GLAECONOMICS

London's Economy Today

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Inflation falls as the Bank holds steady on interest rates

By **Mike Hope**, Economist

There was another sharp fall in Consumer Price Index (CPI) inflation in November, falling by 0.2% on the month, and rising by 3.9% in the 12 months to November, down from 4.6% in October, and 6.7% in September, according to the Office for National Statistics (ONS). The largest downward contributions to the monthly change came from transport, recreation and culture, and food and non-alcoholic beverages.

Of the components of inflation the largest fall has been in goods inflation, dropping from 14.8% in the year to October 2022 to 2.0% in November 2023. The effects of supply chain shortages following the pandemic have passed. Also, positively, there continues to be downward movements in services inflation and core (which excludes volatile energy, food, alcohol and tobacco) inflation which stand at 6.3% and 5.1% respectively in the year to November (Figure 1). However, these remain higher than CPI inflation and markedly higher than the Bank of England's target of 2% inflation.

As inflation rose so the Bank of England Monetary Policy Committee (MPC) raised interest rates. However, following on from recent decisions the MPC again voted 6-3 to hold interest rates steady at 5.25% in December. Still, as the Bank Rate has risen from 0.1% in December 2021, with rate increases over 14 consecutive meetings, current monetary policy is restrictive. The decision whether to increase

Also in this issue

Datastore

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

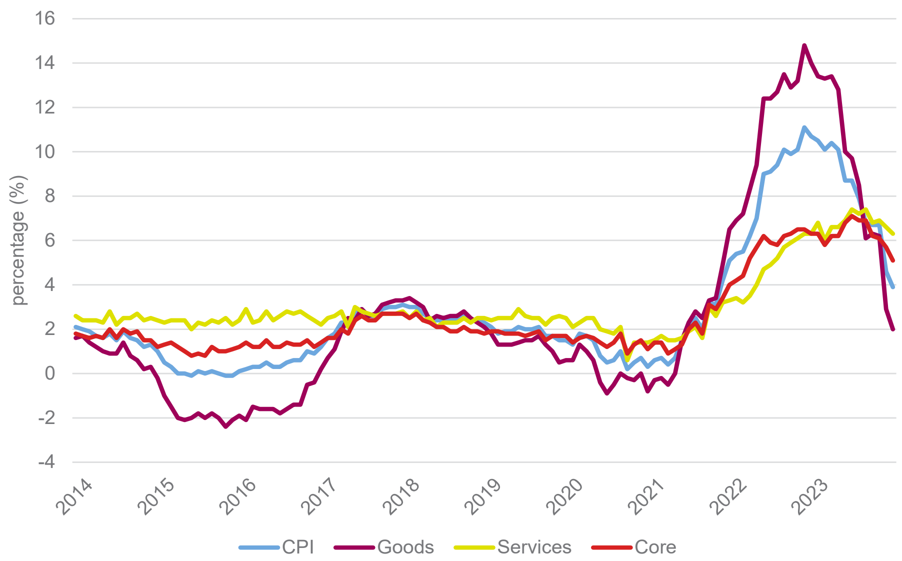


Figure 1: CPI, goods, services and core inflation, November 2013 – November 2023

Source: ONS

or maintain this rate was finely balanced between the risks of not tightening policy enough when underlying inflationary pressures could prove more persistent and the risks of tightening policy too much given the impact of some of the previous rate rises are still to come through – it is only in 2024, for example, that many mortgage rate holders on fixed rate mortgages will re-mortgage their properties. For some members of the MPC it was too early to conclude that services price inflation and pay growth were on a firmly downward path. These effects were likely to be slow to unwind and, with the labour market still tight, the extent to which wage and price-setting would take account of the downward path of CPI inflation was not clear.

Three members of the MPC continued to judge that there was evidence of more persistent inflationary pressures. Real household incomes had continued to edge up, and forward-looking indicators of output had remained positive. An increase in the Bank Rate was necessary to address the risks of more deeply embedded inflation persistence according to these members.

The MPC continued to judge that monetary policy was likely to need to be restrictive for an extended period of time. Further tightening of monetary policy would be required if there was evidence of more persistent inflationary pressures. The risks to CPI inflation in the medium term remained skewed to the upside including from events in the Middle East, and possible increases in oil prices if the Israel-Hamas war became more widespread.

On the day of the decision sterling rose 1.1% against the dollar to $1.28. Sterling has become more attractive as market expectations are that interest rates will be held higher for longer in the UK than elsewhere. Services price inflation and pay growth remained higher in the UK than other major advanced economies. This may reflect less favourable supply-side developments, as labour market inactivity after the pandemic increased relatively more in the UK, and stronger wage-price effects. Like the Eurozone the UK was hit harder by the energy price upsurge than the US.

The UK economy shows signs of weakness, although London is faring comparatively well

The ONS estimates that UK GDP contracted by 0.1% in the three months to October 2023, compared with the three months to July 2023. It is also now estimated that the economy did not grow in Q2 2023. If the UK economy contracts in Q4 2023 this would mean the UK has entered a technical recession (estimated as two consecutive quarters of contracting output).

Looking at the first month of Q4 2023, monthly GDP (which was published before the re-estimated quarterly GDP data discussed above) is estimated to have fallen by 0.3% in October, following growth of

0.2% in September. Services output was the main contributor to the fall in growth in GDP, falling by 0.2% in October. The UK economy has flatlined through 2022 and 2023 and remains only 1.6% higher than its pre-pandemic level in January 2020. In comparison, GLA Economics estimates that London's output was 7.7% higher than its pre-pandemic level (2019 Q4) by 2023 Q3 and grew by 0.1% between Q2 and Q3. See the economic indicators section for more information.

Looking more widely at the economy, previously LET has reported that service exports have been growing strongly, and that this should be helpful for London's business sector. This is despite continued subdued levels of investment nationally.

There are however signs that households are struggling. UK retail sales, while only a part of consumer expenditure, have also been weak, and declining since September 2021 – by October 2023 they were 3.9% below their January 2020 level. The ONS estimates volumes to have fallen by 0.3% in October 2023, after a fall of 1.1% in September.

More positively, inflation-adjusted Mastercard credit card shop spending in London (which broadly corresponds to retail spending without the online element) was around 40% higher than pre-pandemic, according to data from the GLA High Streets Data Service. This is spending by residents, commuters, and visitors. The benefits of this increase in spending are unlikely to have been felt equally across households in London as London has a disproportionate share of low income households (after housing costs) who have been badly affected by the cost-of-living crisis.

Wages across the UK have also been suffering. Through 2022 and until August 2023 total pay after CPI inflation was falling, before recovering over the last couple of months. In October they remained 4.1% below their level in January 2020 in real terms (Figure 2). This may be worse in London, with ONS employee pay data indicating that pay growth in the capital has been slightly weaker than for the UK.

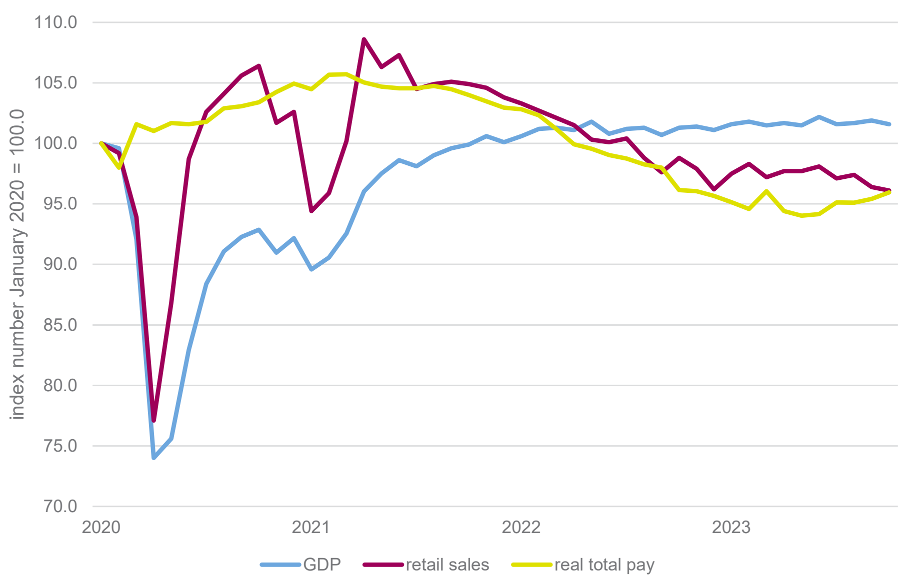


Figure 2: UK GDP, retail sales, and total pay after inflation, January 2020 – October 2023, index numbers

Source: ONS

Looking forward, this month GLA Economics published its latest forecast for London, and this is summarised in the supplement. We suggest, after output growth of 0.9% this year, weak quarterly momentum in 2023 continues into 2024 before picking up in 2025, giving growth of 1.0% in 2024, and 1.6% in 2025. Jobs growth has been a strong 3.5% in 2023, before decelerating to 0.1% in 2024, and normalising at 1.1% in 2025.

One other development is that the US has rebuffed UK efforts to agree a "foundational trade agreement" as a weakened form of a full-blown trade agreement. This might have covered digital trade, labour protections and agriculture. However, the UK did not want to open its markets to some controversial US agricultural products, and ran against isolationist tendencies in the US. This leaves a large gap in the UK's scope to make bi-lateral trade agreements after Brexit.

Other central banks hold interest rates steady

Beyond the UK, the US Federal Reserve (the Fed) and the European Central Bank (ECB) both held interest rates steady this month. Like the Bank, the ECB signalled there is still work to do to tame price pressures, even as it cut its inflation forecasts for this year and 2024.

There was a shift, though, in the policy direction of the Fed. It has moved from a position of as much flexibility over monetary policy as possible to one that sees the multi-year campaign to tighten monetary policy as drawing to a close. Fed officials are entertaining sharper cuts to borrowing costs next year to ensure a soft landing for the US economy. Traders in federal funds futures markets assess that the lowering of interest rates might begin from March, and that by the end of 2024 rates might be below 4%. This is well below their current level 22-year high of 5.25-5.5%.

The primary risk for the Fed is if the US jobs market continues to defy expectations. Non-farm payroll employment increased by 199,000 in November – partly because strikes in Hollywood and the car industry ended, and the unemployment rate edged down to 3.7%, reported the US Bureau of Labor Statistics. A more positive sign of labour market cooling, in data from the same bureau, was that job openings, a measure of labour demand, fell to 8.7 million in October, down from 9.4 million in September.

Immigration clampdown is likely to have adverse effects for London

November's LET editorial reported a sharp rise in net migration after the post-Brexit immigration regime came into effect in 2021. The ONS estimated that numbers rose to 745,000 in the year to December 2022, although these are expected to fall, and the Migration Observatory estimates that net migration might decrease to 300,000 by 2030, roughly similar to pre-Brexit levels.

On 4 December, the Home Secretary, James Cleverly, announced a series of changes to the UK's immigration policy although these changes were then subsequently modified. This modified package will see the earning threshold for skilled overseas workers increase to £38,700 in spring 2024. The minimum income requirement for family visas will also rise in the spring to £29,000. The government then intends to bring family visas "in line with the new minimum general salary threshold for Skilled Workers, £38,700" via further stepped increases. The Prime Minister, Rishi Sunak, has said the £38,700 threshold should be reached in early 2025. The new immigration policy will also end the 20% going-rate salary discount for shortage occupations.

According to the Home Office, this package, and the previously announced restrictions on student dependants, will reduce immigration by 300,000 in future years compared with 2022. There are concerns about what immigrant workforce reductions may mean for the provision of social care as well as other sectors.

GLA Economics analysis has concluded that these changes are likely to hit sectors important to London's economy, including Health and social care, Hospitality and Construction. There are over 1,000,000 jobs in these sectors, of which around 47% (at least 500,000) are held by non-UK nationals. London also has a large university sector, reliant on foreign students.

Public spending in London falls while rising nationally

HM Treasury has released country and regional public spending figures on services. After inflation, UK public spending in 2022-23 (at £1,077 billion) was largely unchanged from 2020-21 during the pandemic, recovering from a fall in 2021-22. On a similar basis, after inflation, expenditure in London remained almost at the same level in 2021-22 and 2022-23 at £128 million in 2022-23, and lower than expenditure of £146 million during the pandemic. While the growth in expenditure in London over the pandemic was higher than

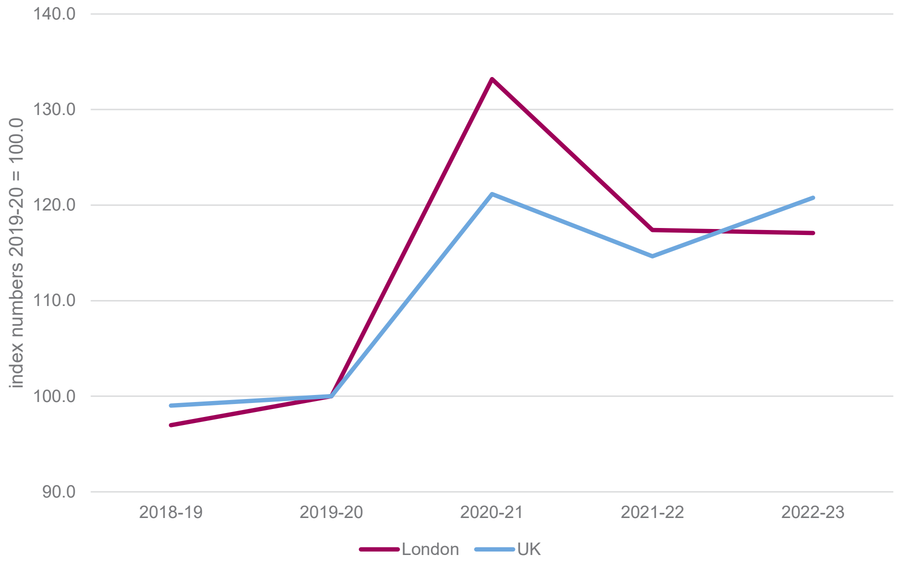


Figure 3: Public spending on services, London and the UK, 2018-19 to 2022-23, index numbers 2019-20 = 100.0

Source: HM Treasury Country and Regional Accounts

the UK, the growth in 2022-23 compared with 2019-20 was relatively lower in London (Figure 3). London's share of public expenditure has returned to pre-pandemic levels at 12%.

There have been increases in expenditure compared with before the pandemic for both London and the UK across a range of categories. Notable is in Economic affairs - this includes transport, as the government continues to offer higher subsidies to both national rail operators and Transport for London (TfL) because of changed commuter patterns.

It has been reported previously in LET that London historically makes a net contribution to the Exchequer, which provides funds for public spending to other countries and regions of the UK. Although this did not happen during the pandemic in 2020-21, London returned to providing a net contribution in 2021-22.

Hybrid working job postings have become more established

Looking at the evolving labour market a National Bureau of Economic Research working paper was published recently, on Remote work across jobs, companies and space. The academics have developed an algorithm which achieves 99% accuracy in flagging job postings that advertise hybrid or fully remote work. Applied to Lightcast data this shows a sharp rise in online job postings offering hybrid or fully remote working arrangements during the pandemic from under 5% of job postings to over 25% in London during 2022, and around 20% nationally. The proportion has been slipping over 2023, still to over 20% in London

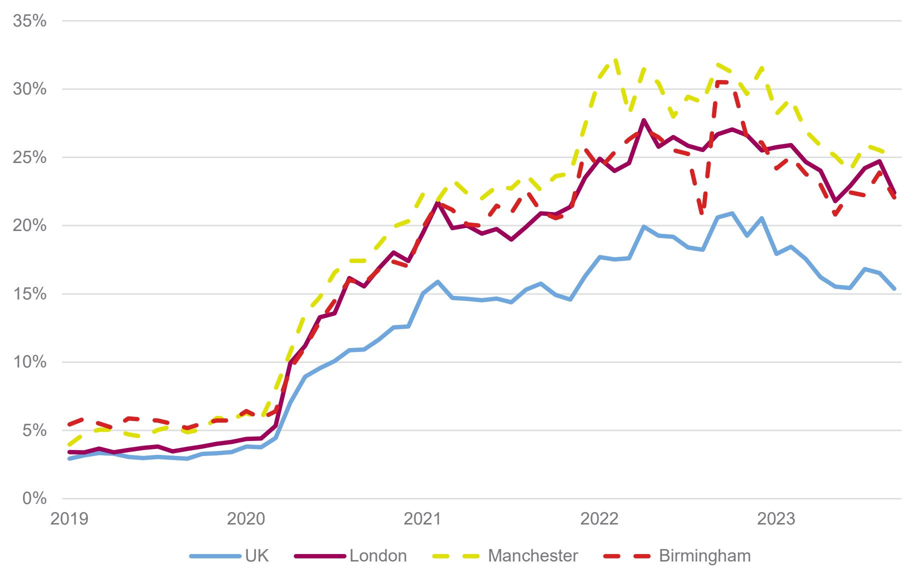


Figure 4: Proportion of hybrid or remote working job postings, London, Birmingham, Manchester and the UK, January 2019 – September 2023

Source: WFH Map using Lightcast data

by September, and nearer 15% nationally. Birmingham and Manchester have shown a similar trend to London, with the rate of postings for hybrid or remote working jobs being slightly higher in Manchester (Figure 4).

The researchers have found evidence that hybrid working is more likely to be available for higher paid jobs, and it may well also be that jobs in certain sectors are more amenable to this type of working. Both factors might favour city-based job postings.

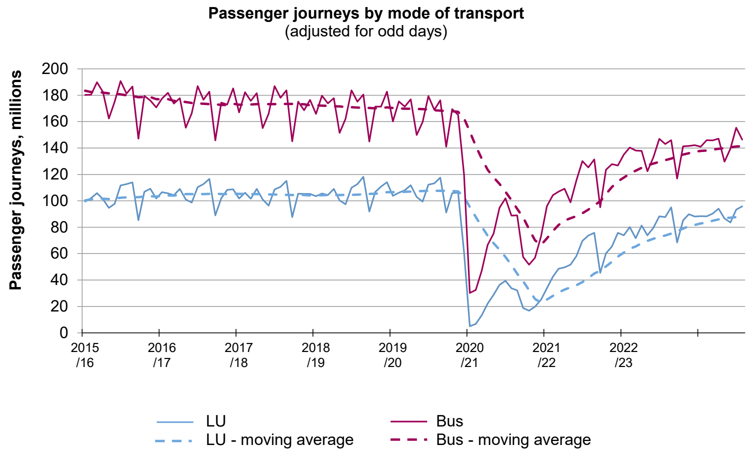
GLA Economics will continue to monitor all these issues over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

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

- 242.2 million passenger journeys were registered between 15 October and 11 November 2023, 6.6 million less than in the previous period. 248.8 million passenger journeys were registered between 17 September and 14 October 2023.
- In the latest period, 95.8 million of all journeys were underground journeys and 146.4 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose from 228.8 million in the previous period to 229.7 million in the latest period.

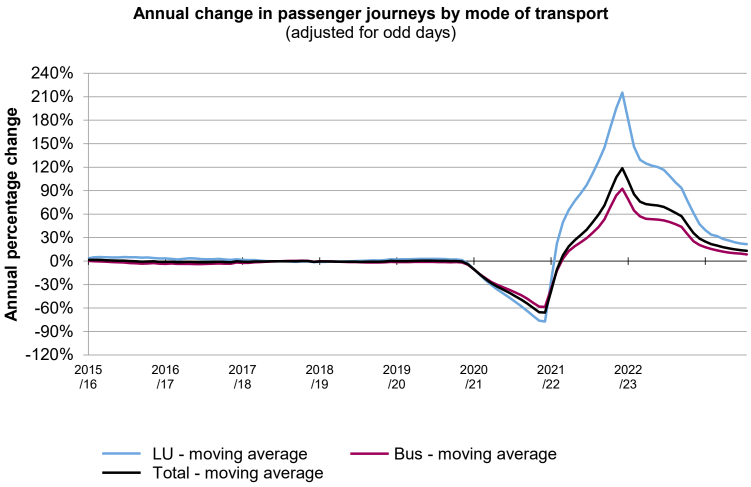
Source: Transport for London
Latest release: December 2023, Next release: January 2024



Annual growth in passenger journeys remains positive, if slowing

- The 13-period moving average annual growth rate in the total number of passenger journeys was 13.1% between 15 October and 11 November 2023, down from 13.9% between 17 September and 14 October 2023.
- The moving average annual growth rate of bus journeys decreased from 9.5% to 8.6% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 22.3% to 21.6% between those periods.

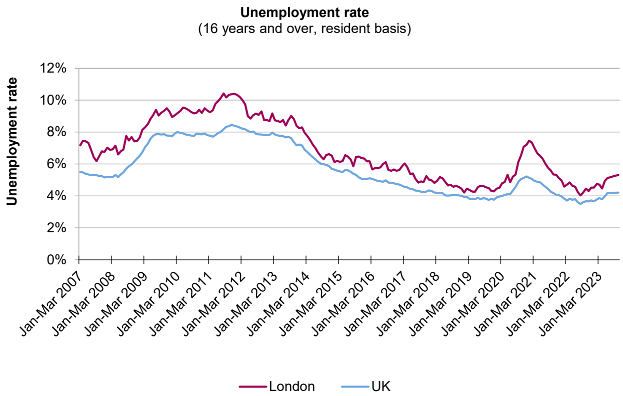
Source: Transport for London
Latest release: December 2023, Next release: January 2024



London's unemployment rate has been rising slowly, but remains low

- Around 266,000 residents 16 years and over were unemployed in London in August - October 2023.
- The unemployment rate in London was 5.3% in that period, slightly higher than in the previous quarter, May - July 2023, of 5.2%.
- The UK's unemployment remained steady at 4.2% in May - July 2023 and August - October 2023.
- Due to declining survey response rates, the estimates incorporate data from administrative data sources, and are classified as experimental statistics.

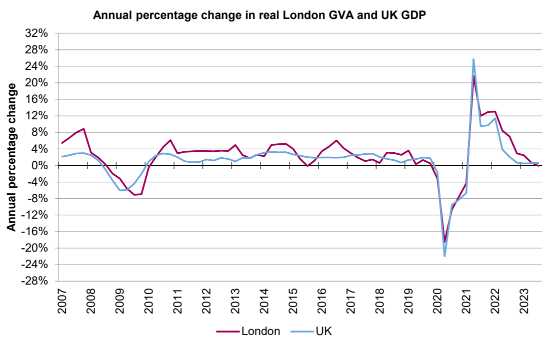
Source: ONS Labour Force Survey
Latest release: December 2023, Next release: January 2024



London's economy had surpassed pre-pandemic levels of output by Q3 2021, and growth has been slowing through 2022 and 2023

- By Q3 2023 London's GVA was 7.7% above its pre-pandemic level (Q4 2019), and UK GDP was 1.8% higher.
- London's real GVA rose by 0.1% in Q3 2023 - compared with Q2 2023 - after falling by 0.4% in the previous quarter. The UK's real GDP growth rate remained unchanged in Q3 2023 – compared with Q2 2023 - after increasing by 0.2% in the previous quarter.
- While GDP and GVA are different measures in output their trends have been comparable. UK GDP estimates incorporate a broader range of data than GVA estimates, and so is more robust.
- London's real GVA quarterly estimates for the period Q1 1999 to Q4 2012, and from Q1 2020 onwards have been produced by GLA Economics. Estimates for the intervening period are outturn data from the ONS, which has not published up-to-date quarterly estimates for London's real GVA for the other periods.
- The ONS has upwardly revised UK GDP figures from 2020 onwards. GLA Economics has re-estimated ONS London data on a comparable basis, and produced its own estimate of growth for Q2 and Q3 of 2023.

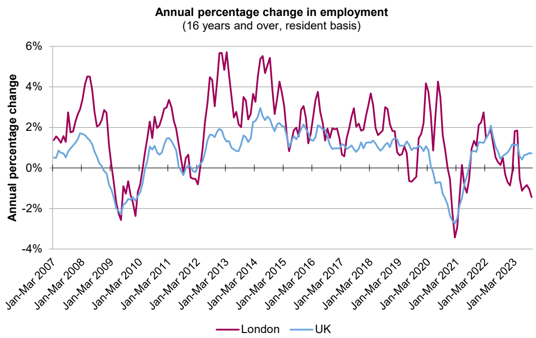
Source: ONS and GLA Economics calculations
Latest release: December 2023, Next release: May 2024



London's employment fell year-on-year in the quarter to October 2023

- Around 4.8 million London residents over 16 years old were in employment during the three-month period of August – October 2023.
- The rate of employment growth fell by -1.4% in the year to this quarter, lower than the -1.0% estimated in the quarter to July.
- The UK's employment grew by 0.7% year-on-year in the most recent quarter, marginally faster than the rate of 0.6% in the previous quarter.
- London's labour market remains a conundrum. Evidence from a range of sources is that labour demand is weakening, although the estimated pace and degree of the weakening varies across these sources. The data reported here shows an earlier and stronger weakening than other sources, perhaps partly reflecting the underlying volatility due to comparatively small sample sizes in this data.
- Due to declining survey response rates, the estimates incorporate data from administrative data sources, and are classified as experimental statistics.

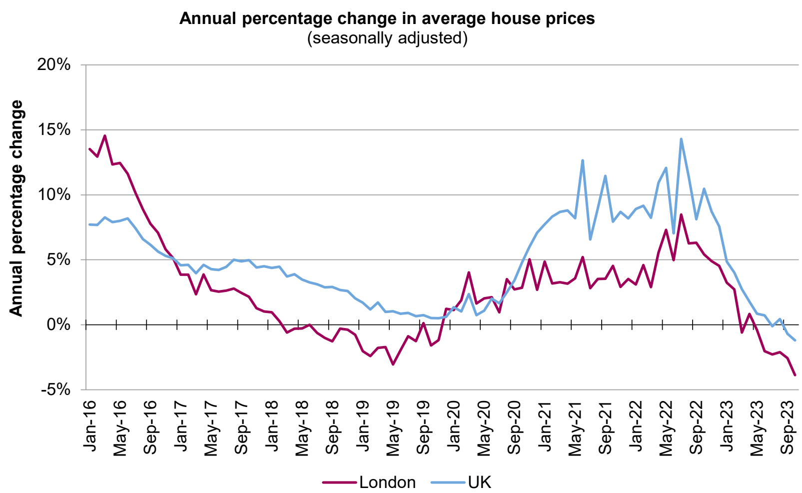
Source: ONS Labour Force Survey Latest release: December 2023, Next release: January 2024



On an annual basis house prices fell in London in October

- In October 2023, the average house price in London was £513,000 while in the UK it was £283,000.
- Average house prices in London fell by 3.9% year-on-year in October, lower than the fall of 2.6% in September.
- Average house prices in the UK fell by 1.2% on an annual basis in October, lower than the increase of 0.7% in the year to September.

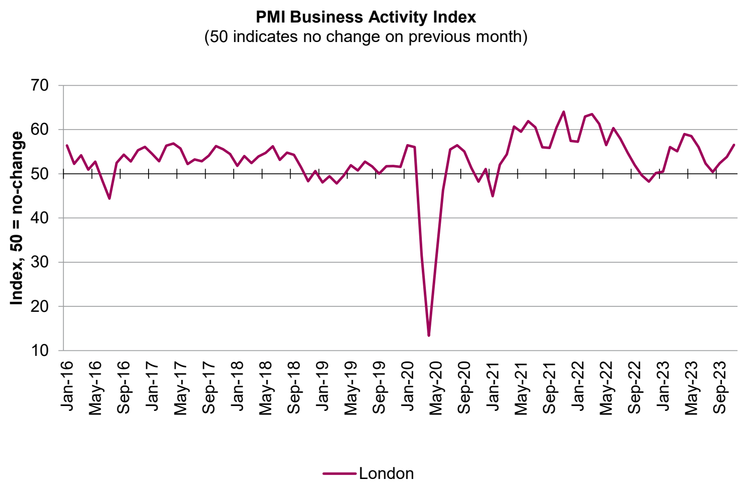
Source: Land Registry and ONS
Latest release: December 2023, Next release: January 2024



In November, the sentiment of London's PMI business activity index remained positive and increased slightly

- The business activity PMI index for London private firms increased from 53.8 in October to 56.5 in November.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

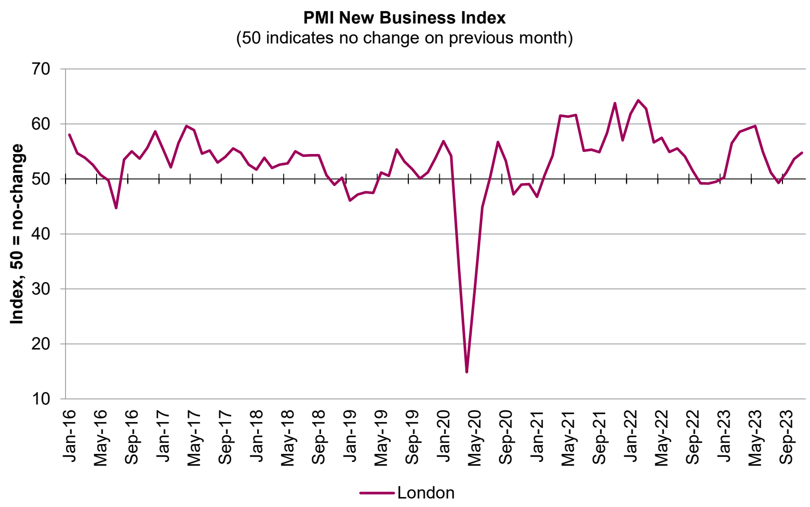
Source: IHS Markit for NatWest
Latest release: December 2023, Next release: January 2024



In November, the sentiment of London's PMI new business activity index increased, and remained positive

- The PMI new business index in London increased from 53.6 in October to 54.8 in November.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

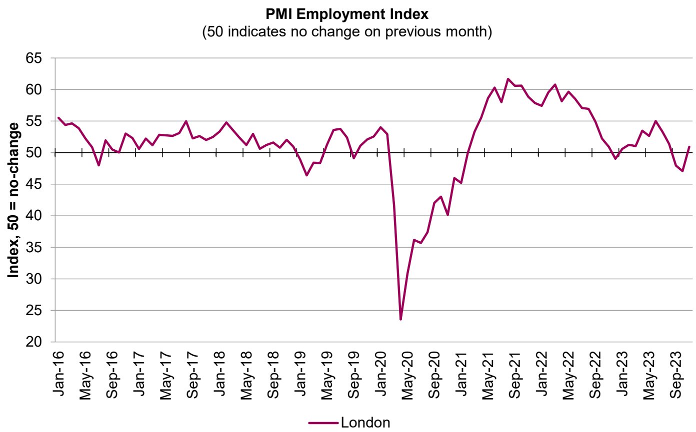
Source: IHS Markit for NatWest
Latest release: December 2023, Next release: January 2024



In November, the sentiment of the PMI employment index in London increased and became positive

- The Employment Index for London increased from 47.1 in October to 50.9 in November.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

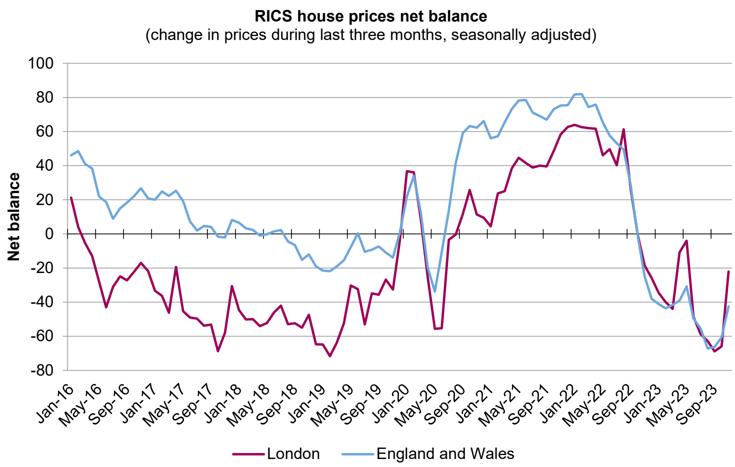
Source: IHS Markit for NatWest
Latest release: December 2023, Next release: January 2024



Significantly fewer property surveyors in London reported house price falls in November

- In November, more property surveyors in London reported falling prices than rising prices. The net balance index was -22 and in October 2023 it was -66
- For England and Wales, the RICS house prices net balance index improved from -61 in October to -43 in November.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

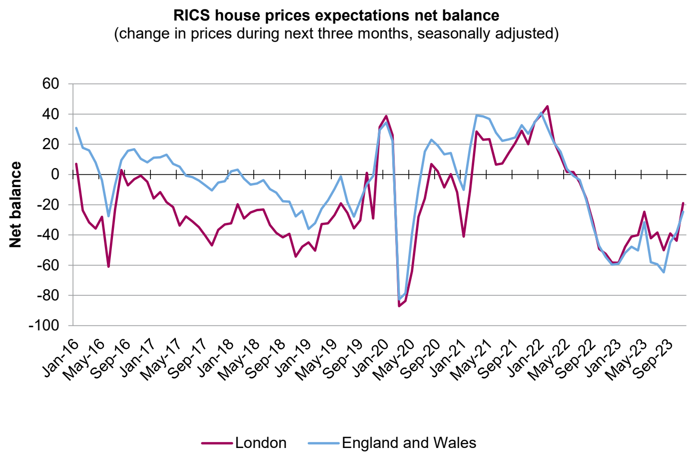
Source: Royal Institution of Chartered Surveyors
Latest release: December 2023, Next release: January 2024



In November, significantly fewer property surveyors had negative expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -19 in November, up from -44 in October.
- The index for England and Wales was -25 in November an increase from -38 in October.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

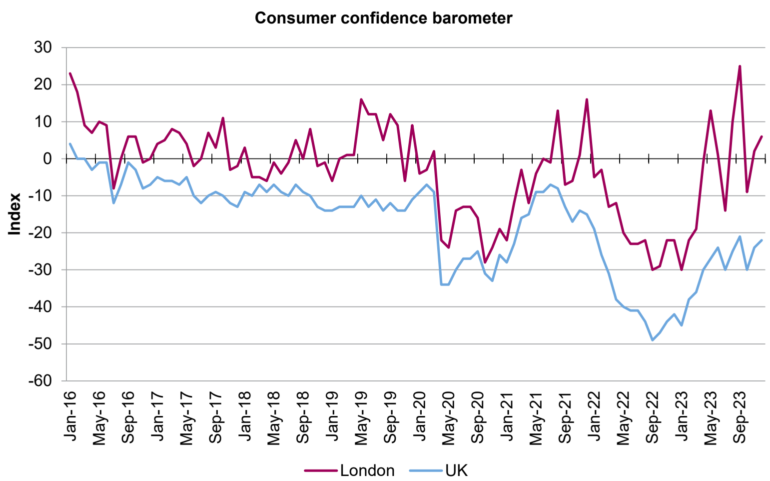
Source: Royal Institution of Chartered Surveyors
Latest release: December 2023, Next release: January 2024



Consumer confidence in London was positive in December

- The consumer confidence index in London increased from 2 in November to 6 in December. It has been volatile month-on-month around zero since the Spring.
- The sentiment for the UK increased slightly from -24 to -22 over the two months. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK
Latest release: December 2023, Next release: January 2024



London macroeconomic scenarios (December 2023 update)

Gordon Douglass, Supervisory Economist

GLA Economics published its latest macroeconomic scenarios-based forecast for London on 19 December. The two main outcome variables are real Gross Value Added (GVA) – a measure of London's output – and workforce jobs (WFJ) – a measure of employment. We project both variables over the medium term (to the end of 2025). Further, we have developed three main macroeconomic scenarios for London founded on three sets of plausible narratives for the economy.

- Fast recovery (an optimistic but plausible scenario)
- Gradual economic recovery (the GLA Economics baseline reference scenario)
- Recession/slow recovery (a plausible pessimistic case)

These scenarios are not definite predictions about the only possible paths for the economy, nor do they necessarily incorporate optimal policy responses. Instead, they use judgements around several key assumptions. The key dimensions of variation focus on resilience to shocks and policy support, especially around the impact of rising inflation. The scenarios do not capture the full range of uncertainty about the future, which is likely to be much wider.

Scenario 2 is our baseline, involving a gradual return to economic growth. After the rapid recovery of the last two years, this scenario anticipates a bumpy profile for output from late 2023 into mid-2024. Inflation has dropped from a 40-year high but remains above the Bank of England's target. Interest rates have increased and squeezed real incomes mean consumer demand is likely to be subdued. High costs, high rates and slowing demand will also drag on businesses' investment and hiring plans. But the labour market has proven strikingly resilient in earlier months this year. As a result, we see activity swinging between contraction and expansion, avoiding a prolonged period of negative growth. Output averages stagnation into early 2024, reflecting a standstill outlook for the wider UK economy.

The baseline scenario sees output pick back up to still historically slow but better rates from the middle of next year. London's labour market continues to show some resilience, while consumer and business confidence have both been higher in London than the wider UK. And while London's lowest-income households are particularly vulnerable to the cost of living crisis, average incomes in the capital are relatively high for the UK. Yet not all parts of the London economy will prove resilient. Consumer-facing sectors will likely face a difficult few months. High interest rates will also drag on goods sectors and parts of the economy that depend on property markets. This mean Manufacturing, Construction and Real estate also face challenges. Our forecast now sees London's output failing to return to levels consistent with pre-pandemic projections in the longer term.

Scenario 1, a plausible upside, involves a faster economic recovery. In this scenario, inflation eases more rapidly in 2024. London's stronger aggregate incomes and higher consumer confidence compared to the rest of the UK also offer a partial buffer against the cost of living crisis. Richer households spend more of their pandemic savings. Lower inflation allows the Bank of England to ease interest rates earlier and the labour market stays strong. As a result, most consumers stay afloat with savings or manageable cutbacks. We also assume that still-positive business sentiment sees firms absorb higher costs and flagging demand by moderating hiring and investment, rather than making cuts. Output growth slows moderately in late 2023 and momentum improves across 2024. Jobs pull back after the surge in the first quarter of 2023, but pick up quickly across later years. As demand strengthens in the medium term, stronger business investment, less long-run unemployment and higher productivity eliminate long-term output scarring.

Scenario 3, a plausible downside, assumes that London slips into a recession lasting into 2024. High food prices and falling real incomes hit the poorest households the hardest, and because lower-income households tend to spend more of their income, overall consumer demand suffers heavily. Inflation expectations rise, driving up wage demands and costs. Despite weakening growth, the Bank of England is forced to further raise interest rates to prevent an even longer inflation overshoot. Rising global interest rates also create more turbulence in the financial sector, with further financial disruption. Amid slowing demand, high borrowing costs, tighter lending conditions and rising input prices, businesses cut investment and hiring plans. London's output takes until 2025 to recover to Q1 2022 levels. Jobs also fall back, contracting for nearly a year, and not recovering during the forecast period. A fresh downturn and slow medium-term growth mean firms close and workers lose their jobs, which creates serious long-term economic scarring.

Figures A1 and A2 show the estimated recovery path of London's output and jobs across the three scenarios described above.

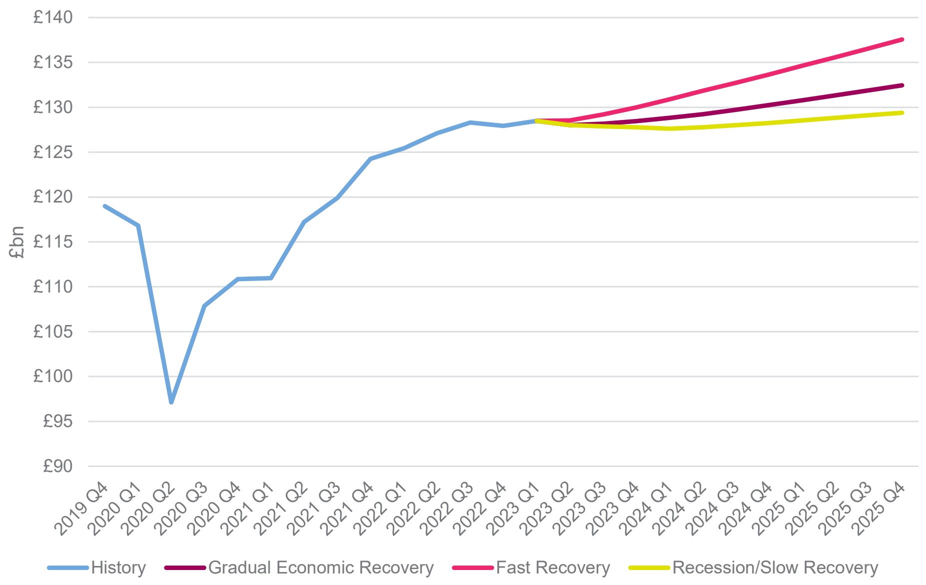


Figure A1: Shape of the output recovery in London

Source: GLA Economics, ONS

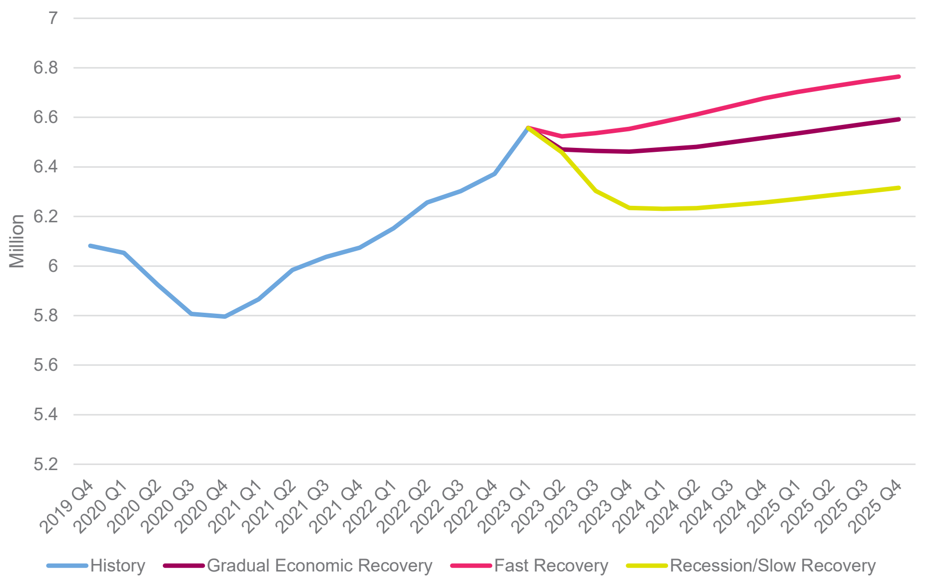


Figure A2: Shape of the jobs recovery in London

Source: GLA Economics, ONS

The main results are presented below:

Headline recovery in the medium term (2023 to 2025)

- Under the gradual return to economic growth scenario, our baseline, London's real GVA is set to grow at a very moderate 0.9% this year. This is slightly slower than the June forecast of 1.1% growth and is also well below 2022's estimated growth of 7.7%. Weak quarterly momentum in 2023 continues into 2024 before picking up slightly in 2025 giving growth of 1.0% in 2024 and 1.6% in 2025 (Figure A3).
- The jobs recovery is expected to have been strong this year due to strong growth in early 2023 which means employment is set for very strong growth of 3.5% in 2023. Soft momentum in later quarters of the year and into next year translates into a sharp deceleration in 2024 (0.1%), before growth normalises in 2025 (1.1%) (Figure A4).
- GLA Economics projections for output and jobs had improved in the June iteration of this forecast after gradually getting weaker in earlier forecasts. But the latest iteration has slightly reversed this improvement.

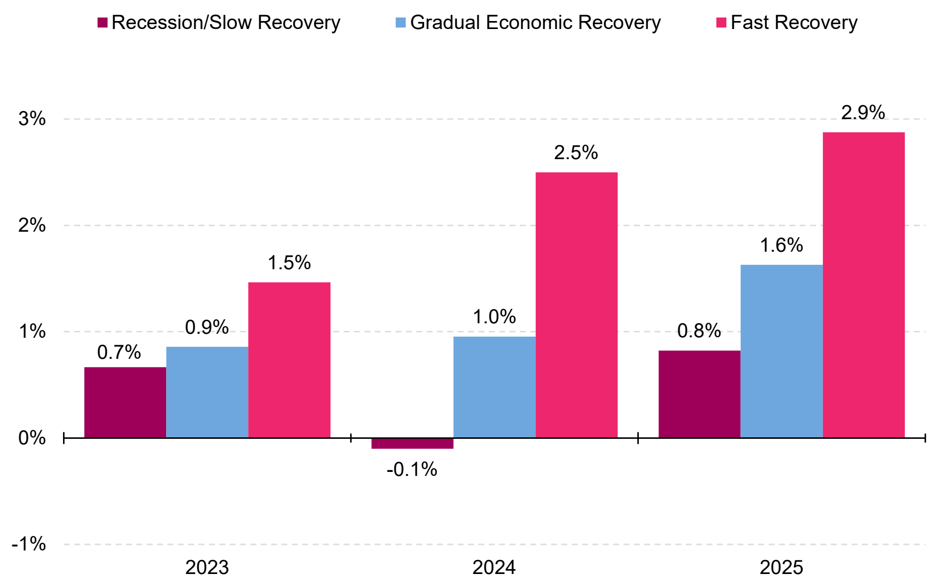


Figure A3: Medium-term real GVA projections, annual growth rates

Source: GLA Economics, ONS

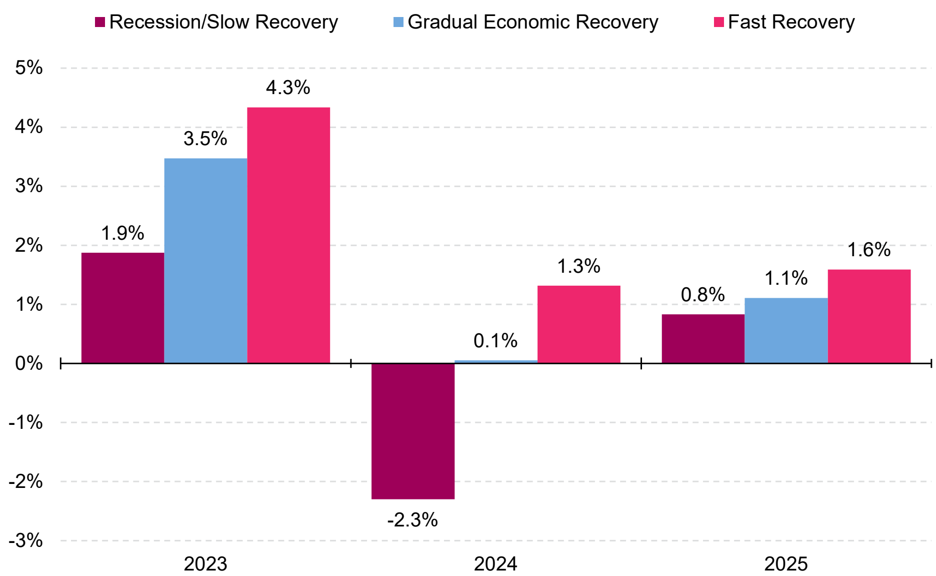


Figure A4: Medium-term real Workforce jobs projections, annual growth rates

Source: GLA Economics, ONS

Sectoral output recoveries in the medium term (2023 to 2024)

- London's economic recovery is set to vary widely across industries (Table A1).
- Service sectors will generally see output growth this year after a strong 2021 and 2022.
- London's key knowledge-sector export industries are generally set for resilient growth, such as Information and communication and Professional services.
- Goods sectors look set to suffer in the medium term as high interest rates drag on parts of the economy most dependent on durable goods. This includes Construction, Manufacturing and Transportation. By depending on the property market, Real estate is also exposed to high interest rates. All these sectors contract in 2023.
- Public services are set to pull back in the medium term, as tighter spending plans drag on output in this area from next year.

Table A1: Real GVA projections, annual growth rates

Source: GLA Economics

Real GVA	Annual growth	
Sector	2023	2024
Agriculture, forestry and fishing	0.1	0.2
Mining and quarrying	5.1	1.5
Manufacturing	-2.0	0.3
Electricity, gas, steam and air-conditioning supply	1.6	2.0
Water supply; sewerage and waste management	0.9	2.8
Construction	-1.1	0.7
Wholesale and retail trade; repair of motor vehicles	1.5	0.0
Transportation and storage	-2.5	1.8
Accommodation and food service activities	4.3	1.2
Information and communication	3.3	2.0
Financial and insurance activities	0.5	0.3
Real estate activities	-1.1	1.1
Professional, scientific and technical activities	2.1	2.2
Administrative and support service activities	2.3	1.6
Public administration and defence	-0.7	-0.7
Education	-1.9	-0.4
Human health and social work activities	-0.2	-0.5
Arts, entertainment and recreation	1.2	1.6
Other service activities	2.1	1.4
Activities of households	-3.3	1.4

Sectoral employment recoveries in the medium term (2023 to 2024)

- Workforce job projections show strong growth in most but not all sectors of London's labour market this year (Table A2).
- Goods sectors however lag. This includes Manufacturing and Transportation.
- London's core specialist service sectors mostly see strong growth in 2023, before momentum normalises in 2024.
- Some areas of the economy dominated by public sector jobs are projected to contract in 2024, though most remain above pre-pandemic levels of employment.

Table A2: Workforce jobs projections, annual growth rates

Workforce jobs	Annual growth	
Sector	**2023**	**2024**
Agriculture, forestry and fishing	23.1	0.1
Mining and quarrying	0.0	0.8
Manufacturing	-3.2	-0.3
Electricity, gas, steam and air-conditioning supply	14.3	0.3
Water supply; sewerage and waste management	-4.6	0.8
Construction	-0.8	-0.3
Wholesale and retail trade; repair of motor vehicles	0.3	0.3
Transportation and storage	4.9	1.1
Accommodation and food service activities	8.6	0.0
Information and communication	5.1	1.0
Financial and insurance activities	8.3	0.2
Real estate activities	7.4	0.0
Professional, scientific and technical activities	3.5	1.1
Administrative and support service activities	6.5	0.9
Public administration and defence	2.1	-1.9
Education	-4.5	-1.9
Human health and social work activities	4.1	-1.8
Arts, entertainment and recreation	-5.1	0.8
Other service activities	15.1	-1.1
Activities of households	-9.4	10.0

Source: GLA Economics

The scenario results presented in this supplement come within a context of continuing unprecedented uncertainty. Overall, GLA Economics judges that risks are tilted to the downside, especially with inflation proving more persistent than hoped, lowering real consumer incomes and leading to higher interest rates. Other headwinds also skew risks to the downside, including the war in Ukraine, the conflict between Hamas and Israel, financial sector turbulence, falling house prices and the risk of skill and geographic labour mismatches due to remote working. Therefore, GLA Economics will continue to track the economic data to review these forecasts in the future. Successive updates will be released on the London Datastore.

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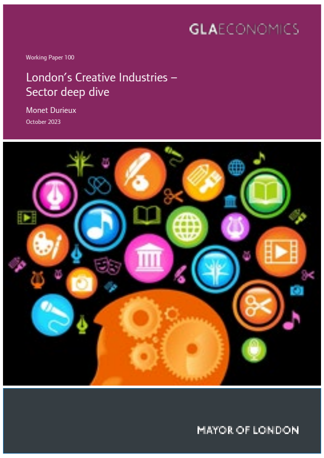

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the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

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