

THE LONDON INTELLIGENCE

August 2020

Your quarterly review
of the state of the city



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This publication has been produced by Centre for London in association with the Policy Institute and the Centre for Urban Science and Progress, both at King's College London. It will be updated on a quarterly basis.

Summary

This second edition of *The London Intelligence – London's Economic Tracker* analyses how London's economy is faring as the capital enters the fifth month since the coronavirus crisis began.

London was at the forefront of the pandemic's direct impact:

- After being hit hardest by coronavirus in March and April, London saw a lower prevalence of the virus than other UK cities and towns between May and July.

But the economic consequences continue to unfold:

- The number of people claiming unemployment benefits increased by 2.5 times between January and May, compared to a UK average of 2.1 times.
- Advertised job vacancies were down 56 per cent in July compared to their pre-crisis level, much like the rest of the country.

Different parts and sectors of the city are recovering at a different rate:

- Data on take up of the Job Retention Scheme confirm London's resilience in professional and financial services, where remote working has enabled operation through the crisis.
- Londoners and regional commuters have been avoiding public transport, so with 82 per cent of commutes into the city centre usually made on public transport, a great deal of pre-crisis activity remains suppressed.
- Central London is facing a prolonged crisis, with in-store purchases still down 70 per cent on their normal level by July, threatening London's global retail, cultural and hospitality sectors, and their workers, who tend to be on relatively low incomes.
- Some spending has shifted to secondary town centres: in our sample of town centres, some smaller town centres such as Southall or East Ham have seen increases in transactions, while larger town centres have seen smaller decreases than in central London. On this metric, so far London's recovery looks suburban.
- Last but not least, **London is experiencing a cycling boom**, with numbers already back to normal on weekdays (despite activity remaining subdued), and up threefold at weekends. This is one area where the priorities of City Hall, London's boroughs and government are aligned; there is therefore an opportunity for this shift to continue.

Timeline

After lockdown reduced the circulation of the virus, London, along with the rest of the UK, has moved towards reopening economic sectors that were in shutdown. This timeline outlines the most impactful policy decisions and events occurring since the beginning of the pandemic.

Figure 1: London in the pandemic

● Virus spread
 ● Public health
 ● Economic support
 ● Lockdown policy

London	Date	UK
	31 Jan	First two cases reported in the UK from members of the same family
Ninth case reported is first in London	13 Feb	
	03 Mar	Government releases COVID-19 action plan; enters containment phase
	11 Mar	Chancellor Rishi Sunak announces £12 billion package of emergency support
	16 Mar	Citizens urged to work from home and avoid pubs and restaurants
London Mayor calls stop to all essential travel/contact	16 Mar	
	17 Mar	Government announces further £330 billion worth of loans and £20 billion in tax cuts and grants for companies
		Government advises against all non-essential travel
	18 Mar	Government announces all UK schools to close
	20 Mar	All pubs, restaurants, gyms and social venues to close
	20 Mar	Government announces a Job Retention Scheme
	24 Mar	Lockdown and enforcement of social distancing rules begins
	26 Mar	Package for self-employed individuals is unveiled; can apply for grants up to 80 per cent of average profits
	23 Apr	Coronavirus tests are expanded to include essential workers and their households
	04 May	Government begins to pilot track and trace phone app on Isle of Wight
	07 May	ONS releases study showing the adverse impact COVID-19 is having on BAME communities
	10 May	Prime Minister announces COVID-19 Alert Level system to determine lockdown easing
	12 May	Chancellor extends furlough scheme until October, which had been used for 7.5 million jobs to date
	13 May	Lockdown measures begin easing as individuals who cannot work from home are permitted to return, certain physically distanced sports can resume and people from different households can meet in outdoor settings
Mayor announces plan to make parts of Central London car-free, encouraging cycling or walking for residents	15 May	
Transport for London receives £1.6 billion Government package, with conditions, to protect services		
TfL announces return to normal service on public transport	18 May	Everybody experiencing COVID-19 symptoms can now get tested
	22 May	International travellers to the UK will be required to self-isolate for 14 days as of 8 June
	27 May	NHS Test and Trace system begins through contact tracing
	29 May	Chancellor announces changes to furlough scheme, including flexible working situations, employer contributions and closing of original applications as of 30 June
	01 Jun	Second step in lockdown easing begins, including reopening schools for some and allowing outdoor gatherings of up to six to occur
London's COVID-19 Transition Board set up as a joint effort between the Mayor's Office and the UK government to help transition London out of lockdown, meets for the first time	10 Jun	
London Recovery Board set up by Mayor and boroughs, works in parallel to Transition Board, supported by London Recovery Taskforce		
	15 Jun	Third lockdown easing begins, including reopening of non-essential shops, outdoor attractions, secondary schools and new requirements for facemasks
	17 Jun	Test and trace app delayed until winter
	19 Jun	Alert level reduced from 4 to 3
	29 Jun	The first local lockdown is announced in Leicester as their cases rise; noted as likely the first of many localised lockdowns
	02 Jul	Plans for schools and colleges to reopen in full as of September are released
	02 Jul	Councils receive new funding from the government to offset additional expenses and lost tax revenue
	04 Jul	The fourth lockdown easing begins with restaurants, pubs, cafes, holiday accommodation allowed to reopen, social distancing to be reduced to one metre and overnight stays allowed, among other policy changes
	05 Jul	Government announces £1.57 billion investment to protect cultural, arts and heritage industries and jobs
	06 Jul	Individuals shielding are now able to gather in groups of up to six people outdoors while maintaining social distancing
	10 Jul	UK opens travel corridors where travellers will not have to quarantine for two weeks upon arrival to the UK
	11 Jul	Outdoor art / theatre performances are allowed to reopen
	13 Jul	Beauty salons, nail bars and tattoo studios are allowed to reopen
	15 Jul	VAT cuts for food and hospitality services comes into effect until 12 January 2021
	24 Jul	Face coverings become mandatory in all shops and supermarkets
	25 Jul	UK Government reimposes 14-day quarantine requirements from travellers coming from Spain
	30 Jul	Local restrictions on visiting houses and meeting other households at indoor establishments are implemented in Manchester, East Lancashire and parts of West Yorkshire as cases rise
Mayor's Office offers an additional £1 million as part of its Pay It Forward plan to support small businesses to cover extra COVID-19 costs for online services and social distancing	30 Jul	

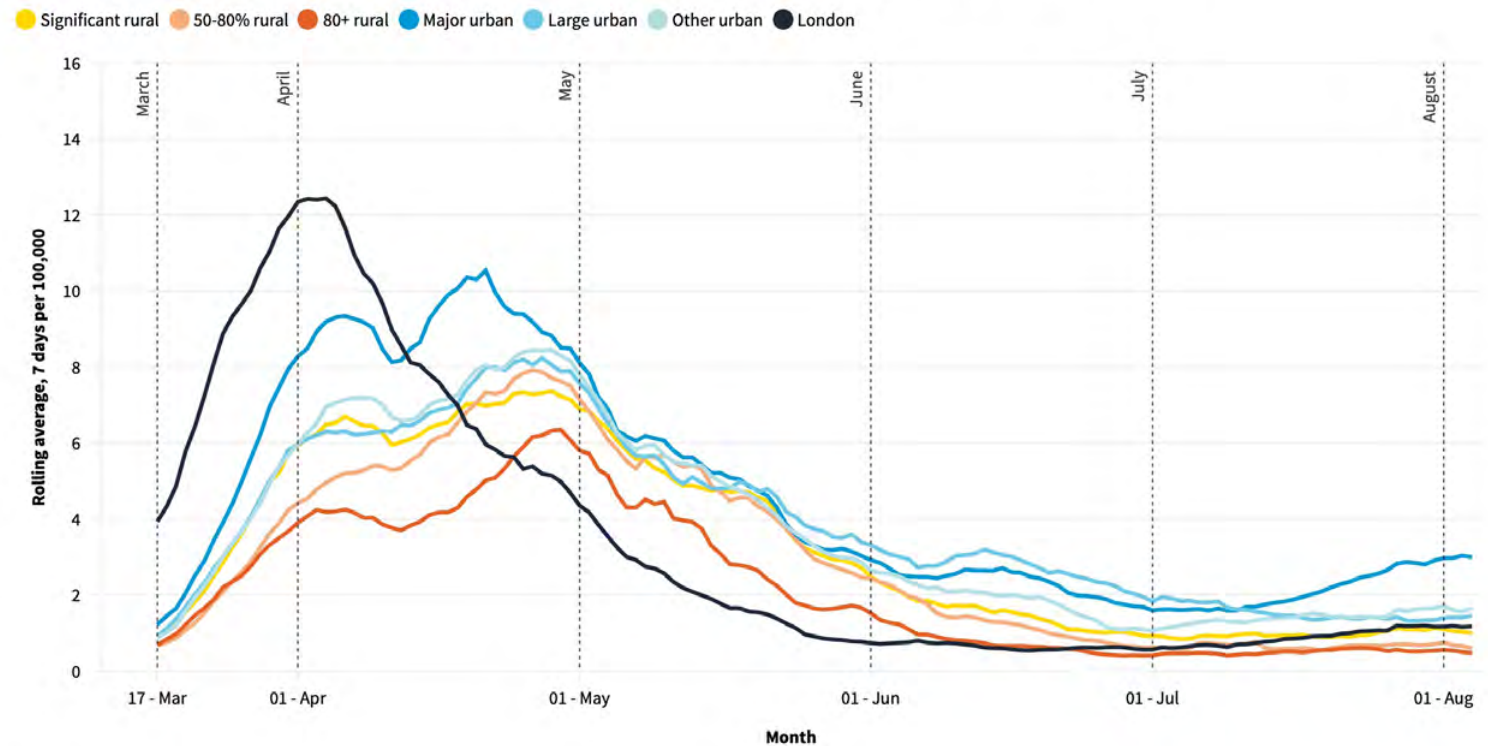
COVID-19 case rate

Case rates have a major impact on London's economic health. The higher the case rate, the more likely it is that lockdown measures will be reintroduced.

London was hit the hardest at the beginning of the pandemic, though the scale of the first wave in March is considerably underestimated in the data, given testing was not widely available then. Since peaking in early April, the number of cases has fallen quickly in the capital, and in the following months, has so far avoided new major outbreaks. However, lockdown easing has led the case rate to creep upwards since mid-July, both in London and in other UK cities.

Between April and August, London's daily case rate has remained lower than other UK cities, both large and small, and similar to case levels seen in rural areas. London's ability to maintain a low case rate during the lockdown easing period – at least compared to other UK cities – is perhaps not what would have been expected from a relatively young and dense city that is reliant on public transport to operate.

Figure 2: New COVID-19 cases per 100,000 people, by metropolitan area in the UK



Source: Public Health England

↑ Click on chart to view online in more detail

Labour market

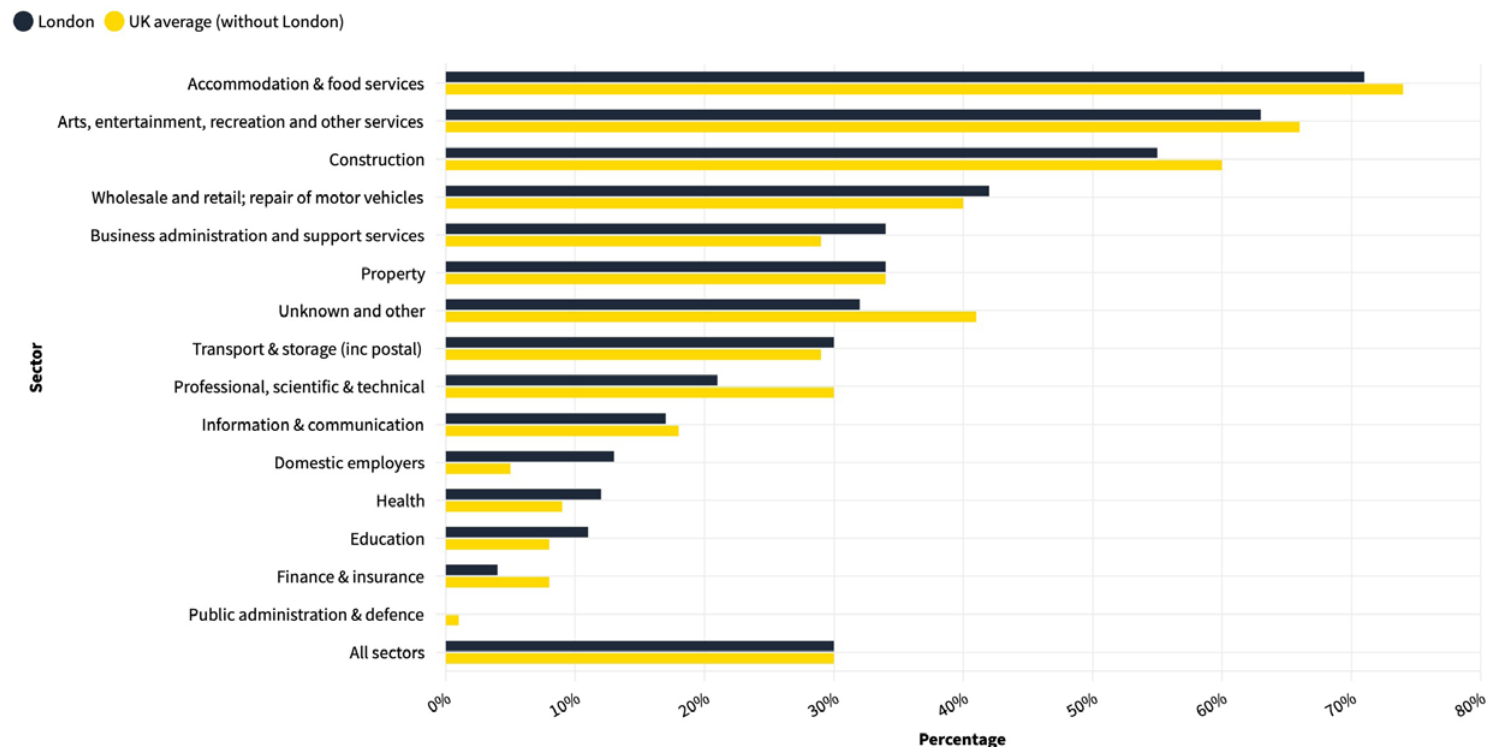
While cases and deaths are well down on their peak, the impact on the economy is still feeding through, and is as harsh in the capital as in the rest of the country.

Job Retention Scheme

Take up of the Job Retention Scheme gives a useful picture of how lockdown has affected economic activity in the capital. 30 per cent of London jobs have been furloughed at some point since the introduction of the scheme, and this share is the same as in the rest of the country.

But the London take up figures look somewhat different once broken down by sector. London furlough rates were lower in professional services (21 per cent vs. 30 per cent), finance and insurance (4 per cent vs. 8 per cent) and construction (55 per cent vs. 60 per cent), but higher for ‘domestic employers’, such as housecleaning or childminding occupations (13 per cent vs. 5 per cent). This reflects that London economy’s is specialised in higher skilled occupations that can be carried out from home, as well as in personal service occupations which support those high skilled, high paid jobs.

Figure 3: Take up of Job Retention Scheme (JRS) by sector



Source: HM Revenue & Customs

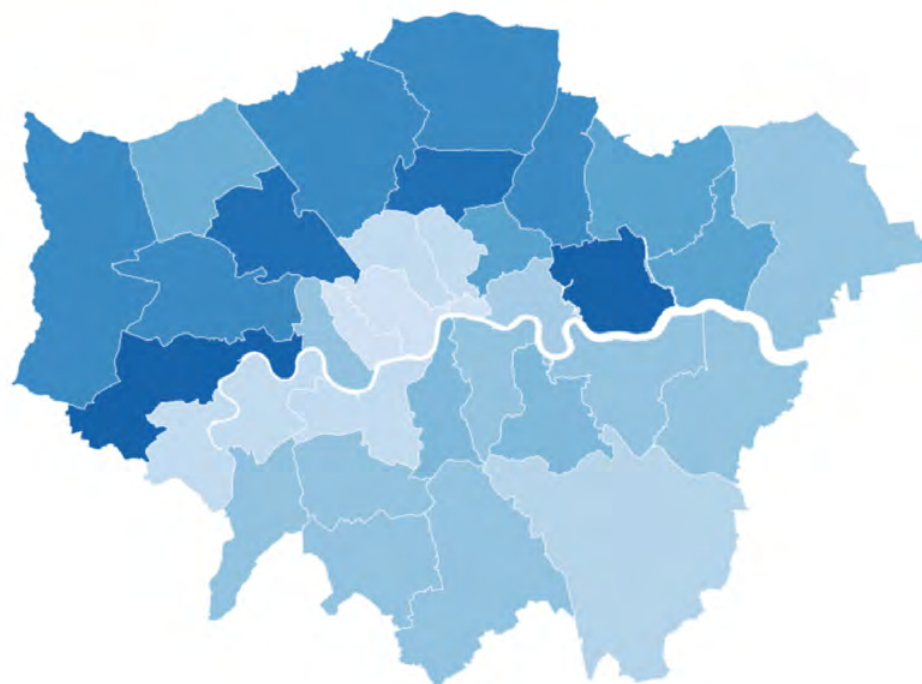
↑ [Click on chart to view online in more detail](#)

At the start of August, London employers began contributing towards the wage costs of furloughed employees. While some returned to active employment, others were met with redundancies. Recent estimates put the [current number of furloughed worker across the UK at five million, or about half of the total 9.5 million](#) that were a part of the scheme during the height of the pandemic.

Across London, boroughs with the highest rates of furloughed residents (Brent, Newham, Hounslow and Haringey on the map) are also home to the highest proportions of low income residents. This provides additional evidence that London's low income workers have been heavily affected by the fall in activity due to the pandemic, though some workers on reduced hours, as well as the self-employed have not seen their incomes protected by the JRS, and are therefore not captured in this statistic.

Figure 4: Take up of Job Retention Scheme (JRS) by place of residence

20% 40%



Source: HM Revenue & Customs

↑ [Click on chart to view online in more detail](#)

Unemployment-related benefit claimants

There were 2.5 times more unemployment benefit claimants in London as of June than at the beginning of the year, a steeper increase than in the rest of the country (where the number rose 2.1 times). The statistics count the number of people claiming a benefit that is related to being actively available and searching for work.

The unemployment rate increase was also significant, from 4.5 to 5.1 per cent between January and May. According to the ONS, this discrepancy is due to a number of people who are out of work but not yet looking for work.

Figure 5: Unemployment-related benefit claimants



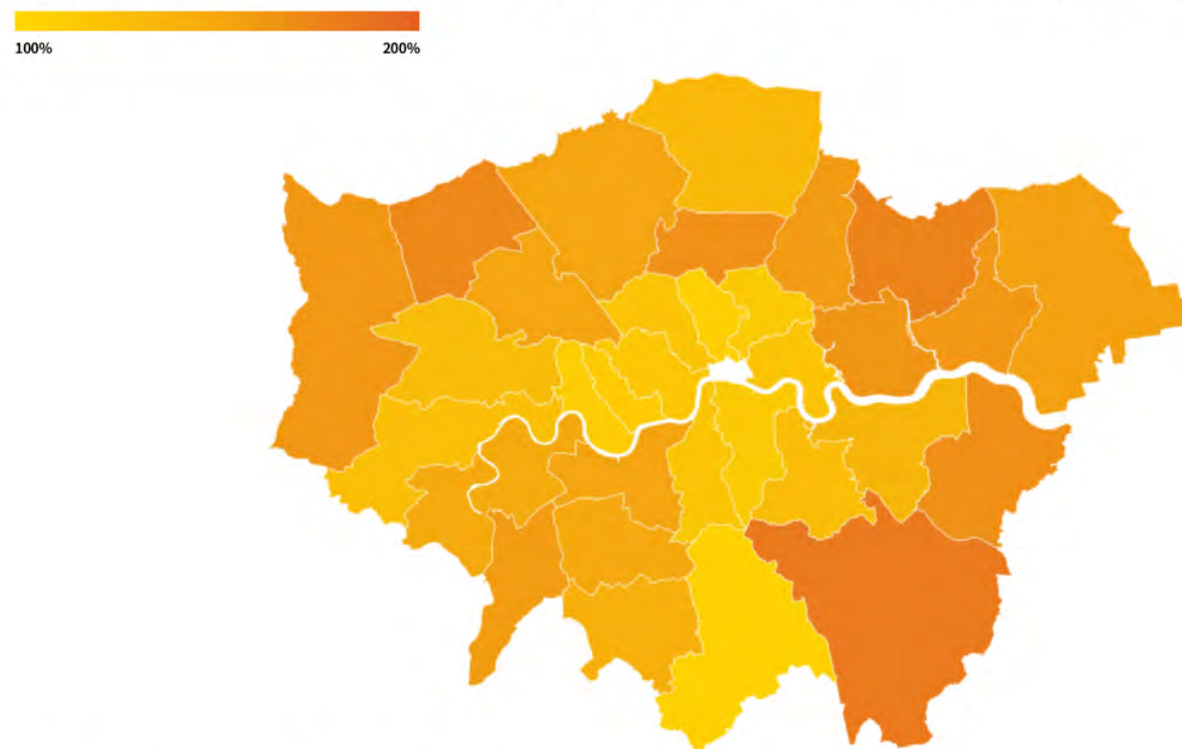
Source: Alternative Claimant Count statistics, January 2013 to May 2020

↑ [Click on chart to view online in more detail](#)

Outer London boroughs saw the greatest increase in the number of unemployment related benefits claimants in the year to May 2020. Inner London boroughs fared comparatively better, though the number of claims is still more than double that of the previous year.

Younger people have been hardest hit, consistent with the sectoral impact of the crisis. The number of 25-29 year old Londoners claiming unemployment related benefits has almost tripled, although interpreting the statistics is complicated by possible differences in eligibility for benefits by age.

Figure 6: Year-on-year change in unemployment-related benefit claimants, May 2020



Source: Alternative Claimant Count statistics, January 2013 to May 2020

[↑ Click on chart to view online in more detail](#)

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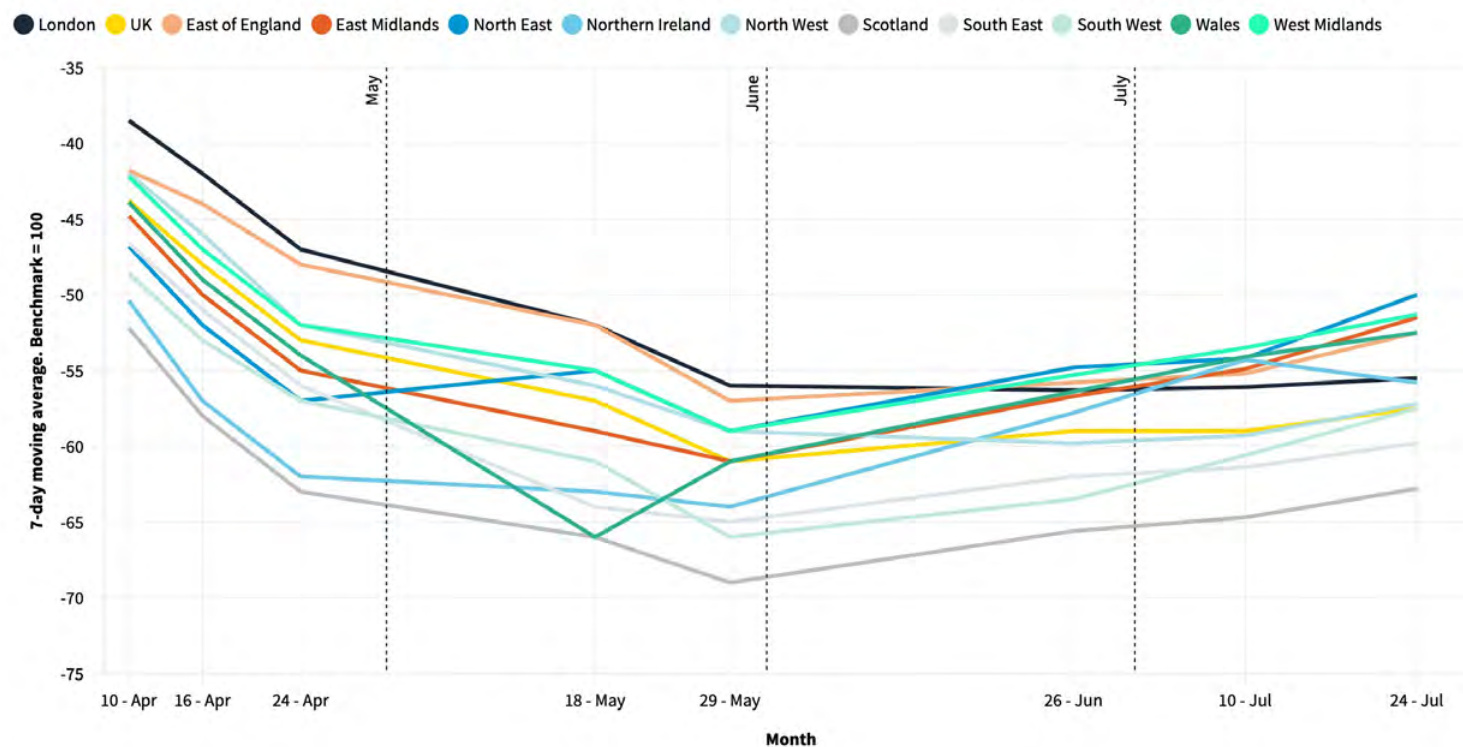
The most visible economic impacts of the pandemic are in central London, with deserted offices and shuttered shops. But in human terms it is the poorer parts of outer London, from Brent to Newham, that have suffered most from the slowdown. While most London office workers can work from home, those employed in service sectors dependent on their presence – cleaners and security guards, sandwich shop assistants and dry cleaners – generally cannot. They tend to be disproportionately younger, lower paid, from ethnic minority backgrounds, and live in a swathe of boroughs from North West to East London. A key challenge for London's recovery will be generating new jobs for these groups – whether in central London, or closer to their homes, remains to be seen.

Jonathan Portes, Professor of Economics, King's College London; Senior Fellow, UK in a Changing Europe | @jdportes

Job vacancies

Recruitment in London's job market is still deeply depressed. Job adverts on the market leading job search tool Indeed, were down 56 per cent in the capital in July, compared to the same period in 2019. This fall in vacancies is close to the UK average. The most adversely impacted sectors nationally continue to be those that were most affected by lockdown – [hospitality](#), [food preparation, maintenance, cleaning driving and construction](#).

Figure 7: Percentage change in Indeed job postings relative to baseline of one year previously



Source: Indeed

↑ Click on chart to view online in more detail

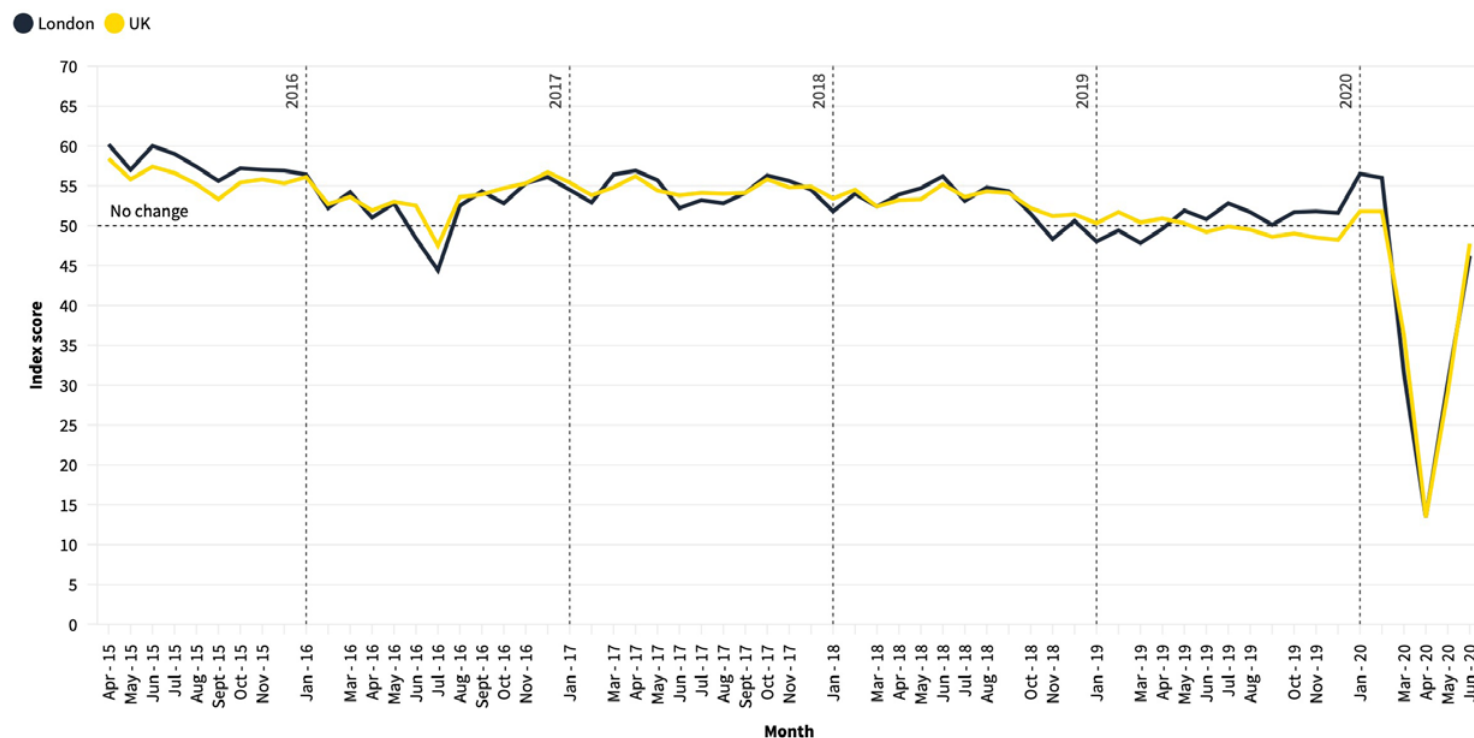
Economic activity

While the easing of lockdown restrictions has seen economic activity increase, when compared to other global cities, Londoners have been much less likely to return to their workplaces. This has significant consequences for central London's economy: whilst large central London employers are able to continue their activity remotely, much of central London's consumer economy remains deeply depressed, as Londoners shop and spend closer to home. Meanwhile other town centres in the capital have seen smaller decreases in transactions, and in some cases, a steady or even increased level.

The NatWest/IHS Markit PMI measures business activity by surveying companies on output, new orders, employment and prices; a score above 50 shows an increase in activity from one month to the next.

Business activity has partly recovered from the record low seen in April – but remains below 50, indicating an economic contraction. London's PMI (46) is also below the UK average (47.7). If this trend continues, will signal the weakening of London's business position relative to the rest of the country, though a degree of divergence is not unusual.

Figure 8: Purchasing Managers Index (PMI)



Source: Natwest/HIS Markit

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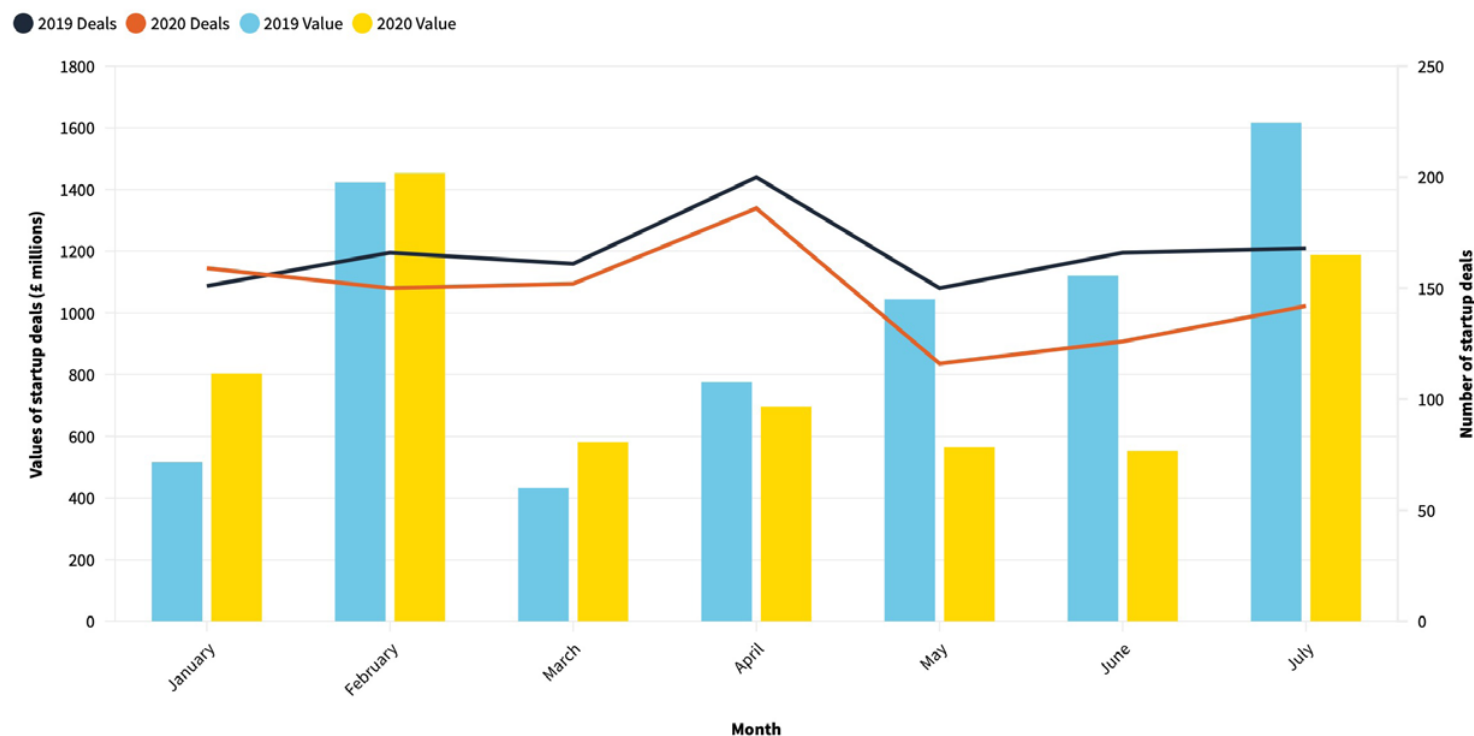
Entrepreneurial investment

Entrepreneurial investment in the UK has fallen since the beginning of the pandemic, both in total value and the number of deals, according to data from Beauhurst and [Plexal's startup tracker](#). **The tracker finds that total investment between mid-March and July has dropped by 37 per cent, compared to the same period in 2019, but bounced back in July.**

The fall is disproportionately affecting companies looking for first-time funding. Since lockdown began, investment into these has dropped by 81 per cent from the same period last year as investors prefer to avoid risk and support existing businesses.

If investment does not bounce back, it will likely stunt the growth of younger companies, particularly in London. Whilst these are national figures, London tends to be overrepresented in entrepreneurial investment: 40 per cent of UK investors¹ and 32 per cent of business creations were located in London in 2019, and the top four UK districts home to new startups were all in London (Camden, Hackney, Islington and Westminster).²

Figure 9: Value of & number of startup deals since lockdown



Source: Beauhurst dataset on high-growth UK companies

↑ [Click on chart to view online in more detail](#)

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At first glance investment activity since the country went into lockdown is hugely encouraging, with more than £3 billion having been raised in four months. But what's emerging is a significant funding gap for early stage businesses that have never previously raised investment. For London, which is home to the vast majority of the country's startups, we risk a lost generation of entrepreneurs who will be unable to access capital for businesses that could have driven the job creation, investment and innovation we so desperately need for the economic recovery.

[Andrew Roughan](#), Managing Director of Plexal | [@andrew_roughan](#)

“

Since going into lockdown, investment activity has remained surprisingly resilient. The value and number of funding rounds for small businesses is significantly lower than 2019, but growth capital is still available. But there is an alarming trend emerging – investors are protecting their existing portfolio companies and not looking to support early stage, new startups. If this funding gap continues to grow, the long-term health and success of the British startup ecosystem will be seriously threatened.

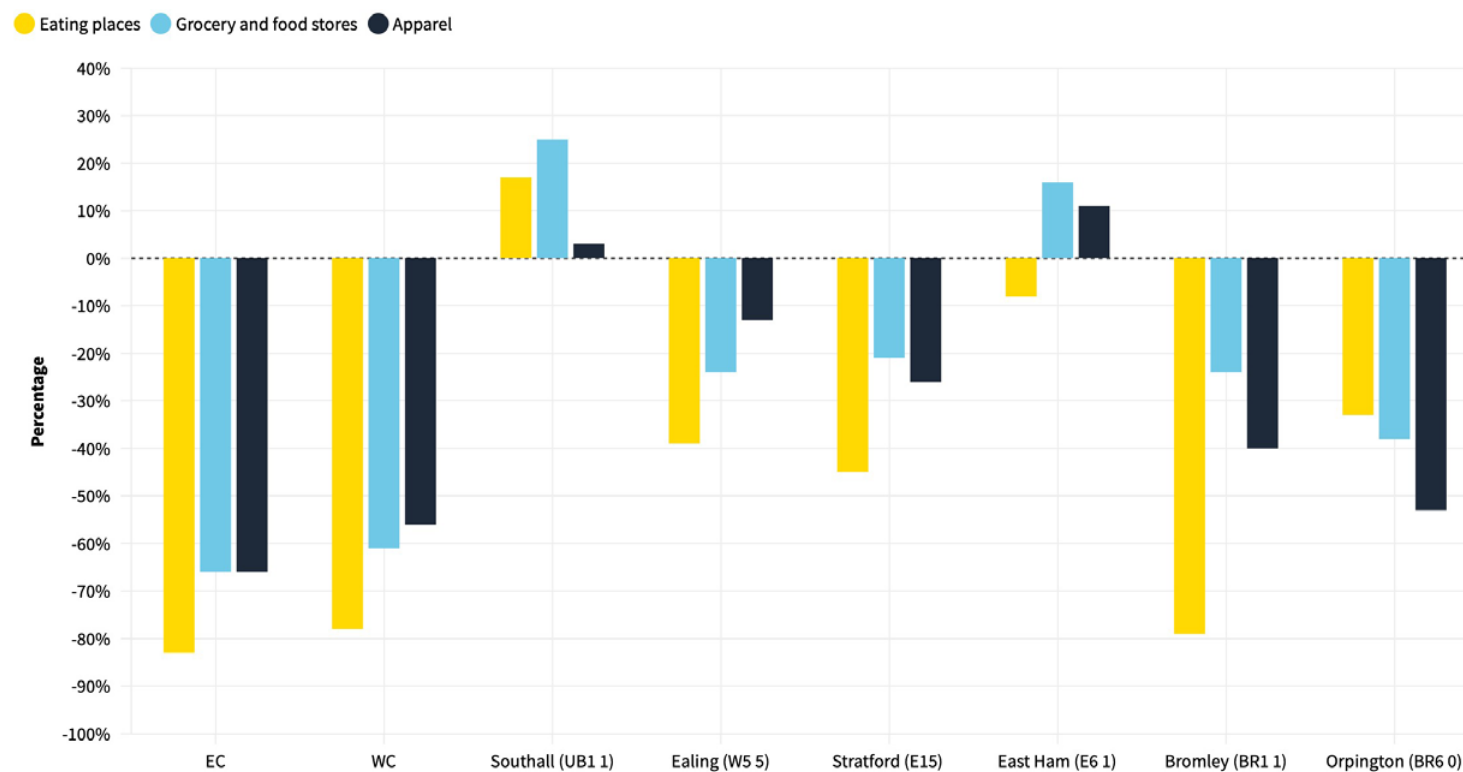
[Henry Whorwood](#), Head of research and consultancy at Beauhurst | [@HenryWhorwood](#)

Consumer spending

Within London, continued remote working has generated an uneven economic recovery. Insights from Mastercard's Recovery Insights initiative on retail sales in a sample of London's town centres shows that central London saw the steepest fall in the aggregate number of transactions across all categories during the first wave of the pandemic and the slowest recovery since the reopening of stores. In what is usually a peak season for central London's economy, transaction volume for grocery and apparel shops in mid-July were down by 60 per cent compared to January 2020, and 80 per cent for restaurants.

This is in stark contrast with smaller town centres (defined as those with relatively fewer transactions before the pandemic) such as Southall or East Ham. There, grocery spending remained at its usual level throughout the pandemic, while apparel and eating out transactions had already returned to or surpassed their pre-crisis level by July. By mid-July, restaurant transactions were 17 per cent above their January level in Southall, apparel purchases up 10 per cent in East Ham. In larger town centres such as Stratford, Ealing, Bromley and Orpington, the picture is more mixed with number of transactions running at about a third lower in July than in January 2020.

Figure 10: Change in total transactions indices, Jan to July 2020

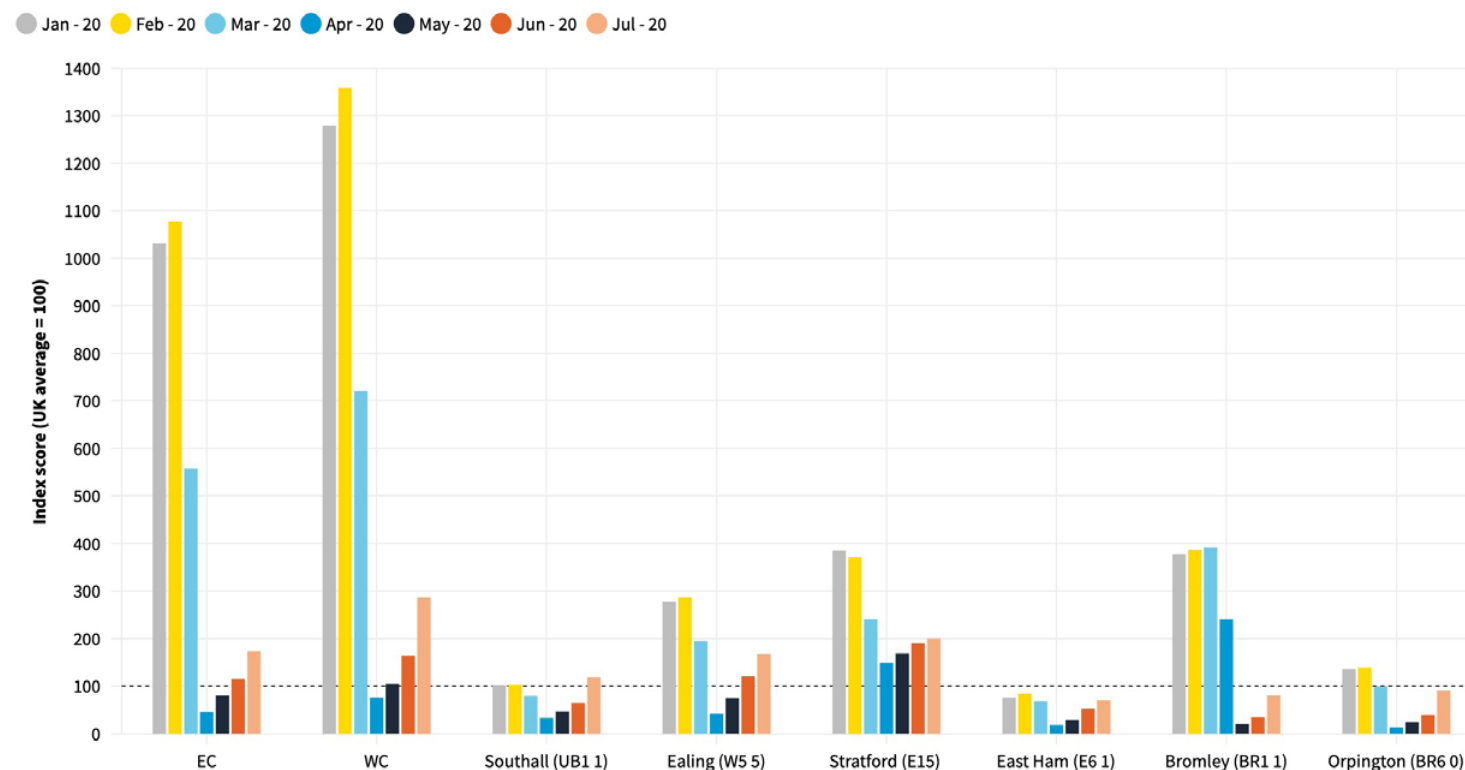


Source: Mastercard Geographic Insights

↑ [Click on chart to view online in more detail](#)

The pandemic is clearly leading to a protracted economic crisis in central London, as shoppers and diners stay closer to home, shifting their shopping to their local town centres, and to some extent, larger ‘suburban’ centres. Though it has one of the fastest growing populations in the city,³ central London still has a relatively low residential density, meaning there are fewer residents to sustain services and businesses when visitor and commuter numbers are down. Approximately 330,000 people live in central London,⁴ but pre-crisis, this figure would swell by as much as 80 per cent each day, as commuters, tourists and other visitors flocked to the centre.

Figure 11: Total transactions index, eating places



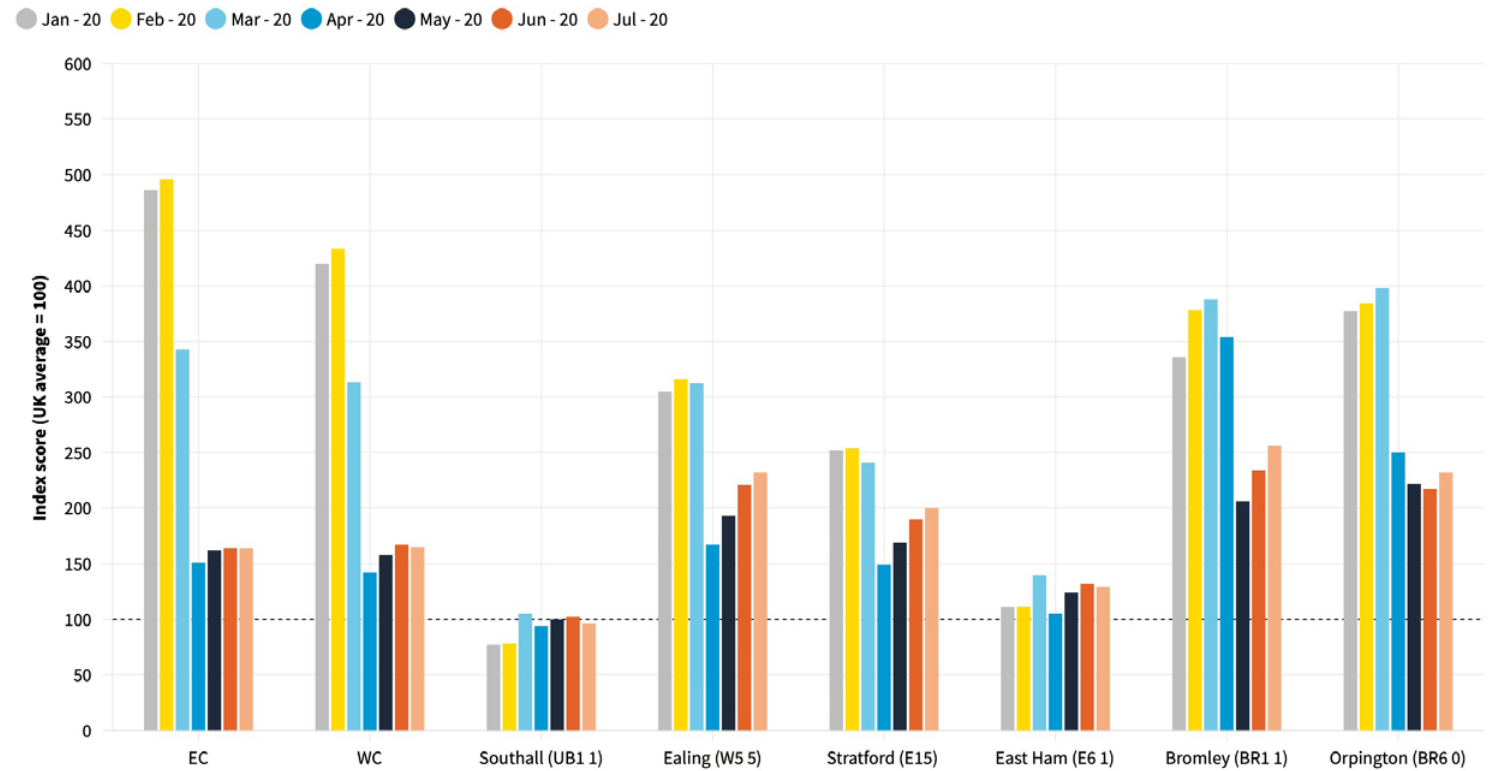
Source: Mastercard Geographic Insights

↑ [Click on chart to view online in more detail](#)

Ref 3 & 4.

Centre for London analysis of Mid-year Population Estimates for Lower Layer Super Output Areas in England and Wales by Single Year of Age and Sex, mid-2012 to mid-2018 (Office for National Statistics).

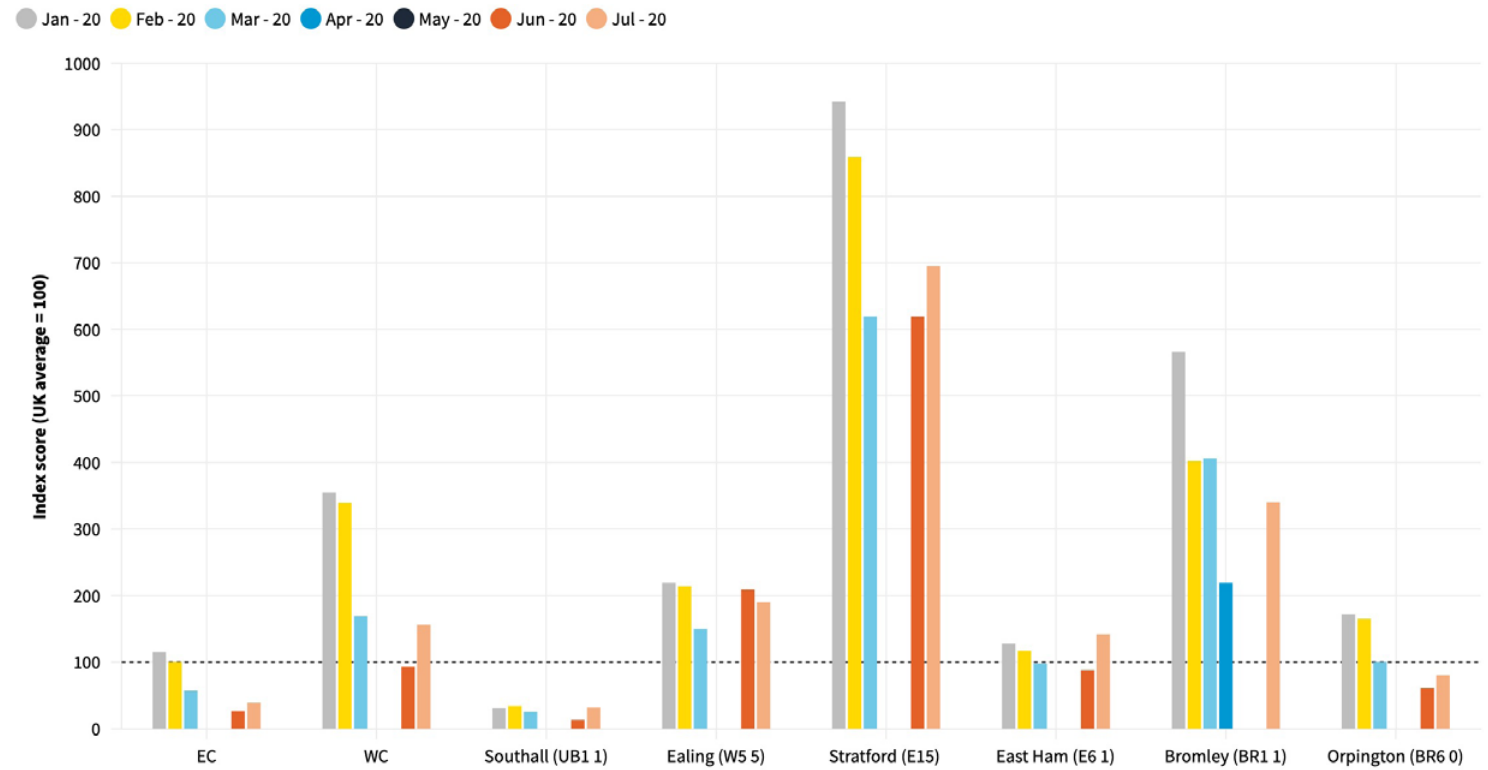
Figure 12: Total transactions index, grocery and food stores



Source: Mastercard Geographic Insights

↑ [Click on chart to view online in more detail](#)

Figure 13: Total transactions index, apparel



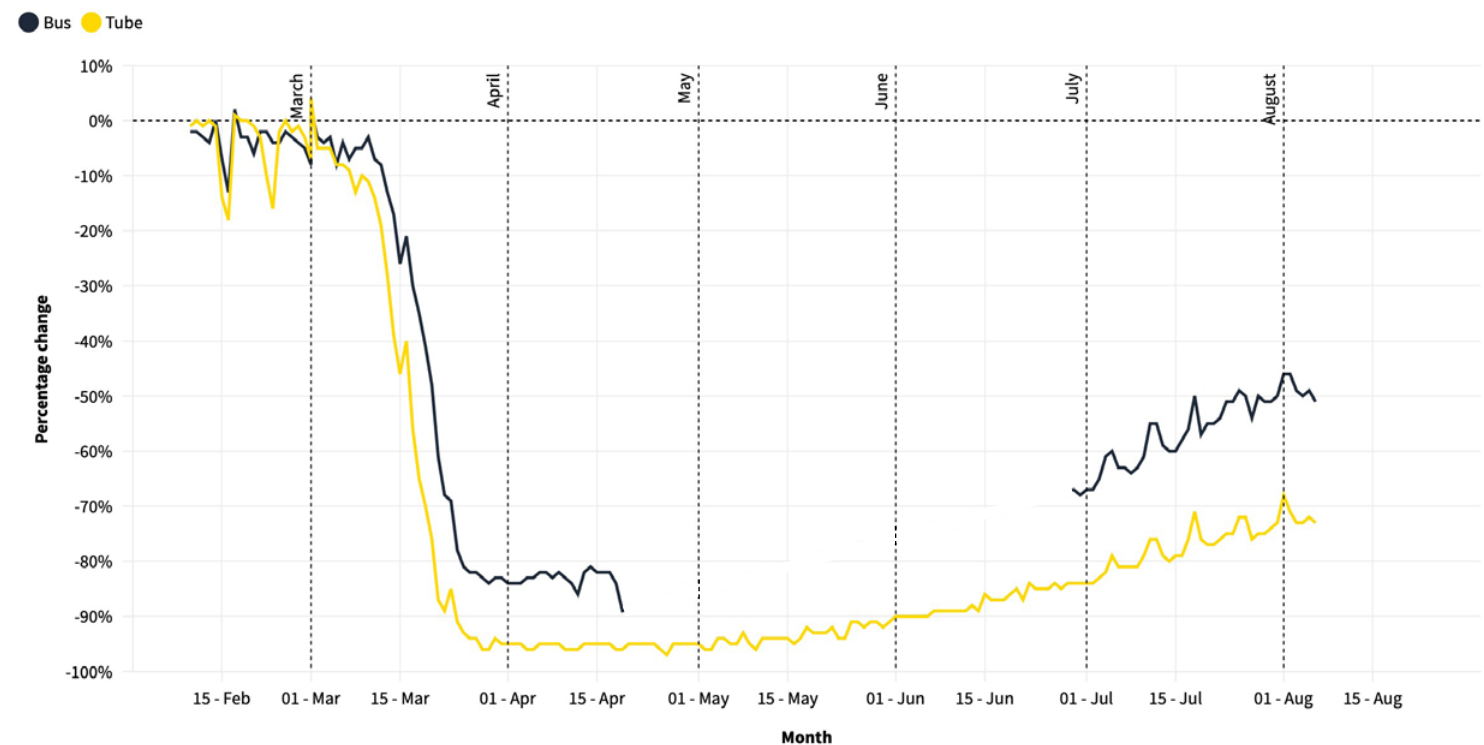
Source: Mastercard Geographic Insights

↑ [Click on chart to view online in more detail](#)

Underground journeys

Ridership on the London Underground at the beginning of August was still 70 per cent below normal levels, despite service provision across the network increasing. In line with spending patterns, movement across London continues to be severely affected, with travel into the City of London, airports, and tourist trips remaining lower than other trip types.

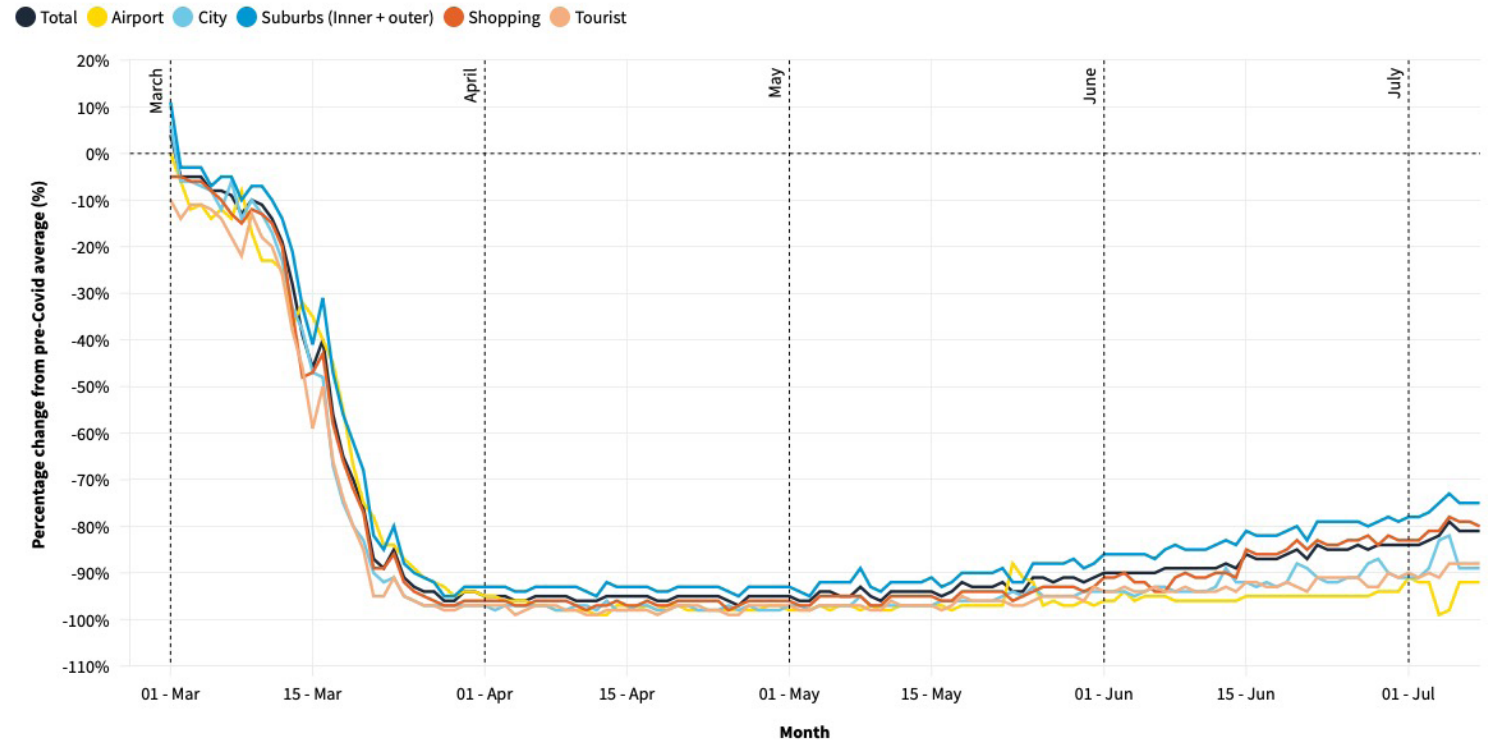
Figure 14: London Underground and bus journeys, change from 2019 figures



Source: Transport for London • Gap in bus ridership data during lockdown, as passengers were no longer required to tap in.

↑ [Click on chart to view online in more detail](#)

Figure 15: London Underground usage by station type



Source: Transport for London

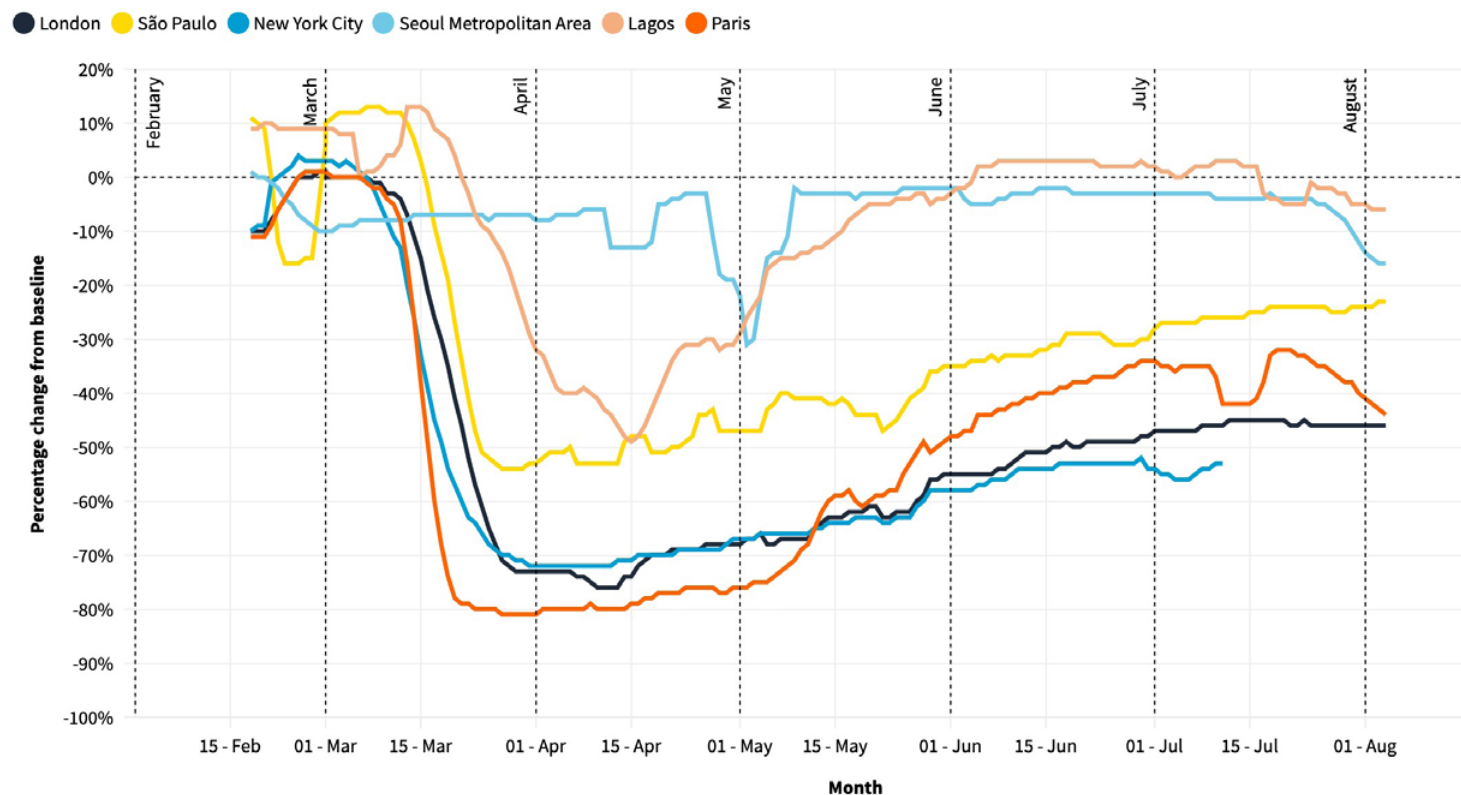
[↑ Click on chart to view online in more detail](#)

Workplace trips

Data on the movement of Google Maps users shows that trips to London's workplaces were 46 per cent below the pre-crisis baseline, lower than our global comparator cities. London workers have been reluctant to get back to the workplace, reflecting government guidance in place until July. Some of them have been working remotely, while others were out of work or on furlough, as our labour market statistics show.

[New survey data](#) suggests that concerns over using public transport and childcare are the biggest barriers to staff returning to the office in London.

Figure 16: Workplace trips, 7-day moving average



Source: Google COVID-19 Community Mobility Reports

↑ Click on chart to view online in more detail

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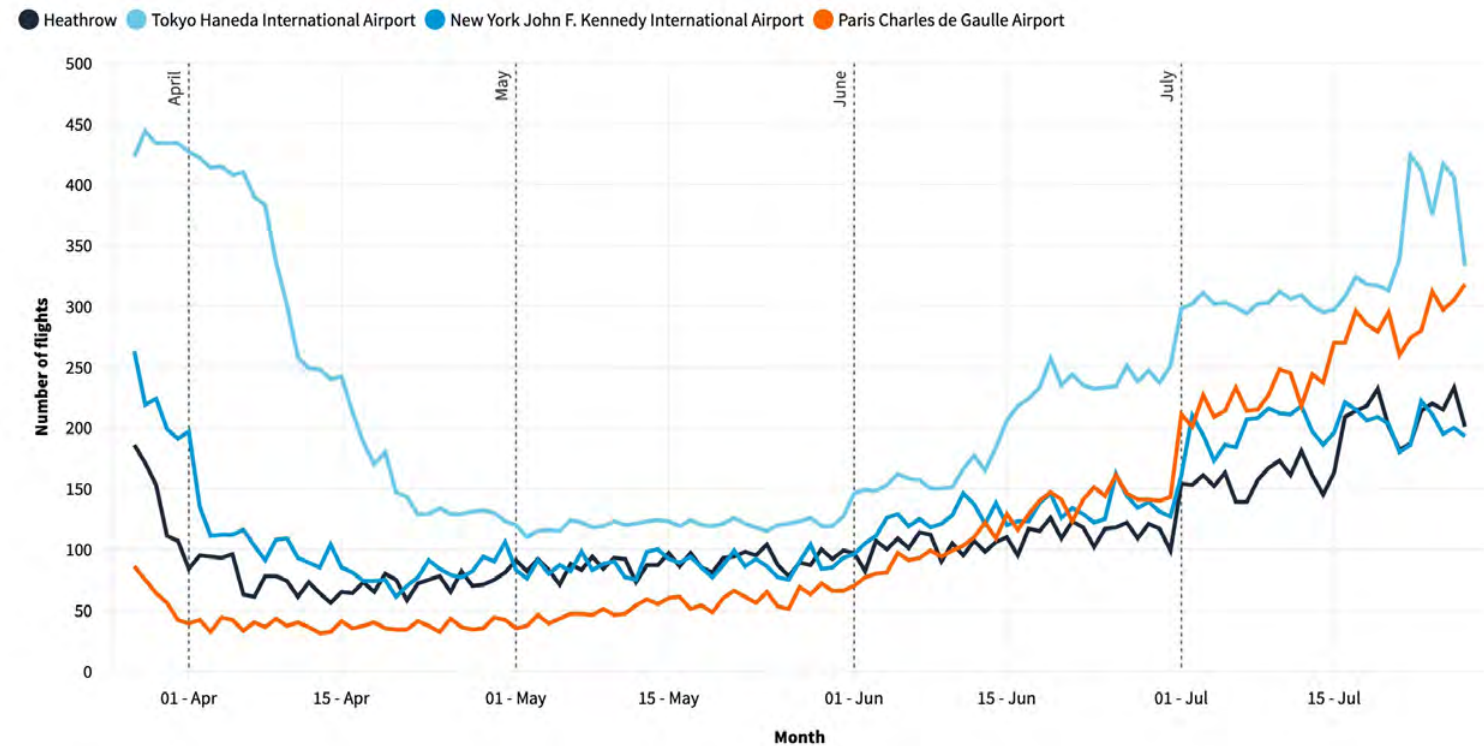
With many office employees and professionals now working remotely, related demand for eating out and for other consumer spending has fallen sharply in the central area. At least some of this demand may have transferred to suburban and other locations outside the centre, and spending in smaller town centres seems to have been maintained through the pandemic. These trends may persist, as both firms and workers become more familiar with remote working for part or all of the working week. More broadly, this might be accompanied by increased demand for office accommodation, including perhaps flexible workspace, in suburbs and secondary centres in London, and also in smaller cities across the Wider South East, leading to a more deconcentrated pattern of growth in the future.

[Mark Kleinman](#), Professor of Public Policy, King's College London | [@policyatkings](#)

International travel

London's air traffic showed slow signs of increase in July, after government lifted quarantine requirements for arrivals from countries with low coronavirus transmission rates. Yet, during the second half of the month, fewer than 300 tracked flights a day were leaving London's major airports, 200 of these from Heathrow. To compare, around 680 flights were departing from Heathrow each day in August 2019. London City Airport reopened on 10 June but only 10 flights are leaving its runway per day on average.

Figure 17: Number of tracked departures per day by airport



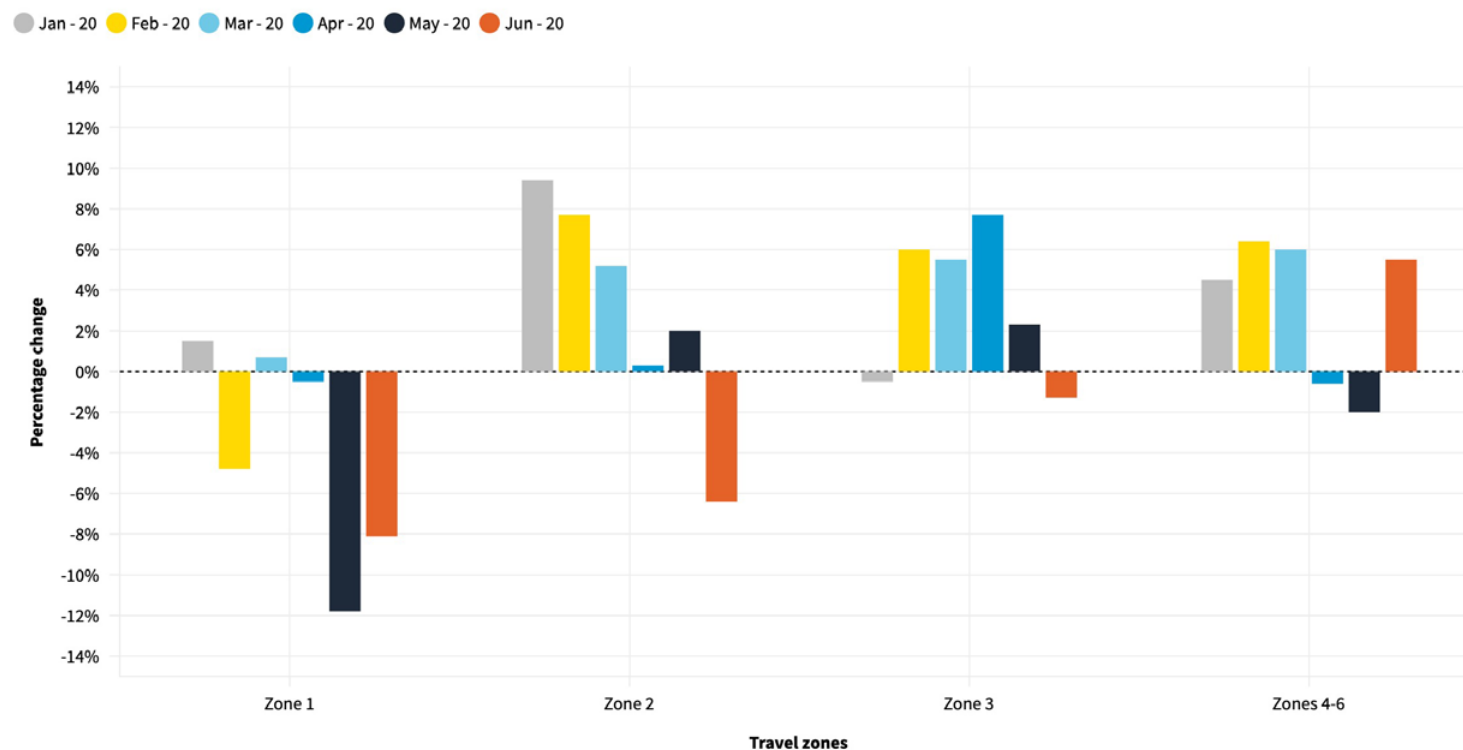
Source: FlightRadar24

↑ [Click on chart to view online in more detail](#)

Rental market

The latest figures from Dataloft show that private rental values fell more sharply in London than in rest of the country, particularly in central London (travelcard Zone 1). This could be due to an increase in stock in the most central areas of London as corporate and short let tenancies (including AirBnB) were put onto the market for longer lets, or tenants seeking larger properties outside the centre as their tenancies came to an end.

Figure 18: Year-on-year change in private rents by travelcard zone



Source: Dataloft Rental Market Analysis

↑ [Click on chart to view online in more detail](#)

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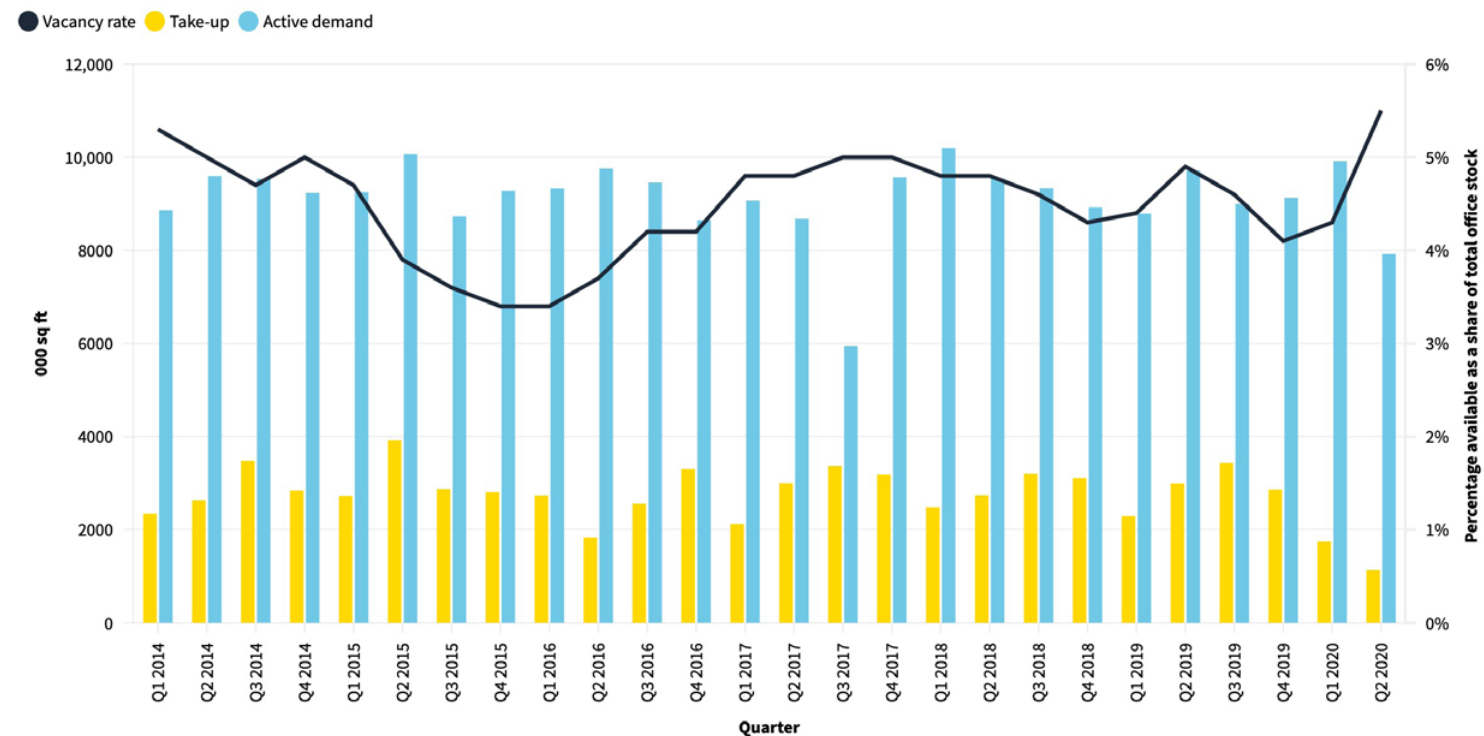
London's rental market saw some immediate changes during lockdown, particularly in the most central areas, affecting achieved rental values. Supply rose as demand for short lets plummeted (including AirBnB and corporate lets) and that stock was returned to the mainstream market. The proportion of income that moving or new tenants spent on their rent has increased over 2020. This probably reflects the profile of tenants moving during lockdown; those forced to move through changed circumstances or reduced incomes; those looking for more space to work from home or seeking their own home rather than shared accommodation. Incomes have been stretched further.

[Anna Zaccaria](#), Research Director, Dataloft | [@dataloftuk](#)

Commercial property market

Take up of commercial property across central London fell sharply to a near record low in the second quarter of 2020, reflecting the closure of most London business premises in this period. Take up was equal to 1,140,000 square foot in Q2 2020, down from 3,000,000 square foot in the same period last year, a fall of 62 per cent. Active demand was also down 18 per cent, pushing the vacancy rate up to 5.5 per cent.

Figure 19: London's commercial property market



Source: JLL • Active demand is the total size of office floorspace actively being sought by tenants in the lettings market, as measured in total square foot.

↑ [Click on chart to view online in more detail](#)

Road use

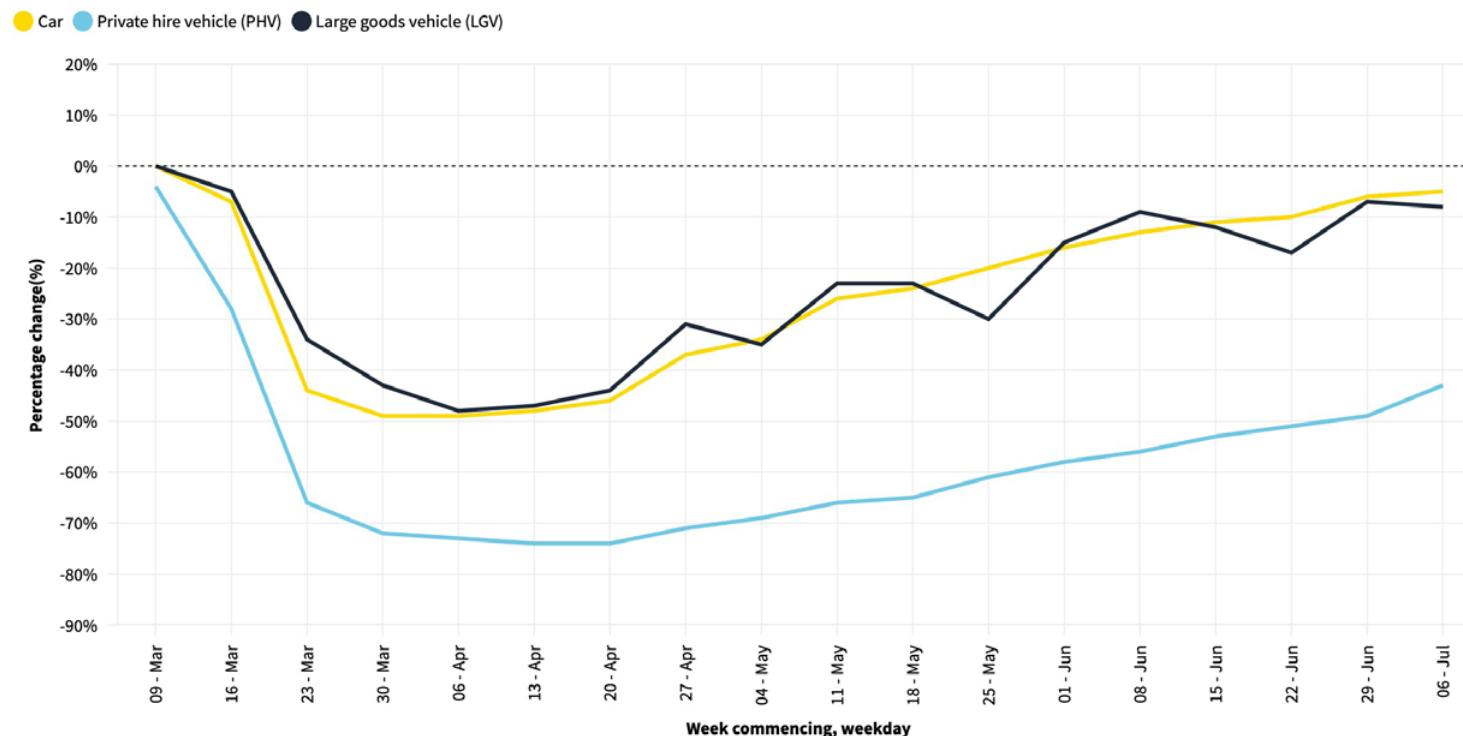
Transport in London continues to be severely affected by the coronavirus crisis. As Londoners follow government advice to avoid public transport, surface transport (both cars and cycles) have returned to normal levels, meaning their mode share has surged. Cycling in London is booming, particularly for trips for leisure and on weekends.

Road traffic

Traffic on London's roads has resumed. Mirroring changes in other global cities, private car use across London has edged back to familiar levels, risking a return to poor air quality and increased congestion across the road network. According to Transport for London's traffic cameras, private car traffic is five per cent below pre-crisis levels. Despite the introduction of congestion charging after hours and at weekends, private car use in the congestion charging zone is only four per cent below average.

As e-commerce demand remains high and businesses begin to reopen, large good vehicle (LGVs) traffic increased to eight per cent below pre-crisis levels. In contrast, use of private hire vehicles (PHVs) remains low, at 43 per cent below.

Figure 20: Road traffic



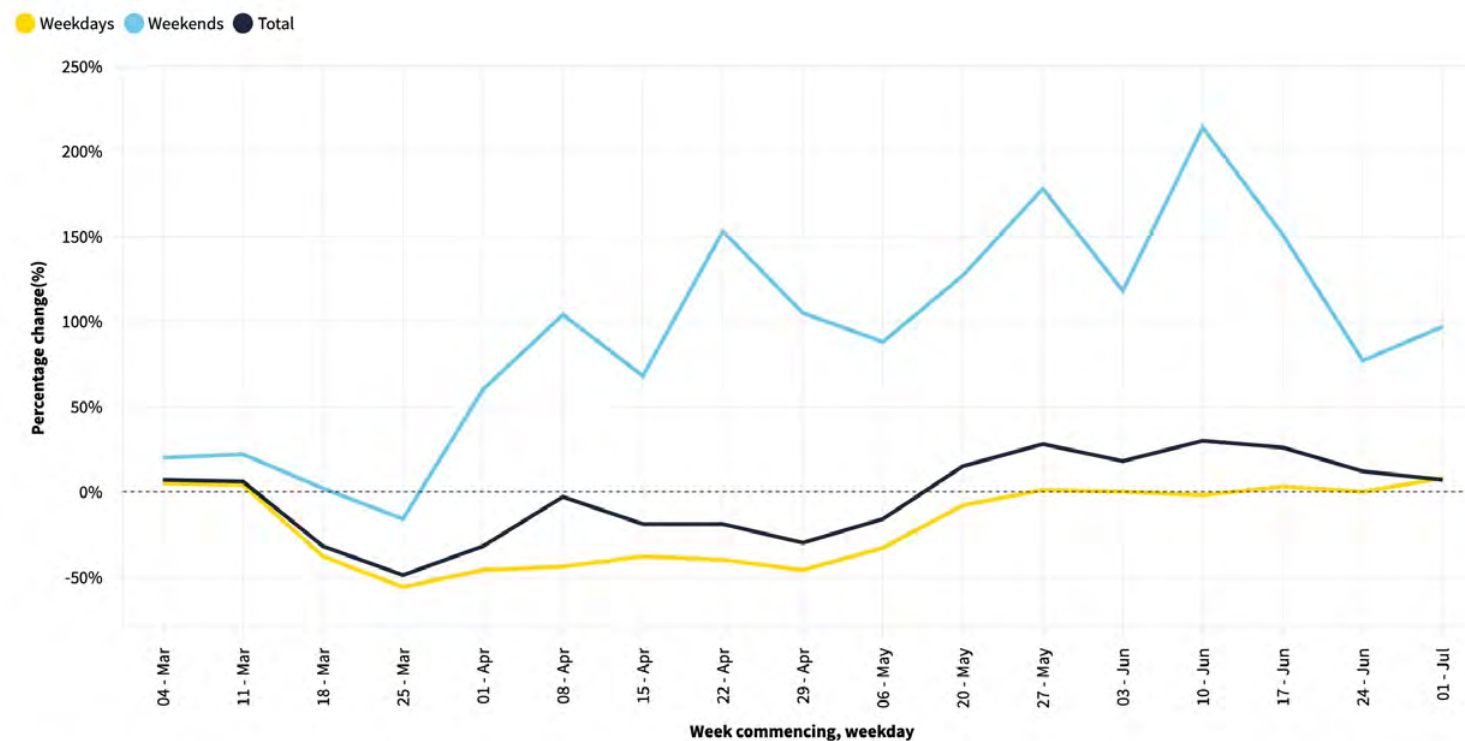
Source: Transport for London. Weekday ANPR captures, pan-London 24-hours, by mode. Percentage change from pre-Covid baseline (02/03-06/03), weekdays

↑ [Click on chart to view online in more detail](#)

Cycle use

In contrast, London's cycling levels have surged above pre-crisis levels, and even tripled on some weekends – a greater growth than driving rates, albeit from a smaller base. Additional analysis shows that the length of the average cycle hire trip has more than doubled, from 20 minutes in May 2019 to 42 minutes in May 2020. While weekend cycling has skyrocketed, weekday cycling saw a period of decline at the start of the pandemic but has since increased by 10 per cent.

Figure 21: Cycle use



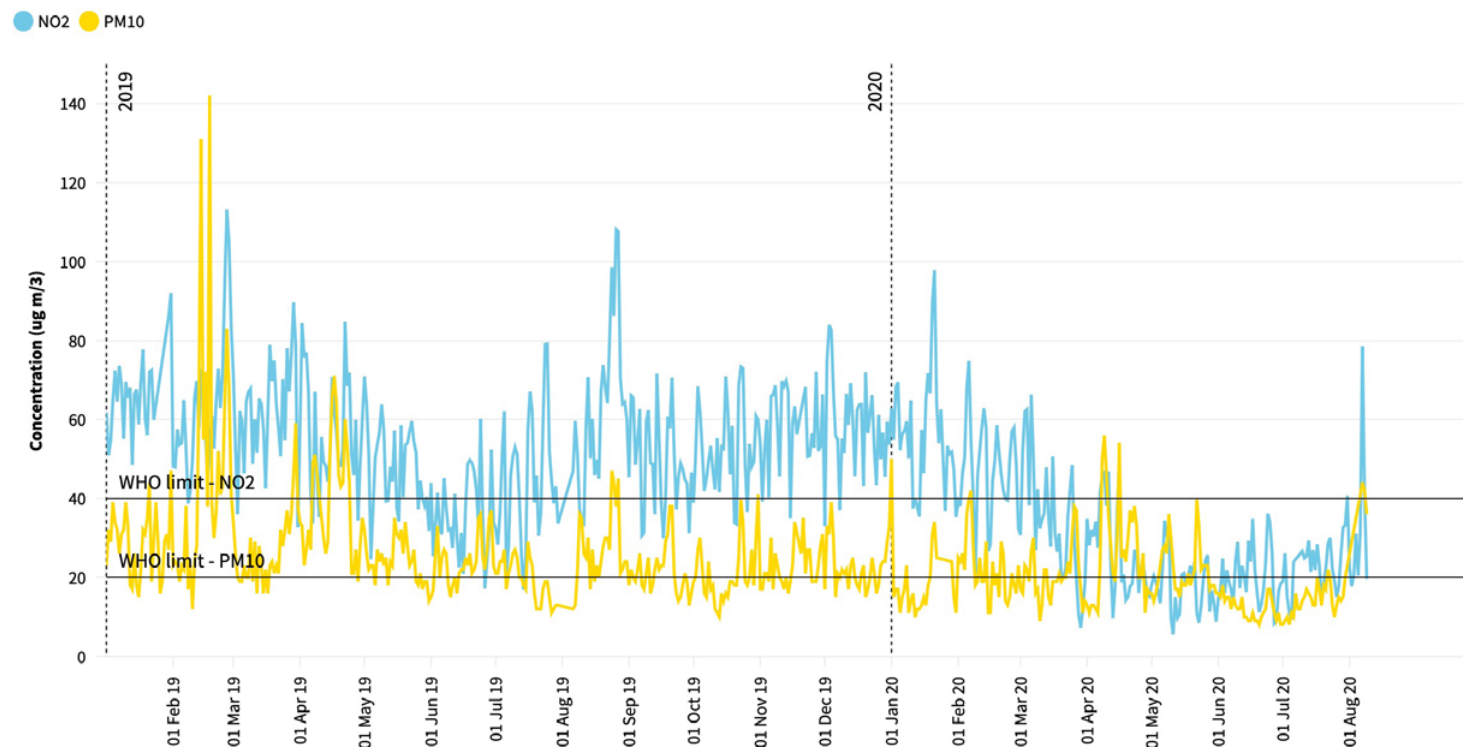
Source: Transport for London

↑ [Click on chart to view online in more detail](#)

Air pollution

The slowdown in activity has caused improvements in air quality at London's usually busiest locations. On Oxford Street, which has also seen the introduction of bike lanes and a reduction in diesel busses, provisional readings of particulate matter (PM10) and Nitrogen dioxide (NO2) were below the past year trendline between March and August.

Figure 22: Daily mean readings for selected pollutants, Oxford Street



Source: The London Air Quality Network. Data downloaded for Oxford Street monitoring site. • Figures from 23/02/2020 are provisional.

[↑ Click on chart to view online in more detail](#)

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