Scotland's Growth: Rising in the East, Lagging in the West

Edinburgh has long been the powerhouse of Scotland's economy. Today, its growth is not only accelerating in its own right, but it is also pulling further ahead of every other city, widening the gap with the rest of the country.

The city has firmly established itself as the key driver of Scottish output. Gross value added (GVA) per head, a key population-weighted measure of productivity, is higher in the capital than anywhere else in the country, and the gap with other Scottish cities has never been wider. In 2023, Edinburgh and Manchester were the only cities outside London to rank in the UK's top ten for GVA per head - and, remarkably, Edinburgh overtook London itself for the first time.

This reflects not only the city's dominance in high-value sectors such as finance, technology and professional services, but also its role as a commuter hub: daily inflows of workers boost the city's overall GVA, while resident-based measures confirm that productivity among those living in the capital is already strong. According to ONS data, around 62% of Edinburgh's jobs are in managerial, professional or associate professional roles, compared with 48% across Scotland and 53% across the UK. Edinburgh is not just adding jobs but creating the kind of high-skill work that underpins long-term productivity and higher wages.

Not only does Edinburgh specialise in high-skill work, but it has also been adding jobs at a faster rate than the rest of Scotland. Post-pandemic ONS figures show the labour market outperforming the rest of the country: Edinburgh and East Lothian record the highest eight-year average annual employment growth rates in Scotland, at 2.1% and 1.9% respectively, with Midlothian also positive at 0.6%. By contrast, many other areas, including Dundee and Aberdeen, have seen only modest gains, while Glasgow has slipped slightly, with a 0.2% decline.

The latest ONS Annual Survey of Hours and Earnings (ASHE) underscores the strength of Edinburgh's labour market. The capital now records the highest median weekly pay of any Scottish local authority, with wage growth to 2024 well ahead of Aberdeen City, historically the benchmark for high wages.

The latest population estimates highlight the pull of Edinburgh and the surrounding Lothians, which together recorded some of the fastest growth in Scotland between mid-2023 and mid-2024. Only Glasgow City grew more quickly, but across much of the West, population growth remained muted.

The demographics reveal even more. Between 2014 and 2024, Edinburgh and the Lothians, as well as Glasgow, all saw a significant increase in people aged 16–64, while most council areas saw a decline in their working-age population. These areas also experienced modest increases in their 0–15 population, bucking the national decline, alongside substantial rises in the over-65 group - inevitable in an ageing country. Overall, population levels are projected to continue to rise.

Population projections often become self-fulfilling: councils use them to shape decisions on housing, transport and public services. In Edinburgh, the pressure is already mounting. The city declared a housing emergency in late 2023, with 5,000 households in temporary accommodation and demand exceeding supply. Its Housing Emergency Action Plan points to the council's Strategic Housing Investment Plan, which estimates that more than 9,500 additional affordable homes will be needed by 2029 to keep pace with projected population growth.

Taking a backward look at new build completions in Edinburgh and the Lothians offers little encouragement: the combined total from 2017 to 2024 is only around 3,300 homes. Even with additional funding now pledged, a nationwide skills shortage in construction, as identified by Skills Development Scotland, threatens to place yet another obstacle in the way of delivery.

And so, tackling the potential supply constraints which threaten to compromise Edinburgh's continued economic growth is the challenge facing local policymakers, but the capital's prospects remain strong. A young and expanding working-age population gives it a demographic advantage, while its occupational mix and global connectivity leave it well placed to continue leading Scotland's productivity growth. The surrounding Lothians look set to reinforce this momentum, providing both a growing workforce and the space for new housing that the city itself struggles to accommodate.

But capacity could now prove critical. Without faster housing delivery, the population increase could manifest itself in higher prices and congestion, as opposed to additional growth. Tackling this bottleneck is the pressing challenge for Edinburgh.

With a nationwide housing emergency now declared, however, Edinburgh is not unique in its struggles - and Glasgow, among others, faces pressing needs of its own. Therein lies the conundrum at the national level. Should Scotland double down on its most productive city, backing Edinburgh to fulfil its potential, or seek a more even balance of growth across the country?

What is clear is that Scotland needs both of its major cities to succeed. Edinburgh's role as a global hub must be balanced by Glasgow's ability to act as a genuine counterweight. Achieving that will require more than housing alone: sustained investment in transport, skills and economic diversification is essential. The real challenge for policymakers is to give the capital the capacity to keep firing on all cylinders while ensuring Glasgow and the rest of the country are not left behind. This is less about choosing winners than about building a future in which both of Scotland's great cities can thrive.