Financial Scrutiny Unit Note

Aberdeen and Aberdeenshire since the oil price fall

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This briefing looks at the impact of lower oil prices on the North East’s economy. Whilst some labour market and economic data will be published by the Office for National Statistics (ONS) later in the year, some data is available now covering housing markets, Claimant Count figures, business start-ups, planning applications and hotel room occupancy. Taken together these provide an indication of what has been happening to the North East economy since crude oil prices started falling dramatically in September 2014.
Introduction

Much of the debate about the economic impact of lower oil prices has focused on the Scottish or UK economies. The impact of lower oil prices will hit Aberdeen and Aberdeenshire harder, but a lack of up-to-date data has limited analysis of the North East’s economy.

Economic growth for different industries across Scotland has already been published by the Scottish Government for the third quarter of 2015. Gross Value Added (GVA) for the different industries of the North East of Scotland’s economy is currently available from the ONS up to 2014.

Based on the current timetable the ONS may publish 2015 GVA figures for different industries in the North East by December 2016. This note identifies more timely data to give a picture of recent changes in the economies of Aberdeen and Aberdeenshire. Whilst these movements may reflect the changes in oil prices, the North East economy is also influenced by other global trends.

Housing markets

Registers of Scotland (ROS) publish monthly and quarterly data on the number of residential properties sold in each local authority area. The figure below shows the annual change in the number of residential properties sold in Aberdeen City and Aberdeenshire combined. The annual change compares the number of properties sold each quarter with the same quarter one year ago.

Starting in 2008 the number of residential property sales in the North East grew more quickly than the rest of Scotland. At its peak during 2013 the North East accounted for around one in eight residential property sales in Scotland.

The annual change in residential property sales in the North East has been negative for the last six quarters (18 months). By contrast the annual change across Scotland has been positive for the last three quarters (nine months). The difference in the rates of annual change over the last six months is the largest recorded gap between the North East and Scotland.

Figure 1: Annual change in number of house sales (%)

Source: National Records of Scotland (NRS)

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1 This covers residential property transactions valued from £20,000 to £1 million.
Planning applications

The number of planning applications received by Aberdeen City Council and Aberdeenshire Council are available online. The planning applications figures were combined into three month blocks up to the end of 2015, and the most recent full month available (January) was also included. The figure below shows the change in the number of applications over the four quarters in 2015 and for the month of January 2016 compared to the same period the year before.

The number of planning applications received by both councils in January 2016 was one fifth lower compared to January 2015. In the final three months (October to December) of 2015 the number of planning applications received was 11% lower compared to the final three months of 2014.

**Figure 2: Annual change in Planning Applications Received**

![Annual change in Planning Applications Received](chart.png)

*Source: Aberdeen City Council and Aberdeenshire Council*

Planning applications may range from people wanting to develop their house to businesses wanting to build new commercial premises. In both of these cases the temperature of the North East economy, or perceptions of the future, is likely to impact on the number of planning applications.

Labour Market

A recent [answer to a parliamentary question](http://www.scottish.parliament.uk/parliamentarybusiness/answers/2016-02-09/82109) suggests that the number of redundancies that have been announced by oil and gas companies in Scotland has reached almost 10,000. These have been spread across the country; however Aberdeen City and Aberdeenshire will have experienced many of these losses.

Due to the way that the data on the labour market is collected and analysed, it is not possible to get current data on employment or unemployment in the North East. However, Claimant Count², while not an official measure of unemployment, can provide an indication of how the labour market is performing.

Figure 3 shows the annual change in the claimant count levels in Aberdeen City and

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² The claimant count data is experimental statistics from the ONS which counts the number of people claiming Jobseeker’s Allowance plus those who claim Universal Credit who are out of work. More information on claimant count can be found on the [nomis website](http://www.nomisweb.co.uk/).
Aberdeenshire. The latest data for January shows that over the year the claimant count level in Aberdeen has increased by 69% while it has increased by 92% in Aberdeenshire. Despite the increase in the level the rate for both Aberdeen and Aberdeenshire are below the Scottish average.

Figure 3: Annual change on claimant count level

![Graph showing annual change on claimant count level](source: nomis)

Figure 4 shows the claimant count levels in Aberdeen City and Aberdeenshire and the oil price indexed to July 2014. In July 2014 the average price of a barrel of oil was $106.77. By January 2016 it had fallen to $30.70. This represents a 72% decrease. Since July 2014 the claimant count level in Aberdeen has increased by 38% and by 78% in Aberdeenshire.

Figure 4: Claimant count level and oil price indexed to Jul 2014

![Graph showing claimant count level and oil price](source: nomis and EIA)

Business start-ups

The Committee of Scottish Bankers collects figures showing the number of new businesses setting up bank accounts with the Bank of Scotland, Clydesdale Bank, TSB Bank or Royal Bank of Scotland. It is possible to compare start-up figures in Aberdeen and Aberdeenshire with previous quarters and years. The following shows that the number of start-ups in Aberdeen City fell by 12% between Quarter 3 2014 and Quarter 3 2015 (the most recent figures available). In Aberdeenshire there was a reduction of 8%. This compares to a Scotland-wide increase of 10% over the period. Other local authority areas also saw reductions over the year (including Edinburgh and Glasgow). Annual figures for 2015 will be published in the second week of March.
Table 1: Business start ups

<table>
<thead>
<tr>
<th></th>
<th>Q3/2014</th>
<th>Q3/2015</th>
<th>Change over year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City</td>
<td>180</td>
<td>158</td>
<td>-12%</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>219</td>
<td>201</td>
<td>-8%</td>
</tr>
<tr>
<td>Scotland</td>
<td>2,728</td>
<td>2,990</td>
<td>+10%</td>
</tr>
</tbody>
</table>

Source: CSCB

Hotel occupancy rates

The Economist magazine discussed the impact of low oil prices on the economy of the North East. The article mentioned hotel occupancy rates, noting that hotels in the city have been considerably quieter over recent months. The Scotsman also highlighted research from accountancy firm, BDO, showing a 42% reduction in average room yield in Aberdeen over the year to November 2015 (whereas Edinburgh and Glasgow both saw increases). According to market research agency, LJ Research, the monthly hotel room occupancy rate in Aberdeen fell to 51.6% in December 2015, “a drop of 16.9% in occupancy and marked the 15th consecutive month of year-on-year occupancy losses”.

The Scotsman.
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