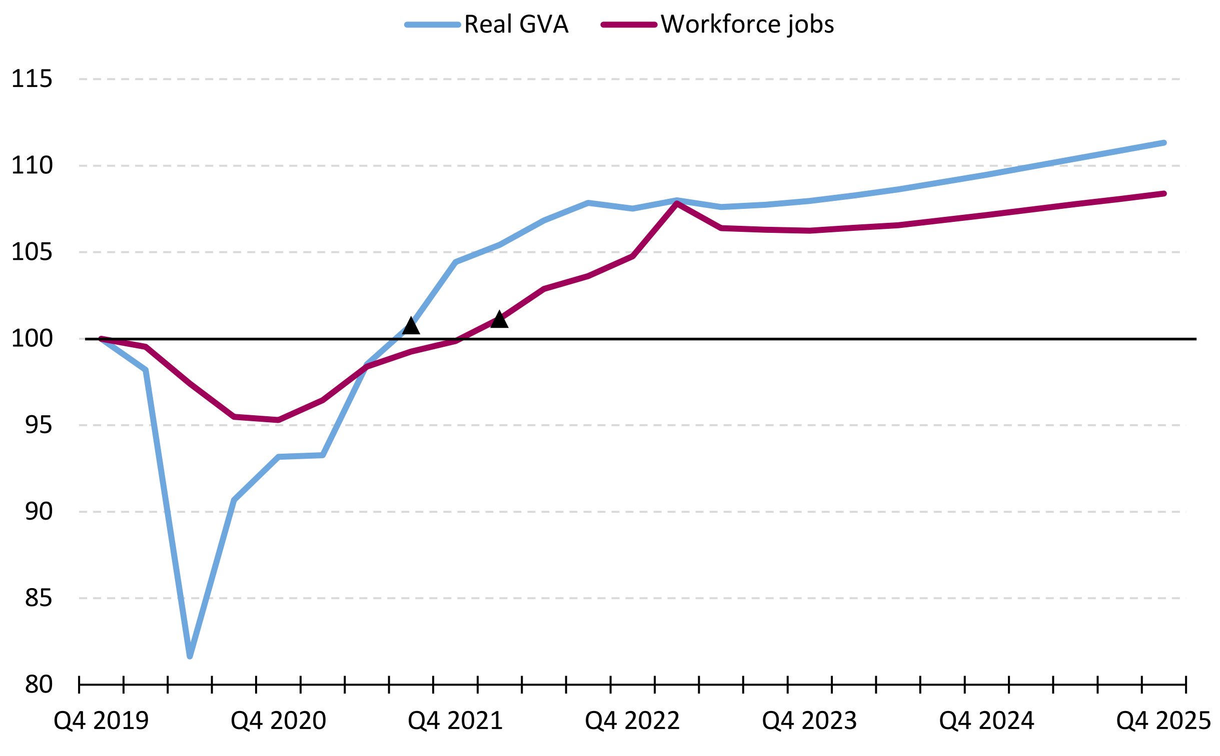
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

Figure 1.2: Historic and forecast employment growth (GLA Economics reference scenario)



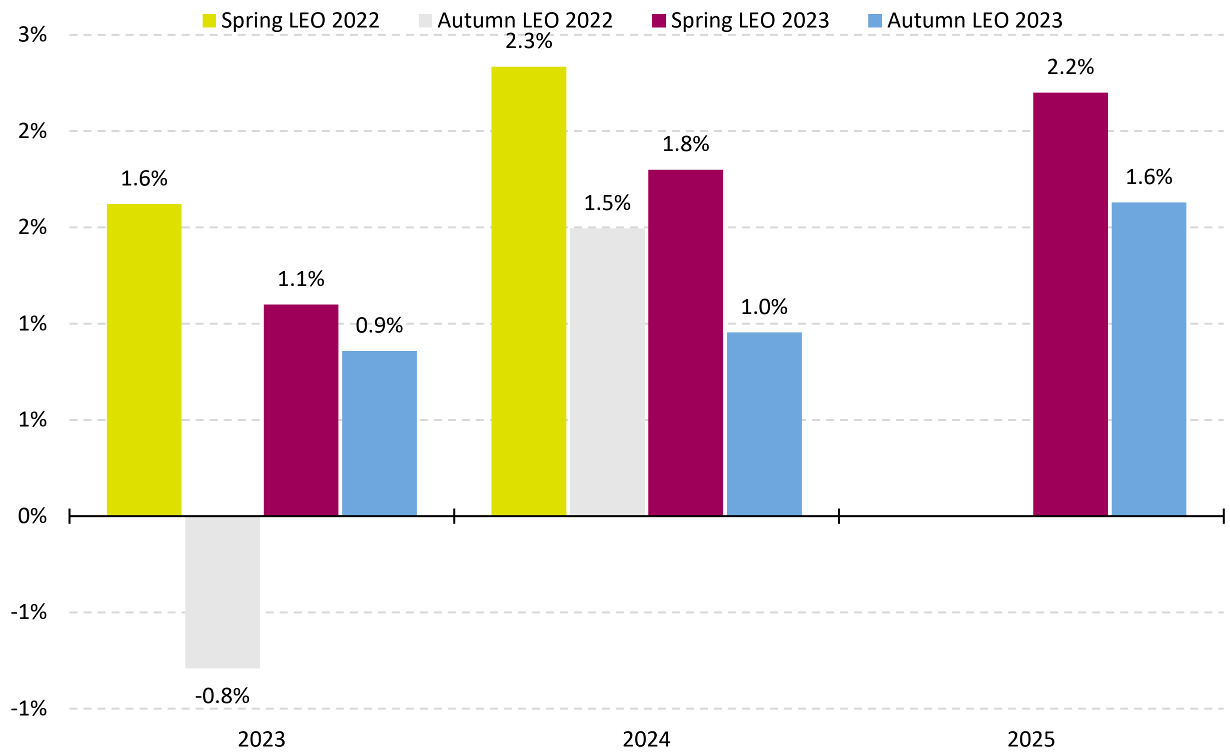
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

Figure 1.3: Expected shape of economic recovery under the GLA Economics reference scenario (index)



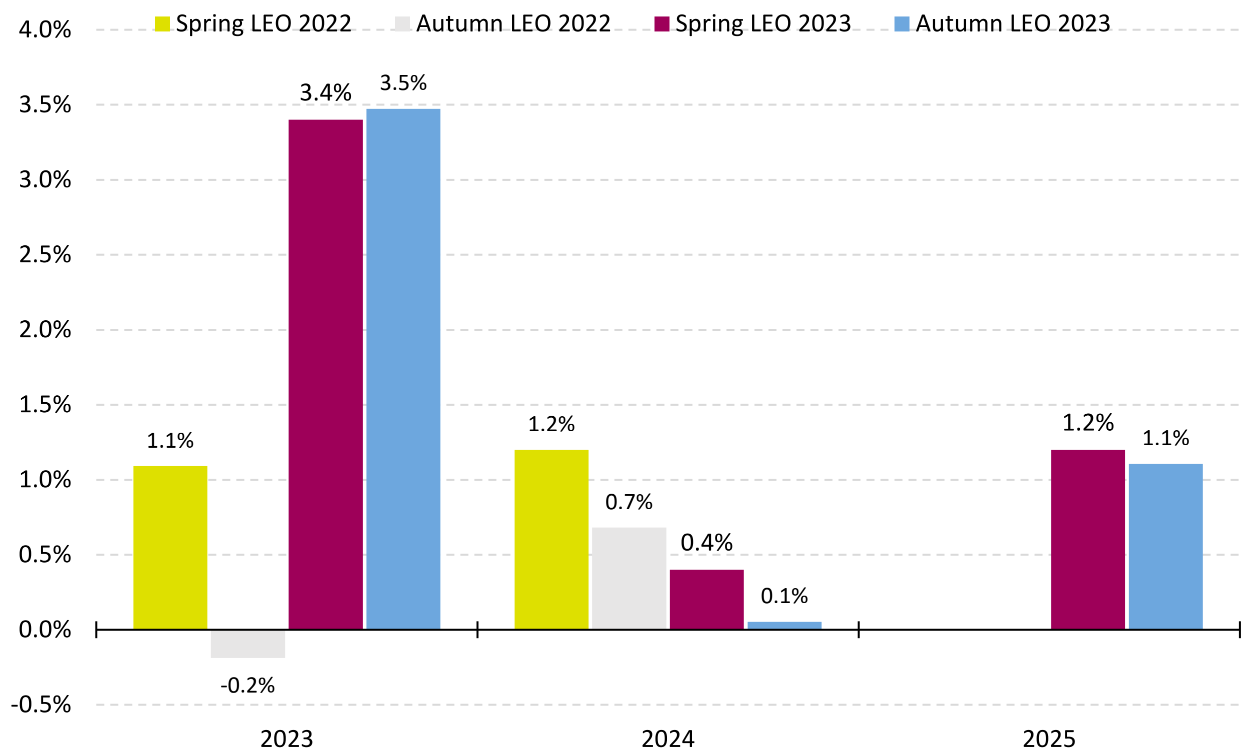
Source: GLA Economics; Note: Triangles mark the point at which pre-pandemic levels reached

Figure 1.4: Development of reference scenarios for London annual real GVA growth rates 2023-2025



Source: GLA Economics

Figure 1.5: Development of reference scenarios for London annual jobs growth rates 2023-2025



Source: GLA Economics

2 Introduction

The autumn 2023 edition of London's Economic Outlook (LEO) is GLA Economics' 43rd London forecast. The forecasts are issued roughly every six months to assist those preparing planning projections for London in the medium term. The report contains the following:

An overview of recent economic conditions in London, the UK and the world economy and includes analysis of important events, trends and risks to short and medium-term growth (Chapter 3).

The 'consensus forecast' – a review of independent forecasts indicating the range of views about London's economy and the possible upside and downside risk (Chapter 4). In this document, 'consensus forecast' refers to the average of the independent forecasters listed under Section 2.1.

The GLA Economics forecast for output, employment, household expenditure and household income in London (Chapter 5).

2.1 Note on the forecast

Any economic forecast represents the forecaster's view of the most likely future path for the economy and is inherently uncertain as a result. Both modelling and data uncertainty, as well as unpredictable events, contribute to the potential for forecast error. Since the spring 2016 LEO, GLA Economics' forecast is based on a blend between an in-house model built by GLA Economics[8] and a set of judgements. Before 2016, previous forecasts were based on an in-house model built by Volterra Consulting Limited. GLA Economics' review of independent forecasts provides an overview of the range of alternative opinions. Independent forecasts are supplied to the GLA for the main macroeconomic variables by the following organisations:

- The Centre for Economic and Business Research (CEBR)
- Experian Economics (EE)
- Oxford Economics (OE)
- S&P Global Market Intelligence (SP)[9]

Economic forecasting is not a precise science. Furthermore, the GLA designs these projections as a scenario consistent with the Bank of England's forecast published in November[10] and the OBR forecast also published in November[11]. Our forecasts provide an indication of what is, in GLA Economics' view, most *likely* to happen, not what will *definitely* happen. As a result, there are significant risks, mainly on the downside, associated with this scenario.

[8] The forecast model used in this forecast has updated the model described in this publication: Douglass, G & van Lohuizen, A (2016). 'The historic performance of the GLA's medium-term economic forecast model', GLA Economics Current Issues Note 49, November 2016. A description of this new forecast model can be found in Orellana, E. (2020) 'The new GLA Economics forecast models for London's economy', GLA Economics Working Paper 98.
[9] S&P do not provide a forecast for household expenditure in London.
[10] Bank of England (2023), 'Monetary Policy Report', 2 November 2023.
[11] OBR (2023). 'Economic and fiscal outlook – November 2023', 22 November 2023.

3 Economic background: London economy shows some resilience as the UK faces challenges

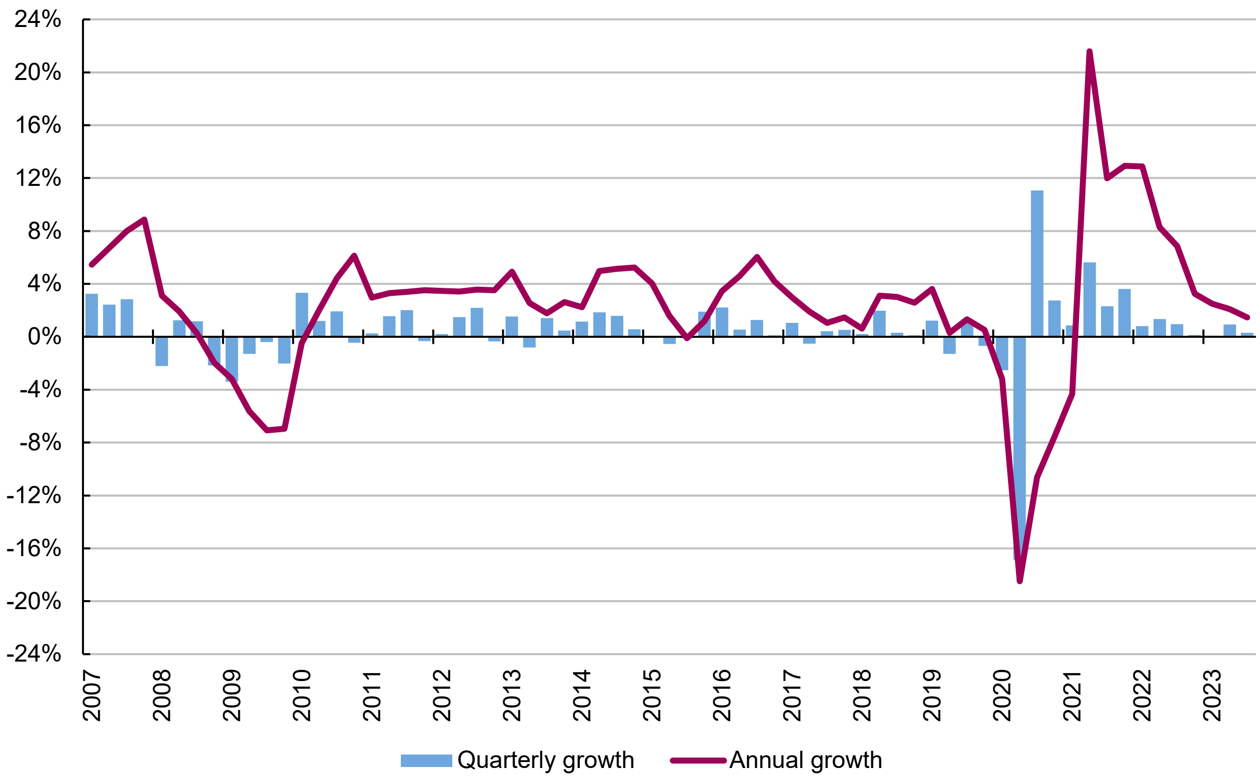
This Chapter provides an overview of recent developments in the London, UK and global economies, as well as risks to the London economy.

3.1 London's economy

The ONS has recently revised upwards its output figures during the pandemic and afterwards. GLA Economics has made a corresponding sector-level adjustment to ONS figures for London and developed a Nowcast for Q2 and Q3 2023. London's economy – as measured by real gross value added (GVA) – rose by 0.3% between Q2 2022 and Q3 2023, while annual growth was at 1.5% in the third quarter of the year. The data, shown in **Figure 3.1**, indicate that London grew rapidly after the worst of the pandemic from Spring 2021 through to the end of 2022. This put the capital in a relatively strong position going into the cost of living crisis, rising interest rates, and an increasing tax burden that now dominates the outlook.

By Q3 2023, London's economy is estimated to have been 9.2% above its pre-pandemic peak in Q4 2019. Despite a deep fall in output in Q2 2020, the capital exceeded its pre-pandemic level of output (Q4 2019) in Q3 2021. By comparison, the UK economy exceeded its pre-pandemic peak in Q4 2021, but was only 1.8% above this level by Q3 2023.

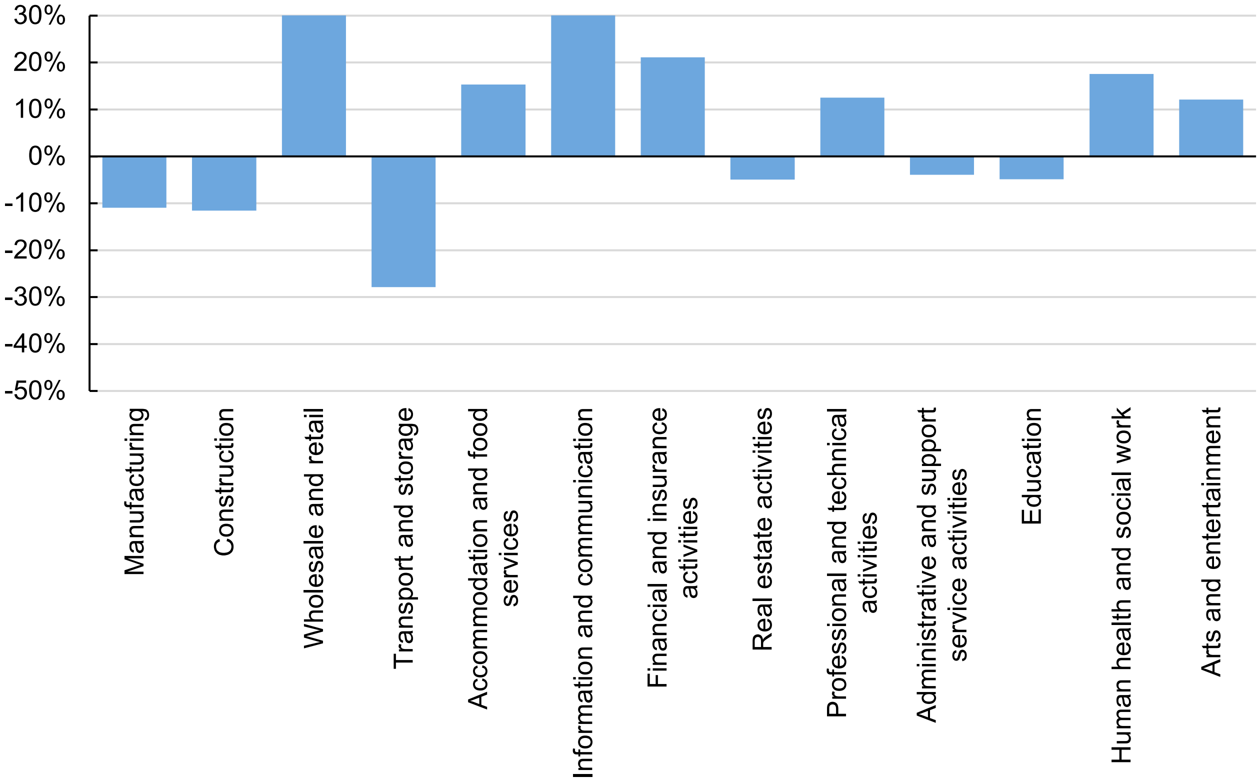
Figure 3.1: Real GVA in London (Q1 2007 – Q3 2023)



Source: GLA Economics based on ONS - UK regional GVA and GDP data
Note: GLA Economics has estimated London figures for 2020 to 2023 Q1 in line with revisions by ONS to national figures, and Nowcast figures to 2023 Q3

The pandemic impact and recovery have been unevenly spread across sectors' output in London. Across the UK, in-person services suffered deep losses, demand for goods picked up and white-collar service sectors were often protected by the ability to do work from home. There was a similar pattern at a London level, but more recently there has been a shift in sector activity, perhaps reflecting the relative strength of London's economy. The capital's largest industries by output that were comfortably above their pre-pandemic levels of activity by Q3 2022 includes the consumer-facing sectors of Accommodation and food services, and the Arts. Some of the sectors in which London specialises, specifically Information and communication, and Finance, have also done well (**Figure 3.2**). At the same time, some other core sectors, namely Professional services and Real estate have done less well.

Figure 3.2: Proportionate change in real GVA by industry* in London Q4 2019 – Q3 2022



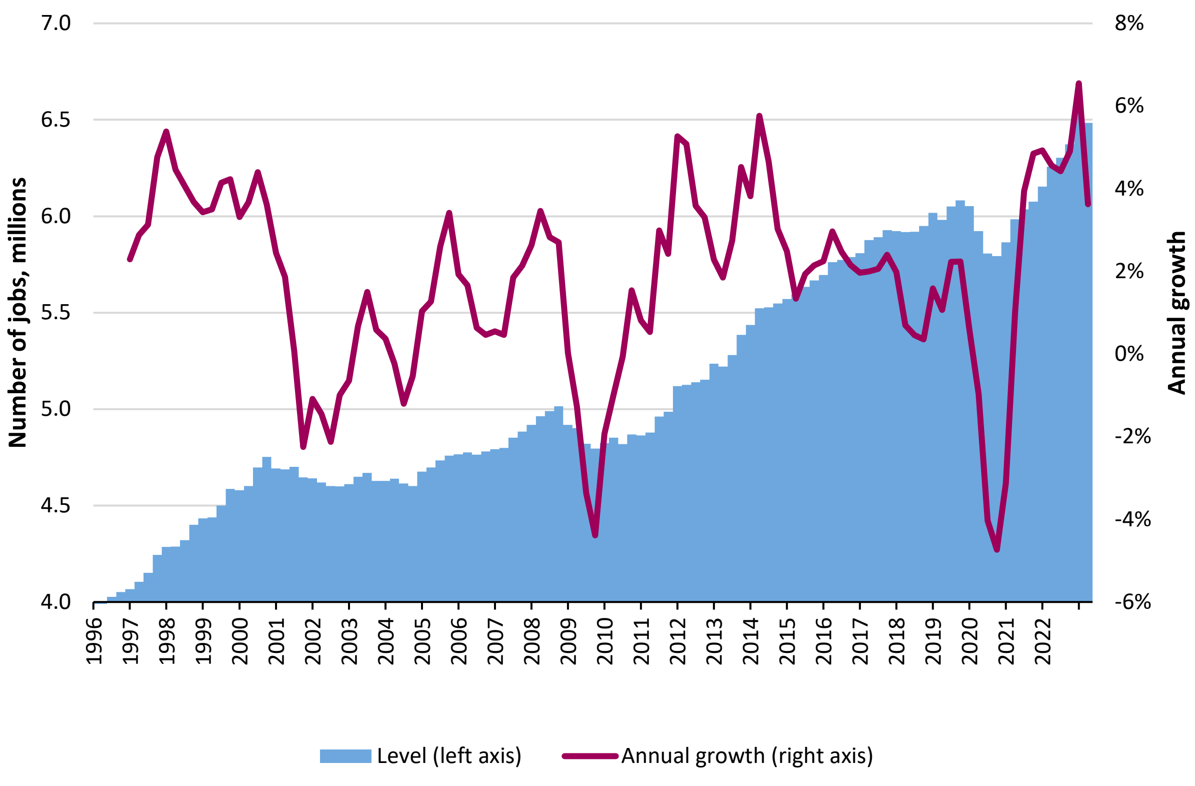
*Source: GLA Economics based on ONS – UK regional GVA and GDP data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

While London's economy is through the downturn from the pandemic, there will be a legacy on its structure, and from higher taxes to pay for spending. The cost of living crisis is likely to exacerbate some of those structural effects, due to its primarily consumer-focused impact, while its legacy of higher interest rates may well persist into the medium-term. It is only in the second half of 2023 that wages have started rising faster than prices again (across the UK). As a result, leisure activities and property purchases have become less affordable, putting continued pressure on Accommodation, the Arts and Real estate. At the same time, London's strength in some of its core sectors may be propping up the incomes of some, boosting spending on Accommodation and the Arts. For more detail on some of the major shocks affecting the outlook, Box 3.2 looks at the ongoing impact of Brexit on London's economy.

The latest data on London's labour market is for September 2023. The employment rate shows the share of residents aged 16-64 who are in work. This figure stood at 74.2% in the three months to October, falling 1.7 percentage points on the year, and 2.5 percentage points down from the three months to February 2020 prior to the pandemic. The unemployment rate shows the share of the resident population aged 16 and over who are unemployed but who are seeking and available for work. This figure stood at 5.3% in the three months to October, 0.8 percentage points higher than a year earlier, and 0.8 percentage points higher than the three months to February 2020. By comparison, the UK's employment rate stood at 75.7% in the three months to October and the unemployment rate was 4.2%. Data on employment and unemployment comes from the ONS Labour Force Survey. In the last couple of months due to declining sample responses the ONS has supplemented this data with administrative data in producing its estimates. They have been re-designated from National Statistics to experimental statistics to emphasise the uncertainty around the estimates. Further information on these issues is in Box 3.1.

The trend in the number of jobs in London's economy has been less volatile than the trend for output. Job numbers fell gradually over 2020 before picking up over 2021. The government's furlough scheme, officially known as the Coronavirus Job Retention Scheme, is credited with keeping workers attached to their employers during the crisis and enabled employers to give work to existing employees as the economy picked up, saving on redundancy and recruitment costs. The London labour market has now recovered and had 402,000 more workforce jobs in Q2 2023 than its pre-pandemic peak (**Figure 3.3**). The labour market is easing as the number of jobs fell by 72,000 between Q1 and Q2 2023, and with the unemployment rate rising gradually, if still at relatively low levels.

Figure 3.3: Number of workforce jobs in London (Q1 1996 – Q2 2023)[12]



Source: ONS Workforce Jobs

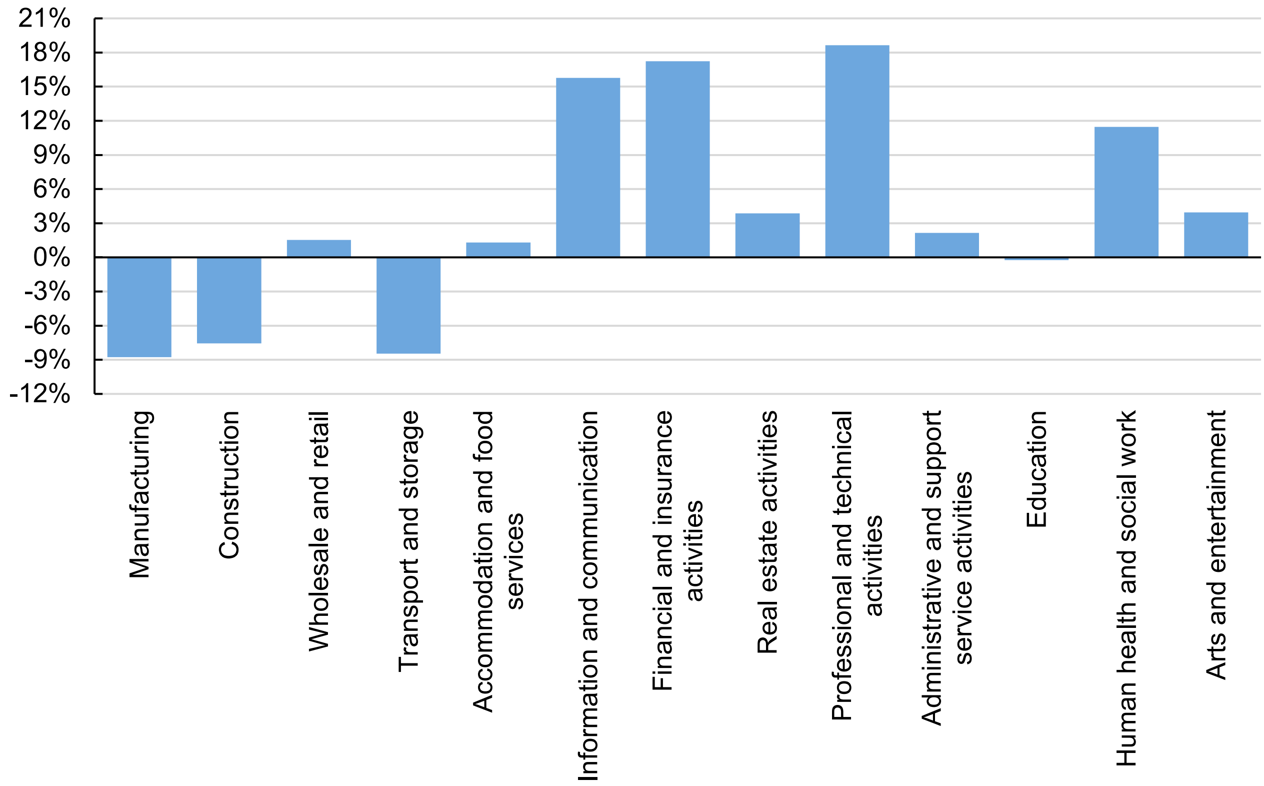
Other dynamics paint a less healthy picture for London's workers. Part of the tightness in the labour market is also due to a rising inactivity rate – the share of working-age adults who are not in work and not looking for work. After initially remaining low during the pandemic, this figure has now ticked up to 1.9 percentage points above its pre-pandemic level in the three months to February 2020. At 21.6% in the three months to October 2023, London's inactivity rate is close to the UK rate of 20.9%, having been lower from early 2020

[12] All workforce jobs data referenced in this document relate to the data that was publicly available on 11 December 2023

to spring 2022. The London rate has, though, come down marginally this year from a rate of 21.9% in the quarter to January, and stabilised. While two-thirds of inactive Londoners said they were likely or certain to work again in the future, only one-fifth wanted work immediately. The number citing long-term illness as the reason for inactivity has risen, suggesting that the pandemic may be playing a more long-term role in the labour market. More information on this can be found in a recent GLA report on out-of-work trends[13].

As the economy restructures, with jobs moving into sectors which have benefited from the pandemic such as Digital activities, there are likely to be continued job losses in sectors which have done less well. The data in **Figure 3.4** show that there has been solid jobs growth since the pandemic in the Finance, Professional services, Information and communication, and Health sectors. In comparison, Manufacturing, Transport and storage, and Construction all see jobs more than 5% below pre-pandemic levels. As for output, the pattern of the re-structuring of London's economy is changing as it recovers from the pandemic and the cost-of-living crisis.

Figure 3.4: Proportionate change in workforce jobs by industry* in London Q4 2019 – Q2 2023



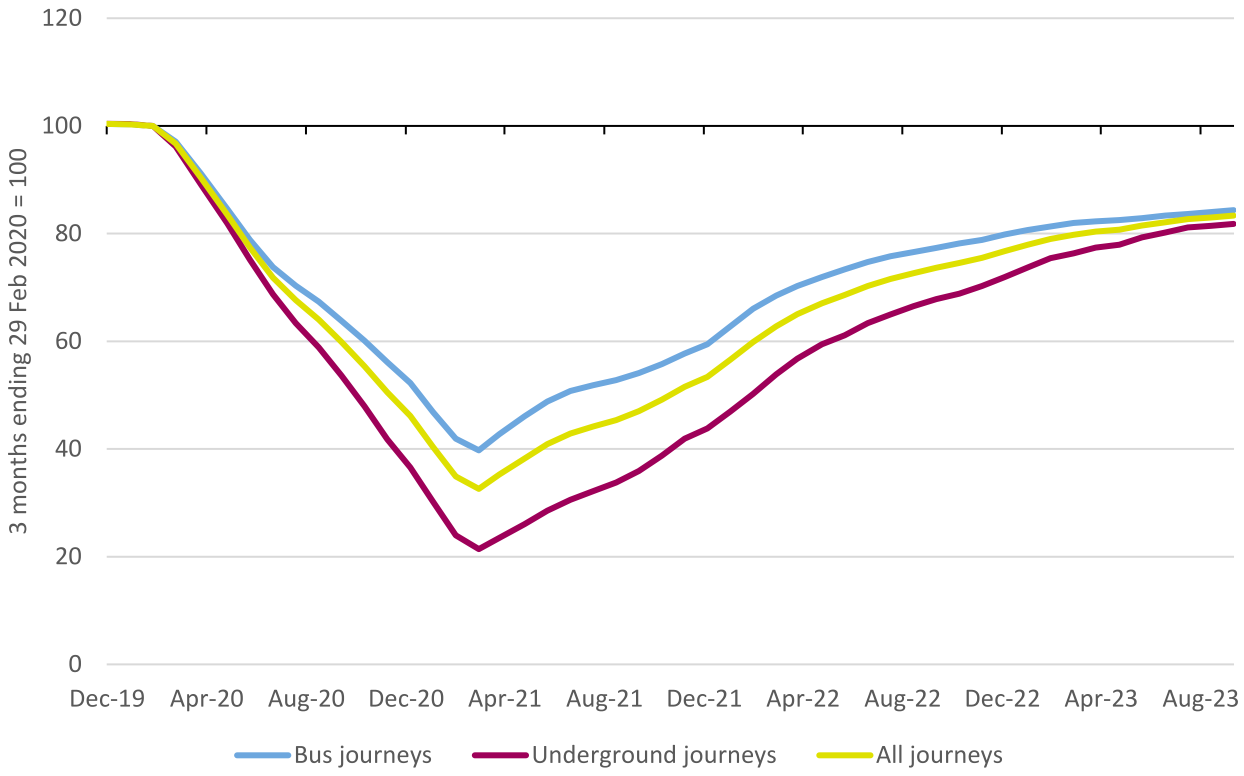
*Source: GLA Economics based on ONS – workforce jobs data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

Outside the formal GVA and employment figures, we can get more timely indications of London's activity levels from weekly public transport use data. The trends do not distinguish between journeys to work or journeys for leisure, but both factors are key drivers of economic activity in London. While TfL journeys had been growing steadily in 2019, the first pandemic lockdown all but wiped out public transport use. There has, though, been a solid recovery and transport use is slightly more than four-fifths of its pre-pandemic level (**Figure 3.5**). The decline in transport use reflects the shift to hybrid working, and the reduction in international travel. This negatively affects London's economy through lower spending in the Central

[13] GLA Economics (2022), "Out-of-work trends in London", November 2022. Accessible on the labour market analysis page.

Activities Zone. To the benefit of London's leisure sector weekend travel has recovered more strongly than weekday travel, and exceeds pre-pandemic levels.

Figure 3.5: Level of public transport passenger journeys in London relative to pre-pandemic



Source: GLA Economics based on Transport for London data. Notes: data is twelve-month moving average; each series uses the twelve-month moving average at 1 to 29 February 2020 as its index reference; Last data point is the 30-day period ending on 17 September 2023.

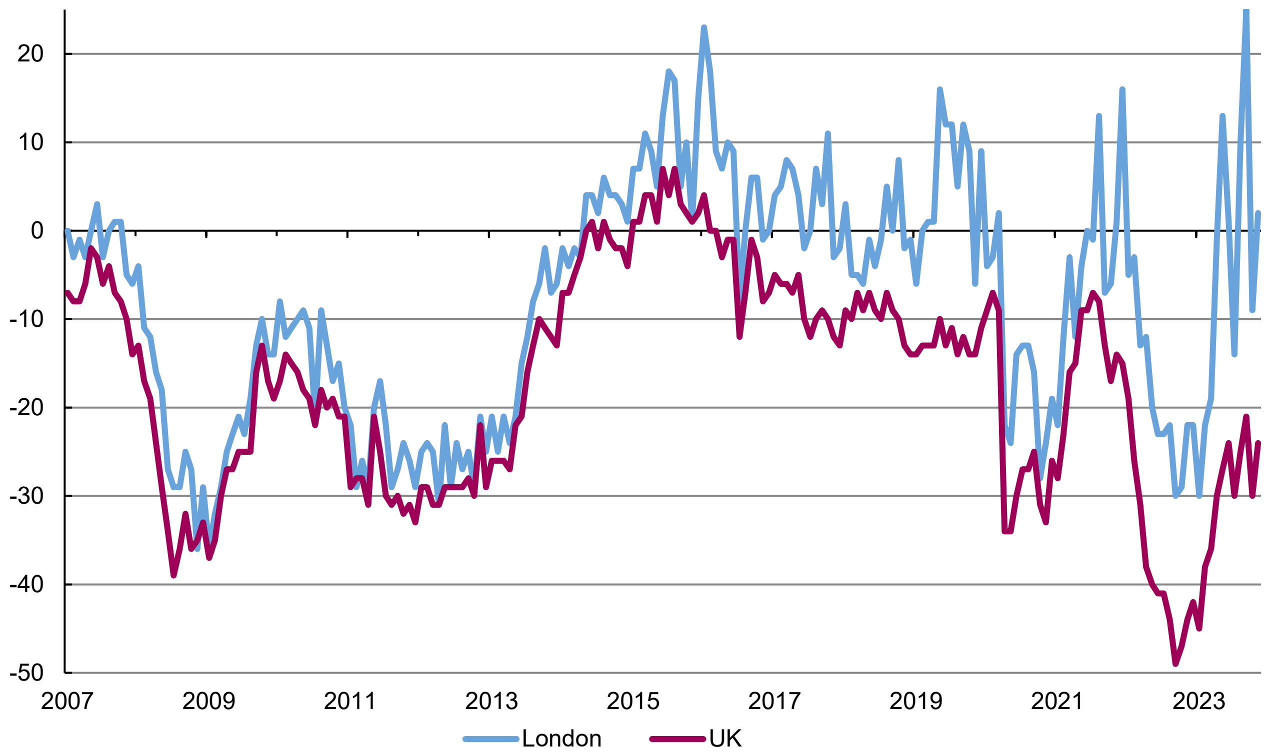
The GfK Consumer Confidence Barometer, a consumer confidence index, is a reliable indicator to measure how private consumption sentiment in London is being affected by overall uncertainty[14]. The data suggest that there has been a long-term trend of London households being more optimistic than national averages since 2016 (**Figure 3.6**). This trend held up during the pandemic. While consumer confidence dropped sharply in London and the wider UK in the immediate aftermath of the pandemic, London consumers did not drop to the levels of pessimism seen after the financial crisis – unlike the UK average. Both London and UK households saw confidence undergo a stop-start recovery after the first lockdown until reaching pre-pandemic levels by around July 2021. In London's case this meant a return to positive readings, while the UK figure has been negative since summer 2016.

This relief was short-lived, however, with sentiment turning negative during the third wave of the pandemic in late 2021. The losses over last winter only extended as inflation began to accelerate sharply and the rising cost of living came to the fore of consumers' minds. Strikingly, the UK gauge fell past the pessimism seen after the financial crisis, and hit record lows since the data series started in 1974. Still, households in the capital remained less pessimistic than the wider UK, with the London gauge never reaching the worst of the financial crisis lows. There was an uptick in sentiment in Autumn 2022, possibly due to the arrival of energy bill assistance from the government. This proved transient, although there has been a strong improvement

[14] The GfK Consumer Confidence Barometer reflects people's views on their financial position and the general economy over the past year and the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

in consumer sentiment in the first half of 2023, perhaps reflecting that households are adjusting to the persistence of the cost-of-living crisis. More recently consumer confidence in London has been volatile month-on-month oscillating around the neutral value of zero. UK levels remain at those seen during the financial crisis.

Figure 3.6: GfK Consumer Confidence Barometer for London and the UK

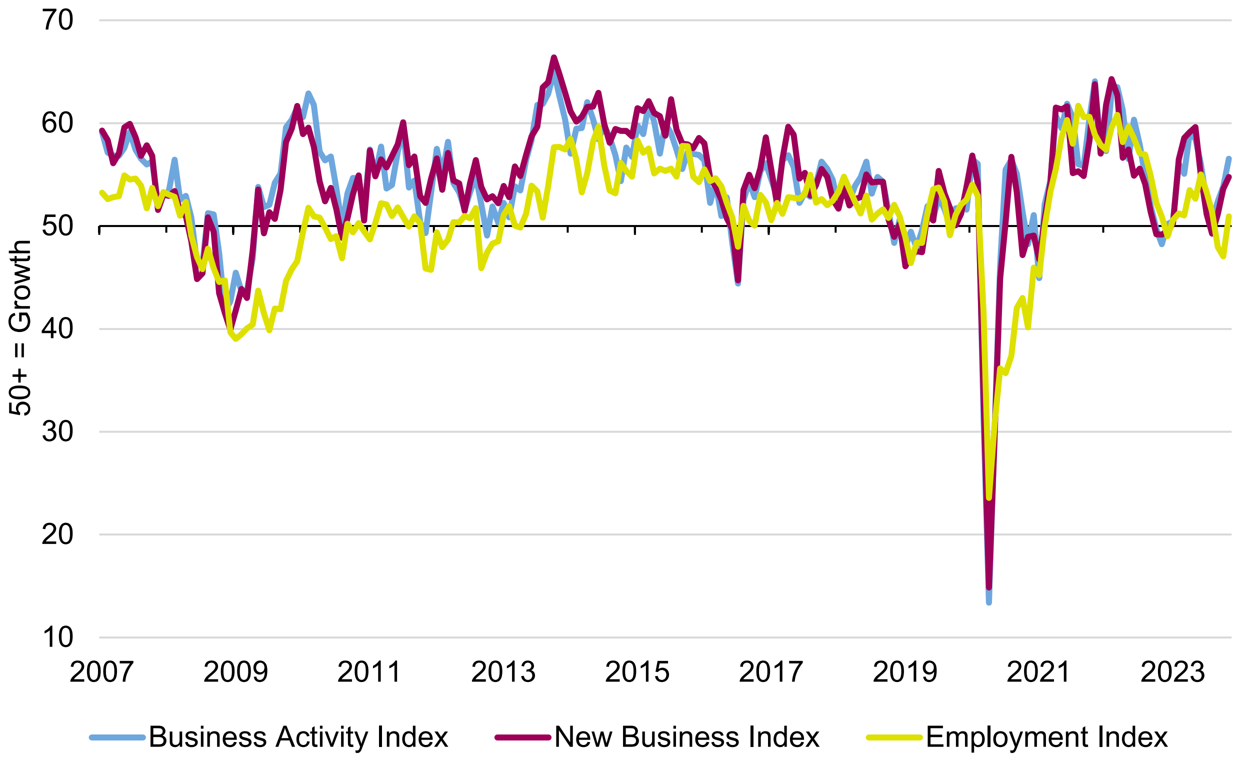


Source: GLA Economics based on GfK-NOP data. Last data point is November 2023.

Another high frequency indicator that correlates strongly with economic activity is the Natwest London Purchasing Managers' Index (PMI) survey, which focuses on the sentiment of businesses in the capital[15]. It does so by asking private sector firms about the month-on-month trends in a variety of business indicators like activity and employment. PMI data in 2019 prior to the pandemic held slightly above 50 on average – indicating slightly expanding conditions. With the emergence of COVID-19 these indicators were dragged down to all-time lows in March and April 2020. A rapid, if interrupted, recovery then began as soon as summer 2020. By spring 2021, the PMI figures had pushed well above pre-pandemic levels, indicating rapid growth for London businesses (**Figure 3.7**). While London business sentiment proved resilient in the third wave of the virus and the initial onset of the cost of living crisis, the gauges for overall business activity and new business subsequently fell below 50 again. Over 2023, sentiment has been positive but slightly weakening, before recovering mildly in the latter part of the year. This suggests that businesses have managed the aftereffects of the pandemic, and are learning to live with the cost of living crisis and the associated economic headwinds. The employment index was negative in September and October, before turning positive again in November, further indicating weakening labour market conditions.

[15] PMI index readings are based around the 50 no-change mark. Readings above 50 suggest an overall increase in that variable, while readings below suggest an overall decline. Readings exactly at 50 suggest no-change in that variable compared with a month earlier. Moreover, the further the index reading is away from the 50 mark, the faster the rate of growth or decline.

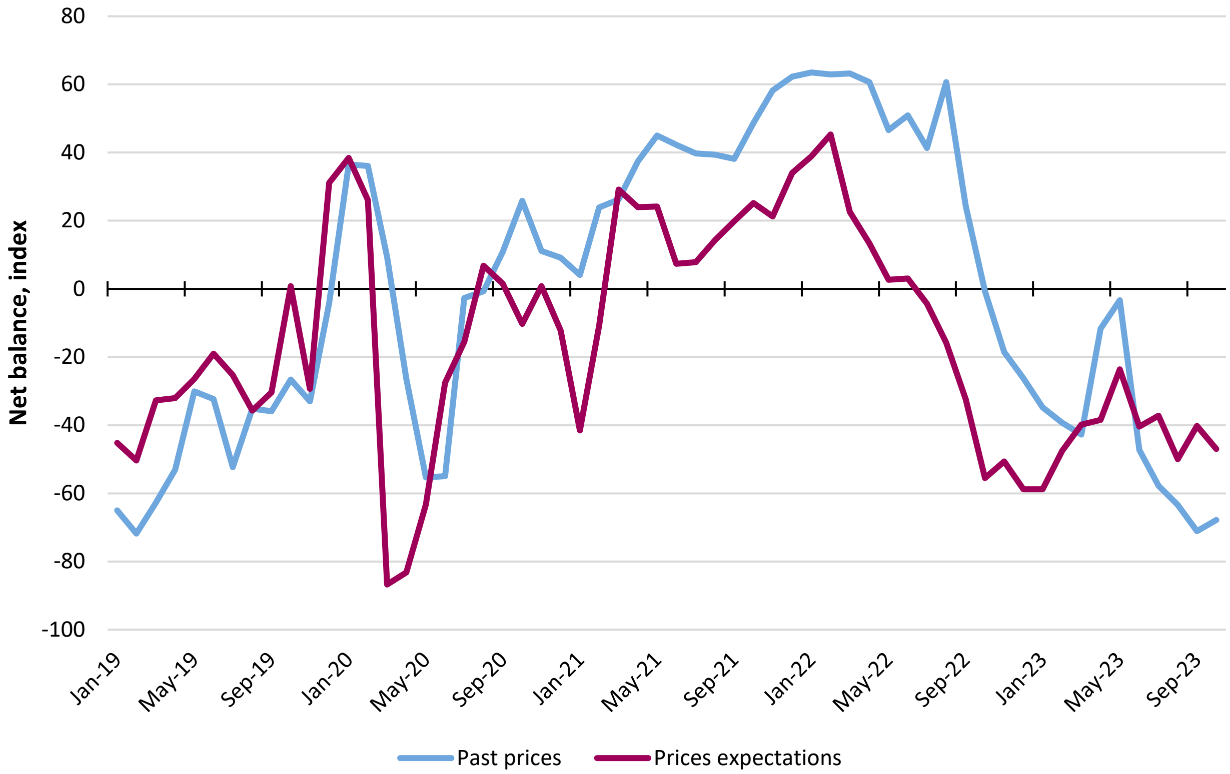
Figure 3.7: Natwest PMI Business Activity for London, New Business and Employment Indices



Source: GLA Economics based on IHS Markit data. Last data point is November 2023.

The housing market had been picking up prior to the onset of COVID-19 as gauges of recent and expected house prices had been rising through 2019. The pandemic immediately shocked both gauges, with the backward-looking measure falling to early 2019 levels and the forward-looking measure crashing to levels comparable with the financial crisis. Both gauges staged a volatile recovery from summer 2020 to spring 2021 as virus cases and activity restrictions fluctuated (**Figure 3.8**). The backward-looking measure remained strong through to August 2022, while the forward-looking gauge fell back in summer 2021 before rising again to a peak in February 2022 and then dropping once more. Both gauges have now turned negative amid affordability concerns due to mounting inflation, falling real incomes and rising interest rates. The measure for expected prices fell first, turning negative in July 2022, while for the measure of recent prices it was in October 2022. The measure of recent prices had returned to near neutral by May 2023 before weakening significantly.

Figure 3.8: RICS house prices net balance index for London, change during last three months



Source: GLA Economics based on RICS data. The net balance index measures monthly the proportion of property surveyors reporting a rise in prices minus those reporting a decline in the last three months. Last data point is October 2023.

Beyond the challenges that London's economy is facing in the immediate outlook, the combination of a recession and then economic slowdown in quick succession is likely to result in permanent economic scarring. It is less clear how the scarring will roll out over the sectors of the economy and if increasingly tight liquidity leads to widespread closure of otherwise-solvent firms. As part of these trends the sectoral composition of London's economy appears also to be shifting as responses to the pandemic fade away, and some more familiar patterns re-assert themselves.

Box 3.1: The labour force survey that lost its labour force

London's labour market has been weakening over recent months, a range of data sources show. Traditionally, the key measures have been the UK Official Statistics for employment, unemployment and economic activity that are drawn from the ONS Labour Force Survey (LFS). The LFS is the country's largest monthly survey and not just the source of official estimates of headline indicators but also a host of other socio-economic statistics relevant for the public and policy makers. It is also the source for the Annual Population Survey.

It was therefore of great concern to a range of public and private sector bodies when the ONS announced in October that it would postpone for a week the publication of that month's data because of quality concerns. That postponement then became a full suspension of the LFS and its replacement with an experimental set of estimates for the key headline indicators, based on using growth rates from administrative data.

In this box, we review what happened to the survey and explain what it means for understanding the labour market in London.

What is the background to the LFS suspension?

The immediate cause of suspension was a decline in sample size leading to concerns about the reliability of estimates. This issue had been prominent after the start of the pandemic when the ONS moved from face-to-face interviews to telephone interviews. That led to lower response rates and concerns that respondents were not representative of the population. In response the ONS made changes to its response weighting, including information from the HMRC Pay-as-you-earn Real Time Information data. The ONS also introduced a 'boost' sample to increase the size of the survey during the pandemic.

At the same time, the ONS has been working to introduce a Transformed Labour Force Survey (TLFS) which will use an online-first collection and had the aim of publishing the first outputs in September 2023. However, this launch was postponed to March 2024 to allow more time for development and quality assurance.

The Office for Statistics Regulation, the body overseeing the ONS said in its post-suspension review:

"ONS has had to make risk-based decisions about the balance of its investment in TLFS (as the strategic solution to the LFS challenges) while mitigating response and quality concerns with the LFS … This extension to the timetable has had an impact on the Labour Market teams within ONS as they have needed to balance the delivery of both the LFS and TLFS."[16]

It appears that these issues, including ending the 'boost' sample, came together in the July-September survey, making the October results impossible to publish.

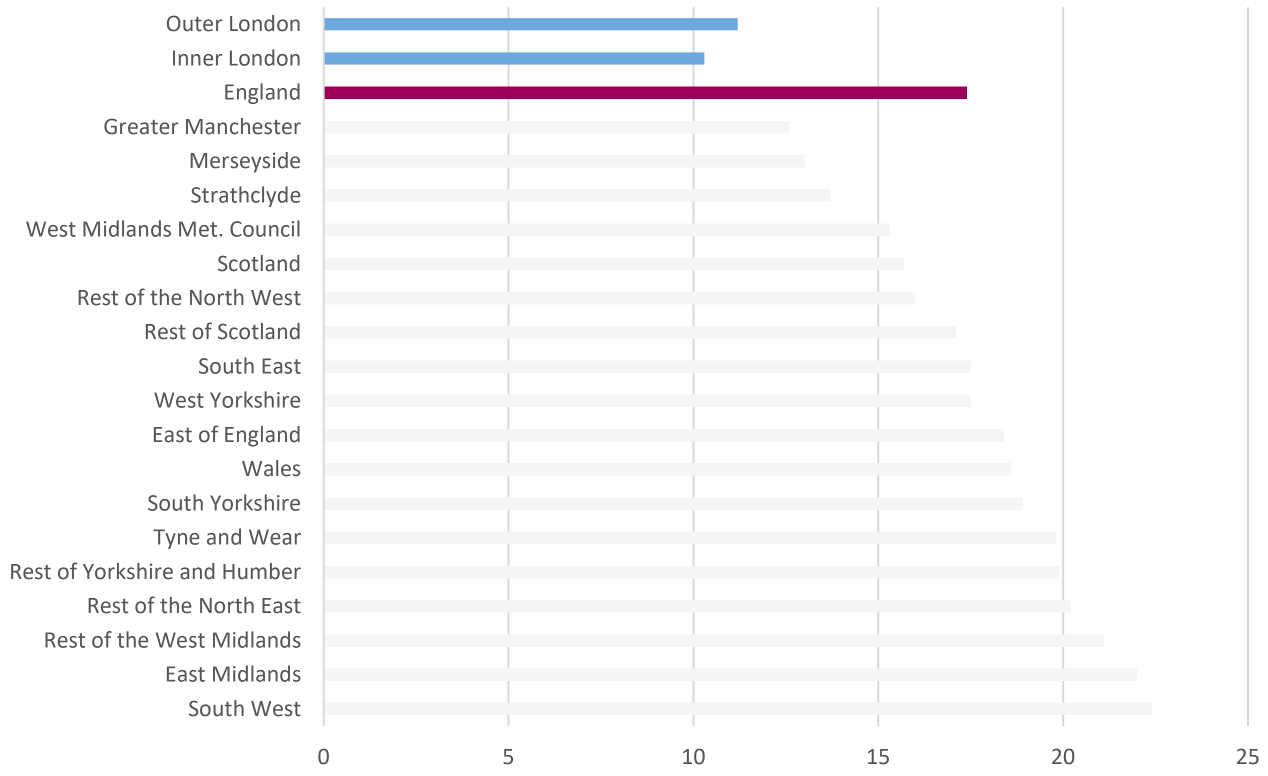
What happened to the LFS sample in London?

The number of people in the UK responding to the LFS dropped from around 130,000 in 2001 (a total response rate of 70%), to 84,000 in 2019 (a total response rate of 39%), but it collapsed since the pandemic to finally reach 44,000 individuals in July to September 2023 (total response rate 16%).

For London, the recent figures are a cause for even more concern. Response rates in London are usually lower than any other region but the response rate (including 'imputed' household responses) fell to 10.3% in Inner London and to 11.2% in Outer London in the last quarter, well below the level in any other region tracked by ONS data (**Figure 3.9**).

[16] See OSR Rapid Review of Labour Market Statistics, November 2023.

Figure 3.9: Total LFS response rates, July-September 2023 by region Including imputed households, %



Source: ONS Labour Force Survey performance and quality monitoring report

Another metric for understanding the changing survey response is attrition. This helps describe the tendency for people to drop out in successive "waves" of a longitudinal survey such as the LFS, which follows respondents over five successive quarters. Attrition in the LFS has also long been more pronounced in the LFS for London than in the survey overall.

In the year from July-September 2018 to July-September 2019, the proportion of responders from Inner London in Wave 1 went from 2.9% to 1.6% in Wave 5 (down 1.3 percentage points) and Outer London from 6.9% to 5.2% (down 1.7 percentage points). In other words, more London residents have been dropping out of the survey than in other regions, making estimates of key socio-economics statistics less precise and reliable than for other regions.

However, attrition appears to have significantly worsened in the July-September 2023 data, in particular among all but the over-70 age group and the economically inactive population. The share of the over-70s in Wave 5 responses in the July-September 2023 data reached 78% (from 20.3%) of that cohort at Wave 1, and 80% of the inactive population.[17] These numbers are clearly much higher than the relevant shares in the GB population. In other words, the LFS appeared to have lost its labour force.

Why are falling sample sizes, response rates and growing attrition important?
There are several reasons why falling sample sizes and response rates are causing concern:

[17] Labour Force Survey performance and quality monitoring report: July to September 2023, Table 11.

- When sample sizes fall, our ability to conduct granular and inter-sectional analysis declines. For instance, we might still be able to obtain reasonably precise estimates of unemployment in London overall, but find it difficult to obtain reliable estimates for sub-groups of the population.

- We start to worry about non-response bias. If people who respond to surveys are systematically different to people who do not respond, we expect our estimates to suffer from non-response bias. This is hard to model in order to compensate.

- When attrition is high we become unable to obtain reliable longitudinal results that help us understand how individuals change their labour force activity over time.

The ONS has noted that these problems aren't confined to the UK or to the LFS. Other statistical agencies in Europe and the US have also seen a long-term decline in response rates that accelerated during the pandemic.

What happens next?
In the short-term the ONS is putting more resources behind the existing LFS and hopes that it will then be able to transition to the TLFS in early 2024.

Initial findings from running the TLFS show that response rates to the online survey and knock-to-nudge follow ups exceed those for the LFS. The survey also allows the ONS to target hard-to-reach groups to give greater balance to responses across, for example, areas with high scores on the Indices of Multiple Deprivation (IMD).[18]

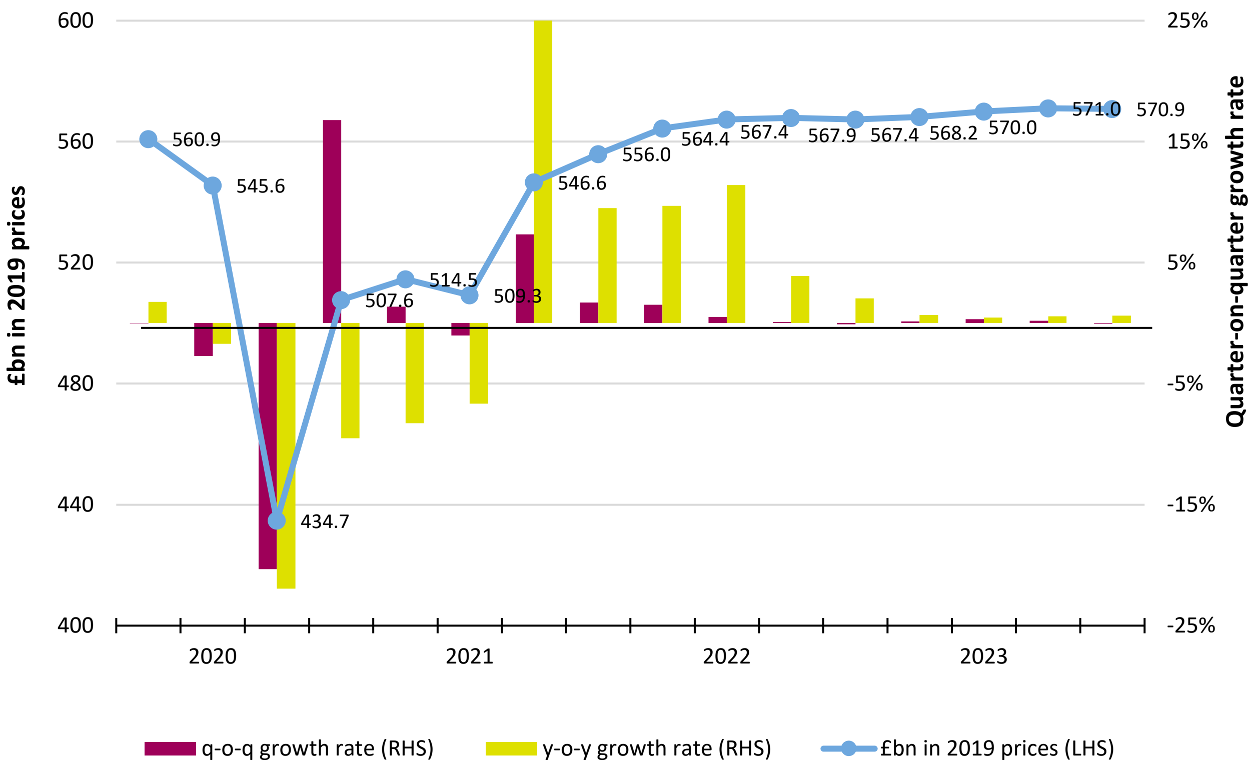
3.2 The UK economy

The UK economy suffered an unprecedented drop in activity during the first part of 2020 as lockdown restrictions were introduced to contain the pandemic. From late March to late May, the UK economy experienced the largest contraction of real GDP for over 300 years (quarterly contractions of -2.7% in Q1 2020 and -21.0% in Q2 2020). The single-quarter decline in the economy by over a fifth compares with a peak-to-trough fall of 6% during the 2008-09 financial crisis. This historic decline in national output was the result of the initial outbreak of COVID-19 and the public restrictions taken to contain its spread.

The economy rebounded rapidly in Q3 2020, but was then hit by the second lockdown late in the year, with another contraction in Q1 2021. Another rapid rebound in Q2 2021 was followed by continued recovery, though at a more moderate pace. The economy was resilient to Plan B restrictions in late 2021 and early 2022, but then generally stagnated across 2022 and 2023 as the cost of living began to bite in consumer spending, and higher interest rates. The expected recession in 2022/23 did not materialise, partly due to lower than expected energy prices (**Figure 3.10**).

[18] Labour market transformation – update on progress and plans: November 2023

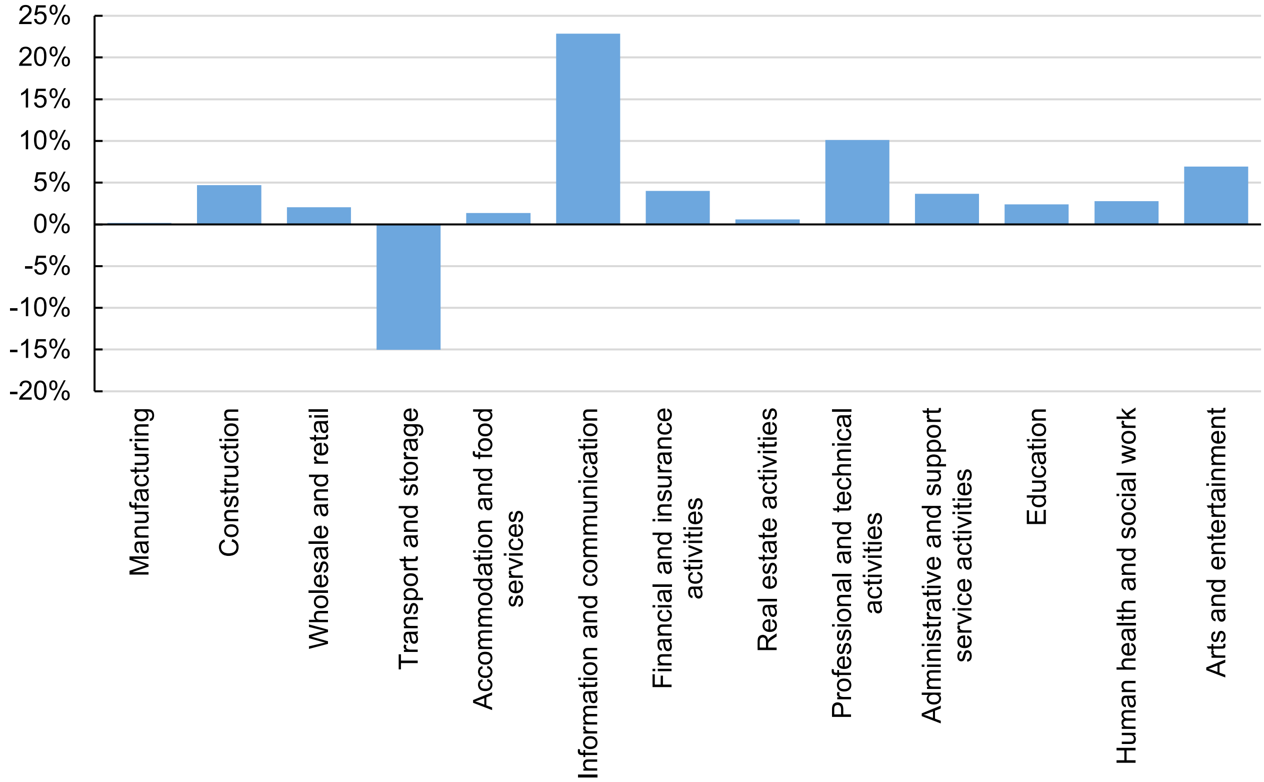
Figure 3.10: UK real GDP (Q4 2019 – Q3 2023)



Source: GLA Economics based on ONS – UK National Accounts data.

As with London, the wider UK's sectoral distribution of the impacts from the pandemic is uneven. The UK sector still struggling the most by Q3 2023 compared to pre-pandemic levels was Transport and storage. In contrast, in London other sectors have also not recovered to pre-pandemic levels of output. The UK's strongest sector, compared to its pre-pandemic levels is Information and communication (**Figure 3.11**). This re-structuring is perhaps indicative of the shift to digital activities during and after the pandemic.

Figure 3.11: Proportionate change in real GVA by industry* in the UK Q4 2019 – Q3 2023



*Source: GLA Economics based on ONS – UK GDP data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

GDP data can also be split into different types of final expenditure. This includes final expenditure by households, general government and the non-profit institutions serving households, as well as expenditure used in gross capital formation (e.g. business investment)[19]. For the most recent period, the year to Q3 2023, there was growth across the private, government and household sectors (**Table 3.1**).

Table 3.1: Annual rates of real growth in domestic final expenditure for the UK

	2021	2022				2023		
Expenditure	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**
Households	11.5%	16.2%	4.3%	0.4%	0.0%	0.0%	0.2%	0.7%
Non-profit institutions	8.8%	24.4%	13.0%	10.7%	10.3%	3.4%	-3.4%	-3.3%
General Government	11.0%	10.8%	0.7%	0.5%	-1.3%	-3.2%	1.3%	0.1%
Gross fixed capital formation	2.7%	11.4%	5.7%	7.7%	7.2%	3.9%	4.6%	1.3%

Source: ONS (2023). 'GDP first quarterly estimate, UK: July to September 2023', 10 November 2023.

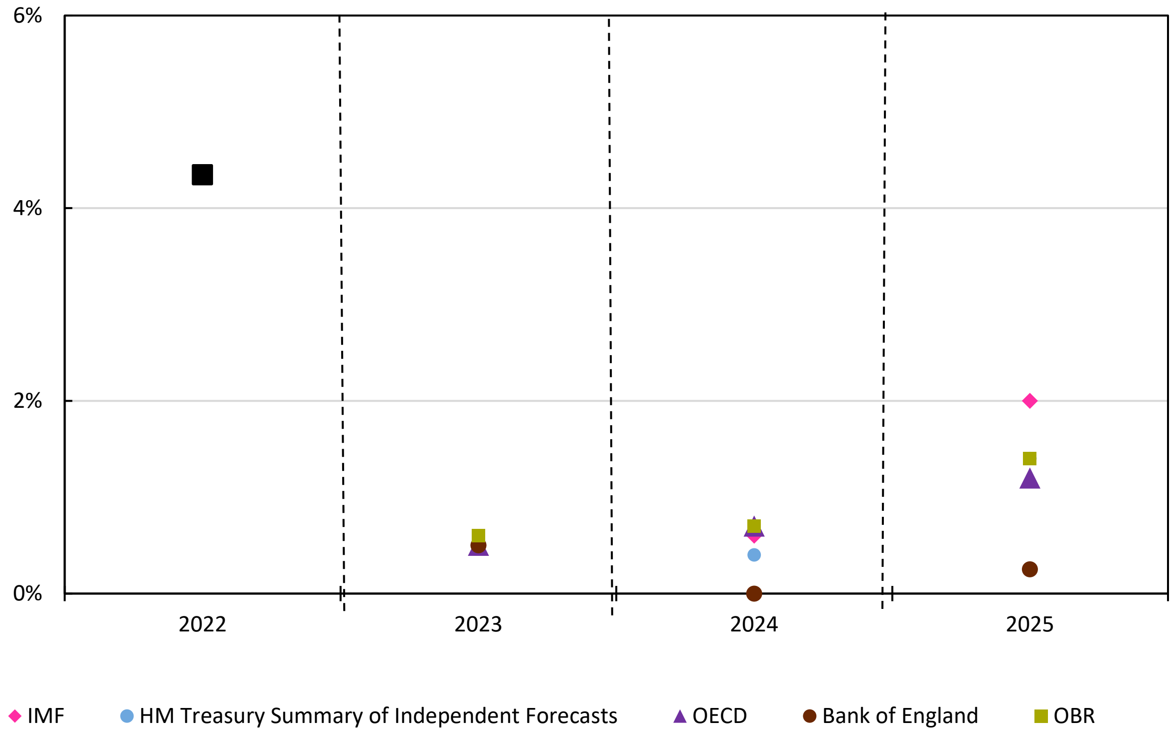
Household expenditure is the largest component of the UK economy, contributing three-fifths of UK GDP in 2023. Year-on-year there has been growth in this element of spending from Q2 2021, although it fell marginally in Q3 2023. There is a similar picture for domestic final expenditure on gross capital formation. Annual general government expenditure turned negative in Q1 2022, but has recovered a little after Q1 2023.

[19] It also includes net trade in goods and services.

Forecasts of the UK economy

Looking to the outlook for the UK economy, the cost of living crisis, weak global growth, the continued impact of Brexit (see Box 3.2), high interest rates, high government borrowing, and long-standing concerns on low productivity represent key downside risks. After the Mini-budget in September 2022 exacerbated a sharp increase in government borrowing costs, the Autumn Statement 2022 saw the Chancellor promise tax hikes and spending cuts to bring down government borrowing and calm markets. However, most of the spending cuts are deferred to after 2024, and support to households' energy bills, along with direct payments to low-income households, continued in 2022 and are running in a less generous form to 2024. More recently, prolonged high inflation and high interest rates has dampened economic activity. (Tax cuts announced in the Autumn Statement 2023 might support economic activity, but this is against a backdrop of taxes rising overall.) **Figure 3.12** plots the distribution of official and private forecasts for the current and next two years. The consensus is that after still-firm growth on average for 2022, the economy will stagnate in 2023 and 2024, and there will be mildly improved prospects in 2025. The Bank of England forecast is an outlier in 2024 and 2025 and emphasises the prominence of the downside risks.

Figure 3.12: External forecasts of UK real GDP growth for 2022-2025



Source: GLA Economics based on ONS, HM Treasury, Bank of England, OECD, IMF, and OBR projections

The OBR and HM Treasury also publish forecasts for other variables like the labour market and public-sector net borrowing (PSNB). These are shown in **Table 3.2**.

Table 3.2: Selected OBR and HM Treasury consensus forecasts for the UK economy

	HM Treasury's Average of Independent (November 2023)		Office for Budget Responsibility (November 2023)	
	2023	2024	2023	2024
Annual real GDP growth rate	0.5%	0.4%	0.6%	0.7%
LFS unemployment rate	4.2%	4.6%	4.2%	4.6%
Current account	-£58.8bn	-£66.2bn	-£100.0bn	-£106.1bn
Public sector net borrowing (financial year)	£110.8bn	£93.5bn	£123.9bn	£84.6bn

Sources: HM Treasury (2023). 'Forecasts for the UK economy: a comparison of independent forecasts', November 2023; and OBR (2023). 'Economic and Fiscal Outlook – November 2023', March 2023.

Other UK economic indicators

Beyond GDP, another important economic indicator is inflation, as measured by the Consumer Price Index (CPI). The large depreciation of sterling following the EU referendum pushed inflation above the Bank of England's central target of 2% for much of 2017 and 2018, but this shock largely dissipated by 2019. CPI inflation stood at 1.5% year-on-year in March 2020[20]. The weakness of demand in the economy during the pandemic further subdued inflationary pressures. When consumers are making fewer purchases, sellers are less likely to raise prices for fear of driving away the remaining buyers.

However, the easing of lockdowns then rapidly released pent-up demand. Global supply and distribution networks were not ready for the surge in orders, so supply chain bottlenecks began to create shortages that drove up prices. In the UK, the end of the Brexit transition exacerbated this effect. Inflation pushed back above the Bank's target by the end of 2021. Russia's invasion of Ukraine in February 2022 turned the situation into a crisis, with energy and food prices soaring. CPI inflation stood at 11.1% year on year in October 2022 – the highest point since 1981[21]. It had fallen to 8.7% in April 2023[22], and to 4.6% in October 2023[23], in each case when the sharp rise in energy prices the previous year dropped out of the measure. The Bank expects the inflation rate to fall quickly across 2023 and meet the 2% target in early 2026. It appears that inflation is more persistent in the UK than the US or the Eurozone, perhaps because along with Europe the UK has suffered a substantial rise in energy prices, and like the US it has a tight labour market.

With fiscal policy on a relatively restrictive footing since 2010 and few signs of inflation rising on a sustained basis, the Bank of England had kept interest rates near zero for much of the decade to 2020. While the Bank had raised rates in response to the 2017 inflation overshoot, rates were steady at 0.75% from late 2018 to spring 2020. Yet as the scale of the pandemic's impact became apparent in March 2020, the Bank lowered interest rates to 0.25% and then to a record low of 0.1%. However, the rapid acceleration of inflation that has unfolded from autumn 2021 has seen the Bank of England respond sharply. December 2021 saw the first rate rise since 2018, and by August 2023, the Bank had reached a policy interest rate of 5.25%. This is already the fastest hiking cycle since the late 1980s, and market expectations for the path of interest rates anticipate only a gradual easing over the coming years (**Figure 3.13**).

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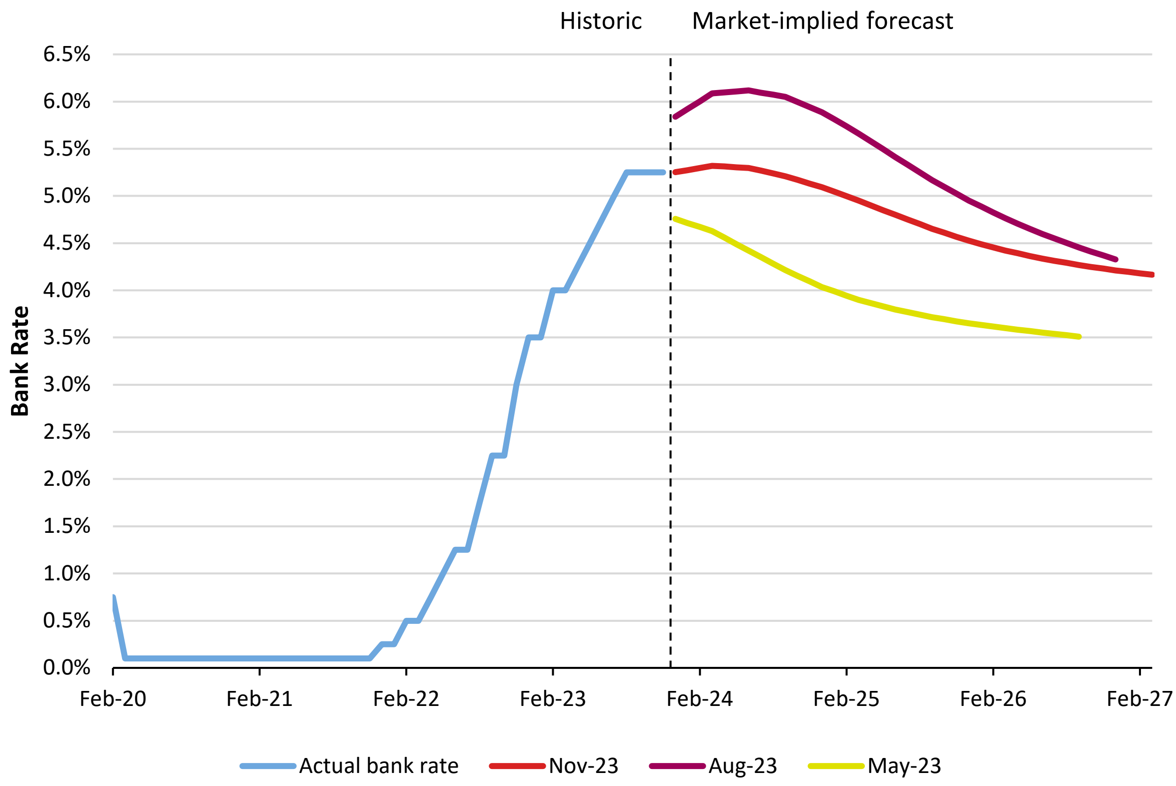
[20] ONS (2020). 'Consumer price inflation, UK: March 2020', April 2020.
[21] ONS (2022). 'Consumer price inflation, UK: October 2022', November 2022.
[22] ONS 2023). 'Consumer price inflation, UK: April 2023', May 2023.
[23] ONS 2023). 'Consumer price inflation, UK: October 2023', November 2023.

Figure 3.13: Market-implied interest rate path for the UK



Source: Bank of England (2023), '[Monetary Policy Report – November 2023](#)'.

Interest rate changes can influence the economy in a range of ways[24]. The most important effects are on aggregate demand. Higher interest on savings raises the 'opportunity cost' of spending – i.e. it is relatively more attractive to forgo consumption today by saving more and investing. Consumers also often borrow for major purchases, meaning higher interest rates on consumer loans make those purchases less affordable. Higher mortgage interest rates raise housing costs for owner-occupiers, which may cut their willingness to spend. Reduced homebuying due to more expensive mortgages may lower house prices, reducing households' wealth and making them less inclined to spend money. Business investment may see a similar impact. Here, higher interest rates raise the cost of borrowing to invest, and may lower the valuation of firms due to a higher discounting rate in net present value calculations. As with consumers, costlier borrowing and a dent to wealth should slow business spending.

By slowing aggregate demand, raising interest rates should slow the pace of inflation. Lowering interest rates would have the reverse of these effects. However, the magnitude of these effects depends on several factors, including the speed and scale of the interest rate changes, the time it takes for interest rates to transmit through the economy, and the current state of the wider economy. These "long and variable"[25] lags mean further uncertainty in economic forecasts. With interest rates at levels not seen since the financial crisis, the Bank of England projects no growth in the UK economy in 2024. The OBR projects weak, if slightly higher, growth.

A separate impact may be seen on the currency. Excluding other influences, interest rate rises can bolster the pound as returns (interest) on sterling assets would be relatively higher than on other countries' assets,

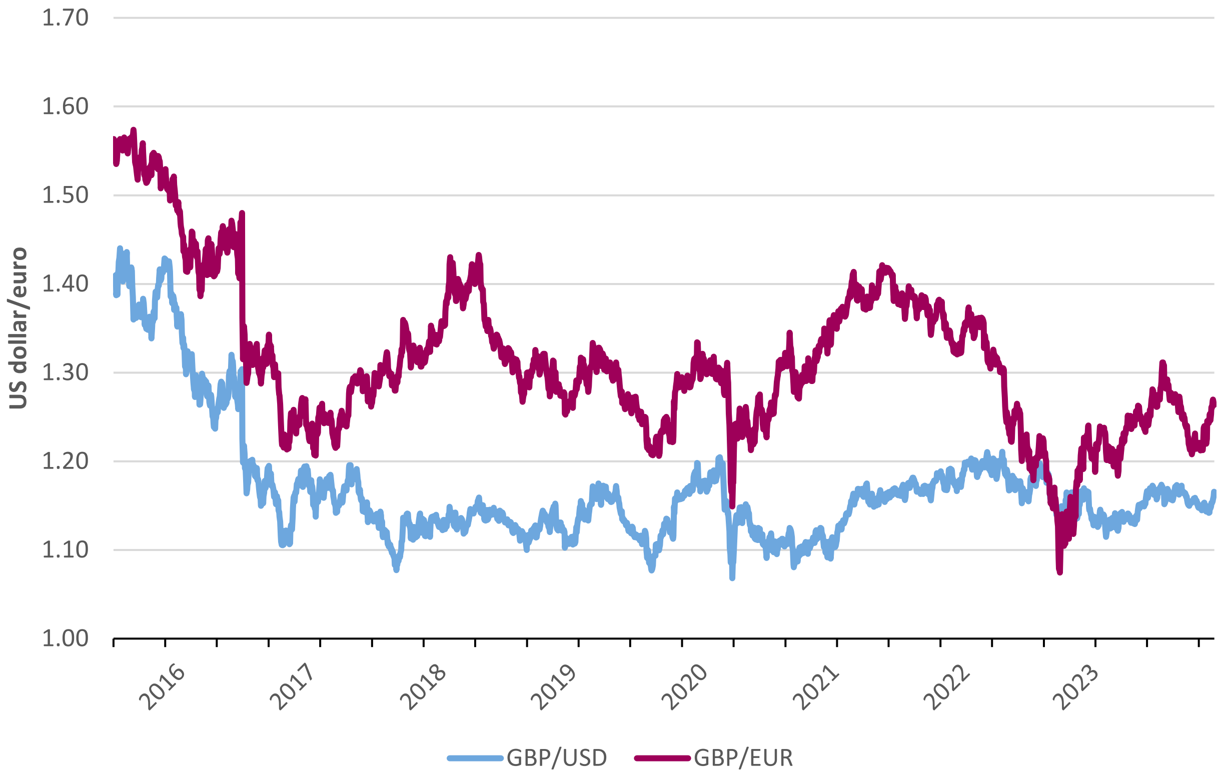
[24] See Bank of England (1999). 'The transmission mechanism of monetary policy', Bank of England Quarterly Bulletin, May 1999.
[25] This concept is often associated with the works of Milton Friedman in the late 1950s and early 1960s, c.f. Friedman (1959), "A Program for Monetary Stability", Fordham University Press, 1959

leading to an increase in demand for sterling-based assets by foreigners. As the currency appreciates, imports are relatively less costly for UK buyers to purchase. As a result, this exchange rate effect should enhance the inflation-dampening effects of rate rises.

The value of sterling fell following the result of the EU referendum in June 2016. Sterling had been relatively steady against the euro since mid-2017, although there have been marked down and then upward movements in the second half of 2019. This came as first a no-deal Brexit became more likely, and then a deal became increasingly likely. At the same time, sterling appreciated against the US dollar through 2017 and into the early part of 2018 but had since dropped back largely due to the continuing impact of Brexit.

In early March 2020, it became apparent that the UK economy would be significantly affected by COVID-19, and the pound depreciated against both the US dollar and the euro. In part, this reflects a flight to strong currencies, but it may also reflect the comparative weakness of the UK economy after the vote to leave the EU. Fluctuations in the US outlook saw the pound recover against the dollar, then weaken again after the election of Joe Biden as US President. Since 2021, the pound has recovered against the euro, reflecting first the strength of the UK vaccination programme and then expectations of interest rate rises. More recently, the pound has fallen against the euro and the dollar, likely reflecting diminished expectations for the UK economy during the cost of living crisis. Following the mini-budget in late September 2022, the pound depreciated sharply to its lowest level against the dollar since 1984. The unfunded tax cuts in the mini-budget put pressure on UK government bond markets, and along with a generalised loss of investor confidence in the UK economy, this impacted on sterling. The pound has made up its losses since as policy has stabilised (**Figure 3.14**).

Figure 3.14: Sterling to US dollar and euro exchange rates



Source: Bank of England
Note: First data point is 1 July 2015, and last data point is 1 December 2023

Box 3.2: An update on Brexit

The 14 previous editions of LEO[26] from Autumn 2016 to Spring 2023 have provided updates on the process of the UK leaving the EU and estimates of the impact on the London economy, and monitored jobs, immigration, and trade developments. This edition updates what has happened since the last edition, and summarises what has happened since 2016, and what it means for the London and UK economies.

1 Recent developments

With the establishment of more harmonious relationships between the UK and the EU following the Windsor agreement to improve implementation of the Northern Ireland Protocol[27], further agreements have been reached. The UK has agreed to rejoin the EU's Horizon research programme[28] – this will enable the UK to continue to conduct collaborative research with European partners, and has been seen as very important by the UK science community. This should be advantageous to London as it has a strong university sector.

The EU has met UK requests and proposed a three-year delay to tariffs on electric vehicles sales from 1 January[29]. The tariff under rules-of-origin was a 10% levy on cars with batteries made outside the UK and the EU. Insufficient battery making capacity in the UK and the EU at the present time would benefit Asian electric vehicle imports to the detriment of the European industry if the tariff is implemented.

More broadly, UK in a Changing Europe (UKICE) is finding the divergence from the EU has all but stopped due to its disruptive economic impact[30]. Their regulatory divergence tracker for August to October 2023[31] identifies:

- Six cases of active divergence, where the UK, or some part of it, changes the rules
- Two of delayed divergence, where active divergence is delayed
- Five of active alignment, where the UK takes steps to align more closely with EU rules, systems or programmes

Even though the numbers of measures may be small regulatory divergence can still cause significant problems for business, particularly small businesses. A survey reporting in September by the British Chamber of Commerce of 733 Small and Medium-sized Enterprises (SMEs) showed that 80% were unaware of reporting requirements under the EU carbon border adjustment mechanism, or obligations relating to the bloc's VAT regime from January 2025[32].

In a separate development, the UK announced the timing of the implementation of its remaining border controls for EU goods. Since January 2022, imports from the EU have had to be accompanied with relevant customs declarations and upfront payments of necessary tariffs. The remaining controls are now expected to be introduced in 2024:

[26] GLA Economics (2016, 2017a, 2017b, 2018a, 2018b, 2019a, 2019b, 2020a, 2020b, 2021a, 2021b, 2022a, 2022b, 2023). 'London's Economic Outlook: Autumn 2016 The GLA's medium-term planning projections': editions from Autumn 2016, Spring 2017, Autumn 2017, Spring 2018, Autumn 2018, Spring 2019, Autumn 2019, Spring 2020, Autumn 2020, Spring 2021, Autumn 2021, Spring 2022, Autumn 2022, Spring 2023
[27] GLA Economics (2023), London's Economic Outlook: Spring 2023
[28] Bounds A et al (2023), UK confirms deal to rejoin Horizon science programme, Financial Times, 7 September
[29] Bounds A and Pickard J, Brussels proposes 3-year delay to EV sales tariffs between UK and EU, Financial Times, 5 December
[30] Reland J (2023), Non-divergence is the new consensus in British politics, UKICE
[31] Reland J (2023), UK-EU regulatory divergence tracker Q3 2023, UKICE
[32] Foster P (2023), UK SMEs not ready for 'avalanche' of Brexit 2.0 rules and taxes, Financial Times, 10 September

- Health certification and sanitary and phytosanitary (SPS) certification for agri-food products
- Physical SPS-checks on imports at designated Border Control Posts
- Safety and security declarations, which provide a summary of the goods contained in a consignment to reduce the risk of terrorism and trade in illicit goods[33]

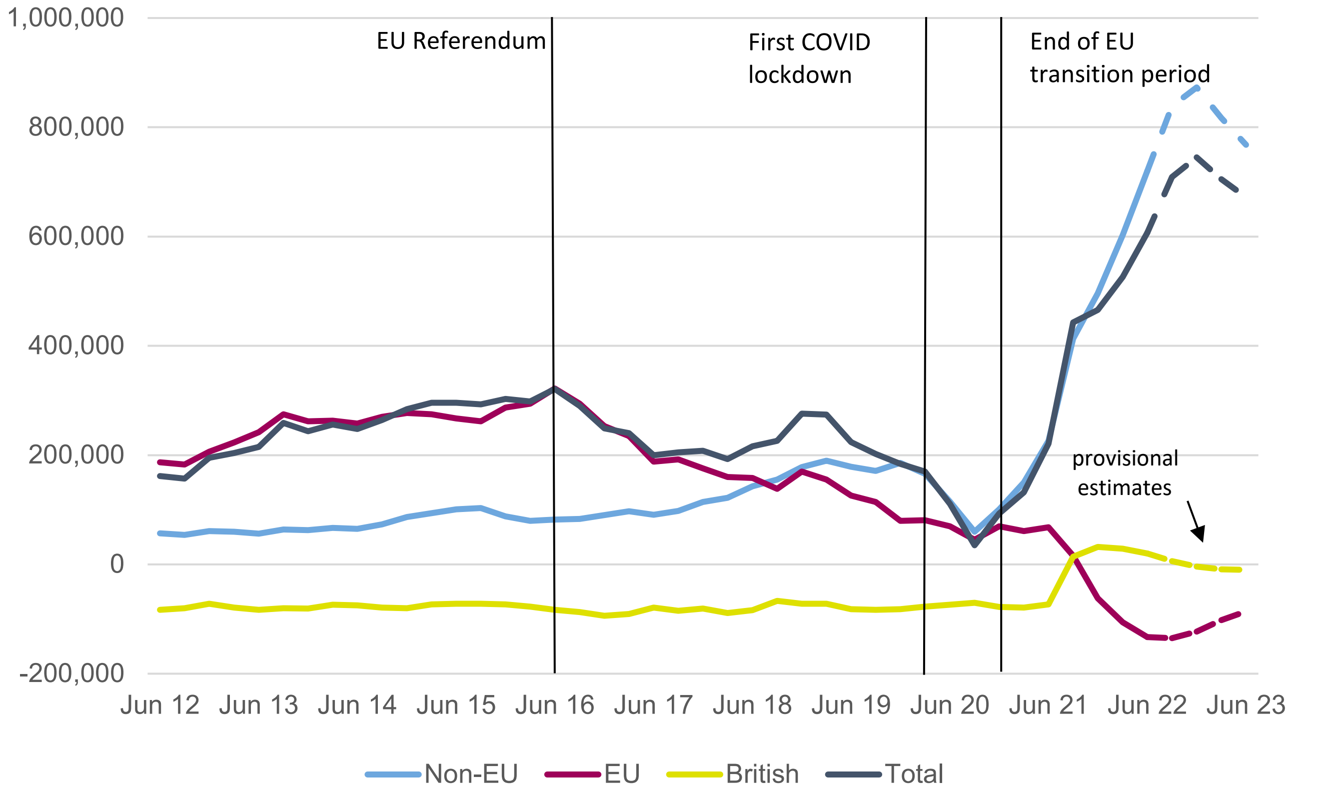
These border checks have been estimated to increase headline inflation by less than 0.2% over three years[34]. The government has estimated that the implementation of the regulations on animal and plant products will cost businesses £330 million a year[35].

The publication of updated ONS migration figures showing high levels of immigration was followed shortly after by a government announcement[36] to curb net migration. Total long-term immigration for the year ending June 2023 was 1.2 million, while emigration was 508,000, so net migration was 672,000, according to the ONS. This is down on the estimate of 745,000 for the year to December 2022. More recent estimates indicate a slowing of immigration and increasing emigration.

Before the pandemic migration was relatively stable. Net migration has increased sharply since 2021 because of a rise of non-EU migration of students and workers. This is when new immigration rules came into effect after the UK left the EU. The figures also include people arriving on humanitarian routes (particularly from Ukraine and Hong Kong). The number of EU citizens has been falling from a net inflow of 322,000 in the year to June 2016 (when the EU Referendum took place) to a net outflow of 86,000 in the year to June 2023 (**Figure 3.15**).

[33] Jurkovic P (2023), The UK's border with the EU, UKICE, 7 September
[34] Jurkovic P (2023), The UK's border with the EU, UKICE, 7 September
[35] Foster P (2023), New Brexit border checks to cost business £330mn a year, Financial Times, 1 October
[36] Home Office (2023), Home Secretary unveils plan to cut net migration, 4 December

Figure 3.15: Non-EU, EU, and British nationals net migration to the UK between year ending June 2012 and year ending June 2023



Source: Office for National Statistics

Spring 2023 LEO reported that London appears to have gained less than the UK from the inflow of non-EU workers and lost relatively more EU workers.

The increase in non-EU immigration in the year to June 2023 was mainly driven by migrants coming for work (up to 33% of the total from 23% in the year to June 2022). This is largely attributed to those coming on health and care visas. In contrast, those arriving on humanitarian routes decreased from 19% to 9% over the same period. The largest contributor to non-EU immigration in the year to June 2023 (39%) was study, which was largely unchanged compared with the previous year[37].

The Migration Observatory[38] notes that there is considerable uncertainty in migration trends, but estimates that net migration might fall to 300,000 by 2030, roughly similar to pre-Brexit levels. A majority of this decline results from an increase in emigration, offsetting the increase in the inflow observed recently, particularly of international students. A decline in humanitarian immigration also plays a role in the decrease.

The government's package of measures to tackle immigration[39] is on top of these changes and intends to end the high number of dependants coming to the UK, increase the minimum salaries that overseas workers and British or settled people sponsoring family members must earn, and tackle exploitation across the immigration system by:

- Tightening the Health and Care Work visa, by preventing overseas care workers from bringing their dependants to the UK. In addition, care providers in England will now only be able to sponsor migrant workers if they are undertaking activities regulated by the Care Quality Commission

- Increasing, from next spring, the earning threshold for overseas workers by nearly 50% from £26,200 to £38,700. The government will also increase the minimum income required for British citizens and those settled in the UK who want their family members to join them
- Ending the 20% going-rate salary discount for shortage occupations and replace the Shortage Occupation List with a new Immigration Salary List, which will retain a general threshold discount
- Asking the Migration Advisory Committee to review the Graduate visa route to ensure it works in the best interests of the UK and that steps are being taken to prevent abuse

This package, and the previously announced restrictions on student dependants, will reduce, according to the Home Office, immigration by 300,000 in future years compared with 2022[40]:

- 140,000 fewer through student routes
- 100,000 fewer through health and social care routes
- 50,000 fewer through other skilled worker routes
- Tens of thousands fewer as sponsored family members

There are concerns about what immigrant workforce reductions may mean for the provision of social care.

The Migration Observatory[41] has commented that, "it is unclear how these raised salary thresholds will impact future levels of net migration. This is because migration patterns seldom remain the same, and therefore the number of people who arrived in the past year on a work or family visa that would not have qualified under the new rules is different to the number of people who will be affected in the years ahead."

Finally, evidence is emerging of the impact of UK government changes implemented since Brexit. UKICE research[42] demonstrates that new public sector lenders created by the government since Brexit are investing two-thirds less than the UK was receiving from the EU's European Investment Bank (EIB). The EIB invested an average of £6.4 billion in the UK between 2009 and 2016, after inflation, peaking at £7.5 billion in 2016, the year of the EU Referendum. By contrast successor institutions invested £2.4 billion in 2022. Public sector lenders such as the EIB aim to harness the lower borrowing costs and longer time horizons of governments, to back projects that private investors deem too risky[43].

In a similar vein, Parliament's Treasury Committee found that last year's Edinburgh reforms of the Finance sector, by Chancellor Jeremy Hunt, to take advantage of flexibilities after leaving the EU had had little impact. The committee concluded that a number of measures in the plan merely "amount to preparatory work rather than outright reforms". Even among those that were deemed to be genuine changes to

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[37] Cheatham L (2023), Long-term international migration, provisional: year ending June 2023, ONS, 23 November
[38] Hall T et al (2023), Why are the latest net migration figures not a reliable guide to future trends?, The Migration Observatory, 16 October
[39] Home Office (2023), Home Secretary unveils plan to cut net migration, 4 December
[40] Syal R et al (2023), Five-point plan to cut UK immigration raises fears of more NHS staff shortages, The Guardian, 4 December
[41] Brindle B and Sumption M (2023), How will new salary thresholds affect UK migration?, The Migration Observatory, 6 December
[42] Hunsaker S and Jurkovic P (2023), The investment gap: the UK's efforts to replace the European Investment Bank , UKICE
[43] Stewart H (2023), New UK banks' post-Brexit investment only one third of lost EU funds, The Guardian, 14 September

regulation, MPs said the chancellor's attempt to categorise those reforms as significant and worthy of attention was "unconvincing"[44].

2 Summary of developments since 2016

Brexit has been a complex, drawn out, and uncertain process that remains incomplete. The economic consequences began after the EU Referendum, and prior to the UK effectively leaving the EU; they are likely to continue for years to come.

There have been adverse economic effects throughout this period. After the EU Referendum, the depreciation of sterling made consumers and producers worse off through higher prices for imports, which fed into diminished purchasing power. Uncertainty around what form Brexit would take (between 2016 and 2020) took away management time and led to lower business investment. The number of EU migrants started falling.

After the UK left the Single Market, there was a rise in prices from the introduction of trade barriers on imports. Theoretically, the introduction of trade barriers should be detrimental for trade and growth. In practice, however, UK trade has recovered after the pandemic, except for goods exports, so the overall impact on trends is unclear. The post-Brexit migration regime is also rebalancing jobs held by foreign nationals towards the higher-skilled. It is unlikely that other potential benefits (e.g., greater flexibility to determine regulations and trade agreements) would have more than a marginal impact on growth.

For example, the government initially estimated the long-run increase in GDP from joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) at 0.08%[45], but the OBR recently revised this figure downward to 0.04%[46]. This compares with a loss in output of 4%[47] from leaving the European Union and makes clear the importance of the EU as a large economic union and neighbour to UK trade.

Over the longer term, the consequences of a loss of business dynamism and investment will continue to play out. In this context, perhaps surprisingly, London and the UK have remained attractive to foreign investors. Further, the introduction of trade barriers makes it more costly to export to the EU. This will be to the detriment of small firms and may be a disincentive to firm creation. In time, there will be fewer large exporters than there would have been, and thus fewer exporters of all sizes to realise the gains from trade. Firms will also be less productive, impacting on long-term growth and prosperity.

There is a consistent finding across impact studies that Brexit has damaged the London and UK economies. Both economies are smaller than they would otherwise have been. The effects began immediately after the EU Referendum and have continued since.

3.3 The global economy

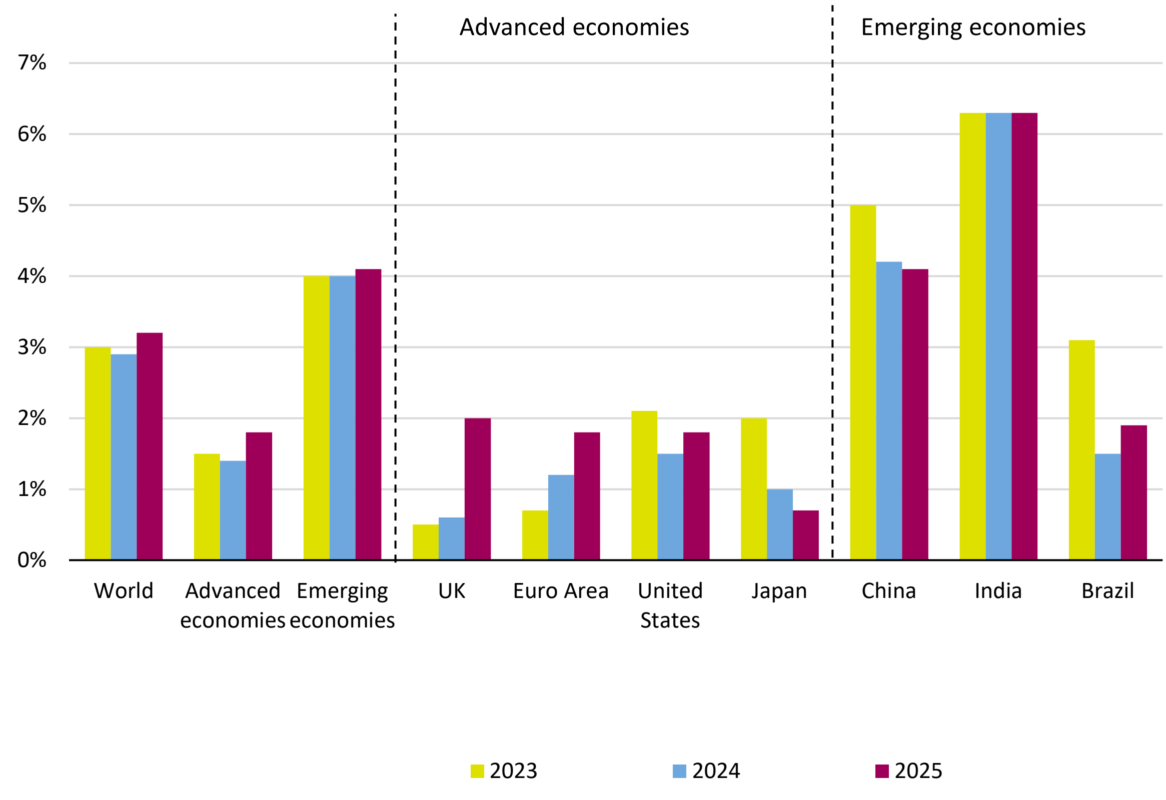
Global economies grew in 2021 and into 2022 with the easing of the pandemic due to the vaccination programmes in the more developed countries, and the associated ending of lockdowns in most countries. However, global inflationary pressures rose due to the impact of the war in Ukraine on commodity prices as well as ongoing supply chain issues. Central banks responded and global growth eased off at the end of 2022 and into 2023. This has exposed weaknesses in the banking sector, notably the systemically important

[44] Makortoff K and Partington R (2023), Jeremy Hunt's post-Brexit City shake-up is 'damp squib', say MPs, The Guardian, 8 December
[45] Department for International Trade (2021), UK Accession to CPTPP: The UK's Strategic Approach
[46] OBR (2023), Economic and Fiscal Outlook – November 2023
[47] OBR (2023), Economic and Fiscal Outlook – March 2023

UBS Credit Suisse. The IMF noted that, "The recent events are powerful reminders of the challenges posed by the interaction between tighter monetary conditions and the vulnerabilities built up since the global financial crisis"[48]. Concerns about the spread of stress in the banking sector gave way to optimism about brisk disinflation and a soft landing of the global economy. Nevertheless, as the IMF also observes, "Rapid rises in global bond yields in recent weeks provide a glimpse of the abruptness at which financial conditions can tighten. Moreover, though acute strains in the global banking sector have subsided, there are now indications of trouble elsewhere as higher interest rates are beginning to bite, for example, by squeezing the repayment capacity of corporate and household borrowers. Financial stability risks therefore remain elevated" [49].

The latest IMF World Economic Outlook[50] forecasts that the world's economy will grow by 3.0% this year (unchanged from its July forecast) and almost the same at 2.9% next year (0.1 percentage points down). Advanced economies are projected to expand – on average – by 1.5% this year while emerging economies will grow – on average as well – by 4.0%. This implies that the global economy is recovering from the 2020 global recession but now faces fresh global headwinds (**Figure 3.16**).

Figure 3.16: IMF forecasts of real GDP growth for selected economies



Source: IMF – World Economic Outlook, October 2023.

The **advanced economies** grew by 2.6% on an annual basis in 2022. The IMF expects growth in 2023 of 1.5% (unchanged from the July 2023 forecast), and then an almost identical 1.4% growth in 2024 (unchanged on their last forecast). The output of most advanced economies recovered to pre-COVID levels in 2022.

[48] IMF (2023). 'Global Financial Stability Report: Safeguarding financial stability amid high inflation and geopolitical risks', April 2023.
[49] IMF (2023). 'Global Financial Stability Report: Financial and climate policies for a high-interest-rate era', October 2023.
[50] IMF (2023). 'World Economic Outlook: Navigating global divergences', October 2023.

Looking at the advanced economies in more detail, the **US** economy grew by 5.2% year on year in Q3 2023. This follows a year-on-year expansion of 2.1% in Q2 2023[51]. Growth in the third quarter was broadly based across households, the private sector, and government. Compared with the second quarter, the acceleration in GDP after inflation primarily reflected accelerations in consumer spending and private inventory investment. An upturn in exports and imports was partly offset by a slowdown in non-residential fixed investment. Jobs growth also continues to be firm in a tight labour market. Consumer price inflation has been falling and stood at 3.2% in October, down from the 40-year high of 9.1% last June. In August, the Federal Reserve raised its benchmark lending rate to stand at 5.25-5.5%, the eleventh increase in rates, and the highest level since February 2001. With macroeconomic data pulling in different directions it is finely balanced if the next movement in interest rates should be up or down.

The **Eurozone's** economy has continued to stagnate. In Q3 2023, GDP decreased by 0.1% on a quarter-by-quarter basis, and increased by 0.1% on an annual basis[52]. This followed a 0.2% rise quarter-by-quarter in Q2 2023. The IMF forecasts that the Eurozone will grow by 0.7% in 2023 (a fall of 0.2 percentage points on their July forecast) and by 1.2% in 2024[53] (down 0.3 percentage points from July). Meanwhile, the European Commission forecasts EU growth of 0.6% in 2023 and 1.3% in 2024[54]. The EU is the part of the world most dependent on Russian energy imports, and so one of the most exposed to the adverse economic effects of the war in Ukraine. The European Central Bank (ECB) has been tightening monetary policy to tackle inflation with rates increasing since July 2022 from 0.0%, with the main benchmark rate now standing at 4.0%, a level not seen since introduction of the Euro in 1999.

The **Japanese** economy grew year-on-year by 1.4% in the third quarter of 2023 after growing by 1.9% in the second quarter of 2023[55]. Still, the IMF expects that Japan's economy will expand by 2.0% in 2023 (0.6 percentage points up on their July forecast), and by 1.0% in 2024 (unchanged from their previous forecast)[56].

Emerging market economies

The IMF expects growth of 4.0% in the emerging market economies in 2023 (unchanged from their July forecast) and growth of 4.0% in 2024[57] (down 0.1 percentage points from July).

Of the major emerging markets, **China's** economy grew by 4.9% between Q3 2022 and Q3 2023. The IMF expects growth to be 5.0% in 2023 (down 0.2 percentage points on the July forecast) before slowing to 4.2% in 2024[58] (down 0.3 percentage points on the July forecast). The Asian Development Bank (ADB) also expects China's economy to grow at a similar rate. It anticipates growth of 4.9% in 2023 and 4.5% in 2024[59]. Looking at China's economy in detail, the IMF comments that, "Heightened concerns about China's weakening economic momentum, a deepening property sector downturn, and growing strains on local government financing weighed on global market sentiment in recent months. Disinflationary pressures have intensified, prompting the People's Bank of China to cut policy rates – one of the few central banks to ease monetary policy"[60].

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[51] Bureau of Economic Affairs (2023). '[Gross Domestic Product (Second Estimate) and Corporate Profits (Preliminary), Third Quarter 2023]', 29 November 2023.
[52] Eurostat (2023). '[Preliminary GDP and employment flash estimates for the third quarter of 2023]', 14 November 2023.
[53] IMF (2023). '[World Economic Outlook: Navigating global divergences]', October 2023.
[54] European Commission (2023). [Autumn 2023 Economic Forecast: A modest recovery ahead after a challenging year]', 15 November 2023.
[55] Source: OECD Economic Outlook, November 2023
[56] IMF (2023). '[World Economic Outlook: Navigating global divergences]', October 2023.
[57] IMF (2023). '[World Economic Outlook: Navigating global divergences]', October 2023.
[58] IMF (2023). '[World Economic Outlook: Navigating global divergences]', October 2023.
[59] Asian Development Bank (2023). '[Asian Development Outlook (ADO) September 2023]'.
[60] IMF (2023). '[Global Financial Stability Report: Financial and climate policies for a high-interest-rate era]', October 2023.

Meanwhile, **India's** economy is estimated to have grown by 7.2% in the financial year 2022/23[61]. Looking at the calendar year, the IMF expects growth of 6.3% in 2023, and 6.3% in 2024 (up 0.2 percentage points for 2023 and unchanged for 2024[62] on their July forecast). The ADB also expects healthy growth this year and next, at 6.3% in 2023 and 6.7% in 2024[63].

In **Russia**, the economy grew by 5.6% in 2021, and contracted by 2.1% in 2022 according to the IMF. The IMF expects the economy to grow by 2.2% in 2023 and a further 1.1% in 2024 (upgrades of 0.7 percentage points for 2023 and a downgrade of 0.2 percentage points for 2024[64] compared with their previous forecast). It notes that, "The rise in growth [between 2022 and 2023] reflects a substantial fiscal stimulus, strong investment, and resilient consumption in the context of a tight labor market".

3.4 Risks to London's economy

London has come through the pandemic, and weathered the worst of the cost-of-living crisis. Growth over 2023 has been lacklustre. There remains considerable uncertainty around the size and lasting impact of these factors. Here, we outline some of the key risks on both the upside and downside. While there remain some potential triggers for an improvement in the outlook, overall, risks are skewed to the downside.

Starting with the positive possibilities, the key near-term upside risk is around household resilience to high inflation. While the poorest Londoners may be among the most exposed in the UK to the cost of living crisis, the average London household may see relief from a number of sources. First, Londoners have higher average incomes than in other regions. Second, Londoners on average devote less of their spending to energy and have more energy efficient housing. Evidence of this London-specific resilience may be visible in the capital's less pessimistic consumer and business confidence readings.

The risk to inflation, and even higher household costs, from strongly rising energy, and food prices has abated. Europe and the US have adapted to the threat of higher energy costs due to the war in Ukraine and Russia's moves to cut gas supply to Europe in response to sanctions continue. Repeated moves from OPEC+ to shore up the price of oil with supply cuts has been manageable. In partial mitigation, the Government has continued to provide some relief for business energy bills until April 2024[65], which will alleviate any price rises from firms to offset higher costs.

On top of these region-specific sources of resilience, recent national accounts revisions also show that at the UK level, there may be an even larger than previously estimated pool of pandemic excess savings on hand. The savings rate is now estimated to have been even higher during the pandemic than previously thought, and a higher share of this increase has been estimated as due to 'forced' savings due to activity restrictions[66]. Taken together, these changes mean that forced pandemic savings have been revised up from a cumulative £145 billion across the UK to £194 billion – 13% of annual household disposable income. Combining this larger-than-expected pool of excess savings during the pandemic with Londoners' higher-than-average incomes, households may have more financial capacity to deal with the rising cost of living than we currently expect. As a result, consumer spending might be stronger than we envision in our baseline.

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[61] Press Information Bureau Government of India, Press note on provisional estimates of national income 2022-23 and quarterly estimates of gross domestic product for the fourth quarter (January – March) of 2022-23, 31 May
[62] IMF (2023). 'World Economic Outlook: Navigating global divergences', October 2023.
[63] Asian Development Bank (2023). 'Asian Development Outlook (ADO) September 2023'.
[64] IMF (2023). 'World Economic Outlook: A rocky recovery', April 2023.
[65] Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy (2023), Energy Bill Relief Scheme: help for businesses and other non-domestic customers
[66] ONS (2022), "Blue Book 2022 – revised impacts of the coronavirus (COVID-19) pandemic on the UK economy", 31 October 2022

London's resilience may be boosted by recent growth in the London economy while the UK stagnates. The reasons for this are not fully clear, and it is based on early statistical estimates which will be subject to revision. However, there is evidence that some of the export-oriented sectors in which London specialises are doing well, and that UK services exports other than to the EU are growing strongly. These gains may be flowing through to the average incomes of Londoners, whose expenditure as a result on consumer-facing sectors such as arts and hospitality may be higher than otherwise. Forced savings may also be contributing to higher expenditure.

In the medium term, one positive possibility hinges on demographics in London. Overseas worker and student migrant numbers have risen, and are well ahead of pre-pandemic levels. London receives a major share of skilled migrants, so increases in visa numbers and students could boost the capital's labour supply and human capital. The government's recent announcement to curb numbers of immigrants might reverse these gains over time[67].

Housing costs look likely to rise in the near term. Record increases in asking rents in London will soon begin to feed through into the overall stock of rents. And rising short- and long-term interest rates will increase mortgage costs. It is even possible that the rising costs of servicing a mortgage will see more private landlords sell off their property, while households on the margin between renting and buying cannot finance buying up that spare supply.

The effects of imported inflation from higher energy and food prices have diminished the risk of secondary effects from a wage-price spiral. Inflation has fallen sharply over 2023, but core inflation, that is inflation less the more volatile elements of energy, food, alcohol and tobacco, is at a higher level. Inflation is set to stay at a level above the Bank target rate of 2% for some time requiring a sustained period of high interest rates to dampen economic activity. Wage growth has exceeded inflation for the first time in a couple of years in Q3, which is a positive development if it is accompanied by higher productivity. If it's to recover lost wages after a period of restraint it may add to inflationary pressures. Indeed, the longer inflation remains high, the more compelling demands for higher wages will become, and industrial action could become more widespread. If firms respond to increased labour costs by hiking prices to preserve profit margins, this will entrench higher inflation for longer. In turn, the longer inflation remains high, the longer households are likely to depress spending further restraining economic activity.

Higher inflation is adding to fiscal risks. Much of government debt is either short-term or linked to inflation. Higher business and personal tax to meet the cost of the pandemic are having little effect on the debt burden. The government has made a political decision in the 2023 Autumn Statement to use the funds from higher taxes to cut other taxes. There has been no additional cash for public services to meet the higher costs of services – it is likely that this is not sustainable, and will be addressed in due course. Further increases in taxes will dampen economic activity.

Political and geopolitical risks are also on the economic downside. The Israel-Hamas war has had very distressing human consequences for the civilian populations of both sides. So far, it has been contained but if conflict spreads across the Middle East then this might bring another oil price shock. The implementation of restrictions on immigration announced by the UK government will reduce the output of the London and UK economies. The election of nationalists, in the Netherlands recently but potentially also in the US next year, may lead to more beggar-my-neighbour policies, including import tariffs, which would be detrimental to growth.

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[67] Syal R et al (2023), '[Five-point plan to cut UK immigration raises fears of more NHS staff shortages]', The Guardian, 4 December

There are also long-term downside risks. Firstly, while migration numbers have been up in recent national figures, London's inactivity rate is higher than before the pandemic, especially among older workers. So far, increases have been sustained and fewer Londoners in the pool of workers and job-seekers reduces London's labour supply and its potential output. The government's intention to reduce migration would also have a negative impact depending on when and how it is implemented.

Secondly, the arrival of a fresh downturn immediately on the heels of the pandemic shock makes long-term economic scarring increasingly likely. Business closures have overtaken business births for more than a year in London[68], raising the risk of lasting job losses. London already has a higher share of long-term unemployed than the wider UK[69]. Further increases could damage the capital's skills profile and make it harder for those out of work to quickly find new employment in a recovery. This could be a key trigger for long-term damage to London's output potential. A drop in business investment due to lower growth expectations, higher interest rates and elevated uncertainty would also damage London's long-term prospects by reducing growth in the capital stock. Lower investment is also likely to damage productivity growth in the long term. Combining these possible triggers, if London declines as an international centre for work and investment in the medium term and loses core business agglomerations, this would degrade output below our baseline in the long term.

3.5 Conclusion

The unprecedented fall in London's economic activity over 2020 reflected a decline in both demand and supply because of the COVID-19 pandemic. The successful vaccine rollout and major fiscal support built a foundation for the recovery across 2021. While London was hit hard by the pandemic in 2020, its rapid recovery in 2021 has allowed it to fare better than the UK average, recovering to pre-pandemic output levels by late 2021. However, global supply shocks and Russia's invasion of Ukraine now mean that London and the wider UK face a fresh headwind from high inflation. The cost of living crisis, and higher taxes to repay spending during the pandemic, have depressed consumer spending and restrained output growth. Irrespective of this, London, unlike the UK, does appear to be growing, albeit at a perhaps moderating rate, possibly benefiting from growing service exports outside the EU.

All sectors of London's economy were affected by the shock, despite the unprecedented UK economic policy response during the pandemic. More recently, some of the sectors in which traditionally London has specialised have come to the fore. This may have boosted household incomes, and so spending on some consumer-facing sectors, which suffered disproportionately during the pandemic.

Stepping back from central projections, the outlook for London's economy remains unusually uncertain. The risks to the economic recovery are varied and continue to skew to the downside. The evolution of the global economy, supply risks from the war in Ukraine, policy responses, the depth of savings cushions, the persistence of high interest rates, and the ongoing effects of Brexit are all salient risks. The response of households and firms to all these developments will determine the evolution of the capital's economy over the coming year.

Considering all these elements, GLA Economics provides its medium-term scenario-based forecasts for London's economy in Chapter 5 of this document

[68] ONS (2023), "Business demography, quarterly experimental statistics, UK: July to September 2023", 26 October
[69] GLA Economics (2022), "Out-of-work trends in London", November 2022. Accessible on the Labour Market Analysis web page.

4 Review of independent forecasts

GLA Economics forecasts four economic indicators: workforce jobs, real GVA, private consumption (household expenditure) and household income in London. This chapter summarises the consensus view as of 11 December 2023 on these indicators[70], drawing on forecasts from outside (independent) organisations[71]. Chapter 5 then provides a summary of GLA Economics' own projections.

All the external forecasts were produced over the period August to November.

Both annual growth rates and 'standardised' absolute levels are reported. All money-valued data is in real terms (constant 2019 prices). The source for the historic data on GVA and workforce jobs presented in the following tables and charts is GLA Economics modelling using ONS data[72]. The source of historical data for Household Income and Expenditure is a mixture of Experian Economics (EE) for growth rates and GLA Economics modelling using EE data for the absolute levels.

Beyond the headline, both the external consensus and GLA Economics deliver forecasts for employment and output growth in six broad sectors[73]:

- Manufacturing
- Construction
- Transport and storage
- Distribution[74], accommodation and food services
- Finance and business services[75]
- Other (public & private) services[76].

[70] The consensus forecast for GVA and employment is based on the latest available forecast from the Centre for Economics and Business Research, Experian Economics, Oxford Economics and S&P Global.
[71] S&P Global do not provide household expenditure forecasts.
[72] The main underlying ONS source for output is the Quarterly country and regional GDP series and the main underlying ONS source for employment is Workforce jobs by region and industry.
[73] Since our spring 2012 forecast, GLA Economics has been using the 2007 Standard Industrial Classification (SIC 2007). For more information see Appendix A of 'London's Economic Outlook: Spring 2012', GLA Economics, June 2012.
[74] Distribution is made from the summation of Wholesale and Retail.
[75] Business services is made from the summation of Information and Communication, Professional, scientific and technical services, Real estate, and Administrative and support service activities.
[76] This is the sum of Public admin and defence, Education, Health, Arts, entertainment and recreation and Other services. While this set of sectors neglects primary industry and utilities, these made up less than 1.5% of London's 2021 output.

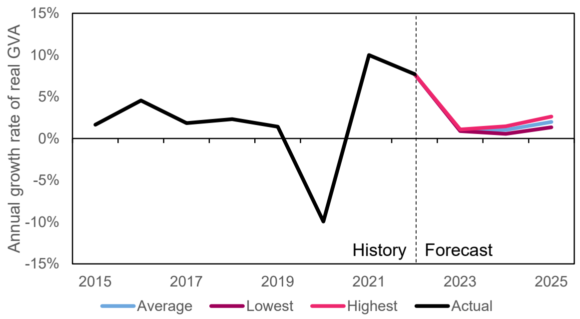
Output

(London GVA, constant prices (base year 2019), £ billion)

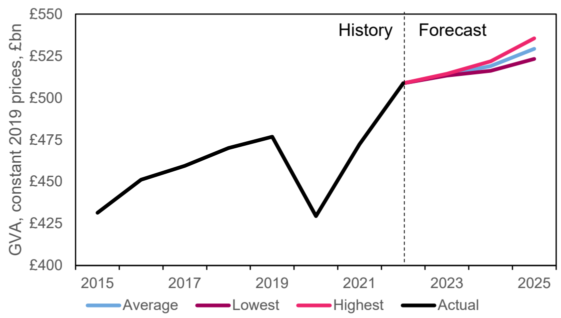
The consensus (mean average) forecast puts real output growth at 1.0% in 2023, followed by the same growth rate in 2024 and 2.0% in 2025.

The consensus forecast has fluctuated since June 2023. The mean estimates in the last LEO were for growth of 0.4% in 2023, 1.0% growth in 2024 and 1.9% in 2025.

Annual growth



Level (constant year 2019, £ billion)



Annual growth (%)			
	2023	2024	2025
Average	1.0	1.0	2.0
Lowest	0.9	0.6	1.4
Highest	1.1	1.5	2.6

Level (constant 2019 prices, £ billion)			
	2023	2024	2025
Average	513.7	519.0	529.3
Lowest	513.3	516.2	523.2
Highest	514.3	521.8	535.6

History: Annual growth (%)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2.9	4.4	1.6	4.6	1.8	2.3	1.4	-9.9	10.0	7.7

History: Level (constant 2019 prices, £ billion)

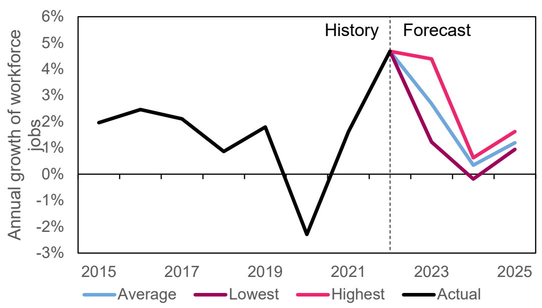
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
406.6	424.5	431.5	451.1	459.5	470.1	476.8	429.4	472.3	508.8

Employment
(London workforce jobs)

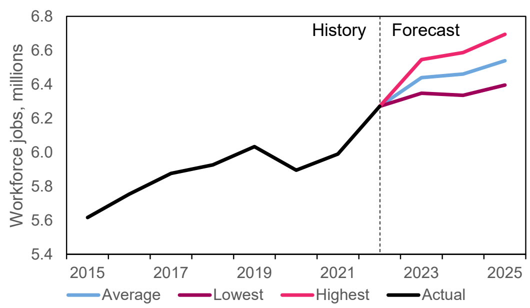
The consensus forecast for workforce jobs anticipates growth of 2.7% in 2023, before recovering to 0.3% in 2024 and 1.2% in 2025.

As with output, this represents an improvement on June forecasts – for this year but a downgrade for next year.

Annual growth



Level (millions of workforce jobs)



Annual growth (%)			
	2023	2024	2025
Average	2.7	0.3	1.2
Lowest	1.2	-0.2	0.9
Highest	4.4	0.6	1.6

Level (millions of persons)			
	2023	2024	2025
Average	6.44	6.46	6.54
Lowest	6.35	6.34	6.40
Highest	6.55	6.59	6.69

History: Annual growth (%)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2.9	4.3	2.0	2.5	2.1	0.9	1.8	-2.3	1.6	4.7

History: Level (millions of persons)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
5.3	5.5	5.6	5.8	5.9	5.9	6.0	5.9	6.0	6.3

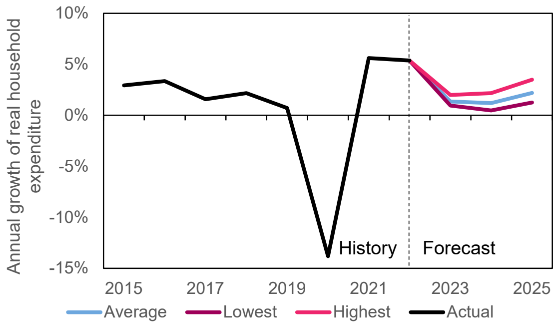
Household expenditure

(Constant prices (base year 2019), £ billion)

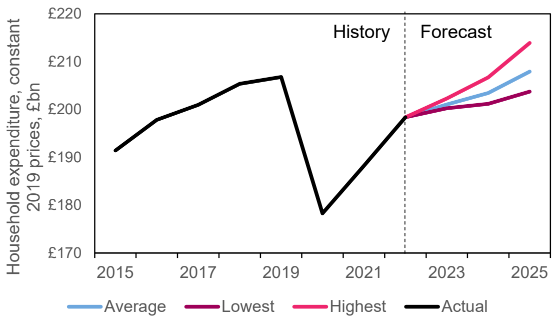
The consensus forecast for consumer spending is for growth of 1.4% in 2023, moderating 1.2% in 2024 and recovering to 2.2% in 2025.

This is stronger in the near term than the June 2023 consensus, which involved growth of 0.3% in 2023. However, 2024 and 2025 saw faster expected growth in June 2023 of 1.6% and 3.1% respectively.

Annual growth



Level (constant 2019 prices, £ billion)



Annual growth (%)			
	2023	2024	2025
Average	1.4	1.2	2.2
Lowest	0.9	0.5	1.3
Highest	2.0	2.2	3.5

Level (constant year 2019, £ billion)			
	2023	2024	2025
Average	201.0	203.4	207.9
Lowest	200.2	201.2	203.7
Highest	202.3	206.7	213.9

History: Annual growth (%)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2.6	3.3	2.9	3.3	1.6	2.2	0.7	-13.8	5.6	5.4

History: Level (constant 2019 prices, £ billion)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
180.1	186.0	191.4	197.8	201.0	205.4	206.8	178.3	188.3	198.4

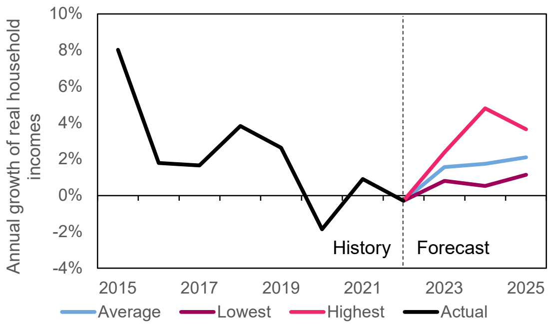
Household income

(London real disposable household income, constant prices (base year 2019), £ billion)

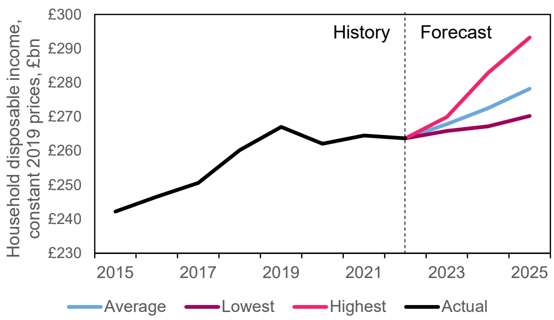
The consensus forecast for household income is for growth of 1.6% in 2023, followed by 1.7%% in 2024 and 2.1% in 2025.

The consensus forecast for 2023 has been upgraded from the forecast of a 0.5% contraction in June 2023, however the growth envisioned in 2024 and 2025 was higher at 2.5% and 2.9% respectively.

Annual growth



Level (constant 2019 prices, £ billion)



Annual growth (%)			
	2023	2024	2025
Average	1.6	1.7	2.1
Lowest	0.8	0.5	1.1
Highest	2.4	4.8	3.6

Level (constant year 2019, £ billion)			
	2023	2024	2025
Average	267.8	272.5	278.3
Lowest	265.8	267.2	270.3
Highest	270.0	282.9	293.2

History: Annual growth (%)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
4.3	4.6	8.0	1.8	1.7	3.8	2.6	-1.9	0.9	-0.3

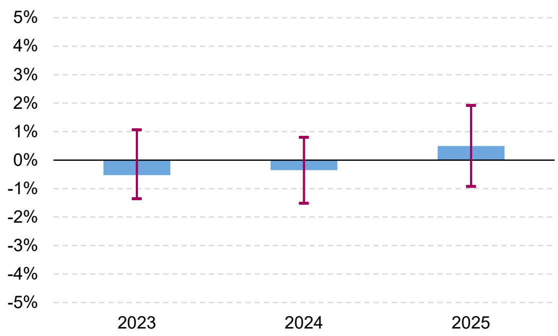
History: Level (constant 2019 prices, £ billion)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
214.4	224.2	242.2	246.6	250.6	260.2	267.0	262.1	264.5	263.7

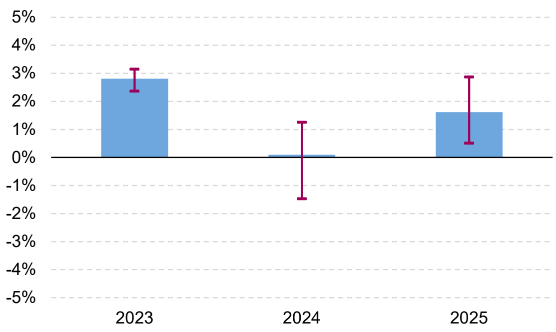
Output growth by sector

The consensus forecast sees most of London's services sectors maintaining growth across the next three years. However, goods sectors tend to see a contraction this year and next.

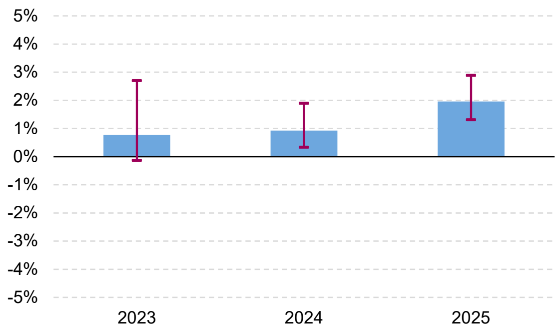
Manufacturing



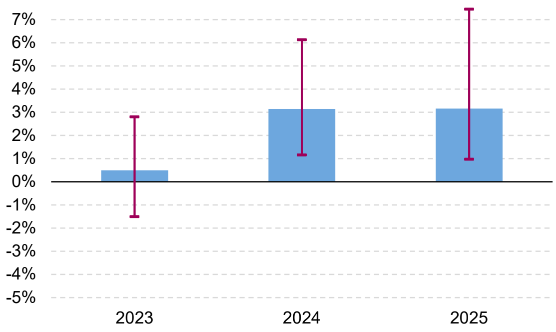
Construction



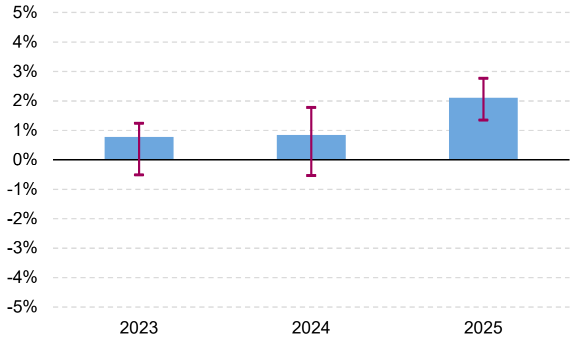
Distribution, accommodation and food services



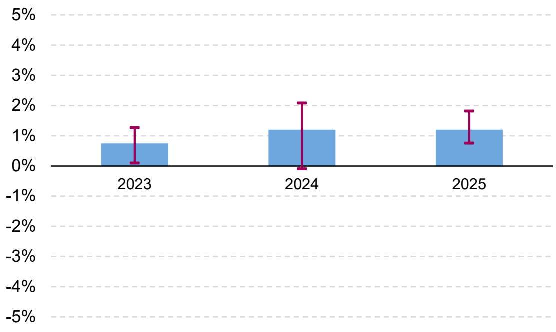
Transport and storage



Finance and business



Other services (public and private)

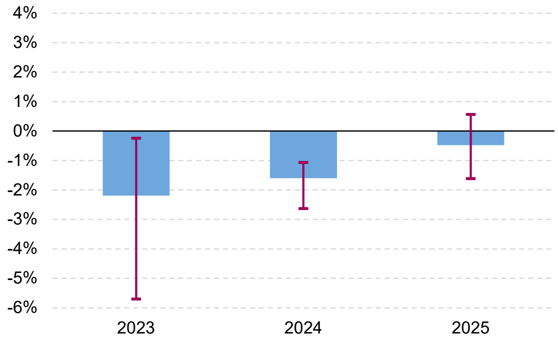


		2023	2024	2025			2023	2024	2025
Manufacturing	Average	-0.5	-0.4	0.5	**Construction**	Average	2.8	0.1	1.6
	Lowest	-1.4	-1.5	-0.9		Lowest	2.4	-1.5	0.5
	Highest	1.1	0.8	1.9		Highest	3.2	1.3	2.9
Distribution, accommodation and food	Average	0.8	0.9	2.0	**Transport and storage**	Average	0.5	3.1	3.2
	Lowest	-0.1	0.3	1.3		Lowest	-1.5	1.2	1.0
	Highest	2.7	1.9	2.9		Highest	2.8	6.1	7.5
Finance and business	Average	0.8	0.8	2.1	**Other services (public and private)**	Average	0.7	1.2	1.2
	Lowest	-0.5	-0.5	1.4		Lowest	0.1	-0.1	0.8
	Highest	1.2	1.8	2.8		Highest	1.3	2.1	1.8

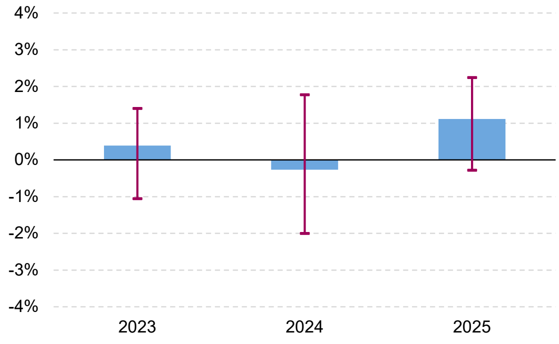
Employment growth by sector

The profile of sectoral job growth is generally similar with services on the whole outperforming the goods sectors.

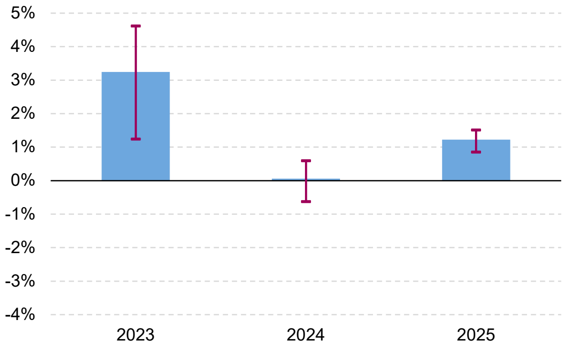
Manufacturing



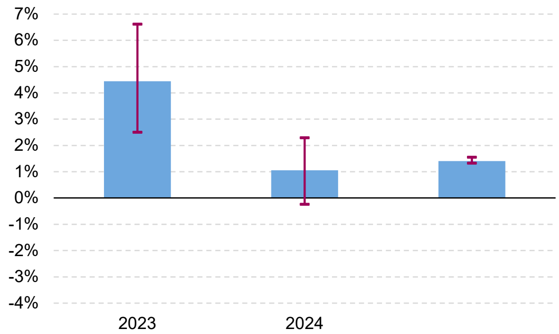
Construction



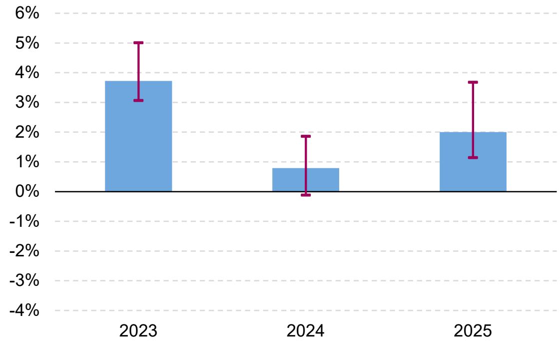
Distribution, accommodation and food services



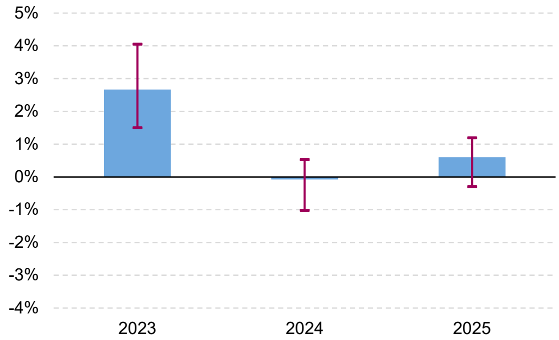
Transportation and storage



Finance and business



Other services (public and private)



		2023	2024	2025			2023	2024	2025
Manufacturing	Average	-2.2	-1.6	-0.5	**Construction**	Average	0.4	-0.3	1.1
	Lowest	-5.7	-2.6	-1.6		Lowest	-1.1	-2.0	-0.3
	Highest	-0.2	-1.1	0.6		Highest	1.4	1.8	2.2
Distribution, accommodation and food	Average	3.2	0.1	1.2	**Transport and storage**	Average	4.4	1.1	1.4
	Lowest	1.2	-0.6	0.9		Lowest	2.5	-0.2	1.3
	Highest	4.6	0.6	1.5		Highest	6.6	2.3	1.6
Finance and business	Average	3.7	0.8	2.0	**Other services (public and private)**	Average	2.7	-0.1	0.6
	Lowest	3.1	-0.1	1.1		Lowest	1.5	-1.0	-0.3
	Highest	5.0	1.9	3.7		Highest	4.1	0.5	1.2

5. The GLA Economics reference forecast

For business planning purposes (for example, the likely course of revenue), GLA Economics produces estimates of job numbers and output at a range of points in time. The medium-term planning projections (this forecast) provide those estimates.

This forecast differs from the GLA's long-term employment projections[77], which are trend-based. Trend projections, by definition, do not incorporate cyclical variations and the actual course of output and employment will vary around this trend. These long-term projections are essential for planning to provide capacity (such as office space, housing and transport). They also allow planners to accommodate the needs of the economy throughout the cycle, including at its peak. However, business planning also requires estimates of actual economic aggregates in the medium term, including cyclical paths.

As time progresses and more data is available, it becomes possible to identify turning points in the data; whether underlying trends are continuing, or new trends are being established.

The source for the historic data in the following tables and charts is GLA Economics modelling using ONS data.

This analysis includes a measure of uncertainty around the central scenario using alternative scenarios developed by GLA Economics. The upside scenario sees a stronger recovery as London's relatively higher-income consumers are cushioned by a buffer of savings built up over the pandemic and inflation fades swiftly. Our downside scenario sees a downturn and a slow recovery, as inflation remains higher for longer, dragging on incomes and driving up interest rates, also prompting businesses to defer investment. The prolonged spell of low growth also means deeper pandemic-related scarring on medium-term output and jobs.

5.1 Results

London's economic output had been growing every year from 2010 to 2019 before the pandemic drove an unprecedented contraction in 2020. The latest estimated annual regional output data has further trimmed the size of the pandemic drop to -9.9%, from -10.6% in previous estimates. The latest estimates continue to show London growing faster than the UK average in 2021. London's output regained its pandemic losses by the end of 2021. Figures up to Q3 2023 show London generally growing but with some variability.

However, the pace of the recovery is likely to slow substantially in the coming quarters. Inflation although dropping is weighing on real incomes, and the recent steep increases in interest rates will drag on investment and consumption. Most UK forecasts have been downgraded as the year has progressed. Still most commentators expect the UK to avoid recession. Yet the economy has largely stagnated in output terms in recent quarters.

Consistent with these shifts, we are downgrading our outlook for London's growth, but with no forecast recession. The medium-term outlook is weak by historical standards, without much of a growth rebound to make up for lost progress after 2023. While the capital should again recover faster than the national average, two economic downturns in succession will do long-term damage.

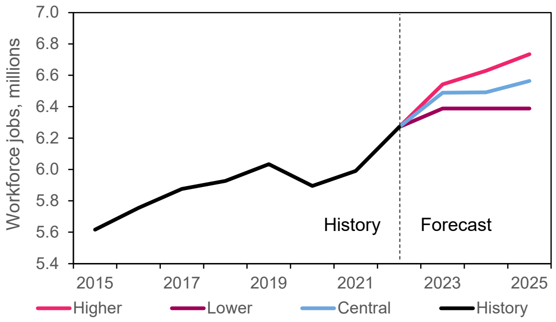
On the employment side, our forecast has improved slightly for this year due to strong growth at the beginning of the year. However, the slow growth in output in 2024 will act as a break on growth next year. Jobs growth then rebounds to long-term averages by 2025.

[77] GLA Economics (2022). 'London labour market projections 2022'.

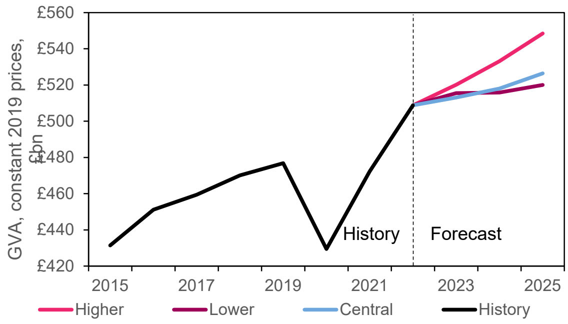
Our forecasts for household income and spending have been moderated in 2024 due to a worsening prospect for the economy. Thus after declining this we see a weaker recovery in income in 2024 before it picks up a bit in 2025. We expect consumer spending to avoid a contraction in 2023, holding above pre-pandemic levels of consumption. Spending runs above income this year because we expect further release of the savings built up over the pandemic.

Figure 5.1: GLA Economics' forecasts and scenarios for employment and output

Workforce jobs



Output



Source: GLA Economics estimates for historic data and GLA Economics calculations for forecast

Table 5.1: Central scenario-based forecast and historical growth rates

(Annual % change)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GVA	4.6	1.8	2.3	1.4	-9.9	10.0	7.3	0.9	1.0	1.6
Workforce jobs	2.5	2.1	0.9	1.8	-2.3	1.6	4.7	3.5	0.1	1.1
Household spending	3.3	1.6	2.2	0.7	-13.8	5.6	5.4	0.2	0.8	1.9
Household income	1.8	1.7	3.8	2.6	-1.9	0.9	-0.3	-0.5	1.2	2.6

Table 5.2: Scenario-based forecast and historical levels

(constant 2019 prices, £ billion except jobs)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GVA	451.1	459.5	470.1	476.8	429.4	472.3	508.8	513.1	518.0	526.5
Workforce jobs (million)	5.8	5.9	5.9	6.0	5.9	6.0	6.3	6.5	6.5	6.6
Household spending	197.8	201.0	205.4	206.8	178.3	188.3	198.4	198.7	200.4	204.2
Household income	246.6	250.6	260.2	267.0	262.1	264.5	263.7	262.4	265.4	272.2

Output

(London GVA, constant prices (base year 2019), £ billion)

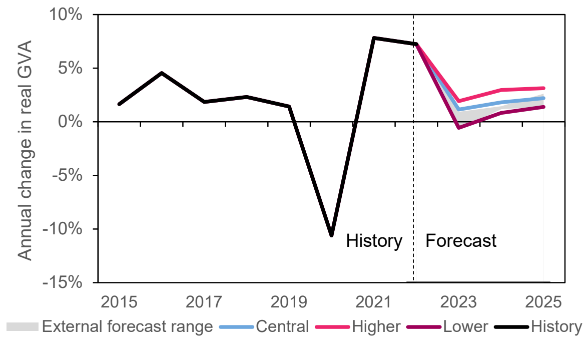
The latest data estimates that London's real GVA grew 7.7% in 2022. Our forecast then expects moderate growth of 0.9% in 2023 rising to 1.0% in 2024 and 1.6% in 2025. This profile is consistent with an economy fluctuating between contraction and growth in the second half of 2023, then modest growth in 2024 onwards. While London should therefore avoid a recession, its output may never return to the expected trend from pre-pandemic forecasts.

The slowdown in 2023 has received a slight downgrade compared to our Spring LEO forecast, as national and regional data showed a weakening in the second half of the year. Beyond that the medium-term profile is weaker, although as noted the capital is expected to avoid a damaging recession. Our forecast in June 2023 was for growth of 1.1% in 2023, followed by 1.8% in 2024 and 2.2% in 2025.

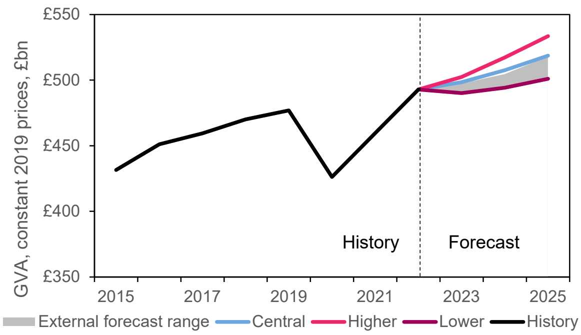
Our scenarios envision different levels of resilience, both in 2023 and structurally in the medium term. Our upside scenario sees high-income consumers spend more of their savings, pushing growth above 2% in 2023. Growth then converges close to 2010 to 2019 averages. Meanwhile, our downside scenario sees continued inflation and monetary tightening dragging output into a downturn in the final quarter of 2023 and into 2024.

Due to more recent data, our baseline scenario for output tends to be slightly higher than the average of external forecasters. Our downside scenario, meanwhile, is quite close to the lower range of external forecasts in each year of the projections. We see risks for output as somewhat skewed to the downside.

Annual growth (%)



Level (constant 2019 prices, £ billion)



Growth (annual %)				
	2022	2023	2024	2025
Gradual economic recovery	7.7	0.9	1.0	1.6
Fast recovery		2.2	2.5	2.9
Recession, slow recovery		1.3	0.1	0.8

Level (constant 2019 prices, £ billion)				
	2022	2023	2024	2025
Gradual economic recovery	508.8	513.1	518.0	526.5
Fast recovery		520.1	533.1	548.4
Recession, slow recovery		515.5	515.8	520.1

(See Chapter 4 for tables of historical data)

Employment
(London workforce jobs)

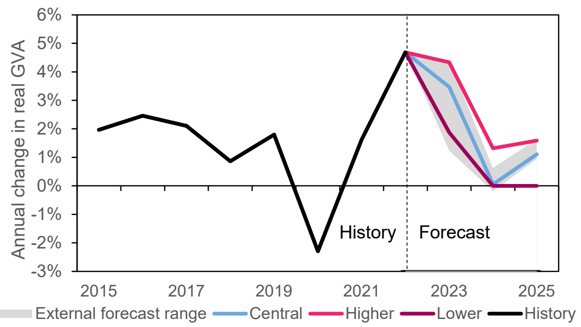
London’s workforce jobs grew 4.7% in 2022 – their fastest pace since comparable records began in 1998. GLA Economics projects that this rapid momentum will keep jobs growing 3.5% in 2023. Job growth should then decelerate sharply to 0.1% in 2024, before converging closer to long-term averages, up 1.1% in 2025. This is consistent with a pull-back in late-2023, and then modest jobs momentum for much of the rest of the forecast.

This outlook is relatively unchanged on our forecast in the June 2023 LEO for this year but downgraded from 0.4% in 2024 before being similar in 2025. We thus still expect workforce jobs to avoid a recession.

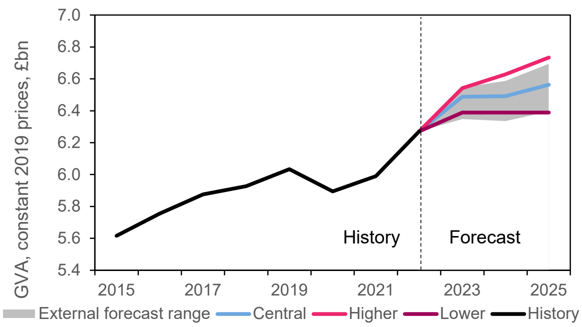
Our upside scenario sees continued firm momentum in the labour market as the economy largely shrugs off the cost of living crisis and monetary tightening. Meanwhile, the downside scenario sees a job recession in late 2023 and 2024 generate no growth across 2024 or 2025.

Our downside scenarios is in range with the lower end of external forecasts across the forecast period. However, our upside forecast is more optimistic for 2024 and 2025. Given that a strong labour market likely underpins the recent resilience in wider economic data, we see risks for jobs as reasonably balanced.

Annual growth (%)



Level (millions of workforce jobs)



Growth (annual %)				
	2022	2023	2024	2025
Gradual economic recovery	4.7	3.5	0.1	1.1
Fast recovery		4.3	1.3	1.6
Recession, slow recovery		1.9	0.0	0.0

Level (millions of workforce jobs)				
	2022	2023	2024	2025
Gradual economic recovery	6.3	6.5	6.5	6.6
Fast recovery		6.5	6.6	6.7
Recession, slow recovery		6.4	6.4	6.4

(See Chapter 4 for tables of historical data)

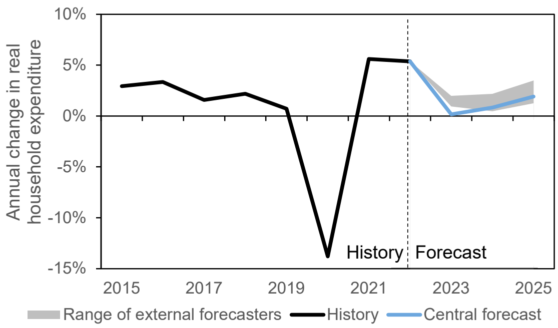
Household expenditure

(London household spending, constant prices (base year 2019), £ billion)

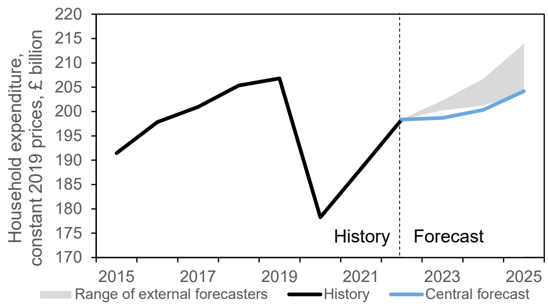
GLA Economics forecasts consumer spending to grow by 0.2% in 2023, before recovering slowly to growth of 0.8% in 2024 and 1.9% in 2025. This profile is slightly below the external consensus.

This is similar to our Spring 2023 LEO forecast for this year, which envisaged growth of 0.3% in 2023, but slower for the following years which expected growth of 1.6% in 2024 and 3.1% in 2025. The spending recovery from the cost of living crisis is now envisioned to be more gradual.

Annual growth (%)



Level (constant year 2019, £ billion)



(See Chapter 4 for tables of historical data)

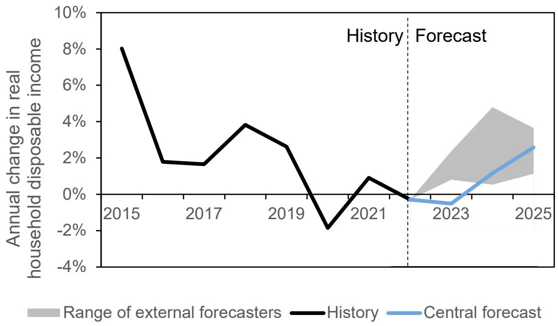
Household income

(London real disposable household income, constant prices (base year 2019), £ billion)

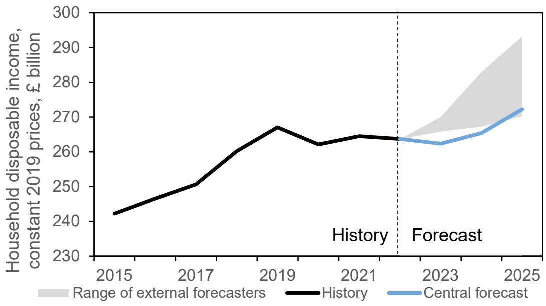
GLA Economics forecasts overall real disposable income in London to fall by 0.5% in 2023, before recovering steadily to growth of 1.2% in 2024 and 2.6% in 2025. This profile is in line with the external consensus in later years but more pessimistic for this year.

This forecast is similar to our Spring 2025 LEO forecast for 2023 and 2025 but a downgrade for 2024. Thus, we envisaged a 0.5% contraction in 2023, followed by growth of 2.5% and 2.9% in 2024 and 2025 respectively. We therefore think that incomes will recover more gradually from the cost of living crisis.

Annual growth (%)



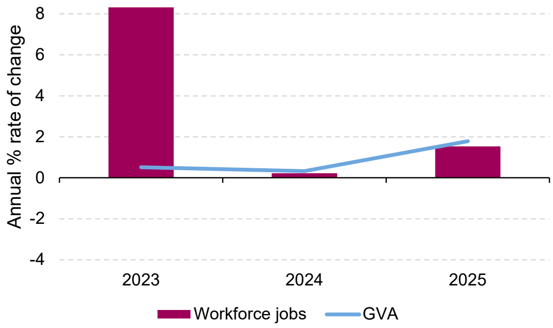
Level (constant year 2019, £ billion)



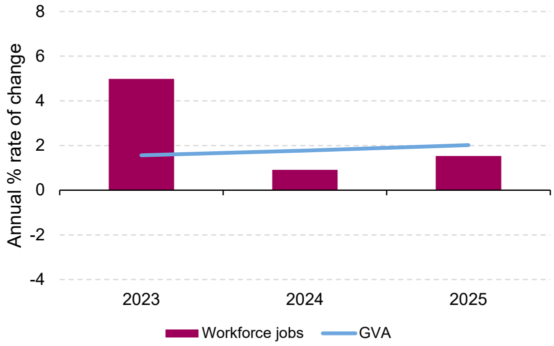
(See Chapter 4 for tables of historical data)

Output and employment growth by sector (% annual change)

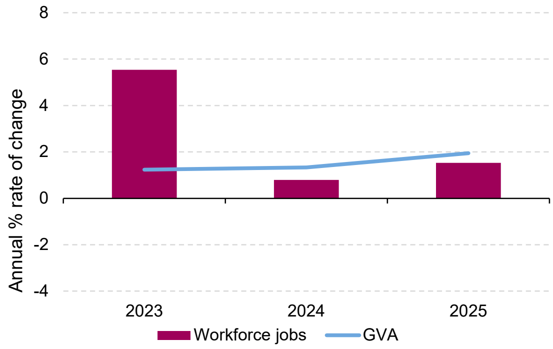
Financial services



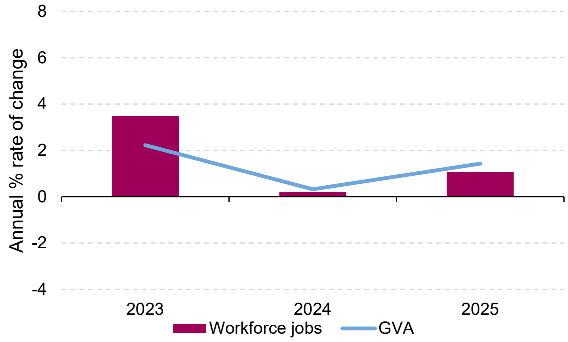
Business services



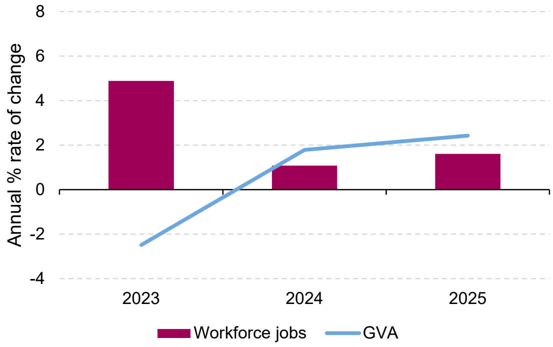
Finance and business (combined)



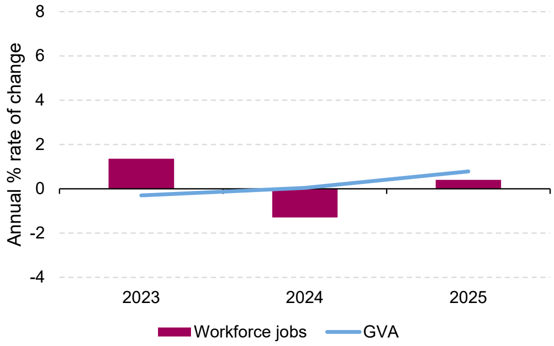
Distribution, accommodation and food services



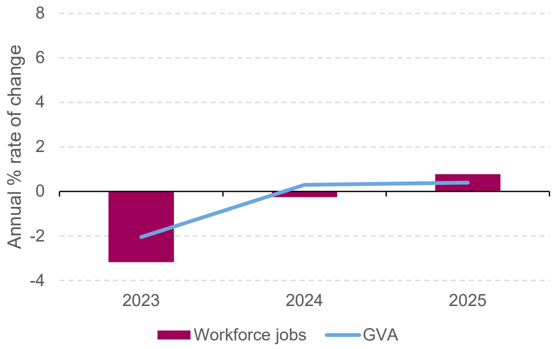
Transport and storage



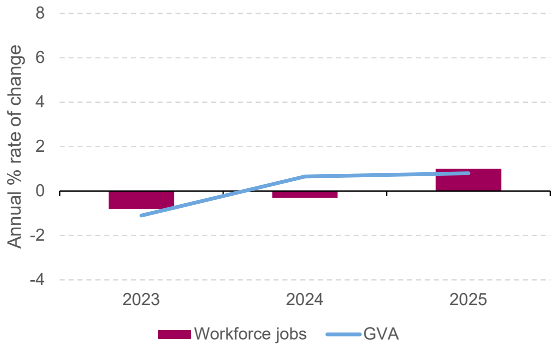
Other (public & private) services



Manufacturing



Construction



Output and employment growth by sector (% annual change)

Main sector	2023	2024	2025
Financial services			
Output	0.5	0.3	1.8
Jobs	8.3	0.2	1.5
Business services			
Output	1.6	1.8	2.0
Jobs	5.0	0.9	1.5
Financial and business services			
Output	1.2	1.3	1.9
Jobs	5.5	0.8	1.5
services			
Output	2.2	0.3	1.4
Jobs	3.5	0.2	1.1
Transportation and storage			
Output	-2.5	1.8	2.4
Jobs	4.9	1.1	1.6
Other (public & private) services			
Output	-0.3	0.0	0.8
Jobs	1.4	-1.3	0.4
Manufacturing			
Output	-2.0	0.3	0.4
Jobs	-3.2	-0.3	0.8
Construction			
Output	-1.1	0.7	0.8
Jobs	-0.8	-0.3	1.0
(Memo: non-manufacturing)			
Output	0.9	1.0	1.7
Jobs	3.6	0.1	1.1

5.2 Comparison with previous forecasts

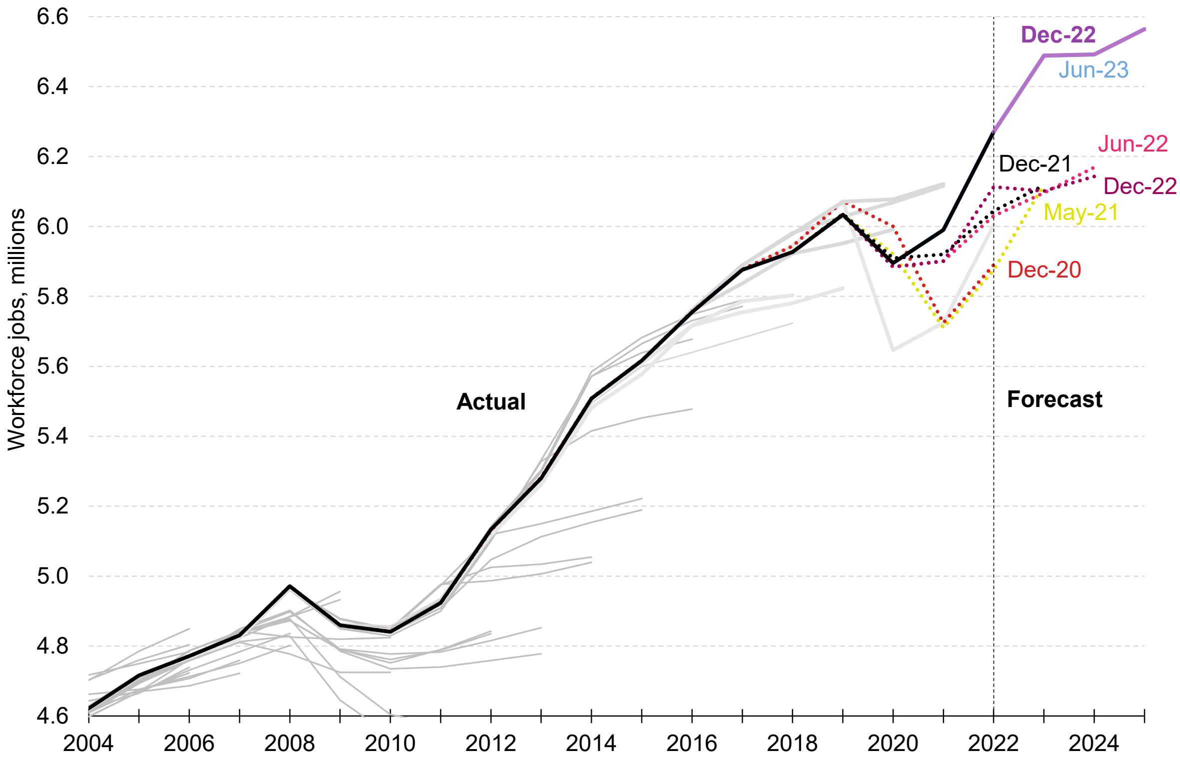
This section compares the current forecast with previous forecasts in this series. Since the base years for the forecasts change and the base data is continuously revised, the forecasts have been rebased into a common base year for the comparisons in Figures 5.2 and 5.3.

The large variation seen in projections produced in the last three years reflects the environment of unprecedented uncertainty. Some variation is also due to the evolving public health and economic policy responses to the pandemic and cost of living crisis.

Workforce jobs

The level of London's workforce jobs reached its 2019 level in early 2022 and is not set to decline again in the next three years. The medium-term profile of the forecast is generally similar to the June 2023 forecast. The profile is however a major upgrade on the forecast profiles constructed in 2020, 2021 and 2022. This reflects data revisions, the strong recovery in labour demand after the pandemic, limited disruption from the end of furlough, and higher-than-expected immigration.

Figure 5.2: Employment – latest forecast compared with previous forecasts
(thousands of workforce jobs)



Source: ONS, GLA Economics; Note: grey lines show job levels under historic GLA Economics forecasts of employment growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.3: Comparisons with previous published forecasts[78]

(London workforce jobs, % annual growth)

Forecast	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dec-23	**1.7%**	**4.3%**	**2.9%**	**4.3%**	**2.0%**	**2.5%**	**2.1%**	**0.9%**	**1.8%**	**-2.3%**	**1.6%**	**4.7%**	**3.5%**	**0.1%**	**1.1%**
Jun-23													3.4%	0.4%	1.2%
Dec-22												3.6%	-0.2%	0.7%	
Jun-22												2.2%	1.1%	1.2%	
Dec-21											0.2%	2.1%	1.2%		
May-21											-3.6%	2.9%	4.2%		
Dec-20										-1.1%	-4.6%	3.0%			
Jun-20										-7.0%	1.4%	4.9%			
Dec-19									1.5%	0.1%	0.7%				
Jun-19									0.8%	0.7%	0.8%				
Nov-18								1.5%	0.5%	0.7%					
May-18								0.6%	0.3%	0.7%					
Nov-17							1.4%	0.3%	0.5%						
Jun-17							0.7%	0.5%	0.7%						
Nov-16						2.5%	1.2%	0.3%							
May-16						0.7%	0.7%	0.7%							
Nov-15					1.7%	1.2%	0.7%								
May-15					1.7%	1.2%	0.7%								
Nov-14				4.5%	1.2%	0.7%									
May-14				1.6%	0.7%	0.5%									
Nov-13			1.3%	0.8%	0.7%										
Jul-13			0.6%	0.7%	0.7%										
Nov-12		1.0%	0.2%	0.4%											
Jun-12		0.2%	0.4%	0.6%											
Nov-11	0.1%	0.4%	0.4%												
May-11	0.1%	0.7%	0.8%												
Oct-10	0.6%	1.0%													
Jun-10	0.8%	1.1%													
Oct-09	-0.6%														
Apr-09	-0.4%														

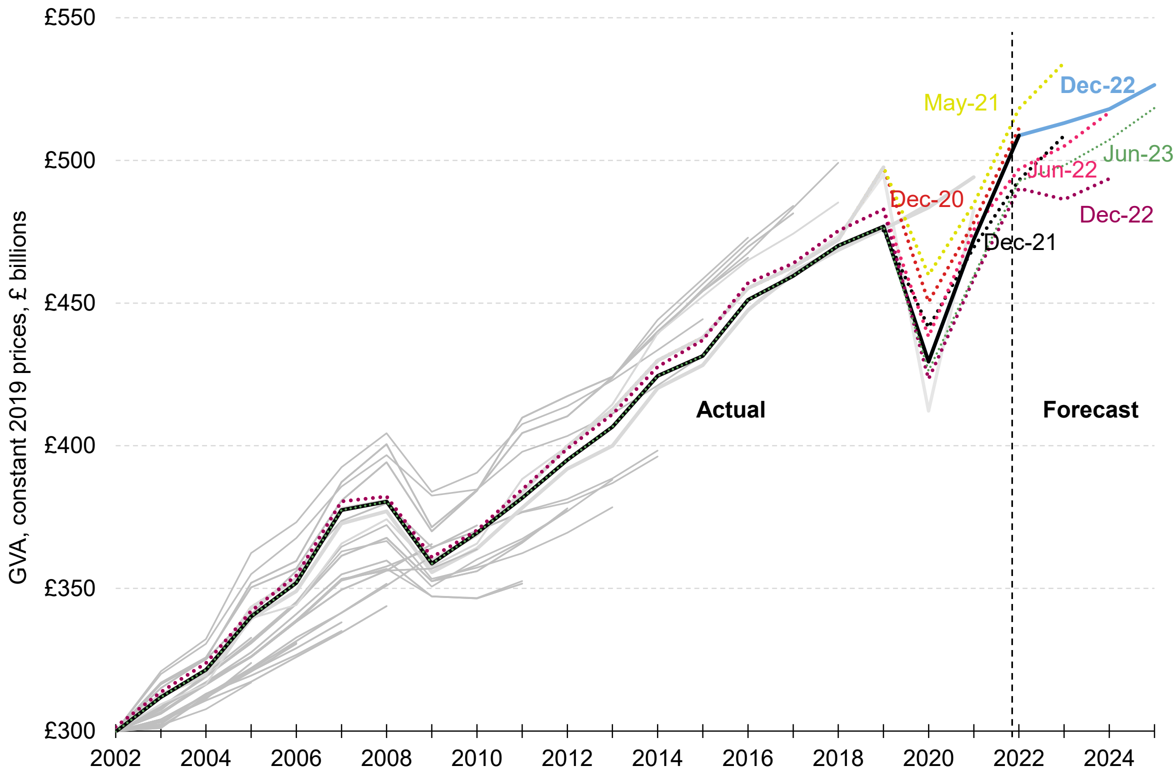
Source: ONS, GLA Economics

[78] This table only reports forecasts for 2011 onwards unlike Figure 5.2. For earlier GLA Economics forecasts please see previous editions of London’s Economic Outlook.

Output

The most recent medium-term scenario-based forecast for London's GVA level has output comfortably above the June 2023 projections due to data revisions. This is despite a weaker forecast for growth over the forecast period. These data revisions thus make comparison between forecast levels less clear-cut.

Figure 5.3: Output – latest forecast compared with previous forecasts
(constant prices (base year 2019), £ billion)



Source: ONS, ESCoE, GLA Economics; Note: the grey lines show levels of GVA given historic GLA Economics forecasts of GVA growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.4: Comparisons with previous published forecasts[79]
(London GVA, % annual growth)

Forecast	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dec-23	**3.3%**	**3.5%**	**2.9%**	**4.4%**	**1.6%**	**4.6%**	**1.8%**	**2.3%**	**1.4%**	**-9.9%**	**10.0%**	**7.7%**	**0.9%**	**1.0%**	**1.6%**
Jun-23													1.1%	1.8%	2.2%
Dec-22												6.9%	-0.8%	1.5%	
Jun-22												4.5%	1.6%	2.3%	
Dec-21											6.4%	5.0%	3.1%		
May-21											5.4%	6.9%	3.1%		
Dec-20										-9.5%	6.2%	6.9%			
Jun-20										-16.8%	17.2%	4.5%			
Dec-19									1.8%	1.1%	1.8%				
Jun-19									1.5%	1.6%	2.2%				
Nov-18								1.9%	1.6%	1.9%					
May-18								1.6%	1.9%	2.2%					
Nov-17							2.1%	1.8%	2.6%						
Jun-17							2.3%	2.4%	2.9%						
Nov-16						2.8%	2.0%	2.3%							
May-16						2.9%	3.4%	3.3%							
Nov-15					3.4%	3.2%	2.7%								
May-15					3.6%	3.2%	2.5%								
Nov-14				4.8%	3.3%	3.1%									
May-14				3.8%	3.2%	2.6%									
Nov-13			2.2%	2.5%	2.5%										
Jul-13			1.9%	2.4%	2.5%										
Nov-12		0.9%	1.8%	2.4%											
Jun-12		1.2%	1.9%	2.5%											
Nov-11	1.4%	2.0%	2.4%												
May-11	2.0%	2.6%	2.9%												
Oct-10	2.4%	2.9%													
Jun-10	2.8%	3.3%													
Oct-09	1.5%														
Apr-09	1.7%														

Source: ONS, ESCoE, GLA Economics

[79] This table only reports forecasts for 2010 onwards, unlike Figure 5.3. For earlier GLA Economics forecasts please see previous editions of London's Economic Outlook.

Appendix A: Explanation of terms and some sources

Definitions, differences, and revisions

Forecasting organisations use varying definitions of the regional indicators they supply. It is therefore not always possible to assign a completely consistent meaning to the terms used.

Throughout this report 'employment' refers to 'workforce jobs' and uses the ONS historical series as a base for the forecast.

Forecasters' definitions are broadly compatible with this but in some cases differences arise from the treatment of small items such as participants in government training schemes or the armed forces. The GLA uses civilian workforce employment throughout.

Output refers to GVA, a term introduced by the 1995 revision of the European System of Accounts (ESA95). GLA Economics' *London's Economic Outlook: December 2003* provides a more detailed explanation of this term.

At the time of writing national statistics estimates of real regional GVA are available up to 2018 from the ONS[80]. The historic real London GVA figures used in this GLA Economics' forecast are estimates produced by GLA Economics using ONS data.

Consumption refers to private consumption, otherwise known as household expenditure; in some cases, the expenditure of non-profit organisations is included and in other cases it is not.

[80] ONS Regional GVA (balanced approach).

Appendix B: Glossary of acronyms

ADB	Asian Development Bank
BIS	The Bank for International Settlements
BoE	Bank of England
bn	Billion
CE	Cambridge Econometrics
CEBR	The Centre for Economic and Business Research
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
ECB	European Central Bank
EE	Experian Economics
EERI	Effective Exchange Rate Index
EU	European Union
Fed	Federal Reserve
FT	Financial Times
GDP	Gross Domestic Product
GLA	Greater London Authority
GVA	Gross Value Added
HM Treasury	Her Majesty's Treasury
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
IMF	International Monetary Fund
LEO	London's Economic Outlook
LFS	Labour Force Survey
LHS	Left Hand Scale
m	Million
MPC	Monetary Policy Committee
OBR	Office for Budget Responsibility
OE	Oxford Economics
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PMI	Purchasing Managers' Index
Q2	Second Quarter
QE	Quantitative Easing
RHS	Right Hand Scale
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
TfL	Transport for London

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