

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



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 to be clearly viewed. Data is displayed for up to a year in the past wherever 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 interested in hearing your views on the Economy Watch by completing 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	Last Month...	More info
Housing	↓	↑	House prices up 12.1% House sales up 18.9%	Page 2
Planning and development	↓	↑	Planning applications received up 19.7% Building warrants issued up 5.7%	Page 4
City centre performance	↓	↑	Parking utilisation up 3% points	Page 5
Tourism	↔	↑	Airport passenger numbers up 9.3% Hotel room occupancy up 4% points	Page 6
Labour Market	↓	↔	Claimant count steady (up 0.8%) Vacancies up 15.5%	Page 7
Investment	↔	↔	New incorporations up 31.2% Business Gateway start-ups assisted down 28.8%	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 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 ▲)

Edinburgh's housing market showed positive signs of improvement in May, with prices rising to £194,965 – their highest since January. This may be because people are able to access finance more easily or due to an improved confidence in the property market. However, sales still remain low (see section 1.2) so it is too early to determine if this is the start of a recovery. House prices in comparator cities continued their downward trend, falling to £119,611.¹

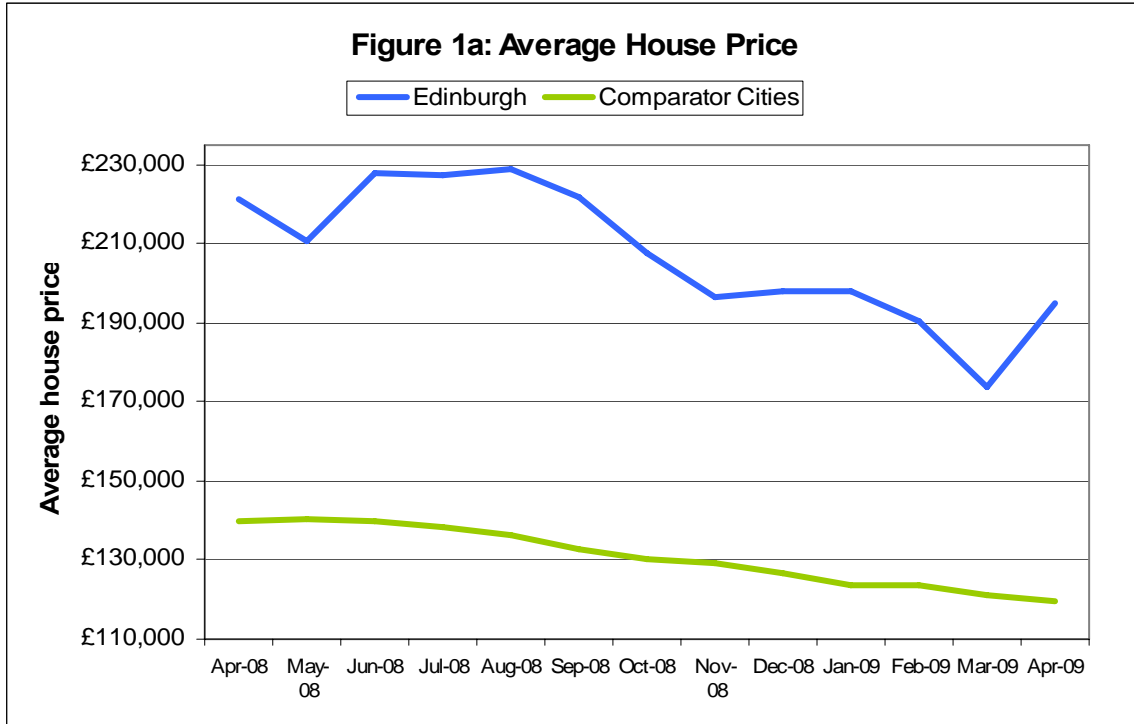
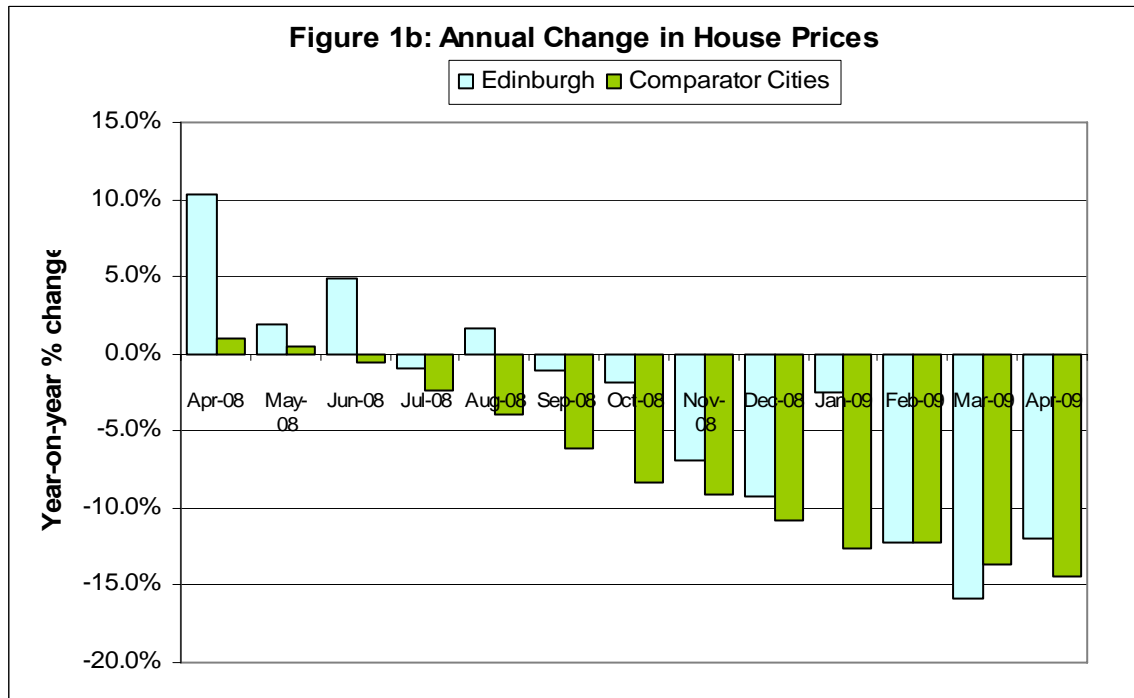


Figure 1b shows the annual change in house prices. Prices remain significantly down on last year and are falling at a similar rate to comparator cities. In April 2009, they were 11.9% lower than in April 2008.²

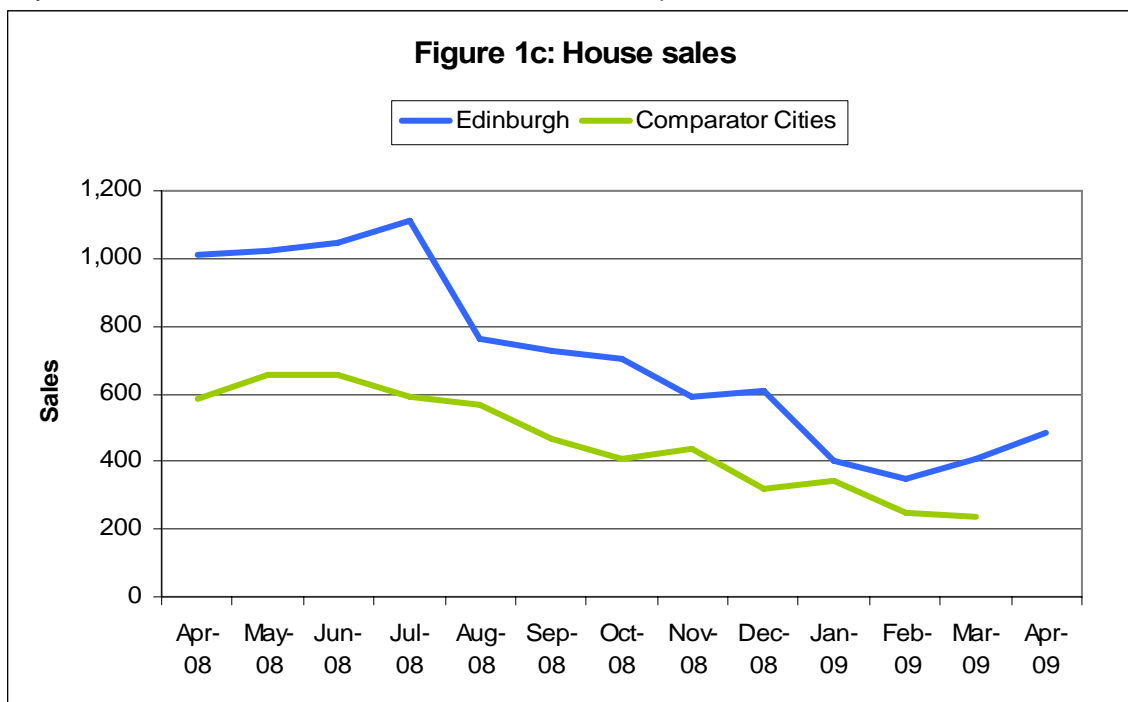


¹ Source: Registers of Scotland (Scottish cities); Land Registry (English & Welsh cities). The comparator cities figure is an average of year-on-year changes in house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

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

House sales have also recently improved with 484 houses sold in April – the second consecutive monthly increase. However, sales were still 52% down on April 2008.³



1.3 Forecast

Despite some positive signs in the housing market, forecasters believe that it will be some time before the housing market recovers.

The ESPC expects moderate year-on-year growth to return by the end of the year. But with unemployment rising and the threat of unemployment remaining for many, this recovery could be stemmed⁴.

The Ernst & Young Scottish ITEM club summer update drew on historical data to show that house prices in recessions are usually slow to recover after a slump. They predicted that house prices will remain low and would only return to pre-recession levels in 2011⁵.

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

³ Ibid

⁴ Scotsman 4/6/09

⁵ Ernst & Young Item Club Summer Update

(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 both appear to be recovering.

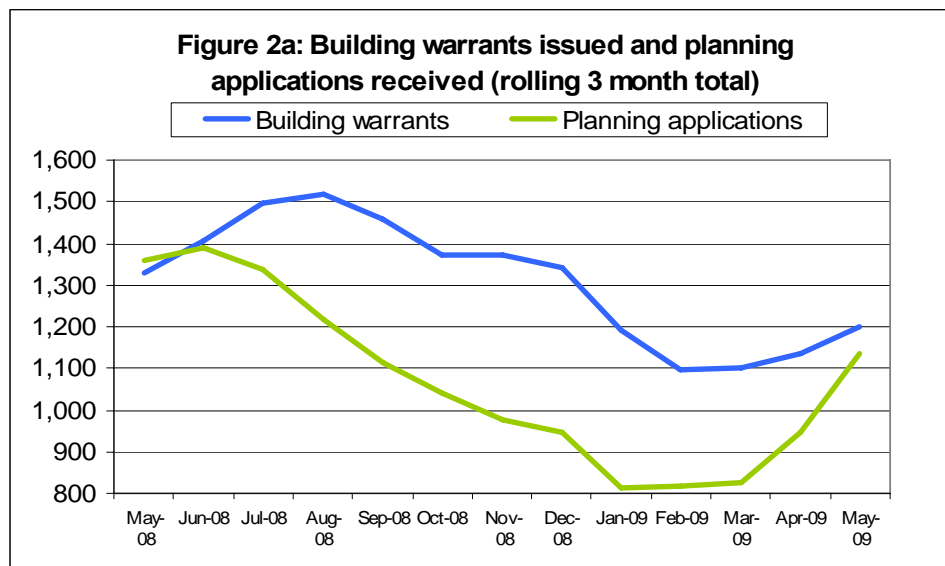
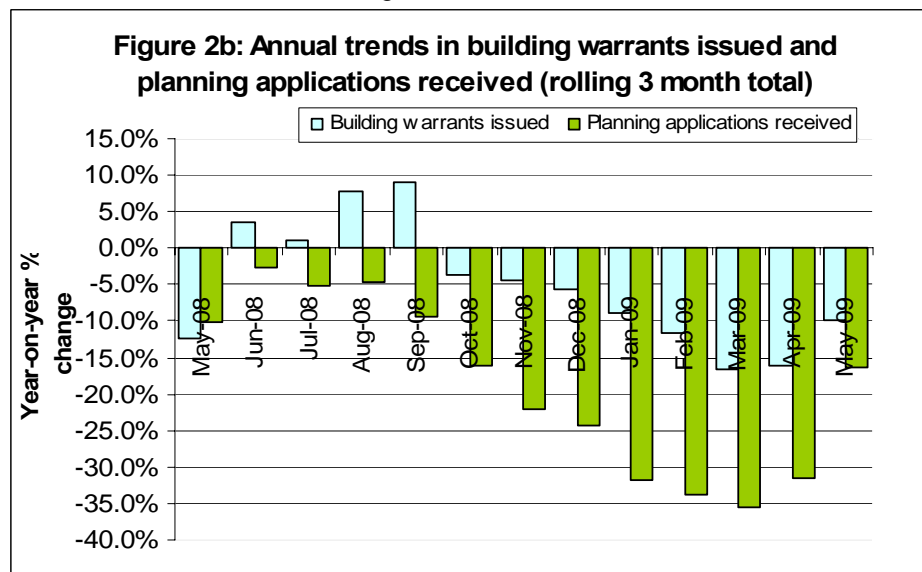


Fig 2b shows that the decline on last year for both building warrants issued and planning applications received has continued, so seasonal are the main cause for the upturn in recent months. However, it is encouraging that the rate of decline is slowing.



2.2 Forecast

Most recent planning applications are for domestic alterations, improvements and extensions⁸, so it is difficult to determine if the recent improvement indicates an increase in business confidence.

Uncertainty remains within all development sectors given the ongoing recession, continually increasing unemployment figures and low business confidence. Therefore the lull in new development is likely to remain and any significant increase in the number of planning application submissions and subsequently in building warrants issued is unlikely in near future.

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

⁶ Source: City of Edinburgh Council, Planning Information team

⁷ Ibid.

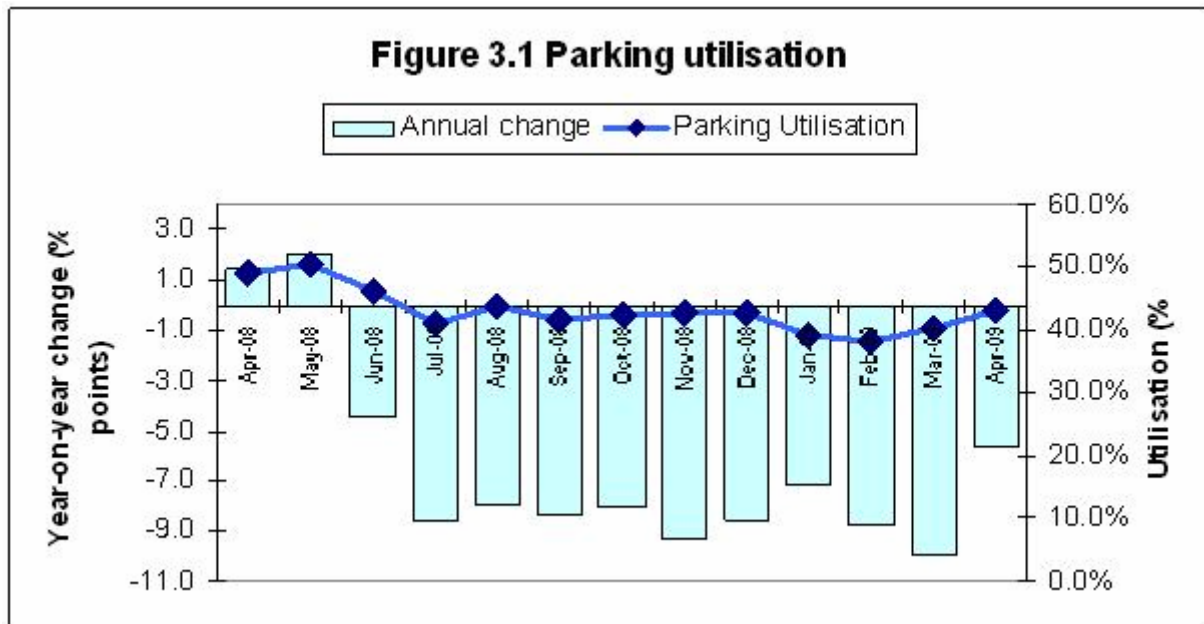
⁸ Ibid.

(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 reliable 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 ▼)

Fig 3.1 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 April 2009, average parking utilisation in the city centre was 43.4%, down from 49.0% in April 2008.⁹



The decline since the summer 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.

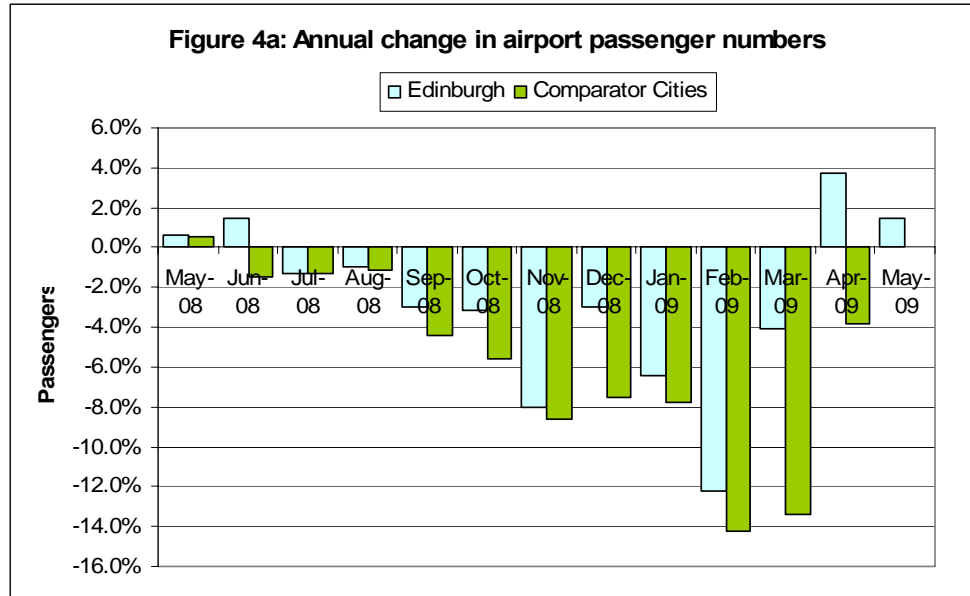
For more detailed information on city centre trends, see the [City Centre Health Watch](#)

⁹ Source: City of Edinburgh Council, Parking Operations

(4) Tourism and business tourism

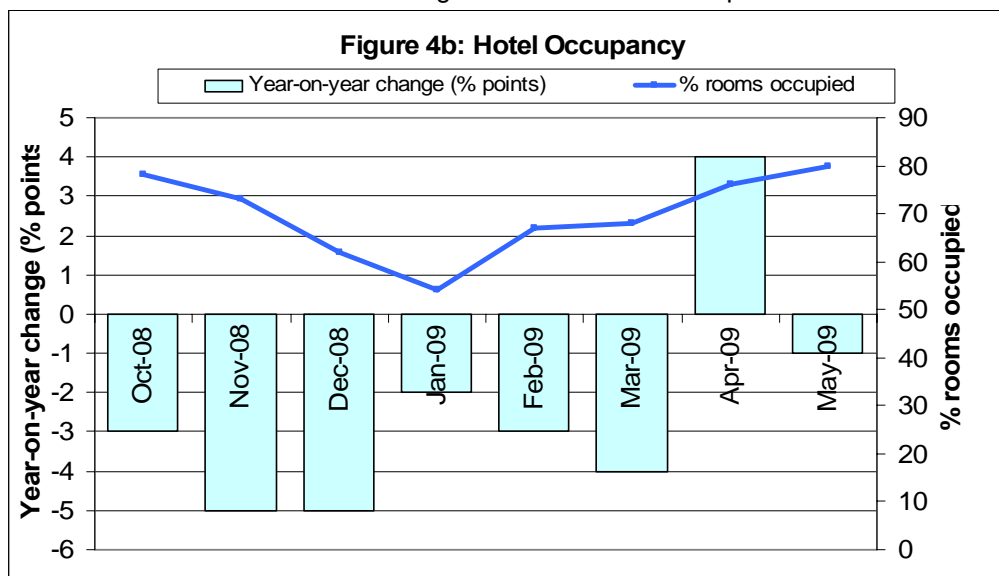
4.1 Airport (Monthly Trend: ▲; Annual Trend ▲; Relative to Comparator Cities ▲)

Fig 4a shows that, for the last two months, Edinburgh has bucked the trend by seeing an annual increase in airport passenger numbers, while each comparator airport saw a decrease.¹⁰ These trends reflect a rise in international traffic, which is up 17% on last year following the launch of range of new direct flights. Domestic traffic meanwhile followed the national trend by falling by 11%, as demand for business travel falls and capacity is reduced by some airlines.¹¹



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

Fig 4b shows that hotel room occupancy is one percentage point lower than in May 2008¹². This is despite three major rugby events held in May, and may be evidence that April's increase was a "blip" due to a later Easter. Exchange rates are up to £1 to £1.65 and £1 to €1.17¹³, helping Edinburgh be more attractive to international travellers than last year, but less attractive than the early months of 2009. Indications of visitor numbers remain strong however, with Edinburgh Castle visitors up 10% over April and May 2009 over 2008¹⁴. It will be interesting to see how trends compare over the summer months.



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

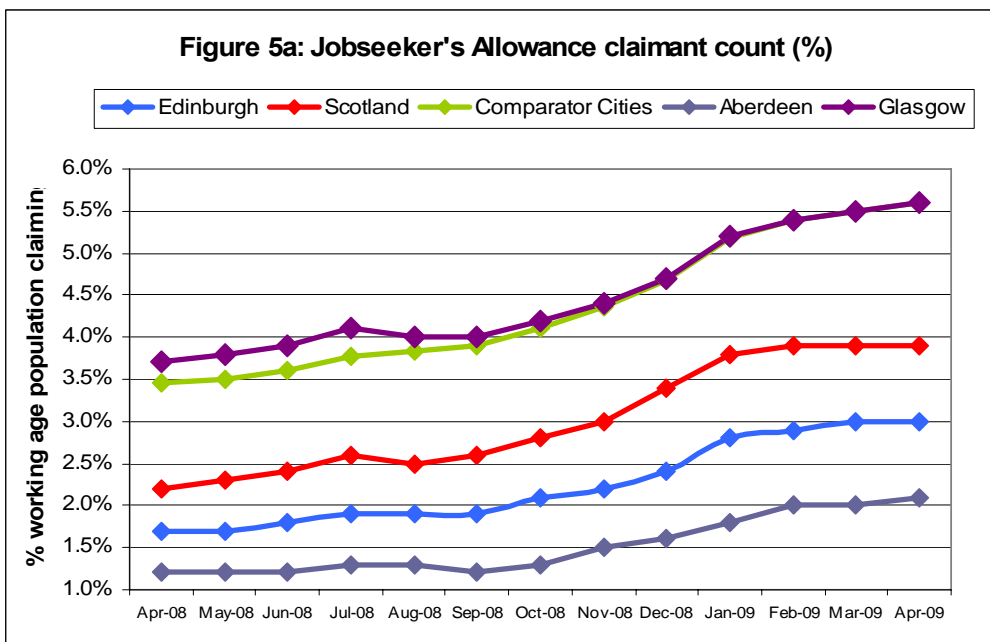
¹² Source: Lynn Jones Research

¹⁴ Source Hisoric Scotland

(5) Labour market

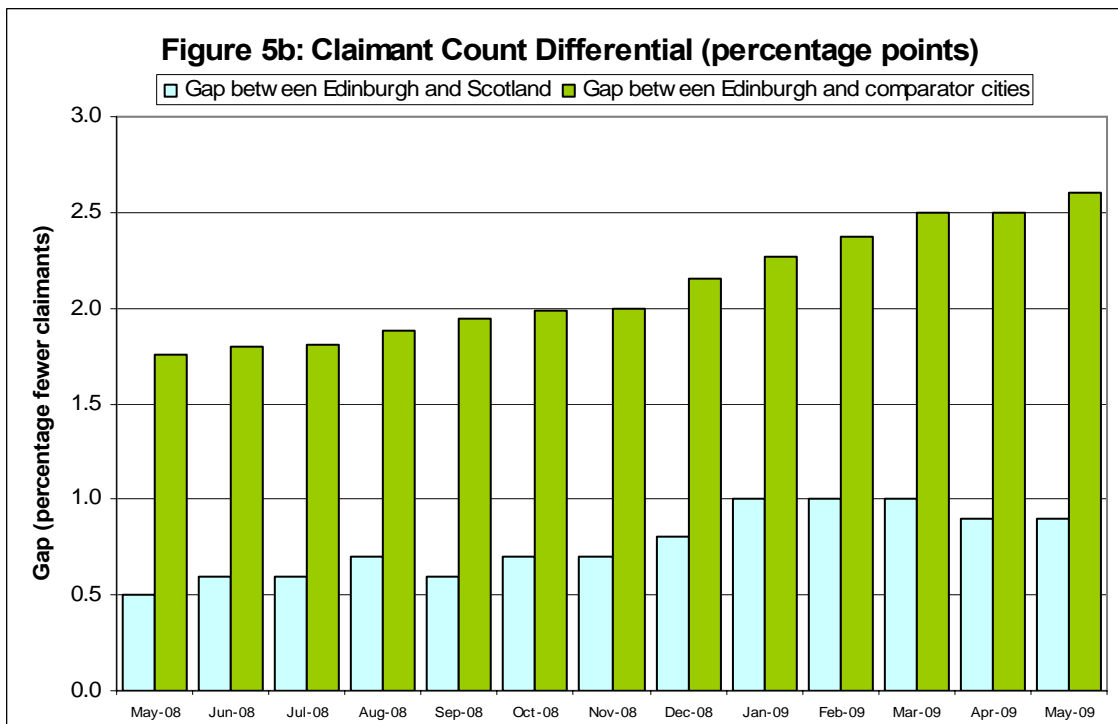
5.1 Unemployment Rate (Monthly Trend —; Annual Trend ▲; Relative to Comparator Cities ▲)

Unemployment has steadied in the last three months. Job seeker's allowance claimant count remains at 3.0% in Edinburgh, compared with 3.9% in Scotland and 5.6% in comparator cities.¹⁵



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

Fig 5b shows that the positive differential in unemployment between Edinburgh and comparator cities remains wide¹⁶. In May, Edinburgh's claimant count was 0.9 percentage points below the Scottish average and 2.6 percentage points below comparator cities.

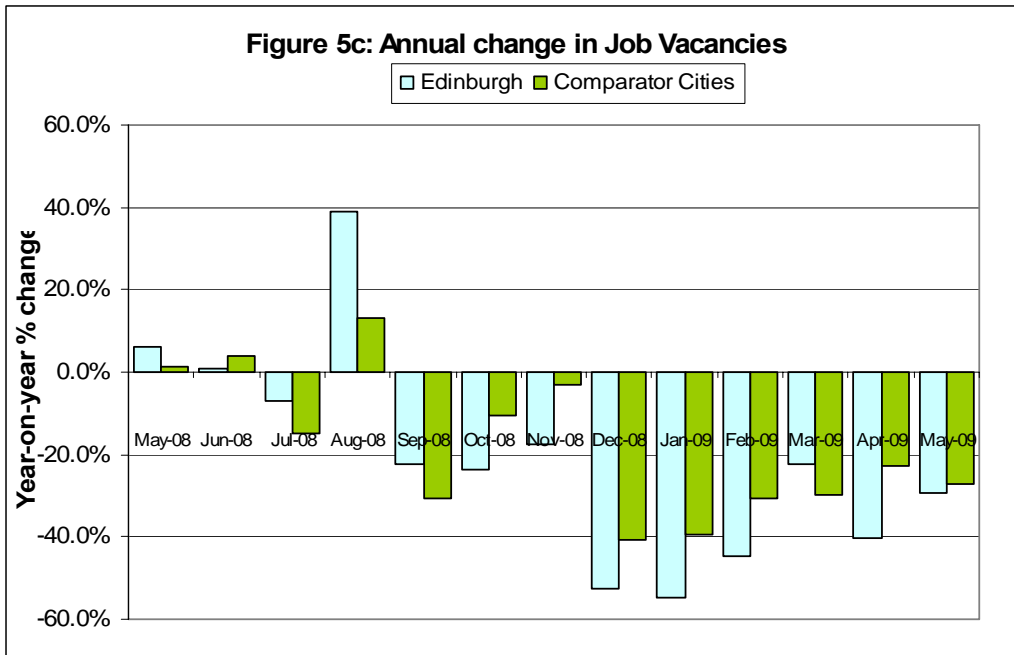


¹⁵ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

¹⁶ Ibid.

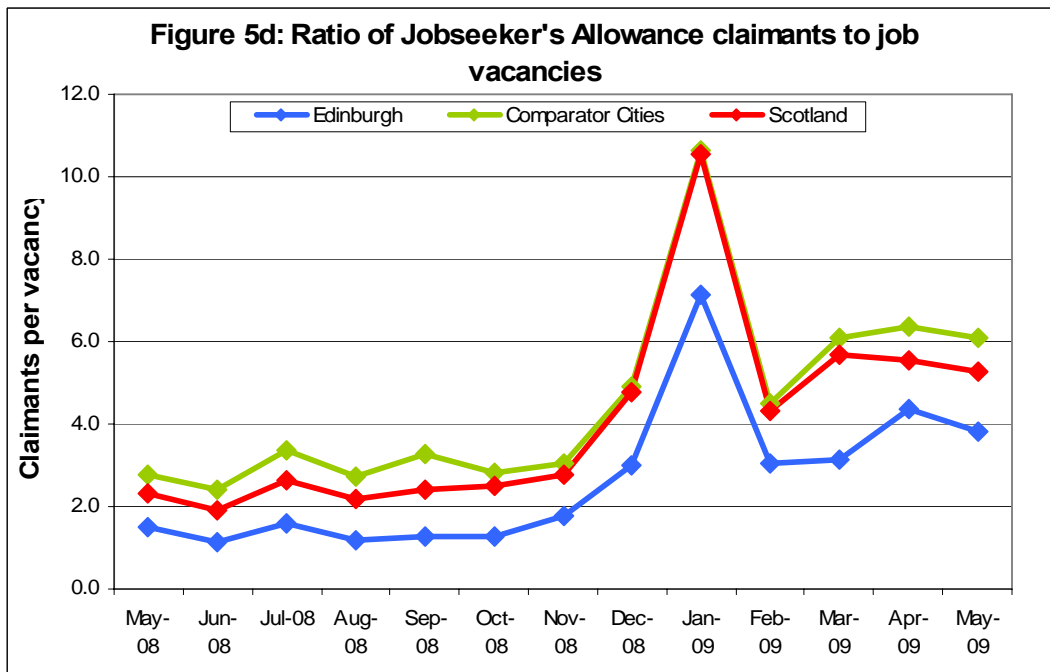
5.3 Job Vacancies (Monthly Trend ▼; Annual Trend ▼; Relative to Comparator Cities —)

Fig 5c shows that the number of job vacancies posted by Jobcentre Plus continues to fall slightly faster than in comparator cities. In May 2009, there were 2,502 job vacancies advertised in Edinburgh, a 29.4% annual decrease.¹⁷



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 is falling slightly. In May 2009 there were 3.8 claimants per vacancy, compared with 5.3 in Scotland and 6.1 in comparator cities. Edinburgh continues to compare favourably suggesting that it may be easier to find a job if unemployed in the capital.¹⁸



¹⁷ Ibid

¹⁸ Ibid

5.5 Forecast

The decline in the labour market appears to have lost momentum. But it is important to note that unemployment is a lagging indicator of economic prosperity so it is unlikely the statistics are an early indication of recovery.

In June, the Ernst & Young ITEM club summer forecast predicted that Scottish unemployment will continue to rise for some time as redundancies continue to come through. There is also likely to be a second wave of large scale job losses to come as the public sector comes under pressure to make savings.¹⁹

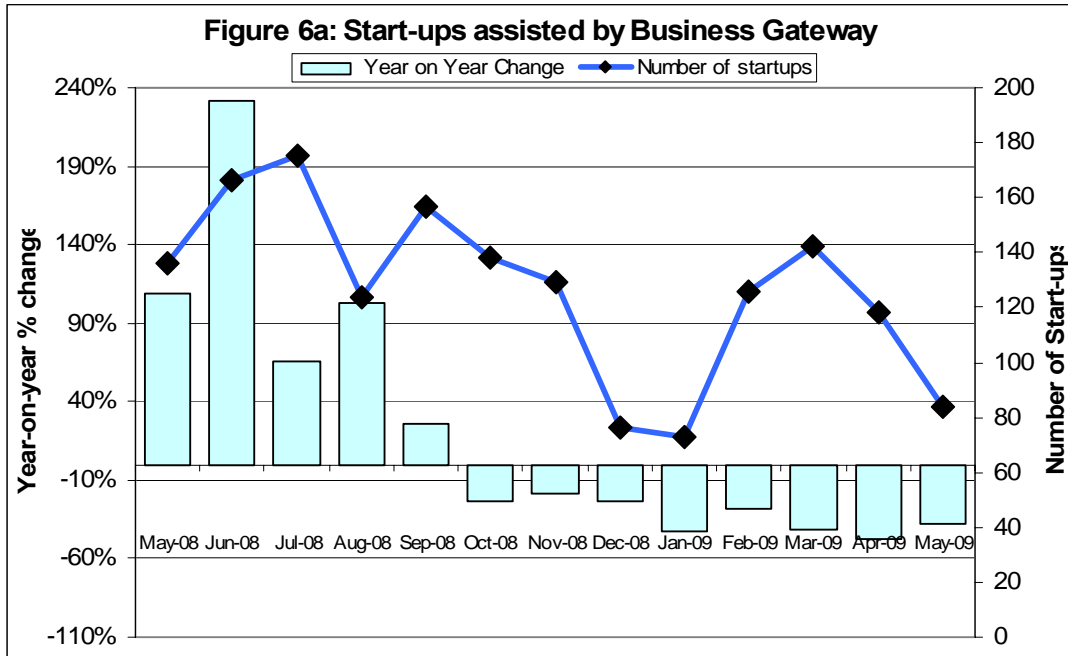
For more detailed information on Edinburgh's Labour Market see the latest [Labour Market Bulletin](#). Monthly updates of key labour statistics are available [here](#).

¹⁹ Ernst & Young ITEM club summer update, 2009

(6) Investment

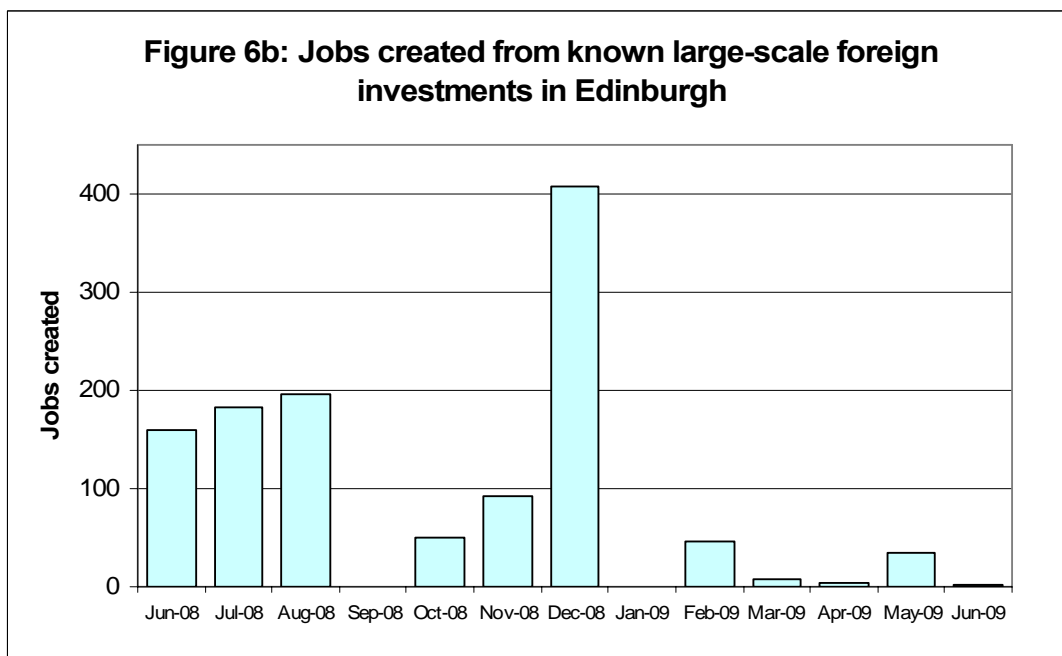
6.1 Business Gateway Start-ups (Monthly Trend ▼; Annual Trend ▼)

The number of start-ups has fallen compared with the previous year for the past eight months running. This continuing trend suggests that small businesses may still be having difficulties accessing finance from banks. In May 2009, the Business Gateway assisted 84 start-ups, compared with 136 in May 2008 – a 38.2% fall.²⁰



6.2 Foreign Direct Investment

Fig 6b shows that the number of jobs estimated to have been created from large-scale foreign investments, as measured on the FDI markets database amounted to 1,022 in the past twelve months.²¹



²⁰ Source: Business Gateway

²¹ Source: FDI Markets. NB Figures are provisional and subject to change. Figures are often added to the database in retrospectively.

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

Fig 6c shows an upturn in the number new incorporations in May.²² This follows the seasonal trend but at 866, incorporations for the past three months are the highest they have been in the past year and are higher than in comparator cities. There is also some evidence that business start-ups sometimes rise during a recession, perhaps as a means of minimising tax burdens, which may go some way into explaining this trend.

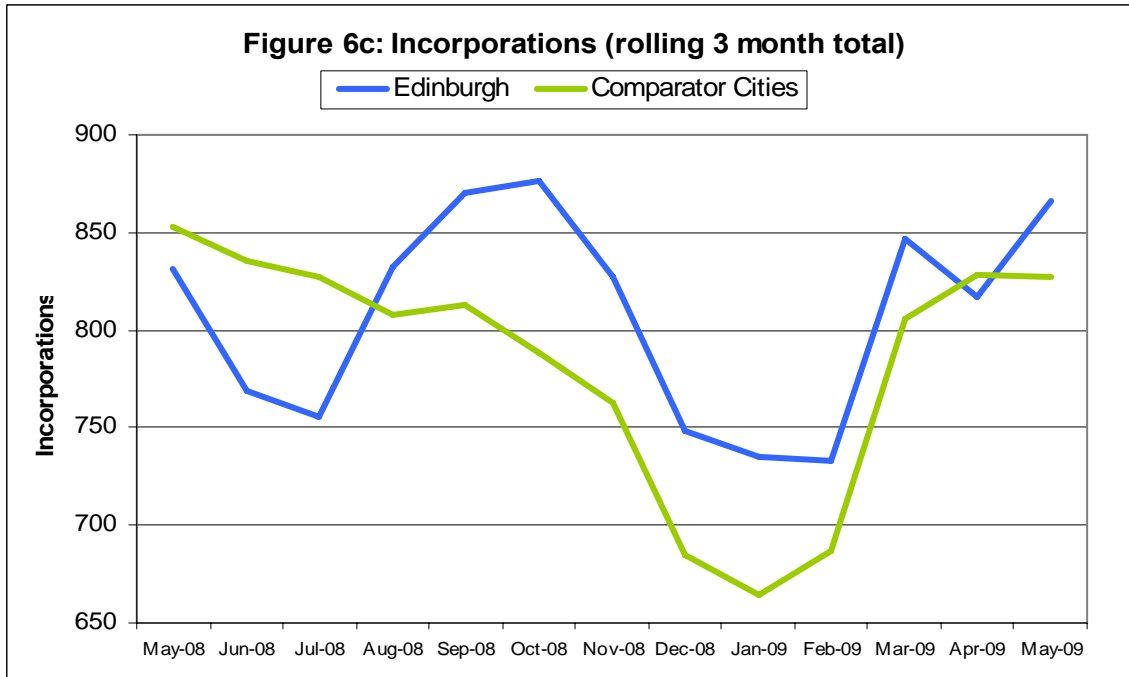
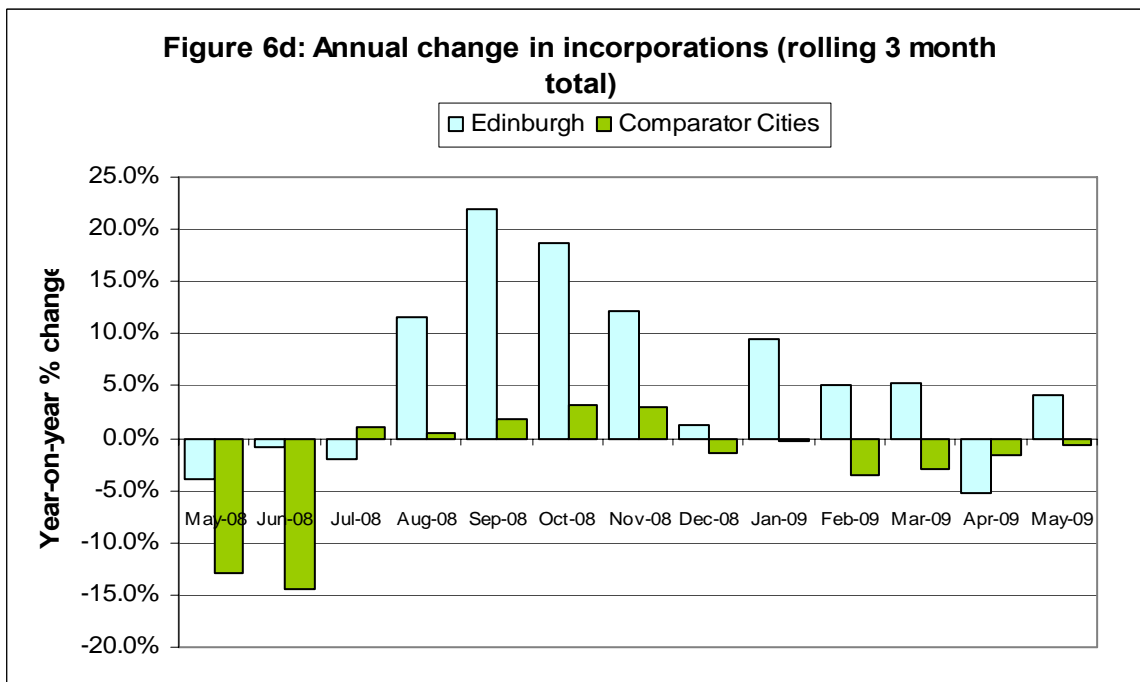


Fig 6d shows that for the duration of 2009, incorporations in both Edinburgh and comparator cities have been at similar levels to in 2008²³.



²² 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.

²³ Ibid.

(7) Forecasts

With so many economic factors affected by global conditions in different ways, it is difficult to predict what lies ahead. Several economists have attempted this in recent months for Scotland and Edinburgh. This section summarises four major pieces of economic analysis in the table in section 7.1 and additional survey studies in section 7.2.

7.1 Summary of Economic Forecasts

	Economic Prospects Summer Update (Ernst & Young ITEM Club) Published: 9 June	Scottish Enterprise East Region Economic Review March 2009 Published: 10 June (forecasting carried out in March)	Long Road to Recovery (Experian) Published: May 2009	Fraser of Allander Economic Commentary Published: February 2009
Scottish Growth	2009: -3.1% 2010: 0.0.0%	2009: -2.5% 2010: +0.6%	2009: -4.1% (UK -3.7%) 2010: +0.2% (UK +0.4%)	2009: -2.6% 2010: -1.2% 2011: +0.5%
Scottish unemployment	Unemployment will peak at 8.5% in 2011. Return to 2008 levels in 2017		2009&2010: Employment to fall by 4.5% (UK -4.8%)	2008: Employment down 14,200 2009: Employment down 94,200 2010: Employment down 51,400 Unemployment to rise from 137,000 in 2008 to 210,000 in 2010.
Edinburgh Growth	N/A	2009: -2.1% 2010: +0.4%	Will grow by 2.3% a year between 2008 and 2020.	N/A
Edinburgh unemployment	N/A	2009: Employment to fall by 3.0% 2010: Employment to fall by a further 1.6%	Will grow by 0.75% a year between 2008 and 2020.	N/A
Sectoral information	Manufacturing, hospitality and business services will be hardest hit.	Education & health and financial & business services will grow in East region until 2018. Manufacturing, public administration and personal services will decline.	Employment in financial & business services will fall by just 1.6% in Scotland in 2009, compared with 4.4% for the UK as a whole.	The construction and financial services sectors will be subject to sustained contraction. Hotel and catering activity has been falling since Q1 2008. Real estate and business services activity will contract from March 2009.
Property prices	Will continue falling until 2011.	N/A	House prices are not expected to contract as much as the UK average as the Scottish property market was less over-heated than in many parts of the UK, the Scottish consumer was less indebted and the house price to earnings ratio was lower in pre-recession times.	N/A
Nature of recovery	Risk of deflation over next two years as growth stagnates. Risk of rapid inflation thereafter as confidence suddenly restores.	Four scenarios suggested, but elements of "Deep-V" and "deflation" scenarios now look most likely.	Recession will continue throughout 2009, followed by a very mild upturn in 2010. The main risk is the threat of deflation that will protract the recession.	N/A

7.2 Additional Forecasts/Barometers

OECD Quarterly Health Check (24 June)

The OECD predicted that the UK would slump by 4.3% in 2009, with only a mild recovery in 2010. They added that the UK is in "severe recession" and in its deepest slump for six decades.

More info: <http://www.guardian.co.uk/business/2009/jun/24/oecd-world-recession-uk-forecast>

HM Treasury Forecast (17 June)

HM Treasury grouped together a range of forecasts for 2009 and 2010 and found that the average was a 3.7% decline for 2009 and a 0.7% growth in 2010.

More info: <http://www.hm-treasury.gov.uk/d/200906forecomp.pdf>

Confederation of British Industry (15 June)

The CBI predicted that modest UK-wide growth will resume during the first three months of 2010, with the pace of growth gradually picking up during the year of 0.7%, following a 3.9% contraction this year. By the end of the recession, the economy will have shrunk by a cumulative 4.8% - not as severe as the 5.9% seen in the early 1980s - after five consecutive quarters of tumbling GDP.

More info:

http://www.theherald.co.uk/business/news/display.var.2514341.0.CBI_says_worst_is_over_but_no_growth_till_2010.php

Oxford Economics Update (12 June)

Oxford Economics expect the recovery to be slow, with the economy returning to growth around the turn of the year but taking a further 18 months to return to trend rates. GDP is to decline by 4.1% this year, before growing by just 0.1% in 2010 and 2.2% in 2011.

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

Lloyds Banking Group Monthly Business Barometer (8 June)

May's barometer found that confidence improved for the third month in a row, with 44% of businesses now expecting business conditions to improve and 40% expecting wider economic conditions to improve.

More info: <http://www.lloydstsbcorporatemarkets.com/economicresearch.asp>

OECD Composite Indicators (8 June)

The OECD's composite leading indicators for April showed "a reduced pace of deterioration" in most OECD economies. But it also saw "stronger signals of a possible trough" having been reached in the economies of Canada, France, Italy and the United Kingdom.

More info: http://www.oecd.org/document/25/0,3343,en_2649_34349_42947033_1_1_1_1,00.html

Financial Times Survey (7 June)

The FT survey found that eleven of 20 city economists surveyed now think the UK economy has stopped contracting and is likely to start growing in coming months. A majority of the other nine think the bottom of this downturn is near.

More info: <http://www.ft.com/cms/s/0/6de3b9ee-5396-11de-be08-00144feabdc0.html>

Deutsche Bank Forecast (3 June)

Deutsche Bank's revised forecast for the UK economy is for growth to resume in the current quarter and will then stay sub-trend into next year. But the economy will still contract by 3.8% in GDP this year and be followed by a growth of 1.2% in 2010.

More info: <http://www.thisislondon.co.uk/standard-business/article-23703263-details/UK+leads+rest+of+Europe+in+escape+from+recession/article.do>

7.3 Conclusion

The economy has recently been showing signs of improvement across some indicators. Much of this may be thanks to an improvement in confidence. However, most forecasters are cautious to say that these signs indicate the start of a recovery, as there will soon be further pressures placed on the economy. Monetary and fiscal stimuli will need to be cut as the public sector faces shortfalls, and there is a danger of inflation as recovery kicks in. Further job losses are also expected as redundancies come through and as part of necessary public sector cuts.

It is likely that the recovery will be "U", or possibly "W" shaped rather than the "V" hoped for in the early part of 2009. Most forecasters agree that Edinburgh is at or approaching the bottom of the "U", but will remain there or thereabouts for some time with eventual growth being gentle and below pre-recession levels.

Edinburgh Economy Watch June 2009

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(8) Presswatch

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

Slump Bottoms Out, but Fight back will be a Long Slog

Enterprising News June/July 2009

http://www.enterprisinglasgow.com/index.php?option=com_content&task=view&id=113

Bank of Scotland targets small businesses with loan-friendly campaign

Scotsman 21 June

<http://business.scotsman.com/bankinginsurance/Bank-of-Scotland-targets-small.5386189.jp>

Triple blow for UK economy

Guardian 18 June

<http://www.guardian.co.uk/business/2009/jun/18/economic-recovery-blow-public-spending>

Huge Job Cuts for Public Sector

BBC News 16 June

<http://news.bbc.co.uk/1/hi/business/8102121.stm>

The forecast now looks more sunny

The Herald 8 June

http://www.theherald.co.uk/business/news/display.var.2513178.0.The_forecast_now_looks_more_sunny.php

City's green shoots?

Scotsman 15 June

<http://news.scotsman.com/scotlandseconomy/Citys-green-shoots.5365471.jp>

U.K. May Services PMI Shows Return to Growth

Fox Business 3 June

<http://www.foxbusiness.com/story/markets/industries/finance/uk-services-pmi-shows-return-growth/>

Economists see pause in recession

Financial Times 7 June

<http://www.ft.com/cms/s/0/6de3b9ee-5396-11de-be08-00144feabdc0.html>

UK economy is 'first in Europe to see a return to growth'

The Herald 4 June

http://www.theherald.co.uk/business/news/display.var.2512275.0.UK_economy_is_first_in_Europe_to_see_a_return_to_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>.