

Edinburgh Economy Watch May 2009

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Welcome to the second issue of the Edinburgh Economy Watch, a new monthly update on Edinburgh's economy produced by the City of Edinburgh Council's Economic Development Unit.

What is it?

The Edinburgh 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 through graphs, with some brief analysis. Only monthly-updated indicators are used so that the latest trends to be clearly viewed. Data is displayed for up to a year in the past wherever possible.

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Indicators are divided into the following six sections, in order of most reactive to more lagging indicators:

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Who is it for?

The Edinburgh Economy Watch is intended for Council representatives and close partners with an interest in the city's economic performance.

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 with a traffic light system comparing it against the previous month, year and comparator cities. Green signifies improvement, amber relative stability and red worsening.

Further information

The statistics presented 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.

Feedback

Any feedback, questions or suggestions for future issues would be most welcome, and should be sent to David Hanna at economicstrategy@edinburgh.gov.uk or on 0131 529 3161.

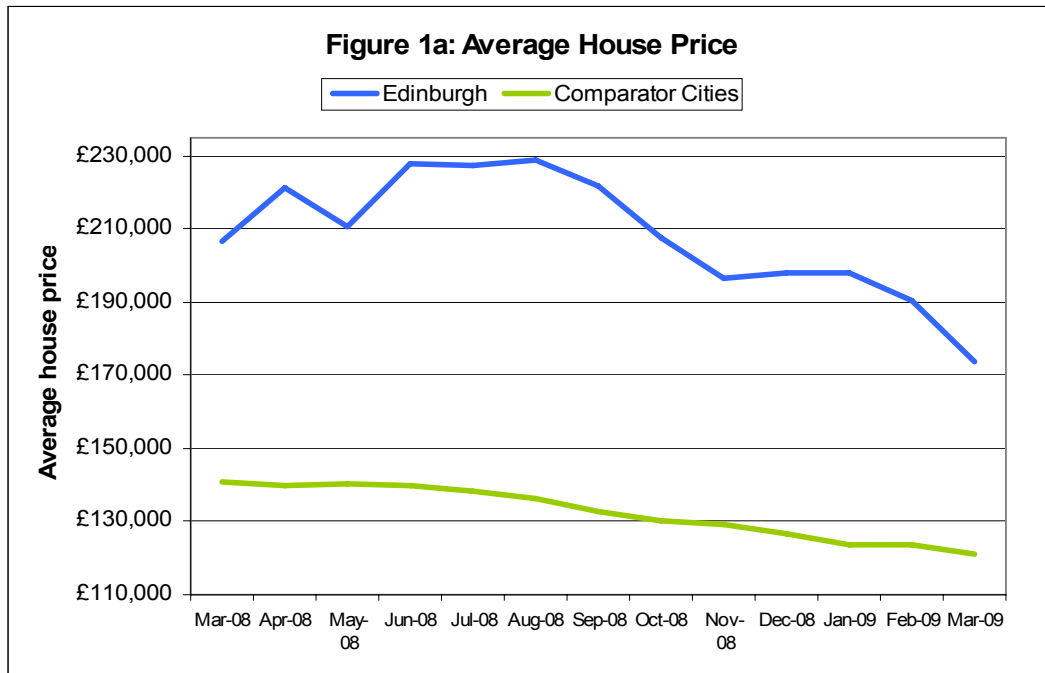


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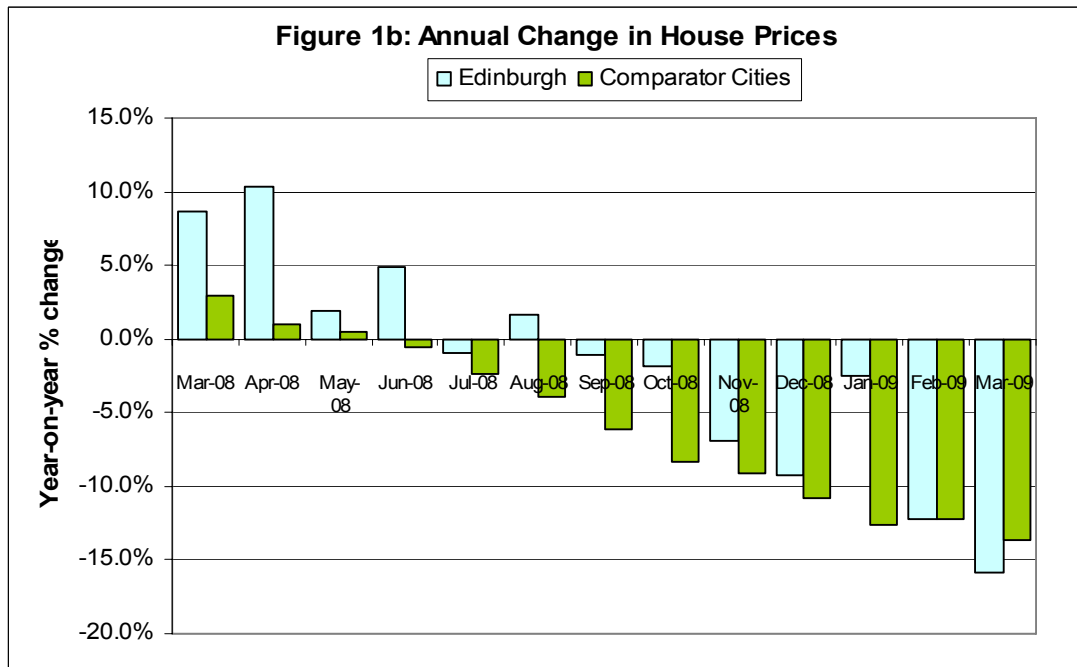
(1) Housing market

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

The decline in house prices in Edinburgh began several months later than in comparator cities, with prices then falling more sharply. In March 2009, the average price of a house sold in Edinburgh was £173,925 – its lowest since May 2005. This compares with £121,245 in comparator cities.¹



Compared with the previous year, house prices have continued to fall. In March 2009, house prices fell were 15.9% lower than in March 2008, a larger relative fall than comparator cities for the first time.²



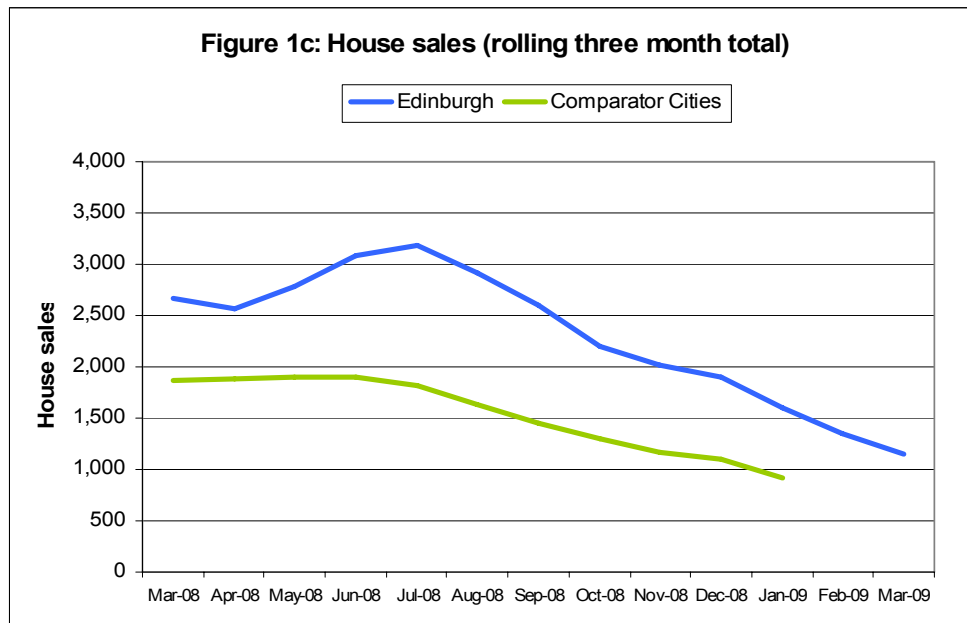
¹ Source: Registers of Scotland. The comparator cities figure is an average of year-on-year changes in house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

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

The number of monthly house sales in Edinburgh has recently been declining at a similar rate to that observed in the comparator cities. Just 1,157 houses were sold in March in Edinburgh.³



The ongoing fall in both sales and house prices in Edinburgh and comparator cities may be due to a combination of three factors:

1. People are still unable to access finance easily from lenders. Across the UK, the gross value of mortgage lending has fallen by 60% from £24,267m to £11,383m over the year to March 2009⁴.
2. People's expectations are for house prices to fall further;
3. People are being more cautious due to uncertainty about their future financial situation during the recession.

There has been an increased supply of properties for rent. This supports the anecdotal evidence that many owners unable to sell their homes are choosing to rent out their properties. This has led to a fall in rental values in some areas of the city⁵.

Future trends are difficult to predict. The Council of Mortgage Lenders and most of the banks and building societies have suspended their forecasts for the time being.

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

³ Ibid

⁴ Source: City of Edinburgh Council, Housing

⁵ Ibid.

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(2) Planning and development

2.1 Building Warrants & Planning Applications (Monthly Trend: both —; Annual Trend: both ▼)

Fig 2a shows that the number of building warrants issued⁶ and planning applications received⁷ in Edinburgh began falling in the summer of 2008 but has remained steady in 2009.

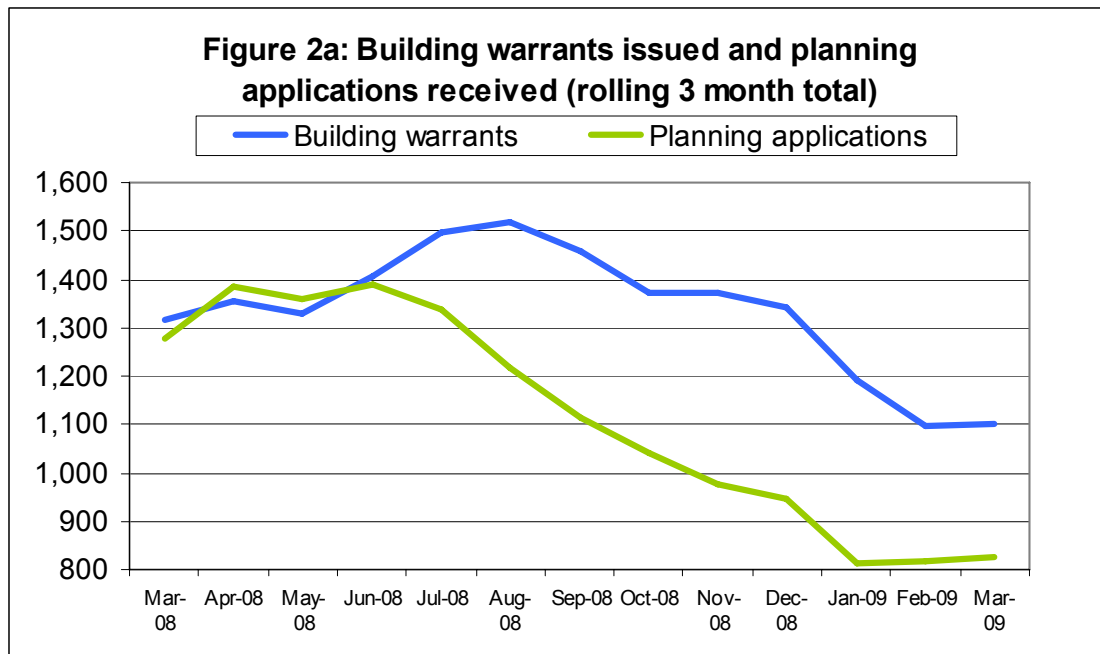
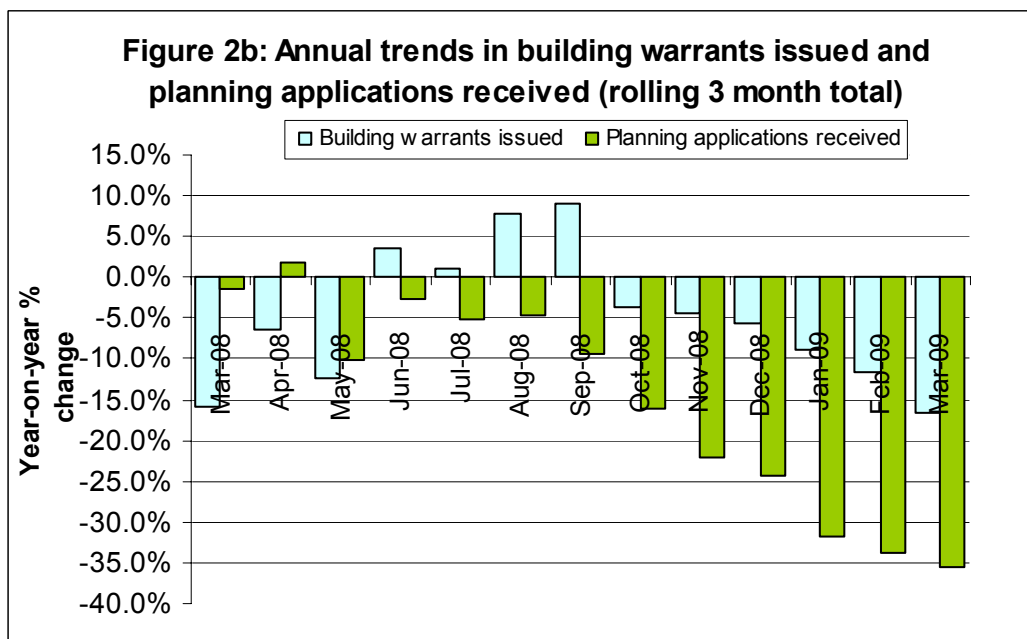


Fig 2b shows that the annual percentage fall in both warrants issued and applications received has been increasing in recent months.



Planning applications have fallen as the lack of liquidity in financial markets has meant that that finance, for both developers and potential purchasers, was either unavailable or unattainable. This led to a sharp decline in speculative commercial development and a virtual standstill in the housing sector.

Most applications in recent months have been for alterations, improvements and extensions⁸. However some longer-term applications continue to be submitted where capital is available, under the expectation of economic recovery by the time such projects come to fruition, e.g. St James Quarter.

⁶ Source: City of Edinburgh Council, Planning Information team

⁷ Ibid.

⁸ Ibid.

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Building warrants reflect trends in planning applications, with a slight delay. These are higher as not all building warrant applications also require a planning application, and one planning application may generate multiple building warrant submissions

Whilst conditions in the credit markets have eased slightly, uncertainty remains within all development sectors given the ongoing recession, continually increasing unemployment figures and low business confidence. Therefore the lull in new development will remain and any significant increase in the number of planning application submissions and subsequently in building warrants issued is highly unlikely in the short-term at least.

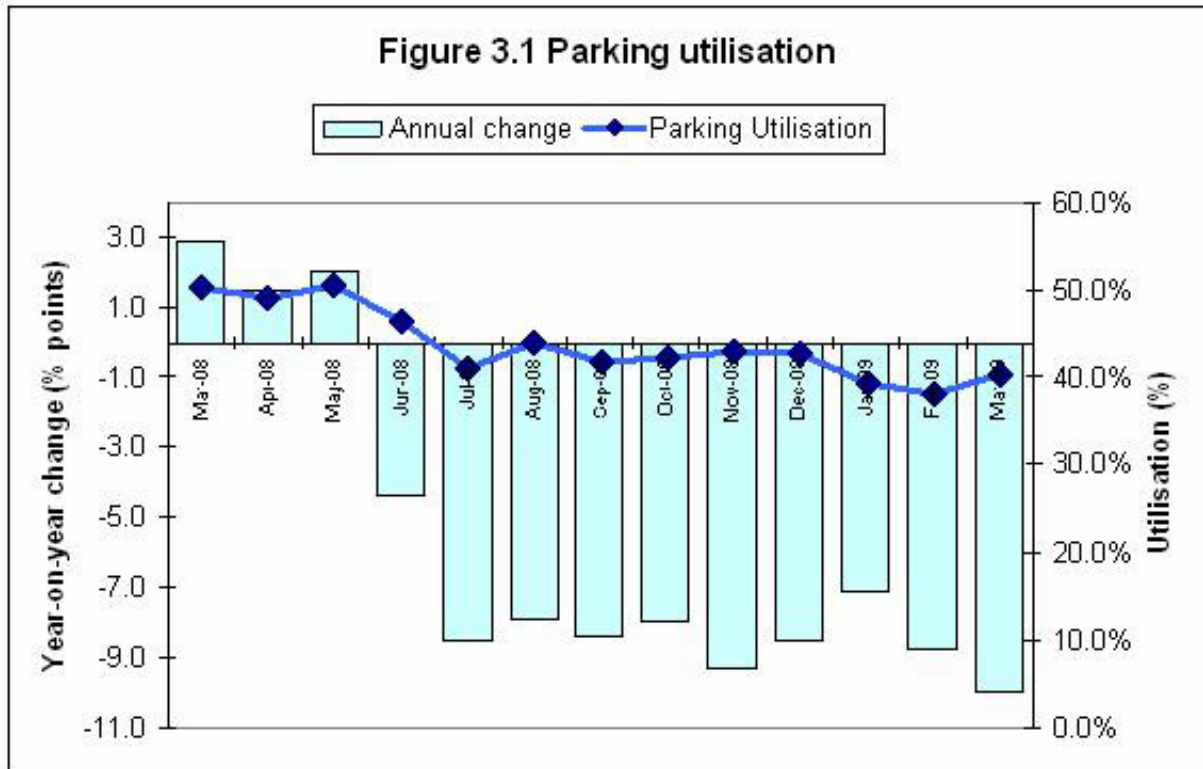
For more further information on planning issues in Edinburgh, see the latest [Planning News](#)

(3) City centre performance

The best indicator of city centre performance is retail turnover. The Council is currently in discussion with retailers about obtaining trend data and hopes to have this in the near future. Footfall data is not currently a good indicator of city centre performance due to infrastructure works unrelated to the economic climate. Recent pedestrian and bus diversions have affected footfall patterns, making comparisons over time difficult.

3.1 Parking (Monthly Trend —; Annual Trend ▼)

Parking utilisation is however still a useful indicator of city centre performance. Fig 3.1 shows that on-street parking utilisation in Edinburgh’s city centre has experienced annual falls in recent months, despite the number of parking bays falling. In March 2009, average parking utilisation in the city centre was 40.4%, compared with 50.3% in March 2008.⁹



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

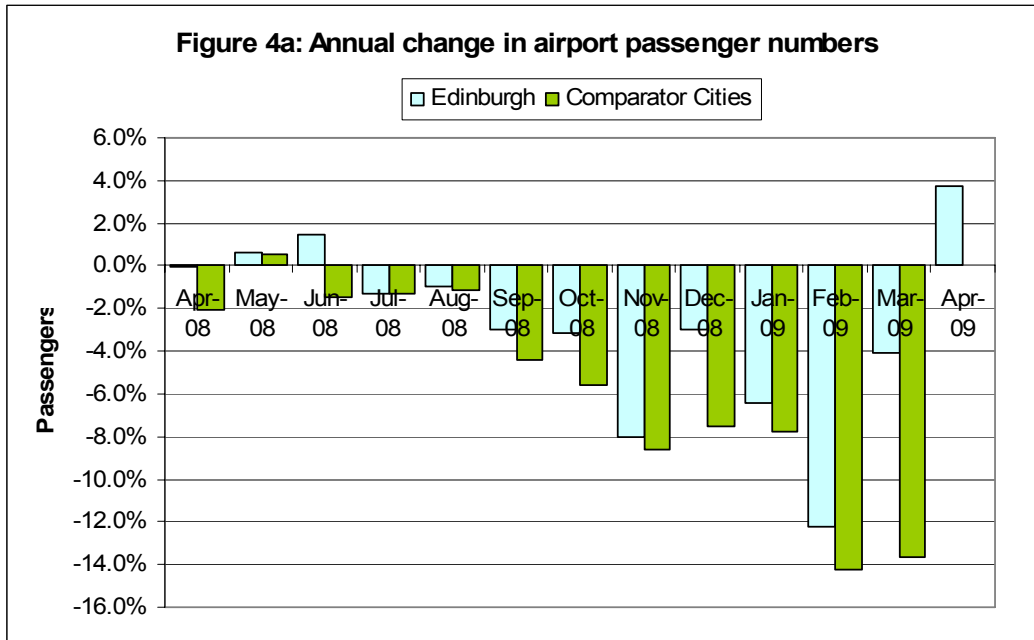
For more detailed information on city centre trends, see the [City Centre Health Watch](#)

⁹ Source: City of Edinburgh Council, Parking Operations

(4) Tourism and business tourism

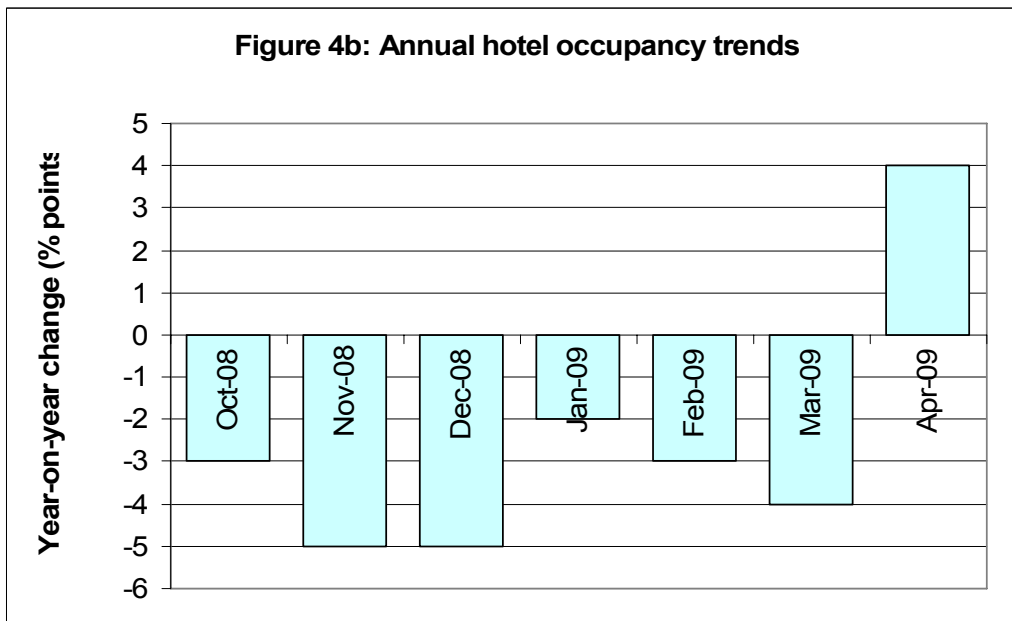
4.1 Airport (Monthly Trend: ▲; Annual Trend ▲; Relative to Comparator Cities ▲)

Between June 2008 and March 2009, passenger number at Edinburgh airport fell year-on-year, but never by more than comparator cities¹⁰. In April 2009, Edinburgh Airport showed signs of recovery with passenger numbers increasing for the first time in nine months – by 3.7%. The trends reflect a rise in international traffic, which grew by 24% following the launch of range of new direct flights. Domestic traffic meanwhile fell by 8.8%, as business traffic falls and a capacity is reduced by some airlines on some domestic routes¹¹. A later Easter this year may have also had an impact.



4.2 Hotel Room Occupancy (Monthly Trend ▲; Annual Trend ▲)

Hotel room occupancy was higher this April than in 2008¹². This may be partly explained by, a later Easter than last year, the good weather and an improved Euro to Pound exchange rate (€0.79 to £1.00 increasing to €0.90 to £1). It will be interesting to see if this trend can be sustained into the summer.



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. Figures for March and April are provisional. April's figures are not yet available for comparator cities.

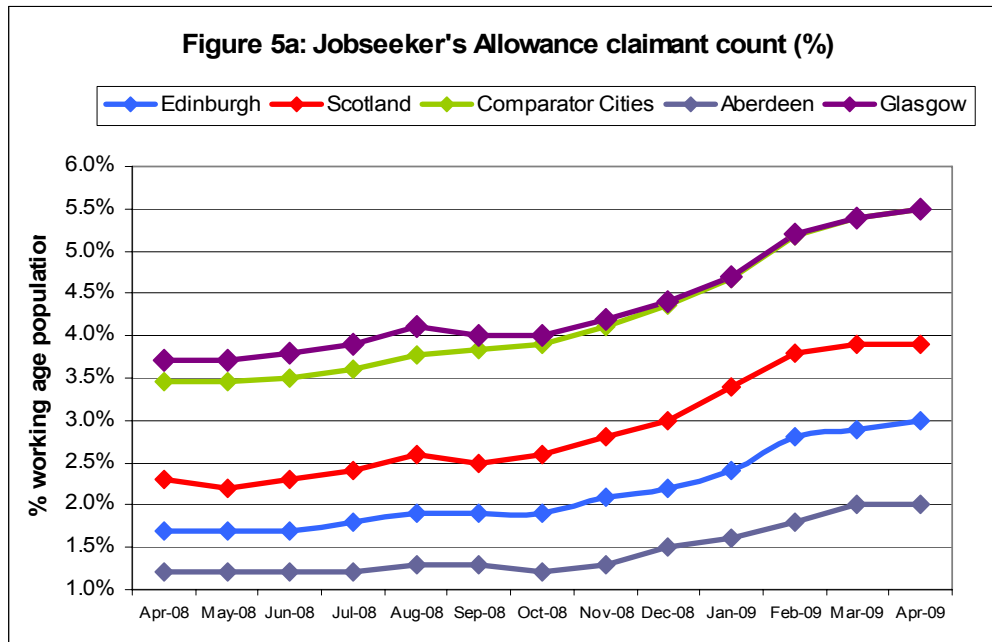
¹¹ Source: BAA, Edinburgh

¹² Source: Lynn Jones Research

(5) Labour market

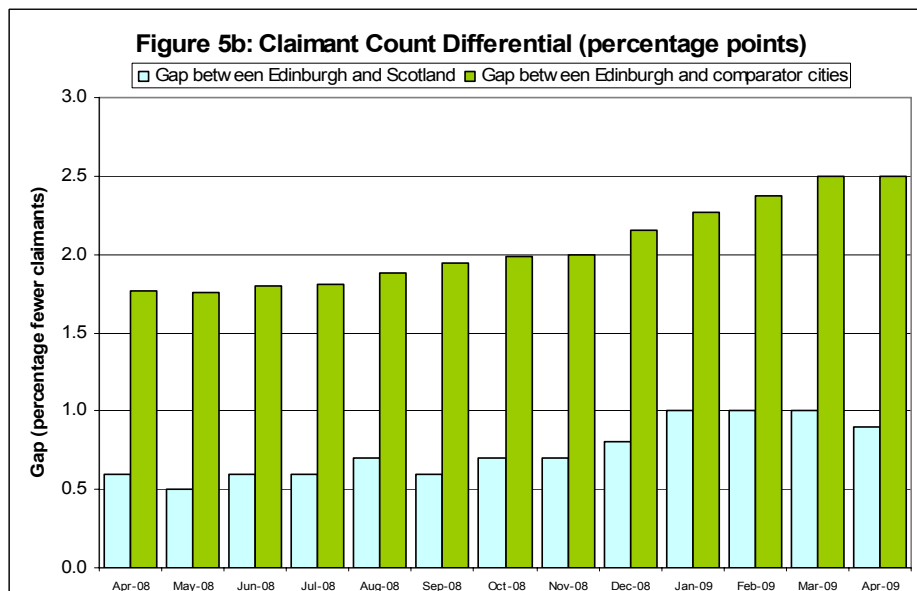
5.1 Unemployment Rate (Monthly Trend —; Annual Trend ▲; Relative to Comparator Cities ▲)

Edinburgh's unemployment rate, as measured by Jobseeker's Allowance claimants as a proportion of the working age population, is lower than in comparator cities but is rising. In April 2009, the claimant count reached 3.0%, compared with 3.9% in Scotland and 5.5% in comparator cities.¹³ Fig 5a shows that unemployment in Edinburgh has followed a similar pattern to other cities over the past year, with the last two months being relatively stable.



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

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



This [animated map](#)¹⁵ shows how unemployment has spread geographically across the UK since the start of the downturn and confirms that Edinburgh has not been as affected as many other areas.

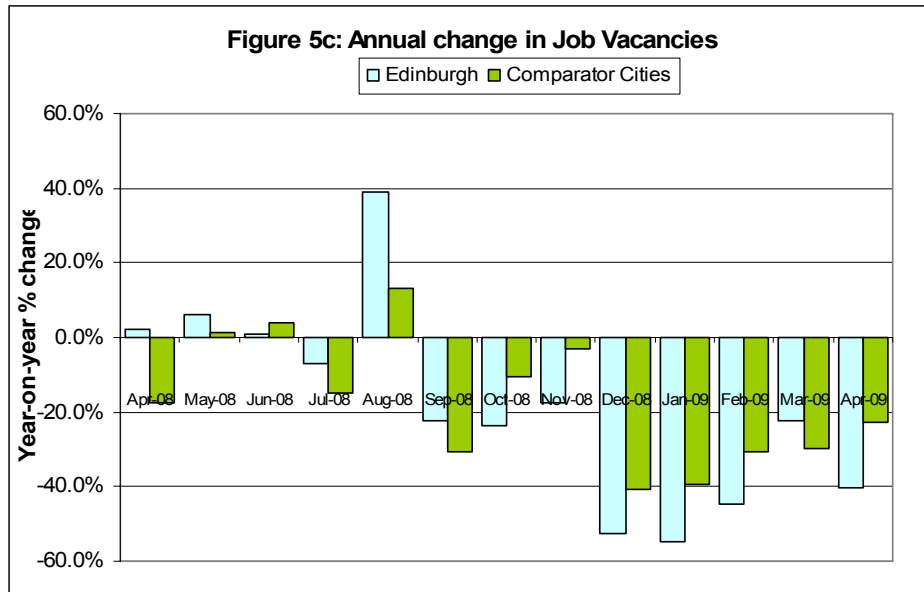
¹³ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle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

¹⁴ Ibid.

¹⁵ Source: Office of National Statistics

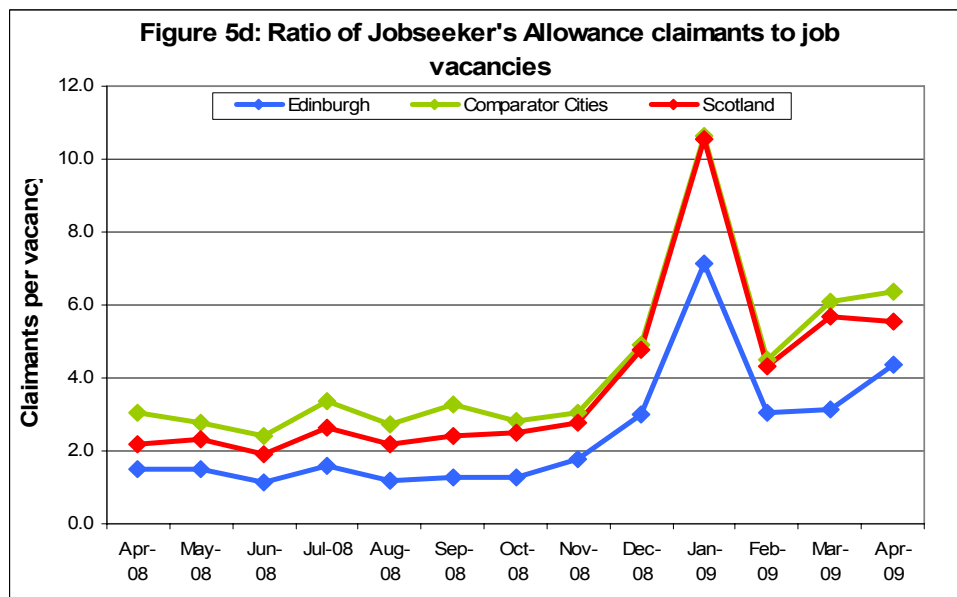
5.3 Job Vacancies (Monthly Trend ▼; Annual Trend ▼; Relative to Comparator Cities ▼)

Fig 5c shows that the number of job vacancies posted by Jobcentre Plus is falling slightly faster than in comparator cities. In April 2009, there were 2,166 job vacancies advertised in Edinburgh, a 40.5% annual decrease.¹⁶



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

Fig 5d shows how many Jobseeker's Allowance claimants there are per vacancy advertised by Jobcentre Plus. In May 2009 there were 4.4 claimants per vacancy, compared with 5.5 in Scotland and 6.4 in comparator cities. Although the ratio is rising, Edinburgh continues to compare favourably.¹⁷



Edinburgh's labour market patterns have closely following the trends of other cities. This implies that all cities have been affected by global conditions and that Edinburgh's reliance on its financial sector has not yet shown through in job losses. In fact 47.6% of vacancies advertised in April were in the financial sector¹⁸. However, there is no room for complacency – a small number of large-scale redundancies in the coming months could change the picture significantly.

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

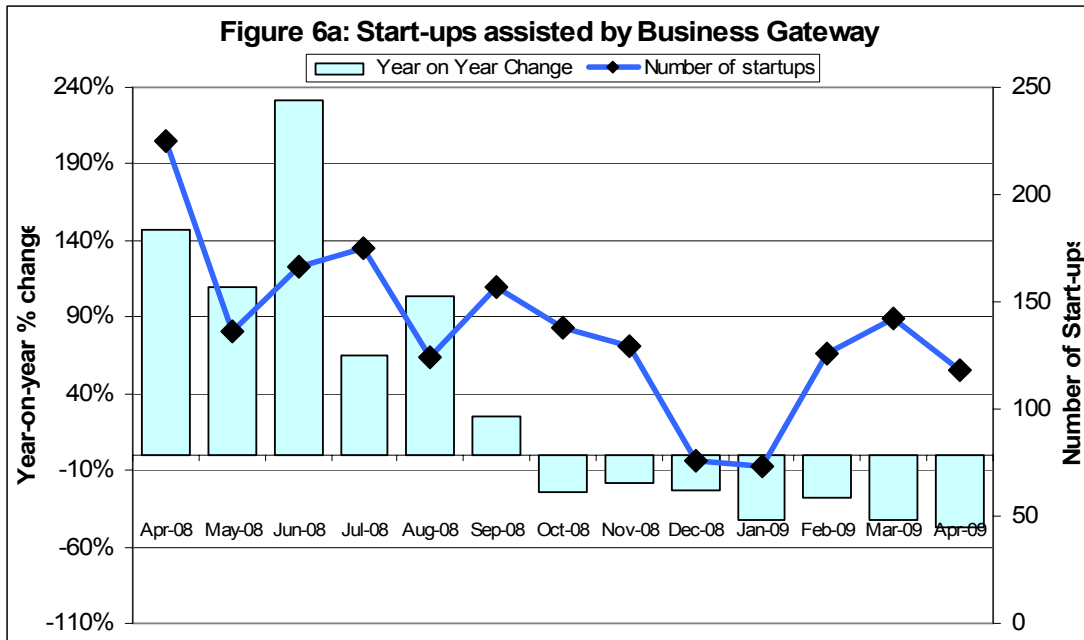
¹⁶ Ibid

¹⁷ Ibid

(6) Investment

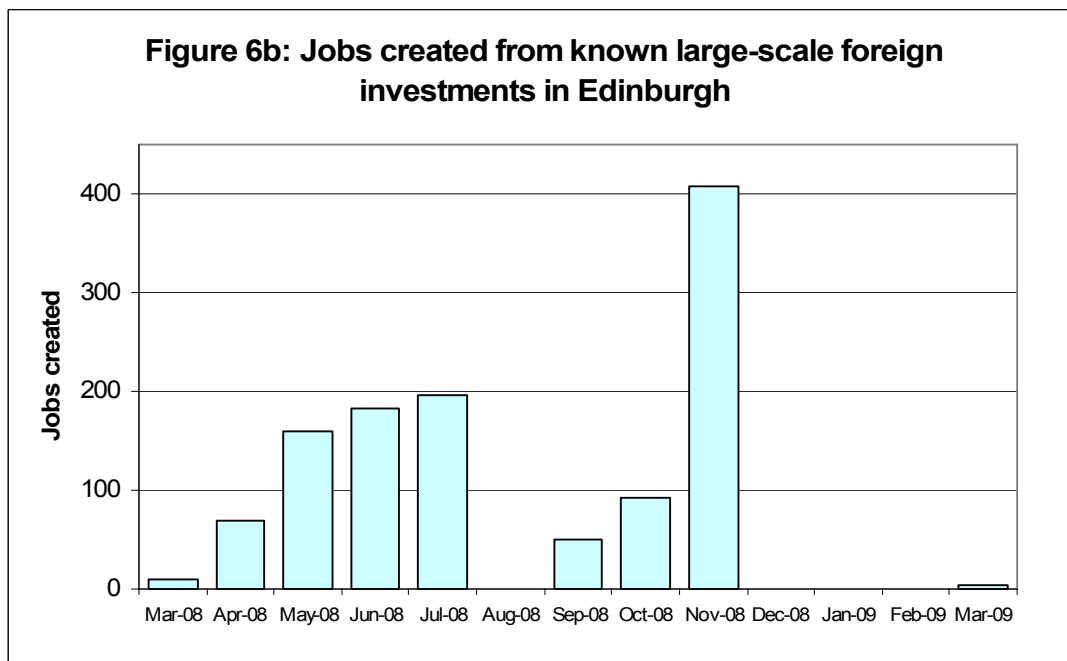
6.1 Business Gateway Start-ups (Monthly Trend ▲; Annual Trend ▼)

The number of business start-ups assisted by Business Gateway fell steadily from March 2008 to December 2008, but began to climb again in January 2009, following the seasonal trend. Since October 2008, the number of start-ups has fallen compared with the previous year. This coincides with major announcements of the global economic downturn affecting Edinburgh's finance sector. In April 2009, the Business Gateway assisted 118 start-ups, compared with 225 in April 2008 – a 47.6% fall.¹⁹



6.2 Foreign Direct Investment

The number of jobs estimated to have been created from large-scale foreign investments, as measured on the FDI markets database amounted to 1,162 in the past twelve months as shown in Fig 6b.²⁰



¹⁹ Source: Business Gateway

²⁰ Source: FDI Markets

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

Fig 6c shows that following a fall over the Christmas period, new business incorporations have risen in recent months²¹. This follows the seasonal trend, but may also be due to credit becoming more readily available from banks and the lowering of Bank of England interest rates to 0.5% in March. There is also some evidence that business start-ups sometimes rise during a recession, perhaps as a means of minimising tax burdens. However, incorporations in comparator cities have grown at a faster rate suggesting that they may be recovering from the downturn ahead of Edinburgh.

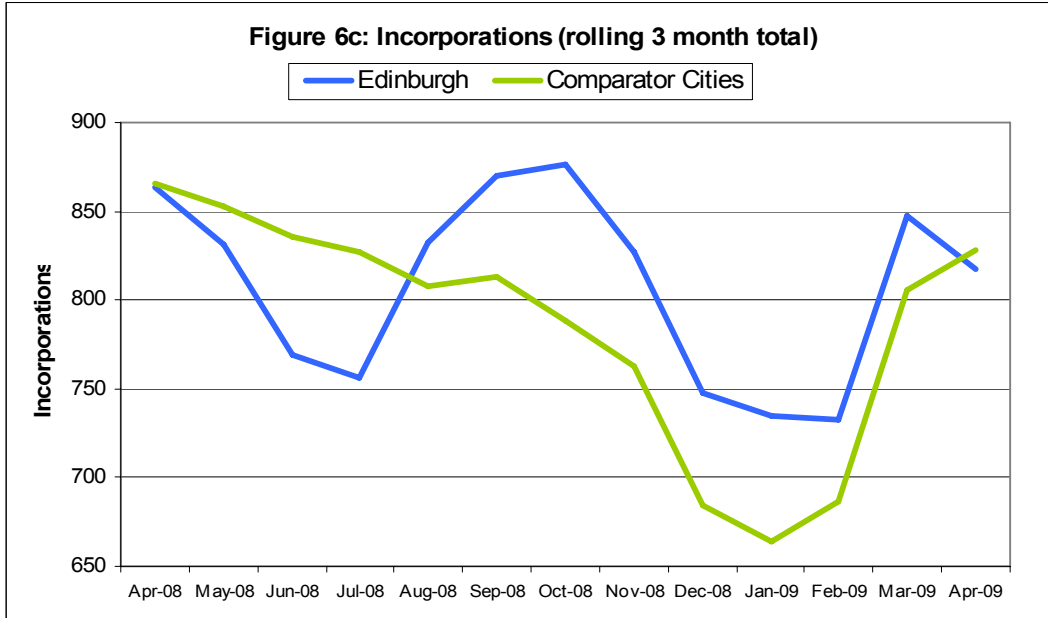
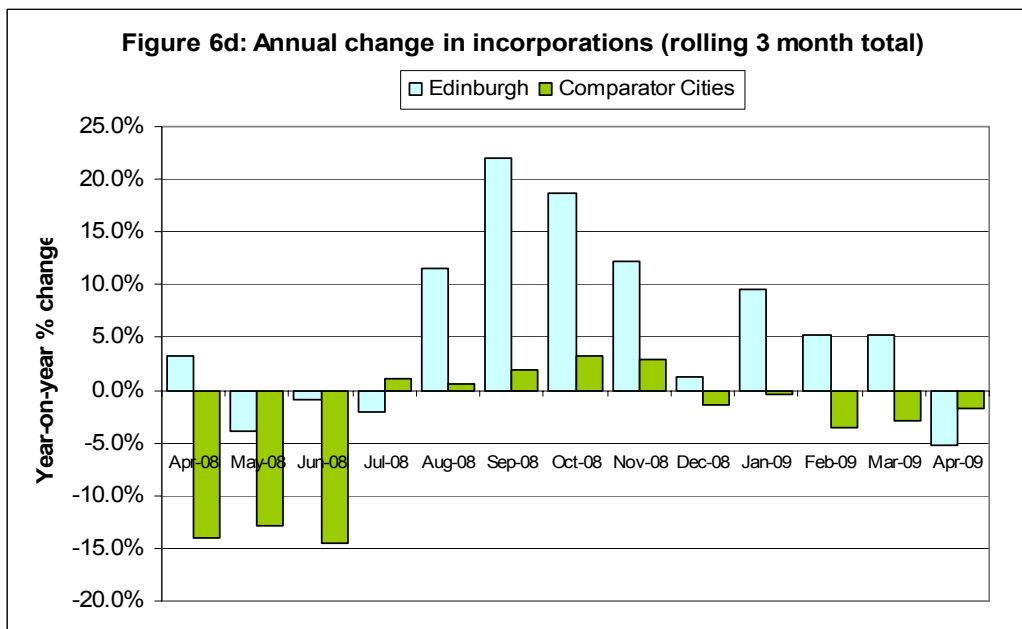


Fig 6d shows that businesses in Edinburgh continued to be incorporated at an increasing rate compared with the previous year from the summer until the three-month period ending in April this year, where there was a 5.3% decrease. In comparator cities, the number of businesses incorporated has remained relatively steady since last summer²².



²¹ 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.

²² Ibid.