GLAECONOMICS

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UK economy contracts in the second quarter of 2019

By **Gordon Douglass**, Supervisory Economist,
and **Eduardo Orellana**, Economist

Data published by the Office for National Statistics (ONS) in August showed that output in the UK fell for the first time since 2012 (Figure 1). UK GDP declined by 0.2% in Q2 2019 after growing by 0.5% in Q1 2019. When compared to a year earlier UK GDP increased by 1.2% in Q2 2019 compared to 1.8% yearly growth in Q1 2019.

Most major sectors of the economy contracted in the second quarter of the year with only the Services sector seeing marginal growth of 0.1%. The Production sector saw output contract by 1.4% in Q2 2019, which provided the largest contribution to the overall fall in GDP and was driven by a large drop in manufacturing output. Some of this decline likely reflects the bringing forward of economic activity to Q1 2019 in anticipation of the original March 2019 Brexit date, as well as a weakening in the international economic environment. The ONS observed that "there is evidence that stockpiling was taking place in the first quarter of the year, which provided a boost to GDP, with the latest figures showing that these increased stock levels were partly run down in Quarter 2 2019. Furthermore, it was also reported that a number of car manufacturers had brought forward their annual shutdowns to April as part of contingency planning". While some of this displacement of activity between quarters was anticipated, the size of the decline in Q2 2019 was larger than most commentators had been expecting.

Also in this issue

Datastore

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

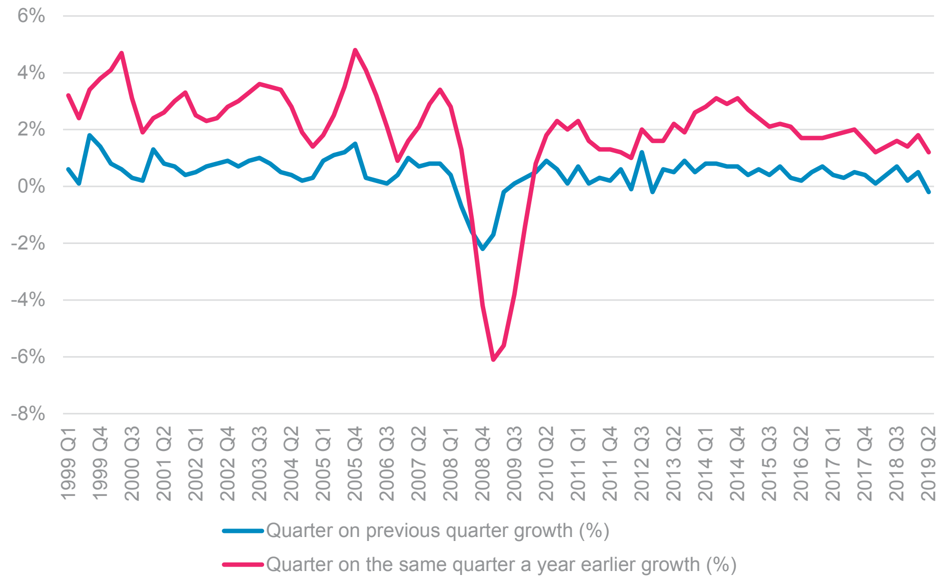


Figure 1: UK quarter on quarter and quarter on same quarter a year earlier GDP growth Q1 1999 to Q2 2019
Last data point: Q2 2019

Source: ONS

Bank of England cuts UK growth forecast

Looking forward the Bank of England published its latest Inflation Report in August in which it reduced its forecast for UK growth for both this year and the next. The Bank now expects the UK economy to grow by 1.3% in both 2019 and 2020, down from a forecast growth rate of 1.5% and 1.6% respectively which it made in May. This forecast does however assume that there be a "smooth Brexit". The Bank observed that "underlying growth appears to have slowed since 2018 to a rate below potential, reflecting both the impact of intensifying Brexit-related uncertainties on business investment and weaker global growth on net trade". It also noted that "increased uncertainty about the nature of EU withdrawal means that the economy could follow a wide range of paths over coming years". Although the Bank did not model a hard Brexit, the Governor of the Bank of England, Mark Carney, observed that a 'no deal' Brexit would be a "real economic shock" adding that "the change in trading relationship means that real incomes will be lower".

Pound drops on Brexit fears

The pound declined markedly against both the euro and dollar at the end of July and into August (Figure 2) as currency traders reacted to the increased possibility of a 'no deal' Brexit. Despite the increased speculation around a 'no deal' Brexit Treasury data released in August showed that most UK exporters that trade solely with the EU were unprepared for such an eventuality. The figures based on HMRC data show that in such an eventuality 245,000 firms would require an Economic Operator Registration and

Identification (EORI) number to track business and collect duties but only 72,000 (around 30%) had applied for it by 19 August. However, in response to this HMRC said that all VAT-registered UK firms which had not registered for an EORI would receive one by the first week of September. The Government claims this would lead to an additional 88,000 firms being registered but would mean that smaller un-VAT-registered firms would still need to act. Meanwhile, a leak in August of the government's contingency planning for a 'no deal' Brexit warned there could be months of disruption after it. In particular, concerns around cross-Channel trade, and the supply of some medicines and fresh food were raised in the document along with other issues.

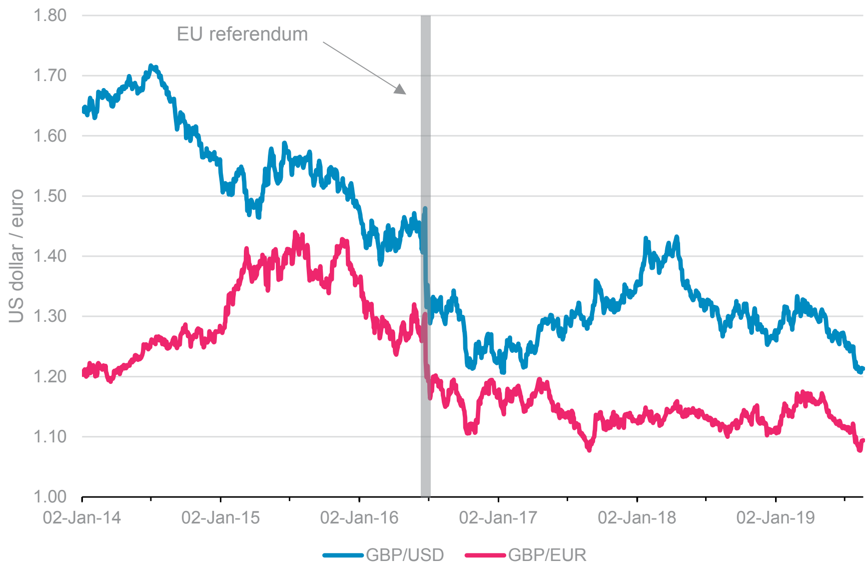


Figure 2: Sterling to US dollar and euro exchange rates
Last data point is 19 August 2019

Source: Bank of England

Elsewhere a recent CBI study concluded that 24 out of 27 areas (such as around movement of goods, regulation of goods and services etc.) of the UK's relationship with the EU would face disruption under a 'no deal' Brexit. Also the Food and Drink Federation (FDF) has asked the Government to waive aspects of competition law to allow firms to coordinate and direct supplies in the event of a 'no deal'. The FDF's chief operating officer, Tim Rycroft, said that in such an event there could be "selective shortages" of food that would go on for "weeks or months". Given this uncertainty the new Chancellor of the Exchequer, Sajid Javid, announced that the upcoming spending review will cover only the next financial year 2020-21.

Mounting signs of a global economic slowdown

Internationally the economic weather worsened in August with a number of countries posting disappointing economic statistics. In Germany the economy contracted in the second quarter of the year with GDP falling by 0.1%. If the economy shrank again in Q3, which a number of economic forecasts think could happen, then this would place the German economy in its first recession since 2013. Nevertheless, the Eurozone as a whole continued to grow at a rate of 0.2% in Q2 2019, although this was slower than the 0.4% growth rate seen in Q1 2019.

The US economy grew by an annualised 2.1% in Q2 2019, slower than the 3.1% seen in Q1 2019 but faster than most analysists had been expecting. At the end of July the US Federal Reserve cut interest rates for the first time in over a decade. The rate was cut by 25 basis points to a target range of between 2% to 2.25%. In relation to its decision the Feds Federal Open Market Committee stated that it had acted "in light of the implications of global developments for the economic outlook as well as muted inflation pressures". Still it is not certain at this time whether this signals the beginning of further US interest rate cuts. However, the move does come at a time where commentators have expressed concerns about the state of the world economy with some investors moving into safer assets such as government bonds. This has seen the yield on 30-year US treasury bonds (which is inversely related to its price) fall to below 2% in August, its lowest level on records that go back to the 1970s. The yields on US and UK 10-year government bonds also dropped below the yields on shorter-term government bonds (an inversion of their normal relationships) for a brief period in August, and the first time this has happened since the financial crisis. Such a situation has historically been linked by market commentators to the possibility of a recession.

London's economic statistics continue to show strength in the capital

Against the economic uncertainty at both the national and international level London's economy continues to show a degree of resilience. This continues to be seen most clearly in the capital's labour market where London's unemployment rate (the number of unemployed people as a percentage of the labour force) stood at 4.5% in the three months to June 2019, marking a fall of 0.3 percentage points on the previous year. And although not available at the regional level real (inflation adjusted) pay data for Great Britain showed that regular real pay increased by 1.9% on the year in the three months to June 2019.

However the capital faces challenges in the year ahead even without the worsening external economic picture. Thus, Retail Price Index (RPI) data published in August for the UK for July 2019 showed that the RPI had increased by 2.8%. This rate is important because it is used in the calculation of the increase in regulated rail fares for the start of next year and despite the recent rise in real wages, the level of average weekly earnings is still lower than before the 2008/09 recession.

Nevertheless, London retains many strengths. This is highlighted in recently published ONS data for workless households for 2018. This showed that in recent years overall London had a lower share of workless households compared to the UK average, with local authorities in the capital recording some of the lowest rates of worklessness in the country. Across London, 11.8% of non-student households were workless (meaning they included at least one person aged 16 to 64 years and where no-one aged 16 years or over is in work) compared to 14.1% for the UK as a whole (Figure 3). Within the capital however the share of workless households varied from a low of 5.6% in Harrow to a high of 19.1% in Kensington and Chelsea. For all workless households in London (including student households), the most common reason for people aged 16-64 being workless was disability or sickness (29.3%). Study and looking after the family were the next most common reasons (each 17.6%), followed by unemployment (16.0%). Compared to other regions, London had the highest rates of worklessness due to unemployment or study and the lowest rate due to early retirement (8.9%).

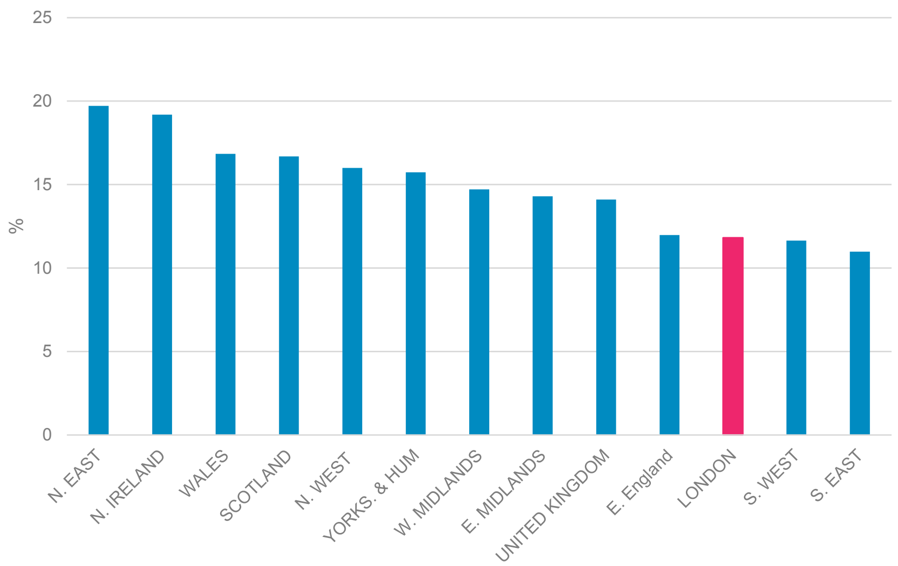


Figure 3: Non-student workless households in a UK nation or English region in 2018 (%)

Source: ONS

Further, in likely positive news for London given the size of the Tech sector in the capital, data published by the Department of Digital, Culture, Media and Sport showed that UK tech firms secured £5.5 billion in foreign investment in the first seven months of the year. This was a record with US and Asian firms investing the most in this period, while experts claim the weaker pound in part helped to draw in this investment. This news comes in a period where overall foreign direct investment into the UK has been stagnant due to Brexit related uncertainty.

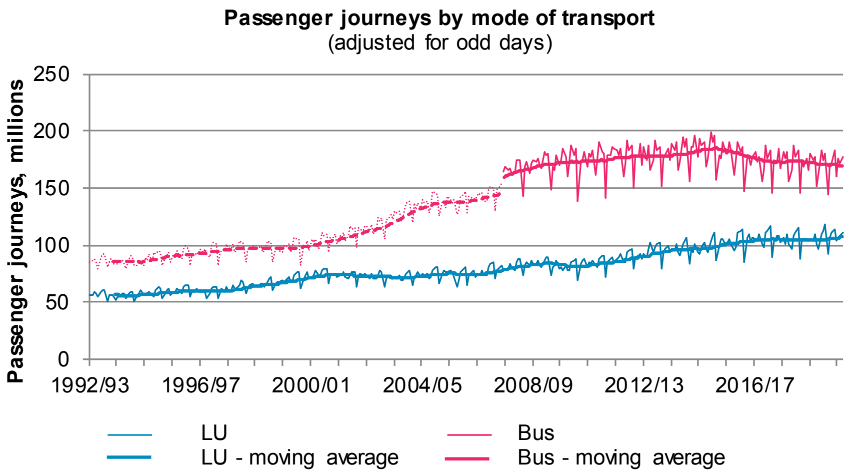
It will remain necessary to keep a close eye on London's indicators over the coming months in case they begin to show a turning point in the capital's economy.

Economic indicators

TfL passenger journeys increased by 8.5 million in the last period

- A total of 288.5 million passenger journeys were registered between 23 June and 20 July 2019; 8.5 million more than the previous period. 111.1 million of these journeys were Underground journeys and 177.4 million were bus journeys.
- The 12-month-moving average in the total number of passenger journeys increased slightly from 276.8 million to 276.9 million.
- The methodology used to calculate the number of bus passenger journeys was changed by TfL on 1 April 2007. For a detailed explanation, please see LET issue 58 (June 2007).

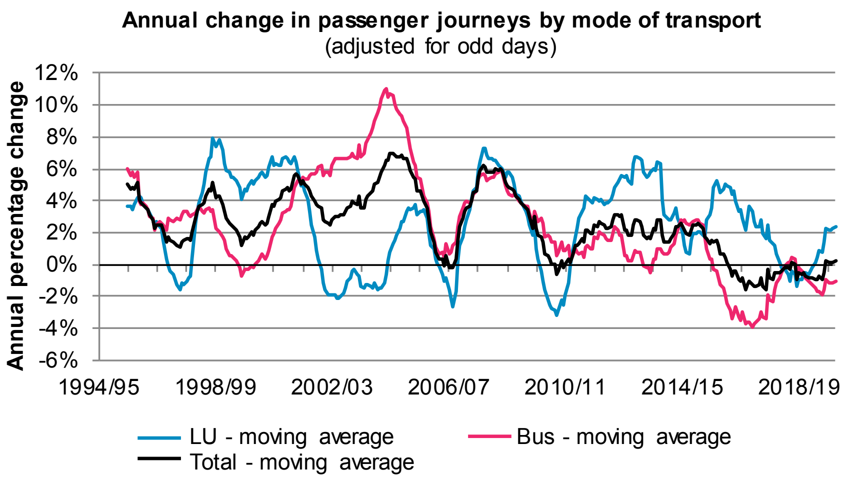
Source: Transport for London
Latest release: August 2019, Next release: September 2019



Annual growth rate in passenger journeys goes up

- The moving average annual growth rate in the total number of passenger journeys was 0.3% between 23 June and 20 July 2019. This rate has remained above 0 for five consecutive months after fourteen periods of falls.
- The moving average annual growth rate of Underground journeys increased from 2.2% to 2.4%.
- The moving average rate of Bus passenger journeys also went up from -1.2% to -1.0%.

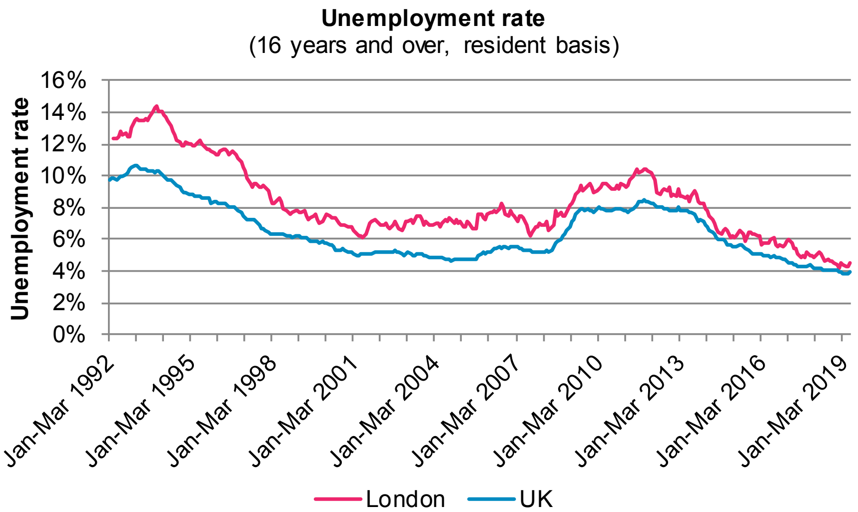
Source: Transport for London
Latest release: August 2019, Next release: September 2019



London's unemployment rate was 4.5% in Q2 2019

- 0.22 million residents over 16-year were unemployed in London in the second quarter of 2019; 8,000 persons more than in the first quarter of the year.
- The unemployment rate in London went slightly up from 4.4% during the first quarter of 2019 to 4.5% in the second quarter of the year. This rate represents one of the lowest levels of the series since it began in 1992.
- The UK's unemployment rate also increased by 0.1 percentage points to 3.9% in Q2 2019.

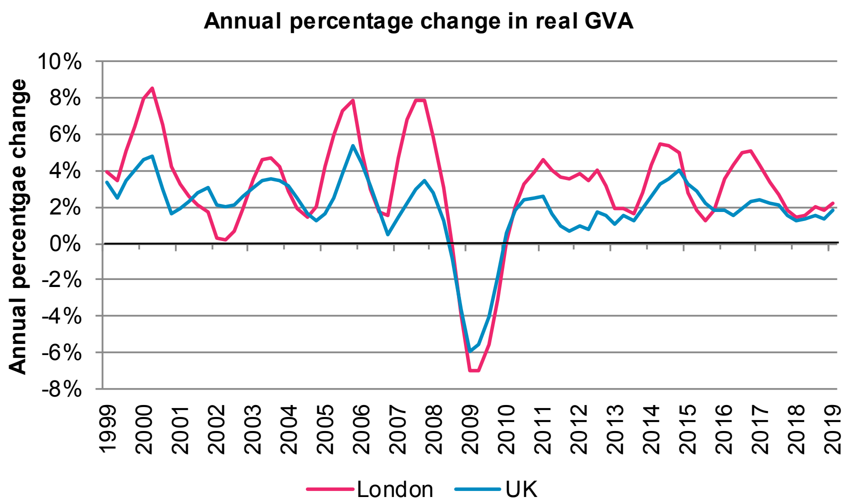
Source: ONS Labour Force Survey
Latest release: August 2019, Next release: September 2019



London's economy grew by 2.2% in real annual terms in the first quarter of the year

- London's annual real GVA growth rose from 1.9% in Q4 2018 to 2.2% in Q1 2019. This is somewhat below the historic average rate of growth in the capital.
- In the UK, annual output growth was 1.8% in Q1 2019, 0.4 percentage points higher than the previous quarter.
- From LET Issue 165 (May 2016), GLA Economics now reports our own GVA estimates for London and ONS data for the UK.

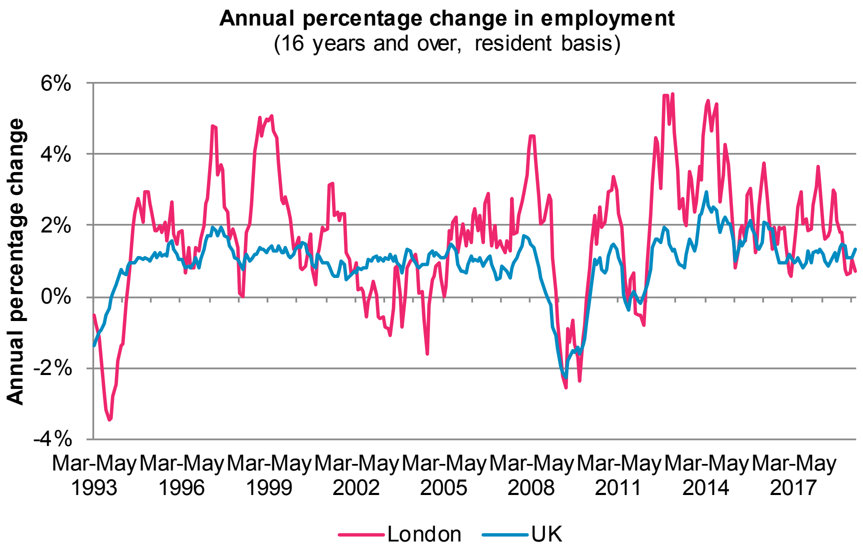
Source: ONS and GLA Economics calculations
Latest release: July 2019, Next release: October 2019



Employment growth remained weak in London in the second quarter of the year

- Over 4.67 million residents over 16 years old were employed in London in Q2 2019.
- The rate of annual employment growth for the capital was 0.7% for the mentioned period, 0.1 percentage points higher when compared to the first quarter of the year.
- The annual growth in UK employment was 1.3% in Q2 2019, 0.2 percentage points more than the first quarter of the year.

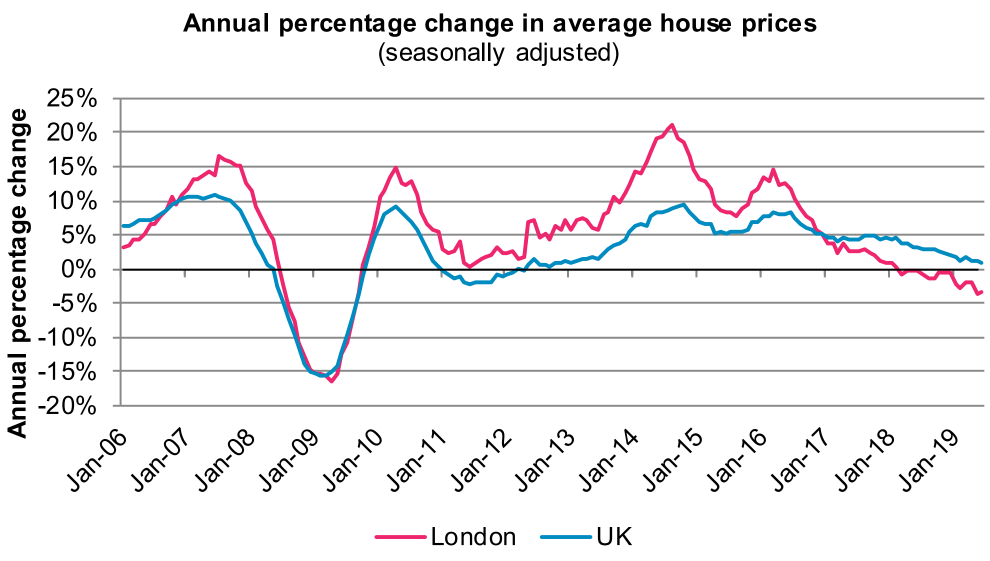
Source: ONS Labour Force Survey
Latest release: August 2019, Next release: September 2019



The year-on-year fall in London house prices continues

- In June, the average house price in London was £461,196, while for the UK, the average was £228,271.
- The annual growth rate in house prices in London was -3.5% in June, 0.1 percentage points higher than in May when this rate represented the deepest annual contraction since August 2009. London prices have been falling in year-on-year terms for sixteen consecutive months, registering a cumulative fall of 3.9% over this period.
- For the UK, the annual growth rate in house prices was 1.0% in June, 0.2 percentage points less than in May.

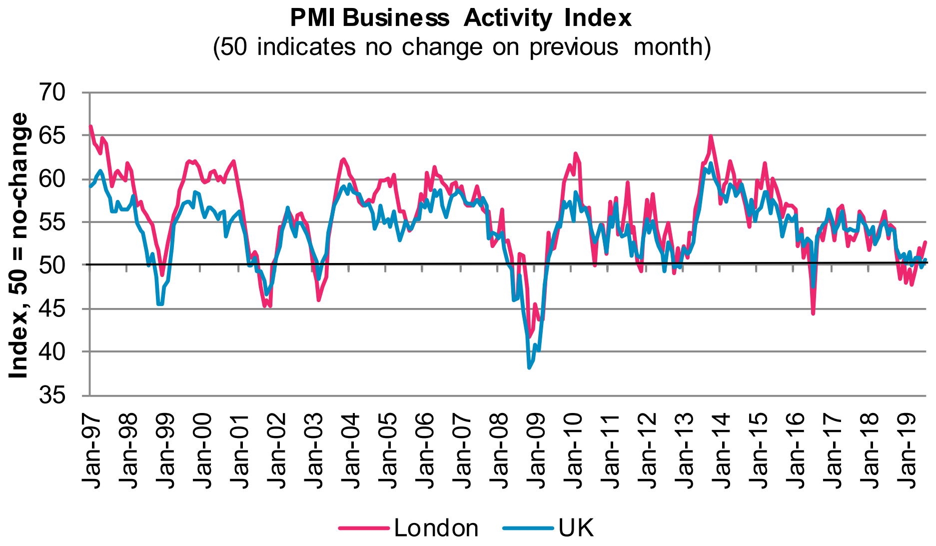
Source: Land Registry and ONS
Latest release: August 2019, Next release: September 2019



Business activity in London increased in July

- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50.0 suggest a month-on-month increase with the majority of firms reporting increased activity, while readings below indicate a decrease.
- Business activity at London private firms was higher in July (52.8) than in June (50.8).
- The UK index also increased in July to 50.7 from 49.7 in June.

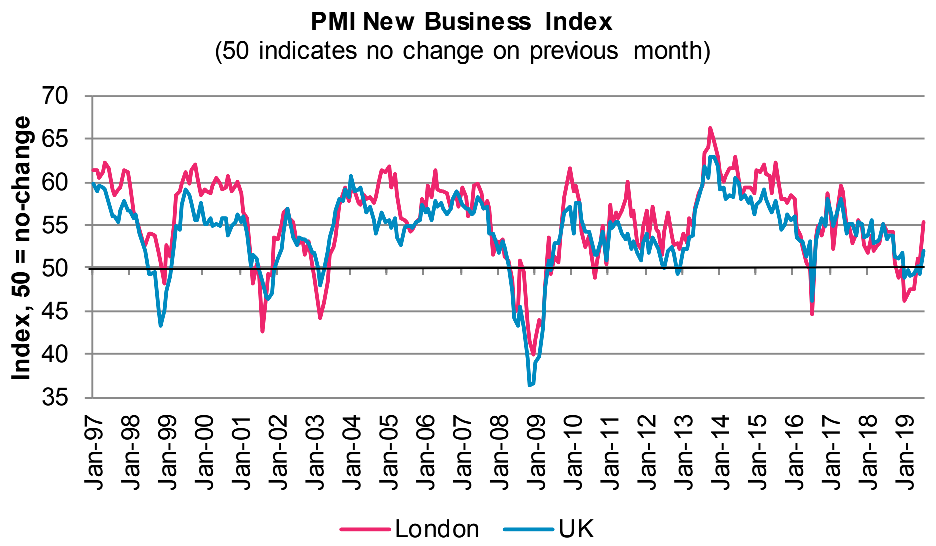
Source: IHS Markit
Latest release: August 2019, Next release: September 2019



New business in London rose in July

- The PMI New Business Index was 55.3 in London in July, up from 50.5 in June.
- UK firms reported an index of 52.0 in July compared to 49.3 in June.
- An index reading above 50.0 indicates an increase in new orders from the previous month for most firms surveyed.

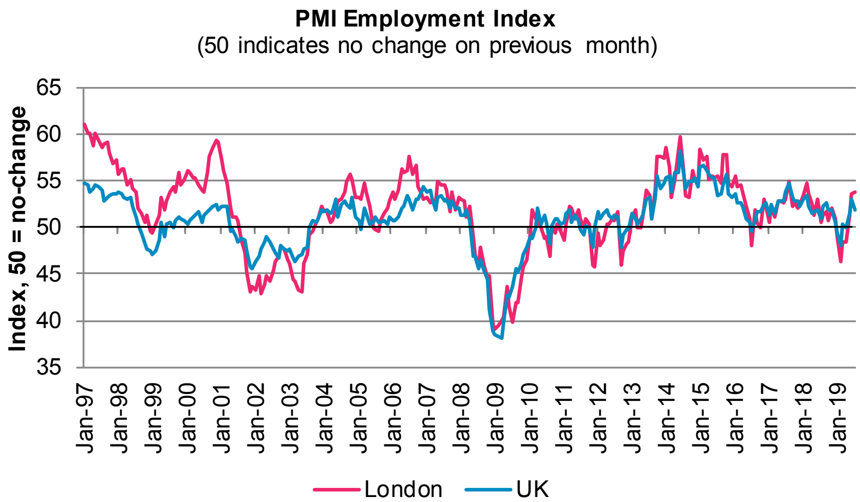
Source: IHS Markit
Latest release: August 2019, Next release: September 2019



PMI Employment prospects improved in London in July for private firms

- The PMI Employment Index shows the monthly change in employment at private sector firms. Readings above 50.0 indicates over half of surveyed firms have increased employment, whereas a reading below 50.0 indicates a decrease in employment on average across firms from the previous month.
- The PMI Employment Index for London has increased in July to 53.8, when compared to June (53.6). The July value is the highest level since February 2018.
- In contrast, the PMI Employment Index for the UK dropped from 53.0 in June to 51.8 in July.

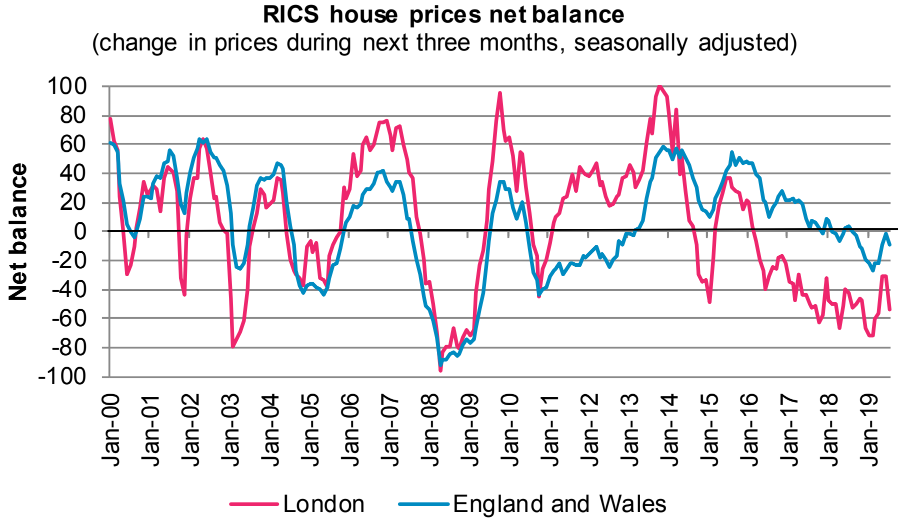
Source: IHS Markit
Latest release: August 2019, Next release: September 2019



Net balance in London's house prices remains strongly negative in July according to property surveyors

- Most surveyors reported a fall in London house prices in the three months to July (-53). This index has remained negative since February 2016.
- The RICS house prices net balance index for England and Wales also decreased from -1 in June to -9 in July.
- The net balance index measures the proportion of respondents reporting a rise in prices minus those reporting a decline.

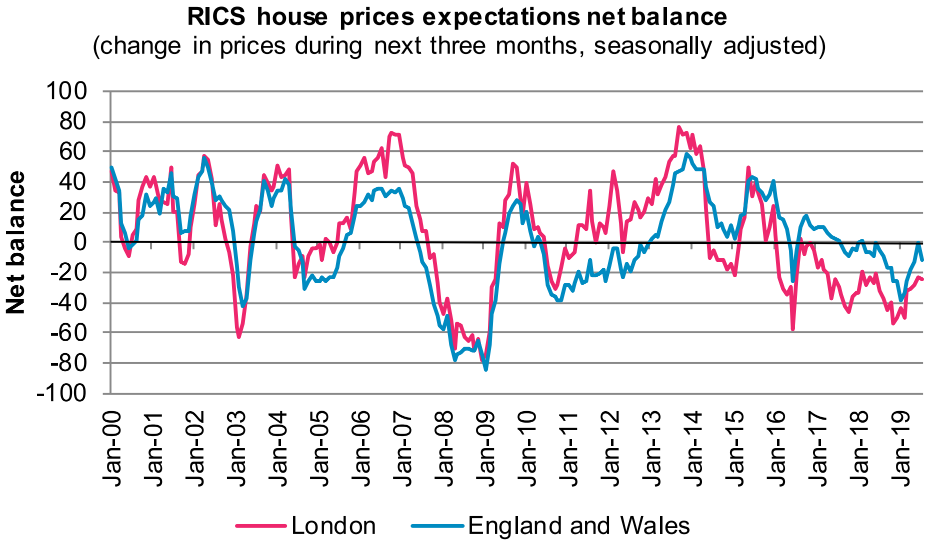
Source: Royal Institution of Chartered Surveyors
Latest release: August 2019, Next release: September 2019



House prices expectations in London stay negative

- Most surveyors continued to have negative expectations for the next three months for house prices in London. The RICS index was -25 in July, lower than in June (-23), although higher than earlier in the year.
- London remains as the region with the most negative expectations for house prices.
- Sentiment in England and Wales was also negative (-12) in July.

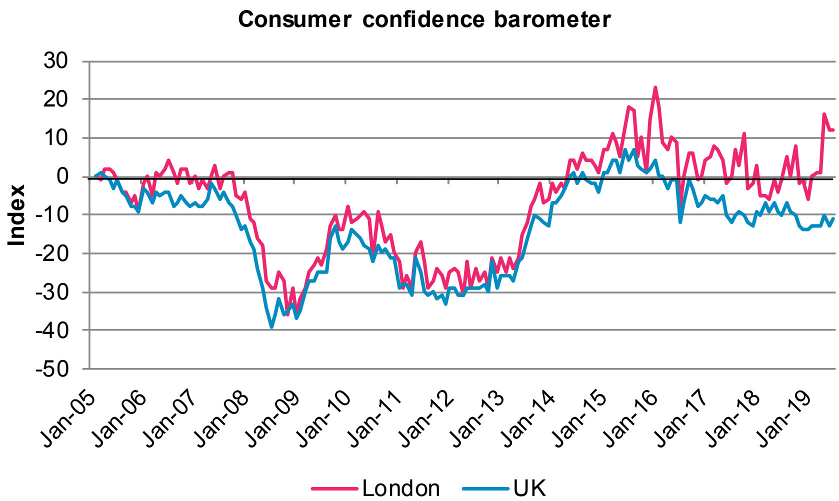
Source: Royal Institution of Chartered Surveyors
Latest release: August 2019, Next release: September 2019



Consumer confidence in London stays positive

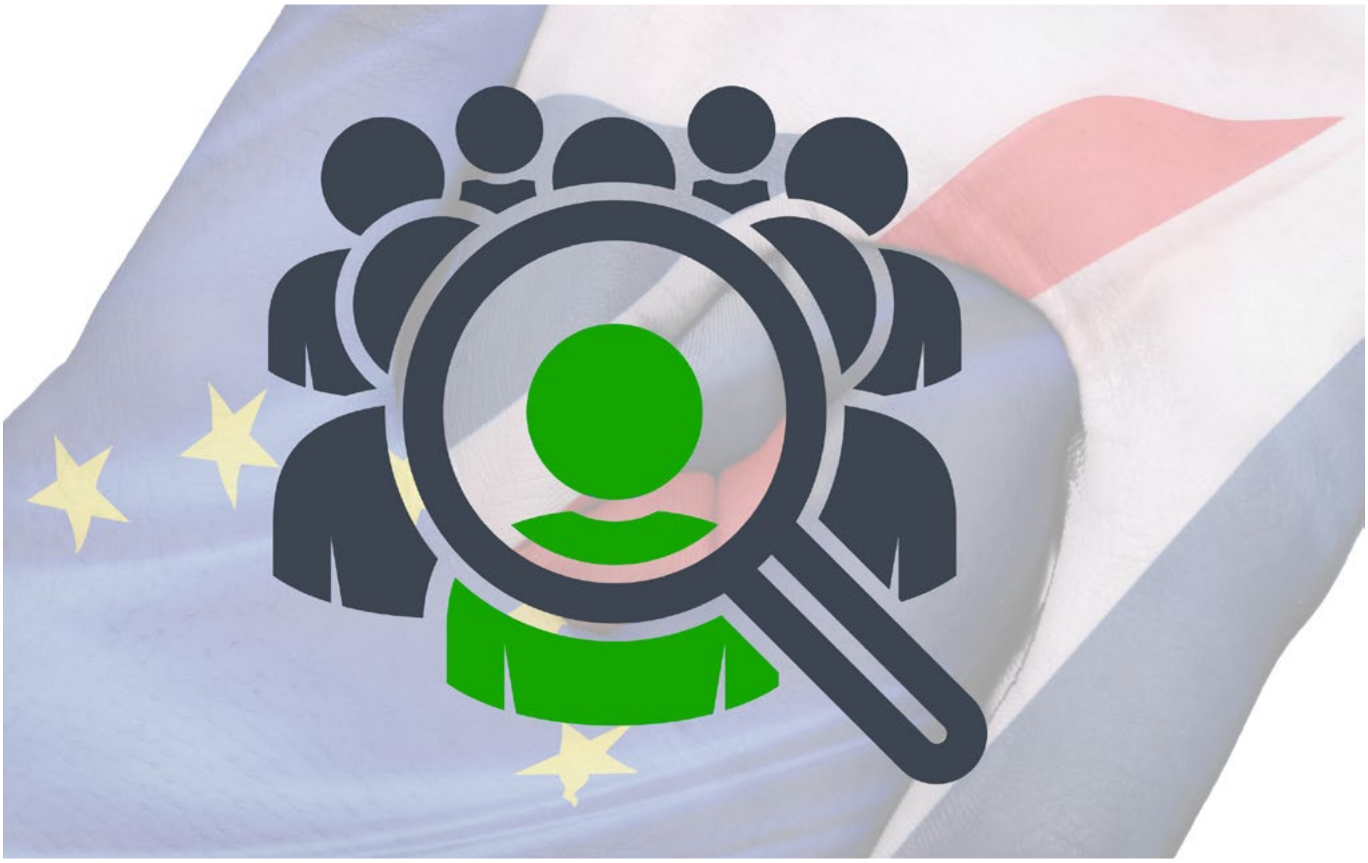
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.
- The consumer confidence index in London was unchanged at 12 in July, one of the highest levels in more than three years.
- In contrast, sentiment stayed negative (-11) for the UK in July. This index has been negative since April 2016.

Source: GfK NOP on behalf of the European Commission
Latest release: July 2019, Next release: August 2019



Potential impacts of skills-based immigration policies in London

By **Gabriele Piazza**, Economist



1. Introduction

In December 2018 the previous Government, under Theresa May, published a White Paper setting out its plans for the UK immigration system post-Brexit[1]. In-line with recommendations from the Migration Advisory Committee (MAC) the White Paper makes the case for a single 'skills-based' immigration system once free movement of persons with the EEA ends.

Two of the key measures proposed were:

- Extending eligibility for the work visa system to include occupations at intermediate skills levels (RQF levels 3-5), not just graduate level jobs (RQF 6 and above) as at present[2].
- Retaining the current minimum salary threshold for experienced workers at £30,000 per year, subject to a period of engagement with businesses and employers.

This contrasts with the current immigration system where migrants from the EEA at all skill and salary levels can come to the UK to work. While London's labour market is likely to reach a new balance in the long run – one that accounts for changes to both the supply and demand for labour – the move to a new 'skills-based' immigration system is likely to pose labour market challenges in the short to medium term.

To inform the debate, GLA Economics have produced two Current Issues Notes aimed at understanding which areas of London's labour market are likely to be most affected by the proposals.

1 HM Government (2018) The UK's future skills-based immigration system
2 RQF is the Regulated Qualifications Framework. The skill categories are designed to reflect how much training and experience is required for someone to do a job

2. Scope of the work

The immigration system is complex, and our research does not offer definitive judgments about the impact of every aspect of the Government's proposals. Our work focuses only on two of the key measures from the Immigration White Paper which have received most attention from employers and other stakeholders – namely the RQF3+ skills and £30,000 minimum salary thresholds. The work aims to specifically answer the following:

- Which occupations may be most affected by the new £30,000 minimum salary and RQF3+ skills threshold proposals?
- Who works in these roles?
- How does the list of affected occupations change as the salary threshold is reduced towards £21,000?
- In which occupations is the greatest disruption most likely from the proposed £30,000 minimum salary and RQF3+ skills threshold proposals?

Given this, our findings should be interpreted as a starting point for understanding which occupations may face the greatest difficulties under the proposed future immigration system. While other elements or policies could alleviate the impacts for some identified occupations, there could equally be highly affected roles which are not recognised in our work.

3. Limitations

In these analyses we used data provided by the Office for National Statistics (ONS), including published data from the Annual Population Survey (APS) and Annual Survey of Hours and Earnings (ASHE). Yet, as with any analysis of this kind, there are data issues and methodological assumptions to be aware of. Some of the main issues relate to:

- **Data sources** – imperfect data (e.g. survey data) mean that confidence intervals can be large. This is particularly true for detailed occupations and at a sub-national level.
- **Data availability** – our analysis is mainly static, based on the latest year of data; it does not consider the flow of workers by occupation (for which data is unavailable). As such, we assume that the EEA job share and salary of the current stock of workers in occupations accurately reflects the flow of workers moving into those occupations[3]. Our data on jobs also does not distinguish between employees and self-employed workers.
- **Assumptions** – any labour market modelling requires the use of evidence-based judgements, for example about indicators for labour market adjustment. Where data is missing at a London level we also impute data based on what information is available.
- **Behavioural response and change** – predicting behaviour change is inherently uncertain, including the ability for employers to respond to changes in the supply of EEA migrants.

The results of our analysis should be interpreted with these caveats in mind and treated with due caution. More in-depth methodological guidance can be found in the full publications.

4. Key findings

Which occupations may be most affected by the new £30,000 minimum salary and RQF3+ skills threshold proposals?

Some occupations in London stand to be more affected by the introduction of the proposed skills and salary thresholds than others. In the first instance this will depend on the skills and earnings levels associated with different occupations, as well as their level of reliance on EEA workers. On this basis the evidence shows that:

3 So, for example, if occupation X currently has 20% of jobs earning under £30,000 a year an implicit assumption is made that 20% of workers going into jobs in that occupation will also be earning under £30,000.

- A third of jobs in London are in occupations that fail to meet the proposed qualification threshold (RQF level 3 and above).
- London has a higher proportion of lower-skilled (below RQF level 3) jobs filled by EEA workers than the UK as a whole. Around 301,500 jobs in the capital's low skilled occupations were filled by workers born in the rest of the EEA.
- Thirty-three occupations that meet the skills requirements have at least a quarter of jobs paying below the £30,000 salary threshold, although London has fewer occupations in which at least half of the jobs pay under the salary threshold (12) compared to the UK overall (24).
- Within those occupations that meet the skills threshold an estimated 148,000 jobs in the capital pay below £30,000 and are held by EEA workers. 'Construction and building trades' has the largest number of EEA-held jobs paying below £30,000 per year (24,900) followed by 'Food preparation and hospitality trades' (13,700).
- Overall, 60% of jobs held by EEA workers in London would not meet the proposed skills and salary criteria.

A summary of the results (with a £30,000 minimum salary) is illustrated in Figure A1.

Who works in these roles?
As the impact of the proposed skills and salary thresholds will vary across occupations so too will the impact on different groups of EEA workers. Our analysis shows that:

- In London, the largest proportion of EEA workers in jobs under the proposed skills and/or salary threshold are aged 30 to 44.
- The majority of EEA workers in jobs that do not meet the thresholds are male, white and working full-time. However, EEA workers in jobs below the skills threshold are more likely to be female, non-white and working part-time than their counterparts in jobs that meet the skills requirement but not the salary threshold.

How does the list of affected occupations change as the salary threshold is reduced towards £21,000?
One way to lower the impact of the proposed changes on London's labour market is to reduce the salary threshold. In our analysis, we looked at the impact of a £21,000 salary threshold – broadly equivalent to a full-time job at the London Living Wage - on the occupations that meet the skills requirements[4]. This shows that:

- An alternative £21,000 salary threshold would more than halve the number of jobs held by EEA workers that fail to meet the salary threshold (to 70,200).
- Only two occupations would have over half of jobs paying below the alternative £21,000 salary threshold.
- 'Construction and building trades' would have the largest decline in EEA-held jobs under the lower salary threshold – from 24,900 to 11,800. This alone accounts for 17% of the overall London reduction in jobs held by EEA workers earning under £21,000 rather than £30,000.

4 Our analysis also considered briefly the impact of two further salary thresholds (£27,000 and £24,000) but the results are not presented in this short summary.

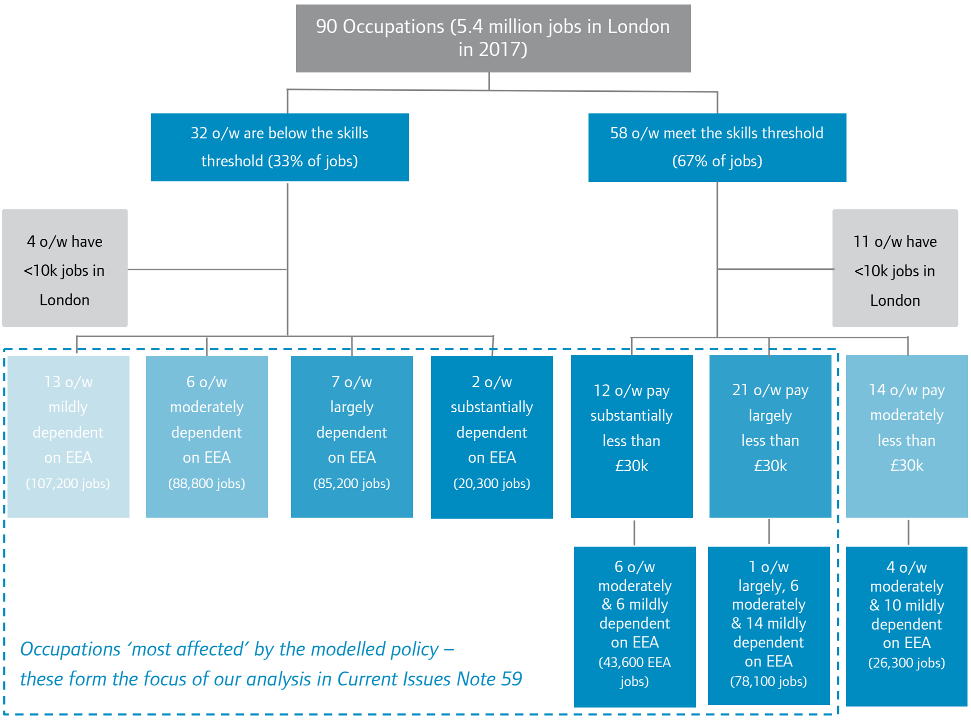


Figure A1: Impact of the new migration system based on RQF3+ Skills and £30,000 Salary Threshold (o/w = of which)

Source: ONS APS / ASHE and GLA Economics' calculations.

Note: total jobs estimates are based on the sum of jobs across three-digit occupations for which data is available. The analysis is based on the impact of a single threshold only, e.g. no adjustment is made where the 25th percentile of earnings is higher. The following definitions are used:

'Substantially dependent' is defined as occupations where more than 50% of jobs are held by people born in the EEA; 'largely dependent' is where between 25% and 50% of jobs are held by EEA workers; 'moderately dependent' is where between 15% and 25% of jobs are held by EEA workers; and 'mildly dependent' is where the proportion is below 15%.

'Pay substantially less' than £30,000 (or the £27k, £24k, £21k threshold in Table 1) is defined as having over 50% of jobs paying under the threshold, 'pay largely less' is where between 25% and 50% of jobs pay under the threshold and 'pay moderately less' is where fewer than 25% of jobs pay below the threshold.

In which occupations is the greatest disruption most likely from the proposed £30,000 minimum salary and RQF3+ skills threshold proposals?

In reality, the impact of a reduction in the availability of EEA workers will also depend, to some degree, on the characteristics of an occupation and wider economic factors. For example, to what extent employers have been reliant on EEA workers in recent years or are already encountering difficulties in filling vacancies in certain occupations. Some roles will also be of high economic value or make an important contribution to public service delivery.

To assess which occupations may face the greatest difficulties in adjusting to the modelled policy proposals and get a sense of the relative importance of the (potential) impacts, our second note considers a further set of three indicators:

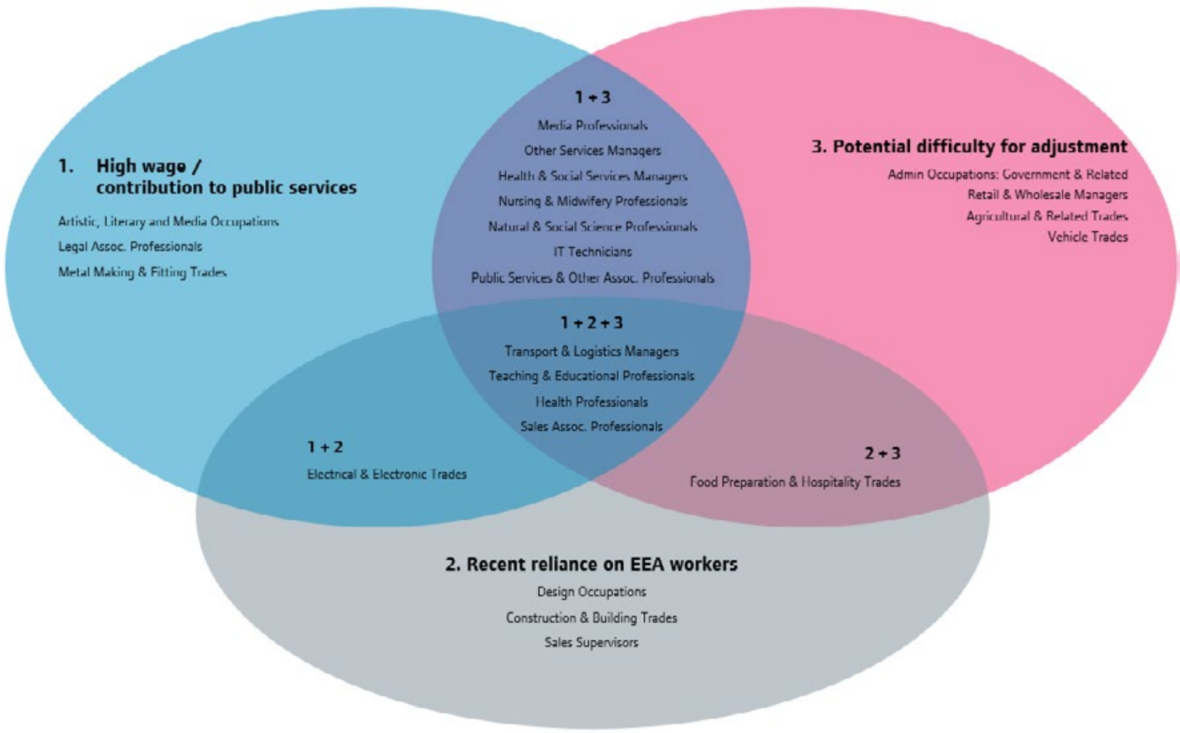
- High wage / high contribution to public services – this indicator looks at the relative importance of occupations affected, either economic value (as proxied by high average wages) or social value (as proxied by high contribution to public service industries).
- Recent reliance on EEA workers – this indicator considers the change in jobs held by EEA workers by three-digit occupational group from 2012 to 2017.
- Potential difficulty for adjustment – this indicator aims to measure the ability of occupations to adjust to unexpected changes in the labour market, either by substituting labour for labour or by substituting capital for labour.

Following an approach developed by the Home Office we analyse and rank occupations under nine sub-components which make-up these indicators. Using this approach we identify:

- **62 out of 90 three-digit occupations as being 'highly affected by the modelled policy' in London**. These are occupations with at least 10,000 jobs and which are either below RQF level 3 or are medium and higher-skilled roles where at least 25% of employee jobs earn below £30,000 a year (see Figure A1)[5]. They represent the focus of this analysis.
  - Of these occupations we identify **37 as having limited scope to adjust to labour supply shortages and/or a high recent reliance on EEA workers**, most of which are medium or higher-skilled occupations (RQF3+). We also identify a further four occupations as having a relatively high economic or social value (Figures A2-A3)[6].
  - **Combined these 41 occupations account for over half of the current stock of jobs in the capital, including two-thirds of the jobs currently held by EEA workers**. Note, however, it's primarily the flow of migrants into these roles that would be (directly) affected by the proposed changes to immigration policy, not the stock.
  - **In several of these roles the share of jobs held by EEA workers and employee jobs paid below £30,000 a year also far exceed the London average**. On this basis certain roles, such as 'Childcare Services and 'Elementary Cleaning', seem particularly exposed to the modelled policy. Many of these are lower-skilled (below RQF3) occupations and would be unable to recruit long-term migrants regardless of salary levels.

These results are further illustrated in Figures A2-A4.

Figure A2: Medium and higher-skilled occupations (RQF level 3 and above) facing labour market adjustment difficulties and/or of high relative value, London (Note 2)



5 Looking back at Figure 1: this includes the 28 occupations below RQF3 with at least 10,000 jobs in London, as well as 33 occupations with at least 10,000 jobs where at last 25% of employee jobs are paid below £30,000 a year (the 'substantially less' and 'largely less' groups). By including a 1 percentage point margin of error in relation to employee earnings in the capital we also include 'Health Professionals' (24% of employee jobs paid below £30,000 in London) within our analysis in Note 2.

6 Note: there is a large degree of overlap in the occupations we identify as facing labour market adjustment difficulties and/or of high relative value in London and those we identify in the UK as a whole, suggesting common areas of challenge post-Brexit.

Figure A3: Lower-skilled occupations (below RQF level 3) facing labour market adjustment difficulties and/or of high relative value, London (Note 2)

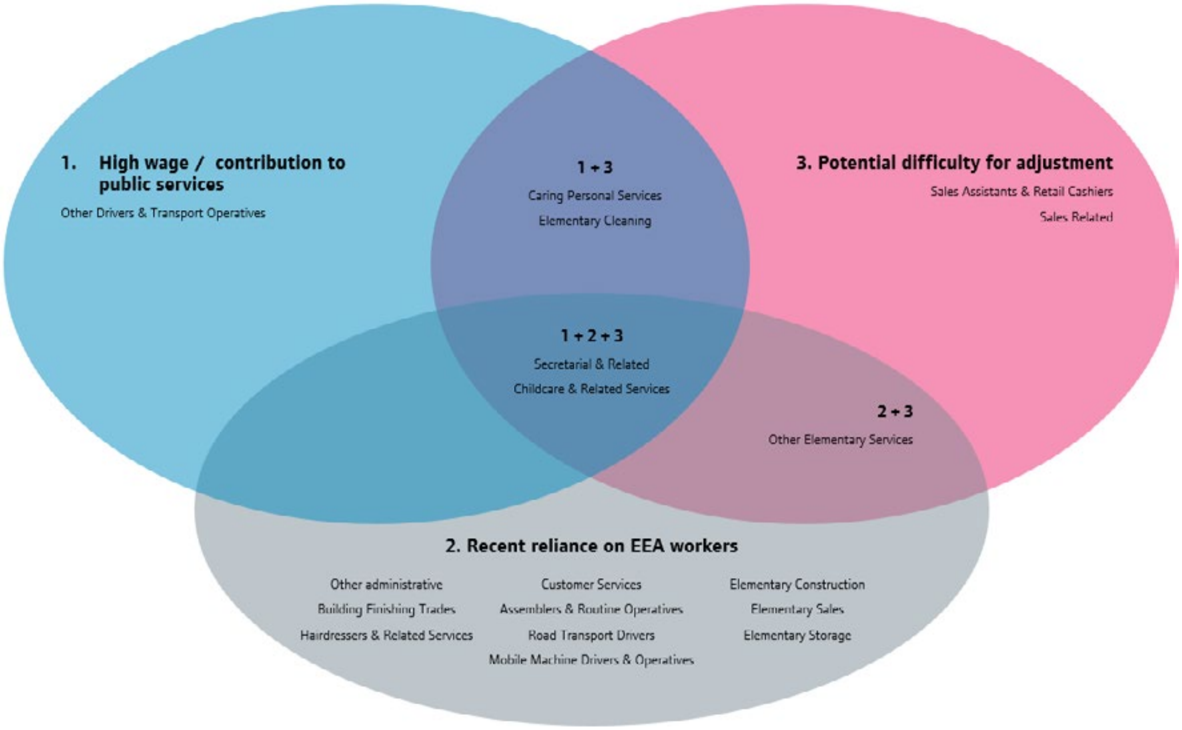
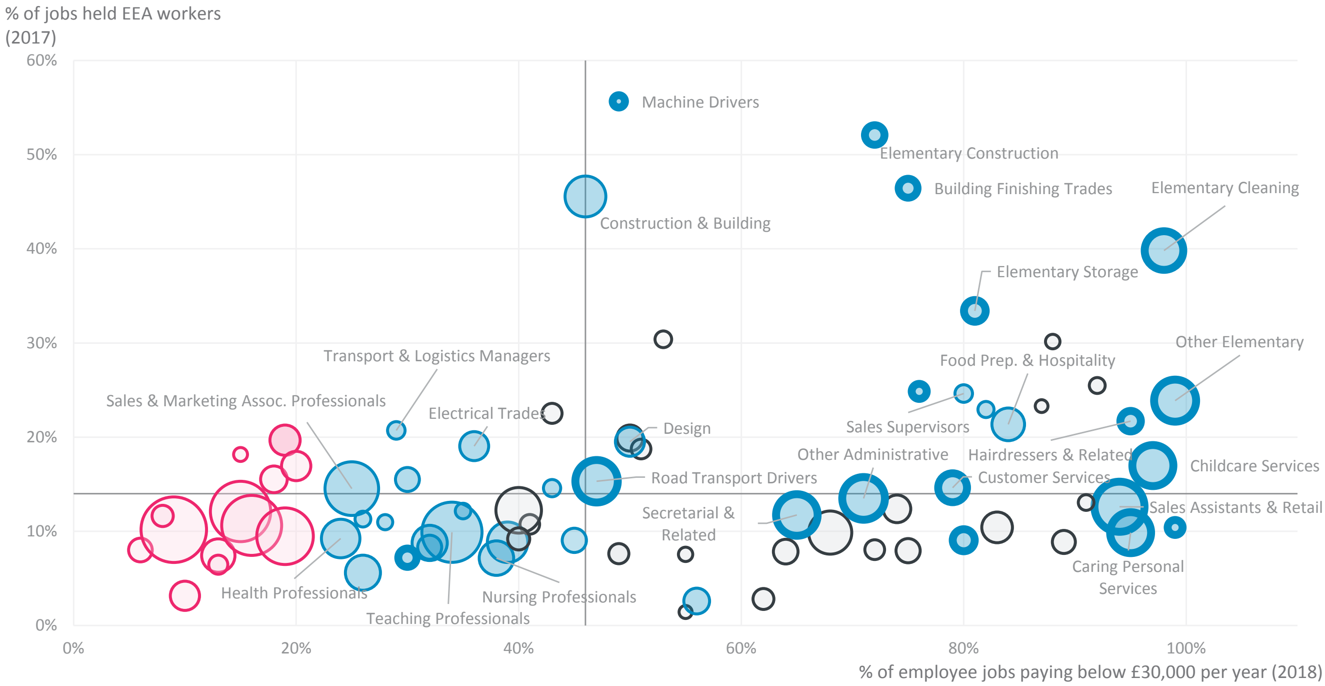


Figure A4: Selected 3-digit occupational groups in London, by adjustment status



Source: GLA Economics analysis of ONS APS / ASHE data. Note: excludes three-digit occupations with fewer than 10,000 jobs. The vertical and horizontal represent the 2017 average proportions of jobs held by EEA workers in London (14%) and paid below £30,000 (46%). Where data is missing the proportion of jobs held by EEA workers has been imputed – this affects 9 three-digit occupations with at least 10,000 jobs in London. Lower-skilled occupations identified as facing adjustment difficulties have bold borders.

(blue circles = adjustment difficulties/high relative value; pink circles = less affected roles; circle size = total jobs; bold border = occupations below RQF3)

5. Conclusions

The Government's post-Brexit immigration policy remains unclear - Boris Johnson in his first address to the House of Commons as Prime Minister declared that he would ask the Migration Advisory Committee to review the Australian system "as the first step of a radical rewriting of our immigration system radical rewriting of our immigration system".

The previous Government proposed, amongst other things, introducing a minimum skills and salary threshold (RQF3+ and £30,000 respectively).

Given London's reliance on EEA workers, GLA Economics have tried to explore the potential transitional impacts on London's labour market of these two proposals. The work does not incorporate all the proposals or complexities of the existing visa system but offers a starting point for understanding the potential impacts.

If this brief summary has been of interest you can find more about the impact of the proposed skills-based immigration system on London's labour market in our two most recent Current Issue Notes as well as a combined summary of both. Other analysis on London's economy can be found on our publications page.

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The Government recently set out plans for a 'skills-based' immigration system post-Brexit. To inform debate, GLA Economics has produced two Current Issues Notes (58 and 59) plus a seperate combined summary aimed at understanding which areas of London's labour market are likely to be most affected by the proposals.

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This Working Paper (97) shows the first set of published input-output tables for London, and is an important step towards economic accounts for the city:

- The London economy mirrors the UK in terms of the contribution of components of income, expenditure and production to output.
- Unlike the UK a small number of sectors account for much of London's output. These are mainly export-oriented sectors, and with other sectors which enable the movement of people and goods support a trade surplus with the EU, and the rest of the world

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- London is forecast to see increases in the number of workforce jobs in 2019, 2020 and 2021.
- London's household income and spending are both forecast to increase over the next three years, albeit at a relatively slow rate.

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GLAECONOMICS

City Hall
The Queen's Walk
London SE1 2AA

Email glaeconomics@london.gov.uk
Internet www.london.gov.uk

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London's Economy Today is published towards the end of every month. It provides an overview of the current state of the London economy, and a selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA group.

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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.

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