Edinburgh Economy Watch September 2009

Welcome to the September 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 the capital 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 up 5.7% House sales 0.2%	Page 2
Planning and development	↓	↓	No data	Planning applications received down 11.5% Building warrants issued down 15.4%	Page 4
City centre performance	↓	↑	No data	City centre footfall up 26.2%	Page 5
Tourism	↑	↔	↑	Airport passenger numbers down 2.9% Hotel room occupancy up 4% points	Page 6
Labour market	↓	↔	↑	Claimant count up 1.9% Vacancies up 22.8%	Page 7
Investment	↓	↑	↓	New incorporations up 11.4% Business Gateway start-ups up 15.4%	Page 9

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 rose by £11,667 from June to July, reaching £216,688. House prices in Edinburgh have now risen for four consecutive months and stand at a similar level to February 2008. Prices in comparator cities rose for a second consecutive month and now stand at £119,819.[1]

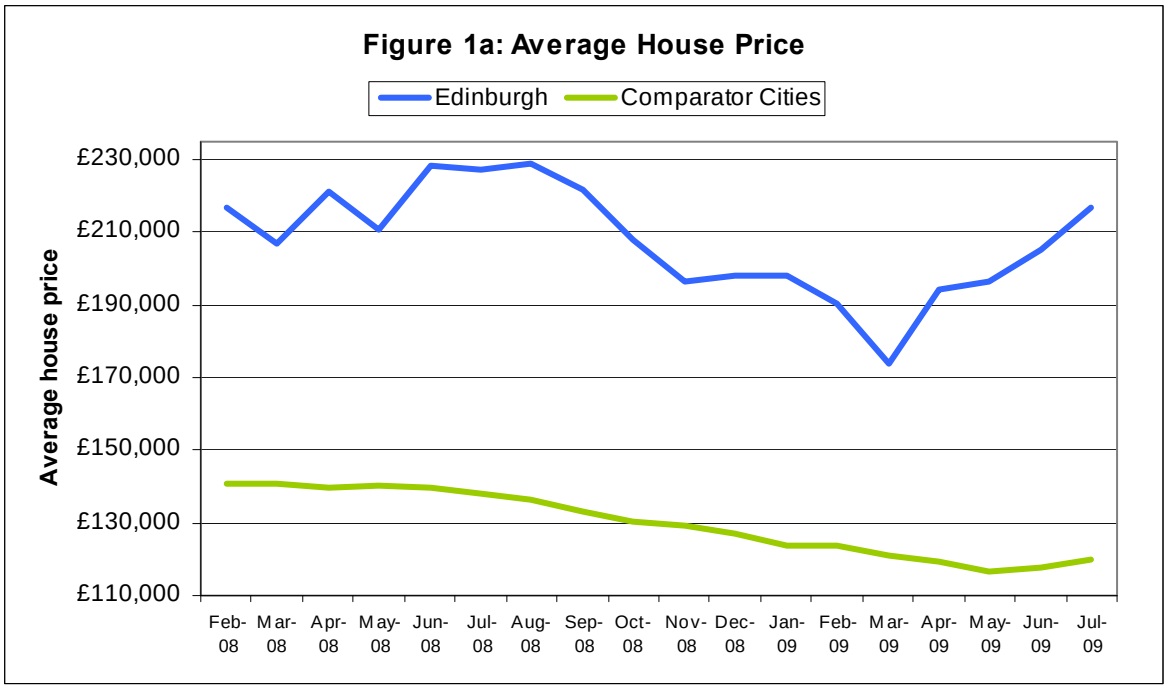
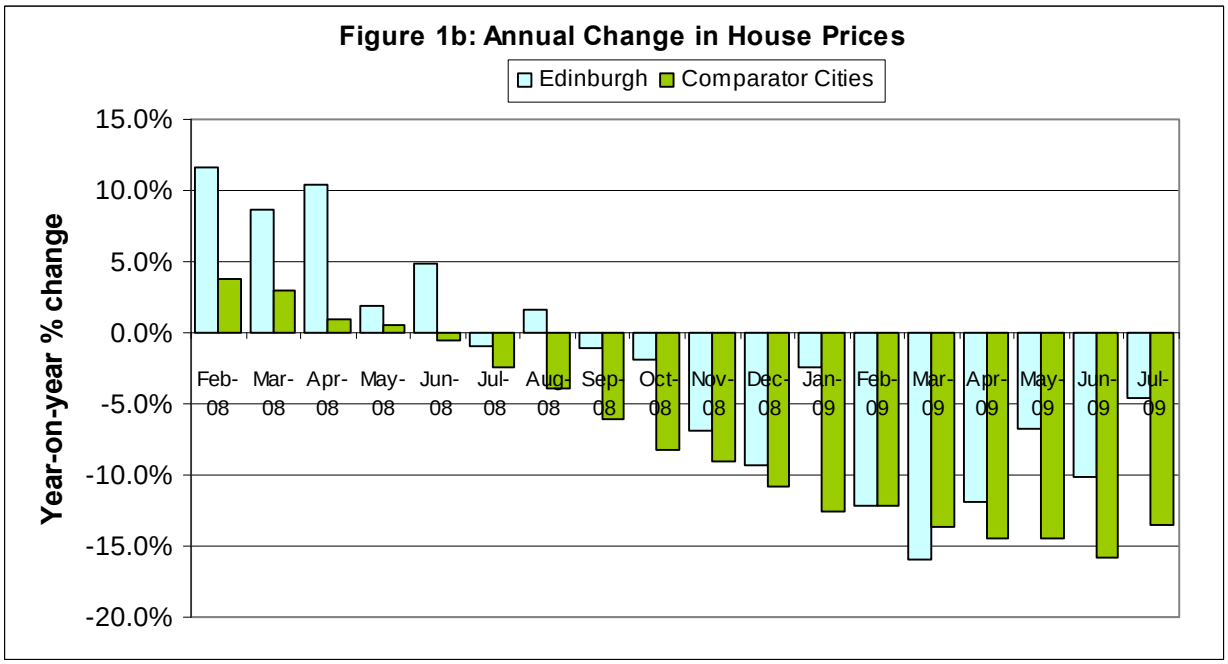


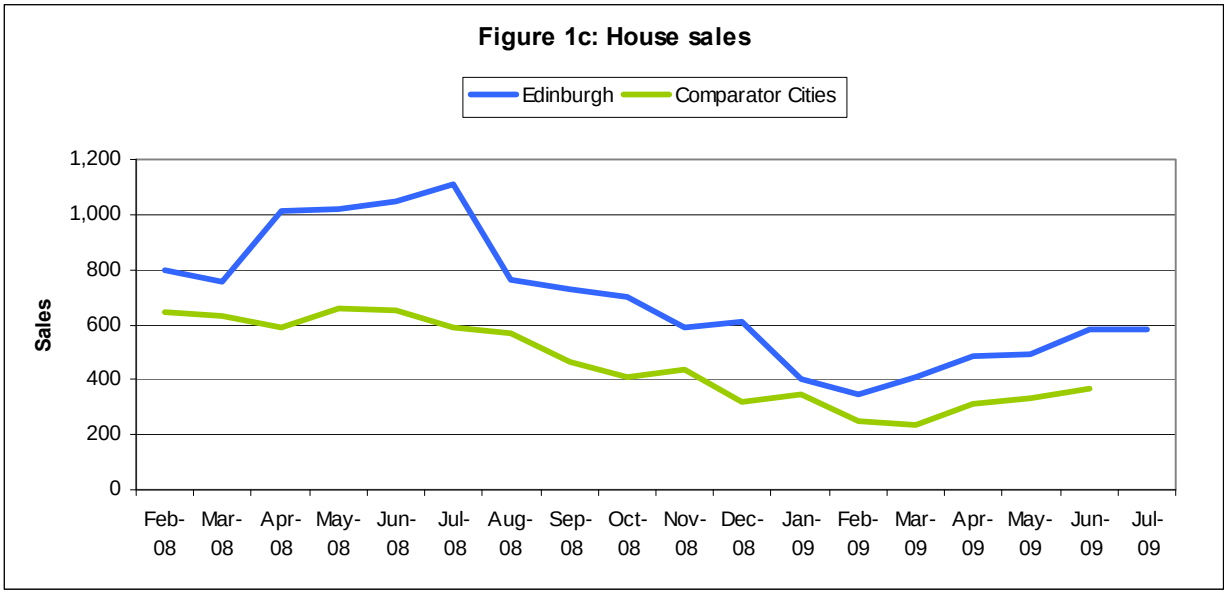
Figure 1b shows the annual change in house prices. House prices in Edinburgh are lower than in the same period in 2008, but by substantially less than in comparator cities. In July 2009, house prices in Edinburgh were 4.6% lower than in July 2008 – the smallest annual decline recorded since January 2009. Over the same period, house prices fell by 13.5% 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 —)

586 homes were sold in Edinburgh in July 2009, representing the fifth consecutive month in which housing market activity has increased. However, there are signs that the recovery in house sales may be plateauing. There were 47.3% fewer house sales in Edinburgh in July 2009 than in July 2008. [3]



1.3 Forecast

The British Bankers Association (BBA) has revealed that 81% more mortgages were granted in August 2009 than in August 2008, when mortgage lending fell to a record low. Net lending grew annually by 4.6% to £2.8 billion. While the demand for mortgages remains comparatively low, lending by banks is recovering. However, first-time buyers are still struggling to obtain mortgages. [4]

The professional services firm Ernst & Young has suggested that recent rises in house prices are a "false dawn" and will not continue beyond spring 2010. Ernst & Young have projected that house prices will not reach levels attained in autumn 2007 until 2014. Current price levels are believed to be due to a combination of a shortage of properties on the market and activity by a small number of buyers. It is suggested that the threat of further rises in unemployment will constrain demand. The report identifies Scotland's housing market as having been the least affected by the recession of any of the UK regions. [5]

Property agent Savills has projected that Scottish house prices will fall by a further 2.1% in 2010 before growing by 2.0% in 2011. Savills suggests that house prices will not regain peak levels until 2013. [6]

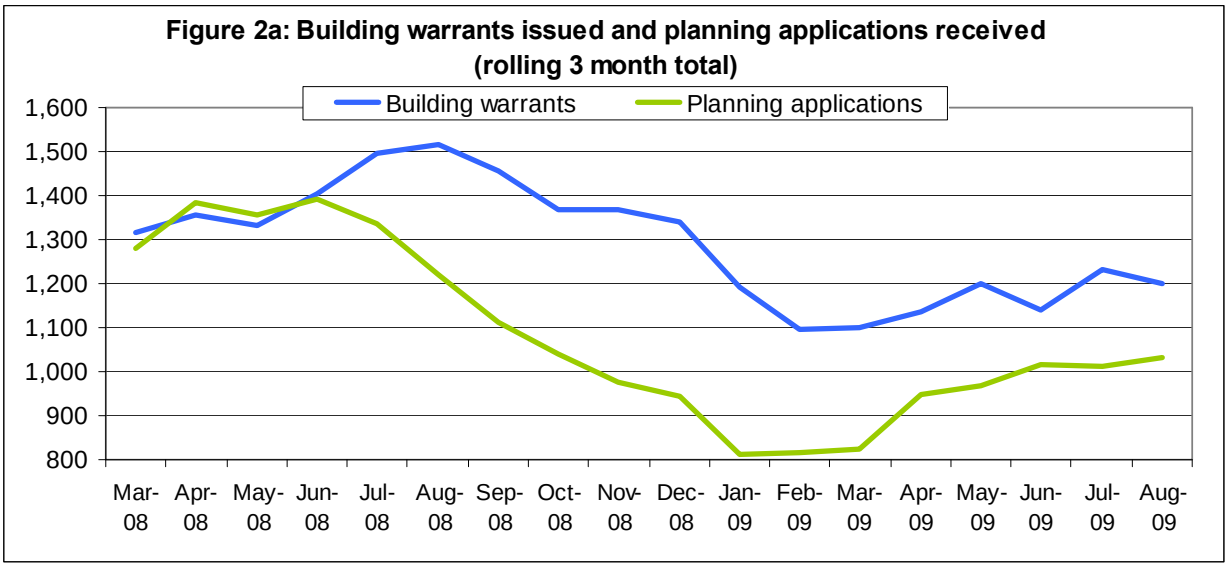
For further information about Edinburgh's housing market, see the latest Housing Monitoring Report.

[3] Ibid
[4] The Guardian (23 September 2009) Mortgage approvals soar by 81% year-on-year, http://www.guardian.co.uk/money/2009/sep/23/mortgage-approvals-soar
[5] Ernst & Young ITEM Club (September 2009) UK Housing Market, http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook
[6] The Scotsman (10 September 2009) Scotland's saw-edged route to property prosperity, http://thescotsman.scotsman.com/latestnews/Scotland39s-sawedged-route--.5634304.jp

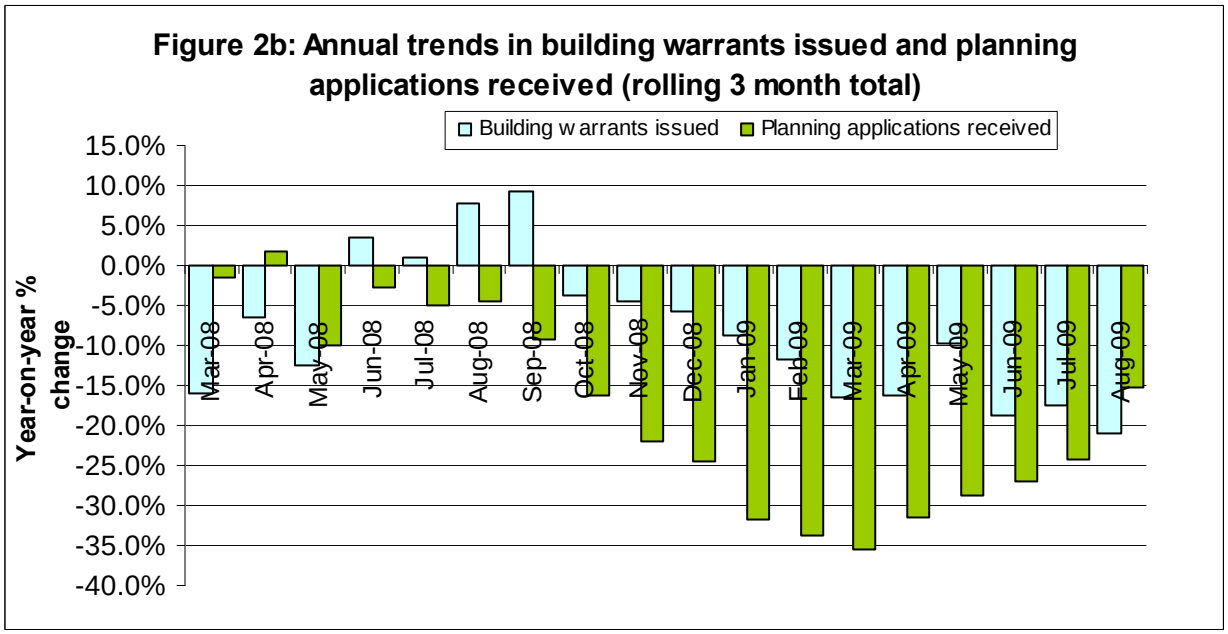
(2) Planning and development

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

In the three-month period ending in August 2009, the City of Edinburgh Council received 1,033 planning applications and issued 1,200 building warrants. [7]



The City of Edinburgh Council received 15.3% fewer planning applications and issued 20.9% fewer building warrants in the three-month period ending in August 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 experienced the greatest annual decline on record. [8]



For more further information on planning issues in Edinburgh, see the latest Planning News

[7] Source: City of Edinburgh Council, Planning Information team
[8] Ibid.

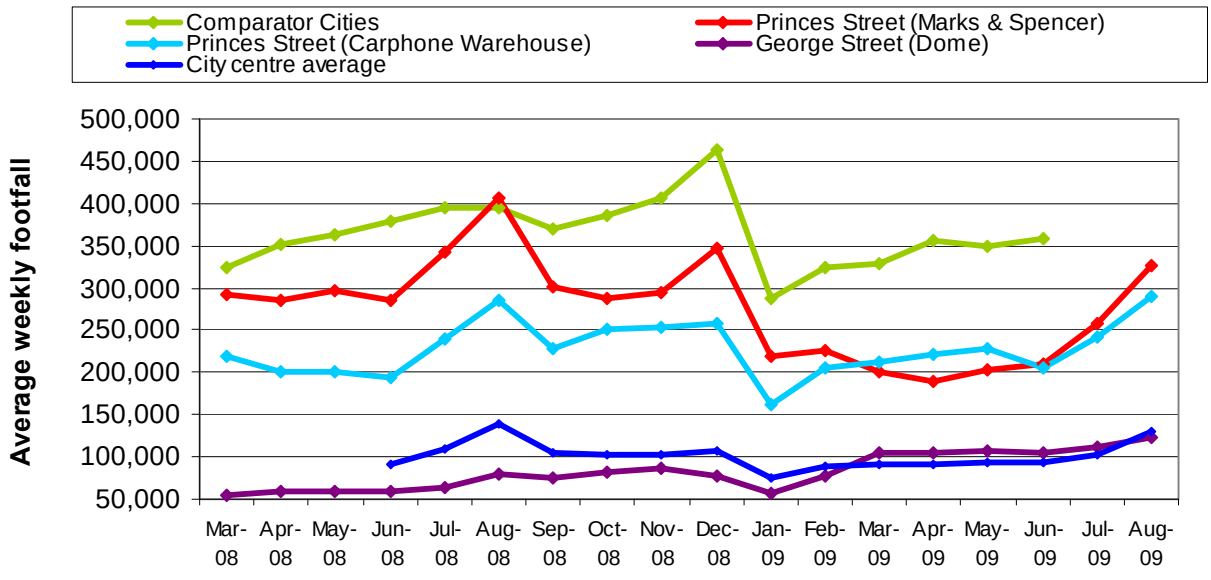
(3) City centre performance

3.1 Footfall (Monthly Trend ▲; Annual Trend ▼)

Figure 3a summarises data from automated footfall counters in Edinburgh city centre. Average weekly footfall in the city centre rose strongly in August due to the pedestrian traffic generated by the Edinburgh festivals, increasing from 102,559 in July 2009 to 130,218 in August 2009 – a 27.0% increase. [9]

Average weekly footfall in Edinburgh city centre was 5.6% lower in August 2009 than in August 2008. On Edinburgh's Princes Street, average weekly footfall was 1.1% higher outside Carphone Warehouse but 19.9% lower than outside Marks & Spencer. On George Street, average weekly footfall outside The Dome was 51.6% higher in August 2009 than in August 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 traffic is scheduled to return to Princes Street on 28 November 2009 in advance of the festive shopping period. [10]

Figure 3a: Average weekly footfall



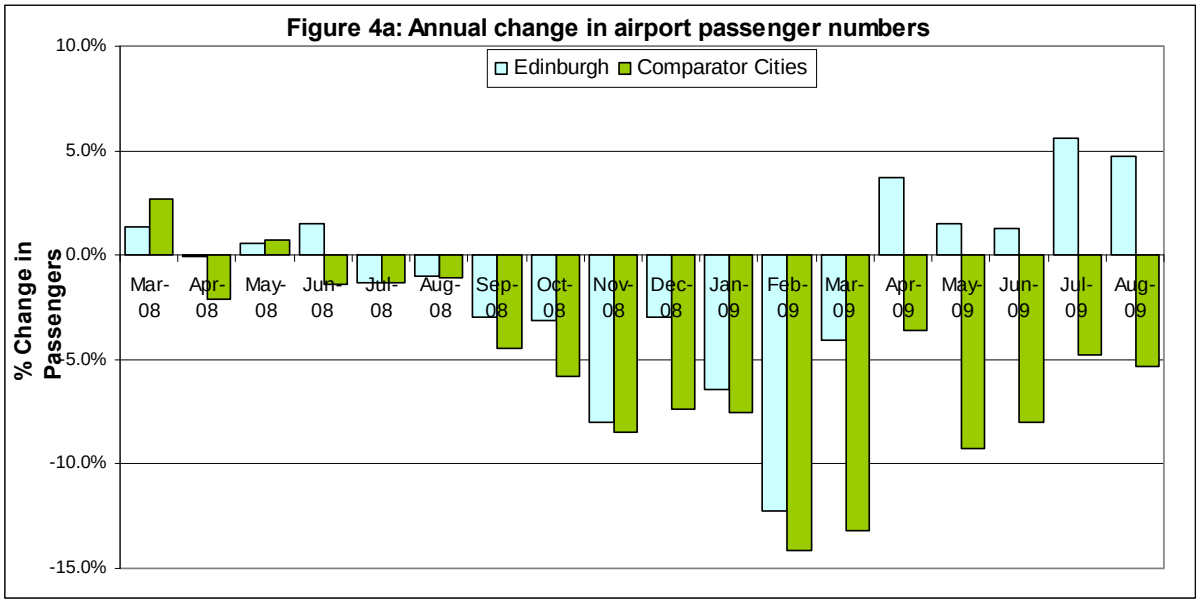
For more detailed information on city centre trends, see the latest City Centre Health Watch

[9] 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.
[10] Ibid.

(4) Tourism

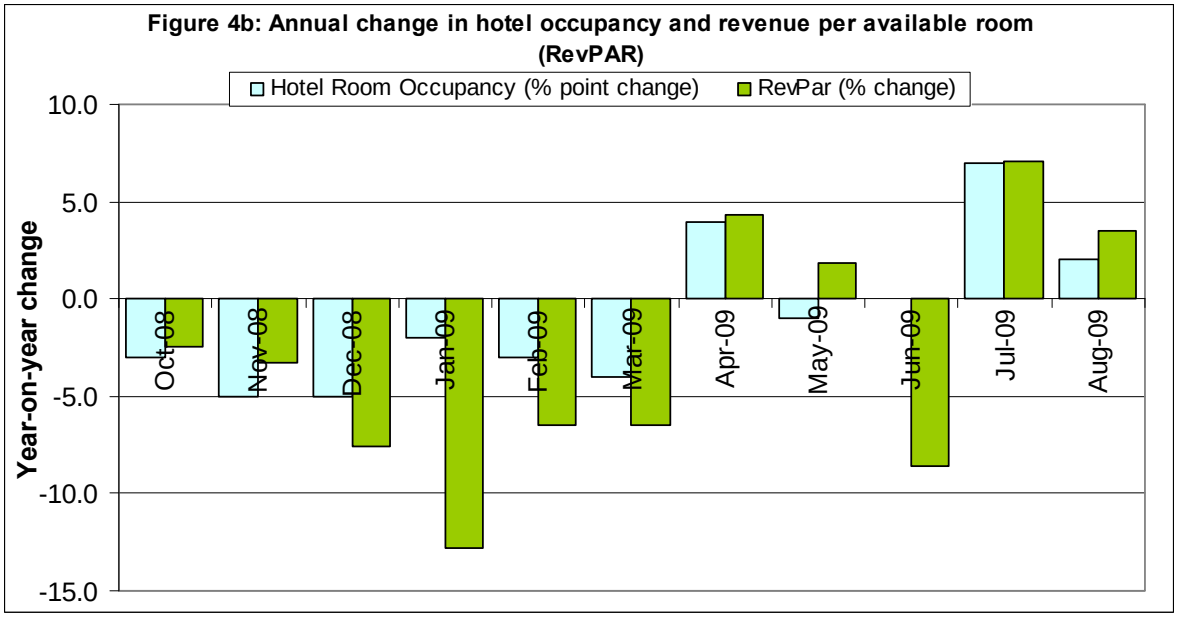
4.1 Airport (Monthly Trend ▼; Annual Trend ▲; Relative to Comparator Cities ▲)

928,616 passengers passed through Edinburgh Airport in August 2009 - 4.7% more than in August 2008 and the fifth consecutive month where passenger numbers rose compared with last year. Over the same period, passenger numbers at airports in comparator cities fell by 5.3%. [11] This positive trend is expected to continue in the coming months, with Flyglobespan announcing the launch of direct flights to Orlando Stanford and Jet2.com announcing new routes to Dubrovnik and Faro in August.[12]



4.2 Hotels (Monthly Trend ▲; Annual Trend ▲)

The positive summer for Edinburgh's tourism sector was also reflected in evidence from the city's hotels. Hotel room occupancy in Edinburgh was 91% in August 2009, compared to 89% in August 2008. Revenue per available room (RevPAR) was £108.45, a 3.5% increase on August 2008.[13]



[11] 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 Standsted airports. Figures for August 2009 are provisional.

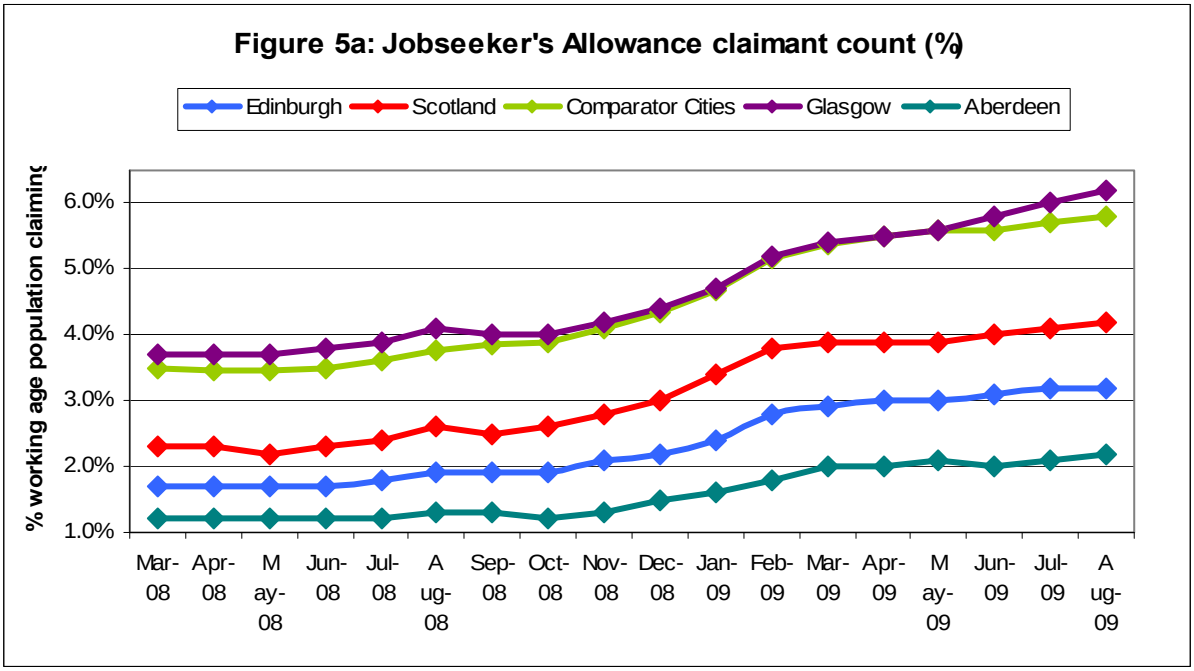
[12] The Scotsman (25 September 2009) Airline hopes Florida flights will take off in Capital, http://news.scotsman.com/scotland/Airline-hopes-Florida-flights-will.5679364.jp

[13] Ibid.

(5)Labour market

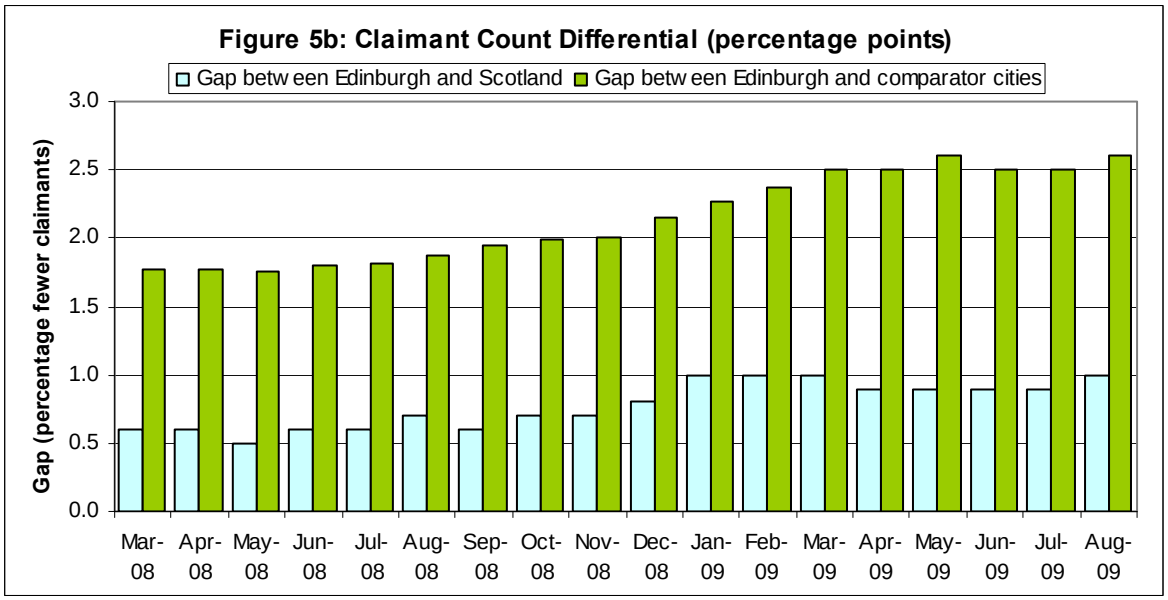
5.1 Unemployment Rate (Monthly Trend —; Annual Trend ▲; Relative to Comparator Cities ▼)

In August 2009, there were 10,215 Jobseeker's Allowance claimants in Edinburgh – 3.2% of the working age population, compared with 2.6% in August 2008. This is the highest unemployment rate recorded in Edinburgh since August 1999. However, it remains significantly below the rate for Scotland as a whole (4.2%) and for comparator cities (5.8%). [14]



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 August 2009, the unemployment rate in Edinburgh was 1.0 percentage points below that of Scotland and 2.6 percentage points below that of comparator cities. [15]

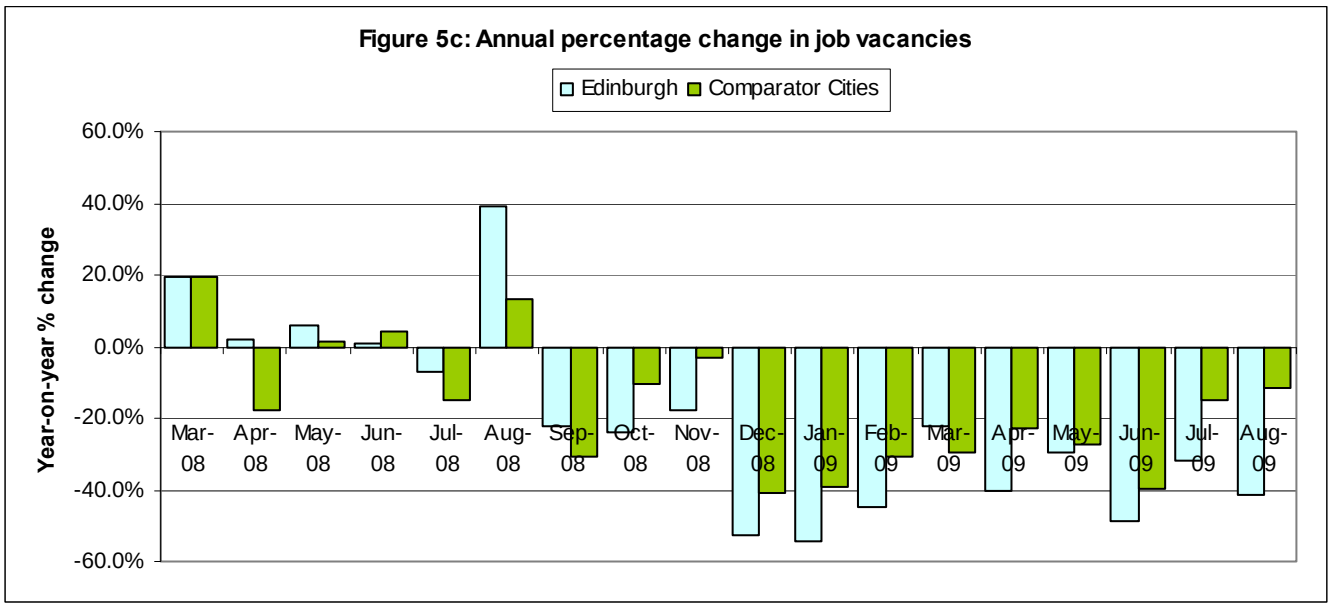


[14] Source: Department for Work and Pensions. The unemployment rate is defined as the percentage of the working age population claiming Jobseeker's Allowance. The comparator cities figure is an average of claimant counts in Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle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

[15] Ibid.

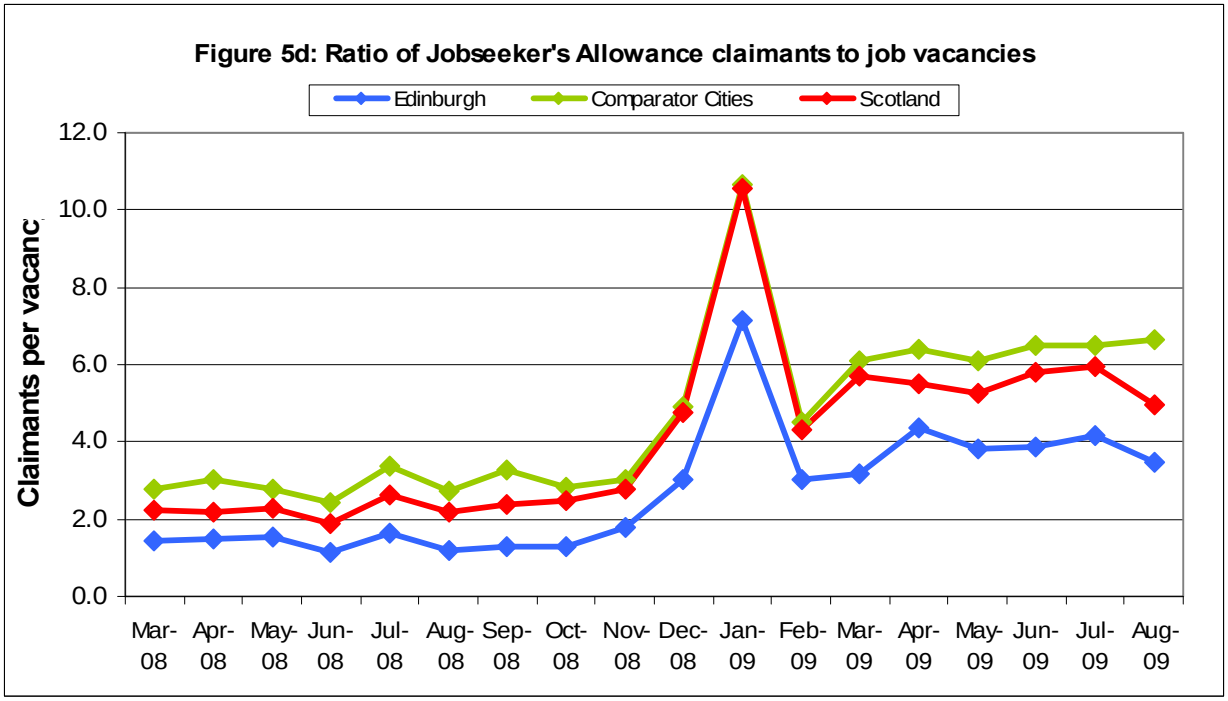
5.3 Job Vacancies (Monthly Trend ▲; Annual Trend ▼; Relative to Comparator Cities ▼)

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 12 months. In August 2009, 2,958 job vacancies were advertised in Edinburgh – 41.3% fewer than in August 2008. [16]



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

In August 2009, there were 3.5 Jobseeker's Allowance claimants in Edinburgh for every vacancy advertised by Jobcentre Plus. This compares favourably with Scotland as a whole (5.0 claimants per vacancy) and with comparator cities (6.6 claimants per vacancy). [17]



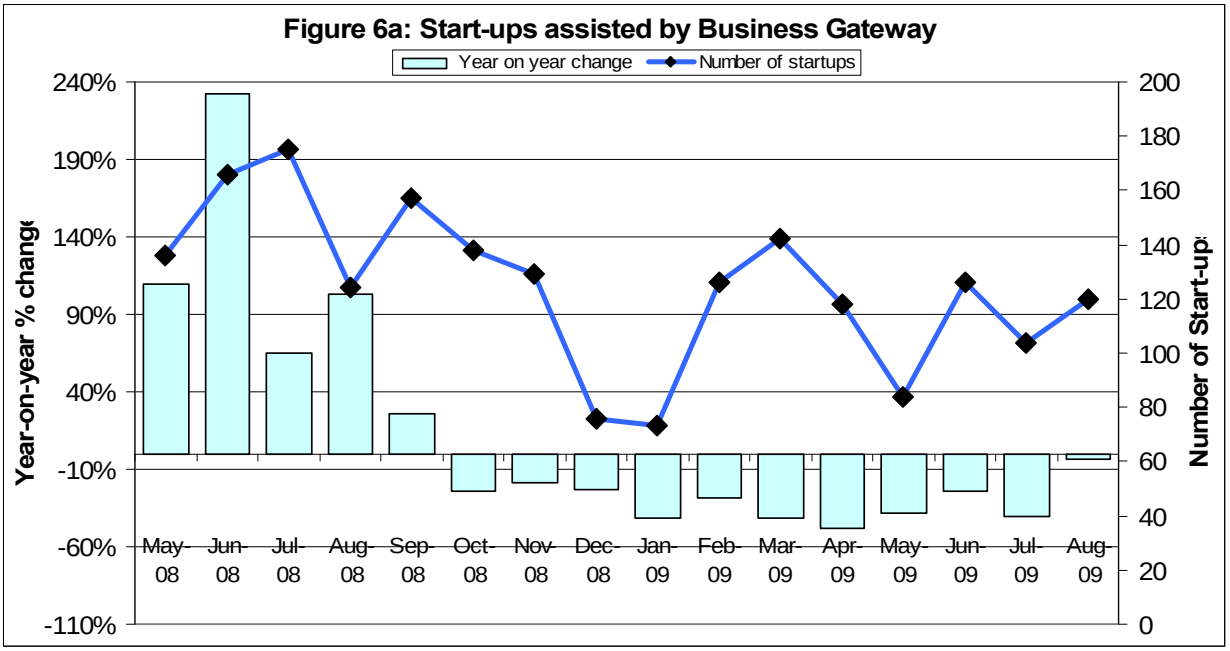
For more detailed information on Edinburgh's Labour Market see the latest Labour Market Bulletin. Monthly updates of key labour statistics are available here.

[16] Ibid
[17] Ibid

(6) Investment

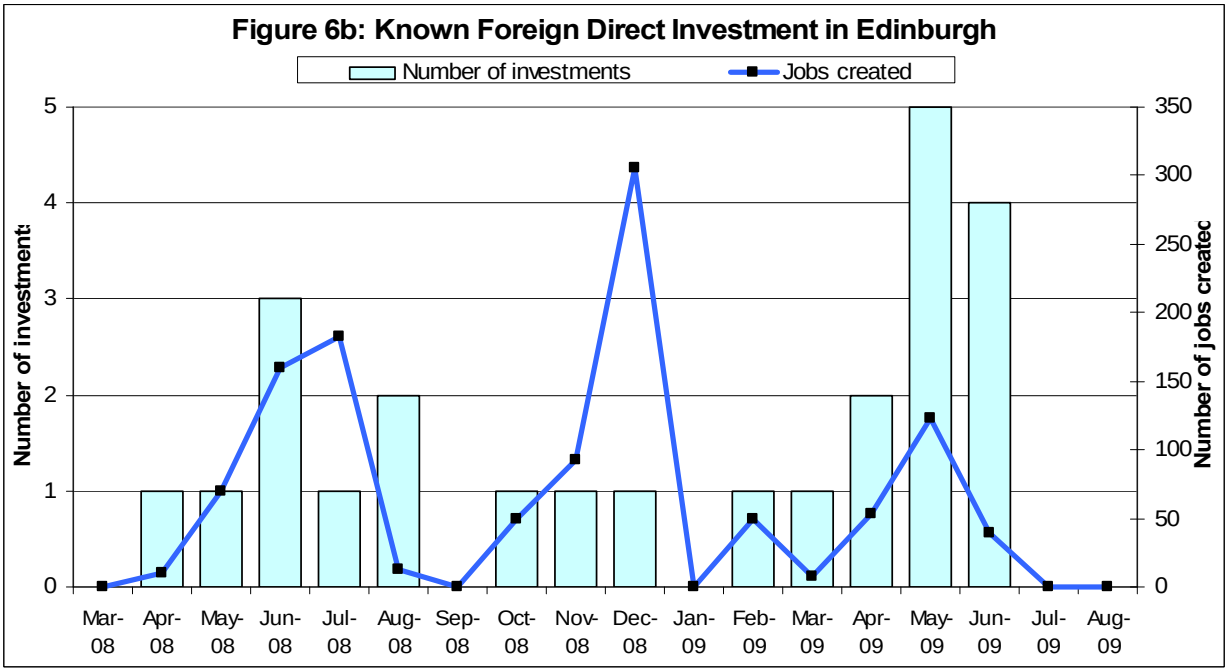
6.1 Business Gateway Start-ups (Monthly Trend ▲; Annual Trend ▼)

In August 2009, the Business Gateway assisted 120 start-ups in Edinburgh – 3.2% fewer than in August 2008. The number of start-ups assisted by the Business Gateway has fallen in comparison to the previous year for the last eleven months. This may be an indication that it continues to be difficult for small business to receive credit. [18]



6.2 Foreign Direct Investment

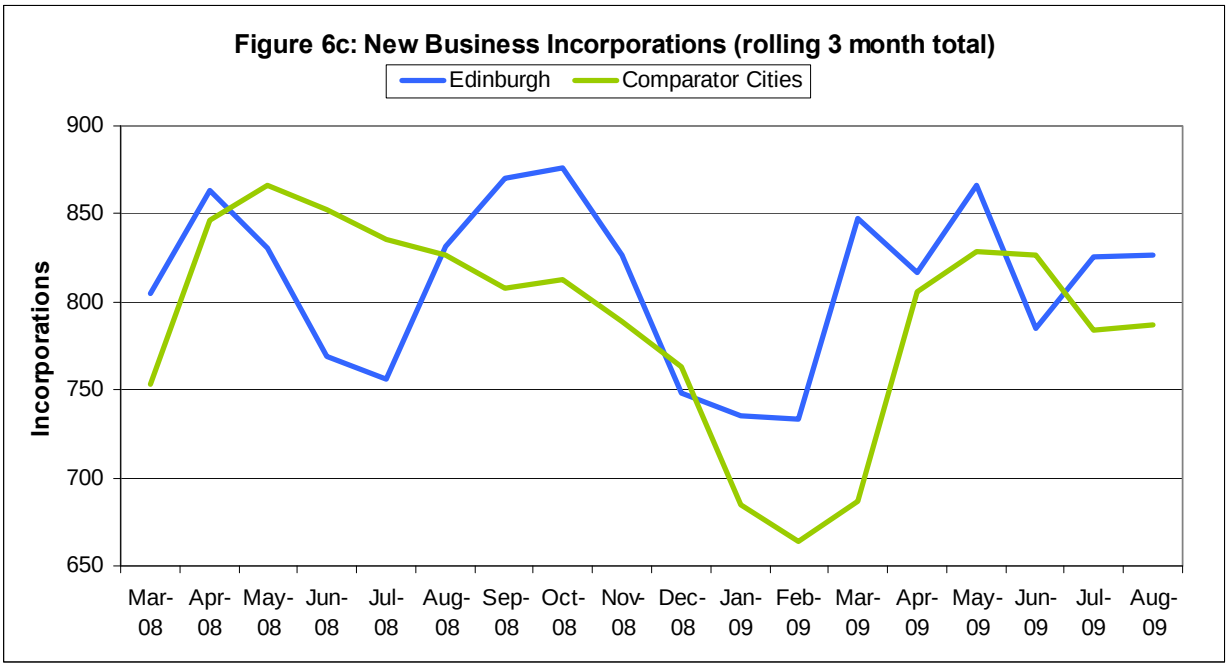
Over the last twelve months, 16 large-scale Foreign Direct Investment (FDI) projects in Edinburgh have taken place, creating 721 jobs. [19]



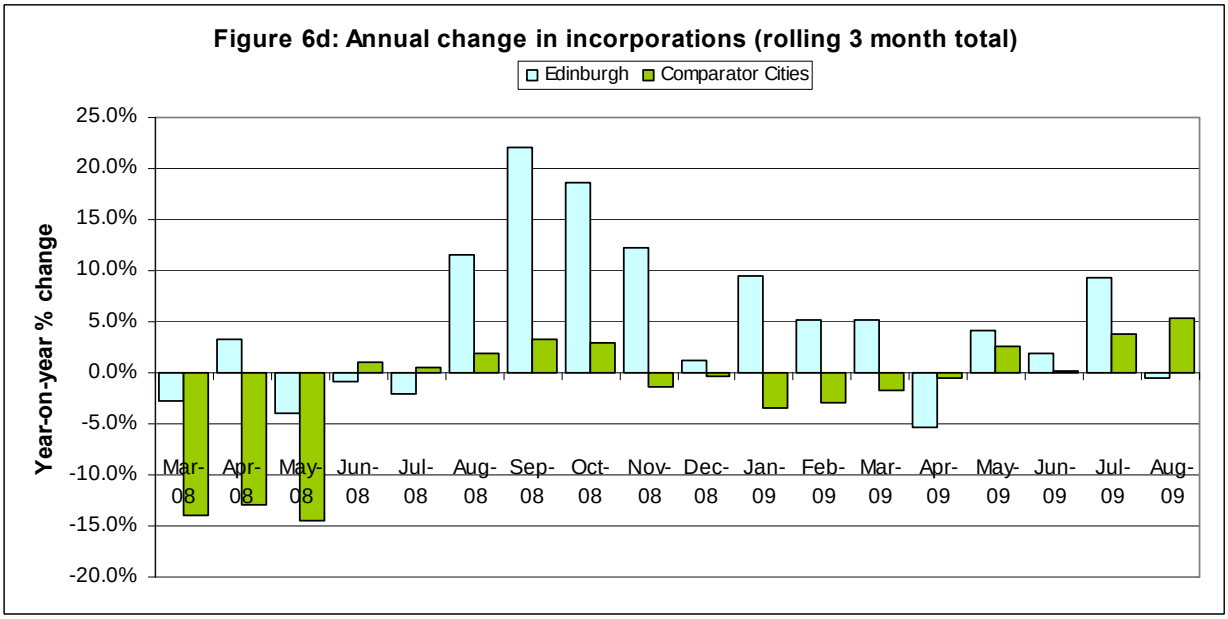
[18] Source: Business Gateway
[19] Source: FDI Markets. NB Figures are provisional and subject to change. Figures are often added to the database retrospectively.

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

The number of new businesses incorporated in August 2009 was similar to that recorded in July 2009 in both Edinburgh and comparator cities.[20]



The number of businesses incorporated in Edinburgh in August 2009 was 0.6% lower than in August 2008. By comparison, the number of business incorporations in comparator cities in August 2009 was 5.3% higher than in the same period in 2008. [21]



[20] 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.
[21] Ibid.

(7) Forecasts

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

CBI Economic and Business Outlook (23 September)
CBI economists have projected that the combined effects of quantitative easing and the weak sterling will result in the UK economy returning to growth in the third quarter of 2009, with the economy anticipated to expand by 0.3%. Growth of 0.4% is expected in the fourth quarter due to increases in expenditure in advance of the planned rise in VAT, followed by growth of 0.1% and 0.3% in the first and second quarters of 2010. The UK economy is projected to contract by 4.3% in 2009 before expanding by 0.9% in 2010. Unemployment is projected to peak at 2.99 million in the second quarter of 2010.
More info:
http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/78855deaa72885dc802576350033e9c4?OpenDocument

PricewaterhouseCoopers Enterprising UK 2009 survey (21 September)
A survey of unquoted companies by PricewaterhouseCoopers found that 81.1% of business leaders in Scotland expected their business prospects to remain the same or improve over the following 12 months, with 18.9% projecting that their business prospects would worsen. A higher percentage of respondents in Scotland were optimistic about their business prospects over the following year than in any of the other six UK regions in which surveys were carried out.
More info: http://www.ukmediacentre.pwc.com/Content/Detail.asp?ReleaseID=3369&NewsAreaID=2

Lloyds TSB Scotland Business Monitor (16 September)
The Quarter 3 2009 Lloyds TSB Scotland Business Monitor, a survey of 400 businesses in Scotland, found that 28% of businesses surveyed expected their turnover to fall over the following six months, while 27% expected their turnover to rise, representing a net projection of a 1% fall in turnover. A majority of service sector firms surveyed projected a rise in turnover over the following six months. Professor Donald MacRae, the Chief Economic of Lloyds TSB Scotland, stated that the survey results suggested “a return to economic growth for the Scottish economy by the end of 2009" was likely. The survey results indicate that the service sector will return to growth first, with the manufacturing sector lagging behind.
More info: http://www.heraldscotland.com/business/analysis/recovery-is-no-foregone-conclusion-1.920216

Ernst & Young (6 September)
A survey of 60 businesspeople conducted by Ernst & Young found that two-third of Scottish entrepreneurs surveyed expected the UK economy to return to growth by December 2008. By comparison, 58% of Scottish financial directors of companies with a turnover of £20 million or above surveyed did not expect the economy to return to growth until the third quarter of 2010.
More info: http://scotlandonsunday.scotsman.com/business/Entrepreneurs-more-upbeat-about-recovery.5621418.jp

Chartered Institute of Purchasing & Supply (4 September)
The Chartered Institute of Purchasing & Supply (CIPS) has published figures from the Purchasing Managers’ Index showing that the service sector of the UK grew at a faster monthly rate in August 2009 than in any month since September 2007. The UK service sector has now grown for four consecutive months, outperforming the construction and manufacturing sectors, both of which contracted in August.
More info: http://www.cips.org/aboutcips/news/details.aspx?id=216

OECD (4 September)
The Organisation for Economic Co-operation and Development (OECD) has projected that the UK economy will contract by 4.7% in 2009. This compares to contractions of 5.6% for Japan, 4.8% for Germany and 2.8% for the United States. The OECD has suggested that the UK will be the last major advanced economy to leave recession, with no growth projected until 2010.
More info: http://www.heraldscotland.com/business/analysis/oecd-says-outlook-for-uk-has-worsened-1.826218?localLinksEnabled=false

BDO Industry Watch (1 September)
Professional services firm BDO Stoy Hayward LLP has published an Industry Watch report that uses 33 variables to model future trends in the UK economy. The report projects that the UK economy will contract by 4.5% in 2009, stagnate in 2010 and grow sluggishly by 1.2% in both 2011 and 2012. Unemployment is projected to rise to 9.2% in 2009 and 10.9% in 2010. The report projects that 36,000 businesses will fail in the UK in 2009 and 40,400 in 2010, with the construction, manufacturing and retail sectors particularly affected. The report suggests that as many as one in 50 retail firms could fail in 2010.
More info: http://www.bdo.uk.com/services/advisory/business-restructuring/industry-watch.html

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(8) Presswatch

Too early to say if UK has come out of recession, says Alistair Darling
The Guardian, 28 September
http://www.guardian.co.uk/politics/2009/sep/28/alistair-darling-labour-conference

Scotland failing entrepreneur test
The Scotsman, 24 September
http://business.scotsman.com/economics/Scotland-failing-entrepreneur-test.5674759.jp

Mortgage approvals soar by 81% year-on-year
The Guardian, 23 September
http://www.guardian.co.uk/money/2009/sep/23/mortgage-approvals-soar

MPC fears 'false dawns' for the economy despite market surge
The Herald, 23 September
http://www.heraldscotland.com/business/markets-economy/mpc-fears-false-dawns-for-the-economy-despite-market-surge-1.921666

New figures on start-ups give cause for optimism
The Herald, 17 September
http://www.heraldscotland.com/business/corporate-sme/new-figures-on-start-ups-give-cause-for-optimism-1.920411

Inflation at five-year low as King says recession is not over
The Scotsman, 16 September
http://thescotsman.scotsman.com/uk/Inflation-at-fiveyear-low-as.5649590.jp

Libor-OIS spread narrows to pre credit-crisis average
Bloomberg, 15 September
http://www.bloomberg.com/apps/news?pid=20601085&sid=ag0dlZjkyhrw

Economy stirs but firms still shedding workers
The Herald, 14 September
http://www.heraldscotland.com/business/markets-economy/economy-stirs-but-firms-still-shedding-workers-1.919745

RBS chief warns of dangers of a speedy recovery
The Scotsman, 13 September
http://scotlandonsunday.scotsman.com/latestnews/RBS-chief-warns-of-dangers.5642483.jp

Rising house prices a 'false dawn'
The Telegraph, 13 September
http://www.telegraph.co.uk/property/propertynews/6181901/House-prices-increase-are-a-false-dawn.html

Unemployment poised to hit 13-year high
Scotland on Sunday, 13 September
http://scotlandonsunday.scotsman.com/business/Unemployment-poised-to-hit-13year.5642176.jp

Improved recruitment plans bring 'glimmer of hope' for jobseekers
The Scotsman, 11 September
http://news.scotsman.com/latestnews/Improved-recruitment-plans--bring.5625174.jp

Manufacturing output surges as recession declared over
The Herald, 8 September
http://www.heraldscotland.com/business/corporate-sme/manufacturing-output-surges-as-recession-declared-over-1.918633

UK sees encouraging quarterly growth
The Herald, 8 September
http://www.heraldscotland.com/business/markets-economy/uk-sees-encouraging-quarterly-growth-1.918492

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Interest rate freeze tipped to continue well into 2010
The Scotsman, 7 September
http://business.scotsman.com/bankinginsurance/Interest-rate-freeze-tipped-to.5622209.jp

Public sector braces for gathering storm
The Sunday Herald, 6 September
http://www.heraldscotland.com/business/analysis/public-sector-braces-for-gathering-storm-1.918259

UK lags behind as global economy emerges from recession
The Guardian, 3 September
http://www.guardian.co.uk/business/2009/sep/03/global-economy-emerges-recession

Engineering firms edging cautiously to recovery
The Herald, 3 September
http://www.heraldscotland.com/business/markets-economy/engineering-firms-edging-cautiously-to-recovery-1.826198

Reversal for manufacturing rekindles recovery fears
The Herald, 2 September
http://www.heraldscotland.com/reversal-for-manufacturing-rekindles-recovery-fears-1.917655

Recovery is more canter than gallop
The Herald, 2 September
http://www.heraldscotland.com/recovery-is-more-canter-than-gallop-1.917647

Economists face wait over impact of money supply
The Herald, 2 September
http://www.theherald.co.uk/business/news/display.var.2528645.0.Economists_face_wait_over_impact_of_money_supply.php

UK manufacturing recovery runs out of steam
The Guardian, 1 September
http://www.guardian.co.uk/business/2009/sep/01/manufacturing-sector-recovery-stalls

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(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)
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