

Welcome to the January 2010 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. You can access current and archive issues of the Economy Watch at www.edinburgh.gov.uk/economicdata

At a Glance...

Indicator	Annual Trend	Monthly Trend	Relative to Other Cities	Change on last year	More info
Housing	—	↑	↑	House prices up 8.8% House sales down 20.7%	Page 2
Planning and development	—	—	No data	Planning applications received up 4.1% Building warrants issued down 12.5%	Page 4
City centre	↓	↑	↓	Footfall down 13.8% On-street parking utilisation down 3.2%	Page 5
Tourism	—	↓	—	Airport passenger numbers down 4.4% Hotel room occupancy down 3.2% points	Page 6
Labour market	↓	—	↑	Claimant count up 46.0% Job vacancies up 0.5%	Page 7
Investment	↑	↓	↑	New incorporations up 19.5% Business Gateway start-ups up 44.7%	Page 9

(1) Housing market

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

The average house price in Edinburgh rose by £2,860 between November and December, and now stands at £213,650. Figure 1a looks back over the past 18 months and shows that house prices in Edinburgh were not severely affected during the recession and are now above pre-recession levels. Prices in Edinburgh are 3.4% above the 18 month average, while comparator cities' prices are 2.7% below their 18 month average.¹

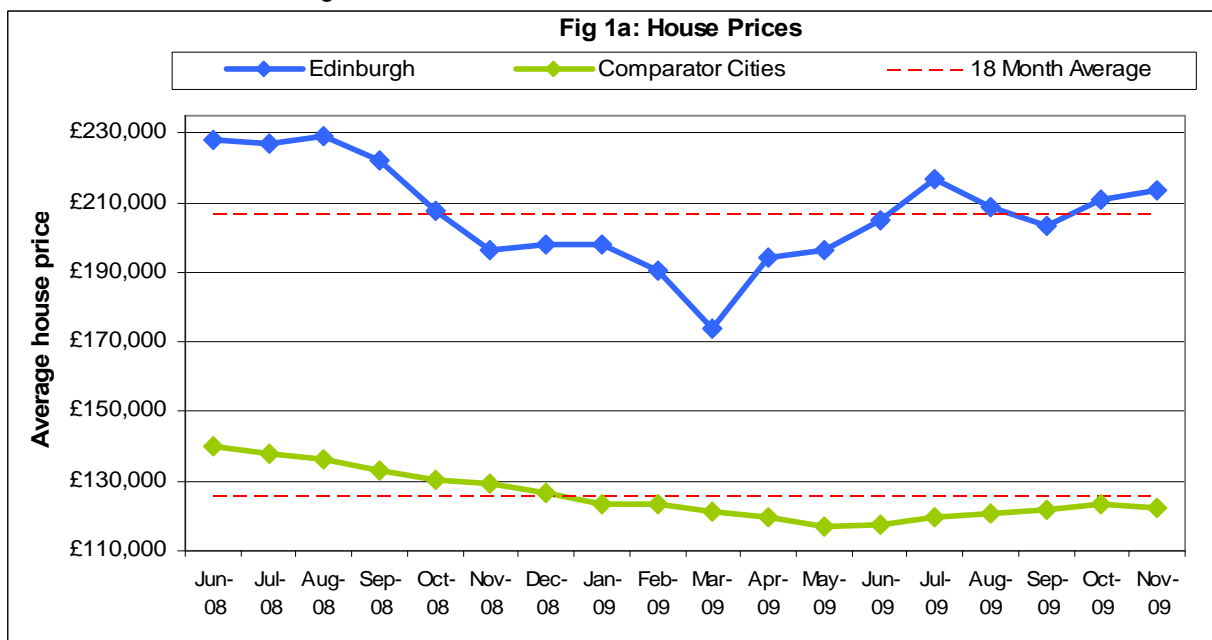
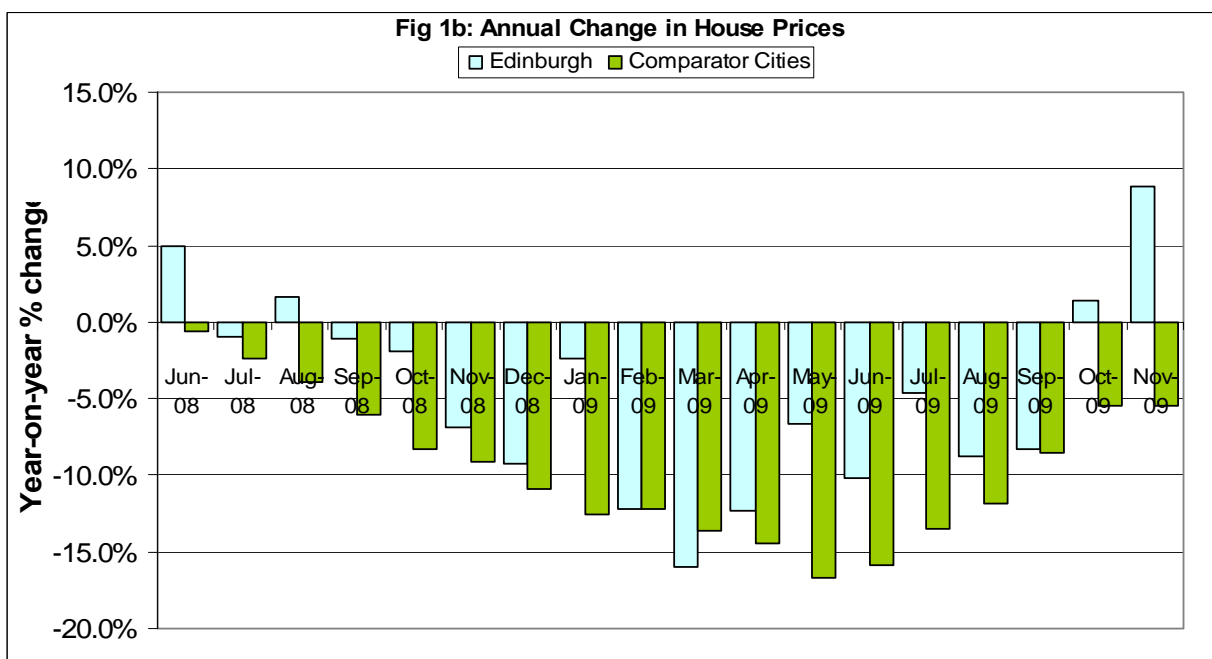


Figure 1b shows how have prices have changed compared with the same period last year. In November 2009, house prices were significantly higher than in November 2008. Prices rose by 8.8% compared with a 5.5% fall in comparator cities.²

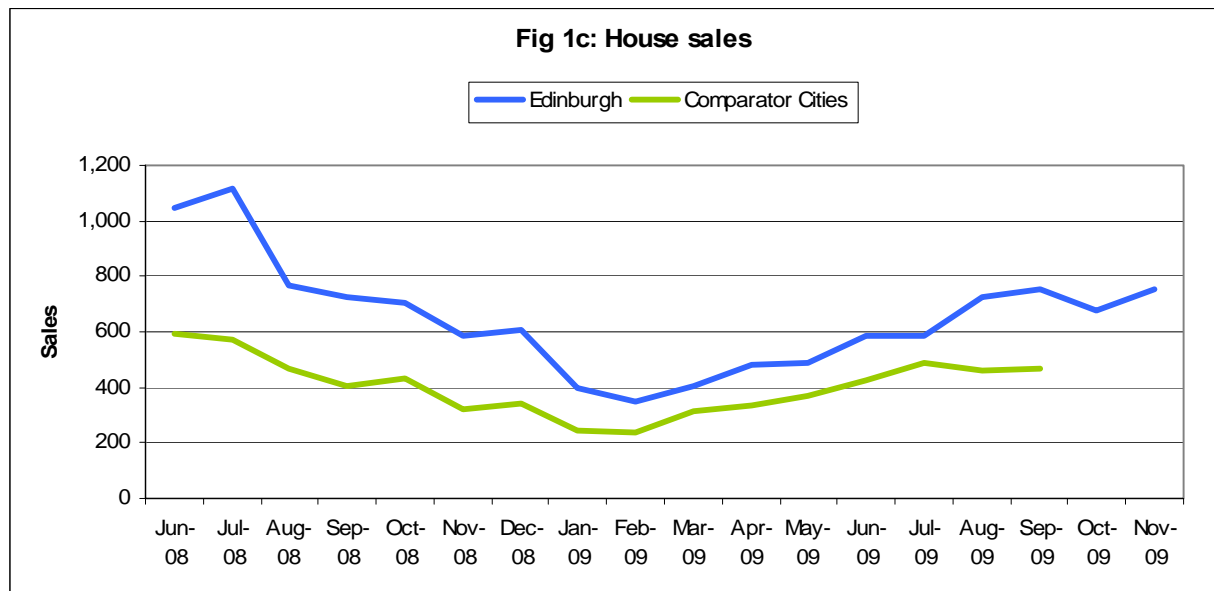


¹ Source: Registers of Scotland (Scottish cities); Land Registry (English & Welsh cities). The figure quoted for comparator cities is based on an average of house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

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

753 homes were sold in Edinburgh in November 2009 – considerably up on the 589 sold in November 2008 and the highest total since August 2008.³ The steady improvement in house sales since February 2009 coupled with stable house prices may be an indication that confidence is improving and the housing market is beginning to recover. In January, Miller Group announced that despite falling prices for new builds, demand is double that of twelve months ago.⁴



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

³ Ibid

⁴ <http://thescotsman.scotsman.com/business/Miller-sees-advance-sales-more.5980616.jp>

(2) Planning and development

2.1 Planning Applications Received (Monthly Trend ▼; Annual Trend ▲) and Building Warrants Issued (Monthly Trend ▲; Annual Trend ▼)

In the three-month period ending in December 2009, the City of Edinburgh Council received 984 planning applications and issued 1174 building warrants.⁵ Fig 2a shows that planning applications received and building warrants issued have been relatively steady since the summer, compared with a sharp decline in the autumn of 2008. This suggests that uncertainty at the start of the recession caused a fall in confidence. Much of this has been restored, although not to pre-recession levels.

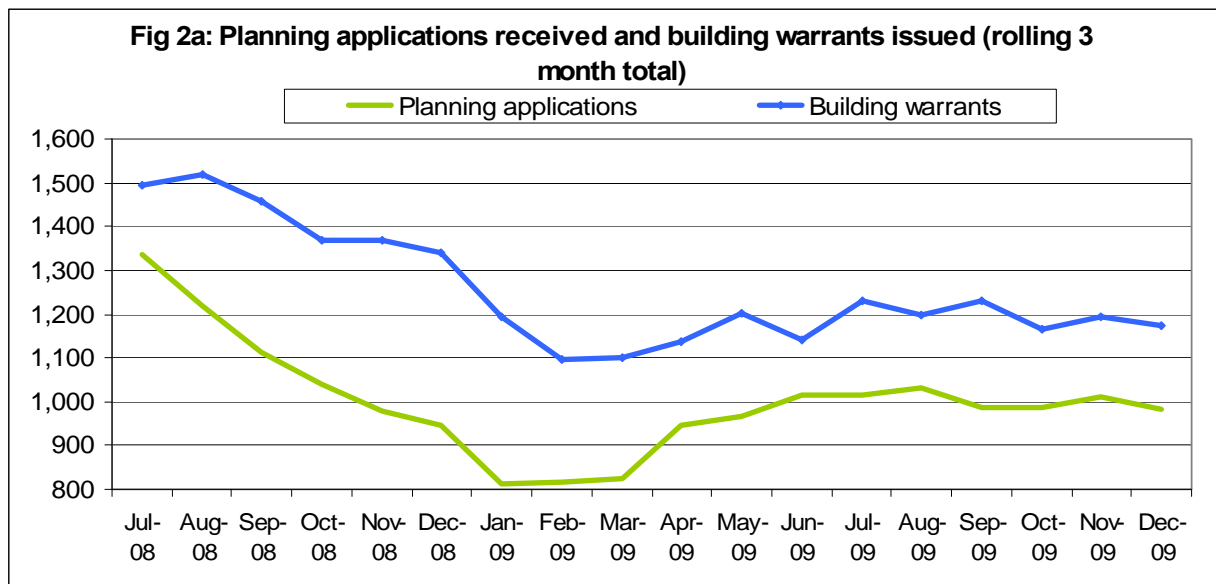
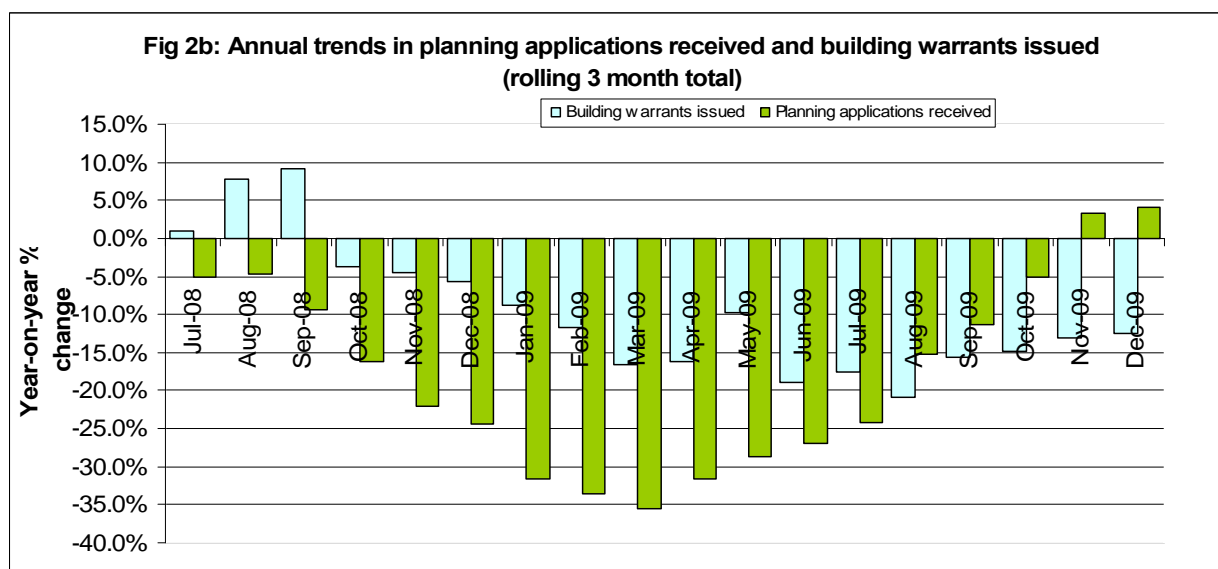


Fig 2b shows that planning applications received in the three-month period ending in December 2009 was higher than in December 2008. Meanwhile, the number of building warrants issued fell by 12.5%



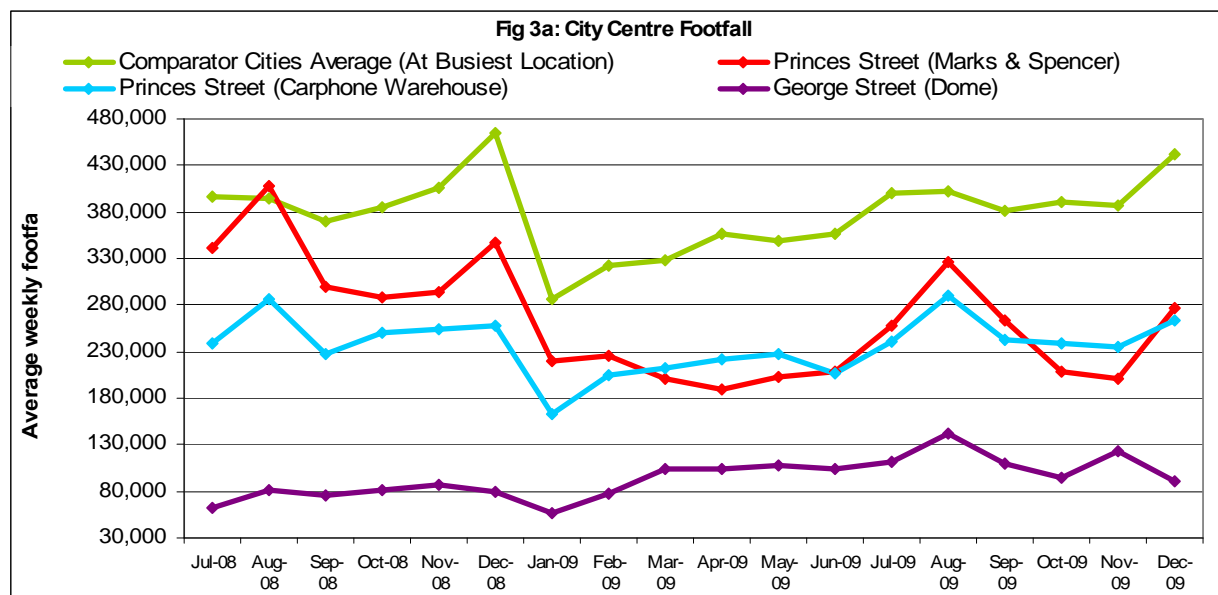
For more further information on planning issues in Edinburgh, see the latest [Planning News](#)

⁵ Source: City of Edinburgh Council, Planning Information team

(3) City centre performance

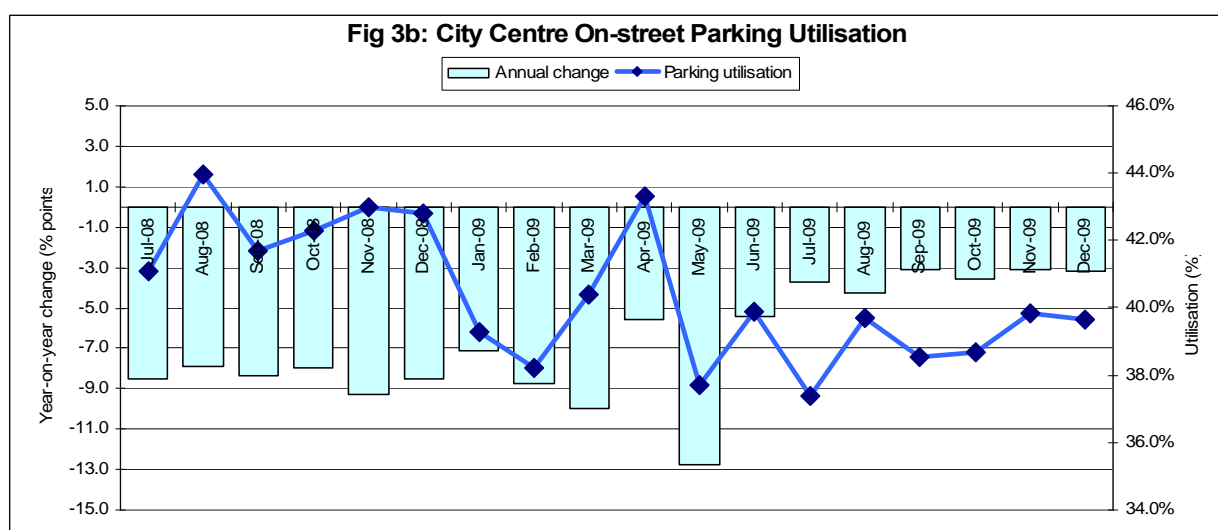
3.1 Footfall (Monthly Trend ▲; Annual Trend —; Relative to Comparator Cities ▼)

Figure 3a summarises data from automated footfall counters in Edinburgh city centre. Bus, taxi and cycle traffic returned to Princes Street in December, having been diverted to George Street for most of the year. As a consequence, average weekly footfall at Marks & Spencer on Princes Street rose by 37% to 267,978, while footfall at the Dome on George Street fell by 26%⁶ Compared with 2008, footfall was 13.8% lower at Marks & Spencer but 2.2% higher at Carphone Warehouse, also on Princes Street. Footfall in comparator cities was 4.4% down on 2008.⁷



3.2 On-Street Parking (Monthly Trend ▼; Annual Trend ▼)

Figure 3b shows on-street parking utilisation data taken from parking meters. Utilisation fell to 39.6% in December.⁸ This may be as the number of parking bays available increased following the completion of tramworks on Princes Street or due to additional free parking during the Christmas period. While on-street utilisation has generally fallen for the past 18 months, much of this has been offset by an increase in utilisation in off-street car parks and park & rides.⁹



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

⁶ 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.

⁷ Ibid.

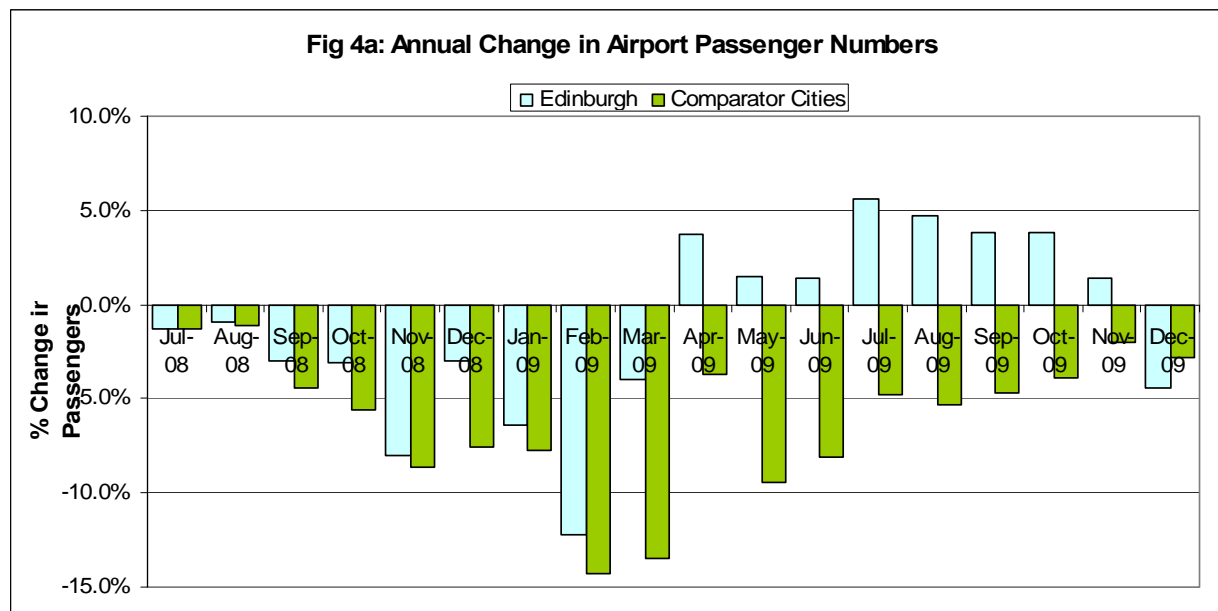
⁸ Source: CEC, Parking

⁹ As this data is not available monthly, it is not reported in Economy Watch. It will be made available in the City Centre Monitoring annual report, CentrePulse, which will be published in February 2010 and available to download at www.edinburgh.gov.uk/economicdata

(4) Tourism

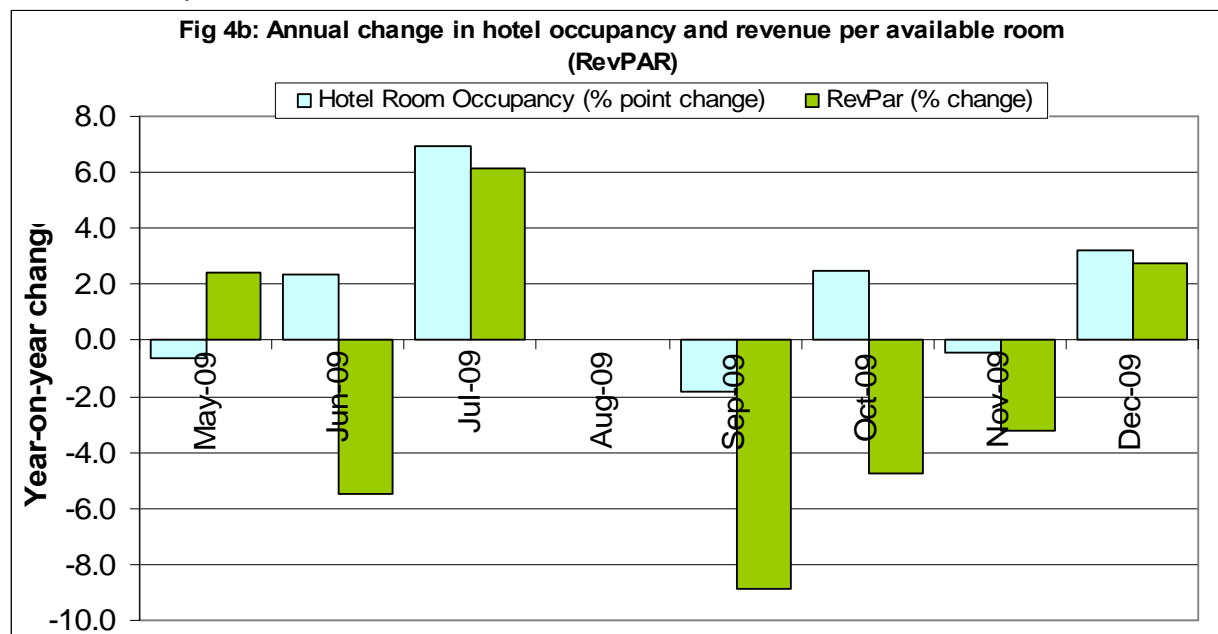
4.1 Airport (Monthly Trend ▼; Annual Trend ▼; Relative to Comparator Cities ▲)

580,211 passengers passed through Edinburgh Airport in November 2009 – 4.4% fewer than in December 2008.¹⁰ This first annual decline for eight months may have been partly due to the cancellation of several flights due to snow.¹¹ In comparator cities, passenger numbers fell by an average of 2.8% - the 19th consecutive month of annual decline.



4.2 Hotels (Monthly Trend ▼; Annual Trend ▲)

Both hotel room occupancy and revenue per available room (RevPar) were higher in December 2009 than in December 2008. Hotel room occupancy rose from 62.1 to 64.1% in December 2009, while RevPar rose from £45.76 to £47.02.¹² As hoteliers were able to raise room rates while still maintaining occupancy, this suggests an increase in the number of visitors over the festive period. Data for August 2009 is currently unavailable.



¹⁰ 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.

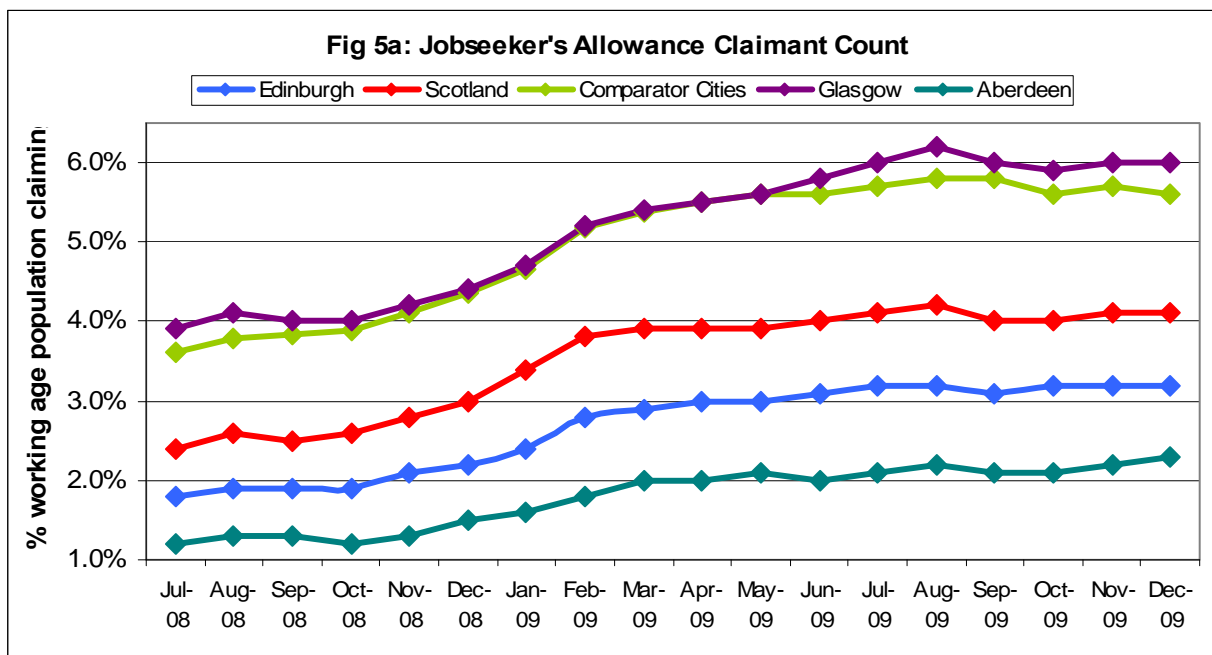
¹¹ http://news.bbc.co.uk/1/hi/scotland/edinburgh_and_east/8428069.stm

¹² Source: STR Global

(5) Labour market

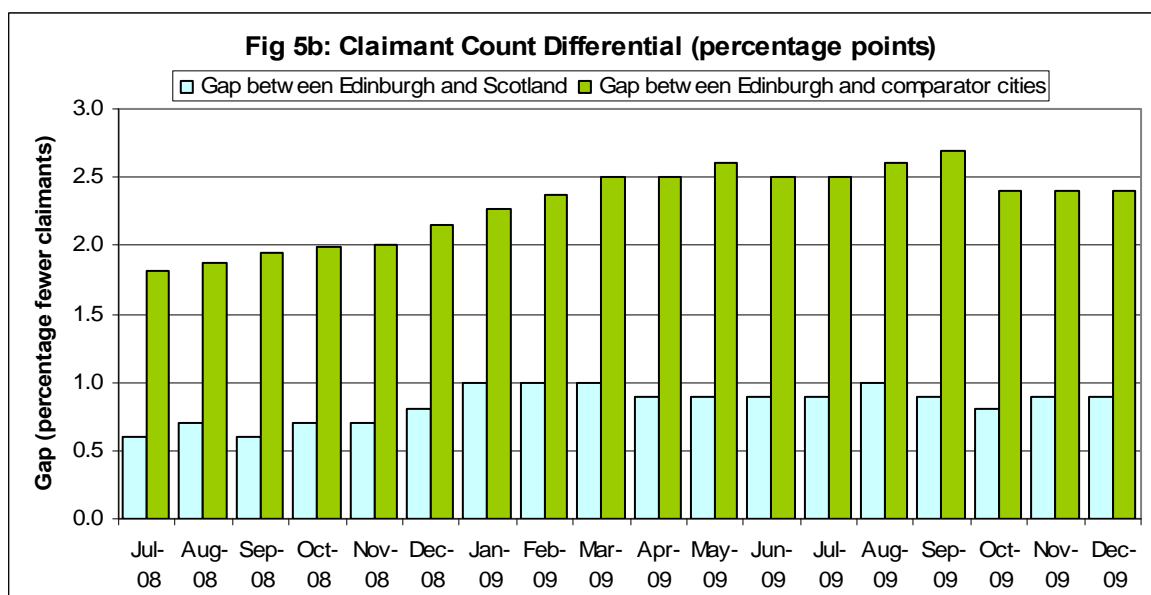
5.1 Unemployment Rate (Monthly Trend —; Annual Trend ▲; Relative to Comparator Cities ▼)

Unemployment fell slightly in November to 10,183 Jobseeker's Allowance claimants, but remained at 3.2% of the working age population. While this is 46.0% more than last year, Edinburgh's unemployment rate has been steady since July 2009 and compares favourably with that of Scotland (4.1%) and comparator cities (5.6%).¹³



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

Figure 5b highlights the difference in the unemployment rate between Edinburgh and Scotland and comparator cities. In December 2009, the unemployment rate in Edinburgh was 0.9 percentage points below that of Scotland and 2.4 percentage points below that of comparator cities.¹⁴

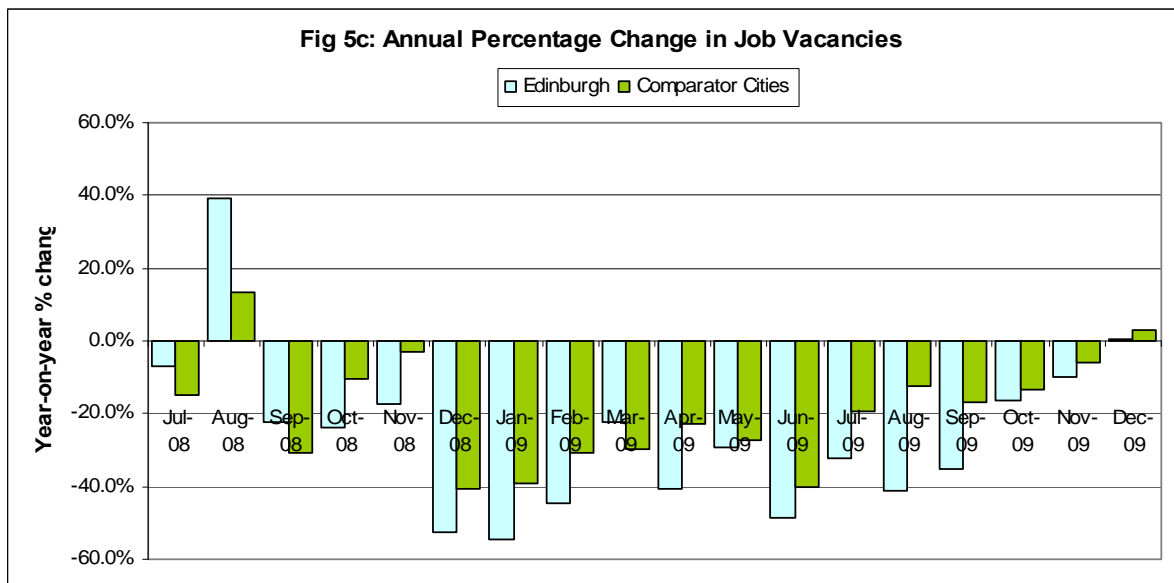


¹³ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle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

¹⁴ Ibid.

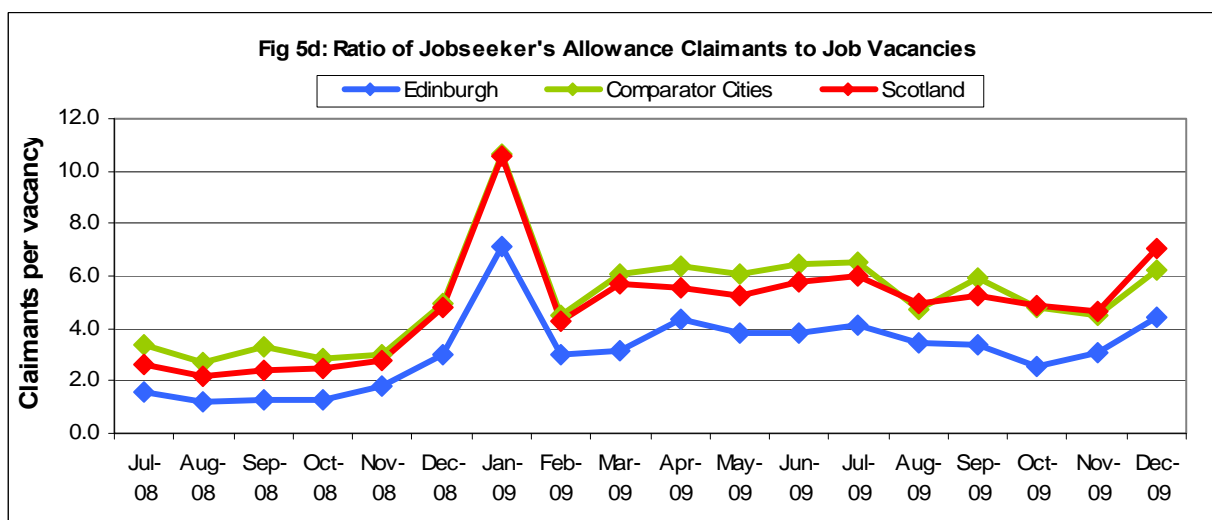
5.3 Job Vacancies (Monthly Trend ▼; Annual Trend ▲; Relative to Comparator Cities ▼)

Figure 5c shows that the number of job vacancies advertised by Jobcentre Plus in Edinburgh and in comparator cities rose year-on-year for the first time in 16 months. In December 2009, 2,319 job vacancies were advertised in Edinburgh – 0.5 % more than in December 2008.¹⁵



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

In December 2009, there were 4.4 Jobseeker's Allowance claimants in Edinburgh for every vacancy advertised by Jobcentre Plus. This increase followed expected seasonal trends as temporary Christmas jobs were already filled. While this is higher than last year, the ratio compares favourably with Scotland as a whole (7.1 claimants per vacancy) and with comparator cities (6.3 claimants per vacancy).¹⁶



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

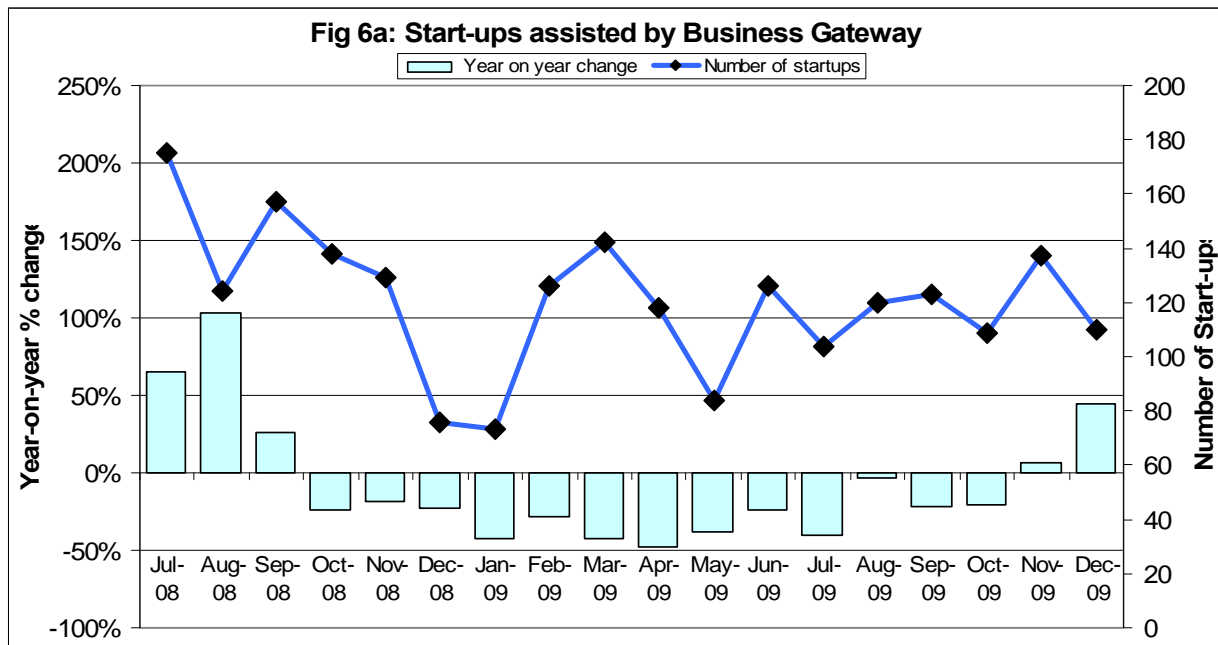
¹⁵ Ibid

¹⁶ Ibid

(6) Investment

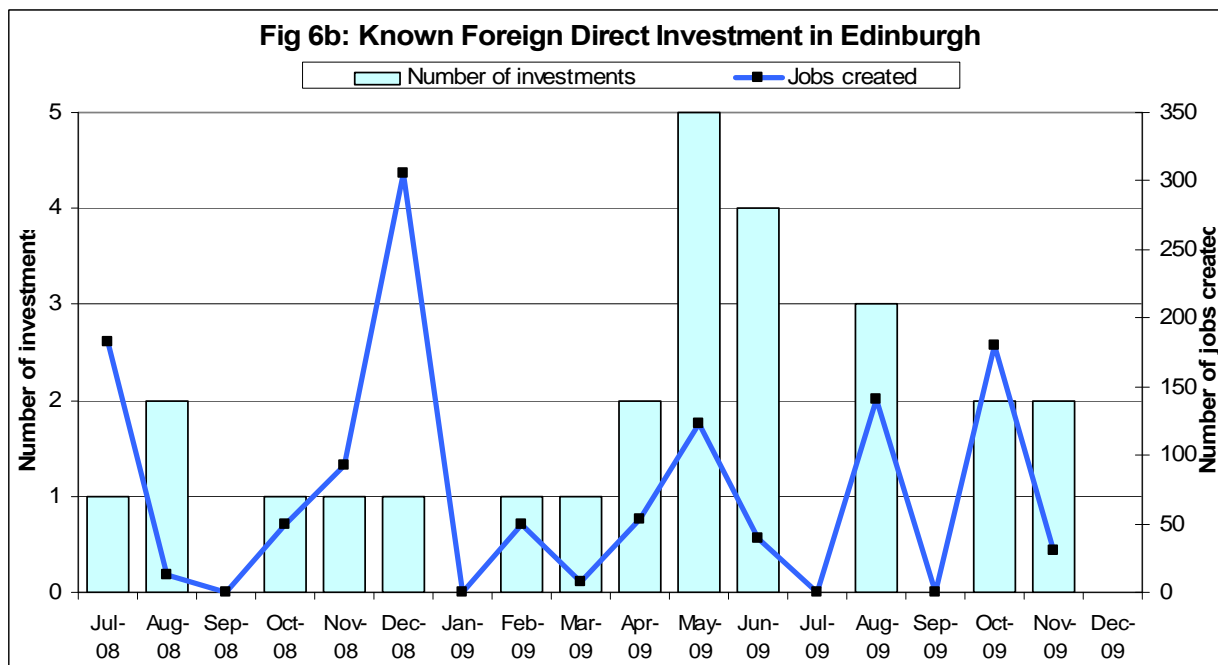
6.1 Business Gateway Start-ups (Monthly Trend ▼ ; Annual Trend ▲)

In December 2009, the Business Gateway assisted 110 start-ups in Edinburgh which is 44.7% more than in December 2008. With two months of consecutive year-on-year growth, this may be a sign of improved confidence among entrepreneurs or an indication that banks are more willing to lend to start-up businesses.¹⁷



6.2 Foreign Direct Investment

Over the last 18 months, 26 large-scale Foreign Direct Investment (FDI) projects in Edinburgh have been announced, creating 1,268 jobs.¹⁸

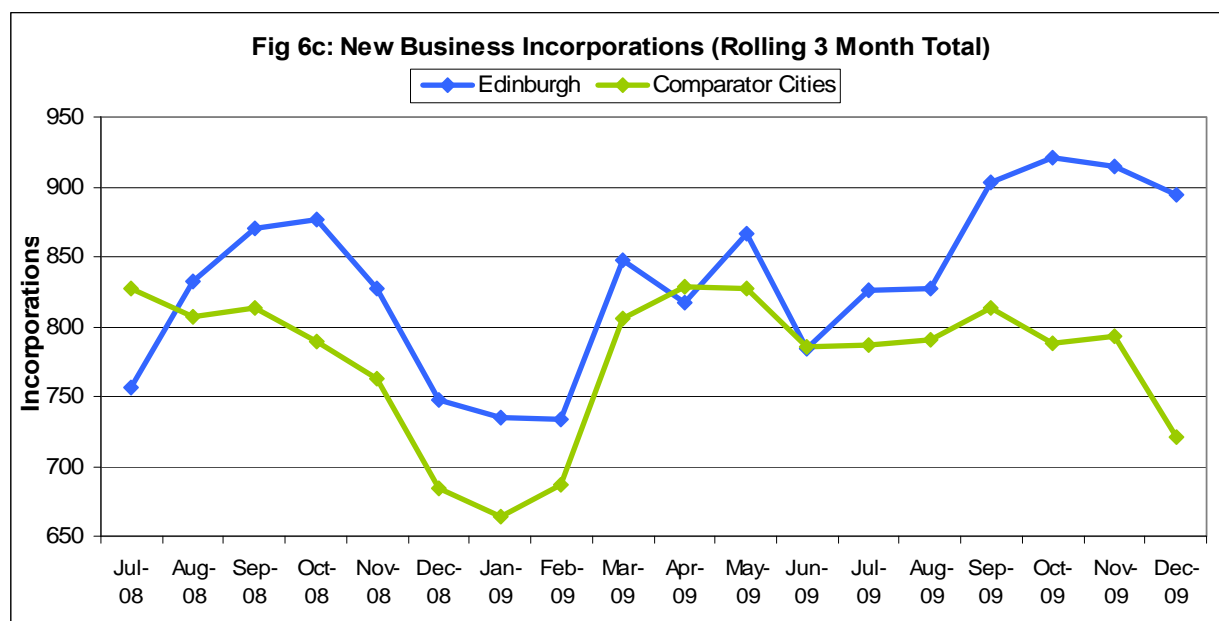


¹⁷ Source: Business Gateway

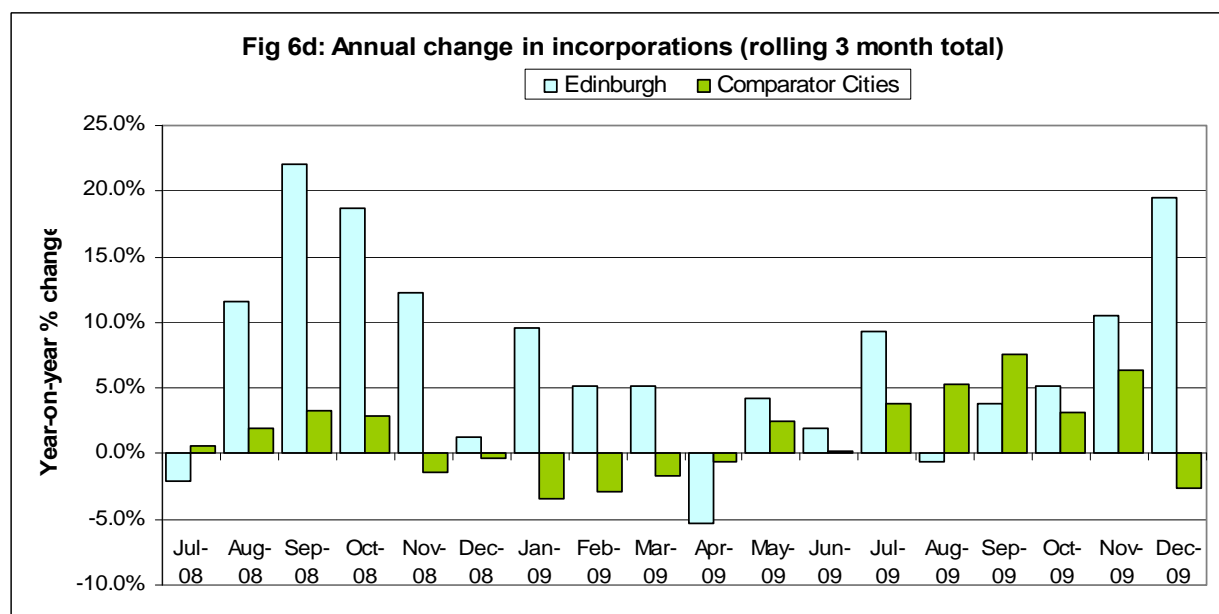
¹⁸ Source: FDI Markets. NB Figures are provisional and subject to change. Figures may be added to the database retrospectively.

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

The number of new businesses incorporated in the three-month period ending December 2009 remained high at 894. Comparator cities, meanwhile followed seasonal trends and fell sharply to 721.¹⁹ The positive differential between Edinburgh and comparator cities is higher than it has been for over 18 months.



The number of businesses incorporated in Edinburgh in the three month period ending December 2009 was 19.5% higher than in December 2008. Incorporations in comparator cities, meanwhile fell by 2.6%.²⁰



¹⁹ 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.

²⁰ Ibid.

(7) Surveys and Forecasts

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

CBI (27 January)

Sales on the high street in January fell year-on-year at their fastest pace since August, with 8% more retailers reporting a fall than a rise. This ended three consecutive months of sales growth. The harsh winter weather and VAT rise were suggested as possible reasons for this.

More

info:

<http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc772c5d7d8cfa9d3ca802576b6003dbcdd?OpenDocument>

World Bank – Global Economic Prospects 2010 (20 January)

This report warned that growth may slow later this year as government stimulus packages fade, with a “double-dip” recession remaining a risk in 2011. It forecasted the world economy will grow 2.7% in 2010 and 3.2% in 2011. The US will grow by 2.5%, China by 9% and Europe by just 1% in 2010.

More

info:

<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22446580~pagePK:34370~piPK:34424~theSitePK:4607.00.html>

Monetary Policy Committee (13 January)

Andrew Sentance of the MPC predicted that the Bank of England has done enough to lift Britain out of recession through quantitative easing and the sharp fall in interest rates, and will need to consider raising interest this year if a recovering economy poses a threat to inflation.

More info: <http://www.guardian.co.uk/business/2010/jan/13/bankofenglandgovernor-interest-rates>

British Chambers of Commerce Economic Survey (12 January)

This survey, carried out in Q4 2009, found that Scottish firms are more pessimistic about future profitability than those in the rest of the UK. Scottish respondents to the survey reported falling domestic sales in the Q4 2009 and a pick-up in export sales at a rate far below that of the UK as a whole. While many expect a rise in turnover, profit expectations have dipped considerably and remain negative.

More info: <http://www.britishchambers.org.uk/zones/policy/reports/quarterly-economic-survey.html>

Price Waterhouse Coopers & CPI Finance Survey (11 January)

The survey found that, following a modest growth in activity in Q4 2009, financial service firms' business volumes are expected to fall and profits remain flat over the Q1 2010, due to an uncertain economic outlook and increased regulation. Due to low interest rates, savings offers are not attractive; while lending volumes remain low as banks hold back capital to meet regulatory demands and as demand remains low as the economy continues to struggle.

More info: <http://thescotsman.scotsman.com/business/Two-steps-forward-one-step.5970206.jp>

Purchasing Managers Index - Markit Economics (11 January)

Scotland's services sector has weathered the worst of the downturn and is firmly back in expansion mode, according to the results of this survey. Services firms increased activity faster than in any month since June 2007, shortly before the global credit crunch became serious.

More info: <http://www.heraldscotland.com/business/markets-economy/smile-put-back-into-scotland-s-service-sector-1.997546>

Grant Thornton (11 January)

UK by accountant Grant Thornton surveyed 500 companies (including SMEs) in November and December 2009 and found that 55% of firms expected profits to increase in 2010, while only 17% were braced for a fall. Some 26% expect earnings to stay the same. This was a notable improvement on the previous year, where 28% expected profits to rise, 37% anticipated a fall and 33% predicted no change.

More info: <http://www.bloomberg.com/apps/news?pid=20601102&sid=aYlwp9UCm2xo>

OECD (8 January)

Despite not emerging from the recession in Q3 2009, an OECD leading indicator for the UK improved for a tenth month running in November, and at a still decent rate, thereby suggesting that the economy will continue to expand in the first six to nine months of 2010 after seemingly finally returning to growth in Q4 2009. This suggests that the UK will avoid a “double-dip” recession.

More info: http://www.oecd.org/document/10/0,3343,en_2649_34349_44354122_1_1_1_1,00.html

(8) Presswatch

Scotland may still be in slump despite UK exit

The Herald 28 January

<http://www.heraldscotland.com/business/markets-economy/scotland-may-still-be-in-slump-despite-uk-exit-1.1001739>

Lending is up – but so is the cost of borrowing

The Independent 22 January

<http://www.independent.co.uk/news/business/news/lending-is-up-ndash-but-so-is-the-cost-of-borrowing-1875394.html>

Optimism as Output Grows

The Herald 21 January

<http://www.heraldscotland.com/business/markets-economy/optimism-as-output-grows-1.1000546>

Inflation hike threat to homeowners

The Scotsman 20 January

<http://thescotsman.scotsman.com/uk/Inflation-hike-threat-to-homeowners.5995900.jp>

Scottish retail growth weaker than the rest of UK

The Herald 19 January

<http://www.heraldscotland.com/business/markets-economy/scottish-retail-growth-weaker-than-rest-of-uk-1.1000007>

UK manufacturers predict 'modest recovery' in 2010

BBC News 14 January

<http://news.bbc.co.uk/1/hi/business/8458383.stm>

Inflation lurks in wings as recovery gets going, warns MPC member

The Guardian 13 January

<http://www.guardian.co.uk/business/2010/jan/13/bankofenglandgovernor-interest-rates>

High street celebrates more Christmas cheer, but sales remain depressed

The Guardian 8 January

<http://www.guardian.co.uk/business/2010/jan/07/high-street-christmas-sales-sainsburys-new-look-jd-sports>

Service sector figures boost hopes of end to recession

The Herald 7 January

<http://www.heraldscotland.com/business/markets-economy/service-sector-figures-boost-hopes-of-end-to-recession-1.996578>

Good Christmas for Marks & Spencer - but challenging year ahead

The Herald 6 January

<http://www.heraldscotland.com/business/corporate-sme/good-christmas-for-marks-spencer-but-challenging-year-ahead-1.996461>

Huge rise in private investments in 2009 after miserly 2008

The Scotsman 6 January

<http://thescotsman.scotsman.com/business/Huge-rise--in-private.5958140.jp>

Small wonder the Scottish economy is lying in tatters

The Sunday Herald, 3 January

<http://www.heraldscotland.com/comment/iain-macwhirter/small-wonder-the-scottish-economy-is-lying-in-tatters-1.995961>

(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 and publications 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

The Scottish Government: State of the Economy Updates

<http://www.scotland.gov.uk/Topics/Economy/state-economy>

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&qobackto=4

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

<http://www.statistics.gov.uk/lm-interactive/percent-wap-isa.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/creditrunch-recession>

City Tracker: Surviving the Recession

<http://citytracker.org.uk/>

Leading Economies by Size of GDP

<http://image.guardian.co.uk/sys-files/Guardian/documents/2009/12/08/Recession.pdf>

Interactive Map Showing Countries' Current Growth Rates

<http://www.guardian.co.uk/business/interactive/2009/oct/27/recession-gdp>