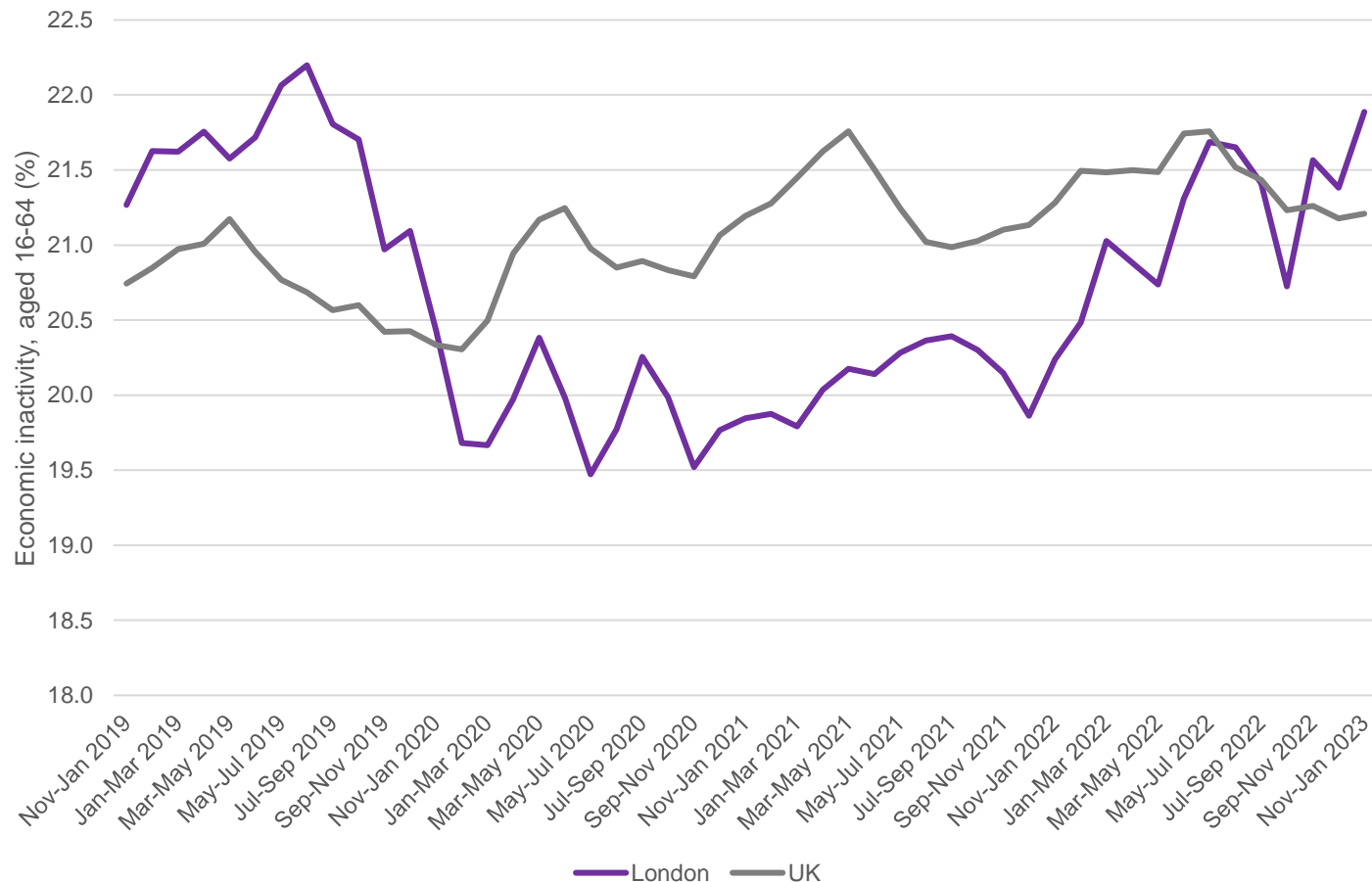


# Central London RECOVERY TRACKER

**March 2023**

# Economic inactivity is increasing in London

Figure 1: Economic inactivity London vs UK 2019-2023



Source: [ONS](#)

Economic inactivity stands at **21.9%** in London. The rate is up 2pp in the last 2 years, and higher than the UK rate (21.3%).

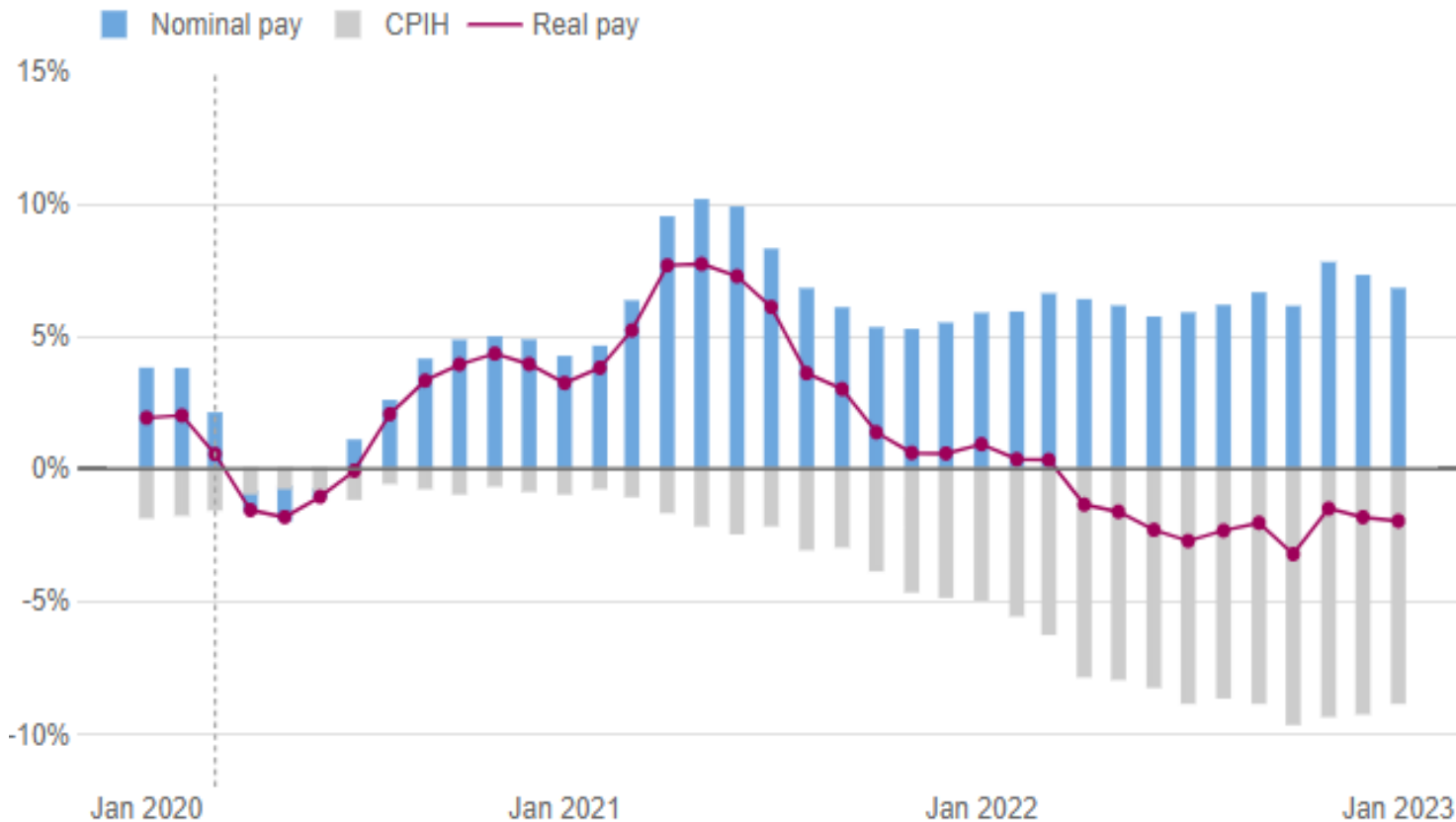
Unemployment is down 1.1pp in London, however at **4.5%**, unemployment remains higher than any part of the UK.

The latest OBR [forecasts](#) suggest unemployment will increase **0.7pp** in the next year. Whilst this is lower than the previous forecasts, this would still mean an additional **37,000** unemployed Londoners.

The [Spring Budget](#) focused on reversing the increase in economic inactivity.

# Households face a record income squeeze

Figure 2: Pay and inflation in London 2020-2023



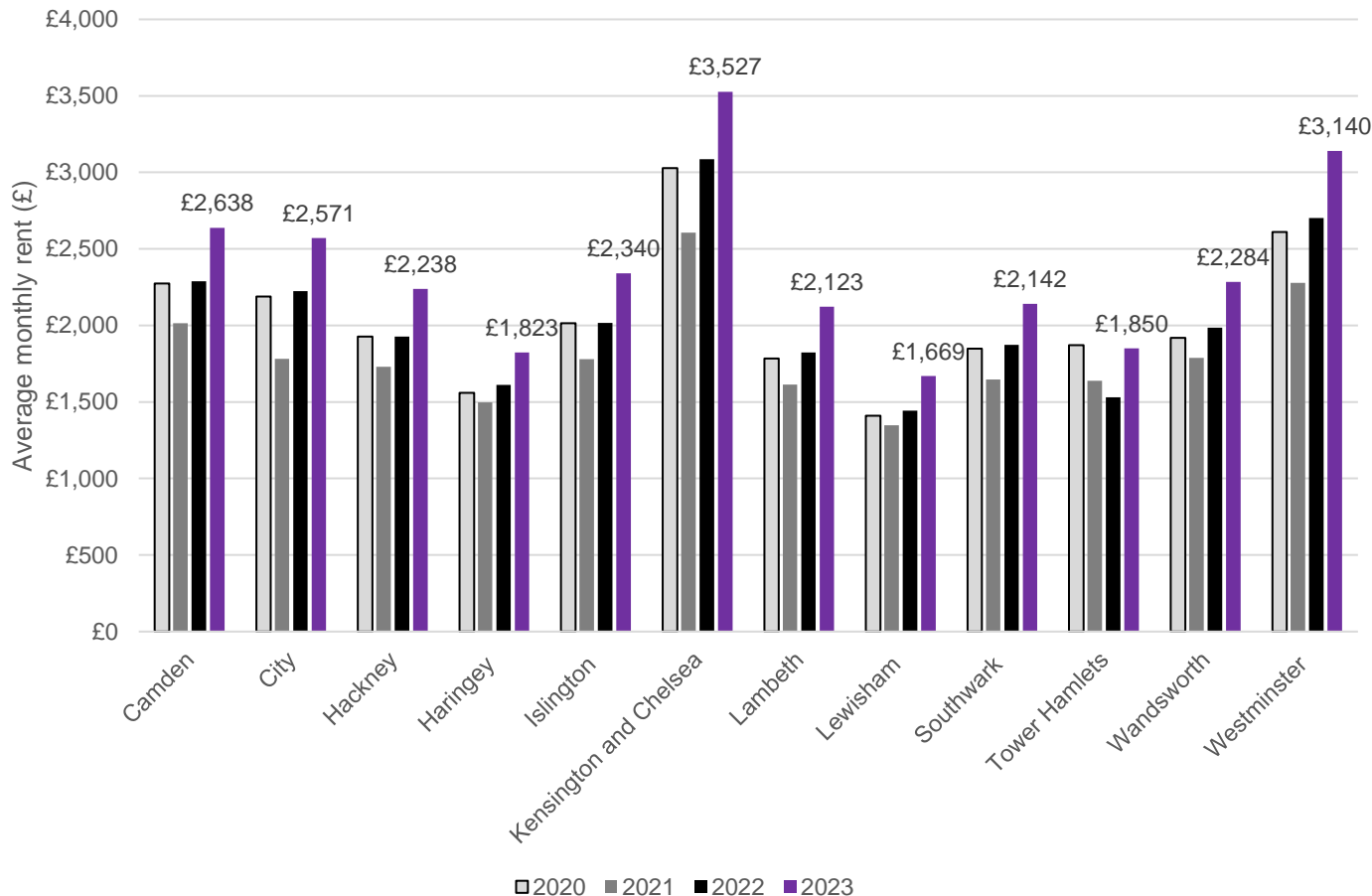
Households in London are facing an income squeeze. As figure 2 shows, while nominal pay has been growing at over 5%, it is far outstripped by inflation, meaning Londoners are experiencing real terms pay cuts.

OBR [forecast](#) inflation will fall to 2.9% by the end of 2023, driven by falls in energy prices. However, real household disposable income per person is projected to fall by a total of 5.7% in this financial year and next, the worst two-year period for living standards since records began.

The Chancellor announced an extension of the Energy Price Guarantee until June, to help people with the cost of living crisis.

# Rents have risen rapidly but may be stabilising

Figure 3: Average rents by borough 2020-2023



Source: [Zoopla and BBC](#)

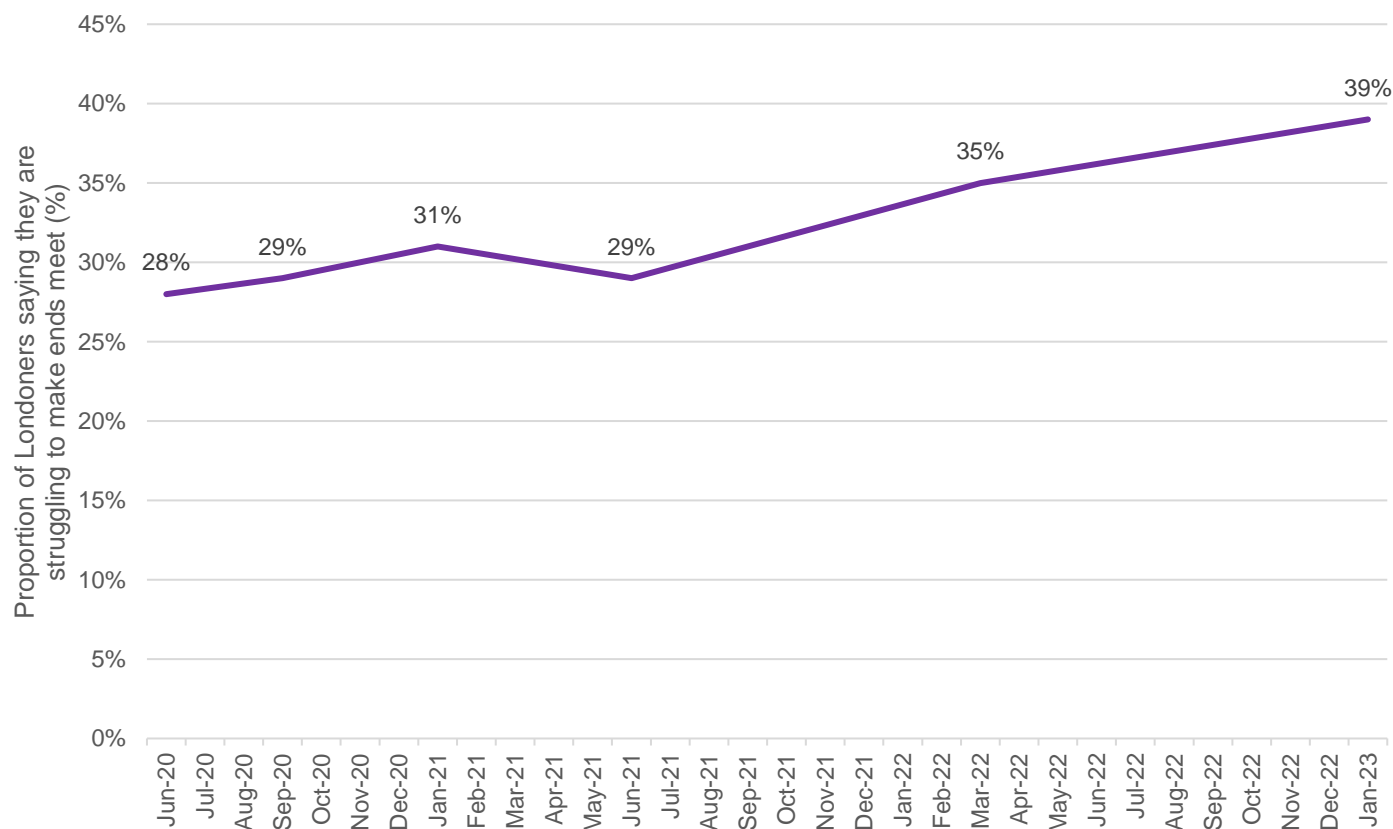
Rents in London have risen rapidly. After a decline at the start of the pandemic, private rents increased by **15.6%** between 2022 and 2023. However, data from [Homelet](#) suggests that the increase in rents across London has levelled off in recent months.

[Availability of homes to rent](#) has stabilised, but remains well below usual levels.

However, there is [evidence](#) the supply of new homes is declining. The fall is driven both by a decline in buyer demand, and rapid increases in construction costs, including both construction materials, energy and labour.

# More Londoners are struggling to make ends meet

Figure 4: Londoners saying they are struggling to make ends meet, 2020-2023



Source: [Centre for London](#)

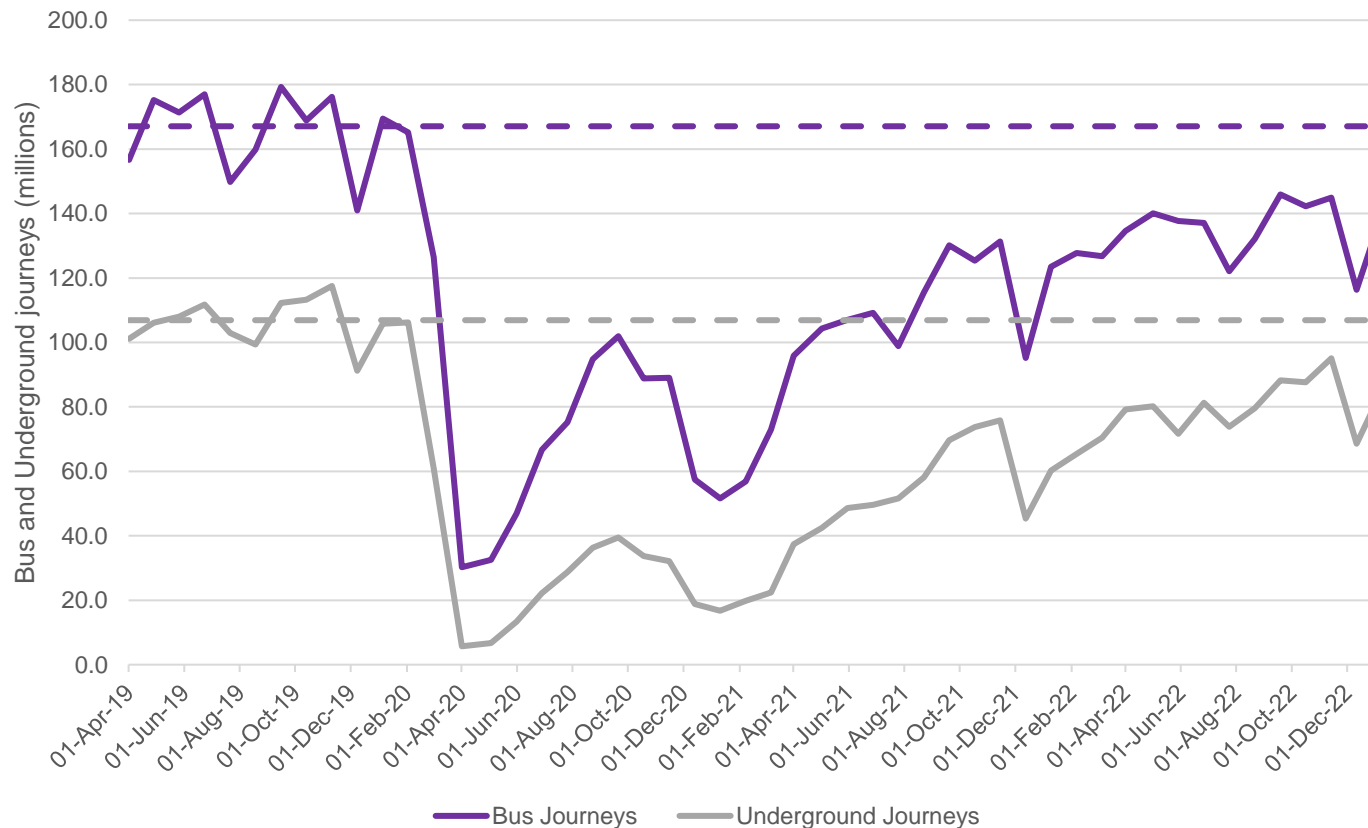
As incomes fall behind inflation and housing costs have increased, an increasing proportion of Londoners are reporting facing financial difficulties.

Polling by [Centre for London and Savanta](#) shows four in ten – **39%** – Londoners say they are struggling to make ends meet, up from three in ten – **29%** – in May 2021.

Over one in ten (11%) Londoners say they have used a food bank in the past month, up from 7% in 2020. The figure is higher still in Inner London (14%).

# Transport usage continues to recover gradually

**Figure 5: Bus and underground journeys compared to pre-pandemic average**



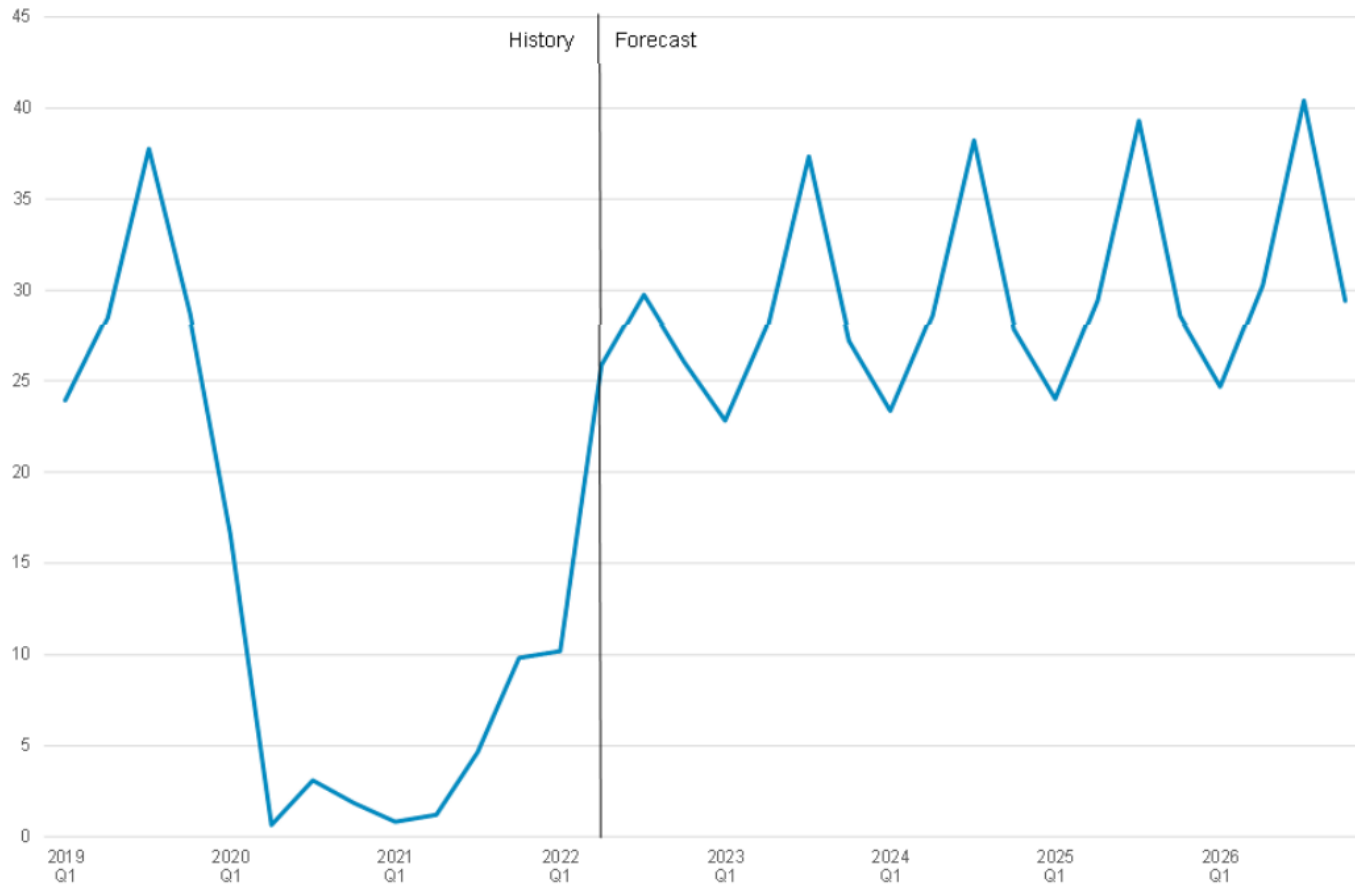
Three years on from the first lockdown, transport usage continues to increase slowly. Underground usage over the latest six months is **79%** of pre-pandemic levels, with bus usage at **83%**.

TfL usage has been boosted by the opening of the Elizabeth line. Passenger numbers increased by **41%** in the last three months.

TfL is crucial for central London. Whilst the increase in ridership is positive, TfL continues to face financial uncertainty. The current funding deal expires in April 2024, and the Mayor of London has called for **further investment** in the capital's transport network to help drive the recovery.

# International tourism set to recover by 2026

**Figure 6: International visitor nights in London 2019-2026**



Source: [GLA](#)

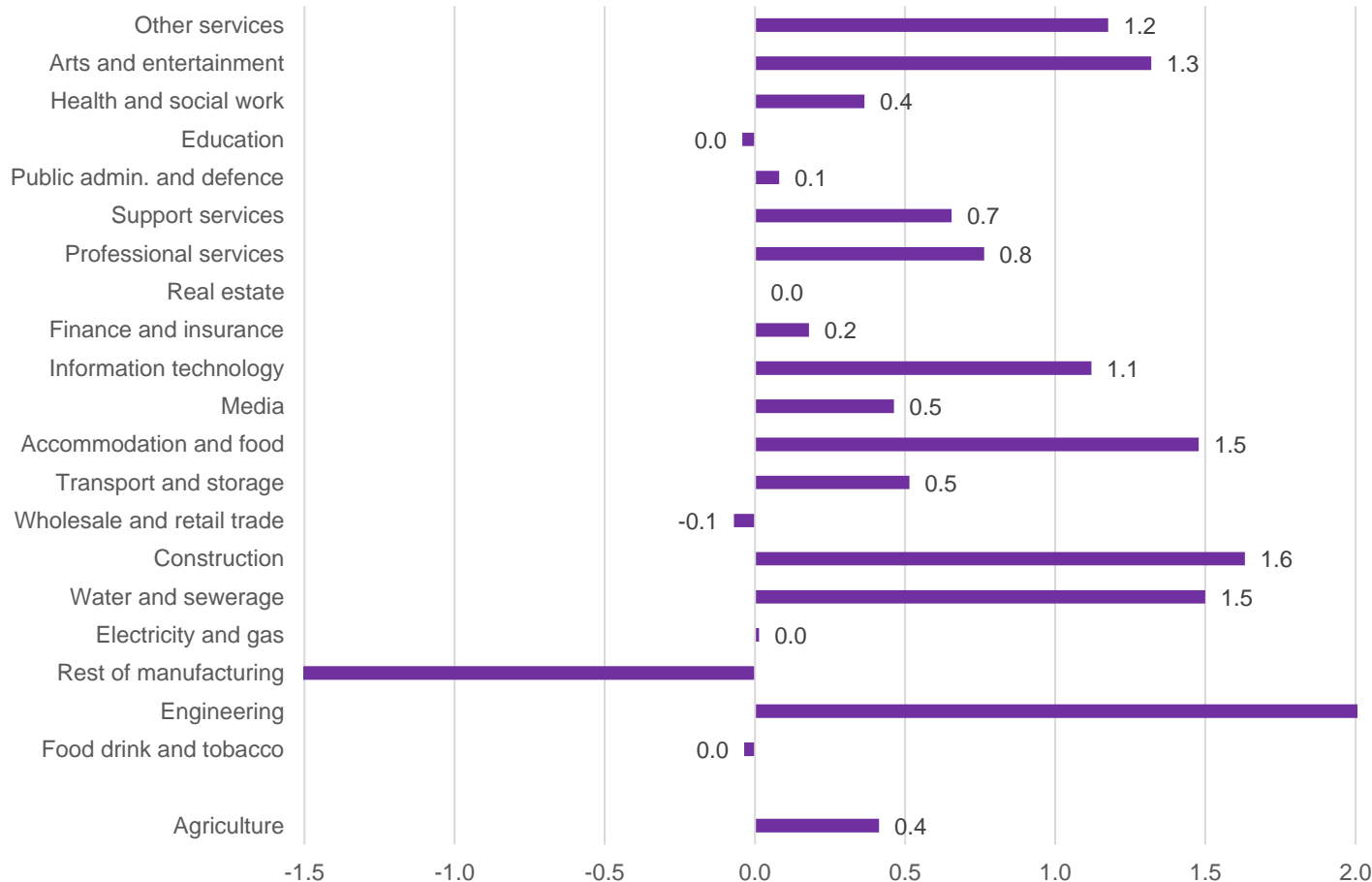
International tourism plays a vital part in central London's economy. The sector was hard-hit by the pandemic, but it has recovered rapidly in the last year, reaching **90%** of pre-pandemic levels by mid-2022.

International visitor nights in the capital are projected to recover to 2019 levels by **2026**, before rising by 9% to 134 million by 2032.

Spending by international visitors stood at £12.4m in 2022, down from £15.7m in 2019. However, spend is forecast to increase to £16.5m by 2031.

# Employment in London forecast to grow

Figure 7: Sectoral growth projections 2020-2035



Source: [DfE](#)

New Government [projections](#) of future employment by sector show total employment in London is set to increase from **6m** in 2021 to **6.6m** in 2031, and **6.8m** by 2041.

Growth is forecast to be particularly strong in construction (1.6%), accommodation and food (1.5%), and arts and entertainment (1.3%), other services (1.2%) and information and technology (1.1%).

The occupations set to see the most rapid growth include health and social care professionals (3.8%), and science, research and technology professionals (2.6%).