

London's Economy Today - Issue 256 - December 2023

Key information

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Overview

- Inflation falls as the Bank holds steady on interest rates
- The UK economy shows signs of weakness, although London is faring comparatively well
- Immigration clampdown is likely to have adverse effects for London

Economic indicators

- In November, the sentiment of London's PMI business activity index remained positive and increased slightly with the business activity PMI index for London private firms moving from 53.8 in October to 56.5 in November. The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.
- In November, significantly fewer property surveyors had negative expectations for house prices in London over the next three months with the net balance of house prices expectations in London at -19 in November, up from -44 in October. The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.
- Consumer confidence in London was positive in December with the consumer confidence index in London increasing from 2 in November to 6 in December. It has been volatile month-on-month around zero since the Spring. The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero

suggests positive opinions; a score below zero indicates negative sentiment.

London macroeconomic scenarios (December 2023 update)

- Under the gradual return to economic growth scenario, our baseline, London's real GVA is set to grow at a very moderate 0.9% this year. This is slightly slower than the June forecast of 1.1% growth and is also well below 2022's estimated growth of 7.7%. Weak quarterly momentum in 2023 continues into 2024 before picking up slightly in 2025 giving growth of 1.0% in 2024 and 1.6% in 2025.
- The jobs recovery is expected to have been strong this year due to strong growth in early 2023 which means employment is set for very strong growth of 3.5% in 2023. Soft momentum in later quarters of the year and into next year translates into a sharp deceleration in 2024 (0.1%), before growth normalises in 2025 (1.1%).
- London's economic recovery is set to vary widely across industries. Service sectors will generally see output growth this year after a strong 2021 and 2022. London's key knowledge-sector export industries are generally set for resilient growth, such as Information and communication and Professional services.
- The scenario results presented in this supplement come within a context of continuing unprecedented uncertainty. Overall, GLA Economics judges that risks are tilted to the downside, especially with inflation proving more persistent than hoped, lowering real consumer incomes and leading to higher interest rates. Other headwinds also skew risks to the downside, including the war in Ukraine, the conflict between Hamas and Israel, financial sector turbulence, falling house prices and the risk of skill and geographic labour mismatches due to remote working.

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