

London's Economy Today

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UK sees slow growth at the end of 2024

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The UK economy grew in the final quarter of 2024 according to data published by the Office for National Statistics (ONS) in February 2025. This showed that real GDP is estimated to have grown by 0.1% in Q4 2024, after not growing at all in Q3 2024 (Figure 1).

The ONS notes that the services and construction sector both grew in the final quarter by 0.2% and 0.5% respectively. However, the production sector saw a fall of 0.8%. Looking at 2024 as a whole real GDP is estimated to have increased by 0.9% across year, however real GDP per head fell by 0.1%

Bank cuts interest rates and its economic forecast

On 6 February the Bank of England (BoE) cut interest rate by 0.25 percentage points to 4.5%. This was the third rate cut by the BoE since August 2024 when they started lowering interest rates from their recent high of 5.25% (Figure 2).

The BoE noted that although Consumer Price Index (CPI) inflation is expected to pick up to 3.7% in Q3 2025, due to “higher global energy costs and regulated price changes”, it is then “expected to fall back to around the 2% target thereafter”. The BoE also published its latest Monetary Policy Report which sets out its thinking around the economy and the path of inflation. In it they noted that “GDP growth in 2025 is much weaker than in the November Report, reflecting



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Datastore

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

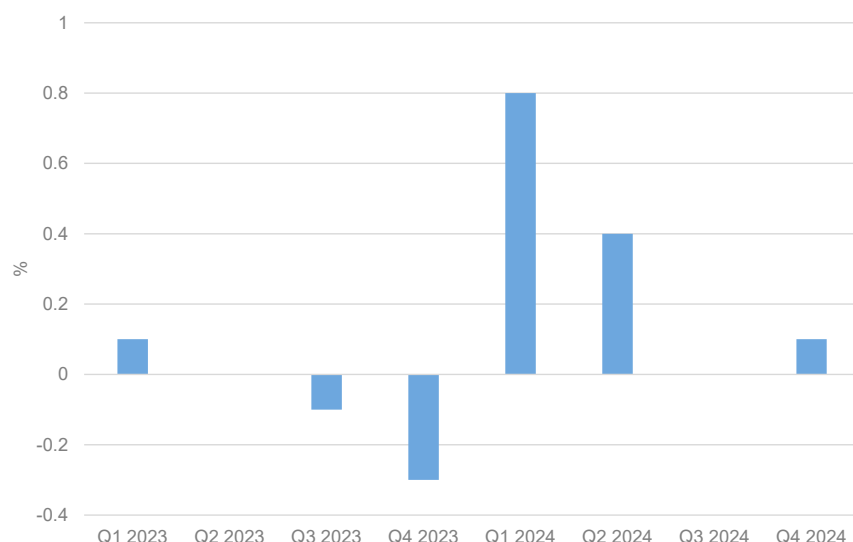


Figure 1: UK real GDP, UK, Quarter 1 2023 to Quarter 4 2024

Source: ONS

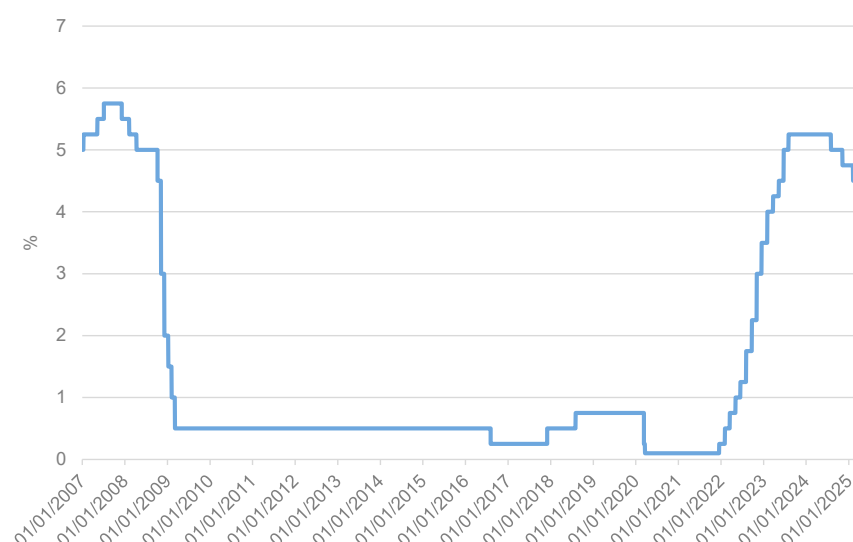


Figure 2: Bank of England Base Rate (1 January 2007 to 26 February 2025)

Source: Bank of England

recent data developments. Quarterly growth rates are similar to in November beyond the start of this year, however". Their forecast thus indicates a growth rate of 0.75% for 2025 as a whole, while growth of 1.5% is indicated for both 2026 and 2027.

Other institutions have also recently published forecasts for the UK economy with the National Institute of Economic and Social Research (NIESR) publishing a new UK economic forecast in February. It expects growth to remain subdued for the first half of 2025 but to pick up in the second half of the year with growth over the year as a whole being 1.5%. Despite this it does caution that "the living standards of the bottom 40 per cent of households will not return to pre-2022 levels before the end of 2027: while real personal disposable income is projected to grow by 1.9 per cent in 2025 and 1 per cent in 2026, this will not compensate for the fall in living standards ... between 2022 and 2024".

UK inflation hits a 10-month high

Looking at the cost of living, data published by the ONS showed that UK annual CPI inflation stood at 3% in January, up from 2.5% in December (Figure 3) and above the rate surveyed analysts had been expecting. Commenting on the largest upward contributions to inflation the ONS noted that they “came from transport, and food and non-alcoholic beverages; the largest downward contribution ... came from housing and household services”.

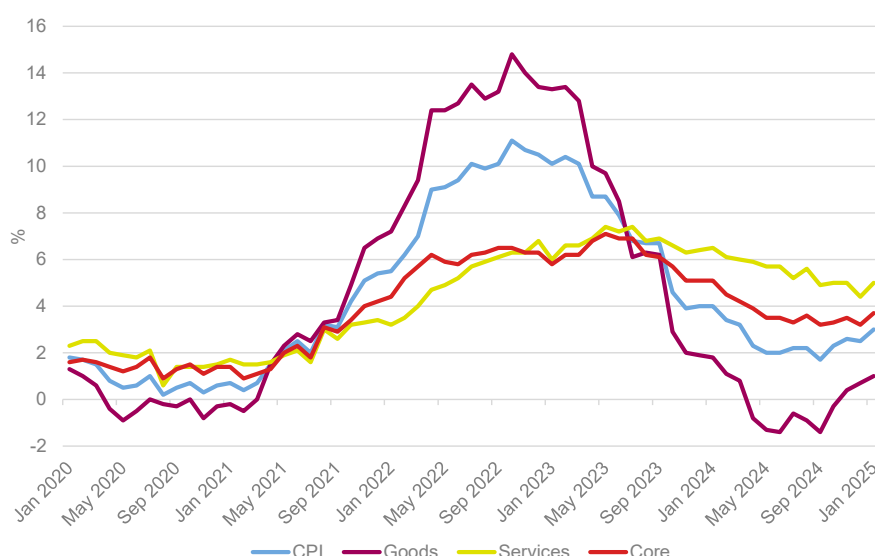


Figure 3: CPI, goods, services and core annual inflation rates, UK, January 2020 to January 2025

Source: ONS, GLA Economics

Beyond the headline inflation figure other inflation measures also picked up. Core CPI inflation (excluding volatile energy, food, alcohol and tobacco prices) increased to 3.7% over the year to January 2025, up from 3.2% in December. The CPI goods annual rate rose from 0.7% to 1.0%. While the CPI services annual rate increased to 5.0% in January up from 4.4% in December.

Looking forward Ofgem announced this month that the energy price cap will rise by 6.4% in April. This means that a typical household energy bill will increase by £111 a year to £1,849. This increase was the third successive increase in the price cap and was higher than most analysts had expected. The regulator said the increase in the cap was due to increased wholesale energy costs and inflation.

President Trump announces further tariffs

President Trump has continued to outline and rollout tariffs on certain exports to the US. These include 25% tariffs on steel and aluminium imports as well as proposed tariffs on other goods such as cars, semiconductors and pharmaceuticals. Trump has also said that he will impose “reciprocal tariffs” on countries based in part on trading agreements, including imports and exports, with the US but also what the Trump administration has called “unfair or harmful acts, policies or practices”. However, Trump has also called VAT an “unfair, discriminatory or extraterritorial tax”. It has been estimated that if tariffs and VAT are combined UK exports to the US could be hit with a 21% tariff. The imposition of these tariffs under Trump’s trade policy has reignited global concerns regarding economic growth, trade stability, and market uncertainty. This is in part because tariff impositions fuel uncertainty in financial markets, disrupting investment decisions worldwide as well as in the long-term fostering economically inefficient business practices. Further, emerging markets face capital outflows and currency volatility, while businesses delay expansion plans amid trade policy instability.

London's international tourist numbers almost back to pre-pandemic levels

GLA Economics has recently updated its [international tourism projections](#). These find that tourism in London has shown resilience, with activity levels nearing the pre-pandemic benchmark set in 2019 (Figure 4).



Figure 4: International tourism history and projections for London

Source: ONS, GLA Economics projections

According to the latest data from the ONS, international tourism between Q1 2021 and Q4 2023 has displayed a robust recovery trajectory. By the end of 2023, international visitor nights had recovered to 97% of 2019 levels, while international visitor numbers reached 93%. However, expenditure has been slower to recover, standing at 88% of the 2019 benchmark. This lag in spending is reflective of continued inflationary pressures and evolving consumer spending habits.

Even as the sector remains in a recovery period, seasonal historical averages following COVID-19 may have shifted. Early 2023 saw a stronger recovery, but growth appeared to plateau toward the latter half of the year, reflecting a complex interplay of global economic conditions and evolving travel behaviours.

This plateau suggests that the sector has entered a consolidation phase, where the initial recovery has matured but further growth hinges on broader economic conditions. Our projections for 2030 indicate that London's tourism sector will not only recover but surpass pre-pandemic levels. Compared to 2019, visitor nights are expected to increase by around 17%, while visitor numbers are projected to grow by approximately 16%. In terms of expenditure an 11% increase is anticipated in real terms, underscoring the sector's potential for sustained growth despite the current challenges.

It should however be noted that these projections are based on the assumption that there will be no major disruptive events affecting tourism. The forecast reflects the expectation that global economic conditions will stabilise, and consumer confidence will gradually improve.

Cost of living remains Londoners key concern

London Councils have published its annual survey of Londoners this month. The survey which was conducted by Ipsos found that the most important issue for those surveyed continues to be the cost of living “followed by housing affordability, and crime and policing”. While, of those surveyed, “four in five say there are not enough affordable homes in London”. Beyond this, “nearly half support more devolution, but majorities support more devolution of housing and transport”. While, “support for increased taxation and spending powers is contingent on local communities having more of a say on how revenues are spent and revenues being directed to services in London”.

Thames Water secures rescue loan

Elsewhere, Thames Water won a High Court judgment this month to secure a £3 billion loan. The company claims the loan will give it the space to restructure its debts, which stand at £19 billion, and attract further funding from potential new investors. However, the loan had to be approved by the High Court after some Thames Water creditors objected to the 9.75% interest rate on the loan.

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

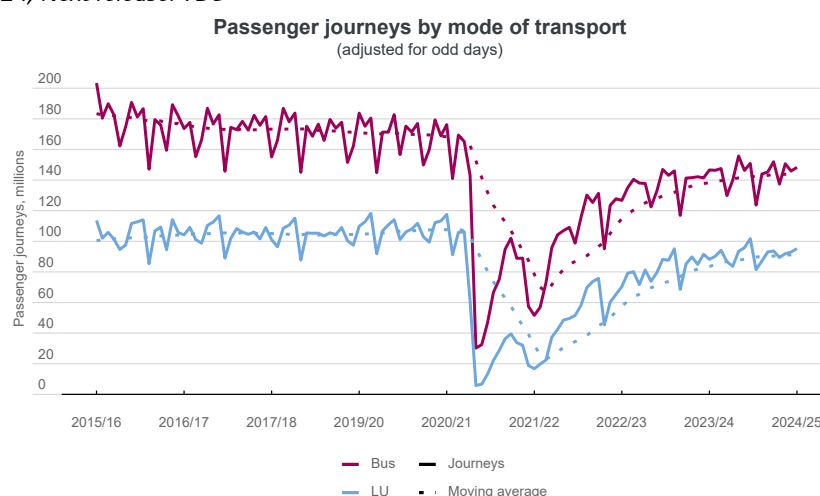
Economic indicators

The underlying trend in passenger journeys on London public transport marginally increased in July 2024

- 243.5 million passenger journeys were registered between 23 June and 20 July, 4.7 million more than in the previous period. 238.9 million passenger journeys were registered between 26 May and 22 June.
- In the latest period, 95.2 million of all journeys were underground journeys and 148.3 million were bus journeys.
- The 13-period-moving average in the total number of passenger journeys rose marginally from 234.9 million in the previous period to 235.1 million in the latest period.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed

Source: Transport for London

Latest release: August 2024, Next release: TBC

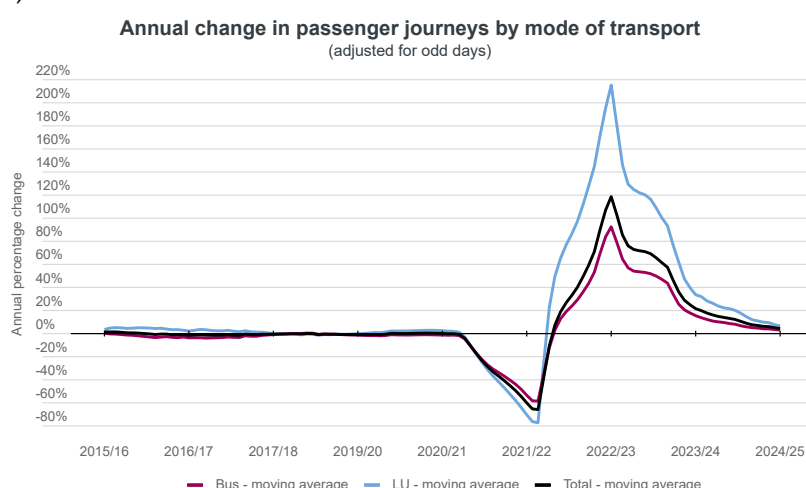


Annual growth in passenger journeys remained positive, if slowing

- In 2024, the 13-period moving average annual growth rate in the total number of passenger journeys was 4.4% between 23 June and 20 July, down from 5.1% between 26 May and 22 June.
- The moving average annual growth rate of bus journeys decreased from 3.6% to 3.1% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys decreased from 7.7% to 6.6% between those periods.
- Due to the cyber incident at TfL, the release of passenger journey data has been postponed. The next release date is yet to be confirmed.

Source: Transport for London

Latest release: August 2024, Next release: TBC

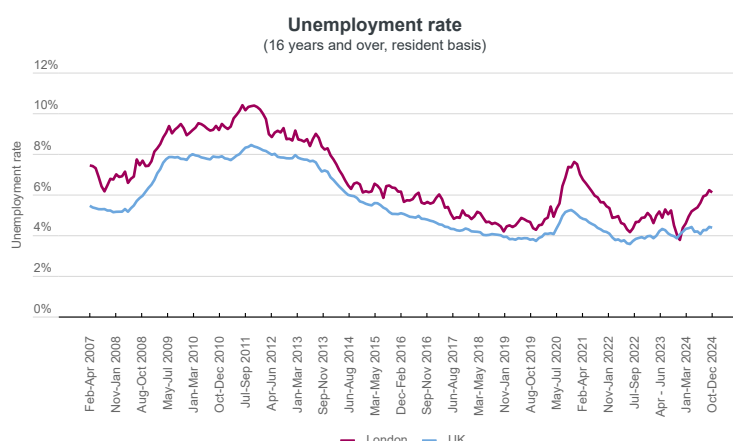


London's unemployment rate rose over the last quarter

- Around 315,000 residents aged 16 and over were unemployed in London in the period from October to December 2024.
- The unemployment rate in London for that period was 6.1%, an increase from 5.9% in the previous quarter July - September.
- The UK's unemployment rate was 4.4% in October - December, slightly up from 4.3% in July - September.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey

Latest release: February 2025, Next release: March 2025

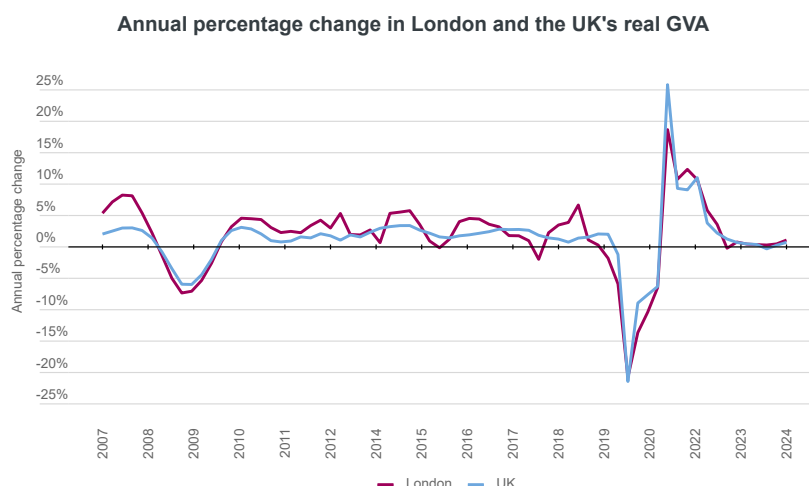


London saw growth in the first half of 2024

- London experienced two consecutive quarters of economic growth in the first half of 2024, with real Gross Value Added (GVA) increasing by 0.6% in both Q1 and Q2 2024.
- In 2023, London's real GVA grew by 0.5%, outperforming the UK's growth rate of 0.3%.
- London's economy returned to pre-pandemic levels in Q4 2022, aligning with the UK's overall recovery timeline. By Q2 2024, London's real GVA was 2.0% above its pre-pandemic level (Q4 2019), though this remains below the UK's overall increase of 2.9%.
- London's real GVA quarterly estimates for the period Q1 1998 to Q4 2012, and from Q4 2022 onwards have been produced by GLA Economics. Estimates for the intervening period are based on outturn data from the ONS, which has not published up-to-date quarterly estimates for London's real GVA for the other periods.

Source: ONS and GLA Economics calculations

Latest release: December 2024, Next release: June 2025

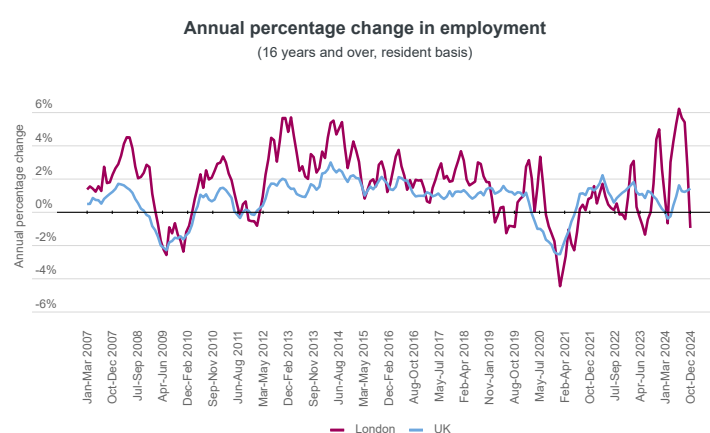


London's year-on-year employment growth rate turned negative in the quarter to Dec 2024

- Around 4.8 million London residents aged 16 and over were in employment during the three-month period from October to December 2024.
- London's annual change in employment saw a decline of 0.9% in the year to this quarter, in contrast to the 5.7% increase in the quarter leading up to September.
- The UK experienced a 1.4% annual increase in employment in the last quarter, showing a marginal uptick from 1.3% in the previous quarter.
- The Office for National Statistics cautions that significant volatility has been observed in recent periods, and short-term changes should be treated with vigilance and used in conjunction with other indicators.

Source: ONS Labour Force Survey

Latest release: February 2025, Next release: March 2025

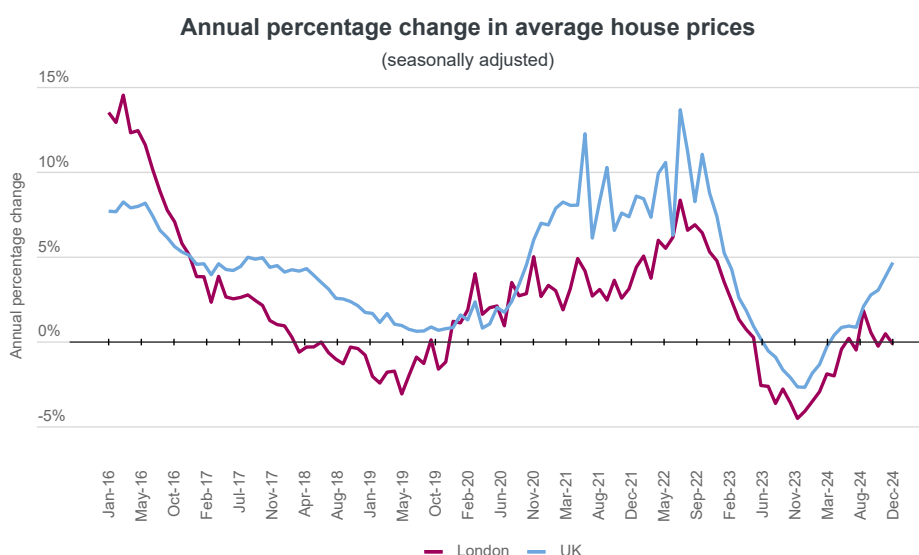


On an annual basis house prices fell in London in December 2024

- In December 2024, the average house price in London was £549,000 while in the UK it was £267,000.
- Average house prices in London decreased by 0.1% year-on-year in December, compared to an increase of 0.5% in November.
- Average house prices in the UK rose by 4.7% on an annual basis in December, higher than the increase of 3.9% in the year to November.

Source: Land Registry and ONS

Latest release: February 2025, Next release: March 2025

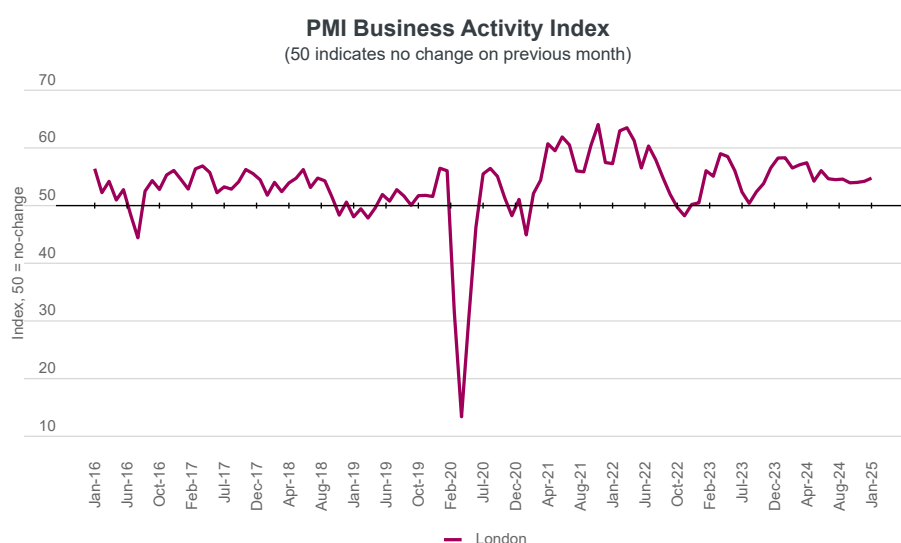


In January 2025, the sentiment of London's PMI business activity index increased

- The business activity PMI index for London private firms increased from 54.2 in December 2024 to 54.8 in January 2025.
- 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: February 2025, Next release: March 2025

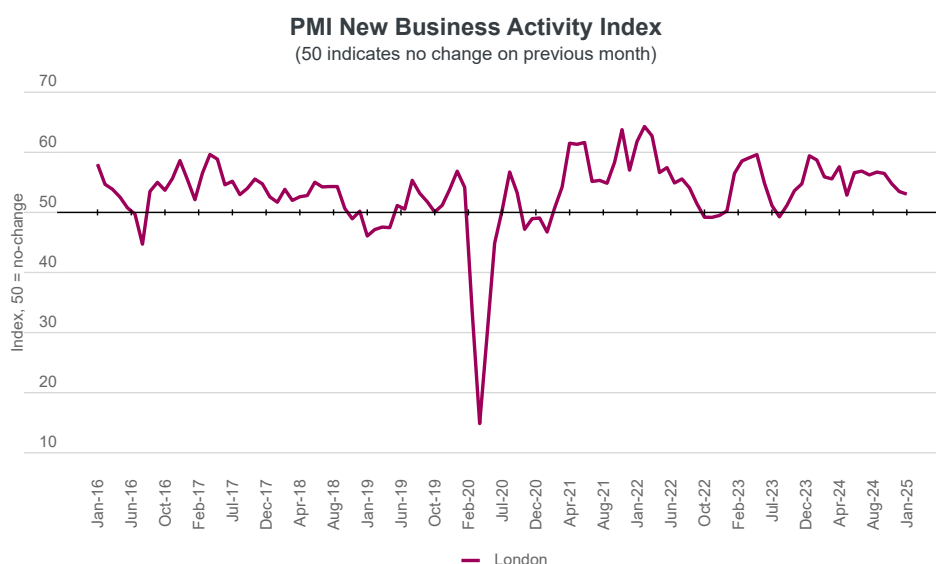


In January 2025, the sentiment of London's PMI new business activity remained positive but decreased

- The PMI new business index in London decreased from 53.5 in December 2024 to 53.0 in January 2025.
- 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: February 2025, Next release: March 2025

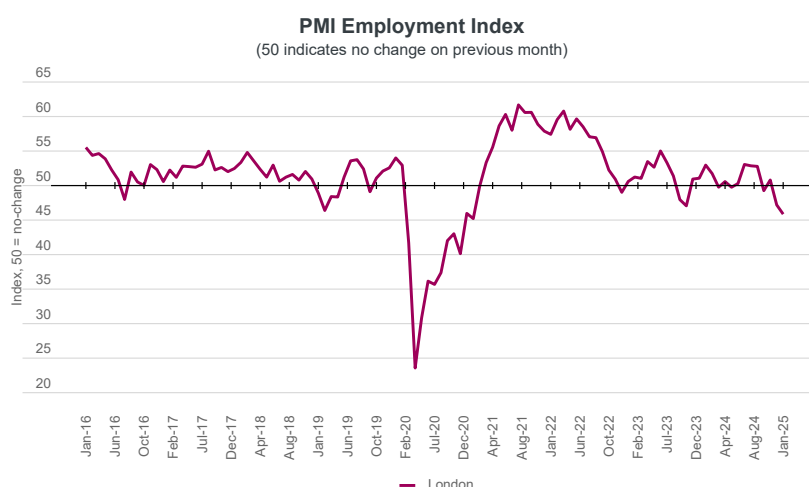


In January 2025, the sentiment of the PMI employment index in London remained negative and declined

- The Employment Index for London decreased from 47.2 in December 2024 to 45.9 in January 2025.
- 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: February 2025, Next release: March 2025

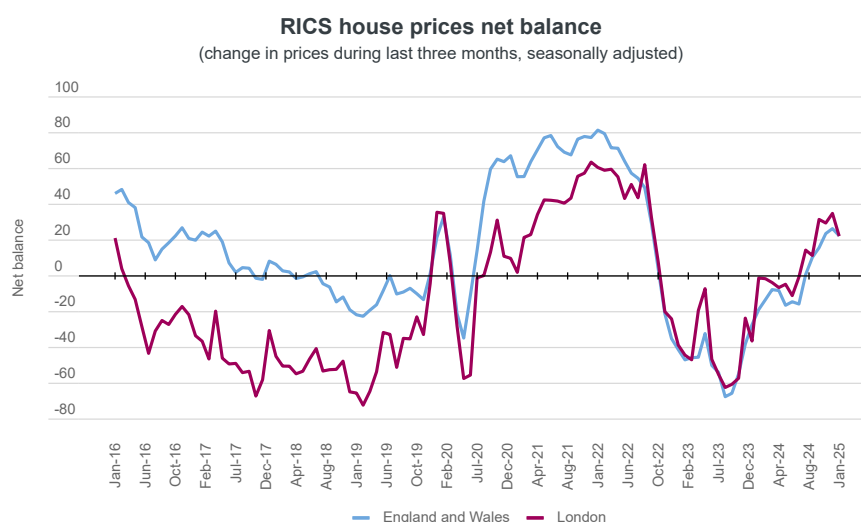


Over half of property surveyors in London reported house price increases in January 2025

- In January 2025, more property surveyors in London reported rising prices than falling prices. The net balance index was 22, and it was 35 in December 2024.
- For England and Wales, the RICS house prices net balance index dropped slightly from 26 in December 2024 to 22 in January 2025.
- 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: February 2025, Next release: March 2025

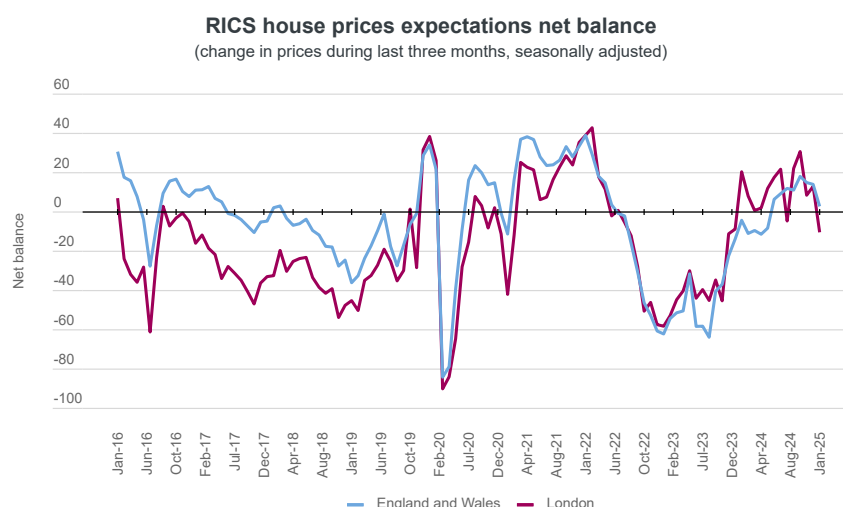


In January 2025, over half of property surveyors expressed negative expectations for house prices in London over the next three months

- The net balance of house prices expectations in London was -10 in January 2025, down from 13 in December 2024.
- The index for England and Wales was 3 in January 2025, and was 14 in December 2024.
- 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: February 2025, Next release: March 2025

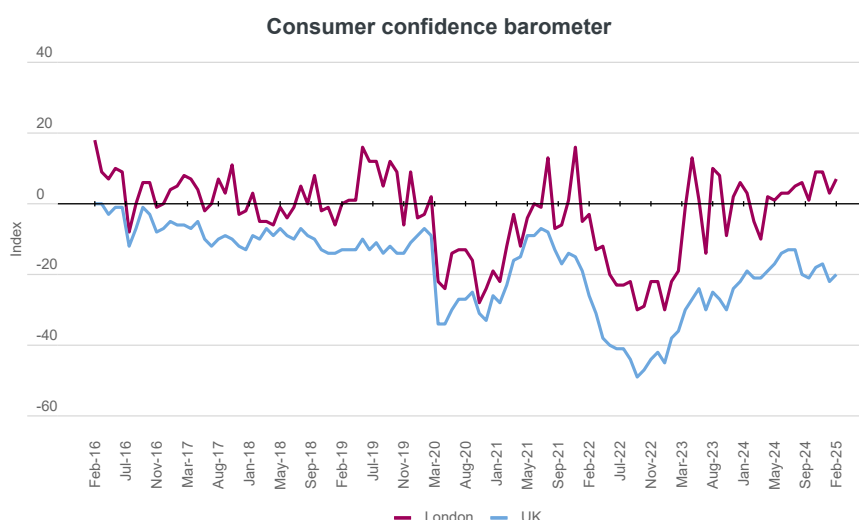


Consumer confidence in London increased in February 2025

- The consumer confidence index in London increased from 3 in January to 7 in February 2025.
- The sentiment for the UK increased from -22 to -20 over the two months. The UK has not seen a positive index score since January 2016.
- The GfK index of consumer confidence reflects people's views on their financial position and the general economy over the past year and in the next 12 months. A score above zero suggests positive opinions; a score below zero indicates negative sentiment.

Source: GfK

Latest release: February 2025, Next release: March 2025



Long-term sickness and the London labour market

By **Guillaume Paugam**, Economist



1 Introduction

The link between long-term sickness and labour market participation has become a prominent issue among UK policymakers since economic inactivity due to ill-health rose following the pandemic.¹ The latest Office for National Statistics (ONS) data showed that, in the 12 months to September 2024, 2.5m people were inactive because of long-term sickness in the UK.

Tackling health-related economic inactivity is central to the government's approach to its Get Britain Working White Paper, with the aim of increasing the national employment rate from 75.8% to 80% in the long run². This employment strategy will rely, in part, on greater devolution to local areas, to integrate health, skills, and employment support.

However, London's population and labour market characteristics differ from the rest of the country. This means that national-level trends in long-term sickness and inactivity, may also be different in London.

GLA Economics has explored in depth the issue of long-term sickness in the London workforce, in a [new report](#). This supplement introduces this research and summarises a few of the key findings.

¹ [Economic update: Inactivity due to illness reaches record](#). House of Commons Library.

² [Get Britain Working White Paper \(DWP, HMT, DfE\)](#)

Definitions

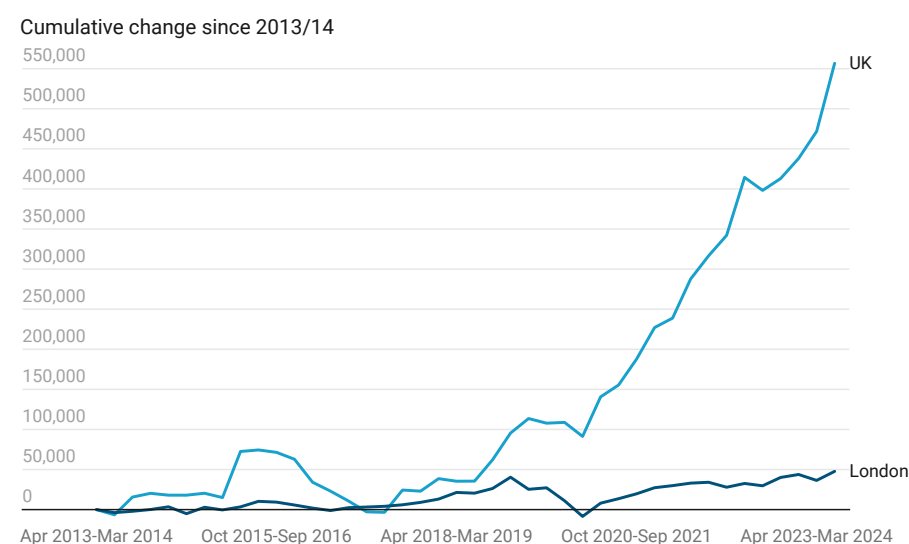
- **Economically inactive** people are those not in employment who have not been seeking work within the last four weeks and/or are unable to start work within the next two weeks (ONS).³
- A **long-term health condition** (LHC) is defined in the ONS Annual Population Survey as a health condition that has lasted 12 months or more.
- A **work-limiting health condition** (WLHC) is a long-term health condition that limits the amount and/or the type of work that someone can do. Not all long-term health conditions are work-limiting. Someone may report a work-limiting health condition and yet be in employment.

All analyses shown here have been carried by GLA Economics based on microdata from the ONS Annual Population Survey.

2 Long-term sickness and the London labour market

There has been a rising trend of health-related inactivity in the UK since around 2015, which accelerated following the pandemic (Figure A1). In London, there was a rise after the pandemic, but this was much slower than in the UK.

Figure A1. Number inactive due to long-term sickness

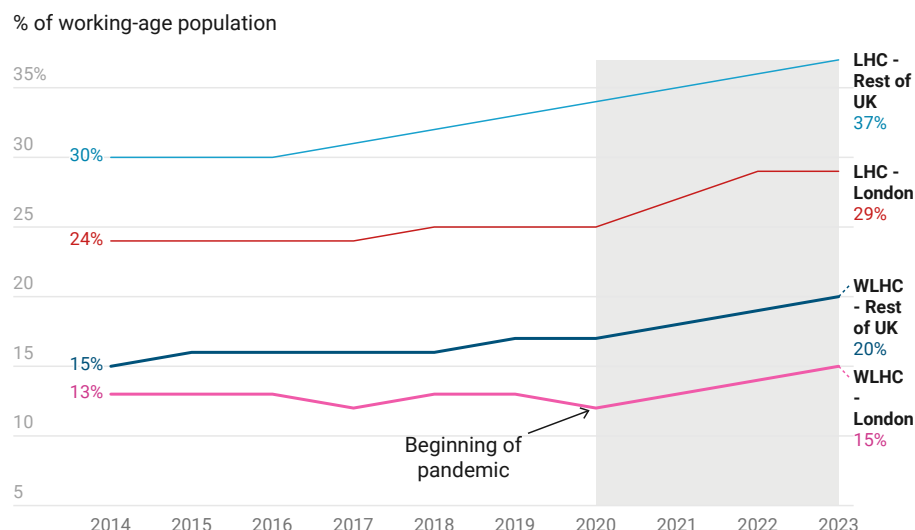


Difference in number of people economically inactive due to long-term sickness over the decade.

Chart: GLA Economics • Source: ONS Inactivity by reasons • Created with Datawrapper

Beyond inactivity, 29%, or 1.8m, of London's working-age population reported a long-term health condition in 2023, a five percentage-point (pp) rise on the decade (Figure A2). For 15% of London's working-age population, or 920,000 people, this long-term health condition limited the kind and/or the amount of work they could do.

³ <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/economicinactivity#:~:text=People%20not%20in%20employment%20who,within%20the%20next%20%20weeks>

Figure A2. Prevalence of long-term health conditions

Trends in share of 16-64 population with a long-term health issue and a work-limiting long-term health issue.

Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

Both the proportions of working-age Londoners with a long-term health condition in general, and a work-limiting one in particular, were broadly stable up to the pandemic. However, there is a clear rise in these shares in London since the pandemic.

For the rest of the UK, the rise of LHCs predates the pandemic. The prevalence of WLHCs was also rising before the pandemic, although it also appears to have accelerated in the years since.

The prevalence of LHCs and WLHCs is lower in London than in the Rest of the UK. In 2023 London had the lowest prevalence of WLHCs as a share of the population of any region/country of the UK.

However, because of the size of London's working-age population, lower rates of sickness in London compared to the rest of the UK still translate into substantial absolute numbers (Figure A3), with the second biggest total count of workers with a WLHC across all UK regions/countries. Therefore, a lower prevalence of WLHCs in London compared to the rest of the UK when expressed as a share of total population does not mean it is a small-scale issue for the capital.

Figure A3. WLHC levels by region/country

Number of people with WLHC in 16-64 population, by region/country of the UK.

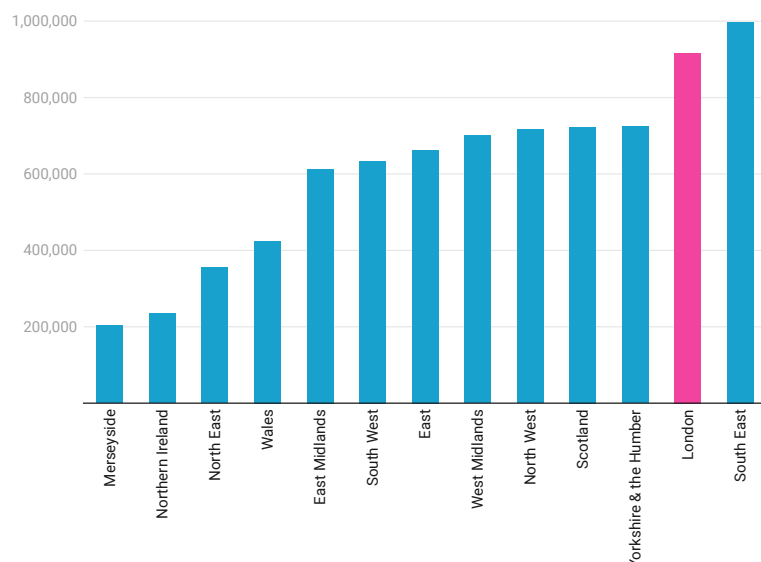
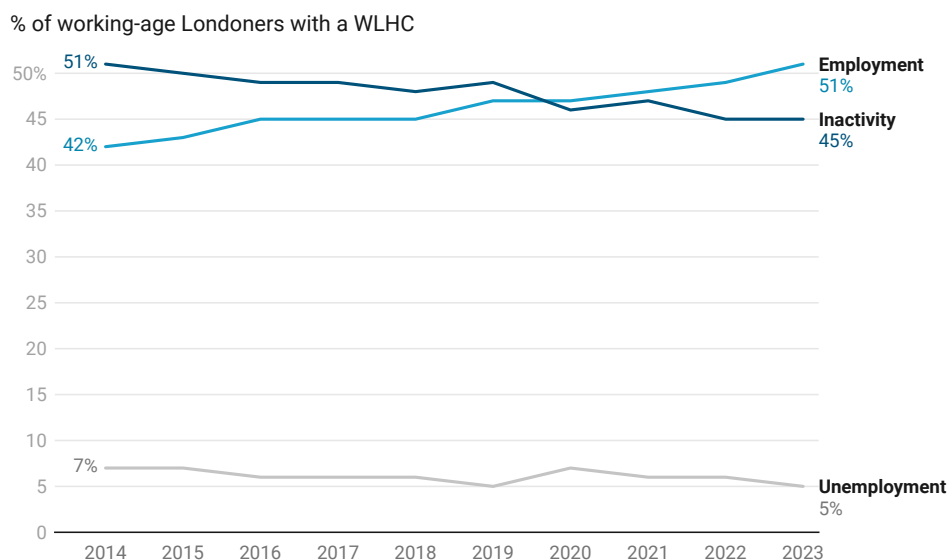


Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

People with a WLHC in London in 2023 had an employment rate of 51%, meaning they were slightly more likely to be in work than out of work (unemployed or inactive) (Figure A4). This corresponds to about 460,000 employed Londoners with a WLHC, or about one in ten workers residing in London. This is also a sharp increase in a short time: in 2014, the employment rate of people with a WLHC in London stood at 42%.

Figure A4. Labour market participation of Londoners with WLHC



Employment, unemployment and inactivity rates for people with a work-limiting health conditions in London.

Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

This corresponds to about 160,000 more workers with a WLHC in London in 10 years. Nonetheless, the employment gap with people without WLHCs remains very large. The employment rate of people without WLHCs stood at 79% in 2023, a 28pp difference compared to people with WLHCs.

Further, we find that people with a WLHC are slightly more likely to be in work in London than in the rest of the UK. But they tend to be, compared to employed Londoners without a WLHC, in more precarious employment, with higher rates of temporary employment, solo-self-employment, or under-employment (describing a situation in which someone desires to work more than their current hours). They are more likely to be found in lower-paid occupations too. And the share of hours of work lost through sickness that they represent is disproportionate compared to the share of workers they represent.

There is also inequality in the socio-demographic profile of people without and with WLHCs. These conditions are more prevalent, on average, for people with lower levels of education, older people, and among most ethnic minority groups in London. Our full report explores in more depth these issues of labour market and socio-demographic inequality.

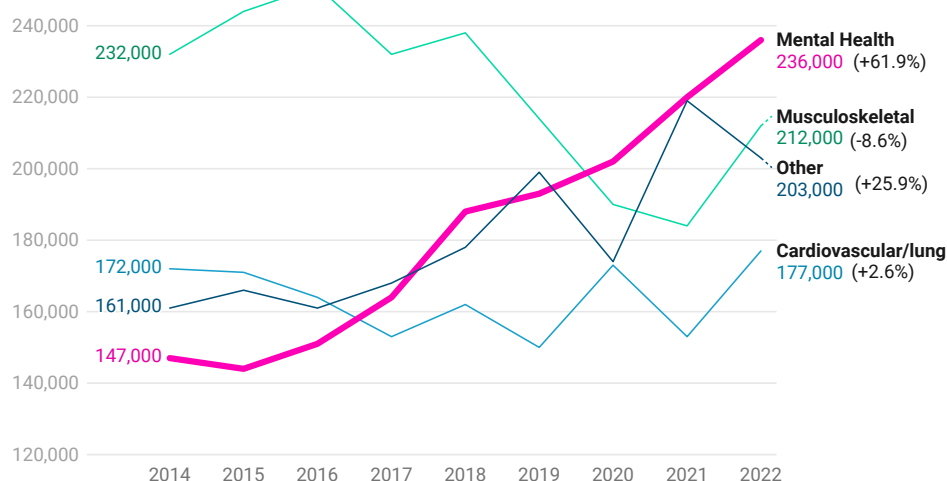
3 Types of health conditions

Our full report explores in depth the links between types of conditions, socio-demographic characteristics, and labour market participation. A few key results are summarised here. Health conditions are grouped under four broad types in the data.

The most striking finding is the rise in the number of Londoners affected by a work-limiting mental health condition, as shown in Figure A5.

Figure A5. Types of WLHC in London

Number of 16-64 Londoners with given type of WLHC



In brackets behind the 2022 figure is the % change between 2022 and 2014.

Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

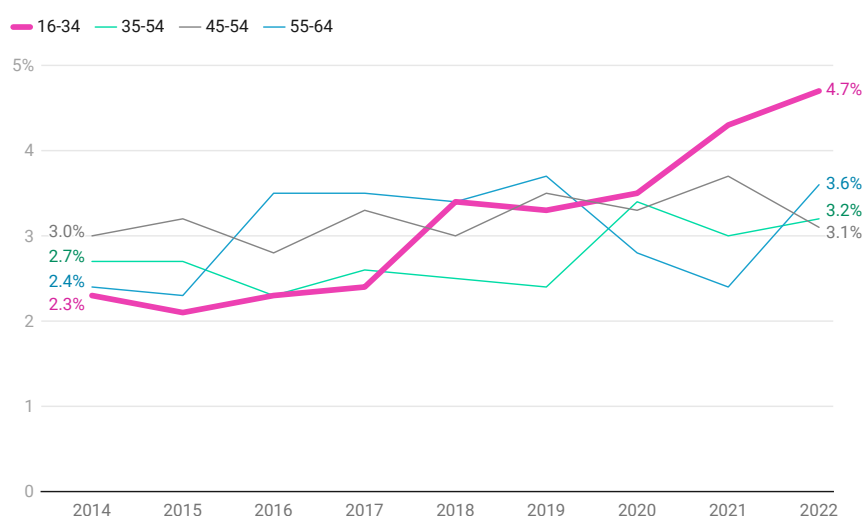
In 2014, about 147,000 working-age Londoners reported a work-limiting mental health condition, less than any other broad types of illnesses. In 2022 (the latest available year of data regarding illness type), around 236,000 of them did, more than any other broad type of illnesses, and an increase of nearly 62%, or 90,000 people, on the period. It is worth noting that the rising trend precedes the pandemic, starting in the middle of the 2010s.

This has been by far the biggest increase. The period also saw a rise in “other” conditions. The number of Londoners affected by a musculoskeletal condition was, on the other hand, falling in the last 10 years, but that trend has reversed since the pandemic.

The rise in the prevalence of WLHCs has been driven by young adults in London (Figure A6).

Figure A6. Prevalence of mental health WLHC by age

% of age group with a mental health WLHC in London



Proportion of age group reporting a long-term mental health condition limiting the kind or/and amount of work they can do.

Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

In the latest data, 1 in 20 Londoners aged 16-34 reported a mental health condition limiting the kind and/or type of paid work they could do. Again, this rise pre-dates the pandemic.

Mental health WLHCs are more prevalent among younger working-age Londoners than in older age groups. This is different from cardiovascular/lung and from musculoskeletal WLHCs, which become more prevalent as age increases. "Other" WLHCs are slightly more prevalent for 16-34 aged Londoners than for 34-44 aged Londoners, but the prevalence in both groups is lower than for the 45-54 age group and the 55-64 age group.

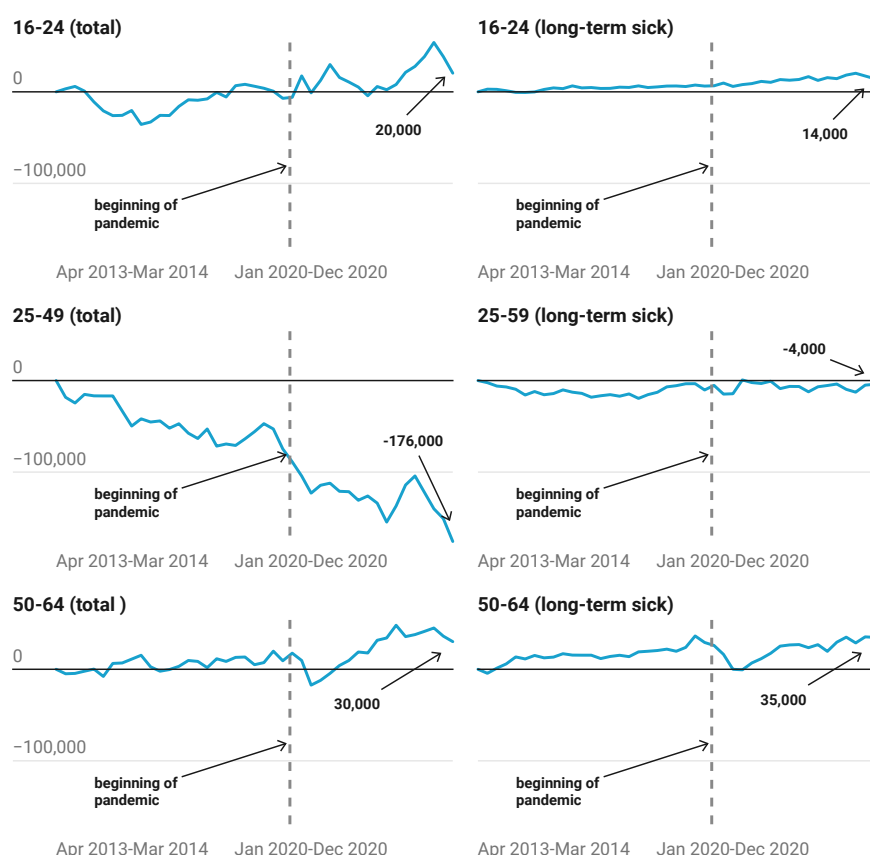
The rise in mental health WLHCs among younger working-age Londoners, and the higher prevalence of other types of conditions amongst older age groups, may be related to patterns of health-related economic inactivity since the pandemic (Figures A7 and A8).

Over the last 10 years, the number of Londoners aged 16-24 who are economically inactive rose by 20,000, and the number of those economically inactive due to long-term illness rose by 14,000. The rise in long-term sickness alone hence amounts to 70% of the increase in total inactivity in this age group.

For Londoners aged 50-64, total economic inactivity rose by 30,000 people over the last 10 years, and the number economically inactive because of long-term illness rose by 35,000. So, if it was only for long-term sickness, inactivity amongst older working-age Londoners would have risen even more – it is only decreases in inactivity due to other reasons that have limited the rise.

Figure A7. Economic inactivity and long-term sickness by age group

Cumulative change since 2014 in total number of economically inactive working-age Londoners (left panel) and in number of working-age Londoners inactive due to long-term sickness (right panel), by age group.



For each age group, the left-hand side graph represents the difference in the total number of economically inactive people at a given date and the number in 2014. The right-hand-side graph does the same for people economically inactive due to long-term sickness. The arrow points to the value of the cumulative change in the latest data point (2023/24). Note that the right-hand side can be bigger than the left-hand side, for a given age group: this would be because reasons for inactivity other than long-term sickness would have decreased and brought the overall number of economically inactive people down.

Chart: GLA Economics • Source: ONS Inactivity by reasons • Created with Datawrapper

These results need to be put in perspective with results regarding the type of conditions affecting Londoners, which showed that most types of WLHCs were more prevalent for the oldest working-age Londoners, except for mental health, with a strong rise in mental health WLHCs among younger working-age Londoners.

It suggests that policy responses seeking to re-engage economically inactive people with long-term health issues may need to be differentiated by age group and illness type.

Another way to study this is to look at the link between labour market participation and broad illness type (Figure A8).

Inactivity rates tend to be higher for people with a mental health WLHC (52% in 2022). This is down from 65% in 2014: as the prevalence of mental health WLHC rose in London, the inactivity rate of people with WLHCs fell. But it remains the highest, compared to other types of conditions. People with musculoskeletal conditions, more prevalent among older working-age Londoners, have the second biggest rate of economic inactivity, which has rebounded since the pandemic.

Figure A8. Inactivity rates by type of condition

% economically inactive among working-age Londoners reporting a given type of WLHC

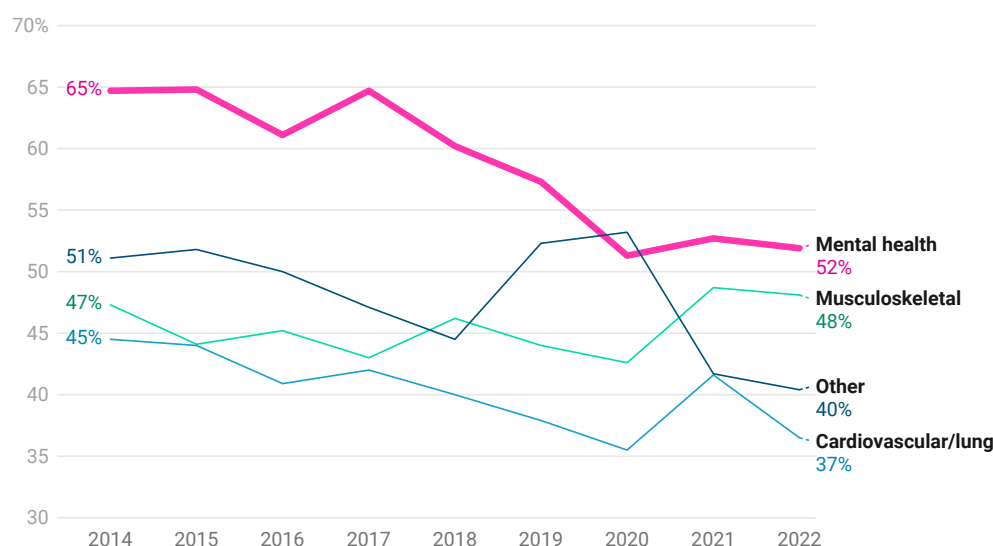


Chart: GLA Economics • Source: ONS Annual Population Survey • Created with Datawrapper

4 Summary

London has a lower prevalence of WLHCs in its working-age population than the rest of the UK, and a less marked rise in inactivity due to ill-health since the pandemic than the rest of the UK. Nonetheless, the WLHC prevalence has been rising in the last 10 years in London, and inactivity due to long-term sickness represents one in five inactive Londoners.

Further, lower rates still translate into substantial absolute numbers given the size of London. There is, therefore, a long-term sickness issue in London's working-age population, with London-specific challenges.

This challenge is particularly acute for younger working-age Londoners, especially in terms of mental health, and older working-age Londoners, for physical health conditions.

While the employment rate of Londoners with WLHCs has been rising over time, it is still much below the employment rate of Londoners without WLHCs. The employment of Londoners with WLHC tends to be more precarious, concentrated in certain occupations, and is associated with more absences due to sickness.

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