

Welcome to the February 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 3.7% House sales up 28.1%	Page 2
Planning and development	—	↓	No data	Planning applications received up 8.0% Building warrants issued down 7.7%	Page 4
City centre	↓	↓	↓	Footfall down 11.4%	Page 5
Tourism	↓	↓	—	Airport passenger numbers down 7.3% Hotel room occupancy down 3.9% points	Page 6
Labour market	↓	↓	↑	Claimant count up 44.6% Job vacancies up 109.8%	Page 7
Investment	↑	—	↑	New incorporations up 19.5% Business Gateway start-ups up 128.8%	Page 9

(1) Housing market

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

The average house price in Edinburgh fell by 8,348 between November and December, and now stands at £205,302. Figure 1a shows that house prices in Edinburgh have been relatively stable for the past 18 months. Prices in Edinburgh are almost the same as the average for the past 18 months, while comparator cities' prices are 1.8% below their 18 month average.¹

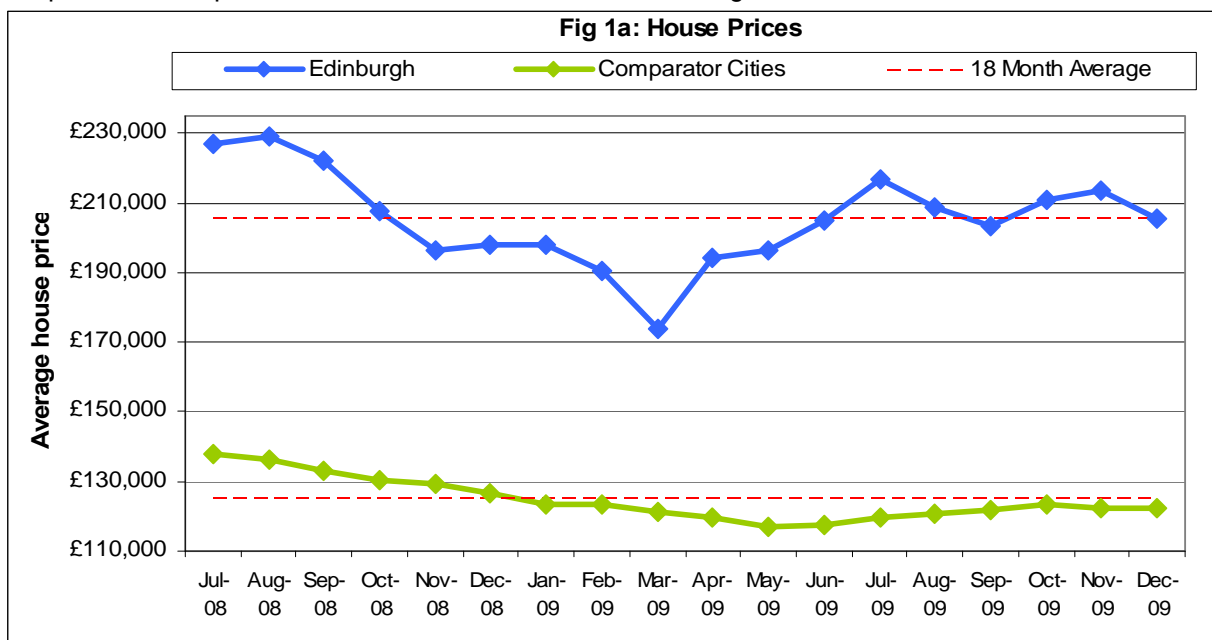
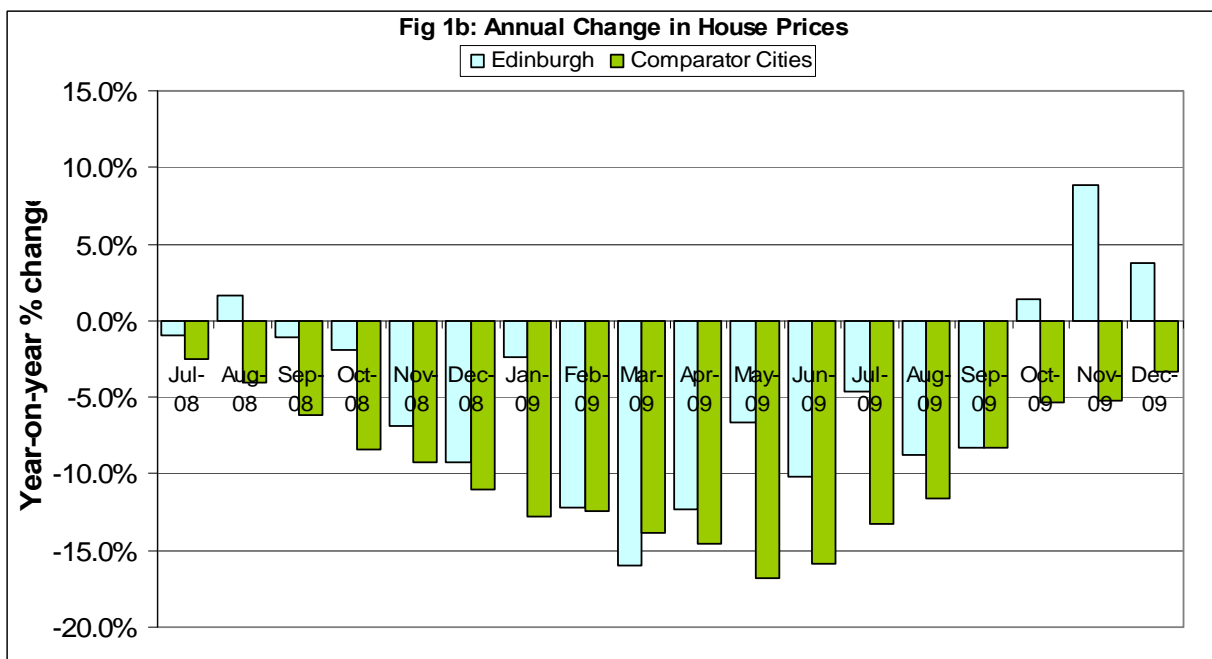


Figure 1b shows how have prices have changed compared with the same period last year. In December 2009, house prices were 3.7% higher than in December 2008, This compares with a 3.4% fall in comparator cities.²

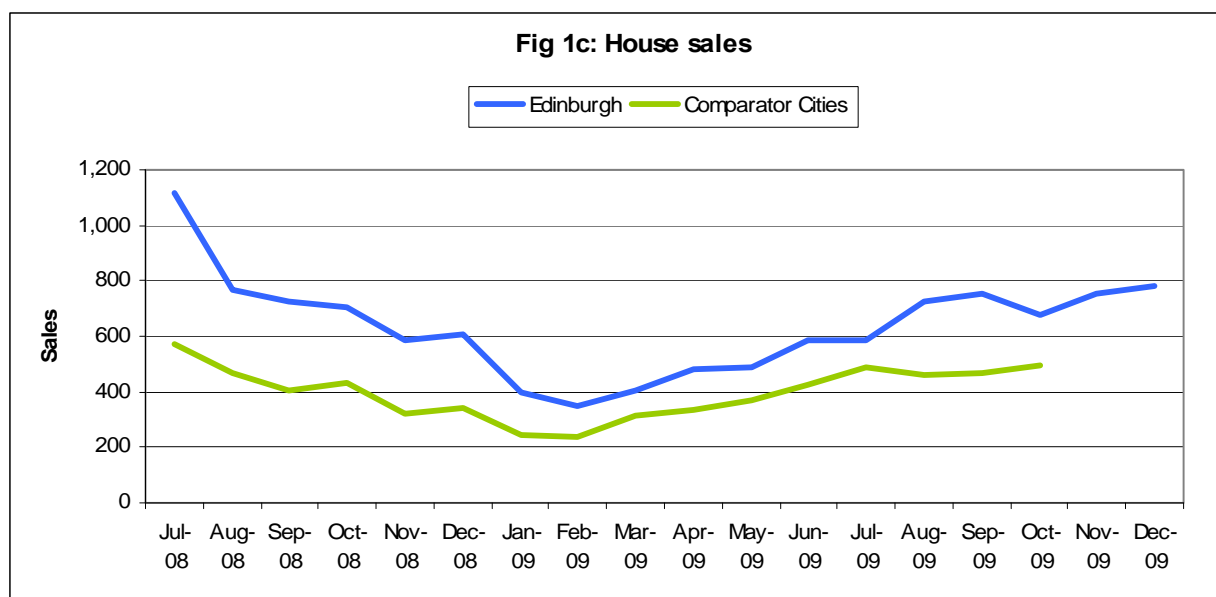


¹ Source: Registers of Scotland (Scottish cities); Land Registry (English & Welsh cities). The figure quoted for comparator cities is based on an average of house prices in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

² Ibid

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

779 homes were sold in Edinburgh in December 2009 – considerably more than the 608 sold in December 2008 and the highest total since July 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..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 January 2010, the City of Edinburgh Council received 828 planning applications and issued 1100 building warrants.⁵ Although this represents a sharp drop for the first time since the spring, it follows seasonal trends, with January being a quieter month.

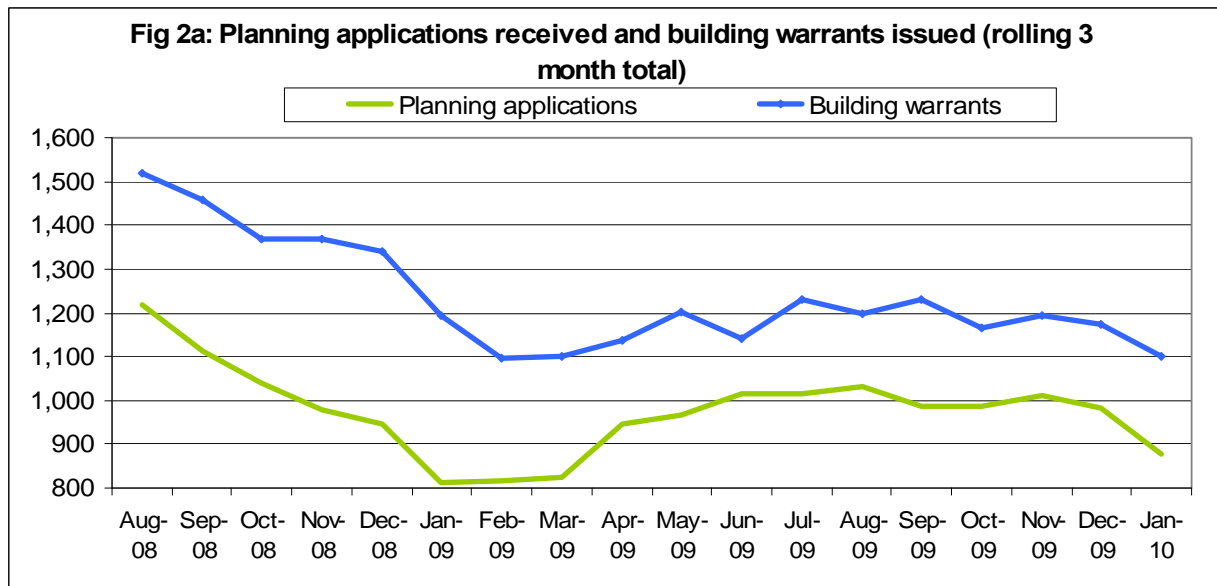
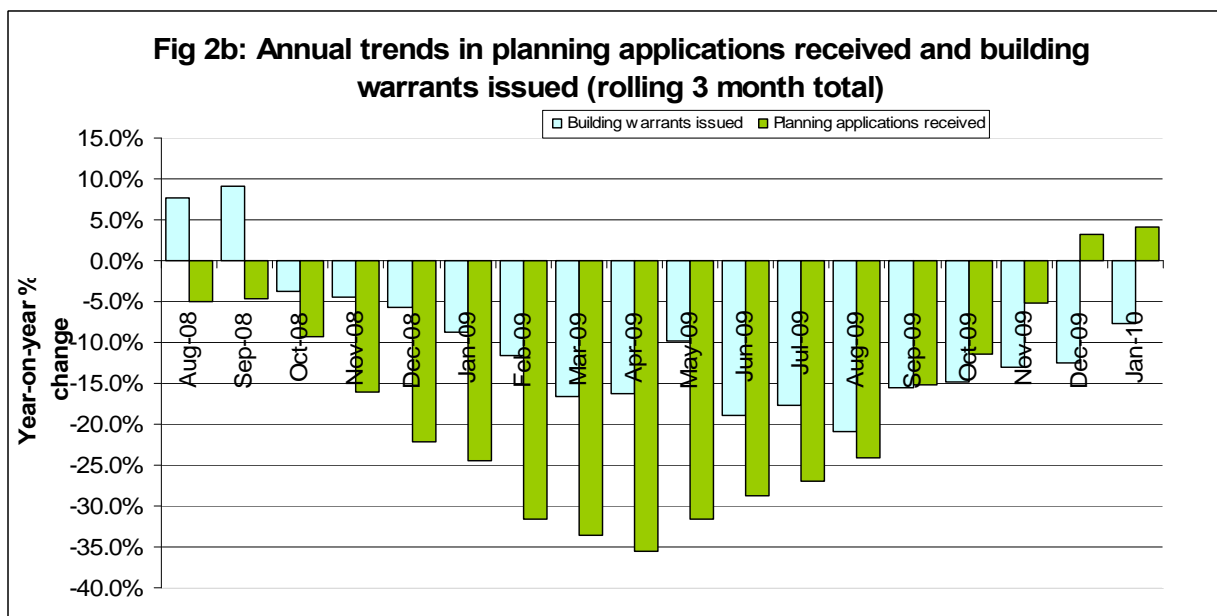


Fig 2b shows that the annual change across both measures is was more positive than January 2009. The number of planning applications received in the three-month period ending in January 2010 was 8.0% up on last year while the number of building warrants issued fell by 7.7%



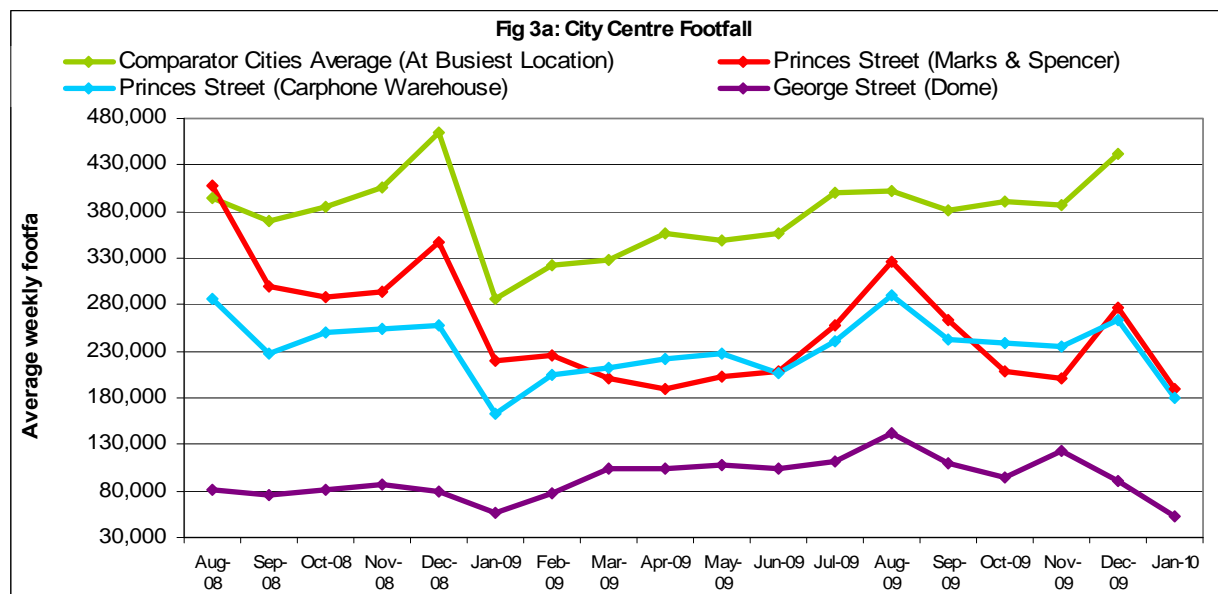
For more further information on planning issues in Edinburgh, see the latest [Planning News](#)

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. With January being the quietest month of the year, footfall fell as expected to an average of 72,430 per counter per week.⁶ Compared with 2008, footfall was 13.9% lower at Marks & Spencer but 10.9% higher at Carphone Warehouse, also on Princes Street.⁷



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

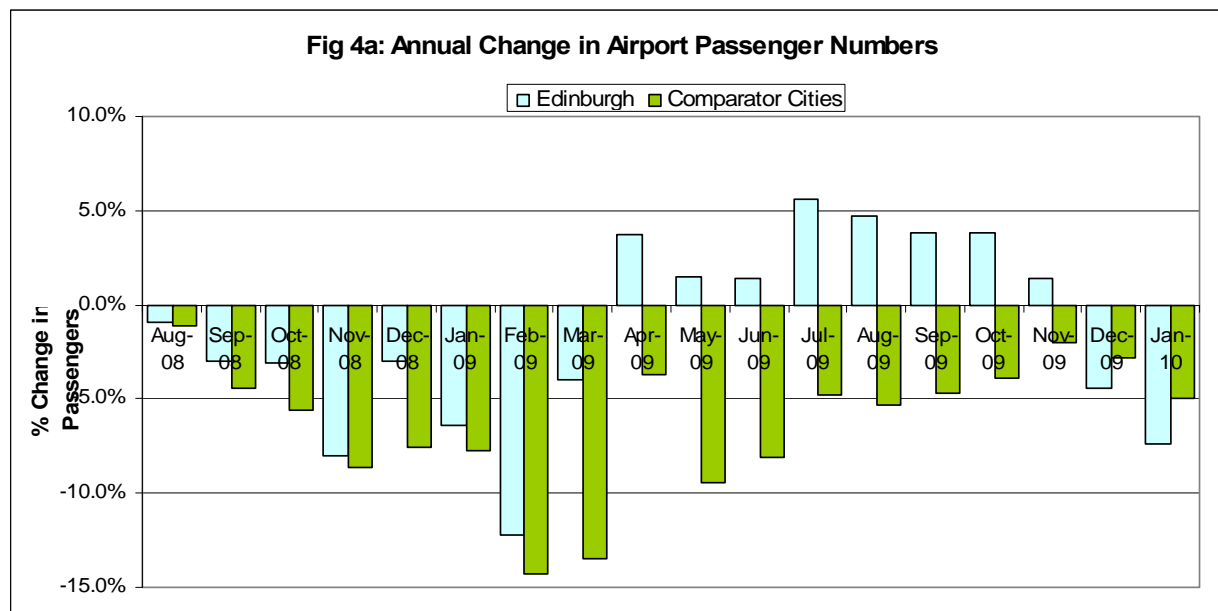
⁶ Source: Springboard. The comparator cities figure is an average of footfall count at the busiest locations in Birmingham, Bristol, Cardiff, Dublin, Edinburgh, Glasgow, Leeds, London, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

⁷ Ibid.

(4) Tourism

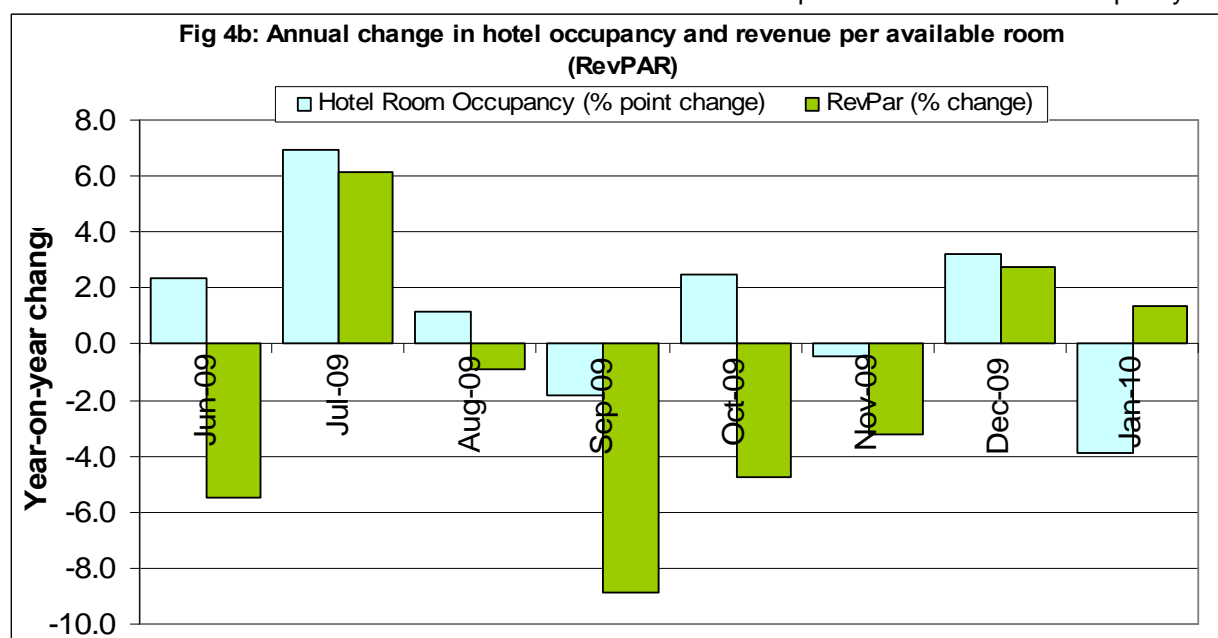
4.1 Airport (Monthly Trend ▼; Annual Trend —; Relative to Comparator Cities ▼)

513,357 passengers passed through Edinburgh Airport in January 2010 – 7.3% fewer than in January 2009.⁸ As in December, much of this decline is likely to be due to the cancellation of flights due to snow.⁹ In comparator cities, passenger numbers fell by an average of 5.0% - the 20th consecutive month of annual decline.



4.2 Hotels (Monthly Trend ▼; Annual Trend ▲)

Hotel room occupancy was 3.9 percentage points down lower than January 2009 at 52.0%, but revenue per available room (RevPar) £32.97 – 1.4% up on last year.¹⁰ As hoteliers kept rates high, it is likely that non-economic factors such as adverse weather conditions were responsible for the fall in occupancy.



⁸ 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.

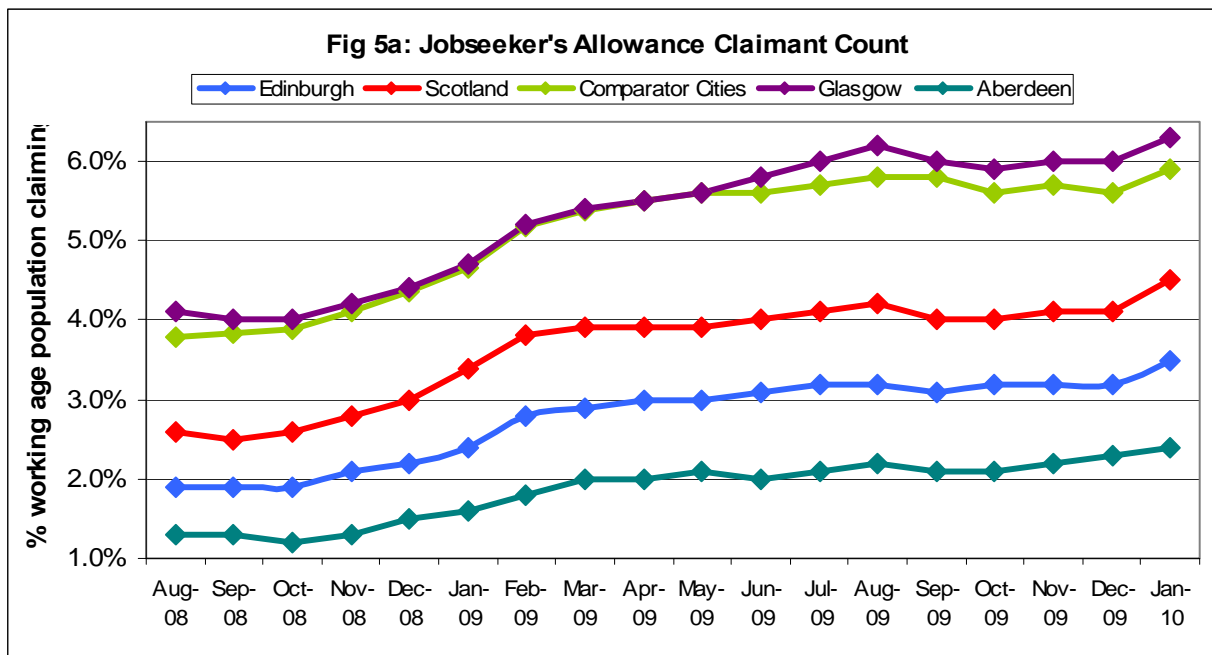
⁹ Scottish airports worst hit by big freeze (The Herald) <http://www.heraldscotland.com/news/transport-environment/scottish-airports-worst-hit-by-big-freeze-1.1005354>

¹⁰ Source: STR Global

(5) Labour market

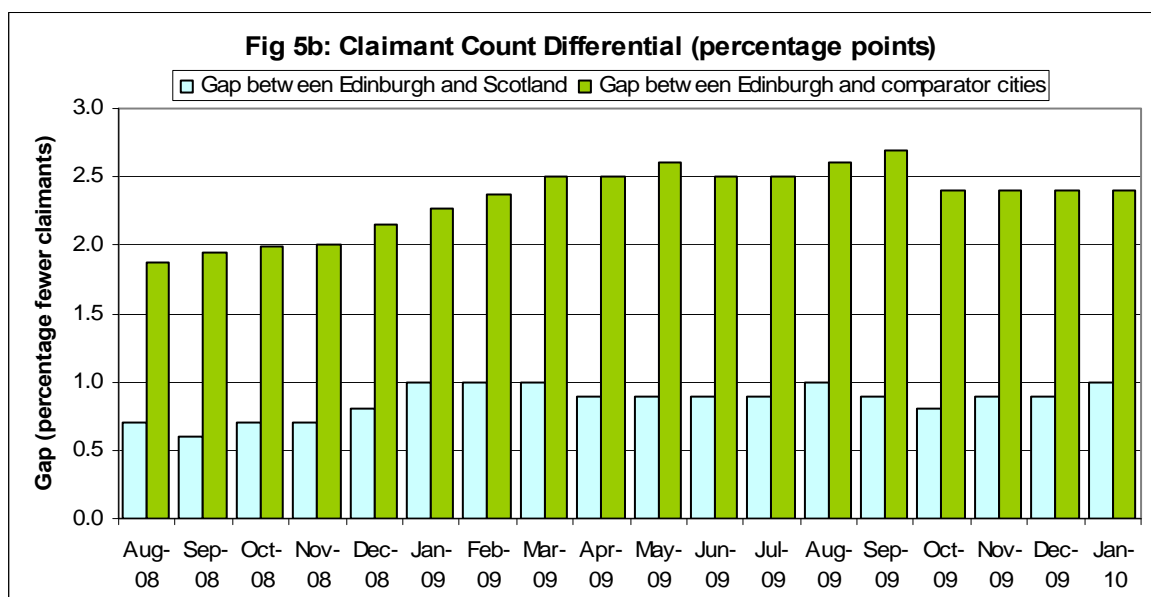
5.1 Unemployment Rate (Monthly Trend ▲; Annual Trend ▲; Relative to Comparator Cities ▼)

After a recession is over, the labour market will usually lag and take some time to recover. It is therefore unsurprising that while other indicators have shown signs of steadying or improvement, unemployment continues to rise. Claimant count unemployment rose by 927 in Edinburgh to reach to 11,100 or 3.5% of the working age population – its highest rate since January 1999. This sharp monthly increase also occurred in all comparator cities and is likely to be due to temporary Christmas period jobs being lost. Encouragingly however, Fig 5c shows that there are considerably more vacancies available than in January 2009, suggesting that this trend will not continue as it did last year. Edinburgh's unemployment rate continues to compare favourably with Scotland's (4.5%) and comparator cities (5.9%).¹¹



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 January 2010, the Edinburgh's unemployment rate was 1.0 percentage points below that of Scotland and 2.4 percentage points below that of comparator cities.¹²

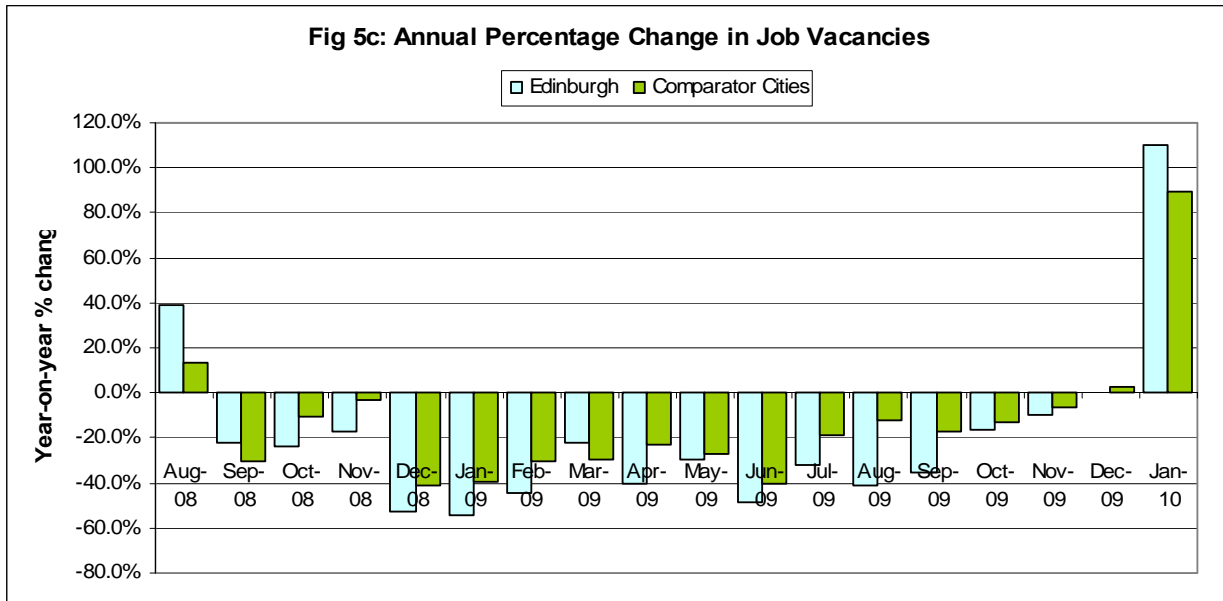


¹¹ Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle and Nottingham.

¹² Ibid.

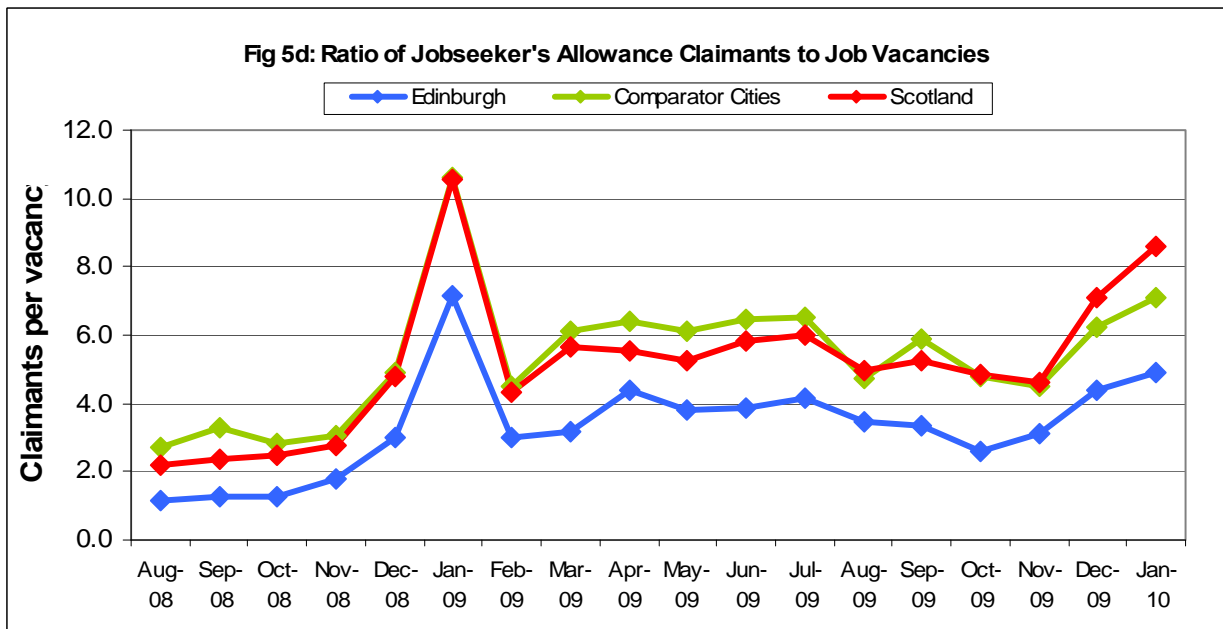
5.3 Job Vacancies (Monthly Trend ▼; Annual Trend ▲; Relative to Comparator Cities ▲)

Figure 5c shows that the number of job vacancies advertised by Jobcentre Plus in both Edinburgh and comparator cities was significantly higher than in the post-Christmas period last year. In January 2010, 2,225 job vacancies were advertised by Jobcentre Plus in Edinburgh – 109.8 % more than in January 2009.¹³ This suggests that it will be easier for staff employed in temporary Christmas-period jobs to enter the labour market than last year.



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

In January 2010, there were 4.9 Jobseeker’s Allowance claimants in Edinburgh for every vacancy advertised by Jobcentre Plus. This increase followed expected seasonal trends as temporary Christmas-period staff’s contracts came to an end. Fig 5d show that, the ratio was not as severe as last and compares favourably with Scotland (8.6 claimants per vacancy) and with comparator cities (7.1 claimants per vacancy).¹⁴



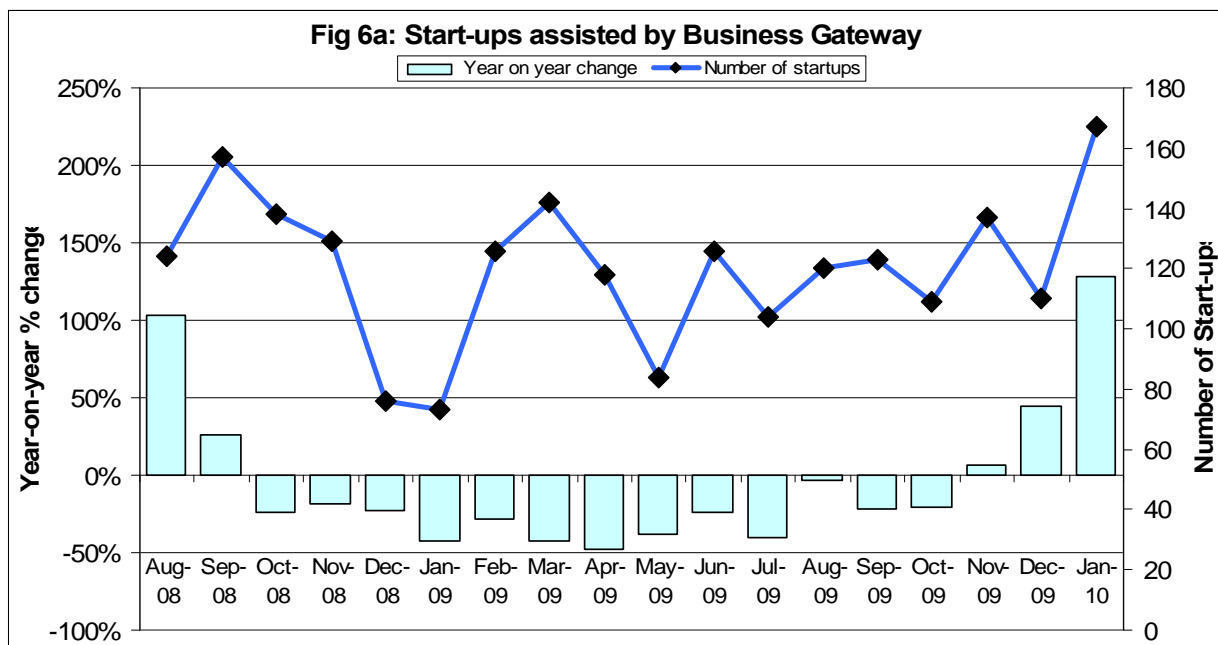
For more detailed information on Edinburgh’s Labour Market see the latest [Labour Market Bulletin](#). Monthly updates of key labour statistics are available [here](#).

¹³ Ibid
¹⁴ Ibid

(6) Investment

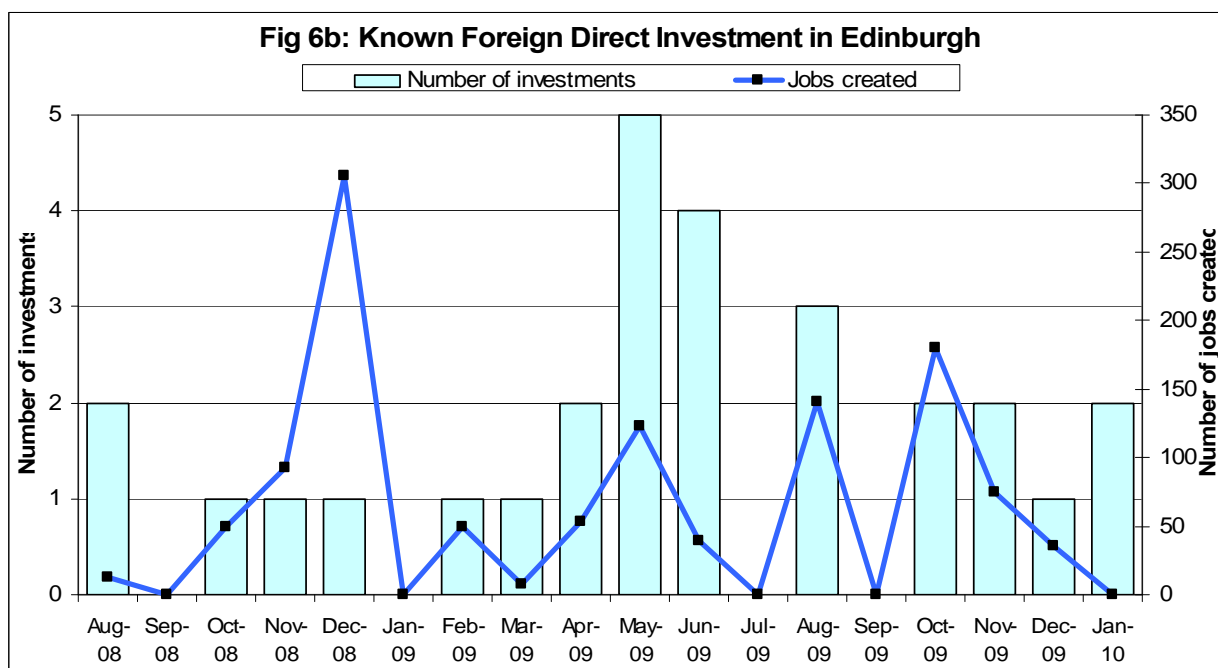
6.1 Business Gateway Start-ups (Monthly Trend ▲ ; Annual Trend ▲)

In January 2010, the Business Gateway assisted 167 start-ups in Edinburgh – 128.8% more than in January 2009. With three 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.¹⁵



6.2 Foreign Direct Investment

Over the last 18 months, 28 large-scale Foreign Direct Investment (FDI) projects have been announced in Edinburgh, creating 1,165 jobs.¹⁶

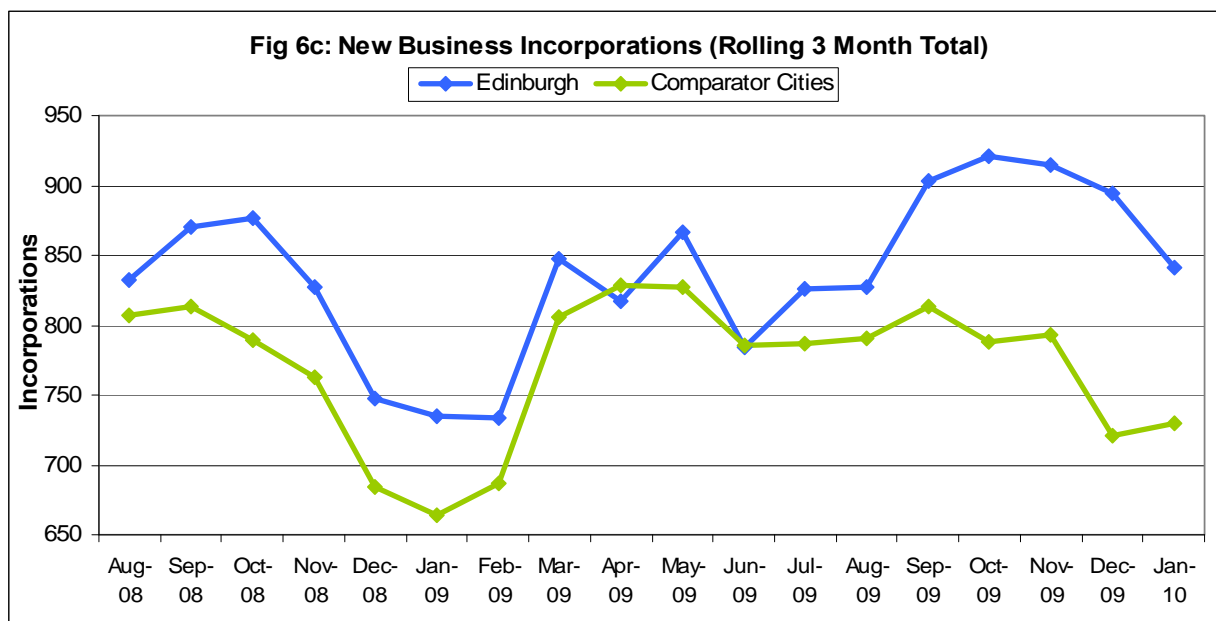


¹⁵ Source: Business Gateway

¹⁶ Source: FDI Markets. NB Figures are provisional and subject to change. Figures may be added to the database retrospectively.

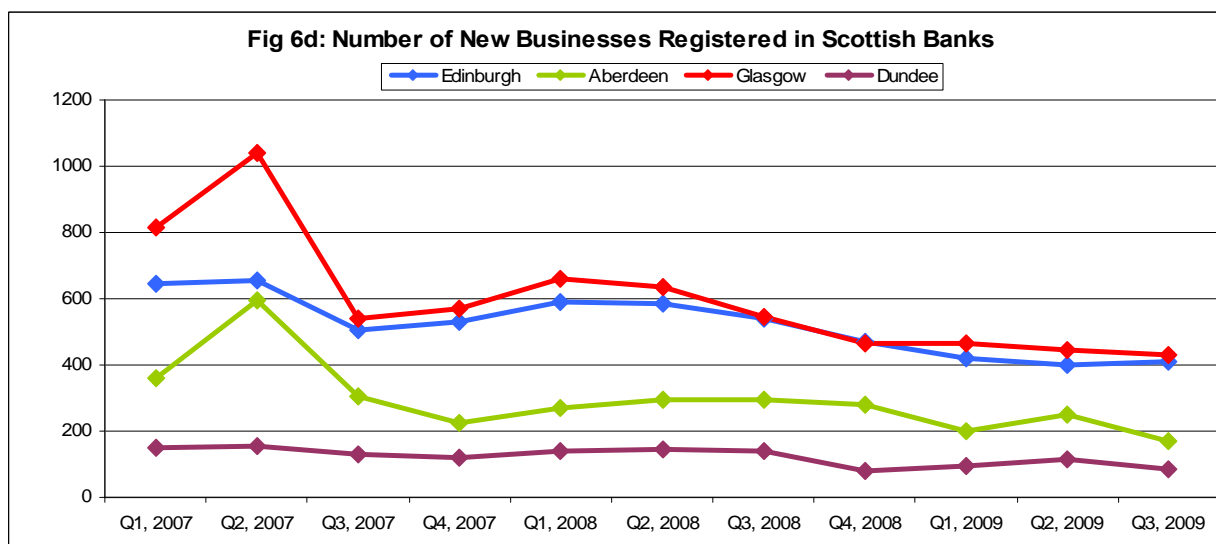
6.3 New Incorporations (Monthly Trend ▼; Annual Trend ▲; Relative to Comparator Cities ▲)

The number of new businesses incorporated in the three-month period ending January 2010 followed seasonal trends and fell to 841. Meanwhile, the average for comparator cities grew to 750.¹⁷



6.4 New Businesses in Scottish Banks (Quarterly Trend ▲; Annual Trend ▼; Relative to Comparator Cities ▲)

In Q3 2009, 412 new businesses registered for bank accounts in Edinburgh. Unlike other Scottish cities, this was an increase on Q2 2009.¹⁸

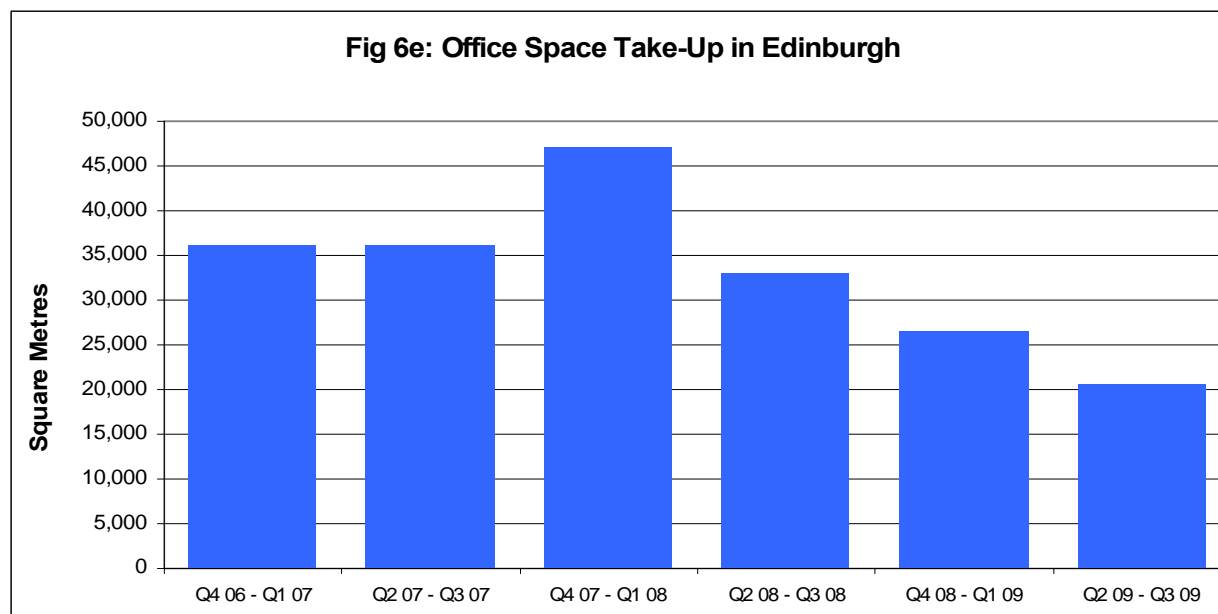


¹⁷ Source: FAME. The comparator cities figure is an average of the monthly number of incorporations in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Norwich and Nottingham.

¹⁸ Source: The Committee of Scottish Clearing Bankers (CSCB). The comparator cities are Aberdeen, Glasgow and Dundee.

6.4 Office Space Take-Up (Quarterly Trend ▼; Annual Trend ▼)

Between Q2 and Q3 2009, 20,665 square metres of office space were taken in Edinburgh.¹⁹ This was the third consecutive quarter of decline.



¹⁹ Source: Ryden Scottish Property Review

(7) Surveys and Forecasts

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

Lloyds TSB Business Risk Report (17 February)

This report found business confidence at a two-year high, reflecting increasing optimism that the economic

recovery will gain traction in the first half of 2010. However, companies indicated that weak domestic demand remained the greatest threat to their business prospects and therefore they remained cautious about capital spending and increasing staff numbers.

More

info:

http://www.supportingukbusiness.com/articles/2010/february/Business_risk_report_february.php

Chartered Institute of Personnel and Development (15 February)

This survey of 700 employers found that job losses are set to double. More employers were planning to cut staff rather than hire new workers, and the outlook was particularly "bleak" in the public sector

More info: http://www.cipd.co.uk/pressoffice/_articles/LMO15022010.htm

Institute of Directors (15 February)

This survey found that more than half of companies seeking bank finance over the past year have been turned down, contradicting claims by banks that the majority of lending demand was being met. IoD surveyed more than 1,000 company directors and found that a quarter had tried to access finance from their banks. Of these, 57 per cent said their application had been rejected.

More info: http://www.ft.com/cms/s/0/8798675c-1a67-11df-a2e3-00144feab49a.html?nclick_check=1

British Retail Consortium (9 February)

Retail sales growth in January was the lowest for 15 years, with a 0.7% fall in like-for-like sales compared with 2009. Snow disruption and the rise in VAT were suggested as possible reasons for this.

More Info: <http://www.brc.org.uk/showDoc04.asp?id=4046&moid=6912>

Nationwide Building Society (4 February)

The Nationwide Building Society stated that consumer confidence rose in January as the UK. Their index of sentiment increased three points from the previous month to 73, almost double that of 39 measured in January 2009.

More info: <http://www.heraldscotland.com/business/markets-economy/confidence-in-uk-economy-fragile-during-slow-recovery-1.1003724>

KPMG and the Recruitment and Employment Federation (4 February)

This report showed that a measure of hiring for permanent jobs fell from 62.8 in December to 60.5 in January. A reading above 50 indicates an increase in hiring.

More info: <http://www.rec.uk.com/press/news/531>

Chartered Institute of Purchasing and Supply (2 February)

UK manufacturing activity stormed grew by its fastest rate in the past 15 years in January. The main driver of growth was a surge in new export orders, as improving global market conditions and the ongoing weakness of sterling led to the sharpest rise in foreign demand recorded in at least 14 years.

More info: <http://www.heraldscotland.com/business/markets-economy/manufacturing-orders-grow-at-15-year-high-rate-1.1003145>

National Institute of Economic and Social Research (2 February)

NIESR cut their forecast expansion for the UK economy to 1.1% from the 1.3% rate predicted in October. Unemployment will continue to rise until peaking at 2.9 million in 2011.

More info: http://www.niesr.ac.uk/pdf/030210_101646.pdf

(8) Presswatch**Lessons learned from the 'Great Slump' could stand Scotland in good stead***The Sunday Herald 28 February*<http://www.heraldscotland.com/business/markets-economy/lessons-learned-from-the-great-slump-could-stand-scotland-in-good-stead-1.1009826>**No time for premature jubilation as UK economic recovery lags behind***The Sunday Herald 28 February*<http://www.heraldscotland.com/business/analysis/no-time-for-premature-jubilation-as-uk-economic-recovery-lags-behind-1.1010011>**Demand set to rise for office space in city***The Evening News 23 February*<http://edinburghnews.scotsman.com/news/Demand-set-to-rise-for.6095165.jp>**Hopes of a housing market recovery look distant as renters cling on***The Scotsman 22 February*<http://business.scotsman.com/business/Hopes-of-a-housing-market.6091532.jp>**'Edinburgh economy can't afford to be so reliant on the financial sector'***The Scotsman 20 February*<http://news.scotsman.com/scotland/39Edinburgh-economy-can39t-afford-to.6090133.jp>**Future looks bright for Edinburgh's economy***The Evening News 20 February*<http://edinburghnews.scotsman.com/news/Future-looks-bright-for-Edinburghs.6090459.jp>**Interest rates likely to stay at record low***The Herald 18 February*<http://www.heraldscotland.com/business/markets-economy/interest-rates-likely-to-stay-at-record-low-1.1007348>**City jobless figures see another rise***The Evening News 18 February*<http://edinburghnews.scotsman.com/news/City-jobless-figures-see-another.6083476.jp>**Pensioners and savers to bear the brunt as inflation jumps to 3.5%***The Scotsman 17 February*<http://thescoatsman.scotsman.com/uk/Pensioners-and-savers-to-bear.6078205.jp>**A double-dip recession must still be feared***The Herald 12 February*<http://www.heraldscotland.com/business/analysis/a-double-dip-recession-must-still-be-feared-1.1005885>**Capital's average wage rise beats rest of the UK***The Evening News 11 February*<http://edinburghnews.scotsman.com/topstories/Capital39s-average-wage-rise-beats.6063106.jp>**Scottish shops performing 'better than rest of UK'***The Herald 10 February*<http://www.heraldscotland.com/news/home-news/scottish-shops-performing-better-than-rest-of-uk-1.1005510>**Restaurants see return of business lunches after crunch***The Evening News 10 February*<http://edinburghnews.scotsman.com/news/Restaurants-see-return-of-business.6058281.jp>**Workers face a second year of having their pay frozen***Sunday Herald 7 February 2010*<http://www.heraldscotland.com/news/home-news/workers-face-a-second-year-of-having-their-pay-frozen-1.1004416>

(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>

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

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

Office of National Statistics indicators (UK Level)

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

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-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>