

Central London
RECOVERY TRACKER

May 2023

Inactivity falls but unemployment on the rise

Figure 1: Unemployment in London and the UK, time series March 1992 to March 2023



Source: [ONS](#)

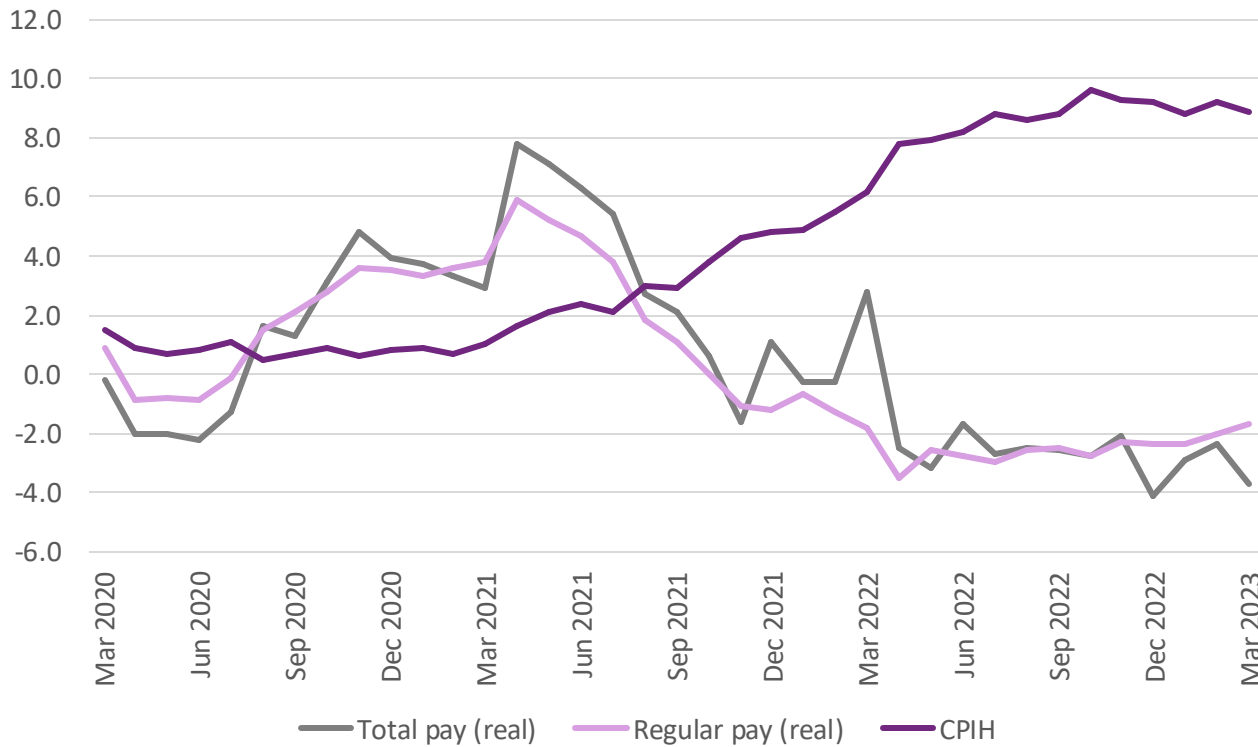
Economic inactivity in the capital has decreased to 20.9% in the three months to March 2023. This is down by 0.5pp on the previous quarter and down 0.2pp on the year, and is now broadly in line with the UK estimate (21%).

Employment in the capital increased by 0.3pp on the quarter and 0.1pp on the year to 75.4% in March 2023. The [annual rate of employment growth](#) was 1.8%, higher than in December 2022, at -0.7%.

However, unemployment has increased in London to 4.7% in the three months to March 2023. This is up by 0.2pp on the quarter, and remains well above the UK unemployment rate at 3.9%.

Real terms pay continues to fall

Figure 2: Real pay growth rates and CPIH annual rate March 2020 – March 2023



Source: [ONS](#)

Falls in real terms pay growth are among the largest since comparable records began in 2001.

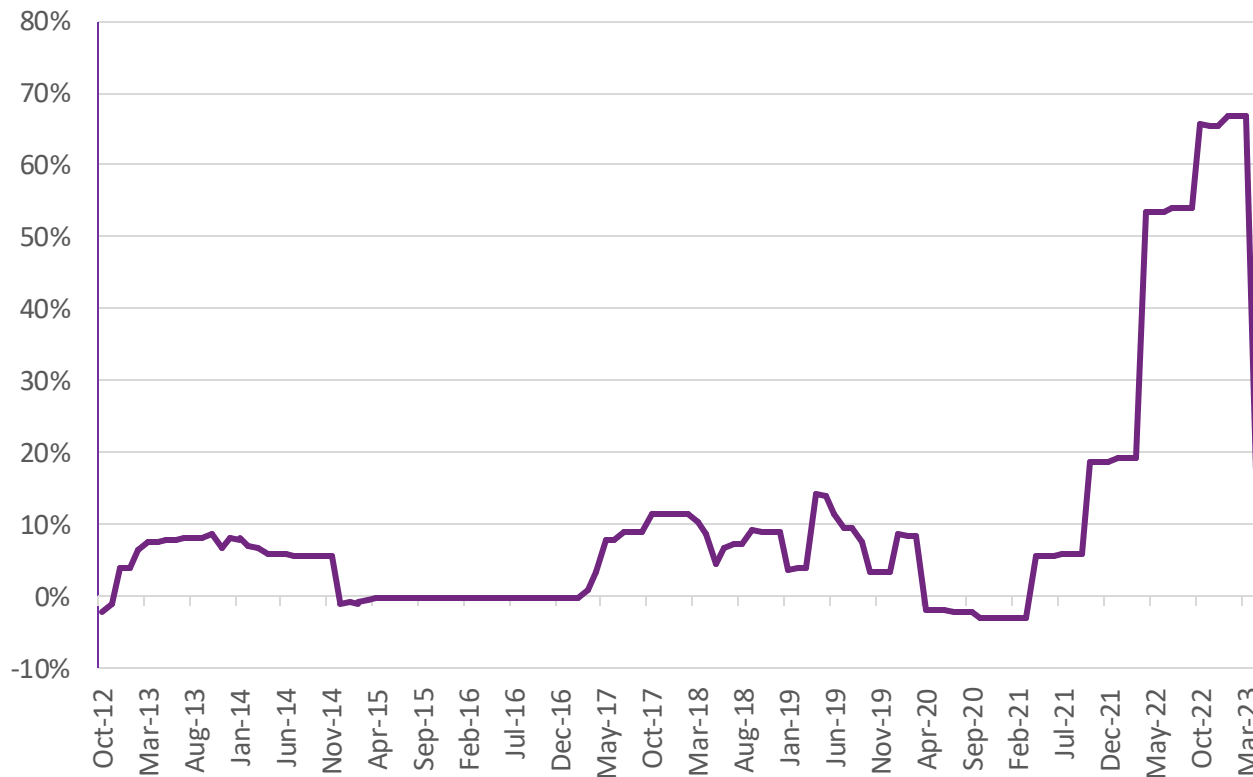
This comes as inflation continues to rise. Although the rate at which inflation is rising is slowing, from **10.1%** in March to **8.7%** in April; the rise is still higher than the Bank of England predicted. This means consumer prices are still on the up.

The likelihood of high inflation becoming embedded is increasing, which in turn increases the prospect of interest rate hikes.

As energy and business costs fall, inflation is mostly being driven by consumer prices and wage growth. However, that wage growth seems to be concentrated in higher paying business services. Further analysis is needed.

After recent peaks, inflation is becoming less energy intensive

Figure 3: Electricity annual CPIH inflation rates, UK, October 2012 to April 2023



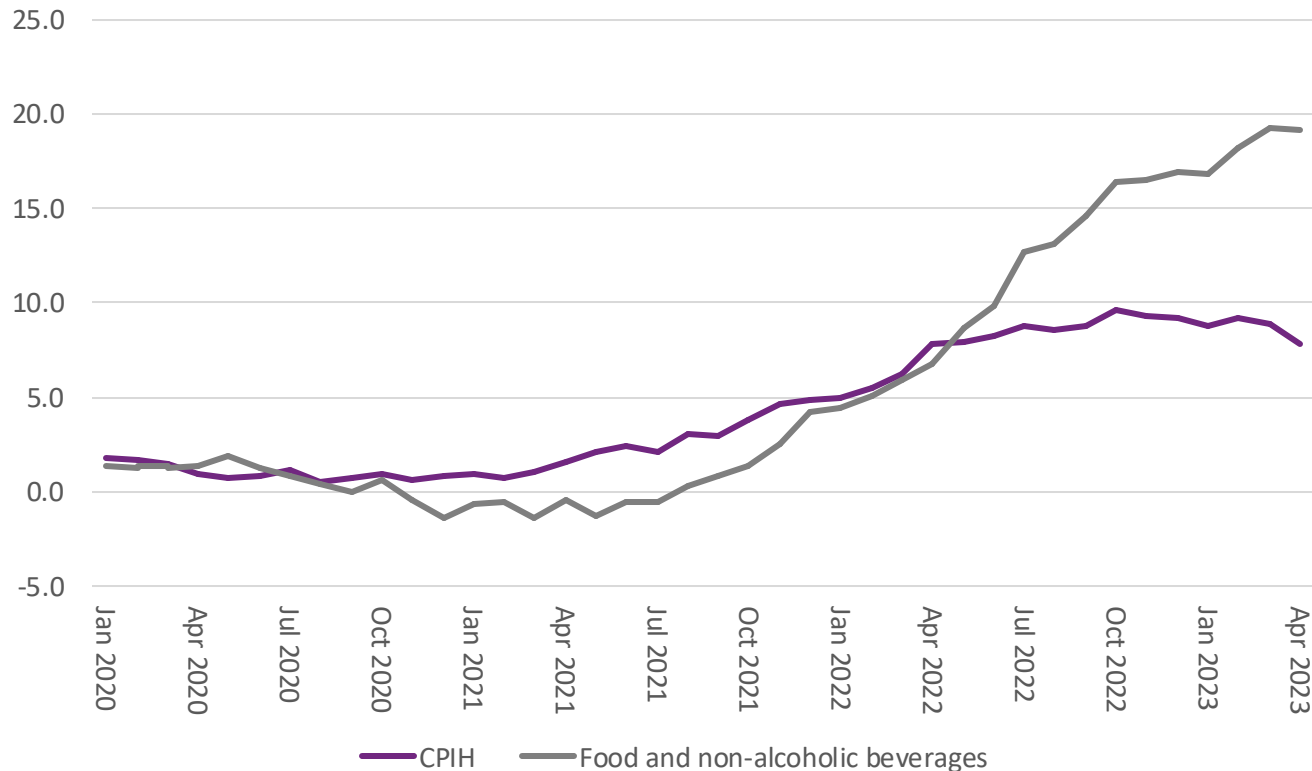
Source: [ONS](#)

Inflation in 2022 was highly energy intensive. From March 2022 to March 2023 domestic electricity prices increased by **67%**, and domestic gas prices increased by **129%**. This significantly impacted household energy tariffs, road fuel costs, and indirectly on the wider prices of goods and services.

As the steep rise in April 2022 dropped off the annual comparison, electricity and gas prices actually contributed 1.42% to the **decrease** in annual inflation in [April 2023](#). This was the first time that gas prices fell since October 2020.

But the cost of living continues to rise

Figure 4: CPIH and food and non-alcoholic beverages annual inflation rates, UK, April 2013 – April 2023.



Source: [ONS](#)

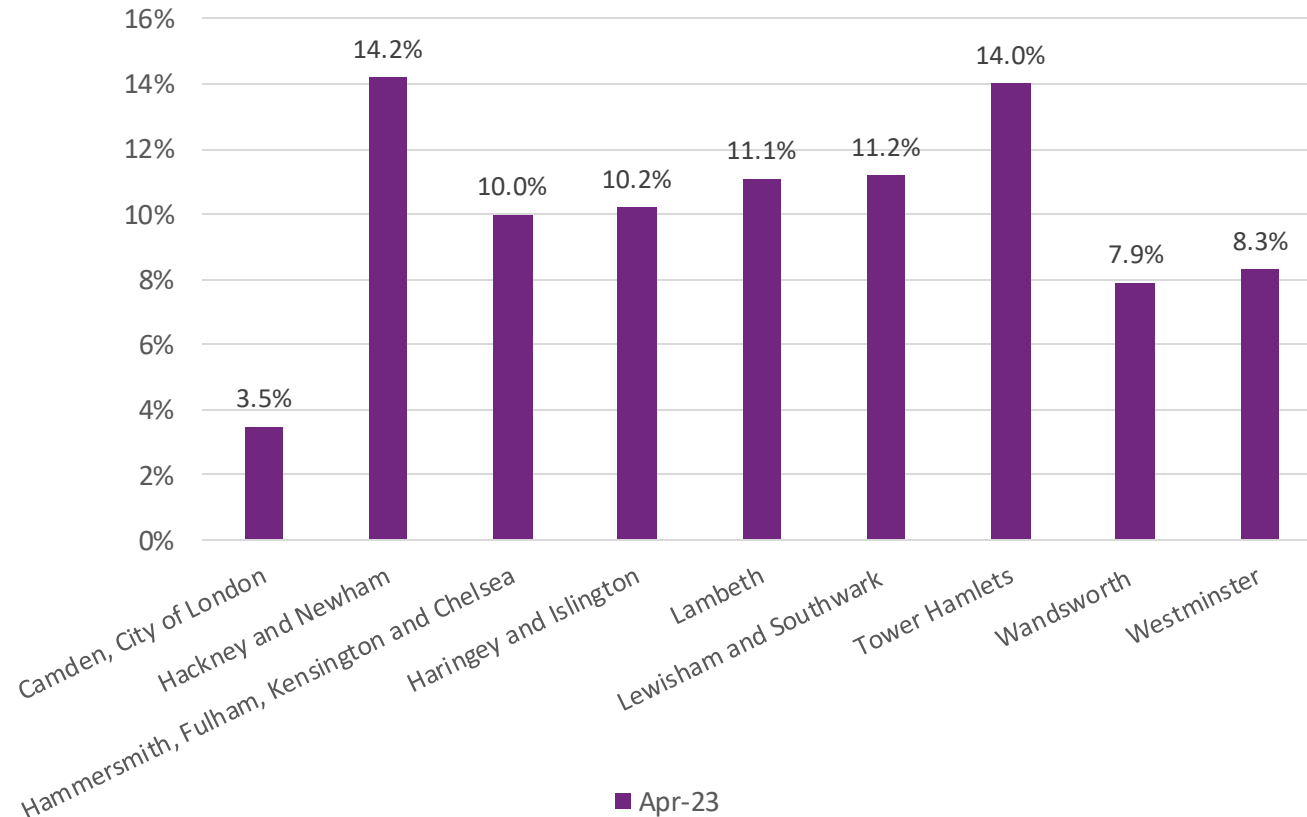
Prices of food and non-alcoholic drinks are rising at the [second fastest rate in over 45 years](#), according to ONS. Their average prices rose by **19.1%** in the year to April 2023.

[In late April](#), **48%** of adults were worried about the cost of energy, and **51%** were worried about the cost of food.

In 2023, [Trust for London](#) found that Londoners within the lowest income quintile would see a **24%** increase in price if they were to buy the same goods and services as they did in the three years to March 2020.

The housing crisis is affecting how Londoners live

Figure 5: Annual percentage change in rental price, April 2022 to April 2023



Source: [Homelet](#)

[Private rental prices](#) over the last year increased by more in London than the national average, the highest annual rate since November 2012. In central London, private rents increased by around **14%** in Hackney and Newham, and Tower Hamlets.

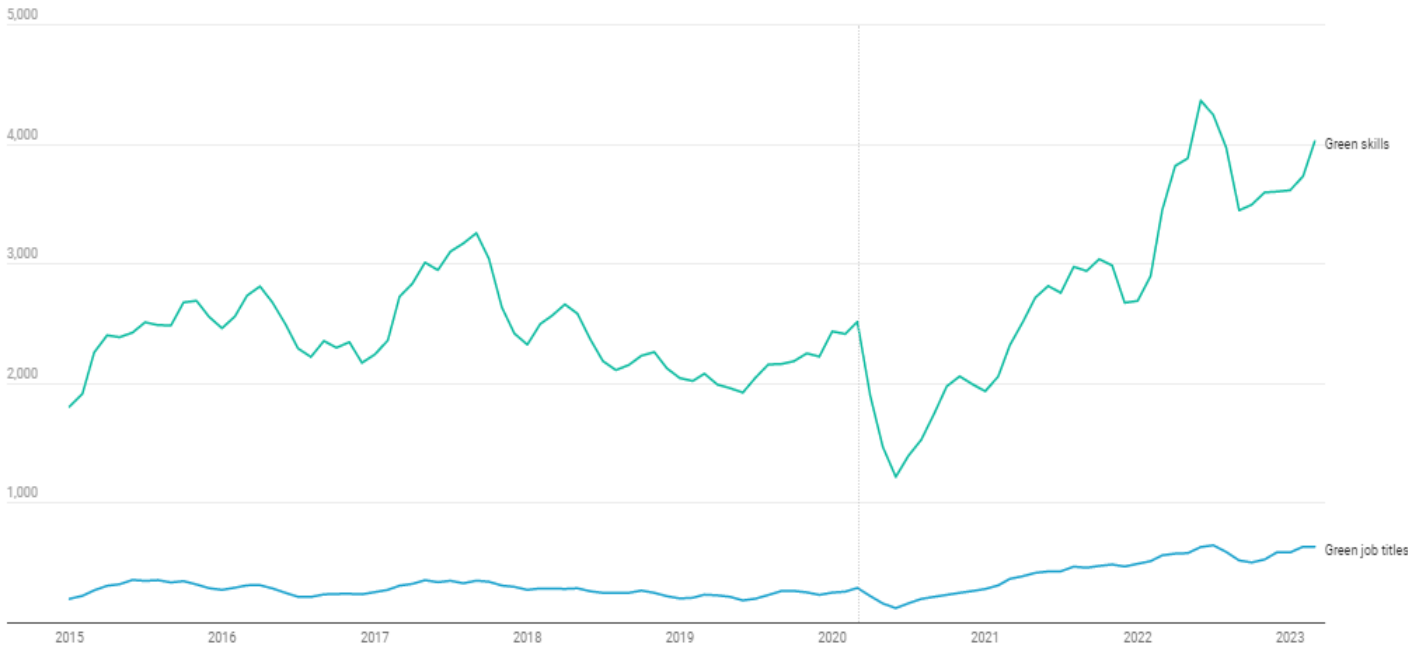
London saw the [lowest annual house price percentage change](#) than any other region, at 1.5%. However, average house prices in the capital remain the highest in the UK, at **£523,000** as of March 2023.

There are persisting housing supply and demand pressures, with demand for property growing and rental stock remaining low.

Increased prices and stock pressures are affecting how Londoners live, with [1 in 4 adult children now living with their parents](#). This is the **largest** proportion of any English region, with the fastest rate of increase between 2011 and 2021.

Green jobs in London are increasing

Figure 6: Online postings for jobs in London with green job titles and green skills, 2015-2023



Source: [GLA Economics/Lightcast](#)

[Online job postings](#) shows an increase in the volume of green jobs and skills postings in London from January to March 2023, compared to the previous quarter.

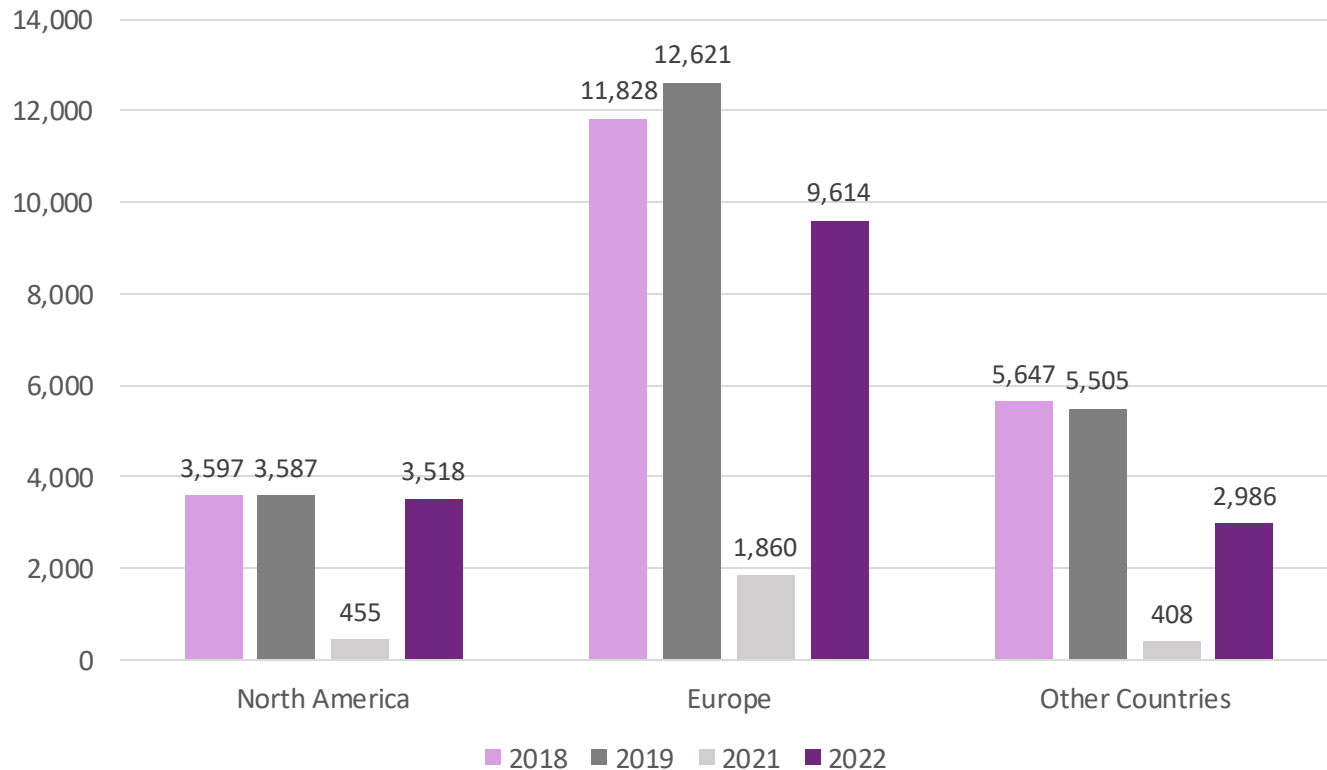
London had **0.4%** new unique jobs postings with green job titles, compared to 0.33% in the South East, 0.37% in the East and North West, and 0.38 in the North East.

Central London Forward has commissioned Whole Life Consultants to explore the labour demand for domestic and commercial retrofit in central London, which will be published this summer.

For an analysis of projected growth of green jobs to 2050, see our [Green Jobs and Skills in Central London](#) report.

Tourism levels in the capital are recovering

Figure 7: Number of visits to London by region of residence (thousands) 2018 to 2022



Source: [ONS](#)

Tourism levels are bouncing back considerably, with **16 million** overnight visits to the capital from overseas tourists at the end of 2022.

Visitor numbers from North America are now at pre-pandemic levels, with European visitors at **76%** and visitors from other countries at **84%**.

International tourist spend reached **£14.1m** at the end of 2022, just £1.5m below tourist spend in 2019.

The [City of London Policy Chairman](#), along with [BusinessLDN and BIDs](#) argue that ensuring high visitor numbers and tourist spend depends in part on reintroducing VAT-free shopping. The UK remains the only country in Europe without VAT-free shopping, and tourism recovery in London is lagging behind other European cities.