GLAECONOMICS

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Rising prices and higher taxes are squeezing household budgets

By **Mike Hope**, Economist, and **Jasmine Farquharson**, Project Management Apprentice

Evidence is becoming firmer of the impact of the cost-of-living crisis both on what is happening now, the differential impacts across households, and the possible impacts over the course of the year.

There has been a 57% jump in the proportion of UK households cutting back on food or missing meals over a three-month period according to the Food Foundation. In April, 7.3 million adults said that they had gone without food or could not physically get it in the past month; these households include 2.6 million children. This compares with 4.7 million adults in January.

London appears to have been faring only slightly better than the UK overall with 11.1% of households suffering from food insecurity over the last month compared with 13.8% nationally. That said, the effects may not be felt evenly across the population. Ethnic minorities (which constitute 40% of London's population) are at higher risk of food insecurity – 22.9% of black households nationally, 23.9% of Asian households, 23.3% of mixed heritage households, 34.5% of other households, and that is compared with 15.7% of white households. Perhaps unsurprisingly Universal Credit recipients (who are disproportionately likely to be in London, and where this year's uprating will not keep up with actual inflation) are more likely to have experienced food insecurity over the last six months – 47.7% compared with 13.3% of the wider population.

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The situation changed in April when the Government brought in National Insurance increases, and did not uprate Universal Credit with the actual rate of inflation. Consequently, 1.5 million households (5.1%) across the UK may face food and energy bills greater than their disposable income in 2022-23, says the National Institute for Economic and Social Research (NIESR). The highest incidence is in London with 6.5% of households, that is 236,000, expected to be affected. This situation will worsen for as long as inflation continues to rise and remains above wage growth and the adjustment of benefits.

The Bank of England (BoE) in its latest Monetary Policy Report projects that total real household income will fall by 1¾% in 2022 despite the support from fiscal measures in the Spring Statement. This is further to negative annual growth in real household disposable income from the second half of 2021. Apart from in 2011, the contraction in 2022 would be the largest since records began in 1964. Although this forecast was produced before the extra measures announced by the Chancellor on 26 May to help households with their energy bills. Households, where they are able, are assumed to respond, in part, by spending more and saving less – richer households might spend some of the savings built up over the pandemic. The household saving rate is forecast to decline from 6½% in 2021 Q4 to 3½% in 2022 Q4, which would be the lowest level since 1999.

Curiously, consumer confidence in London, while extremely weak, is faring better than the UK (the LET indicators in the next section provide more detail). The UK measure is at -40 in April, the lowest level since records began in 1974. The London measure is at -20, which while low by historic standards is still for the moment better than during the financial crisis and the pandemic.

Bank of England increases interest rates as inflation continues to rise

The 54% increase in the energy price cap in April has fed directly into an increase in the Consumer Price Index (CPI) which rose by 2 percentage points from 7.0% in March to 9.0% in April according to Office for National Statistics (ONS) data. This is the highest inflation rate for 40 years. There were increases, if more moderate, across most elements of goods and services. Worryingly, the prices of some inputs to consumer goods and services such as inputs to manufacturing, and producer outputs have yet to fall (Figure 1). That is, there remain inflationary pressures from inputs.

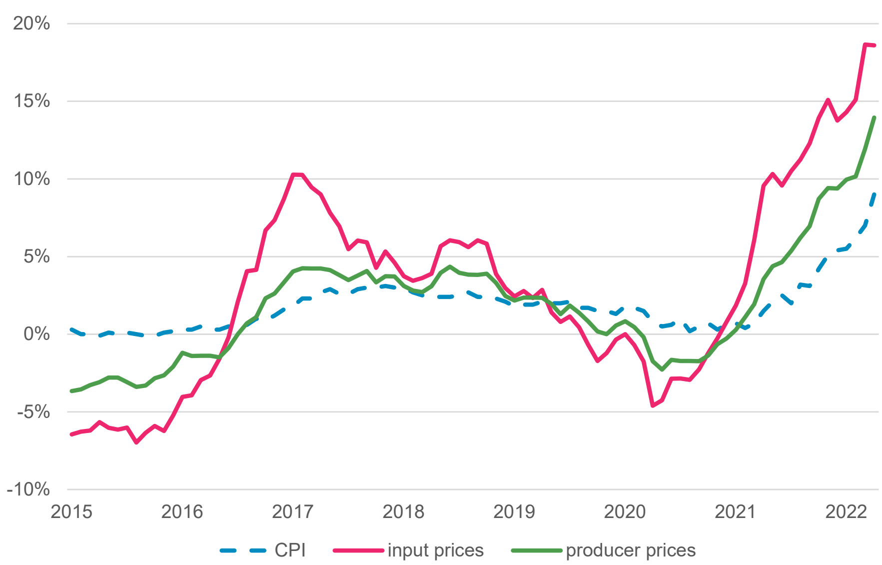


Figure 1: Annual consumer price, and manufacturing input and producer output price inflation, January 2015 – April 2022

Source: ONS

The increase in energy prices has not affected households equally. Until March, UK households across all income groups have faced similar rates of inflation, according to the Institute for Fiscal Studies (IFS). As the poorest households spend more of their total budget on gas and electricity, inflation is now hitting the poorest households harder. In April, the bottom 10% of the population in terms of income faced a rate of inflation of 10.9%, which was 3 percentage points higher than the inflation rate of the richest 10%. Most of the difference is because the poorest households spend 11% of their total household budget on gas and electricity, compared with 4% for the richest households. Despite the measures announced by the Chancellor on 26 May further energy cost rises are expected in October with a further rise in the price cap having been announced by Ofgem.

In response to continuing inflationary pressures, the BoE Monetary Policy Committee voted unanimously to raise interest rates by a quarter-point to 1%, its highest level since February 2009. Indeed, inflationary pressures are such that despite the cost-of-living crisis three out of nine members voted to raise rates by half a point.

The BoE expects that CPI inflation will rise further to a peak of slightly over 10% (after the increase in the energy price cap in October). Global pressures are the primary source of inflation and have intensified sharply following the Russian invasion of Ukraine. This largely reflects the further sharp increases in energy and other commodity prices. It also reflects the impact of continued and more widespread disruption to global supply chains on tradeable goods, including the restrictions in China to contain outbreaks of COVID-19. In addition, the shift in global demand towards durable goods and away from services, particularly in the US, continues to put significant upward pressure on tradeable goods prices.

Domestic price pressures have become more prominent and are expected to rise further. Huw Pill, the BoE Chief Economist has commented, "The UK labour market is tight, wages are growing at stronger rates than would normally be deemed consistent with the inflation target, and business confidence is resilient, in part in anticipation of being able to re-establish profit margins. In short, inflationary momentum in the UK is currently strong." This has been amplified by Brexit reducing the supply of workers, a retreat of globalisation and the lasting effects of COVID-19, which caused almost 500,000 people to leave the UK labour market. "Avoiding any drift towards the embedding of such 'inflationary psychology' into the price setting process is crucial", Pill said, and so further interest rate rises are likely.

As external and domestic pressures subside, CPI inflation is projected by the BoE to fall back to 2.1% in two years' time, and 1.3% in three years.

New private rents in London are also increasing rapidly

It is not just home buyers who are facing higher housing costs. With people returning to London since the spring of last year newly taken out private rents have been rising. Prior to the autumn of last year new rents were rising more slowly in London than the UK. By the turn of the year annual increases had stabilised in London, if at a level somewhat higher than for the UK, but for the most recent figures for April there is some evidence that the rate of increase may be picking up again (Figure 2).

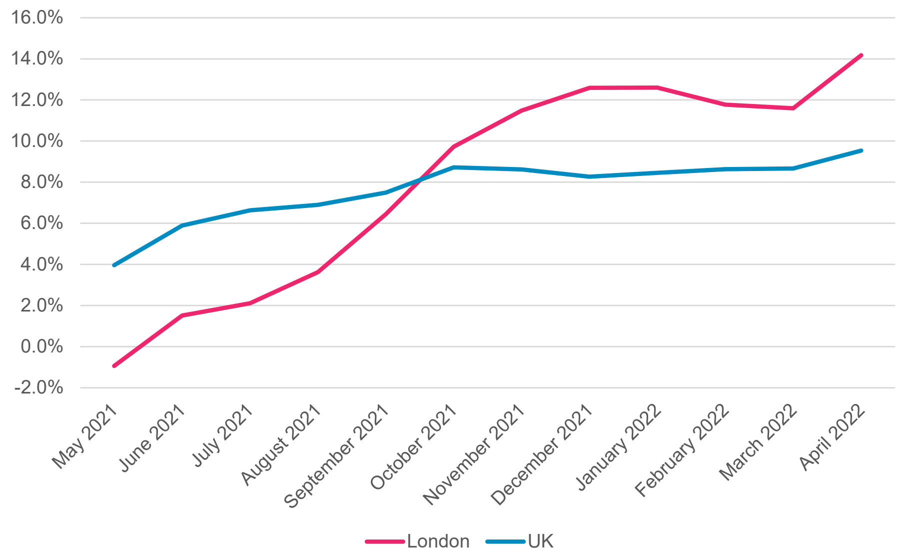


Figure 2: Annual average new private rents, London and the UK, from year to May 2021 to April 2022

Source: Homelet rental index

ONS figures for all private rents report the slowest growth across the regions in rents in London, although it is likely that this will pick up over the coming months as existing contracts come to an end and are renewed. At the same time the BoE notes the rental market may soften over the coming year as real incomes and confidence are eroded, and borrowing costs rise.

Higher earners have been faring better through the pandemic

There has been a sharp rise in pay in the Finance sector in recent months, at levels not seen in the last decade reports the Institute for Fiscal Studies (IFS). Between 2014 and 2019 growth in UK mean average monthly pay among Finance employees broadly tracked average pay growth across all sectors. Since October 2021 earnings growth in Finance has dramatically pulled ahead of the rest of the economy. By February 2022 average pay in Finance in real terms was 23% higher than in December 2021, while average pay across all sectors was 7% higher.

The picture for London is that the sectors in which London specialises, and where median pay is highest, namely, Finance, Information and communications, and Professional services are those with the fastest pay growth over the last two years. All other sectors have had below average pay growth, and so earnings inequality in London has widened over this period (Figure 3).

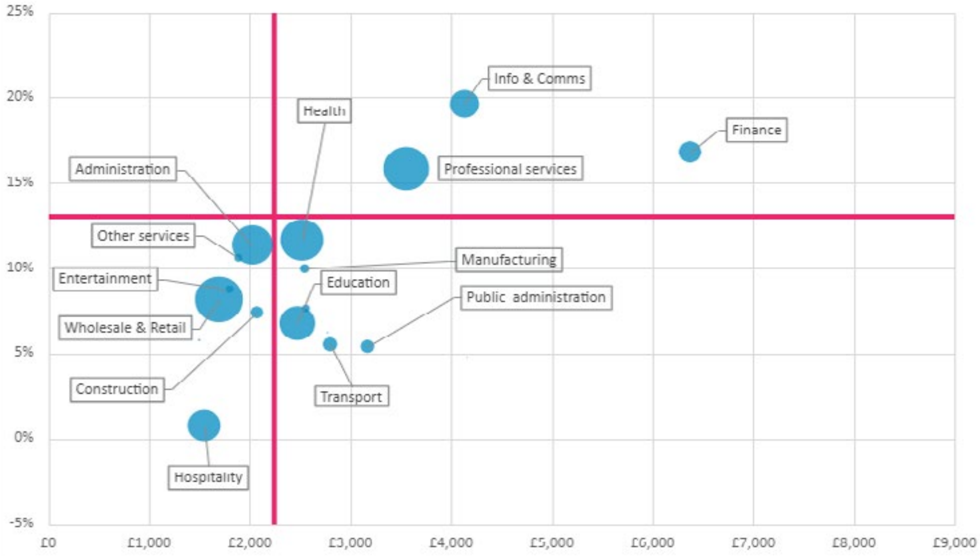


Figure 3: London median pay in 2020 vs median pay growth 2020 - 2022
Bubble size represents size of sector

Source: HMRC Real time information system for employee earnings, February 2020 and April 2022

Risks of further trade disruption from Brexit increase

The UK Government is continuing to express dissatisfaction with the Northern Ireland Protocol and the imposition of border controls on goods trade between Britain and Northern Ireland. This maintains the EU single market, and permits the free movement of goods and services, between the north and south of Ireland. Previously the Government has threatened to use Article 16 of the Protocol. This allows the UK or the EU to take unilateral "safeguard" measures if the party reaches the conclusion that the deal is leading to serious practical problems or causing diversion of trade. This would be likely to lead to an immediate response by the EU.

The Government is planning to issue legislation to overturn parts of the Protocol. This would, amongst other things, remove regulatory barriers to goods made in Britain being sold in Northern Ireland and allow the UK to determine tax and spending. The European Commission vice-president in charge of Brexit, Maroš Šef ovi said, "Should the UK decide to move ahead with a bill disapplying constitutive elements of the protocol …, the EU will need to respond with all measures at its disposal."

Elsewhere, the UK Government has delayed for a fourth time full post-Brexit border checks on imports from the EU until at least the end of 2023. This reduces costs to business, and in so doing helps reduce costs to consumers.

The UK economy shrinks in March and is facing a possible recession

The UK weathered the effects of the Omicron variant well, but the emerging evidence is that the economy is weakening due to the cost of living crisis and may go into recession later this year. The ONS reports that Gross Domestic Product (GDP) fell by 0.1% in March, after no growth in February, although it is now 1.2% above its pre-pandemic level. Services fell by 0.2%, most prominently in the sale and repair of motor vehicles where it fell by 15.1% - this is the fourth consecutive month of negative growth in this industry. According to the Society of Motor Manufacturers and Traders (SMMT) this is the weakest March for new car registrations since 1998, partly reflecting the supply chain squeeze seen in the automotive industry.

The BoE noted that the UK economy had picked up more rapidly than expected after the sharp fall in output at the beginning of the pandemic. Now, the position has reversed and it is forecasting in May slower growth for 2023 and 2024 than expected in February. GDP growth is expected to be the same for 2022 at 3¾%, but is lower for 2023 at -¼%, compared with 1¼% previously, and also lower for 2024 at ¼%, compared with 1% previously. NIESR is more optimistic in its forecast with growth of 3.5% in 2022, 0.8% in 2023, and 0.9% in 2024. The European Commission (EC) expects UK growth of 3.4% in 2022 and 1.6% in 2023 illustrating the range of uncertainty there is around the future path of the UK economy.

More positively, London's labour market continues to strengthen. Unemployment in London continues to fall while remaining above the UK rate. In Q1 the ONS estimated the London unemployment rate at 4.7% down 2.2 percentage points from a year earlier, and 0.4 percentage points down on the quarter. The UK unemployment rate was 3.7% in Q1 2022.

Global outlook worsens

Increases in energy prices and supply chain disruption are global phenomena. There have been negative developments over the month in three of the world's most important economies.

The **EU** has been the most affected part of the world from the rise in energy prices brought about by the invasion of Ukraine. The EC estimates that EU GDP is projected to remain in positive territory over the forecast horizon, thanks to the combined effect of post-lockdown re-openings and the strong policy action taken to support growth during the pandemic. It has, though, downrated its latest Spring forecast for the EU to 2.7% in 2022 and 2.3% in 2023 from 4.0% and 2.8% respectively in its Winter interim forecast.

China's economic activity deteriorated in April: annual retail sales fell by 11.1% and industrial production fell by 2.9%. Dozens of cities and hundreds of millions of people across the country have been placed under full or partial lockdowns in the pursuit of a policy of 'zero Covid'. This is in a country where vaccination rates are low, and the vaccines used are perceived as less effective than western vaccines. For example, Shanghai with its population of 26 million has been under lockdown since 1 April. As a consequence port volumes from the city shrank by almost 20% in April with adverse implications for the operation of global supply chains. There are also logistic problems in inland China. Factories have shut, and the country's patchwork system of regulations governing movement between towns and cities is severely hampering the collection and delivery of cargo.

US annual GDP fell by 1.4% in Q1 2022. The spread of the Omicron variant, and the tapering off and withdrawal of federal funding programmes both contributed to the decline in activity. Additionally, there was a record US trade deficit in goods in March, due to the impacts of the shutdowns in China, and the war in Ukraine. More positively, as a one-off, American firms did not need to re-stock in January as companies had built up inventories to avoid supply chain disruptions over the Xmas period. Further, jobs continue to be created, and business and consumer spending remains robust suggesting GDP may recover over the coming months.

There are thus reasonable fears of recession around the world, and stock markets have been falling as a result.

Business numbers are falling if more slowly in London

Business dynamism may be on the wane as the numbers of businesses in London and the UK is in decline according to figures from the ONS. This trend started around the beginning of 2019 and has continued through the pandemic if more markedly for the UK. It reached the point last year when business closures exceeded births and the total number of businesses in the UK started falling. For London this point has now also been reached, although the picture for the capital is mixed. Business numbers in outer London started falling late last year, while for the moment business numbers are still rising in inner London (Figure 4).

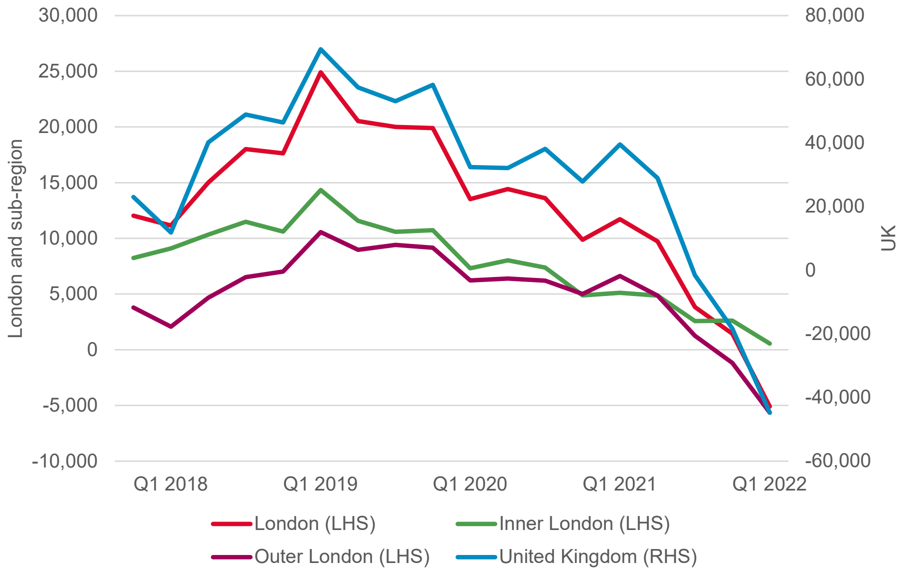


Figure 4: Business net births, London and the UK, year to Q4 2017 – Q1 2022

Source: ONS business demography quarterly experimental statistics

These trends have been driven by an increase in business closures for both London and the UK. Annual figures for business births have remained broadly flat, as has London's share of UK births and closures which has remained at around 20% for both activities.

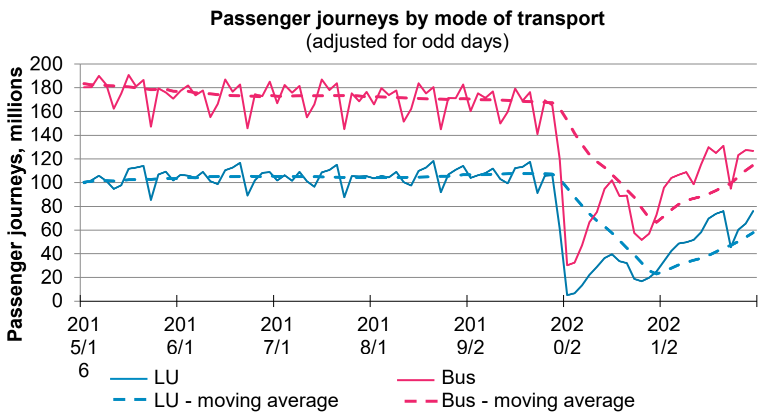
GLA Economics will continue to monitor these challenges and opportunities over the coming months in our analysis and publications, which can be found on our publications page and on the London Datastore.

Economic indicators

Passenger journeys on London public transport increased going into Spring

- 202.5 million passenger journeys were registered between 6 March 2022 and 30 March 2022, 9.7 million journeys more than in the previous period (6 February 2022 – 5 March 2022).
- In the latest period, 75.8 million of all journeys were underground journeys and 126.7 million were bus journeys. Underground journeys increased, while bus journeys fell marginally.
- The 13-period-moving average in the total number of passenger journeys rose slightly from 164.0 in the previous period to 172.4 in the latest period.

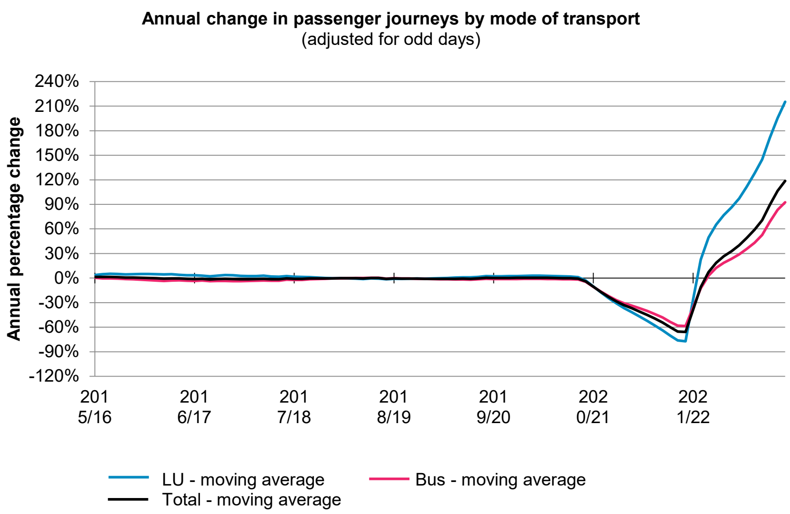
Source: Transport for London
Latest release: May 2022, Next release: June 2022



Annual passenger journey numbers continue to recover

- The 13-period moving average annual growth rate in the total number of passenger journeys was 118.7% in the period 6 March and 30 March up from 106.5% in the previous period 6 February 2022 to 5 March 2022.
- The moving average annual growth rate of bus journeys increased from 83.3% to 92.5% between the above-mentioned periods.
- Likewise, the moving annual average of underground passenger journeys went up from 195.2% to 215.3% between those periods.

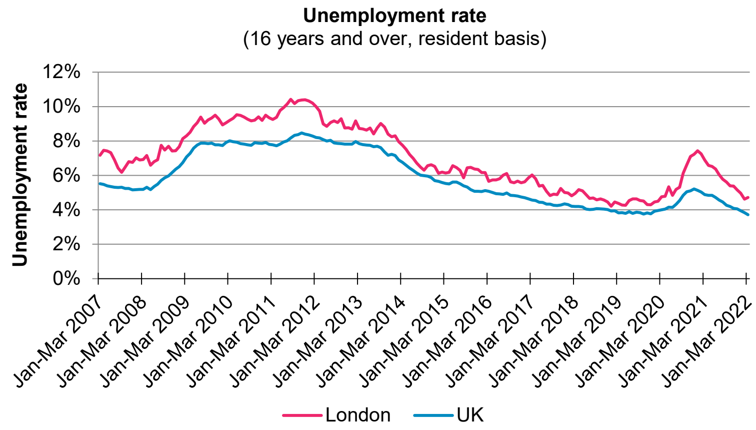
Source: Transport for London
Latest release: May 2022, Next release: June 2022



London’s unemployment rate fell to 4.7% in the quarter to March 2022

- Around 237,000 residents 16 years and over were unemployed in London in January – March 2022.
- The unemployment rate in London was 4.7% in that period, down from 5.2% in the previous quarter, October – December 2021.
- The UK’s unemployment rate also decreased, from 4.1% in October – December to 3.7% in January – March 2022.

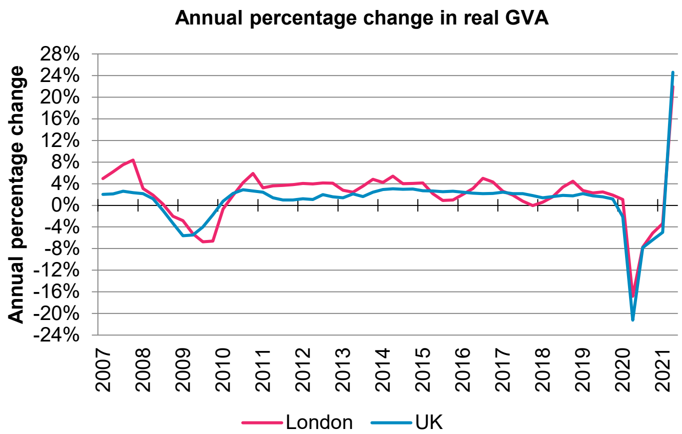
Source: ONS Labour Force Survey
Latest release: May 2022, Next release: June 2022



London’s economy is estimated to have grown by 21.9% in the year to Q1 2022

- London’s real GVA expanded by 4.5% in Q2 2021 - compared with Q1 2021 - after shrinking slightly by 0.1% in the previous quarter. London’s real GVA in Q2 2021 remained 0.9% below its pre-crisis level in Q4 2019.
- The UK’s real GDP quarterly growth rate for Q2 2021 was 5.6% after falling by 1.2% in the previous quarter. Overall UK GDP in Q2 remained 2.3% below its pre-crisis level in Q4 2019.
- While GDP and GVA are different measures in output their trends have been comparable. UK GDP estimates incorporate a broader range of data than GVA estimates, and so should be more robust.
- London’s real GVA quarterly estimates for the period Q1 1999 to Q4 2012 have been produced by GLA Economics. Estimates for the intervening period are outturn data from the ONS, which does not publish quarterly estimates for London’s real GVA prior to 2013.

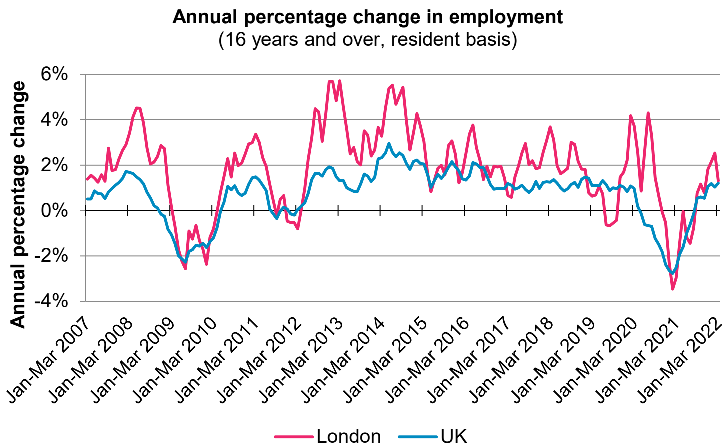
Source: ONS and GLA Economics calculations
Latest release: February 2022, Next release: June 2022



London's year-on-year employment growth rate was 1.3% in the quarter to March 2022

- Around 4.8 million London residents over 16 years old were in employment during the three-month period of January – March 2022.
- The rate of employment growth in the capital was 1.3% in the year to this quarter, compared with 1.8% in the previous quarter to December 2021.
- The change in the UK's employment annual growth rate was 1.2% in the most recent quarter, and 1.0% in the previous quarter.

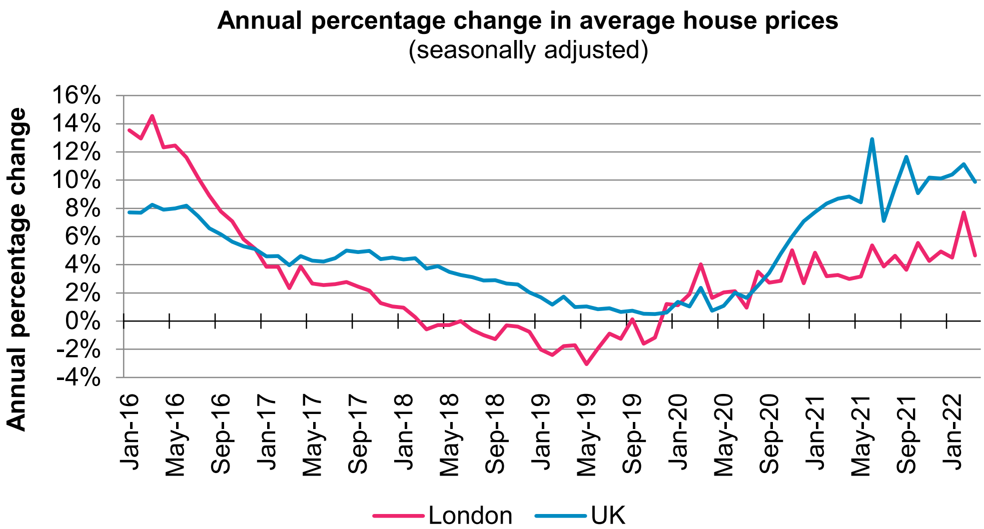
Source: ONS Labour Force Survey
Latest release: May 2022, Next release: June 2022



House prices growth in London remained positive in March

- In March 2022, the average house price in London was £527,000 while for the UK it was £279,000.
- Average house prices in London rose by 4.7% in March, less than the February rate of 7.7%.
- Average house prices in the UK rose by 9.9% in March, close to the February rate of 11.1%.

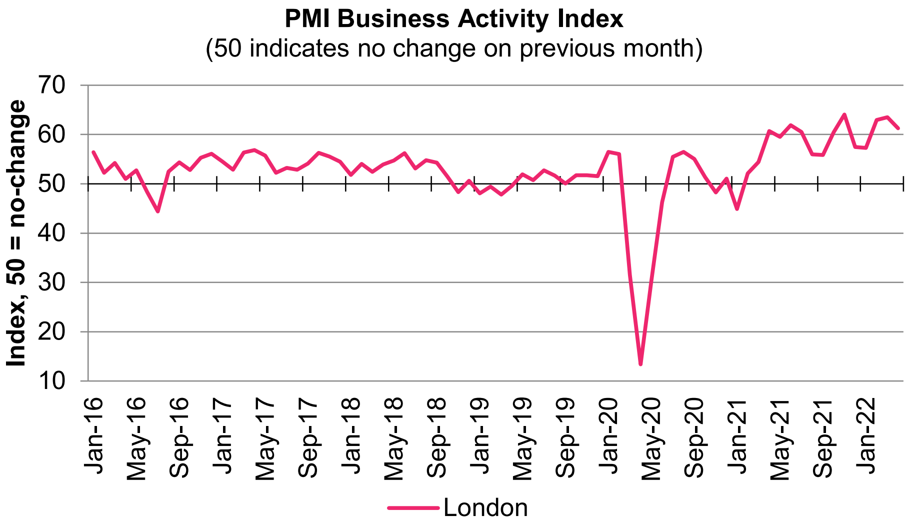
Source: Land Registry and ONS
Latest release: May 2022, Next release: June 2022



In April, the sentiment of London's PMI business activity index decreased slightly but remained strongly positive

- The business activity PMI index for London private firms decreased from 63.5 in March to 61.3
- 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.

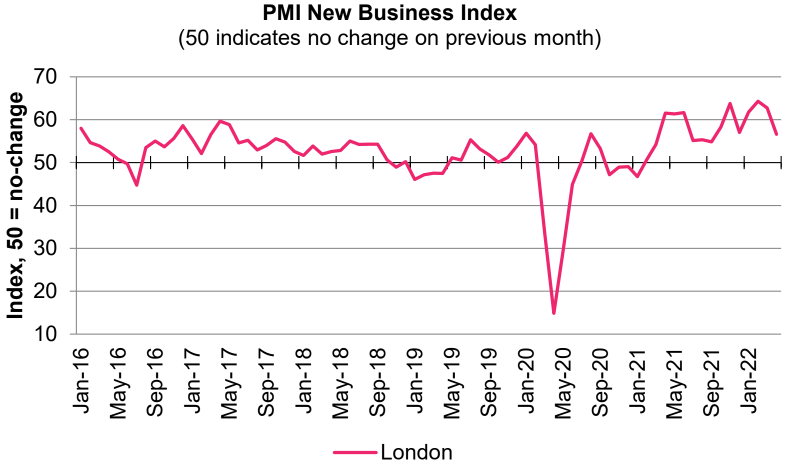
Source: IHS Markit for NatWest
Latest release: May 2022, Next release: June 2022



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

- The PMI new business index in London decreased from 62.7 in March to 56.6 in April.
- An index reading above 50.0 indicates an increase in new orders on average across firms from the previous month.

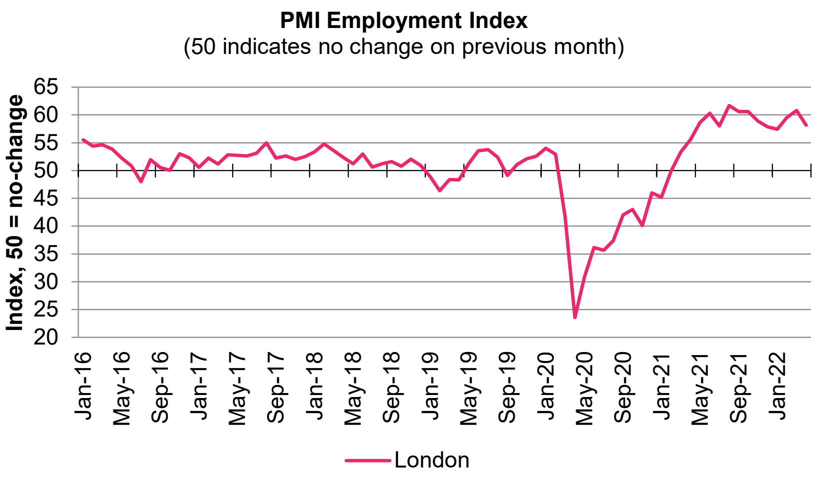
Source: IHS Markit for NatWest
Latest release: May 2022, Next release: June 2022



In April, the sentiment of the PMI employment index in London remained clearly positive

- The Employment Index for London decreased slightly from 60.8 in March to 58.2 in April. The index is near its highest level since records began in 1997.
- 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.

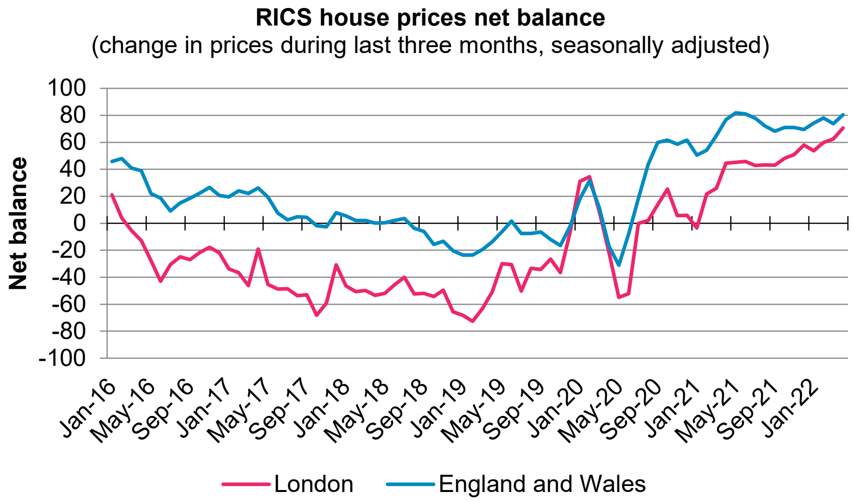
Source: IHS Markit for NatWest
Latest release: May 2022, Next release: June 2022



A significant majority of property surveyors reported an increase in house prices in London in April

- In April, the net balance of property surveyors in London reporting a rise in house prices was 71, and in March it was 62.
- For England and Wales, the RICS house prices net balance index increased slightly from 74 in March to 80 in April.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

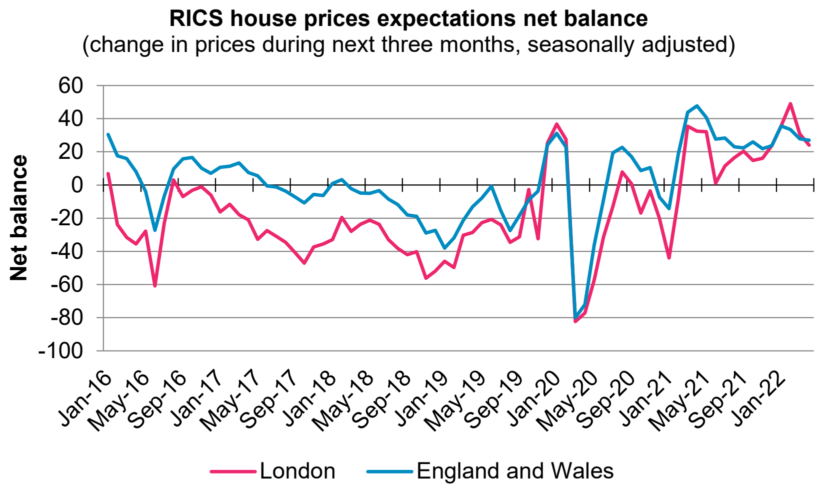
Source: Royal Institution of Chartered Surveyors
Latest release: May 2022, Next release: June 2022



In April, net expectations for house prices for the next three months remained positive if worsening according to surveyors

- The net balance of house prices expectations in London was 24 in April, lower than the balance of 31 in March.
- Sentiment in England and Wales was 27 in April, lower than the value of 28 in March.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

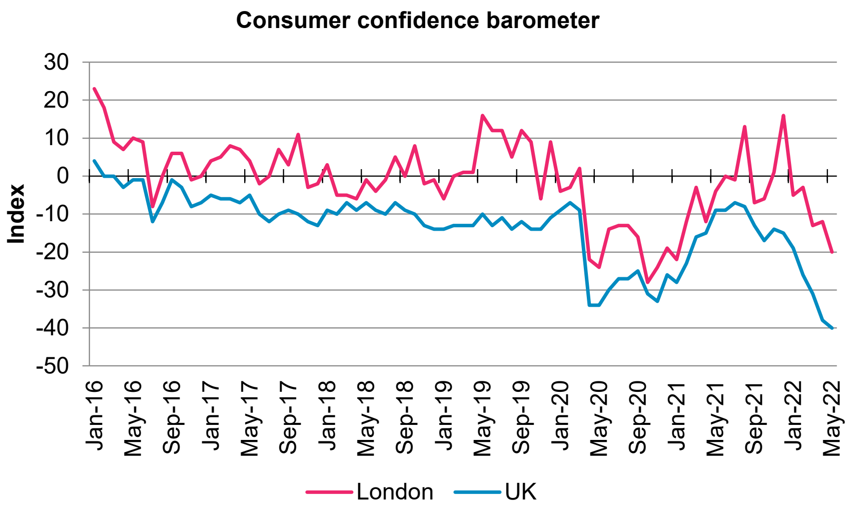
Source: Royal Institution of Chartered Surveyors
Latest release: May 2022, Next release: June 2022



Consumer confidence in London remained negative, and worsened, in May

- In May, the consumer confidence index in London worsened to -20 from -12 in April.
- The sentiment for the UK reduced from -38 in April to -40 in May. 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: May 2022, Next release: June 2022



Economic inactivity trends in London:
Are Londoners aged 50 and over leaving the London labour market?

By **Ruth Moxon**, Economist

As we emerge from the pandemic, economists are trying to understand how COVID-19 has changed the labour market.

Over one million workers were still on furlough in the UK in the autumn of 2021, leading to concern that the end of the scheme would bring high unemployment. That hasn't happened. As labour demand picked-up over the last year, unemployment rates in London and the UK have declined significantly, falling back close to pre-pandemic levels in the first quarter of 2022.

Concern has shifted towards increases in the rate of economic inactivity, particularly among people aged 50 and over. Our analysis for London finds that:

London's economic inactivity rate declined for most age groups during the initial stages of the pandemic, with the exception of the rate among young people.

Londoners aged 50-70 years who lost their jobs during the pandemic were more likely to return to paid employment than in other regions.

Recent Labour Force Survey (LFS) estimates suggest that economic inactivity has increased over recent months, led by a rise in inactivity among Londoners aged 50-64.

Box: what is labour force participation and why does it matter?

Labour force participation is a measure of the number of available or economically active workers in the labour market. A related term is the **economic inactivity rate**, which refers to the share of those aged 16 to 64 who are not in employment and are not seeking work and/or are unable to start work within the next two weeks. It includes people who have retired, people with caring responsibilities, students, and the long-term sick.

A rise in inactivity could be a concern for individuals, who face 'scarring' effects that impact on future earnings if they later move back into the labour market. Apart from the effect on individuals (who might choose to become inactive), rising economic inactivity also has broader effects such as by reducing what economists call 'human capital' – accumulated knowledge, skills and experience – in the economy. This effect will be particularly strong when older workers leave the labour force. A fall in the size of the available workforce also has wider implications for employers given recruitment difficulties.

Context

Labour force participation has increased strongly in the UK and London over the past decade. But since the onset of the pandemic the inactivity rate has risen sharply in the UK (Figure A1).[1] In initial stages of the pandemic, this trend was less clear at the London level. However, more recent estimates from the ONS Labour Force Survey show a rise in the share of Londoners aged 16-64 who are economically inactive over the last year. There has been a particular increase over the last quarter, although this should be interpreted with caution.[2]

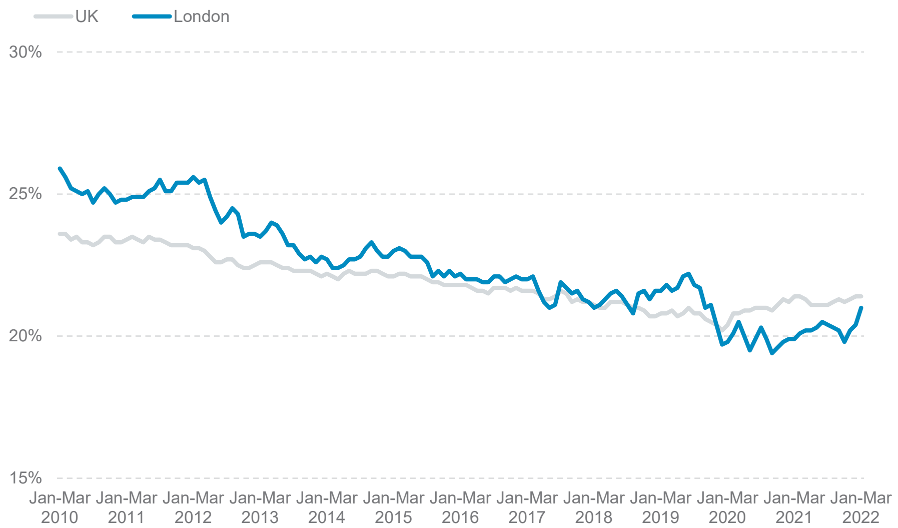


Figure A1: Economic inactivity rate, UK and London
Percentage of 16–64-year-olds who are economically inactive, latest data for Jan-Mar 2022

Source: ONS Labour Force Survey

Changes in economic inactivity vary widely between different age groups. Figure A2 focuses on the change in economic inactivity by age group between 2019 and 2021 based on ONS Annual Population Survey (APS) estimates. It shows that the UK-wide rise in inactivity was most pronounced for people aged 16-24 years (up 2.4 percentage points) and 50-64 years (up 1.2 percentage points). However, among working age Londoners only the 16-24 age group saw a rise in inactivity during this time (up 1.0 percentage point) as more young people opted to start or stay in education rather than enter the labour market.

1 According to the ONS Labour Force Survey (LFS), the UK participation rate was 79.6% in Jan 2020-Mar 2020 and 78.6% in Jan 2022-Mar 2022. For London, the equivalent figures were 80.2% and 79.0% respectively.

2 LFS and Annual Population Survey (APS) are subject to sampling variability. While the LFS is the main source for headline labour market indicators at a London level, the larger sample size of the APS provides a less timely, but more reliable indication of changes in the labour market.

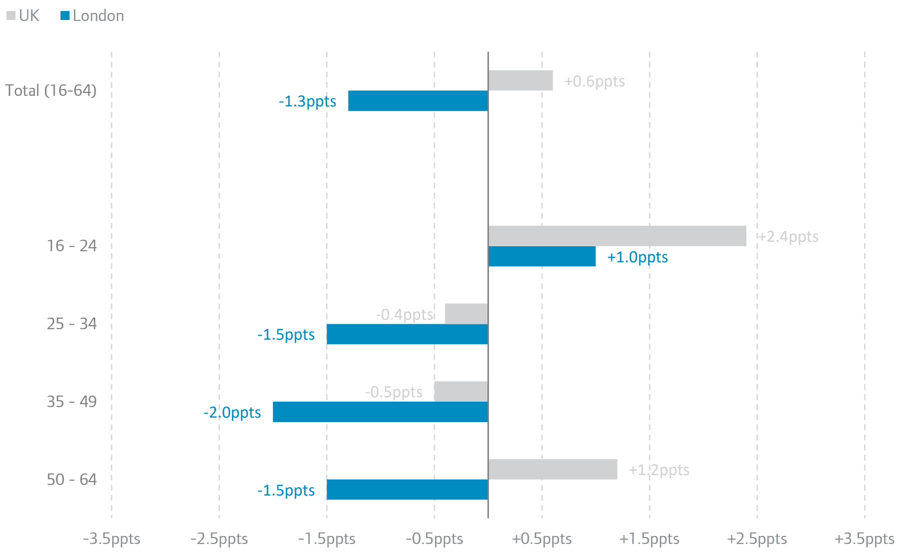


Figure A2: Change in inactivity rate by age group
Percentage point change between Jan-Dec 2019 and Jan-Dec 2021, UK and London

Source: ONS Annual Population Survey

A relatively high proportion of Londoners aged 50-70 who lost their job during the pandemic had returned to work

One potential reason for the less pronounced change in inactivity among older people in London is because of workers returning to the labour market. In February 2022 the ONS conducted a survey to understand the experiences of adults aged 50 to 70 years who were out of work at some point in 2021.[3] The results showed that among those who had left or lost their jobs since the start of the pandemic, 23% had returned to work in London. While over three-quarters of this group had not yet moved back into paid employment, this was a higher rate of return than in other regions of England (18% on average, see Figure A3).

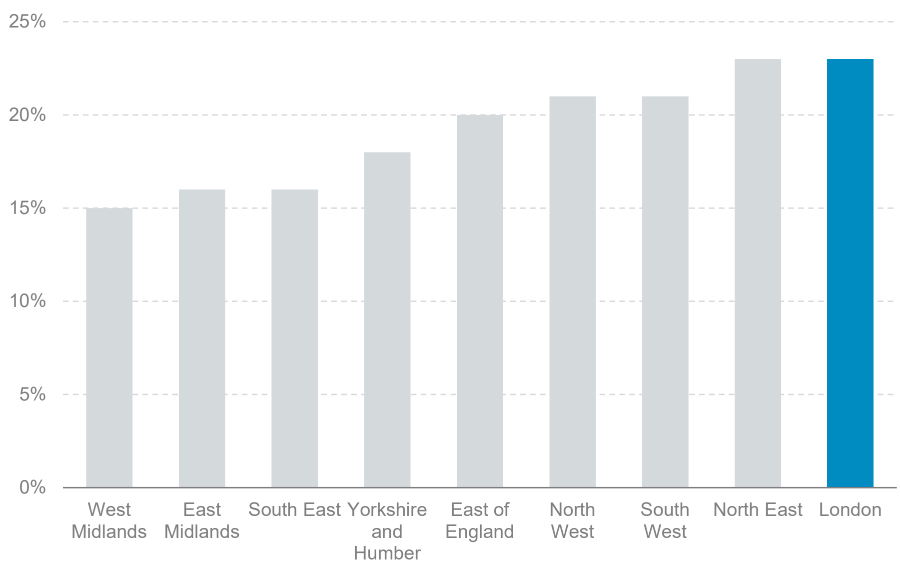


Figure A3: Percentage of 50–70-year-olds who left or lost their job during the pandemic who had returned to paid work
By English region, 8 to 13 February 2022

Source: ONS Over 50s Lifestyle Study

3 See: ONS (2022) Early insights from the Over 50s Lifestyle Study, Great Britain: 1 March 2022

A combination of push and pull factors seem to explain this trend

Why were Londoners aged 50-70 years returning to the labour market at a higher rate? Figure A4 draws further on the ONS's Over 50s Lifestyle Study. It highlights two sets of factors which were of particular importance to older Londoners who did return to employment.

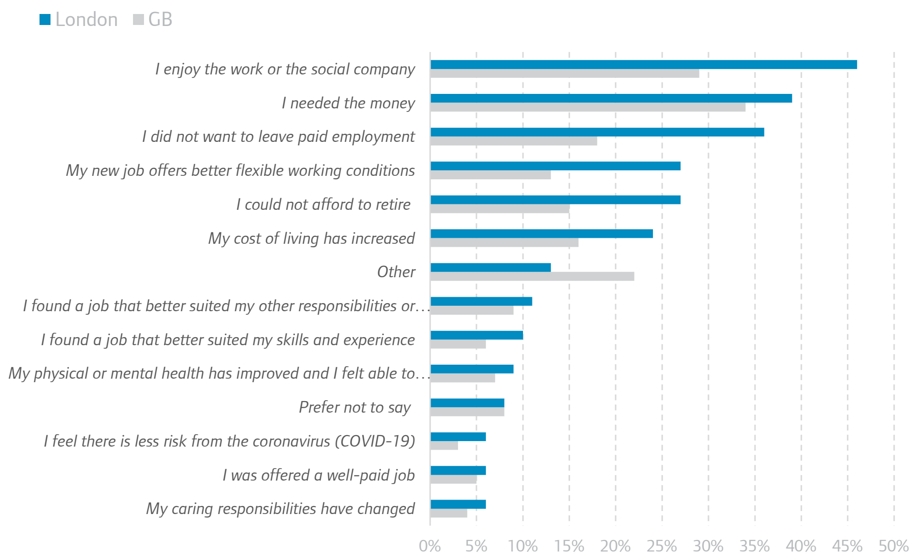


Figure A4: Reasons reported for returning to paid work by those who left or lost their job since the start of the pandemic and have returned to paid work
8 to 13 February 2022

Source: Over 50s Lifestyle Study. Note: respondents could select all answers that applied.

First, many older workers were returning to the labour market for financial reasons. Almost four in 10 (39%) Londoners aged 50-70 who returned to paid work said they 'needed the money', while around a quarter said they 'could not afford to retire' (27%) or cited increases in the cost of living (24%). These findings are supported by wider evidence. DWP analysis shows that median household incomes for pensioners living in London are relatively low after housing costs are taken into account.

The second, more positive reason mentioned by Londoners is enjoyment of work. According to the ONS survey, nearly half (46%) of Londoners aged 50-70 years who returned to work said they 'enjoy the work or the social company'. A high share of London returners also said they had found a job with 'better flexible working conditions' (27%), which may reflect an increased ability to work remotely.

But more recent data suggests a rise in inactivity among Londoners aged 50-64

Yet, as pointed out earlier, the latest LFS-based estimates – which cover the three months to March 2022 (more timely than the data shown in Figure A2) – have shown an increase in London's 16-64 inactivity rate over recent months. As indicated in Figure A5, this increase has been led by rising inactivity among Londoners aged 50-64 years over the last year.

Extra caution is needed when interpreting these trends, which are based on non-seasonally adjusted data.[4] Notwithstanding these caveats, the latest LFS estimates suggest that the 50–64-year-old age group now has the largest percentage point change in inactivity over the pandemic. Having dropped between Jan-Mar 2020 and Jan-Mar 2021, the inactivity rate for 50–64-year-old Londoners increased by 5.0 percentage points over the last year.

4 LFS estimates are particularly volatile when analysing breakdowns by age. When comparing non seasonally adjusted data over time it is best practice to compare the same 3-month period for different years.

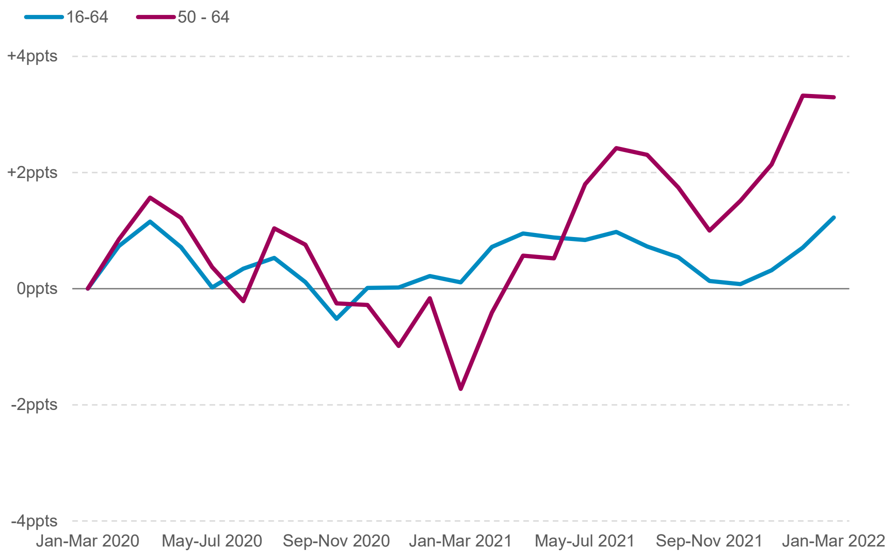


Figure A5: Change in economic inactivity since Jan-Mar 2020, London (NSA)
Percentage point change in inactive rate by age group, latest data for Jan-Mar 2022

Source: ONS Labour Force Survey (not seasonally adjusted)

London's headline inactivity rate remains below the UK average (Figure A1), but there are now signs that inactivity may be on the rise, particularly among Londoners aged 50-64. There is considerable uncertainty around these short-term trends, however. Continued tracking of inactivity rates across different groups of Londoners will be important as the capital emerges from the pandemic, particularly as the cost-of-living crisis intensifies.

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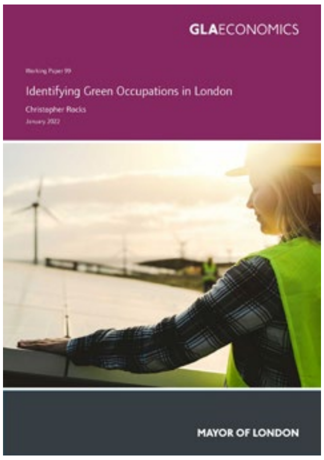

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GLA Economics provides expert advice and analysis on London's economy and the economic issues facing the capital. Data and analysis from GLA Economics provide a sound basis for the policy and investment decisions facing the Mayor of London and the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

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