



Edinburgh economy watch

Issue 7: October 2009



Welcome to the October 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 Edinburgh through monitoring a selection 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 18 months in the past where possible.

Comparator Cities

Where comparable statistics are available, Edinburgh is benchmarked against the average of a suite of eleven comparator cities. The comparator cities are Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle, Norwich and Nottingham. These cities have been selected as they represent a diverse range of mid-sized and large UK cities.

Traffic Lights

Where possible, each indicator's performance 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	Change on last month	More info
Housing	▼	▲	▲	House prices down 3.7% House sales up 24.1%	Page 2
Planning and development	▼	▲	No data	Planning applications received down 2.1% Building warrants issued up 7.5%	Page 5
City centre performance	▼	▼	▼	Footfall down 27.7% Parking utilisation down 1.2% points	Page 6
Tourism	▲	▼	▲	Airport passenger numbers down 7.9% Hotel room occupancy down 4% points	Page 7
Labour market	▼	▲	▲	Claimant count down 2.2% Vacancies up 0.5%	Page 8
Investment	◀▶	▲	▲	New incorporations up 7.2% Business Gateway start-ups up 2.5%	Page 10

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 is made up of 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?

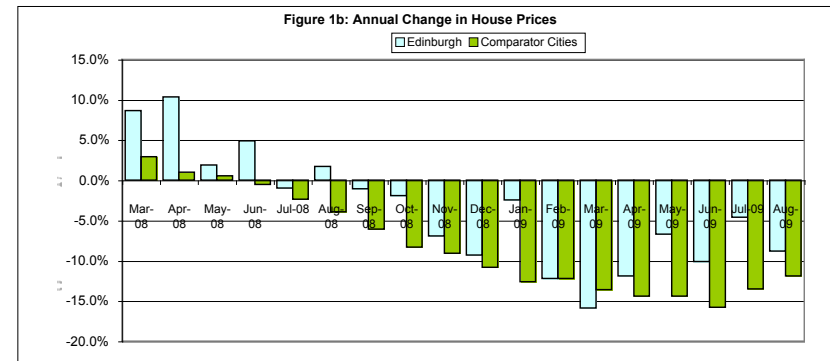
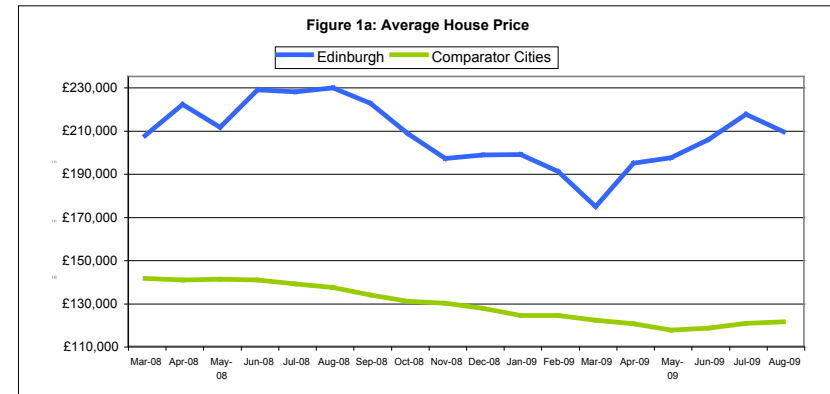
You can access current and archive issues of the Economy Watch at www.edinburgh.gov.uk/economicdata

1 Housing market

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

The average house price in Edinburgh fell by £7,926 between July and August, and now stands at £208,762. Figure 1a shows that house prices have held up over for the past 18 months, and suggests a recovery since March 2009. While house prices in Edinburgh are higher than in March 2008, the average for comparator cities fell from £140,678 to £120,593. ¹

Figure 1b shows the annual change in house prices. House prices in Edinburgh are lower than in the same period in 2008, but by less than comparator cities. The fact that house prices peaked in Edinburgh in August 2008 at £228,916, while the comparator cities' average peaked in December 2007 suggests that the housing market may recover faster in Edinburgh than other cities. ²



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

² Ibid

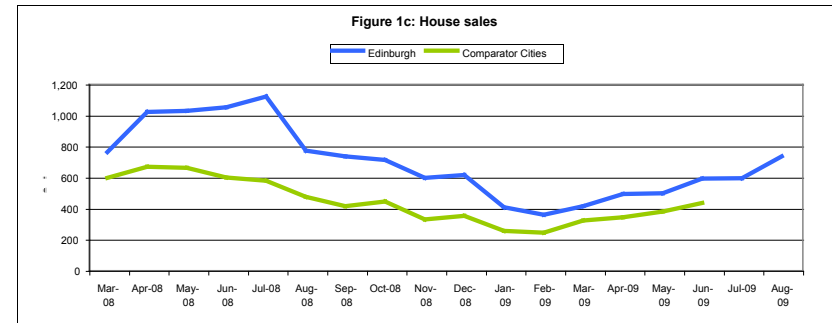
1.2 House Sales (Monthly trend ▲; Annual trend ▼; Relative to Comparator Cities —)

727 homes were sold in Edinburgh in August 2009 – the highest for 11 months and the sixth consecutive month in which housing market activity has increased.

1.3 Forecast

With both house prices and sales increasing steadily since March 2009, activity in Edinburgh's housing market appears to reflect signs of improved confidence. However, house sales still lag when compared with pre-recession levels, so the shortage of supply may be producing a falsely buoyant picture. Additionally, with deposits required remaining high, activity is being driven by a small number of affluent buyers while first time buyers and low-income groups are more likely to be priced out. This means that it is the more expensive houses that are being sold.³

The positive performance relative to other cities suggests that when a housing recovery happens, Edinburgh will be starting from a higher base and will be ahead of the competition.

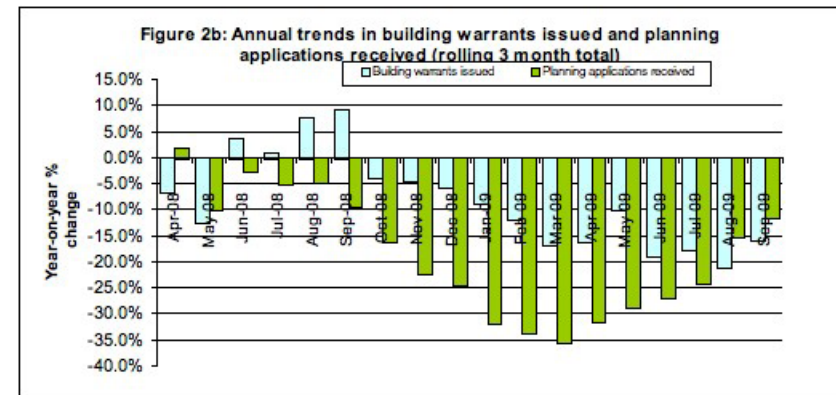
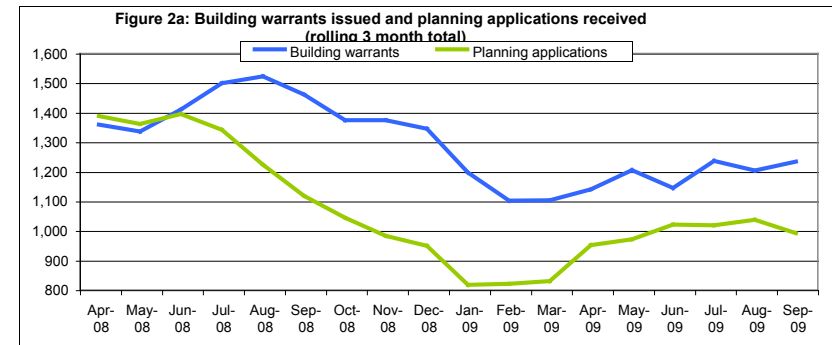


2 Planning and development

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

In the three-month period ending in September 2009, the City of Edinburgh Council received 987 planning applications and issued 1,230 building warrants.⁴

The City of Edinburgh Council received 11.4% fewer planning applications and issued 15.6% fewer building warrants in the three-month period ending in September 2009 than in the same period in 2008. The annual decline in the number of planning applications received has lessened in each month since March 2009. However, the number of building warrants issued continues to be down on last year. It may be that developers are confident enough to put in planning applications but are unable to secure funding to commence work on sites or are waiting for economic conditions to improve before commencing work.



3 City centre performance

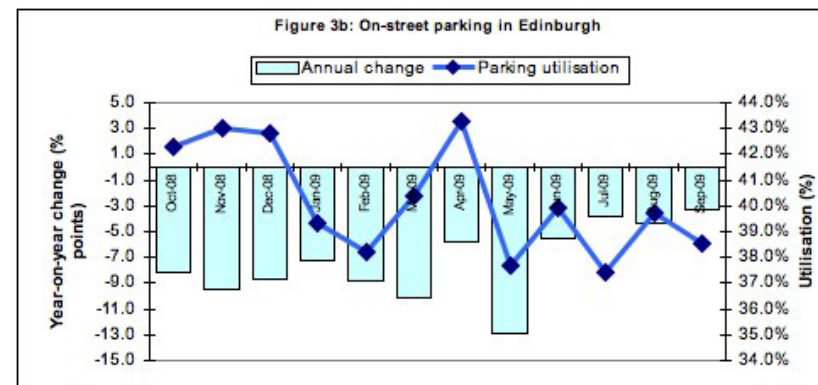
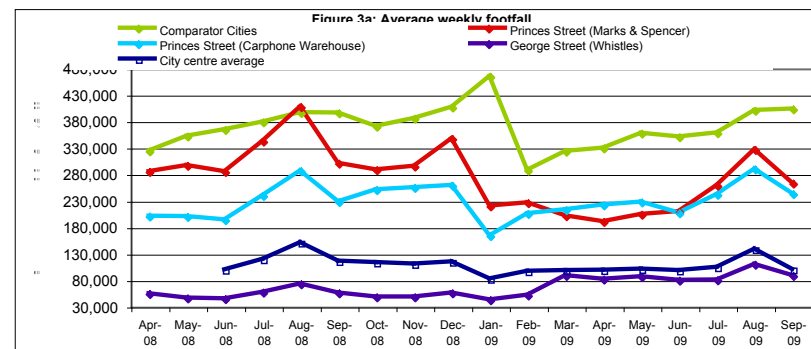
3.1 Footfall (Monthly Trend ▼; Annual Trend ◀▶)

Figure 3a summarises data from automated footfall counters in Edinburgh city centre. Average weekly footfall at the city centre's busiest counter outside Marks & Spencer on Princes Street fell to 262,711. This follows seasonal trends as the month of August is especially busy due to festival attendance.⁵

On Princes Street, average weekly footfall was 7.7% higher outside Carphone Warehouse but 12.5% lower than outside Marks & Spencer. On George Street, average weekly footfall outside Whistles was 60.1% higher in September 2009 than in September 2008. These large annual fluctuations can be attributed to the diversion of buses from Princes Street to George Street, which has meant that passengers are alighting on George Street rather than Princes Street. Bus, taxi and cycle traffic is scheduled to return to Princes Street on Sunday 29 November 2009 in advance of the Christmas shopping period.⁶

3.2 Parking (Monthly Trend ▼; Annual Trend ▼)

Figure 3b shows that on-street parking utilisation has continued to fall in the city centre. Utilisation during charging hours is 38.5%, meaning that on average 61.5% of parking bays in the city centre are available.



For more detailed information on city centre trends, see the latest *City Centre Health Watch*

⁵ Source: Springboard. The comparator cities figure is an average of footfall count at the busiest locations in Birmingham, Bristol, Cardiff, Dublin, Edinburgh, Glasgow, Leeds, London, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

⁶ Ibid.

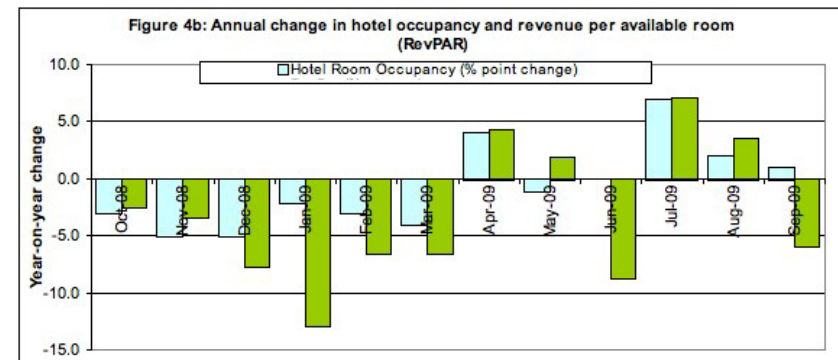
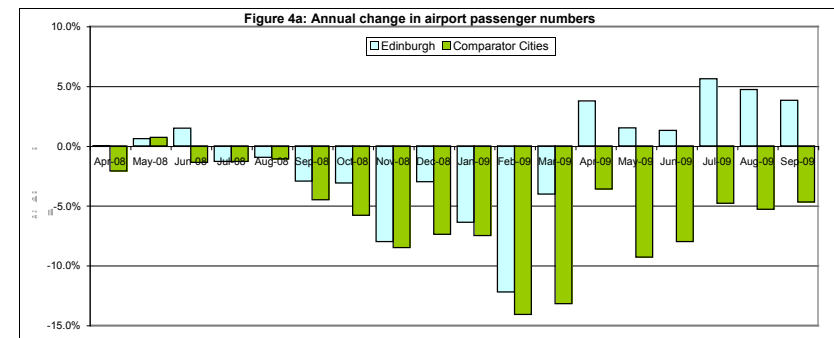
4 Tourism

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

854,986 passengers passed through Edinburgh Airport in September 2009 – 3.8% more than in September 2008 and the sixth consecutive month in which passenger numbers rose compared with last year. This is perhaps because Edinburgh airport was linked to more international destinations in the spring. In comparator cities, passenger numbers fell by 4.7% – the 16th consecutive year-on-year decline.⁷

4.2 Hotels (Monthly Trend ▲; Annual Trend ▲)

Hotel room occupancy improved from 86% in September 2008 to 87% in September 2009. However, revenue per available room (RevPAR) fell from £79.48 to £74.80 which suggests that hoteliers are having to reduce rates to maintain desired occupancy rates.⁸



⁷ 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. Figures for August 2009 are provisional.

⁸ Ibid.

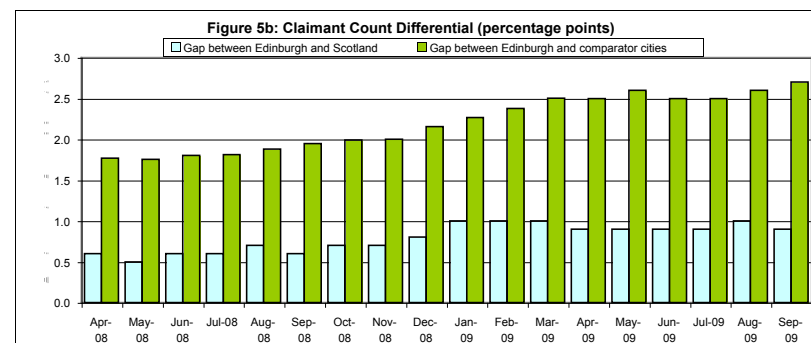
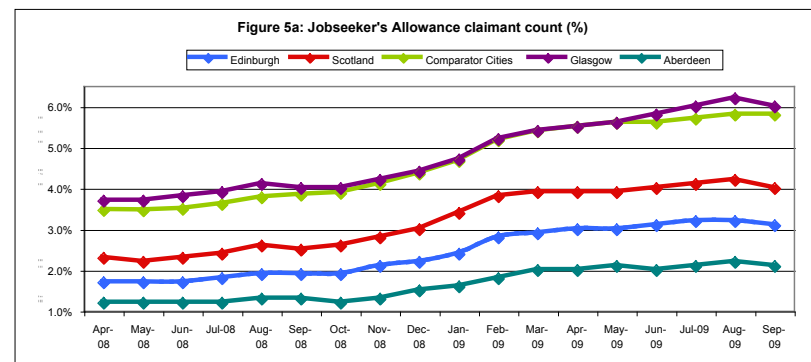
5 Labour market

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

Unemployment fell by 2.2% in Edinburgh between August and September, a trend that was followed in all Scottish major cities. This often happens in September and may be due to the new term in universities and colleges. Claimants may be enrolling in new courses, while positions filled by students in summer jobs may be replaced by claimants. The Jobseeker's Allowance claimant count now stands at 9,995, or 3.1% of the working age population. While this is 68.9% more than last year, Edinburgh's unemployment rate compares favourably with that of Scotland (4.0%) and comparator cities (5.8%).⁹

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

Figure 5b highlights the difference in the unemployment rate between Edinburgh and Scotland and comparator cities and shows that the recession has not affected Edinburgh's labour market as severely as in other areas. In September 2009, the unemployment rate in Edinburgh was 0.9 percentage points below that of Scotland and 2.7 percentage points below that of comparator cities.¹⁰



⁹ 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.

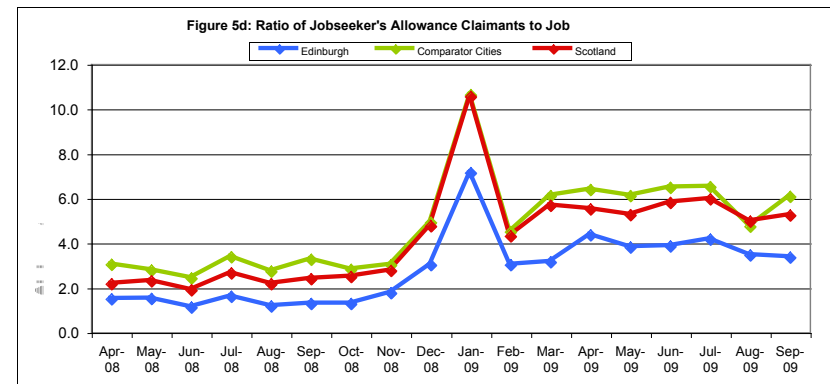
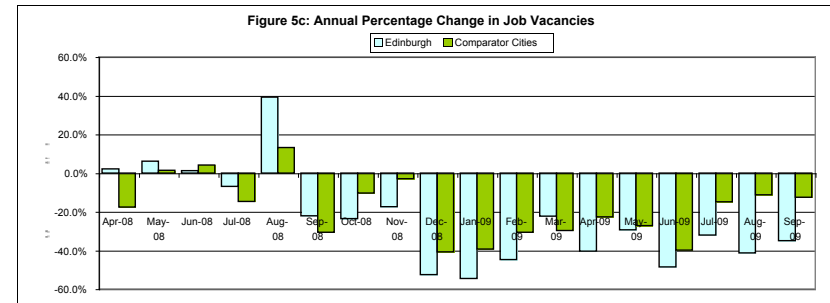
¹⁰ Ibid.

5.3 Job Vacancies (Monthly Trend ▲; Annual Trend ▼; Relative to Comparator Cities ▼)

Figure 5c shows that the number of job vacancies advertised by Jobcentre Plus in Edinburgh and in comparator cities has seen an annual decline for the past 13 months. In September, 2,972 job vacancies were advertised in Edinburgh –39.0% fewer than in September 2008.¹¹

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

In September, there were 3.4 Jobseeker's Allowance claimants in Edinburgh for every vacancy advertised by Jobcentre Plus. This compares favourably with Scotland as a whole (5.2 claimants per vacancy) and with comparator cities (6.1 claimants per vacancy).¹² The vacancy ratio has been steady since March and is showing tentative signs of decline.



For more detailed information on Edinburgh's Labour Market see the latest *Labour Market Bulletin*.

Monthly updates of key labour statistics are available [here](#).

¹¹ Ibid
¹² Ibid

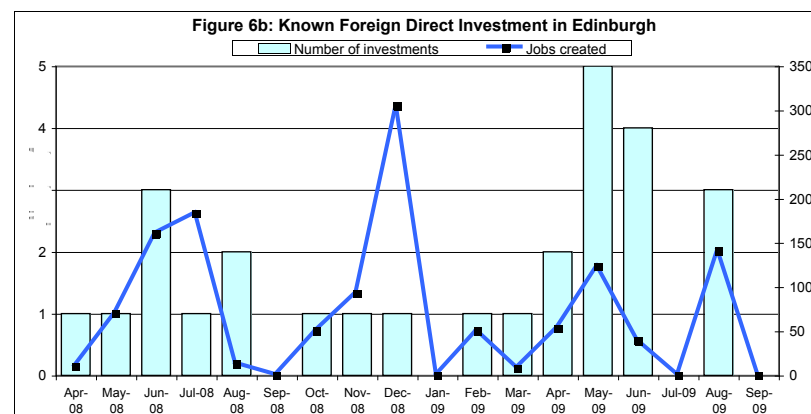
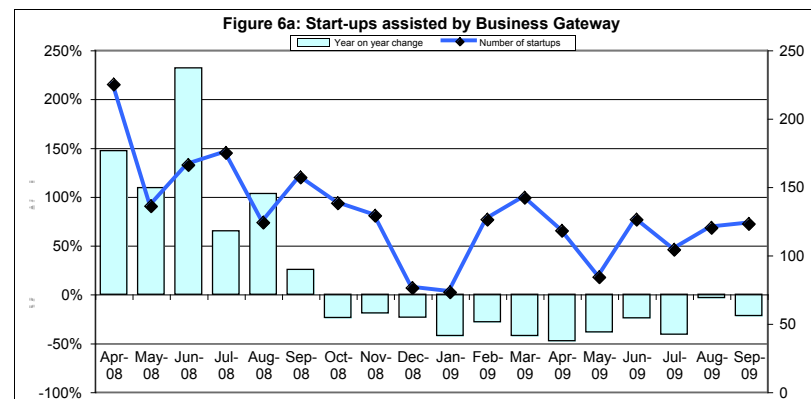
6 Investment

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

In September 2009, the Business Gateway assisted 123 start-ups in Edinburgh – 21.7% fewer than in September 2008. The number of start-ups assisted by the Business Gateway has fallen in comparison to the previous year for the last year. This may be an indication that entrepreneurs continue to find it difficult to obtain credit to start businesses.¹³

6.2 Foreign Direct Investment

Over the last twelve months, 19 large-scale Foreign Direct Investment (FDI) projects in Edinburgh have been announced, creating 862 jobs. Although no investments were recorded on the system for September, this information may arise at a later date.¹⁴ In October, Pandora Jewellers from Denmark announced that they would be opening an outlet on Multrees Walk.¹⁵



¹³ Source: Business Gateway

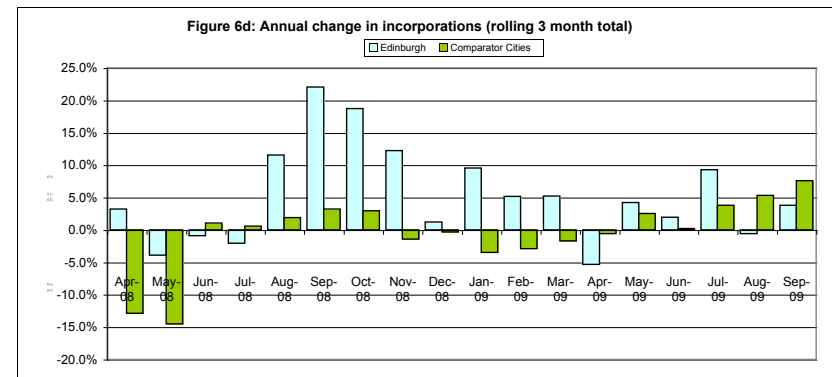
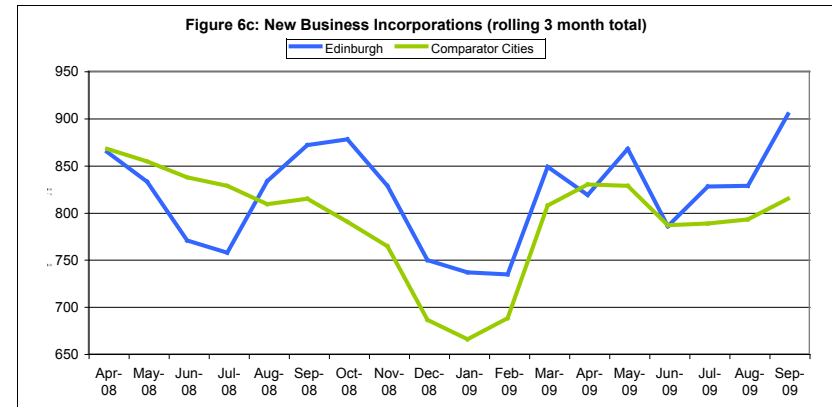
¹⁴ Source: FDI Markets. NB Figures are provisional and subject to change. Figures are often added to the database retrospectively.

¹⁵ <http://news.scotsman.com/scotland/Budget-fashion-giant-shelves-plan.5776314.jp>

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

The number of new businesses incorporated in the three-month period ending September 2009 was the highest in the last 18 months, growing by 9%. Comparator cities, meanwhile, saw a fall of 2.9%.¹⁶ Although this appears to conflict the information in section 6.1, it may be that many of these new incorporations are spin-outs rather than start-ups.

The number of businesses incorporated in Edinburgh in the three month period ending September 2009 was 3.8% higher than in September 2008. Incorporations in comparator cities rose by an average of 7.6%.¹⁷



¹⁶ 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.
¹⁷ Ibid.

7 Surveys and Forecasts

This section summarises and links to some economic forecasts to have emerged in October:

Office of National Statistics (23 October)

The UK's economy unexpectedly contracted by 0.4% over quarter 3 2009. This is the fifth consecutive quarter of decline, making it the longest recession since records began in 1955. The UK's reliance on the service sector may explain why it is still in recession, while other European countries such as France and Germany exited recession earlier this year. The economy has contracted by 5.2% since the same period last year.

More info: <http://news.bbc.co.uk/1/hi/8321970.stm>

Experian (22 October)

The full impact of the recession will not hit some areas of the UK for another seven months and, in some places, will be felt for many years after growth resumes. Currently the south of England is feeling the least impact from the recession; the midlands, Wales and the north-east the severest impact; with Scotland between the two extremes. Over the next 10 years, Experian expects London, Edinburgh and Leeds, as well as a number of other major northern cities, to prosper the most.

More info: <http://www.guardian.co.uk/business/2009/oct/22/recession-impact-government-uk>

Scottish Chambers of Commerce Quarterly Survey (22 October)

The results showed a marked upturn in business optimism and performance across a range of sectors including manufacturing and tourism. However, construction firms continue to face extremely tough times while sales continue to fall in both retail and

wholesale distribution.

More info: <http://www.heraldsotland.com/business/markets-economy/scots-economy-shows-more-signs-of-recovery-1.927693>

CBI Scotland (21 October)

CBI Scotland's industrial trends survey showed Scottish manufacturers' domestic orders grew marginally in Q3, 2009 – the first increase in domestic orders in any quarter for two years. Export orders fell only marginally, after tumbling for three consecutive quarters. Companies predicted further expansion in the coming three months. The CBI survey signalled manufacturing was more buoyant in the third quarter in Scotland than UK-wide.

More info: <http://www.heraldsotland.com/business/markets-economy/scots-economy-shows-more-signs-of-recovery-1.927693>

Ernst & Young Item club Autumn Forecast (19 October)

Confidence in the economy has strengthened considerably in recent months, and there is likely to be a "tentative recovery" during the second half of this year. Although the recession is ending, the UK is in for an anaemic recovery as output remains low for the next 18 months. Demand will be held back by weakness in the world economy and in credit markets. GDP will grow by just 1% next year after a fall of 4.5% this year. The report stated that Scotland needs to "shift gears" to an export and investment led economy to aid recovery.

More info: <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook>

Clydesdale Bank Survey (18 October)

Clydesdale bank conducted a survey of 788 UK self-employed managers and professionals. It found that two-thirds (66%) of business managers believed Scotland would start to experience an upturn by spring 2011.

More info: <http://news.bbc.co.uk/1/hi/scotland/8313219.stm>

PriceWaterhouse Coopers Turnaround Director Panel Survey (12 October)

A PWC survey of turnaround directors (specialists who are charged with saving the UK's most distressed companies) pointed towards an improved outlook on the state of the UK economy. 67% of respondents believe over half of current turnarounds will be successful and 85% believe their key trading indicators have levelled out or are starting to improve.

More info: <http://www.ukmediacentre.pwc.com/Content/Detail.asp?ReleaseID=3406&NewsAreaID=2>

8 Presswatch

Signs of recovery as finance firms hiring staff again

The Scotsman 27 October

<http://business.scotsman.com/economics/Signs-of-recovery-as-finance.5768413.jp>

Britain lags in growth race as US emerges from slump

The Independent 26 October

<http://www.independent.co.uk/news/business/news/britain-lags-in-growth-race-as-us-emerges-from-slump-1809540.html>

Flat UK retail sales raise concerns over recovery prospects

The Herald 22 October

<http://www.heraldscotland.com/business/markets-economy/flat-uk-retail-sales-raise-concerns-over-recovery-prospects-1.927884>

Pound still reeling after contraction in UK economy

The Herald 27 October

<http://www.heraldscotland.com/business/markets-economy/pound-still-reeling-after-contraction-in-uk-economy-1.928861>

Recovery will be feeble, say Tories

The Scotsman 26 October

<http://thescotsman.scotsman.com/latestnews/Recovery-will-be-feeble-say.5764807.jp>

Scots economy shows more signs of recovery

The Herald 22 October

<http://www.heraldscotland.com/business/markets-economy/scots-economy-shows-more-signs-of-recovery-1.927693>

Stephen King: Is the Treasury running out of ammo to save the economy?

The Independent 26 October

<http://www.independent.co.uk/news/business/comment/stephen-king/stephen-king-is-the-treasury-running-out-of-ammo-to-save-the-economy-1809544.html>

Hopes of recovery dashed as recession grinds on

The Herald 23 October

<http://www.heraldscotland.com/news/home-news/hopes-of-recovery-dashed-as-recession-grinds-on-1.927968>

Jump in Scottish deal-making adds to growth hopes

The Scotsman, 19 October

<http://business.scotsman.com/economics/Jump-in-Scottish-dealmaking.5744060.jp>

Recovery hopes as UK and US shares soar

The Herald, 14 October

<http://www.heraldscotland.com/news/home-news/recovery-hopes-as-uk-and-us-shares-soar-1.926332>

Service sector hits two-year expansion high

The Herald: 5 October

<http://www.heraldscotland.com/business/markets-economy/service-sector-hits-two-year-expansion-high-1.924203>

UK faces another quarter of recession

The Independent, 13 October

<http://www.independent.co.uk/news/business/news/uk-faces-another-quarter-of-recession-1801891.html>

UK manufacturing activity falls again in September

The Guardian, 1 October

<http://www.guardian.co.uk/business/2009/oct/01/ritain-manufacturing-output-orders-decline>

'Dismal' fall in UK manufacturing output

The Herald: 6 October

<http://www.heraldscotland.com/business/markets-economy/dismal-fall-in-uk-manufacturing-output-1.924439>

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](#) web pages.

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>

City of London Economic Digest

http://www.cityoflondon.gov.uk/Corporation/LGNL_Services/Business/Business_support_and_advice/Economic_information_and_analysis/Research_publications/Research+periodicals.htm

Interactive: The rise and fall of the UK's gross domestic product

<http://www.guardian.co.uk/business/interactive/2008/oct/22/creditchunch-recession>