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Number of coronavirus cases steadies as substantial economic costs become more apparent

By **Mike Hope**, Economist, and **Eduardo Orellana**, Economist

Following the introduction of the lockdown on 20 March the growth in confirmed coronavirus (COVID-19) new infections eased and has steadied over the last week or so. This has however come at a significant economic cost. The Office for Budget Responsibility (OBR) has produced a scenario where the UK economy will shrink by 35% in the second quarter of this year, and by 13% over the whole year. GLA Economics analysis using the same methodology finds that if the supporting set of assumptions came to pass there may be a similar impact on the London economy.

This editorial reviews what has been happening in London and elsewhere, and the potential impact on the economy over the coming year. Meanwhile the supplement examines what we know about the impact of the government support schemes announced last month. In addition, some of this month's LET indicators also have information from mid-March when social distancing measures started to take effect. Unsurprisingly, there has been a marked decline in business and customer confidence, expectations of lower house prices, and far fewer journeys on bus and tube.

Also in this issue

Datastore

The main economic indicators for London are available to download from the London Datastore.

Spread of COVID-19 cases eases

In March the numbers of confirmed cases of the infection were rising rapidly. The Prime Minister requested hospitality and leisure businesses to close on 20 March, and on 23 March ordered a lockdown. Since then the number of confirmed cases has risen more strongly outside London, although by mid-April it had plateaued in both London and the rest of England (Figure 1). 24,000 out of 114,000 confirmed cases in England are in London, a fifth of the total compared with two-fifths in mid-March.

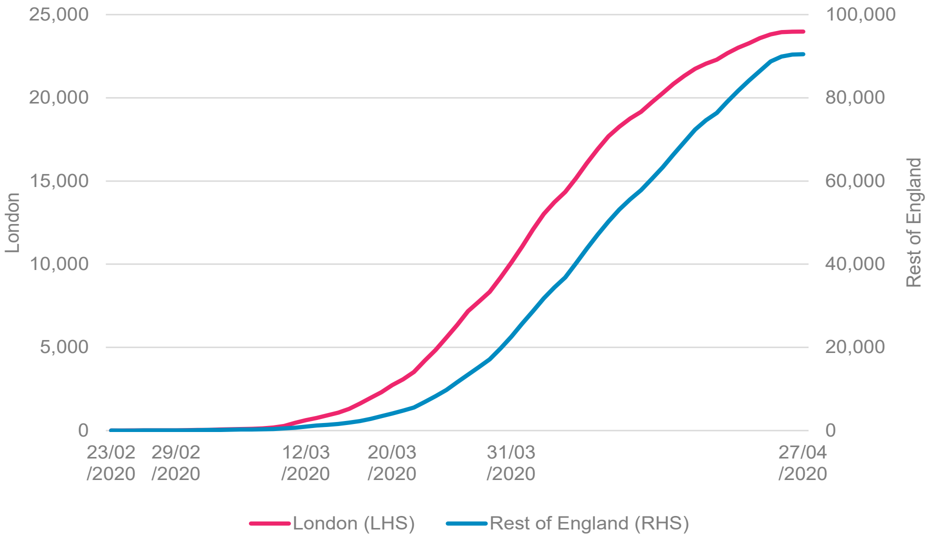


Figure 1: Numbers of confirmed COVID-19 cases, London and the rest of England, 23 February-27 April 2020

Source: GLA Economics analysis of Public Health England data

Note: confirmed cases are almost all people who have been in hospital

There is a delay between onset of infection and, where it happens, death. The numbers of COVID-19 deaths, whether in hospital or elsewhere, were still rising strongly both for London, and the rest of England. These were 1,800 for London in the week ending 17 April, and 6,500 in the rest of England (Figure 2). While earlier this year deaths in London were a tenth of those in the rest of England, COVID-19 deaths in London are over a quarter of the total for the rest of England, and in London higher than deaths from other causes. The higher proportion of COVID-19 deaths in London reflects in part that there are relatively more infected people in London.

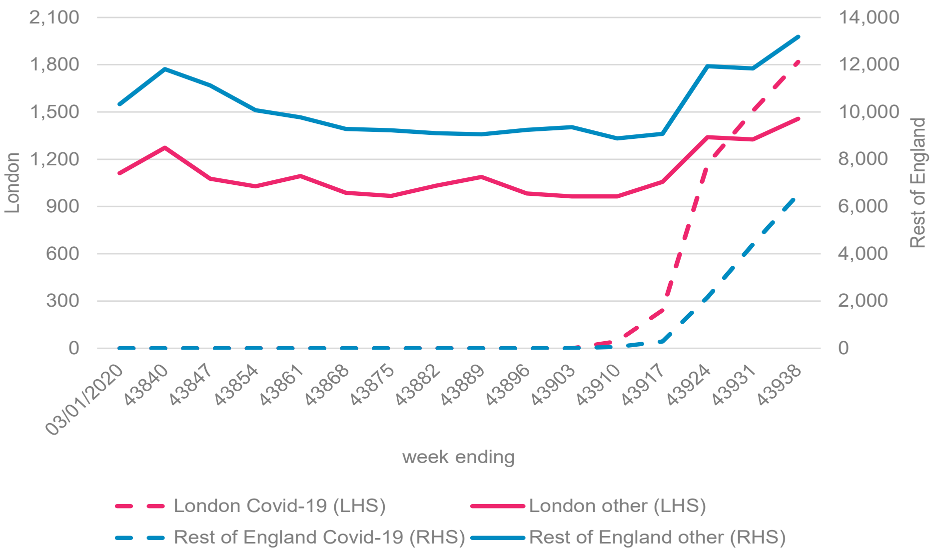


Figure 2: Deaths, all and COVID-19, registered by 17 April by week of death in 2020

Source: ONS death registrations

Note: There is analysis on COVID-19 hospital deaths on the [London Datastore]

Analysis by the ONS points out that men and older people are more likely to be adversely affected by the virus. People from ethnic minority backgrounds are also more likely to end up in hospital critical care relative to the population of the local area, according to the Intensive Care National Audit & Research Centre.

40% of Londoners identified as non-white in the 2011 Census, the highest proportion across UK regions. The Government has commissioned a review into the reasons for the incidence of the virus amongst ethnic minorities, and the Mayor of London has asked for reporting by ethnicity.

The economy is going through a significant contraction

The OBR in its Coronavirus Reference Scenario estimates that the UK economy could contract by 35% in the second quarter of this year, and by 13% over the whole year if that scenario came to pass. These estimates are not out-of-line with work by the Institute for Social and Economic Research at the University of Essex (a 20% contraction), the National Institute for Economic and Social Research (NIESR) (a 30% contraction during lockdown) and modelling for other countries. The decline is unprecedented over the last 120 years (Figure 3). The upside is that forecasters are expecting a strong recovery in 2021, which will fully or mostly offset the losses in 2020.

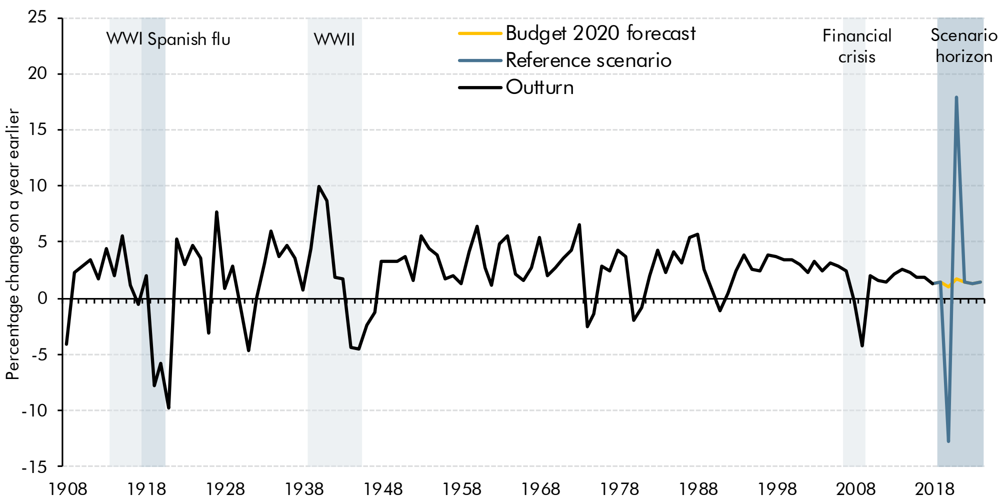


Figure 3: Annual UK GDP growth, 1908-2021

Source: Bank of England, OBS, OBR

The OBR in the scenario assumed that there will be a full lockdown for three months, and a partial lockdown for three months after which the economy will make a full recovery. It recognises this may not happen if there are scarring effects from business closures, or the unemployed have a period out of work. The longer the period of lockdown the more detrimental to the economy. The Chief Medical Officer has argued that the lockdown is likely to continue in some form for the rest of the year. In contrast to the OBR, NIESR estimates that the UK economy will be 3.5% smaller after ten years than it would have been without the pandemic.

Following the OBR methodology, the equivalent loss in output for London in the second quarter of 2020 would be almost identical to that for the UK at 34% (Table 1). The OBR estimated the share of output that would be lost in each industry utilising estimates of the shares of key workers, and those able to work from home in each industry, with further adjustments for childcare responsibilities and absences due to illness. These output losses are partly offset by increases in output in a few industries (in particular healthcare providers and food retailers). Despite London benefiting from the ability to homework, see the next section, there is less of an effect in the OBR modelling from the boost to health services because these services are a smaller part of the London economy. It should be noted that the use of OBR assumptions for London is very broad brush, as, for example, the infection rate is higher in London than the rest of England. It is also not self-evident that London would follow the same recovery path as the rest of the UK, and it is arguable that the greater reliance on public transport would place London at a disadvantage in maintaining some form of social distancing.

Table 1: Output losses by sector in the second quarter of 2020, London and the UK

	Effect on output relative to baseline	Weight in value added	
		UK	London
Education	-90%	6%	5%
Accommodation and food services	-85%	3%	3%
Construction	-70%	6%	5%
Other services	-60%	4%	4%
Manufacturing	-55%	10%	2%
Wholesale, retail and motor trades	-50%	10%	7%
Information and communication	-45%	7%	12%
Administrative and support activities	-40%	5%	6%
Professional, scientific and technical activities	-40%	8%	13%
Transport and storage	-35%	4%	4%
Mining, energy and water supply	-20%	3%	1%
Public administration and defence	-20%	5%	4%
Real estate	-20%	14%	15%
Financial and insurance services	-5%	7%	15%
Agriculture	0%	1%	0%
Human health and social activities	50%	8%	5%
UK economy	-35%		
London economy	-34%		

Source: OBR and GLA Economics calculations for London

The OBR has concluded that the education sector might be particularly adversely affected. Education institutes might be vulnerable to a loss of international students, and London would be disproportionately affected. Around 270,000 international students were expected to start a new course at a UK university this autumn. The fee income from international students was nearly £7 billion last year, around 17% of the total income of the sector (37% of total fee income). If the current COVID-19 crisis results in a big drop in international students this could spell major financial problems for UK universities. The IFS reports that six of the eight universities with the largest fee income from international students are in London (Table 2):

University	Potential change in fee income
London School of Hygiene and Tropical Medicine	-60%
Royal College of Art	-50%
London Business School	-49%
London School of Economics and Political Science	-49%
University College London	-44%
Imperial College of Science, Technology and Medicine	-41%

Table 2: Proportion of fee income at risk for London universities facing largest loss in fee income

Source: IFS

As universities have a diverse range of income sources no university would be at risk of losing more than 30% of total income.

Looking across businesses as a whole, and despite the effect of the lockdown in reducing supply capacity, only 25% of businesses in the ONS Business Impact of Coronavirus Survey (between 23 March and 5 April) reported that they had temporarily closed or paused trading. Less than 1% of businesses had ceased trading. But, of the 75% of businesses continuing to trade:

- 38% reported turnover substantially below the normal range.
- 41% were reducing staffing levels
- 29% were decreasing working hours
- 47% of staff were working remotely

Notably, a number of companies in the retail sector have gone into administration in the last few weeks, including Cath Kidston, Debenhams, Oasis, and Warehouse. Companies in the airline business, such as British Airways, Virgin and Airbus, have been vocal about their financial plight, while operators tend to be offering vouchers rather than refunds for cancelled flights.

Household finances are deteriorating markedly

Household finances are also suffering during the lockdown although figures on the hit are still hard to come by. Nevertheless, analysts have been attempting to put a number on it, with the Centre for Economics and Business Research (CEBR) estimating that UK households will see a £43 billion fall in their disposable incomes in quarter 2. This is from rising unemployment, furloughing of staff, and reducing hours and pay for others.

An early indication of the effect of this is that the latest ONS retail sales figures for March report that sales fell by 5% on the previous month, bringing them towards the level they were at two years earlier (Figure 4).

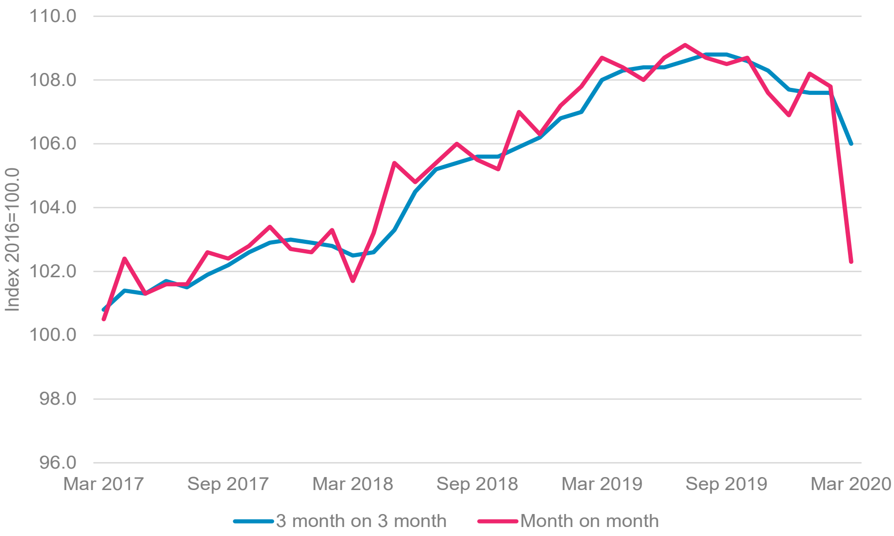


Figure 4: Index of UK retail sales, 3 month on 3 month, and month on month, seasonally adjusted, March 2017-March 2020

Source: ONS retail sales

There have been important shifts in the composition of spending. The value of food and household goods sales increased by 15.3% and 18.0% respectively month-on-month, while the sales by value of clothing items fell by 28.4%. Non-store retailing, predominantly internet only companies, saw sales increase by 5.1% month-on-month.

Another indicator of deteriorating household financial circumstances is claims for Universal Credit. Over the period 1 March to 12 April there have been over 1.5 million claims, when in more normal times 425,000 might have been expected (Figure 5). In the first week in March there were less than 10,000 claims a day. This started rising after 12 March and reached ten times that number at over 100,000 claims a day in late March. This was short-lived, and the number of daily claims has been declining steadily since and is approaching the numbers seen in early March. This does not measure changes in unemployment as UC can be claimed while still in work, and a claim would not be successful if there was still a high earning person in the household.

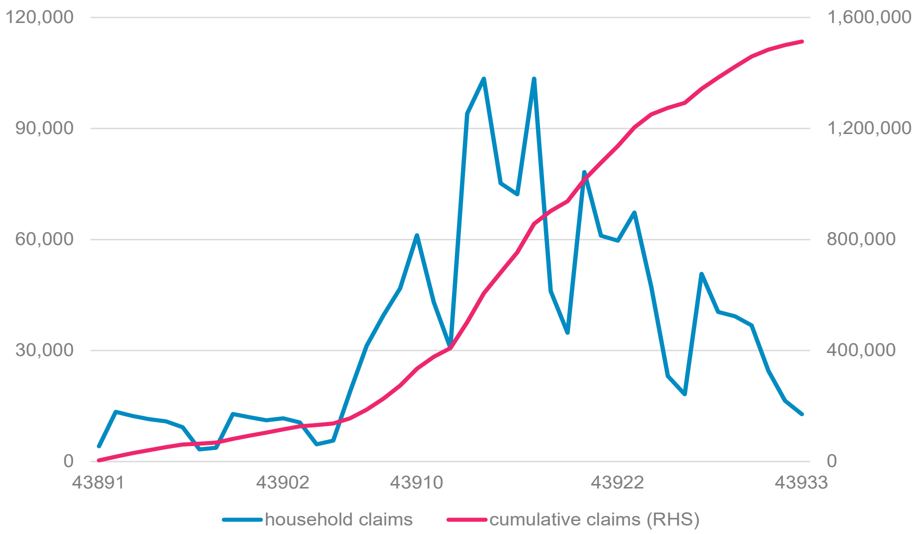


Figure 5: Daily claims for Universal Credit in Great Britain, 1 March – 12 April 2020

Source: DWP Universal Credit management information

At the present time it is more common to face worsening employment conditions than lose employment. The limited available evidence from a YouGov survey for the GLA is that the unemployment rate in London may have doubled in the last few weeks. The rate may now be around 10%, which is consistent with the analysis of the OBR for the UK in its Coronavirus Reference Scenario. In contrast, a quarter of workers have been furloughed, or have seen their pay or hours reduced, while three-fifths remained on similar terms and conditions (Figure 6).

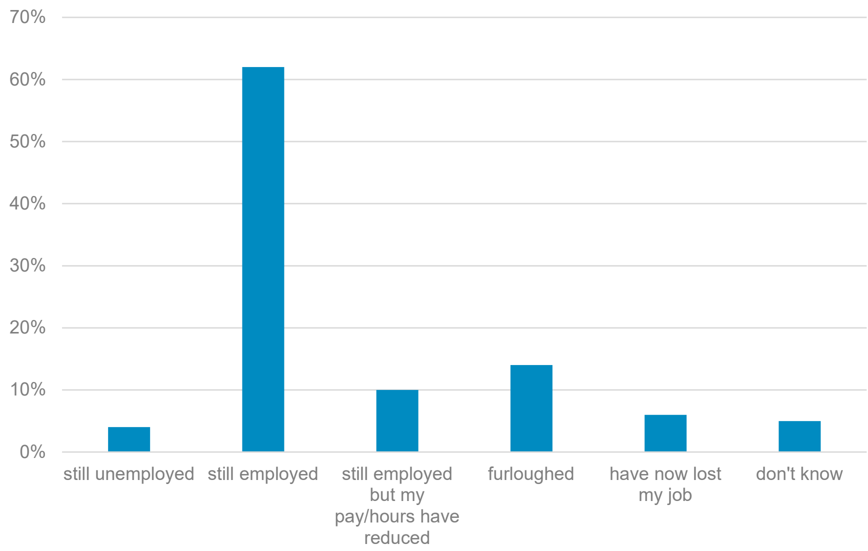


Figure 6: Labour market status of Londoners, 14-17 April 2020

Source: YouGov survey for the GLA

The ONS Business Impact of Coronavirus Survey found that 21% of the workforce across the UK had been furloughed while 70% were working as normal between 23 March and 5 April. This corresponds to 14% of the workforce in businesses that continued trading and 78% in businesses that had temporarily closed or paused trading. The highest proportion of the workforce being furloughed was in Accommodation and food services activities (80%), and Arts, entertainment and recreation (68%). In contrast, in businesses that continued trading 5% of the workforce was off sick or in self-isolation due to COVID-19.

To support continued working it appears that Londoners have more flexibility in their jobs on average and are more able to work from home at least some of the time. Something like 36% of Londoners still in jobs have started working from home, while 35% do not work from home. Across the UK 31% of workers have started working from home, while 42% do not work from home (Table 3).

	London	UK
I used to work from home, and continue to do this	30%	27%
I never used to work from home, and now do this	36%	31%
I do not work from home	35%	42%

Table 3: Change in working patterns, London and the UK, by 13 April 2020

Source: YouGov

Note: sample size for London was fairly small, and so there will be a wide confidence interval. There were 140 respondents in London, 1,054 for the UK

Prospects of finding a job have also diminished. Adzuna is one of the largest online job search engines; in the month from 15 March to 12 April postings across the UK fell by 42%. The largest falls have been in London, down by 44%, and Scotland, down by 49%.

By job type the largest single fall has been in hospitality and catering jobs (down 70%). Jobs, not directly affected by the lockdown have also faced steep falls in vacancies. Notably, vacancies have fallen by more than 60% in sales, administration, public relations, consulting, HR and recruitment, energy and charity work. By volume, the largest falls have been in IT (down 44 thousand), sales (43 thousand), accounting and finance (37 thousand) and engineering (35 thousand). Combined, these four job types account for nearly half (44%) of the total fall in vacancies.

Indeed, another online jobs posting agency, has similarly reported that UK postings at 10 April were 44% down on the same time last year. International comparisons show that the UK is amongst the worst affected countries in terms of a decline in postings.

The prospects for the world economy are bleak

The International Monetary Fund (IMF) is forecasting that countries across the world will contract this year (Table 4), with a notable exception being China. As with the OBR, the assumption is that the pandemic and required containment peaks in the second quarter for most countries in the world and recedes in the second half of this year. The April forecast is for global growth to fall to -3% this year, a downgrade of 6.3 percentage points from their January 2020 forecast. This is a major revision over a very short period. (NIESR expects the world economy to contract by -3.5% in 2020.) It contrasts with the 2008 financial crisis when the world economy continued to grow, if marginally. As with the OBR the IMF is expecting a bounce back in the world economy in 2021, although not to the previous levels of GDP.

	2019	2020	2021
UK	1.4%	-6.5%	4.0%
Euro Area	1.2%	-7.5%	4.7%
Germany	0.6%	-7.0%	5.2%
France	1.3%	-7.2%	4.5%
Italy	0.3%	-9.1%	4.8%
United States	2.3%	-5.9%	4.7%
China	6.7%	6.1%	1.2%
World	2.9%	-3.0%	5.8%

Table 4: Real GDP growth rates, the world and selected economies, 2019-2021

Source: IMF World Economic Outlook, April 2020

China has been significantly affected in the first quarter of 2020. Its National Bureau of Statistics reports that by this time year-on-year growth in the economy declined by 6.8%, and quarter-on-quarter there was a fall of 9.8%.

The United States has also suffered major adverse effects. There have been over 15 million unemployment insurance claims in the three weeks from 29 March to 18 April, according to the Department of Labor. The economy shrank by an annualised 4.8% in the first quarter of the year reported the US Department of Commerce.

In another unprecedented effect of the pandemic for the first time in history the price of US oil turned negative, as the demand for oil remains very subdued. The price of a barrel of West Texas Intermediate (WTI), the benchmark for US oil, fell as low as minus $37.63 a barrel. This is because oil firms have resorted to renting tankers to store the surplus supply.

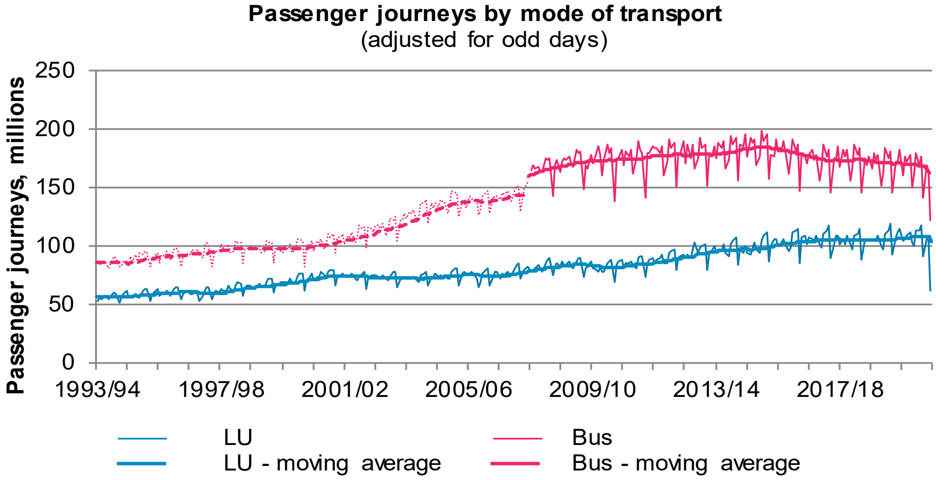
On a more positive note some countries have announced or are starting to ease their lockdowns such as Germany, Austria, Italy, Spain, Czech Republic, Norway, Poland, Albania, Denmark, Slovenia, Belgium, and Bulgaria. The economic consequences of the pandemic thus continue to unfold and GLA Economics will continue to monitor and report on them in our publications over the coming months.

Economic indicators

Passenger journeys in London plunge in March because of the lockdown restrictions

- A total of 183.5 million passenger journeys were registered in the 31 days of March, 87.9 million less than the previous period. This is the largest drop since data was registered. 60.9 million of all journeys were Underground journeys while 122.5 million were bus journeys. Bus journeys fell by 42.6 million while Underground journeys did so by 45.3 million.
- The 13-period-moving average in the total number of passenger journeys reduced from 274.5 million to 265.8 million.
- The methodology used to calculate the number of bus passenger journeys was changed by TfL on 1 April 2007. For a detailed explanation, please see LET issue 58 (June 2007).

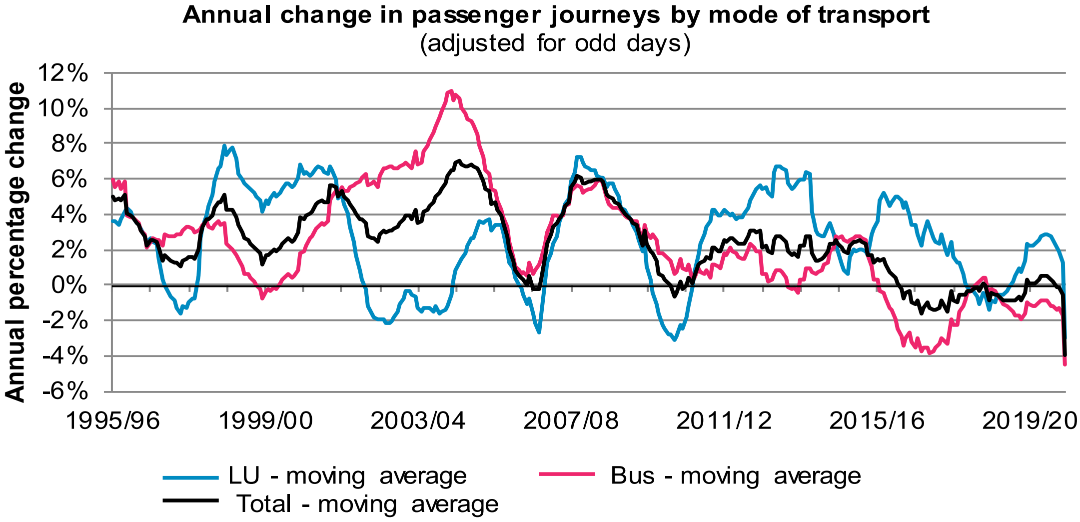
Source: Transport for London
Latest release: April 2020, Next release: May 2020



Moving average annual change in passenger journeys in London reached a historic low in March

- The moving average annual growth rate in the total number of passenger journeys was -3.9% in March, 3.3 percentage points down from the previous period.
- The moving average annual growth rate of bus journeys decreased from -1.7% to -4.5% at the same period.
- In the same direction, the moving average of Underground passenger journeys went down from 1.2% to -3.0% in the last period.

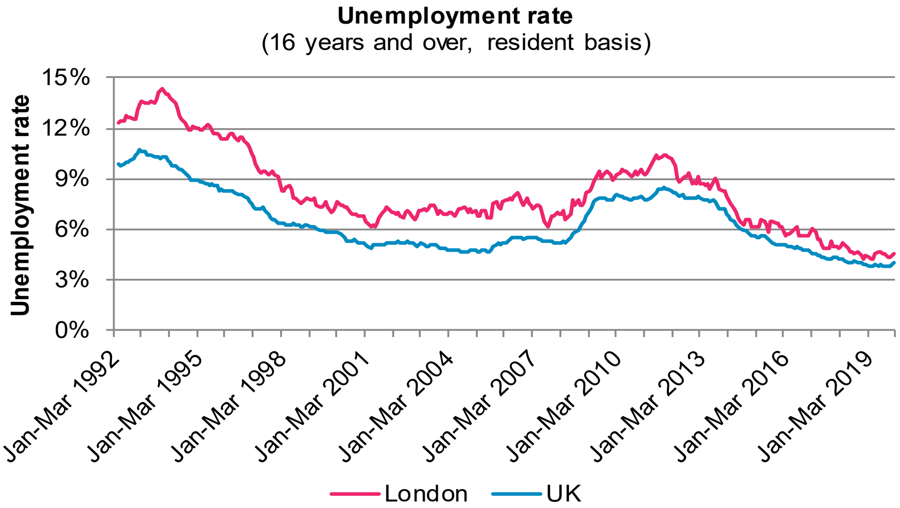
Source: Transport for London
Latest release: April 2020, Next release: May 2020



In the three-month period to February 2020, London's unemployment rate was 4.5%

- Around 229,250 residents 16 years and over were unemployed in London in the period Dec 2019 - Feb 2020.
- The unemployment rate in London was 4.5% in that period, 0.2 percentage points higher than the same rate in September - November 2019.
- Likewise, the UK's unemployment rate rose by 0.2 percentage points from the historic record low of 3.8% in the three-month period to November 2019 to 4.0% in the three-month period to February 2020

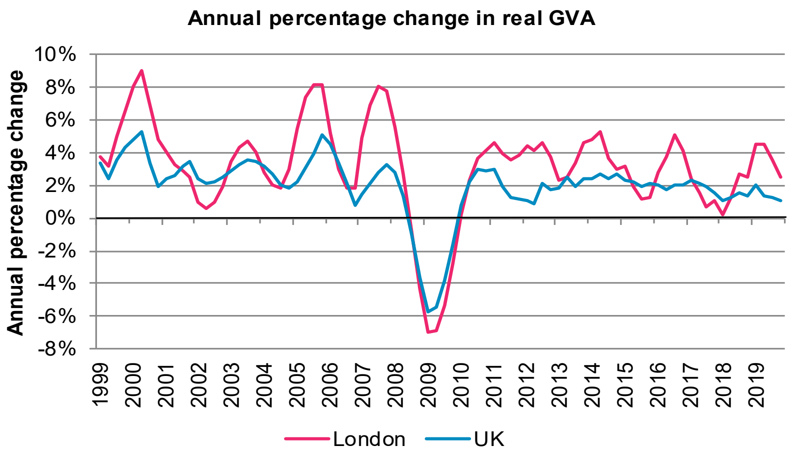
Source: ONS Labour Force Survey
Latest release: April 2020, Next release: May 2020



London's economy grew annually by 2.5% in Q4 2019 and 3.8% in the whole of 2019 compared to 2018

- London's annual real GVA growth rate fell from 3.6% in Q3 2019 to 2.5% in the last quarter of the year. This implies that London's economy grew by 3.8% in 2019 compared to 2018, the highest rate since 2016.
- In the UK, the output annual growth rate for Q4 2019 was the lowest quarterly growth rate over the course of the year (1.1%). For the whole of 2019, the UK's economy grew by 1.4% compared to the previous year, and this is 0.1 percentage points above the annual growth rate registered in 2018.
- London's real GVA quarterly estimates for both the period Q1 1999 to Q4 2012 and the two most recent quarters 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.

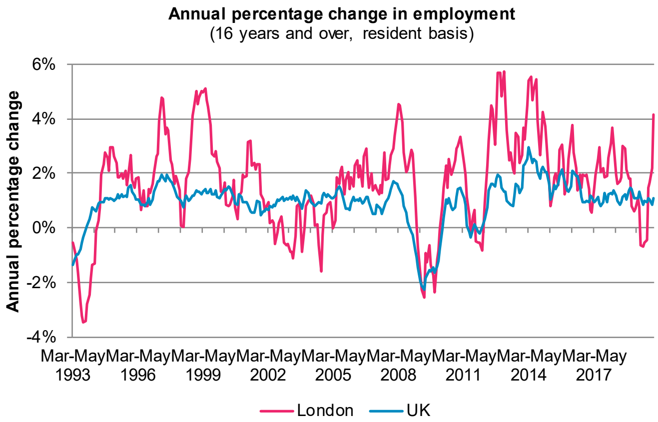
Source: ONS and GLA Economics calculations
Latest release: April 2020, Next release: July 2020



London's annual employment growth rate was the highest in five years in the period December 2019 – February 2020

- Around 4.87 million London residents over 16 years old were in employment during the three-month period December 2019 – February 2020.
- The rate of annual employment growth in the capital was 4.2% in that period. This rate represented a surge by 2.7 percentage points from the previous period (September – November 2019) which was 1.5%. There is a possibility that this in part was a consequence of statistical sampling by the ONS, and may not reflect entirely what has happened.
- In the three-month period December 2019 – February 2020, the UK employment rate grew annually at a rate of 1.1%, the same rate as in September – November 2019.

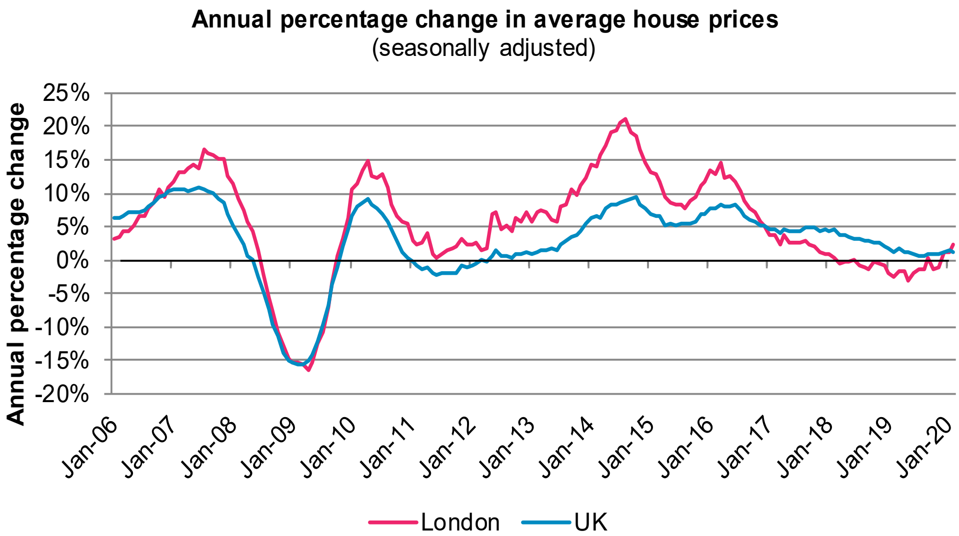
Source: ONS Labour Force Survey
Latest release: April 2020, Next release: May 2020



London house prices increased by 2.3% in annual terms in February

- In February 2020, the average house price in London was £478,872 while for the UK it was £230,680.
- The annual growth rate in average house prices in London was 2.3% in February 2020, up from 1.3% in January 2020. This is the highest annual growth since September 2017.
- Average house prices in the UK rose by 1.2% in annual terms last February. This was 0.3 percentage points lower compared to the previous month.

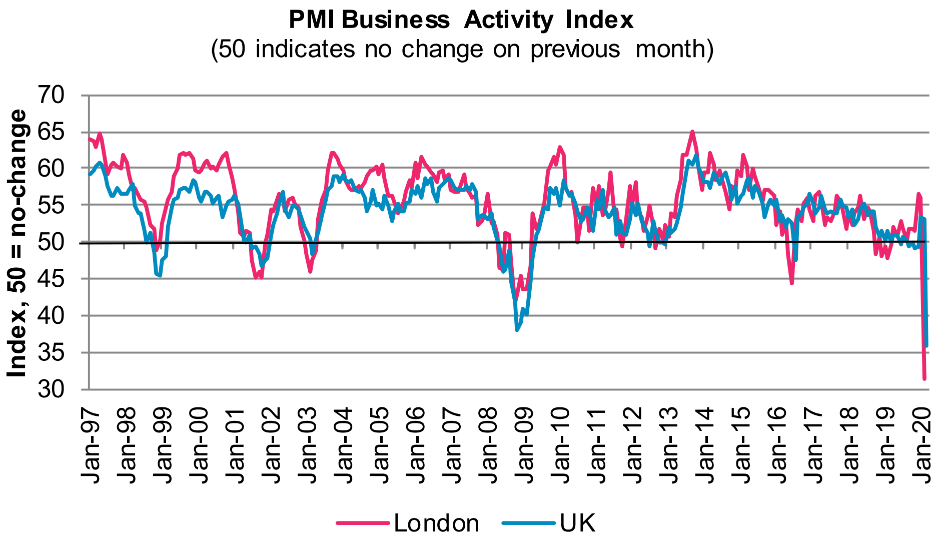
Source: Land Registry and ONS
Latest release: April 2020, Next release: May 2020



London business activity plunges to a historic low in March

- The business activity index for London private firms fell dramatically to 31.5 in March from 56.0 in February. This the lowest level and the largest fall of the historic series.
- Similarly, the UK index fell from 53.0 in February to 36.0 in March.
- The Purchasing Managers' Index (PMI) survey shows the monthly business trends at private sector firms. Index readings above 50.0 suggest a month-on-month increase in activity on average across firms, while readings below indicate a decrease.

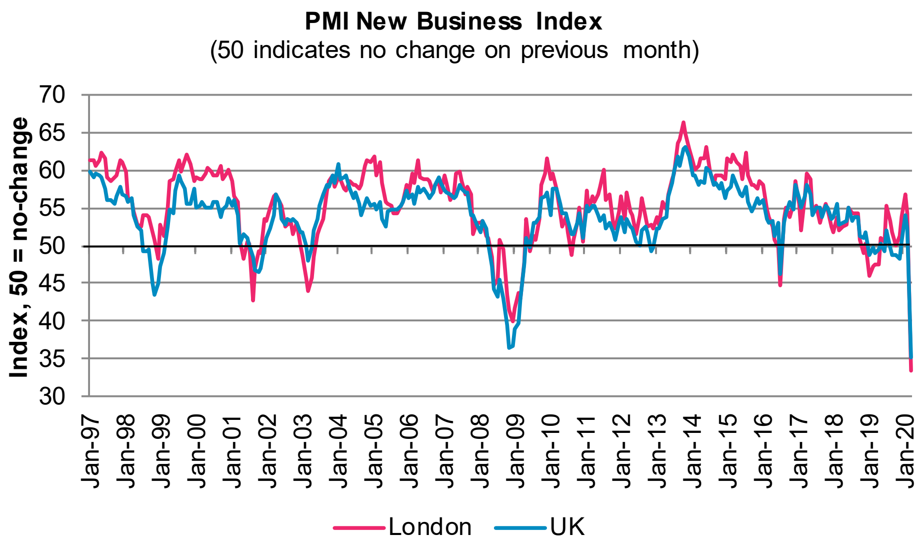
Source: IHS Markit
Latest release: April 2020, Next release: May 2020



New business activity in London reached a historic low in March

- The PMI New Business Index went down to its lowest point in the recorded series (33.5) in London last March, from 54.2 in February.
- For the UK, the level of this index in March was 35.3, down from 52.3 in February.
- An index reading above 50.0 indicates an increase in new orders from the previous month.

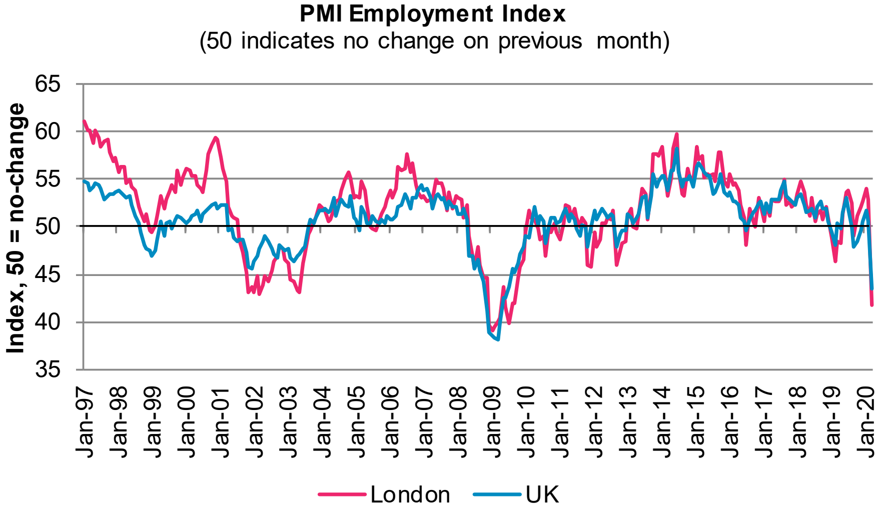
Source: IHS Markit
Latest release: April 2020, Next release: May 2020



PMI Employment Index fell remarkably across the majority of London private sector firms last March

- The Employment Index for London was 41.7 in March, down from 52.9 in February. This is the deepest registered monthly drop since the financial crisis, but is not the lowest level of the series.
- The index also fell for the UK but to a lower extent to 43.6 from 50.6 in the previous month.
- The PMI Employment Index shows the net balance of private sector firms of the monthly change in employment. Readings above 50.0 suggests an increase, whereas a reading below indicates a decrease in employment from the previous month.

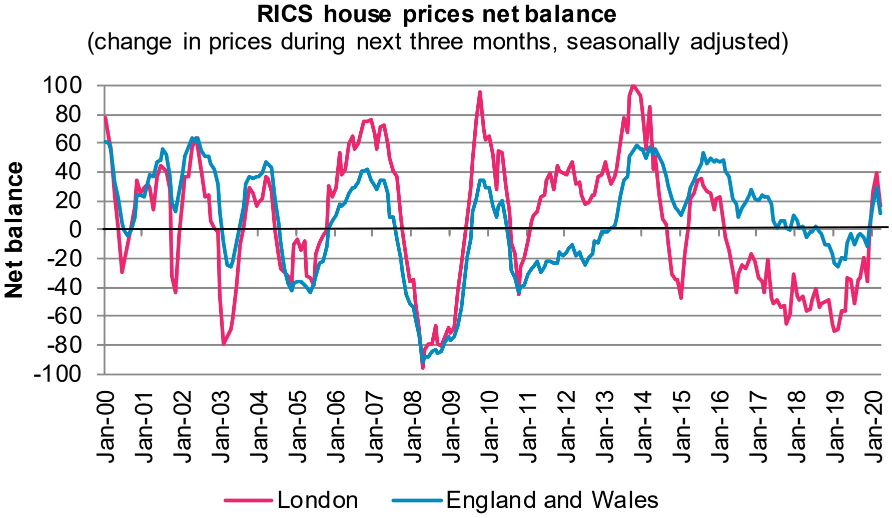
Source: IHS Markit
Latest release: April 2020, Next release: May 2020



Fewer property surveyors report a rise in house prices in Q1 2020 in London

- In the three months to March, the net balance of property surveyors reporting a rise in house prices was 17, down from 39 in the three months to February.
- For England and Wales, the RICS house prices net balance index also decreased from 29 in the period December 2019 – February 2020 to 11 in the first quarter of 2020.
- The net balance index measures the proportion of respondents reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: April 2020, Next release: May 2020

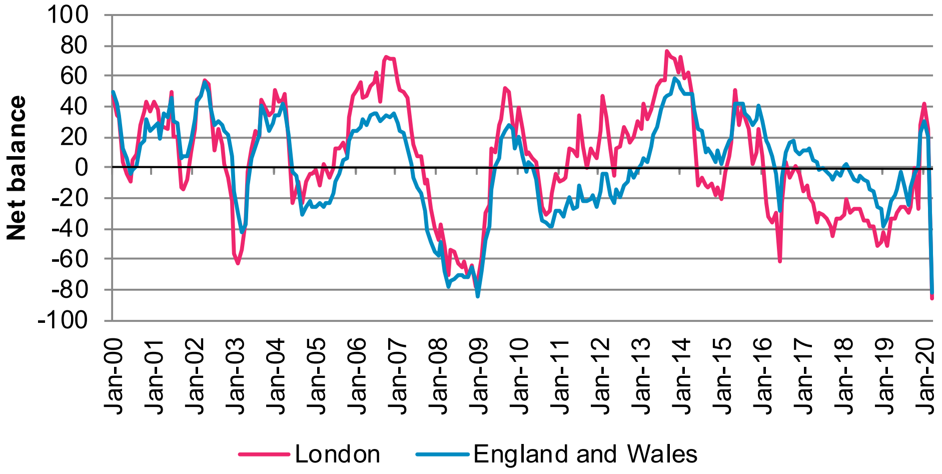


Net expectations of house price rises in London decreased to a historic low in March

- In the first quarter of the year, surveyors also reported the largest monthly fall of the historic series in the expectation of London house price changes (-86). This level was 26 in the three months to February. The March figure of this index in London fell below the index for England and Wales.
- Sentiment in England and Wales was -82 in March from 21 in February.
- The net balance index measures the proportion of respondents reporting a rise in prices minus those reporting a decline.

Source: Royal Institution of Chartered Surveyors
Latest release: April 2020, Next release: May 2020

RICS house prices expectations net balance
(change in prices during next three months, seasonally adjusted)

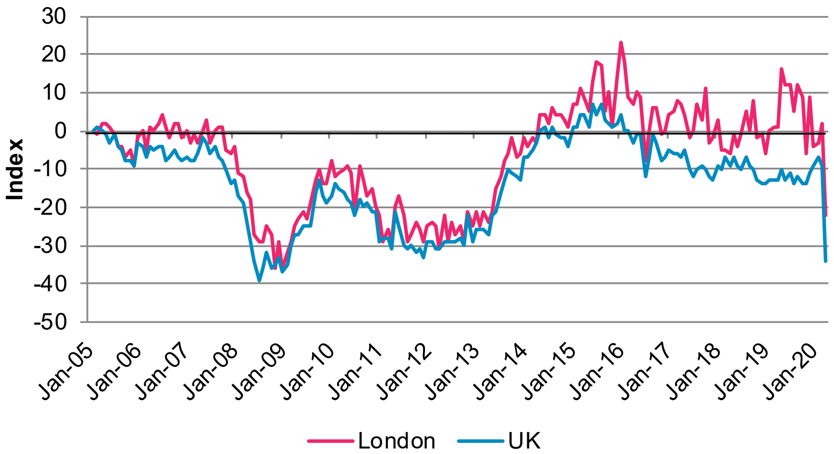


In April 2020, the consumer confidence index in London dropped to May 2013 levels

- The consumer confidence index in London registered its sharpest fall ever in April (-22) from 2 in March, thus reaching its lowest level in seven years.
- Similarly, sentiment for the UK declined to -34 in March from -9 in February. The UK has not shown 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 NOP on behalf of the European Commission
Latest release: April 2020, Next release: May 2020

Consumer confidence barometer



Early impact of government initiatives to address economic effects of the coronavirus

By **Mike Hope**, Economist

The March LET editorial summarised the first three announcements by the Chancellor of the Exchequer, Rishi Sunak, to alleviate the economic impacts of COVID-19. On 26 March he introduced a scheme for the self-employed, and on 27 April a second loan scheme for small and medium-sized businesses. In combination, the schemes provide a safety net of support to businesses and workers, both employees and self-employed, and increased the generosity of the welfare system. Implementation of the schemes is being rolled out. This supplement summarises information on the take-up of these schemes, providing London-specific data where available. It also presents the findings of analysis by the GLA City Intelligence Unit of the impacts of changes to Universal Credit and tax credits on net disposable household income in London.

Schemes for workers

The Coronavirus Job Retention Scheme aims to retain people in employment through furloughing, and meeting 80% of employee wages up to £2,500 a month. More than 140,000 companies employing a total of about a million workers applied on its first day of operation, Monday 20 April. By 4pm on the Wednesday 435,000 firms had made claims to the value of £3.75bn and covering 3.2 million employees. By 27 April, more than half a million claims had been made to the value of £4.5 billion.

The ONS Business Impact of Coronavirus Survey (between 23 March and 5 April) reports that 21% of UK employees had been furloughed, which suggests that many companies have yet to make claims to the job retention scheme.

The parallel scheme for self-employed people, the Self-Employed Income Support Scheme, will invite applications in May. 95% of people who receive the majority of their income from self-employment will be eligible. They will receive a cash grant worth 80% of their average monthly trading profit over the last three years up to £2,500.

Government-backed loans for businesses

The Chancellor announced that £330 billion of funds had been set aside to guarantee up to 80% of loans through the Coronavirus Business Interruption Loan Scheme.

The scheme for large businesses with annual turnover over £45 million opened on Monday 20 April. Businesses can apply for loans of £25 million, and those with turnover over £250 million can apply for £50 million.

The take-up of the scheme for small and medium sized enterprises has been slow. This scheme provides up to £5 million for businesses with annual turnover under £45 million. While the approvals and value of loans had been doubling every week in April by 22 April there had been fewer than 17,000 loans with a value of £2.8 billion (Table A1).

	Approvals of loans	Value of loans (£m)
2-Apr	1,250	146
8-Apr	3,313	613
15-Apr	7,609	1,376
22-Apr	16,624	2,825

Table A1: Take-up of Coronavirus Business Interruption Loan Scheme, April 2020

Source: UK Finance

There have been concerns around the willingness of banks to lend to smaller companies on these terms, and the bureaucracy to apply for a loan. With his announcement of 27 April of a loan scheme for small and medium-sized businesses the Chancellor of the Exchequer sought to address both issues.

For the existing scheme there are two technical changes intended to ease the flow of lending:

- Lenders can now assess whether the business was a going concern prior to the pandemic, rather than whether it is viable during the pandemic
- Rules that government would only guarantee 60% of a lender's portfolio of loans under the scheme have been abolished.

Second, the Chancellor announced the introduction of bounce back loans of up to £50,000 for small and medium-sized businesses. These will have a 100% government-backed guarantee for lenders, and the government will pay any fees and interest for the first 12 months. No repayments will be due during the first 12 months. Claims can be made from Monday 4 May. A business cannot claim this as well as a Coronavirus Business Interruption Loan.

There is also the Covid Corporate Financing Facility, announced on 20 March, which has provided over £14 billion for larger firms. It provides funding to support the cashflow of businesses making a material contribution to the UK economy by purchasing commercial paper of up to one-year maturity. The facility offers financing on terms comparable to those prevailing in markets in the period before the COVID-19 economic shock.

Grants and rate reliefs for businesses

The Ministry of Housing Communities and Local Government (MHCLG) has released an analysis of the costs of the expanded 100% business rates relief schemes in 2020-21 for the retail, leisure, hospitality and nursery sectors:

- The total cost of the 100% retail, leisure, hospitality and nurseries rate relief schemes in London in 2020-21 will be £3.05 billion – equating to 35% of the January estimate business rates tax take in the capital. This varies from 10% of the tax take in the City of London to 67% in Kensington and Chelsea. The total cost in England is £10.2 billion – London's share being 30%.
- A total of 73,140 properties in London will benefit from these 100% relief schemes – equivalent to 23% of all properties on the London rating list. This ranges from 8% in the City to 49% of properties on the rating list in Haringey.

Businesses in London will receive over 115,000 grants with a total value of around £1.7 billion, according to estimates of the Department for Business, Energy & Industrial Strategy (BEIS). This is out of an allocation of £12.3 billion in England for 960,000 grants. The schemes are the:

- Retail, Hospitality and Leisure Business Grants Fund - an additional cash grant of up to £25,000 for those businesses in these sectors who are not insured against a pandemic
- Small Business Grants Fund scheme - cash grants of £10,000 for the smallest 700,000 businesses.

By 27 April over 60% of the value of the grants had been paid out (Table A2).

	Initial allocation (£bn)	Properties in scope to receive a grant ('000s)	Properties receiving a grant ('000s)	Value of grant (£bn)	Grants as a proportion of allocation
London	1.7	115	70	1.1	64%
England	12.3	959	614	7.6	62%
London share	13%	12%	11%	14%	

Table A2: Allocation and payment of coronavirus cash grants to businesses, London and England, 27 April 2020

Source: BEIS

The HMRC Time to Pay scheme, which provides additional time for businesses and individuals to make tax payments, had nearly 17,000 such arrangements in place by 23 April.

Business interest in government schemes

There is significant business interest in the various government schemes with only 6% of businesses not having an interest in any of them. Perhaps unsurprisingly interest has been greater amongst businesses which have temporarily closed or paused trading. The schemes attracting the most interest are the job retention scheme, the business rates holiday, deferring VAT payments, and the HMRC Time to Pay scheme (Table A3).

	Continuing to trade	Has temporarily closed or paused trading	All businesses
Coronavirus Job Retention Scheme	75.9%	95.5%	80.7%
Business rates holiday	34.2%	67.9%	42.4%
Deferring VAT payments	64.7%	79.4%	68.3%
The HMRC Time to Pay scheme	32.2%	53.7%	37.4%
Small business grant or loan schemes	11.2%	26.3%	14.9%
Accredited finance agreements	18.3%	31.2%	21.4%
Not sure	10.7%	6.3%	9.7%
None of the above	7.6%	0.9%	6.0%

Table A3: UK business interest in government schemes by trading status

Source: ONS Business Impact of Coronavirus Survey

Schemes to support household income

Additional support through the welfare system has been targeted on the lowest income households (Figure A1). The poorest fifth of households in London will realise an annual increase in disposable income of £460, or by 6%. GLA City Intelligence Unit has modelled the effects of:

- An increase in the standard allowance of Universal Credit (UC) and Working Tax Credit of £20 per week, or £1,000 a year
- The removal of the Minimum Income Floor in UC, an assumed level of earnings for self-employed people

This analysis has been done for the labour market characteristics of the population, and the distribution of income, prior to the presence of COVID-19. For people unfortunate enough to suffer worsening financial circumstances the modelling provides a sense of what changes in income might be compared with what they would otherwise have been, the counterfactual. It does not indicate that people who lose their job at the present time will be better off.

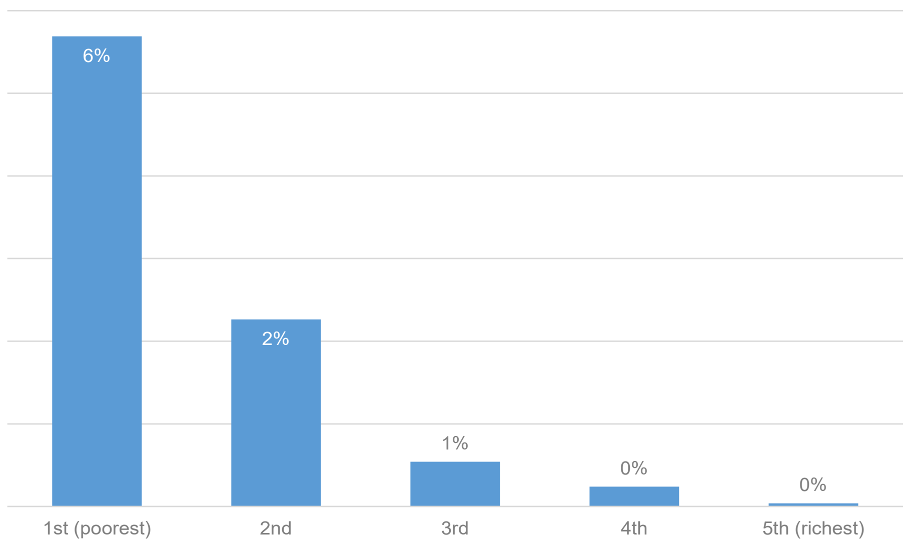


Figure A1: Impact of changes to Universal Credit and tax credits on net disposable household income in London, by net equivalised household income quintile (after housing costs), 2020/21

Source: GLA City Intelligence Unit analysis using UKMOD

The Chancellor also announced increased generosity in housing support for private renters. The effects of this change has not yet been modelled by GLA.

GLA Economics will continue to monitor the implementation and development of government schemes, and their effectiveness and where appropriate report on them in our publications.

Our latest publications

We publish regularly on the state of London's economy, providing the latest economic data for London and interpret how this may affect policy. This includes analysis of recent developments in London's economy and forecasts for the next couple of years.

We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

We analyse recent developments in London's labour market, by sector and borough.

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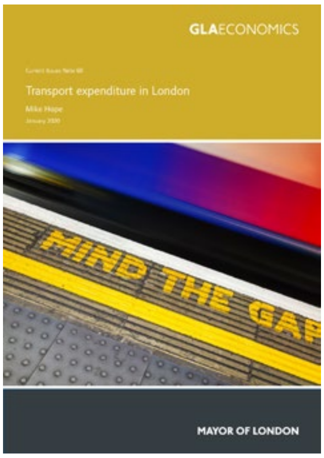
The Evidence Base for London's Local Industrial Strategy - Final report
This is the final report on the evidence base that is informing and supporting the development of London's Local Industrial Strategy, following on from the interim report published in August 2019. It presents clear, robust and comprehensive evidence on London's economy with a view to supporting the overall objective of achieving inclusive growth in London. It reports on London's strengths, key constraints, issues and risks for the five foundations of productivity introduced by the Industrial Strategy White Paper (Business Environment, People, Infrastructure, Ideas and Place), while also highlighting the linkages between the economy of London and the rest of the UK.

Download the full publication.



Transport expenditure in London
This current issues note looks at the case for continuing transport expenditure in London.

London spills over its administrative boundaries, and there are 2 million more people in it every day than its 8.8 million residents. The city relies on public transport, and so public investment – 58% of all journeys on public transport in Britain are at least in part in London. People make far more use of public transport than elsewhere in the country, and increasingly so.

Download the full publication.

London's Economic Outlook: Autumn 2019
GLA Economics' 35th London forecast suggests that:

- London's GVA growth rate is forecast to be 1.8% in 2019. The growth rate is expected to decrease to 1.1% in 2020, before increasing to 1.8% in 2021.
- London is forecast to see increases in the number of workforce jobs in 2019, 2020 and 2021.
- London's household income and spending are both forecast to increase over the next three years.

Download the full publication.

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London's Economy Today is published towards the end of every month. It provides an overview of the current state of the London economy, and a selection of the most up-to-date data available. It tracks cyclical economic conditions to ensure they are not moving outside the parameters of the underlying assumptions of the GLA group.

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About GLA Economics
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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