

Welcome to the July edition of the Edinburgh Economy Watch – a monthly update on the performance of the city’s economy produced by the Economic Development Unit of the City of Edinburgh Council.



What is it?

The Economy Watch allows readers to track the impact that the current global and national economic conditions are having on the capital through monitoring a selected range of economic indicators and comparing these with other cities. Information is displayed in graphs, with some brief analysis. Only monthly-updated indicators are used so that the latest trends can be clearly viewed. Data is displayed for up to a year in the past where possible.

Comparator Cities

Some of the statistics benchmark Edinburgh against an average of selected comparator cities. The comparator cities are Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Nottingham and Norwich. These cities have been chosen as they represent a diverse range of mid-sized and large UK cities.

Traffic Lights

Where possible, each indicator’s progress is assessed by means of a “traffic light” system comparing it against the previous month, year and comparator cities. Green signifies improvement, amber relative stability and red worsening.

Survey

We would be grateful to hear views on the Economy Watch via our [online survey](#).

Mailing List

To subscribe to Economy Watch send an e-mail to David Hanna at economicstrategy@edinburgh.gov.uk with “SUBSCRIBE” in the subject line.

At a Glance...

Indicator	Annual Trend	Monthly Trend	Relative to Other Cities	Last Month...	More info
Housing	↓	↔	↑	House prices level at 0.0% House sales up 1.2%	Page 2
Planning and development	↓	↔	No data	Planning applications received up 4.4% Building warrants issued down 5.1%	Page 4
City centre performance	↓	↓	↔	Footfall down 1.4% Parking utilisation down 3.2% points	Page 5
Tourism	↑	↑	↑	Airport passenger numbers up 6.0% Hotel room occupancy up 3% points	Page 6
Labour market	↓	↓	↑	Claimant count up 2.2% Vacancies up 0.9%	Page 7
Investment	↔	↔	↔	New incorporations down 9.4% Business Gateway startups up 50%	Page 9

Economic Action Resilience Network

The 'Building a Stronger Economy' logo, which appears in this issue, refers to the Economic Action Resilience Network (EARN), which was formed earlier this year. EARN is led by the City of Edinburgh Council and comprises a number of public sector organisations and private sector partners who are working together to publicise and improve access to services to support businesses and individuals. More information can be found at www.edinburgh.gov.uk/buildingoureconomy.

Did you know?

You can access current and archive issues of the Economy Watch at www.edinburgh.gov.uk/economicdata

(1) Housing market

1.1 House Prices (Monthly trend —; Annual Trend ▼; Relative to Comparator Cities ▲)

The average house price in Edinburgh rose by around £3,000 from April to May to reach £196,596. House prices are at a similar level to November 2008 and have held up well for six months. Meanwhile, house prices in comparator cities continued their steady downward trend, falling to £116,747.¹

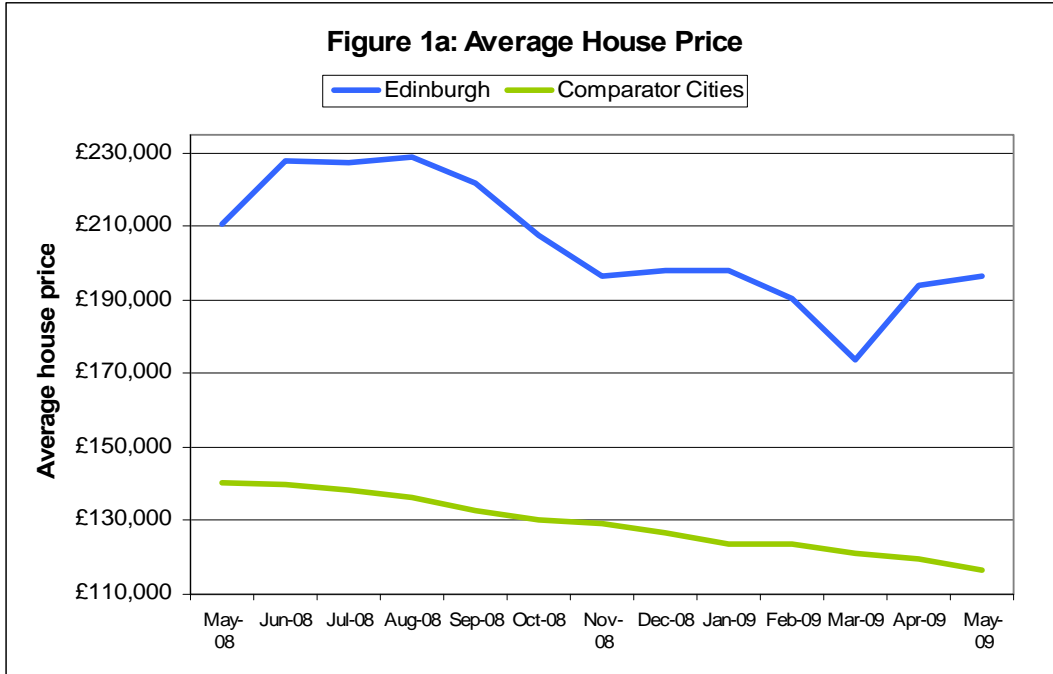
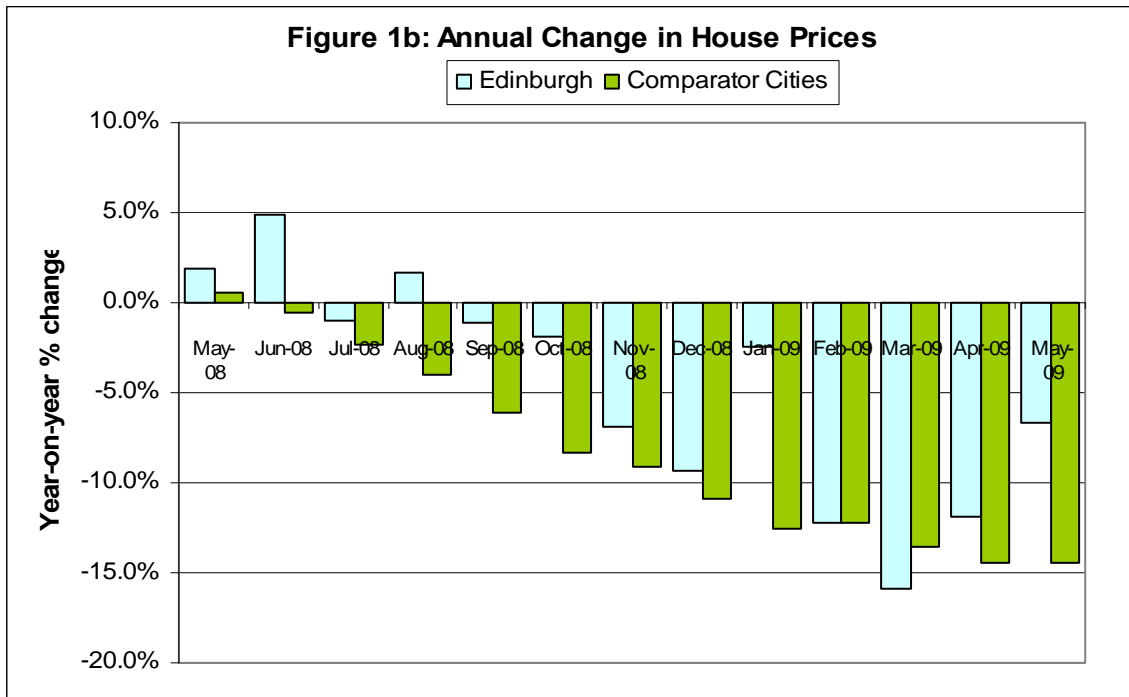


Figure 1b shows the annual change in house prices. Edinburgh prices are down on last year, but are falling by less than in comparator cities. In May 2009, house prices were 6.7% lower than in May 2008.²

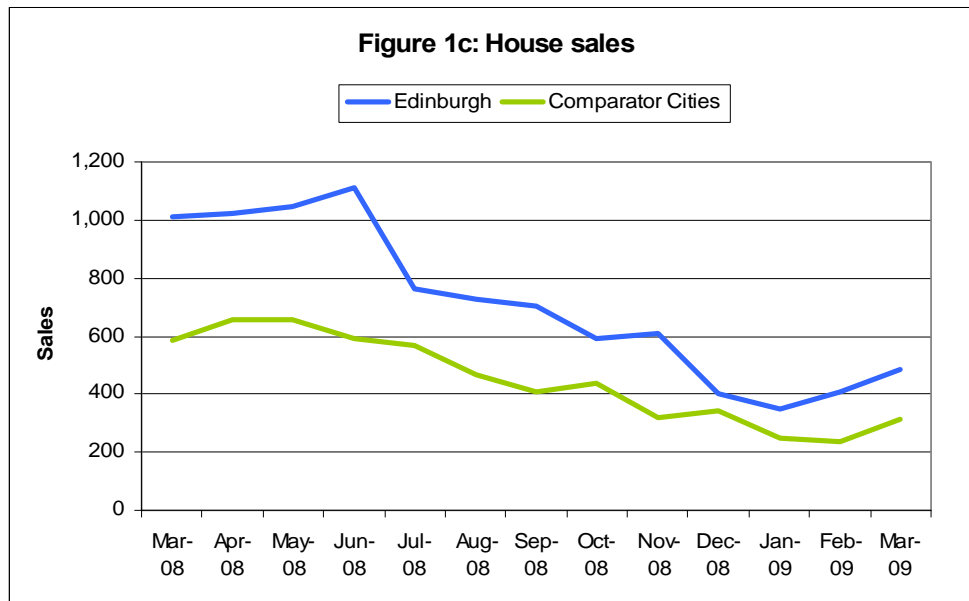


¹ Source: Registers of Scotland (Scottish cities); Land Registry (English & Welsh cities). The comparator cities figure is an average of year-on-year changes in house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

1.2 House Sales (Monthly trend ▲; Annual trend ▼; Relative to Comparator Cities ▲)

House sales have risen slightly, with 490 homes sold in Edinburgh in May – the third consecutive monthly increase. However, sales were still 50.4% down on May 2008.³



1.3 Forecast

House prices are down on a year ago but have been stable for the last six months. The ESPC expects the annual fall in house prices to increase until July 2009 – a year after house prices peaked – and expects moderate year-on-year growth to return by the end of the year. The rise in house sales may be an early indication of the market's recovery but may stem any price increases. With the economic picture remaining volatile it is hard to predict when the market will recover⁴.

For further information about Edinburgh's housing market, see the latest [Housing Monitoring Report](#).

³ Ibid

⁴ <http://www.edinburghguide.com/story/property/3625>

(2) Planning and development

2.1 Building Warrants & Planning Applications (Monthly Trend: applications received ▲; warrants issued ▼; Annual Trend: both ▼)

Fig 2a shows that the number of building warrants issued⁵ and planning applications received⁶ in Edinburgh both appear to be showing signs of recovery. Planning applications received have surpassed building warrants issued for the first time. This is encouraging.

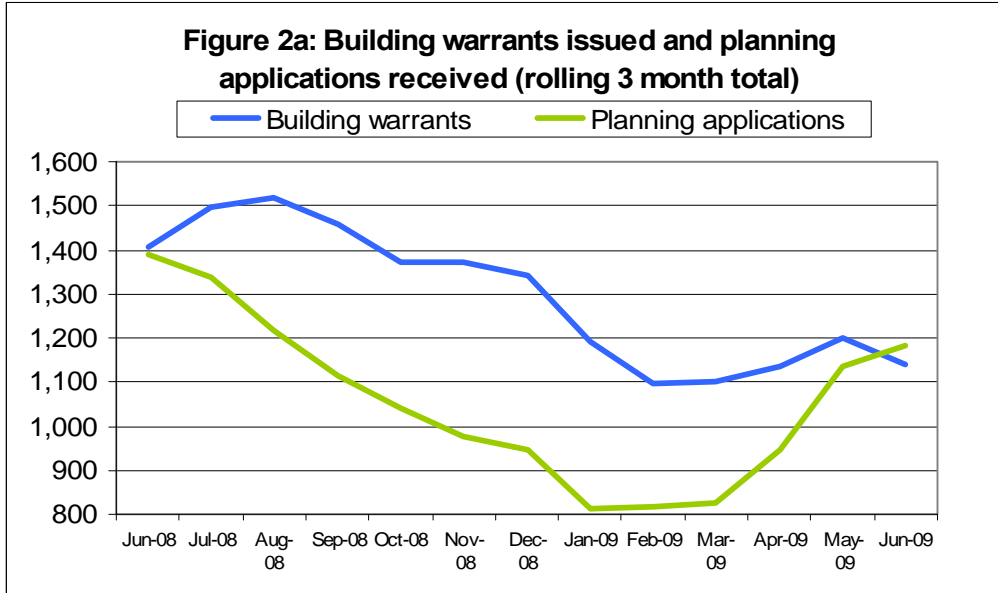
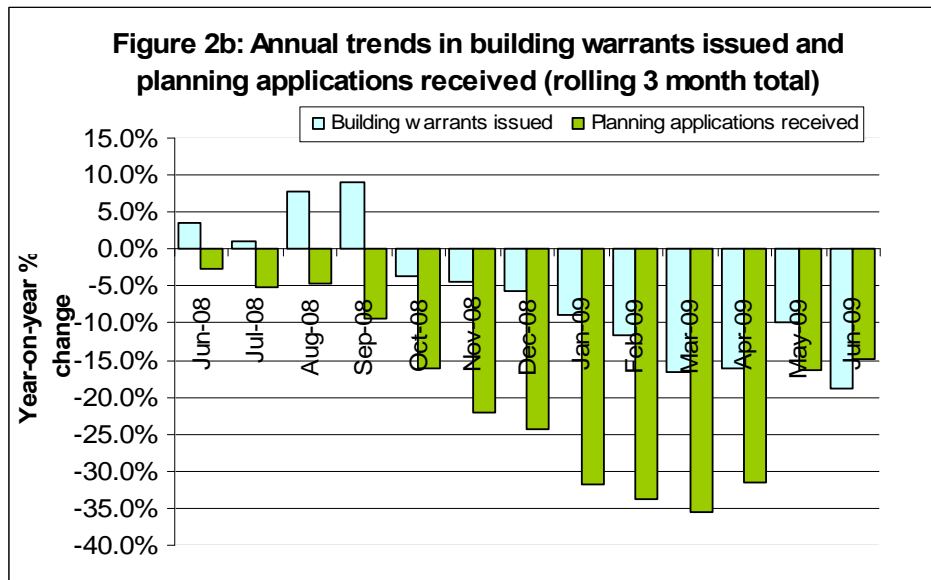


Fig 2b shows that both building warrants issued and planning applications received remain down on last year by 18.9% and 14.9% respectively. However, it is encouraging that the rate of decline for planning applications received is slowing.



The recent improvement in planning applications is encouraging, and it may be that this feeds through to help building warrants also increase in coming months. However, planning applications are valid for five years, so it may be that developers are applying for applications but will not be able to raise the necessary capital to commence work for some time.

For more further information on planning issues in Edinburgh, see the latest [Planning News](#)

⁵ Source: City of Edinburgh Council, Planning Information team

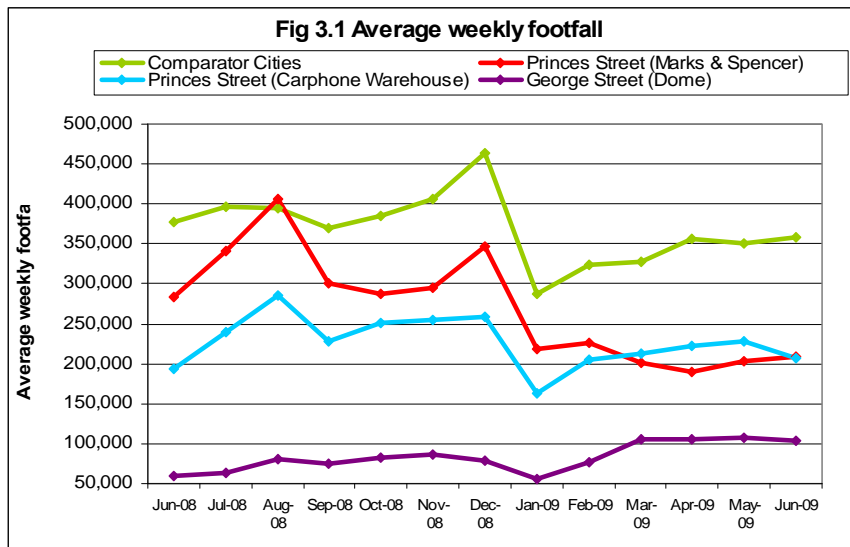
⁶ Ibid.

(3) City centre performance

3.1 Footfall (Monthly Trend —; Annual Trend —; Comparison with other cities ▼)

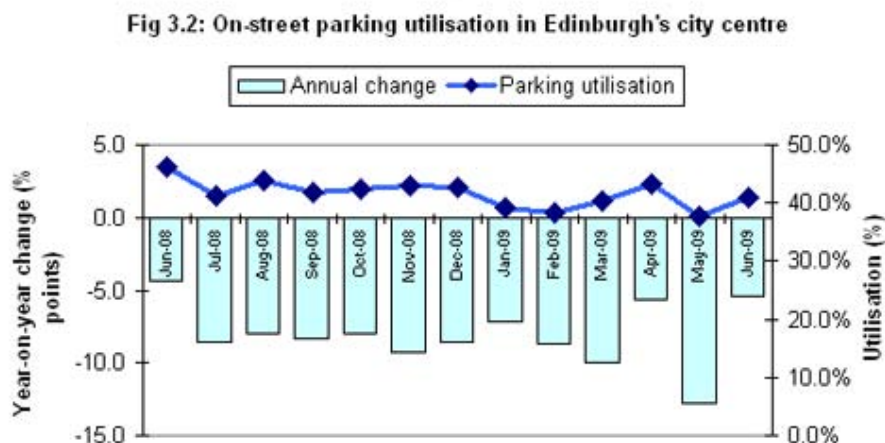
Fig 3.1 shows that footfall remained steady from May to June on Princes Street, with the counter outside Marks & Spencer seeing a slight rise and Carphone Warehouse seeing a slight fall. Although Edinburgh's footfall is lower than the comparator cities' average⁷, it is worth noting that this group includes much larger city centres including as London and Birmingham.

Compared with June 08, footfall is 6.6% up at Carphone Warehouse, but 26.4% down at Marks & Spencer. Comparator cities saw a 5.4% decline in footfall. Much of the decline outside Marks and Spencer is due to bus diversions from mid-February moving pedestrians from Princes Street to George Street. This is confirmed by the rapid increase in footfall outside the Dome (up 77.9%) and suggests that total city centre footfall has not significantly declined. Carphone Warehouse is less affected as the East End of Princes Street remains open to traffic.



3.2 Parking (Monthly Trend ▲ Annual Trend ▼)

Fig 3.2 shows that on-street parking utilisation in Edinburgh's city centre has experienced annual falls in recent months, despite there being fewer bays available than last year. In June 2009, average parking utilisation in the city centre was 40.9%, down from 46.3% in June 2008.⁸



The decline may be due to reductions in shopper expenditure resulting from the economic downturn, or to city centre disruptions. This means that it is now significantly easier for visitors to find parking in the city centre. The availability of parking in the New Town in particular has greatly increased, with nearly half of all bays available.

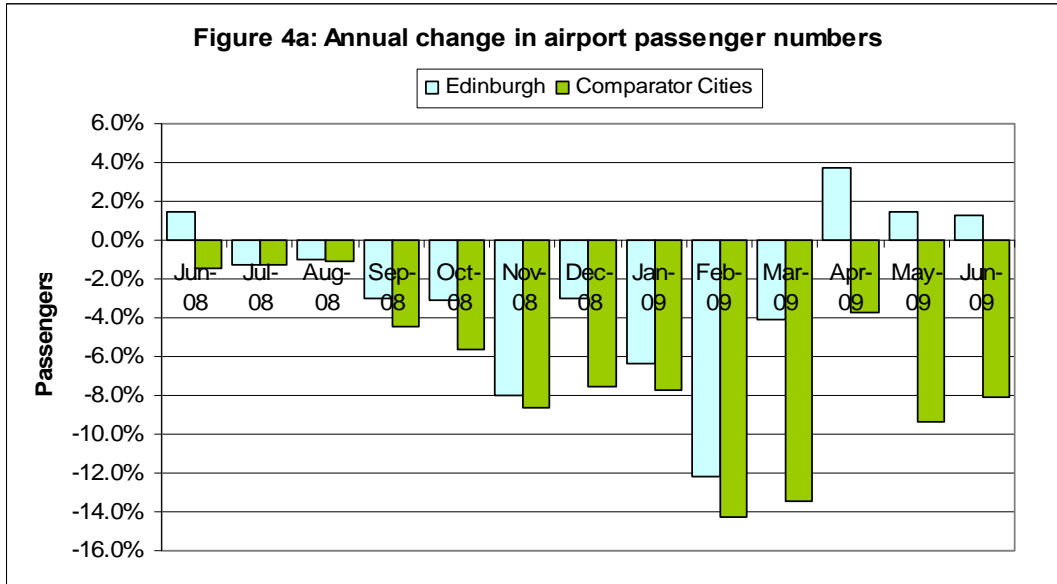
For more detailed information on city centre trends, see the latest [City Centre Health Watch](#)

⁷ Source: Springboard. The comparator cities figure is an average of footfall count at the busiest location in Birmingham, Bristol, Cardiff, Dublin, Edinburgh, Glasgow, Leeds, London, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

(4) Tourism

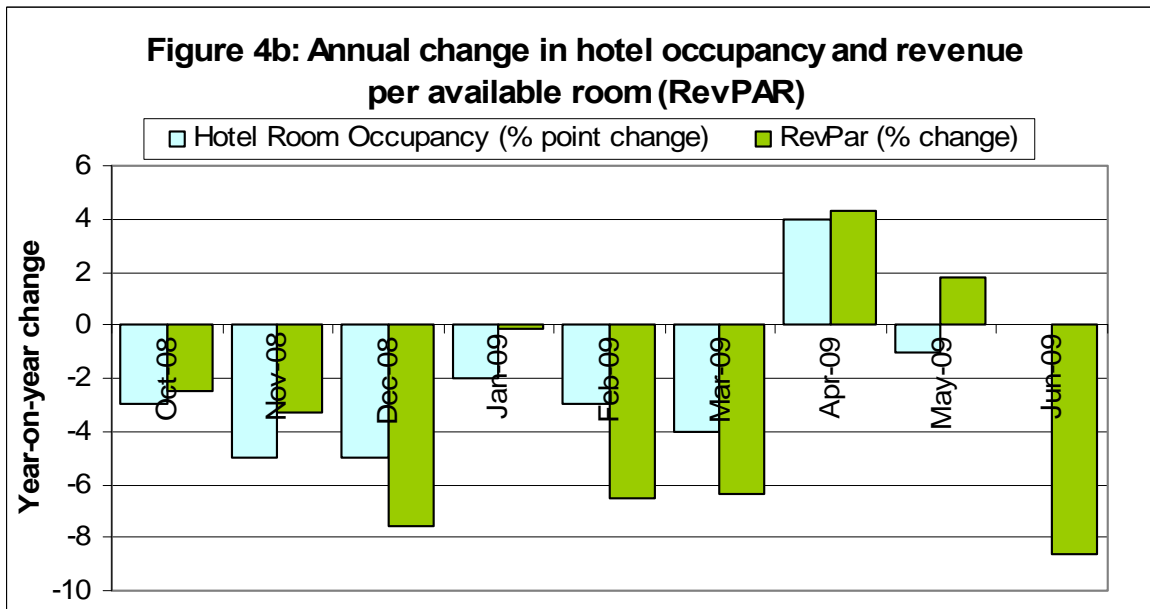
4.1 Airport (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▲)

Fig 4a shows that, for the last three months, Edinburgh airport has bucked the trend with passenger numbers higher than last year, while each comparator airport saw a decrease.⁹ These trends reflect a rise in international traffic, which is up on last year following the launch of range of new direct flights in early 2009. The airport had its busiest day ever on 26 June when 35,899 passengers passed through the gates, which may be an early indication that these positive trends will continue into the summer months.¹⁰



4.2 Hotels (Monthly Trend —; Annual Trend ▼)

Fig 4b shows that compared with last year, the average revenue per available room (RevPAR) has fallen by 8.6% to £71.80¹¹ as hotels adjust room rates to attract customers. It is encouraging for Edinburgh's wider tourism sector that visitor numbers to the city are holding up well. Room occupancy is the same as last year at 83%, while bed occupancy is up by 17.3%. This may reflect a rise in the proportion of domestic visitors who tend to travel in larger parties than overseas tourists.¹²



⁸ Source: City of Edinburgh Council, Parking Operations

⁹ Source: Civil Aviation Authority. The comparator cities figure is an average of year-on-year changes in passenger numbers at Birmingham, Bristol, Cardiff, Gatwick, Heathrow, Leeds, London City, Luton, Manchester, Newcastle and Stansted airports.

¹⁰ Source: BAA, Edinburgh

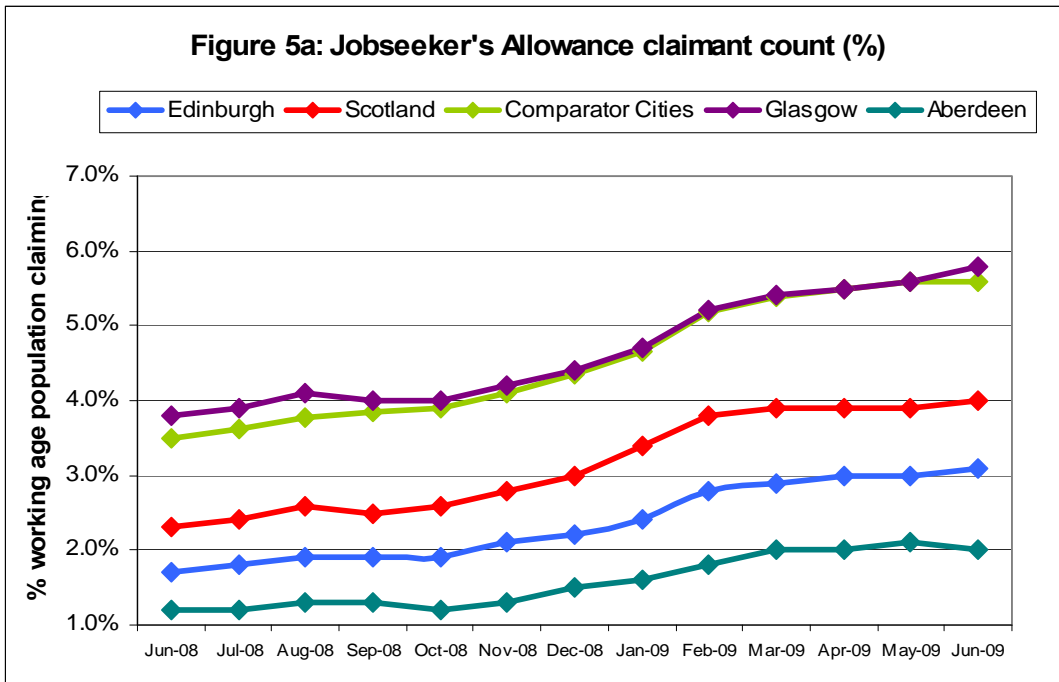
¹¹ Source: Lynn Jones Research

¹² Ibid.

(5) Labour market

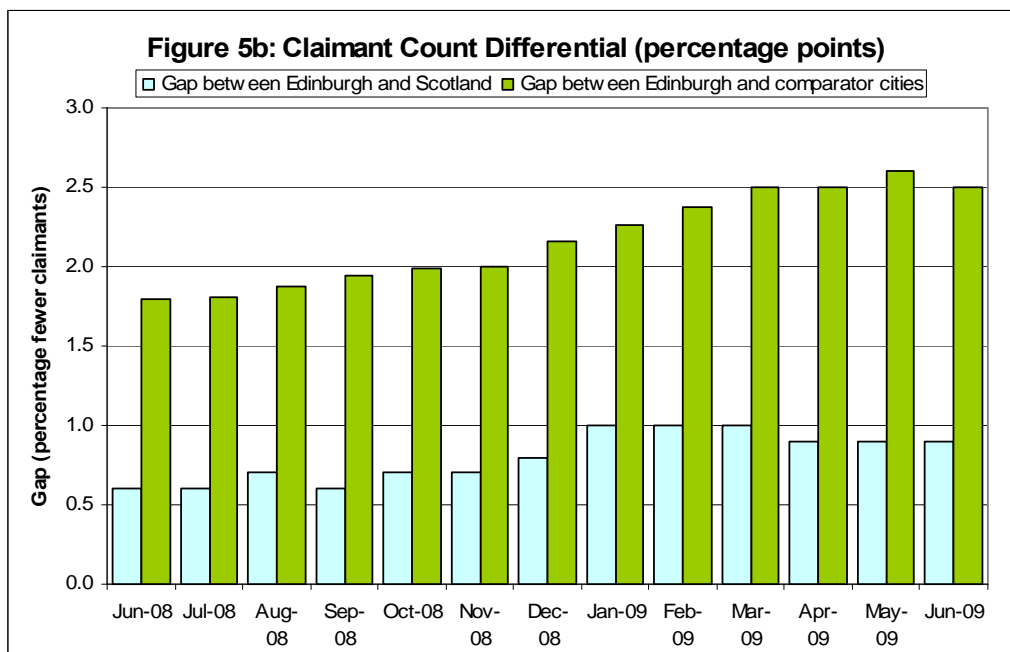
5.1 Unemployment Rate (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▼)

Unemployment, defined as the number of job seeker's allowance claimants as a percentage of the working-age population is up slightly to 3.1% - its highest rate since February 2000. This compares favourably with the Scottish rate of 4.0% and the comparator cities' average of 5.6%.¹³



5.2 Claimant Differential (Monthly Trend ▼; Annual Trend ▲)

Fig 5b shows that the positive differential in unemployment between Edinburgh and comparator cities remains wide¹⁴. In June, Edinburgh's claimant count was 0.9 percentage points below the Scottish average and 2.5 percentage points below comparator cities.

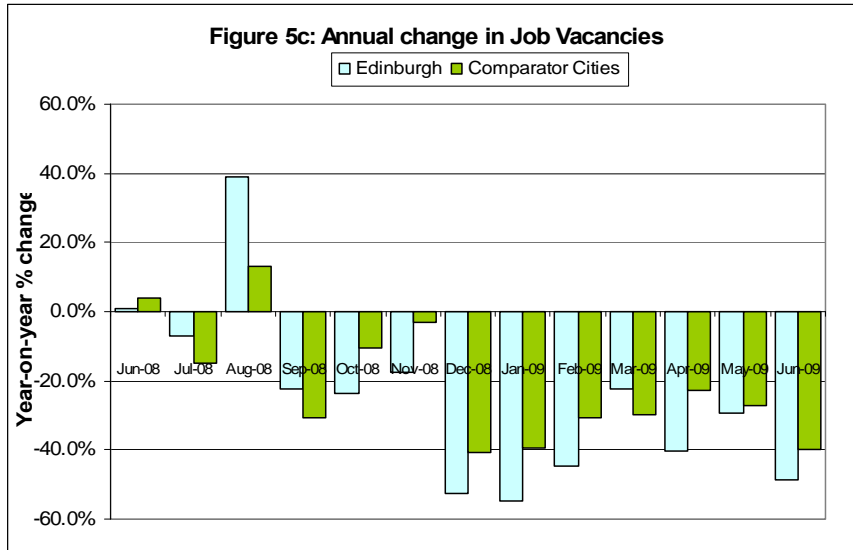


¹³ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

¹⁴ Ibid.

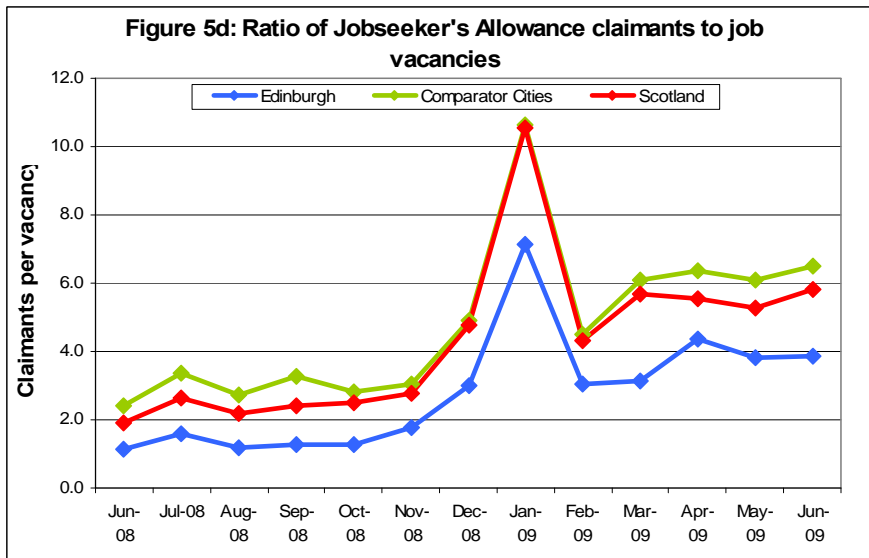
5.3 Job Vacancies (Monthly Trend —; Annual Trend ▼)

Fig 5c shows that the number of job vacancies posted by Jobcentre Plus continues to fall slightly faster than in comparator cities. In June 2009, there were 2,524 job vacancies advertised in Edinburgh, a 48.6% annual decrease.¹⁵



5.4 Vacancy Ratio (Monthly Trend —; Annual Trend ▲; Relative to Comparator Cities ▼)

Fig 5d shows that the ratio of Jobseeker's Allowance claimants per vacancy advertised by Jobcentre Plus has remained steady. In June 2009 there were 3.9 claimants per vacancy, compared with 5.8 in Scotland and 6.5 in comparator cities. Edinburgh continues to compare favourably suggesting that it may be easier to find a job if unemployed in the capital.¹⁶



5.5 Forecast

The decline in the labour market continues, but the past six months have seen the decline lose momentum. This may be as some unemployed are finding new jobs. However, it is important to note that as unemployment is a lagging indicator of economic prosperity, it is likely to continue to increase for some time. The latest forecasts suggest that it will be 2011 before employment recovers as redundancies continue coming through. There may also be a second wave of large scale job losses to come as the public sector comes under pressure to make savings.¹⁷

For more detailed information on Edinburgh's Labour Market see the latest [Labour Market Bulletin](#). Monthly updates of key labour statistics are available [here](#).

¹⁵ Ibid

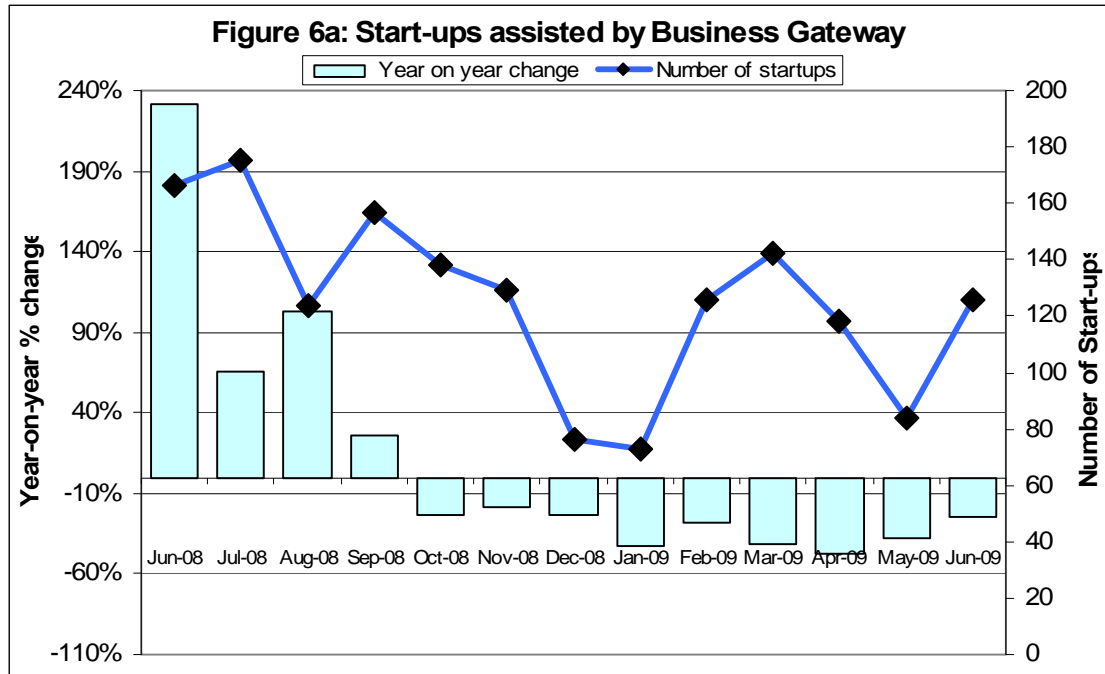
¹⁶ Ibid

¹⁷ Ernst & Young ITEM club summer update, 2009

(6) Investment

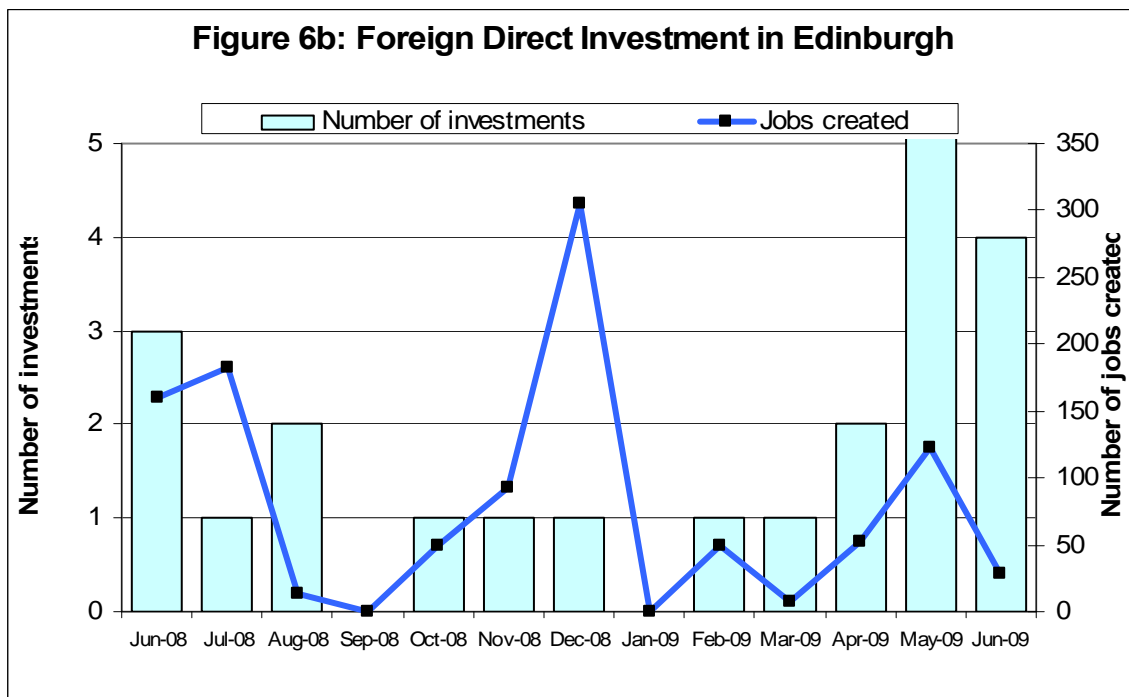
6.1 Business Gateway Start-ups (Monthly Trend ▼ ; Annual Trend ▼)

The number of start-ups has fallen compared with the previous year for the past nine months running. This continuing trend suggests that entrepreneurs may still be having difficulties accessing finance from banks. In June 2009, the Business Gateway assisted 126 start-ups, compared with 166 in June 2008 – a 24.1% fall.¹⁸



6.2 Foreign Direct Investment

Fig 6b shows that the number of known jobs estimated to have been created from foreign investments, as measured on the FDI markets database amounted to 1,067 in the past twelve months.¹⁹



¹⁸ Source: Business Gateway

¹⁹ Source: FDI Markets. NB Figures are provisional and subject to change. Figures are often added to the database retrospectively.

6.3 New Incorporations (Monthly Trend ▼; Annual Trend ▲; Relative to Comparator Cities →)

Fig 6c shows that the number new incorporations fell in both Edinburgh and comparator cities and are now at similar rates.²⁰

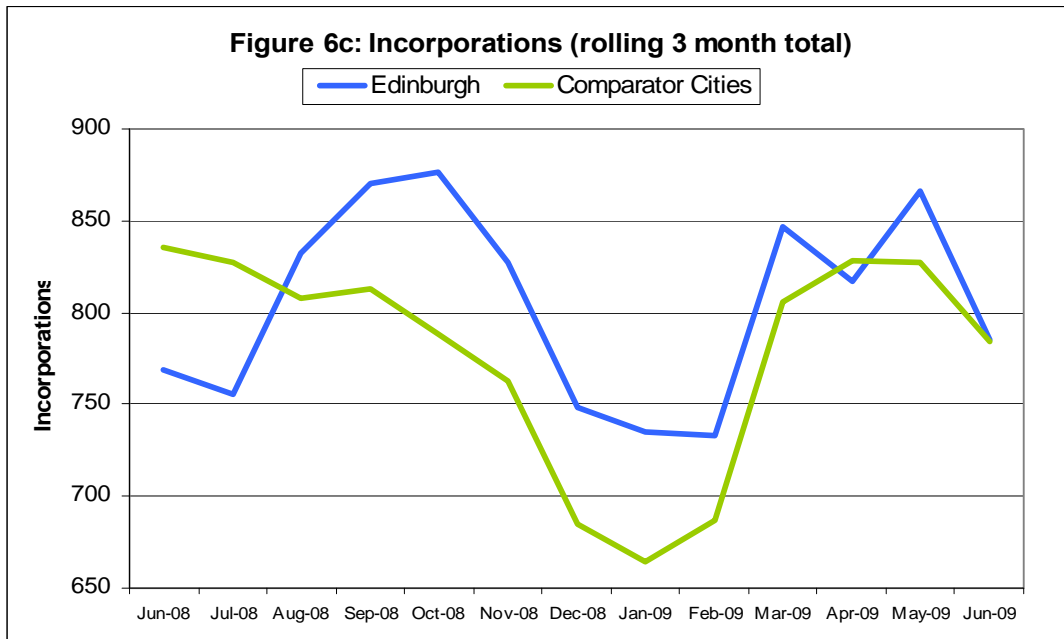
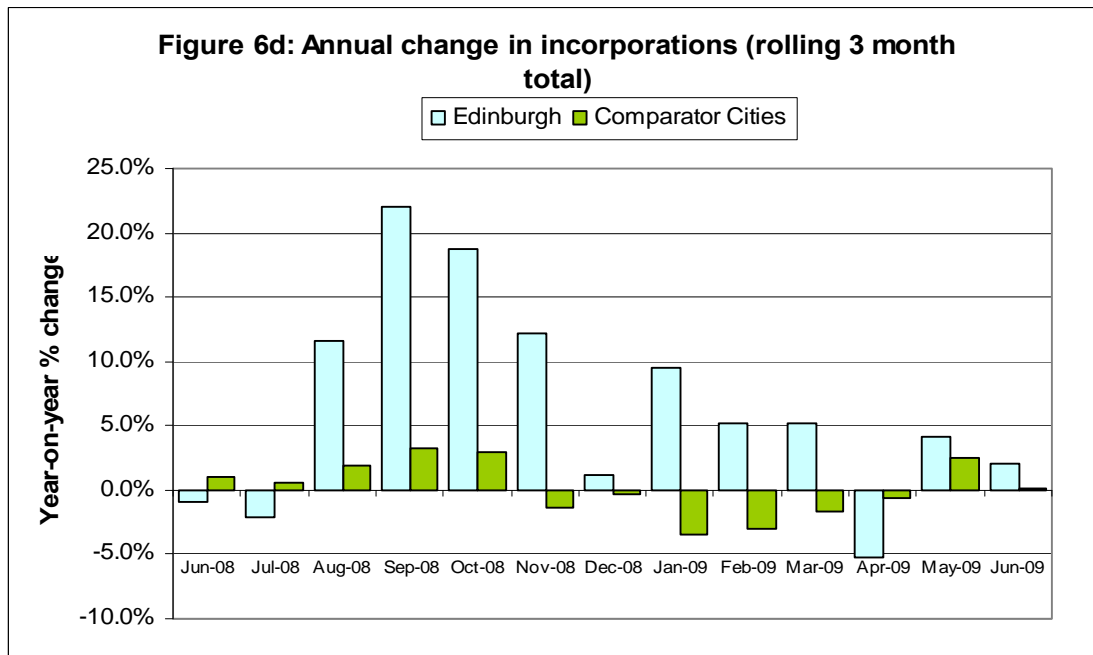


Fig 6d shows that for the past year, the number of incorporations has generally been rising faster in Edinburgh than in comparator cities. This may be an indication that Edinburgh is a more entrepreneurial city as its residents are more likely to start-up during an economic slowdown²¹.



²⁰ Source: FAME. The comparator cities figure is an average of the monthly number of incorporations in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

²¹ Ibid.

(7) Forecasts

This section summarises and links to the latest forecasts to have emerged in July:

Ernst & Young (24 July)

With GDP falling by 0.8% in the quarter to June 2009 compared with 2.4% in the first three months of the year, Ernst & Young believe the worst of the recession to be behind us. Looking ahead, they expect the economy to grow “feebly” for the duration of 2010.

More info: <http://www.ey.com/UK/en/Newsroom/News-releases/Item---09-07-24---Hopes-of-recovery>

National Institute for Economic and Social Research (NIESR) (22 July)

NIESR has forecast that total UK GDP will fall by 4.3% in 2009 before growing slowly at 1% in 2010 and 1.8% in 2011. GDP per capita will take until March 2014 to return to the level it was in the first quarter of 2008, when the recession kicked in.

More info: <http://www.niesr.ac.uk/pubs/pubs.php>

HM Treasury Forecast (July)

HM Treasury grouped together a range of forecasts for 2009 and 2010 and found that the average was a 4.1% decline for 2009 and a 0.9% growth for 2010. This is a higher decline than it originally forecast in June for 2009 but also a higher recovery for 2010.

More info: <http://www.hm-treasury.gov.uk/d/200907forcomp.pdf>

Oxford Economics (17 July)

The UK's high levels of monetary stimulus will begin to come through by the end of the year and ensure that the UK recovers ahead of its European counterparts. However, the slow thaw in lending conditions will ensure that the recovery phase is more prolonged than after the recessions of the 1980s and 1990s.

More info: http://www.oef.com/OE_FA_Display_Frm.asp?Pg=UKSpec&Txt=UK%20Economy#

British Chambers of Commerce: Quarterly Economic Survey (7 July)

Q2's results showed a marked strengthening in confidence following sharp declines over the previous two quarters, showing that recovery is possible, but not yet secure. The BCC called for further aggressive quantitative easing to ensure that this improved confidence is sustained to lead to growth.

More info: http://www.britishchambers.org.uk/zones/policy/press-releases_1/worst-of-recession-is-over-but-recovery-is-not-guaranteed.html

(8) Presswatch

Presented below is a selection press clippings on the state of the economy from July.

UK GDP falls faster than expected

The Guardian 24 July

<http://www.guardian.co.uk/business/2009/jul/24/uk-gdp-record-fall>

Decade of pain predicted for public services

The Guardian 24 July

<http://www.guardian.co.uk/politics/2009/jul/24/whitehall-cuts-forecast>

Fears for Scottish workforce as economy shrinks sharply

The Herald 23 July

http://www.theherald.co.uk/business/news/display.var.2521554.0.Fears_for_Scottish_workforce_as_economy_shrinks_sharply.php

Sharp rise in number of Scottish businesses going bust

The Herald 23 July

http://www.theherald.co.uk/news/news/display.var.2521549.0.Sharp_rise_in_number_of_Scottish_businesses_going_bust.php

UK recovery 'to take five years'

BBC News 22 July

<http://news.bbc.co.uk/1/hi/business/8162217.stm>

British industry faces a long slog out of the recession, CBI says

The Guardian 22 July

<http://www.guardian.co.uk/business/2009/jul/22/cbi-manufacturing-recession-wto>

Despite a rise in unemployment, a host of other factors point to the start of economic recovery

The Scotsman 19 July

<http://scotlandonsunday.scotsman.com/business/Despite-a--rise-in.5472857.jp>

E&Y forecasts UK economy to shrink 4.5% in 2009, with damage 'limited' in Scotland to 4%

Scotland on Sunday 19 July

<http://scotlandonsunday.scotsman.com/business/EY-forecasts-UK-economy-to.5472904.jp>

Economy could shrink 4.5% 'and the banks are to blame'

The Scotsman 20 July

<http://news.scotsman.com/latestnews/Economy-could-shrink-4537-.5473733.jp>

Wish you were here, as visitors fall

The Scotsman 17 July

<http://news.scotsman.com/scotland/Wish-you-were-here-as.5468787.jp>

Swine flu could extend recession by two years, says thinktank

The Guardian 17 July

<http://www.guardian.co.uk/world/2009/jul/17/swine-flu-recession-thinktank>

Smaller firms hit hardest as banks turn down loans

The Scotsman 16 July

<http://news.scotsman.com/latestnews/Smaller-firms-hit-hardest-as.5466678.jp>

Economy 'dampening house prices'

BBC News 14 July

<http://news.bbc.co.uk/1/hi/business/8148528.stm>

BCC reports confidence rising despite poor growth

The Herald 7 July

http://www.theherald.co.uk/business/news/display.var.2518540.0.BCC_reports_confidence_rising_despite_poor_growth.php

(9) Useful Links

Council Information

The statistics presented in the Economy Watch represent only a sample of the total number of economic indicators which are monitored by the Council. Raw figures, supporting data and detailed source information are available on request.

You can find more useful economic information at www.edinburgh.gov.uk/economicdata

The [Edinburgh Resilience Action Plan](#) provides a plan of action to address the economic challenges facing the City of Edinburgh and the wider city region as a result of the current adverse economic climate.

For advice and links to services to help you cope with the economic downturn, see the [Building a Stronger Economy](#) website.

External Links

Office of National Statistics indicators (UK Level)

<http://www.statistics.gov.uk/instantfigures.asp>

Scottish Parliament Information Centre Economic Briefings (Scottish Local Authority Level)

<http://www.scottish.parliament.uk/business/research/subject/EcoFin.htm>

PKF hotel statistics (UK Level)

http://www.pkf.co.uk/news/Hotel_Monthly_Press_Release&category=News%20%5E%20views&subcategory=News&gobackto=4

Animated map of Unemployment Growth across the UK (UK Local Authority Level)

<http://www.statistics.gov.uk/lm-interactive/percent-wap-ja.asp>.

Recession and Recovery: UK Case Studies (The Work Foundation)

http://www.theworkfoundation.com/Assets/Docs/UK_recession_recovery_%20case_studies.pdf