London's Economy Today

UK economy experienced growth in January

By **Gordon Douglass**, Supervisory Economist and **Sixia Zhang**, Economist

The Office for National Statistics (ONS) published monthly UK GDP data for January 2024 earlier this month. This data showed that the UK economy grew by 0.2% in January, which follows on from a monthly decline of 0.1% in December 2023 (Figure 1).

Both the services sector and the construction sector saw growth in January, by 0.2% and 1.1% respectively. However, production output fell by 0.2% in that month. Looking at the services sector, a sector of high importance to London, the ONS noted that "the largest contribution to the 0.2% growth in services in January 2024 was wholesale and retail trade; repair of motor vehicles and motorcycles, which saw a 1.9% growth on the month". And within that "the largest contribution came from retail trade, except of motor vehicles and motorcycles, which grew by 3.4%". This was "partially offset by a monthly fall of 0.9% in professional, scientific and technical activities, where five of the eight industries saw falls on the month", and a fall of 0.7% in information and communications.

Datastore

The main economic indicators for London are available to download from the London Datastore.
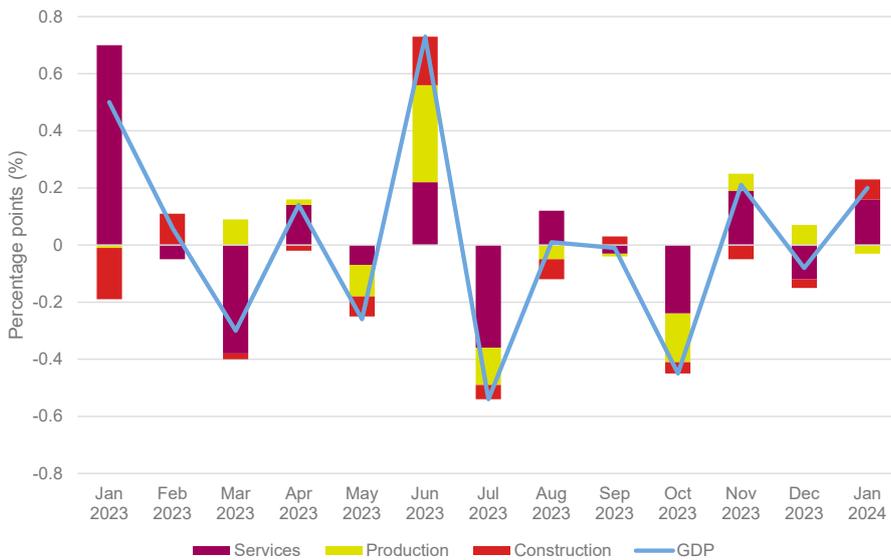
Figure 1: Contributions to monthly UK GDP growth, January 2023 to January 2024

Source: ONS

Inflation falls in February

ONS data showed that Consumer Price Index (CPI) inflation fell to 3.4%, down from 4.0% in January 2024 (Figure 2). The ONS noted that the largest downward contributions to the monthly change in "CPI annual rates came from food, and restaurants and cafes, while the largest upward contributions came from housing and household services, and motor fuels".
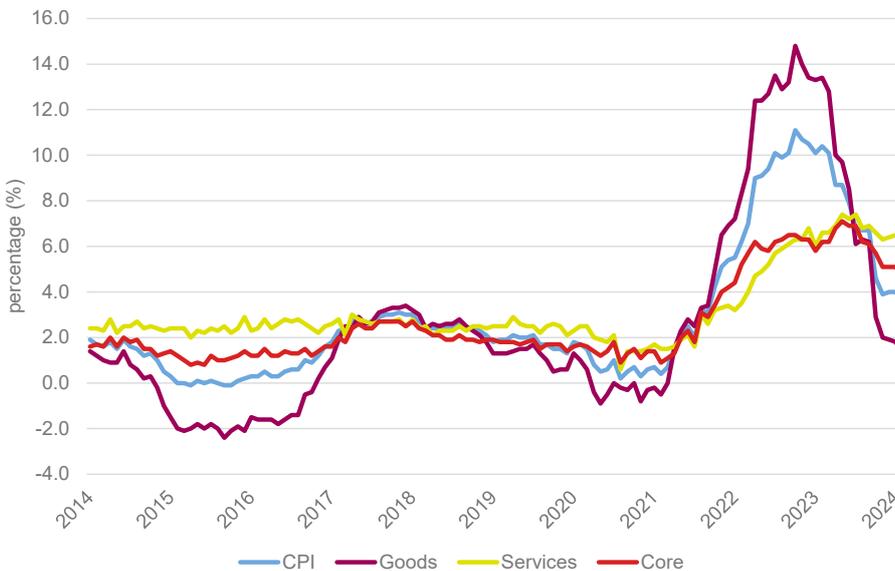

Figure 2: CPI, goods, services and core inflation, January 2014 – February 2024

Source: ONS

Individual components of inflation also saw falls. So, goods inflation fell from 1.8% in January to 1.1% in February. Services inflation also eased (from 6.5% in January to 6.1% in February) as did the core inflation rate (which excludes volatile energy, food, alcohol and tobacco), which slowed from 5.1% in January to 4.8% in February.

The ONS also undertook their annual review of the basket of goods and services included in their measure of inflation. The basket, which has over 700 goods and services included in it, saw new additions including "air fryers, vinyl music, gluten free bread, and edible sunflower seeds". While items such as "hand hygiene gel, hot rotisserie cooked chicken, and bakeware" were removed from the index. These changes are undertaken to reflect the changing spending habits of UK consumers.

The OBR publishes its latest forecast as the Chancellor delivers the March Budget

The Chancellor of the Exchequer, Jeremy Hunt, delivered the Budget on 6 March. Alongside this the Office for Budget Responsibility (OBR) published its latest Economic and fiscal outlook report. In this forecast, the OBR expects that UK GDP growth will increase from 0.1% in 2023 to 0.8% in 2024, before reaching around 2% in the mid-2020s. Inflation is forecast to fall to 2.2% in 2024 and 1.5% in 2025, before returning to the Bank of England's inflation target of 2% by 2028/29. However, tax as a share of GDP is forecast to rise to 37.1% of GDP in 2028/29.

The Budget, which was delivered on the same day as the OBR published their new forecast, addressed several policy areas and proposes various measures, with additional funding to boost public-sector productivity, further cuts to National Insurance rates for employees and self-employed individuals, changes to the current tax treatment for non-domiciled individuals, measures to increase housing supply, and changes to the High Income Child Benefit Charge being key examples. Further, although London did not feature significantly in the Budget, there were several London-related announcements. These include additional investment in Barking Riverside and the Canary Wharf Scheme, extension to tax relief for Thames Freeport, and additional new homes in the Euston area.

International economic picture remains mixed

Internationally the economic situation remains mixed. So, in the US inflation picked up slightly in February with it rising to 3.2%, up from 3.1% in January. Airfares, car insurance and clothing were some of the items driving this increase. While US inflation has slowed since the Federal Reserve started raising interest rates in 2022, this persistence in US inflation may push back interest rate cuts in the US.

In the Eurozone, inflation dropped by less than the expected amount in February. Thus, it fell from 2.8% in January 2024 to 2.6% in February. This has dampened expectations of a rate cut in the Zone, with the Austrian National Bank Governor, Robert Holzmann, observing that "we will decide based on the data. If the data is not there, there will not be a decision — and for good reason". With him adding "central banks got attacked over the failure to accurately project high inflation and they are now trying to avoid making the same mistake".

Japan avoided entering a technical recession at the end of 2023 as revised data for the last three months of the year showed that GDP increased by 0.4% compared to the same period in 2022. The Bank of Japan, Japan's central bank, also raised interest rates this month to between 0%-0.1% from a negative rate of -0.1% which was designed to stimulate the economy and had held since 2016. The Bank also abandoned its policy of yield curve control, where it bought Japanese government bonds to control interest rates. The rate rise came against a backdrop of rising wages while inflation has remained steady at a target of 2%.

The British Museum was the most visited attraction in 2023

Data from the Association of Leading Visitor Attractions (ALVA) showed that the British Museum was the most visited UK visitor attraction in 2023. The data showed that there were 5,820,860 visitors to the museum last year, an increase of 42% on 2022. This was the first time since 2019 that the museum had topped the list of attractions, with it standing in third place in 2022. The second most visited UK attraction in 2023 was the Natural History Museum with 5,688,786 visitors, an increase of 22% on 2022. Of the top ten most visited attractions, nine were in London. However, the ALVA did note that visitor numbers to UK attractions were still below pre-pandemic levels.

GLA Economics will continue to monitor and report on London's economy over the coming months in our 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 rose slightly in January 2024

- 231.0 million passenger journeys were registered between 7 January and 3 February 2024, 25.9 million more than in the previous period. 205.0 million passenger journeys were registered between 10 December 2023 and 6 January 2024.
- In the latest period, 87.2 million of all journeys were underground journeys and 143.8 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose slightly from 232.1 million in the previous period to 232.4 million in the latest period.

Source: Transport for London
Latest release: March 2024, Next release: April 2024

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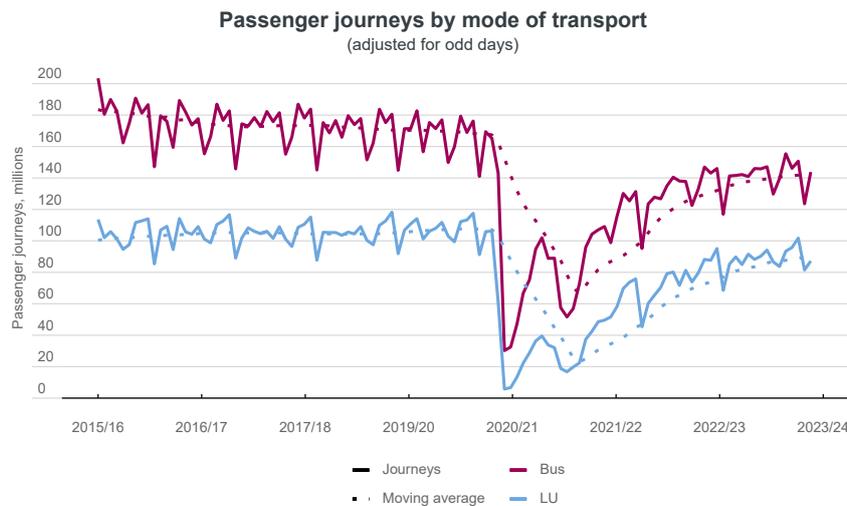
Annual growth in passenger journeys remains positive, if slowing

- The 13-period moving average annual growth rate in the total number of passenger journeys was 8.9% between 7 January and 3 February 2024, down from 10.5% between 10 December 2023 and 6 January 2024.
- The moving average annual growth rate of bus journeys decreased from 6.6% to 5.6% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 17.7% to 14.7% between those periods.

Source: Transport for London
Latest release: March 2024, Next release: April 2024

Annual change in passenger journeys by mode of transport
(adjusted for odd days)
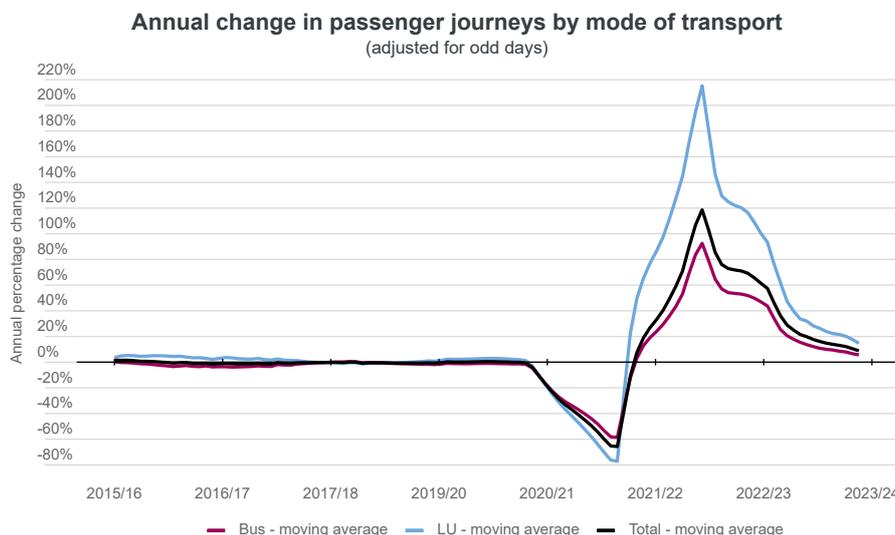
London's unemployment rate fell over the last quarter

- Around 191,000 residents aged 16 and over were unemployed in London in the period from October to December 2023.
- The unemployment rate in London for that period was 3.8%, a significant decrease from 5.1% in the previous quarter, July - September 2023. This is a historical low over the past 30 years, although much of it may be accounted for by changes in data collection methods, and may reverse in future months.
- London's unemployment rate is now identical to the UK's overall figure.
- The UK's unemployment rate decreased to 3.8% in October - December 2023, down from 4.1% in July - September 2023.
- The Office for National Statistics did not release regional labour market data for the November 2023 to January 2024 quarter in March as expected.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey
Latest release: February 2024, Next release: April 2024

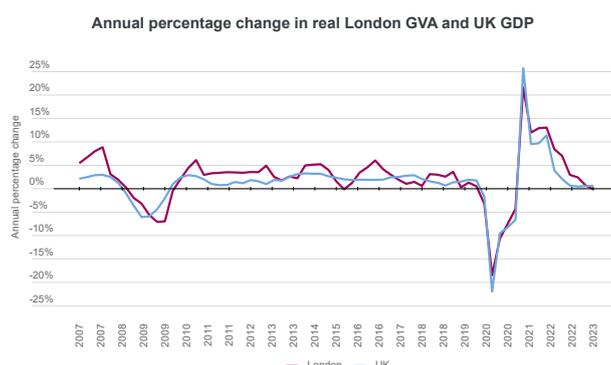**Unemployment rate**
(16 years and over, resident basis)
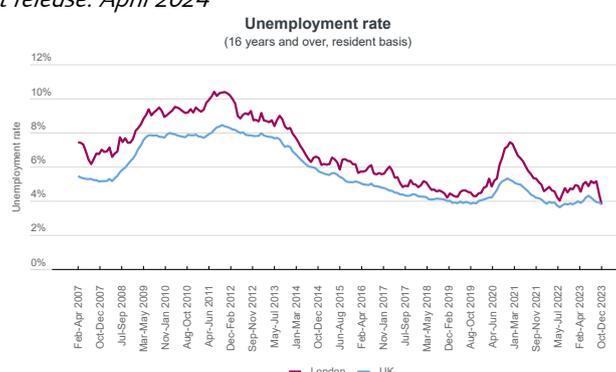
London's economy had surpassed pre-pandemic levels of output by Q3 2021, and growth has been slowing through 2022 and 2023

- 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

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

London's year-on-year employment growth rate turned positive in the quarter to December 2023

- Around 4.8 million London residents aged 16 and over were in employment during the three-month period from October to December 2023.
- London's annual change in employment rose by 3.5% in the year to this quarter, a significant increase, and compares with a 1.3% drop in the quarter leading up to September. Much of the difference may be accounted for by changes in data collection methods, and may reverse in future months.
- The most recent annual employment growth rate in London significantly exceeded the UK's figure of 0.3% in the latest quarter, which was a decrease from 0.6% in the previous quarter leading up to September.
- The Office for National Statistics did not release regional labour market data for the November 2023 to January 2024 quarter in March as expected.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey
Latest release: February 2024, Next release: April 2024

Annual percentage change in employment
(16 years and over, resident basis)
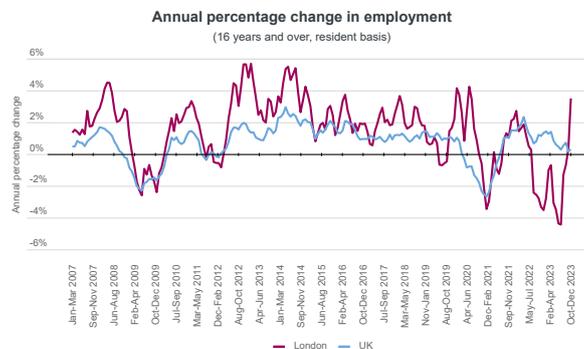
On an annual basis house prices fell in London in January 2024

- In January 2024, the average house price in London was £512,000 while in the UK it was £281,000.
- Average house prices in London fell by 4.0% year-on-year in January 2024, less than the fall of 5.6% in December 2023.
- Average house prices in the UK fell by 0.6% on an annual basis in January 2024, better than the decrease of 2.1% in the year to December 2023.

Source: Land Registry and ONS
Latest release: March 2024, Next release: April 2024

Annual percentage change in average house prices
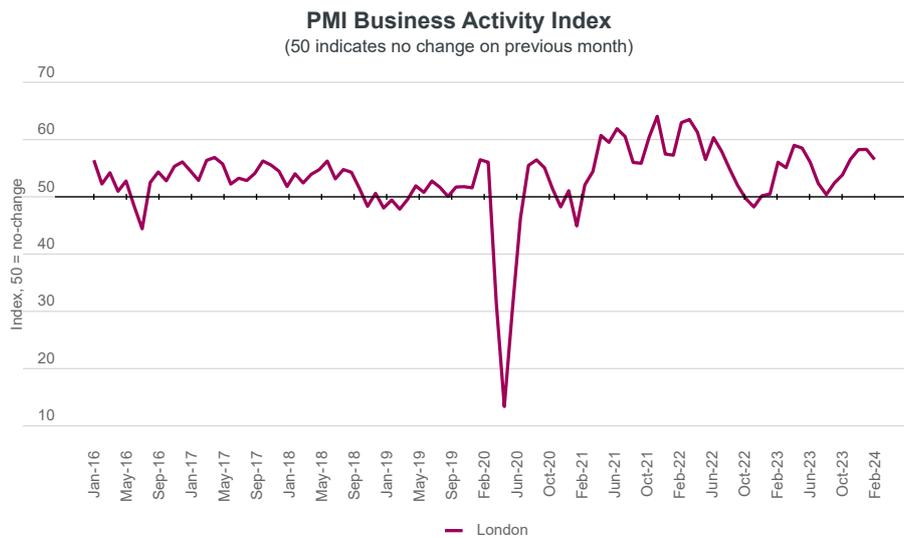(seasonally adjusted)
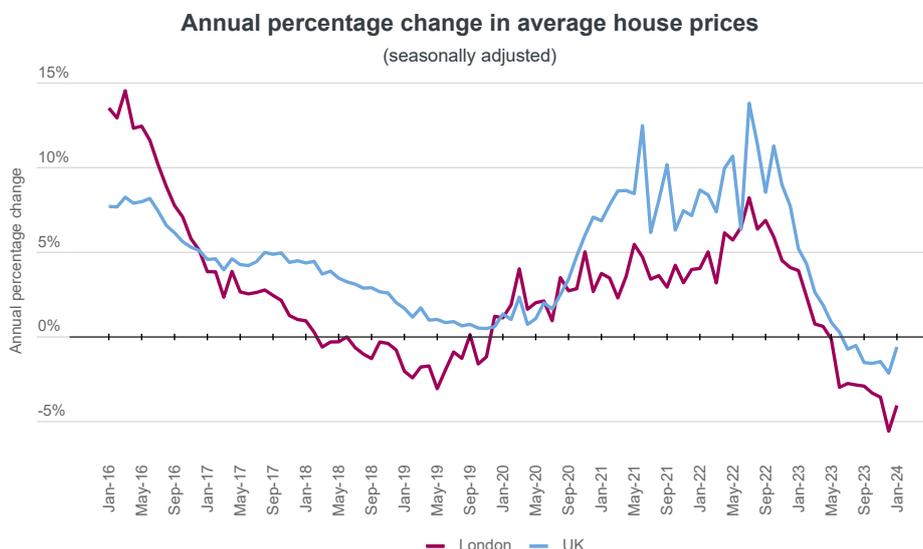
In February 2024, the sentiment of London's PMI business activity index remained positive but decreased slightly

- The business activity PMI index for London private firms decreased slightly from 58.3 in January to 56.5 in February 2024.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

Source: IHS Markit for NatWest
Latest release: March 2024, Next release: April 2024

PMI Business Activity Index
(50 indicates no change on previous month)

In February 2024, the sentiment of London's PMI new business activity remained positive but decreased

- The PMI new business index in London decreased from 58.7 in January to 55.9 in February 2024.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

Source: IHS Markit for NatWest
Latest release: March 2024, Next release: April 2024

PMI New Business Activity Index
(50 indicates no change on previous month)
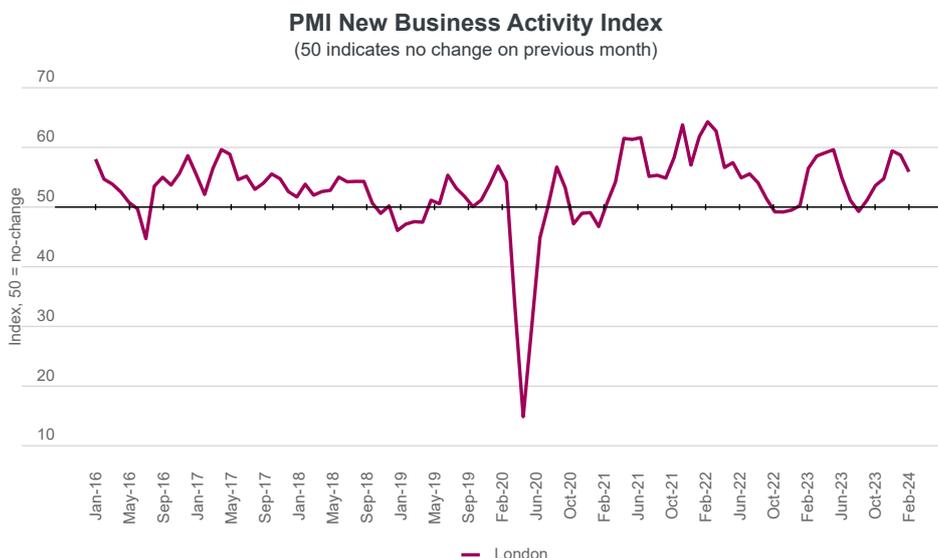
In February 2024, the sentiment of the PMI employment index in London remained positive, but decreased

- The Employment Index for London decreased slightly from 53.0 in January to 51.7 in February 2024.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

Source: IHS Markit for NatWest
Latest release: March 2024, Next release: April 2024

PMI Employment Index
(50 indicates no change on previous month)

Over half of property surveyors in London reported house price increases in February 2024

- In February 2024, a greater number of property surveyors in London reported rising prices over falling prices. The net balance index was 5 in February, and it was 1 in January.
- For England and Wales, the RICS house prices net balance index improved from -19 in January to -10 in February 2024.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: March 2024, Next release: April 2024

RICS house prices net balance
(change in prices during last three months, seasonally adjusted)
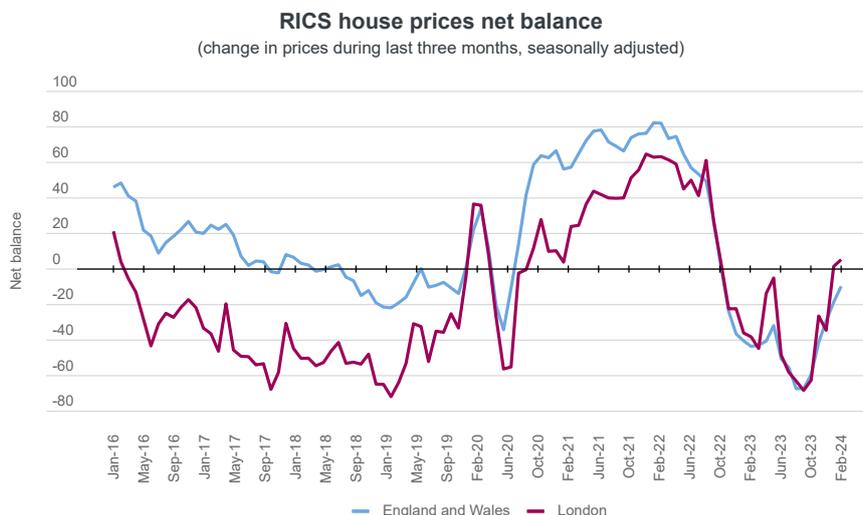
In February 2024, over half of property surveyors expressed positive expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was 12 in February 2024, down slightly from 14 in January 2023.
- The index for England and Wales was -9 in February 2024, and was -4 in January.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: March 2024, Next release: April 2024

RICS house prices expectations net balance
(change in prices during last three months, seasonally adjusted)
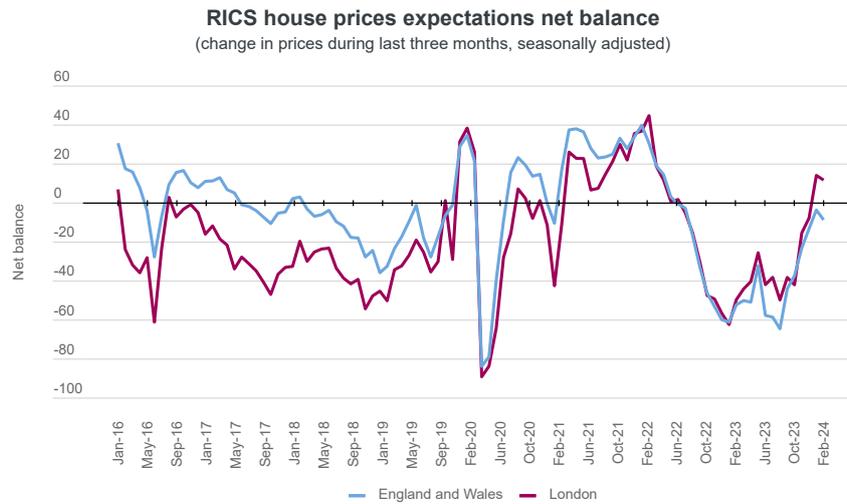
Consumer confidence in London remained negative and decreased in March 2024

- The consumer confidence index in London decreased from -5 in February to -10 in March 2024. It has been volatile month-on-month around zero since Spring 2023.
- The sentiment in the UK remained unchanged in March, staying at -21, the same level as in February. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK
Latest release: March 2024, Next release: April 2024

Consumer confidence barometer
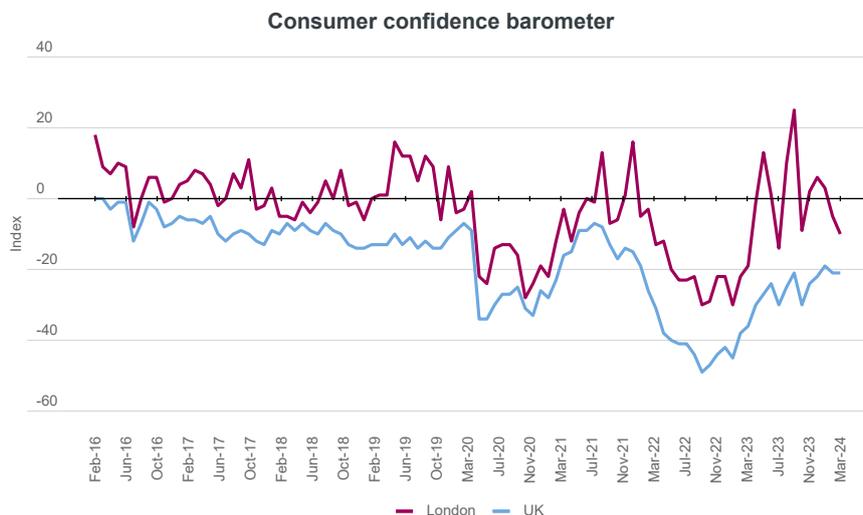
Our latest publications

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

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

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

View all the GLA Economics publications on our website.

The State of London - January 2024 update

The fourth edition of the State of London report by City Intelligence brings together a wide range of outcome data relevant to the work of the Mayor, the London Assembly and other stakeholders, and measures how London is performing based on the most recent available data.

Download the full publication.
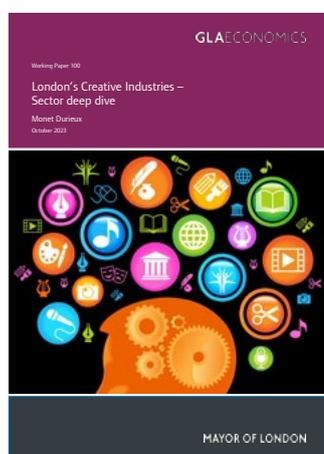
London's Creative Industries – Sector deep dive

This paper provides updated data and analysis on London's creative industries, drawing on a variety of sources to assess performance trends over the past decade. It also reviews the workforce and business characteristics for this sector in London and addresses both present skills gaps and future requirements.

Download the full publication.

London's Economic Outlook: Autumn 2023

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..

Download the full publication.

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

MAYOR OF LONDON