GLAECONOMICS

Forecast report

London's Economic Outlook: Summer 2024
The GLA's medium-term planning projections

July 2024

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1 Executive summary

GLA Economics' 44th London forecast[1] suggests that:

- London's real Gross Value Added (GVA) growth rate is forecast to be 1.1% in 2024 as relatively high interest rates and the ongoing fallout from the cost of living crisis drags on the economy. Growth is expected to improve to 1.9% in 2025 and 2.2% in 2026.
- London is forecast to see a 1.0% rise in the number of workforce jobs[2] in 2024, rising slightly in 2025 and 2026 to 1.3% and 1.5% respectively.
- Household spending is forecast to be modest this year with growth of 0.6%, followed by stronger growth of 2.1% in 2025 and 2.0% in 2026.
- Household income grows moderately in 2024 (up 1.9%). Then rises by 2.8% in 2025 and 2.6% in 2026.

Table 1.1 summarises this report's forecast growth rates for GVA, jobs, household expenditure, and household income. High levels of uncertainty abound due to the lingering impact of the cost of living crisis and the war in Ukraine. As a result, the forecasts presented in this document should be interpreted as a baseline scenario for London's economy in the medium-term. This is the most likely scenario in GLA Economics' judgement, but there are a wide range of plausible alternatives.

Table 1.1: Summary of economic forecasts under GLA Economics reference scenario

Annual growth rates (per cent)	2023[3]	2024	2025	2026
London GVA (constant 2019, £ billion)	0.7%	1.1%	1.9%	2.2%
Consensus (average of independent forecasts)		0.6%	1.8%	2.0%
London workforce jobs	4.0%	1.0%	1.3%	1.5%
Consensus (average of independent forecasts)		0.4%	1.4%	1.4%
London household expenditure (constant 2019, £ billion)	0.8%	0.6%	2.1%	2.0%
London household income (constant 2019, £ billion)	4.0%	1.9%	2.8%	2.6%
Memo: Projected UK RPI[4] (Inflation rate)	9.7%	3.4%	2.4%	2.8%
Projected UK CPI[5] (Inflation rate)	7.3%	2.4%	2.0%	2.1%

Source: GLA Economics' Summer 2024 forecast

Since the Autumn 2023 LEO[6], the economic news has centred on generally subdued economic growth while inflation moderates. The Russian war in Ukraine and the disruption to energy and grain supplies it created continues to act as a damper on the global economy. In the UK, this led to a cost of living crisis as high inflation and lagging wage growth made us all poorer and remains an issue despite the recent easing in

[1] The forecast is based on judgements and a recently updated econometric model built by GLA Economics. For more details see 'The new GLA Economics forecast models for London's economy, GLAE Working Paper n°98, June 2020'.
[2] Unless stated otherwise, any reference to jobs in the main text refers to total workforce jobs.
[3] Historic data for London's workforce jobs is based on ONS actual data, real GVA is based on actual ONS data and GLA economics estimates, while household spending and household income are based on GLA Economics estimates.
[4] RPI = Retail Price Index. Although not part of the GLA Economics forecast for London. Instead, the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2024), 'Forecasts for the UK economy: a comparison of independent forecasts', May 2024. Data for 2022 is from the ONS and GLAE estimates, Inflation and price indices - Office for National Statistics.
[5] CPI = Consumer Price Index. Although not part of the GLA Economics forecast for London. Instead, the consensus forecasts provided by HM Treasury are reported here. See: HM Treasury (2024), 'Forecasts for the UK economy: a comparison of independent forecasts', May 2024. Data for 2022 is from the ONS and GLAE estimates, Inflation and price indices - Office for National Statistics. Since December 2003, the Bank of England's symmetrical inflation target is annual CPI inflation at 2%.
[6] GLA Economics (2023), 'London's Economic Outlook: Autumn 2023', December 2023

inflationary pressures. The UK economy showed some resilience to this shock, although looking forward near-term forecasts continue to be weak. A strong labour market and savings left over from the pandemic among richer households seemed to support consumer spending and overall activity at the beginning of last year but more recent data shows a weakening. Still London has outperformed the wider UK in most recent data, so any upside shocks for the nation should mean a positive outlook in the capital.

Nevertheless, a severe UK recession appears unlikely but the outlook is weak following the mild recession seen at the end of 2023. Projections from the Bank of England and the Office for Budget Responsibility (OBR) point to weak growth this year. In the medium-term other challenges persist due to the UK's low investment compared to other major economies, a lingering increase in economic inactivity after the pandemic and slow trade growth after Brexit. London remains the UK's region with the highest productivity, and a hub for foreign investment and trade, but it is unlikely to escape these long-term challenges entirely although service exports have recovered well.

UK economic data demonstrate the generally weak state of the economy. After falling by 10.4% in 2020 due to the pandemic shock, data from the Office for National Statistics (ONS) shows that UK GDP grew by 8.7% in 2021 and 4.3% in 2022. However, in 2023 growth stalled with output only increasing by 0.1%. In fact since Q2 2022, GDP has generally stagnated, although quarterly growth in the last quarter, Q1 2024, did pick up to 0.7% after two quarterly declines, and thus the UK suffered a technical recession at the end of 2023[7]. The impact of the cost of living crisis therefore continues to be felt in the economy.

Employment data also reflect a subdued UK economy. The unemployment rate has been ticking up in recent months with it standing at 4.4% in the three months to April 2024, up 0.5 percentage points on the year. UK employment is also down with it standing at 74.3% in April 2024, down 0.9 percentage points on a year earlier.

A reason to be cautious about the prospects for the economy remains inflation. Thus, although CPI inflation eased to the Bank of England's target rate of 2.0% year on year in May, the Bank expects a slight tick up in inflation later in the year. Further, despite moderating inflation poorest households are still being hit hardest by the recent surge in the costs of essential goods. As a result, limited economic growth may prove scant comfort for those on low incomes.

To fight inflation, macroeconomic policy has reacted dramatically. The Bank of England responded with its sharpest rate hiking cycle since the 1980s. These higher interest rates, although expected to be cut, will act as a drag on the economy over time especially as any future rate cuts may be more moderate than initially expected. Despite cuts in National Insurance, the previous Government has let the tax take rise with it expected to hit levels as a percentage of GDP not seen since the 1940s while government debt remains above 90% of GDP. This will leave the new government to face challenges around the UK's finances.

International forecasts also remain subdued but haven't been noticeably downgraded since last year. Thus, international headwinds offer another reason for caution in the outlook.

Despite this, London's economy shows some grounds for optimism, even as it faces many of the same risks as the wider UK. Revised data indicates that the capital's economic hit from the pandemic was greater than the UKs as a whole with its recovery being strong up to 2023 but then slowing with the UK as a whole (see Box 3.1 for more details). After growing strongly in 2021 the data showed continued firm growth into 2022, but with this momentum then stalling towards the end of the year and into 2023. While we expect

[7] ONS (2024), 'GDP quarterly national accounts, UK: January to March 2024', June 2024.

momentum to have been weak in 2023, we think that the capital still grew more strongly than the UK as a whole and our baseline sees London's growth continuing to outpace the wider UK in the coming years.

Jobs growth had also been striking. With the Coronavirus Job Retention Scheme (CJRS), or 'furlough' cushioning the labour market during the pandemic with strong growth in the years immediately following it. But unemployment has been picking up since 2023 with, as noted, it standing at 4.4% for the UK as a whole in the 3 months to April, up 0.5 percentage points on the year. In London too, the unemployment rate has been rising, reaching 5.0% in April 2024, up 0.4 percentage points on the year. Inactivity rates have been volatile. It should however be observed that problems have arisen in measuring UK regional labour market outcomes which the ONS is attempting to address.

Survey data also point to greater resilience in London. Businesses in the capital have largely shrugged off the disruptions from higher inflation in 2022 and 2023, with the headline PMI only dipping below neutral for two months in late 2022. The index has however been subdued compared to levels seen in its post-pandemic period. Although it has generally strengthened a touch compared to the end of 2023. PMI employment data has been weak and was negative in March and May 2024. Meanwhile consumer confidence in the capital, where 0 indicates a neutral reading, has bounced between positive and negative readings in recent months, although this is more optimistic than the consistently negative readings seen at the national level.

Given this background, the GLA Economics reference scenario for London sees the capital's output being subdued this year, with growth of 1.1%. Growth should recover a touch in 2025 before picking up slightly more in 2026 but remains below historic averages. While employment growth is expected to be relatively strong over the forecast period (see Figures 1.1 & 1.2 and Chapter 5 for more detail). The lingering effects of the cost of living crisis are likely to drag on consumer-facing sectors in the near term. Relatively high interest rates will hit manufacturing and real estate and pose challenges to the financial sector. But we expect other core services to prove resilient due to a robust global outlook and London's continued agglomeration benefits. Neither jobs nor output are set to fall into a recession and thus not return to their pre-pandemic levels (Figure 1.3).

The economic outlook for both London and the UK is subject to a high level of uncertainty. Although inflation has peaked how long it takes to stabilise around target is unclear with forecasters such as the Bank of England expecting some pickup towards the end of the year before falling back again. The slower this stabilisation, the harsher and longer lasting is the likely reaction from monetary policy, and the greater the risk of financial dislocations. Any global downturn could also affect London worse than the rest of the UK due to its higher trade exposure to the global economy. The housing market also represents a risk to the outlook. London house prices have been declining, and are a shock to owner-occupiers' household wealth, while average rents have been increasing acting as a cut to renters households' budgets.

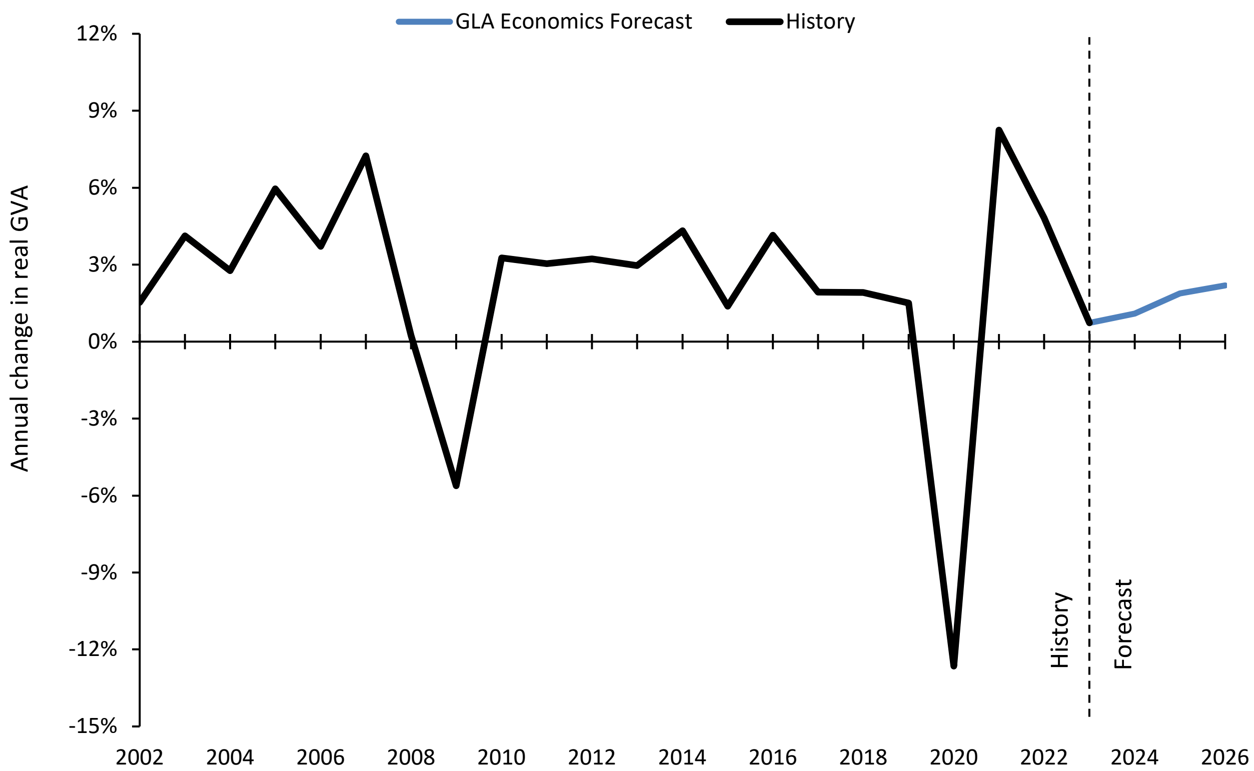
In the longer term, the impact of Brexit continues to pose a risk to the economic outlook. With the UK-EU trade agreement not covering services, non-tariff barriers (NTBs) making imports more expensive and the end of freedom of movement cutting EU migration, many issues remain despite some improvements in relations such as the Windsor Framework. A further example is the removal of tax free shopping for tourists after the end of the transition period which research indicates has a harming impact on a number of sectors, with London likely to be disproportionality impacted by this. Box 3.2 covers VAT free shopping in more depth.

Other risks could also play a role in the medium term. At home, a large fiscal deficit and high levels of debt could prompt higher tax takes and spending cuts, dragging on the economy's performance. And any cuts to planned public investment projects could dent the economy's long-term potential. Productivity growth remains an issue for the UK economy, and London's has not escaped this national trend. Further stagnation could put the capital's status as a global city and a business hub at risk. Across the world, US-China decoupling, slowing globalisation and a trend towards protectionism threaten global potential growth. The rise of green technologies offers upside potential in the medium term, but the race to cut carbon emissions also carries risks around trade, capital scrappage and sectoral reallocation. The war in Ukraine has shown how major conflicts can affect the global economy, while the conflict between Hamas and Israel has been destabilising. If conflict in the Middle East or rising geopolitical tensions elsewhere spilled over into further armed clashes, this could rapidly change the outlook. And the impact of Artificial Intelligence technologies on work and the economy remains unclear.

In response to elevated uncertainty, GLA Economics has developed macroeconomic scenarios around our baseline, which we update regularly to reflect changing conditions. These are also set out in Chapter 5.

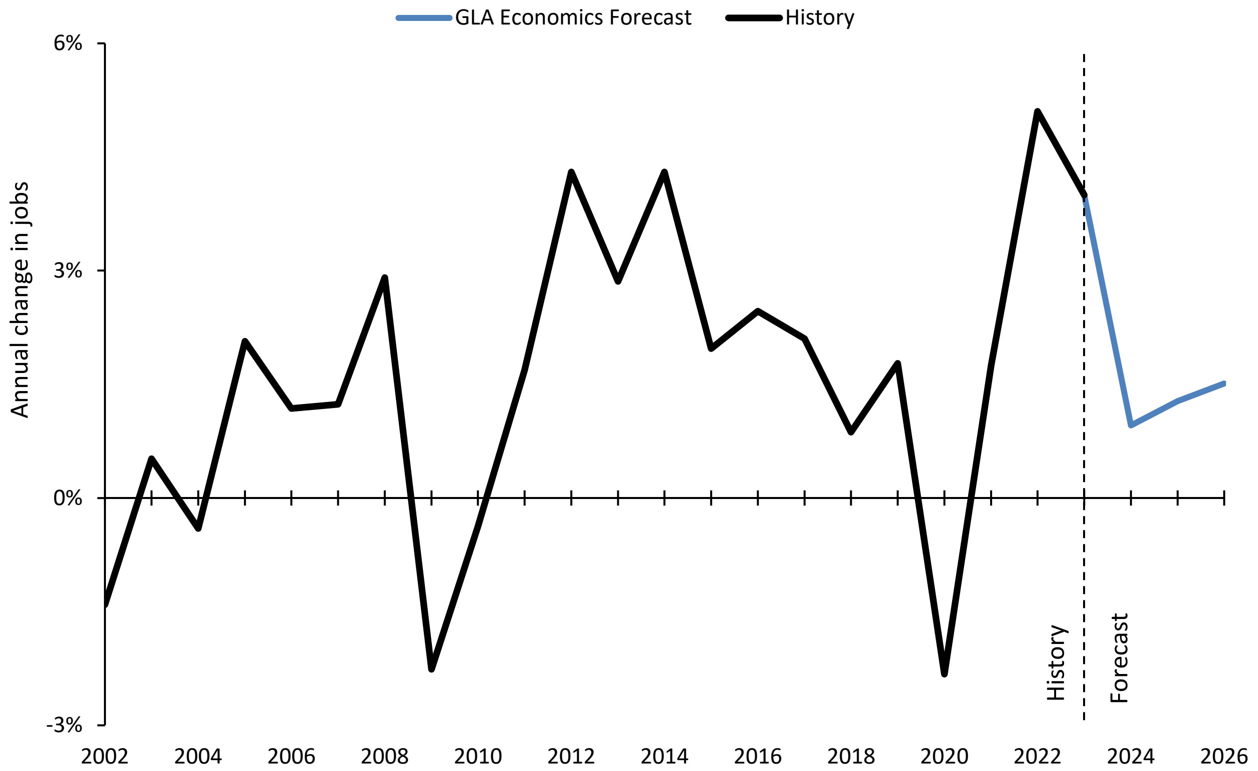
In conclusion, the macroeconomic environment remains tough and the near-term outlook remains weak, despite inflation continuing to drop, as shown in the evolution of our London Forecast (Figures 1.4 & 1.5). After an unprecedented drop in output in 2020, there had been a good recovery. But growth slowed last year, and output looks unlikely to return to pre-pandemic trends in the near term. Jobs growth has been strong, and while we expect a moderation, employment looks unlikely to go into a serious reverse. In general many risks cloud the outlook. The impacts of the cost of living crisis, war in Ukraine and the Middle East, high interest rates, Brexit and other pressures combine with the still-evolving fallout from the pandemic. As London's economy restructures in response, it is still unclear what the 'new normal' will look like.

Figure 1.1: Historic and forecast output growth (GLA Economics reference scenario)



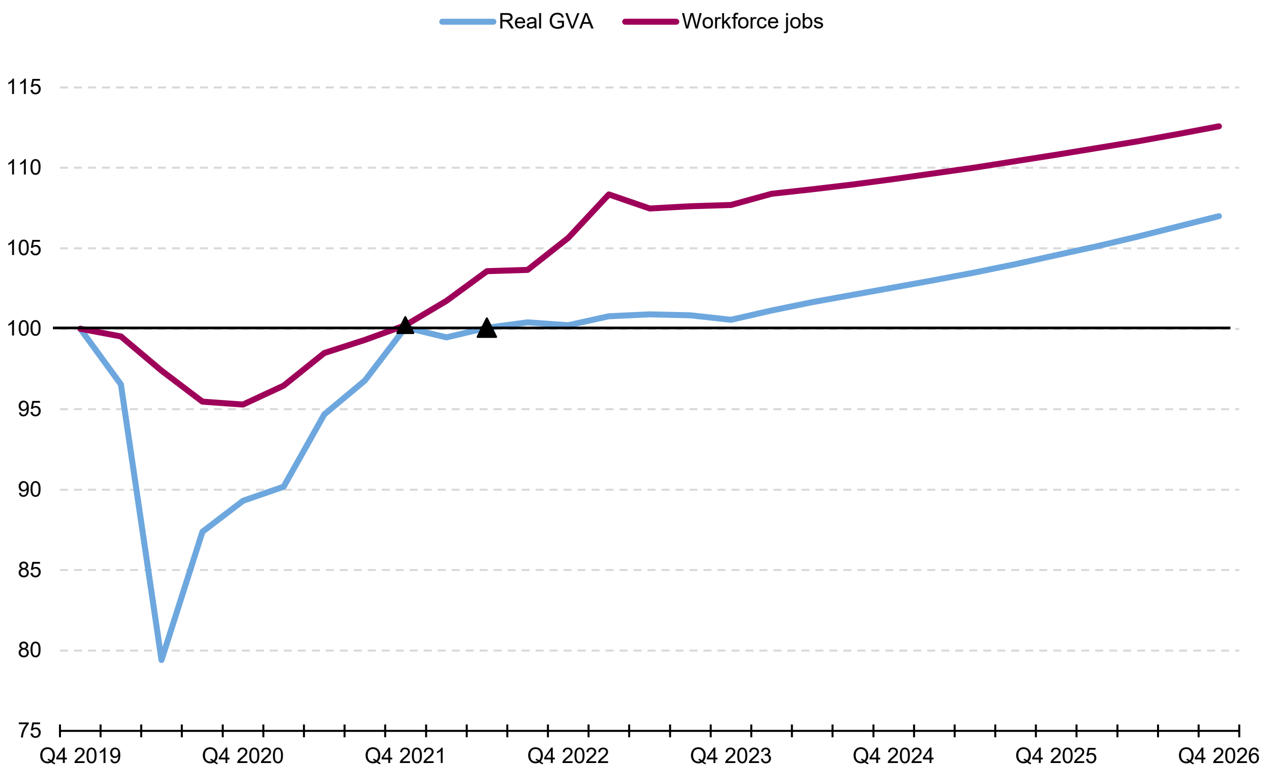
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

Figure 1.2: Historic and forecast employment growth (GLA Economics reference scenario)



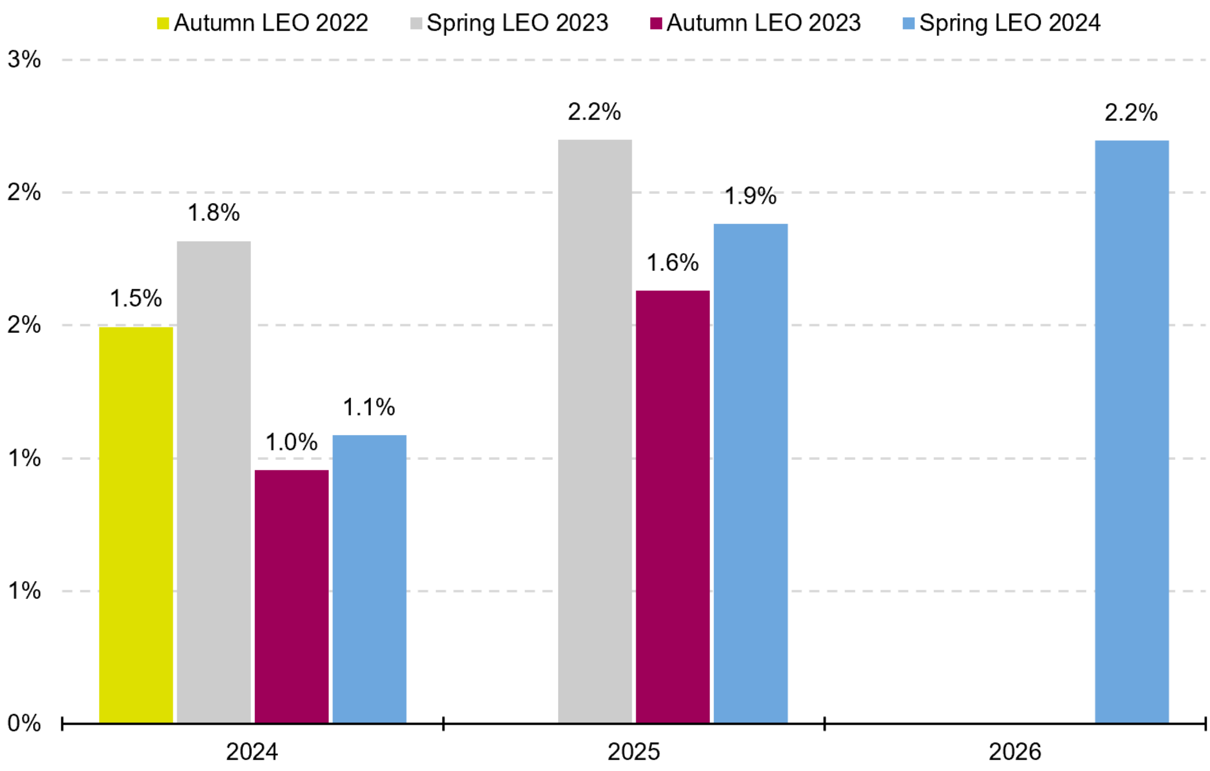
Source: GLA Economics estimates for historic data and GLA Economics' calculations for forecast

Figure 1.3: Expected shape of economic recovery under the GLA Economics reference scenario (index)



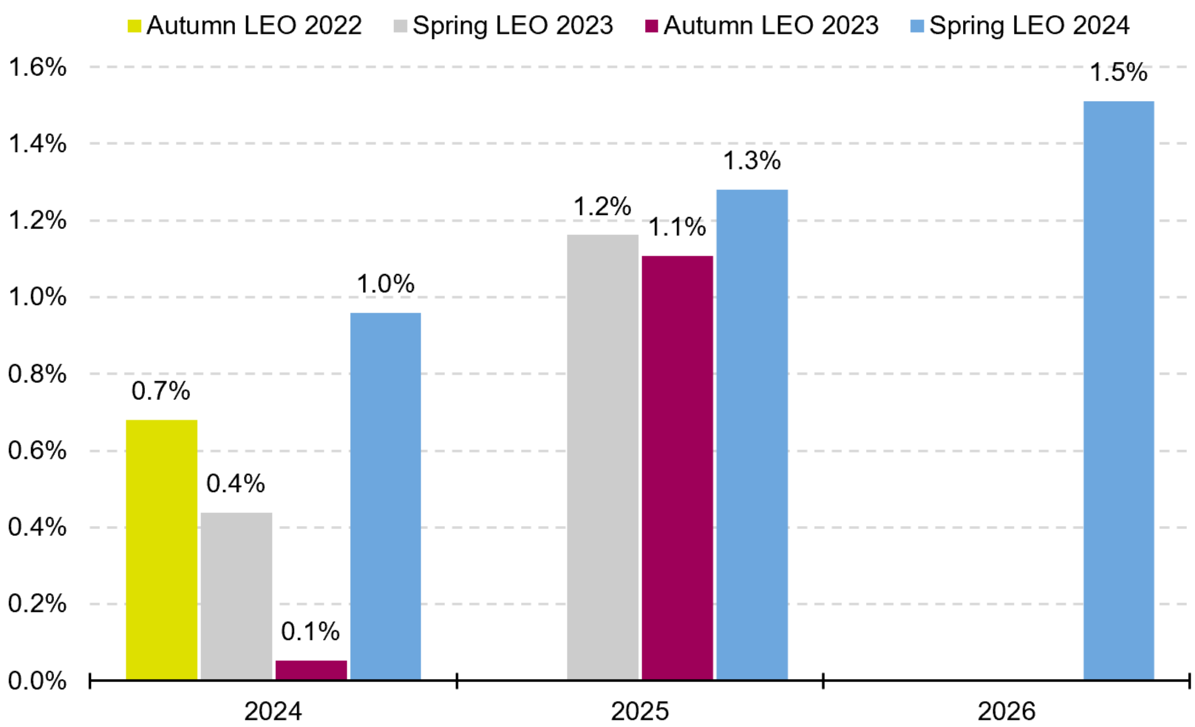
Source: GLA Economics; Note: Triangles mark the point at which pre-pandemic levels reached

Figure 1.4: Development of reference scenarios for London annual real GVA growth rates 2024-2026



Source: GLA Economics

Figure 1.5: Development of reference scenarios for London annual jobs growth rates 2024-2026



Source: GLA Economics

2 Introduction

The summer 2024 edition of London's Economic Outlook (LEO) is GLA Economics' 44th London forecast. The forecasts are issued roughly every six months to assist those preparing planning projections for London in the medium term. The report contains the following:

- An overview of recent economic conditions in London, the UK and the world economy and includes analysis of important events, trends and risks to short and medium-term growth (Chapter 3).
- The 'consensus forecast' – a review of independent forecasts indicating the range of views about London's economy and the possible upside and downside risk (Chapter 4). In this document, 'consensus forecast' refers to the average of the independent forecasters listed under Section 2.1.
- The GLA Economics forecast for output, employment, household expenditure and household income in London (Chapter 5).

2.1 Note on the forecast

Any economic forecast represents the forecaster's view of most likely future path for the economy and is inherently uncertain as a result. Both modelling and data uncertainty, as well as unpredictable events, contribute to the potential for forecast error. Since the spring 2016 LEO, GLA Economics' forecast is based on a blend between an in-house model built by GLA Economics[8] and a set of judgements. Before 2016, previous forecasts were based on an in-house model built by Volterra Consulting Limited. GLA Economics' review of independent forecasts provides an overview of the range of alternative opinions. Independent forecasts are supplied to the GLA for the main macroeconomic variables by the following organisations:

- The Centre for Economic and Business Research (CEBR)
- Experian Economics (EE)
- Oxford Economics (OE)
- S&P Global Market Intelligence (SP)[9]

Economic forecasting is not a precise science. Furthermore, the GLA designs these projections as a scenario consistent with the Bank of England's forecast published in May[10] and the OBR forecast published in March[11]. Our forecasts provide an indication of what is, in GLA Economics' view, most *likely* to happen, not what will *definitely* happen. As a result, there are significant risks, mainly on the downside, associated with this scenario.

[8] The forecast model used in this forecast has updated the model described in this publication: Douglass, G & van Lohuizen, A (2016). 'The historic performance of the GLA's medium-term economic forecast model', GLA Economics Current Issues Note 49, November 2016. A description of this new forecast model can be found in Orellana, E. (2020) 'The new GLA Economics forecast models for London's economy', GLA Economics Working Paper 98.
[9] S&P do not provide a forecast for household expenditure in London.
[10] Bank of England (2024), 'Monetary Policy Report', 9 May 2024.
[11] OBR (2024). 'Economic and fiscal outlook – March 2024', 6 March 2024.

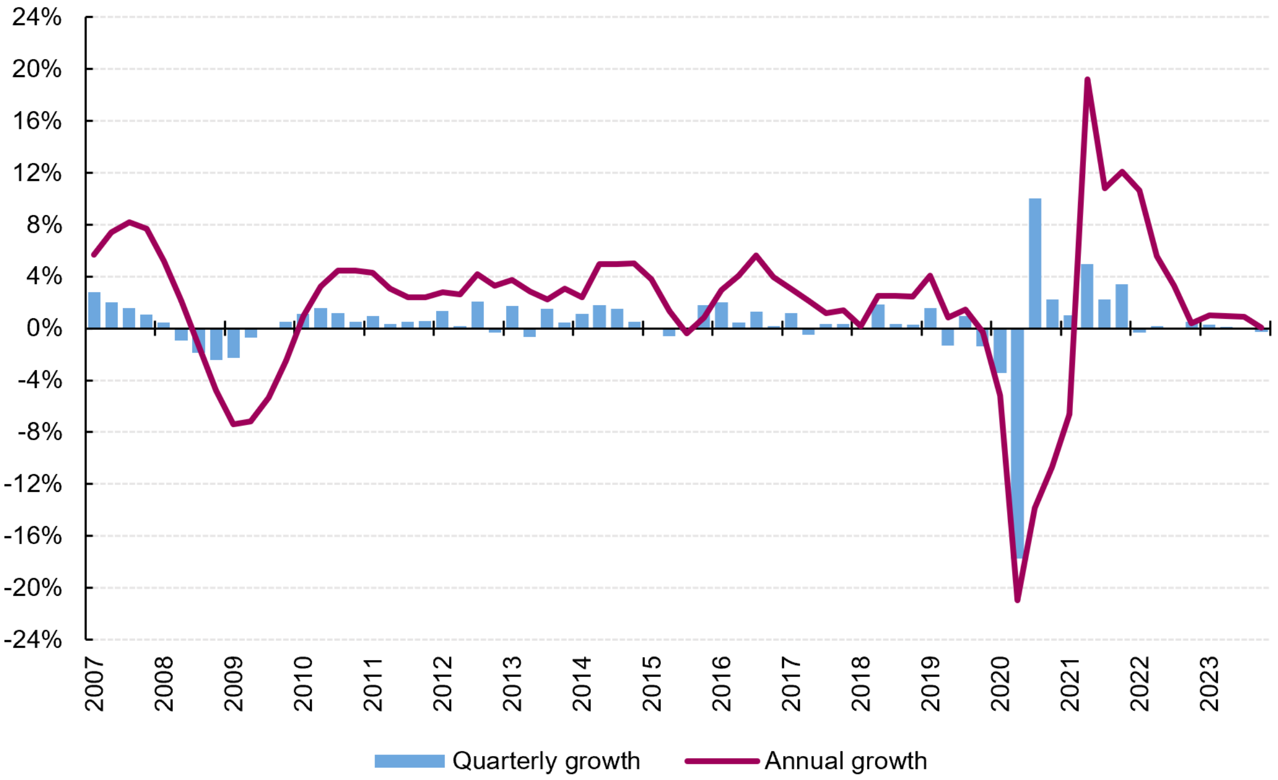
3 Economic background: UK faces challenges but London shows some resilience

This Chapter provides an overview of recent developments in the London, UK and global economies, as well as risks to the London economy.

3.1 London's economy

The ONS has recently revised its output figures for London (see Box 3.1 for more details). GLA Economics has made corresponding adjustments and developed a Nowcast for 2023. Given this we estimate that London's economy – as measured by real gross value added (GVA) – rose by 0.7% in 2023. Further the data, shown in Figure 3.1, indicate that London grew rapidly after the worst of the pandemic from Spring 2021 through to the end of 2022, followed by a slower recovery in 2023.

Figure 3.1: Real GVA in London (Q1 2007 – Q4 2023)



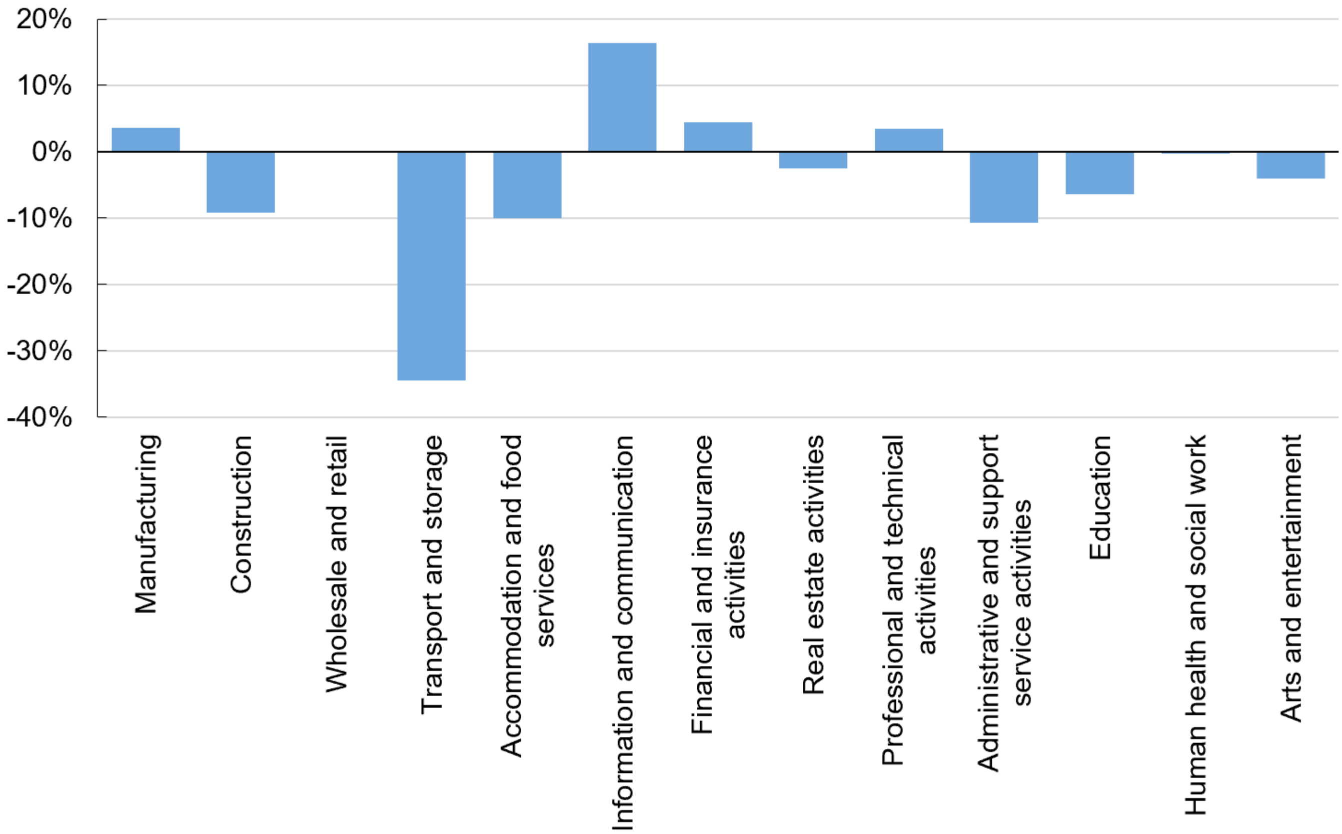
Source: GLA Economics based on ONS - UK regional GVA and GDP data
Note: GLA Economics has estimated London quarterly figures for 1998 Q1 to 2022 Q4 in line with revisions by ONS to annual regional figures, and Nowcast figures to 2023 Q4.

The pandemic's impact and subsequent recovery have been unevenly distributed across sectors in London. In line with trends observed across the UK, sectors reliant on in-person services suffered significant losses, while white-collar service sectors were often insulated due to the ability to work from home.

In London, sectors in which the city specialises, specifically Information and communication, have performed well (Figure 3.2). Financial and insurance services and Professional and technical activities are also comfortably above their pre-pandemic levels. However, the Transportation and storage sector experienced the most severe downturn, with output plummeting by over 30%. Other consumer-facing sectors such as Accommodation and food services, Education, and Arts also faced substantial declines.

For non-service sectors, the Construction sector was significantly affected by the pandemic, and by the end of 2022, its output was 10% lower than its pre-pandemic level. In contrast, the Manufacturing sector demonstrated resilience, achieving growth of approximately 4%.

Figure 3.2: Proportionate change in real GVA by industry* in London 2019 – 2022



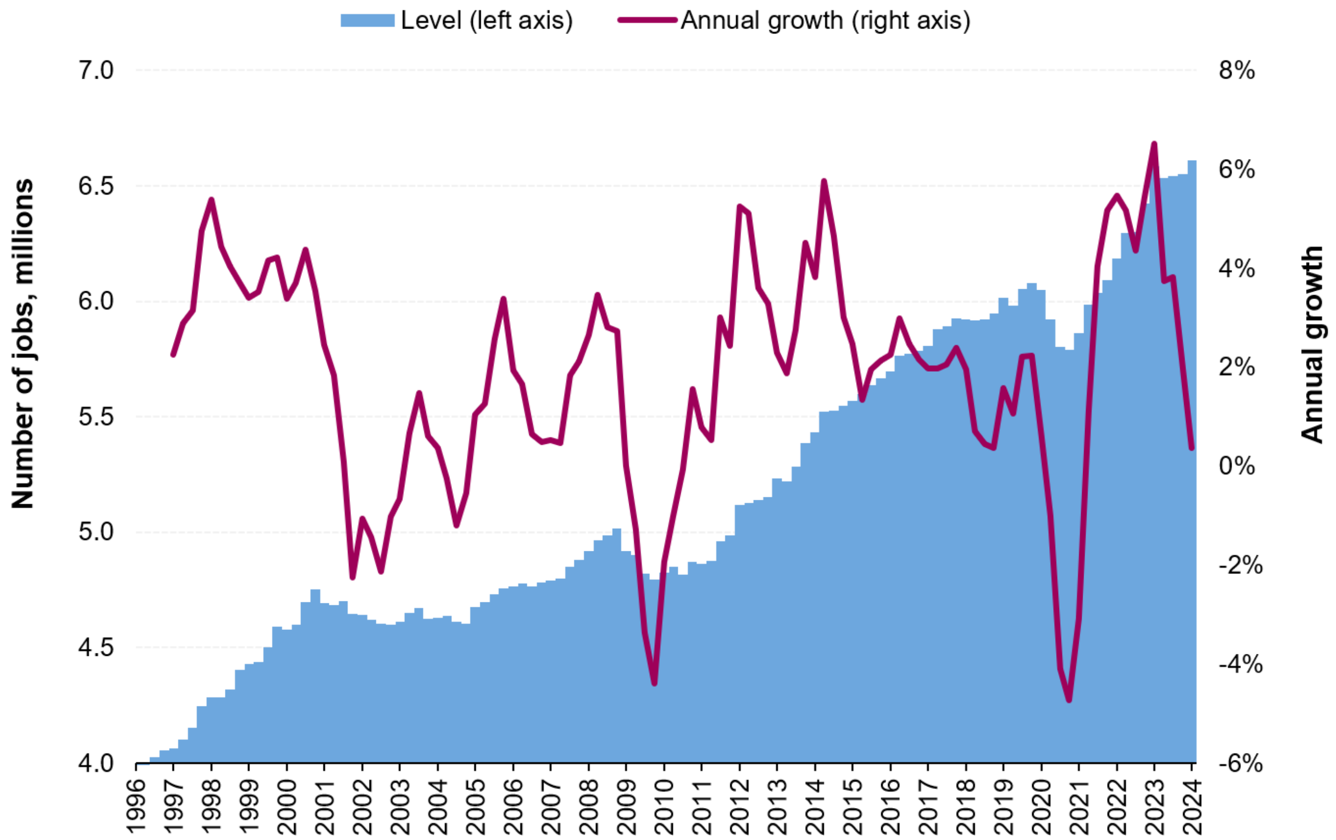
*Source: GLA Economics based on ONS – UK regional GVA and GDP data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

While London's economy emerges from the damage caused by the pandemic, its structure is likely to experience lasting changes. The Transportation and storage sector has also seen a significant drop, possibly due to the widespread adoption of work-from-home practices. The cost-of-living crisis exacerbated some of these structural effects due to its primarily consumer-focused impact. Additionally, the legacy of relatively high interest rates, though they are expected to begin to drop slightly later in this year, may persist into the medium term. It was only in the second half of 2023 that wages across the UK started rising faster than prices again. As a result, leisure activities and property purchases have become less affordable, putting continued pressure on the Accommodation, Arts, and Real estate sectors.

The employment rate shows the share of residents aged 16-64 who are in work. This figure stood at 73.7% in the three months to April, falling 1.2 percentage points on the year, and 2.8 percentage points down from the three months to February 2020 prior to the pandemic. The unemployment rate shows the share of the resident population aged 16 and over who are unemployed but who are seeking and available for work. This figure stood at 4.9% in the three months to April, 0.2 percentage points higher than a year earlier, and 0.1 percentage points higher than the three months to February 2020. By comparison, the UK's employment rate stood at 74.3% in the three months to April and the unemployment rate was 4.4%.

The trend in the number of jobs in London's economy has been less volatile than the trend for output. Job numbers fell gradually over 2020 before picking up over 2021. The government's furlough scheme, officially known as the Coronavirus Job Retention Scheme, is credited with keeping workers attached to their employers during the crisis and enabled employers to give work to existing employees as the economy picked up, saving on redundancy and recruitment costs. The London labour market has now recovered and had 532,000 more workforce jobs in Q1 2024 than its pre-pandemic peak (Figure 3.3). The labour market has stabilised, with the number of jobs showing only slight increases from 6,587,000 in Q1 2023 to 6,612,000 in Q1 2024. This small change, with an annual growth rate of 0.4% in the latest quarter, indicates a steady state in employment levels over the year.

Figure 3.3: Number of workforce jobs in London (Q1 1996 – Q1 2024)



Source: ONS Workforce Jobs

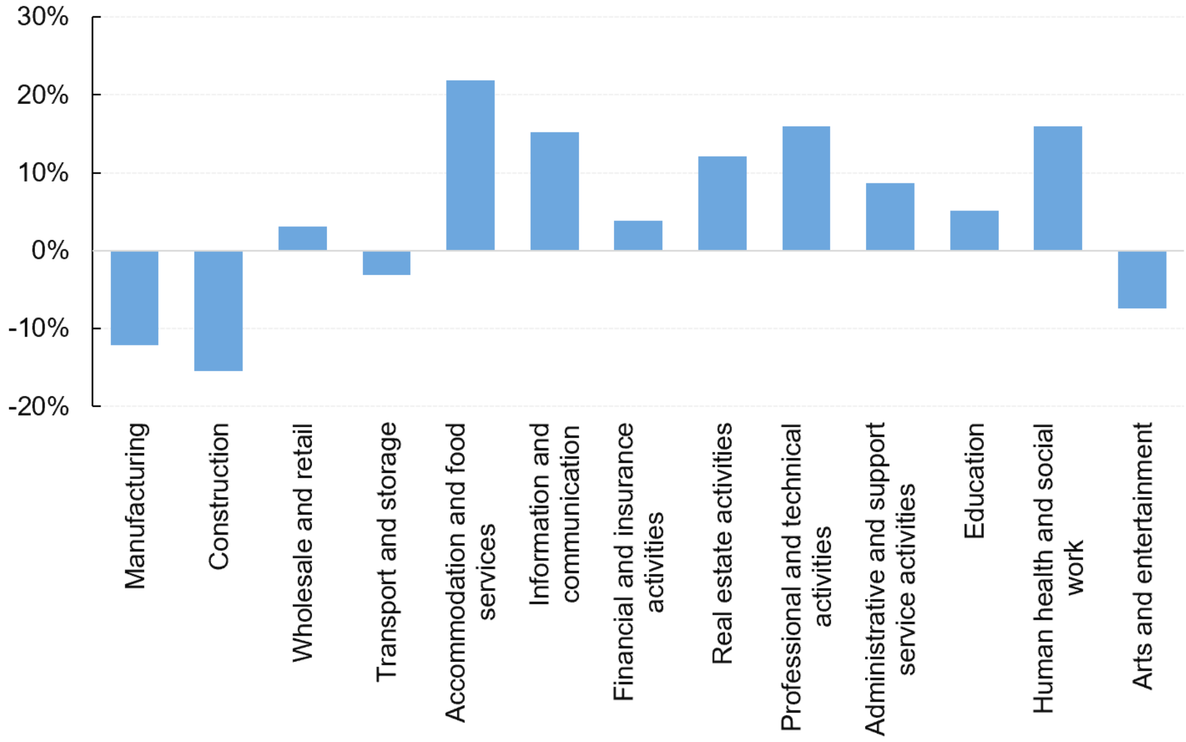
Other dynamics paint a less healthy picture for London's workers. Part of the tightness in the labour market is also due to a rising inactivity rate – the share of working-age adults who are not in work and not looking for work. After initially remaining low during the pandemic, this figure has now ticked up to be 2.8 percentage points above its pre-pandemic level in the three months to February 2020. At 22.5% in the three months to April 2024, London's inactivity rate is marginally higher than the UK rate of 22.3%. The London rate has, though, come down from a rate of 23.5% in mid-2023. While two-thirds of inactive Londoners said they were likely or certain to work again in the future, only one-fifth wanted work immediately. The number citing long-term illness as the reason for inactivity has risen, suggesting that the pandemic may be playing a more long-term role in the labour market. More information on this can be found in a recent GLA report on out-of-work trends[12].

As the economy restructures, the workforce landscape in London has seen notable changes. The data in Figure 3.4 illustrates these shifts, highlighting significant job growth in sectors such as Accommodation and food services, Professional and technical activities, and Arts and entertainment. These sectors have

[12] GLA Economics (2022), "Out-of-work trends in London", November 2022. Accessible on the labour market analysis page.

experienced robust expansion, with Arts and entertainment leading the way with more than a 21% increase in jobs. Meanwhile, modest jobs growth in the Human health and social work sector suggests less demand for health-related services post-pandemic. Conversely, traditional sectors like Manufacturing and Construction have struggled, indicating ongoing challenges in these industries. This pattern of job redistribution underscores how London's job market is adapting to new realities and evolving market conditions, including the impacts of COVID-19, Brexit, and technological advancements.

Figure 3.4: Proportionate change in workforce jobs by industry* in London 2019 –2023

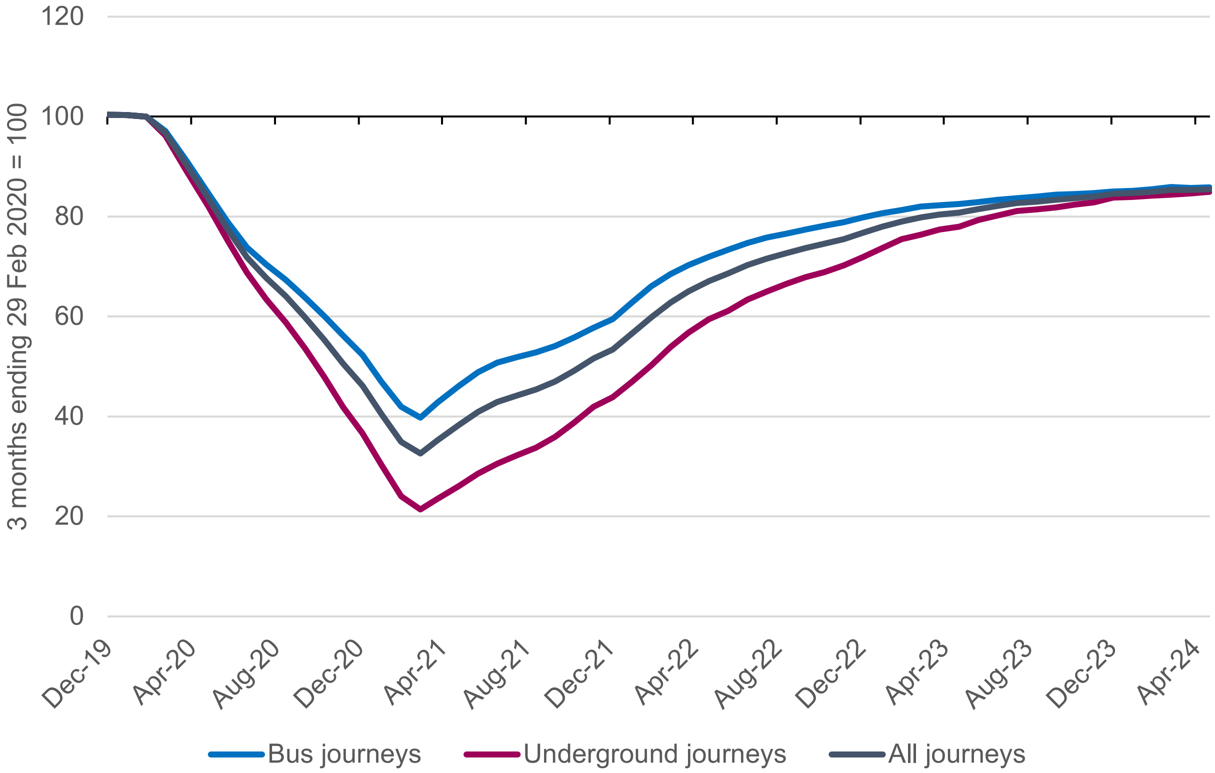


*Source: GLA Economics based on ONS – workforce jobs data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

Outside of the formal GVA and employment figures, we can get more timely indications of London's activity levels from weekly public transport use data. While the trends do not distinguish between journeys to work or journeys for leisure, both factors are key drivers of economic activity in London. While TfL journeys had been growing steadily in 2019, the first pandemic lockdown all but wiped out public transport use. There has, though, been a solid recovery and transport use is slightly more than four-fifths of its pre-pandemic level (Figure 3.5). The decline in transport use reflects the shift to hybrid working, and the reduction in international travel[13]. This negatively affects London's economy through lower spending in the Central Activities Zone. To the benefit of London's leisure sector weekend travel has recovered more strongly than weekday travel, and exceeds pre-pandemic levels.

[13] The ONS Travel Trends report indicates a rise in overseas visits to the UK, increasing from 31.2 million in 2022 to 38.0 million in 2023. This represents a 21.8% increase year-on-year but remains 7% below the pre-COVID-19 pandemic level of 40.9 million.

Figure 3.5: Level of public transport passenger journeys in London relative to pre-pandemic



Source: GLA Economics based on Transport for London data. Notes: data is twelve-month moving average; each series uses the twelve-month moving average at 1 to 29 February 2020 as its index reference; Last data point is the 28-day period ending on 28 April 2024.

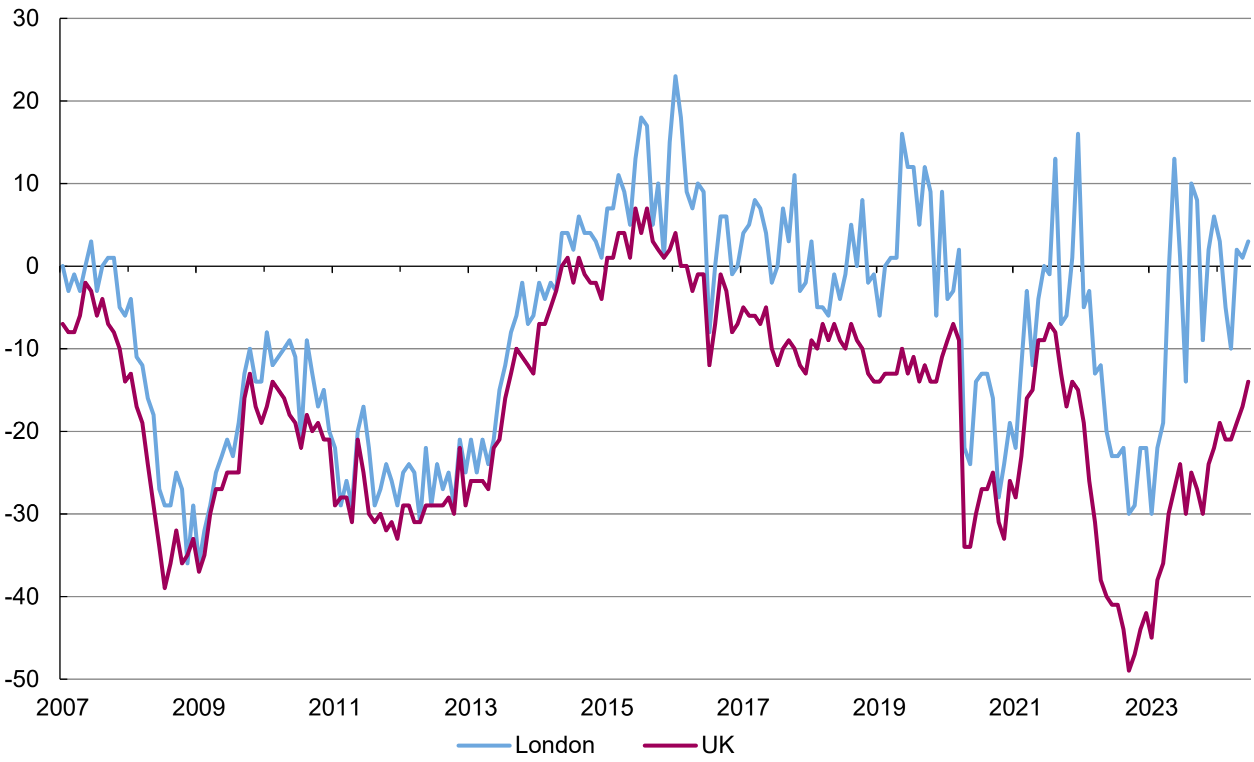
The GfK Consumer Confidence Barometer, a consumer confidence index, is a reliable indicator to measure how private consumption sentiment in London is being affected by overall uncertainty[14]. The data suggest that there has been a long-term trend of London households being more optimistic than national averages since 2016 (Figure 3.6). This trend persisted through the pandemic. While consumer confidence dropped sharply in London and the wider UK in the immediate aftermath of the pandemic, London consumers did not drop to the levels of pessimism seen after the financial crisis – unlike the UK average. Both London and UK households saw confidence undergo a stop-start recovery after the first lockdown until reaching pre-pandemic levels by around July 2021. For London, this marked a return to positive readings, while the UK figure has remained negative since the summer of 2016.

This optimism was short-lived. The sentiment turned negative during the third wave of the pandemic in late 2021. The losses over the winter of 2022/23 only extended as inflation began to accelerate sharply and the rising cost of living came to the fore of consumers' minds. Strikingly, the UK gauge fell past the pessimism seen after the financial crisis and hit record lows not seen since the data series started in 1974. Still, households in the capital remained less pessimistic than the wider UK, with the London gauge never reaching the worst of the financial crisis lows. There was even an uptick in sentiment in Autumn 2022, possibly due to government assistance for energy costs. Into 2023 there was a strong improvement in consumer sentiment in the first half of the year, perhaps reflecting that households were adjusting to the persistence of the cost-of-living crisis. More recently and moving into 2024 consumer confidence in London

[14] The GfK Consumer Confidence Barometer reflects people's views on their financial position and the general economy over the past year and the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

has been volatile month-on-month fluctuating around the neutral value of zero. Meanwhile, UK levels remain persistently negative.

Figure 3.6: GfK Consumer Confidence Barometer for London and the UK

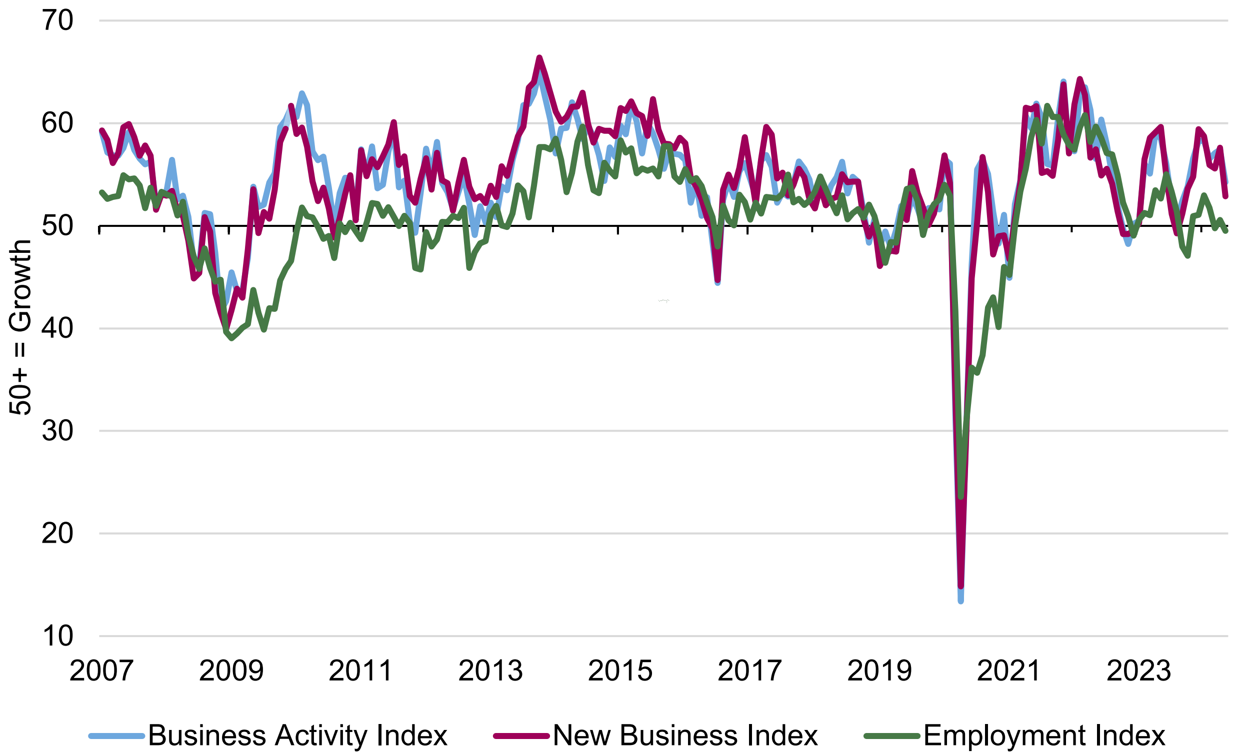


Source: GLA Economics based on GfK-NOP data. Last data point is June 2024.

Another high frequency indicator that correlates strongly with economic activity is the Natwest London Purchasing Managers' Index (PMI) survey, which focuses on the sentiment of businesses in the capital[15]. It does so by asking private sector firms about the month-on-month trends in a variety of business indicators like activity and employment. PMI data in 2019 prior to the pandemic held slightly above 50 on average – indicating slightly expanding conditions. With the emergence of COVID-19 these indicators were dragged down to all-time lows in March and April 2020. A rapid, if interrupted, recovery then began as soon as summer 2020. By spring 2021, the PMI figures had pushed well above pre-pandemic levels, indicating rapid growth for London businesses (Figure 3.7). While London business sentiment proved resilient in the third wave of the virus and the initial onset of the cost of living crisis, the gauges for overall business activity and new business subsequently fell below 50 again. Over 2023, sentiment was positive but slightly weakening, before recovering mildly in the latter part of the year with this continuing into 2024. This suggests that businesses had managed the aftereffects of the pandemic and the cost of living crisis and the associated economic headwinds. The employment index has however seen some negativity at both the end of 2023 and into 2024 with for instance it being negative in both March and May this year.

[15] PMI index readings are based around the 50 no-change mark. Readings above 50 suggest an overall increase in that variable, while readings below suggest an overall decline. Readings exactly at 50 suggest no-change in that variable compared with a month earlier. Moreover, the further the index reading is away from the 50 mark, the faster the rate of growth or decline.

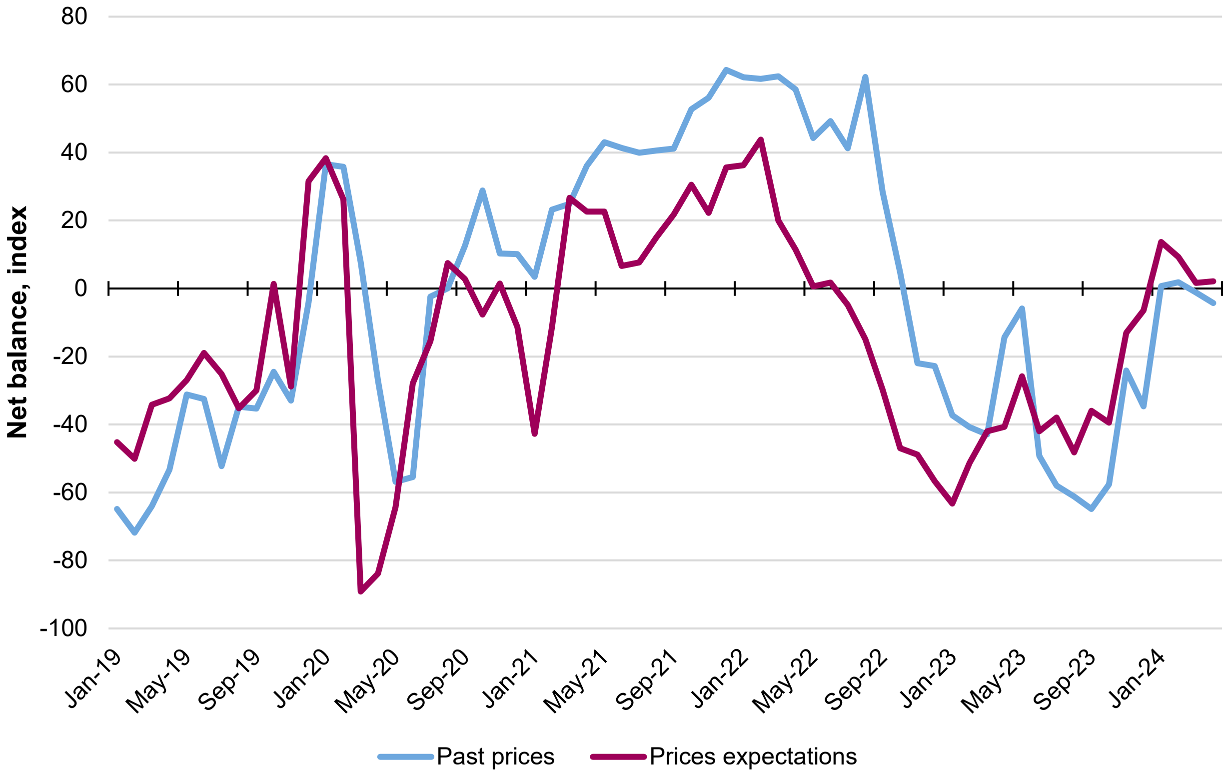
Figure 3.7: Natwest PMI Business Activity for London, New Business and Employment Indices



Source: GLA Economics based on IHS Markit data. Last data point is May 2024.

The housing market had been picking up prior to the onset of COVID-19 as gauges of recent and expected house prices had been rising through 2019. The pandemic immediately shocked both gauges, with the backward-looking measure falling to early 2019 levels and the forward-looking measure crashing to levels comparable with the financial crisis. Both gauges staged a volatile recovery from summer 2020 to spring 2021 as virus cases and activity restrictions fluctuated (Figure 3.8). The backward-looking measure remained strong through to August 2022, while the forward-looking gauge fell back in summer 2021 before rising again to a peak in February 2022 and then dropping once more. Both gauges turned negative amid affordability concerns due to mounting inflation, falling real incomes and rising interest rates. The measure for expected prices fell first, turning negative in July 2022, while for the measure of recent prices it was in November 2022. The measure of recent prices had returned to near neutral by the beginning of 2024, although has since again turned slightly negative while price expectations has remained positive since the turn of the year.

Figure 3.8: RICS house prices net balance index for London, change during last three months



Source: GLA Economics based on RICS data. The net balance index measures monthly the proportion of property surveyors reporting a rise in prices minus those reporting a decline in the last three months. Last data point is April 2024.

Beyond the challenges that London's economy is facing in the immediate outlook, the combination of recessions and then economic slowdown in quick succession is likely to result in permanent economic scarring. Additionally, international political tensions further exacerbate these economic challenges. It is less clear how the scarring will roll out over the sectors of the economy and if increasingly tight liquidity leads to widespread closure of otherwise-solvent firms. As part of these trends the sectoral composition of London's economy appears also to be shifting as responses to the pandemic fade away, and some more familiar patterns re-assert themselves. While general uncertainty may cause businesses to reconsider investment and expansion plans, leading to a more cautious economic environment.

Box 3.1: The ONS Revision to London's historical GVAs

In April 2024, the Office for National Statistics (ONS) released regional GVA data for all industries in 2022[16]. This publication also included a comprehensive re-estimation of historical regional GVA data, revising London's GVA figures from 1998 to 2021. These revisions encompassed both the annual headline GVA figures and the GVAs by industry.

1. Why and how the regional GVAs are revised?

The primary objectives of the regional GVA revisions were to reduce statistical error, incorporate new information, and better align regional estimates with UK-wide estimates. Firstly, the ONS utilised improved data from the Business Enterprise Research and Development (BERD) survey, addressing previous under coverage, particularly of small businesses. Additionally, significant enhancements were

[16] ONS (2024), "Regional economic activity by gross domestic product, UK: 1998 to 2022", April 2024.

made to the measurement of non-market education output at various territorial levels. This involved transitioning from workforce-based apportionment to a direct volume method based on the number of pupils and the cost of their education. Further updates were incorporated from the Public Service Productivity statistics, improving the treatment of academies and pre-primary education.

Moreover, the measurement of Financial Intermediation Services Indirectly Measured (FISIM) within the banking industry was refined in collaboration with the Bank of England and the UK National Accounts. These new methods ensure better alignment of regional estimates with UK estimates, enhancing coherence between national and regional accounts. These comprehensive revisions by the ONS should provide a more accurate and reliable representation of London's GVA figures.

2. London's GVAs from 2015 onwards was revised down

The revision resulted in significant changes to London's annual headline GVA figures, with the years 2020 and 2021 experiencing notable adjustments. London's GVAs from 2015 onwards have been revised downward, particularly for 2020 and 2021. The headline figures for 2020 and 2021 have been revised down by 3.7% and 5.2%, respectively.

Table 3.1: The comparison of London's GVAs before and after the revision

(Constant prices (base year 2019), £ million)

	2015	2016	2017	2018	2019	2020	2021
Initial level	431,480	451,141	459,468	470,143	476,846	429,435	472,318
Revised level	431,306	449,201	457,890	466,646	473,666	413,754	447,873
Changes (%)	0.0	-0.4	-0.3	-0.7	-0.7	-3.7	-5.2
Initial growth rate (%)	1.6	4.6	1.8	2.3	1.4	-9.9	10.0
Revised growth rate (%)	1.4	4.1	1.9	1.9	1.5	-12.6	8.2

Source: GLA Economics based on ONS regional economic activity data.

The net effect of these changes is a reduction in estimates of London's output compared to what was previously reported by GLA Economics. The ONS reports that London's economy contracted more during the pandemic than the overall UK economy and has recovered marginally more quickly (from a lower starting point). The latest data has adjusted the size of the pandemic drop in 2020 to -12.6% from the previous estimate of -9.9% and has revised the 2021 growth rate down from 10.0% to 8.2%.

Although the latest data shows that London experienced the largest increase in real output in the UK in 2022 (growth of 4.8%), by the end of 2022, London's annualised GVA had not yet recovered to its pre-pandemic level, remaining 0.9% lower than the 2019 figure. In contrast, the UK's output had successfully returned to its pre-pandemic level in 2022, with the figure for 2022 being 1.7% higher than that of 2019.

Table 3.2: The pandemic recovery of London and the UK

Percentage change (%)			
	2020	**2021**	**2022**
London GVA	-12.6	-5.4	-0.9
UK GVA	-10.0	-2.4	1.6

Source: GLA Economics based on ONS regional economic activity data.

3. Detailed adjustments at the sectoral level

Meanwhile, the GVA figures within each sector have also changed significantly. Details of the revisions by main sector are illustrated in Table 5.5. The most notable revision is in the Transportation and storage sector, where real GVA was adjusted down by 23.7% in 2020 and 14.2% in 2021. The Distribution, accommodation, and food service activities sector also faced significant downward revisions, with declines of 4.9% in 2020 and 6.9% in 2021. The Construction sector saw similar trends, with GVA adjusted down by 4.8% in 2020 and 7.6% in 2021. The Financial and business services sector experienced a reduction of 2.8% in 2020 and 4.9% in 2021, with Financial services specifically declining by 2.5% in 2020 and 4.7% in 2021, and Business services by 2.9% and 5.0%, respectively.

Other Public and private services also saw negative revisions, with GVA decreasing by 3.4% in 2020 and 5.3% in 2021. The Manufacturing sector's output was adjusted to be 4.8% lower in 2020; however, it experienced a significant increase of 6.4% in 2021. In contrast, the "Other" sector, which encompasses a range of miscellaneous activities, had positive revisions for all three years, showing increases of 1.5% in 2019, 10.5% in 2020, and 12.4% in 2021. These adjustments reflect varied impacts across different sectors, with some experiencing severe downturns while others showed robust increases.

Table 3.3: The Real GVA Revision of Main Sectors - percentage change in current sectoral GVA output in London compared to previous estimate

Percentage change (%)			
Main sectors	**2019**	**2020**	**2021**
Financial and business services	-0.6	-2.8	-4.9
Financial services	-1.4	-2.5	-4.7
Business services	-0.2	-2.9	-5.0
Distribution, accommodation and food service activities	-1.4	-4.9	-6.9
Transportation and storage	0.5	-23.7	-14.2
Other public and private services	-1.3	-3.4	-5.3
Manufacturing	-0.1	-4.8	6.4
Construction	-0.2	-4.8	-7.6
Other	1.5	10.5	12.4

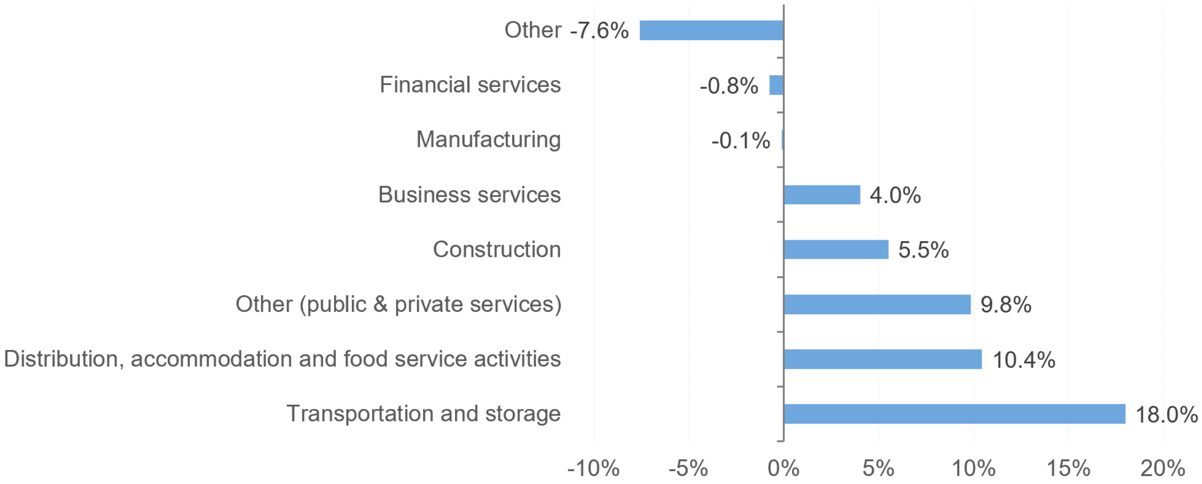
Source: GLA Economics based on ONS regional economic activity data.

4. The growth rates and proportional contributions of the main sectors of London's economy in 2022

Looking at 2022, a year for which the ONS had previously not published data, it is evident from this newly published data that the main sectors in London experienced varying growth rates in that year. Figure 3.9 illustrates the growth rate of Real Gross Value Added (GVA) by main sector, providing insights into the economic contributions and variations across different sectors within the economy.

The Transportation and storage sector experienced the highest growth, with an impressive increase of 18.0%. This was followed by the Distribution, accommodation, and food service activities sector, which saw a significant growth rate of 10.4%. Other public and private services also showed notable growth at 9.8%. The Construction sector grew by 5.5%, while Business services saw a 4.0% increase. On the contrary, the Manufacturing sector had a marginal decrease of 0.1%, and Financial services output shrank by 0.8%. The 'Other' category experienced the largest decline of 7.6%.

Figure 3.9: The Growth Rate of Real GVA by Main Sector in 2022

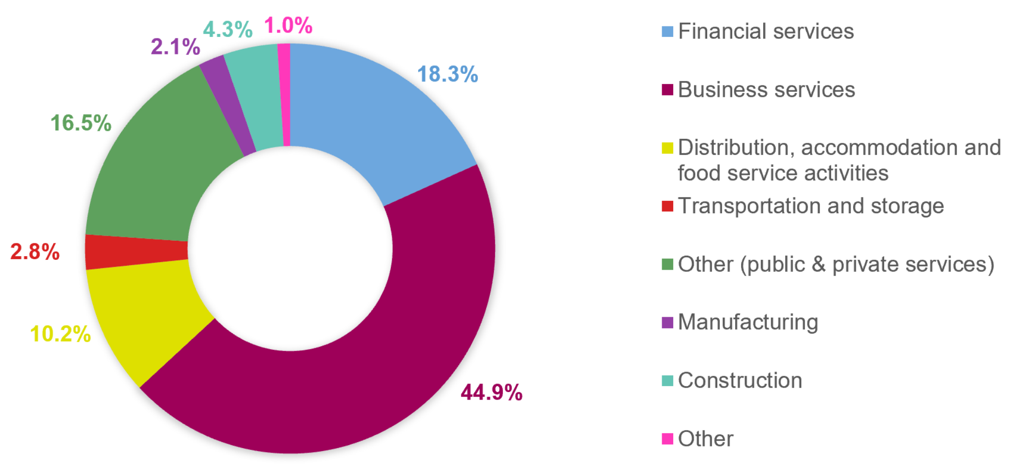


Source: GLA Economics based on ONS regional economic activity data.

Figure 3.10 illustrates the proportion of each main sector's contribution to London's GVA. Business services dominate the composition of the capital's GVA, contributing a substantial 44.9% of the total. Financial services account for 18.3%, underscoring London's status as a major financial hub. Other Public and private services make up 16.5% of the GVA, and Distribution, accommodation, and food service activities contribute 10.2%. These four sectors together account for almost 90% of London's output, reflecting the significant roles of service industries in the city's economy.

For the remaining 10% of London's real GVA, the Construction sector represents 4.3%, Transportation and storage account for 2.8%, and Manufacturing contributes 2.1%, highlighting their relatively minor roles in London's economic output. The 'Other' category constitutes 1% of the GVA. Overall, services are particularly important for London's economy, especially the Business and financial services sector, which make up the majority of the city's economic output.

Figure 3.10: Proportion of Each Main Sector's Contribution to London's GVA



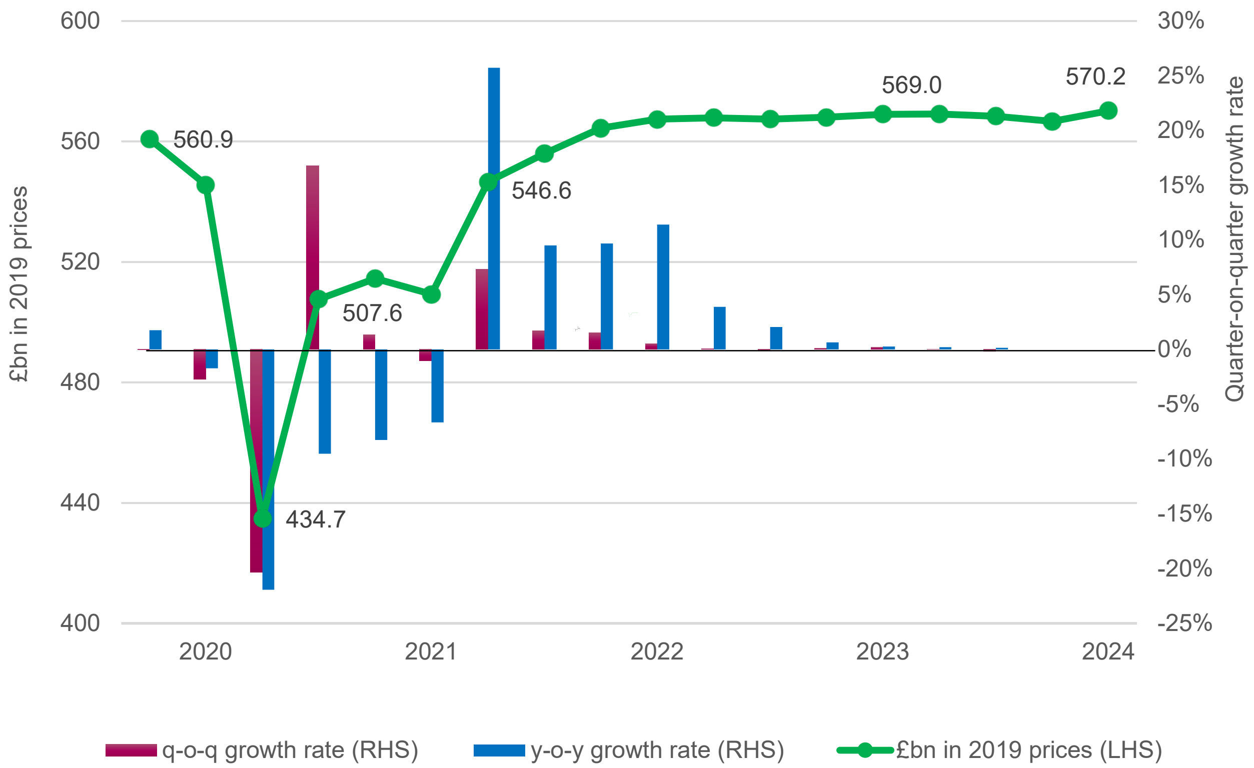
Source: GLA Economics based on ONS regional economic activity data.

To conclude, the comprehensive revisions made by the ONS to London's historical GVA data from 1998 to 2021 reflect significant changes to our understanding of the city's economic performance during that period. These adjustments, particularly for the years 2020 and 2021, highlight the substantial impact of the COVID-19 pandemic on London's economy and its subsequent recovery trajectory. The detailed sectoral revisions reveal the varying degrees of growth and decline across different sectors. These changes provide a dynamic view of the economic contributions of various sectors within London's economy.

3.2 The UK economy

Following the unprecedented drop in activity during the first part of 2020 as lockdown restrictions were introduced to contain the COVID-19 pandemic the UK economy rebounded rapidly in Q3 2020, but was then hit by the second lockdown late in the year, with another contraction in Q1 2021. Another rapid rebound in Q2 2021 was followed by continued recovery, though at a more moderate pace. However, since then it generally stagnated across 2022 and 2023 as the cost of living crisis began to bite in consumer spending as well as the impact of higher interest rates. While at the end of 2023 the economy entered a mild recession from which it has now exited (Figure 3.11).

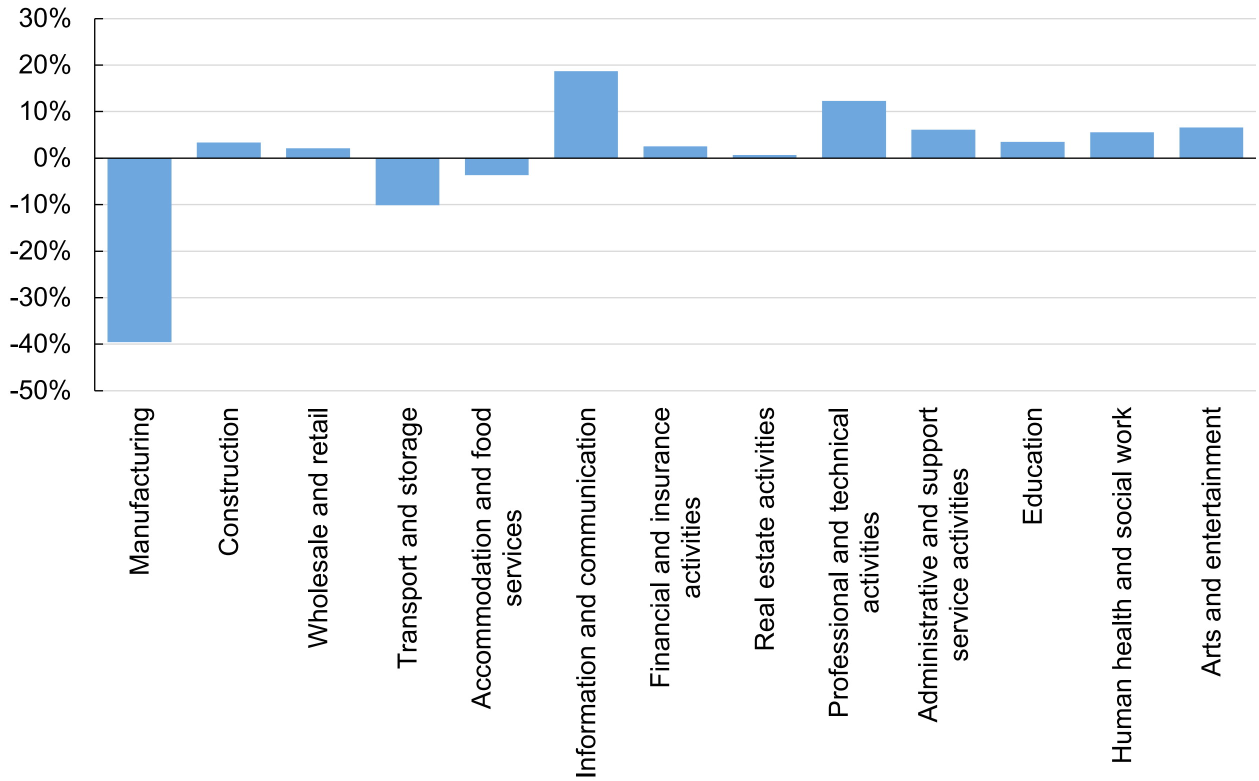
Figure 3.11: UK real GDP (Q4 2019 – Q1 2024)



Source: GLA Economics based on ONS – UK National Accounts data.

As with London, the wider UK's sectoral distribution of the impacts from the pandemic and subsequent recovery is uneven. Thus, the latest economic data reveals diverse trends across UK sectors in their growth compared to Q4 2019. Manufacturing has experienced a significant decline, dropping by 39.5%, indicating major challenges in the sector. In contrast, many other sectors showed robust growth: Professional and technical activities, and Information and communication grew by over 10%, reflecting strong recoveries and expansions (Figure 3.12). This mixed economic landscape highlights the varied responses to the recent economic shocks across the different areas of the economy.

Figure 3.12: Proportionate change in real GVA by industry* in the UK Q4 2019 – Q1 2024



*Source: GLA Economics based on ONS – UK GDP data. *The following smaller industries have been excluded for simplification purposes: Primary sector and utilities, Public administration and defence, Other service activities, and Activities of households.*

GDP data can also be split into different types of final expenditure. This includes final expenditure by households, general government and the non-profit institutions serving households, as well as expenditure used in gross capital formation (e.g. business investment)[17]. For the most recent period, the year to Q1 2024, there was growth across the government and non-profit institutions sectors but households and gross fixed capital formation dropped back (Table 3.4).

Table 3.4: Annual rates of real growth in domestic final expenditure for the UK

	2021	2022				2023				2024
Expenditure	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Households	11.5%	16.1%	4.2%	0.3%	-0.1%	0.1%	0.2%	0.2%	0.3%	-0.2%
Non-profit institutions	8.8%	22.9%	11.7%	8.3%	7.6%	4.6%	3.2%	2.7%	1.5%	0.3%
General Government	11.0%	11.1%	0.4%	0.0%	-1.7%	-3.5%	1.3%	1.9%	2.5%	3.4%
Gross fixed capital formation	2.7%	10.7%	5.5%	8.0%	8.0%	5.0%	3.3%	0.1%	0.5%	-0.8%

Source: ONS (2023). 'GDP second quarterly estimate, UK: January to March 2024', 28 June 2024.

Household expenditure is the largest component of the UK economy, contributing three-fifths of UK GDP in 2024. Year-on-year there was growth in this element of spending from Q1 2023, until Q4 2023 but it dropped back a little in Q1 2024. Domestic final expenditure on gross capital formation grew strongly since the pandemic but also dropped back in Q1 2024. Annual general government expenditure turned negative in Q1 2022 but has recovered after Q1 2023.

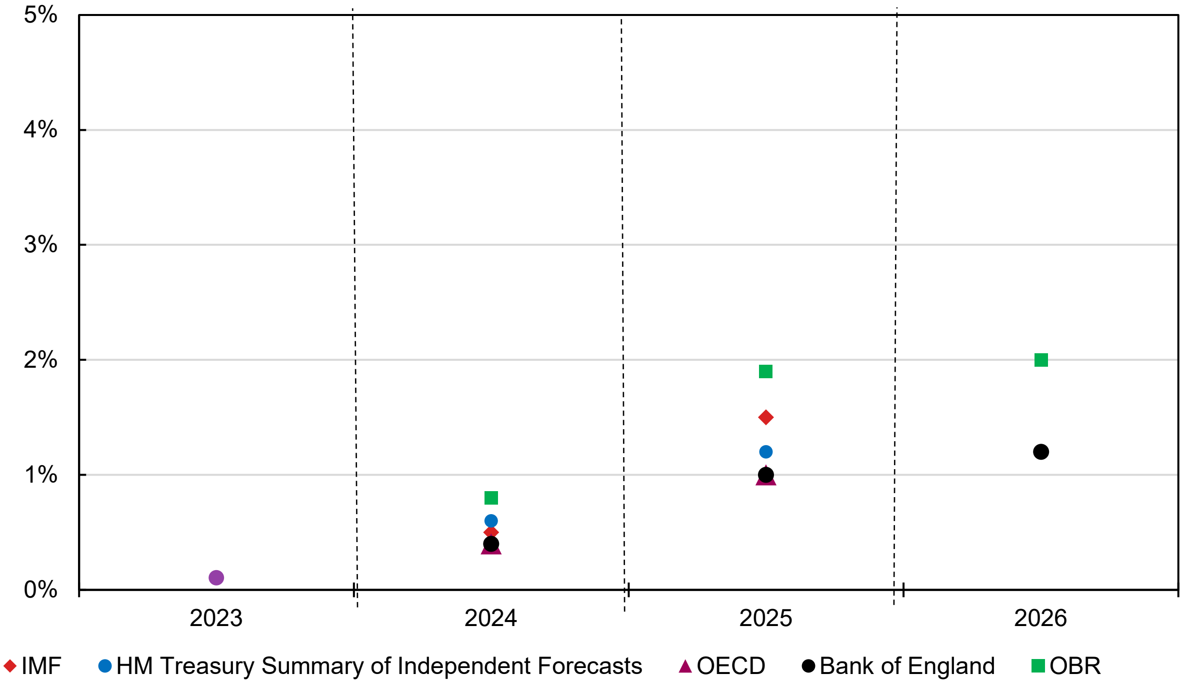
Forecasts of the UK economy

Looking to the outlook for the UK economy, the fallout from the cost of living crisis, weak global growth, the continued impact of Brexit, high interest rates, high government borrowing, and long-standing concerns

[17] It also includes net trade in goods and services.

on low productivity represent key downside risks. After the Mini-budget in September 2022 exacerbated a sharp increase in government borrowing costs, the Autumn Statement 2022 saw the previous Chancellor promise tax hikes and spending cuts to bring down government borrowing and calm markets. However, most of the spending cuts were deferred to after 2024 and require decisions from the newly elected government. More recently, prolonged high inflation and high interest rates has dampened economic activity. (Tax cuts announced in the Autumn Statement 2023 and March 2024 Budget might support economic activity, but this is against a backdrop of taxes forecast at the time of the March 2024 Budget to rise overall.) Figure 3.13 presents a compilation of official and independent forecasts for the UK's GDP growth over the next two years. While 2022 saw strong growth, there was a marked slowdown in 2023 and this is expected to continue into 2024, with a slight improvement expected in 2025. Notably, the Bank of England's forecasts for 2024 and 2025 are on the lower end of the forecasts, highlighting significant downside risks and suggesting more conservative growth expectations compared to other forecasts like those from the IMF, OBR, and the HM Treasury Summary of Independent Forecasts

Figure 3.13: Historic data and external forecasts of UK real GDP growth for 2023-2026



Source: GLA Economics based on ONS, HM Treasury summary, Bank of England, OECD, IMF, and OBR projections

The OBR and HM Treasury also publish forecasts for other variables like the labour market and public-sector net borrowing (PSNB). These are shown in Table 3.5.

Table 3.5: Selected OBR and HM Treasury consensus forecasts for the UK economy

	HM Treasury's Average of Independent Forecasters (May 2024)		Office for Budget Responsibility (March 2024)	
	2024	2025	2024	2025
Annual real GDP growth rate	0.6%	1.2%	0.8%	1.9%
LFS unemployment rate	4.4%	4.4%	4.4%	4.4%
Current account	-£71.1bn	-£67.8bn	-£77bn	-£85.1bn
Public sector net borrowing (financial year)	£100.6bn	£90.4bn	£87.2bn	£77.5bn

Sources: HM Treasury (2024). 'Forecasts for the UK economy: a comparison of independent forecasts', May 2024; and OBR (2024). 'Economic and Fiscal Outlook – March 2024', March 2024.

Other UK economic indicators

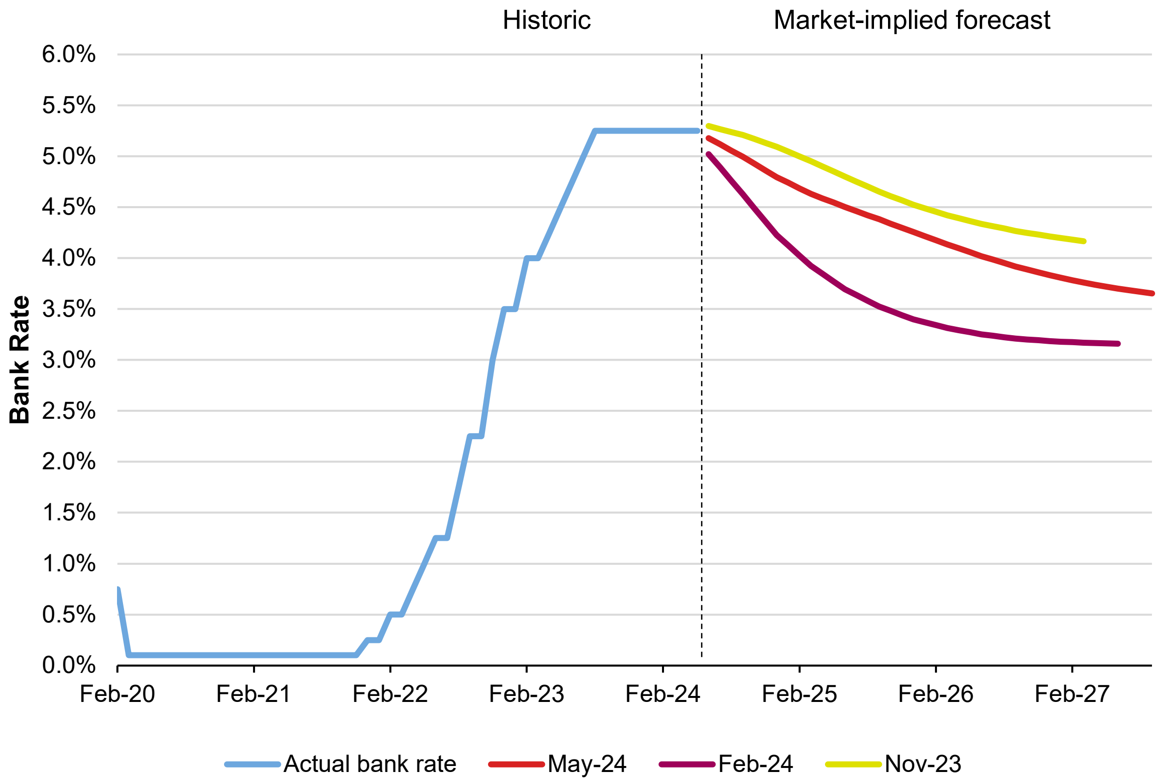
Beyond GDP, another important economic indicator is inflation, as measured by the Consumer Price Index (CPI). The large depreciation of sterling following the EU referendum pushed inflation above the Bank of England's central target of 2% for much of 2017 and 2018, but this shock largely dissipated by 2019. CPI inflation stood at 1.5% year-on-year in March 2020[18]. The weakness of demand in the economy during the pandemic further subdued inflationary pressures. When consumers are making fewer purchases, sellers are less likely to raise prices for fear of driving away the remaining buyers.

However, the easing of lockdowns then rapidly released pent-up demand. Global supply and distribution networks were not ready for the surge in orders, so supply chain bottlenecks began to create shortages that drove up prices. In the UK, the end of the Brexit transition exacerbated this effect. Inflation pushed back above the Bank's target by the end of 2021. Russia's invasion of Ukraine in February 2022 turned the situation into a crisis, with energy and food prices soaring. CPI inflation stood at 11.1% year on year in October 2022 – the highest point since 1981[19]. It had fallen to 4.6% a year later in October 2023[20], and had fallen back to the target rate of 2.0% in May 2024[21]. The Bank expects inflation to pick up a bit in the second half of the year before moderating again later.

With fiscal policy on a relatively restrictive footing since 2010 and few signs of inflation rising on a sustained basis, the Bank of England had kept interest rates near zero for much of the decade to 2020. While the Bank had raised rates in response to the 2017 inflation overshoot, rates were steady at 0.75% from late 2018 to spring 2020. Yet as the scale of the pandemic's impact became apparent in March 2020, the Bank lowered interest rates to 0.25% and then to a record low of 0.1%. However, the rapid acceleration of inflation that unfolded from autumn 2021 has seen the Bank of England respond sharply. December 2021 saw the first rate rise since 2018, and by August 2023, the Bank had reached a policy interest rate of 5.25%. This was the fastest hiking cycle since the late 1980s, and market expectations for the path of interest rates anticipate only a gradual easing over the coming years (Figure 3.14).

[18] ONS (2020). 'Consumer price inflation, UK: March 2020', April 2020.
[19] ONS (2022). 'Consumer price inflation, UK: October 2022', November 2022.
[20] ONS (2023). 'Consumer price inflation, UK: October 2023', November 2023.
[21] ONS (2024). 'Consumer price inflation, UK: May 2024', June 2024.

Figure 3.14: Market-implied interest rate path for the UK



Source: Bank of England (2024), '[Monetary Policy Report – May 2024](#)'.

Interest rate changes can influence the economy in a range of ways[22]. The most important effects are on aggregate demand. Higher interest on savings raises the 'opportunity cost' of spending – i.e. it is relatively more attractive to forgo consumption today by saving more and investing. Consumers also often borrow for major purchases, meaning higher interest rates on consumer loans make those purchases less affordable. Higher mortgage interest rates raise housing costs for owner-occupiers, which may cut their willingness to spend. Reduced homebuying due to more expensive mortgages may lower house prices, reducing households' wealth and making them less inclined to spend money. Business investment may see a similar impact. Here, higher interest rates raise the cost of borrowing to invest and may lower the valuation of firms due to a higher discounting rate in net present value calculations. As with consumers, costlier borrowing and a dent to wealth should slow business spending.

By slowing aggregate demand, raising interest rates should slow the pace of inflation. Lowering interest rates would have the reverse of these effects. However, the magnitude of these effects depends on several factors, including the speed and scale of the interest rate changes, the time it takes for interest rates to transmit through the economy, and the current state of the wider economy. These "long and variable"[23] lags mean further uncertainty in economic forecasts. With interest rates at levels not seen since the financial crisis, the Bank of England and OBR only project moderate growth in the UK economy in 2024.

A separate impact may be seen on the currency. Excluding other influences, interest rate rises can bolster the pound as returns (interest) on sterling assets would be relatively higher than on other countries' assets, leading to an increase in demand for sterling-based assets by foreigners. As the currency appreciates,

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[22] See Bank of England (1999). 'The transmission mechanism of monetary policy', Bank of England Quarterly Bulletin, May 1999.
[23] This concept is often associated with the works of Milton Friedman in the late 1950s and early 1960s, c.f. Friedman (1959), "A Program for Monetary Stability", Fordham University Press, 1959

imports are relatively less costly for UK buyers to purchase. As a result, this exchange rate effect should enhance the inflation-dampening effects of rate rises.

The value of sterling fell following the result of the EU referendum in June 2016. Sterling had been relatively steady against the euro since mid-2017, although there have been marked down and then upward movements in the second half of 2019. This came as first a no-deal Brexit became more likely, and then a deal became increasingly likely. At the same time, sterling appreciated against the US dollar through 2017 and into the early part of 2018 but had since dropped back largely due to the continuing impact of Brexit.

In early March 2020, it became apparent that the UK economy would be significantly affected by COVID-19, and the pound depreciated against both the US dollar and the euro. In part, this reflects a flight to strong currencies, but it may also reflect the comparative weakness of the UK economy after the vote to leave the EU. Fluctuations in the US outlook saw the pound recover against the dollar, then weaken again after the election of Joe Biden as US President. Since 2021, the pound has recovered against the euro, reflecting first the strength of the UK vaccination programme and then expectations of interest rate rises. More recently, the pound has fallen against the euro and the dollar, likely reflecting diminished expectations for the UK economy during the cost of living crisis. Following the mini-budget in late September 2022, the pound depreciated sharply to its lowest level against the dollar since 1984. The unfunded tax cuts in the mini-budget put pressure on UK government bond markets, and along with a generalised loss of investor confidence in the UK economy, this impacted on sterling. The pound has made up its losses since as policy has stabilised (Figure 3.15).

Figure 3.15: Sterling to US dollar and euro exchange rates

Source: Bank of England
Note: First data point is 1 July 2015, and last data point is 28 June 2024

Box 3.2: The potential impacts of ending tax-free shopping on the UK and London economies

Introduction

It is widely known that the tourism sector contributes considerably to the UK and London economies. Few events illustrate the extent of this impact better than the COVID-19 pandemic, which led to a series of restrictive lock-down measures that impacted severely on domestic and international tourism to London and the rest of the UK.

In the UK context, the picture is further complicated by a series of challenges related to the 2016 Brexit referendum, such as the ensuing political and economic uncertainty and the depreciation of the Sterling. Another issue that is not cited as frequently is the UK's decision to end its tax-free shopping scheme for international tourists- a decision that took effect on January 1, 2021. The UK ended a scheme (known as 'VAT-RES') that allowed international tourists to claim the value-added tax on items purchased during their stay in the country, and has so far resisted the option to reinstate the scheme.

This box provides the context behind the UK government's decision, before discussing its potential implications for both the UK and London economies.

Background Information

Tax-free shopping (TFS) is an arrangement whereby products bought but not consumed in the country of purchase are VAT-free for non-residents. This can happen either via the product being tax-free at the point of purchase, or via the buyer having to obtain a VAT refund after buying it[24]. There are also restrictions on the types of goods that qualify for the relief[25]. The sales tax may be in the form of a goods and services tax (GST), value added tax (VAT), or consumption tax.

Unlike duty-free shopping (which allows one to buy products that would normally have excise tax on them tax-free and is usually found only in airports after clearing security), TFS applies to the GST/VAT/consumption tax component only, and can apply to purchases made in high streets within a jurisdiction as well as at travel points such as airports.

Several countries implement TFS schemes. A 2021 study by the Australian National University found that 63 countries globally, including the 27 EU member states, apply a TFS scheme[26]. EU member states are required to implement a TFS scheme under Article 147 of Council Directive 2006/112/EC (the EU VAT Directive)[27].

The UK was governed by this obligation until 31 December 2020. Under this arrangement, if a person lived outside the EU and travelled to the UK for leisure or business, they were eligible for a VAT refund on items purchased in the UK. The VAT-refund scheme was called the Retail Export Scheme (VAT RES), or tax-free shopping in colloquial terms. Under the UK's VAT RES scheme, international visitors to the UK could reclaim the VAT they paid on goods that have been purchased but not consumed in the UK.

[24] Wang T and Stewart M. The law and policy of VAT tourist tax refund schemes: A comparative analysis (PDF; Working Paper 19/2021), Tax and Transfer Policy Institute, November 2021
[25] Ibid.
[26] Ibid.
[27] EUR-Lex - 02006L0112-20200101 - EN - EUR-Lex (europa.eu)

Why VAT RES was terminated by the UK government

In a move that coincided with the end of the Brexit transition period, the UK government ended VAT RES effective 1st January 2021. In September 2020, it explained its rationale for ending the scheme as follows[28]:

- VAT RES was not the only scheme through which WTO rules and OECD guidelines on paying tax in the country of consumption could be fulfilled. In other words, the officials did not see any risk in ending the scheme when it comes to international guidelines and rules on payment of consumption-related taxes.
- The impact of the scheme across the UK was unclear, and data suggested that a majority of purchases under the scheme happened in London and in Bicester Village. According to the officials, this would indicate that the scheme did not benefit the whole of the UK equally. The Government argued VAT RES was "a costly system to maintain with unclear economic benefits, and […] burdensome for exit points"[29].
- Concerns were raised about the administrative difficulties of VAT RES.
- It was argued that there was a risk that fraud and non-compliance would increase if VAT RES was extended to passengers travelling to the EU[30].

That being said, it is worth noting that VAT-free shopping is still available where a retailer ships goods out of the country at the time of purchase[31]. However, this raises questions about whether such an option would inconvenience tourists.

Government estimate of economic impacts of terminating VAT RES

When forecasting the impact of terminating VAT RES, the OBR said that VAT refunds worth about £500 million had been given via the scheme in 2019[32]. It did also note, however, that while terminating the scheme would generate revenue for the Treasury, it could also lead to reduced shopping by international tourists, especially for luxury items. The OBR forecast that terminating VAT RES would generate a £1.8B saving to the Treasury by the 2025/26 fiscal year, whilst adding the caveat that the figures are highly uncertain[33].

Ascertaining economic impacts of terminating VAT RES

A key challenge to the OBR analysis (typically highlighted by opponents of the government's decision as well as other economic forecasters (e.g., Oxford Economics)) is that the work did not examine the impact of TFS schemes on retail expenditure and its broad multiplier effects (e.g., increased economic activity in other sectors beyond retail – for example tourism, and more job retention and creation). For instance, Oxford Economics' modelling of the decision's impacts suggests that the re-introduction of VAT RES will have a significant positive effect in terms of GDP, tax yield, and job creation[34].

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[28] HM Treasury and HMRC, A consultation on the potential approach to duty- and tax-free goods arising from the UK's new relationship with the EU: Summary of responses (PDF), GOV.UK, September 2020.
[29] Ibid.
[30] Ibid.
[31] Tax on shopping and services: Tax-free shopping - GOV.UK (www.gov.uk)
[32] https://obr.uk/docs/dlm_uploads/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf
[33] Ibid.
[34] Oxford Economics, Assessing the impact of tax-free shopping in the UK – a report for the Association of International Retail (AIR), November 2022: The Impact of Tax-Free Shopping in the UK | Oxford Economics

Economic theory suggests that tax-free schemes boost retail spending by tourists[35]. By extension, the increase in consumer spending would increase a country's GDP and stimulate job creation. Various studies suggest that these effects extend beyond the directly-affected sectors (e.g., tourism and hospitality) to include other sectors (which would form part of the supply chains for items tourists purchase) and regions (as supply chains tend to be dispersed).

As the UK ended the scheme relatively recently, data on the effects is limited. Moreover, the COVID-19 pandemic's impact on global tourism complicates the picture. Nevertheless, there is recent data that would suggest that the UK is losing out economically to rival jurisdictions as a result of the decision to end VAT RES. The case for the detrimental impact of this decision (and thus, to reinstate tax-free shopping) can be divided into several categories (see Table 3.6 below):

Table 3.6: Possible impact of ending VAT RES on the UK

Impact	Detail
Ending VAT RES diverts tourist spending away from UK to EU/other destinations, leading to foregone Exchequer revenue	• Higher-income tourists are conscientious shoppers who are price sensitive. Other things equal, they would visit and shop in jurisdictions that offer a tax refund. • Exchange-rate movements can't explain the reduced tourist shopping in the UK since 2021. For example, Chinese shoppers are a sizable constituency; the Chinese Renminbi weakened from 2019 to 2023 vs. the Euro, while US$, AED (UAE Dirham), SAR (Saudi Riyal), SGD (Singapore Dollar) and HKD (Hong Kong Dollar) remained virtually at the same level compared to the Euro.
UK shoppers are taking advantage of EU TFS schemes to shop in the EU instead of the UK	• UK shoppers are entitled to claim tax refunds if buying items in Europe, saving them money.
Lower tourist spending in the UK harms London's and the UK's broad tourism eco-system	• Tourists do not only spend money on luxury items and retail when visiting the UK: they stay in hotels, eat at restaurants, visit attractions, etc. All these amenities will experience a drop in their revenues from lower tourist spending.
Lower tourist spending leads to employment losses across the supply chain and drives international brands out of the UK	• Supply chains to manufacture goods in the UK tend to be integrated across multiple industries and spread across different regions. Lower spending in one sector would likely impact other sectors and regions of the country. Moreover, economic theory demonstrates that higher taxation and bureaucratic red-tape deter long-term capital investment by businesses. Other things equal, this undermines business expansion, job creation, and economic growth.
By ending VAT RES, the UK goes against the large majority of fellow OECD countries.	• 32 out of 38 OECD countries already have VAT refund schemes in place, while others (e.g., Canada) are strongly considering introducing their own schemes. • For an economy that has a large tourism and hospitality sector, the UK risks disproportionate damage from adopting the opposite approach.

[35] Dimanche (2003).

Recent data on tourist spending in the UK vs. other countries

According to Global Blue, the world's largest strategic technology and payments partner within the Tax-Free Shopping, Payment and RetailTech ecosystems, the recovery in tourist spending during 2022 vs pre-pandemic trends has been much lower in the UK than France, Italy, and Spain. Moreover, GCC tourist spending **in these EU countries is at least 1.5x pre-pandemic levels**, but is **less than 0.7x for the UK**.

Global Blue data also shows that **almost 10% of UK spending in 2019 has already been relocated to the EU27 by international shoppers**. Meanwhile, Non-EU/UK shoppers who used to shop in UK & EU27 in 2019 **have increased their tax-free spending in the EU27 in 2022 by 30%.**

Chinese tourists typically **represent 22% of tourist spending in the UK annually**. In a recent Global Blue survey, the UK was shown to be **the least favoured destination for Chinese tourists** among the large 5 European countries for their future trips. Moreover, **only 42% of Chinese people planning to visit Europe in the next 12 months are planning to visit Britain**, down from **over 70% in 2019**.

Shopping by UK tourists in Europe

Approximately **€500M were spent by UK shoppers** in Continental Europe in 2022, representing **an increase of about 200% vs. 2021(£160M).**

Perspectives of UK-based businesses

According to Value Retail, The Dorchester Group has just announced that **its London hotel is underperforming its Paris hotel**, which they attribute purely to the end of VAT RES. Meanwhile, **Mulberry** has just announced the **closure of its Bond Street store** due to the ending of tax-free shopping.

Moreover, data from the New West End Company shows that **57% of all West End spend was international in 2019, compared to 44% in 2023. 71% of their international visitors** said they would spend more if they could claim back VAT on their purchases. This proportion **increases to 93% for the highest-spending customers**.

Initiatives to introduce TFS by other countries

32 of the 38 OECD countries currently have a TFS in place. One of the 6 other countries, Canada, **has been considering its own TFS scheme**, and commissioned a study by CEBR to forecast potential economic impacts. The study revealed that **a TFS scheme could have increased 2019 GDP by CAD 810 million**. In terms of labour market benefits, the boost to visitor spending would support **an additional 32,100 jobs in the travel and tourism industry and its supply chains**. This would bring **a potential net gain of CAD 127 million in overall tax revenue**. Equivalently, **for each dollar lost through lack of VAT, CAD 1.90 would be recouped in other taxes**. The estimate of total additional tourist spending due to TFS is **CAD 407 million**.

Final considerations

During 2023, several media and retail-led campaigns were started to reinstate VAT RES. For example, in August, the Mail on Sunday stated that 350 brands, including Harrods, Marks & Spencer, Burberry, and

Harvey Nichols, had backed its campaign, alongside 40 Conservative MPs[36]. It's also worth noting that should the UK reinstates VAT RES, it would become the only major European country where EU residents could shop tax-free, opening-up a whole new market for different UK regions and boosting their economies.

Therefore, it is safe to suggest that the impact of terminating VAT RES extends beyond a few London-based luxury retailers: it will negatively affect a broad range of London's business population and workforce, in addition to suppliers and manufacturers across the whole of the UK- with long-term economic costs that could outweigh any short-term accrued savings.

3.3 The global economy

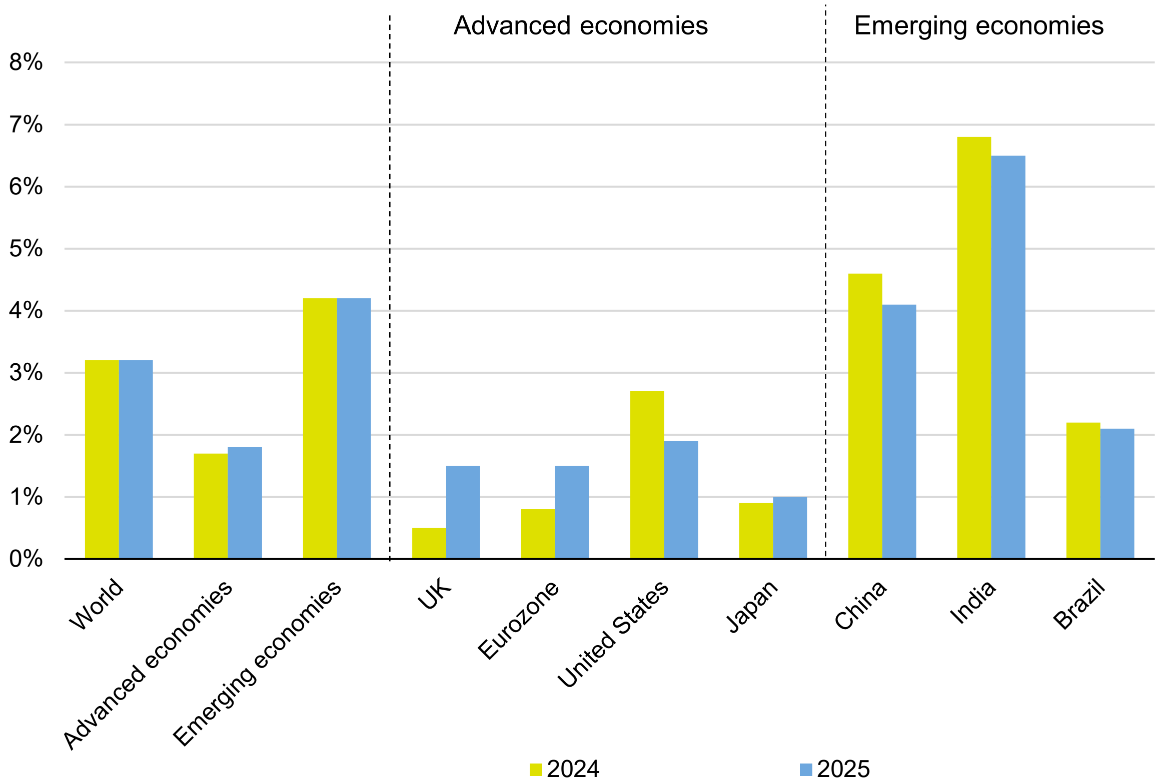
Global economies continued to grow in 2022 and into 2023 following the ongoing recovery from the pandemic. However, global inflationary pressures rose due to the impact of the war in Ukraine on commodity prices as well as supply chain issues. Central banks responded by raising interest rates and global growth eased off at the end of 2022 and into 2023. Still the global economy showed resilience in the face of these challenges with the IMF noting that, "despite many gloomy predictions, the world avoided a recession, the banking system proved largely resilient, and major emerging market economies did not suffer sudden stops. Moreover, the inflation surge—despite its severity and the associated cost-of-living crisis—did not trigger uncontrolled wage-price spirals"[37]. Further, "resilient growth and faster disinflation point toward favourable supply developments, including the fading of earlier energy price shocks, the striking rebound in labour supply supported by strong immigration flows in many advanced economies. Decisive monetary policy actions, as well as improved monetary policy frameworks, especially in emerging market economies, have helped anchor inflation expectations". While observing that "expectations for a global economic soft landing and continued progress on disinflation have created an environment for households and businesses to obtain financing at lower costs, notwithstanding still-high interest rates. Investors may also be reassured by the fact that the banking turmoil from last year appears to have been contained" [38].

The latest IMF World Economic Outlook[39] forecasts that the world's economy will grow by 3.2% this year (a 0.1 percentage points upgrade on their January forecast) and the same at 3.2% next year (unchanged on their previous forecast). Advanced economies are projected to expand – on average – by 1.7% this year while emerging economies will grow – on average as well – by 4.2%. This implies that the global economy is continuing to expand but now faces fresh global headwinds (Figure 3.16).

[36] https://www.dailymail.co.uk/news/article-12005245/Business-leaders-call-Chancellor-Jeremy-Hunt-reinstate-tax-free-shopping-overseas-visitors.html

[37] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.
[38] IMF (2024). 'Global Financial Stability Report: The Last Mile: Financial Vulnerabilities and Risks', April 2024.
[39] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.

Figure 3.16: IMF forecasts of real GDP growth for selected economies



Source: IMF – World Economic Outlook, April 2024.

The **advanced economies** grew by 1.6% on an annual basis in 2023. The IMF expects growth in 2024 of 1.7% (a 0.2 percentage points upgrade on their January 2024 forecast), and then an almost identical 1.8% growth in 2025 (unchanged on their last forecast).

Looking at the advanced economies in more detail, the **US** economy grew by 1.4% year on year in Q1 2024. This follows a year-on-year expansion of 3.4% in Q4 2023[40]. Growth in the first quarter "primarily reflected increases in consumer spending, residential fixed investment, non-residential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment"[41]. Compared with the last quarter of 2023, "the deceleration in real GDP in the first quarter primarily reflected decelerations in consumer spending, exports, and state and local government spending and a downturn in federal government spending. These movements were partly offset by an acceleration in residential fixed investment. Imports accelerated"[42]. While jobs growth continues to be firm in a tight labour market. Consumer price inflation has moderated and stood at 3.3% in May, down from the 40-year high of 9.1% last June. Following a series of rises, the Federal Reserve benchmark lending rate stands at 5.25-5.5%, the highest level since February 2001, but there are expectations of a coming rate cut.

The **Eurozone's** economy has returned to growth. In Q1 2024, GDP increased by 0.3% on a quarter-by-quarter basis and increased by 0.4% on an annual basis[43]. This followed a decline of 0.1% quarter-by-quarter in Q4 2024. The IMF forecasts that the Eurozone will grow by 0.8% in 2024 (a fall of 0.1 percentage

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[40] Bureau of Economic Affairs (2024). '[Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, First Quarter 2024]', 27 June 2024.
[41] Bureau of Economic Affairs (2024). '[Gross Domestic Product (Second Estimate) and Corporate Profits (Preliminary), Second Quarter 2024]', 30 May 2024.
[42] Ibid.
[43] Eurostat (2024). '[GDP main aggregates and employment estimates for the first quarter of 2024]', 7 June 2024.

points on their January forecast) and by 1.5% in 2024[44] (down 0.2 percentage points from January). Meanwhile, the European Commission forecasts Eurozone growth of 0.8% in 2024 and 1.4% in 2025[45]. The Eurozone is the part of the world most dependent on Russian energy imports, and so one of the most exposed to the adverse economic effects of the war in Ukraine. The European Central Bank (ECB) has started loosening monetary policy to stimulate the economy with the main benchmark rate being cut to 3.75% in June down from 4.0%, a level that had not been seen since introduction of the euro in 1999.

The **Japanese** economy contracted year-on-year by 2.0% in the first quarter of 2024 after growing by 0.4% in the final quarter of 2023. Still, the IMF expects that Japan's economy will expand by 0.9% in 2024 (unchanged on their January forecast), and by 1.0% in 2025 (an upgrade of 0.2 percentage points on their previous forecast)[46].

Emerging market economies
The IMF expects growth of 4.2% in the emerging market economies in 2024 (an upgrade of 0.1 percentage points from their January forecast) and growth of 4.2% in 2025[47] (unchanged from January).

Of the major emerging markets, **China's** economy grew by 5.3% between Q1 2023 and Q1 2024. The IMF expects growth to be 4.6% in 2024 (unchanged on their January forecast) before slowing to 4.1% in 2025[48] (also unchanged on their January forecast). The Asian Development Bank (ADB) also expects China's economy to grow but at a slightly faster rate. It anticipates growth of 4.8% in 2024 and 4.5% in 2025[49].

Meanwhile, **India's** economy is estimated to have grown by an annualised 7.8% in the first three months of 2024. Looking at the calendar year, the IMF expects growth of 6.8% in 2024, and 6.5% in 2025 (up 0.3 percentage points for 2024 and unchanged for 2025[50] on their January forecast). The ADB also expects healthy growth this year and next, at 7.0% in 2024 and 7.2% in 2025[51].

In **Russia**, the economy grew by 3.6% in 2023 according to the IMF. The IMF expects the economy to grow by 3.2% in 2024 and a further 1.8% in 2025 (upgrades of 0.6 percentage points for 2024 and 0.7 percentage points for 2025[52] compared with their previous forecast).

3.4 Risks to London's economy
London has come through the pandemic and weathered the worst of the cost-of-living crisis. However, growth over 2023 was lacklustre. There remains considerable uncertainty around the size and lasting impact of these factors. Here, we outline some of the key risks on both the upside and downside. While there remain some potential triggers for an improvement in the outlook, overall, risks are skewed to the downside.

Starting with the positive possibilities, the key near-term upside risk is around household resilience to higher prices. While the poorest Londoners may be among the most exposed in the UK to the cost of living crisis, the average London household may see relief from a number of sources. First, Londoners have higher average incomes than in other regions. Second, Londoners on average devote less of their spending to energy, which has seen prices remain above their pre-2022 levels, and have more energy efficient housing.

[44] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.
[45] European Commission (2024). 'Spring 2024 Economic Forecast: A gradual expansion amid high geopolitical risks', 15 May 2024.
[46] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.
[47] Ibid.
[48] Ibid.
[49] Asian Development Bank (2024). 'Asian Development Outlook (ADO) April 2024', April 2024.
[50] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.
[51] Asian Development Bank (2024). 'Asian Development Outlook (ADO) April 2024', April 2024.
[52] IMF (2024). 'World Economic Outlook: Steady but Slow: Resilience amid Divergence', April 2024.

Evidence of this London-specific resilience may be visible in the capital's less pessimistic consumer and business confidence readings.

Further, the risk to inflation, and even higher household costs, from strongly rising energy, and food prices has generally abated. Europe and the US have continued to adapt to the threat of higher energy costs due to the war in Ukraine and Russia's moves to cut gas supply to Europe in response to sanctions.

London's resilience may be boosted by recent strength in the London economy compared to the UK as a whole as seen from survey data and some official statistics. The reasons for this are not fully clear. However, there is evidence that some of the export-oriented sectors in which London specialises are doing well, and that UK services exports other than to the EU are growing strongly. These gains may be flowing through to the average incomes of Londoners, whose expenditure as a result on consumer-facing sectors such as arts and hospitality may be higher than otherwise. Forced savings during the pandemic may also be contributing to higher expenditure.

In the medium term, one positive possibility hinges on demographics in London. Overseas worker and student migrant numbers have risen and are well ahead of pre-pandemic levels. London receives a major share of skilled migrants, so increases in visa numbers and students could boost the capital's labour supply and human capital. Although the previous government's announcement to curb numbers of immigrants might reverse these gains over time.

Housing costs look likely to rise in the near term. Record increases in asking rents in London will feed through into the overall stock of rents. And high short- and long-term interest rates are increasing mortgage costs. It is even possible that the rising costs of servicing a mortgage will see more private landlords sell off their property, while households on the margin between renting and buying cannot finance buying up that spare supply.

While the effects of imported inflation from higher energy and food prices have diminished the risk of secondary effects from a wage-price spiral remain. Inflation has fallen sharply throughout 2023 and into 2024, but forecasters expect some pickup in the near term. Thus, although interest rates may begin to fall over the coming year the economic dampening impact of higher rates than we have recently seen is likely to remain. Wage growth has generally seen a number of months of it exceeding inflation, which is a positive development if it is accompanied by higher productivity. If it is to recover lost wages after a period of restraint it may add to inflationary pressures. If firms respond to increased labour costs by hiking prices to preserve profit margins, this will increase inflationary pressures. In turn, the longer pressures remain on household budgets, the longer households are likely to depress spending further restraining economic activity.

There are also fiscal risks. Much of government debt is either short-term or linked to inflation. Higher business and personal tax to meet the cost of the pandemic are having limited effect on the debt burden. The previous government made a political decision in the 2023 Autumn Statement to use the funds from higher tax revenues to cut other taxes. There has been no additional cash for public services to meet the higher costs of services – this does not seem sustainable without some policy change, and will need to be addressed in some way by the new government. Further increases in taxes will dampen economic activity.

Political and geopolitical risks are also on the economic downside. The Israel-Hamas war has had very distressing human consequences for the civilian populations of both sides. So far, it has been mainly contained but if conflict spreads across the Middle East then this might bring another oil price shock. While elections in Europe and in the US may lead to more nationalistic policy making and a beggar-my-neighbour policies, which would be detrimental to growth.

There are also long-term downside risks. Firstly, while migration numbers have been up in recent national figures, London's inactivity rate is higher than before the pandemic, especially among older workers. So far, these increases have been sustained and fewer Londoners in the pool of workers and job-seekers reduces London's labour supply and its potential output. A policy to significantly reduce migration would also have a negative impact depending on when and how it is implemented.

Secondly, the arrival of a fresh downturn immediately on the heels of the pandemic shock makes long-term economic scarring increasingly likely. London already has a higher share of long-term unemployed than the wider UK[53]. Further increases could damage the capital's skills profile and make it harder for those out of work to quickly find new employment in a recovery. This could be a key trigger for long-term damage to London's output potential. A drop in business investment due to lower growth expectations, higher interest rates and elevated uncertainty would also damage London's long-term prospects by reducing growth in the capital stock. Lower investment is also likely to damage productivity growth in the long term. Combining these possible triggers, if London declines as an international centre for work and investment in the medium term and loses core business agglomerations, this would degrade output below our baseline in the long term.

3.5 Conclusion

The lingering effects of the pandemic and the cost of living crisis, and higher taxes to repay spending during the pandemic, have depressed consumer spending and restrained output growth. Irrespective of this, London does appear to be growing, albeit at a perhaps moderating rate, possibly benefiting from growing service exports outside the EU.

All sectors of London's economy were affected by the shocks of the last half decade, despite the unprecedented UK economic policy response to them. More recently, some of the sectors in which traditionally London has specialised have come to the fore. This may have boosted household incomes, and so spending on some consumer-facing sectors, which suffered disproportionately during the pandemic.

Stepping back from central projections, the outlook for London's economy remains uncertain. The risks to the economic recovery are varied and continue to skew to the downside. The evolution of the global economy, supply risks from the war in Ukraine, policy responses, the depth of savings cushions, the persistence of high interest rates, and the ongoing effects of Brexit are all salient risks. The response of households and firms to all these developments will determine the evolution of the capital's economy over the coming year.

Considering all these elements, GLA Economics provides its medium-term scenario-based forecasts for London's economy in Chapter 5 of this document.

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[53] GLA Economics (2022), "Out-of-work trends in London", November 2022. Accessible on the Labour Market Analysis web page.

4 Review of independent forecasts

GLA Economics forecasts four economic indicators: workforce jobs, real GVA, private consumption (household expenditure) and household income in London. This chapter summarises the consensus view as of **26 June 2024** on these indicators[54], drawing on forecasts from outside (independent) organisations[55]. Chapter 5 then provides a summary of GLA Economics' own projections.

All the external forecasts were produced over the period March to May. Both annual growth rates and 'standardised' absolute levels are reported. All money-valued data is in real terms (constant 2019 prices). The source for the historic data on GVA and workforce jobs presented in the following tables and charts is GLA Economics modelling using ONS data[56]. The source of historical data for Household Income and Expenditure is a mixture of Experian Economics (EE) for growth rates and GLA Economics modelling using EE data for the absolute levels. Beyond the headline, both the external consensus and GLA Economics deliver forecasts for employment and output growth in six broad sectors[57]:

- Manufacturing
- Construction
- Transport and storage
- Distribution[58], accommodation and food services
- Finance and business services[59]
- Other (public & private) services[60].

[54] The consensus forecast for GVA and employment is based on the latest available forecast from the Centre for Economics and Business Research, Experian Economics, Oxford Economics and S&P Global.
[55] S&P Global do not provide household expenditure forecasts.
[56] The main underlying ONS sources for output are the Quarterly country and regional GDP series and the Regional gross value added (balanced) by industry: all ITL regions series, and the main underlying ONS source for employment is Workforce jobs by region and industry.
[57] Since our Spring 2012 forecast, GLA Economics has been using the 2007 Standard Industrial Classification (SIC 2007). For more information see Appendix A of 'London's Economic Outlook: Spring 2012', GLA Economics, June 2012.
[58] Distribution is made from the summation of Wholesale and Retail.
[59] Business services is made from the summation of Information and Communication, Professional, scientific and technical services, Real estate, and Administrative and support service activities.
[60] This is the sum of Public admin and defence, Education, Health, Arts, entertainment and recreation and Other services. While this set of sectors neglects primary industry and utilities, these made up 1% of London's 2022 output.

Output

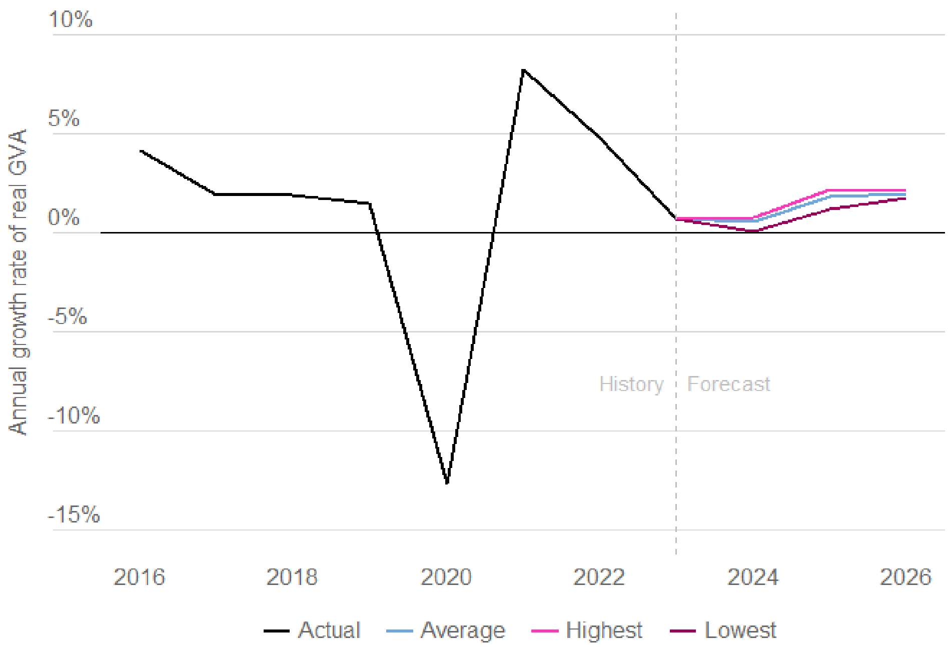
(London GVA, constant prices (base year 2019), £ billion)

The consensus (mean average) forecast puts real output growth at 0.6% in 2024, followed by 1.8% in 2025 and 2.0% in 2026.

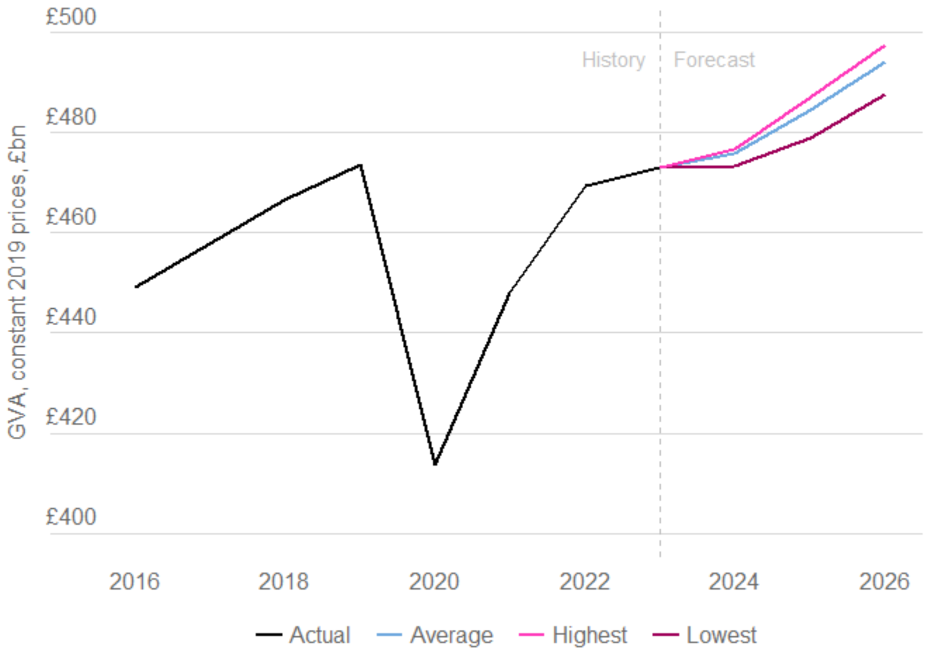
The consensus forecast indicates that the recovery of strong economic growth in London has been delayed. The December 2023 LEO consensus was for growth of 1.0% in 2024 and 2.0% in 2025.

The range of estimates has narrowed compared to the December forecast. The widest range of estimates for growth comes in 2025, with a difference of 1 percentage point (ppt) between the highest and lowest output growth estimates. The highest-growth profile projects London's economy to be 0.7% larger than the consensus path by 2026. Conversely, the lowest-growth profile projects London's economy to be 1.3% smaller than the consensus path by 2026. The levels of output in 2026 under the highest- and lowest-growth profiles differ by around 2.1%.

Annual growth



Level (constant year 2019, £ billion)



Annual growth (%)			
	2024	**2025**	**2026**
Average	0.6	1.8	2.0
Lowest	0.1	1.2	1.8
Highest	0.8	2.2	2.1
Level (constant 2019 prices, £ billion)			
	2024	**2025**	**2026**
Average	475.7	484.5	494.1
Lowest	473.3	478.9	487.5
Highest	476.6	487.2	497.5

History: Annual growth (%)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4.3	1.4	4.1	1.9	1.9	1.5	-12.6	8.2	4.8	0.7

History: Level (constant 2019 prices, £ billion)[61]

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
425.4	431.3	449.2	457.9	466.6	473.7	413.8	447.9	469.5	472.9

[61] The historical data from 2014 to 2022 is provided by the ONS, while the 2023 figure is based on our nowcast.

Employment

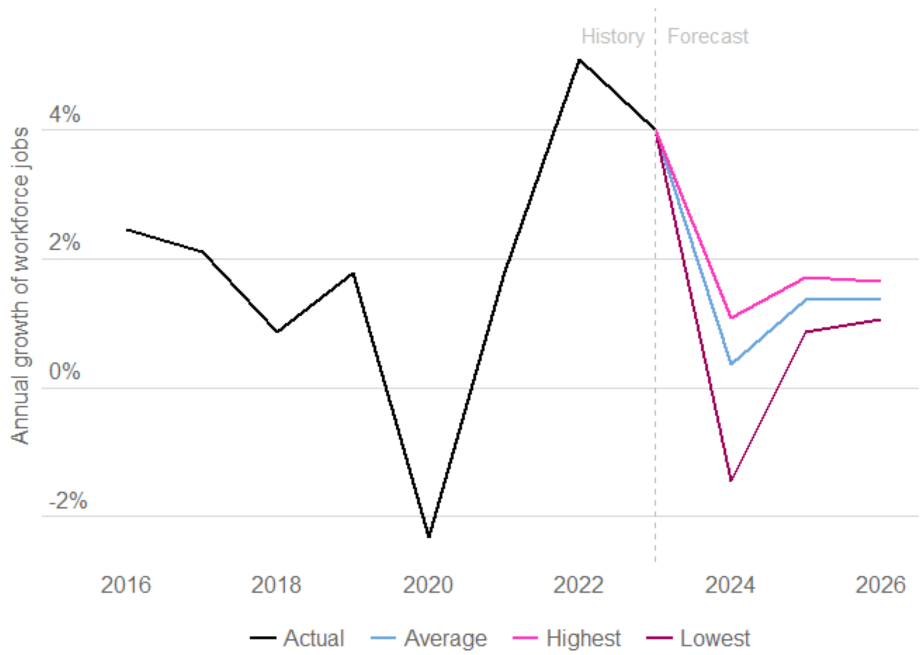
(London workforce jobs)

The consensus forecast for workforce jobs anticipates growth of 0.4% in 2024, before recovering to 1.4% in 2025 and 2026.

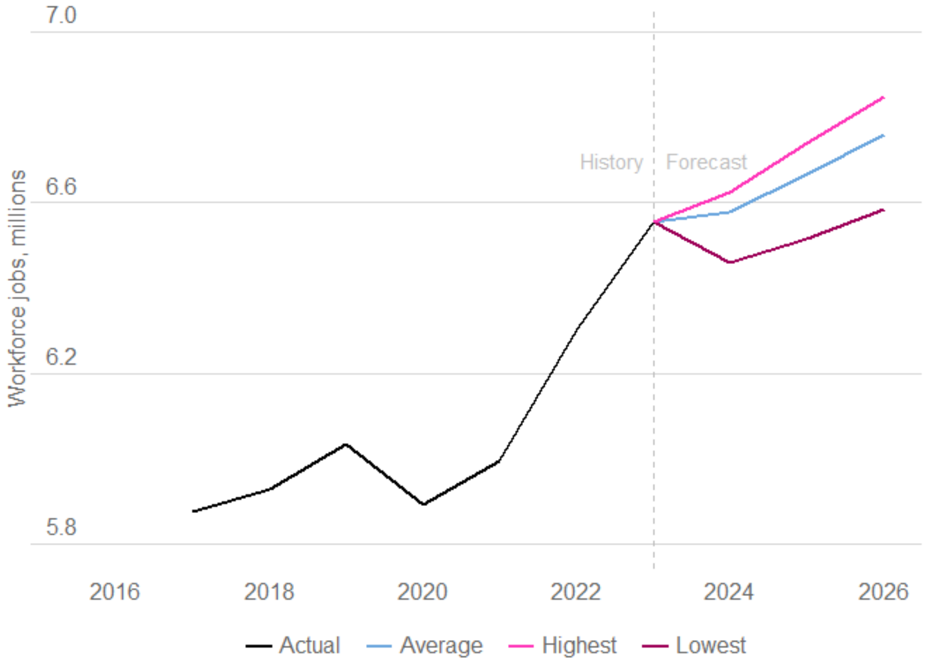
Compared to December 2023, the consensus forecast represents a worsening for this year. The previous consensus forecast saw growth of 1.0% in 2024 and 1.3% in 2025.

The widest range of growth projections is in 2024, with a 2.6ppt difference between the highest and lowest forecasts. The estimates then converge over the following two years, and the range narrows to 0.6ppt in 2026. The lowest-growth profile would see employment 2.6% below the consensus level by 2026, while the highest-growth profile would leave employment 1.3% above the consensus by 2026. There are 4% more jobs in the highest-growth profile than in the lowest-growth profile by 2026.

Annual growth



Level (millions of workforce jobs)



Annual growth (%)			
	2024	**2025**	**2026**
Average	0.4	1.4	1.4
Lowest	-1.5	0.9	1.1
Highest	1.1	1.7	1.7

Level (constant 2019 prices, £ billion)			
	2024	**2025**	**2026**
Average	6.6	6.7	6.8
Lowest	6.5	6.5	6.6
Highest	6.6	6.7	6.8

History: Annual growth (%)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4.3	2.0	2.5	2.1	0.9	1.8	-2.3	1.7	5.1	4.0

History: Level (millions of persons)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
5.5	5.6	5.8	5.9	5.9	6.0	5.9	6.0	6.3	6.6

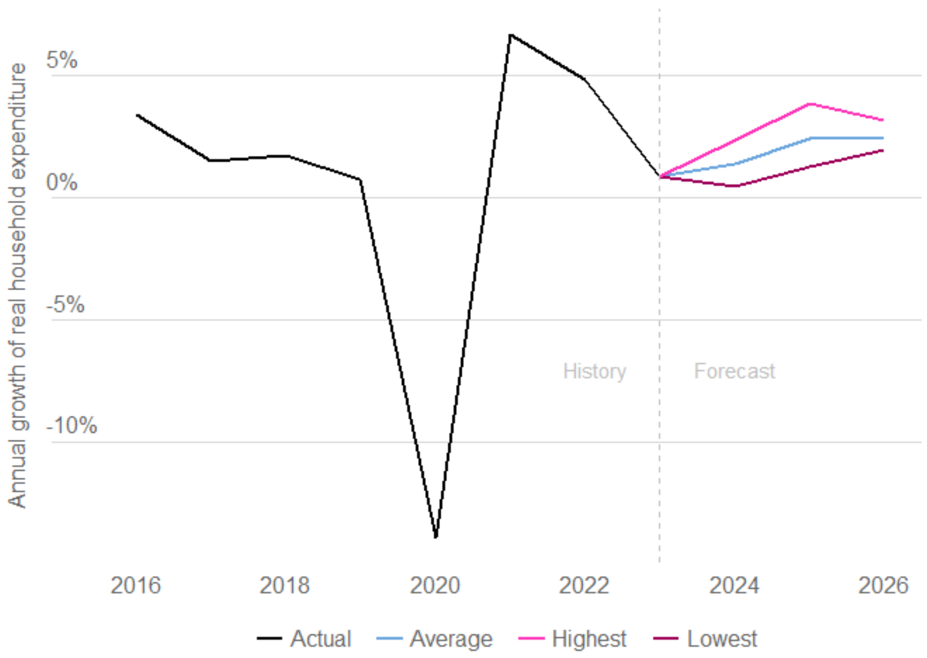
Household expenditure

(Constant prices (base year 2019), £ billion)

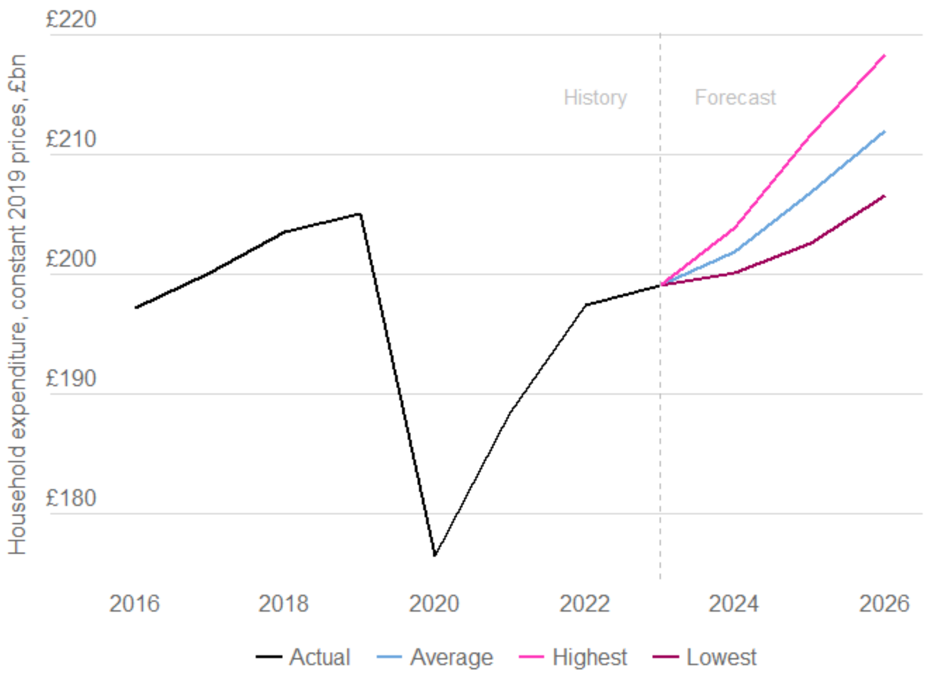
The consensus forecast for consumer spending anticipates moderate growth of 1.4% in 2024, with a recovery to 2.5% in 2025 and 2026.

This is slightly stronger than the December 2023 consensus, which projected growth of 1.2% in 2024 and 2.2% in 2025.

Annual growth



Level (constant 2019 prices, £ billion)



Annual growth (%)			
	2024	**2025**	**2026**
Average	1.4	2.5	2.5
Lowest	0.5	1.3	2.0
Highest	2.4	3.8	3.1

Level (constant 2019 prices, £ billion)			
	2024	**2025**	**2026**
Average	201.8	206.8	212.0
Lowest	200.1	202.6	206.6
Highest	203.9	211.7	218.4

History: Annual growth (%)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3.1	2.6	3.4	1.5	1.7	0.7	-13.9	6.7	4.8	1.3

History: Level (constant 2019 prices, £ billion)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
185.8	190.7	197.2	200.1	203.6	205.1	176.5	188.4	197.5	199.1

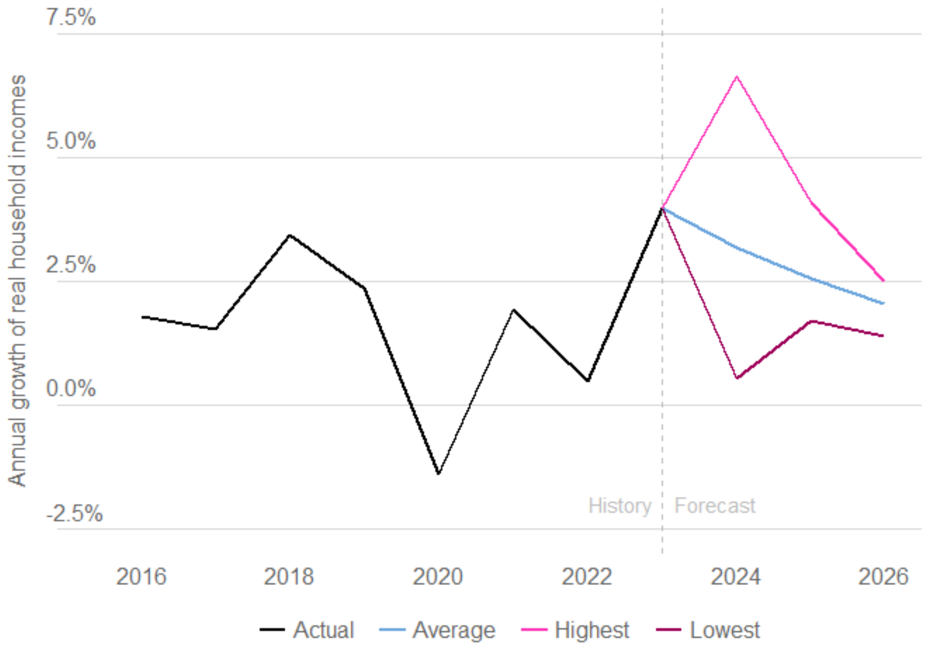
Household income

(London real disposable household income, constant prices (base year 2019), £ billion)

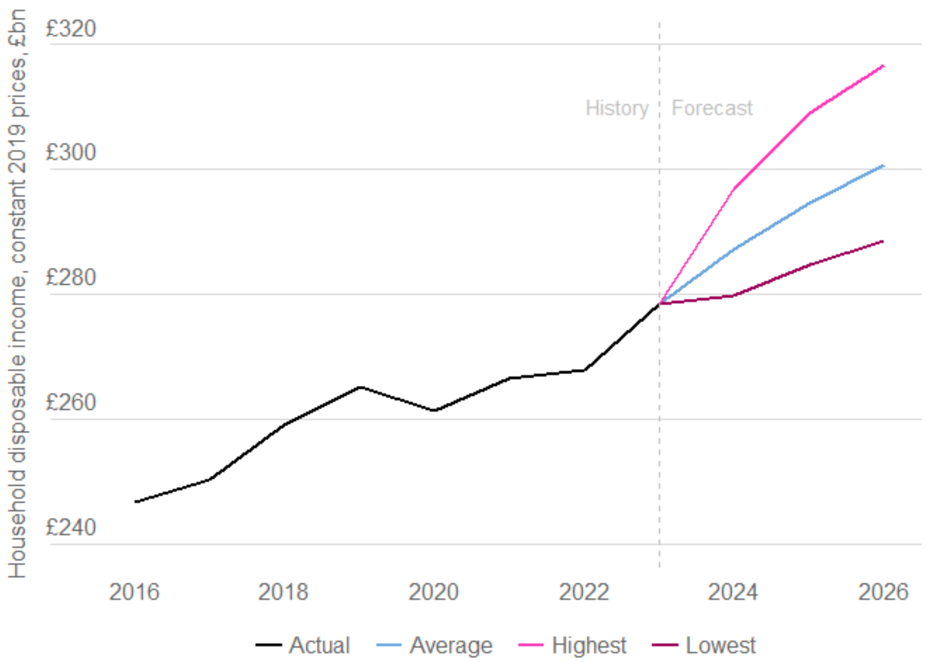
The consensus forecast for household income is for growth of 3.2% in 2024, followed by 2.6% in 2025 and 2.0% in 2026.

The consensus forecast has been upgraded from the forecast of annual growth of 1.7% in 2024 and 2.1% in 2025 in the December 2023 consensus.

Annual growth



Level (constant 2019 prices, £ billion)



Annual growth (%)			
	2024	**2025**	**2026**
Average	3.2	2.6	2.0
Lowest	0.5	1.7	1.4
Highest	6.6	4.1	2.5

Level (constant 2019 prices, £ billion)			
	2024	**2025**	**2026**
Average	287.2	294.6	300.6
Lowest	279.8	284.6	288.6
Highest	296.8	309.0	316.7

History: Annual growth (%)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4.6	7.7	1.8	1.5	3.4	2.4	-1.4	1.9	0.5	4.0

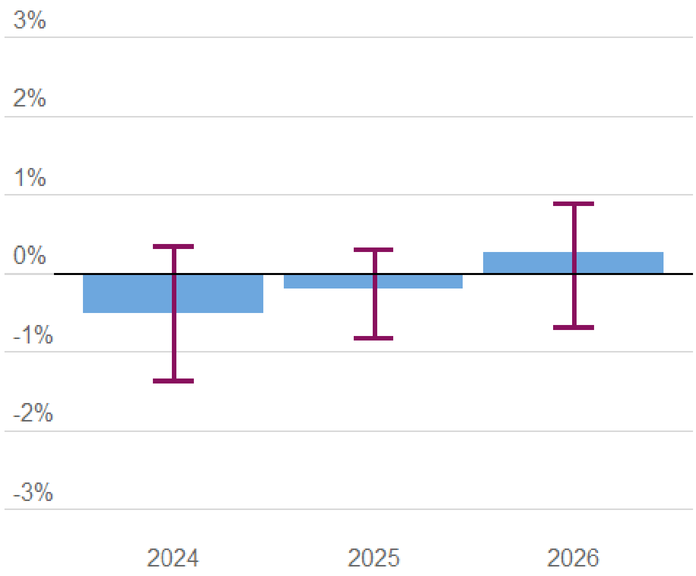
History: Level (constant 2019 prices, £ billion)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
224.9	242.3	246.6	250.4	259.0	265.1	261.4	266.4	267.7	278.3

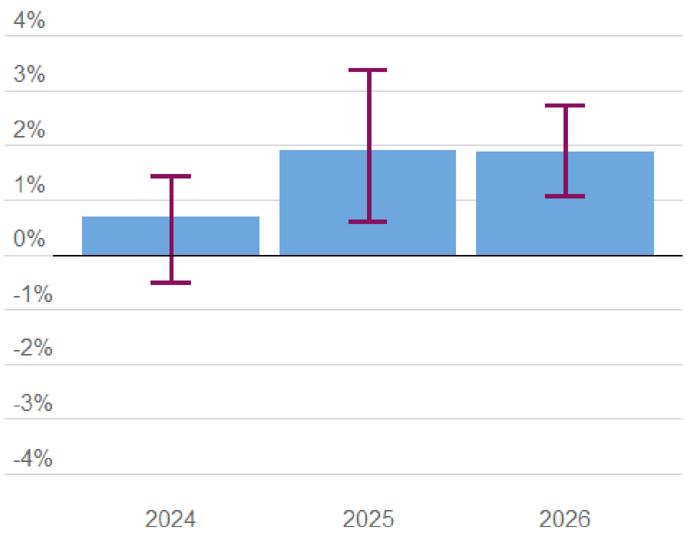
Output growth by sector

The consensus forecast sees most of London's services sectors maintaining growth across the next three years. However, the manufacturing sector is expected to experience a contraction this year and next, while the construction sector is projected to contract this year but return to growth in 2025.

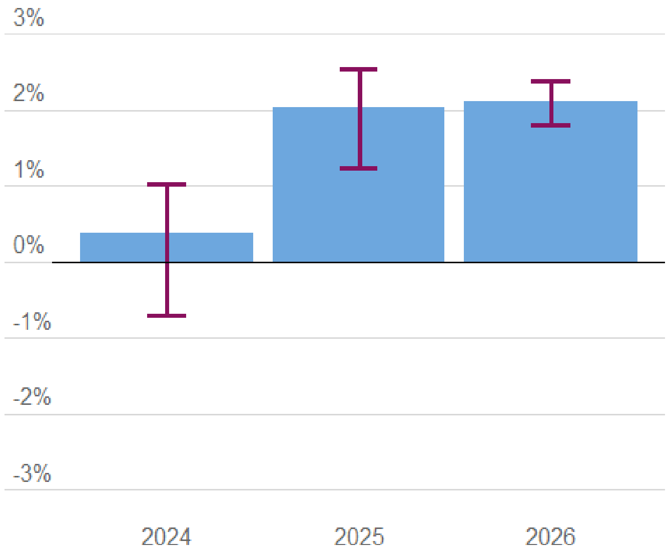
Manufacturing



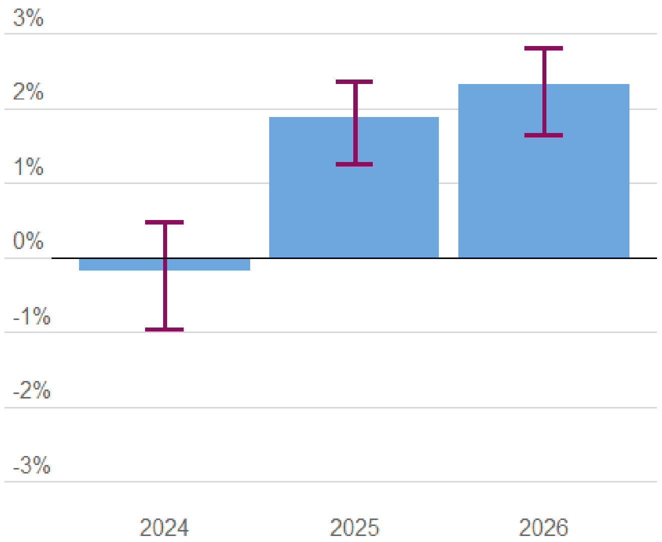
Distribution, accommodation and food service activities



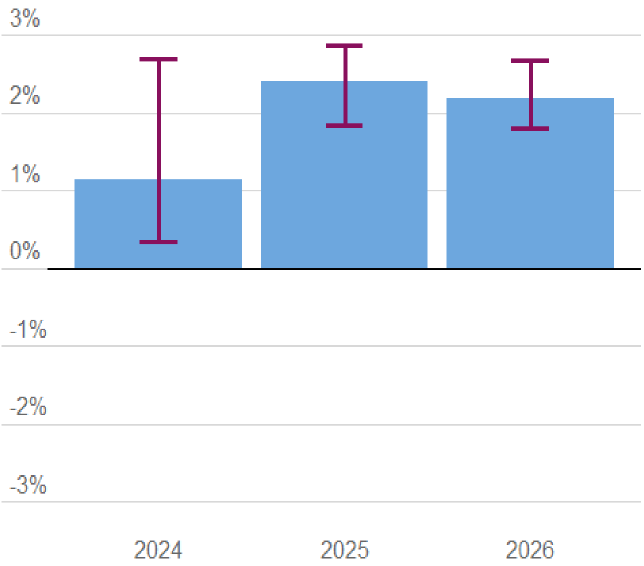
Finance and business



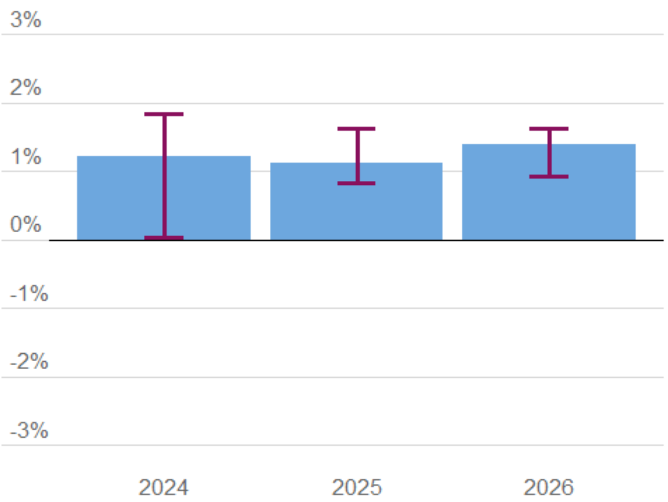
Construction



Transport and storage



Other services (public and private)

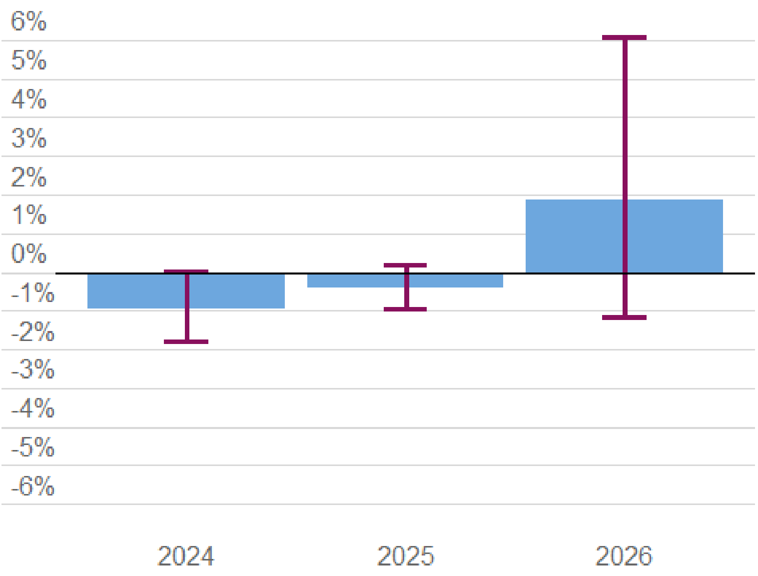


		2024	2025	2026			2024	2025	2026
Manufacturing	Average	-0.5	-0.2	0.3	**Construction**	Average	-0.2	1.9	2.3
	Lowest	-1.4	-0.8	-0.7		Lowest	-1.0	1.3	1.6
	Highest	0.3	0.3	0.9		Highest	0.5	2.4	2.8
Distribution, accommodation and food	Average	0.7	1.9	1.9	**Transport and storage**	Average	1.1	2.4	2.2
	Lowest	-0.5	0.6	1.1		Lowest	0.3	1.8	1.8
	Highest	1.4	3.4	2.7		Highest	2.7	2.9	2.7
Finance and business	Average	0.4	2.0	2.1	**Other services (public and private)**	Average	1.2	1.1	1.4
	Lowest	-0.7	1.2	1.8		Lowest	0.0	0.8	0.9
	Highest	1.0	2.5	2.4		Highest	1.8	1.6	1.6

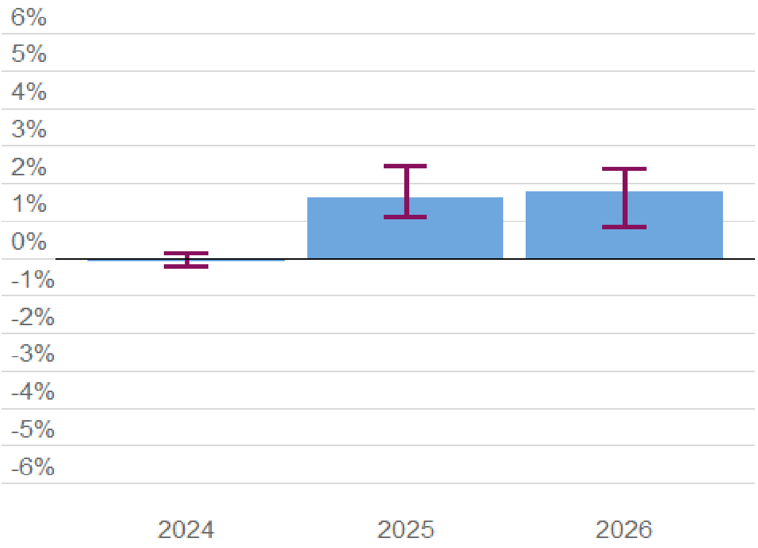
Employment growth by sector

The profile of sectoral job growth is generally similar, with services as a whole outperforming the goods sectors in 2024 and 2025. Employment in the Manufacturing and Construction sectors is expected to improve significantly in 2026, with job growth rates nearly equivalent to those in the Finance and business sector.

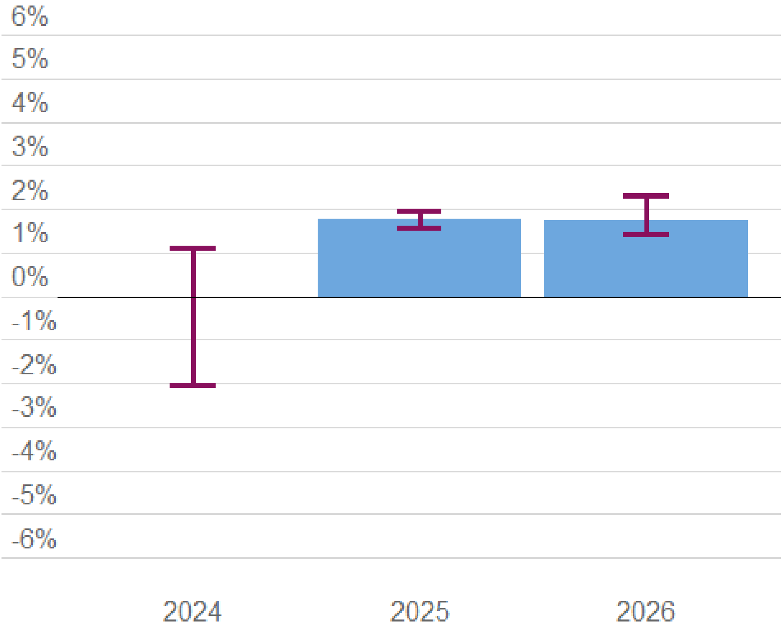
Manufacturing



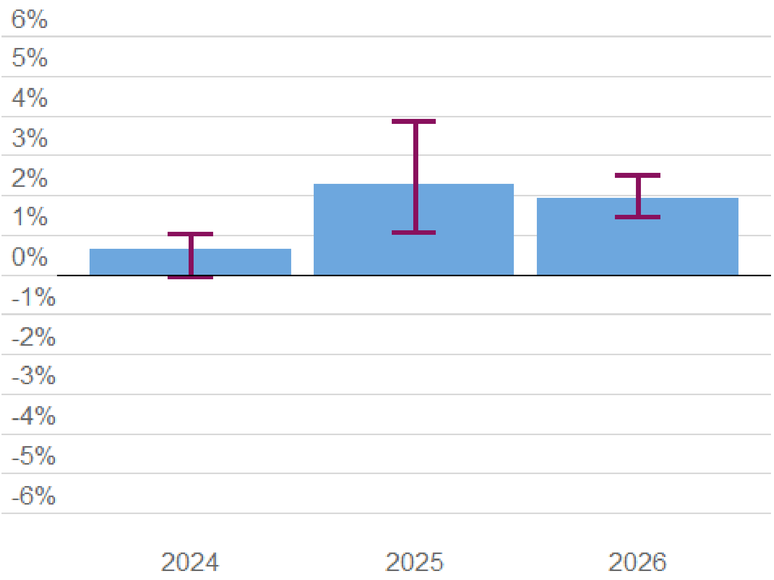
Construction



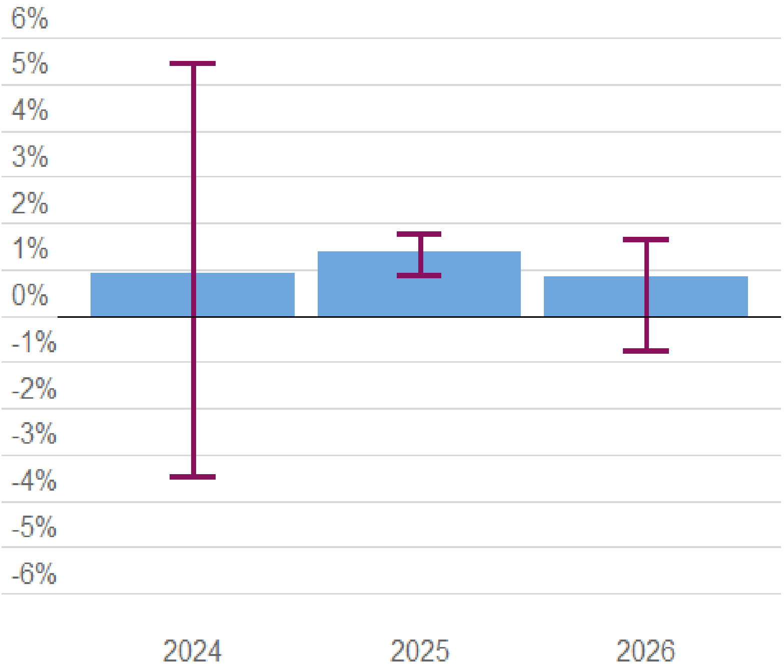
Distribution, accommodation and food service activities



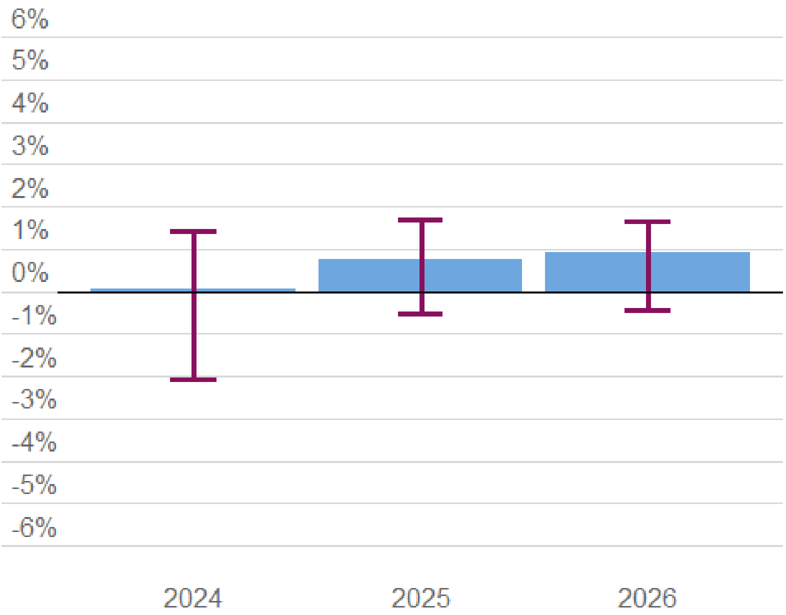
Finance and business



Transport and storage



Other services (public and private)



		2024	2025	2026			2024	2025	2026
Manufacturing	Average	-0.9	-0.4	1.9	**Construction**	Average	-0.1	1.6	1.8
	Lowest	-1.8	-0.9	-1.2		Lowest	-0.2	1.1	0.8
	Highest	0.0	0.2	6.1		Highest	0.1	2.5	2.4
Distribution, accommodation and food	Average	-0.1	1.8	1.7	**Transport and storage**	Average	0.9	1.4	0.8
	Lowest	-2.0	1.6	1.4		Lowest	-3.5	0.9	-0.8
	Highest	1.1	2.0	2.3		Highest	5.5	1.8	1.7
Finance and business	Average	0.7	2.3	1.9	**Other services (public and private)**	Average	0.1	0.7	0.9
	Lowest	-0.1	1.1	1.5		Lowest	-2.1	-0.5	-0.4
	Highest	1.0	3.9	2.5		Highest	1.4	1.7	1.7

5. The GLA Economics reference forecast

For business planning purposes (for example, the likely course of revenue), GLA Economics produces estimates of job numbers and output at a range of points in time. The medium-term planning projections (this forecast) provide those estimates.

This forecast differs from the GLA's long-term employment projections[62], which are trend-based. Trend projections, by definition, do not incorporate cyclical variations and the actual course of output and employment will vary around this trend. These long-term projections are essential for planning to provide capacity (such as office space, housing and transport). They also allow planners to accommodate the needs of the economy throughout the cycle, including at its peak. However, business planning also requires estimates of actual economic aggregates in the medium term, including cyclical paths.

As time progresses and more data is available, it becomes possible to identify turning points in the data; whether underlying trends are continuing, or new trends are being established.

The source for the historic data in the following tables and charts is GLA Economics modelling using ONS data.

This analysis includes a measure of uncertainty around the central scenario using alternative scenarios developed by GLA Economics. The upside scenario sees a stronger recovery as London's relatively higher-income consumers are cushioned by a buffer of savings built up over the pandemic and inflation fades swiftly. Our downside scenario sees a downturn and a slow recovery, as inflation remains stubborn, dragging on incomes and keeping interest rates high, which could prompt businesses to defer investment. Additionally, lingering increases in economic inactivity after the pandemic and slow trade growth following Brexit could exacerbate the economic downturn. The prolonged spell of low growth also means an increased possibility for deeper pandemic-related scarring on medium-term output and jobs.

5.1 Results

London's economic output had been growing every year from 2010 to 2019 before the pandemic drove an unprecedented contraction in 2020. The latest estimated annual regional output data has increased the size of the pandemic drop in 2020 to -12.6%, from -9.9% in previous estimates, and revised the 2021 growth down from 10.0% to 8.2% now (see Box 3.1 for further details).

Though the latest data show that London experienced a more severe impact from the pandemic, London had the largest increase in real GVA in the UK in 2022, with a growth rate 4.8%. Faced with high inflation and the cost of living crisis, the pace of recovery in London slowed substantially in 2023, and we nowcast that the real GVA growth in London in 2023 was 0.7%.

With the recent significant easing in inflation pressures, our baseline central scenario, which is consistent with Bank of England and OBR projections, suggests weak growth in this year, followed by a steady upward growing trend in the medium-term. Also, London's economy has outperformed the wider UK in recent data, so any positive shocks to the national economy should lead to an even more optimistic outlook for the capital. Consequently, we expect London's GVA growth rate to return to around 2% by 2026, which is projected to be faster than the overall UK growth rate.

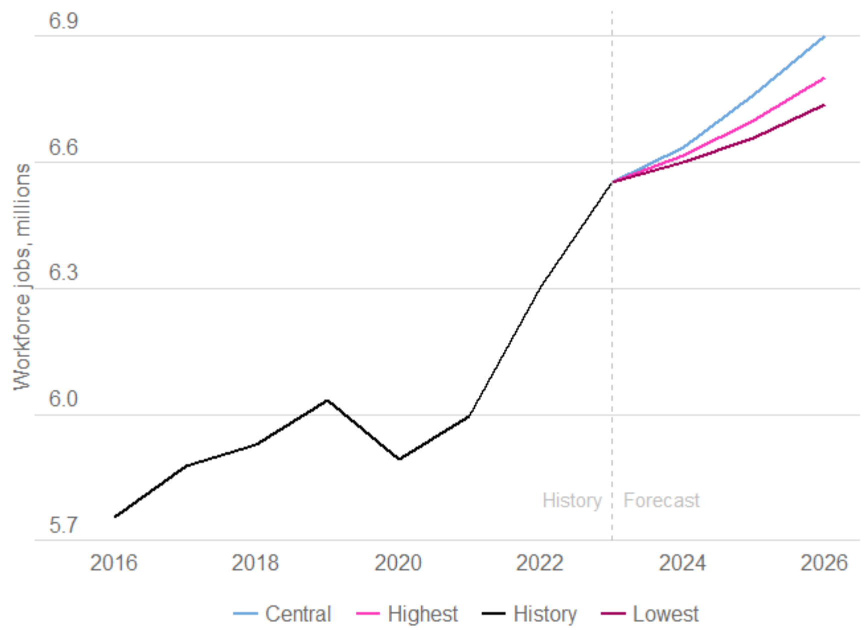
[62] GLA Economics (2022). 'London labour market projections 2022'.

On the employment side, our forecast has improved for this year due to strong growth in the past year. We maintain the same projection for the growth rate of workforce jobs at 1.3% in 2025 as in the December 2023 LEO forecast, with a slight increase to 1.5% in 2026.

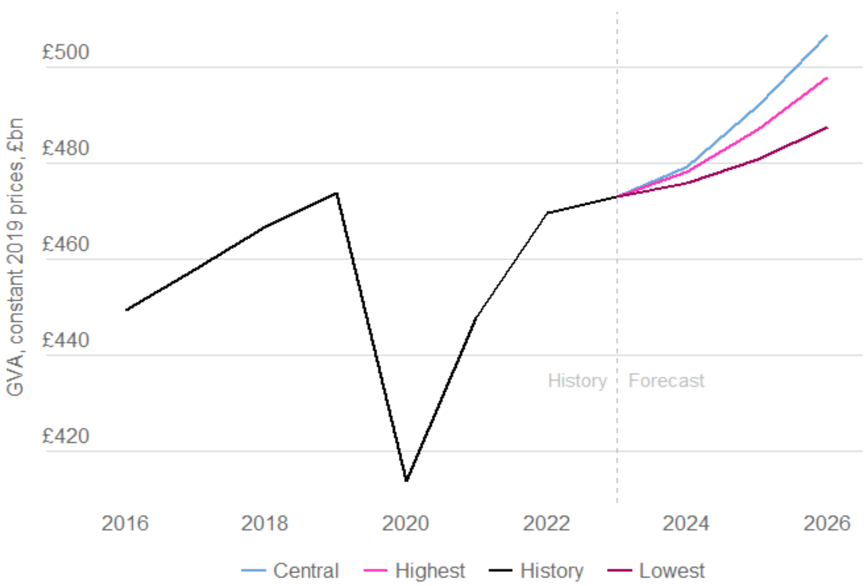
Our forecast for household spending in 2024 has been downgraded from 0.8% in the December 2023 LEO forecast to 0.6%, as the cost of living crisis has not fully eased. Nevertheless, consistent with the shifts in output and the labour market, we expect real income and expenditure to increase in 2025 and maintain upward trends in 2026.

Figure 5.1: GLA Economics' forecasts and scenarios for employment and output

Workforce jobs



Output



Source: GLA Economics estimates for historic data and GLA Economics calculations for forecast

Table 5.1: Central scenario-based forecast and historical growth rates

(Annual % change)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
GVA	1.9	1.9	1.5	-12.6	8.2	4.8	0.7	1.1	1.9	2.2
Workforce jobs	2.1	0.9	1.8	-2.3	1.7	5.1	4.0	1.0	1.3	1.5
Household spending	1.5	1.7	0.7	-13.9	6.7	4.8	0.8	0.6	2.1	2.0
Household income	1.5	3.4	2.4	-1.4	1.9	0.5	4.0	1.9	2.8	2.6

Table 5.2: Scenario-based forecast and historical levels

(Constant 2019 prices, £ billion except jobs)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
GVA	457.9	466.6	473.7	413.8	447.9	469.5	472.9	478.1	487.1	497.8
Workforce jobs (million)	5.9	5.9	6.0	5.9	6.0	6.3	6.6	6.6	6.7	6.8
Household spending	200.1	203.6	205.1	176.5	188.4	197.5	199.1	200.4	204.6	208.7
Household income	250.4	259.0	265.1	261.4	266.4	267.7	278.3	283.7	291.6	299.2

Output

(London GVA, constant prices (base year 2019), £ billion)

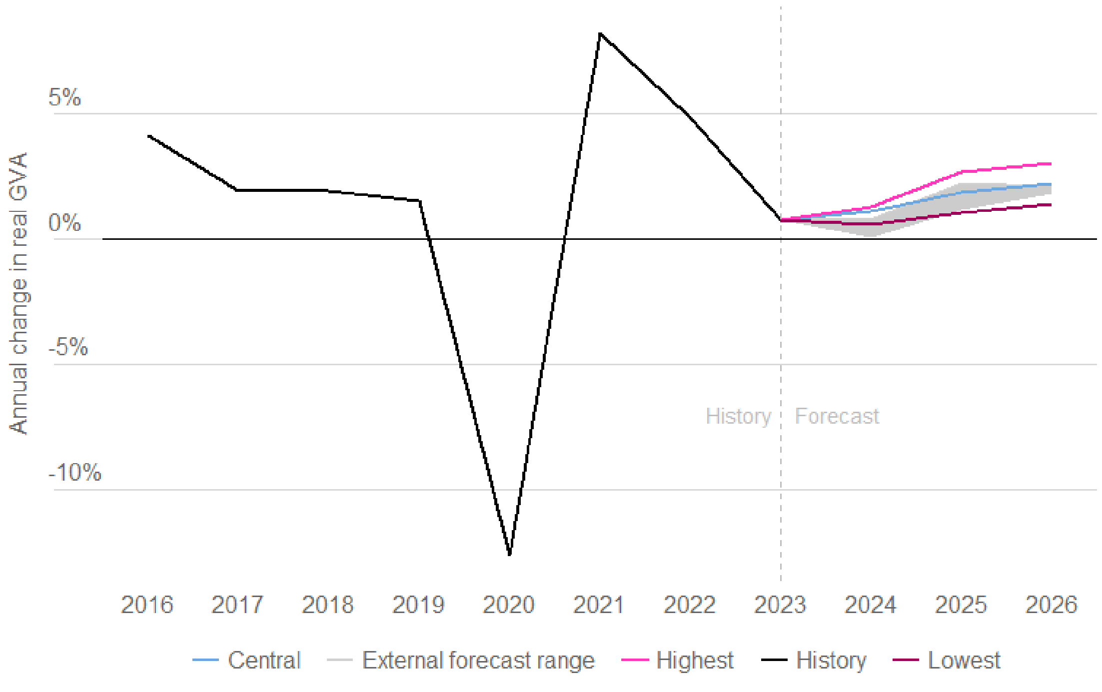
The latest ONS data estimates that London's real GVA grew by 4.8% in 2022, and we estimate that London's real GVA grew by 0.7% in 2023. In 2024, Consumer Prices Index (CPI) inflation dropped quicker than expected, with the inflation rate falling to 2.0% in May. At the same time, UK output grew strongly by 0.6% in the first quarter of 2024. Based on these trends, our forecast expects moderate growth of 1.1% in 2024, rising to 1.9% in 2025 and 2.2% in 2026.

London's output in 2024 has received a slight upgrade compared to our December 2023 LEO forecast, as inflation decreased quicker than expected and the cost of living crisis eased. Our forecast in December 2023 projected growth of 1.0% in 2024, followed by 1.6% in 2025.

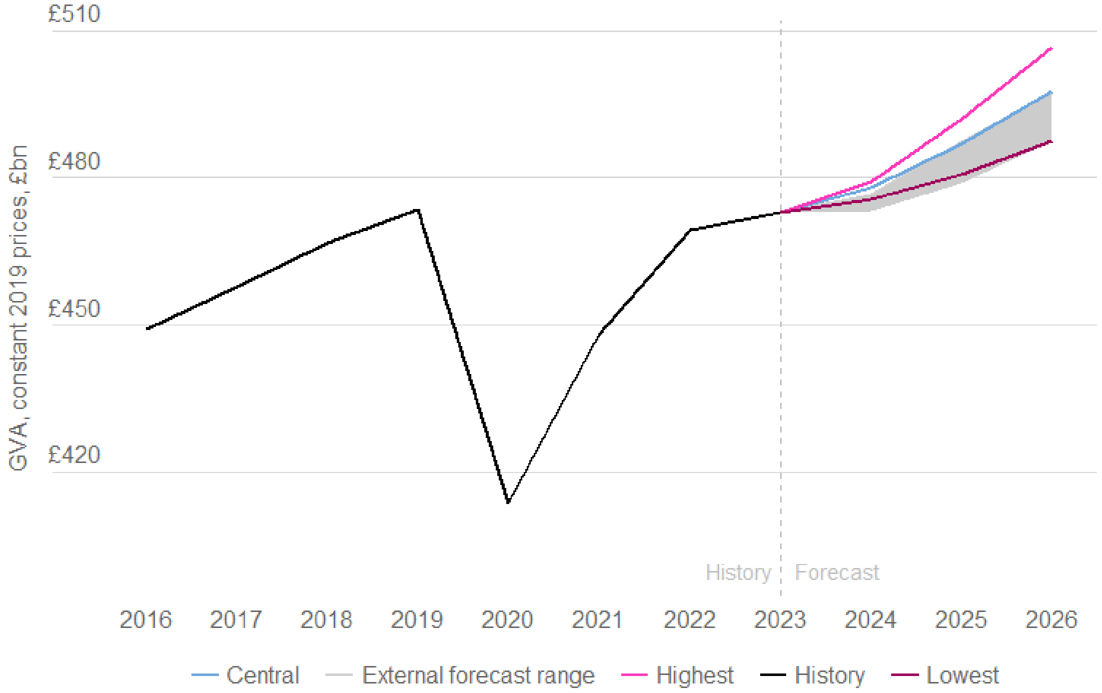
Our scenarios envision different degrees of growth, both in 2024 and structurally in the medium term. Our upside scenario sees high-income consumers spending more of their savings, pushing growth above 2% in 2025. Growth then converges close to the 2010 to 2019 averages. Meanwhile, our downside scenario anticipates that inflation will remain above the 2% target for longer than expected, with monetary tightening restraining growth at a subdued rate in the second half of 2024 and into 2025.

Based on more recent data, our baseline scenario for output tends to be slightly higher than the average of external forecasters. Our downside scenario, meanwhile, is more optimistic than external forecasters in the near term as more up-to-date economic trends are considered, but it incorporates pessimistic assumptions about the long-term damage caused by two economic downturns in succession. As a result, projected output by 2026 in the upside scenario is around 4.0% above the level projected in the downside scenario.

Annual growth (%)



Level (constant 2019 prices, £ billion)



Growth (annual %)				
	2023	**2024**	**2025**	**2026**
Gradual economic recovery	0.7	1.1	1.9	2.2
Fast recovery		1.3	2.7	3.0
Slow recovery		0.6	1.1	1.4

Level (constant 2019 prices, £ billion)				
	2023	**2024**	**2025**	**2026**
Gradual economic recovery	472.9	478.1	487.1	497.8
Fast recovery		479.2	491.9	506.8
Slow recovery		475.7	480.8	487.5

(See Chapter 4 for tables of historical data)

Employment

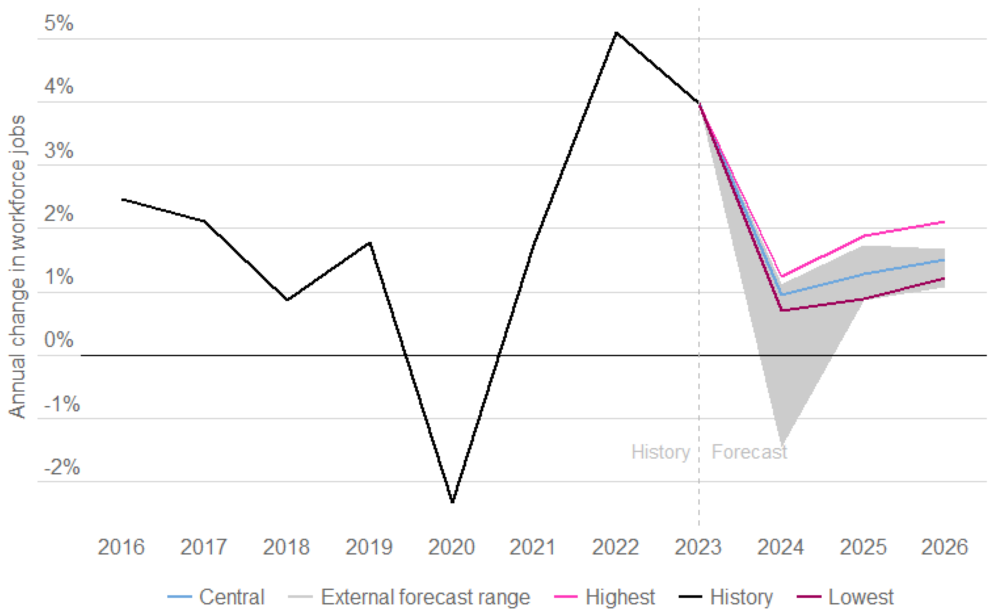
(London workforce jobs)

London's workforce jobs grew by 4.0% in 2023. We expect the momentum in the labour market to continue, with job growth projected at 1.0% in 2024, rising to 1.3% in 2025 and 1.5% in 2026. This outlook represents an upgrade from our December 2023 LEO forecast.

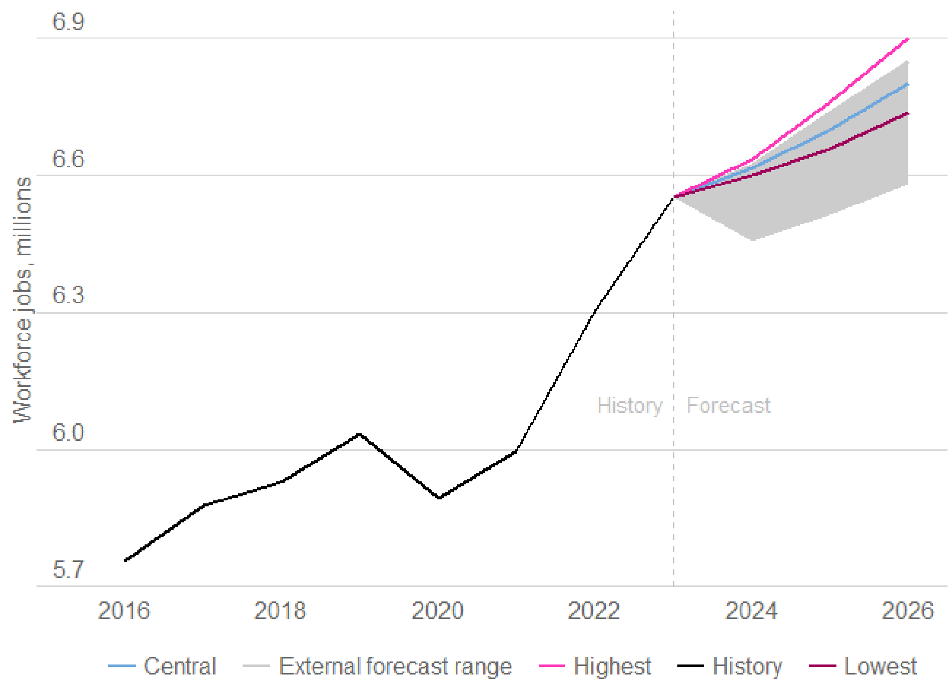
Our upside scenario envisions continued firm momentum in the labour market, as the economy largely mitigates the impacts of the cost of living crisis and monetary tightening. Meanwhile, the downside scenario projects lower, yet still positive, growth rates across all three years.

With more recent data indicating a stronger than expected labour market, which is included in our estimation, our forecast is more optimistic compared with external forecasts. Given that a resilient labour market likely underpins recent improvements in wider economic data, we see the risks to job growth as reasonably balanced, with a slight tilt towards the upside.

Annual growth (%)



Level (millions of workforce jobs)



Growth (annual %)				
	2023	**2024**	**2025**	**2026**
Gradual economic recovery	4.0	1.0	1.3	1.5
Fast recovery		1.2	1.9	2.1
Slow recovery		0.7	0.9	1.2

Level (millions of workforce jobs)				
	2023	**2024**	**2025**	**2026**
Gradual economic recovery	6.6	6.6	6.7	6.8
Fast recovery		6.7	6.8	6.9
Slow recovery		6.6	6.6	6.7

(See Chapter 4 for tables of historical data)

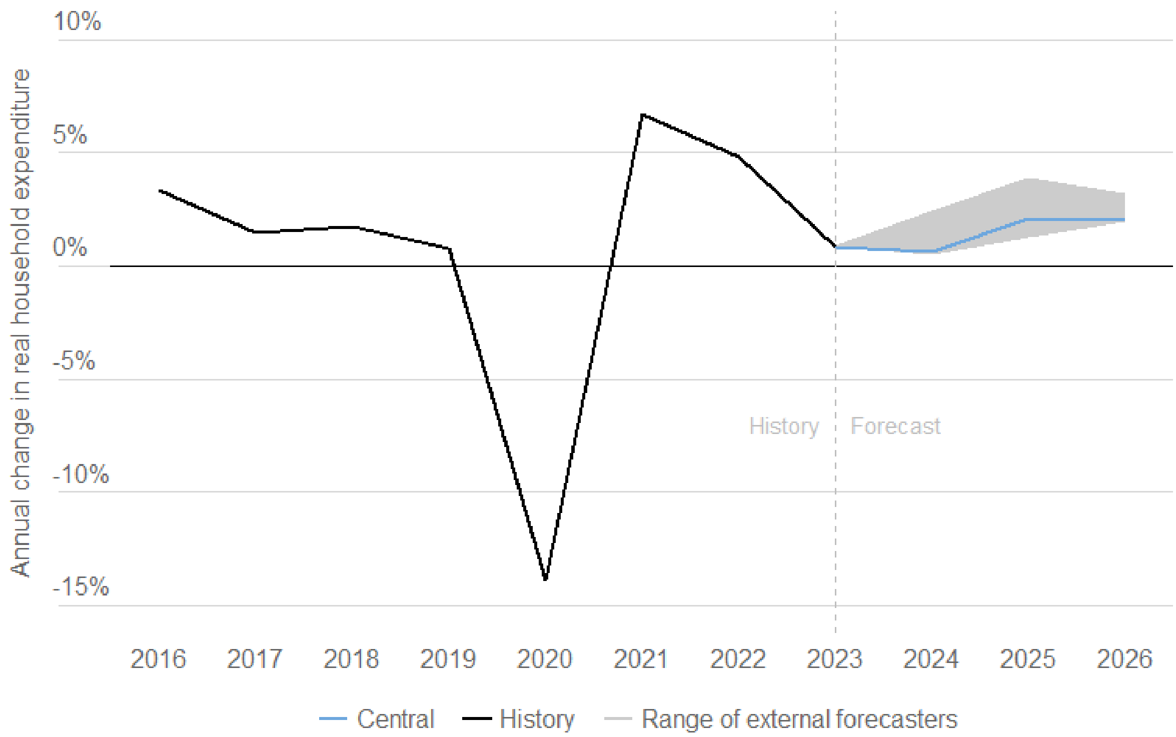
Household expenditure

(London household spending, constant prices (base year 2019), £ billion)

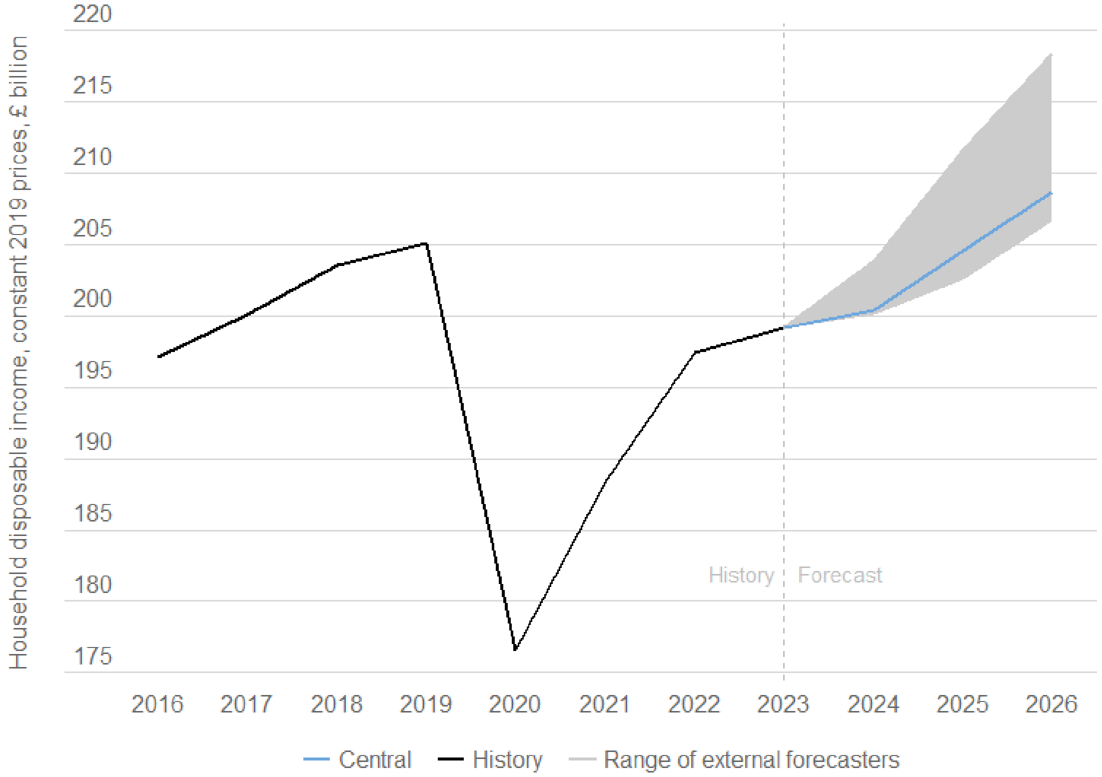
GLA Economics forecasts consumer spending to grow by 0.6% in 2024, before recovering slowly to growth of 2.1% in 2025 and 2.0% in 2026. This profile is slightly below the external consensus.

This is also lower than our December 2023 LEO forecast, which expected growth of 1.6% in 2024 and 3.1% in 2025. The spending recovery from the cost of living crisis is now envisioned to be more gradual.

Annual growth (%)



Level (constant year 2019, £ billion)



(See Chapter 4 for tables of historical data)

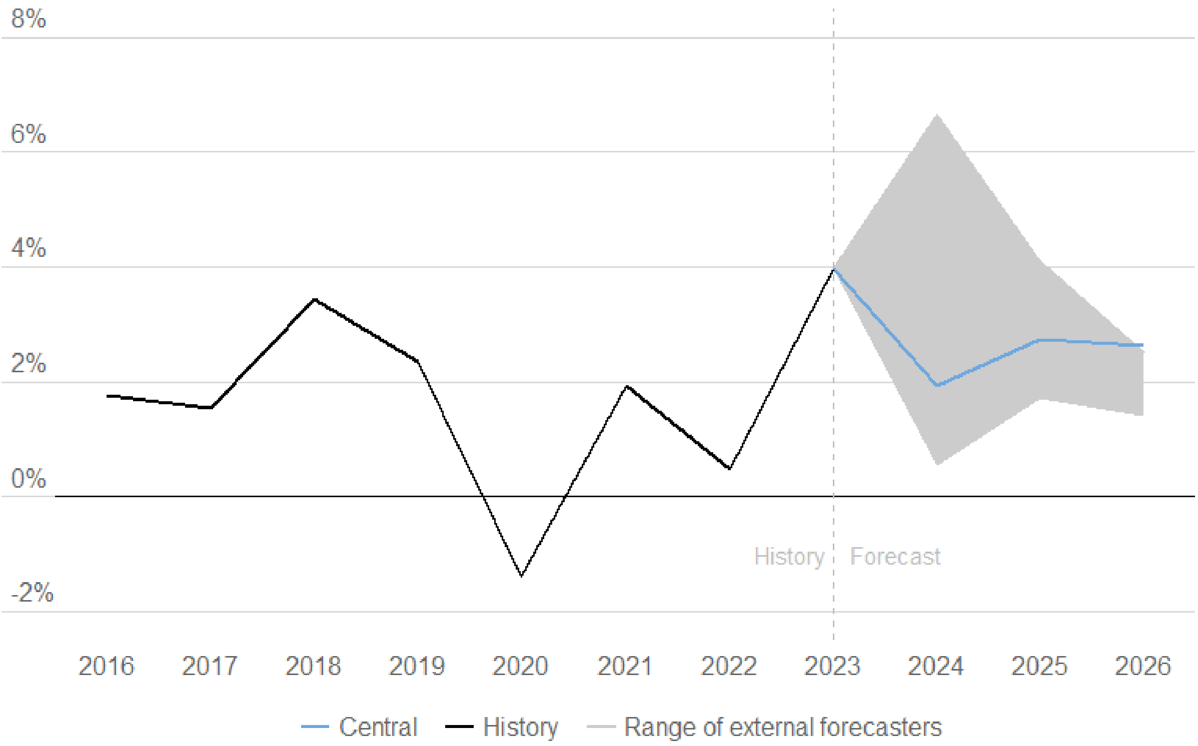
Household income

(London real disposable household income, constant prices (base year 2019), £ billion)

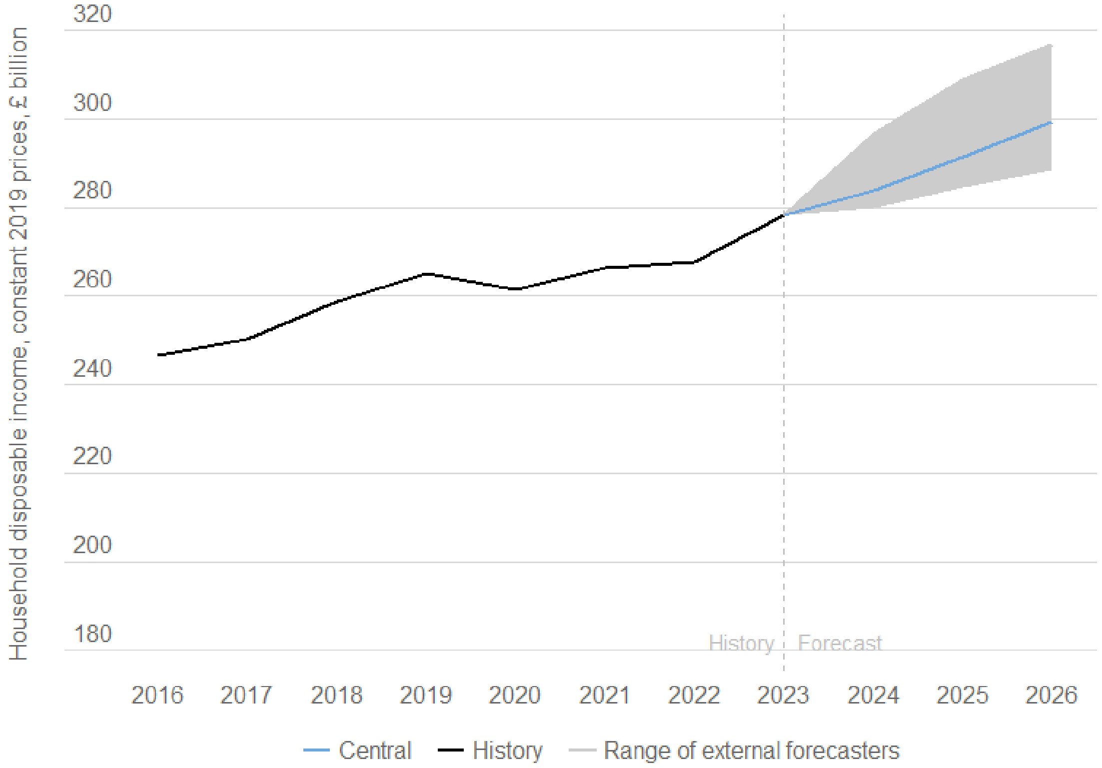
GLA Economics forecasts overall real disposable income in London to grow by 1.9% in 2024, before recovering steadily to growth of 2.8% in 2025 and 2.6% in 2026. This profile is more pessimistic than the external consensus for this year, converges with it in 2025, and exceeds it in 2026.

This forecast downgrades our December 2023 LEO forecast for 2024 but remains similar for 2025. We therefore anticipate that incomes will recover more gradually from the cost of living crisis in 2024, with a stronger recovery expected in the following two years.

Annual growth (%)



Level (constant year 2019, £ billion)

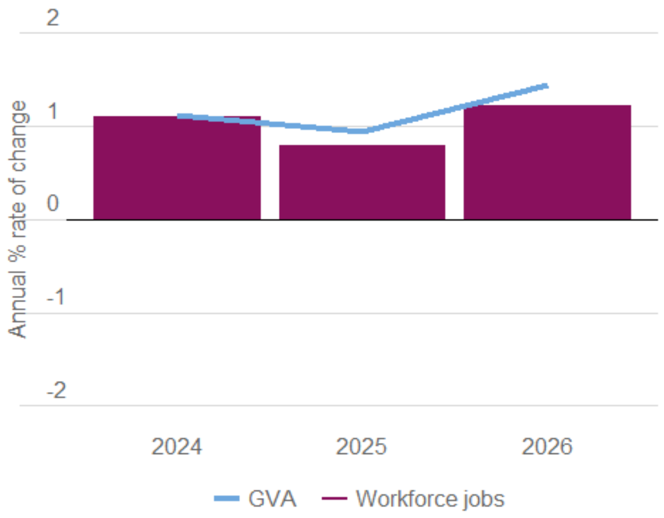


(See Chapter 4 for tables of historical data)

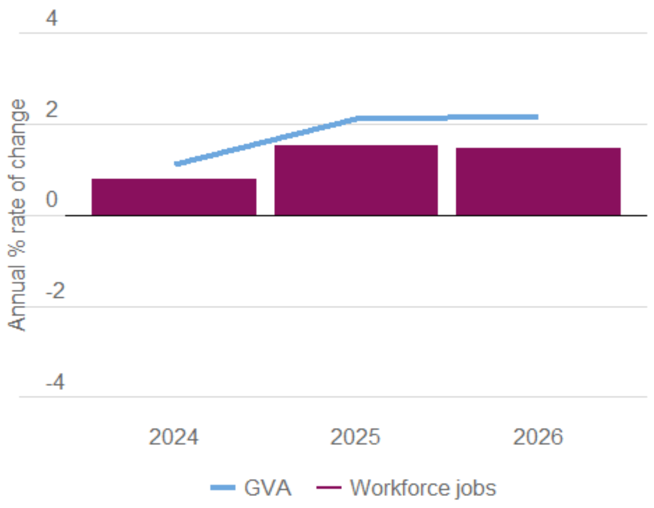
Output and employment growth by sector

(% annual change)

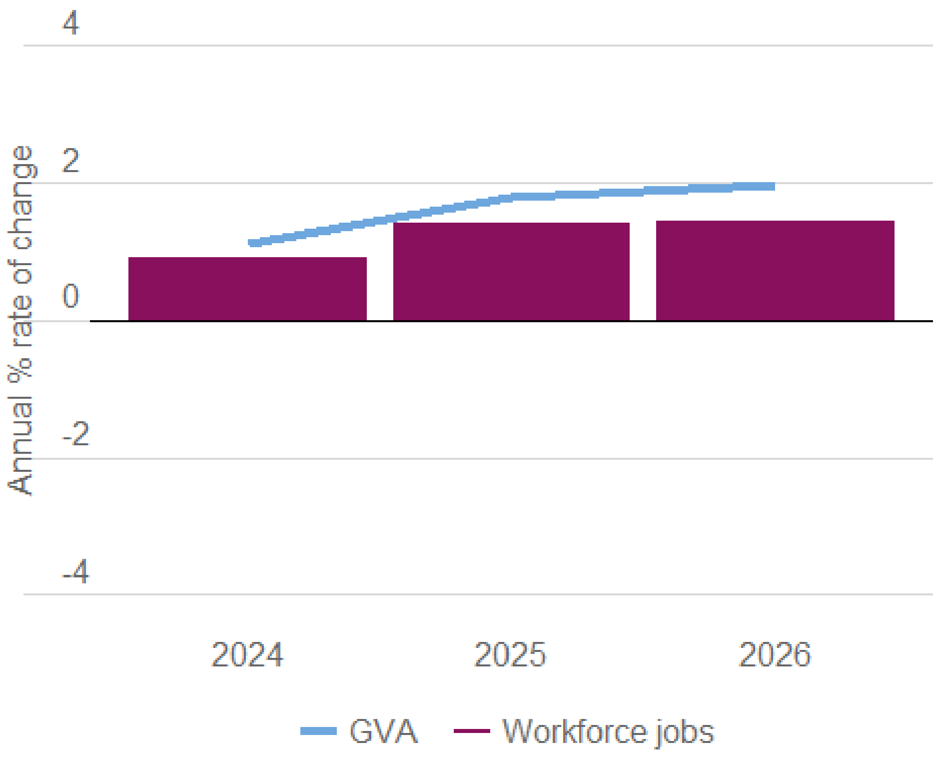
Financial services



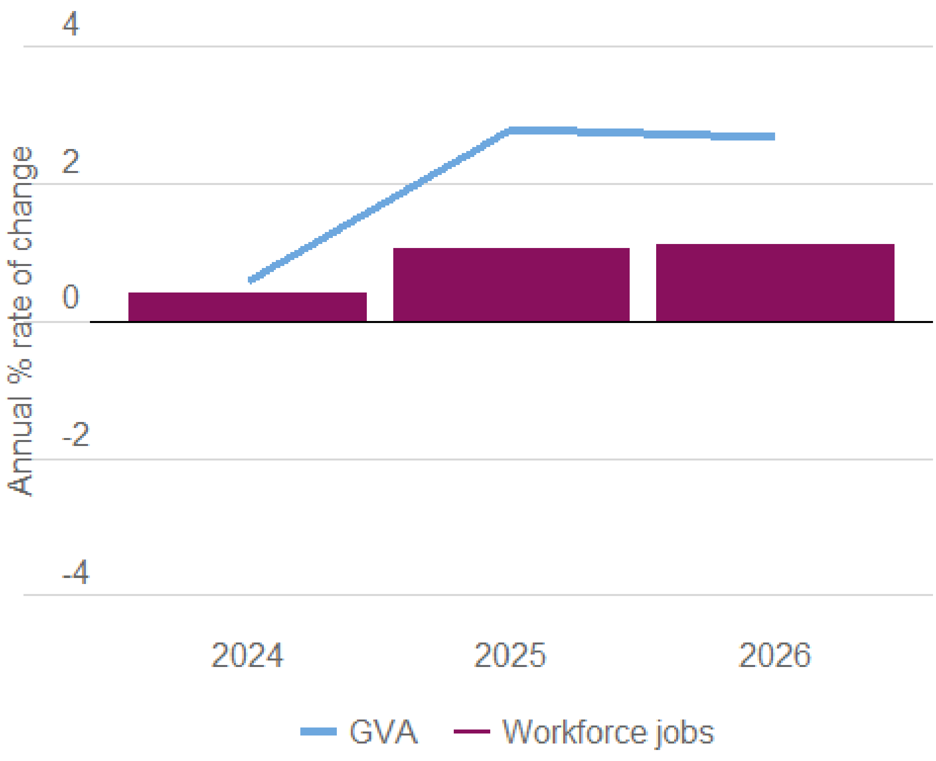
Business services



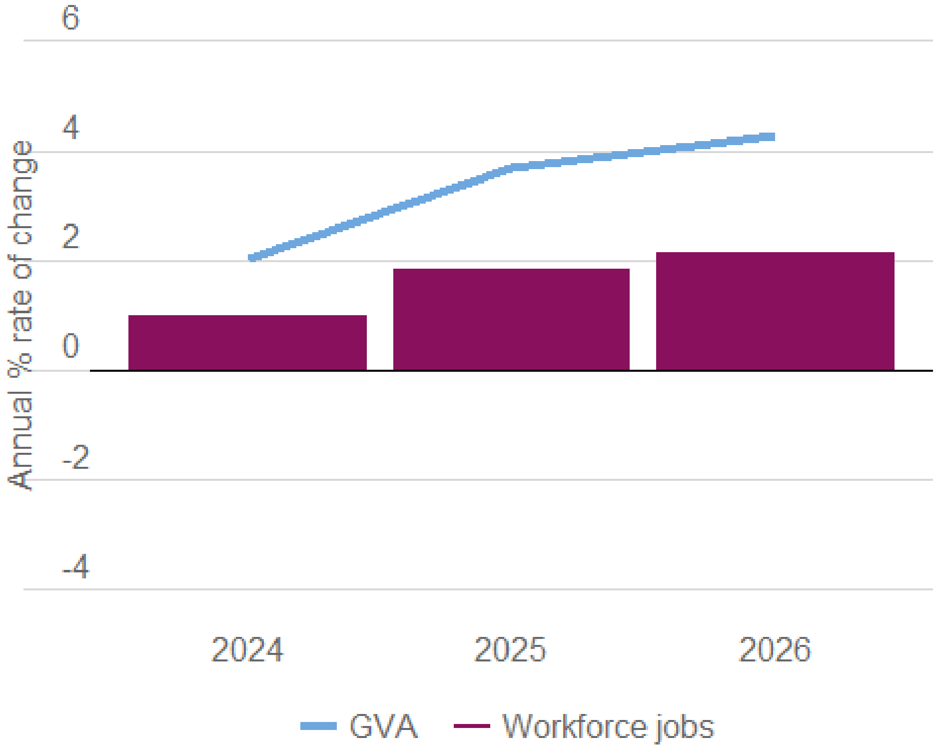
Finance and business (combined)



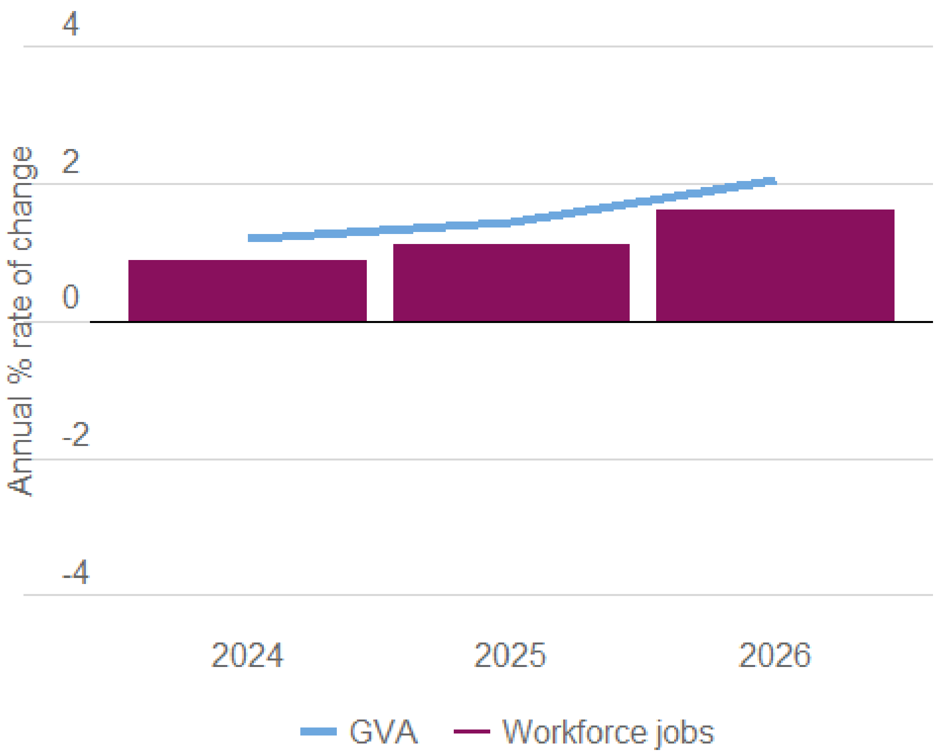
Distribution, accommodation and food services



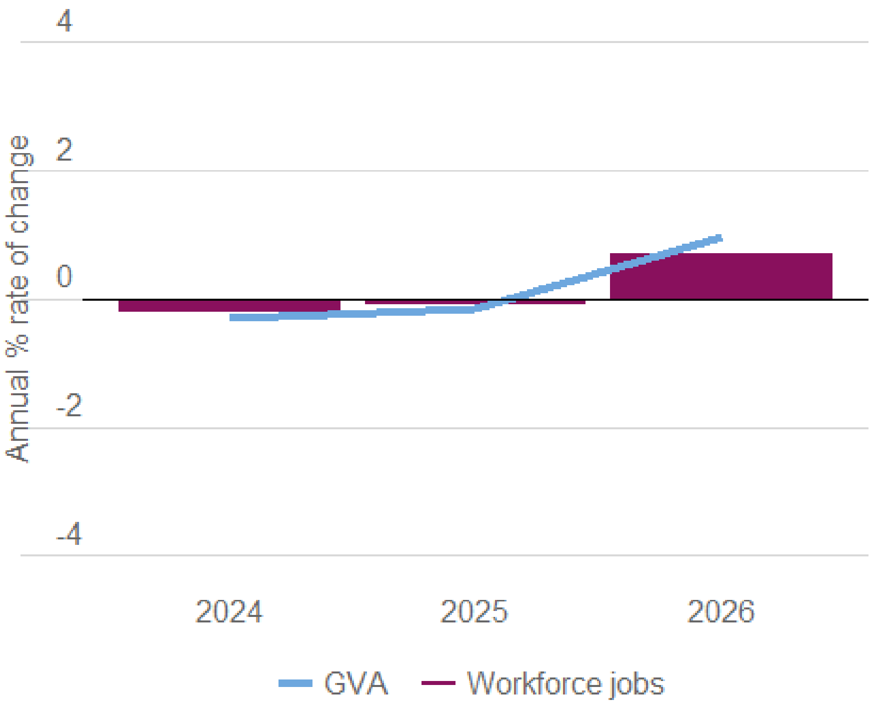
Transport and storage



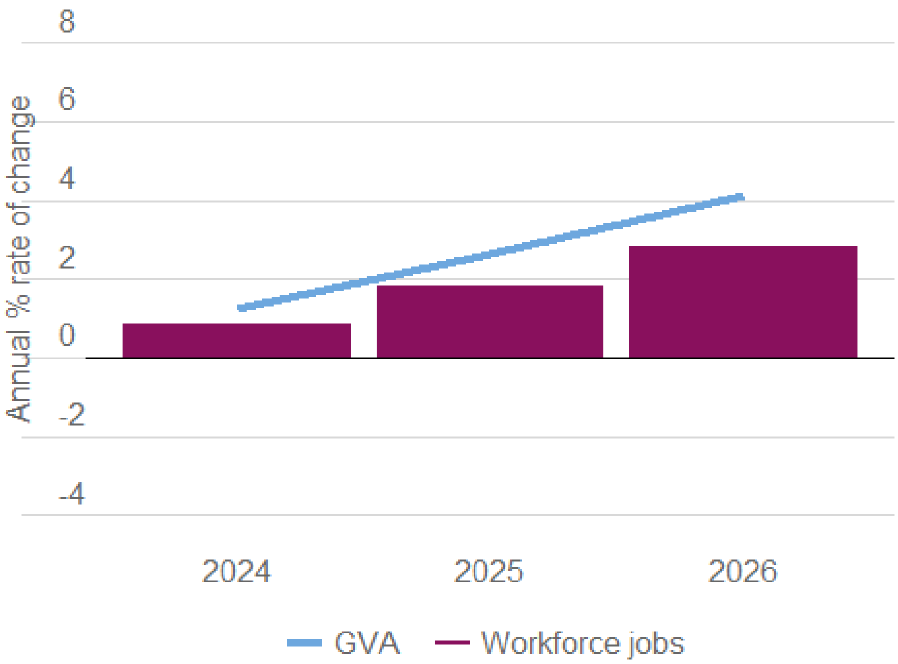
Other (public & private) services



Manufacturing



Construction



Output and employment growth by sector

(% annual change)

Main sector	2024	2025	2026
Financial services			
Output	1.1	0.9	1.4
Jobs	1.1	0.8	1.2
Business services			
Output	1.1	2.1	2.2
Jobs	0.8	1.5	1.5
Financial and business services			
Output	1.1	1.8	2.0
Jobs	0.9	1.4	1.4
Distribution, accommodation and food services			
Output	0.6	2.8	2.7
Jobs	0.4	1.1	1.1
Transportation and storage			
Output	2.0	3.7	4.3
Jobs	1.0	1.8	2.1
Other (public & private) services			
Output	1.2	1.4	2.1
Jobs	0.9	1.1	1.6
Manufacturing			
Output	-0.3	-0.1	1.0
Jobs	-0.2	-0.1	0.7
Construction			
Output	1.2	2.7	4.1
Jobs	0.9	1.8	2.9
(Memo: non-manufacturing)			
Output	1.1	1.9	2.2
Jobs	1.0	1.3	1.5

5.2 Comparison with previous forecasts

This section compares the current forecast with previous forecasts in this series. Since the base years for the forecasts change and the base data is continuously revised, the forecasts have been rebased into a common base year for the comparisons in Figures 5.2 and 5.3.

The large variation seen in projections produced over the last three years is partially due to the revisions of output and labour force data by the ONS. Additionally, some variation is attributable to the uncertain environment and evolving public health and economic policy responses to the pandemic and the cost of living crisis.

Workforce jobs

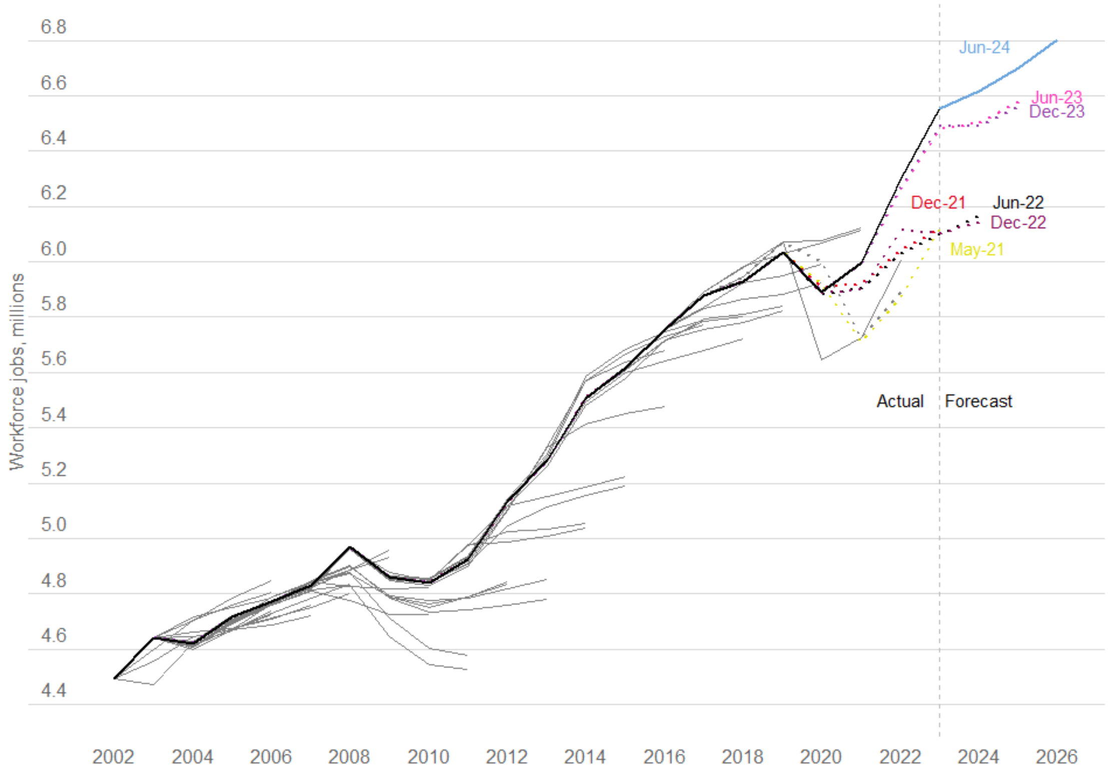
The level of London's workforce jobs reached its 2019 level in early 2022 and is not set to decline again in the next three years.

From September 2022 onwards, the reweighting of the Labour Force Survey caused a step change discontinuity of the workforce jobs numbers from the ONS, which thus causes large gaps in projections produced in 2022 and 2023.

This profile is an upgrade to the December 2023 forecast. This reflects the strong recovery in labour demand, limited disruption from the end of furlough, and higher-than-expected immigration.

Figure 5.2: Employment – latest forecast compared with previous forecasts

(Millions of workforce jobs)



Source: ONS, GLA Economics; Note: grey lines show job levels under historic GLA Economics forecasts of employment growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.3: Comparisons with previous published forecasts[63]

(London workforce jobs, % annual growth)

Forecast	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Jun-24	**1.7%**	**4.3%**	**2.9%**	**4.3%**	**2.0%**	**2.5%**	**2.1%**	**0.9%**	**1.8%**	**-2.3%**	**1.7%**	**5.1%**	**4.0%**	**1.0%**	**1.3%**	**1.5%**
Dec-23													3.5%	0.1%	1.1%	
Jun-23													3.4%	0.4%	1.2%	
Dec-22												3.6%	-0.2%	0.7%		
Jun-22												2.2%	1.1%	1.2%		
Dec-21											0.2%	2.1%	1.2%			
May-21											-3.6%	2.9%	4.2%			
Dec-20										-1.1%	-4.6%	3.0%				
Jun-20										-7.0%	1.4%	4.9%				
Dec-19									1.5%	0.1%	0.7%					
Jun-19									0.8%	0.7%	0.8%					
Nov-18								1.5%	0.5%	0.7%						
May-18								0.6%	0.3%	0.7%						
Nov-17							1.4%	0.3%	0.5%							
Jun-17							0.7%	0.5%	0.7%							
Nov-16						2.5%	1.2%	0.3%								
May-16						0.7%	0.7%	0.7%								
Nov-15					1.7%	1.2%	0.7%									
May-15					1.7%	1.2%	0.7%									
Nov-14				4.5%	1.2%	0.7%										
May-14				1.6%	0.7%	0.5%										
Nov-13			1.3%	0.8%	0.7%											
Jul-13			0.6%	0.7%	0.7%											
Nov-12		1.0%	0.2%	0.4%												
Jun-12		0.2%	0.4%	0.6%												
Nov-11	0.1%	0.4%	0.4%													
May-11	0.1%	0.7%	0.8%													
Oct-10	0.6%	1.0%														
Jun-10	0.8%	1.1%														
Oct-09	-0.6%															

Source: ONS, GLA Economics

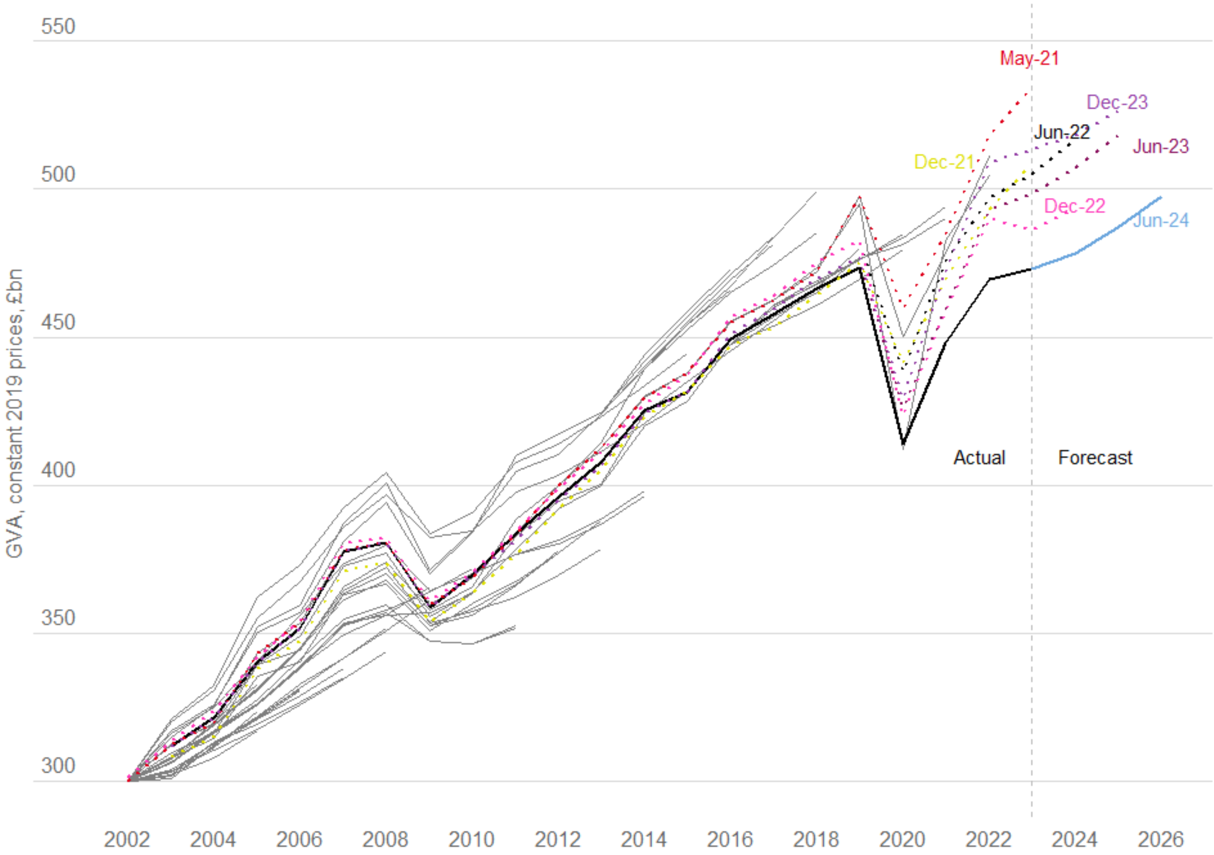
[63] This table only reports forecasts for 2011 onwards unlike Figure 5.2. For earlier GLA Economics forecasts please see previous editions of London's Economic Outlook.

Output

The most recent medium-term forecast for London's GVA level has output significantly below the December 2023 projections due to data revisions. Historical data in 2020 and 2021 has been greatly revised down by the ONS. These data revisions thus make comparison between forecast levels less clear-cut.

Figure 5.3: Output – latest forecast compared with previous forecasts

(Constant prices (base year 2019), £ billion)



Source: ONS, ESCoE, GLA Economics; Note: the grey lines show levels of GVA given historic GLA Economics forecasts of GVA growth. The last seven GLA Economics forecasts are also shown (and labelled) in colour.

Table 5.4: Comparisons with previous published forecasts[64]

(London GVA, % annual growth)

Forecast	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Jun-24	**3.3%**	**3.2%**	**3.0%**	**4.3%**	**1.4%**	**4.1%**	**1.9%**	**1.9%**	**1.5%**	**-12.6%**	**8.2%**	**4.8%**	**0.7%**	**1.1%**	**1.9%**	**2.2%**
Dec-23													0.9%	1.0%	1.6%	
Jun-23													1.1%	1.8%	2.2%	
Dec-22												6.9%	-0.8%	1.5%		
Jun-22												4.5%	1.6%	2.3%		
Dec-21											6.4%	5.0%	3.1%			
May-21											5.4%	6.9%	3.1%			
Dec-20										-9.5%	6.2%	6.9%				
Jun-20										-16.8%	17.2%	4.5%				
Dec-19									1.8%	1.1%	1.8%					
Jun-19									1.5%	1.6%	2.2%					
Nov-18								1.9%	1.6%	1.9%						
May-18								1.6%	1.9%	2.2%						
Nov-17							2.1%	1.8%	2.6%							
Jun-17							2.3%	2.4%	2.9%							
Nov-16						2.8%	2.0%	2.3%								
May-16						2.9%	3.4%	3.3%								
Nov-15					3.4%	3.2%	2.7%									
May-15					3.6%	3.2%	2.5%									
Nov-14				4.8%	3.3%	3.1%										
May-14				3.8%	3.2%	2.6%										
Nov-13			2.2%	2.5%	2.5%											
Jul-13			1.9%	2.4%	2.5%											
Nov-12		0.9%	1.8%	2.4%												
Jun-12		1.2%	1.9%	2.5%												
Nov-11	1.4%	2.0%	2.4%													
May-11	2.0%	2.6%	2.9%													
Oct-10	2.4%	2.9%														
Jun-10	2.8%	3.3%														
Oct-09	1.5%															
Apr-09	1.7%															

Source: ONS, ESCoE, GLA Economics

[64] This table only reports forecasts for 2010 onwards, unlike Figure 5.3. For earlier GLA Economics forecasts please see previous editions of London's Economic Outlook.

Appendix A: Explanation of terms and some sources

Definitions, differences, and revisions

Forecasting organisations use varying definitions of the regional indicators they supply. It is therefore not always possible to assign a completely consistent meaning to the terms used.

Throughout this report 'employment' refers to 'workforce jobs' and uses the ONS historical series as a base for the forecast.

Forecasters' definitions are broadly compatible with this but in some cases differences arise from the treatment of small items such as participants in government training schemes or the armed forces. The GLA uses civilian workforce employment throughout.

Output refers to GVA, a term introduced by the 1995 revision of the European System of Accounts (ESA95). GLA Economics' *London's Economic Outlook: December 2003* provides a more detailed explanation of this term.

At the time of writing national statistics estimates of real regional GVA are available up to 2022 from the ONS[65]. The historic real London GVA figures used in this GLA Economics' forecast are estimates produced by GLA Economics using ONS data.

Consumption refers to private consumption, otherwise known as household expenditure; in some cases, the expenditure of non-profit organisations is included and in other cases it is not.

[65] ONS Regional GVA (balanced approach).

Appendix B: Glossary of acronyms

ADB	Asian Development Bank
BIS	The Bank for International Settlements
BoE	Bank of England
bn	Billion
CE	Cambridge Econometrics
CEBR	The Centre for Economic and Business Research
CPI	Consumer Price Index
DCLG	Department for Communities and Local Government
ECB	European Central Bank
EE	Experian Economics
EERI	Effective Exchange Rate Index
EU	European Union
Fed	Federal Reserve
FT	Financial Times
GDP	Gross Domestic Product
GLA	Greater London Authority
GVA	Gross Value Added
HM Treasury	Her Majesty's Treasury
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
IMF	International Monetary Fund
LEO	London's Economic Outlook
LFS	Labour Force Survey
LHS	Left Hand Scale
m	Million
MPC	Monetary Policy Committee
OBR	Office for Budget Responsibility
OE	Oxford Economics
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
PMI	Purchasing Managers' Index
Q2	Second Quarter
QE	Quantitative Easing
RHS	Right Hand Scale
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
TfL	Transport for London

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