

London's Economy Today

Issue 262 | June 2024

UK GDP growth was flat in April



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The UK economy did not grow in April according to new data published by the Office for National Statistics (ONS). The data showed that monthly GDP grew by 0% in April 2024 (Figure 1). This followed on from growth of 0.4% in March. Nevertheless, the ONS estimates that in the three months to April output increased by 0.7% compared to the previous three months to January 2024.

Of the main components of GDP only services saw growth in April with output in the sector increasing by 0.2% in the month. Output in the production sector declined by 0.9% and in construction output fell by 1.4%. Looking at the contributors to monthly growth in the services sector, a sector of particular importance to London, the ONS observed that the largest contribution to the sector's growth "came from information and communication, which rose by 2.3% in the month. This was driven by growth of 3.2% in computer programming, consultancy and related activities, as well as growth of 1.7% in telecommunications and 4.9% in publishing activities".

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Datastore

The main economic indicators for London are available to download from the [London Datastore](#).

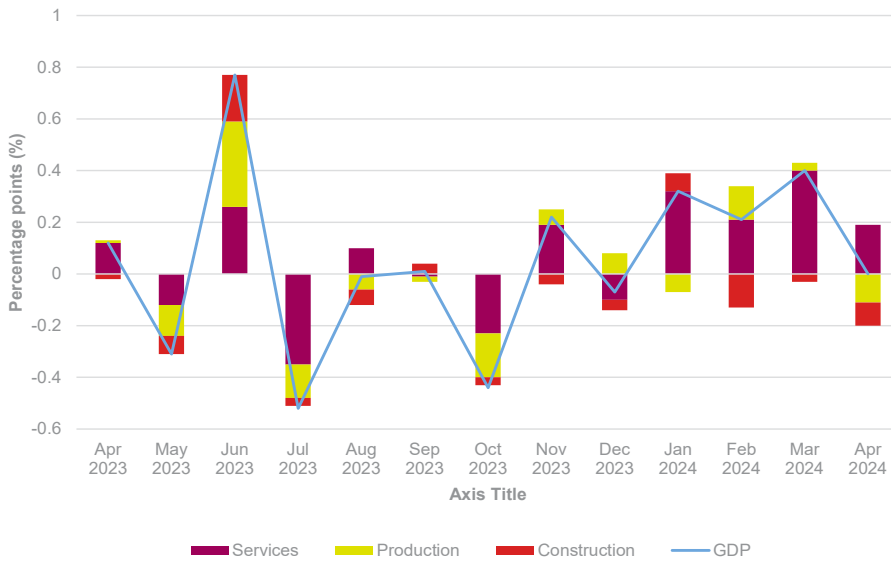


Figure 1:
Contributions to monthly UK GDP growth, April 2023 to April 2024

Source: ONS

UK inflation drops to 2%

The ONS also published new data on Consumer Prices Index (CPI) inflation this month. This showed that CPI inflation had slowed to 2.0% in the 12 months to May 2024, down from 2.3% in the 12 months to April. This is the first time CPI has been at the Bank of England’s 2% inflation target since July 2021 and is down from a peak of 11.1% in October 2022. The ONS notes that the largest contributions to the slowdown in inflation “came from food and non-alcoholic beverages, recreation and culture, and furniture and household goods. Transport provided the largest, partially offsetting, upward contribution”. Beyond the headline figure other measures also dropped back. Core CPI (excluding volatile energy, food, alcohol and tobacco prices) inflation slowed to 3.5% over the year to May 2024, down from 3.9% in April. The CPI goods annual rate fell from negative 0.8% to negative 1.3%. While the CPI services annual rate eased from 5.9% in April to 5.7% in May (Figure 2).

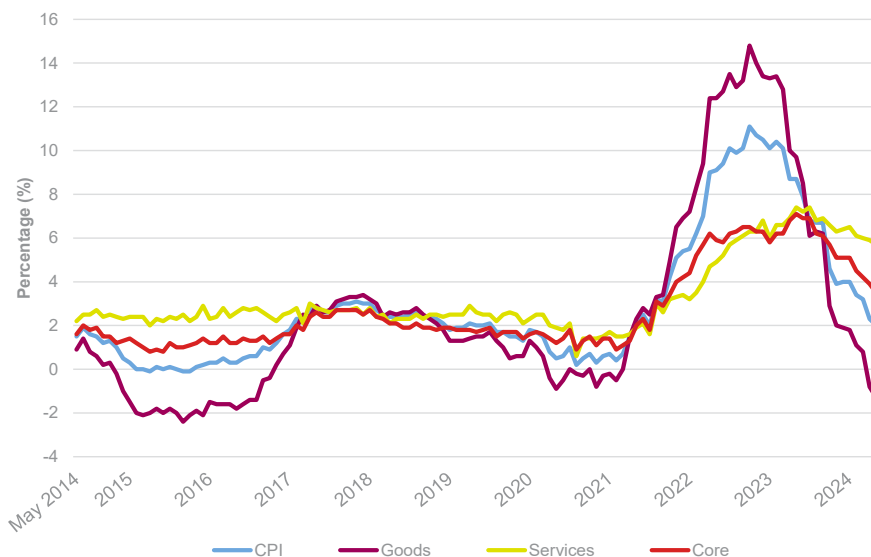


Figure 2: CPI, goods, services and core annual inflation rates, UK, May 2014 to May 2024

Source: ONS consumer price inflation data

Eurozone and Canada cut interest rates but elsewhere remain on hold

The international economic picture remains mixed. The European Central Bank (ECB) cut interest rates in the Eurozone from a record high of 4% to 3.75% in June. This was the first cut in the Zone's rate for five years. Christine Lagarde, the president of the ECB said that with inflation falling "markedly" the cut was now justified. She did however warn that inflation would likely stay above the ECB's 2% target "well into next year". Adding, given this, that rates would remain "sufficiently restrictive for as long as necessary".

The Bank of Canada also cut interest rates in June from 5% that had held since July 2023 to 4.75%.

However, elsewhere interest rates remain on hold with the US Federal Reserve keeping rates in a range of 5.25 – 5.5%. Commenting on the Fed's decision, the Fed's Chair Jerome Powell observed that "we want to see more good data to bolster our confidence that inflation is moving sustainably toward 2%" before they reduce rates.

Productivity gap between London and other regions is the lowest since 1998

The ONS recently published analysis on regional productivity in the UK and found that London remains the most productive region. London's labour productivity, as measured by output per hour worked, was 26.2% higher than the UK average in 2022. The South East was the only other UK region with output per hour worked higher than the UK average, at 10.8% higher.

However, despite the capital maintaining its productivity lead over the other UK regions the ONS observed that the productivity gap (or the 'efficiency gap') between London and other regions is the lowest since 1998. It noted that "despite London being the region with the highest levels of productivity (since records began in 1998, compared with the UK average), its productivity growth was lower in 2022 compared with 2019. Owing to its size, this means London has the largest negative contribution to productivity growth of any region" (Figure 3).



Figure 3: Contributions to UK growth in output per hour by International Territorial Level (ITL1) region, UK, 2022 compared with 2019

Source: ONS

That said, these figures need to be contextualised and treated with caution, given recent methodological challenges related to ONS' labour-market surveys, changes to GVA estimates that impacted certain sectors more than others (with implications for regional GVA figures used to calculate productivity), and data quality issues related to employment hours (which also affect regional productivity data).

London named best tech city

The seventh edition of the Smart Cities Index from Z/Yen was published at the end of May. The index combines data on global commercial and financial centres from a range of independent providers with survey data on finance professional's views on three dimensions related to innovation and technology. These dimensions being innovation support, creative intensity and delivery capability. The index then combines all this data to produce a ranking. This ranking saw London placed first among the 131 centres examined for the index. This is the second time in a row that the capital has come out top in the index, with it outranking New York in second place and San Francisco which came in third place.

GLA Economics will continue to monitor London's economy over the coming months in our analysis and publications, which can be found on our [publications page](#) and on the [London Datastore](#).

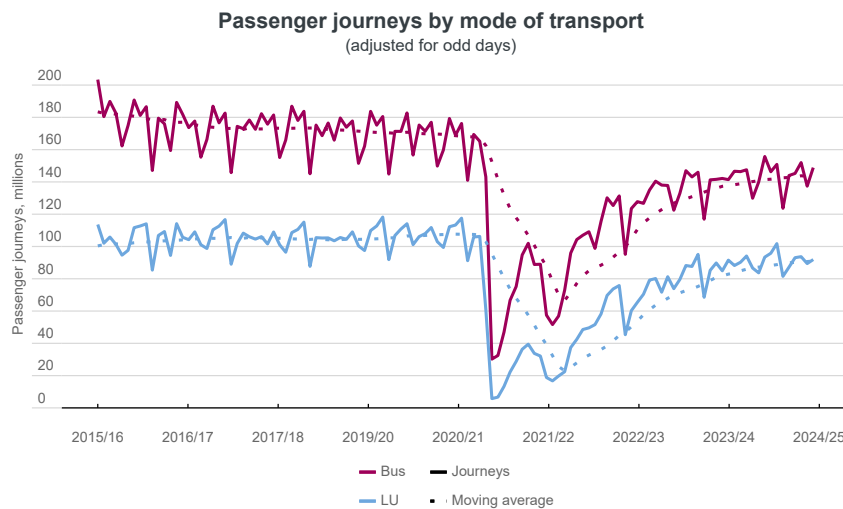
Economic indicators

The underlying trend in passenger journeys on London public transport slightly increased in May

- 240.8 million passenger journeys were registered between 28 April and 25 May 2024, 14 million more than in the previous period. 226.8 million passenger journeys were registered between 1 and 27 April.
- In the latest period, 91.9 million journeys were underground journeys and 148.9 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose slightly from 234.2 million in the previous period to 234.6 million in the latest period.

Source: Transport for London

Latest release: June 2024, Next release: July 2024

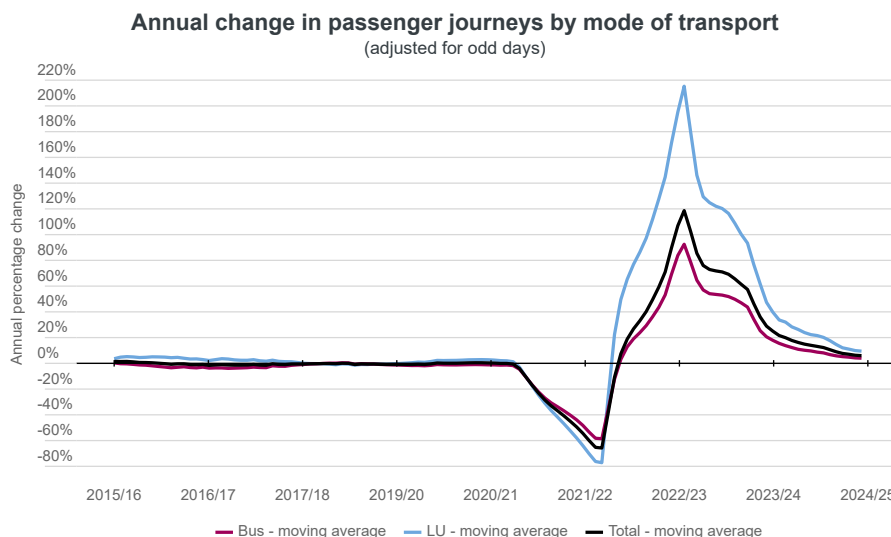


Annual growth in passenger journeys remains positive, if slowing

- The 13-period moving average annual growth rate in the total number of passenger journeys was 6.0% between 28 April and 25 May 2024, down from 6.3% between 1 and 27 April.
- The moving average annual growth rate of bus journeys decreased from 4.2% to 4.0% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 9.9% to 9.5% between those periods.

Source: Transport for London

Latest release: June 2024, Next release: July 2024

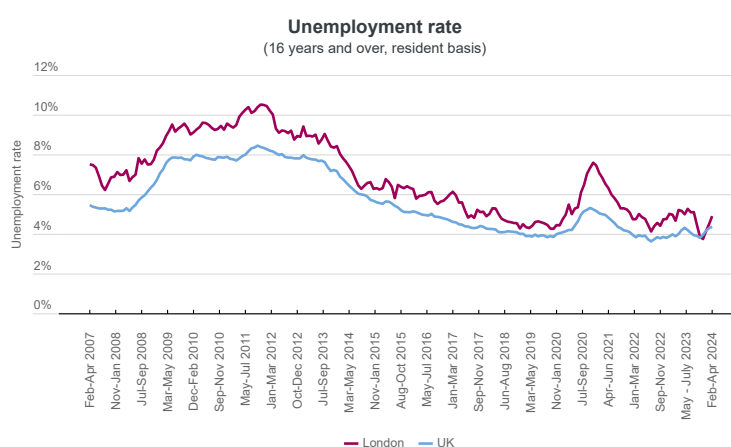


London's unemployment rate increased over the last quarter

- Around 245,000 residents aged 16 and over were unemployed in London in the period from February - April 2024.
- The unemployment rate in London for that period was 4.9%, an increase from 3.8% in the previous quarter November 2023 - January 2024.
- The UK's unemployment rate increased to 4.4% in February - April 2024, up from 4.0% in November 2023 - January 2024.
- 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: June 2024, Next release: July 2024

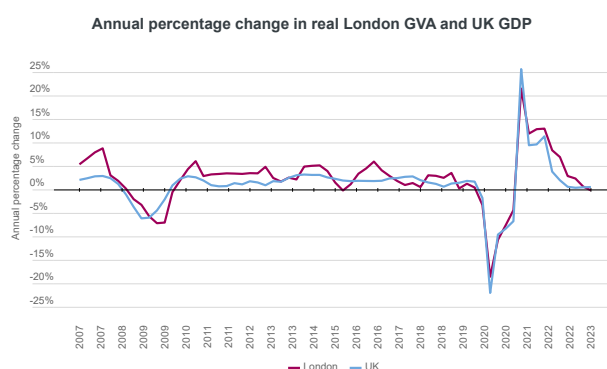


London's economy had surpassed pre-pandemic levels of output by Q3 2021, and growth has been slowing through 2022 and 2023

- 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: July 2024

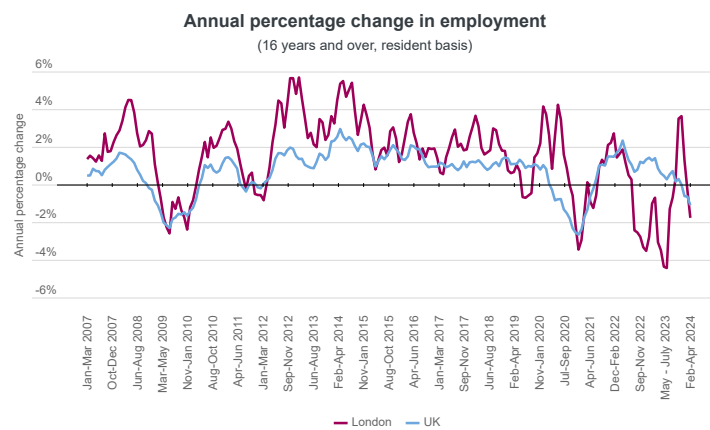


London's year-on-year employment growth rate turned negative in the quarter to April 2024

- Around 4.7 million London residents aged 16 and over were in employment during the three-month period from February to April 2024.
- London's annual change in employment fell by 1.7% in the year to this quarter, this compares to a 3.7% increase in the quarter leading up to January 2024.
- The UK experienced a 1.1% decrease in the latest quarter, and this compares with no change in previous quarter.
- 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: June 2024, Next release: July 2024

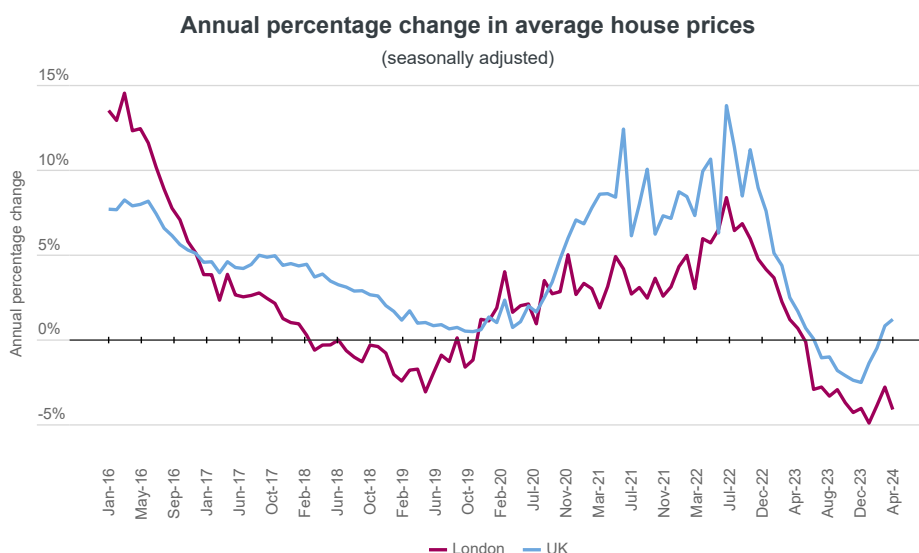


On an annual basis house prices fell in London for the 12th consecutive month in April

- In April, the average house price in London was £504,000 while in the UK it was £282,000.
- Average house prices in London fell by 4.1% year-on-year in April, a larger decline than the 2.8% drop in March.
- Average house prices in the UK rose by 1.2% on an annual basis in April, higher than the 0.8% increase in the year to March.

Source: Land Registry and ONS

Latest release: June 2024, Next release: July 2024

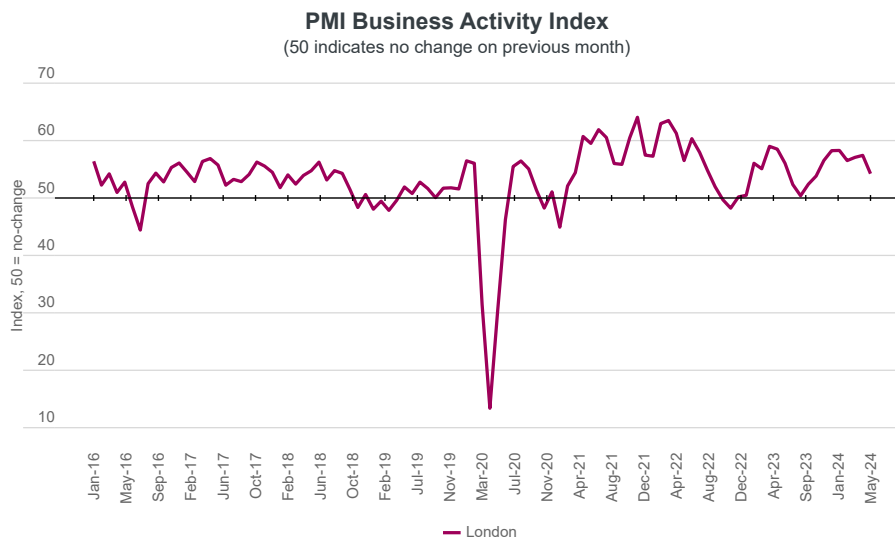


In May, the sentiment of London's PMI business activity index moderated

- The business activity PMI index for London private firms decreased from 57.4 in April to 54.2 in May.
- 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: June 2024, Next release: July 2024

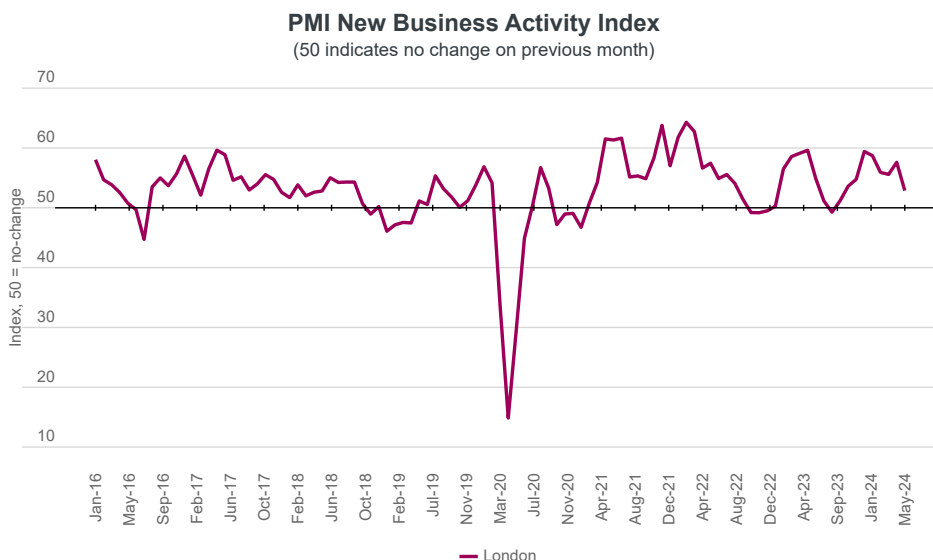


In May, the sentiment of London's PMI new business activity remained positive but decreased

- The PMI new business index in London decreased from 57.6 in April to 52.9 in May.
- 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: June 2024, Next release: July 2024

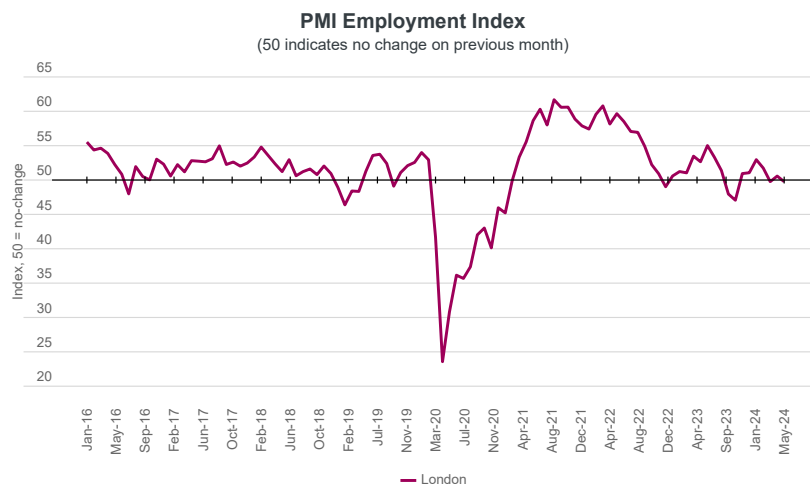


In May, the sentiment of the PMI employment index in London showed a decline

- The Employment Index for London decreased from 50.6 in April to 49.8 in May.
- 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: June 2024, Next release: July 2024

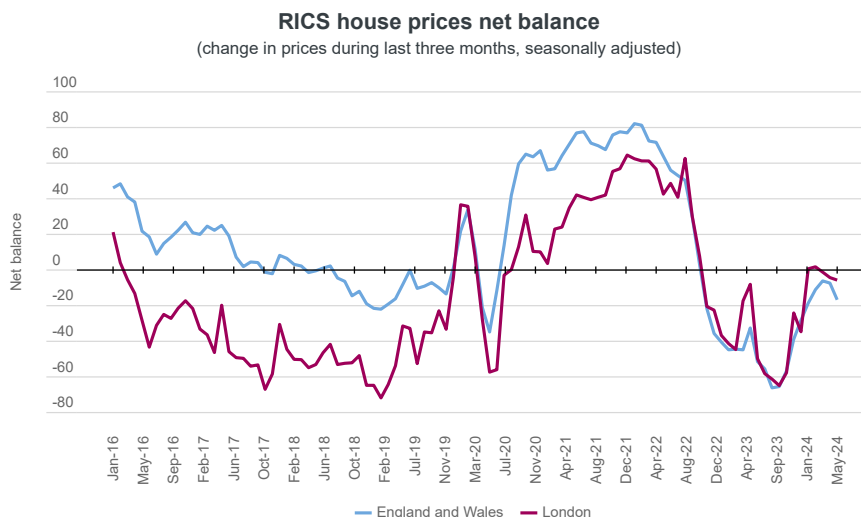


Less than half of property surveyors in London reported house price increases in May

- In May, less property surveyors in London reported rising prices than falling prices. The net balance index was -6 and it was -4 in April.
- For England and Wales, the RICS house prices net balance index dropped further from -7 in April to -17 in May.
- 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

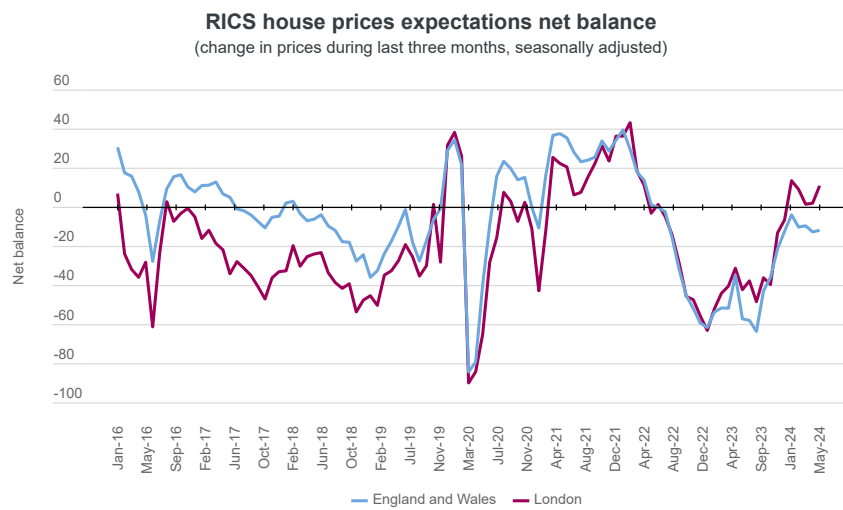
Latest release: June 2024, Next release: July 2024



In May, 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 11 in May, an improvement from 2 in April.
- The index for England and Wales was -12 in May, and was -13 in April.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

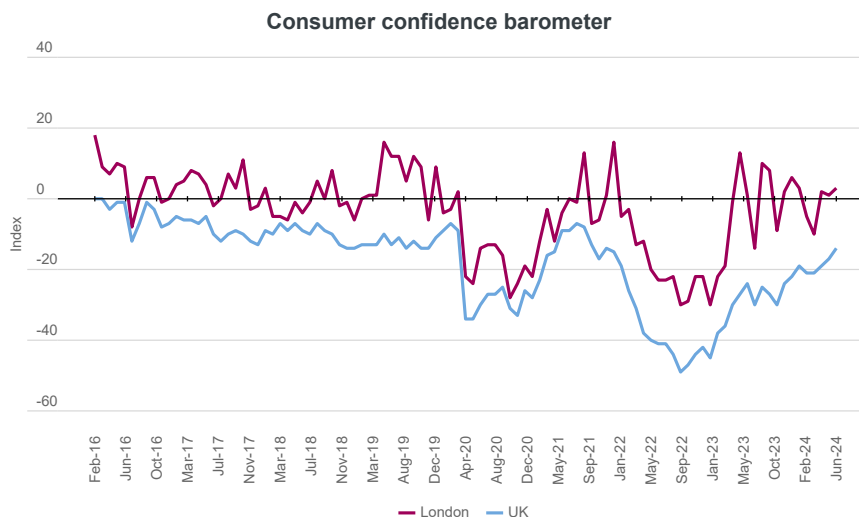
Source: Royal Institution of Chartered Surveyors
 Latest release: June 2024, Next release: July 2024



Consumer confidence in London increased slightly in June

- The consumer confidence index in London increased from 1 in May to 3 in June. It has been volatile month-on-month around zero since Spring 2023.
- The sentiment for the UK improved from -17 to -14 over the same 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: June 2024, Next release: July 2024



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

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The State of London - June 2024 update

The fifth 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.

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London's Creative Industries – Sector deep dive

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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.

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June 2024

ISSN 1740-9136 (print)

ISSN 1740-9195 (online)

ISSN 1740-9144 (email)

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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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.