GLAECONOMICS

London's Economy Today

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UK furlough scheme ends today

By **Gordon Douglass**, Supervisory Economist, **James Watson**, Economist, **Jasmine Farquharson**, Higher Apprentice

After gradually reducing the amount of government support under the scheme since July, the Coronavirus Job Retention Scheme or furlough comes to an end on 30 Septemeber. At the end of July there remained 297,400 London employments on furlough despite the introduction of employer contributions to cover part of the cost of furlough in that month. This figure is significantly down on the level seen at the same time last year which stood at 905,800 employments on furlough.

Looking at the most recently available data shows the continuing drop in those on furlough. Thus, from June 30 to July 31, the number of furloughed employments in London declined by 51,300, a fall of 15%. However, the decline in London during July continued to lag behind the UK, where furloughed employments declined by 18%. It also showed there was a slower pace of decline in London during June, when furloughed employments fell by 18%, compared to 22% in the UK as a whole. London continued to have a higher take-up rate (at 8%) than any other UK region or country, where rates ranged from 4% in Wales to 6% in the West Midlands.

Take up rates also varied across London's sectors with Accommodation & food services continuing to have the highest rate by sector (21%) although that fell 5 percentage points in the month. Take up also varied across the capital with Barnet, Brent, Hounslow, Newham and Redbridge recording the highest rates in London – all at around 10%. While, Wandsworth recorded the lowest take-up rate in London with 6% of eligible employees on furlough.

Also in this issue

Datastore

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

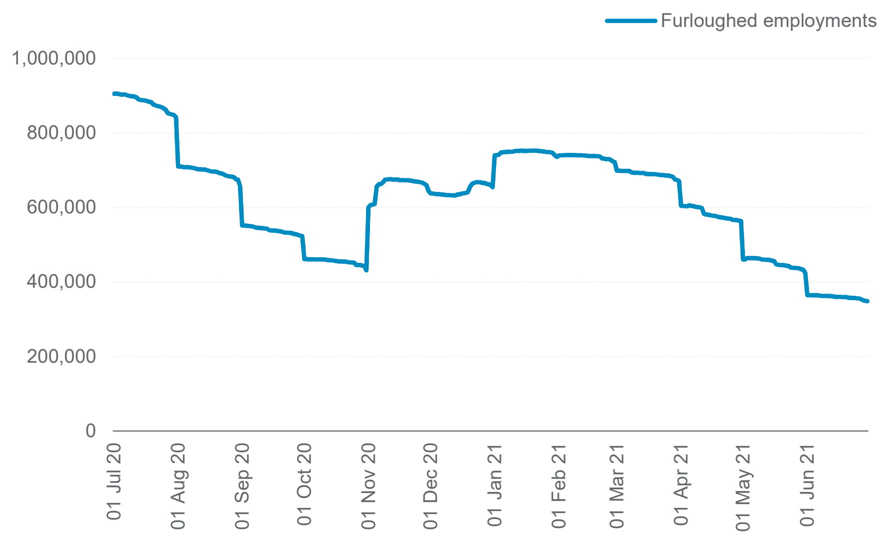


Figure 1: Total employments on furlough in London
July 2020 to July 2021 (July 2021 data is provisional)

Source: HM Revenue and Customs – Coronavirus Job Retention Scheme statistics: 9 September 2021

With furlough ending recovery from the pandemic hits a bumpy patch

July's monthly GDP estimate for the UK showed growth of just 0.1% month-on-month – the slowest pace since the economy contracted in January.

Some factors that held back growth in July look temporary. The 'pingdemic' surge in Covid cases and self-isolation looks unlikely to repeat, as isolation rules have loosened and Covid infections had slowed by the start of September. The UK is now seeing almost 40% fewer new Covid cases per day from a mid-July peak averaging almost 50,000. London's improvement is even more emphatic, with average cases down over 60% from the July peak.

There are also tentative signs that London may outperform the UK average for growth in July and August. Several sectors that make up a larger share of London's economy than the UK economy continue to do well, including IT, which grew 2%, and Financial services, which grew 1.8%. The 9% surge in Arts and entertainment activity across the UK may also translate to more of a boost in London. The Retail sector, which was weak in July at the national level, may have also seen more consistent growth in London than in the UK according to mobility data. The weekly increase in retail mobility from June to early September in London was almost double the pace for the wider UK. Card spending in London's retail sector was also back to pre-pandemic levels by late July, though the inner boroughs are recovering more slowly (Figure 2).

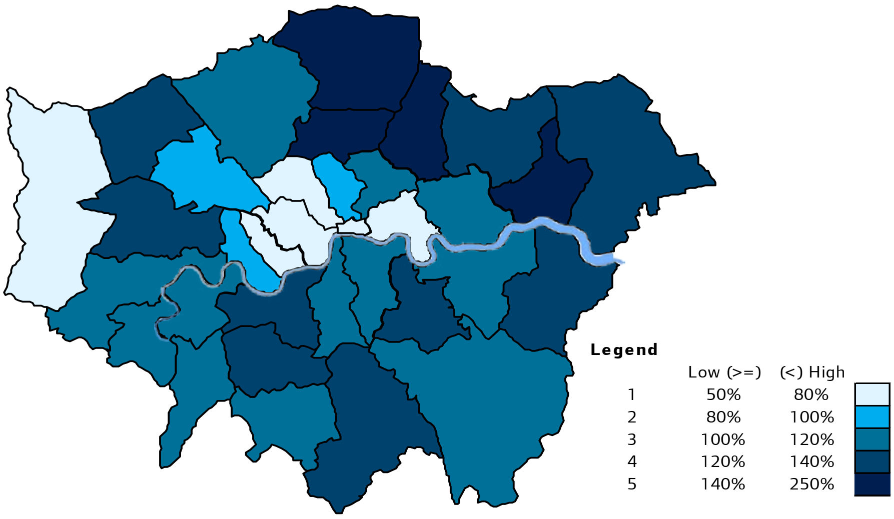


Figure 2: Card spending in retail as a share of 2019 levels by borough in July 2021

Source: Anonymised and Aggregated data by Mastercard and City Intelligence Unit analysis

Yet some of the factors behind July's disappointing growth may persist, creating risks for London's recovery. Even before the current fuel supply disruptions, recent supply chain difficulties were reflected in August's London PMI data, which showed that while businesses in London remain firmly positive about economic activity, they are seeing growing backlogs. The index for outstanding business stood at 53.3 in August, and the gauge of input prices was near record highs at 69.4. With supply chain issues potentially re-emerging whenever there are Covid outbreaks at large ports worldwide, the path of the recovery ahead may be more uneven. Meanwhile, as shown in our indicators section, consumer confidence also declined again this month, with sentiment among London's households pushing back into negative territory after August's strong reading. The detail of the survey also showed that households are becoming increasingly concerned about making ends meet as the winter threatens a sharp rise in the cost of living. These concerns already come ahead of the planned rise in National Insurance contributions at the beginning of April 2022, which would see a worker on £20,000 p/a paying an extra £130 a year.

Fuel disruptions due to driver shortages may present yet more problems for the recovery. The build-up of challenges led Bank of England Governor Andrew Bailey to indicate yesterday that the Bank expects the UK to take until early 2022 to recover – a few months slower than projections last month.

Even as risks to the recovery grow, real-time employment data has proved more encouraging than the GDP numbers. HMRC payroll figures showed London's economy gained nearly 52,000 jobs in August, representing a gain of 1.3%. This was even faster than the strong growth of 0.8% at the national level. Yet despite these strong gains, London's payroll employment remains 1.8% below pre-pandemic levels (Figure 3), and we still expect the broader workforce jobs measure to take some time to recover fully.

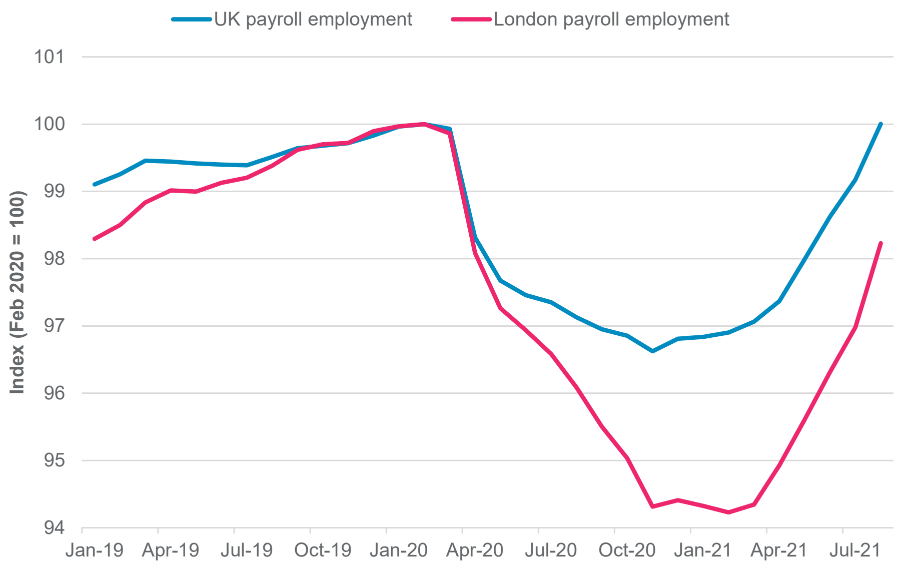


Figure 3: The recovery in PAYE employment in London and the UK (Index, February 2021 = 100)

Source: HM Revenue and Customs – Pay As You Earn Real Time Information & GLA Economics analysis. Note: estimates are based on where employees live

Mounting concerns about rising prices

Concerns are growing about rising inflation across the UK, with the risk of a serious squeeze from the cost of living over the winter. CPI inflation for the UK reached an annual growth rate of 3.2% in August – the fastest pace since 2012 (and more than 1pp above the Bank of England's target of 2%), and a number of factors point to a further acceleration for prices in the coming months.

One key risk comes from rising energy prices. Global commodity prices are rising strongly, and natural gas prices are now double their levels in early 2021. This has led to increased prices further down the supply chain and is contributing to higher energy bills for UK households. The Ofgem default tariff price cap is set to rise over 9% in October as several smaller energy providers have been forced out of business by soaring costs.

Another risk comes from the wider supply chain disruptions, which are leading to higher input costs for goods. The fastest inflation in August was in restaurants and hotels, but this was mostly due to distortions from last year's Eat Out to Help Out scheme. Excluding restaurants, the fastest inflation came in transport, where prices were up nearly 8% year-on-year. Higher fuel prices are combining with more expensive vehicles as a shortage of parts, especially semiconductors, drives up costs and creates scarcity. Fuel delivery challenges and panic-buying in recent weeks could raise cost pressures further in transport.

Some of these risks should be mitigated for Londoners. The capital's households are less exposed to private transport costs than across the UK on average. Data up to March 2020 show that a smaller share of Londoners' spending goes towards their own vehicles, with a higher than average spend on public transport. Yet poorer Londoners face an acute risk of higher costs. Across the UK, the bottom 10% of earners devote more than double the share of their spending to housing costs than the top 10%, which points to the coming surge in energy bills hitting the least well off the hardest. This squeeze from the cost of living also comes as the universal credit uplift ends, furlough ends, the VAT cut for hospitality and restaurants ends and national insurance contributions rise in April 2022, sending taxes to their highest levels since 1950.

The Bank of England expects inflation to continue to climb in the coming months, reaching an annual pace of over 4% late this year, before easing back towards the 2% target across 2022. However, upside risks to this forecast now look to be growing. Supply chain issues are taking time to resolve and the Bank's summary of business conditions points to increasingly widespread labour shortages, potentially driving up wage growth. Most of these factors should ease across the coming months, but a prolonged period of elevated inflation could translate into persistently higher inflation expectations, driving up wage demands and prompting a sharper monetary policy response that could slow the recovery. Financial market inflation expectations derived from bond markets are already around post-financial crisis highs and the latest survey by the Bank of household inflation expectations pointed to growing doubts about policymakers' ability to contain inflation (Figure 4).

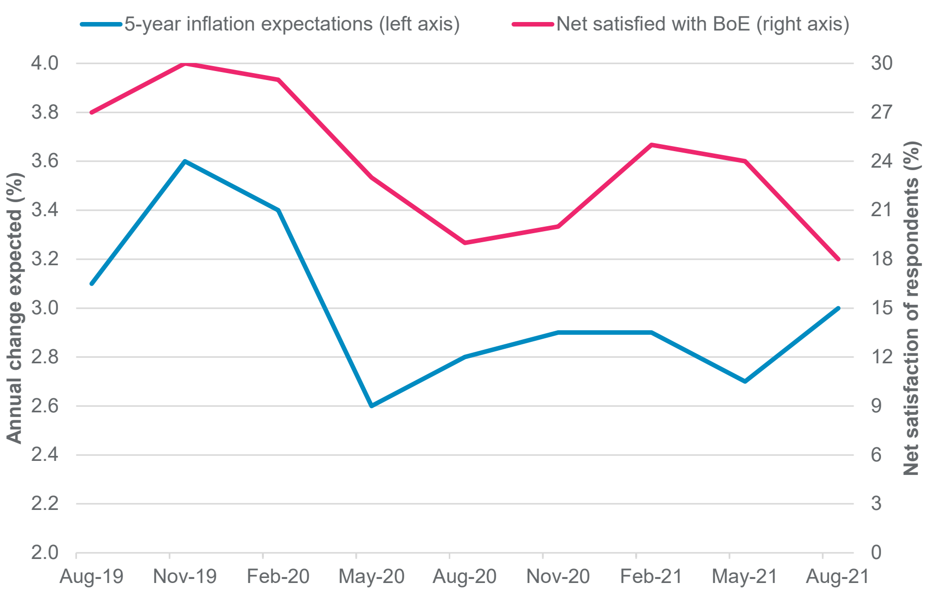


Figure 4: Inflation expectations and net satisfaction with Bank of England policymakers

Source: Bank of England/ Kantar Inflation Attitudes Survey; Note: 5-year inflation expectations refers to the median survey response for how much respondents would expect prices in shops to change over a year in five years' time; net satisfied is the difference between the number of respondents satisfied with the way the Bank of England is doing its job and the number dissatisfied.

Warnings about ongoing labour shortages

The ongoing labour supply shortages that have affected a number of industries and have been particularly noticeable in haulage continued in September, with, as noted, a number of petrol stations running short of fuel. Looking forward, labour shortages across sectors could continue for up to two more years according to a report from the CBI. In it they blamed the shortages on a combination of the COVID-19 pandemic and Brexit. Commenting on the report Tony Danker, director-general of the CBI said "labour shortages are biting right across the economy. These shortages are already affecting business operations and will have a negative impact on the UK's economic recovery". A survey for the ONS also found significant recruiting difficulties in certain sectors with 30% of hospitality businesses saying "that vacancies were more difficult to fill than normal. This compares with 13% across all industries". They further observed that "businesses across all industries said that a lack of suitable applicants was the main reason for being unable to fill vacancies in late August 2021, with transport and storage firms the most likely to cite a lack of EU applicants specifically".

Meanwhile, in September the government announced that checks on goods imports from the EU into Great Britain would be delayed until mid-2022. Under the new plans customs declarations and controls will come in on the 1 January next year as was previously planned, but safety and security declarations will not be introduced until 1 July 2022. The government said the delays were so that businesses could focus on recovering from the pandemic. Elsewhere, German statistics indicate that the UK will drop out of Germany's top ten sources of imports for the first time since 1950, with it expected to drop to 11th place at the end of 2021. Import hurdles caused by Brexit have been blamed for the drop. Commenting on the data Michael Schmidt, president of the British Chamber of Commerce in Germany said many SME's "can't afford the extra burden of keeping up to date and complying with all the kicked-in customs rules, such as health certificates for cheese and other fresh products".

Concerns about the risks faced by London's financial sector

The feed through of the economic shocks that London has experienced over the past few years continue to be felt with calls being made for policies to maintain London's position in international finance. Thus, the lobby group TheCityUK warned that London's position as a global leader in finance was at risk without tax, labour market and other reforms. They observed that London had seen a decline in its global share of a number of financial transactions such as cross-border bank lending, insurance premium-writing, pension and hedge fund assets. It called for increasing the speed and reducing the cost of skilled worker visas, flexibility in allowing international staff to work without a visa for up to six months. While, it further highlighted that financial services were taxed "considerably more" than some other rival cities.

Still the latest Global Financial Sectors Index by Z/Yen Partners in collaboration with the China Development Institute, which was published in September, showed the capital maintaining its second place in the ranking in the survey of leading financial centres behind New York, although the gap between their rankings widened slightly. Hong Kong and Singapore were in 3rd and 4th place respectively but the gap between them and London widened compared to the previous survey.

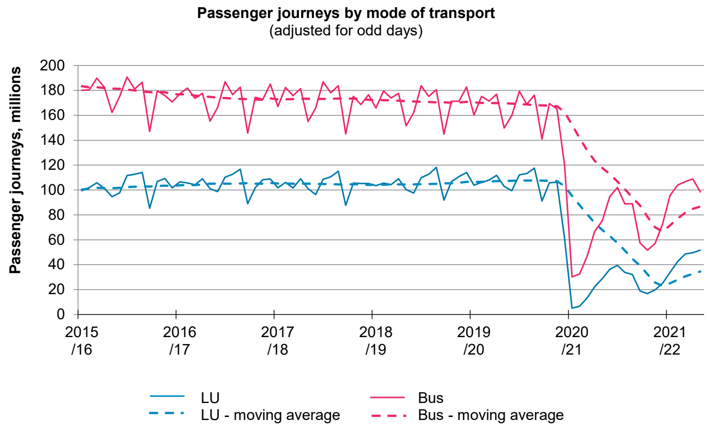
In a sign of the ongoing recovery from the pandemic Lloyd's of London returned to profitability in the first half of 2021. Thus, aggregate pre-tax profits stood at £1.4bn in H1 2021 compared to a loss of £400m in the same period in 2020. Also, the Lloyds Bank Business Barometer for August increased 4 points to 41% in London, putting the capital as the third most confident region behind the North West and North East. However, the UK and London continue to face challenges beyond the ongoing pandemic and Brexit, with the disruption to global supply chains also being driven by the impact of the closing of the Suez Canal and problems at Chinese ports earlier in the year. This has led to warnings from retailers on the possible shortage of stock in the run up to Christmas. Meanwhile, concerns exist about the prospects for the indebted Evergrande Group in China and that any problems it has could impact systemic risks in the region's financial system. GLA Economics will continue to monitor these challenges over the coming months in our analysis and publications, which can be found on our [publications page](#) and on the [London Datastore](#).

Economic indicators

Passenger journeys on London public transport steady over the summer

- 150.1 million passenger journeys were registered between 25 July and 21 August 2021, 8.3 million journeys less than in the previous period (27 June – 24 July).
- In the latest period, 51.6 million of all journeys were underground journeys and 98.5 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose slightly from 117.6 in the previous period to 121.2 in the latest period.

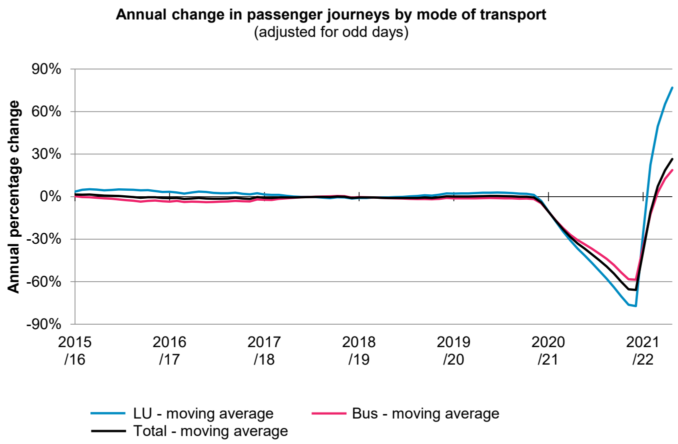
Source: Transport for London
Latest release: September 2021, Next release: October 2021



The dramatic fall in the moving average annual change in passenger journeys in London continues to be reversed

- The 13-period moving average annual growth rate in the total number of passenger journeys was 26.5% in the period 25 July– 21 August, up from 18.6% in the period 27 June – 24 July.
- The moving average annual growth rate of bus journeys increased from 12.5% to 18.8% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys went up from 65.2% to 76.9% between those periods.

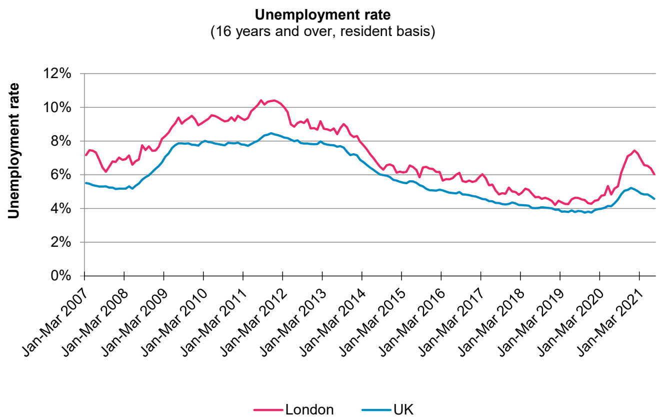
Source: Transport for London
Latest release: September 2021, Next release: October 2021



London's unemployment rate fell to 6.0% in the quarter to July 2021

- Around 294,000 residents 16 years and over were unemployed in London in May - July 2021.
- The unemployment rate in London was 6.0% in that period, down from 6.6% in the previous quarter, February – April 2021, and representing one of the highest rates in seven years.
- The UK's unemployment rate also decreased, from 4.8% in February - April to 4.6% in May - July.

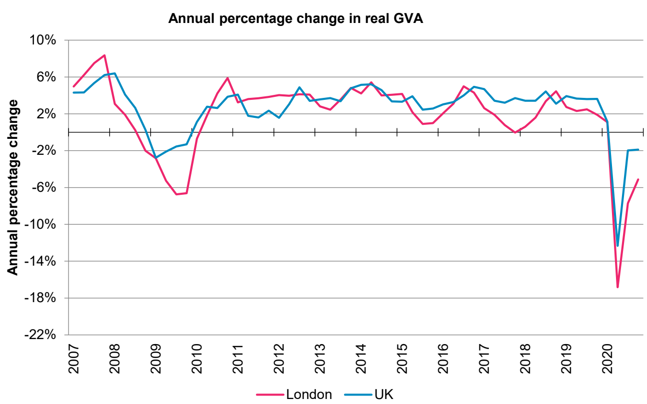
Source: ONS Labour Force Survey
Latest release: September 2021, Next release: October 2021



London's economy is estimated to have contracted by 5.1% in the year to Q4 2020

- London's real GVA grew by 3.1% in Q4 - compared with Q3 - after growth of 13.3% in the previous quarter. This has not been sufficient to offset the decline of 17.2% in the second quarter.
- London's real GVA in Q4 2020 remained 5.1% below its pre-crisis level in Q4 2019.
- The UK's real GVA quarterly growth rate for Q4 2020 was 0.5% after a fall of 13.1% in the second quarter and a recovery of 13.4% in the third quarter. Overall UK GVA in Q4 remained 1.9% below its pre-crisis level in Q4 2019.
- London's real GVA quarterly estimates for the period Q1 1999 to Q4 2012 have been produced by GLA Economics. Estimates for the intervening period are outturn data from the ONS, which does not publish quarterly estimates for London's real GVA prior to 2013.

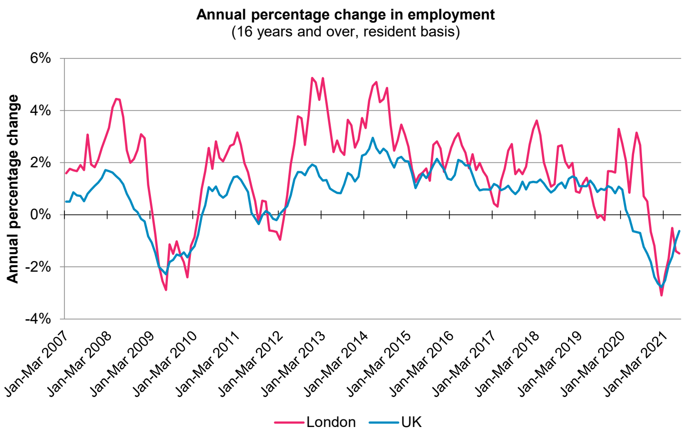
Source: ONS and GLA Economics calculations
Latest release: August 2021, Next release: November 2021



Despite rising employment London's year-on-year employment growth rate was 1.5% lower in the quarter to July 2021

- Around 4.6 million London residents over 16 years old were in employment during the three-month period of May - July 2021.
- The rate of employment growth in the capital was -1.5% in the year to this quarter, compared with -1.7% in the previous quarter to April 2021.
- The decline in the UK's employment annual growth rate was -0.6% in the most recent quarter, and -1.9% in the previous quarter.

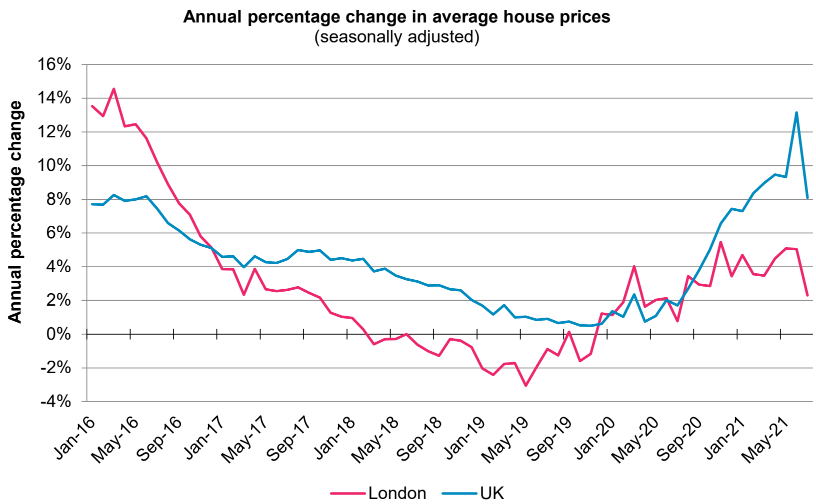
Source: ONS Labour Force Survey
Latest release: September 2021, Next release: October 2021



House prices slightly drop in London in July

- In July 2021, the average house price in London was £487,000 while for the UK it was £252,000.
- The annual growth rate in average house prices in the capital was 2.3% in July, slightly less than in previous months.
- Average house prices in the UK rose by 8.1% in annual terms in July, less than in June.
- The stamp duty holiday may be a contributory factor to rising house prices.

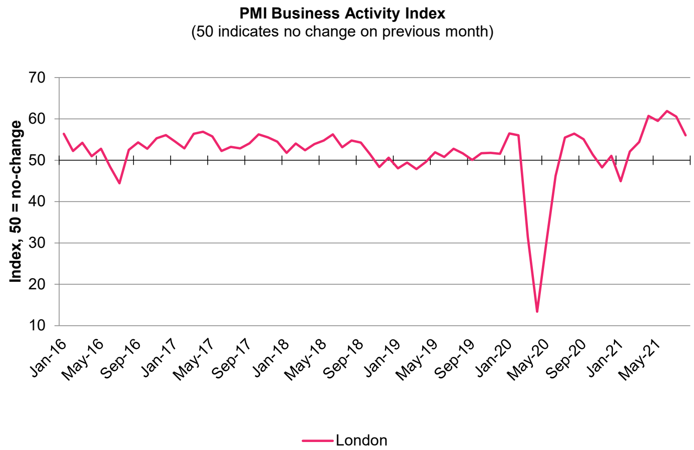
Source: Land Registry and ONS
Latest release: September 2021, Next release: October 2021



In August, the sentiment of London's PMI business activity index remained positive for the seventh consecutive month

- The business activity PMI index for London private firms dropped slightly from 60.5 in July to 56.0 in August. It is near its highest level for nearly eight years.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50 suggest a month-on-month increase in activity on average across firms, while readings below 50 indicate a decrease.

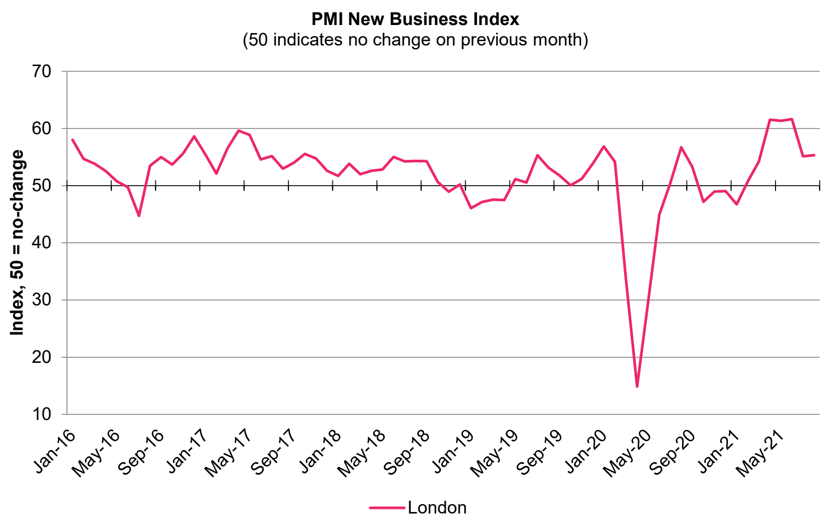
Source: IHS Markit for NatWest
Latest release: September 2021, Next release: October 2021



In August, the sentiment of London's PMI new business activity index remained positive for the seventh consecutive month

- The PMI new business index in London rose slightly from 55.1 in July compared with 55.3 in August. The seven months from February onwards are the first time there has been positive sentiment since September 2020.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

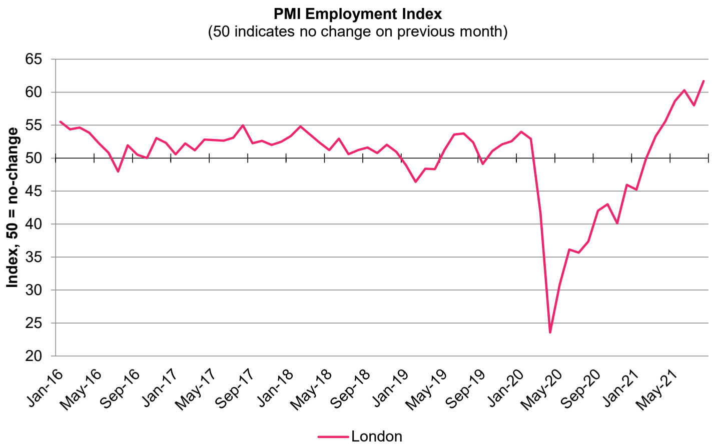
Source: IHS Markit for NatWest
Latest release: September 2021, Next release: October 2021



In August, the sentiment of the PMI employment index in London remained positive for the sixth consecutive month

- The Employment Index for London increased slightly from 58.0 in July to 61.7 in August. Previously, the last time sentiment was positive prior to March 2021 was in February 2020. The index is at its highest level since before records began in 1997.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment prospects. Readings above 50.0 suggests an increase, whereas a reading below 50.0 indicates a decrease in employment prospects from the previous month.

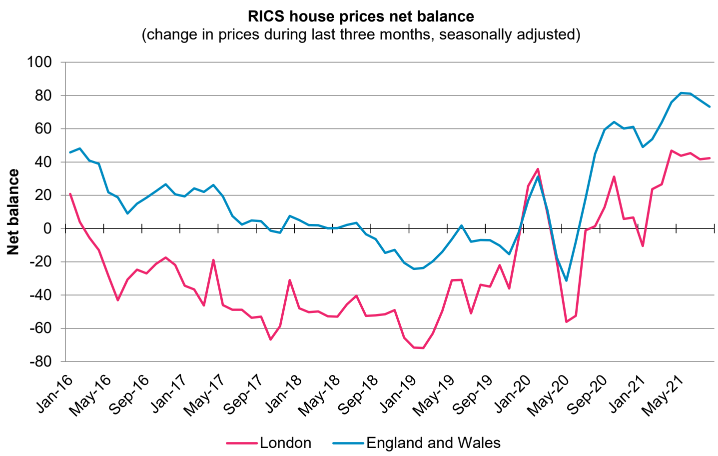
Source: IHS Markit for NatWest
Latest release: September 2021, Next release: October 2021



The net balance of property surveyors remained steady in London in August

- In August, the net balance of property surveyors reporting a rise in house prices was 42, unchanged on July.
- For England and Wales, the RICS house prices net balance index dropped slightly in August to 73 from 77 in July.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

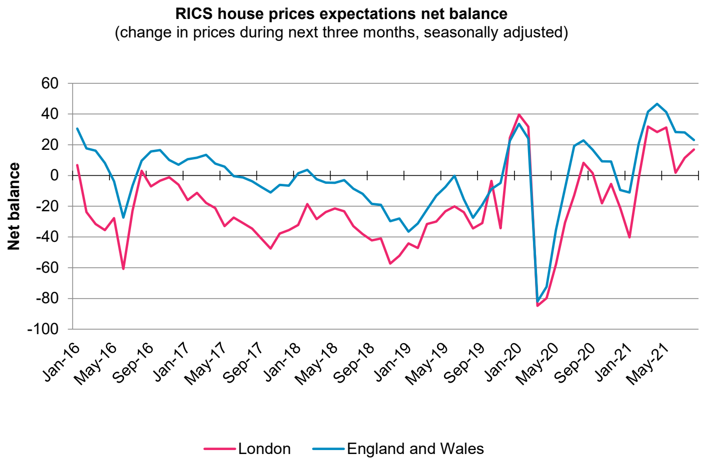
Source: Royal Institution of Chartered Surveyors
Latest release: September 2021, Next release: October 2021



In August, expectations for house prices for the next three months remained positive according to surveyors

- The net balance of house prices expectations was 17 in August in London, up on the figure for July of 11.
- Sentiment in England and Wales was 23 in August a slight fall from 28 in July.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

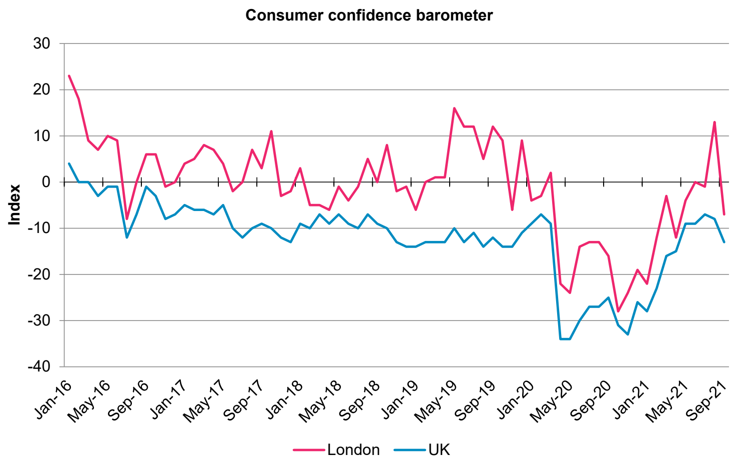
Source: Royal Institution of Chartered Surveyors
Latest release: September 2021, Next release: October 2021



Consumer confidence in London decreased significantly in September

- In September, the consumer confidence index in London decreased to -7, from 13 in August.
- The sentiment for the UK also decreased from -8 in August to -13 in September. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK
Latest release: September 2021, Next release: October 2021



COVID-19: London macroeconomic scenarios (August update)

Mike Hope, Economist

GLA Economics published its latest macroeconomic scenarios based forecast for London at the end of August[1]. This is the seventh update to be published externally, after the first set was completed for internal use in May 2020. This supplement focuses on the latest update, and the evolution of the scenarios over the pandemic.

The scenarios are part of work on the impact of the pandemic on London's economy that began in the March of last year and which has been informed by the available literature on UK and international macroeconomic scenarios[2]. The main aim of this work is to inform multiple policy work streams across the GLA family, including the evolution of recovery strategies in London. Beyond this, stakeholders may consider this work as a common framework for understanding and quantifying possible trajectories for the capital's economy in a situation of ongoing high uncertainty. The two outcome variables of interest in the scenarios are 'real Gross Value Added' (GVA) and 'workforce jobs' (WFJ), which are being projected over the medium-term (to the end of 2023) and, for GVA, also over the longer-term (to 2031).

In this context, three possible macroeconomic scenarios for London have been developed:

1) Fast economic recovery (an optimistic but plausible scenario)

2) Gradual return to economic growth (which is the GLA Economics reference scenario), and

3) Slow economic recovery (a more pessimistic but also plausible scenario).

It should be noted that these scenarios are not meant to represent optimal policy responses or be forecasts as they rely on the subjective modulation of several assumptions/dimensions around the effectiveness/nature of the ongoing public health response especially in relation to COVID-19 variants, the effectiveness/impact of ongoing economic support measures or the international economic context, among other factors[3]. Also the scenarios do not capture the full range of uncertainty about the future, which is likely to lie outside the range of the scenarios.

1 At GLAE macroeconomic scenarios
2 List of GLA summaries on external research on COVID-19, which have frequently included summaries of macroeconomic scenarios and forecasts publications.
3 For more detail on these assumptions see slides 8 to 11.

The main results are presented below:

Medium-term (2021 to 2023)

- Under the gradual return to economic growth scenario, **London's real GVA is expected to grow quite strongly by 6.5% this year after the easing of lockdown restrictions. The economic recovery will continue next year (6.0%) before slowing in 2023 (2.9%)** (Figure A1).

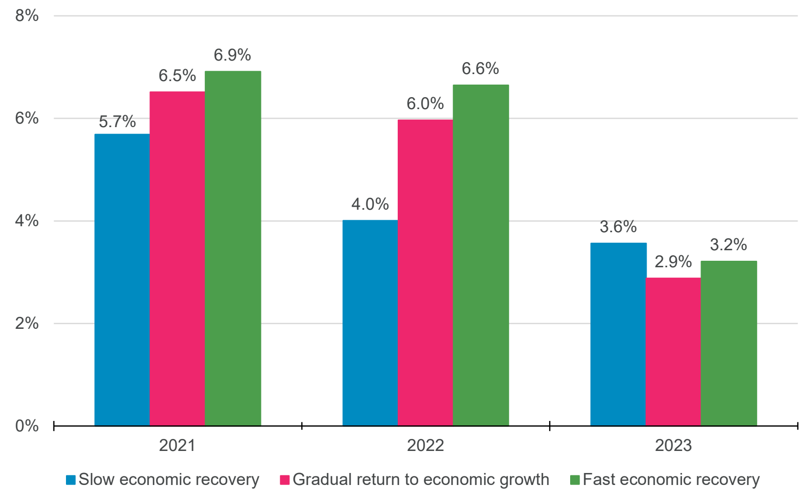


Figure A1: Medium-term real GVA projections, annual growth rates

Source: GLA Economics

- **In terms of employment (workforce jobs), the impact of the recovery will take longer to be felt. Employment will continue to fall this year (-0.2%), with modest growth expected in 2022 (2.0%) and in 2023 (1.5%)** (Figure A2).

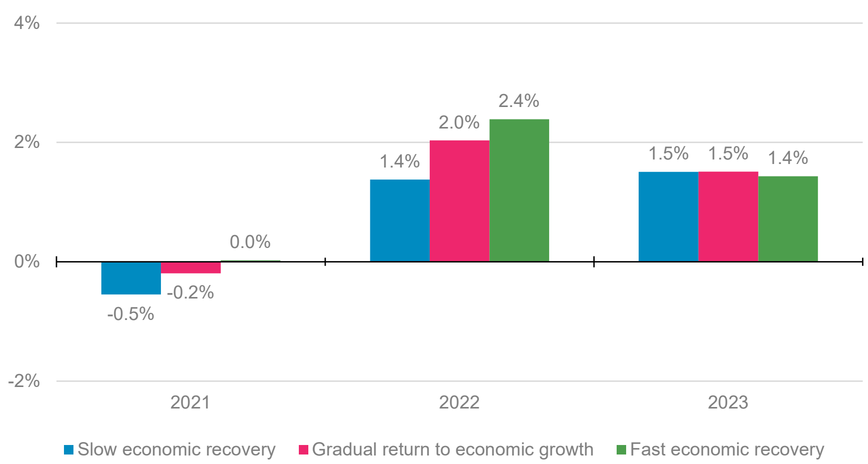


Figure A2: Medium-term Workforce jobs projections, annual growth rates

Source: GLA Economics

- Looking at the alternative scenarios, the impact of the pandemic on output could see GVA grow by a relatively more modest 5.7% this year under the slow recovery scenario and growth can vary from 4.0% to 6.6% next year across scenarios. In terms of jobs, under the fast recovery scenario there is a very slight increase in jobs this year (by 0.0%[4]) and modest falls for the other scenarios before stronger jobs growth in 2022 at up to 2.4%, and stabilisation in 2023 at growth of around 1.5% across scenarios.
- Real GVA is not expected to reach its pre-crisis levels until Q4 2021 in the reference scenario (Figure A3) while WFJs only reach pre-crisis levels in Q1 2023 (Figure A4).

4 0.03% to two decimal places

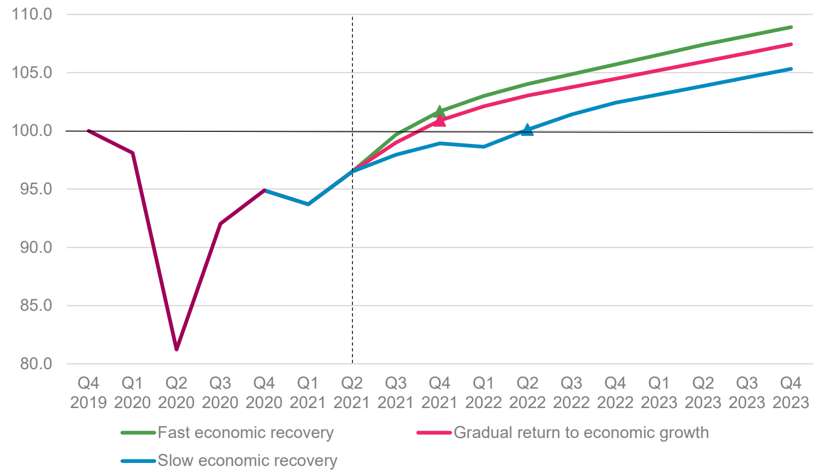


Figure A3: Shape of the output recovery in London (index)

Source: GLA Economics. Index of 100 = pre-crisis level. The 'triangle' indicates the quarter when the corresponding series reaches its pre-crisis level (sometimes the triangle is above 100, meaning that pre-crisis levels were not only reached but also surpassed in the same quarter).

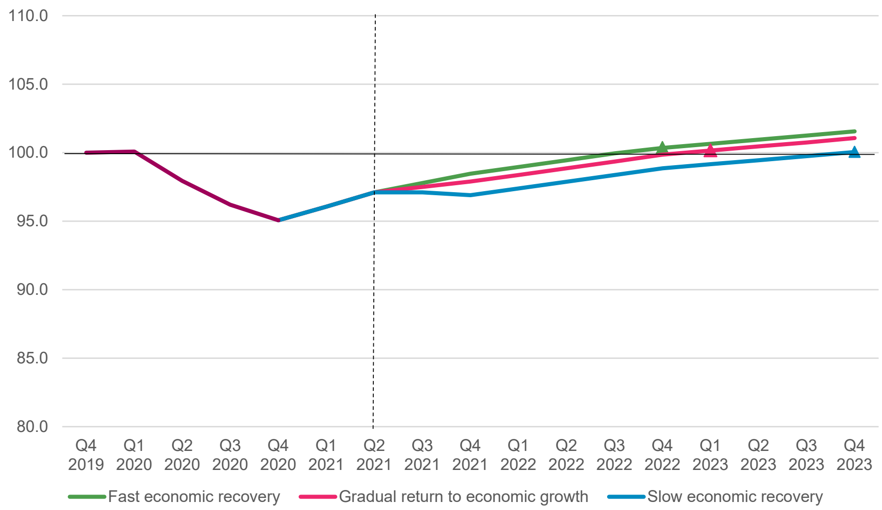


Figure A4: Shape of the jobs recovery in London (index)

Source: GLA Economics. Index of 100 = pre-crisis level. The 'triangle' indicates the quarter when the corresponding series reaches its pre-crisis level (sometimes the triangle is above 100, meaning that pre-crisis levels were not only reached but also surpassed in the same quarter).

- Focusing on the reference scenario only, GLA Economics projections for 2021 have tended to become progressively more optimistic for output and jobs in successive iterations. Indeed, **the economic recovery is now expected to be faster than was expected at the start of the crisis**, in large part because the economy did not suffer as much in 2020 as originally expected. The latest data is also recording a recovery in jobs from Q1 this year, which was not expected at the time of our May macroeconomic scenarios.
- **Looking at London industries, the economic impact of the recovery is likely to be heterogeneous** (Table A1).
- Accommodation and food services; Arts, entertainment and recreation; and Transport and storage are expected to see relatively sluggish output recoveries overall this year. On the other hand, Manufacturing; Public administration and defence; Information and communication; and Professional, scientific and technical activities are expected to show a strong recovery. It should be noted that the relatively sluggish growth in output for Financial and insurance activities; and Real estate activities reflects their relative resilience during the earlier parts of the pandemic.
- In terms of WFJ, sectors particularly heavily hit by the pandemic and dependent on government support such as Accommodation and food services activities; and Arts, entertainment and recreation are likely to take longer to recover than the London average.

Table A1: The impact of the recovery on London's real GVA and workforce jobs by industry in 2021 and 2022

Real GVA annual growth rate	2021	2022
Sector	%	%
Agriculture, forestry and fishing	2.1	-6.0
Mining and quarrying	2.5	-2.2
Manufacturing	12.0	5.2
Electricity, gas, steam and air-conditioning supply	1.7	11.5
Water supply; sewerage and waste management	-5.5	11.6
Construction	15.2	3.5
Wholesale and retail trade; repair of motor vehicles	9.1	2.4
Transportation and storage	3.7	9.4
Accommodation and food service activities	-6.7	41.6
Information and communication	8.5	5.6
Financial and insurance activities	5.3	3.6
Real estate activities	2.1	3.3
Professional, scientific and technical activities	9.6	4.2
Administrative and support service activities	4.8	6.8
Public administration and defence; compulsory social security	8.4	3.6
Education	8.9	2.3
Human health and social work activities	5.3	11.5
Arts, entertainment and recreation	6.1	38.9
Other service activities	5.9	19.3
Activities of households	0.5	8.6

Workforce jobs annual growth rate	2021	2022
Sector	%	%
Agriculture, forestry and fishing	-22.8	-6.4
Mining and quarrying	-16.1	-8.9
Manufacturing	0.0	1.2
Electricity, gas, steam and air-conditioning supply	-20.0	-3.5
Water supply; sewerage and waste management	-8.5	-2.3
Construction	-5.6	3.4
Wholesale and retail trade; repair of motor vehicles	0.0	-2.4
Transportation and storage	1.2	1.5
Accommodation and food service activities	-5.8	7.2
Information and communication	-4.9	2.0
Financial and insurance activities	5.1	2.6
Real estate activities	-1.3	3.0
Professional, scientific and technical activities	0.6	2.8
Administrative and support service activities	1.3	2.5
Public administration and defence; compulsory social security	2.5	1.0
Education	-1.0	0.9
Human health and social work activities	3.9	1.0
Arts, entertainment and recreation	-4.4	6.0
Other service activities	8.2	2.9
Activities of households	-32.7	0.4

Source: GLA Economics.

Long-term (2024 to 2031)

- Looking at the longer term, GLA Economics projects that real GVA in London would return to its pre-crisis trend (post-Brexit counterfactual) by 2022 under the fast and gradual economic recovery scenarios; under these scenarios output scarring would only be temporary. However, under the slow economic recovery scenario, London's trajectory would remain lower than the counterfactual even in the long term (Figure A5). As mentioned above, these scenarios do not reflect the full range of uncertainty and there is arguably more downside risk in the long term associated with the city's future ability to remain as attractive and competitive as it was in the two decades prior to COVID-19.

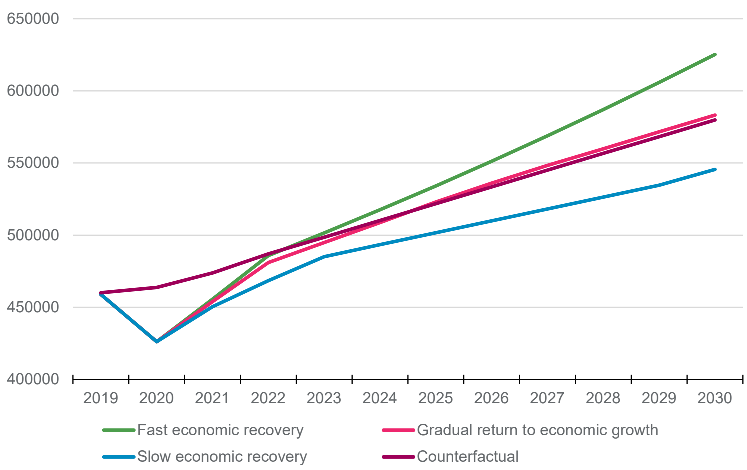


Figure A5: London's real GVA in levels (£million) under all scenarios (long-term projections)

Source: GLA Economics.

The scenarios results presented in this supplement should be understood within a context of continuing unprecedented uncertainty. Overall, GLA Economics continues to see many downside risks to the economic outlook for the whole scenario range (e.g., around the recovery from the COVID-19 crisis and potential dampening effects on growth from rising inflation, the international context, and adverse economic consequences from the continued spread of the virus and the potential for vaccine resistant variants). Therefore, GLA Economics will continue to track actual data in order to review the assessment of these scenario outcomes in the future. Successive updates will be released on the London Datastore when they become available for the benefit of both internal and external stakeholders in tackling the COVID-19 crisis.

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GLAECONOMICS

City Hall
The Queen's Walk
London SE1 2AA

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

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

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About GLA Economics
GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the GLA group. The unit was set up in May 2002.

MAYOR OF LONDON