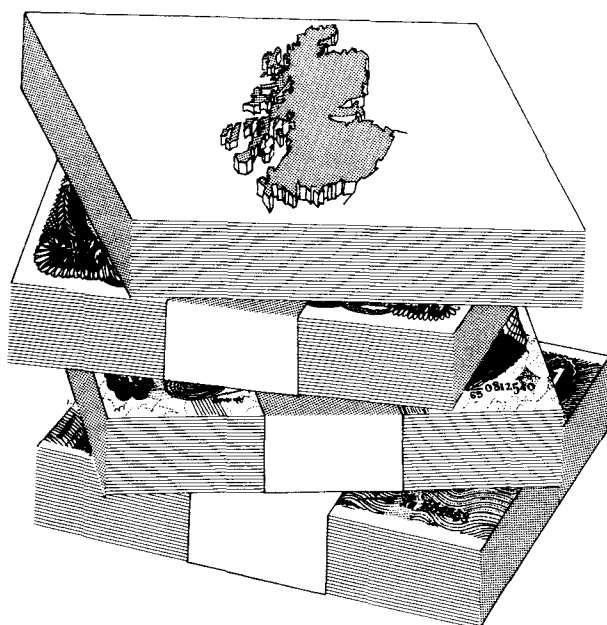

The Scottish Economy

Economic Indicators

OVERTIME AND SHORT-TERM WORKING



Overtime in the fourth quarter of 1982 increased by 40.8 thousand hours over the previous quarter to 927.3 thousand hours. For the year 1982, total hours overtime worked increased by 2.5% over 1981. However when the figures are crudely corrected for seasonal variation by taking a four quarter moving average it is clear that the upward trend in total overtime hours apparent in the latter half of 1981 and early 1982 has not been sustained. Data on the number of operatives working overtime, when similarly adjusted, reveals the same pattern. The behaviour of both series is consistent with the short lived recovery in output which seemed to be developing in the middle of last year and confirms the impression that increased activity, at least in the short-run, is liable to manifest itself more in the utilisation of existing employees than in new hirings.

For the fourth quarter of 1982, short-time working in terms of total hours lost (000's) stood at 168.4. Again correcting for seasonal variation by taking a four quarter moving average, the most recent observation represents a reversal of the downward trend in the total hours lost apparent since early 1981. It is possible to interpret this most recent observation as marking an increased tendency on the part of employers to put people on short-time working rather than to make them redundant. However, this interpretation would run counter to output trends in the final quarter of last year and would require explanation in terms of increased optimism on the part of the corporate sector. Such an interpretation would, however, be consistent with those other indicators which appear to signal a more buoyant outlook.

CBI SURVEY

The returns for the CBI Survey of Scottish industry stand in contrast to the recently published figures for the United Kingdom as a whole. These latter data suggest that a sustained recovery in output may be imminent. For Scotland, the gloomy prognosis, which is now all too familiar, persists;

though in contrast to other indices the general barometer of business confidence is now more healthy than it has been for some time.

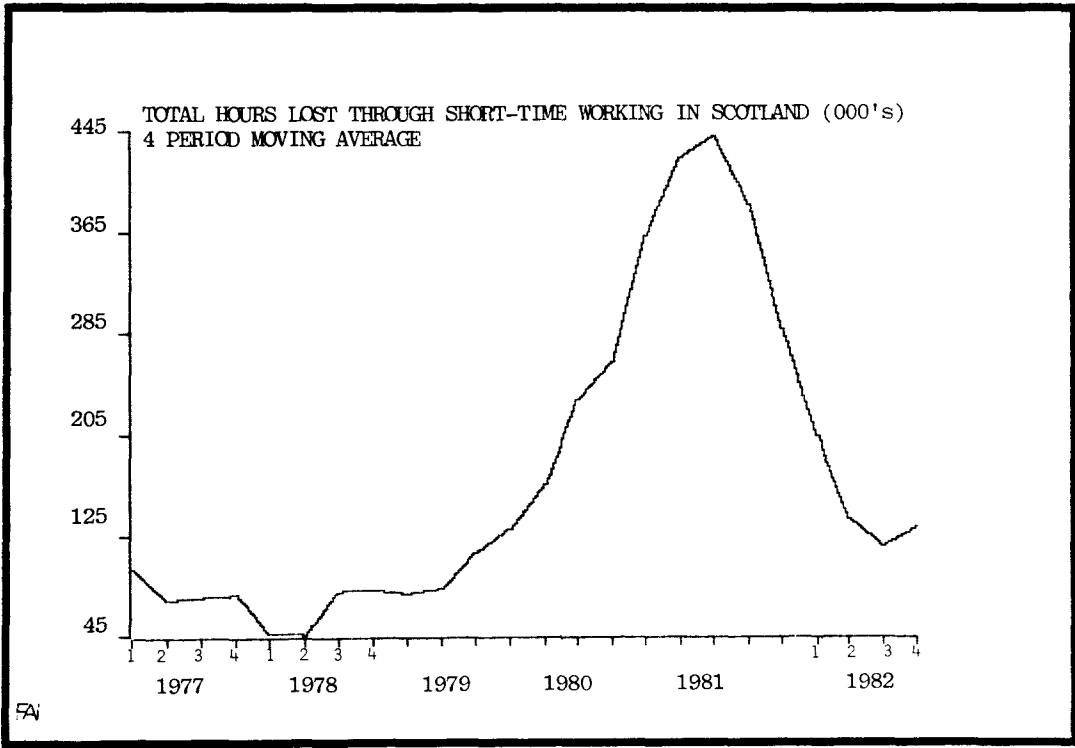
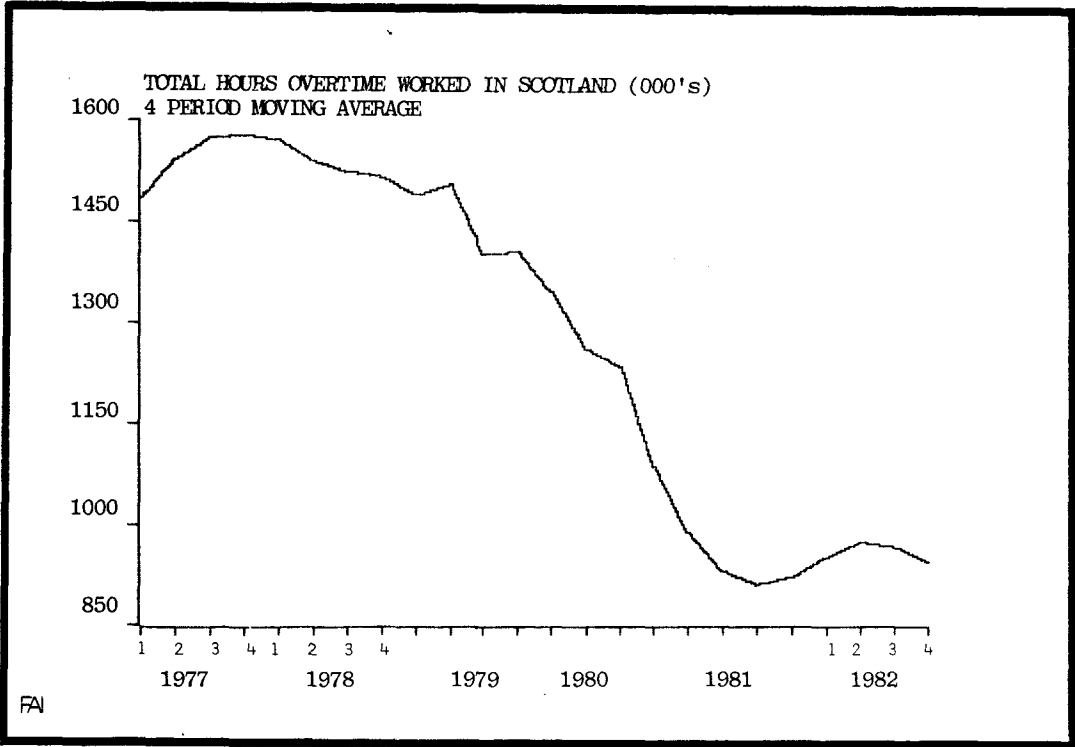
Two possible interpretations of this contrast with the UK are possible. First, it is possible that if a recovery in output is on the way Scotland will lag behind other regions. While this has been the experience of the Scottish economy in previous decades, the structural characteristics which lie behind weaker performance are not now so apparent as once they were. Alternatively, it is possible that the CBI returns for Scotland in this quarter are atypical. Only the test of time will reveal which of these explanations is more nearly correct, and the possibility should not be precluded that any recovery will turn out to be short lived.

COMPANY FORMATIONS

For the first quarter of 1983 there were 1,184 companies incorporated in Scotland and 386 dissolved. The incorporations figure is, once again, large by historical standards while the dissolutions figure is lower than those which have been recorded in recent years. The caveats expressed in earlier Commentaries concerning interpretation of these figures remain in force.

CONSTRUCTION

The value of new orders received by contractors rose in the final quarter of 1982 to £285.09m, an increase of nearly £60m on the previous quarter. Total orders for 1982 totalled £1,094.56m which, even allowing for price inflation, represents a substantial growth on the previous year's figure of £917.47. While both private and public sector construction orders reflect this growth, the latter exhibits a more modest recovery. With the exception of public sector housing, which experienced a 70% growth over the period the sectoral distribution of the increased orders is very even.



The Labour Market

EMPLOYMENT AND UNEMPLOYMENT

The most recent data on employment refer to September 1982. As a result of the September 1981 Census of Employment, the Department of Employment has revised the quarterly estimates subsequent to that date. Table 1 below records only those quarters for which the revisions appear to have been completed.

TABLE 1 EMPLOYEES IN EMPLOYMENT IN SCOTLAND AND ENGLAND AND WALES (000'S)

SCOTLAND	TOTAL	MALES	FEMALES	FEMALE/ MALE RATIO	SCOTTISH EMPLOYMENT AS A % OF GB EMPLOYMENT
Sept 1981	1,970	1,109	860	0.78	9.32
June 1982	1,957	1,093	864	0.79	9.47
Sept 1982	1,929	1,085	844	0.78	9.40
ENGLAND AND WALES					
Sept 1981	19,178	11,026	8,153	0.74	
June 1982	18,706	10,658	8,049	0.76	
Sept 1982	18,593	10,615	7,978	0.75	

Source: Department of Employment Gazette

Total employment in Scotland is now estimated to have fallen by 41,000 or 2.1% in the year to September 1982, compared with a fall of 585,000 or 3.1% in England and Wales. Thus Scottish employment as a percentage of total employment in Great Britain rose from 9.32% in September 1981 to 9.40% in September 1982. However, for the first time in over a decade, total employment in Scotland has fallen below 2 million for two consecutive years.

For those seeking full-time employment, the contraction in opportunities has been more severe than even the figures above suggest. In Scotland, total male employment declined by 2.2% and total female employment by 1.9% in the year to September 1982. These figures, however, are based on both full and part-time working. Although part-time working has also declined over the same period, its rate of decline has been less severe than that of full-time working. The rate of contraction of total employment has therefore understated the extent of full-time job losses. This is particularly significant in the case of females. When **only** full-time employment is considered, the rate of decline of female employment has been similar to that of male employment.

At the sectoral level, Table 2 shows that in Scotland job losses for the year to September 1982 were confined to the manufacturing and construction sectors. Within manufacturing, the largest proportional contractions in employment have been in metal manufacturing (-11.5%) and in coal, petroleum and chemical products (-9.7%). Engineering and allied industries sustained the largest absolute contraction with a net loss of 11,000 jobs over the same period.

TABLE 2 EMPLOYMENT BY SECTOR IN SCOTLAND AND IN ENGLAND AND WALES, SEPTEMBER 1982

	NO OF EMPLOYED (000's)	% OF TOTAL	CHANGE IN NOS EMPLOYED JUNE 1982- SEPT 1982	SEPT 1981- SEPT 1982
SCOTLAND			(000's)	
Agriculture, Forestry and Fishing	44	2.3	-	-
Manufacturing	456	23.6	- 7	- 29
Construction, Mining and Utilities	199	10.3	- 1	- 10
Services	1,231	63.8	- 19	-
TOTAL	1,929	100.0	- 28	- 41
ENGLAND AND WALES				
Agriculture, Forestry and Fishing	321	1.7	+ 20	- 6
Manufacturing	5,145	27.7	- 47	-294
Construction, Mining and Utilities	1,465	7.9	- 2	- 88
Services	11,661	62.7	- 85	-199
TOTAL	18,593	100.0	-113	-585

Source: Department of Employment Gazette

In England and Wales, employment in all sectors declined between September 1981 and September 1982, with construction, mining and utilities suffering the greatest relative decline. In construction alone a net 70,000 jobs were lost.

Total registered unemployment in Scotland in April 1983 was 337,301, a fall of 4,201 from the March total. Included in this figure are 18,874 unemployed school leavers, 1,597 fewer than in March. School leavers registered as unemployed represented 5.6% of total unemployment in April, compared to 4.8% in April 1982.

Excluding school leavers, the seasonally adjusted figure of 319,700 (14.2%), is 1,400 up on the previous month's total. Thus, with the exception of a fall in seasonally adjusted unemployment in February 1983, the underlying trend in unemployment over the year to April 1983 has been unmistakably

upwards. Under the provisions of the 1983 Budget men 60 and over are not required to sign on at an Unemployment Benefit Office from April of this year onwards in order to secure National Insurance Credits. The number of men thus excluded from the Scottish unemployment total was 2,200 in April. Their exclusion has the effect of artificially reducing registered, but not actual, unemployment to 317,500 or 14.2% of the Scottish labour force.

**TABLE 3 REGIONAL UNEMPLOYMENT AND VACANCIES IN THE UK
IN APRIL, 1983**

	(1) UNEMPLOYED (000's) 1983		(2) VACANCIES (000's) 1983		(1) (2) UNEMPLOYMENT/ VACANCIES RATIO 1983	
	JANUARY	APRIL	JANUARY	APRIL	JANUARY	APRIL
South-East	693.9	706.5	43.6	46.6	15.9	15.2
East Anglia	77.1	77.3	4.6	4.8	16.8	16.1
South-West	187.6	185.7	11.2	11.5	16.8	16.1
West Midlands	346.4	349.9	7.6	9.8	45.6	35.7
East Midlands	185.5	186.5	7.4	8.4	25.1	22.2
Yorks & Humber	279.9	281.1	8.2	8.8	34.1	31.9
North-West	419.0	424.9	11.8	14.5	35.2	29.3
North	216.4	216.9	5.4	6.5	40.1	33.3
Wales	166.6	166.7	6.1	6.7	27.3	24.9
Scotland	317.3	317.5	15.2	16.1	20.9	19.7
Great Britain	2,874.7	2,909.5	120.8	133.4	23.8	21.8
Northern Ireland	109.4	111.7	1.2	1.1	91.2	101.5
United Kingdom	2,984.1	3,021.2	122.0	134.5	24.5	22.5

- 1) Seasonally adjusted excluding school leavers
- 2) Seasonally adjusted excluding vacancies notified to careers offices.

Source: Department of Employment Press Notices

It can be seen from Table 3 that the general pattern over the first quarter of 1983 has been one of rising unemployment coincident with increases in the number of unfilled vacancies notified to Job Centres in practically all regions of the UK. The exceptions were the South-West where seasonally adjusted unemployment fell and Northern Ireland where the number of vacancies declined.

Only Northern Ireland failed to record a decrease in the ratio of unemployment to vacancies. The numbers of recorded vacancies in Scotland, and indeed in the UK as a whole, in April 1983 were the highest since June 1980 but the levels still remain relatively low by historical standards. Although Scotland's unemployment rate of 14.2% in April was well above the UK average of 13.3% and its share of total recorded unfilled vacancies slipped in the first quarter of 1983, Scotland has not lost ground to the other regions in terms of the unemployment/vacancies ratio and remains ranked fourth lowest.

**TABLE 4 SPECIAL EMPLOYMENT AND TRAINING MEASURES IN SCOTLAND
MARCH 1981 AND MARCH 1982**

SCHEME	NUMBERS COVERED	
	MARCH 1982	MARCH 1983
TSTWCS*	8,178	5,297
Job Release Scheme	5,110	6,107
Youth Opportunities Programme	26,000	30,400**
Community Industry	1,496	1,516
Community Programme and Community Enterprise Programme	5,700	6,329
Training Places Supported in Industry	1,550	1,407
Young Workers Scheme	4,671	16,837
Enterprise Allowance	-	316
Job Splitting Scheme	-	18
TOTAL	52,705	68,227

*Temporary Short-time Working Compensation Scheme

**Includes 2,000 adults on YOP

Month by month, unemployment (by any method of calculation) continues at abnormally high levels. Were it not for the operation of the government's special employment and training schemes, registered unemployment would be considerably higher. Initially introduced as short-term policy measures, many schemes have been extended and new ones introduced. Table 4 shows the range and scale of these measures. The main vehicle for assisting unemployed young people has been the Youth Opportunities Programme, which officially ended in March. It has been replaced by the Youth Training Scheme, the main aim of which is to provide young people, employed and unemployed, with some form of off-the-job training. The Job-Splitting Scheme introduced this year represents the acceptance of work sharing by the government as a means of tackling the unemployment problem. In common with other proposals to share out more widely the available work, for example through a reduction of overtime hours, the extent to which job-splitting is adopted in a recession will largely depend on the readiness of those presently in work to accept a redistribution of part of their income towards those presently unemployed. There is no indication that such a pre-disposition exists and little evidence to suggest that it will be fostered to any extent by measures such as the job splitting scheme.

INDUSTRIAL RELATIONS

For Scotland, the two main industrial relations events so far in 1983 have been the sit-in at the Timex factory in Dundee and the strike at the East Kilbride factory of the British Printing and Communications Company. At Dundee, the Timex company, faced with a fall in demand for mechanical watches and the loss of sub-contract work on the assembly of the three-dimensional camera, decided to cut its work force by 1,900. Although 1,700 people were willing to take voluntary redundancy, some were faced with compulsory redundancy. As a reaction to this, and in an attempt to keep watch-making in Dundee, a sit-in began on 9 April.

At East Kilbride, the problem arose over a pay dispute involving the British Printing and Communications Corporation's factories at Park Royal in West London and at East Kilbride, which both print the Radio Times. Attempts to conclude arrangements to take account of new methods of printing were not successful, and both plants were closed on 1 April. But by 7 April, the East Kilbride factory had resumed normal working and by 14 April the Park Royal plant had also accepted an agreement to end the strike and return to work.

Industrial Performance

AGRICULTURE

The surplus of UK grains was estimated to amount to 3.9 million tonnes of barley and 2.5 million tonnes of wheat at mid-February. Over 90% of the latter has been disposed of via intervention sales and exports. 65% of surplus barley has been absorbed by intervention sales (0.9 million tonnes) and exports (1.6 million tonnes).

The SMMB are endeavouring to find new export outlets for Scottish dairy products. There have been exports from Scotland for many years, and in 1982 about 8% of SMMB production was exported in various forms. A strategy of product diversification has been adopted to generate interest in Scottish produce.

Beef supplies, along with other meats, are currently at high levels in Scotland. The number of cattle at auction in Scotland at the beginning of 1983 was 12.5% higher than in 1982, and more modest increases are expected for the rest of the year. Cattle prices have been low enough to require the payment of the maximum variable premium from mid-January onwards, and this is likely to continue, given the low levels of demand relative to supply.

FISHING

Total landings of fish in Scotland, by UK vessels, in 1982 were 498,200 tonnes, valued at £148.7m. These annual results imply an increase of 12.2% in volume over 1981 and an increase in value of 16.6%. Landings of most of the main species increased in 1982, with haddock and herring catches up by 33% and 28% respectively, while there was a slight fall in that of whiting.

Concern over stock depletion in mackerel fisheries off the Scottish west coast and in the Irish Sea may result in cuts in fishing quotas which would be damaging to the Scottish deep sea fleet in the short run. The total allowable catch of 370,000 tonnes set for mackerel by the EEC appears to owe more to political than to conservation considerations. There is a possibility that a protective box may be set up in the Irish Sea to prevent further depletion of immature stocks.

The proposed Barra fishmeal plant has been rejected by the Scottish Office because of dissatisfaction with the long-term arrangements for fish supply. However, consideration may be given to alternative proposals from the same company if they can satisfy certain conditions, particularly with regard to the security of future supplies to the plant.

OIL AND GAS

UK crude oil production in the three months to February 1983 was 27.6 million tonnes, 4.5 million tonnes more than in the equivalent period a year earlier. Indigenous natural gas supplies to the public system in the first quarter of 1983 totalled 4.89 billion therms, an increase of 3.9% on the corresponding 1982 figure. Total oil production in the fiscal year 1982/83 was 103.3m tonnes, valued at £14.3 billion. Government oil tax and royalties receipts in the same period amounted to £7.8 billion.

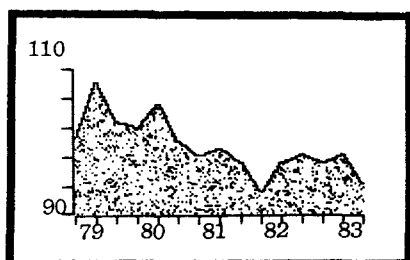
In March OPEC ministers agreed a \$5pb price cut in oil to \$29pb for the reference Arabian light crude. To support the new price structure, ministers also agreed to an OPEC production ceiling of 17.5 mbpd for the remainder of 1983. Following the OPEC decision, BNOc announced a new reference price of \$30pb for North Sea crude, which is regarded as compatible with OPEC's price structure. For the first time, Brent crude rather than Forties crude was used as the reference, the latter now being priced at \$29.75pb. For financial and political reasons, most OPEC countries will wish to produce at, or near, their production limits. However, this may be difficult since world demand for oil remains depressed while non-OPEC supply continues to increase. For example, the North Sea producing countries supplied a record 3mbpd to world markets in February this year and the Soviet Union have recently been exporting up to 1.5mbpd (net) at prices as low as \$27pb. In such circumstances there may be further downward pressure on prices in the next few months. A key factor will be whether the oil companies moderate the depletion of their crude oil stocks, which they were running down at record rates of 4.5m-5mbpd during the first quarter of 1983.

On the domestic front, significant changes in the structure of taxation of North Sea oil were announced in the March budget. Essentially, companies already producing oil will be allowed to offset all new exploration and appraisal costs against petroleum revenue tax. This should provide a boost to exploration activity and majors such as Shell and Esso have already indicated that they are re-activating projects shelved under the previous tax regime. Though the tax changes have generally been welcomed by the oil industry, not all will benefit for two reasons: firstly, companies involved in exploration but not in production have no PRT against which to offset costs. Secondly, fields which are fully developed but not yet producing (of which there are about eight in the North Sea) have been excluded from the tax concessions.

In March, a new onshore exploration licence was granted for 465 square miles in Strathclyde, Lothian and Central regions. Offshore, Britoil began testing oil production in the small West Thistle field and Hamilton Brothers made a new oil discovery in block 30/24, 7.5 miles north of their Argyll field, while Conoco has announced an 'encouraging' gas find in the southern sector of the North Sea. Texaco has, however, halved its estimates of recoverable reserves in and around the Tartan field.

BP announced a £28.5 million investment programme for the Grangemouth-Mossmorran ethane link. Half of this will be spent on laying the pipeline across the Forth while the remainder will go towards converting the ethylene cracker at Grangemouth to use ethane feedstock.

FOOD, DRINK AND TOBACCO



Following a small increase in the previous quarter, Scottish output fell in the third quarter of 1982 by 4%, to an index level of 94. Output in the UK as a whole was unchanged over the same period. In the year to September 1982, no change was recorded for Scottish production from the relatively low levels of the preceding twelve months; UK production rose by 1% over the same period.

In the April 1983 CBI survey, a balance of 5% of respondents were less optimistic about their general business situation than four months previously. There was a deterioration in the volume of output at the beginning of the year, with the result that 68% of respondents are working below satisfactory capacity, and numbers in employment fell. The volume of export orders fell between January and April, but by less than had been anticipated in the previous survey; nevertheless a gloomy outlook persists. However, orders and output are expected to pick up in the next four months, with improvements in domestic demand compensating for the decline in export orders.

Bellshill in Lanarkshire is the chosen location for a 'food park', the first in Britain. A range of factories which are designed for the food processing industry will be built, and more than ten ventures are already under consideration for the park. The project will cost £10m and forms part of the revitalisation plans of the Motherwell Project.

Marshall's Chickens have reopened a factory at Cambuslang to undertake production of convenience foods, a growth area for the company. Investment of up to £1.6m is planned for the next two years, 40% of which will be funded by government grants. At present the factory employs 170 people, and it is hoped that 100 more staff will be taken on over the year.

WHISKY

Whisky production in the fourth quarter of 1982 was 70,226 thousand litres (pure alcohol), a reduction of 12% from the same quarter a year earlier. Total figures for 1982 show that production of whisky has declined by 40% in the space of two years. It seems likely that low levels of production will continue for some time because of the high level of stock accumulation.

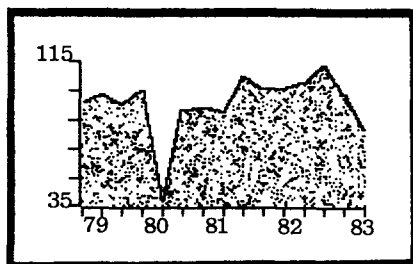
Exports of whisky in 1982 were 251.5 million litres (pure alcohol), valued at £871.6m. In volume terms exports increased marginally over 1980 levels, while their value rose by 16.7%. Exports to Europe and the United States rose, while there was a decline in exports to Japan and South America.

DCL announced the closure of twelve distilleries and a blending plant in February, with the resultant loss of over 700 jobs to take place shortly. These closures will reduce total industry capacity by 6.5% in malt and by

11.1% in grains, and were made necessary by excessive stock holdings relative to anticipated future sales.

Bells have bought a distillery at Bladnoch, Wigtown, to supply them with lowland malt for blending. It is hoped that modernisation will be completed in September and that a workforce of around thirteen will be employed.

METAL MANUFACTURE



During the latter part of 1982 demand for steel remained depressed and a fall of 19% was recorded in the index of metal production for the third quarter of 1982. However, more recent figures from other sources suggest a slightly more optimistic outlook. UK steel production during the first quarter of 1983 rose, and imports fell to their lowest level for two years.

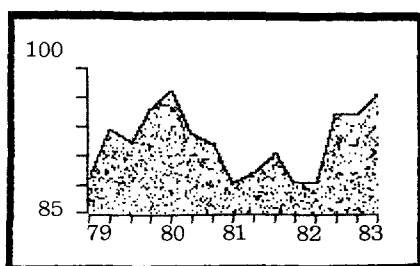
The CBI April 1983 Survey confirms this trend. Export order books continue to improve; stocks of finished goods have fallen; and over 40% of respondents reported a rise in the volume of new orders and output over the past four months compared with 80% who reported a fall over the previous four months in January. However, there was no sign of a change in general optimism about the current situation in the industry or in expectations for the next four months.

In Scotland the main discussion continues to centre around the future of Ravenscraig, in spite of the recent cabinet decision that integrated steel production should remain at five sites including Ravenscraig for at least three years (see Economic Perspective section). Prior to submitting a corporate plan to the government later this month British Steel's retiring Chairman Ian MacGregor has been considering a number of options. His confidential, but nonetheless well publicised, plan for a joint venture between Ravenscraig and US Steel's Fairless plant, thereby enabling British slab steel to gain entry to the American market, has not attracted great support.

Production at Ravenscraig has increased during 1983 and orders have increased substantially. Industry sources suggest that further new investment is being considered. The closure of Cragneuk and the slab mill at Ravenscraig have been anticipated for some time. However the recent transfer of the British Steel Plates Division HQ from Glasgow to Sheffield has brought fears for the future of the plates division in Scotland.

In Falkirk 700 employees have accepted British Alcan's redundancy terms and the remaining finishing plant now employs only 350.

ENGINEERING AND ALLIED INDUSTRIES



Engineering output rose slightly during the third quarter of 1982. Electrical engineering recorded a 7% increase and the index returned to the level reached in the first quarter of last year.

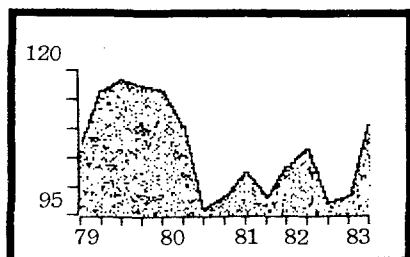
The CBI April 1983 Survey records no increase in the numbers reporting greater optimism about the industry's prospects but there has been a sharp decline in those declaring that they were more

pessimistic - from 26% in January to only 2% in April. Stocks of finished goods are falling and responses reflect an upward trend in recent orders and output.

As discussed in the previous Commentary the stagnant home market for mechanical engineering products means that survival for Scottish companies largely depends on the increasingly competitive export markets. Members of the Scottish Engineering Employers Association employed over 100,000 three years ago. This has now fallen to 60,000 and companies are still announcing cutbacks. However, there have been some encouraging signs with John Brown, for example, securing a £60m order to supply a power station, including three gas turbines and equipment, for a project in the Far East and Rolls-Royce at Hillington winning a turbine contract in Thailand.

In the electrical and electronic industries Dundee has again been adversely affected. The Crompton-Parkinson battery making plant is to close with the loss of 244 jobs. There has been considerable industrial unrest at Timex after the announcement that the workforce is to be cut by 2,000. A 'sit-in' was introduced at the Milton plant in protest against 197 compulsory redundancies involved in the proposed closure of the watch making process. There is now uncertainty about the future of new projects, such as the flat screen television development, as Sinclair Electronics have threatened to withdraw production unless the disputes are settled. Recently a further 300 redundancies were announced. However on a more positive note a £10m investment by Applied Computer Techniques of Birmingham is to be made in Glenrothes. They are to build personal computers and intend that employment should rise to 400 over the next two years.

CHEMICALS, COAL AND PETROLEUM PRODUCTS



Production in the third quarter of 1982 was 12% higher in Scotland than three months previously, an increase in output not experienced by the UK as a whole, where the rise was only 2%. Scottish output in the year to September was 3% above that of the previous year, while there was a marginal increase in total UK production.

The overall outlook of the industry is improving according to the April 1983 CBI Survey. Exports are the main hope with a balance of 71% of respondents expressing optimism for export prospects in the next year. On balance, 15%

noted falls in the volume of domestic orders between January and April, while a net 47% recorded an increase in export orders. The expectation is that export orders will be sustained at current levels over the summer and that an upward trend in domestic orders will materialise. However, further labour shedding was experienced in the last four months and this is expected to recur in the next four months.

BP Chemicals will convert the Grangemouth petrochemical plant from naphtha to ethane feedstock, allowing the plant to produce two-thirds of its products from the relatively cheaper ethane. Supplies of the feedstock will come from the mixed gases of the Forties and Magnus Fields, via the newly-approved pipeline from Mossmorran to Grangemouth.

Two Ayrshire mines have been closed recently by the NCB, as part of its programme to close loss-making collieries. Most of the workforce of the two collieries, at Sorn and Highhouse, have been transferred to nearby Killoch and Barony collieries, while some staff have been retained to carry out salvage operations at the closed pits. The closure of Cardowan colliery near Glasgow has also recently been announced.

SHIPBUILDING

British Shipbuilders' gloomy November report did not overstate the crisis facing the shipbuilding industry. Worldwide, new orders are running at 30% below the previous year and there are no signs of an end to the depression. British Shipbuilders have just returned a trading loss of £70m for the year ending March 1983.

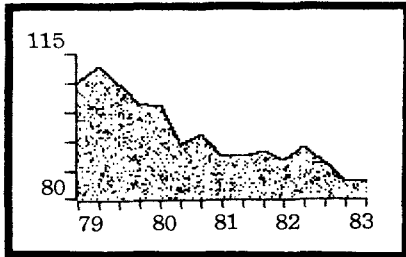
In March British Shipbuilders' management outlined the nature of the crisis to union representatives, and warned that even immediate orders would not prevent the loss of 9,000 jobs during 1983. They are at present putting forward their survival plan for government approval. The plan includes moth-balling yards and increasing productivity in return for extra financial assistance. Government assistance would be conditional on union acceptance of further redundancies and a wage freeze. However, shipbuilding unions have decided that, if the principle of no compulsory redundancies is not followed, they will be ready to occupy the yards. The test may well come in Scotland at the Henry Robb yard in Leith. Some observers suggest that the jobs of up to a third of the 63,000 workforce in the industry could be at risk.

In Scotland, apart from the Robb yard which is threatened with closure, a number of other yards are running critically short of orders and it is feared that 4,000 of the 9,000 redundancies could take place north of the border. Govan is running out of steel work and 1,000 could be laid off by the summer. Scott Lithgow, where losses amounted to £50m last year, is considered to be under the greatest threat in the medium term. With the closure of their Cartsburn yard they are likely to lose 1,500-2,000 jobs by the summer. Redundancies are also expected soon at Barclay Curle and John Kincaid.

RGC Offshore (Methil) has completed the Beryl Field platform within schedule. It hopes to keep its 1,000 workforce employed on smaller projects until the summer. The other main platform yards also only expect

to remain busy until the summer, given the lack of orders. The major contracts for the North Alwyn platforms are not expected until later in the year, and most of the work available in the meantime is on smaller jackets and modules for gas fields in the southern North Sea and Morecambe Bay.

TEXTILES, LEATHER AND CLOTHING



Scottish production in the third quarter of 1982 did not recover from its low level of the previous quarter, remaining at an index of 84, while the UK sector experienced a marginal fall in output over the same period. Production in Scotland in the twelve months to September 1982 was 3% below that of the preceding period, while UK output fell by 4%.

Responses to the April 1983 CBI Survey reveal an optimistic outlook in the industry. On balance 54% of respondents are more optimistic about general business conditions in their industry than four months ago. Export prospects are held to be improving, although this may not be evident immediately. 52% of respondents report that they are now working at satisfactory capacity levels, well above the average for Scottish manufacturing industry recorded in the survey. While there was a net reduction in the volume of new orders received between January and April, a significant improvement is expected in domestic orders which would reverse that trend in coming months.

The BMK Carpets company, which went into receivership in October 1981, has been restored to profitability by its new owner. The plant at Kilmarnock has undergone considerable rationalisation and now employs 350 out of an original staff of 1,500. Sales are expected to rise further this year particularly in the area of contracts from large organisations.

An Israeli clothing firm, Delta Textiles, has taken on 22 workers at its factory in Lesmahagow. The company hope to increase the workforce to 200 by the end of the year.

BRICKS, POTTERY, GLASS AND CEMENT

Scottish production declined by 2% in the third quarter of 1982, to an index level of 72. In contrast, output in the UK sector rose by 2% in the same period. While there was a 3% decline in UK production over the year to September, there was no change in the level of output in the Scottish sector in the same period.

PAPER, PRINTING AND PUBLISHING

In the third quarter of 1982, Scottish output rose by 2% to an index level of 93, while the UK sector experienced a 2% reduction in output. Production in the year to September 1982 was 5% below that of the same period a year earlier, a relatively worse performance than that of UK as a whole, where production declined by 3%.

Regional Review

SCOTTISH UNEMPLOYMENT LEVELS

The overall level of Scottish unemployment on an adjusted basis for April 1983 was 337,301. This represents a fall of 15,456 over the last quarter. The unemployment rate in April was 15.1% compared to 16.2% in January of this year.

An increase in employment with a consequent fall in unemployment is a normal feature of economic activity at this time of year as construction related and tourist oriented employment expand again after the winter. However, the seasonal upturn in employment has been small. The underlying trend in unemployment remains upwards, notwithstanding the fact that something like 2,200 men aged 60 and over are this month excluded from the overall Scottish figure (the estimated reduction for Britain in April was 26,400). Men in this category no longer have to register at benefit offices in order to secure national insurance credits. This new measure will further decrease the level of registered unemployment in coming months, and is likely to reduce the Scottish total by some 8-10,000 in May.

TABLE 1 UNEMPLOYMENT AND VACANCIES NOTIFIED BY SCOTTISH REGIONS, APRIL 1983 (THOUSANDS)

	TOTAL UNEMPLOYMENT		UNEMPLOYMENT RATE %		VACANCIES	
Borders	3,905	(4,109)	10.0	(10.5)	399	(226)
Central	18,515	(19,644)	15.5	(16.4)	892	(674)
Dumfries & Galloway	7,534	(8,252)	13.7	(15.0)	412	(277)
Fife	17,895	(19,278)	13.2	(14.2)	994	(592)
Grampian	16,741	(17,670)	9.0	(9.5)	2,455	(1,929)
Highlands	10,957	(12,108)	14.2	(15.7)	815	(668)
Lothian	42,931	(45,078)	12.4	(13.0)	2,338	(1,677)
Strathclyde	189,632	(196,896)	17.4	(18.0)	5,856	(5,519)
Tayside	25,600	(25,754)	14.6	(14.7)	1,265	(604)
Western Isles	1,939	(2,256)	22.5	(26.2)	40	(79)
Orkney	795	(838)	12.5	(13.2)	39	(18)
Shetland	857	(874)	8.3	(7.5)	60	(63)
SCOTLAND	337,301	(352,757)	15.1	(16.2)	17,380*	(12,326)

*This figure includes 1815 Community Programme vacancies not included in the regional breakdown.

Figures for January 1983 are in brackets. Unemployment totals and rates include school leavers, and are not seasonally adjusted. Vacancies, which are not adjusted, include both those notified at careers offices and the Employment Services Division. Double-counting occurs, consequently the figures are likely to be over-estimated.

Source: Department of Employment and Manpower Services Commission

Special employment and training measures absorbed 68,227 people in Scotland as a whole. 30,400, or close on half of the total, are on the Youth Training Scheme and its predecessor the Youth Opportunities Programme, while a further 17,000 are employed under the Young Workers' Scheme. In spite of the large numbers of young people absorbed by such special measures, unemployment amongst school leavers remains high. Table 2 shows that the regional distribution of this category of unemployed is broadly similar to that of Scottish unemployment as a whole with only Strathclyde having a markedly higher share of school leavers than of total unemployment.

TABLE 2 UNEMPLOYED SCHOOL LEAVERS: BY REGION

	TOTAL	% OF REGION'S UNEMPLOYMENT
Borders	133	3.4
Central	1,216	6.6
Dumfries & Galloway	367	4.9
Fife	926	5.2
Grampian	540	3.2
Highlands	376	3.4
Lothians	2,469	5.7
Strathclyde	11,490	6.0
Tayside	1,255	4.9
Western Isles	55	2.8
Orkney	41	5.2
Shetland	6	0.7
SCOTLAND	18,874	5.6

Source: Manpower Services Commission

Figures must be treated with care as they are subject to considerable seasonal variation. Thus within the next few months the overall and percentage figures will climb considerably as a new batch of school leavers enter the labour market.

The number of vacancies is considerably up on the last quarter, and the underlying trend provides grounds for some limited optimism. Even so both the Western Isles and Shetland experienced a slight fall-off in the number of unfilled vacancies compared to the January level.

Regional Earnings

Male weekly earnings for employees in Scotland aged 21 and over rose from 95.4% of the British total in 1971, to 100% of the British by April 1982. Average male earnings (men 21 and over) stood at £154.50 in April 1982.

Male manual employees (aged 21 and over) did even better as the decade progressed. Their weekly earnings climbed from 96.9% of the British total in 1971, to 101.8% in 1975, remained at this plateau until 1981, and then rose to 102.3% by April 1982. The latter represents a weekly wage of £136.90 compared to a British weekly average of £133.80.

Such figures are, of course, in line with the relative improvement in Scotland's overall economic performance vis-a-vis the rest of Britain throughout the 1970s. However, the actual earnings difference is attributable, for the most part, to higher average overtime hours worked. In 1982 average weekly hours of overtime worked in Scotland were 5.3, compared to 4.9 for Britain as a whole.

Female employees did less well. In 1971, women aged 18 and over in the 'all employees' category earned 95.1% of the British average. By 1982 the figure had risen to 99%. Female workers in the manual sector saw their relative position improve from 97.4% to 98.9% of the British total. Women engaged in manual work in Scotland earned a weekly average of £79.20 while the 'all employee' female average was £95.00.

The overall improvement in weekly earnings in Scotland masks considerable regional differences. Whilst average weekly earnings for males in Dumfries and Galloway stood at 85.4% of the Scottish average in 1982, the figure for Grampian was 112.9%. One consequence of the recession has been that whilst Grampian has remained reasonably buoyant compared to the rest of Scotland, Central's position has slipped. In 1979 Central's figure for male employees as a percentage of the Scottish figure was 108.5%, top of the league. By 1982 the equivalent figure was 105.2%, second behind Grampian. More surprisingly perhaps, is the fact that Grampian does not lead the table for women (18 and over) in the 'all employees' sector. Rather it is Lothian which comes first. This is likely to be a consequence of the concentration of tertiary sector female employment in Edinburgh.

Whereas only three regions equal national average earnings for men, no less than five manage to do so for women; Fife, Grampian, Highland, Lothian and Tayside.

TABLE 3 AVERAGE WEEKLY EARNINGS* OF ALL EMPLOYEES: BY LOCAL GOVERNMENT REGION

	MEN (AGED 21 AND OVER)	WOMEN (AGED 18 AND OVER)
	1982	1982
	£	£
Borders	-	-
Central	162.6	88.6
Dumfries & Galloway	132.0	83.0
Fife	148.6	96.1
Grampian	174.5	98.8
Highland	159.4	97.4
Lothian	153.3	98.1
Strathclyde	152.2	93.6
Tayside	141.9	97.2
SCOTLAND	154.5	95.0
GREAT BRITAIN	154.5	99.0

TABLE 4 AVERAGE WEEKLY EARNINGS* OF ALL EMPLOYEES: REGIONS AS % OF SCOTLAND

	MEN (AGED 21 AND OVER) 1982 %	WOMEN (AGED 18 AND OVER) 1982 %
Borders	-	-
Central	105.2	93.3
Dumfries & Galloway	85.4	87.4
Fife	96.2	101.2
Grampian	112.9	104.0
Highland	103.2	102.5
Lothian	99.2	103.3
Strathclyde	98.5	98.5
Tayside	91.8	102.3

*Average Weekly Earnings before deductions for tax and National Insurance, full-time employees whose pay was not affected by absence.

Source: New Earnings Survey

Finally, a comment on the earnings of male manual employees by sector (see Table 3). As can be readily observed from the following table, mining and quarrying is by far and away the sector with the highest average weekly earnings. This sector includes natural gas and petroleum extraction and development and determines Grampian's dominance in the earnings league. Given recent optimism about the future development of more marginal fields in the North Sea it is likely that Grampian's position at the top of the earnings league will be highly secure.

TABLE 5 AVERAGE WEEKLY EARNINGS OF MALE (21 AND OVER) MANUAL EMPLOYEES: BY INDUSTRY

INDUSTRIAL SECTOR	SCOTLAND, 1982 £	SCOTLAND AS % OF GB
Agriculture, forestry & fishing	102.2	98.5
Mining & quarrying	182.2	104.2
Manufacturing	144.4	104.6
Construction	136.3	103.7
Gas, electricity & water	157.2	102.4
Transport & communication	144.2	100.1
Distributive trades	106.9	93.3
Professional & scientific services	120.5	105.5
Miscellaneous services	109.7	100.2
Public administration	113.3	98.4
Total all industries and services	136.9	102.3

Source: New Earnings Survey

Outlook and Appraisal

Four years ago with an election imminent, we devoted this section of the Commentary to a review of the performance of the Scottish economy during the period of the last Labour government (see Quarterly Economic Commentary May 1979). Another general election is now pending and it seems appropriate to carry out a similar exercise focussing in this case on the period since May 1979. Before doing so, some caveats are in order. Firstly, there has been a world recession during this period and it is still too early to judge with complete confidence that it is yet at an end. The external environment within which government policy must be formulated and implemented has thus been extremely unfavourable during the last four years. Secondly, all the statistics required to paint a complete picture of the evolution of the Scottish economy over the last four years are not yet available. The latest data on Scottish industrial production and employment refer to the third quarter of 1982, for example. Finally, policies take effect only with a lag. Thus even were up to data information on the economy available, a simple comparison of macroeconomic aggregates over the period May 1979 to June 1983 might not permit a fair assessment of the outgoing government's economic record. Some measures, they would argue, have yet to have their full effects, and equally, some measures taken by the previous Labour government will have affected the various indicators in the early part of the life of the present administration. The world is imperfect, the data are incomplete and the results of any assessment must therefore be somewhat tentative. This should be borne in mind in what follows.

To keep matters in perspective, consider what happened in the world economy during the period under review. We use trends in the aggregate of OECD member countries as a proxy. It's not a perfect one as economic cycles are not completely synchronised across countries.

After a halting and incomplete recovery from the oil price rise of 1973/4, unemployment began to increase sharply in 1979. The standardised unemployment rate for the whole OECD area rose from 5.0% in the second quarter of 1979 to 8.9% in December 1982, somewhat short of doubling. International comparisons of unemployment rates are far from straightforward, but the OECD calculate that the comparable rate for the United Kingdom **more** than doubled, going from 5.7% of the labour force in the second quarter of 1979 to 13.1% in December 1982 and to 13.5% by February 1983.

Gross Domestic Product (GDP), the broadest measure of output, rose by 2.2% in the OECD area between 1979 and 1982. The comparable figure for Britain was a fall of 3.5%. Less broad measures of output tell a similar story. Over the same reference period, industrial production in the OECD area fell by 3.3%, while in Britain it fell by 9.7%. Trends in industrial production can be somewhat misleading for Britain in recent years as this index includes oil related activities. Focussing on the narrower index of manufacturing production tells an altogether bleaker story. Between the second quarter of 1979 and February 1983 manufacturing output in Britain fell by 17.5%.

Economic Performance 1979-1983

	1979 Q2	1982 Q3	
Manufacturing Output			
- Scotland	100.8	93.2	Index 1975 = 100
- GB	107.4	88.0	" " "
Manufacturing Employment			
- Scotland	613.0	456.0	'000s unadjusted
- GB	7,053.0	5,601.0	" " "
Total Employment			
- Scotland	2,077.0	1,929.0	" " "
- GB	22,593.0	20,497.0	" " "
	1979 May	1983 April	
Total Unemployment			
- Scotland	165.4 *	337.3	'000s unadjusted
- GB	1,161.0	3,054.0	" " "
Unemployed Excl. School leavers and Students			
- Scotland	166.7 *	317.5 **	'000s seas. adjusted
- GB	1,196.0	2,910.0 **	" " "
Unemployment relative Scotland/GB	146.0	114.0	Ratio of unemployment rates (seasonally adjusted)
	1979 April	1982 April	
Average weekly earnings-males			
- Scotland	101.2	154.5	£'s
Average weekly earnings-females			
- Scotland	60.4	95.0	£'s
	1979 May	1983 March	
Retail prices	215.9	327.9	UK Index Jan 1974=100

* calculated on old basis

** allowing for effect of men 60 and over not having to sign on

Trends in employment reflect those in output. Total employment in the OECD area is still holding at its 1979 level. Even in OECD Europe the fall in total employment over the period since 1979 was only 4% by the end of 1982. But in the United Kingdom, total employment fell by over 8% over the same period.

Only on inflation is the the performance of the UK economy better than that of the OECD. Consider the inflation measure with the highest profile first. Consumer price inflation in 1979 was 13.4% in the UK and 9.8% in the OECD for the year as a whole. For 1982 the comparable figures were 8.6% and 7.8% respectively. But consumer price indices are not the best measure of inflation if the purpose is to make international comparisons as they are distorted by domestic expenditure taxes and subsidies. The implicit deflator of GDP is a more appropriate measure. Here the success of the UK government in reducing inflation is much more marked. Between 1979 and 1982, the annual change in this measure fell from 15.1% to 7.6% in the UK, and from 9.4% to 7.5% in the whole OECD area.

Without in any way dismissing the success of the outgoing government in reducing UK inflation, (having caused it to accelerate markedly in their first year in office), the fact remains that the British recession has been much deeper than that in the OECD, with significantly larger falls in output and employment and markedly greater increases in the incidence of unemployment than those experienced by the aggregate of OECD members. This is the background against which the evolution of the Scottish economy must be assessed.

The table above replicates that employed in assessing the Scottish economy under the previous government. The statistics give the impression that Scotland has weathered the recession somewhat better than the UK as a whole. Or to be more correct, it had done so up to the third quarter of last year. In particular, the fall in manufacturing output in Scotland was markedly smaller than that in the UK, though employment in this sector in Scotland fell by a far greater proportion than in the economy as a whole. However the apparent improvement in the relative position of the Scottish economy compared to the rest of the UK is more a reflection of the depressed state of the other regions than of any inherent buoyancy in the Scottish economy. Nor can it be attributed to an active regional policy on the part of the government. Under the outgoing administration regional incentives have been much reduced and the role of the Scottish Development Agency downgraded. The shift towards a non interventionist stance foreshadowed in our Commentary of May 1979 has materialised during the life of the present government.

QUARTERLY ECONOMIC FORECASTS

The short-term outlook for the Scottish economy under present policy is for a moderate, but selective, improvement in output and for a continuing slow deterioration in labour market conditions. Manufacturing production is likely to grow by about 1%-1.5% between second quarter 1983 and second quarter 1984, leaving it still well short of 1979 levels. Productivity growth should continue, particularly in those firms now being able to make more adequate use of their capacity. Overtime hours should pick up, though at a far slower rate than between 1980 and 1982. With service sector employment stabilising and no great change in the labour supply expected over the next twelve months, the expected rise in unemployment is of the same magnitude as the fall in manufacturing employment. Thus, though there will be some pickup in the output of goods and services from Scotland, the labour market will continue to languish with no substantive improvement likely over the next twelve to eighteen months.

Quarter	1983			1984	
	2	3	4	1	2
Manufacturing Output Scotland (1975 = 100)	95	95	96	97	97
Manufacturing Employment Scotland (000's)	445	440	441	435	432
Unemployment Scotland (000's)	340	339	348	356	352

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