SPICe has received a number of enquiries about the impact of lower oil prices on the North East's economy. We won't know the full impact on Aberdeen and Aberdeenshire until next year, when labour market and economic data are published by the Office for National Statistics (ONS). Some data is available now covering housing markets, Job Seeker Allowance (JSA) figures, business start-ups and planning applications. Taken together these may provide an early 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 how lower oil prices will impact on the economy 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 first quarter of this year (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 2012 with a figure for whole economy available for 2013.

Based on the current timetable the ONS may publish 2015 GVA figures for different industries in the North East by December 2017. This note identifies more timely data to give a more recent picture of the economies of Aberdeen and Aberdeenshire. Whilst these movements may reflect the changes in oil prices, the North East economy will be 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 number of residential properties sold in Aberdeen City and Aberdeenshire combined as a proportion of all sales across Scotland.

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 number of residential property sales in the North East has declined steadily relative to the rest of the country since last year. The North East’s share of Scotland’s residential property sales is currently at its lowest since 2008.

Figure 1: North East’s proportion of total Scottish housing sale

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 months up to the most recent month available (July). The figure below shows the change in the number of applications over the three months in 2015 compared to the same three months the year before.

The number of applications in May-July has fallen by 1.1% in Aberdeen City and by 4% across Aberdeenshire. In the previous three months planning applications in the North East were higher compared to the previous year.

The first two weeks of August show significant declines compared to the first two weeks of August last year. The more recent data covers a limited time period and should be treated with some caution.

Figure 2: Planning Applications Received (change from same period 1 year ago)

![Planning Applications Received](image)

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

Reports in the Scottish media suggest around 6,000 jobs have been lost in the North Sea oil and gas sector since July 2014. These have been spread across the UK; 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, Jobseekers Allowance (JSA), while not an official measure of unemployment, can provide an indication of how the labour market is performing.

Until the start of 2015 the number of JSA claimants in Aberdeen and Aberdeenshire was decreasing over the year at a higher rate than Scotland. Since the start of the year the rate of
the decrease dropped sharply and since May both Aberdeen and Aberdeenshire have seen an annual increase in the number of claimants. The data for July 2015 shows that most new claimants are aged between 18 and 34.

**Figure 3: Change over the year in the Number of Jobseekers Allowance claimants**

![Graph showing change in number of Jobseekers Allowance claimants over time.]

Source: nomis

**Business start-ups**

The Committee of Scottish Bankers collects figures showing the number of new businesses setting up bank accounts with either 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 16% between Quarter 1 2014 and Quarter 1 2015 (the most recent figures available). In Aberdeenshire there was a reduction of 22%. This compares to a Scotland-wide decrease of 9% over the period. Quarter 2 figures will be published in the second week of September.

**Table 1: Business start ups**

|                  | Q1/2014 | Q1/2015 | Change over year (%) |
|------------------|---------|---------|                      |
| Aberdeen City    | 171     | 144     | -16%                 |
| Aberdeenshire    | 256     | 200     | -22%                 |
| Scotland         | 3,326   | 3,032   | -9%                  |

Source: CSCB
Hotel occupancy rates

The Economist magazine recently discussed the impact of low oil prices on the economy of the North East. The article briefly mentioned hotel occupancy rates, noting that hotels in the city have been relatively quiet in recent months. According to market research agency, LJ Research, the monthly hotel room occupancy rate in Aberdeen fell from 80% in June 2014 to 69% in June 2015.
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