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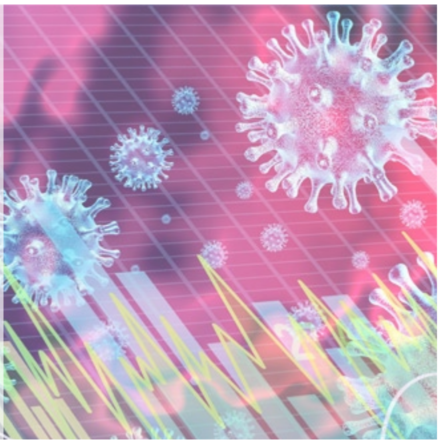


Indicators for London's economy improve but still show the challenges faced by business

By **Gordon Douglass**, Supervisory Economist, and **Eduardo Orellana**, Economist

With the lockdown continuing to be eased over July a number of rapid indicators for the economy have begun to recover from the record lows they've seen in recent months. For instance, the uptick in retail and recreation activities has continued during the month but still remains below the levels seen before the lockdown (Figure 1).

This follows on from unprecedented declines in activity seen in the first part of the second quarter of 2020. So, for instance the Q2 2020 Capital 500 London Quarterly Economic Survey from the London Chamber of Commerce and Industry (LCCI) found that (according to Richard Burge, Chief Executive of the LCCI), "domestic sales plummeted in Q2, while export orders were much weaker as demand from overseas shrank quickly. Business confidence sank last quarter, as firms reported significantly weaker expectations for profitability and turnover in the coming year". In particular the net balance of firms reporting a rise versus a fall in domestic sales declined from -11% in Q1 2020 to -61% in Q2 2020. While, "the cashflow balance slumped 44 points to -58% in Q2. The share of firms who saw a drop in cashflow was similar for micro and larger firms (65% and 64%, respectively)".

Also in this issue

Datastore

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

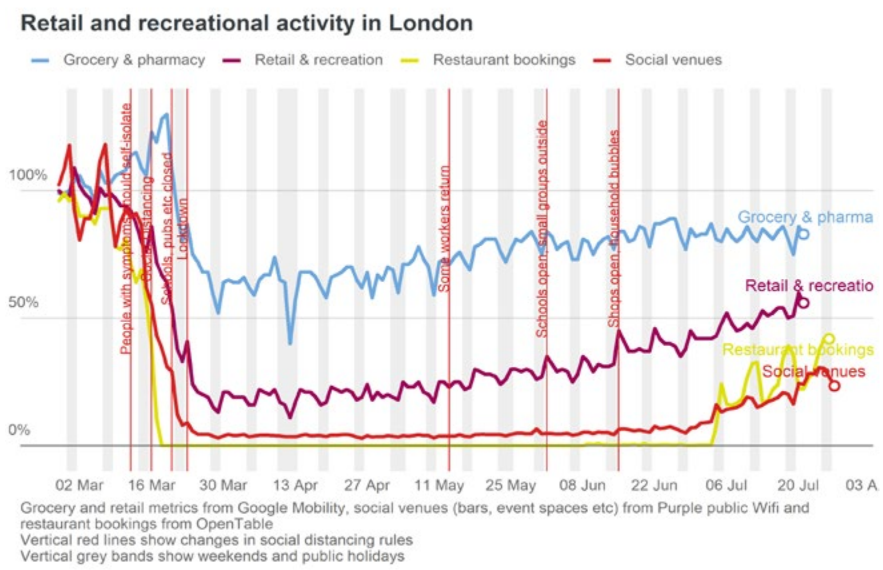


Figure 1: Retail and recreation activity in London

Source: GLA elaboration based on grocery and retail data from Google Mobility, social venues from Purple public Wifi and restaurant bookings from Open Table. Note: Vertical red lines show changes in social distancing rule and vertical grey bands show weekends and public holiday

Still, as shown in the indicators section of this publication, other indicators of economic activity have also rebounded to levels more normally seen in a recession or slowdown, rather than the extreme lows seen in earlier months. Thus, the Purchasing Managers Index (PMI) in June although still showing a contraction are for new business and business activity at general levels last seen around the first half of 2019. However, although improved, the employment PMI remains significantly lower than these indicators and at levels slightly lower than seen during the financial crisis.

Jobs data in London starting to show the impact of the pandemic

Headline jobs figures from the ONS have started to show the impact of Covid-19 but, in comparison to the decline in GDP, the changes in employment and unemployment have been more modest, suggesting that the Government's support measures are having an impact. So, in the three months to May 2020, the employment rate in the capital fell to 75.7% (-1.1 percentage points) on the quarter, while the unemployment rate rose slightly to 5.1 % (+0.6 percentage points on the quarter), and the economic inactivity rate increased to 20.4% (+0.6 percentage points on the quarter).

Experimental Claimant Count data covering claims for Jobseeker's allowance and those claimants of Universal Credit "searching for work" showed that in London claims have gone up by 148% (around 274,000) since March, this was higher than the UK increase for the same period (112%). However, there are some early signs of stabilisation in London; between May and June the number of claims went up by around 5,000, far fewer than the 154,490 rise seen between April and May. Looking at the age ranges, affected workers aged 25-29 in London saw the largest year on year increase in claims (+248%), and claims across all age groups in the capital increased by more than among their UK counterparts (Figure 2). And amongst boroughs, Newham claims increased by most compared to the same period last year (+16,925).

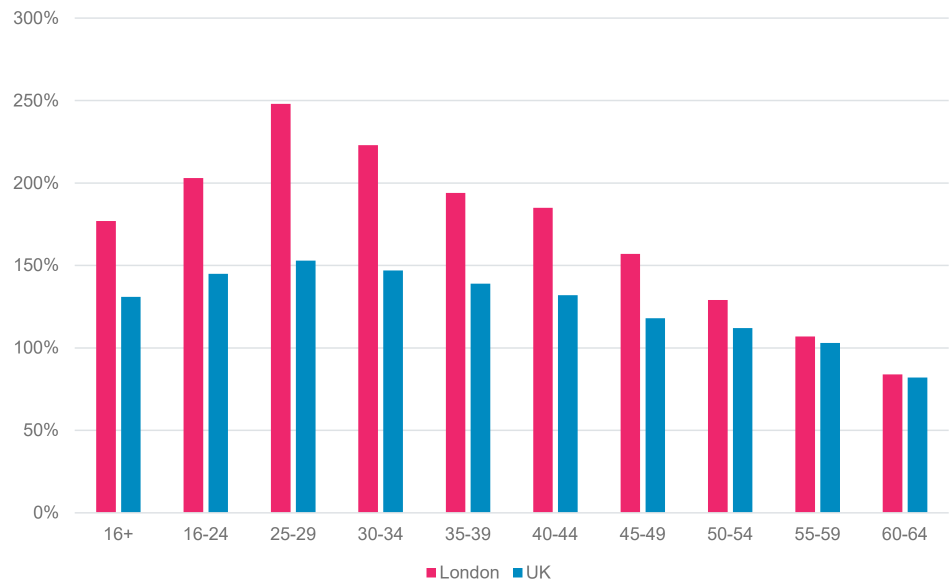


Figure 2: Claimant count change by age groups, June 2019 to June 2020, UK and London

Source: ONS
Note that an increasing number of people became eligible for unemployment-related benefit support, although still employed. Consequently, changes in the Claimant Count will not be due wholly to changes in the number of people who are unemployed.

It is likely that the employment situation in both the capital and UK as a whole will continue to worsen over the coming months as the impact of the crisis on jobs becomes even more apparent. July has already seen the announcement of a number of job losses from big firms particularly in hospitality, tourism and retail. So, EasyJet has been consulting on proposed job losses and closing some of its regional bases. Other firms announcing job losses have included Harrods, TM Lewin, WH Smith, Upper Crust, Airbus, Virgin Money, Clydesdale Bank and Yorkshire Bank. The Casual Dining Group, the owner of Café Rouge and Bella Italia, has also gone into administration with 91 outlets to close immediately. While, analysis from the ONS has shown that "jobs based in workplaces in London and the South East are much more likely to be possible to do from home compared with the rest of the UK, probably due to a higher proportion of professional occupations in the region". This, may impact jobs in support based industries, such as catering, as firms examine their response to the easing of the lockdown restrictions.

London saw a 20% rise in furlough claims in June

GLA Economics has continued to undertake analysis of the impact of the Government's employment support schemes using HMRC data. This has shown that Coronavirus Job Retention Scheme (CJRS) claims in London rose by 216,700 in June, a 20% rise in the number of claims in the capital (Figure 3). There is now a total of 1.29 million furloughed employments in London, and 9.37 million across the UK. In terms of sectors most heavily affected in London, Accommodation and food has the highest take up rate (71%), followed by Arts and entertainment (63%) and Construction (55%). Public admin, which was predominantly exempt from the furlough scheme, as well as Finance and insurance and Mining and quarrying had the lowest take up amongst the industries in the capital.

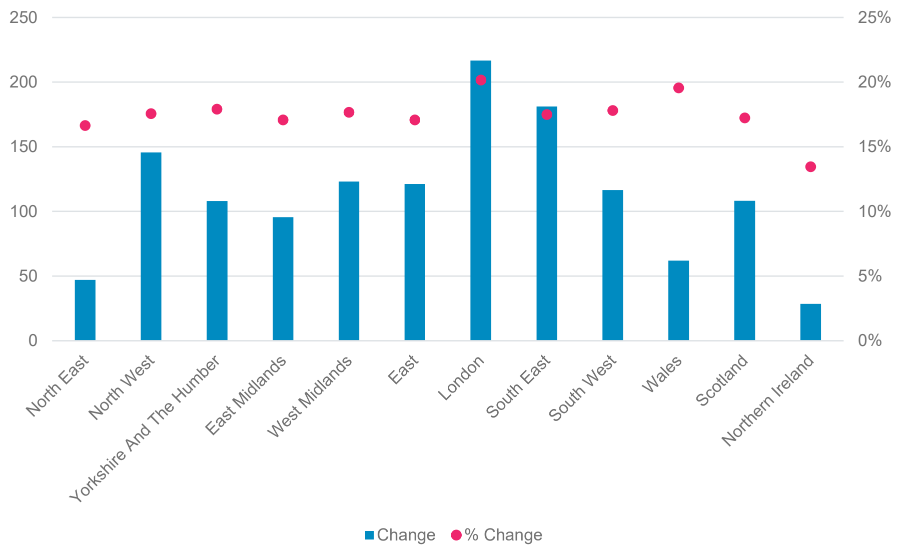


Figure 3: Absolute (000s, LH Axis) and percentage (%, RH Axis) change in CJRS claims by region

Source: GLA Economics analysis of HMRC data

The number of Self-Employment Income Support Scheme (SEISS) claims in London also rose in June, by 51,000. This represents a 12% rise in SEISS claims in the capital in June. London's take up rate is now similar to other regions after being the lowest at the end of May. London's take up rate increased from 67% to 75% - although all other regions also saw increases.

UK GDP sees uptick in May but remains heavily down

Despite the number of workers on furlough, UK GDP saw some uptick in May when it grew by 1.8% (Figure 4). However, GDP is still down by 24.5% compared with February and the growth in May was significantly smaller than the 5% or more growth expected by most economists. Monthly GDP data can be quite volatile and prone to revision, however looking at the three months to May 2020, GDP was down 19.1% compared to the previous three months. The ONS observed that although online retail saw growth "other services remained in the doldrums, with a number of areas seeing further declines". Although they did also note that "manufacturing and house building showed signs of recovery".

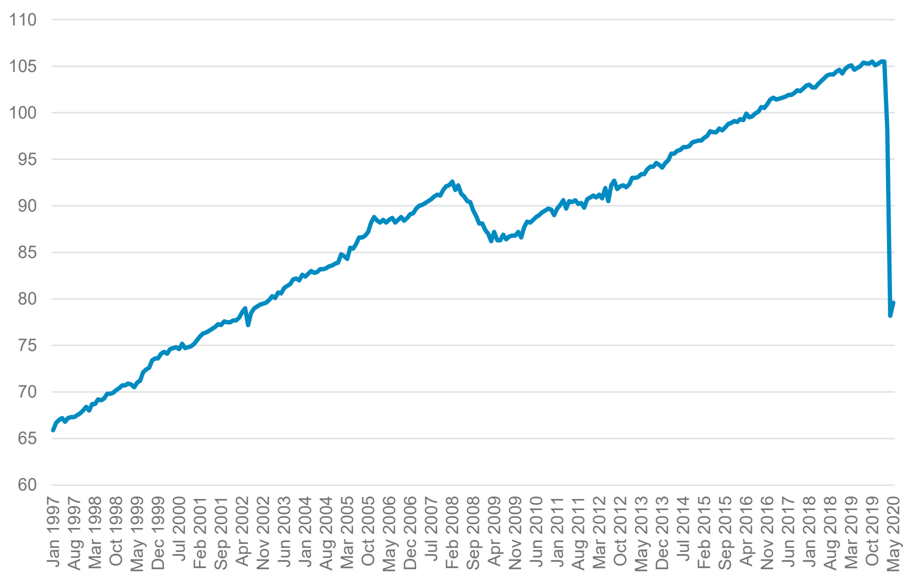


Figure 4: UK monthly GDP, Monthly index, January 1997 until May 2020

Source: ONS

At the same time a number of other UK-wide surveys continue to point to the challenges facing businesses. The Bank of England's Credit Conditions Survey for Q2 2020 found that lenders reported that the availability of and demand for both secured and unsecured credit to households in the three months to end-May 2020 decreased. However, lenders also reported that the availability of and demand for credit to the corporate sector increased for all business sizes in Q2. Total corporate credit availability was expected to increase only slightly in Q3. Elsewhere, the British Chambers of Commerce Business Impact Tracker found in July that on average, surveyed businesses were still only operating at half of their pre-pandemic capacity despite the easing of the lockdown. With "customer demand (54%) and possible future local lockdowns (52%)" being seen as "the two top obstacles to maintaining day-to-day operations". While, "almost half (46%) reported a slight or significant decrease in revenue from UK customers compared to June". Still the flash estimate of the July composite PMI for the UK showed that it had risen to 57.1, up from 47.7 in June, and above the 50 threshold for growth for the first time since the start of the lockdown.

OBR publishes new COVID-19 scenarios for the UK

On 14 July, the Office for Budget Responsibility (OBR) updated their analysis of the potential effects of the Covid-19 outbreak on the UK economy. Like the initial analysis published in April, this does not attempt to predict the UK's economic outlook in these current uncertain times but to shed some light on some of the potential economic and fiscal effects instead.

The OBR has now considered three "plausible" long-term macroeconomic scenarios for the UK: a central scenario, a downside scenario, and an upside scenario. The medium-term projections for real GDP for the three scenarios they produced are shown in Table 1.

Table 1: OBR COVID-19 economic scenarios – UK real GDP (annual growth rate in %)

	2020	2021	2022
Upside	-10.6	14.5	1.9
Central	-12.4	8.7	4.5
Downside	-14.3	4.6	5.4

Source: OBR - Fiscal Sustainability Report (FSR) July 2022

In the upside scenario, output returns to its pre-virus peak in Q1 2021 and then follows the path they expected in their March pre-lockdown forecast from the second quarter onwards. This mirrors the 'deep V-shaped' recession predicted by the OBR in their 14 April reference scenario. In the central scenario, output recovers more gradually, reaching its pre-virus peak at the end of 2022. Output at the end of the scenario is 3% lower than expected back in March. The recovery is even more sluggish in the downside scenario, with GDP not attaining its pre-virus peak until Q3 2024. Output is 6% below the March forecast at the scenario horizon.

In all scenarios, unemployment continues to rise and employment to fall beyond the second quarter of this year, notwithstanding output recovering. However, in the upside scenario, the unemployment rate peaks in the third quarter of this year at 9.7%, and employment recovers relatively quickly alongside output. In the central scenario, the unemployment rate peaks in the fourth quarter of 2020 – as the CJRS ends – but employment registers a further fall in 2021. While in the downside scenario, unemployment continues to rise until the first quarter of 2021 when it peaks at 13.2% but net job creation only starts in 2022 as in the central scenario.

Chancellor announces new labour market support

The Chancellor of the Exchequer, Rishi Sunak, in a departure from the usual twice yearly fiscal events delivered a summer statement on 9 July. In this he announced a number of policies which he said would support jobs and affected sectors of the economy. The measures he announced he claimed costed £30 billion (which is just over 1.4% of UK GDP that was produced in 2019). Although the Institute for Fiscal Studies (IFS) has observed that "the Treasury has assumed that almost £8 billion is money that it had previously budgeted to spend, albeit on other things" meaning the actual new money will be less than £30 billion.

Still, some of the announced measures of particular interest to London include the introduction of a one-off payment of £1,000 to UK employers for every furloughed employee who remains continuously employed through to the end of January 2021. Employees must earn above the Lower Earnings Limit (£520 per month) on average between the end of the Coronavirus Job Retention Scheme and the end of January 2021. To put the lower earnings limit into context, the bottom 10% of employees in London earn roughly £854 a month and the London Living Wage is equivalent to £1,491 a month. The government will also introduce a new Kickstart Scheme in Great Britain, a fund to create hundreds of thousands of high quality six-month work placements aimed at those aged 16-24 who are on Universal Credit and are deemed to be at risk of long-term unemployment. Funding available for each job will cover 100% of the relevant National Minimum Wage for 25 hours a week, plus the associated employer National Insurance contributions and employer minimum automatic enrolment contributions. Also announced were Payments for employers who hire new apprentices with a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1 August 2020 to 31 January 2021.

Other measures included that the rate of VAT applied on most tourism and hospitality-related activities will be cut from 20% to 5% until 12 January 2021. And there will be a temporary increase to the Nil Rate Band of Residential Stamp Duty Land Tax, in England and Northern Ireland, from £125,000 to £500,000. This will apply from 8 July 2020 until 31 March 2021. Land Registry data shows that 56% of home sales in London in 2019 were priced at less than £500,000, compared to 91% in the rest of England and Wales.

Even before the impact of these measures, UK public finances had been deteriorating under rapidly rising borrowing, with ONS provisional estimates data showing that "borrowing in the first quarter of the current financial year (April to June 2020) was more than double that borrowed in the whole of the last financial year (April 2019 to March 2020)". While, "debt at the end of June 2020 as a percentage of gross domestic product (GDP) was 99.6%, an increase of 18.9 percentage points compared with the same point last year and the highest debt to GDP ratio since the financial year ending March 1961".

The capital faces challenging times in the coming years

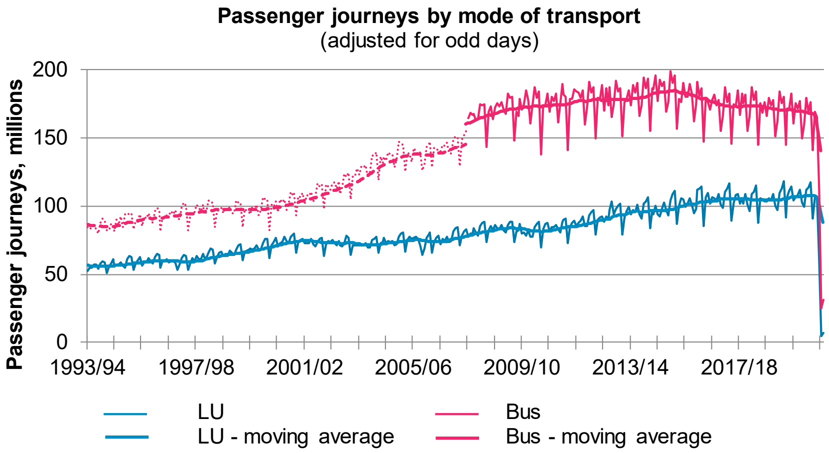
The Chancellor also announced towards the end of July that there will be a Comprehensive Spending Review published in the autumn. This will set out the government's spending plans for the parliament. The review will set UK government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25, and devolved administrations' block grants for the same period. This review will come at a time of rising government debt in the UK, but also around the time when the CJRS is due to finish. While at the end of the year the Brexit transition period is due to end with little evidence so far of an agreement between the UK and EU on a trade deal. Still, London retains a number of advantages as shown by it coming first in the Smart Centres Index (SCI) from Z/Yen ahead of New York and Singapore. The SCI is designed to track innovation and technology in cities using three dimensions: innovation support, creative intensity and delivery capability. GLA Economics will continue to monitor and report on London's challenges in our publications which can be found on our publications page.

Economic indicators

In May, passenger journeys in London recovered slightly but remained very close to historic lows

- Only 38.1 million passenger journeys were registered in May, 8.3 million more than in April which registered the lowest level of the historic series. As a reference, passenger journeys in February – when there were no lockdown restrictions – were 271.4 million. In May, 31.5 million of all journeys were Underground journeys and 6.7 million were bus journeys. The bus journeys are estimates of passengers boarding as the closure of the front doors to protect the drivers prevented validation of entry. The reduced demand on both modes follows from the Government advice not to use public transport except for essential journeys.
- The 13-period-moving average in the total number of passenger journeys reduced from 247.0 million in April to 228.3 million in May.
- 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).

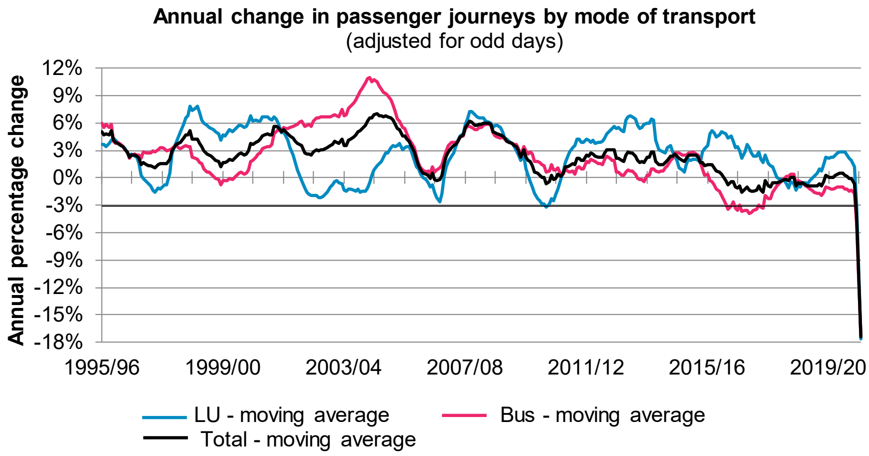
Source: Transport for London
Latest release: June 2020, Next release: August 2020



The moving average annual change in passenger journeys in London reached a new historic low in May

- The moving average annual growth rate in the total number of passenger journeys was -17.4% in May, down from -10.9% in April, -4.2% in March, and -0.6% in February.
- The moving average annual growth rate of bus journeys decreased from -11.2% to -17.3% between April & May and the moving average of Underground passenger journeys fell from -10.3% to -17.6% in the same period.
- The reduced demand on both modes follows from the Government advice not to use public transport except for essential journeys.

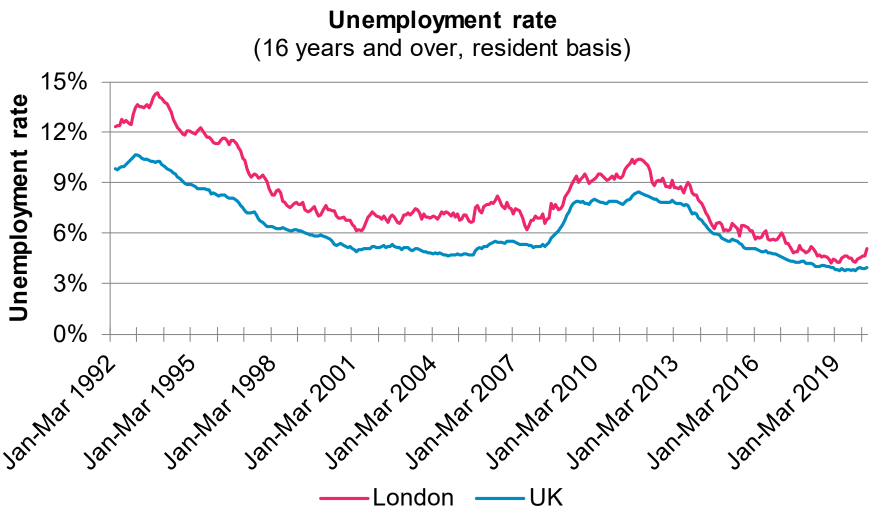
Source: Transport for London
Latest release: June 2020, Next release: August 2020



In the three-month period March-May, London's unemployment rate rose to 5.1%

- Around 256,000 residents 16 years and over were unemployed in London in the period March-May 2020.
- The unemployment rate in London was 5.1% in that period, the highest rate in two years and 0.6 percentage points higher than the same rate in the period December 2019 – February 2020.
- Conversely, the UK's unemployment rate reduced slightly from 4.0% in December 2019 – February 2020 to 3.9% in March-May 2020.
- Unemployment only started to rise from the last two weeks of March because of the COVID-19 outbreak.

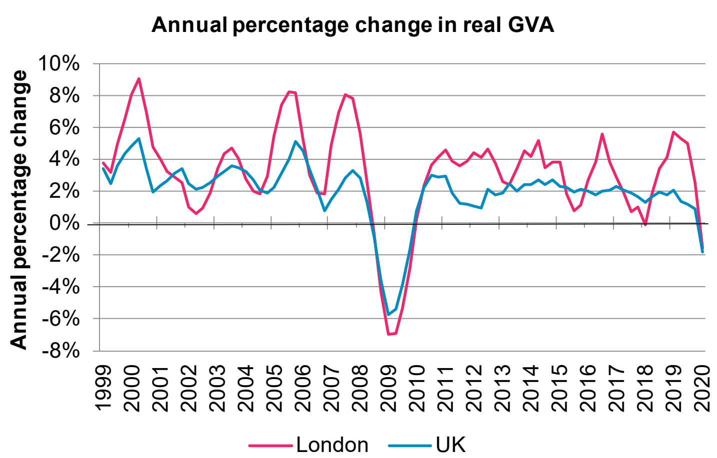
Source: ONS Labour Force Survey
Latest release: July 2020, Next release: August 2020



London's economy fell by 1.6% in the first quarter of 2020 compared to the same quarter in 2019

- London's annual real GVA growth rate notably decreased from 2.5% in Q4 2019 to -1.6% in the first quarter of 2020, based on GLA Economics estimates. This implies a fall in the annual rate by 4.1 percentage points in only one quarter, the largest fall in output since the 2008-2009 financial crisis.
- The UK's real GVA annual growth rate for Q1 2020 was -1.8% - the lowest quarterly rate since 2009 and 2.7 percentage points below Q4 2019 -. The impact of the COVID-19 outbreak in this data has only been felt in the last two weeks of March.
- 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.

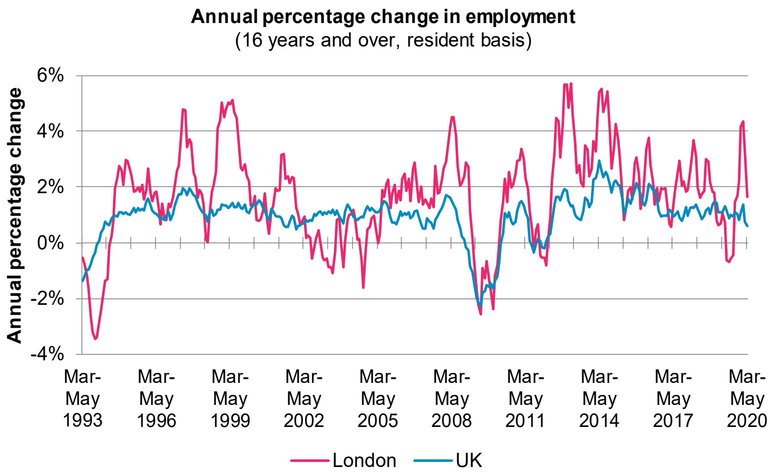
Source: ONS and GLA Economics calculations
Latest release: July 2020, Next release: October 2020



London's annual employment growth rate was 1.6% in the period March-May

- Around 4.76 million London residents over 16 years old were in employment during the three-month period March-May 2020.
- The rate of annual employment growth in the capital was 1.6% in that period, down from 4.2% in the previous period (December 2019 – February 2020).
- In the three-month period March-May 2020, UK employment grew annually at a rate of 0.6% which is 0.5 percentage points below the same rate in December 2019 – February 2020.
- Employment growth started to contract in the last two weeks of March because of the COVID-19 outbreak.

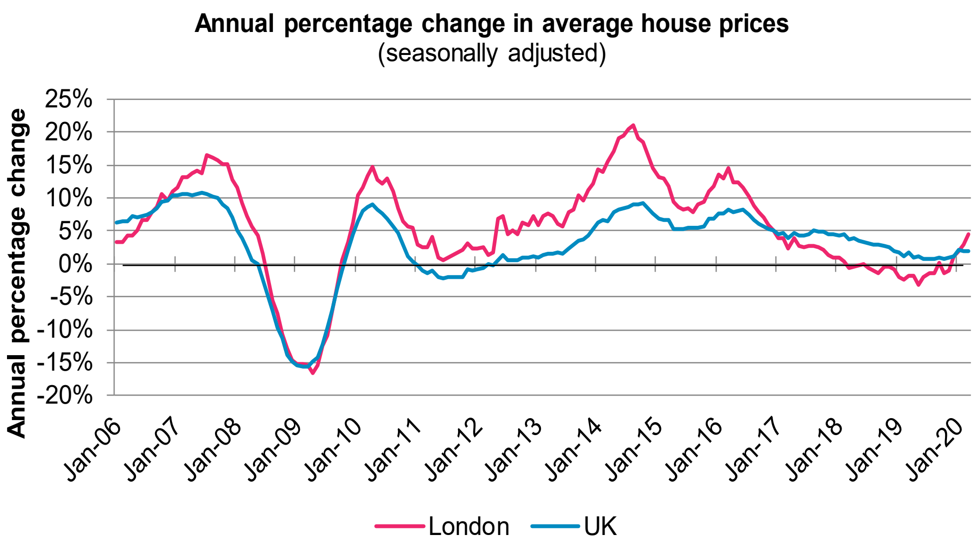
Source: ONS Labour Force Survey
Latest release: July 2020, Next release: August 2020



London house prices increased by 4.6% in annual terms in March

- In March 2020, the average house price in London was £489,764 while for the UK it was £232,744.
- The annual growth rate in average house prices in London was 4.6% in March 2020, up from 3.0% in February 2020. This is the highest annual growth since December 2016.
- Average house prices in the UK rose by 2.0% in annual terms last March, the same rate as in February.

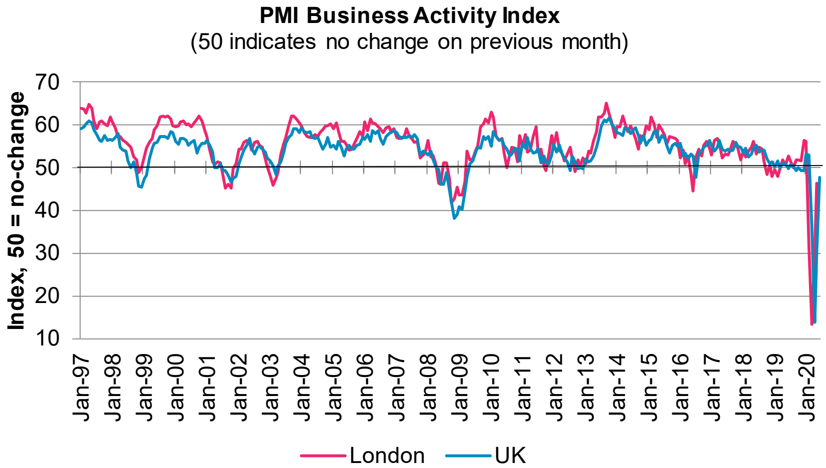
Source: Land Registry and ONS
Latest release: May 2020, The ONS has suspended the publication of this indicator until further notice.



In June, the fall in London business activity continued albeit less strongly than in the previous three months

- Business activity index at London private firms remains below 50 but went up from 30.3 in May to 46.2 in June. This index had fallen dramatically from 56.0 in February to 31.5 in March and to 13.4 in April – which was the lowest level and the largest fall of the historic series.
- Similarly, the UK index rose from 30.0 in May to 47.7 in June.
- 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.

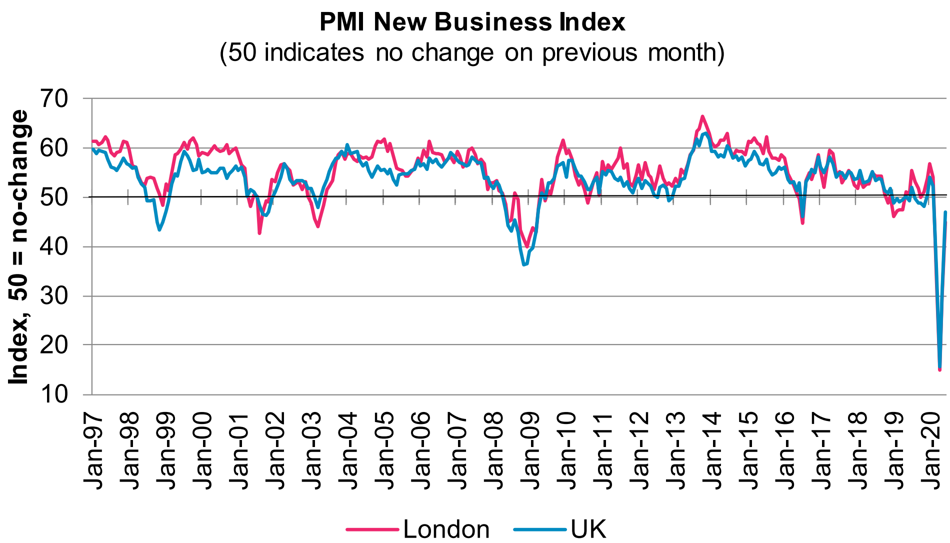
Source: IHS Markit
Latest release: July 2020, Next release: August 2020



New business activity in London contracted less in June than the previous three months

- The PMI New Business Index in London went up in June to 44.9 from 29.7 in May. This is the second consecutive increase after April, when this index showed its lowest point in the recorded series (14.9).
- Similarly, for the UK, the level of this index in June was 47.0, up from 30.5 in May.
- An index reading above 50.0 indicates an increase in new orders from the previous month.

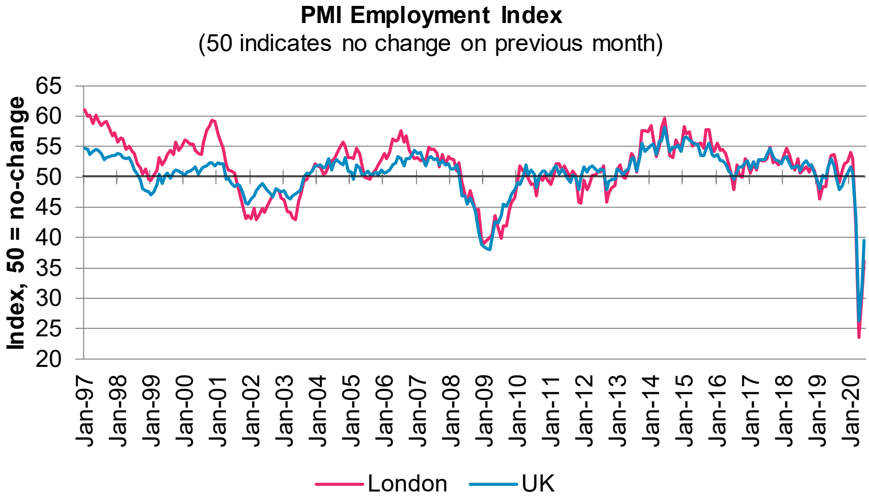
Source: IHS Markit
Latest release: July 2020, Next release: August 2020



The PMI Employment Index in London remained subdued in June although continued its upward trend

- The Employment Index for London rose to 36.2 in June up from 30.8 in May. This index had previously fallen from 52.9 to 23.6 between February and April - when the index registered the deepest monthly drop of the series.
- The index also increased for the UK from 32.1 in May to 39.6 in June.
- 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.

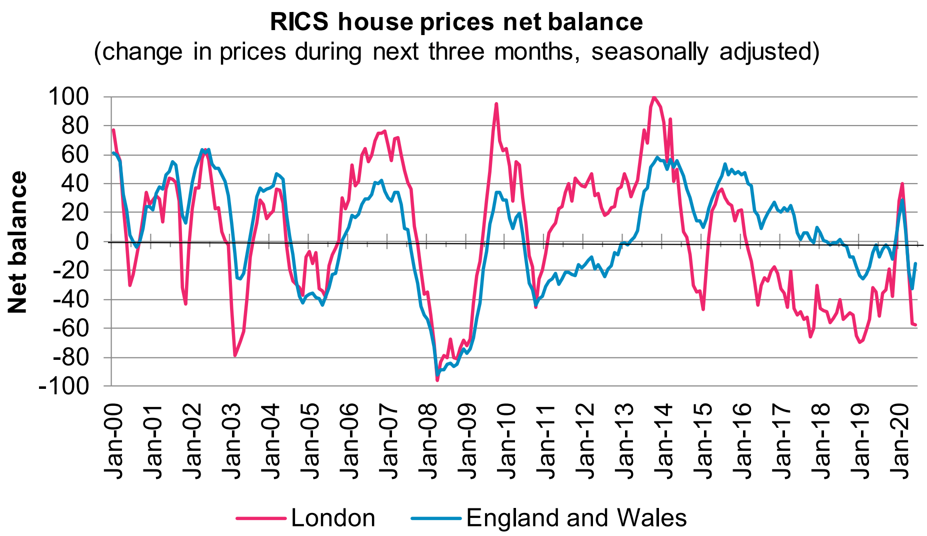
Source: IHS Markit
Latest release: July 2020, Next release: August 2020



Net balance of house prices in London remained deeply negative in the three months to June

- In the three months to June, the net balance of property surveyors reporting a rise in house prices was -58 – broadly unchanged from -57 in the three months to May.
- For England and Wales, the RICS house prices net balance index increased from -32 in the three months to May to -15 in the three months to June.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

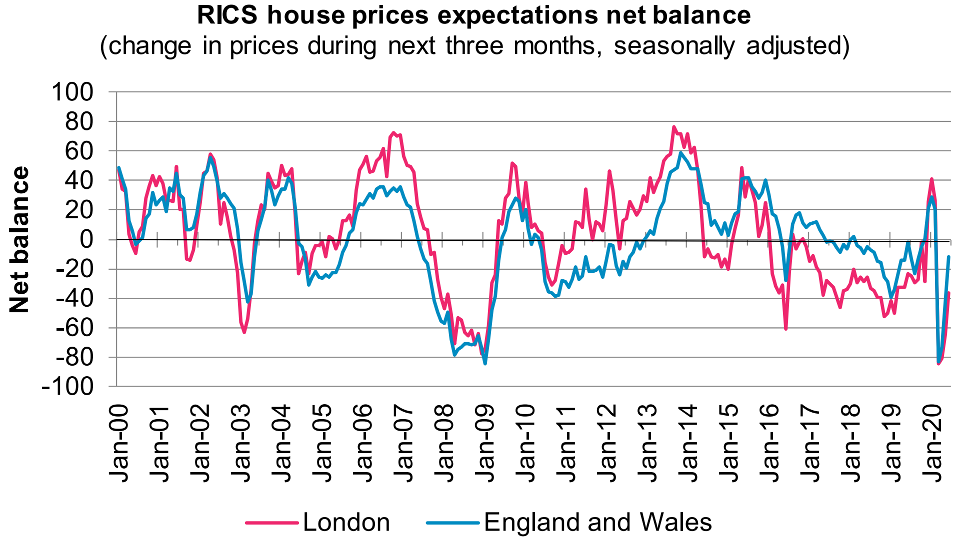
Source: Royal Institution of Chartered Surveyors
Latest release: July 2020, Next release: August 2020



In June, house prices expectations in London were less negative than in the previous three months

- Between April and June, surveyors reported expectations of a further contraction in London house prices (-36). However, this represents a substantial increase compared to -65 in the three months to May.
- Sentiment in England and Wales was -12 in June, up from -43 in May.
- The net balance index measures the proportion of property surveyors reporting a rise in prices minus those reporting a decline.

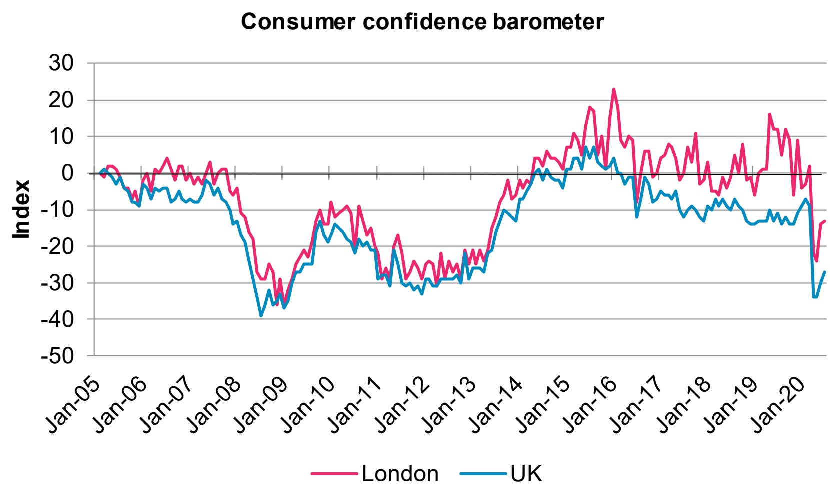
Source: Royal Institution of Chartered Surveyors
Latest release: July 2020, Next release: August 2020



In July, consumer confidence in London remained negative and broadly unchanged from June

- The consumer confidence index in London was at -13 in July, very similar to its value in June (-14) and still representing one of the lowest levels in seven years.
- In July, the sentiment for the UK was at -27, also similar to the value in June (-30). 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: July 2020, Next release: August 2020



Covid-19: Short-term housing market monitoring as of 28/7/2020

By **Georgie Cosh**, Research and Statistical Analyst, Housing and Land

Introduction

This briefing marks four months since the start of the UK lockdown, with the government's recovery programme beginning to take shape. This analysis summarises the results of several market indicators to illustrate the impacts of the Covid-19 pandemic on the housing market in London.

Summary

- Sales listings continue to exceed the level recorded in the week before lockdown, with a 94% increase in new listings added to Rightmove, however the rate of this growth has slowed in recent weeks. Rightmove report that asking prices have remained steady in London since March, and were 3.9% higher in July 2020 than in July 2019.
- The stock of advertised rental listings on Rightmove is 88% higher than before lockdown. This higher supply has contributed to a 0.6% fall in asking London rents in the year to Q2 2020.
- While the majority of pre-lockdown works have resumed on residential sites in London with 20 or more private homes, sharp falls in the FTSE 350 sector indices for Real Estate and Real Estate Investment Trusts suggest there is still some nervousness from investors and operators in the real estate market.

Sales market

The flow of new sales listings in London onto Rightmove continues to exceed levels recorded prior to lockdown measures

- On 23 July there were a total of 42,140 properties for sale in London listed on Rightmove, a 20% increase on the 35,110 sales listings recorded on the site on 24 March, before lockdown.
- The number of new sales listings added within the previous 14-day period grew to 9,762, a 94% increase on the 5,028 properties recorded in the two weeks to 24 March.

Source: GLA analysis of Rightmove and Zoopla property listings
Latest release: 23 July 2020, updated daily

Acadata House Price Index reports a fall in house prices in London in May 2020, though transactional evidence is extremely limited

- Acadata report that house prices in London fell by 2.4% in the year to May 2020, and fell by 0.3% between April and May 2020. However, this data may not be representative of current trends, as it is based on very few sales (7,805 across the UK in May 2020).
- Rightmove report that asking prices rose by 0.5% in London between March and July 2020, and are 3.9% up from the same point last year.

Source: Acadata, House Price Index and Rightmove, House Price Index
Latest release: 23 July 2020, updated monthly, and 20 July 2020, updated monthly

Zoopla House Price Index reports a sharp increase in the number of sales agreed in London following the government's announcement of a Stamp Duty cut

- The weekly number of new sales agreed in London increased by over a quarter (27%) in response to the government's Stamp Duty cut.
- This trend has not been replicated in other regions where average prices are lower and less responsive to changes in Stamp Duty.

Source: Zoopla, UK House Price Index
Latest release: 28 July 2020, updated monthly

Patterns of demand continue to shift towards favouring out-of-town locations

- The Financial Times reports that an increase in searches for property to buy outside of London has translated into agreed sales, as Zoopla data records a growth in sales in the commuter belt around all large cities.
- Central and west London witnessed the steepest falls in demand between February and June 2020, with interest spiking in coastal and suburban areas and a focus on green spaces being a driving factor in this change.

Source: Financial Times, UK housebuyers look to swap cities for suburbs
Latest release: 11 July 2020

Rental market

Available rental stock in London remains high, at 88% above pre-lockdown levels

- The stock of advertised rental listings has grown to 70,010 on 23 July, increasing by 2.2% compared with the previous fortnight. This is a substantial 88% increase in the stock of rental listings available, from the 37,220 recorded before lockdown measures were introduced.
- The number of new rental listings in London added to Rightmove within a 14-day period has fallen slightly to 25,860 on 23 July, a decrease of 0.8% on the previous fortnight but still double the flow of new rental listings at the beginning of lockdown on 24 March.

Source: GLA analysis of Rightmove property listings
Latest release: 23 July 2020, updated daily

Rents in London have fallen slightly

- The Rightmove Rental Trends Tracker reports that asking rents in London fell by 0.6% in the year to Q2 2020. In London, asking rents fell by 2.8% between Q1 and Q2 2020. This is at odds with the figure nationally, which rose 3.7% over the past quarter.
- Rightmove note that the decrease in London may be due to the large amount of available stock, in part caused by an influx of holiday lets that have been converted to market rent.

Source: Rightmove, The Rightmove Rental Trends Tracker
Latest release: 16 July 2020, updated quarterly

Development market

Molior reports that 95.5% of pre-lockdown works have resumed on sites in London with 20 or more private homes

- 61,300 units were under construction before lockdown and Molior report that only 2,750 units have not been able to return to construction, 4.5% of the pre-lockdown total.
- It is expected that blocks programmed to complete in the current financial year will be delayed by two to five months, while developers with sites planned to complete later potentially able to catch up with their original programme.
- A third of the developments started in Q2 2020 are being built by Registered Providers, and nearly half have been started on a speculative basis (mostly in Outer London and with the support of Help to Buy).
- While a small number of developments were partly sold prior to construction, others have sought to minimise risk by converting sale units to affordable housing or build to rent. Eight developments starting construction in London in Q2 2020 had switched to 100% affordable, four switched to build to rent, and another two switching to provide a mix of both.

Source: Molior London, Residential Development in London Bulletin
Latest release: 20 June and 1 July 2020, updated fortnightly

The number of homes on planning applications submitted is subdued, but there has been an uptick in the number of applications granted since the lockdown was announced

- Molior monitors planning applications and decisions for schemes in London with at least 20 market units. Figure A1 below shows the number of homes on planning applications submitted in London between January and May of each of the last four years.
- The number of homes on planning applications submitted in the first five months of 2020 was subdued compared to the same period in previous years. There has been a downward trend in the number of new applications in London since February, with the number of homes on planning applications submitted in May 50% lower than at the beginning of the year.

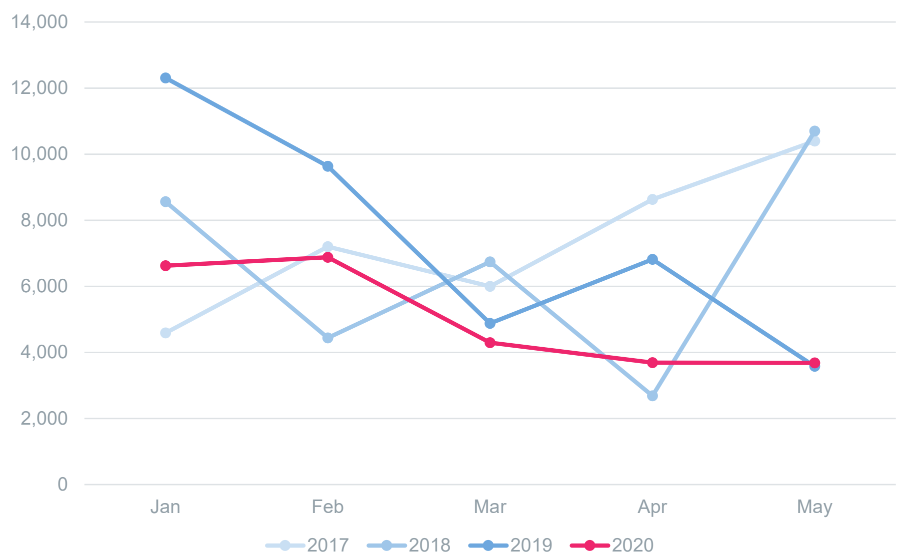


Figure A1: Homes on planning applications submitted for schemes with 20+ private homes January to May 2017 to 2020

Source: Molior London
Latest release: 11 June, updated monthly

Financial markets suggest that investors are still hesitant in the real estate market

- The FTSE 350 sector index for Construction & Building Materials fell sharply in March this year, but has recovered over the past six months towards the peak seen after the General Election in December 2019.
- In contrast, the FTSE 350 sector indices for Real Estate and Real Estate Investment Trusts (REITs) fell sharply in March, but have not yet recovered and remain subdued compared to the five-year average.

Source: GLA analysis of FTSE 350 sector indices for Construction & Building Materials, Real Estate, and Real Estate Investment Trusts (REITs)
Latest release: 24 July 2020, updated daily

Construction tender price inflation in London is expected to be negative until 2022

- Arcadis has downgraded its London Building Construction TPI (tender price forecast) to predict a fall in tender prices of 4% in 2020 and 1% in 2021, before returning to positive tender price inflation (though at a lower rate than before) in 2022.

Source: Arcadis, Summer Market View
Latest release: 21 July 2020, updated quarterly

Land market prices have dipped amid uncertainty, while developers of alternative use classes capitalise on reduced competition

- In prime central London, average residential development land prices fell 6%, the first quarterly decline since Q1 2019. Urban brownfield land prices also fell 6% during the quarter, and by 6.2% year-on-year. A quarterly fall in land values reflects the fact that vendors wanting to sell in the current market are likely to need to accept a discount.
- Knight Frank reports that interest has been strongest for strategic sites which include an income-producing element or sites that are sold on a conditional basis (usually conditional on obtaining planning permission). There is also evidence of developers of alternative use classes, such as Build to Rent and senior living, looking to capitalise on reduced competition from other potential land buyers (for instance market sale and office developers).
- Knight Frank reports that some housebuilders are increasing their profit margins to reflect increased uncertainty as the UK works on rebuilding its economy in the aftermath of Covid-19. This will also feed into land prices.

Source: Knight Frank, Residential Development Land Index Q2 2020
Latest release: 22 July 2020, updated quarterly

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.

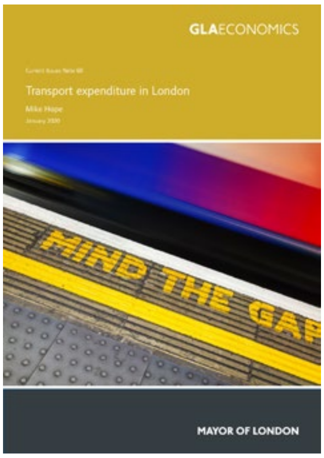
We provide analysis on sectors of the economy including tourism, retail, housing, health, science, technology and more.

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

View all the GLA Economics publications on our website.

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: Spring 2020
GLA Economics' 36th London forecast is a scenario conditioned on both the Bank of England's COVID-19 scenario published in May and the Office for Budget Responsibility's (OBR) April COVID-19 scenario and includes all relevant national statistics published up to the end of May 2020.

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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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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