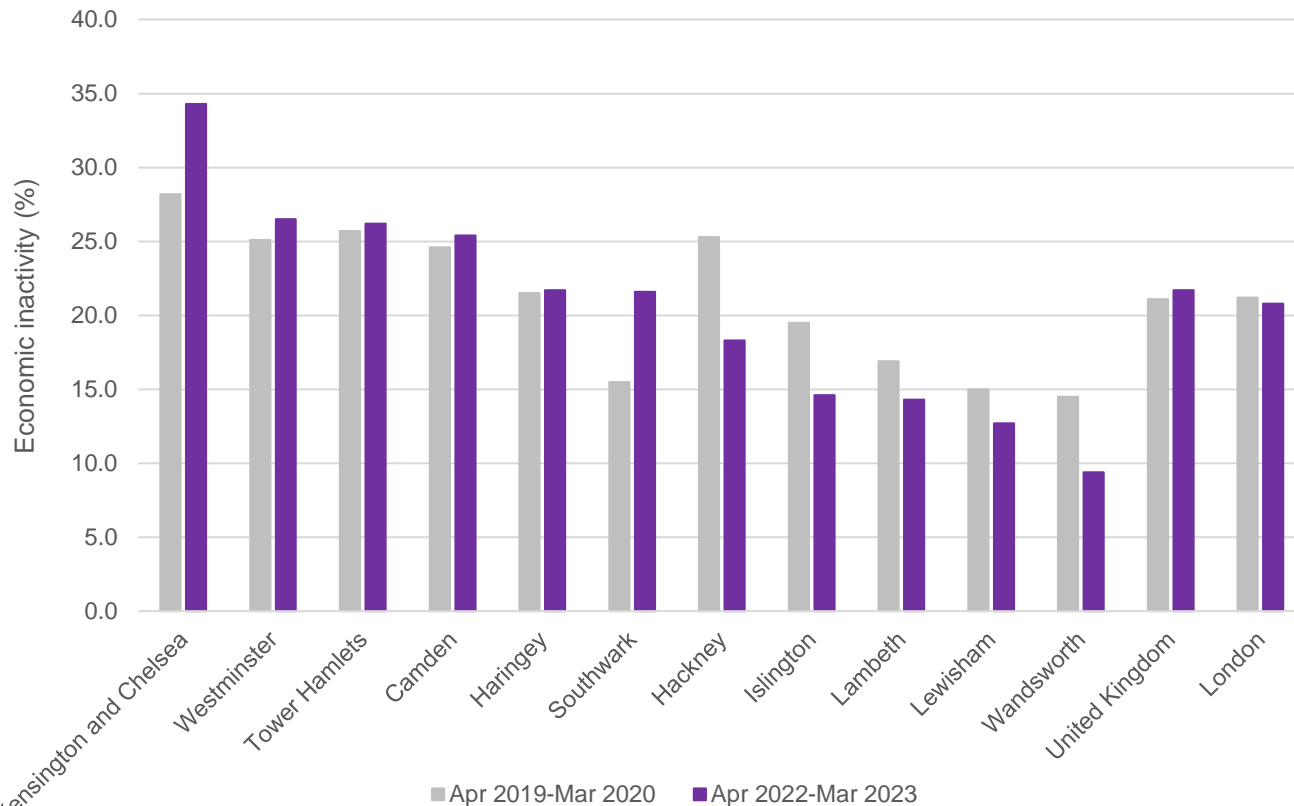


# Central London RECOVERY TRACKER

**August 2023**

# Labour market is weakening, especially in London

**Figure 1: Economic inactivity rate, age 16-64, 2019/20 and 2022/23**



Source: [ONS](#)

There are signs that the labour market is cooling, particularly in London.

The employment rate in London in the quarter to June 2023 was 74.3%, down 1.1 percentage points on the previous quarter, and significantly below the UK average of 75.7%.

Unemployment increased to 5.1% in London, the second highest rate of any region, and significantly higher than the UK average (4.2%).

Economic inactivity increased by 0.8 percentage points to 21.7% across the capital, compared to a national rate of 20.9%. Rates of economic inactivity are particularly high in Kensington and Chelsea (34.3%), Westminster (26.5%), Tower Hamlets (26.2%) and Camden (25.4%).

# Inflation is easing but remains high

Figure 2: Inflation rates, UK, 2013 – 2023



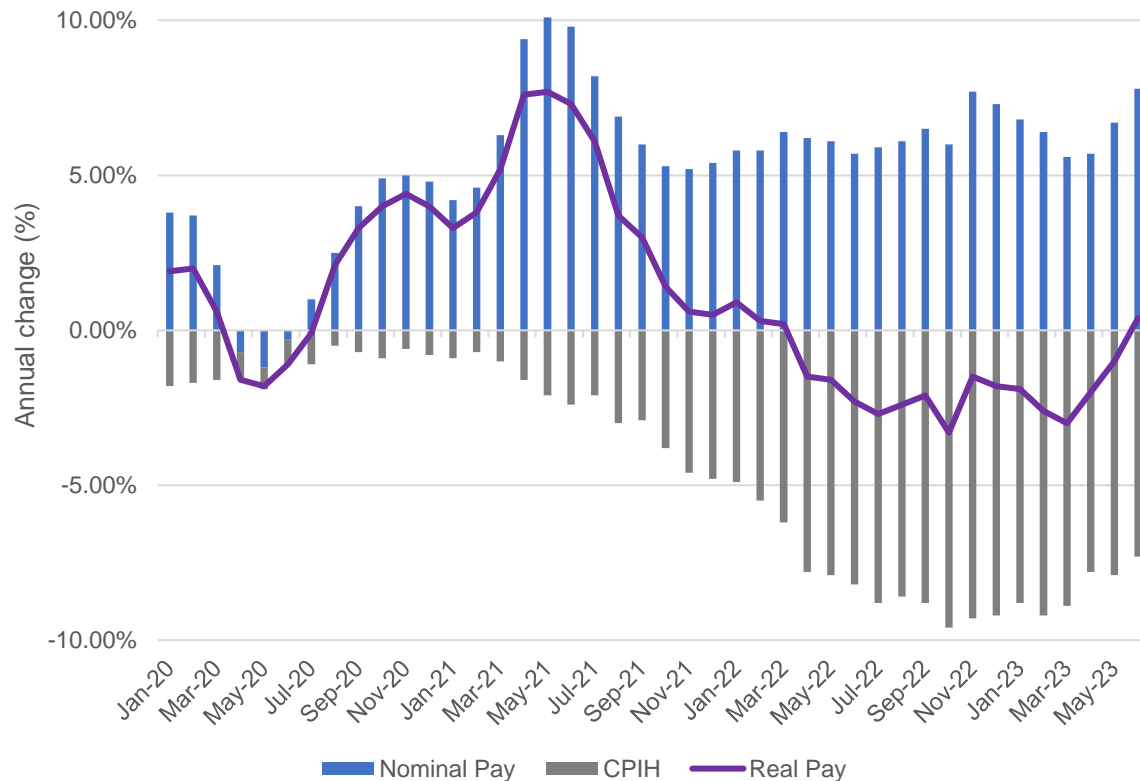
The latest [ONS data](#) shows inflation is finally beginning to fall.

The CPIH measure of inflation – which includes housing costs for owner occupiers – fell to 6.4% in July 2023. This was down from 7.3% in June, and it is the lowest rate of inflation since March 2022.

The easing of rates was driven mainly by falling gas and electricity prices. The rate of food price inflation also decreased compared to recent months.

# Real terms pay grows slightly after long squeeze

**Figure 3: Inflation, nominal pay and real pay, London, 2020 - 2023**



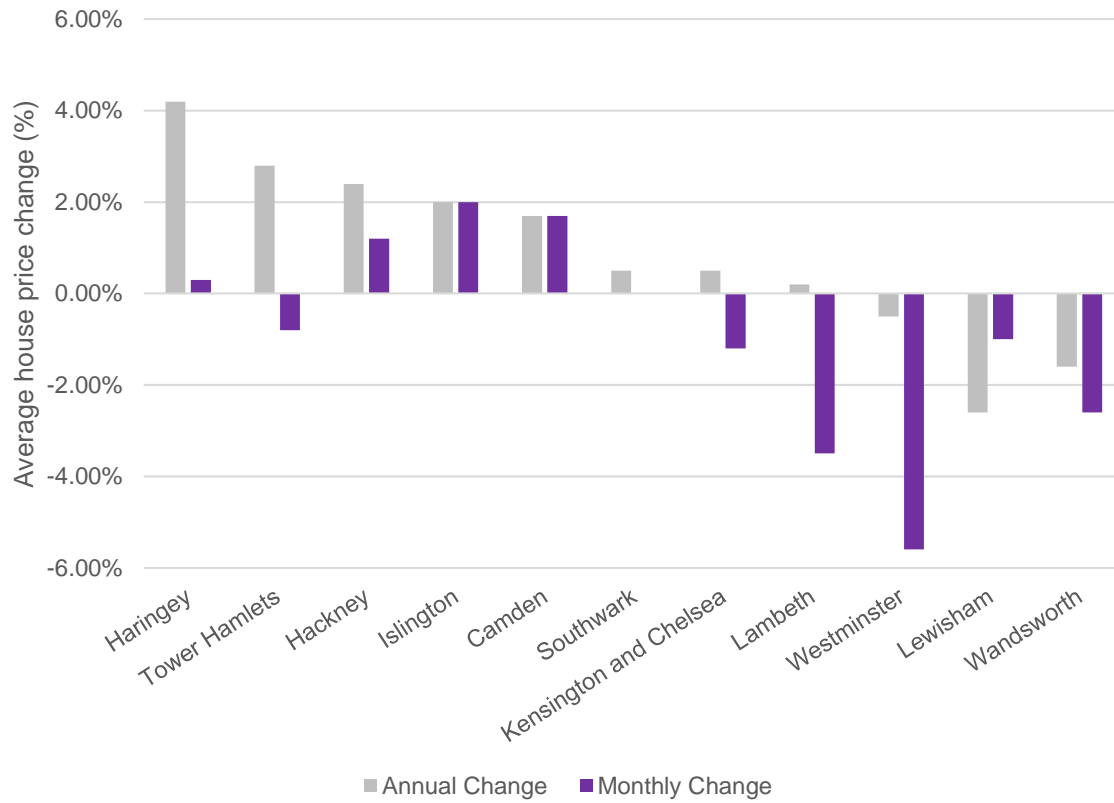
Nominal pay grew by 7.8% nationally, the highest rates since records began in 2001. Pay rose by 7.0% in the capital.

As inflation has declined, pay increased in London by 0.1% in real terms in June. This represents the first real terms increase in pay since March 2022.

However, pay remains significantly lower in real terms than before the cost of living crisis, and lower than levels reached before the global financial crisis. Recent [TUC analysis](#) showed that average real pay in July remained 2.7% lower than 2008, representing a decade and a half of lost income growth.

# House prices cool but renters struggle

**Figure 4: Average house price change, August 2023, CLF Boroughs**



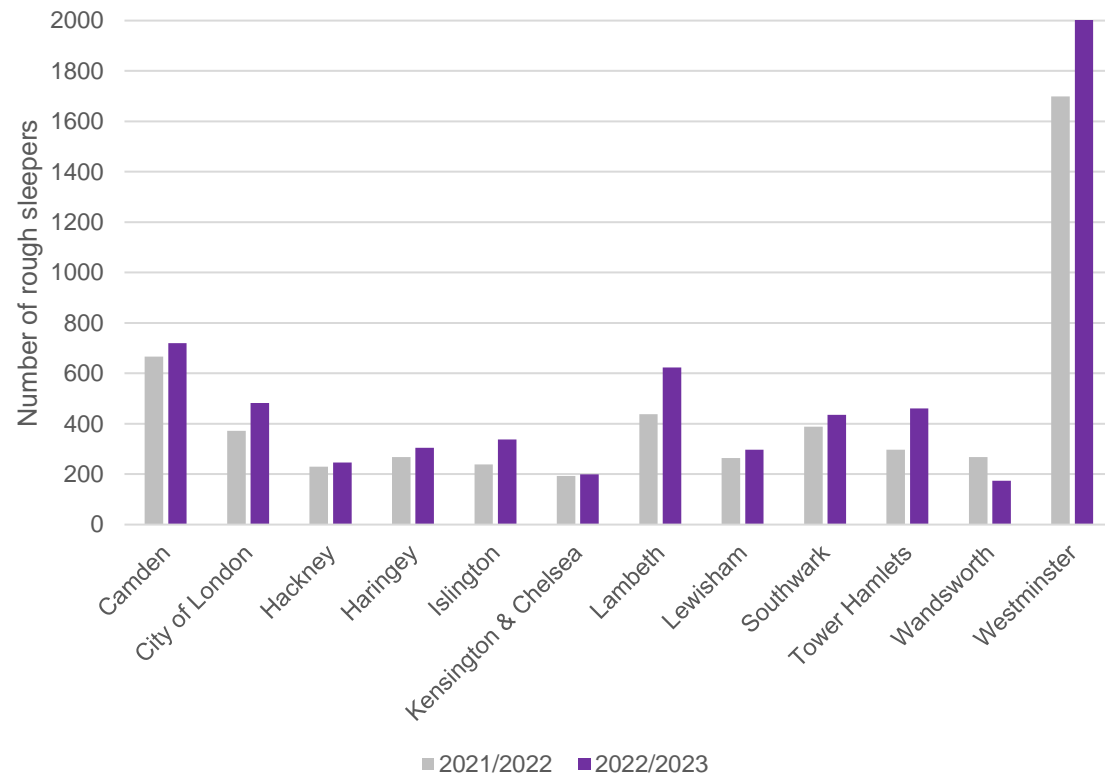
Data from [Rightmove](#) showed new seller asking prices fell 1.9% in August, the biggest fall since 2018. However, house prices remain 19% higher than in 2019.

Declines in house prices are not necessarily good news for first time buyers. They are driven by the increases in interest rates, which make borrowing more expensive.

The situation for renters is not better. Recent [ONS data](#) shows private rents in the London rose 5.5% in the 12 months to July 2023, higher than the rest of the UK (5.2%). The increase in rents in London was the largest since the data series began in 2006.

# Homelessness and rough-sleeping are on the rise

**Figure 5: Rough sleeping, 2021/2022 – 2022/2023, CLF boroughs**



Source: [GLA](#)

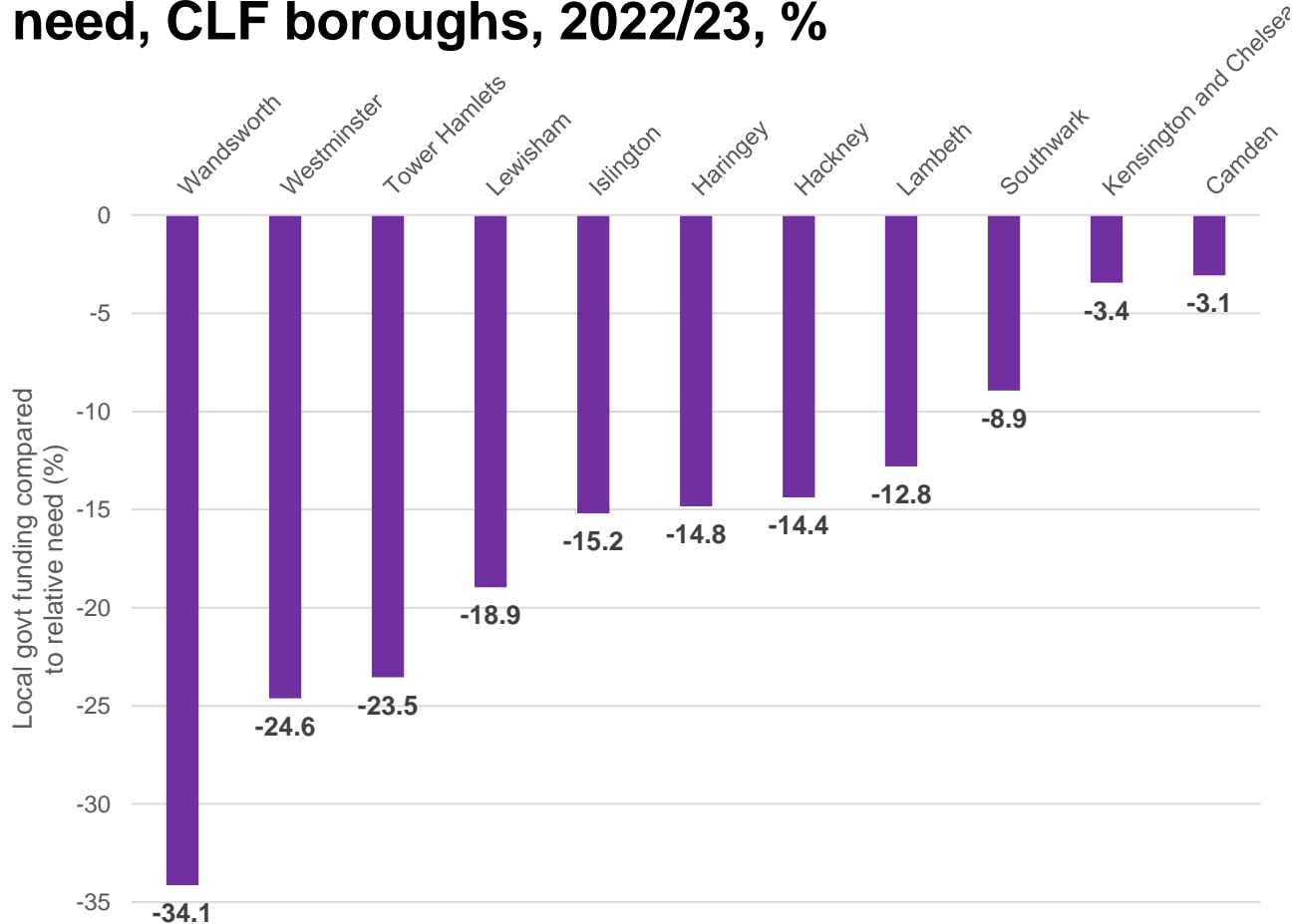
Recent analysis by [London Councils](#) found there was almost 170,000 homeless people in London, including over 83,000 children.

Increases in homelessness are being driven by a crisis of affordability and availability in the private rented sector. The Local Housing Allowance – the amount a household can claim in housing benefits – has been frozen since April 2020. Recent [JRF](#) analysis shows just 2% of properties in central London are affordable within the LHA.

At the extreme end of homelessness, there are signs that rough-sleeping is on the rise. GLA data shows that there were 2050 people sleeping rough in 2023/24, up a fifth (21%) in a year.

# Local government under-funded in London

**Figure 6: Gap between relative funding and relative need, CLF boroughs, 2022/23, %**



Source: [IFS](#)

Recent [IFS](#) analysis explored public spending levels across the UK.

While London is comparatively well-funded across health, policing and schools, the capital fares poorly in terms of local government spending.

Local government funding in London is 17% lower than estimated relative need. Even accounting for differences in council tax levels, London receives 7% less than relative need.

Wandsworth (-34.1%), Westminster (-24.6%) and Tower Hamlets (-23.5%) have the biggest funding deficits relative to need.