Central London

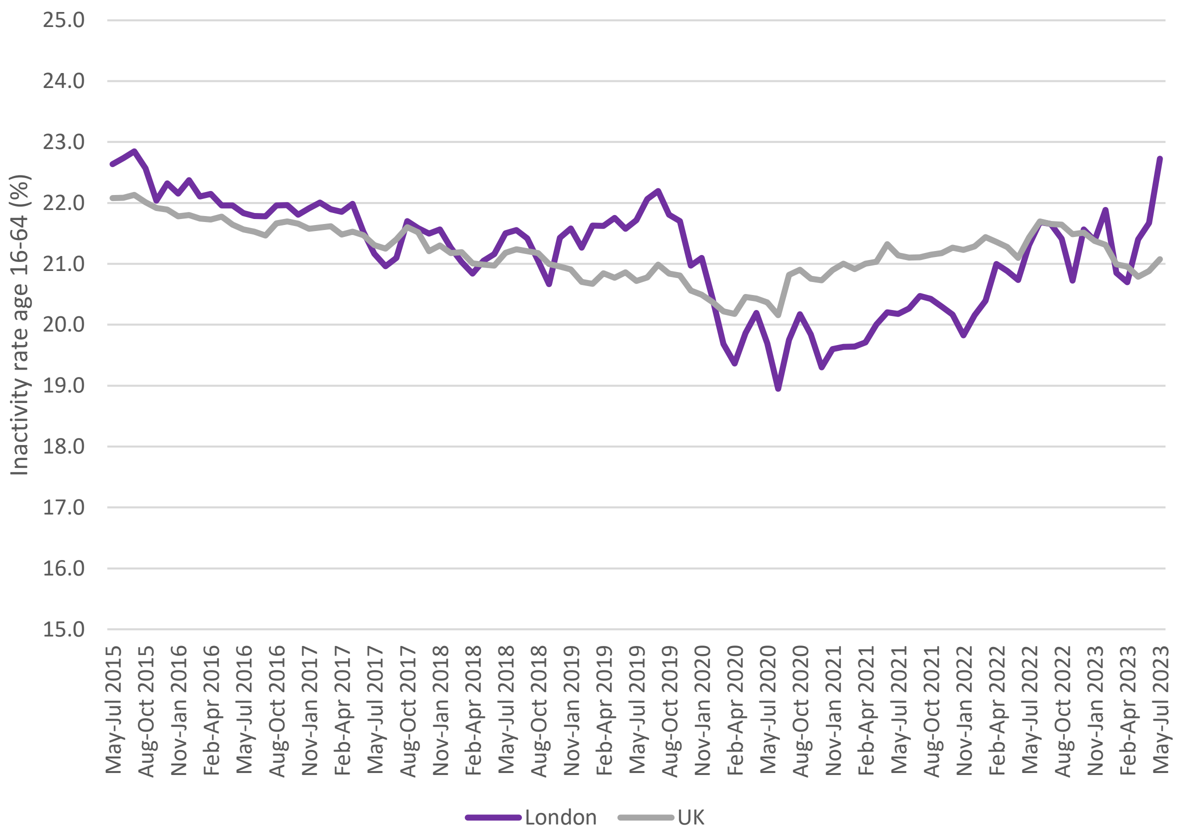
RECOVERY TRACKER

September 2023

Central London Forward

Economic inactivity continues to rise in London

Figure 1: Economic inactivity, 2015 – 2023, London and UK



Source: ONS/GLA

The rate of inactivity in London reached 22.7% in July, significantly higher than the national rate of 21.1%.

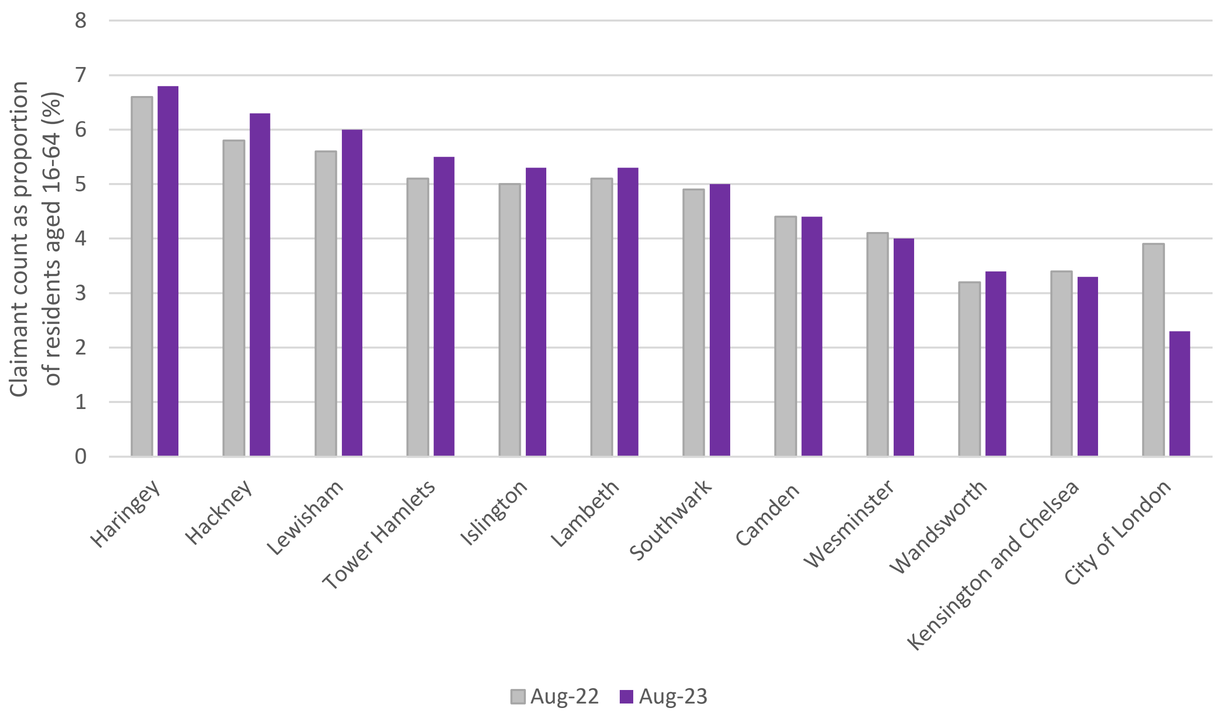
While the inactivity rate in the capital tends to be relatively volatile, there is a clearer upward trend. Inactivity in the capital was up 2.0 percentage points on the previous quarter, and the rate is 3.0pp higher than three years ago.

Latest analysis by ONS shows that across the UK those inactive because of long-term sickness reached another record high. The increase in economic inactivity was also driven by an increase in the number of young people aged 16 to 24 who are inactive.

Central London Forward

Claimant count inching up again

Figure 2: claimant count rate, August 2022, August 2023, CLF boroughs



There were 108,000 residents in central London claiming unemployment related benefits in August 2023. While the claimant count has fallen significantly since the peak during the pandemic, the figure is up 3.8% on the year, and 53.1% on pre-pandemic levels.

5.1% of central London residents are claiming unemployment related benefits. This is higher than the figure across the capital as a whole (4.9%) and far higher than the national average (3.7%).

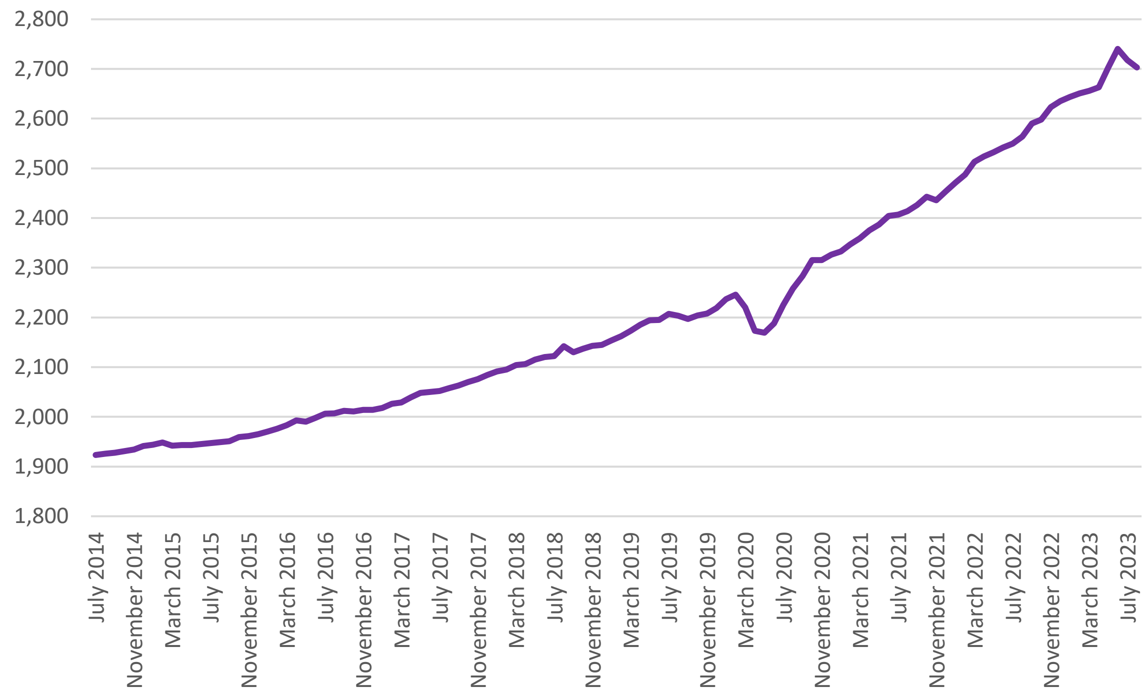
There is significant variation across CLF boroughs. The claimant count rate ranges from 6.8% in Haringey to 3.3% in Kensington and Chelsea and 2.3% in City of London.

The unemployment rate also increased in London, up 0.3pp on the quarter and reaching 4.8%, higher than the national average of 4.3%.

Source: [nomis]

Both inflation and pay rises appear to be slowing

Figure 3: median monthly employee pay, London, July 2014-August 2023



Source: [ONS]

July saw the first real terms pay growth in London for several months. Nominal employee pay increased by 6.6%, slightly above the CPIH rate of inflation of 6.4%.

Inflation eased in August, with the CPIH rate falling to 6.3%. This larger than expected decline led to the Bank of England pausing interest rate increases.

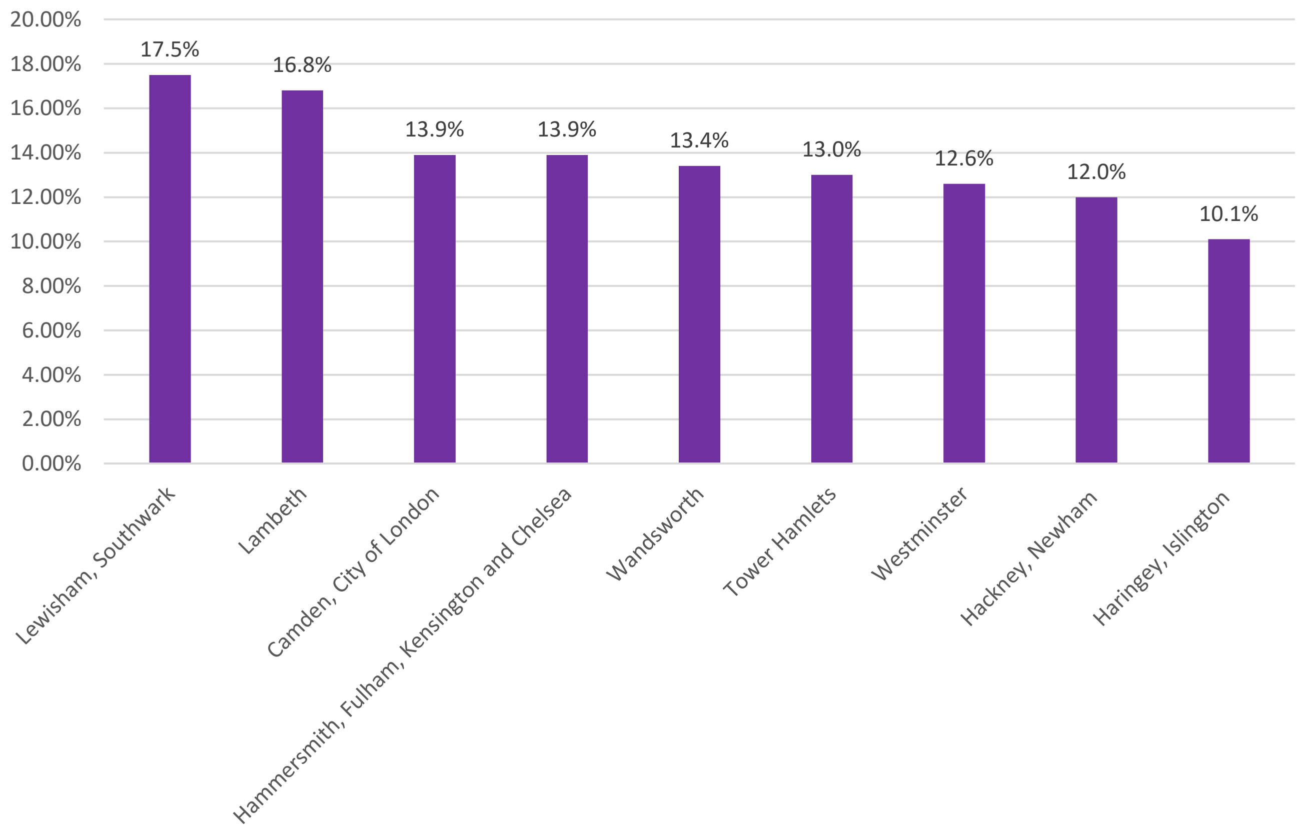
While inflation is falling, it appears pay increases are cooling too. In August 2023, median monthly pay was up 5.4% on the year. This was lower than the increase seen across the UK of 6.7%.

While the August pay data is experimental and likely to be revised, it suggests that pay may again be declining in real terms.

Central London Forward

Asking rents in London reach new record

Figure 4: Average rent annual change, August 2022 to August 2023, NUTS 2 regions



Source: Homelet

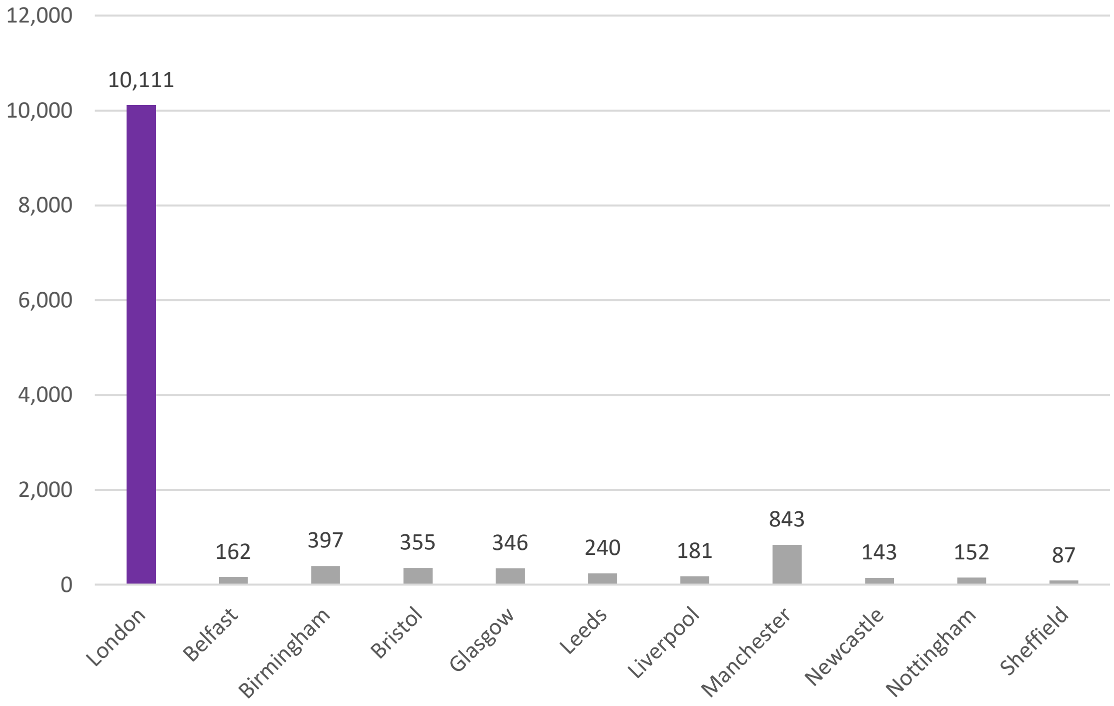
London is facing a growing housing crisis.

According to latest data by Rightmove, average asking rents for new tenants in London reached a new record – of £2,567 per month. Average asking rents are now 28% higher than in 2019.

According to Homelet, there is variation in the annual change in average rents across central London. Rents across Lewisham and Southwark grew fastest, with an increase of 17.5%. The slowest increase was in Haringey and Islington, but even here rents increased by 10.1% over the year.

4 in 10 'new economy' firms are in central London

Figure 5: Clustered 'new economy' firms



Source: Centre for Cities

A new Centre for Cities report highlights the scale of clustering of new economy firms in the capital.

The report – which maps hotspots of start-ups and emerging high-tech businesses – finds that there are over 10,000 such businesses in clusters in the capital. Central London alone is home to almost 4 in 10 clustered new economy firms across the country.

The most recent UK Competitiveness Index (UKCI) shows that across the 362 local authorities benchmarked, nine out of 10 are boroughs in central London.

The three most competitive localities are City of London, Westminster and Camden, with Hackney also entering the top 10.

Central London Forward