

# **Autumn Statement 2023 - Overview and Economic Implications for London**

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## **Introduction**

On November 22<sup>nd</sup>, Chancellor Jeremy Hunt released the 2023 Autumn Statement. This Autumn Statement was meant to present a ‘pro-growth’ agenda centred on tax cuts and lower economic inactivity. Instead, it overlooked several challenges facing the London and UK economies, and risks achieving the opposite outcome. In this note, GLA Economics provides a detailed analysis of the Statement and its implications for London’s economy.

## **Key findings**

- The Statement does not (at least directly) address London’s needs and challenges, and could have harnessed the city’s competitiveness and economic potential.
- The ‘levelling-up’ announcements were framed within a ‘zero-sum’ mindset that what benefits other UK regions must come at London’s expense.
- Cuts to Class 2 National Insurance contributions to employees are more than offset by the additional tax employees will pay due to the income tax bracket freeze. Low and middle-income Londoners will lose hundreds of pounds.
- Meanwhile, cuts to Class 4 NICs are unlikely to address some of the key challenges self-employed people face - from financial resilience in the face of the cost-of-living crisis to business solvency.
- Increasing local housing allowance (LHA) rates, while welcome, does not sufficiently tackle London’s housing affordability crisis. It comes on the back of them being frozen since 2020.
- Policies announced to reduce economic inactivity and boost employment underestimated the extent to which genuine long-term sickness and caring responsibilities impede labour force participation.

- More stringent conditions to claim benefits risk undermining the health and financial wellbeing of London's most disadvantaged individuals, at a time when the capital has higher inactivity rates, starkly unequal social outcomes, and a more acute affordability crisis.
- The OBR's figures reveal that the UK economy should brace for slower growth and more persistent inflation than previously expected. Meanwhile, the announced tax cuts are likely to come at the expense of cuts to public spending.
- While London's economy is more resilient than the UK's (and should see a smaller fall in growth), it would nonetheless experience a slowdown. As the city's inflation rate is usually higher, this would suggest that Londoners are likely to find life less affordable in 2024, with unemployment exceeding 5%.
- This would indicate that economic and social inequality will remain acutely high in the city, with those of protected characteristics suffering the most.

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